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Welcome to the Property Insights Conference!



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Opening Remarks



Rebecca Bole
EVP, Editor-in-Chief
Advisen



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Richard Miller, Aon

Richard Montminy, Zurich North America

Shari Natovitz, Silverstein Properties

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Co-Chair Welcoming Remarks



Brenda (Ballard) Austenfeld
President - National Property Practice
RT Specialty



Cliff Hope
Head of U.S. Property & Casualty Insurance,
EVP Chief Property Insurance Underwriter
Aspen Insurance



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Keynote Address



Rod Fox
Managing Partner & CEO
TigerRisk Partners



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Megaquake

Maiclaire Bolton
Senior Product Manager
Global Earthquake Products
CoreLogic





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The Risk Manager's Perspective



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The Risk Manager's Perspective



Richard Miller
Managing Director
U.S. Property Practice Leader
Aon
(Moderator)

The Risk Manager's Perspective

- **Richard Miller**, Managing Director, U.S. Property Practice Leader, Aon (Moderator)
- **Vincent M. Sultana**, Vice President, Empire State Realty Trust, Inc.
- **Steve Truono**, VP, Global Risk Management & Insurance, Starwood Hotels
- **Andrew Weisman**, Managing Director, Risk & Insurance Management, Morgan Stanley

The Risk Manager's Perspective



Richard Miller
Aon



Vincent M. Sultana
Empire State Realty Trust, Inc.



Steve Truono
Starwood Hotels



Andrew Weisman
Morgan Stanley



Morning “Break”



Track 1 - Coming up next in this room:
“Alternative Capital: The Ultimate Disrupter?”

Track 2 - Coming up next on the 2nd floor:
“Flood: How to Make Your Company a Better Risk”



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Track 1: Catastrophe



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Alternative Capital: The Ultimate Disruptor?



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Alternative Capital



Duncan Ellis
US Property Practice Leader
Marsh
(Moderator)

Alternative Capital

- **Duncan Ellis**, US Property Practice Leader, Marsh (Moderator)
- **Cory Anger**, Managing Director, Global Head of ILS Origination and Structuring, GC Securities
- **Phil Balderston**, Director, Risk Management, Amtrak
- **Adolfo Peña**, Partner, Nephila Capital

Alternative Capital



Duncan Ellis
Marsh



Cory Anger
GC Securities



Phil Balderston
Amtrak



Adolfo Peña
Nephila Capital



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State Interventions into Catastrophe Risk

State Interventions into Catastrophe Risk

Daniel McElvany
Senior Vice President, Americas
Swiss Re
(Moderator)



State Interventions into Catastrophe Risk

- **Daniel McElvany**, Senior Vice President, Americas, Swiss Re (Moderator)
- **Don Matz**, President, Tower Hill Insurance Group
- **John Rollins**, Chief Risk Officer, Citizens



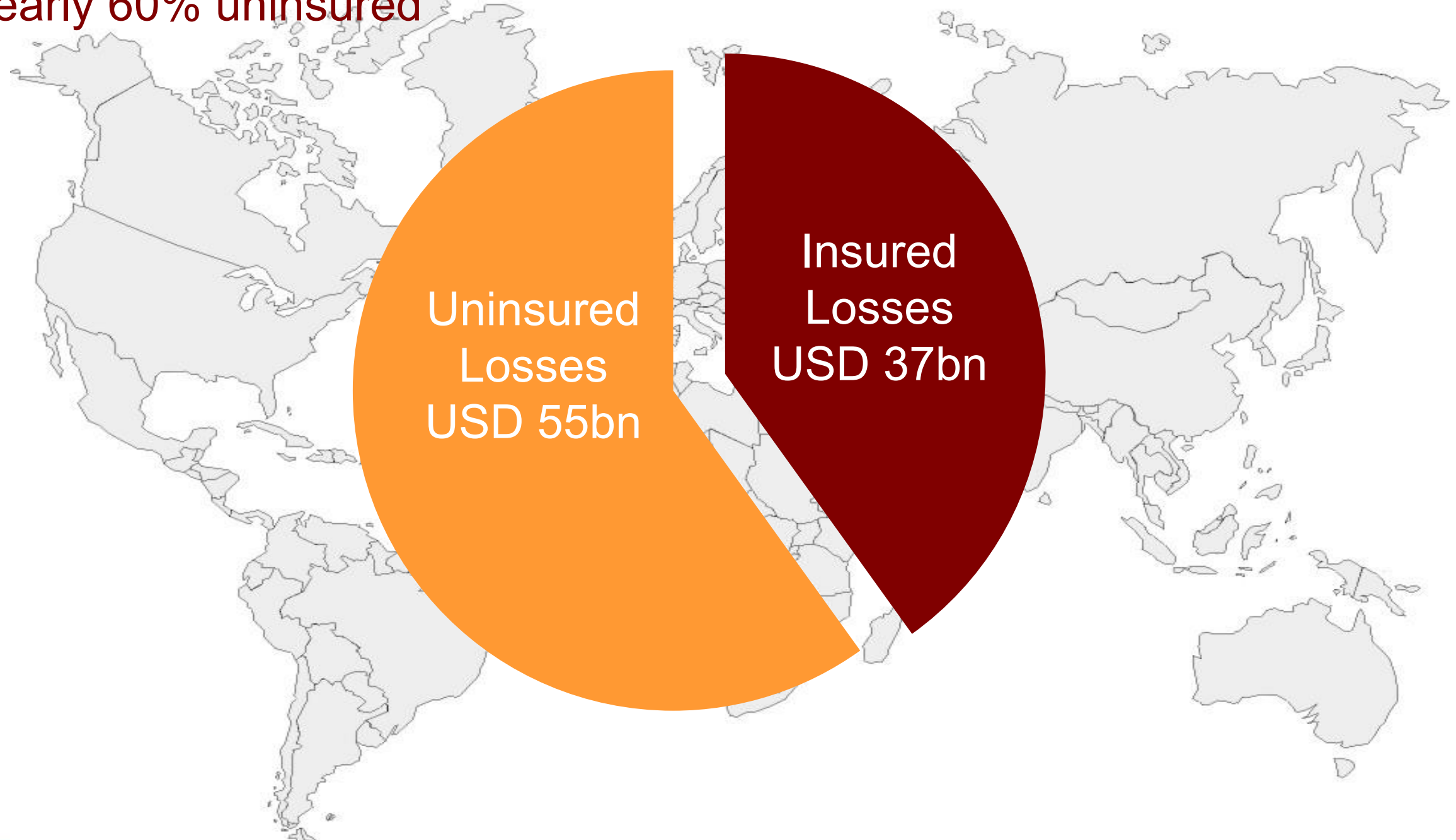
Tower Hill Insurance

- Founded in 1972, Florida's largest writer of single-family homeowners policies
- Five carriers — personal and commercial lines admitted market programs
- NFIP & private flood writer
- \$832M in-force premium YE 2015



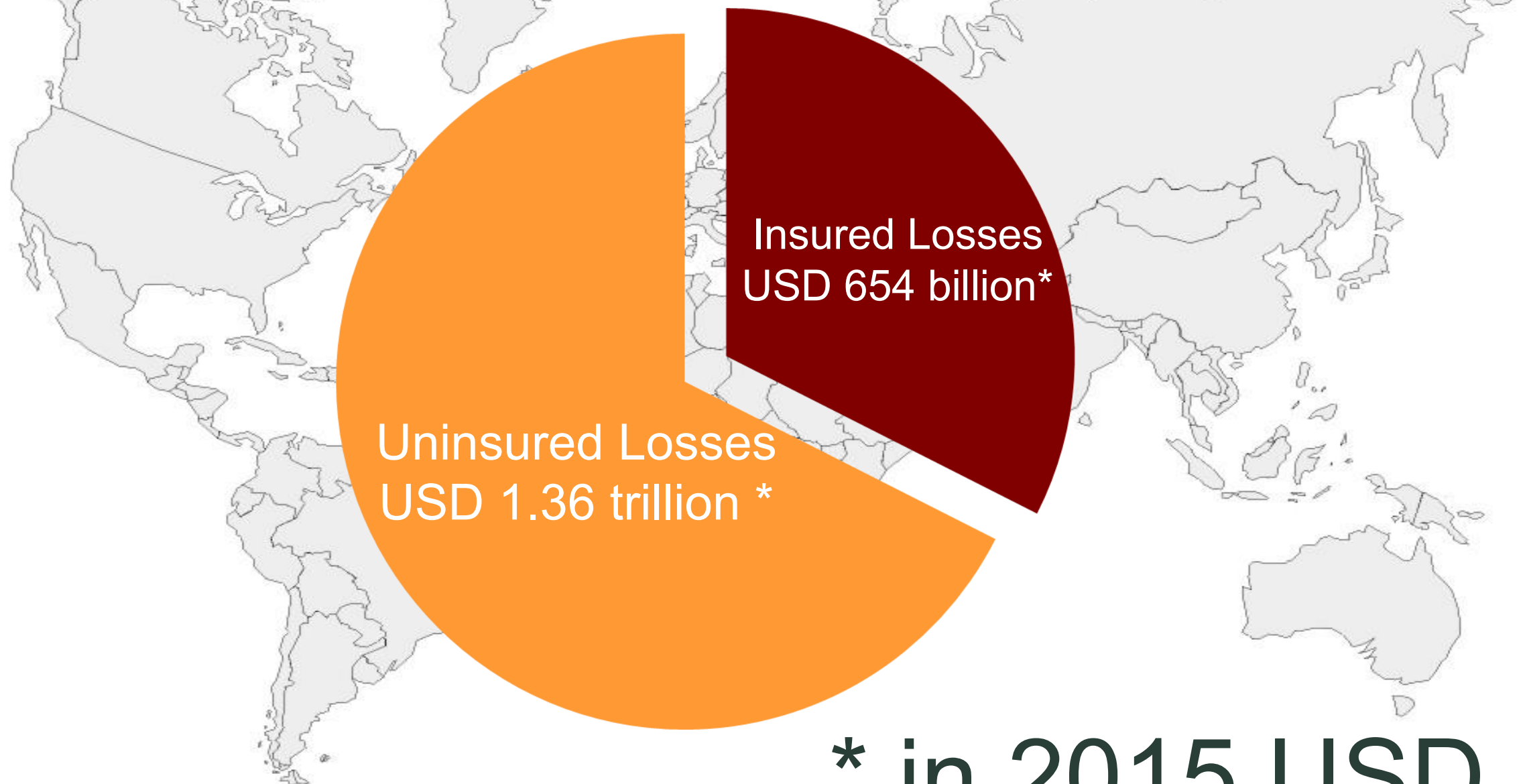


Global losses totalled 92 billion in 2015
with nearly 60% uninsured





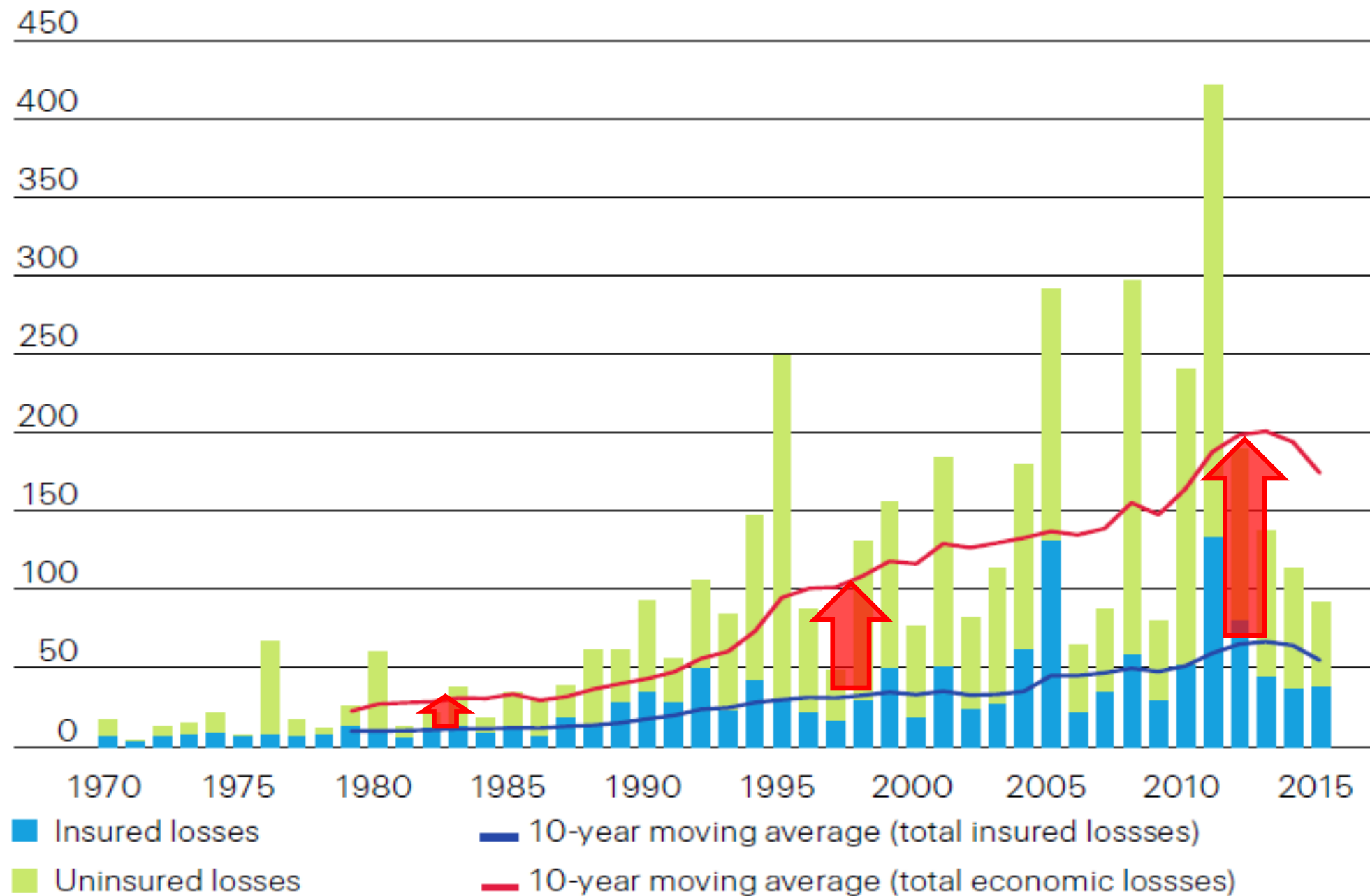
Global natural catastrophe losses totaled USD 2 trillion* over the last decade, with ~70% uninsured



* in 2015 USD



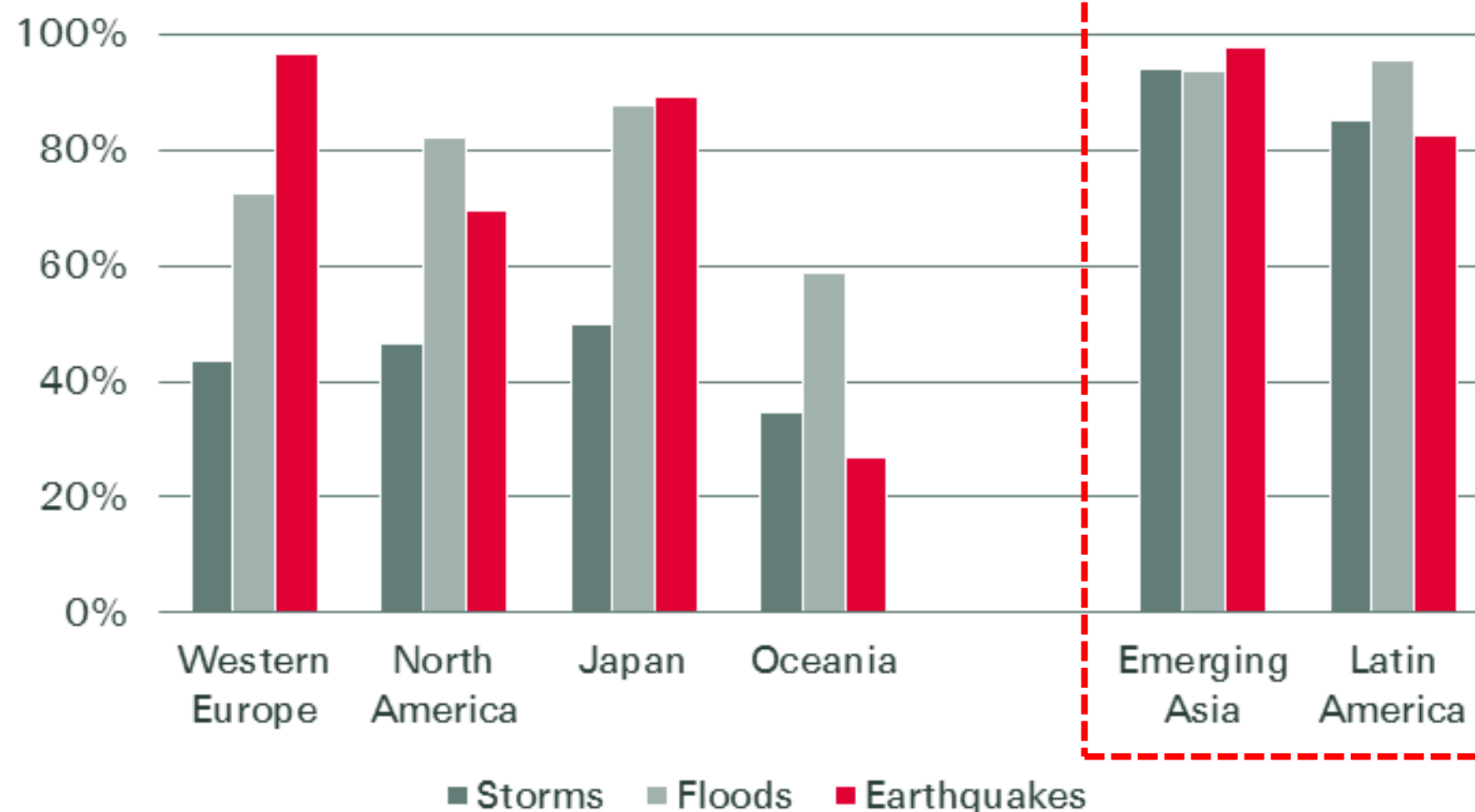
Total losses outpaced insured losses





The protection gap varies by peril and by region

Nat cat protection gap by region and peril, 1975-2014

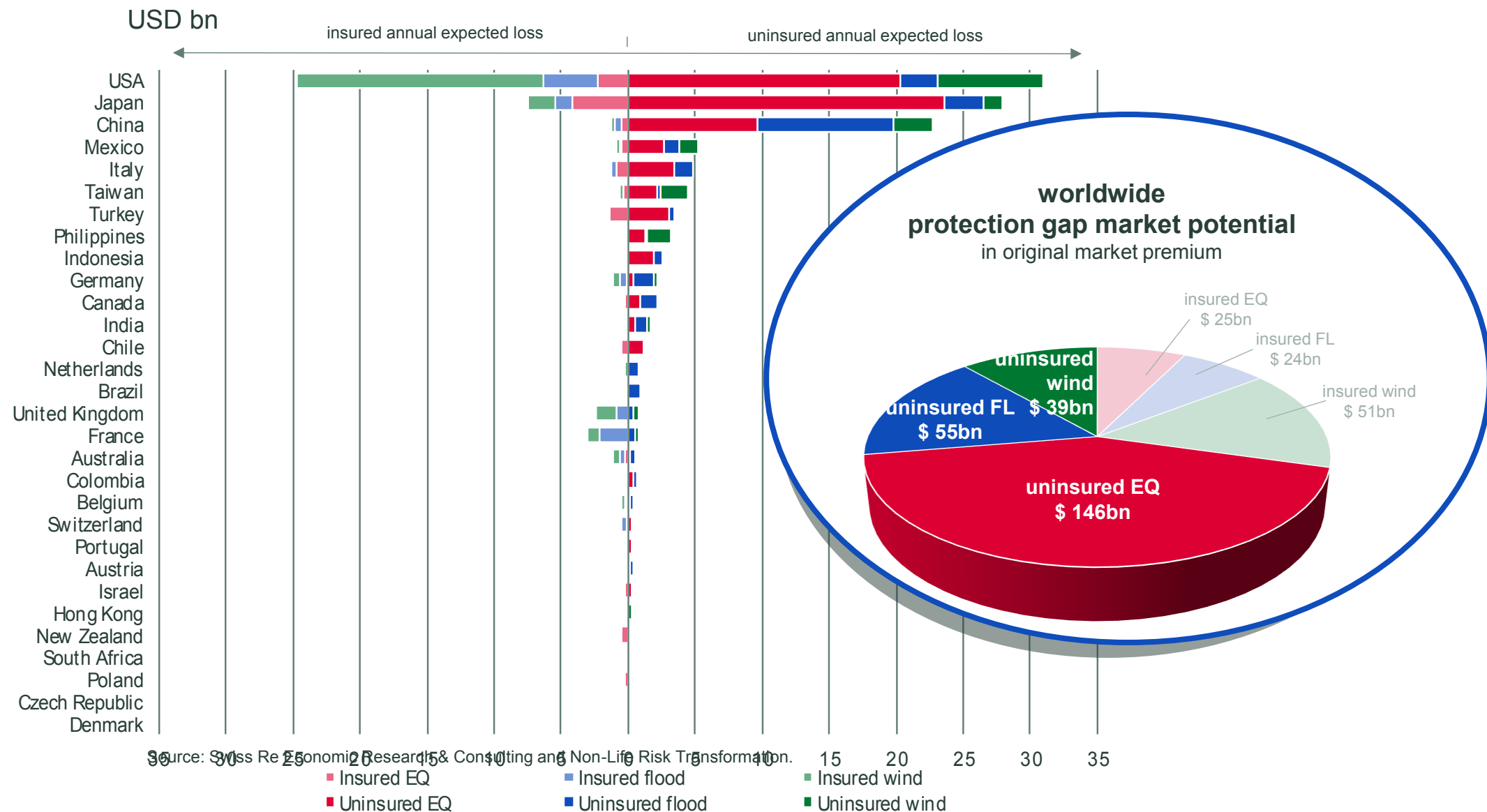


In the emerging markets, 80-98% of the losses are uninsured.

Average uninsured portions have been around 55% for windstorms, 86% for floods, and 90% for earthquakes.

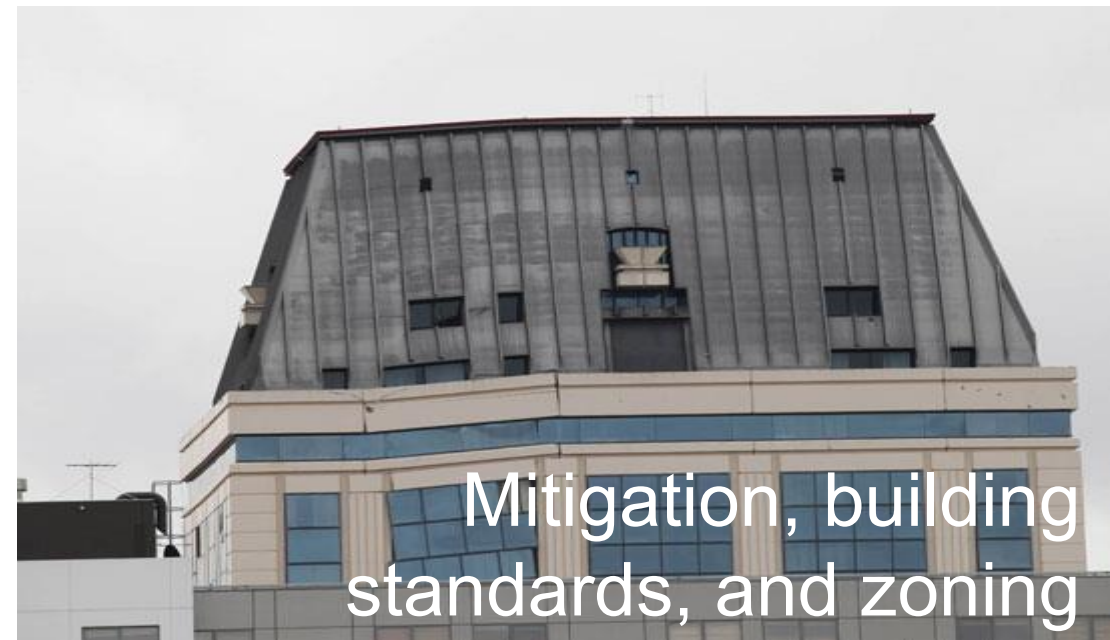


The Nat Cat Protection Gap: by Country





How to close the underinsurance gap?



Privatizing the Hidden “Protection Gap” in U.S. Natural Disaster Risk: Lessons from a State Laboratory

John W. Rollins, FCAS, MAAA

Chief Risk Officer, Citizens Property Insurance Corporation

Advisen Property Insights

New York, NY

June 9, 2016

The Protection Gap is Real, and Hidden, in the U.S.

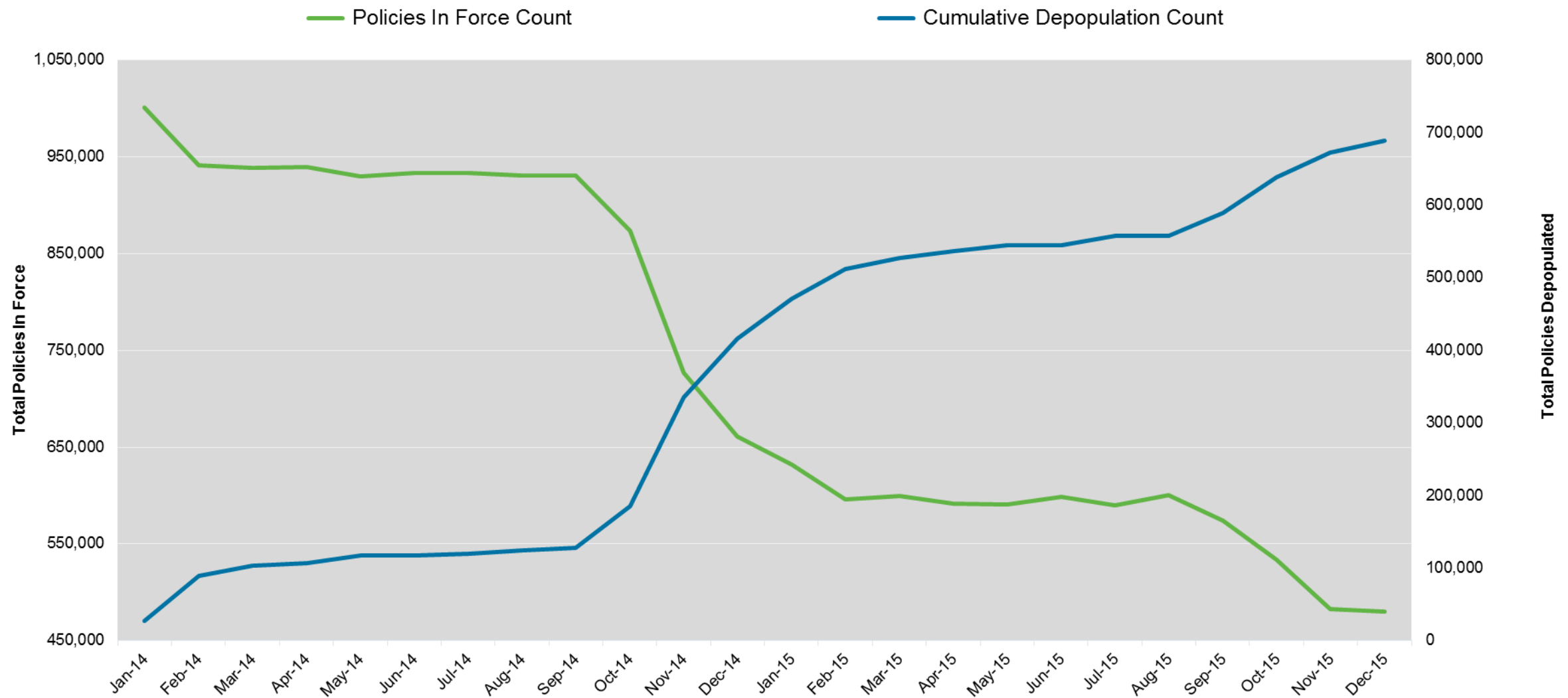
- When disaster risk is “insured” in partially post-funded public pools, it really isn’t
 - ✓ Assessments are just claims on the future economy, distributed to involuntary investors
 - ✓ Recovery aid for uninsured losses comes from past and future taxpayers
- There are at least three large underinsured disaster risk pockets in the U.S.
 - ✓ California (and New Madrid) Earthquake
 - ✓ Low take-up rates, high consumer deductibles, partially assessment-funded
 - ✓ Flood
 - ✓ NFIP crowds out private risk-bearers and funds nearly all tail risk with U.S. debt
 - ✓ Atlantic Hurricane
 - ✓ Patchwork of state pools spreads risk incompletely and inconsistently, most rely in part on post-storm assessments
- But big strides have been made in shifting underfunded public hurricane risk to willing global markets
 - ✓ Many states have topped up reinsurance and restructured assessments
 - ✓ Florida’s Citizens, at >50% of total East Coast hurricane pool risk, has aggressively pursued depopulation, screened and underwritten new business, and grown its reinsurance program

The Pillars of the Florida Citizens Risk-Shifting Strategy

- Reduce gross storm risk through **depopulation**
 - ✓ Formal “depopulation plan” allows private insurers to jump-start their business by taking blocks of policies mid-term
 - ✓ Unearned premium transferred with no ceding holdback
 - ✓ An attractive model for start-up Florida insurers but only if price is close to adequate
 - ✓ Consumers are protected by opt-outs and agent decline options, as well as regulators
- Reduce gross storm risk through **screening** new business and renewals
 - ✓ Online “clearinghouse” marketplace shops each policy to participating private insurers
 - ✓ Prevents agents with limited market reach from warehousing wind risk in Citizens
- Enable tools to work by closing competitive **price gap**, pursuing actuarially sound rates
 - ✓ “Glide path” allows steady progress to sound rates without abrupt shocks to individuals that would spur political reaction
 - ✓ Strong actuarial methods and regulatory work ensure maximum allowed revenue is achieved
- Reduce net storm risk through a robust **reinsurance** program
 - ✓ Focus on Coastal account (windpool) with mix of “cat bonds” and traditional reinsurance
 - ✓ Retention ~10-year storm, reinsure to ~100-year storm with minimal co-pay
 - ✓ Include commercial non-residential line not covered by Florida Hurricane Cat Fund
 - ✓ Use annual aggregate and multi-year cover where economical to plan for long horizons
 - ✓ Build out over time, cementing relationships with markets and public support

Low Capital Costs and Incentives Enable Depopulation

- Decline in insured value and policy count of ~70% from peak in 2012 mirrors takeout activity, almost all by Florida-based specialist property insurers



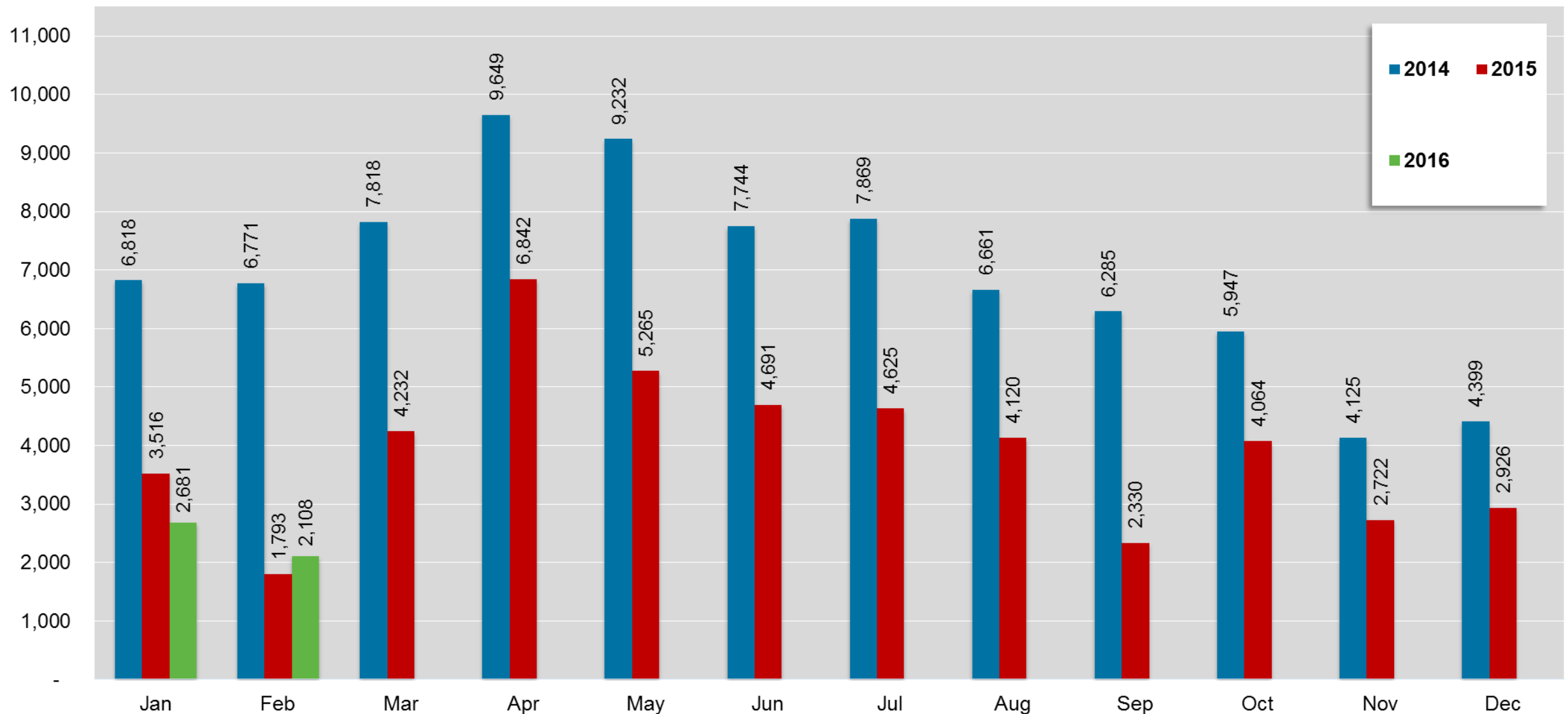
2014
416,623 Depopulated

2015
272,785 Depopulated

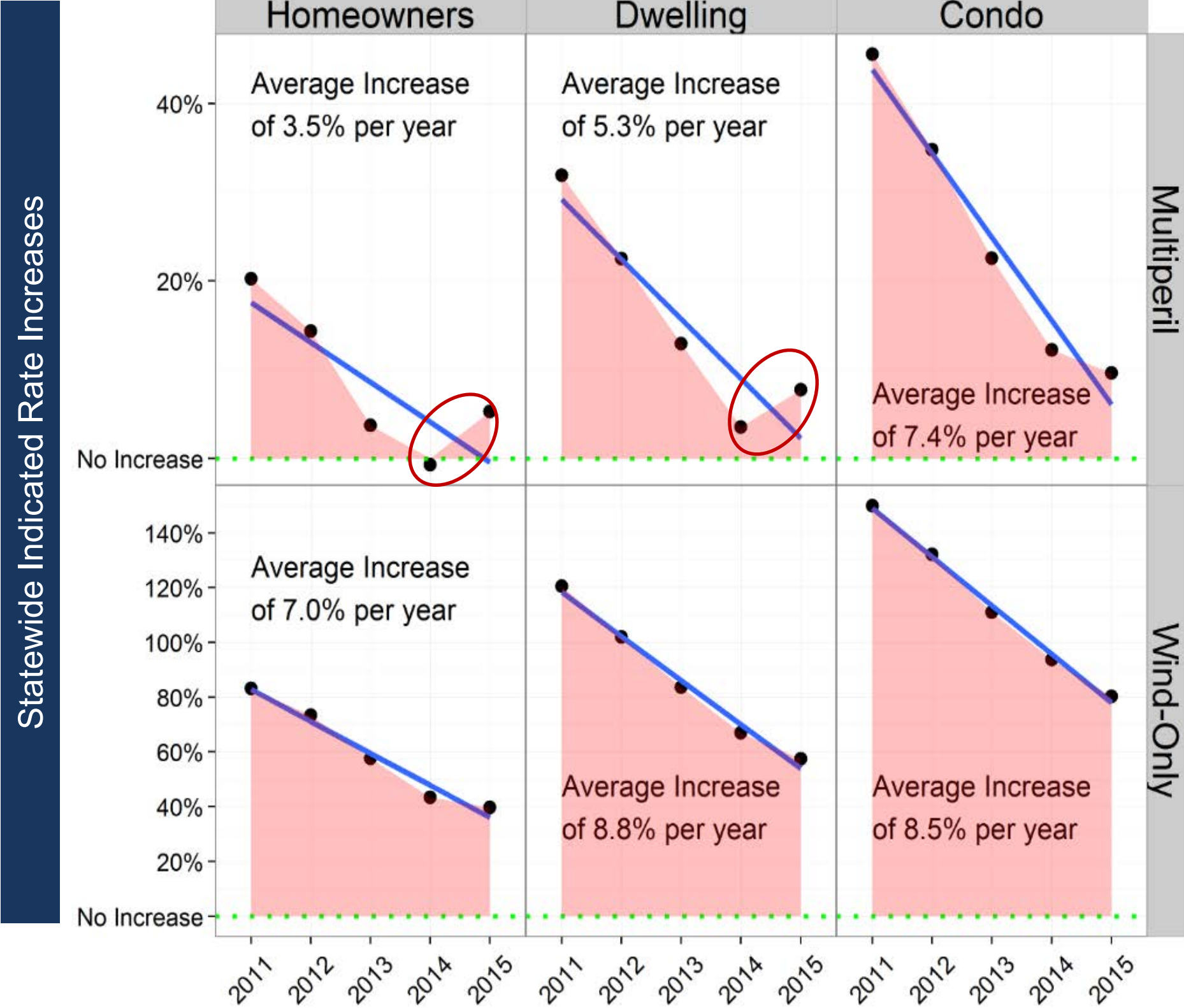
Clearinghouse Discourages Attractive New Business

- The advent of screening new business both spurred takeout activity and encouraged agents to gain new markets, averting the unpredictable Clearinghouse outcomes

HO-3 new business Submissions Year over year (2014 – 2016)



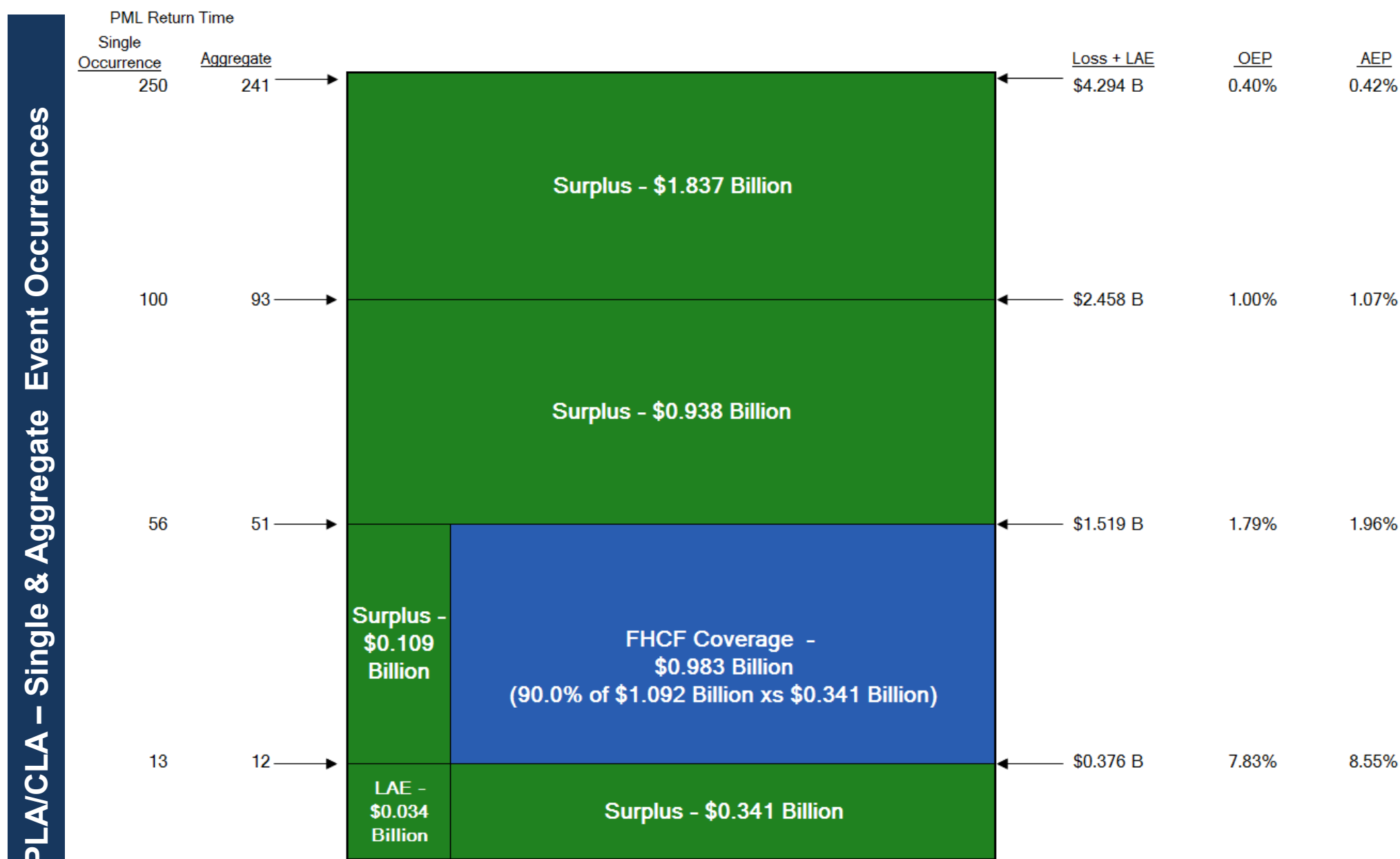
Rate Progress Activates Depopulation and Clearinghouse



- Glide path of maximum +10% annual changes for any one consumer has enabled steady march to rate adequacy without political backlash (except for recent spike in non-cat losses due to legal and social factors)

Reinsurance Strategy Ensures Storm Risk is Pre-Funded

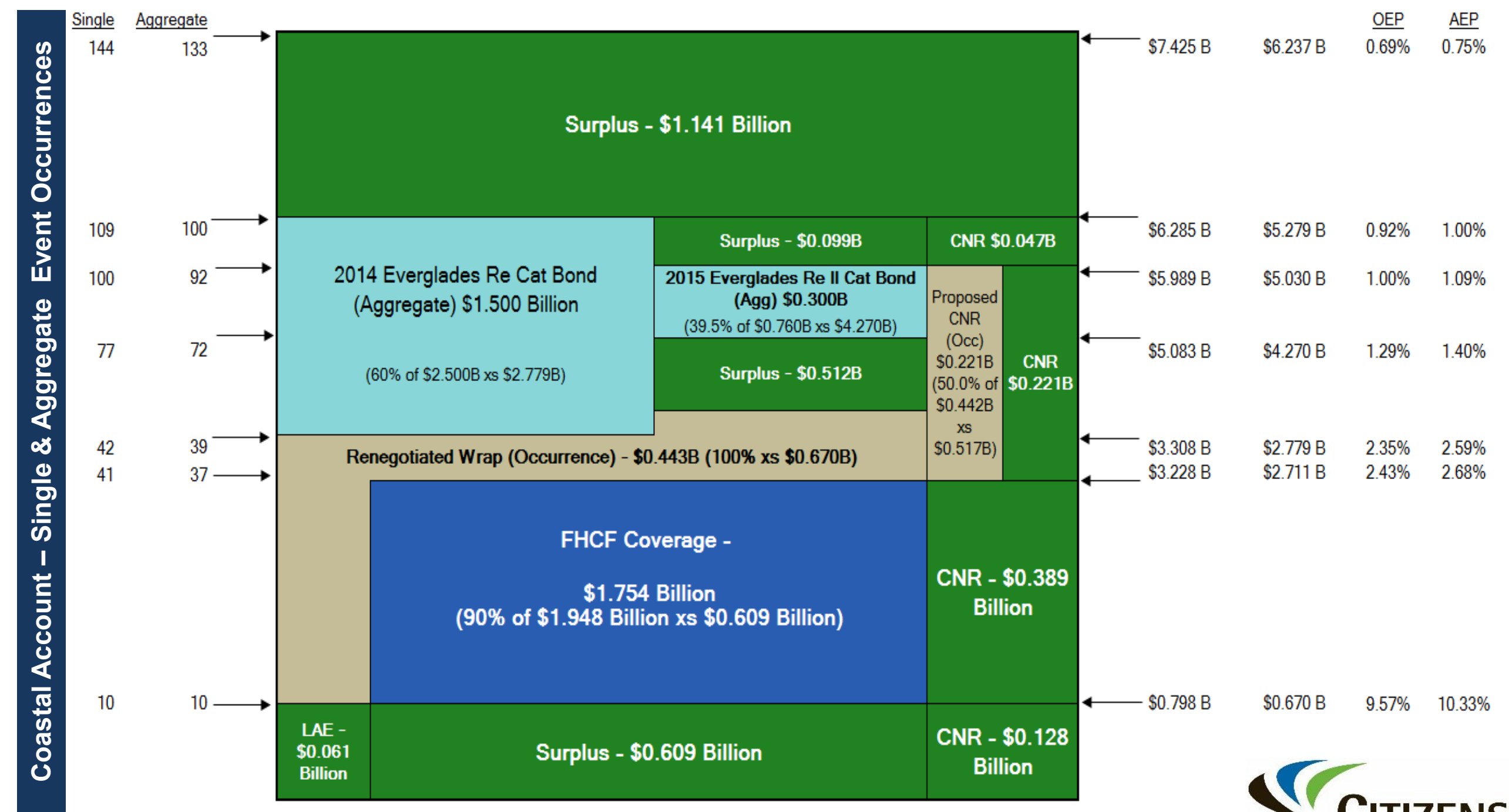
- In the non-Coastal part of Citizens (legally separate), ten hurricane-free seasons have enabled buildup of surplus to support multiple 100-year storms



FHCF pays a loss adjustment expense (LAE) allowance of 5% of loss. Citizens will fund any excess LAEs above FHCF reimbursement from its surplus. Citizens has allocated \$52 million to fund any additional LAEs.

Reinsurance Strategy Ensures Storm Risk is Pre-Funded

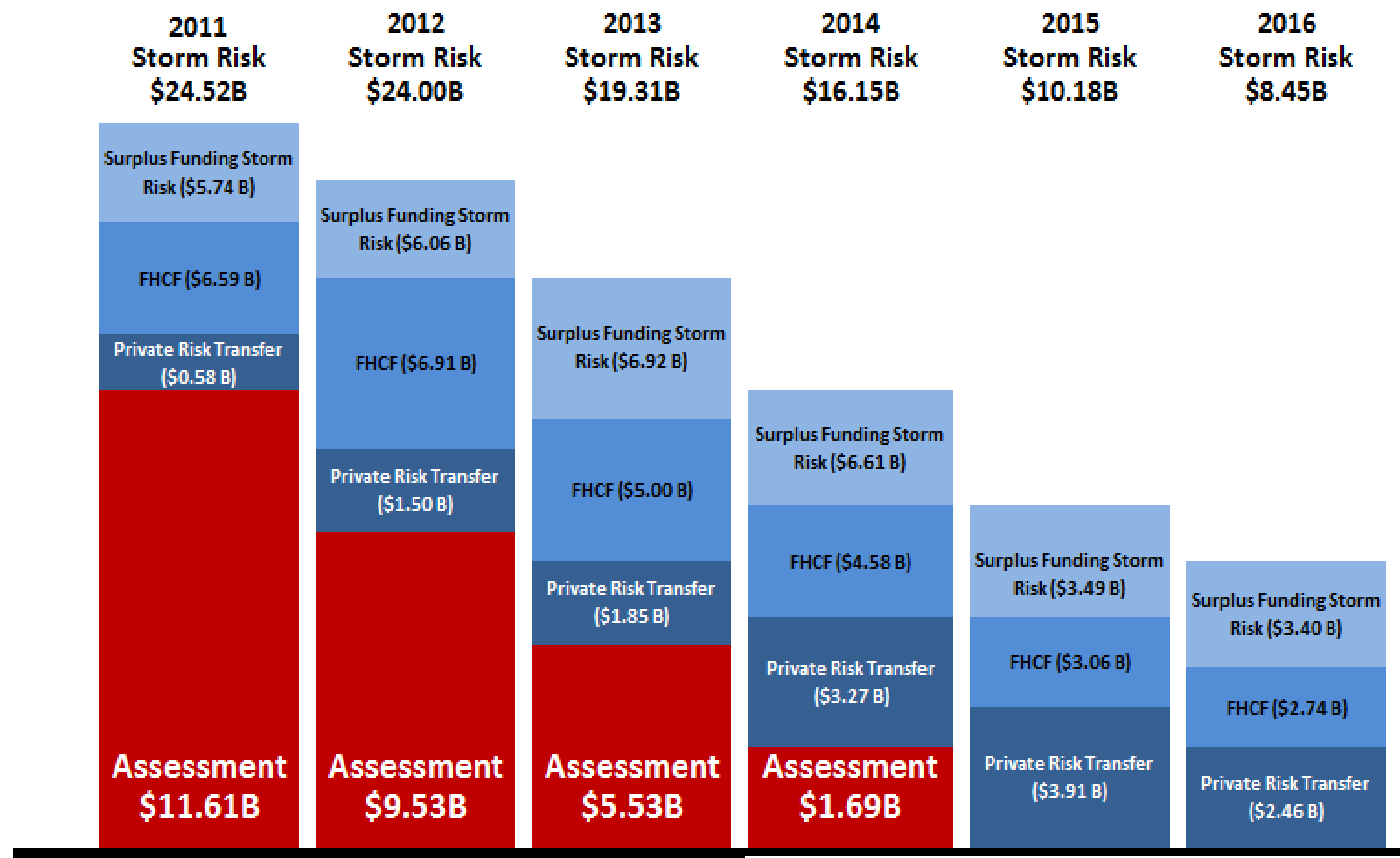
- In the Coastal windpool, Citizens has mixed cat bonds, multi-year and single-year reinsurance, some aggregate, to protect over 40% of surplus in 100-year storm



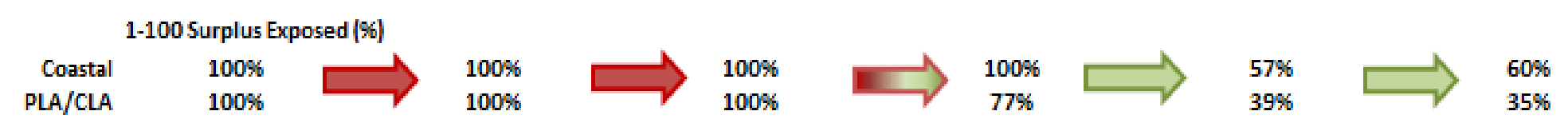
See Notes and Assumptions



Reinsurance Strategy Ensures Storm Risk is Pre-Funded



- Build-out over six years has reduced former \$11.6 billion assessment in 100-year storm to zero, and allowed surplus to fund second seasons instead



Sustainable Reinsurance Plan for a Public Risk Pool – How Did Citizens Do It? Lessons for Pool Managers

- Reduce Gross Risk to Manageable Size with Depopulation, Screening, and Rate Adequacy
- Political Capital Precedes Risk Capital
 - ✓ New Governor and Cabinet prioritized Citizens risk reduction in 2011
 - ✓ Public education and interest group campaign highlighted hidden assessment risk
- Analytical Compass Enables Strategy and Tactics
 - ✓ Licensed AIR catastrophe model and GIS tools in-house, less reliance on outside services
 - ✓ Built tools to analyze risk and reward of any potential contract and program as a whole
 - ✓ Invested in actuarial, big data, and geographic systems staff expertise
- Multi-Year Strategy and Market Relationships
 - ✓ Used ILS to lock in multi-year coverage before traditional reinsurance equivalent available
 - ✓ Developed broker and market relationships toward steady build-out of coverage

Questions and Discussion

State Interventions into Catastrophe Risk



Daniel McElvany
Swiss Re



Don Matz
Tower Hill Insurance Group



John Rollins
Citizens



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Track 2: Property



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Flood: How to Make Your Company a Better Risk

Flood: How to Make Your Company a Better Risk

Cliff Hope

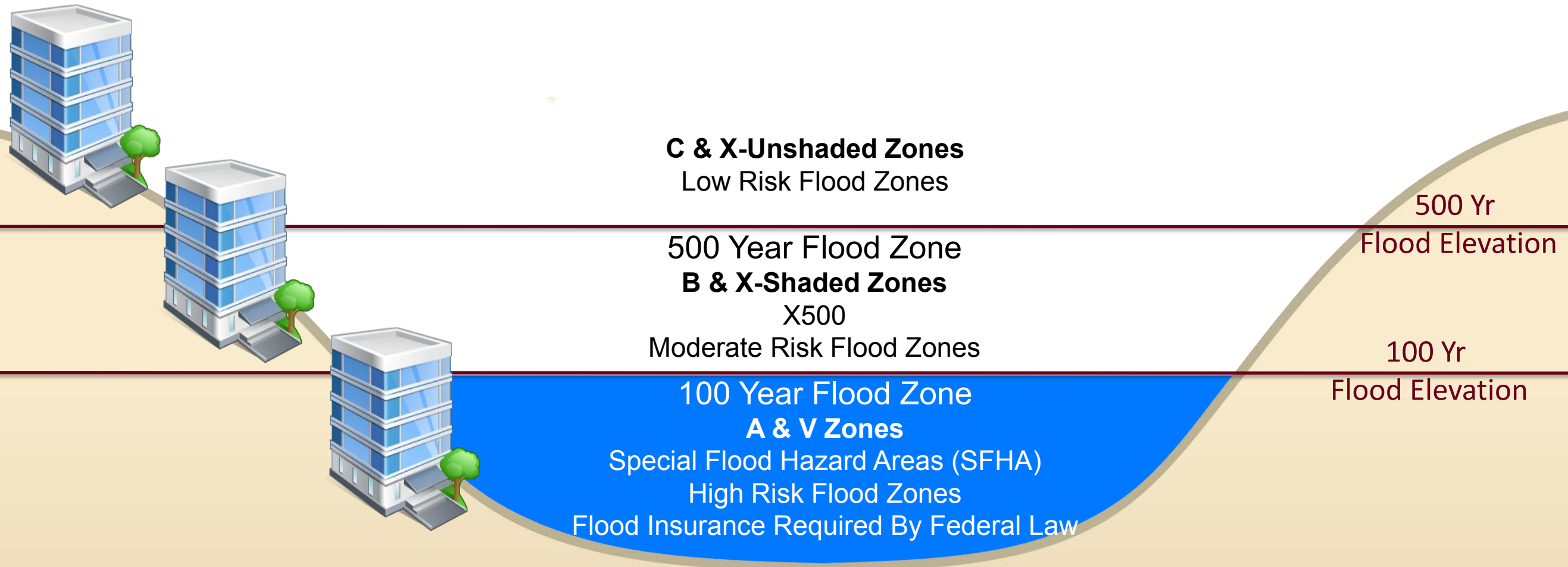
Head of U.S. Property & Casualty Insurance,
EVP Chief Property Insurance Underwriter
Aspen Insurance
(Moderator)



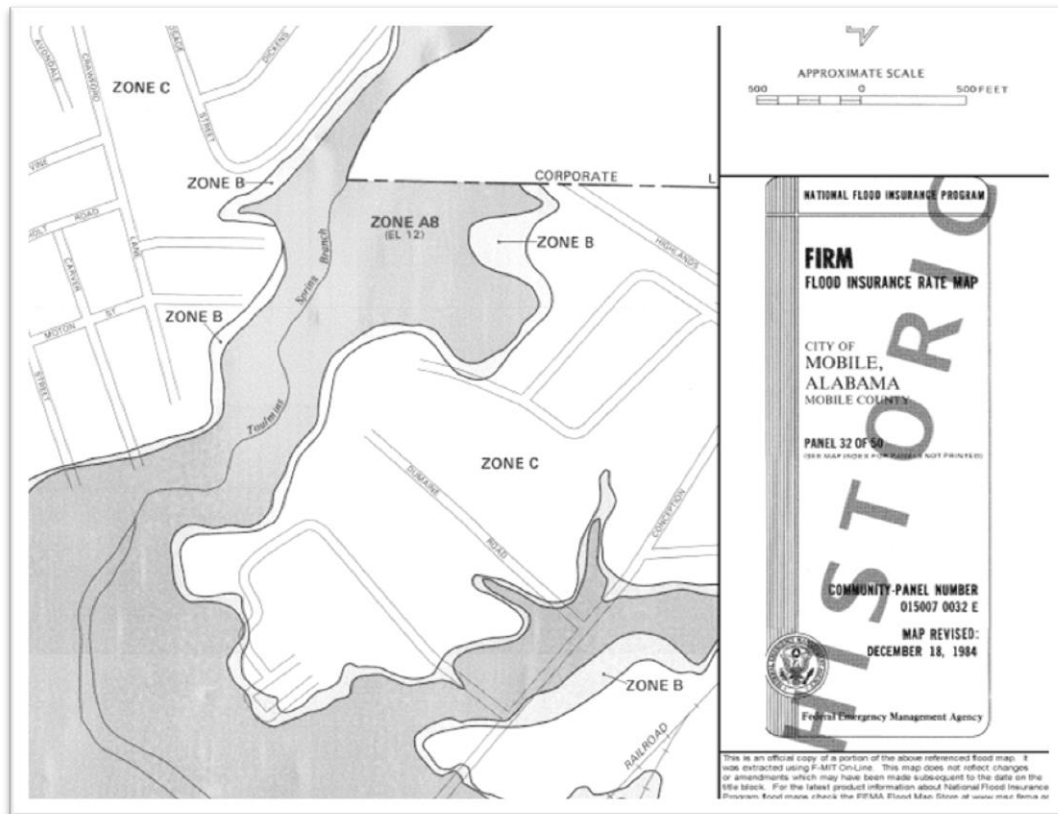
Flood: How to Make Your Company a Better Risk

- **Cliff Hope**, Head of U.S. Property & Casualty Insurance and EVP Chief Property Insurance Underwriter, Aspen Insurance (Moderator)
- **Ben Beazley**, President & Managing Director, RT Specialty
- **Dan Freudenthal**, President & Flood Practice Leader, CRIO Group
- **Mohit Pande**, Head Property Underwriting, Globals Desk, Swiss Re
- **Carl Solly**, Vice President and Chief Engineer, FM Global

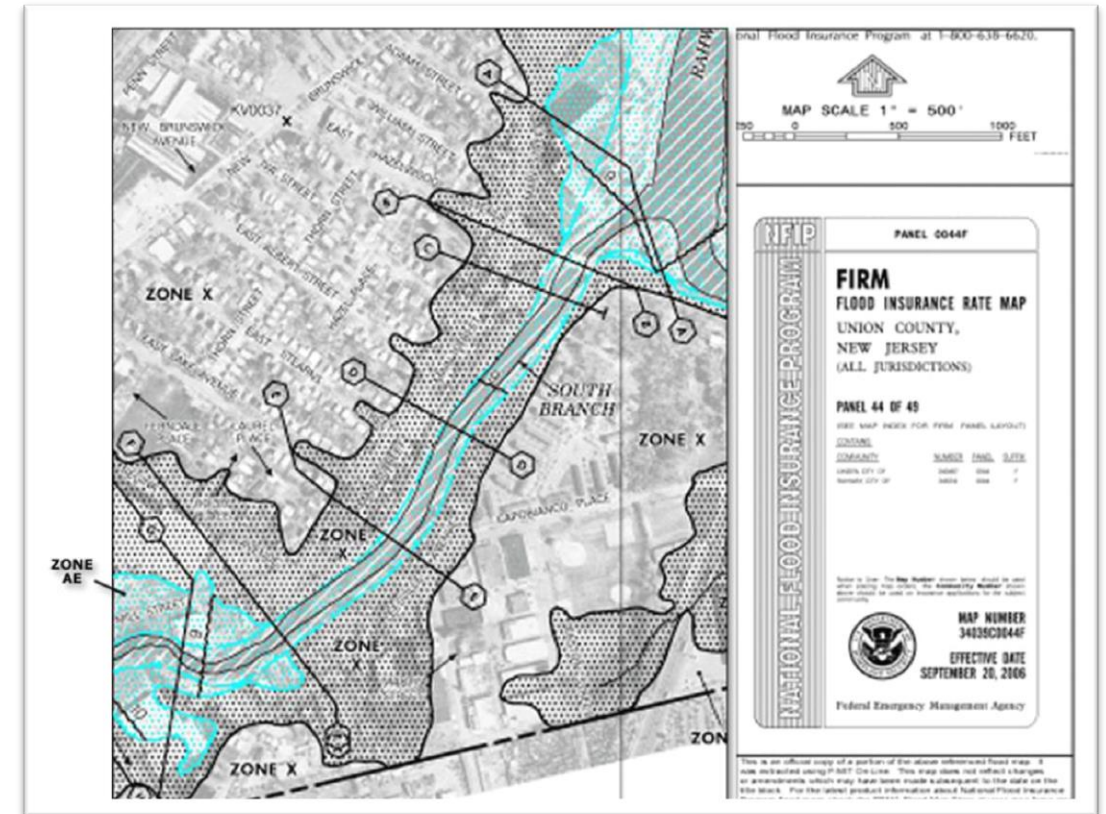
FEMA Flood Zones: What Do They Mean?



FEMA: Old Maps vs. New Maps: What Changed?



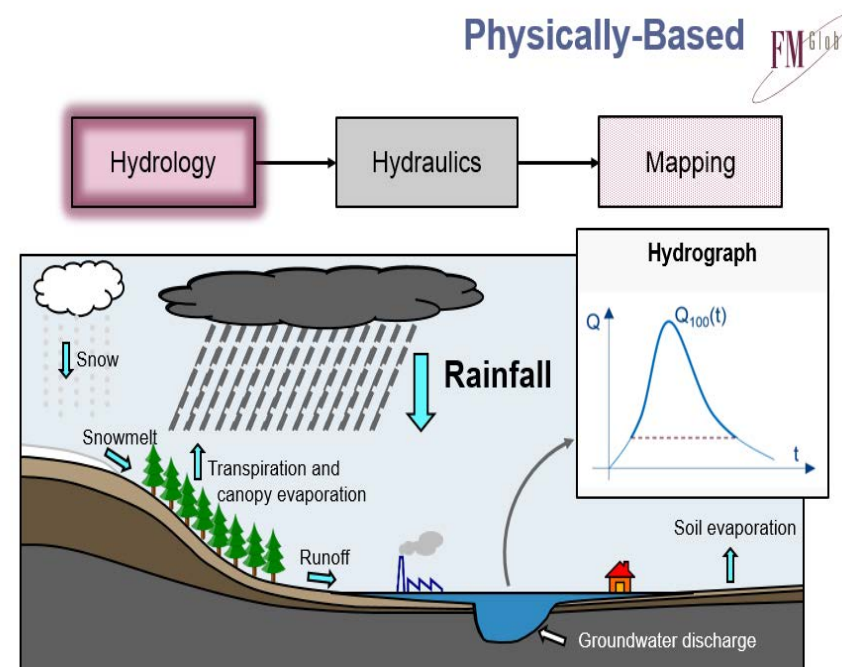
Old Maps: FIRM
Flood Insurance Rate Maps



New Maps: DFIRM
Digital Flood Insurance Rate Maps

Know your flood risk

- Global Flood Maps
- Local Maps and Knowledge
- On Site Assessment

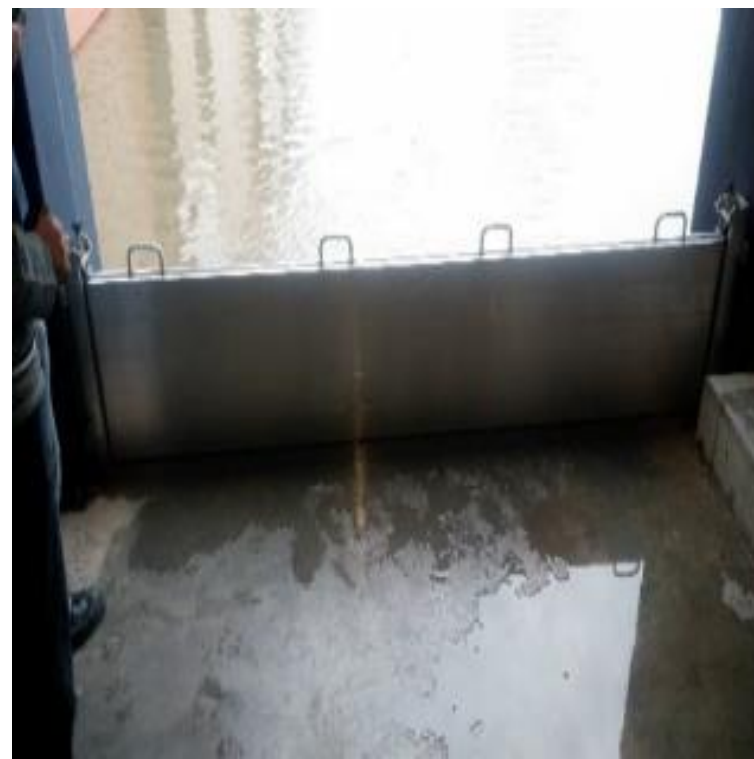


[PUBLIC]



Develop Flood Strategy

- Understand Flood Type
- FERP (Flood Response Plan)
- Physical Protection



Improve Your Flood Risk Profile and Coverage

- Obtain flood zone determinations on each building and not simply the main street address for multiple building properties.
- Correct erroneous flood zone designations with FEMA's map change programs (LOMA and LOMR).
- Identify your highest risk locations and evaluate mitigation options to reduce your risk.
- Closely review the flood deductible language in your property program to identify gaps in coverage between your primary layer flood coverage and the flood coverage in your property program.
- Negotiate flood deductible language in your property program where the higher deductible applies only to the buildings in SFHA and attach a schedule of SFHA buildings.
- Use a service to track forthcoming FEMA flood map changes to prevent uninsured or underinsured flood losses.

National Flood Insurance Program (NFIP)

2016 National Flood Conference: How is the flood world changing?

- NFIP has a new management team that wants to improve the program.
- NFIP plans to focus on program improvements in these areas:
 1. Improving transparency in communication to policyholders.
 2. Streamlining the claims process.
 3. Evolving the policy limits and policy language.
 4. Pursuing reinsurance for the NFIP.
- NFIP rates will increase 10% to 25% annually.
- NFIP's RiskMap program continues to update flood maps.
- Ross/Murphy Bill passed the U.S. House of Representatives.
- The subject of private flood insurance dominated the conference.
- All stakeholders have begun work on the 2017 NFIP Reauthorization.

Flood: How to Make Your Company a Better Risk



Cliff Hope
Aspen Insurance



Ben Beazley
RT Specialty



Dan Freudenthal
CRIO Group



Mohit Pande
Swiss Re



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Multinational Issues



Multinational Issues



Judy McInerney
Director of Risk Management
Corning Incorporated
(Moderator)

Multinational Issues

- **Judy McInerney**, Director of Risk Management, Corning Incorporated (Moderator)
- **Christian Hunter**, Practice Leader, Americas, Global Insurance Regulatory & Tax Consulting Practice, Marsh
- **Mike Martin**, EVP and General Manager, National Insurance Property, Liberty Mutual
- **William Porter**, Head of International Sales & Distribution, Zurich Global Corporate in NA



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Multinational Issues



Judy McInerney
Corning Incorporated



Christian Hunter
Marsh



Mike Martin
Liberty Mutual



William Porter
Zurich



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Terrorism: The Global Threat Environment



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Terrorism: The Global Threat Environment

Sal Lifrieri
President

Protective Countermeasures Inc.



Terrorism

The Global Threat Environment

Mr. Sal Lifrieri

International Terrorism

Perspective Changes:

*Non-state sponsored international terrorism
has changed...*

like politics.... Its all local....

Tactics & Techniques

“We are in an asymmetric war, with asymmetric threats and we are looking for a symmetrical solution”

. . . Sal Lifrieri

Enemy Identification

Its not just a country....

Its not just a regime....

Its not just a dictator....

Its not just an organization....

It can be anyone....

Know Your Enemy

The definition difference identifying the enemy is fading:

- ✓ Nation States
- ✓ Domestic Groups
- ✓ International Terrorist Organizations
- ✓ Followers.....

“we don’t know where the next attack is coming from”

Psychology of Attackers

“Out of Box” thinking.....

- Guns – Bombs - Targets
 - no longer sole focus
 - “Death by thousand cuts” – Bin laden
 - Intelligence cycle..
 - TV – Thought- Threat- Response
- Economic impacts are looked at:
 - Airplane attacks in midair over an ocean
limited damage..... Ripple effect great

Today's great challenge:

“I can't bomb the thought out of your heart”

Advent of the internet

- On line learning leads to local “international terrorist”.....
 - A recruitment tool... look at what you can do!
 - Domestic training camps for jihadists
 - ISIS/Al Qaeda cells – “*do what you can*”
- “Inspire Magazine”
 - “how to make a bomb in your mothers kitchen”

Not Just For Military Anymore...

- Encrypted communications
- Google maps
- The internet
- GPS
- Drones
- Cyber/Malware (Stux-Net now on dark web for sale)
- Robots

Efficacy of Attacks

Small Attacks with Major Impacts:

- Boston Marathon Bombing
 - Worse than 9/11 – fear of capabilities in hands of average person

Failure of other attacks:

- Always went for spectacular...

This time:

- Stayed within their technical capability

Preparation for Attack

Where to start:

Simple Effective Technique:

- How to read the newspaper....
 - Ask yourself – what if it happened:
 - Here?
 - To me?
 - What would happen to me?

Preparation for Attack

Planning Assumptions:

“Do Not Assume”

- probably wrong or missing
major components

Lessons Learned: M&M's....

Preparation for Attack

Perform a deep dive into your suppliers crisis plans:

- your reliance on them to produce

Factors to consider:

1. Loyalty by supplier to its customers
2. Loyalty by supplier's employees
3. Ability to maintain raw material

Preparation for Attack

Avoid arrogance in your plan...

- “I got this” mentality....
- Leaders are not always the best in crisis

Lessons Learned:

Anthrax example.....

National Guard....

What you can do...

1. Stop accepting checklist questions at face value....
2. Get out of your own way...
 - think outside the box – remember ripple effect
3. Create a team approach
 - (not just the C-level or executives)
4. Use “Facilitated Discussions” technique
 - More effective than tabletop

Questions?

Mr. Sal Lifrieri
(914) 576-8706



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Terrorism Cover in 2016: The Insurance Response



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Terrorism Cover in 2016

Wendy A. Peters
EVP, Financial Solutions-
Terrorism & Political Violence
Willis Towers Watson
(Moderator)





Terrorism Cover in 2016

- **Wendy A. Peters**, EVP, Financial Solutions - Terrorism and Political Violence, Willis Towers Watson (Moderator)
- **Gus Green**, Global Terrorism Specialist, AIG
- **Mark Leverick**, US Property Terrorism Leader, Aon
- **Jennifer Rubin**, Product Head - War, Terrorism & Political Violence, Hiscox
- **Ben Tucker**, Head of US Terrorism & Political Violence, Crisis Management, XL Catlin



Terrorism Cover in 2016



Wendy A. Peters
Willis Towers Watson



Gus Green
AIG



Mark Leverick
Aon



Jennifer Rubin
Hiscox



Ben Tucker
XL Catlin



Afternoon “Break”



Coming up next...
“Cyber and Physical Damage”



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Cyber and Physical Damage

Cyber and Physical Damage

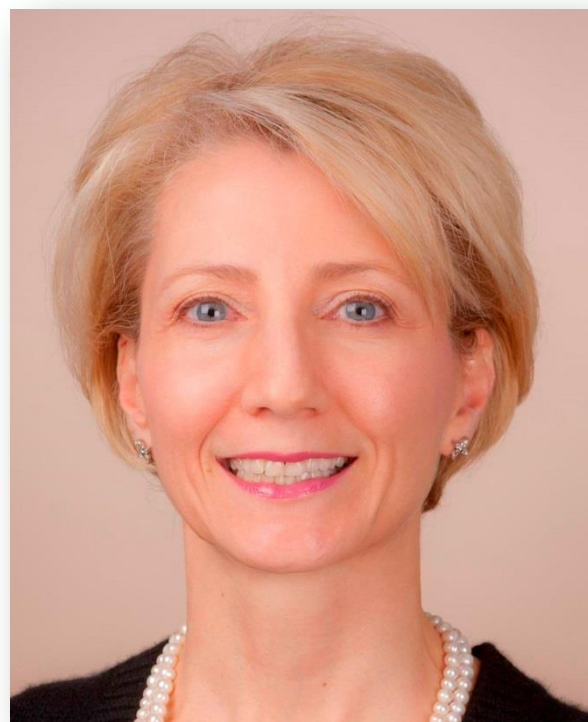
Audrey Rampinelli
Vice President, Risk Management
Loews
(Moderator)



Cyber and Physical Damage

- **Audrey Rampinelli**, Vice President, Risk Management, Loews (Moderator)
- **Oliver Brew**, EVP, Global Head of Cyber Risk and Head of International Professional Indemnity, Aspen Insurance
- **Garin Pace**, Cyber Product Leader - Financial Lines & Property, AIG
- **Bill Reed**, Operations Claims Manager, FM Global

Cyber and Physical Damage



Audrey Rampinelli
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The View from the Top





The View from the Top



Laureen Coyne
Manager, Risk Management
Westfield World Trade Center
(Moderator)

The View from the Top

- **Laureen Coyne**, Manager, Risk Management, Westfield World Trade Center (Moderator)
- **Paul Horgan**, Chief Executive Officer, Zurich Global Corporate in North America
- **John Lupica**, Vice Chairman / President, North America Major Accounts & Specialty Insurance, Chubb
- **Joe Tocco**, Chief Executive Americas, XL Catlin

The View from the Top



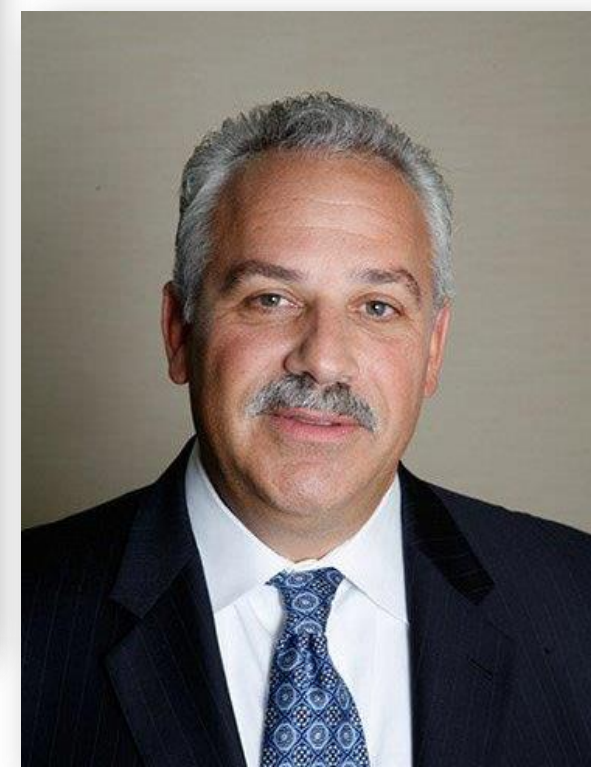
Lauren Coyne
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Closing Remarks & Reception

