

Risk Financing Decision Platform (RFDP)

Achieving the right balance between risk retention and transfer, aligned with your risk appetite

How does your organization measure and manage risk?

We live in an era of unprecedented change and volatility that can significantly impact your organization's risk profile. As a result, managing the cost of risk is a key focus for business stakeholders in achieving financial targets.

Through evaluating and measuring alternative approaches to risk, organizations are able to identify the most efficient insurance program and enable business leaders to make data driven decisions.

Our clients use Risk Financing Decision Platform (RFDP) to help their organization:

- ▶ **Align insurance programs with financial objectives**
- ▶ **Manage the cost of key risks and volatility**
- ▶ **Enable stakeholders to make data driven decisions**

Aon clients have successfully used this approach to support financial objectives and manage the cost and volatility of key risks.

Our integrated analytical solution consists of three modules that link financial insight, actuarial analysis and insurance market factors:

Risk Appetite

Establishes your organization's willingness to retain risk, linked to corporate financial objectives

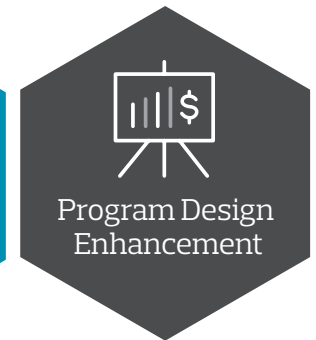
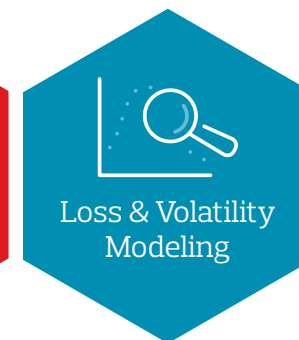
Loss & Volatility Modeling

Generates a thorough understanding of your current risk exposures individually and across the portfolio

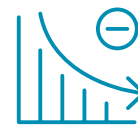
Program Design Enhancement

Compares the cost and benefit of your available risk management and insurance program options

Capital Deployment Efficiency



Incorporating RFDP into your insurance strategy decision making process can help to deliver multiple benefits.



Visibility into the full range of potential loss outcomes



A 'health check' of current risk transfer strategies



Insight into the risk transfer programs available across the market

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Consumer Goods



A large consumer goods organization sought a framework to quantitatively assess risk for its property, casualty, and management liability insurance programs.

Aon investigated the impact of multiple factors on the company's financial statements to evaluate its risk appetite. Insurance risk models were constructed for each of the individual risks under investigation, as well as the portfolio of risks. The costs and benefits of alternative risk transfer alternatives were considered, including raising retention levels, the use of a captive, and an integrated program.



Based on the risk appetite results, the client validated that it could accept additional risk in its insurance portfolio. The client elected to increase the retention on its property program and structured an integrated program for several of the risks based on expected annual Total Cost of Risk (TCOR = premiums plus retained losses) savings of \$4 million, combined with significant catastrophic protection.

Integrated Services



An integrated service company sought an objective framework to assess the effectiveness of its global insurance program.

Aon investigated the impact of multiple factors on the organization's financial statements to evaluate its risk appetite. Insurance risk models were constructed for each of the individual global risks and considered as a portfolio. The costs and benefits of alternative risk transfer alternatives were considered including raising retention levels, lowering retentions on other lines, and increasing limits.



Based on the risk appetite results, the client confirmed that it should reduce its retained risk. The client elected to decrease the deductible on its property program and increase limits. Based on expected annual Total Cost of Risk (TCOR = premiums plus retained losses) the client achieved savings of \$2.5 million, combined with greater catastrophic protection.



Joseph Kilroy, FCAS, MAAA
Managing Director
Actuarial & Analytics
610.834.3331
joseph.kilroy@aon.com

Stephanie Vogel, CFA
Director
Actuarial & Analytics
312.381.4440
stephanie.vogel@aon.com

Christian Coleianne, FCAS, MAAA
Director & Actuary
Actuarial & Analytics
410.309.0741
christian.coleianne@aon.com

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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