



LEADERSHIP, KNOWLEDGE, SOLUTIONS...WORLDWIDE.

INSURANCE UPDATE ESTA CONFERENCE 2012



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Registered in England Number: 1507274, Registered Office: 1 Tower Place West, Tower Place, London

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Marsh Ltd conducts its general insurance activities on terms that are set out in the document "Our Business Principles and Practices". This may be viewed on our website

<http://uk.marsh.com/AboutUs/AboutMarsh/articleType/ArticleView/articleId/2375/Governance.aspx>



The Role of the Insurance Broker

- 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

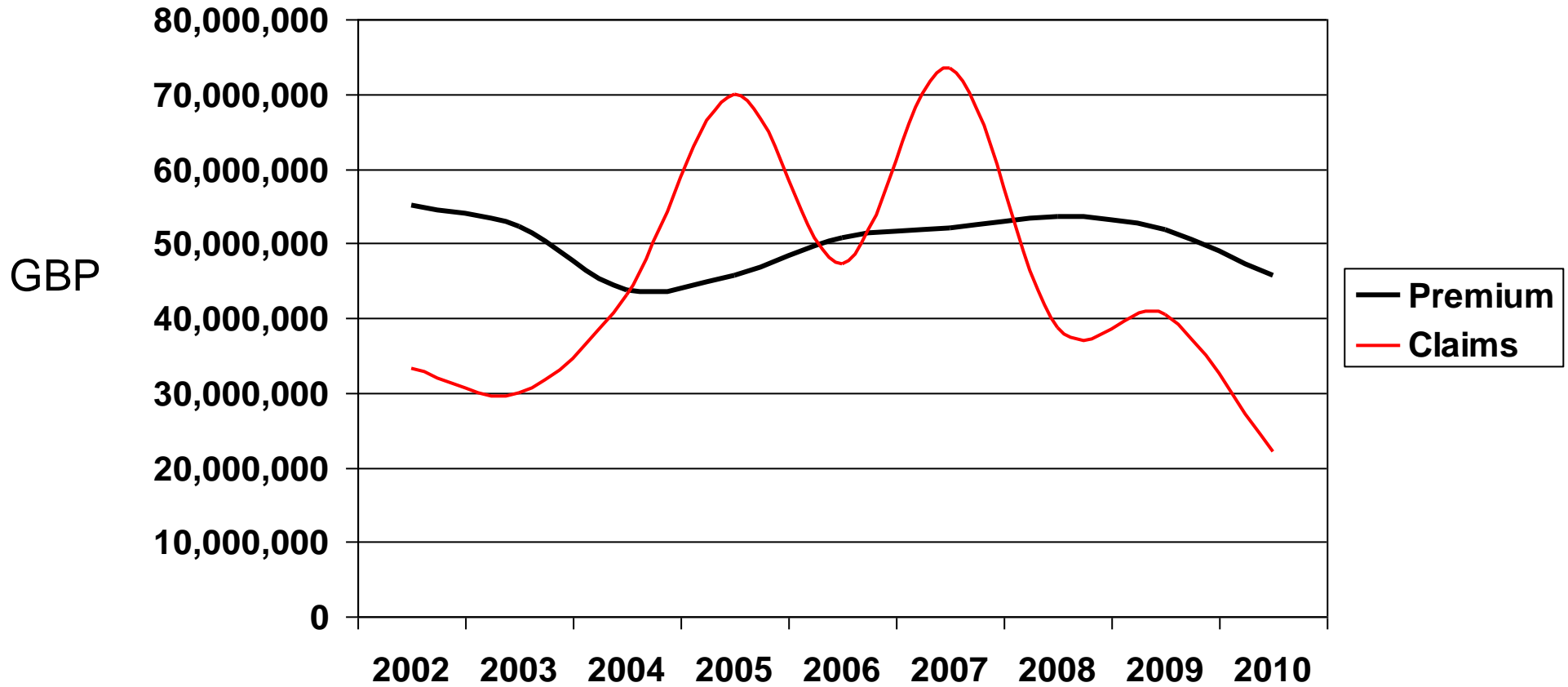
The Role of the Underwriter

- 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

Insurance Update

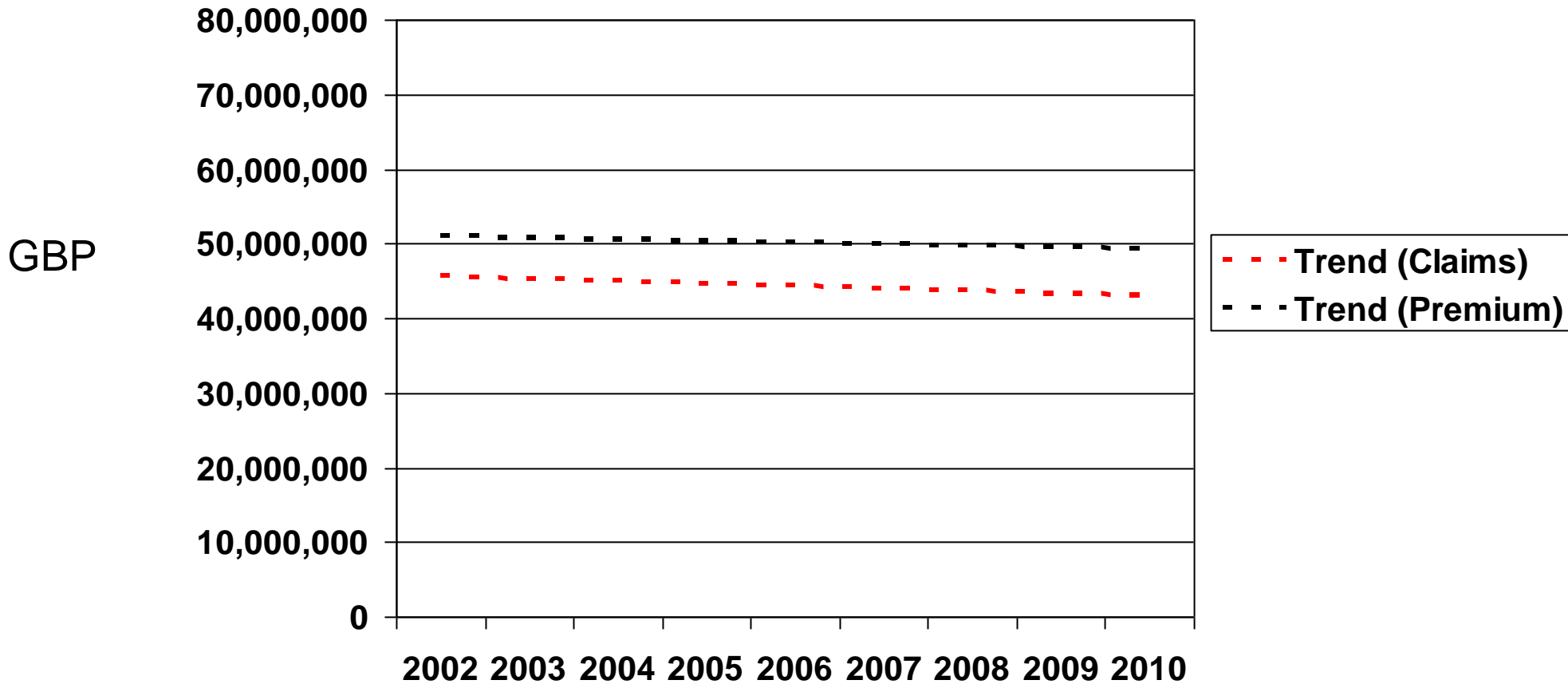
- Loss statistics
- Market trends
- Recent major losses
- Current Issues

Lloyd's Market Statistics



Market at bottom of cycle?

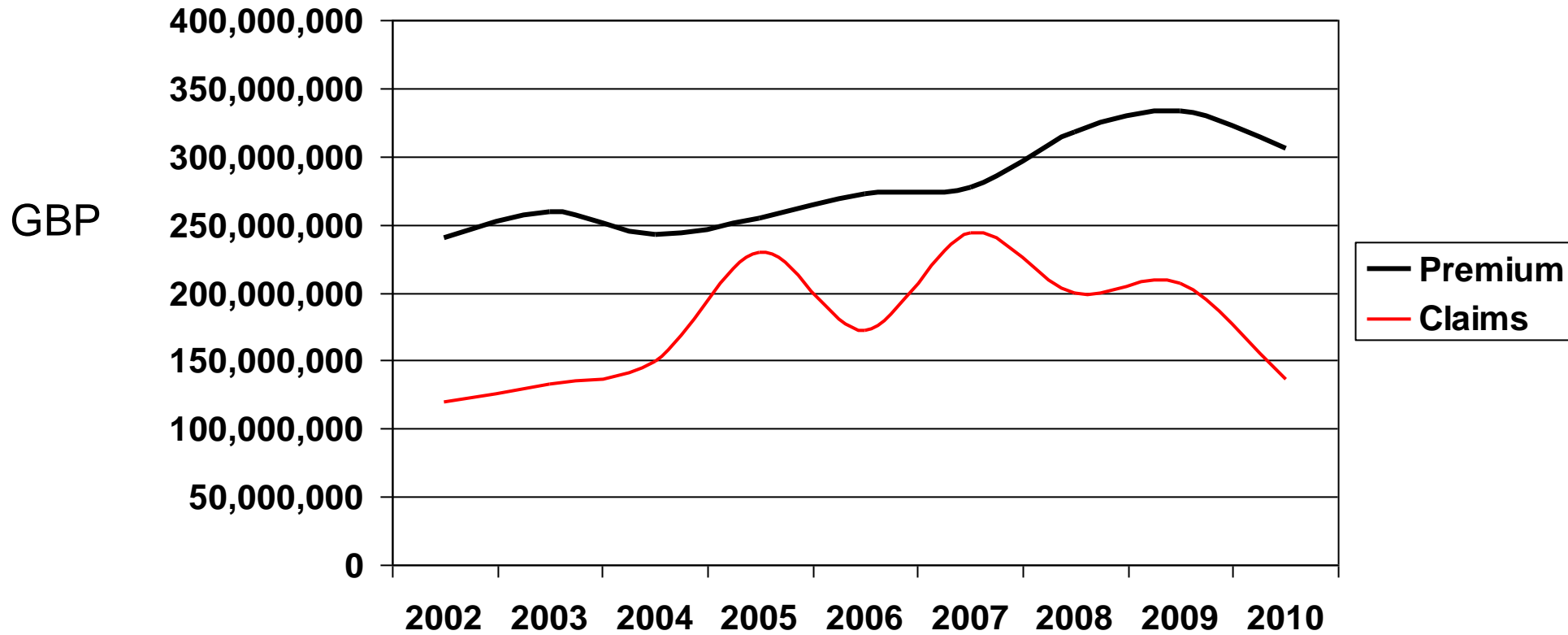
Premium / Claims Trend



Premium tracking claims

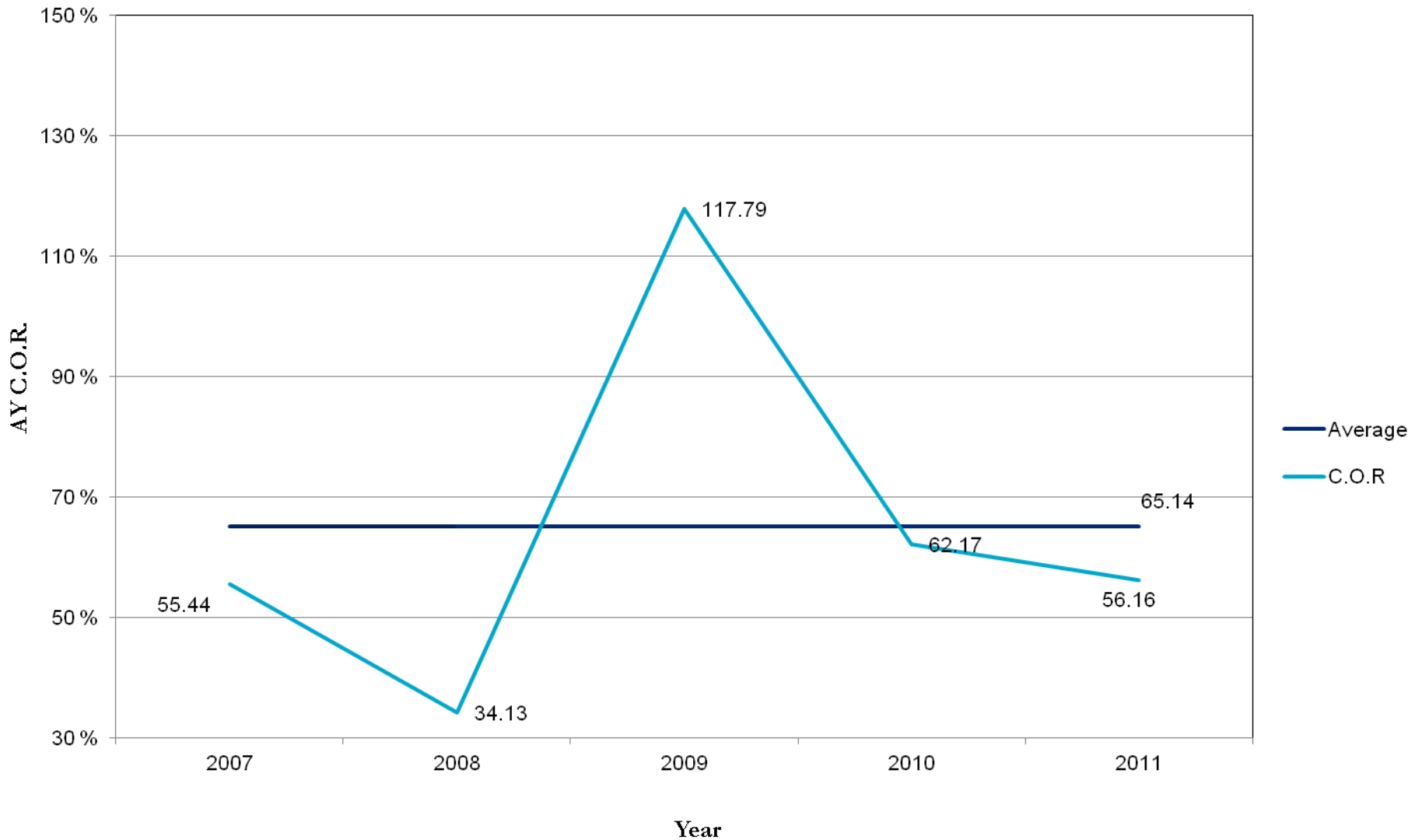
Specie Market Statistics

Jewellers Block, CIT, Fine Art & General Specie



Profitable Portfolio

Great American 5 year Accident Year Combined Ratio



Insurance Market Trends

- Market at bottom of cycle?
- Benign loss environment within Specie including CIT
- Insurance Industry suffering from effects of catastrophic losses in 2011 such as Australian floods, Japanese Earthquake, New Zealand earthquake, Thai floods, Hurricane Irene
- Capacity plentiful – up to £1.25 billion
- New entrants – Axis, Berkshire Hathaway, Flagstone

CIT Market Challenges

- Total Cash Solutions for customers resulting in increased non-physical exposure e.g. Smart Safes - wire transfer service
 - Need for crime cover similar to the banks
- Globally compliant policies
 - Need for licensed local insurers in many territories such as Russia, India, Japan
 - Increased focus by tax authorities on the premium allocation for each territory
- Sanctions
 - Standard policy exclusion but difficult to police
- Euro challenge
 - Greek exit from Euro would create huge challenges around audit and reconciliation whilst maintaining higher security levels in stressed economies.
 - Rollout of replacement currencies.

Insurance Market Trends – a US Underwriter's view

- **State of the market**
 - At the bottom of the cycle?
 - Increased M&A activity.
- **Economy and Crime trends**
 - Petty Crime up.
 - Metals losses becoming more prevalent
 - Unemployment around 8% versus 11% in the Euro Zone.
 - ATM losses still the most frequent and popular.
- **Operating Environment Post Mount Vernon**
 - Funding banks for ATMs want the owners exclusion removed from CIT insurance.
 - Self regulation key to maintaining customers.
 - Audited Financials.
 - Vault audits by third parties.
 - Rebuild trust.

Risk Management

Cash Study 1. Premises Loss/Tiger Kidnap

- Country – Argentina
- Quantum \$3,770,891
- Premises in the case study are accessed by picking up an Armoured Vehicle stored at another premise. When the two crew arrived to pick up the Armoured Vehicle they were attacked by two men, who told them to drive to the premise holding the cash. They mentioned the crewman's families by name and told one crew member they had his brother. However, at no point did they prove that anyone had been kidnapped. Once at the cash location they were joined by other gang members and forced the crew to give them access to the cash vault.
- **Lessons to be learnt**
 - No mobile duress button given to premise opening crew. There was also no duress option in the vehicle. Issue mobile duress.
 - Cash premise alarm had option for duress but by this time the crew were too scared and worried about their families.
 - Regular Tiger Kidnap training would have enabled the crew to handle the situation better and maybe use the alarm duress option.

Risk Management

Cash Study 2. Transit Loss

- Country – USA
- Quantum \$120,000
- Custodian arrived at the customers over the premise to collect cash. Cash was split into multiple bags. The Custodian signed for all bags as the scanner had run out of power. He then manage to steal one bag by placing it in his lunch bag which he was permitted to take onboard. He did this five times at five different locations with the same customer. In some cases it took more than 30 days for the loss to be noticed.
- **Lessons to be learnt**
 - Make sure batteries are checked prior to leaving the terminal, or provide crew with a spare.
 - Crew should either not be allowed to take a bag onto the truck OR be searched prior leaving the truck when arriving back at the terminal.
 - Reconciliation of funds needs to be done a lot more quickly to identify any shortages and ensure contractual obligations are met and insurance coverage valid.

Questions & Answers

