INNING IN SPORT OR BUSINESS IS OFTEN A numbers game. It’s all about having accurate, up-to-date information available at your fingertips so you make the right decisions at the right time.

If you have seen the movie, Moneyball, or read the book it is based on you’ll know what I mean. If you haven’t, I suggest it’s a useful investment of your time. Moneyball is a blueprint for success.

How on earth did manager Billy Beane’s unfancied Oakland Athletics become the first team in the 100-year history of professional baseball to win 20 consecutive games? By using in-depth analysis of player statistics to make better informed decisions.

The book’s subtitle—The art of winning an unfair game—underlines Billy Beane’s unquenchable desire to exploit his available resources to take on and beat the best.

Take away the baseball bat and the winning principle remains the same—information can tilt the odds in your favour. It enables you to assess and reduce risks, remove guesswork, anticipate problems before they happen and maximise the use of your assets.

In the world of risk management, ideas on how you can do this can be found in this report. Aon eSolutions is delighted to provide much of the data and comparative analysis, some of which is drawn from our 2012 Global Risk Technology Survey.

Commercial Risk Europe believes it is Time to get Serious and points out that risk management information systems (RMIS) are becoming an increasingly important tool for risk and insurance managers.

Gathering, analysing and distributing quality risk data is now a board-level demand. The need to collate information and report in an efficient and reliable manner is more important than ever. This report explores the challenges and examines how technology is fundamental to achieving results and informing decision-making.

Equipped with a robust RMIS, the home runs businesses can hit include, improving data quality, working more efficiently, reducing losses and optimising Total Cost of Risk. Billy Beane’s fabled Oakland A’s broke the mould by acting smarter with information. In these tough economic times, achieving the business equivalent of an unbroken 20-game winning streak is a tantalising goal.

I hope you enjoy this report and find it both informative and engaging.

Steve Cloutman
MANAGING DIRECTOR, EMEA, AON eSOLUTIONS
Introduction & Contents

TECH.REP.—
Developing the technology of risk information

The beginning of each year sees insurers outline the trends they foresee for the coming months and prominent among these is the need for a greater level of information pertaining to companies’ risks and exposures—whether that be for traditional lines of insurance, such as natural catastrophes and professional indemnity or for emerging products for cyber risk and supply chain risk.

At the same time, risk managers are themselves keen to improve their ability to identify, analyse and distribute their risk information, especially those that are adopting an enterprise-wide approach to managing risk and a more systematic use of technology to help meet this objective.

This special report on risk management information systems, sponsored by Aon eSolutions, aims to inform risk managers of the various services, systems and tools available to them and also highlight the current trends in how companies are currently using these tools.

The report also identifies, through interviews with leading risk managers, how these specialist systems can be integrated into a company’s wider IT infrastructure and how they can be used to report risk information to senior management and other departments and business lines.

Furthermore, the report examines how the greater use of risk management information systems can be used to more efficiently transfer risk to the insurance market and how underwriters and brokers can play their part in ensuring an effective bilateral exchange of information—from an aggregated view of policy details to a real-time benchmarking analysis of market rates.

As the report’s title recommends, it is time for the market to get serious in its use of risk management information and what is likely to be a critical issue for this year and beyond.

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TIME TO GET SERIOUS...
“As far as information technology (IT) is concerned, insurers still live in the stone age. While a modern IT system could make a real difference, for example to tackle supply chains, the insurance industry is just not moving. I don’t know why. Banks are demonstrating what you can achieve with good IT and a corresponding strategy. Insurers, on the other hand, have nothing to offer and the situation is even worse on the relatively small market for industrial risks. I think it’s clear that insurers as well as brokers need to invest more in IT in order to realise the potential with regard to customer services and claims handling.”

Gregor Köhler, CEO and President of Pallas Versicherung, the insurance arm of German chemical giant Bayer, in an interview for Commercial Risk Europe’s annual Risk Frontiers survey 2012

This damning indictment of the insurance industry and its approach to IT was taken from the 2012 Risk Frontiers survey—an annual research project undertaken to gauge the priorities and concerns of leading European corporate risk managers. The results of the survey conclusively confirmed that the value of risk data gathering, analysis, management and distribution is held in high regard by risk managers. On the one hand, the information is increasingly important for internal purposes—to get a true and accurate picture of exposures and to act as the foundation for a genuinely enterprise-wide risk management programme.

On the other, the information is a critical component in the relationship between risk managers and their insurers.

The catastrophic events in Japan and Thailand during 2011 uncovered glaring shortfalls in the availability and analysis of risk information, which threatens to lead to a serious capacity problem for risk managers. Reinsurers and insurers are telling the risk managers that they cannot continue to provide broad-based business interruption cover and even think about more effective contingent business interruption (CBI) coverage without more detailed and accurate information to help analyse the potential risks.

Underlying data gap
Meanwhile, developing exposures such as cyber risk and reputational damage demand more robust and enterprise-wide strategic risk management and insurance coverage responses. But these cannot be delivered if the risk managers do not hold underlying data to analyse the risk at source and communicate the implications effectively.

For their part, the brokers, insurers and other service providers to the corporate insurance market also have a big opportunity to differentiate themselves from the competition by providing best of breed information systems. This will help their customers capture, organise and analyse the data that they hold and also provide benchmarking systems that help the customers to measure themselves against their peer groups and to put their exposures and the consequent coverage into context.

On top of this, the insurance market seems likely to harden over the coming 18 months but not in a dramatic way. This means that those risk managers who can demonstrate that they are on top of their risks and manage them effectively will be the last to have price increases and coverage restrictions forced upon them. Simply telling brokers and insurers that you are on top of your risks and managing them successfully is not enough in today’s market. The risk carriers need hard evidence of an effective risk management and loss control approach and for this the risk manager needs to be able to capture, collate and present the data.

Tools available
Fortunately there are an increasing number of tools available for risk managers, not least the growing number of risk management information systems (RMIS) that have been developed in the last decade, especially those provided by the broker community. For years risk managers have relied on spreadsheets to collate their risk management data but there is a realisation that in certain areas at least, this will no longer suffice.

The typical RMIS started life as a claims management tool but has since matured to cover exposure management, risk reporting, premium allocation, renewals information, policy management and supply chain management as well as providing more detailed market-based analytics. Consequently the way an RMIS is used by risk managers is also starting to develop beyond simple administrative functions—to act as the foundation for boardroom reporting on risk, to provide the economic data to make budgeting forecasts on the cost of risk.

The catastrophic events in Japan and Thailand during 2011 uncovered glaring shortfalls in the availability and analysis of risk information, which threatens to lead to a serious capacity problem for risk managers...
transfer and to enable benchmarking by geography or sector for the level of exposure a corporate may face.

There is a realisation among risk managers of the benefits that an RMIS can provide and there is also an appetite for further requirements from the standard requests for enhanced ease of use or for a boost in performance to more specific demands for aggregated views of certain exposures or benchmarking capabilities.

Risk managers’ greatest demands though are not centred on the functionality of their RMIS but on the systems employed by their insurers and the quality of information they receive in return—the accusation being that insurers are being hypocritical when they criticise risk managers for the quality of information they receive when so many are unable to produce electronic reports to their insureds.

Realistic view

But there also has to be some awareness of what insurers can realistically achieve given the slow rate of change in the industry. Many are large global organisations that have built up a myriad of different and proprietary systems over a period of decades and to expect these legacy issues to be easily surmountable would be naïve. Similarly, if insurers will take time to overcome their own internal issues, it will take longer still for the industry as a whole to come up with standardised market solutions that enable risk managers to deal with all insurers through the same data formats and protocols.

Parallels can be drawn with the banking industry, as suggested by Mr Köhler in the quote at the beginning of this article. Financial institutions have certainly exploited IT far more successfully than their insurance counterparts, although many are still dogged by the same internal legacy issues that insurers face and often find it just as difficult to get a handle on managing their own information.

But in terms of providing their customers with a useful interface based on the latest technology and making full use of the self-service capabilities that internet-based technology facilitates, banks have certainly led the way. Internet banking has become ubiquitous in retail banking and internet-based portals are now commonplace in business banking. The closest parallel to the relationship between corporate risk managers and their insurers is that between corporate treasurers and their transaction banks as treasury management systems continue to develop.

While it may still take some time for the IT investment made by insurers to become visible to risk managers, brokers have had more success. Aon, for example, has invested heavily in its eSolutions business and according to EMEA managing director Steve Cloutman, there has been a 31% increase in new business from 2011 to 2012. And Aon eSolutions’ 2012 Global Risk Technology Survey, a triennial study into the industry’s use of IT, shows several encouraging signs of growing maturity in the systems.

For example, when listing the benefits of using an RMIS, risk managers no longer refer to claims management, or the advantage of increased transparency—the conclusion being that such properties are considered as prerequisites rather than aspirations. Granted, the accuracy of data and the automation of processes feature highly on the list of benefits but there is also a readiness to use internet and cloud-based services to distribute data as well as a growing appetite to employ mobile and tablet technology as ways of receiving risk data.

But, after interviewing risk managers for the course of this report, it is also clear that the use of risk technology still has some way to go to reach full maturity. No standard system has emerged which is perhaps understandable given the varying needs of corporate risk managers. It is also clear that a fully functional and state-of-the-art RMIS is not suitable for every risk manager, be that through reasons of cost or the relatively simple organisational structure that is still manageable via spreadsheets.

Third party risk

There is also an uneasiness among some risk managers about entrusting an external provider with the company’s risk information and concerns about who actually owns the risk data if the RMIS is provided and operated by a broker or other risk services provider, a fear that could possibly be allayed by the development of interoperable data protocols.

Nevertheless, there is something that risk managers, brokers and insurers can all agree on—there is more to debate in terms of developing workable solutions and services that can improve the quality of risk management information that is received, distributed and exchanged between corporates and their insurers. And hopefully the debate can flourish, awareness can increase and the investment in technology made on all sides will start to bear fruit.
Chapter 2

CRE talks to Aon’s eSolutions team about the results of the 2012 Global Risk Technology Survey and the implications for the future development of risk management information systems

The 2012 AON eSOLUTIONS GLOBAL RISK Technology Survey is the second such study into risk managers’ use of information management systems, following the inaugural survey in 2009. Risk and insurance managers from more than 300 organisations from 56 countries were canvassed for the survey—the majority of which were from North America and Europe (80%)—covering all industries.

“The intention was to find out what the market requirements are,” says Craig Torgius, Business Development Director at eSolutions, the technology arm of Aon responsible for developing tools to help risk managers. “We wanted to know what risk managers are currently using in terms of risk technology and what they will be using in the future. We also wanted to know how risk managers viewed the insurance industry as both a user and a provider of technology. Is it an industry that leads in terms of technology or is it some way behind? We are then able to use this information to help in our development and to see where we should be investing in our RMiS product.”

Aside from being an aid to product development, the survey also focused on the issue of return on investment (ROI)—increasingly important in these cost-conscious times—asking risk managers what return they had seen through their use of RMiS technology and then aggregating and quantifying these answers to give a general idea of the kind of returns available to risk managers.

The survey also enabled risk managers to both articulate and evaluate the benefits they have gained from using an RMiS, other than ROI. A similar line of questioning featured in the 2009 survey and there were some noticeable differences cited in the 2012 survey.

Key benefits
The highest ranked benefit cited by risk managers was the accuracy and reliability of data. “This was broadly what we expected and is consistent with the results from the

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<table>
<thead>
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<th>Top Ten Benefits for Using a Risk Data Technology by Region</th>
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<td><strong>Ranking</strong></td>
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<tr>
<td>Benefit #1</td>
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<td>Benefit #2</td>
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<td>Benefit #3</td>
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<td>Benefit #8</td>
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<tr>
<td>Benefit #9</td>
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<td>Benefit #10</td>
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‘The biggest shift in the results between 2009 and 2012 was related to the automation of processes. This moved from number five to number two among European insurance and risk managers in the list of key benefits, a promotion that reflects the impact of ongoing cost pressures...’

2009 survey,” says Mr Torgius. “A lot of RMIS use has been driven by the insurance market and its demand for a better quality of information as risk managers move from the use of separate spreadsheets to data that is accessible from one system, more auditable and transparent.”

The biggest shift in the results between 2009 and 2012 was related to the automation of processes. This moved from number five to number two among European insurance and risk managers in the list of key benefits, a promotion that reflects the impact of ongoing cost pressures, says Mr Torgius. “We are seeing smaller risk and insurance teams as companies look to trim their departments but the administrative tasks they face remain the same—be that the management of claims information or renewals and policy management. So we are seeing an outsourcing of these administrative functions to automated systems. They are looking to streamline their processes and be more efficient.”

Management reporting (fourth), communication improvement (seventh) and increased awareness (eighth) were also ranked within the top 10 benefits by the survey’s respondents, showing that there is also a desire among more enterprise-minded risk managers to improve their understanding of risks throughout their supply chain as well as within their own organisation. “They want to reach out but they need tools to help them do that and this is where a RMIS, as well as the general development of internet and cloud-based services, can play an important and beneficial role,” says Angus Rhodes, EMEA Product Manager at eSolutions.

As well as the entry of new benefits, the 2012 survey has also seen some benefits that featured prominently in 2009 drop out of the top 10. For example, claims management is no longer a top 10 benefit—something that perhaps shows how much the use of these systems has evolved among risk managers and the ability to manage claims information is seen as a given rather than a value-added benefit.

“I think this shows the maturity of these systems. In the US particularly we are seeing (risk) managers using these systems not just for claims management but for claims consolidation. Interestingly though when you look at future uses of technology, we tend to find that organisations start adding on modules as their requirements evolve and those not currently using an RMIS for claims management at the moment will be in the future,” says Mr Torgius.

Another benefit that does not feature in the 2012 top benefits is transparency and control. According to Ilka McHugh, Director of Solutions Consulting at eSolutions, these are properties that are assumed to be there and does not mean that they are viewed as any less important. “With regulations like Solvency II and Dodd-Frank there is a lot of regulatory pressure on insurers and risk managers so it is just assumed that control and transparency will be visible benefits with any RMIS.”

**Return on investment**

The survey also canvassed respondents on the importance of ROI in both the purchase and the ongoing use of an RMIS. The same issue had been raised in the 2009 survey when 78.6% of risk managers viewed the economy and

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### Overall Savings from Risk/Insurance & Claims Technology

<table>
<thead>
<tr>
<th>Savings Range</th>
<th>Percentage</th>
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<tr>
<td>$0 - $50,000</td>
<td>10.0%</td>
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<tr>
<td>$51,000 - $100,000</td>
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<td>$101,000 - $250,000</td>
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<td>$251,000 - $500,000</td>
<td>34.5%</td>
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<td>$501,000 - $1,000,000</td>
<td>4.4%</td>
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<tr>
<td>Over $1,000,000</td>
<td>3.2%</td>
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<tr>
<td>Not sure</td>
<td>2.8%</td>
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### Time Expected to See Return on Investment

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<th>Percentage</th>
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<tr>
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<tr>
<td>2 Years</td>
<td>13.6%</td>
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<td>12.2%</td>
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<tr>
<td>1 Year</td>
<td>9.4%</td>
</tr>
<tr>
<td>6 Months</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

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their company's budget as key factors in their use of risk
technology, although almost half of the same risk managers
were unable to quantify how quickly they expected to see a
return on their RMiS investment.

Three years later the results are similar but with some
improvement. In the 2012 survey, 47.5% of respondents
expect to see a return on risk technology tools within two
years, an increase from the 43.1% who provided the same
answer in 2009. Again though, almost half of risk managers
stated that they had no specified timetable.

However, in terms of the size of the return that risk
managers expect, the results are more encouraging. Almost
60% of those canvassed in 2009 admitted that they were
unable to estimate their savings but this figure dropped to
34.5% in 2012 while 49.5% expect savings of up to $500,000.

According to Steve Cloutman, Managing Director
EMEA at eSolutions, the results are indicative of a shift
in focus towards ROI from companies and a more formal
involvement from their procurement departments when
purchasing risk technology. “There are a lot more questions
being asked of us which is, in part, due to more input in the
procurement process from the corporate side wanting to
teach expenditure in all areas, including risk and insurance
management.

“There is more demand out there from clients wanting
these types of systems and looking to invest for the first time.
They are focused on ROI and we are able to demonstrate that.
They are looking to convert administration activity to a more
value-based activity.”

The ability to quantify ROI from RMIS is, therefore, an
essential aspect of an organisation's ability to use technology
to support its enterprise-wide management programme, says
Mr Cloutman. However, there is clearly more work needed to
demonstrate exactly how a timeframe as well as a figure for
ROI can be calculated and demonstrated.

At its simplest, ROI is measured by identifying the
business areas that will be affected by the use of an RMIS
prior to system selection and then tracking those same
areas once the system is in use. It is also useful to consider
some capital budgeting analysis when tracking ROI—for
example, the internal rate of return and the net present
value (the present value of an investment's future net
cash flows minus the initial investment). There are also
changing costs associated with implementing a new system,
decommissioning an old system or the continued or
increased risk associated with keeping systems the same.

Total cost of risk and
impact on risk transfer
The total cost of risk (TCOR) is a critical part of assessing
the return from using risk technology and is also an area of
interest in its own right, as shown by the fact that reducing
TCOR was ranked as the ninth most important benefit by risk
managers in both the 2009 and 2012 survey.

When looking at TCOR there are three categories—risk
retention, risk transfer and risk administration. And, in
theory, the use of an RMIS can create savings in all three
categories, be it the presentation of better data to the
insurance market, identifying trends in loss history to form
loss prevention strategies or capturing all global and local
policy information to provide a complete picture of risk
financing.

The savings in risk transfer are the biggest in a net sense
because the risk transfer value is the biggest in absolute
terms. As a percentage, the greatest savings come in risk
administration and the automation of processes. But in risk
transfer terms, the survey showed an increase in the number
of firms (18.5%) that saw a saving in excess of 10% on their
risk transfer costs and for many of the participating firms that
have an annual turnover exceeding £1 billion. This adds up
to a significant sum, says Mr Torgius.

“Users of RMIS are better able to present more accurate
and reliable information to the insurance market and they
are using several things to demonstrate this. The data is of
a higher quality in terms of exposure information and they are able to ask of the business more accurate and relevant questions and this follows through to the underwriting.

So we have seen some significant savings in terms of risk transfer expenditure. The ROI as a proportion of total cost of insurable risk is valued at between 4% and 9%.”

So does this mean that risk managers are able to transfer less risk or that they are paying lower premiums for the risk they are transferring? “The key thing is that the systems enable managers to decide and to make more informed decisions when it comes to risk transfer and the purchase of insurance because of the breadth of information they have.

The systems put risk managers in a more proactive rather than reactive position and this is perceived better by the insurance market. With historical data they can fine-tune their level of risk retention and take informed decisions.”

There is also an administrative benefit for large organisations with an extensive global programme, says Mr Torgius. “The systems enable insurance managers to see what insurance programmes they are buying in local territories and to see where there may be overlap or duplication. They can then mitigate that cost and see some immediate savings that have come not from a change in underwriting policy but from recognising that they have bought too much insurance. So it is not always the most complex reasons that drive the savings.”

Rate of adoption
In addition to being asked if they used an RMIS and why they used an RMIS, the survey’s respondents were also asked how long they had been using an RMIS or other externally provided tools to manage their risk information. Almost half of all respondents across all regions have been using an external solution for between five and 20 years while only 16.6% have been using one for less than one year, suggesting that there are fewer newcomers to RMIS technology, especially in the US where the risk technology market is at its most mature.

According to Aon’s eSolutions team however, there are still a significant proportion of risk managers that have yet to adopt an RMIS and therefore the majority of its new customers are first-time users that have previously been using spreadsheets, rather than existing RMIS users looking to switch provider. That said, there is still significant demand from existing users for new services and tools.

“Last year in Europe we had a 31% increase in revenue from new clients and a 53% increase in sales to existing clients,” says Mr Cloutman. “They are looking to adopt more modules, use new interfaces and generally expand their use of the system. It can be a big investment and they tend to start off small before acquiring new modules and rolling the system out to new territories and business units.”

Future of risk technology
The survey also addressed the future direction of risk technology developments, asking risk managers what factors will drive their future risk system purchasing decisions, how these systems will be used and what functionality and services they would like to see provided in these systems. Overall, says Mr Cloutman, the survey has shown that there is a drive for efficiency and a demand to move risk technology beyond traditional tracking and towards a broader and more powerful context of risk management.

More specifically, when looking at the drivers for purchasing an RMIS, 46% of respondents cited the need to automate and streamline processes while 42.9% highlighted claims management and 40.8% named enterprise risk management.

The ongoing economic recession unsurprisingly featured
heavily in risk managers’ predictions on the future of risk technology and an overwhelming majority (76.7%) believe that budgetary pressures will have a positive impact for risk technology as the strategic use of business-critical information becomes more important. Similar support was found among risk managers for the notions that changes in business strategy (57.7%) and organisational change (63%) would also reflect positively on the need for risk technology.

External developments were also considered. The hardening or softening of insurance markets was agreed by a third of respondents (32.6%) while the demands on the insurance market for improved data was felt to be a more decisive influence among the 46.4% that answered positively and a similar number (45.5%) agreed that regulation and compliance would be influential.

When it comes to the technology that risk managers are demanding for their future use of the systems, the increasing adoption of enterprise risk management has been an important factor, says Mr Rhodes. “This is something that we have seen not just from the survey but from the projects that we have undertaken in the last 12 months.” The use of RMIS technology will expand into the enterprise so not just the key risk management information but the total risk picture from incident reporting to renewals information and risk reporting and integrating all the various insurance providers. “Risk managers want to connect all these dots and make more informed decisions.”

Another area of focus for new development relates to the supply chain and the ability to manage suppliers, especially following recent natural disasters. “We have always provided some custom solutions but this is a very hot topic for risk managers. They realise that globalisation is great but it magnifies the risk issues, especially following recent disasters like the Japanese earthquakes so it is about moving away from a purchase-driven view of the supply chain to a more risk-based view. For example, if there is another Icelandic volcano eruption, what does that mean for my supply chain? So we are looking to develop something meaningful in this area where there is a scenario modelling aspect involved. The bigger challenge however is getting a line of sight of all suppliers, especially the third level suppliers.”

And in keeping with the theme of enterprise risk management and increased visibility of risk information, risk managers are looking for technology that helps them to view their risks and exposures in aggregate and in various forms, says Mr Rhodes. “So it is little surprise that the use of mobile technology and tablet-based apps have become so popular with risk managers. “So far the impact of the iPad and the iPhone and other tablet technology has been on the consumer market but we are now seeing the same impact in the corporate world and that is where we see the future growth.”

There is also a greater focus on visualisation and the use of dashboards and mapping. “This kind of technology enables risk managers to monitor the key risk indicators and, especially for large corporates, to see where they have concentrations in their exposure so that they can give them the proper attention,” says Mr Rhodes.

The other demands are for self-service. “In almost every industry there is a pressure on resources to do more with less and an expectation among consumers for internet-based self-service. This is moving to risk technology where risk managers are expecting the capability to do more themselves and I think this self-service will come to the fore,” says Mr Rhodes.
CRE talks to three risk managers, all users of RiskConsole, about the benefits of using an RMIS and their ambitions for further development of the systems.

Risk Management Information Systems (RMIS) have become an increasingly important tool for risk and insurance managers, both in the distribution of risk data to departments within the company and also in the external communication with third party suppliers and the insurance market. However, what is clear from the following three interviews is the different way in which these three risk managers, all users of Aon’s RiskConsole, are employing the same system.

To some extent this highlights the effectiveness of the modular way in which RiskConsole has developed in recent years, offering risk managers the chance to select components relevant to their organisation and to their risk management priorities—be it increased visibility of the company’s exposures or improved communication with its insurers. The differences also suggest that the use of RMIS technology is still in its relative infancy and a standard way of using these systems has yet to develop.

**Carlo Giannini**

**SONY SUPPLY CHAIN SOLUTIONS, EUROPE**

Carlo Giannini is the risk and insurance manager for Sony Supply Chain Solutions, Europe (SSCE). Sony uses a variety of systems and relies heavily on its enterprise resource planning (ERP) system from SAP for the bulk of its information. For risk management, Mr Giannini’s team uses Aon’s RiskConsole to interface with the SAP system for any appropriate data needed to manage risk. “We are therefore able to select the data relevant for specific risks and take the appropriate action.”

The task of extracting the data from the legacy data into the RMIS tool is one of Mr Giannini’s biggest challenges. “It is not easy at all because of the complexity of the company. If you keep your procedures streamlined, uniform and efficient, it can be easy but if you have more than 1,500 exceptions and different ways of doing things everything becomes more difficult and mapping becomes a nightmare. So it is a constant headache. Every time there is a new logic introduced we have to break the risks down into components or identify product lines, supply chains and markets in order to see where a potential business interruption may occur. “Consequently these kinds of blanket solutions are not always available to us so a good and flexible RMIS is essential for us.”

Sony has been using RiskConsole since 2002 and Mr Giannini has seen significant progress during this 10-year period, not least in the system’s performance. “Huge progress has been made in terms of speed and automation. My system used to be slow and performance would drop at certain parts of the day so I would tell my team in Europe to get all of their major tasks done before the US day started.” Thankfully, this is no longer the case.

**Increased efficiency**

But as useful as automation has been in terms of increased efficiency, it would be wrong to rely entirely on automatically generated data without adding some element of human intervention into the process, says Mr Giannini. In terms of distributing risk data, he uses the manual control to add intelligence to the automatically generated data. “It is dangerous to just automatically send out reports highlighting potential risks without adding some perspective or context behind the numbers. There are probably other managers making better use of automation but I don’t think it is the most efficient way to manage risk.”

Mr Giannini is also in charge of distributing risk data to the company’s supply chain—a task that has become increasingly important in light of recent risk events. “Supply chain is our biggest risk and where we have one of our biggest exposures. We sell electronic products so a breakdown in our supply chain can cost us billions. For example, the flood in Thailand was a
much greater risk to us than the earthquake in Japan because it also affected our production.”

The RMIS is also a useful tool for the difficult task of communicating risk issues to senior management, says Mr Giannini, as the evidence it produces adds more authority to the boardroom presentations. “Management always has the attitude that it will never happen to them. When I go to the board to ask for more money to manage a new risk, I have 10 minutes to make my case so I need an efficient system that can give me tangible and concrete examples of possible incidents and how they would affect the company and what we would pay.”

Sony’s extensive use of its RMIS tool has not, however, directly resulted in lower rates from its Japanese insurer, says Mr Giannini. “Insurance is a Jurassic industry and not very prone to change and Japan is possibly the worst. They do not consider that risk is better managed by using an RMIS, it is all about the loss ratio. If we give them a lower loss ratio, they will give us a higher rebate and vice versa.

“But for me, using the RMIS has enabled me to take the corrective actions to reduce my loss ratio, so I have lowered my premiums across Europe by over 60% since 2006. But this is a direct consequence of better risk management and not because the insurer believes my risk is better managed.”

In terms of the areas where the systems can develop, Mr Giannini’s focus is on efficiency, simplicity and speed. Consequently he would like to see the next series of enhancements to the system focused on output. “I am happy to take the time to ensure the data I put in is correct but I would like to see further improvements in the automated generation of a report so that it is a less labour-intensive process. Then I can spend more time analysing the data and making risk decisions.”

**Dr Eberhard Faller**

BASF, the German-based chemicals company, is also a user of RiskConsole, albeit a more recent user of the system. Dr Eberhard Faller, Director of Corporate Insurance at BASF, introduced the system to the company not long after arriving to the role in 2010. “My philosophy is to always have data autonomy and what I found when I arrived at BASF was a lot of fragmentation in terms of data and systems so we introduced a new system and a new philosophy.”

Dr Faller’s philosophy also includes systems and IT. “We do not want to deal with hardware so we prefer to use the cloud system or buy software off-the-shelf, such as RiskConsole, that is tried and tested so that we minimise the configuration work needed. We want the IT to serve us and not the other way around.”

The benefit of data autonomy and an off-the-shelf system, says Dr Faller, is a greater efficiency that results from dealing with a common landscape of IT systems where everybody is looking at the same data from the same database—something that is especially important for the primary use of RiskConsole, which is to provide more accurate and consistent data to the company’s insurers.

The IT system is open rather than a black box and Dr Faller has an ‘island’ IT policy where the insurance systems are not directly linked to the company’s enterprise resource planning (ERP) system, therefore avoiding the administrative headache of dealing with multiple data formats and system incompatibility. “Insurance is not very related to the ERP system of a multinational. Only credit insurance is linked to the ERP system (for invoicing). Other than that, insurance is isolated from the daily data.”

One implication of operating in isolation from the main ERP system is that Dr Faller’s division does not get the benefit of group IT support, which, he says, is another reason why he prefers to buy off-the-shelf technology because it means the IT issues can be left to the specialists that provide the technology. “We believe that the IT systems should come from an independent specialist and not directly from the insurer because that becomes unworkable, so it should be either an IT specialist offering insurance products or a broker offering an IT product.”

**Economic sense**

The system is currently used for insurance policy administration, claims handling, premium allocation, master agreements and international programmes for property, marine and credit insurance. Dr Faller’s division reports directly to the company’s chief executive but on a high level, leaving little need for the kind of granularity and data performance required for daily reporting, except for credit insurance (which is linked to the company ERP system). Consequently it was agreed by both the company’s finance and IT departments that a specialised IT product such as RiskConsole would make more economic sense than a SAP or similar ERP-type system.

Unlike Mr Giannini’s use of his RMIS to educate and inform internal departments and external suppliers about potential risks, Dr Faller’s use of his RMIS is more geared towards the company’s insurers. “Our function as the beneficiary of risk data is to provide the insurance market with a fair and transparent picture of our insurable risk. So in any renewal we can press a button to generate an instant, updated and accurate report of our risk profile. We have all the master data for 800 legal entities and 200 outside warehouses recorded and stored. The next stage is to add associated risk management reports over the next two years. We are in year one now and by year three, we will have had a complete cycle.”

The compilation of a comprehensive inventory of all things insurance-related remains the most important goal in the company’s use of RiskConsole. As Dr Faller says, the system is more geared to provide information to the outside
(insurers) rather than the inside (senior management). “We only send back high level data to the internal risk committee but the CEO is aware of the level of detail we have on risk management and is appreciative of the benefit of the fact that our risk management has a very solid platform.”

Future development
In terms of future development, non-physical business interruption and the interaction with the supply chain are two areas that BASF will now work on, says Dr Faller. “We are only in the first year of the global installation of the software and our main aim was to include a complete insurance inventory—policies and all claims data. Moving forward we are convinced that we want to include more data on non-physical business interruption and the interaction with the supply chain.”

The company has recently added employee benefits data to the system and has also amalgamated five legacy systems into RiskConsole that were gained through acquisitions. And it is currently adding energy insurance policies for oil and gas exploration. Still missing from the system are management reports, which can be added using the business intelligence module.

Aside from these pending projects, there are some improvements that Dr Faller would like to see in terms of the system’s administrative functions and its ease-of-use. “I would like more development in getting aggregated views of the more analytical information by geography or by product. We also need more development for enquiries from infrequent users because the system is currently designed for sophisticated users.”

Insurer relationships
And what of the relationship with insurers? Has the RMIS contributed positively in terms of lowering the cost of risk transfer? “Market trends are obviously very influential in setting rates but we do hear certain comments about the use of RMIS and it has certainly not been detrimental,” says Dr Faller. “But while the RMIS-generated data can help to underpin the risk, it cannot colour it in a different way. It is a very helpful fact and another way to convince an underwriter that you are a well-run company and able to properly manage your risks.”

Although he believes it is the nature and extent of the risks underwritten rather than the detail of the risk information that is provided that will ultimately decide the cost of insurance and the rate of premiums, Dr Faller does expect the use of an RMIS to become a more important factor in the calculations made by underwriters. “We are firmly convinced that the investment in RMIS is desired by the insurance industry and the more that the risk ratio increases in certain regions or certain areas, such as natural catastrophe, the more the insurer will press for a greater extent of information.”

As well as the demands that insurers will make of risk managers, there are also the demands that risk managers have of their insurers in terms of the communication of risk and insurance-related information. “As a global enterprise, our main demand from the insurance industry is for them to provide information that we can upload instantly into the system or vice versa, for the insurers to accept information from their major clients that is more accurate than the information they have,” says Dr Faller. “We believe we know our business better than an outsider and we have accurately allocated the premiums internally and that the insurers should follow our numbers.”

At the moment there is a lot of administrative duplication between companies and their insurers and if the primary role of insurers is risk transfer, then the associated administrative work would be minimised if the firm’s systems and the systems of the insurers could communicate in an automated manner. Whether this is easier to achieve through independent software providers or through the development of a market-wide platform remains to be seen, says Dr Faller.

So while there is a high level of sophistication in terms of the software used to generate the underlying data and undergo the background work, the actual transactions are still very slow and manual. “Some kind of market-wide platform would certainly be of great help,” says Dr Faller. “There are obvious confidentiality issues that need to be addressed but we have seen market-wide platforms and central utilities developed in other industries.

“We did not want to wait so we have developed our own system using RiskConsole but in the near future, I hope this can be achieved to the benefit of both sides by removing unnecessary cost and effort, for example, a data interface to generate new policies on a real-time and automated basis rather than after 90 days. So the aim is to reduce the risk and minimise the ancillary work around that. The best way to achieve more efficiency is through investment in IT.”

Natalie Fanning
TUI Travel Plc

TUI Travel Plc has been using Aon’s RiskConsole since 2006 when it inherited the system as a result of its merger with First Choice. Originally the system was used for managing its UK claims. Since then, says Natalie Fanning, Head of Group Insurance at TUI Travel Plc, a huge amount of work has been done to add new modules and to expand the system’s use across other parts of the business. In 2008 incident reporting was added, enabling holiday reps to link these reports directly to the claims system. In 2010 a risk financing module was added which enables weekly monitoring of aggregated erosion. As of 2011 all risk and renewal information is recorded on the system and the next step is to link this information to the claims platform.

Mrs Fanning has a team member dedicated to RiskConsole who also manages the addition of new modules. This extensive work is because Mrs Fanning has deliberately pursued a policy
of tailoring the system to suit her needs. “With a system like RiskConsole there are two options—take the off-the-shelf product and fit your procedures around it, which invariably doesn’t work. Or you can invest a lot of time, money and effort tailoring it to your business.

“I have spoken to plenty of other risk and insurance managers that have complained about their systems but taken the solutions off the shelf and done very little to them other than tinker around the edges. We have worked very hard to tailor the system to our needs. It is a preferable way of working.”

The renewal questionnaire is a good example, says Mrs Fanning. “We took the original questionnaire from the system and just tweaked it slightly but ended up not using it because it was not fit for purpose. So we started again from scratch and now it is in a format we want and an order we need and asks the right questions. Because it is what we need for our business, we are able to use it properly so have saved ourselves a lot of pain in the long run.”

Data control
The biggest benefit that TUI Travel Plc has gained from the use of its RMIS is control of risk data, says Mrs Fanning. “I was formerly a broker for First Choice so I understand the danger of having a third party holding all your risk data. It is not a sustainable way of operating. I do not want to be beholden to an external party.”

The improved accuracy of the risk data as a result of greater automation is also important, says Mrs Fanning. “We have over 242 subsidiary companies operating in 3,500 locations. Trying to control renewal information and property schedules on spreadsheets proved almost impossible and we were constantly going back to the insurers to point out mistakes.”

Consequently the relationship with the insurers has benefited. “The improved accuracy has also enabled us to evidence the information we provide and this has improved our reputation with the insurance market and I hope that they understand the information we provide is robust and also auditable. We can tell the auditors what we have done, who did it and when and increasingly we can tell them why.”

From a claims perspective the system enables the company to produce reports that were previously very arduous to compile and to more closely monitor claims trends. This has, in turn, opened up new markets that were not previously accessible, says Mrs Fanning. “As a tour operations business, our insurance account is hugely liability-driven and not always attractive to insurers. But using the system we can look at the data, see where our risk and challenges are and then adjust how we handle claims, this has had a significant impact on how we handle claims and this has in turn enabled us to approach new insurers.”

The system and its provision of improved risk information also has internal benefits in providing more detailed statements for departmental budgeting and forecasting purposes, says

‘Until there is a claim, the insurance department is typically seen as a cost centre and a drain on the business in the eyes of senior managers...’

Mrs Fanning. “From 2013 onwards the granularity of the information we can provide will be more than most other departments. We can show how the information that we have asked departments to provide to us has impacted the premiums they’ve paid and what we believe they should budget for in terms of annual insurance costs.”

Detailed statements
Mrs Fanning does not believe, however, that the use of a RMIS should directly result in lower rates. “I believe we have a well-priced programme. It is not the cheapest available but there is a danger of getting into an argument about cost and value. There are always things that we can improve on but I don’t think any company can rightly say that they have received a 10% reduction on their rates because of the risk information they’ve provided. There are so many other factors to consider—the relationship with the broker, how you communicate with your insurer and your claims experience.”

Mrs Fanning is more concerned about the lack of sophisticated systems operated by insurers. “When it comes to claims, policies and global management a lot of their systems are archaic. I have had lots of situations where I have not understood the information they’ve provided to me and I think this is because a lot of the big multinational insurers have not invested in new systems. So I find it a bit hypocritical when insurers sometimes criticise insureds for the quality of their risk information when the quality of the data we provide is a lot better than the quality of data we get back from them.”

Reporting will be a big focus for Mrs Fanning’s department in the coming year. “Up to now we have focused a lot on the quality of the information we are putting in because if you put rubbish in, you get rubbish out. For a large organisation like ours, it is especially important to document everything we have done. Now we intend to focus on the risk and insurance information we report in 2013 and this is where insurance can be much more valuable to the business.

“Until there is a claim, the insurance department is typically seen as a cost centre and a drain on the business in the eyes of senior managers. That is usual. But what we can do is make sure that the information we provide to the rest of the business is accurate and useful and that they can see how the information they provide is used and that they are not pouring money into a group insurance premium pot.”
CRE talks to risk managers about their issues with risk management information systems and the availability of information from insurers

Risk managers' demands

Risk managers have gained many benefits from employing an RMIS, but they are a demanding bunch and there is an extensive wish list of future requirements requested by users. For some, these centre on continued improvements to the user experience such as automatically generated reports or aggregated views of data by geography or product type.

Risk managers’ biggest gripes though are not centred on the functionality of their RMIS but on the systems employed by their insurers and the quality of information they receive in return. As TUI Travel’s Natalie Fanning says, it is hypocritical of the insurers to criticise the quality of the information they receive from risk managers when many are scarcely able to produce electronic reports back to their clients.

It is also wholly justifiable that risk managers should demand more of their systems providers and their insurers when it comes to making the transfer of risk a more efficient and economical process. These demands have to be tempered with a realisation of just how long it will take the insurance industry to fully embrace the information age.

Gary Marshall is group risk manager at Polestar UK Print Limited, a UK-based printing company. The company has invested in an incident reporting and management system for its health and safety and environmental risk that is provided by a specialist third party vendor. It is an integrated system that enables the company to look at everything from risk assessment and control measures through to inspections and audits and into incident reporting. It can also be linked into a claims module, providing an interface to insurers for liability claims as well as property claims.

“it was our intention from the start to cover all insurance-related risk management reporting, from minor to major liabilities and linked to property, environment and motor/vehicle incidents,” says Mr Marshall. “It is a web-enabled system. And this means that insurers can take information as and when they want rather than an exchange of emails with unwieldy attachments.”

Useful tool

When asked how his insurers have responded to the use of the system, Mr Marshall says that they have acknowledged that it is a useful tool. “They like it and it is interesting to see what systems they have developed to work with it. For the insurers, the benefit is that they can see into Polestar and its insurance-related activity. We do not give them insight into everything but we can develop that relationship by giving them greater scope in terms of information and reporting.”

Mr Marshall has seen a full spectrum of RMIS from insurers. “At one end there are highly sophisticated systems with bells and whistles, complete functionality and with a full set of reports available in one central destination and in an electronic format. At the other end of the spectrum there are the insurers that do not really invest much in the reporting side beyond the initial offering and do not have great systems to show you. And it is difficult in that you cannot make insurers give you something they don’t have.”

The middle

And somewhere in the middle are the brokers, says Mr Marshall, helping to bridge the gap between the two ends of the spectrum in terms of systems sophistication and in providing electronic reports. “I think the brokers can play a vital role in bridging that gap.” Many of them have great systems to offer, however, he is concerned about the complexities of the commercial relationship with a broker and how this might affect the availability of systems—that is to say, in order to get access to a broker’s system, there is presumably the preclusion that you will use them as the primary source for placing insurance.

Mr Marshall also has some reservations about the use of broker-based systems. The first of these concerns relates to the correlation there may be between the amount of business placed through the broker and the quality of the system that is made available to risk managers—brokers may be reticent to service clients on a state-of-the-art system if they are only receiving a minimal amount of commission in return. “So
maybe you have to pay more for a better quality of system," he suggests.

Commerciality aside, the main issue that Mr Marshall has in the use of third party systems or broker-based systems is over the ownership of data. “We want to be able to get our hands on that data and we don’t want that data to disappear if the relationship with the broker breaks down. For example, what happens to the system if you move to another broker? It is very difficult to move from one broker-based system to another, you almost have to rebuild everything and none of us have the time for that.

“So who owns and operates the system and who owns the data and how that ownership changes if the relationship changes are very important issues for us. If, for example, we are capturing employee liability data on our own system, we are able to own that information and build on it. A potential alternative is that we might get that information in a very sterile environment controlled and operated by a third party where we are not able to do much with it and then three years down the line, that information may no longer be available.”

Despite these concerns, Polestar has continued to develop its use of an RMIS to engage in periodic reviews of systems. It is receptive to the offers of new services and functionality from the system vendors, although Mr Marshall would prefer the providers to tailor their offers more appropriately to the different needs and different risk profiles of their prospective clients. “We have been capturing lots of policy information and we are being told that providers could do more with that data, however it is not something we have looked into too much, largely because we have not got multiple chain properties or an international insurance programme,” says Mr Marshall.

Similarly, a lot of the systems providers have developed services based around premiums data when Polestar could get by with a simple spreadsheet for premium allocation. “We used to have lots of small subsidiaries and we could have done with something like that then, but not now.” Consequently, for risk managers engaged in any systems selection process, it is critical that you decide what you really want at the outset, says Mr Marshall.

**Circumspection**

While there may be those risk managers that are somewhat circumspect on their use of an RMIS, preferring not to sign up to the full suite of modules available, there are other companies that do not use an RMIS of any sort. The international retailer Arcadia uses an external consultancy with the task of gathering information about the company. “Although we are a mainly UK-based retailer, the information required for insurance purposes is not information that we hold internally or that we need to run our business on a day-to-day basis,” says group risk manager Colin Campbell.

As a result, that information is not readily available and is held at a number of external sites, which may justify the use of an RMIS to pull that information together, he concedes.

The problem though is that the data is not in any consistent format so it is not easily transferable to an RMIS. Instead, the insurance information gathering is a largely spreadsheet-based exercise which is then stored on an Access database. The company’s risk management information is also largely spreadsheet-based although an analytical system is used for the risk registers and risk analysis.

“The main reason that we don’t use an off-the-shelf RMIS is twofold—the fact that the information comes from so many different sources and in inconsistent formats; and the fact that we only tend to gather this information once or twice a year so we will not be giving people access to systems they won’t be using on a daily basis—we don’t see that as a practical solution.

“And because we are a worldwide organisation with 3,500 outlets, the administration required to keep a central database of risk management information would be too expensive, too onerous and would probably not produce the results we would want.”

Arcadia has continued to review the developments in technology and the systems available but the review process has always focused on fundamental issues—how the business operates and what it is that is really wanted. The conclusion has so far been the same—that the money would be better spent on resourcing the information and doing things with that data rather than developing or buying a system.

“The systems are very good and have moved on a lot in recent years due to the developments in technology,” says Mr Campbell. “But the problem we have is not with the systems or the technology, it is in populating the data and maintaining that data. We have trialled some RMISSs to see if we could suck information out of our systems and onto their database but it proved too hard and too time-consuming and we could see that the end product was not going to be what we wanted.”

Mr Campbell also believes that the multi-site nature of a business like Arcadia, with its 3,500 outlets, does not naturally lend itself to a standard RMIS. “Most of these systems work on the premise that the user has a limited number of locations. We have problems keeping track of the stores we have on a day-to-day basis, let alone collating daily information on these sites—especially at the beginning of the year when retailers are opening and closing stores.”

So what could RMIS providers do to meet the needs of
To be honest, I’m not sure there is a lot that the vendors can do. If there was a simple way to get a direct data feed but there are generally too many operational barriers and too much manual intervention involved in our data gathering process.

Mr Campbell accepts that these operational barriers result from the organisational structure of Arcadia rather than a fault with the RMIS but the company is not about to change the platforms and systems it uses on an everyday basis to get a better view of its risk exposures.

If I was working in a different business with only 20 sites worldwide, I would have an RMIS tomorrow, I really would. However, the numbers and volumes involved in our business means that it is not the kind of data we are after. Any information we provide around locations is just a snapshot on a certain day. We cannot visit every location on a daily basis because there are too many of them.

This is not to say that Arcadia does not use any kind of risk-related systems and runs everything on Excel spreadsheets. Risk systems are used for risk engineering and for analysing major business risks. And there are systems used for modelling natural catastrophe risks and exposure. The company is also in the process of developing its health and safety risk management system to include the use of tablet and mobile-based apps that will enable users to make on-site visits and email digital photos instantly. “These are the type of services and functionality that we want but in niche areas, such as health and safety. We are using systems but what we are not doing is putting all of this into one risk system.”

The sheer number of stores and the fact that the data arrives in so many different formats means that the task of normalising that data to feed into one enterprise-wide RMIS is just too onerous, says Mr Campbell. “At least two people would have to be employed to do that and the output would not give me much more than I already have so my efforts are focused on streamlining what the business can produce through the existing systems.”

Mr Campbell admits that the biggest issue is his company’s organisational structure rather than the limitations of the RMISs available, but he does have some issues with the system vendors and the way that their offerings are sold. “Two frustrations I have are that the RMIS providers will say that they can develop a system based on what we want but we tend not to know what we want. The second frustration is that a lot of the systems now seem to be modular and I’m not sure that is what we want. It sounds complicated in itself and the fact that it is sold on a modular basis can make them very expensive, which is a significant barrier and makes me think that I would be better off employing a person rather than a system.”
CRE examines what leading insurers and brokers are doing to respond to the changing demands of risk managers for improved risk information

Risk managers are adopting a more sophisticated and systematic approach to gather, distribute and analyse their risk management information, typified by the those that have implemented an RMIS, however, according to Tom Richardson, Head of Customer Relationship Management, Zurich Global Corporate Uk, there is room for improvement.

“I have not seen risk managers adopt RMIS on a wide scale. There are one or two that use proprietary software to gather their own risk information but they are the exception to the rule. The vast majority still use spreadsheets. The ones that do use risk systems tend to be the more technologically aware entities and those working at the more technology-based end of the corporate spectrum, such as IT, telecoms or communications companies.”

Equally, Mr Richardson has not seen a huge increase in the quality of information emanating from the users of these systems. The main benefit for risk managers seems to be the ease of use and labour saving aspect rather than the ability to provide more granular information to their insurers, he says.

Consistent information
This is not to say that insurers do not get any kind of benefit from risk managers’ use of an RMIS. By definition, those firms using an RMIS tend to produce more consistent information. However, there are still some technical issues that need to be resolved due to the lack of standardisation in the systems employed by risk managers and the proprietary systems used by insurers, especially when it comes to sending and receiving data. “This still has to be reformatted for our own systems—for example, property data that is geo-coded for catastrophe modelling—however, the data provided by automated systems is of better quality so the reformatting involves less work.”

Another challenge is that, despite the growing use of broker-based systems, the majority of RMIS tend to be based on proprietary systems rather than any widely adopted systems using de facto industry standard protocols and formats. “In the long term, a market-wide solution would be hugely beneficial. There is massive potential there because it is still a hugely manual process but it is too much of a challenge at the moment.”

Brokers have their own systems that are not consistent and each insurer uses the data in a different way to produce their prices. So without a common agreement on format, it would be very difficult to develop an industry solution. There are efforts being made to address this but there is not much of an impact from these efforts because everyone is trying to influence the debate in a way that best suits their systems, none of which are standardised.

Data consistency
Aside from the insurance industry’s challenge to develop some market-wide standardisation, there are also internal issues facing each insurer. Given the age and size of most insurers, there are significant legacy issues in terms of technology as well as the onerous undertaking of finding some global consistency, especially regarding claims data.

Data consistency has plagued the banking industry for years but there is now an increasing use of cloud computing and SaaS [Software as a Service] among financial institutions. Is this something the insurance industry could replicate? “Potentially it could be,” says Mr Richardson.

“We are making significant investments in global systems. The way that consumers trade with us and other financial services providers is changing. There is a greater demand for self-service as available through internet banking and I think the same is true for large corporate customers in the insurance market. So I think the development of portals that enables these customers to access their own information is a key part of our future strategy.”

Despite the apparent investment that insurers are making in technology and systems, a number of risk managers have complained that insurers seem to be way behind when it comes to providing automated risk information and in systems provision in general.

“I suspect that this is because the in-house investment made by insurers in their systems is not yet visible to the end-users—the risk managers. For example, we are currently piloting a portal that allows risk managers to track the issuing of their own policies and premium collection. They can also access risk engineering reports.”

Enormous task
The problem, though, is the enormity of the task. “Developing this tool has taken some time because for it to be useful it has to cover the full global footprint and it has to have the same ease of use as a standard internet banking service. So taking the information from current in-house systems and making it available for use in a portal is something that takes longer than expected but we are working on it and I suspect other insurers are and this development work will become much more visible over the next 18 months as these portals are made available by..."
information and therefore demonstrate the cost benefit that geographies, it can be very difficult to aggregate all of that being used across different business units and different mr richardson.

because it is harder to quantify the benefits of systems,” says investment because of the benefits of scale that we would corporate risk managers than for insurers.

although this is a challenge that may appear to be greater for are largely recycling technology that has been used elsewhere.

campaign around these issues.

data we are sent via a system provides us with some of the picture but as an underwriter you get more value from physically looking at a site,” says Mr Richardson.

However, in time, technology will enable insurers to get better quality information in a more user-friendly format. It is already possible to have virtual tours of sites using Google Earth-like technology allowing underwriters to get a better idea of the topography of a site than a paper-based map.

For example, a flood risk assessment for a gatehouse is often based on the postcode of the site. However, if the gatehouse in question is half a mile from the site and its postcode and is situated on higher ground it would produce a different underwriting result. “So we are already seeing the use of mapping technology to provide more granular information that can allow insurers to make a better and more informed decision regarding the risk they take on,” says Mr Richardson. “And in the above stated case, the technology is having a direct effect on the underwriting and the cost of insurance.”

**Education campaign**

To find a way forward, the industry must focus its efforts on ensuring there is sufficient awareness around the benefits and constraints of technology and conduct a stronger education campaign around these issues.

Insurers are not known for pioneering the use of technology and Mr Richardson concedes that many insurers are largely recycling technology that has been used elsewhere. But there is an untapped opportunity for those that can overcome the cost benefit challenge to invest in technology. Although this is a challenge that may appear to be greater for corporate risk managers than for insurers.

“It is easy for us as insurers to make the case for the investment because of the benefits of scale that we would get. But I think it is more challenging for some of our clients because it is harder to quantify the benefits of systems,” says Mr Richardson.

“For example, if there are a series of complex spreadsheets being used across different business units and different geographies, it can be very difficult to aggregate all of that information and therefore demonstrate the cost benefit that

‘And what of the ability to provide more granular risk information? Is this a stage beyond where we are now, where the main focus is on ease of use? With large complex risks, there is still no substitute for real engagement with customers...’

automating those processes would bring. Also, for insurers, risk information is the core business whereas for most corporates it is merely seen as a cost centre.”

As the risk managers interviewed earlier in this report have stated, brokers have been playing a role to bridge the information gap between risk managers and their insurers—a role that Aon has strived to fulfil through its RiskConsole system and other technology services.

**Broker responsibility**

Such a role is familiar to a broker, says Jim Herbert, Managing Director, Corporate, Aon Risk Solutions, “Our job as a broker is to ensure that the client is adequately informed of their risk position and the risk financing options that are available—especially the possibility of transferring risk to the insurance market, given that there are substantial sums involved.”

But there is also another role that has emerged in this information-based age that stretches beyond the risk manager's relationship with its insurers, says Mr Herbert. “The risk managers also need to relate that data to other communities that they serve, especially their own senior management. Our research has shown that 80% of risk managers are presenting at board level and that debate needs to be based on facts.”

There are other audiences aside from the insurance market and senior management that risk managers need to address in an authoritative and accurate manner—their own colleagues, their supply chain, internal audit and external regulators. “Creating a fact-based environment has become a critical part of the risk manager's world and not just for their relationship with the insurance market.”

The increased availability of risk-related data has also enabled risk managers to understand trends both within their own organisations and within their industries. “We support a lot more predictive analytics work through our Global Risk Insight Platform (GRIP), the world's biggest insurance placement system which lists all of our trades and quotations which provides a lot of benchmarking data for risk managers as well as an idea of where prices are headed.

“We also work on systems like Impact On Demand—a capability operated by Aon Benfield which is aimed at the reinsurance market and to look at future trends in natural
catastrophe and the potential impact of a natural disaster on a company’s assets. All of these services give clients a much better foundation on which to make insurance-related decisions.”

Parallel developments
The demand for such services has increased gradually, says Mr Herbert. There has been a parallel development in the supply and demand. Risk managers have become more aware of the benefits of looking beyond internal risk data and the providers have been investing more in these analytical services. For example, Aon recently built a data hub in Dublin and are building another one in Singapore.

“Tender documents show that clients expect this kind of a capability and they also want us to show our credentials in terms of a paperless environment and being able to provide our services in an app-based format. So there are two things really—the data that enables them to look at the wider risk environment and the ability to provide these services in an electronic format and via more user-friendly formats such as apps.”

As some risk managers have stated, there is still some reticence about the use of third party solutions, especially around the ownership of the data and, if the system is supplied by a broker, what happens to the system and the data contained within it if the relationship with that broker either changes or ends.

At the same time, the increasing access to technology and the emergence of low-cost, internet or cloud-based technology services has lowered the cost of IT development for many companies that do not see technology as a core competency. This raises the prospect of more risk managers developing their own RMIS, however Mr Herbert believes that the majority of risk managers will still look to an external provider for their systems.

“An in-house solution is a major investment,” says Mr Herbert. “Self-development is hard work, time consuming and expensive and I think the majority of companies would prefer to link that cost to the firms they are receiving risk-financing services from rather than as a technology cost in its own right.

“Technology is an enabler rather than the objective and the objective for clients is to have a better understanding of their risk and to mitigate it in the most cost-effective manner. This is not to say that self-development is finished and there will be some companies that continue to develop their own tools but I think that the majority will opt for third-party solutions.”

Improving relations
The provision of broker-developed RMISs has been a fundamental tool in improving the relationship between the brokers and their clients but what role can the broker play, via its RMIS technology, in improving the relationship between its clients and their insurers? According to Mr Herbert, there are two key areas. The first of these relates to benchmarking. “It is critically important that our clients have knowledge of pricing for any type of risk in any region and access to best practice in terms of programme design.”

The second aspect relates to material disclosure and the data that clients provide to the underwriters and how that affects the product, price and certainty of claims that they receive back from the underwriters. “Anybody in any situation will look for value for money but what does that mean?” asks Mr Herbert. “Price is still an issue but in the current environment, the idea of claims certainty is critically important. They can speak with more authority rather than their fingers crossed.”

Despite the efforts made by some insurers and some brokers, there are inevitably some laggards within the insurance industry. This can be frustrating for risk managers that have invested in systems that enable them to send more granular information to their insurers in an electronic format, only to have the insurer respond with incomplete information in an inconvenient format. Mr Herbert agrees with Mr Richardson’s belief that the investment made by many insurers may not yet be tangible to risk managers in terms of end product.

But Mr Herbert also accepts that inevitably not every participant in the insurance industry is at the same level of sophistication in terms of systems development. “The whole marketplace needs to be aligned. Right now there are different participants moving at a different pace. We see this as an essential component in the service we deliver to clients so we are investing heavily to remain at the forefront.

Electronic communication
“The tenders that we get from clients increasingly insist on being able to communicate electronically and to have access to risk analytics and we are passing that insistence on to the insurers. But we have to work individually with clients to make sure that we specify their needs and provide them with value for money. If the client sees it as important, then we have to assess the insurers’ response on this basis. And the more clients demand the use of systems, then the more the insurers will invest in this area.”

The investment from insurers has thus far focused on self-service, web-based portals that enable insureds to pull information. Mr Herbert accepts that this is more about reducing operational cost for insurers rather than meeting clients’ needs. “We are now looking for insurers to contribute to the debate on risk analytics rather than just slicker administration and processing. I think the self-service portals and that ease of access will in the future become the way that people do business. They will expect to be able to transact at any time of day from anywhere in the world. The bigger issue I think is what insurers can contribute to the analytical side of the risk environment.”

Mr Herbert says it is reasonable to describe the pace of the risk and insurance industry as a whole—both risk managers
and underwriters—as embryonic, albeit with some more sophisticated participants. Aon is working to ensure that these firms are as well informed as they can be. “There will always be pioneers in any industry that lead where others follow and I think we are moving quickly in the right direction even if there are those that still have lots to do.”

**Further development**

In order to further this development during 2013, Mr Herbert would like the debate on risk management information technology to be given more exposure and to feature more prominently in risk management associations’ discussions and forums. “I want the debate to flourish and for people to understand the value of protecting their balance sheet and not necessarily just looking for the cheapest insurance and understanding the role that technology and information systems can play in realising this goal.

“For risk managers to understand how an insurance product should perform and whether it is the right product for them, their insurance strategy has to be more data-based and analytics-led. So the availability of the technology that we have been developing is really about allowing risk managers to not only have a fact-based environment for purchasing insurance at the right price but to have the certainty that these products will perform in a time of need. This will be central to the next generation of products that we develop for our clients.”
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