The ROI of a Claims & Risk System: A Business Case

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Introduction

If you have a moderate to high frequency of incidents and/or claims you need a Claims and Risk System (CRS); but, at what cost, and what's your Return on Investment and payback period?

Claims and Risk Systems are growing in popularity in the North American and Worldwide markets for several reasons. Large multinational organizations have relied on large-scale and expensive claims tracking solutions to track incident and claim history, highlight trends, take corrective action when risk areas are identified and ultimately reduce insurance premiums and other costs of risk.

These enterprise solutions are not cost-effective or right-sized for medium-sized organizations. In the absence of an affordable and appropriately robust claims tracking tool, many organizations have opted to track claims manually or by using an Excel spreadsheet. While claims tracking in any form provides some benefits over neglecting the task, manual / spreadsheet claims tracking has many drawbacks when compared with utilization of claims management software.

This whitepaper will help you:

- Understand the business case for a CRS
- Understand what a CRS is and what it can do for your organization
- Compare various alternatives
- Quantify the output and value of a CRS
- Illustrate the value of tracking incidents and workers compensation claims
- Answer some questions that no one else has been able to address

What is a Claims and Risk System (CRS)

There are many variations out there that we will address in more detail later. Essentially a CRS fulfills two key functions: Data Collection & Organization; and Data Retrieval & Analysis.

1. Data Collection & Organization

A good CRS will make the collection and organization of data quick and easy. Common functionality includes calendar, tasks, notes, attachments, email integration, robust searchability, lookup fields, drop-boxes, field customization, asset schedules, address book, etc. Most are accessible from anywhere, allow multiple users with varying user roles, with exceptional security and data integrity.

Basically, all information related to an incident or claim can be stored in the system, well organized, retrieved easily, and shared among authorized users. A good system will allow for paperless claims and incidents if that is desired. Modern platforms are fast, secure, reliable, easy to use, and with a user interface that's similar to other modern business applications.

The advantages of this enhanced organizational capacity include:

- Decreased processing time
- Increased productivity
- Better claims handling
- Quicker turn around to resolution
- Better responsiveness to claimants
- Increased employee morale
- Reduced time looking for files

2. Data Retrieval & Analysis

In addition to being able to collect and organize claim and incident data efectively, a CRS will allow for the effective use of that data as a management tool. Common functionality includes robust reporting that is easy and customizable, dashboards that provide an ongoing overview of developments, and trend analysis to monitor causation trends and costs.

Modern CRS's have reporting functions that are compiled in-platform without third party reporting software and allow for easy creation of custom views and graphics. In short, users can generate reports in seconds and reuse common reports.

The advantages of advanced data retrieval and analysis are:

- Reduced data retrieval time
- Access to all of the information on claims and incidents in meaningful formats
- Early identification of problem areas and trends
- Facilitates for regular reporting on key metrics to management

Financial Reporting and Claims & Risk Systems

In the wake of the global financial crisis, the landscape around financial reporting and accountability has changed. Widespread adoption of International Financial Reporting Standards (IFRS), which has actually been in existence for more than a decade, has standardized financial statement presentation and disclosure requirements across much of the world.

Perhaps as interesting is the abrupt change in the approach of Senior Management and company Directors to financial information. It is no longer acceptable to present retro-analytical financial statements. Today's more financially savvy breed of Managers and Directors is demanding pro-forma information that reaches beyond direct financial results and into the risk management realm.

Risk Managers and Chief Financial Officers, in increasing numbers, are being required to present comprehensive reports on organizational risk and the poten tial impact on future profitability. A CRS can produce a multitude of reports to meet the reporting objectives of Risk Managers and CFOs including but not limited to:

- Loss ratios
- Organizational outstanding liabilities
- Claims/incident reporting by status, cause, department, location, employee, asset, etc.
- CFO Dashboards for instant visibility / reporting ability at the Ffnance level
- Premium comparisons (year-over-year, across departments, etc.)
- Adverse loss developments
- Near miss reporting
- Risk maps
- Early forecasting into trend development

ROI of Claims Management Systems

A properly implemented and utilized claims management system will pay for itself in a short period of time, often during the initial contract period.

Risk Managers and CFOs who utilize a CRS often have more accurate and timely information than insurers, especially with respect to unresolved claims. An accurate claims record can positively impact reserve requirement / loss ratio. This leads to premiums that are more reflective of your actual experience than a conservative estimate by an insurer. Knowledge of, and support for your claims history is powerful information when it comes to negotiating fair and competitive insurance premiums for your business.

A CRS gives many organizations the knowledge and confidence to increase deductibles and retention limits. Once you have an accurate and complete claims history of all losses, insured and uninsured and the ability to summarize and report on them, you will be able to determine your optimal deductible. Deductibles that are too low mean that small and predictable claims are being reported and paid by insurers. This results in higher loss ratios and higher premiums.

For a quick and free deductible calculator visit here and plug in your summary claims data, deductibles and premium to determine the optimal deductible and cost of risk.

Using a CRS provides the ability to assess and forecast trends and to report on them. Risk Managers are able to sort claim activity by policy, specific asset, department, employee or by geographic location. By identifying specific problem areas within your organization, managers and employees at all levels can be proactive about reducing risk and claims experience, thereby reducing insurance premiums, deductible payments and retained losses. If you knew that one division or location within your organization was driving a disproportionate percentage of your insurance cost, it would be much easier to take specific corrective action for the sake of safely and for the associated financial benefits to the entire organization.

The following are the financial returns reported from the use of a CRS:

- Reduced Insurance Premiums
- Ability to Increase Deductibles/Retentions
- Reduced Workers Compensation Assessments
- Reduced Claim Frequency
- Reduced Claim Severity
- Reduced Deductibles Paid
- Reduced Uninsured Claim Payments
- Reduced Overhead
- Reduced Incident and Claim Processing Time
- Reduced IT Costs
- Elimination of Manual Errors

Aon eSolutions recently released the results of a survey on the top 10 benefits of risk management technology:

1. Accuracy and reliability of data
2. Automation of processes.
3. Data consolidation and management.
4. Management reporting improvements.
5. Risk management process improvement.
6. Ease of access to data from one location.
7. Communications improvement.
8. Increased awareness.
9. Total cost of risk reduction/management.
10. Auditability.

The full survey and paper can be seen here.

Stand alone systems vs Excel, broker systems, adjuster/TPA systems

Broker Systems

The larger multinational brokers have in-house, proprietary systems. They sell them to large clients and at times to non-clients, to build relationships with the intention of selling insurance products. Pricing reductions are often given to broking clients as an incentive to stay with the brokerage. In some cases the cost may be built-in to premiums or brokerage fees. Cost varies, but they have traditionally been priced for larger enterprises. These systems usually track only insured claims or claims assigned to the adjuster, and not claims under retentions, incidents, or workers comp claims. There are different variations, so it is difficult to generalize about them.

Adjusters/TPA System

Some large adjusting companies and Third Party Administrators (TPA) have in-house, proprietary systems. They sell them to large clients and at times to non-clients, with the intention of selling claims services. The cost is often built-in to claims adjusting fees or as a transaction fee per claim.

There are different variations, so it is difficult to generalize about them. There is generally little ability to customize. These systems usually track only insured claims or claims assigned to the adjuster, and not incidents or claims which fall within retention limits or workers comp claims.

Excel or Access Database

Using manual processes or a makeshift solution like Excel or Access to organize claims and risk data is the most time consuming and lowest ROI method. Excel does not have the robust functionality of a CRS with no calendar, tasks, attachments, email integration, dashboards and no ability to identify trends, or prepare comprehensive reports. The time required to maintain a spreadsheet is onerous, data is hard to find and there is a lot of duplication of data. It is also very difficult for multiple people to share or access other employees' data.

Stand-Alone CRS

Independent Claims & Risk Systems give you the freedom to select adjusters and brokers based on their adjusting and broking services without these decisions being tied to CRS software. It also strengthens your ability to select the CRS based on its own merits. A stand-alone CRS also provides independence and protects the privacy of your data, from these providers for incidents and claims that aren't insured. This allows you to have your own set of complete and accurate data which you can then decide to share, with whom and when. It also gives the ability to independently audit the adjuster/broker/insurer data against your own data to ensure accuracy. In a stand-alone CRS the data is owned by you, the customer and is highly portable into other systems should you change broker, insurer or claims adjusting vendors.

Why Record Incidents and Small Losses?

An incident doesn't have financial consequences and a claim does, but recording them is essential to determining where future claims will come from. Ten people could slip on your front entrance and only one suffers an injury, but if you only record the one with the injury claim, it is not apparent that there is a problem. Most organizations have many more incidents than claims. Similarly, small losses and those below deductibles or not insured need to be recorded and tracked. The full picture on frequency, severity, cost and future trends cannot be fully understood without this data. To truly understand your organization's problem areas, where future losses will come from, and where there is the greatest opportunity for savings, incidents and small or uninsured losses must be tracked.

Why Record Workers Compensation with Other Losses?

Workers Compensation in many organizations is handled, recorded and accounted for by different departments by different people, and in different databases. However, many Workers Compensation occurrences impact a number of different insurance policies. Motor vehicle accidents for example, often result in an employee injury, first and third party property damage, and third party injury. How can you truly understand the full loss costs if these are looked at separately? The ability to see total cost of risk, the ability to control costs, spot trends, mitigate frequency and severity are enhanced significantly by combining this data on one platform.

Cloud vs Local

Moving to cloud computing is becoming commonplace in the insurance industry. In fact, 4 out of the 5 world's largest brokers, including Aon and Wells Fargo

Insurance Services, use cloud applications to manage customer and carrier relationships around the globe. Adopting cloud technology is inevitable.

Most likely, your current broker and insurance company are hosting your data on a cloud-based platform already. These platforms use the same level of encryption as the banks, and the many data centers that house the data are built to US military security specifications. Your information is more secure in a cloud environment than it is in a standard office environment.

The cloud allows businesses to slash their IT budgets. Here are some financial benefits of cloud adoption:

- Roughly 85 percent of every IT dollar goes to maintaining legacy systems. The cloud eliminates this cost. Rather than spending this money supporting expensive mainframes and servers, it can be spent on innovation and customer experience.
- Adopting the cloud reduces storage costs. "At current storage consumption levels, companies will install close to 850 percent more storage capacity over the next five years than they have in place currently. " Storage growth of this magnitude is both unsustainable and costly. Cloud storage can eliminate this issue.
    - Outsourcing your IT system can be much more cost effective than hosting it in-house.
- Heating and cooling costs can quickly add up if you're storing your hardware on site. "You can reduce the costs of electricity bills by upgrading your old hardware to an energy-efficient alternative or by converting to the cloud."

According to a Google-sponsored study, 96 percent of CFOs believe that "cloud computing provides their business with quantifiable benefits." 94 percent said the cloud will be important to the success of their companies, and just over half of those agreed that cloud computing "offers better value" than traditional approaches to computing, including outsourcing.

Salesforce.com, one of the leading cloud platforms for the insurance industry, notes significant improvements across their customer base in a new survey. Among the many improvements, Salesforce.com users reported:

- An 86% improvement in data quality and data management
- A 64% reduction in sales, service, marketing, or other operational costs
- A 43% decrease in IT costs
- A 33% increase in employee productivity
- A 28% increase in customer retention

Questions to Ask When Considering the Implementation of a CRS

How do you know you need a CRS?

- Do you have numerous claims or incidents a year that need to be recorded, tracked and reported on?
- Does your management, CFO and/or Board require reporting on liabilities and exposures?
- Do you currently use a makeshift solution that has limited functionality and that costs too much time or money?

Are you ready for a CRS?

- Do you have buy-in by decision makers?
- Do you have budget?
- Have you identified the people that need to use the system?
- When would you ideally like to have a claims management system up and running?
- What is your process for purchasing systems like this? I.e. do you need to do a RFP or Tender?

- If an RFP/Tender is needed, can you purchase directly if the price is below a threshold?

The ClearRisk Solution

ClearRisk represents a perfect balance for the medium-sized business eager to move beyond the limitations of claims tracking via Excel spreadsheet but without the excessive cost of a bulky enterprise system where upfront charges, server installs and complicated training schedules make implementation difficult and payback nearly impossible for many organizations.

ClearRisk is a cloud-based solution that is capable of delivering all the cost and reporting benefits discussed in detail above, and is fully customizable depending on your specific requirements. In addition to saving you money on your insurance premiums and allowing you to report to Management and Directors on the risk position of your company, ClearRisk's clients have reported the following additional benefits:

- Time Savings – no more searching for paper files. All claim related information is stored in one place for immediate access
- Increase in Organizational Responsiveness and Employee Satisfaction –
- Risk Managers can spend less tine performing administrative and mundane tasks and focusing on reducing organizational risk and insurance premiums
- Reduced IT costs – cloud-based programs require no in-house server or the associated maintenance and upkeep of same.
- Elimination of costly manual errors
- CFO / CEO Dashboard – instant access to the information you need. Dashboards can be tailored to display the financial / non-financial data that is important to key stakeholders within the business.
- Built on the Force.com platform – a trusted name in cloud-based computing.
- Access from anywhere
- Tracking of Insurance Certificates

- Additional Cost Savings – ability to move to a paperless office, utility savings as there is no server requirement and the associated heating / cooling costs.

There is no other claims management solution on the market today that so effectively unlocks a medium-sized organization's potential for cost savings and reporting enhancements in the area of risk management. ClearRisk is a simple, affordable yet powerful tool for claims management and tracking.

For more information on how ClearRisk's claims management solution can work for you, please schedule a 20-minute demonstration with one of our representatives.

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