



# Insurance and Risk Management Panel

# Definition

**Risk is** uncertainty about outcomes that can be either negative or positive (opportunity).

**Risk management** is the process of making and implementing decisions that will minimize the adverse effects of accidental losses on an organization.

# Risk Management Process

- **Identifying** loss exposures
- **Analyzing** loss exposures
- **Examining** the feasibility of risk management techniques: Risk control, Risk financing
- **Selecting** the appropriate risk management techniques
- **Implementing** the selected risk management techniques

# Risk Control & Financing

- Risk Control Techniques

- Avoidance
- Loss prevention
- Loss reduction

- Risk Financing Techniques

- **Transfer (buying insurance)**

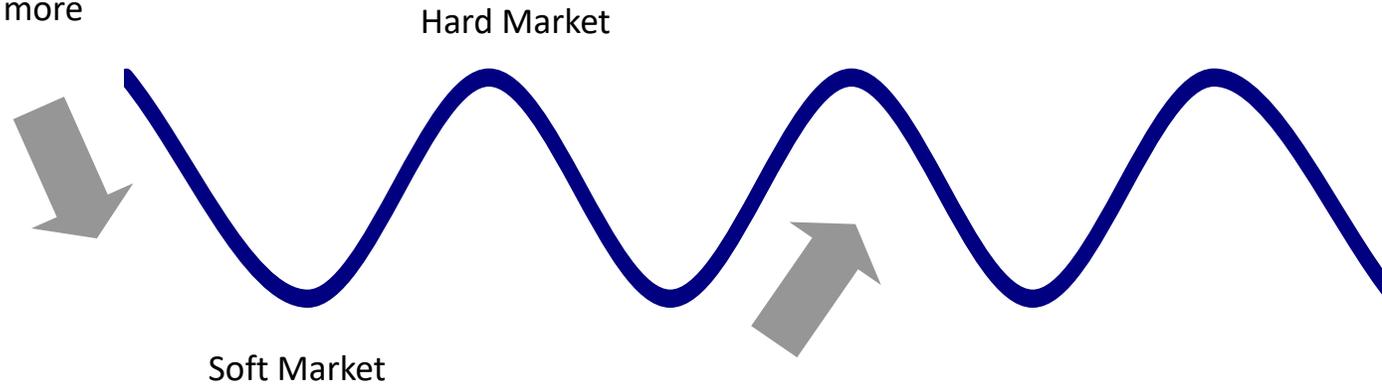
- Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss.

- Retention (often called “self- insuring”)

# Insurance Market Cycle

Most insurance companies respond to the natural cycle of claims, by constantly increasing and decreasing premiums

After a period of fewer claims, most companies take rate decreases to be more competitive



But then claims predictably swing upward again, and companies are forced to take steep rate hikes to cover costs

# Insurance Market Cycle Characteristics

## Hard Market

- Profitability/Losses issue
- Supply withdraws reducing competition
- Tightened underwriting criteria
- Limited appetite/capacity for new risks
- Increase in rates – 25-50% increases
- Increase in deductible amounts

## Soft Market

- Insurers sustaining ongoing profits
- Increased appetite/capacity for new risks creates increase in competition
- Underwriting criteria loosens
- Flatten or decrease in rates
- Profitability decreases

# Rise in Claims

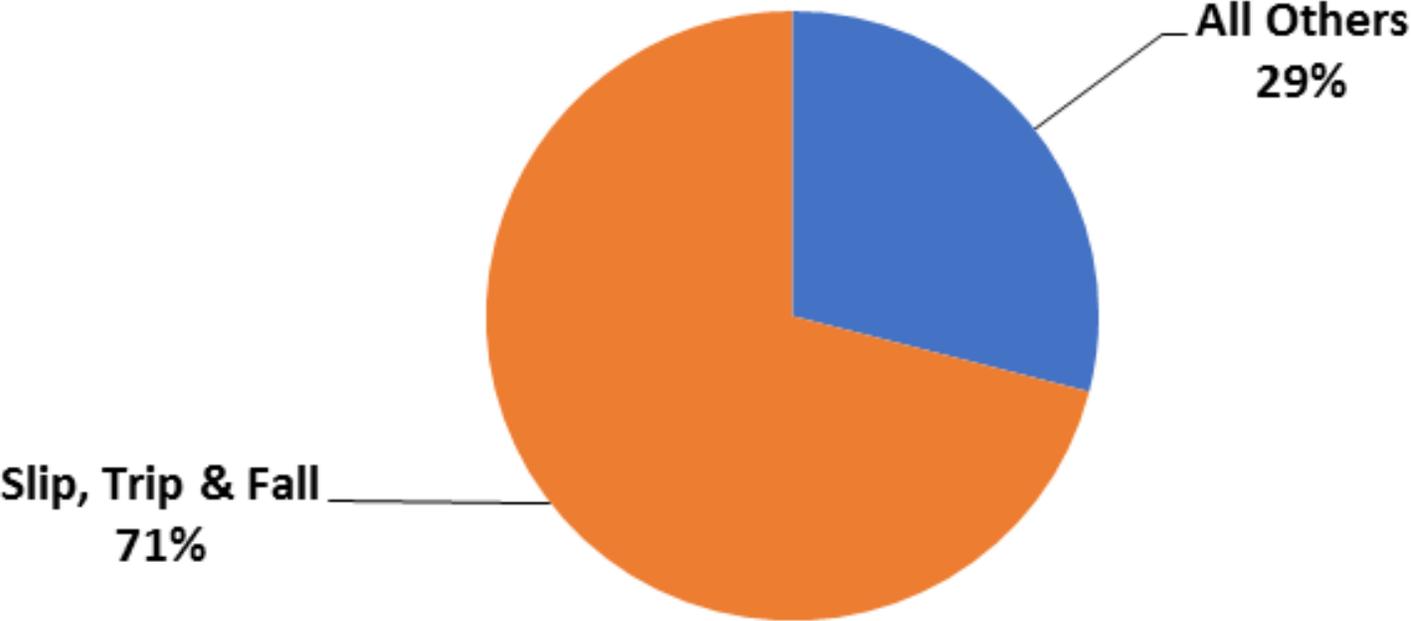
## Liability Claims

- Slip & Fall
- Vehicle Impact

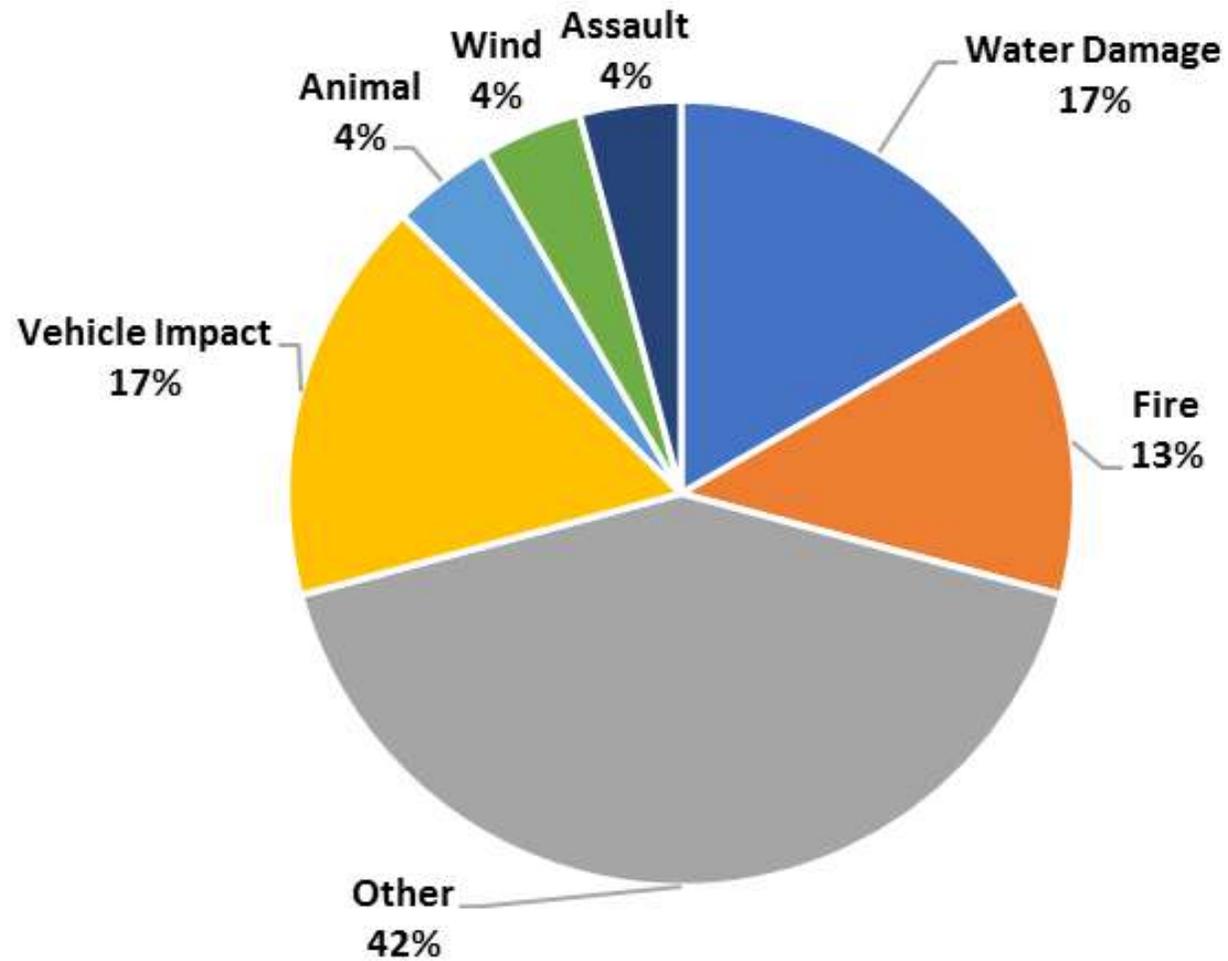
## Property Claims

- Water Damage due to aging infrastructure/climate change
- Electrical Fire due to aging infrastructure/Tenant negligence

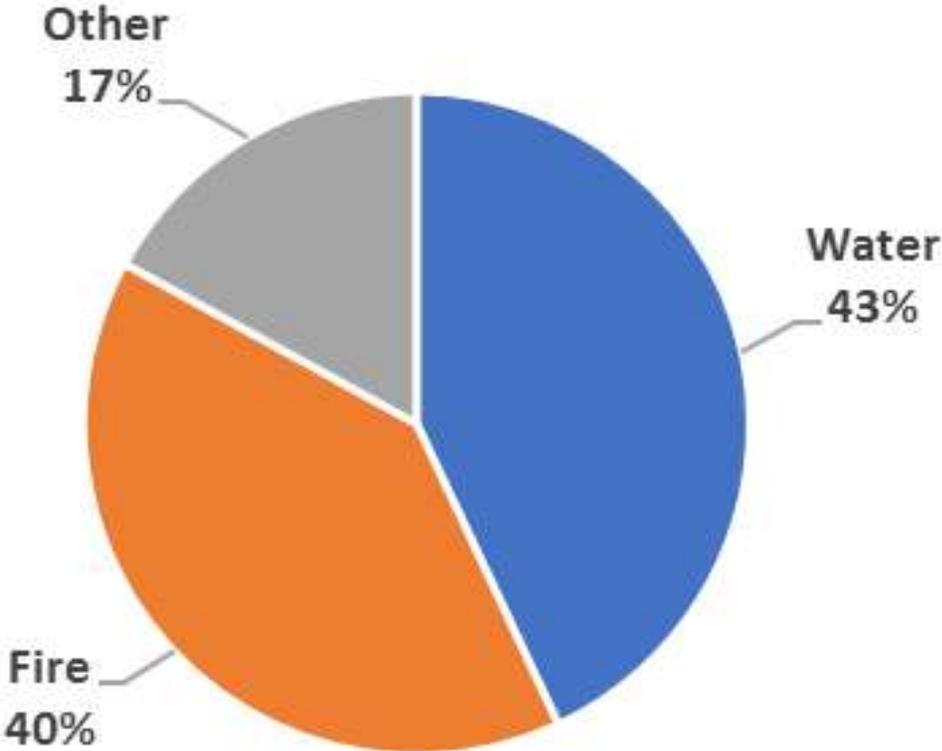
# Liability Claim by General Type



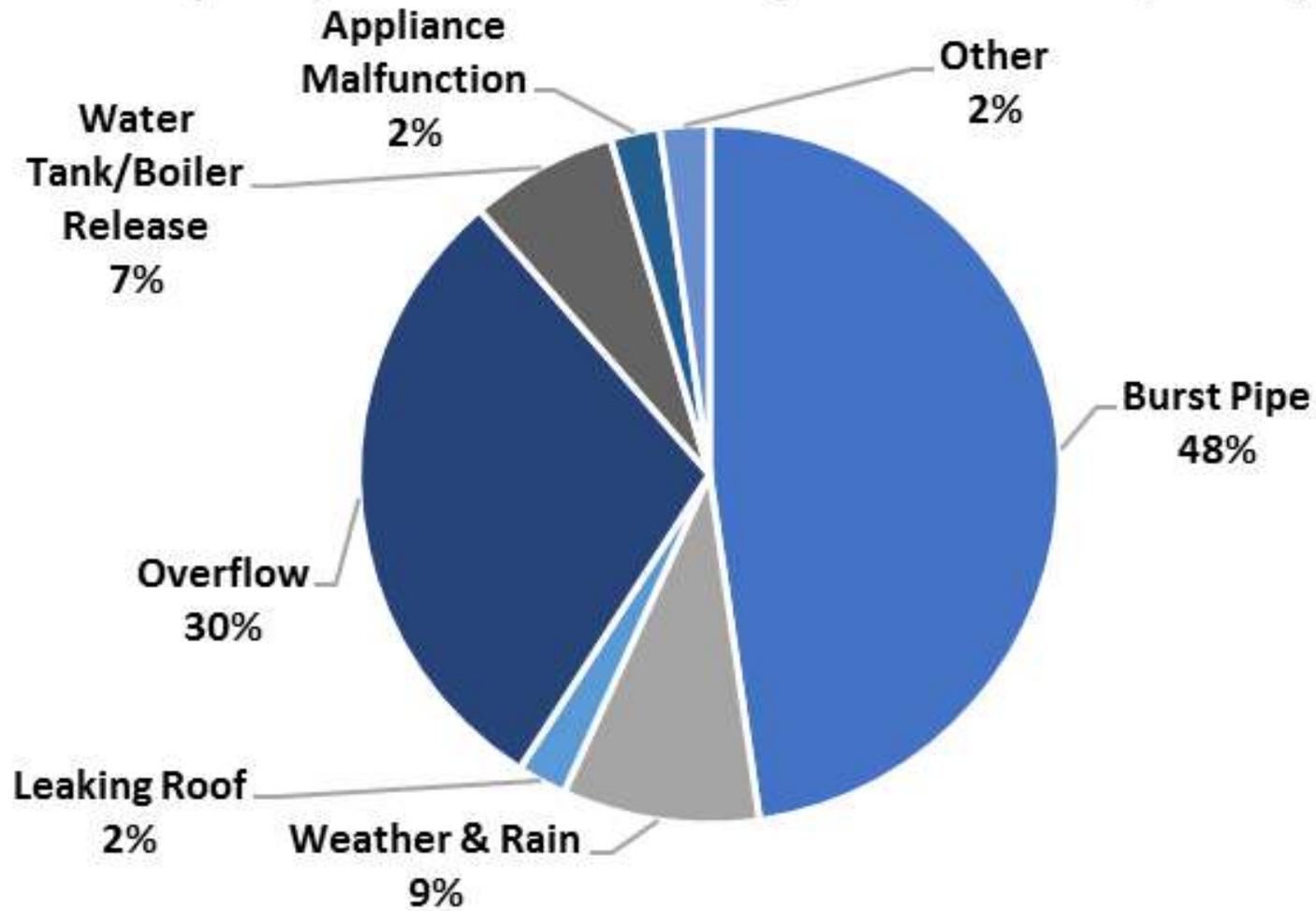
## Liability Claims by Type - other than Slip, Trip & Falls



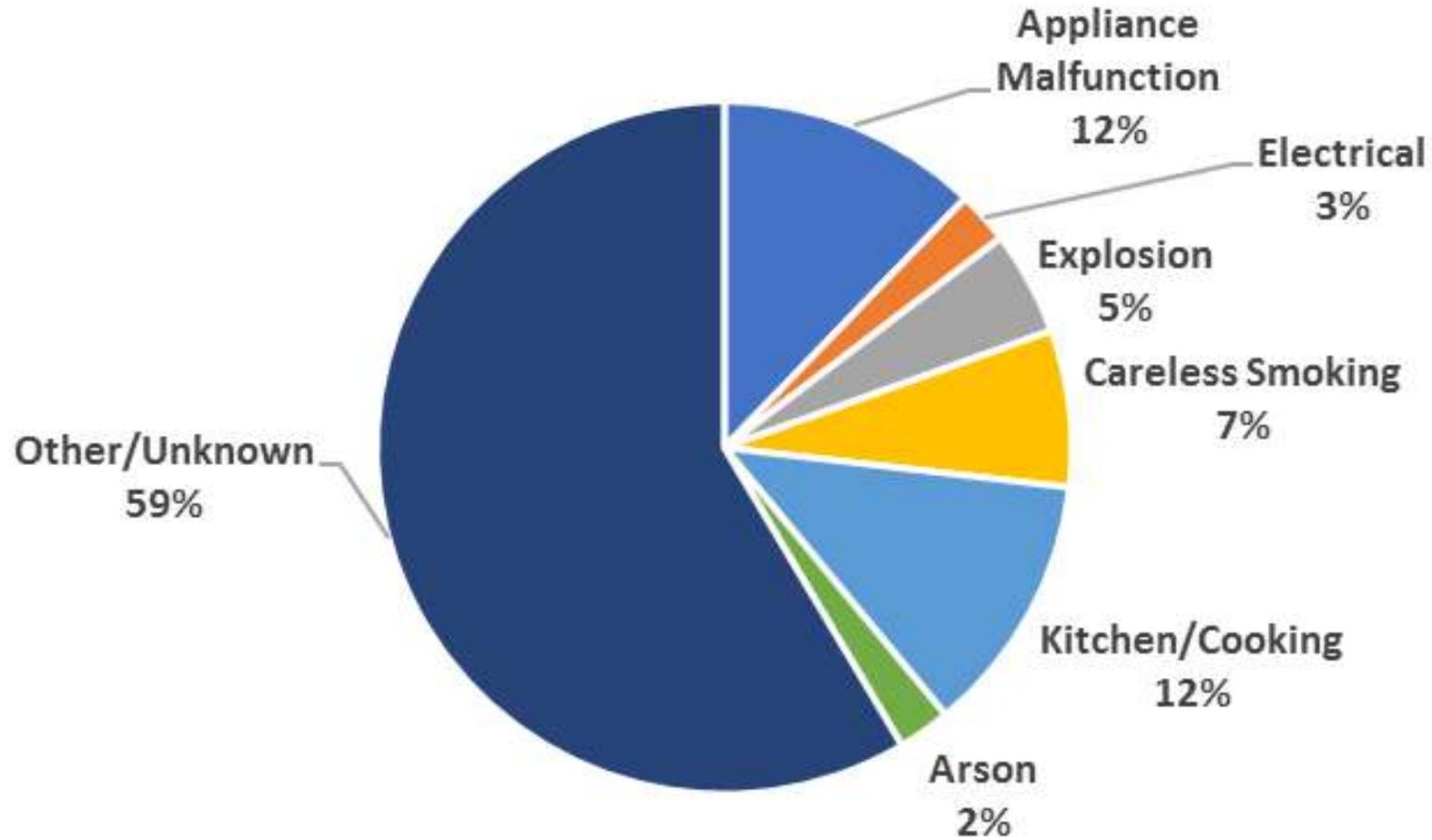
# Property Claims - Frequency by major categories



# Property Claims Involving Water - Frequency



# Property Claims Involving Fire - Frequency



# Areas of Concern

## **Aging infrastructure**

Older generation of property (50's/60's/70's built) has crumbling and failing infrastructure – Old systems such as galvanized plumbing and aging electrical systems causing large losses

Soft market conditions allowed maintenance to be delayed such as repairing pavement in common walkways & parking lots

Limited availability of contractors

# Proactive Measures to help reduce risk

- REDUCING SLIP, TRIP & FALL LOSSES
- REDUCING FIRE LOSSES
- REDUCING BURST PIPE LOSSES
- OTHER
  - Installation of Cameras with wide view to help document actual and potentially fraudulent activity in parking lots and common areas
- **Document, Document, Document**
  - Maintain cleaning and/or maintenance logs (and keep them)
  - Confirm clear wording in third party contracts in reference to responsibilities
  - Train staff to document potential incidents (incident log)
  - Repair pot holes and potential trip/slip and fall hazards
  - Ensure proper lighting in common areas

# Tenants Insurance

## Less Claims = Lower Premiums

**30%** of all building insurance claims are caused by tenants, according to studies.

If all tenants carried their own insurance, landlords would have fewer claims against their policies and their premiums could potentially reduce over time.



# Tenant insurance benefits landlord



- provides tenant with valuable legal liability coverage should they accidentally cause damage to your building allowing the commercial insurer to recover costs
- offers emergency living expenses for your tenants should a disaster occur and the building becomes unlivable
- Many tenants falsely believe that it is the landlord's responsibility to pay for damage or loss of their possessions in case of theft or an emergency. Insisting on tenant coverage affirms the fact that you are not responsible for their property or belongings

# QUESTIONS

