



# Capacity Crunch

## *It's Not Just for Breakfast Any More!*

By Phillip C. Giles, CEBS

Given the domestic (U.S.) market's current hunger for property capacity, I'm sure many brokers would rather that *Capacity Crunch* be a brand of breakfast cereal than a description of current market conditions. Well, in Bermuda it might as well be a breakfast cereal, because the carrier markets here have recently had a palatable taste for difficult property risks.

At this stage, however, it's important to know just what the Bermuda market is craving, before you decide to try to satisfy a sometimes finicky risk appetite. Actually, Bermuda underwriters aren't really that finicky, it's just that brokers sometimes misunderstand this market and what it is that Bermuda underwriters typically want to consume.

The main course for most meals is usually excess coverage. Oh, sure, every once in awhile Bermuda underwriters like to nibble on primary coverage as an appetizer, but even then, they typically seek a *meaningful* deductible of \$250,000 to \$500,000.

*So, what do Bermuda property underwriters really like to see on the risk menu?*

Be sure to remember that most of this is best washed down with several cold pints of Cat Modeling, which can take at least two weeks lead time. So, plan your submissions accordingly.

The Bermuda property market is best suited to situations where risks having difficult exposures need *capacity*, as opposed to mainstream risks shopping strictly on *price*. Bermuda's appetite pretty much gravitates toward the difficult, while balancing price and attachments to competitive levels. But, keep in mind that capacity demand for difficult, catastrophe-exposed risks has been extraordinarily high, especially following last year's record hurricane season. Although the Bermuda market has been able to meet this increased demand however, as with most spicy diets, appetites do eventually become satisfied. We expect Bermuda's property capacity

to gradually retract as underwriters reach their fill of piquant property risks.

There's an old English saying often heard on the island: "My sufficiency has been satisfied to the eloquence of my taste, and more would be redundant." (Translated to American English: "No thanks, I'm full!") So, while Bermuda currently has an appetite for difficult property risks, including wind and quake, just be sure to get to the table before the *sufficiency has been satisfied!*

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### Risk Menu

- Total Insured Values (TIV) of greater than \$100 million.
- Layered programs involving catastrophe exposures.
- Excess insurance/reinsurance attachments starting as low as \$5 million.
- Limits ranging anywhere from \$10 million to \$250 million or more.
- Florida and Gulf Coast Wind is available (with a 5% minimum wind deductible), although, in most cases, underwriters do not have a desire for a *Florida only* risk. A multi-state spread is much more acceptable.
- Stand-alone or DIC for Wind, Quake and other covers is available.