

# Workers' Compensation

## *Practice Group*

Workers' Compensation insurers continue to face many challenges with the shrinking economy, the influences on cash wages and declining payroll, Medicare Set-Aside arrangements, the potential impact of federal healthcare reform, and the expansion of medical inflation and overall utilization. It is critical to understand the impact of these conditions to increase business productivity and profitability throughout industry market cycles.

Aon Benfield monitors the domestic and global marketplace, identifying and anticipating trends that will impact our clients. With extensive experience and insight, we help clients make informed workers' compensation decisions as part of a comprehensive capital allocation strategy. By understanding workers' compensation trends, we can develop innovative carrier solutions and establish future market direction in this line of business.

## Key Service Offerings

By combining teams of brokers, actuaries, financial analysts and claim specialists with state-of-the-art technology and a thorough knowledge of the marketplace, we help insurers improve profitability while managing the volatility of their workers' compensation business.

Our workers' compensation specialists assist our clients with managing their combined ratios throughout market cycles, providing profitable growth opportunities through state, class and sector analysis, expanding their competitive differentiators, and improving their reinsurance trades. Key service offerings include:

- Establishing best practices including underwriting and claims
- Analyzing the expected effect of recent state reforms
- Analyzing profitability within a state prior to expansion
- Analyzing loss cost by class code to determine selected targets
- Performing claim frequency and severity studies
- Reviewing loss cost inflation trends
- Developing optimal usage strategy for assigned risk pools
- Providing pension analysis of large workers' compensation claims
- Providing rate adequacy and loss ratio analysis
- Identifying policy enhancement and/or non risk revenue opportunities

## Leading the Market with Innovative Tools and Solutions

To help our clients evaluate alternatives, Aon Benfield has developed several proprietary models and tools designed to assist our clients in making the best decision. Our practice group leads the market with innovative workers' compensation solutions, including:

- **Large Deductible Rating Model**, based on an estimation of expected loss and calibrated for target return on equity
- **Paradigm**, a partnership for Catastrophic Medical Management Services (return to work)
- **BobCAT™**, a revolutionary workers' compensation catastrophe product that reduces credit risk resulting from reinsurance recoverable, simplifies commutations and speeds claims payments on long-tail lines of business
- **Industrial Accident Model** quantifies the potential exposure to large-scale events such as fire/explosion, workplace violence, or harmful substance. The analysis is based on various scenarios at each insured location within a client's workers' compensation portfolio.
- **CatRAM** is a model that calculates various loss metrics including AAL, standard deviation and attachment/exhaustion
- **CompMetrics™** workers' compensation reinsurance brokerage and administration solutions rely on analytic tools and reports including dynamic financial analysis, catastrophe modeling, predictive modeling, market share analysis and tabular reserving

## Reports and Information Sharing

Now more than ever, in times of financial turbulence, our clients need detailed insights on their reinsurers and the workers' compensation market. To optimize clients' operating results, our team provides market intelligence and trend analysis through a variety of reports and shared information, including Industry Large Loss Reports, Workers' Compensation Newsletter, State Analysis Overviews, Return on Equity Maps, QuoteMetrics, Annual Reinsurer Survey, and Emerging Exposures Reports.

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## Key Advantages

We help our clients improve their reinsurance programs, recognize market conditions and pricing cycles, analyze various forms of reinsurance and alternative structures, provide key modeling output, and secure the broadest market terms at the most efficient price. With access to reinsurance markets throughout the world, Aon Benfield provides workers' compensation reinsurance solutions that are simply unmatched.