

Insurable Risk Profiling

All too often when an 'off the shelf' insurance product is purchased, it does not recognise specific underlying risks and may not achieve an optimum risk transfer. Even if the product fits well initially, the challenge is to ensure that changes in the organisation's risk profile feed into the product selection. To achieve this, a thorough process of risk analysis should be completed in order to determine key risks, understand their financial impact, and determine the limits required to be covered by insurance. At Aon we call this process Insurable Risk Profiling.

Insurable Risk Profiling & Gap Analysis

Insurable Risk Profiling follows a structured and auditable process which demonstrates good corporate governance and can easily be linked to your organisation's broader risk management activities. The primary objective of insurable risk profiling is to contribute to the design of your insurance program by:

- Identifying insurable risks – Utilising existing information and working top-down to identify a range of risks which in Aon's experience could be relevant, and significant to your organisation if untreated.
- Assessing the financial impact of risks – Working with key personnel within your organisation to facilitate risk assessment and gain a better appreciation and understanding of risk impacts, thus developing the profile of insurable risks.
- Measuring the response of insurance – Drawing upon Aon's in depth knowledge of insurance to comprehensively review and clearly translate how your current insurance program responds to the risk profile developed.
- Creating an insurance program blueprint – Aon will work closely with your management team to design an insurance program which provides your business with an optimal transfer of risk and balances the potential cost of retention versus the cost of transfer.

The insurable risk profiling methodology developed by Aon focuses upon Liability, Asset & Business Interruption and People risks, which are the three core areas where insurance is most commonly used as a risk transfer tool.

Benefits of the Insurable Risk Profiling approach

As well as providing management with an audit trail and point of reference for future assessment the key benefits that insurable risk profiling will bring to your organisation include:

- High level assurance that risks are transferred where intended.
- Greater understanding of the risks retained in your organisation, which may require alternative treatment methods.
- Formal process that demonstrates good corporate governance to stakeholders.
- Linkage between insurance and your organisation's overall process for risk management.
- Enhanced ability for 'insurable' risk to be sold to insurance markets in the best possible light by demonstrating that a sophisticated approach has been taken in its identification and analysis.

The risk profile is not the sole driver for the insurance program design, however, it has to be its central point of reference as it captures your risk transfer needs. Factors such as risk appetite, industry benchmarks and insurance market conditions may also influence the design of the insurance program, but these factors do not change the underlying risk itself.

Our specialist team can help you

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Is this process of value to your organisation?

There are a number of factors you should consider when deciding on whether the insurable risk profiling approach is right for your organisation. These may include:

IRP Framework Element	Yes	No	Unsure
Have there been changes within your organisation in the personnel responsible for risk or insurance management?			
Do you have confidence that, or knowledge of how, insurance is transferring your organisation's risks?			
Has your organisation undergone significant change or growth (including M&A activity) that needs to be considered in insurance program design?			
Does your organisation utilise more than one insurance intermediary? Do they work collaboratively? Are there potential gaps in the insurance program resulting from poor communication?			

The team at Aon has considerable experience from the completion of more than 200 insurable risk profiling assignments across a wide range of industries. If you would like further information regarding our processes and capabilities, or to discuss the potential benefits to your organisation, please contact one of the team members listed overleaf.