

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
- Schedule information to be updated when they need it most
- Separate vital information from copious data sets
- Identify key metrics that drive business effectiveness
- Generate timely reporting to uncover opportunities and trends
- Interface in real-time with HR, financial and exposure data
- Secure and protect confidential information

Technology, like the role of risk managers, has evolved and now offers very powerful tools to help companies of any size make their workplaces safer, reduce risk and the associated claims costs and often reduce insurance premiums. By itself, though, technology is only an enabler. Truly Valuable technology solutions must be built on a deep understanding of the problems risk managers face and the ways that technology can be used to help solve those problems.

A Risk Management Information System (RMIS): The Risk Manager's Power Tool

Insurance and risk management issues are so critical to business success that they have become a boardroom issue.

When the *Baltimore Sun* reported GM's planned layoffs of 25,000 jobs, John Challenger, chief executive of Challenger, Gray & Christmas Inc., a global outplacement firm, was quoted as saying:

"This may not be the last major job cut announcement we see this year as other companies, including the other American automakers, 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. Upfront analysis can proactively identify those concentrations of risk, and then form the basis of risk management technologies that specifically attack those identified problem areas. The result is more thoughtful, more targeted, and ultimately more successful risk management.

Risk managers have thousands of exposures that have to be monitored on a regular basis. Resources are often a challenge and expectations continue to rise. A well-designed and implemented RMIS provides risk managers faster, and more accurate information when they need it. The information is organized into a hierarchy that is specific to their individual needs with the ability to drill down into the data when necessary.

To help do more with less, RMIS applications maximize the effectiveness and efficiency of risk managers. This is achieved through reduced operational costs and cycle times. Automated processing, workflow control and workload balancing help risk managers realize their goals of maximized employee productivity and capitalize on market trends.

RMIS solutions can also help companies meet today's compliance demands. Risk managers can reduce compliance costs, analyze risk factors and minimize the impact on operations associated with unique compliance responsibilities. An RMIS solution allows risk managers to take into consideration customer information privacy, sales practices and licensing requirements.

Web-Based RMIS Solutions are a Particularly Powerful Tool

The Internet has become ubiquitous to business, and the on-demand, Web-based application has gained popularity because it offers many strategic benefits:

Low, Predictable Costs – On-demand risk management applications are built specifically with the end users' needs in mind. They are well defined, battle-tested and offer best-of-breed 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.

Rapid Deployment – Because no costly infrastructure investment is necessary, an on-demand RMIS can be up and running in as little as 30 days. The business sees the time-to-value proposition within the first year. Getting up and running quickly means the company is seeing the benefits of risk reduction, improved employee safety and cost reduction that much sooner.

Flexibility and Scalability – On-demand is inherently flexible and allows companies to ask for and get what they need, when they need it. It grows with business and scales quickly to accommodate a rapid-growth environment. For example, additional sites can be added to the application and activated by simply registering users with the solution provider.

Ease of Deployment – The responsibility of deploying an on-demand application lies with the provider. Managers are therefore able to focus on running their business more effectively and efficiently – without worrying about the details of a technical implementation.

Lower Total Cost of Ownership – In a traditional software model, as much as 90 percent of the costs of ownership are outside the cost of the software licenses. An on-demand model is just the opposite. Roughly 70 percent of the total cost of ownership is comprised of the modest subscription fees. The remaining 30 percent is comprised of internal implementation, customization and training costs. These costs are predictable and easy to control.

Anytime, Anywhere Access – The Web-based model offers risk managers and other corporate officers access to real-time data when and where they want it. There are no systems restrictions regarding when reports can be run, and data can be safely accessed off-site.

Standards-Based Integration – The on-demand RMIS application that is based on industry standards will work in a multi-platform environment. It requires no software or hardware changes or purchases; and it can accommodate many systems. This makes the application that much more effective in today's highly diverse workforce.

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 limit exposure. Automating recurring reporting requirements is just one example.

In one case, a company was spending about 10 hours on each OSHA log they had to complete. A report wizard was developed on their RMIS application allowing the user to pull the necessary information from the database and populate the OSHA log in an automated fashion. This process took the user a matter of minutes to complete. At an average hourly rate of \$21.75, each OSHA log cost the company about \$217 to create manually. The company completes hundreds of OSHA logs each year. The new process is saving nearly \$21,750, on average, for every 100 OSHA logs completed.

The time saved on creating reports or filling out logs can now be spent on analysis, reducing risk exposure and improving employee safety—the real job of a risk manager.

Is Your Risk Management System Working for You or Against You?

Manually entering and managing data on spreadsheets should be a thing of the past. A good RMIS solution will automatically gather data from many different and often unrelated sources, bringing it together and presenting it in a meaningful way. This will help you move from being a data gatherer to an analyst and risk manager.

Effective risk managers want a system that anticipates their information needs. While RMIS systems cannot read minds, a good one will allow managers to schedule information to be updated when they need it most. Standard reports can be built into the system that will automatically run when relevant data has been updated. These same reports can be run at the push of a button anytime the most current information is required. Timely reporting capabilities help uncover opportunities and trends quickly so management can proactively 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.

SELECTING A VENDOR OR SOLUTION

It is important to give the selection process for choosing an RMIS system and vendor the same weight given to other key strategic systems. The RMIS vendor landscape is shifting and changing rapidly with multiple product offers and options ranging from pre-packaged systems to custom-built applications. For many customers, claims and risk management are hampered by disconnected data and systems. It is difficult to leverage information across the organization when legacy systems can't keep pace with new products and industry developments. And, many vendors lack a deep analytical understanding of the problems risk managers face. As a result, risk management systems can't optimize processes, effectively identify and prevent fraud, or deliver the high levels of customer service the market demands. The question becomes: How do you select your next vendor or application? Here are some questions to ask and important criteria against which to judge each vendor or application.

- Longevity and stability are important factors when considering any technology purchase. It is a good idea to find out how long the company has been in business, and how many clients they are currently serving. If the company is a start-up, then it is important to ask questions about the principles' previous experience. This will help weed out companies lacking the depth and breadth of experience needed for a successful project.
- Financial strength is a key metric. Make sure the engaged company will be around to see the project through and be able to offer the needed support going forward.
- Is the vendor independent? Many risk management systems are aligned with a particular carrier 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.
- What support and training does the vendor offer with their solution? Enterprise applications, even Web-based ones, typically require some level of ongoing support and training. However, this can vary widely, ranging from 24/7 on-call support and formal on-site training to online FAQ's and electronic training manuals. It is as important to be clear on what is **not** included as what **is** included.
- How are problems to be resolved? In a perfect world there would be no problems or issues in the implementation process. Unfortunately we don't live in a perfect world. Does the vendor have a formal process for resolving issues? How well does this fit with your organization's structure and processes?
- What are the system requirements? This may be an obvious question, but it is still important to ask. Additional technology investments may be required to ensure the system functions properly. Asking this question early allows you to make sure the budget reflects that additional investment.
- What are the hosting options? Today's business is web-driven. It is important to seek out a vendor who offers a Web-based hosted option for its solutions. • Can the system handle your business growth? Knowing whether and how the system scales is critical. Planning upfront for future growth and expansion will save time and money when the time comes to add users to the system.
- How secure is the application? Keeping sensitive employee data secure has never been more important. This issue cannot be stressed enough. What layers of access or privileges does the application offer? Are security measures in place at every step of the process?
- What is the total cost of ownership for the solution? What additional fees apply such as maintenance, upgrades, licensing, cost of connectivity, infrastructure, middleware, etc.?
- 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
- Complex and highly diverse work force
- Margin pressures that require diligent risk exposure reduction to help the bottom line

It is important to take advantage of today's technology solutions to transform manual, error-prone methods into efficient processes for delivering accurate information to the people who need it quickly. On-demand RMIS solutions offer many strategic benefits toward meeting those goals. Some of those benefits include:

- Rapid deployment
- Flexibility and scalability
- Ease of deployment
- Low total cost of ownership

Select your RMIS vendor after a deliberate and thorough process to make sure they offer depth and breadth of experience, cost-effectiveness, independence, flexibility, customization, and are highly secure.

The most effective business intelligence and analytic tools offer practical, day-to-day solutions, as well as the ability to identify risk factors and limit exposure. They have what it takes to:

- Integrate separate data sources via an automated tool set that relieves them from manual record keeping on spreadsheets
- Schedule information to be updated when you need it most
- Separate vital information from copious data sets
- 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



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 20 minutes to process a worker's compensation claim, a significant reduction in claims processing time.



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 dashboards and useful management reports. You get the package you can afford and the coverage you need.

Maximized Effectiveness and Efficiency – Through reduced operational costs and improved cash flow, OCI solutions for risk and benefits managers can help you realize your goals, maximize employee productivity, and capitalize on market trends—thanks to automated processing, workflow control, and workload balancing.

Real-Time Organizational Control – OCI's solutions for risk and benefits managers enables each person in the process to simultaneously access and utilize the same real-time data. This proven workflow process gives management data-decision-making solutions—geared to the way you run your business.

Successful Compliance Management – With OCI solutions for risk and benefits managers, you can reduce compliance cost, analyze risk factors, and minimize the impact on operations associated with unique compliance responsibilities.

Optimized Investments – OCI solutions for risk and benefits managers enable you to leverage existing IT investments through flexible system architecture—supported by a powerful, long-term approach toward strategic business systems—while creating value from short-term technology investments as well.

Improved Customer Relations – OCI solutions for risk and benefits managers bring together the capabilities that enable you to achieve high customer satisfaction and retention – from easy access to data, greater service options, and dynamic online capabilities, to relevant products, enhanced channel management, and convenient payment options.

Cost Control – Based on key insights delivered through OCI's solutions for risk and benefits 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
- Identify opportunities for targeted management and improvement of benefits programs
- Improve the overall health and productivity of their employees

OCI

5613 DTC Parkway, Suite 900
Greenwood Village, CO 80111
Tel: 303-967-9611
Fax: 303-967-1262

www.oci.com

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