Innovating together – Non-standard deals
In this brochure, Swiss Re Corporate Solutions presents examples of innovative risk transfer solutions.

They showcase our applied experience in a variety of industries and demonstrate how Swiss Re Corporate Solutions can partner with you in new and ground-breaking ways to address the toughest risks across the globe.

Do you have an innovation story in the making? Let’s get creative. Let’s think big. Let’s do something that hasn’t been done before. We are smarter together.
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Multi-year, multi-line cover

Background
As part of a tender process, a global goods manufacturer invited the entire Swiss insurance market to a presentation on the company’s major lines of business. Swiss Re Corporate Solutions had no historical involvement on any of the primary layers, nor did we have any of the needed lead capabilities (risk engineering, claims handling, worldwide policy issuance etc.) to quote for a lead. Even so, an insurer approached us about a joint offering combining their lead capabilities with Swiss Re Corporate Solutions industry know-how and capacity. We received the green light from both the client and the broker for a joint proposal for a MYML cover.

What solution did we develop?
Swiss Re Corporate Solutions designed a MYML cover combining eight different programmes with the support of a joint team of underwriters.

What was innovative about this deal?
Key to our success was that our partner could act as the exclusive service provider while we were a full co-leader enhancing the proposal from a (natural catastrophe) capacity and industry know-how point of view.

What were the challenges?
Critical issues to overcome included the technical complexity of combining eight different programmes into one insurance policy, evaluating the cost of catastrophe risk transfer over a multi-year term, and collaborating with another market player willing to support our structure and pricing.

How else can this be applied?
Clients who are motivated to combine various lines of businesses into a multi-year, non-cancellable structure should consider such a solution. Swiss Re Corporate Solutions can deploy considerable capacity in the targeted layers on a three-to-five-year basis depending on risk quality, the accumulation of our exposures in the specific geography, and the price adequacy for a multi-year commitment. Partnering with a co-insurer – if necessary – allows us to offer primary lead programmes for various jurisdictions.
Cover for financial loss not involving physical damage

Background
A world-class transport/logistics provider identified several low-frequency/high-severity events (‘black swans’) that, if encountered / should they happen, could materially reduce profits without any physical damage to its assets and weaken the financial integrity and solvency rating of the firm. The events did not necessarily meet the traditional definition of ‘occurrence’, nor did they result in physical damage to the insured’s own assets.

What solution did we develop?
Swiss Re Corporate Solutions provided a catastrophe excess of loss cover for defined events over a multi-year term.

What was innovative about this deal?
We developed and defined ‘peril-specific’ responses to catastrophic events that did not lend themselves to traditional insurance triggers. Even the defined events were largely uninsurable with traditional risk-transfer products. The final structured solution provided multi-year cover against non-physical damage business interruption due to (i) imminent natural catastrophes, (ii) non-performance of information systems (cyber risk), and (iii) regulatory shutdown of services (for health and safety reasons).

What were the challenges?
With any potentially uninsurable perils, determining the frequency and severity of events, the expected loss and correlation among events requires extensive time and discussions with the broker and client. In the deal, all parties needed to agree on the appropriate balance between risk assumption, risk transfer and price for these novel ‘black swan’ risks.

How else can this be applied?
Defining ‘black swan’ events that can negatively impact earnings and weaken balance sheets represents a unique opportunity for clients and insurers alike. The opportunity spans across many industries, with most recent activity seen in airlines, rail transport and hospitality services, such as hotels.
## Aggregate stop-loss cover

### Background
An energy client wanted to reduce its dependence on the commercial insurance market for property insurance. The client decided it did not want to increase the capitalisation of its captive to absorb volatility in adverse loss scenarios.

### What solution did we develop?
Swiss Re Corporate Solutions provided annual aggregate stop-loss insurance combined with excess coverage.

### What was innovative about this deal?
Swiss Re Corporate Solutions’ ability to provide aggregate stop-loss cover allowed the captive insurer to maintain its current solvency rating and more efficiently deploy its capital. Should the stop-loss cap be penetrated, meaningful reinsurance loss recovery would prevent the captive from reducing its risk assumption strategy and seeking additional capital from its parent company.

### What were the challenges?
As with any aggregate stop-loss insurance, determining the right balance between risk retention and risk transfer was key. The captive did not want to cede its profitability to an outside re/insurer, but the potential for adverse events needed to be capped to preserve the captive’s solvency rating.

### How else can this be applied?
Captives that ‘warehouse’ risks of subsidiary companies often require some external risk transfer, particularly in the early years of operation. Swiss Re Corporate Solutions has the capability to accept a single line or multiple lines of insurance and provide meaningful catastrophic-loss limits (USD 100 million or higher) in the event of adverse outcomes.

Often, our capital can be more efficient than exposing a captive insurer’s own balance sheet, particularly for low-frequency/high-severity events.
### Parametric natural catastrophe cover for uninsured assets – “CAT-in-a-box”

**Background**
The main production site for a solar salt product manufacturer sits in a cyclone-prone area on the coast of Queensland, Australia. As a result, its production process is vulnerable to damage from severe wind and rain, as evidenced by recent losses from Tropical Cyclones Oswald and Marcia. However, the client’s conventional insurance programme only covered its infrastructure, leaving other key assets – such as salt, crystallising ponds, lagoon banks, launders, salt in solution and open-air salt stocks – completely exposed.

**What solution did we develop?**
Swiss Re Corporate Solutions designed a parametric cover for ‘uninsurable assets and losses’ with a staggered payout index for category 3, 4 and 5 tropical cyclones subject to an annual and term aggregate limit.

**What was innovative about this deal?**
Our solution used a derivative agreement where the payment amount was pre-determined based on the estimated loss for each tropical cyclone category. By defining a coverage area – a 100 km radius ‘box’ around the production site – we were able to cover assets that are typically excluded from or heavily sub-limited in traditional Nat Cat policies. We bound a multi-year policy to guarantee capacity, terms and conditions, and staggered payout to cover a broader range of events.

**What were the challenges?**
We needed to identify which of the critical assets were uninsured and create a vehicle to provide compensation in the event they are lost or damaged. We created a parametric index that determined how much we would pay the client if the named storm of a set magnitude occurred within the pre-defined location.

**How else can this be applied?**
As this parametric index allows us to cover ‘uninsurable’ assets, it can be tailored to other catastrophic exposures that fall outside of traditional insurance.
Parametric risk cover

Background
The risk manager of a major European luxury goods company approached Swiss Re Corporate Solutions for a solution to protect the earnings of its flagship store in Tokyo. The company had major concerns about the buying behaviour of its customers following a major earthquake. Under its traditional property damage policy, the company was covered for business interruption if its store got damaged but was insufficiently protected for non-damage events. Historically, the traditional insurance structure had only protected +/− 20% of the group’s total financial loss, and loss handling with insurers was a long and burdensome process.

What solution did we develop? / What was innovative about this deal?
Swiss Re Corporate Solutions provided a multi-year insurance policy that will pay out pre-agreed amounts based on the level of an earthquake shake intensity index.

What were the challenges?
To create the optimal solution, we needed to perform extensive modelling and link the payout triggers to the estimated loss of income to the client.

How else can this be applied?
Parametric insurance covers can protect clients against a wide spectrum of risks including natural catastrophes, like earthquakes, hurricanes, and to some extend flood; weather risks, such as extreme temperatures or atypical precipitation patterns, often in combination with energy prices; and volumetric exposures in agriculture, such as crop yield, rainfall and temperatures. Parametric insurance can provide cover for supply chain risks for suppliers that are located in catastrophe prone areas (such as Japan or California), and more recently, for airline cancellation risks and low occupancy rates in hotels due to terrorism, pandemics or other disruptions to public travel.
Temporary total disability cover

Background
A sports club approached the Special Risks team of Swiss Re Corporate Solutions for a temporary total disability (TTD) cover. The club was concerned about its obligation to pay a player’s guaranteed annual salary if the player is out with an injury. The club needed the TTD cover to sign a loan player in the event to remain competitive throughout the season.

What solution did we develop? / What was innovative about this deal?
With a tailored solution from Swiss Re Corporate Solutions, a key broker of ours won the account from a rival broker. TTD cover is usually combined with accidental death/permanent total disability cover. But with a tailored solution that tapped the expertise of multiple Swiss Re Corporate Solutions departments, our broker had the edge it needed to win the business.

What were the challenges?
One of the challenges we faced was to combine the expertise of various departments – such as special risks underwriters, medical underwriters, claims – as well as of senior management of both the broker and the sports club.

How else can this be applied?
This account signalled Swiss Re Corporate Solutions’ intent in the TTD market and demonstrated our sports personal accident underwriting capabilities to offer new and innovative solutions to the London broker community.
# Force majeure contingent gas price hedge

## Background
The client, an energy company, was concerned about the chances of experiencing an unavoidable accident at a liquefied natural gas (LNG) terminal and having to buy gas from the market at spot prices to honour contracts to supply its clients.

## What solution did we develop? / What was innovative about this deal?
To help the client guard against this risk, we designed a hedge against a rise in UK natural gas prices and combined it with an unusual trigger: a force majeure event at a LNG terminal, rather than an outage event at a power station or plant, as would have been customary. The cover was issued for a two-year term.

## What were the challenges?
Two of the main challenges were to determine the probabilities of the force majeure event, and then to combine those with the market price risk for gas.

## How else can this be applied?
Creating a hedge to address scenarios (such as outages, price risks triggered by un/insurable events, low wind cycles, inadequate sun, extended drought conditions, etc.) can help insureds reduce risks, secure long-term financing, capture more sustainable and environmentally sound sources of energy, and diversify energy production.
## Performance and advance payment bond

### Background
A construction firm approached Swiss Re Corporate Solutions for a performance and advance payment bond for a highway construction project. The bond was required to ensure completion of the project.

### What solution did we develop? / What was innovative about this deal?
The construction firm picked Swiss Re Corporate Solutions as a key partner, and we were able to leverage our traditional P&C offerings to write 100% of this large bond. On the highway construction project, we were awarded business in surety, construction all risk (CAR) engineering, construction liability and property.

### How else can this be applied?
Clients can look to Swiss Re Corporate Solutions for a wide range of products covering every stage of a large construction project, from surety capacity and construction all-risk coverage to construction liability coverage and more, including property and casualty cover after completion.
# Efficient fronting

## Background

A large multinational energy company approached us with a request to ‘front’, i.e. to issue admitted insurance policies, with substantial limits for its captive.

## What solution did we develop? / What was innovative about this deal?

Swiss Re Corporate Solutions put together a one-year fronting arrangement that provides bespoke coverage for property (onshore and offshore), business interruption and third-party liability risks for several countries. The client awarded the transaction to Swiss Re Corporate Solutions, crucially on account of our expertise and leadership in the global energy insurance market, our large net capacity, and our capability to structure complex deals across multiple countries and lines of business.

## What were the challenges?

This transaction was more complex than a ‘typical’ traditional fronting arrangement due to compliance, regulatory and tax issues for the covered territories, regulatory collateral requirements (Schedule F in the US and tied asset rules in the EU), and risk mitigation issues in connection with the captive involvement.

## How else can this be applied?

Fronting can be applied to a variety of industries. Clients who need to evidence insurance to their clients, regulators, lenders or any third party, and who are comfortable assuming certain risks, can use efficient fronting arrangements. This requires the financial strength of a highly rated insurer, like Swiss Re Corporate Solutions, to provide evidence of insurance, for short and often for long periods. For complex transactions with relatively low claims frequency yet sizeable (net) capacity requirements, clients will find a perfect partner in Swiss Re Corporate Solutions.
## Loyalty scheme to attract new customers

### Background
A European multinational utility company asked Swiss Re Corporate Solutions to help it develop a loyalty programme to retain existing customers and attract new business. The company was worried about losing customers to competitors after the deregulation of the energy market. It was also looking to transfer some of the risks of the loyalty programme.

### What solution did we develop? / What was innovative about this deal?
To meet the request – which came from the marketing manager of the company and not from the risk management department – we came up with a programme offering a ‘payment holiday’ to customers if they are affected by a major natural catastrophe event (defined as an earthquake and/or flood of a pre-agreed magnitude). To transfer the risk of the payment holiday, we designed a parametric product that provides a quick payout to compensate the utility for loss of earnings.

### What were the challenges?
Once the client developed a loyalty scheme that was attractive to new customers they faced the challenge to find the right party to work together on a solution to transfer the risk.

### How else can this be applied?
Growthsurance™ is the name we gave the parametric solution that helped our utility client. It allows a company to grow its business while offloading insurable risks to Swiss Re Corporate Solutions. Examples are loyalty schemes, promotional covers (such as a refund in case of bad weather, not enough snow, etc.), income stream protection for lease agreements, and many more. More often than not, Growthsurance™ ideas are discussed with the marketing unit rather than the risk management department of a client.
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Swiss Re Corporate Solutions delivers risk-transfer solutions through a variety of companies in different jurisdictions that are appropriately licensed for the type of solution that fits the client’s needs. Innovative risk-transfer solutions can be structured in the form of insurance, reinsurance, a derivative, a security, or a risk participation agreement. Certain products discussed herein are subject to financial regulation and require the use of appropriately licensed legal entities and personnel. Insurance and reinsurance products are subject to the regulation of the jurisdiction in which the product is delivered and/or where the risk is located and generally must be issued by licensed re/insurers. Derivative products are subject to financial regulation and may give rise to significant risks.

Swiss Re Corporate Solutions does not act as an advisor for derivative or securities transactions and you are encouraged to consult your own advisor. In general, derivative transactions involve the types of risks discussed in the ISDA General Disclosure Statement and the ISDA Commodities Derivatives Disclosure Annex, each as published by the International Swaps and Derivatives Association Inc (“ISDA”). Both the ISDA General Disclosure Statement and ISDA Commodities Derivatives Disclosure Annex can be obtained from ISDA free of charge and is currently available at http://www2.isda.org/functional-areas/legal-and-documentation/disclosures/.

The transactions described in this brochure are representative of transactions that are possible and do not apply to all situations. The innovative risk-transfer solutions available will vary by client location and circumstances.