

Workers' Comp & Safety News



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Loss Control

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How Technology Is Helping to Reduce Fraud

Fraud in all U.S. lines of insurance is responsible for approximately \$80 billion per year in losses. Several billion dollars of that is workers comp fraud. In the past few years, however, some of those losses have been reduced thanks to technology.

Video and Video Surveillance:

Though the use of drones with cameras on board for investigating fraud is rapidly growing, particularly on stakeouts (see below), claims investigators use video in other ways, as this excerpt from a post on the www.trustify.info blog demonstrates:

"You wouldn't mind if I... you know... videotaped us working out, would you?"

I said to Lifter guy. "Just to look at my form and stuff?"

"No problem. You gonna put it on YouTube or something?" Lifter Guy responded.

"Yeah," I smirked and smiled, "something like that."

Little did Lifter Guy know that I was a Private Investigator (P.I.) working undercover to videotape him powerlifting while cheating the workers' compensation system.



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This Just In...

There's a disparity in how baby boomers learn and how younger generations including Generation X and millennials learn that affects safety in the workplace.

Christina Lincicome of SAIF Corporation, Oregon's state-chartered workers comp insurer, thinks "full classes on safety will become a rarer occurrence because younger generations don't necessarily learn best that way," she told *Business Insurance* magazine.

Lincicome points out that since "millennials are highly intuitive..., safety concerns should be relayed showing the best method quickly and decisively. For boomers, you want to include the entire method and build in time for questions."

Younger generations also want to know how changes are going to

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People like attention, so it's not hard to get their permission to film them even in situations where they should be more cautious. A more common use of video is as a surveillance tool.

Nearly one in four business owners now uses video cameras to monitor employees. A recent YouTube video shows actual footage of a Fort Lauderdale woman who hit herself on the head with a sprinkler head after it fell onto her desk. She is startled at first, then quickly picks the sprinkler head up, leans back in her chair and smacks her head with it. She has been convicted of workers comp fraud. https://www.youtube.com/watch?v=A4N4X_9URKk

Video surveillance can also be helpful in identifying fraud in other ways. For example, parking lot cameras could show how a worker limped from their car and into the building shortly before reporting that the injury to their leg just occurred on the job.

Prescription Monitoring Database: Almost every state uses a prescription drug monitoring program to control substance abuse. These databases track drug use by patients as well as the dispensing of drugs by prescribers, making it easier to detect patterns of excessive or fraudulent use of opioids and other controlled substances.

Social Media: A workers comp recipient was on leave because of a work-related injury. However, he "could not resist playing a contact sport on a local semi-professional sports team," according to *Risk Management Magazine*. Social media and internet searches revealed the worker was listed on

the team roster and having a great season

"Head and shoulders above anything else from falsifying an accident or exaggerating an injury, the biggest trend is how social-media monitoring is being used as an investigative tool to understand and predict future activities of these presumably injured people." Steve Cassell, Lake Mary, Florida-based president and CEO of Command Investigations L.L.C. told *Business Insurance* magazine. "People brag; it never stops."

Keep in mind you can't trick people into giving you access to their social accounts, but if access to their accounts is available to the public, information obtained from them can be used to substantiate allegations of fraud.

Drones: Private investigator Mike Stanfield of Apex Investigation Group used to stake out a suspected fraudster for weeks. Now he uses technology. He recently sent a remote camera drone to make short flights near the house of someone suspected of faking a back injury. Stanfield discovered that the supposedly disabled man was "tossing around 200 pound rocks re-landscaping his property."

"If you are on any property that does not have a privacy fence around it, you are fair game for the drone camera," according to Stanfield.

Internet of Things: As we interact more and more with apps and appliances these days, we leave behind time stamped data records of our whereabouts, actions and even our conversations. That information is now being used in investigations. In Arkansas, a court order was issued to Amazon demand-

impact the workplace. They need to know the why; they're not satisfied just knowing what to do.

"Millennials bring intuitive problem-solving approaches while boomers carry the social and institutional knowledge. These two can create new approaches by leveraging the best in each other. Generation X is generally excellent at project management. They have been referred to as the latch-key generation and understand what it is like to work alone. They excel in productivity and creativity when you give them a charge, a deadline, and leave them alone," said Ms. Lincicome.

We saw a cartoon that put the generational disparity this way:

Boomer: Tell me quick, I only have five minutes.

Millennial: Tell me quick. I only have a few seconds, send me a message on my iPhone.

ing Echo recordings of a suspect in a murder investigation. In Ohio prosecutors will use data from a fraud suspect's pacemaker to attempt to prove he lied in statements to investigators about how he escaped the fire in his home.

Consumer and privacy groups are concerned about how "Big Data" is becoming increasingly intrusive. The courts and legislators are currently trying to strike a balance between privacy and the proper use of data.

We will undoubtedly keep seeing new technologies introduced to help reduce fraud. If you would like to discuss ways technology might help your reduce fraud and other types of losses at your firm, please contact us. ■

How Wearable Technology Is Improving Workplace Safety

Wearable technology is rapidly moving beyond smartwatches and fitness trackers. The devices offer great rewards and increased risks.

Wearable technology is showing up more and more in the workplace. According to Gartner Inc. a research and advisory firm in Stamford, Conn., 310.4 million wearable devices will be sold worldwide in 2017, an increase of 16.7% from 2016.

And these are not just smartwatches and fitness trackers. Modjoul of Clemson, S.C., makes smart belts to track workers' movements, locations, temperatures and other environmental details that can be analyzed to improve safety and efficiency.

Daqri LLC of Los Angeles has designed a helmet that can provide workers with 3-D data visualizations and work instructions projected on stereoscopic optical displays they can watch as they do their jobs.

UpSkill, Vienna, Va., claims their Skylight augmented reality wearable technologies "cut production time by 25% and errors to virtually zero."

We are talking about gadgets that used to seem wildly futuristic in movies like the *Terminator*. That future is reality now.

Today's augmented reality devices improve worker performance and help them make critical decisions more safely, according



to Gaia Dempsey, co-founder and vice president of corporate affairs for Daqri. "You're plugged into the most important data and all the critical business information that you need to make decisions in the moment. With step-by-step AR work instructions, nothing is falling through the cracks. I'm not relying on my fallible memory from training I had a year and a half ago. The information I need is right in my view, in an intuitive and interactive

interface," Ms. Dempsey told *Business Insurance* magazine.

Chad Hollingsworth is the CEO and founder of Triax, Norwalk, Conn. The company makes the "spot-r wearable system," which monitors a worker's location and detects slips and falls and delivers safety warnings. "I think you're going to see wearables become ubiquitous in a lot of labor jobs," Hollingsworth told *Markets Insider*.

Privacy Issues

Wearables present tremendous potential for improving safe behavior by monitoring tasks such as lifting, handling materials and working in dangerous locations. But they also collect a massive amount of personal data. This can be problem.

"There are very viable and potential risks associated with wearables," according to Thomas Ryan, New York-based senior principal and director of workers compensation research and integrated casualty consulting at Willis Towers Watson P.L.C.

"I think the big one that's at the forefront for a lot of employers is cyber risk," Ryan told *Business Insurance*. "Because there are concerns about any type of hacking of the data, privacy invasion and losing control of the data that's been accumulated and having that data compromised."

If only the limited amount of data pertaining to a specific objective were at risk, there would not be as much of an issue. The problem is that these devices can just constantly collect data. Some managers might decide to collect as much data as they can, then see what they can do with it.

Reasonable Expectations

That would be the wrong approach, according to Kate Bishcoff, owner of the Minneapolis employment law firm Thrive Law & Consulting. Employees have a reasonable expectation of privacy in most states and employers should not go beyond gathering information from and about the workplace.

Another problem employers may encounter collecting data is information that suggests the workplace is unsafe. If the employer doesn't make changes based on that information, they may incur liability.

Consent of the People

Most wearable manufacturers are aware of the privacy issues and have procedures in place to obtain consent.

Daqri, the smart glasses and helmets manufacturer, requires customers to create privacy policies that follow industry standards, deal with workers transparently by disclosing to them what data will be collected and how it will be used.

Modjoul, the smart belt manufacturer, restricts the kind of data collected with its belts.

"What we were advised was not to put biometric sensors on our belt," Martinez told *Business Insurance*. "We don't touch skin, so it was hard for us to do it anyway. At work, you just want to know if you're busy and you're doing the job right. We don't care about how many calories you burn — what we care about is, are you safe or can we help you be safe by telling the supervisor there might be an unsafe act going on."

Unfortunately there is often a tradeoff between the economic and health benefits we get from technology and the privacy we lose because of it. We experience it with social media, the internet, cyber banking and now — wearables.

Are you using wearable technology in your workplace to collect data? Do you have concerns? Please contact us. ■

What's a Retrospective Rating Plan?

Retro rating plans have been around for years. Many employers like them because they offer an opportunity for big savings — if things go right with your loss experience. How do they work?

In a retrospective rating plan (a retro), the final workers' comp premium paid for the policy year is calculated retroactively, based on the actual losses incurred during the year.

The retro is actually an endorsement to a basic workers' comp plan that has been rated using a standard cost formula. The plan usually designates a maximum and minimum premium, and buyers may choose to buy a per-claim stop-loss limit that caps the claims payments' impact on the premium calculation.

What Is the Risk?

Retros are a win-lose proposition. If you successfully reduce claims, you reap the rewards the following year. But if you have a significant workers' comp loss, you will make additional premium payments after the end of the policy year — potentially for several years.



In comparison, a guaranteed cost plan locks in the yearly workers' comp premium, based on your current experience mod. A bad claims' year does not impact your current premium, but will affect the next year's experience mod and premium.

Retro plans involve more paperwork for employers. As long as there are open claims, the insurance company will issue premium credits or debits, which adds uncertainty to budget planning. Even if you switch carriers, you may be reminded annually of your past claims' experience — when the previous carrier sends a bill for additional premium.

Variations on Retros

Variations on retros, available in some states, provide potential premium savings while limiting the risk of paying additional premium for the policy year.

- ✦ Sliding scale dividend plan: returns a dividend to the customer after the policy period, if losses are low and if the insurance company makes an overall underwriting profit. There is no penalty for excessive losses and no guarantee of dividend payment.
- ✦ Retention plan: returns a dividend to the customer if the incurred losses and the insurance company's expenses (the retention) are low.

Advantages

In addition to saving premium dollars, based on a good claims experience, retros:

- ✦ can be designed to fit a company's specific needs.
- ✦ are fairly priced so premiums truly reflect claims costs.

- ✦ encourage continual vigilance on loss control and early return-to-work.

With a retro, there are no surprising, hidden costs.

There are many ways to structure a workers' comp program. Each variation has advantages and disadvantages. Whether your company has a guaranteed price plan, a retro or a variation on a dividend or retention plan, sooner or later you will pay for your workers' comp losses. As always, the best way to control comp costs is to prevent injuries and get injured employees back to work.

If you are interested in learning more about retrospective rating plans, give us a call. ■

Should You Use a Retro for Your Business?

Retros make sense when you believe your future workers' comp claims will be significantly less than your current claims.

Take, for instance, a software design firm that has 60 employees. The owners are committed to maintaining a safe, productive work environment, but two employees were injured in an auto accident while on company business. That one-time event has hurt the employer's experience modification factor. The company is financially sound, and the owners are willing to take some risk to lower their premium. The company is a prime candidate for a retrospective rating plan. Retro plans make sense for companies that:

- ✦ are willing to take risk.
- ✦ are financially sound.
- ✦ have strong safety and return-to-work programs.
- ✦ have management that is committed to safety.
- ✦ have claims that tend to be frequent, rather than severe.



When a company with a high experience mod takes action to reduce injuries and get workers back to work, it is appropriate to consider a retro plan. Switching to a retro allows a company to almost immediately reap the rewards of reduced comp claims.

Thinking about a retro for your business? Please contact us. ■

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