



Parametric Property Damage Business Interruption (PDBI)

Background

Parametric insurance is an innovative solution that both complements and fills the protection gaps in traditional insurance programmes. As such, Aon's Innovation & Solutions team is positioning itself at the forefront of evolving market dynamics to offer your clients non-traditional protection that represents the 'insurance of tomorrow'.

Using data and analytics, we are seeking to fill these gaps in the traditional re/insurance market to help create new avenues for organic revenue growth, while displaying innovation to all Aon clients and prospects.

Parametric:

Over

\$300M

PDBI in Caribbean

In 2020



While property and casualty insurance for such events has been available for some time now, businesses have been turning to parametric insurance solutions as a complement to traditional insurance, drawn by the simplicity, speed and cover that such products provide.

Contact Information

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Managing the Volatility of Weather: Our Solution

The world is experiencing an exponential growth in harnessed data, which should allow insurance companies to offer more tailored and targeted client solutions than ever before. However, very few have seized the opportunity. In the last three years alone, we have seen an increase in extreme weather events, such as hurricanes, higher temperatures, rainfall and greater volatility globally.

In response we help businesses find increasingly tailored solutions which allow them to manage the financial impact of adverse weather on revenues and costs.

Why are people buying parametric?

Traditional indemnity products may cause companies to be dissatisfied namely due to:

1. **Claims Process:** Long timescales, opaque and loss adjustment, can be expensive and often underinsured.
2. **Reinstatement Clauses:** Often want to update/upscale rather than just replace infrastructure.
3. **Capacity and Hardening Market:** We offer an alternative!

Benefits of Parametric

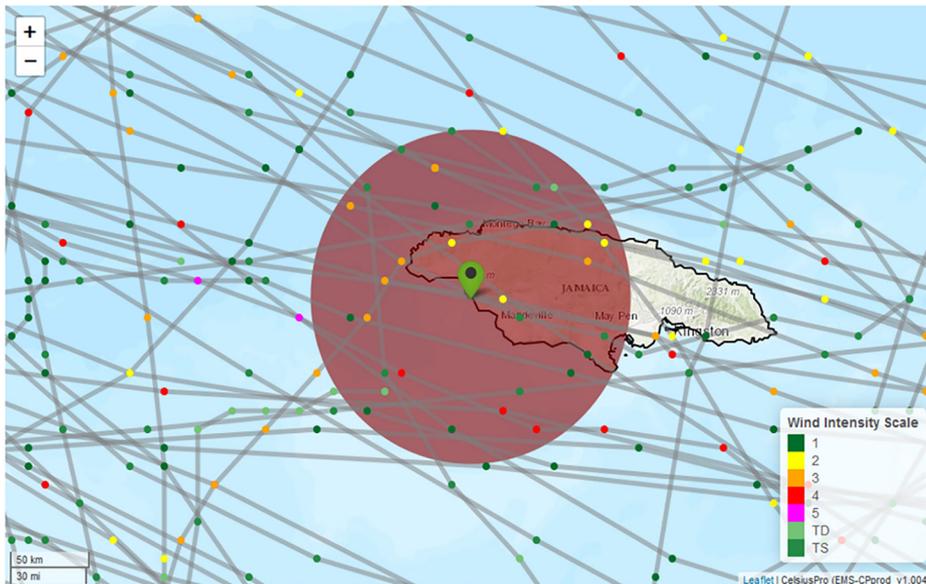
Benefits are numerous but primarily it is time and transparency that have driven demand, specifically:

1. **Agreed value claims:** Clients know what they are going to get and when after a catastrophe occurs.
2. **Independent settlement agent:** No loss adjusting- The data of the event captures the loss.
3. **Alternative capital:** Additional capacity players, alternative structures, bespoke design for businesses to respond to its own pressing needs.

Why use the Aon Innovation and Solutions Team:

- We proactively identify new avenues for insurability through partnerships with data, analytics, technology and insurtech providers.
- We have over 10 years experience in the parametric market, having placed over \$300m of parametric cover in 2020.
- Claims are paid automatically on agreed value when a pre defined trigger is reached.
- We have an exclusive relationship with weather analysts, Celsius Pro.
- We focus on new areas of innovation – Nat Cat, wave height, hydrological.

Hurricane Case Study – ‘Cat In a Circle’



How it works:

- ▶ Circle centre: a popular tourist destination.
- ▶ Circle radius: 100km.
- ▶ Event Trigger: If the storm track of an event Cat 3, 4 or 5 intersects with the predefined circle, then a payment is triggered automatically.
- ▶ Payout Table: The Payout Table defines the loss payment per Hurricane Category intersecting the circle. The Payout is defined as percentage of the sum insured.

Data Source: National Hurricane Center (NHC)

“A parametric product can be the solution to the problem of a hardening property market, either as a supplement, complement or replacement of traditional (Re)Insurance “

Paul Ramiz, Director, Aon Innovation & Solution

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FP#12987-AD

