



THE ROI OF RMIS

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The most successful RMIS users leverage this technology to produce greater visibility into the impact of risk management throughout their organizations,

Executive Summary

A Risk Management Information System (RMIS) is an essential component of the overall work platform for risk management functions within both mid-size and large organizations. Risk managers who are most adept at using the RMIS, along with a comprehensive work platform, not only achieve process efficiencies, but also are able to lower their Total Cost of Risk (TCOR) and provide better reporting to senior management. The most successful RMIS users leverage this technology to produce greater visibility into the impact of risk management throughout their organizations, thereby highlighting its strategic significance and enhancing the influence of the risk manager. Relatively few organizations have explicit return on investment (ROI) targets for a RMIS, but the evidence is strong that a good system, even when used to less than its full potential, quickly pays for itself and continues to have a positive impact on the bottom line for years to come.

Introduction

Implementing a Risk Management Information System is a major commitment – not only for a Risk Management Department, but potentially for other parts of an organization. Risk managers may intuitively understand that a new or upgraded RMIS will be helpful, but they may struggle to quantify the benefits and to make a compelling case for the investment, especially if those quantifications are restricted to the traditional benefits of “better reporting.”

To help identify and quantify the benefits of a RMIS, and to provide guidance to risk managers who are questioning whether a RMIS is the right solution for their management needs, Advisen surveyed 470 risk managers and related insurance professionals in January 2015. These risk professionals, who represented a wide array of industries and company sizes, shared their insights into the reasons why (or why not) their organizations have invested in RMIS and, for those that have implemented a system, the benefits they have realized.

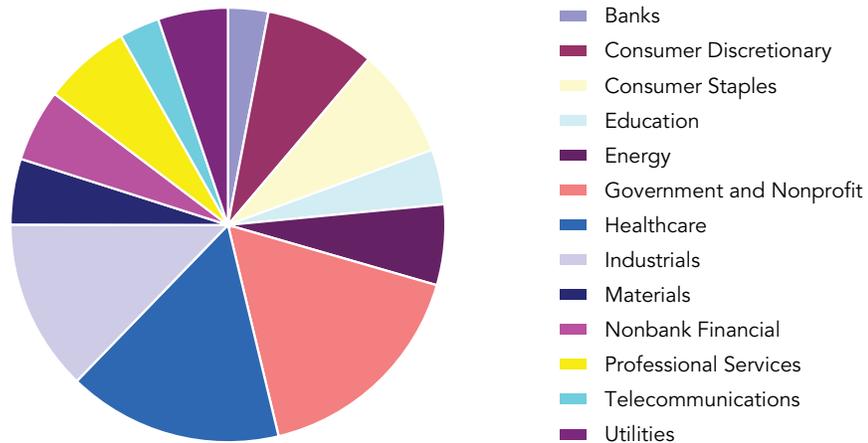
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Survey respondents widely agree that a RMIS provides, or could provide, value to their organizations, but perceptions as to the type and amount of value vary widely. While some risk managers are seemingly satisfied with process efficiencies that largely benefit only the Risk Management department, others have found that a RMIS can help improve safety and lower the cost of injuries, enhance reporting to senior management and the board of directors, and provide an effective platform for extending risk management processes and priorities throughout an organization. But even used at far less than its full capabilities, a RMIS is an investment that often pays for itself in only a few years.

Survey respondents

More than four out of five respondents identified themselves as “Risk Manager or Insurance Buyer.” Respondents represented a wide array of industries, with the largest number from “Government and Non-profit” (17 percent), “Healthcare” (16 percent) and “Industrials” (13 percent). (Exhibit 1) Company size ranged from revenues of less than \$250 million (13 percent) to more than \$10 billion (19 percent). The largest revenue band was “\$1 Billion to Under \$5 Billion” (25 percent). On average, each risk management department has about 6 employees.

Exhibit 1: Respondents by Industry



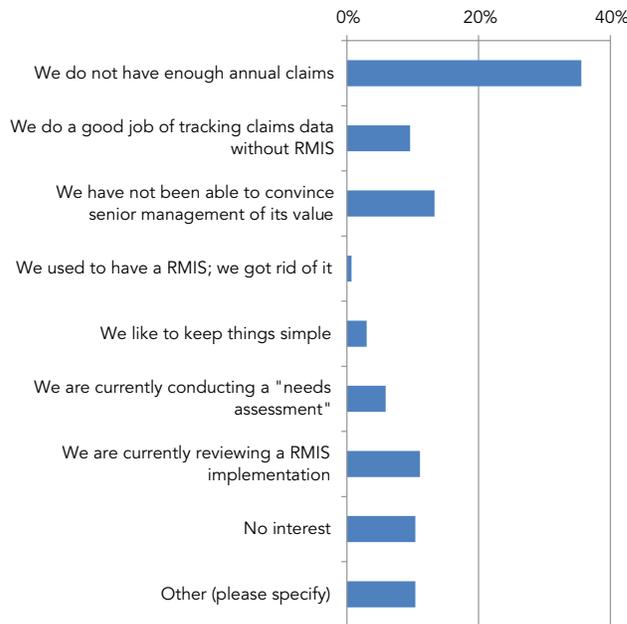
Of respondents with organizations having a RMIS, nearly two-thirds said that their current system was not their first.

One third of respondent companies process less than 100 claims per year, while about 9 percent process more than 5,000 annually. More than half of respondents have purchased or built a RMIS. Nearly 18 percent said their RMIS was provided by their carrier or TPA.

The RMIS rationale

Of respondents that currently do not employ RMIS, more than one third said they do not have adequate claims volume to justify the expense. About 13 percent responded that they would like a RMIS, but have not yet convinced senior management of its value. Another 17 percent said they currently are performing a needs assessment or are reviewing a RMIS implementation. Only about 13 percent said they do not have a RMIS because they have no interest or because they “like to keep things simple.” (Exhibit 2)

Exhibit 2: Reasons for no RMIS

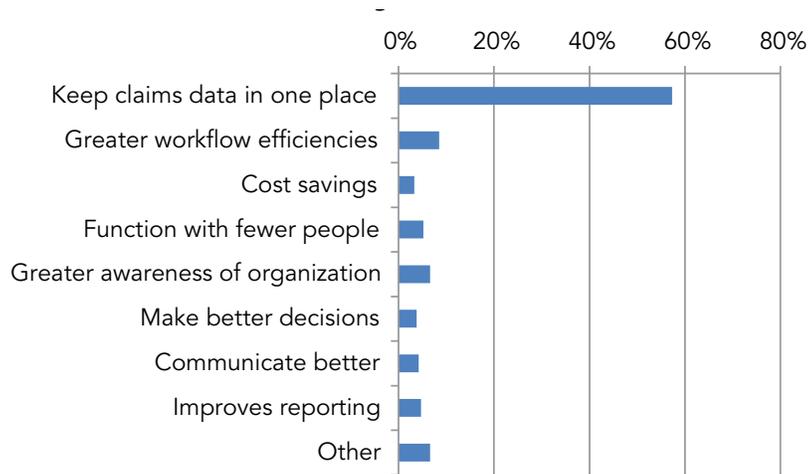


Of respondents with organizations having a RMIS, nearly two-thirds said that their current system was not their first. A similar number said their RMIS had been in place for 5 or more years.

When asked why they use a RMIS, more than half said that it enabled them to keep claims data from different sources in one place. At only 8 percent of total responses, the far distant second place reason was to enable greater workflow efficiencies. (Exhibit 3)

Departments other than Risk Management often benefit from RMIS. More than two thirds of respondents chose “Safety and Loss Control” as a department that uses output from the RMIS.

Exhibit 3: Why use RMIS?



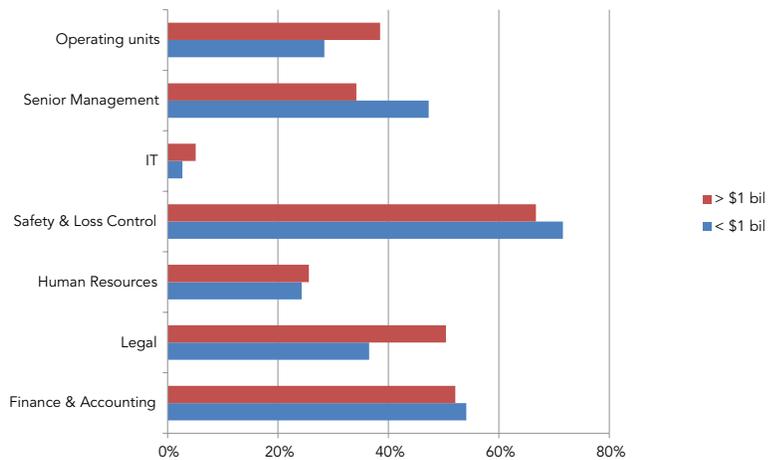
Departments other than Risk Management often benefit from RMIS. More than two thirds of respondents chose “Safety and Loss Control” as a department that uses output from the RMIS. Other departments benefitting from the system include “Finance & Accounting” (53 percent), “Legal” (45 percent), and “Human Resources” (25 percent). Nearly 40 percent claimed that “Senior Management” also uses RMIS output. One respondent commented: “RMIS allows for multiple disciplines to have access to various elements of the data, thus increasing involvement and awareness throughout the organization.”

The distribution of users of RMIS information other than Risk Management varied somewhat by the size of the organization. Those with revenues less than \$1 billion were less likely to involve Legal, but more likely to provide information to Safety & Loss Control and Senior Management. (Exhibit 4) Smaller organizations were less likely to provide information to Operating Units, though the difference may be a factor of the types of organizations falling into each revenue band rather than a function of size.

Respondents differed widely in their opinions as concerns how long it takes a RMIS to pay for itself. The most common response was 2-5 years, but that was chosen by less than one quarter of respondents. About 16 percent responded that it took only 6 months or less for their RMIS to recoup their investment. More than half said their system had paid for itself in 2 years or less.

When asked about criteria for determining whether their RMIS was a good investment, some of the common themes were “productivity,” “cost savings,” “flexibility,” and “reporting capabilities.”

Exhibit 4: Other departments using RMIS output by revenue size



When asked about criteria for determining whether their RMIS was a good investment, some of the common themes were “productivity,” “cost savings,” “flexibility,” and “reporting capabilities.” Comments included:

Productivity/efficiency

“Improve productivity and accuracy of the Risk Management team.”

“Ultimately it hinges on whether our various uses of the RMIS tool allow us to improve efficiency of our internal/external resources.”

“Increased internal efficiencies in claim adjustment process.”

Cost savings

“Data mining for cost reduction opportunities.”

“Assists in total cost of risk reduction.”

“Cost savings from consolidation of data resulting in better insurance program structures, identification of gaps and duplications.”

Flexibility

“You need a good flexible system that will work with all lines of insurance.”

“Provide flexible query and report tools.”

Nearly two-thirds of respondents said their organization does not have explicit ROI targets for investments such as a RMIS.

Reporting

“Ability to consistently get the same answers when producing management reports.”

“Ability to generate various claims reports needed in various formats for external and internal purposes, such as insurance renewals, financial audits, actuarial work for self-funding purposes, claim meetings, claim and other trend analysis, reporting to our Board.”

“Extensiveness of reporting capabilities.”

When asked about who makes the final go/no go decision about investing in a RMIS, respondents were almost evenly split between the Risk Manager and the CFO at nearly one third each, though the Risk Manager is generally more empowered to make the decision in companies with revenue greater than \$1 billion, and the CFO more likely the decision-maker in smaller companies. Almost 10 percent of all companies claimed that the decision lay with the CEO. A number of respondents wrote in “Treasurer.” For public entities, written responses included “City Manager,” “Board of Commissioners,” and “City Council.”

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When asked about the impact of a RMIS as it relates to the importance of Risk Management within the respondent’s organization, responses ranged from no impact to a significant impact. Among those claiming that RMIS has a positive impact, written responses included:

“It helps me sell the importance of our mission with a clear ROI.”

“It is an enabler and an important tool for the Risk Team to support its internal customers.”

“Helps us better evaluate our TCOR, improve management reporting, emphasize the impact Risk Management has on the bottom line.”

“The importance of Risk Management to the organization rises with the quality and quantity of information about the cost of risk and the results of our efforts to reduce same.”

”The RMIS will replace the need for at least two additional staff members at a cost of less than one clerical level employee.”

“Our RMIS does enhance the importance of Risk Management as information is reported to managing directors and specific results or KPI are tracked and reported.”

“Huge impact to forward risk management and safety goals within the organization.”

Respondents were asked how they would explain the value of a RMIS to their CEO. Common responses centered around the concepts “cost savings,” “improved safety,” “compliance and control improvement,” “process improvement,” and “return on investment.”

Cost savings (internal and cost of risk)

“Increased productivity, increased collaboration in a multi-state company, better metrics to help reduce costs.”

“Ability to run properties more efficiently and lower the overall cost of risk.”

“Assist Risk Management in reducing the Cost of Risk by quickly identifying problem areas and trends.”

”The RMIS will replace the need for at least two additional staff members at a cost of less than one clerical level employee.”

Safety

“There is no other way to provide the kind of information about injuries and how to improve safety in the company without the system.”

“We will be able to complete trending reports so we can focus on the safety areas that are impacting the company the most financially, hoping to reduce those costs.”

“Improve safety and operational performance.”

Improvements in compliance and controls

“A tool to reduce cost and strengthen internal controls.”

“Better compliance and recordkeeping.”

“Simplest terms is the pure ROI . Once you have the numbers to show the value, it is an easy sell.”

Process improvement

“A new RMIS could create efficiencies by substantially reducing the amount of input time and other duplications.”

“Provides greater efficiency, collaboration and reduces costs.”

“Streamline processes and become more efficient.”

“Instead of the time consuming process of creating manual reports for the Executive Management, with the RMIS, Risk Management can generate reports quickly and accurately.”

Return on investment (ROI)

“I would ... provide a ROI based upon actual cost offsets and then point out the opportunities that would be available in the future.”

“Simplest terms is the pure ROI . Once you have the numbers to show the value, it is an easy sell.”

“Everything is about ROI.”

Analysis and conclusions

Most respondents to this survey see significant value in RMIS. Most survey participants already have a system, and often were on their second or third implementation. Of those that do not have a RMIS, lack of sufficient claims volume was most often cited as the reason why.

Among the RMIS benefits most often cited by respondents were visibility/access to information, and efficiency and process improvements. It was clear, however, that not all users derive equal value from their systems. Some users are seemingly more imaginative in leveraging their systems for maximum benefit, but differences in utilization and perceived benefit may also be a function of the age and sophistication of the particular system being used. Newer systems, for example, often can identify areas of priority based on combinations found in the data, enabling risk managers to focus their efforts on those tasks with the greatest impact.

A clear conclusion drawn from the survey is that a RMIS will benefit almost every organization.

Fewer than one quarter of respondent companies have explicit ROI targets for an investment in a RMIS system. Nonetheless, a RMIS appears to be a sound financial investment with more than half of respondents claiming that their system had paid for itself in less than 2 years. While not every organization has explicit ROI targets, most survey participants articulated their justification for a RMIS expenditure based on criteria such as improved safety, cost savings, and greater efficiency, all of which can have a measurable bottom line impact that contributes to a strong positive return on the initial investment.

Responses concerning if and how RMIS enhances the risk management role within organizations varied widely – perhaps reflecting differences in expectations and user sophistication, but likely also an outcome of the age and functionality of the various systems represented in the survey. A material number of survey participants replied that their RMIS had no impact, but many others found that their system enabled them to have a larger and more visible role throughout their organizations. Among those who reported the greatest benefits, common themes were an increased attention to loss control, better communication with internal customers and senior management, and bottom line impact on their organization's performance.

A clear conclusion drawn from the survey is that a RMIS will benefit almost every organization. Many organizations, however, could be doing a better job of coaxing value from their systems, or would benefit from more sophisticated technology. Some respondents – perhaps those with legacy systems having limited functionality – said that their RMIS was a Risk Management Department tool that is otherwise largely invisible to the rest of the organizations. Others, however, made the point that departments other than Risk Management regularly used and benefitted from RMIS data, and that the system was an effective platform for extending risk management processes throughout an organization, thereby increasing the impact and influence of the risk management role. ■