

WINNING DECISIONS:

A Guide to Assessing the Effectiveness of Your Risk Management Information System

Turning History Into ForesightSM



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EXECUTIVE SUMMARY

In today's business environment, managing risk in an organization has taken on even greater importance. Both direct and indirect insurance costs continue to climb aggressively, driving the need for better, more accurate and timely information, often from many different and unrelated sources. The need for both a big picture perspective with the ability to drill down to minute details has never been greater. Companies need to macro and micro manage their data at the same time.

Simultaneously, the role of risk management in an organization has evolved over the past few years. It is not just a matter of tracking a few claims in a single location, factory or business. Today's risk management role has grown to incorporate a much wider scope across a corporation. Risk management has become a strategic component of senior management. Along with that change, comes greater information demands on already overtaxed risk managers.

As a result, an acute need exists for tools and solutions that can handle today's changing and more diverse workforce, often including many locations in multiple countries. These solutions need to be cost-effective and cannot add to an already burdened IT department. Risk managers and other senior-level executives need to access relevant information directly, on-demand. Going through other departments to get the data or choosing from an overwhelming number of predefined reports is highly inefficient and can slow down the analysis and decision making process.

It has often been said that knowledge is power. An effective risk management tool set can turn disparate data into a cohesive knowledge base, enabling you to get ahead of your risk, and giving you the power to make strategic, corporate-level risk management decisions.

Case in Point:

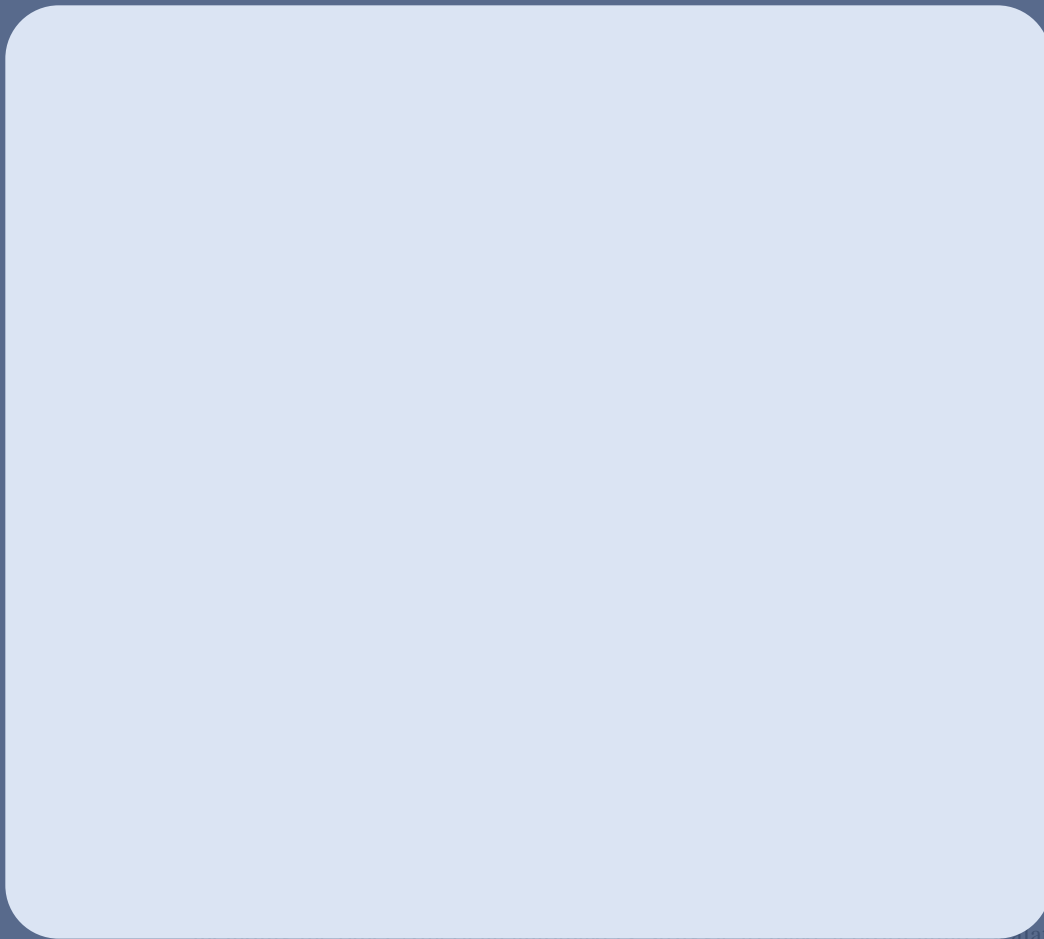
Premium Reduction: OCI conducted an Initial Discovery Analysis for a Fortune 100 technology firm to understand why the company's year-to-year cost increase for medical insurance was nearly 20 percent—higher than the industry as a whole. The analysis suggested that optimizing certain aspects of the company's plan design would slow this rate of increase. Based on those findings, OCI developed Automated monthly reports to monitor the effects of plan design changes, enabling benefits managers to predict the current plan's performance early enough in the year to make appropriate changes for the next year. After two plan years with multiple changes, the company reduced their year-to-year cost increases to less than four percent; thus converting a business problem into a competitive advantage and saving nearly \$10 million per year.



TECHNOLOGY'S ROLE AND THE VALUE OF WEB-BASED SOLUTIONS

Companies must constantly evaluate their organization's risk information and enterprise IT systems to make sure they have what it takes to:

- Integrate separate data sources via an automated tool set that relieves them of manual record keeping on spreadsheets



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companies,
including the chief financial officer, struggle to make a profit amid escalating health care costs, not to mention the cost of providing on-going health benefits to the growing ranks of retirees," Challenger said. "Unless companies can reduce these expenditures, they will have no choice but to make tough decisions such as the one just announced by GM's chief executive."

Without the proper tools in place, a business may be leaving itself open to a major financial impact. Proper planning and a well-structured RMIS make it possible for a business to pursue its vision unencumbered by uncertainty and the need to create large contingency funds or maintain high levels of liquidity, which can sap needed investment capital.



Issues facing today's risk managers run the gamut from terrorism, extreme weather and environmental concerns to work place violence and OSHA safety issues. Companies need their risk managers to be vigilant in their efforts to manage the risks associated with these issues. They require a sophisticated tool set that allows them to move away from gathering and consolidating data, to being able to overlay their analysis and business intelligence on top of the data to bring it to life and make it meaningful. Risk managers require tools that allow them to identify and quantify what risks exist, what the company stands to lose in case of a loss and what is needed to mitigate the risk and protect the company's assets and earnings.



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attributes. The on-demand model offers quick deployment of a system that meets the unique needs of risk managers. In contrast, system integration is costly and risky, often resulting in budget overruns and significant time delays. Worse, canned systems rarely meet a firm's specific business needs.



Conserve Capital – By its very nature, the on-demand model is designed to grow with a business. Consequently, the company only buys what it needs, when it’s needed. In a more traditional model, companies are often forced to make a large human and monetary capital outlay long before they are able to benefit from the new system. That capital is tied up and not at work. With an on-demand model, companies pay as they go and can put the unused capital to other uses. Finally, on-demand applications don’t require the investment of time and money to build the infrastructure needed to support the application because the provider maintains all infrastructure elements.



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Seamless Upgrades – While risk managers are more successfully reducing risk exposure and improving employee safety, the on-demand RMIS solutions provider is constantly monitoring, maintaining and upgrading the application. When enhancements are made, the system is automatically upgraded. There are no downloads required.





EVALUATING YOUR ORGANIZATION'S RMIS AND ENTERPRISE-WIDE IT SYSTEMS

Today's risk managers are being asked to do more and more with, often-times, limited, outdated or poorly targeted information. The stakes are higher than ever before. Poor management decisions based on inaccurate or old data can have a broad impact on the organization. An effective RMIS solution becomes a business intelligence and analytic tool that offers practical, day-to-day solutions, as well as the ability to identify risk factors and



take the needed and appropriate action.

We are overloaded with information today. It can be difficult to separate the vital information from copious data sets. The challenge is that key metrics and vital information can differ depending on whom you ask, and depending on your company's unique risk profile. An RMIS solution, based on solid analytic insights, should deliver 'right-sized' information – only the information that is vital to managing your risk, only when you need it.

In addition to bringing together data in a timely manner, the information needs to be as up-to-date as possible. Effective RMIS deployments allow risk managers to interface in real time with HR, financial and exposure data to ensure the highest level of data integrity and accuracy across the enterprise.



Finally, security is of the utmost importance, particularly with sensitive employee data. How secure is your data? A good RMIS system applies the highest levels of security protocols. It allows for separate security levels to be set for users. This defense-in-depth approach allows for multiple layers of security starting with usernames and passwords, and includes other precautions such as intrusion detection and prevention, digital IDs, and encryption.

It is essential that there is no risk of compromising the privacy of data at any time during the distribution process. As a result, security measures need to be evaluated at every step of the process.

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particular vendor or broker. That relationship may impact the system's flexibility,

openness to change, and data ownership.

- Does the application offer any customization or flexibility? One size does not fit all. Therefore, it is important to look for a system that offers the cost-effective advantages of an off-the-shelf product, AND offers the flexibility and customization required to make it effective in a company's unique environment.
- Who will be implementing and servicing the project? Does the vendor have enough qualified staff to provide the level of service required? Inadequate staffing levels or experience can bog down a key strategic project and cause unnecessary delays and cost overruns.





- What is the vendor’s experience implementing similar projects for other companies? Is the vendor simply an application developer or one that’s dedicated to the insurance and risk management market? Are there current or past customers who can be interviewed?
- How will the vendor go about structuring and implementing the solution? It is important to determine whether the vendor has taken the time to develop a process for smooth implementations.



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- What level of analytic understanding supports the solution? You can’t manage what you can’t measure, but you can’t measure everything. It is critical, therefore, that an effective solution measures those metrics that are vital to the success of your programs, while preventing information overload. Identification of these key metrics requires an analytic view of your data and business issues.

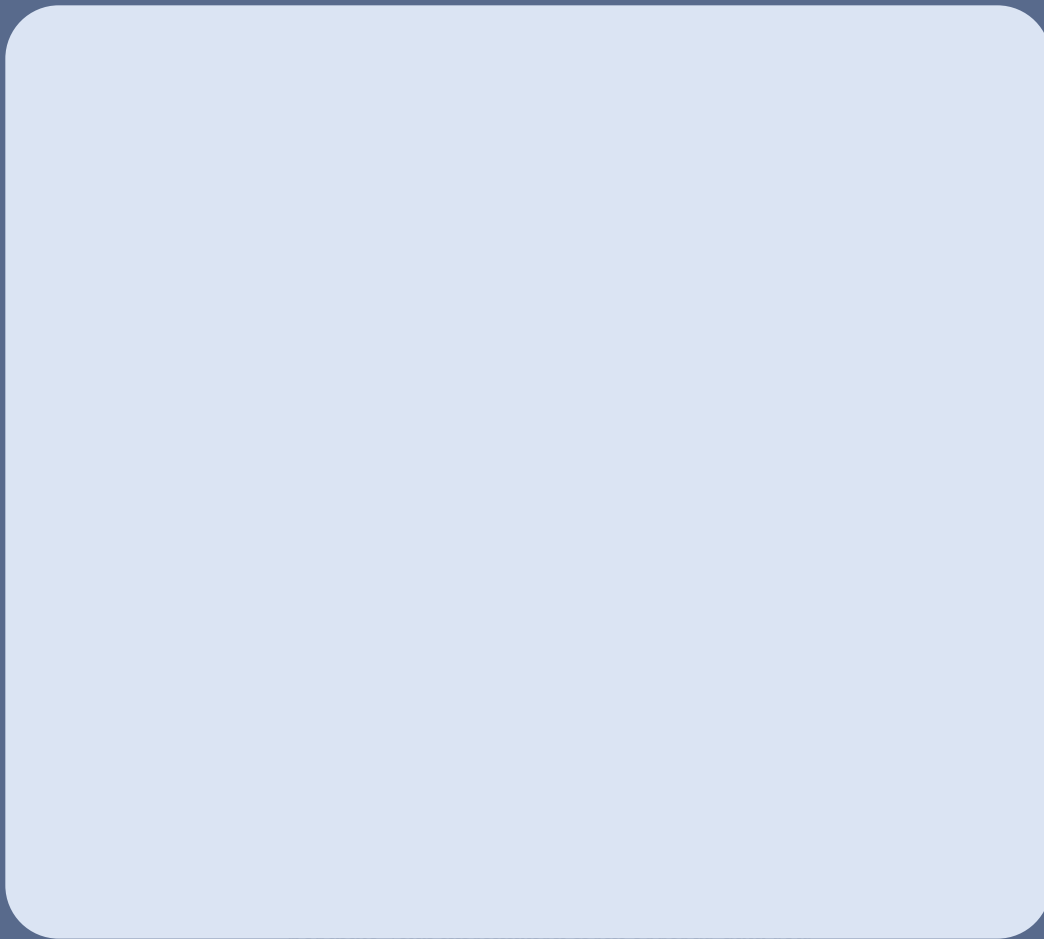




SUMMARY

Today's risk management climate requires the rapid delivery of accurate information. The role of risk management has evolved and become a strategic component of senior management. The stakes are higher today due to:

- Aggressively increasing direct and indirect insurance costs
- Increasing regulations and safety reporting requirements



- Identify key metrics that drive business effectiveness
- Get timely reporting to uncover opportunities and trends
- Interface in real-time with HR, financial and exposure data
- Protect and secure confidential information

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When it all comes together the results can be dramatic. With dozens of locations around the world, the insurance division of a multinational manufacturing company had to handle thousands of worker's compensation claims every year. The company utilized a rudimentary claims reporting system in an attempt to streamline the process. However, the system's 800 number and online interface only allowed the manufacturer to report claims to its TPA, but it did not handle OSHA forms or report to the manufacturer's corporate offices. Paper forms still needed to be filled out, which meant each claim took two to three hours to process. After automating the process by implementing a Web-based RMIS application, it now takes a mere 15 minutes to process claims.





OCI SOLUTIONS OFFER CLIENTS MANY RMIS BENEFITS

Based on two decades of experience with Fortune 500 companies, OCI has created business intelligence and analytic tools that offer practical, day-to-day solutions, as well as the ability to identify risk factors and limit exposure. Thousands of companies have benefited from OCI's experience in the following ways:

Better Business Decisions – OCI solutions for risk and benefits managers provide faster, more accurate information through real-time data access and display via role-based



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managers, OCI customers have realized significant savings from improved processes. OCI provides business intelligence and analytic capabilities all in one system.



ABOUT OCI

OCI helps the nation's largest employers address one of their most expensive and complex business problems: the spiraling cost of health care. Through its integrated health and productivity model, OCI provides a holistic view of total benefits costs that enables employers to:

- More effectively deliver the health-related programs their employees need



benefits

OCI

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