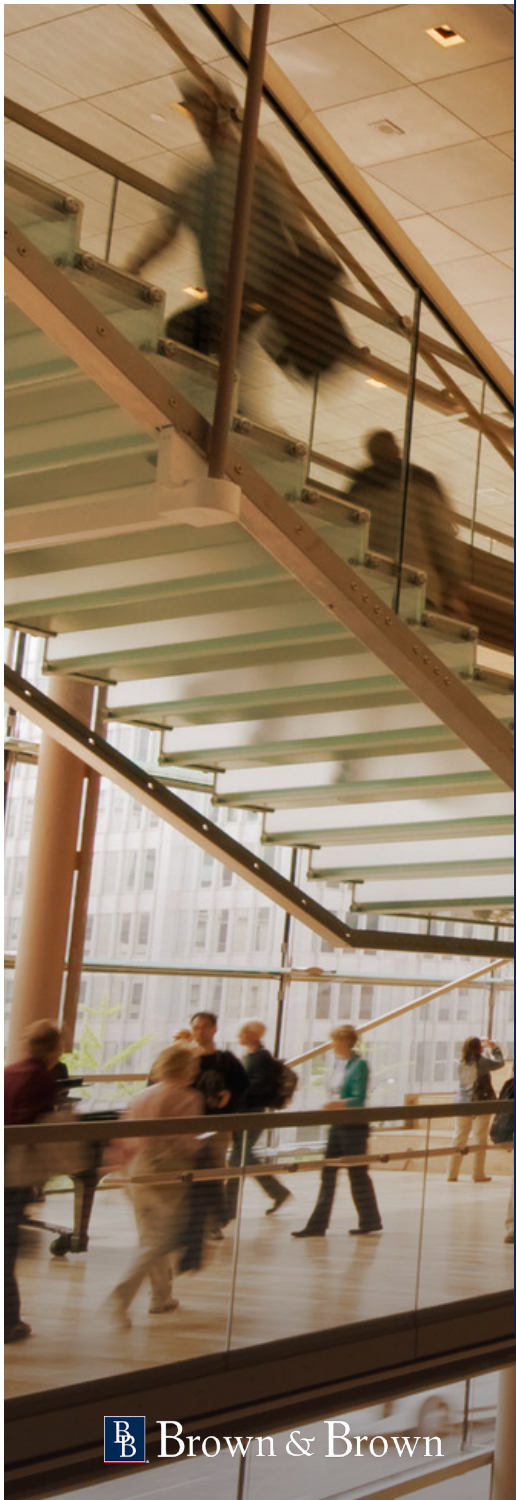




STOP LEAVING MONEY ON THE TABLE:

A CFO's Guide to Risk-Aligned Insurance Financing

How to design insurance programs around your organization's specific risk appetite and financial goals, not just market conditions.



Ask any corporate CFO how they manage debt, interest rate exposure, or FX risk and they'll walk you through a detailed model specific to their business. On the other hand, ask them how they manage operational risk and many will admit to mostly just following the advice their broker gives them about macro market dynamics one coverage line at a time in a linear approach.

But approaching operational and enterprise risk this way leads to under- or over-insuring that both leaves money on the table and fails to effectively support an organization's unique financial situation and goals.

Most corporate finance leaders sense this inefficiency. According to Deloitte's [Q4 2025 CFO Signals survey](#), 36% of CFOs cite enterprise risk management as a top priority, yet the tools many use to manage risk remain blunt and imprecise.

There's a better approach.

This playbook introduces Risk-Aligned Financing Techniques (RAFT), Brown & Brown's framework for applying the same analytical, data-driven approach CFOs use for financial risk to their operational risk portfolio.

RAFT starts not with the broader market, but with the organization itself. By building an insurance program around fundamentals including financial strategy, balance sheet capacity, liquidity targets, and risk appetite, RAFT enables risk management to structure an insurance program that's specifically tailored to support a company's unique needs, finding the optimal balance between cost and volatility based on the organization's specific financial profile and ability to retain risk.

The Problem with the Usual Approach to Risk Purchasing

Most enterprise insurance renewal meetings begin with a broker delivering a macro-level update on the market: rates are hardening in property, cyber is volatile, D&O has softened, and so on. The problem with this approach is that it's driven by what the market is doing, not by an understanding of what the particular organization can sustain in risk assumption and still meet their financial goals.

The result is a program that may bear little relationship to the company's actual risk appetite. They may be overspending on coverage in one area, committing capital and paying premiums that could be more efficiently deployed elsewhere, while retaining too much risk in other areas, leaving dangerous exposures with the potential to wreak havoc on the balance sheet.

While market dynamics are significant factors in enterprise risk management and risk purchasing, they shouldn't be used as the starting point for designing an efficient insurance program, notes Jay Sampson, Executive Managing Director of Brown & Brown's Risk Optimization Group.





“The key question isn’t ‘what is the market charging for cyber coverage?’ It’s ‘given our cash position, our growth strategy, and our loss history, how much of this risk should we be retaining, and at what cost does it make sense to transfer the rest?’”

Jay Sampson, Executive Managing Director of Brown & Brown’s Risk Optimization Group

“For an enterprise designing a risk purchasing approach, the first place to start is asking ‘What is our overall financial strategy, and what costs can we sustain and over what period of time?’ What’s happening in the broader insurance market is a variable in that equation, but it’s not the starting point,” Sampson says. “The key question isn’t ‘what is the market charging for cyber coverage?’ It’s ‘given our cash position, our growth strategy, and our loss history, how much of this risk should we be retaining, and at what cost does it make sense to transfer the rest?’”

This company-specific mindset is key. Benchmarking risk management based on what other similar organizations are doing is of limited use, because those companies may have very different balance sheets, cash positions, earnings trajectories, risk tolerances, and loss volatility based on their legal venue and geography. Likewise, actuarial projections reveal only expected losses, not what level of exposure to those potential losses makes the most financial sense for a company.

Most CFOs manage financial risk with precision and their company’s specific needs at top-of-mind. Operational risk and retained risk deserve the same treatment.

Defining Your Risk Appetite

Risk appetite—the total amount and type of risk an organization is willing to accept in pursuit of its strategic goals—is the foundation of any enterprise insurance program.

To help an organization define its risk appetite, the first question Brown & Brown asks is simple: How involved is the CFO and the finance department in insurance purchasing decisions?

“Oftentimes in property and casualty, the risk management or legal department is responsible for those purchasing decisions, and the CFO may sign off on the cost, but they’re not really involved in the whys: ‘Why are we purchasing this level of insurance? Why are we taking this retention?’” Sampson notes. “The finance team is approving a budget line without engaging with the underlying financial strategy, and that gap is where significant value gets left behind.”



The RAFT framework puts the strategy at the forefront of the risk management and purchasing process, building a financial picture of the organization before making any recommendations about coverage. That snapshot includes key variables such as liquidity targets and cash-on-hand ratios, upcoming M&A strategy, anticipated debt, and any regulatory or macro factors that could limit revenue.

“Diving into those conversations and getting those answers determines what a company would be comfortable with in any given year if they were to retain X individual loss or combined / correlated losses across their portfolio,” Sampson says. “That means you should stop insuring based on what everyone else is doing and on benchmarks based on your size, and design a risk purchasing program based on a clear view of your own financial reality and ability.”

To provide customers with that clear view, Brown & Brown uses advanced risk modeling that offers a detailed, data-based, holistic picture of risks, plotted against the cost of various mitigation options. The result is a matrix that enables customers to ensure their risk retention and mitigation strategy is well-aligned with their risk tolerance.



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A Clearer View of Operational Risk

Most CFOs know their operational risk exposure. What they don't understand is the volatility. That uncertainty is part of what makes it so hard to make well-informed decisions about enterprise insurance.

Brown & Brown's stochastic modeling technique runs thousands of scenarios and produces a full distribution of potential loss level outcomes, such as a one-in-ten-year correlated loss level, a one-in-100-year, or a one-in-250-year.

When aligned with the financial risk appetite, the output of these loss models is then presented in an "efficient frontier" chart that shows the trade-off between insurance cost and retained risk, revealing the program structures that minimize Total Cost of Risk (TCOR) for a given risk appetite. Customers can see the specific cost of each additional unit of risk protection, along with the specific additional volatility incurred by each

dollar of premium reduction. This granular view tremendously enhances what had previously been a judgment call based largely on gut instinct and market prices, into a data-driven decision.

For enterprises, visualizing this dynamic is an "aha" moment. Matthew Siciliani, Executive Vice President and Executive Managing Director of Brown & Brown's National Healthcare Practice, describes how customers typically respond when they see the efficient frontier chart for the first time: "At first, it may look a little overwhelming. But then we can guide them toward options that really fit their risk appetite, because we've defined what their benchmark is and exactly what they're comfortable with," he notes. "So we can start narrowing down those options. Then they can get their minds wrapped around it: 'here are the options that fit your risk appetite, and here are the costs for each.'"





When CFOs see this modeling for the first time, one common revelation is that their current program doesn't provide the risk mitigation-efficient purchasing they'd thought it did. Some coverage lines they've been heavily insuring turn out to be well-managed, predictable risks where the data supports taking significantly more retention. Other lines they've been underinsuring turn out to be far more volatile than assumed, capable of generating losses that would genuinely stress the balance sheet.

The efficient frontier chart makes these mismatches visible. It also reveals potential cross-line trade-offs and correlated loss potential, showing how reducing premium spend in one area could fund better protection in another.

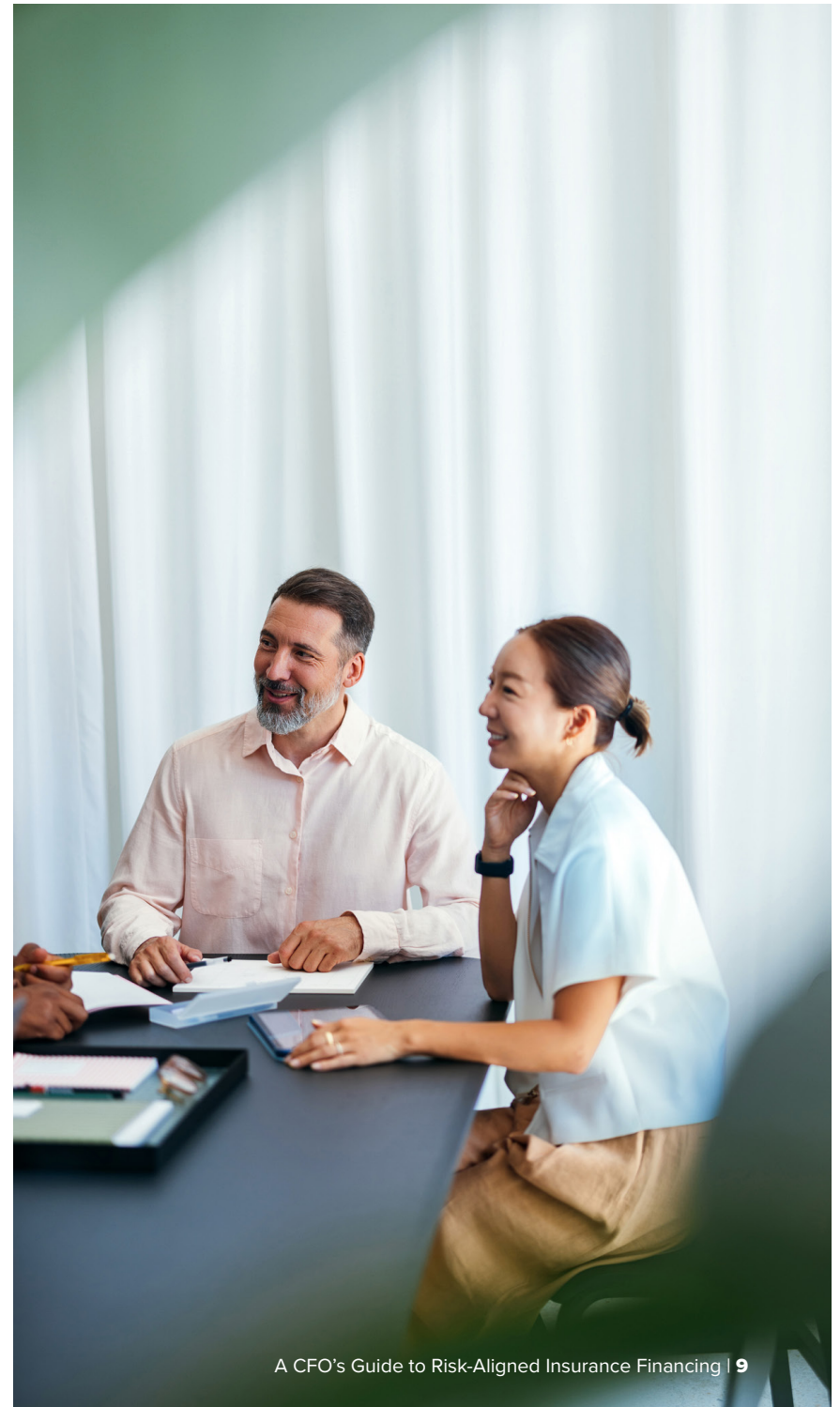
With a clear picture of risk appetite and volatility in hand, the next step is putting that data to work.

Designing the Program that Fits

Once risk appetite is defined, correlation of loss and volatility is quantified, RAFT identifies the program structure that minimizes TCOR for that specific organization. The result consistently reveals opportunities a market-led approach significantly misses time and time again in the strategic process.

To illustrate this point, Siciliani cites the example of one Brown & Brown customer, a healthcare organization, that looked appropriately insured by any external benchmark. When RAFT modeling was applied, however, the data told a different story.

On the hospital professional liability side, the organization's loss history was exceptional and well managed strategically. The venue was moderate and the modeling showed it could absorb a substantially higher retention without exceeding its risk appetite, reaping premium savings large enough to more than offset the additional retained exposure. On the cyber side, the picture was reversed: high volatility and unpredictable severity made retaining that risk disproportionately expensive. Armed with these data-driven insights, the organization was able to see an obvious opportunity for improvement.





“They took another \$5 million of retention on HPL, obtained premium savings, put a portion into their multi-line captive, and used remaining savings to buy down their cyber retention, where the volatility was something they didn’t want to sustain,” Siciliani recalls.

The program ended up both cheaper and better matched to actual risk, with lower spend on HPL, increased investment return on captive surplus, support for other retained lines and stronger protection on cyber—efficiency and alignment only made possible by employing a RAFT approach.

Another key difference between RAFT and a conventional risk management approach is cadence. Traditional brokers revisit programs once a year at renewal. With Brown & Brown, programs are revisited whenever something changes that materially affects

an organization’s risk appetite, such as when an acquisition closes, when regulatory changes threaten revenue, or when a capital expenditure reduces liquidity. Risk appetite is dynamic, so waiting until renewal to respond to material changes means a program is routinely out of step with the actual needs of an organization.

“If your broker is only providing a market update at renewal along with your historical total cost of risk, you’re not getting enough information to make a real financial decision about what you should be buying in the future,” Siciliani says.

With RAFT’s advanced modeling, companies can leverage data to craft a purchasing program that fits perfectly. But an ongoing, proactive approach to insurance advisory is the key to ensuring it stays that way.

The Question You Should Be Asking

Most CFOs have never had a broker and insurance specialist who enables them to manage their insurance program the same way they manage their financial strategy. That gap between how financial risk and operational risk are managed is what RAFT is designed to close.

For CFOs who want to assess whether their current broker can support that level of customization and control over operational risk purchasing and management, Sampson offers a single question worth asking: “Is your broker providing a much deeper thought process for aligning and overlaying your financial strategy relative to your insurance purchasing across all lines?”

If the answer is no, it may be time for a change.

Connect with **Brown & Brown** to learn more about taking better control of your enterprise risk management with RAFT.



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