

CARe Presentation Battlebots Reinsurance Pricing

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Before we begin...

- Understand what the client wants
 - Surplus relief
 - Tail protection
 - Both
- Is this renewal or new business?
 - What are expiring terms?
- Understand our internal desires
 - Do we have other business with the company?
 - Are we trying to start a new relationship with the company?



Data Submission

- Complete presentation
 - Triangles broken down by key segments
 - Large Loss Listing
 - Limit Profiles
- Historical Premium
- Rate Changes
 - D&O rates have increased starting in 2018
 - 2019 still expected to show positive rate changes
 - What about 2020?



Clash Losses

- How Clash defined?
 - Multiples insured impacted by one event
 - Ventilated Cover
 - Same insured written by multiple entities
 - All of the above
- Clash losses broken out separately
- Cedent suggested this be added as a load
- Chose not to do this
 - Not necessarily a controllable event
 - Hard to measure
 - An inherent aspect of this business



Securities Class Action

- Broken out separately in the data
- Client suggested these be modeled separately as akin to “Cat” type events
- Securities class action is part of the nature of this book
 - Greater concern is how to add load financial crisis years (2008 - 2010)
 - Cedents tend to give 10 years of data so these “bad years” are not showing up anymore
 - Financial or D&O crisis seems to happen every 10 yrs



Pricing

- Loss Ratio Projection

- Pretty Straight forward
- Used Loss triangles and large loss data
- Large loss data used to prevent over-trending of losses
- Loss trend: 2-3% range
- Rate changes used to bring premium on line

- Excess Layer Pricing

- Primarily driven by exposure rating
- Also used large loss experience for US business



Quota Share Option

- Large D&O/Financial Lines exposure
- Quota Share would allow for surplus relief but would reduce volatility relative to excess of loss given the premium base
- Financial Lines (FL) accumulation is a risk so may seek to have a loss ratio cap on FL
- Quota Share is easier to price and sell to internal UW/risk management teams



Excess of Loss (XOL)

- Given size of book, attachment should be relatively high as to avoid dollar trading
 - Suggest 40m xs 10m or 35m xs 15m
- Issues with XOL
 - Clash and its definition become a bigger issue
 - Even with high attachment, cost may be prohibitive especially since we're still in a soft market
- Suggest an Annual Aggregate Deductible



QS Quote/Indication

- Initial quote/indication
 - 15% share
 - 32.5% ceding commission
 - 2.5% brokerage
- Potential Discussion Points
 - 2020 expected rate changes
 - Loss Ratio cap on Financial Institution D&O
 - Companies retention on the program

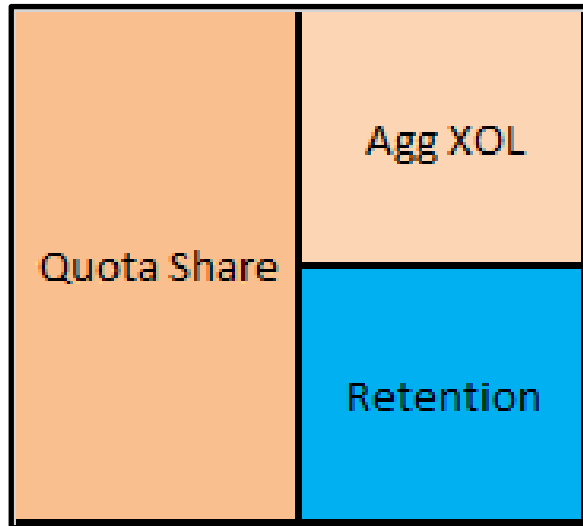


XOL Quote/Indication

- 40m xs 10m
 - AAD = 70m
 - Rate: 4.75% (47.5m)
 - Loss Cap: 250m
- 35m xs 15m
 - AAD = 30m
 - Rate: 2.65% (26.5m)
 - Loss Cap: 175m
- Brokerage: 10%



Potential downside of multiple quotes



- Reinsurers' exposure may be greater than cedent's retention
- Reinsurers' also have greater volatility
- Pricing structures may be leveraged against the other



Appendix

Not for Broker



QS Walkaway - Not for Broker

- Walkaway quote
 - 10% share
 - 34.0% ceding commission
 - 2.5% brokerage
 - 300% Loss Ratio cap on Financial Institution D&O



XOL Quote/Indication 1

- 40m xs 10m
 - Subject Premium = 1Bn
 - Rate: 11.5% (115m)
 - Loss Cap: 300m
- AAD = 70m
 - Rate: 4.75% (47.5m) [Walkaway: 4.0%]
 - Loss Cap: 250m
- Brokerage: 10%



XOL Quote/Indication 2

- 35m xs 10m
 - Subject Premium = 1 Bn
 - Rate: 4.75% (47.5m)
 - Loss Cap: 250m
- AAD = 30m
 - Rate: 2.65% (26.5m) [Walkaway: 2.2%]
 - Loss Cap: 175m
- Brokerage: 10%



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