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The Solution— Dashboards and Scorecards

You have just purchased a new Risk Management Information System. You went through a detailed needs analysis where you defined the needs of the various stakeholders within your organization.

You have justified the investment in the RMIS based upon the anticipated reduction in loss costs as a result of better access to loss information at all levels of the organization. In reality, you find that the tool is not used proactively to reduce loss costs. You might even find that, when used improperly, loss information may actually inhibit your ability to reduce your organization's cost of risk.

CONSIDER THE FOLLOWING SCENARIO:

It is July, and the Director of Risk Management for a Fortune 100 organization has proposed rolling out a new Return-To-Work program by the end of the year. The cost-benefit analysis and rollout plan have been approved by senior financial management. The rollout will be completed in Q3, pending approval from the VP, Operations.

The Vice-President of Operations sends the following Email to the CFO refusing to support the initiative.

"I cannot understand we are planning to invest time and travel expense to rollout this return-to-work program. We are preparing for the fourth quarter in our retail operations and I cannot support an initiative which requires several managers in each unit to spend part or all of a day in Workers Compensation training."

Lost Workday Comparison Report				
(Data Valued as of 6/30/05)				
Accident Year	Claim Count	Lost Workdays	Lost Days per Claim	Lost Days per Month
2004	15,000	30,000	2.00	2,500
2005	6,000	7,500	1.25	1,250

As you can see, we are already trending down 50% in lost-time from last year"

The Risk Manager explains the impact of loss development to the CFO and VP of Operations. He illustrates that as of 6/30/04, the organization only had 6,000 lost workdays so they are currently trending to a 25% increase in lost workdays rather than a 50% reduction. Lost workdays resulting from 2005 claims are expected to reach 37,500 by 6/30/06.

By the time the Risk Manager has had the opportunity to explain this fallacy in



the interpretation of the data, he has lost credibility with his Senior Management team and had to delay the rollout of the program until Q1-06. The organization's 2006 WC Plan is now at risk, since the plan assumed that the new RTW program would be in place all year, and it will now only be in place for part of the year.

WHAT WENT WRONG?

The Risk Manager for this organization did not have a proactive approach to reporting Risk Management results throughout the organization. As a result, the VP of Operations compiled data that he received from another source and drew an incorrect conclusion.

In order to take more control over the reporting of results, risk managers need to take a more proactive approach to distributing loss information. If we only react to inquiries and data requests, we are likely to run into a similar situation to the Risk Manager in the above example. Reports will be prepared and distributed in response to requests from different sources for different reasons. We will take care to prepare information that responds to the specific request. However, we cannot control how that information is used, shared and interpreted.

A proactive approach to reporting information entails developing an effective report or set of reports with the following features:

- **Comparable and Credible:** Operators will invariably compare current data with data in prior reports. If 2nd quarter results present 6 months of data and 3rd quarter results present 9 months of data, the data is not comparable and will lead to false conclusions. A consistent valuation should be used for all reports, and it should be a valuation point that is sufficiently mature so as to yield reasonably credible results.

- **Timely:** Although an actuary might not put much credibility on loss information until it is at least 18 – 24 months old, we do not have the same luxury. We cannot tell our senior management team that we will not be able to report on 2006 results until mid-year 2007.
- **Interactive:** The Report should be interactive enough so that a single set of reports can meet the needs of several levels of the organization. A unit manager should be able to easily find his or her unit's results and compare them with other units. At the same time the reports should be flexible enough so that a Region Manager or Business Unit Manager can find summary data for the units within their responsibility. Excel Filtering and Pivot Table functionalities are great tools for adding this interactive flexibility to a report set.
- **Intuitive:** While we can never completely eliminate the possibility of misinterpreting data, we need to design the reports so as to minimize the possibility that a non-risk professional will misinterpret data and draw incorrect conclusions.
- **Accessible:** The reports must be easily accessible for all potential users. A method of distribution should be chosen so that reports are available to all stakeholders – when they need them and in a usable format. A corporate intranet is often the ideal tool for report distribution.
- **Actionable:** It is not enough to just report information, the information that we include in our reports must be actionable. The reports should be designed so that the user can easily understand what actions need to be taken in order to improve results.

THE SOLUTION: DASHBOARDS & SCORECARDS

The best approach to designing a report with all of the features listed above is the Dashboard approach. A well-designed Dashboard Report will aggregate several measures into one single report. The Dashboard Report should contain a combination of process and result measures. An effective Dashboard Report should be designed as a partnership between Risk Management and other internal partners (e.g. Safety, HR, Operations, Legal, etc). By designing a single tool that can meet the needs of all stakeholders, we reduce the likelihood of multiple reports with conflicting results being distributed to the same end users.

In order to meet the concerns around credibility and timeliness, we recommend designing a report to evaluate metrics on a rolling 12 month basis. In this way, the report set is comparable from one month to the next. We eliminate the risk of a line manager comparing a 6-month valuation with a 9-month valuation and drawing an incorrect conclusion.

We are presenting two different types of Dashboards in this report: a Benchmarking Dashboard and an Operations Dashboard.

Benchmarking Dashboard

The Benchmarking Dashboard is a tool that is designed primarily for the Safety or Risk Management professional. The tool should examine 8-12 metrics at a detailed level. Logic is built into the report to help identify the magnitude of the opportunity to improve results in a given area. It is intended to help the Safety/Risk professional focus his or her limited resources on those areas that are likely to yield the maximum return on the investment in loss prevention and claim management processes. It is equally effective as either an internal benchmarking tool – to compare

business units or regions within the same organization – or an external benchmarking tool to compare results and identify process improvement opportunities across several different organizations which operate in the same business.

EXHIBIT 1: BENCHMARK DASHBOARD REPORT:

		Benchmark Dashboard: Process Metrics and \$ Opportunities				
		Total	Southwest	Northwest	Southwest	Northwest
Section	Criteria					
V	CLAIM REPORTING					
	Report Lag - % Reports within 3 days	87%	89%	89%	86%	85%
	Employee Report Lag - % employee reports within 3 days	82%	97%	94%	88%	90%
	% Claims Reported 10 or more days from loss date	2.5%	1.0%	3.0%	4.0%	2.0%
	Average Cost per Claim - Claim Reported Within 3 Days	\$ 2,050				
	Average Cost per Claim - Report Greater Than 3 Days	\$ 3,650				
	Claim Reporting Opportunity	\$281,940	\$107,957	\$21,763	\$29,400	\$122,820
	Employer Claim Reporting Opportunity	\$134,949	\$79,916	\$9,892	\$4,200	\$40,940
VI	RETURN-TO-WORK METRICS					
	Temporary Total Lost Days	11,785	3,971	2,494	1,602	3,718
	TT Days per Lost-Time Claim	27.4	38.9	24.5	17.8	27.3
	TT Days per Claim	4.8	5.8	5.1	2.9	5.2
	Return-To-Work Opportunity	\$2,243,398	\$939,818	\$515,824	\$0	\$787,757

This preceding example illustrates 2 metrics from a Benchmarking Dashboard that examines 11 metrics in detail. A complete Benchmarking Dashboard might examine other metrics such as loss and frequency rates, causal data, and historical trends. The report is a customizable tool that can meet the needs of any organization. The specific metrics as well as the calculation of the financial opportunity may vary from one organization to the next, however the concept remains the same.

One feature that should be included in any dashboard report is a stratification of losses to help to illustrate how a relatively few large losses account for the majority of loss costs. The following analysis illustrates this impact:

Cumulative Percent of Loss	Incurred Loss	% Loss Costs
100	\$1,500,000	100.0%
90	\$35,000	62.6%
80	\$16,600	17.0%
70	\$9,000	8.6%
60	\$5,500	4.9%
50	\$3,200	2.9%
40	\$1,900	1.7%
30	\$1,200	1.0%
20	\$700	0.6%
10	\$400	0.4%
0	\$0	0.1%

MEAN	\$15,000
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This is a typical distribution of Workers Compensation lost-time claims. The analysis illustrates how a loss distribution is skewed so that a relatively small percentage of claims accounts for a large percentage of costs. In the example, the top 10% of the claims accounts for over 60% of loss costs and the bottom 50% of losses only account for about 3% of loss costs.

This is particularly significant for the organization that wants to analyze loss costs to identify and understand cost drivers. If we assume that the organization whose losses are represented here has 1,000 WC lost-time claims per year, we should analyze all claims to identify global loss trends, but we probably will be able to better identify cost drivers if we undertake a more detailed study of the 100 claims that account for 62% of loss costs.

Operational Dashboard

While the Benchmarking tool is useful for the Risk Management professional, it is likely too complex for the line manager who is not expected to be a subject matter expert in risk management. To meet the needs of Operational Management, we recommend the development of an Operational Dashboard Report.

The following is an example of an interactive Operational Dashboard. The report includes both Process and Results measures and includes both loss prevention and claim management metrics.

EXHIBIT 2: OPERATIONAL DASHBOARD

YEA	COMPANY	REGION	UNIT	Claim Count	Frequency Rate	Slip-Fall Rate	Mat Hndlg Rate	LT Claim Rate	Loss Costs	Loss Rate	Cost per Claim	Lost Days	Days per Claim	Network Usage	% Late Reports
2005	RETAIL	NORTHWEST	207	182	11.3	5.0	5.4	1.8	141,702	1,417	779	1,152	10.2	86%	20%
2004	RETAIL	NORTHWEST	208	65	4.0	1.5	1.0	0.5	59,880	539	321	340	8.5	39%	12%
2005	RETAIL	NORTHWEST	208	30	1.3	0.3	0.6	0.2	102,440	1,024	3,415	78	6.0	17%	4%
2004	RETAIL	NORTHWEST	TOTAL	487	3.4	1.2	1.0	0.7	1,424,243	1,364	2,925	2,494	7.9	60%	11%
2005	RETAIL	NORTHWEST	TOTAL	761	4.9	2.0	2.1	0.9	1,125,011	1,406	1,499	2,662	6.3	71%	18%
2004	RETAIL	SOUTHEAST	301	115	7.0	1.4	2.8	0.8	70,000	700	609	168	2.4	54%	17%
2005	RETAIL	SOUTHEAST	301	150	5.9	2.8	1.4	0.7	114,106	1,141	761	147	2.5	20%	13%
2004	RETAIL	SOUTHEAST	302	109	5.0	1.7	1.2	0.6	60,050	601	551	354	7.1	52%	9%
2005	RETAIL	SOUTHEAST	302	113	7.0	1.7	1.6	2.0	160,370	1,604	1,419	160	2.3	97%	22%
2004	RETAIL	SOUTHEAST	303	93	4.1	1.3	1.8	0.3	569,654	5,697	6,125	177	4.3	32%	7%
2005	RETAIL	SOUTHEAST	303	48	2.4	0.6	1.1	0.6	27,960	280	583	426	17.8	19%	21%
2004	RETAIL	SOUTHEAST	304	47	2.5	0.6	0.9	0.7	163,850	1,639	3,486	49	2.0	17%	44%
2005	RETAIL	SOUTHEAST	304	62	2.4	1.2	0.6	0.2	36,120	361	583	168	7.0	10%	25%
2004	RETAIL	SOUTHEAST	305	58	2.0	0.5	0.7	0.6	17,820	178	307	126	6.3	14%	8%
2005	RETAIL	SOUTHEAST	305	80	4.0	1.4	1.0	0.2	105,720	1,057	1,322	156	3.9	46%	13%
2004	RETAIL	SOUTHEAST	306	20	1.3	0.3	0.6	0.3	15,886	159	794	240	18.5	13%	0%
2005	RETAIL	SOUTHEAST	306	42	1.9	0.9	0.9	0.5	215,612	2,156	5,134	35	1.8	72%	25%
2004	RETAIL	SOUTHEAST	307	66	3.6	1.3	1.2	1.1	26,568	266	403	374	10.4	82%	8%
2005	RETAIL	SOUTHEAST	307	57	2.3	1.2	0.7	0.9	28,842	288	506	360	15.7	13%	7%
2004	RETAIL	SOUTHEAST	308	52	3.2	1.1	0.9	0.2	47,904	479	921	114	3.6	0%	21%
2005	RETAIL	SOUTHEAST	308	76	4.3	0.9	1.5	1.5	338,840	3,388	4,458	465	10.8	3%	13%
2004	RETAIL	SOUTHEAST	TOTAL	560	3.6	1.0	1.3	0.6	971,732	1,215	1,735	1,602	6.8	33%	14%
2005	RETAIL	SOUTHEAST	TOTAL	628	3.8	1.3	1.1	0.8	1,027,570	1,284	1,636	1,917	7.7	35%	17%
2004	RETAIL	NORTHEAST	401	107	4.9	2.2	2.2	1.3	49,000	490	458	984	20.1	36%	17%
2005	RETAIL	NORTHEAST	401	100	4.1	1.4	1.0	0.4	79,294	793	793	148	3.6	78%	13%
2004	RETAIL	NORTHEAST	402	67	2.7	1.4	0.6	0.7	32,427	324	484	432	18.2	2%	9%
2005	RETAIL	NORTHEAST	402	62	3.3	1.4	1.0	0.4	75,603	756	1,219	148	4.5	89%	22%
2004	RETAIL	NORTHEAST	403	127	6.6	1.5	1.9	0.5	917,004	9,170	7,221	415	6.3	50%	7%
2005	RETAIL	NORTHEAST	403	121	5.6	1.7	2.5	0.7	65,240	652	539	308	5.5	38%	21%
2004	RETAIL	NORTHEAST	404	111	6.5	2.6	3.2	1.4	426,010	4,260	3,838	184	2.8	23%	44%
2005	RETAIL	NORTHEAST	404	109	5.8	1.5	1.8	0.8	87,290	873	801	792	13.7	63%	26%
2004	RETAIL	NORTHEAST	405	107	4.9	1.7	1.2	1.3	43,859	437	408	854	17.4	42%	8%
2005	RETAIL	NORTHEAST	405	117	4.9	2.2	1.9	1.4	129,507	1,295	1,107	896	18.3	31%	19%
2004	RETAIL	NORTHEAST	406	67	4.0	1.5	1.5	0.3	48,880	489	730	289	7.2	82%	0%
2005	RETAIL	NORTHEAST	406	62	2.4	0.7	0.6	0.9	272,352	2,724	4,393	351	14.6	27%	25%
2004	RETAIL	NORTHEAST	407	57	3.2	1.2	1.6	1.1	23,616	236	414	265	8.3	15%	8%
2005	RETAIL	NORTHEAST	407	68	2.8	1.0	1.3	1.0	35,112	351	516	130	4.6	71%	6%
2004	RETAIL	NORTHEAST	408	69	3.2	1.1	1.0	0.3	47,904	479	694	235	7.3	53%	16%
2005	RETAIL	NORTHEAST	408	65	3.2	1.3	0.7	0.6	252,160	2,522	3,879	336	10.5	95%	13%
2004	RETAIL	NORTHEAST	TOTAL	712	4.5	1.7	1.7	0.9	1,588,500	1,986	2,231	3,718	11.0	38%	15%
2005	RETAIL	NORTHEAST	TOTAL	704	4.0	1.4	1.4	0.8	996,558	1,246	1,416	3,109	9.4	60%	18%
2006	RETAIL	TOTAL		2,446	4.0	1.4	1.3	0.7	5,522,169	1,622	2,258	11,785	4.8	45%	13%
2005	RETAIL	TOTAL		2,757	4.2	1.6	1.5	0.9	4,570,544	1,410	1,636	11,276	4.1	52%	17%

An effective Operational Dashboard report should be designed to allow the user to easily drill up or down through the data, so the same report can easily present either summary or location level detail. Through the use of the filtering capability in Excel, the sample report illustrated above is flexible enough to allow the user to compare year-over-year results at any level of the organization, or the user can choose to compare current year results across operations.

Operational Scorecard Report

The Operational Dashboard can be taken a step farther. A dashboard report simply presents data – several metrics aggregated in one place, but leaves interpretation of the data to the user. A scorecard report will assign values to each metric to assist the operational user – who is not a subject matter expert in Safety or Risk Management – to interpret the data. Values could be numerical values on a scale of 1 – 10 as in the example that follows, or the values

could be descriptive terms to indicate whether an individual measure is average, above average or below average. A hybrid approach could involve presenting the metrics of a dashboard report with color coding (e.g. red for poor, green for good results) to indicate whether an individual metric is at an acceptable level. A scorecard report is used to make the interpretation of results much more intuitive for the non-risk professional and to aid in understanding what processes or areas require improvement.

The report can be designed with all of the filtering capability of the Dashboard report, so that we can easily compare current year scores with prior year scores. The algorithm used to calculate the score for each measure can be based upon absolute results (e.g. 10% with best result receive 10 points, next 10% receive 9 points and so on), improvement versus a location’s historical results (e.g. 30% improvement vs prior year = 10 points, 25 – 30% improvement receives 9 points, etc.), or a combination of the two approaches.

EXHIBIT 3: OPERATIONAL SCORECARD:

YEAR	REGION	UNIT	Claim Count	Frequency Rate	Slip-Fall Rate	Mat Hndlg Rate	LT Claim Rate	Loss Costs	Loss Rate	Cost per Claim	Lost Days	Days per Claim	Network Usage	% Late Reports	Overall Score
2006	SOUTHWEST	101	7	7	5	7	7	9	9	9	3	2	0	5	70
2006	SOUTHWEST	102	1	3	2	3	3	6	6	8	2	3	7	6	50
2006	SOUTHWEST	103	2	1	1	1	0	0	0	0	1	4	3	3	18
2006	SOUTHWEST	104	6	8	7	10	8	3	3	3	5	2	9	10	74
2006	SOUTHWEST	105	5	5	4	5	5	8	8	10	5	5	5	2	67
2006	SOUTHWEST	106	4	3	2	1	4	6	6	6	2	4	1	6	45
2006	SOUTHWEST	107	6	6	3	10	4	10	10	6	3	3	4	10	85
2006	SOUTHWEST	108	3	4	2	6	6	5	5	7	7	7	8	9	71
2006	SOUTHWEST	TOTAL	4.8	4.6	4.0	5.4	4.9	5.9	5.9	6.1	3.5	3.8	4.6	6.4	59.8
2006	NORTHWEST	201	4	2	1	2	2	2	6	2	2	4	4	4	35
2006	NORTHWEST	202	9	9	9	7	7	9	9	9	10	9	6	6	99
2006	NORTHWEST	203	4	3	4	4	1	1	1	1	2	3	7	5	38
2006	NORTHWEST	204	10	10	10	10	8	4	4	3	7	4	3	10	83
2006	NORTHWEST	205	9	8	8	8	7	10	10	8	10	10	2	4	94
2006	NORTHWEST	206	10	10	10	10	8	10	10	7	10	10	6	7	108
2006	NORTHWEST	207	6	5	7	8	5	9	9	10	3	3	7	10	82
2006	NORTHWEST	208	7	5	4	6	7	6	6	5	5	5	9	6	71
2006	NORTHWEST	TOTAL	7.4	6.5	6.6	6.9	5.6	6.4	6.9	5.6	6.1	6.0	5.5	6.5	76.0
2006	SOUTHEAST	301	2	1	5	1	4	5	5	7	7	9	5	4	55
2006	SOUTHEAST	302	3	3	3	5	6	6	6	8	4	6	5	7	62
2006	SOUTHEAST	303	4	4	6	3	8	1	1	1	7	8	3	8	54
2006	SOUTHEAST	304	9	8	9	7	5	3	3	3	10	10	2	0	69
2006	SOUTHEAST	305	8	10	10	8	6	10	10	10	9	7	1	8	97
2006	SOUTHEAST	306	10	10	10	9	8	10	10	5	6	1	1	10	90
2006	SOUTHEAST	307	7	6	6	5	3	10	10	10	4	5	8	8	82
2006	SOUTHEAST	308	9	7	7	7	10	7	7	5	9	8	0	2	78
2006	SOUTHEAST	TOTAL	6.5	6.1	7.0	5.6	6.3	6.5	6.5	6.1	7.0	6.8	3.1	5.9	73.4
2006	NORTHEAST	401	3	3	2	2	2	7	7	10	1	1	3	4	45
2006	NORTHEAST	402	7	8	5	9	5	8	8	9	3	1	0	7	70
2006	NORTHEAST	403	1	1	4	3	7	1	1	1	4	7	5	8	43
2006	NORTHEAST	404	3	2	1	1	2	1	1	2	7	9	3	0	32
2006	NORTHEAST	405	3	3	3	5	2	7	7	10	1	1	4	8	54
2006	NORTHEAST	406	7	5	4	4	8	7	7	6	6	6	8	10	78
2006	NORTHEAST	407	8	7	7	4	3	10	10	10	6	5	1	8	79
2006	NORTHEAST	408	6	7	7	6	8	7	7	7	6	6	5	5	77
2006	NORTHEAST	TOTAL	4.8	4.5	4.1	4.3	4.6	6.0	6.0	6.9	4.3	4.5	3.6	6.3	59.8
2006	TOTAL		5.8	5.4	5.4	5.5	5.3	6.2	6.3	6.2	5.2	5.3	4.2	6.3	67.2

Now, lets reconsider the case of the Risk Manager rolling out the Return-To-Work program that we referred to earlier.

The Risk Manager refers to the Benchmark Dashboard (Exhibit 1) which indicates a \$2.2 million opportunity from improving Return-To-Work results with most of the opportunity in two Regions (Northeast and Southwest). The Dashboard Report (Exhibit 2) illustrates that lost workdays and cost per claim are trending up, eroding the benefits of reduced claim frequency. The reporting tools help the Risk Manager to easily respond to objections or inquiries by referring to existing tools, thereby gaining credibility and support for new initiatives.

The reporting tools have the further advantage of putting a substantial amount of loss information in a usable format at the hands of the Risk Management team. Rather than needing to take a “fire drill” approach to respond to field/ senior management questions, the Risk Management team can use existing tools to respond to inquiries in a more efficient manner. We can spend more time using information and interpreting data and less time running reports to gather the data.



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About Gallagher Bassett Services, Inc.

Gallagher Bassett is the largest multi-line property/casualty third-party administrator, offering enlightening insights and services in the areas of claims management, information management, medical cost containment, risk control consulting, and appraisal services.

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