

Insurance Safety Representatives: They're All the Same – Right?

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Abstract

Saputo Cheese, USA (Saputo) has been executing an injury prevention strategy by working side by side with their insurance broker, Aon Risk Solutions (Aon) and their insurance carriers. The initial relationship focused on compliance related with Aon acting as the primary coordinator and abbreviated audits completed by the carrier. During this time Saputo realized the incremental improvements achieved were not in line with other businesses having designated and dedicated safety resources, therefore Saputo created a corporate safety and health director position for their US operations in 2008.

The director position allowed the Saputo, Aon and the carrier team members an opportunity to calibrate service expectations and objectives to ensure each resource would be used to the fullest and have the greatest impact. Since the hire of the corporate safety director, Saputo has reduced their OSHA incident rate by 24% as a company and some sites experienced as much as a 50% reduction. During the same period available technologies were used to improve administrative efficiency, a formal ergonomic injury prevention process was designed and launched at six locations, a due diligence procedure was developed for newly acquired sites and five facilities were added to the organization.

Workers' Compensation History

The premise of the workers' compensation (WC) system is straightforward – remove the injured employee and their employer from the court system and provide a level of certainty for determination of wage replacement, disability and medical care payments if an employee is injured while working. This is a “no fault” approach and in 1911 Wisconsin became the first state in the nation to have a law protecting private employers in this regard. By 1948, 48 states and the two territories (Alaska and Hawaii) had versions of this law.

Shortly after the Wisconsin law went into effect, the first insurance policy was written for business owners. In the article, *Workers' Comp Turns 100: A Long History and an Evolving Future*, the author, Nancy Hamlet writes, “Increasingly, workers were winning lawsuits and businesses were becoming perturbed by the uncertainty of courts determining payouts. As a result of the successes in court, unions actually opposed workers' compensation, arguing that

employees could gain more out of the courts than a system that might set awards at an arbitrarily low level.”

Having an insurance policy and complimentary legal system allowed business owners a way to predict the costs associated with workplace injuries. Over time, business owners became aware of the importance of improving workplace conditions and reducing the number of worker injuries. For the business owner, having fewer employee on-the-job injuries became a way of controlling insurance related costs and assigning a fixed cost to events with variable outcomes (in terms of injury severity). The business owner pays workers’ compensation policy premiums. The insurance carrier, by contract, is obligated to provide benefits in accordance the state laws. For insurance carriers fewer occupational injuries translated to reduced benefit payments and customer specific profitability.

To aid in the goal of fewer workplace injuries, insurance carriers and brokers began hiring staff to assist their customers with injury prevention efforts and today all major WC carriers and brokers have loss control staff members holding this job function. The Occupational Safety and Health Act enacted in 1970 required employers to provide a workplace free of recognized hazards. The Act was a catalyst for the creation of technical education programs offering various degrees covering the entire spectrum of injury prevention and workplace safety. The Act created the need for business owners to have confidence in their level of compliance with the various regulations and as such, began hiring safety professionals too.

Today many insurance safety professionals have been educated at the same institutions or have become competent in the field while learning on-the-job. With safety professionals having similar backgrounds and credentials, how can business owners differentiate the staff members assigned to them by their insurance carriers and brokers? From the business owner viewpoint, what is the benefit of using the broker or carrier’s loss control staff? First, let us review the role and function of the insurance industry safety professionals.

Insurance Industry Loss Control Staff Role and Function

Again, having similar technical experience is only the starting point. As practitioners gain experience and skills their competency level changes and the dimension of educational becomes less important. The insurance industry offers many types of safety related experts to their clients (business owners). Those clients that know when to use the experts can positively influence their related insurance costs, workplace injury rates and effectively manage the exposure to loss (i.e. worker injuries).

Broker Risk Control

The basic role of a broker is to act in the best interest of the client. An insurance broker seeks out the best possible risk management solutions and safety professionals working for a broker work under the same principle. The brokers’ safety professionals perform a variety of tasks on behalf of their clients. The tasks include participation in risk management department projects (total cost of risk reduction, claim intake, and technology related projects, etc.), partnering with actuarial and casualty claims staff on results reporting and benchmark collection, acting as a safety director, client advocacy, assistance with insurance program marketing, client specific safety system audits, safety related training program development and delivery, regulatory interpretation, safety program development and implementation. Brokers also have staff members with specific topical expertise like ergonomics, six sigma, regulated and non-regulated fleet safety, environmental, enterprise risk management, crisis management, organizational development, performance management and compensation. In addition, some staff members

have specific expertise related to an industry like entertainment, construction, agriculture, aviation, health and welfare benefits, etc. Increasingly, broker risk control staff are being engaged as active members of client's risk management committees or asked to consult on long-term strategy issues related to all types of risk – not just workplace injuries.

Insurance Carrier Risk Control

The insurance carrier is contractually obligated to pay for covered losses. Insurance company loss control staff members are employed to identify risks potentially causing covered losses and to identify methods to eliminate or mitigate the exposure. Many insurance companies promote their desire “to partner” with the insured to improve workplace safety and offer supplemental services, such as access to online training, industrial hygiene sample collection and analysis, online OSHA recordkeeping capabilities, printed materials, and workshops for client staff on variety of safety topics. To get a better understanding of the range of services offered by the various carriers, visit their website and perform a “search” for safety resources. You will quickly see the variety of services available and, in the authors' opinion, the more importance the carrier places on this service, the easier it will be to find a resource.

It is important to note that some carriers outsource their safety staff, while other offers a full contingent of highly degreed and designated staff. The broker representative can help determine appropriate carriers, request specific carrier staff assignments, design customized tools for the carrier team members to use, draft service instruction standards, coach carrier team members as needed, sequence the deployment of the resources used, and continually advocate to the carrier the client's cooperation. Using a broker's safety representative is a way to help navigate the offerings provided and a method to ensure the client and carrier business philosophies are in alignment.

If a business owner does not fully engage the safety staff resource available from the brokerage firms, typically the insurance loss control staff member will make routine visit sites (i.e., underwriting surveys) resulting in generic recommendations. (Remember, insurance companies are in the business to minimize their financial risk in terms of claim payments and need a certain level of assurance the business they have unwritten will be profitable.) Once the visit is completed, a follow up letter is usually sent to the business owner stating any recommendations offered. This letter triggers the carrier's recommendation follow up system that tracks recommendations compliance, and underwriters will review this during the renewal process.

In some cases, the solutions recommended to address the loss exposure identified by the carrier representative are not feasible and the situation can worsen if the carrier representative is unfamiliar with the business operation. Other disagreements can arise when there is consensus among the parties (business owner, broker loss control, and carrier loss control) in terms of the recognized hazard, yet the resolution approach is disputed. These situations illustrate the importance communication. Jack Popp in his article, *Selecting a Safety & Health Consultant*, writes, “Selecting the right consultant is similar to choosing a personal physician. Much like physician, some safety consultants are generalists, others are specialists. Be it for medical advice or safety advice, you want an experienced, knowledgeable, certified professional who you trust and with whom you can communicate.”

How can you improve communication and avoid these conflicts? The answer is easier said than done – reach a common understanding of what is being discussed. Ask all involved to state their understanding of the issue and compare the responses. This can be a challenge, since

there are many agendas – the insurance company loss control representatives needing to support their recommendation (i.e. mitigate or eliminate potential for covered loss); business owners with defined budgets and brokerage staff looking out for their client’s (business owner) risk; management related interests. This dynamic is very powerful and must be managed if there is to be trust. How can you build trust? Reaching a common goal is one method to build trust, and so is the completion of assigned tasks. This is important so each participant knows the expectations of each member involved. This is essential to achieving a common understanding of what is being discussed and working towards a common goal – improved workplace safety.

One way to demonstrate a common meaning has been achieved is to draft an action plan outlining project goals, team member roles (task completion and team membership), and task deadlines. Exhibit 1 is an example of a project description used by Saputo document the 2012 service strategy and communicates the common meaning among the various parties involved with the project.

Client Mission	Saputo Cheese USA, Inc. believes in order to maintain our leadership position within the industry; our employees must be free to work in an environment that is both safe and healthy. Meeting this goal requires our employees and managers to work together toward an incident free environment.
Goals	<ul style="list-style-type: none"> • Achieve an OSHA Total Recordable Incident Rate (TRIR) of 8.99 by year end 2012 • Achieve and OSHA Lost Day Incident Rate of 2.0 by year end 2012
Deliverables	<ol style="list-style-type: none"> 1. Complete 9 site audits within budget and of acceptable quality 2. Complete ergonomic best practices gap analysis of corporate approach and prepare report and action plan targeting identified improvement opportunities. Provide on-going support to Big Stone city via quarterly site visits and regular teleconference calls. 3. Complete BBS observer calibration at Lena site to evaluate the quality of interaction among workers and identify BBS process improvement opportunities. 4. Hold midyear and stewardship meeting to report action progress, results and to calibrate expectations

Exhibit 1 – Project Description.

Exhibit 2 provides an example of the task description for the site audit deliverable listed in Exhibit 1. The task description, specific task related objectives and accompanying milestones offers a quick reference for team members, as well as those not directly involved with the project but are identified as stakeholders. In the example of the site audit, a stakeholder could be the head of operations (i.e. plant manager’s boss). This information can be shared in various settings with the operational leaders to seek their commitment to complete the audit, promote the task among others within the company and at the select site, define and calibrate site leader expectations, and monitor follow up actions by the site team. A document like Exhibit 2 can also be used to communicate with site member and others who may be asked to participate in the audit. The uncomplicated approach shown in Exhibit 2 promotes the goal of communication – achieving a common meaning.

Project 1: Audit Project	Benefit to Saputo	Milestones
<ul style="list-style-type: none"> ▪ Five years ago, Saputo started various compliance programs and safety management systems audits. Over this time, various programs have improved and the audit tool has evolved. While the basic premise of the audit task remains to identify improvements, the sites are encouraged to improve their safety program effectiveness by formally drafting improvement plans based on the findings. ▪ The audit tool currently has over 20 elements and includes documentation review, physical conditions inspection, and associate interviews as appropriate. ▪ Nine audits to be completed in 2012. 	<ul style="list-style-type: none"> ▪ Identify program strengths (best practices) and opportunities ▪ Recognize site’s accomplishments ▪ Establish consistent performance standards 	<ul style="list-style-type: none"> ▪ Staff introductions – January 2012 (done) ▪ Site confirmation – January 2012 (done) ▪ Audit tool / question set confirmation – March 2012 ▪ Site schedule confirmed for year – March 2012 ▪ Site and aggregate report of findings – throughout year

Exhibit 2 – Task Description Detail.

Upon agreement of project goals and deliverables, action plans are then developed to schedule work tasks and track progress towards completion. Exhibit 3 shows the action plan for Deliverable 1 of the project (site audits) in a Gantt chart format. The business owner's project coordinator and other identified to be part of the team use the project action document. Color-coding completed tasks or tasks jeopardizing completion deadlines a common method to display progress against the objectives deadline. In addition, project management software is available for more complex projects or projects with critical dependencies.

Green = Completed

Project 1: Site Audits Lead - Aon	Jan		Feb		Mar		Apr		May		June		July		Aug		Sept		Oct		Nov		Dec	
	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4	1-2	3-4
1. Confirm sites and dates																								
2. Review / enhance audit tool (EE comprehension questions)																								
3. Schedule and complete audits																								
<i>Fon du Lac</i>																								
<i>Lena</i>																								
<i>New London</i>																								
<i>Big Stone City</i>																								
<i>Almena</i>																								
<i>Black Creek</i>																								
<i>Tulare – Levin</i>																								
<i>Tulare – Paige</i>																								
4. Distribute results report distributed within 15 workings days of visit																								
5. Project status review meeting																								
6. Unanticipated events																								

Notes

02/05/12: Audit sites have been agreed upon, however the schedule listed above has not been confirmed

Exhibit 3 – Action Plan Example.

Saputo Approach and Results

Saputo is a Montreal based business formed in 1954 with a \$500 investment by Lino Saputo. Although the company is publicly traded on the Canadian stock exchange, the Saputo family is still actively involved with company operations. Saputo is in the dairy industry and produces, markets and distributes a wide array of products, including cheese, fluid milk, yogurt, dairy ingredients and snack-cakes. Saputo has evolved to a global company and with revenue in excess of \$6 billion Canadian dollars. They are the 12th largest dairy processor in the world, the largest in Canada, the third largest in Argentina, among the top three cheese producers in the United States and the largest snack-cake manufacturer in Canada. Products are sold in more than 50 countries under well-known brand names. Globally, there are over 10,000 associates and Saputo operates 47 plants. In the United States, Saputo has 16 manufacturing sites and about 3,500 associates.

When Aon's casualty risk control consultant was assigned to assist Saputo with their safety needs, Saputo had 15 locations and approximately 3,000 full time workers. The WC claim handling and safety program was the responsibility of a single person within Saputo. In addition,

this person provided human resource expertise up five locations within Saputo. Over time, the structure has evolved and looks distinctly different today with the hire of a corporate safety director.

Currently regional human resources (HR) managers work with site staff to address HR issues, WC claim reporting and case management, and safety program administration. Corporate resources for safety and WC management are also in place. Aon has evolved as well, by assigning a WC claims professional who is available for consultation on settlement issue, closure strategy, vendor performance, intake process improvement, claim investigation practices, etc. Additionally, a Certified Professional Ergonomist (CPE) was added to the team along with a food industry expert from Saputo's insurance carrier.

Saputo and Aon maintain a strong partnership both in the United States and globally. To ensure the WC carrier has an active role in the injury prevention strategy, annual planning sessions are held. During the planning session past accomplishments are discussed and current plans are calibrated to ensure every team member is on track to complete their assigned tasks. Operational changes are also reviewed affecting the stated plan (i.e. new acquisitions, additional industrial hygiene sampling requests, staff changes, etc.). Specifically, the annual planning meeting provides an opportunity to calibrate activities against the overall goals. Workers' compensation claim data is also shared and used to calibrate results expectations. These meetings are crucial to the success of the partnership among Saputo, Aon and the carrier.

With the hire of Saputo's safety director many safety initiatives have been undertaken. They include employee safety training, peer-to-peer observation, ergonomic injury reduction initiatives, leadership workshops, NFPA 70E and ammonia system assessments. Technology systems have been launched to assist with regulatory recordkeeping, internal training, and results reporting. Here are several exhibits and a listing by year of projects accomplished since 2008.

2008

Saputo Activities

- Safety Share Point site goes live and training given to every plant on how to use the Share Point site, as well as how to use their own folders within the application. Share Point gives the plants access to over a thousand different documents related to training, policy, procedures, educations, safety talks, safety alerts, as well as reporting.
- Driving Safety Culture course given to every plant in Saputo US
- Safety reporting developed for 2009 to accompany the Quarterly WC report
- NFPA 70E program rolled out

Aon Activities

- Draft ergonomic injury reduction strategy to educate the plants with the highest strain/sprain injury history, as well as plants with high ergonomic injury risk. The plan included six locations. The training included an overview of what are ergonomic risk factors, how they impact costs and productivity, how to measure ergonomic stressors using a tool called the Ergonomic Job Measurement System (EJMS), brainstorming for ideas and solutions, selling solutions to management and then implementation of the various solutions.
- Initial ergonomics training provided to the Almena plant staff.

Carrier Activities

- Provided resources used on Share Point site (sample policies, training documents, etc.).

2009

Saputo Activities

- Launch of Monthly OSHA Reports
- Materials added to Share Point including Monthly Safety Talks
- Safety Conference calls start on a monthly basis.
- Began peer-to-peer observations program with “how to provide feedback” session at the Paige and Bardsley sites.
- A focus on technical safety training began. Topics covered included: accident investigations, hazard recognition, racking inspections for all supervisors and managers, and “How to Run an Effective Safety Committee”

Aon Activities

- Ergonomics training provided to the Big Stone City site.
- Start of formal ergonomic conf calls to report on progress and to offer an opportunity to share best practices.

Carrier Activities

- Development of the Saputo Safety Assessment with the carrier. This assessment is now the main tool to guide the plants to implement programs and policies they need to update. This process also finds the return to work program are weak at many plants.
- First Report on Line (OSHA online recordkeeping application) launched to help plants with trend reporting and to automate OSHA recordable reporting.
- More focused approach on the use of industrial hygiene testing services offered.

2010

Saputo Activities

- Ammonia training at UW Madison brings about the formulation of the Saputo Ammonia Steering Committee.
- Ammonia Steering Committee visits all US plants and determines a priority.
- Continued technical safety training for all plants, specifically, OSHA and You, and Saputo Safety Leadership.
- Development of Saputo Forklift program.
- Bardsley location achieves 1 Million Hours with no lost time injuries.
- Process Safety Management (PSM) audits begun at the Midwest plants.
- Return-to-work process is a focus of HR Regional team members.
- Big Stone starts to use occupational health provider to help with ergonomic injuries and back injury prevention.
- Lena starts to use occupational health professional to ergonomic injury prevention training.
- Peer-to-peer observation training implemented at Lena. Training for three other sites is delivered.

Carrier Activities

- Saputo Safety Assessment continues in conjunction with WC carrier.

Aon Activities

- Follow up visits to Almena and Big Stone for Ergonomics.
- Ergonomic training course in Waupun includes Waupun, Scott St, New London, Lena, Purchasing, Canadian group. Ted DesMarais from Aon joins the training.
- Multiple follow-up visits to plants that participated in ergonomics training earlier.

2011

Saputo Activities

- Technical Training now includes; Ammonia Awareness
- Lena continues to use occupation health provider for promotion of injury prevention, back injury prevention, and wellness activities.
- Safety Summit Process is launched and completed for all sites.
- Seven plants are actively applying peer-to-peer observations. Hancock goes through observations training.
- Plants started using third party vendor (JJ Keller) to help update training and policies.
- Technical safety training continued for plants.
- More involvement in PSM/PHS process.

Aon Activities

- Aon's ergonomist assigned to work on a special project and include operation/associates in solution development. Multiple solutions developed because of the project.
- Six plants are currently involved in Saputo's Ergonomics Program.

Carrier Activities

- Saputo Safety Assessments completed for all plants.

Results

Exhibit 4. Total Recordable Incident Rate shows nearly a 44% reduction since 2006 and since 2008 a decrease of 23%. Exhibit 5. WC Claim Data shows the cost of claims per labor hour worked is trending downward. Note that a current year comparison to older years is not advised since this data has not been actuarially developed, however the trend line is positive. Exhibit 6. Hours Worked per Claim Event shows the length of time (in hours) worked per claim event across all sites. This is of particular note since Saputo acquired six additional sites since 2008.

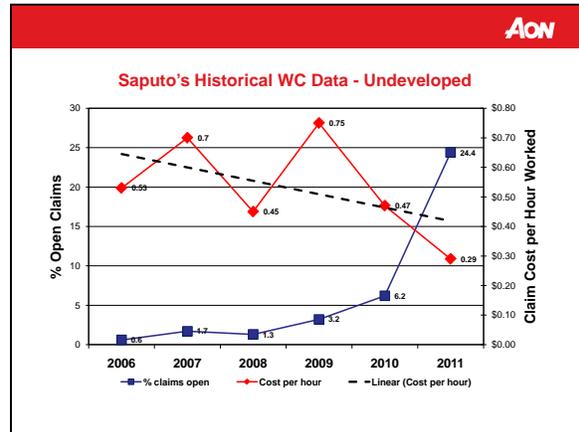
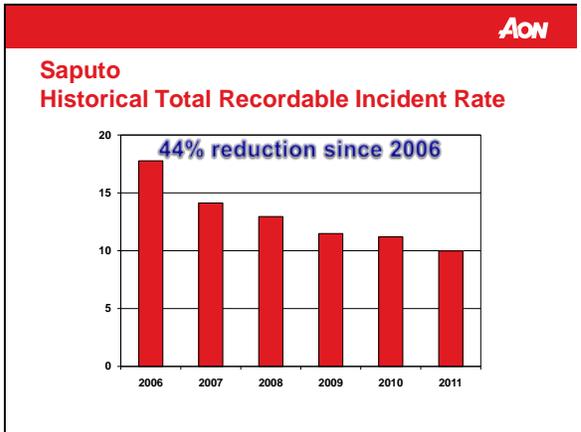


Exhibit 4. Total Recordable Incident Rate

Exhibit 5. WC Claim Data

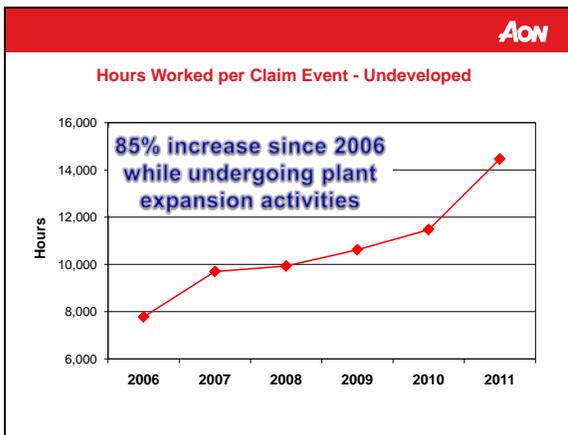


Exhibit 6. Hours Worked per Claim Event

Conclusion

The accomplishments experienced by Saputo since 2008 are tremendous and are the result of the hard work of Saputo associates and leadership team members. A key to Saputo's success is having a healthy partnership with insurance broker and carrier. This allowed the Saputo internal staff to execute their strategy because of the confidence in the safety place designed in partnership. Saputo knew the safety functions were occurring (ergonomic injury prevention, Saputo Safety Assessment program, industrial hygiene sampling, technical safety training). Using information from the Saputo Safety Assessment validated the need to focus on return-to-work and continued attention on ergonomic injury prevention. Using technology as a way to improve efficiency with administrative tasks like claim reporting, OSHA recordkeeping, and policy standardization allowed Saputo to re deploy their internal resources to assist with the various initiatives outlined earlier. The results speak for themselves. In 2012, the safety audits will include an associate comprehension component to reinforce the training provided and sites with ergonomic team will be using a newly launched application to help manage the ergonomic risk factor identification, result reporting and best practices communication. The metric of hours

worked per claim event helps translate safety into a HR relatable measure. This was established in 2010 will be used going forward.

Saputo firmly believes that in order to maintain their position as an industry leader, associates must be free to work in an environment that is both safe and healthy. That goal requires our employees, managers and vendor partners to work together toward an incident free environment. Solid, trustful and open communication is the cornerstone of that goal.

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