Retention Strategy Experience
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- 25 years with TMLIRP
- Initial tasks at TMLIRP were recording Reinsurance Recoverable & Expense
- Experienced significant increases in retentions over the years.
- Loss data principal
- Actuary liaison
- Driving development of enterprise wide data warehouse

Retention Strategy – Path to Maturity

**STRATEGY as pattern**
- Pattern of consistent behavior / what you do
- Strategy realized over time
- Limited retentions options due to capital
- Rate making driven by reinsurance market
- Looking for emergent trend
- Equity ratio analysis

**STRATEGY as plan**
- Strategic planning process
- Higher retention options due to large capital base
- Based on trend analysis
- Assessment of business environment
- Risk appetite
- Alternatives, trade offs, scenario planning, choices
RetentionPolicy – Strategy as Pattern

Rising reinsurance costs drove increasing retentions and ultimately self-insurance.

• Outlier year in 2000 drove increasing reinsurance rate.
• Emergent market trend resulted in strategic shift.
• Initiated planned strategy with increasing use on internal reinsurance fund.

RetentionPolicy – Strategy as Plan

Property Equity Growth

Stable weather pattern/drought
• Increased base retentions during this period
• Minimal rate adjustments
• Equity conserved for “rainy day”
• Increased quota share of internal reinsurance fund for catastrophic losses

Volatile weather pattern
• Aligned deductibles to industry norms
• Coverage limit adjustments
• Capital efficiency assessment produced additional reinsurance purchase that yielded favorable impact to desired equity balance and offset volatile experience impact to equity
Retention Strategy Maturity

STRATEGY as pattern

STRATEGY as plan

• Goal based – Target equity study
• Risk Appetite
• Risk Assessment – past experience + variance risk
• Aligning strategy with operating environment
• Capital Efficiency – many levers
• Not always increasing retention, assess capital efficiency opportunities at lower levels.

Retention Strategy – Other Experiences

• Use of corridor reinsurance to cushion increased retentions, mitigate frequency in expanded exposure layer
• Strong reinsurance partners can mitigate unforeseen gaps or risks
• Eye of the horizon – presumption, volatile weather, legislative risks
• Long tailed risks – actuarial rate setting and reserve setting can have different strategies and still align with retention/organizational strategy
Retention Strategy – Questions?

STRATEGY as pattern

STRATEGY as plan