

Coronavirus

Understanding the implications of Coronavirus on the re/insurance industry

It is important to note irregular regional and global epidemics like the Coronavirus are anticipated by the re/insurance market. Indeed, modern risk-based capital regulatory regimes now require insurers to specifically hold capital against this sort of event if the insurer does not reinsure the risk

In almost all instances, epidemics and pandemics are covered in traditional proportional Life and Health reinsurance policies. For portfolios without proportional reinsurance, Aon works with insurers to implement specific epidemic, pandemic or excess-of-loss reinsurance to cover the remote possibility of large losses due to a pandemic. However, many insurers, especially the large UK and the large multinational reinsurers, will have significant diversification measures in place to offset their risk through longevity programmes they hold from annuity business.

This is an opportunity for insurers to further analyse their exposure to epidemics and pandemics through specialist catastrophe models as insurers and their boards reassess their continued risk appetite. These models help to shape reinsurance strategies to both manage exposures and align with local regulatory requirements such as Solvency II in Europe and local risk-based capital regimes in Asia Pacific.

Next steps

For direct consultation on the implications of Coronavirus, please contact the Global Head of Life at Aon's Reinsurance Solutions business:

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