

# MANAGING RISK

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## RISKNotes

### Remember “sick building syndrome”?

British researchers found that stress might cause the skin rashes, eye irritation or upper respiratory problems associated with sick building syndrome. A report in the British journal *Occupational and Environmental Medicine* said researchers found these symptoms correlated more with factors that create stress, such as low-level jobs, little decision-making authority and little support, not poor ventilation.

### Commonly prescribed pain medication can lead to abuse.

William P. Emrick, executive director of Kentucky’s Office of Workers’ Claims, has said the pain medicine oxycodone was the second most widely prescribed drug in workers’ comp programs nationally in 2004. This drug is “subject to abuse,” said Emrick. According to the National Survey on Drug Use and Health, 2002 and 2003, 5.9 million people used prescription painkillers for nonmedical reasons during 2003. A treatment management program can help ensure that employees taking pain medications for work-related injuries really need them and are getting the proper type of medication and dosage.

## ALSO IN THIS ISSUE

- **How Umbrella Coverage Works with Other Policies**
- **Telephone Triage: Improved Response Can Save Costs**
- **Common Causes of Accidents**

### Property Insurance

## Computer Coverage: Evolving with the Times?

As of 2001, more than half (53 percent) of U.S. workers used a computer on the job. We use personal computers to create documents, process accounting records, store client lists and more. Even only ten years ago, covering computers and electronic data required either a specialized policy or a patchwork of coverage—which may have been incomplete. But as businesses have become more dependent on computers, the insurance industry has responded by offering coverage for hardware, software and data under a variety of policies:



- \* **Business property policies** cover computer hardware like other machinery. If your policy provides actual cash value coverage, we recommend you change it to replacement cost coverage. Computer hardware becomes obsolete so quickly, the cash value of lost or stolen computers may be only a fraction of what it would cost you to replace them.

Policies also cover electronic storage media (such as tapes, CDs, diskettes)—but that might not include the data stored therein. Some policies specifically exclude coverage for data, such as the ISO Commercial Property form. You can buy an extension that will cover data, but coverage is limited to \$2,500—which will cover the cost of restoring or recreating data for only the most minimally automated company. Most property policies also don’t cover computers and electronics due to damage from mechanical or electrical breakdown, temperature extremes, corrosion, rust or contamination.

- \* **Boiler and machinery policies** cover equipment from mechanical or electrical breakdown. Policies usually exclude computers and data processing equipment, with the exception of computers used for design or for controlling manufacturing processes. Some cover systems used by automated non-manufacturing businesses, such as hospitals, department stores and theaters.
- \* **Equipment breakdown coverage** has evolved from the traditional boiler and machinery coverage. Newer equipment breakdown policies cover equipment, including computers

# How Umbrella Coverage Works with Other Policies



If your business is the typical small or mid-sized business, you probably have somewhere between \$500,000 and \$2 million in liability coverage under your business owner policy (BOP) or commercial general liability policy. Depending on your risk exposures, you might also have liability coverage under other policies, such as an automobile liability policy or employers liability policy. Sometimes, a liability claim will exceed the limits of these policies. When that occurs, an umbrella policy can help meet your coverage needs.

These policies provide coverage when you exhaust the limits of your “underlying” liability policy. Umbrella coverage can be attached to commercial liability, employers liability and automobile liability policies. It has three main functions:

- ✓ to provide excess coverage for underlying liability policies (for example, increasing covered loss limits from \$1 million to \$5 million)
- ✓ to “drop down” and make payments when underlying policy limits have been totally or partially exhausted (such as when maximum aggregate limits have been reached before the end of a policy term or when liability awards consume limits of other layered policies)
- ✓ to provide broader scope of coverage than primary policies offer (for instance, covering damage to property belonging to other parties but in the care, custody and control of the insured).

Although you might hear the terms “umbrella” and “excess” used interchangeably, these two types of policies differ significantly. Excess insurance simply provides higher limits than your underlying policy. An umbrella policy not only increases your limits, it increases the scope of your coverage as well. In other words, an umbrella policy can protect you from some losses excluded by your primary policy.

Policy terms vary, but umbrellas can cover claims filed outside the U.S. or Canada; claims of contractual liability (for both written and oral contracts); liability for items in your care, custody and control; and watercraft or aircraft liability—all excluded by the standard commercial liability policy. Before your umbrella activates this “drop down” coverage, an insured must pay a self-insured retention (SIR—usually \$10,000 or \$20,000) that acts as a deductible.

## What to look for in umbrella policies

Most umbrellas furnish broader coverage and fewer restrictions than general liability policies, but if yours doesn’t, consider adding “broad as primary” or a “following form” clause in the contract. This will indicate that your underlying policy’s conditions will automatically be included in the umbrella coverage. When possible, amend the language to go

beyond the underlying policy’s conditions, by agreeing that exposures not covered by the underlying policy will be picked up by the umbrella after your claim costs exceed the SIR. Anniversary dates of all underlying and umbrella coverages should coincide, to avoid potentially damaging coverage gaps or overlaps.

When your organization has several layers of insurance, be certain that covered losses and “drop down” language are identical. Some policies have separate limits for legal defense costs. If your umbrella includes defense costs within its policy limits, you might want to purchase higher limits. If the policy covers more than one company, be certain to insert a “severability of interests” clause; this will treat each company as a separate insured if an employee of one company makes a claim against another insured company.

Umbrella insurance can save the day when a major claim puts your company’s finances at risk. Please call us to evaluate your liability exposures today. We can help you structure an umbrella policy that will provide you the additional coverage you need. For more information, please call us. □

## Extra coverages available under some umbrella policies

- ✓ coverage for oral contracts, as well as written
- ✓ loss of use of property that has not been physically damaged, if the loss is caused by a covered occurrence. (For example, your company vehicle was involved in an accident that blocked access to a neighboring property. The property itself didn’t suffer any physical damage, so your liability policy would not cover a lawsuit alleging liability for blocking access to their property. An umbrella policy could cover this situation.)
- ✓ punitive damages (where permitted by law)
- ✓ damage to property owned by another but in the care, custody and control of the insured
- ✓ broader definitions/coverage for personal injury
- ✓ “occurrences” defined as events as well as accidents
- ✓ separate occurrence definitions for intentional and non-intentional bodily injuries
- ✓ aircraft and watercraft contractual liability

# Telephone Triage: Improved Response Can Save Costs

When an injury occurs at your worksite, your first responsibility is to your employee, ensuring that prompt and proper treatment is available based on the severity of the injury. You can do this in-house with trained first aid or emergency responders or through an on-site clinic. If you come under mine safety requirements with the Mine Safety and Health Administration (MSHA), you are required to have someone on-site who is trained in first aid, regardless of outside response time or capabilities. Or, if you can obtain medical assistance within OSHA's 3-5 minute response requirement, you may call an outside responder or 9-1-1.

In-house first responders, however, may have limited first aid training and may not be able to treat other than to respond and transport. If using an outside agency response, minor medical treatment through the local emergency room or urgent care facility can get expensive. In addition, your employee and accompanying supervisor can experience an incredibly long wait while other, more seriously injured or ill patients are taken first. Worse yet is thinking that the injury isn't serious enough to go through an emergency room wait and delay important medical treatment.

So what other options do employers have? Telephone triage can help employers obtain prompt care and reduce costs for that care. Employers of any size can now access injury triage technology, which uses software and on-call specially trained nurses who can help with immediate assessments and treatment options. A telephone triage system allows for almost immediate assessment with the first responder (or patient) communicating directly with the nurse, who can then determine what type of treatment may be necessary for the patient. This system can also provide referrals that are approved through the company's health care preferred provider network. This alone can expedite patient care for specific injuries that require medical specialists, while ensuring full benefits are approved and utilized.

With telephone triage, when an injury occurs, the patient, first responder or the patient's supervisor places a phone call that accesses a 24/7 network of triage nurses. The nurses are trained in clinical algorithms designed by physicians and nurses experienced in occupational health and emergency medicine. The on-duty nurse gathers information related to the injury. Translation services may also be available, if needed. Through the use of the software and professional judgment, the nurse is able to recommend first-line treatment for the patient and set up referrals, as needed. Some



systems now use video cameras as well, so the nurse or medical provider can see the patient and provide an even more accurate diagnosis and treatment plan.

The system can generate an online report sent directly to the employer's safety, human resource or risk management person for workers' compensation and OSHA 300 log filing. Everyone who needs to know of the injury is in the communication loop almost immediately. The employee receives immediate medical attention, the employer avoids the potential of an unnecessary claim, and the in-house personnel responsible for injury reporting are able to get the information directly from a secure Web site.

One study has shown that employers utilizing this type of triage system have reduced workers' compensation claim costs by 30 percent by reducing unnecessary trips to the emergency room and time away from work. Using this

system has also reduced unnecessary and unsubstantiated claims.

Centralized call centers with automation, software and trained personnel are making a financial and medical treatment impact on the bottom line for employers. And employers don't have to change insurance carriers or third-party administrators to utilize this service and technology.

Is telephone triage right for you? Only you can judge that. But as technology continues to develop, the opportunities will only increase for ensuring employees get prompt medical care coupled with a balanced cost-saving program. For more information on this and other cost-control strategies, please call us. □

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and electronics, from "direct physical loss" caused by three specific causes: failure of pressure or vacuum equipment, mechanical failure and electrical failure.

- \* **Electronic data processing (EDP)** policies covered electronic data only in the past. In addition to covering the cost of researching, repairing or replacing electronic files, some provided extra expense and business interruption coverage.

Today, however, EDP policies have evolved. The American Association of Insurance Services (AAIS) provides three types of policy forms,

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# Some Common Causes of Accidents

*Following is a list of common causes of accidents that can lead to serious or fatal injuries:*

- 1 Stress** – problems at work, family or other personal issues may hinder ability to concentrate on the task at hand. The No. 1 cause of work-related stress is interpersonal relationships (problems with one or more co-workers or a supervisor); the No. 1 cause of family-related stress is money—whether an argument with a spouse or worries over an incoming bill, much stress relates to finances.
- 2 Fatigue** – poor quality sleep, lack of sleep, lack of “down-time” between heavy work or tasks, exposure to hot/humid environment and medications that cause drowsiness can all lead to fatigue.
- 3 Poor Health** – lack of exercise, poor dietary habits, exposure to virus/illnesses—all may contribute to the cause of an accident. Diet or physical condition can alter physical performance; coming to work when ill not only exposes other employees, but also may reduce the ill person’s ability to perform tasks properly or increase the use of an unapproved shortcut to finish a task.
- 4 Exceeding Limitations** – improper lifting, carrying a load that is too heavy or bulky, attempting to perform more tasks than time allows, attempting to perform more than one task at a time—any/all of these can contribute to an accident.
- 5 Attitude(s)** – carelessness, apathy, anger and recklessness all set up the conditions for an accident. Choosing not to use personal protective equipment for a task, using an improper tool for the task, not maintaining tools or work areas for other employees—these behaviors may all stem from attitude.
- 6 Lack of Training/Supervision** – inadequate or improper training for the task, condoning improper use or lack of use of personal protective equipment and/or condoning unapproved “shortcuts” in performing tasks can all lead to accidents.

Any one or a combination of these factors contributes to most accidents. The accident might affect the individual performing in this manner or his performance could lead to a co-worker’s injury.

We are all responsible and accountable for each other at work. What I do DOES have an effect, whether positive or negative, on my co-worker(s) and possibly on my family. On any given day, anyone can



become distracted for any number of reasons. We must all help each other stay focused on the task at hand, with occasional reminders on how or when to do or use something related to the task.

As a manager or leader, you are not immune to these causes; recognizing these in your people can help you identify and avert an injury waiting to happen. Lead by example and you can prevent hazardous situations that may lead to an accident. □

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two of which cover equipment, media and data. Some policies have separate limits for software, media (materials that store data, such as floppy disks, tapes or CDs) and data—however, a single limit gives you more flexibility at claim time.

If you’re comparing an equipment breakdown policy and an EDP policy, the EDP policy will likely provide broader coverage for your hardware. Unlike equipment breakdown insurance, EDP policies usually provide coverage for any cause of loss unless specifically excluded.

- ★ **Business income/extra expense policies** protect you from income losses resulting from a business interruption due to a covered cause of loss. However, if your property policy does not cover damaged computers or data, your business income and extra expense policy won’t.

Some EDP policies will provide business income and extra expense coverage. To determine how much business interruption/extra expense insurance you need for computer-related losses, ask yourself what the worst-case scenario would be. How would a disaster affect your computer network/data processing abilities? If you have offsite data processing capabilities and backups, your computer-related losses might be minimal. If not, what operations would be affected? How many man-hours would it take to get your system up and running and recreate critical data files? How much would this cost?

Because coverage for computers and electronic data is still evolving and many nonstandard policies exist, most businesses find it necessary to have an expert guide them through the insurance-buying process. For more information, please call us. □



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