

Aon & Praedicat Collaboration

A named peril solution aimed at reducing casualty exposure

Aon's casualty product offering provides the transparency needed to facilitate greater coverage certainty at risk-appropriate prices by tailoring the coverage to a defined list of emerging risks - e.g., 5G, specific chemicals or nanoparticles - on a named peril basis.

Setting the scene

Casualty reinsurance has not kept pace with property reinsurance in helping insurers spread risk efficiently to drive growth. By its nature casualty has significant exposure to emerging risk, which creates latency and accumulation risk. In the past, casualty clash type solutions have been cost-prohibitive for the broadest coverage or more cost-effective for narrower coverage but without certainty around whether the product would respond in a time of need.

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

Aon and Praedicat have recently entered a two-year agreement to develop new casualty reinsurance products that cover key sources of insurer casualty aggregations identified by Praedicat's analytics on a 'named peril' basis. By leveraging Praedicat's model and tailoring the coverage to a defined list of perils, this product provides transparency to both you and the insurer to facilitate better protection at risk-appropriate pricing. It reduces the uncertainty around exclusions, insufficient limits and coverage disputes.

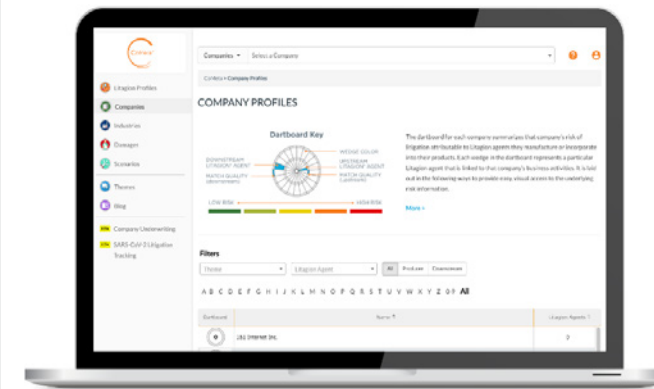
What are the benefits for reinsurers?

- **Differentiate** and offer a proactive cover when market terms are strengthening to insurers to manage their exposures in a more targeted way.
- **Run** a detailed analysis of all perils and policies driving exposure within a cedant's portfolio. With the modeling capabilities, you can easily keep track of your accumulations on a named peril basis and set appetite for each to help you deploy further capacity or restrict if tolerances are breached.
- **Pursue** strategy of exclusion and write-back, facilitating the coverage of latent emerging risks on a different trigger, and as part of a bundle of 200 emerging risks that would provide diversification. If certain exposure limits are breached on the policy, the cedant could be required to notify you or action risk mitigation strategies.
- **Seek** a strategy of time diversification, such as a start-up reinsurer offering coverage on a named peril basis, subject to aggregation limits, for legacy exposures.

Continues

“We are delighted to work with Aon to increase the size of the casualty insurance market by encouraging sustainable solutions to emerging risk. For us, Aon's commitment to closing coverage gaps and solving clients' problems with innovative solutions made them the ideal partner.”

Bob Reville
CEO, Praedicat



Understanding Praedicat's Technology

Praedicat's technology identifies and quantifies future latent events today, facilitating an end-to-end solution. With access to Praedicat's analytics, (re)insurers can better structure new policies, price, underwrite, reserve and manage aggregations. With technology-driven underwriting, it saves time and resources needed to understand the risk. The models can also inform claims strategy. Access is helpful for discussions with rating agencies and regulators.

Contact us to find out more

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About Praedicat

Praedicat is a liability emerging risk analytics company for casualty (re)insurers and global industrial companies. Praedicat's emerging risk framework makes emerging risk actionable across its lifecycle, helping companies to better identify liabilities early, track the risks and take action as they mature, and defend claims if litigation emerges. Praedicat's technology is used by over 25 (re)insurers to support a growing and sustainable casualty market. Follow Praedicat on [Twitter](#) and [LinkedIn](#). Stay up to date by visiting Praedicat's [News Insights](#).

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance. Follow Aon on [Twitter](#) and [LinkedIn](#). Stay up to date by visiting the [Aon Newsroom](#) and hear from our advisors in [The One Brief](#).

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What are the benefits for insurers?

- **Minimize** board-level concerns about casualty latency and the rise of social inflation related to the recent glyphosate, talc, PFAS and opioids litigation.
- **Ensure** your coverage is well-designed and within budget by narrowing your exposures. Aon has access to Praedicat's modeled quantitative loss exposure database of more than 200 named perils and emerging risks.
- **Collect** sufficient rate for past exposures. Transfer the main sources of accumulation risk instead of non-renewing accounts that you have worked hard to keep.
- **Justify** the clash reinsurance spend (quantify the capital need and how it would reduce volatility). With the availability of models, this becomes more intuitive.
- **Fill** the gaps of skipping years of not buying reinsurance or not purchasing an adverse development cover or loss portfolio transfer.
- **Minimize** increased rating agency and regulatory scrutiny on casualty lines of business, e.g., PRA and reinsurance adequacy.

What coverage may be considered within scope?

Flexible: We want to design a product that meets market needs. Reinsurance can either act as a stand-alone block of capacity or wrap around an existing program.

Initial LOBs: General liability and D&O. Ability to extend workers' comp and EIL in future iterations.

Jurisdiction: Litigation brought forth in U.S. courts by plaintiffs, from defendants creating exposures in the U.S. or UK/Europe. Praedicat's current database has over 100,000 companies individually profiled and across a range of industries.

Named perils: Praedicat has a library of over 200 perils. The larger the range of perils incorporated into the products, the greater the opportunities for diversification.

Policy years: Both in force and historical liabilities are considered in scope. Praedicat can model over 30 policy years of historical exposure and projects when these claims may arise. This allows for the allocation of the exposure to various reinsurers based on their appetite to provide you with a holistic solution.

How we make an impact

Aon and Praedicat are creating a casualty catastrophe reinsurance market to help clients share emerging risk, free up capital and bring more diversified exposure into the reinsurance marketplace. We have produced initial reinsurance solutions ideas and can model insurers' portfolio net and gross of existing reinsurance with Praedicat's modeling capabilities, and discuss which structures might be appealing to you based on your casualty portfolio priorities.

Praedicat

Turning risk into profitable and sustainable growth

As a leading emerging risk analytics company, Praedicat uses artificial intelligence, machine learning and natural language processing to mine global peer-reviewed scientific literature and identify agents or perils with the potential to become major loss events. Our models use this data to probabilistically quantify loss potential at agent, industry, insurance portfolio and company level, matching business activities to peril exposure. Ultimately, our clients use the insights gained from our technology to not only underwrite new premium pools profitably, but to also gain an understanding of the entire risk landscape.

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Aon

A leading global professional services firm enabled by data & analytics

Unprecedented volatility is creating new risks and opportunities for organizations across the global economy. Aon provides risk transfer, claims advocacy and capital management solutions to help re/insurers reduce volatility and build more resilient businesses, governments and communities. Aon's collaboration with Praedicat demonstrates our commitment to helping clients leverage emerging technologies to assist meeting their strategic objectives.

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Contact us to find out more

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“Innovation has always been a key part of our business, and we continually look to deliver new products to solve the market's needs. Our collaboration with Praedicat is the first step in building a robust liability catastrophe market which will eventually match what already exists on the property side.”

Andy Marcell
CEO, Aon's Reinsurance Solutions

