



Employee Benefits
Practice Group



The Future of **Integrated** Risk Management

Why is aggregating disparate silos of human capital data important in managing overall risk?

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CHANGING IRM UNDERWRITING ASSUMPTIONS IMPACT EMPLOYERS

THE LANDSCAPE OF PROPERTY AND CASUALTY INSURANCE HAS CHANGED.

Insurers view risk more holistically, including data points never previously considered, such as how a company administers healthcare benefits when making underwriting assumptions. The trend began in the transportation industry—fueled by a \$50 million settlement in a wrongful death suit.

This case study looks at the landmark settlement and how it impacts employers. It also presents how one progressive transportation company aggregated formerly disparate silos of human capital data to more aggressively manage risk across the enterprise.

\$50 MILLION SETTLEMENT IS TRANSFORMING THE IRM INDUSTRY

IN 2011 A REGIONAL TRANSPORTATION COMPANY WITH THOUSANDS

of drivers transitioned its employee healthcare benefit program to a high deductible health plan. The plan's family deductible was set at the Accountable Care Act maximum. For some employees, the cost of family coverage made choosing healthcare over paying the mortgage and buying food a real issue.

Many who endure the difficult lifestyle of driving for a living face health issues. This was true of one of the transportation company's drivers. He suffered from many health comorbidities, including obesity, type 2 diabetes, and sleep apnea. When the company adopted a high deductible plan, the driver could no longer afford his medications, causing him to become non-adherent. With untreated conditions, the employee ultimately succumbed to failing health, falling asleep while driving on a major interstate highway. Tragically, he collided with a minivan occupied by a family of five. All were killed upon impact, including the driver.

After 14 months of negotiations, surviving family members were awarded a roughly \$50 million financial settlement against the employer and insurance carrier.



A \$50 million wrongful death suit fueled the way for how insurers make underwriting assumptions.

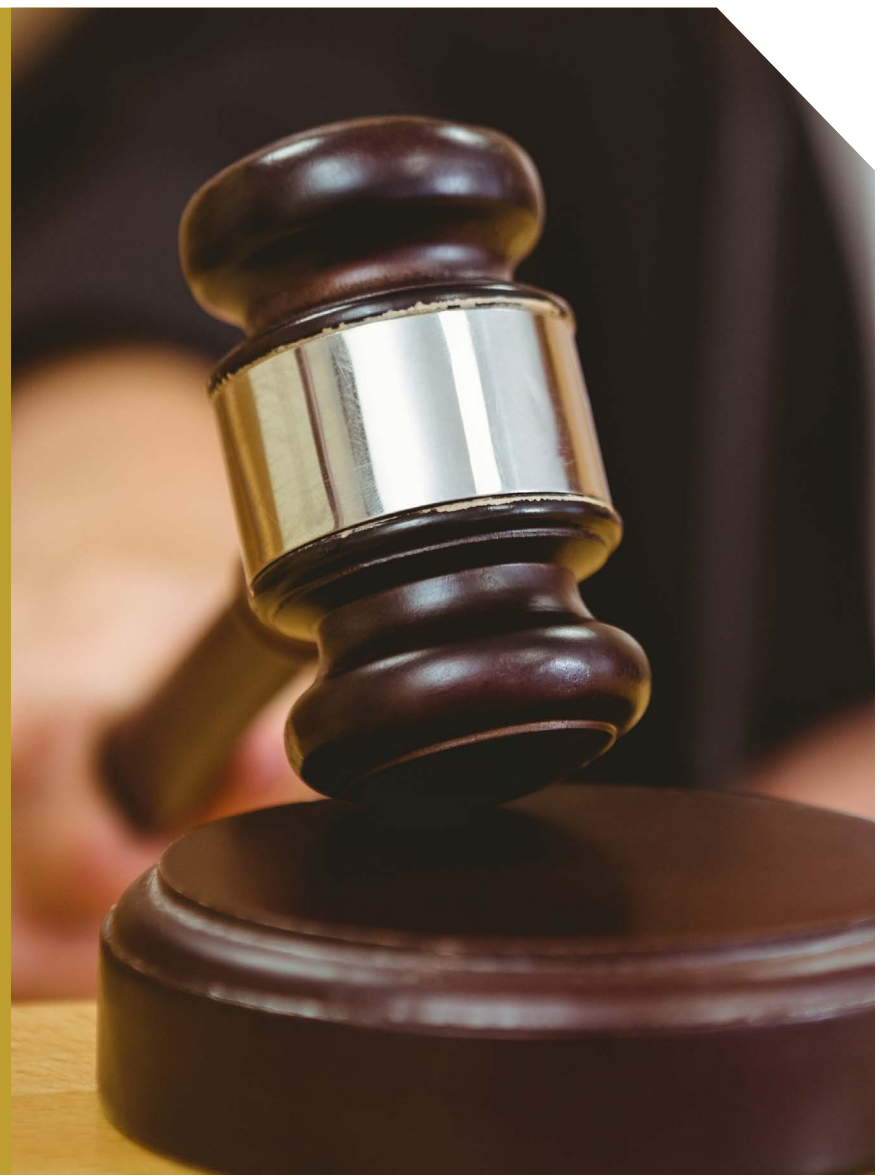
1 employee's untreated obesity, diabetes, and sleep apnea led to a highway fatality killing **6**

BASIS FOR DETERMINATION

The settlement process raised completely new questions and concerns regarding how an employer managing healthcare costs can materially impact the overall safety and risk profile of the transportation industry. The presiding judge determined that the employer's decision to move to a high deductible plan and the financial burden placed on its drivers (employees), in essence, put its drivers and the American public in harm's way. The judge also ruled that the company was negligent in not fully understanding how its employees' health impacted their ability to safely perform their jobs.

As a result of the settlement, the respective insurer began to question how full risk profiles were calculated. More importantly, the insurer questioned if other key variables needed to be considered when evaluating the "overall" underwriting risk profile of a specific customer.

The judge found the company negligent because it did not fully understand the impact that cost cutting healthcare benefit decisions had on driver safety.



EMPLOYER IMPEDIMENTS TO COMPREHENSIVE RISK ASSESSMENT

PROGRESSIVE COMPANIES WANT TO ADOPT A MORE HOLISTIC APPROACH to better understand the cause and effect of strategic decisions being made within their organizations.

But it isn't easy.

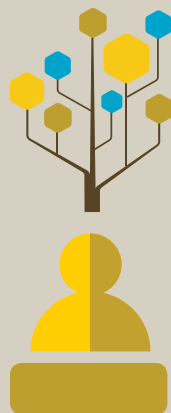
A key stumbling block is that different departments make organizational risk decisions in silos. Multiple vendors control employer benefit and risk data, providing a standard set of reports that don't identify root causes of issues, program correlations, or where a company needs to focus its efforts.

The disconnect is furthered by the insurance industry's own separate units selling and managing various risk offerings. Insurance underwriters use the analogy that companies are squeezing one end of the risk balloon, accentuating it at the other end, creating much larger liability.

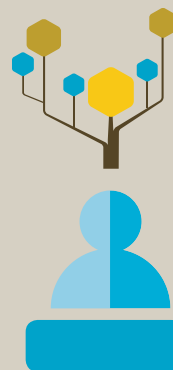
This scenario makes it very difficult for employers to compile comprehensive views of their human capital risk profile.

Customer data is trapped in disparate vendor silos, making comprehensive risk analysis nearly impossible.

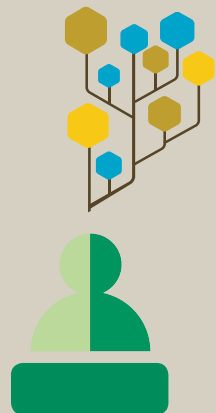
Compensation
Retirement
Vacation & Holidays
Medical
Pharmacy
Dental
Vision



Workplace Safety
Employee Turnover
Absenteeism
Disability
Workers' Compensation
Accident Insurance



Property Insurance
Fire Insurance
Catastrophic Insurance
Vehicle Insurance
Theft
Cyber Risk



IMPACT ON UNDERWRITING ASSUMPTIONS

THE LONG-TERM IMPACT OF THIS ACCIDENT WILL CONTINUE TO SHAPE the transportation industry. But it doesn't stop there. Other impacted market segments have unique business risk profiles, such as hospitals, manufacturing, oil and gas, retail, construction, refining, and others. With healthcare costs continuing to rise, most companies are forced to move to high deductible plans, so this risk problem is not going away.

Given this reality, how can employers better understand critical employee health, business, and financial risk elements to better mitigate risk?

The insurance industry is implementing new risk management protocols. Specifically, insurers want employers to comprehensively assess how health and wellness program decisions impact employee job performance.

Drivers with 2+ comorbidities had a **238%** higher chance of being involved in an accident and a **309%** higher chance of causing a **fatality.**

How One Transportation Company Integrated Human Capital Data to Comprehensively Assess Risk

A large, regional logistics company realized that integrating driver performance data was the critical first step in managing overall risk. The company embarked on a data journey to uncover the overall safety and performance of its drivers.

Through human capital data integration, the company discovered critical correlations between overall driver safety, performance, and:

- Employee health and wellness
- Family health and wellness
- Job satisfaction
- Family financial stress





Insurers now realize that employers must comprehensively assess how health and wellness program decisions impact safety and job performance.

INTEGRATED DATA EMPOWERS STRATEGIC DECISION-MAKING

The transportation company made two key decisions to empower its data journey:

- Investing in technology that turns each of its trucks into a data gathering device.
- Partnering with Innovu, a data analytics company that empowers clients to use total rewards and risk program data differently to manage and mitigate business and employee population risk.

TRUCK DATA SENSORS

Hundreds of sensors on each truck enable the company to track speed, erratic lane changes, and rumble strip encounters. Cameras monitor driver eye movement for drowsiness, time of day, weather conditions, and hundreds of other factors. Each driver's data is then risk-scored to create an index of driving performance. When tracked over time, the data uncovers insight regarding driving and traffic patterns or accident rates by driver, section of highway, weather, time of day, regions in the US, etc.

Innovu integrates all forms of human capital data to uncover previously unknown insight companies can use to manage risk.

INNOVU'S ANALYTICS EXPERTISE

TO FULLY UNDERSTAND HOW EMPLOYEE HEALTH AND WELL-BEING impacted overall fleet driving performance, the company needed a partner that had both technology and support to integrate data, identify and prioritize issues, discover program correlations, and provide expertise to make critical program decisions. Innovu integrated the company's driver performance data with its other human capital risk data. Analyses uncovered previously unknown insights:

Individual and family health data

Innovu identified three key correlations between poor individual health and driving performance:

- **Drivers with two or more comorbidities (21 percent of the population) had a 238 percent higher chance of being involved in an accident than their healthier coworkers.**

— These types of accidents are 309 percent more likely to involve a fatality.

- **Drivers whose child or spouse had health issues had a 280 percent higher chance of being in an accident.**

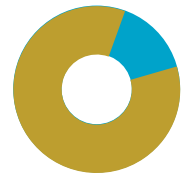
Based on the data, the company recognized the need to target specific health conditions like diabetes by offering free medications like insulin to ensure that drivers are compliant with their care, even when covered under a high deductible health plan.

Financial health, including retirement readiness

Innovu also looked at financial health data, collected on a volunteer basis from 93 percent of the drivers. Analyses uncovered that more than 81 percent of the drivers could not afford to retire at age 62, and 62 percent could not retire at age 65. This created a new paradigm—covering healthcare costs for a population of drivers beyond age 65.

Geographic regions

By comparing specific regions of the country, highway conditions, type of destination point, etc., the data revealed that, based on their driving scores, certain drivers were more effective at navigating difficult traffic patterns versus long-haul runs. The company reviewed compensation plans to ensure it could incentivize the right drivers to take assignments that typically did not yield the highest compensation rates.



81% of drivers could not afford to retire at age **62**



62% of drivers could not afford to retire at age **65**

USING DATA TO MITIGATE RISK

TO MITIGATE RISK, THE COMPANY CREATED AN INDEPENDENT EMPLOYEE

assistance program (EAP) that runs all of its safety and risk initiatives to ensure HIPAA and privacy law compliance. The EAP monitors the integrated data daily, weekly, and monthly, based on the source, to ensure it has the most recent total population data.

For instance, the team monitors 401K data weekly. When a driver borrows money from the plan, the EAP immediately calls to assess his or her financial well-being. The EAP has the ability to remove the driver from a work assignment (with complete pay) if the driver is deemed incapable of safely operating an 80,000-pound vehicle. The EAP justifies its decision by showing that financial risk is one of the top causes of accidents and fatalities due to the overall stress put on drivers and their families. The company has also created an employee loan fund that can be partially paid back through family financial literacy training, wellness program participation, and a safe driving record.

These decisions are made based on integrated data of medical, financial, business, and risk factors.

The company's external EAP team has critical input into an employee's ability to safely drive an 80,000-pound vehicle, based on integrated data analyses.



EMPOWERING THE DATA DRIVEN JOURNEY

The transportation company continues to monitor its data and adds new data sets to expand its risk mitigation efforts. Several factors were instrumental in the company's selection of Innovu as its data analytics vendor:

- **Innovu's ability to integrate data from an unlimited number of benefit and risk sources.**
- **The resulting 360-degree view of the company's population.**
- **Actionable insight to make more strategic business decisions.**



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RCM&D is ranked among the top independent insurance advisory firms in the United States. Our specialized teams provide strategic solutions and consulting for risk management, insurance and employee benefits. Leveraging 130 years of experience and strong local, national and global reach, we partner with you to meet all of your business objectives.



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Assurex Global is the world's largest privately-held commercial insurance, risk management and employee benefits brokerage group. The company operates as an exclusive Partnership, supported by more than 100 of the world's most respected and successful insurance brokers.



INNOVU BELIEVES THIS IS THE FUTURE OF INTEGRATED RISK MANAGEMENT.

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