



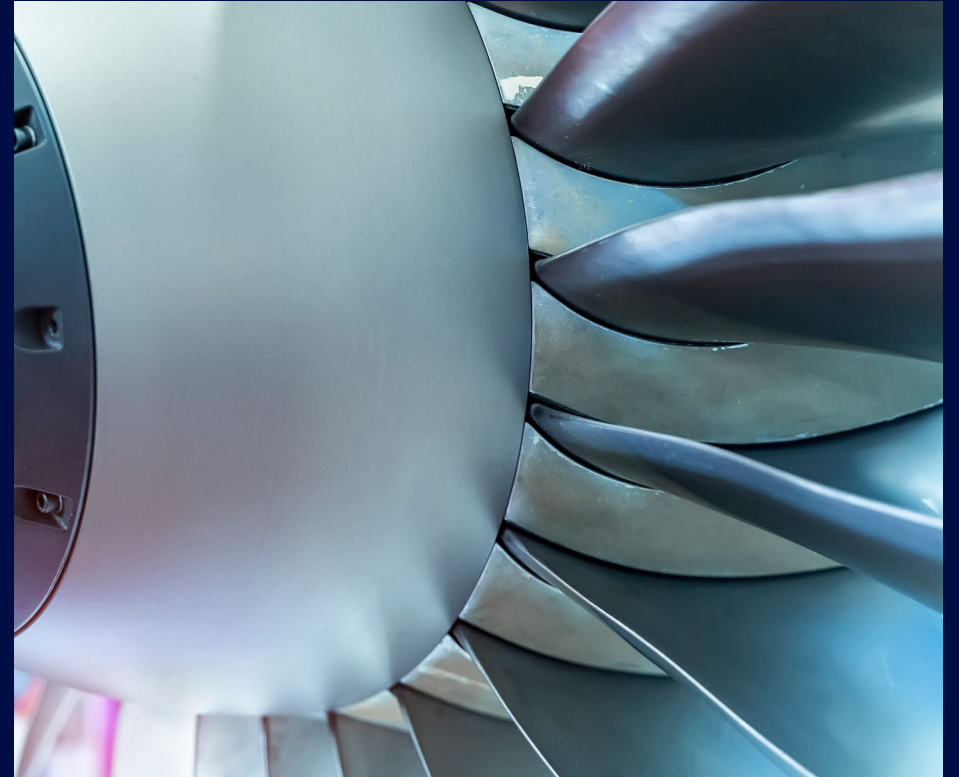
Case Study: Property – North America

Excess Stock On A Warehouse Operator



Background

HWS Specialty had the opportunity to look at a policy for excess stock sitting over a Chubb primary policy for a warehouse operator supplying defence parts to a well-known manufacturer.



Max Value: USD 350m



The Client

The client operates a warehouse store for a well-known Aircraft manufacturer, at one location.

The warehouse operator rents the warehouse from a third party and isn't responsible for insuring the buildings, so the underlying coverage is a policy from Chubb for tenants and improvements, business interruption, personal property and stock of others up to a limit of USD 95m.

The problem arose when the client reviewed the contract between themselves and the manufacturer and realised they were responsible for the goods being stored at full value and not on a reduced liability basis, and subsequently realising the monthly values could be up to USD350m!

If anything was to happen it would wipe out the capital of the business, as the client was responsible for the full cost of the goods.

The Process

The London market has a large appetite and capacity for excess stock.

We requested the average and max values for the past 12 months and the contract between the Insured and the manufacturer. We weren't allowed to see the full contract but reviewed the basis of valuation, to make sure our policy tracked.

We presented a formal submission to the market in our "certain way" which included a full marketing proposal of the risk and the associated property exposures.



The Solution

We provided the client with USD 255m excess of USD 95m which was enough to cover the max values at any one time.

The Structure





The Summary

- Client hadn't reviewed contract
→ We reviewed & advised it
was value declared vs \$ per lb
- Limit insufficient (95m) →
Placed an excess layer to bring
Limit up to full value
- Balance sheet fully exposed →
Balance sheet protected



Thank you

