

A.O. SMITH STREAMLINES UNDERWRITING LOWERS COST

CSC

Leading U.S. Manufacturer Improves Risk Management Reporting Across Global Operations

A. O. Smith Corporation, a publicly held company headquartered in Milwaukee, Wisconsin, has approximately 19,500 employees worldwide and billions of dollars in revenue. The company began as a small machine shop and has participated in a wide range of industries during its 133-year history. Today, its global product line includes electric motors for residential, commercial, and industrial applications and residential and commercial water heating equipment.

Corporate Risk Manager Scott Towne's mission is to keep A. O. Smith out of hot water. "We face risks common to any manufacturer," Towne said, "occupational injury and disease cases, premises liability, auto liability, product liability and property exposures." Prior to Towne's arrival, A. O. Smith had no comprehensive, global risk management system. It had been using spreadsheets from as many as eight TPAs. "It was spreadsheet purgatory trying to collect data," he said.

A. O. Smith needed a system that would collect and manage data from differing coverages and inconsistent sources. The company needed a

system that could calculate the costs of workers' compensation in the U. S. and manage risks in China and other countries.

After reviewing other software on the market, A. O. Smith chose CSC's RISKMASTER risk and claims management system. CSC provides complete managed hosting services for the company at one of its data centers; A. O. Smith accesses the system through a Web browser. CSC also supports Sarbanes-Oxley compliance and SAS/70 certification, assuring both data integrity and data recovery. While Towne was initially concerned his department would be too dependent on CSC, he quickly developed an appreciation for the hosted environment.

"I would never go with anything but a hosted system in the future," Towne said. "It's so much easier when we're doing upgrades. All those upgrades are taken care of for us and all have gone well. Our IT people, of course, appreciate not having to deal with it."

Transforming the Underwriting Process

Immediately after converting to RISKMASTER, A. O. Smith

CASE STUDY

- Lowered Insurance Costs with Improved Underwriting Data
- Identified Risk Trends And Saved 15% Annually
- Increased Staff Productivity Despite Growth
- Supported Company's Acquisition Strategy

A. O. Smith

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Scott Towne
Corporate Risk Manager



CSC'S SOLUTIONS

CSC's RISKMASTER is the most comprehensive and flexible risk management solution available. RISKMASTER helps organizations worldwide reduce risk by giving users access to more vital information: property, general liability, vehicle, incidents, and more. It's a more efficient way for risk, claims and safety specialists to manage claims data.



experienced improvements in the time and effort needed to gather risk management data, as well as the integrity and validity of the data. Using reports generated by RISKMASTER, the company was able to provide its insurance brokers with solid underwriting information.

"A. O. Smith now 'owns' the data," Towne commented. "Having extensive claims history gives us more credibility. The system allows me to reproduce data year after year in one single document. This makes my job and the jobs of our underwriters that much easier.

"Having the confidence to slice data in different ways — whatever underwriters typically like to see — and knowing the data was the same from slice to slice gave us the confidence we could demonstrate the data was valid. We don't get any challenging questions anymore. All that's left are the negotiations."

Supporting Strategic Acquisitions

RISKMASTER has also supported A. O. Smith's acquisition strategy. After an acquisition, A. O. Smith's risk management team can demonstrate its ability to limit exposures as part of its renewal submissions.

"Certainly, our cost-of-risk metrics have continued to decline, and we're heading in a positive direction," Towne said. "We demonstrate we are doing the things we said we'd do."

Through RISKMASTER's reports, A. O. Smith can evaluate costs such as workers' comp in the U.S. and equivalent programs in other countries.

"To be able to pull data to risk maps and see opportunities to decrease costs allows our local facilities to direct efforts towards frequency and severity reduction of the highest priority risks," Towne said. "We don't have to follow gut intuition. While it's not a complete apples-to-apples comparison, RISKMASTER even lets us compare the cost per \$100 of payroll in any country. We can make decisions on how we can control and prevent injuries worldwide."

Identifying and Eliminating Risk Exposures

A centralized global system lets the company identify emerging trends in manufacturing operations. "If we see trends or developing product liability issues, we can relay that to our management and reduce risks associated with new products, even raw material selection," Towne said. "If we see compelling loss drivers, we can evaluate and ultimately dispose of those losses."

A. O. Smith just completed a major risk remediation project in which the company used RISKMASTER to identify negative trends. Through the application of alternative dispute resolution methodologies, the company is projected to save at least 15 percent annually.

Despite two acquisitions in recent years, A. O. Smith has not had to add to the size of its risk management staff. Automation lets employees focus on ways to decrease risks and losses rather than producing reports.

"There are benefits you may not realize when you are in the process of justifying the need for a new system," Towne said, "and those benefits in our experience have been material."

Controlling the Destiny of Its System

"There are some very fine systems out there tied to broker systems and insurance company systems," Towne said. "But I like the independence RISKMASTER gives us, and our relationships with our brokers are intact. And RISKMASTER is reliable. I've had experience with other risk management information systems. Inevitably, you have to build in some sort of penalty in the contract for system down time. We've had no down time so far with RISKMASTER."

Towne provides CSC with feedback and influences the ongoing development of the software by participating in RISKMASTER users' group meetings. "CSC has made an investment in technology," he said. "CSC's people understand the business. They get it."

For more information about CSC's RISKMASTER software, call 800.345.7672 or send an e-mail to inforequests@csc.com.

