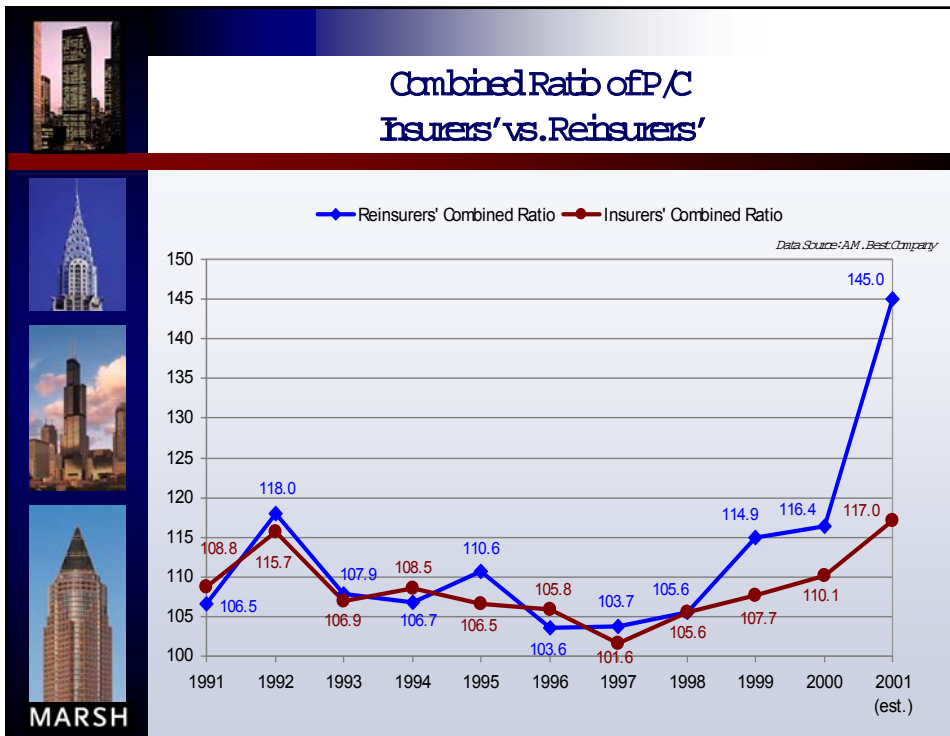


Mitigating Risk Exposure in Commercial Real Estate

G. Alan Murray
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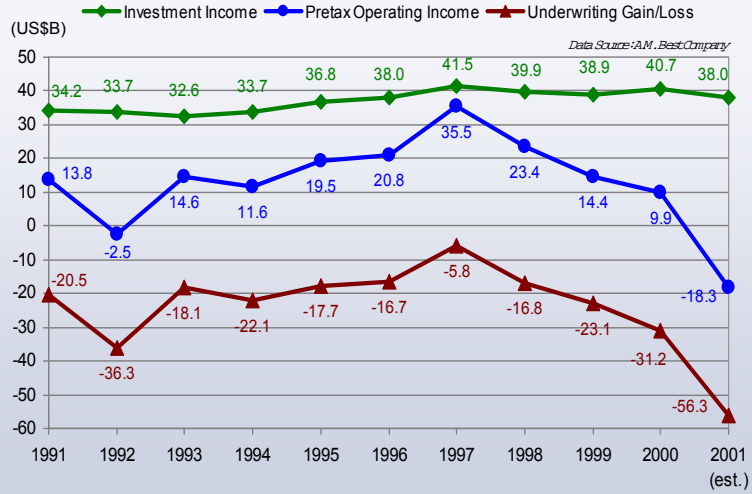




Insurer Financial Performance



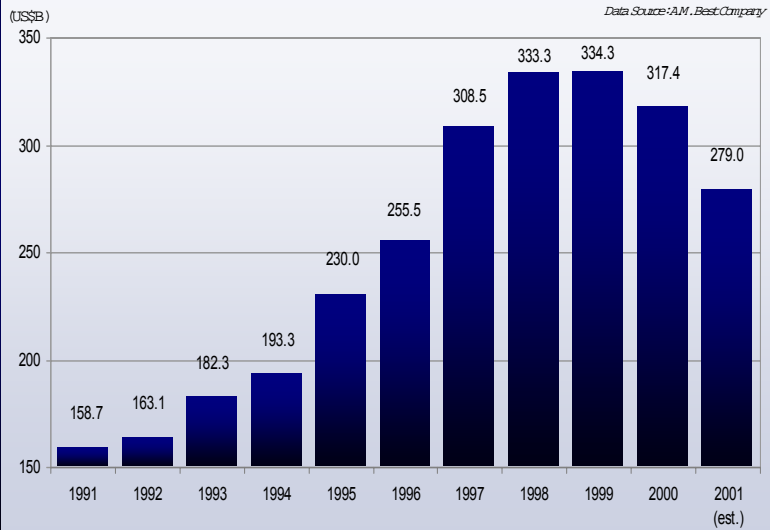
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Policyholders Surplus



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Analysis of Insurance Carriers for Real Estate Industry



Line of Coverage	2000	2002
Property - Primary Layer	> 15	< 5
Casualty - Primary Layer	> 25	< 10



Supply & Demand Determines Price

- ❖ # Carriers ↓
- ❖ Capacity ↓
- ❖ Price ↑
- ❖ Coverage ↓



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Rate Increases By Line of Coverage



Line of Coverage	Prior to 9/11/01	Post 9/11/01
Automobile	15% - 50%	40% - 100%
General Liability	15 - 30%	40% - 100%
Environmental Liability	2% - 5%	5% - 15%
Excess/Umbrella Liability	10% - 50%	40% - 100%
Workers Compensation	10 - 25%	40% - 100%



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Average Property Rate Increases



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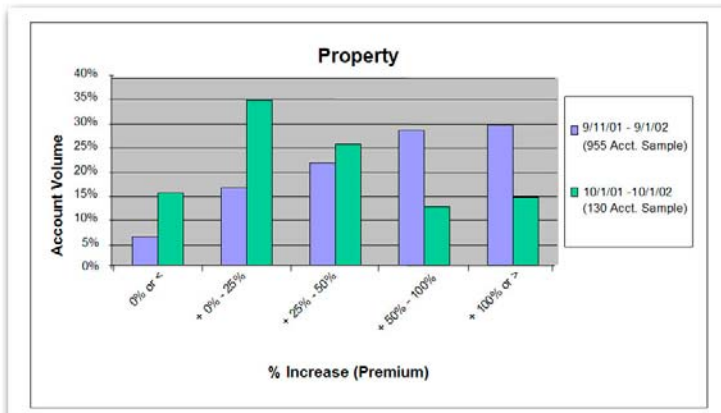
Description	Prior to 9/11/01	Post 9/11/01
Real Estate - General	20% -50%	50% - 100%
Multi Family	20% -50%	50% - 100%
California Earthquake	35%	50% -100%
Florida / Coastal - Wind	40%	50% -100%
Caribbean	50%	100% -200%



October 2002 Property Renewals



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Clients' Additional Issues



Coverage being restricted or eliminated

Allocation Issues

- ❖ Assets acquired and sold
- ❖ Deductible / SR to Tenants
 - Entire Aggregate
 - Actuarial Loss Pick
 - Terrorism Exclusion



Compliance with loan covenants

- ❖ Deductible / Retention
- ❖ Terrorism coverage required ?
- ❖ Limits required Blanket vs Loss Limit
- ❖ Rating of Carriers - Bests / S&P AA



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Marsh Clients' Strategies



Clients are preparing for renewal negotiations like never before.



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Preparation for Renewal Negotiations



Select ONE Broker

Start Process Early – 180 –120 Days

Senior Management Commitment and Involvement



Know Your Exposures

Know Your Place in the Insurance Marketplace



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Preparation for Renewal Negotiations By Knowing Your Exposures



Detailed / Electronic Submission

- ❖ COPE Analysis
- ❖ Detailed Breakdown of Proper Values
- ❖ Catastrophic Exposure Analysis by Zone and Tier
- ❖ Extensive Loss Analysis
- ❖ Catastrophic Modeling
- ❖ Wind, Flood, Earthquake, Terrorist Actions



Business Continuity Analysis

- ❖ Business Interruption
- ❖ Contingent Business Interruption



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Preparation for Renewal Negotiations By Knowing Your Exposures



Determine Your Coverage Priorities

- ❖ Know the coverages you want to have vs coverages you must have and be prepared to compromise



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I. Covered Property	\$150,000,000 Policy Limit	"Property Damage"?	Priority
Locations Covered:		Covers "insured locations" which include locations: scheduled on policy; listed in a schedule attached to policy;	High
Newly Acquired Property:	90 Days Coverage	Covered as Automatic Coverage; includes insured property <i>at any location rented, leased or purchased by insured after inception date of policy.</i>	Medium
Personal Effects of Officers/Employees:		Covered as personal property	Medium
Property of Others:		Covers personal property of others while in insured's custody, to the extent of insured's legal liability for physical loss or damage.	Low
Property Under Construction:		Form covers new bldgs. & additions being constructed at insured locations	Medium
Improvements and Betterments		Insured's interest is covered as Personal Property.	Medium
Yard property:		Covered if on or within 1000' of insured locations	Low



Preparation for Renewal Negotiations By Knowing Your Marketplace



HPR vs Non -HPR

Traditional

Wholesale



Bermuda

London



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Traditional	Bermuda
Wholesale	London



Preparation for Renewal Negotiations By Knowing Your Marketplace



Meet With Your Underwriters
Make Sure They Understand Your Issues
And Make Sure You Understand Theirs



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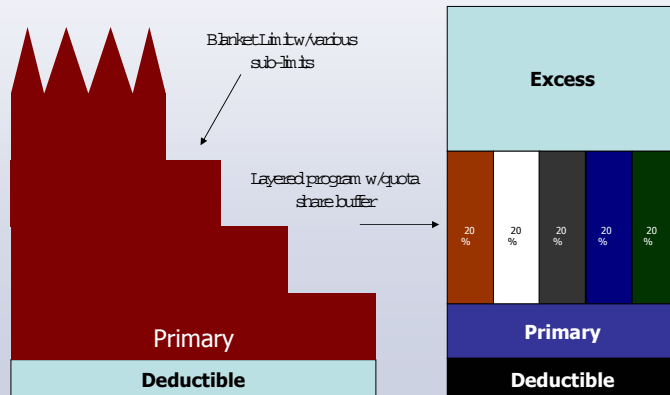


Other Renewal Concerns



Involve Investors, Partners and Lenders in the Process
Early and Update Periodically

❖ Explain any changes in structure



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Terrorism Insurance Update



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Mitigating Risk Exposure in Commercial Real Estate



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