

What's Your Cost of Risk Management?

Whether it's computing injury claims costs or "inventory shrink" due to employee theft, the cost of both pure and speculative risk affects the price of your wholesale or retail risk management program. That's why Brooks Insurance Agency takes a total cost of risk approach by tailoring your risk management program to look to the end game - your price. To reach that goal, we help you:

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

Identifying 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 production or supply? 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 versus transferring that risk to another party or contractually to a carrier? 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 organization. Conversely, if your company has a 20-plus year history, there are also risks, including becoming obsolete, stagnant or too conservative with your business plan.

Our risk analysis approach will reveal the pure and speculative risks driving your total cost of risk management – to positively affect your price.

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 analyze top loss drivers to illuminate areas of concern, such as:

- Average incurred costs per loss
- Total incurred trends
- Locations with high frequency issues
- Fraud behaviors
- Reporting lag time

Provided by Brooks Insurance Agency

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- Frequency vs. severity ratios
- OSHA recordable incidents

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.

Implementing Control Measures

Identifying exposures directs us to focus our resources on delivering the best control measures. An estimated 75 percent 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. Brooks Insurance Agency has the solutions to establish a safety committee, delivering a comprehensive employee safety education campaign to address your exposures.

There are also many post-loss or cost containment strategies. A proactive and effective return to work program is one strategy that positively affects your bottom line: offering a bank of modified duty jobs for employees and informing the doctor there is modified work available are other examples of positive loss control measures. Also, establish a relationship with a local occupational medicine clinic. Interview the staff to learn about their services and tour their facilities or invite the physicians 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 behavior 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.

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

Risk Transfer/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 Brooks Insurance Agency 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 program and the financial reserves to cover those shock losses that occur. Therefore, a combination of insurance and non-insurance strategies should be considered.

Managing Your Exposures

Roughly 25 percent of businesses that sustain a major catastrophe are no longer in business within a year's time. If there is an interruption in your warehousing or retail operations, are you prepared?

We have the resource for you to develop a comprehensive business continuity plan. This involves backing up your policies and procedures. Through Brooks Insurance Agency, we offer 24/7 Web access to your critical risk management information, employee

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education resources and tools to drive down your cost of regulatory compliance; all are ID- and password-enabled for your protection.

Our Cost of Risk Resources

To develop the most appropriate risk management program for your organization, Brooks Insurance Agency approaches insurance through a variety of strategies, such as:

- Identification processes (qualitative and quantitative)
- Loss analysis tools to uncover exposures
- implementation of pre- or post-loss initiatives that Address cost containment
- Business continuation 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 program and are committed to the monitoring and support of these initiatives. If you are interested in reviewing your risk management strategies, contact us today at 732.972.0600 to speak with one of our insurance experts.