

BENCHMARKING: FINDING COMMONALITY IN DIVERSITY

Can you find enough common thread to create meaningful comparisons?

The Real Estate Sector is comprised of a diverse collection of occupancies which can be owned or managed (and sometimes both) by for profit or not-for-profit entities which oversee portfolios ranging from under 1 million to well in excess of 100 million square feet of space. Conducting an effective peer review (benchmarking) is very challenging with so many variables.

CONSTRUCTION TYPE

A single portfolio is often comprised of a variety of building construction types. The construction and location of these premises have a direct impact on the rate applied and can limit the insurers willing or able to engage on the portfolio.

DEDUCTIBLES

Deductibles also have a bearing on rates and not all the members of a peer group will choose the same deductible. As well as impacting rates, different deductibles also affect the amount of claims a firm will pay out of pocket relative to its peers.

LOSS EXPERIENCE / ADJUSTING COSTS

The single biggest differentiator in a premium comparison, even between identical risks, is claims experience and the costs associated with managing losses. Employing a Third Party Adjuster (TPA) rather than using an insurer's adjuster will increase loss ratios by a noticeable percentage. Given that, if you do employ a TPA, make sure you take advantage of their Risk Management Information System (RMIS) when possible.

PORTFOLIO SIZE

The size of a portfolio of course pays dividends within the insurance marketplace. Larger portfolios typically see lower rates, all else being equal. This leverage can vary depending on the number of insurers engaged in a program.

INSURANCE LIMITS PURCHASED

Limits can vary widely amongst otherwise similar companies. This may be the result of contractual obligations that require one portfolio to carry an atypically high limit. Even if limits are similar, pricing can vary based on the composition of insurers on a particular placement and the relationship the broker has with those markets.

HKMB HUB'S CLIENT EXPERIENCE

Focusing on a specific industry class gives us access to information about many different occupancy risks in many different portfolio sizes. Although you are unlikely to find your corporate 'twin', HKMB HUB's experience helps us frame our client's programs and their *Total Cost of Risk*, relative to their peers.

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