

MANAGING RISK



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RISKNotes

Employers lose \$61.2 billion plus annually in productivity due to headaches, back pain, arthritis and other muscle and joint pains, according to the *Journal of the American Medical Association*. A study of more than 28,000 working adults revealed that pain at work had caused 13 percent to lose productive work time during a two-week period. Most common causes of lost work time, in order of prevalence, were: headache (5.4 percent), back pain (3.2 percent), arthritis pain (2.0 percent) and other musculoskeletal pain (2.0 percent). The productive work time lost averaged 4.6 hours per week.

The number of lost-time injuries and illnesses in private industry has been declining since 1992, according to the U.S. Bureau of Labor Statistics. The BLS began tracking these figures in 1992. Between 2000 and 2001, the number of lost-time injuries and illnesses declined 7.6 percent, resulting in a total of 1.5 million work-related injuries and illnesses requiring time away from work.

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- Do You Have Flood Coverage? NFIP Set to Expire

Workers' Compensation

Workplace Violence a Costly Problem

Between 1993 and 1999 in the United States, an average of 1.7 million violent victimizations per year were committed against persons at work or on duty, according to the National Crime Victimization Survey. During that time, workplace violence accounted for 18 percent of all violent crime.

Although simple and aggravated assaults comprised the overwhelming majority (94 percent) of reported workplace violence incidents, the Federal Bureau of Investigation defines workplace violence as "...any action that may threaten the safety of an employee, impact the employee's physical and/or psychological well-being, or cause damage to company property.

Workplace violence is now recognized as a specific category of violent crime which calls for distinct and specific responses from employers, law enforcement, and the community."

Crime statistics do not tell the whole story on workplace violence. The National Crime Victimization Survey found that many crimes went unreported. Sixty percent of the injured victims, but only 42% of the uninjured, reported the offense to the police.

When asked why they hadn't reported a violent incident to the police, 29 percent of victims said they had reported it to another official, who may have been a supervisor or security officer for their company. This points up a serious problem for employers. Although strangers commit most incidents of workplace violence, co-workers, former employees or relatives/acquaintances of the victim commit an increasing number of violent acts in the workplace. An employer that does not report violence to the police and take remedial action measures may face liability exposures if more incidents occur.



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Planning for Power Outages

We used to take electricity for granted. You flip a switch, and the light comes on. But the largest electrical blackout in history, on August 14, 2003, changed all that. Within minutes approximately 50 million utility customers in the Northeast and parts of Canada lacked electrical power. The outage affected areas of New York, Massachusetts and New Jersey west to Michigan, and from Ohio north to Toronto and Ottawa, Ontario.

The August blackout not only drew long overdue attention to the weaknesses of our electrical grid, it pointed out the importance of being prepared for future power outages. Here are a few steps your company can take to prepare for possible power outages before summer's heat puts greater demands on the electrical grid.

Plan for personal safety

Your most important responsibility is to ensure the safety of people on your premises. To do so, you will need:

1 At least one non-electrical telephone. Most business telephone systems need electricity to work. You should have at least one non-electrical unit that can plug directly into the jack. Emergency lines are likely to be jammed—to check on the status of a power outage, contact your utility company directly.

2 A battery-powered radio and extra batteries (or a hand-cranked radio), to hear newscasts and emergency reports.

3 An up-to-date evacuation plan. Pay particular attention to the needs of disabled employees or customers—how will a wheelchair-bound person get down a staircase, for example?

4 Flashlights and spare batteries in a place easy to find in the dark.

5 Supplies for employees who may be stranded, if the outage is widespread. These include blankets, water, emergency food and a first aid kit. Provide extra blankets in colder climates, because heating systems will not work without power. To

conserve heat, close shades, curtains or drapes; cover windows and close off unused spaces.

Protect equipment and data

1 Train employees to turn off computers and other equipment in the event of a power failure or when leaving for the day, if possible.

2 Install surge protectors on computers and other electronic equipment. These will prevent the power surges that might occur when power is restored from damaging your equipment.

3 UPSs (uninterruptible power supplies) protect data as well as equipment. A UPS has a battery that powers a specific piece of equipment for a short period of time after an outage so that you can save your data and turn off the equipment properly. Some UPSs have a serial cable, which can tell the computer to shut itself off if power fails. This type of UPS provides the best type of protection for computers that are left on while unattended.

Develop contingency plans

1 If you need to keep certain equipment functioning, no matter what, a generator can provide power for a short-term outage. Keep generators outdoors and never connect them directly to your main service panel—this could injure or kill utility workers trying to restore power.

2 Longer-term outages—for example, after a major storm, flood or other disaster—may require you to move certain functions off premises. Companies that must keep critical data processing and customer service functions available continuously may want to maintain duplicate data processing systems at another location. Alternatively, companies with Web-based systems can lease a dedicated Web server off premises or enter a co-location arrangement, where you provide your own hardware in a network operations center (NOC). This allows you to keep a Web server up and running even if there is a power outage at your facility.



Employees can then access data from home or other locations.

3 Develop a post-disaster survival plan. Determine which functions and personnel are critical to maintain after a disaster. Appoint a coordinator and an alternate. Make sure these people have contact information for upper management and other critical staff members, such as the information systems team, public relations counsel and Webmaster.

Insurance coverage

Finally, don't forget insurance coverage for power outages. Standard property and business income policies only cover losses resulting from direct physical damage to insured premises. Further, the standard property specifically excludes coverage for power failure.

"Package" property policies for larger entities and manufacturing businesses may provide coverage for power failures. Some offer an optional "service interruption" provision, which provides coverage for losses due to an interruption in utility service. Coverage under this provision generally has a separate limit and a waiting period, which may be as short as several hours. Others offer off-premises power failure coverage, which may have one limit for actual damage, such as food spoilage, and another for loss of income.

Boiler and machinery policies may also provide coverage for power outages. These policies are nonstandard and may be tailored to an insured's specific needs.

For more information on protecting your company from power failure-related losses, please contact us. □

What are employers' obligations?

No specific federal OSHA standards to address workplace violence exist at present; however, the Occupational Safety and Health Act requires employers to "...furnish to each of his employees employment and a place of employment which are free from recognized hazards that are causing or are likely to cause death or serious physical harm..." Where the risk of violence and serious personal injury are significant enough to be "recognized hazards," the general duty clause requires the employer to minimize those risks. The employer's failure to abate these hazards could result in an OSH Act violation. On the other hand, random "antisocial acts" that could occur anywhere would not subject the employer to a citation.

Workplace violence is expensive

Although regulations may not require employers to implement a workplace violence prevention program, there are practical reasons to do so. Workplace violence is expensive. The Federal Bureau of Investigation notes that workplace violence costs employers many millions of dollars in lost work time and wages, reduced productivity, medical costs, workers' compensation payments, legal and security expenses per year. The National Crime Victimization Survey estimated that workplace crime caused about 500,000 employees to lose an average of three and a half days per crime, resulting in \$55 million in lost wages annually.

Violence also has indirect costs, including loss of productivity due to absence or injury, time spent on investigations and stress-related loss of productivity in co-workers. A 1994 study showed that workplaces lose an average of 80 percent of their productivity in the two weeks following a violent event. In addition, studies show that workplaces stricken by violence experience dramatic increases in employee turnover and greatly diminished employee morale following the occurrence. Litigation, hiring and retraining costs add still more to the real costs of workplace violence.

Some insurers now offer coverage for workplace violence. The policies generally cover an employer's legal liability costs, business interruption losses resulting from the violent incident and costs to rehabilitate the company's reputation. It may also include death benefits, accidental death and dismemberment payments, coverage for punitive damages and counseling services. This non-standard coverage may be stand-alone or combined with other coverages, such as crime or kidnap and ransom coverage. If you buy a combined policy, make sure your aggregate limits are high enough. An aggregate limit refers to the maximum amount the policy will pay for all losses during a specific period. One catastrophic incident of workplace violence could exhaust your coverage for other causes of loss.

Preventive measures can pay off

As with any risk exposure, your best strategy is prevention. The FBI credits employer workplace violence reduction programs for the steady drop in workplace homicides since

1992.

To begin your workplace violence prevention program, consider that people who are strangers to the victim commit the majority of all workplace violent crimes. These are crimes of opportunity; the characteristics of some jobs and worksites make some workers more than others. The National Institute for Occupational Safety and Health (NIOSH) has identified the following factors that may increase a workers' risk of experiencing on-the-job violence:

- ✓ Contact with the public
- ✓ Exchange of money
- ✓ Delivery of passengers, goods, or services
- ✓ Having a mobile workplace such as a taxicab or police cruiser
- ✓ Working with unstable or volatile persons in health care, social services, or criminal justice settings
- ✓ Working alone or in small numbers
- ✓ Working late at night or during early morning hours
- ✓ Working in high-crime areas
- ✓ Guarding valuable property or possessions
- ✓ Working in community-based settings

Retail workers face a particularly high risk, especially those who work at night, alone or in high-crime areas.

To protect high-risk workers, you can take the following steps:

- 1 Check lighting. Is lighting in entrances and parking lots adequate?
- 2 Limit the number of entrances/exits that can be opened from outside. Notify employees that all but certain entrances will should locked during business hours. Have someone monitor entrances that remain open.
- 3 Check windows and doors. Make sure your locks are solid and in good repair, and that sliding doors have track-blocking devices to supplement handle locks.
- 4 If appropriate, install security hardware (card key systems or the like) that allow only authorized people to enter the building and areas where cash or valuables are kept.
- 5 Keep track of keys and other entry devices. Change codes or keys when an employee quits or is terminated, or whenever a break-in occurs.
- 6 Train staff how to spot and react to suspicious behavior and what to do if a violent act does occur.
- 7 Install closed-circuit television, and keep it operable.
- 8 If your facilities have vacant floors, program the elevators to bypass them.
- 9 Conduct regular safety inspections of your premises, including grounds and parking lots.
- 10 Thoroughly investigate any reported acts of violence. What went wrong and what could be improved to prevent future acts?

These precautions can help make your premises less attractive for crimes of opportunity and reduce the chances of stranger-on-stranger violence. In our next issue, we'll discuss how to spot and defuse potential violence from employees. For more information in the meantime, please call us. □

Flood Insurance Program Expiring?

As this newsletter went to press in mid-March, authorization for the NFIP was due to expire on March 31. The National



Flood Insurance Program (NFIP), originally scheduled to expire on December 31, 2003, received a brief reprieve under the National Flood Insurance Program Reauthorization Act of 2004, signed into law in late December. Congress gave the NFIP a brief extension, rather than multi-year authorization, so it could address the problem of “repetitive loss” properties.

According to testimony before Congress, as of January 31, 2003, the NFIP insured more than 48,000 repetitive loss properties, defined as those with two or more NFIP claims each over \$1,000 within a 10-year period. These properties represented 1 percent of the properties insured by the NFIP, but in an average loss year they accounted for 25 percent of the NFIP flood claim dollars. The NFIP pays out on average more than \$200 million annually to address repetitive loss properties.

In late 2003, the House passed the Two Floods and You Are Out of the Taxpayers’ Pocket Act of 2003. This act

New Addition to the Team

As a member of the Addis risk management team, Steve focuses on account development, using his expertise in designing client-specific risk management programs. Primarily utilizing non-insurance preventive strategies to minimize losses, Steve works closely with the firm’s key commercial clients in order to reduce their exposure to risk. The resulting outcome is greater control over the clients’ insurance premium.



Steve McLaughlin

Prior to joining The Addis Group, Steve served as a senior marketing representative of Federated Insurance, concentrating on client development, account management and risk management program implementation. Steve began his career in the environmental industry working as both a staff scientist for a nationally recognized engineering firm and as an account executive for regional environmental consulting and waste treatment companies.

Steve graduated from Shippensburg University of Pennsylvania with a degree in Geo Environmental Studies. He currently resides in Chester Springs, Pennsylvania with his wife Barb and their two children, Ian and Shannon. Steve is very active in youth sports as a coach with both the Lionville Youth Association programs and the Bishop Shanahan High School Rugby Club. He also enjoys spending time with his family, music and boating, and is an avid golfer.

would address the problem of repetitive claims by prohibiting federal disaster relief from being used to repair, replace or restore any property for which repetitive flood claim payments have been made or for which federal mitigation assistance has been offered to, but refused by, the property owner. It would also increase funding for flood mitigation and require the director of FEMA to give priority to funding mitigation activities for properties for which repetitive flood insurance claim payments have been made. At press time, the Senate had

taken no significant action on this bill.

Although the program is due to expire at the end of March, due to the importance of real estate in the nation’s economy—and the fact that most lenders require flood insurance before making loans for properties in flood plains—it is unlikely that the NFIP will disappear. The program has lapsed before (on December 31, 2002) and Congress enacted emergency legislation to reauthorize the program retroactively in January 2003.



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