



A Midwestern Higher Education Compact Program





2010 Annual Loss Control Workshop



Basics of Property

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Basics of Property—Major Policy Components

The Six Major Components

- Coverages
- Perils insured
- Limits
- Deductibles
- Valuation
- Territory






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Basics of Property

- Owned real and personal property ⁽¹⁾
- Property of others in insured's care, custody, or control ⁽²⁾
- Property in transit ⁽³⁾
- Time element
 - Extra expense
 - Business interruption

Notes:

- 1) Key property exclusions include land, water and money and securities.
- 2) Generally, a client's exposure for property of others is determined contractually.
- 3) Property while in ocean transit is typically excluded.



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Basics of Property—Business Interruption (BI)

- 1) BI Scenario
Insured → **Customer**
 Direct Damage → Resulting BI Loss
- 2) Contingent BI Scenarios
Supplier → **Insured** → **Customer**
 A. Direct Damage → Resulting BI Loss
 B. Resulting BI Loss ← Direct Damage
- 3) Service Interruption Scenario
Insured ← **Utility**
 Resulting Property Damage and BI Loss ← Direct Damage

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Basics of Property—Proof of Loss

- 4) Leader BI Scenario
Leader → **Insured**
 Direct Damage → Resulting BI Loss
- 5) Civil Authority BI Scenario
Access Impaired → **Insured**
 Due to Covered Peril → Resulting BI Loss
- 6) Ingress/Egress BI Scenario
Access Impaired → **Insured**
 Due to Covered Peril → Resulting BI Loss

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Basics of Property—Perils Insured ⁽¹⁾

- Named perils or all risk
- CAT perils
 - Flood
 - Earthquake
 - Windstorm

Notes:

1) Key peril exclusions include:

- ✓ Faulty Workmanship
- ✓ War
- ✓ Wear & Tear
- ✓ Terrorism
- ✓ Nuclear
- ✓ Pollution

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Property Claims—"Chain" of Coverage

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Basics of Property

- Limits
 - Policy limit
 - Sublimits ⁽¹⁾
 - Aggregate limits
- Deductibles
 - Dollar
 - Percentage
 - Time period

Notes:

1) Key sublimits include:

✓ Earthquake	✓ Unnamed Location
✓ Flood	✓ Service Interruption
✓ Windstorm	✓ Extra Expense
✓ Transit	✓ Contingent BI

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Basics of Property

- Valuation
 - Replacement cost or actual cash value for property damage ⁽¹⁾
 - Selling price for finished stock
 - Actual loss sustained for business interruption ⁽²⁾
- Territory
 - Domestic
 - International
 - Global

Notes:

1) Actual Cash Value = Replacement Cost—Physical Depreciation
 2) Actual Loss Sustained = Net Profits and Continuing Expenses

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Factors Driving Pricing—Rate x Values = Premium

The Eight Major Rate Factors

- Construction
- Operations
- Loss prevention
- Catastrophe exposure
- Loss history
- Limits
- Attachment point
- Market conditions

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Required Underwriting Information

- Description of operations
- Location schedule and values ⁽¹⁾
- Five-year gross loss history ⁽²⁾
- Risk information (COPE):
 - Construction
 - Occupancy
 - Protection (e.g., Sprinklers)
 - Exposure (e.g., Maximum foreseeable loss)

Notes:

1) County and zip code are critical for the underwriter to do their CAT modeling.
2) Gross loss history, not paid loss history, is necessary because deductibles may have changed.

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Getting The Best Deal

The Four Key Components

- Analyze:
Conduct a renewal strategy meeting
- Personalize:
Know your business partner
- Specialize:
Develop a team of experts
- Globalize:
Increase capacity and competition

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Getting The Best Deal (cont'd)

Analyze

- Technical focus
 - ✓ Risk assessment
 - ✓ Values determination
 - ✓ Catastrophic evaluation
- Industry benchmarking
 - ✓ Rates
 - ✓ Limits
- Loan covenants

✓ Deductible analysis
 ✓ Policy wording
 ✓ Deductibles
 ✓ Participating carriers

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Getting The Best Deal (cont'd)

Personalize

- Engineering
 - ✓ COPE information
 - ✓ Past improvements
 - ✓ Future priorities
- Loss history
 - ✓ Detailed explanation
 - ✓ Corrective action
 - ✓ Current deductible and existing operations adjustment
- Carrier relationships
- Market presentation

✓ Business continuation plan
 ✓ Top management support
 ✓ Allocated dollars

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Getting The Best Deal (cont'd)

Specialize

- Industry
- Strategy
- Coverage
- Placement
- Engineering

Globalize


- Worldwide market access
 - ✓ Increase capacity
 - ✓ Increase competition

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Basics of Property

Questions



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Risk Management 101: Property

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Thank you.

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