

Table of Contents

Foreword	VII
Table of Contents	IX
Acknowledgements	XIII
1 Introduction and Motivation.	1
PART I: TRADITIONAL REINSURANCE	
2 What is Reinsurance?.	7
2.1 Concept of Reinsurance	7
2.2 Types of Reinsurance	8
2.3 Basic Functions of Reinsurance	10
References	11
3 Proportional Reinsurance	13
3.1 Quota Share Treaty Reinsurance	14
3.2 Surplus Treaty Reinsurance	17
3.3 Facultative-Obligatory Reinsurance	22
3.4 Practical Exercises	23
References	25
4 Non-Proportional or Excess of Loss Reinsurance	27
4.1 Per Risk Excess of Loss	32
4.2 Per Event Excess of Loss	32
4.3 Stop Loss Excess of Loss	35
4.4 Aggregate Excess of Loss	36
4.5 Basis of Attachment for Excess of Loss Reinsurance	37
4.6 Non-Proportional Premiums	39
4.7 Stability or Indexation Clauses	42
4.8 Practical Exercises	47
References	48

5	Reinsurance Treaties in Combination	51
5.1	Quota Share after Surplus	51
5.2	Per Risk Excess of Loss after Surplus	53
5.3	Per Risk Excess of Loss and Quota Share	55
5.4	Per Risk XL and Catastrophe XL	60
5.5	Practical Exercises	61
	References	63
6	Facultative Reinsurance	65
6.1	Proportional Facultative Reinsurance	66
6.2	Non-Proportional Facultative Reinsurance	67
6.3	Placing Risks under Facultative Reinsurance	69
	References	71
7	PML in Proportional Property Cessions	73
7.1	PML Cession	74
7.2	Premium Allocation in a Surplus Treaty	77
7.3	PML Error Excess of Loss	78
7.4	Practical Exercises	80
	References	81
8	Reinsurance Pricing of Non-Proportional Contracts	83
8.1	Burning Cost or Experience Rating Method	84
8.2	Exposure Rating Method	89
8.3	Pricing of Catastrophe Excess of Loss Reinsurance	95
8.4	Practical Exercises	101
	References	103
9	Reinsurance Accounting	105
9.1	Underwriting Year Basis	105
9.2	Clean Cut or Accounting Year Basis	107
9.3	Calculating Unearned Premium Reserves	109

9.4 Reinsurance Commission	115
9.5 Practical Exercises	121
References	123
PART II: ADVANCED REINSURANCE	
10 Reinsurance and Capital Markets	127
10.1 Alternative Risk Transfer	127
References	130
10.2 Capital Markets-Based Risk Transfer Protection	131
References	138
11 Ceded Reinsurance.	139
11.1 Fundamentals on Ceded Reinsurance.	139
References	141
11.2 Retrocession and Reciprocity.	142
References	146
11.3 Reinsurance Contracts: Treaty Wordings.	147
References	155
11.4 Cycles of the Reinsurance Market	156
References	159
11.5 The Concept of Retention and Capacity in a Reinsurance Program	160
References	165
11.6 Policyholder Reinsurance: Fronting and Captives	166
References	170
11.7 Legacy or Run-Off Management	171
References	173
11.8 (Re-) Insurance Regulation	174
References	178
11.9 Evaluating and Optimizing Reinsurance.	179
References	182

Appendix A: Answers to Practical Exercises	185
A.1 Proportional Reinsurance	185
A.2 Non-Proportional Reinsurance	188
A.3 Reinsurance Treaties in Combination	189
A.4 PML in Proportional Property Cessions	192
A.5 Reinsurance Pricing	193
A.6 Reinsurance Accounting	196
Appendix B: Glossary of Reinsurance Terms	199
List of Figures	213
List of Tables	217
List of Abbreviations	221
Index	227
About the Authors	235