Detailing Risk for Rental Vehicles

During a pandemic that caused many shutdowns, Avis's Suzanne Panicoe took her risk responsibilities to the next level.

Few sectors were hit as badly as the travel industry during the COVID-19 crisis.

One area that was severely affected was rental vehicles.

As a leading global provider of mobility solutions, Avis Budget Group is constantly assessing its risks.

These risks are chiefly associated with its properties, such as those in flood zones, and require evaluation of everything, from how parking lots are paved and the impact that has on vehicles, to clearance and turning radius available for firetrucks.

Early in the pandemic, rental vehicles sat idle in lots across the world, creating a host of new challenges for risk managers at these companies. They were exposed to a range of threats from flooding and fire to wind and hail damage.

Step forward Suzanne Panicoe, senior director, global risk management and claims at Avis Budget Group.

In her role, Panicoe worked to prevent any losses to the company's properties and advised the regional operations leads of potential risks.

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— **Suzanne Panicoe,** senior director, global risk management and claims, Avis Budget Group

At renewal, working alongside the company's chief financial officer and treasurer, Panicoe communicated Avis's risk management strategy to the underwriters to fully explain the risk. Within this, she presented a comprehensive plan to get back to 70% utilization rates that the company had traditionally had.

Panicoe got the underwriters comfortable with the risk, detailing how Avis right-sizes its fleet in line with demand and disperses its vehicles so that there's a smaller concentration exposed to an event at any given time.

She also mapped out how getting back to these historic levels was critical to the company remaining a viable ongoing concern.

After receiving quotes for its traditional program structure, the company modeled the risk to determine the appropriate balance of cost to risk.

Avis decided that, given the high premiums being quoted for the risk, its structure needed to be fundamentally changed.

"The decision to change the structure of the program was driven mainly due to premiums being extremely expensive in relation to the risk," Panicoe said. "Getting sufficient limits wasn't the issue. The issue was getting limits at a price that was commensurate to the risk."

After deciding to insure the primary layer through Avis's captive and self-insure a portion of the excess layer, the company took out top and drop coverage to provide additional excess coverage and reinsurance for the primary layer.

By retaining a portion of the excess layer, the company significantly reduced the premium for that layer and enabled the company to reallocate the savings to offset the additional cost of the top and drop coverage.

By Alex Wright

Melting the Silos

A merger involving tens of thousands of employees gets smoothed out by a director of workers' compensation.

When large corporations combine, there is by nature a great deal of activity. But "activity is not achievement," according to Dave Taylor, senior director of workers' compensation for Charter Communications.

Several years ago, Charter acquired two other large companies. The combined entity had almost 100,000 employees averaging 5,000 workers' compensation claims a year. At any given time, there were several thousand open cases.

That situation by itself would be a challenge, but the two acquired companies had been on the block for a couple of years. Claims management had not been a priority.

"There were three companies and three ways of doing things," Taylor said. "We needed to start fresh, maybe from scratch, to rebuild the workers' comp system, even the whole risk-management system, as one operation for a large central organization."

The process went well but was not without a few bumps.

"We had to melt down considerable portions," said Taylor. "There were very different philosophies and structures. For example, one program had been more aggressive than the other two. We incorporated elements of each one with a completely new work flow and new team. We believe in continuous improvement, so we are never 'done,' but the program today is the one we envisioned."

Taylor stressed that getting the best care for sick or injured workers was always the first priority. Even if that was more expensive in the instance, the long-term benefits to the employees and to the organization were better off.

"Dave's efforts resulted in improvements in key metrics," said Rob Flynn, partnership executive at ESIS, Charter's TPA.

"That includes the most prized by Charter senior management: Tens of millions of dollars in reduction of workers' compensation booked loss reserves from the Charter actuaries. The reclaimed millions of dollars were then used to strengthen loss prevention efforts in safety training and equipment. The end result is that 80% of the existing takeover has resolved, and the current life cycle of managed medical and indemnity claims are better than industry standards."

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Returning to first principles, Taylor reiterated the single priority was to get the best care for the workers in a collaborative approach to absence management. In particular, he noted transitional duty, which had not been used before, and common-sense implementation.

One example was to set a cap on claims for each adjuster so they can be fully engaged with each obligation and to provide them automatically with basic information on the claim rather than making them have to ask for it.

Taylor is thankful to his team and to senior management, as well as service providers and underwriters.

"Support from all of those was essential," he said. "We had to do things differently, and after a little initial resistance in a few places, we got the people in place who were going to make it work."

By Gregory DL Morris