



Corporate Exposure: Safety/Health Report Hazards

Harry P. Mirijanian

Federal and state agencies are becoming far more active in their requirements that organizations develop and implement safety and health programs. Although few can argue with the benefits that come from effective safety and health measures, there are several factors you need to evaluate.

Let us begin by examining a few of the reasons most clients give for wanting to start a program. Cost always appears to be a primary motivator. Worker compensation costs have increased and more states are beginning to apply a surcharge for poor experience. As a result, organizations are beginning to fully understand the savings potential. These savings are important, but the real savings come from indirect costs. Having healthy employees at work, performing their jobs as required, translates quickly to a stronger bottom line. The importance of direct cost savings cannot be discounted, but it is not the only reason to begin a comprehensive safety and health program.

Fear of fines, or even prison terms, stemming from action by OSHA or other federal or state agencies, is another common reason, although, again, it should not be reason enough in itself. Still, there is no question that the number of fines and personal prosecutions is rising. In addition, a recent front page headline suggested that the federal government should no longer be able to contract with a company that does not have an effective safety/health program in force. This

will no doubt motivate some companies to initiate a program. After all, a number of state governments will not engage contractors if their workers' compensation experience modifier is above a specified figure—so it should come as no surprise that the federal government wants to employ the same tactics. It is only a matter of time.

Possible Exposures

What are some of the exposures your firm might encounter by developing a safety and health plan? First and foremost, once a safety/health program identifies areas warranting correction, your organization now has "notice" and must take appropriate action to make those corrections. Having notice can eliminate certain defenses in a legal proceeding. Knowledge of a loss exposure mandates you to take corrective actions. Similarly, having knowledge and notice can void insurance coverage in certain cases. A simple scenario most companies can identify with involves the insurance company loss control inspector who audits your company and recommends the broken sidewalk in front of your establishment be repaired. If you do not take corrective action and a client or customer falls, the carrier may deny the claim. You must respond to the hazard within a reasonable time. Having notice or knowledge can hurt your organization if you are not ready to take corrective measures.

Another hazard stemming from an ineffective safety and health program is its effect on the work force. It can be devastating to morale when organizations are disingenuous regarding their workplace safety concerns. Employees are far too wise—and justifiably insulted—by paper-only programs. This anger can show itself in productivity, work quality, frequency of injury, and so on. Our

suggestion to organizations is not to start a safety and health program unless they are ready to take action.

What is the message? Safety and health programs are a complex organizational concern and companies must take the issue seriously. We suggest companies first request confidential/conceptual discussions with independent outside professional risk control management experts. Going outside your own organization helps to reduce "smoking gun" reports and memos. When meeting with outside professionals, require only verbal reports and comments as part of the evaluation program. In addition, companies should only address those exposures that they are ready to confront. Do not open the door to issues if those doors cannot be closed behind. Finally, and perhaps most important, you should have as your top priority the implementation of a safety and health program that requires senior management's involvement. Failure to gain this involvement will almost always guarantee the program's ineffectiveness.

There is truly no better reward or motivation than preventing someone from being injured, especially if you have the wherewithal to prevent it. The rewards of implementing a successful safety/health program may sometimes be difficult to quantify, but we encourage you to search your organizational conscience and be so guided. ■

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Published as a supplement to the June 1997 issue of *Management Review*.

Finance Forum Editor: George Milite.
Forum Group Editor: Florence Stone.
 Senior Editorial Assistant: Grace Lander LoPinto.
 Graphic Artist: Tony Serio

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