



# AXIS INSURANCE MANAGERS INC.

*“Quality Insurance for Quality Clients”*

1108 W. 8th Avenue | Vancouver, BC | V6H 3Z5

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## RISK MANAGEMENT INSURANCE

**COVERING RISK EXPOSURE FOR PROPERTY, NET INCOME, LIABILITY AND PERSONAL**

At Axis Insurance we pride ourselves on our knowledge of insurance. We are also happy to discuss risk in its purest, broadest context and offer risk management advice.

Insurance is a risk transfer mechanism, whereby for a given premium, a contract is purchased by a policy holder which protects that entity or individual for certain risks as defined by the contract. No policy of insurance covers every single risk to which the entity/person is exposed but it does offer “Sleep Easy” protection against many of the more common exposures, fire or theft being typical perils covered for example.

In contrast to insurance, risk management deals in the realm of every risk to which an entity/person is exposed and provides many solutions to dealing with that risk. Insurance as a risk transfer mechanism is just one way of dealing with certain perils, whilst risk control to stop losses or risk financing to pay for retained risk would be other methods.

Many of the larger public/private companies, government or crown corporations in our economy retain the services of on staff risk managers. These individuals are responsible in a full time capacity for dealing with the risk exposures to which an entity is subjected. Their skills in the risk management process enable them to analyze the operations of their organization with a view to establishing a scientific strategy of dealing with all the risks to which that entity is exposed.

**Every risk manager goes through the risk management process which has 5 basic steps:**

1. Identifying the Exposure to Loss – By the use of surveys, questionnaires, financial statements, records and files, flowchart, personal inspections and experts, details of risk exposures are identified
2. Examining Feasibility of Alternative Techniques – risk control to stop losses, risk financing to pay for losses by means of retention methods or transfer. The best method of dealing with the exposure is examined
3. Selecting Apparently Best Technique(s) – choosing selection criteria (financial, corporate objectives or other ) and by using decision rules in applying the criteria, the best technique(s) are selected
4. Implementing the Best Technique – Technical and managerial decisions are made in implementing the selected technique
5. Monitoring the results – The risk manager monitors the results so as to ensure proper implementation, thereby creating the ability to adapt to changes. In a risk control program results and activities standards are reviewed to ensure good compliance with the program guidelines.

**Losses are segregated into 4 categories as follows:**

1. Property Loss Exposures
2. Net Income Loss Exposures
3. Liability Loss Exposures
4. Personnel Loss Exposures

It may be a simple task to use a transfer technique to deal with some of the more serious property losses such as fire and earthquake. This would involve the purchase of insurance. Liability losses may be dealt with in other ways, such as contractual transfer. This method involves using legal contracts to pass on exposure to liability to others. For example, a distributor of a product may seek to have his product liability exposure covered by the manufacturer of that product by having hold harmless agreements included in a sales contract. Some personnel exposures may be avoided (risk avoidance technique) by having senior executives fly on separate aircraft...a strategy the Polish Government wishes it deployed on April 10th 2010 when 96 people were killed over Smolensk Russia, including the President and many senior Polish Government officials. And then there are the Net Income loss exposures.

Many of the Net Income loss exposures are complicated in nature and require the expertise of sophisticated accounting and technical staff to identify and establish the best technique for dealing with such exposures. These risks may include currency exchange exposures, competition, infringement on copyright or patented products, loss of key suppliers, major interruption to utilities or governmental infringement. Such losses may be uninsurable and may only be dealt with via means of current account expensing, unfunded reserves, funded reserves or captive insurance companies.



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The latest and greatest phrase in the risk management world is "Enterprise Risk Management" (ERM) which perceives the corporation as a whole and deals with risk on a holistic level. Risk management professionals in industry strive to provide this standard of risk management to the Chief executive officers of their respective organizations. True ERM can only be achieved when a range of senior professionals all work together to understand the whole concept of risk to the organization and generate a scientific strategy to deal with risk on all levels. In a large organization this may include input from many department heads, the Chief Risk Officer, the Chief Financial Officer, Chief Operating Officer, and the CEO....plus, plus, plus.

### As an insurance broker, we wear many hats:

- We can be considered as "outsourced risk managers", providing organizations that are not large enough to have full time risk management staff, with risk management solutions.
- We can help you establish one fundamental element of risk management in your organization by helping you create a "disaster plan".
- We can be advisors on the purchase of insurance to risk managers in larger organizations.
- We can help you by using qualified professionals we know as sub contractors to do Captive feasibility studies so you may establish Captive Insurance companies, Rent-a-Captive, or reciprocal vehicles where formal self insurance is an option.
- Alternatively we can simply be the insurance broker who sells the "risk transfer mechanism" of insurance to our clients.

We do not typically provide ERM solutions to our clients as we do not have the expertise in house, but again with the help of outside professionals, it may be feasible for us to offer help with ERM strategies to help you set up your own holistic risk plan.

### Risk can be divided into 2 other categories:

1. Physical Risk
2. Non Physical Risk

Usually we want to try and keep our activities to those that fall under the Physical Risk category. Keeping this in mind, we recently purchased some software that helps us plot our clients risk chart.

### Clear Risk

This is a software company from whom we have purchased a package which allows us to provide our clients with a fairly basic risk management program. Our clients can have access to our computer system via the internet so that with help from us, they can establish a risk profile.

The program does contain some "standardized" profiles which help build a plan for a given industry. For example construction companies, oil and gas, high tech firms or bio tech companies would have a standardized profile in the system.

Essentially the program works on the basis of a scatter chart which has a horizontal axis going from 0 to 10 on the impact or severity scale and a vertical axis that goes from 0 to 10 on the likelihood or frequency basis. Each risk the company is exposed to is given a number of importances on the frequency and severity scale and a total risk profile is created treating each individual risk independently.

With our help, your organization can create a risk profile which will help you better understand the risk exposures that your company faces. You will be able to see at a glance whether these risks are dealt with by insurance (transfer), risk control, or risk financing. Tools will be deployed so as to minimize your exposure to loss. The techniques in use can easily be seen within your profile.

Clear Risk software only deals with physical risk exposures at the present time.

**To find out more about this Risk Management Insurance, or to discuss your existing insurance policies, please give one of Axis Insurance's professional and experienced team a call at 604.731.5328 or email: [info@axisinsurance.ca](mailto:info@axisinsurance.ca). We would also be pleased to outline the benefits of Risk Management Insurance with your management team or board members. If you would like to schedule a meeting or request an application form, please contact Diane Baker directly at 604.708.6211 or Tony Davis at 604.708.6249.**