

Risk Management

By Theo Goodwell

In the world of shotcrete, we often speak about the importance of safety: how to handle the nozzle safely, how to hold the nozzle to protect your back, the importance of proper personal protective equipment (PPE), and even pump and vehicle maintenance. How all these safety measures affect your bottom line is the world of risk management, and risk management affects productivity and insurance premiums.

In this article, I will review some best practices for proactively hiring, training, and handling claims so that your Experience Modification Rating (EMR) and your risk will be low (or lowered) and your company-wide productivity will be high (or higher). I will also cover some basics of risk management, safety awareness, and handling claims.

WHAT IS RISK MANAGEMENT?

- Risk is defined as “uncertainty concerning the occurrence of a loss.”¹
- Risk is “often used in situations where the probability of possible outcomes can be estimated with some accuracy.”¹
- Risk management is “a process that identifies loss exposures faced by an organization and selects the most appropriate techniques for treating such exposures.”¹
- Steps in the risk management process include:
 - o Identifying loss exposures
 - o Measuring and analyzing loss exposures
 - o Selecting the appropriate combination of techniques for treating loss exposures
 - o Implementing and monitoring the risk management program.

RISK MANAGEMENT IN THE INTERVIEWING & HIRING PROCESS

An overlooked, but potentially costly, aspect of risk management is not allowing your “next claim” through the door in the first place. No, I am not saying to make blanket generalizations based on physical appearance, demeanor, or age. What I am saying is that doing a little more work on the front end will go a long way to reducing your EMR on the back end. There are no fool-proof ways to ensure you are hiring quality employees, but effective screening can go a long way toward sifting out employees that may wreak havoc from a liability standpoint.

Many small to midsize contractors do not have an HR department; they hire based on need and experience for the industry and position. There is not a national database for nozzle men that will tell you if your candidate is prone to accidents or does careless work, but you do need to make sure your company is covering the basics: multiple in-person interviews, job applications listing work experience, drug testing, reference checks, etc. Consider the concept of integrity testing when you are screening and interviewing candidates. This is when you evaluate a candidate based on his or her responses to integrity- or ethics-based questions.

First, draft a list of attributes that your ideal employee would have. For example, your list might have the following on it: shows up to work on time, consistently produces quality work, has a teamwork-based approach, is pleasant to work with, etc. Then write a few questions for each of those attributes that will help you screen candidates for the attributes you know work best on your team.

Here is a line of questioning you might ask to determine if the candidate produces quality work consistently: Have you ever had to start over on a project when the quality did not turn out the way you were expecting? What did you do to fix it, and how did you know the work wasn't up to standards?

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Next, to screen candidates that will not be more likely to experience consistent claims, draft some interview questions based on scenarios you've experienced with employee claims.

For example, your list of questions might have the following on it, or questions like these:

- Have you ever had a minor accident on the job? Tell me more about it.
- Have you ever had a major accident on the job? What were the circumstances and outcomes?
- How often would you say you experience minor or major accidents on the job? What do you attribute this to?

- Would you drink on the job if no one were watching?
- How many days in a week is it acceptable to show up to work slightly hungover?
- If there are three unopened lunches in the refrigerator that do not belong to you – how many can you eat without feeling guilty?

These questions may have obvious answers to you, but you will be surprised at some of the responses you will get if you just ask them during your interviews.

Screening candidates more effectively for your open positions should have a direct impact on your potential for claims.



Claims have a direct effect on a company's risk level, productivity, and finances...

Let's circle back to the EMR. It is like a credit score that underwriters will use to help determine what rate your company will pay for workers' compensation premiums. The goal here is not to have an 800 (8.0) score! The more claims you have, the higher the score. The more serious claims you have, the higher the score. You want the lowest possible rating score.

How do we get a low score? The bad news is that there is not a magical one-step process; it will take time. Period. Part of effective risk management is claims management. Do you have claims that have been open for extended periods? Do you have a claim that drags on? Can you communicate with your insurance agent or underwriter and explain that your claims handling process is inadequate for your needs?

Claims have a direct effect on a company's risk level, productivity, and finances, so let's review some ways we can be proactive in other areas, so we minimize claims and their effects on decreased productivity in the short term and the long run.

CHANGES TO EMPLOYEE TRAINING & SAFETY AWARENESS

There are a few things to consider regarding employee training as it affects both your bottom-line productivity and your EMR rating:

- How often do your employees (field operations in particular), receive training, and how often are they tested on best safety practices?
- Do you hold daily tailgate safety meetings?
- When was the last time you updated your employee handbook, and do all employees have easy access to it (including periodic updates you might make to it)?
- Does your company have an Injury Illness Prevention Program (IIPP), and do all of your employees have easy access to a copy of it?

- Do you have an attorney to review your company's employee handbook or IIPP so you are staying up-to-date on the latest laws and regulations? (Some states like California require this annually!)
- Do you hold paid training during work hours or online paid training during off-work hours?
- Do you require employees to acknowledge safety risks daily before entering a job site, or do you require a daily short quiz before starting work in order to ensure aspects of the job are clear?

If you do not practice these already, consider which of these you might easily implement now in the short term and which could be implemented as a long-term goal.



What is the cost, to your business, of not implementing these practices?

These are just a few considerations to help ensure that you have done your best to assess risks within your employee pool and to actively seek to minimize issues and occurrences resulting from training deficits and safety protocols.

Your response to these questions may be that you are doing all of this already, but the workers' compensation claims are still piling up. Maybe there is not enough time to get a new crew trained and tested on safety, and your exploding EMR is telling you otherwise. What is the cost, to your business, of not implementing these practices? Have you run a cost-benefit analysis? That should be next on your list, so you have a true assessment of the costs of acting or not acting on your needs.

It is not easy or cheap to train a new worker, so perhaps the cost is prohibitive to you at this time in terms of committing extensive training or re-training.

Another hurdle for your particular business could be that your state says some of these changes would constitute illegal job practices, or perhaps your most valuable employees are bucking against new training or policies that will help you reduce your risk as a business owner or manager.

Reducing your overall cost of risks can seem like a complicated and frustrating task. It does not have to be. Many of you that own your businesses or are in positions at your company to make these decisions, understand this is true. What steps can you take to improve your EMR, your new employee hiring and screening process, and your existing employees' training and safety awareness? Start small if need be.

CHANGES TO HANDLING CLAIMS


How does your company handle claims? I will use a nozzlemann example to illustrate a typical scenario. If he comes into work one day and is complaining of shoulder pain, what is

the first question you ask him? More than likely, you ask this: How did you hurt your shoulder? Then, you probably ask this: When did this happen? Here is where it can get tricky. Let's say this specific nozzleman is in a basketball league and he plays every week; he is in good shape and plays often. Did the injury happen during the game or on the job site? How will you, as an Office/Operations Manager, HR Executive, or Owner know?

Remember at the beginning of this article where I mentioned not hiring your next claim and the importance of integrity testing? Integrity testing in the hiring phase, or along the way in training and safety follow-ups, comes into play here when we set expectations that our employees are open and honest in their reporting of job-related injuries. In most cases, you will not know whether the injury is work-related or not, but the approved medical facility you use, who happens to be in the approved Medical Provider Network (MPN), is surely going to find out.

How many of your claims went through a nurse triage process? By this I mean do you have a company that has nurses on staff that, through a series of questions or a quick visit, can determine if this is a work-related injury or not?

Under a nurse triage program, you would make a call from the jobsite or back at the office. Their representative would gather the information from the employee and decide what happens next. In this example, they go to a local clinic where the injury is assessed and maybe some basic medicine is provided. Since it was properly treated and documented, the employee is cleared to go back to work the next day. This happens all the time, and through this process, other claims-related issues are avoidable. In other cases where an injury causes the employee to be unable to do his or her normal duties, the nurse triage program route will open other options to consider; for instance, using a return-to-work program through a local non-profit where they can do low-impact office work.

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Let us look at another example. One of your crew members cuts her finger on a piece of equipment during the workday. Most crews have a first aid kit on site, and as long as the finger is still attached to the hand, you treat it and move on. When the team gets back to the yard or office, the incident is reported according to your employee handbook. However, what happens when your employee goes home for the day because she is tired and forgoes the clinic? She treats it at home with whatever she has in her medicine

cabinet, and she reports to work the next day. The finger hurts, but she needs to keep earning money, so she says nothing and keeps showing up for the rest of the week.

Eventually, she cannot drive due to the finger, so another employee graciously drives her to the emergency room or urgent care. There, it is determined that a serious infection has set in, and the employee will be sidelined for a month. You do not have an IIPP, (remember this acronym from earlier), there is not a return-to-work program, and thus there is no light-duty work for your employee to do while recovering.

If your employees are sidelined, they are missing income. Since you do not have a return-to-work program, that amount will be paid out in the form of indemnity. Take a look at your loss runs and review your claims. There will be a column labeled indemnity (to make them whole). This is a running tab of one part of what the carrier will have to pay out. Nurse-triaged accidents are 40% less likely to become claims. Doctors-on-call services prevent 90% of injuries from turning into claims. Consider taking advantage of a mobile nursing unit that will come to your jobsite and triage on the spot.

Once the claim has been opened, it is very important to close them out within an appropriate period of time because this will save you money on workers' compensation premiums in the end. What is an appropriate period for reporting and closing claims? The official answer is to READ your policy. A good rule of thumb is within 24 to 48 hours. Timely claims reporting reduces the amount of time an employee is out of work or a vehicle is off the road. Who really likes a long, drawn-out process of any kind? No one!

Along with the nurse triage program discussed earlier, what else could you do to ensure proper claims management? Here are a few suggestions:

- Provide the claims adjuster with ALL claim documentation within 3 days of injury notice.
- Implement an automated system for tracking, monitoring, and organizing claims.
- Have an Experience Modification Analysis completed each year.

CONCLUSION

We have covered a few reasons why it is important to close out claims quickly; what we have not discussed is when and how. Most business owners have no idea how or when their claims are reported and to whom. In CA, your workers' compensation carrier reports claims directly to the WCIRB (Workers Compensation Insurance Rating Bureau). In other states, the NCCI (National Council on Compensation Insurance) performs the same function as the WCIRB.

- Workers Compensation Insurance Rating Bureau-California (WCIRB): <https://www.wcirb.com/>
- National Council on Compensation Insurance (NCCI): <https://www.ncci.com/>

By knowing when the unit statistical period ends, you can formulate a plan to close out claims, have the reserves lowered, and have the claim descriptions amended. Being able to execute one, or a combination, of these steps could go a long way to reducing your company's EMR, which will in turn help to drastically reduce your annual workers' compensation premiums.

If you are already doing this at your organization, well, thank you for reading this deep into my article. If you are not, I (and your employees) do hope you consider some, if not all, of these practices and suggestions as they will help with both productivity and your bottom line. Ultimately, these are your employees, clients, and carrier relationships, all of whom are important. Over the years, I have made an observation: there are so many company websites that promote their safety culture and their employees as "family," but their actions do not match their words. It is worth the extra time and effort to help ensure the care and safety of your extended family because while you're ensuring your employees are healthy and safe, your finances and EMR ratings will be healthy too!

REFERENCES:

1. Rejda, G.E.; McNamara M.J., 2018, Principles of Risk Management and Insurance, 12th Edition, Pearson, Boston, pp. 2, 45.



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2021. He joined ASA because he wanted to holistically assist his clients in the construction business and to be a source of information for an underserved market segment. Another reason Theo joined ASA was because he has always been fascinated by how concrete structures are designed and constructed.. In his spare time, he trains in Jiu-jitsu, travels, and appreciates trying new restaurants.