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| C:\Users\Public\Pictures\Sample Pictures\PMWBG.jpg | **Peter M Wells Business Group, LLC****1111 N. Marshall Street Suite 304 Milwaukee, WI 53202 262-347-6091** **petermwells@peterwells.us** |

April 15, 2014

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| To: | **Insurance/Re-insurance Underwriting & Claims Executives****Business Development Leaders/Risk Prevention Managers** |
| From: | Peter M Wells Business Group (Wells Group) |
| Re: | **Insurance Innovation and Earnings Improvement****Reinsurance Companies Learn New Ways to Identify Maintenance Problems in Books of Property Business to Bring Down Catastrophic Event Loss Costs** **Insurers Use Life-Cycle Cost (LCC) Data to Determine Impending Maintenance Failures That Increase Damage If Ignored.**  |

At The Wells Group, we have been gaining new and exciting traction in the property insurance industry through the introduction of our Life Cycle Cost (LCC) Predictive Modeling. A top property insurance writer recently developed a report addressing the effectiveness of the program giving the system high marks for predicting loss experience and also saw its benefits as an alternative to credit. At the same time several large writers continue to ask to test the program in their risk selection and pricing with a fresh perspective on competitive positioning emerging since they finally can understand 90% of non-catastrophic building claims they pay.

We also learned new things for reinsurance models when catastrophic losses like wind happen that we wanted to share.

Actually, cat models come under fire after major events since they can understate the magnitude of the problem and associated expense. We have looked at Insurance to Value as a culprit, and work is being done on that front. But something bigger is occurring we believe that is not being addressed. Our belief is shared with other industry engineering firms like IBHS, that being that existing models can't adequately address the condition of homes and commercial properties at the time an event occurs to understand the degree of maintenance neglect that will ultimately impact loss and associated expense.

What we discovered recently is that building owners to often allow structures to be maintained poorly, not because of poor investment practices as much as from a lack of knowledge on what needs maintenance. No matter what quality of construction or building code upgrade, no matter how much coverage is maintained, failure to maintain the properties means the neglected components (like roof, walls, windows, etc) cause the structure to fail even in a minor event. Actually, we believe if reinsurance companies ran a Whitestone report on books of business going through catastrophe modeling, especially in pre-disaster analysis, predictions could improve at the same time highlight the maintenance exposure that will impact loss experience. Using the Whitestone scores we developed, we believe you could improve the risk predictions substantially

It might be worth a look.

Respectfully;

Peter Wells

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