

## Chairman's Corner

by Eli E. Shupe Jr., CPCU, AMIM

**Eli E. Shupe Jr., CPCU, AMIM**, is the chairman of the CPCU Society's Loss Control Section. He earned his CPCU designation in 1992 and has been active in both local and national CPCU work ever since.

His first job in the insurance industry was in 1959 working in the Average Rate Department on the Wisconsin Insurance Rating Bureau, a predecessor organization to ISO. Shupe has worked for a number of insurance companies in various capacities including training, marketing, loss control, product management, and both field and home office underwriting.

Welcome to this issue of the LCQ. My name is **Eli Shupe Jr., CPCU, AMIM**. I am the chairman of your Loss Control Section Committee. I'm delighted that you are reading my letter to section members. Unfortunately, it will also be my last; I retire as chairman following the Annual Meeting and Seminars in Atlanta.

First and foremost I would like to say a big **thank you** to our retiring LCQ editor. **Charles H. Morgan, J.D., CPCU, CLU, CSP, ARM**, has guided the LCQ since its inception, and is primarily responsible for it being the great publication it has become. Charlie, we will miss you.

As we move into summer, your section committee is busy planning our program for the CPCU Society's 61<sup>st</sup> Annual Meeting and Seminars in Atlanta in October. Our program will be on loss controlling the inland marine risk, with sections on builders risk, contractors equipment, and cargo.

There are several things I need your help with as I retire as chairman of the section committee:

1. We are in the process of creating a blockbuster web site, and I would like to know what you would like to see on the site. Would you be willing to be listed as a "go to" person in any specialty area? Do you have a list of links you would like quick connection to, and a list that would help other section members? Would you like to receive copies of our LCQ and other section news online?
2. Would you be interested in serving on the section committee? We have lost six members of the committee to either retirement from the work force or by committee term limitation. Committee membership would involve two meetings a year, one in spring in connection with the Leadership Summit and the other in connection with the Annual Meeting and Seminars in the fall. The main project for the committee is our section-sponsored program at the Annual Meeting. Some other areas where we always need help are the web site, section member recruitment, and writing articles for the LCQ (or recommending articles that we can print with proper credits).

3. We also need someone to step forward to serve as editor of the LCQ.

4. If you would like to help in any of these areas, but do not feel comfortable joining the section committee, please call or e-mail me. You don't have to be on the committee to help your section thrive.

Last, but by no means least, plan to attend the Annual Meeting and Seminars in Atlanta and help your Society celebrate its 61<sup>st</sup> birthday. And while you're there, plan to attend our seminar, have a good time, and introduce yourself to your section committee.

If you are interested in exploring any of these golden opportunities, please contact me by phone at (513) 870-2447 or e-mail at eli\_shupe@cinfin.com ■

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# Credit Guard Mania and Loss Control

by Ellen Yamshon, Esq., CPCU

**Ellen Yamshon, Esq., CPCU**, is an advocate for risk reduction through conflict prevention and dispute resolution. She is an attorney and a mediator for the Western Center for Alternative Dispute Resolution; chair emeritus of the Board of Directors of the Sacramento Mediation Center; and a recipient of the California Mediation Week Peacemaker of the Year Award for her pioneering work in negotiation and mediation.

Yamshon is on the National Panel of Arbitrators for the American Arbitration Association. She has negotiated mortgage loans on behalf of major banks and savings associations for subsequent sale to government programs. She is a former claims supervisor; has held insurance agent and broker licenses; and has been licensed by the National Association of Securities Dealers.

A recognized expert in program development, Yamshon has evaluated conflict resolution operations of government agencies and community-based organizations at home and abroad. She has lectured on conflict management and negotiation in the College of Business Administration, California State University, Sacramento; and is a contributing author on alternative dispute resolution and ethics topics in *Understanding the Law*, a popular textbook. She sits on the National Advisory Board of the Consortium for Alternative Dispute Resolution in Special Education, a National Center for Dispute Resolution funded by the United States Department of Education.

**C**hances are you already know a fair amount about identity theft. You don't need to be an insurance professional to recognize that identity theft is a big problem. As a consumer, you've heard the horror stories and you get the solicitations for "fraud alerts." If you log onto the Internet, pay credit card bills, listen to the radio, attend sports events, or watch television, you can't miss it. I call it "credit guard" mania. It's ubiquitous.

Non-insurance entities are competing for a segment of the identity theft insurance market. Credit reporting agencies, consumer credit counseling services, banks, and credit card companies have fashioned protection plans touted as your "insurance against identity theft." Competition is intense. In addition, new businesses have emerged and grown as a result of society's fear of identity theft. They include documentation destruction companies, credit restoration counselors, and advocates.

Credit monitoring services are reportedly generating \$500 million in annual revenues. Fees vary significantly as do the package of services offered. For \$69.95, Equifax, one of the big three credit reporting agencies, will monitor and send e-alerts within 24 hours of any change in your credit. If you incur any expenses in clearing an unauthorized charge, Equifax will reimburse you up to \$2,500. In contrast, Experian, another big three company, will monitor and report back to you for \$79.95, but that doesn't include reimbursement for the out-of-pocket expenses to clear your credit or time lost at work.

The relentless play on our collective anxiety over identity theft makes rational evaluation of the various insurance products difficult, if not impossible. Recognizing that the menace of identity theft can be controlled, if not completely prevented, will help frame the analysis. Loss prevention does not eliminate the need for insurance. However, insurance dollars should be spent on the unforeseeable and catastrophic, not on risks that are preventable.

Identity theft is perpetrated invisibly, completed in no time, and is generally detectable only after the fact. Identity theft is not a violent crime in the strictest sense because your bodily integrity is not threatened or breached, at least at the outset. They stick it to you painlessly but the financial consequences and reputational harm can be devastating. It can be quite sickening, literally.

Like AIDS, you can get this financial virus without knowing it and unless you are vigilant about discovering it, it can develop into an illness that is difficult to treat. Confirmation of identity theft can be traumatic in and of itself and the recovery process can be lengthy and stressful. If prolonged, it can result in the sort of emotional distress that manifests physically and may need medical attention.

As far as your good name and your credit rating are concerned, though, you could be dead on arrival. The good news is you can resurrect your credit rating and repair your reputation. The bad news is that in the process, you may lose your job, be forced to declare bankruptcy, or accused of committing a crime perpetrated by a larcenist using your identity.

In a recent nationwide survey, Fireman's Fund discovered that almost every homeowner knew about identity fraud (97 percent) and nearly all were concerned, to some degree (90 percent). Furthermore, 80 percent of the homeowners surveyed claim they know what they need to reduce the chances of identity theft, but only 70 percent report that they have taken action. Assuming that action is actually doing something beyond putting together a to-do list, which leaves 30 percent who are especially vulnerable.

I will venture a guess that you too have given some thought to this matter and have taken steps. You're required to shred sensitive documents at the office and you probably do the same at home. Do you use a crosscut paper shredder?

I bet at some point you realized that carrying multiple credit cards was a bad



idea if only because it makes your wallet heavy. So now you only carry a few, right? You never give out your social security number or credit card number to a stranger over the telephone. If you shop the web, you use discretion in placing your account information, right? Speaking of credit cards, you check your statements for unauthorized charges promptly, every time, right?

Think about your mailbox—not your e-mail—your physical mailbox, where you get deliveries from the United States Postal Service. Is it secure? Does it lock?

Let me ask you this: Do you know the exact dates that your bank statements are mailed? Do you have your computer programmed to remind you when to expect your bank statement? Do you call the bank right away if you don't get your statement? Do you reconcile the check register and the statement promptly?

Do you periodically scan your supply of blank checks, in the middle of your checkbook and in storage? Are both blank and cancelled checks under lock and key?

If you are taking these precautions, you are in good shape. You may think that if you are vigilant about following them, it can't happen to you, right? Don't make that mistake. Even if you are doing all the right things, you are not immune. However, vigilance will dramatically reduce the likelihood and severity of any breach of your financial security.

Let me tell you about my brush with financial disaster. I can't claim to have been doing all the right things, but I was conscientious to the extent that I was aware of ways to prevent identity theft. This went a long way to reduce the consequences of the breach. But it still happened. Vigilant is what I need to be now that I have joined the ranks of the one in four people who experience identity theft every year.

I tracked the due dates of my credit card and bank statements. I programmed my PDA to remind me when a statement was due and synchronized it with my personal computer, so that wherever I was I would not forget to track my accounts. I learned in law school that if you put your trash on the curb, it becomes public domain. Ever since, all documents with personal identifying information get shredded.

My house was burglarized over the July 4 holiday weekend last year. My family and I were on vacation. We returned to find the contents of our house upside-down. The burglars rammed in the side door entrance to get in the house, taking out the doorframe. We live on a winding levee road in the unincorporated section of Sacramento County, about 10 miles from the police station. The burglar alarm limited but did not prevent the burglary.

I believed I modeled good risk management behavior in preparing for our vacation. Before we left, my family and I planned how we would secure our valuables. I left my laptop at the office, my son hid his behind the vacuum cleaner in the broom closet, and my husband left his in his closet behind some clothes. The few very special pieces of jewelry I own were in the bank vault along with my credit cards, blank checks, and my social security card.

We did not lose much as a result of the burglary, or so I thought: kids' backpacks, CDs, videos, sports jerseys and shoes, some camera equipment. My husband's laptop was taken, but one of three is better than all. I was grateful for my homeowners coverage and frankly I was pleased that we had thought about spreading the risk of losing all three laptops.

My bank statements are mailed from the bank on the fifteenth of every month. I expect them by the twentieth at the very latest, so when I got that annoying ding from my PDA on July 17, I was mildly concerned. When I didn't receive a statement by the twentieth, I called the bank since I hadn't gotten my checking account statement.

Honestly, I wasn't too concerned and I did not close my account. I was satisfied that the bank was on notice that my statement hadn't arrived and that if there were any wrongful activity, the bank would catch it.

Also, lost mail is not all that unusual where I live. On occasion, my neighbors and I exchange misdelivered mail. I assumed my neighbor had gotten my bank statement in error. I got a duplicate statement from the bank when I found out that it was not misdelivered.

Three weeks later, my banker informed me that three checks cleared my account including one with my account information, but with a man's name and identifying information. The two with my name and personal identifying information, including my California driver's license number, were signed with signatures that were obvious forgeries.

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# Credit Guard Mania and Loss Control

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The bank was on notice that my bank statement was lost or missing and three checks totaling \$3,000+ cleared before we all figured out what had happened.

Whether the forgeries should have been caught before they went through is not the issue.

Nothing short of closing my checking account could have prevented this outrage, unless you consider I should have locked up my cancelled checks in the first place. I hadn't thought about that.

I shall spare you the agonizing details of what I went through to clear my credit and my good name. It was infuriating that I had to get "me" back from the imposter(s) and the thieves who procured my checking account information.

As an attorney, I am comfortable advocating for myself and navigating the various agencies including the Police Department, State Department of Motor Vehicles, Social Security Administration, and others, which must cooperate to facilitate the resolution of identity theft. I was unintimidated by bureaucratic red tape and I prevailed. It took three months to get a new driver's license and write checks at establishments that subscribe to Tele-Check. Three fraudulent checks with my identifying information were passed, but no fraudulent credit card charges, loans, or crimes were effected in my name. I consider myself lucky.

Like most identity fraud victims, I am not certain how my personal information was stolen, but I have a theory. The thieves did not get my driver's license or credit cards or blank checks. They got my personal identifying information from my cancelled checks and printed their own with my identifying information. I was immediately aware that something was awry, but I didn't go far enough to prevent it.

Remember the Independence Day burglary? The burglars either got into my filing cabinet or they stole the mail out of my USPS approved mailbox and lifted my personal identifying information from my checking account statement. Neither the filing cabinet nor the mailbox was locked.

The filing cabinet held paid medical bills and general correspondence. I thought locking up blank checks was sufficient. Who would want my paid medical bills and cancelled checks, anyway? Identity thieves want your personal identifying information too. It can happen to you.

Little did I know that there had been a rash of identity theft on the Garden Highway. I should have closed my checking account. Had I known then what I know now, I absolutely would have closed the account.

Credit monitoring and insurance are critical components of personal finance risk management. However, prudence and prompt action reduces the risk and minimizes the consequences of identity theft. Preventing the harm in the first place is the least expensive way to treat the risk of identity theft. Insurance purchasing decisions should be made in consideration of a well-thought-out loss prevention plan and a commitment to implement and monitor. ■

# Workers Compensation Losses Are Preventable—Take the First Five Steps

by Gregory B. Griffith, CPCU, CSP, ARM, ALCM

**Gregory B. Griffith, CPCU, CSP, ARM, ALCM**, is senior loss control specialist and assistant vice president with Chubb Group of Insurance Companies, a division of Federal Insurance Company in Atlanta, Georgia. He works with a diverse group of clients to develop and maintain loss control programs, specializing in overall risk management and workers compensation exposures, including ergonomics, workplace violence, and fleet safety. Griffith assists clients in establishing and enhancing their ergonomics task forces; completing workstation analyses and risk management reviews; and conducting loss control presentations for senior management teams.

Eighteen years of diverse loss control experience have taught me five basic yet essential steps that every loss control professional should routinely implement when he or she is trying to prevent workers compensation losses. Application of this simple and structured methodology can help maximize your loss control results, especially if you are aware of and utilize these elementary steps.

## Step One— Complete a Loss Analysis

A *loss analysis* should be completed at the beginning of every loss control project. A loss analysis is the systematic breakdown and organization of loss costs and loss types by preferred time period, company location, insurance coverage, and other relevant factors. A loss analysis is used to justify a project's loss control activities. Believe it or not, the majority of loss control professionals do not

conduct a thorough loss analysis prior to completing their loss control work.

For example, let's assume that we are completing a loss analysis for workers compensation cases. The loss analysis sources should include previous insurance carrier or third-party administrator workers compensation reports, OSHA logs, incident reports, and accident investigation reports. It is important to accumulate at least three years' worth of data to ensure accurate loss analysis results. The company's applicable Standard Industrial Classification (SIC) code should be identified, and an annualized OSHA incident rate should be developed and compared with the OSHA SIC code industry average. The loss analysis can be broken down by department losses, individual job losses, location losses, costs, and injury types.

The loss analysis is your road map for your future loss control consulting efforts. In essence, it helps you find your targets and establish your focal point. A good loss analysis will help the loss control professional zero in on the real loss issues for the company (i.e., cuts, repetitive motion, slips, trips, falls, etc.). A company may have one or two problem jobs that are responsible for both high loss frequency and severity. The more time invested in a quality loss analysis,

the better your loss control service and reports will be. Again, a quality loss analysis is the first step for successful loss control activities.

## Step Two— Complete an Exposure Analysis

An *exposure analysis* should be conducted, after the loss analysis has been completed, to visually identify known loss exposures. The exposure analysis can be completed by conducting a physical walk-through of the premises, studying and reviewing workflow, and manufacturing charts, or completing employee perception surveys. The consultant should be looking for unsafe acts and unsafe conditions. It is easy to spot unsafe conditions and difficult to sometimes spot unsafe acts. Time needs to be invested in understanding the individual job process for a consultant to be able to differentiate a safe act from an unsafe act.

During the physical walk-through, machine guarding issues, manufacturing process and flow issues, chemical exposures, and potential industrial hygiene exposures (noise, dust, light, etc.) should be analyzed. Keep in mind that the exposure analysis is the second

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# Workers Compensation Losses Are Preventable— Take the First Five Steps

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step, which should be completed after the loss analysis. Inspection checklists, audit forms, and prepared notes gathered during the loss analysis step are valid exposure analysis aids, which will improve your survey depth, reliability, and consistency. The exposure analysis findings, along with the loss analysis create the foundation for the next step.

## Step Three— Complete Job Safety Analyses on all Identified Problem Jobs

What is a job safety analysis (JSA)? A JSA is a structured loss control tool designed to identify specific job steps, hazards, and recommendations for improvement. Time invested in identifying solid job improvement recommendations will prove to be time well spent.

The basic JSA steps consist of:

1. Prioritize jobs.
2. Break down jobs into individual steps.
3. Identify the hazards.
4. Review the job safety analysis.
5. Develop solutions.
6. Follow up.

A job safety analysis should be completed on all identified problem jobs. Problem jobs are defined as jobs that have been identified in either the loss analysis or exposure analysis as a high frequency and/or high-severity loss job. Common examples of problem jobs include those associated with heavy lifting, driving and unloading, product assembly, warehouse selecting, packaging, and jobs involving box cutting. Line supervisors for these types of jobs should receive JSA training so that they can stay in touch with the needed loss prevention procedures.



JSA benefits are many and include:

- Better knowledge of all jobs performed in the facility, as well as improved communication between workers and management and visible management concern for safety of employees.
- More formal documentation of the “safe” way to do a job; provide a training template to ensure consistent training and performance of a given job, regardless of turnover.
- Identification and elimination of unnecessary steps and inefficient operations, improving productivity and reducing scrap and waste.
- Improved safety performance, resulting in decreased lost time from work, reduced cost of accidents, and ultimately control over workers compensation costs and program options.
- Teamwork and cooperation encouragement, as well as employee empowerment and ownership of jobs and operations.

When performed properly, a job safety analysis can be an effective management technique for identifying hazardous conditions and unsafe acts in the workplace. A JSA is intended to analyze the individual steps or activities that together create a job or specific work duty, and to detect any actual or potential hazards that may be present. Because of its in-depth and detailed nature, the JSA can identify less obvious potential hazards that may go undetected during routine management observations or audits.

## Step Four— Utilizing Problem- Solving Techniques for Very Difficult Exposures/ Conditions

This step involves the process of applying total quality management (TQM—remember that term?) ideas and theories to loss control. Problem-solving skills are used in a variety of forms for daily activities. The question is, however, do we have a solid problem-solving methodology? If we have a production problem or a quality problem, how do we solve it? Do we use the same methodology for quality production and quality problems as we do for safety and loss control problems? Do we tap into the line employees' knowledge base to assist us?

A structured problem-solving technique can be extremely valuable when a company is addressing loss control problems. The **cause and effect** method (commonly known as the “Fishbone Diagram”) is an excellent problem-solving methodology. Once a cause and effect diagram is completed, the major problems (bones) should be prioritized, and solutions should be scheduled for implementation. Action plans should be developed on each major bone. Upstream indicators in the manufacturing process should be sought after and identified.

For example, if a JSA indicates a hazard such as high forklift speed, reducing forklift speed is the obvious recommendation. However, this recommendation should be accompanied by investigative questions such as the following:

- Why are the forklifts traveling so fast?
- Can the forklift travel distance be reduced?
- Can we do this job without forklifts?

Time should be invested in implementing the problem-solving methodology to the hazard of speeding forklifts. The ultimate solutions may surprise you and also advance your thinking in other areas.

Another familiar example involves box-cutting operations with box-cutter knives. The loss control professional should ask not only whether or not (and how) the number of cuts can be reduced, but also about the possibility of eliminating the manual cutting operation altogether. The emphasis should be placed on re-engineering the process instead of simply providing personal protective equipment or safety cutters for all box-cutter jobs.

Although upstream indicators are sometimes not apparent at first glance, it's important to remember that they do exist and can be identified. Finding these indicators is one of the most important aspects of the loss control professional's job.

You may be asking, where do you start with the problem-solving methodology? Here's a five step process:

- Step 1—Identify the problem.
- Step 2—Analyze the cause.
- Step 3—Select the solution.
- Step 4—Plan the implementation.
- Step 5—Evaluate effectiveness.

You should begin by providing your team with an overview of the five-step problem-solving process. The depth in which you apply the steps is limited by your project's time constraints. This

methodology really can help solve difficult and complex exposures and conditions.

## Step Five— Work OSHA Compliance Into Your Project

Here is another simple and basic step, but one that gets overlooked too many times. It just makes good business sense to work OSHA compliance into all of your workers compensation loss prevention projects. Each company should name an internal OSHA coordinator who is responsible for obtaining and coordinating the implementation of all applicable OSHA standards. This individual should be trained to think like OSHA thinks and to complete internal audits and inspections that are similar to OSHA's initiatives.

The OSHA web page ([www.osha.gov](http://www.osha.gov)), and possibly a hard copy of the OSHA General Industry Standards should be used as basic OSHA compliance tools. More and more OSHA eTools are developed each month. OSHA eTools are stand-alone, interactive, web-based training tools on occupational safety and health topics.

Your loss control work should incorporate applicable OSHA standards or OSHA resources into it when at all possible. Again, this just makes good business sense.

Implementation of these first five steps should provide you with a solid start to your goal of preventing workers compensation losses. ■

# Public Access Defibrillation

by Frank Laurita

**Editor's Note:** This article originally appeared in the Fall 2002 issue of PERMA's newsletter *Solutions*, and is reprinted here with the author's permission. We believe that the information is relevant for readers of *LCQ*.

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As you may already know, New York has become the first state in the nation to require automatic external defibrillators (AED) in schools. The state bill number A8779-A as of September 1, 2002, requires school districts, boards of cooperative educational services, county vocational education and extension boards, and charter schools to keep at least one functional AED on their premises. It also requires that an AED must be available at school-sponsored athletic events, whether on campus or off site.

How do you know whether you need an on-site automatic external defibrillation unit for your facility?

There are a number of questions that should be answered before you decide on implementing a Public Access Defibrillation (PAD) program.

1. Does your local EMS response time exceed five minutes?
2. Does your facility have an at-risk population?
3. Can an active, hands-on medical director be identified for your facility?
4. Does your facility have personnel willing to respond and provide CPR and defibrillation?



If you answered yes to the above questions, then by all means you should consider a PAD program.

## ■ **How do you know whether you need an on-site Automatic External Defibrillation unit for your facility?**

The elements of a Public Access Defibrillation program should consist of, but not be limited to, the following:

1. Check with your local EMS system to determine if certain requirements apply. When established, you should also integrate your PAD program with your local EMS system.
2. The FDA requires a physician's prescription to buy an AED. In addition, the physician must also oversee the PAD program to help ensure the program's safety and effectiveness.

3. Train designated rescuers in CPR and AED operations on a scheduled basis.
4. Operate and maintain the AED according to the manufacturer's specifications.
5. Establish a written PAD program. The PAD Program should be reviewed on an annual basis.

If you need additional information, please contact your PERMA loss control consultant.

The following web sites provide additional information:

- [www.la12.org](http://www.la12.org)
- [www.early-defib.org](http://www.early-defib.org) ■

# Future Trends of Automated External Defibrillators

by Mary Bell and Stan Bell

**Editor's Note:** This article originally appeared in the Fall 2002 issue of PERMA's newsletter *Solutions*, and is reprinted here with the authors' permission. We believe that the information is relevant for readers of *LCQ*.

**Mary Bell and Stan Bell** are New Jersey certified paramedics with more than 20 years in the field of EMS and education. Stan is also a professional firefighter in the city of Elizabeth, NJ. All of their staff at Maribell Associates have extensive experience in the field of EMS, fire, and police.

For more info call Maribell Associates, Inc. at (908) 289-8139 or visit [www.maribellassociates.com](http://www.maribellassociates.com).

**W**hat is in the future for Automated External Defibrillators (AEDs)? If you haven't read our last few articles, you might say what is an AED?

The AED is a device used to deliver an electrical shock to the heart (defibrillation) of a victim of sudden cardiac arrest (SCA).

Every year in the United States, sudden cardiac arrest strikes 250,000 people and less than 5 percent of them survive. SCA can happen to anyone—man or woman, young or old, and often without warning. SCA occurs when the heart stops beating. Ninety-eight percent of these victims go into a potentially fatal heart rhythm called ventricular fibrillation. When the heart is in this rhythm, there is no pulse. The only definitive treatment is defibrillation.

CPR alone is not effective.

Research has shown the sooner someone in SCA is defibrillated, the higher the chance of survival. The chance for survival decreases by 10 percent for each minute that passes before defibrillation is administered. After 10 minutes, the chance of survival is less than 2 percent. Companies are realizing that EMS

takes eight to 10 minutes on average to respond to an emergency. That gives a person, at best, a 20 percent chance of survival.

With laws in place in all 50 states to protect the AED user from liability, we are seeing AEDs become a common piece of equipment in the workplace.

The newest trend in AEDs is the home defibrillator. AEDs have become so simple and easy to use that the FDA approved an AED for home use. This model is made by Philips Medical and is called the Heartstart Home Defibrillator. A doctor's prescription is no longer needed to purchase the Philips Home Defibrillator. To purchase the home AED, just call a distributor, like Maribell Associates, to place an order. The training is simple and the home unit even comes with a video on how to use it. The AED is only 3.3 pounds and can be purchased for under \$1,700. This AED has user-friendly prompts and will also give directions on how to perform CPR if the user should forget.

**Every year in the United States, sudden cardiac arrest strikes 250,000 people and less than 5 percent of them survive.**

With the advance in AED technology, and the simplicity in their use, we are also seeing small community response teams forming. A given community will get together and purchase an AED for use in the community. Interested neighbors will agree to receive training in CPR and AED use. They then come up with an "on call" schedule, in which trained neighbors agree to be available for a specified time frame to respond with the AED to any unconscious person in that community. When they arrive, if the person is unconscious, not breathing and has no signs of circulation, they apply the AED. All community members are taught to call 911 first and then the

number to activate the community pager of the individual on call. Because the communities are small, the community responder can reach the person in need quickly and perhaps save his or her life.

People are realizing that EMS will take approximately eight to 10 minutes to arrive at the scene of an emergency and sometimes even longer, so they decided to equip themselves with a lifesaving tool—the AED.

Maribell Associates, Inc. was active in the development of a community response team for the Four Seasons Community, a retirement community in southern New Jersey. We assisted them with purchasing the equipment, training, and program management.

Maribell Associates, Inc. offers a "turn-key" solution to developing an AED program.

Whether the program is for the corporate environment, home use, EMS agency or a community response team, we have dedicated individuals to assist you with every aspect of the program. We are a distributor for Philips Medical, so we offer the AED, a variety of educational programs, physician authorization, program management/development, and equipment maintenance. ■

# What Are the Costs Versus the Benefits of Loss Control Efforts?

by Christopher D. Conti, CPCU, CSP

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**H**ow does the money spent to prevent workplace injuries actually transfer down to the bottom line of the company initiating such efforts? It's a basic question for an important issue because as management looks around the income statement to cut cost, safety activities may be reduced. The actual calculation of return on investment (ROI) for workplace safety investment is somewhat elusive and a hard number to peg as empirical data is hard to collect.

## So, the question to ponder: Are safety activities worth the money?

It is estimated that the total cost of workplace injuries is \$38.7 billion a year. (Liberty Mutual). When you factor in the indirect costs such as dealing with adjusters, lost productivity, re-hiring, OSHA inspections and fines, bad publicity, and lower productivity due to lower morale, the number approaches four times that amount, or \$155 billion.

If a company can carve out some type of efficiency in process, service delivery, and/or expense reduction, that company will enjoy a competitive advantage over its competitors. For example, assume a large manufacturer goes to the electric company and says "we are a large manufacturer that consumes a lot of electricity and we request a discount on our kilowatts used." Assume the electric company agrees. Now that company has a competitive advantage as its operating expense, the cost of electricity, is lower. This, of course, assumes that its competitors have

not gone to their electric company to negotiate a similar deal.

The same logic can be applied when a company incorporates a safety and injury management program whereby, over time, injuries are reduced/eliminated. When injuries are reduced, the company's experience modification factor is lowered, which should lower insurance rates. Insurance premiums, which are a business expense, are lowered and the company has achieved a competitive advantage.

Because the actual dollar amounts of what is spent on loss control versus what the actual savings are hard to obtain, perhaps the testimonials from other companies will serve to convince the reader of the benefits of loss control efforts. Several articles attempt to explain the benefits of proactive loss control.

According to *The Executive Survey of Workplace Safety*, Liberty Mutual indicates that 95 percent of mid-size to large businesses state that workplace safety programs have a direct impact on the company's bottom line. These companies approximate a \$3 in savings for every \$1 invested in safety. In that report, Joseph Giles, EVP, states that the actual number may be higher such as \$10 in savings for each \$1 invested.

In the September 2001 issue of *Risk and Insurance Management*, an article appeared titled "Health and Wellness Programs Reduce Work Comp Cost." The article indicates that the Xerox Corporation studies 3,300 employees. Of those, 943 (29 percent) participated in a Health Risk Appraisal Program. Of those who participated, only 5.6 percent of the group filed workers compensation claims. In contrast, 8.9 percent of the non-participants filed workers compensation claims, a difference of 3.3 percent. The article draws a correlation that when companies develop programs to help workers reduce

risk factors, it leads to fewer medical needs.

Another indication comes from the Compaq Computer Corporation, which realized a 30 percent reduction in injuries in less than one year when it implemented the OSHA 180001 program. This program requires participants to conduct an annual risk assessment that is used to set goals and then take steps to reach those goals.

In a recent advertisement, a vendor of safety shoe products printed a testimonial of the benefits of employers implementing loss control techniques. Debbie Rickman, claims manager for a chain of family restaurants, estimates that 75 percent of the company's 8,000 employees (6,000 workers) wear the non-skid shoes. She states that she does not know how much the program has saved the company in reduced losses as it has several programs in place to create a safe workplace, but she does know losses are down.

In another statement of the efforts of safety performance, M. Kullman stated: "We have strong evidence that organizations embracing safety as a core value with high-level management involvement see sustainable change and remarkable improvements," she adds. "If we collaborate successfully on a means of standardizing and validating the value of safety practices, we can accelerate the ultimate benefits realized by business and society."

Kullman cites DuPont as an example of how safety management can lead to enhanced business performance. During the last decade, the total number of incidents at DuPont, including injuries, illnesses, waste, and emissions, has decreased by 60 percent. Fewer incidents mean DuPont saves millions of dollars a year in costs associated with injuries, illnesses, and property damage as well as indirect costs such as lost worker

productivity, missed deliveries, and overtime.

Another success story is Lucent Technologies, which had a lost work day rate of 0.2, which is 97 percent below the national average of 6.4 for this industry.

United Space Alliance has enjoyed 37 percent fewer lost time injuries and 41 percent fewer recordable injuries since 1997.

**According to OSHA, every year workplace deaths, illnesses, and injuries cost the nation \$170 billion.**

Since OSHA's inception in 1970, workplace fatalities have been cut in half and injuries have decreased by 40 percent. This is in spite of employment doubling from 56 million workers to 105 million workers during the same time period.

According to OSHA, every year workplace deaths, illnesses, and injuries cost the nation \$170 billion. The American Society of Safety Engineers (ASSE) estimates that for every \$1 invested in a safety and health program, \$4 to \$6 is saved because injuries, illnesses, and fatalities decline, and medical costs and workers compensation costs decrease.

I know of an insurance company that provides a loss control visit to every account: that's right, every account, no matter the size! The estimated loss ratio (losses/premium) for that company's book of business is about 45 percent every year. In contrast, I know of another company that does not have a loss control staff and is reluctant to pay the fees for consultants to deliver safety advice. Its loss ratio was 108 percent last year. I have come to understand that when insurance companies provide loss control services to customers, a flow of information exists between the carrier

and customer. The same is true when a safety director of a company attempts to prevent injuries on the job. It is my experience that customers appreciate a person reviewing their operations and safety policies to see that they are doing all they can to prevent injuries in the workplace. I suspect the same is true of the hard-working men and women of our workforce. They appreciate a company trying to protect them from injuries, and see the safety efforts as an indication that management cares about their well being.

Some of the benefits for carriers and employers in the delivery of safety prevention efforts are:

- Hazard analysis by safety professionals with remedial recommendations will prevent injuries and thereby lower costs.
- Possible avoidance of OSHA inspection and fines.
- Improved communication between carrier/employer via the loss control representative or improved communication between management and employee through the safety director.
- Improved claims handling if the loss control personnel deliver claims-handling information or review open lost-time cases.
- Improved subrogation recovery if the loss control personnel deliver information of recovery sources such as second injury trust funds.
- Improved morale in the workplace and productivity.

Safety programs and the benefits that derive from such programs don't just happen. Nor can the program be run from the bottom up as lower-level employees do not have the authority, resources, or time to initiate such actions. **Safety programs and their success have to be from the leadership of top management.** The more senior the management, the better the results can be expected. However, it will take more than just written or verbal statements to prevent injuries. It will take long-term commitment, hazard analysis, employee education, and the consistent

reviewing of results to make sure the objectives of management are being met. Regardless of the financial cost/benefit, we should recognize that there is a human protection net benefit in preventing injuries to personnel.

Just because we can't measure it accurately does not mean that we shouldn't pursue it aggressively. For example, how much more crime would we have if we didn't have a police department? When a doctor tells a patient to exercise, how much more life and less illness is enjoyed? Hard to quantify, yet we know the advice has value. **Injuries hurt people, production, and profits.** The good news is most, if not all, of them can be prevented with consistent leadership. So the answer to the opening sentence of this article is—no one really knows what the ROI of safety expense is on the bottom line. However, there is strong and documented evidence that the recognition and evaluation and control of hazards (conditions that cause injury) benefit the company from lower insurance cost and improved productivity as injured people can't produce positive benefits to the bottom line. Corporations of all sizes that invest in and implement effective safety programs realize reduced absenteeism, lower turnover, higher productivity, increased employee morale, and a positive brand image.

**Safety is an investment that yields healthy dividends!**



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## Loss Control Quarterly

Volume 16

Number 2

LCQ  
July 2005

CPCU Society  
720 Providence Road  
Malvern, PA 19355  
[www.cpcusociety.org](http://www.cpcusociety.org)

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**Loss Control Quarterly**  
is published four times a year by and for the members of the Claims Section of the CPCU Society.  
<http://losscontrol.cpcusociety.org>

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