



A CLOSE-UP of a microphone. Mike Riney, president and CEO of Risk Enterprise Management Ltd., opens up about his 30-year career in the claims business.

PROFILE

Open Mike

Mike Riney, president and CEO of REM Ltd., looks back on a 30-year career in the claims business.

Editor's note: This piece originally ran in the Oct. 1 issue of the magazine. Due to editing and transcription errors, we are republishing it in this issue.

In August, Risk & Insurance® Managing Editor Cyril Tuohy interviewed Mike Riney, president and CEO of third-party administrator (TPA) Risk Enterprise Management Limited (REM), about his long career in the insurance claims business.

Riney entered the business in 1977 as a claims adjuster for Continental Insurance Co., and became CEO of REM in 2004. The TPA, originally formed to manage the runoff business of the former Home Insurance Co., split off from Zurich North America in 2007. Today, 63 percent of REM's business is derived from processing workers' compensation claims and 34 percent from casualty claims, and a smattering of claims come from some of the more unique insurance lines in the marketplace, like gap insurance.

Riney, former head of Continental Loss Adjusting and commercial claims for CNA Insurance Co., spent more than two hours with Risk & Insurance® discussing trends and changes affecting the TPA marketplace today.

Q: How have you seen the world of TPAs evolve over the past 25 or 30 years?

A: When I began, the business did not resemble its current form. I began my career in 1977 as a claims trainee in Oklahoma City. I'd recently graduated from the University of Oklahoma and joined a company called Underwriters Adjusting Co., a wholly owned subsidiary of Continental Insurance Co. It was the claims department for Continental Insurance, which was one of the giants in the insurance industry at that time, but it was also an independent adjusting company. As an independent adjusting company, UAC provided property and casualty claims services for other smaller insurance companies, often as a catastrophe claims service provider. In Oklahoma, that meant tornadoes and hailstorm damage claims.

UAC also had a number of what we called contract claims engagements—mostly with self-insured companies which had large risk management departments that were responsible for casualty claims such as slips and falls, which UAC contracted to handle. That's where I began my career, as a casualty claims adjuster.

Then I moved into higher-severity casualty claims. My favorite types of claims were product

liability claims and medical malpractice claims – more interesting, more challenging. The types of claims that require more experienced adjusters. We provided service to a number of major manufacturers and several for-profit hospital companies.

Q: Why was that? The claims are more complex?

A: First of all, every claim is different. It was fascinating to learn how the medical world functioned, which was something new to me. With the types of claims coming out of medical malpractice, for example, there were legitimate ones, ones that were not legitimate, and many that the claimants believed were legitimate, but were not necessarily the legal responsibility of our customers. Certainly, some people were looking for financial opportunity. There is always going to be some of that. But by and large, most people genuinely believed that they'd been wronged.

It was our job to investigate the facts and make recommendations to our customers based on damages and application of the law. Sometimes, the conclusion was that, although a claimant believed that they had a legitimate claim, they in fact did not. Sometimes claims would go into litigation – less so in those days than today. Those were relatively new services for independent adjusting companies, because most of the casualty and workers' compensation claims services were provided by insurance company claims departments under traditional insurance policies.

With the advent in the 1980s and early 1990s of more risk transfer products, starting with large-deductible workers' compensation and self-insured retentions – loss-sensitive type of programs – risk management customers began taking more claims management responsibility for their own programs.

Q: So, was there even any such thing as a TPA?

A: Well, the first time that I recall having heard the term "TPA" was in the late 1980s. There were certainly independent adjusters before that. GAB was the largest independent adjusting company in the country. Crawford was a very large independent adjuster. UAC was as well. Over time, the growth in professional risk management departments and alternative risk transfer vehicles such as captives, along with the willingness of Fortune 1000 and even Fortune 2000 companies to manage their risk apart from the insurance policy, spurred the growth of the TPA industry.

As a claims adjuster, I was always more involved with what today is known as the risk management customer. From the beginning, I enjoyed dealing with knowledgeable, professional people who were part of Continental's and UAC's customer companies because it was the most efficient way to investigate and get to the bottom of a claim. In a products liability investigation, for example, the risk manager or claims manager at a manufacturer can tell you about the product, can give you a claims history in terms of claims against that product, can tell you about the potential abuses of that product, and how that may come into play. It was interesting and helpful to me in terms of investigating those claims and coming to the best decision concerning liability

summary

- More than 30 years ago, there was no such thing as a TPA.
- TPA customers say they want more personalization.
- Softness in the workers' comp marketplace may signal a coming wave of consolidation in the TPA space.

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and damages.

I then moved into management at Continental and for the last four years of the life of Continental, was the senior executive responsible for Continental Loss Adjusting, UAC's successor and Continental's TPA and claims department.

That gave me the opportunity to work not just on specific claims, but in the sales process, pricing, account management, overall relationship management, and on large accounts with risk managers and claims managers on a national basis. That continues with my role today at REM.

I have been energized by it, have been very involved in it, and have watched that business become more and more specialized.

Q: How so? Which areas have become more specialized?

A: It has become more specialized in terms of financial alternatives, such as the development of captives, and in terms of the development of company risk management, claims and loss prevention structures. Risk management functions have become ever more sophisticated, with a strong drive to continually find better

ways to improve outcomes, which is where we come in. That's where it gets exciting for us; 20 years ago, risk managers may or may not have had such a laser-like focus on financial outcomes. The tools that they had, and even the overall orientation that they had were somewhat different at that time than they are today.

Sophisticated risk managers today parse their programs looking for the many, many drivers of loss and ways to improve economic outcomes. Safety and prevention of losses have taken giant leaps forward. Consider the 55 percent decline in workers'

compensation frequency since 1991, according to the National Council on Compensation Insurance Inc. There certainly have been improvements to the various state workers' compensation acts over that period which contributed to the decline. But there have also been dramatic improvements in loss prevention through training, awareness, and safety-oriented development of technologies and machinery. The cost of the workers' compensation medical component continues to rise, but proper use of medical care can result in an earlier return to work, which reduces indemnity costs. It has been very interesting to be a part of that development. But what I really find interesting in terms of my role now is the challenge of crafting strategy around those changing needs, and understanding where these changes will lead our industry in the future. I remember seeing a quote in an article about leadership a number of years ago, and it was something along the lines of, "The future belongs to the CEO who can see that future first." I'd love to say we have a crystal ball, but we don't; nor do I believe anybody else owns that crystal ball. But we try and understand where our business is going, and we talk to our customers about their needs, both now and in the future.

Q: And what are your customers telling you?

A: There's not always a consistent theme, but our customers tend to say "Show me how you are the best at controlling my loss costs." That is why we developed, years ago, based on the McKinsey leakage management methodologies, REM's Leakage Management and Best Practices as our core strategy to control customer loss costs. My goal is that every one of our customers concludes that REM can fairly control its loss costs better than any other TPA, better than any carrier claim department.

There are a number of ways we do that, but what it all gets to is that it's a key strategy of ours and affects everything we do. For example, we only hire people with experience. Our average adjuster has 18 years experience, and that is extraordinary in this business. We hire specifically for experience. Our supervisors average 21 years experience, and our managers average 23 years. We want people with proven ability who are good at what they do. Then we train them in our Leakage methodology. We set their objectives and evaluate their performance on a number of key goals and objectives, but always keying in on customer loss costs and leakage management outcomes. The second thing we do is we heavily, heavily customize our services.

Q: Customers are telling you they want that level of customization?

A: Absolutely. Customers tell us that they want their TPA to act as an extension of their risk management unit. To us, it's a matter of every single person at REM – up and down

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MIKE RINEY, CEO, REM Ltd.

at REM, including my own, is also determined on customer satisfaction – how our customers see us – and we know that compliance with handling agreements is a major driver.

Customers want state-of-the-art risk management information systems, and they want an ever increasing number of data points to be collected at the front end that allow meaningful analyses of losses and their causes. For example, our largest vertical segment is Retail. Going back 10 years, it may have been enough to record that a retail loss was due to a slip and fall,

an example of a very broad loss characteristic. Now, customers want information such as the department where the fall occurred. Was it in the food aisle? Was it in automotive? Was it in a women's clothing aisle? Was it caused by a liquid? Was the liquid from a product for sale or liquid that somebody brought into the store? How was the lighting? Were lower shelves visible? Those are the front-end elements that must be collected and coded. Customers want to be able to use that information to prevent losses, manage losses

when they occur, or insure for their exposures should they elect to do that. Retail customers also want the ability to provide claims information and feedback, for example, to their real estate and corporate design people to prevent future losses. The risk management function is becoming far more integrated into the operations of companies, and the more we can assist our risk management customers in finding better ways to control their overall cost of risk, the more successful we're going to make our customers and ourselves.

the line – taking our customers' business personally. And customers tell us we do that very well. We've even adopted the brand tag line, "We take claims personally." For example, we encourage new clients to interview adjusters that we plan to assign to their account. We want them to be on board every step of the way, including involvement in developing the incentive compensation-based goals we assign to our adjusters, meaning our adjusters are compensated on how well they take care of our customers. That is pretty personal.

Q: Is it fair to say that the claims process on the part of TPAs had not been personal enough?

A: What I'm speaking of are the characteristics of doing business with REM. It has been common over the years to see TPA ads that advance what TPAs offer, such as: "We have more offices, we have more people, we have better systems." In our case it's been, "We control loss costs." What we are now saying, based on customer survey feedback, is "We take your business personally at all levels."

Q: What else are you sensing that customers want from their TPAs?

A: Care of their brands. Risk managers often say they don't believe that TPAs and insurers fully understand the importance of protecting their brand.

A good question for risk managers is "Does your TPA care about your brand as much as you do?" We do, and, in fact, see ourselves as being critical to every customer's delivery on their overall brand promise. Our customers recognize that every claim is an opportunity to touch one of their customers or employees. They want it to be a positive experience and they want their brand protected. They want a quick and aggressive investigation, a fair resolution and compliance with claim handling agreements. People expect to be treated well when making a claim – even when a claim is not going to be paid.

Customers want TPAs to comply with their handling agreements – hardly an unreasonable request. Much of our individual compensation

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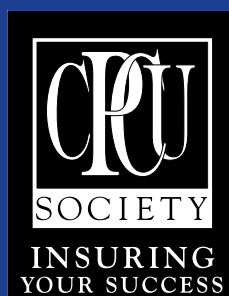
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