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New Technology's Impact on Risk Management Efforts

A risk management information system (RMIS) allows you to do more than just manage claims or keep a repository of your policies and properties. If used correctly, it can achieve real financial benefits. To accomplish this takes planning to ensure your RMIS has been implemented to match your industry and company needs, as well as your expertise to capture and make use of the results to manage your risks.

But just having a RMIS isn't the end of the story. It is the way the system is used that makes the difference. We have drawn upon our experience to highlight some questions that may help to improve the value you get from your RMIS.

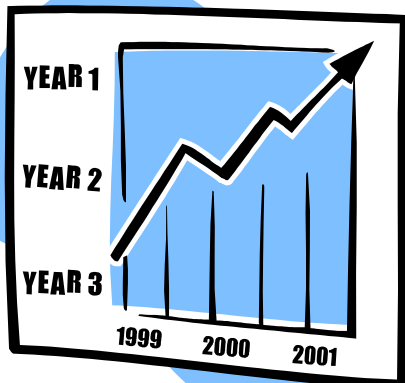
Can I use my RMIS to show my Board how I am performing?

Most RMIS systems now enable you to monitor your company's total cost of risk, incorporating your loss costs, premiums and associated costs, plus any associated risk management expenses. This can be rated both in absolute terms and as a percentage against your company's total revenue to allow for peer comparison. From a board-level perspective, this is an ideal key performance indicator (KPI) for the risk manager's performance.

How can I get the best property rates?

RMIS systems allow you to capture the complete risk profile of each subsidiary and their properties. This can cover their operational or underwriting values, such as total revenue and number of employees, and for each property, the COPE (construction, occupancy, protection, and exposure) details along with the property values. With this information you can provide your property underwriter the quality data they need to get the best property premium rates, showing the current risk profile of each subsidiary, zones of maximum loss, and how the profile has changed from previous years.

Can I use my RMIS to identify why my total cost of claims is rising?



With the full repository of your loss data, you are well armed to identify where action is needed and where to optimize the spending of your loss control budget. Most RMIS systems will provide extensive reporting capabilities to support you in this process by:

- Identifying the subsidiaries or locations causing most losses, either by using straight frequency and severity ranking reports or, more helpfully, using weighted reports to give true internal benchmarks (or burning costs) and identify the best and worst performers.

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For example, a retail chain should not only be interested in the number of incidents in each store, but how many per square foot or traffic per hour in order to accurately rate each location.

- Identifying the root cause of the losses and then taking proactive steps to mitigate these underlying causes. For example, a logistics firm can identify whether losses were caused by particular packaging or a specific leg of the journey.
- Identifying the trends over time, so that patterns can be established and future issue areas identified before they become problematic. Trend reports can spot unusual movements and patterns.

How can I improve the efficiency of my loss notification and renewal process?

A RMIS is ideal for efficiently collecting data and avoiding the re-keying of data. Studies have shown that up to 20% of employee time can be saved via optimal use of a RMIS:

- Incident/loss notification electronic forms, with a questionnaire style, can be developed so that non-insurance professionals can enter your incidents/losses where and when they occur. This avoids re-keying of data from paper forms and increases the speed and quality of notification.
- Similar approaches can be taken with the collection of renewal data, either by using questionnaire-style electronic forms or spreadsheets that are automatically created and then uploaded. This facilitates collection of renewal data in a structured and consistent fashion, as well as avoiding the lengthy consolidation of spreadsheets.



Can I have an efficient and transparent method of allocating costs to my operating units?

Costs can be allocated to specific operating units by using a series of weightings to reward and penalize, based on exposure and loss performance. This is an excellent way to promote and encourage the use of risk management throughout your company. All of the information required is present in a RMIS; the risk manager just needs to decide the allocation method and most RMIS can be developed to match these exact needs.

The RMIS can generate supporting details on how the operating unit's allocation has been reached, as well as preparing an invoice. More sophisticated solutions also interface with your accounting system to execute the internal money transfers, but this is usually only appropriate for companies with large numbers of operating units.

Can we integrate data from our safety and legal systems?

A RMIS is ideal for consolidating information from different systems on a regular basis so the risk manager can get a single consolidated view. However, this may not be the most efficient and cost effective solution. Most RMIS either have safety or legal modules, or can easily be extended to include these requirements. By specifically using the RMIS for safety and litigation management, your company can gain cost savings by maintaining a single system and reducing data conversion fees.

TAC welcomes feedback on this bulletin and suggestions of topics for future bulletins. Topics and content are the sole discretion of TAC.

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