



TOWERS
PERRIN

Consultative Insurance Placement: Working With You to Develop Innovative Risk Financing Solutions



Although the current insurance market remains soft, organizations should be planning now for the next hard market. As we have seen in recent years, the landscape can change in an instant. The impact of subprime mortgage losses, increased global market volatility and the impact of global warming on weather patterns prove one thing — that very little is certain. The best approach is to take a long-term view, being prepared for the challenges that lie ahead while maximizing the benefits of the current market. This environment demands a fresh approach to risk financing strategy and insurance placement.

Consultative Insurance Placement provides a sophisticated alternative to traditional insurance intermediaries that combines seasoned insurance brokerage expertise with the strong analytical resources of Towers Perrin. We work closely with you to develop innovative risk management solutions so you are well prepared to handle risk financing challenges in today's environment. Our approach focuses on four key features.

KEY FEATURES

Team Approach/Client Empowerment

No one understands your risk management and operational needs better than you do. We strongly believe in customizing a risk management solution to meet your individual needs, rather than offering prepackaged solutions.

Analytically Based

By virtue of our consulting and actuarial expertise, we heavily emphasize analytics in our approach to placement. For example, in a challenging market, comprehensive loss and exposure analysis can be a persuasive tool to support pricing objectives and risk retention decisions.

Unbiased Selection of the Forms of Risk Protection

We maintain complete objectivity in our analysis of the different forms of risk protection available to our clients. Our first priority remains to select the most appropriate form of risk financing, whether that is traditional insurance, reinsurance, captive, pool, risk retention group or self-insurance arrangement.

Open Access to All Sources of Risk Protection

Unlike traditional insurance intermediaries, we do not have strong profit-center barriers separating our various areas of expertise. This allows us open access to global providers of both insurance and reinsurance solutions and to alternative risk financing vehicles.

SERVICES

Consultative Insurance Placement offers a combination of traditional and innovative intermediary services. The scope of our services varies from client to client, depending on goals and needs. These services may include the following elements.

Risk Identification and Evaluation

We work with you to gain a fundamental understanding of your business, identifying and analyzing all hazard risk exposures facing your organization. After reviewing your existing insurance program, we will discuss with you any uninsured risks to determine whether they are material to your organization.

Program Design

Our primary objective in program design is to understand your goals, objectives and appetite for retaining risk. Working with our actuarial resources, we analyze your loss and exposure data to develop the most cost-effective program design. We expand the traditional thought process beyond a conventional insurance program structure and assess whether a captive or other alternative risk financing vehicle may make sense. Towers Perrin is a recognized leader in captive issues.



Placing and Implementing Risk Protection

We have developed strong, senior-level relationships with leading insurers and reinsurers throughout the property/casualty industry. Our market presence is further enhanced by solid relationships within the underwriting community. Underwriters know they can expect a comprehensive, focused underwriting submission from us that provides them with the supporting analyses they need to reach the pricing objectives proposed.

Catastrophe Modeling and Exposure Management

We believe that understanding and quantifying exposure to catastrophic loss is of paramount importance in making solid risk management decisions. Working with our catastrophe modeling team, we help you improve the quality of your exposure data and use the latest models available to analyze your exposure to catastrophic loss. Our analysis is often used to support buying decisions and in the development of premium allocation models.

Specialized Solutions for Public Entity Pools

Public entity pools exist to provide value to their members. Towers Perrin delivers creative and cost-effective risk transfer solutions to public entity pools. Our expertise in public entity risk is well known throughout the marketplace, allowing us to optimize pricing and terms from all market segments — excess insurers, reinsurers and specialty alternative risk markets.

One example of our innovative approach is our development of the “Towers Perrin Slip” as a way to deliver high-quality treaty reinsurance capacity to small and midsize pools.

Claim Management and Advisory Services

Towers Perrin has a dedicated staff of claim professionals with significant industry experience. We have provided in-depth claim services to corporate clients, insurers and self-insurers for over 20 years.

Insurer Analysis

In recent years, there has been an increased focus on the financial stability of insurers and reinsurers. The Towers Perrin market security committee continually monitors the security of the insurers with whom we place coverage. We take great care to keep our clients apprised of any material changes in financial conditions and actions taken by the major rating agencies.

CONTACT INFORMATION

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CASE STUDY: AMEREN CORPORATION

Finding the Optimal Approach to Risk Transfer and Retention

In the high-risk energy market, a good insurance program can be hard to find. The threat of natural disasters, power outages, fires and explosions, machinery breakdown and other unforeseeable risks makes the market particularly volatile and difficult to underwrite.

When developing an insurance portfolio, energy companies must carefully assess their risks and work with sophisticated intermediaries and insurance carriers to identify areas of vulnerability and determine how much risk to retain and how much to transfer. The use of enterprise risk management (ERM) principles also plays an important role in helping companies assess risk exposures across the corporation and put together a comprehensive insurance and risk finance structure.

“The energy business is a very unattractive risk with a limited market for [insurance] products,” says Glenn Thebeau, Manager, Risk Management, at St. Louis-based Ameren Corp., one of the nation’s largest investor-owned electric and gas utilities. Two years ago, in the midst of its ERM process, the company determined the need to restructure its risk portfolio and find alternative markets for its property and casualty coverage.

The largest electric utility in Missouri and the second largest in Illinois, Ameren provides energy services to more than two million electric and nearly one million natural gas customers. “We were looking into the idea of forming a captive to transfer some of our property risks and reassessing the handling of our casualty risks,” Mr. Thebeau says.

Mr. Thebeau reached out to John Bowman of Towers Perrin’s Consultative Insurance Placement practice. “Towers Perrin enabled us to broaden our marketplace and put us in touch with folks willing to look at a structured portfolio that matched our risk profile,” Mr. Thebeau says.

As a partner for Ameren, Towers Perrin was a great fit. “We take an analytical approach to help clients evaluate their risk portfolio and determine the optimal level of risk transfer and risk retention,” says Mr. Bowman. Consultative Insurance Placement offers a combination of traditional and innovative

intermediary services, including risk identification and evaluation, program design, placing and implementing risk protections, catastrophe modeling and exposure management, claim management and advisory services, and insurer analysis.

Mr. Bowman worked closely with Mr. Thebeau to evaluate Ameren’s property and casualty exposures. “Towers Perrin performed a thorough risk retention study and provided a measure of our exposures through an actuarial analysis. They provided an analysis of risk at different confidence levels to provide a basis for our program design and helped determine the amount of risk we wanted to retain and transfer,” Mr. Thebeau says.

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“The risk retention study helped us analyze areas where our premium spending was suboptimized, where additional risk transfer was needed and where risks could be accumulated within a captive for our various operating companies and then reinsured on a cost-effective basis,” he continues.

Ameren formed a captive to handle business interruption risks, property exposures and terrorism risks, and is currently evaluating the potential for covering some liability risks through the captive.

“Towers Perrin assisted in the design and implementation of our reinsurance program, which is a critical component to the success of the captive,” Mr. Thebeau notes. In the two years that we’ve been working with Towers Perrin, our loss exposures have been driven down by \$250 million, and our risks have become much more manageable.

“Our goal is to give clients more control over their insurance solutions,” Mr. Bowman says. “We look at whatever makes the most sense for the client and develop programs to help them deal with risk more efficiently and effectively.”



ABOUT TOWERS PERRIN

Towers Perrin is a global professional services firm that helps organizations improve performance through effective people, risk and financial management. The firm provides innovative solutions in the areas of human capital strategy, program design and management, and in the areas of risk and capital management, reinsurance intermediary services and actuarial consulting.

Towers Perrin has offices and alliance partners in the world's major markets. More information about Towers Perrin is available at www.towersperrin.com.

