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This Issue

Risk Management Systems

Editor's Note: *David Hanson is a senior vice president and risk management information services/systems (RMIS) practice leader at Willis of New York Inc. Willis is the third-largest insurance broker in the world. In this interview, Hanson discusses the role of RMIS in the risk management/insurance industry and their effect on safety and loss prevention. The views expressed are his own and may not reflect those of the Willis organization.*

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Provide an overview of RMIS. What are they and how are they used?

RMIS is an insurance term that applies primarily to "casualty" claims/loss data systems. Casualty coverages include auto liability, auto physical damage, workers' compensation, general liability and products liability. Insurance carriers originally developed RMIS products to provide their insureds and brokers with basic policy and claim information via electronic access, and most recently, via the Internet. This information is essential for managing individual claims, identifying trends, marketing an insurance program, loss forecasting, actuarial studies and internal loss data communication within a client organization.

In the context of the acronym RMIS, the word "risk" pertains to an insured or self-insured organization. This is important because prior to the advent of RMIS, insurance company loss information reporting typically organized loss data around insurance policy numbers. The historical focus on insurance policies detracted from a clear, coherent and consolidated picture of a single customer's loss experience. The advent of RMIS in the 1980s was a breakthrough step in the insurance industry's evolution toward persistent and focused understanding of their end-customer needs.

What is the difference between a claims management system and RMIS?

Insurance carrier and third-party administer (TPA) claim adjusters traditionally use claims management systems to collect and manage claim information and to administer claims. Some client organizations, however, may choose to manage certain types of

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RM/I Update


George W. Pearson

Thank you for all you do, especially the volunteer leaders who serve as chairs on our Advisory Committee and those who participate on our Advisory Committee. Your respective contributions are greatly appreciated. Together we can do great things and we are proving that with each newsletter we publish.

We submitted to ASSE's Council on Practices and Standards two main goals that we will accomplish this fiscal year. These are not governance-related goals; rather, they address technical topics and issues grounded in member service. I am happy to report that the two main goals we submitted are well on the way to being fulfilled.

The first is the analysis of two member surveys. One survey conducted last spring included all RM/I members; the other polled ASSE members who work in risk management and insurance but are not RM/I members. The second survey was completed this summer. The second goal is to complete a RM/I Body of Knowledge (BoK) study headed up by Phil Goldsmith.

Details of the first survey were summarized in the Fall 2005 issue of *RM/Insights*. We are using the results to guide us in addressing member interests and needs.

As to the second survey, we received a 10-percent response, with almost 400 respondents. We are examining the results and a summary report appears on pg. 7. We have already heard loud and clear that your preference for outreach is clearly this newsletter and you have provided us with a list of topics about which you would like to see additional information.

The BoK project is underway. The goal is to determine what resources are used by SH&E professionals working in the risk management and insurance arena. This study will be an addendum to the Society-wide BoK study completed in 2002 that compiled a compendium of references and resources that support the SH&E profession as a whole.

Our purpose is to follow up on that study but to narrow the scope to identify the BoK of RM/I members. What do you use intellectually and practically to support your career in risk management and insurance? Simply put, what should be on your bookshelf? Phil has organized a core team with an RM/I member working for an insurance company, a broker and a risk manager. The group will start with a literature search and perhaps a short survey, then the results will be compiled into a report to the RM/I membership on what we use as our knowledge framework to do our jobs.

Back to the surveys. I want to let you know what information and what direction we are taking from the information gathered through those surveys. We are in the second newsletter cycle of 2005-06 and so far we have included articles on workers' compensation claims reporting and NCCI claim trends administration. Our last newsletter also had an article on return-to-work programs. In this issue, you will see other articles on workers' compensation claim administration. According to our surveys, workers' compensation claim administration and return-to-work programs are topics of high interest.

We will also continue to feature Associate in Risk Management (ARM) exam questions and answers. Thirty percent of RM/I members hold the ARM designation. By supporting the ARM program, we can close a significant professional development gap and increase the number of ARM-designated SH&E professionals. We can do this by featuring articles in the newsletter and by seeking out those among our membership who teach ARM classes to become mentors to those with ARM aspirations.

Web Logs, News & Blogs

I would also like to share some interesting RM/I sources that may be useful to you.

Risk Factor Web Log

Found at www.ldwpublishing.com, "this site could be useful to our members as another resource to keep up with what is happening." Topics recently discussed include: Katrina analysis; terrorism risk

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Risk Management Systems

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claims or those within a loss retention layer and, thus, use this type of system as well.

Typically, the claims management system provides the primary data to RMIS products. RMIS products in turn provide an externally accessed view into the client's claims data. RMIS products are commonly available directly from larger insurance carriers and TPAs, but the most advanced systems are often offered by independent RMIS vendors. Independent vendor systems are most desirable when a client organization needs to consolidate claims data from multiple current insurance programs and/or past programs with current program information.

What are the most common types of RMIS and how are they used?

Most major insurance companies and TPAs offer at least one external RMIS product. Their insured clients and any brokers involved receive direct access to the client organizations' casualty claim data that they generate. Most commonly, RMIS products allow individual claim detail look-up, basic trend report production, policy summaries and ad hoc queries.

The resulting information can then be shared throughout the client's organization, usually for insurance program cost allocation, loss prevention and effective claim management at the local level. More advanced products allow multiple claim data sources to be consolidated into one "master RMIS," which is essential for most large client organizations with complex insurance programs.

The primary users of RMIS are risk/insurance departments of insured organizations and any insurance broker involved. Interestingly, it is much less common for the insured's safety department and vehicle operations department to have access to RMIS despite similar interest in the data. In fact, safety and vehicle operations of larger organizations typically maintain separate database systems of "accidents/incidents," many of which will correlate to RMIS claim data.

Insurance companies normally use a different version of externally provided RMIS for internal use, such as by underwriting and loss control personnel. Occasionally, there could be timing or other differences that could cause data discrepancies between the internal system and externally provided RMIS.

Insurance brokers have a similar need for access to their insured clients' claim data. Brokers are normally added as an additional user to the RMIS product provided to their clients by the insurance carrier and TPAs. The information available from RMIS is critical to the broker for interfacing effectively with their counterparts in the insurance carrier and TPAs. Additionally, effectively presented RMIS information that shows trends and analysis is essential to successfully marketing their clients' insurance programs.

How can the RMIS that are available today help risk managers and SH&E professionals to better protect an organization from the adverse effects of fortuitous loss?

Since the insurance community relies on past losses as a predictor of future losses, so should risk managers and SH&E professionals. Trends can be identified that would allow loss prevention measures to be implemented to prevent the occurrence of similar losses in the future. Additionally, once a loss-producing event occurs, the resulting claim(s) can be more effectively managed with RMIS products and can possibly reduce the ultimate payout.

Depending on the quality of data in a RMIS product, specific "causal factors" can be identified that can be used to support specific loss prevention remedies. Causal factor trends effectively presented in a RMIS product can be most helpful to safety practitioners to prevent future occurrences. The justification for the expenditures of an organization's resources on these loss prevention remedies can then be weighed against actual claim loss values provided by RMIS reports.

What advantages does an Internet-based system have over other conventional or legacy systems?

An Internet-based system conceptually provides ultimate access to an organization's claim data. It also allows authorized RMIS users virtual access from anywhere or at any time as long as equipment with Internet access and a browser is available. Internet-accessible systems are slightly less convenient since the user must have computer equipment that is pre-loaded with access software and certificates.

One must keep in mind, however, that the data accessed is only as current as the data updates within the RMIS product. For carrier and TPA RMIS products, their generated claim data may vary from "real time" to 24 hours old. For independent RMIS vendors, their data are more static and are typically valued at the end of the prior month. (Daily updates from independent RMIS vendors are available but are much more costly.)

Vendors & Markets

Who is the typical buyer of RMIS—an organization, a broker or a TPA? Do organizations build their own systems? In other words, describe a legacy system.

Any organization that needs commercial insurance products from insurance companies and TPAs is the most common purchaser of traditional RMIS products. However, RMIS is bundled with their contracted services. The brokerage community is typically a user rather than a direct purchaser of RMIS, although some insurance carriers and TPAs may charge the broker involved a "user/access fee."

Smaller insurance carriers and TPA organizations may purchase an RMIS product from an independent RMIS vendor rather than attempt to build their own to offer to clients. Under this arrangement, the insurance carrier or TPA may continue to use its own "legacy" claims management system, which will supply the data to the RMIS product.

Most of the major insurance companies and TPAs have built their own RMIS products, and a few have directly combined them with their internal claims management system. Such dual-purpose systems can be advantageous since the claim adjuster, the insured organization and the broker can all look at the same claim record in the same screen view and in near "real time."

A legacy system refers to the fact that RMIS tend to evolve over time. New technology rarely replaces the previous system infrastructure completely. Whether you receive RMIS services from a carrier, TPA, independent vendor or in-house information technology department, you may have a combination of technologies at work simultaneously. The older, more obsolete technologies are referred to as "legacy."

How do the various vendors of RMIS differ? For example, are vendors systems compatible if an organization changes insurance carriers or

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TPAs? Can the old data be easily downloaded into the new system?

Major differences among RMIS vendors include:

•currency of technology (Internet-based vs. Internet-accessible);

•system speed (e.g., response time for screen changes, report generation time);

•flexibility in meeting client requirements (e.g., custom screen views, client-defined data fields, special reports);

•ongoing support service quality (e.g., availability of senior/quality technical support, help desk availability, dedicated staff and stability);

•data quality control (e.g., data conversion accuracy, data source cleanup);

•pricing (first-year cost, ongoing cost, custom programming charges, data record storage fees, etc.);

•availability of related modules (e.g., property exposure management, policy management, claim/incident setup, OSHA recordkeeping, claims audit tools);

•turnaround time for data loads;

•foreign conversion/support (financial fields, language, fluent support staff, etc.).

RMIS system compatibility varies among carriers and TPAs. However, quality independent RMIS vendors by design can take almost any claim data source and convert or map the data to their particular system's file structure. A few major insurance carriers offer similar consolidation services, i.e., combining the insured client's current claim data with another carrier's or TPA's data for the same insured client. The other data sources can be for current separate insurance programs or from expired insurance programs. Usually, this type of consolidation service is performed to accommodate their major policyholder organizations. Major TPAs, however, more commonly offer such data consolidation services.

How much does a RMIS cost? Does higher cost always mean better performance in terms of efficiency, quality and analytical capability?

The cost of a typical independent RMIS product varies from $30,000 to $75,000 for the first year, and ongoing annual charges are slightly less. Insurance company RMIS product lines typically average around $5,000 for the first user, but they often offer less-expensive lightweight versions for claim look-up only. More costly full-featured products are sometimes available with more advanced reporting systems. The products are usually priced on a per-user basis on a sliding scale for a larger number of users. Insured clients' brokers are given access at no cost or occasionally for a flat annual fee for multiple insured clients with a particular broker.

TPAs commonly include one or two RMIS access IDs within their claims management pricing to encourage both the client's broker and the client to use their claim look-up product. Normally, beyond the first two access IDs, the pricing follows the same per-user range of the insurance companies.

The cost drivers of RMIS include:

•number of user/access IDs;

•number of outside claim data sources that must be converted (carriers and TPAs do not have to convert their own data);

•frequency of outside claim data updates;

•special programming/report development charges;

•training of users (initial and annual users' conferences).

Clearly, higher cost systems do not always correlate to better performance in terms of both usefulness and speed. While most carrier and TPA RMIS systems are similarly priced, the independent RMIS vendors' price range varies significantly, as previously mentioned. A few of the lower-cost systems are in fact much faster in response time, which means more efficient use of application server technology. Some of the more costly systems are more pleasing to look at, but they often have no advantage in functionality.

What drives the RMIS market—the technology or the demands of risk managers? Do buyers purchase RMIS for what it can do, or do they purchase it based on what risk managers and SH&E professionals really need? Are the bells and whistles really necessary?

Most of the insured client installations with which I am familiar have been purchased by risk/insurance managers. As a result, those systems are more focused on satisfying the basic RMIS needs of risk/insurance managers. The "bells and whistles" offered by the more advanced RMIS products help to sell the product, but they are primarily used by only the most demanding client organizations.

Once again, the explanation for what client organizations look for in a system is different by carrier/TPA RMIS products versus those offered by independent/master RMIS vendors. In RMIS products from their carrier or TPA, at this point in time, insured clients should expect the following:

•product access via the Internet;

•easy individual claim search/look-up;

•financial data to balance other carrier documents (billing);

•basic reports that can be set up to run automatically;

•access to claim adjusters' notes within claim records;

•loss allocation support via reports or output to the client organization's own allocation system.

In addition, master RMIS offer:

•multiple claim data source consolidation;

•reliable information;

•responsive support staff;

•basic reports received automatically through e-mail (summary by policy year, by coverage, by claim status);

•ability to produce sophisticated reports (loss triangles, point-in-time comparisons).

I believe that most organizations will come to expect all of the bells and whistles of today. But since RMIS products will likely continue to evolve, there will always be new RMIS features on the market. Perhaps only the more progressive client organizations will see the value and use the newest features.

From your vantage point as a broker, but not as a RMIS vendor, how do you believe the recent industry consolidation will affect the market?

The most significant recent industry consolidation involves the acquisition of two of the better-known independent RMIS vendors by the two largest insurance brokers, Marsh and Aon. In 2004, Marsh acquired Corporate Systems and Aon acquired RiskLabs. However, carrier and TPA RMIS products, in most instances, will probably not be directly affected by this consolidation. A few carriers and TPAs dealt directly with Corporate Systems, and they may now question the "independence" angle under the new Marsh ownership.

For those client organizations that insist upon contracting for RMIS from a truly independent RMIS provider, there are fewer choices now. Additionally, clients may see the insurance brokers that push their own RMIS product as less objective when it comes to assisting them in securing an RMIS product.

Truly independent RMIS vendors may also be reluctant to demonstrate their more proprietary product features to brokers who have their own RMIS product. Independent RMIS providers may also worry about getting a "fair shake" when it comes to being the lowest bidder.

Applications in Safety & Loss Prevention

What are the key features of RMIS, and how are they most useful to SH&E professionals who work in the risk management and insurance field?

The key features of RMIS, beyond those that have already been described, include the following, which are most useful to SH&E professionals:

•timely accident/incident data that should correlate to their internal records for such information;

•feedback opportunities to correct information that may be flawed as initially collected by the carrier or TPA (descriptive categories, missing information, OSHA recordkeeping data);

•source of a severity measure to better justify loss control expenditures and to support other safety metrics with actual loss dollars and expected claim ultimate value;

•a mechanism to consolidate other information to support loss control activities (e.g., safety observations).

What can SH&E professionals accomplish by using RMIS?

A client's safety staff can take advantage of their organization's RMIS and accomplish the following:

•Foster a closer working relationship with the risk management function by the mutual exchange of accident/incident data.

•Provide an opportunity to coordinate their loss control efforts.

•Possibly replace the need for a separate safety database system by using the more advanced features of the better RMIS products.

•Take advantage of the automated report production, graphic displays, "report bursting" and e-mail distribution.

What drives the complexity of RMIS? How can a modern RMIS installation accommodate multiple claim data sources as well as a need for high-level analysis combined with a need to drill down to root cause?

The use of current technology and the ability to take in numerous and varied data sources drive the complexity of a RMIS product. RMIS products can most effectively address this complexity by:

•featuring intuitive navigation through the product;

•allowing custom screen views to simplify appearance and use or to accomplish a specific need;

•assuring faster screen changes and processing times;

•providing drill-down tools to find relationships and to recognize trends that may not otherwise be identified.

•assuring that quality product support staff are always readily available.

Master RMIS vendors are expected to be able to handle multiple data sources that are mostly of the same type and are usually claim data. These vendors also commonly take in supporting data directly from client systems and from RMIS product users, including safety personnel. This type of data include:

•exposure information (payroll, property COPE, vehicle list, sales data, etc.);

•policy information (policy years, retention levels, carrier coverage layers, etc.);

•human resources information (for worker names, location associations, etc.);

•manually input or otherwise "derived data" entered by safety personnel (extracted from accident investigation reports, initial accident report coversheets designed to help identify and code causal information);

•incident-only/non-claim event information that may or may not result in a claim or be covered by an insurance policy.

All of this data must be made available for reports in a "relational database" so that it is accessible and useful in developing meaningful reports. With all of the aforementioned data, causal trends can be identified in groups of accident/incidents. When properly used, interactive RMIS reports can support conclusions revealed by the data, including both "proximal" and many "root causes." Interactive reports include those that allow various data-filtering techniques and drill-down from broad to specific groups of data.

Loss runs were usually late and frequently wrong. Since there have been quantum improvements in technology over time, has data quality improved?

Certainly, online access to loss run data has improved data quality, primarily for those client organizations and their brokers who make the corrections themselves. In my view, online location code corrections within the carrier and TPA RMIS products have been the primary improvement.

Additionally, carrier and TPA RMIS products, which allow electronic data uploads from clients' human resources data systems, also have substantially improved accuracy, such as in assigning groups of claims to the proper locations. This accuracy is critical for the common risk management task of proper loss allocation and/or insurance premiums among the client organizations' business units.

Unfortunately, on the carriers' and TPAs' side, the data credibility within individual claim records continues to focus almost solely on the financial and status aspects of a claim. My observation is that the larger carriers and TPAs continue to rely on the initial data input clerk for the safety critical accident/incident causal descriptors. Furthermore, once entered, most descriptive data fields are rarely changed.

The most frustrating ongoing problem with data quality from carrier and TPA RMIS products for the insured clients' safety personnel is probably the emphasis on "claim counts" rather than on "occurrence counts." This event-counting problem is most evident in automobile liability and general liability coverages where there may be multiple claimants for individual events.

When multiple claimants from a single event report their individual claim weeks or more apart or by different methods (such as through an attorney letter to the insured client instead of directly to the carrier or TPA), they can inadvertently be set up as separate occurrence records. Carriers and TPAs use various methods to link claimants to a common event such as by adding a "suffix to the claim number" (01, 02, 03, etc.) or a separate "occurrence number."

Lastly, many carrier and TPA RMIS products are designed for assigning accident/incident occurrences to a single line of coverage. However, on the insured client side, it would be most helpful to roll an accident/occurrence across multiple lines of coverage and non-insured/self-insured/retained exposures. An exam-

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Loss Control & the Entrepreneur

***Maureen Steinwall,* M.B.A., CPA,** *is president and owner of Steinwall, Inc., a manufacturing company that specializes in process engineering and thermoplastic injection molding. This 40-year-old company generates $10 million in sales annually and employs 95 people in its north Minneapolis location. Steinwall also owns ATS, a tactical paintball gun manufacturing company. Steinwall is currently working on a Ph.D. dissertation in optimism, multimedia training and empowerment. Her interest in training is evident within the systems used at Steinwall Inc., and it has culminated in her winning a national training award in 2001 for her company's training software program. Steinwall holds an M.B.A. in Operations Management from the University of Minnesota. She is also a graduate of the Harvard University Graduate School of Business Owner President Manager program.*

Maureen Steinwall participated in the Executive Summit during ASSE's Safety 2005 in New Orleans, LA. She spoke of business, business owners, entrepreneurs and loss control consultants. She also spoke of the optimism that business owners must have what great things "could" happen and how the insurance industry tends to look at what bad things "might" happen. I specifically recall how she wanted to reach out to safety people and to share her message.

Steinwall implored loss control consultants to talk with entrepreneurs about the good things they see and to not drive right into doom and despair. She said that entrepreneurs do not want to hear the negatives—they avoid negative people.

As a loss control consultant, this struck a nerve. I called Ms. Steinwall, and we had several great telephone conversations. She is deeply involved in her business and in her community. She is a student of life and she will soon receive her doctoral degree.

The Risk Management/Insurance Practice Specialty plans to work more with Ms. Steinwall in the future. She can be our eye into the entrepreneur, our "spy" into the inner workings of the mind of the person who is ultimately responsible for making payroll. We feel she can help us to be better communicators within our profession, how to have greater impact our customers, and how to become more valuable to our profession and to our companies.

Following is an interview with Ms. Steinwall that focuses on an insurance company loss control survey. It may smart a bit, but it may also bring back memories of what went well and what did not. Hopefully, it will spark reflection and discussion with your peers. I think we can learn from Ms. Steinwall—we are all students.

Mark D. Oldham, CSP
Assistant Administrator,
Risk Management/Insurance
Practice Specialty

You have met with many carrier loss control representatives. What behavior, communication and preparation styles do loss control representatives exhibit during positive carrier surveys? As business owners, how do these loss control representatives differ from others?

In my observation, there are two types of loss control representatives: the "team player" and the "expert." Team player loss control representatives approach their job with the understanding that they represent one leg of a chair. The decision-making chair or team includes members from both the customer and the insurance company. The team needs to balance risk, cost, probabilities and services. The team player loss control representative's role is to provide information to aid in the decision-making process.

Expert loss control representatives have a teaching style. They like to teach the proven methods, equipment, techniques and practices to their students. However, a problem arises when the expert-style loss control representative is sent into the decision-making team. If the customer's frame of mind is to purchase insurance, teaching is not appropriate, information is. The expert-style loss control representative is better-positioned after the sale and only when the customer is ready to hear the message.

You discussed the conflict between entrepreneurial optimism and the negative "what-ifs" of carrier loss control representatives. Do you believe that most loss control representatives are attuned to fault-finding during surveys? What can be done to change this attitude?

All people like compliments, no matter their age or position. Why not start there? Why not start by highlighting all of the good things that a company is doing to ensure safe practices? My experience has been that loss control representatives like to quickly point out opportunities for improvement. Communicating improvement opportunities takes a lot of upfront time because you need to prepare your listener. If the listener is not ready to hear the messages in the proper context, it will be heard as criticism.

I have yet to meet a business owner or manager who refuses to implement cost-effective improvement programs. But keep in mind that not everything can be accomplished. Prioritizing improvement programs is the business manager's job, and there are always more opportunities for improvement than there are resources available. Also, although safety issues are extremely important, they will compete with corporate survival issues, which are even more important.

Does it seem that most loss control representatives look for what is wrong rather than what is right? Why do you or why do you not believe this?

It is true based on my experience that fault always seems to be the first place people target in general. This is not a limited issue with loss control representatives. Remember that fault can lead to blame, which taps into shame and guilt. These emotional responses should be avoided in the workplace in all activities, including safety programs. How many times do we do our job 99 percent correctly, yet our supervisor points out the one percent that we did poorly? Why not acknowledge the 99 percent first? The listener will accept the one percent improvement opportunity more appropriately. This is true for teachers, parents, ministers, bosses—anyone with a position of power over others. Look for the good first.

Did you ever feel that a loss control representative had overlooked things your company was doing right? If so, how do you think it impacted your insurance cost of risk?

The business manager involved in purchasing insurance knows that the loss control representative influences the underwriter, which in turn impacts the company's insurance cost. If the loss control representative appears to be focusing solely on the negative, this behavior could be interpreted as a negative impact to the profitability of the company, and that taps into a fundamental corporate survival issue. Balancing the comments between the things that are good and the opportunities for improvement show that the loss control representatives (and the insurance company) understand their partnering role appropriately and that a fair price for their products is forthcoming.

In general, do you find that loss control representatives are familiar with publicly available information about your company? How does this affect your willingness to share more information?

Rarely will a new loss control representative understand my company. Many loss control representatives claim that they know the industry, but they rarely demonstrate an understanding of my particular business. I do not expect them to know the business at the beginning of a meeting, but I do expect them to have a better sensitivity of the differences between industry and my company. All companies differ from the average—50 percent are better and 50 percent are worse. As a business manager, I work hard to point out what I believe separates us from the average in a positive way. I believe I can reduce my insurance costs if I am successful in doing so. As a selling tactic, it is a good idea to acknowledge if the underwriter is using that information in the pricing decision or not. It will validate the fact that the loss control representative was listening.

How does the quality of the insurance carrier affect your perception of the loss control representative?

The loss control representative is the insurance carrier; the insurance carrier as a corporate entity is secondary. If I cannot get along with the people who are providing the immediate service, I will conclude that I will not be successful with the carrier. The loss control representative is a salesperson more than an engineer.

Do you use value-added services from your carrier's loss control staff? If so, what services have you found most useful and why?

We rarely use any services from our carrier's loss control staff. It seems like all of the services are talked about at the purchasing stage, then we forget about them during the rest of the year. We are fairly successful with our internal safety programs, and I presume that the loss control people are busy with their problem customers. However, it would be helpful if the carrier called us during the year to schedule a friendly visit. But be careful not to have this helpful sales call sound like an OSHA audit.

Do you believe that carrier loss control representatives are salespersons? Why or why not?

There are two salespeople involved in the selling process—the broker and the loss control representative. They need to work together in their presentation to the customer. Typically, the broker is the trusted individual. The business manager usually follows the broker's advice; however, the purchasing decision is based on three factors: 1) what the broker recommends; 2) the total cost of insurance; and 3) how well the loss control representative presented the carriers' strengths, products and services.

If the loss control representative's selling skills are marginal, it is probably not a deal-breaker. However, if the loss control representative performs poorly (such as by insulting the customer), nothing a broker or carrier can say or do will heal that situation. Remember that first impressions are powerful images that are rarely erased. I recommend that a loss control representative and the broker team visit all customers. In my experience, the really bad loss control representative experiences have typically happened when the broker is not present.

How do you feel if a loss control representative asks you for validation of a comment or for proof? If you are not asked for validation or proof, does this impact your impression of the loss control representative? Why or why not?

Asking the "show me" questions are just fine. Business managers know that a loss control representative's job is to gain an understanding of the customer's business. A piece of that process is to gauge the level of honesty that can be established between the two companies. I would not advise checking everything out since the auditing process is time-sensitive. Often times, auditing is not viewed as an added-value activity, so limiting the validation process would be helpful.

If you owned an insurance company and had the opportunity to redesign the business model, how would you design loss control? How would you select your loss control representatives and underwriters?

I cannot claim to be an expert in the unique operations of an insurance company. But in general, all companies need to select their customer-contact people based on their interpersonal skills, emotional intelligence and coping or teaming skills—essentially, their basic ability to get along with people. This basic skill set includes patience, understanding, listening and empathy. All too often, managers hire for cognitive and technical skills, which in my opinion are less important.

If you had the chance to coach a carrier loss control representative with whom you previously met at your business, what would you say?

As important as it is to prevent bad things from happening, the fact is that bad things do happen no matter what. I understand that my company employs people who might be hurt on the job, and we go to great lengths to prevent accidents. But I also need to balance the safety decision against the probability of occurrence and the cost of prevention.

The image of bubble-wrapping our kids before they leave for school comes to mind. Protecting our children, employees and ourselves is extremely important, but so is living a full life. Being too scared to enjoy our life because bad things might happen is an emotional disability that can be just as damaging as a physical disability. I happen to think emotional disabilities are more damaging overall. ■

Workers' Compensation: Doing All the Right Things

By Haleh Khodayari, ARM, and Marine A. Pilibosian, ARM

Ever wonder why loss costs continue to rise despite a strong safety program? Are you doing all the right things to manage those claims? Although workers' compensation claims are regulated by the state, you do have control over costs and premiums. Consider these suggestions.

Clean Up the Office & Report Those Claims

Few people have a passion for paperwork and administrative duties when there is so much going on in their day-to-day work. It is easy to get busy let the the less-desirable work pile up. However, keep in mind that the two most important criteria in managing claims are early reporting and treatment of injuries.

You should have a common reporting practice for all disabilities and absences—workers' compensation is part of that. Perhaps the time has come to define some roles and implement accountability when it comes to managing claims. You must have a designated person(s) who is in charge of reporting the injuries to the insurance company or at least, is responsible for making sure that they are reported. Some states impose severe penalties for failure to report claims timely. By reporting claims in a timely manner, you make sure that benefits and treatment are received in a timely manner, and you can bring employees back to work more quickly. Both elements reduce disgruntled injured employees and, therefore, will reduce litigation.

Encourage Workers to Return to Work

Bring injured workers back to work. You must have some type of modified work available. Be creative. Put together a consistent return-to-work program regardless of the cause of injury. Remember that a decision to return to work is not always about saving money. There is the morale issue that will eventually help an injured employee get better. You will be surprised to find out how quickly one can recover if s/he only gets out of bed, feels needed and is given something to do.

This is one aspect of claims management that requires support from everyone in the company. It is tough and requires planning and persistence. If needed, most consulting and brokerage companies provide expert advice and statistics to help you implement a return-to-work program.

Check for Repeats

Some issues are pretty obvious if you just take a second look. Look at the common causes of your injuries. Do some seem to have a common onset? Are there "repeaters" in the company? Do some employees have an injury and file a claim every so often? Or could it be both?

Most insurance companies and sophisticated risk management software programs can provide a quick glimpse on these issues. But often, all you have to do is take a look at last month's or last year's injuries. You can manage both issues if you spend some time working on them. You may need to revisit your loss control measures and make adjustments. It is okay to test various options before you find the right solution.

Don't Let a Minute Go By

All injuries must be investigated immediately regardless of the circumstances, severity, and whether they are accepted or questionable. Have a checklist available for managers to complete immediately after each injury. This form should not only include obvious investigative issues, such as mechanics of the injury and witnesses, it should also address any subrogation possibilities. Do not rule out such possibilities until the investigation has been completed by you and your insurance company. Do not clean up important evidence if subrogation is at issue.

Documentation is the most essential part of the investigation. Keep records of conversations and actions related to each injury. Keep in mind that the discussions between you and your defense or corporate attorneys are considered confidential; everything else is discoverable.

Be the first to detect fraud. Get the facts straight and look for red flags. After all, you know your employees better than the insurance company or the doctor who is hearing their subjective complaints. Be aware of Monday injuries, claimants who know too much about workers' compensation, office rumors and retaliation claims. Most insurance companies have a special investigation unit that can provide you with assistance.

Triage Treatment Scenarios

When it comes to offering treatment, four difference scenarios emerge:

1) The employee should be referred to a nearby industrial clinic for evaluation.

2) The employee needs to visit an emergency room.

3) The office first-aid kit will do.

4) The injury requires further investigation and can wait until the insurance company is involved.

Decide carefully and ask advice from your insurance carrier/third-party administrator (TPA) whenever in doubt.

Start Out on the Right Foot

Call the clinic to notify its staff that an employee needs to be seen, make an appointment and let them know how concerned you are. Speak with the physician in charge and explain the circumstances of the incident. It is important for the physician to know all the facts and whether or you are providing light duties. Let the staff know whether you are questioning the incident and why. Don't act inappropriately aggressive; remember that the physicians must protect themselves against malpractice, etc. Ask for a status call once the patient has been seen.

Don't Cut Corners

Most insurance companies have contracts with certain vendors. Be sure that you know who they are and how they are being used. When selecting your own vendors, don't cut corners as it will only hurt the business. If you have an attorney who is top notch in his/her field, don't skimp. If you find a medical management nurse who is responsive to your needs, it is unimportant which provider s/he belongs to.

Most important of all, a TPA or an insurance carrier who knows what it is doing and keeps its promises is worth a million (perhaps not literally). The TPA/carrier can keep your business from potential financial disaster.

Pay Attention to the Small Things

Keep the communication lines open with employees. Make sure that you stay in touch with injured employees. If they are on disability, keep them informed of any major company events, changes and upcoming projects. Ask how they are doing. There is nothing wrong with telling someone that you need them and can't wait until they return to work.

Misunderstandings can lead to an increase in litigation. Explain the benefits or make sure that the claims adjuster does. Remove all doubts, fill in the gaps and be sure that you provide appropriate support. It is hard enough to be injured; no one needs to be injured and treated like an outsider.

Control Rumors

Does your company have a workers' compensation culture? You can create your own or have your injured employees do that for you. Taking care of an injured employee sets an example for everyone in the company. Your overall initial reaction to the incident speaks volumes for your company's culture, your management style and your priorities in times of crisis. Therefore, choose your actions and what you decide to advertise carefully. Fraudulant claims deserve aggressiveness, but do so appropriately and subtly. Complete your investigation before drawing any conclusions. When it comes to prosecution, be tough.

Use Discretion

Keep your employee's integrity intact regardless of what you may believe to be the circumstances of the injury. No one needs to have the fingers pointed at him/her for any reason. More importantly, you are legally bound to privacy laws as well as HIPPA regulations.

Know Who Is Watching

Workers' compensation claims involve litigation, medical management, vocational issues as well as financial considerations. There are many people involved who take actions on your files, using your money. Even if you have hand-picked every person involved, you still need to oversee, manage and direct the claims. Your insurance company needs ongoing direction and all the involved parties need to be working toward the same goal. Keep your finger on the progress of your claims. Use your options to have file reviews and audits on a regular basis. You will be surprised to know that overseeing the decisions made on your claims will ultimately provide you with the largest results.

Too busy to be the watchdog or don't have enough knowledge to question the "experts"? Consulting companies specialize in this and they should be part of your team to oversee your files and ensure that they are being managed in a proactive and cost-effective manner. By using a consulting company, you will make sure an expert is overseeing your claims process, which allows you to take care of matters within your area of specialty.

Keep Up with Changes in the Law

Don't count on other people to tell you what's in and what's out. At least have an idea and ask about it. Taking a two-hour seminar will save you a lot of grief in the long run. Subscribe to newsletters and talk to attorneys. Request to be copied on your attorneys' correspondence and read their evaluations. Have someone designated in the company who will be the "go to" person—who either has the answers or should know the resources that can provide the answers. You may even start enjoying all of this. ■

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Marine A. Pilibosian, ARM, principal and founder of Advanced Consulting Inc., has been a part of the California workers' compensation community for more than a decade. Working for insurance carriers, agencies and employers alike, she has developed her skills as a strategist, guiding employers and claims examiners through the California workers' compensation system.

Survey of Non-RM/I ASSE Members: Preliminary Results

By George W. Pearson, CSP, ARM

Last July, ASSE distributed a survey to ASSE members who were not RM/I members but who had indicated that they worked in risk management or insurance. The response rate was 10 percent. The information that follows is a summary of the preliminary findings.

Areas of Occupation

Forty-six percent of respondents reported that they are employed by insurance companies, 19 percent work for a public- or private-sector organization in a risk management capacity, and 16 percent work for brokerage houses. Thirteen percent reported that they work for a consulting firm or a third-party administrator, or are self-employed. These results clarify the picture from the Phase 1 survey that not all who are interested in RM/I work for insurance companies or in the insurance industry. A large portion of our respondents clearly work in other segments of the risk management field.

Topics of Interest

When asked what topics RM/I should be covering, more than 50 percent selected these as the top five:

•return on investment of safety training;
•return-to-work efforts;
•pre-employment screening;
•proposed changes to OSHA's silica standard;
•workers' compensation claim management.

Rounding out the top 10 were risk management implications of occupational health, liability claim management, challenges of the non-English-speaking workforce, how owners can influence construction projects and safety training for part-time/seasonal public-sector workforce. Other topic suggestions included enterprise risk management, business continuity, business and workplace security, fleet safety, product liability and loss control; the fleet safety response was double the others.

Outreach Methods

When asked whether they would use the ASSE Members Only chat room to converse on topics of interest, 49 percent said

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So I Have to Train My Workers . . . Now What?

By Judy L. Jarrell, Ed.D.

Many SH&E professionals are required to train workers. This training is required by many state and federal agencies. However, more training mandates come from the OSHA standards than any other agency regulations. In fact, one instructors has identified approximately 64 such mandates.

So, how do you get started? There are many approaches to developing and delivering adult training. The approach that seems to satisfy OSHA and EPA, as well as the U.S. Dept. of Housing and Urban Development (HUD), is competency-based training. Competency-based training focuses on the answers to three questions:

1) What do you want the trainees to know/be able to do (competencies) after the training?

2) What is the best way to teach these competencies?

3) How will you determine that the trainees know/can do what you have taught them after the training session?

What Should Trainees Know/Be Able to Do?

If the purpose in developing and delivering training is to meet mandated requirements, the competencies (at least as far as the what, if not the how well, is concerned) are frequently delineated in the standard or regulation that requires the training. For example, here are some OSHA training requirements:

29 CFR 1926.59: Hazard Communication Standard

Employee training shall include at least:

•methods and observations that may be used to detect the presence or release of a hazardous chemical in the work area (such as monitoring conducted by the employer, continuous monitoring devices, visual appearance or odor of hazardous chemicals when being released, etc.);

•the physical and health hazards of the chemicals in the work area;

•the measures employees can take to protect themselves from these hazards, including specific procedures the employer has implemented to protect employees from exposure to hazardous chemicals, such as appropriate work practices, emergency procedures and personal protective equipment to be used;

•the details of the hazard communication program developed by the employer, including an explanation of the labeling system and the material safety data sheet, and how employees can obtain and use the appropriate hazard information.

29 CFR 1910.134: Respiratory Protection Standard

Every respirator wearer shall receive fitting instructions including demonstrations and practice in how the respirator should be worn, how to adjust it and how to determine if it fits properly. Training must be given by competent persons and shall provide workers an opportunity to:

•handle the respirator;

•have it fitted properly;

•test its face piece-to-face seal;

•wear it in normal air for a long period;

•wear it in a test atmosphere.

29 CFR 1926.62: Interim Final Standard for Lead in Construction

The worker training program shall cover the following topics:

•content of the 1926.62 standard;

•specific nature of the operations:

•purpose, proper selection, fitting, use, and limitations of respirators;

•medical surveillance program and medical removal protection program . . . adverse health effects;

•engineering controls and work practices associated with the employee's job assignment;

•contents of any compliance plan in effect;

•instructions that chelating agents should not routinely be used, and not be used at all except under the direction of a licensed physician;

•employee's right of access to records.

29 CFR 1926.1101: Asbestos in Construction Standard

•The employer shall, at no cost to the employee, institute a training program for all employees who are likely to be exposed in excess of a permissible exposure level (PEL) and for all employees who perform Class I through IV asbestos operations, and shall ensure their participation in the program.

•Training shall be provided prior to or at the time of initial assignment and at least annually thereafter. This section goes on to define what site-specific training is needed for each class, in addition to:

a) methods of recognizing asbestos;

b) health effects associated with asbestos exposure;

c) relationship between smoking and asbestos in producing lung cancer;

d) nature of operations that could result in exposure to asbestos, etc.;

e) respirator fit and use;

f) appropriate work practices;

g) medical surveillance program requirements;

h) content of the 1926.1101 standard;

i) names, addresses and phone numbers of public health organizations;

j) requirements for posting signs and affixing labels and their meanings.

If you must provide safety training not covered/mandated by a regulatory agency, there are several techniques for determining the training need, but that is the topic for another article.

Once you have determined the answer to the first question of what to teach, you must then address the second question.

How Should We Teach These Competencies?

Some well-researched and proven effective training techniques can be employed to maximize the effectiveness of training. The first of these techniques is variety.

Variety

Instructional variety is the variability or flexibility of delivery during the presentation of a training program. This variety can be employed in the training format—for example, lectures, demonstrations, group work and hands-on workshops.

The type of format is determined by what competency you are training. For example, if training covers changes in regulations, you could use a lecture format or a hands-on exercise by giving the trainees a copy of the regulation and having them find the changes. If the session is designed to train workers how to use a new procedure, you would want to use a demonstration followed by a trainee hands-on workshop so they have the opportunity to practice the new skill.

Instructional variety also can be achieved in the type of visual aids used. Perhaps an overhead of an old version and a new version of a regulation could point out the changes/differences in the new regulation. Use of a chalk/white board could also serve well during the session. Props also can be useful when explaining how to operate new equipment. The point is to fit the format and visual aids to the type of training being delievered, while helping trainees pay attention through varied stimulus.

Another purpose for training variety is to account for the differing ways adults learn. Some adults are visual. If they can see it, they can understand it. Others need to touch it. They want to hold or touch the new equipment or actually complete a new kind of recordkeeping form. Others seem to only need to hear an explanation of how something works and they can go with it.

It is important to get to know trainees in order to develop a sense of what works with each of them. Of course, the best presentation technique is to appeal to several of the senses during the training process. According to J.M. Owen of the Center for Teaching Thinking, we learn:

- 10 percent of what we read;
- 20 percent of what we hear;
- 30 percent of what we see;
- 50 percent of what we see and hear;
- 70 percent of what is discussed;
- 80 percent of what we experience;
- 95 percent of what we teach.

Clarity

Another effective training technique is clarity. This refers to how understandable and easy to interpret a presentation and the training materials are to trainees. Use examples that relate to what trainees already know. This gives them a frame of reference to build on or compare to. Asking the trainees questions during the session will help you to determine whether they understand or whether you need to use more examples, more thorough explanations or different training materials.

Right along with clarity is the technique of applying the learning to the trainees' concerns. Adult trainees are task-oriented—they want to know how the learning will help them on their jobs. Be sure to relate what trainees are learning to their on-the-job responsibilities.

It is always important to plan sufficient time for the training and practice sessions. Trainers have proven time and again that if insufficient time is spent on in-class training and/or practice sessions, the learning just doesn't occur or is soon forgotten.

Unfortunately, many regulations that mandate training also mandate the minimum duration of a training program. This is unfortunate because it does not take into account trainees who learn at a slower pace. Although no maximum duration is given, it is rare that a trainee (or his/her supervisor) would want or be allowed to be away from the job any longer than is required by the regulation.

Success

The next effective training technique is success. This simply means ensuring that trainees experience success in learning what you are teaching them. One way to ensure this is to start with simple or easy concepts and progress to more difficult concepts after trainees have mastered the easier things. Trainees who experience success early in training are more inclined to feel they can master the more difficult material to come. They are more motivated to tackle the harder material because they have seen that "I can do this." Positive trainee attitudes are important to a successful training session.

In addition, allow trainees to practice what they have been learning, even if this practice consists of telling another trainee or writing on the board "the three most important changes in the new regulations." Be sure the practice is guided. This means that the instructor must monitor the practice to be sure the trainee is practicing the new skill or knowledge correctly. Remember, practice makes perfect, but practicing something wrong makes you perfectly wrong.

How Do You Know that Trainees Know/Can Do What's Been Taught?

There are many ways to evaluate learning, including:

- written examinations;
- verbal examinations (Q&A);
- observation of trainee performance.

In some cases, the evaluation method is specified in the regulation mandating the training. The method selected could depend on requirements of the regulation, available time and resources, literacy level of the trainees and type of training provided. Of course, the best way to evaluate skills training outcomes is to observe the trainee once s/he is back on the job (and is unaware that s/he is being observed).

Finally, consider these additional training tips:

- Whenever you present safety and health training, have workers sign an attendance sheet.
- Keep a copy of the training outline or other training materials attached to or in a folder with the corresponding trainee attendance sheet.
- If an examination was given, keep a copy of the exam and the results attached to or in a folder with the trainee attendance sheet.

No matter what the training session is to address, remember to consider these three questions and let them be your guide to effective training:

- What do you want them to know or be able to do?
- What is the best way to teach them?
- How will you determine that they know/can do what you have taught them? ■

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Reducing Loss Costs in the Workplace

Scot Salzman, CSP, ARM, CPCU, ALCM

In the workplace, every accident, claim or incident will involve uninsured costs that can become costly. These uninsured costs have been estimated to range up to 10 times the actual amount paid by insurance. Although such situations may be virtually unavoidable, loss control planning can limit their negative consequences.

Accidents can be viewed as an interruption to efficient production. The costs of accidents can be viewed as the various disruptions of the normal work procedures that occur when the accidents occur. Accidents can result in downtime, extra administrative time, retraining of existing workers and training of replacement workers. Downtime can mean delayed completion of work and loss of customers. Property may be damaged and contractors may need to be hired—not a welcome expense in times of tight budgets.

These are just a few of the costs that are absorbed by businesses. Effective loss control can help to reduce these costs. A qualified loss control professional can provide safety surveys of business facilities. S/he can help implement a methodical approach to accident investigation and analysis, occupational injury management, training and communication, and audit and self-inspection.

Developing a business plan, corporate goals and mission statement are essential to the success of a company. Similarly, developing a safety plan is the essential component of a methodical approach to loss control. For the plan to be effective, top officials must be committed to it, and someone must be given the responsibility, accountability, authority and budget for seeing the plan through.

Accident Investigation & Analysis

Conducting a good accident investigation is an essential first step. To reach a valuable conclusion, both immediate and root causes of an accident must be identified. There may be more than one immediate or root cause so careful collection and evaluation of the facts leading to the accident is essential.

An accident analysis is the next step in a successful safety plan. Staff members in charge of the analysis should review and categorize past accident cases and identify the causes of each case, as well as the patterns and related factors among the different cases.

Injury Management

Worker injuries can be costly. An occupational injury management program can help reduce those costs. Helping to return workers to productivity as quickly as practical can impact workers' compensation costs as well as accident indirect costs. Such a program should include:

•**Timely notice of loss** is the first part of occupational injury management. Prompt care for and follow up with injured workers is important to ensure that proper care is received, benefits are obtained and relationships are maintained. Workers need to be reminded regularly to report accidents in a timely fashion and supervisors need to be held accountable for reporting accidents promptly.

•**Employee contact** will demonstrate concern for the employee's well being, answer questions, give direction and help him/her in all ways possible to return to gainful employment. Whenever an employee is out of work due to an occupational injury, that employee should be contacted on a regular basis.

•**Medical provider** should be chosen for its proximity, quality of care, return-to-work philosophy and billing procedure considerations. Whenever an employee is injured at work, s/he should receive appropriate first aid or medical care.

•**Never withhold care (ambulance or hospital) if needed.** Follow up with the medical provider is critical to managing medical costs.

•**Return to work** should include alternate-duty assignments when possible. Such an assignment, some times referred to as light duty, may be a regular, essential job function in your business, or it may be the worker's usual assignment with duty modifications. Injured workers can be used as trainers or may supervise the work they would ordinarily perform.

You may need to create work, sorting parts, auditing and updating safety or operating manuals, or perhaps doing a job no one has time to complete. Using alternate-duty assignments for injured workers is worth the effort. Workers recuperate better when active in the workplace with their peers. The cost of malingering and fraud can also be reduced. The bottom line is you are paying the worker directly if self-insured or indirectly through workers' compensation costs and uninsured costs, so you might as well get some work done.

Communication & Training

The next step, communication and training, involves sharing the information compiled through the accident analysis with those who might be affected by similar accidents in the future. The training component can take the form of five- or 10-minute safety talks or more formal training.

Supervisors play a critical role in successful safety programs. Supervisors are frequently promoted from within. Good technicians become supervisors without the benefit of supervisory training. Thus, training for supervisors is important. They need to understand the goals of management concerning safety, buy into those goals and be equipped to work with their employees toward the objectives. Supervisors should, thus, be held accountable for the safety performance of their departments, just as they are held accountable for their departments' productivity, quality and general performance.

Department leaders should supplement the safety training of their employees with workplace observations. They can motivate employees through positive reinforcement and corrective actions as needed. Contests and incentives, informational posters, printed bulletins, paycheck stuffers or novelty gifts that promote safety precautions can also be helpful as a reminder of formal directives and work rules.

Audit & Inspection

The next step, audit and inspection, is necessary to ensure compliance with injury control measures as well as to follow up on the findings of the accident analysis. Safety committees can be useful

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Flood Facts: What To Do Before, During & After Such an Emergency Strikes

By Charles Morgan, CSP

Editor's Note: In view of the widespread property damage and loss of life sustained due to Hurricane Katrina, ASSE's Risk Management/Insurance Practice Specialty has developed a short series of "flood facts" to help members should they be confronted with similar circumstances in the future.

Among the class of perils termed natural disasters, floods and flash floods kill more people in the U.S. than any other and cause property damage in excess of a billion dollars annually. State Farm Insurance Co.'s website (www.statefarm.com) indicates that 90 percent of all U.S. natural disasters involve flooding of some form. The general term "flood" means the threat from rising ground water, whereas "flash floods" are rapidly moving walls of water 10 to 20 feet high resulting from sudden storms or bursting dams.

While information from the local emergency management office or Red Cross can readily determine whether a particular property is located in a flood plain, approximately one in four flood disasters occurs in areas with a low to moderate historical risk of flooding. Accordingly, the prudent property owner should seriously consider obtaining flood coverage from the National Flood Insurance Program, as the typical homeowner's policy excludes such damage. A property owner's local insurance agent can provide information on how to access this program.

This factsheet is more about loss control than insurance, however, and as with any peril, there are prudent measures that can be adopted to reduce both the frequency and severity of flood losses. An excellent source of information on this subject is the Federal Emergency Management Agency's (FEMA) "Emergency Management Guide for Business & Industry" (available at www.fema.gov). Furthermore, life safety issues such as evacuation routes are beyond the scope of this article as the focus here is on emergency preparedness and response.

The FEMA guide suggests three basic types of flood proofing for a building. The first is termed "permanent flood proofing," it includes these steps.

•Fill windows, doors or other openings with water-resistant materials such as concrete blocks or bricks. This approach assumes that the structure is strong enough to withstand flood waters.

•Install check valves to prevent water from entering where utility and sewer lines enter the facility.

•Reinforce walls to resist water pressure, and seal walls to prevent or reduce seepage.

•Build watertight walls around equipment or work areas within the facility that are susceptible to flood damage.

•Construct floodwalls or levees outside the facility to keep flood waters away.

•Elevate the facility on walls, columns or compacted fill. This approach is most applicable to new construction, although many types of buildings can be elevated.

The second class of controls are termed "contingent" and include measures taken before a flood, as well as additional action when flooding occurs.

•Install watertight barriers called flood shields to prevent the passage of water through doors, windows, ventilation shafts or other openings.

•Install permanent watertight doors.

•Construct movable flood walls.

•Install permanent pumps to remove flood waters.

Finally, the "emergency" flood proofing measures can be taken when flooding is imminent.

•Build walls with sandbags.

•Construct a single wall by stacking small beams or planks.

•Provide for emergency backup pumps, generators and battery-powered lighting.

Following a flood emergency another FEMA factsheet (September 1993) suggests several post-loss steps that should be taken to minimize the severity of the incident.

•Pump out flooded basements gradually (about one-third of the water per day) to avoid structural damage.

•Check for gas leaks, shutting off the main valve if a leak is detected. Call the gas company from a neighbor's property.

•Check the electrical system for sparks, broken or frayed wires, or burnt insulation. If any are detected, the power should be shut off at the breaker box and an electrician should be called immediately.

FEMA also suggests several other post-disaster recovery guidelines.

•Listen for news reports to learn whether the community's water supply is safe to drink.

•Avoid floodwaters. Water may be contaminated by oil, gasoline or raw sewage. It may also be electrically charged from underground or downed power lines.

•Avoid moving water. Six inches of water will reach the bottom of most passenger cars causing loss of control and possible stalling. A foot of water will float many vehicles. Two feet of rushing water can carry away most vehicles including sport utility vehicles and pickups.

•Be aware of areas where floodwaters have receded. Roads may have weakened and could collapse under the weight of a vehicle.

•Stay away from downed power lines and report them to the power company.

•Return home only when the authorities indicate it is safe.

•Stay out of any building if it is surrounded by floodwaters.

•Use extreme caution when entering buildings; there may be hidden damage, particularly in foundations.

•Service damaged septic tanks, cesspools, pits and leaching systems as soon as possible. Damaged sewage systems are serious health hazards.

•Clean and disinfect everything that got wet. Mud left from the rainwater can contain sewage and chemicals.

Other Considerations

Flood Insurance

As noted, flood losses are not covered under homeowners' insurance policies. The National Flood Insurance Program is administered by FEMA. It makes federally backed flood insurance available in communities that agree to adopt and enforce floodplain management ordinances to reduce future flood damage.

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Flood Facts

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Flood insurance is available whether the building is located in or out of the identified flood-prone area. Flood insurance is available in most communities through independent insurance agents. However, there is a 30-day waiting period before flood insurance goes into effect. This provision is intended to preclude the last-minute procurement of such coverage based on predictions of imminent flooding due to the approach of a major storm.

Business Interruption Coverage

With respect to commercial properties, one of the most significant issues to consider is having adequate business interruption insurance. The flood coverage described earlier covers only the physical property itself and makes no provision for the incidental costs that a business owner incurs in the aftermath of a flood.

As the needs of every business are unique, it is essential to have a meaningful dialogue with one's agent or broker when the policy is issued to ensure that the limits are adequate for the exposures specific to the applicant's operation. Many businesses qualify for the basic business owner's policy that automatically affords business interruption and extra expense coverage for a year.

While most business owners would anticipate that this is ample time for a full recovery of operations, certain restrictions inherent in this form must be considered. For example, with respect to payroll, the basic form only provides for 60 days of coverage. Older buildings might also be subject to the additional costs of rebuilding to comply with more stringent building codes that have been enacted since the original building was erected. As most policies exclude the costs associated with enhanced code compliance, this is an issue that must be addressed at the time of policy issuance.

These are but two pitfalls that a business owner may experience in the event that his/her business interruption policy is not carefully tailored to the particular features of the applicant's firm. Accordingly, it is essential that the client's agent or broker have a true understanding of all aspects of the business being covered at the time of policy issuance to ensure that there are no unintended gaps following the loss.

Conclusion

Floods are the most common and destructive of natural disasters in the U.S., but their effects can be greatly mitigated by being aware of these various pre-loss and post-loss control techniques.

In addition, the insurance aspects of flood preparation should not be overlooked. In view of the inherent limits of the typical homeowners' policy, the restrictions contained in the FEMA National Flood Program, and some of the pitfalls associated with business interruption insurance, policyholders must secure the services of a professional agent or broker to help them in this regard. This requirement is no less important for the typical homeowner than it is for the business owner whose enterprise may be wiped out by a storm such as Hurricane Katrina.

Finally, despite the widespread criticism that has been directed at FEMA during the course of recovery efforts, the reader is urged to review the agency's website and the wealth of information it contains. This article has merely scratched the surface of this valuable resource. ■

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RM/I Update

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symposium; self-insured captives; expatriate safety; and insurer ratings.

The site also offers timely news and views of the risk management and insurance industry. No registration is required. The site also welcomes suggestions. To recommend a topic or offer a comment, contact Lori Widmer, publisher, at ldwpublishing@comcast.net. You may recognize Lori from her frequent responses on the Risk and Insurance Management Society E-Groups.

Articles of Interest: CFO.com

CFO.com is an Internet-based financial magazine that is advertiser supported. It is distributed free to qualified senior financial executives in the U.S. Since April, the site has had several thought-provoking articles regarding risk management and related financial issues. These articles provide a different view—one from above—as if the CFO were examining the risk management function in an organization. The links provided below lead to the full articles:

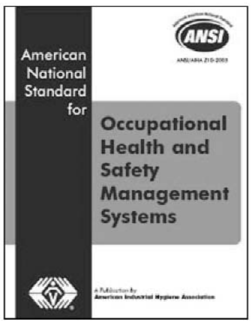
•**"Managing the Risk Manager" by David M. Katz, April 28, 2005.** By not asking brokers about contingency-fee payments, did risk managers drop the ball? This article recommends that finance chiefs take a fresh look at the coziness of the relationship between risk manager and broker. Did risk managers ignore warnings from RIMS dating back to 1998? Read more about how RIMS has attempted to turn the lack of vigilance into increased scrutiny of how insurance coverages are priced. Find the article at www.cfo.comaticle.cfm/3909680 /c_0?f=American Societyof Safety Engineers.

•**"A Refresher Course in Workers Compensation" by David M. Katz, July 14, 2005.** Outsourcing workers' compensation services to a third party is scrutinized after a scathing audit in a Florida school district spotlighted the need for tighter controls. How are company dollars spent when it comes to workers' compensation service fees? Read about how an audit of the Broward County school district revealed lack of adequate controls of its vendors such as its workers' compensation system run by a third-party administrator. Find the article at www.cfo.com/article.cfm/4172705 /c_2984351?f=AmericanSocietyof SafetyEngineers.

•**"Where Workers' Compensation Has Gone Wrong" by David M. Katz, June 8, 2005.** Do you know where the control gaps are when outsourcing workers' compensation services? How does a convoluted payment structure that lacks transparency lead to excessive costs?

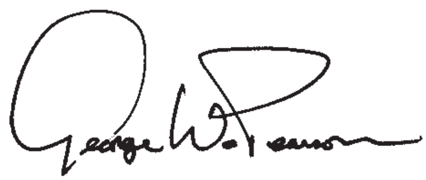
Companies assume they are doing the right thing in managing their workers' compensation program when they self-insure. It lowers administrative costs and improves cash flow. However, outsourcing services to provide medical services and settle claims is a process wrought with perils. Do companies have a clear idea of what payments are being made to subcontracted service providers? Learn how hidden payments could increase the cost of higher retentions in self-insured programs. Find the article at www.cfo.com/article.cfm/4055146/c_0?f=AmericanSocietyofSafetyEngineers.

ANSI Z10



The importance of domestic and international SH&E management systems and standards is one of the biggest issues currently facing our profession. Many members have asked about the ANSI/AIHA Z10-2005 Standard, Occupational Health and Safety Management Systems. The standard is now available through ASSE. If you are an SH&E professional, this is a standard you should have, not only for your organization, but for your own professional knowledge. The Z10 standard covers the following topics: scope, purpose and application; definitions; management leadership and employee participation; planning; implementation and operation; evaluation and corrective action; and management review.

The standard is available at a special price to ASSE members. To order online, visit www.asse.org/fr3388.htm. To read "The New ANSI Z10 Health & Safety Program Standard: What Does it Mean to You?" which is based on a PDC presentation delivered by Gary Lopez, visit www.asse.org/practice/management/730_1.pdf.



So I Have to Train My Workers

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Survey of Non-RM/I ASSE Members

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no while 48 percent said yes. The RM/I member survey was slightly more decisive, with 54 percent saying no and 44 percent with a yes. Combining the responses from the two surveys, we do not believe there is a high level of interest in the chat room. We may try it to confirm this by scheduling a chat room session on a hot topic of interest identified through the surveys.

When asked about interest in a regional symposium on risk management, 49 percent of respondents said yes, while 48 percent said no. This is another equivocal response.

More than 300 topics were suggested for PDC presentations. Compelling subjects include: workers' compensation/return-to-work issues; broadening the spectrum of safety and loss control in management; employment liability issues (hiring/firing/discipline); fleet risk management issues; construction; healthcare and ergonomics-related topics; and contractual risk transfer techniques. We will refine this list and provide it to the Council on Professional Development for use in planning PDC sessions and regional symposia.

RM/Insights

Our newsletter is the main method of outreach to members; however, many respondents who are not RM/I members appear to have access to the publication. When asked what they liked most about *RM/Insights,* 35.6 percent reported that topics are of interest and timely; 28.1 percent said they preferred the format and readability; and 23.3 percent indicated the length of the articles are just right.

We also asked about certifications or designations held. Among this group, the CSP was most widely held (47 percent), followed by the ARM (32 percent). Eight percent hold the CPCU. These results confirm a previous conclusion that there is an exceptional degree of professionalism among our constituents. With ARM coming in at 32 percent on this survey and 30 percent in the Phase 1 survey, this supports our initiatives to increase the number of members who hold the ARM. There also appears to be an emerging interest in the CPCU designation for risk managers.

We will be analyzing these data further to synthesize the results of the two surveys and to cull through the suggested topics of interest. This will involve reviewing topics suggested from each survey to help us with PDC presentations, newsletter articles and white papers.

The purpose of these surveys was to learn more about and better understand member needs and interests. We also learned from the responses in Phase II that there is a group of members which we can recruit to join RM/I.

Expect to hear from us again during the next year or so when we have the need to test the waters and tap the mindset of our members. Thanks again to all who responded and to those who are willing to consider joining RM/I. ■

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Risk Management Systems

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ple would include an automobile accident that involves liability to a third party, the injury to the client organization's employee(s) and the self-insured's physical damage to the company vehicle. A safety professional at the insured organization might like an easy way to report against the total value of such an accident to help justify increased defensive driver training.

The Future of RMIS

What do you believe is the future of RMIS in view of risk managers' expanding role into enterprise risk management?

RMIS will continue to increase in value to the organizations, risk managers and their brokers who use these systems to support their clients. Client organizations and brokers, however, will increasingly expect the carrier and TPA to improve data quality and to find ways to hold them more accountable, for example, with performance standards.

Client organizations will find more effective and efficient ways to become more directly involved in data input entered into their carrier and TPA RMIS. Options may include:

•direct data input by the client, perhaps at the location level by feeding the carrier and TPA claim intake operation;

•more enhanced use of third-party arrangements via telephone interview with follow-up for missing required data with access to human resources employee data and vehicle lists;

•direct involvement of other client organization departments in improving data quality by finding ways for their access to provide beneficial information (OSHA records for safety department, vehicle accidents for fleet operations, operational management for trends, absenteeism for human resources, etc.).

Can the technology really keep up with risk managers' demands as they expand their role throughout their enterprise?

Technology will likely keep up with most risk managers' demands. The major problem I see is the willingness of RMIS providers to continually make the investment in technology. Perhaps it will be more logical to expect independent RMIS vendors, at least the successful ones, to keep up their investment in technology since RMIS is their main business.

If risk managers are successful in partnering with other departments that can benefit from expanded RMIS, they will likely expand their role throughout their enterprise. A good example is integrated disability. Traditionally, the human resources department controls employee disability insurance while the risk manager controls workers' compensation. Integrated disability involves tracking both types of absences, which in many cases, can overlap or run from one coverage to the other.

As the marketplace levels out, can it support risk managers' increased need and their expanding role?

I believe that more risk managers will recognize the benefit of programs that allow them to retain more of their expected losses and therefore use RMIS products more effectively. Such loss-sensitive programs require increased information needs. Risk managers in turn will be more willing to invest in a RMIS product that they directly control and that provides useful information to multiple departments within their organization.

The remaining independent RMIS vendors need to demonstrate to the marketplace that they recognize:

•their clients' needs;

•the shortcomings of their data sources;

•their responsibilities for improving data quality;

•the importance of involving and benefiting other departments outside risk management;

•the need to keep their products technologically current. ■

Reducing Loss Costs in the Workplace

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here. Safety committees can review company operations, accidents and facilities. The adage "two heads are better than one" applies here. The more people involved in safety and problem resolution, the better. In areas where physical conditions can be altered to prevent reoccurrence of historical problems, the business should issue work orders to solve the problems. If a machine contributed to a past accident, all similar machines should be inspected and altered accordingly.

Insurance costs and uninsured costs are too high to ignore. Controlling these costs, like addressing any other business problem requires that you evaluate the facts, develop a plan, implement the plan and follow up to measure results. You need to look methodically at your operations and at past problems and strive for continuous improvement ■

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