

Risk Management Answers

Insurance Solutions to Reduce Cost and Increase Profit

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A Client Service from Stephen B. Paulin, CIC

Using the Past to Plan the Future:

The Process is the Solution

By Stephen B. Paulin, CIC



The processes each business implements to run its operation guarantees the future it will have. In other words, all organizations are perfectly designed to get the results they achieve. If we want different results, we must change the way we do things. All businesses share a past with an expectation for the future. The differentiator between companies that experience a successful outcome and ones that do not is that the successful ones use statistics and results from the past, to determine the right process to affect preferred future outcomes.

This has specific relevance to workers' compensation coverage. Consider two competitors who hire from the same labor pool and compensate their employees equally. How do you explain that one business has a perennially high experience modification over 125%, while the other is consistently around 75%? What differentiates these companies is the process that each uses to prevent and control claims. The lower mod company is experiencing the positive future it wants by protecting its employees from work place injuries and the other is not. While each industry has disparities like this, those businesses that envision a positive outcome and initiate a process to

**Workers' Compensation
Cost per
\$100 Payroll**

1	Alaska	3.01
2	Connecticut	2.99
3	California	2.92
4	Illinois	2.83
5	New York	2.82
6	Oklahoma	2.77
7	New Jersey	2.74
8	Montana	2.50
9	New Hampshire	2.40
10	Maine	2.24

achieve that outcome ultimately gain a competitive advantage, through a lower work comp cost structure, enhanced productivity, and higher EBITDA.

Establishing a process to consistently control work comp claims should be the goal of every company. It is more critical today because California businesses will begin experiencing a trend of increasing rates. The favorable soft market is over. Higher rates mean more financial pain as businesses absorb this cost at the worst possible time. The good news is that workers' compensation is the most manageable of all corporate insurance coverage. In fact, it is 60% to 70% controllable. The challenge is to know where to focus the time and energy and what resources will provide the greatest benefit.

Distinguishing between those outside influences that drive workers' compensation costs (rates, system structure, fraud), which cannot be controlled, and the internal influences within an organization, which are controllable (hiring, safety incentives, medical clinic partnership, return-to-work programs, etc), is the important first step to understanding where and how to allocate the time and resources.

Orion Risk Management has a proven workers' compensation best practices claims reduction and control process to ensure a consistently lower cost structure and profit increase. This includes:

- Employee Selection
- Claims Evaluation
- Safety Program Management
- Accident Investigation
- Occupational Care
- Litigation Management
- Safety Incentives
- Utilization Review
- Disability Management
- Claims Administration

Businesses that embrace effective workers' compensation loss prevention and control processes will realize a competitive advantage in their industry through a lower workers' compensation cost structure, enhanced productivity and increased profit.

Steve Paulin, CIC, is a risk management professional specializing in integrating middle market companies' property, casualty and workers' compensation coverage to reduce risk and increase profits. His three decades of risk management experience, combined with Orion Risk Management's expertise in providing specialty services including risk control, claims management, captive formation and programs specific to key industries, means Steve's clients receive unparalleled insurance coverage value. He can be reached at spaulin@orionrisk.com or by calling 949.502.0850.

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