

IMPROVED RETURNS THROUGH HOLISTIC CAPITAL MANAGEMENT



GUY CARPENTER



MERCER

MERCER AND GUY CARPENTER both work with a number of (re)insurers to improve and optimise their return on capital (ROC). (Re)Insurers are currently facing many headwinds, including the low-yield environment, competitive pressures on insurance rates, and a developing regulatory landscape, including Solvency II.

We believe that, jointly, we are uniquely positioned to provide a holistic approach to capital optimisation and risk mitigation — across the balance sheet — and the opportunity to add value is significant.

Mercer’s services for insurers range from strategic investment risk management through to practical implementation of investment strategies supplemented by transparent risk reporting expertise. Likewise, Guy Carpenter has extensive expertise in working collaboratively with its insurance clients to develop sophisticated reinsurance and risk solutions. By combining these two capital management tools and disciplines, the potential to unlock hidden value from diversification is increased, as well as achieving greater absolute returns through optimised risk management.

To date, insurers have primarily focused on the modelling and compliance aspects of Solvency II. But with the global low-yield environment and declining premium rates likely to persist for some time, the focus is shifting to improving the return on capital — not just measuring it.

The key lies in aligning both the investment portfolio and the insurance risk in order to make informed, optimised decisions regarding the most efficient risk profile. By establishing a common basis for metrics between the risk classes and creating an efficient framework for the evaluation of relative risk/reward, we are able to deliver the most appropriate solutions for clients. These solutions may include either increases or decreases in investment risk, or underwriting risk, as well as the consideration of reinsurance as a key pillar of capital. Suitable solutions must take into consideration a number of other factors including:

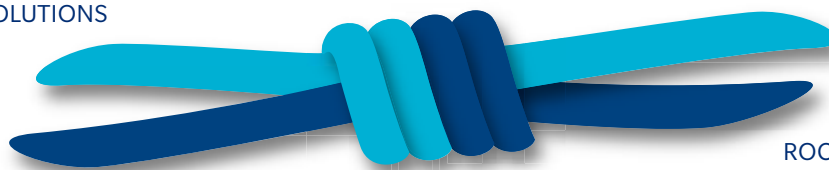
- Solvency capital
- Rating agency capital
- Liquidity
- Capital buffer adequacy
- Profit and loss
- Share price impact

A holistic approach that optimises the use of these two traditionally separate areas (reinsurance and investment strategy) can make a significant difference to (re)insurers’ financial results. Mercer and Guy Carpenter firmly believe that you should seek to address both the asset and liability sides of the balance sheet in an integrated manner, and we are well suited to provide advisory and transactional services to achieve optimised risk and capital positions for our clients.

BINDING ASSETS AND LIABILITIES TOGETHER...

REINSURANCE SOLUTIONS

RISK APPETITE AND CAPACITY



STRATEGIC ASSET ALLOCATION

ROC OBJECTIVES

... FOR BALANCE SHEET STRENGTH

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We welcome the opportunity to discuss how we can jointly add value to your (re)insurance business through a holistic approach to risk and capital management.