

Risk & Capital Strategy

Aon Benfield Analytics

Macro-economic instability and a softening underwriting cycle are testing the ability of insurance companies to effectively manage their capital. Additional capital uncertainty is being driven by regulatory changes, the impending Solvency II capital requirements and the potential for changes in IFRS/GAAP accounting standards. Aon Benfield Analytics' Risk & Capital Strategy team delivers practical advice on how insurers can navigate these challenges in order to maximize enterprise value.

The team works alongside Aon Benfield Analytics professionals to advise clients on capital and reinsurance optimization strategies, analyzing the links between risk, volatility, capital and value. As the risk and capital needs of insurers vary around the world, the team has adopted country-specific strategies with an emphasis on local issues.

Delivering Unmatched Solutions

Client solutions are developed through Aon Benfield's world class financial modeling tools coupled with the full breadth of our expertise in catastrophe modeling, non-catastrophe risk parameterization and rating agency expertise. Our ability to deliver unmatched solutions to clients' risk and capital strategy questions is driven by:

- Award-winning dynamic financial analysis modeling tool, ReMetrica®, supporting enterprise risk management and economic capital modeling
- An in-depth understanding of Solvency II allowing us to provide a comprehensive overview of the EU regime from a variety of perspectives and offer partial internal model solutions through a template in ReMetrica that automates the process of building a partial internal model at minimal cost Unparalleled catastrophe modeling expertise resulting from numerous client engagements using vendor-based models and being the only reinsurance broker with a catastrophe model development firm, Impact Forecasting
- The industry's leading publication on non-catastrophe risk parameterization, Aon Benfield's Insurance Risk Study, for modeling and benchmarking underwriting risk
- Substantial expertise with the analyses used by major rating agencies to assign financial strength ratings and helping clients achieve their rating goals in concert with financial and strategic objectives
- Broad insight into local regulatory and accounting regimes that impact the level and use of required capital

Key Capital Strategy Projects

In the current environment, insurers need to rationalize the link between their risk tolerance, their risk capacity and the compensation received for taking risk. The Risk & Capital Strategy team helps clients address this need, from setting catastrophe capacity limits to cost of risk allocations and reserve risk quantification. The team also helps clients answer:

- How should my reinsurance program be structured to balance internal/external, and central/local buying decisions, etc.?
- How can I articulate my risk tolerances and risk appetite in a way that links to effective risk/return decision making within my firm?
- How should I allocate capital across operating divisions and product lines?
- How should I set profit targets by division especially for heterogeneous companies?
- What combined ratio should I target to generate a desired return on equity by line?
- How should I model credit risk in my reinsurance recoverable portfolio?
- Should I repurchase shares, expand organically or grow via acquisitions? What is the best use of excess capital?
- Should I use a partial internal model and how can it help me to calculate the Solvency II capital requirement, assist in my Own Risk and Solvency Assessment (ORSA), definition of risk limits, and creation of the required Solvency II disclosures?
- How do I ensure that my current reinsurance program is optimized to reduce my capital requirements under the new Solvency II regime?
- What is the optimal mix of investments to maximize return whilst achieving bespoke management targets for economic risk, earnings volatility and regulatory/rating agency capital usage?

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About Aon Benfield Analytics

Aon Benfield Analytics offers clients industry-leading catastrophe management, actuarial, rating agency advisory and risk and capital strategy expertise. Whether working side-by-side with brokers on risk transfer products or engaging on broader analytic and modeling engagements, our 400+ specialists around the world consistently deliver innovation and thought leadership to clients. In placements, we quantify the effectiveness of reinsurance and help structure optimal risk transfer programs. Beyond the placement, we provide solutions for risk and concentration analysis, portfolio optimization, catastrophe modeling, pricing and cost recovery, and economic capital modeling. Aon Benfield Analytics, together with our leading broking teams, helps clients fully consider the capital, income, regulatory and rating agency implications of all risk transfer transactions.