

What Has Your Insurance Carrier/Broker/Risk Control Consultant Done for You Lately?

**Dirk J. Duchscherer, MS, CSP, ARM
Risk Control Manager
InterWest Insurance Services, Inc.
Sacramento, CA**

**Jim Newberry, CHST, Bsc Safety Management
AVP and Risk Control Manager
Island Insurance Company, LLC
Honolulu, HI**

Introduction

Risk Control can be defined as a multidisciplinary approach in which human, engineering, and risk management practices are employed to reduce the frequency or severity of losses. From an insurance company perspective, this would apply to real or potential losses associated with coverage(s) or covered perils provided for in the insurance contract or insurance policy.

The Carrier Risk Control Perspective

As we take a look at this topic - let's start off by identifying "What Insurance Related Risk Control Services Are." They can be summed up for the most part in the definition of a service team; the purpose of the Service Team is to evaluate risk quality and assess our ability to be successful in underwriting, servicing and retaining an account. What may not be so obvious in this statement is the business stance of the insurance carrier; we need to do whatever it is that we do in a way the yields a profit for our company with an interest of servicing and retaining accounts that can help us achieve that.

This speaks to efficiency, efficacy and a focus on what types of services or activities drive profitability for carriers. Efficiency because we don't have unlimited resources to throw at an account, efficacy because we need to be able to produce a desired result and we need to know how to do that in a focused manner that achieves the desired results, while sanguinely endearing the client in a mutually beneficial business relationship.

Now that the business perspective is clear, it is important that we understand the **roles, goals and procedures** in play when these types of insurance services are involved. Often times do to the varying player's actions (different carriers) and the individuals (risk control personnel) involved, these parameters can become blurry. What we will achieve from taking a look at these areas are clarity of roles, perspicuity of expectations and as even a playing field as possible given an environment where some players are trying hard to differentiate them selves in the marketplace. Let's take a look at the function of the three major players on the insurance carrier side of the equation.

Role clarity for the three major functions of an insurance carrier:

- **The Risk Control Role:** Develop accurate account information (understand what we are insuring). Plan, organize, and lead LC service delivery to achieve significant account-level loss reduction and customer satisfaction.
- **The Underwriting Role:** Solicit, select and manage profitable business.
- **The Claim Role:** Provide professional claim handling within the spirit and the letter of the law, in a fashion that treats the policyholder and claimant fairly and does not create legal liability for the company, our insured's and agencies while achieving increased profitability through effective cost containment strategies and programs as well as enhancing the image and value added capabilities of the company.

Taking a bit further, let's clarify the goals for Risk Control; what are we trying to accomplish:

- Loss Management is a better term than the tradition Loss Control term, probably even better than Risk Control, but it doesn't have the same level of correspondence to the function. Thus, while Risk Control is winning out regarding the name game, Loss Management is a better describer of the purpose at hand because our primary goal is to: reduce; eliminate and or mitigate losses.
- Providing meaningful services that our customers' desire and which achieve good customer retention is also important, and can compete with the primary goal in many ways. In instances were we can seemingly have no real affect on a customer's loss performance (they are having zero losses) risk control can be a significant ambassador to the insurance client. In this regard, let me point out some very interesting customer service statistics before we proceed further, to make this point clear (the point being, there is more to risk control servicing than loss management).

Some customer service statistics

1. **A typical business hears** from only 4% of its dissatisfied customers. The other 96% just go quietly away and 9% will never come back. That represents a serious financial loss for companies whose people don't know how to treat customers, and a tremendous gain to those that do.

2. **A survey on "why customers quit"** found the following:
 - 3% move away
 - 5% develop other business relationships
 - 9% leave for competitive reasons
 - 14% are dissatisfied with the product
 - 68% quit because of the perceived attitude of indifference toward the customer by an owner, manager, or employee
3. **A typical dissatisfied customer** will tell 8 to 10 people about his problem. One in 5 will tell 20. It takes 12 positive service experiences to make up for one negative incident.
4. **Seven out of 10 complaining customers** will do business with you again, if you resolve the complaint in their favor. If you resolve it on the spot, 95% will do business with you again. On average, a satisfied customer will tell 5 people about the problem and how it was satisfactorily resolved.
5. **The average business spends** 6 times more effort to attract new customers than it does to keep old ones. Yet customer loyalty is, in most cases, worth 10 times the price of a single purchase.
6. **Businesses that have low service quality** average only 1% return on sales and lose market share at the rate of 2% per year. Businesses with high service quality average a 15% return on sales, gain market share at the rate of 6% per year, and charge significantly higher prices.

Remember, when it comes to customer service, it's the customer's perception that really counts, regardless of how well you think you're doing your job.

Now that we know that "how a customer is treated" and "how they feel about it" may well easily compete with the product or service it self, let's move on to our next parameter, procedures. What we mean by procedures is what we do and how we go about it. As an example, let's look at things Risk Control can do regarding the area of General Liability and Property services:

Liability exposures can exist anywhere in a business. So a comprehensive loss management program would include a process to identify and manage risks to the company and the public. Risk control can help the client identify and focus on the if not obvious, hidden exposures that cause liability related losses.

General Liability

Risk Control services of this nature might include but are not limited to the following:

- Completed Operations Exposure Evaluations

- Contractual Risk Transfer Program Evaluations
- Construction General Liability Exposure Evaluations, including work zone safety, utility damage disruption prevention, water and fire damage prevention, dust control and construction defects prevention
- Emergency Plan and Disaster Recovery Evaluations
- Life Safety Evaluation based on the NFPA 101 Guidelines for Fire Life Safety Codes
- Premises Liability Exposure Evaluations, including slip and fall prevention and negligent security
- Products Liability Program Evaluations
- Quality Control Program Evaluations
- Workplace Violence Prevention Program Evaluations

Property

Risk Control provides a full range of property conservation and loss prevention services to eliminate or minimize the frequency and extent of property losses. Risk Control can conduct on-site assessments of facilities to evaluate company exposure to loss from fire, windstorm, flood and earthquake and other covered perils.

Specialist can also test and evaluate sprinkler systems, special extinguishing systems and water supplies. This can extend to a review of the human element programs that exist to assure they are up to date and functioning properly.

Risk Control can analyze business interruption potential to identify potential bottlenecks, critical equipment, and interdependencies that might impact daily operations and revenue streams.

When a new facility is added or an upgrade to existing facilities is to take place, Risk Control can develop protection specifications, as well as review building and fire protection plans so that facility will be adequately arranged and protected upon completion. All of these efforts focus on helping the company maintain operations and avoid costly interruptions that can hurt the bottom line.

Other areas of expertise include but are not limited to: *Commercial Automobile/Fleet; Ergonomics; Industrial Hygiene; Workers' Compensation; Boiler and Machinery; Inland Marine* in addition to industry specialists (e.g. petrochemical, construction, healthcare and chemical...) there are a myriad of services than can be provided in an amongst all the coverage's the insurance companies provide.

Some insurance companies risk control operations can be categorized into the type of services they specialize in, while others may try to be all things to everyone. Traditional categories include: training; technical and; industry specialists. This last category include both carriers that cater to niche market specializing in particular type of risks (e.g. not for profits, schools, heavy industry, municipalities to name a few) or could just be large insurance companies that have the resources to help large companies deal with the

complexities of - for example project management and construction management or the risk analytics of projects that are unique or very high risk.

This subject would not be complete without mentioning the insurance of special types of projects and high risk operations which involves risk sharing and self insurance. We also might call this “creative risk financing”. Insurance is in fact “risk financing” so the creative element only has the limitations of what an insured or client and an insurance element or vehicle respectively are willing to risk. Risk Control plays a big role in this equation because both large and high risks involve a sizable chunk of change if not managed creatively, and with a good balance of Risk Control can beat the odds and save a lot of premium. Well managed risks of this type can yield sizable savings.

The final area that will be covered on the subject of carrier risk control is how work is coordinated. To this end, service levels are normally determined by a combination of premium size and hazard of risk/operations relative to coverage. Services are often time controlled by underwriting since they are the managers of the account, but this authority will sometimes be transferred to a service team, with underwriting involvement. This is an interdisciplinary team made up of claims, audit, underwriting, loss control and they are charged with identifying the customer's service needs and developing an account strategy to meet those needs, ensuring that value is being provided to the customer and to the company. The underwriter or service team is responsible for clearly accounting for the cost of the services provided and assuring the costs to deliver the necessary level of service is included in the premium or taken into consideration in some fashion.

Risk control services can be very diverse, varying considerably from company to company and were discussed above in some detail. In addition to the items above, services traditionally include: site surveys; risk assessment & risk analysis audits, specific safety audits, training based on line(s) of coverage, technical training, management/supervisor training; job site visits, legal/jurisdictional inspections of boilers and pressure vessels, safety materials such as pamphlets, brochures, video/reference libraries, web site access, etc.). They can also vary from high touch services which are service intensive to low touch which are economical to deliver.

The Broker Risk Control Perspective

So your insurance carrier's risk control consultant and insurance broker are providing you with all the safety and loss control assistance they promised they would prior to renewal to help eliminate and minimize your alarming insurance costs. Therefore, why bother with the broker risk control services? Not so fast!

Historically, carrier risk control services were driven by premium size, class of business, and/or loss frequency/severity- usually directed by the underwriting department. However, in today's unstable and downsizing economy, all three entities- customer, insurer, and broker are all expected to do more with less.

Now more than ever, customers need to understand their Total Cost of Risk (TCOR). In C.R. “Rob” Ekern’s book “Consultative Brokerage: A Value Strategy”, TCOR model states four crucial cost areas: Insurance Premiums, Loss Costs (direct and indirect), Administrative Costs, and Premium Taxes and Fees. By adopting the TCOR model, clients can measure the effectiveness of their entire safety and risk management programs and not just the premium costs. Research has shown for every \$1 paid out in direct costs an additional \$1-4 of indirect loss costs are paid by the client.

The Triangle of Risk Control Services presented during the American Society of Safety Engineers (ASSE’s) Fall 2008 Risk Control Symposium, outlined a typical “triangle” which illustrates the relationships between the client/risk manager-broker-carrier. Specifically, the broker risk control consultant’s needs/role include:

- New prospects/accounts
- Customer retention and satisfaction
- Long-term and healthy carrier partnerships
- Assisting existing clients in lowering TCOR
- Ongoing growth and knowledge to understand clients exposures and needs

The key to a successful “triangle” for both the client/risk manager and carrier/broker is a long-term risk improvement plan including: regular site visits and assessments, historical loss analysis, understanding client “culture” and ability to change, and committed partnership with carrier and broker risk control staffs.

In his book “The Wedge How to Stop Selling and Start Winning” Author Randy Schwantz says [to draw in new clients] you need to create a wedge between the incumbent broker and your prospect. Your goal is to get the existing broker fired! In other words, what can you do as the new broker that the incumbent is not doing for you to earn the new business?

For a broker’s current “book of business”, Randy states you need to protect your top 20 clients. One of your tools needs to include a Service Time Line Report (a “sample” is included later in this paper).

In 2008, InterWest Insurance Services adopted and implemented the Wedge sales platform for obtaining/retaining its prospects/clients company-wide. One of the key “wedge” components is InterWest’s Risk Control Department.

To help achieve InterWest’s targeted middle market- accounts generating at least \$10,000 for Property and Casualty (P & C) and between \$4,000- \$20,000 + for workers compensation (WC) annually in revenue- qualify for risk control service.

InterWest Risk Control has developed the following service level guidelines for both P & C and WC clients:

Property and Casualty Service Level Guidelines (Not Including Workers' Compensation)

Due to the significant variable revenue levels generated from either a mono-line or multiple lines of coverage (fire, inland/ocean marine, boiler/machinery, general liability, products liability and completed operations, auto liability, etc.) any client generating at least \$10,000 in revenue would qualify for risk control service.

Based on the above, all P&C requests, please contact your InterWest Risk Control Consultant to determine your customers' needs and services and timelines including the following:

PROPERTY PROTECTION/FIRE PREVENTION

- Interpret and prioritize insurance company loss control recommendations.
- Evaluate sprinkler system installations utilizing NFPA 13, 231, and 231C.
- Assist clients with automatic sprinkler system and fire hydrant testing.
- Analyze building valuations and construction class codes.
- Site inspections and audits including: cooking equipment, spray painting, flammable liquids and chemical storage, indoor/outdoor pallet/tire storage, in-rack arrangement of stock.
- Course of construction/builder's risk accounts for fire prevention and security.

BOILER AND MACHINERY PROTECTION

- Interpret and prioritize insurance company loss control recommendations.
- Determine state operating permit criteria based on objects such as high/low pressure steam boilers, air tanks, LPG tanks, storage water heaters, etc.
- Provide on-site consultation of machinery and equipment, unique business interruption exposures, and preventative maintenance and inspection activities and forms.

GENERAL AND PUBLIC LIABILITY

- Interpret and prioritize insurance company loss control recommendations.
- Provide on-site assistance for life safety concerns with risks such as educational institutions, restaurants, hotels and motels, shopping centers, office properties, and residential risks.
- Evaluate public safety such as emergency exits and lighting, walking surfaces, ramps, stairways and steps, lighting, guardrails and handrails, maximum occupancy limits, and similar items.
- Assist with complying with the Americans with Disabilities Act (ADA).

- Analyze public injuries and illnesses to determine loss trending and corrective measures for preventing reoccurrences.
- Attend and participate at supervisory and management-type training sessions to provide information on accident investigations and accident review board committees as well as follow through on any relevant loss prevention remedies arising from these sessions.
- Evaluate playground equipment for parks and school risks.

PRODUCT SAFETY

- Interpret and prioritize insurance company loss control recommendations.
- Coordinate loss control activities between insurance companies and clients for loss prevention services.
- Review existing quality assurance and control manuals relating to standards such as ANSI, ASME, CPSC, voluntary industry product safety guidelines, etc.
- Provide on-site plant tour and analysis of manufactured products. Evaluate quality control measures, plant reviews, blueprints, and drawings.

FLEET SAFETY

- Interpret and prioritize insurance company loss control recommendations.
- Provide clients with technical information on DOT and CAL-OSHA regulations.
- Specifically offer the following services for our clients:
 - Audit fleet safety program including driver selection, vehicle inspection and maintenance, accident investigations, motor vehicle record check criteria, driver logs, etc.
 - Perform on-site surveys of vehicles, inspection and maintenance activities, and premises.
 - Complete vehicle observations and evaluations of straight trucks, cab-overs, private passenger automobiles, and tractor/trailer rigs for backing, lane changing, following distances, and speed of travel.
 - Review driver qualification files with management to determine driver logs, Commercial Driver License, physical examination, written/road test certification, safety incentives and awards, and similar documents.
 - Perform “ride-alongs” with company drivers to evaluate speed of travel, following distances, lane changes, backing, product control and security, and customer interfacing.
 - Attend and participate at fleet safety meetings and accident review board committees on defensive driving topics, vehicle losses, and accidents, and safety incentive awards, etc.

ADDITIONAL SERVICES

- Access to defense driver training, property management, online risk management training on Info Source Café.
- Access to fleet safety videos including defensive driver (fee may apply)
- Disaster response plan development and review.
- Sexual harassment prevention training for managers/supervisors and employees.
- HR consulting available (may be fee based).
- Customized inspection/audit forms for buildings, equipment, vehicles and premises.
- “Tailored” forms for accident investigation and training, including property, liability, and fleet.
- Liquor Liability awareness training.
- Assist in determining root causes of losses and accidents with internal and external claims departments.

Loss Control Service Level Total Revenue*	Description of service levels Sample services
Level I \$4,000 to 6,500	Contact will be informal , Access to all appropriate services via infosourcecafe, phone consultation and w/c safety survey/audit. Follow up on a consultative basis and electronic review of current safety plans and newly completed templates for accuracy and detail. They will be invited to participate in regional workshops and safety webinars.
Level II \$6,5001 to 12,500	One to two visits annually based on need ; Contact will be formal and informal, will receive a formal safety/audit and review, receive written recommendations for priority based services, safety one-on-one training for supervisors, specific safety training based on need. Follow up on a consultative basis and electronic review of current safety plans and newly completed templates for accuracy and detail. They will be invited to participate in regional workshops and safety webinars. Loss control to provide recommendations for the written service timeline.
Level III \$12,501 to \$20,000	Two to four visits annually based on need ; Contact will be formal and informal, will receive a formal safety/audit and review, receive written recommendations for priority based services, safety one-on-one training for supervisors, specific safety training based on need. A loss control representative will be available to sit in on claims reviews, Follow up on a consultative basis and electronic review of current safety plans and newly completed templates for accuracy and detail. They will be invited to participate in regional workshops and safety webinars. Loss control to provide recommendations for the written service timeline.
Level IV \$20,000 and up	Minimum four contacts with the client and service open based on need and structured service plan . Loss control representation will be available to sit in on claims reviews.

**WORKERS COMPENSATION SERVICE LEVEL GUIDELINES
(\$4,000 - \$20,000+ IN REVENUE)**

IW brokers can also use a Service Time Line Report (including above risk control service levels) once agreed upon between the customer to monitor activities from risk control, claims, accounting, etc. Here is a “sample” Service Time Line Report:

Conclusions

It has been purported that carrier and broker Risk Control services are redundant, but I think now that we’ve taken you down the respective path – it is easy to see significant differences that are applied to reach the similar goals of loss reduction or loss elimination. Our clients needs vary so greatly and our resources and capabilities also have their contrasts, so much of what can and will take place has to do with the needs of the individual customer and the capabilities of insurances partners they are connected to.

We hope that if you are a user of insurance services that you are a better informed user and consumer. If you are in the business we hope that we have expanded your horizons and giving you some things to think about that will help you do your job more effectively.

Well planned and executed Risk Control services provide added value to any insurance program, and when embraced by the client can ensure stable ongoing operations that can survive tumultuous times.

What is the immediate outlook for both carrier & broker perspectives on the future of risk control services? And how risk control consultants can prepare themselves for future insurance industry developments and grow professionally is up to us to create and prepare for.

Bibliography

Batterson, L., Oldham, M., Sullivan, C., “The Triangle of Risk Control Services”, American Society of Safety Engineer’s Risk Control Symposium, C.N.A. Insurance Company, Chicago, IL, October 2008.

Ekern, C.R., Consultative Brokerage: A Value Strategy, Cincinnati, OH: The National Underwriter Company, 2007.

InterWest Insurance Services, Inc., Corporate Risk Control Department, Property and Casualty Risk Control Service Levels, Sacramento, CA, 2008.

Schwartz, R., The Wedge How to Stop Selling and Start Winning, Cincinnati, OH: The National Underwriter Company, 2006.



INTERWEST
INSURANCE SERVICES, INC.

SERVICE TIMELINE

For

COMPANY NAME

Description of Service	Target Date	Completed Date	Responsible Person(s)
Audit IIPP & Safety Program: Review and suggest revisions/ additions to current IIPP and other compliance plans.	July 7, 2008	July 7, 2008	
Safety Committee: Education and Implementation	October 16, 2008		
First Aid Program: Review and Development, create a more efficient and user friendly process	November 18, 2008		
Defensive Drivers Training: Behavior Based Training for staff operators	TBD		

