

2021 Property Risk Management Report



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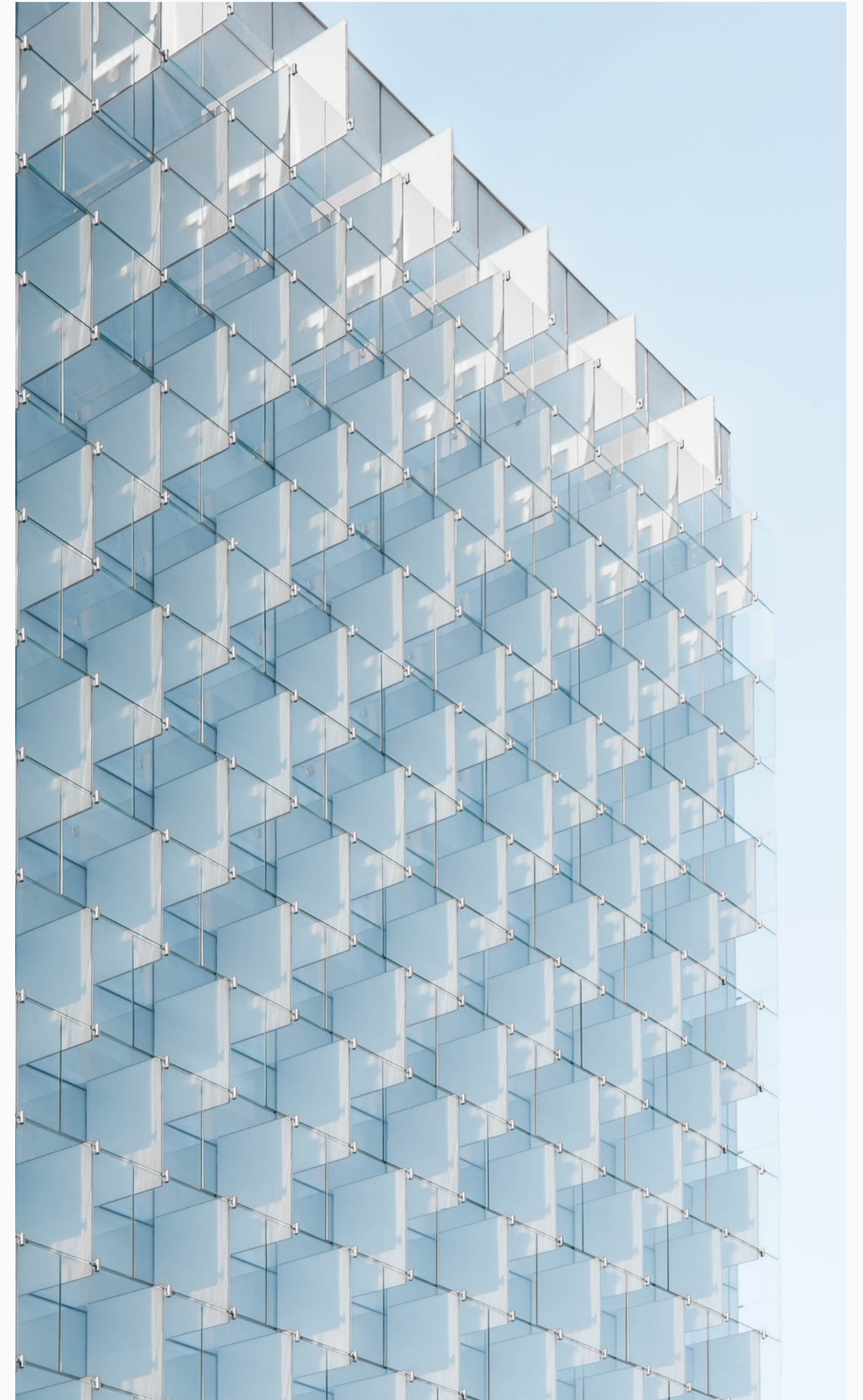
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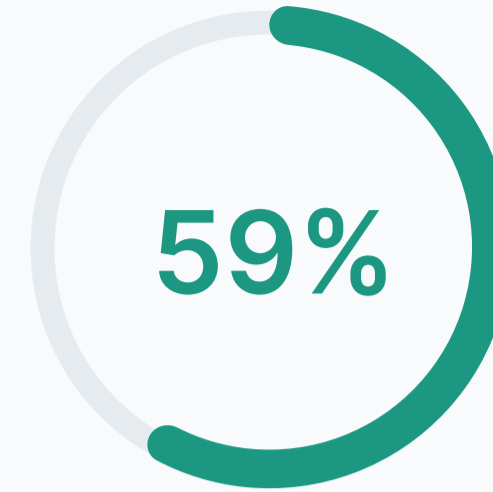
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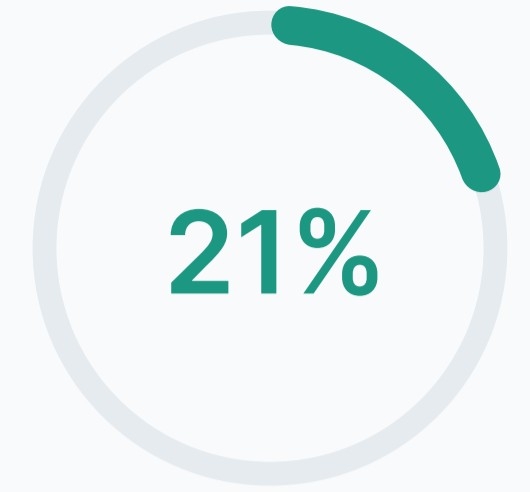
Executive Summary

Findings from the first annual Property Risk Management Survey from Advisen Ltd., a Zywave company, and Archipelago, show that risk managers wish to control more of their destiny. These enterprising risk professionals are increasingly moving upstream within their organizations, contributing and at a time leading, more strategic initiatives around risk, resilience, and mitigation.

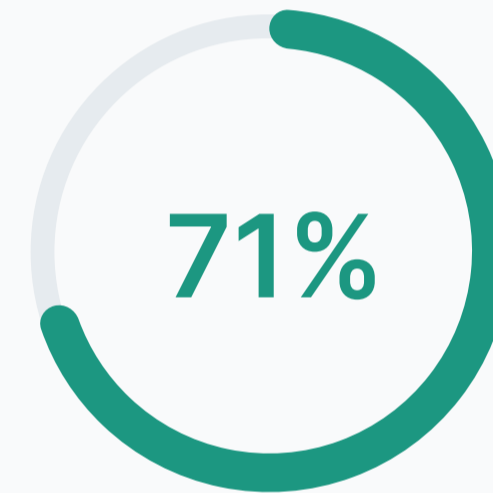
As a result, they are looking for more than just capacity and are challenging the industry to be more transparent and innovative in how they price and provide property insurance coverage solutions.



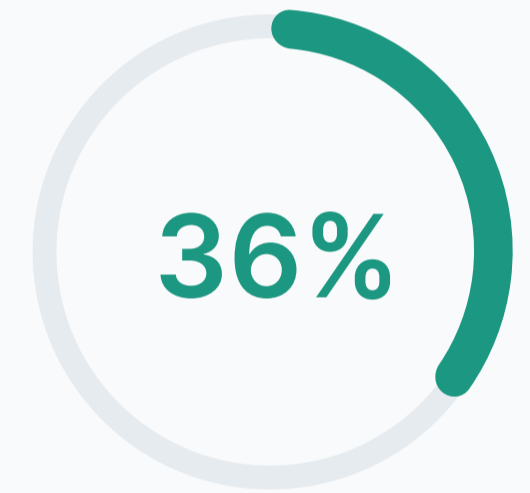
are not satisfied with their property insurance program.



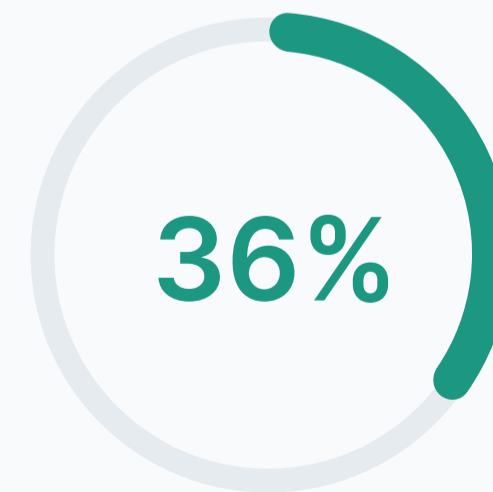
are satisfied with the status quo.



are not satisfied with how insurers price their risk.



say comprehensive and actionable feedback is lacking.



view brokers and insurers digital innovations favorably



want more transparency, efficiency, and innovation from their insurance partners.

Survey Information

We are pleased to present the results of our first annual survey on property risk management from Archipelago and Advisen Ltd., a Zywave company.

The survey took place during the first quarter of 2021, and was distributed to risk managers, insurance buyers, and other risk professionals. In total the survey received **255 responses**.

The data presented in the report focuses on responses from 206 risk managers who reported having a property portfolio greater than \$100 million in total insured value (TIV).

We sincerely thank all survey respondents for their valuable time and insights.



Hemant Shah
CEO, Archipelago



Fred Kipperman
Managing Director, Archipelago



Valerie Chen
Senior Director
Account Management, Archipelago

This report also includes commentary from Archipelago's property risk experts

About Archipelago

Archipelago (OnArchipelago.com) is re-envisioning how large commercial property owners manage their data, assess their risks, and efficiently connect to their insurers.

Archipelago's secure AI-powered platform utilizes machine learning to digitize risk, enrich the data, and provide a secure environment to connect risk managers, brokers and insurers during renewals.

About Advisen, a Zywave company

Advisen is the foremost provider of data, media and technology solutions for the commercial property and casualty insurance market. In 2020, Advisen was acquired by Zywave, a leading insurance tech provider powering growth for its partners.

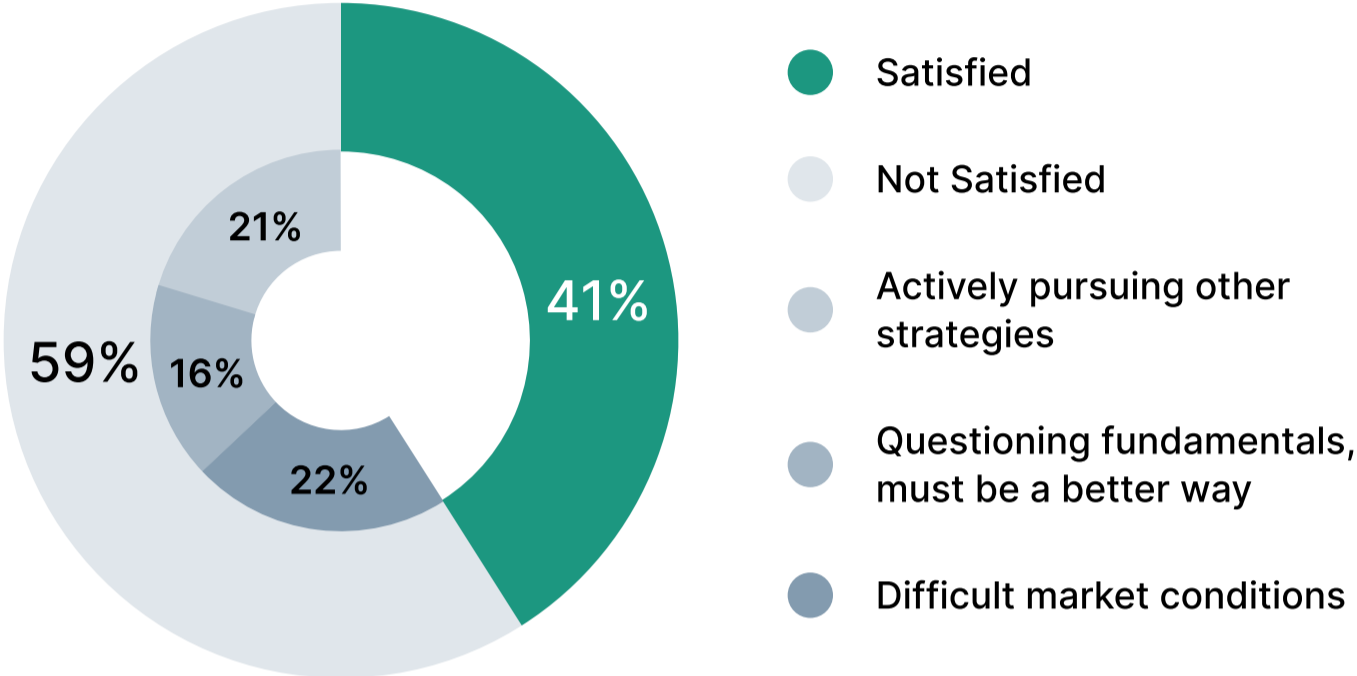
Combined, Advisen and Zywave bring deep expertise, strategic insights, and the most innovative tech solutions to insurance professionals around the globe.

Evolving Stakeholder Expectations

Satisfaction with your property insurance program.

Fifty-nine percent of risk managers are not satisfied with their property insurance programs. While current hard market conditions were identified as the top reason for their dissatisfaction, many are questioning the fundamentals of their insurance strategy and actively pursuing alternative approaches to managing their insurable property risk.

One respondent, for example, expressed a wish for a collaborative relationship with insurance partners “to find alternative risk management options that best meet the needs of our operations efforts and the insurer’s risk management concerns.”



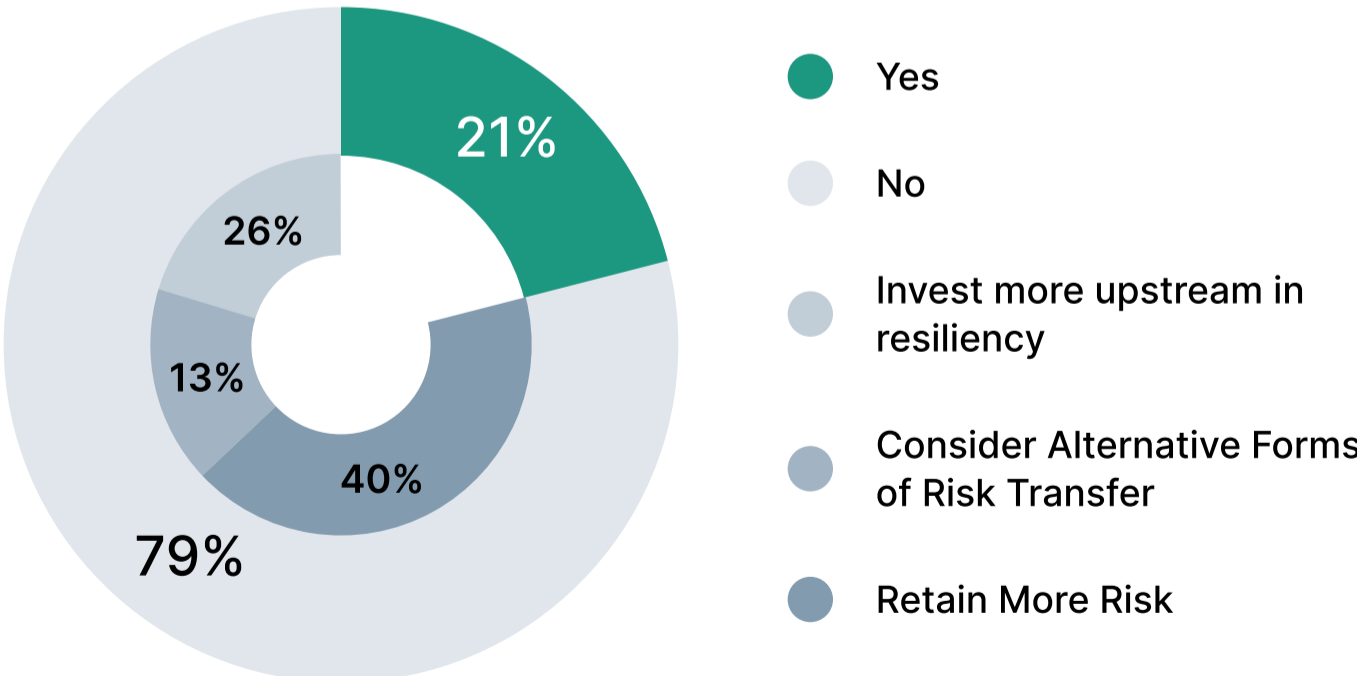
Is the status quo likely to persist?

Looking toward the future, risk managers see insurance playing a significantly reduced role. Just 21 percent said they would like to continue the status quo as their future approach to commercial property risk.

So, if not the status quo, then what? According to respondents, insurance is being pushed out as a piece of the risk-transfer puzzle. Forty percent said they would likely retain more of their risk, 13 percent would consider alternative forms of risk transfer, and a significant 27 percent said they would like to move away from insurance entirely to invest more upstream in resiliency.

One respondent expressed a desire to “eliminate carriers entirely except for catastrophic loss.”

And another said, “In a perfect world, we would not purchase insurance.”



“Large owners of commercial property, both institutional CRE owners and corporations with significant property schedules, are increasingly pursuing proactive programs to mitigate their risk and increase the resiliency of their businesses.

Given these accelerating trends, owners’ Risk Managers are now seeing, and taking, new opportunities to approach insurance as but one component of an overall risk management strategy — and are doing so across the lifecycle of their assets and business exposures. For insurers, these trends raise strategic challenges to maintain relevance as risk management moves upstream.

And yet this is also an opportunity and a call to action for the industry to deliver more comprehensive and innovative solutions to add more value to their customers.”

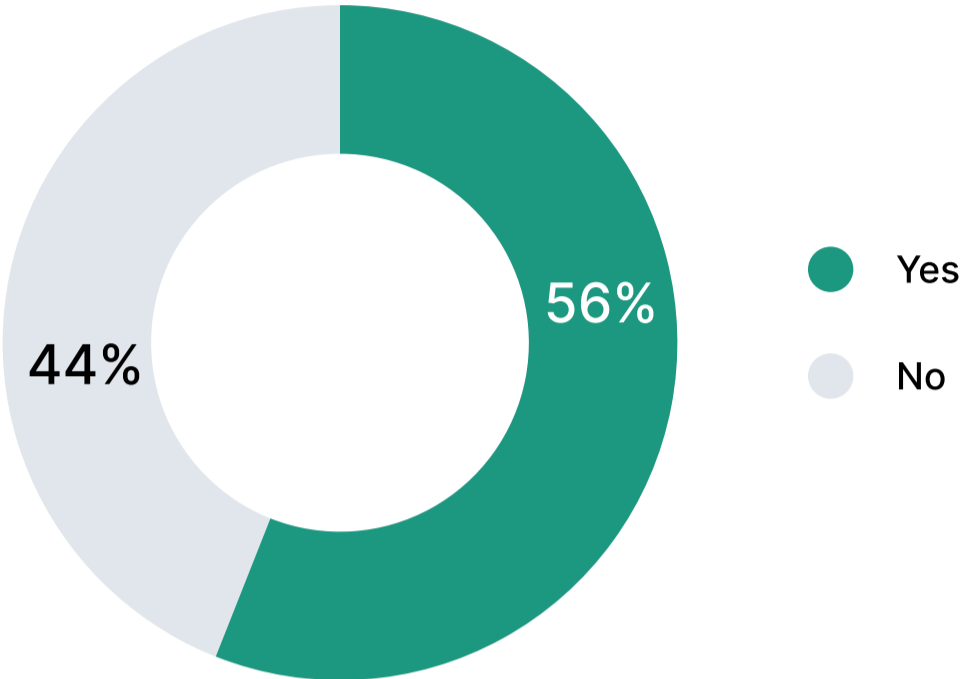
Hemant Shah
CEO, Archipelago

Evolving Stakeholder Expectations

Are you getting more opportunities to deliver strategic impact?

Traditionally, a risk manager's primary responsibility has been purchasing insurance for a company's exposures. They react to market cycles, respond to market pricing, and defer to their insurers and brokers as to the cost-effectiveness of their coverage and the adequacy of their risk management practices.

For a variety of reasons, including the current hard market and pandemic, the risk management role is evolving. Increasingly, risk managers are now being relied upon more as an authority on business strategy. In fact, 56% said they are getting more opportunities to deliver strategic impact, in areas ranging from resiliency and ESG to driving transformation in how they manage risk.



Most difficult questions to answer about your insurance program

One outcome of risk managers' heightened visibility is fielding a higher volume of strategic questions around risk and the mechanisms to best manage resiliency. Not all questions are created equal, though. According to the survey, the questions risk managers generally find the most difficult to answer focus on the value proposition and return on investment (ROI) of insurance, and the drivers of their total cost of risk.

- 62% What is the value proposition and ROI of our insurance programs?
- 57% Why do we pay so much for insurance?
- 50% Do we know the drivers of the total cost of risk so we can better invest and manage the resiliency of our assets accordingly?
- 44% How do we know if our coverage and terms are adequate for our needs?
- 20% Why do we even buy insurance; we have a large balance sheet ourselves!
- 20% Why haven't we considered alternative risk transfer and management strategies?

Respondents selected multiple answers.

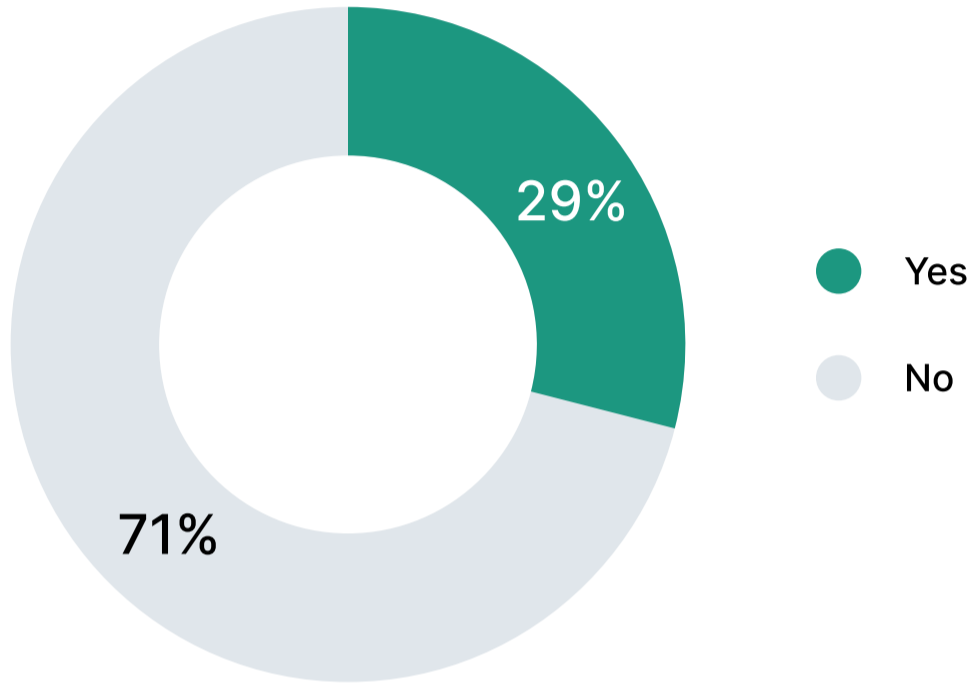
Market Transparency and Insight

Are you satisfied with your understanding of how insurers price your risk?

A lack of transparency is evident when looking at how the insurance industry underwrites and prices property risk. One respondent expressed concern in “increases in prices without a rationale that transparently evaluates the money we are investing in risk prevention.”

Another said, “Underwriters require a lot of data, including a detailed engineering report, but recently they only focus on the total insured value (TIV).” Another opined that they have been a good partner and do not feel appreciated now that it is a hard market.

Risk managers are looking for more actionable, targeted risk insights from their partners that are transparent and reflected in their pricing. In fact, just 29 percent of respondents said that while they would prefer lower prices, they feel the way in which the industry underwrites and prices risk is generally fair and reasonable.



“Driven by factors that have little to do with me”

“I’m lumped in with others”

“It’s a Black Box”

“Asked for a lot of data but don’t understand how it’s used”

“Doesn’t reflect my differentiation”

“Insurance is fundamental to our economy and society. When insurance works best it not only compensates those impacted and enables them to make a rapid recovery, it creates systematic and transparent signals, providing clear incentives to mitigate and reduce risk in the first place.

While, of course, Risk Managers would welcome more coverage with better terms at lower rates, they are clearly also seeking more strategic value from their insurance partners. By providing more consistent year-on-year and transparent pricing, linked to quantifiable and objective criteria, with more systematic value-added communications and insights, insurers can partner with their customers to create more actionable solutions that not only insure their customers’ risks, but enable their customers to manage and reduce their risk.”

Fred Kipperman
Managing Director, Archipelago

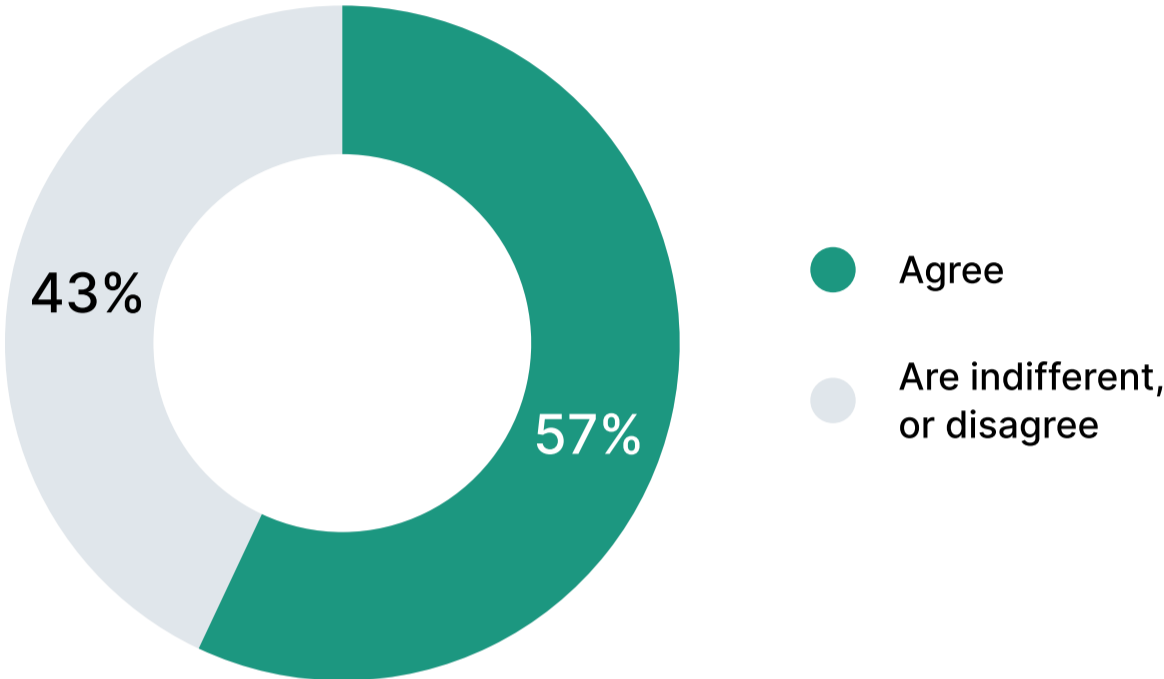
Market Transparency and Insight

Is the quality of your assets reflected in your terms and pricing?

Just 57 percent of risk managers believe their emphasis on risk management and loss control is reflected in their property insurance terms and pricing. This demonstrates a clear disconnect between risk managers and their insurance industry partners as to what is needed in order to get a better rate.

“Our company has an outstanding loss prevention/ loss control program, but this doesn’t seem to be reflected in our premiums. Underwriters point to the poor loss history of our industry as a whole,” said one respondent.

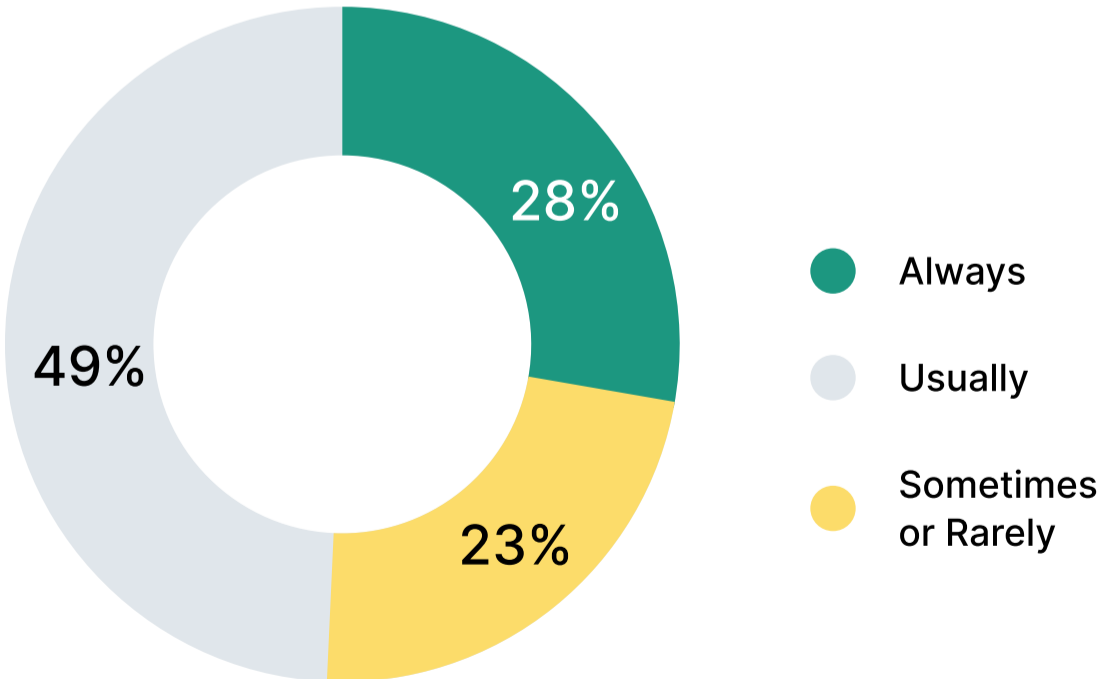
“We still feel like underwriters do not give our company enough credit for the risk management initiatives we have put in place,” another respondent explained.



I understand how my data is used by insurers and how I can improve it.

For the most part, risk managers understand why they are required to provide detailed property data and how it is used to underwrite and price their risk. But while there is an understanding of the why and how, in actuality many risk managers feel the information they provide is not reflected in their policy terms and pricing.

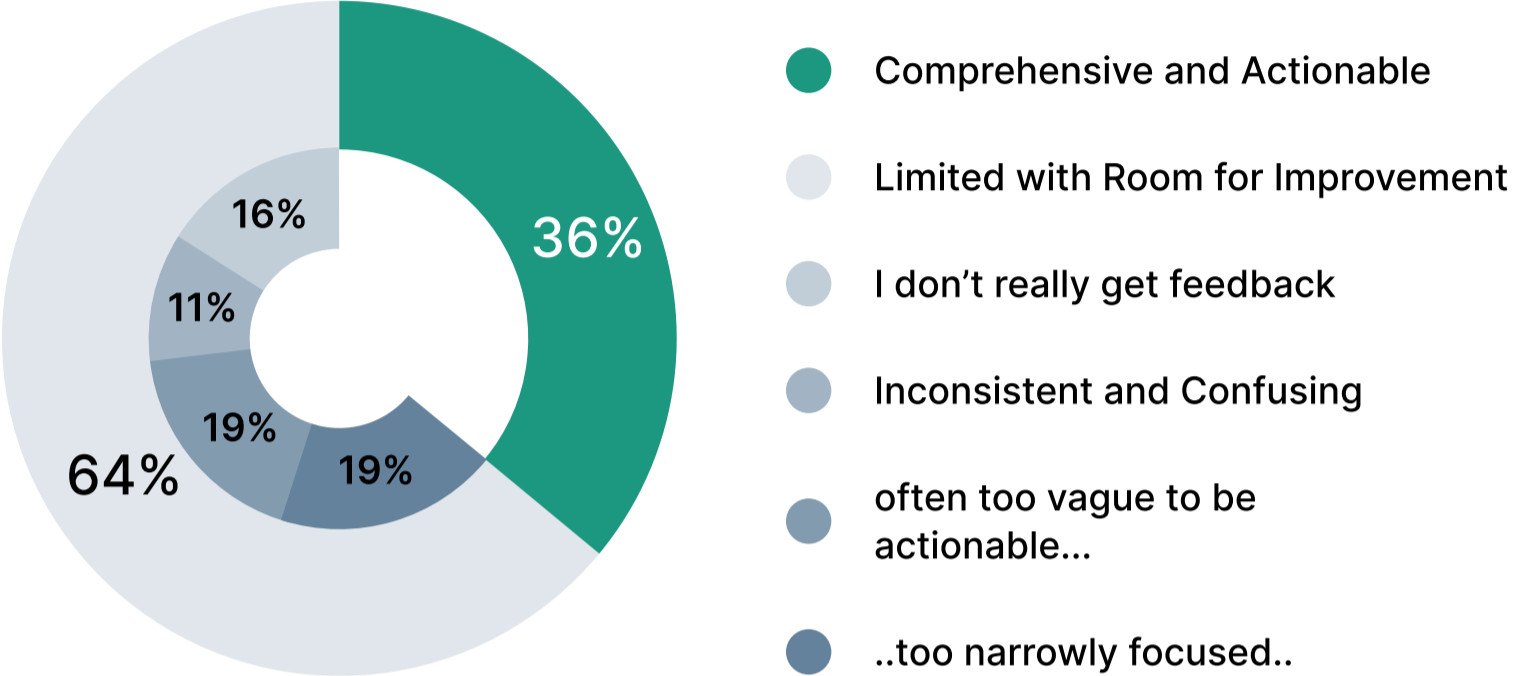
This creates the perception that the data being provided is either not sufficient, or insurers are no longer underwriting risk and simply applying blanket pricing. As noted by one respondent: “It seems like the true risk exposure is increasingly of little consequence as insurers race to profitability bandwagon.”



Market Transparency and Insight

The feedback I get from my insurance partners is...

Approximately two-thirds of the risk managers surveyed said they either are not receiving feedback to improve their risk profile or the feedback they do receive is not useful. As one respondent noted, “We receive engineering recommendations to lower the risk for various properties, but there isn’t a correlation between the mitigation efforts and insurance pricing.”



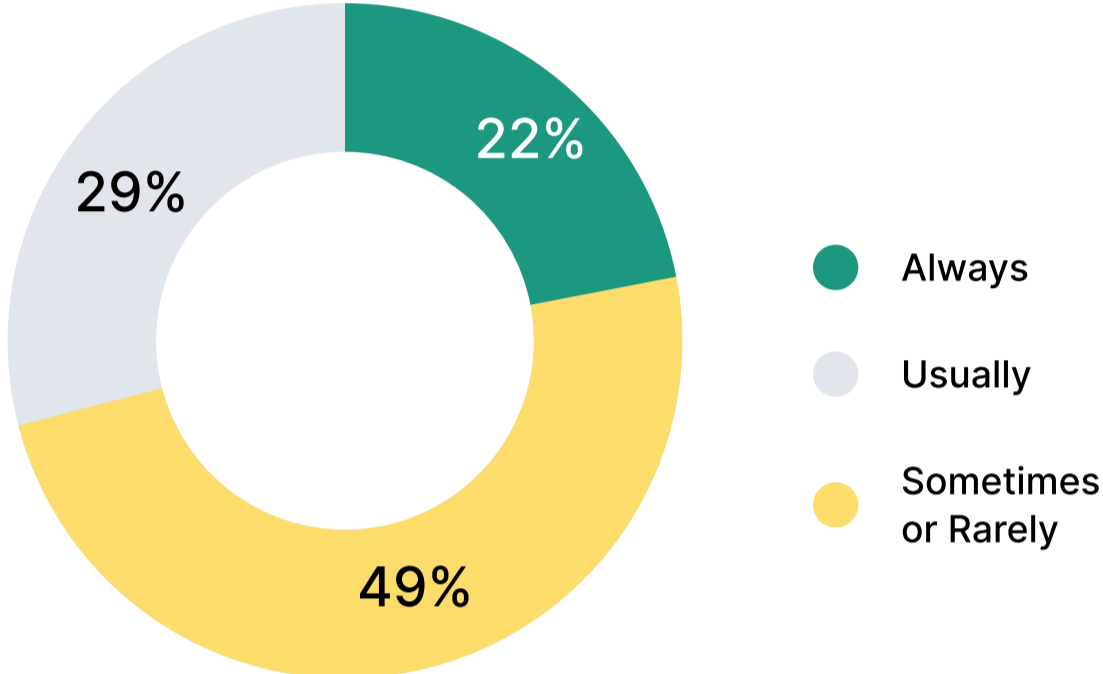
Innovation

What's driving digital innovation in your risk management?

A digital transformation is occurring in businesses across all industries. From revenue creation, to product enhancements, to transforming business processes, a digital business environment is at the core of most modern business strategies.

The survey revealed that risk management is often not included in the digital initiatives of the business. In other words, a digital divide has emerged between risk management and the strategic digital business initiatives of many companies.

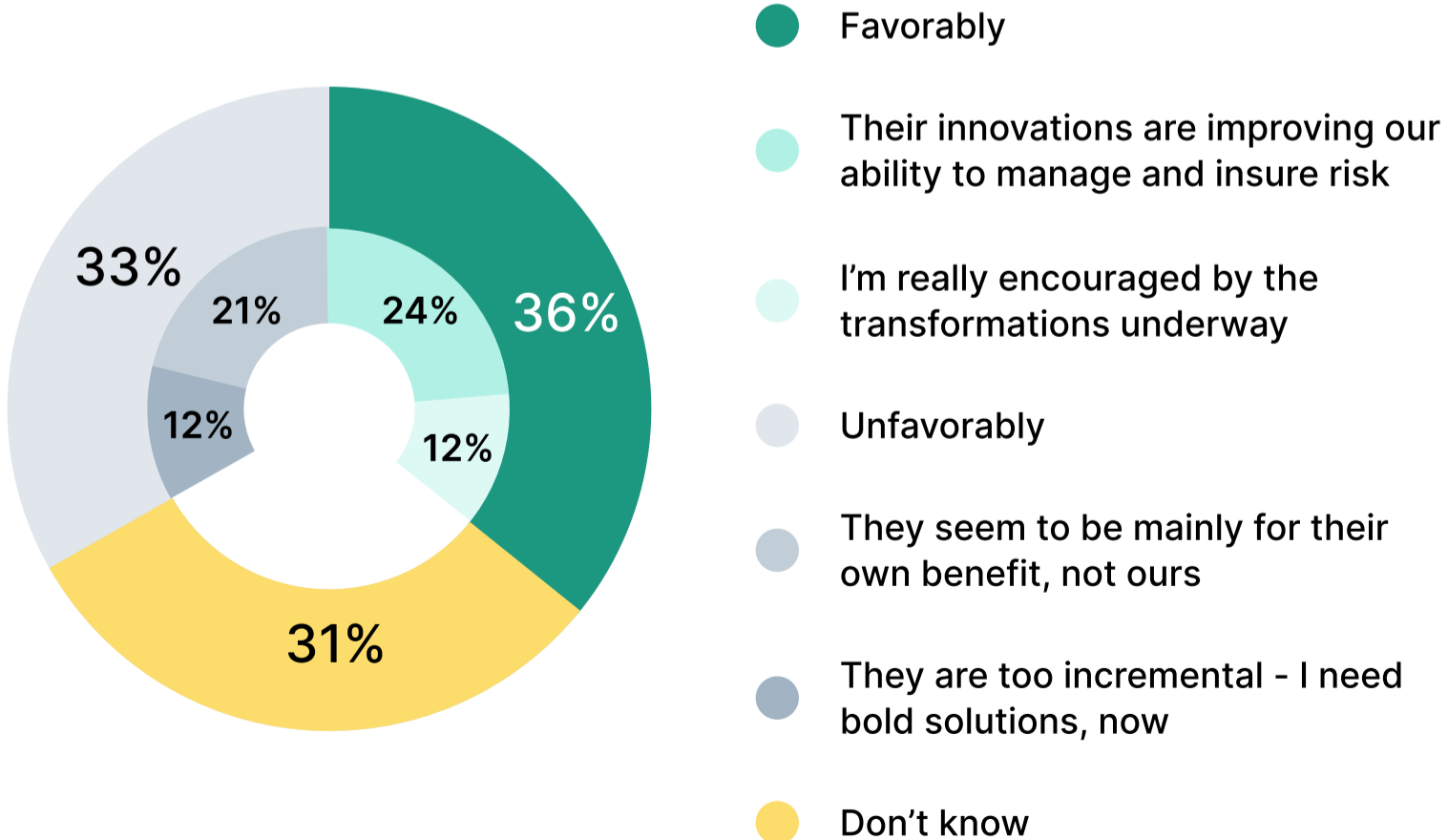
Just 29 percent said risk management and insurance is an active component of their company's digital strategy, and a mere 22 percent said digital innovation is being driven by their broker and insurance partners.



How do you view the digital initiatives of your brokers and insurers?

This digital divide creates a significant opportunity for the insurance industry. Instead of digital innovations that are incremental and mainly for their benefit, the industry can seize on this opportunity to provide value to its customers through digital innovations that reimagine how business gets done, particularly with large commercial property accounts.

Just 36 percent of respondents said their brokers' and insurers' digital innovations are improving their ability to manage and insure their risk, or are encouraged by the digital transformations underway in the insurance industry. On the other hand, 64 percent are either unaware of their brokers and insurers initiatives, feel they are for their own benefit, or are far too incremental.



“As their businesses digitize and pursue more proactive risk management and resiliency strategies, leading Risk Managers are taking the initiative to challenge the status quo and sponsor innovations that create positive impact. As we partner with our customers, all Risk Managers with leading owners of commercial property, we see them increasingly asking fundamental questions about the how and why of risk management and insurance. They are challenging persistent inefficiencies in how the work gets done.

They want to know how they can innovate and use their own data to drive more proactive resilience strategies for their business. They want to know how they can get more connected and actionable insight from their insurers. And, they are questioning existing risk transfer paradigms. At the heart of fundamental innovations are fundamental questions.”

Valerie Chen

Senior Director

Account Management, Archipelago

Innovation

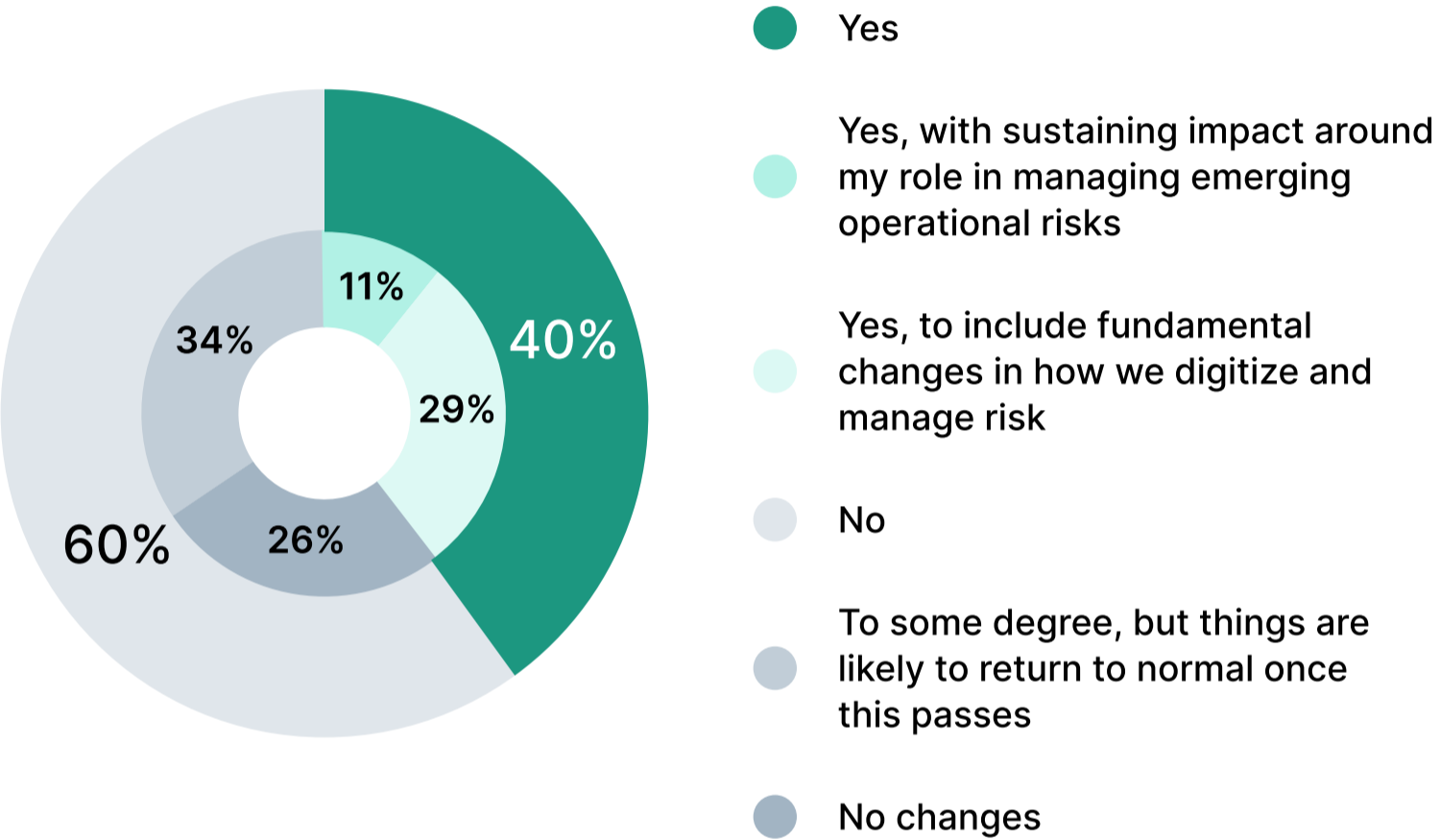
Has the pandemic changed your role and/or your risk management priorities?

The pandemic has contributed to the growing risk manager profile and evolving risk management priorities. Risk managers stepped up to the plate as senior executives looked to them for answers on how best to respond to this once-in-a-century event. One respondent noted, for example, “Our internal risk management division continued ‘in-office’ operations during the pandemic as our tasks were considered essential functions.”

Another said, “The pandemic has changed all aspects of our business, including the risk management function. That said, we see much of this as an opportunity to do things better going forward.”

In fact, 40 percent believe the changes to their role and priorities will continue into the future after the pandemic passes.

One respondent noted, “Supply chain awareness has increased. Strategic planning has also improved for the challenges of the next pandemic.” Another cited “greater interest and receptivity from directors regarding opportunities for transfer of risk and vehicles relating to emerging risks.”



Innovation

What improvements would you like to see from your brokers and insurance partners?

While lower costs and better terms are always important, risk managers with large property portfolios would also like more transparency, efficiency, and innovation to help improve their job performance so they can better understand their drivers of risk and act accordingly. In short, they want more fundamental value from their insurance industry partners.

One respondent said, for example, that brokers and insurers need to be “fully transparent and open with real-time data sharing, particularly around things like cat modeling etc.” Another said they would like the insurance industry to “share ideas for innovating and improving the process and product, including suggesting alternatives.” Another commented it would be helpful to receive “proactive strategies to lower their risk, therefore lowering premiums. Something more comprehensive than annual loss control inspections at high-value properties.”

70%

More predictable pricing that is more closely aligned with my risk and its differentiation

61%

More innovative coverage solutions that better align with my evolving needs

60%

Lower costs, better terms

55%

More transparency on my insurance, risk drivers, and how I compare to others

53%

Simpler and more efficient processes that save time in gathering required property data

45%

More innovative services, including digital insights, to help me better manage my own risk

Respondents selected multiple answers.

Archipelago invites you to learn more

Read our white paper

Have questions or comments about this report?
Please get in touch at inquiries@OnArchipelago.com.

