

Leveraging Data...

Leveraging the power of data
to improve performance



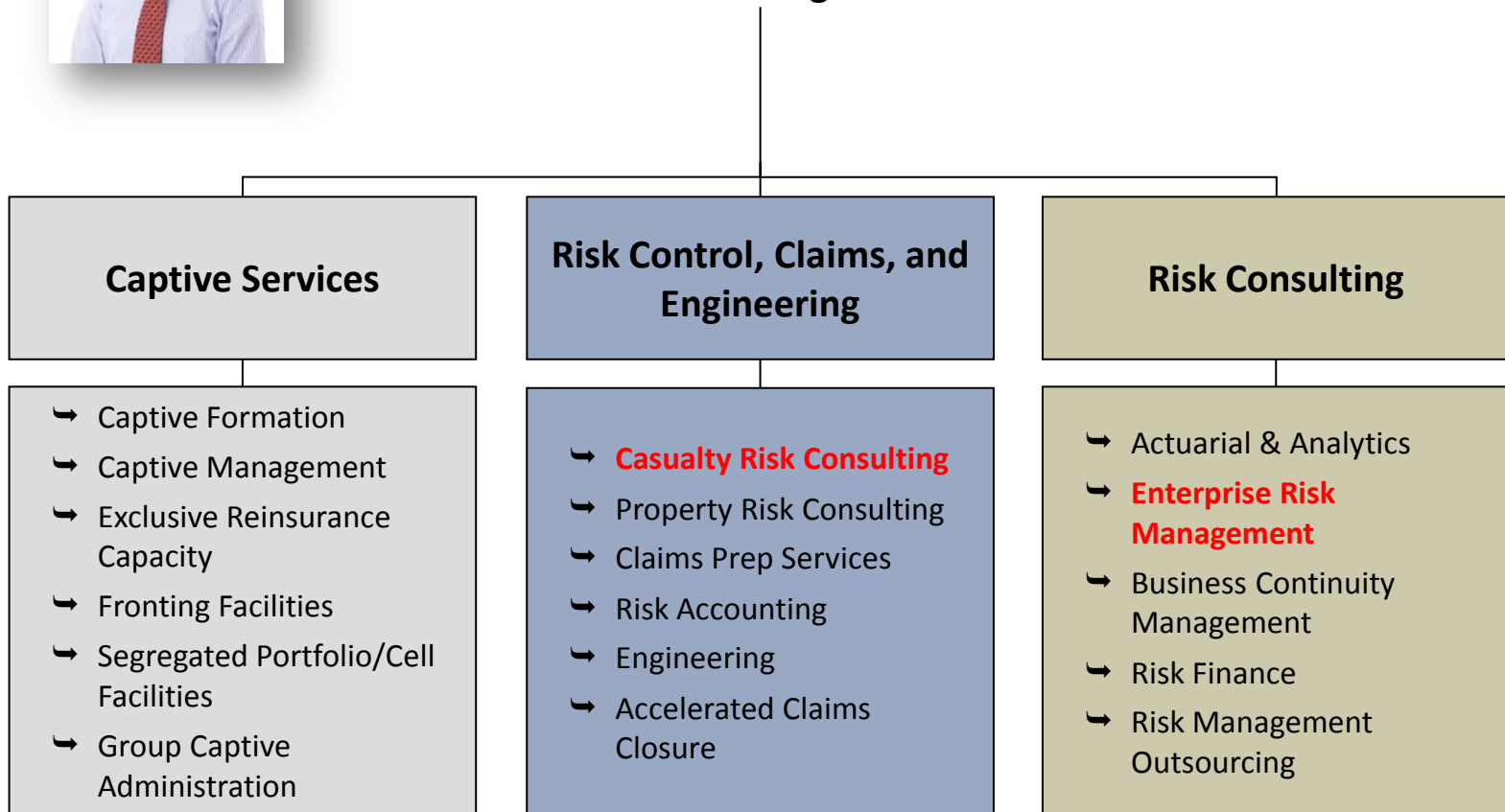
Introductions



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How Healthy do you feel?





THE
**PREVENTION
PLAN**

From U.S. Preventive Medicine™



Strategies to improve health



Strategies to improve your health



Personal Trainer's Advice



80/20

Strategies to improve health





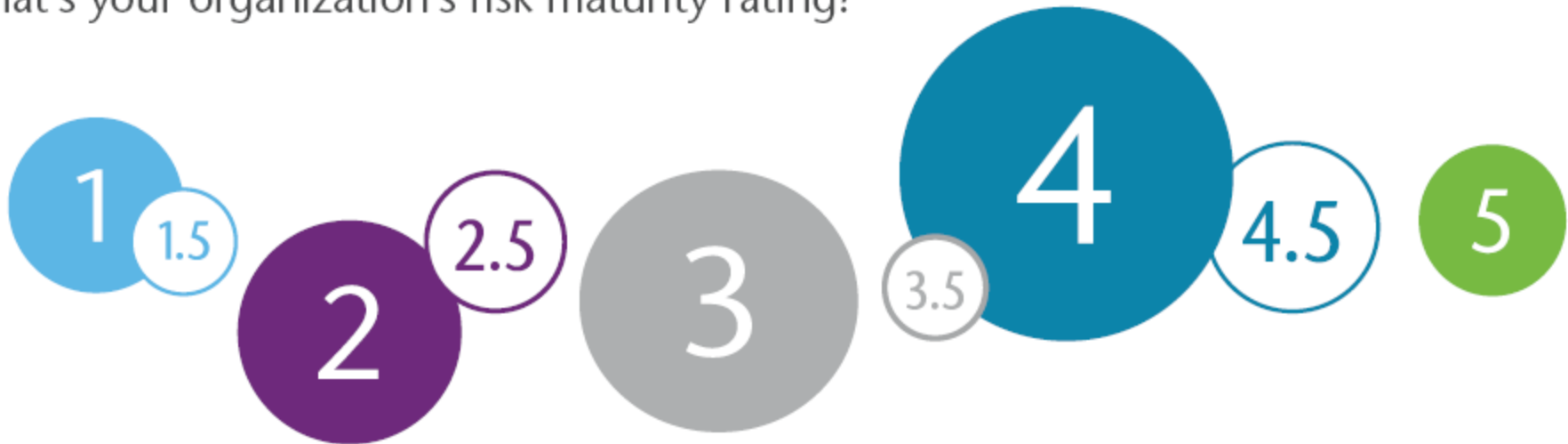
AON

Leveraging Data

- 1. Risk Maturity**
- 2. Implementing a Casualty Diagnostic**

Aon Risk Maturity Index

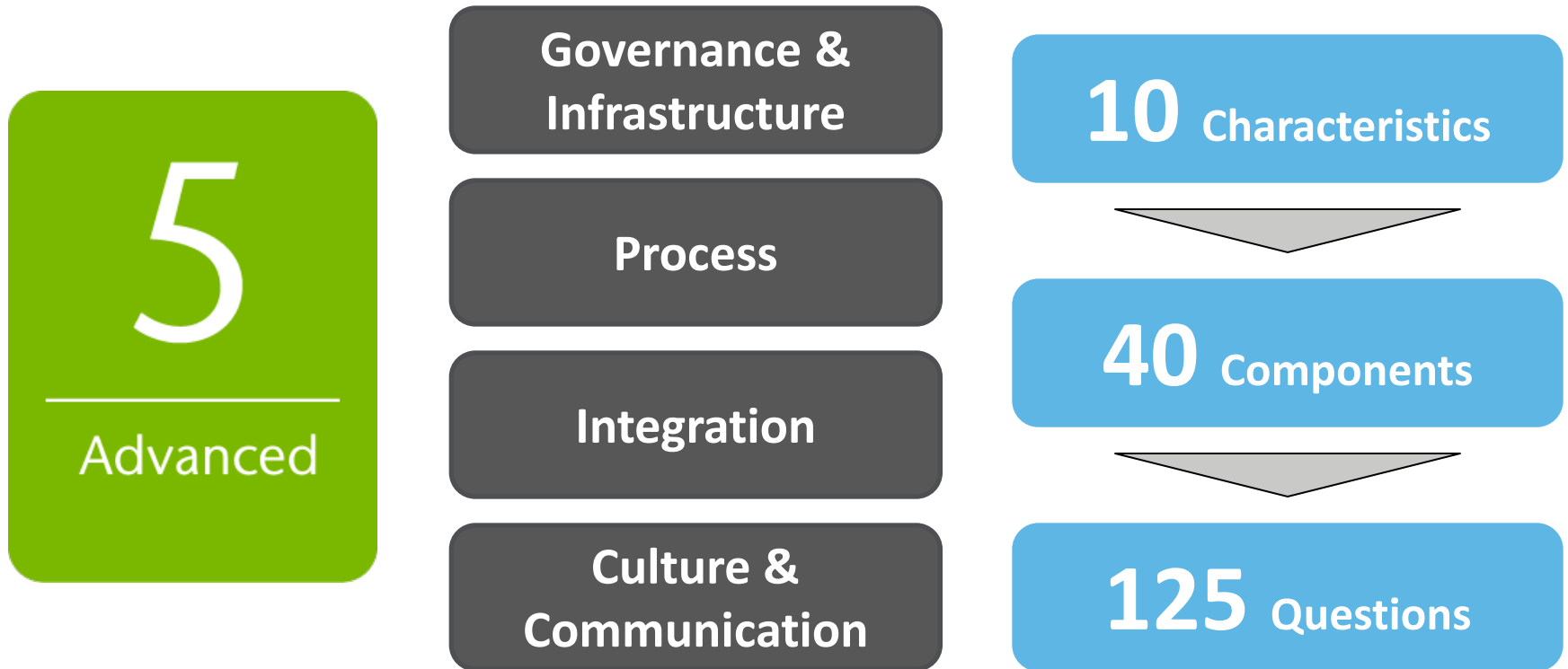
What's your organization's risk maturity rating?



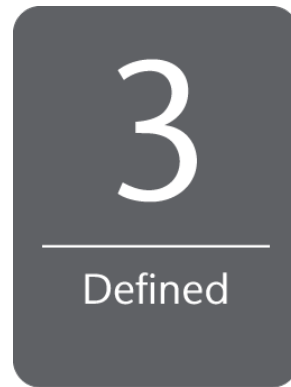
Developed with



Designing the Index



What's your organization's risk maturity rating?



Why does risk maturity matter?

Initial Conclusions: Risk Maturity & Performance

- **Risk maturity is associated with performance!**
 - Primarily: Cap-Ex Growth & Return on Assets
- **Performance effects vary**
 - Primarily dependent upon competitive setting or industry specific risks
- **Some characteristics offer more “bang for the buck”**
 - Characteristic and the benefits vary by industry and competitive setting

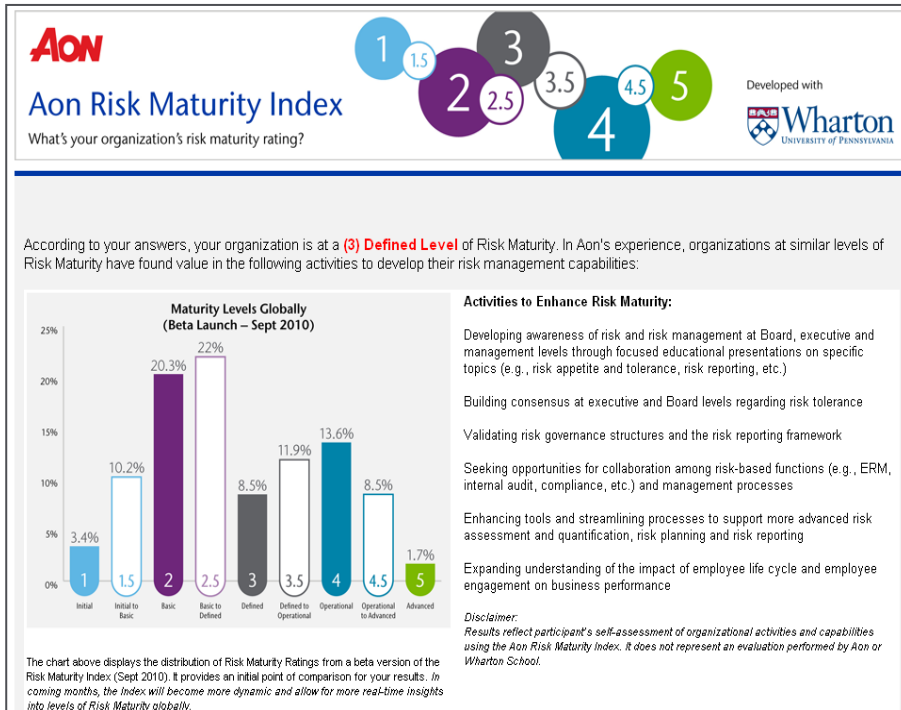
Results Based Upon

A world map with several regions highlighted in red and others in blue. The red regions include North America (USA and Canada), parts of Europe (UK, France, Germany, Italy, Spain), India, Southeast Asia (Thailand, Vietnam, Philippines, Indonesia), and Australia. The blue regions include South America (Brazil, Argentina, Chile), Africa (South Africa), and parts of Europe (Scandinavia, Central Europe).

300+ Organizations
25+ Industries

Participate At Any Time: Index Open Globally

Risk Maturity Rating Report



Explanation of Risk Maturity Rating Level

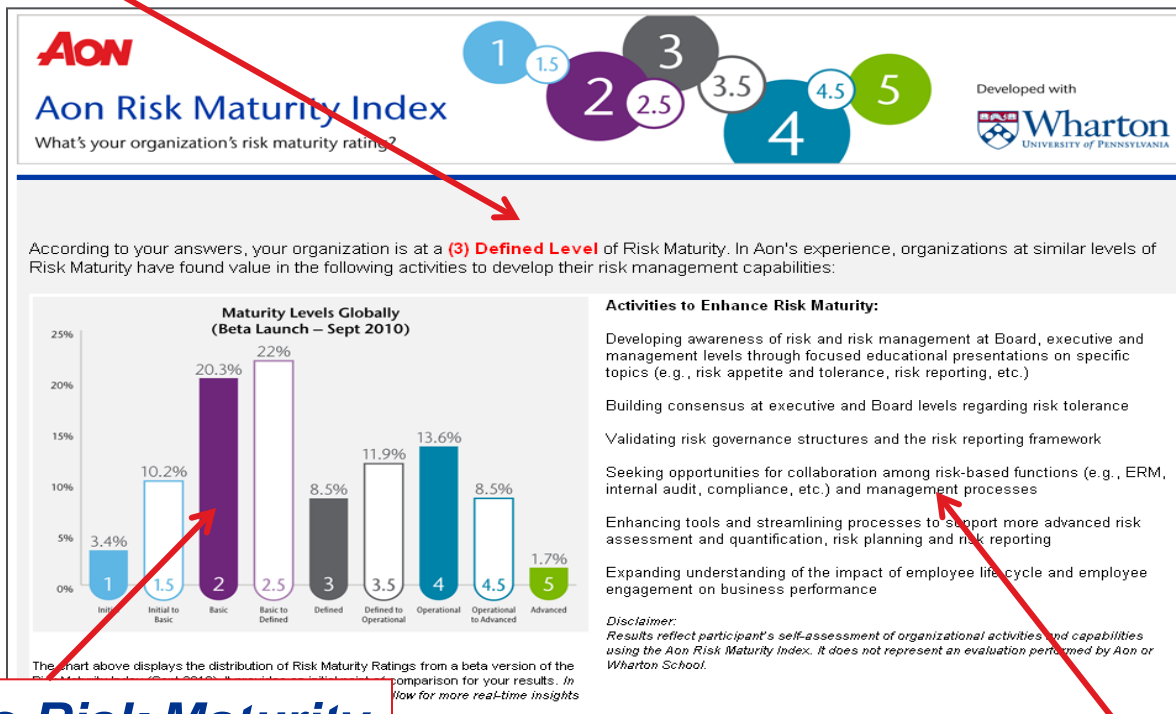
Comments on Improving Risk Maturity Rating

Additional Information: Index & Wharton

Ratings on 40 Components of Risk Maturity

What Clients Receive for Participating: Immediate Feedback

Risk Maturity Rating



Insight Into Risk Maturity Ratings Globally

Comments for Improving Rating

What data is in your diagnostic?

SAMPLE INDUSTRY

Traditional Approach – The very tired “Pie Chart”

Casualty Total Cost of Risk



The Traditional approach to Total Cost of Risk has been on how to “measure” the total costs instead of “managing” the cost drivers...

- Premiums
- Losses
- Administrative

% of WC Claims with TTD

26%

19%

12%

Medical Only to Indemnity “Conversion Rate”

12%

18%

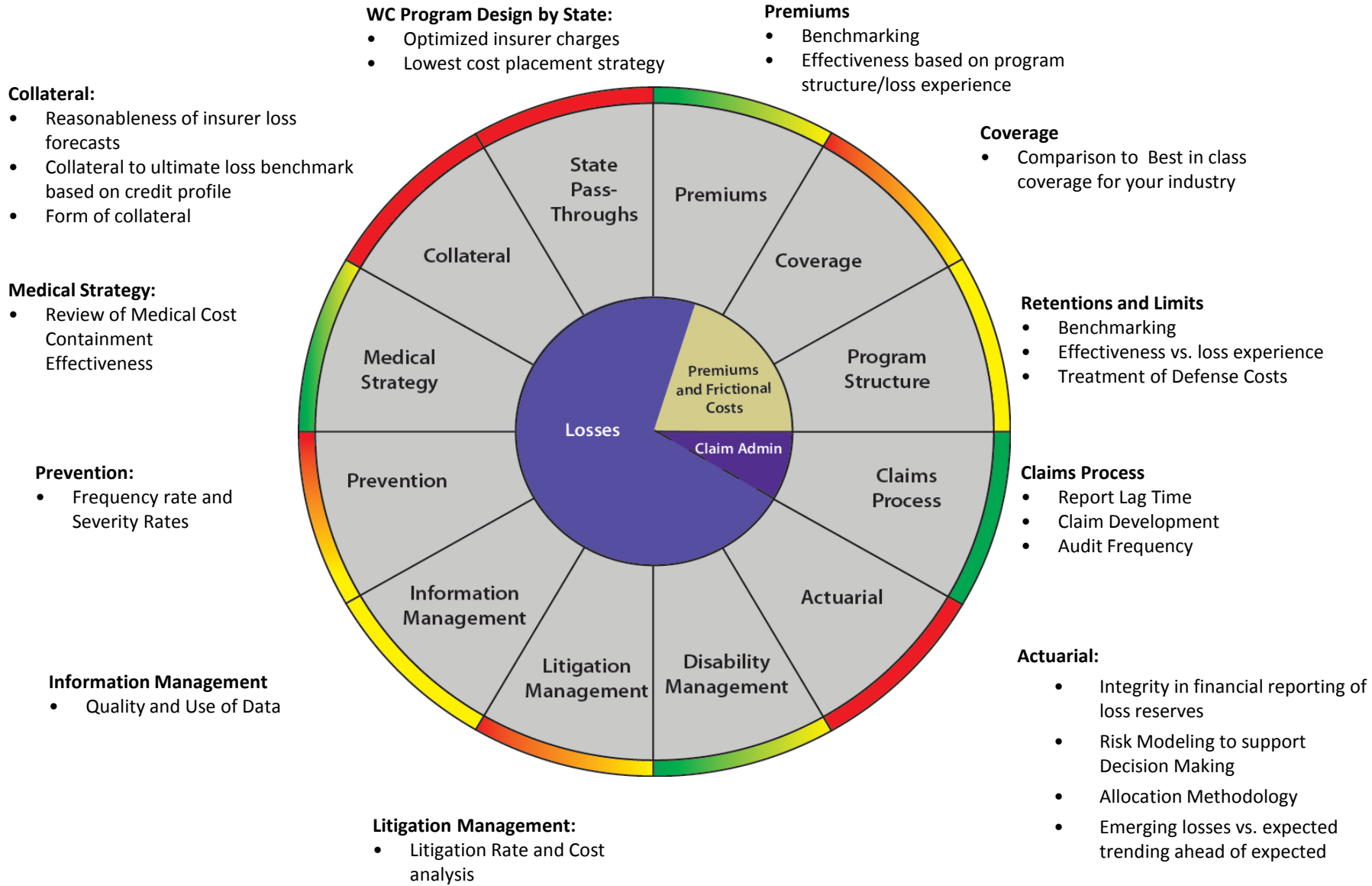
23%

Average value of an indemnity claim

\$12,261

\$21,412

\$28,943



Challenges of Benchmarking

➤ Right data

- Valuation date
- Jurisdiction
- Actuarially developed

➤ Right time

- Age of benchmarking sources and data

➤ Right Comparison

- Are the companies you benchmark against *really* comparable to your organization?



Must see Internal & External Benchmarks

Re-thinking Benchmarking



- Identify Cost Drivers
 - Identification of **Cost-Driving Elements**
 - Benchmarking (Internal and External)

- Establishing Baselines
 - **KPIs for Processes** using your own data
 - Validate against **external** benchmarks

- Create a Process of Monitoring
 - Casualty **Dashboarding**
 - Review at regular intervals, **ALL metrics**

Common Sense Benchmarks

The Pieces of the TCOR Puzzle that Drive Your Costs



- Incident Rates & Frequency Trend
- Report Lag Time
- Claims closure rates
- Medical-to-indemnity conversion rates
- Litigation rates
- Pharmacy Cost Management
- PPO Penetration Rates
- Percent of medical to total cost
- Percent of expense to total cost
- Closure Rates


Where to find your benchmarking?




Sample Executive Summary Dashboard

Metric	Program Application	Assessment	Explanation
Report Lag time (date of knowledge to date reported—Average)	Policy year 2009 0-3 Days = 42.1% 0-7 Days = 61.8%		Average lag is greater than benchmark. Claims tend to cost on average 15% more when they exceed the benchmark.
Average Medical Cost	The past 3 policy years show on average the medical to be 53% of claim cost.		Within acceptable range.
Closure Ratio	Policy year 2009 shows 74.7% of the claims closed within 12 months		Within acceptable range.
Indemnity Closure Ratio	Policy Year 2009 shows 31% of the indemnity claims closed within 12 months		Within acceptable range.
WC Conversion Rates (MO to Indemnity)	57% of the indemnity claims in policy year 2009		Conversion rate is significantly higher than the industry best practice. An indemnity claim that is reported and managed as a medical only claim may not receive appropriate TPA resources.
Disability Duration Average TTD duration	Policy year 2009 at 12 months averages 57days		The disability duration is significantly higher than the target benchmark. However, results could be skewed due to the small indemnity claim count.
Expense Ratio	The past 3 policy years average about 12% of claims costs		Expenses are a higher percentage of total claims costs than desired. We suggest further investigation into the potential cost drivers.
Managed Care Pricing	Contract shows bill review fees at \$17 per bill		Industry benchmark for bill review pricing is significantly lower per bill. Further discussion is suggested regarding the overall managed care pricing.
Litigation Management	Policy year 2009 shows 6.6% of the claims are in litigation		Within acceptable range.
Collateral	Current and legacy insurer collateral at 110% of Client's actuarial outstanding loss estimate		Insurer collateral at S&P BB+ rating should be 70% of ultimate outstanding loss or better.
Premium and State Pass-Throughs	WC premium rate .14 per \$100 payroll. State pass-through expenses .09 per \$100 payroll		Industry benchmark for state pass through expenses significantly lower. Florida is especially high relative to insured program options.
Coverage	Batch coverage/ definition of occurrence, and treatment of ALAE key issues for client industry		Current coverage forms are reasonable and competitive, but noted 12 issues for potential coverage enhancements.
Program Structure	\$1M retentions by line. Statutory limits for WC and \$3M primary limits for liability		Program structure is reasonable and competitive based on loss experience and risk transfer premium.

 Indicates better than industry benchmark and/or positive trend

 Indicates slightly worse than industry benchmark and/or marginal deterioration or flat trend

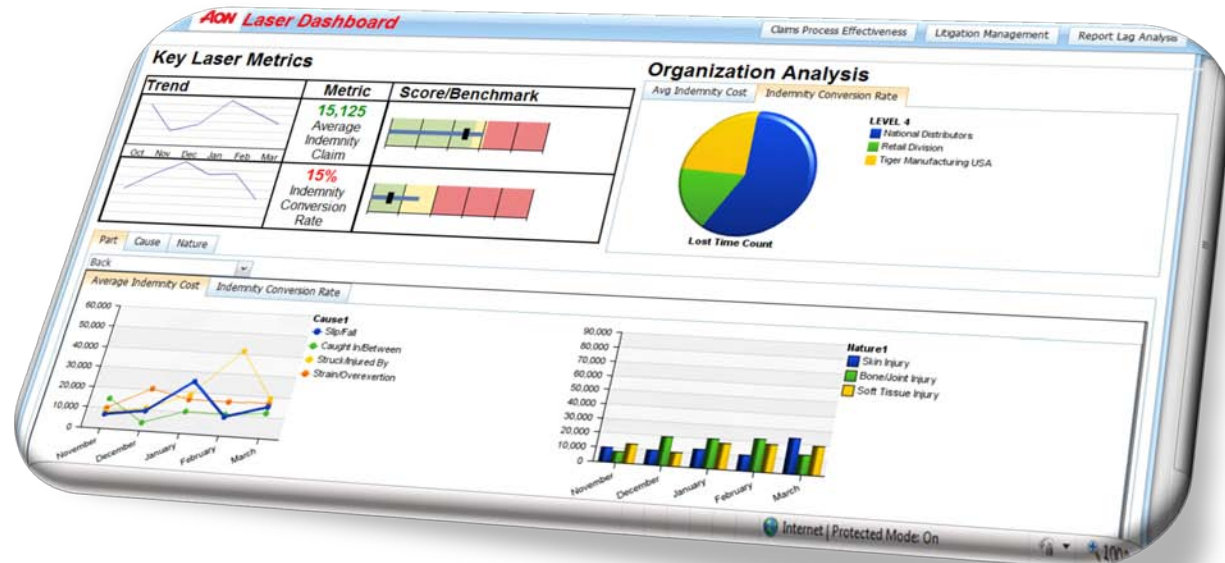
 Indicates considerably worse than industry benchmark and/or significant deterioration trend

An Initial Analysis will:

- Establish your own KPIs
- Identify areas of focus
- Create foundation

The Next Step – Casualty Dashboarding

- Identify KPIs for measuring ongoing program performance
- Measure on a quarterly basis
- Advanced RMIS Systems can create dashboards with drilldown capabilities



Dashboards can Depict Information by Organizational Layer

AON Laser Dashboard

Claims Process Effectiveness

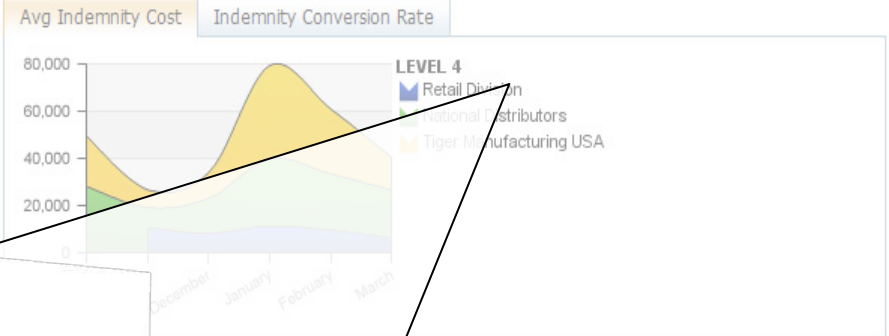
Litigation Management

Report Lag Analysis

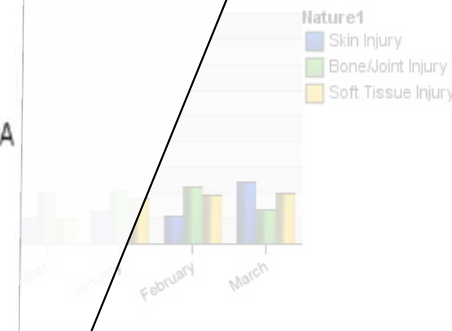
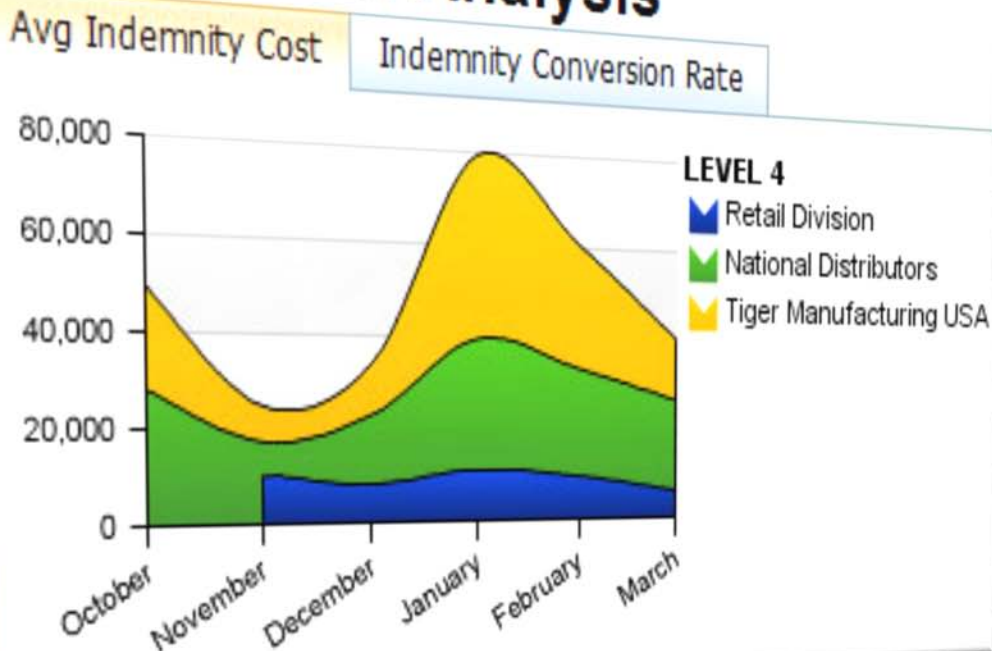
Key Laser Metrics

Trend	Metric	Score/Benchmark
	15,125 Average Indemnity Claim	
	45%	

Organization Analysis



Organization Analysis



Internet | Protected Mode: On

100%

In Summary

- Understand the **fundamentals** of how you manage risk!
- Act like a **doctor**, not a pharmacist!
- Challenge your organization to **create benchmarking**!
- Start internal, but don't forget to **validate**!
- Ensure **integrity** of analyses, and **remain consistent**!
- Develop KPIs to improve performance, **evaluate quarterly**!
 - Mid-Year Checkups
- **Communicate** – report to operations quarterly your progress!

Additional Information?

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