

An even greater profit improvement potential may exist from improving loss payout. Improving [redacted] loss payout and underwriting results to industry average could generate upwards of \$350 million in improvement (both to [redacted] and its clients), which is three to seven times larger than the impact from potential expense reduction.

comparison of both factors.

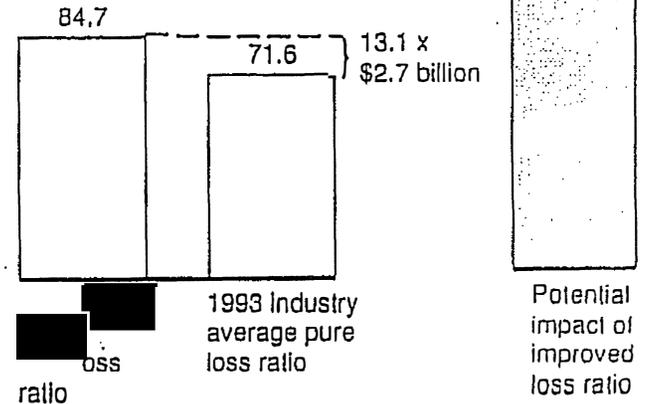
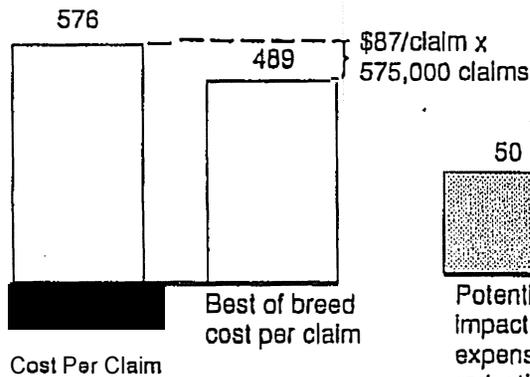
COMPARISON OF IMPACT FROM IMPROVED LOSS PERFORMANCE VS. EXPENSE REDUCTION

[redacted] example

Expense reduction
\$ Millions/claim, \$ millions

premium written \$2.7 Bih
13.1% = \$ 353.7 M

Loss performance improvement
Percent, \$ millions

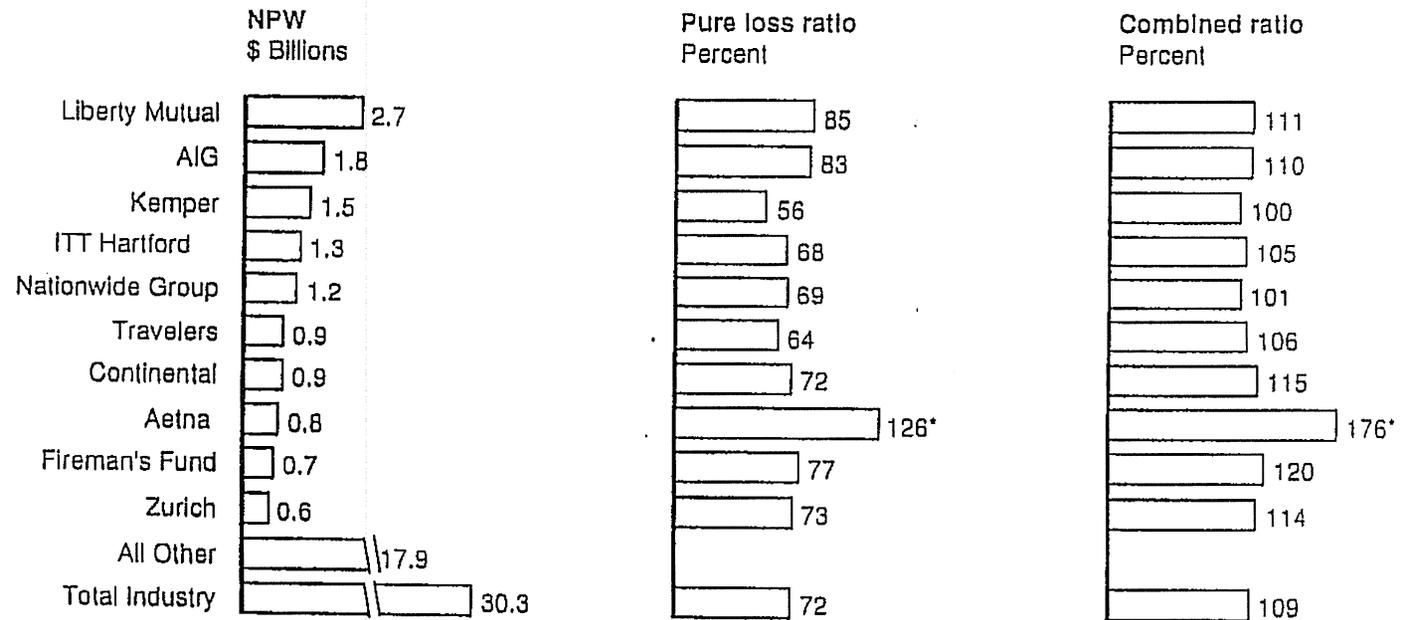


Source: A.M. Best company

We have completed the benchmarking of nine of the ten survey participants. The carriers included in the survey represent about 50 percent of the U.S. workers' compensation market.

PERFORMANCE OF BENCHMARKING PARTICIPANTS

1993 Workers' Compensation net premium written



Together, the carriers included in the survey account for ~50% of the net premium written

Note: [Redacted] is not included in numbers

[Redacted] loss and combined ratios are excluded from averages in remainder of document; they are disproportionately high due to rapidly declining premium levels

Source: A.M. Best Company

EARLY THOUGHTS ON AREAS OF OPPORTUNITY



- ¶ Opportunities to reduce expense, with minimal impact on leakage
- Too much claims expense is concentrated on medical only and small indemnity cases
 - Time spent on administrative duties should be reduced
 - Payment functions are manually intensive and tend to impact leakage only when calculated incorrectly
 - The case creation and assignment processes are labor-intensive and add little value to final outcomes
 - Claims service time in some positions and markets consumes considerable time and could be reduced without impacting actual service levels
- ¶ Opportunities to reduce leakage, with minimal impact on expense

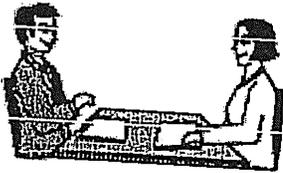
- Case direction
- Medical and disability management
- Recovery
- Settlement

WC Process Objectives

- Design a new W.C. claim handling process, to be tested in [REDACTED] which
 - Maintains or improves customer service delivery
 - Reduces outcomes
 - Increases the time spent on high cost cases
 - Maintains or improves overall employee job satisfaction and morale
 - Reduces unit costs
 - Provides a business process template for [REDACTED]

ACTIVITY 3: CALIBRATE THE TEAM ON THE QUESTIONNAIRE BY REVIEWING THE SAME FILE

Day 1



We found
\$5,000 leakage



We found
\$1,000 leakage

Day 2

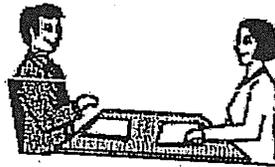


We found
\$3,000 leakage



We found
\$2,000 leakage

Day 3



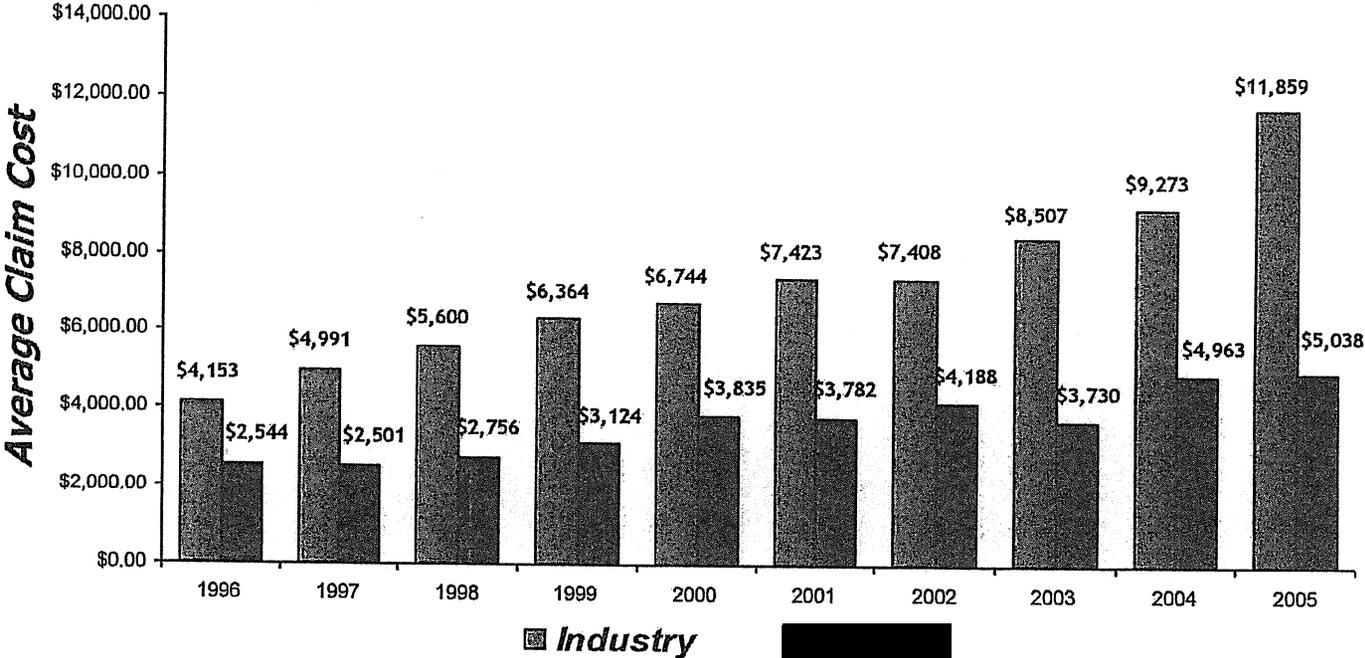
We found
\$2,500 leakage

"Calibrated team"



We Decrease Cost

Resulting in a 57% lower average claims cost!



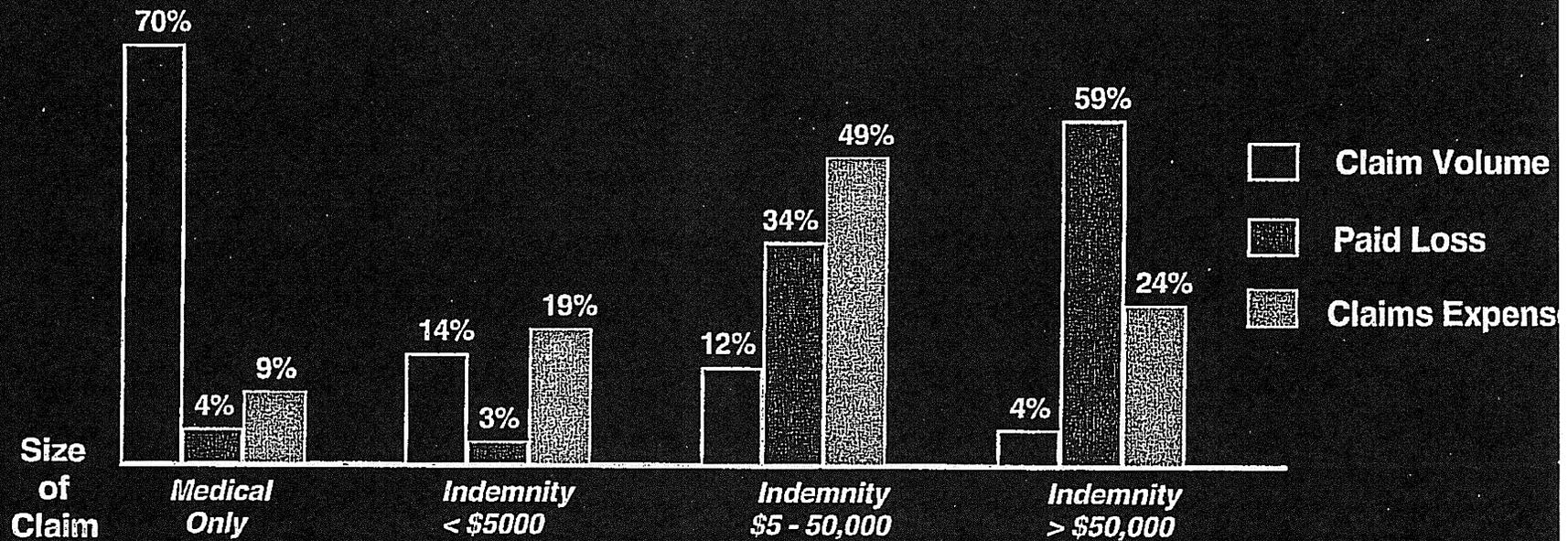
Source: 2005 Annual Statements, Schedule P, as filed with the NAIC



Return on Investment – Consulting Services

Total Incurred Cost on 124 Occ/Acc claim sample	\$4,295,042
Extrapolated Incurred on 250 claim pilot program	\$8,590,000
Projected cost of services - 250 claims	\$ 180,000
Projected Savings and ROI - 5% difference	\$ 429,500 (2.4 to 1)
Expected Savings and ROI - 10% difference	\$ 859,000 (4.8 to 1)
Projected Savings and ROI - 15% difference	\$1,289,000 (7.2 to 1)

WC Process Review Conclusions



- A disproportionate amount of Claims expense is spent on small cases
- Current protocols require the same work on all claims, regardless of exposure
- Resources should be targeted on larger claims where reduction of loss will have the greatest impact