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Insurance Update ESTA Conference 2011

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Fine Art & Specie Underwriter

Zurich Insurance plc

- Works for the client
- Needs to understand clients risk exposure and insurance requirements
- Designs insurance programme which should offer the broadest terms at the lowest possible premium
- Markets the risk to interested underwriters globally
- Presents the various options negotiated to the client
- Issues documentation including policy wording and invoice
- Negotiates claims on behalf of the client

- To decide whether or not to accept the risk proposed by the broker, and if so, on what terms
- Quote risk premium and negotiate premium with broker
- Tailor a policy wording to accommodate clients business needs, within reason
- Provide risk management advice and support via surveyors who are industry experts
- Settle valid claims per policy terms and conditions

‘To Quote or Not to Quote Risk Selection

- Territorial Scope
 - Industry Experience
 - Premise Exposure
 - Number of locations exposed
 - Vaulting only or cash processing
 - Segregation of funds
 - Inventory management
 - Transit Exposure
 - Vehicle Limits
 - Pavements Limits
 - ATM Limits
 - Subcontractors
- Annual carryings
 - Revenue
 - Security
 - Premises security
 - Vehicle security
 - Loss Experience
 - Reputation



Insurance Update

- Loss statistics
- Market trends
- Recent major losses
- Risk Management
- Differentiators

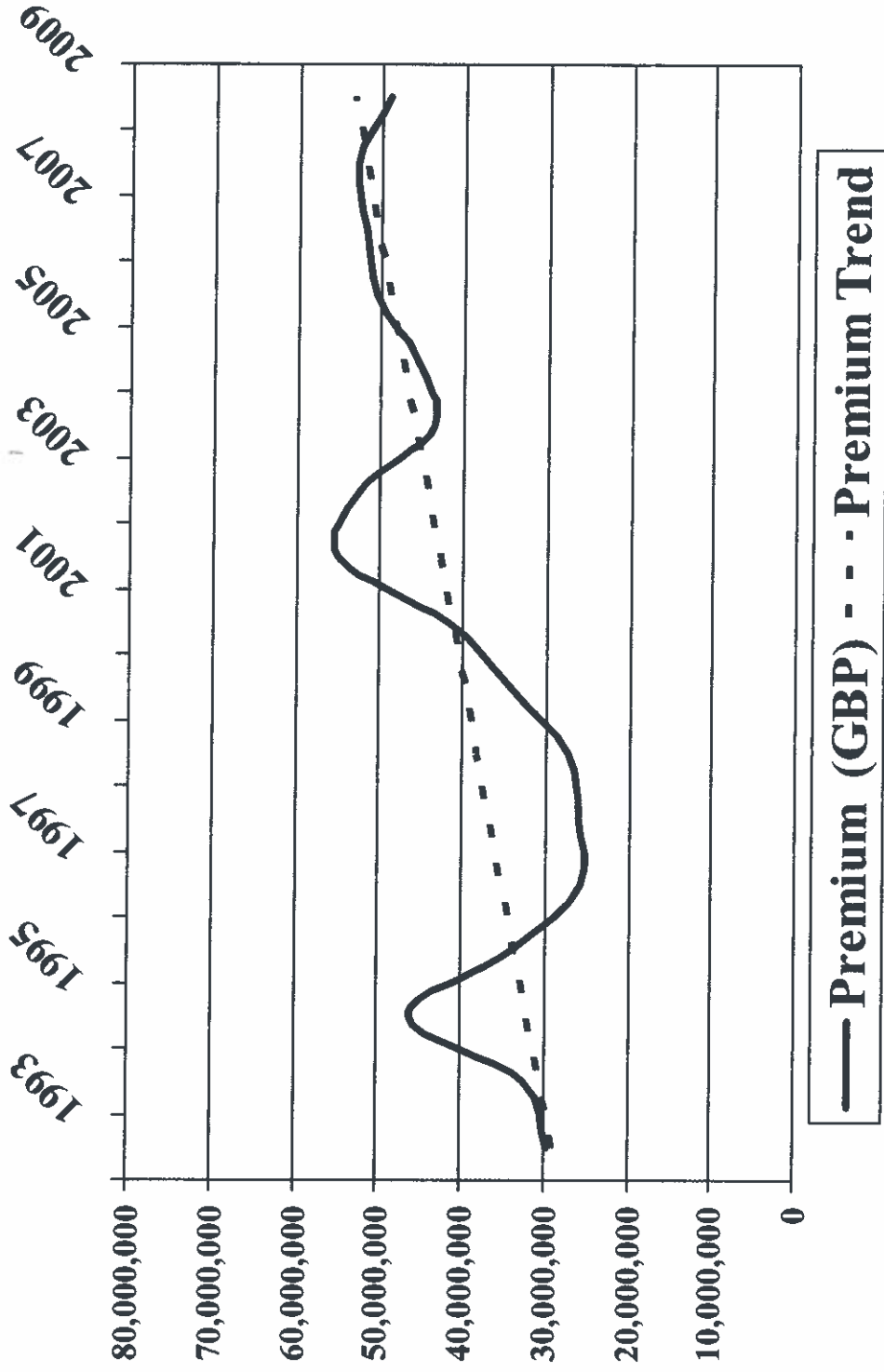


Lloyd's CIT Insurance Market Statistics Premium (GBP)



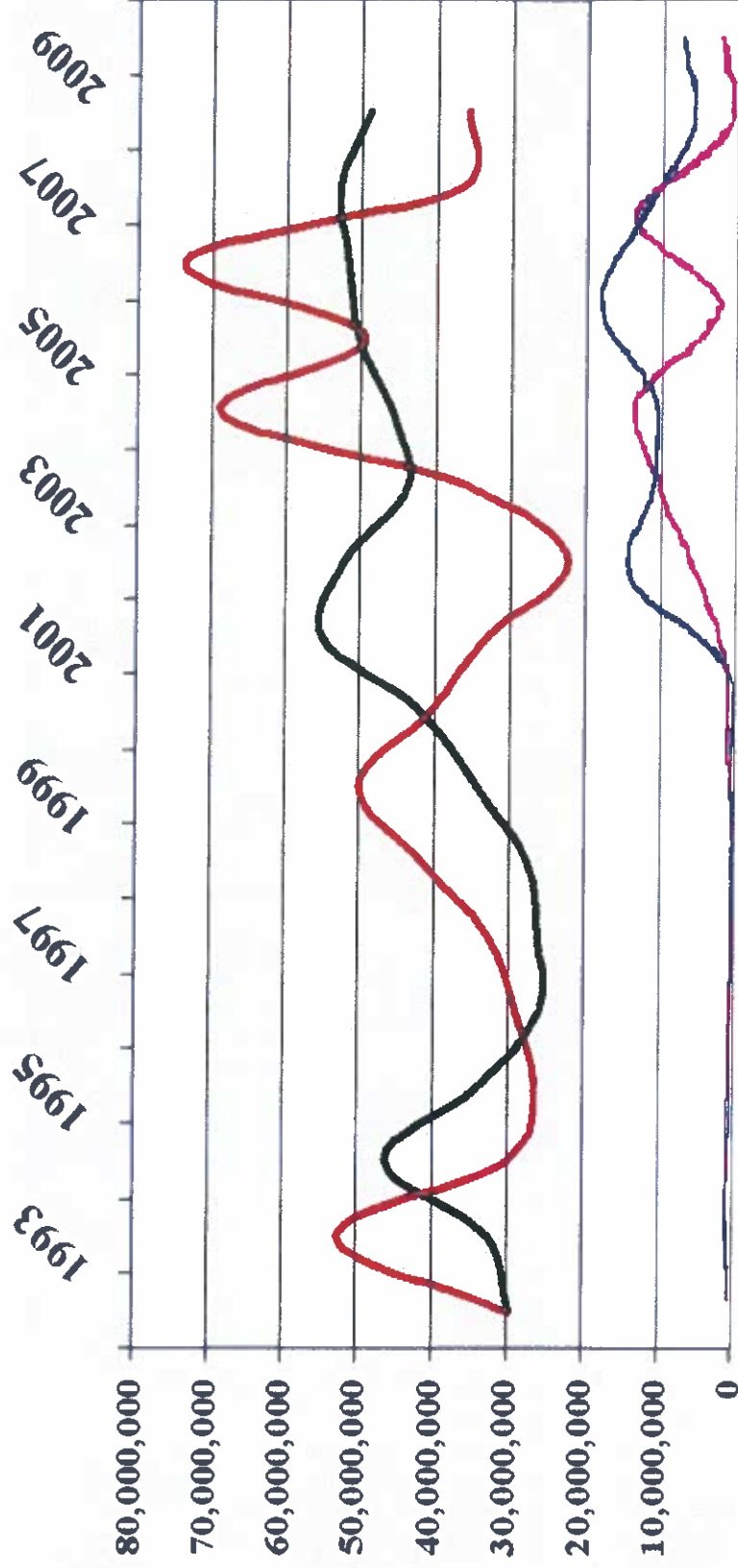
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ZURICH



Market Cycle stabilising and softening

Lloyd's CIT Insurance Market Statistics Premium and Claims (GBP)



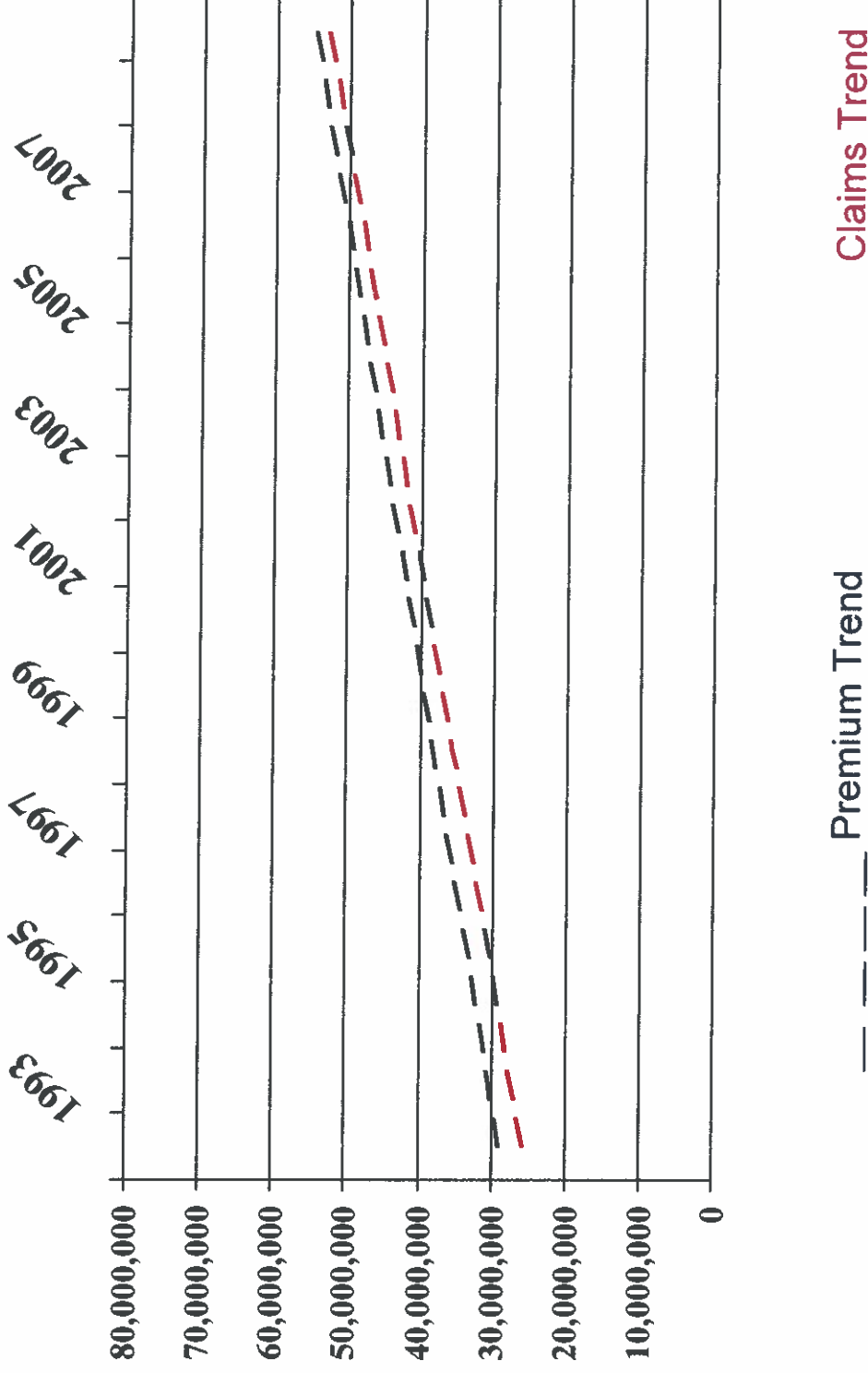
Lloyds — Premium (GBP) — Claims (GBP)

Zurich — Premium (GBP) — Claims (GBP)



Lloyd's CIT Insurance Market Statistics Premium and Claims Trends (GBP)

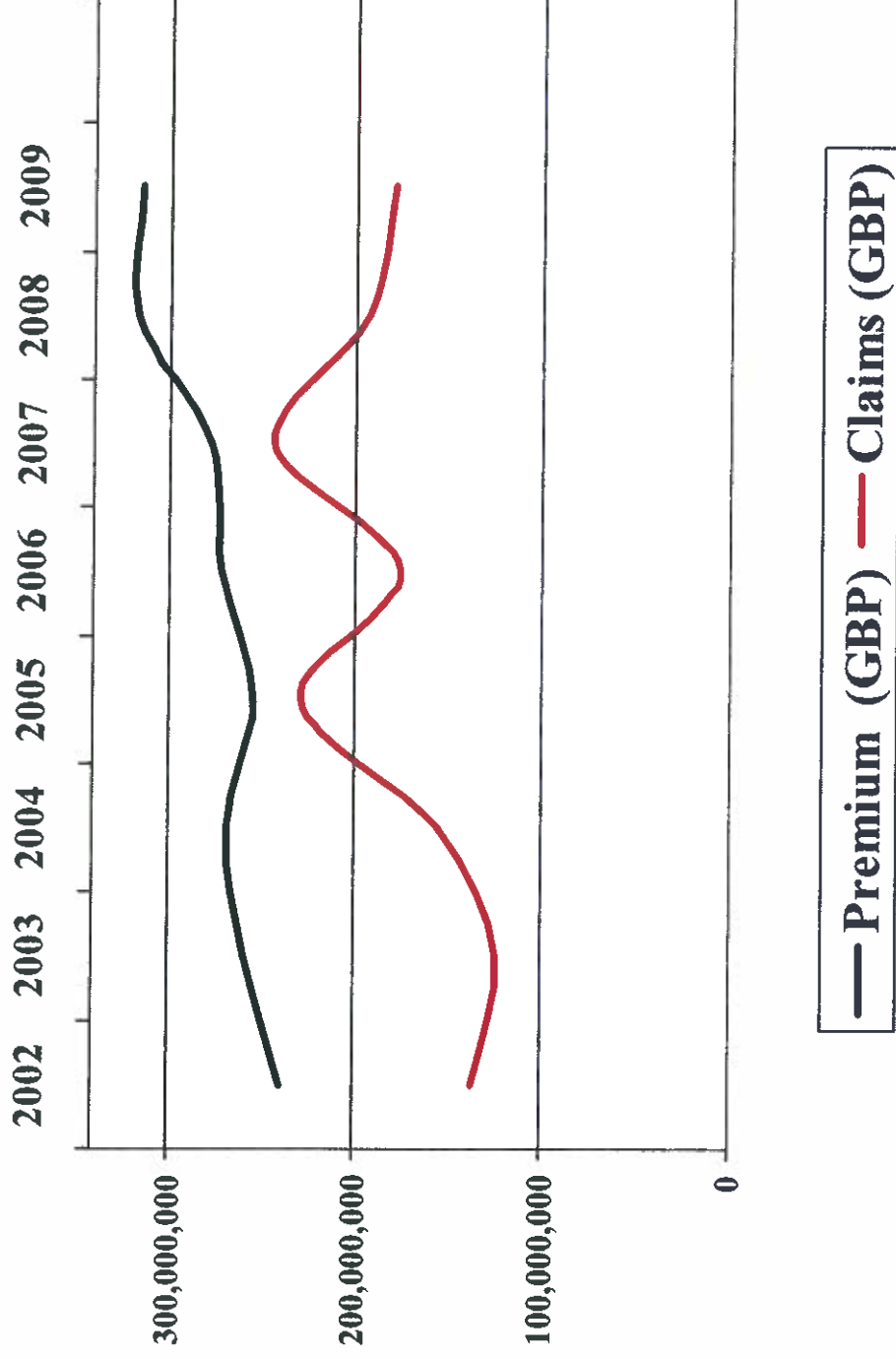
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Premium – by small margin exceeding premium



Lloyd's Specie Insurance Market Statistics Premium and Claims Trends (GBP)



Cash in Transit / Fine Art / Jewellers Block / General Specie (Vault Risks)

- Insurance still a license to trade
- Plentiful capacity up to £1 billion
- Market is softening
- Demand for more higher limits following increase in precious metal prices
- Markets outside of Lloyd's becoming more prominent
- Catastrophe risk for CIT is the Mount Vernon scenario
- Growth of independent providers of cash solutions
 - ATM services including cash management
 - Cash processing at point of sale

Standard Sanctions Clause

No (re)insurer shall be deemed to provide cover and no (re)insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that (re)insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.

- **State of the market**
 - Hardening
- **Economy and Crime trends**
 - Tiger kidnap – Ireland, Belgium & Brazil
 - Pavement losses increasing worldwide
 - Russia – vehicles attacks on the increase and incredibly violent
 - West Africa – increase in infidelity losses
 - South America – premises losses & tunnelling
- **Natural Catastrophes**
 - Australia
 - New Zealand
 - Japan

Risk Management

Cash Study 1. Premises Loss

- Country – Italy
- Quantum €22,500,000
- Premises attacked by criminals dressed as police. Access to premises was gained as electrical box had been tampered with allowing one key fob to be used to bypass all SAS doors on the premises
- **Lessons to be learnt**
 - All visitors should be made to sign into premises and their credentials checked prior to visit
 - 3rd parties should not have unrestricted access to your premises
 - All power sources should be made tamper proof and should be checked regularly

Risk Management Cash Study 2. Transit Loss

- Country – United Kingdom
- Quantum GBP 50,000
- Custodian arrived at customers premise to collect cash. The cash split was into 2 bags. The Custodian signed for BOTH bags. He left the premise with ONE bag and whilst walking to the vehicle the premises was held up and the second bag stolen.
- **Lessons to be learnt**
 - Only sign for what you are collecting

Risk Management Case Study 3. Tiger Kidnap

- Territorial Scope – Worldwide problem
- Quantum – Significant
- Senior member of staff or key holder is forced to steal cash whilst their family are held hostage. Such losses are on the increase as they are easy to perpetrate.
- **Lessons to be learnt**
 - As with case study one always manage 3rd party access
 - All staff holding keys/access codes should have panic alarms are work and at home for family members
 - All staff holding should be issued with duress codes
 - Ensure you have good CCTV coverage outside the premises before allowing onto the premises
 - Directors/ Senior management should not have access to cash
 - Security needs to be like and onion, lots of layers making the premises harder to penetrate.

- Information
 - Underwriter: Full Proposal Form / Survey Reports
 - Broker: minimum to get the job done!
- Policy Wording
 - Underwriter: Detailed / Sub-limits / Exclusions / Warranties etc
 - Broker: “less is more”
- Premium
 - Underwriter: Portfolio rating / profitability pressures eg reinsurance costs – no premium reductions
 - Broker: every client should be assessed individually

Underwriter v Broker – same perspectives

- Quality underwriters / brokers
 - Understanding of your business
 - Decent size portfolio enabling spread of risk and experience
 - Long term partnerships
 - Open transparent relationship between all parties
 - Honesty and integrity
 - Fast claims response
 - Consistency and reliability

