



CENTRAL REGIONAL CONFERENCE

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Risk Informed Decision Making & Reporting

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Today's agenda

The Foundation and Fundamentals:

- **Defining risk informed decision making**
- **Which risk matter and why?**
- **Knowing your stakeholders**
- **Attributes of a robust reporting plan**

Concepts in action:

- **University of Oklahoma**
- **University of California**

Key take-a-ways & questions

Chris Mandel

Sedgwick Institute

The Risk management framework: Reporting



DATA QUALITY ATTRIBUTES

RELIABLE

INTERPRETABLE

ACTIONABLE

INFORMATIVE

What is Risk Informed Decision Making?

A process that organizes information into a broad, orderly structure that helps decision makers make more informed management choices. It uses risk information to improve the quality of the decision, increasing the likelihood that desired results are achieved.



What is captive effectiveness?

- Accomplishing stated goals
- Improving the chances of risk financing success
- Helping smooth performance volatility
- Evidence that ART has a thoughtful place within risk strategy
- Enabling stakeholder interests and priorities
- Reducing the volatility in loss reserves
- Reducing cost of capital & improving shareholder/stakeholder value
- **Informing stakeholders efficiently and effectively**

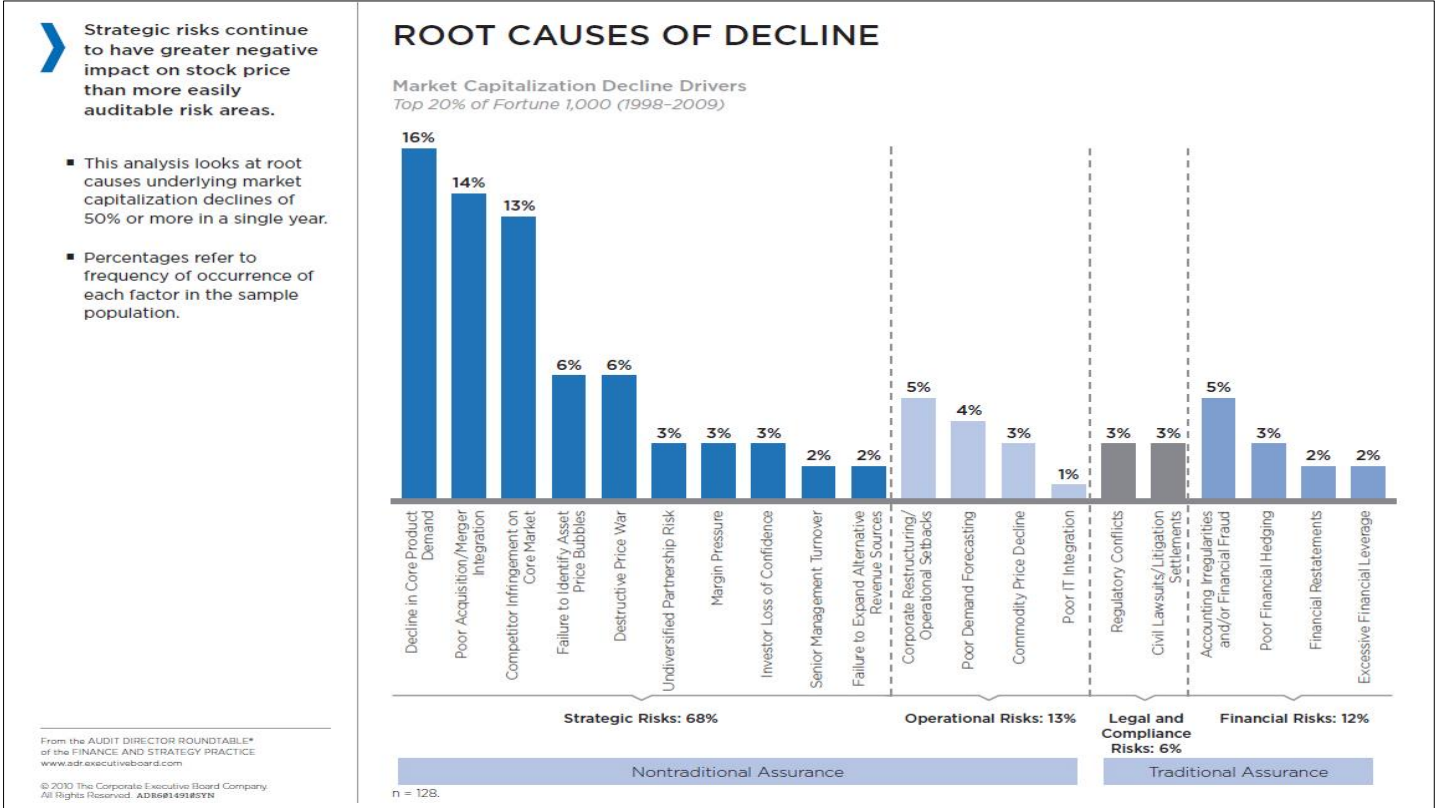
Do some risks matter more than others?



The risk type spectrum



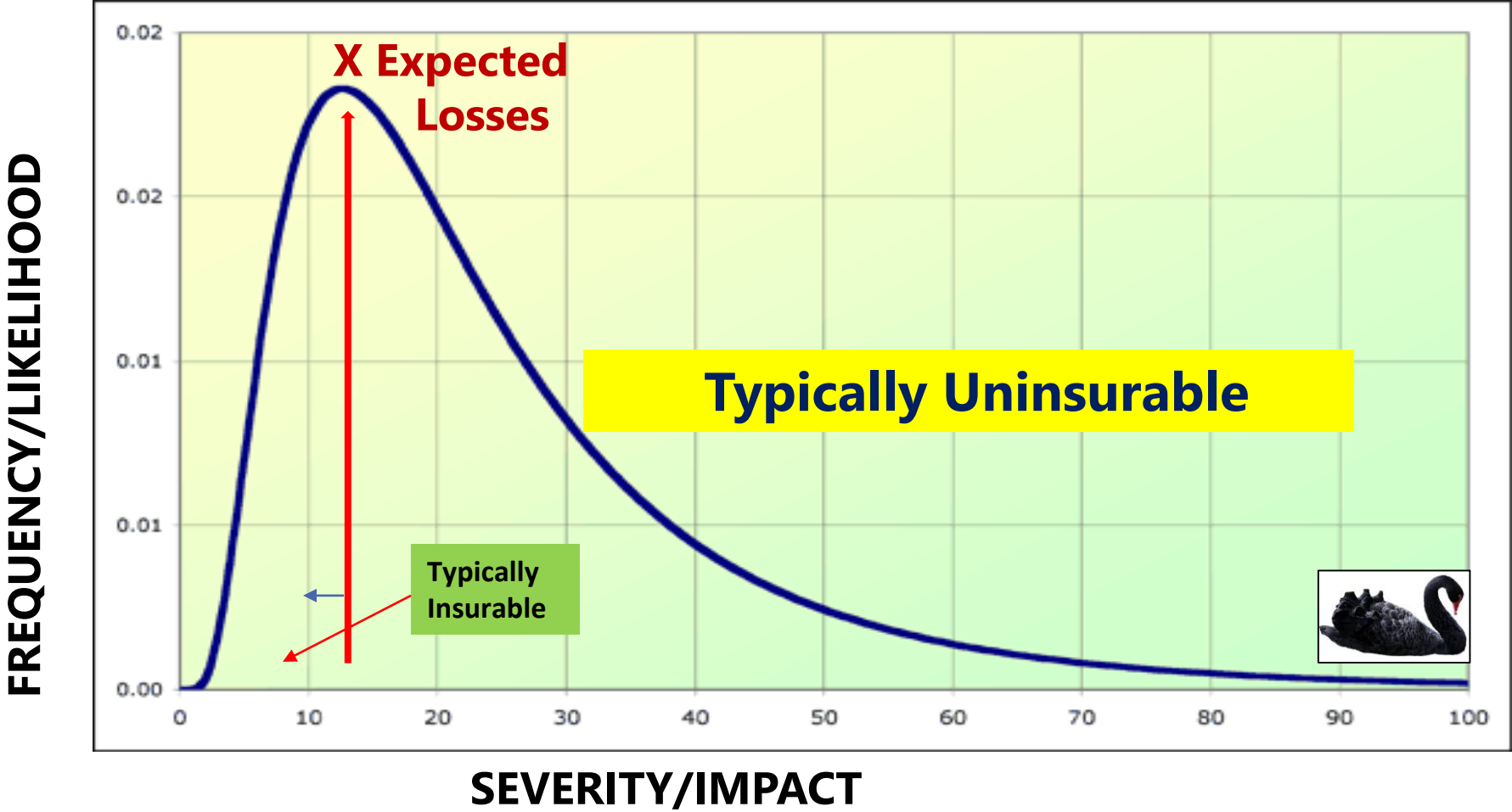
The strategic risk dilemma: addressing what matters most



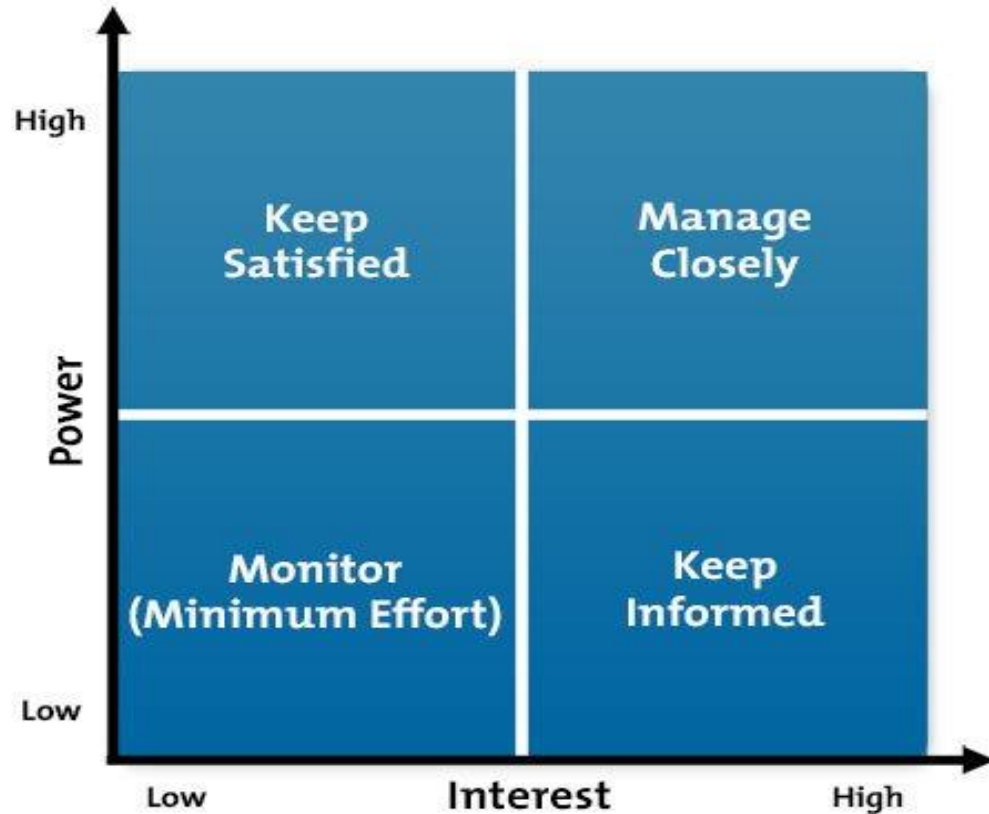
Source: Corporate Executive Board

From the AUDIT DIRECTOR ROUNDTABLE* of the FINANCE AND STRATEGY PRACTICE www.adr.executiveboard.com
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Expected vs Unexpected



Know your stakeholders



Map your stakeholders to prioritize your efforts

Know your high touch, low touch customer

How much do you need to socialize your information

If they don't know what they need, you get to tell them!

Captive stakeholder issues

Who are your risk stakeholders?

What do they need to know and when?

Engage stakeholders:

- **First for their priorities and success; and**
- **Second for yours**

Developing them into your:

- **Sensing mechanisms**
- **Source of emerging exposures & risk specific solutions**
- **Partners in risk innovation and improvement**

Key general questions about reporting & informing

- **What are your key goals for captive reporting?**
- **Who are the targets of information?**
- **What information do each of them need, when and in what form?**
- **What are the sources of inputs for your reporting?**
- **Are your inputs reliable and can they be secured timely?**
- **What frequency of reporting is sufficient for your goals?**
- **Do you have sufficient tools & resources to achieve your reporting goals?**
- **From whom do you need to get support and approval for your plan?**
- **Will your plan tell your captive story adequately?**
- **How will you know?**



Providing Clarity & Assurance to Decision Makers: Who needs to know what and when?

Informing the board

The board's risk oversight role

- **Knowing the “key risks”**
- **Confirming risk management effectiveness**

Threats & opportunities to long term strategy

Validating:

- **Risk management and FINANCING strategy**
- **Risk appetite**
- **Risk management capability**

Tell them what they don't know

Informing sr. leadership

Key Priorities:

- **Accountable to the board**
- **Delivering on the plan(s)**
- **Ensuring all key risks are addressed**

Need to Know:

- **Understanding how risk financing fits with corporate financing strategy**
- **Understanding what risks to mission may not be effectively addressed**

Informing business unit management

Key Priorities:

- **Implement strategies to reach targets**
- **Deliver operating results**
- **Ensure risks to the above are addressed**

Need to Know:

- **Understanding the risks they have taken or intentionally avoided in order to deliver their priorities**
- **Ensuring these risks are effectively addressed**

Key questions to inform and guide your reporting

- What are the key risks to the strategic and operating plans, that can be financed by the captive?
- Do we understand the root cause, impact, likelihood and potential velocity of those risks?
- Are we providing regular updates to the right stakeholders on the performance of the financing plans for these key risks?
- Do the stakeholders exhibit a sufficient level of understanding about the captive financing strategy?

Heather McClure

University of Oklahoma

How does University of Oklahoma/OU
Medicine use its risk management program to
measure, benchmark, and communicate
success?



Goals of Risk Services Success

- ❖ Patient, Visitor, Employee Safety Improvement
- ❖ Money Saved by Policyholders: University of Oklahoma and OU Medicine
- ❖ Risk Management Education and Infiltration at All Levels
- ❖ Safety and Risk Initiatives Funded through grant programs
- ❖ Stable Insurance Program with Predictable Premium
- ❖ Centralized, Local Complaint and Claims Handling



Measuring and Benchmarking

- Loss Reports
 - Monthly
 - Quarterly
 - Trends by Specialty/Departments/Providers

- Broker Team – Other Clients
- Industry Association Reports
- Insurance Domicile Regulators/Audits
- CMS and Payor Measurements
- Actuarial Reports: Actual vs. Predicted Confidence Levels



Stakeholder Communication

- ❖ System Leadership
- ❖ Front Line
- ❖ Regulators
- ❖ Auditors
- ❖ Actuaries
- ❖ Patients/Public
- ❖ Legislators
- ❖ Accreditors
- ❖ Payors



Courtney Claflin

University of California

How does the University of California measure success with our portfolio of captive insurance companies?

FIAT LUX

 UC Health RRG
A Reciprocal Risk Retention Group

 Eureka, PCC

 Eureka One, IC

Tangible Success

- Money saved
- New revenues generated
- Additional capacity
- Enhanced terms and conditions
- Rate and retention stability
- Direct issue manuscript coverages to solve problems
- Rate reductions or stability to campuses and medical centers



Intangible Success

- Recognition, understanding and support from UC Senior leadership and UC Board of Regents
- Growing systemwide understanding and support of the captive insurance platform
- Growing and supporting the UC Captive Programs team



Key Take-a-ways

- **“Success” in a captive sense means many, many things**
- **Captives can and are an integral part of risk management not just risk financing**
- **Goals must be revisited and revised as needed with changing environment**
- **Communication must be BOTH short and long term**
- **Measurements must be customized to the organization and each stakeholder group**
- **Benchmarking should be done only where relevant peers exist**
- **Staff must connect measurement and communication to PURPOSE in a real way**
- **The way you measure and communicate risk should reinforce the tie between risks and strategies**
- **You must know your stakeholders, their priorities and their in a successful risk program and strategy**
- **Your captive strategy must include a measurement and reporting strategy and plan**

Thank you.

Questions?

Speaker Information

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