

# Managing Risk

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## Business Survival in the Face of Disaster

According to a recent disaster preparedness survey conducted for Home Depot, 71 percent of businesses do not have a disaster plan, and more than half of the small-business owners surveyed are not worried about the impact a disaster can have on their business.

Such nonchalance is even more surprising given the relatively simple steps that can help ensure a business' survival. Of those businesses that experience a disaster, those that plan ahead have a better than 75 percent chance of survival, according to the Small Business Administration. Of those that don't, only 43 percent survive.

"Companies that prepare for disaster have a tendency to survive them," said Jon Toigo, chief executive of research firm Toigo Partners International and the

author of several books on disaster recovery.

Getting your business up to speed doesn't have to be expensive. "Most of the preparations are very simple and very affordable, so don't let cost deter you," Toigo said.

The top priority is ensuring the safety of employees, he says. Create a contact list and a telephone tree so you can easily communicate with staffers in the case of a natural or other disaster. Make sure your place of work is equipped with a first-aid kit, flashlights, batteries, bottled

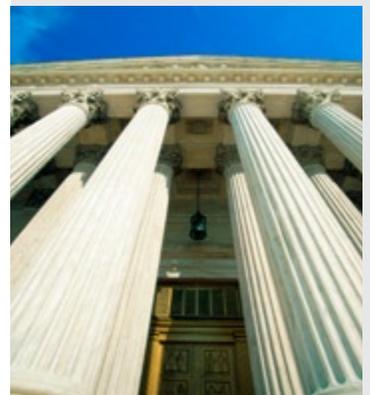
water and a battery-powered radio. Generators only cost a few hundred dollars and at the least can give you the ability to charge laptops and cell phones if grid power is unavailable.

Other action steps you can take to protect property and help get your business up and running again after a disaster include:

- ✓ Make another contact list with the details of key suppliers and vendors, and any other partners that are key to the future of the business.
- ✓ Protect data and store it in a safe and remote place. Toigo

### This Just In

An illegal alien won workers' compensation benefits in Rhode Island, reported the *Providence Journal*. What made the case unusual was that he had been deported and allowed to return to the U.S. on a humanitarian visa to claim benefits. In late October, Workers' Compensation Judge Bruce Q. Morin ordered William Gorman to pay Edgar Velásquez \$800 for two weeks' salary and medical costs for a chainsaw injury that slashed his face to the bone. Velásquez' attorney alleged that Gorman alerted immigration officials to avoid responsibility. Immigration officials seized Velásquez outside the judicial building just before the workers' compensation hearing. Gorman's attorney acknowledged that Gorman carried no workers' compensation insurance.





# Making the Workplace Fatigue-Safe

According to Clockwork Consultants, a UK-based company that helps enterprises manage fatigue risk, fatigued employees are three times more likely to have an accident at work — not to mention make poor business decisions, the firm claims.

**T**hose who work shifts also have long-term health consequences, including a 40 percent increased risk of heart disease, peptic ulcers and other gastrointestinal problems, said the firm.

The problem of fatigue might be more common than you think. A recent study in the *Journal of Occupational and Environmental Medicine* found that nearly 40 percent of U.S. workers experience fatigue — a problem that costs employers billions in lost productivity.

Led by Judith Ricci, Sc.D., M.S., of Caremark Rx Inc., the study said that of the nearly 29,000 employed adults interviewed, 38 percent said they had experienced “low levels of energy, poor sleep or a feeling of fatigue” during the previous two weeks. Total lost productive time averaged 5.6 hours per week for workers with fatigue, compared to 3.3 hours for their counterparts without fatigue. Even when they were working, workers with fatigue symptoms had much lower rates of productivity than their sprightly counterparts — mainly due to low concentration and increased time needed to accomplish tasks.

The study also found that fatigue was more common in women than men, in workers less than 50 years old and in white workers compared with African-Americans. Workers with “high-control” jobs — relatively well-paid jobs with decision-making responsibility — also reported higher rates of fatigue than their colleagues.

The study estimated that fatigue costs U.S. employers more than \$136 billion per year in health-related lost productivity — \$101 billion more than for workers without fatigue. Eighty-four percent of the costs were related to reduced performance while at work, rather than outright absences.

## Fighting the fatigue factor

But well-managed workplace policies can drastically reduce the incidence and cost of employee fatigue risk, according to Peter Johansson, a risk engineer at Zurich Financial Services. Johansson notes that insurers increasingly grade organizations for fatigue factor during the underwriting process. He advocates the use of what he calls a ‘fatigue-risk triangle’ to mitigate the risk.

The triangle features three basic components, which can combine to create a potentially high-risk situation:

- ✱ the length and timing of hours worked
- ✱ inadequate sleep
- ✱ the presence of fatigue-related hazards.

Any one of these is in itself a danger — but when two or more of these factors combine, the result can quickly become catastrophic, Johansson says. Organizations should adopt a variety of methods to make themselves “fatigue safe.” The most common include:

- ✱ Special training to help workers understand their own fatigue levels
- ✱ Committees to oversee fatigue management programs
- ✱ Use of models to investigate fatigue-related accidents
- ✱ Development of “fatigue safe” work schedules
- ✱ Development of fatigue risk management policies and procedures
- ✱ Implementation of compliance systems.

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Johansson says adopting just one of these strategies will not prove effective in beating workplace fatigue. He says that for safety-critical systems in high-hazard industries such as transport, manufacturing, mining and health-care, at least three levels of protection are required to give adequate protection. Other safety-critical systems, such as aircraft control systems, typically have a minimum of two levels of redundancy to protect against failure of the primary system.

Every business can also reduce the risk of fatigue by developing suitable workplace conditions. Certain conditions increase fatigue, including dim lighting or other limited visual conditions (e.g., due to weather), high temperatures, high noise, high comfort, tasks that must be sustained for long periods of time and monotonous work tasks. Eliminating such conditions and providing environments that have good lighting, comfortable temperatures and reasonable noise levels quickly pay for themselves in reduced risk, according to a study by the Canadian Centre of Occupational Health and Safety (COHS). If possible, work tasks should provide a variety of interest and tasks should change throughout the shift, the COHS recommends.

No less important are the hours your employees work. Many safety-critical occupations have strict rules about how long a worker can stay on the job and how long breaks must be. Productivity experts recommend similar guidelines for most jobs.

If extended hours/overtime are common, managers should calculate the time required for the commute home, meal preparation, eating and socializing with family when calculating employees' work shifts. Workplaces may also provide on-site accommodations, prepared meals for workers and facilities where employees can take a nap when they are tired.

For more suggestions on reducing fatigue in the workplace, please call us. ■

## Seven Steps for Surviving Catastrophe

- 1 Create and distribute a contact list. List should include phone, cell, email and physical addresses of employees, key business partners, emergency services and utilities.
- 2 Stock up on emergency supplies: First-aid kit, flashlights, batteries, bottled water and a battery-powered radio. A generator and fuel are also advised.
- 3 Make inventory of physical assets: Knowing exactly what you have will make it easier to work with your insurer to get replacements.
- 4 Identify and protect vulnerable points on premises: Ensure roof, windows and doors are sturdy and that material that could be caught in windstorms is not left lying outside.
- 5 Protect and back up data: Make sure your computer system is backed up to a portable or offsite location that you can access even if your main premises are destroyed.
- 6 Create recovery plan: Even a rudimentary plan can help you run a business in

emergency situations and give you the best chance of recovery.

- 7 Review insurance policies: Meet with your agent to check policies and limits. Know what is covered and what isn't. Make sure your limits will compensate for the higher prices that usually follow catastrophes, and make sure you have business interruption coverage to reimburse you for income lost due to a covered disaster.

### What do you need to know about business interruption insurance?

- ✦ A business package policy can contain business interruption insurance (BI) coverage. If not, you can buy it as an additional coverage (endorsement) or separate policy.
- ✦ BI covers income lost when your property is damaged by a "covered cause of loss," as listed in your property policy.
- ✦ BI coverage kicks in after a waiting period, usually at least 48 hours. ■

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recommends backing up contracts, orders and inventories onto a flash drive and sticking it in your pocket at the end of each day or week. Even better is to develop an automatic back-up facility that stores the key information online.

- ✓ Make sure you have a full and detailed inventory of all your business' physical and financial assets.
- ✓ Survey your premises for vulnerable points and secure them. This can be anything from loose roof tiles to inventory lying around the yard.
- ✓ Review your insurance policy with your agent to determine whether you have adequate protection. What is your deductible? Are you covered for windstorm? And what about flooding and mold?

- ✓ Review your limits. Is your property coverage high enough to take into account the higher costs of raw materials that follow disasters? Do you have coverage for building upgrades and debris removal?
- ✓ Do you have business income coverage? This will help you replace income lost when your business is interrupted due to a loss covered by your property insurance policy. If you have this coverage, when will it kick in and how long will it last?

It may take a few hours to address these issues, but it will probably be the most valuable few hours you spend this year. For more disaster-preparedness suggestions, please contact us. ■



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# The Hidden Danger of Social Networking Sites

Employees using social networking sites from work computers can expose a company to identity theft and targeted phishing attacks. Should you block access to these sites?

In a poll of 600 workers, 43 percent revealed their company was blocking access to Facebook, while an additional 7 percent reported that usage of the social networking Web site was restricted and only those with a specific business requirement were allowed to access it. IT security and control firm Sophos conducted the study.

The poll also revealed that 66 percent of workers were concerned that their colleagues were sharing too much information on Facebook, which could lead to identity theft and targeted phishing attacks against the company.

Keith Reed, the online manager for Trend Micro, a Web security group, agrees that sites like Facebook represent significant danger. "Social networking sites should be a source

of fun, not worry, but there are people out there who spend their time trying to exploit people through their private information."

The potential for mischief increased recently when Facebook announced plans to open members' profiles to regular search engines rather than limiting access to other Facebook members. According to Sophos, a large number of Facebook profile pages contain users' employment details, which could be used together with other stolen information by cyber criminals bent on committing corporate fraud or to infiltrate company networks.

LloydsTSB, Credit Suisse and Goldman Sachs are among the companies reported to have blocked employees from visiting Facebook. The poll results showed that companies are split on the question of social networks. "Some believe it to be a procrastinator's paradise, which can lead to identity theft if users are careless. Others either see it as a valuable networking tool for workers, or are too nervous of employee backlash if the site is suddenly blocked," said Sophos executive Brett Myroff.

"Companies need to make up their own mind as to whether they want to allow users to access social networking Web sites like Facebook during office hours. If workers are given access to these sites, it is, however, imperative that they are taught best practices to ensure they are not putting their personal and corporate data at risk. Five minutes spent learning the ins-and-outs of Facebook's privacy settings, for instance, could save a lot of heartache later," he added.

More businesses are restricting access to these kinds of sites. While employees may not like it, these Web sites can represent a security risk if used carelessly. "Unless there's a work purpose, many companies do not see any reason why staff should need to access them during work time. Companies are also increasingly looking to secure and control their workers' Web activity because of the impact it can have on the company in terms of productivity, bandwidth and security," Myroff says. Sophos' user guide for behaving securely on Facebook is available at [www.sophos.com/facebook](http://www.sophos.com/facebook). ■

## Ten Tips to Minimize Workers' Comp Fraud

Industry experts estimate workers' compensation fraud costs at more than \$5 billion a year, while workers' advocates say between 1 to 2 percent of claims are fraudulent. Even at the low end, fraud can be costly. These tips can help you spot and prevent it.

**1 Hire wisely:** Make sure new hires have the skills and character you want. Conduct background checks on applicants and verify references.

**2 Focus on safety.** A safer workplace reduces the chance of accidents and the opportunity to fake or exaggerate an injury.

**3 Develop a return-to-work policy.** Tell job candidates that if they get injured

on the job, the company will work with the doctor to help them return to work as soon as medically reasonable.

**4 Publicize your workers' compensation policy** to all your employees, and provide updates at least once a year.

**5 Educate, don't threaten.** Explain that workers' compensation fraud hurts everyone, not just the insurer. Let employees know that fraudulent claims can force employers to decrease benefits, lay off employees or go out of business.

**6 Adopt a zero-tolerance policy.** Make it clear that fraud can carry serious consequences, including termination and prosecution.

**7 Stay in touch.** Keep regular contact

with employees who are off work due to an injury. Document each contact or attempted contact. Injured workers who are difficult to contact or who are belligerent may be committing workers' compensation fraud.

**8 Display fraud awareness posters** and the National Insurance Crime Bureau's hotline number.

**9 Develop a healthy work environment.** Minimize repetitive tasks; give workers time to move around and exercise. Show concern for their well-being.

**10 Pay attention to employee complaints** about working conditions. The strongest predictor of fraud is a chronically disgruntled work force. ■