



IDENTIFYING RISKS:

How loss control is vital for
the construction industry



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INTRODUCTION

General contractors are facing a wide range of risks each time they set foot on a construction site. Tasked with the day-to-day management of the operation—as well as all communication between construction workers on location—ensuring the safety and security of each employee is of paramount importance.

This holds true for the thousands of construction workers across the U.S. Unfortunately, on-the-job injury and illness still occurs with alarming frequency. According to the Assistant Secretary of the U.S. Occupational Safety and Health Administration (OSHA) David Michaels, the leading causes of death in the construction industry—known widely as the “fatal four”—are falls, struck by object, caught-in/between, and electrocution. OSHA reported that falls account for 36 percent of yearly construction-related deaths, followed by struck by object at 10 percent. While the industry has been focusing on improving safety for years, there is still an

average of nearly 12 deaths per day on construction sites across the country. What’s more, fatal injuries involving contractors resulted in 16 percent of the total number of workplace deaths in 2012.



Thanks in part to widespread efforts to enhance safety spearheaded by OSHA and construction companies throughout the nation, the industry as a whole has seen improvements. The government organization noted that construction fatalities have decreased more than 65 percent since 1970. However, there is still plenty of work that needs to be done. An increase in on-the-job accidents directly leads to greater expenses on the part of the employer, from rising workers’ compensation costs to an

uptick in human resources spending. Keeping workers safe is not just good business, but it is simply the right thing to do.

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These financial ramifications could cripple an operation. In order to remain solvent while providing quality services to a wide range of clients, construction firms must institute effective risk management and safe business practices to further complement comprehensive insurance solutions.

RISK MANAGEMENT CRITICAL FOR OPERATIONAL SUCCESS

Before a construction firm can take any positive steps toward improving worker safety and health, the organization first needs to identify the numerous risks that are facing each employee on site. Skipping this crucial step can leave the company blind to possible threats, and as a result, that will create significant exposures and leave the door open for potential financial and personal harm. The most important element to remember regarding construction industry risks is the high number of hazardous conditions, from chemical to physical and even biological.



According to the International Labour Organization (ILO) Encyclopaedia of Occupational Health & Safety, the wide range of employee specialty trades, including plumbers, electricians and many more, can complicate risk management and proper administration of safety procedures. In fact, a high number of on-site workers are sub-contractors, further compounding safety protocols and proper training. This

places an even greater importance on risk assessment and identification. While health hazards differ depending on the trade, there are several that are common throughout the construction industry as a whole. For example, some of the biggest risks include stress, awkward postures, working at heights and noise. Chemical hazards have also been linked to a wide range of diseases. Silica dust can lead to silicosis, and exposure to asbestos has been associated with asbestosis, as well as several forms of cancer. Skin allergies are also common, as is bronchitis among welders.

While chemical hazards pose a significant risk, a wider range of construction workers encounter risky physical dangers on a daily basis, according to the ILO Encyclopaedia of Occupational Health & Safety. Job completion is one goal that can't be interrupted by poor weather, and rain and snow can make surfaces slippery and visibility limited. As a result, machine operators are often placed in challenging environments tasked with making a deadline despite difficult conditions. In 2012, the U.S. Bureau of Labor Statistics reported that 668 workers died from slips, trips and falls alone. Stairways and ladders are one of the main sources of risk, and many employees die from falling from scaffolding each year.

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WHY PREVENTION IS IMPORTANT

That is why prevention, training and insurance are so important to the overall success and profitability of a construction company. One mistake here or there can result in serious financial losses, decreased employee morale and a long legal process.



Moreover, controlling the monetary aspect is incredibly important, and just like with physical, chemical and social hazards, that also starts with correctly identifying all risks. Once the unique dangers to a specific construction site have been identified, the organization can begin to implement effective management strategies to combat these problems and better protect workers

on the job. The intended results should include fewer accidents, lower workers' compensation insurance claims and a more financially responsible operation.

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HOW TO REDUCE RISKS ON A CONSTRUCTION SITE

According to OSHA, roughly 6.5 million people are working at more than 250,000 construction sites throughout the country on any given day. If no risk management takes place that means a chance for 6.5 million injuries and 6.5 million workers' compensation insurance claims. Thankfully, this isn't the case, but it illustrates the importance of proper safety procedures at the worksite.

Take scaffolding, for example. This element of the construction industry is one of the riskiest, in part due to heights and the potential for incorrect set-up. There are a number of ways to make scaffolding safer, though, but that starts with motivation from general contractors and other administrators to get the ball rolling. To solve the problem of dangerous scaffolding, construction workers must ensure that the structure is sound, rigid and able to carry its own weight plus that of all additional employees. Once erected, the scaffolding has to be inspected by a professional with experience in the field. Skipping this important step could put the entire operation at risk. The behavior of workers also has the ability to multiply the danger. For instance, unstable objects cannot be used to support the scaffolding. Workers shouldn't carry up heavy loads themselves, but instead build a pulley system to remove some of the burden. Even when built properly, scaffolding must still be at least 10 feet away from power lines at all times.

While this is just one example, it serves to demonstrate the importance of risk management at a construction site. These steps can be applied to other areas of the job as well, including the operation of heavy machinery and equipment. Above all else, those in charge of the work site should ensure each staff member is trained. In addition, warnings and instructions must be prominently displayed throughout the site, in order to constantly remind workers of the potential dangers and the steps that can be taken to alleviate those concerns.

Perhaps most important are the two concepts of awareness and education. A lack of knowledge among the workforce about potential dangers could lead to an increase in accidents and expenses. OSHA cites training as one step toward accident prevention for all of the “fatal four” or “focus four” hazards at a construction site. It is up to the employer to provide



comprehensive informational documents for all workers, and training has to take place before performing any one of the many duties on the job, according to OSHA. As an added step of protection, companies should take the time to organize accident prevention

seminars. During these meetings, attendees discuss best practices, proper equipment usage and potential hazards at the site. Employees should understand that any questions and concerns can be brought up with a supervisor, as this step could prevent incidents from ever occurring.

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Amerisure Mutual Insurance Company has decades of experience helping businesses become safer. The goal has always been to reduce workplace accidents, improve workers' compensation and property and casualty insurance create a better insurance experience. To help reach these goals, we've compiled Observational Safety brochures for a number of key safety elements.

LACK OF LOSS CONTROL DIRECTLY LEADS TO CLAIMS INCREASE

Besides the obvious benefit of safer workers, risk management and loss control also serve to keep expenses low at a construction firm. Ignoring this important aspect can result in financial hardships for any organization, no matter how big or small.



According to OSHA, there are two types of costs related to workers' compensation claims – direct and indirect. Direct costs include the medical bills and indemnity payments as a result of the injury,

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but indirect expenses often occur when employers are caught off guard. For instance, if an employee has to miss work for a prolonged period of time, how much is it going to cost to both hire and train a replacement? Or, looking back on the scaffolding example, how expensive is property damage to a site? These, as well as administrative time, employee morale, poor customer relations and other factors, are considered indirect costs. The more accidents that take place, the higher the associated expenses, including an uptick in workers' compensation insurance premiums.

Released at the end of 2013, the National Council on Compensation Insurance's (NCCI) "Workers Compensation Claim Frequency – 2013 Update" highlighted the prominence of these types of claims during the last several years. Of note was the finding that claims frequency for workers' compensation injuries rose 3.8 percent in Accident Year 2010, the first increase of its sort since 1997. That trend had managed to reverse by 2012, but the average cost per lost-time claim ticked up 1 percent for indemnity and 3 percent for medical. In addition, the recent economic recession left its mark on workers' compensation claims as well as many other segments throughout the nation. For instance, during the recession, premium audit adjustments decreased below historically normal levels. The length of the average workweek across all industries shortened as well. However, since 2011, those figures have steadily climbed back toward normal. This indicates a relative return to pre-recession levels for a number of economic and employment sectors.

The NCCI has attributed changes in workers' compensation claims frequency to several factors. A possibility surrounding the abrupt shift in 2010 is that many employees were afraid of losing their jobs, so they postponed filing claims until economic conditions improved. This shouldn't be the case, especially with construction firms. Any additional evidence to illustrate the dangers of the industry could go a long way toward prevention and awareness.

LOSS CONTROL SHOULD BE TOP PRIORITY

Risk management is a crucial part of a successful construction company – regardless of location, job type or number of employees. Without an emphasis on the steps behind a quality assessment, there is an increased likelihood of illness or injury while on the job. And with that increase comes the chance for added expenses and other costs that could be harmful to the company’s overall productivity and success. Therefore, it is vital



that the entire construction firm, from the top all the way to the bottom, is aware of the potential hazards that could present themselves. A lack of action on the part of all employees multiplies the danger.

Above all else, remember that proactive loss control provides multi-layered

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benefits to a firm. An effective strategy has a fantastic return on investment, and any financial costs to get a program up and running could easily lead to lower workers’ compensation insurance costs and fewer related expenses. Never forget, however, that the industry is constantly evolving. New practices, methods and risks appear on short notice, and a lack of constant vigilance could expose a company to a number of financial and physical hazards. Loss control and risk management strategies have to be frequently evaluated and updated, and a construction firm that prioritizes this has a better chance of long-term growth and prosperity.

At Amerisure, our experienced loss control professionals have an in-depth understanding about the key factors in a company’s success. Controlling hazards and mitigating risk are top priorities, and our industry experts can create customized loss control solutions tailored to your organization’s needs. This can include on-site training, safety assessments, accident investigation and educational materials. As a result, claims frequency could decrease significantly.

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