

FROM DATA TO DECISIONS

SELECTING RISK MANAGEMENT SOFTWARE

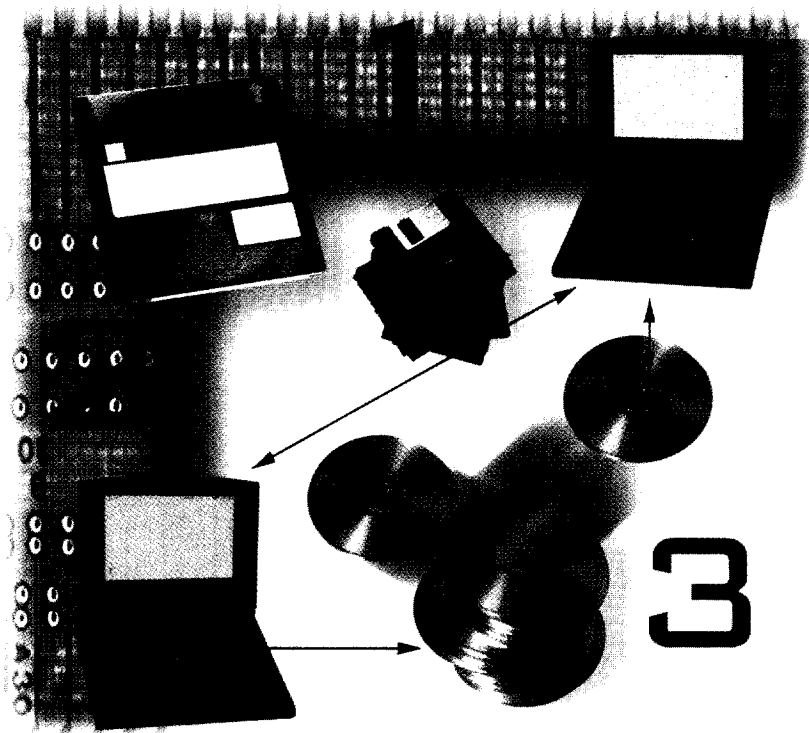
BY DAVID P. DUDEN

When discussing how risk management software is implemented, there is a startling disparity in how successful such an effort can be. There are instances in which a risk management information system (RMIS) seems to integrate into an organization's operations without any problems. The new system fits beautifully into a company's hardware and software environment, training is completed ahead of schedule and software support often involves little more than the provider calling the end user to make sure the product is still functioning. Unfortunately, these types of systems implementations are probably rare.

In fact, purchasing a RMIS product is often a complex challenge that leaves the end users frustrated not only with the software, but also with the provider. Time and effort that should be devoted to the risk management department's mission is instead diverted by training sessions, service calls and attempts to resolve complaints and problems.

Part of the difficulty with purchasing risk management software stems from the wide range of products that purport to offer solutions to an organization's administrative problems. We have identified nearly 70 companies marketing risk management software, and merely determining which companies seem to offer the most promising products can be a challenge in itself. Even organizations that retain consultants to evaluate potential RMIS candidates can easily waste a great deal of effort and expense trying to sort through the potential solutions.

Another common problem is that many vendors don't understand the customers they are trying to serve. By attempting to "fit" their products into environments that are not compatible, vendors can spend an incredible amount of effort trying to maintain customer relationships. Presentations at industry events can be helpful in understanding customer needs but do not allow the type of specific feedback that can direct the providers' development efforts. ➤



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What Do You Need?

The key to a successful RMIS implementation is first conducting a proper analysis of the organization's needs and expectations. The specific needs will depend on a number of considerations, such as an organization's corporate information system, mandated regulatory reports and other factors, but companies must carefully identify the functions and processes it plans to assign to the RMIS and compare those to the capabilities of a potential product.

Many risk management departments have taken advantage of exist-

veyed in an easy-to-understand format? Will data be exchanged with brokers or underwriters? If so, will the systems be compatible? Considering these issues will provide important insights that can be balanced against the capabilities of a system being considered.

With all automation systems, one can assume that a specific work flow is dictated by the way the software operates. This system flow needs to be measured against the current operating methods and resources of the company considering the change. For example, if a system requires that data

The newest tools attempt to take advantage of the growing use of intranets to expand the reach of risk management within their organizations. As part of this trend, the industry is starting to see more user interfaces take on the appearance of popular Internet browser products such as Netscape Navigator or Microsoft Explorer, which are easier to use than the mainframe-type commands common in many systems. As more RMIS products take on the appearance of a common interface, this ease will also help to improve communications within an organization. If risk man-

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ing products to assist with their administrative tasks. Typical functions assigned to risk management information systems include claims administration, report preparation, regulatory compliance and policy management (tracking policies, effective dates and certificates of insurance).

A valuable step that should take place at the beginning of an analysis is interviewing employees about the effectiveness of the existing information system and work processes. This will allow the organization to identify the most critical functions, evaluate its existing technology resources and uncover any manual processes that should be automated.

It is also important for an organization to evaluate its communications needs and procedures. The software needs analysis must consider the types of information the risk management department provides as well as its data distribution channels. Is the department providing relevant information to other functional areas on a timely basis? Are the right people getting the right information? Is information con-

be entered into a pre-formatted screen, how does that compare with your current methods? What will the effect be on the overall work flow of the department? Is there a better way to accomplish the task?

Another important issue that must be addressed is the resources available to support a risk management information system. In fact, operating systems and network support issues are among the most common problems that arise during system implementation. The tremendous variation in support services provided by vendors can create a number of difficulties. Many vendors provide detailed on-site training and support, while others provide a brief overview and leave behind an 800 number to call. There is nothing wrong with either approach if you have the internal systems support to mesh with services provided by your RMIS vendor.

The New Generation

The growth of the Internet and corporate intranets is changing the appearance and functionality of RMIS prod-

agement information is mounted on a corporate intranet in a format that is easily accessible, people in other departments will be less inhibited about examining their own data. In addition, companies will be better able to assemble an integrated solution to their needs using products or services from multiple vendors. Vendors will tell you that they can't be all things to all customers, but with an integrated approach that combines offerings from multiple providers, risk managers may get closer to the ideal.

Another trend shaping the newest risk management information systems reaching the marketplace today is a stronger emphasis on analytical tools and decisions support. Instead of merely capturing and processing data, today's risk management software products attempt to provide the ability to manipulate data into patterns that can provide knowledge.

Many existing software products can generate a report that tells risk managers how many injuries were reported in certain facilities or departments, but most aren't able to go

beyond the statistics or provide any recommendations on how to correct a problem. The latest software offerings are taking that next step by including features designed to help risk managers think about ways to solve their problems. Used effectively, these products can help risk managers by making suggestions about potential solutions.

Systems developers use a variety of approaches to provide decision support. Some provide a built-in benchmarking function that uses data from a variety of industry sources to make projections such as time lost from the workplace and costs associated with reported injuries. Such experience-based systems can be useful in suggesting future reserve values. Other approaches include examining the pieces of information that make up a sum total to determine if the results fall outside an expected range. For instance, safety statistics from several departments or locations can be analyzed and compared to identify the existence (and source) of any potential problems.

Another important feature risk managers should consider as they look to upgrade their RMIS is a product's communications tools, which are used for distributing information within an organization. Many systems can generate sophisticated information, but companies also need to look at a system's ability to get data to people who can really benefit from them. Different organizational departments will have varied information needs, and your RMIS should be flexible enough to provide reports that emphasize the data that matter most to the end user. For instance, an operating department will be most interested in the number and type of employee injuries, while the treasury department will be more interested in the financial implications of those incidents.

Testing Ground

In the near future, risk managers will be reading more about the RMIS Testing Laboratory (RMIS/Lab), an initiative Deloitte & Touche has established to compare products from different vendors, help evaluate the effec-

tiveness of RMIS software and provide objective benchmarks for subjective categories such as ease of use. For instance, we are developing a common data set containing a limited number of claims and policies for each of the major lines of business. This will allow us to compare applications and reporting methods more accurately. In the future, we may be able to load specific client or industry data to provide a better simulation.

Although categories such as ease of use are highly subjective, a number of objective measurements (such as the number of keystrokes needed to complete various functions) can be used to rank different products. The ability of an RMIS to bring in information from an existing human resources system, without having to enter employee data manually, offers similar time savings that can be measured.

Another important benefit of the RMIS Testing Laboratory will be to increase the exposure of software vendors to the risk management community. In the past, many providers were considered only because of their previous exposure in the industry. We also hope that the testing laboratory will give vendors added insight into the needs of the end user. Current members of the RMIS/Lab include: ATS (American Technical Services); Corporate Systems; Risk Sciences Group; Envision; Anistics; Risk Laboratories; Delphi Technologies; Embassy Group; and Conway Computer Group. We expect this group to expand.

We also hope that the results of the RMIS Testing Laboratory can be shared with the entire industry as we move into new areas of technological advancement. We believe the RMIS Testing Laboratory will enable RMIS shoppers to feel more confident in their purchasing decisions, help companies prepare for system implementation and allow vendors to target developments at customers' specific needs. As Jo Standley, director of risk management at Club Corporation states, "The ability to make more informed decisions about systems is becoming critical as we become more dependent on information from our RMIS." RM

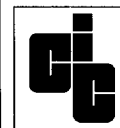
Claims & Risk Management Systems

GenRIS - CIC's flagship claims system is composed of a seamless integration of software modules for workers' comp (**GenCOMP**), group medical (**GenMED**), property & casualty (**GenPAC**), disability management (**GenDIS**) and risk management (**GenRISK**).

Function Rich - Extensive features include integrated claims management for occupational and non-occupational medical and disability events. All systems are readily customized to meet your unique needs and incorporate many leading third party software packages.

Portable - CIC software is available on multiple platforms including AIX on IBM's RS/6000, Windows NT, and other UNIX platforms.

Efficient - By incorporating CIC's fully integrated imaging system (**GenARS**) and Electronic Data Interchange (EDI), paper flow is minimized, enabling immediate and efficient access to critical data.



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