Optimizing Risk Management:

When to Outsource,
When to Stay In-House

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ABOUT THE AUTHOR:

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INTRODUCTION

EVERY COMPANY MANAGES RISK, BUT NOT EVERY COMPANY NEEDS A FULL-TIME RISK DEPARTMENT. The right structure depends on transaction flow, internal capacity, broker capability, and the company's long-term goals. Some companies gain the most value from full outsourcing; others perform best with internal leadership supported by outside expertise; many land somewhere between the two.

This paper is written for real estate owners, developers, lenders, and investors weighing how to structure that function. We explain when outsourcing creates the most value, when keeping the work in-house is the better answer, and how a hybrid approach can combine the two. We also describe how Custom House evaluates each client and designs a structure that aligns responsibilities, reduces duplication, and lowers the total cost of risk.

PART ONE: WHY OUTSOURCE RISK MANAGEMENT?

Outsourcing gives a company the reach, expertise, and bandwidth of a full risk department without the fixed cost of building one internally. For real estate owners, lenders, and investors, the model is often both efficient and strategic.

Scale and Market Leverage: An independent risk management consultant represents many clients and a large aggregate premium spend. That scale produces market influence that no single insured can replicate on its own. Brokers and carriers respond faster, route work to more senior personnel, and frequently offer better pricing and terms because the relationship is worth keeping. That aggregate market influence is one of the strongest economic reasons to outsource.

Depth of Bench: Risk management cuts across brokerage, underwriting, coverage law, lending, and claims. A single internal hire cannot cover all of it, and the hiring market has tightened: The Bureau of Labor Statistics projects roughly 400,000 insurance professionals will leave the industry between 2021 and the end of 2026 [1], with the experienced talent the hardest to replace. Custom House staffs each engagement with consultants who may have worked as brokers, underwriters, in-house risk managers, insurance coverage attorneys, and as lender-side risk consultants. That mix of backgrounds means clients see issues from every side of the table before they become problems.

Flexibility and Scalability: Insurance workload is uneven. Renewals, acquisitions, and construction start-up demand more hands than steady-state operations. An outsourced team can staff up during peaks and scale back during quiet periods, giving the client continuous coverage without the fixed cost of permanent headcount.

Market Perspective and Benchmarking: Consultants who manage many programs across different clients, locations, and asset classes see what is achievable in the current market, and the current market rewards that perspective. For example, in 2026, conditions split sharply: the Council of Insurance Agents and Brokers reported the first overall premium decline since 2017[2], and Marsh measured commercial property rates down 9% in the first quarter while casualty rose 3% and umbrella rose 18% on social inflation and large verdicts.[3] A property renewal should be getting cheaper while an umbrella renewal gets harder, and a buyer working a single program in isolation often cannot tell which pressure is real. That perspective drives more accurate benchmarking on coverage, pricing, and terms; it also surfaces lessons learned from other clients before the same issue lands at the client's door.

1 U.S. Bureau of Labor Statistics projections, as reported in Insurance Thought Leadership, "Insurance Industry Faces Critical Talent Shortage," https://www.insurancethoughtleadership.com/talent-gap/insurance-industry-faces-critical-talent-shortage

2 The Council of Insurance Agents & Brokers, Commercial Property/Casualty Market Survey, first quarter 2026, https://www.ciab.com/market-intel/

3 Marsh, Global Insurance Market Index, first quarter 2026, https://www.marsh.com/en/about/media/global-commercial-insurance-rates-fall-5-percent-in-q1-2026.html. The U.S. umbrella and excess liability figure is reported in Risk & Insurance, https://riskandinsurance.com/global-commercial-insurance-rates-fall-5-as-property-declines-offset-us-casualty-pressure/

Efficiency of Executive Time: Insurance administration consumes time from people whose skills are best applied elsewhere. CFOs, general counsel, and asset managers should not be tracking certificates or chasing endorsements. Outsourcing those functions returns hours to leadership and ensures the technical work is handled by professionals who do it every day. This helps place everyone at their highest and best use.

PART TWO: THE INDEPENDENCE DIFFERENCE

The choice between outsourcing and building in-house usually gets framed as capacity and cost. The more important question is alignment. Custom House takes no commission and sells no insurance. Our only product is advice, and we are paid the same whether we recommend more coverage or less. That single fact changes the kind of recommendation a client can expect.

An Advisor Whose Only Stake Is the Advice: Because we do not earn a placement, the most efficient answer stays on the table even when that answer is less insurance. Sometimes the right fix is a contract revision rather than a new policy, a higher retention rather than a lower one, a coverage that already exists rather than one that has to be bought, or keeping the function in-house rather than retaining us at all. We are paid to find the most efficient solution, not to sell one, and the recommendation tracks the client's interest because nothing else is driving it.

Why This Differs from Asking a Broker to Do More: Brokers are essential, and the good ones do far more than place coverage. Custom House works alongside brokers on every account and depends on those relationships. The point here is structural, not personal. A broker is compensated for placing insurance, and an advisor compensated for placing insurance will tend to see insurance as the answer; it is the old problem: "If the only tool you have is a hammer, it is tempting to treat everything as if it were a nail."[4] A flat advisory fee removes that pull. For the decisions where a client is best served by an advisor with no interest in the outcome other than the quality of the advice, that difference is the whole point.

This is why the next section is written without a thumb on the scale. There are real conditions under which a company should build the function internally and not retain an outside firm at all. Naming them is part of giving useful advice.

4 Abraham H. Maslow, The Psychology of Science: A Reconnaissance (Harper & Row, 1966), 15; commonly known as the "law of the instrument." https://en.wikipedia.org/wiki/Law_of_the_instrument.

PART THREE: WHEN TO KEEP RISK MANAGEMENT IN-HOUSE

Outsourcing is not the right answer for every company. Some organizations are better served by an internal team that owns the function day to day. The right structure depends on workload volume, system requirements, and how the company prefers to operate.

Continuous and Predictable Workload: When insurance activity is steady and substantial year-round, a full-time internal head of risk can be more economical than an outside consultant. The rough test is volume. A full-time hire runs well above the salary line: the Bureau of Labor Statistics puts benefits at close to 30% of total compensation [5], so a base salary in the $250,000 range carries a fully loaded cost north of $300,000. At 30 to 40 hours a week of genuine, recurring risk work, that fixed cost is usually justified and a salaried professional is cheaper than the equivalent in consulting hours. Below that level, the math favors paying for expertise only when it is needed. Continuity of personnel also produces institutional knowledge that is hard to replicate from outside, and direct control of internal workflows can be faster than coordinating across firms.

Work That Belongs Inside: Assuming there is enough volume, the steady operational layer is the work best kept in-house: certificate tracking and issuance, schedule and statement-of-values maintenance, routine renewals, internal coordination across asset and accounting teams, and the day-to-day flow of paper. This work is continuous, it benefits from someone who knows the portfolio and the people, and it rarely needs an outside specialist. A company with enough of it should own it, but create workflows so it doesn't overly burden executives. What does not belong on a salaried internal desk is the episodic, specialized work, which the next two sections address. Custom House routinely works with companies to help set up both internal risk management departments and risk management workflows.

Internal Systems and On-Site Presence: Some companies want their risk function physically and digitally inside the building, on the same network, attending the same internal meetings, and reporting through internal management structures. That preference is legitimate and sometimes dispositive. In those cases, Custom House often supports as an outside advisor, reviewing program structure and coverage terms without operating directly in client systems.

Maintaining an Advisory Relationship: Even companies with strong internal departments benefit from a standing relationship with an outside risk management firm. Every in-house risk manager needs a sounding board, a benchmarking resource, and a backstop when the unexpected happens. Markets shift, carriers exit lines, and major loss events demand experienced help quickly.

5 U.S. Bureau of Labor Statistics, Employer Costs for Employee Compensation, March 2026 (released June 12, 2026); benefits accounted for 30.1% of total compensation for private industry workers. https://www.bls.gov/news.release/ecec.htm

We routinely serve as a retained advisor to in-house teams. The relationship gives the client market intelligence on pricing and terms, a second set of eyes on renewals and complex placements, and immediate access to an experienced team when a major property loss, ransomware event, or catastrophic claim hits. A retainer relationship also covers continuity gaps for family leave, turnover, or temporary absences, so the function does not stall when the in-house lead is out. Every company should have that kind of relationship in place before they need it; the time to build it is not during the crisis.

PART FOUR: THE HYBRID MODEL

Many companies achieve the best results with a hybrid structure that combines internal coordination with external expertise. The model is built on a simple principle: each task should be handled at the right level, by the right party, at the right cost.

In a typical hybrid program, internal personnel handle administrative and operational functions; certificate requests, system updates, communication tracking, and the day-to-day flow of paper. Custom House provides executive-level oversight, renewal strategy, complex transaction support, and claims advocacy on the matters that move the needle. Brokers continue to issue certificates and handle routine servicing, while the consultant manages workflow and quality control across all three groups.

The structure preserves internal control and continuity while bringing in market power, technical depth, and surge capacity from outside. The clearest case is the transactional layer. Even a company with a full-time internal head of risk usually benefits from outsourcing acquisitions, developments, refinancings, and dispositions, because that work arrives in bursts, demands specialized review, and can generally be billed to the closing or capitalized into the project budget rather than carried as corporate overhead. Staffing permanent headcount for those peaks is expensive and idle between deals. Routing them outside gives the client surge capacity, a deeper bench, and more market pull on exactly the work where specialization matters most, at a cost that lands on the deal rather than the overhead line. Hybrid models also adapt over time. Some clients start with full outsourcing and migrate functions in-house as their internal capacity grows; others run hybrid indefinitely and use Custom House to train, supervise, and supplement in-house staff as the portfolio evolves.

PART FIVE: HOW CUSTOM HOUSE DESIGNS THE RIGHT STRUCTURE

We begin every engagement by reviewing the client's full risk management ecosystem. The goal is to align responsibilities, eliminate duplication, and reduce total cost of risk. We focus on five factors in the following order.

1. Transaction Flow. We start with the cycle. How frequently does the company acquire, develop, refinance, or dispose of assets? When are renewals concentrated? Where in the year does workload spike? The cadence of work drives every staffing decision that follows.

2. Internal Capabilities. We map the people, systems, and processes already in place. Who handles renewals, certificates, and claims today? What is working, what is not, and what is the practical bandwidth of the team to absorb more or less.

3. Broker Capabilities. Brokers vary widely in what they do well. Some teams provide robust certificate management, loss control support, and analytical work as part of their compensation; others are placement-only. We assess what the current broker can effectively handle so consulting effort is directed where it adds the most value, not duplicating broker services that are already paid for.

4. Budget and Allocation. We look at how risk management costs are allocated across the company. Where possible, we structure the work so transactional and project-based costs can be capitalized into closings or project budgets rather than carried as corporate overhead.

5. Total Cost of Risk. Finally, we measure the full picture against the metric risk managers call total cost of risk: premiums, deductibles, retained losses, claims outcomes, the cost of administering the program, and the indirect cost of uninsured events. The objective is to lower that total, not just the premium line. A program with a low premium but poor claims handling, weak coverage, or heavy internal burden is not a good program.

The recommendation that comes out of this review may be full outsourcing, full in-house with periodic outside review, a hybrid structure, or a phased path between models. We do not assume one size fits all, and we routinely recommend less of our own involvement where that produces a better outcome for the client.

PART SIX: MEASURING VALUE

A risk management program should be measured by outcomes, not just expense. A well-designed structure is built to produce visible improvement across the program. Renewals close on time with fewer surprises. Claims get reported and managed faster, which tends to improve recoveries and shorten disputes. Documentation, lender compliance, and reporting tighten up. Senior executives get hours back. The single measure that captures all of it is total cost of risk, and the test of a structure is whether it moves that number down while holding or improving coverage.

We reassess each client's structure on a regular cadence. Markets change, portfolios change, and internal teams change; the program needs to keep pace. Where workflows can be systematized or templated, we systematize and template them. Where consulting effort is too heavy for the value being delivered, we say so and adjust. The goal is continuous optimization toward the lowest sustainable total cost of risk for the client's tolerance, budget, and operational profile.

CONCLUSION

There is no universal model for managing risk. The right structure depends on transaction flow, internal capabilities, broker capability, and the company's long-term goals. For some companies, full outsourcing delivers the best scale, expertise, and flexibility. For others, an internal department supported by an outside advisor offers continuity and control. In many cases, a hybrid structure produces the right combination of both.

Whatever the model, a real estate company benefits from a relationship with an experienced risk management firm; one that can benchmark the market, weigh in on complex matters, respond when something serious happens, and tell you honestly when you would be better off handling the work yourself. Custom House provides that partnership. We manage risk so our clients can focus on real estate.