

*Safely*



**SPEAKING**  
BY DOUG STEWART

# Happy New Year

**A** NEW year begins and hopefully we can all look forward to a rewarding 2005. We keep hearing the general population does not know how insurance works but most think insurance companies are large pots of money that never dry up (if only that were so).

Yes, the insurance industry is complex but it is basically a business like any other. A product or service is sold. From the income, claims/expenses are paid and everything leftover, if anything, is profit. If there is no profit, the company does not stay in business for long.

### Expense and cost control

At Federated, as with many other businesses, we do try our best to control expenses and operating costs. The company invests in loss prevention initiatives it believes will assist in controlling losses thus reducing some of the operating costs. Whatever we do in this area requires “buy-in” from our policyholders if this approach is to produce any meaningful results.

We have tons of statistics and information about where and how losses occur. We can see trends in losses and can predict with fairly high accuracy what this means to our bottom line. We also know the reason some policyholders don't have losses that are common to many others. When we can make suggestions to prevent reoccurring losses, Federated is hopeful that its policyholders can see our

business as being very similar to their own. If you could save 50 percent on one of your significant operating costs, would you not see this as an investment worth your time? If your business bottom line were improved because you controlled your operating costs better, would this not give you a certain advantage over your competition? This advantage may not take the form of a price advantage but one where you could upgrade the quality of your service beyond that of the competition.

**It is not our objective to be the biggest or to write all business classes but it is our objective to be the best at what we do for the companies with which we do business.**

### Earning our keep

We know we have to earn the right to do business with each and every one of our customers. We have many very loyal customers who have been with us through the good as well as the difficult times. For those customers who are new to Federated, we hope we surpass your expectations so you will become one of our long-term customers.

Our policies are more than just a business contract, they are the basis of a partnership where we hope to be able to grow with you and be flexible enough to meet your growing insurance needs. There is no question that we pick certain markets in which to write insurance and we are a preferred risk writer for these business classes. It is not our objective to be the biggest or to write all business classes but it is our objective to be the best at what we do for the companies with which we do business.

### Market changes

As with every marketplace, the insurance marketplace is changing. One thing we know for certain: We are required to be a strong financial company to meet the changes that may occur.

We have all seen what happens with pricing when a hard market comes along and insurance companies are forced to get substantial price increases to make up for financial shortfalls developed in soft markets. Financial strength can be achieved by supporting loss prevention initiatives known to prevent losses. Getting behind specific insurance initiatives, such as the “Right Road” vehicle and driver safety program and the “Hot Work” loss prevention program, can reduce losses and benefit our company as well as our business partners. ■

**dreams**

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