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Welcome to Adviseen's Property Insights Conference



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Welcoming Remarks



Stacie Lilien

Global Head of Event Programming

Advisen

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Theresa Purcell, Kushner

Michele Sansone, AXA XL

Lori Seidenberg, BlackRock **[2019 Conference Chair]**



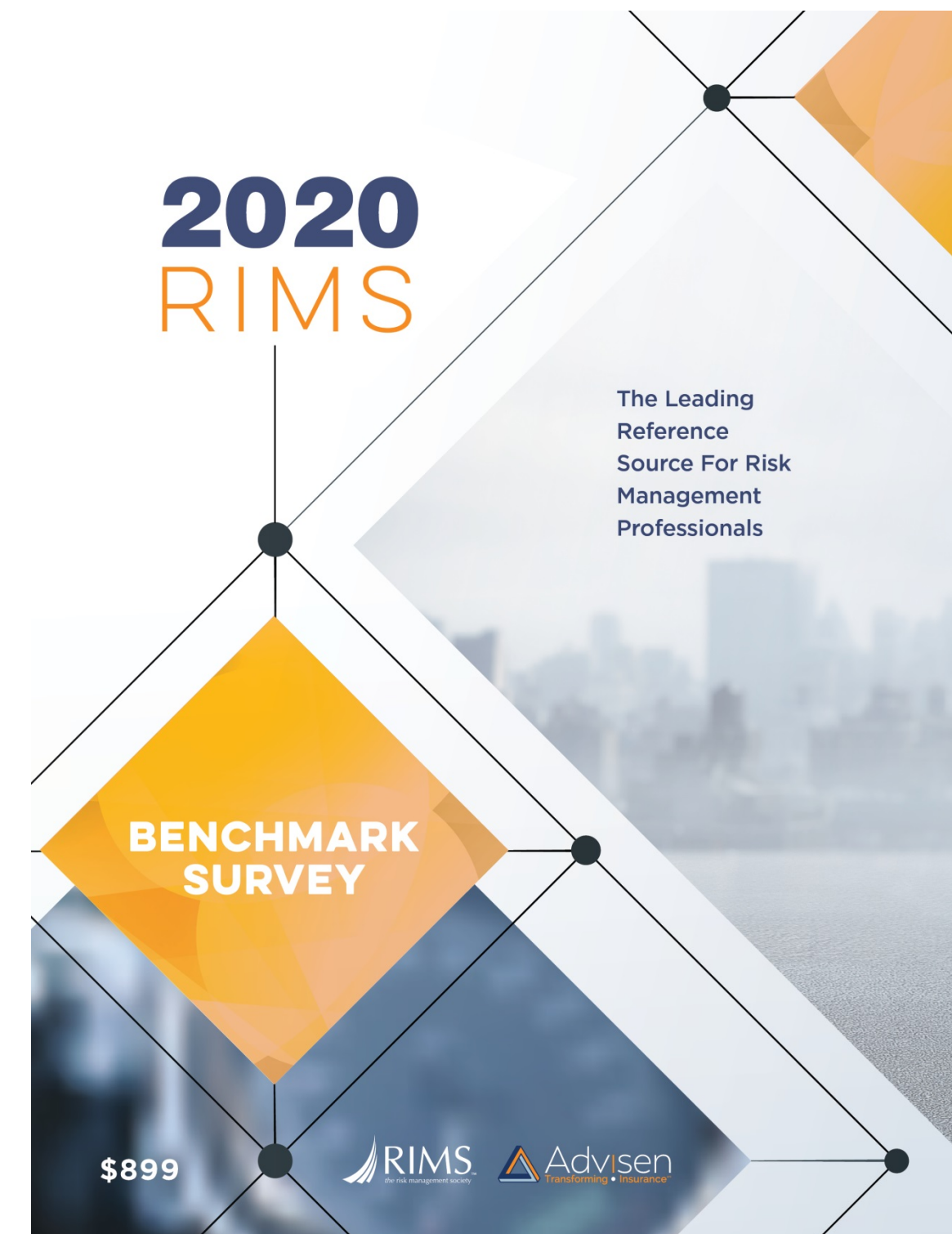
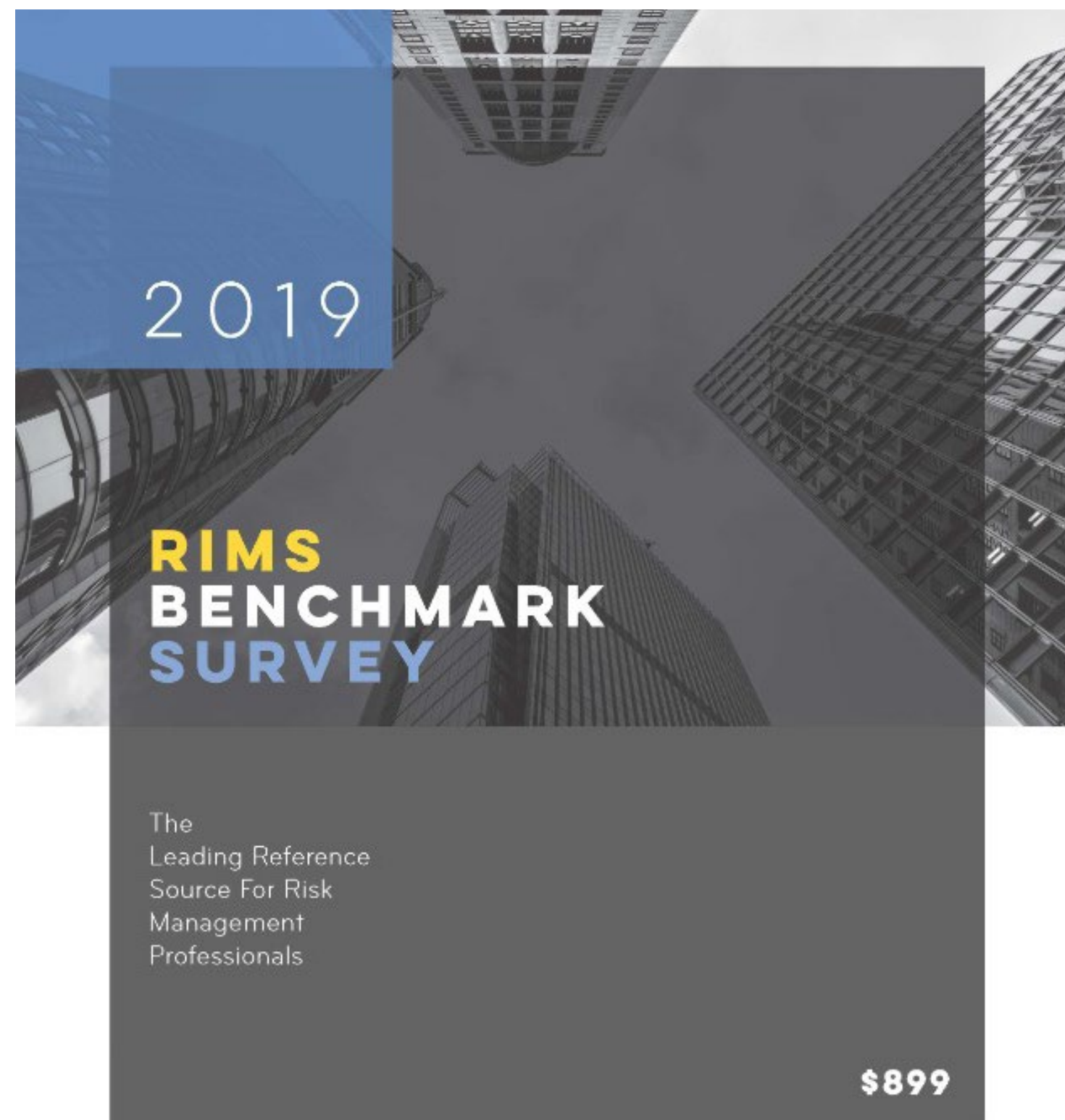
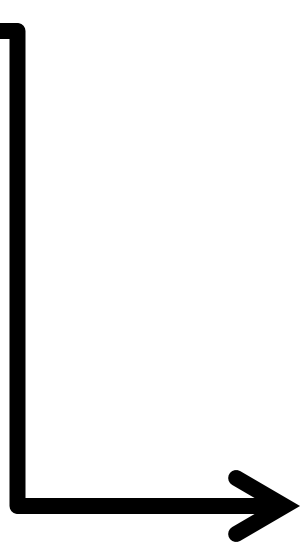
Advisen Events Team



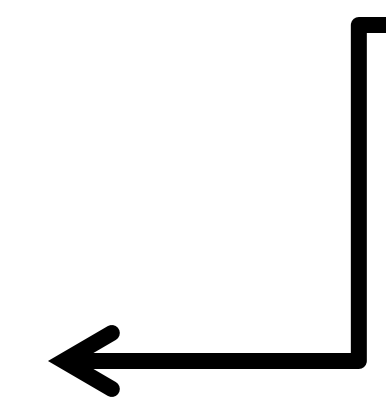
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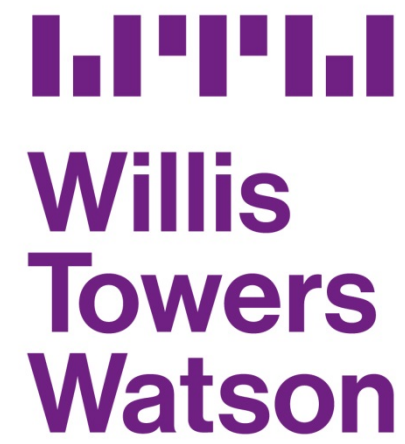
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2019 Conference Chair



Lori Seidenberg

**Global Director Real Assets Insurance
BlackRock**

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Keynote Address

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Keynote Address

Kean Driscoll

**Global Chief Underwriting Officer
Property & Agriculture
General Insurance**

AIG



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Property Market: Setting the Stage with Market Metrics

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Property Market: Setting the Stage with Market Metrics

**Michael
Andler
Lockton**



**Gary
Marchitello
Willis Towers
Watson**



November 1, 2019 Update

Pricing

- Property Market conditions continue to see an acceleration in rate increases
- Two years of combined ratios exceeding 100% have forced underwriters to drive profitability
- Accounts below technical pricing or losing key capacity seeing largest rate corrections
- Even benign risks are seeing +5% to +15%
- Cat accounts experiencing +10% to +20%
- Cat with losses +15% to >+30%

Capacity

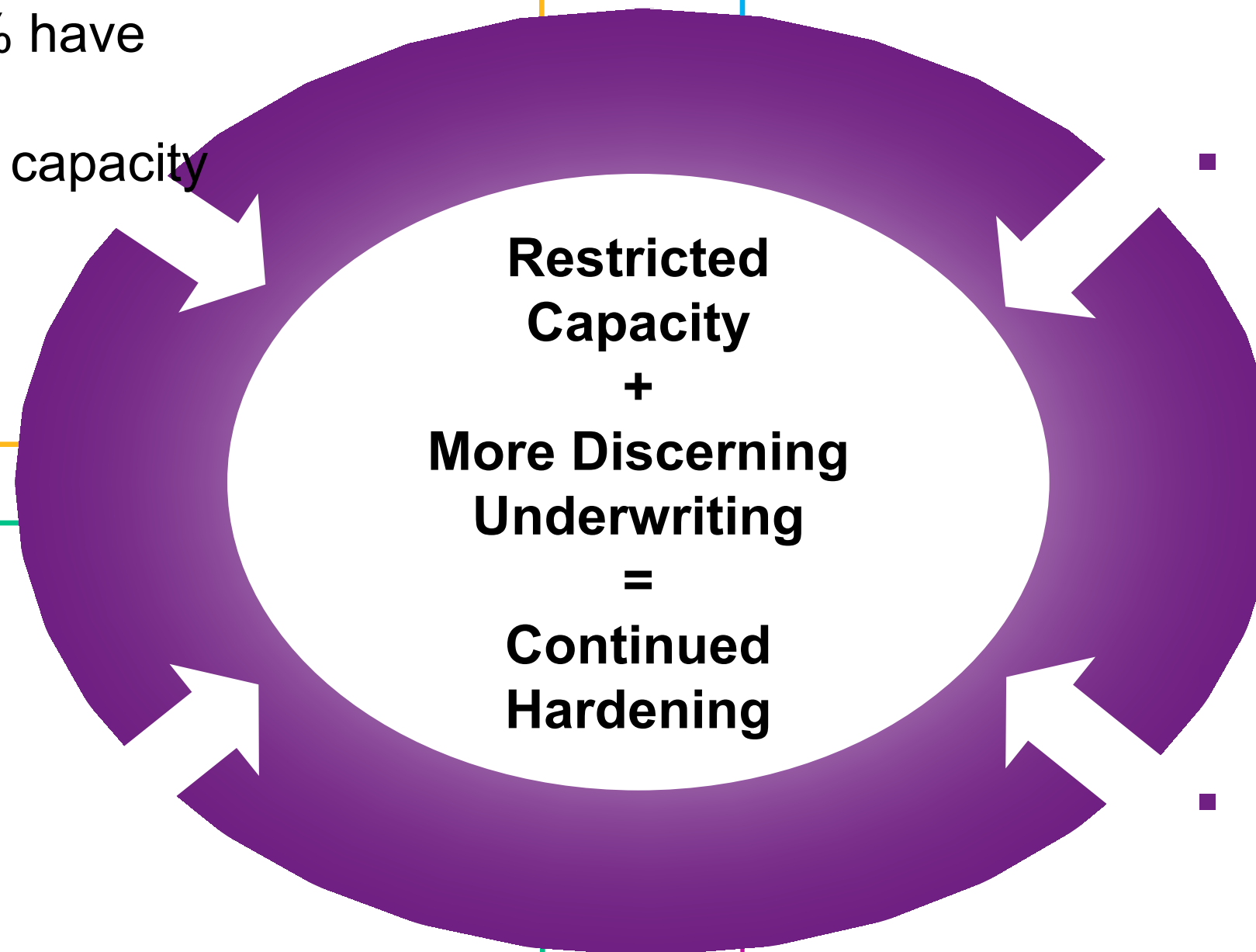
- Capital remains available, although insurers are reducing overall line size and repositioning deployed lines based on profitability - capacity available at a price
- Major exception is in the case of accounts with CAT / losses. Deployed capacity has tightened significantly on these renewals, which will not generally see the benefits of otherwise healthy market capitalization

Coverage

- Underwriters continue to take a more critical look at exposures, restricting many coverage terms previously offered
- Pressure on Cat deductibles and caps
- First party cyber exclusions are common
- Coverage tightening on CBI, Service Interruption; valuation concerns, reduction in sublimits and increased waiting periods

Issues

- Loss control heavily scrutinized, address open recommendations prior to renewal
- Challenged occupancies include: food/beverage, manufacturing, dealers open lot, hospitality, primary habitational / multi-family, woodworking, senior living, waste management, and schedules with significant Cat or convective storm



***Special Coverage Update: Terrorism Risk Insurance Program (TRIP) Reauthorization pending 2020**

State of the Property Market – Factors Impacting Rate

November 1, 2019 Update

Industry Losses
 First half of 2019 saw \$19B in losses, down from \$26B this time last year. Q219 Barry made landfall in Louisiana as a CAT 1, losses estimated \$500M+. Charles Valley EQ was the largest CA EQ in decades (7.1), however industry losses were low.

Hurricane Dorian insured losses are estimate around \$5B, with \$1.5B attributed to the US.

Reinsurance
 After a hesitant start in January and a slightly more robust response in April, the June 1st and July 1st renewal season has witnessed tangible pricing momentum, highlighting discerning appetite by reinsurers.

The landscape continues to evolve. Treaty projections are muted however questions over profitability remain.

Capacity remains available. However upward trends in pricing & stricter underwriting guidelines persist, causing pressure.


Market Capacity
 While Industry capacity was replenished through traditional and alternative sources, the market has shifted to a reduction in the overall deployed capacity. Adverse losses have pushed markets to reduce aggregate exposures.

US Wild Fires and hail storms continue to drive industry loss ratios even higher, also impacting coverage terms.

Loss Ratios
 Property marketplace loss ratios were challenging in 2018. Attritional losses continue to erode profitability. Insurers are looking to balance portfolios through pricing and reducing cat capacity / overall line size.

Rate Prediction?

Rate



Prognosis: “Decided market firming” even for benign risks
Forecast:
 +5% to 15% non CAT
 +10% to 20%+ CAT
 +15% to 30% ++ CAT with losses

State of the Property Market – Factors Impacting Renewals

November 1, 2019 Update



Timing Constraints

Underwriters are overwhelmed with submission activity

Even initial quotes are coming down to the wire

Tough to obtain multiple options as bandwidth is low



Underwriting Guidelines

Constant change in guidelines and rate expectations

Approval shifted to senior management, not underwriters

Focus on overall performance and addressing volatility



Available Capacity

Increased volume allows underwriters to be more selective

Less capacity for large limit / adverse loss deals

Capacity is being priced and deployed conservatively



Challenged Occupancies

Micro-hard market seeing +50% , +100% even +300%

CAT exposed and loss driven accounts seeing > +30%

Heavy scrutiny on engineering and open recommendations

State of the Property Market – Average Rate Change

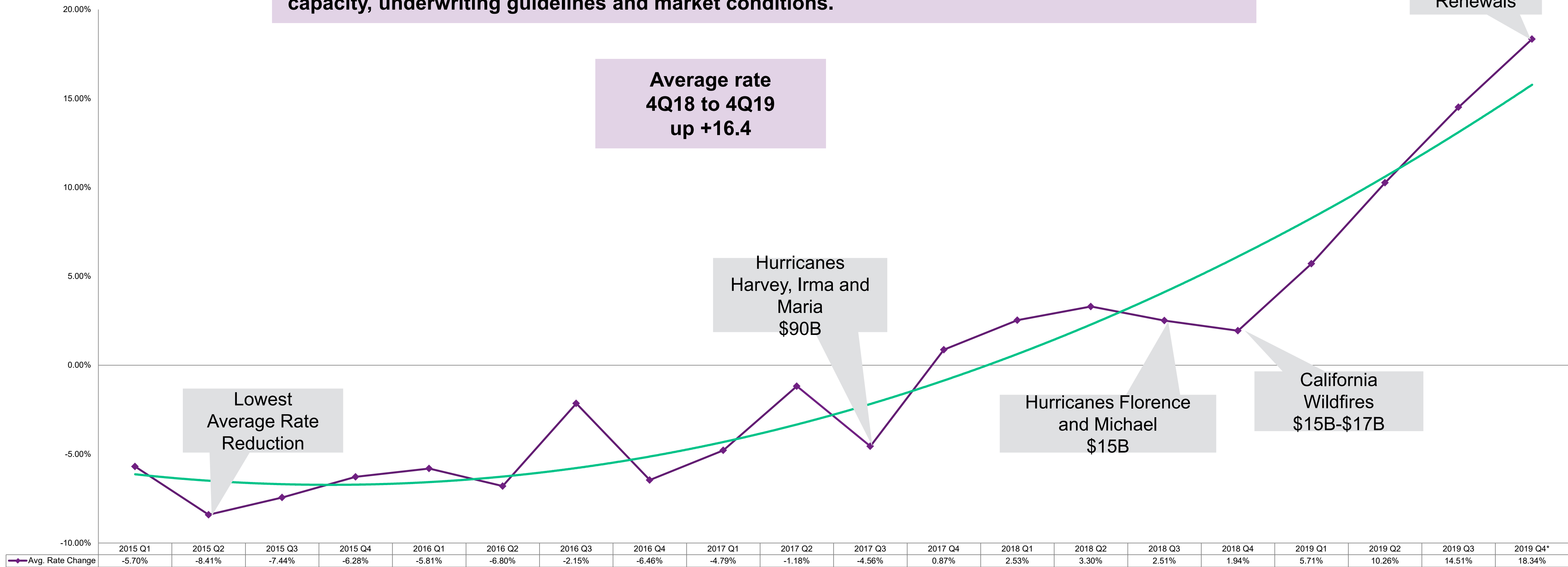
Historical average rates by quarter as of November 1, 2019

As property conditions continue to see pressure we recommend that all key stakeholders are aware of the changing environment. Budgetary expectations may fluctuate based on availability of capacity, underwriting guidelines and market conditions.

Average rate 4Q18 to 4Q19 up +16.4

*Through Nov. 1st Renewals

Avg. Rate Change (%)

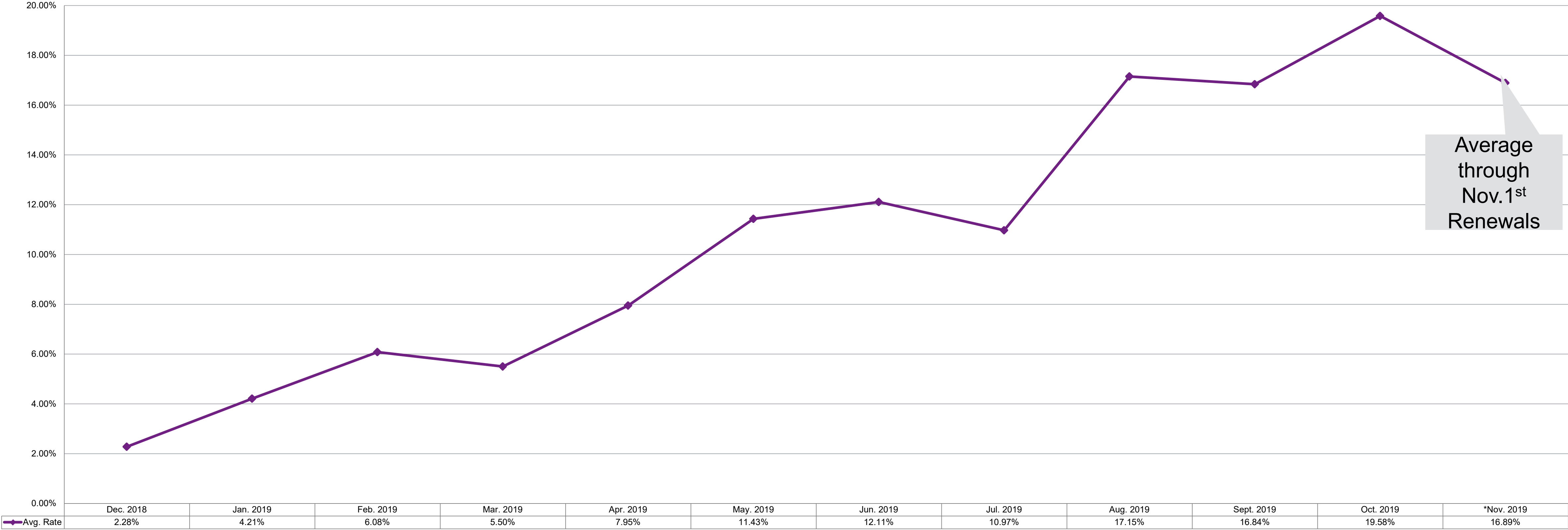


State of the Property Market – Average Rate Change

Avg. Rate Trends: December 2018 – November 1, 2019

Market dynamics are impacting certain carriers as well as certain classes of business disproportionately. Important to note that this is the **AVERAGE** rate change and does not speak to CAT or loss impacted accounts specifically.

Avg. Rate Change (%)



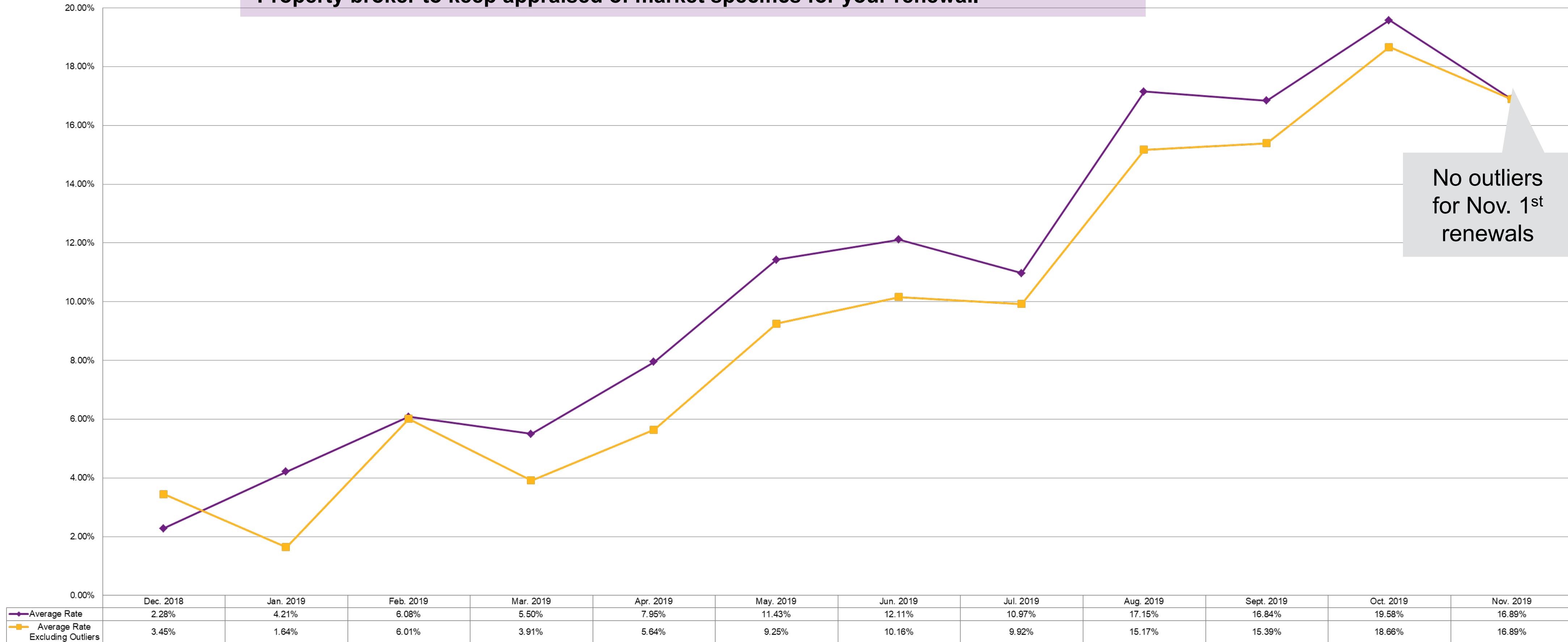
Average through Nov. 1st Renewals

State of the Property Market – Average Rate Change

Avg. Rate Trends: December 2018 – November 1, 2019

The pace of the market hardening has accelerated, especially for challenged occupancies, accounts with losses and CAT exposed properties. Consult your Property broker to keep apprised of market specifics for your renewal.

Avg. Rate Change (%)

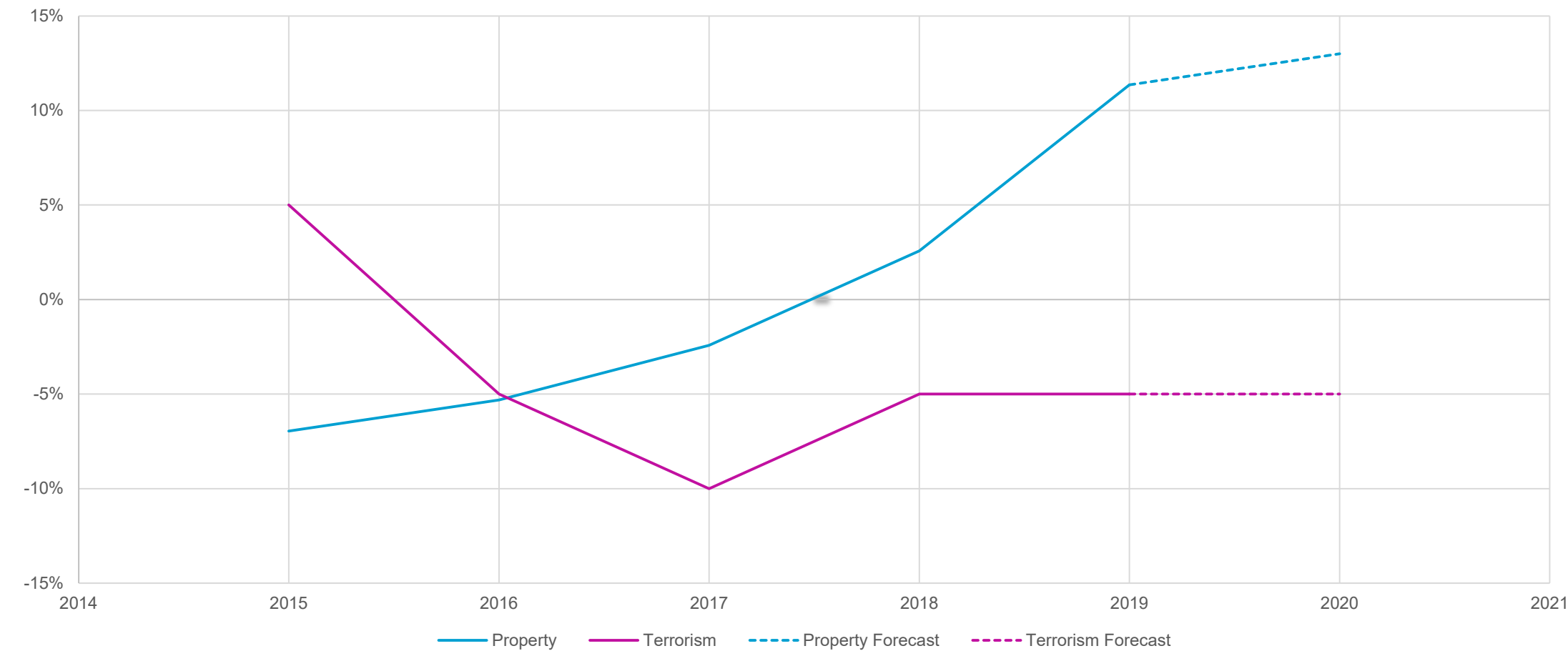


State of the Property Market – Special Coverage Update

Terrorism Rate Landscape

“Embedded” Terrorism coverage

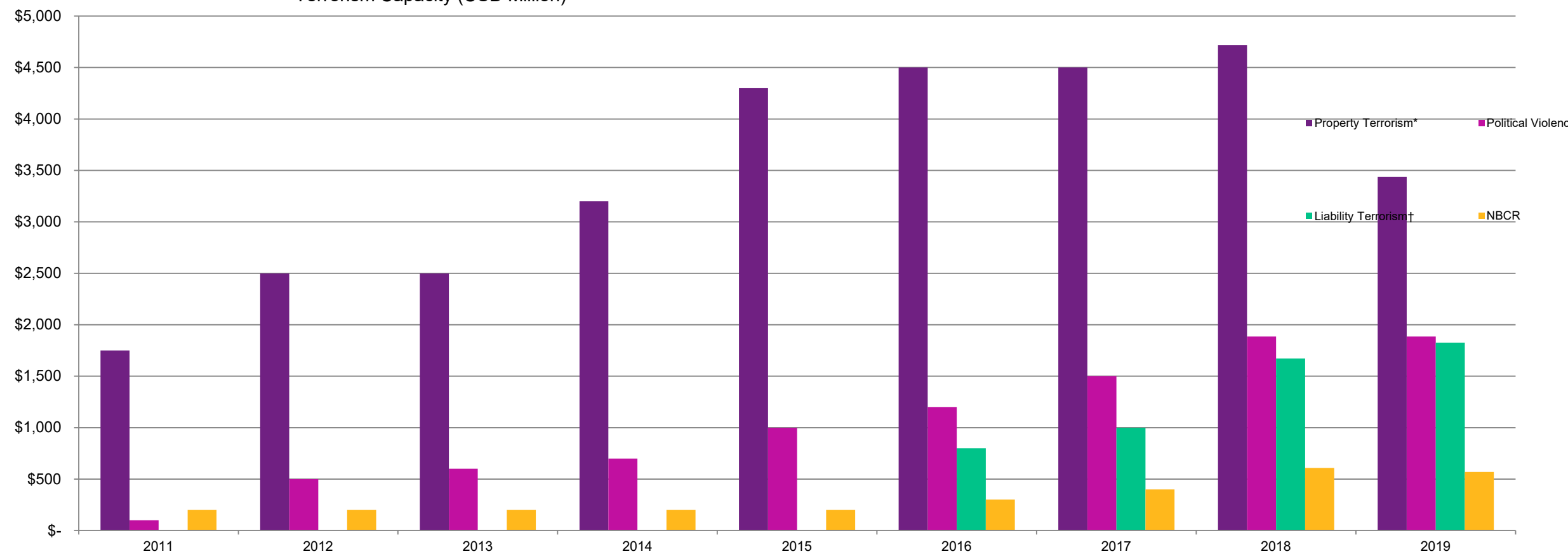
- Correlated with rising property rates, costs of embedded terrorism coverage are continuing to trend upwards
- TRIA continues to provide an essential backstop to insurers which provides rate stability. If extension uncertainty continues, carriers may issue provisional notices of cancellation for upcoming renewals in effect post Dec 31, 2020.
- Insurers may be subject to rating stress testing to demonstrate adequate surplus and be forced to purchase additional reinsurance, driving up renewal rates.



“Stand Alone” Terrorism coverage

- Uncorrelated with property premiums, stand alone terrorism rates have remained relatively static.
- While recently impacted by merger and acquisition activity in the sector, aggregate capacity should continue at current levels.
- Nonetheless, with non-renewal of TRIA in 2020 significant pressure on market capacity in highly concentrated areas will force rates up by an anticipated 30% to 40% in key areas.

Terrorism Capacity (USD Million)



Key Considerations

On December 31, 2020, the Terrorism Risk Insurance Program (TRIP) will expire unless Congress passes extension legislation to reauthorize the program

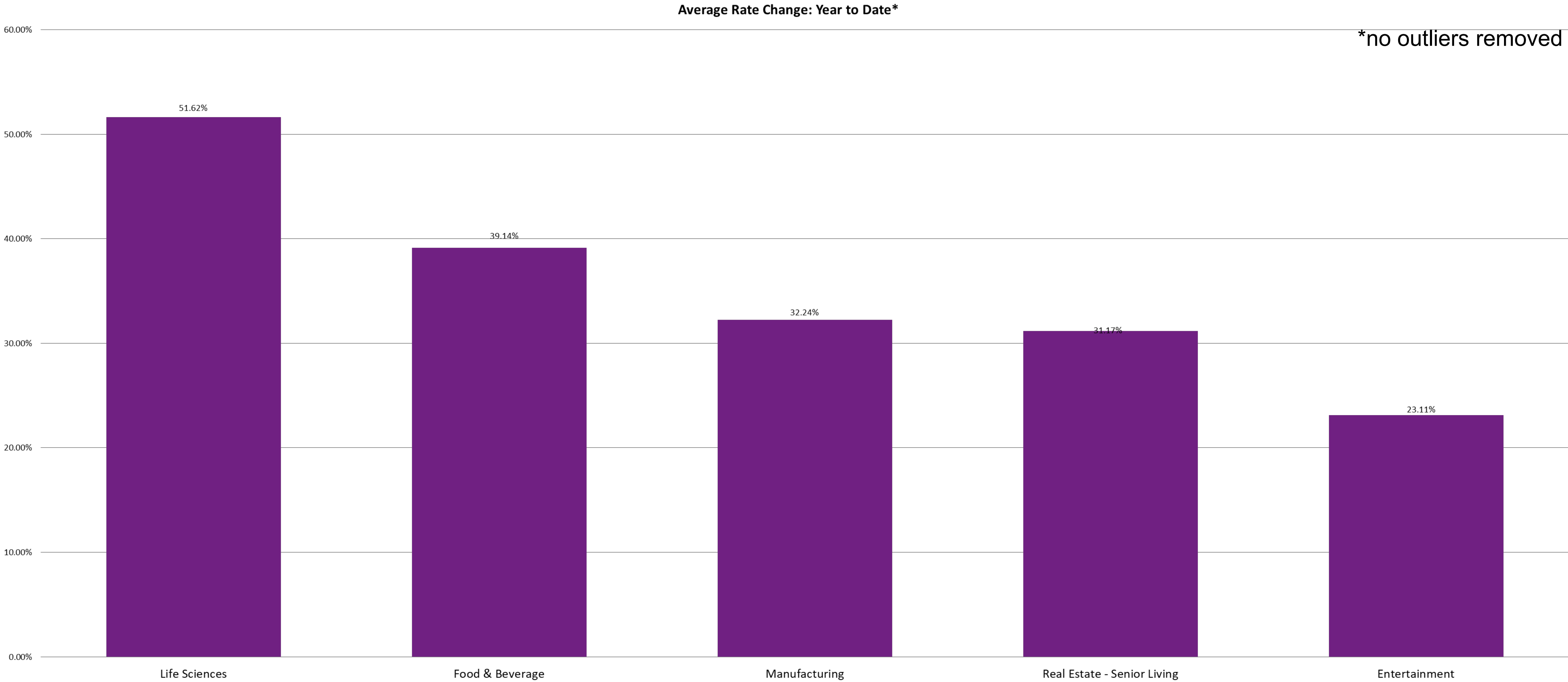
Commercial insurers are preparing their response should the federal backstop expire

History has shown that severe market disruption can occur should reauthorization be delayed (or not occur). Recommended action points include:

- ✓ Confirm with lenders and/or other stakeholders minimum requirements for terrorism coverage regardless of extension
- ✓ Confirm with existing insurers post 2020 position, regardless of TRIP extension
- ✓ Evaluate placing terrorism insurance on a stand alone basis to provide long term coverage certainty or fill potential gaps
- ✓ For captive-insured risks, ensure that sufficient replacement capacity is available, either through securing additional reinsurance or purchasing coverage 'options'
- ✓ Captives should also confirm in advance cost to convert existing reinsurance, if necessary
- ✓ Consider a new generation of terrorism risk modeling and analytics to provide valuable counterpoints to lender or insurer negotiations

State of the Property Market – Industry Rate Change

Top 5 Rate Increase by Industry – YTD as of Nov. 1, 2019



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Morning Break



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Collateral Damage: Managing the Mayhem

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Collateral Damage: Managing the Mayhem



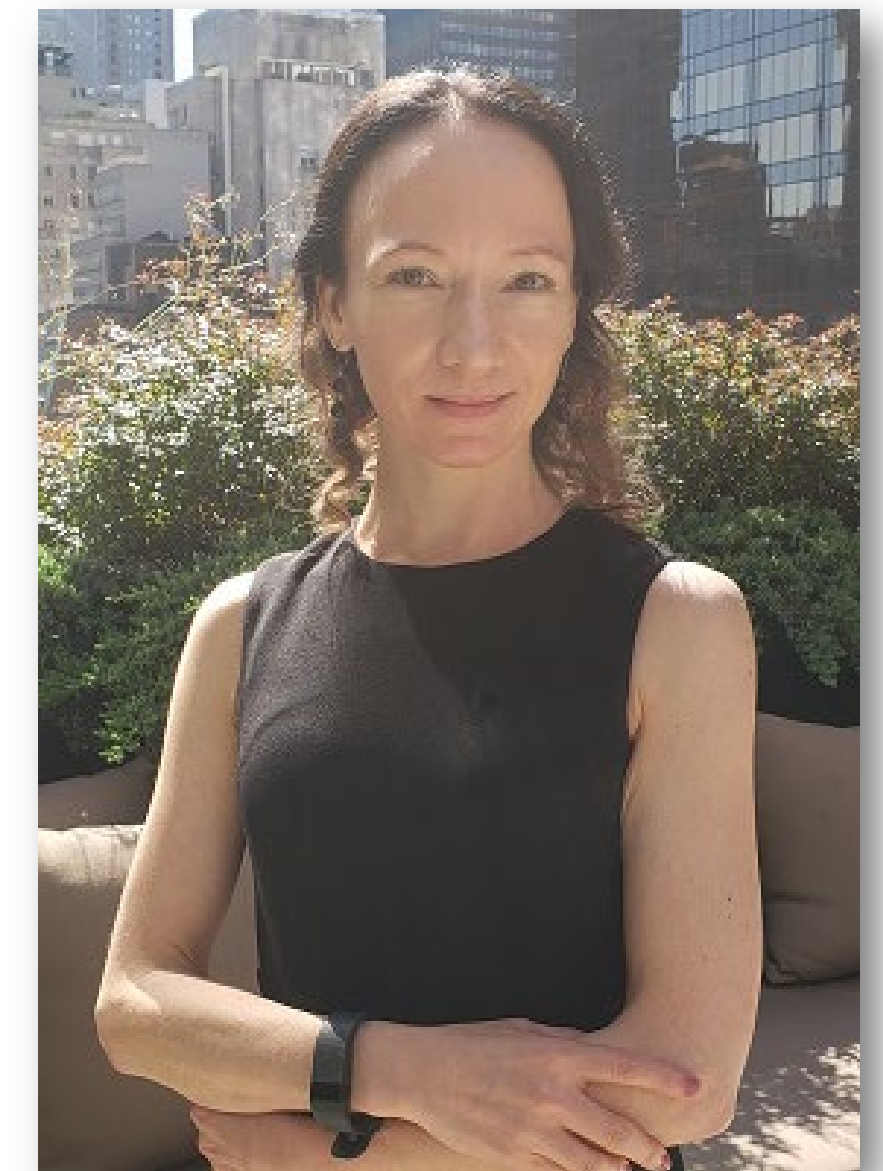
Erik P. Nikodem
Everest Insurance
[Moderator]



Stephanie J. Hyde
PE-Risk



Steven Lawrence
Columbia
University



Theresa Purcell
Kushner

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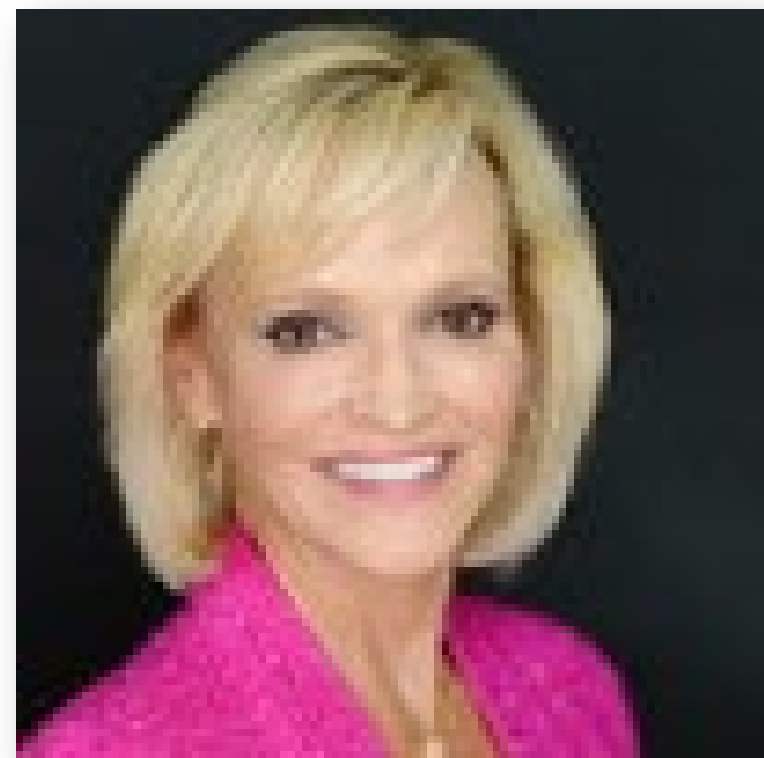


At the Center of the Storm: Broker/Underwriter Roundtable

At the Center of the Storm



**Duncan C.
Ellis**
AIG
[Moderator]



**Brenda (Ballard)
Austenfeld**
RT Specialty



**Maria
Grace**
Everest
Insurance



**Michael A.
Nardiello**
CNA



**Damian S.
Smith**
Palmer & Cay



**Nicholas M.
Trent**
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Lunch



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Business Interruption, Courtesy of Washington?

Terrorism, Insurance, and the TRIPRA Renewal

Business Interruption, Courtesy of Washington?



Wendy Peters
Willis Towers
Watson
[Moderator]



Alexander Baker
ACIII
AXA XL



Tarique Nageer
Marsh



Scott Williamson
Reinsurance Association
of America

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Terrorism Risk Insurance Program Reauthorization

Projections Based on Clean Extension of Current Law

**RAA's 2019 TRIP Legislative Model Version 1.2
Data Run as of 9/19/2019**



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Terrorism Risk Insurance Program (TRIP)

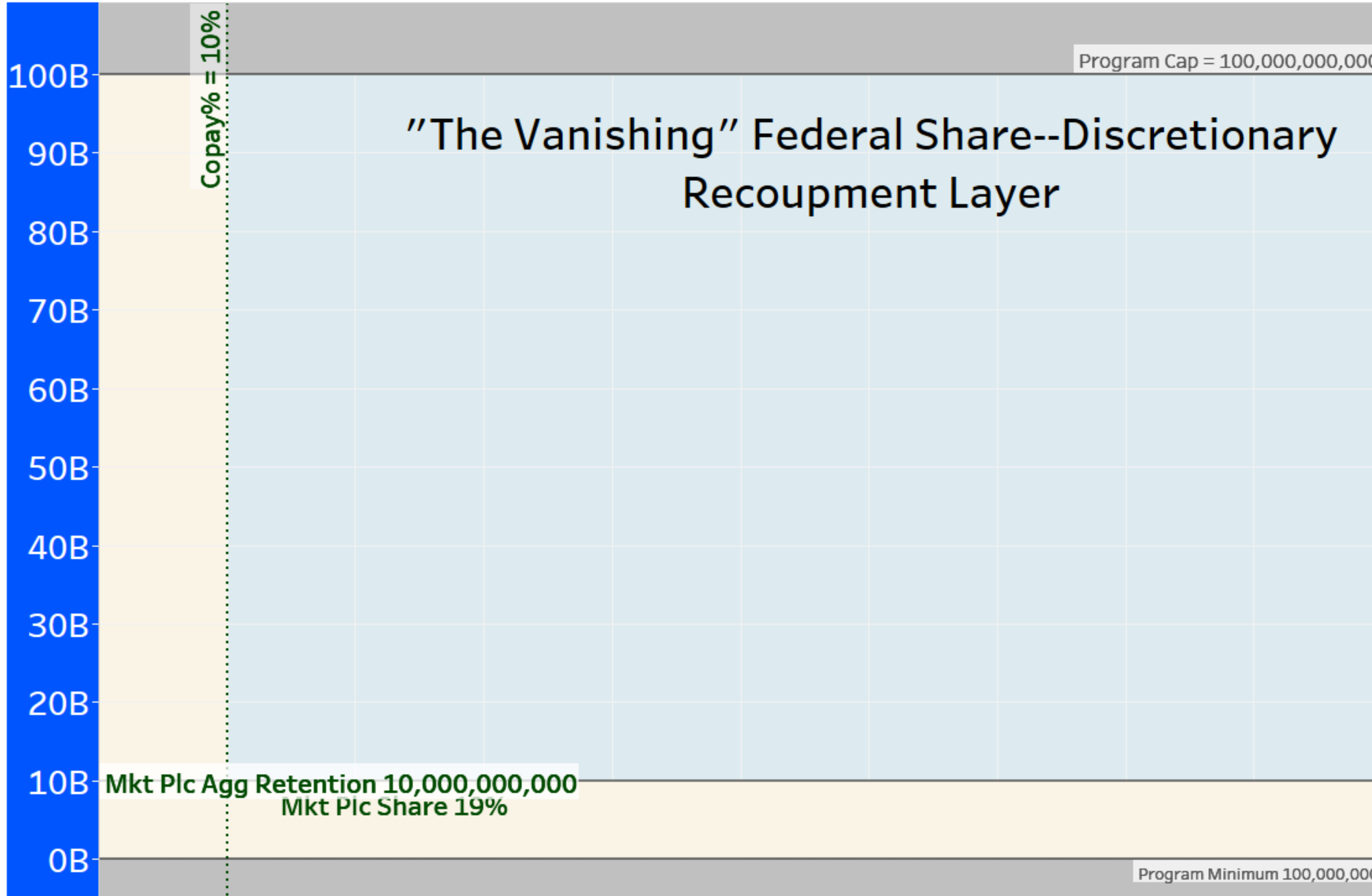
Premium Growth Rate (CAGR)

2003

5%

TRIP Coverage Map: Baseline (Max \$100B Program Loss Example) - 2003

2003



Program Minimum	100,000,000
Program Cap	100,000,000,000
Insurers' Individual Deductible %	7%
Insurers' Copay %	10%
Insurers' Copay Above Mkt Plc Retention	9,000,000,000
Marketplace Aggregate Retention	10,000,000,000
Marketplace Share of Loss	19,000,000,000
Federal Share of Loss--Discretionary Recoupment Layer	81,000,000,000
Marketplace Share Pct	19%
Federal Share Discretionary Recoupment Pct	81%



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Terrorism Risk Insurance Program (TRIP)

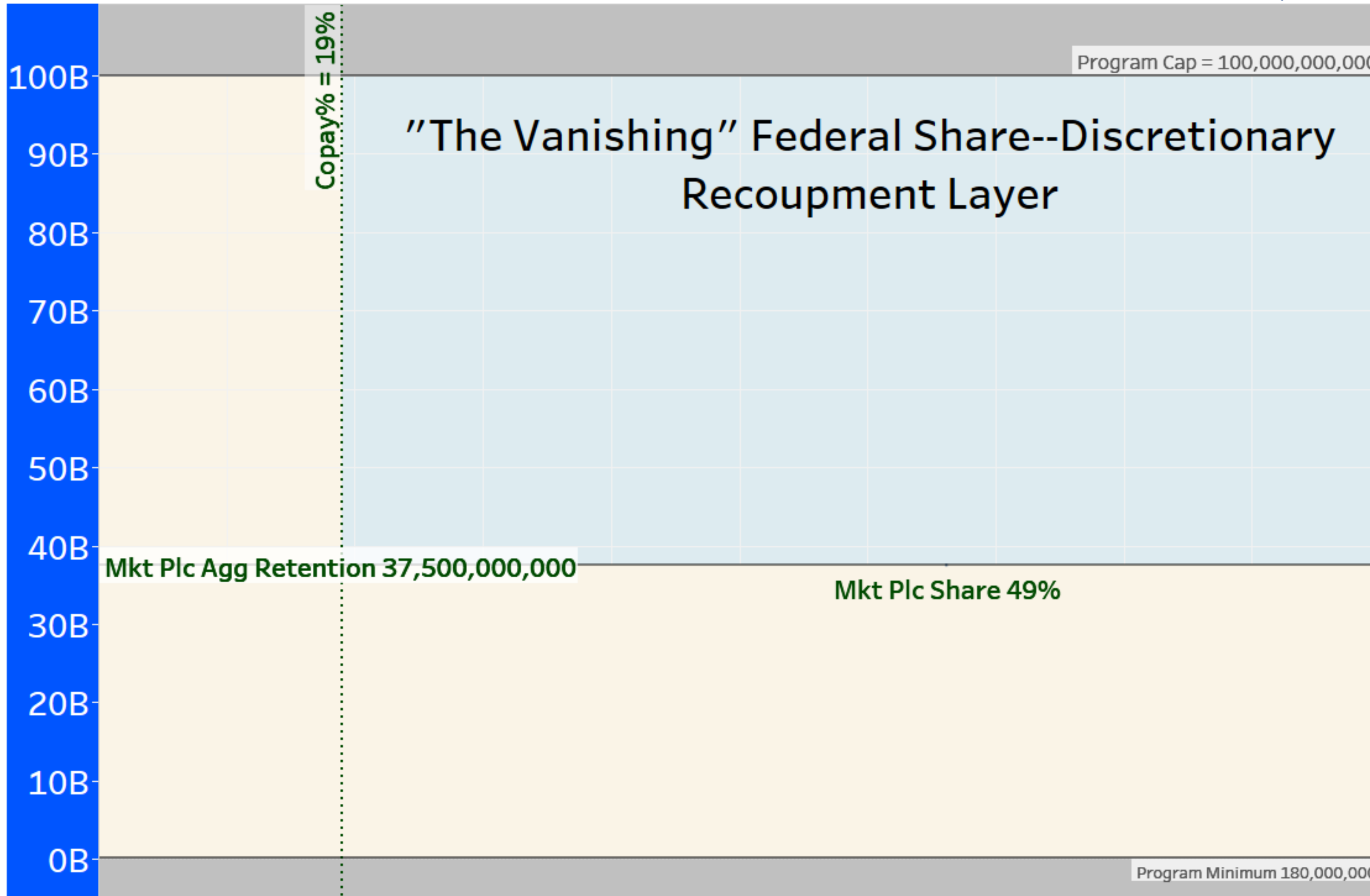
Premium Growth Rate (CAGR)

2019

5%

TRIP Coverage Map: Baseline (Max \$100B Program Loss Example) - 2019

2019



Program Minimum	180,000,000
Program Cap	100,000,000,000
Insurers' Individual Deductible %	20%
Insurers' Copay %	19%
Insurers' Copay Above Mkt Plc Retention	11,875,000,000
Marketplace Aggregate Retention	37,500,000,000
Marketplace Share of Loss	49,375,000,000
Federal Share of Loss--Discretionary Recoupment Layer	50,625,000,000
Marketplace Share Pct	49%
Federal Share Discretionary Recoupment Pct	51%



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Terrorism Risk Insurance Program (TRIP)

4% CAGR

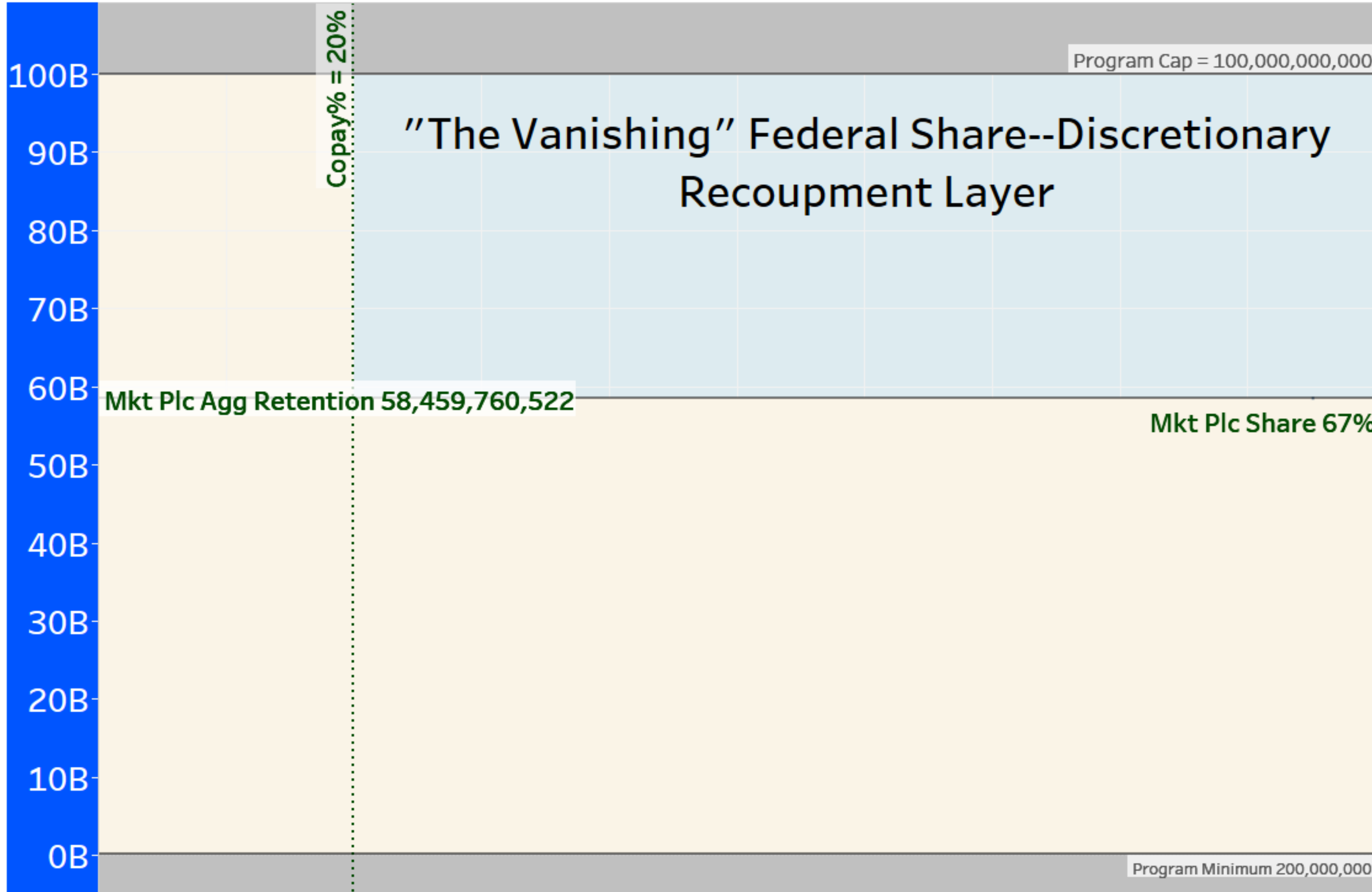
Premium Growth Rate (CAGR)

4%

2030

2030

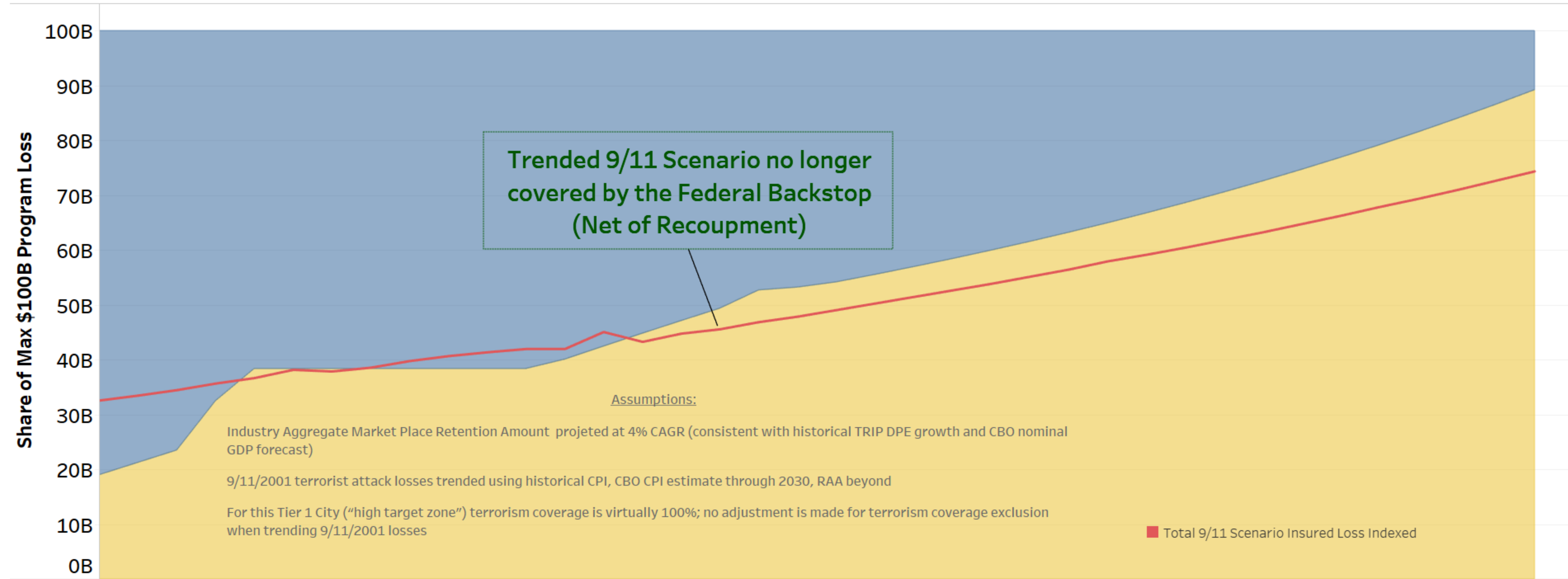
TRIP Coverage Map: Baseline (Max \$100B Program Loss Example) - 2030



Program Minimum	200,000,000
Program Cap	100,000,000,000
Insurers' Individual Deductible %	20%
Insurers' Copay %	20%
Insurers' Copay Above Mkt Plc Retention	8,308,047,896
Marketplace Aggregate Retention	58,459,760,522
Marketplace Share of Loss	66,767,808,418
Federal Share of Loss--Discretionary Recoupment Layer	33,232,191,582
Marketplace Share Pct	67%
Federal Share Discretionary Recoupment Pct	33%

Terrorism Risk Insurance Program Projected Under Clean Reauthorization of Current Law

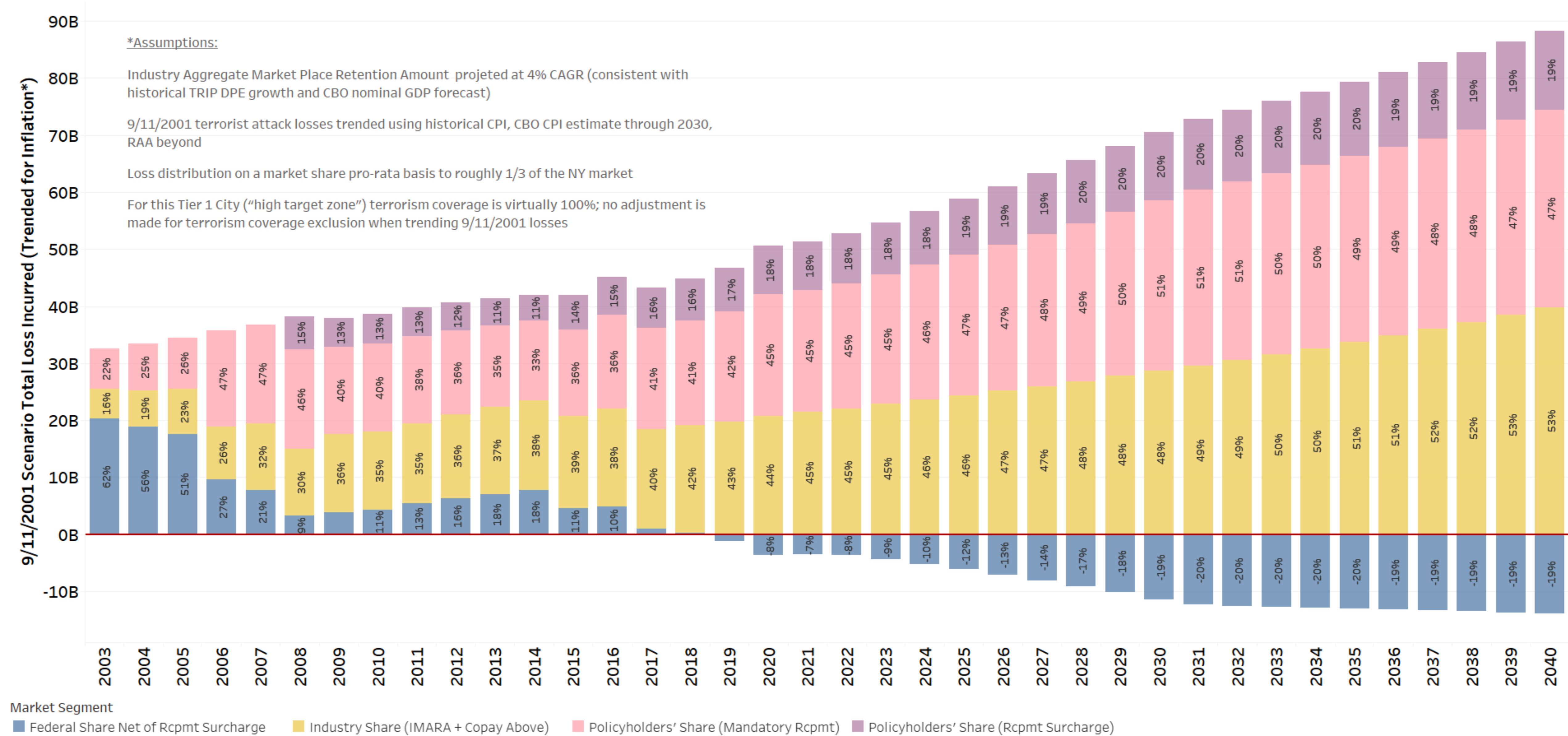
Market Segment
 Federal Backstop
 Industry Share (IMARA + Copay Above)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Industry Share (IMARA + Copay Above)	19%	21%	24%	33%	38%	38%	38%	38%	38%	38%	38%	38%	40%	42%	45%	47%	49%	53%	53%	54%	56%	57%	58%	60%	62%	63%	65%	67%	69%	71%	73%	75%	77%	79%	82%	84%	87%	89%
Federal Backstop	81%	79%	77%	68%	62%	62%	62%	62%	62%	62%	62%	62%	60%	58%	55%	53%	51%	47%	47%	46%	44%	43%	42%	40%	38%	37%	35%	33%	31%	29%	27%	25%	23%	21%	18%	16%	13%	11%



9/11/2001 Attack Scenario Losses by Market Segment Projected Under Clean Reauthorization of Existing Law



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Modeled and Non-Modeled CAT Risk: The Impact of Climate Change on the Property Insurance Market

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Afternoon Break



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Insurance-Linked Securities and the Property Insurance Market

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Insurance-Linked Securities



William Dubinsky
Willis Securities, Inc
[Moderator]



Evan M. Glassman
New Paradigm
Underwriters



Joanna Syroka
Fermat Capital
Management

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Marya J. Propis

**Senior Vice President
Director of Distribution and Broker Partnerships
All Risks, Ltd.**

**Chairperson
Spencer Educational Foundation
Board of Directors**



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View from the Top

View from the Top



Lori Seidenberg
BlackRock
[Moderator]



Paul Horgan
Zurich NA



Chris Maleno
Chubb



Joseph Peiser
Willis
Towers Watson



Ken Riegler
AIG

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Closing Remarks & Reception

