CatDQ MODELING REDUCES AVERAGE ANNUAL LOSS AND PREMIUMS

NATURAL HAZARDS RISK ASSESSMENT EXPERTS HELP A RESTAURANT CHAIN IMPROVE ITS LOSS EXPOSURE DATA

THE CHALLENGE

A large, US-based restaurant chain, and long-term client of Marsh, was preparing for its property insurance program renewal. Preliminary market indications pointed to an increase in its premiums due to perceived wind exposures in its occupancy class as well as the company's recent loss history.

Historically, this occupancy class does not fare well due to inherent construction vulnerabilities such as large expanses of glass and general lightweight nature of the typical construction. Such occupancy-related factors cause the catastrophic loss models common in the insurance industry to generate significantly higher modeled loss projections than most other occupancy classes.

Unlike many of its peers in this occupancy class, this particular company closely controls the construction of its restaurants and tends to build more robust buildings. Therefore, the company sought the advice of Marsh Risk Consulting (MRC) as it felt its current modeling results misrepresented its exposures and did not accurately portray the vulnerability of its portfolio.

RISK. DISPUTES. STRATEGY.

MARSH

THE SOLUTION

Working together with the client, MRC's Global Property Risk Consulting Practice natural hazards risk assessment experts quickly determined that the elevated loss projections were the result of poor data quality used to model the portfolio. These consultants were able to identify key loss driver locations through the CatDQ process, which focuses on increasing the accuracy and reducing the uncertainty in CAT modeling by improving the quality of data inputs.

Once the initial analysis was completed, the team gathered specific information on the construction details from ten locations identified as having some of the highest average annual losses (AAL). These ten locations were also chosen to be representative of the different design schemes used in the construction of the client's restaurants.

This new data with validated primary and secondary characteristics was incorporated into the input sheet and then extrapolated over all of the restaurants, where possible, to improve the input data for the entire portfolio. The portfolio was then remodeled using this improved data.

THE RESULT

MRC's property risk expertise and CatDQ process enabled the client to reduce its portfolio AAL by approximately 25%.

In addition, MRC's consultants were able to leverage the data with the client's insurer to significantly reduce the potential increase in its premium.

The client was extremely pleased by these results and committed to retaining MRC's services for future projects.

ABOUT THE GLOBAL PROPERTY RISK CONSULTING PRACTICE

The Global Property Risk Consulting Practice delivers a range of value-added property risk engineering and loss control identification, assessment, and mitigation consulting solutions spanning the lifecycle of a property and its operation. Our property risk experts provide the high-quality data needed by organizations to make informed decisions about their property portfolio and business risks. MRC's globally-consistent approach and proprietary technology help organizations develop business-aligned strategies to effectively manage their property-related exposures.

The Global Property Risk Consulting Practice is part of Marsh Risk Consulting (MRC), a business unit of Marsh LLC. MRC is a global consulting organization comprised of more than 800 specialists in over 40 countries dedicated to providing clients in all industries and across all geographies with strategic advice and innovative solutions across a comprehensive range of insurable and non-insurable risks.

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