5 min guide to…
Capital relief for pandemic under Solvency II

An adverse mortality stop loss solution to decrease Solvency II capital requirements and enable companies with high life catastrophe exposures to stay competitive.

So let's set the scene…

Under Solvency II, pandemic is viewed as a key trigger for a life catastrophic loss so insurers have to hold sufficient capital for this in case of an event. Reinsurance can help reduce the amount of capital insurers need to reserve but traditional catastrophe policies typically exclude pandemic so carriers need to find an alternative solution.

How can Aon help me navigate these challenges and seize the opportunities?

Firstly, Aon models an insurance company's exposure to pandemics using ReMetrica for Life, Health and Pensions. This enables the insurer to understand its potential pandemic losses and determine its risk appetite, which may or may not be equivalent to the Solvency II SCR stress test scenarios.

Secondly, insurers can access a stop loss solution – specifically designed by Aon – which covers any adverse change in mortality. We typically suggest companies cover 130-150% of their annual losses up to the SCR life catastrophe stress test. The event which will trigger this change is most probably a pandemic.

What are the benefits for re/insurers?

1. Enhanced understanding of risk appetite and ability to obtain appropriate cover for a pandemic
2. Decreased Solvency II capital charge alleviating the need to hold more capital
3. Ability to stay competitive and keep insurance prices stable

Sounds good but what makes your solution different?

- Aon has developed roll-over structure and wordings which enable the insurer to decrease its capital requirements for Solvency II, in addition to providing economic protection.
- Aon has developed a reinsurance market for these covers which, through smart product modification, has resulted in at least a 25% reduction in reinsurance costs.

How can you manage pandemic risk?

Contact us to find out more

Masha Jankovic
+44 (0) 20 7086 1234
masha.jankovic@aon.com

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