

## TAKING CONTROL: THE SEVEN STEPS TO SURVIVING IN ANY MARKET

### Background

In the insurance industry, we describe the market as hard when prices are rising, coverage availability shrinks and renewal conditions become more restrictive. High-risk industries are the first to feel the pressure.

Many in the insurance industry are predicting another hard market is on its way, although indicators that this is the case are few and far between. Should this “Invisible Hard Market” materialize, the companies that have proactively protected themselves are the ones that will gain a competitive edge. Here are seven steps to help you stay ahead of the market and to ensure your company will thrive regardless of market conditions.

### STEP 1. Take Action, Now!

Look for ways to implement cost-saving strategies now rather than waiting for your insurance renewal. The best way to ensure you’re not blindsided and left with unattractive options is to be prepared. Educate yourself about what a hard market entails and identify who the players are in your industry. Learn which brokers specialize in your industry.

### STEP 2. Strengthen Your Safety Program.

Safety is always important. In a hard market, it’s critical. Even if you feel you have a solid program, strengthen it. If you don’t have one, start one. Ask yourself, “Are we going through the motions, or are we really doing it?”

A strong safety culture starts at the top, and constant communication will help build the long-term culture you need to survive. Identify your Top 10 Safety Critical Success Factors. Measure your results and share them throughout the organization from management to all your employees.

### STEP 3. Consider Taking More Risk.

Consider options such as increasing your deductibles or self-insuring parts of your business. By retaining more risk, you can keep costs in check. Since your premium will go down, a larger part of your “total cost of risk” will be your claims. By reducing your claims, you will in effect reduce your total cost of risk and improve your cash flow.

As insurance underwriters review and price your account, they are more confident writing a motor carrier who has “skin in the game.” If you are unwilling to underwrite yourself, they most likely will not be as aggressive when pricing your account.

Regardless of what you decide, give yourself enough time to analyze the data and make the necessary evaluations.

### STEP 4. Analyze Your Critical Risk Factors.

In a hard market, underwriting standards are scrutinized more carefully. Determine first which critical factors most directly influence your insurance costs. Be aware of your critical risk factors and improve areas that are deficient.

**STEP 5. Consider Insurance Program Adjustments.**

Review all components of your insurance. Make sure coverages and limits are appropriate. In a softer market, coverages and limits are “thrown in” at little or no charge. In a hard market, you’ll most likely be charged for the coverages and limits.

With fewer and fewer carriers participating in the higher layers (umbrella), premiums are increasing on dramatically. Many companies have been forced to reduce, and in some cases eliminate, these coverages. Obviously, this is a risky proposition for companies that have assets to protect. Making changes to liability limits must be done only after careful review with your trusted advisors.

**STEP 6. Strengthen Relationships.**

The best way to successfully weather a hard insurance market, or any market for that matter, is to have a committed relationship with your insurance partners. Make sure you are aware of the resources available from your insurance partners. Contact your safety representative and inform them of what you’re doing. Focus on building a personal relationship with the representatives that touch your account (underwriting, safety, claims). Switching insurance companies every other year will find it more difficult to find a “partner.”

**STEP 7. View Risk as an Opportunity.**

Fear of taking risk can paralyze a company. Create a process to identify areas of risk facing your company and deal with those risks on a strategic level. You can no longer expose your company to areas of unidentified and unforeseen risk.

By dealing with these risks proactively, you will find hidden opportunities that will allow you to become more profitable, grow your business and reach your goals. Create a strategic plan that integrates risk management and business planning.

**Conclusion**

Your company can take steps now to begin evaluating options and planning for the future. By strategically planning for the hard market of tomorrow, your business can remain strong.

