

To learn more about how to enter the environmental and pollution insurance niche, contact Dave Quinn at 908-256-6576 or email dquinn@naesip.com. NAESIP makes it easy for agents to enter this under served market for environmental and *non-environmental* businesses.

Sell Total Cost of Risk— Not Insurance

The Educated Agent's Strategy for Tapping the Environmental Market

In today's insurance market, niche players have an edge over generalists. Knowledgeable about specific markets, niche agents "talk the talk" of prospects and are a resource to clients, compared to generalists, who face a stiff learning curve before they can approach a prospective business opportunity. Instead of competing on lower insurance premiums, educated niche agents can offer clients a lower Total Cost of Risk (TCOR) through risk management. (Cost of risk usually includes insurance premiums, retained losses, risk management department costs, and outside services.)

Providing insurance and risk management for environmental contractors and consultants is a niche with few specialists and many opportunities. Environmental risks range from underground storage tanks to brownfield (industrial land) projects, nationwide. Environmental business owners (individuals who work with the land, air, and water) are heavily regulated by the government, both at the state and federal levels, and their employees must be properly trained and certified. For environmental businesses that work in danger-

ous—sometimes toxic—environments, safety and prevention are major concerns. However, some environmental firms—particularly small to medium size firms with cost concerns—may not be as vigilant as they should be.

Environmental risk can seem daunting to an agent seeking a niche opportunity, but it doesn't have to be. The National Alliance of Environmental Specialists Insurance Program (NAESIP) is a unique program that educates agents about providing environmental insurance (www.naesip.com). Developed in conjunction with environmental consultants and contractors, NAESIP writes environmental exposures for both environmental firms as well as non-environmental businesses that have environmental exposures. It also provides a full range of insurance administration and risk control services. The American Society of Environmental Professionals (ASEP) enables agents and policyholders to access www.ASEPsafety.com for online tools that promote safety, education, loss control, and networking.

Environmental risk management focuses on reducing the indirect costs of TCOR. Direct costs might include insurance, deductibles, and legal costs from uninsured claims. Indirect costs such as lawsuits, lost productivity due to accidents, or increased premiums due to claims that tend to be higher than direct costs. By helping business owners reduce indirect costs through risk management and prevention, insurance agents specializing in the environmental niche can help reduce owners' overall insurance costs.

Defining potential risk issues and measuring efforts to address them provides environmental business owners with more control and influence over their insurance, as well as other risk factors that greatly impact their bottom line. In

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To gain a comprehensive understanding of the risk management process, including total cost of risk, enroll in the CRM program. The National Alliance Research Academy's book, *Risk Management Essentials*, is also an excellent resource for learning about risk management. Shop for this title, and many others, at www.TheNationalAlliance.com/bookstore.





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addition, safety measures, education, and loss control tools help improve policyholders' experience, which decreases the businesses' TCOR and increases their profitability.

According to Brian Brusoski, President of Keystone Program Group (a division of Keystone Insurers Group), "We have agents in nine states receiving TCOR training. We feel the environmental market represents an excellent opportunity for our partner agents to build their books of business. By training our agents to use the TCOR approach to environmental accounts, we hope to expand and build on our success in this niche."

Robert Kreilick, Jr., CEO of Summit Drilling Company, a provider of environmental drilling services, stated, "The most important part of TCOR is the preventive piece of it. We've really embraced health and safety, and committed to it fully. Our behavior-based health and safety program has permeated our entire organization and reduced our indirect costs. Instead of looking at prevention as an expense, we look at it as an investment in our future—reducing risk by investing in health and safety. That investment has paid dividends in improved employee morale and a cultural change within the organization. Plus, our experience mod has gone down dramatically, which reflects on the bottom line."

Nationally-recognized OSHA safety specialist Denis Crayon, President of the Experience Safety Institute, expressed, "The environmental business segment is growing rapidly, with everything from drilling to tank pulling. I would strongly encourage any insurance agent who wants to get involved in this segment to

really understand the safety issues faced by environmental business owners."

Even with a receptive environmental business owner, it is a challenge for an agent to divert the owner's focus from premium price alone. Crayon said, "There are two levels to implementing a change towards a safety culture. One is getting management's buy-in, and the other is getting the employee buy-in. It can be difficult to convince someone, if they're non-believers, of the potentials for a return on investment in safety. The unfortunate part, when it comes to health and safety, is that you can quantify an injury, but you can't quantify a non-injury."

While some accounts have come to expect more services from their insurance agencies, the fact is there are still many small

and mid-sized accounts that do not understand the value of the risk management tools and capabilities an agent can provide. They often focus on the end premium with little regard to the agent's knowledge. A well-educated agent who understands environmental risks can effectively communicate how the TCOR concept may have a greater impact on lowering overall costs than a reduced premium.

To help agents specializing in environmental risks make their case, the National Alliance of Environmental Specialists Insurance Program has a long history of continually evaluating its book of business to predict future claims. That data has enabled NAESIP to establish tools to prevent and reduce claim costs. This continual monitoring of environmental risks began when

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Client Benefits of Focusing on Total Cost of Risk (TCOR)

- Control and influence your insurance premiums.
- Focus your training programs so that you will positively impact your bottom-line.
- See the immediate financial impact of your efforts toward controlling "risk" in your company.
- Measure your performance and the performance of those you "hire" so you can reduce TCOR.
- Help establish goals and objectives for becoming a more profitable operation.
- Make timely and informed decisions.

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the organization was regional and has expanded as it has become a national presence. The data ties together information from the claims adjuster, the insurance company, and the insured to determine how they can work together to prevent or lower claims.

The data enables agents to better quantify the return on investment in health and safety because it is a real-life, customer-based analysis. Agents can point to actual experiences for other insureds and show tangible results in the form of better experience mods by using value-added safety tools. As agents grow their books of business in environmental risks, they are able to point to their own clients as proof of the value of the program and its focus on TCOR.

Kreilick said, “I can buy insurance from anybody, but I see the benefit of risk management. An agent who is educated about TCOR and presents how preventive safety measures can reduce direct and indirect costs provides an added value to my business. I don’t expect insurance agents to be safety experts themselves, but it makes a difference when they offer a program—via a consultant or online program—that can guide you and provide training. I want an agent who is doing more than just selling me insurance and reappearing at renewal time.”

Using the principles of TCOR enables agents to show that the investment to prevent claims—fleet safety programs, safety training, health and safety, moisture control pro-

grams and more—is worth the up-front cost because it reduces the overall expense to their business. TCOR helps business owners better understand the impact of the direct expenses they incur to transfer and retain risk, and the overall indirect costs associated with having claims or incidents that interrupt the normal flow of business.

Helping your environmental business owner clients understand TCOR allows them to really understand their risks and how major risk factors can reduce the profitability of their businesses. When it comes to environmental risks, focusing on TCOR, and not just the cost of premiums, is a win-win for the business owner and the agent. ■

ABOUT THE AUTHOR: DAVID A. QUINN, CIC, CRM, ARM

Dave Quinn has 28+ years as a retail insurance agent specializing in environmental and general commercial business. Quinn is the President of the National Alliance of Environmental Specialists Insurance Program (NAESIP) and is Executive Director of the American Society of Environmental Professionals which promotes safety, education, loss control, and networking opportunities for the environmental industry.



So what is your Total Cost of Risk? To better understand, one should review the preventative measures your company or organization is taking, the direct expenses you incur to transfer and retain risk, and the overall indirect costs associated with having claims and/or incidents that interrupt the normal flow of business.

Preventative	Direct	Indirect
Toolbox Talks	Insurance Premiums	Lost Time
Safety Committee	Claims—Self-Insured Retentions or Deductible	Lost Growth
Pre-employment Screening	Claims—Not Covered	Lost Expertise
Personal Protective Equipment (PPE) Training	Experience Modification	Lost Profit
OSHA Training	Legal Expenses	Ability to Bid Jobs
Medical Monitoring		Time Away From Work
Legal—Contract Review		Company Morale
Indoor Air Quality (IAQ) Training		Supervisory Time
Hazardous Waste Operations and Emergency Response (HAWOPER) Training		Investigate Accidents
Fleet Safety		First Aid to Injured Worker
Wellness Program		Post-Accident Testing
Commercial Driver’s License (CDL) Program		Lawsuits/Contracts
		Certificate of Insurance Issues
		Medical Visits While on Light Duty
		Clean-up Costs
		Transportation Expenses
		Re-training Employees
		Increased Premiums
		Experience Modification
		Loss of Reputation “Goodwill”