

## Manage Cost of Risk and Control Price

Every facet of your organisation affects your cost of risk. Regardless of the type of business you run, many find it difficult to quantify their true cost of risk because it includes both pure and speculative risk. The impact negative publicity would have on your revenue is much harder to calculate than insurance premiums or lost productivity due to equipment downtime. But both qualitative and quantitative analysis is important. Why? Because your total cost of risk is synonymous with price—the price of your risk management programme.

That's why In2Matrix takes a total cost of risk approach by tailoring your risk management programme to look to the endgame - your price. To reach that goal, we help you to:

- Analyse your exposures
- Implement control measures to those exposures
- Determine risk transfer or financing options
- Manage current and future exposures

### Identification of Exposures

As part of our risk management interview process, we look to confirm that your risk management approach supports your overall business objectives. As a business owner, what keeps you up at night? If that concern happened, how would your income or cash flow be affected if there were unforeseen depletions of capital or a shutdown in the plant? Discussing the qualitative aspects of your business provides the important details needed to solidify the game plan to your end game – price. Exposures are both qualitative and quantitative. Analyses into both offer the foundation for developing forward-thinking approaches to those exposures.

What is your viewpoint on risk? Is your company risk-averse? Is it in a financial position to take on more risk rather than transferring that risk to another party or contractually to an insurer? To help determine your risk aversion, it helps to assess your company history. For example, if you are a start-up company, cash flow and funds are typically tight, so you are more likely to be adverse to risk to protect the financial viability of your start-up organisation. Conversely, if your company has a 20-plus year history, there are also

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risks, including becoming obsolete, stagnant or too conservative with your business plan.

Additionally, we consider your industry, market position and competition in positioning your risk management solution to the changing needs of your business.

Quantitative analysis supports the qualitative interview. We look at the “hard numbers” and prior losses to identify trends in your performance. We also analyse losses to identify the following:

- Average incurred costs per loss
- Total incurred trends
- Top loss drivers
- Locations with high frequency issues
- Fraud behaviours

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### Provided by In2Matrix

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- Reporting lag time
- Frequency vs. severity ratios
- RIDDOR-recordable performance

The results of our in-depth analysis will reveal opportunities to approach the critical areas driving your total cost of risk. We will isolate the root causes of these problematic areas and look to implement control measures to mitigate this exposure.

## Implementation of Control Measures

Identifying exposures directs us to focus our resources on delivering the best control measures. An estimated 75 per cent of commercial insurance expenses are claims-driven. We look to control and reduce this percentage through pre- and post-loss control measures.

A comprehensive loss control evaluation uncovers your strengths and weaknesses. One may have strong management leadership behind his or her initiatives but have no employee buy-in or participation. In2Matrix has the solutions to establish a safety committee, delivering a comprehensive employee safety education campaign to address your exposures.

There are many post-loss or cost containment strategies. A proactive and effective return to work programme is one strategy that positively affects your bottom line: offering a bank of modified duty jobs for employees. Also, establish a relationship with a local occupational medicine clinic. Interview the staff to learn about their services and tour their facilities. Invite the doctors into your business to get a first-hand look and understanding of your operations. By providing them with the details of your operations, they can accurately evaluate reported injuries to confirm if they are work-related.

Fraudulent claim behaviour can drive the cost of risk out of control. Anti-fraud tactics include educating employees on the effects of insurance fraud through payroll stuffers and worksite posters and offering safety incentives for solid performance. Also, keeping a motor vehicle accident kit in company vehicles, along

with a disposable camera, allows you to document evidence, providing a stronger subrogation results.

An active loss control programme and post-loss procedures are elemental to cost containment. Our brokerage offers comprehensive resources to employ the most appropriate strategies for your business.

## Risk Transfer and Financing

Once we have identified exposures and created control measures, we can focus on the remaining exposures to transfer and/or finance. You will want to address questions such as:

- How much risk can I afford to assume in-house?
- How can In2Matrix assist in contractually transferring that risk to a third party?
- What portion of the exposures do I want to finance through an insurance policy?

Addressing these questions offers a direction as to how to approach the financing of your risk. Think about current cash flow needs. Are account receivables current? If there is a lag, how long is it, and are there resources to correct it?

Considerations involve self-insured retentions if you have a mature loss control programme and the financial reserves to cover those shock losses that occur. Therefore, you should consider a combination of insurance and non-insurance strategies.

## Manage Your Exposures

Roughly 25 per cent of businesses that sustain a major catastrophe are no longer in business within a year's time. If there is an interruption in your operations, are you prepared? We have the resource for you to develop a comprehensive business continuity plan.

## Cost of Risk Resources

To develop the most appropriate risk management programme for your organisation, In2Matrix approaches insurance through a variety of strategies, including:

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- Identification processes (qualitative and quantitative)
- Loss analysis tools to uncover exposures
- Implementation of pre- or post-loss initiatives that address cost containment
- Business continuity planning/disaster recovery
- Risk financing options, retained losses or transferred
- Regulatory compliance issues

We work with you to develop a strategic action plan, assist in the execution of the designed risk management programme and are committed to the monitoring and support of these initiatives. If you are interested in reviewing your risk management strategies, contact us today to speak with one of our insurance experts.