

## Identifying Dangers

# In-House Inspections Crucial to a Safe Workplace



**W**HEN WAS the last time you walked around your facility, warehouse, office or workplace and did an inspection?

Your Injury and Illness Prevention Program states that the owner, supervisor or person with authority and responsibility shall conduct periodic workplace safety inspections.

To maintain a safe and healthful workplace, OSHA requires that you use the safety standard to help identify hazards that currently exist or could develop over time, and that includes period inspections. These walk-throughs are not trivial and should be taken seriously, as one oversight can have deadly consequences.

Besides regular, scheduled inspections, you will want to conduct inspections whenever new substances, processes, procedures or equipment are introduced into the workplace as they can represent a new occupational safety and health hazard.

### Getting started

You should always be on the lookout for possible hazards, but a complete facility check should be done monthly.

With a busy workplace, employers and employees tend to overlook hazards – but with monthly inspections and corrections, accidents can be prevented.

These inspections can help you ferret out issues that may have just come up, or carelessness by an employee that would otherwise go unnoticed.

Use your own experience to develop a hazard inspection checklist for your facility. Every facility is unique and your managers and workers are the most qualified to understand the main safety hazards in the workplace (the box opposite offers some suggestions).

The items should be specific and clear enough so that anyone in your workplace can check the items listed. Make copies, so a new list does not have to be made each time.

## Inspection checklist

If you're wondering what you should be looking for you can start with these items:

- Are telephone numbers, safety data sheets, first aid kits, exits and warning signs posted in their appropriate places?
- Are all workstations clean, sanitary and orderly? Are changes in elevation indicated by signs or painted areas?
- Are electrical panels clear of obstructions, breakers marked in relation to what they serve, and panel doors closed?
- Are first aid kits easily accessible to each work area, with necessary supplies available and replenished?
- Are fire extinguishers mounted, unobstructed, signs posted and an adequate number for the workplace?
- Are exits marked with an exit sign, and non-exits marked accordingly?
- Are exits free of obstructions, and unlocked during business hours?
- Are employer postings in a prominent place, so all staff are likely to see them, and are the posters the latest revisions?

See 'Keep' on page 2

**GASLAMP**  
INSURANCE SERVICES

### Gaslamp Insurance Services

2244 Faraday Ave #125  
Carlsbad, CA 92008

Phone: (800) 920-4125

Fax: (800) 920-4107

E-mail: [info@gaslampinsurance.com](mailto:info@gaslampinsurance.com)

[www.gaslampinsurance.com](http://www.gaslampinsurance.com)

**Workers' Compensation**

# Fudging Payroll Records Can Lead to Fines, Jail Time

**T**HE OWNERS of a California flooring installation company allegedly underreported their payroll amounts to workers' compensation insurers to the tune of \$30 million, costing the insurance company almost \$4 million in premiums. The men are each facing three felony charges.

These are the potential consequences for those who deliberately falsify their payroll records and reports to the companies providing their workers' compensation insurance. To avoid this pitfall and the fallout, it's important that employers understand the vital role accurate payroll reporting and records play in determining premiums.

### The importance of payroll records

Workers' comp premiums reflect the amount of a business's payroll and the riskiness of its operations. Carpenters suffer more frequent and severe injuries than do architects, so the premium rates for construction firms are higher than those for architecture firms.

Monthly, quarterly or after each policy term, the insurer audits the employer's payroll records to determine the accurate amount of payroll and the proper classification of the work performed.

The carrier applies the reported payroll to the premium rates, calculates the premium and compares it to the deposit the employer paid at the start of the period. The insurer then returns premium to the employer if the deposit was too high or bills them if it was too low.

If an employer's records are incomplete or not up to date, the insurer may estimate the classification and payroll based on the information available. Those estimates do not often favor the employer.

### Avoiding temptation

While some may be tempted to provide artificially low payroll amounts to insurers (by, for example, labeling some workers as "independent contractors" rather than employees), the consequences can be serious. An insurance company that determines its customer was untruthful will cancel its coverage at the first opportunity.

Also, the insurance contract gives them the right to pursue the

employer for the shortfall in premiums. The employer could end up on the wrong side of a court judgment.

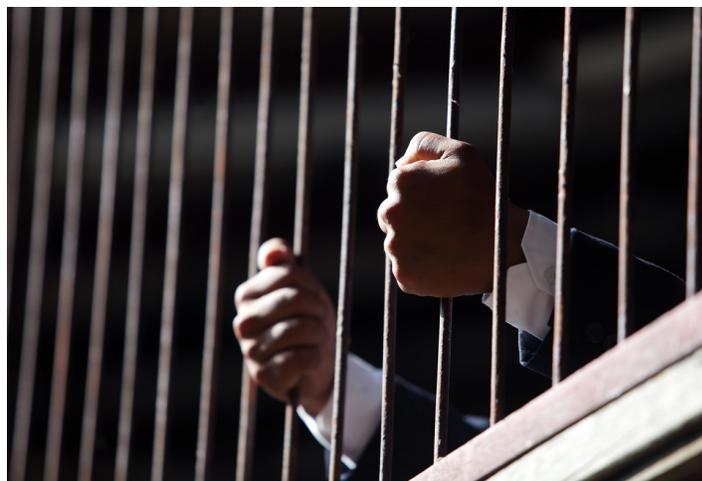
Deliberately concealing information about workers to reduce premiums is also a crime in many states.

A New York construction labor-supply broker conspired with his insurance broker to mislead five insurers about the size of his operation and work performed by his employees. Their actions cost one insurer \$1 million in reduced premiums and left injured workers without workers' comp claims payments for more than a year.

The insurance broker pleaded guilty to two felony charges. The labor supply broker is awaiting trial.

Depending on the state and the amounts involved, a conviction for workers' comp fraud can carry lengthy prison sentences and hefty fines. In Minnesota, someone convicted of insurance fraud for more than \$35,000 faces up to 20 years in prison and a fine of up to \$100,000. Two people in California received 10-year sentences.

**The lesson:** Keep accurate and honest payroll records for your insurance company and pay the premiums you owe. It will be better for you and your business in the long run. ❖



*Continued from page 1*

## Keep Accurate and Comprehensive Records of Inspections

The list on page 1 is by no means exhaustive. As mentioned, you will best know what to look out for at your workplace as you should be following OSHA regulations for your industry.

Don't forget: If your inspection finds hazards, correct them immediately.

Once you have done your inspection and noted anything untoward, cite it in your safety meetings. Involve your employees to let them know your concerns for their health and well-being. Ask for safety suggestions or concerns from front-line workers.

### Record-keeping is key

The key to a regular inspection program is also to include detailed records of them.

You need to keep records of:

- Notes from every inspection you conduct and any findings and recommendations for abatement of hazards.
- Records from inspections after accidents.

All of these findings need to be communicated with your staff so that you can make them aware of these hazards and what you are doing to minimize them. This also helps in getting the team involved and building in them a sense of workplace safety awareness.

You are also required to indicate the frequency of inspections and identify the person responsible for conducting them and correcting unsafe conditions in all work areas.

Keep these records for a minimum of three years. ❖



## Construction Coverage

# Builder's Risk, Excess Liability Rates Climbing Fast

**I**NSURANCE RATES are rising rapidly for contractors, particularly for builder's risk and excess liability policies as the cost of claims continues to increase dramatically.

While rates for builder's risk have been averaging 10 to 20%, pricing for excess liability and umbrella coverage has in some cases doubled from the year prior.

Both lines of insurance have seen steep and unexpected losses in recent years, resulting in some insurers leaving the market and others becoming stricter in their underwriting and choosier about which builders they are willing to extend coverage to.

If you've been in the market for these lines of insurance, you know that it's become more difficult to secure similar policies to those you may have had in years past. Here's a look at what's going on.

### Builder's risk

According to *Construction Executive* magazine, rates are going up between 10% and 20% for builder's risk policies.

There are a number of factors affecting rates:

- The cost of claims has increased, primarily because of the cost of rebuilding after a loss event due to the rapidly rising cost of materials, in particular lumber, the prices of which have tripled in the last year.
- The increasing cost and frequency of natural disasters. Projects that are near areas at high risk for natural catastrophes like brush fires, hurricanes, tornadoes or flooding, are all seeing higher rates and/or difficulty in securing coverage.
- Some insurers have also left the market, leaving fewer players willing to write this risk, which has driven up pricing.

Insurers are tightening eligibility guidelines and restricting how much they will cover. Some insurers are getting more selective and demanding that their insureds take extra precautions before they are willing to bind a policy. Some of the more common demands include requiring:

- Video surveillance systems on worksites.
- Guards to patrol worksites at night.
- The installation of fencing and lighting.

One of the biggest pinch points is policy extensions, which are needed when projects go beyond the time expected to complete them.

Due to the issues mentioned in the bullet points above, policy extensions for ongoing projects have been difficult to secure, according to a report by WillisTowersWatson. The problem has been exacerbated by the COVID-19 pandemic, which disrupted many construction projects across the country and required more companies to seek out extensions for their builder's risk policies.

### Excess liability

Renewals for excess liability and umbrella insurance have been running 50 to 100% higher than in 2020, according to a recent report by Marsh LLC. Excess liability and umbrella coverage kicks in after a claim breaches the limits of a primary general liability policy or auto liability.

The drivers: Increasingly large jury awards and the spiraling cost of liability claims, particularly for commercial vehicle accidents. Commercial auto insurance rates have also been climbing as the cost of auto injury and property claims continues to rise due to the increasing cost of repairs and medical costs for injured third parties..

Those claims are covered by primary auto and general liability insurers, but because more claims are exceeding limits, excess liability carriers are increasingly on the hook for those high-dollar claims.

Like in the builder's risk segment, this has resulted in fewer insurers willing to write new policies.

Those that are willing to write new business or renew policies have imposed stricter underwriting terms on the policies they are willing to accept.

Additionally, according to Marsh, primary and excess insurers are limiting the overall capacity extended to an individual buyer by capping per-project aggregate limits.

### The takeaway

With the volatility in the marketplace, we recommend that you reach out to us early – and months before your policy is coming up for renewal – so we can work with you to make sure we can secure the coverage you need. ❖

Safe Driving

# Crashes On and Off the Job Cost Employers Dearly

**T**HE COSTS to businesses when their employees are involved in car accidents on and off the job are staggering, at \$72.2 billion a year, according to a new study.

The “Cost of Vehicle Crashes to Employers – 2019” study, released in March by the Network for Employers for Traffic Safety, looks at how much car crashes cost businesses in terms of workplace disruption and liability costs.

While the costs to companies when their workers are in on-the-job automobile accidents are easily measured, the costs when their employees miss work after accidents while off the job are almost as steep.

Employers end up paying in some way for injuries to their employees on and off the job, and to their dependents. As many as 1.9 million workdays are missed due to both on- and off-the-job accidents, resulting in lost productivity and training someone new to do the work.

For on-the-job accidents, there are also workers’ compensation implications for each time an employee is injured in an accident, which can drive up your rates. Also, your firm would likely also be held liable if one of your driving employees injured a third party and/or damaged their property.

Consider that:

- A fleet of 1,000 vehicles averages costs of \$1.1 million per year for property damage alone.
- A single non-fatal injury crash has an average cost of \$75,176.
- A single fatal crash costs an average of \$751,382.
- A single crash that only causes property damage costs an average of \$5,483.

The top causes of accidents are:

- Speeding
- Distracted driving
- Driving under the influence of alcohol. ❖

## Safety Checklist

The Centers for Disease Control has the following tips for employers:

- If you have a fleet, implement a fleet driver safety program and maintain complete and accurate records of workers’ driving performance.
- Check driving records of prospective employees and conduct periodic rechecks.
- Ask your workers to periodically provide documentation of their insurance and to report any suspensions, revocations and convictions for vehicle-related offenses.
- Establish schedules that allow drivers to obey speed limits and follow hours-of-service regulations where they apply.
- Require newly hired workers to attend performance-based defensive driving courses, with mandatory refresher training at regular intervals.
- Implement a program that emphasizes the link between driver safety at work and at home.
- Require wearing a seat belt at all times.
- Have a zero-tolerance policy for talking on the phone and texting while driving. Studies have shown that even talking with a hands-free device can be enough of a distraction to cause an accident.

