

Getting an ROI with Safety

By: Nat Carroll
Insure Compliance



Safety Training

- ▶ Who is sitting next to you?
 - ▶ Who is CPR trained?
 - ▶ Where are the fire extinguishers?
 - ▶ What do we do in case of an emergency?
 - ▶ Any additional hazards before we begin?
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- ▶ Before every meeting, even manager meetings, we should be talking about safety.

Overview

- ▶ Intro to IC
- ▶ Paul O'Neill and Alcoa
- ▶ If you aren't doing anything now, how do you get started?
- ▶ When is the right time to hire an internal safety manager?
- ▶ How do I know if my safety program is robust enough?
- ▶ Also, what are the financial ramifications (positive and negative) of safety?
 - ▶ EMOD for insurance premiums
 - ▶ Workers' compensation insurance and discounts
 - ▶ Down time or lack of down time
 - ▶ Employee morale, engagement, and loyalty

Intro to Insure Compliance

- ▶ Began in 2011 inside an Insurance Agency.
- ▶ We work in Arizona, California, Colorado, Nevada, New Mexico, Washington, North and South Dakota, Nebraska, North Carolina, and Utah. Listed are a few of our certifications and qualifications:
 - Safety Professional with Doctorate in Safety and Risk Management
 - Industrial Hygienist
 - OSHA Authorized Trainers
 - Master Degree in Adult Training and Communication
- ▶ Insure Compliance also has extensive history with insurance agencies. We have more than 60 years of combined insurance experience and work with insurance companies as a Risk Management provider.
- ▶ We have helped one of our clients receive the first SHARP designation for farming. We also are the Spanish trainer for ARCA and we help many companies find affordable safety and compliance assistance.
 - ▶ We believe in protecting people, property, planet, and profitability.



Legendary Safety ROI

- ▶ In 1987 Paul O'Neill was made CEO of Alcoa.
- ▶ “We’re going to put safety over profits”
- ▶ “Focusing on worker safety can transform an entire organization and dramatically improve culture, quality, productivity, communication and ultimately profits,” O’Neill theorized
- ▶ Under O’Neill’s watch, Alcoa dropped from 1.86 lost workdays per 100 workers to 0.2. A year after O’Neill’s speech, the company’s profits hit a record high. With O’Neill as CEO, Alcoa’s market value climbed from \$3 billion to \$27 billion, and its annual net income was five times higher than when he started.
- ▶ - The Power of Habit: Why We Do in Life and in Business

Safety ROI

- ▶ “All that growth occurred while Alcoa became one of the safest companies in the world,” Duhigg wrote. “Before O’Neill’s arrival, almost every Alcoa plant had at least one accident per week. Once his safety plan was implemented, some facilities would go years without a single employee losing a workday due to an accident. The company’s worker injury rate fell to one-twentieth the U.S. average.”
- ▶ - The Power of Habit: Why We Do in Life and in Business
- ▶ Safety is a natural rallying point to improve your company.

Safety and Stock Purchase

- ▶ Evidence of that can be found in a [2016 analysis of returns](#) for those organizations that won the Corporate Health Achievement Award, established in 1995 by the American College of Occupation and Environmental Medicine to “recognize the healthiest, safest companies and organizations in North America.” Seven researchers tracked what would have happened if an investor bought stock in CHAA-winning companies at the beginning of 2001 and rebalanced the portfolio each year when new winners were announced (including doubling or tripling down on companies that earned the award multiple years).
- ▶ Companies that scored high in the CHAA safety category outperformed the market by three times, achieving a return of 314% compared to the S&P’s 105% during the same period. “This study adds to the growing evidence,” wrote the analysts, “that a healthy and safe workplace correlates with a company’s performance and its ability to provide positive returns to shareholders.”
- ▶ Forbes Magazine

Where do I start?



Learn what you don't know.



Free resources

OSHA Consultation
Risk Manager from your
Insurance Carrier
Risk Manager from your
Insurance Broker
GC Safety
OSHA Website



Paid resources

Third Party Companies
Online tools
Associations

Short list of what OSHA requires

- ▶ Employer Responsibilities
- ▶ Under the OSH law, employers have a responsibility to provide a safe workplace. This is a short summary of key employer responsibilities:
- ▶ Provide a workplace free from serious recognized hazards and comply with standards, rules and regulations issued under the OSH Act. Examine workplace conditions to make sure they conform to applicable [OSHA standards](#).
- ▶ Make sure employees have and use safe tools and equipment and properly maintain this equipment.
- ▶ Use color codes, posters, labels or signs to warn employees of potential hazards.
- ▶ Establish or update operating procedures and communicate them so that employees follow safety and health requirements.
- ▶ Employers must provide safety training in a language and vocabulary workers can understand.
- ▶ Employers with hazardous chemicals in the workplace must develop and implement a written hazard communication program and train employees on the hazards they are exposed to and proper precautions (and a copy of safety data sheets must be readily available). See the OSHA page on [Hazard Communication](#).
- ▶ Provide medical examinations and training when required by [OSHA standards](#).
- ▶ Post, at a prominent location within the workplace, the [OSHA poster](#) (or the state-plan equivalent) informing employees of their rights and responsibilities.
- ▶ Report to the nearest [OSHA office](#) all work-related fatalities within 8 hours, and all work-related inpatient hospitalizations, all amputations and all losses of an eye within 24 hours. Call our toll-free number: 1-800-321-OSHA (6742); TTY 1-877-889-5627. [Employers under federal OSHA's jurisdiction were required to begin reporting by Jan. 1, 2015. Establishments in a state with a state-run OSHA program should contact their state plan for the implementation date].
- ▶ [Keep records](#) of work-related injuries and illnesses. (Note: Employers with 10 or fewer employees and employers in certain low-hazard industries are exempt from this requirement.
- ▶ Provide employees, former employees and their representatives access to the Log of Work-Related Injuries and Illnesses ([OSHA Form 300](#)). On February 1, and for three months, covered employers must post the summary of the OSHA log of injuries and illnesses ([OSHA Form 300A](#)).
[Provide access](#) to employee medical records and exposure records to employees or their authorized representatives.
Provide to the OSHA compliance officer the names of authorized employee representatives who may be asked to accompany the compliance officer during an [inspection](#).
- ▶ Not discriminate against employees who exercise their rights under the Act. See our "[Whistleblower Protection](#)" webpage.
- ▶ Post OSHA citations at or near the work area involved. Each citation must remain posted until the violation has been corrected, or for three working days, whichever is longer. Post abatement verification documents or tags.
- ▶ Correct cited violations by the deadline set in the OSHA citation and submit required abatement verification documentation.

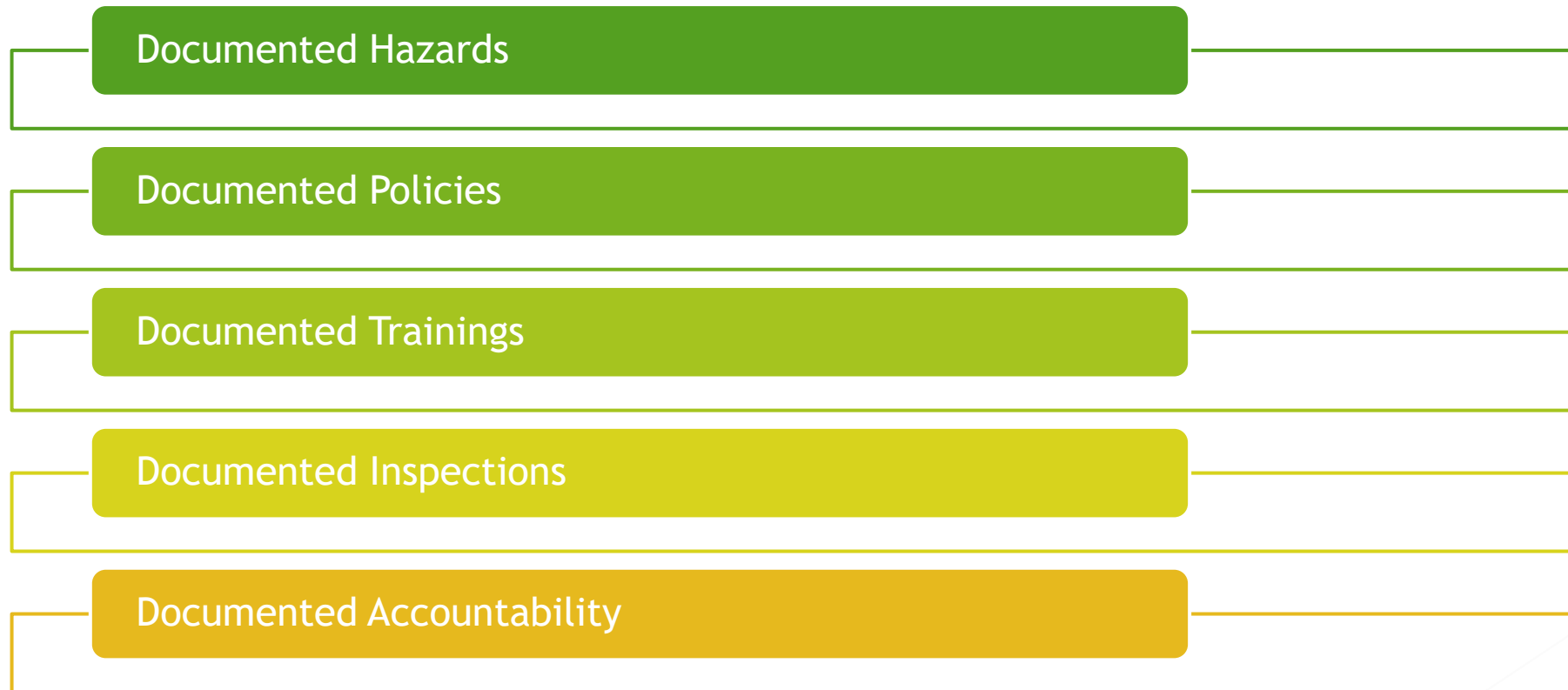
Two-day workshop



- Middle East Safety Conference
- Bahrain
- 5Ds of Safety



Safety Gap Model



How we use the Safety Gap Model



Awareness gap

The awareness gap is the difference between the availability of safety information and the school's awareness (or knowledge) of safety.

Essentially, this gap arises because the company doesn't know exactly what hazards exist and they aren't familiar with regulations or other safety information.

Why does this gap exist:

- ▶ Lack of communication
- ▶ Insufficient safety research Failure to read/listen to OSHA regulations.

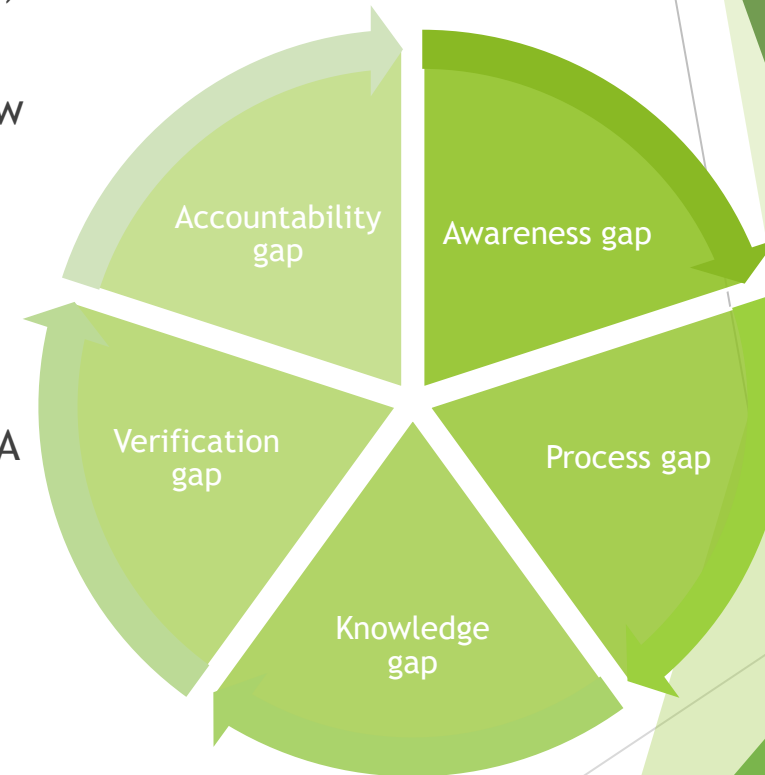
What are the symptoms:

- ▶ Lots of accidents (OSHA's TRIR)
- ▶ Lack safety practices (not wearing PPE or following the necessary guidelines)

Solution:



Document Job
Hazards



Process Gap

The process gap is the difference between a company's understanding of their safety needs/mandated regulations, and the translation of that understanding into safety policies and standards.

Why does this gap exist:

- ▶ Lack of defined responsibility
- ▶ Poorly defined safety processes.
- ▶ Failure to regularly update
- ▶ safety process standards.

What are the symptoms:

Solution:



Document Policies



Knowledge gap

The knowledge gap is the difference between safety policies and standards and the knowing how to implement them.

Why does this gap exist?

- ▶ Lack of training.
- ▶ Employee lack of safety knowledge
- ▶ Lack of defined responsibility

What are the symptoms?

- ▶ Lack of training for foreman and supervisor
- ▶ Lack of training new hires
- ▶ Employees unsure of company policies
- ▶ OSHA fines

Solution:



Document Training



Verification gap

The verification gap is the difference between safety training provided and safety behavior.

Why does this gap exist?

- ▶ Employees misinterpret the importance of safety
- ▶ Lack of safety supervision
- ▶ Company focus on productivity over safety
- ▶ Safety not recognized as a company goal

What are the symptoms?

- ▶ Productivity valued at expense of safety
- ▶ Company feel unable to enforce safety
- ▶ Company unsure of how to prevent accidents or where to start (inspections can find the trends)

Solution:



Document
Inspections



Accountability gap

The accountability gap is the gap between safety behavior and recognizing and addressing the behavior. This leads to a lack of accountability or repercussions.

Why does this gap exist?

- ▶ Safety not part of leadership goals
- ▶ Lack of defined bad performance process
- ▶ Lip service to safety

What are the symptoms?

- ▶ Lack of top down accountability
- ▶ Low company moral

Solution:



Document
Accountability





When is the right time to hire a safety manager?

- ▶ It depends ☺
- ▶ OSHA requires that you have a safety representative on your safety statement. If you are inspected, you will be required to provide a name. - OSH Act 1971
- ▶ You need someone to be in charge of safety from the beginning. Whether you have someone with multiple responsibilities or have a third party, you need to have someone directing your safety focus.
- ▶ These factors will come into play:
 - ▶ Size of the operation
 - ▶ Industry
 - ▶ The number of locations the company has
 - ▶ Responsibilities that this position will handle
 - ▶ The time commitment needed to properly handle these responsibilities

Hiring a safety manager

- ▶ Other factors when hiring a safety manager:
- ▶ What type of safety professional do you need? (This one is hard to give a quick answer to)
- ▶ What will their responsibilities be and who will they report to? (are they reporting to production, or straight to CEO or COO?)
- ▶ Will they be a corporate safety or field safety representative? (Directing policy or boots on the ground)
- ▶ What are the GC's requiring? (Can you keep up with your current staff?)
- ▶ What are the GC's that you want to work for requiring? (TSMC or other sites you are trying to get on)
- ▶ What will the pay be? (\$80,000 to \$160,000 right now for safety manager/safety directors)

When to hire a safety manager

- ▶ Watch your safety score (TIRT, OSHA Score, or EMOD) if you are having a lot of accidents, it is probably time to get help
- ▶ Generally, we see the following for construction
 - ▶ Once above 50 employees
 - ▶ Working with GCs such as DPR, Mortenson, McCarthy, Barton Marlow, Kitchell
 - ▶ Foreman, HR, Controller or Super can no longer handle safety as part of their duties

Safety Manager alternatives

- ▶ Third Party 😊
- ▶ HR doubling as safety if they have enough time
- ▶ Controller managing safety if possible
- ▶ Help from Insurance Broker
- ▶ Help from Insurance Carrier
- ▶ Promote an internal employees, and then get him the needed training.

How do I know if my safety plan is robust enough?

- ▶ Ultimate test?
 - ▶ You have the best EMOD in your industry. Your broker or carrier should be able to tell you this.
 - ▶ 0 Accidents
 - ▶ You sleep at night knowing that your crews are protected and aren't getting hurt
- ▶ Stress tests
 - ▶ OSHA Consultation
 - ▶ Third Party Mock OSHA audits
 - ▶ See if you have an increase amount of accidents in the summer time

Financial Ramifications

Lots of information very quickly.

1. Underwriter Package

Generally speaking, it takes 3-5 years to save money on insurance through safe practices. However, we have developed a method to work with your clients to save them money upon renewal.

Most underwriters have about 10 points that they don't know what to do with. Insure Compliance can help give the benefit of the doubt to your client by proving that they are following safe practices. As Insure Compliance works with your company and sets up Safety and Compliance Programs, we can further help your client to save money by saving them on insurance.

Case Study:

After working with a large contractor client for only 6 months, we created an Underwriter Package, delivered the Underwriter Package to his insurance agent as well as the insurance carrier, and saved him \$10,000 on his insurance!



2. E-Mod Control

Insure Compliance can help clients to save a great deal of money through safe practices.

E-Mod Example	E-Mod Value	Premium	Description
Current	1.24	\$124,000	High Cost
Average	1	\$100,000	Average Cost
Minimum	.75	\$75,000	Low Cost
Difference	.49	\$49,000	Savings

Case Study:

Insure Compliance began a Safety and Compliance Program with a Council of Governors in 2014 attempting to lower their insurance. Initially, they were paying \$400,000 for their insurance. 3 years later, they pay \$266,680 for their insurance premium.

3. Safety and Compliance Program

OSHA regulations are constantly changing, fines have increased an average of 80% in 2017, and compliance is a major fear for the business owner.

Insure Compliance has a dedicated team with knowledge and experience to work with OSHA, prevent fines, and protect the client. With our Safety and Compliance Program (The 5 D's of Safety), every client can rest assured that they will be protected when OSHA comes to inspect.

Case Study :

A large waste management company in Colorado was not compliant in any of their work practices. After working with Insure Compliance for only 3 months, OSHA conducted a random inspection and reviewed their new manual, trainings, and accountability programs. The company was found both safe and compliant with no fines levied.



Accident Costs (All statistics are from the National Safety Council)

- ▶ **Altogether, the total cost of work injuries in 2018 was \$171 billion.**
 - ▶ This figure includes wage and productivity losses of \$52 billion,
 - ▶ medical expenses of \$35 billion,
 - ▶ administrative expenses of \$58 billion.
 - ▶ employers' uninsured costs of \$13 billion,
 - ▶ damage to motor vehicles in work-related injuries of \$5 billion
 - ▶ and fire losses of \$8 billion.
- ▶ **The cost of work injuries per worker in 2018 was \$1,100.**
 - ▶ This includes the value of goods or services each worker must produce to offset the cost of work injuries. It is not the average cost of a work-related injury.
 - ▶ The cost per medically consulted injury in 2018 was \$41,000,
 - ▶ And, staggeringly, the cost per death was \$1,190,000.
 - ▶ These figures include estimates of wage losses, medical expenses, administrative expenses, and employer costs, but exclude property damage costs except to motor vehicles.

Financial Ramifications

► **your safety investment × 2 = your ROI**

- It's that simple. Take your safety investment, double it, and pay it back to your organization. For every dollar spent on safety today, you save \$2.00 in the future.
- This is a conservative estimate, by the way. [Safety+Health magazine reports](#) that "various studies have shown \$1 invested in injury prevention returns between \$2 and \$6." Indeed, a more accurate calculation of ROI may be to triple or even quadruple that initial investment.

Financial Ramifications, what you can do

- ▶ Easiest areas of control in order:
- ▶ Claims Management
- ▶ Accident Prevention

Claims Management

- ▶ Put out the current fires quickly:
 - ▶ Insurance Broker should be able to help with current accidents
 - ▶ Bring in a triage service (Nurse Triage, Onsite Medical)
 - ▶ Do not use CONCENTRA
 - ▶ Follow up to get claims closed
 - ▶ DO NOT LET INSURANCE PAY FOR YOUR EMPLOYEE TO STAY HOME (you will pay them back 3 times as much for this)

Down Time

- ▶ If you do not have a Return to Work Program, Return to Anything program, get one now.
- ▶ This will save you more on your EMOD than anything else you can do.
- ▶ If you get an employee back to work within 7 days of the accidents, the impact on your EMOD is reduced by 70%.

Accident Prevention

- ▶ What trainings are you doing and how frequently?
- ▶ How are you seeing if employees are listening?
- ▶ Are you checking on your staff?
- ▶ What is your accountability program?

Employee Engagement and Morale

- ▶ Read Gallup's State of the American Worker and Their Q12 Employee Engagement to help understand Morale and Safety.
- ▶ Better Safety Reduces Absenteeism.
- ▶ A strong safety culture improves productivity - A study by Lockheed Martin of their Paducah Plant found that by developing a safety culture, they were able to increase employee productivity by 24% and reduce factory costs by 20%. Lockheed Martin's study found that the major reason for this increase was their focus on reducing errors that lead to job hazards and accidents.
- ▶ Safety help with employee engagement -Employees who take personal accountability in their safety are more likely to be engaged and happy at work. Many studies have shown a link between health and safety, and happiness at work and employee productivity. To finish bringing things full circle, engaged employees are also more likely to be safe at work!

Safety Barriers

- ▶ Culture
- ▶ Cost
- ▶ Lack of knowledge and understanding
- ▶ Good enough Safety Scores
- ▶ Risk - waiting until the accident happens before you do anything
- ▶ Profit above life

Next Steps

- ▶ Company Evaluation
- ▶ This may include:
 - Presenting a business case to invest in EHS
 - Continuous learning programs
 - New EHS software
 - Improving communication between workers and management
 - Setting Key Performance Indicators (KPIs) to track progress

