

RISK MANAGEMENT

RISK MANAGEMENT HONOR ROLL

Ann Marie Bitta

GOODELL AWARD

Joan Schmit

HEART OF RIMS AWARD

Judy Silverman

RISING STAR AWARD

Emily L. Bloedel

A stylized, painterly portrait of Theresa Severson, a woman with dark hair and bangs, wearing gold hoop earrings. The background is a vibrant, abstract collage featuring yellow dollar signs, a red line graph with an upward arrow, and a bar chart. The overall color palette includes blue, green, yellow, and red.

Theresa
Severson

RISK MANAGER
OF THE YEAR 2023



Theresa Severson

Kite Realty Group

by Justin Smulison

Theresa Severson was already a 30-year veteran of the risk profession when her prior company was acquired by Kite Realty Group (KRG), one of the largest publicly traded owners and operators of open-air shopping centers and mixed-use properties. Much depended on her leadership to ensure a smooth transition. Undaunted, she rose to the challenge and her deep risk management expertise led to personal and enterprise-wide success, earning her the title of 2023 Risk Manager of the Year.


Excitement and apprehension followed KRG's \$7.5 billion acquisition of Retail Properties of America (RPAI) in October 2021, as the transaction occurred while much of the world cautiously operated against the backdrop of the COVID-19 pandemic and tumultuous economic conditions.

Severson had served as RPAI's vice president of insurance and risk for 12 years. She was asked to continue at KRG, which at the time, owned interests in 185 open-air shopping centers and mixed-

use assets in the United States, comprising more than 30 million square feet of gross leasable space.

"You are always excited when you are provided with a new opportunity," Severson said. "I also needed to make sure that KRG would embrace what a successful risk management program needs, which is the engagement and the support of the C-suite."

As she assumed her new role, Severson quickly discovered that dynamic was already built into



KRG's culture. As KRG's vice president for insurance and risk management, Severson leads a risk team of four, responsible for integrating the operational and corporate insurance and risk management programs to be used by 250 U.S.-based employees. This includes managing captives, contracts, claims, enterprise risk and the business continuity program for the Indiana-based real estate investment trust (REIT), which generates annual revenues of \$597.3 million.

With the merger, KRG's portfolio not only increased by 60%, but added significant catastrophe exposure during a challenging hard market. Severson needed to carefully examine a host of new risk exposures and insurance needs. "It was an exciting time, but also a very busy one and I didn't want to rush anything," Severson said. "My strategy was to allow the time needed to review each asset for primary and contingent liability exposures and have defensible total insurable value costs to underwriters in a market that was scrutinizing valuations."

Generating Value Through Insurance Programs and Captive Utilization

In addition to the complexity of combining two publicly traded companies, Severson was tasked with assessing two captives and two sets of insurance programs, each built with different risk appetites in mind. Level-headedness and sound judgment were needed to navigate the merger transition in fall 2021, especially as critical deadlines loomed—the legacy RPAI insurance renewal was approaching on December 1, 2021 and KRG's renewal was March 1, 2022. Severson focused on putting together a combined program that would commence on December 1, 2022. "Looking a year ahead afforded the time to complete the proper due diligence and keep both legacy insurance programs in place while we led the creation of KRG's new risk tolerance model," she said.

The risk group evaluated tax, audit and other considerations for the two owned captives and was ultimately able to implement a combined insurance program that added value and resulted in cost savings.

Severson worked with the executive team, providing up-to-date and forecasted financial models to develop a data-driven, captive-centric approach that allowed the major corporate changes related to the merger to be seamlessly integrated. "Utilizing the captive enhances our ability to control volatility in the market and creatively fund risk," she said. "It allowed us the flexibility when building out our coverage tower when, based on our modeling, the traditional marketplace may be overcharging. Including a 'difference in conditions' coverage in the captive allowed KRG to supplement our business disruption exposures from various weather-related exposures such as freeze and waiting periods."

The program was so effective that KRG was recognized with the Captive Insurance Companies Association's Outstanding Captive Award in March 2023.

Operational and Enterprise Risk Management Upgrades

To better understand the different challenges each property in the KRG portfolio faces—especially mixed-use properties or those that

are partially controlled by another owner—Severson tries to visit as many properties as possible. "It can require a lot of travel, but it is critical for us to understand where our responsibilities lie in each property," she said.

Severson implemented a number of operational risk management strategies highlighted by improved and standardized lease language for tenants, updated vendor insurance requirements, and an upgraded process for securing vendor certificates of insurance (COIs) before work begins, not after an invoice is received. "Any real estate company, but especially one of our size, should not be chasing down critical documents, such as certificates of insurance, after the fact," she said. "This is a basic idea, but one that still saves a lot of time and resources."

To level the playing field, Severson and her team reviewed 3,500 vendor accounts and assigned each a risk profile. In addition, Severson created a "work order rider" that is included in all new vendor setups and creates a contractual obligation to provide additional insured status and indemnification for work that may occur outside of the regular vendor agreement scope. Operations improved drastically among the thousands of tenants when she updated and improved lease language, clarifying maintenance and insurance responsibilities. "This was a key element in discussions with the insurance markets—telling the KRG story, which is one dedicated to strong risk management and includes thoughtful risk transfer," she said.

Severson was named lead on KRG's ERM initiative and developed a risk appetite methodology and metrics to measure risk management effectiveness. The ERM team introduced a management effectiveness rating to key risk factors, which allowed KRG to strategically focus its resources and improve exposure. "The ERM team issues a quarterly risk status report and supporting risk analysis for the executive management team and audit board committee," she said. "We truly have their engagement and support."

ERM leaders also initiated an emerging risk identification orientation as part of the ERM training. This training is conducted on a semiannual basis and included as part of the employee onboarding process. In addition, Severson designed a business impact assessment survey that will be sent to key KRG stakeholders of its business continuity program. She has also partnered with the senior vice president of corporate marketing and communications to help update KRG's crisis communication plan.

Severson also led the implementation of a new

risk management information system (RMIS), provided by Origami Risk, to monitor COIs for tenants and vendors and ease the transition of records following the merger. KRG's new RMIS platform was used to create an incident reporting portal and claims management system that monitors and tracks claims throughout the entire claim life cycle and provides data analytics and benchmarking.

"My risk philosophy really focuses on collaboration," she said. "My job is to make sure initiatives are in line with goals and to help the people around me achieve them. By engaging with me early, I can help avoid some of the pitfalls, and that makes them and their initiatives more successful."

In 2010, Severson joined the Chicago RIMS chapter and regularly led and participated in panel discussions on emerging risks such as climate change, ESG and captive utilization. She served as a vice president of Chicago RIMS and more recently as president from 2020 to 2022—a critical time for the profession and all chapter leaders.

"The concept of membership engagement changed drastically during the height of the pandemic," Severson recalled. Ultimately, the chapter successfully transitioned to mostly virtual events in 2020 and to hybrid events in 2021. During her presidency, she also helped transform the annual Chicagoland Risk Forum, expand the rising risk professionals group, support the diversity, equity and inclusion committee, and update the chapter bylaws.

In recent years, she has been recognized for her achievements and expertise. She was named to *Captive Review's* Power 50 Captive



"My risk philosophy really focuses on collaboration. My job is to make sure initiatives are in line with goals and to help the people around me achieve them."

Her methods have been well received. "Theresa has encyclopedia-like knowledge of all matters pertaining to the insurance industry," said Dean J. Papadakis, KRG's senior vice president and chief legal officer. "[She] routinely demonstrates exceptional acumen and expertise—both of which are readily recognized by not only our organization but by anyone who has had the pleasure of working with her."

Community Leadership and Ensuring Future Success

Severson's risk career was informed by her experience on the insurance broker side. In the 1990s, she began at Dann Insurance, a family-owned brokerage that focused on real estate, construction and development. After becoming a parent, she worked as a quality control consultant for much of the 2000s. She returned to the full-time workforce in 2008 as a risk manager and has since been highly active in the local and global risk community.

Owners for 2022, has been on the Sompo client advisory board since March 2018, and serves on the captive owner advisory board of the Vermont Captive Insurance Association.

Severson was also one of the original risk managers at the formation of the Lloyd's Risk Owners Council. The council's mission is to foster strategic relationships and communication between Lloyd's and global risk owners through education and deliberate transparency. The goal is to help Lloyd's underwriters understand the challenges and needs of U.S. risk owners, while helping the insurer develop new products and processes, and articulate its value proposition.

In addition, Severson is fully committed to ensuring the future of the risk profession, having served as a member of the RIMS Student Advisory Council from 2019 to 2022. Through an affiliation with the Spencer Educational Foundation, she hired student-interns who are now thriving in the profession. "The next generation of professionals coming out of the insurance and risk programs are so far ahead from where I started," Severson said. "They have impressed me so much already and I believe it is our responsibility to train them—and take chances on ones who might not always fit the profile—in order to ensure our profession thrives." ♦