



By
Steven R. Pozzi

Poorly monitored aggregation of exposure can be a hidden killer for commercial policyholders and insurance companies, yet agents and brokers also are vulnerable.

Effective management of a business' aggregation of exposure (especially to catastrophes) is critical to business sustainability, regardless of business type. Obviously, any large loss that results from inadequate management of exposure aggregation can negatively impact the financial

(buildings and contents) are improperly or undervalued. This can be a disaster for any business trying to regain its pre-loss status. Just as important is the need for adequate business income insurance, which can limit the effect on a customer's revenue.

Proper valuation alone is not enough. Understanding how much exposure to a single event the business has is essential. If a business has 100% of its exposure properly valued (building, contents and business income) but has all three of its key

locations susceptible to the same loss, the chance that it will be able to get back

Avoiding Catastrophe

Aggregation of exposure can be a hindrance for agencies and brokers.

condition of policyholders, producers and insurers alike. These losses can also impair a producer's service capabilities both before and after the catastrophe, ruin even the best agency's reputation and impede future business.

In 2009, the insurance industry and its customers caught a break—hurricane activity was below average. With the arrival of the 2010 hurricane season, we'll soon know if this year's predictions of above-average hurricane activity in the Atlantic basin are accurate.

Agents and brokers can take steps to help protect their businesses and their customers from the risks associated with aggregation of exposure to a large loss.

With the world deep in an economic recession and a light hurricane season at our backs, many customers may have cut corners to save money. For many, cutting back on insurance protection or loss control is dangerous.

Proper property valuation is important to adequate insurance protection. Yet, all too often, customers discover too late that their business assets

up and running after a loss is compromised even with proper valuation. Therefore, customers should also have a disaster recovery plan that helps to protect their people, get the business up and running as quickly as possible and takes steps to mitigate an aggregate of exposure to one event. The agent or broker, in conjunction with the customer's insurance company, can assist in building such a plan.

Aggregation can impact agents and brokers as well. Is your office staff prepared to manage the large volume of customer calls following a hurricane? What's your organization's plan for stepping up your response in a catastrophe? The right response will help your agency continue to deliver good service, even in the face of a disaster.

Before a disaster strikes, make sure your agency knows how it will contact customers: text messages, e-mail, phone calls or radio ads. Make sure your customers know how to contact you, or who to contact at their insurance company if you can't be reached. A disaster recovery plan will enhance the agency's ability to respond and help maintain a high level of customer service and your firm's reputation.

Catastrophes can't be predicted, but agents, brokers and customers can be prepared to weather the storm with proper planning. **BR**

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Best's Review columnist Steven R. Pozzi is executive vice president, Chubb & Son, and chief operating officer for Chubb Commercial Insurance. He can be reached at spozzi@chubb.com.