

5 min guide to...

Managing pandemic risk

An adverse mortality stop loss solution to allow companies with life or health exposures to help manage risk from pandemic events.

Let's set the scene...

As evidenced by the ongoing Covid-10 outbreak, pandemic is a major catastrophic risk to life and health re/insurers, and a lack of reinsurance protection can lead to an outsized loss. The risk cannot be effectively mitigated using geographic diversification and it is difficult to price, underwrite or reasonably predict. Reinsurance can help reduce risk, 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 a re/insurer's exposure to pandemics using vendor and Aon's proprietary catastrophic models. This enables the re/insurer to understand its potential pandemic losses and determine its risk appetite.

Secondly, re/insurers can access a stop loss solution – specifically designed by Aon – which covers any adverse change in mortality or morbidity. The reinsurance typically attaches an excess of a set percentage of a carrier's expected annual losses and protects to a predetermined threshold above that point. The event which would most likely trigger a spike in losses of this magnitude is a pandemic, although coverage often includes other perils such as terrorism and earthquake.

What are the benefits for re/insurers?

1. Enhanced understanding of potential losses from pandemic events using modeled outcomes.
2. Manages a carrier's results from catastrophic losses associated with a pandemic.
3. Ability to stay competitive and keep insurance prices stable in what could be uncertain times.

Sounds good but what makes your solution different?

- Aon has access to both commercial and proprietary pandemic models to help clients achieve an enhanced view of the risk and purchase the appropriate cover for their risk appetite.
- Aon has established a global Covid-19 center of excellence with a focus on keeping our clients apprised of the ongoing situation. We continue to regularly engage with reinsurers to monitor market dynamics and develop reinsurance solutions for our clients.

How can you manage pandemic risk?

Contact us to find out more

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