

# Discarding Risk Avoidance and Embracing Risk Optimization: Managing Reinsurance Credit Risk

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## **Abstract**

Property-casualty insurance companies tend to focus on avoiding and controlling their exposure to reinsurance credit risk. This paper advocates switching from this risk avoidance and compliance mentality to a probabilistic and market-based view in which one seeks to measure, hedge, exploit and optimize risk.

**Keywords.** Reinsurance Credit Risk; Credit Default Swap; CDS.