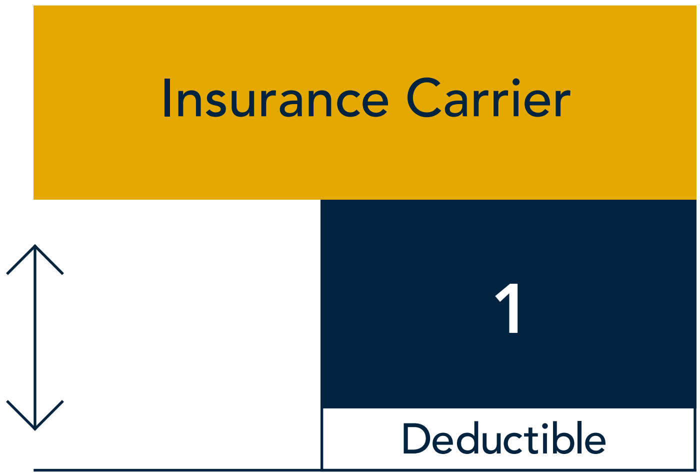
HYDRA vs Traditional Buydowns - We Have Options

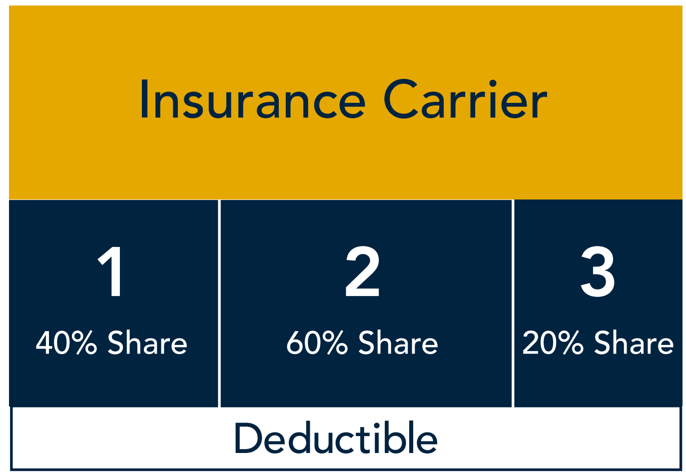
#1



$0

In the traditional buyback method, the deductible can only be reduced by purchasing a deductible buyback policy. This policy requires the insured to fund for the entire line of coverage, from the overlying deductible all the way down to the deductible they are comfortable with. This can make things very expensive as overlying deductibles increase.

#2



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With Hydra, the insured can purchase their limit from top all the way to the bottom without the significant burden of insuring the full layer. They can also have flexibility in their premium spend based on the level of risk they are willing to accept.

Example 1 - Allowing Flexibility of Overlying Carrier

We offered the below McGowan Buydown options. This allowed them to increase their overlying while maintaining front some protection. They were also able to utilize carriers that could not provide a 2%, but could provide a 5% and 10%.

TIV: $37,797,100

Traditional:

d/b 2% and USD 50,000 (max rec USD 705,942) = 78,000 after tax

Hydra:

d/b 5% and USD 50,000 @ 50% hydra share (max rec USD 919,927.50) = 101,190 after tax
d/b 10% and USD 50,000 @ 25% hydra share (max rec USD 936,977.50) = 103.067 after tax

Example 2 - Allowing Flexibility of Budget

Insured has $1,000,000 wind deductible
Client wanted a measurable retention but had limited budget. Budget 50,000.

Traditional wind buydown:

$990,000 xo $10,000 - $99,000 premium does not meet budget
$500,000 xo $500,000 - $50,000 premium not worth paying for as insured still has high deductible

Hydra:

$990,000 xo $10,000 @ 50% hydra share - $50,000 premium insured hits budget, yet maintains lower level of protection. They would self-insure half of the loss up to the overlying carrier retention.