

Account Fire Analytics



RMS[®] Account Fire Analytics add a new dimension to insurance and reinsurance programs that assess fire risk based on exposed value.

BENEFITS

- Establish competitive, consistent technical prices that consider event frequency and severity risk
- Optimize capacity by evaluating fire risk using account-specific COPE to quantify exceedance loss probability
- Structure per risk treaty programs using transparent views into account and location-level risk
- Streamline underwriting management standards to maximize investment capital
- Manage against premium leakage using nationwide fire risk data to supplement account exposure data
- Screen more submissions, maximizing underwriter focus on the best opportunities
- Establish a standard technical “walk-away” price for highly competitive underwriting situations

INFORM YOUR RISK STRATEGY

RMS Account Fire Analytics offer a probabilistic view of fire risk to complement analyses based on probable maximum loss (PML) or total insured value (TIV).

Manage risk with metrics founded in fire engineering principles that integrate exposure-specific construction, occupancy, protection, and exposure (COPE) characteristics:

- PML and associated return period
- Severity risk weighting factors in technical premium and retention
- Exceedance probability (EP) curves

DIFFERENTIATE AND QUANTIFY RISK

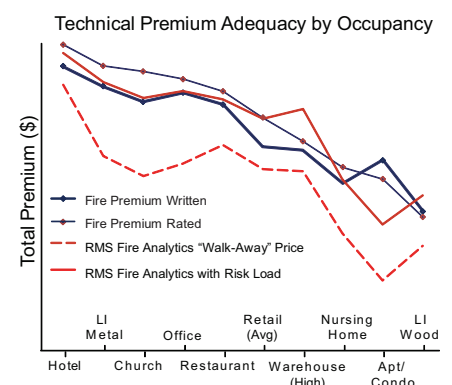
Incorporating event frequency, severity risk, and drivers of fire risk into your reinsurance or insurance program facilitates consistency in pricing and risk selection:

- Set competitive prices using key account-specific risk metrics that impact frequency and ensuing loss (e.g., building location, size, protection)
- Evaluate effectiveness of treaty structures, policy layering, and deductible and risk retention guidelines
- Identify drivers of large-loss risk
- Link technical premium and underwriting loss estimates to location-level drivers of risk

MANAGE TO CAPACITY

Location-level risk differentiation enables the transparent alignment of risk selection, pricing, and retention with portfolio profitability and financial growth.

- Use PML with associated return period to write a greater volume of lower-risk business without increasing capacity
- Monitor potential increases in risk that may accompany portfolio growth
- View impact of COPE attributes and fire risk criteria (fire department response, sprinkler and alarm effectiveness) on account and portfolio average annual loss
- Identify accounts that drive portfolio risk and set renewal prices accordingly
- Estimate large-loss event occurrence frequencies to align retention guidelines with underwriting risk tolerance



Establish a competitive technical price in line with market rates using Account Fire Analytics.

According to a national insurer, “The ability to assess individual risk PMLs and return period losses allowed us to validate a suspicion that our reinsurance program was highly inefficient for several primary segments of our business.”

Calculating Severity-Weighted Technical Premium using RMS® Account Fire Analytics				
Account		A	B	C
Management's Risk	Underwriter Line Limit (\$)	15,000,000	15,000,000	15,000,000
Tolerance Protocol	Line Limit Return Period (Years)	500	500	500
	Third-party or Account Fire Analytics PML (\$)	60,000,000	59,000,000	6,000,000
	Account Fire Analytics PML Return Period (Years)	1,150	3,750	150
Market View	Underwriter's View of Market Price (\$)	1,500,000	1,000,000	750,000
Premium Quote	Severity Risk Surcharge on Market Price (\$)	239,130	-650,000	350,000
	Severity Weighted Technical Premium (\$)	1,739,130	350,000	1,000,000

Technical premiums generated from Account Fire Analytics incorporate a severity premium surcharge that reflects your organization's large-loss risk tolerance when evaluating market pricing and cost-effectiveness of account reinsurance.

INSURANCE

Price competitively and consistently

- Allocate risk at the location level to generate more accurate loss estimates—e.g., estimate loss for each building in a multi-building campus
- Set consistent technical base rates based on relative account risk as well as exposed value

Efficiently allocate reinsurance

- Inform per risk treaty structuring with account-specific risk metrics such as PML return period
- Transparently allocate reinsurance cost based on account-by-account risk profiles
- Analyze the impact of different per risk treaty structures to determine the most effective reinsurance strategy (e.g., lower attachment point, reduce or expand layer)

Maximize investment capital

- Streamline capital management and monitor return on investment (ROI) by account
- Access analytical views of reinsurance cost-effectiveness to develop strategies that increase investment capital

REINSURANCE

Inform risk assessments

- Identify high-risk accounts and increases in collective large-loss risk across multiple cedants
- Base technical pricing on risk tolerance as defined by underwriting line limit practices

Effective program management

- Establish consistent, transparent layer pricing that reflects retained risk
- Use portfolio risk metrics to inform ROI on capacity committed

Avoid unexpected loss

- View individual account contribution to portfolio risk
- Screen for same-account risk across multiple cedants
- Estimate the probability and severity loss of multiple separate tail events

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