Talking to the Markets

This veteran risk manager consolidated a risk management program as his company grew rapidly.

Jacuzzi Brands went through a significant period of acquisition growth between 2010 and 2019. During that time, the company, which is a global manufacturer and distributor of branded baths, hot tubs, pools and saunas, acquired Sundance Spas, Hyrdopool, Dimension One and ThermoSpas.

But the problem was that each brand had multiple risks across different programs with different renewal dates, managed by up to seven different brokers. That meant the company's overall global risk management strategy was decentralized, fragmented and siloed, making it difficult to manage, inefficient and costly in servicing and premium terms.

That's when Jan Berger came in. Appointed director, global risk management in October 2019, he quickly got to grips with the program's structure and devised a two-year plan to consolidate all the program's administration under one broker.

Berger proceeded to align the risks under three main renewal dates for property, casualty and management liability. That way, he was able to align all the renewal dates within each category on the same date.

To achieve better pricing, Berger's intent was to eventually move the property program's renewal date to the spring just before the hurricane season; the casualty to the fall when it set its financial forecasts; and the management liability to the end of the year when the board approves the directors and officers coverage.

Initally, he worked with the company's principal broker, Aon, and then with Marsh, to simplify the program by consolidating all the risks under one global program and removing the other smaller brokers involved.

On top of restructuring the program, in October 2019 Berger also had to secure property coverage for the company's worldwide assets, including its principal spa manufacturing plant in Tijuana, Mexico after that site had incurred losses from a fire in August 2018. When the incumbent had denied cover prior to the renewal in May 2019 due to concerns over risk controls, the company arranged a 90-day coverage extension, followed by another extension until November 2019.

"By the time I had left the company in November 2021, 90% of my two-year plan was complete."

— Jan Berger, *director, global risk management, Jacuzzi Brands*

After quickly engaging Aon to find every insurer interested in writing the property risk, Berger put together a presentation that explained the company's risk control measures, and how much money had been spent on it and where.

Despite securing coverage at a higher premium with less favorable terms and conditions in November 2019 and a flat premium renewal the following year, he negotiated an extension to March 2022 at the current policy rate.

"By the time I had left the company in November 2021, 90% of my two-year plan was complete," said Berger, who is now senior director, group risk management at APL Logistics.

"During that time, working with the principal broker, at the last renewals, we managed to reduce the property premium by more than $200,000 and achieved annual savings of more than $1 million on the casualty program."

—Alex Wright

It Pays to Be Proactive

Paul Boatman collaborated with his company's reinsurer to develop a parametric solution for complex construction risks not covered under traditional builder's risk policies.

Prometheus Real Estate Group's construction projects often involved multiple buildings or phases.

With each building or phase starting at different times, that added to the complexity of finding coverage for the company, which specializes in high-end multiple family properties.

For strategic purposes, cover was placed per project rather than by building or phase.

When a project incurred significant damage, the part of the building that was yet to be constructed would most likely be subject to increased construction and inflation costs.

The problem was that in the event of a large loss, those associated increased expenses weren't covered under a traditional builder's risk policy because, in effect, there had been no physical damage to the unbuilt property.

This could prove expensive with the uncovered risk's cost around $5 million to $15 million per project.

Enter Paul Boatman, vice president of risk management at Prometheus. To address the problem, Boatman approached a reinsurer and his broker to develop replica coverage.

This involved providing them with detailed project information including construction design, scheduling, safety and loss history and control measures. Using that, they created a model that applied a monthly inflation factor per project for the unbuilt portion.

"I was extremely proactive in assessing the initial risk involved in these projects."

— Paul Boatman, *vice president of risk management, Prometheus Real Estate Group*

Boatman also had to gain the trust of the reinsurance company and get it comfortable with the risk.

He did this by working closely with his point of contact, holding several face-to-face meetings and phone calls.

"I was extremely proactive in assessing the initial risk involved in these projects," said Boatman.

"The main concern was that if there was a major loss we wouldn't be covered under a traditional builder's risk policy because of all these additional expenses such as rising construction costs and inflation."

As a result, over a four-year period, they developed a hybrid indemnity/parametric solution with the reinsurer, Swiss Re, that, in the event of a significant event where at least 20% of the property's value was lost due to physical damage, would pay up to a pre-agreed amount to offset the inflationary cost of the unbuilt part of the project, according to a pre-defined schedule.

The amount reflected the coverage need at the various stages of the project.

To gain an economy of scale, the solution, which was presented to and approved by Prometheus' president, CEO and CFO, was implemented for a pipeline of eight projects.

According to Swiss Re, this was the first solution of its kind that it had developed for the construction industry in collaboration with its insured and broker.

"Paul worked directly with the market to try and create a 'ghost inflation' product which effectively allowed us to bridge the exposure if there was a major loss," said Dan Emerson, Prometheus' senior vice president of construction.

"He effectively orchestrated, built and developed that product, which we put in place across the eight properties we were building at the time."

—Alex Wright