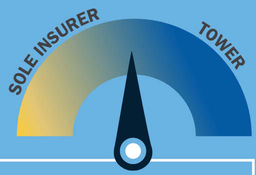
# INSURANCE TOWERS: THE SMARTER APPROACH TO RISK

RYAN SPECIALTY | TRANSACTIONAL RISK

## Introduction

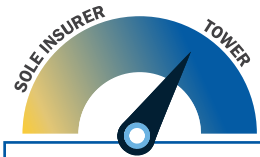
Insureds are frequently faced with the decision of whether to select a single insurer, or a tower of different insurers, when purchasing large limits of W&I and tax insurance cover. While certain insurers have publicly argued in favour of single policy / insurer structures, it is important to critically assess these claims.




For simplicity, we have included our "**Assessment**" of each point that we cover. This summarises our evaluation of whether something is in favour of a **sole insurer** or **tower** structure.

## 1. Trust in a sole insurer: a double-edged sword

Proponents of a single-insurer approach argue that claims can be handled more effectively under this structure. Not only is there little evidence to suggest that this is true, but it overlooks the fact that placing all trust in a single insurer inherently concentrates risk. Claims are sometimes not clear-cut and require insurers to be commercially nimble – such flexibility is vastly more likely where a tower is involved, where insurers have managed their own limit deployment and care about their reputation. This can be compared to a single insurer facing a claim that may wipe out multiple years of profitability. In such circumstances, an insured will find itself at the mercy of a sole entity's processes and decision-making, potentially where that insurer's future in the market is uncertain and its interests are no longer aligned with those of the insured.



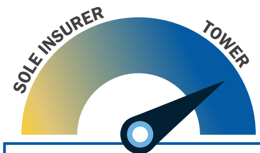

**Assessment:**
this is in favour of tower structures

### A very real risk...

One need only look at the Judgement Preservation Insurance (commonly referred to as "JPI") market in the U.S. over the last year to see the risk posed by insurer over-concentration and excessive limit deployment. Following a series of large, publicised claims, several insurers have withdrawn from that line entirely. This is to the ultimate detriment of the insured community.

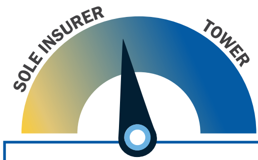
## 2. Broader coverage terms

Tower structures can also have benefits during the underwriting process. Insurers are going to have a higher tolerance to taking risk when underwriting a deal in the knowledge that their maximum exposure is capped at a manageable amount. This compares to a single, over-exposed, insurer that may take a more conservative approach to underwriting and might prove reluctant to provide meaningful cover for any thorny, albeit crucial, risks that are identified during the underwriting process. This is certainly something that we have observed in practice when sitting excess of some primary markets who have deployed very large primary lines.




**Assessment:**
underwriting commerciality is a key benefit of a tower

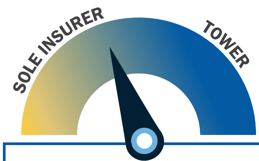
## 3. Over-simplification of the single-insurer approach and the fallacy of claims "efficiency"




**Assessment:** there is negligible difference in structures

The single-insurer approach has been touted as being more streamlined with policy amendments, assignments and claims being handled by one entity. This, however, over-simplifies the matter. The involvement of sophisticated brokers, who are experts in managing tower structures, means that the associated logistics need not concern insureds. Excess policy forms have also evolved to become highly streamlined, often containing robust claims cooperation and disputes provisions designed to keep the tower operating coherently in a claims scenario. In practice, therefore, insureds experience little difference between the two approaches. This is particularly true if insureds involve their broker in the claims process – please see our inaugural claims publication, "EMEA – A Claims Perspective", for further details regarding the broader benefits of involving your broker in the claims process.

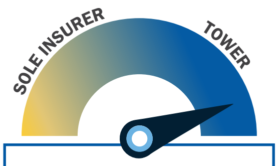
## 4. The inconsistency myth




**Assessment:** this is marginally in favour of a single insurer

Another argument made against multi-insurer towers is the alleged risk of coverage inconsistencies. The reality is, however, that this was a hypothetical risk years ago when the market was more embryonic. Nowadays brokers are specialists in creating cohesive insurance towers and have developed advanced excess policy wordings that align coverage terms across multiple insurers.  This vastly reduces the risk of discrepancies or gaps in coverage.

## 5. Risk diversification: enhanced security



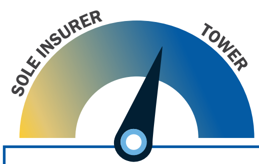

**Assessment:**
risk diversification is immeasurably pro-tower

As the proverb goes, "don't put all your eggs in one basket". You would diversify your own substantial investments, so why would this not also be prudent in the context of insurance?

Risk diversification is one of the most compelling reasons in support of multi-insurer tower structures. Put simply, relying on one insurer carries the inherent (albeit hopefully low) risk of that insurer's financial instability, whereas tower structures largely insulate insureds from this risk.

This, along with various other points in this article, demonstrates why insureds should also be cognizant of not allowing a single insurer to over-expose itself within a tower (e.g. by having +£/$/€50 million deployed across a tower).

## 6. Potential for lower premiums




**Assessment:**
this is slightly pro-tower

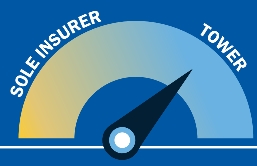
Finally, while a multi-insurer tower might appear like a more expensive option, it can have the opposite effect by leading to more competitive pricing. In short, each insurer in the tower competes to offer the best terms which can lead to a more affordable overall policy than one that is secured with a single insurer who is seeking to leverage its monopoly.

## The final verdict

Towers can offer several distinct advantages over single-insurer structures for large risks. In support of this view, one need only look at the evolution of (i) other more established insurance lines such as D&O and PI insurance, and (ii) the most mature transactional and tax risk market in the world, namely the U.S.. These have all shifted to diversified multi-insurer tower structure models due to the benefits they can bring.

The W&I market outside the U.S. is slowly transitioning in favour of tower structures. On the other hand, the fledgling international tax insurance market still has a long way to go and, for the reasons set out in this article, it would appear that the market may shift to diversified tower structures in the not too distant future.

Ultimately, a well-designed tower can provide enhanced security, improved claims results, and potentially broader cover alongside a more competitive pricing structure — offering improved peace of mind for all parties involved.




**Assessment:**
there are compelling reasons why a tower of insurance may be better for insureds on large risks than a single-insurer model

### The identity of the primary insurer is key

The benefits of towers are manifold, however not all towers are created equal. In particular, it is crucial to carefully select the identity of the primary insurer who will "lead" the tower. This needs to be a pre-eminent market, trusted by other insurers, but one that is also known for its commercial solution-driven underwriting approach and market-leading specialist claims service. With its (i) unwavering commitment to transactional risk and tax insurance over 11 years and counting, (ii) track record of leading complex towers, and (iii) history of making material claims payments, Ryan Transactional Risk is the obvious choice.

*"Ryan Transactional Risk is a pre-eminent provider of insurance products in the transactional and tax risk space, possessing one of the largest line sizes amongst its peers. As a market capable of participating in either structure, we are one of the few insurers that can provide a balanced perspective on this debate.*

*For the benefit of the insured community, we hope that insureds and insurers alike collectively embrace diversified multi-insurer tower structures over single-insurer models when insuring large risks."*

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You can download Ryan Transactional Risk's 2025 Global Claims Factsheet here:

**Ryan Transactional Risk's 2025 Global Claims Factsheet**

If you would like to discuss any element of this document further, please do not hesitate to get in touch with **Alex White, Ryan Transactional Risk's Head of Claims (International)** at **alex.white@ryantrs.com**, or another member of the Ryan Transactional Risk team.

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