



## **WORKSHOP 2:**

### **Service Contract Risk Management: Risk Structure Options And Their Visible And Hidden Costs**

#### **Presenters:**

**Paul Swenson, President, Fulcrum Analytics**

**Scott Morrison, Executive Vice President, Fulcrum Analytics**

#### **Workshop Overview:**

**We have found that the majority of retailers and OEMs do not fully understand the various risk options available for their service contract programs. We will review all options including carrying the risk on their own balance sheet, use of captive insurance companies, ceded trust structures, reinsurance, various combinations and other options. We will explore the costs/benefits of each, and include a detailed explanation of market rates for various risk structures that utilize an insurance carrier in some form. We will also detail the hidden costs of various underwritten structures that have important impacts on profitability. We will explore important negotiation points to ensure that there is flexibility in the short and long term, how to help make certain that contracts with insurance carriers are developed in a manner that provides fair returns to all parties for the level of risk assumed, and how to use emerging information to mitigate risk in the future.**

**The bottom line is that a full understanding of various risk structures leads to better risk management and large increases in program profitability. We will use case studies to demonstrate these points.**

#### **Who Should Attend:**

**This tutorial will apply to retailers and OEMs who currently have an existing service contract program – no matter what their current risk structure or how long their program has been in existence – as well as those who are contemplating starting a service contract program. Titles we usually find most applicable include:**

- **CFO**
- **Risk Manager**
- **Claims Administration Managers**
- **Risk Managers**
- **Financial Analyst**
- **Service Contract Program Managers and Analysts**
- **Service Management**
- **Process Improvement Managers**

**Learning points:**

**Participants will learn the following:**

- **An overview of service contract risk options.**
- **The costs/benefits of each option.**
- **Market rates for various risk structures in different sectors.**
- **Hidden costs of various risk structures, including underwriting profits, investment income, loss ratio targets, etc. (This is an important discussion, as we have yet to find any company we have met who understand these impacts).**
- **Risk structures and regulatory and compliance concerns.**
- **How to negotiate with insurance carriers in a way that works for all parties.**
- **Using analytics to reduce risk in the future and increase program profitability.**
- **2 or 3 case studies, including a start up service contract program as well as existing programs that benefited from new risk structures.**