



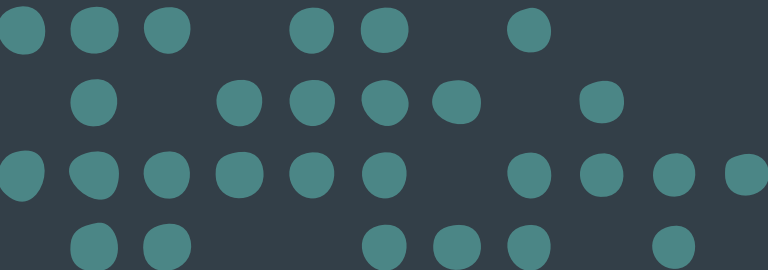
The Manufacturing CFO's Little Book of Hidden Money

A Different Way to Think About Commercial Insurance and Loss Control

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INTRODUCTION

Every decision a manufacturing CFO makes affects the company’s financial health and long-term success. Insurance decisions are no exception.

Savvy CFOs do more than pay insurance premiums—they take a proactive approach. By collaborating with seasoned brokers, they uncover innovative strategies to protect their businesses cost-effectively. Sometimes, they even discover hidden money that can be reinvested to drive growth.

This little book shares real-world success stories from manufacturers who partnered with their brokers to strengthen their bottom line while mastering risk management.

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THE REVELATION

Hidden Money Found: \$50K annually

How: Strategically focusing risk mitigation efforts to reduce premiums

In a hard property insurance market, premium rate increases are the norm. However, cost savings can sometimes be achieved with some investigation and risk mitigation actions, as this manufacturer found out.

While conducting an account review with this client's property underwriter, Hylant discovered that the **insurer was purchasing facultative reinsurance** for a single facility **and passing that cost on to the manufacturer**. Insurers purchase this reinsurance when they deem a risk especially serious or potentially costly.

Because of this revelation, Hylant's **property risk specialist studied the insurer's reports**, analyzed the recommendations and presented options to the manufacturer to **address the underwriter's concerns**. Based on the guidance, the manufacturer lowered the height of storage units, relocated certain problematic stored materials and upgraded the facility's sprinkler system.

As a result, the **insurer canceled the reinsurance** and **issued a prorated refund** to the manufacturer. Today, the **company is saving \$50K annually**.

THE REALLOCATION

Hidden Money Found: \$300K

How: Optimizing the point of self-insurance and risk transfer

Leveraging a proven methodology for accurately quantifying a company's risk-bearing capacity can help it confidently consider alternative risk financing structures.

A manufacturing and retail company had the financial capacity to bear unanticipated risk and expressed an interest in improving its return on risk capital. Hylant assisted the company by conducting a **business risk assessment**, including high-level risk identification, a quantification analysis and a related insurance risk financing decision framework. The levels of calculated risk-bearing capacity and self-assumed insurable risk were sufficient to **consider several alternative risk financing structures**.

Analysis revealed that the business possessed significant excess capacity to safely **increase property and casualty insurance self-insured retentions**. The findings were superimposed on the insurance marketplace to determine an efficient balance between insurance and self-retention. The company **saved more than \$300,000** in insurance costs **while accounting for deductible loss potential and financial capacity to absorb risk**.





THE RESOLUTION

Hidden Money Found: \$18K annually

How: Resolving an open issue that hadn't been addressed due to anticipated costs

When a property loss control expert reviews your insurance policies, they may be able to find ways to save you money that you haven't considered before.

A warehouse and distribution operation **spent hundreds of thousands of dollars in 2016 to install an early suppression fast response (ESFR) sprinkler system** at one of its warehouses. However, the insurer wasn't giving it credit for the system: the contractor had installed one-third of the sprinkler heads directly over several-inch-wide bar joists, rendering the **system ineffective**.

The **insurer considered the warehouse unprotected, which an inspector noted in 2020**. For years, the **business didn't address the issue due to the anticipated cost**.

Believing the **sprinkler installer should be held accountable**, Hylant's **property risk manager wrote a detailed report** explaining the nature of ESFR systems, detailing the problem, describing the National Fire Protection Association (NFPA) code that applied to the faulty installation and reiterating the importance of adhering to the sprinkler head manufacturer's installation guidelines.

Armed with the report, **the warehouse owner approached the installer. The installer agreed to address the obstructions at no charge**, even though the problem stemmed from prior years. With the sprinkler obstructions resolved, the insurer considered the issue closed and **reduced the property insurance premium by \$18,000 annually**.

THE REDUCTION

Hidden Money Found: 15.12% workers' comp premium reduction

How: Improving the organization's safety program

Growth often brings added risk. Effectively managing it is important to the company's physical and fiscal well-being.

Due to its expansion, a **growing, multi-location manufacturer** began experiencing safety and compliance issues. Its experience **MOD rating had climbed to 1.16**. Due to losses, the **workers' compensation carrier was considering not renewing** the policy. The **safety director also served as the company's HR manager** and was overwhelmed, **making it challenging to manage the loss frequency effectively**.

After conducting a thorough loss and policy review, **Hylant's casualty risk advisor** formulated a three-pronged strategy for addressing the issues contributing to the losses: management awareness, targeted loss source reduction and technology support for efficiency.

Within the first two years of working with Hylant's risk advisor and the carrier's loss control representative, the **manufacturer improved its experience MOD to .92**. Recognizing the company's risk management efforts, the **carrier renewed the workers' compensation policy and lowered the premium**.



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THE RECONSIDERATION

Hidden Money Found: Millions saved versus the initially proposed renewal program

How: Identifying an unbiased carrier, increasing its self-insured retention and incorporating a cell captive

When unexpectedly severe premium increases arrive shortly before renewal time, it is necessary to have a broker with solid carrier relationships and a hard-working team dedicated to your success.

Close to its property insurance renewal date, a large global food manufacturer was advised that its **premium and capital expenditure requirements would amount to more than a 300% renewal increase**. The late notice left the company little time to act. **It hadn't gone to market in four years**, its loss control reports were outdated, and **underwriters who had previously worked with the manufacturer and had lost the business weren't anxious to reengage**.

Hylant **leveraged underwriter and C-suite relationships to convince carriers to commit to unbiased program reviews** and spent hours scrubbing and validating data, placing the **information into a format that carriers could quickly understand**. Confident in its risk control processes and loss history, **the client increased its self-insured retention**, thus making it much easier for carriers to say "yes" to the account. Although capacity was available, the cost was prohibitive. After discussing various solutions, the team **moved the coverage gaps into a separate captive cell, resulting in a completed program**.

Hylant identified an insurer that was committed to the global space, desired to grow and could handle complex accounts. **The new program was several million dollars less than the originally proposed program** and did not include mandatory underwriting requirements.

BONUS STORY! THE RECOVERY

Money Recovered: \$3.2 million

How: Obtaining the right insurance policies, partnering with a dedicated claim team

Finding hidden money and freeing up cash strengthens the company's balance sheet. Securing appropriate insurance coverage and having experienced claim professionals advocate on your behalf when something goes wrong can help protect it.

A manufacturer suffered a **ransomware attack** at the height of its cyclical manufacturing season. Fortunately, the company **had purchased a cyber insurance policy**. Within hours, it engaged the cyber insurance carrier, breach counsel, a forensic investigator and a data restoration company. It gained approval from the cyber insurer to pay the ransom to restore its data.

To ensure that the manufacturer received all possible recovery options, **Hylant reviewed not only the cyber policy but also the property, general liability, crime, inland marine, and kidnap and ransom policies**. Because multiple carriers were involved, Hylant provided contact information and a summary of each policy's coverage scope, limits and deductibles. **When questions and challenges arose, claim advocates worked through them with the manufacturer.**

Through **careful reviews of all policies and significant negotiations**, Hylant helped the manufacturer secure **nearly \$3 million of coverage from the cyber carrier, \$82,000 from the kidnap and ransom insurer, \$100,000 from the package policy insurer and \$25,000 from the business interruption loss insurer.**



Through careful reviews of all policies and significant negotiations, Hylant helped the manufacturer secure nearly \$3 million of coverage from the cyber carrier.

For CFOs looking to turn risk management into a strategic advantage, this is your starting point. Let's explore how to protect your bottom line—and maybe even grow it.

Ready to find your hidden money?

Contact a Hylant manufacturing risk advisor.

About Hylant

Since 1935, Hylant has been helping clients identify and address risk-related challenges before they become unmanageable by delivering solutions unique to their circumstances. Today, the firm is among the largest privately held insurance brokerages in the United States, renowned for its expertise and high-touch service. Hylant offers insurance, employee benefits and risk management consulting services for businesses and individuals locally, nationally and internationally. Learn more at hylant.com.

