



Commutations

We know what you need to know to take a commutation to successful conclusion. From our experience, here are a few ground rules:

- The data between two parties rarely matches exactly and records may be archived or in old systems, so allow plenty of time to gather information. Outsourcing gives additional expertise and resources.
- Focus on what you agree first, then negotiate on the areas where there is disagreement.
- Ensure a consistent approach to pricing, otherwise you may encourage reinsurers' bad behaviour in order to get a good deal.
- Make sure that any commutation transactions are fairly allocated across all potential claims, otherwise retrocessionaires may object.
- The commutation process is complex and time-consuming, so cutting a few smaller deals while working on the major deals will avoid an "all-or-nothing" approach.

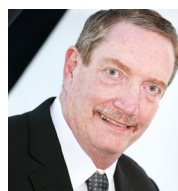
Any type of commutation is ultimately about securing or protecting an asset. Many commutation issues exist because the ceding company has not properly supported or documented its claim. Others emerge because the company lacks the follow-up needed to negotiate and agree a commutation strategy over a lengthy period of time. Here's how Citadel Risk can help you:

- Help create a Strategic Commutation Plan that meets your appetite and capabilities
- Reconcile paid and outstanding losses with cedants, brokers or reinsurers prior to negotiation
- Provide advice on appropriateness of IBNR factors and reserving methodology
- Coordinate the need for audits in the commutation process
- Assist in negotiations and drafting Commutation Agreements

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