excede

THE IDEA

Excede is a B2B platform that helps insurance companies to systematically securitize their risks and to transfer them to the capital markets.

By doing so, insurances free up capacity for more risk underwriting, need less capital, increase ROE, decrease their earnings volatility and can cede risk at a cheap price.

For investors, Insurance-linked securities provide attractive returns which are completely uncorrelated to traditional asset classes

THE OPPORTUNITY

While insurers have centuries of experience in underwriting risk, their risk-taking capacity is limited by the availability of capital and by regulation.

For fixed income investors, yields have fallen across the globe in the last decade, while correlations among asset classes have risen.

OPPORTUNITY

Excede aims to solve two problems through one single solution.

For the insurers

Insurance companies are facing increasing constraint on capital, due to regulation (latest Solvency II), constant change in frequency and severity of events (e.g. natural catastrophes) and inability to price new risks (e.g. cybersecurity risks).

For investors

On the other side, fixed income investors struggle to find securities with positive yields, and are always on the look out for investment with low correlation to their existing portfolios; the existing solutions are often illiquid, expensive and not transparent.

THE SOLUTION

Excede revolutionizes the way in which risk is transferred and pooled. By integrating directly with insurers, Excede securitizes the risk and transfers it to the capital markets.

EXCEDE – REINSURANCE REIMAGINED

Through its B2B marketplace, Excede will connect insurances and investors. Insurances will be able to select the risks they want to cede, indicate the price at which they are willing to cede it, and enter into a securitization process. Excede will then initiate a IRO (Initial Risk Offering) on its platform, where investors, based on the information provided by the insurance to Excede, will be able to bid for the newly issued securities.

TODAY

Long, inefficient and intransparent process, with many intermediaries

Insurers → Insurers risk warehouse → Reinsurers → Brokers → Capital Markets

Insurers risk warehouse ↓ Insurers keep the risk

Reinsurers ↓ Reinsurers keep the risk

TOMORROW

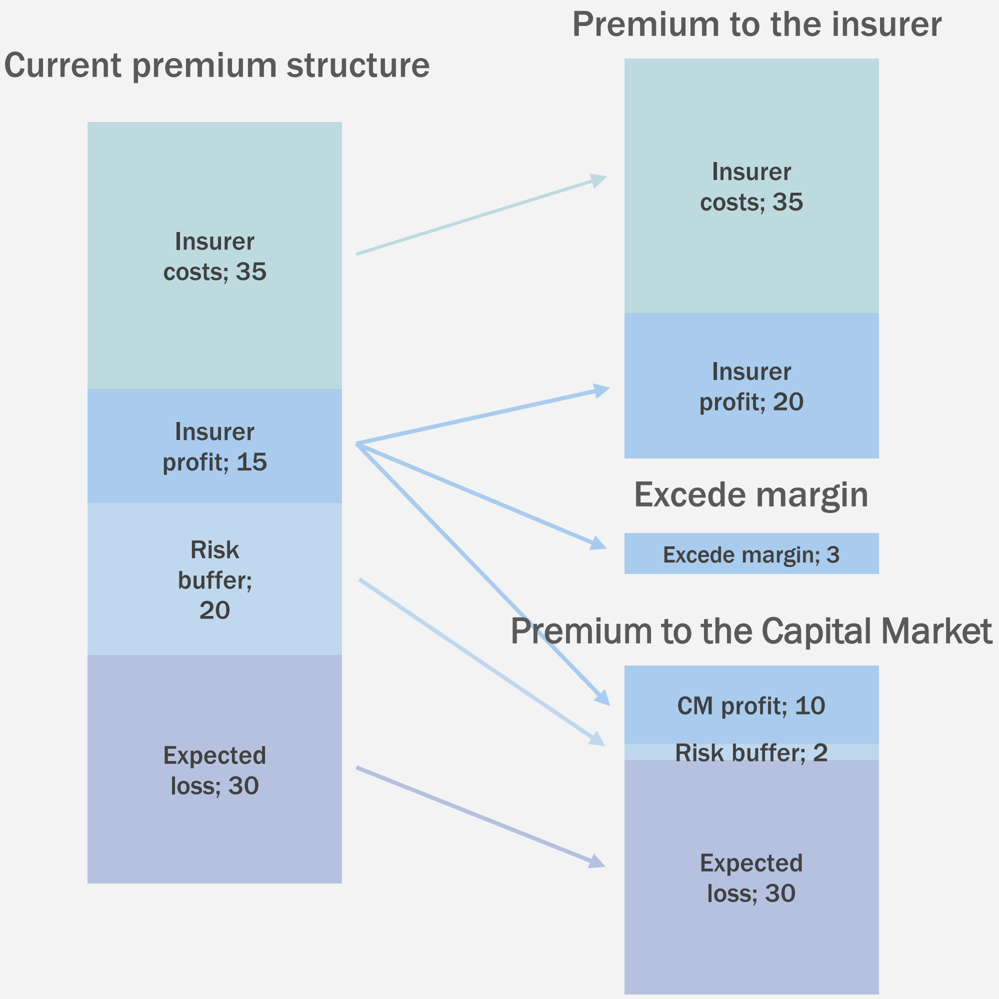
Fast, cheap and transparent process with only one intermediary

Insurers → excede → Capital Markets

THE BENEFITS

The whole insurance market stands to benefit from Excede’s solution. Through a streamlined, efficient and transparent process, Excede increases the industry’s overall profit margin.

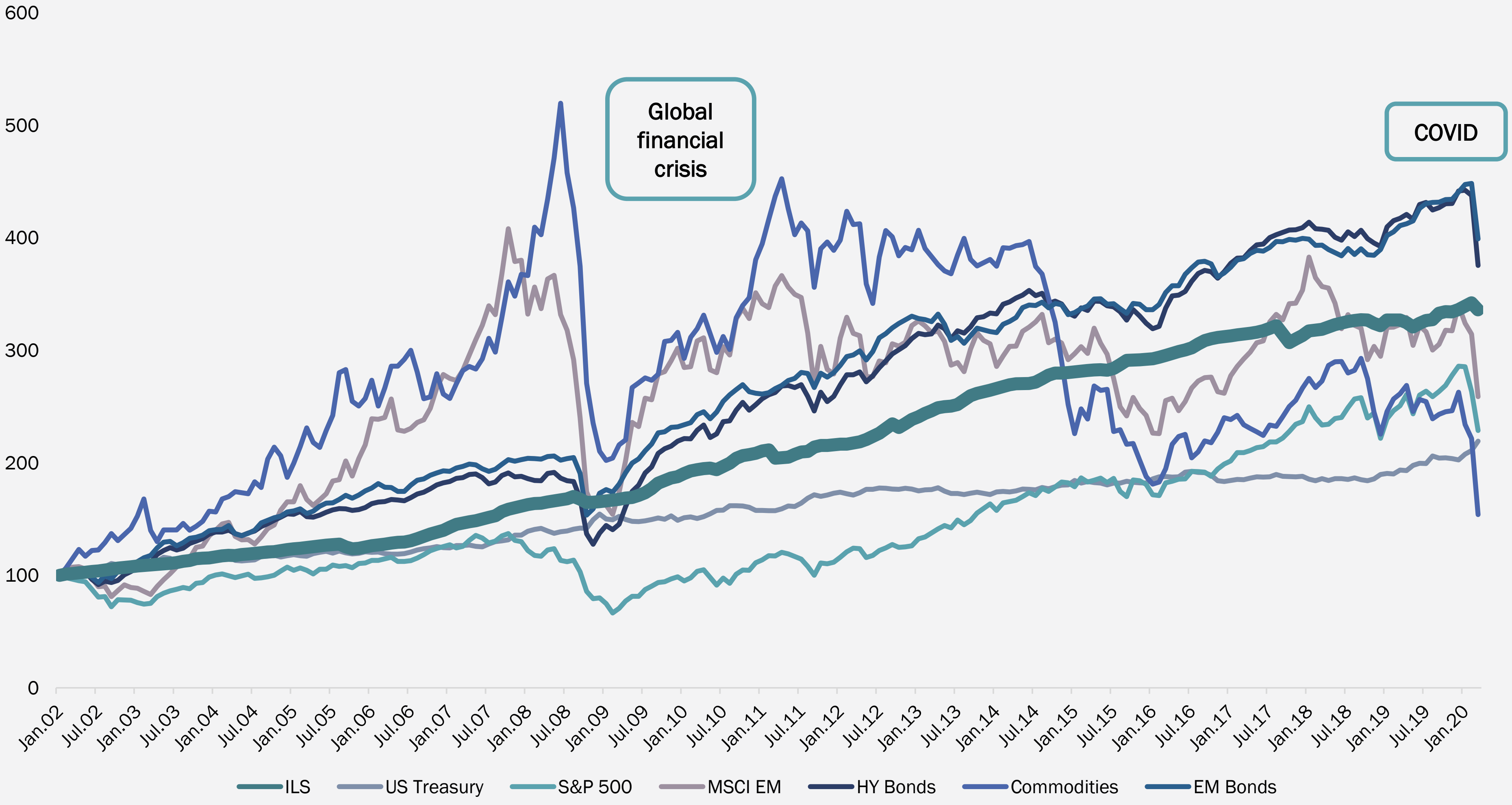
BENEFITS FOR THE INSURERS



- Capital markets can take on a significantly larger amount of risk compared to the single insurer, due to their size and the low correlation to traditional risks; this decreases the risk buffer
- Because of this, the whole insurance market becomes more efficient, and the overall profit increases.
- By ceding the risk, insurers need to post lower equity against the risk. This causes the increase in their return on equity.
- The equity that gets freed up can be returned to shareholders or invested to improve and digitize processes, thus reducing costs.
- Since insurers don't warehouse the risk anymore, earnings volatility and default probability decrease.
- By freeing up capacity, the insurer can decide to lower their premium or underwrite more risk.

BENEFITS FOR THE CAPITAL MARKETS

- Insurance-linked securities (ILS) have historically provided high returns, with extremely low volatility, featuring the best risk-adjusted return compared to traditional asset classes.
- Even during major market dislocation (GFC and COVID), ILS correlation to traditional asset classes was close to zero.



SHARPE RATIOS

ILS	1.3x
S&P 500	0.2x
MSCI EM	0.1x
HY Bonds	0.4x
Commodities	0.0x
EM Bonds	0.6x

THE MARKET SIZE

In 2018 the total amount of insurance premia written worldwide amounted to 5.2 tn USD, while the total amount of Insurance-Linked Securities issued in 2018 was 14bn, for a total amount outstanding of 38bn USD

THE MARKET POTENTIAL

Insurance side

Even though the concept of risk securitization was born many decades ago, the market for Insurance-linked securities is still limited in size (albeit growing), amounting to $38bn in 2018. This compares to a total amount of insurance premia written worldwide of around $5.2tn. Assuming an average coupon of 5.88% (average rate in ILS markets in 2018) the potential market for risk securitization would amount to around $90tn, growing every year as emerging countries develop, new risks arises and old risks become insurable.

Capital market side

On the opposite side, the bond markets amounts to roughly $250tn worldwide, $12tn currently invested in negative yielding securities, especially across Europe ($244bn in Switzerland).