



TRUST RE

PERSPECTIVES



AFFINITY:

A PRODUCT OF CHOICE

FROM TRUST RE

OCTOBER 2019

WWW.TRUSTRE.COM

INNOVATIVE REINSURANCE SOLUTIONS

Introduction

Being innovative in providing reinsurance solutions is part of Trust Re's mission statement and aligns with our vision to be the Reinsurer of Choice, supporting clients in all lines of business. As such, in 2018, the Company established a new division to provide reinsurance solutions and capacity for risks classified as and falling under the common definition of "Affinity".

This segment of the insurance market generates over a billion dollars in premiums per year, affecting buying decisions on a daily basis. Private consumers are the focus of such products. In view of this, we are pleased to publish a short article that highlights the key features of an Affinity risk and the business model needed for an Affinity product to be successful, based on proprietary experience and expertise.

What is an Affinity risk?

Affinity risks are defined as those risks that carry two common, distinctive characteristics:

1. Small in risk nature, impact, and
2. Large in numbers - so called "schemes"

The most well-known example of Affinity risks are the Warranty and Extended Warranty of different classes of products that include:

Auto Warranty or Vehicle Extended Warranty

Provides extensive coverage outside/inside the manufacturer's original guarantee.

Brown & White Goods (All types)

An insurance protection for household appliances, that grants an extension period of cover for domestic apparatus.

All these products and more are available in most territories in which Trust Re operates and can be customised to fit particular regional requirements.

To understand how Affinity works, let us look at the Affinity business model.

Affinity Packages

A set of customised insurance packages, that aims to protect specific uncommon insurance bundles i.e. Mobile Extended Warranty with added accidental damage insurance or Motor extended warranty with added Appearance protection insurance and so on.

Our Affinity products can be bundled into certain financial and travel products as well to help provide clients with peace of mind and extended, added protection.

GAP (Guaranteed Asset Protection)

A cover designed to pay the difference between the outstanding cost of depreciated assets and their actual value. Products could include Finance Gap, RTI (Return to Invoice), also known as TLG (Total Loss Gap) & VRI (Vehicle Replacement Insurance), all of which are designed to provide our clients with maximum protection and support in promoting insurance solutions and business.

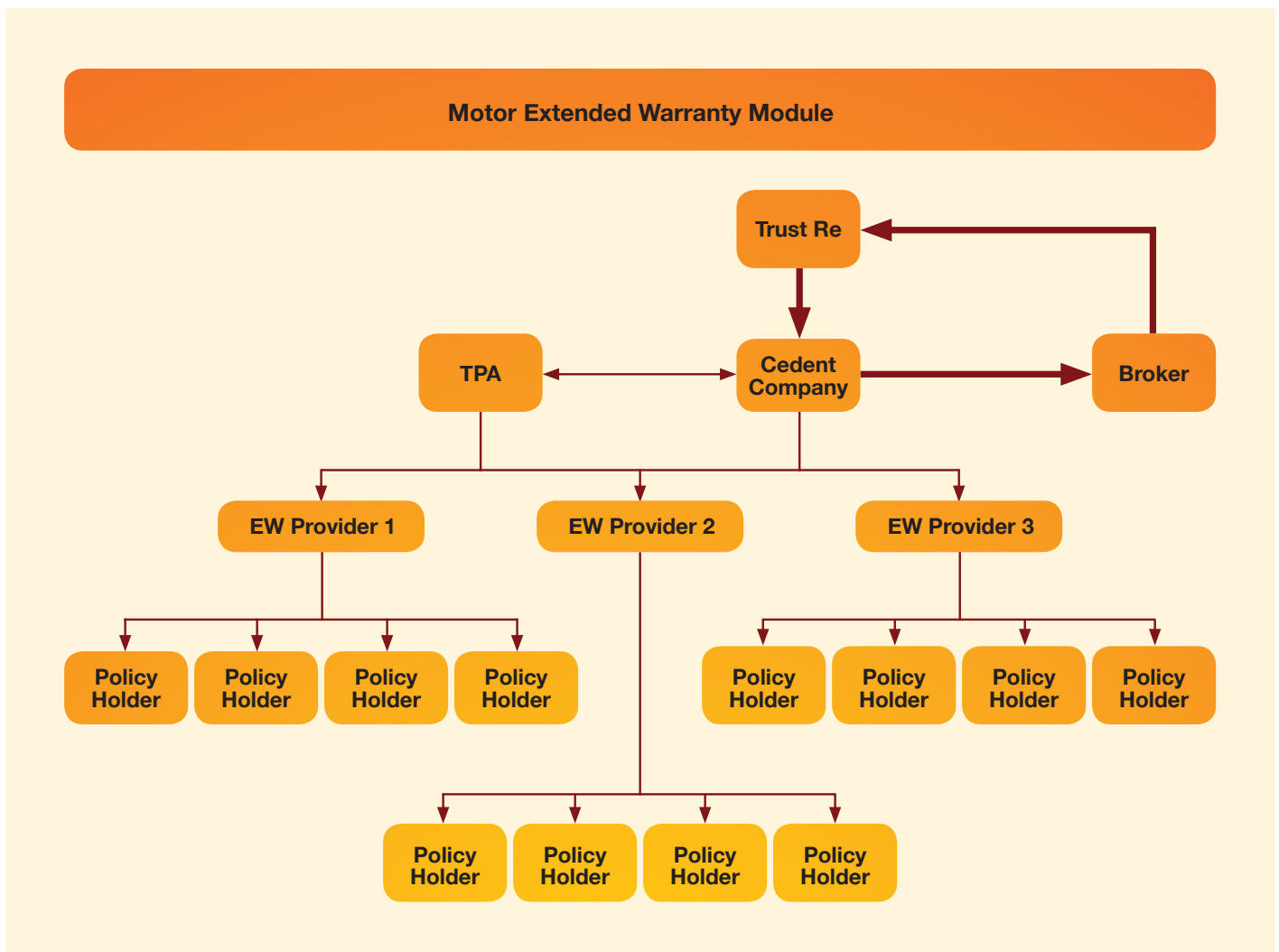
Trust Re Affinity division is also studying the provision of Affinity solutions to financial institutions such as banks to include protection and peace of mind to their clients through the products they provide.

Affinity Business model

For any affinity product to be successful, it is important to prepare the ground for all parties and fully understand the purpose and the objectives of such a scheme.

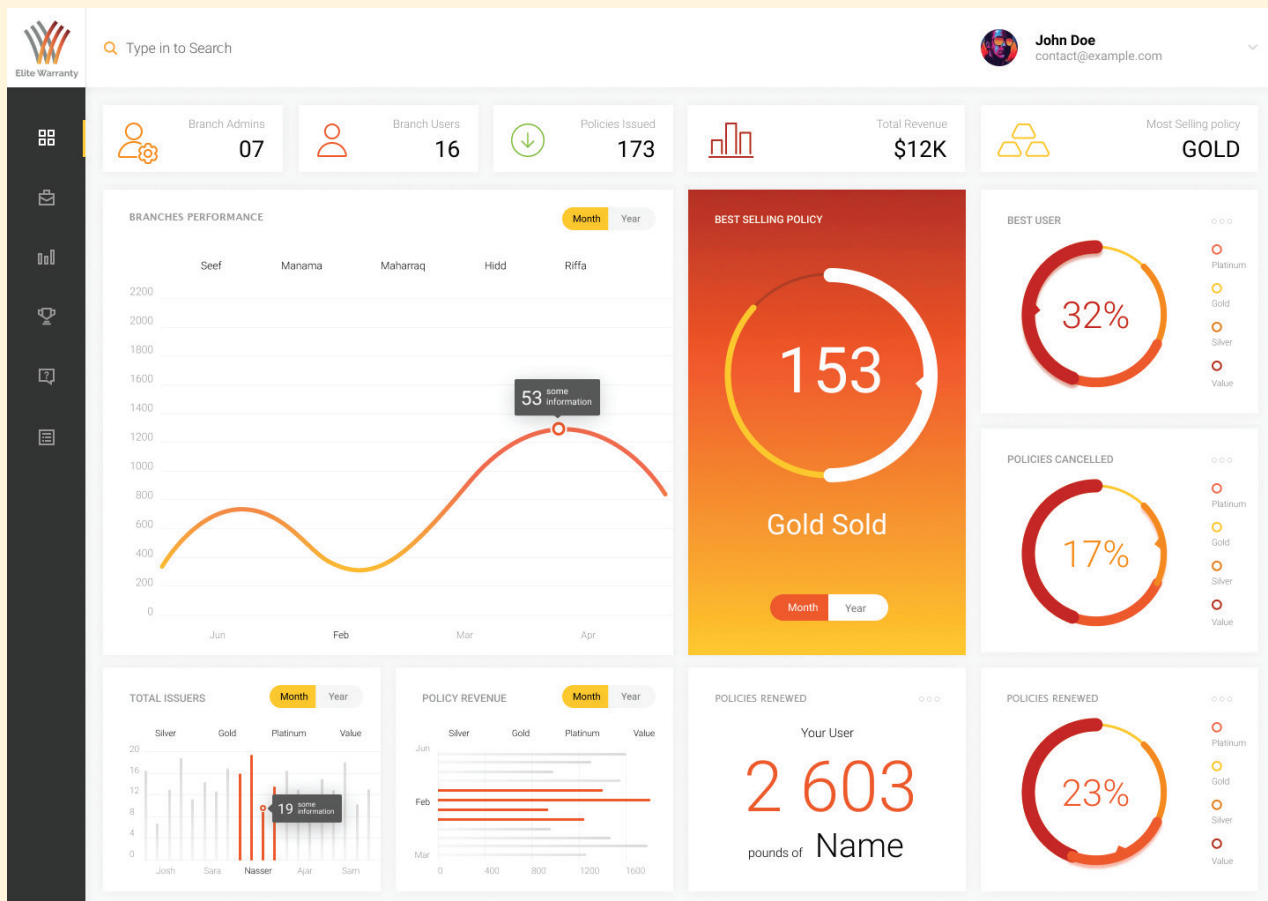
Affinity is a long-term business, and for it to achieve the intended targets, both careful legal and operational planning must be undertaken prior to the launch of any Affinity product. These planning measures include:

- Setting the right legal structure, which includes licensing of the product so as not to violate any existing consumers right or laws, which differ from one country to another. This will affect the design and scope of the product.
- Having the right Third party Administrator also known as “TPA” is the most critical aspect of the set up. The TPA is the first line of contact with the clients, dealing with servicing them and in many cases authorising and reviewing claims and settlements.
- Trust Re has one of the most reputable and experienced companies providing services for Affinity products. Afro Asian Assistance Oman, which is a subsidiary of Trust Re, is a licensed TPA that can provide professional, experienced, high quality services to our Affinity clients, assisting insurers and other clients in setting up design and operational management of these schemes.



Affinity Business model (continued)

- A trusted IT system is a necessity in any Affinity scheme, helping all parties involved in servicing and achieving the targeted levels of service in very competitive Affinity markets. Trust Re, in collaboration with Afro Asian Assistance, has developed one of the most advanced IT systems to serve the Affinity market. It promises to change the way this line of business is managed by reducing costs, increasing productivity and elevating customer care on all levels.



Sample Screen of Elite Warranty System

The system links all parties involved from the reinsurer to the end client user with live tools and instant services, which are displayed in real-time. Thus, all parties can understand and monitor progress to enable achievement of all expected goals and targets.

- A well-designed distribution channel is important for any Affinity scheme to succeed. Choosing the right distribution channel is affected by several parameters and is different from one region to another. To give an example, the best distribution channel for Motor Extended Warranty in the GCC countries are car dealerships, while this can change in the US or EU countries. The same goes for brown & white and other Affinity products. Currently Trust Re is providing Affinity products through a wide range of distribution channels including a leading, well-known, international internet retailer.

Affinity Risk approach and Capacities: The Way Forward

Trust Re is developing a portfolio of Affinity risks, supporting Cedents in granting Affinity covers and guarantees to manufacturers and retailers. Trust Re will support the market by either leading or supporting facultative placements. One hundred per cent (100%) capacity support policies are available in certain regions where Trust Re operates to support our clients with our Affinity products and Reinsurance capacity.

Risks in Affinity are not standard and several risk elements are taken into consideration when pricing an Affinity scheme.

To give an example: a Toyota vehicle sold in the GCC is not the same car when it is sold in Africa or South East Asia or even the USA in terms of warranty pricing or the design of the warranty scheme, as other important underwriting factors can influence the risk. This is why every risk is treated as bespoke and unique. Factors determining the risk are both product and region, with some cases even affected by local regulations.

Trust Re aims to be the main Affinity risk capacity and services provider in the MENA region and beyond, providing its clients with the highest levels of professional service.

*Copyright © 2019 Trust International Insurance and Reinsurance Company BSC (C) (“Trust Re”)
All rights including the Author’s rights are reserved to Trust Re*

Title: Affinity: A Product Of Choice From Trust Re

Author: Ali Mohsen, Senior Underwriter Affinity Division, Trust Re.

