The Evolution of Risk Management Behavior for Entrepreneurs

TECHASSURE

Annual Sales →

$0-$10M

Put the basic insurance in place you need to get started.
- Emphasis on the cost of coverage.
- Little integration with development of your sales contracts.
- Little attention to the long-term risk exposures of your products or services.
- Infrequent communication between your management team on what your insurance covers.
- Few if any claims.
- No loss control program.

$10M - $100M

As your company grows the cost of insurance increases as does the sophistication of your exposures to loss.
- Customers become more demanding regarding the limits you purchase.
- Your standard sales terms evolve and become more diverse as you chase customers.
- Managers become more compartmentalized and know less about the details of each department and there is an increasing chance of missing a risk exposure.

$100M - $500M

Cost of risk continues to increase though cost per $1000 of sales should decrease.
- Imperative to review coverage terms of your insurance program.
- Must be willing to say "no" to some new products or concepts – or appropriately price the risk.
- Some claims do begin to occur and can affect management's time or employee morale.
- Self-insuring of some risks becomes possible (or at least higher deductibles).

IPO – M&A

Awareness of real risk exposures accelerates and need to be proactive grows
- More customization of insurance terms and conditions
- Claims and litigation management becomes full-time job (for someone)
- Limits increase as does degree of self-insurance as corporate net worth grows.
- Risk management becomes more formal internal responsibility and must be communicated effectively across all disciplines and with outside vendors.

Demands of Customers and Investors/Financiers →

Imperatives:

Communicate with broker; review coverage terms and conditions; incorporate "risk management" into management decision-making process

Disclaimer: Please consult with a TechAssure broker to ensure you have the proper coverage and limits in place to protect your company. Every insurance program must be customized to properly fit your needs and exposures to risk.

Understanding How Insurance is Priced

Property Insurance

- Underwriter classifies the business type.
- You select limits in consultation with your broker.
- Rate per $100 of value is determined based on class of business; location; construction type; protective devices; and distance from fire department.
- Underwriter applies credits or debits to rate based on your loss experience and other factors.
- **Business Interruption** insurance is a % of the Property insurance rate, with additional debits or credits based on BI calculator worksheet and quality of disaster recovery plan.

Liability Insurance

- Underwriter classifies the business type.
- You select limits in consultation with your broker.
- Rate per $1000 of revenue, or payroll, or square footage of your operations, is determined based on class of business; type of customers; type of products and services; and quality of your sales contract and its limitations on liability.
- Underwriter applies credits or debits to rate based on loss experience and other factors.
- Application and quality of your supporting materials (as requested) are critical.

Auto Insurance

- Underwriter classifies make, model, cost new, weight and garaging location of each vehicle.
- You select liability limits in consultation with your broker.
- Rate per vehicle affected by driving record of all drivers; use; territory of operation; and loss history.

Umbrella Insurance

- Underwriter classifies business type to develop minimum premium per million of limit.
- Underwriter then raises premium per million of limit based on a % of the General Liability premium; Auto Liability premium; and the Employers Liability premium from your Workers Compensation policy.

Workers' Compensation

- Underwriter selects classifications based on you're the type of work done by your employees. You provide estimated annual total remuneration for all employees in each class.
- Underwriter applies debits or credits to each rate, in each state, based on your claims history, loss control programs, and industry.