

MARKETINSIGHT

UTILIZING REINSURANCE SOLUTIONS TO DERIVE ADDITIONAL VALUE OUT OF ANNUITY PORTFOLIOS

Annuity insurers face a myriad of complexities with their annuity portfolios, including:

- Legacy blocks with high guaranteed minimum interest rates
- Maintaining sufficient yield in asset portfolios to match their policy liabilities
- Constraints on capital allocated to growth of annuity portfolios
- Meeting product requirements of increasingly demanding distribution channels
- Managing volatility of cash flows on variable annuity portfolios



TRANSACTION TYPES

\$200 million to \$5 billion per transaction

- Deferred fixed annuity transfer
- Variable annuity volatility
- Flow business quota share

Multiple elements of positive financial impact

- Capital release
- Asset gains
- Ceding commission

Guy Carpenter's role as advocate, advisor and broker brings a market-driven process to executing optimal reinsurance solutions. Guy Carpenter has significant experience in dealing with complex transactions within the Annuity marketplace, and has been involved in multiple transactions totaling in excess of \$5 billion.

Because these transactions go well beyond typical reinsurance considerations and can impact corporate strategy in a fundamental way, Guy Carpenter's Healthcare & Life Specialty Practice partners with GC Securities to facilitate these highly complex financial decisions. GC Securities complements our reinsurance brokerage colleagues to extend the range of risk-transfer solutions and advisory services for clients. The team leads all others in experience with insurance-linked securities and (re)insurance industry M&A, serving as a single access point to all capital markets and providers worldwide.

GUY CARPENTER CREATES VALUE

Guy Carpenter assisted an insurer close their first Deferred Fixed Annuity Transaction in 2015, managing the transfer of a block of approximately \$800 million of reserves to the selected reinsurance partner. As a result, the insurer realized over \$100 million in value from the combination of asset gains and positive ceding commission, and gained strategic flexibility due to the release of capital.

GUY CARPENTER'S APPROACH

Guy Carpenter brings to a ceding annuity insurer many advantages of a competitive process, marketing to a wide range of potential reinsurers and discovery of the best possible terms. With Guy Carpenter acting as a market intermediary and driving a competitive outcome, the ceding company can maintain an excellent relationship with reinsurers without the strain of the negotiating process, and have an advocate to ensure the transactional execution risk is minimized. The process includes:

- Project review and consideration of impact on financial statements
- Determination of project strategy
- Recommendation of counterparties
- Preparation of data and reinsurance submission
- Managing the bidding process and normalizing quoted terms for review
- Determining criteria for final round selection
- Management of due diligence
- Financial and contractual negotiations with finalists
- Deal closing and follow through

We look forward to the opportunity to have a discussion about your organization and how Guy Carpenter's service offering may help you meet your objectives. For more information on the Guy Carpenter HealthCare & Life Specialty Practice, please contact:

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About Guy Carpenter

Guy Carpenter & Company, LLC is a leading global risk and reinsurance specialist. Since 1922, the company has delivered integrated reinsurance and capital market solutions to clients across the globe. As a most trusted and valuable reinsurance broker and strategic advisor, Guy Carpenter leverages its intellectual capital to anticipate and solve for a range of business challenges and opportunities on behalf of its clients. With over 2,300 professionals in more than 60 offices around the world, Guy Carpenter delivers a powerful combination of broking expertise, strategic advisory services and industry-leading analytics to help clients achieve profitable growth. For more information on Guy Carpenter's complete line-of-business expertise and range of business units, including GC Specialties, GC Analytics®, GC Fac®, Global Strategic Advisory, GC Securities*, Client Services and GC Micro Risk Solutions®, please visit www.guycarp.com and follow Guy Carpenter on LinkedIn and Twitter @GuyCarpenter.

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