

Modeling Risk

March 12, 2013



Aon Risk Solutions
Global Risk Consulting





Objective

Use Risk Modeling to help quantify and translate risk into Financial Statement impact





Global Natural Catastrophe Update Losses are Increasing

Global Natural Catastrophe Update: Losses are increasing.

2012 Facts

900 Events

Above the 10-year-average (800).

\$65 Billion Insured Losses

Above the 10-year-average (\$50B)



Insurance Is Not The 'Total Solution'....
Balance sheets ARE impacted

**Property Insurance usually does NOT pay 13%-24%
of the amount claimed**

Preparation Does Matter

“Up to 40 percent of businesses fail after a disaster, according to the Insurance Information Institute. Yet only 43 percent feel prepared to handle an extensive emergency. An Ad Council survey reported that nearly two-thirds (62%) of respondents said they do not have an emergency plan in place for their business.”

-AD Council on FEMA press release, June 2 2011

Modeling





Why Model?

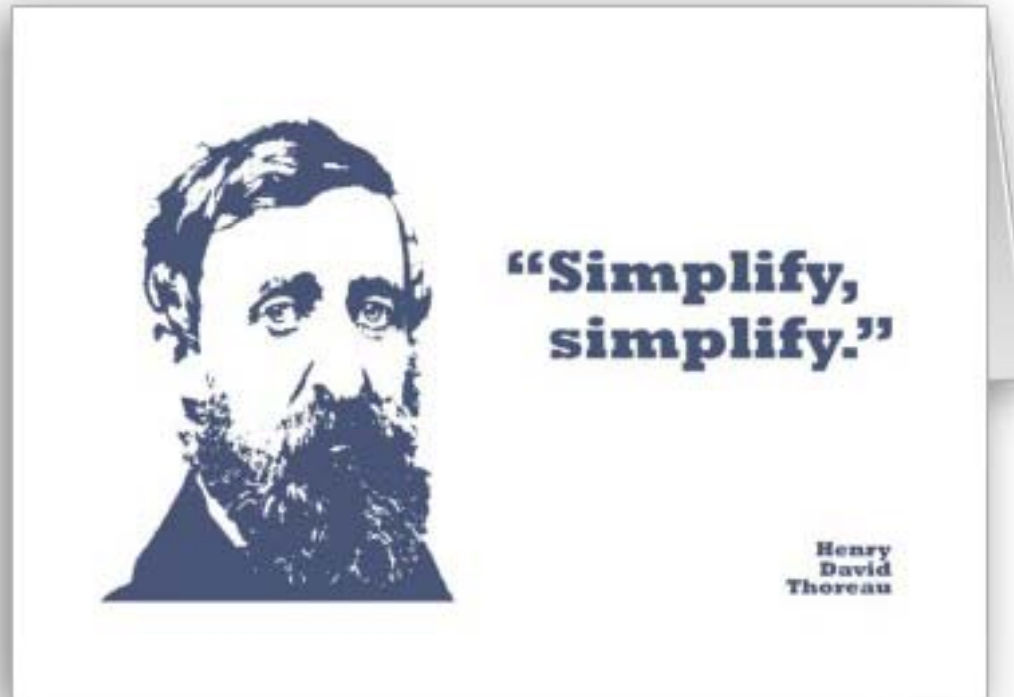
Estimate the unknown for better decisions





Why Model?

Simplify reality to help **understand** risk





Why Model?

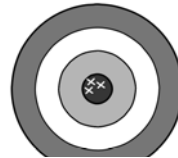
See what cannot be observed





Desirable Model

- Accurate



- Clear



- Flexible

- Efficient

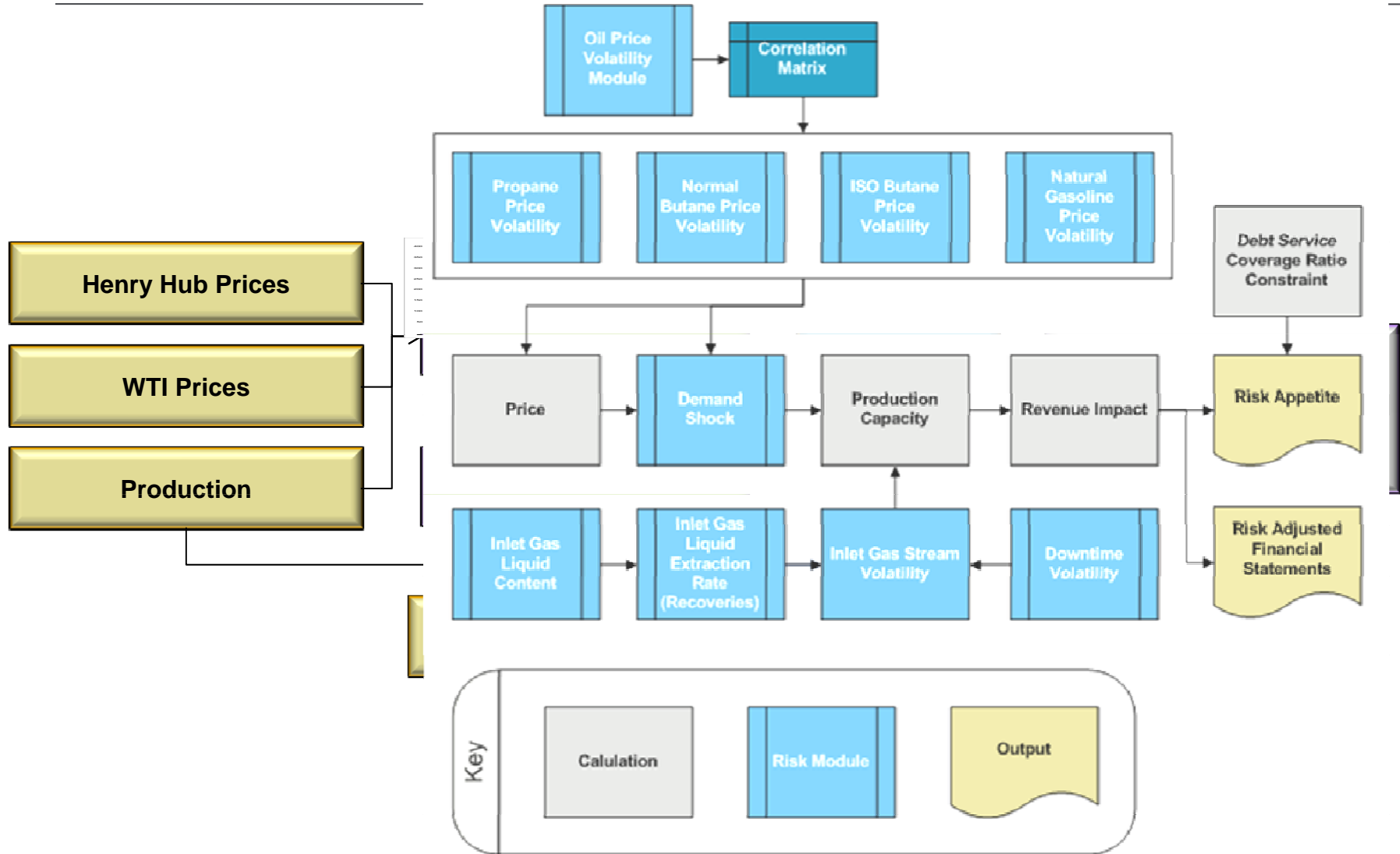
...A Useful Tool

Translating Risk Into Financials



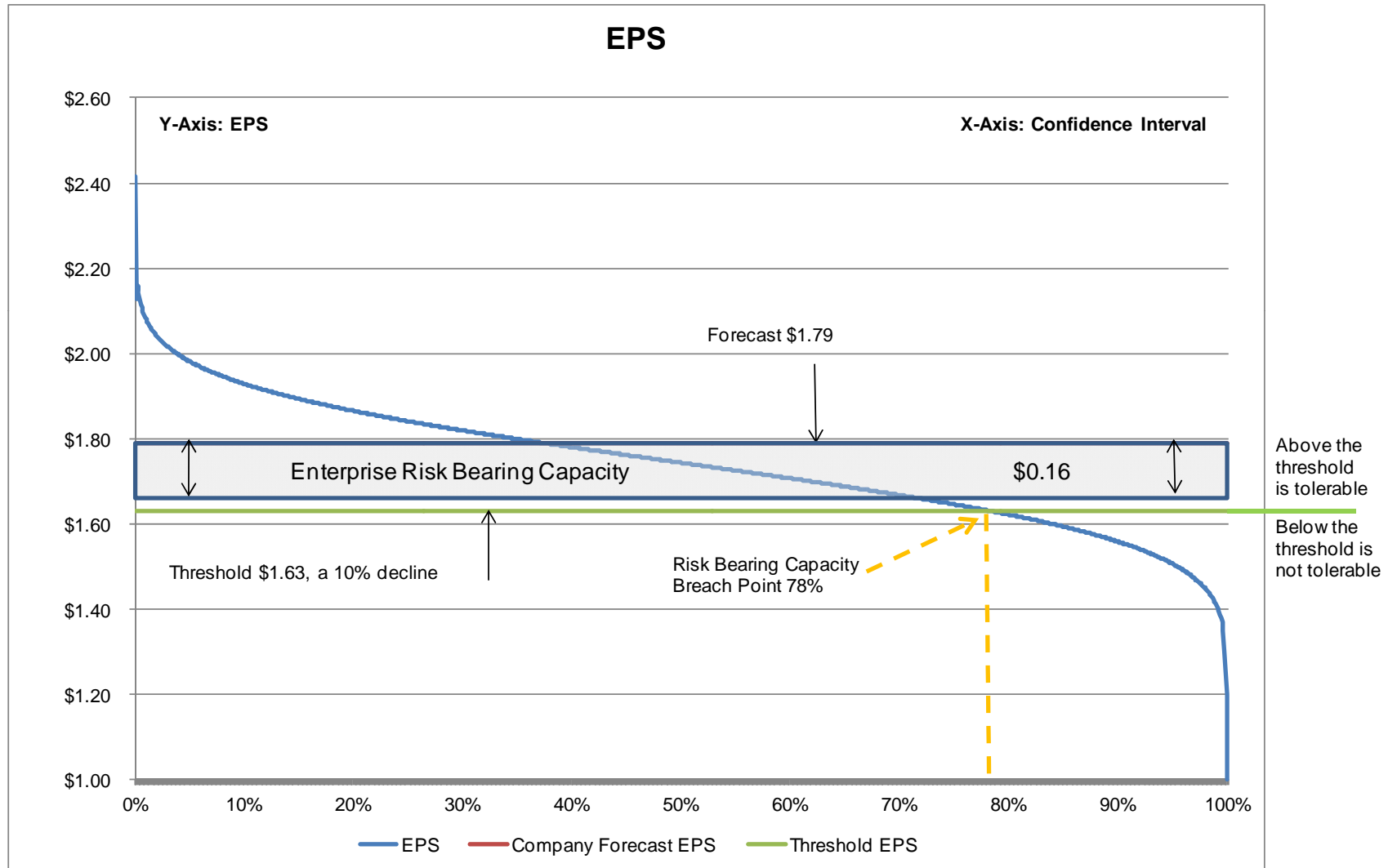


Risk Bearing Capacity



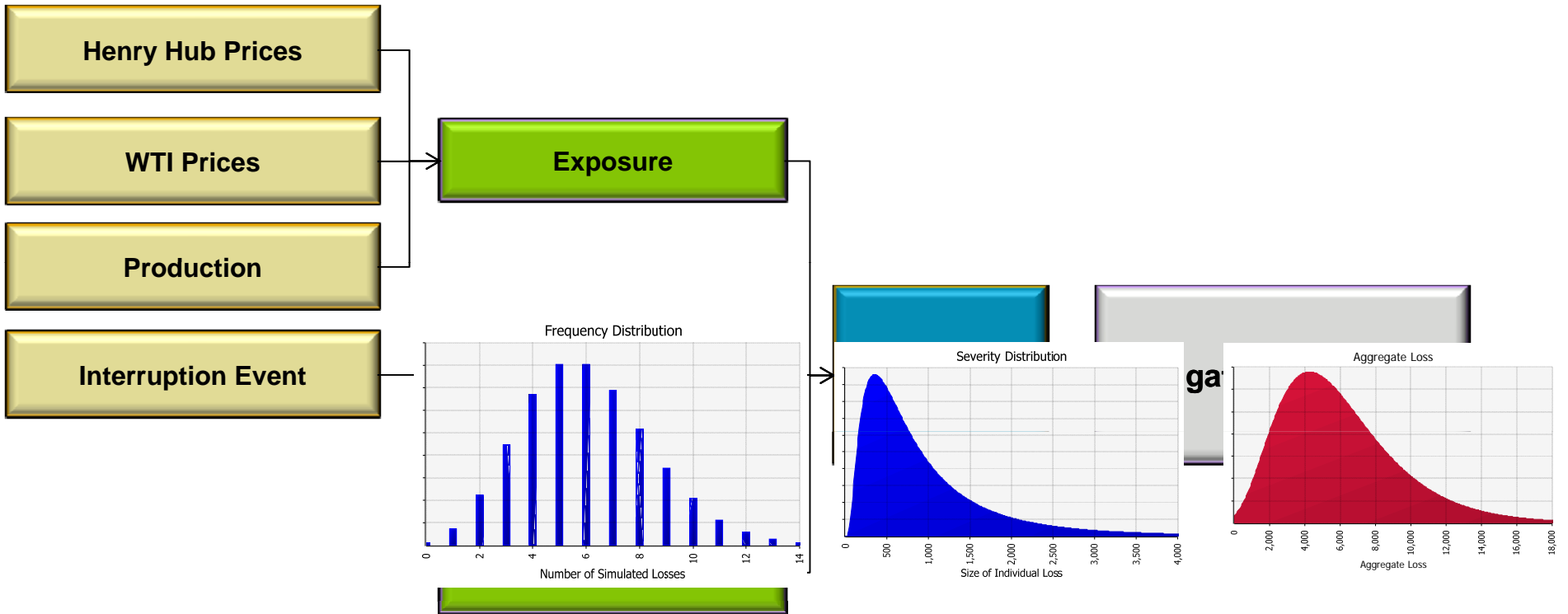


Risk Bearing Capacity Output



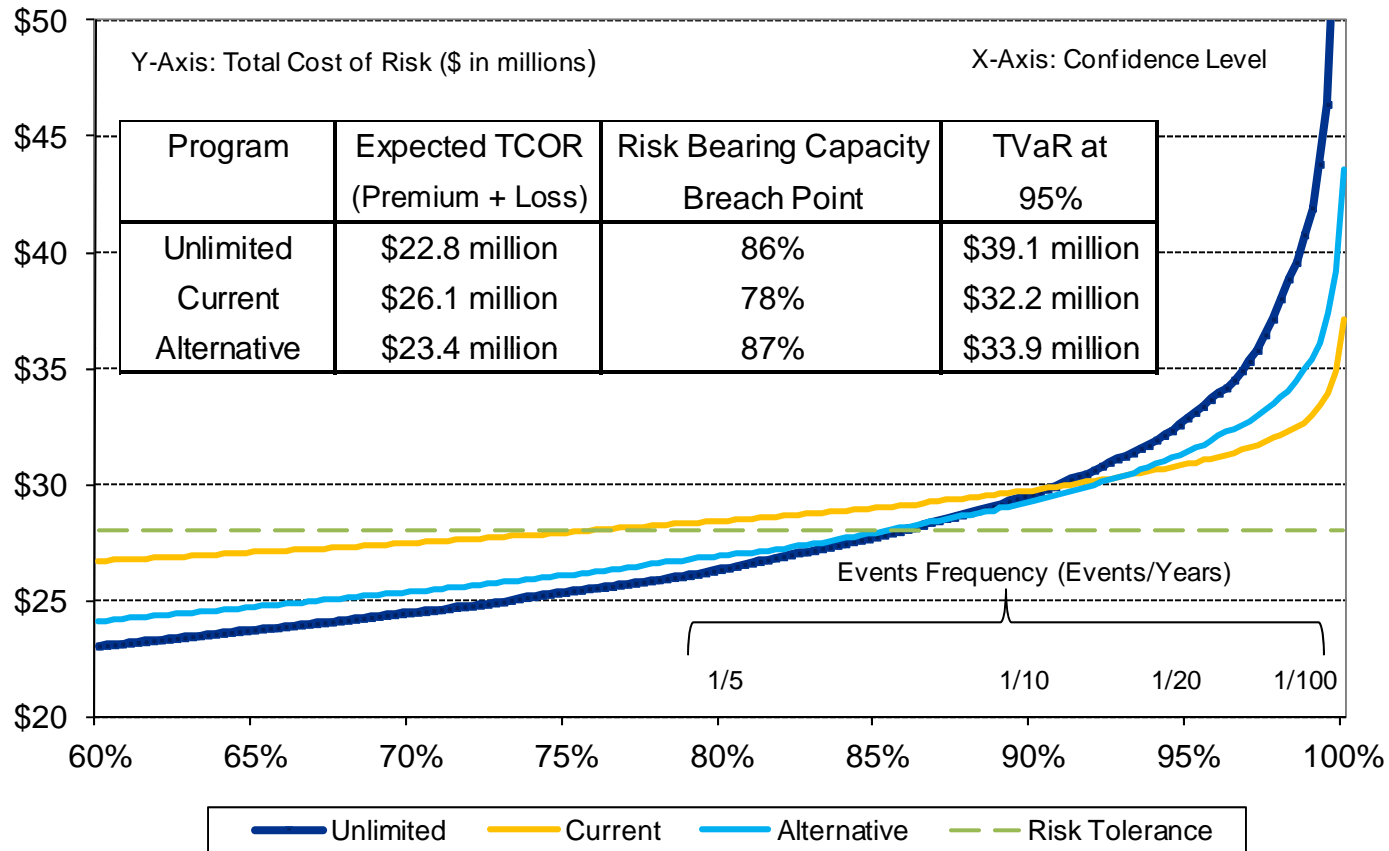


Business Interruption: Modeling Approach



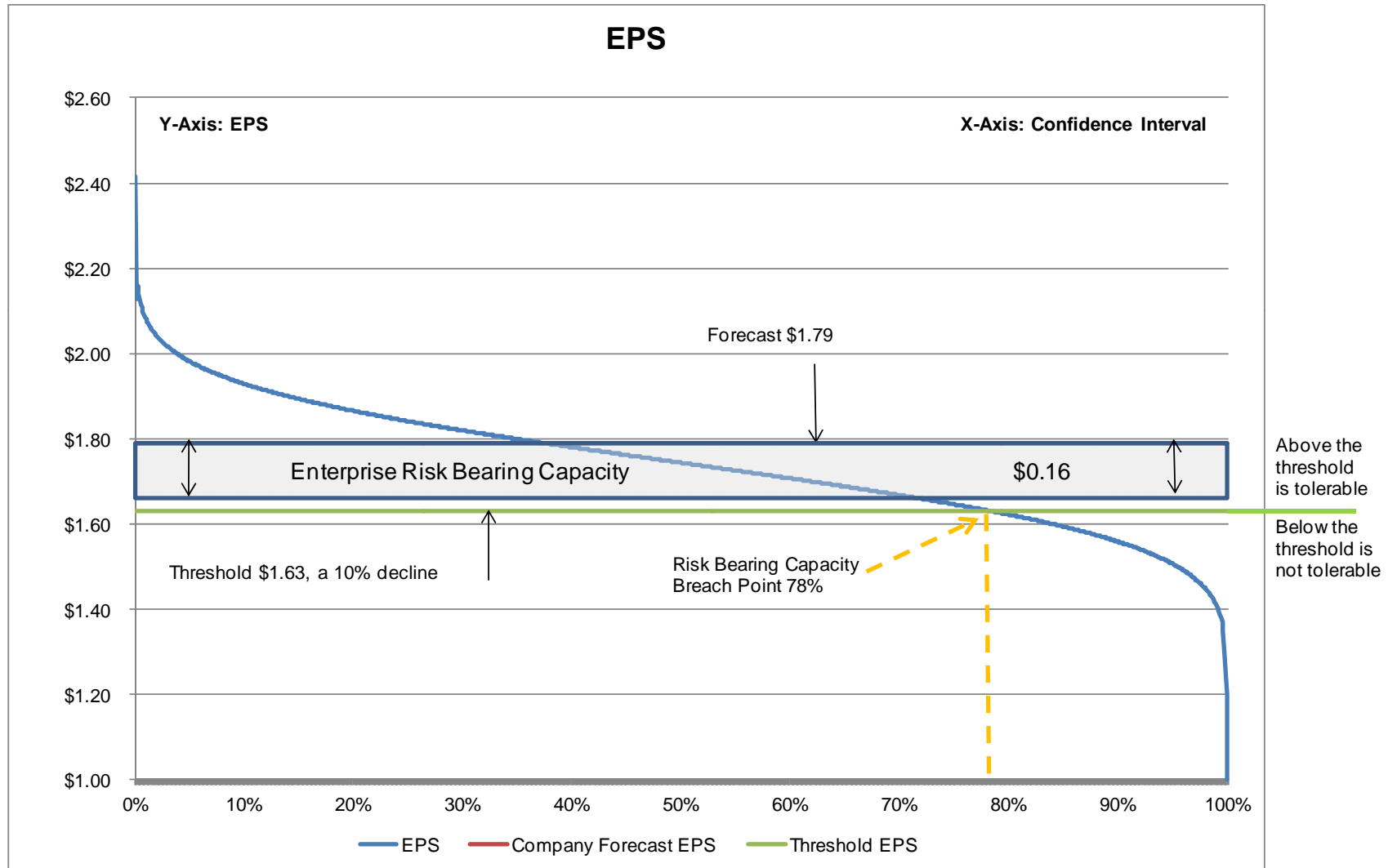


Business Interruption Output and Analysis





Risk Bearing Capacity Output





Contact List

Mark Brissman, MSIA, CPCU, FCAS, MAAA

Southwest Regional Director and Actuary

Actuarial & Analytics

+1.214.989.2316

mark.brissman@aon.com

Bill Keros, ACAS, MAAA

Associate Director & Actuary

Actuarial & Analytics

+1.214.989.2373

bill.keros@aon.com

Zoë Rico, FCAS, MAAA

Senior Consultant & Actuary

Actuarial & Analytics

+1.214.989.2545

zoe.rico@aon.com

Aaron Bruning, CSP

Director

Aon Global Risk Consulting

+1.214.989.2193

aaron.bruning@aon.com