

INSURERS MUST WORK PREVENTIVELY

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ACCIDENTS are costing the insurance and reinsurance companies millions. Why are they doing so comparatively little to prevent them? It seems many of them see prevention as more of a public relations exercise than a genuine attempt to reduce tragedy, premiums and payouts.

Yet there are others which see the benefit of being involved with the Royal Society for the Prevention of Accidents (RoSPA) which was set up in 1916 to combat the large number of road accidents arising from the blackouts of World War I. Expansion into occupational safety quickly followed with an ever increasing emphasis on training at all levels. Now the society boasts a training programme which is second to none with a wide range of courses lasting from one day to five weeks and leading to various specialised safety qualifications.

There are some insurance companies which appreciate prevention. For example, General Accident has invested several million pounds in a wide range of accident prevention activities in Britain. Sun Alliance International is committed to supporting future innovations for risk improvement and greater occupational safety. They have sponsored the RoSPA award for occupational risk improvement for the past three years. Eagle Star sponsors a trophy for exceptional safety achievement in a company with less than 1000 employees.

Insurance companies have also started taking space at the RoSPA International Safety & Health Exhibition and Congress. This event is now the largest annual safety event in Europe and grows larger each year. The Association of British Insurers (ABI) when it was called the British Insurance Association, invested in a new extension to the RoSPA occupational safety training centre in Birmingham in 1980. Princess Margaret opened the extension in 1981 and it has been well used ever since. RoSPA is interested to note some of the comments in the ABI's insurance statistics for 1989.

Reinsurance premium income worldwide is recorded at £2165 million by the ABI and this



includes an unspecified amount of motor, fire and accident business. The *Exxon Valdez* disaster total loss is estimated at \$2000 million, at least. A string of 35 aviation catastrophes in the last three years totted up insured damage worth \$858 million.

The ABI also reported "In 1989 £175 million was transferred from the profit and loss account to the Marine, Aviation and Transport account, in part reflecting the above large losses, but also a need felt by many offices to strengthen their

reserves still further for the 1988 Piper Alpha tragedy. A further £376 million was transferred to the reinsurance account (compared with £106 million in 1988)". On another front there was this comment: "There was a significant increase in commercial fire losses, including some very large individual losses. Industrial disease claims also showed an increase."

RoSPA is convinced that safety auditing and loss control have a major part to play in reducing loss for businesses and their insurers. The resources that an organisation has to commit to health and safety may often be considered as imposed and unnecessary on cost. The committed funds would be much more effectively used to increase the company's production base and quality assurance systems. Safety costs are high, but then so is the cost of failure. Typical areas of cost are as follows:

- Damage to property
- Equipment damage
- Material damage
- Workforce morale
- Customer relations
- Public and environmental liability
- Personnel costs

Product liability risks are going to continue to figure highly in the potential loss control strategies of businesses. The move away from the negligence criteria to one of strict liability, will lead to increased levels of claims. This will surely be echoed in claims arising out of the strict liability for pollution and waste disposal



COURTESY: KATE WATSON, THE GRAYLING COMPANY

Coveralls such as Kleenguard afford a high level of protection in contaminated environments.

being imposed under the European Directive.

A recent White Paper *This Common Inheritance: Britain's Environmental Strategy* which proposes a 'polluters pay' principle, will mean that those who cause damage will be responsible for the full cost of control. The scale of the claims arising from incidents under these headings will be truly colossal, as has been shown in the USA: the Love Canal, Stringfellow Dump and other cases. To meet such a claim could be quite beyond the ability of a single insurance company; shared liability will quite likely be the norm.

Companies surveyed by the Confederation of British Industry, as reported in their recent publication on safety culture, have often quoted that "survival of the organisation as an effective business" as a basic reason for their management of safety programme. Some of the activities in which costs tend to be incurred to prevent losses are: management effort; research, design; process route modification; operational restraints; plant layout and siting;

equipment design; materials of construction; equipment duplication; process instrumentation and trips; fire protection; inspection effort; and emergency planning.

The true cost of safety being the sum of the costs of failure plus the cost of prevention. A risk cost analysis should be carried out to determine the point of diminishing returns, and enable management to make realistic decisions. The International Loss Control Institute (ILCI) has developed a model of loss to assist in the control of accidental loss. Accidents and other problems are seldom, if ever, the result of a single cause. This model shows that the incident/accident results from substandard (unsafe) acts and conditions. The term substandard being used to emphasise that there is an expected acceptable level.

If there is a lack of safety it must result from the actual conditions and acts being below the acceptable standard. These are the immediate accident causes, and are in fact the symptoms of the basic causes. These in turn result from a



Will training reduce accidents?

lack of management control.

Like any other groups of people, managers often blame others, i.e. the workers or blind chance for their failings. However, studies of accidents and their causes have shown beyond doubt that the majority of accidents result from factors that can only be controlled by managerial action. It has been suggested by ILCI research that approximately 85% of accidents result from lack of management's control.

In Britain the Accident Prevention Advisory Unit of the Health & Safety Executive commented in its recent publication *Deadly Maintenance in the Chemical Industry*. They concluded that in accidents investigated in this study responsibility lay as listed below:

- Employers (site occupier) responsible for 68.7%
- Joint employer/employee responsible for 5.4%
- Joint employer/contractor responsible for 2.1%
- Employee responsible for 10.9%

This means that management is responsible for 76.2% of accidents! A fundamental premise of the British legal system is that the employer through his organizational structure is responsible for the health, safety and welfare of others affected by his activities. In order for employers, manufacturers etc to meet their responsibilities, an effective risk management programme must be implemented. As part of this must be a vigorous loss control programme. It is a basic assertion of safety practitioners that managing safety activities provides significant opportunities for managing costs.

Good safety management provides an automatic spin off in the productivity and quality areas. The same managerial techniques are applicable to all these areas. Overall the business's culture should lead it to ask these questions: Can it be made/done? Can it be made/done at a quality that is acceptable in the

marketplace? and Can it be made/done in such a way that the business's resources of people materials etc are safeguarded, and that there are no unacceptable risks to our customers and the environment.

To achieve this, there must be a safety policy analogous to the Quality Assurance Policy of companies accredited to BS 5750 1987 and other quality assurance standards. As part of this assurance effort there must be a continuous system of loss control audits, these will cover the areas of occupational safety, consumer safety, and environmental protection.

Companies often forget what an investment they have in their fleets of vehicles. As the ABI report for 1989 demonstrated "The UK motor account continued to show an underwriting loss, and at £287 million (6.3% of the premiums written) this was rather worse than the 1988 loss of £149 million (3.7% of premiums) . . . it must still be a matter of concern that almost one in four private motorists with comprehensive cover submit a claim each year, compared with about one in six a decade ago."

The rapidly expanding RoSPA driver-training services provide industry and commerce with a way to reduce road accidents, maintenance costs and insurance premiums. Indeed, General Accident now makes special offers to firms who use driver-training. Other brokers offer discounts to motorists who take RoSPA's advanced driving test privately.

This test has to be retaken regularly to ensure standard are maintained and all tests are graded so that the driver knows how frequently retesting is needed. RoSPA is the only advanced driving organisation to do this. All insurance companies should offer substantial discounts to advanced drivers as an incentive to others to improve their standards.

The Transport & Road Research Laboratory, run by the Department of Transport, is currently carrying out research to establish just how much safer advanced drivers are. In the United States the Highway Loss Data Institute publishes comprehensive data on the relative accident performance of different makes of vehicle. This is derived from insurance claims. Why cannot British drivers have the same information to help them choose wisely at the car salesroom?

Insurance and accident prevention should go hand in hand and RoSPA would certainly like to see a greater interest in joint ventures from the industry. It can only be to everyone's advantage. ■

Julian Wethered MA became director-general of the Royal Society for the Prevention of Accidents last year. He had previously spent 34 years in security printing with Thomas De La Rue where he rose to be regional director, Far East. He entered industry in 1952 following National Service with the Royal Marines and reading history at Cambridge.