

BUILDING GROUP CAPTIVE CULTURE TO DRIVE INVOLVEMENT

Dave Netti of Captive Resources determines how a unified group culture helps group captives to thrive

Many companies want to have more influence over their insurance costs. For this reason, they explore a variety of insurance options including group captives. Group captives fulfil the desire of companies to step away from the uncertainty that comes with the fluctuations of the traditional insurance market, and to achieve greater control in general. Helping to lower a company's total cost of risk (COR), however, is the true value proposition of a group captive, and what fundamentally attracts many member companies. And the most successful groups help members to achieve the greatest reductions in COR by developing a culture of safety.

Ultimately, group captive success is largely determined by the involvement of the insured member companies and their level of commitment. Key aspects of member involvement relate to the insured's desire to be proactively involved in its risk management programme, and its commitment to continuous improvement.

Establishing and supporting commitment

Upon joining a group captive, two basic member responsibilities must be established: a daily commitment to safety, and commitment to be active in the operation of the captive. To encourage this commitment, group captives can empower and support members by providing risk management resources, such as risk control workshops, best practice risk control assessments, access to professional consultants, webinars, virtual



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group forums, and on-demand resources. But members must take the initiative and avail themselves of these resources, and support their fellow captive members by sharing ideas, results, and success stories. Bringing resources to the individual member companies and facilitating engagement and participation will support the common goal of eliminating the risk of incidents. The challenge is establishing a balanced programme where resources are complementary and build off one another to achieve the desired result.

The importance of risk control workshops

Risk control workshops can be a nucleus of member companies' risk management structure. For its captive clients, Captive Resources conducts workshops semi-annually. These workshops provide a two-day platform for members to network and absorb new ideas from experts and from one another. The information presented at

a workshop should not only be educational, but also be designed to kick-start attendees' involvement. Attendees learn to identify and outline areas to make incremental improvements within their respective companies.

Creating dynamic, thought-provoking, relevant, and interactive workshop agendas is key to a successful workshop. Workshops utilise sought-after motivational keynote presenters to energise attendees, and bring in subject matter experts to provide practical small group solutions to address membership stress points. A mix of education, energy and content, specifically around topics that address loss drivers, provides value to all attendees. Member companies of successful group captives typically send more than one employee to participate in workshops. On average, homogeneous group captives achieve greater than 80% participation at their workshops, while heterogeneous captives see a 70% or greater participation rate.

There's an inherent pay-off for members to attend and participate in workshops. Members that attend workshops see material reductions in their workers' compensation losses (see Exhibits I and II). The benefit of networking combined with relevant content-based workshop agendas, together with aggressive claims management, leads to success.

Bringing in risk control pros

Another key support mechanism is the assignment of a professional risk control consultant. This boots-on-the-ground approach helps create customised improvement plans

based on a company's specific risk profile. Consultants bring their diverse professional experience to the table and present new ideas to the insured and can also help to facilitate the connection between ideas learned at workshops and the reality of implementation within the member's company. Members and consultants build a relationship to energise and challenge one another to find ways to reduce risk.

While some mid-size companies have safety and risk managers, professional consultants provide an important second set of eyes that introduce a unique, independent perspective. The regular involvement of an independent risk control consultant has been found to be a critical component in assisting group captive members to reduce their cost of risk.

Comprehensive risk assessment

A professional consultant should start its work with a comprehensive, scored risk assessment, which helps members identify areas of risk, prioritise opportunities, and develop a mitigation plan. A standard comprehensive industry best practice assessment required for all members, not only establishes a baseline rating for a member's risk profile, but also helps direct initial consulting focus. The assessment itself is only one tool to help identify risk and encourage improvement. Members that implement thorough risk control best practices typically experience the greatest success.

Correlation study results

Captive Resources provided an independent actuary with information from multiple heterogeneous group captives and asked that an analysis of the data be conducted to determine if there was any statistical correlation between and among risk control assessment (RCA) scores, risk control workshop participation, and actual vs. expected workers' compensation losses. Captive Resources provided RCA scores and workshop attendance information that the actuary was then able to compare to loss information for the captive members.

While it may seem intuitive that higher RCA scores and workshop attendance would result in lower losses, that was indeed statistically proven to be the case. The two charts shown here were derived from data points across hundreds of member companies over a five-year period.

- Members who attend workshops show greater improvements in their risk con-

Exhibit 1: Correlation analysis

Workshop attendance vs. change in RCA score

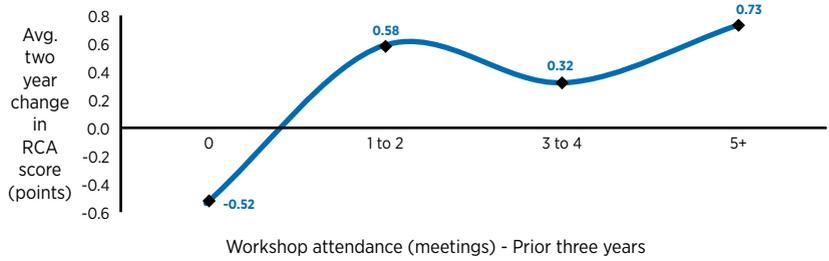
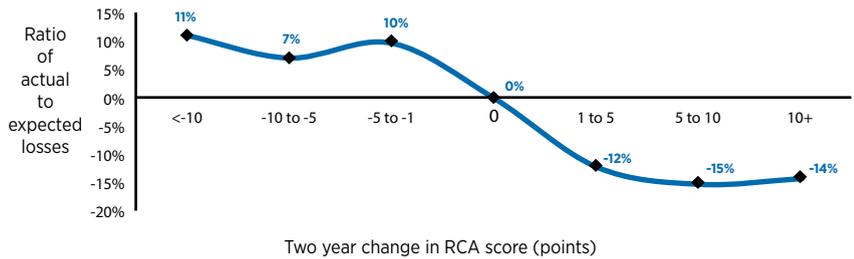


Exhibit 2: RCA Score Correlation

Change in RCA score vs. loss outcome



rol assessment (RCA) scores than those who do not. (Exhibit 1);

- Improvements in RCA scores consistently led to material reductions in workers' compensation claim costs. (Exhibit 2);
- Even a 1-5-point improvement in assessment score reduced the likelihood of losses exceeding their expected level (assessments are scored on a scale of 1 to 100). (Exhibit 2);
- A deterioration of RCA score leads to a much higher likelihood of claims exceeding expected losses (Exhibit 2).

On-demand resources

To maintain the momentum created by captive workshop participation and leveraging on-site consultants, group captives should provide on-demand resources. Members can build on their success by identifying and pursuing unique service providers and customised resources, such as membership to the National Safety Council which offers a wealth of tools and resources, and various learning management systems. However, many member companies do not employ safety experts, and may become frustrated and only be able to improve when a professional is available to work with them. With readily available resources, and service relationships to fall back on, instead they research and develop leading edge programmes to make their companies safer. Such resources support independent growth and creativity, and bind the framework of resources offered to help

group captives advance ahead of the industry curve.

Leveraging the network

The final resource draws on the knowledge within the membership. The network of relationships among members established at workshops and board meetings is a resource available and unique to group captives, but which can sometimes be overlooked. This unique connection and the commitment and obligation members demonstrate to one another, helps motivate them to succeed and push each other further.

The ability to instantly network with trusted contacts cannot be underestimated, especially in times of uncertainty. Captive Resources has assisted many group captives in developing virtual forums, which are proving to be very valuable during the Covid-19 crisis, providing a go-to spot for members to share knowledge and seek advice. Whether a member is looking for suggestions on how to address a newly identified risk, or share a best practice, these virtual forums have become a more-than-adequate substitute for in-person networking.

While front line risk control measures clearly provide value, the compounding of member networking and education is monumental. Group captives that establish a foundation built on resource management to drive and support member involvement, will be the group captives producing long-term, consistent reduction in total cost of risk. 