



CIVIL ENGINEERING FIRM'S 10-YEAR LOSS RATIO DROPS FROM 300% TO LESS THAN 10%

Managing risk for a civil engineering firm is an on-going challenge. Projects can be large and complex with tight budgets, contract terms can be challenging, and low-bid contractors can cause complications – the list of risk issues is long. And for large firms, these risks need to be managed across multiple offices and projects simultaneously.

For one new client to Greyling, the above issues led to an extremely poor loss ratio. At one point, insurers were paying \$3 for every \$1 in premium collected, a 300% loss ratio, over a ten year period! The insurer's reaction was, of course, to raise premiums – dramatically – while also raising deductibles. For this large engineering firm, if something wasn't done, higher premiums would continue to substantially reduce profits.

As soon as Greyling became their broker, we put our consulting capabilities into action and recommended a risk management turn-around strategy. The first step was a firm-wide survey on risk issues that identified misconceptions, misunderstood procedures, organizational issues, and risk hot spots. One amazing finding in the study was that over 90% of senior management thought their losses were normal! The second step was to combine the results from the survey and compare it to the cause of professional losses at the firm.

With data from the survey results and the loss analyses, working with Greyling, the firm made the following changes:

- Created an awareness campaign to make risk management a firm-wide priority;
- Put a senior engineer in the position of "operational" risk manager;
- Developed an internal educational program to focus on risk management weaknesses;
- Reorganized to make technical reporting lines more clear; and
- Clarified and improved various risk management protocols (some of which had been gathering dust) such as QA/QC, internal peer review, and go-no/go processes.

Of course at the end of the day, results are the true measure of success. While it takes years for underwriters to be convinced, this firm's ten-year loss ratio eventually dropped from 300% to under 10%. And professional premiums dropped by over 70%.

By working in partnership with our client, Greyling was able to help a large design firm improve its business by improving how it handles risk.

COMPANY TYPE:
CIVIL ENGINEERING
FIRM

COMPANY SIZE:
OVER \$100M

IF NOT
AGGRESSIVELY
MANAGED, RISK
CAN **REDUCE A
FIRM'S PROFIT BY
MORE THAN 50%**

“ An insurance broker needs to do more than just place insurance. When we help firms improve how they handle risk, we improve their ability to compete and improve their bottom line.”

Dave Collings
Managing Principal
Greyling