

Lake County Contractors Association

Professional Practice

Report

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Controlling Safety To Manage Your Insurance Costs

by FERS

Insurance is a significant cost to contractors. And though market conditions partly determine these costs, you can take steps to control them. After all, the fewer claims you file the less you spend on insurance. But how can contractors reduce injury claims and minimize accident severity when something goes wrong?

Begin with the right safety program to lessen accident frequency and provide useful information on how and where accidents occur. In addition, acknowledge the impact of insurance fraud on your insurance rates and work to detect and prevent fraudulent claims. Let's examine how your construction company can control its insurance costs while making its working environment safer

Know Your Safety Basics

Low insurance costs begin with safety, and safety begins with commitment. Develop a written policy emphasizing your commitment to safety and distribute it to your employees. But that's the easy part. Next, establish safety procedures that provide measurable results. Some contractors have even adopted a "zero tolerance, zero injury" policy. They no longer expect injuries - they consider accidents an intolerable breakdown of their safety programs.

To emphasize your company's commitment to safety, start a reward program to provide incentives for project managers, supervisors and workers. Offer monetary rewards and company-wide recognition for overall project safety, most accident-free days per project and most accident-free days per employee. Your employees will make an extra effort to maintain project safety and, with any luck, your insurance costs will dwindle.

Delegate Responsibilities

For your safety program to succeed, you need leaders within your company to protect your employees and minimize insurance claims. Appoint or hire a safety advisor to keep your company current with Occupational Safety and Health Administration (OSHA) requirements, develop job-specific hazard training programs and supervise safety managers. Assign a safety manager to each project to ensure the project complies with your safety program. Instruct your safety managers to meet regularly with the safety advisor to discuss safety concerns. Also, ask your safety managers to develop a specific emergency response plan for each project.

Although asking a project manager to also serve as a safety manager may not be realistic, remind your project managers that safety is their responsibility as well. To reinforce safety's importance, incorporate safety records into your project managers' respective performance evaluations. To make their jobs somewhat easier; compile and distribute a list of local hospitals, including detailed directions and phone numbers. Look for hospitals with specialty units for specific injury types. And determine how many of your employees are certified in cardiopulmonary resuscitation (CPR). As much as possible, distribute your CPR-certified employees among your job sites to increase the chances that potentially fatal injuries can be prevented or at least lessened in severity

Maintain Proper Documentation

On average, 20% of accident-related medical costs occur within the first two weeks. Proper documentation enables your insurance carrier to immediately begin to control medical costs by working with the medical care provider. If an

accident occurs, make sure to document:

- Employee name, age and gender;
- Accident date and time,
- Accident location, including photographs taken from several different angles, Accident description -- written in sufficient detail,
- Employee role in the accident -- including safety policy violations that may have contributed to the accident, and
- Employee medical treatment received immediately after the accident.

Detect and Prevent Fraud

An estimated 10% to 20% of insurance claims are fraudulent. Because this needless cost means higher premiums, contractors must recognize fraud and know how to prevent it. An employee may be trying to defraud your construction company if he or she:

- Reports an injury 24 to 48 hours after it allegedly occurred,
- Claims no one witnessed the accident,
- Waits until Monday to report a Friday evening accident,
- Provides a hotel or post office box address,
- Has a history of suspicious injury claims,
- Is unreachable at home during working hours, or
- Immediately hires an attorney

If you suspect an employee is trying to defraud you, notify the claim representative immediately. Make sure the initial claim report refers to the accident and any injuries sustained as "alleged." And communicate any fraud allegations or suspicions to the claim representative separately - not as part of the initial claim report.

Then obtain the claimant's medical history from his or her medical provider. The medical history may indicate a preexisting condition. Ask the primary care physician for an official description of the claimant's injuries, including which tests he or she performed on the claimant. Also question the doctor regarding the claimant's physical limitations, the expected days until the claimant can return to work and the claimant's follow-up visit schedule.

Throughout the claim process, continue to accumulate any pertinent information regarding the claim. Do not assume the insurance carrier will conduct a sufficiently thorough investigation.

What Goes Up...May Continue Rising

The cause and effect of poor safety is simple -- workers' compensation claims increase and higher insurance rates follow. These excessive costs can clog your cash flow and eventually devastate your profitability. And from a competitive standpoint, maintaining safety can attract better employees and give you an edge over other contractors in your market.

Don't risk throwing money out the window. Control your insurance costs by focusing on safety and preventing fraud.