

I N S I D E T H E M I N D S

Insurance Leadership Strategies

*Leading CEOs on Assessing Risks &
Ensuring Success*



BOOK IDEA SUBMISSIONS

If you are a C-Level executive or senior lawyer interested in submitting a book idea or manuscript to the Aspatore editorial board, please email authors@aspatore.com. Aspatore is especially looking for highly specific book ideas that would have a direct financial impact on behalf of a reader. Completed books can range from 20 to 2,000 pages – the topic and “need to read” aspect of the material are most important, not the length. Include your book idea, biography, and any additional pertinent information.

SPEAKER SUBMISSIONS FOR CONFERENCES

If you are interested in giving a speech for an upcoming ReedLogic conference (a partner of Aspatore Books), please email the ReedLogic Speaker Board at speakers@reedlogic.com. If selected, speeches are given over the phone and recorded (no travel necessary). Due to the busy schedules and travel implications for executives, ReedLogic produces each conference on CD-ROM, then distributes the conference to bookstores and executives who register for the conference. The finished CD-ROM includes the speaker’s picture with the audio of the speech playing in the background, similar to a radio address played on television.

INTERACTIVE SOFTWARE SUBMISSIONS

If you have an idea for an interactive business or software legal program, please email software@reedlogic.com. ReedLogic is specifically seeking Excel spreadsheet models and PowerPoint presentations that help business professionals and lawyers accomplish specific tasks. If idea or program is accepted, product is distributed to bookstores nationwide.

Published by Aspatore, Inc.

For corrections, company/title updates, comments or any other inquiries please email store@aspatore.com.

First Printing, 2005

10 9 8 7 6 5 4 3 2 1

Copyright © 2005 by Aspatore, Inc. All rights reserved. Printed in the United States of America. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, except as permitted under Sections 107 or 108 of the U.S. Copyright Act, without prior written permission of the publisher. This book is printed on acid free paper.

ISBN 1-59622-037-6 Library of Congress Control Number: 2005902272

Inside the Minds Managing Editor, Laura Kearns, Edited by Marissa Berenson

Material in this book is for educational purposes only. This book is sold with the understanding that neither any of the authors or the publisher is engaged in rendering legal, accounting, investment, or any other professional service. Neither the publisher nor the authors assume any liability for any errors or omissions or for how this book or its contents are used or interpreted or for any consequences resulting directly or indirectly from the use of this book. For legal advice or any other, please consult your personal lawyer or the appropriate professional.

The views expressed by the individuals in this book (or the individuals on the cover) do not necessarily reflect the views shared by the companies they are employed by (or the companies mentioned in this book). The employment status and affiliations of authors with the companies referenced are subject to change.

If you are interested in purchasing the book this chapter was originally included in, please call 1-866-Aspatore (277-2867) or visit www.Aspatore.com.



Technological Darwinism in the New Era of Risk Management

Randy Wheeler

Founder & Chief Executive Officer
Valley Oak Systems, Inc.

A Three-Part Vision for the Insurance Industry

When I first entered the insurance industry fifteen years ago, I was amazed that so many insurance processes were driven by arcane information systems, and perhaps the most cumbersome technology of all – paper. I could see the problem all around. I walked into an office and claims examiners were surrounded by paper files; risk managers received two-month old reports that were two inches thick, but still didn't convey meaningful information they could act on.

There was a real need in the insurance market for comprehensive, easy-to-use technology solutions, so I began to sit down with claims and risk management professionals. I could see on their faces and by their eagerness to meet late into the evening that they were excited to have someone who was willing to listen and address their problems, someone who was finally open to change.

Many of their problems – such as needing real-time access to information to control risks and managing the workflow of claims more efficiently – did not require new ideas. In many cases, other industries such as financial services were already leveraging the appropriate automation and technology tools. I wondered, “Why hasn't this been applied in insurance?”

These factors led me to become a champion of technology solutions for the insurance industry. Today, as the founder and chief system architect of a leading insurance solutions provider, Valley Oak Systems, Inc., I lead the company's efforts in system design, innovation, and infrastructure. Our software solutions and technical services are utilized by insurance carriers, self-insured employers, public entities, risk pools and third-party administrators (TPA) throughout the industry.

In order to deliver technology solutions that are successful in today's market, I developed a three-part vision for establishing our company culture:

- Operate with in-depth expertise. In order to service our clients, everyone at our organization needs to know our clients' business inside and out. This principle shapes who we hire and how successful people are within our organization.
- Leadership through customer-centricity. Our knowledge of the market allows us to focus on our clients' needs and goals in a unique customer-centric approach.
- Continually innovate our technology. In order to help our clients meet their business objectives – whether it's increased efficiency or cost savings – we provide the best and most innovative technology solutions, and we never settle on the status quo; we constantly upgrade and improve our technology to stay ahead of the curve.

A Fast-Paced Industry that's Slow to Change

Over the last ten years, I have seen tremendous changes in the insurance industry. Ironically, although the industry is subject to volatile conditions, by its very nature, it is also risk adverse and not very quick to adapt to the market or to embrace new technology solutions that could save time, money and resources. As a result, the industry continues to be challenged on a number of fronts, and often lags behind other industries in leveraging automation and workflow tools to improve performance.

In order to properly address the needs of our clients, it was crucial that we become experts on the conditions that affect their businesses, and we have spent considerable time analyzing how these issues can be alleviated and managed through technology.

Recently, a tremendous challenge has been the economy itself. In times of prosperity, insurance carriers have offset poor loss ratios, with high-performing investments. The stagnant economy and lackluster stock market, however, have made it impossible to make up for losses. In the late 80's and throughout the 90's, many insurance companies have cut rates in order to gain market share. However today, many of them must now apply the strictest underwriting principles to achieve profitability or even stay

afloat. Many financial experts say an economic turnaround is just around the corner, but as of 2004, the economy continues on a path to slow recovery.

Inflation in health care and indemnity costs, and increases in litigation and jury awards have affected the bottom line of both insurers and self-insured organizations. Many of our clients have expressed frustration over escalating inflation and the litigious climate, because these are cost factors over which they do not have 100 percent control.

Across the board, premiums have risen to cover increased costs and losses. Between 2000 and 2004, depending on the particular insurance line and geographic location of the insured, we saw premiums increase anywhere from 10 to 25 percent, all the way up to 300 to 400 percent.

The Trend toward Self-Insurance

Traditionally, many organizations handled risk by transferring it through an insurance policy, however higher premiums and a tightening of terms and conditions have driven many organizations to seek alternative markets, such as self-insurance, as a way to directly control costs and evade high premiums. To avoid losing clients to the self-insurance market, many insurers began working more closely with risk managers to ensure that changes in rates were respective to changes in risk profiles.

Whereas insurance carriers have made significant investments in legacy systems that are typically 10 to 15 years old, many self-insured organizations we worked with had the opportunity to start from scratch, implementing new technological systems that optimize their claims operations and risk management process with long-term savings and efficiency in mind. This created additional incentives for insurers to keep pace with technological advancements.

In the midst of these mounting pressures, we recognized that organizations also faced an ever-changing world of risk. Today, anticipating risks and losses has become extremely difficult, particularly since the once “inconceivable” has occurred with events such as 9/11 and corporate

scandals. Organizations must now take risks – such as terrorism, corporate governance, and reputational risks – into account, all of which are difficult to quantify and measure.

Dealing with Compliance Complexities

We've seen that compliance with new regulatory issues is another emerging challenge – both on a national and regional level. In talking with insurance and risk management executives in the last six months, Sarbanes-Oxley comes up 100 percent of the time. This act will require not just documentation and validation of financial transactions, but also a greater level of risk transparency.

The Health Information Portability and Accountability Act (HIPAA) and Gramm-Leach-Bliley (GLB) Act are other compliance concerns, which require insurance organizations to protect and secure personal data. Aside from this, organizations must also comply with legislation at the state level. Preparing to meet all these regulations – federal and state – is a financial challenge with many complexities, particularly for large, national companies that must comply with mandates and annual regulatory updates across several jurisdictions.

During a time when insurance organizations are trying to carefully control expenditures, hundreds of millions of dollars will have to be spent on compliance. As a result, many of the organizations I've spoken with are trying to develop a strategy of compliance that will, at the same time, benefit the organization's overall business strategy.

Within this complex climate, I've seen the jobs of insurance professionals become increasingly complex. They face more laws and regulations, must be aware of new policies and procedures, manage a larger workload, and deal with increasingly severe risk factors. As a result, they often require more education, training, and specialization in order to perform their jobs more effectively.

As our own company began to develop a niche in the insurance market, we decided to focus on two core business functions – risk management and

claims management – both of which help our clients to control costs and improve outcomes. In addressing these two areas, there were several critical challenges we wanted to help alleviate.

Risk Management Challenges

In my discussions with risk managers, the biggest challenge has always been staying abreast of where losses are coming from and being able to identify potential areas that would benefit from loss-control and loss-prevention programs.

We discovered that in many cases risk managers could not improve upon risk factors because performance indicators were not effectively being tracked, measured or reported. With today's difficult market conditions, senior management at every organization are now demanding improved performance and tighter control over costs, losses, and risks. As a result, we've seen a renewed focus on technology tools for measurement and reporting, which would allow risk managers to drill down to the specific information to better control their programs.

Risk managers also require systems and processes to stay abreast of loss developments, and to communicate more effectively with their claims department – whether the operation is in-house, a third-party administrator, or within an insurance carrier. By having a thorough understanding of the factors that drive claims costs, risk managers are better positioned to control these factors in the future and eventually negotiate better rates.

Claims Management Challenges

Processing and settling claims is a core business function, and results in the single greatest expense in insurance. Nearly 80 percent of property/casualty insurers' annual revenue is consumed by claims payments and loss adjustments.

In many organizations, claims processing has changed very little over the last ten years, often involving manual data entry, inconsistent claims review, inefficient workflow, fragmented communication and frequent errors.

Instead of focusing on high-priority tasks that directly impact the cost and outcome of a claim, many adjusters are simply too busy keeping up with administrative demands. Today, with a shortage of experienced claims professionals, there is an emphasis on automating these routine and labor-intensive tasks.

I have also seen more claims departments actually divide the claims process among various “specialists,” including experts in litigation, recovery, medical management, special investigations, and safety and loss prevention. This allows the most appropriate and experienced individual to handle specific claims activities, but also requires an adequate information infrastructure to enable communication, collaboration, and connectivity between these stakeholders.

Ideally, claims departments want to achieve an end-to-end automated and electronic claims process, with communication flowing smoothly from the first report of injury to the issuance of the final payment. However, regulations, specific claims handling procedures and cost-saving techniques can be time-consuming and result in bottlenecks in the process.

These friction points can be streamlined with the effective use of automation. We’ve begun using tools like scanning and digital photos, video, and audio files to allow “paperless” claims management to increase an organization’s ability to manage their workflow electronically. For instance, new workflow management tools can automatically focus the adjuster’s attention on the most critical task – whether it’s contacting the claimant or physician, performing front-end investigations, or performing case management.

Many companies that want to improve their results have begun to exert more control by choosing to self-administer claims. Others utilize a third-party administrator (TPA), but insist on retaining oversight over the quality of the claims management process and their claims data. This has resulted in a hybrid solution, in which the organization purchases the claims management software, but a TPA logs onto the system to administer claims.

In the end, today's claims management technology must be designed with the functionality and features that are consistent with how adjusters and other claims professionals actually manage claims. We've found that the quality of the claims process depends not only on having the right tools in place, but also in having an application that is highly customizable to meet an organization's unique processes and objectives.

Customers Drive Our Business Strategy

Since there have been significant challenges in both the risk management and claims management areas, I realized we needed a strategy to determine what features and functions would be important. How would we design a system that would be desirable in today's complex insurance market? How would we ensure the system was intuitive and user-friendly? What type of platform would our clients need to run our software?

The only way we could make these decisions was to look to our customer base to tell us what was important to them, while at the same time, observing market trends and analyzing how other vertical markets were leveraging technology, as a weathervane for what may come.

Consumer Expectations in the 'Net' Generation

What I have seen in other industries is the impact and adaptation to increased consumer demands – particularly regarding convenience, efficiency, speed, and service. During a speech I gave in Philadelphia to a group of insurance professionals, where the median age was 40 to 50 years old, I surveyed the audience to see how many people had made their airline reservations online. Three-quarters of the audience raised their hands. I thought, "This group is part of the baby boomer generation, yet they're also part of the 'Net' generation." Then I posed a tougher question: "If you're making your airlines reservation online, why are your own businesses still predominantly paper-based?"

In the highly networked world that we live in, people are becoming accustomed to the immediacy and real-time benefits of online information,

e-commerce, and 24-7 connectivity. The insurance industry has begun to respond to this technology “wake up” call, implementing appropriate connectivity tools in order to survive in this fast-paced and competitive environment.

Customer-Centricity: Our Philosophy in Addressing Client Needs and Challenges

Anticipating this shift in mindset, the critical second part of our company’s vision is total customer satisfaction through a culture of “Customer-Centricity.” This principle is very simple. It means our customers are the center of our business strategy. We focus on their needs. Their goals become our goals; the return on investment they achieve translates into growth for our organization as well. This philosophy has ensured that we focus on client services at every level of our organization – from executive management, development, implementation, account management, sales and marketing staff.

Being customer-centric also allows us to address each organization’s unique goals and objectives. We basically learn to speak the language of each client. If it’s a carrier, we can discuss the challenges of underwriting policies and setting appropriate reserves. When we work with an employer facilitating a self-insured workers’ comp program, we understand their workplace risks, how their employees are commonly injured, and how they work with nurse case managers to help manage cases.

A key part of our customer-centric philosophy is our strategy of “deep listening” with clients. Since we pay close attention, we have a clearer vision of where they want to go. Sustaining communication with customers is important. Once we sell them a system, we don’t just send them on their way and wish them good luck. We become a true partner, meeting with them regularly to become familiar with their operations and helping them to continually optimize their technology solutions to achieve their business goals.

Technological Darwinism in the Insurance Market

Since the insurance market is subject to fast-paced change, one part of our vision has been to accelerate adaptation to these market conditions by providing clients with the best, most innovative and customizable technology solutions that enable them to survive and thrive. I think of it as “Technological Darwinism.”

Today’s business environment demands that organizations stay a quantum leap ahead of not just the competition in terms of technological capabilities, but also the demands of the market – whether it’s processing a larger number of claims or trying to manage severe risk factors. Many clients and prospects note that our technology is 18 to 24 months ahead of the competition in providing system features and functionality. That’s because we recognize the importance of continual evolution.

Often times, many risk managers, claims managers and insurance executives we meet with don’t know what they need in order to re-engineer their core business processes. This is where our industry expertise, customer-centricity and technology focus dovetail. This three-pronged approach allows us to become a “virtual” part of our clients’ organizations, getting to know their particular operations in order to successfully implement and enable the right solutions across their organization.

Aligning Technology with Core Business Objectives

Our primary task with each client is to align technology with their unique business objectives. In order to do this, insurance and risk management executives need to have a keen understanding of their particular risks and challenges. As a starting point, many organizations perform a comprehensive analysis of risks and losses via an audit or formal review process. This allows an organization to assess true cost drivers. They can design an improvement plan with short- and long-term objectives and action items to help remedy problem areas.

The improvement plan not only incorporates risk management objectives, such as decreasing loss costs or the number of claims, but may require new

processes to be put in place – for instance, establishing a call center to improve prompt reporting of claims, or utilizing nurse case managers and treatment protocols to help control medical costs.

In going through this process, it becomes evident where technology needs to be applied in order to achieve the organization's goals. Project leaders who have clearly defined objectives –who essentially want to get from point A to point B – and are committed to applying the right tools are usually the ones who succeed.

The wonderful part of my job is getting to see different corporate perspectives. Where do executives want to take their businesses? What are their primary challenges and hurdles? How do they want to employ technology? Adding a technology component to their vision helps organizations get to where they're going. The most common business goals we've heard include:

- The need to establish greater connectivity and collaboration between various stakeholders and specialized experts
- Application of collective business intelligence throughout the insurance and risk management process
- Overall cost control and risk reduction
- Improved performance and service
- Consolidation of systems and services into a single platform
- Application of easy-to-use technology that easily integrates with existing systems

The Top Three Technology Trends

From our vantage point, there are three primary technology trends that are helping to address the business objectives above. The first is browser-based technology, which as the name suggests requires only a browser to run. The architecture of these systems allows implementation and upgrades to occur at the server level, rather than individual workstations. As a result, maintenance and updates remain transparent to users and costs are kept low.

At the crux of browser-based benefits is the broad spectrum of access the system offers. Virtually an unlimited number of users can connect. Organizations can provide employees with access from home or from the road via Internet or wireless connections, or they can restrict access through their own internal network or intranet.

Since browser-based solutions adhere to widely accepted protocols and standards, they are highly interoperable, meaning they work well with various development platforms. This interoperability allows easier integration with existing systems from other departments, and provides a common platform to consolidate insurance functions.

The second trend, Web services, refers to component applications that run on the Web. These self-contained modules can describe themselves—their functions and services—to one another and automatically link together without the traditional challenges involved in system integration. What excites many insurance organizations is how easy new applications will be to build, modify, and integrate using Web services. Similar to blocks of Lego, IT departments will be able to snap together modular components, or services, allowing developers to build complex applications on the fly. The modular and shareable nature of Web services enables organizations to easily enhance the functionality of applications, leverage investments in legacy systems, and make additional system improvements.

In the coming years, the use of Web services will probably grow as organizations need to integrate and connect more systems together. In 2003, \$75 million was spent in the insurance industry on Web services. This year the estimate is \$270 million, and next year it is expected that over \$500 million will be spent on Web services to solve integration problem issues.

The third technology trend is workflow management tools. We have found that it's more important than ever to enable the exact and timely use of automated processes and specialized resources across the risk and claims management continuum. Workflow management tools can provide this operational efficiency. Whether an organization wants to issue an insurance policy in thirty seconds or to allow their underwriting to view an insured's

claims history to adjust rates, workflow-based tools reduce bottlenecks in these processes.

The Evolution of a Centralized Data Hub

Although these three technologies are beginning to be embraced by the insurance industry, rather than adopting separate solutions, there is movement to consolidate technology and approach system design in a holistic manner.

Many organizations want to integrate their information systems to avoid multiple, disconnected silos of information. As a result, we have seen increased demands for a consolidated one-system solution that incorporates core business functions, such as claims management, risk management, bill review, and policy administration.

Many organizations still approach business solutions with a “tack-on” mentality. These organizations typically have a considerable investment in a legacy system, and they may find they need a new feature or function, so they simply tack it onto the existing system. However, these solutions are not truly compatible or connected, creating information silos and cumbersome data interfaces. All of this generates inefficiencies and difficulties in sharing information.

Browser-based technology, Web services, and workflow management tools can essentially create a centralized data hub, bringing together multiple solutions. Everything can be connected through the browser-based backbone, bringing together functions that streamline workflow, improve productivity, reduce data entry, decrease errors, prevent lost information, as well as decrease overhead costs. The design of the centralized data hub also provides further opportunities to expand and include more features, functions, and services in the future – from incident reporting, enabling improved communication with lawyers and physicians, and even controlling pharmacy costs.

This type of centralized data hub delivers critical information when and where it's needed most. At the same time, the transfer and management of

this information remains transparent and hassle-free to all users. The hub provides real-time business intelligence, allowing the quality of the risk and claims management process to improve as each stakeholder receives the right information at the right time, so they can operate as “knowledge” workers, performing their tasks for optimal outcomes and cost effectiveness.

Another benefit to the centralized data hub is that many organizations now operate in a distributed work environment. They may have employees, claims professionals, risk managers and frontline supervisors distributed at multiple locations. At the same time, these organizations need to operate as if staff members were down the hall, not thousands of miles away. By leveraging a centralized data hub, the connectivity and communication benefits help bridge this distance.

Employing Insurance Best Practices

There’s a lot of gratification in seeing our technology enable clients to look inward, as well as forward. Clients often realize that they can’t improve upon the risk factors they don’t measure and consistently monitor. As such, technology has become an important part of tracking and managing their risks, but so are the utilization of industry best practices. There is a reason, after all, that they’re called “best” practices: it’s because they yield the best results.

I often recommend that clients, rather than immediately developing system requirements, first perform an operational assessment to see if there’s a gap in best practices or areas where they could possibly improve their operations, policies and procedures.

For instance, one public entity, understanding that prompt reporting of injuries would significantly reduce the costs and improve outcomes in their workers’ compensation program, decided it needed to revamp its injury reporting process and system. They had a relatively convoluted process in which employees filled out paper forms, submitted it to their supervisors to fill out their portion, and then routed it through interoffice mail, first to

payroll then to the claims department. They knew they needed a more efficient and streamlined process.

Analyzing their operations and technology, we helped them set up a call center that would feed these first reports directly into the claims management system. This is a primary example of a best practice, where the process first needed to be reengineered before technology could be applied.

A Spirit of Sharing and Collaboration

The first step in establishing a set of best practices is, of course, recognizing what those practices are. Prompt reporting of claims is a pretty straightforward and well understood best practice, as is the three points of contact and leveraging nurse case managers for severe injuries. But there are new developments such as enterprise risk management and compliance with the Sarbanes-Oxley Act that require an organization to reach out to the broader insurance community, sharing information and best practices regarding these issues.

I've found the best way to stay informed is to remain networked within the industry. Organizations such as the Risk and Insurance Management Society (RIMS) and Insurance Accounting & Systems Association (IASA) help risk managers and insurance executives to stay in touch with the latest issues that affect them. There are also associations that cater to specific sectors of risk management, such as Public Risk Insurance Management Association (PRIMA), American Society for Healthcare Risk Management (ASHRM), and University Risk & Insurance Management Association (URMIA).

Many of these groups have annual conferences, some of which delve into specific lines of insurance, such as the National Workers Compensation & Disability Conference. It is extremely important to reach out to these broader associations, so you are constantly learning new strategies and staying abreast of upcoming regulatory changes and receiving reinforcement regarding basic risk management principles.

I've also known risk managers to network in more expansive ways. I often see reluctance in some risk managers to go to competitors, and that's understandable given confidential information and the need to preserve any competitive advantage. However, there are some lines of risk management where there is no competition, in the traditional sense. For instance, in public risk management, there is a lot of information that can be shared for everyone's benefit. In fact, we are involved in projects, like the PERI Data Exchange, a national database of public sector liability and workers' compensation claims, judgments, and exposures. This database allows public entities to compare themselves with their peers and learn from the experiences of other jurisdictions.

I've also seen clients from completely different market segments collaborate because they are utilizing the same technology. On a basic level, it makes sense to say, "We have the same system. Why don't we stay in contact to discuss effective strategies to optimize the system?" This often initiates the beginning of a very interesting dialogue. Recently, one of our hotel clients began exchanging best-practice information with a hospital client. Despite the different challenges in their respective verticals, there are real connection points. Both companies are trying to reduce claims costs in their programs and trying to leverage technology to share information among key stakeholders. These common goals bond them together, and if they share information, they're not cutting into one another's market.

Currently, there's an underutilization of vendors for obtaining this type of best practice information. If risk managers and insurance executives are tuned in, they've already reached out to their vendors as experts, consultants and partners. Quite likely, the vendor has come across other organizations that have attempted similar projects, and while not spilling trade secrets, they can still make informative recommendations: you might want to consider connecting your nurse case managers to your claims system, or you might want to program business rules to better streamline your workflow.

These are all creative ways to stay up-to-date. Simply going to one conference is not going to do it. Today's insurance professional needs a combined approach that includes being a member of specific associations,

while also building his or her own professional support group. The spirit of sharing information is a win-win strategy. Whether you pick up the phone to ask for help, or just have a discussion with a vendor, the person at the other end is likely to benefit from the process.

The Human Touch: Getting Employees Involved

The importance of the human touch in risk and claims management cannot be stressed enough. Oftentimes, when a claim has been filed, a tragic accident has occurred or someone has been injured. New risk management models and technology solutions are not answers in themselves. More than any other industry, risk and claims management must balance the efficiencies of technology with application of its human resources. Organizations have begun to place more emphasis on creating a culture of involvement and inclusion, so every employee believes they can contribute.

New paradigms cannot replace a risk professional's intuition, subjective analysis or personal touch, which is an indispensable part of the claims and risk management process. By emphasizing the value of each individual, getting them involved, and listening to their input, improvements can be achieved at every level of the organization.

We have had insurance employees such as claims adjusters involved in user groups, and some of them at first may have felt threatened by technology or were unfamiliar with it, but when they saw how easy it was to use and how it made their jobs easier, they quickly learned to embrace this change.

A key component to rolling out change is education and training. By providing training sessions, organizations can provide employees with a general overview of risk, the role of risk management, and the common language to discuss risks. This gives employees insight on how to think like a risk manager, and knowledge regarding new technology tools and procedures.

Key education and training initiatives can be a direct result of an organization's risk assessment process. For instance, if a lack of documentation in claims is making the organization vulnerable in lawsuits,

then the organization could conduct employee training on why documentation is an important process, and how it should be carried out.

Many organizations implemented safety training programs to build awareness around injury-prone areas. If people are more aware of safety procedures and why they exist, they are more likely to comply with and enforce them. This significantly reduces injuries, creates a safer environment for workers, and reduces indemnity and medical costs.

In many cases, employees are on the frontlines and are best positioned to make suggestions on how to automate low-priority administrative tasks, improve safety, or reduce overhead costs, and the value of this input cannot be overlooked.

“Seven C-Principles” of Successful Risk Management

For us, a great advantage of working with a large number of leading insurance organizations is that we’ve seen which ones are successful. What we’ve seen is that it’s really the people who value learning new approaches and who embrace change who do well. We’ve compiled these common success factors into a list we call the “Seven C-Principles”:

1. **Communicate** – Organizations that are successful in risk management have typically placed a huge emphasis on effective communication that leverages the latest technological tools like e-mail, PDAs, and hyperlinks.
2. **Collaborate** – With a shared understanding of risks and objectives, every employee can help improve program results. Each stakeholder in the risk management process can be brought into the technological circle, improving outcomes and collaborating toward common goals.
3. **Connect** – A successful risk management program must not only build relationships among stakeholders, but also establish a technological infrastructure to allow stakeholders to connect to the risk management information they need.
4. **Centralize** – Efficiency can double when risk management functions are consolidated through a centralized hub. This means all functions, including claims management, risk management,

policy administration, bill review, and report distribution, as well as the management of various insurance lines, are brought together in a consolidated one-system solution.

5. **Culture** – Risk managers cannot afford to ignore the importance of culture in building a successful risk management program. Establishing a culture requires a systematic approach to building awareness of process, policies, and objectives. Providing people with this information via intranets, teleconference training, and online bulletin boards can provide awareness to improve the quality of a program.
6. **Control** – Part of the culture must involve imparting the value of control over costs, risks, and best practices at each step of the risk management continuum. Technology can help identify cost-drivers that require upfront management and loss-control programs.
7. **Comply** – The number of state and federal regulations has escalated, putting further burdens on the risk management department. The costs of compliance will be high, but leveraging technology and repositioning compliance as a means to achieve broader objectives, like aligning IT with overall strategic goals, allows organizations to emerge with a competitive advantage.

Proof is in the Pudding: Example of a Turnaround

We've had the privilege to see many clients leverage technology in order to realize their business objectives. In one case, a client not only turned around its workers' compensation program, it also directly impacted the organization's bottom line. It was a large non-profit healthcare organization that needed to control its workers' compensation costs and outcomes. As a non-profit, workers' comp losses were coming right off their bottom line, and took funds away from their core mission to improve the health and safety of patients.

The dramatic increase in costs drove a dramatic re-engineering of the program. Senior management and the employees agreed that the most important goal was to work safely and remain injury free. This would benefit employees, while at the same time, delivering financially favorable results for the organization as well.

We worked with this organization to properly align and customize technology in order to realize these objectives. In the end, the organization was able to reduce indemnity claims by 15 percent and achieve a medical savings of \$304,772 in seven months. There were also “soft” savings in the form of increased efficiency and more effective use of human resources. Similar case studies show that technology is an effective tool in not only supporting business objectives, but in actually achieving measurable savings that over time justify the investment in these systems.

A High-Octane Company: Golden Rules for Growth & Success

My success, as an entrepreneur has been built, upon three golden rules – focus, execute, and persevere. Our organizational focus prevents us from trying to be all things to all people. Instead, we’ve been described as a high-octane company, in which no resources are wasted and we actually get more done with fewer resources. We’re a small company, so we can be nimble and responsive to the industry’s accelerated rate of change.

Like any organization, we set goals and objectives, but our three-pronged approach of expertise, customer-centricity and technological innovation defines our culture and keeps all of us focused. At every level of our organization, we tend to make consistent decisions and execute toward the same direction. This has required us to be forward-looking to keep pace with change, as well as inward-looking, to make sure our culture remains strong.

Within our company culture, execution and personal accountability are critical parts of our business model and growth strategy. Although our various departments work together to provide customers with what they need, when a single person is responsible for a project, there’s more drive and accountability to accomplish the goal. In fact as an organization, we have few meetings and we insist that decisions not be made by committee. Instead, each individual has a high level of responsibility and accountability to the deliverables promised to clients.

These simple strategies have allowed us to consistently grow over 430 percent in the last five years. Our dedication to technological innovation has been recognized with local, regional, and national awards, validating our system's ability to solve industry challenges.

Company growth and technology awards are just two ways we measure success. More importantly, our relationship with customers is what really tells us how we're doing. We have never lost a client because we're dedicated to resolving client issues. More than half of our staff is dedicated to client services. Our growth continues to be organic because we're the type of company that would sacrifice a couple percentage points in profit in order to achieve greater satisfaction on client surveys.

Aligning Resources for Success

"Customer Centricity" is the key piece to making sure our company's internal resources are aligned for maximum growth. Due to our practice of "deep listening," we have never experienced a situation in which a project or an implementation has failed. We typically only engage in new development projects if clients are involved. In this way, we're all actively invested in the project's success.

One example is our recent addition of a medical bill review module. Over the last couple of years, we have had clients come to us for solutions to control medical costs. In response, we decided to build a module to review and reprice medical bills, with our clients volunteering to be beta sites for the system and helping us fine-tune the technology.

To ensure that our development and implementation projects stay on track, we have several management strategies, which ensure we are "designed for success" from the beginning. The first thing we do is assign a project "champion," who becomes the driver and keeps the project on track throughout its lifecycle.

Progress is steadily monitored against carefully established timelines and milestones, and we also perform what we call a periodic "gut" check – a subjective, intuitive assessment on how the project is doing. This allows

project managers to address warning signs or even a hunch that things aren't going right. Obviously, developing this type of instinct takes experience, and the project managers we hire usually have extensive expertise in coordinating development projects or system implementations. As a result, they have honed their instincts to reliably foresee potential hurdles or resource issues. This process along with our expertise has actually helped us to identify issues early on and to resolve them before they turn into significant delays or roadblocks. In the end, our success can be attributed to our project champions' hard work and perseverance.

Adapting in a Brave New World of Insurance and Risk Management

Property and casualty is a labor- and paper-intensive industry. Virtually all claims are processed manually, and the industry continues to be bogged down by inefficiencies, particularly the inability to maximize resources across the claims and risk management value chain. However, the Internet, closely followed by the wireless generation, is accelerating the rate of change in today's society, promising to spell the end of paper-based claims, dramatically changing the cost structure of the industry, and giving insurers a means to compete on a new playing field.

As we embark on this new era of insurance – in which risk managers want more control over costs and losses, and consumers have greater expectations and demands – technology has come to play a critical role in helping organizations adapt in this complex and constantly changing climate. Although the industry has traditionally taken a wait-and-see approach, early adopters have already gained competitive advantages in claims cost-savings, increased workflow efficiency and risk management best practices.

As organizations continue to turn to technology, a centralized data hub has evolved, breaking down information silos and allowing organizations to foster a culture that values communication, collaboration, and connectivity among stakeholders. With all these components in place, risk management and claims professionals will be well-equipped to manage change into the future.

Randy Wheeler is the founder and CEO of Valley Oak Systems and has over 20 years of experience in the technology industry. Valley Oak Systems is the fastest-growing national provider of claims and risk management solutions to the insurance industry. As the chief architect of the company's products, Mr. Wheeler oversees the development of the "next" generation claims management software solutions, leveraging the power of the Internet. He has delivered several presentations on Internet claims technology, most recently to the Public Agency Risk Managers Association, the Public Risk Management Association and E-Fusion. He has also written about Internet technology for insurance trade publications, like National Underwriter, Public Risk, Claims and The Self-Insurer.



www.Aspatore.com

Aspatore Books is the largest and most exclusive publisher of C-Level executives (CEO, CFO, CTO, CMO, Partner) from the world's most respected companies and law firms. Aspatore annually publishes a select group of C-Level executives from the Global 1,000, top 250 law firms (Partners & Chairs), and other leading companies of all sizes. C-Level Business Intelligence™, as conceptualized and developed by Aspatore Books, provides professionals of all levels with proven business intelligence from industry insiders – direct and unfiltered insight from those who know it best – as opposed to third-party accounts offered by unknown authors and analysts. Aspatore Books is committed to publishing an innovative line of business and legal books, those which lay forth principles and offer insights that when employed, can have a direct financial impact on the reader's business objectives, whatever they may be. In essence, Aspatore publishes critical tools – need-to-read as opposed to nice-to-read books – for all business professionals.

Inside the Minds

The critically acclaimed *Inside the Minds* series provides readers of all levels with proven business intelligence from C-Level executives (CEO, CFO, CTO, CMO, Partner) from the world's most respected companies. Each chapter is comparable to a white paper or essay and is a future-oriented look at where an industry/profession/topic is heading and the most important issues for future success. Each author has been carefully chosen through an exhaustive selection process by the *Inside the Minds* editorial board to write a chapter for this book. *Inside the Minds* was conceived in order to give readers actual insights into the leading minds of business executives worldwide. Because so few books or other publications are actually written by executives in industry, *Inside the Minds* presents an unprecedented look at various industries and professions never before available.

