



Bickmore Risk Services

Reducing cost of risk

Strategies for Improved Operating Performance

AGRIP

Institute for Management & Leadership

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My Perspective

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- Underwriter
- Pool Administrator
- Consultant/Auditor
- Board Member
- Conservator
- Small Business Owner



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**IF THINGS
IMPROVE WITH
AGE, I'M
GETTING
PRETTY
NEAR
PERFECT**



Challenges Facing Inter-Governmental Risk Pools

- The Great Recession of 2007-2010
- Members Looking to the Pool for:
 - Contribution Reductions
 - Reductions in Administrative Costs
 - Reductions in Loss Costs
 - Reductions in Staff time
 - More services to replace those lost at the local level



More Challenges

- Competition from the Commercial Insurance Market
- Competition from Other Pools
- Hubris
- Pool Failures
 - Kentucky League of Cities
 - Governance
 - Administrative
 - New York Self-Insured Groups (Private)
 - California Self-Insured Groups (Private)



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What's Changed??

- Loss of Purpose
- Loss of Organizational Leadership
 - Wholesale Board Turnover
 - Retirement of Founding Members
 - Retirement of Executive Leadership
- Loss of Key Members



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Why Improve Your Pool's Performance??

- Members expect more for less
- Members are being forced to do with less
- Competition is requiring cost competitiveness
- Technology enables it
- Good management demands it



The Big Three

The most common measures of claim cost comparison are ...

- Frequency – Number of claims per unit of exposure
- Severity – Dollars of loss per claim
- Loss Rate – Dollars of loss per unit of exposure

Dividing by exposure puts everyone on the same basis for comparison. But sometimes we look at total claims or total dollars to get perspective on the big picture.



Old/New Concepts for Pools to Consider

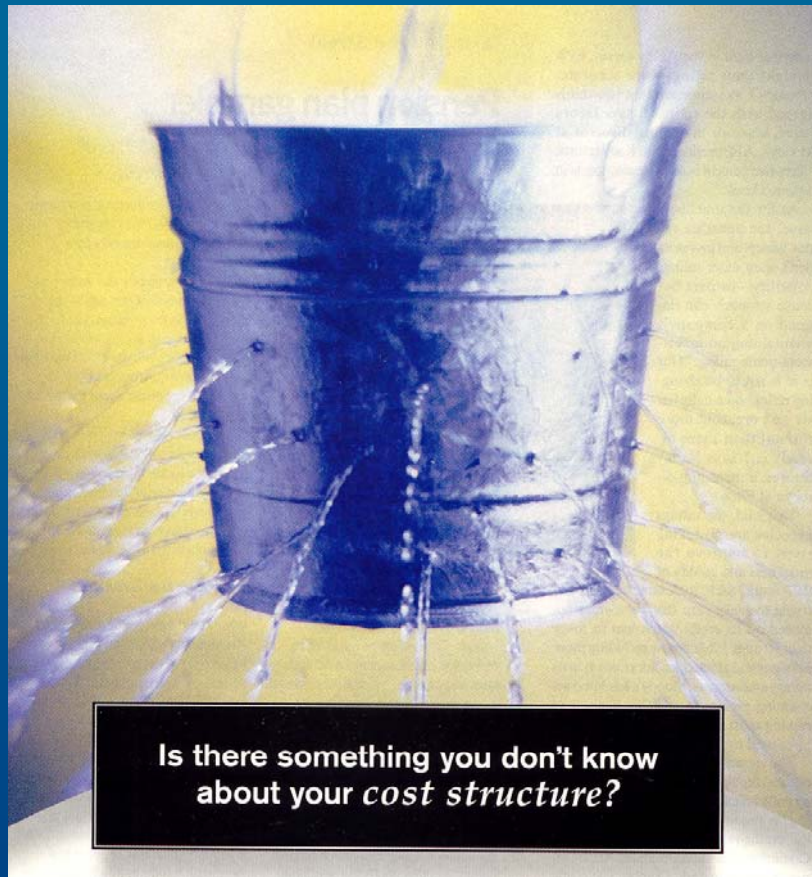
- TCOR – Total Cost of Risk
- ROI – Return on Investment
- M & A – Mergers and Acquisitions
- RPE – Revenue per Employee
- %'s – Expense Ratios



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Where's the Money Go??



**Is there something you don't know
about your *cost structure*?**



Total Cost of Risk

- **TCOR** –TCOR stands for Total Cost of Risk. While many executives may only view insurance premiums as the cost of doing business, sophisticated organizations understand that safety and risk management is more than just premiums. TCOR takes into account both direct and indirect cost of claims, as well as the cost to support the insurance programs, such as brokerage fees, loss control costs, and attorney fees.

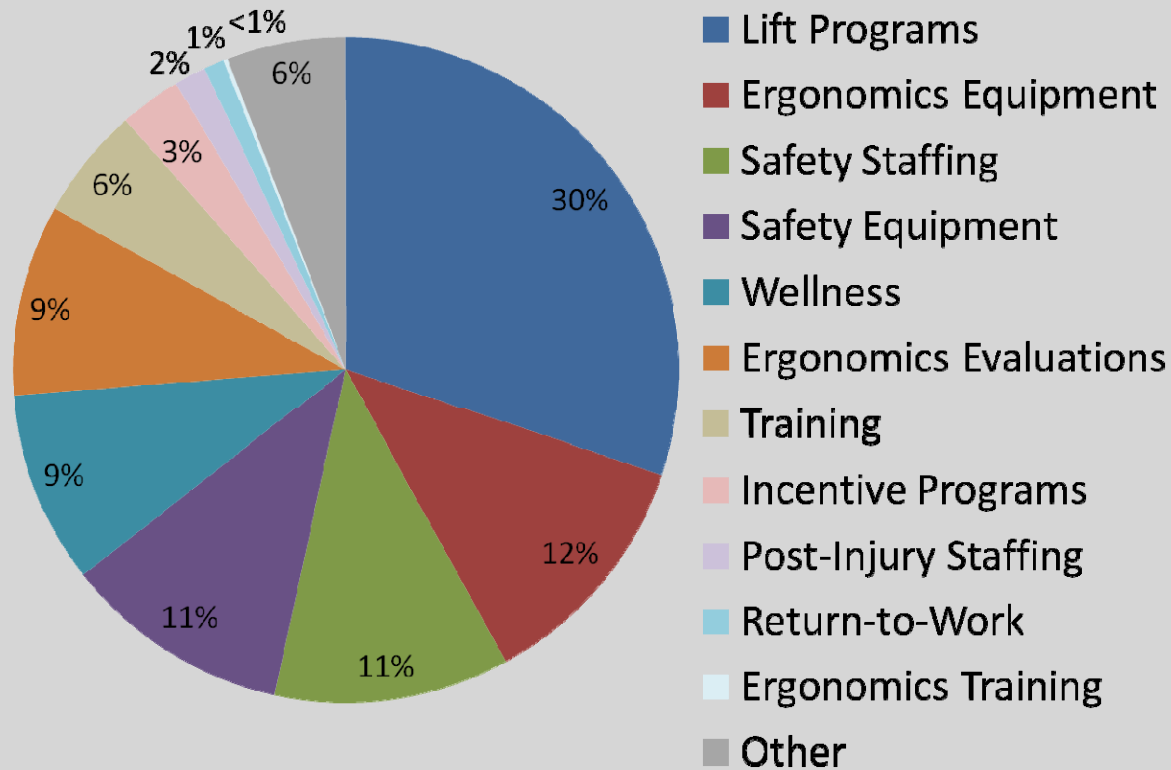


University of California Cost of Risk





Safety Program Expenditures / FY2009-2010





Total Cost of Risk – Healthcare

- Annual Cost of Risk Survey for 17 Systems, including:
 - Adventist Healthcare
 - Ascension Healthcare
 - Baylor Healthcare
 - Catholic Healthcare
 - Kaiser
 - Intermountain Healthcare
 - St. Joseph Health Systems
 - Sutter Health



Examples of Measurements

- Core Cost of Risk
- Core Plus Peripheral Cost of Risk
- COR as % of Patient Revenue
- Core COR plus Peripheral as % of Patient Revenue
- Core COR as % of Total Operating Revenue
- Historical COR as % of Patient Revenue
- Historical COR as % of Total Operating Revenue
- Core COR by Program and by Expense Type

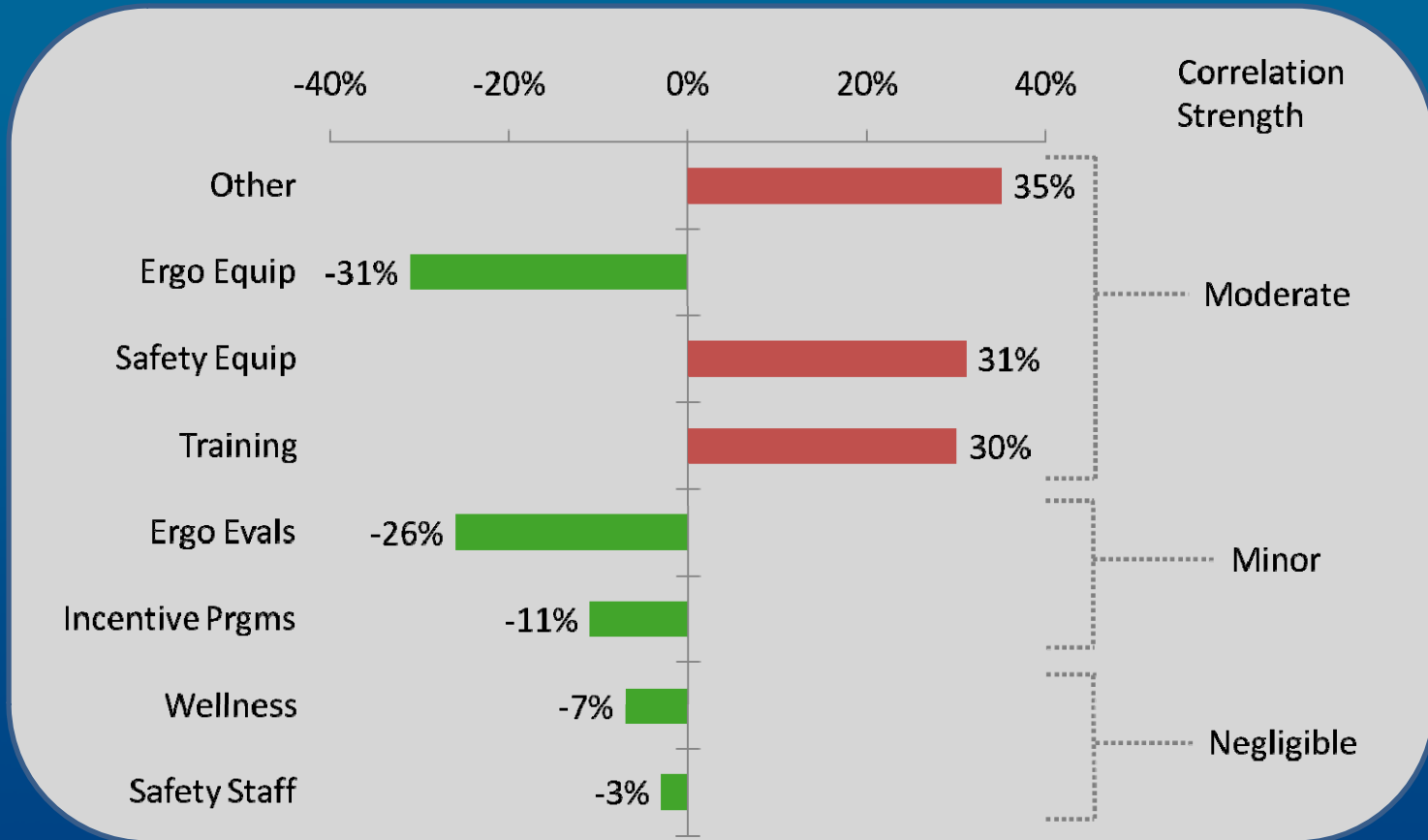


Return of Investment

- **ROI** – Return on Investment is a calculation by which most decisions are made. In its most basic form, you divide the total amount of gain minus the initial investment by the total investment. For our purposes, the formula is modified to reflect the amount saved over a period of time. So the formula is total amount saved minus the investment divided by the total investment. If a new safety program saves \$150,000 and costs \$50,000 to implement, the ROI would be $(\$150,000 - \$50,000) / \$50,000$ or 200% (2:1).



Program Funding & Frequency – Correlations by Program Type





Mergers/Acquisitions

- Reasons
 - Improved efficiencies by combining costs/services
 - Lack of leadership
 - Lack of financial advantages
 - Bigger can sometimes be better
 - Law of large numbers
 - Broader services
 - Lower expense ratios
 - Lower governance costs to members



Case Studies

- California Risk Management Authority (1986)
- Central Coast Cities Risk Management Authority (2005)
- California Housing Risk Management Authority (2010)
- Valley Insurance Program (VIP)
- California still has nearly 150 risk pools



Expense Ratios

- Insurance – 30 to 40%
- Primary Pools – 20 to 30%
- Excess Pools – 10 to 18%
- SIG's – 30 to 50%



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Key Benefits of Pool Management Systems

- Better management of member data and relationships
- Improved levels of service
- Streamlined renewals & data collection
- Eliminates manual data entry
- Real-time data reporting & analysis



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Key Benefits of Pool Management Systems

- More meaningful data analysis
- Perform comprehensive claims and loss analysis
- Tie claims data to premiums
- Meaningful data analysis and reporting
- Using retrospective information to make business decisions instead of real-time information



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Technology Enables the Pool to:

- Manage the data related to pool members
- Coordinate Multiple systems that don't talk to each other
- Prepare meaningful data analysis and reporting to:
 - The pool
 - The members
- Communicate and Provide Services to Members
 - Governance and Management
 - Training
 - Marketing to new and existing members
- Lower Organizational Costs



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Actual Risk Pool Savings

- "This year we saved about 40 hours in just one aspect of our annual renewal process by eliminating manual input of rates and billing directly from Connections."
- "Our staff saves about 50 to 100 hours per month using the CRM to manage member records."
- "We also eliminated the 30 to 50 hours we spend on combing data and formatting reports requested by our excess carriers and governmental agencies."

Golden State Risk Management Authority (GSRMA)



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Key Benefits - continued

- Visualize risks geographically
 - Initiate an immediate response to claims
- Improved safety and loss prevention efforts (Evaluate)
 - Develop user defined checklists with your own criteria for performance and measurement
- Web-based portals
 - For Members – file claims, update member info, request or print certificates of insurance online
 - For Brokers – view member account info, view claims activity and view certificates of insurance online
 - For Partners – for excess carriers or others to get up-to-date member demographics online



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In the end, it's all about the MONEY

