

## The Secret to Lowering Your Insurance Costs!

By Jeff Cavignac, CPCU, RPLU, ARM, CRIS, MLIS

All right, there is no secret; the answer is obvious. If you lower the cost of your losses, you will lower the cost of your insurance. In the long run, there is no other way! So why do so many firms not make Risk Management and specifically Risk Control a priority? Maybe those firms haven't realized the importance of a proactive risk management approach or possibly they view it as important but not urgent. Either way, they are missing a golden opportunity to improve their bottom line.

As mentioned above, the key to reducing the frequency and severity of your losses is Risk Control. Risk Control is one step in the risk management process. Cavignac & Associates has branded the risk management process as The TotalRISK Approach. The TotalRISK Approach involves four steps:



1. Risk Analysis
2. Risk Control
3. Risk Finance
4. Risk Review and Refinement

Once risk has been analyzed and prioritized (Risk Analysis), it is time to implement Risk Control strategies to manage those risks. We break Risk Control in to three specific areas:

1. Safety
2. Human Resources
3. Claims Management

**Safety:** The purpose of safety, also called loss control, is to lower the frequency and severity of claims. This starts with an Illness and Injury Prevention Program (IIPP). Not only is this required by law, but if written effectively, it will be the backbone to a firm's safety program and the basis of its safety culture. Effective safety management, however, needs to go much further. In most industries, firms of a certain size will want to provide supervisor safety training and establish a safety committee. Committee meetings need to be held regularly and need to be effective. Construction companies will want to hold weekly tailgates. Once again, the topics have to be relevant. This is just scratching the surface, but the point is that safety needs to be a priority and it needs to be strategic.

**Human Resources:** Every one of our clients has HR challenges. Management of your human resources may very well be one of the most important functions that management provides. Just as Loss Control begins with a well-written safety program, effective HR begins with a compliant and effective employee handbook. Writing the handbook, however, is just the first step; execution is critical. You have to abide by your handbook. Further, nearly every section

*Secret (continued on page 2)*

of the handbook should provide opportunities for training and improvement. Hiring, firing and discipline procedures need to be up to date and required trainings (like sexual harassment prevention training) needs to be conducted.

**Claims Management:** Even the most well-run firms will have claims. How those claims are handled can have a material impact on the cost. Pre- and post-claim training sessions should be conducted. Management and supervisors should be taught to identify problems that may become a claim before they actually do.

## How Much Can Safety Really Save?

Let's take a hypothetical \$12 million mechanical contracting firm, AverageRisk Mechanical. This company has \$4.2 million of operational payroll, 25 vehicles and a \$10 million umbrella. This firm, with an average safety record, would pay approximately \$687,250 in insurance costs. This assumes a Workers' Compensation Experience Modification of 100% and -0- schedule credits on the other lines of coverage.\*

Another hypothetical firm, BadRisk Mechanical, is exactly that. Their safety program, if you want to call it that, might meet OSHA requirements, but probably not. They don't regularly hold safety meetings or tailgates and most of the supervisors aren't really certain what to do if there is an accident. No one in the company is directly responsible for safety. This is reflected in their claims history. Because of adverse loss experience, their Experience Modification has ballooned to 140%! This not only costs them a lot, but it disqualifies them from some federal work which requires an Ex-Mod of 125% or less. They developed an employee handbook some time ago, but it hasn't been updated in five years. They have regularly moved their insurance from one company to another based solely on price and now they are placed with a second rate insurance company that has debited the general liability, auto and umbrella policies 25%.

# 2015 Risk Management Seminar Series



### Sexual Harassment Prevention Training

Friday, March 6, 2015  
7:30am Registration  
**8:00am - 10:00am Program**

### Contractual Risk Transfer

Friday, March 13, 2015  
7:30am Registration  
**8:00am - 10:00am Program**

### Cyber Liability

Friday, April 10, 2015  
7:30am Registration  
**8:00am - 10:00am Program**

### Reserve Early, Seating is Limited!

To register, click on the 'register now' button in the announcement email, or contact Bethany Mongold at [mongold@cavignac.com](mailto:mongold@cavignac.com) or call 619-744-0540.

*NOTE: Due to the popularity of our seminars and limited space available, we regret we cannot provide refunds or credits with less than 72 hours advance notice of cancellation.*

BadRisk will pay \$931,000 for their insurance! This is 35% more than AverageRisk - over \$240,000!

BadRisk's competitor, GreatRisk Mechanical, takes safety seriously. Their safety program is current, consistently updated and most importantly, it works. Their safety meetings are conducted regularly and their tailgate topics are current and relevant. Every supervisor has been through their Post Claims Management Training and GreatRisk has an on-staff safety professional. Their employee handbook is current and their HR professional makes certain it stays that way. Although they market their insurance program every three or four years, they have developed a six-year relationship with their current "preferred" underwriter. GreatRisk's risk control efforts, as you might have guessed, have paid off. Their Ex-Mod is 75% and their underwriter has also provided a 25% credit across the other lines of coverage. GreatRisk pays \$515,500 for similar coverage that costs BadRisk \$931,000.

So let's put this into perspective. Assuming a 10% profit margin, the average firm will earn \$1,200,000. BadRisk's profit will drop to \$956,250 and GreatRisk's profit will jump to \$1,371,750. GreatRisk will earn \$415,500 more than BadRisk...a delta in profits of over 43%!

Recognize that this investment in safety by GreatRisk didn't come without effort and cost. The key is the safety culture at GreatRisk. Safety is extremely important to the owners. They want their employees to return to their families every night as healthy as they were when they started work in the morning. Their employees know that the owners care about them. In addition, they hired a full-time safety professional and they pay their HR professional more than BadRisk pays their under qualified office manager who also handles human resources. At the end of the day, these investments cost GreatRisk about \$100,000. The return on their investment? Over \$400%! Final comment: *safety pays!* ■

\*Insurance underwriters can generally apply credits or debits of 25-40% based on the firm's loss history and the underwriter's evaluation of the risk.

## What is the Real Impact of a Safe Work Environment?

Let's look at a \$12 million mechanical contracting firm with \$4.2 million of operational payroll, 25 vehicles and a \$10 million umbrella.

Line of Coverage	Amount	Lousy	Great!
General Liability.....	\$126,000.....	\$157,500.....	\$94,500
Automobile.....	31,250.....	39,000.....	23,500
Workers' Comp.....	480,000.....	672,000.....	360,000
Umbrella .....	50,000.....	62,500.....	37,500
Total .....	\$687,250.....	\$931,000.....	\$515,500

- Difference between a Lousy Risk and a GREAT Risk? **\$415,000!**
- At a 10% profit margin, the lousy firm has to generate over \$4 million (33% more) to recover the lost profit!
- And those are just the hard costs!





# Live Well, Work Well

February 2015



## Avoiding the Flu

Flu season is worse than usual this year, and the U.S. Centers for Disease Control and Prevention (CDC) has stated that this year's flu epidemic is showing elevated activity.

Even if you got the flu shot this year, you might still be susceptible to getting sick. Each season, the flu vaccine is designed to protect against the flu viruses that researchers determine are most likely to circulate that year. This is why the flu vaccine is more effective some years than others. This year, the flu vaccine may not protect well against the more severe influenza A (H3N2) virus that is circulating. However, the CDC still recommends the flu vaccine as it should offer at least partial protection.

According to the CDC, the flu commonly spreads through droplets made when people cough, sneeze and talk, as well as when

people touch something with the flu virus on it and then touch their mouths, noses or eyes.

Children, pregnant women, the elderly, and those with disabilities and other health conditions are at increased risk of getting the flu. Whether or not you have been vaccinated, you can still take measures to protect yourself and others from the flu.

- When possible, avoid close contact with sick individuals.
- Wash your hands frequently with soap and water. If you can't wash your hands, use an alcohol-based hand rub.
- Don't touch your mouth, nose or eyes.
- Disinfect potentially contaminated surfaces, especially in shared areas such as the office kitchen.

In addition to keeping yourself healthy, you can help protect others from getting sick from your germs.

- Cover your nose and mouth when sneezing or coughing.
- Stay home for at least a day after your fever is gone, with the exception of getting medical care.

If you do get sick, aside from keeping your germs to yourself, here are a few suggestions for getting better as quickly as possible:

- Rest as much as possible.
- Drink plenty of water, broth and other clear fluids.
- Relieve symptoms by gargling with salt water, putting a humidifier in the room and covering yourself with a warm blanket.
- Talk to your doctor about a prescription antiviral medication to help with the flu.

**When reading a lengthy document, print it out to help reduce eyestrain from reading on a screen.**

## Take Care of Your Eyes

February is Low Vision Awareness Month, highlighting the importance of taking care of your eyes and catching problems before you lose vision. Aside from annual eye exams, you can protect your eyes on a daily basis with a few healthy choices.

**Eat right.** Eating a healthy diet is as important for your eyes as it is for the rest of your body. A few foods that are especially good for eye health include vegetables such as spinach, kale and collard greens, and fish high in omega-3 fatty acids, such as salmon and tuna.

**Put on protective eyewear.** Protect your eyes from the glare of the sun with sunglasses that block at least 99 percent of UVA and UVB radiation, and wear protective eyewear with polycarbonate lenses when engaging in activities that could harm your eyes, such as when using power tools or chemicals or when playing certain sports.

**Rest your eyes.** Reading, looking at an electronic screen or focusing at a short distance for an extended period can cause eyestrain. Avoid eye fatigue by glancing away from your work at least every 20 minutes.

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# 10-minute Workouts

If you lack motivation for a 5-mile run or an hour workout session in the gym, new research reveals good news for you. Recent studies show that short but intense bouts of exercise can deliver fitness benefits. What does this mean for you and your fading New Year's resolution to get into better shape?

If you don't have the time for lengthy workouts, you can reap benefits from short spurts of exercise—the catch is that that short amount of time is high intensity. If you're looking for how to get started, you can try replicating the workout used in an exercise study conducted at McMaster University in Ontario, Canada:

- Warm up on a stationary bicycle for two minutes.
- Pedal "all-out" for 20 seconds, followed by two minutes of easy pedaling.
- Repeat the 20-second intensity and two-minute recovery periods twice more, for a total of 60 seconds of intense pedaling.
- Finish your 10-minute workout with a three-minute cool-down phase.

Workout volunteers in the study participated in three sessions per week for six weeks. At the end of that time, they showed improved endurance capacity, healthier blood pressure and other benefits.

With only a couple minutes of intense exercise needed a week, you don't have an excuse to not work out. Find an activity you enjoy, and commit to just a few minutes a week for better health.

# Going Gluten-free



Gluten is a protein found in grains, including wheat, barley and rye. Individuals may choose a gluten-free diet for several reasons. Whether you have celiac disease, gluten intolerance or are simply looking for a diet change, here are a few tips for transitioning to a gluten-free diet:

- Stock up on foods that are naturally gluten-free, including beans, eggs, meats and fish, fruits, vegetables and most dairy items.
- Find alternatives for gluten-laden staples. As gluten-free diets become more common for health and popularity reasons, many food manufacturers are now producing gluten-free breads, cereals and desserts.
- If you have celiac disease, be extremely careful of cross-contamination. For example, don't share a jar of peanut butter with someone who spreads it on wheat bread. Simply dipping a knife back into the jar can cause contamination. Some individuals may experience a reaction to even a tiny amount of gluten, so be cautious with shared food and kitchens.



# Apple and Celery Salad

Brighten up your winter dinner table with this crunchy salad served as a side dish or appetizer.

- 1 Tbsp. orange juice
- 2 Tbsp. light mayonnaise
- 2 cups apples, diced
- 1 cup celery, diced
- ½ cup raisins
- ½ cup peanuts, chopped

In a large bowl, mix orange juice with mayonnaise. Add apples, celery, raisins and peanuts to the dressing mixture and stir well. Serve at room temperature or chilled.

Yield: 6 servings. Each serving provides 150 calories, 8 g of fat, 40 mg of sodium, 1 g of protein and 2 g of fiber.

Source: USDA



Cavignac & Associates is proud to support local and non-profit civic organizations, including Photocharity



### About Photocharity

Photocharity is a non-profit organization that has been helping save homeless youth in San Diego since July 2001. During this time they have worked in partnership with San Diego Youth Services' Storefront shelter to place over 1,800 homeless youth ages 12-17 in long-term safe housing.

Each week, Photocharity staff and volunteers walk the streets to invite homeless youth to participate in our programs. Thanks to those efforts, more than 1100 homeless youth visits have participated!

### Vision Statement

To raise funds and create awareness for a House of Hope dedicated to saving and empowering 18 to 24 year-old homeless youth starting in San Diego County and then expanding beyond; and to support and expand services at the Storefront Shelter.

*For more information about Photocharity, go to [www.photocharity.org](http://www.photocharity.org)*