



# UMBRELLA: AN INSURER AND REINSURER PERSPECTIVE

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1. Umbrella Overview
  2. Audit Review Process
  3. Supported Umbrella

# What is Umbrella Insurance?



# What is Umbrella Insurance?

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## UMBRELLA

- An umbrella policy provides coverage when the limits of insurance of the underlying policies have been exhausted. It is designed to provide high limits of liability needed for catastrophic losses, as well as broader coverage for some exposures not covered by other liability policies.

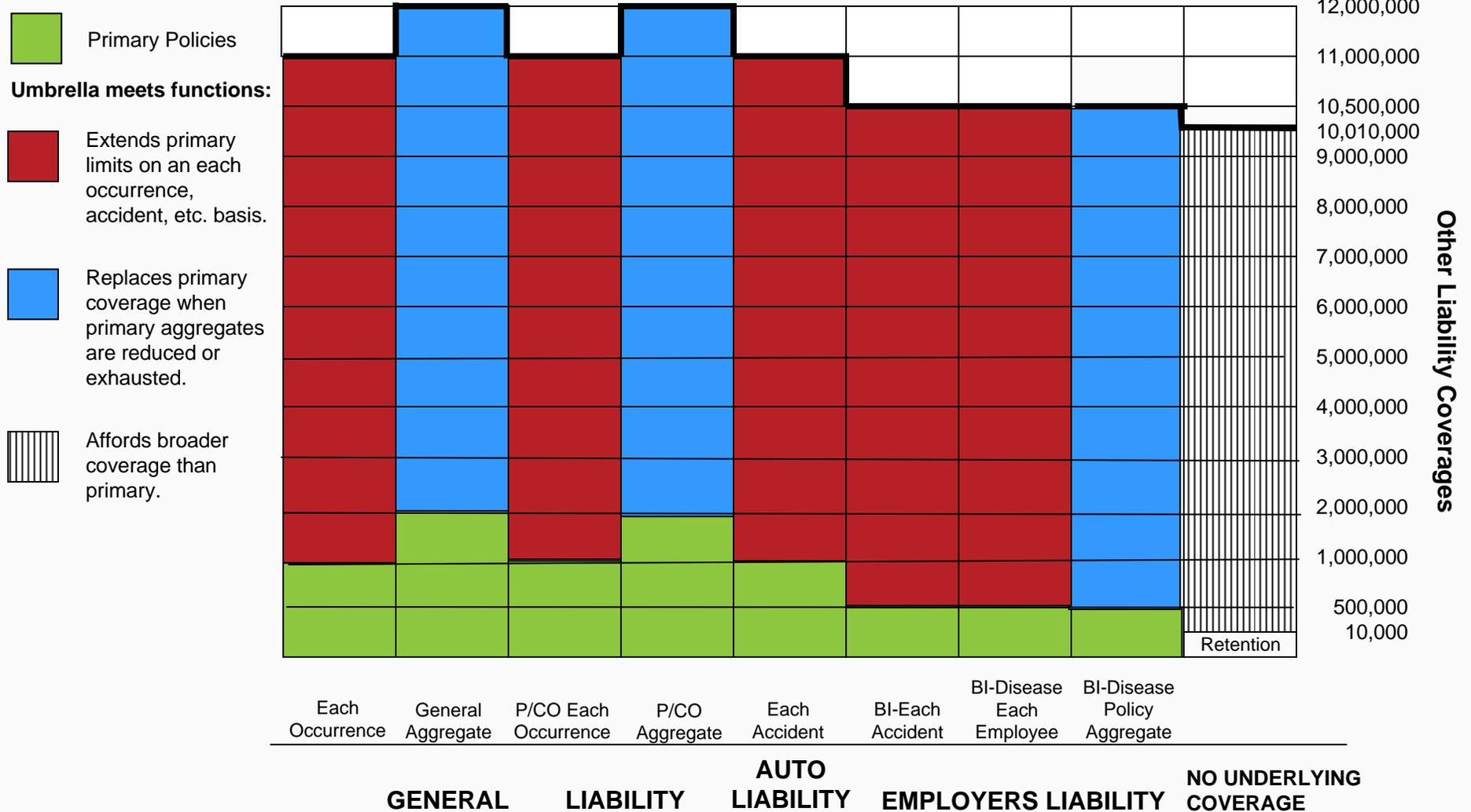
### Three Basic Functions

- Raises the limit of underlying policies when the aggregate limit is reached
- Provides excess limits for catastrophe losses arising out of third-party liability claims
- Provides coverage for some exposures that are excluded under the basic underlying policy

# Umbrella: An Insurer and Reinsurer Perspective

## How a \$10,000,000 Umbrella Policy Reacts to a Limits Loss

Key:



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## UMBRELLA AUDIT

- Two Types of Audits
  - Pre-quote Audit
  - At-risk Audit
    - **Most reinsurance agreements contain an access to records clause, which gives the reinsurer the authority to inspect those sections of the primary insurer's books and records that relate to the business between the primary insurer and the reinsurer.**
    - **AICPA (American Institute of Certified Public Accountants) requires a reinsurer to establish internal controls to assess the accuracy and reliability of the data received from the ceding company.**

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## UMBRELLA AUDIT (cont)

- **WHAT IS THE PURPOSE?**
  - **EXAMINATION OF A PRIMARY INSURER'S:**
    - **Management**
    - **Underwriting**
    - **Coverage forms**
    - **Book of business**
      - **Limits profile**

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## UMBRELLA AUDIT (CONT)

- **WHAT IS THE PURPOSE? (CONT)**
  - **EXAMINATION OF A PRIMARY INSURER'S: (CONT)**
    - **Pricing**
      - **Average credit/debit on umbrella**
      - **Manual or modified**
      - **Impact of minimum premiums**
    - **Risk selection techniques**
      - **Class of business**
    - **Claims handling philosophies**
    - **Reinsurance accounting practices**

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## UMBRELLA AUDIT (CONT)

- **WHAT IS THE PURPOSE? (CONT)**
  - **PROVIDE EXPERTISE**
    - **New lines of business**
    - **New state**
    - **Current trends**

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## UMBRELLA AUDIT (CONT)

- **WHAT IS THE PROCESS?**
  - **INTERVIEW**
    - **Senior Management - Corporate direction**
    - **Underwriting Management – Underwriting goals**
    - **Line Specialist – Authority, coverage, changes**
    - **Line Underwriters – Underwriting process, workload**
  - **FILE REVIEW**
    - **Active files**
    - **Inactive files**
      - **Non-renewals**
      - **Declinations**

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## UMBRELLA AUDIT (CONT)

- **WHAT IS THE PROCESS?**
  - **WRAP-UP MEETING**
    - **Discuss findings**
    - **Offer recommendations**
      - **Suggested**
      - **Mandatory**
  - **WRITTEN REPORT**

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## SUPPORTED VS. UNSUPPORTED UMBRELLA

### Supported Umbrella:

Umbrella insurance that is written by the same insurance carrier that provides the primary insurance limits and coverages that are listed in the schedule of underlying insurance.

### Unsupported Umbrella:

Umbrella insurance that is written by an insurance carrier that does not provide the primary insurance limits and coverages that are listed in the schedule of underlying insurance.

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## ADVANTAGES OF SUPPORTED UMBRELLA

- **Knowledge of the risk tends to be much more in depth**
  - Loss control reports
  - Driving records
  - Financial analysis
- **Coverage gaps are reduced**
  - Underwriters are very familiar with the primary coverage forms
  - Endorsements or changes that are made to primary coverage are immediately known to the umbrella carrier



## **ADVANTAGES OF SUPPORTED UMBRELLA (cont)**

- **Premium calculation is standardized**
- **Claim handling is a coordinated effort**



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THANK YOU FOR YOUR ATTENTION

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