



The Eagle Eye

SUMMER 2007



Claims Website

Ray Campisi, Vice President of Claims

ILM is pleased to announce the next enhancement to our website based services for both agents and policyholders.

Effective July 1, 2007, both Agents and Policyholders will be able to report new Property, Automobile, and General Liability claims through ILM's website, www.ilmgroup.com. This new feature will allow you to report losses through a user-friendly password protected portal. The step-by-step process will ask all the questions needed to complete your loss report. The ILM system will allow you to put your loss report "on hold" if your reporting is interrupted by other urgent business matters and resume your loss reporting at a later time without the loss of information. Once completed, you will receive confirmation that your reported loss has been transmitted to ILM; you will also have the ability to print your reported loss in the form of an ACORD document for your records. This new service simplifies the loss reporting process for you and enables ILM to reduce the time it takes to assign your loss to an adjuster for handling.

Future web-based services will include state-specific loss reporting for Workers' Compensation claims and enable you to print your reported loss on your state-specific form.

Controlling Subcontracting Exposures

Jim Hynes, Vice President of Risk Services

Are you a timber harvesting entity, retail building material dealer or a cabinet manufacturer that utilizes subcontractors in some phase of your operation? It is becoming increasingly more common for businesses to utilize subcontractors to complete some portion of their work.

If you are acting in the capacity of a general contractor and utilizing subcontractors in your business, you could be held liable for damage to other third parties resulting from work contracted out to subcontractors and any of their employees. As a result, the Commercial General Liability exposure for businesses utilizing subcontractors could be serious if this exposure is not properly controlled.

The Products and Completed Operations Liability exposure can be substantial for business owners (general contractors) involved in residential and commercial building construction, certain types of installed sales such as window, siding, roofing and door installations and timber harvesting. This is particularly true when you are employing subcontractors to complete these installations or work. You may be held liable for any problems that arise due to performance of your subcontractors. It is sometimes

difficult to ensure the quality of all work completed by subcontractors, especially in businesses that engage in construction or installed sales.

As a business owner utilizing subcontractors in your operations, you will want to carefully consider each subcontractor's qualifications, reputation and performance histories on past projects before engaging them. Furthermore, it is critical that you employ an adequate number of jobsite managers to oversee and inspect all jobsite operations to ensure the quality of worksite safety and work being performed by your subcontractors. When your jobsite supervisor discovers work that is deemed deficient or improperly conducted, he or she must rectify the problem with the subcontractor.

An ever-emerging area of concern for Insureds engaged in construction and installed sales is construction defect. Construction defect exposure is a problem in many states today and is constantly growing for Insureds and Insurers in other states. This is especially true for the residential segment of the industry, but also applies to the commercial and industrial segments.

Due to application of state laws in the areas of strict liability and extended statutes of limitations, contractors engaging in residential building and installed sales have been the targets of suits with plaintiffs arguing that something the contractor did con-

tributed to damage to the home. Many times, the alleged defect does not become apparent until a number of years later. Most of the more severe and costly claims involve water intrusion around windows, doors and roofs emanating from faulty installations. Some construction defect claims can be similar to class action suits when multiple plaintiffs in a neighborhood band together seeking settlements worth millions.

The ILM Group is very proactive and attuned to emerging risks associated with installed sales, construction operations and controlling subcontractor liability. We monitor these threats using a combination of resources, including, but not limited to, the following: industry periodicals, affiliations with industry groups such as the PCI, NAMIC, IBHS, The Insurance Institute of Indiana, various wood and lumber associations, reinsurers, and attending industry conferences and seminars that address these subjects. Our underwriters and loss control reps understand these issues, and we help our Insureds control their exposures.

The ILM Group can help you reduce or mitigate your commercial general liability exposure to subcontracting risks. Controlling these exposures will ultimately translate into better loss experience and positively impact your premium costs.

Here is what you can do:

- Carefully consider each subcontractor's qualifications, reputation and performance histories on past projects before hiring them.
- Hire an adequate number of jobsite managers or supervisors to oversee and inspect all jobsite operations to ensure the quality of site safety and work being performed by your subs. As the general contractor, you should supply your subcontractors with a formal,

written safety program, distribute it, and require all subcontractors adhere to it. Remember, you are ultimately the responsible party for worksite safety.

- When your jobsite manager or supervisor discovers work that is deemed deficient or improperly conducted, take responsibility to rectify the problem with the subcontractor.
- Require all subcontractors to sign an A.I.A., or similar contract, prior to the start of any job. If you use contracts other than the standard A.I.A. contract, make sure that your agent or attorney routinely reviews the indemnification, hold harmless and other insurance clauses.
- Certificates of insurance must be required from all subcontractors prior to the subcontractor beginning any job. You should obtain certificates of insurance from all subs prior to the start of any job.
- Require all subcontractors to carry Commercial General Liability limits equal to or greater than your limits.
- Require all subcontractors to name your company as additional insured, primary and non-contributory, on their policies prior to the start of any construction, installation or timber harvesting job.
- If you are engaged in timber harvesting, you should require subcontractors to attend certified logging safety training before you hire them.

All of these guidelines for controlling subcontracting exposures are commonly practiced across the property and casualty insurance industry. If you are not following these guidelines, you are needlessly subjecting your company to potentially poor loss experience which in the long-run will mean higher insurance costs. If your competitors are practicing good risk transfer and exposure reduction techniques, it could put you at a competitive disadvantage in the marketplace.

Want to learn more or need help from The ILM Group to get started? If so, please contact your agent. ILM's Loss Control Department can assist with guidelines and consultation for subcontracting exposures.

Reinsurance, Part 2— Financial Strength and Stability for our Customers

Dave Walters, Corporate Secretary

This is the second article devoted to the explanation of ILM's reinsurance program. The first installment described what reinsurance is, why insurance companies purchase it and the significant hurricane losses experienced by many reinsurers over the past few years. Now we would like to explain how ILM's reinsurers benefit our policyholders.

First and foremost, reinsurance protects the financial assets and surplus of ILM against the possibility of a large loss due to unforeseen catastrophic events covered by the insurance policies issued to our customers. These events can range from one large individual fire or property loss to a catastrophe involving multiple property losses caused by one event (fire, hurricane, tornado or hail) to a casualty loss that may involve multiple policies such as Automobile, Workers Compensation and Umbrella (a severe auto accident where employees are injured, other parties are injured and there is physical damage to property and vehicles).

These catastrophic events do occur on an infrequent basis. Reinsurance helps to protect ILM from a significant loss in surplus, so that sufficient funds continue to be available for subsequent events that occur after any such catastrophe.

The Safety Corner

George Hawkins, Sr. Loss Control Representative



ILM purchases reinsurance from well respected reinsurers that have generally been in the business for quite some time. Our approach and philosophy taken with reinsurers is similar to that with our customers—to develop long-term partnerships that enable both parties to succeed and prosper. When considering reinsurance companies, we target those with an A.M. Best rating of “A” and surplus of \$250 million for Property business / \$500 million for casualty business. A number of our reinsurers have surplus well over \$1 billion and we also have the largest worldwide reinsurer on our program—Swiss Re. In total, there are 28 separate reinsurers participating on ILM’s 2007 treaty reinsurance program, with approximately half of those being syndicates at Lloyd’s of London. While ILM has a number of property and casualty reinsurance treaties, the 2007 treaties are led by the following companies:

- QBE Reinsurance Corporation
- Platinum Underwriters Reinsurance Company
- Hannover Ruckversicherungs-AG
- Swiss Re
- Underwriters at Lloyd’s of London (Property only)

The bottom line from all of this is that ILM has a rock solid group of reinsurers that are ready to pay losses when we need them. This is not an empty promise, as there have been some years in recent history where unusual loss severity necessitated collection under our reinsurance treaties. Our reinsurers responded quickly with payments when we expected them to—just like we respond to our customers when they need us.

The loss control department of ILM continues to feel that the safety of our policy holders is a vital part of our daily operations. With this being said, the hot summer months are approaching and there are some key elements to the extreme temperatures that your employees will be exposed to.

Many workers spend part or all of their working day in hot environments. Operations involving high air temperatures, radiant heat sources, high humidity, direct physical contact with hot objects or strenuous physical activities have a high potential for inducing heat stress in employees engaged in such operations. These hot conditions pose special hazards to safety and health, and can cause several heat-induced illnesses. The amount of heat stress workers face in hot work areas depends on four environmental factors: temperature, humidity, radiant heat and velocity. Personal characteristics such as age, weight, fitness, and medical conditions are also factors.

The body reacts to high external temperature by circulating blood to the skin which increases skin temperature and allows the body to give off its excess heat through the skin. However, if the muscles are being used for physical labor, less blood is available to flow to the skin and release heat. Sweating is another means the body uses to maintain a stable internal body temperature in the

face of heat. However, sweating is effective only if the humidity level is low enough to permit evaporation and if the fluids and salts are adequately replaced. If the body can’t dispose of excess heat, it stores it. This causes the core temperature and heart rate to rise. This can result in heat exhaustion and if not treated may progress to heat stroke which can result in death.

Heat Exhaustion results mainly from loss of fluid. Symptoms include headache, weakness, nausea, fainting, dizziness, mood changes, and moist clammy skin. Treatment is simple—the victim should rest in a cool place and drink an electrolyte solution. Severe cases involving vomiting or loss of consciousness may require medical treatment.

Heat Stroke happens if the core temperature continues to rise. Sweating stops and the body can no longer get rid of excess heat. Signs include body temperature 106° or greater, dry hot skin that may be red, mottled, or bluish, confusion, delirium, loss of consciousness, convulsions, or coma. These victims will die unless treated quickly. Call 911, and while waiting for medical help, move the victim to a cool place and soak clothing with cool water. Fan them vigorously to increase cooling.

Preventing Heat Stress

Most heat related health problems can be prevented or the risk of developing them reduced. Following a few basic precautions should lessen heat stress.

Engineering controls including general ventilation and spot cooling by local exhaust ventilation at points of high heat production may be helpful. Shielding from radiant heat sources, evaporative cooling and mechanical refrigeration are also helpful in reducing heat. Using power tools to reduce manual labor as well as personal

cooling devices or protective clothing are other ways to reduce heat exposure.

Work practices such as drinking plenty of water—as much as a quart an hour—can reduce the risk of heat disorders. Training workers and first aid staff in the signs and treatment of these disorders is essential. Employers should also consider a person's overall physical condition when working in hot environments.

Alternating work and rest periods in cool areas can help workers avoid heat stress. Heavy work should be scheduled during the cooler parts of the day, and protective clothing should be provided. Supervisors should be aware of signs of heat stress and permit workers to stop if symptoms appear.

Acclimatization to heat through short exposures followed by longer periods of work in hot environments can also

reduce heat stress. Workers and new employees should have a 5-day period of acclimatization. This period should begin with 50 percent of the normal work load and gradually build up to 100 percent by the fifth day.

Employee education is vital so that workers are aware of the need to replace fluids and salt lost through sweat. Education is also important so workers can recognize heat stress disorders in order for appropriate treatment to be initiated.

For a heat stress quick card and more information go to:

OSHA Heat Stress Quick Card:
www.osha.gov/Publications/osha3154.pdf

OSHA Heat Stress Fact Sheet:
http://www.osha.gov/OshDoc/data_Hurricane_Facts/heat_stress.pdf

REMINDER:

ILM is pleased to offer our Accident Kit to our Business Auto policyholders. No one wants to have an accident involving one of their vehicles, but if you do, this kit will provide your driver with all of the tools to obtain the necessary information.

The kit is equipped with a Driver's Accident Report, which is a tri-fold card that gives your driver a step by step process to obtain all of the accident details: the accident description, the police officers' information, other vehicle information and witnesses' information. The kit also comes with a disposable camera that your driver can use to photograph/document the scene. These photos will be a useful tool in managing your claims and looking out for the best interest of your driver and your company. To order these kits for your vehicles, contact our Customer Service Department at (800) 732-0777.

Indiana Lumbermens Mutual Insurance Company

is proud to be the endorsed Commercial Insurance carrier for these associations:

Michigan Lumber and Building Materials Association (MLBMA)
Indiana Hardwood Lumbermen's Association (IHLA)
Lumbermen's Association of Texas – (LAT)
Missouri Forest Products Association (MFPA)

We are also members and partners with:

Property Casualty Insurers Association of America (PCI)
National Association of Mutual Insurance Companies (NAMIC)
National Lumber and Building Material Dealers Association (NLBMDA)
National Hardwoods Lumber Association (NHLA)
Manufacturers Service Council (MSC)
Northwestern Lumbermens, Inc.
Insurance Institute of Indiana
Indiana Chamber of Commerce
US Chamber of Commerce

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