

"A well-managed risk... is a competitive advantage"

During the early stages and growth of an enterprise, management often relies on the insurance brokers or agent to perform the risk management function for the company. At this stage, risk management may simply involve buying insurance for known exposures to insurable loss. As a company grows and takes on more opportunities, the variations in potential outcomes (i.e. risks) often grow in magnitude. Soon management considers that it might be better served to have an objective expert opinion help identify the company's risk and provide advice to management on how best to mitigate and/or transfer undesired risks through contractual means or through appropriately structured commercial and self-insurance. Eventually, a full-time Risk Manager may be hired.

There is a legitimate need and demand from growing businesses to receive the same level of professional services available to much larger firms. Owners should expect no less than professional grade risk management expertise to help the leadership team make informed risk management decisions, such as:

- Are we confident that we have **identified** all our insurable and manageable risks?
- Are we comfortable with the **residual risks** that have been unable to avoid, transfer, or mitigate?
- Will our insurance coverages and limits **adequately protect us** from loss?
- Do we have the **right deductibles and self-insurance retentions** for the size and activities of our company?
- Would a **captive insurance company** fit our organization? What would that look like and cost?
- Are there **risks of our customer's** that if better managed, could help us grow our business?
- Am I recovering all the **claims dollars** I can from my insurance?

Some leaders argue that there is not enough time in a day to manage a company and perform an in-depth review of the organization's risks. This is where experienced risk management experts can help. Experts in risk management can work with your team to answer these questions and provide real-time, turnkey solutions that meet your individual needs. Risk management consultants should bring world-class tools to identify risks, match them up with insurance purchased, find ways to fill gaps, and help create more efficient financial structures to fund risk. They should also bring proven tools such as retention analysis, enterprise risk management, risk pricing, captive feasibility studies and program management. These experts are typically not insurance brokers who have hundreds of accounts and are paid by the insurance companies. The good ones are independent and experienced risk managers who know strategy and take time to learn about your business. Here is a look at a progression of risk management services that may help your growing company.

INSURANCE PROGRAM REVIEW

Insurance program reviews look at existing insurance coverage terms, premiums, deductibles, limits, loss history and company operations. They match what is actually insured in your policy up against your actual exposures to loss. A report should provide you ways to improve your insurance programs and leave you knowledgeable about what you are self-insuring (what's not covered).



INSURABLE RISK REVIEW

Insurable Risk Reviews identify operational and financial risks, often leading to improvements in risk mitigation, alignment of insurance purchased with actual company exposures, and a more robust strategy to deal with uninsured losses. A review could also highlight the benefits (or not) of a self-insurance captive structure.

ENTERPRISE RISK MANAGEMENT ASSESSMENT & EMBEDMNET

Enterprise Risk Management (ERM) is a way to help minimize risk and maximize profits. It can be started anytime along the time and commitment to risk management continuum – the earlier the better. It is the process of aggregating, quantifying and mitigating risks across the enterprise landscape of the company, including business, financial, market, trading, cyber, operational, environmental, and geo-political risks. ERM helps bring into focus and prioritize, at the highest level of the company, the consideration of uncertainties that can disrupt or enhance shareholder value.



When ERM is properly implemented, there is a plan to mitigate the major threats to the business and a plan to capitalize on opportunities that may present themselves in the future. The goal is ultimately to have the visibility of these risks at the highest level of the organization, with the responsibility to act at the level where the most control can be exerted, with incentives and measures that align the organization. The results of a good ERM program often include new strategies for managing risk, costs savings, clear ownership, and accountability of risks within the company.

A GOOD CONSULTANT

A good risk management consultant should be experienced sitting on the business owner’s side of the table and not a career service provider. They should seek to understand management’s tolerance for risk and match that against what is happening. The results should include a clear strategy on how to mitigate, better fund, and/or transfer risks. An expert risk management consultant should bring the vision that a well-managed risk is a competitive advantage, and can help focus leadership on three mission critical strategic elements:

1. Identifying and understanding the risks of the company and their positive and negative impact to the financials;
2. Mitigating these risks to the enterprise to enhance value and security for the company and help avoid unacceptable risks through contractual risk transfer, appropriately structured insurance programs and efficient self-funded programs; and
3. Pushing the envelope of acceptable risks (self-insurance; new insurance markets; managing customer’s risks; etc.) to increase revenues and enable growth of the company through tactical risk taking.

HIRING A RISK MANAGER

Eventually, as the asset strength of the company grows, higher levels of risk retention are considered along with various forms of efficient risk funding: such as the company owning its own captive insurance company. The owners may want help negotiating the best insurance programs that meets their needs - not those of the insurance companies or agents/brokers. At this point, management may believe a person focused on understanding and helping manage the company’s risk will prove more valuable than the cost of that function. During a transition

period to a full-time risk manager, often an interim consultant can fill the role and/or help locate a more permanent replacement.

An experienced risk management consultant should **do more than buy insurance**. Value to the company is created by shedding light on good and bad risks, economically transferring and self-insuring risk, aligning employee incentives to take appropriate risk, and by embedding risk management thinking throughout the enterprise.

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Ryan is an experienced industry leader in risk management and insurance. He has served as past Director of Risk Management at Whirlpool Corporation and as Risk Manager at Koch Industries, The Boeing Company and ICM Inc. Ryan has lead organizations to develop and implement global risk management strategies, including the placement of insurance, negotiation and interpretation of coverage, self-insurance analysis, enterprise risk management process, claim management, actuarial reserve analysis and accounting impact, captive set-up and management, and broker relations. Ryan has participated on due diligence teams and with the integration of major acquisitions. He has been a frequent speaker at RIMS and CICA for risk management, captives, and leadership topics.

Jerry has over 30 years of experience in the insurance and alternative risk transfer industry and is a principal and CEO for Elevate Captives. With offices in Arizona, Oklahoma, and New York, Elevate is a captive consulting and services firm that focuses on multiple industries and trade groups. Prior to becoming CEO of Elevate, Jerry was with a national provider of alternative risk services since 1985, where he held senior management positions with responsibility for loss control, marketing, finance, and captive insurance company operations. He is a specialist in board governance and the effective and conservative structuring of various captive and self-funding vehicles. In his position with Elevate, he is an approved captive manager in multiple jurisdictions, both onshore and off.