

MARSH RISK CONSULTING

risk^{IQ}

Workers' Compensation Benchmarking Report



Workers' compensation costs remain a top concern for nearly every employer and are an area within business that is often targeted for improvement. Although most US employers continue to see workers' compensation costs rise, the costs vary among peer groups and industry. Many employers are turning to benchmarking as a way to evaluate various aspects of their workers' compensation program in relation to peer group companies. This comparison allows organizations to develop plans on where to make improvements, increase profitability, and implement best practices.

WHAT'S YOUR RISKIQ?

To meet these needs, Marsh Risk Consulting's (MRC) Risk Innovation and Quantification (RiskIQ) Practice provides organizations with an enhanced Workers' Compensation Benchmarking Report (WCBR) (formerly known as the Workers' Compensation Loss Profile).

The WCBR contains a portfolio of metrics and benchmarks critical to the identification of the unique cost drivers of your workers' compensation program. The WCBR presents a proprietary "RiskIQ score" of your performance compared to a custom peer group. The RiskIQ score provides an indication of where you stand in three important areas of your workers' compensation program:

- **Managing the Environment:** Causal factors driving your frequency of losses.
- **Managing the Claim:** Post-loss claim management factors driving severity.
- **Managing the Data:** Cleanliness and validity of claims data.

When produced periodically, your RiskIQ score will help to quantify how you have improved over time.

BENCHMARK METRICS

At the core of our benchmarking report is Dimensions 2.0, our proprietary database of over 7 million workers' compensation and general liability claims. The data are at various valuations and developments, allowing our team to provide trending results over time. Using Dimensions 2.0 data, our consultants can establish your peer group and run a series of comparative metrics that will quantify the cost drivers as we follow the life cycle of your claims.

SCORING METHODOLOGY

The RiskIQ score is a performance measure which indicates how your program results compare on a relative scale. Achieving a result that is in line with industry and peer metrics would yield a perfect score of 100. Companies that show declining trends or below industry average results receive a lower score accordingly — depending on the level of impact that the result would have on overall workers' compensation costs. As your program results improve year over year, your RiskIQ score will reflect that improvement to your senior management.

DATA INPUT DIAGNOSTIC (DATA ID)

In our experience, data are often not reliable or complete. Companies rely on their data as a basis of good business decisions — workers' compensation program data are no exception. A new feature of the WCBR is the summary of data elements and their accuracy and completeness. The RiskIQ team will run a client's data through a series of checks and balances to be sure that the data are reliable and provide a diagnostic, by data field, of the frequency of errors. The outcome of this review and the potential impact are included in the calculation of the RiskIQ score.

RESULTS SUMMARY

In addition to the RiskIQ score and benchmark metrics, the WCBR includes a results summary to identify loss cost drivers and a series of recommendations to improve specific aspects of your program. The recommendations may include solutions around mitigating large losses, reducing claim closure rates, conducting ergonomic site assessments, improving synergy with third-party administrators and vendors, and more. The WCBR may even highlight opportunities for cost reductions beyond claims, including, for example, those related to collateral requirements, letter-of-credit requirements, and premiums — which directly impact your bottom line.

Our comprehensive benchmarking analysis provides a holistic picture of your workers' compensation program and costs and includes strategies that support cost mitigation and loss reduction activities.

Who it's for

- Organizations that want to know where to focus workers' compensation-related resources and improve claims management and bottom line performance.
- Organizations concerned about an increase in their experience mod.
- Organizations with a minimum 100 claims per year for the past five years.
- Organizations that have not conducted a benchmarking exercise in the past two years or lack industry comparison data.

What you get

- Benchmark comparison of your program results to those of a customized peer group.
- RiskIQ score to track your improvement in three key areas: accident prevention, claims management, and data management.
- An analysis interpreting over 20 different key performance indicators that illustrate workers' compensation program trends within your organization.
- Identification of potential cost-reduction opportunities and cost drivers.
- An analysis of the accuracy of your workers' compensation program data.
- Recommendations for the design and implementation of a cost mitigation strategy.

CASE STUDY

IMPROVING LOST TIME CLAIMS MANAGEMENT AND REDUCING INCURRED COSTS

A large bottling organization engaged RiskIQ to create a Workers' Compensation Benchmarking Report (WCBR) to examine its workers' compensation program. The WCBR showed that lost time claims had longer duration than peer groups within the same industry, and higher cost overall. These metrics led RiskIQ to recommend changes to the organization's return-to-work (RTW) practices.

RESULTS

The client engaged MRC to lead the design and implementation of a formal RTW Program. MRC worked closely with the client, its third-party administrator, and its managed care vendor to roll out a program that made significant improvements to the client's RTW outcomes. Twelve months after the new program's implementation, RiskIQ determined that there was a 42% reduction in total incurred dollars and a 72% drop in Total Temporary Disability Days (TTD).

CASE STUDY

IDENTIFYING SEVERITY ISSUES AND REDUCING TOTAL COST OF RISK

A large transportation organization turned to RiskIQ to examine its workers' compensation program. Our team performed a WCBR to quantify the various aspects of the program.

RESULTS

The WCBR demonstrated that a low percentage of severe losses were driving the client's overall program costs in comparison with its peers. The WCBR led the client to engage MRC to provide an operational assessment and an in-depth analysis of the client's and its third-party administrator's policies and procedures to determine the root causes of its severity issue, which ultimately reduced its total cost of risk.

MARSH RISK CONSULTING

For more information about our RiskIQ services and other MRC solutions, please contact your local MRC or Marsh representative. You can also reach us directly:

PAMELA HOBBS
Practice Leader, Risk IQ
+1 860 723 5683
Mobile +1 860 416 9650
pamela.e.hobbs@marsh.com

or

Phone: 866 9AtRisk (928-7475), toll free in the United States and Canada, or +1 212 345-9589 elsewhere

Email: at.risk@marsh.com

www.marshriskconsulting.com

Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein.

Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, accounting, tax, or legal advice, for which you should consult your own professional advisors.

Any modeling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change.

Marsh makes no representation or warranty concerning the application of policy wordings or the financial condition or solvency of insurers or re-insurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage.

Copyright 2014 Marsh LLC.
All rights reserved.

Compliance MA14-12744
6346