

Summary of Findings

(Exclusive for Survey Participants)

2015 Flaspöhler Survey™ Cedants Evaluate Reinsurers (Life /N.A.)



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Reasons why the results of this study - and the studies we've done for over 30 years - are so accurate:

The **List** of cedants invited to take this survey includes only those identified by reinsurers as important decision-makers relative to reinsurer evaluation and selection. There is no other survey list like it.

The **Survey Questions** have been developed and refined over 20 years, incorporating feedback from both cedants and reinsurers. The Flaspöhler Survey is the industry standard for evaluating reinsurance services.

Adaptive Interviewing methodologies are used in programming this survey. Cedants are only asked questions about reinsurers they know and only relative to topics important to them personally. This technique results in the most accurate data possible in survey research.

ABOUT THE STUDY

The Flaspöhler Survey™ CEDANTS EVALUATE REINSURERS (LIFE / N.A.) was initiated in 1993 as a biennial quantitative study of perceptions of primarily U.S. and Canadian Direct Writers about Life reinsurers and related issues. This study is co-sponsored by almost every major Life reinsurer operating in North America.

The survey questionnaire consisted of about 60 questions about reinsurer utilization, perceptions of reinsurers, reinsurer selection and key industry topics. Thirteen (13) reinsurers were evaluated:

- | | |
|-------------------|----------------------|
| 1. Aurigen USA | 8. RGA |
| 2. Canada Life Re | 9. SCOR Global Life |
| 3. Gen Re | 10. Standard Life |
| 4. Hannover Re | 11. Swiss Re America |
| 5. Korean Re | 12. Toa Re |
| 6. Munich Re | 13. Wilton Re |
| 7. Optimum Re | |

The survey was fielded in November 2014. These results are based upon interviews by 475 Direct Writers, representing 180 companies. The overall response rate was 35%. The results are accurate to within $\pm 3.04\%$ at a 90% level of confidence.

In addition to overall (all respondent) results, selected results are shown, segmented by Actuarial vs. UW (Underwriter), based upon how the respondents identified themselves.

■ 2015 Overall Actuarial ■ 2015 Overall UW

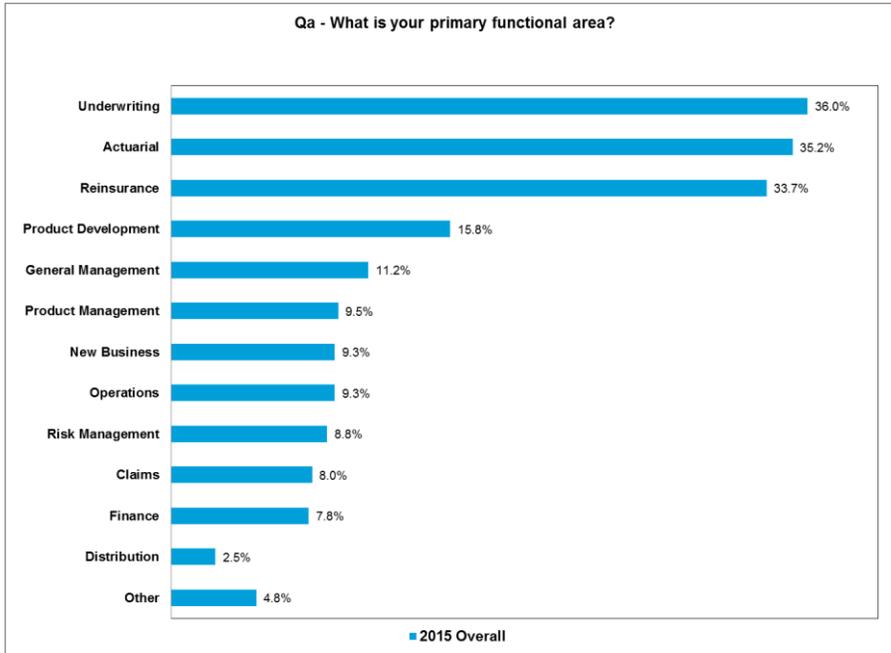
At the end of the survey we asked respondents:

Do you have the impression that the information collected in this survey provides reinsurers with what they need to improve the way they do business?

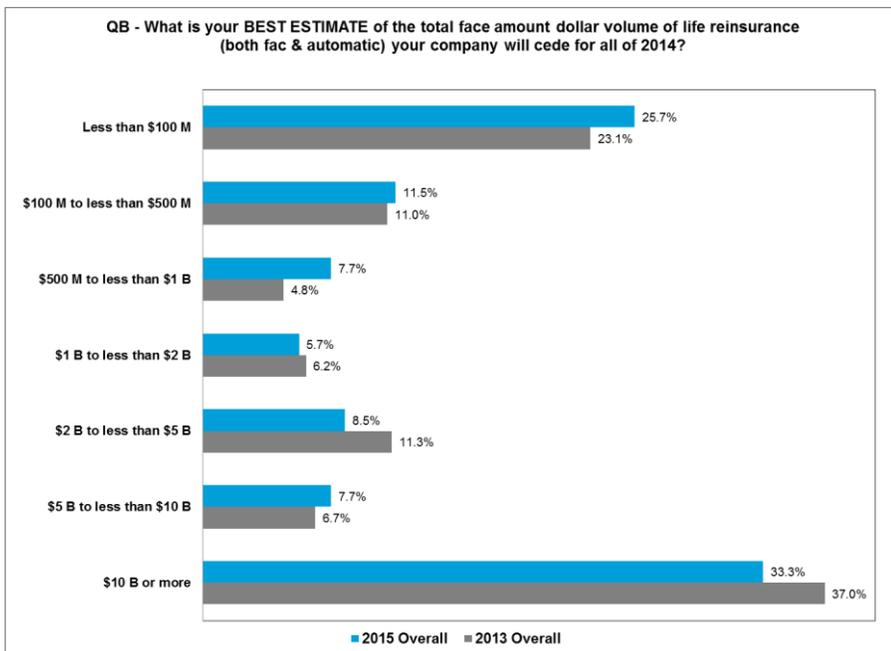
Over **94%** of survey respondents (who had a definitive opinion) perceive this survey to be beneficial to reinsurers.

ABOUT THE RESPONDENTS

Respondents represent the gamut of possible functional areas - from underwriting to distribution. (Multiple selections were allowed, so responses below total more than 100%.) The primary functional areas represented are underwriting and actuarial.



Respondents represent a wide range of company sizes and reinsurance volumes, with one-quarter ceding under \$100 million and one-third ceding \$10 billion or more.



REINSURERS MOST USED

We ask about which reinsurers are used, not only to determine market share, but also as a base for follow-up questions. Over three quarters of respondents currently use **Swiss Re America**, which was also the most used reinsurer in the 2013 study.

Most Used
Swiss Re America - 76.8%

Other reinsurers used by at least 40% of respondents - in alphabetical order - are:

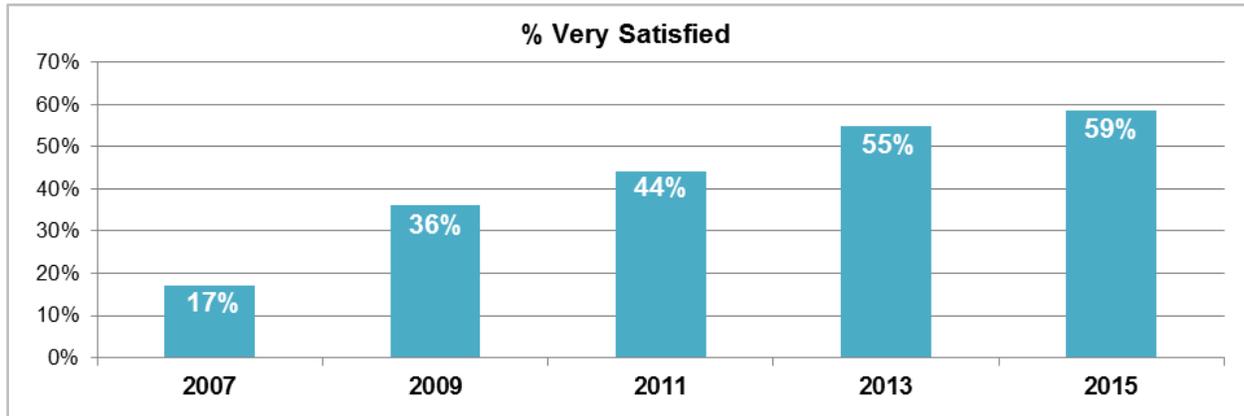
Other Reinsurers Utilized <i>(alphabetical)</i>
Gen Re
Hannover Re
Munich Re
RGA
SCOR Global Life

Other reinsurer usage statistics:

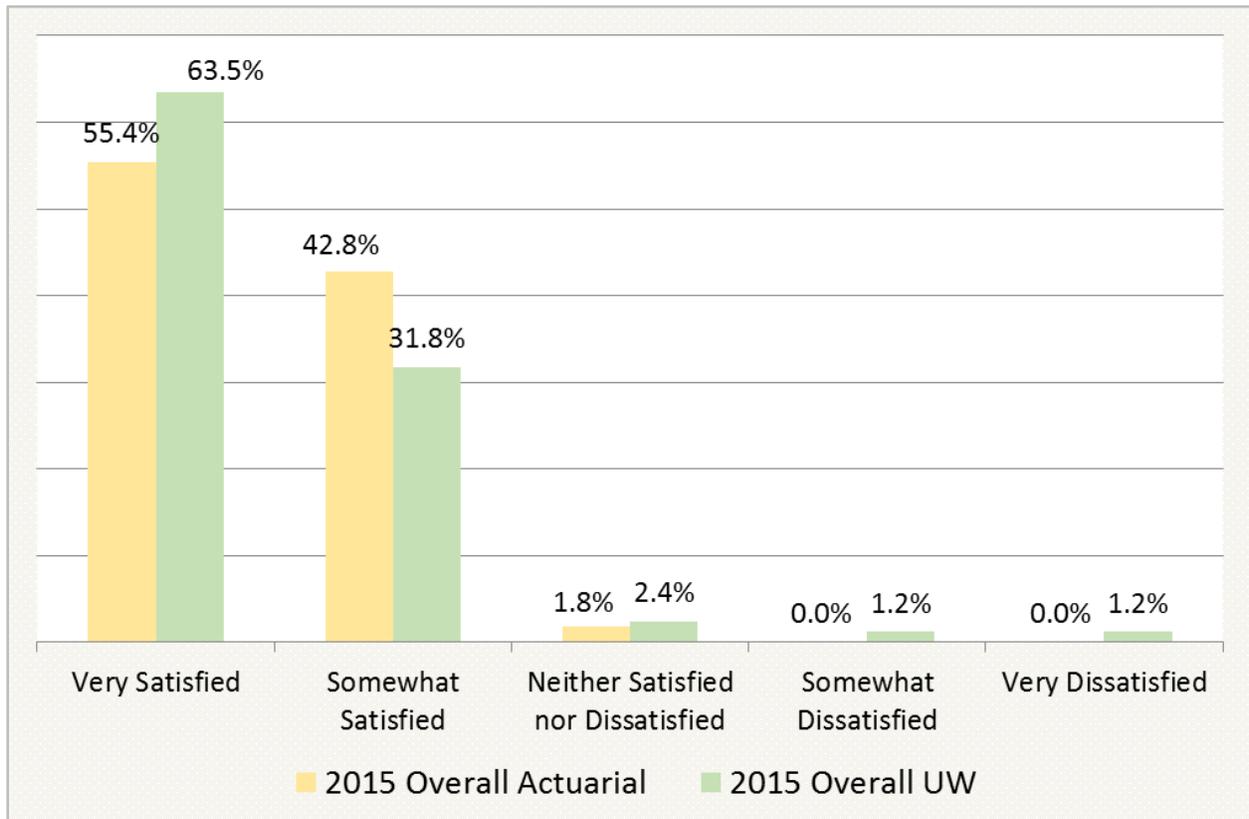
Preferred number of reinsurers in a TERM pool:	3.3
Preferred number of reinsurers in a PERM pool:	3.2
MAXIMUM percentage comfortable placing with one reinsurance group:	53.1%
Largest percentage of new business currently placed with one reinsurer:	53.5%
Percentage of in force business placed with one reinsurer:	49.8%
Percentage of people who have paid a higher premium to use a higher rated reinsurer for an automatic treaty, in the past 12 months:	21.4%

SATISFACTION WITH REINSURERS

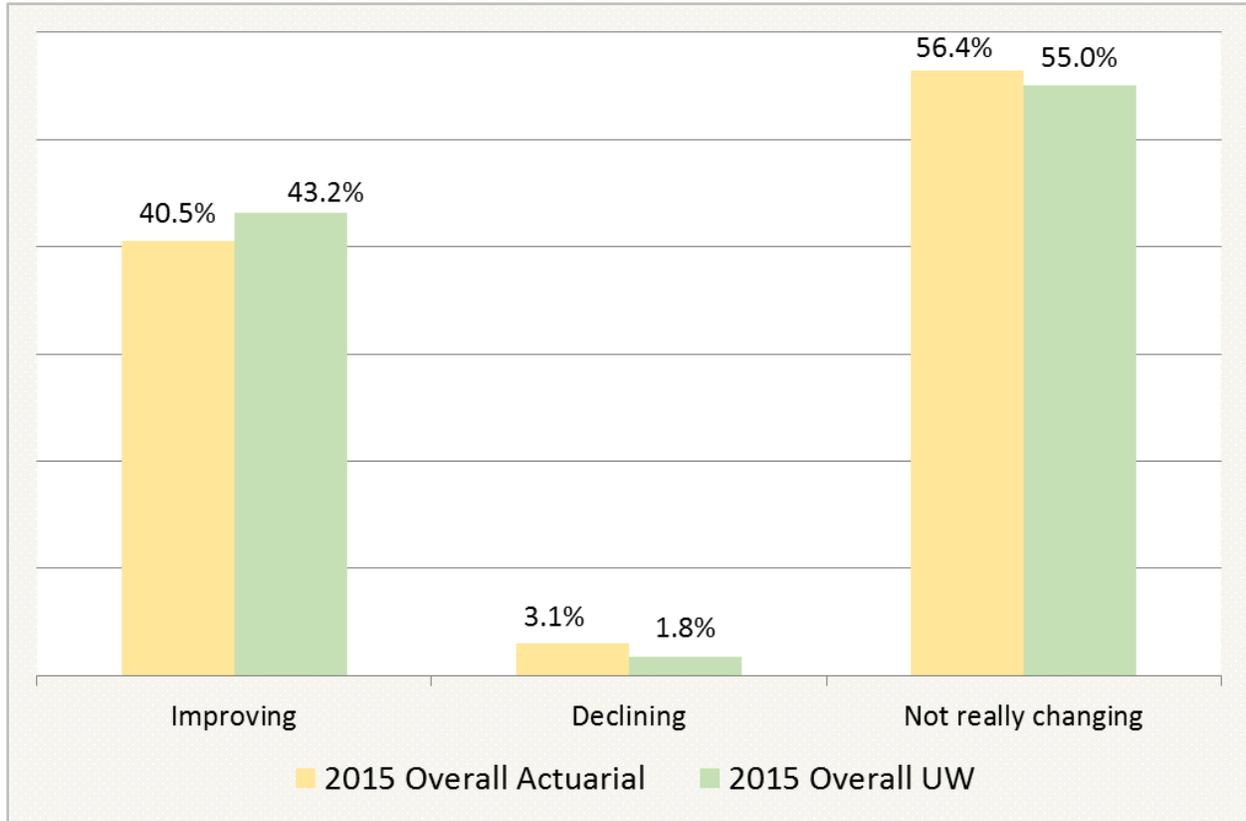
Overall satisfaction with reinsurers among Life Direct Writers continues its upward trend, as shown below. In 2015, 59% of respondents described themselves as very satisfied, compared to only 17% in 2007.



When we analyze just actuaries and underwriters in the current study, we see that Underwriters (63.5%) are more satisfied than Actuaries (55.4%), as shown below:



In addition to current satisfaction levels, over 40% of both groups indicate that relationships with reinsurers are improving.



Those that said relationships are improving were asked to elaborate. Most of the responses fall into these areas:

- Better communication
- Reinsurers are more responsive to Direct Writer needs - better T's and C's
- Reinsurers are providing more products and services
- Reinsurers are putting a greater emphasis on partnerships with Direct Writers

Below are sample verbatim comments about improving relationships:

“Great improvement with the ability to pick up a phone and discuss a challenging case or situation with a reinsurance underwriter and have immediate answers.”

“I believe that they are improving as the dust is finally starting to settle on the acquisitions from the late 90s and that we have a better handle on the blocks of business that we reinsure. It provides confidence to the reinsurers that the information they receive is accurate.”

“Many are looking for ways to add value to direct writers in other ways than FAC responses/manuals. Benchmarking, expertise, underwriting guidelines/treaty - flexibility and negotiation.”

“Rates are improving and reins are bringing research and expertise to bear on inforce management.”

“We are both learning our systems and mechanisms, thereby working cooperatively almost invariably. Misunderstandings are quite few and very far between.”

KEY REINSURER EVALUATION AND SELECTION FACTORS

The ultimate goal of the Flaspöhler research is to help reinsurers make better marketing decisions that will ultimately lead to an increase in both number of and quality of clients; and, importantly, to help reinsurers provide a level of quality that makes it possible for them to receive appropriate remuneration for those services. Therefore, understanding how Cedants evaluate reinsurers is paramount.

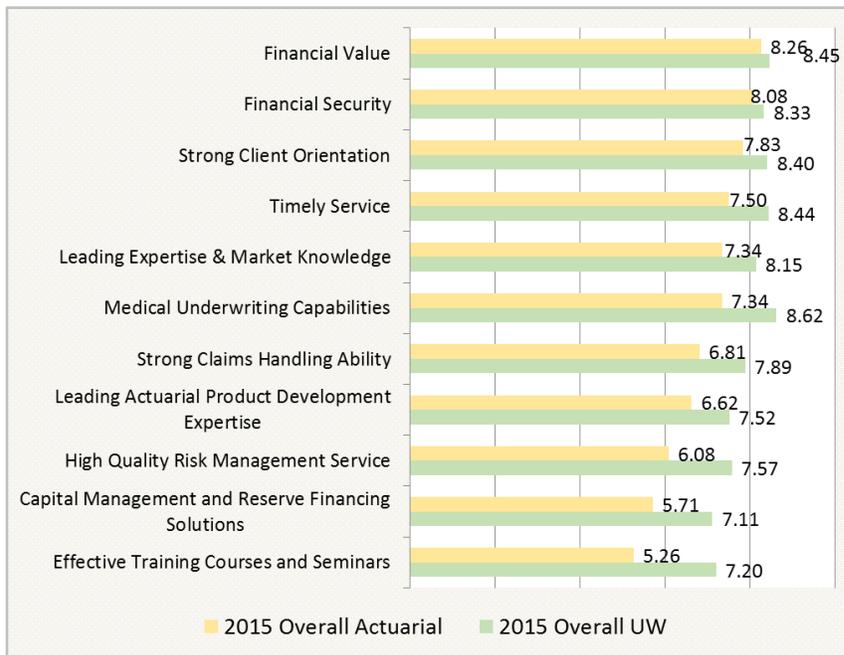
According to survey respondents, the evaluation and selection factors, in order of importance, are:

(Scale: 1=not important, 9=very important; 7+ = important)

Factor	Importance	
Financial Value	8.4	<ul style="list-style-type: none"> Offers reinsurance cover and services package which adds value to my company Provides efficient and/or innovative solutions that meet my company's need Offers pricing that is consistent with the services and security provided
Financial Security	8.3	<ul style="list-style-type: none"> Highly rated by objective rating agencies Worldwide-diversified risk portfolio Strong capital management and reserving philosophy
Strong Client Orientation	8.1	<ul style="list-style-type: none"> Regular access to teams who understand your business Marketing reps who keep in regular contact Geared to providing solutions; Delivers on promises Works in a transparent manner Has interest in a long-standing relationship Solutions which create win-win situations
Timely Service	8.0	<ul style="list-style-type: none"> Timely quotes; Returns calls promptly 24-hour turnaround on facultative underwriting Treaty, claims service responsiveness Timely data administration
Medical Underwriting Capabilities	7.9	<ul style="list-style-type: none"> An UW philosophy that is compatible with yours Underwriters and medical directors you respect & trust Medical expertise and claims handling not in house Knowledgeable and responsive UW staff A comprehensive range of medical underwriting tools, e.g. automated underwriting engines Provides timely UW/medical research updates
Leading Expertise & Market Knowledge	7.7	<ul style="list-style-type: none"> Staff with strong technical expertise Turns leading mortality/morbidity research into tangible solutions for your business Expertise in middle market mortality and uw High expertise with respect to products/innovations needed in the market Superior knowledge of markets and products that interest you Demonstrates leadership in risk management
Strong Claims Handling Ability	7.4	<ul style="list-style-type: none"> Claims expertise you don't have in house Claims handlers you respect and trust handling Pays claims in a timely manner A reasonable and collaborative approach to reviewing, deciding and paying claims Competent support and advice in claims
Leading Actuarial Product Development Expertise	7.0	<ul style="list-style-type: none"> Quality actuaries; Product development expertise Leadership position in mortality/morbidity research/services Successfully turns mortality/morbidity research into tangible solutions for your business Innovative product development ideas and business development opportunities Competent actuarial support
High Quality Risk Management Service	6.8	<ul style="list-style-type: none"> Data analysis; Implementing the actuarial control cycle Managing and reducing operational risk Applies suitable checks to reinsurance reporting received
Capital Management and Reserve Financing Solutions	6.6	<ul style="list-style-type: none"> Offers creative solutions to new business and inforce reserve strain Access to experts in reserve and capital financing techniques Consulting on various solutions in the market Ability to execute Capital Management and Reserve Financing transactions in the desired timeframe
Effective Training Courses & Seminars	6.2	<ul style="list-style-type: none"> Seminars on relevant topics in a timely manner Useful publications Comprehensive UW and claims training Added value by certified programs

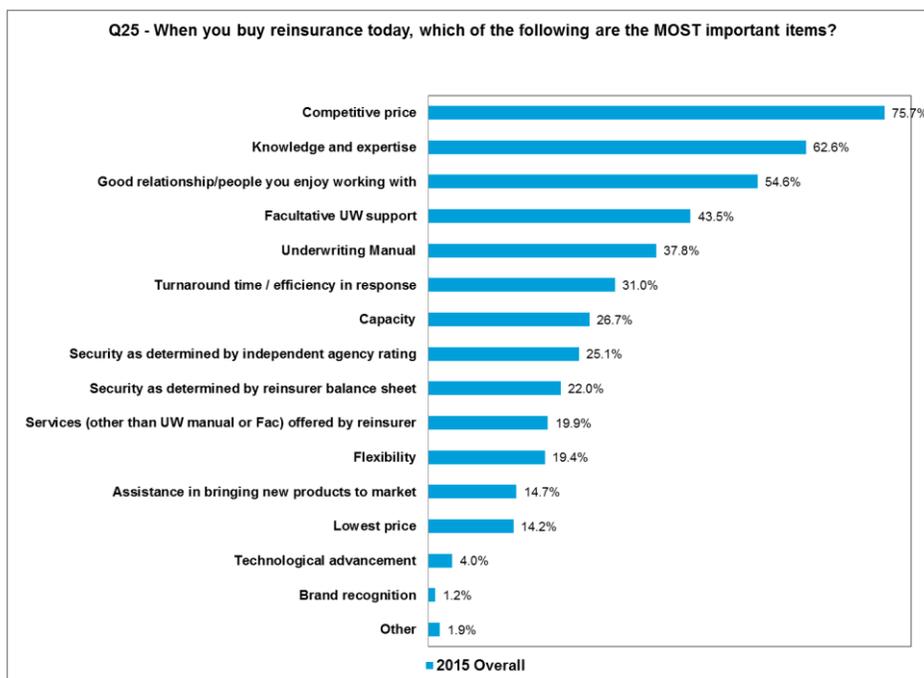
Not surprisingly, underwriters and actuaries have differing views about what is important in the evaluation and selection of reinsurers. Differences greater than .25 are significant. Both groups agree that financial value and financial security are critical, but that is where the similarity ends.

(Scale: 1=not important, 9=very important; 7+ = important)



In addition to asking Cedants to rate the importance of the factors above, we asked Cedants to identify the most important buying attributes when purchasing reinsurance.

Competitive price, not lowest price, is seen by Cedants as being the most important buying factor from the list below.



☀ BEST REINSURERS BY VOTE

The evaluation and comparison of reinsurers takes many forms in the Flaspöhler research. Perception as the “best, overall reinsurer” is sometimes called market awareness. This is a “voting” question and can favor larger reinsurers with big marketing budgets. Regardless, being viewed as the best in the industry is an important accolade.

The top voted reinsurer is **RGA**, with **Swiss Re America** a very close second.

Voted Best Overall
RGA - 60.3%
Swiss Re America - 59.9%

Rounding out the top 6 are <i>(alphabetical)</i>
Hannover Re
Munich Re
Optimum Re
SCOR Global Life

☑ BEST REINSURERS BY RATING

Another technique we use to compare reinsurers is to ask Cedants to rate familiar reinsurers (i.e. only ones they know) on the 11 Flaspöhler evaluation and selection factors (see page 6) that the Cedants indicated were important to them. This method does NOT favor large companies, but puts all reinsurers on an even playing field.

We then analyze these reinsurer ratings several ways. One way is to combine each factor rating into a single mean score for each reinsurer. According to this combined mean score, the most highly rated reinsurer is **RGA**. Other highly rated reinsurers (rated “7” or higher on a “9” point scale) are also shown.

Rated Best
RGA

Rounding out the top 6 are <i>(alphabetical)</i>
Hannover Re
Munich Re
Optimum Re
SCOR Global Life
Swiss Re America



TOP-RATED REINSURERS BY EVALUATION FACTOR

While the previous metric combined the results of the factor ratings for each reinsurer, this section shows the best rated reinsurers for each individual factor.

The top rated reinsurer for each of the 11 factors is listed below (in blue). Also listed - in order - are the other reinsurers rated “7” or higher on a “9” point scale.

Factor & Best	Other top 6 (in order)	Factor & Best	Other top 6 (in order)
Financial Value Hannover Re	RGA Swiss Re America SCOR Global Life Optimum Re Munich Re	Strong Claims Handling Ability RGA	Swiss Re America Optimum Re Hannover Re SCOR Global Life Munich Re Canada Life Re
Financial Security Swiss Re America	Munich Re, RGA Gen Re Hannover Re SCOR Global Life Canada Life Re Toa Re	Leading Expertise & Market Knowledge RGA	Swiss Re America Hannover Re SCOR Global Life Munich Re
Strong Client Orientation RGA	Swiss Re America Hannover Re SCOR Global Life Optimum Re Aurigen USA Munich Re	Leading Actuarial Product Development Expertise RGA	Swiss Re America Hannover Re SCOR Global Life Munich Re
Timely Service RGA	Swiss Re America Hannover Re Optimum Re SCOR Global Life Aurigen USA, Munich Re Canada Life Re	High Quality Risk Management Service Swiss Re America	RGA Hannover Re Munich Re Optimum Re SCOR Global Life Gen Re
Medical Underwriting Capabilities Swiss Re America	RGA Hannover Re SCOR Global Life Optimum Re Munich Re Gen Re	Capital Management and Reserve Financing Solutions Hannover Re	RGA Canada Life Re Swiss Re America SCOR Global Life
		Effective Training Courses & Seminars RGA	Swiss Re America Optimum Re Munich Re

(Multiple reinsurers on one line separated by a comma indicate a tie.)

BEST REINSURERS BY CAPABILITY

We asked respondents which reinsurers are best at thirteen (13) important capabilities. The following table summarizes the results.

The most selected reinsurer for each of the 13 capabilities is listed below (in blue). Also listed - in alphabetic order - are the other top reinsurers rounding out the top 5.

Capability & Best	Rounding out the top 5 are (alphabetical)	Capability & Best	Rounding out the top 5 are (alphabetical)
Working with you in developing contracts and treaty terms RGA	Hannover Re Optimum Re SCOR Global Life Swiss Re America	Underwriting support for your <u>automatic</u> reinsurance business Swiss Re America	Hannover Re Munich Re RGA SCOR Global Life
Empowered account reps who understand your business RGA	Hannover Re Munich Re Optimum Re SCOR Global Life Swiss Re America	Underwriting support for your <u>facultative</u> reinsurance business RGA	Hannover Re Munich Re Optimum Re Swiss Re America
Medical research and development Swiss Re America	Hannover Re Munich Re RGA SCOR Global Life	Quality, customized UW and mortality expertise and knowledge to meet your specific business needs Swiss Re America	Hannover Re Munich Re Optimum Re RGA
Product consultation and development RGA	Hannover Re Munich Re SCOR Global Life Swiss Re America	UW manual Swiss Re America	Hannover Re Munich Re Optimum Re RGA
Competitive and timely facultative UW offers RGA	Hannover Re Munich Re Optimum Re Swiss Re America	Quality & responsive operations expertise & knowledge in establishing & maintaining administrative reinsurance reporting RGA	Hannover Re Munich Re Optimum Re Swiss Re America
Providing facultative capacity Swiss Re America	Hannover Re Munich Re Optimum Re RGA	Developing creative financial solutions to address capital/or collateral needs RGA	Canada Life Re Hannover Re Munich Re Optimum Re Swiss Re America
Providing auto capacity Swiss Re America	Hannover Re Munich Re RGA SCOR Global Life		

(More than five are shown in the case of a tie.)

? BEST REINSURERS BY CLIENT SERVICE ACCESSIBILITY

We asked respondents which reinsurers are most accessible when clients have questions in five (5) key areas. The following table summarizes the results.

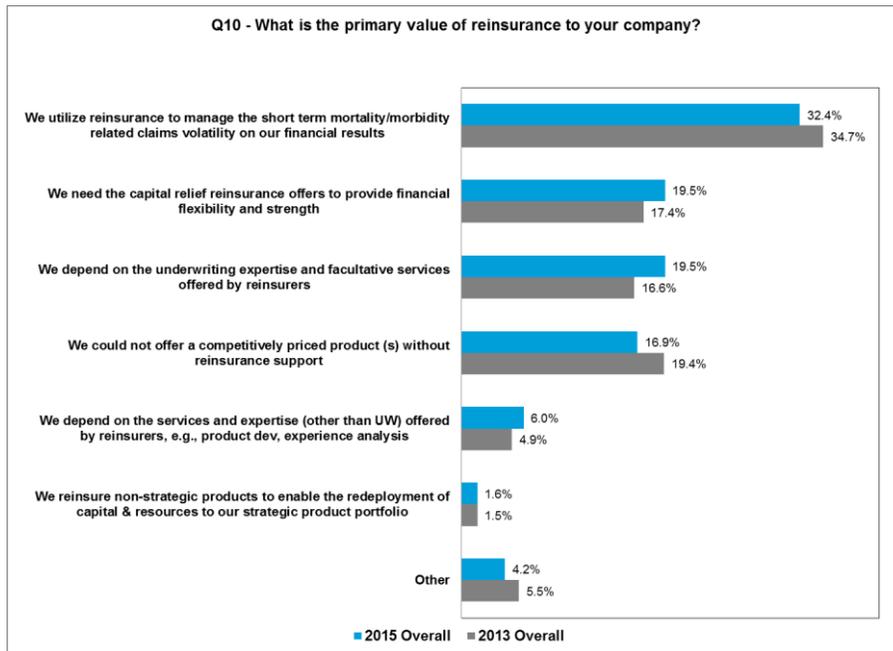
The most selected reinsurer for each of the 5 key areas is listed below (in blue). Also listed - in alphabetic order - are the other top reinsurers rounding out the top 5.

Service Area & Best	Rounding out the top 5 are <i>(alphabetical)</i>
Pricing Swiss Re America	Hannover Re Munich Re Optimum Re RGA
Underwriting Swiss Re America	Hannover Re Munich Re Optimum Re RGA
Reinsurance administration Swiss Re America	Hannover Re Munich Re Optimum Re RGA
Treaty terms Swiss Re America	Hannover Re Munich Re Optimum Re RGA
New products/ service ideas RGA	Hannover Re Munich Re Optimum Re Swiss Re America

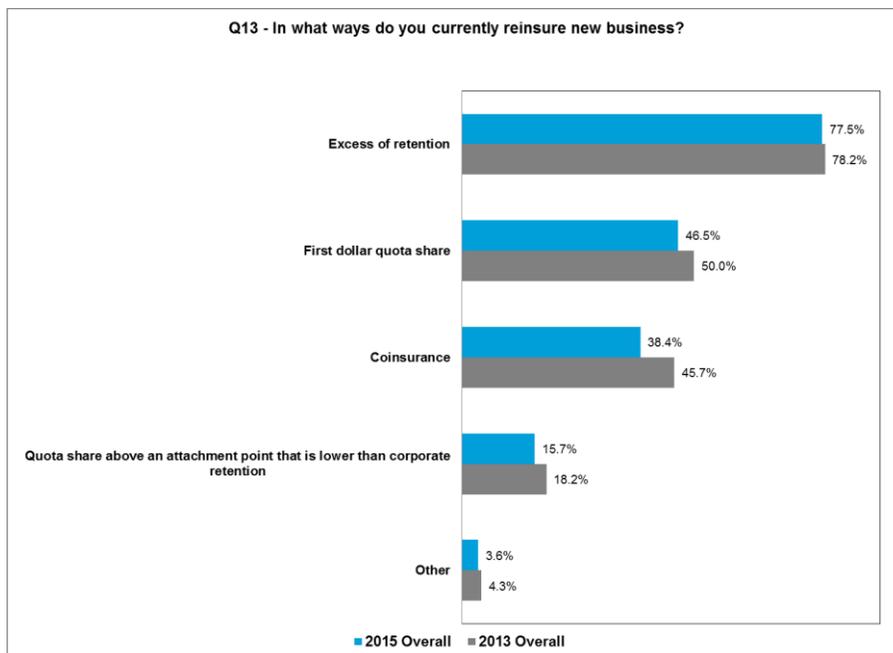
USE OF REINSURANCE

In addition to evaluating reinsurers, the Flaspöhler research seeks to measure important topics in reinsurance usage and management.

Managing the short term mortality/morbidity related claims volatility remains the primary value of reinsurance to Cedants.

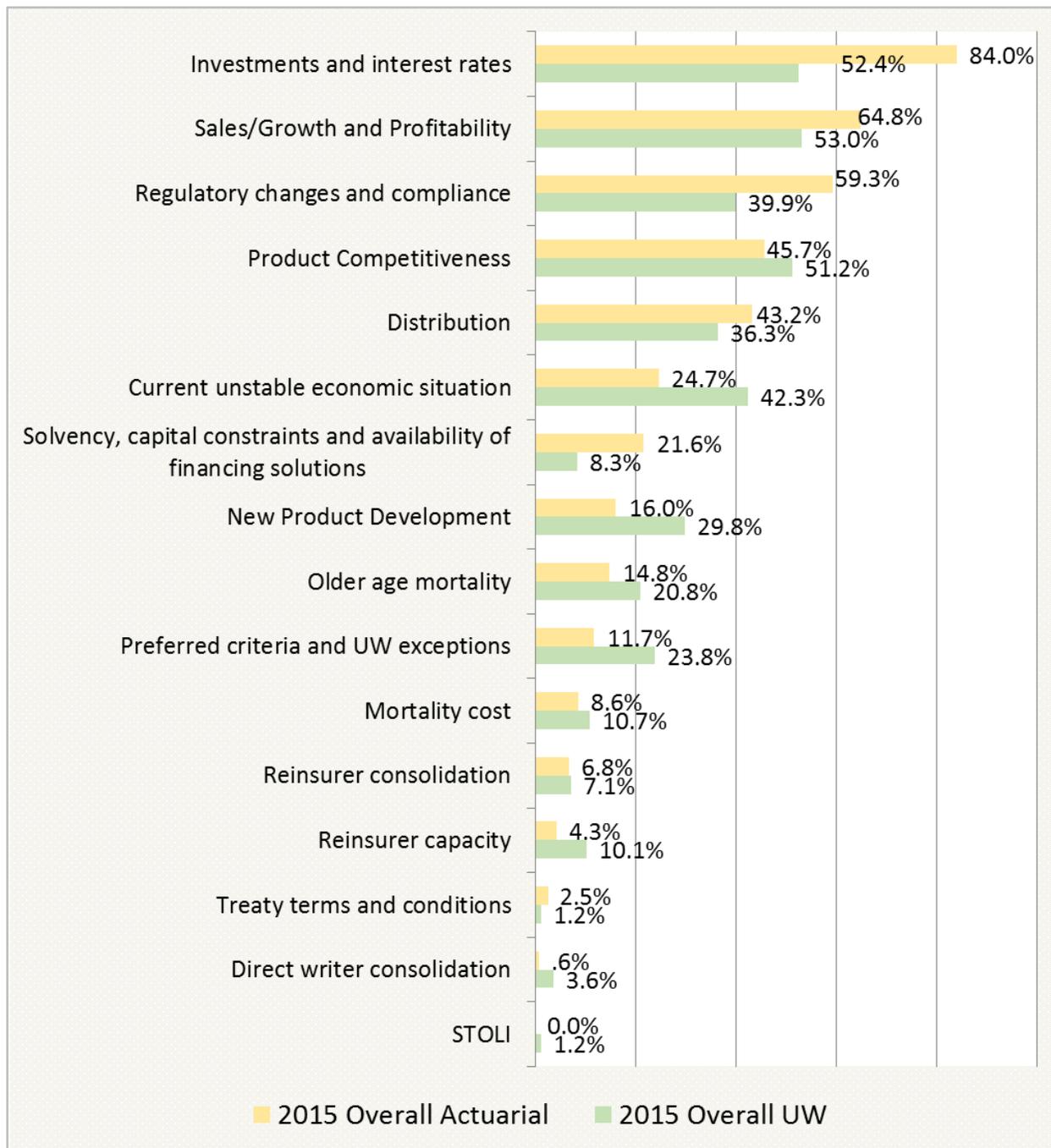


Overall, excess of retention continues to be the most commonly used reinsurance strategy.



MOST CRITICAL ISSUES

The most critical issues facing Cedants fall into three main categories: financial, regulatory and distribution. Not surprisingly, actuaries and underwriters have differing views on this topic, with actuaries clearly more focused on the financial and regulatory issues.



MARKET DIRECTION

Related to the previous topic of challenges, we asked Cedants their opinion of where the reinsurance market is headed.

Many cited an increase in reinsurer value-added services, new products for changing market demographics, reaching out to under-insured markets and “internet-speed” decision making.

Here is a sample of the verbatim comments that Cedants offered.

“As the market becomes smaller due to companies retaining more business, I believe reinsurers will become more focused on value-added services. Already, those services which were cutting edge a few years ago have become a basic expectation. As services are increased and volume dries up, cost will increase. As the cycle settles, I think there will become a newer level of expectation, where reinsurers can provide insight into company mortality data in a more turnkey approach (currently available on a manual, somewhat time consuming basis). These services might include basic checks of the company's own experience study results, a consideration of variables the company hadn't been accounting for (either mortality improvement or extra data-mining type variables), a turnkey report on X-factor testing, or recommended experience mortality for use in loss recognition testing or other modeling based on both experience and other considerations provided by the company (how to group product lines and cohorts, etc.).”

“Because I'm in underwriting, that's where I think they should focus. There are so many new developments daily that carriers cannot hope to keep up. Reinsurers need to continue with their research and make sure they can help us as we try to figure out what to do with new tests, scoring systems, preferred criteria, etc.”

“Believe reinsurance may have some additional consolidation due to capital needs and interest rate environment. Reinsurance (and direct writers) really need to focus on solutions (products, new business process) for the middle market and changing trends in demographics - particularly engaging the Gen Y and Millennials.”

“Consolidation has lowered their creativity and poor global economy has restricted their offerings and service. Need more creative minds/sales people as a ratio to actuaries. Their complex products are also reflected in Direct writers offering only Complex products that do not serve the middle income markets well. The overall life and annuity industry has relied on gimmicks and non-guaranteed elements in products that has greatly undermined the Trust of consumers.”

“Focus on understanding simplified issue mortality and simplified issue underwriting programs. The direct writers are moving in this direction and the reinsurers that develop expertise in this area are best positioned to succeed.”

“I believe that reinsurers need to focus on providing creative, appealing solutions to help the primary companies reach underinsured markets. I also believe that the focus on reinsurance as a partnership, as opposed to a transaction, is critical to individual reinsurers' success in the future. Finally, if reinsurers and direct companies could actively partner to favorably influence policy, that would be fantastic. Possibly the biggest challenge facing both of us are the low interest rates that resulted from policy decisions to help banks, without considering impacts to our industry.”

“I think direct domestic business is going to grow in the unseen market (internet sales). Assistance in application design and drill down questions to offset anti-selection is key. Speed to decision and issue is a high priority.”

STUDY CO-SPONSORS

Thank you for sharing your thoughts in the 2015 Flaspöhler Life Reinsurance Survey on behalf of the companies sponsoring this research:



The next survey will begin in November 2016.

ABOUT FLASPÖHLER RESEARCH GROUP

Flaspöhler Research Group, Inc. (www.frsurveys.com) was founded in 1983 and has conducted surveys in 95 countries and a dozen languages. The company offers unique expertise in B2B, and is widely recognized for its work in Insurance and Reinsurance.

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The End