Complex Risk
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How Data Improves Risk Management Decision Making & Efficiency

Engineering Intelligence

Risk managers today know more about engineering than ever before, which is a boon for the industry, but is that enough? Are organizations investing adequately in engineering data?

At this year's Complex Risk Symposium, Lockton's Vince Gaffigan, Scott Johnson, and Lucas Pfannenstiel addressed the myriad ways data can help risk managers.

Comparing engineering data to the kid picked last in gym class, Pfannenstiel explained why risk management should lead with engineering. To truly appreciate the risk inherent in a company's property program, it's important to visualize engineering opportunity effectively.

Pfannenstiel demonstrated hypothetical data samples generated by Lockton's Property Visualization Tool, which analyzes a carrier's engineering data via a Power BI software program.

Color coded by risk, the chart serves as a rating system that offers a quick visual for potential threat.

Such a system allows for risk recommendations, best ROI, location assessment, and a wide array of recommendations, all available instantaneously.

Pfannenstiel urged the audience to "use data to tell your story" and returned to the analogy of gym class. "Consider a more holistic property risk management strategy…In a world where clients are picking teams, where do you fall?" Organizations with the most sophisticated engineering data get chosen first.

Advocating for data to be aggregated in one place, Pfannenstiel offered a powerful summary: "You are putting in the work — let us show your hard work and help you tell your story."

Dynamic Capital Modeling (DCM)

Scott Johnson, P&C Analytics Manager at Lockton Companies, knows first-hand DCM's ability to analyze retentions and limits more effectively. Via simulation models with tens of thousands of scenarios, DCM provides rich insight into value and probability data vital to sound decision making.

Simply comparing premiums and estimates is not enough to determine the cost of volatility. At the Symposium, Johnson shared slides of hypothetical layer efficiency in a property program schematic, color coded to indicate risk value. DCM retention assessment allows for more proactive decision making to minimize cost and to help establish risk comfort levels.

What data drives DCM? Statement of values, CAT models, AOP models and client specific inputs. The ability to see data points for various options enables efficacy in program design and use of capital.

Looking back at history doesn't provide risk managers with enough information. Dynamic Capital Modeling does.

Lockton 360

Property, inflation, recession, and social inflation are worrisome issues for everyone, and workers' compensation claims are one of the largest controllable expenses for most organizations. Having a well-defined process for workers' compensation cases is critical, yet organizations continue to be surprised and frustrated when injured workers file claims.

Vince Gaffigan, EVP and Director of Risk Consulting at Lockton Companies, explained that the traditional approach to managing workers' compensation is highly fragmented, and data is just one piece of a larger solution. Lockton 360 achieves sustainable workers' compensation reductions that rely on qualitative analysis, qualitative assessment, and client partnership to sustainably reduce costs.

Most claim review strategies attempt to either examine every claim or simply focus on high dollar claims. According to Gaffigan, both are ineffective, because 70% of advanced development claims are initially valued at less than $50,000.

Lockton's Advanced Claims Target (ACT) offers a solution to ineffective claim review strategies because successful loss reduction starts with knowing where to focus resources. ACT is a proprietary algorithm that measures an individual claim's potential for adverse development at any time in the claim's life cycle, identifying and targeting claims that are likely to drive future costs.

ACT is not a standalone product, however, because it relies on the process of Lockton 360. It is one tool in a comprehensive approach to "really target resources and impact overall outcomes."