



BATTLEBOTS 2019

SCOTT ROSENTHAL, HOLBORN CORPORATION

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Challenge Accepted!

OK...Revised Challenge Accepted!

Back to the Lab

Ready for Battle!





Home court advantage:
Original Case Study involved a familiar company and familiar LOBs – easy stuff





Rating was subsequently changed to unfamiliar business, leading to “away game” challenges:

- *Lack of expertise in D&O, E&O, EPLI*
- *No access to colleagues with knowledge of current market*
- *ASOP concerns*



PLAYING THE HAND YOU'RE DEALT

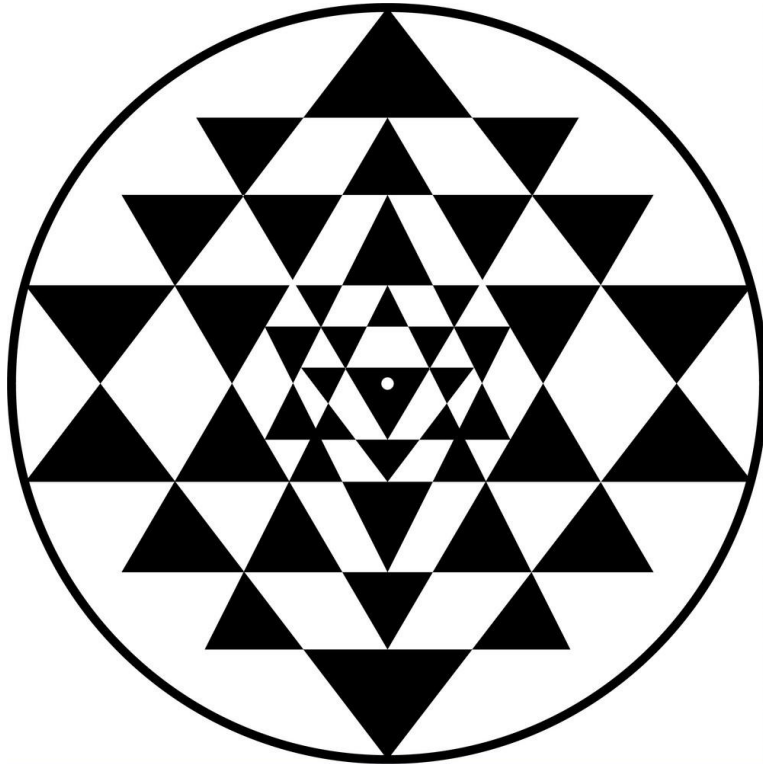


Received:

- *43 Loss Triangles*
- *1320 Individual Large Losses*
- *Premiums, Rates, Limit Profiles*



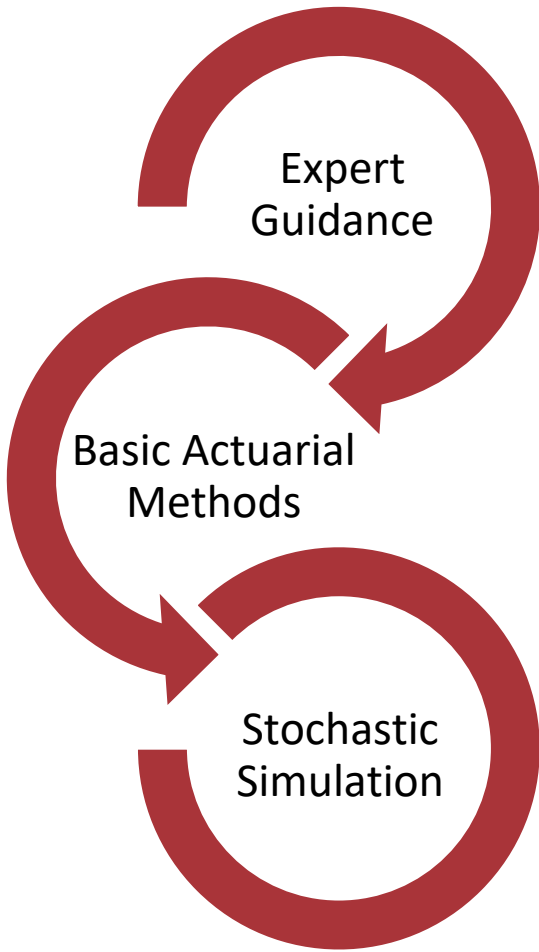
WHAT DOES 43 TRIANGLES LOOK LIKE?



Sri Yantra – Hindu representation of the totality of the cosmos and an expression of non-duality.



RETOOLING/SEGMENTATION STRATEGY



“Regular Losses”: Traditional actuarial methods
 Frequency / Severity, **Loss Ratio**, Simulation

Clash Losses: ”: Treat like a CAT shock

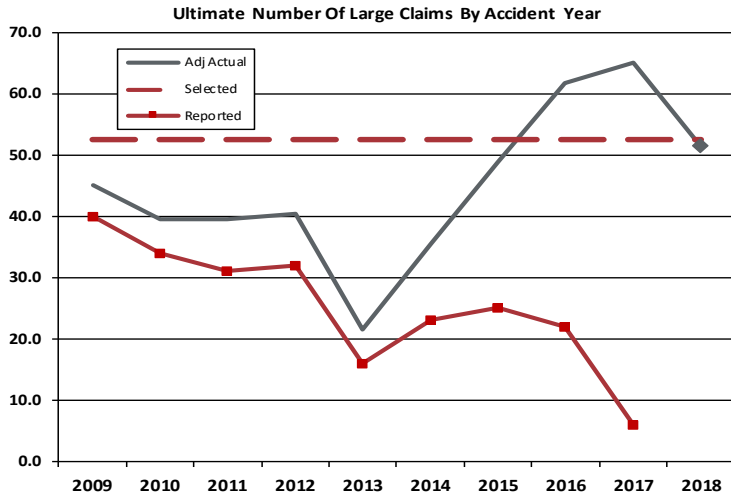
SCA/Derivative/EPLI: Adjust experience for environmental trends/

Traditional actuarial methods applied to each segment above.
 Parameters run through a simulation engine for pricing.

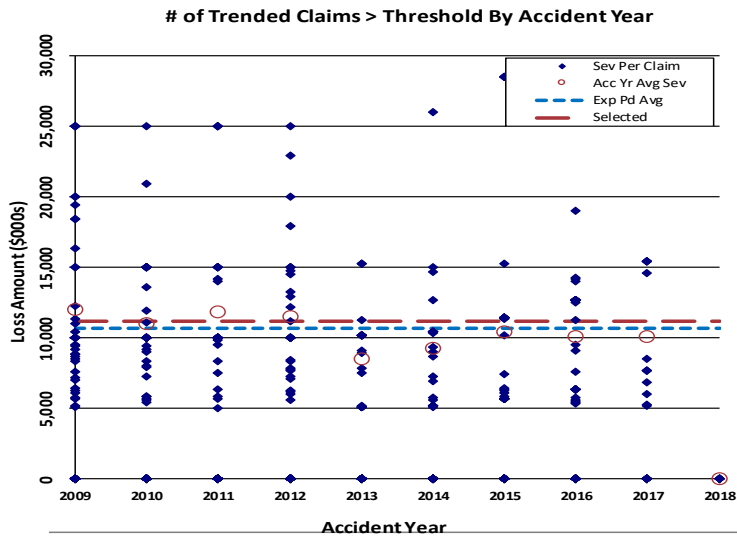


BATTLE TIME: ANALYSIS/OBSERVATIONS

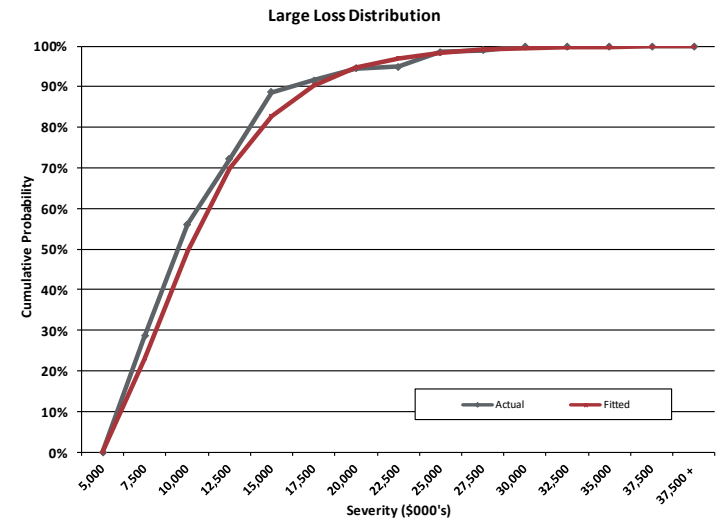
EXCESS of LOSS



Selected 53 claims/year above \$5M
(Lengthy claim count development)



Each claim
averages \$10.6M.



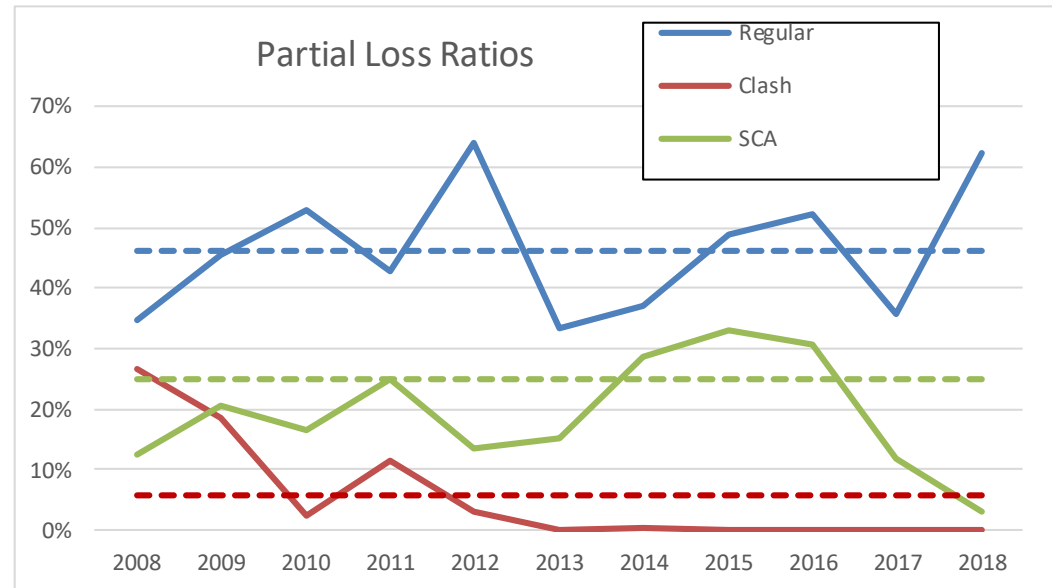
BATTLE TIME: ANALYSIS/OBSERVATIONS

QUOTA SHARE



Ultimate, trended, on-level loss ratios:

- Regular is stationary at 46%
- Clash is highly variable around 6%
- SCA/EPLI/Derivative is rising to 25% -



Trends

1. Increased cyber liability
2. #MeToo litigation
3. Advanced litigation tactics



BATTLE TIME: RESULTS



SEGMENT	Loss Ratio			% of Premium		
	Mean	Disc Mean	Std Dev	Ced. Comm.	Brokerage	Margin
Regular	46%	42%	11%			
Clash	6%	5%	9%			
SCA	25%	23%	9%			
TOTAL	77%	69%	13%	23%	2.5%	5.2%

Quota Share pricing” defined by 23% commission.

SEGMENT	Large Loss xs 5M		40x10 Layer			Premium
	Freq	Sev	Mean	Disc Mean	Std Dev	
All LOB's	53	10,600	118,855	106,969	31,275	114,788

Subj Premium 2019 931,314

Excess of Loss Reinsurance premium = \$115M for free & unlimited reinstatements.

Structural alternatives:

...for Quota Share: Sliding Scale commission

...for Excess of Loss treaty: Paid reinstatements, AAD

90.0% discount factor for time value (4.0 years payment lag at 2.4% UST rate)

