

Corporate Risk & Insurance Audit

Knowing your exposures



What is a Risk & Insurance Audit?

This is a process which provides an in-depth **analysis, evaluation, and categorization of your existing risk profile** and key risks to loss. In addition, it provides strategies and solutions to help minimize, transfer, or eliminate your exposures. The main three focal areas are Operational, Hazard (Insurance), and Financial.

What value does the Risk & Insurance Audit provide?

- I. Mapping, understanding, and confirmation that existing exposures are adequately recognized, known and properly treated (e.g. transfer, reduction, avoidance, insurance).
- II. Critical, non-biased review & analysis of existing insurance program to determine pricing adequacy, effectiveness & completeness.
- III. Provides alternatives for existing exposures that are not adequately addressed.

What are some of the benefits of a Risk & Insurance Audit:

- Peace of mind for the Board of Directors & Corporate Officers from a risk management due diligence perspective.
- Protection of the continuity and balance sheet of the organization.
- Ensure that insurance policies are designed to respond to constantly changing exposures and regulatory landscape.
- Ensure elimination of potential gaps & overlaps in the insurance program.
- Ensure that cost structure for the insurance program is fairly priced, and cost-savings tools/structures are being maximized.

RISK & INSURANCE AUDIT

■ OPERATIONAL

Computer Crime
Information Privacy
Supply Chain Disruption
Loss of Key Employees
Employment Practices
Disaster Impact
Logistical Chain Analysis

■ HAZARD

Third Party Liability
Directors & Officers Liability
Natural Disasters
Business Interruption
Vehicle Exposures
Terrorism/NBC
Safety & Security

■ FINANCIAL

Customer's default
Political & credit risk
Unfunded deductibles

Whom can benefit from a Risk & Insurance Audit:

- Organizations that have gone through or are experiencing significant change in their operations (acquisitions, divestitures, re-organization).
- Organizations that have or are experiencing significant growth.
- Organizations that have not undergone an independent risk audit over the last 3 years.
- Organizations that are evaluating possible avenues to reduce their Total Cost of Risk.

What are the key deliverables of the Risk & Insurance Audit?

At the completion of the process, we will deliver:

- I. A risk matrix identifying key exposures to loss and areas of concern in order of perceived priority.
- II. Identification of uninsured/underinsured and inadequately transferred risks.
- III. Peer benchmarking of key insurance data: Limits Purchased, Deductibles, etc.
- IV. Recommendations to implement strategies and solutions to effectively address the identified key exposures to loss and key areas of risk.

What is the process in conducting a Risk & Insurance Audit?

Our approach consists of the following three stages:

I. Data gathering stage

We collect necessary and vital information with the aim to develop a general understanding of organization's operations and existing risk management and insurance program.

II. Review & analysis stage

Review the collected information and:

- a) Determine the most critical risks to which the organization is exposed to.
- b) Determine best methods to mitigate/protect organization against the risks, and provide recommendations and solutions solutions to minimize or eliminate exposures.
- c) Review and analyze the insurance program currently in place, and benchmark how it measures against similar market programs in terms of pricing as well as policy terms and conditions.

III. Presentation stage

Prepare a written summary with:

- a) Observations and identified risk management & insurance program issues.
- b) Advice and recommendations related to organization's risk management & insurance program, accompanied by an action schedule for implementations in order of perceived priority.

Risk management & Insurance Observations

	OBSERVATION	RECOMMENDATIONS	IMPACT	PRIORITY H/M/L
RISK MANAGEMENT	1. The lack of synchronization between the insurance and ERM program could lead to both Client and its Directors & Officers collectively and personally possibly be held negligent under Dutch law, in case of un-covered insurable losses/incidents that could have been pre- identified and properly addressed in the ERM cycle.	Same as 1	○ ×	
	2. It appears Client does not impose any indemnification requirements, provisions, conditions, or minimum insurance requirements on its major suppliers. In case of potential incidents or losses that can be clearly attributed to the supplier(s), it is helpful to have each party's responsibility contractually defined and supported by the proper insurance structures.	We suggest the following to help shift away some of the risk that is currently being assumed by Client: 1. Explore use of standard "best practice" indemnification wording in the contract. 2. Explore use of minimum insurance requirement wording such as additional insured status on supplier's insurance policy, primary/non-contributory, waiver of subrogation.	×	
	3. It appears that each of the various policies include commissions, but the full details of the compensation structure for the current broker is not clear.	Request transparency on compensation and attach compensation to agreed services/performance levels.	○	
	4. We did not locate any type of profit sharing and/or continuity credit clauses in any of the policies that were reviewed.	Based on the loss ratio it appears that Client policies are generating solid underwriting profits for the uw-ers in question. In addition it is perceived, that for the majority of risk classes, the same underwriter panels are maintained. For an insured the size of Client we would expect to see at least a minimum 2.5% profit share clause in various insurance policies, and 2.5% continuity credit.	○	
	5. Lack of structured methodology for the tendering of insurance brokerage services and tendering of insurance policy(ies). Lack of a structured tendering of the insurance brokerage services can result in Client not deriving the benefit of having the most innovative and cutting edge services available.	Establish policy and guideline(s) to govern the procurement of insurance, and also the procurement of insurance brokerage services.	○	

○ COST SAVING ◆ COST NEUTRAL ↑ COST INCREASE × AVOID RISK



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