



# Tips & Solutions for Navigating a Dynamic Insurance Market

NAREC 2023 Annual Conference

June 27, 2023



# Agenda

- Introduction to Speakers
- Property & Casualty Insurance Market Conditions Update
- Navigating the Dynamic Insurance Market
- Program Solutions in the Dynamic Insurance Market
- Questions & Answers

# Introduction to Speakers

# Today's Speakers



**Pete Novelli**

**Director – WTW Real Estate, Hospitality & Leisure Division**  
30+ years experience



**Dominic Gallina**

**Head of Property Broking – WTW Real Estate, Hospitality & Leisure Division**  
20+ years experience



**Diana Hyde, ARM**

**Head of Casualty Broking – WTW Real Estate, Hospitality & Leisure Division**  
20+ years experience

# General Market Conditions Update

# Macroeconomic Factors Influencing the P&C Marketplace

## Capacity

Capacity is coming back into the marketplace both from established carriers and new capital. This increase in supply is driving a moderated market.



**~ \$950M**  
Overall D&O capacity, up from \$800M in mid 2020

**~ \$1.5B**  
"Typically" deployed Umbrella / Excess Capacity, up from \$690MM in Q 2021

## Policyholder Surplus

Insurers' rate of return on average policyholder surplus, a measure of overall profitability, declined from 6.4% in 2021 to 4.2% in 2022.



**\$950B**  
Policyholder Surplus

**+8.3%**  
2022 NWP

## NWP

2022 net written premium (NWP) rose \$59B from 2021, which was +8.3%. Similarly, net earned premium increased \$57B, which was also +8.3% from 2021.



## CAT Losses

2022 U.S. insured CAT losses were \$85B, behind only 2017's \$112B for HIM. Average insured CAT losses for '20/'21 are \$76B; average for 1980-2019 = \$21B.



Global  
**\$116B**

Pre-lan  
H1 '22  
**\$19B**

**\$60B**  
Estimated losses caused by Hurricane Ian

## Interest Rates

Interest rates are on the rise and while they have a strong long-term relationship with improved combined ratios, interest rates will potentially only play a minor role in short-term changes in underwriting metrics.



## Overall Inflation

Rising inflation is negatively affecting claims in property and automobile segments, with higher costs for building materials, auto parts and skilled labor.



**6.5%**

The annual inflation rate in the US for 12/22 is 6.5% following a peak of 9.1% in June. Prior to '22, rates have not been greater than 8% since January 1982 (8.4%)

Preliminary results indicate in 2022, the industry may have experienced its worst underwriting results since 2011.

## Net Income

2022 saw a -19.1% decrease in pre-tax operating income, and a \$14.1B decrease in realized capital gains contributing to an industry net income decrease of -33.6% to \$41.2B.



**-19%**  
Pre-tax operating Income

## Combined Ratio

2022's industry combined ratio deteriorated to 102.7%, from 99.6% in 2021.

Combined Ratio  
**102.7%**



Q4's 22 Combined Ratio is 104% versus Q4's 21 combined ratio of 100% (a year ago).

**Rate Decreases**

**Rate Increases**

# Property Market Conditions Update

# State of the Property Market– Overview

## Q1 2023 – Update



### Pricing

- Carrier Reinsurance treaties = reinsurers pushing price increases + increased retentions + lower limits
- Recent shift in availability of capacity is causing an acceleration of rate for both non-challenged and challenged occupancies to varying degrees
- CA Quake stand-alone pricing is trending some of the highest rate increases, in some cases well in excess of 50%

#### Rate Forecast:

Non-Challenged Occupancies/Non CAT Exposed: +5% to +25%  
 Challenged Occupancies/CAT Exposed: +25% to +50%++

### Capacity



- Insurers are looking to “optimize” their portfolio; meaning reduce their aggregate exposure to CAT perils, as well as ensuring they are receiving adequate returns for their limited amount of aggregate capital
- Expect reduced capacity in NAT CAT zones, especially wind and a heightened focus on fire PMLs in top excess layers
- “Buffer/excess” layers increasingly hard to place resulting in potential shortages
  - Capacity is not without cost and technical underwriting remains
  - Challenges remain for accounts with losses
  - Reduction in capacity in the stand-alone critical Quake market, most notably CA

### Confusion with current property market:

1. **Majority of the major insurers made money in 2022 and their property divisions did as well (78% to 92% combined ratios for largest property markets).**
2. **Problem is that these property insurers have lost a very large part of their reinsurance capacity**
  - There has been an estimated \$60B of capital that has left the property insurance marketplace in 2022.
  - Every insurer has had to take much larger retentions and pay a lot more for the reinsurance capacity they buy each year (50% rate increases/double their retentions and double premium in Nat Cat reinsurance).
3. **There is a supply and demand phenomena that this market hasn't seen since the 1980's**
  - Very large decrease in surplus of capital to support property accounts with an increase in demand for the capital to account for inflation and loss trends.



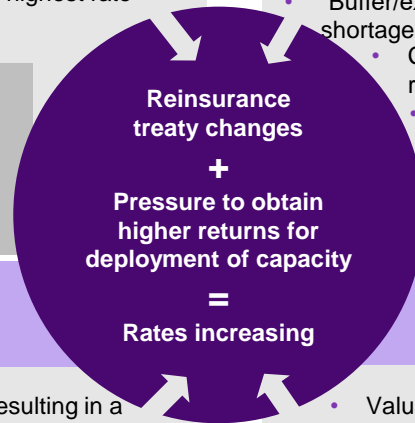
### Coverage

- More focus on severe convective storm exposures - resulting in a market push for sublimits and % deductibles
- OLLE and/or margin clauses are being implemented for accounts with perceived under valuation
- Insurers continue to restrict many coverages previously offered (communicable disease, cyber)
- Continued pressure to move from manuscript to carrier forms
- Coverage tightening on SRCC/CBI/Service Interruption
- Course of construction/property under construction coverage being strictly limited under property policies

### Considerations

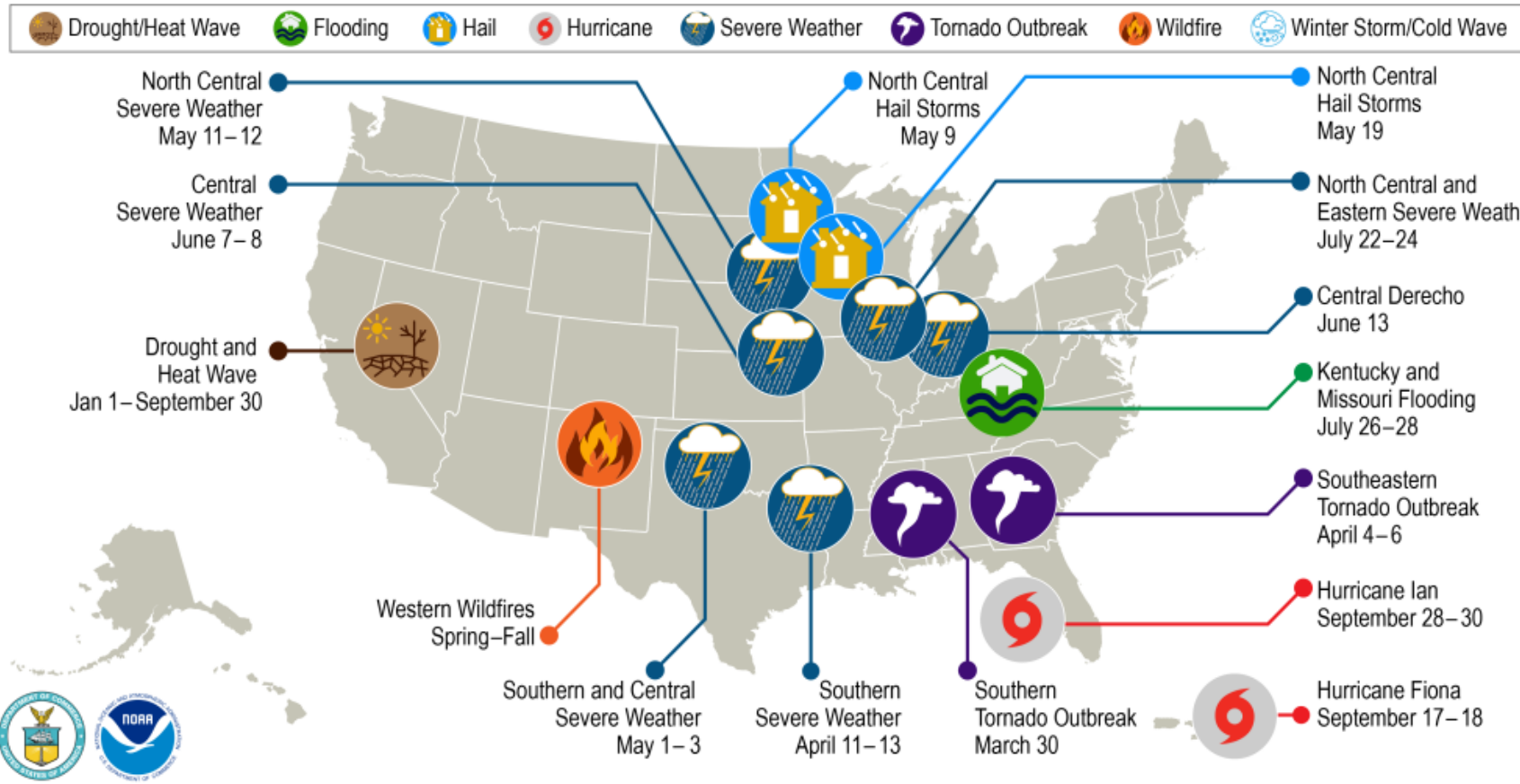


- Valuations continue to be heavily scrutinized
- Submission flow into the market is very high and submissions require ample and robust data to attract new/renewal markets and differentiate risk quality
- New opportunities for insurers are limited where engineering visits are required
- Recommend more consideration for alternative risk strategies/ solutions and parametric products
- Re-evaluate cost efficiency of risk transfer v. risk retention



# State of the Property Market – Factors Impacting Renewals

## U.S. 2022 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 15 separate billion-dollar weather and climate disasters that impacted the United States January – September of 2022.

As the large loss trends move from traditional Nat Cat areas (FL /LA / CA) to new areas in the Midwest, we need to change the way we are allocating premium on large portfolio accounts

# State of the Property Market– Monthly Average Rate Change

Avg. rate trends: January 2020 – May 1, 2023

**Market dynamics are impacting certain carriers as well as certain classes of business disproportionately. Important to note that this is the AVERAGE rate change and does not speak to CAT, certain challenged occupancies or loss impacted accounts specifically.**



Market dynamics are impacting certain carriers as well as certain classes of business disproportionately.

Important to note that this is the AVERAGE rate change and does not speak to CAT, certain challenged occupancies or loss impacted accounts specifically.

The rate increases are expected to continue as each insurer has to renew their treaty insurance throughout the year.

NOT TO BE SHARED WITH INSURERS

# State of the Property Market

## Insurance to value



### A confluence of events have had a direct impact on fixed asset valuation being:

- Global pandemic + Climate change + Supply chain + labor shortage + BI loss duration + inflation
- Replacement cost vs. market value vs. book value
- Cost trend indices continue to rise with factors above (FM, M&S, RS means...)
- Concerns – OLLE/margin clauses
- Accurate asset replacement cost affects:
  - Underwriter modeling      – Limit purchasing
  - Rate setting/premium      – Claims adjustment/payment








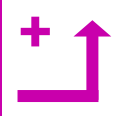


- Presenting a comprehensive description of how your values are calculated and trended is critical to obtaining the best renewal result possible.
- Be proactive and have the messaging ready for the insurance companies well before they quote.
- Reviewing and adjusting cost per square foot calculations for your largest locations is the best way to avoid arbitrary portfolio value increases over the entire portfolio.
- Insurers lack of trust in the values will lead to punitive premium increases and coverage restrictions.

Index	2017	2018	2019	2020	2021	2022
ENR – Building cost index	3.30%	3.30%	1.74%	3.96%	13.94%	9.40%
FM Global – U.S. Industrial buildings average	1.20%	5.20%	1.73%	1.42%	18.40%	11.10%
RS Means – 30 city average	4.00%	5.50%	2.05%	1.71%	15.83%	12.10%
Marshall & Swift – U.S. average	2.7 to 3.7%	3.2 to 6.0%	0 to 1.3%	3 to 6.1%	10 to 24.53%	11.10%

# Casualty Market Conditions Update

# State of the Casualty Market-General Market Conditions

April 2023 Update

<b>General Liability</b> 	<b>Automobile Liability</b> 	<b>Workers' Compensation</b> 	<b>Umbrella Liability</b> 	<b>Excess Liability</b> 
<ul style="list-style-type: none"> <li>• Liberal class action certification &amp; a highly-organized plaintiffs' bar</li> <li>• Desensitized jury pools &amp; lack of tort reform leading to continued severity</li> <li>• Those with exposures materially impacted by inflation may find more flexible rate outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• 2021 AL segment combined ratio is estimated at 101.3.</li> <li>• NHTSA puts the fatality rate for 2021 at 42,915 up 10.5% from 38,829 in 2020.</li> <li>• Large Auto Verdicts: 300% increase over 7 years in trucking claims*</li> <li>• Distracted driving</li> </ul>	<ul style="list-style-type: none"> <li>• Profitable combined ratio for 8 years straight</li> <li>• Opioid addiction</li> <li>• Aging workforce</li> <li>• Medical wage inflation</li> <li>• Medical technology advancements increasing treatment costs &amp; reducing mortality</li> </ul>	<ul style="list-style-type: none"> <li>• After the peak in 2020/21, pricing adequacy has attracted greater global capacity</li> <li>• Risk-specific (two-tiered) underwriting remains, with high hazard risks or lower attachment points yielding worse outcomes</li> <li>• Uptick in frequency of punitive awards</li> </ul>	<ul style="list-style-type: none"> <li>• With improving capacity, the industry still faces the impact of nuclear verdicts, catastrophic liability losses and litigation funding</li> <li>• Pricing consideration focused on rate relativity between layers and expansion of global capacity</li> </ul>
 <p><b>Rate Forecast:</b> 0% to 5%+</p>	 <p><b>Rate Forecast:</b> 4% to 10%+</p>	 <p><b>Rate Forecast:</b> -5% to 2%</p>	 <p><b>Rate Forecast:</b> High Hazard/Challenged Class: 15%+ Low/Moderate Hazard: &lt;7.5%</p>	 <p><b>Rate Forecast:</b> High Hazard/Challenged Class: &lt;10% Low/Moderate Hazard: -5 % to +5%</p>

# Real Estate, Hospitality & Leisure-Casualty Market Conditions

GL General RE/Hospitality	GL Habitational	Auto Liability	Workers' Compensation	Umbrella / Excess
0% to +10%	0% to +15%	0% to +10%	-2% to +5%	Lead 0% to +10% / XS 0% to +15%



## General Liability & Workers' Compensation

- Several carrier partners are (re)introducing a commitment to specialization in Real Estate and Hospitality driving an increased desire to write new business in the space.
- Revenues, payrolls, and other exposures utilized to price programs should be compared to changes in occupancy, foot traffic, and headcount to separate operational growth from growth due to the inflationary environment.
- Continued feasibility of integrated Property and Liability programs should be evaluated as Property capacity is restricted and rates are increased.
- Many underwriters are still cautious regarding claims experience from 2020 and 2021, citing reduced foot traffic at properties and potential court case backlog which could be artificially deflating losses.

## GL & WC Continued

- The following exposures/services continue to be scrutinized to maintain coverage without exclusions: construction and development, spas, babysitting/camps, security, liquor liability, higher-hazard resort amenities, and large venue exposure.
- Habitational portfolios, especially those with Student Housing, Senior Living and Affordable Housing, continue to be difficult to place in the standard market. Favorable responses to key underwriting factors such as life safety, electrical updates, sprinkler systems, construction type, building heights, and crime scores, coupled with good risk mitigation/loss experience will help yield better coverage and rates.



## Auto Liability

- Use and passenger capacity of recreational vehicles, shuttles and golf carts/e-vehicles are required for market submissions.
- Valet exposure should be continuously monitored to ensure coverage is structured appropriately.
- Physical damage deductibles are routinely being increased on Auto & Garage Keepers' Liability due to poor loss performance and profitability.



## Umbrella/Excess

- Lead Umbrella markets remain limited due to the increase in the frequency and severity (Nuclear Verdicts) of claims penetrating the Lead Umbrella. Supported marketing efforts continue to yield the most advantageous results.
- Excess markets are largely following the lead carrier/markets lower in the tower in terms of pricing needs, citing expiring relativity as the basis for renewal pricing.
- Little credit is being given to portfolios with shrinking exposures.
- Underwriting guidelines remain tightened and the availability of certain coverages throughout the excess tower is diminishing. The following exclusions are becoming more commonplace: Abuse & Molestation, Human Trafficking, Assault & Battery, Construction & Development, Condo Conversion, Fungi & Bacteria, Cannabis, and Professional Liability. Thorough and favorable underwriting information can allow for the preservation of coverage in lower Excess layers or throughout the tower.
- Risk Purchasing Groups continue to face capacity, pricing, and coverage challenges.

# Negotiating in an Inflationary Environment

## Negotiation considerations

### Inflation

Annualized seasonally-adjusted inflation reached 5.7% in Q1 2023, an approximate 50 basis point decline from Q4 2022.

### Workers' Compensation

Due to increased competition and labor market withdrawal, employers are paying higher wages; however, this does not directly correlate with WC losses or premiums. Changing the exposure basis to hours or headcount can reduce premium.

### General Liability

Commonly rated on revenue, in an inflationary economy with CPI at 5.7%, this may not be reflective of increased hazard risk. Changing rateable exposure to an alternative basis (widgets sold / sq. footage / etc.) could materially affect premium.

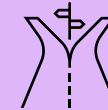
### Umbrella / Excess

Influenced by the primary pricing and attachment point, augmenting the structure can have significant impact on the Umbrella premium. Reducing the Umbrella in a market that is rate relativity focused will have a material impact on Excess price.

### Automobile Liability

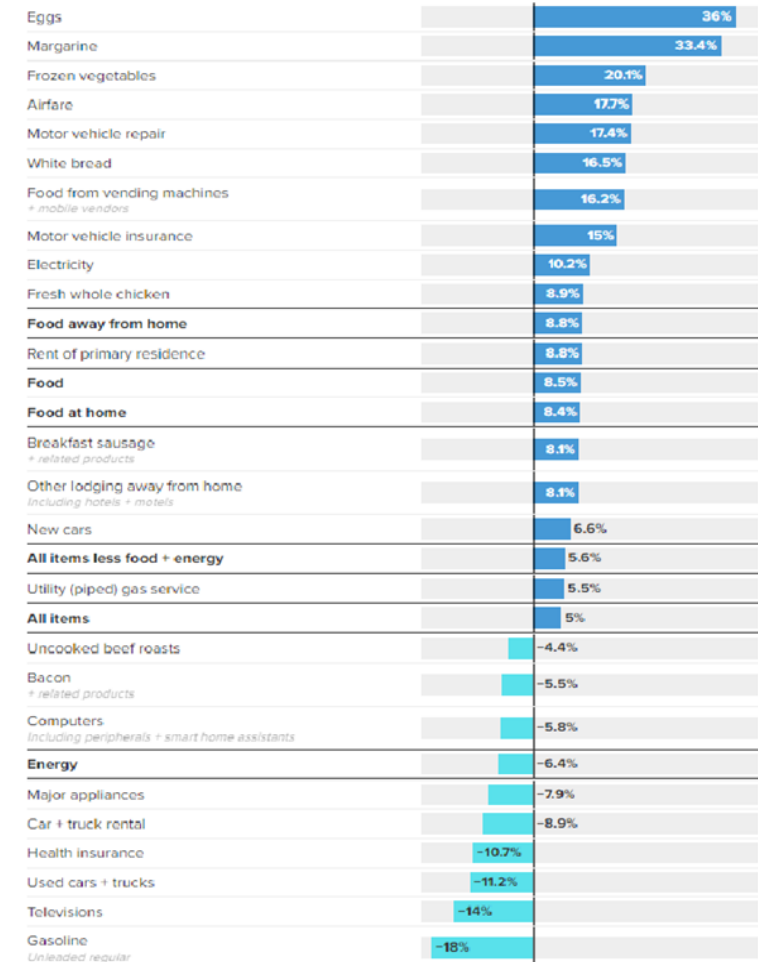
Typically rated on number and type of auto, adjusting the exposure basis to "miles driven" could be more reflective of the exposure, especially if vehicle count is up, while "miles driven" are down.

### Conclusion



Understanding the two-tiered market and loss considerations, changing exposure-basis could materially reduce and stabilize premium. Note, marketing may be required for this adjustment.

## March 2023 Inflation Breakdown

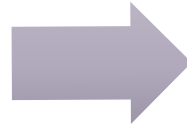


# Navigating the Dynamic Insurance Market- Property

# The importance of risk control in a historically hard marketplace

## The importance of risk control in a historically hard marketplace

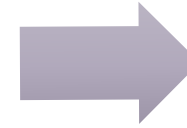
- **Key: Differentiate your company through Property Risk Control**
  - Improves Renewal results with incumbent
  - Makes your Risk more attractive to potential new markets
- **Provide “Written” Response to All Open Recommendations**
  - Even if the answer is not necessarily “Yes”
  - Radio Silence is Deadly
- **Develop a Risk Improvement Plan (RIP)**



## Creating a Risk Improvement Plan (RIP)

### What is a “Risk Improvement Plan”

- Detailed Plan documenting your Company’s commitment to improving your Risk Profile
- Outlines actions to be taken to complete outstanding Loss Control Recommendations
  - Human Element recommendations (No Capital, Programs & Procedures) are a “Must”
  - Physical recommendations (Require Capital, Sprinklers, flammable liquid handling, dust, etc.)
  - Nat Cat recommendations (Flood Response Plans, Roof Securement)
- Documented in Writing
- Include Timeline for expected completion of recommendations



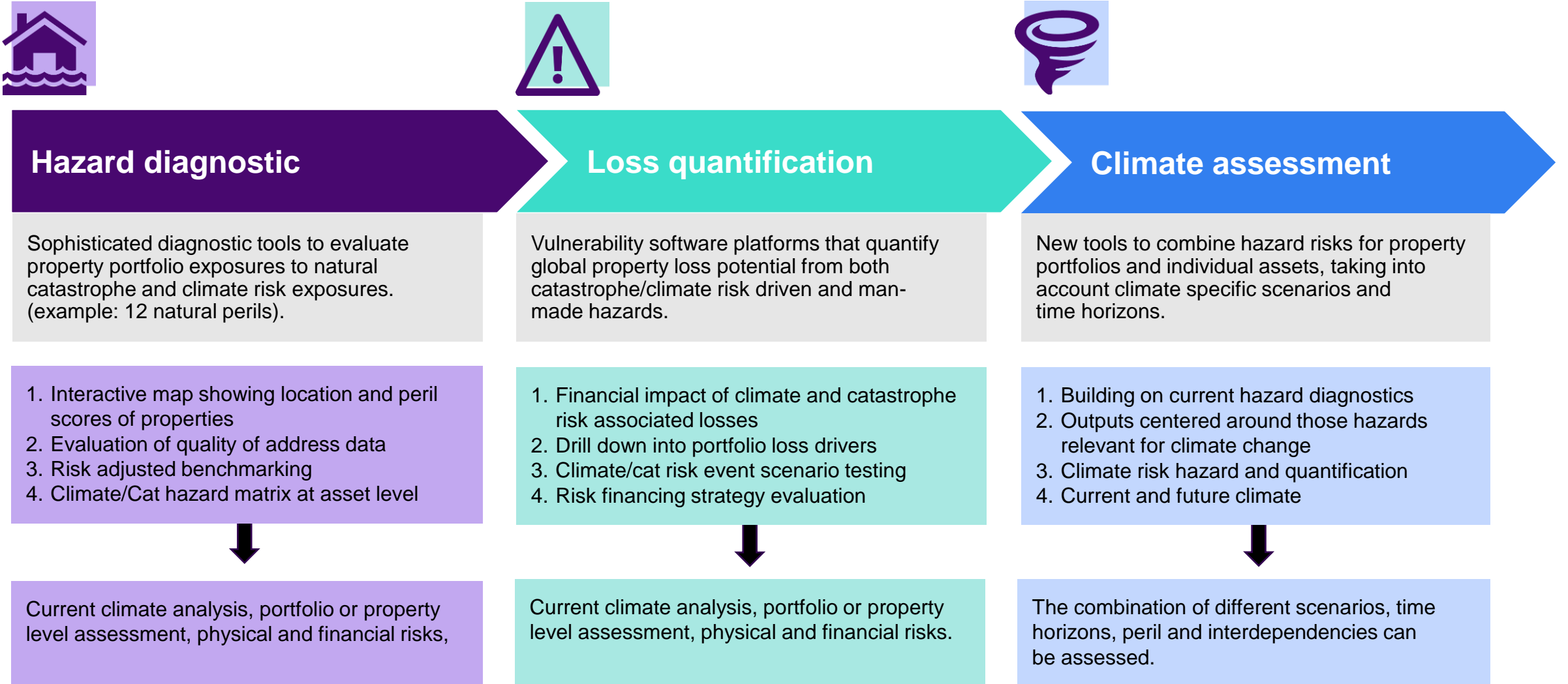
## Executing on the risk improvement plan

### Once you have your Risk Improvement Plan

- Work with your Property Brokerage Team to share your RIP with your Carrier
- Meet with Carrier frequently (Quarterly) and provide RIP Status
- Meet Commitments and Target Dates
- Track and Communicate Progress
  - Take Pictures of Completed Recommendations
  - Provide Documentation of Human Element Programs

### Execute and communicate

# Property and Physical Climate Interactive Platforms



# Clients – What does this mean for me?

## Property challenges – How to manage the market



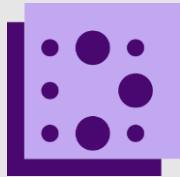
### Engineering and commitment to loss control is paramount

- Annual risk improvement plan
- Capital expenditure to address outstanding recommendations (identify/prioritize)
- Continued scrutiny around loss control will impact capacity. Must address any open recommendations. Have a plan.



### Information is king!

- Supply chain (key suppliers/customers)
- BCP/DRP plans
- Annual property/equipment appraisals (fixed asset/business income)
- Backup of critical parts and equipment (i.e., lead time for spares/replacement)



### Evaluate current program annually via analytics

- Limit (overall loss limit and CAT limits)
- Deductible (AOP; CAT)
- Alternative program design (parametrics, captive, structured/integrated)



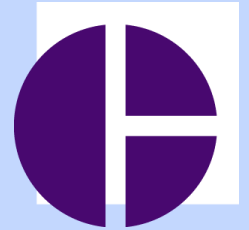
### Separate yourself from the herd!

- Develop a clear and concise story (nobody sells your company better than you)
- Source capital globally (London, Bermuda, Asia)
- Get face-to-face (underwriter meetings drive trust and partnership)

## Start early



## Demonstrate commitment to data collection



## Demonstrate commitment to data quality



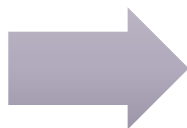
# Navigating the Dynamic Insurance Market- Casualty

# Critical Steps to a Successful Casualty Renewal

## 8-9 Months Prior to Renewal

### Strategic Planning

- Operations Overview
- Major Organizational/Exposure Changes
- Major Risk Control or Claims Process Changes



## 6 Months Prior to Renewal

### Pre-Underwriting and Strategy

- Evaluate current and future exposures
- Analyze and evaluate loss experience
- Understand contractual obligations-both risk assumption and risk transfer
- Develop strategy based on findings



## 4-5 Months Prior to Renewal

### Create Differentiated Submission

- Best-in-class coverage specifications tailored to contractual obligations and risk strategy
- Data infused submission leading discussion with market on pricing and structure
- Thorough overview of key operational changes and contractual relationship with operators, lenders, contractors, vendors, etc

# Pre-Underwriting-Analyzing and Understanding Exposures and Data



## Exposure diagnostic

Perform a full evaluation of all possible and/or plausible exposures faced by your Organization.

1. Buildings, people, vehicles, etc
2. Asset classes
3. Geographic footprint
4. Development/cap-ex exposure



Provides a portfolio, asset class or property analysis of potential and/or expected loss costs based on organizational exposures

## Loss analysis

Perform an in-depth loss analysis to identify loss trends, ultimate loss calculations and loss projections at varying program structures.

1. Identify trends by state, location, asset class
2. Identify top causes of loss
3. Evaluate change in paid, reserves and incurreds from last loss review
4. Review losses associated with sold assets



Provides analysis which can aid in predicting premium costs and evaluating program structures and premium allocations

## Contractual obligations

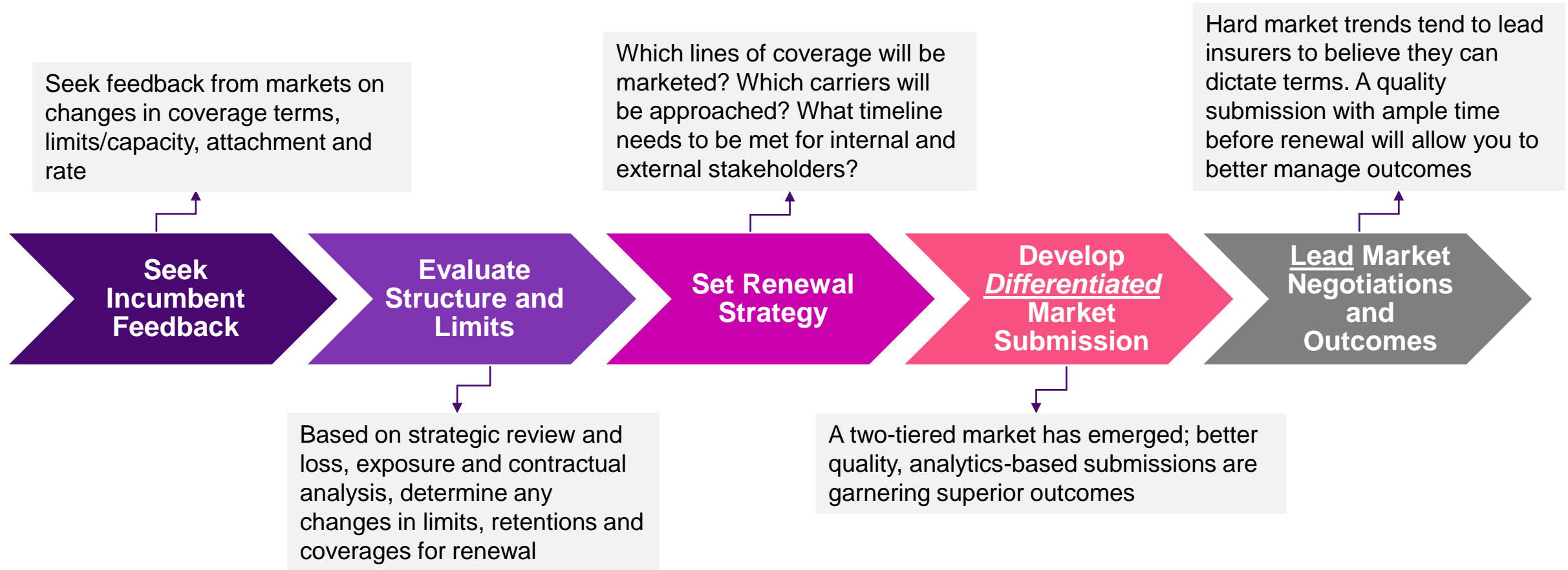
Evaluate all major contractual obligations, including risk retention and risk transfer requirements.

1. What coverages and limits are you required to purchase?
2. Can deductibles/retentions be taken to mitigate premium costs?
3. Can risk be transferred for certain operations?



Intel can be utilized to garner support for evaluating different limits, program structures, alternative coverage arrangements, etc

# Renewal Strategy & A Differentiated Submission



# Program Solutions in the Dynamic Insurance Market

# Property Program Solutions & Considerations

## Parametric solutions Index-based insurance



- Hurricane
- Earthquake
- Hail
- Water height
- Wildfire
- Tornado
- Lightning
- Rainfall
- Temperature
- Snowfall
- Humidity
- Agi-yield
- Solar
- Pandemic
- New:**
- Cloud outage
- Footfall
- RevPAR
- Ticket sales
- Passengers
- Client data

### Advantages

- Simple
- Transparent
- Fast payment
- Broad coverage
- Unconstrained use of funds

### Challenges

- Basis risk - the lack of alignment in loss and payout

### Speed of execution

1 week to 12 weeks

## Structured solutions Risk financing-based insurance



- Property
- Auto buffer
- Cyber
- E&O
- Multiline
- Types:**
- Pre-loss financing
- 2nd event programs
- Post-loss financing

### Advantages

- Advantages
- Leverage risk tolerance in controlled way
- Manage cashflow impact of large losses
- Secure remote risk transfer
- Profit sharing in event of no/minimal losses
- Disintermediate current market

### Challenges

- Embedding sufficient risk transfer
- Analytics and timing

### Speed of execution

12 weeks to 26 weeks

## Efficient fronting and captives Compliance and/or risk transfer



- Efficient fronting
- Multiline stop loss
- Derisking programs
- Novation LPT

### Advantages

- EF: Compliant price efficient disintermediation
- MSL: Protects captive's weaker financials
- MSL: Protection from capital erosion
- LPT: Remove volatility and collateral from old policy years

### Challenges

- Available analytics
- Budget

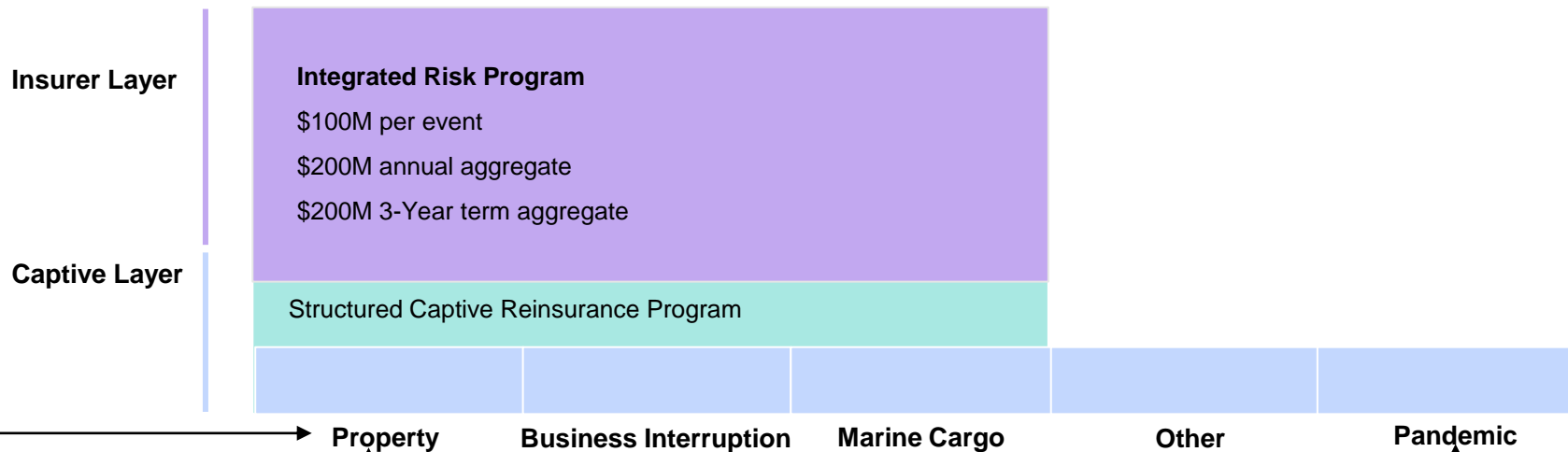
### Speed of execution

10 weeks to 36 weeks

# Parametric Case Study: Large Manufacturer

## Why:

- Protects Captive: it is new and has a weak balance sheet. A CAT event could cause bankruptcy.
- The parametric has broader coverage so covers more of a loss
- Flexibility and unconstrained use of funds creates optionality
- Speed of payment creates liquidity injection at the time of loss



## 1. Water height \$10M (NOAA gauge)

Inches	Payout %	Payout USD
≥0 to 8.0	5%	500,000
≥8.0 to <10.0	10%	1,000,000
≥10.0 to <12.0	20%	2,000,000
≥12.0 to <14.0	30%	3,000,000
≥14.0 to <16.0	40%	4,000,000
≥16.0 to <18.0	50%	5,000,000
≥18.0 to <20.0	60%	6,000,000
≥20.0 to <22.0	70%	7,000,000
≥22.0 to <24.0	80%	8,000,000
≥24.0 to <26.0	90%	9,000,000
≥26.0	100%	10,000,000

## 2. Earthquake \$10M (USGS)

PSA 0.3 %g	Payout %	Payout USD
≥45 to <60	10%	1,000,000
≥60 to <75	25%	2,500,000
≥75 to <90	50%	5,000,000
≥90 to <115	75%	7,500,000
≥115.0	100%	10,000,000

## 3. Pandemic \$10M (WHO)

Triggers
1. WHO Public Health Emergency declared for the covered territories
2. Government restriction in a covered territory
3. Resultant loss of revenue, increased expenses or loss of gross profit

## Why:

- Statisticians predict a 25% chance of another covid-19 event in the next 10 years
  - Addresses Board “Governance” issue
- Creates platform for services:**
- Underwriting/reserving
  - Scientific advice
  - Dashboard of global incidence
  - SOS extraction

# Structured Solution Case Study: Large Retailer

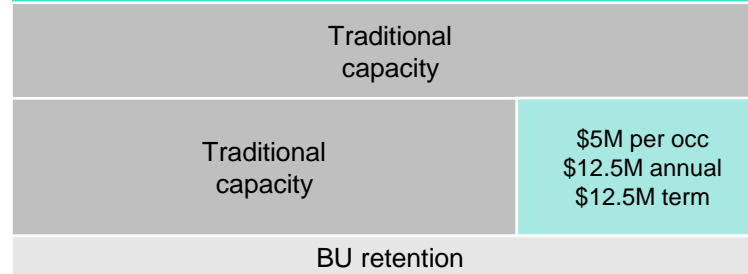
## Situation

- Part of primary Property layer pricing at approximately 80% rate-on-line
- Approximately \$4M annual premium for \$5M in Limit**
- Recurring losses are main driver

## 10-year summary

Policy term	Loss to primary
4/1/22-23	\$10,000,000
4/1/21-22	\$0
4/1/20-21	\$20,399,961
4/1/19-20	\$0
4/1/18-19	\$0
4/1/17-18	\$15,454,604
4/1/10-17	\$1,021,973
4/1/15-10	\$0
4/1/14-15	\$0
4/1/13-14	\$0
<b>Average</b>	<b>\$4,687,654</b>

## Solution



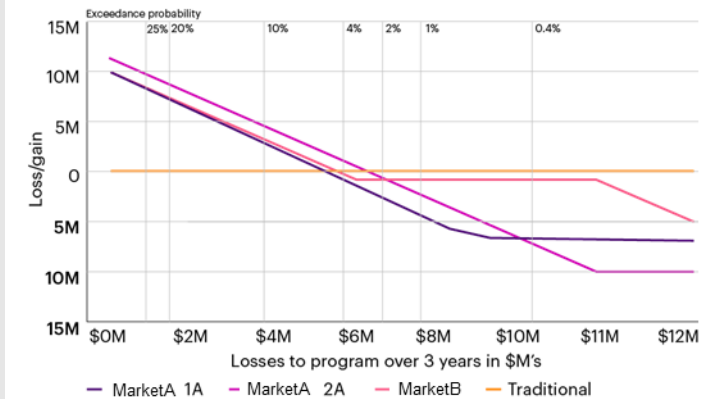
<b>Term</b>	3 Years
<b>Limits</b>	<ul style="list-style-type: none"> <li><b>\$5M</b> Each occurrence</li> <li><b>\$15M</b> Annual Aggregate</li> <li><b>\$15M</b> Term Aggregate</li> </ul>

Premium schedule	Year 1	Year 2	Year 3	Total
Part 1: Experience Acc.	\$3,333,334	\$3,333,333	\$3,333,333	\$10,000,000
Part 2: Risk Transfer	\$675,000	\$675,000	\$675,000	\$2,025,000
<b>Total premium</b>	<b>\$4,008,334</b>	<b>\$4,008,334</b>	<b>\$4,008,334</b>	<b>\$12,025,000</b>

## Why buy this

- Similar annual cost, but significant chance of accessing upside
  - Using analytics, we demonstrated that more than 90% of the time this client would be better off with the structured program

## Comparison of traditional property to structured options (3-year view)



# Efficient Fronting Case Study: Large Retailer

## Description



- This international company faced a challenging Cyber renewal following a series of cyber claims in 2019-2020, including a ransomware claim.
- Their insurer offered renewal terms that
  - Reduced the Limit by 85%
  - Increased the deductible by 650%
  - Increased the premium by 280%
- 5 days prior to renewal, the Parent Company chose not to purchase insurance, leaving the US business unable to meet contractual requirements

## Solution



- A cyber fronting policy issued in the USA with a Limit of \$50M
- **Year 1:** Timing dictated 100% collateral required to support insurer indemnity agreement
- **Year 2:** Increased Fronting Limit allowing the Company to leverage its risk tolerance and purchase risk transfer at a high attachment point.
- Used the Company's S&P rating to remove collateral

## Benefits



- Allowed contractual compliance
- Company refocused budget on improving security protocols and infrastructure

# Casualty Program Solutions & Considerations

## Program Structure



- Portfolio retention
- Asset class retention
- Prefunded, aggregate deductible
- Captive utilization (single-parent, cell, etc and (pure fronted, deductible reimbursement, etc)

### Advantages

- Potential reduction in total cost of risk (TCOR)
- Expanded market appetite
- More control of claims handling
- Ability to reward better performing assets
- Frees-up cash flow

### Challenges

- Lender compliance
- Complex ownership and acquisition/divestiture structures
- Potential increase in insurance costs with adverse loss experience
- Administrative burden in managing retained losses

## Market Utilization



- Leverage markets on other programs/lines of business
- Integrated program between property and casualty
- For higher-risk assets, consider splitting off with specialty markets
- Panels or programs utilization

### Advantages

- Expanded relationship can maximize profitability for carrier and provide stability
- Expanded market appetite
- Broadened coverage for certain perils

### Challenges

- Unprofitable larger relationship could adversely impact better performing lines of coverage
- Adverse selection
- In-the-box underwriting; tough underwriting guidelines

## Limit Purchase/Miscellaneous



- Peer benchmarking
- Explore restructuring of excess tower
- Explore alternative risk transfer (ART) options
- Reevaluate program rating matrix
- Perform ISO loss cost check versus loss outliers in portfolio to determine risk control opportunities

### Advantages

- Justification for limit purchase adequacy
- Potential reduction in premium costs/TCOR
- Ability to substantiate higher allocation to tenants/assets driving higher loss costs

### Challenges

- Budget volatility

# Questions & Answers

