



REINSURANCE OPTIMISATION: RISK vs. REWARD

Reinsurance is the most significant spend for most insurance companies. As such, it is critical to ensure that companies get value for money. This is best achieved by working with an expert to undertake a detailed reinsurance optimisation analysis.

The value of reinsurance optimisation:

- Understand the economics of each reinsurance contract. This means having a clear understanding of the income and outgo of each contract and the net result for the insurer. Only then can we determine whether it holds value.
- Understand which contract(s) attach to which risk. This determines which portion of each risk is reinsured.
- Determine whether treaty limits are appropriate by producing claim and risk profiles and comparing these to the treaty limits and attachment points.
- Set goals for the reinsurance optimisation and test alternative reinsurance options to achieve these goals.
- Propose practical and viable changes for implementation with the aim of significantly improving the net underwriting result of the insurer.

CASE STUDY

Data-driven, efficient and effective

In 2019 QED was approached by a large general insurance company in West Africa to address their reinsurance concerns. The insurer had a gross profit margin of 31% and a net profit margin of 2%. An average reinsurance ratio of 58% was in place across all classes.

THE STEPS

1. Data and information gathering

The QED team set about gathering detailed data regarding the premiums and claims applicable to each reinsurance treaty. The data was verified against finance data and presented for sign off by the client.

2. Understanding the economics

Armed with all the essential data, the team constructed the reinsurance programme. QED set about analysing which treaties and which reinsurers were making a profit in order to identify the contracts where the most profit was ceded away.

3. Test and optimisation

We aimed to establish the value provided by the current reinsurance programme versus alternative programmes. The QED team considered various alternative reinsurance structures to identify the most appropriate and cost-effective structure given the company's objectives, risk appetite and unique risk profile.

4. Presentation of results and agreed actions

With analysis and optimisation exercises completed, QED presented its findings to the client to highlight alternative structures and recommended changes to existing contracts. The presentation included a 'what if' projection to show the projected impact on the net underwriting result for each of the proposed alternatives.

NET RESULT:

As a result of QED's intervention, the insurer saw the following impacts:

Net profit margin increased **3 FOLD**

Average reinsurance ratio reduced from 58% to **52%**

NO SIGNIFICANT CHANGE TO RISK APPETITE

Net underwriting profit increased by **2 MILLION USD**

WHY USE QED?

- **Knowledge** - QED's seasoned actuaries boast extensive experience in reinsurance across the African continent.
- **Independence** - We operate independently of any reinsurer or reinsurance broker and our fees reflect the value we add and not the amount of reinsurance that is placed.
- **Insights** - Our experts have a deep understanding of the risk appetite, return on equity and capital requirements across Africa.

The combination of these three core pillars enables our experts to produce the best net result for each client, based on their chosen risk appetite and individual requirements.

QED is the largest independent actuarial consulting firm in Africa. For the past 25 years we have been providing actuarial services throughout the continent from our head office in Johannesburg, South Africa. In 2019 QED sold a majority interest to leading black-owned empowerment investment holding company African Rainbow Capital Financial Services Holdings. This move elevated QED to the status of the largest majority black-owned actuarial firm in South Africa and the rest of Africa.

We offer actuarial and strategic consulting services to:



Life insurance companies



General insurance companies



Health insurance companies;



Banks



Retailers



Regulatory & industry bodies



Retirement funds & associated employers

OFFICES

QED has 3 regional offices in addition to the head office in South Africa:



South Africa



Kenya



Mauritius



Nigeria

INDUSTRY LEADING EXPERTS

Meet the QED team



Anton Reinke FIA FASSA
Associate Director

D +27 11 038 3742
M +27 82 552 0524
anton.reinke@qedact.com

Speciality: General Insurance

Anton is a Fellow of the Actuarial Society of South Africa and a Fellow of the Institute and Faculty of Actuaries UK. He is former Group Actuary for RMB Structured Insurance and Head of Insurance Consulting at Alexander Forbes. Anton boasts more than 20 years' experience working for several insurance groups across Africa.



Ronald Richman FIA FASSA CERA
Associate Director, R&D &
Special Projects

D +27 11 038 3700
M +27 79 133 7248
ronald.richman@qedact.com

*Speciality: Life Insurance, General Insurance and
Data science*

Ronald is a Fellow of the Actuarial Society of South Africa and a Fellow of the Institute and Faculty of Actuaries UK. He holds the Chartered Enterprise Risk Actuary designation. A former Chief Actuary and Chief Risk Office of AIG South Africa, Ronald has more than 9 years' experience across a variety of actuarial and risk management roles.



Christine van Heerden FASSA FNAS
Actuarial Manager

D +27 11 038 3732
M +27 72 738 3725
christine.van.heerden@qedact.com

Speciality: General Insurance

Christine is a Fellow of the Actuarial Society of South Africa and a Fellow of the Nigerian Actuarial Society. She has been consulting to general insurance companies and medical insurers for the past 6 years.



www.qedact.com