

## CASE STUDY

# MONTPELIER RE INTEGRATES TruExposure FOR IMPROVED RISK-BASED PRICING

Montpelier Re is a Bermuda-based reinsurer and leading provider of reinsurance and insurance solutions; the company takes pride in delivering timely and competitive quotes for risks when the quality of exposure data is a concern. To help price these risks, Montpelier Re sought an easy-to-use and easy-to-implement data quality assessment tool they could rely on to develop more appropriate risk premiums.

Montpelier Re chose TruExposure™. TruExposure has equipped Montpelier Re with the ability to verify the accuracy of replacement values and the quality of the cedant exposure data they underwrite.

### THE CHALLENGE

Montpelier Re wanted an improved understanding of the risk associated with their exposure and increased confidence that their pricing appropriately accounted for data quality. To achieve their goal, Montpelier Re recognized that they needed a better way to assess the quality of the exposure data that cedants submit. Analyzing risk across multiple portfolios can be a daunting task, especially when it involves evaluating the quality of the exposure data and the appropriateness of replacement values for each cedant portfolio.

### THE SOLUTION

After evaluating the data quality assessment tools currently available in the market, Montpelier Re selected AIR's TruExposure, which was then integrated into the company's existing pricing workflow.

TruExposure enables Montpelier Re to assess the strengths and weaknesses of the exposure data they receive from cedants, then improve the quality of the data when information is missing or questionable. In addition, TruExposure helps Montpelier Re verify replacement values to better reflect the risk.

Montpelier Re's process of evaluating cedant portfolios begins with an examination of the Exposure Overview report, which enables them to quickly identify portfolios

with large amounts of "Unknown" data or questionable data. These portfolios are then flagged as candidates for further analysis.

TruExposure's industry benchmarking reports provide the insight needed to make clearer distinctions between portfolios by revealing how the information represented in each portfolio compares to the industry mix.

TruExposure also provides the insight Montpelier Re needs to prioritize data quality improvement—and know when to ask cedants for more information.

After data quality assessment is completed, Montpelier Re improves the quality of the data when necessary through TruExposure's data augmentation, which offers the ability to match the risk to a large, risk-specific data set assembled by AIR that includes more than 65 million individual properties. These data have been assembled through a combination of data sources unique to AIR's parent company Verisk Analytics, including ISO PushPin™ data, ISO surveys of commercial properties, and replacement cost estimates from 360Value®.

**IMPROVED PROFITABILITY BY CHARGING RISK-APPROPRIATE PREMIUMS** With TruExposure, Montpelier Re obtained the independent, objective assessment of risk they sought. The company was able to use TruExposure to help their underwriters determine what kind of adjustments they should apply to account for data quality when deciding on pricing. This guidance was derived primarily from a combination of the assessment of replacement values and TruExposure's data quality scores to evaluate the underlying risk of each portfolio. These portfolio analytics can serve both to confirm their underwriters' intuition as well as help alert them to accounts that may have potential problems.

During the renewal period, Montpelier Re concluded that some risks were worse than average—and underpriced when the impact of data quality was explicitly considered. Conversely, for insurance company clients that have been able to provide accurate and complete data, including accurate valuations, Montpelier Re was able to offer better-than-average terms and capacity. Ultimately, TruExposure has enabled Montpelier Re to reduce the uncertainty surrounding data quality and improve profitability by charging risk-appropriate premiums.

Montpelier Re was also able to improve the risk analysis accounting for the quality of their cedant data using TruExposure. By selectively augmenting cedants' data characteristics, Montpelier Re was able to obtain a better view of the overall risk and the sensitivity of the modeled results around primary risk characteristics. Today, Montpelier Re is more confident in their modeled results—and in their risk selection.

## CONCLUSION

Upon integrating TruExposure into their workflow, Montpelier Re gained a better understanding of their risk. Based on analyses performed with TruExposure's data quality assessment tools, they were able to better differentiate cedants' portfolios accounting for the exposure data quality.

Today, TruExposure enables Montpelier Re to continue to underwrite the difficult, technical risks at the core of their business. It provides them with greater confidence that their trusted team of underwriters is making the right decisions when applying adjustments to cedant portfolios. Based on their successful experience with TruExposure during the renewal, Montpelier Re will continue to expand their use of this powerful tool in evaluating data quality.

“We found TruExposure to be an excellent exposure data quality resource. It filled a critical need for us to gain more accurate replacement values to properly price our insurance-to-value (ITV) risk. The replacement values alone have given us unparalleled access to up-to-date information that enables us to write a better book.”

—Tim Aman, Chief Risk Officer,  
Montpelier Reinsurance

## REFERENCES

If you are interested in learning more from Montpelier Re about their experience with TruExposure, your AIR account manager will be happy to put you in touch with: Tim Aman, Chief Risk Officer, Montpelier Reinsurance

## ABOUT AIR WORLDWIDE

AIR Worldwide (AIR) is the scientific leader and most respected provider of risk modeling software and consulting services. AIR founded the catastrophe modeling industry in 1987 and today models the risk

from natural catastrophes and terrorism in more than 90 countries. More than 400 insurance, reinsurance, financial, corporate, and government clients rely on AIR software and services for catastrophe risk management, insurance-linked securities, detailed site-specific wind and seismic engineering analyses, and agricultural risk management. AIR is a member of the Verisk Insurance Solutions group at Verisk Analytics (Nasdaq:VRSK) and is headquartered in Boston with additional offices in North America, Europe, and Asia. For more information, please visit [www.air-worldwide.com](http://www.air-worldwide.com).

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