

# GRAHAM ADVISOR

## NOTES FROM THE PLAYBOOK

At The Graham Company, we've always been committed to three things – our clients, our people, and the regions in which we do business.

Last year, we began extensive renovations to two of the eight floors in our headquarters office in Center City Philadelphia. As technology changes, so does business – and we're excited to upgrade and modernize our space. We'll not only have new technology, more conference rooms and additional private working spaces, but our renowned industry-leading training program is also being enhanced. All of our new hires complete a six-month training program in a classroom setting, and then go through three years of on-the-job training, which is eight times the industry standard. The renovations will update all of the training program technology and includes sit-to-stand desks, whiteboard walls and open spaces for collaboration.

We expect these renovations will have a positive impact on our office culture, and are certain that the improvements to our training space will make the program even more effective, ultimately producing highly skilled employees who will provide the best service to our clients. Importantly, we're also proud to be investing in the Philadelphia region and look forward to doing business here as well as in New York and Washington D.C. for years to come.

If you're interested in learning more about our training and development approach or any other topics discussed in this issue, please contact me or the authors at [feedback@grahamco.com](mailto:feedback@grahamco.com).



KENNETH L. EWELL  
President & COO



## TAKING A PROACTIVE APPROACH TO RISK MANAGEMENT

Over the last 50 years, as The Graham Company has grown into one of the largest insurance and employee benefits brokers in the country, the foundation of our success has been rooted in taking an approach largely absent in the industry. We recognized an insurance brokerage marketplace plagued by a pervasive mindset of complacency, and saw the opportunity to pioneer an active risk management model. We never wanted to be viewed as just a broker. Our model is based on being 24/7 relentless advocates for our clients, proactively offering guidance on their most complex risks.

This unique business model, applied to every facet of our service lines, has provided the opportunity to work as strategic partners with well-run companies and institutions across a wide range of high-risk industries, including construction, real estate, manufacturing, health and human services, distribution, financial services, technology and more. Why high-risk industries? Because we understand that for certain types of businesses, a sound risk management program can not only protect your bottom line and your reputation, but it could mean the difference between life and death, and have the potential to largely impact a company's legacy.

At The Graham Company, we assist clients in four key areas – preventing accidents, protecting

assets, managing contractual risks and controlling claims.

### Preventing Accidents

Accidents are bound to happen – especially in our clients' high-risk businesses. From on-the-job injuries and automobile crashes to building damage and professional service errors, accidents with wide-reaching impact can occur. But, with effective management, paired with the right tools and proper training to create a safe work environment, a great many of them can be prevented – or, at the very least, minimized.

The biggest driver of a risk management program's success is the organizational leadership's commitment to safety. If top executives do not prioritize safety, their staff won't either. We help management elicit feedback from employees about their needs and concerns and then educate staff about best practices as it relates to workplace safety. Companies that commit to safety from the top down, allocate adequate resources – including people – to accomplish the job and spend time teaching their employees about the importance of a safe work environment tend to have the best results. Creating a "safety culture" that is recognized by all is directly related to reducing insurance costs in the long run.

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# ASK THE EXPERT



## Luke Foley on Management Liability Insurance

### Q: What is included in a management liability insurance package?

**A:** Management liability packages most often include coverage for Directors & Officers (D&O) Liability, Employment Practices Liability and Fiduciary Liability. D&O Liability protects executives against claims by shareholders, competitors and regulators; Employment Practices Liability covers employment claims such as discrimination or harassment; and Fiduciary Liability protects companies and employees administering employee benefit and retirement programs. Many insurance carriers choose to package these policies together to better protect exposures and frequently provide lower pricing than if each coverage was issued stand-alone.

### Q: How does Graham approach management liability differently?

**A:** At The Graham Company, we take an extremely active approach in providing the best possible coverage for our clients on every policy we place – including management liability coverage. Our Technical Development Department prepares coverage specifications, which are comprehensive checklists of conditions, endorsements and exclusions for each line of coverage. Because management liability policy forms are regularly updated (typically with more exclusions), we are constantly reviewing our coverage specifications to ensure that they capture the latest coverage available in the market. Each year, we compare our clients' current coverage with our updated specifications and negotiate with the underwriters to place the broadest coverage possible. Our clients have complex needs, so often times we will work with carriers to provide manuscript endorsements and customized claims servicing standards. At Graham, there is no one-size-fits all policy – everything we do is completely customized to each client.

### Q: If an organization already has a general liability policy, why does it need management liability insurance?

**A:** General liability policies offer broad coverage, but only protect against bodily injury and property damage, and often have specific exclusions for employment practices and discrimination claims. A D&O policy is specifically designed to protect directors and officers from financial damages claimed due to their wrongful acts, and therefore, it is necessary to properly protect them.

### Q: What trends are impacting management liability insurance in 2017?

**A:** 20 or 30 years ago, D&O Liability was a policy that was primarily purchased by public companies. But today, as the litigation trend continues, business executives of any type or size company can be sued for the management decisions that they make. Competitors, customers and shareholders can sue executives of privately held businesses and even non-profits, so as a result, a higher percentage of these types of organizations are purchasing D&O. For public companies, we are seeing an increase in securities class action lawsuits, particularly relating to IPO-related claims. We've also observed an uptick in shareholder suits resulting from a merger or acquisition, as this type of activity has reached an all-time high over the last several years. For Employment Practices Liability policies, rates have been relatively flat, but recently, carriers have been requiring higher retentions/deductibles. The Employment Practices policies are also further restricting coverage, notably for Wage and Hour claims, severely limiting or excluding coverage for these expenses.

If you would like to learn more, contact Luke Foley, Producer at The Graham Company, [lfoley@grahamco.com](mailto:lfoley@grahamco.com) or 215.701.5332.

# GRAHAM SIGHTINGS

## Experts in the News



Bette McNee on nurse morale and its impact on long-term care  
*McKnight's Long Term Care News*



Jim Marquet on wearable technology and construction risk management  
*Insurance Journal*



Dan Jordon on strategies to save on healthcare costs  
*Employee Benefit Adviser*



Bill Graham on the importance of supporting independent journalism in Philadelphia  
*The Philadelphia Inquirer*

## Must-Read Content on the Risk Matters Blog



Tracey Kilcullen on the benefits of pre-dispute arbitration

Bill Selman on managing accident risks for distribution fleets

Mark Sharin on summertime construction site risks

## Join the Conversation



Follow us on Twitter and Instagram (@TheGrahamCo) and LinkedIn (The Graham Company) where we deliver daily insight to keep your employees safe and your business thriving.

# SAFETY ZONE

## Risk Management Center

At The Graham Company, we are a true risk management consultant to our clients, who represent businesses of all sizes and across all industries. As such, there are a number of tools available exclusively to them to help improve their internal risk management processes, ultimately increasing safety and driving down costs.

The Risk Management Center is an essential resource for our clients. It is a digital platform that provides a library of sample safety documents and a suite of software to implement a proactive risk management strategy. It is completely customizable and designed to provide efficient, cost-effective and time-saving solutions to proactively manage their risk exposures.

The online center includes numerous resources to support clients with risk management. These include a training library with key PowerPoints and training shorts, and a human resources and benefits database, including handbooks for all 50 states. Incident and claims reporting tracks are available so clients can analyze incident trends, report claims and print OSHA logs. Clients can also access a vast array of safety videos to assist with their training needs. A Safety Data Sheet database allows them to store and manage their Safety Data Sheets to meet GHS/HazCom requirements. The Risk Management Center content is updated frequently to ensure adherence with the latest OSHA regulations.

The Risk Management Center is just one example of the comprehensive suite of risk management solutions we offer clients. Clients can house all of their safety information in one location and easily complete audits to identify trending risks and then implement strategies to mitigate them. The Risk Management Center, coupled with our experienced safety consultants, is available to assist our clients in managing and reducing their risk.

If you are interested in learning more about the Risk Management Center, contact Deanna Herman, Safety Consultant at The Graham Company, at [dherman@grahamco.com](mailto:dherman@grahamco.com) or 484-571-4644.



### Protecting Assets

Property, equipment, vehicles and other assets critical to your operations must also be adequately protected. In addition to properly maintaining them, a well-structured insurance policy can provide the necessary protection to keep your business operating in the face of a loss or disaster. According to the Federal Emergency Management Agency (FEMA), 40 percent of businesses do not reopen after a disaster, and another 25 percent fail within one year. Proper insurance protection can significantly reduce that risk.

We help clients by creating policies that have the appropriate limits to ensure replacement following a loss. Your equipment and property values should be evaluated frequently and insured business income levels must keep pace with business growth. It is important to evaluate whether or not the assets are insured to value. For example, if a high rise commercial building is only insured for \$80 per square foot for replacement cost, it is not likely that it could be rebuilt for that same cost. As a result, we would seek to increase the limit to a more acceptable level to avoid coinsurance penalties on the property.

### Managing Contractual Risks

We also assist clients in all industries in evaluating various contracts and ensuring that they are either transferring risk appropriately or taking on a limited level of risk. When we review a contract for a client, we focus on two things – the indemnification provisions and the insurance requirements. When looking at an indemnification clause, we first advise on the form of agreement and offer suggestions to modify the client's indemnity obligations to the extent of their negligence only. We recommend that the indemnification be limited to bodily injury and property damages, because those are the things that a customer's general liability policy would typically respond to. We also try to limit exposure to direct losses only, as opposed to consequential or indirect type losses, as these can be difficult to quantify. Regarding insurance requirements, we'll negotiate broad terms and conditions so that in all cases, we have the appropriate coverage necessary for that owner. We ensure that if we have limited the indemnification obligations of our client, we don't undo that by extending broad unlimited additional insured status. Indemnification and additional insured status must work together, and we work diligently to ensure that they do.

It is very important to understand the level of risk you are accepting when entering into a contract. It provides you with the information needed to make appropriate business decisions, such as whether or not to move forward with a

particular job or to pass on the project if the risks are not worth the potential financial gain. Although this is a service that we most often offer to construction and real estate companies, indemnity language can have a significant financial impact on any company in the event of a large loss. It's critical that business owners fully understand the risk they are accepting (or passing on to others) in each contract.

### Controlling Claims

Finally, we have deep-seeded expertise in managing, minimizing and controlling the costs of claims. When any accidents occur, it is critical to have solid accident investigation processes in place. We review trend reports and various analyses of where the claims are coming from to ensure that appropriate programs are put into place to prevent similar accidents. Ultimately, we want to help our clients determine the root cause of the accident and then implement a standard procedure to prevent that situation from occurring again.

When trying to lower costs on the back end for workers compensation, we always identify a contact within the organization – typically someone who works in human resources – to oversee the claims management process. This claims coordinator works to establish a solid claims management program, part of which is developing relationships with physicians and providers. We assist clients in setting up a panel of physicians so that if a person is injured at work, they are sent to an occupational health provider that already understands our client's business. That physician can then prescribe the right therapy in order to get the person back to work as soon as possible, avoiding the "lost wage" or indemnity component of workers' compensation claims.

At The Graham Company, we don't just work with one type of client on one aspect of their risk management strategy. We are a true partner to top executives in many different industries, and pride ourselves on providing them with consistent, unwavering strategic support as they grow and expand their businesses. We sweat the details and work late hours in order to give them peace of mind. Because we know that their employees' livelihoods are at stake, and our clients' legacies are at stake, too. And we wouldn't have it any other way.

For more information, contact Kevin D. Smith, Managing Director, The Graham Company at [ksmith@grahamco.com](mailto:ksmith@grahamco.com) or 215.701.5323.





# EXECUTIVE ANNOUNCEMENTS

## The Graham Company Employee Benefits Department Continues Strong Growth

For the past three years, The Graham Company's employee benefits department has remained the firm's fastest growing segment. As the client base grows, the number of team members has increased by 20 percent in the past 18 months alone. The department is led by three strong individuals who have a combined 60 years of industry experience - Dan Jordan heads up sales and new business, Debbie Montella manages a team of account service professionals and Adam Karalius oversees the underwriting process. The employee benefits team has seen an impressive 60 percent revenue growth rate over the past five years, and is proud to save clients an average of 15 percent in healthcare costs when engaging The Graham Company.

**EXECUTIVE  
HEALTHCARE  
RISK FORUM**

*"high cost of  
low morale"*

**SAVE THE  
DATE**



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