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# ACI-NA Risk Management Conference

## Airport Property Insurance Market Overview

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# Today's Agenda

1. Current Property Insurance Market
2. Current Property\ Casualty Insurance Market
3. Industry Trends



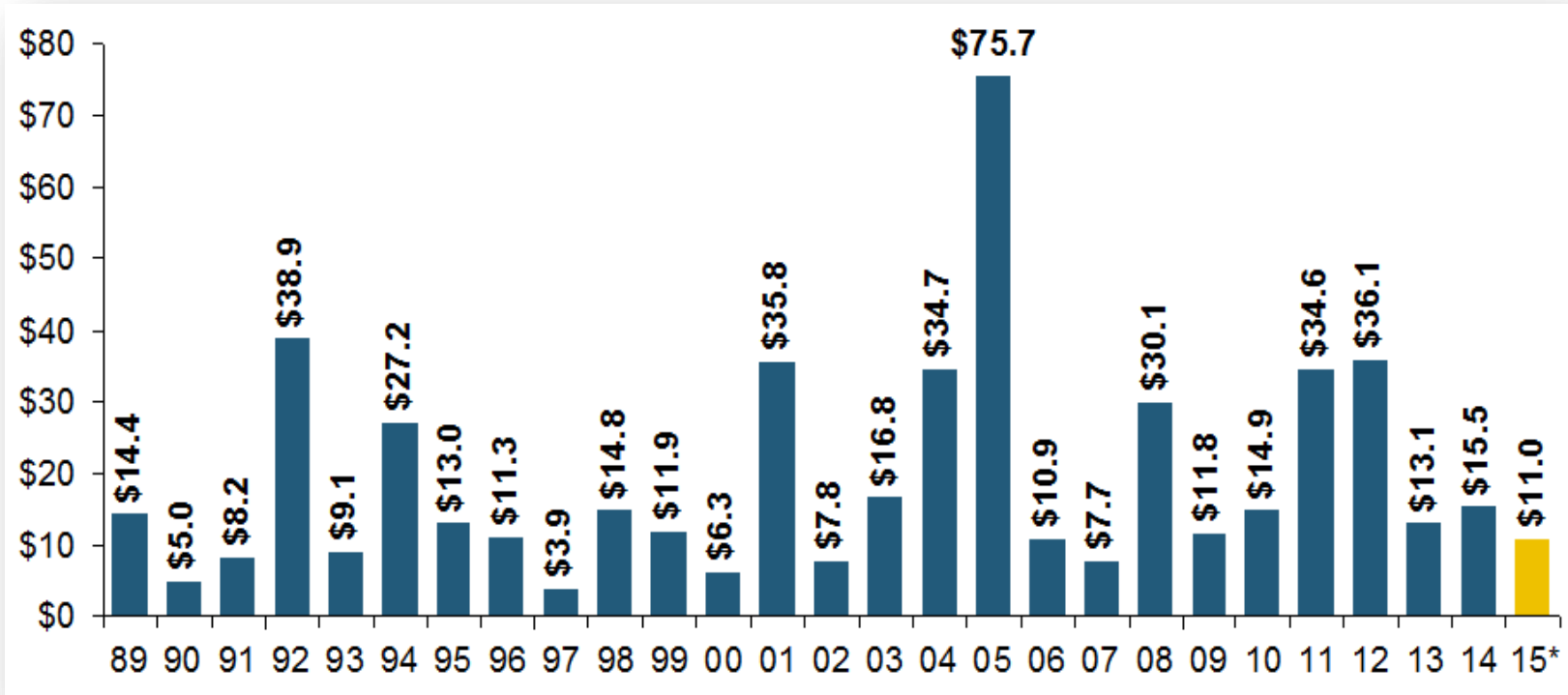
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# Current Property Insurance Market

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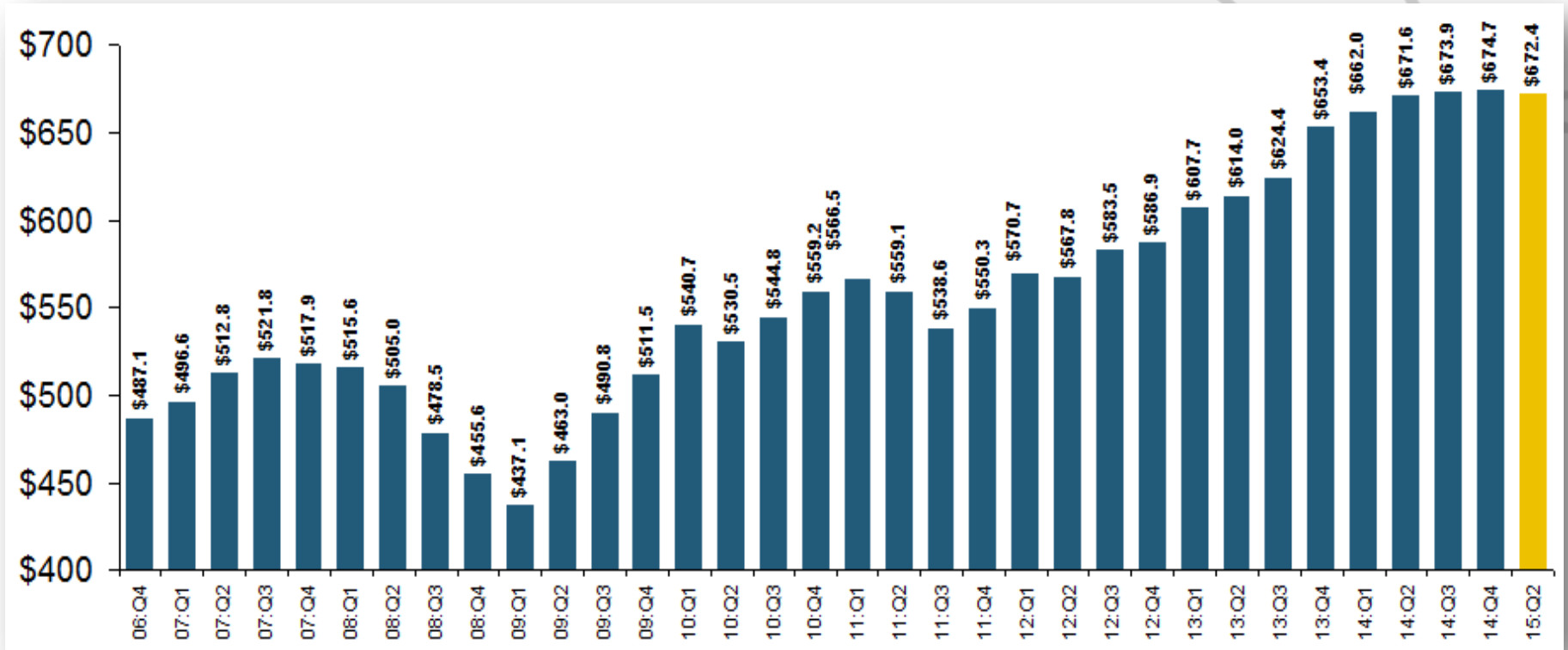
## Catastrophe Losses

- 2013, 2014, 2015 were welcome respites from 2011 and 2012 among the costliest years for insured disaster losses in U.S. history.
- Longer-term trend is for more—not fewer—costly events



# Current Property Insurance Market

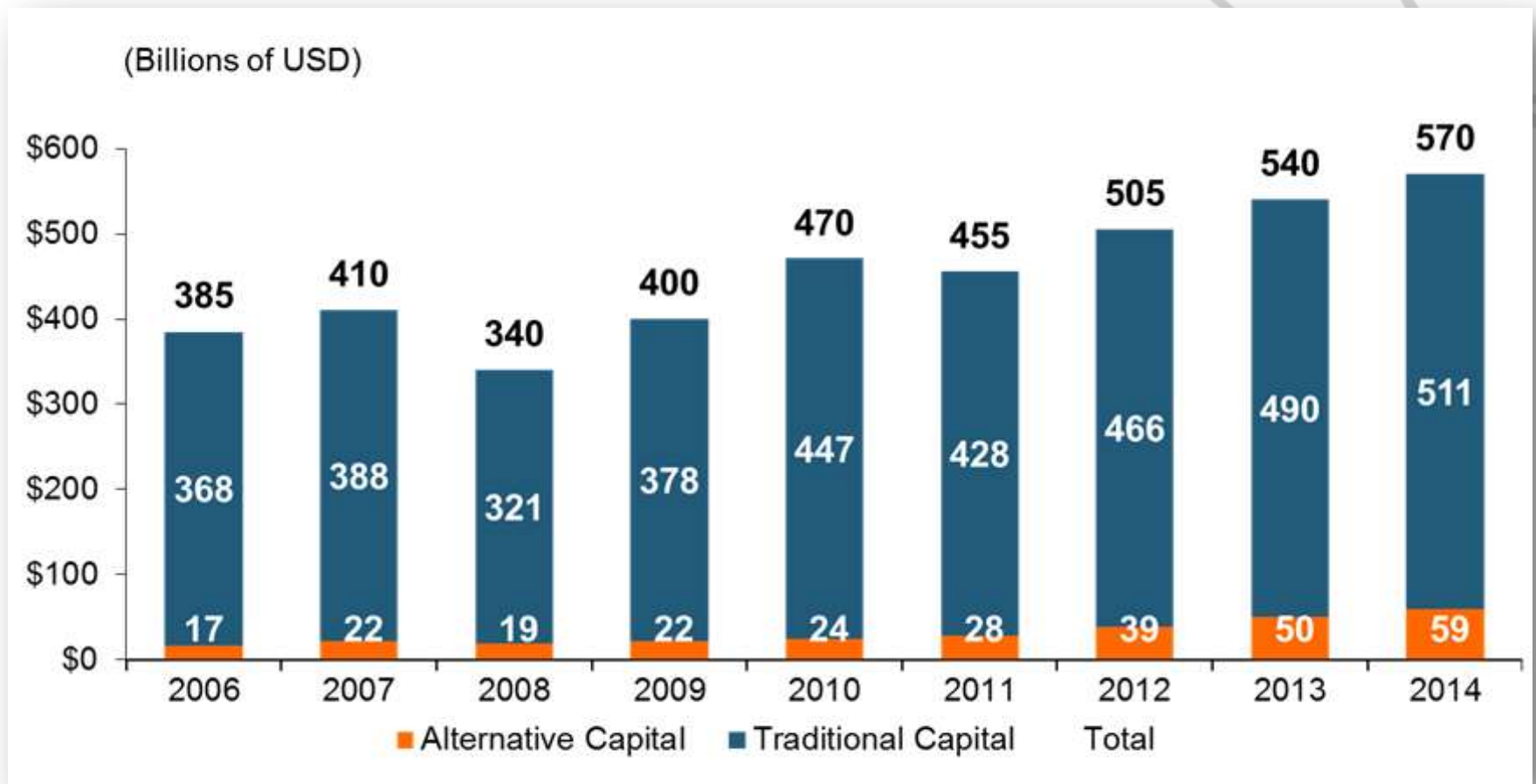
## Policy Holder Surplus



- \$100 Billion Event – So what?

# Current Property Insurance Market

## Alternative Capital – Pros & Cons



# Current Property Insurance Market

## Investments

### **Investments: The New Reality!**

- Investment Performance is a Key Driver of Profitability
- Depressed Yields Will Necessarily Influence Underwriting & Pricing

# Current Property Insurance Market

- **Reinsurance Rates**

Due to ILS (Insurance Linked Securities) Cat Bonds, and Side Cars Rates Have Been Decreasing Substantially

- **Underwriting Data**

C.O.P.E. including secondary factors

- **Program Restructure**

Increases competition, strengthen market leverage, United States, Bermuda, London, Asia.





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# Current Property/ Casualty Insurance Market

# Current Property\Casualty Insurance Market

## Pricing in Hard & Soft Markets

Let's Talk About Pricing in a Hard or Soft Market

- **Fat Pricing**

Well above norm for similar risk

- **Right Pricing**

Allows stability fair for exposure

- **Skinny Pricing**

Volatile, underwriter beat up annually

- **Loss ratio and benchmarking determine where your risk is at.**

# Current Property\Casualty Insurance Market

## Loss Ratios in Property Insurance

### Let's Talk About Loss Ratios in Property Insurance

- 0%-20% – Excellent
- 20%-40% – Average
- 40%-80% – OK if near 40%, not good close to 80%
- 80%+ - Renewal Conditions if 80% possible nonrenewal if greater than 100% with frequency.

# Current Property\Casualty Insurance Market

## What would I ask for to receive improved terms?

- Blanket Coverage not scheduled no margin clause
- Multi year (3) contract with profit sharing if targets met (Only if convinced we are at bottom of cycle)
- Underground Property Covered
- Property in the Open – Not Named Perils
- Contingent Business Interruption (Unnamed)
- Civil Authority Must Not Occur at or within 1000 Feet of Insured Location
- Increased sub-limits wherever I feel necessary
- Carrier to pay for additional loss control, appraisal services, etc.
- Stated Value on Higher Valued Mobile Equipment

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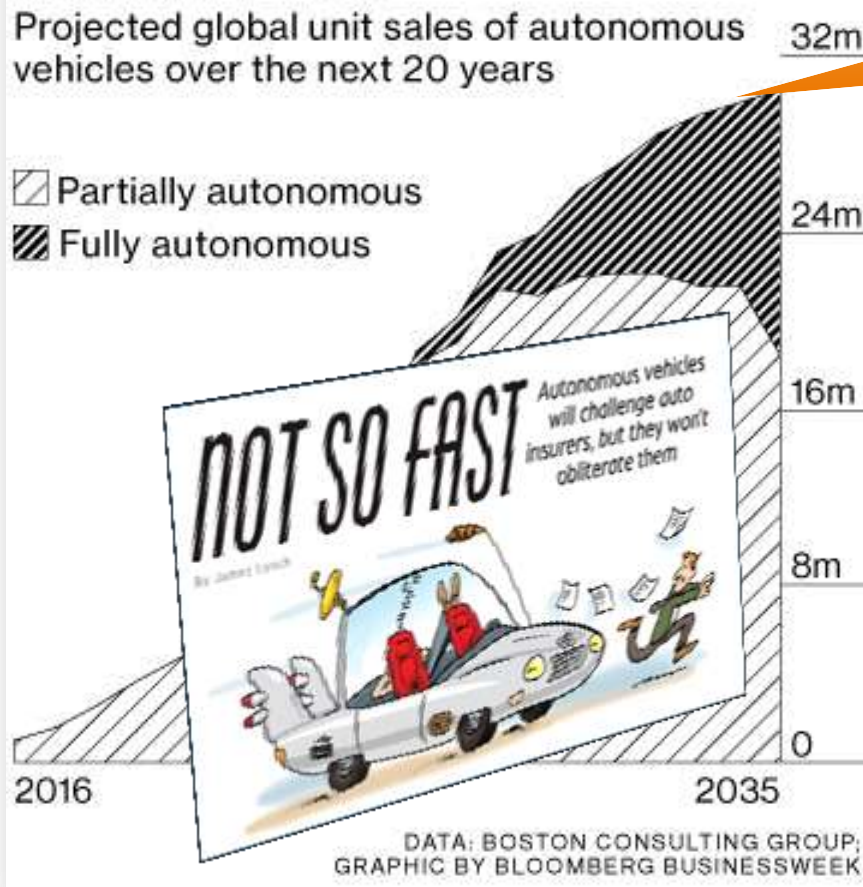
# Industry Trends

# Media is Obsessed with Driverless Vehicles

Often Predicting the Demise of Auto Insurance

## Hands-Free

Projected global unit sales of autonomous vehicles over the next 20 years



By 2035, it is estimated that 25% of new vehicle sales could be fully **autonomous models**

## Questions to consider

- Are auto insurers monitoring these trends?
- How are they reacting?
- Will Google take over the industry?
- Will the number of auto insurers shrink?
- How will liability shift?

# Send in the Drones

## Potential Rapid Adoption in Industry – The Media Loves It



- Drones or Unmanned Aerial Vehicle (UAV) technology is seeing rapid adoption rate in many industries, including insurance
- ~700,000 drones in US by year-end
- FAA granting Section 333 exemptions for commercial use and testing of UAS
- FAA will require most drones to be registered by year-end 2015
- At least 5 insurers have received permission to test
- Wide variety of applications: claims, pre-event property inspections...
- Insurers partnering with construction industry to guide R&D and regulation of UAV use via **Property Drone Consortium: [www.propertydrone.org](http://www.propertydrone.org)**



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# Current Property/ Casualty Insurance Market



# Current Property\Casualty Insurance Market

Best Place for Your Authority to Save 10-50% of Premium

- Runways should be valued at Maximum Foreseeable Loss not Replacement Cost
- Business Interruption either should not be insured or valuation again should be at Maximum Foreseeable Loss and not 100% of Value



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# Questions & Answers

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**CPCU, ARM, ARe**  
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