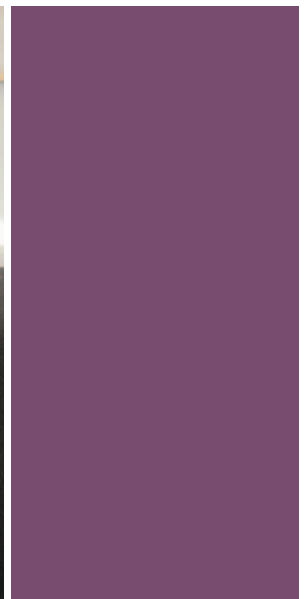




We can show you more.®

# Protecting Your Investment — Property, Safety and Profitability



RISK CONTROL

## Protecting Your Investment — Property, Safety and Profitability

As a small business owner, you probably wear many of hats and face a broad range of challenges. In a given day, you might play the role of the CEO, the human resource manager, the marketing person or the janitor. You commit significant hours to make sure that your business runs efficiently and makes a profit.

How would you feel if, after all of that hard work, a catastrophic loss occurred to your business? How would you feel if you knew there were actually some simple measures you could have implemented that might have prevented the incident from ever occurring?





This guide was developed to give small business owners information and tools to identify areas where you may be exposed to a loss and what measures you can implement to help reduce the potential for loss. It is not intended to be an all-inclusive summary of all hazards and controls.

The guide contains the following sections:

- Understanding the Real Cost of Loss
- Protecting Your Property
- Housekeeping
- Electrical
- Hot Work
- Fire Protection
- Fire Detection
- Business Continuity and Disaster Recovery
- Vehicle Use in Business
- Workers' Compensation
- General Liability
- Contractual Liability
- Crime Prevention

## Typical Types of Losses

While common loss types can impact any business, some can have significantly more impact on a smaller business. Here are a few examples of the most common.

### Property

- Fire/smoke
- Water leak
  - Examples: plumbing, roof leak, frozen pipes
- Storm
- Theft
- Business income

### Liability

- Premises liability
  - Example: slips/trips/falls
- Contractual
- Product liability
- Professional

### Workers' Compensation

- Employee injuries (work-related)

### Motor Vehicle

- Vehicles owned by the business
- Vehicles owned by the business being used for personal business
- Vehicles owned by the employee or others being used for company business

## Aren't these losses covered by my insurance?

While direct losses are covered by your insurance, the indirect losses associated with these risks can also pose a financial burden most companies would rather avoid.

### Direct Costs

Insurance: \$1

### Indirect Costs

Business: \$1–\$50

- Time lost
- Economic loss — person
- Lost time — supervisors
- Product damage or spoilage
- Rework/rescheduling
- Damage to equipment
- Hiring/training
- Lowered efficiency
- Loss of business and goodwill

## Protecting Your Investment — Property, Safety and Profitability

Paying attention to factors that could cause a loss can have a dramatic impact on overall profitability. The indirect cost to direct cost ratio may vary according to the each type of loss, but if we assume a conservative 3:1 ratio, we can see that a loss of \$10,000 can have an indirect cost impact as high as \$30,000.

If you have a claim (including direct costs) of \$10,000 and your profit margin is 2%, you will need additional sales of \$500,000 to recoup that cost. So, it's easy to see how valuable proactive loss prevention can really be to the health of your business.

The table below shows the actual impact on profit margin:

### Profit Margin

Dollar Loss	1%	2%	4%	5%
\$1,000	\$100,000*	\$50,000*	\$25,000*	\$20,000*
\$10,000	\$1,000,000*	\$500,000*	\$250,000*	\$200,000*
\$25,000	\$2,500,000*	\$1,250,000*	\$625,000*	\$500,000*
\$50,000	\$5,000,000*	\$2,500,000*	\$1,250,000*	\$1,000,000*
\$100,000	\$10,000,000*	\$5,000,000*	\$2,500,000*	\$2,000,000*

\* Sales required to cover loss.

### Is it reasonable to assume, in your business, you can make up for the loss by:

- Increasing sales?
- Raising prices?
- Lowering direct costs?
- Exercising cost controls?

## Protecting Your Property

Whether you are a building owner or a tenant, a loss of property that is necessary for generating revenue could be quite costly. If the loss involves a human injury or death, it can become devastating. The following section on protecting your property will cover the following:

- Prevention
- Protection

The most typical larger losses:

- Fire/smoke
- Water leak
- Plumbing, roof leak, frozen pipes
- Storm
- Business income

### Preventing Property Losses

According to the National Fire Protection Association (NFPA), the leading cause of fires and the most damaging, in terms of cost, was intentional, followed by cooking equipment, electrical and open flames.

Below are the percentages of non-residential structure fire starters<sup>1</sup>:

- 20% – Contained trash or rubbish fire
- 17% – Cooking equipment
- 9% – Heating equipment
- 8% – Electrical distribution and lighting equipment
- 8% – Intentional

Below is a breakdown of non-residential properties that experienced structure fires from 2003 to 2006:

- 22% – Storage properties
- 19% – Mercantile or business properties
- 19% – Outside or special properties
- 14% – Public assembly properties
- 23% – Other non-residential properties

It is also interesting to note that one out of every four non-residential structure fires occurs between 2 p.m. and 6 p.m.

<sup>1</sup> Source: Estimates are derived from the U.S. Fire Administration's National Fire Incident Reporting System (NFRIS) Version 5.0 and NFPA's annual fire department experience survey.



## Housekeeping

Poor housekeeping can contribute to loss potential, which increases fire hazards by:

- Providing additional places for fires to start.
- Creating a greater continuity of combustibles, making it easier for a fire to spread.
- Providing a greater combustible load for the fire to feed upon.
- Creating the potential for flash fires or dust explosions when layers of lint or dust are allowed to accumulate.
- Increasing the risk that friction, static or electrical connections could be a source of ignition.
- Increasing the potential for spontaneous ignition.

Good housekeeping practices not only provide fire and safety benefits, but also:

- Improve efficiency, productivity and control of inventory.
- Create a favorable impression for customers and visitors.
- Give a favorable impression to the community.
- Provide a favorable impression to regulators, rating agencies, local enforcement agencies and insurance company representatives.

Some key points to remember about housekeeping:

- Create a policy that addresses good housekeeping and make sure it is enforced. Emphasize to your employees that clean up and proper storage of materials is part of his/her job. Share with them the potential impact on your business.
- Keep high-traffic areas free from the accumulation of materials, finished parts and scraps.
- Keep stair treads clear to reduce the potential for slips and falls. The base of the stairs should also be kept clear to prevent a fall from the stairs onto materials being stored in the landing area.
- Since storage areas are designed for the accumulation of materials, organization of these areas is important. Proper layout of materials for efficient space utilization will help control the buildup of materials in these areas.
- Keep pathways to exits clear.
- If there is a process that creates dust, be sure to have local exhaust ventilation to minimize its distribution.
- If processes are in place that generate oil-soaked rags, they should be placed in Underwriters Laboratories (UL) listed containers with self-closing lids.
- Never store combustible materials close to electrical distribution panels.
- Remove trash daily.
- If you have a dumpster, keep it at least 25 feet from your building.
- If there are pallets being used in your operation, idle pallets should be stored outside at least 25 feet from the building. If the building is frame construction, keep piles of idle pallets at least 50 feet away.
- Have someone perform a daily inspection to make sure these practices are being followed.



### Electrical

Adequately designed and well-maintained electrical installations and equipment result in dependable and uninterrupted operations. Installations that are not maintained can result in costly, unexpected interruptions, expensive repairs and, in the worst case, destruction of critical equipment and facilities. Excessive heat build-up can be caused by inadequate sizing of electrical components, thereby increasing their load.

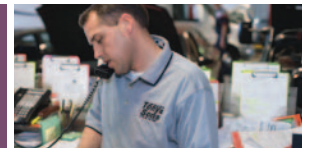
To minimize causes for electrical fires, it is critical to understand the many ways fires can start. Minor electrical defects, inadequate maintenance, poor housekeeping, defective installation and the use of wrong equipment in hazardous areas can all contribute to electrical fires. Overloading electrical conductors will result in resistance heating, which means wiring will heat up if it carries an overload. Overheated wires eventually break down, drying out the electrical insulation. Most overheating occurs at the terminals or connections, e.g., outlets, wire nuts and switches. If a short circuit occurs, very high current flow and heat builds up to a point where a fire can start.

The following are preventive measures that can help decrease the risk of an electrical fire:

- Keep electrical service panel covers in place and closed.
- Be sure circuit breakers are properly identified.
- Never tape a circuit breaker in the open position. If the wire or equipment does get into an overheating situation, the breaker will need to be quickly moved to the off position, as designed.
- Consider implementing a formalized electrical preventive maintenance program, if appropriate, based on your operation and the type of load on the electrical system. You may also want to consider infrared testing as part of your preventive maintenance program.
- Keep combustibles such as boxes, papers or cleaning supplies out of electrical equipment rooms.
- Keep electrical junction boxes covered.
- Do not store combustible materials around electric motors.
- Ensure all conduits and electrical tubing are properly and tightly supported.
- Have a licensed electrician inspect any breaker panel that shows signs of corrosion due to moisture and certify that breakers are functioning properly.

The U.S. Consumer Product Safety Commission Release # 99-069 provides these safety tips for consumers regarding extension cords and power strips. IMPORTANT NOTE: extension cords are not intended for permanent use as a means of providing power to a piece of equipment:

- Look for a certification label from an independent testing lab such as Underwriters Laboratories (UL) or Electrical Testing Laboratories (ETL) on the package and on the product itself. Products with this certification label meet current industry safety standards. For extension cords, look for a permanently attached certification label on the cord near the plug. For power strips and surge protectors, inspect the underside of the casing and make certain that it is marked with the manufacturer's name and the testing lab.
- Use electrical cords, power strips and surge protectors that have polarized plugs with one blade slightly wider than the other or grounded three-pronged plugs. These features reduce the risk of electric shock.
- Use special heavy duty extension cords for high-wattage appliances such as air conditioners, portable electric heaters and freezers.
- Extension cords used outside should be specifically designed for such use to guard against shock.
- Insert plugs fully so that no part of the prong is exposed when the cord is in use.
- Never cover any part of an extension cord with rugs or other objects while it is in use. If the cord is covered, heat cannot escape, which can result in fire.
- Don't overload cords with too many appliances. Change to a higher rated or unplug and relocate appliances to other outlets.
- Make sure cords do not dangle from counters or table tops where they can be pulled down or tripped over.
- If a cord feels hot to the touch, stop using it and throw it away.
- Replace cracked or worn cords.
- Don't use extension cords to compensate for inadequate wiring.



## Hot Work

Although your business may not do welding or cutting with torches, also known as hot work, it is important to understand hot work and how this type of work can contribute to loss. For example:

A contractor is hired to remove and replace an old sign that is hanging from a pole attached to the front of your building. In order to remove the old sign, the contractor has to get a cutting torch and cut through the steel base of the pole. In the process of cutting the base of the pole, small pieces of hot, molten slag find their way into a space between the walls. After the sign is removed, the contractor finishes the job and leaves for the day. After a few hours, a passerby sees a fire at the building and calls 911. The fire department responds, extinguishing the fire. This fire is responsible for almost a total loss and all of the goods or products inside have been impacted by heat, smoke or water.

Had the proper precautions been taken, this fire could have been prevented. Anytime you have someone making repairs in your building that might involve welding, soldering, cutting with torches or even some roofing applications, the following precautions should be taken:

- Make sure that all combustible materials are moved at least 35 feet away from the source. If combustible materials cannot be moved, they should be covered with non-combustible materials.
- Block off all duct and wall openings.
- Provide a fire watch during the operation and a ½ hour after the job is finished. The fire watch should have access to a fire extinguisher and should be properly trained to use it.
- If a contractor is performing this work, be sure to include hot work requirements in the specifications.
- Obtain certificates of insurance from the contractor and make sure that the limits of insurance the contractor carries are adequate.



## Fire Protection

Fire sprinklers are most effective during the fire's initial flame growth stage. A properly designed sprinkler system will detect the fire's heat, initiate the alarm and begin working within minutes after flames appear. In most instances, sprinklers will control fire advancement within a few minutes of their activation. This will result in significantly less damage than would otherwise happen.

Sprinkler systems offer several benefits to building owners and occupants, such as:

- Immediate physical response to a fire: Sprinkler systems respond around the clock, which can be helpful if no one is inside the building to notice that a fire has started. A faster response results in less property damage and less cost to repair/replace items. It can also result in less downtime and less business lost.
- Immediate alert: An alarm that rings locally is a standard component to a sprinkler system. Additionally, many sprinkler systems are monitored by a centrally monitored station such that if the sprinkler system operates, help is quickly sent. Without these features, a fire has time to grow and may get out of control. If a fire were to totally destroy your property, would your business be able to survive?
- Reduced heat and smoke damage: Significantly less heat and smoke will be generated when the fire is extinguished at an early stage. This can have a large impact on how much product your company can salvage after a fire.
- Enhanced life safety: Keeping a fire as small as possible better enables employees and visitors to get out quickly and unharmed. Slowing the growth of fire also makes fighting the fire safer for fire fighters. A smaller fire also gives firefighters more options in how they might approach fighting the fire, which can result in less damage to your business.

The statistics below include experience with sprinklers in the U.S.<sup>2</sup> Almost no reported confined fires are large enough to activate operating sprinklers, so confined fires are excluded from analysis of reliability and effectiveness:

- The death rate per fire in a home with sprinklers is lower by 83%.
- For most property uses, damage per fire is lower by 34% to 77% in properties with sprinklers.

<sup>2</sup> Source: Statistics are based on 2004-2008 U.S. reported fires excluding buildings under construction and properties with no sprinklers in the fire area.

### Types of Sprinkler Systems:

Sprinkler system types include:

- **Wet:** The pipes contain water at all times. This is the most common type of system.
- **Dry:** The piping above the dry pipe valve is not filled with water. Activation of a sprinkler system releases the air from the piping. Once the air pressure falls to a pre-engineered pressure, the dry pipe valve will release. This fills the pipes with water.
- **Deluge:** The function is to wet down the entire area covered by the sprinkler system by admitting water to sprinklers that are open at all times. The system is activated by either smoke or heat detection.
- **Pre-action:** In buildings or applications where there is a danger of water damage being a serious problem as a result of damaged sprinklers, broken piping or frozen piping, the pre-action system is generally used. The piping is filled with air, similar to a dry pipe system. However, activation of the control valve is through a detection system and not a drop in pressure.

### Maintaining Your System:

Maintaining your sprinkler system will help make sure it is in top working condition when you need it. As mentioned, there are several different kinds of sprinkler systems. The maintenance needs of any given system are based upon which kind of system it is.

A qualified sprinkler system servicing contractor should help make sure that your system is in top shape. Additionally, many routine checks of the system can be done by in-house staff, such as making sure the valve is in the open position and locked. Most sprinkler systems need basic monthly checks, as well as quarterly, annual and other periodic maintenance in order to stay in top shape. When conducting maintenance, it's a good idea to retain records. Keeping copies of records stored in a plastic folder with the sprinkler riser can be helpful during surveys and inspections of the building.

Building maintenance sometimes necessitates shutting off the sprinkler valve. If maintenance is performed and needs to be shut down, make sure you have procedures in place to ensure the sprinkler system is turned back on when maintenance is completed. Shut valves are an all too common reason sprinkler systems don't function when needed. Per the National Fire Protection Association (NFPA), one in three valves discovered shut off had been turned off without facility management.<sup>3</sup> It is important that you also notify CNA that the system is shut off.

Feel free to contact CNA for more details regarding sprinkler system maintenance.

<sup>3</sup> Source: NFPA Experience with Sprinklers Report August 2005.

## Fire Detection

Smoke and fire detectors are designed with a warning system to provide an alert if there is the presence of fire.

This warning system:

- Allows occupants in the building to evacuate while a fire is in the early stages.
- Prompts notification of the fire department and other emergency responders.
- Triggers control or extinguishing mechanisms, such as sprinkler systems.

A service that monitors smoke and fire detectors (a central station) provides the optimum arrangement of a detection system. Alarms that are not monitored depend on someone being on the premises for emergency notification. This arrangement is fine during normal working hours; however, if a fire were to start after hours, there would be no response until a passerby discovered the fire. At this point, the fire could be very involved and more difficult to extinguish. If you have any type of alarm system, make sure:

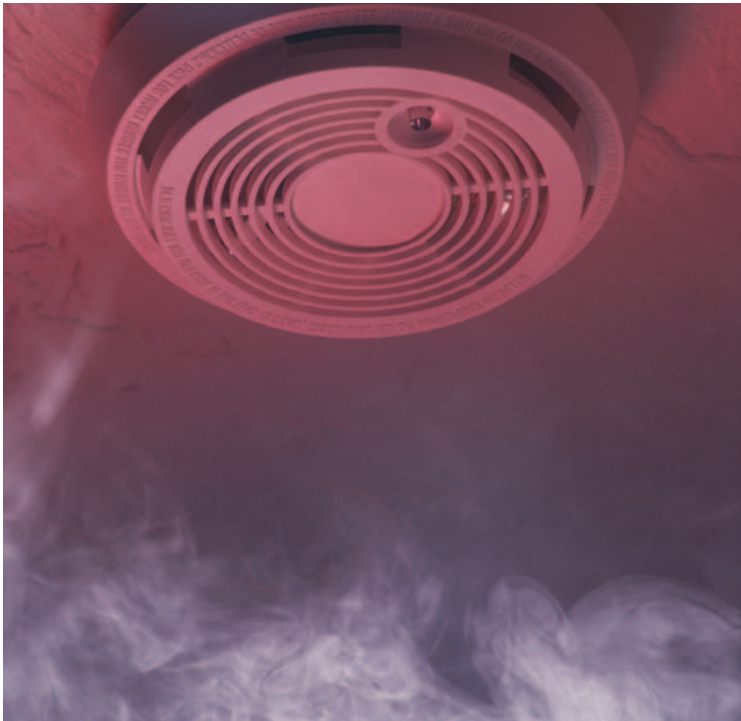
- The system is UL listed.
- The system undergoes regular inspection, testing and maintenance.
- Detectors are not obstructed in any fashion.
- Employees know what to do in the event of an alarm signal.

## Business Continuity and Disaster Recovery

If your company were to experience an emergency, such as a power outage or natural disaster, or if a supplier experiences an emergency, your production could be affected.

In the event of such an emergency, it could be difficult to provide products and services to customers in a timely basis. Therefore, it is beneficial and cost-effective to investigate business interruption contingencies that may help to prevent an unnecessary financial loss and maintain excellent customer relations.





A fire or other type of emergency can impact your business by loss of:

- Revenue
- Key personnel
- Asset value
- Information
- Key cyclical functions
- Entire operation

How well are you prepared to handle one of the following events?

- Fire/arson
- Explosion
- Electrical failure
- Sabotage
- Vandalism
- Theft
- Labor disruption (direct or indirect)
- Supply disruption
- Computer failures
- Hackers
- Embezzlement
- Hurricane
- Flood
- Tornado
- Hail
- Lightning
- Earthquake
- Snow and ice

A business continuity plan can provide:

- A roadmap to manage a crisis.
- Protection of corporate assets.
- Tools to facilitate resumption of normal operations.
- Guidance to ensure the survival of the operation.
- A controlled working environment.
- A plan for how to direct resources to key recovery areas.

Examples of planning options may include items such as:

- Identify types of losses that could affect your company and assess the degree of risk — loss frequency and severity potential should be analyzed.
- Review your business process flow chart.
- Identify operations crucial to survival and recovery.
- Ensure business data (sales records, customer lists, tax information, legal documents, etc.) stored at an off-site location.
- Develop a succession plan for executive management positions, as well as decision-making authority.
- Determine means for communication during an emergency.
- Determine how protocol should be communicated prior to an emergency.
- Establish areas of responsibility.

Examples of potential solutions may include:

- Consider purchasing an emergency electricity generator.
- Identify sources of product that could be purchased from another company and provided to customers.
- Consider coverage by multiple power grids.
- Implement data back-ups.
- Ensure there are multiple vendors that can provide outsourced services in case of an emergency.
- Create a contact list of key vendors and business partners, and keep the list at an off-site location accessible by multiple employees, not just one person.
- Create a plan for your facilities.
- Consider alternate locations in the event main operations centers become unusable or inaccessible.
- Determine a meeting place for the executive management team.
- Determine security needs if an emergency were to occur to protect both people and property.

Take a look at [www.cna.com/riskcontrol](http://www.cna.com/riskcontrol) for more detailed information on potential exposures and suggested solutions.

### Vehicle Use in Business

Here are a few things to consider if you maintain vehicles for business use:

- If the Occupational Safety and Health Administration (OSHA) fined you \$3,000 today, would you still be in business tomorrow?
- Would you still be in business tomorrow if one of your drivers with a prior DUI and no license had been drinking and caused an accident?

Improperly managed incidental fleets expose a business to serious liability loss potential.

#### Indirect Cost of Automobile Losses

When one of your vehicles is involved in an accident, you need to consider the true impact on your business. The insurance coverage will respond in accordance with the terms of your policy, but the following additional costs should be considered.

#### Employee Downtime

- Uninjured driver — nonproductive time filling out accident reports or loss of a skilled, productive worker due to injury.
- Unproductive time at accident scene.
- Obtaining repair estimates (nonproductive time).
- Finding alternative transportation.
- Future nonproductive time in court, if required.

When downtime is calculated into lost sales, you can realize the impact downtime can have on your profit margin.

#### Replacement Labor/Replacement Vehicle

- Training of substitutes is time consuming.
- Substitutes may not have the same motivation and loyalty, which can impact productivity and customer relations.
- Replacement/rental vehicles can be expensive.
- If your vehicle is totaled, expenses are incurred for replacement not covered by insurance.
- Replacement takes time. If the vehicle is in for repairs, how will deliveries be made? If only for a few days, that vehicle is not generating any revenue.

#### Ideal Fleet Management Practices

- Know who is driving your vehicles.
- Establish accountabilities.
- Utilize motor vehicle record review criteria.
- Provide employees with accident reporting procedures.
- Remove employees from driving if they do not pass driving criteria.
- Maintain your vehicles.
- Train your drivers.
- Establish a policy that sets limits on the personal use of company-owned vehicles.
- Designate drivers. Identify specific employees to drive a specific vehicle.
- Specify personal insurance limits for those employees using their own vehicles for company business. Generally, it is recommended that employees carry minimum liability limits of \$100,000/\$300,000 or \$300,000 combined single limit on their personal automobile insurance policy.
- Prohibit loaning of vehicles.
- Establish which family members are allowed to drive — or not to drive.
- Emphasize that driving is a privilege and responsibility — not a right.
- Make each employee aware that he or she will be held responsible for where their vehicle is and what it does.

If an employee uses his/her own vehicle for company business, called non-owned auto exposure, all of the above rules should apply. In addition, this employee should produce a certificate of insurance from his/her automobile insurer. Work closely with your agent to establish minimum acceptable limits.

## Workers' Compensation

Workers' Compensation laws established in the early 1900s were intended to provide no-fault coverage to injured employees for their injuries "arising out of and in the course of employment." Laws vary by state, but typically cover injured workers for:

- Medical care
- Temporary disability
- Permanent disability
- Vocational rehabilitation
- Death benefits

Even when a state has a no-fault system, there could still be considerable attorney involvement as reflected in the following scenarios:

- The claim is denied by the carrier:
  - Insurer receives report.
  - Investigates claim.
  - Determines that injury did not arise out of or in the course of employment.
- Employee not contacted by employer:
  - Employer reports claim to agent or carrier, and assumes claim is being processed.
  - Injured worker may get lost in the shuffle and not hear anything for weeks while the bills pile up and checks are not received.
- Pressure by employer to return to work:
  - Employer making employee come to work with a note every week from his/her doctor.
  - Being told his/her job will be eliminated if they do not come back.
  - Nonproductive temporary assignment.
  - Employer demanding that the employee come back to work despite lack of physician release.
- Legal/attorney advertising:
  - States' supreme courts have liberalized the use of advertising, resulting in greater presence of legal ads.
- Lack of temporary assignments to accommodate temporary physical restrictions:
  - Some employers unwillingness to bring back workers if there are temporary physical restrictions.
  - Some employers have difficulty finding temporary assignments.

Job dissatisfaction goes hand in hand with extended absences when a workplace injury occurs.

To prevent a Workers' Compensation claim from getting out of control, it can be helpful to institute proper prevention measures for the types of losses that are anticipated for your type of business. Smaller operations can also benefit from utilizing the following elements of a safety program:

- Safety must be promoted by management/leadership on a daily basis and understood to be a job requirement.
- If there is a performance review process for managers/supervisors and employees, safety-related expectations should be communicated and evaluated.
- Job hazards should be identified for your business. If possible, engineer out the hazard.
- Employees should understand the hazards of their operations, including protective measures and procedures that you have implemented.
- OSHA can be a good resource for information on hazard prevention for small business owners.



## Protecting Your Investment — Property, Safety and Profitability

### Key Injury Areas

- Strains and sprains associated with lifting, pushing, pulling or carrying
- Injuries around machinery operations:
  - Pinch points
  - Machine guarding
  - Injuries during maintenance
- Slips/falls on same level:
  - Slippery surfaces
  - Uneven surfaces
  - Poor housekeeping/tripping hazards
- Falls from heights:
  - Ladders
  - Scaffolding
  - Open-sided areas
- Cumulative trauma:
  - Office work
  - Production environments

Key OSHA requirements that typically apply to most employers:

- Hazard communication
- Emergency action plan
- Fire safety
- Exit routes
- Walking/working surfaces
- Medical and first aid

### OSHA Website

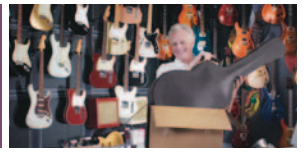
OSHA provides resources via their website at [www.osha.gov](http://www.osha.gov). Following are several topics recommended for business owners:

- Areas designated for small business owners
- Handbook for small businesses
- Small business consultation
- eTools
- Standards
- Safety and health topics

### Post-Injury Management

In some cases, even with proper attention to safety, accidents with injuries still occur. Therefore, it is important to have a good post-injury management procedure in place. Following are some key components to have in place prior to an injury occurring:

- Identify a physician:
  - Avoid designating the emergency room (ER) as the medical facility unless immediate attention is necessary. Treatment in the ER is more expensive and may not process work-related injuries properly. (NOTE: State laws vary on employers directing employees to designated physicians.)
  - Advise the physician that you are willing to consider temporary assignments for injured workers.
  - Ensure the medical doctor knows the essential functions of the job.
- Communicate the post-injury management procedures to your employees.
- Discuss post-injury management procedures during new hire orientation.
- If possible, identify jobs that have potential for temporary assignments.
- Make sure the employee gets appropriate medical attention. Take the employee to the designated provider. If the injury is critical, call 911.
- Communicate claims to agent or carrier.
- Let the employee know that you have reported a claim to the carrier:
  - Tell the employee to let you know if he/she has not heard from the carrier within 48 hours.
- Let the employee know that you will work with him/her to get them back to work in a position that respects the doctor's restrictions.
- Ask the employee to inform you of any problem with the carrier regarding the handling of his/her claim.
- Work with the carrier and physician to get the employee back to work.
- Do not badger the employee.
- If the employee cannot come back to work to a temporary job, continue to maintain communication with him/her.



## General Liability

Types of exposures to liability loss:

- Slips, trips and falls to patrons, customers or visitors to your facility
- Contractual
- Food contamination
- Liquor liability
- Product liability (retail, wholesale, manufacturing)
- Life safety

### Slips/Trips/Falls

According to the National Safety Council, slips, trips and falls are a major accident type in most industries and the second leading cause of accidental deaths, including schools and institutions. They account for 10% to 30% of injuries to employees and the general public, and have an average cost ranging from \$2,500 to \$12,000.

Slips, trips and falls may occur on level walking surfaces as well as on ramps and stairways. Major hazards associated with slip, trip and fall injuries are slippery surfaces, holes or broken surfaces, poor drainage or inadequate clean-up of spills or mud, ice, and water during inclement weather. Falls are frequently the result of both unsafe conditions and unsafe acts. Personal factors such as age, illness, emotional state, fatigue, inattentions and poor vision also contribute to falls.

Slippery surfaces can occur from applying polymer over wax dressing, allowing inadequate drying time, buffing to a mirror-like gloss, incomplete removal of grease or oil, or allowing cleaning residue to mix with freshly applied finishes. Materials used to prevent slips may even become tripping hazards. These include mats with curled edges, tears or warps and abrupt changes in traction provided to adjacent walking surfaces. Mats that have become wet and dirty may make the soles of shoes wet and dirty, rather than drying and cleaning them.

### Removing Hazards to Reduce Slips and Falls

Slips happen where there is too little friction or traction between footwear and the walking surface. To help reduce slips and falls, it is recommended that conditions that contribute to these hazards be eliminated such as:

- Wet and oily surfaces
- Occasional spills
- Loose rugs and mats
- Walking surfaces that do not have the same degree of traction in all areas

If an area is susceptible to ice and snow conditions, procedures should be in place to remove or treat the conditions.

### Correcting Conditions to Reduce Trips and Falls

Trips happen when the foot strikes an object causing a loss of balance leading to a fall. Some of the following are contributors to falls:

- Obstructed view
- Poor lighting
- Cluttered walkways
- Wrinkled or loose carpeting
- Uncovered cables
- Open drawers
- Uneven walking surfaces

You should look at your place of business on a regular basis to see if any of these hazards are present and, if so, correct them. Take a look at [www.cna.com/riskcontrol](http://www.cna.com/riskcontrol) for more detailed information on slip, trip and fall prevention measures.

## Contractual Liability

Any time you enter into a commercial agreement, such as a lease or vendor agreement, it is important to make sure that you:

- Have written agreements with vendors and contractors.
- Include hold harmless and indemnification agreements in your favor.
- Specify insurance requirements.
- Require certificates of insurance.
- Ask to be named as an additional insured.

If you use temporary agencies, have your legal counsel review the contract to ensure the risk transfer arrangement is reasonable. Their standard agreements may have you assume risks that you do not contemplate and hold them harmless and indemnify them.

### Property Owners with Tenants

#### Lessees

- Evaluate the type of operations being conducted by your tenants on your property so they do not put your premises at greater risk than anticipated at the time of the lease.
- Require that tenants supply you with certificates of insurance. This certificate should show that the tenant is carrying insurance with coverage limits sufficient to satisfy your concerns for protecting your assets.
- Have your attorney draft a lease or rental contract that:
  - Includes a hold harmless clause that protects you from the acts or omissions of your tenant.
  - Requires tenants to name you as an “additional insured lessor” under their general liability policy.
- Monitor and review the certificates of insurance annually. Keep current copies in the tenant’s file.
- Have all contracts and/or agreements reviewed by your attorney.
- Ask for a copy of the additional insured endorsement and make it part of your tenant’s file.
- Retain contracts, endorsements, and certificates of insurance for at least 10 years or in accordance with the statutes of limitations in your state.

#### Subcontractors

- Require that any contractor providing service, such as plumbers, carpenters, painters, cleaning services, landscapers, snow plow operators, etc., supply you with certificates of insurance. You should not allow others to perform work of any sort on your property without proof they have sufficient coverage to protect your assets.
- Have your attorney draft a contract or purchase order that:
  - Includes a hold harmless clause that protects you from the acts or omissions of your subcontractors.
  - Requires that subcontractors name you as an “additional insured” under their general liability policy.
- Ask for a copy of the additional insured endorsement and make it part of your subcontractor’s file.
- Annually monitor and review the certificates of insurance for subcontractors used on a consistent basis. Keep current copies in the subcontractor’s file.
- Retain contracts, purchase orders, endorsements, and certificates of insurance for at least 10 years or in accordance with the statutes of limitations in your state.

#### Life Safety

The Life Safety Code is very extensive. Following are some key areas of the code:

- Be sure that all exits are properly marked and lighted (including routes to exits). All emergency lighting should be tested on a regular basis.
- At least two exits remote from each other are required.
- Exits from upper floors should be designed to provide smoke-free means of egress in case of fire.
- Exit doors should open outward and be equipped with panic hardware. Panic hardware must be tested.
- Emergency exit doors should never be locked or made inoperable.
- Exits should not be blocked by merchandise, trash, or other materials or fixtures.
- For terraces, steps and exterior stairways:
  - There should be no projecting nails, posts or other trip hazards. Wooden sections must be sound. There should not be cracks, broken or uneven surfaces, color contrast should be provided where necessary, and existing nosings should be square and unbroken.
  - Standard risers and treads should be available along with handrails.





## Crime Prevention

The economic effect of crime on small businesses can be crippling, and one can only hint at its magnitude. One reason for this is the tendency to mask the problem with such terms as inventory shrinkage, shortage or profit loss, as if crime is to be taken as a normal consequence of being in business. Since these crimes may go unreported and are often accepted as part of doing business, prevention measures might not be considered by some business owners. Crimes against businesses tend to attract less attention than those against individuals or their property, even being seen by some as “victimless” offenses. However, the consequences can be far reaching — impacting the personal well-being of staff, business viability and vitality, the local economy, and the community as a whole.

Crime, such as burglary, robbery, vandalism, shoplifting, employee theft and fraud, costs businesses billions of dollars each year. Crime can be particularly devastating to small businesses, which lose both customers and employees when crime and fear claim a neighborhood.

All great businesses are built on a foundation of good, solid, reliable employees. Conducting pre-employment screening ensures that your investment in your people pays dividends in the future and helps guarantee a stable and efficient workforce. A great deal of information is available to an employer willing to invest the time and make a reasonable effort to screen employees.

Employers have numerous options available for screening applicants, such as resumes and job applications, reference checks, interviews and background checks. While some may be time consuming and expensive, many are fairly straightforward and cost-effective. The failure to investigate properly could have even more severe consequences.

### What should be included in a background check?

- Driving records (MVRs)
- Vehicle registration
- Credit records
- Criminal records
- Social Security number
- Education records
- Past employment work history
- Military records
- Reference checks
- Bankruptcy
- State licensing records

There are many companies that specialize in employment screening. This can range from individuals commonly known as private investigators and online data brokers, to companies that do nothing but employment screening.

With the information age upon us, it is easy for employers to gather background information themselves. Much of it is computerized, allowing employers to log on to public records and commercial databases directly via the Internet. Finding one of these online companies can be easily accomplished by searching for websites that specialize in background checks.

Recently, violence in the workplace has received considerable attention in the popular press and among safety and health professionals. Much of the reason for this attention is the reporting of data by the National Institute for Occupational Safety and Health (NIOSH) regarding the magnitude of this problem in U.S. workplaces.

Violence is a substantial contributor to death and injury on the job. NIOSH data indicates that homicide has become the second-leading cause of occupational injury death, exceeded only by motor vehicle-related deaths. Workplace violence is not distributed randomly across all workplaces, but is clustered in particular occupational settings. More than half (56%) of workplace homicides occurred in retail trade and service industries. Homicide is the leading cause of death in these industries, as well as in finance, insurance and real estate. Eighty-five percent of nonfatal assaults in the workplace occur in service and retail trade industries.

### Security measures to consider:

- Parking lot security
- Closed-circuit television
- Credit card and check fraud prevention
- Robbery and violence prevention
- Burglary prevention
- Alarm systems
- Preventing employee theft
- Shoplifting prevention
- Controlling visitors

## Let us help you manage your risk exposures today.

To learn more about how CNA Risk Control can help you protect your property and profitability, call us toll-free at 866-262-0540. Or, visit the CNA Risk Control website at [www.cna.com/riskcontrol](http://www.cna.com/riskcontrol).

When it comes to finding an insurance carrier dedicated to helping you find ways to protect your people and your profitability ... **we can show you more.**<sup>®</sup>



RISK CONTROL

**CNA**

The information, examples and suggestions presented in this material have been developed from sources believed to be reliable, but they should not be construed as legal or other professional advice. CNA accepts no responsibility for the accuracy or completeness of this material and recommends the consultation with competent legal counsel and/or other professional advisors before applying this material in any particular factual situations. This material is for illustrative purposes and is not intended to constitute a contract. Please remember that only the relevant insurance policy can provide the actual terms, coverages, amounts, conditions and exclusions for an insured. All products and services may not be available in all states and may be subject to change without notice. CNA is a registered trademark of CNA Financial Corporation. Copyright © 2011 CNA. All rights reserved.

EG SB PSP 060911