



Proudly Presents...

How Risks are Brokered and Underwritten

Presentation Outline

- Timelines, information flows and steps in the renewal process
- Roles and responsibilities of Risk Manager, Broker and Underwriter, including:
 - What Risk Managers need to do and how they can add value

Presentation Outline

- Role of Broker in risk preparation, presentation & negotiations
- Underwriter decision-making criteria & methodologies

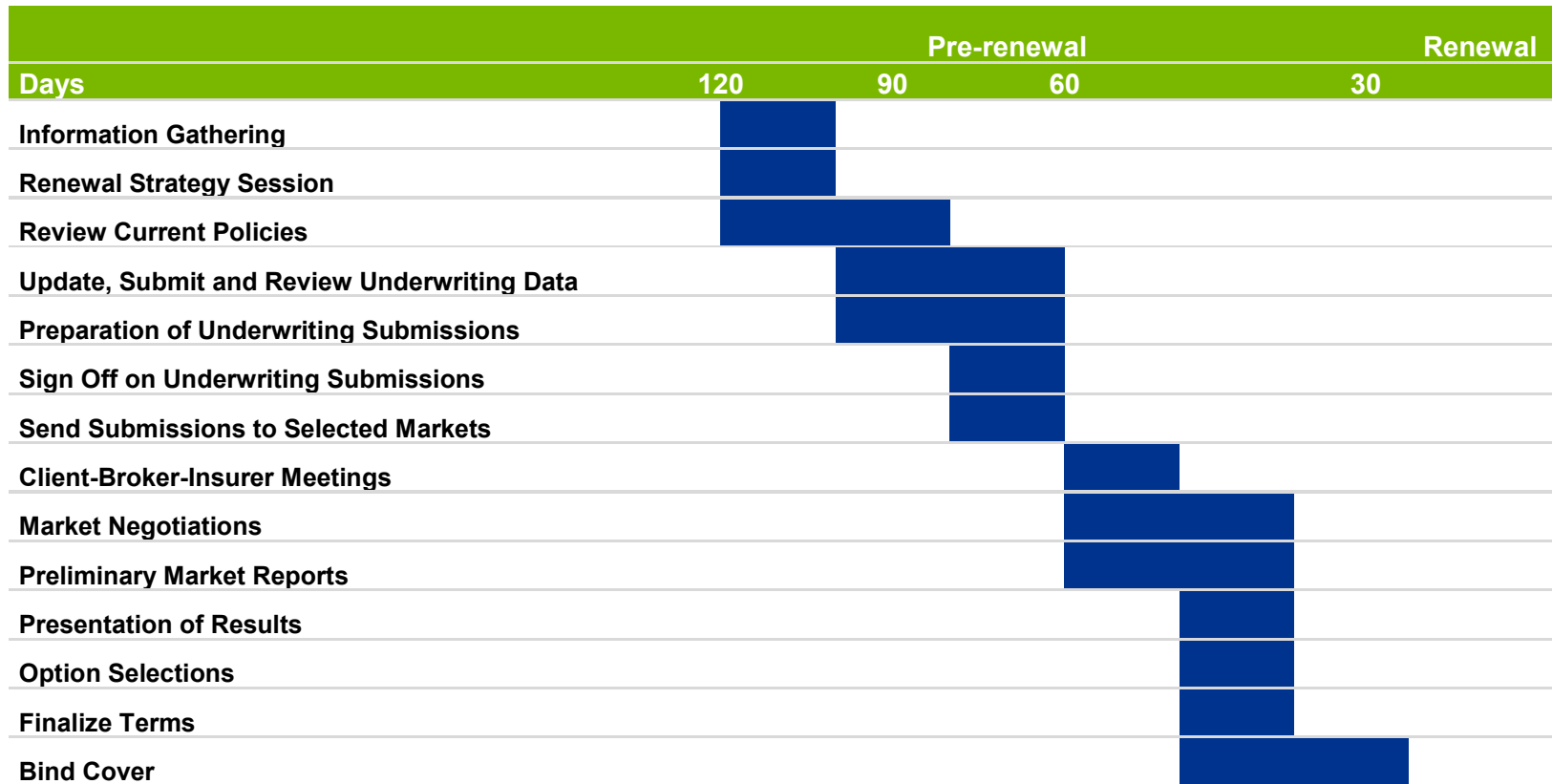
Introduction

- Valuable role by all parties in the renewal process: Risk Manager, Broker and Underwriter
- Important to start early and be organized
- When renewal process executed properly, expectations of all parties should be met

Introduction

- *Note: This presentation assumes renewal exercise with an incumbent property and casualty insurer only, however, roles, process and activities are similar in marketing exercises involving many insurers, and, other lines of coverage*

Sample Renewal Timeline



Information Flows

- Risk Manager ↔ Broker ↔ Underwriter
- Risk Manager
 - receives request for information from Broker
 - collects and relays to Broker
- Broker
 - determines what information is required
 - packages for Underwriter

Information Flows

- Underwriter
 - receives submission from Broker
 - analyzes data and provides options to Broker

Roles & Responsibilities

- Risk Manager
 - Gathers data required to properly underwrite risk
 - Determines needs and program requirements
 - Puts a face to the risk

Roles & Responsibilities

- Broker
 - Determines information required from Risk Manager
 - Presents risk in best possible light
 - Negotiates terms and conditions for program

Roles & Responsibilities

- Underwriter
 - Analyzes information received, along with internal sources
 - Proposes appropriate program for the risk
 - Provides quote specific to the risk

Risk Information: Types

- Risk Manager collects
 - Applications
 - Claims data
 - Updated schedule of locations/values (SOV)
 - COPE, engineering reports
 - Copies of standard contracts, sales agreements and similar documents

Risk Information: Types

- Financial information (annual reports, financial stmts), public or not
- M&A info, new exposures (new businesses, products, services, operations)
- Information on risk management practices, company awards

Risk Information: Gathering

- Risk Manager
 - Contacts departments/business units/branches (timely process)
 - Meets with departments/key contacts
 - Sales/Marketing, Legal, Operations (QC, Engineering), R&D, Real Estate
 - Claims data sources
 - TPA's and/or in-house staff

Risk Information: Gathering

- Financial data (Finance Dept)
- Internal database information (RMIS)
- * complete, accurate and timely information by Risk Manager is key

Risk Information: Tips

- Risk Manager's Role and Skill Sets
 - Knowledge and Understanding
 - Does not need to know everything about the organization
 - Where and from whom – YES!
 - Ability to work with departments to meet your timelines
 - Cooperative approach with departments
 - Ability to synthesize/translate information from departments into useful data for underwriter

Risk Information: Tips

- Confidential/Sensitive Information
 - Claims data; new business/product/operations or services, financials

Risk Information: Tips

- Risk Manager's Role and Skill Sets
 - TIME and EFFORT gathering information
 - 1 month, 6 months, does it ever stop?!?!?
 - Dependent on size of organization
 - Should information gathering ever stop?
 - New Claim; changes in wordings; contract reviews; changes in legal climate
 - Opportunity to revisit your risk profile

Broker Role: Strategy

- Broker
 - Pre-renewal strategy session with Risk Manager usually 90-120 days in advance of renewal to review:
 - current program (claims, limits, coverage)
 - review of last year's renewal
 - state of the market (price, coverage, reinsurance)
 - innovations to consider

Broker Role: Strategy

- program changes desired (enhancements) or expected (restrictions)
 - timetable for renewal milestones
 - sets out strategy, expectations and targets!
- Outlines information required of Risk Manager for Underwriter
- Sets up meetings between Risk Manager (and others) and Underwriter(s): relationships matter !

Broker Role: Risk Preparation

- Broker
 - Secures loss runs from insurers & adjusters
 - Obtains updates on loss runs from previous insurers
 - Compiles claims data into summary form
 - historical loss summaries at various deductibles
 - Performs loss forecasting analysis on claims data

Broker Role: Risk Preparation

- From Risk Control department, secures relevant information on risks to be included (COPE + Engineering)
- Using software, performs nat cat analysis on SOV (EQ + Wind)

Broker Role: Risk Preparation

- Broker
 - Provides summaries of values & revenues by type, region, country
 - Compiles description of client operations/products/services
 - Determines coverages and options sought
 - Prepares and includes proposed policy wordings

Broker Role: Risk Preparation

- Meets with internal account team to go over strategy and timelines
- Contacts various markets which have an appetite for the risk with submission

Broker Role: Risk Presentation

- Broker
 - Compiles submission into format: hard copy, electronic (pdf, Excel) or secure website/gate
 - Submission may be reviewed by Risk Manager before finalization
 - Submission includes:
 - Description of operations, products, services
 - Summary of coverages, limits, deductibles sought

Broker Role: Risk Presentation

- Latest financial statements
- Completed applications
- Schedule of locations, values (bldg, contents, equip., bus. inter.)
- Claims history (summary, plus actual loss runs)
- Proposed wording
- Information on client risk management activities
- COPE and engineering reports

Underwriting Risks

Casualty Risks

- Risk analysis
 - analysis of exposures and controls associated with the risk
 - assess risk acceptability based on corporate strategies & underwriting appetite

Underwriting Risks

- Loss analysis
 - If frequency of loss, predictable & trendable rather than severity-driven, actuarial analysis can be done to determine expected losses
 - If severity exposures, established IAO rates or company-rates based on class & experience, or may use a benchmarking technique (compare to similar risks/exposures)

Underwriting Risks

- Review proposed coverage requests and proposed wordings to determine what can be offered
- Examine exposures outside Canada/North America
 - Exposures from jurisdictions where operations are based
 - U.S. sales/exposures

Underwriting Risks

- Employees travelling outside of Canada or the U.S
- Evaluates Foreign Admitted policy requirements & ability to facilitate placements
- Evaluates any operations having mass tort litigation (class action) exposures

Underwriting Risks

- Investigates emerging hazard exposures (always changing, ex's food related risks & exposures, EMF & electronic related risks, privacy)
- Consult with Loss Control inspectors to determine adequacy of risk control/risk management practices in place

Underwriting Risks

Property Risks

- Perform analysis of values
 - Ensures insurance to value, indexation of values
 - Evaluates accumulation of values in geographical areas (Nat. Cat)

Underwriting Risks

- Reviews COPE
 - Determines capacity offered
 - Calculates Maximum Foreseeable Loss & Probable Max. Loss
- Evaluates any unique or unusual risk characteristics &/or hazardous operations
- Evaluates CAT exposures (Flood, Wind, EQ, Terrorism, etc)

Underwriting Risks

- Consider facultative reinsurance
- Review:
 - claim data & historical premiums to determine loss ratios and premium needs
 - proposed coverages & wording
 - limits of insurance requested
- Evaluates Foreign Admitted y requirements & ability to facilitate placements

Underwriting Risks

Business Interruption Risks

- Reviews worksheets to ensure insurance-to-value
- Evaluates period of indemnity to determine if adequate based on operations

Underwriting Risks

- Examines Business Continuity Plans to ensure proper controls in place
- Reviews supply chain management to evaluate inter-dependencies and/or contingent business interruption exposures

The Quote

- Calculates appropriate pricing
- Recommend and suggest alternative deductible/SIR structures based on premium and pricing models
- Management/head office approval in certain cases
- Writing the quote/disclosures

Negotiations

- Underwriter may request clarifications or additional information
- Pricing targets provided by Broker to Underwriter based upon:
 - its own internal benchmarking of similar risks
 - its own analysis of the losses and risks
 - general overall market conditions
 - responses from other insurers (if applicable)

Negotiations

- Coverages negotiated, such as enhancements, exclusion carve-outs, definitions, based upon Broker experience and/or Client needs
- Broker and Underwriter discuss final terms
- Underwriter issues final quote

Program Presentation

- Broker presents terms and options to Risk Manager
- Quote report and meeting to review and discuss terms
- Risk Manager may need internal approvals

Program Presentation

- Risk Manager provides instructions to bind to Broker
- Broker binds with Underwriter as per Risk Managers instructions and confirms once coverages bound

Questions ?

Thank you for attending the
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