CPCU SOCIETY INSURING YOUR SUCCESS

Loss Control Interest Group

Volume 20 • Number 1 • February 2009

Note 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 which 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.

By all accounts, the presentation "Identify Theft and Data Protection," sponsored by the Loss Control Interest Group at the 2008 Annual Meeting and Seminars in Philadelphia, was a tremendous success. Special thanks are hereby offered to the presenters, Dan Taylor, CPCU, and Judd Rousseau, CFS, from Identity Theft 911 LLC, for a job well done. Judging from the excellent responses attendees gave the session on the Society's evaluation forms, they were equally appreciative of Dan and Judd's efforts.

The presentation provided a number of insights into this information age phenomenon, including the very definition of the problem itself, which is as follows:

> The misappropriation of a person's identifying information to use or with the intent to use the information unlawfully.

The two basic classifications of perpetrators are termed "Non Familiar Fraud" and "Familiar Fraud." The first class consists of strangers who by some unusual circumstance have the opportunity to misappropriate victims' confidential information for their material benefit. Examples of people in this category include a store clerk, travel agent and an online thief, to name a few. The second category comprises individuals who have some personal relationship with the victim which they are able to exploit. Some examples of people in this category include family members, co-workers and neighbors.

In order to be vigilant in safeguarding one's personal information, it is important to know the sources of leaks, or what the speakers termed "points of data protection compromise." Some of these points of vulnerability are as follows:

- Dumpster diving.
- Improperly disposed of electronics.
- Insider access.
- Mail theft/impersonation.
- Burglary.

This is just a brief overview of an excellent treatment of this subject. Anyone who missed the session, or who would like to attend a future presentation, should contact John Kelly, CPCU, the CPCU Society's director of program content and interest groups, at (800) 932-CPCU, ext. 2773 or jkelly@cpcusociety.org.

On a final note, in this issue of the Loss Control Interest Group newsletter, we offer articles by Jill McCook, CPCU, AIS, on preventing infection; Celeste Allen, CPCU, CLU, ChFC, FLMI, on data security; and Thad Nosal, ARM, ALCM, on data standards for loss control. ■

What's in This Issue

Prevent Infections by Hand Washing

by Jill McCook, CPCU, AIS

Jill McCook, CPCU, AIS, works in a developmental role in the auto operations division of State Farm in Bakersfield, Calif. She began with State Farm in 1991 as a personal lines underwriter in Lincoln, Neb. McCook's career path led her to assume positions as a commercial underwriter and a field underwriter and then to State Farm's corporate headquarters as a trainer in the loss control division. She currently is a committee member of the CPCU Society's California Golden Empire Chapter, the Loss Control Interest Group and the IGRG Sub Committee.

Hand washing is one of the most important ways to prevent the spread of infection. As the flu and cold season begins, the most proactive and effective approach to reducing communicable diseases is plain old soap and water.

A simple and effective way of hand washing, which will prevent the spread of germs, is as follows:

(1) Wet hands with warm water to essentially "melt" the soap.

(2) Apply soap and produce a lather.

(3) Rub your hands for at least 10 to 20 seconds, which removes 80 percent of germs.

(4) Rinse away the germs.

(5) Dry your hands with a paper towel.

(6) If not using an automatic sink, turn off the water with the used paper towel.

(7) If available, apply alcohol rub/gel sanitizer or wipes to hands.

(8) Apply lotion to reduce dry skin, which leaves fewer places for germs to hide.

(9) Try to open the door from the restroom with your paper towel.

(10) Wash your hands often.

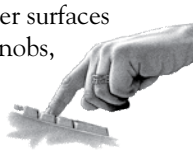
These steps can save you from communicable diseases. Any type of soap can be used. If you prefer bar soaps, they should be kept in a self-draining holder and cleaned on a regular basis. Also, the holder should be cleaned when changing bar soaps. If you prefer liquid soaps, the dispenser should be cleaned before refilling. Also, you may want to clean the top of the dispenser on a weekly basis, especially if illnesses persist.

Examples of when to wash hands:

- After using the restroom.
- After coughing, sneezing or blowing one's nose.
- After handling any foods.
- After handling pets and being outdoors.
- After handling garbage or soiled equipment or utensils.
- Before and after eating.
- Before and after treating a wound or someone who is sick.
- Before inserting or removing contact lenses.
- Before and after engaging in any activity that possibly contaminates your hands.

Dangers of Not Washing Hands

We accumulate germs on our hands from varying sources. The list is endless. We come in contact with others on a daily basis, and we could potentially transmit our diseases to others quickly; the reverse is also true. We can contaminate ourselves by touching our eyes, nose and mouth with unwashed hands. And these germs may spread to other surfaces we touch daily — doorknobs, handles, telephones, computer keyboards and steering wheels, to name a few.



Typical flu and common colds are spread mostly from hand-to-hand contact. The Food and Drug Administration (FDA) reports that the human influenza virus can survive on surfaces for approximately two to eight hours.

Most people have immune systems that are strong enough to recover from a cold quickly, whereas effects from the flu can be much more severe. The elderly and others with chronic medical conditions can develop pneumonia. According to the Mayo Clinic, the combination of the flu and pneumonia is the eighth-leading cause of death among Americans. The statistics speak for themselves: people who wash their hands at least four times a day experience 24 percent fewer sick days from colds, flu and the like, and 51 percent fewer sick days due to stomach ailments.

Inadequate hand hygiene also contributes to food-related illnesses caused by salmonella and E. coli. Centers for Disease

Control and Prevention (CDC) statistics indicate that as many as 76 million Americans get a food-borne illness each year. Of those, about 5,000 die as a result of their illnesses. Others experience nausea, vomiting and diarrhea. A recent FDA survey states that proper hand washing can stop up to one-half of all food-borne illnesses.

To protect your health and the health of those around you, make sure you support and promote proper hygiene, including repeated hand washing and/or the use of alcohol-based sanitizers several times a day. It is imperative that we wash our hands frequently throughout the day. Frequent hand washing will help maintain a healthier immune system. It doesn't take much time, and it offers great rewards in terms of preventing and reducing illnesses. ■

References

"Hand washing: A simple way to prevent infection." cnn.com. Accessed Dec. 9, 2008, at www.cnn.com/Health/library/HQ/00407.html.

"Why is proper handwashing important?" wiseGEEK. Accessed: Dec. 9, 2008, at www.wisegeek.com/why-is-proper-handwashing-important.htm.

"Hand washing: An easy way to prevent infection." The Mayo Clinic Online. Accessed: Dec. 9, 2008, at www.mayoclinic.com/health/hand-washing/HQ00407.

Just When You Thought Your Data Was Secure

by Celeste Allen, CPCU, CLU, ChFC, FLMI

Celeste Allen, CPCU, CLU, ChFC, FLMI, is a manager for State Farm, and serves as the editor of *Cutting Edge,* the newsletter of the CPCU Society's Information Technology Interest Group.

Editor's note: This article first appeared in the September 2008 issue of *Cutting Edge*.

I'm sure the vast majority of you subscribe to some sort of security service and have gone to great lengths to encrypt access to, and key data on, your machines. *The New York Times*, in a February 2008 article, reported that a research group at Princeton University, consisting of five graduate students and three independent security consultants, discovered a means to capture encrypted information stored on computer hard disks. After reviewing a technical paper by a Stanford group addressing the persistence of data in memory, the Princeton group decided to assess the vulnerability of encrypted data.

There is a longstanding assumption that when the electrical power of a computer is shut off, data temporarily held on dynamic random-access memory (DRAM) chips, which includes data-scrambling algorithms, disappears. The Princeton group chilled the chips using an inexpensive can of air and discovered that information is retained and easily read. Retention of this information for several hours was achieved using liquid nitrogen (–196 degrees C). Special pattern-recognition software, developed by the group, and special utilities within Windows, Macintosh and Linux operating systems were used.

Per John Markoff, the article's author, both Microsoft and Apple ship their operating systems with encryption files turned off and leave it to the customer to turn on this feature. OK, get thee to thy computer to turn this on! Dismay not, as the retention techniques could not be carried out remotely and additional hardware security can be obtained by purchasing secure cards or a special USB hardware key. The research group could not access encrypted data when advanced modes of security were in place.

The research findings reveal vulnerability in "trusted computing" hardware, which is an industry standard approach and assumed to be a means to increase the security on modern personal computers. This newfound vulnerability, although frightening, poses an opportunity to assess how to further strengthen security on our hard drives. Keep current on threats to your computer hardware and invest in appropriate measures to keep your data secure. ■

Reference

Markoff, J. "Researchers Find Way to Steal Encrypted Data." *The New York Times* 22 Feb. 2008. Accessed: Feb. 22, 2008, at www.nytimes.com/2008/02/22/technology/22chip.html. by Bob Siems.

Insurance Group Examines Loss Control Function for Data Standardization Opportunities

by Thad Nosal, ARM, ALCM

Thad Nosal, ARM, ALCM, is manager, Engineering & Safety Service (E&S), a business unit of ISO that provides loss control information services. He has been with E&S for 18 years, and is responsible for day-to-day operations. Nosal is an active member of the ACORD Loss Control Working Group, which actively participated in the development of this article.

Editor's notes: (1) This article was published originally by the American Society of Safety Engineers in *R/W Insights,* the newsletter of the Risk Management/Insurance Practice Specialty, Vol. 8, No. 1. It is reprinted with permission. (2) The ACORD working group proposal that led to the formation of the Loss Control Working Group is included. It is reprinted with ACORD's permission.

Loss control experts have long recognized the relevance and utility of safety standards such as OSHA and UL. Imagine what an insurance data standard designed to support loss control business functions might do to connect systems and improve service. Such an effort is underway, and insurance and loss control stakeholders are welcome to participate.

A Loss Control Working Group has been established for the purpose of developing voluntary data standards for insurance loss control operations. These standards could be used to facilitate electronic communications within insurance companies and between insurance companies, their business partners and insurance regulators. The Loss Control Working Group is being administered by ACORD, a global, nonprofit insurance association whose mission is to facilitate the development and use of standards within these industries. ACORD forms and data standards are widely used throughout the insurance industry for nearly all lines of insurance. ACORD's membership includes representatives of all key industry stakeholders.

Mike Heembrock of Chubb is the chair of the working group. Group participants include producers, insurance companies, industry trade groups and service organizations. More than 20 different organizations are currently participating in the effort.

The working group arose from a project called the Future of Loss Control Project, which was cosponsored by the American Insurance Association (AIA), Engineering and Safety Services (E&S/ISO), Insurance Loss Control Association (ILCA), Insurance Services Office (ISO), National Association of Mutual Insurance Companies (NAMIC), and Property Casualty Insurance Association (PCIA).

This project brought together loss control experts/executives from 34 insurance companies and related organizations to discuss a variety of topics seen as critical for the growth and wellbeing of the loss control profession, including how to ensure a continued supply of qualified loss control professionals, how to promote the importance of loss control to the general public, and how to increase the value of loss control activities within insurance operations.

One project group discussed technology-related issues. The group, co-chaired by Bill Hauswirth, CPCU, of ISO and Tony Correa of Lumbermen's Underwriting Alliance identified the lack of uniform, industry-accepted standards for the collection and presentation of loss control information to be a key impediment to the efficient delivery of loss control services. This impediment became increasingly important as insurance transactions were becoming more automated.

Without uniform standards, individual companies were required to develop their own standards. This unnecessary duplication of effort in the development process wasted corporate resources. The use of proprietary standards increased ongoing operational costs by requiring employees to be retrained each time they changed companies and by requiring third party service providers to maintain different records for each company they serviced. The lack of consistent terminology and data structure prevented information service providers from entering the work space. It also inhibited the sharing of information between the various parties providing support to the loss control function.

The technology working group proposed developing consensus data standards, which could be used for the loss control operation. Loss control practitioners, not those outside the loss control profession, would develop these standards for loss control practitioners. On behalf of the group, ISO took the lead in this effort and approached ACORD to manage the standards' development.

What Are Data Standards?

A data standard is a set of rules and guidelines that provides a common framework for communication between parties. This framework can include standard definitions for identifying data, and a common structure for organizing and presenting this information. Taken together, these elements provide a uniform and consistent way to describe information, which enables various parties in a business transaction to share data efficiently.

It is also important to identify what data standards are not. Data standards are not intended to define a specific way to solve a business problem. Such activities are left to the discretion of each organization. Data standards are only intended to facilitate the communication of any information developed as part of the problem-solving activity.

A false perception exists involving the use of data standards for business needs, as many believe standards limit the ability to differentiate or meet business needs unique to a given company. Standards are not designed to create limits; rather, they create opportunities because of the utility provided. For example, standards enable the development of tools that utilize the data (on an as-needed basis) and these tools ease data exchange and allow for re-use.

Many companies have multiple trading partners with whom data are exchanged. Standards allow for a design by which utilities involving data exchange work with multiple trading partners, resulting in improved data exchange and decreased costs. The development of this standard will not expand the exchange of loss control data to any entity that is not or should not be part of the normal chain-of-custody of insurance-related data.

Data collected are understood to be managed for underwriting objectives with loss control perspectives involving confidentiality as well as the business partners with whom such data are exchanged. The traditional business perspectives on data gathered, sources, and with whom the data are shared are to be determined by those implementing standards, not by the standard.

Why Develop Data Standards for Loss Control?

Data are a key component of the loss control business function. Loss control representatives receive and create data about insureds or prospective accounts as part of their ordinary business activities. This data comes from a variety of internal and external sources, including the insured, insurer policy and claims data, and third party data providers. It must be shared internally with others within the insurer's organization and between insurers and their business partners and regulators.

The insurance process is becoming more automated, as internal and external business partners and regulators require information to be exchanged electronically. The common vocabulary, organization and structure that standardization would provide enable the efficient sharing of data between parties, regardless of the systems used or other technology. As many loss control activities are repetitive, it may also promote data mining.

Exchange of loss control relevant data within insurance companies and their authorized partners currently occurs, but is not efficient or complete and usually manually processed. In many cases, the data that are relevant to the loss control function are scattered throughout insurance applications, third party reports, producer files, underwriting and claim documents.

Why ACORD?

ISO approached ACORD to manage the data standardization effort due to ACORD's reputation within the insurance community and its expertise in developing data standards for the insurance and financial services community.

ACORD held a focus group in the summer of 2007 to determine whether there was sufficient industry interest to establish a formal working group to develop data standards. The project idea was well received by all participants. A formal working group was proposed and approved by ACORD. The working group was established and participants solicited. Participation in the working group is open to members of ACORD as well as non-members who have subject matter expertise that can further the activity.

What Does the Group Do?

The Loss Control Working Group held kick-off meetings in December 2007 and January 2008. At these meetings, the group discussed the goals of the project and the best way to accomplish these goals.

A two-phase plan of action was agreed upon. In phase one, the group will focus on the business aspects associated with loss control. This will include developing an inventory of common loss control business functions and the basic characteristics of these functions, such as the event that triggered the function, the purpose of the function, and how the function is accomplished. Functions will be priorities, and work flows will be developed to identify when data interchanges occur, the parties to the exchange, and the types of data exchanged.

In phase two, the group will focus on the development of standards to support these functions. This will include the definition of data requirements. Existing ACORD standards and forms will be reviewed to determine whether this information was already defined.

The working group has met regularly since January via teleconference. Group members have completed much of the phase one work. The group has identified typical business functions that loss control serves for an organization and the typical triggers of loss control activity. The group has begun preparing model work flows, identifying data interchanges, and defining data elements typically exchanged. The work flows still need to be scaled up to the different lines of insurance.

The group would like to solicit additional members to participate in the activity to ensure that the resulting standards represent industry-wide practices. For more information about the working group or to participate, contact ACORD's Mark Orlandi at (845) 620-1700, ext. 478; morlandi@acord.org.

Continued on page 6

Insurance Group Examines Loss Control Function for Data Standardization Opportunities

Continued from page 5

ACORD Standards Working Group Proposal

WG Name	
Chairperson	
Start Date	
Objective	Develop standards that support loss control business functions.
Sponsor(s)	ISO
Author(s)	ACORD

Business Case: What is the business problem being addressed, how can standards help and what potential value is there in solving the problem, for submitter, participants, and the industry?

Data are a key component in the loss control process — data about risk characteristics, data about management practices, data from prior risk experience, data used to benchmark a risk versus comparable risks within an insurer and possibly within the industry, etc. These data flow from the application process, insurer historical policy and claims data, data supplied by the agent or broker, and data from third party data sources — governmental entities, vendors, third party claims administrators and industry data aggregators.

These data types and sources continue to increase, making the integration of data between systems and between sources — internal and external — critical to obtaining high-quality and consistently defined information to feed the loss control process. Data standards allow for:

- Consistent and accurate data and common terminology, within the company and within the industry, leading to increased data to evaluate risks.
- Better customer service.
- Time savings in evaluating risks.
- Ease of doing business, ultimately resulting in increased efficiencies.

Data standards address the data underlying the insurance process and not how an insurer uses these data, thus not infringing on any insurer's unique loss control practices. If an insurer collects a unique set of data, not readily collected in the industry, the data standards process allows for these data to be addressed between trading partners but not directly identified in the standard. But, much of the data used in the loss control process is readily collected by the industry. It would benefit each insurer, the industry and insureds, if, for example, Construction Codes used for loss control were defined the same as those on the insurance application, claim notices, catastrophe modelers and bureau surveys.

Other benefits of involvement in the data standards process include:

- The ability to influence development of the standard to meet your needs.
- Better understanding of what other carriers and vendors are doing.
- Networking opportunities.

Scope: Describe the expected scope of the project, both in scope and out-of-scope aspects.

Scope includes all business functions associated with loss control and potential related standards development.

Refer to "Project Plan" section below. The group will determine priorities and then pursue standards solutions based on the priorities and interest.

Deliverables: What are the expected deliverables or outcomes from this effort? Expected outcomes include: A Maintenance Request for new messages in the standard, transactions, UML diagrams, Implementation Guide(s), sample XML business messages, etc.

The expected deliverable is a maintenance request for a new form or forms and/or related XML business messages specific to loss control business functions as defined and prioritized by the working group. The XML development would be directed for the ACORD Messaging Library standard.

Project Plan: Include expected number and dates of face-to-face meetings and conference calls. Supply rough schedule (including milestones) from approval until next Plenary (expected next MR deadline to be 8 weeks prior to Plenary).

Phase 1 — Business Focus
This phase would focus on the various business aspects associated with loss control, including:

- Development of an inventory of loss control business functions.
- Prioritization of business functions.
- Proposed standards development/solutions.

Phase 2 — Standards Development
This phase would focus on the development of standards in the prioritized order noted in the prior phase, and include the gathering and definition of data requirements associated with the functions, including review of the current ACORD standards for potential re-use of existing ACORD content.

Commitments & Resources: Define level of interest and initial commitments. Who will and who may participate in this group? Will they be Active Participants or Observers? What carriers, vendors, and volunteers from the distribution channel have committed to implementing the solution? What other factors are helping to insure success of the initiative? What is expected concerning resources and support from ACORD Staff?

Active Participants	Observers

Requirements: What resources are required for the group, what are the expectations of participants? For example, teleconferences, face-to-face meetings, virtual meetings, etc.

Teleconferencing and WebEx.
Option of face-to-face meetings as needed.

Impact: Who is the target audience and what is the expected impact on the existing ACORD Standard? Include pros, cons, and risks.

The target audience includes all participants in the loss control function insurance value chain — insurers, producers, service providers, solution providers.

ACORD Staff Section (to be completed by ACORD Staff)

Architecture Review Applicable when work completed? Yes / No / Unknown _____

When completed, will the work move to a Proof of Concept, or to vote at Plenary? _____

Date Proposal Reviewed by Steering Committee: _____

Proposal Review Result:

Loss Control Interest Group

Volume 20 • Number 1 • February 2009

CPCU Society
720 Providence Road
Malvern, PA 19355
www.cpcusociety.org

Achieving Leadership Excellence • Achieving Leadership Excellence

The Momentum Continues …

Don't miss out. Mark your calendar today!

CPCU Society's 2009 Leadership Summit
April 22–25, 2009 • Phoenix, Ariz.

Achieving Leadership Excellence

Take advantage of unique leadership learning opportunities with CPCU Society and industry leaders at the 2009 Leadership Summit.

Broaden your leadership horizons through:

- Society business meetings.
- Chapter leader training sessions.
- CPCU Society Center for Leadership courses, which are open to all members.
- Networking opportunities.

Visit www.cpcusociety.org for the latest information.

Achieving Leadership Excellence • Achieving Leadership Excellence

The Loss Control Interest Group newsletter
is published by and for the members of the
Loss Control Interest Group of the CPCU Society.
http://losscontrol.cpcusociety.org

Loss Control Interest Group Chair
Debra L. Dettmer, CPCU
Farm Credit Council Services
E-mail: debbie.dettmer@FCCServices.com

Loss Control Interest Group Newsletter Editor
Charles H. Morgan, CPCU, J.D., CSP, CLU, ARM, CPP
E-mail: cmorgan917@gmail.com

Director of Technical Programming and Chapter/Interest Groups
John Kelly, CPCU
CPCU Society

Managing Editor
Mary Friedberg
CPCU Society

Associate Editor
Carole Roinestad
CPCU Society

Design/Production Manager
Joan A. Satchell
CPCU Society

CPCU Society
720 Providence Road
Malvern, PA 19355
(800) 932-CPCU
www.cpcusociety.org