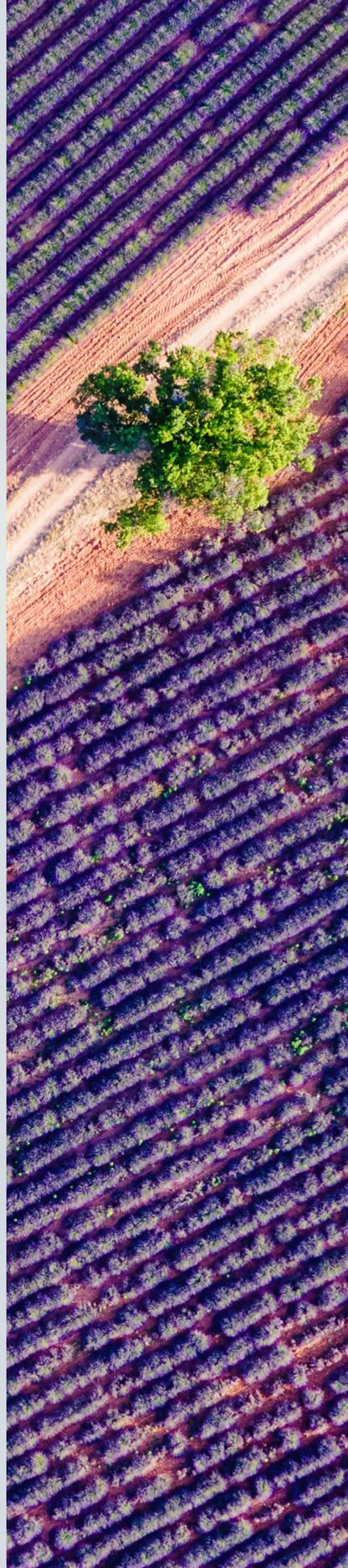


An aerial photograph of a forest. The left side of the image is dominated by a solid red vertical bar. The rest of the image shows a dense forest of trees. The trees on the left are mostly bare, with dark, intricate branches. The trees on the right are lush and green, with a bright, vibrant color. The overall scene is a stark contrast between the dead and the living.

# Develop Your Custom View of Risk in 4 Steps

Insurer Masterclass  
Series 2023

# Develop Your Custom View of Risk in 4 Steps



## Catastrophe Risk is The Largest Driver of Volatility on Most Insurers Balance Sheets

### Benefits of Developing a View of Risk

Build an appreciation of the model limitations, assumptions, and uncertainties.

Obtain senior management alignment on the strategy around the gross portfolio and align with corporate goals.

Enact portfolio level decisions that are informed by the latest science.

Effectively evaluate options around reinsurance structures and the value provided.

Differentiate yourselves in the marketplace and own reinsurer conversations.

Develop a comprehensive understanding of the true volatility within the retained risk in your portfolio.

Quantify the current and future impact of climate change to your business.

# The Framework

1



**Define Goals**

- Define the motivation, identify perils region of focus and set project goals.
- Identify executive sponsor and key expertise across actuarial, risk, exposure management, reinsurance, underwriting and claims.
- Establish a framework for evaluating and implementing a custom view of present and future risk.

2



**Evaluate Available Catastrophe Models**

- Validate the hazard and vulnerability components against independent, peer reviewed research.
- Compare modeled losses with experience.
- Identify key model strengths and weaknesses and their importance to your portfolio.
- Assess the suitability of the model in the changing climate.

3



**Customize Your View of Risk**

- Differentiate by analyzing claims experience and create a bespoke view on vulnerability.
- Gain control by forming a view on the hazard component of the models and adjust to align with research from academia.
- Form a view and adjust for non-modeled sources of loss (loss adjustors fees, sub-perils, demand surge etc.) and make allowances through loading of results.

4



**Realize The Benefits**

- Implement a consistent View of Risk across all parts of the organization through collaboration and shared ownership, from the point of underwriting through to risk transfer.
- Utilize your custom View of Risk as the basis for portfolio level, strategic decisions.
- Drive conversations with reinsurers, articulating your deep understanding of the risk and differentiate yourself amongst amongst your peers.

# Case Studies

## Utilising Claims Data to Reduce Model Uncertainty



### Background

Through the process of evaluation, an insurer with a European agricultural portfolio concluded that available solutions did not accurately capture its unique vulnerability of risks.



### Solution

Policy level claims were analysed to create custom vulnerability functions hosted within Impact Forecasting's European windstorm model.



### Result

This enhanced View of Risk enabled better internal risk management and detailed conversation with reinsurance partners.



This bespoke View of Risk has been successfully embedded into both the client's internal capital model and the marketplace, where it is leveraged as a differentiator when engaging with reinsurance partners."

**Alex Alabaster**  
Head of Catastrophe  
Research UK & EMEA  
Reinsurance Solutions  
Aon



# Case Studies

## Enhancing Strategic Portfolio Level Decisions



### Background

A Californian portfolio faced a rapidly evolving landscape of increased wildfire losses and multiple new vendor models.



### Solution

A full evaluation of the models and an analysis of policy level claims data was used as the basis for an event level adjustment to a vendor model.



### Result

This enabled a strategic 15% growth in premium between 2018 and 2021.



As we have gained confidence in our view of risk, it allows us to gain clarity in our strategy and tactics. The better we refine our view, the better we can align tactics and strategy to meet that view."

**Company Vice President and Chief Actuary**



# Case Studies

## Aligning With Latest Scientific Research



### Background

A Japanese portfolio was seriously affected by a large increase in modelling results due to a vendor model update. Through the process of evaluation, the insurer decided that they did not agree with this new view of hazard.



### Solution

Working with Impact Forecasting, the client developed a new model that utilised robust scientific evidence from local scientists.



### Result

This View of Risk was adopted internally and by reinsurance partners.



The vendor modelling landscape is a vital and embedded component of our clients' risk management processes for reinsurance and wider capital optimization. Today, with the help of the scientific research community, Aon provides and deploys credible alternative model views of complex earthquake risk on behalf of our clients."

**John Moore**  
**Head of Analytics Japan**  
**Reinsurance Solutions**  
**Aon**





## How Can You Apply This Approach to Grow?

Embedded in the insurance industry, we help re/insurers make better decisions by answering these questions to define goals, blended with analytics and market views to shape accurate short-or long-term strategies.

## Contact Aon to discover more

### Develop Your Custom View of Risk in 4 Steps

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## About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

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