

# Active Risk Management:

Transform Risk Waste  
into Opportunity

# Introduction

Risk managers are asked to do a lot with very little. But at many companies, risk managers wrestle with manual processes, spreadsheets and disconnected systems for managing safety, incidents and claims. Filing a claim means switching between siloed systems, entering the same data multiple times, and chasing down information in emails and spreadsheets. And getting a big-picture view of risk in the company takes days or weeks to compile.

If this feels familiar, you're not alone. Many organizations are struggling with disconnected systems and manual processes. But your company, competitors and industry are changing, and you have the sneaking feeling you're not aware of everything that's going on.

As the saying goes, the danger lies in what you don't know you don't know. In this e-book, we're going to shed light on the unseen cost of disconnected risk management systems and manual processes—and why it's likely a far bigger problem than you imagined.

**You are  
asked to do  
a lot with  
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# The cost of doing nothing:

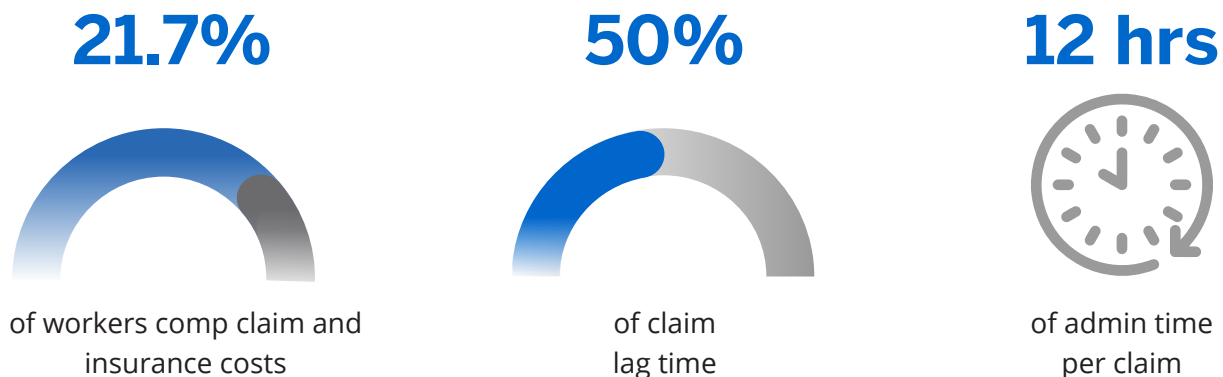
## Risk Waste

A reactive approach to risk management doesn't just put you in a defensive position. It also creates Risk Waste.

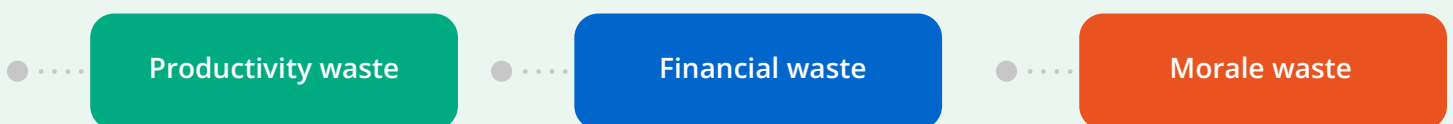
Risk Waste is the indirect cost of having a lack of connectivity and manual processes for safety, incidents and claims, which is costing many companies 7 to 8 figures every single year.

Our analysis reveals that Risk Waste costs companies an extra 21.7% in workers comp claim and insurance costs alone. Risk Waste means that half the lag time for a claim—the gap between an accident happening and the claim being filed with the carrier—is wasted time. And Risk Waste creates 12 extra hours in administrative time per claim.

### Risk Waste costs companies:



### There are three main causes of Risk Waste:



Let's look at each one in more detail.

# Productivity waste



It's Monday, 8 am. Bea, director of safety at a construction firm, watches the steam rising from her coffee cup. She envisions the day ahead of her, excited to work on a risk mitigation plan she wants to present to company leadership.

Suddenly, Bea's phone buzzes. It's Shawn, the company's HR manager, with news that there's been an injury at location #2.

Here's the kicker: it happened last week and there's no documentation.

Bea pings the onsite supervisor to try to track down the details. But the worker isn't on shift anymore, and his manager isn't accessible either.

Two weeks later, Bea finally files the claim. It took hours of follow-up as she sorted through emails, phone calls and spreadsheets, trying to piece together not only the incident but how the employee and the injury were treated. Initially, the claim was filed at the wrong carrier, which Bea had to chase down as well.

And things keep going wrong. Due to poor coordination and a lack of organized tracking, the claim sits for days, waiting for a claims adjuster. After one is finally assigned, the carrier works the claim several times, due to inaccurate and incomplete information.

Ultimately, the claim takes significantly more time and cost to resolve. The injured employee does not receive quick, clean and thoughtful guidance—from the company or their insurance partners—as no one knows what's going on until the claim is too far down the path.

## Productivity waster #1:

### Longer lag times

There's a gap between the date an accident happens and the date it's reported to the carrier. This is called lag time. Longer lag times result in less-optimal outcomes and more expensive claims.

For companies, longer lag times mean less effective return-to-work initiatives. Longer lag times disrupt operations and prevent teams from operating efficiently. Longer lag times can also increase the likelihood of litigation and ill will from the injured employee.

For workers, longer lag times mean less effective or immediate medical care guidance, which means more time out of work and longer-term adverse medical consequences. And that can negatively affect workforce morale and retention.

Manual processes and siloed systems create Risk Waste that needlessly extends lag times. Our analysis shows that Risk Waste means that half of lag time is wasted time.

## Productivity waster #2: Slower claim closures

Open claims are a burden on risk teams. The more open claims, the less attention the risk team can give each one. The burden of open claims also affects the risk team's ability to work strategically—for example, by triaging claims for faster resolution, or focusing on how to mitigate risk in the first place.

What's more, the longer claims stay open, the greater the requirements for security or collateral, and the greater potential for adverse development or higher severity. And the longer claims stay open, the less optimal the outcomes for the injured worker and the company.

Disconnected processes contribute to Risk Waste that slows down claim resolution and keeps claims open for longer. Our data shows that Risk Waste adds, on average, 30 extra days to claim closure times.

## Productivity waster #3: Extra time on claims admin

Many risk managers go back and forth between disconnected safety, incidents and claims systems. Repetitive, manual tasks add unnecessary friction to the employee experience, introduce error and distract from more valuable activities.



Our data shows that Risk Waste adds 12 hours of admin time to every claim. That adds up quickly, even over a small volume of claims. For example, one company reports that Risk Waste meant having to assign one full-time employee (FTE) for every 150 claims, rather than deploying that person to higher-value work.

**Key point:** When people are mired in administrative tasks, they don't grow and flourish—and neither does the company they work for.



Risk Waste adds 12 hours of administrative time to every claim



One additional full-time employee (FTE) needed to process claims

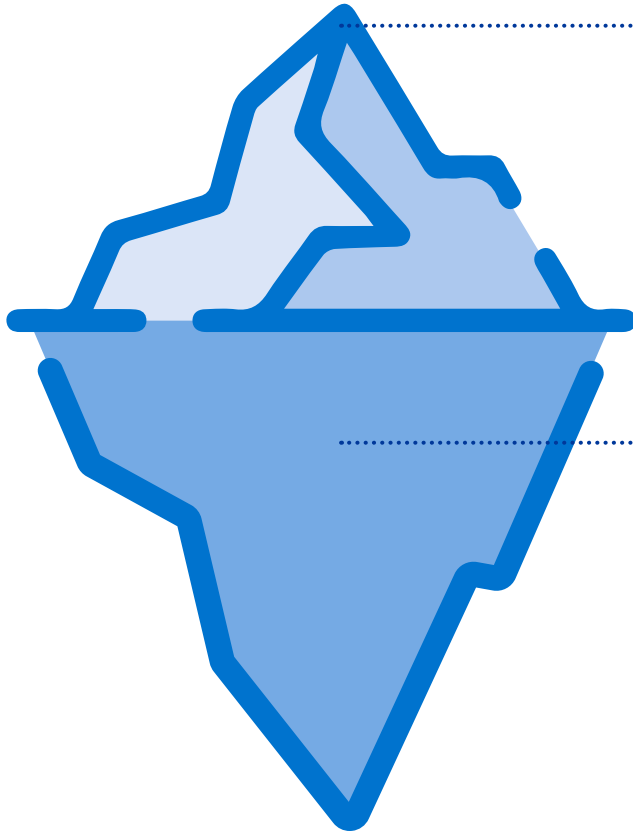
### Big picture: Accidents are expensive

When your risk team is playing catch-up all the time, it's hard to mitigate accidents or intervene early when they do happen. We estimate that Risk Waste is responsible for 3% higher frequency of workplace accidents.

Large losses can be especially expensive. We estimate that 1 in 5 large losses are due to poor safety practices. Further, most companies have experienced a large loss in recent years—often to the tune of 6 or 7 figures. It's not just large losses that are a problem. Having more accidents, period, can result in higher claims and insurance costs, and require bigger financial reserves and claims budgets.

Finally, the cost of accidents isn't just financial. They lead to less safe workplaces and unhappier, unhealthier workers. That negatively affects talent retention, employee engagement and team morale.

## Claims are just the tip of the iceberg



### RISK WASTE:

- Higher insurance costs
- Lower morale
- Unhappy workers
- Large losses
- Higher claims costs
- Less safe workplace

## Financial waste



Bea's back at her desk when Shawn pings her. They have a problem: due to delays with claims processing, a worker who was injured last month only recently saw a doctor for a follow-up. Now he needs more time off. What's more, the doctor didn't clear him to return to full work and some of his symptoms are escalating. It looks like he'll be out of work for another few months, triggering additional indemnity payments for time off work.

Privately, Bea wonders if the worker had gotten medical support earlier, whether the company could have gotten him back to work sooner—and saved themselves the additional cost and headache of an indemnity claim.

## Money waster #1:

### Higher insurance costs

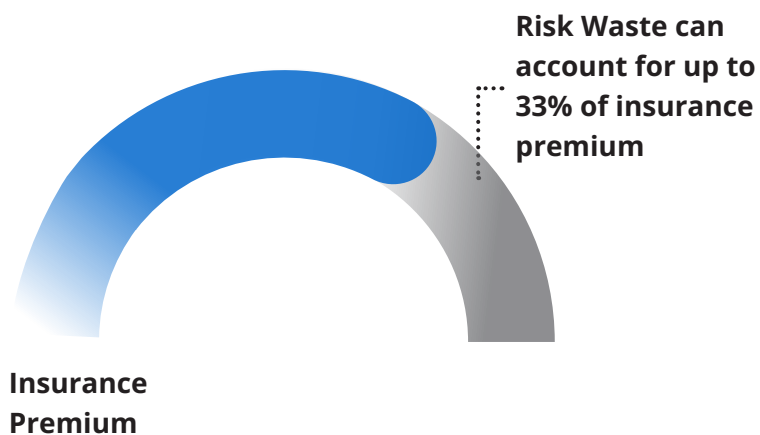
A reactive approach to risk management makes it hard to have a productive relationship with your insurance carrier and your employees. If you're operating with siloed, manual processes, it's hard to demonstrate improvements to your risk profile that warrant lower insurance costs.

And if you have a reactive approach to risk, you're incurring financial waste in the form of higher insurance costs.

To price policies, insurers use loss experience: a comparison of your insurance losses compared to similar companies over time. If your company has more losses than your peers, that's considered a poor loss experience. If your company has more severe losses than your peers, that's also considered a poor loss experience. And poor loss experience means higher insurance costs.

For a company with poor loss experience, the cost of Risk Waste is two-fold. First, there is the wasted cost of unnecessary claims and the associated and hidden claims costs. This cost alone can be significant. One company, a national temporary staffing firm, reported that a reactive approach to risk management resulted in 25% more claims.

Second, every dollar spent on unnecessary claims adds to your company's insurance costs. The data shows that Risk Waste adds up to 33% to insurance costs. Put another way, every dollar wasted on unnecessary claims increases insurance costs by up to 1.5x.<sup>1</sup> (That includes premiums and overall costs, inclusive of retained losses.)



## Money waster #2:

### Poor medical to indemnity mix

Workplace accidents can result in different types of claims. Medical-only claims apply to the cost of treating the injury, while indemnity claims cover the costs associated with lost wages and time off work.



But on average, an indemnity claim costs 10x that of a medical-only claim. And disconnected, manual processes make it hard to intervene early, making it more likely for medical-only claims to escalate into indemnity claims.

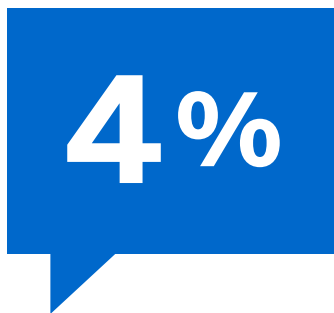
The data shows that Risk Waste results in a higher proportion of indemnity claims—4% higher. Considering indemnity claims are 10x the cost of medical-only claims, that makes a big difference.

### **Money waster #3:** More OSHA citations

Finally, reactive risk management can make OSHA citations more likely.

It's hard to be compliant when you're working with a siloed, manual approach to safety, incidents and claims. It's also harder to identify patterns or root causes of hazards and harder to stay on top of compliance activities, which can make it more likely to get repeat violations.

Our analysis suggests that Risk Waste accounts for 5% of OSHA citations, or an estimated 5 to 6 figures in unnecessary fines.



Risk Waste results in a higher proportion of indemnity claims



Claims were assigned to full-time employees (FTE) due to Risk Waste

# Morale waste

While it's hard to quantify, morale waste is a significant and serious driver of Risk Waste. Morale waste is a burden to risk and safety departments, where lean teams spend so much time on repetitive, administrative tasks they can't do strategic work. Not to mention the burnout these tasks can cause, affecting your employee retention.

Morale waste is also dangerous in the field. People notice when colleagues get hurt on the job, and they notice when company policies seem at odds with getting back to work quickly. Morale waste can lead to low employee engagement and poor team performance.<sup>2</sup> One research study estimates that disengaged employees cost the US \$350B annually.<sup>3</sup>

Low morale also makes it hard to attract and retain employees. That's especially critical in today's tough labor market, when there are millions of open risk and safety manager jobs open in the US.



**Monday, 8 am. Bea's feeling optimistic that the challenges of the past few weeks are behind her. That is, until Carter, a junior risk manager, comes to her desk. Carter's a rising star in the company, and has been pushing for the risk department to deploy more automation, analytics and strategy.**

**"Got a minute?" asks Carter, looking nervous.**

**Bea's spidey senses are confirmed when Carter submits his resignation. When Bea asks why, Carter shrugs. "I just feel like we're running around in circles here."**

**When Bea shares the news with Shawn, Shawn has news of his own: three workers at location #5 resigned that morning. Company gossip says that they've left for a competitor, one that's making a big hiring push. All of the competitor's job postings highlight its culture of safety and investments in digitizing its risk program.**

**Bea also remembers there was a serious accident at location #5 a few months ago, and the claim has been delayed and mishandled several times already. No one would be surprised if it went to litigation.**

**Bea looks at her watch. It's 9 am. Better make another cup of coffee.**

# Risk Waste is costing many companies 7 to 8 figures every year

To recap, there are three main drivers of Risk Waste:



And Risk Waste adds up. Our analysis shows that Risk Waste adds 21.7% to a company's workers comp claims cost every year.

Risk Waste is the cost of doing nothing—and on average, costs a typical company 7 to 8 figures every year. Here's what that might mean, depending on the size of your company.

# of claims	Total Productivity Waste	Total Financial Waste	Total
50	\$148,000	\$420,300	\$568,300
500	\$778,000	\$2,485,500	\$3,263,500
2500	\$4,530,000	\$9,497,800	\$14,027,800

Once you see Risk Waste, you can't unsee it. But there's an up side: by pivoting to Active Risk Management, you can turn the expense of Risk Waste into an opportunity.

# Solution: Active Risk Management

If Risk Waste is primarily caused by a lack of connectivity, transparency and insight, then Active Risk Management brings together the key components of safety, incidents and claims.

## GO FROM THIS:



## TO ACTIVE RISK MANAGEMENT:



Active Risk Management empowers your company to turn the expense of Risk Waste into an opportunity. It means you can play offense, not defense. And it gives you full visibility into your company's risk and safety efforts, so you can transform your culture and rethink your risk.

Here are some questions to kickstart your journey toward Active Risk Management:

- What could your risk team accomplish without the burden of productivity waste? What initiatives have they been putting off because they've been putting out fires?
- What could your company do with the 7 to 8 figures you're currently wasting on Risk Waste? What initiatives could be propelled forward with that kind of money?
- What could employees achieve when they're free from morale waste? How could you bring out the best in everyone by advancing a culture of safety?
- More broadly, what could you do with full, real-time visibility into your company's risk position? How could risk and safety become a strategic partner to the business?



**When Bea showed company leadership how much Risk Waste was costing the company, they were shocked. Three months later, they launched an Active Risk Management platform that integrates safety, incidents and claim functions in one place.**

**Monday, 8 am. Bea gets a notification on the Risk Management Information System about an injury at location #2. It happened an hour ago and the injured worker's manager reported it using the platform's mobile app.**

**Because the worker is still on site, Bea checks in with him and his manager to coordinate medical care. And because the intuitive app made it easy to report all the details of the incident, Bea already has the information she needs to get the claim started. Ultimately, she'll submit it with half the lag time she used to, and with much less administrative time on her end.**

**After Bea hangs up the phone, it buzzes again. Her CFO, Noelle, wants an update on the status of all open claims. Bea goes to the dashboard of the platform, pulls the data and emails it to Noelle.**

**Bea looks at her watch. It's 9 am. Time to dig into the risk mitigation plan. Company leadership liked it so much, they asked her to present it at the next Board meeting.**

# Conclusion

In today's complex economic and risk landscape, it's essential to have a big-picture view of the company. A defensive risk posture—characterized by disconnected, manual processes for risk, incidents and claims—means less visibility into critical business intelligence and higher costs associated with Risk Waste.

The bad news: Risk Waste is a significant and unnecessary burden on your company's productivity, bottom line and morale. It's an unseen cost, but a cost that many companies are unwittingly paying. And for many companies, Risk Waste adds an unnecessary 7 to 8 figures in costs.

The good news: by shining a light on Risk Waste, you can start to turn those unseen, indirect costs into an opportunity. Addressing Risk Waste with Active Risk Management means unlocking 7 to 8 figures from your bottom line.

Now that's an opportunity. What will you do with it?

### What to look for in an Active Risk Management Platform:



Integrates safety, incidents and claim portions of the process. With visibility across previously disconnected systems, you get real-time insights for better decision making.



Empowers everyone to manage risk. Mobile apps mean that everyone can be a risk manager—putting risk management in everyone's back pocket. And that's especially crucial in the field, where most accidents happen.



Adapts to your existing processes. Configurable forms and workflows drive adoption because your company doesn't have to change how it does things.



Focuses on adoption. Look for solutions with unlimited users, roles and data storage included. Having unlimited users is important, because you shouldn't have to cherry pick who gets access to workplace safety tools.

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## How can we help?

Aclaimant was founded on the belief that everyone has the right to be a better risk and protect what matters most. As the pioneer of Active Risk Management, Aclaimant enables companies to reduce the cost of risk and drive higher productivity while empowering every employee to be a risk manager.

## To learn more:

Visit [aclaimant.com](https://aclaimant.com) or contact us directly at [sales@aclaimant.com](mailto:sales@aclaimant.com)

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# Sources and notes

1. We estimated the cost of a reactive approach to risk management and the effect on loss experience. We assigned a reasonable sliding-scale target loss ratio for insurance pricing and applied this additional cost of insuring risk, due to Risk Waste. This additional cost of insuring risk ranges from 50% of claims cost (more typical for smaller customers, guaranteed cost program) to 10% of claims cost (for larger companies, high deductible program).

2. Wrike, 2021. "Why Employee Morale Plays a Big Part in Productivity." Accessed on June 17, 2022. <https://www.wrike.com/blog/employee-morale-and-productivity/>

3. Osborne, Schrita and Hammoud, Mohamad S. "Effective Employee Engagement in the Workplace." International Journal of Applied Management and Technology 2017, Volume 16, Issue 1, Pages 50–67. <https://scholarworks.waldenu.edu/cgi/viewcontent.cgi?article=1239&=&context=ijamt&=&sei-redir=1&referer=https%253A%252F%252Fwww.google.com%252Furl%253Fq%253Dhttps%253A%252F%252Fscholarworks.waldenu.edu%252Fcgi%252Fviewcontent.cgi%253Farticle%25253D1239%252526context%25253Dijamt%2526sa%253DD%2526ust%253D1587930510481000%2526usg%253DAFQjCNGC-HQqmR962uR1mTv-KaPhvztNIw#search=%22https%3A%2F%2Fscholarworks.waldenu.edu%2Fcgi%2Fviewcontent.cgi%3Farticle%3D1239%26context%3Dijamt%22/>