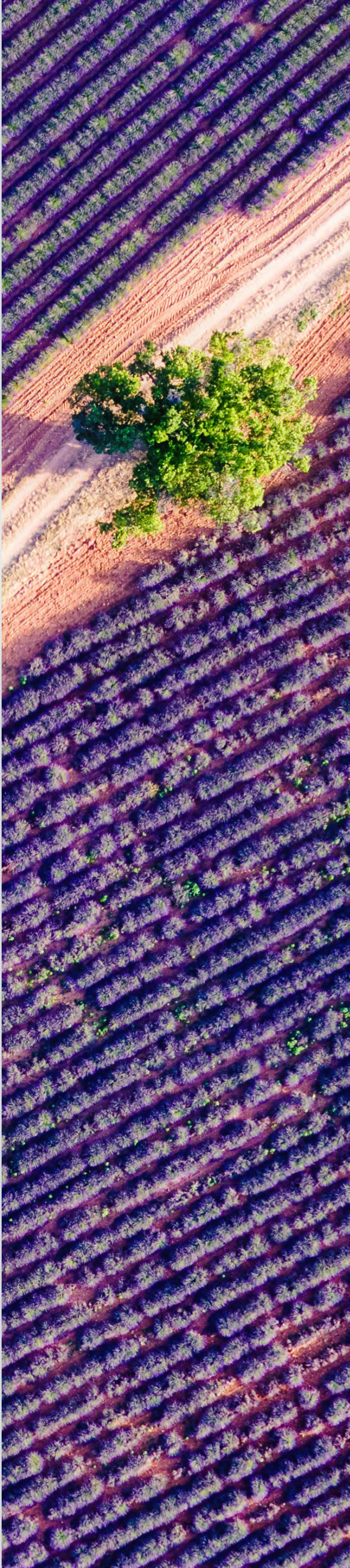


An aerial photograph of a forest. The left side of the image shows a dense canopy of bare, dark brown trees, suggesting a winter or late autumn scene. The right side of the image shows a dense canopy of bright green, needle-covered trees, likely pines or firs, suggesting a spring or summer scene. The contrast between the two sides is sharp.

Develop Your Custom View of Risk in 4 Steps

Insurer Masterclass
Series 2023

Develop Your Custom View of Risk in 4 Steps



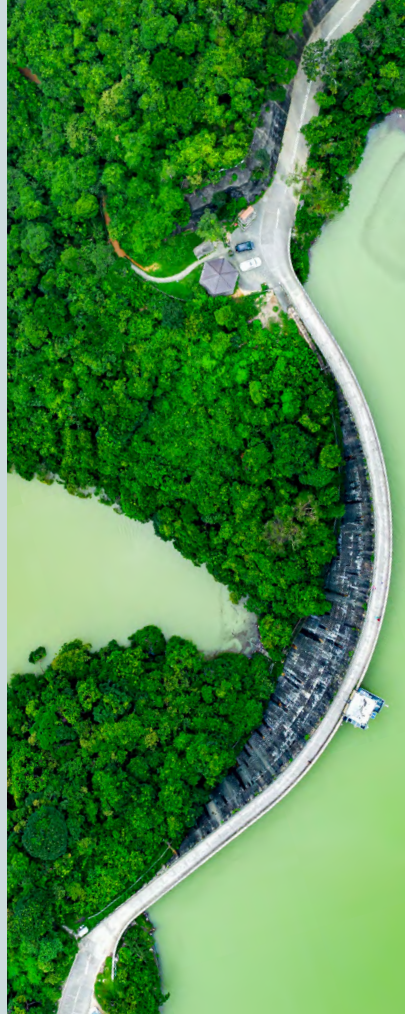
Catastrophe Risk is The Largest Driver of Volatility on Most Insurers Balance Sheets

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

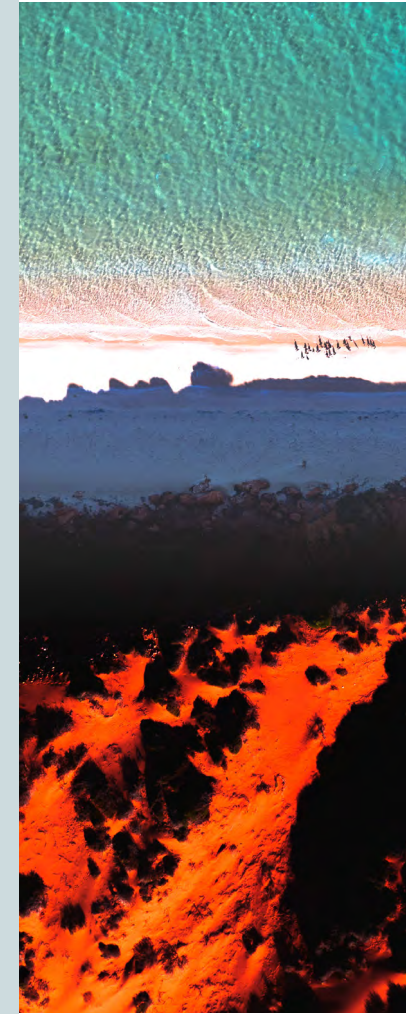
1



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.

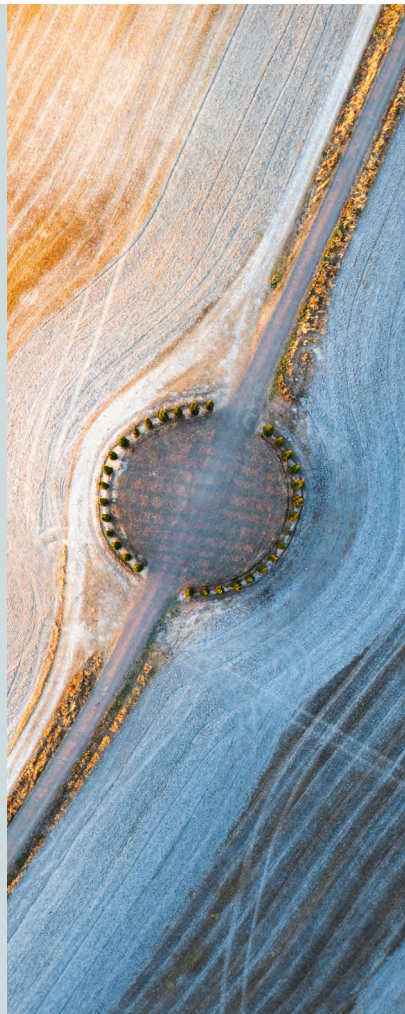
2



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.

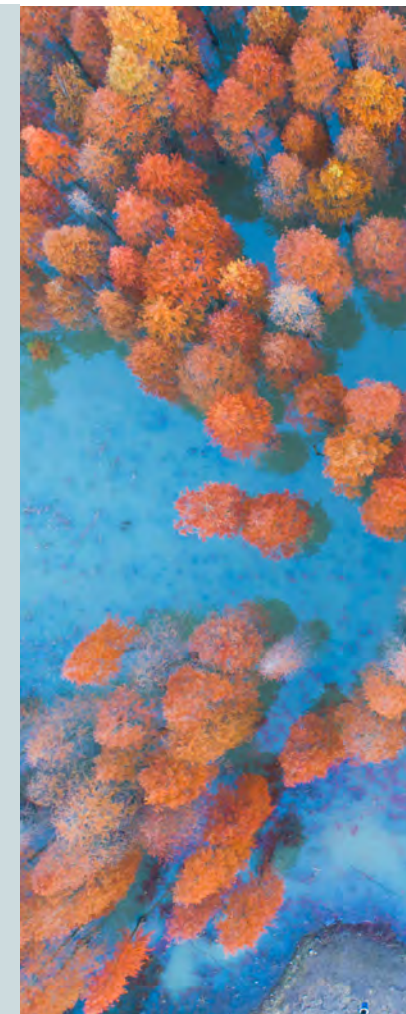
3



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 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

Alexander Alabaster
Head of Model Evaluation UK & EMEA Reinsurance

alexander.alabaster@aon.com

Katie Carter
Managing Director
Aon Reinsurance Solutions
katie.carter@aon.com

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.

Follow Aon on LinkedIn, Twitter, Facebook and Instagram.
Stay up-to-date by visiting the Aon Newsroom and sign up for News Alerts here.

aon.com