

### Insurers are risk management experts for companies

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Ever heard about the ostrich with its head in the sand? That's how some of us are when it comes to risk. Typically, when someone says that one has their head buried in the sand, it means that the person is ignoring obvious facts or refusing to accept advice, hoping that simply denying the existence of a problem will make it go away. Unfortunately, you cannot wish risk away especially when it comes to the damage it can cause, to life, property and finances.



This is where insurance steps in as a risk management tool. As necessary as it is, every organisation must know what to insure and have comprehensive understanding of what risks they are at or could possibly develop due to their normal course of business. Insurance companies are not just for risk transfer, they also play the role of risk managers and risk assessors.

#### **Common risks faced by companies**

It is essential to understand the type of risks that most organizations must look to mitigate. These risks change depending on the sector, location, type of business, capital, etc. of the company. Let us look at some of the risks companies face;

- Property related risks encompass fire, burglary, flooding, earthquake, terrorism or malicious damage etc. Business interruption or loss of profit, is another critical risk that needs to be considered as an integral part of property portfolio. Breakdown risks, especially in case of engineering setups/ machinery intensive setups and specific risks that are present during various projects which organisations might undertake, as an internal activity or as a part of delivery to a client.
- Liability risks that includes Directors & Officers Liability, Employment Practices Liability, Comprehensive General Liability.
- Employee related risks like Health, Disability, Group Life, Group Personal Accident.
- Marine risk for companies in manufacturing sector and for the ones where a lot of transportation of goods and services is involved, irrespective of mode.
- In today's connected world, cyber risks have become crucial to understand, and attempts to mitigate them has become quite important.

#### **Insurance companies as risk management experts**

Risk management is mainly a process of identifying possible risks, problems or disasters before they happen and most importantly mitigating them. Whilst most insurers cover the risks mentioned above, they also provide risk management as a service, many a times before taking up a policy or deciding upon terms and conditions thereof. This service is offered by insurance brokers and independent third parties as well.

Since insurers have an industry-wide perspective of various risk exposures, it gives them a holistic perspective while doing a gap analysis of companies, which is mainly assessing and identifying the risks a company is exposed to. This is not only relevant from a standpoint of lowering risk, but is also essential for an insurer to decide upon their reinsurance programme to best safeguard the customer, in the event of a large loss and to ensure adequate protection is in place.

Understanding risks and consequences and developing a comprehensive insurance and loss control program can help a company be sure that its business is fully protected. A risk assessment report provided by insurance companies contains detailed insights on risk identification, risk analysis, risk control and risk treatment.

Additionally, insurers also suggest non-insurance measures to help minimise the impact of the risk. Even identifying small warning signboards can go a long way towards avoiding legal action by an aggrieved party, measures which can be suggested by the insurer.

Few organisations have the reserves or funds necessary to take on all risk themselves and pay the total costs following a loss. Purchasing adequate insurance coverage for your business is important for risk management, but not enough in itself. Risk management also includes having policies and processes in place which address risks that are not insurable, including brand integrity, public goodwill and continuing shareholder support.

While it is not possible to eliminate all potential risks, a risk management plan with adequate insurance demonstrates your company's commitment to loss reduction and prevention.

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