

## Your Total Cost of Risk

Total cost of risk in insurance terms describes the cost of both pure and speculative risk. It is synonymous with the price of your risk management program. For example, if you are faced with a union strike, how do you estimate losses? It is difficult, at best, to quantify this scenario. In contrast, other components of your cost of risk are easily calculated, such as insurance premiums or claims for on-the-job injuries.

Managing your total cost of risk should be an integral part of running your transportation or warehousing business. And Leverity Insurance Group, Inc. can help. The structure of your risk management program should look to the endgame - your price. To reach that goal, we help you to:

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

### What Keeps You Up at Night?

As part of our risk management interview process, we confirm that your risk management approach supports your overall business objectives. We want to know 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?

Discussing the qualitative aspects of your business provides the important details needed to solidify the game plan to your endgame—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? We ask questions to determine where you are at on the risk scale.

Additionally, we consider norms for the transportation industry, and your market position and competition to tailor your risk management solution to the changing

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## We take a qualitative and quantitative approach to positively affect your total cost of risk.

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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 those losses to identify a variety of variables, such as:

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

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- Reporting lag time
- Frequency vs. severity ratios
- OSHA-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.

## Pre- and Post-loss 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. Leverity Insurance Group, Inc. has the solutions to establish a safety committee, delivering a comprehensive employee safety education campaign to address your exposures.

An active loss control program and post-loss procedures are elemental to cost containment. There are many post-loss or cost containment strategies, for example:

- Implementing a proactive and effective return to work program
- Offering a bank of modified duty jobs for employees and informing the doctor there is modified work available
- Establishing a relationship with a local occupational medicine clinic. Interview the staff to learn about their services and tour their facilities. 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
- Offering safety incentives for solid performance
- Keeping a motor vehicle accident kit in company vehicles, along with a disposable camera, allows you to document evidence, providing a stronger subrogation result.

## Transferring Risk

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 Leverity Insurance Group, Inc. assist in contractually transferring that risk to a third party? Lastly, 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 operations, are you prepared?

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We have the resource for you to develop a comprehensive business continuity plan. This involves backing up your policies and procedures. Through , we offer 24/7 Web access to your critical risk management information, employee education resources and tools to drive down your cost of regulatory compliance; all are ID- and password-enabled for your protection.

## Partnering for Success

To develop the most appropriate risk management program for your organization, Leverity Insurance Group, Inc. approaches “insurance” through a variety of insurance and non-insurance 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 to control your price, contact us today at 216-861-2727.