

## Are Risk Control Efforts Providing a Satisfactory ROI?

Are you receiving **the best return on investment** from your health & safety or risk control programs? Your risk control efforts, including health & safety and employee wellness programs, are aimed at reducing risk, avoiding losses, improving the work environment and lowering operating costs. When effective, **these measures have the potential to provide economic value to your company.**



Return on investment is a key metric for any company - the bigger the return on the dollars spent, the more profit a company is driving. For risk control or health & safety spending, the return on investment can contribute directly to the company bottom line. By analyzing and estimating the financial impact of your risk control efforts, you are able to **make more informed risk program decisions and rationalize correlating costs.**

Many aspects of your operations can have a direct measurable effect on the financial bottom line. The following are few examples of exposures and potential measurement methodologies:

### Fleet/Vehicle Operations

Information from a GPS system provides a window into the operations of your fleet. In addition to vehicle location tracking, it is possible to monitor speed, starts/stops, idling and overall vehicle performance. By making changes to driving habits, it is possible to save money and reduce costs. According to the Alberta Motor Association<sup>1</sup> the following are factors to consider:

- **Speeding** - Reducing vehicle speed from 120 km/h to 100km/h can save up to 20% on fuel consumption
- **Acceleration** - Eliminating jackrabbit starts and hard braking can decrease fuel consumption up to 40%
- **Maintenance** – A well-tuned engine can decrease fuel usage and harmful emissions up to 50%. Dirty and clogged filters can increase fuel consumption by 10%

Analyzing driver activities, vehicle maintenance and ongoing operations, followed by training and further monitoring can provide a rate of return that can be calculated as:

$$\text{ROI (\%)} = \frac{(\text{money saved} - \text{training or monitoring costs})}{\text{training or monitoring costs}} \times 100$$

### Cyber Security

According to Gartner Inc.<sup>2</sup> it is estimated that globally \$76.9 billion was spent on cyber security in 2015. However, studies indicate IT executives expect to receive only half of the funds required to implement their preferred security plans. It is therefore even more important to be able to demonstrate a return on investment so as to reduce future losses due to inadequate security mitigation funding or budget cuts.

This can be done using the Annual Loss Expectancy (ALE) calculated as follows:

**ALE = (# of incidents per year) X (potential \$ loss per incident)**

As a hypothetical example, if it is expected there could be 6 incidents per year at a cost of \$140,000 each:

**ALE = 6 X \$140,000 = \$840,000**

**ROI = (ALE / Cost of protection) X 100**  
(where cost of protection is the cost of the solution to prevent the incidents from occurring)

**ROI = (\$840,000/\$150,000) X 100**

**ROI = 560%**

The ROI on cyber security may not add directly to the financial bottom line in the way of increased profits, but it can add by way of reduced costs. With this estimated reduction in future costs it potentially becomes possible to justify increased budget expenditures.

## Training

Your employee training investment covers a wide array of topics from customer services to journeyman trades to health & safety operations. To quantify the monetary benefit of training investment, an analysis of work efficiency, reduction of lost time accidents, or similar potential cost savings should be considered.

To measure the ROI<sup>3</sup> for training, a simple formula is:

**ROI (%) = ((monetary benefit – training costs) / training costs) x 100**

An example using the above formula, if a new training program results in total annual savings of \$100,000 and the cost of training was \$25,000, the ROI is 300%.

**ROI = ((100,000-25,000) ÷ 25,000) x 100 = 300%**

That means **for every \$1 spent on training your company would gain a benefit of \$3.**

By analyzing the ROI either as an increase in profits or a reduction in future costs, it is possible to ensure your loss control and risk management expenditures are seen as a benefit rather than just another budget item. **The increase in accuracy can help justify spending and reduce the potential for budget cutbacks in these areas.** The following resources provide a more in depth analysis and understanding for this topic.

## Further Resources:

Measuring Return on Investment in Risk Control – see page 10

[https://issuu.com/moiremarketing/docs/publicrisk\\_oct2015-final-issuu](https://issuu.com/moiremarketing/docs/publicrisk_oct2015-final-issuu)

ASSE White Paper:

<http://www.asse.org/professionalaaffairs/action/return-on-investment-for-safety/>

Cyber – Georgetown University

<https://s2erc.georgetown.edu/sites/s2erc/files/ROI%20for%20Cybersecurity%20Approaches.pdf>

Cyber ROI Calculation

<http://www.csoonline.com/article/3010007/advanced-persistent-threats/how-to-calculate-roi-and-justify-your-cybersecurity-budget.html>

1 “[Vehicle Performance](#).” Titan GPS, n.d. Web. March 2016.

2 “[Cyber ROI](#).” Booz Allen Hamilton Inc. 2015. Web. March 2016.

3 Molly Thompson. “[How to Calculate ROI for Training](#).” Houston Chronicle, n.d. Web. March 2016.

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