

MARSH



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**Risk and Insurance
- Frequently Asked Questions**

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The Broker's Role

- The broker is the agent of the client
- Selects best lead underwriter in market
 - Price
 - Coverage
 - Claims service
 - Industry knowledge
- Designs and places insurance programme
- Negotiates claims on behalf of client

The Underwriter's Role

- Assesses the risk
 - values exposed
 - territory
 - claims history
 - risk management
- Quotes premium
- Sets policy terms and conditions
- Pays valid claims

How does Lloyd's function?

- Lloyd's is a market not an insurance company
- 62 competing syndicates
- Premium income capacity £13.7bn
- Does not deal direct - only through brokers
- Every transaction individually negotiated

How does the insurance sector view the CIT industry from a risk management perspective?

- Huge range
- Good Risk
 - Strong Management Control
 - High Investment
 - Procedures and Training
 - Staff Screening/Low turnover
 - Independent Survey programme
 - High Insurance Retention

How does the insurance sector view the CIT industry from a risk management perspective?

- Unattractive Risk
 - Uses insurance policy instead of investing in risk management
 - Frequent attritional losses
 - Operating in high crime environment

How is my premium calculated?

Annual values carried split by type of exposure:-

Central bank work) X rate
General bank work) X rate
Commercial) X rate
ATM) X rate

+ premises limits X rate = Base Premium

Credits

Good loss record	Increased deductible	Client loyalty
Market experience	Strong management structure	High investment in security
Environment	Low Crime	

Debits

Poor loss record	High Crime
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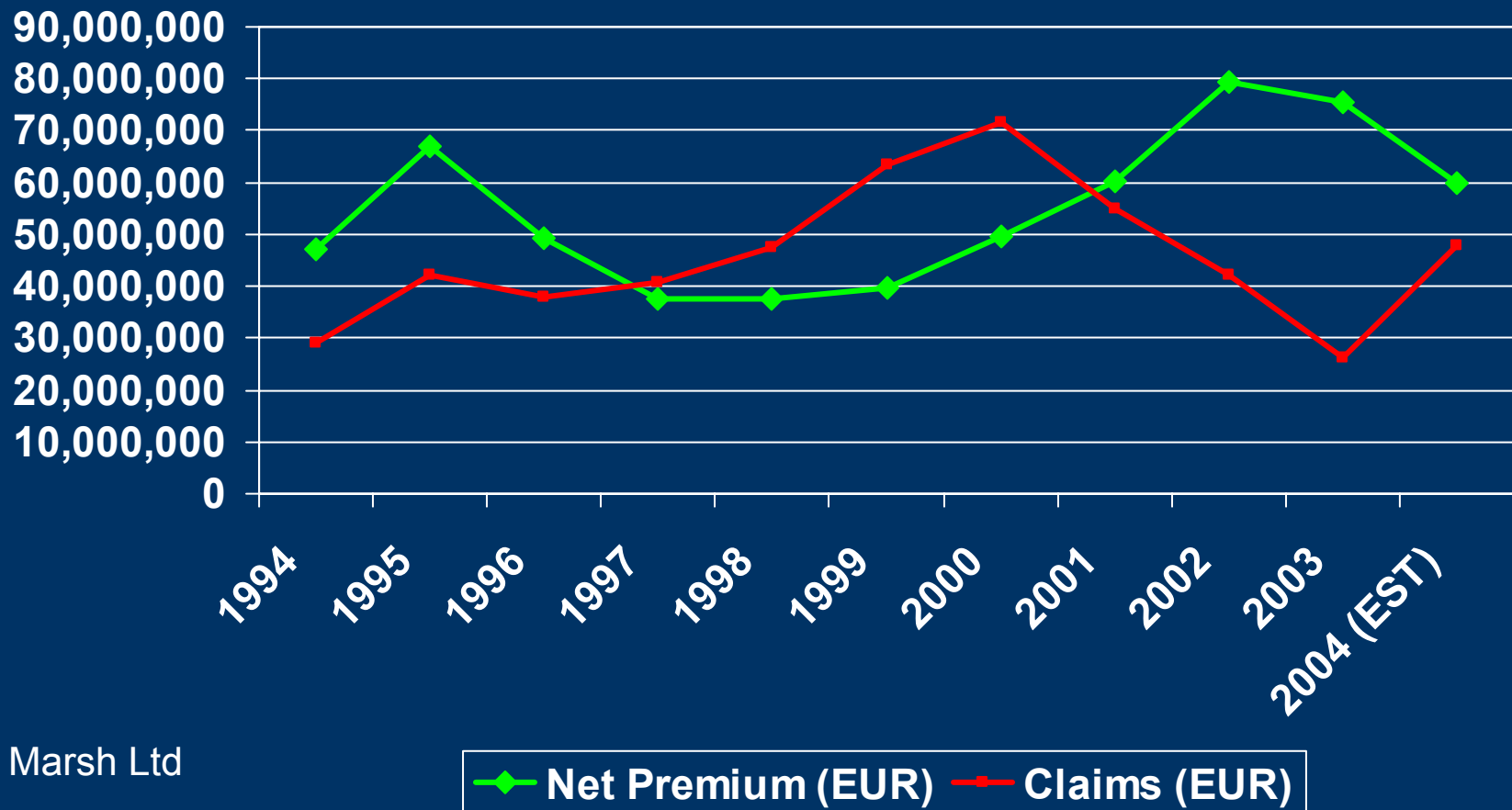
Environment

What is an underwriter's typical cost structure?

	Premium	€100
Less	Brokers commission	(€25)
Less	Reinsurance cost	(€12)
Less	Expenses / overheads	(€6)
Plus	Investment income	€1
	Total	€58
	Target return on capital	€9
	Balance to pay losses	€49

Will the large losses in Europe this year affect my premium?

Lloyd's Cash in Transit Results 1994-2004



Will the large losses in the industry in the last year affect my premium?

- Schipol Airport EUR32.8m
- Mexico Premises EUR7.5m
- Italy Premises EUR6.9m
- France Vehicle EUR 5.1m
- Italy Premises EUR3.7m
- Ireland Vehicle EUR1.9m
- Euro Distribution ?

If there is a substantial recovery will premiums be adjusted?

- Rates not adjusted retroactively
- Recoveries could improve results enabling rates to fall
- Lloyd's Recovery Office
- Brink's Mat Heathrow

What are the typical exclusions in a CIT Policy?

- War on land
- Terrorism - cash on premises
- Radioactive Contamination, Chemical, Biological, Bio-chemical And Electromagnetic Weapons
- War and Terrorism Cover can be bought back

As cash management services grow with bank outsourcing what cost effective options are there for insuring high storage volumes?

- Retain part of the risk
- Use your captive insurer
- “Layer” the insurance programme
- Restrict the policy coverage?
- Spread the risk?

How do I reduce my premium?

- Good loss record
- Willingness to retain risk
 - incentive to staff and management
- Effective security team
- Investment in security
- Manage your liability
- Build mutual understanding with underwriter
- Strong management control