

GRAHAM ADVISOR

NOTES FROM THE PLAYBOOK

This Spring, we learned that our Chairman and CEO William A. "Bill" Graham, IV has been recognized by The Council of Insurance Agents & Brokers (CIAB) as one of the most influential players in the insurance industry.

As part of the Council's 100th anniversary this year, each issue of its monthly publication, *Leader's Edge* magazine, will feature a selection of the 100 people and events that changed the insurance industry over the last century. In the March issue, Council members selected Bill Graham for his pioneering approach to professional education and training.

Bill Graham made this list in part because he has always helped his clients stay ahead of threats to their bottom line. In this issue, we reveal one way we are helping companies avoid the rising costs of workers compensation and group medical insurance. The firm's new wellness strategy helps companies attack the root of medical claims – lifestyle choices – and moves them towards a more effective health management program.

Bill is humbled by this recognition and acknowledges that it's largely recognition that many of you helped him achieve. Our clients' unwavering loyalty to Bill and The Graham Company has been the inspiration behind his industry contributions and continuous drive to provide solutions that help your business and its employees succeed.

Best Regards,



KENNETH L. EWELL
President & COO



Establishing a Wellness Culture To Manage Workers Compensation Medical Costs

Everyone is talking about healthcare costs (for good reason), and construction financial managers should be no exception. In fact, with healthcare costs continuing to rise more quickly than inflation, there's been a marked impact on workers compensation costs. It once was the case that 60 percent of a workers compensation claim was tied to lost wages and 40 percent was tied to medical expenses. Then in 2008, medical costs outweighed indemnity costs for the first time in the history of workers compensation. Today, approximately 60 percent of a claim accounts for medical expenses, thanks to steadily increasing healthcare costs.

Further exacerbating the dichotomy between lost wages and medical expenses in a workers compensation claim are the diseases plaguing the workforce. According to the Centers for Disease Control and Prevention, more than one-third of U.S. adults (35.7%) are obese. What's most concerning is that approximately 40 percent of adults are living with hypertension and other heart disease risk factors but don't know it.

The diseases afflicting your firm's employees have a negative impact that reaches far beyond your

group medical costs; your employees' health plays a significant role in helping to control medical costs in workers compensation claims. Generally, it would be up to the employee to prove that a heart attack while on the job was related to or caused – at least in part – by the work at hand. However, in the construction industry, precipitating work factors like physical exertion often aggravate preexisting conditions such as heart disease. While preexisting conditions would generally not be compensable, they would also not necessarily be a bar to compensability. If it can be shown that the work aggravated a preexisting condition, compensability may be granted.

NEW STRATEGY, NEW CULTURE

Establishing a safety culture has long been the construction industry's unified response to reducing workers compensation claims. And while that is still a key component of accident and injury prevention, the need to develop a culture of wellness has also become essential to better managing workers compensation insurance costs.

The strategy to integrate group medical, wellness and workers compensation is on the horizon, and financial managers must understand how a

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holistic approach can benefit employees and the bottom line. While this strategy is still novel, the time is now to adopt it – doing so will establish a culture of wellness and benefit your employees’ health and productivity as well as your workers compensation and group medical costs. Here’s two key steps to getting started today:

Step 1: Know the Unknown

Mix obesity, high blood pressure, high cholesterol and high blood sugar and you’ve got the perfect storm for heart attack and diabetes. Known as metabolic syndrome, this term refers to a group of risk factors that increase one’s chance of having heart disease and other problems like diabetes and stroke. The American Heart Association’s 2004 update to the U.S. National Cholesterol Education Program Adult Treatment Panel III (2001) defines Metabolic Syndrome as having at least three of the following:

- Elevated waist circumference:
 - Men: Greater than 40 inches
 - Women: Greater than 35 inches
- Elevated triglycerides: Equal to or greater than 150 mg/dL
- Reduced HDL (good) cholesterol:
 - Men: Less than 40 mg/dL
 - Women: Less than 50 mg/dL
- Elevated blood pressure: Equal to or greater than 130/85 mm Hg or use of medication for hypertension
- Elevated fasting glucose: Equal to or greater than 100 mg/dL or use of medication for hyperglycemia

The biggest challenge in treating these risk factors is the “unknown.” Many people do not know they’re at risk because there may not be overt symptoms when cholesterol and blood sugar are too high, but together those risks can progress to a severe chronic condition that will significantly impact one’s ability to work. For this reason, it is essential to arm your workforce with the knowledge of their blood pressure, cholesterol and triglyceride levels as well as their body mass index.

Step 2: Motivate

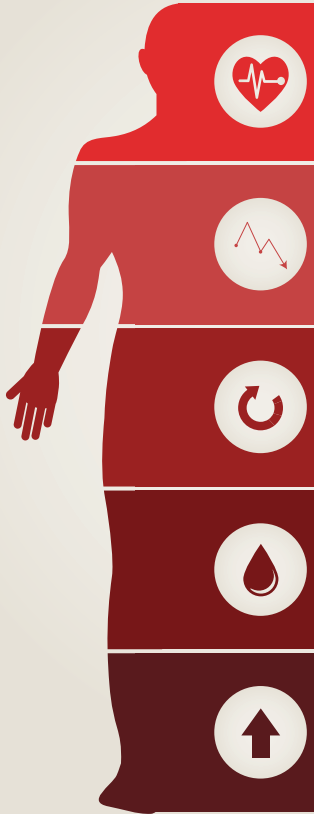
To motivate employees to partake in the biometric screening, consider offering them a paid personal day to complete the testing and then consider incentivizing them to manage their condition by increasing the employer contribution to their health insurance. Offering employees a biometric screening paired with a health risk assessment gives employees highly valuable data that will identify metabolic risk factors for diabetes and heart disease. Furthermore, if the employer has chosen to incentivize employees as part of its

wellness engagement strategy, then completing the screening may also result in a lower employee healthcare contribution.

Because of privacy mandates on medical information, the powerhouse of health data that is obtained through biometric screenings is not released to the employer, only the employee. However, employers can require that employees return signed documentation from their doctor that confirms the tests were administered and that a course of treatment has been prescribed. By doing so, employers can address at-risk employees before they become high-cost to the plan and the bottom line.

METABOLIC SYNDROME

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- ELEVATED BLOOD PRESSURE:**
Equal to or greater than 130/85 mm Hg or use of medication for hypertension
- REDUCED HDL (GOOD) CHOLESTEROL:**
 - Men: Less than 40 mg/dL
 - Women: Less than 50 mg/dL
- ELEVATED WAIST CIRCUMFERENCE:**
 - Men: Greater than 40 inches
 - Women: Greater than 35 inches
- ELEVATED FASTING GLUCOSE:**
Equal to or greater than 100 mg/dL or use of medication for hyperglycemia
- ELEVATED TRIGLYCERIDES:**
Equal to or greater than 150 mg/dL

INFLUENCE THE OUTCOME

The new mantra for construction financial managers looking to better manage workers compensation and group medical insurance costs should be: Mind the slippery floor you’ve overlooked – your employees’ health. Gone are the days of attacking workers compensation cost exclusively

through safety and accident prevention measures – it’s time to establish a culture of wellness and safety. The two are entwined and demand your attention today.

To learn more about how a wellness culture can help you better manage workers compensation costs, contact Michael J. Mitchell, CPA, CPCU, Vice Chairman of The Graham Company, at mmitchell@grahamco.com, 215.701.5214 or Kimberly E. Sharkey, AIC, CPCU, Vice President, at ksharkey@grahamco.com, 215.701.5278.

ASK THE EXPERT



Jim Marquet on Managing Subcontractor Risk

Q. What are primary risk management considerations when managing work that is not self-performed?

A. Whether you are a general contractor, a specialty contractor or a subcontractor, the name of the game is risk transfer – and it's accomplished through Indemnification language and/or Additional Insured requirements in contracts. Indemnification clauses are contractual obligations that push risk to lower-tier contractors. There are various degrees of indemnification language available to general contractors depending on the amount of leverage that the general contractor has in dealing with subcontractors. Additional Insured requirements specify that the subcontractor add an owner or general contractor to its insurance policy. In doing so, the owner or general contractor becomes an insured under the subcontractor's policy. There are dozens of additional insured endorsements available to contractors. As such, it is critical that the general contractor's requirements are specific and that the general contractor verify compliance with the requirements.

Q. Could "faulty workmanship" claims still leave a GC exposed even if risk is transferred?

A. Even if a general contractor successfully transfers the maximum amount of risk to subcontractors, it could still be exposed to risk for claims arising out of "faulty workmanship." For example, if the subcontractor is not in business when the damage occurs, it won't be possible to transfer losses to the subcontractor. Also, courts in many states have determined that "faulty workmanship" would not be considered an "occurrence" under a general liability policy. Therefore the resulting damage caused by the faulty workmanship may not be covered by the subcontractor's general liability policy, and the general contractor could ultimately be responsible. Bottom line: the general contractor's policy needs to be written in a way that covers it regardless of their subcontractors' insurance coverage.

To learn more about managing risk – whether you're a general contractor, specialty contractor or subcontractor, contact Jim Marquet, Producer at The Graham Company, at jmarquet@grahamco.com or 215.701.5208.

GRAHAM SIGHTINGS

Experts in the News

Matt Kelly on avoiding wage and hour litigation
Restaurant Hospitality magazine, April Issue



Carl Bloomfield and Shane Riccio on contractor default insurance
Construction Business Owner magazine, May Issue



SEEN & HEARD

Dina Daniele on impact of Hurricane Sandy
Temple University's Gamma Iota Sigma Chapter, March 6



Peter Prinsen on post-accident investigation
2013 Annual Conference of the Claims and Litigation Management Alliance (CLM), April 10-12



RECOGNITION & APPOINTMENTS



Chris Keith named 2013 Risk & Insurance® Power Broker® in the Workers Compensation category



Kevin Adams appointed to the Construction Financial Management Association—Philadelphia Chapter's Board of Directors

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From Company updates and breaking industry news to insurance trends, follow us @TheGrahamCo and we'll deliver daily insight to keep your employees safe and your business thriving.

SAFETY ZONE

Preventing Slip, Trip and Fall Incidents

Slips, trips and falls are among the most frequent types of reported incidents. One in six lost-time work injuries result from these incidents. Nearly 65 percent of these are falls that occur on relatively level surfaces.

Here are a few tips to help prevent slips, trips and falls:

- ⚠️ Footwear should match the potential exposure of the job. Shoes with slip-resistant rubber soles can help prevent injuries.
- ⚠️ Floors should be kept as clean and dry as possible.
- ⚠️ Pick up loose items on the floor to prevent obstructing a walkway. Make sure that items such as cords and file cabinet drawers are not in the way of pedestrian traffic.
- ⚠️ Keep parking lots and sidewalks clean and in good repair. It's important to remove snow and treat icy surfaces as frequently as necessary. If the surfaces are sloped, consider temporarily suspending use of the area until the ice is no longer a threat.
- ⚠️ Place moisture-absorbent floor mats in entrance areas or consider the use of an anti-skid adhesive tape in areas that could cause slips. Always address wet floor surfaces promptly and display wet floor signs as an additional caution to attract attention to the wet area.
- ⚠️ Maintain proper lighting at all times – especially in walkways, staircases, hallways and basements. Inadequate lighting can hide obstacles and slippery areas from view, causing accidents to happen.

The Graham Company can help you identify potential liability exposures before they become claims. Contact Mark Troxell, Vice President of Safety Services, at mtroxell@grahamco.com or 215.701.5340.



EXECUTIVE ANNOUNCEMENTS

The Graham Company Announces New Hires in Employee Benefits Division and Safety Division

The Graham Company recently announced the appointment of Daniel Jordon to producer and Debra Montella to technical development specialist in the Employee Benefits Division. The Safety Division also recently welcomed a new safety consultant, Alan Mar, CSP, CDS, ARM. Jordon, Montella and Mar are natural fits to join The Graham Company, not only for their industry knowledge, but especially because they share the firm's action-oriented approach to employee benefits and risk management.

The Graham Company Recognizes Allianz Global Corporate & Specialty with Award for Superior Claims Performance



Hugh E. Burgess, President & CEO, Americas Region, Allianz; Paul J. Mora, ARM, AIC, Senior Claims Consultant, The Graham Company; and Terry P. Campbell, Vice President, Marine Claims Head, Allianz

On April 3, The Graham Company presented its 11th annual Excellence in Service & Partnership award to Allianz Global Corporate & Specialty (AGCS) for the second consecutive year. The prestigious award was presented to AGCS's claims department in recognition of its overall claims performance in 2012.

"The claims management service that Allianz's claims professionals provide to our clients is unmatched due to their commitment to claims advocacy and aggressive approach to claims management. When an incident occurs, we can expect them to get our clients the best possible outcome, which in turn allows us to consistently deliver superior service to our clients," said William A. Graham, Chairman and CEO of The Graham Company.

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