

Ten (10) Reasons Why You Should Conduct An Annual Risk/Exposure Survey

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Without a doubt, conducting an annual survey of your corporate risks is the first and most important step in intelligently purchasing corporate insurance. As you will see shortly, it involves more than merely touring your facility and completing a "checklist." It involves the careful examination of all assets (tangible and intangible) to loss, identifying the many events that can cause a financial loss, systematically quantifying the magnitude of each loss and evaluating the risk management alternatives available to you in response to each type of loss (avoidance, contractual transfer, insurance, loss control/prevention, and self-insurance).

What Is A Risk/Exposure Survey?

A risk/exposure survey is a systematic identification of assets (tangible and intangible) exposed to financial loss, evaluating the wide array of risks that can cause these financial losses (direct damage, third party liability, statutory and contractual obligations, etc.), analyzing the risk management techniques available to handle these financial risks (avoidance, loss prevention, contractual transfer, insurance, self-insurance, etc.) and establishing priorities in light of your scarce risk management resources. It becomes your "shopping list" in light of changing market conditions. It puts you in control and not surprised at the last minute.

Your insurance agent is a critical facilitator in this entire process. Not only should your agent conduct, along with appropriate members of your staff, a survey of your risks, he or she should also identify objectively all risk management techniques and alternatives that should be considered, assist in any cost/benefit analysis that must be undertaken, and provide sufficient risk management documentation vital to sound decision-making.

The following are the ten (10) reasons why you should insist on an annual risk/exposure survey:

1. You have identified and prioritized the corporate assets exposed to financial loss;
2. You have identified the wide array of events that can cause financial loss;
3. You have quantified the potential magnitude and probability of financial loss;

4. You have carefully evaluated your current risk management program in light of corporate realities & goals;
5. You have analyzed the wide array of non-insurance alternatives;
6. You are able to make intelligent cost/benefit decisions as to coverage and/or limits of insurance;
7. The process inherently involves key decision makers and implementers within your organization;
8. You will have strong, measurable supporting data and information to supply upper management;
9. You will gain renewed confidence in the professionalism of your insurance agent, or know you have a problem;
10. You will gain incredible comfort in knowing that your risk management program is tailored to your corporate needs and priced fairly.

Fast, Down & Dirty Checkup - Are You In The Danger Zone?

The following is a fast questionnaire that will help you determine if your program is in need of a complete risk/exposure survey.

Question	Comments
When is the last time you conducted a complete risk/exposure analysis of your corporate operations?	If you already conduct such an annual survey, you should be complimented. You are in the top 15% of corporate America. If you are not then you are running the risk of purchasing an inferior program and are not be in the best position to make intelligent risk management decisions at renewal.
At each renewal, does your agent provide you with a complete assessment of your risks, adequacy of coverage, and recommendations?	Unfortunately, for years most companies have been receiving from their insurance agent a renewal that merely contained coverage on the same terms and conditions with little or no critical analysis. If this has been your experience then you are definitely in the "danger zone."
Did your agent review and compare coverage whenever you changed carriers?	Many companies have made 2 or more major changes in insurance carriers with little or no detailed, written analysis by their agent as to coverage adequacy. When a major claim occurs they find out too late that policy language had changed...costing them thousands of dollars in underinsured/ uninsured losses.

Question	Comments
Has your company changed operations or merged/acquired new entities?	If the answer to this question is "YES" then you should be conducting a risk/exposure survey at least annually.

	Otherwise your risk management program will be based upon old exposure assumptions and be completely out-of-date.
When is the last time your agent toured your plant operations?	If your agent does not regularly tour your plant operations and remain current with your business, you have a definite problem. There is absolutely no way that an agent can stay on top of your business needs without such a regular plant tour.
In your "heart-of-hearts," are you personally comfortable that your insurance program is properly insured so that all critical exposures are adequately covered?	This really is a "threshold" issue and one that leaves many executives staying up at night. Particularly in light of changing market conditions, you must understand and evaluate all critical coverage changes. If you are unsure, it is a signal of a potential problem.
Are you convinced that you are paying for the insurance coverage you need and not paying for insurance that is not relevant to your operation?	This is another "threshold" issue. Particularly with insurance rates going up, it is critical that you understand what you are paying for and have a high comfort level with the product you are buying. If you are unsure, it is a signal of a potential problem.

How We Can Help

As your agent, as part of our service commitment to you will conduct a complete exposure analysis on an annual basis and whenever there are major changes to your operation. You will receive a detailed written report summarizing the results of our exposure survey along with risk management recommendations. For more information, please contact:

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