Loss Control Interest Group

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Message from the Past and Present Chair

by Debra L. Dettmer, CPCU

Debra L. Dettmer, CPCU, is director of risk management claims and loss prevention for FCCServices Inc., a consulting firm for captives, risk management and insurance needs. She has been with FCCServices for almost 23 years. Dettmer is responsible for the claims administration of 14 different insurance lines for the Farm Credit System's Captive Insurance Company, as well as developing loss prevention models and guidelines for this customer. She earned her CPCU designation in 1987 and is a past president of the CPCU Society's Colorado Chapter. Dettmer also teaches CPCU classes on occasion.

I'm back! No, you're not dreaming … Julie L. Sealey, CPCU, was unable to continue as chair of the Loss Control Interest Group due to additional time constraints placed on her from taking on new responsibilities at Crum and Forster. Because our vice chair, Jill Jones McCook, CPCU, was just promoted to a new position at State Farm, I agreed to take on the role of chair for the remainder of the 2008–2009 year.

I want to encourage each of you to volunteer to help out your Loss Control Interest Group Committee. If you do any public speaking, training or writing articles that are published, please be sure to add your CPCU designation to your name and/or bio. The Loss Control Interest Group earns points toward the Circle of Excellence Awards Program for these activities.

We may also earn points for educational activities as well as activities you do with other organizations or your local chapter. I will need to provide the Society with our mid-year activity report soon (the Leadership Summit will be held in Phoenix at the end of April), so please e-mail cpculosscontrol@gmail.com with anything you have done that should be reported.

In May, the Society will be looking for new volunteers for Society service. Please consider joining our small group. We try to meet twice each year (at the Leadership Summit in the spring and the Annual Meeting and Seminars in the fall) and try to get one conference call in — that's it! Other committee members contribute by, for example, taking on newsletter editor responsibilities or providing articles for an issue or two, updating our Web site, and giving us their creative ideas. You will find an application for Society service at www.cpcusociety.org.

Since our Annual Meeting in Philadelphia, the Loss Control Interest Group sponsored a webinar on identity theft and data protection, hosted by our speakers from the Philadelphia Annual

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What's in This Issue

Message from the Past and Present Chair

Continued from page 1

Meeting, Dan Taylor, CPCU, and Judd Rousseau, CFS, from Identity Theft 911 LLC. It was well attended and helped build the Society coffers!

At the 2009 Annual Meeting and Seminars in Denver, we are co-sponsoring with the Information Technology and Claims Interest Groups a panel discussion entitled, "Electronic Discovery — Don't Let It Zap You." A panel of specialists will take on the enormous task of electronic discovery and best practices related to the electronic storage of data.

Now, I can't resist giving a plug for the upcoming Annual Meeting and Seminars in my home town — Denver, Colo. This is the first time in decades that the Society will hold an Annual Meeting there. Our CPCU Society President and Chairman Marvin Kelly, CPCU, MBA, is sure keeping the Colorado Chapter's 2009 Annual Meeting Committee hopping with all kinds of new and fun ideas for this year's Annual Meeting, such as a golf tournament fundraiser and a discovery walk through downtown Denver.

Beautiful Denver has 320 days of sunshine a year and a safe downtown area with lots of restaurants and entertainment — all within walking distance from the Annual Meeting hotel or available by a free shuttle. I hope you can make it, and if you do, please feel free to join our Loss Control Interest Group Committee meeting. We'd love to meet you in person! ■

THE

LOSS CONTROL INTEREST GROUP

PRESENTS

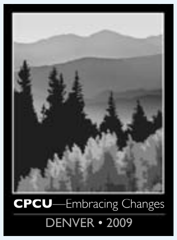
ELECTRONIC DISCOVERY — DON'T LET IT ZAP YOU

(Co-sponsored with the Claims and Information Technology Interest Groups)

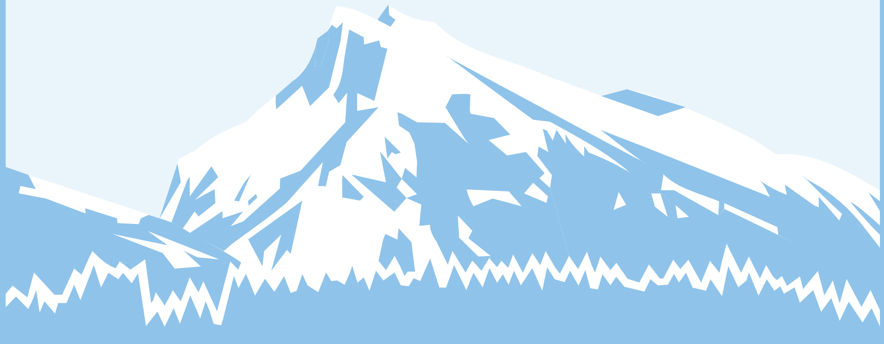
Tuesday, Sept. 1, 2009 • 10:15 a.m. — 12:15 p.m.
65th Annual Meeting and Seminars
Denver, Colo.

Can you identify what electronic information is discoverable and pinpoint the length of time the information must be preserved? Do you know who is responsible for the cost associated with retrieving the information? Are e-mails really gone when you hit the delete button? Joseph F. Bermudez, J.D., Cozen & O'Connor; Richard J. Cohen, J.D., Goldberg Segalla LLP; and Steven A. Hancock, AIC, AIM, SAP Americas, will provide the answers to these questions and many others at this eye-opening session.

Be sure to invite your CPCU and non-CPCU colleagues and friends to attend this highly informative session with you!



Visit www.cpcusociety.org for more Annual Meeting and Seminars highlights.



From the Editor

by Charles H. Morgan, CPCU, J.D., CSP, CLU, ARM, CPP

Charles H. Morgan, CPCU, J.D., CSP, CLU, ARM, CPP, is a Certified Safety Professional with Pro Safety LLC, a firm that works extensively with the New York City Department of Environmental Protection. With more than 25 years of insurance industry experience, he previously worked for companies such as AIG, Zurich American, Reliance National and Inservco Insurance Services Inc., in areas including risk management, product and loss control, among others. Morgan is a member of the CPCU Society's New Jersey Chapter and editor of the Loss Control Interest Group newsletter.

During the nearly 20 years that I have served as newsletter editor of the Loss Control Interest Group (formerly "Section"), I consider myself quite fortunate to have had a network of professionals who have always been willing to contribute their time and talent to assist me in meeting my deadlines by providing excellent content and numerous articles.

Perhaps no one better reflects this willingness to serve his profession than Kevin M. Quinley, CPCU, ARM, AIC, the author of this issue's "Loss Control Means Waking Up to the Perils of Fatigue!" While I consider myself to be one of the principal beneficiaries of his prolific output, I would hazard to guess that there are few well-read members of the insurance profession to whom Kevin is not a household name.

This is not to suggest that there are not others to whom I owe a debt of gratitude as well for their contributions, and I would be remiss if I failed to mention such other frequent contributors as attorney Kenneth Ross of Minneapolis or Christopher D. Conti, CPCU, CSP, ALCM, ARM, of our own Loss Control Interest Group Committee. Other longtime mainstays are Allan Apo and Thad Nosal, ARM, ALCM, of ISO. These guys have come through time and time again to get the Loss Control Interest Group newsletter to print, and I would never have been able to survive as its editor without their thoughtful contributions.

No less appreciated, however, are long-term colleagues who are new to the publication but who have expressed an interest in stepping up to the plate as writers as soon as they were first approached in this regard. The other contributors to this issue, James Rhoads, CPCU, CSP, ALCM, CPSI, of PMA Management Corp. (PMAMC) and Barry Tarnef, CPCU, ARM, AIC, ARP, ARe, CPP, of Chubb CCI, for example, are certainly members in this category; and once again, I am deeply appreciative.

I would perhaps be less than candid if I were not to add a point about enlightened self-interest in terms of expanding the pool of writers to our publication. That is, most of the readership are CSPs or hold other designations for which there are requirements of continuing education. There is no better way to fulfill this obligation than to contribute articles to such trade publications as ours.

I conclude by expressing thanks once again to past and current contributors and by renewing my request to all other members of the Loss Control Interest Group to get involved as well in a way that truly serves everyone's interests. ■

A Bad Boss Can Send You to an Early Grave

by Travis Bradberry, Ph.D.

Travis Bradberry, Ph.D., is the president of think tank and consultancy TalentSmart®. His new book, *Squawk! How to Stop Making Noise and Start Getting Results,* addresses the problem of seagull managers in the workplace and is published by HarperCollins.

Editor's note: This article first appeared in the March 2009 issue of the Leadership and Managerial Excellence Interest Group newsletter.

It seems there's always a steady supply of sympathy available for anyone stuck working for a bad boss. Most everyone I know has been there at one time or another, working for a tyrant who somehow manages to survive in this world without people skills. If you haven't had a boss like this, you should consider buying a lottery ticket — and I mean soon. You are that lucky.

According to a recent study published in *Human Resource Executive* magazine, a third of U.S. workers spend a minimum of 20 hours per month at work complaining about their boss. The Gallup Poll estimates U.S. corporations lose $360 billion annually due to lost productivity from employees who are dissatisfied with — you guessed it — their boss. And if there's but one hard truth the Gallup Polls have taught U.S. corporations in the last decade, it's that people may join companies but they will leave bosses.

In the days of a strong dollar, bulging tech bubble and robust housing market, people working for a bad boss had options. Careers were mobile and talent was in short supply. It was a snap to pack up and leave. But nowadays, things are decidedly different. Jobs are scarce and the prudent worker stays put, even if he or she is working for the worst type of boss imaginable — the seagull manager.

The roots of seagull management can be traced back to the days when "micromanager" was the worst non-expletive you could utter behind your boss's back. Managers' fear of this label grew so intense that they learned to keep their distance from employees, assuming a "good" boss is one who spends as little time as possible breathing down people's necks. And most do. They give people room to breathe until the moment a problem flares up.

Then — instead of getting the facts straight and working alongside their staff to realize a viable solution — seagull managers come swooping in at the last minute, squawk orders at everybody, and deposit steaming piles of formulaic advice before abruptly taking off.

Seagull managers interact with their employees only when there's a fire to put out. Even then, they move in and out so hastily — and put so little thought into their approach — that they make bad situations worse by frustrating and alienating those who need them the most. Today, seagull managers are breeding like wildfire. As companies flatten in response to the struggling economy, they are gutting management layers and leaving behind managers with more autonomy, greater responsibility and more people to manage. That means they have less time and less accountability for focusing on the primary purpose of their job — managing people.

As it turns out, seagull managers aren't just a U.S. phenomenon. After reading a study that found employees have lower blood pressure on the days they worked for a supervisor they think is fair, researchers from the Finnish Institute of Occupational Health in Helsinki, Finland, decided to take a closer look at this phenomenon. They followed British civil servants for a period of 15 years to see if the type of boss one works for has any impact upon long-term, physical health.

The researchers' findings cast a grave shadow upon anyone working for a seagull manager. The team from Helsinki found that seagull-type managerial behaviors lead to a much higher incidence of employee coronary heart disease. Employees working for a seagull manager were 30 percent more likely to develop coronary heart disease than those who were not. What's more, the incidence of coronary heart disease — the No. 1 killer in Western societies — was measured after the researchers had removed the influence of typical risk factors, such as age, ethnicity, marital status, educational attainment, socio-economic position, cholesterol level, obesity, hypertension, smoking, alcohol consumption and physical activity.

No one influences an employee's morale and productivity more than his or her supervisor. It's that simple. Yet, as common as this knowledge may seem, it clearly hasn't been enough to change the way that managers and organizations treat people. Few companies recognize the degree to which managers are the vessels of a company's culture, and even fewer work diligently to ensure that their vessels hold the knowledge and skills that motivate employees to perform, feel satisfied and love their jobs. The very individuals with the authority to alter the course of company culture lack the facts that would impel them to do so.

With the stoic pragmatism that one might expect from a Finnish University professor, Dr. Mika Kivimäki, the director of the study, had this to say about the study's findings, "Most people care deeply about just treatment by authorities."

Indeed we do, Dr. Kivimäki. Indeed we do. ■

Into Thin Air: The Growing Risk of Cargo Theft

by Barry Tarnef, CPCU, ARM, AIC, ARP, ARe, CPP

Barry Tarnef, CPCU, ARM, AIC, ARP, ARe, CPP, assistant vice president, Chubb CCI, has 28 years' experience as a marine surveyor and consultant specializing in cargo loss prevention in all modes of transportation. Formerly, he was a director of marine loss control services for another major multinational marine insurer. Tarnef has provided hands-on technical assistance and training to numerous multinational companies around the world, advising on cargo security, packing, handling, stowage and transportation. He has published several technical articles on cargo and transit loss control (and related subjects) that have appeared in a number of industry and/or professional journals.

Editor's note: This article was originally published in the September 2008 issue of *World Trade* magazine. It is reprinted with permission.

Statistics indicate where and when thieves may attack and can assist in identifying which cargoes are most vulnerable to theft. However, there are steps that supply chain stakeholders can take to help reduce their exposure.

With rising fuel and food prices and a weakened U.S. dollar, the cost of other goods and services has also risen in the past year. More economic pressures have been created by a mortgage crisis and job cuts that have led to an increase in unemployment. It is no coincidence that in these tough times cargo theft has been on the rise.

Estimates suggest that cargo crime in the United States may amount to several billion dollars of losses per year. While there is no complete record of cargo thefts, data compiled from various sources can provide valuable information regarding what types of goods are being stolen and when, where and how the thefts occur.

A more complete picture of cargo thefts may come into view because the USA Patriot Improvement and Reauthorization Act of 2005 has improved the collection of incident data under a Uniform Crime Reporting System. In addition, a few forward-thinking organizations such as the International Cargo Security Council (ICSC) and Transported Asset Protection Association (TAPA) started disseminating information to their memberships on cargo crimes, mostly as a method to broadcast these events in the hope that someone would be able to spot a stolen tractor-trailer or assist law enforcement in identifying the affected cargo.

Chubb Marine Underwriters decided that this information would be far more effective if it was aggregated and analyzed in a meaningful way. By doing so, we could anticipate certain trends as well as develop actionable recommendations for our clients, whether they were importers, exporters, warehouse operators, transportation providers, third-party logistics providers or other intermediaries.

Between January 2005 and June 2008, we compiled 42 months of thefts from the aforementioned ICSC and TAPA reports and other information, including Internet-based local news articles. While this data does not represent the full universe of all cargo thefts, we believe that the information is substantial enough to enable users to make more informed logistics decisions.

Our analysis provides us with a better understanding of the:

- Most targeted commodities.
- Most frequent locations of thefts.
- Time (days of the week) of the thefts.
- Modus operandi of the thieves.

Consumer Goods, Food and Clothing Are Top Targets

The goods listed below account for about 70 percent of the total number of goods stolen in cargo thefts.

- Consumer electronics, principally televisions, DVD players and other electronics (15.1 percent).
- Food/food products (14.2 percent).
- Apparel — clothing and footwear (9.9 percent).
- Computers and related equipment (7.6 percent).
- Metals (5.2 percent).
- Pharmaceuticals — both prescription and over-the-counter (4.9 percent).
- Tires (4.2 percent).
- Wine, spirits and beer (3.6 percent).
- Appliances (2.4 percent).
- Cell phones (2.4 percent).

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Into Thin Air: The Growing Risk of Cargo Theft

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Cargo theft is a nationwide problem, but the 12 states listed below have had the highest number of thefts. It should be noted that some of these states may unfairly rank high on this list because they have more robust cargo-theft-reporting protocols. However, we have determined that this ranking is consistent with the general consensus among the shipping and transportation industries.

(1) California.

(2) Georgia.

(3) Florida.

(4) Texas.

(5) Tennessee.

(6) New Jersey.

(7) North Carolina.

(8) South Carolina.

(9) Pennsylvania.

(10) Mississippi.

(11) Kentucky.

(12) Illinois.

Beware the Weekend

The compiled data also demonstrates that certain days of the week are more likely targeted for cargo thefts than others. Weekends are the busiest time for cargo theft. In fact, 52 percent of the thefts occur between Friday evening and Monday morning. Cargo is most at risk for theft when the loads are at rest — during the weekend.

- Monday — 202 occurrences.
- Tuesday — 133 occurrences.
- Wednesday — 164 occurrences.
- Thursday — 134 occurrences.
- Friday — 203 occurrences.
- Saturday — 223 occurrences.
- Sunday — 257 occurrences.

Logistics Matter

Our data revealed that the most likely place for thefts to occur were established truck stops and rest areas, accounting for 39 percent of the thefts. Modal yards, owned, operated or managed by trucking companies, railroads or steamship lines, were next with 27 percent. Unsecured locations — drop lots; motel, restaurant and mall parking lots; and on-street sites — were the locations for one-fourth of the thefts. Warehouse burglaries, which were on the rise during the first two quarters of 2007, accounted for 6 percent. Hijackings represented 3 percent.

Because the majority of cargo-laden trucks are parked for long periods of time at inadequately secured facilities, cargo thieves do not have to resort to violence in most cases. If they just wait long enough, their prey will stop, making them exceedingly vulnerable.

Given that most of the thefts take place during the weekends and at largely unsecured locations, it may be the time to rethink conventional logistics wisdom. Many customers want their goods delivered first thing, even on Monday mornings. That one decision triggers a series of events that often starts with a trucking company picking up a load late Friday afternoon since it would be very difficult to queue up in marine and rail facilities and still make an early morning appointment.

To date, there has been no concerted effort to establish safe havens for drivers and their cargo. However, there is hope. The European Commission just launched a pilot project to develop secure parking sites for trucks using the trans-European network of highways. Another novel idea, in use by a few transportation companies, is to enter into cooperatives with other firms whereby their drivers can take advantage of each other's terminals. This is certainly far better than the other alternatives in play.

Other techniques in vogue, because of their purported operational advantage, include preloaded trucks and drop-and-hook. They may make sense, but staging loaded trucks without the requisite protection is fundamentally problematic.

Manufacturers should reconsider using packaging, security seals, shipping documentation and even their trailers as branding opportunities, because displaying the corporate name, logo or the actual contents of the shipment can provide notice to criminals of a desirable target.

Finally, storage facilities and cargo terminals might want to invest more in traditional security, such as trained guards, to augment their technology solutions. There have been a number of large thefts at locations primarily dependent on closed-circuit television cameras as their first and only line of defense. Not only was no one monitoring the feed, but when viewed after the fact, it was impossible to identify the people who entered through their gate or over their fence to steal loaded trailers or containers.

Theft-Prevention Tips

Here are some tips that may help mitigate the risk of cargo theft:

- **Thoroughly screen prospective employees.**
  Some cargo security experts estimate that a high percentage of cargo thefts involve inside information or complicity, which is why we recommend doing background and

credit/financial checks on potential employees.

- **Carefully select transportation partners and intermediaries.** This may be the most critical decision a shipper may make regarding cargo security. Remember that these companies have care, custody and control of your goods from the time they leave your premises until they reach their destination. You should expect the same level of security awareness as you do from your own employees.

- **Establish a security culture within your company.** This means training employees so that you achieve a force multiplier effect when they become ad hoc members of your corporate security staff. Also, truck drivers should receive hijack awareness and prevention training.

- **Factor in security when determining shipment routing.** It has become common knowledge that cargo thieves are "casing" known shipping points (plants, warehouses and distribution centers) and following trucks as they depart, waiting for the drivers to stop so that they can pounce on the loads. Drivers should not be allowed to stop in the "red zone" (the first 200 miles/four hours from their starting point) as well as known hot spots.

- **Incorporate counter surveillance into the duties of your security guards.** As previously mentioned, thieves are not only parking outside cargo facilities to tail trailers once they leave but also so they can understand the way you do business. Warehouse robberies are also taking place. Have your guards patrol away from your perimeter and look for people looking at you.

- **Take advantage of technology.** Vehicle and shipment tracking, vehicle immobilization and advanced, high-security seals are now available at lower cost. However, be sure to add a human touch. Tracking devices are becoming far more sophisticated; some covert units are now placed inside a shipment that is loaded within a truck but they quickly lose their effectiveness if an alarm is not triggered in a timely fashion (usually a phone call from the driver that his rig has been stolen) or there is no effective response mechanism when a remote alarm is set off.

- **Conduct periodic security audits.** Things never stay the same. Your operations and personnel change, and the criminal mind is always harvesting fresh ideas and modifying previous techniques. ■

Loss Control Means Waking Up to the Perils of Fatigue!

by Kevin Quinley, CPCU, ARM, AIC

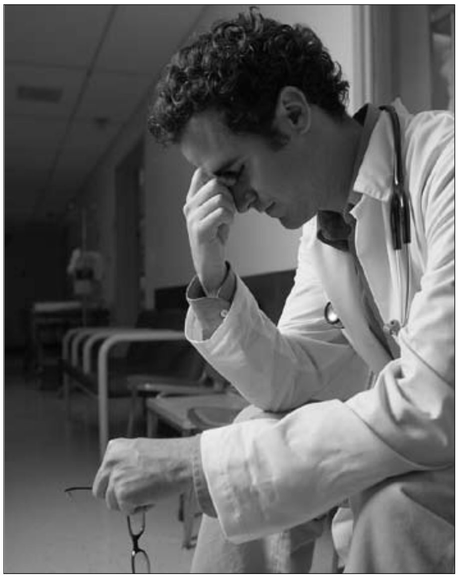
Kevin M. Quinley, CPCU, ARM, AIC, is vice president, advisory board, at the Council on Litigation Management. He is a leading authority on insurance issues, including risk management, claims, bad faith, coverages and litigation management. Quinley is also a business writer, speaker, trainer and expert witness. He is the author of more than 600 articles and 10 books. You can reach him at kquinley@cox.net.

Did you get enough sleep last night? Are you feeling droopy from working on a late-night project? Maybe you caught the red-eye from L.A. and are starting to feel groggy. Join the club, but beware.

Some of the most spectacular accidents of the last century have been caused by human fatigue. This includes the oil spill of the *Exxon Valdez,* the fatal navigational error of KAL Flight 007, the Union Carbide gas leak at Bhopal, India, and the Three Mile Island nuclear disaster. Less heralded are other accidents that have employee fatigue as a causative factor.

The National Highway Safety Council estimates that thousands of accidents per year are due to trucker and driver fatigue. Medical residents in training pull 36-hour shifts and are prone to fatigue-induced judgment errors. Stockbrokers rise in the middle of the night to juggle huge sums of money on foreign markets. Some lawyers are so burned out by the billable hour treadmill that they are looking at alternative careers.

In isolation, these developments may not seem serious. The consequences of mind-numbing fatigue, however, can cause bodily injury, property damage and business blunders with a high price tag. Underlying seemingly disparate losses is a common thread of human fatigue, stretched taut by downsizing, re-engineering, technological advances and the pressure of global competition.



Companies ignoring these factors can find themselves facing grave safety and loss control risks. There is an increasing amount of case law holding employers liable when their employees' fatigue injures or kills others. Personal injury lawyers are bringing the science of sleep into courtrooms. Lawyer publications such as *Trial* magazine contain articles on suing companies who let workers burn candles at both ends. Courts increasingly say that corporate fatigue management is the business of an organization. Companies ignoring this will receive painful reminders in the form of jury awards and high settlements.

Aside from the loss control consequences, accident and health costs loom as well. Fatigued workers are sicker workers, spawning absenteeism and excessive sick days while inflating the tab for a company's employee benefits program.

While there is ample evidence that human fatigue is a factor which loss control professionals should address, there is scant practical advice on exactly how risk managers can go about this task. Therefore, let's examine some hands-on steps that loss control managers can take in addressing this growing problem.

- **Analyze your operations for chronic fatigue potential.**
  Assess work patterns within your own organization for chronic fatigue potential, especially those who:
  - Work lots of overtime.
  - Work back-to-back shifts.
  - Do shift-work, especially the midnight to 8 a.m. "graveyard" shift.

Not surprisingly, studies show a direct correlation between volume of work hours and the odds of chronic fatigue. Further, night-shift workers whose circadian rhythms are disrupted are much more prone to error.

- **Monitor your organization's corporate culture.**
  See if it subtly or blatantly incentivizes employees to burn candles at both ends. For example, some law firms offer cash bonuses for billings above a certain yearly threshold. In other businesses, bosses monitor whose cars are still in the company parking lot at 7 p.m. and on weekends. Those who fail to log Herculean hours are not promoted because they are not considered "team players" who are willing to pay the price.

  Diagnose objectively your organization's corporate culture. Are long hours viewed as signs of employee loyalty? Are people who work a nine-to-five shift ostracized or passed over for promotions? Do top executives set the tone by not taking all of their vacation time or haunting the office on holidays? These questions offer a starting point for your diagnosis phase.
- **Provide Employee Assistance Programs (EAPs) to all employees.**
  Studies have shown that EAPs help workers address shift-work problems effectively. Your company may be too small to have an in-house EAP. Nevertheless, there are many firms which offer counseling assistance to workers with a wide variety of problems. These problems impact safety.
- **Work with the human resources (HR) department.**
  Fashion a joint safety strategy with HR to manage and prevent corporate fatigue. An effective plan to manage corporate fatigue must involve the human resources (or personnel) department. This helps avoid friction and turf battles over who should be the architect of the plan.

- **Assess staffing and workload levels.**
  Not to overlook the obvious, but are staffing levels realistic within the organization? Are there a sufficient number of people to realistically do the work? Conscious decisions to under-staff to trim overhead may create a climate where chronic fatigue takes root, inviting accidents, injuries and property damage.
- **Undertake a causation analysis.**
  A causation analysis of your organization's past losses to assess the role played by human fatigue takes time, but it is time well spent. Study the gamut of past losses for your organization, particularly workers compensation, fleet auto, property loss, accident and health. Was fatigue a factor? There may be a root cause of many seemingly unrelated losses.
- **Sensitize upper management to the perils of chronic fatigue among workers.**
  This may be the most daunting challenge. For example, in some states the marathon hours of medical residents have come under fire. The medical establishment, though, has resisted efforts to curb residents' hours, partially on the macho ethic that, "We were tough enough to do it, so the new doctors should take it as well."

Until you can demonstrate empirically to top management that fatigue is a causative factor in losses, it will be tough to draw attention to the phenomenon as a loss control issue. If you can make the case, however, and demonstrate that fatigue hurts the organization financially, you speak a language that top executives understand.

Expect skepticism at first. Like an alcoholic denying that he has a drinking problem, many organizations deny that they have a fatigue risk within their workforce. Inwardly, they may concede that one exists but rationalize it as a cost of doing business. Others might think that addressing the problem is tantamount to coddling employees.

Progressive, forward-thinking loss control professionals, though, will analyze the role of fatigue, not only as a clue in unraveling past loss trends, but in averting future losses which can cause financial hemorrhage.

Get some rest and tackle the problem! ■

Accident Repeaters: An Examination and Structure for Action

by James Rhoads, CPCU, CSP, ALCM, CPSI

James Rhoads, CPCU, CSP, ALCM, CPSI, is a senior consultant with PMA Management Corp., a third party administrator and risk control service provider, based in Blue Bell, Pa. He works extensively with self-insured and captive clients in New Jersey and Pennsylvania.

Editor's note: This article is a slightly longer version of one that appeared in the November 2007 issue of *Public Risk* magazine, the member magazine of the Public Risk Management Association (PRIMA). It is reprinted with permission.

Many risk managers and claim professionals know them — the recurring names on the monthly loss runs that always bring on a cringe. Sometimes referred to as "frequent flyers," "chronics" and "the usual suspects," these employees have multiple injuries and account for a disproportionate number of claims in the workplace.

The safety manager knows them, too; and the precept, from safety and health expert Dan Peterson and others, that accidents are a symptom of problems in the management system, seems to go out the door with these employees.

You may believe that there is little that can be done to address the problem of workplace accident repeaters. We found the opposite is true. In this article, we will look at the ideas that have formed our perceptions of accident repeaters, propose a method of measuring the problem and define a process to begin solving the problem.

The Causes of Accidents

From the earliest days of formal accident prevention, people have always been a factor in causing accidents. H.W. Heinrich's ground-breaking "Domino Theory" (1931) of accident causation used falling dominos as a metaphor for the chain of events leading to an accident where "worker fault" puts the accountability for the injury firmly on the worker: Heinrich's well-known dominos include:

(1) Ancestry and social environment.

(2) Worker fault.

(3) Unsafe act together with mechanical and physical hazard.

(4) Accident.

(5) Damage or injury.

In 1944, following on Heinrich's research, Arnold J. Rawson looked at "accident-proneness," weaving Freudian behavior theory with early accident research. Rawson suggested, "Psychotherapy should be instituted immediately after the accident, and the guilt feeling should be relieved before it is repressed." A final solution to the problem, according to Rawson: "Accidents due to accident-proneness may be prevented only by elimination of accident-prone people at present." How do you think these ideas would be viewed today?

A study conducted by the Workers' Compensation Board of British Columbia examined reported injuries occurring during 1917–1995, and found more than 15,000 workers with 20 or more occupational injuries over their working lifetime. Findings indicated that the number of employees with 20 or more injuries was rapidly increasing. Strains and sprains were the majority of the injuries (54 percent).

The Board reported, "For many workers, the type of accident process and resulting injury were largely occupation-based. For example, welder/metalworkers primarily reported foreign bodies to eyes ... health care workers reported back injuries sustained during patient transfers with other injuries strongly influenced by their patient population. For others, accident processes appeared to be more psychosocially influenced, especially in the case of fatals where individuals were known to be grappling with family and financial pressures while working in dangerous work environments (i.e., high altitudes, moving machinery)."

The characteristics of the 20+ injury population in the study included an average age of 53, the majority being male, and the age at first injury was between 18 and 21. No significant seasonal variation in injury incidence was detected. Daily incidences were found to be constant from Monday to Thursday, but declined from Friday to Sunday. In those cases reporting shift duration, the study found a greater preponderance of injury in shifts of 8 1/2+ hour durations.

Not surprisingly, injured workers and management perceived the underlying causes of the accidents differently. Workers cited insufficient supervisor knowledge, workplace stress, inadequate training of new employees, and low morale and non-existent team spirit. Employer responses included specific workers' abuse of the system and personal physicians prolonging disabilities and delaying prompt return-to-work. The study revealed that some employers felt they lacked the knowledge to achieve low accident rates. Both employers and workers identified the need for effective training, especially in the area of back care and in handling hazardous materials.

The Aging Workforce

A great deal of attention has been directed at the aging nature of the American workforce, and the specific problems caused by that shift. In a paper for the American Society of Safety Engineers (ASSE), Alma Gaither notes the median age for American workers has gone from 16 in 1790, to 21 in 1890, to 22 in 1990, and is projected to be 39 in 2040. The number of workers age 45 and older has doubled since 1950.

The implications for the graying workforce include:

- Decreased motor, sensory, cardio-respiratory function (decreased stamina for physical exertion).
- Decreased muscle mass, bone density (reduced ability to recover from injury).
- Decreased reflex time and reaction speed (reduced ability to avoid hazards).
- Two to three times the need for illumination (failure to visually identify hazards).
- Hearing loss /presbycusis (failure to detect audible warnings).

Personal health issues that frequently accompany aging also feed into injury susceptibility, including obesity, arthritis, high blood pressure, diabetes and heart disease. Medications prescribed for control of these conditions can cause drowsiness, dizziness and decreased mental acuity, all of which can contribute to accidents.

Psychological stressors include the dual load many older workers experience taking care of their own children, and perhaps grandchildren, and their aging parents. Older workers may realize that they will have limited financial resources for their retirement years and may need to work longer to accommodate financial issues.

In a 2006 study that examined the impact of age on accident frequency and severity, the National Council on Compensation Insurance (NCCI) found that younger employees have a higher incidence of claims while older workers have higher costs per claim.

The Public Sector Problem

The issues of age and accident repetition are exacerbated in the public sector by a simple fact: Public sector workers stay on the job longer.

According to 2006 data from the Bureau of Labor Statistics (BLS), the average tenure of the American worker in the private sector is 3.6 years; among state employees, 6.3 years; and among local government employees, 6.6 years. The public sector risk manager sees more accident repetition, in part, because the employees are employed 83 percent longer, with simply more time to have an injury enter its rolls.

In addition to lengthier job tenure, the public sector can face another problem: lack of upward mobility, keeping many workers in strenuous positions, leading to a formula for repeat injuries. The culture of the public sector must also be considered. Safety and health consultant Robert Pater, in discussing why workers tend to be less attentive, cites characteristics that breed inattention, including:

- Once-a-year safety reminders that are rarely adequate (the typical "Annual Safety Meeting").
- Work repetition that can lull people into loss of attention.
- Low level of loyalty shown to employees by ever-reorganizing employers can lead to a disinterested, detached and inattentive workforce.

Public entity risk managers recognize that their workforce frequently measures their tenure not in years, but in the number of administrations they have survived. Loyalty to the employer is often replaced by alignment with a collective bargaining unit, or other non-managerial leadership.

Who Are the Repeaters?

The underlying characteristics of accident repeaters are varied. Robert Pater categorizes accident repeaters as follows:

- Exposure — workers who have a higher degree of potential risks associated with their jobs (e.g., an employee who engages in repeated heavy lifting).
- Cumulative — employees who are worn down from cumulative trauma. Often physical job stresses (or off-the-job activities) lead to progressive illnesses, each of which may be reported as separate incidents.
- Reinjury — sometimes an injured part of the body is weakened, which may lead to reinjury of the same area to the same or a more acute degree.
- Referred injury — injury in one part of the body can lead to injury in another area. For example, a foot injury can change weight distribution, which in turn can lead to a change of gait and potential knee pain. Also, many individuals with lower back pain may alter their posture to reduce pain; this change in spinal alignment can lead to neck pain.
- Random — there are apparently no patterns detectable in accident repetition.

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Beyond these categories, individuals may have an entitlement mentality — a belief that workers' compensation is another element of the benefit package that can be used at the worker's discretion. In addition, injuries may become an escape mechanism for workers who find the day-to-day stresses of the workplace intolerable.

Identifying the Repeaters

In researching this topic, the lack of benchmarking data becomes quickly apparent. It is a situation not likely to change. Identifying accident repeaters requires use of an individual identifier (e.g., social security number), which is more specific than a name. A review of an insurance loss run sorted by name points out the problems: name variations include use or omission of initials; use of "Jr." or "Sr." (especially relevant in a workforce where fathers bring sons into the workforce); misspellings and name changes due to marital status changes. No collector of national injury data yet identified contains information on accident repeaters, including the Bureau of Labor Statistics, Occupational Safety and Health Administration (OSHA), or the Public Entity Risk Institute (PERI) database.

An analysis of repeater behavior has to be confined within a pool where an individual identifier can be accessed. Groups meeting this requirement include a single carrier, a pool/captive or an individual employer. Within these groups, we can begin to draw some conclusions and share benchmarks.

Quantifying the Problem

How do we identify an employee who is an accident repeater? How do we quantify the results our interventions may be producing? To establish a metric for repeaters, and to keep it simple, we recommend the following:

First, establish a Repeater Index by dividing the number of injuries in a block of time by the number of workers who generated the injuries; in effect, the number of injuries per employee. By confining the calculation to the injured workers, not the total number of employees, you will create a ratio that portrays the impact of employees with multiple injuries. The minimum number would be 1.00, representing no multiple injuries among the injured workers. As the number increases, so does the repeater impact.

The longer the time span for such analysis, the better — especially with long-term public sector workers. Five years is a reasonable amount of time for the minimum; 10 years is better for accident repeaters to show up in the statistics. Reviewing a block of five or 10 years on a rolling basis can indicate how things are progressing or deteriorating in your organization.

As to the numeric significance, see Table 1.

Crafting an Intervention Strategy

As you plan to address a repeater problem, explore solutions outside the traditional safety intervention. We recommend integrating Employee Assistance Programs (EAPs) in your plans to address accident repeater problems.

Data frequently reported by substance abuse programs point to drugs as a major contributor to workplace injuries. Data published by the United States Department of Labor in 2004 indicates that an employee using drugs is:

- Well over three (3.6) times more likely to injure themselves or another person in a workplace accident.
- Five times more likely to be injured in an accident off the job, which, in turn, affects their attendance and/or performance on the job.
- Five times more likely to file a workers' compensation claim.
- One-third less productive than non-drug using employees.

In addition to workplace substance abuse, distracted employees represent a major challenge. Accident reports may cite the accident cause as "Not paying attention," which is generally dismissed as inadequate investigation. However, the fact is inescapable that lack of attention can cause accidents. No individual is totally focused on work tasks at all times. Stressors outside the workplace (marital, financial and familial) can easily lead to distraction that contributes to accidents. Anxiety, stress and depression can be the root causes of accidents because they cloud judgments and slow reaction time.

A number of writers inside and outside the safety profession have noted the impact of stress on injuries. Samantha Dunn, in *Not by Accident: Reconstructing a Careless Life*, notes that couples who

Table 1

Repeater Index	Impact
1.00 - 1.25	Little, if any problem.
1.25 - 1.50	Problem may be developing — early intervention could be useful.
1.50 - 1.75	Repeaters are a significant part of your accident history; action is needed.
1.75 - 2.00	You have a problem. It's not going away.
2.00+	The problem is major; involve your carrier or third party administrator, case managers and medical providers and get going!

experience marital troubles had a higher incidence of traffic accidents and violations in the year in which they were divorced.

Iverson and Erwin (*Journal of Occupational and Organizational Psychology*, 1997) cited employees' emotional state as a contributor to accidents:

> "Mood Positive and Negative Affect — is predictive of occupational injury. ... employees who have the predisposition to perceive situations in a variety of aversive states (High Negative Affect) were more likely to be victims of occupational injuries. High Negative Affect employees are known to have attention lapses, be easily distracted, and prefer emotional coping strategies, which made them more prone to accidents and injuries."

The message is clear. Accident repeaters may be employees who are experiencing more stresses — chemical, physical and emotional — than the rest of the workforce. Integrating EAPs into action plans is essential in addressing multiple accidents.

Why Do Vehicular Accidents Differ?

In workforces with a vehicular operations exposure, a model for intervention already exists. Typically, employers track the number of preventable accidents during a period of time and employ coaching or a punitive strategy to combat the perceived problem of driver error. Your interventions may include mandatory driver training, medical assessment (e.g., is eyesight an issue?) and punitive approaches, including time off or requiring the offending employee to pay all or part of a claim deductible.

The reasons underlying the vehicular accident are no different than material-handling injuries. Employee lack of knowledge (e.g., lifting techniques, following distance), failure to devote full attention and physical attributes contribute to both workers' compensation and commercial auto losses. You may want to examine this overlap.

Should we count the employee with three workers' compensation claims and two vehicle crashes during a five-year period as having five accidents? Since the causes in many instances are the same, the answer is yes.

Implementing the Solution

If you focus your efforts on reducing the number of multiple accidents, you may need to shift your thinking. Consider the safety principle that management deficiency drives accidents, not employee error. Reconsider the accident repeaters in your workplace and approach these employees with the attitude that behavior can be modified. Consider these seven steps:

- **Step One — Establish the Criteria for a Repeater**
  Start with individuals who have had the most injuries/claims. Subsequently, you may want to look more aggressively at employees who average more than one claim per year or other parameters. Review all injuries, not just lost time. Minor injuries ("medical-only" or OSHA-categorized "first aid") may provide more insight into the drivers of more severe injuries. You are trying to find trends in an employee's accident history. A loss analysis for an employee should minimally review factors of injury type, injured part of body, month of injury and day of week of injury. What is the average duration between the employee's injuries?
- **Step Two — Consult with Your Employee Assistance Program**
  Your EAP is another important source of information. Ask your EAP staff about trends they have detected among your employees. While they won't be able to share the circumstances regarding individual employees, they should be able to provide you with some insight on broader categories of issues affecting your workforce, like number of inquiries for drug counseling or financial guidance.
- **Step Three — Involve your Safety Committee/Collective Bargaining Unit**
  Involve the committee/unit in planning before any interventions occur. Explain that you are trying to reduce the number of workplace accidents and protect employees.
- **Step Four — Consult with Each Employee's Supervisor**
  Once you identify the core group of employees with multiple accidents and compile your loss data, consult with each employee's immediate supervisor. It is possible that the supervisor may be unaware of the employee's history. Some accidents may predate the supervisor's employment. What does the supervisor think drives the employee's injuries? Is there a preventive course of action that could be followed by the supervisor?
- **Step Five — Meet with the Employees**
  Next, it is time to meet with each employee. Expect some trepidation on the worker's part, so put him or her at ease. Explain the scope of the overall problem and your concern for their well-being. Be clear that no single employee is being targeted. Reinforce the availability of your EAP. Remind the employee that these services are available for a number of personal and family concerns, not just substance abuse problems. Provide them with a brochure or other information about the EAP.

  Review the employee's accident history. Are they aware of how many injuries they have had? Does the employee have a reasonable explanation for injury frequency? Do they feel the need for more training? Are there other factors that you or their supervisors are not aware of?

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Discuss options with the employee. What can the employer do? Are there changes in job design needed or is there personal protective equipment that they would be more likely to use? For example, the employee may suffer hand lacerations because the provided gloves are awkward. Work with the employee to find a glove that meets the protective requirements and is more acceptable to the employee.

Training should be explored, but it is unlikely that injuries to a veteran employee are simply a result of training issues. More likely, the employee may have altered standard procedures to his/her own personalized work practices, which may sacrifice safety for speed.

Conclude the meeting on a positive note, with planned actions for both the employer and employee. Remind the employee to *continue to report all injuries*. It is almost inevitable that this approach with employees can have an effect on claim reporting, so both the employee and the immediate supervisor should have the reporting of all injuries reinforced.

- **Step Six — Follow Up**
  Schedule a follow-up meeting (e.g., three to six months after the initial meeting with the employee). Review the accident history (if any) and follow up on respective action plans. If there have been positive changes in the employee's work approach or behavior, it's an occasion to celebrate. If there are further refinements in the plan needed by either party, it's time to implement them.
- **Step Seven — Reinforce the Program**
  Continue to repeat the process. Most likely, the problem will not be resolved quickly. As you realize success with employees, consider asking them to mentor other accident repeaters.

  All employees may not respond to this approach. If an employee refuses to work with you, consider his/her overall job performance. Is the employee a poor performer in other job measures? Chances are the worker who is not cooperating and responding in this initiative may have problems with overall attendance, tardiness and work quality.

Let's Talk

Since you most likely will not be seeing a national index of accident repeaters in the near future, the author is interested in your input and results. How does your company track repeated accidents by employees? Does the suggested impact scale reflect the seriousness of your problem? What approaches have you found to be most effective? What we learn through our individual efforts can help us all. A note to the author will add to our ability to make "accident repeaters" as obsolete as Heinrich's dominos. You may contact Jim Rhoads at PMA Management Corp., 330 Fellowship Road, Suite 200, Mt. Laurel, NJ 08054. ■

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New Interest Group Member Benefit

by CPCU Society Staff

Beginning Jan. 1, 2009, *every* Society member became entitled to benefits from every interest group for no extra fee beyond the regular annual dues, including access to their information and publications, and being able to participate in their educational programs and functions.

An Interest Group Selection Survey was e-mailed to members beginning mid-November. By responding to the survey, members could identify any of the existing 14 interest groups as being in their primary area of career interest or specialization. If you did not respond to the survey and want to take full advantage of this new member benefit, go to the newly designed interest group area of the Society's Web site to learn more about each of the interest groups and indicate your primary area of career interest. You will also see options to receive your interest group newsletters.

Currently, there are 14 interest groups: Agent & Broker; Claims; Consulting, Litigation & Expert Witness; Excess/Surplus/Specialty Lines; Information Technology; International Insurance; Leadership & Managerial Excellence (former Total Quality); Loss Control; Personal Lines; Regulatory & Legislative; Reinsurance; Risk Management; Senior Resource; and Underwriting.

As part of the Interest Group Selection Survey, members also were asked to express their interest in the following proposed new interest groups: Actuarial & Statistical; Administration & Operations; Client Services; Education, Training & Development; Finance & Accounting; Human Resources; Mergers & Acquisitions; New Designees/Young CPCUs; Nonprofits & Public Entities; Research; Sales & Marketing; and The Executive Suite.

Members who missed the Survey may update their selections on the Society's Web site or by calling the Member Resource Center at (800) 832-CPCU, option 4. Members can also order printed newsletters for nonprimary interest groups at an additional charge. ■

The **Agent & Broker Interest Group** promotes discussion of agency/brokerage issues related to production, marketing, management and effective business practices.

The **Claims Interest Group** promotes discussion of enhancing skills, increasing consumer understanding and identifying best claims settlement tools.

The **Consulting, Litigation, & Expert Witness Interest Group** promotes discussion of professional practice guidelines and excellent practice management techniques.

The **Excess/Surplus/Specialty Lines Interest Group** promotes discussion of the changes and subtleties of the specialty and non-admitted insurance marketplace.

The **Information Technology Interest Group** promotes discussion of the insurance industry's increasing use of technology and what's new in the technology sector.

The **International Insurance Interest Group** promotes discussion of the emerging business practices of today's global risk management and insurance communities.

The **Leadership & Managerial Excellence Interest Group** promotes discussion of applying the practices of continuous improvement and total quality to insurance services.

The **Loss Control Interest Group** promotes discussion of innovative techniques, applications and legislation relating to loss control issues.

The **Personal Lines Interest Group** promotes discussion of personal risk management, underwriting and marketing tools and practices.

The **Regulatory & Legislative Interest Group** promotes discussion of the rapidly changing federal and state regulatory insurance arena.

The **Reinsurance Interest Group** promotes discussion of the critical issues facing reinsurers in today's challenging global marketplace.

The **Risk Management Interest Group** promotes discussion of risk management for all CPCUs, whether or not a risk manager.

The **Senior Resource Interest Group** promotes discussion of issues meaningful to CPCUs who are retired (or planning to retire) to encourage a spirit of fellowship and community.

The **Underwriting Interest Group** promotes discussion of improving the underwriting process via sound risk selection theory and practice.

Loss Control Interest Group

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