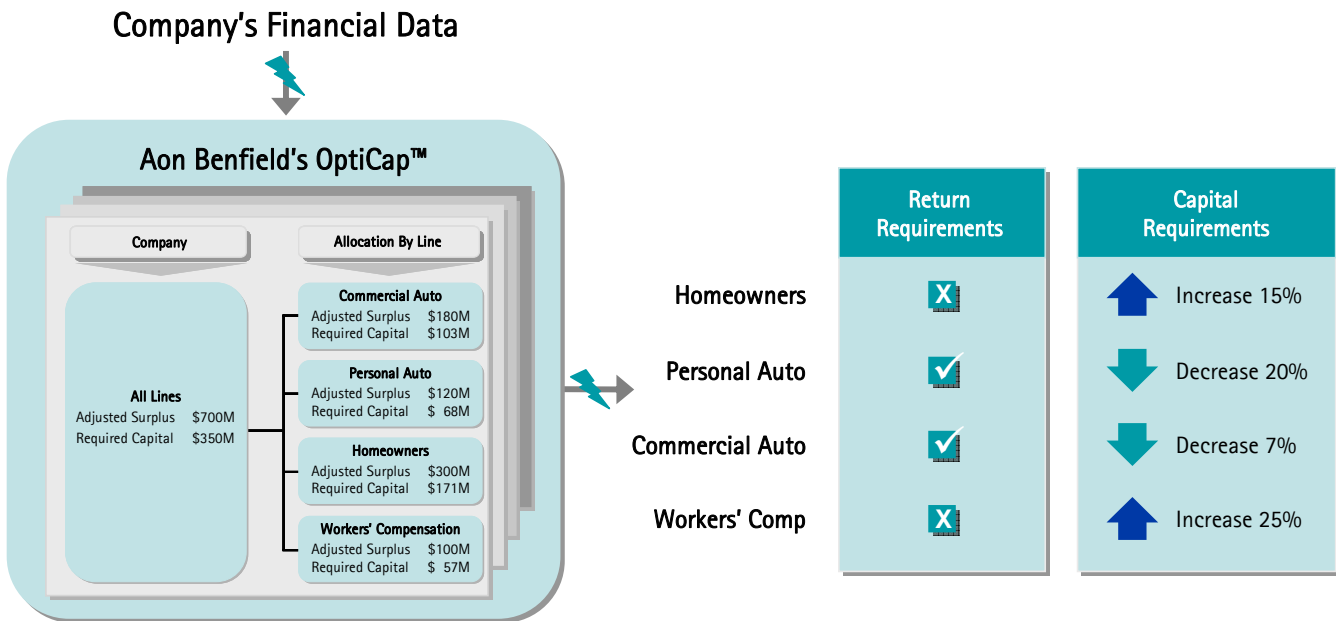


# Aon Benfield Analytics

## OptiCap™ – Optimizing Capital Within Rating Agency Guidelines

Insurers continuously seek better ways to measure and allocate capital to maximize returns, while maintaining financial rating stability. Aon Benfield performs a number of capital analyses and can help determine a client's capital needs given their rating target. The Analytics team has developed a customized modeling approach to effectively allocate capital by line of business based on Best's Capital Adequacy Ratio (BCAR) incorporating the BCAR stress test.

The OptiCap model determines how much capital is required to support a client's specific line of business from a BCAR perspective. Results can be used to measure or gauge profitability, align compensation strategies relative to corporate risk appetite, and mitigation strategies such as diversification, use of reinsurance, and hedging activities.



### The OptiCap Modeling Advantage

- **Consistent and Transparent Allocation Algorithm.** The standardized nature of rating agency capital models means there will be a high degree of consistency in the allocation algorithm and results interpretation from year to year.
- **Meaningful Results.** Modeled results are important because many companies are heavily influenced by rating agencies.
- **Low Resource Commitment.** The capital model approach requires a relatively low resource commitment, and data requirements are manageable as they are largely based on reported financial results.

Capital allocation models, not a one-size-fits-all approach, can provide management with a framework to measure performance relative to the underlying risk of the business. Please refer to the *Capital Allocation via a Rating Agency Capital Model* paper for a detailed description on the advantages of using this approach.

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