Inspiration

“The heavens declare the glory of God; the skies proclaim the work of his hands.”

Psalms 19:1 NIV

Insurance Industry Trends

Everywhere we look today the headlines shout the news about the latest disaster. Japan suffered rising estimates of damage—the latest at $40 billion of insured losses.

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How to Navigate the Coming Market Change

When the insurance market is either hard or soft, life for a risk manager is simpler.

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I recently read an interesting article in National Underwriter magazine that talked about the top ten Property and Casualty Trends in 2011. I doubt this list will ever show up on David Letterman’s lists but it causes us who work in this industry to ask the question, “Which of these trends will impact us?” In the case of “us” for ARM, it really means the Seventh-day Adventist Church. I will not touch on all the trends mentioned as they do not directly pertain to the Church, but here are a few that are of interest.

HARDENING MARKETS

Everywhere we look today the headlines shout the news about the latest disaster. Japan suffered rising estimates of damage—the latest at $40 billion of insured losses. Actual losses are several times that amount. The totals from tornados damaging and destroying buildings across the United States are also measured in multiple billions of dollars. Reports coming in from reinsurance companies, some of the very ones who reinsure business for Adventist Risk Management through our captive insurance company, Gencon Insurance Company of Vermont—show millions and millions of dollars in operating losses for the quarters being impacted by these disasters.

The handwriting is on the wall—these catastrophic natural disasters will be paid for from future premiums of all insureds. So a trend that I think is inevitable and we are starting to see—hardening of pricing. We can wish it would not happen, especially in today’s financial climate, but we must all deal with today’s reality.

REGULATORY UNCERTAINTY

The insurance business is complex. A small change can have a significant domino effect. As the National Underwriter article indicated, “So much noise coming out of Washington—but so little sense of what the final shape of these legislative issues will be.” But new regulations are not just U.S.-centric. In Europe, our captive insurance company in Gibraltar is facing new regulatory schemes coming from the EUD in the form of Solvency II. It is not yet fully known the impact this will have on our work through our Gencon Insurance Company of Vermont serving Europe, but it could result in millions of dollars of additional capital being needed.

TECHNOLOGY

Cloud computing. Mobile apps. Social Media. Enterprise Risk Management systems. Technology is impacting every industry and insurance is not immune. With the many enhancements brought by technology comes the additional liabilities and inherent risks.

TALENT ATTRACTION AND RETENTION

I find it interesting that the insurance industry as a whole is concerned with the future of recruiting and retaining professionals. Add to that challenge that ARM requires its employees to be Seventh-day Adventists and you can better understand the complexities of keeping a well-trained workforce to meet the growing needs of ARM.

WORKERS’ COMP

Across the board, the Workers’ Comp market is showing that decreasing claims have given way to flat and sometimes increasing frequency. This is complicated by the complexity of the claims being made and the soaring costs of resolving them. It gives us pause to plan for the safest work environments for our employees. Do not take complaints lightly. Address concerns that your employees have with their working conditions.

EMERGING RISKS: WHAT IS THE NEXT ASBESTOS?

We really do not know what that new risk will be—but it's out there waiting to be discovered. Is it the effects of global warming? Cyber terrorism? Mutated bed bugs?

Well, those are some of the trends that are moving across the insurance industry today. While not a complete list by any means, it does require our attention as we work together to protect the resources of the Church. As we say in ARM, “Our ministry is to protect your ministry.” To accomplish this we must all work together to manage the risks we face in our daily activities. ARM is committed to
Healthy Employees Equal Healthier Bottom Line

Erica St. Louis posted on August 25, 2011 17:46

Aon experts show how fostering employee health helps deliver fiscal ROI

Since the birth of modern medicine, scientific advances have dramatically improved public health and increased life expectancy. Today, longevity continues to increase, but people are actually less healthy, with obesity, cardiovascular disease, mental health and musculoskeletal problems all increasing as a direct effect of modern lifestyle. The cost of keeping an increasingly unhealthy population alive for a longer period threatens to challenge fundamental assumptions about funding healthcare.

For employers, too, the healthcare focus is shifting. Whereas traditionally the emphasis was on providing effective access to treatment so that employees got back to health—and work—more rapidly, now more and more organizations are focusing on prevention, helping their workforce to stay healthy rather than only helping to treat them when they fall ill.

The financial benefits are clear. A healthier workforce is a more productive workforce, able to focus more of its energy on the job at hand and less likely to take time off because of illness. At the same time, proactively encouraging good health reduces the costs of providing treatment. Yet the benefits go deeper, as demonstrating an active interest in employees’ health increases their engagement and loyalty to the organization. At all levels, employee health and organizational success are closely linked—and are being carefully considered in the boardroom.

FOUR STEPS TO ORGANIZATIONAL HEALTH RISK AND HEALTH MANAGEMENT

What factors are important when considering a health-management program? From our work with clients, we have identified four key factors:

1. Sponsorship
   - Secure organizational support and commitment to educate key stakeholders on the bottom-line impact of employee health.
   - Establish clear roles and responsibilities.
   - Identify and allocate resources for program management.

2. Analysis and Design
   - Use claims data, demographics, casual absence data, employee assistance program and health risk data to assess workforce health.
   - Identify relevant groupings within the workforce based on health data.
   - Apply predictive modeling results overall and for individual groups.
   - Develop focused interventions.
   - Balance resource allocation between modifiable risks and chronic conditions.

3. Engagement
   - Design population-appropriate incentives to maximize engagement.
   - Measure outcomes to ensure program success.

4. Communication
   - Create branding for personalized communication campaigns to educate, engage and empower employees.

THE IMPORTANCE OF HR & BENEFIT DATA

Given the extreme sensitivity of the personal data involved in the analysis process, Aon has developed a unique methodology to combine disparate information sources while protecting employee confidentiality. Our approach combines hard data from health risk assessments conducted using statistical software with soft data from health questionnaires completed voluntarily by individual employees. Correlating all the information allows an organization to pinpoint current health problems and identify areas where it can take short-, mid- and long-term action to obtain the best return on investment.

Employers should also determine if their employee health benefit program will target individuals, specific groups or all employees—a decision that is often tied to available budget. Aon recommends you also use a variety of programs, including those designed to change employee lifestyle habits or maintain healthy ones. Activities such as screenings, conferences, workshops and employee...
communications must be repeated on a regular basis. The frequency, diversity and accessibility of such activities are all factors that will help to ensure the program's success.

Any workplace health strategy must be implemented and in place for a minimum of three years before its impact and return on investment can be assessed. One approach is to present results in the form of a scoreboard showing quarterly changes in costs for the various plans in question. In this scenario, an overview of the change in costs as compared with the market allows for a good estimate of the return on investment.

We also use a more detailed methodology that provides a more accurate estimate of the return on investment by taking into account not only the change in costs but also the change in health profile results. This methodology also takes into account periodic demographic changes such as layoff situations.

**WITH EFFECTIVE EMPLOYEE ENGAGEMENT, ROI CAN BE ACHIEVED**

The results clients see from adopting a comprehensive approach to healthcare are impressive. Through careful assessment of the workforce, targeted program design and effective engagement and communication, we can achieve 70 percent participation in wellness and disease-management programs. This delivers clearly measurable benefits, including:

- 20 percent reduction in absence days.
- 15 percent reduction in emergency room visits related to chronic illness.
- 10 percent reduction in hospitalizations related to chronic illness.
- 20 percent increase in participation in preventive screenings.

The overall result is a significant reduction in health and lifestyle risks in the workforce. Now more than ever, employers can play an important and proactive role in sustaining employee health, and in so doing safeguard their most critical asset: a healthy and productive workforce.


**Posted in:** August 2011
The Three Tenets of Safe Travel

By Kevin Henry, vice president, Hiscox's Global Response Division

People are the greatest asset of any company, so keeping employees safe is a top priority. For many engineers, international travel is part and parcel of the job, be it visiting a plant in Mexico City or a construction site in Manila. And with international travel comes the increased risk of being targeted by criminals. Everyone’s heard the horror stories—from lost credit cards, stolen details and ATM robberies, to muggings, purse snatchings and even kidnappings—most of us know someone who has been a victim. However, a few simple steps can be taken to minimize the risks. Applying a little common sense and remembering the three tenets of safe travel—being alert, anonymous and unpredictable—can go a long way in keeping business travelers safe.

Alert

The key to avoiding many crimes is being alert in your surroundings. When walking through an airport or down city streets, walk purposefully, staying aware of who and what is around you. Avoid crowds, loud conversations and arguments. Do not stand in the middle of sidewalks to read tourist maps, go into a nearby coffee shop instead. If you suspect someone is watching or following you, turn around quickly, walk the other way and enter a store or office building. Speak to a security guard, doorman or police officer. Avoid demonstrations or large gatherings. Check the U.S. State Department’s website for a list of expected international holidays, demonstrations, parades or rallies.

Anonymous

When traveling overseas, try to blend in with the locals as much as possible; American travelers tend to stand out in terms of dress, manner and potential lack of foreign language skills. Dress casually where possible and avoid clothes or backpacks with American flags, sports team insignia or other identifying marks. Leave flashy jewelry at home—watches, earrings and even diamond wedding rings could make you a target. Remove identification cards from your luggage and instead use a luggage tag that contains only your first initial, last name and a cell number. Every evening, remove pocket litter from your clothes, such as business cards, itineraries and hotel bills. Finally, do not offer information about yourself, whom you work for, where you are staying and where you are from. This information is golden to someone targeting you, so if a stranger is probing, it could very well mean you are being watched or cased for a crime.

Unpredictable

It is easier for criminals to target people who follow a pattern. When away for short periods, schedules naturally tend to be more unpredictable because every day is different, and it is important that you follow this through when away for longer periods. Leaving your hotel at different times, using different exits and entrances, taking different routes when walking or driving, and dining at different restaurants all help vary your routine.

How to Keep Safe at the Airport

- When traveling to unfamiliar countries, arrange to be met at the airport by a local contact.
- If a driver is scheduled to pick you up, ask for the driver’s photo and identification number or for a codeword. On arrival, check that the details match.
- If you cannot arrange for a driver beforehand, always use official airport taxi queues and never enter unlicensed cabs.

How to Keep Safe in Taxis

- When taking unmetered taxis, always agree on the fare before starting the journey—you do not want to attract attention by getting into an argument with an unscrupulous driver.
- Ask hotel staff or local contacts to advise on appropriate fares to common destinations.
- Always sit in the rear of the taxi, lock the doors and keep the windows rolled up.
- Do not display large amounts of cash when paying the driver.

How to Keep Safe at Hotels

- Criminals often target hotels for their tourists. Use different hotel entrances and exits during your stay and try to keep your schedule unpredictable.
- When booking a hotel ask a local contact for safe recommendations.
When booking a hotel, ask a local contact for safe recommendations. Try to book rooms that are above the second floor (lower floors are more vulnerable to robberies) and below the fifth floor (still low enough for a rescue ladder to reach in the event of an emergency). Always make use of the hotel safe for valuables and get a receipt for what is left in the safe. When in the room, always lock the door using all available locks. Always use the peephole to identify those who knock. Never open the door for a complete stranger or unexpected visitor. Do not place the in-room breakfast menu on your door at night. This sends a message that a single person is in the room. When leaving a hotel, use a client or hotel-approved driver or have the hotel call you a taxi from their approved list.

Before You Go

It is always wise to do a little research before you leave on an international trip. Check the Internet for information about your destination—find out about local conditions and events that may cause disruptions, such as national holidays, elections, demonstrations or planned strikes. Learn the local customs and traditions and respect local laws and religious practices. The U.S. State Department, the CIA's World Factbook and the Overseas Security Advisory Council all have good country-specific information. Additionally, the U.S. State Department's website has a free program where travelers can register their international trip to receive the latest travel updates, warnings and alerts.

International travel can be an enriching and enjoyable experience, but safety is key to protecting your intellectual capital. Remember and apply the three tenets to help minimize the risks while away.


Posted in: August 2011
Are You Really Prepared? Campus Safety and Emergency Crisis Planning
Erica St. Louis posted on August 25, 2011 17:09

By John Dougan, senior risk control specialist, Adventist Risk Management

October 2, 2006, what began like any other day in a one-room Amish schoolhouse in Nickel Mines, Pennsylvania, did not end like any before or hopefully ever again for the residents of that quiet community after a lone gunman killed five girls, aged 7 – 13, before turning the gun on himself. Five other schoolgirls were injured.

The Pennsylvania tragedy marked the third school shooting in the United States in less than a week, following incidents at Platte Canyon High School in Colorado, where six female students were taken hostage and some sexually assaulted by a lone male who shot and killed one before committing suicide; and Weston High School in Wisconsin where the school principal died of wounds received as he attempted to subdue an armed freshman student. Months later, a lone gunman would wreak havoc on the campus of Virginia Tech, killing 27 students and five faculty, before turning a gun on himself.

Are You Really Prepared?

When we think of campus safety from an emergency preparedness perspective, some of the first thoughts that come to mind are fire and probably the most prevalent natural hazard for our location: earthquake, tornado, hurricane, etc. It is crucial, however, that we don't stop there. A total risk control and risk management program must consider all potential exposures to campus safety and possible disruption of school operations, and must plan appropriately for them.

Are you prepared to take on an event as horrific and devastating as that which struck a peaceful little Amish school or bustling Virginia Tech, or even a single assault or death on your campus? Are you ready should your campus be affected by a train derailment, tanker truck crash or chemical plant disaster that results in the release of deadly gases or chemicals that require evacuation or “sheltering in place?”

Are you ready if your campus is affected by a pandemic flu outbreak that could tax your human and financial resources beyond the imagination? Are you prepared for an “in house” chemical release, spill and contamination, or a tragic suicide, medical emergency, transportation accident or fire?

As you look at your overall program, have you analyzed your assets and potential hazards and determined your vulnerabilities? Have you worked with local authorities in developing a comprehensive emergency crisis preparedness plan? Have you held tabletop exercises and actual drills? Have you put measures in place that will have your school up and operating following a disaster, even if you lose use of a building or possibly the whole campus for an extended period of time?

Putting the Pieces Together

While it is impossible to avert every disaster or loss that could potentially occur at a school, measures must be taken to

- Identify exposures the school could face
- Prevent occurrences, where possible
- Establish emergency crisis preparedness plans that provide the appropriate response to an event to reduce the impact and hasten recovery
- Train teachers and staff regarding their responsibilities in the event of an occurrence;
- Hold appropriate table top and actual drills to help ensure proper response by all parties;
- Analyze drills and make the necessary corrections to the response plan and staff responsibilities.

It may be easy to develop a fire evacuation plan and carry out routine drills, a total plan encompassing all recognized exposures requires review and input from a knowledgeable team that can evaluate the risks and establish appropriate response plans with input from local authorities. The crisis management team will ultimately be tasked with establishing protocols and priorities that address:

1. Protection of Human Life
2. Support of Health and Safety Operations
Are You Really Prepared? Campus Safety and Emergency Crisis Planning...

http://www.adventistrisk.org/Prevention/SolutionsNewsletter/tabid/94/art...
immediately assess the seriousness of the threat and follow established, appropriate protocols.

**Weapons on Campus**

To date, reports of incidents regarding weapons in Adventist Schools have been minimal. Most have generally involved the use or presence of knives, but there are a couple of incidents that involved guns here in North America, and at other locations around the world. Many of the same factors that have caused shootings or other violent acts in other schools exist in ours. Such incidents in the past have followed periods of “bullying” or “teasing” by other students, breakup of teen relationships, depression, anger following disciplinary action, employee firings and other causes. Gun policies must be in affect, along with a broad awareness of the causes of gun or other violent incidents and programs that prohibit bullying and harassment of students by other students.

**Are You Ready?**

Crisis planning in your school is no easy task. It is an ongoing, never-ending project of the administration, crisis management team, and others. Done well, it can reduce injuries and losses and reduce downtime following a crisis; it can also present a positive image to staff, students, parents/families and the community as well. Done poorly, it will lead to additional crises you do not even want to think about.

Plan well, and do not assume. To paraphrase words by Bruce Blythe, CEO of Crisis Management International, Inc., in his article *Virginia Tech Shootings: Crisis Magnifies the Significance of Small Weakness, if we are going to assume anything ever, anywhere, we should assume the worst, respond accordingly and pray for the best.*

**Posted in: August 2011**
Summer Guide for Healthy Living

By Jina Kim, MPH, wellness coordinator, Adventist Risk Management

Quote: “Our happiness depends on the habit of mind we cultivate. So practice happy thinking every day. Cultivate the merry heart, develop the happiness habit, and life will become a continual feast.” Author: Norman Vincent Peale Source: Positive Thinking Every Day by Norman Vincent Peale

Exercise picks of the month--Shed that winter fat and slim your waistline with these exercises!

Take a brisk walk--Cardio work outs can help you reach your target heart rate, boost metabolism, and burn calories!

Squats-- With your feet shoulders width apart, bend the knees, and lower your rear as you would sit in a chair. This strengthens your quadriceps, hamstrings, and glutes. Do 3 sets of 15.

90 degree abdominal crunch—Lying on a mat, bend the knees, and lift them in the air at a 90 degree angle. Lift your shoulders off the floor while contracting the abs, and then lower down. Repeat two sets of 20. Remember to warm up and cool down with stretches after your workouts!

Watermelon--August 3rd is National Watermelon Day! This sweet and juicy fruit is loaded with Vitamin C and Vitamin A. It is also known for being rich in lycopene which has cancer prevention properties. The different types are either seeded or seedless such as the All Sweet, Royal Sweet, Jubilee, Crimson, and IceBox types. Seedless watermelon comes in yellow, bright red or orange flesh.

Smoothies are a great way to cool off and stay healthy during the summers. A perfect smoothie contains blends of the freshest fruits or vegetables and other natural, whole ingredients. Some popular smoothies contain mangoes, strawberries, and other fruits such as acai and gogi berries.

Sunscreen--It's summer time! It's all the more you need to use sun screen. Use a water resistant sunscreen with an SPF of 15 or more. The most effective sunscreens are the ones that help block both UVA and UVB rays. Apply liberally on the skin especially hands, face, ears, and other easy to forget places. For the lips, use a lip balm with sun block for sun protection.

Relaxation is the best remedy for a stressful and hectic life. Make time for a nice getaway to a white sandy beach in Maui, green, lush mountains in Vermont, or whatever is aesthetically appealing to your senses. While you're there you can meditate, pray, and/or look up scriptures that provide comfort and peace such as Philippians 4:13 or Psalm 71:20-21.
Protect yourself from Lyme disease

If you work on a farm, in a forest, on a railroad, or do construction, landscaping or utility line work, you may be at risk for Lyme disease. If you work (or play) outdoors especially in the woods or around bushes, high grass or leaf litter, you are at risk of being exposed to tiny ticks that can bite and infect you with Lyme disease. In 2009, the Centers for Disease Control and Prevention (CDC) confirmed 30,000 and 8,500 probable cases of Lyme disease. The disease is passed to humans by the bite of black-legged ticks infected with the bacterium Borrelia burgdorferi. The Lyme disease bacterium normally lives in mice, squirrels, chipmunks and other small mammals, and the ticks usually live in woods or tall grasslands in Canada, the United States, Europe, and Asia. People cannot spread Lyme disease to each other.

Symptoms of Lyme disease

Tick bites are usually painless and you may not even know you’ve been bitten. The symptoms of Lyme disease can vary from person to person, however one of the first signs of infection is a circular rash, often referred to as a “bull’s eye” because of the rings spreading from the bite site. The rash may appear three days to a month after infection. You could also experience fever, chills, joint and muscle pains, headache, fatigue and/or swollen lymph nodes. Usually people will feel mildly ill and get a peculiar skin rash. However in some cases the bacteria can spread to the joints, heart, and brain and cause serious health problems. The good news is that Lyme disease can often be effectively treated, especially if detected in the early stages.

Lyme disease can be difficult to recognize and it is often confused with other diseases. It is important to check with your doctor if you feel you may have Lyme disease. Pregnant women should see a doctor immediately as Lyme disease can lead to serious complications, including stillbirth.

What employers can do to protect their workers

- Provide training for workers about Lyme disease: how it’s spread, the risks of exposure and infection, how they can protect themselves from ticks, and why it is important to report all tick bites and related illnesses.
- Recommend that workers wear light-colored long-sleeved shirts, long pants tucked into their socks, and a hat when possible.
- Provide workers with repellents (containing 20% to 30% DEET) to use on their skin and clothing for protection against tick bites.
- When possible, have workers avoid working at sites with woods, bushes, tall grass, and leaf litter.
- If work in these higher-risk sites can’t be avoided, try to reduce the tick populations by removing leaf litter, cutting back tall grass and brush, controlling the rodent and small mammal populations, and discouraging deer activity.

What workers can do to protect themselves from tick bites

- Take extra care to protect yourself in the late spring and summer when young ticks are most active.
- Use an insect/tick repellent that has 20% to 30% DEET (follow the manufacturer’s directions for use). Apply it to your skin and outer clothing, avoiding your eyes and mouth.
- Prevent ticks from attaching to your skin by wearing a light coloured, long-sleeved shirt that fits tightly around the wrist, long-legged pants tucked into your socks or boots, and a hat when possible. Light coloured clothing makes it easier to spot and remove ticks.
- Perform a complete body inspection after being in an area where ticks may live. Check for ticks on and under clothing. Be sure to check your armpits, in and around your scalp and hair, navel, groin, and behind your ears and knees.
- Remove ticks within 24 hours to reduce your risk of infection with Lyme disease.
  - Grasp the tick firmly using needle-nose tweezers, as close to your skin as possible.
  - Pull the tick's body away from your skin with a steady motion without squeezing it as this can cause the harmful bacteria to be released into the body.
  - Clean the area with soap and water.
- Save the live tick for testing by putting it in a sealed container or double zip lock bag. Bring the tick to your doctor or your local health unit office to be sent for testing for Lyme disease.
- Wash and dry work clothes in a hot dryer to kill any ticks present.
- Learn the symptoms of Lyme disease so you can recognize it and be treated promptly.
- Tell your doctor that you work outdoors where ticks may be present.
Higher risk areas for tick infection

In Canada there are areas that may be higher-risk for contacting ticks and Lyme disease:

- Quebec - Monteregie and Estrie regions in the southeast of the province
- Ontario - Long Point; Point Pelee National Park; Rondeau Provincial Park; Turkey Point; Prince Edward Point National Wildlife Area, and St. Lawrence Islands National Park in the Thousand Islands region of eastern Ontario
- Nova Scotia - Lunenburg and Bedford areas
- Manitoba - Buffalo Point area
- British Columbia - most of the province, but the largest tick populations are on the lower mainland, Vancouver Island, and Fraser Valley

These areas continue to change as the tick population moves. Ticks can be spread by migrating birds and the animal population.

Learn more about Lyme disease and take precautions to protect yourself from tiny ticks that can cause big health problems.

More about Lyme disease:

- Lyme Disease OSH Answers, CCOHS
- It's Your Health: Lyme Disease (PDF), Health Canada
- Ticks and Lyme Disease, Public Health Agency of Canada
- Canada Communicable Disease Report: The rising challenge of Lyme borreliosis in Canada
- Lyme Disease Home Page, Centers for Disease Control and Prevention (CDC)
- Lyme Disease Alert Fact Sheet (PDF), Occupational Safety and Health Administration (OSHA)

Reprinted with permission by the Canadian Centre for Occupational Health and Safety (CCOHS).

Posted in: August 2011
When the insurance market is either hard or soft, life for a risk manager is simpler. Transitional markets, like the one we are entering, are tricky to navigate. Developing a renewal strategy takes a lot more thought and planning than during times when pricing is more definitive. Here are five things to focus on for your upcoming renewals.

**START EARLY**
In transitional markets insurers frequently look to make time their ally in the renewal process. When offering an increase or change in terms that is either larger or different than expected, insurers benefit when insureds lack alternatives after they encounter the sticker shock. It is critical that the renewal process begins early, comprehensive information is provided, and deadlines are clearly articulated and enforced. Your broker is integral to this process and its ability to manage the marketing process and not let it get away from them is what separates good brokers from bad ones.

**DEVELOP A VIEW ON THE MARKET**
Having a good read on what the market is up to is critical to executing an effective strategy. Unfortunately, markets in transition can be unpredictable so making an accurate assessment can be problematic.

Fortunately, there is always plenty of empirical and anecdotal experience to draw on from brokers, insurers, other risk managers and trade groups like RIMS and CIAB. Your assessment of the market should be as specific as possible since markets in transition tend to display varied behavior in various sub-segments. Building the right strategy is all about having the right read on the market.

**UNDERSTAND YOUR EXPERIENCE AND EXPOSURES**
In hard and soft markets your organization's unique risk story is less important than when the market is in transition. In those markets you are riding the wave of either falling prices and strong competition or rising rates and no options. In transition you need to tell your story more effectively than the next guy. Markets are looking to begin to move rates but will still want to accommodate good business so you want to be the "prettiest girl at the dance" so to speak.

There are two things you must remember to differentiate your company. First, know your losses and trends. If you have difficult claims or poor experience, make sure you can explain why it occurred, what you have done to fix it and why it won’t happen again. The carrier will have analyzed your experience so you want to provide the color that the loss runs cannot.

Second, know your exposures. If you have exposures to Tier I or Tier II windstorm, make sure you know how the RMS 11 model update affects your risk and be prepared to deploy alternate strategies in order to mitigate what will certainly be changes in prices, terms and capacity on those exposures.

In general it is important to set yourself apart and be able to discuss all of your exposures and position yourself in the best light. While that is always a risk manager's job, it takes on heightened importance at this point in the cycle.
GO TO MARKET
Whether your specific market is hard (cat property) or in transition, it is critically important that you investigate alternatives. You may have a great relationship with risk transfer providers that have treated you fairly and visa-versa, but at the end of the day their goal is to maximize the profit they make off of your account. They will look to balance long-term profitability against short-term price increases, but when a market is hard, or potentially hardening, budgets are increased and short-term interests can override longer-term perspectives. Make sure you know what your options are.

In addition, transitional markets are often characterized by some aggressive players who have "missed the memo" and are looking to gain market share while others are looking to improve the bottom line. So you want to be out to these markets to fully understand what is available.

You do not want to trade a long-term relationship for a one-year fire sale. But at the same time, good quality carriers can have very different views on the state of the market, particularly during transition, whether that is because of perspective, business mix, past experience or other variables. There is no reason to not move your business to a market more bullish on a line of business than your carrier, as long as you feel they are good new partners.

PREPARE TO ASSUME MORE RISK
In the soft market the goal is to take advantage of the arbitrage opportunities that exist between the cost of retaining risk and what insurers are willing to charge you for that same risk. As the market transitions, some of these opportunities will swing the other way.

You should be prepared to structure your program differently to take advantage of niche players. You should also look to increase deductibles, live with lower limits and take more risk on your programs.

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Posted in: August 2011

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