

PETER M. WELLS BUSINESS GROUP

# INFORMATION BULLETIN



New research from Peter M. Wells, working with millions of commercial property insurance records, reveals 68% of business interruption limits are undervalued by 56%. This can be corrected generating billions in sustainable annual returns while better protecting policyholder business.



## Business Interruption ITV Technology from PMWBG

Virtually any U.S. business anywhere in the nation

ITV for Business Interruption Insurance Demonstrates Bold New Revenue & Service Opportunity

GROW IN AN OTHERWISE FLAT PROPERTY MARKET WHILE DELIVERING BETTER COVERAGE TO BUSINESS OWNERS

THE WORLD'S ONLY ITV TECHNOLOGY FOR BUSINESS INTERRUPTION LAUNCHES WITH SUBSTANTIAL FINANCIAL IMPACT

PETER M. WELLS BUSINESS GROUP (PMWBG)



Come In - We're Open

Reliable BII Protection

Companies already collect all the information necessary to calculate better ITV results for using the cloud-based technology from PMWBG. As part of the application process, carriers know the name of the business insured, it's address, and purpose. PMWBG business data fills in the rest and corrects other errors such as SIC or NAIC code.

PMWBG data is "econometric" information in that we have business specific information continuously updated for over 37 million active corporations and 150 million historic firms. This corporate specific insight coupled with information from the economy from over 50 other business-related databases provides a strong platform for developing policy limits for companies our clients insure.

The program is cloud-based technology on the most powerful support platforms so handles volume and keeps track historically on the life-cycle of ITV results and input information for policies you maintain.

Our system also groups the millions of businesses we monitor in the U.S. economy into "peer groups" so we see the typical cost of business interruption coverage for like kind and size of business in the estimate validation process.

Now having performed analytics on insurance files with nearly 20% of the nation's commercial property insurance business, we recognize that most policies are not yet insured to value and the earnings potential correcting underinsurance is expected to exceed \$15Bn in annually sustained revenue. In a line of business that has not grown more than 1% over the past 10 years, early adopters will generate

Agents & Underwriters Require No New Work to Quickly Estimate BII

significant earnings upside even without writing any new policies, which earnings are impossible to get in other ways and that drop right to the bottom line.

## Policyholders Embrace Pre-Loss Valuation Input to Reduce Post Loss Settlement Disputes

RIMS 2017 Business Interruption Insurance Study highlights the anticipated success of better coverage limits for commercial insurance customers working with business owners and managers.

Businesses are keenly aware of the new challenges facing corporations in the 21<sup>st</sup> century marketplace, events that now bring companies to their knees in an expanding list of circumstances. Fires, water losses, wind and hail are only a fraction of what corporate managers now prepare for. Major winter storms, wildfires, terror attacks and hurricanes are now of growing concerns. Other new phenomenon like cyber-attacks, electrical outages and eruptions of civil unrest also conspire to shutter corporations, challenges the nation didn't face when BII programs were first formulated. RIMS' survey points out that as many as 68% of surveyed companies are already working on their own estimates of lost business costs and probability and preparing strategies independent of carrier participation. Additionally, it is reported that only 17% of business managers trust coverage recommendations from their agent and many are not silent when disputes arise. Even using BOP forms where few ITV calculations are performed, and many insurers offer coverage at low cost for the very remarkable value given, settlement disputes are some of the highest in numbers in the insurance industry since, according to the ABA, no pre-loss estimate of insurable value is typically agreed upon. It turns out that lawsuits after major loss events skyrocket for BII claims uniquely because of the erupting discord over business specific coverage limit disputes.

Becoming the customer's trusted advisor for BII will become an easier task when agents and underwriters are better able to provide risk specific recommendations for BII limits using an organized and proven ITV tool.<sup>1</sup> Disputes will minimize at the same time customers are valued and priced for their unique business needs.

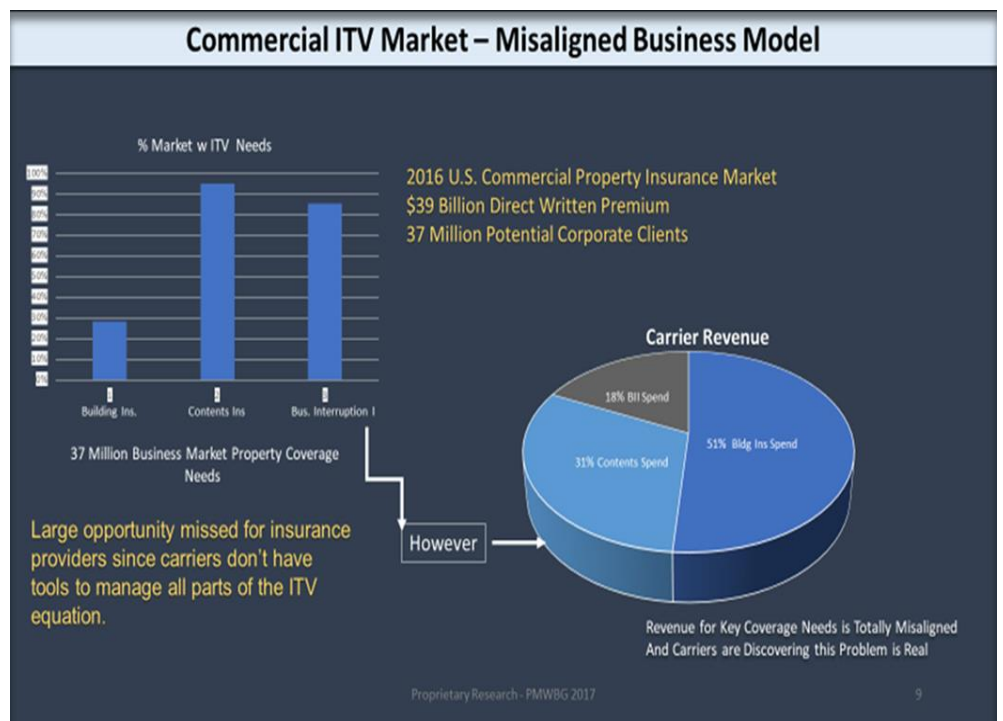
## UPDATING COVERAGE – MAJOR OPPORTUNITY FOR CARRIERS AND THEIR CLIENTS.

When large loss events occur, business interruption claims dwarf other real property losses (like building claims). Nevertheless, carriers spend far more time estimating building replacement cost, at the same time aligning more than 50% of the overall property revenue and associated pricing with buildings. A reason can be that until now no simple-to-learn-and-use ITV solution exists for BII and too many companies have lost the skill associated with evaluating BII exposure, automated underwriting being more prevalent today.

Correcting ITV for the more-costly BII losses will not only generate stronger returns for insurance providers but generate a new contingent revenue stream for agents. Policyholders will be better protected and as the Penn State law school points out, finally having ITV for BII where valuation is agreed to when policies are first written is expected to dramatically reduce the unusually large numbers of BII lawsuits plaguing the industry.<sup>2</sup>

In the case studies performed at PMWBG, we also noted that large numbers of existing BII forms have the same BII limits regardless of the size or type of business. Different kinds of businesses with annual revenues wildly different were too often insured for business interruption at the same coverage adding to a growing ITV challenge business owners face.

68% of BII Limits Undervalued by Over 56%



To learn more and receive a no cost demonstration of the program contact:

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<sup>2</sup> [http://elibrary.law.psu.edu/cgi/viewcontent.cgi?article=1141&context=fac\\_works](http://elibrary.law.psu.edu/cgi/viewcontent.cgi?article=1141&context=fac_works)

<sup>1</sup> RIMS Business Interruption Insurance Survey, 2017

ITV for Business Interruption  
Insurance Demonstrates Bold  
New Revenue & Service  
Opportunity  
Quarterly Information  
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