

A large, stylized teal graphic consisting of several overlapping, wavy, ribbon-like shapes that flow across the page from left to right. The color transitions from a darker teal on the left to a lighter, more vibrant teal on the right.

MASTERING RISK BALANCE: INSIGHTS INTO RETENTION AND TRANSFER IN INSURANCE

Presented by:

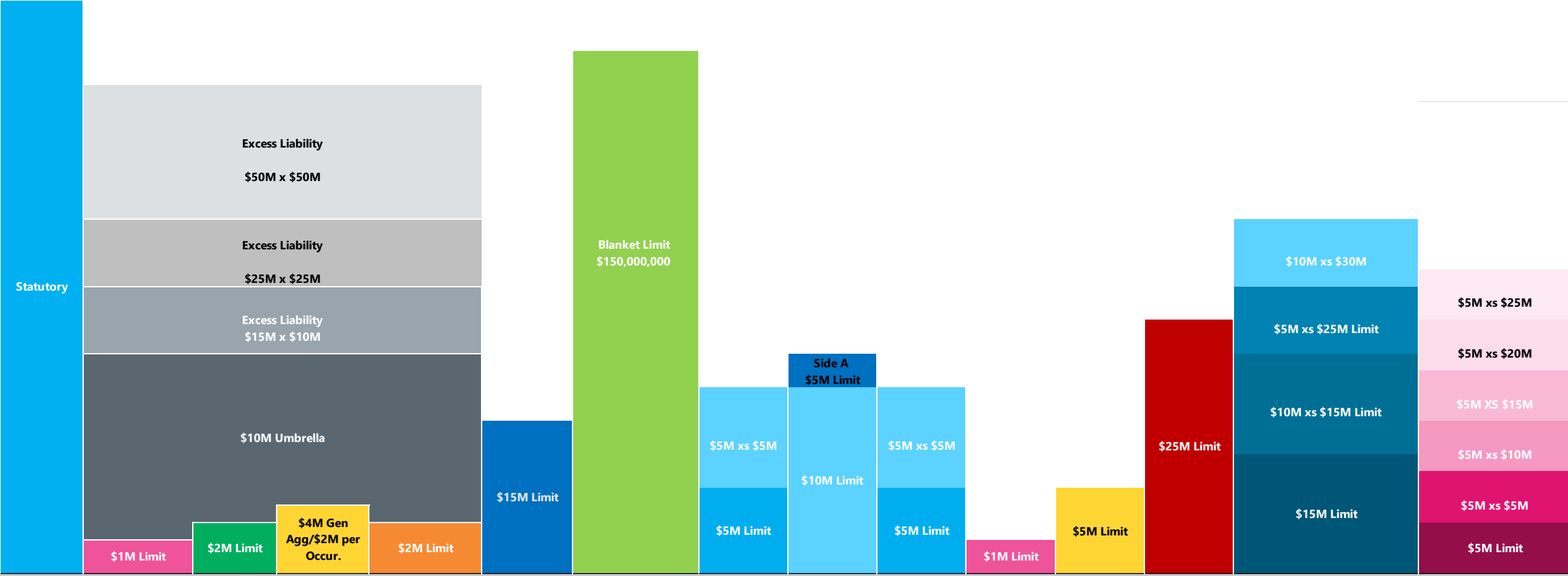
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Lockton Companies

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INSURANCE DECISIONS

MULTIPLE OPPORTUNITIES TO RETAIN, TRANSFER, AND FINANCE



	2025 - 2026						2025 - 2026					2025 - 2026			
Coverage	Work Comp	Employers Liability	Auto	General Liability	Foreign Package (GL, Auto, EL)	Business Travel Accident	Property	Employment Practices	Directors & Officers	Fiduciary	Employed Lawyers	Crime	UAV Liability	Media	Cyber/Tech E&O
Carrier															
Deductible	\$500K - First Loss \$300K - All other losses	\$500K - First Loss \$300K - All other losses	\$250K - Liability \$100K - APD	\$500,000.00	Auto - \$1,000	N/A	\$100,000 All Other Perils	\$250k All Other, \$500k Mass/Class	\$250,000	\$50k All Other, \$5M Class Action	\$25,000	\$50,000	N/A	\$500,000	\$250,000

EVALUATION PROCESS



ANALYZE TRENDS

- Claim turnover trends
- Loss/frequency rates
- Causes of Injury
- Benchmark outcomes
- Predictive analytics
- Individual claim development

EVALUATE PROCESSES

- Interview key stakeholders
- Understand organizational priorities
- Review claim protocols and allocation models
- Review TPA and managed care contracts
- Understand safety program priorities
- Audit claim files/reserve development

QUANTIFY COMPETITIVE ADVANTAGE

- What is working well?
- Which processes are negatively impacting outcomes?
- What is the potential financial opportunity?
- Evaluate effort versus return of potential strategies

RECOMMEND STRATEGY

- Suggest targeted approach, tailored to organization's specific priorities
- Evaluate implementation challenges with client
- Establish KPIs and monetize anticipated return on investment

IMPLEMENT STRATEGY

- Assign ownership/timeline
- Participate in rollout/communication efforts
- Coordinate with internal/external stakeholders

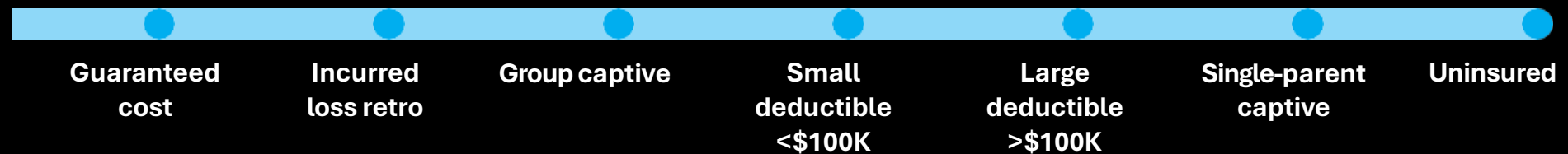
EVALUATE/MONITOR

- Continuous measurement and feedback with client
 - Quantify results regularly
 - Identify obstacles and pivot if necessary
-

RISK FINANCING OPTIONS

SPECTRUM OF RISK

Alternative risk transfer concepts grew out of the lack of insurance options in the 1970s into the 1990s. Insurance companies began to price risk and formulate structures that increased the amount of risk retained by the insureds. Today, there is a broad spectrum of insurance options for clients, ranging from more traditional fully insured programs to large-deductible policies, fronted programs, captives and other financial market products.



LOWER RISK

- High premiums
- Cash flow intensive
- No volatility
- No capture of profits
- Collateral reduction
- Ease of administration
- Low (if any) accrual impact

As you move along the spectrum of risk (from left to right), an organization retains greater risk and control over their insurance programs. Captive insurance companies can be an effective vehicle for companies to formalize and finance the risk of their organizations.

HIGHER RISK

- Low premiums
- Cash flow advantageous
- High volatility
- Capture profits
- Collateral need
- Administrative demand
- High accrual impact

RETENTION ANALYSIS

Workers' compensation

Untrended and undeveloped excess counts

Policy year	Total	≥\$100,000	≥\$250,000	≥\$350,000	≥\$500,000	≥\$1,000,000
04/30/20	6	0	0	0	0	0
04/30/21	9	1	0	0	0	0
04/30/22	16	1	0	0	0	0
04/30/23	9	2	1	1	1	1
04/30/24	3	0	0	0	0	0
Total	43	4	1	1	1	1
Average	8.6	0.8	0.2	0.2	0.2	0.2

Projected losses at alternate retentions for policy year

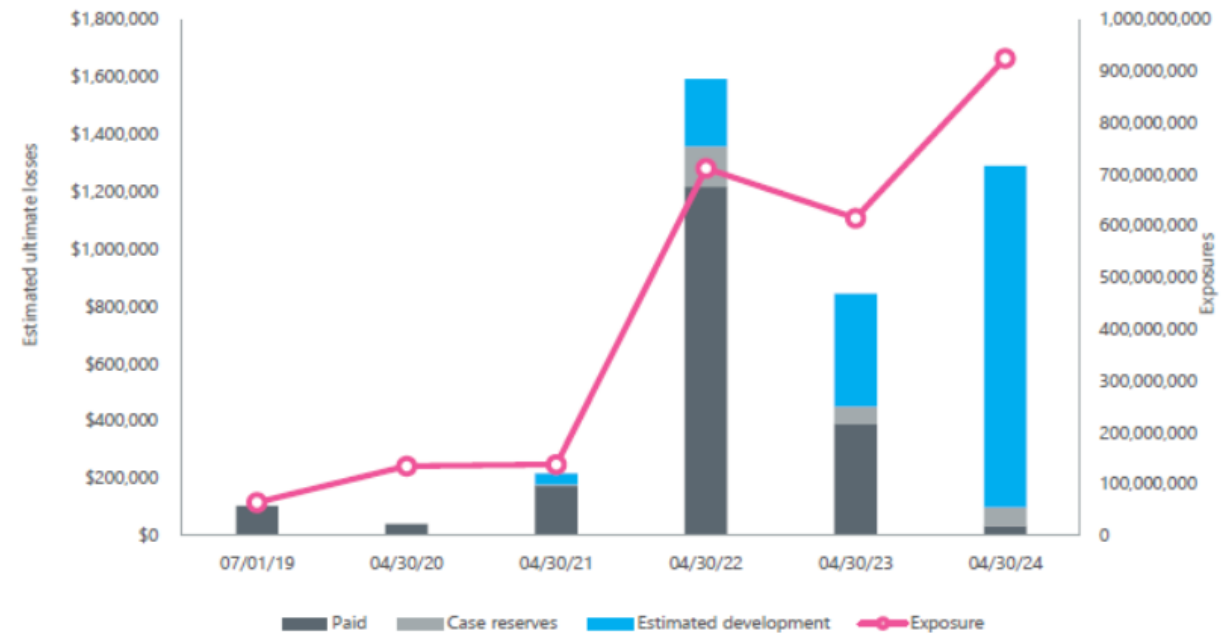
Retention	Estimated based on:	
	Historical losses	Benchmark percentages
\$100,000	\$734,000	\$734,000
\$250,000	\$930,000	\$988,000
\$350,000	\$985,000	\$1,073,000
\$500,000	\$1,068,000	\$1,161,000
\$1,000,000	\$1,338,000	\$1,308,000
Unlimited	\$2,383,000	\$1,591,000

Benchmark rate losses

\$1,000,907

\$556,059

PROJECTED ULTIMATE LOSSES AT EACH POLICY YEAR'S RETENTION



UMBRELLA LIABILITY

PRICE-PER-MILLION (PPM) FOR LEAD UMBRELLA POLICY

Layer	Benchmark % or PPM Relativity*			Premium	Limit (M)	PPM	Comparison to Benchmark
	25th Pct	50th Pct	75th Pct				
Lead 10M	\$10,304	\$36,007	\$119,992	\$350,000	10M	\$35,000	Between 25th and 50th Pct

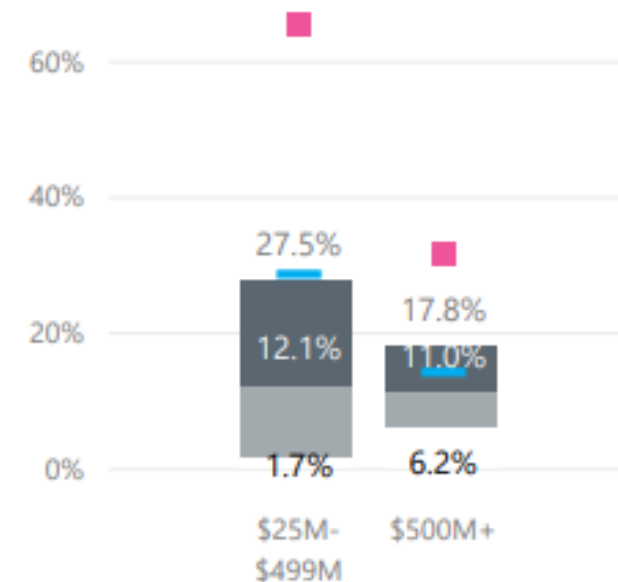
PROGRAM OBSERVATIONS

At \$350,000 premium spend, CLIENT ABC's 10M Lead Umbrella is below the median price-per-million of peer organizations. Adding in international operations and inclusion of professional liability and sexual misconduct liability as qualitative factors, our view is that the lead is below market both from a pricing and deployed capacity standing. Should the incumbent change their approach to providing terms, it may be difficult to replace this layer at a similar capacity and price per million.

TOWER PRICE CHANGE

11.3% Median
22.8% Average

TOWER PRICE CHANGE BY CLIENT REVENUE*



Benchmarks pulled from Lockton's book of business. Parameters include media and publications organizations with more than 5 autos.

MULTIMEDIA LIABILITY

COVERAGE FOR:

- Libel
- Copyright infringement
- Intellectual property theft
- Privacy Violations
- Defamation lawsuits

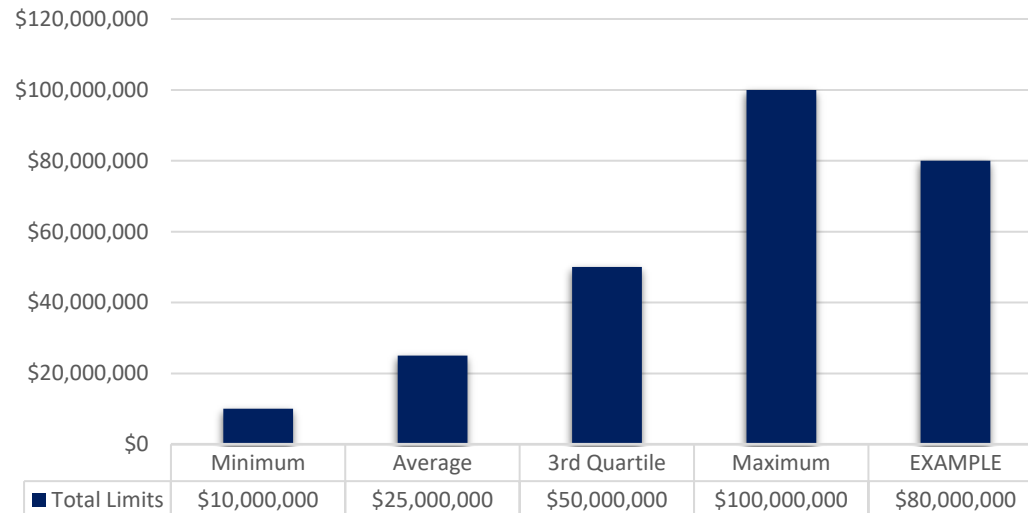
EXPOSURES FROM:

Advertisements, Articles, Videos, Pictures, Books, Magazines, Publications, Broadcasts, Music, and modern channels like Social Media, Podcasts, and other web-based platforms

LIMIT BENCHMARKING

Total Limits All Media Companies \$250M to \$2B Projected Revenue Peer Group Size 48	
	Total Limits
Minimum	\$10,000,000
Average	\$25,000,000
3rd Quartile	\$50,000,000
Maximum	\$100,000,000
CLIENT ABC	\$80,000,000

Source: Advisen



What's Covered?

Revocation of Intellectual Property Rights



Emergency Costs



Product Withdraw



Liability (Settlements / Damages)



Defense Costs



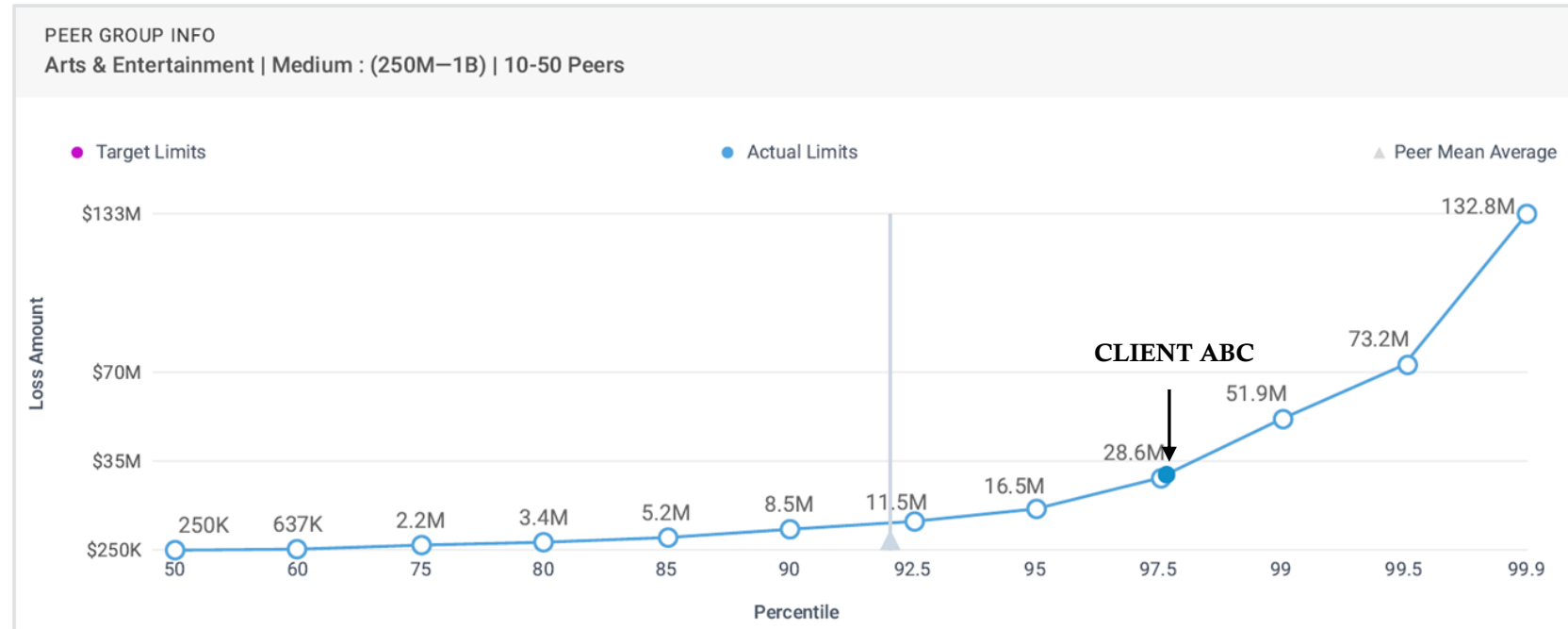
Third-Party Indemnity



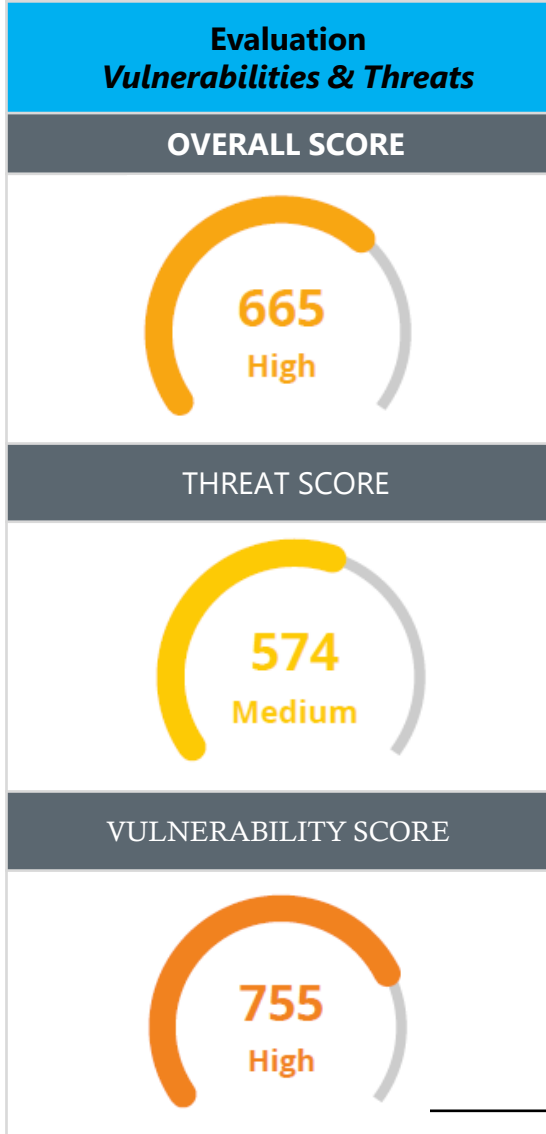
QUANTIFYING CYBER RISK

Lockton Analytics *powered by CyberCube* combines **CLIENT ABC** specific data like revenue, industry and record count with security and threat data to predict cyber losses that could happen to **CLIENT ABC** in the next year

- If **CLIENT ABC** experiences a cyber loss, there is a:
 - 5% chance it will be \$16.5M or more
 - 2.5% chance it will be \$28.6M or more
 - 1% chance it will be \$51.9M or more
- **CLIENT ABC** \$30M limit would cover approximately **98%** of the model's projected losses
- **The peer group average** limits are transferring financial risk for **92%** of simulated cyber losses
- **At a minimum** we recommend that our client's transfer **≥90%** of the model's projected losses



CLIENT ABC – CYBER RISK SCORE



The cyber risk score is made up of distinct threat and vulnerability scores. Orpheus replicates the methods used by threat actors to uncover intelligence that would be useful to malicious parties looking to target CLIENT ABC.

The scores suggest more of CLIENT ABCS' cyber risk stems from its vulnerabilities than its threat. As a result, mitigating the vulnerabilities we have identified will have the biggest effect on reducing CLIENT ABCS' overall risk level.

CLIENT ABC has a higher risk score than average in its sector average of 352.

Orpheus Overview

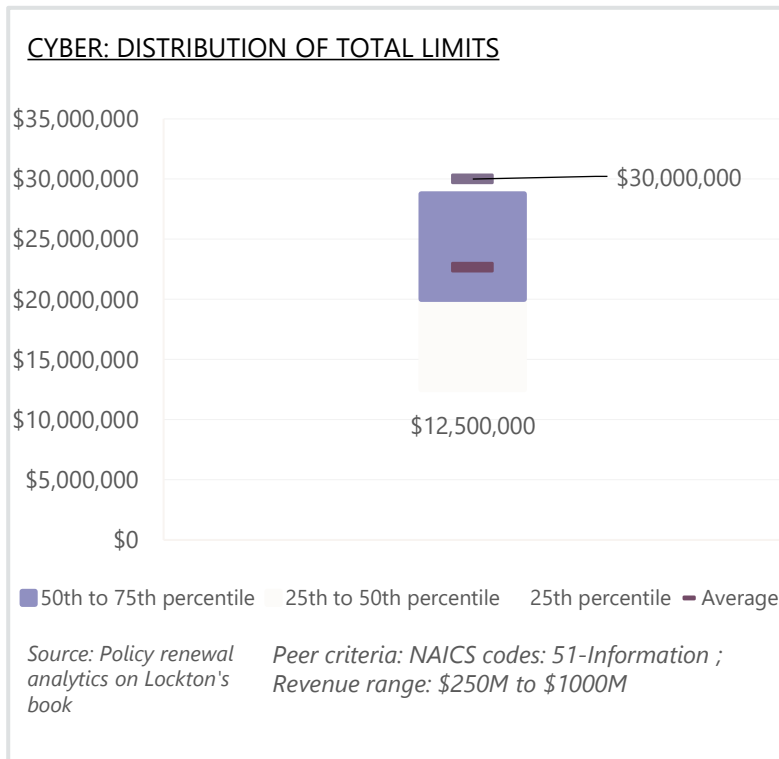
Orpheus Cyber is an accredited threat intelligence business that has taken a threat-led approach to cyber risk ratings.

Methodology

Orpheus uses a combination of open-source research, freely available tools and passive reconnaissance to replicate the methods used by threat actors and uncover intelligence that would be useful to malicious parties looking to target your organization.

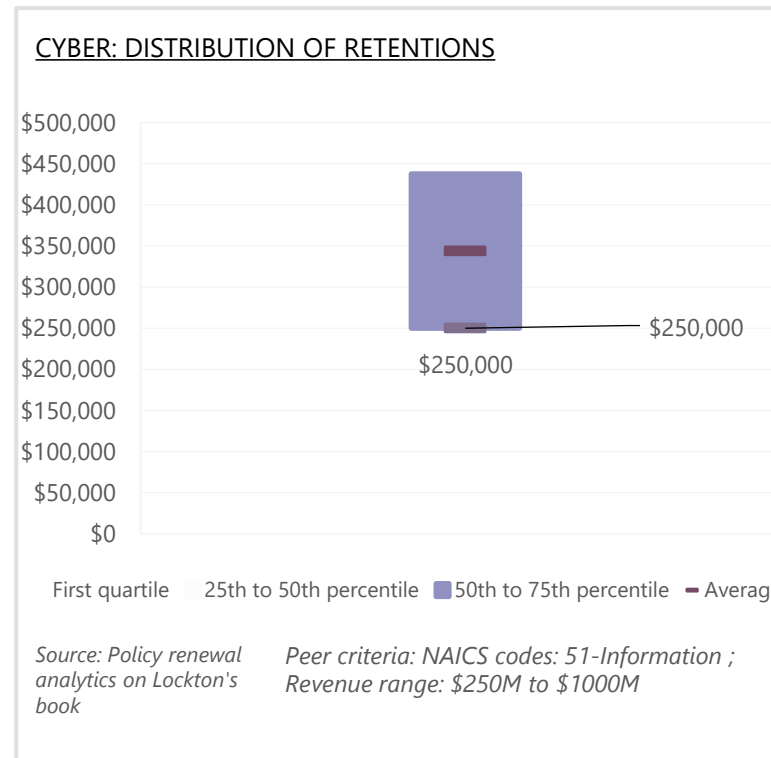
CYBER BENCHMARKING – LIMITS AND RETENTION

LIMITS



Average: \$22,657,895
Median: \$20,000,000
CLIENT ABC: \$30,000,000

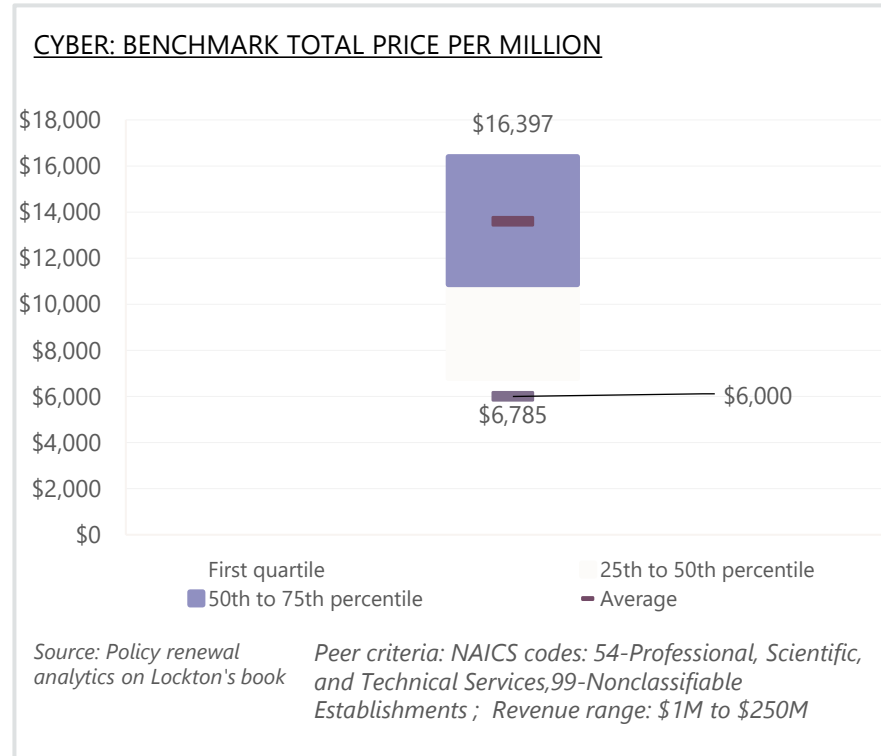
RETENTION



Average: \$343,947
Median: \$250,000
CLIENT ABC: \$250,000

CYBER BENCHMARKING – PRICING

PREMIUM: PRICE-PER-MILLION



Average: \$13,597
Median: \$10,853
CLIENT ABC: \$6,000

DEDICATED SIDE – A D&O

COVERAGE OVERVIEW

Side-A Difference-In-Conditions Policy
 Personal Asset Protection for D&Os with broader coverage terms; drops down to provide first-dollar coverage in certain cases

Directors and Officers Liability Program			
← Difference In Conditions (DIC)	Insuring Agreement A Personal Asset Protection for Non-Indemnifiable Claims against D&Os	Insuring Agreement B Asset Protection For Liability Claims Against Indemnifiable Directors	Insuring Agreement C Coverage For Liability Claims against the Entity
	\$0 Retention (Non-Indemnifiable)	\$X Retention	\$X Retention

Claim Example:

- An employee of a entity was charged in a federal indictment for illegally sharing sensitive and confidential information regarding planned future investigations with a professional services firm that was a subject of the investigations.
- The entity refused to indemnify the employee for legal fees incurred in defending against the charges.
- The employee made a claim under the entity's management liability insurance policy for coverage of his defense costs.
- Because the definition of claim includes criminal charges, the insurer provided coverage for the individual's defense expenses with no retention under the *Dedicated Side-A* Insuring Agreement.

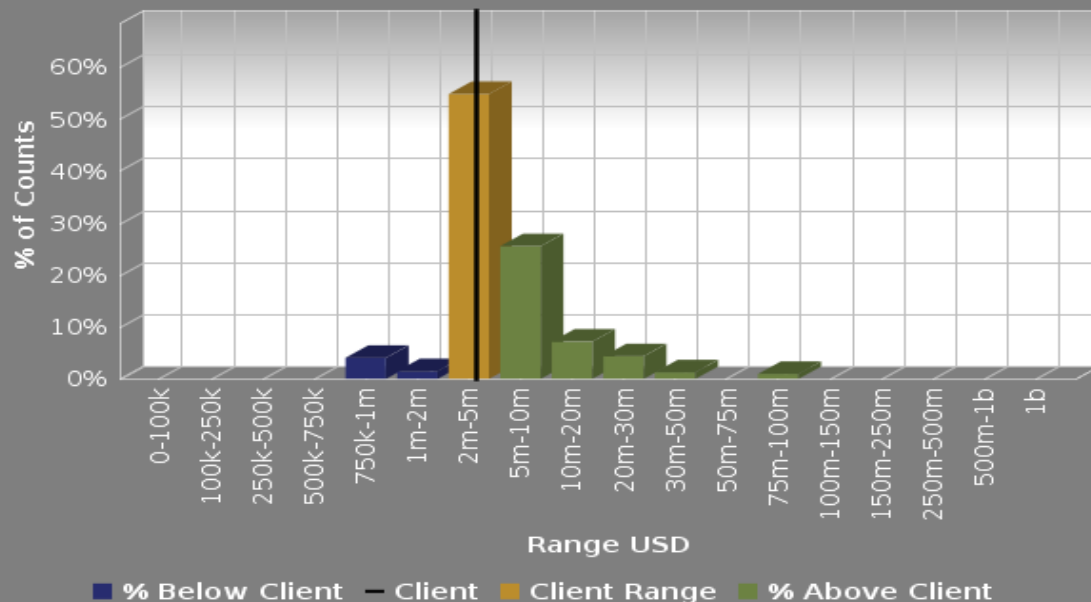
DEDICATED SIDE – A

ADVISEN PEER BENCHMARKING

Hypothetical \$5M Dedicated Side-A Limit

Advisen Limit Distribution by % of Counts
All Industry Peer Group by Revenues - [50M to < 200M]
For D&O Side-A in USA / All Policy Years

Charted on
05/28/2025



Advisen Limit Distribution
by % of Counts
All Industry Peer Group by Revenues -
[50M to < 200M]
For D&O Side-A in USA / All Policy
Years

Client: 5M
% Below or Equal to Client: 60.5
% Above Client: 39.5

Range USD	% of Counts	Cumulative %
75m-100m	1.0	100.0
30m-50m	1.3	99.0
20m-30m	4.4	97.7
10m-20m	7.2	93.3
5m-10m	25.6	86.1
2m-5m	54.9	60.5
1m-2m	1.5	5.6
750k-1m	4.1	4.1

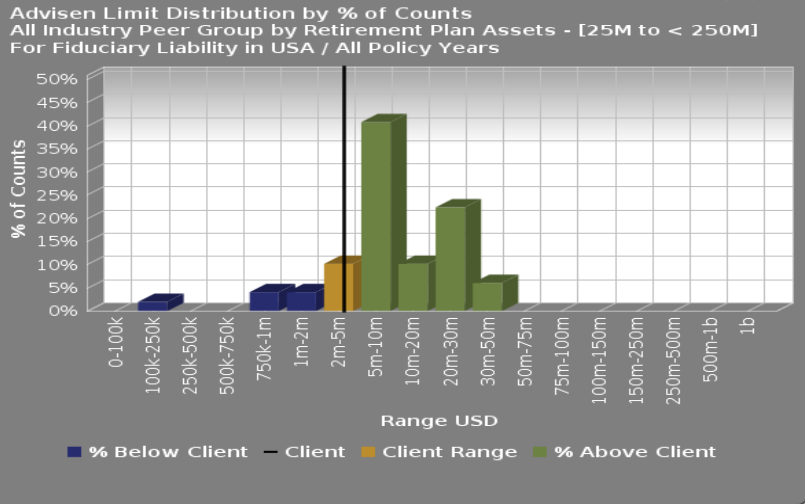
Program Count: 390

- Using ADVISEN, Lockton benchmarked a hypothetical \$5M Dedicated Side-A D&O Limit against an all-industry peer group composed of 390 organizations with Revenue figures between \$50M and \$200M.
- These hypothetical limits would place CLIENT ABC around the 60th percentile range, indicating only 40% of peers with similar revenues purchase higher limits of Dedicated Side-A Coverage.

FIDUCIARY LIABILITY

ADVISEN BENCHMARKING

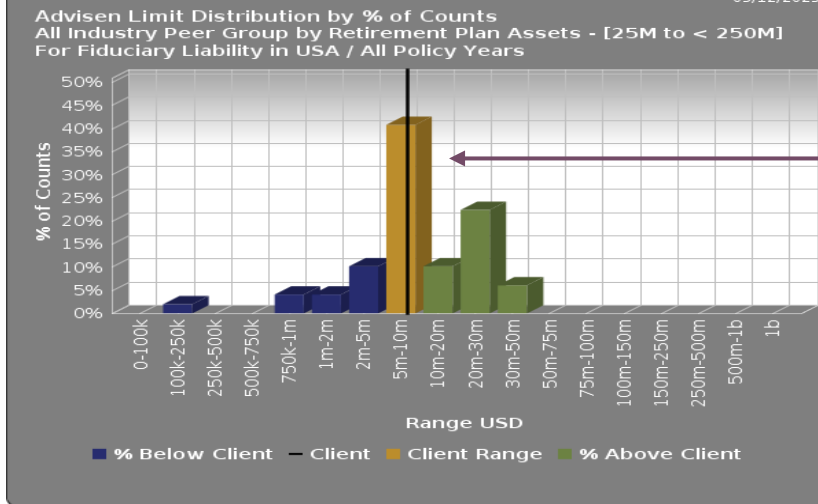
Exhibit 1: \$5M Fiduciary Limit (Current Program)



Advisen Limit Distribution by % of Counts
All Industry Peer Group by Retirement Plan Assets - [25M to < 250M]
For Fiduciary Liability in USA / All Policy Years

Client: 5M		
% Below or Equal to Client: 20.4		
% Above Client: 79.6		
Range USD	% of Counts	Cumulative %
30m-50m	6.1	99.9
20m-30m	22.4	93.8
10m-20m	10.2	71.4
5m-10m	40.8	61.2
2m-5m	10.2	20.4
1m-2m	4.1	10.2
750k-1m	4.1	6.1
100k-250k	2.0	2.0
Program Count: 49		

Increased \$5M Fiduciary Limit Option



Advisen Limit Distribution by % of Counts
All Industry Peer Group by Retirement Plan Assets - [25M to < 250M]
For Fiduciary Liability in USA / All Policy Years

Client: 10M		
% Below or Equal to Client: 61.2		
% Above Client: 38.8		
Range USD	% of Counts	Cumulative %
30m-50m	6.1	99.9
20m-30m	22.4	93.8
10m-20m	10.2	71.4
5m-10m	40.8	61.2
2m-5m	10.2	20.4
1m-2m	4.1	10.2
750k-1m	4.1	6.1
100k-250k	2.0	2.0
Program Count: 49		

Using ADVISEN Lockton benchmarked CLIENT ABC's current \$5M Fiduciary Liability Limit and a hypothetical \$10M Limit against an All-Industry peer group composed of 49 organizations with Retirement Plan values between \$25M and \$250M Assets Under Management (AUM).

Per Exhibit 1: current program limits place CLIENT ABC in the 20th percentile range, indicating about 80% of peers with similar AUM purchase higher limits of Fiduciary Liability insurance.

Per Exhibit 2: an increased \$10M limit would place CLIENT ABC in the 61st percentile of the peer group.

GLOBAL PROGRAM

LOCAL POLICIES

Country	Exposures			Regulatory Considerations			Risk Classification	Lockton Recommendation	
	Revenue	Legal Entities	Local D's & O's	Non-Admitted Permitted?	Cash Before Cover	Corporate Indemnification Details			Market Environment
Argentina	\$ 73,911	1		No		There appears to be nothing in local legislation which restricts the right of companies to indemnify their directors. Although the compulsory guarantee should, as mentioned above, be provided by the director or officer, in practice there are no doubt ways in which the employer can bear the cost.	Argentina is experiencing a growing awareness of directors' & officers' liability in recent years. Given the increased level of litigation and regulations being carried out by the local authorities, it has become common to purchase a separate policy for D&O insurance.	MEDIUM	Non-Admitted
Australia	\$ 158,409	1		Yes		Permitted except where company is not found liable to indemnify director or director is found guilty of a criminal offense.	D&O: Second most active jurisdiction for D&O litigation behind the United States. Many directors and officers will not serve on local boards without the appropriate D&O insurance cover. EPLI: Not often procured	HIGH	Local Admitted
Austria	\$ 31,465	1		Yes		There is no restriction on the rights of companies to indemnify their directors.	Austria is generally regarded as a mature and fully developed D&O market, with awareness and penetration high across all segments of the economy, including the smaller, family-run businesses.	MEDIUM	FOS
Belgium	\$ 35,254	1		Yes		Law is silent	D&O insurance cover is commonly purchased in Belgium and is now viewed as a standard requirement for a majority of companies, approximately 95% of publicly traded companies purchase D&O cover. A new Belgium Code on Companies and Associations (BCCA) was adopted in May 2019. Under the new code, directors must act in the best interests of the company as a whole and not only for its shareholders.	HIGH	FOS
Brazil	\$ 242,144	1		No		Brazilian legislation does not address whether a corporation may indemnify its administrators other than when it can be demonstrated that they acted within their corporate authority and in the best interests of the company. Contractual indemnification is permitted provided it does not contravene public order or violate any law.	Brazil is experiencing a significant increase in the demand for local directors' & officers' policies due to the establishment of a new civil code that came into effect in 2004. This code made directors and officers personally liable for their actions as executives of their companies.	HIGH	Local Admitted
Canada	\$ 22,952	1		Yes*		Local law restricts the right of companies to indemnify their directors only in so far as they did not act honestly, in the interests of the corporation and in good faith.	D&O: The D&O market is regarded as mature and penetration amongst large and mid-market companies is high. For smaller customers, D&O cover is provided usually as part of a management liability package. Significant demand comes from companies which have some form of exposure in the US. Companies with dual listing are regarded by insurers in Canada as the toughest type of D&O risk. EPLI: Not often procured but can be included as a local D&O coverage extension	HIGH	Local Admitted
China	\$ 96,920	5		No		There is nothing in the law that prohibits a company from indemnifying its directors for liability incurred in the course of their duties	China is experiencing a growing awareness of directors' & officers' liability in recent years. Given the increased level of litigation and regulations being carried out by the local authorities, it has become common to purchase a separate policy for D&O insurance.	HIGH	Local Admitted
France	\$ 446,522	5		No		France is considered to have a very strong legal and regulatory environment for D&O liability. The basic responsibilities are laid down in articles of the civil, commercial and employment codes.	D&O: The demand for D&O insurance cover in France has seen significant growth in recent years. Most large corporations have already purchased separate D&O policies, and the demand for middle-market clients is rapidly growing as well. EPLI: Typically arranged as a separate policy for larger firms	MEDIUM	Local Admitted
Germany	\$ 164,970	1		Yes		There is nothing in German legislation to prevent companies from indemnifying their directors.	D&O: Directors' & Officers' insurance is the fastest developing market in Germany. Local loss frequency and severity are high. Most corporations in Germany purchase this cover. EPLI: Not often procured	HIGH	Local Admitted
Hong Kong	\$ 23,879	-		Yes		Common practice to indemnify directors.	Due to the size of its stock market and increased exposure to corporate governance legislation, the D&O insurance market is very large and developed in Hong Kong	HIGH	Non-Admitted
India	\$ 99,788	-		No	Yes	Under the Companies Act 2013 there are no restrictions on the rights of companies to indemnify directors.	Demand for D&O liability is increasing, especially amongst public and larger private companies. The Companies Act of 2013 introduced substantially increased penalties on directors and officers when a company employing them is accused of fraud/mismanagement. This has sparked more interest in D&O insurance, since this law was passed, procurement of local D&O policies has increased approximately 30%.	MEDIUM	
Italy	\$ 196,305	1		No		Highly regulated	Italy is experiencing a growing awareness of directors' & officers' liability in recent years. Given the increased level of litigation and regulations being carried out by the local authorities, it has become common to purchase a separate policy for D&O insurance.	HIGH	FOS
Japan	\$ 224,819	2		No	Yes	Companies are legally prohibited from indemnifying their D&Os unless all shareholders vote to approve such indemnification.	Changes in corporate governance regulations and growing shareholder activism has resulted in an increased demand for D&O insurance coverage in Japan. Policy wording and terms and conditions are mainly based on the conditions imposed in the United States. Full policy/A side only	HIGH	Local Admitted
South Korea	\$ 48,450	1		Yes	Yes	Companies require specific shareholder assent to reimburse their directors, but this is given as a matter of course. All companies pay D&O premiums on behalf of their directors. Directors are not taxed on such premiums as a benefit in kind.	Increased litigation and shareholder activity has prompted an increase in the demand of D&O insurance in South Korea.	MEDIUM	Non-Admitted
Mexico	\$ 246,819	2		No		Companies can indemnify directors.	Directors' & Officers' liability cover is increasing in demand in Mexico as more local companies develop international operations or have shareholder interest through the US Stock Exchange by way of American Depository Receipts. Although the market is quite small at the moment, directors of many banks, finance, and large corporations have begun to purchase cover accordingly.	HIGH	Local Admitted
Romania	\$ 68,364	1		Yes		Local legislation does not restrict the right of companies to indemnify directors.	Romania became the first country in Europe to make (D&O), known locally as "professional insurance for managers", a compulsory class. The legislation places the compulsory insurance requirement upon the individual manager rather than the company and applies only to managers of Romania's 11,500 joint stock companies.	HIGH	FOS
Spain	\$ 56,383	1		Yes		Law is silent	Spain is experiencing a growing awareness of directors' & officers' liability in recent years. Given the increased level of litigation and regulations being carried out by the local authorities, it has become common to purchase a separate policy for D&O insurance.	MEDIUM	FOS
Switzerland	\$ 32,824	2		No		There are no restrictions relating to the rights of companies to indemnify their directors	Switzerland is experiencing a growing awareness of directors' & officers' liability in recent years. Given the increased level of litigation and regulations being carried out by the local authorities, it has become common to purchase a separate policy for D&O insurance.	MEDIUM	Non-Admitted
Turkey	\$ 58,810	1		No		Companies can indemnify directors.	Turkey has seen a significantly increased interest in D&O insurance cover over the past five years. Demand is driven by the introduction of new codes and legislation locally that presents increased liability on directors of local boards in Turkey.	MEDIUM	Non-Admitted
United Kingdom	\$ 66,954	-		Yes		There is no restriction on the rights of companies to indemnify their directors, though some may reserve the right to do so, depending on the type of behaviour which has led to liability.	D&O: Directors' and officers' liability cover is purchased by many large corporations in the United Kingdom and continues to be the fastest growing insurance product locally. EPLI: The growth of employment-related legislation and or high-profile cases resulting in sizable sums have increased the purchases of this coverage. Can be added to D&O policy or purchased as stand-alone.	MEDIUM	Master Placement

Examples of changing legislature and culture:

- Switzerland is experiencing a growing awareness of directors' & officers' liability in recent years. Given the increased level of litigation and regulations being carried out by the local authorities, it has become common to purchase a separate policy for D&O insurance. Non-admitted coverage is not permitted.
- Directors' & Officers' Liability cover is increasing in demand in Mexico as more local companies develop international operations or have shareholder interest through the US Stock Exchange by way of American Depository Receipts. Although the market is quite small at the moment, directors of many banks, finance, and large corporations have begun to purchase cover accordingly. Local cover is often recommended.
- In India, demand for D&O liability is increasing, especially amongst public and larger private companies. The Companies Act of 2013 introduced substantially increased penalties on directors and officers when a company employing them is accused of fraud/mismanagement. This has sparked more interest in D&O insurance, since this law was passed, procurement of local D&O policies has increased approximately 30%. This is a cash before cover country.

Q&A

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