

# The Loss Control Value Proposition

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## "Perceived Value Equals Real Value"

These are interesting times for anyone in Loss Control. The economic downturn, mergers and the “soft” market have impacted both insurance company and broker Loss Control departments. However these trends have been experienced in the past. Before long the market will firm up, the economy will boom and we will be busier than ever. This is what we all hope will occur. Experienced Loss Control professionals know that now is a great time to take control of your career. The truth is that your future in Loss Control and the success that you experience depends on the value that you create for your employer and its clients.

As we look at the landscape of the insurance industry, it is fair to say that Loss Control is looked at differently from carrier to carrier and broker to broker. In most cases, Loss Control is seen as an effective element in the financial equation; actively assisting customers in risk assessment, reducing loss exposures and enhancing profitability. At other carriers, Loss Control is seen as less valuable in underwriting risk, and may even be viewed as a cost that could be done away with as actuarial data analysis and predictive modeling become more accurate in predicting commercial loss. Brokers Loss Control services are a bit different, but also vary in their internal and external value.

In many ways our future in Loss Control comes down to perceived value. This includes the perception of your employer, the broker and agents, clients, prospects, and even your peers. You hold the future in your own hands. What can you do to increase your value, both to your employer and their clients?

This article will discuss the value of Loss Control through the eyes of several insurance carrier, broker, and client company executives who were interviewed in preparation of a presentation on this subject at the recent ASSE Loss Control Symposium. A series of questions were asked in the interviews, focusing primarily on the state of Loss Control, and identifiable trends. Then they were asked:

- What areas or topics should be covered to add value to your staff?
- If the participants learn one thing, what would that be?

### How Do You See Yourself?

When you are with people you don't know well, and are asked “**What do you do?**” how do you answer the question? Then, when asked “**What does that entail?**” what is your follow up? Our work is very important, but it can be difficult to explain. Most people do not even know there is

the field of Loss Control, much less that of safety professional. How you see yourself and what you do, will be reflected in your answers. Think about how you would answer these questions.

Do you see yourself as a safety professional working for an insurance company; an insurance professional specializing in risk management; a boiler and machinery specialist with an insurance company; a fire protection engineer, and so forth? Then the answer to “what does that entail?” becomes your expression of your work’s value.

Whether it’s Loss Control or any other occupation, what we do and how we do it creates a perception by others. Generally, these perceptions are positive, neutral or negative. The more positive the perception and its value to your clients, the greater our influence can be. Without a high perceived value, the real value will always be low. Why is this important?

When seen by a client or manager in a positive light we tend to come across as more likeable and even more credible. Then, as we go about our work of analyzing risk, communicating with underwriters, making recommendations, creating and delivering a service plan and following up, we should get a higher level of respect, cooperation and involvement.

### **Loss Control Is Changing**

When discussing state of the insurance industry and trends with the executives that were interviewed, one common theme was repeated by everyone; **Change.**

Within the Loss Control area, the knowledge and skills that you need to work effectively are evolving. Though technical skills remain important to completing the work, more business and communication skills are required. Collecting underwriter or producer information is still a key to your work, but understanding how the business owner makes their profit, the goals of the organization, and the problems or issues they face are increasingly important, and helps to increase your value and credibility. This empathy and understanding helps reduce barriers, enhances communication and builds relationship between you and your clients.

All too often, Loss Control visits are seen by policyholders as a waste of time. If the client believes that you understand their concerns, recommendations or service plans can be constructed to have more meaning to their business success, and you are seen in a more positive light.

Other changes that were discussed include: providing loss control staff education, and the metrics used to measure field personnel effectiveness. Cost control, as it affects insurance company profitability, is the primary driver of change. When it comes to staff training, escalating travel costs and limits on time are resulting in fewer staff training events. More distance learning is being utilized. We are seeing an increased use of webinars and teleconferences, and staff is being encouraged to take professional coursework online.

The resulting trend is less staff interaction and networking, and fewer mentoring opportunities. How this will affect competency and effectiveness of loss control professional will play out over time.

### **Insurance Industry Changes**

Over the past few years there have been many changes in the industry. Mergers have resulted in fewer national carriers. This consolidation is actually increasing competition for broker attention, and makes it harder to differentiate. The result seems to be more specialization, as insurance

companies and brokers focus on niche industries, develop their unique book of business, and focus on those areas where there is confidence in making a profit. Underwriters are shying away from “cash flow” underwriting and are pricing for profitability. Loss Control plays a role in the underwriting process; gathering accurate loss exposure information and providing quality assessments of risk.

There also appears to be a shift toward predictive modeling, whereby the carrier’s underwriting and Loss Control staff works to define the critical loss drivers and develop prescriptive approaches to limiting loss. Loss Control is also working more with the actuarial professionals, gathering field data and assisting in its interpretation.

Loss Control is an important element in the marketing process. In this competitive environment, increasing the value of the broker in the eyes of the client is important. Working with the broker producers and risk control staff to assist clients, helps create a positive relationship between everyone involved. This is also reflected in the shift toward supporting the underwriting needs, with less focus on OSHA and other compliance. Insurance is a business relationship that involves investment dollars and protection of assets through the transfer or retention of risk. OSHA Compliance has very little to do with the business proposition, thus it is losing its value to the clients, brokers and insurance companies.

Having good broker and carrier relations is important. There are greater demands on pricing, and with all the changes occurring, it is harder than ever to develop long-term business relationships. Risk management and Loss Control services are expected by clients, but resources to provide them are limited. At the broker level, Risk Control is pressured to meet increased producer demands, and their competency demands are evolving. This is why it is important that insurance company and broker Risk Control professionals work together to put a unified face to the marketplace.

### **Loss Control Is Challenging and Rewarding**

Every Loss Control professional knows they face challenges. Underwriting and marketing demands are increasing, and new skills to meet these demands are needed. Workloads and scheduling are always in a state of change. Rush prospects, representing new revenue, often take priority and force scheduling disruptions. Most everyone is experiencing long days, extended travel, night and weekend letter and report writing. All this is making it tough to stay current with work, not to mention staying up-to-date with technical and business knowledge.

The work is also very rewarding. If variety is the spice of life, then Loss Control is a delicacy. Every day there are visits with a wide array of businesses, with corresponding exposures. Underwriting values Loss Control, and respects the input and opinions on risk exposures and loss potential. There are opportunities almost every day to discuss loss drivers with clients and really help reduce injuries and property damage. With the wide variety of issues addressed, this leads to a significant increase in knowledge. Loss Control is an important part of the marketing process and can be a key factor in customer retention.

### **Increasing Your Value**

The underwriting and Loss Control executives that were interviewed were very specific. Your value is tied to the business relationship that the insurance company has with the client and the manner in which you conduct yourself as a part of that relationship.

- Do you take the time to understand the underwriting information that is needed when assessing a risk?
- Are you aware of the insurance policy provisions, exclusions, and retention levels?
- Do you understand the client's business and how they make money?

When you can answer yes to all three, then you will be asking better questions, focusing on those areas of importance and true risk to both your employer and the client, and helping to foster credibility and trust.

If you are a "Hector The Inspector" and acting like an OSHA Compliance Officer, you are often seen as unwanted, as waste of time, of little value. And you will be providing recommendations that do not improve the profitability of the business, nor provide real risk improvement. Thus, you won't be helping the underwriter do their job or your company's profitability.

### **You Can Shape Your Future**

We can all agree that the insurance industry and the Loss Control profession are changing, bringing about both challenges and opportunities. How we prepare ourselves and our approach to our work will determine our value proposition to our employers and clients.

- Take advantage of as many learning opportunities as you can. A professional never rests on their laurels, and seeks ways to improve.
- Communicate with the underwriters, so that you learn to recognize and understand the questions and answers that are most important when evaluating risk and establish pricing.
- Learn the policy provisions and deductibles of the clients you serve. These will change with the soft and hard markets, and dictate which clients pose greater financial risk to your employer. When you see low deductibles and moderate to high risk, be particularly vigilant.
- Gain the ability to identify those "critical few" risk exposures that can spell trouble. By industry, there are usually 5-10 key Loss Control interventions that can really make a difference. Experienced Loss Control professionals know the primary loss driver and how to mitigate their potential.
- Be prepared for your client visits with a thorough loss analysis and history review. This is the professional approach that allows for a higher level of credibility, and demonstrates that you have taken the time to understand some of the issues beforehand.

There are several way to increase your value with your clients. Insurance is not an uncontrollable cost of doing business. Help them to understand:

- The insurance relationship to their business success. This would be the risk management, transfer and retention model and how it protects their livelihood.
- The cost of incurred losses and the impact they have on the profit of the business. Insurance policy and retention costs are paid directly from profit.
- How prevention and control of losses can increase efficiency, productivity, and profitability. Beyond lower insurance costs, fewer disruptions and focusing on the work at hand allows for a much smoother operation.

Think about how you describe your work and what you do. Think about how you prepare yourself, day in and day out. Think about how you are seen by those you work with. What does your boss think of your work? Are your technical skills up-to date? How about your business

and communication skills? You really are in control of the value other place on you and your work. Their perception is reality.

In closing, when asked “If the participants learn one thing, what would that be?”, the answer the executives gave most often was:

**“The importance of improving business and communication skills.”**

Your technical skills and abilities are respected, but Loss Control professionals are seen lacking in business and communication skills. Their suggestions for improvement include: learning to ask open-ended questions and listen better to the responses, learning to communicate more clearly without technical jargon, learning to understand and empathize with your clients from a business perspective, and taking professional responsibility for the work you do. Increasing your professional value is up to you. This article has provided many suggestions and actions that you can take. We hope that you decide to create a personal improvement plan and begin the process today!