

WEBINAR | March 8 | 2-3 pm ET

# Protecting Employees and the Bottom Line by Managing Your Total Cost of Risk

Manufacturers  
**ALLIANCE**

 Marsh



# Today's Speakers



**David Carlson**

Managing Director, US Manufacturing &  
Automotive Industry Leader  
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**Zain Iqbal**

Senior Vice President  
Analytics Solutions, Marsh  
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**Stuart Ziener**

Vice President, Workforce  
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# Agenda

- Welcome Remarks- *David Carlson*
- Risk financing landscape- *Zain Iqbal*
- Pre loss opportunities for impacting your Total Cost of Risk (TCOR)- *Stuart Ziener*
- Q&A and Close



# *Opening Remarks*

**David Carlson**

US Manufacturing & Automotive Industry Leader  
Marsh

# Polling Question 1

Who is best placed to influence the TCOR within your organization?

- 1) CFO
- 2) HR
- 3) Risk Management
- 4) Employees
- 5) All of the above

# Risk Financing Landscape

**Zain Iqbal**

Senior Vice President

Analytics Solutions, Marsh Advisory, North America

## Polling question 2

Are your senior leaders (Treasurer, CFO, General Council, etc.) concerned about the recent market increase in premiums and total cost of risk?

- 1) Yes
- 2) No
- 3) Do not ask

# Navigating an evolving risk landscape

Building for the Future Requires Structure and Organization ...



Clarity



Data Driven  
Analysis

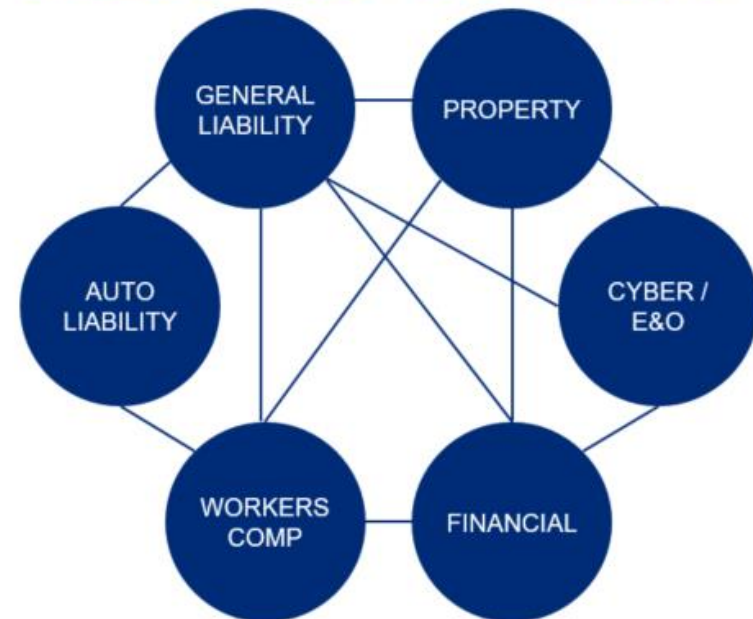


Execution

Speak same language as the business:

1. How much **risk** is the organization **exposed** to across the portfolio of risks?
2. What is the **return on investment** of risk transfer?
3. How much **volatility** can the **balance sheet retain** based on company's risk appetite and impact on **cost of capital**?

## UNDERSTANDING PORTFOLIO RISKS





# Risk financing optimization

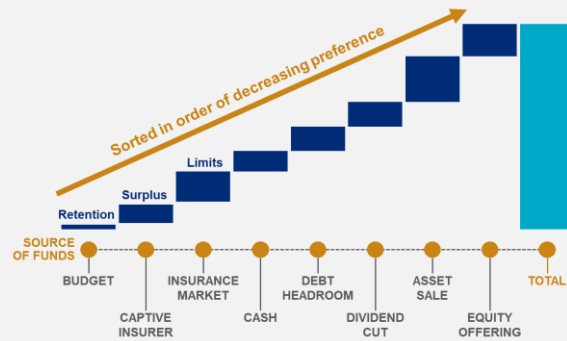
## Approach

### Understanding Your Risk Appetite

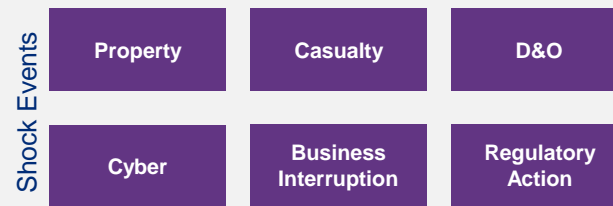
### Quantify Your Cost of Risk

### Securing Superior Market Results

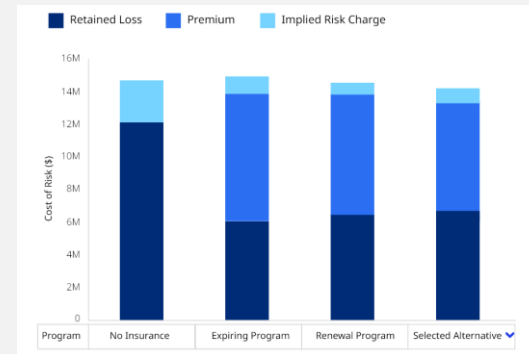
#### Sources of Funding



#### Analyse Data and Map Shock Events



#### Explore Alternative Strategies



#### Quantify Balance Sheet Impact

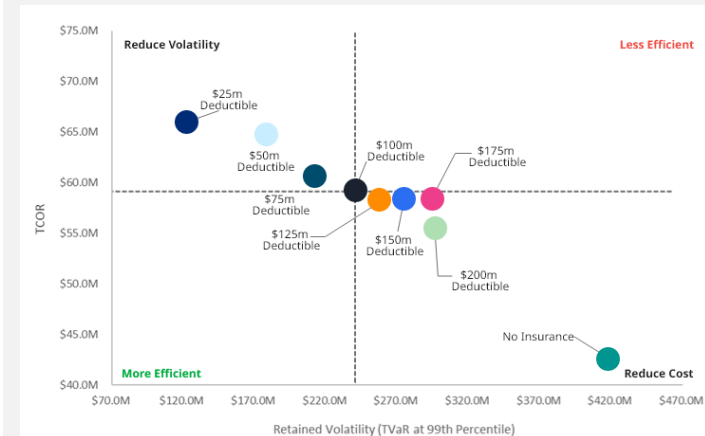
KPI	Amount (m)	Weight	Low %	High %
Cash & Cash Equivalents	2000	30%	7.0%	12.0%
Cash Flow from Operating Activities	500	30%	2.5%	5.0%
EBITDA	400	20%	2.5%	5.0%
Total Revenue	7500	20%	0.5%	1.0%
<b>RBC Range</b>			<b>55.25</b>	<b>98.50</b>
<b>RBC Midpoint</b>			<b>76.88</b>	

Establish the amount of unexpected loss the balance sheet can bear before a material drop in company value

#### Simulate Risk Events

Risk Event	Average loss	Median Loss	1 in 100 Year Loss	1 in 500 Year Loss
General Liability	11.9m	2.8m	171.5m	723.8m
Auto Liability	2.7m	1.2m	20.6m	95.1m
Workers' Compensation	5.6m	4.9m	17.2m	23.9m
Property	14.3m	0.5m	248.3m	550.7m
Cyber	3.9m	0.1m	58.7m	109.2m
<b>Total Portfolio</b>	<b>38.4m</b>	<b>18.7m</b>	<b>387.4m</b>	<b>912.0m</b>

#### Optimize Insurance Portfolio



# Pre loss opportunities for impacting your TCO

**Stuart Ziener**

Vice President, Workforce Strategies, Marsh Advisory Consulting Solutions



## Polling Question 3

What do you focus on most ?

- 1) OSHA Compliance
- 2) Workers compensation claims
- 3) Injury / illness data
- 4) Near misses
- 5) All of the above

# Why the total cost of risk process is important

**Calculating the total cost of risk is a systematic process that includes such issues as:**

- Understanding the **cost drivers** that affect an organization.
- Understanding the **risks** that an organization faces.
- Understanding an organization's **goals** and **strategic initiatives**.
- Evaluating and applying the appropriate techniques to protect the assets of an organization.
- Measuring and managing the process effectively.



# The starting point – Total Cost of Risk (TCOR)

Once calculated, businesses can **look at specific cost drivers** and prioritize where improvements or gains in efficiency can be realized.

Over time, TCOR therefore provides a yardstick to assess how a company's risk-related costs are changing relative to the overall growth rate of the business.





# TCOR – OSHA and workers' compensation

OSHA regulations provide a structured safety framework in which to work by, **incident rates and claims will indicate how well you are performing.**






Indirect costs are several times the direct costs and **should be included** to produce an accurate TCOR.



# The magnitude of the challenge for manufacturing

The U.S. manufacturing industry loses nearly \$8.42 billion a year to serious, nonfatal workplace injuries.

The top five causes

	Cost in billions	Percent total		
1.	\$1.90	22.6%		<b>Overexertion involving outside sources</b> <i>(handling object)</i>
2.	\$1.37	16.3%		<b>Falls on same level</b>
3.	\$0.93	11.1%		<b>Struck by object or equipment</b> <i>(being hit by objects)</i>
4.	\$0.80	9.5%		<b>Caught in or compressed by equipment or objects</b> <i>(running equipment or machines)</i>
5.	\$0.71	8.4%		<b>Repetitive motions involving microtasks</b>

BusinessLibertyMutual2023

# Marsh Safety Performance Survey

## 12 key elements critical to reducing your TCOR

*This is what you are telling us...*

700 manufacturing and automotive industry peers participated...

- Sr Leadership 73%
- Incident reporting and investigation 70%
- **Annual Safety Management Review 36%**
- **Employee reporting hazards 40%**
- **Hazard / risk assessment 40%**



# Strains are the leading cause of loss representing 34.4% of total claims and 41% of lost time claims

A low priority ?

Only 6.1% of respondents selected ergonomics as a top 1,2 or 3 priority. This is alarming. As even without picking up a claims run, most risk professionals know that ergonomic-related claims account for a high percentage of manufacturers claim costs.

Add remote working to this equation and many do not even have an aligned ergo program in place.

# Continuous risk improvement process



## DIAGNOSE

- Review claims data
- Safety self-assessments
- Objectives, goals, strategies, metrics (OGSMs)
- Policies, procedures, program review
- Regulatory and operational assessments

## DESIGN

- Understand current state and future state
- Develop three-year risk improvement Plan
- Set OGSMs
- Agree on the Plan
- Assign accountability

## DELIVER

- Begin implement top priorities from the Plan
- Check-in and assistance
- Reevaluate against expected outcomes
- Adjust the Plan where necessary
- Roll into year two initiatives



# Next action

## Safety Performance Ind<sup>x</sup>

Take the complimentary SPI:  
Engage leadership team  
Safety committee  
Front-line leadership

## 36 key safety system elements

Only takes nine minutes to complete

**Planning Aspects of Your Safety Management System**

The following statements focus on senior leadership objectives and goals, risk assessment, regulatory compliance assessment, and the safety management system platform.

We are world class    Agree    Good but could be improved    Disagree    Not sure

Senior management has clearly defined safety roles and responsibilities for all employees throughout the organization.

The organization has a written safety plan that enables employees to effectively assess risk and drive continuous safety improvement.

Managers and supervisors have clearly defined safety goals and performance objectives.

Senior management budgetarily prioritizes safety.

**MARSH RISK CONSULTING** Workforce Strategies Practice

XYZ Company  
**SAFETY PERFORMANCE IND<sup>x</sup>**

Organizations that are adaptable and welcome change will succeed in creating a work environment that attracts and retains the best talent of the future while delivering knowledge sharing, robust safety protocols and initiatives. By successfully embracing technology in the workplace, such organizations will fundamentally change their approach to workplace safety. Implementing a fully integrated safety management system can support these challenges and simultaneously deliver safety and health improvements. The SPI provides a baseline perspective of your Safety Management System, which you can leverage to drive improvement opportunities that can help you realize your organizational goals.

**SPI OVERALL RESULTS**

Improvement    Functional    Best in Class

**The Safety Performance Ind<sup>x</sup> indicates:**

**IMPROVEMENT OPPORTUNITIES**

**SURVEY RESULTS:**  
Your responses compared against Safety Management System best practices divided across the following:

**PLANNING**    **IMPLEMENTATION**    **EVALUATION**    **IMPROVEMENT**

DEVELOPMENT OPPORTUNITIES    IMPROVEMENT OPPORTUNITIES    IMPROVEMENT OPPORTUNITIES    IMPROVEMENT OPPORTUNITIES

Develop short- and long-term continuous improvement goals, identify risk reduction opportunities, and drive occupational safety and health improvements.

**RISK DEPUTES STRATEGY**    **MARSH**

**WORKFORCE STRATEGIES SAFETY PERFORMANCE IND<sup>x</sup>**    **MARSH**

XYZ Company

**LEGEND:**  
● Best Practice  
● Functional  
● Improvement Opportunities  
● Development Opportunities  
● Not Applicable or Not Evaluated

The rating for each Safety Management System element is based on your responses to the Safety Performance Ind<sup>x</sup>. Consideration should be given to each criteria and how it might be positively or negatively affecting your safety metrics and trends. A more detailed analysis is attached to this summary for discussion purposes - please review each element and determine if it accurately describes the current state of each Safety Management System element.

**SAFETY PERFORMANCE IND<sup>x</sup>**

**ITEMS YOU LISTED AS TOP FOCUS AREAS:**  
1) Ergonomics Factors  
2) COVID-19 Resiliency  
3) Employees Working from Home  
4) Employee Onboarding  
5) Leadership Engagement

**YOUR ANALYSIS OF TRENDS:**  
Workers Compensation Frequency  
Workers Compensation Severity  
Auto Liability Frequency

**SYSTEM PLAN ASSESSED:**  
1. Senior Management Expectations  
2. Safety Planning and Control  
3. Manager and Supervisor Safety Goals  
4. Provision of Adequate Resources  
5. Safety Personnel  
6. Risk Assessment  
7. Industrial Hygiene Risk Assessment  
8. Management of Change  
9. Legal and Corporate Compliance  
10. Staying Current with Regulatory Obligations  
11. Employee Participation  
12. Safety Management System Plan

**IMPLEMENTATION:**  
13. Senior Management Commitment  
14. Management and Supervisor Engagement  
15. Safety Policy  
16. Safe Work Procedures

**MONITORING:**  
20. Document Management  
21. Safety Orientation  
22. Ongoing Safety Training  
23. Manager and Supervisor Safety Training  
24. Training Management System  
25. Communications  
26. Reporting of Hazards  
27. Safety Committees

**CONRECTIVE:**  
28. Monitoring of Safety Performance  
29. Disciplinary Program  
30. Loss Analysis and Trending  
31. Safety Audits  
32. Corrective Action Management  
33. Incident Reporting and Investigation  
34. Self Audit of Programs  
35. Self Audit of Programs

**PERFORMANCE IND<sup>x</sup>**    **MARSH**

XYZ Company

Element	Rating	Color
1. Senior Management Expectations	Functional	Green
2. Safety Planning and Control	Functional	Green
3. Manager and Supervisor Safety Goals	Functional	Green
4. Provision of Adequate Resources	Functional	Green
5. Safety Personnel	Functional	Green
6. Risk Assessment	Functional	Green
7. Industrial Hygiene Risk Assessment	Functional	Green
8. Management of Change	Functional	Green
9. Legal and Corporate Compliance	Functional	Green
10. Staying Current with Regulatory Obligations	Functional	Green
11. Employee Participation	Functional	Green
12. Safety Management System Plan	Functional	Green
13. Senior Management Commitment	Functional	Green
14. Management and Supervisor Engagement	Functional	Green
15. Safety Policy	Functional	Green
16. Safe Work Procedures	Functional	Green
20. Document Management	Functional	Green
21. Safety Orientation	Functional	Green
22. Ongoing Safety Training	Functional	Green
23. Manager and Supervisor Safety Training	Functional	Green
24. Training Management System	Functional	Green
25. Communications	Functional	Green
26. Reporting of Hazards	Functional	Green
27. Safety Committees	Functional	Green
28. Monitoring of Safety Performance	Functional	Green
29. Disciplinary Program	Functional	Green
30. Loss Analysis and Trending	Functional	Green
31. Safety Audits	Functional	Green
32. Corrective Action Management	Functional	Green
33. Incident Reporting and Investigation	Functional	Green
34. Self Audit of Programs	Functional	Green
35. Self Audit of Programs	Functional	Green

Visual dashboards

Side-by-side comparison

Detailed analysis

# Q&A



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