The Perspective of the Ceding Company

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Outline

➤ Penn National Insurance Background

➤ How do we think about reinsurance?

➤ Reinsurance Needs

➤ Issues in buying reinsurance

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Penn National Insurance Background

➤ Regional writer

➤ 2011 Ranking U.S. P & C Writers = 102

➤ $633 million in DWP, 60% commercial 40% personal

➤ Mostly small accounts

➤ $480 million in surplus

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Penn National Insurance Background

➢ Mutual

➢ Independent agency writer

➢ Write personal in 8 states, commercial in 11, mostly Pennsylvania and south (no FL)

➢ PA is our biggest state (39% of DWP)

➢ Affiliation with Partners Mutual Insurance Company added WI and IA

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How do we think about reinsurance?
(Why do we buy it? How do we decide how much to buy?)

➢ Surplus protection
  ➢ Property Cat
    ➢ Risk retention policy
    ➢ Primarily for hurricanes
  ➢ Workers' Comp catastrophe (over $20 million per occurrence)

➢ Earnings Stability
  ➢ Multi-Line excess
  ➢ Umbrella

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How do we think about reinsurance?
(Why do we buy it? How do we decide how much to buy?)

➢ Help with a specialty line or program
  ➢ Fidelity and surety
  ➢ Agents' Umbrella
  ➢ Equipment breakdown

➢ Launching a new coverage
  ➢ EPLI
  ➢ Cyber coverage

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Reinsurance Needs

➢ Biggest Spend is for property catastrophe reinsurance

➢ Then multi-line excess of loss (all lines except Fidelity, Surety, and Umbrella)
  ➢ Per Occurrence Casualty
  ➢ Per Risk Property

➢ Umbrella
  ➢ Commercial and a little Personal
  ➢ Agents' E&O

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Reinsurance Needs

➢ Fidelity and surety

➢ Equipment breakdown

➢ Facultative
  ➢ Property (above per occurrence treaty) – automatic fac
  ➢ Miscellaneous Casualty
    ➢ Treaty exclusions
    ➢ Retention drop-downs

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Issues in buying reinsurance

➢ Broker vs. Direct
  ➢ Property Cat is almost exclusively brokered
  ➢ Broker is working for you
  ➢ Relationships
    ➢ Long-term
    ➢ Multiple

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Relationships

Uberrimae Fidei

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Relationships

Soc Et Tuum

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Issues in buying reinsurance

➤ Structures, e.g.:
  ➤ Umbrella stand-alone or part of multi-line?
  ➤ Separate structures by line of business (e.g. property, workers' comp)

➤ Contract wording

➤ Underwriting assistance

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Issues in buying reinsurance

➢ Data – the better, the better

➢ Pricing – how credible is your experience?

➢ Security

➢ Recoverables/Credit Risk

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Issues in buying reinsurance

➢ Services
  ➢ Catastrophe modeling
  ➢ ERM, capital modeling
  ➢ Pricing Support
  ➢ Claims consulting
  ➢ Audits
  ➢ Training
  ➢ Alternative structures (cat bonds)
  ➢ Market security analysis
  ➢ Market intelligence

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"Funny, my company never had these problems until we hired an actuary."

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