The Standardization of Loss Runs

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The Standardization of Loss Runs

The analysis of loss runs by those individuals that benefit from the report is critical to determining an employers' past injury sources so a corrective action agenda can be established. The users of Loss Runs are Underwriters, Agents, Loss Control Reps, Attorneys, Reinsures, and others representing a broad cross-section of education and experience. Therefore, simplification of these valuable reports will serve to expedite an understanding of the data they contain. The review of loss runs, prior to the actual visit of an account, can help steer the Loss Control professional to the problem area and that improves efficiency as we focus immediately on elimination of the injury source. Loss runs, or claim reports, vary from company to company each with a different style, font, text, and format. Therein lies the problem as Loss Control workers need to spend additional time reviewing each loss report to gain the appropriate level of understanding before consulting can begin. This may also frustrate claims professionals as they may have to review loss reports from other companies for subrogation purposes and historical account analysis.

Just as in the cost of an injury there is an indirect cost associated with injuries, the same holds true with service efficiency. The indirect-wasteful–cost can be attributed to a lack of clear, easy-to-understand loss runs. This indirect cost from lack of efficiency transcends beyond the Loss Control Rep. Also, it negatively affects Underwriters, Employers, and Agents, as they have to pick through the data to make sense of it.

If we look at other documents that Loss Control personnel have to review we readily find standardization in the documents of:

• The ACORD Application
• The Workers' Compensation contract/policy

- Material Safety Data Sheets
- In general, the Safety Program structure
- Experience Modification Factor Worksheet

Perhaps carriers want loss runs to be hard to understand as the font may not fax well or the copy is poor because of a company logo in the middle. Perhaps they feel this will hinder their information from being readily comprehended by competitor agents and carriers. I say they miss the intent of why a loss run is generated at all, that is to inform the user of needed data. I believe that claims professionals would agree that the more we as an industry can deliver clear and understandable information to the people that need the information, the better we fulfill the needs of the organization.

I would suggest a simpler easier way to do business and enhance effectiveness. I recommend a national voluntary standard Loss Report form with a pre-set font size and format. Complex data tables need simplicity to invite analysis. An employer may get his loss runs, which we all know is critical to review to take corrective preventative action but may not spend a fair amount of time with the document as it is too complex to understand. A Loss Control Engineer may not be able to read the small font print and miss a loss source that has caused a past injury. In addition, terms such as Incurred, Reserved, Paid, Allocated Loss Adjustment Expense, and Unallocated Loss Adjustment Expense should have common definitions that are accepted industry-wide. Claims professionals could give solid insight into what information is most useful to report users.

The main push for a standardized Loss Run document should come from the professionals who are responsible for that side of the house. Claims managers, Claims Supervisors, Professional Claims organizations, MIS people, and industry leaders must deliver information that is easier to read and comprehend. Third-party Administrators can play a role here in the development of a national, voluntary standard document form for claims listing.

Perhaps the NCCI could consult with industry organizations to accomplish an electronic report that not only fulfills the informational needs of the reader but also allows for Unit Stat Report data needs to be met. This would mean one data entry accomplishes two tasks, loss run generation, and Unit Stat completion. That would save time and money and simplify a process.

After reviewing loss runs for 15 years in the industry, the best loss report I have seen is the simplest one. This carrier has a top cover sheet that has a summary on it of prior years' activity and sets out the general information of account such as; policy number, value date of losses, written premium, earned premium, incurred total, paid amounts, reserved amounts and loss ratio. The next pages are a block table with only the heading of Employee Information which, all in the same block, contains injured worker name, age, SSN, and months on the job. The next large block is titled Claim Information and contains claim, number of days to report (Lag time) type of claim, Medical Only or Lost Time and status, open or closed. The next block provides sufficient room for an adjuster to write out what happened in more detail than just 2-3 words such as hurt back from lifting.

The report states, as the employee went to lift a 57# bag of rice the worker felt a sharp pain on the right side. Employee works in the shipping department. The beauty is in the simplicity. This report is of high value as it delivers more information to the end-user. In communications, it's important to put the message in the context of the person you are trying to communicate with. As an extreme example, if we were communicating with a deaf person we would use sign language. I think most Loss Control Engineers, agents, consultants, and employers are analytical people who would prefer a simple, standard, easy-to-read documents. We all want our employer-customer to read and take corrective action on loss runs. Think about when an employer changes carriers—they have to re-orient themselves to a new set

of loss run style and they may invite apprehension about giving the report the due diligence it deserves.

However, if an employer got the same information presented in the same format between carriers s/he could readily isolate problem areas with a quick read of the document. Employers would become familiar with where to seek answers from the document. That may invite more dialogue, conversations, and questions about the adjudication of the claim. These conversations would lead to understanding and progress. Yes, I am stating that easy-to-read, standard loss runs would improve closure rates as employers become acclimated with crucial details.

Another opportunity for improvement in the presentation of loss runs to all concerned parties is to give information that can lead to corrective action. In my opinion, one big problem with loss runs is the fact that it ONLY gives information about what has happened on the worksite. It is a reactionary document. I believe a better approach would be to give the prevention technique on a separate sheet so the employer can make corrective action. For example, if eye injuries were coded with a number such as eye001. Let's assume an employer has several eye injuries listed on the loss report.

With computer technology, these loss sources can be identified, via the eye001 code, and automatically, yes, automatically a document titled "How to prevent eye injuries" is attached to the loss report. If possible, the OSHA standard on PPE, which covers eye protection, rides with the loss report. Why not a website address where employers and/or safety managers can go get such prevention information. The point is that it is not enough to list the problems, i.e., the claims, but to give the corrective control technique would go further in reducing loss frequency.

The ability of a person to readily contact needed personnel is another opportunity for improvement. If it were standard practice to have contact numbers on loss runs a higher level of prompt communication would be the result. The Adjusters phone, fax, and e-mail would allow questions and statements about claims to be transmitted. The same is true with the need for the Loss Control person and Case Managers' contact information. If it were readily available it would invite communication which leads to expeditious claim closures and/or lower reserves.

Summary

Suffice to say, the designers of loss runs have an opportunity at hand to improve the intended communication of the information, save precious time for the readers of loss runs and provide a proactive element to a reactive document. Also, as part of the standardization, contact information of claim handlers and prevention personnel should be on the loss run to facilitate prompt communications. Professional Claims Associations should consider taking a leadership role in the transformation to a national standard loss report document. The benefits will be meaningful and widespread.

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