Premium calculation and risk margins under solvency constraints

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Abstract

In the classical collective risk model for a portfolio of insurance contracts, the necessity and size of the security loading contained in insurance premiums is usually justified by the resulting ruin probability. In this talk we will discuss the quantification of the security loading from the viewpoint of investors and regulators through solvency capital requirements. In addition, possibilities to provide a theoretical basis for the determination of the cost-of-capital rate will be discussed.

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