The Hidden Variable

Looking Beyond Risk Exposure in Insurance Renewals

Risk managers, brokers and insurers are familiar with the insurance renewal process. Each year, organizations compile information that typically includes property values, payroll, fleet schedules, budgets, loss runs, enrollments and other exposure-related data. Underwriters then review this information to determine the terms under which insurers are willing to provide coverage. Historically, risk exposures played a significant role in such underwriting decisions. While that is still true, insurers are increasingly evaluating the systems that influence how exposures are managed. In today's market, renewal conversations may include not only the standard question "What are your risks?" but also "How effectively do you manage your risks?"

As underwriting scrutiny intensifies, Enterprise Risk Management (ERM) has become an important tool to demonstrate effective governance, operational discipline, and financial stewardship. While ERM does not guarantee favorable insurance outcomes, it can create the capabilities that insurers often associate with well-managed and more predictable risks.

These capabilities, in turn, can positively influence underwriting perceptions and contribute to more productive renewal discussions even in challenging markets.

> "Today, underwriters are looking beyond single risk exposures to the broader risk culture within an organization."
>
> — Penny Seach
>
> Chief Underwriting Officer, Zurich Commercial Insurance, From Volatility to Resilience: How a New Era of Risk Is Transforming Underwriting (2026).

ERM's Unique Perspective

Many risk management initiatives address risks individually and in isolation. ERM, however, considers how risks relate to one another and impact operational objectives across an organization. For a public entity, that broader perspective can change its approach from incident response to strategic preparation and from short-term insurance renewals to long-term performance. It can also result in:

- Risk management alignment with objectives.
- Stronger governance and accountability.
- Improved resource allocation and decision-making.
- Enhanced operational continuity and efficiency.
- Integration of risk considerations into budgeting and long-term planning.
- Better transparency with governing boards and external stakeholders.

In addition to these internal benefits, ERM can also present a clearer and more credible risk management narrative during insurance renewals.

Underwriting Visibility

The challenge for underwriters is not only identifying exposures but understanding how those exposures are managed. Renewal information often provides snapshots into what can go wrong but reveals little about the quality of the systems responsible for preventing and responding to adverse events. In many respects, management capability is one of the least visible factors in the underwriting process.

ERM makes capability observable and provides evidence that underwriters can evaluate alongside traditional risk exposures. This enhanced underwriting visibility allows insurers to look beyond the presence of risk and gain greater insight into how an organization manages it. While ERM does not provide a direct cause-and-effect relationship with specific insurance outcomes, it does highlight the practices that underwriters often seek to understand during renewal discussions. In that sense, ERM is less about promising better renewal results and more about establishing the evidence that supports underwriting confidence.

The table below describes both the organizational impact and potential underwriting value of typical ERM program components.

ERM Component	What It Addresses	Organizational Impact	Potential Underwriting Value
Governance and Accountability	Board oversight, leadership commitment, risk ownership, roles and culture	Establishes management responsibilities and embeds risk awareness into decision-making	Demonstrates leadership commitment, governance discipline and risk management maturity
Objectives and Context	Internal and external context, stakeholder expectations, risk appetite and strategic objectives	Aligns risk considerations with objectives, planning and resource allocation	Shows that risk decisions are connected to strategy, operations and public service objectives
Risk Identification, Analysis and Evaluation	Identification, analysis, prioritization and evaluation of risks against defined criteria	Discovers material threats, opportunities, trends and interdependencies	Shows awareness of exposures and changing conditions
Risk Treatment, Controls and Performance	Risk treatment decisions, mitigation strategies, internal controls and performance indicators	Promotes program consistency and connects risk responses to measurable outcomes	Supports confidence in operational discipline, loss prevention and claims defensibility
Monitoring and Review	Ongoing monitoring, review of results, lessons learned and program improvement	Enhances adaptability, control effectiveness and continuous improvement	Provides evidence that risk management practices are current, tested and responsive
Communication and Reporting	Risk reporting, documentation, escalation and communication	Increases transparency, informed oversight and availability of risk-related information	Improves the underwriting narrative with credible documentation and reporting discipline

The value of underwriting visibility extends beyond challenging insurance markets. When the market is favorable, underwriters may have greater flexibility in pricing and capacity decisions, but they still seek to understand how a potential insured manages its risk. ERM tells the risk management story that establishes credibility and creates confidence in an entity's practices. If insurance markets become more selective, organizations that have already demonstrated management discipline may be better positioned to distinguish themselves from their peers.

> **Underwriters can usually see your exposures.**
> Do they also understand how you manage them?

Same Exposure, Different Story

The following example illustrates how two school districts with similar exposure profiles may present differently to insurers based on the maturity of their risk management practices. The comparison highlights how ERM can help shift the renewal conversation from shared exposures to differentiated management capability.

Characteristics	School District A	School District B
Student Enrollment	10,000	10,000
Property Values	$500 million	$500 million
Annual Budget	$150 million	$150 million
ERM Governance	Board receives periodic risk reports and trends	Risk discussions primarily occur after incidents
Risk Assessment	Formal process identifies strategic and operational risks	Assessments occur inconsistently across departments
Risk Monitoring	Key metrics are tracked and reported	Limited entity-wide monitoring
Financial Integration	Risk financing aligned with budgets and capital planning	Insurance decisions made separately from planning processes
Resilience Planning	Continuity plans are exercised and updated	Plans exist but receive limited testing
Underwriting Narrative	Organized, transparent and well documented	Greater uncertainty regarding consistency and oversight
Potential Market Perception	More predictable and defensible risk management practices	Increased underwriting questions regarding risk management controls

Conclusion

ERM cannot eliminate risk, nor can it guarantee favorable insurance outcomes. Even so, it can strengthen the risk management practices that insurers associate with well-run, resilient organizations. Viewed in that context, as insurance markets continue to fluctuate, public entities may benefit from using ERM as a both a governance framework and a risk management system that improves decision-making. The central message is straightforward: Insurance outcomes are affected by risk exposures, but underwriting confidence can be influenced by how effectively risk is managed. ERM provides a framework that demonstrates that capability.