

The **Risks**

*Have Never Been Higher*  
**Let us help you stay ahead of it**



**Risk Management - Let us help you be smart  
about risk management**

## **RISK MANAGEMENT STREET SMARTS for CEOs and CFOs**

*Street Smarts defined: “Having the shrewd awareness, experience and resourcefulness needed for survival in a difficult, often dangerous environment.”\**

The world of risk and insurance is indeed a “difficult, often dangerous environment.”  
Executives: have street smarts and survive; be naïve and ... oh, oh!

Many in the insurance industry are there to “help” you.  
But who is really on your side, and part of your team with your interest only at heart?



### **Insurance – Scenario 1: It’s like magic**

Your broker sells you an insurance program based on a five page proposal, a smile and a handshake. Then, a month or so later what shows up? 500 pages of fine print! SHAZAM

**Takeaway:** terms and conditions need to be negotiated in advance of binding (the whole gory mess of exclusions, conditions, limitations).



### **Insurance – Scenario 2: “No-one will do that.”**

You want a certain coverage or specific language in the insurance and your broker says “no-one will do that” (translation: not available in the market). Then you hire a risk management firm to conduct a formal competition, and suddenly the unavailable terms become do-able (a sub-set of the magic phenomenon).

**Takeaway:** Insurance is no different than any other business – what drives change is real competition.



### **Insurance – Scenario 3: “[insurance co x] says they can’t compete with the current pricing.”**

This is the most common broker comment. What !!!! Don’t they realize that giving bidders their competitor’s pricing is not competition?

From a government investigation: “ So [broker] does not, as it contends, always ‘consider their clients best interest’...to the contrary [broker] primarily represents its own interests and those of its favored insurance companies.” \*\*

**Takeaway:** the only *real* competition is multi-broker competition.



### **Contracts: “Don’t worry, just sign it.”**

Non-insurance contracts need just as much attention as insurance contracts. Liabilities are constantly being transferred by contract to the passive party. Don’t be the passive party! Have someone who will work with you to:

- ▶ be proactive in contractual transfer
- ▶ resist an unfair attempt by the other side
- ▶ coordinate contract matters and insurance terms

Understand it’s a chess game!

\* [thefreedictionary.com](http://thefreedictionary.com) as applied to streetwise

\*\* *The People of the State of New York v Marsh & McLennan Companies*

**▶ Loss Control: “Macondo is a nightmare well that has everyone all over the place.”  
(See link to article below)**

Ignoring loss control makes financials look good in the very short term. But lack of a risk management culture catches up very quickly. Have a risk management culture – it will pay off hugely in all the following: cost (direct and indirect via insurance premiums), public relations, customer relations, employee safety and good will, and avoiding personal liability.

See <http://licatarisk.com/cms/the-bp-gulf-oil-spill-a-risk-management-debacle> to see how total lack of a risk management culture cost BP over \$40 billion in direct costs, probably over 100B in total cost. These scenes are reenacted on a smaller scale on a daily basis, causing countless companies to founder and/or sink.

**▶ Claims: “Say no and see if they go away.”**

You don't accept a claim declination unless you agree with the insurer's explanation, and you can't agree unless you really understand the insurance contract and all the case law surrounding it. Have an expert on your side and get what you paid for. Even if a denial is justified based on policy language, was there an error leading up to the situation which leads to recourse from other parties – either brokers or the parties who caused the loss?

**▶ Have a risk manager on your side**

The largest companies have entire risk management departments reporting to the CFO. What does your company have?

Think the following: “I love my broker, but I love my company more.”

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