

GRAHAM ADVISOR

COMMENTS FROM THE CEO

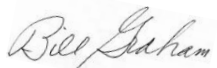
At The Graham Company, we've been helping our clients keep their employees safe for more than 50 years. One of the reasons our clients know they can count on us is because we never become complacent. We are constantly striving to learn how we can better serve them.

Case in point: The Graham Company commissioned a national survey of 300 business leaders to gain a better understanding of what the biggest potential threats are to their business and how they are working to mitigate those risks. The Graham Company's 2015 Business Risk Survey found that, despite 83 percent of senior executives reporting they're well prepared to handle employee safety, many of them are falling short by not having the proper procedures and insurance in place.

Safety is more than just wearing a hard hat. In today's world, it is imperative that businesses take a holistic approach to safety. This means examining everything your business is doing, from fleet safety to effective employee training. This issue will help you begin to do just that.

I encourage you to contact the authors in this issue if you want to learn more. Or contact me at feedback@grahamco.com.

Best Regards,



WILLIAM A. GRAHAM, IV
CPCU, CLU, CEO



How OCIPs and CCIPs Can Redefine a Commitment to Safety

The construction industry added employees to its workforce in every month of 2014, with industry employment hitting a six-year high – and the industry breathing a collective sigh of relief as it entered 2015. Despite a small drop in March, employment remains at its highest level since February 2009, and the industry now employs over 6.344 million Americans. The Labor Department predicts the economy will continue to grow, adding 1.6 million construction workers by 2022. And still other surveys are finding midsize construction companies are increasingly optimistic about their revenue and hiring forecasts – predicting more than 5 percent employment growth over the next 12 months, which is more than twice the growth they projected this time last year. Even amid this rebound, it's more important than ever for firms to remain committed to smart growth, and that may mean redefining a commitment to safety.

Sometimes the only way for a firm to redefine its commitment to safety is to put some skin in the safety game. One such way is through Controlled Insurance Programs (CIPs) or “wrap-ups.” These programs, either controlled by owners (OCIPs) or contractors (CCIPs), offer several key advantages. These advantages include control over costs, coverage terms and conditions, claims processes and accident prevention – thus making safety a prerequisite for profitability. While “control” probably is not a word most project owners associate with

insurance costs and a safety culture, a wrap-up can change the conversation because it allows owners to streamline the administrative process and gain better control of insurance costs today and in the long term. It's a solution that can make a significant impact on the bottom line of construction businesses.

Wrap-ups provide general liability insurance, workers' compensation and excess liability for the length of a construction project for all or a majority of the contractors and subcontractors involved in on-site construction activities rather than requiring each individual participant to be responsible for the procurement of insurance. Wrap-ups are used on large individual projects or on a “rolling” basis by aggregating smaller projects completed over time. A well-run wrap-up offers the opportunity for significant cost savings – anywhere from a 1 to 1.5 percent savings on hard construction costs.

Control Costs

Wrap-ups enable a project owner (or a contractor, if a CCIP structure) to purchase insurance at a lower cost through economies of scale and to purchase insurance on a loss-sensitive basis (i.e., a large deductible), which is where the potential cost savings are derived. In a large-deductible program, the sponsor of the wrap-up pays the losses below the deductible in exchange for significantly reduced fixed costs (usually in the 35 percent range).

CONTINUED ON INSIDE

ASK THE EXPERT



Durrell Garman on fleet safety best practices.

Q. What's the first thing businesses should be concerned about when it comes to fleet safety?

A. First and foremost, you need a clear and accurate job posting so you're attracting the right people. Explicitly state how many miles a day the person will be driving and make it known if overnight driving is part of the person's responsibilities. All of the vital details must be in the job description. Write out the qualifications applicants should have, including years of experience and any pertinent skills or licenses. If you fail to make your job description clear and concise, you might find yourself sifting through hundreds of resumes that lack the relevant experience.

Q. What kind of screening process should be in place when hiring drivers?

A. It all starts with having a comprehensive screening process to weed out the bad apples. Do this by making sure an extensive survey is part of the process. This pass-or-fail survey should have approximately 40 to 50 questions covering anything from a candidate's susceptibility to commit theft to faking an injury to filing false claims.

Pre-employment drug and alcohol screenings, as well as road test evaluations, are also important. You should make sure to put your drivers through medical evaluations so you can spot any health concerns before they become larger issues.

Q. What additional screening precautions can I take?

A. Motor vehicle reports (MVRs), also known as driving records, are incredibly useful. They will show you an applicant's driving history and information about his or her driver's license, including suspensions, revocations and cancellations. MVRs also provide you with information about a driver's traffic violations and personal information. All of this information will help you make a more well-informed decision when hiring drivers.

Q. What fleet safety measures should be considered after you've hired the right drivers?

A. Once the proper people are in place, be sure to take advantage of the technology available for vehicle/driver monitoring. For example, GPS systems and event recorders can be extremely useful in tracking where, when and how the driver and vehicle are working. Vehicle monitoring is also important because it can help you stay on top of your fleet's regular maintenance. This will help you more easily control the quality of your fleet and potentially reduce expenses.

If you would like advice on how to create and implement an effective fleet safety program, please contact Durrell Garman, CHST, Senior Safety Consultant at The Graham Company, at dgarman@grahamco.com or 215.701.5227.

GRAHAM SIGHTINGS

Experts in the News



Richard Ogle on OCIPs
Construction Business Owner, November Issue



Mike Mitchell on surety market trends
Construction Executive, November Issue



Carl Bloomfield and Bette McNea on preventing Elopement
Long-Term Living, November/December Issue

Awards & Recognitions



Ranked on Best Places to Work List in Large Company Category by *Philadelphia Business Journal*



Ranked on 2015 Employee Benefit Consultants List by *Philadelphia Business Journal*



William A. Graham IV, Chairman of the Board/Chief Executive Officer, CPCU, CLU, is being honored by Temple University with its 2015 Musser Award for Excellence in Leadership.

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For all the details on the latest insurance trends and how your business can benefit, follow our NEW blog at grahamco.com/KnowledgeCenter/Blog

SAFETY ZONE

Employee training is critically important because it is inextricably bound to risk. If you don't have effective employee training, your risk management plan is weak. Below are several defining qualities to look for in a training provider.

PASSION: Passion for the subject matter and concern for the well-being of those being trained is vital.

HUMILITY: The trainer needs to possess the humility to accept being challenged on a point, interpretation, etc., without being rattled or offended.

HONESTY: The trainer must possess the honesty to answer a question to which she or he does not know the answer with, "I don't know, but I'll track down an answer and get back to you," rather than winging it.

OBJECTIVITY: The trainer should use objective data whenever possible to support the information being presented. Trainers who express an opinion as fact may mislead their group.

KNOWLEDGE and EXPERIENCE: The trainer should present material and information with which he or she has the requisite knowledge and experience. Firsthand accounts of situations and experiences relevant to the topic can be helpful in getting the material to resonate with the participants.

ORGANIZATION: The trainer should organize his or her materials, hardware and equipment in advance of the training to minimize glitches and obstacles. A trainer who doesn't account for contingencies or is still setting up audiovisual equipment at showtime is one that is not sufficiently prepared.

IDENTIFICATION: The trainer must identify with the audience and have the ability to pick up on the vibe of the group and use it for the group's benefit.

CUSTOMIZATION: A trainer who believes in the message and identifies with his or her audience will tailor the material accordingly to ensure maximum impact.

The Graham Company can help your business implement an employee training program. Please contact Jeff Spatz, CHST, CET, Assistant Vice President, at jspatz@grahamco.com or 215.701.5454 for more information.

Project owners who are able to control the losses on their projects directly benefit.

In contrast, in a non-CIP project, contractors and subcontractors include their insurance costs in their bids. This comprises the fixed-cost component of the insurance (about 40 percent) and the loss-funding component (about 60 percent), regardless of whether or not there are any losses on the project. Key cost-controlling benefits for CIP projects include:

- Overall reduced insurance costs
- Access for smaller contractors and subcontractors to work on larger-scale projects where previously the insurance costs of participation were not realistic or manageable
- Higher insurance limits than normally obtainable
- Quicker proof of insurance obtained by wrap-up enrollees since all insurance certificates will come from a single source

Control Terms and Conditions

Sponsors of wrap-ups gain peace of mind that all contractors and subcontractors on a construction site have the same coverage with no gaps in insurance. The level of coverage that can be negotiated when purchasing in bulk is significantly greater than what individual contractors and subcontractors can purchase on their own. The total liability limits available through a CIP (usually a minimum of \$100 million) are much greater than the limits provided by individual contractors.

Control Claims Processes

In the event of a claim, having consistent coverage provided by one insurance carrier for all contractors and subcontractors is beneficial to the claims process for several key reasons:

1. Streamlined claims process
2. Reduction in the delays that may occur while sorting through the claim
3. Reduction in litigation costs since one insurance carrier defends all enrollees in a lawsuit
4. Increased ability to influence the claim and dictate how it should be handled by assuming the first \$250,000 or more of every workers' compensation and general liability claim that has a large-deductible program

Control of Safety

The most successful wrap-ups focus on safety, since it's the key to cost savings. A well-run safety program will lead to fewer accidents and the project being delivered on time in the highest-quality manner possible.

The wrap-up sponsor has the ability to implement the necessary controls to reduce the potential for an accident on the project. One of the keys to OCIP safety is to establish uniform and standardized safety requirements for all contractor and subcontractor employees via a Project Safety Manual, which then becomes part of the contract documents. The goal of the wrap-up sponsor should be to establish accountability with all enrolled contractors and subcontractors through the Project Safety Manual and on-site actions. Key elements of the Project Safety Manual are:

- Assignment of safety responsibilities to contractors and subcontractors
- Establishment of drug and alcohol testing programs
- Establishment of minimum personal protective equipment requirements
- A 100 percent fall protection requirement for all trades working 6 feet or higher above a lower level
- Safety training requirements, including safety orientation, toolbox talks, daily huddle talks and OSHA 10-Hour and 30-Hour requirements
- Daily task planning in a manner that can be reviewed and tracked
- Hot-work controls
- Crane management
- Heavy-equipment controls
- Project security
- Scheduled safety audits

It's more important than ever for firms to remain committed to smart growth, and that may mean redefining a commitment to safety

Many wrap-ups also have extensive safety prequalification procedures prior to a contractor or subcontractor being awarded a contract to work on the project. This safety prequalification process may identify contractors or subcontractors whose safety programs are not adequate for the type of work to be performed or contractors and subcontractors with undesirable loss experience. The most successful prequalification programs review both lagging and leading indicators and normalize the data for contractor or subcontractor size and type of work performed.

The results of the wrap-up must also be monitored monthly from a claims and safety standpoint. From a safety standpoint, individual contractors or subcontractors must be evaluated for exposures in order to address safety performance issues prior to an accident. If the safety performance is not at an acceptable level, the contractor or subcontractor needs to establish a recovery plan that is monitored until the safety performance has improved.

To learn more, please contact Jim Marquet or Mark Troxell at The Graham Company at jmarquet@grahamco.com or mtroxell@grahamco.com or at 215.567.6300.



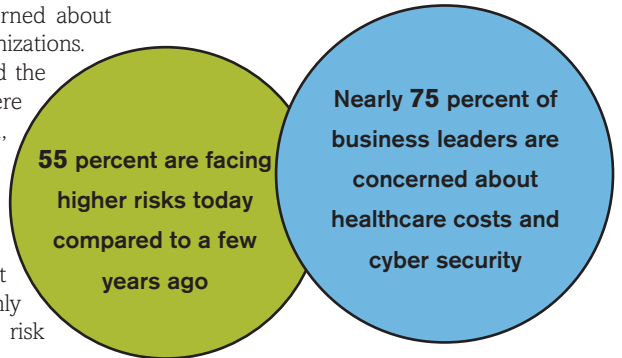
EXECUTIVE ANNOUNCEMENTS

The Graham Company National Business Risk Survey Finds Healthcare Costs and Cyber Security Are Top Business Threats

The Graham Company's 2015 Business Risk Survey, a national survey of 300 senior business professionals, revealed that nearly three-quarters of business leaders are most concerned about potential risks associated with health care costs and cyber security threats to their organizations. When asked to consider the single biggest risk facing organizations, cyber security had the highest proportion, with 21 percent of respondents naming it as the No. 1 risk they were most concerned about. Tied for the second greatest risk was professional liability (i.e., employee errors and omissions) and legal liability issues (16 percent), followed by health care costs (14 percent) as the third greatest risk.

Sixty-four percent of respondents felt their organization was either very well prepared or fairly well prepared to address the risks associated with health care costs, and 83 percent of respondents felt the same way about employee safety in the workplace. However, only slightly more than half of respondents regularly consulted with an insurance or risk management expert to review plans to mitigate risk.

"A one-size-fits-all approach to insurance and risk management isn't adequate in today's constantly evolving business environment," said Ken Ewell, President and COO of The Graham Company. "Business leaders need to shift their risk management approach from passive and general to proactive and specialized in order to protect their companies."



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