

# Staffing Insurance News



NEWSLETTER OCTOBER 2011

## Loss Control & What it means to You – Don't Look the Other Way!

I once heard something that struck me as odd at the time, but the longer I'm in the corporate world the more profound it becomes, "The business of business is to be in business." In today's difficult economic times, when companies far and wide are fighting for their financial lives, this overly simplistic truism should be framed and hung in every lobby. However, all too often decision makers are so focused on profits that a blind eye is turned to variable costs that are controllable. While most companies recognize, at least on some level, that reducing overhead improves net profits, they are more often than not unaware that attention to certain key risk management practices can actually enable them to recognize more business opportunities and increase their revenue streams significantly. For the staffing industry a key variable cost to control is Workers' Compensation (WC) Insurance. Issues such as: identifying risk factors, understanding what drives your WC costs and knowing where to look for help are key components. But what does that really mean and how can you benefit from it?

When an employee is injured or becomes ill as a result of a job related incident the direct cost of how that claim will affect next year's Workers' Compensation premium is almost always the first thing a company considers; in and of itself that isn't shocking - what's the first thing that you consider when you've been in a minor car accident, or have to put in a homeowners claim for water damage? We are simply programmed to think this way. A business that wants to stay a going concern, however, must learn to look at Workers' Compensation claims differently.

It is true, Workers' Compensation losses, at least when they are frequent or very severe, can indeed result in higher premiums or having to accept coverage from a less competitive carrier. This can be considered a "direct cost of the loss"; But the monsters lurking in the closet, that can be ten times or greater, are the multitude of "indirect costs". Hiring and training replacement staff, potential litigation in third party over actions, losing clients, lower moral and damage to professional reputation are only some of the indirect costs a company can face because of Workers' Compensation claims; and these are the costs that will close a company's doors long before an increased insurance premium will. Most businesses turn to insurance, a function of risk transfer, and think that once it is in place all will be fine; not so. Insurance carriers have different "sweet spots" with regard to both industry and type of insurance. For the potentially tens to hundreds of thousands of dollars a company can pay in WC premium, it is worth getting to know exactly how much your carrier participates in your industry and how much WC they write for your industry. This cannot be stressed strongly enough for insurance alone is not the answer.

Loss control is the answer. It should be what every company considers their first line of defense to Workers' Compensation costs, both direct and indirect. By definition, loss control addresses an accident after it has already happened and attempts to minimize the damage; case in point, a small fire breaks out in your kitchen – you can grab the extinguisher next to the stove and put it out (good loss control) or flee screaming for you life and call the fire department... by the time they get there your house is engulfed in flames. While this is a silly example, sadly it really does illustrate how many companies react to Workers' Compensation losses. If instruction, continued training and emphasis from the highest levels of management do not stress the need to take even the smallest workplace injuries seriously, what might have been a small claim can balloon out of control just like the house burning down that started from a small kitchen fire.

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From a broker's perspective the goal is to keep every client possible and understanding WC risks will indeed help a broker realize a higher client retention ratio. However, every industry has different operational risks, the staffing industry is a perfect example, and there just is no 'one size fits all' answer to what are the best loss control measures to put in place. Clients should be encouraged to contact their existing carrier and see what loss control they are entitled; most carriers are more than willing to assist an insured in learning how to control claims; it is more than altruism, it is also a prudent business decision. Looking to one's agent/broker is the next step, as they can either assist you in working with the carrier or potentially provide training and follow-up themselves, sometimes referred to as "unbundled services" which may or may not be for a fee. Lastly, a client can turn to a disinterested 3rd party, an insurance consultant or independent risk manager, for advice. By utilizing every resource at their disposal, business owners should be able to understand more about how actively paying attention to loss control can keep them not only up and running, but growing. What can loss control mean to you? How about the difference between your employees returning to work sooner or the CEO starting to dust off their resume...

For more information on Workers' Compensation, loss control, and our other staffing insurance products, contact World Wide Specialty Programs at 800-245-9653, or visit our website at [wwspi.com](http://wwspi.com). We are proud to be an ASA Corporate Partner.

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