

# INSURANCE BULLETIN

BULLETIN #3

## Selecting Safer Subcontractors

CNA and NESPA are proud to provide you with this information. We trust that you will find it useful in understanding the insurance and risk management issues associated with your business.

Spa and swimming pool companies are responsible for the entire scope of work under their contract with the general contractor or owner. Spa and swimming pool companies may be held liable for bodily injury or property damage from any operations associated with the scope of work (including damage or injury to third parties caused by subcontractors). Consequently, the spa and swimming pool professional must diligently manage their subcontractors at each and every job site.

Safety is a very important qualifying element when selecting a subcontractor. Spa and swimming pool professionals have good reason to prevent unsafe subcontractors from working on their projects because they can adversely affect schedules, costs and result in injury or death and the potential loss of future contracts. Following are some safety-related criteria you should consider when choosing a subcontractor. Apply them in a practical manner.

### Workers' Compensation Experience Modification Rate (EMR)

The EMR is an insurance rating mechanism that provides a quick analysis of a subcontractor's past accident and/or injury experience. The EMR is the ratio of a company's actual workers' compensation insurance losses for its type of work during a rolling three-year period compared to expected losses for comparable contractor's in the same class or trade. The three-year rolling average does not include the most recent year's record. This is a valuable tool for screening companies with a large work force.

#### **EMR = actual losses divided by expected losses**

An EMR of less than one is desirable because it may indicate fewer past accidents and injuries and/or past accidents and injuries of a less severe nature. A subcontracting firm with an EMR above one may indicate the opposite and should be carefully scrutinized before hiring.

The EMR for workers' compensation insurance is probably the single most reliable measure of past safety performance and is the most difficult to manipulate because they are calculated by various governing agencies, such as the National Council on Compensation Insurance (NCCI), based on payroll and premium data reported from the subcontractor's insurance carrier.

### OSHA Log Form 300

This form identifies recordable injuries and illnesses over a calendar year. This data can be used to calculate incidence rates (total cases, lost workday cases and lost workdays) to determine whether the subcontractor is below or above industry averages. The applicable industry average can be obtained through the Bureau of Labor Statistics (BLS).

#### **Incident Rate = [(number injuries and illnesses) X (200,000)] divided by (employee hours worked)**

The spa and swimming pool contractor should request their subcontractor's OSHA Logs from the past three years.

## Evaluation of Safety Program

A formal evaluation of the subcontractor's safety program will help to determine their commitment to safety, loss prevention and safety management.

- A written safety program should be industry-specific to help identify and evaluate exposures and the controls associated with the subcontractor's operations.
- The subcontractor should develop written site-specific safety plans for each job.
- Superintendents should be held accountable for the number of accidents, injuries and claim costs on their projects.
- Safety meetings should be held on a regular basis with documentation of the topics discussed, the names of those present, and a review of past accidents and injuries with lessons learned.
- The subcontractor should conduct job site safety audits on a regular basis. These include documented deficiencies and corrective action taken or to be taken along with time frames.
- Subcontractors should provide safety education and training for all employees, including new employees with proper documentation of such.
- Find out if the subcontractor has received any OSHA citations in the past three years. The inquiry should include the reasons for any citations, the corrective action taken and information on the fines.

Based on the above considerations, each spa and swimming pool professional should establish their own criteria for evaluating subcontractors during the selection process.

Following is a sample Contractor Safety Evaluation Pre-qualification Questionnaire that you may want to modify to fit your specific situation.

**Through the SPLASH program, CNA can provide a business insurance program that offers comprehensive risk control (safety) services, expert claim handling and property/liability insurance coverages designed specifically for spa and swimming pool professionals. So when your business is insured with the CNA/SPLASH program, you'll have peace of mind knowing it's a program backed by a carrier with more than 60 years experience in the construction industry. Give us an opportunity to earn your business – ask your insurance agent to obtain a quote from CNA and discover how you can benefit from this partnership.**

For more information, contact your local independent agent or visit [www.cna.com](http://www.cna.com).

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## Contractor Safety Evaluation Pre-Qualification Questionnaire

1. List your company's Experience Modification Rate (EMR) for the past three years:  
(Please add the last digit for each year and its EMR).

<b>Year:</b>	<b>EMR:</b>	<b>Year:</b>	<b>EMR:</b>	<b>Year:</b>	<b>EMR:</b>
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2. List the following OSHA Log Information for the past three years:

OSHA Log Information	Year:	Year:	Year:
Total Recordable			
Lost Work Days Cases			
Lost Work Days			
Total Employee Hours Worked			
Number of Fatalities			

3. Do you have a written Safety Program?       Yes       No

4. Do you have a full-time Safety Director?       Yes       No

If not, who is in charge of safety and to what extent? \_\_\_\_\_

\_\_\_\_\_

5. Do you conduct job site audits?       Yes       No

By whom? \_\_\_\_\_ How often? \_\_\_\_\_

Is this documented?       Yes       No

6. Do you hold "Tool Box Talks" for employees?       Yes       No

How often? \_\_\_\_\_

Is this documented?       Yes       No

