

Determining Your Entity's Total Cost of Risk

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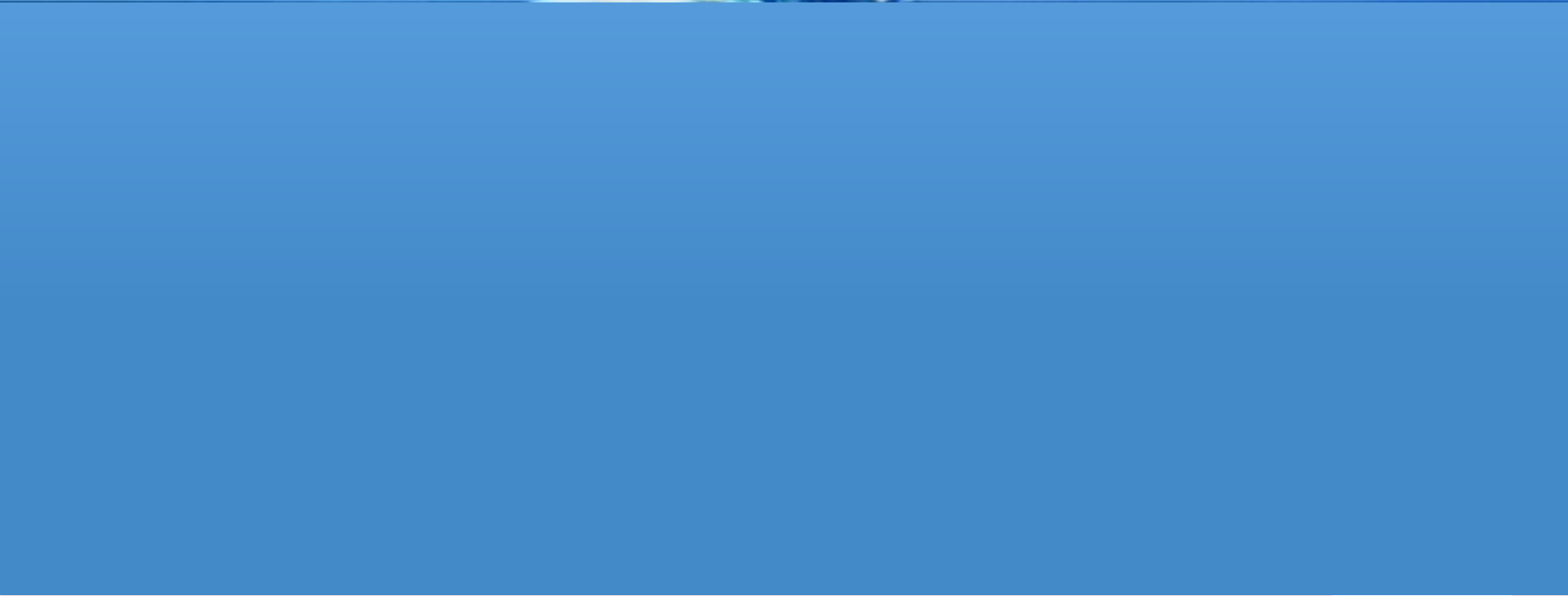
Learning Objectives

1. Define Total Cost of Risk
2. Identify and discuss TCOR Components
3. Examine ways to optimize and utilize TCOR
4. Examine ways to control TCOR

What gets measured.....



.....gets managed.



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What is Total Cost of Risk



Total Cost of Risk

TCOR and Insurability — Example Risk Universe

Total Cost of Risk

- Think total cost of **insurable** risk



2. Identify and discuss TCOR components

TCOR Components



1. Risk transfer costs

- Policy Premiums
- Taxes
- Fees
- Possible retail broker commission
- Possible wholesale broker commission

TCOR Components



2. Cost of retained losses

- Costs within deductible
- Costs within retention
- Uninsured losses

TCOR Components

3. Administrative Costs



- External Costs
- Internal Costs

Internal Costs

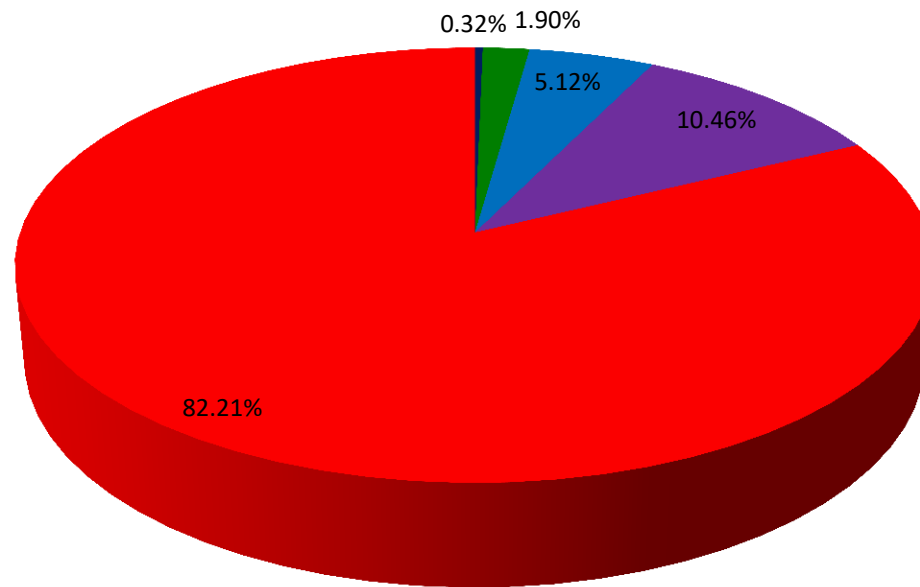


- Risk Management Payroll
- Benefits
- Loss of Productivity
- Risk Control
 - Training
 - Signage
 - Safety Equipment



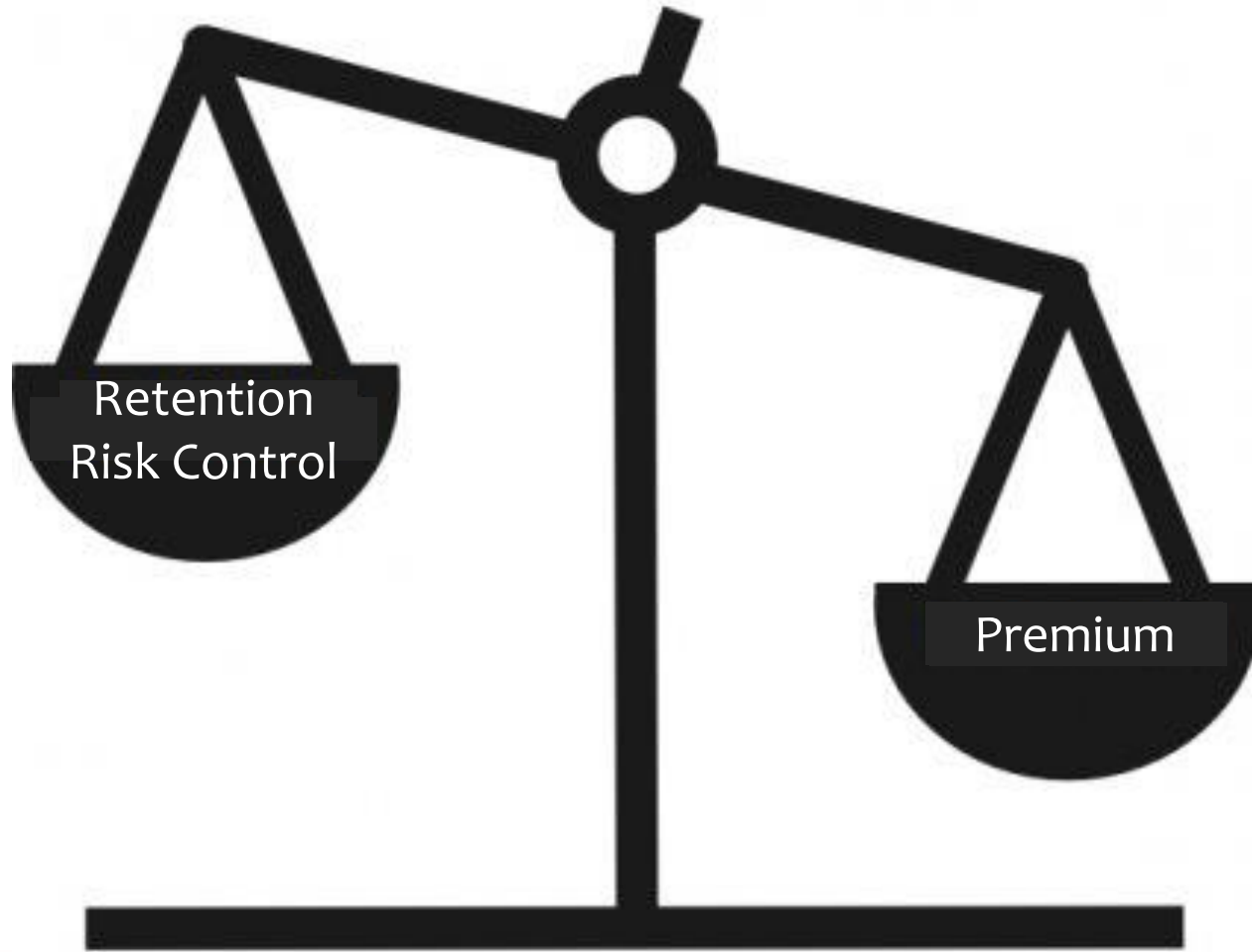
Why is TCOR Important?

Total Cost of Risk



■ Broker Fee ■ TPA Fee ■ Casualty Premium ■ Property Premium ■ Claims Payments

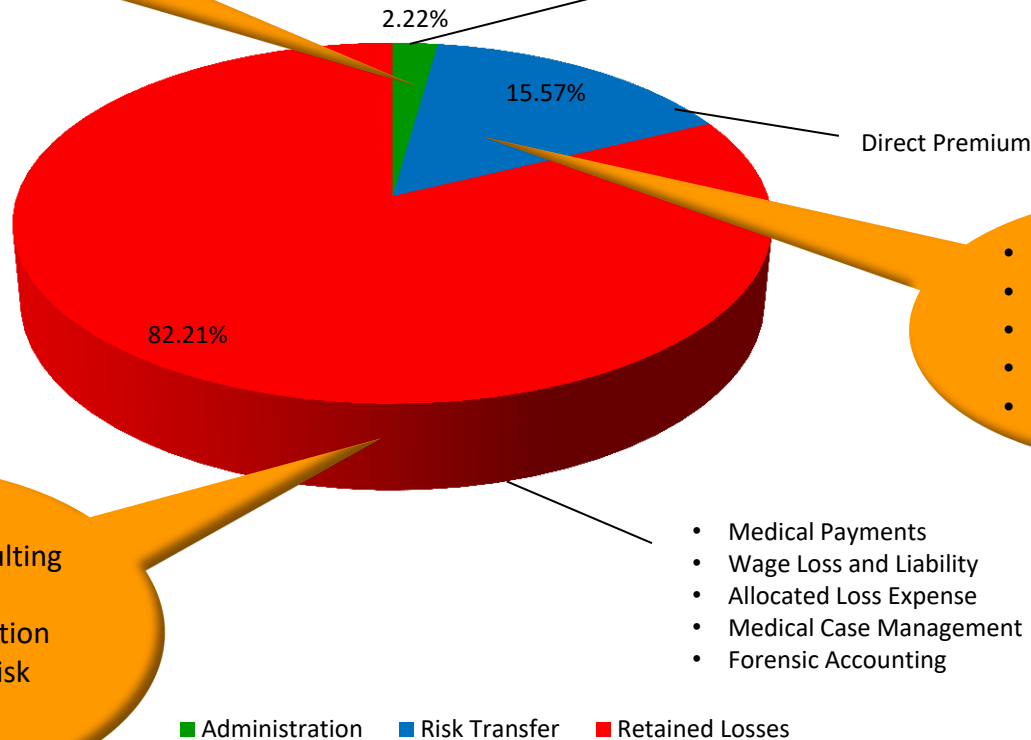
3. Optimizing and utilizing TCOR



- Collateral Analysis
- Cost Benefit Analysis
- TPA Selection/Management

Optimizing TCR

- Broker Compensation
- Cost of Collateral
- Risk Control/Consulting
- Claims Administration (TPA or Self-Administered)
- Internal Safety, Claims, and RM Administration Costs



Direct Premium

- Program Design
- Premium Negotiation
- Loss Modeling
- CAT Modeling
- Property Risk Reports

- Claim Consulting
- Risk Control Consulting
- Risk Analysis
- Cost of Risk Allocation
- Analytics Driven Risk Improvement
- Engineering

- Medical Payments
- Wage Loss and Liability
- Allocated Loss Expense
- Medical Case Management
- Forensic Accounting

■ Administration ■ Risk Transfer ■ Retained Losses

Utilizing TCOR

[CLIENT]				
Total Cost of Risk Analysis at Various Limits and Self-Insured Retentions				
Line Item	Option I	Option II	Option III	Option IV
WC Limit	\$10,000,000	Statutory	Statutory	Statutory
Self-Insured Retention Option	\$1,500,000	\$1,500,000	\$1,250,000	\$1,000,000
Premiums Payable to Loss Fund	\$5,606,217	\$5,713,181	\$5,690,089	\$5,761,673
Underwriting Expenses				
a. Losses and LAE Insured	\$5,535,000	\$5,535,000	\$5,452,000	\$5,370,000
b. Excess insurance	\$179,508	\$286,472	\$346,380	\$499,964
Miscellaneous Other Fees & Expenses:	\$466,709	\$466,709	\$466,709	\$466,709

Utilizing TCOR

c. Claims administration fees
Unallocated attorney's fees
d. Broker fees
c. Taxes and assessments
Loss Control
Risk analyst expenses
c. TPA managed care expenses
Administrative support
Accounting fees
Actuarial fees
Plan administration fees
e. Audit Fees
Other expenses
f. TPA audit fees

Utilizing TCOR

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4. Examine ways to control TCOR



Controlling TCOR



- Reduction
 - Safety
 - Loss Control
 - Claims Management

Controlling TCOR



- Assumption
 - Self insurance
 - Retentions
 - High deductibles

Controlling TCOR

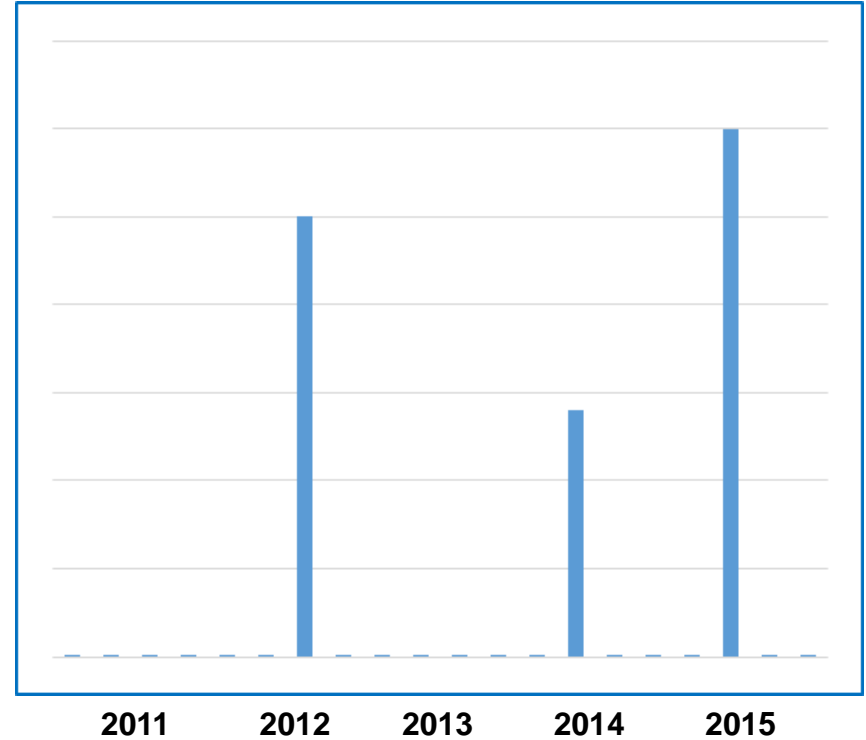
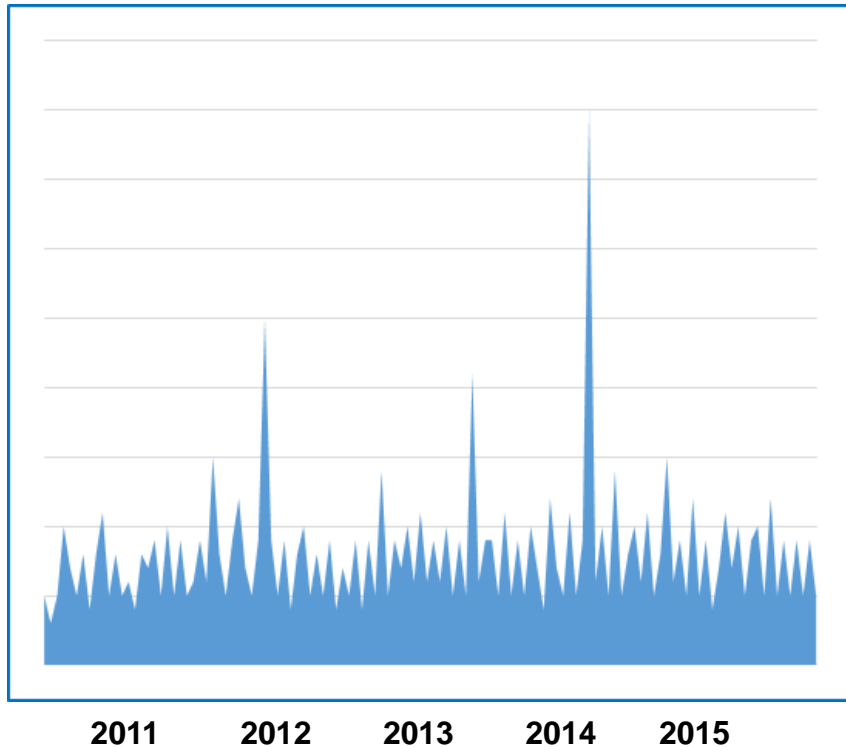


- Transfer
 - Contractual
 - Insurance

Controlling TCOR

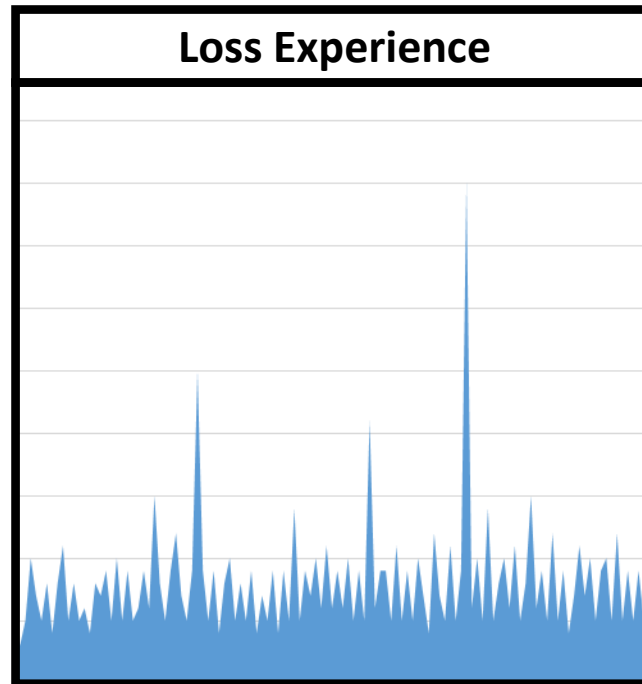
Understanding how risk of loss profiles vary by class

helps determine how to use insurance as a financial solution



Controlling TCOR

Typical risk financing and insurance program structuring



Learning Objectives - Summary

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Questions?



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