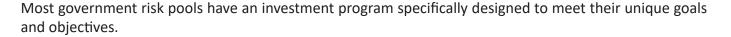
Peer Group Analysis: Overview for Risk Pools



However, it is important for risk pools to compare their portfolio to other similar public entities as a measure of performance and identify potential improvements.

Peer Group Analysis can lead pools to ask more poignant questions about their investment process, both internally and to any outsourced investment experts (i.e. manager, consultant, etc.); ensuring the investment process becomes much more robust.

Benefits and Use

- Tracking the performance of a risk pool over time
- Creating institutional goals relative to your competition
- Seeing what peers at the "next level" are doing and the results needed to reach that level

SWOT Analysis:

Review common practices and concerns within a risk pool's peer group analysis

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Key Considerations

- It can be difficult to obtain, but selected peers should be based on similar operations, size and lines of business. Comparisons to commercial insurers can lead to misleading results.
- Peer analyses can easily become lengthy and lose the ability to provide useful information. Identifying key ratios and comparisons your risk poolshould focus on will provide greater benefits.
- Boards and staff may rush to make incorrect decisions (or choices for the wrong reasons) because the peer analysis shows that they might not be doing something as well as their peers. Rushing to "immediately fix it" can lead to unintended consequences.
- Whether it's underwriting, reserving, investments, reinsurance Boards and staff often ask, "These companies are better at 'XYZ', so why not us?" Instead they should ask, "how can this information lead us to ask better questions?"

Pool Peer Group:

Compare your risk pools to 29 other risk pooling portfolios

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Continue to Key Comparisons & Questions >>

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Key Ratios and Comparisons

Risk Assets-to-Surplus:

Indicates a risk pool's allocation to "risk assets" relative to your peers.

As returns are not guaranteed, an increase in risk assets over time should yield an appropriate increase in return. If your company is in a lower quartile, it is important to consider if any added benefits could be gained.

Operating Leverage:

Measures a company's net retained premium in relation to its surplus and exposure to pricing errors in its current book of business.

A company should demonstrate a controlled business growth with quality surplus growth from strong internal capital generation. With lower operating leverage, one may be able to take on more investment risk.

Financial Leverage:

Indicates the total liabilities to surplus relative to your risk pool's peers. This measures a company's exposure to unpaid obligations, unearned premiums, and exposure to reserving errors.

Fixed Income Investment Management Fees:

Investment-grade fixed income makes up the majority of risk pooling portfolios. Thus, comparing your current fixed income manager fee is greatly important.

Understanding what other risk pools are paying can offer insight to potential "savings" for these services.

Questions to Ask

- Are peers using strategies, tactics or ideas we should consider?
- How does the investment structure mesh with the business?
- Are we getting value for the investment types we are allocated to?
- Are we effectively maximizing our allowed investment flexibility?
- How does our current fixed income manager compare?

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