



# ARE YOU RECEIVING REAL VALUE ON YOUR RISK INSURANCE PROGRAM?

Insurance and risk touches virtually every aspect of a business. Performing an in-depth risk audit identifies areas of exposure that are appropriately addressed by a company's current risk insurance programs, as well as reveals areas which will need to be addressed to achieve maximum protection of the organization's assets at the most competitive cost. When thoroughly, professionally, and objectively assessed, the resulting insights gained from such a review creates a strong foundation and related blueprint to achieve a company's risk management goals.

**John Negrotto**, Senior Managing Director of CohnReznick UIC Consultants and **John Turgeon**, Partner and Managing Director of CohnReznick Affiliated Companies, discuss the value of performing a thorough risk audit, as well as other important considerations regarding possible risk exposures of your company.

**TURGEON: John, you have been doing this for quite a few years. In general, what are the key value-added areas that are brought forth through your audit process?**

**NEGROTTTO:** We generally find that there are misunderstandings between what companies believe is being transferred through their various insurance contracts, and that which is actually transferred via the four corners of the insurance contract. These misunderstandings are particularly acute in the following areas: property/business interruption, general liability, directors & officers, and cyber coverage. Oftentimes, the rating basis and rates themselves are not appropriate for the exposures, and, therefore, the company ends up not receiving real value for every dollar spent.

**TURGEON: What are the current hot issues with which companies should be most concerned regarding their exposures?**

**NEGROTTTO:** For starters, the transfer of cyber risk across the various platforms of property, errors and omissions (E&O), directors and officers (D&O), and crime are not properly meshed to achieve maximum available asset protection.

This often leaves gaps in coverage, which are typically left to be assumed by the insured company, who then bears the costs.

D&O exposure and coverage, which provides personal protection for the company's senior management as well their appointed directors and officers, are in constant change. This ever-changing environment necessitates continually updating policy terms and the pertinent education provided to officers and members of the board. Companies are currently operating within a litigious environment, and the reactionary response of the insurance industry's coverage terms dictate the need for a proactive approach. It is rare that CohnReznick UIC Consultants does not find a minimum of 5 - 10 or more significant issues which are critical within the management liability coverages we review. These issues can be resolved and negotiated into existing coverage if you can set forth the correct argument to advance the company's position.

Lastly, due to the recent spate of catastrophic events (i.e. storms, hurricanes, wildfires, foreign earthquakes), the difference in being paid partially or totally depends on how well the insurance policy language has been tailored to fit a company's risk profile. This includes customizing the policy coverage to address not only direct losses and contingent risks (i.e. supply chain interruption, business interruption and the mitigation thereof), but also making certain claims are paid promptly and in full.

**TURGEON: You work as a consultant in this space. How is that different than a broker? What is your value proposition?**

**NEGROTTTO:** The insurance industry has delivered its products pretty much the same way for the last 600 years. The insurer designs a promise to pay contract, accepting certain exposures and putting its capital at risk. That insurance contract is then sold via a contractual relationship directly by the insurer through the insurance brokerage system. This can lead to an inherent conflict of interest as, contractually, brokers are remunerated primarily

through the sale of the product. We, on the other hand, work directly and exclusively for the benefit of our clients. We have no contractual relationships with any insurers, and therefore, receive no compensation from them at all. This is not to say that the brokers and insurers lack integrity, or do not have the best intentions of the company in mind; rather, the current structure for delivery of the services and products makes it difficult even for the most sophisticated buyer to maximize an efficient transfer of risk on their own. CohnReznick UIC Consultants, having no contracts with insurers or brokers, is able to provide the intellectual capital, negotiation strength, and professional sophistication to level the playing field, such that our clients receive the optimum transfer of risk from each insurance policy in the most frictionless and competitive manner.

**TURGEON: What are some trends, John, that are occurring today that companies should be aware of now and for the future?**

**NEGROTTTO:** With many of the companies we interview and for which we perform our initial overview, we find most, if not all, of their lines of coverage are placed with a single insurer. Their belief is that structuring a program under one insurer provides leverage to negotiate better pricing and coverage through greater purchasing power and results in a better relationship. In some cases, that may be true—especially considering a company's loss history and the availability of alternatives. However, individual insurers, like any other business, often have products and services in which they specialize, and therefore, can be more aggressive in the terms, conditions, and pricing they offer; yet that same attractive pricing and broader coverage may not be found in the other products they offer. Putting all your eggs in one basket can leave a business with several lines of coverage that are not best in class, nor most competitively priced. Making certain that you are exposed to various alternatives so that you can choose the best insurance product solution for your situation, not just the most convenient offered by the individual insurer, is prudent. This approach is critical to protecting the assets of your shareholders who have invested in the business. In short, one size does not fit all.

**TURGEON: How would a company know if they could benefit from CohnReznick UIC Consultant's services?**

**NEGROTTTO:** CohnReznick UIC Consultants offers to CohnReznick clients a complimentary overview of their current risk management program, the results of which will be shared with the client. This entails the company investing a small amount of time in providing us with the specific information necessary to complete an overview audit. At no cost to the client, we will then spend a significant amount of time to perform a thorough and thoughtful review (oftentimes x hours or more) of their existing programs. If, as a result of our work, we feel the client is in excellent shape and we can add no further value, we will give them the assurance to keep doing what they are doing. On the flip side, if we believe there is more to be gained in terms of protection and financial

savings that can be achieved as a result of our knowledge of the marketplace, then we will share with the client how best we can help them going forward. We are not transactional in nature, nor are we interested in simply walking through the renewal process. Our objective is to develop a highly productive and professional relationship with our clients and deliver to them the significant value they seek.

**TURGEON: This may sound like a softball question, but what has been your traditional ROI for companies that have retained your services?**

**NEGROTTTO:** As an example of the results we have produced for our clients, let me share some statistics related to work we have done for one of our private equity firm clients over the years.

We worked with over 40 portfolio companies of this PE firm, varying in size and industry type, such as retail, distribution, manufacturing, healthcare, etc. The ROI we produced for them was 12:1 (savings to costs incurred for our services) over a multi-year, cumulative period. During the first year alone, the ROI for each portfolio company ranged between 3:1 and 4:1.

Of course, there are many other factors to be considered beyond the pure dollar ROI. For example, if we are able to improve safety and loss control through the implementation of best practices, thereby reducing claims, there is a significant soft dollar savings which can also be realized through more efficient operations.

**TURGEON: Are there industries which are more vulnerable than others when it comes to protecting their assets?**

**NEGROTTTO:** Yes, those companies that have significant real and personal property and/or plant and equipment are more exposed to asset loss than others. And those companies that have valuable intellectual property and proprietary service-based models are viewed as being at a high risk from errors and omissions and professional liability exposures. But it doesn't stop there. With the advancement of technology, the continuous requests for contractual transference of risk, and ongoing legislative and legal changes, virtually every business has been impacted regardless of asset size.

**TURGEON: Do you have a final piece of advice or two that you'd like to leave with our readers?**

**NEGROTTTO:** Absolutely. The exposures to a company, and the treatment of those exposures, should not be relegated to the 90-day renewal process, but should instead be part of the cultural and operational fabric of an organization. A business must make the effort to build the most competitive operating environment while also protecting its assets and the investment made by its stakeholders. To that end, professional independent audits, and the related consulting services, are invaluable tools and resources that can be taken advantage of to ensure the continued protection and success of any enterprise.

**CohnReznick UIC Consultants** is joint venture between UIC, Inc. and CohnReznick LLP. UIC, Inc. was formed over 40 years ago with the mission to provide its clients with an independent and objective evaluation of their risks and exposures, as well as how those exposures may be transferred in the most efficient and cost effective manner possible. The core of its service offering is the audit of a company's insurance and risk management programs in force and how those exposures are currently being treated (i.e. avoided, transferred, retained, or mitigated). On average, clients experience a savings of 20 – 40% in their premium spend during the first year they engage CohnReznick UIC Consultants.

**CohnReznick LLP** is one of the top accounting, tax, and advisory firms in the United States, combining the deep resources of a national firm with the hands-on, agile approach that today's dynamic business environment demands. With diverse industry expertise, the Firm provides companies with the insight and experience to help them break through and seize growth opportunities. The Firm, with origins dating back to 1919, is headquartered in New York, NY with 2,700 employees in offices nationwide. CohnReznick is a member of Nexia International, a global network of independent accountancy, tax, and business advisors. For more information, visit [www.cohnreznick.com](http://www.cohnreznick.com).

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John Turgeon is a partner with CohnReznick with nearly 35 years of professional experience. He has worked directly with leaders in the manufacturing, distribution, construction, real estate, professional services, and not-for-profit industries, helping them solve complex business challenges. John has held numerous leadership roles both inside and outside of CohnReznick in addition to serving as a partner. He is Managing Director for four of CohnReznick's affiliated companies—CohnReznick Benefits Consultants, CohnReznick Wealth Management, CohnReznick UIC Consultants, and CohnReznick Real Estate—all of which bring unique value to clients.

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John Negrotto is the Senior Managing Director at UIC, Inc., having been with the firm for over 15 years. While with UIC, Inc., John has been the lead consultant for UIC, Inc.'s global client base, advising both public and private companies on various risk transfer, insurance, and claims matters including lost productivity, extended and enhancements to coverages, contract negotiations and due diligence, disputed changes, labor and workers compensation issues, property damage claims, as well as other categories in the various business sectors. John is frequently retained by executive and project managers to help implement project controls and best practices company-wide.