

Economic factors and solvency

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Abstract

We study solvency of insurers in a practical model where in addition to basic insurance claims and premiums, economic factors like inflation, real growth and returns on the investments affect the capital developments of the companies. The objective is to give qualitative descriptions of risks by means of crude estimates for finite time ruin probabilities. In our setup, the economic factors have a dominant role in the estimates. In addition to this theoretical view, we will focus on applied interpretations of the results by means of discussions and examples.

Key words: Ruin probability, Inflation, Real growth, Investment, Cycle, Large deviation.

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