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Inside this issue:

| | |
|---|---|
| Risk management and your safety culture | |
| CompWest, CMTA's workers' compensation partner | 2 |
| CNA Insurance | 3 |
| Spear phishing - How to protect yourself from a hacker disguised as.... | 4 |
| Manufacturing Day is Our Day – October 2nd | 5 |
| Climate change legislation rolls forward Policy directors | 6 |



Risk management and your safety culture

Managing risk is fundamental to manufacturing operations. It can include addressing exposures to work related injuries, avoiding products liability lawsuits, and protecting your equipment from damage. Although your company may hire a certified Risk Manager, the truth is everyone in your organization is a risk manager. Your employees make decisions all the time that can help avoid an accident and the associated loss. For that reason, a great deal of emphasis should be placed on applying sound risk management practices in your operation. Most companies approach risk control protocols and risk financing practices as an academic study. Although this is the generally accepted method of risk management, it's limited in its scope because it focuses on "what". "What" happened? "What" needs to change? "What" is the desired outcome? But, is that really a practical risk management program?



Risk control strategies and protocols are designed to reduce the frequency of loss occurrences, as well as limit the severity of losses. Risk financing, focuses on using internal and external funds to pay for losses. Paying losses directly or pre-funding losses produces a much lower cost of loss than traditional insurance, but entails tremendous risk which is not tolerable for most organizations. Even if you do believe you want to retain some of your losses, organizations must be careful not to assume too much loss. The key is to retain small predictable losses and insure for catastrophic losses.

For most companies, traditional risk management focuses on administrative and engineering controls associated with risk control. Engineering controls include such things as lifting aids and conveyances to move materials or personal protective equipment. Administrative controls include safety training programs, safe work procedures and hazard inspections.

The most common form of risk financing is risk transfer by contract. This generally involves buying an insurance policy. Insurance policies can be expensive but they provide piece of mind. They not only include a provision for expected losses, but also the cost of managing claims and administrative overhead associated with operating an insurance company. The insurance company assumes your covered loss responsibility.

Traditional risk management under emphasizes the most critical contributor to accidents and the resulting losses, behavior. Ultimately, we want to influence workers to engage in safe work practices. Why? Because 88 percent of all accidents and the associated loss result from an

continued on page 7

CompWest, CMTA's workers' compensation partner

All workers' compensation insurance companies are not the same. Sure they issue policies and provide benefits to injured workers, but beyond that they are very different. CMTA recognizes there are differences and works with CompWest to bring one of the most comprehensive programs available for manufacturers.

CMTA's initial group program with State Fund in 2005 was formed to address the challenging market conditions that created the need for the workers' compensation reforms. Participants received a premium discount, which kept them ahead of the changing market curve, but little in the way of support to help CMTA members control their workers' compensation costs. CMTA realized we owed our members more than a pricing solution, we needed to deliver value. This meant finding a partner that could help members achieve three protection objectives:

- ◆ Protect the employees of manufacturing operations from injury
- ◆ Protect the general public
- ◆ Protect the assets of our member companies

Workers' compensation is costly for manufacturers and unless your organization is large enough to assume risk (retain losses), there are few insurance options available to you. CMTA sought a partner that could offer participating members with long term solutions to California's workers' compensation challenges. To achieve this we needed an insurance carrier Partner that had the following:

1. A commitment to California's manufacturing sector.
2. Loss control services that help reduce the frequency of losses.
3. Claims management services that help participants reduce the direct and indirect loss costs associated with work related injuries.
4. Performance that was better than the industry as a whole.

Why these four? Because workers' compensation rates and premiums are driven by the loss experience of individual manufactures. The impact of your experience modification can either dramatically of raise or lower your annual premium.

CMTA is not an insurance company, but we have risk management expertise. We have a degree of buying power and influence when you collectively band together CMTA member manufacturers as risk class. Many industry groups believe the way to capitalize on their common industry nature is to enter the Alternative Risk Transfer (ART) environment. But, these solutions are often risky and require that participants capitalize the selected risk financing treatment. Instead of thinking outside the box, which is risky and unpredictable, CMTA realized that it was important to think inside the box. We looked for a one-stop shopping solution that would provide:

- ◆ A premium discount for CMTA members.
- ◆ Services to control/reduce their direct and indirect loss costs.
- ◆ Regulatory compliance assistance that oversee California's workers' compensation system.
- ◆ A long-term value proposition for managing workers' compensation costs.

Accordingly, in 2010 CMTA selected CompWest Insurance Company as our workers' compensation partner.

CompWest is a fundamentally sound, California-focused workers' compensation specialist. Their success or failure lies with how well they serve California's employers. Like few other insurance carriers, CompWest understands that certain classes of business are more responsive to loss prevention and loss reduction practices than others. Manufacturing is one of these class sectors. CompWest supplies considerable loss control support for their manufacturing policyholders and their claims program, **Workers' Compensation With Care**, involves a host of loss reducing protocols such as their **Keep At Work** program.

continued on page 7

Commercial insurance program for manufacturers

CNA has an unparalleled commitment to manufacturing and enjoys over a dozen manufacturing association relationships. Their performance and reliability in all areas of business insurance makes them the premier choice for both insurance protection and loss prevention.

CNA offers several key products in their portfolio of coverages:

- ◆ **CNA Paramount® (Property)** – Offers a range of property and crime solutions tailored specifically for manufacturing businesses.
- ◆ **Commercial General Liability** – Insures against liability for injury or property damage that can occur as a result of everyday business operations.
- ◆ **Business Interruption (Supply Chain Management)** – Helps manufacturing firms manage interruptions resulting from a loss to covered property.
- ◆ **Product Recall Expense Coverage Endorsement** – Helps manage the financial impact emanating from recalled products.
- ◆ **Manufacturer's Errors & Omissions (E&O)** – Designed to bridge a potential gap in Product Liability coverage. The Manufacturer's E&O coverage responds to the legal obligation to pay financial damages to a third party arising out of negligence in designing or manufacturing components or products.
- ◆ **CNA NetProtect 360® (Cyber Liability)** – Designed to help manufacturers recover from a data breach. With CNA NetProtect, first- and third-party risks associated with customer records, billing and other electronic assets and information are insured.
- ◆ **Product Liability** – Covers losses resulting from a claim made against a manufacturer for a defective product or component that they have fabricated.
- ◆ **CNA Passport® & CNA WorldPass® (International)** – Offers coverage for kidnap and ransom, automobile liability, accidental death and dismemberment (AD&D), real and personal property, business income and much more.

CMTA and CNA realize that the key to protecting your business is rooted in loss prevention. CNA offers a bounty of risk control services and support to help you protect your employees, products and equipment. Participating CMTA members benefit from:

- ◆ As an insurance industry leader in advancing safety, CNA is the only insurance carrier with professionals awarded the Recognized Risk Engineers (RRE) designation by UL.
- ◆ On-site and online courses available through our School of Risk Control Excellence®
- ◆ CMTA/CNA Risk Control landing page with resources, educational support, product information and industry topics.
- ◆ CNA's tailored risk management approach saves manufacturers thousands of dollars and thousands of hours with a focus on operational efficiency and employee safety.

www.cmta.net/page/CNA.php



- ◆ Regularly check all online accounts and bank statements to ensure that no one has accessed them without authorization.
- ◆ Never enter any personal or financial information into a pop-up window or a Web browser.

What to do if you suspect a spear phishing attack

If you believe that your business has been the target of a spear phishing attack, it is important to act quickly to limit your potential losses. The first step should be to immediately change the passwords of any accounts connected to the personal or financial information of your business or its clients, and to obtain a list of recent and pending transactions. It may also be necessary to contact law enforcement.

Next, an internal or third-party IT expert should be consulted to pinpoint any vulnerabilities that remain in your business' network, and he or she can advise you on how to avoid future attacks. If you have a Cyber Liability Insurance policy, contact your insurance carrier or broker immediately.

Many Cyber Liability policies offer coverage to investigate a potential or actual breach, provide public relations and crisis management support, pay for notification and regulatory investigation expenses, data loss and system damage, loss of income, along with loss control resources to proactively manage your network security before a breach occurs.

If you have further questions about spear phishing or other types of cyber attacks, or if you would like to discuss potential coverage options to further protect your business, contact Roland Guillen with Warren G. Bender Co.



Warren G. Bender Co. is one of the largest independently owned brokerages in the Sacramento area and we are proud to provide innovative solutions to our clients in the Western States. Our market position enhances our influence and strategies on behalf of our clients and customers, allowing them to concentrate their time and energy on running successful businesses and leading more fulfilling lives.

Our Mission: Provide protection, superior service and education to those who matter most, Our Customers. Visit us at www.wgbender.com

Manufacturing Day is Our Day - October 2nd



October 2, 2015 has been designated National Manufacturing Day. In fact, at the behest of CMTA, the California State Assembly even passed a resolution this month ([ACR 94](#) by Assemblyman [James Gallagher](#)) officially designating the same day as California's Manufacturing Day.

A countrywide push has been established to get manufacturers to host events and tell their story to students, families, elected officials, customers, suppliers and business partners.

Since California still leads the nation with 1.3 million manufacturing jobs, it's important that we help lead this charge to prove how important the industry is to our workers, families, economy, innovation, and overall prosperity.

As a manufacturer you know how important your facility is to a community. We must spotlight our sector's technological, innovative and high paying careers, and most importantly use this day to celebrate the industry that built our country and the great state of California. If we do, it will help our respective regions understand that we must fill our pipeline with skilled workers, compete for emerging manufacturing sectors and celebrate every manufacturing job we can get!

You can find the 'MFG DAY Host Toolkit' [here](#). It helps you organize MFGday open houses and answers common questions and outlines steps that every MFG DAY host will find useful, such as:

- ◆ How to prepare and promote an event
- ◆ How to conduct a tour of the facilities
- ◆ How to follow up with attendees

If you have not yet signed up to host an event, please do so [here](#). This event is the perfect opportunity to expand knowledge and improve the general public's perception of manufacturing careers. It is your chance to promote manufacturing's value to the U.S. and California economy.

Whether you host an event or not, make sure you or your employees tweet your coolest manufacturing picture on October 2nd with the hashtags **#CA #MFGday**.



Climate change legislation rolls forward

By Michael Shaw, Vice President, Government Relations

Legislators came back to Sacramento for the final push of this legislative year. On the docket are major bills that threaten to increase your energy and fuel costs under the guise of fighting global climate change. As written today, **SB 32** by Senator [Fran Pavley](#) (D-Agoura Hills) and **SB 350** by Senator [Kevin De Leon](#) (D-Los Angeles) further isolates California from the rest of the nation making our state far less competitive for manufacturing growth and putting jobs at risk.

- ◆ SB 32 sets extremely aggressive new goals for reducing greenhouse gas emissions and gives the California Air Resources Board (CARB) unlimited authority to set new rules for achieving those reductions, including limits on manufacturing activities.
- ◆ SB 350 mandates reductions in petroleum-based fuels and increases renewable energy that will lead to higher prices for manufacturers and the general public without limits on CARB.

CMTA and other business groups have been on the front lines for months pushing back on this anti-manufacturing agenda. Legislators are responding to concerns expressed by this coalition over the blank check authority granted to CARB to impose restrictions on businesses without legislative approval of a plan to regulate greenhouse gas emissions.

Legislators are also starting to ask the question "What is the rush?" as California is 5 years from the completion of AB 32 (2006) that runs through 2020. California should not commit to a GHG emissions goal for 2050, a full 35 years into the future, when we still do not know what the current program has cost the state.

Question are also being asked by legislators as to why CARB has failed to produce promised economic impact studies, including a specific study on the risks of emissions leakage resulting from business activity moving out of California.

The legislative session concludes on September 11th and there is a strong push to complete new climate change legislation, so your help is needed today to fend off SB 32 and SB 350 and protect California manufacturing.

What can you do? Send a message to your legislator TODAY to let them know that SB 32 and SB 350 will hurt California manufacturing by driving up prices for electricity and fuels. We make it easy for you:

First find your legislator's district number and e-mail address [here](#)

Second, [use this link](#) to send him or her a preformatted e-mail.

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Continued from "Risk management and your safety culture"

undesirable behavior or bad decision. This is the approach CMTA applies to risk management and is referred to as *Practical Risk Management*. In a practical risk management approach we try to answer "why" questions to establish the foundational cause of loss. We can then create risk control protocols to address the "whys".

There are three foundational causes of loss. They include uncontrollable events, unsafe conditions and unsafe acts. According to the Alliance for Insurance Education and Research only 2 percent of accidents are caused by uncontrollable events, 10 percent are caused by unsafe conditions and 88 percent are caused by unsafe acts. Unsafe acts are typically rooted in bad decisions. For example, a worker makes a decision to remove a machine guard so he can process more quickly. That decision is based on a number of factors such as experience on the job, level of supervision and familiarity with the machine he/she is operating. There may be a number of events and conditions presented to that worker and he/she must make a number of decisions. The decision to remove the guard is an unsafe act that produced an unsafe condition and increased the probability that an accident will occur.

Behavior and behavior management are critical to the risk management process. For that reason traditional risk management models need to be expanded to include a *Safety Culture* component. Your Safety Culture is reflected by the demonstrated behavior of everyone in the organization. It is evidenced in every group and at every level of an organization. It reflects the values and priorities the organization places on worker safety, public safety and protecting the organization's assets. It is pertinent whether your organization purchases insurance for a given loss exposure, retains a portion of any loss or self-insures. Either way the benefits are tangible.

A Safety Culture is driven from the top and measured at the bottom. Managers must lead by example and day-to-day decisions about the operation must include safety considerations. Safety must be part of the organization's objectives and priorities. Remember, loss costs are measured in not only dollars and cents, but also the health and welfare of the organization's employees and the public as a whole. In a Safety Culture individuals and groups will commit to:

- ◆ Personal responsibility for safety
- ◆ Communicating safety concerns
- ◆ Adapting and modifying their behavior to work and operate safely
- ◆ Being measured based on their safety performance

Do you have a Safety Culture now? If you need help or have questions on your risk management and safety culture contact CMTA at cmtasource@cmta.net.

Continued from "CompWest, CMTA's workers' compensation partner"

There are two truths about workers' compensation:

- ◆ First, pricing in workers' compensation seldom means value.
- ◆ Second, no workers' compensation insurance carrier will ever be the lowest price every year.

CMTA believes CompWest provides answers, support and results regardless of how the insurance market cycles. If you consider those benefits and the 5 percent CMTA group discount you receive, it's clear that participating in the CMTA Group Workers' Compensation Program delivers value that helps participants control the long-term cost of workers' compensation.

When your renewal is up, we urge you to take the time to compare your present workers' compensation program to the CMTA/CompWest program.



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