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Insights into Life & Health reinsurance

A spotlight on Contractual Service Margin, Risk Adjustment and Reinsurance Service Result

Claude Chèvre, Member of the Executive Board
26th International Investors' Day 2023
Berlin, 12 December 2023

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Agenda

1 Impact of various cash flow scenarios

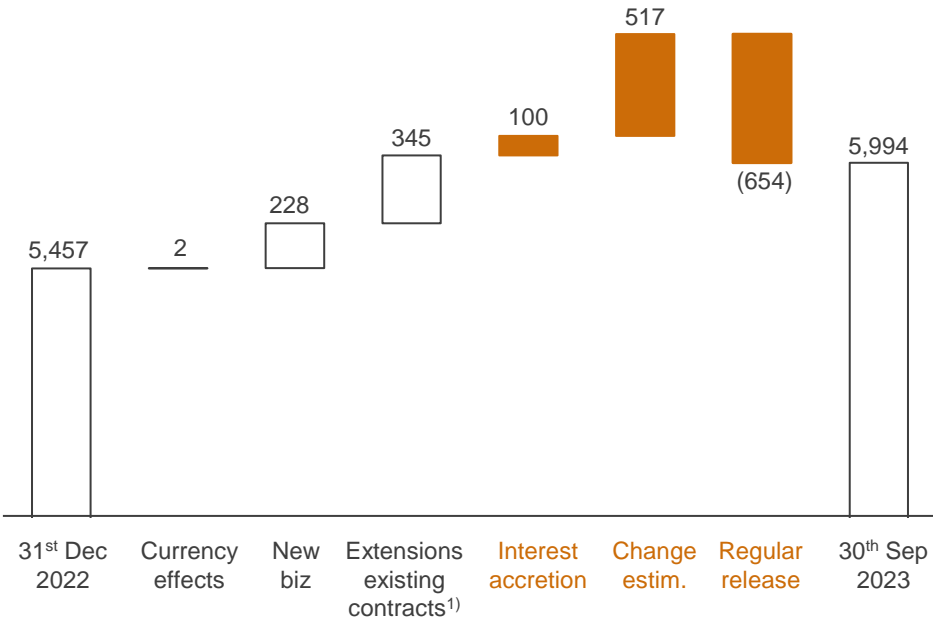
2 Development of CSM & RA

3 Key takeaways

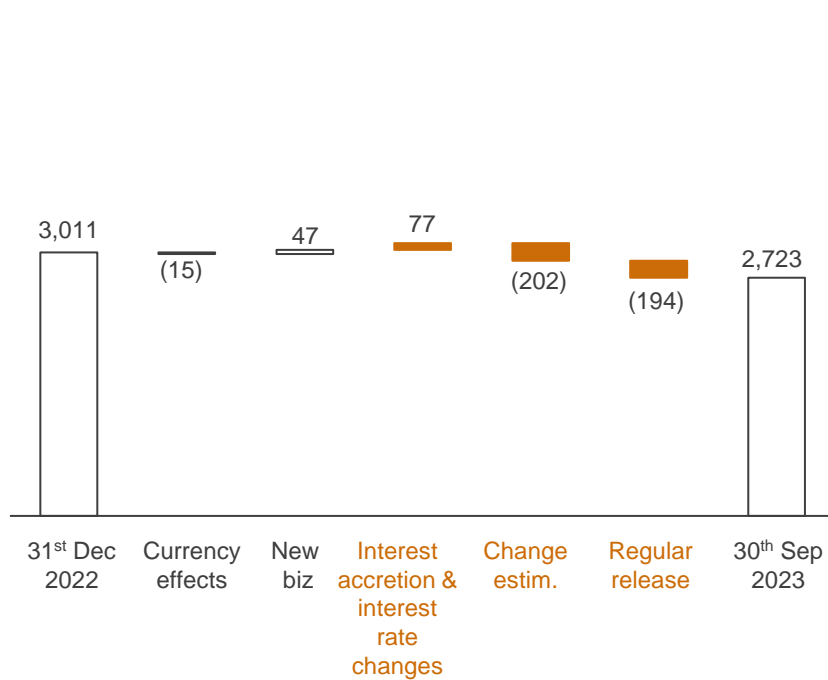
The main components of the CSM, the RA and the RSR

Q1-Q3/2023

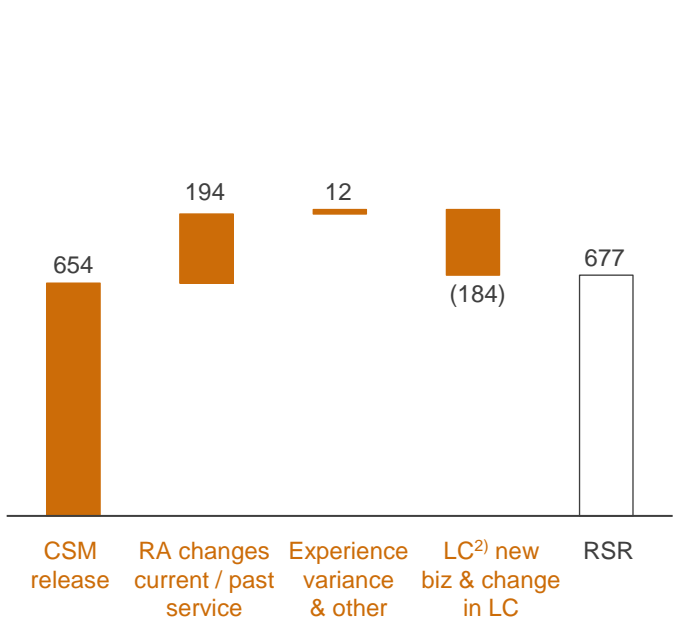
Contractual Service Margin (net) CSM



Risk Adjustment RA



Reinsurance Service Result RSR



All figures in m. EUR

1) Extensions on existing contracts only partly reflected in new business CSM 2) LC: Loss component

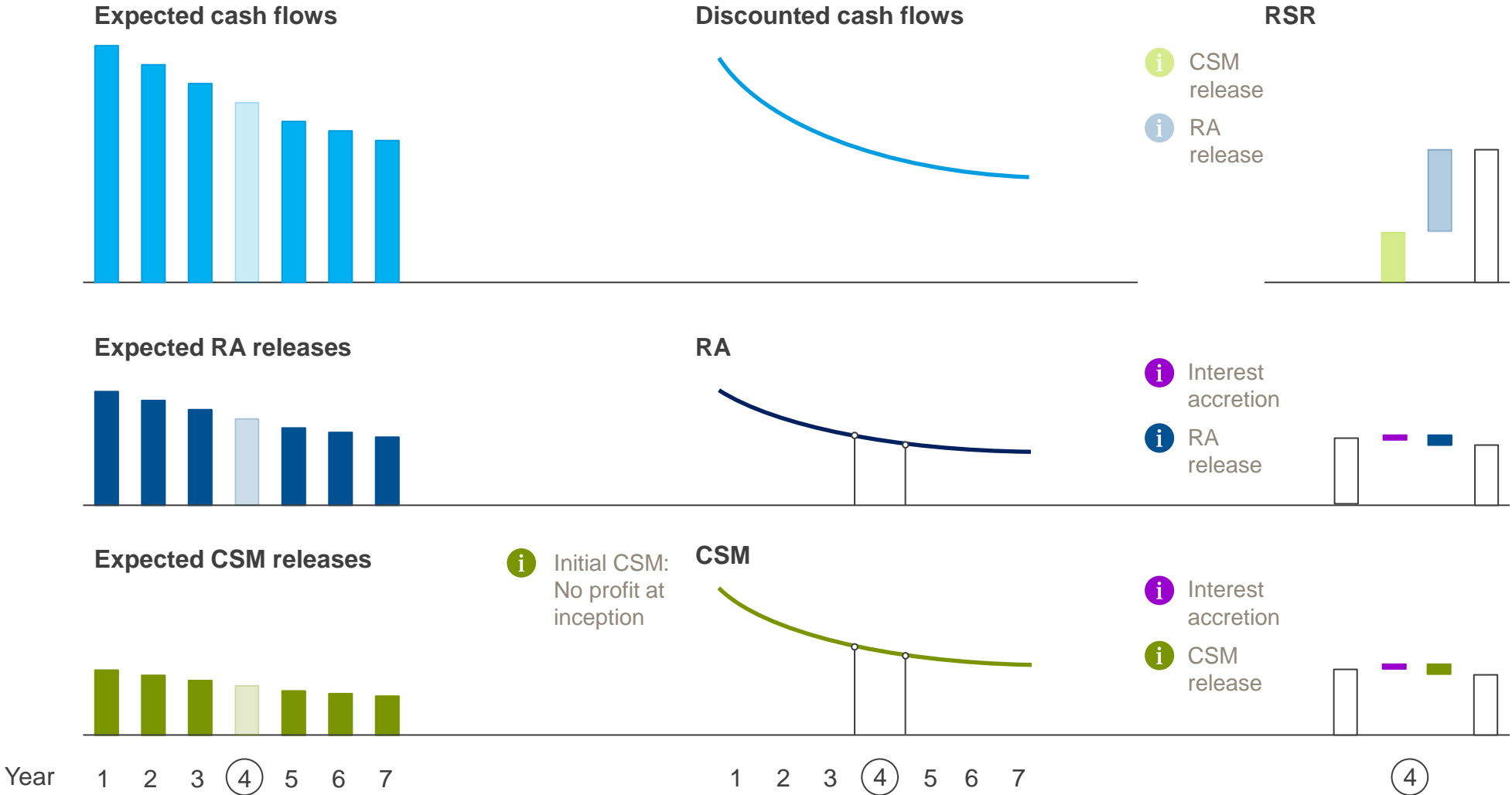
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**The impact of various cash flow scenarios –
an illustration**

Best estimate scenario

RSR equal to the sum of CSM release and RA release

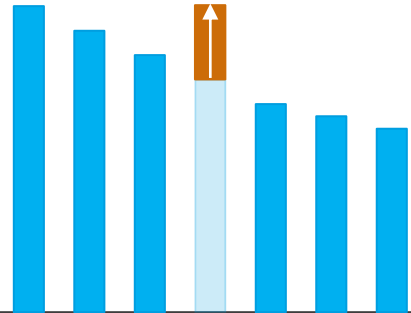


Positive (negative) experience variances

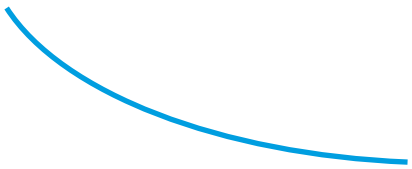
RSR positively (negatively) affected by the same amount

i Cash flow increases in current year

Expected cash flows



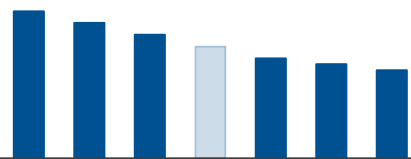
Discounted cash flows



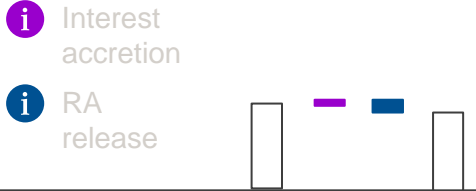
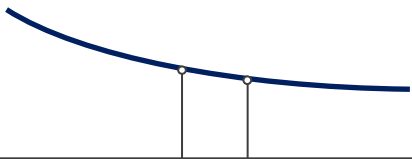
RSR



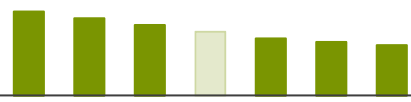
Expected RA releases



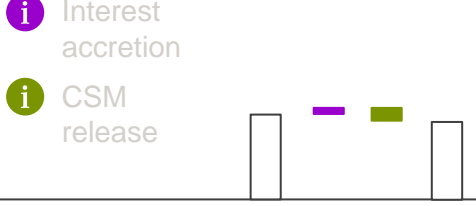
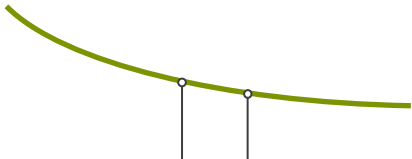
RA



Expected CSM releases



CSM



Year 1 2 3 **4** 5 6 7

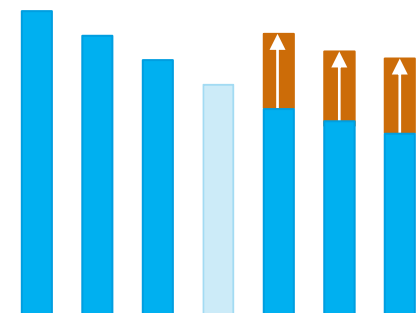
1 2 3 **4** 5 6 7

4

Future cash flows expected to improve (deteriorate) RSR increases (decreases) in the future

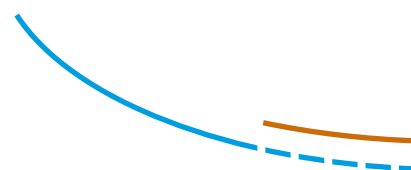
i Cash flows increase in future years

Expected cash flows



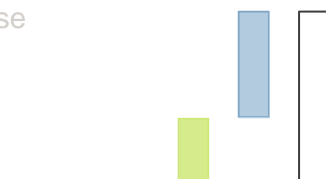
i Future DCFs increase

Discounted cash flows

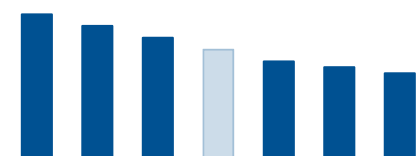


RSR

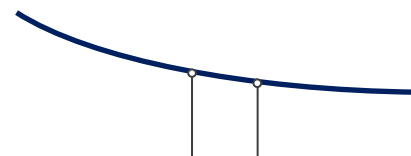
i CSM release
i RA release



Expected RA releases



RA

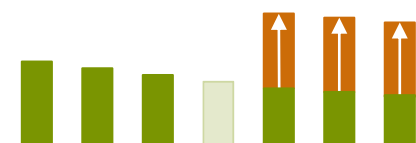


i Interest accretion
i RA release



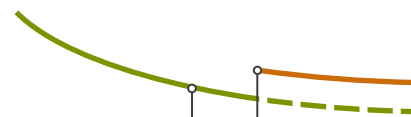
i CSM releases increase in future years

Expected CSM releases



i Future CSM increases

CSM



i Interest accretion
i Change in estimates
i CSM release



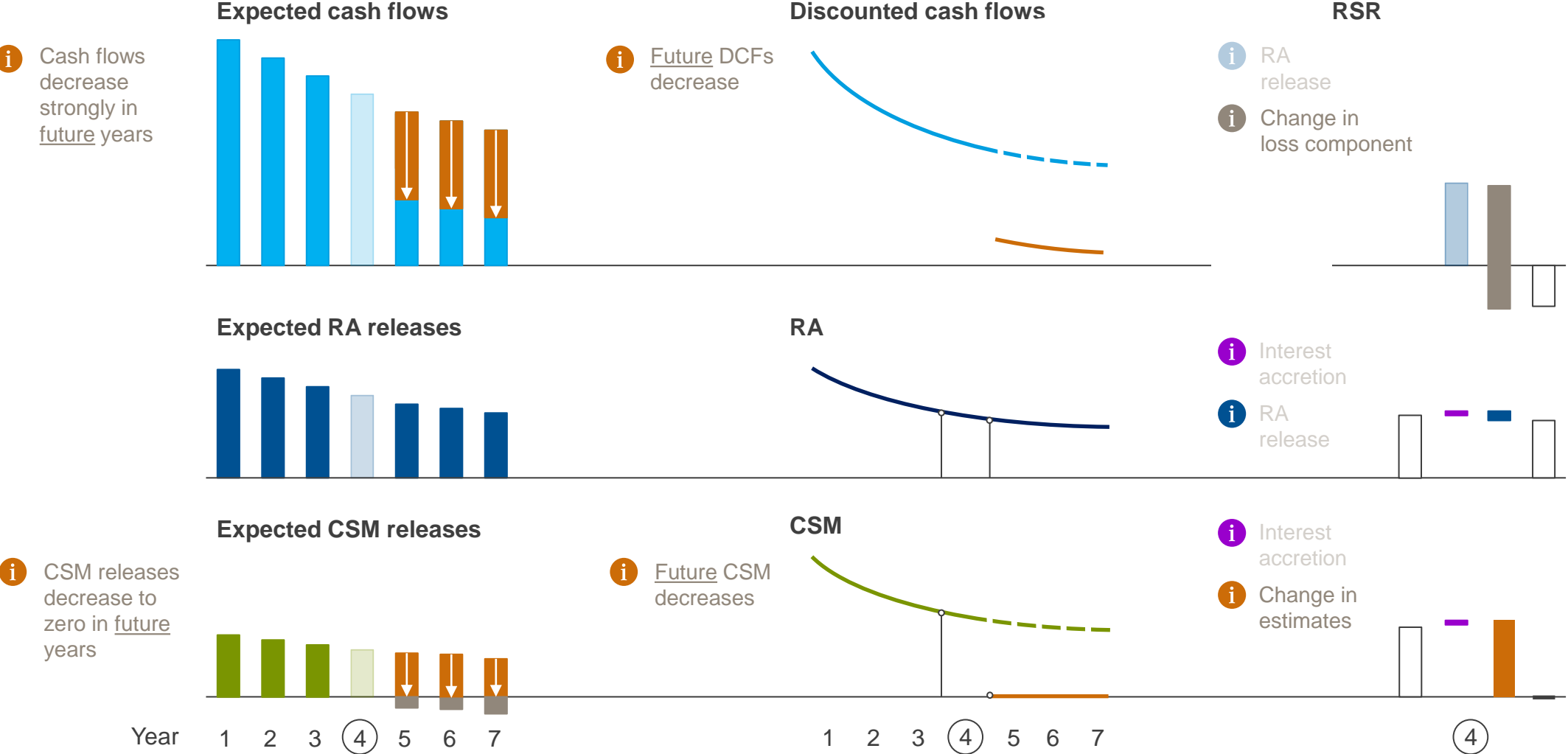
Year 1 2 3 ④ 5 6 7

1 2 3 ④ 5 6 7

④

Future cash flows expected to strongly deteriorate

RSR reduced by the resulting Loss Component



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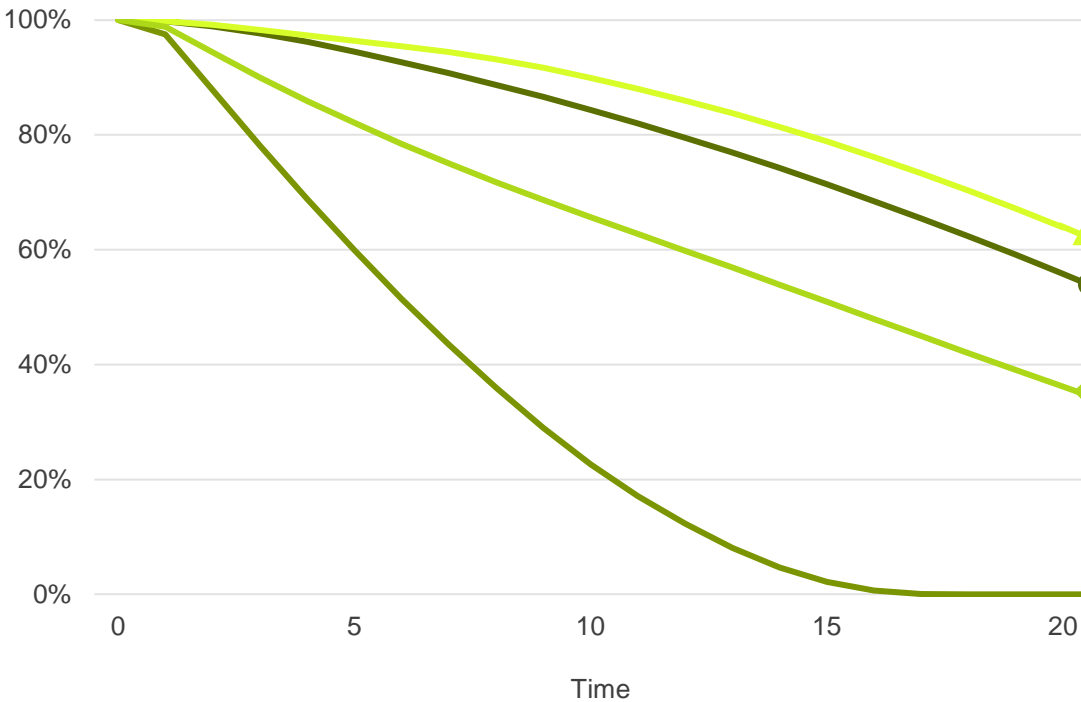
2

**Development of CSM & RA –
best estimate scenario**

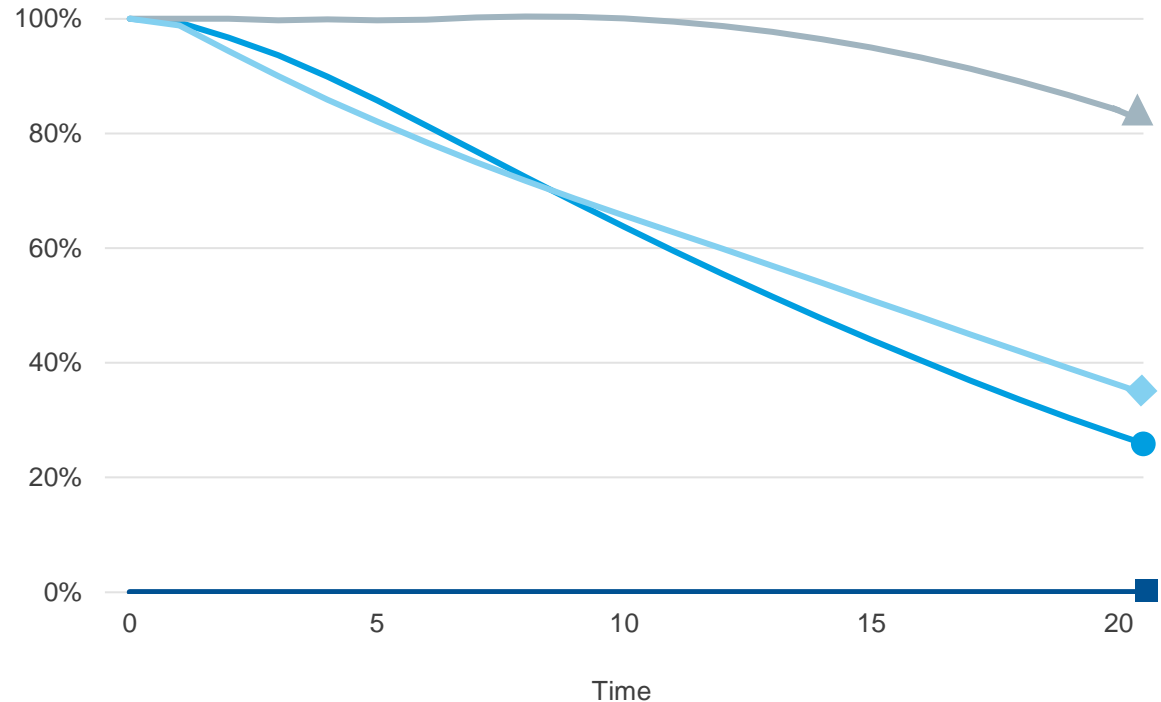
CSM & RA: expected development for concrete new treaties

Different patterns for each reporting category

CSM – EOY



RA – EOY

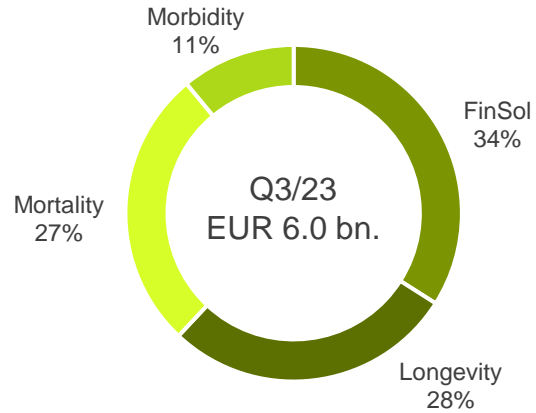


■ Structured Financial Solution ● Longevity ◆ Morbidity ▲ Mortality

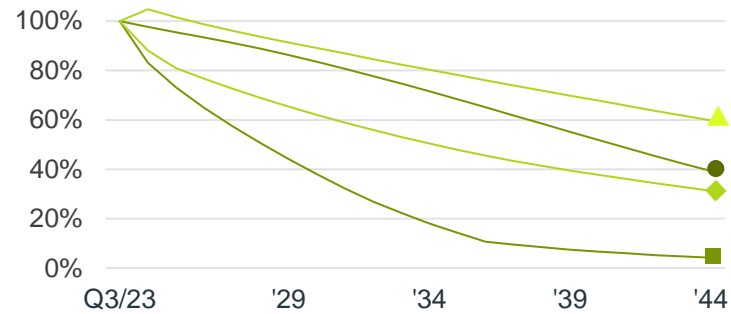
CSM & RA: expected development excluding new biz

Declining releases over time

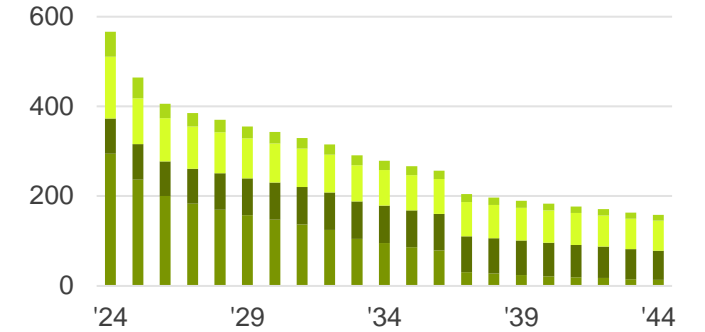
CSM composition



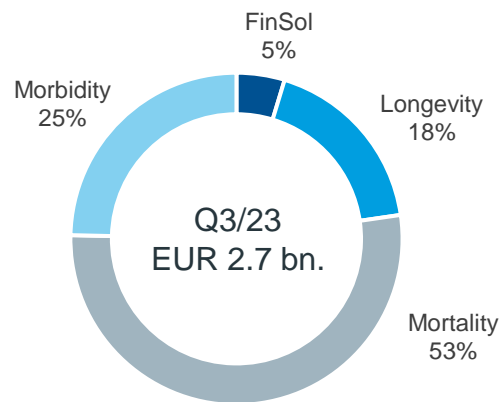
CSM development – EOY



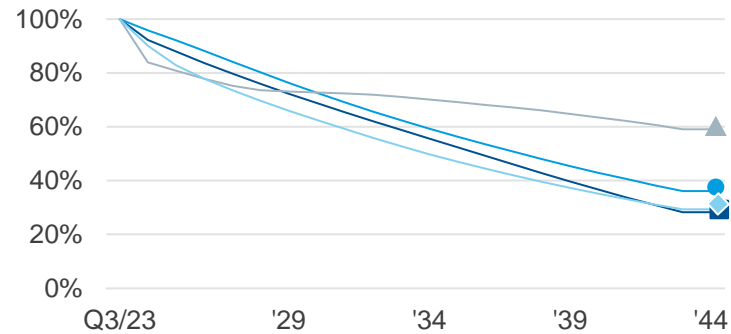
CSM release



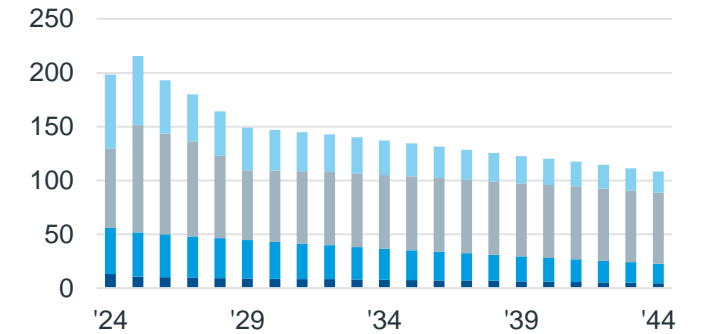
RA composition



RA development – EOY



RA release



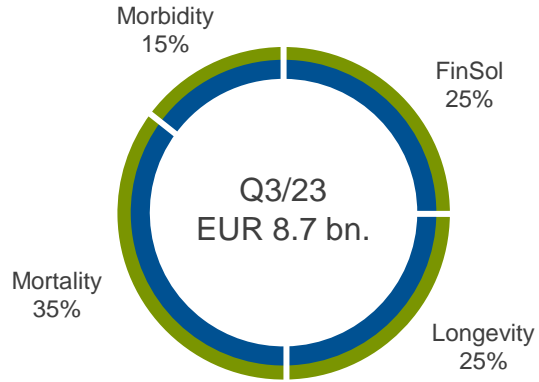
All figures in m. EUR if not stated otherwise



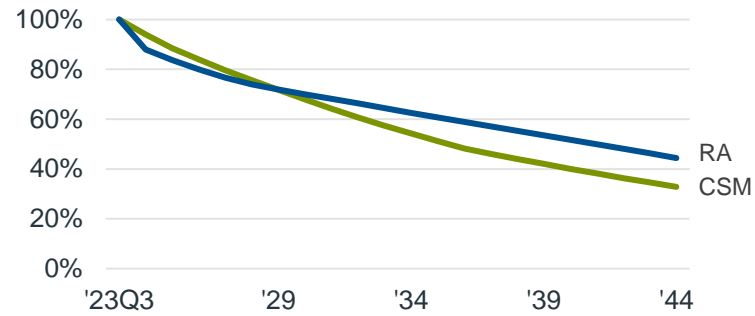
CSM & RA: expected development including new biz

Increasing releases over time

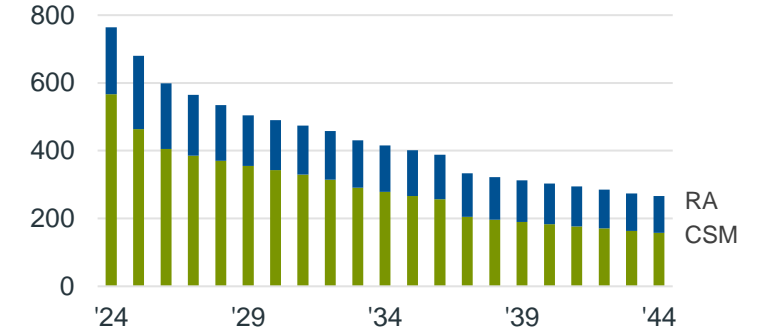
Inforce composition



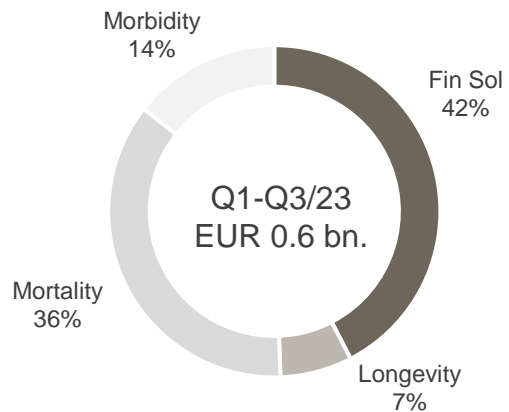
Inforce development – EOY



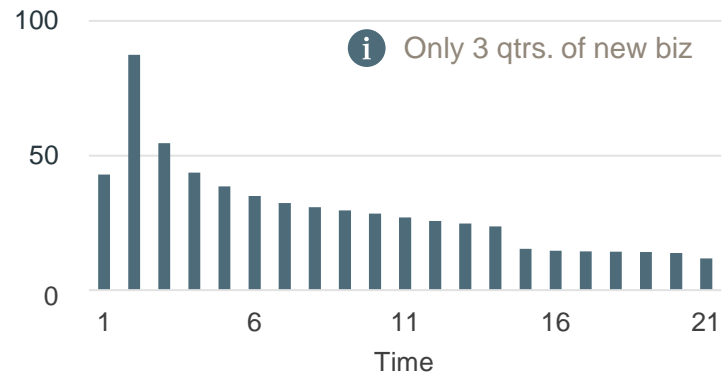
Inforce releases



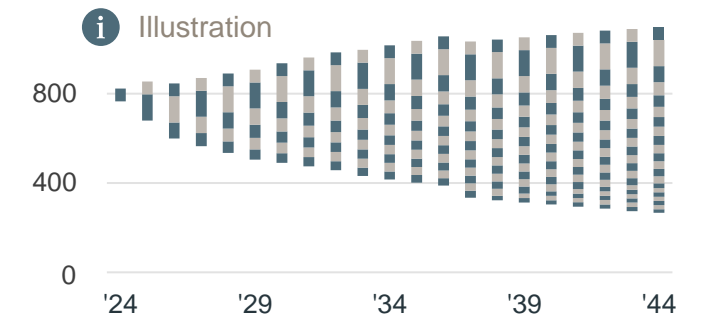
New biz composition



2023 new biz releases – EOY



Inforce & new biz releases



All figures in m. EUR if not stated otherwise

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Key takeaways

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Key takeaways

- i** Future Reinsurance Service Result for each year consisting mainly of released CSM and RA
- i** Current year deviations and future major negative changes realised in current year's Reinsurance Service Result
- i** Different release patterns for CSM and RA according to business types written
- i** Present values of EUR 6.0 bn. (CSM) and 2.7 bn. (RA) released in the coming years
- i** Reinsurance Service Result in excess of EUR 850 m. expected for year 2024
- i** Future new business expected to more than compensate reduction in annual releases of inforce portfolio



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