



## Risk Management

# Sprinkler Damage from a Quake Can Be Costly

**W**HILE YOU might expect cracks to the foundation of your business building during an earthquake, there is another threat from these events.

Earthquakes can shake a building enough to activate or damage indoor sprinklers, which in turn spray water, wreaking havoc on office fixtures, machinery and inventory. This water sprinkler damage can often far exceed the damage to the structure itself.

### Napa quake case study

A number of buildings suffered water damage from broken sprinklers in the Napa earthquake in 2014, according to the Federal Emergency Management Agency.

The systems that were damaged resulted in significant water damage because the quake happened early in the morning in a business district, meaning no employees were on site to shut off water valves.

When an earthquake occurs, the majority of sprinkler system damage is from the building shaking and swaying. This movement can

cause a sprinkler system that has not been properly braced to come into contact with other building systems or structural members, damaging the sprinklers and fittings.

This damage can lead to leaking throughout the piping network.

If you have sprinklers, they should comply with the National Fire Protection Association Standard, Section 9.3 of which is designed to limit the impact of this differential movement so that the sprinkler system can function as intended after, and during, the seismic event.

To help maintain alignment of system components and prevent damage, the standard requires sway bracing and restraints for system piping.

It is critical to have fire protection systems in place before an earthquake, because:

- Gas pipes can rupture.
- Wires and cables can become exposed, creating an electrical hazard.
- Fuel may spill from ruptured tanks or broken pipes. ❖

## Have the right insurance

If your building is equipped with sprinklers for fire suppression, you may not have coverage if there is damage to your building, fixtures and inventory from water damage caused by earthquake damage to sprinkler pipes.

A commercial property policy will not cover this type of damage.

Earthquake sprinkler leakage (EQSL) or sprinkler leakage coverage can be added to your existing policy by endorsement, usually for an additional premium, depending on the insurance company.

An EQSL or sprinkler leakage endorsement would provide coverage for the building and/or contents inside the building should the sprinkler system leak due to an earthquake or accident. It would also provide coverage should the sprinklers become damaged.



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## Workers' Compensation

# Cumulative Trauma Claims Increasing Quickly

**A** NEW AND costly trend is affecting workers' comp as more cases involve what's known as "cumulative trauma" – or injuries that develop over an extended period of time from repetitive or continuous motions.

Often these injuries are due to excessive wear and tear on tendons, muscles and sensitive nerve tissue that can leave a worker unable to perform their job due to pain. They can arise in any profession where a worker performs the same motion over and over again.

Interestingly though, many of the new cases are being filed after employees are fired – and they are primarily being filed in Southern California.

A report by the Workers' Compensation Insurance Rating Bureau of California, the "Analysis of Changes in Indemnity Claim Frequency – January 2016 Updated Report," found that cumulative trauma cases accounted for 18% of claims in 2014, up from less than 8% in 2005.

According to the agency, the growth in cumulative injury claims beginning in 2009 has been concentrated in claims involving more serious injuries and multiple injured body parts.

The WCIRB, in a 2015 study, noted that the median time before a claim is reported is 79 days from the date of injury. Also, 40% of cumulative trauma claims are filed after a worker is terminated. Of those cases, a whopping 98% are litigated and 90% are in Southern California.

These post-termination cumulative injury claims were much more likely to involve multiple insurers, psychiatric injuries or multiple body parts, according to the Rating Bureau.

The Bureau also noted that insurers denied 63% of cumulative trauma claims as to all issues (multiple body parts, for example), and an additional 9% were denied in part.

Most cumulative injury claims also involve attorney representation or multiple body parts.

Approximately 10% of claims that involve some time away from work are estimated to be reported late (up to 18 months after an insurance policy inception), compared to less than 2% for 2007. A significant proportion of these late-reported claims are for cumulative injury claims, which are approximately four times as likely to be reported late as non-cumulative injury claims.

## What you can do

Ergonomics – the science of adjusting the job to fit the body's needs – can prevent cumulative trauma, also known as repetitive stress injuries (RSIs) in workplace safety parlance.

While in some cases redesigning the workplace is the best way to prevent RSIs, often many simple and inexpensive remedies will eliminate a significant portion of the problem.

For instance, providing knives with curved handles to poultry workers, so they won't have to unnaturally bend their wrists; taking more frequent short breaks to rest muscles; providing lifting equipment, so nursing home workers won't strain their backs lifting patients by themselves; or varying tasks to break up the routine of activities.

## CUMULATIVE TRAUMA'S EFFECTS

- 30% of cumulative trauma claims involve multiple body parts
- 9.7% involve the lower back
- 6.2% involve body systems
- 5.7% involve the wrist
- 5.1% involve a shoulder
- 3.9 % involve multiple upper extremities
- 3.9% involve the hand
- 3.4% involve hand and wrist
- 2.6% involve knees

One large airline's flight reservation facility, with 650 employees, had 250 cases of RSIs over a two-year period. An alarming 30% of these cases resulted in surgery.

The company took some simple steps to reduce the number of RSIs, including hiring an ergonomist to redesign the workstations, developing work/rest regimens, and eliminating electronic monitoring that included disciplinary action based on productivity, among other actions. Since then, the incidence of RSIs has dropped, underscoring the lesson that ergonomics can prevent RSIs.

A nationally known poultry producer instituted an ergonomics program and after two years its workers' compensation claims had fallen to \$1 million a year, compared to \$4 million prior to the program.

In one facility, days missed due to cumulative trauma disorders declined from 552 to 24 per year, and days of restricted work went from 1,717 per year to just 48. ❖



## Risk Management

# How to Avoid Having Your Cyber Claim Denied

**Y**OU NO doubt have seen our admonitions about the need for businesses to secure cyber insurance policies that can help defray the costs of an attack on your network or a theft of your employees' or clients' personally identifiable information.

Businesses are faced with increasing threats and cyber criminals are constantly working to devise new ways to infiltrate organizations' databases and extract information or find some way to monetize their hacks.

Cyber insurance can help your business recover from these events, but as with all insurance, there are risks that are covered and those that aren't – and you often will have a certain amount of time to file a claim once you've incurred damage.

Your claim may be denied for a number of reasons, according to the news website *PropertyCasualty 360*, which recommends that you:

## 1. File your claim on time

Most cyber policies are written on a "claims made" basis, meaning they will only cover claims that are made when the policy is in effect. If someone files a claim against your company after the policy expiration, it would likely be rejected.

Some policies may include language that allows claims to be made for a few months after the policy expires.

Also, if your organization experiences a cyber event that may eventually lead to a claim, it's important that you notify your insurer during the policy period. This is really important because if you fail to alert the insurer about it early in the process, they may deny the claim.

You should communicate to your staff that they need to alert management about any suspicious activity on your networks. Create a policy for staff to report all suspicious activity immediately.

## 2. Understand the depth of your coverage

Because cyber policies are a relatively new phenomenon and continuously evolving, coverage will often vary from insurer to insurer.

When purchasing a policy, sit down with us to discuss your exposures (such as if you store client credit card information on your servers). This can help us find the right coverage for your organization.

Coverage will vary depending on the type of business you are running, the technology you are using and what data or company intellectual property you want to protect.

Some policies will also require that you have specific protocols and software in place to reduce the chances of your data being hacked. For example, policies will require that the policyholder applies security patches, uses encryption technology and has a secure-socket layer to protect credit card data.

If you fail to have this in place when your policy is in effect, the insurer may reject your claim if your systems are breached.

Other areas that cyber policies will often differ on include:

- Paying for any potential legal costs after a breach.
- Paying for tools to remediate any exposure.

## 3. Understand what's not covered

All insurance policies have exclusions, and cyber policies are no different. There are many exclusions in cyber policies, but again, they vary from insurer to insurer. Examples of exclusions include:

- If your data is compromised when sharing it with a vendor, such as a payroll provider.
- If you have a system pipeline into a client's network and the network is hacked.
- Fraudulent entry into certain parts of your network systems.
- Patent or copyright infringement.

Again, it's crucial that you read your policy before signing and that you evaluate whether any existing or future contracts with vendors or clients fall outside the policy's coverage area.

## 4. Get the insurer involved early

Reach out to us or the insurance carrier if you think you've had a breach. Even if it's just asking questions or trying to clear up your uncertainty, it's better to contact the insurance company so that the event rises to its radar.

If you do this, it will give the insurer a chance to investigate the matter and determine if there has been any exposure.

The worst thing you can do is to wait until after you've started receiving complaints from customers, vendors or regulators. At that point your insurer will have a much more difficult task on its hands.

Getting the insurer involved early will let it get ahead of the claim, making it easier to manage – and it can limit the amount of fallout. ❖

## Workplace Safety

# Hearing Damage Is Rife; Protect Your Workers

**A**LMOST 25% of workers who are exposed to noise in the workplace later have hearing problems, according to a new study by the National Institute for Occupational Safety and Health.

Hazardous noise levels in the workplace affect approximately 22 million workers in the United States – or 23% of the workforce. Many cases of hearing loss among these employed adults are attributable to occupational noise exposures, and can have substantial adverse impacts for work, interpersonal relationships and general quality of life.

Besides often causing permanent damage to workers, the scourge of workplace hearing damage is costly. An estimated \$242 million is spent annually on workers' comp for hearing loss disability, according to NIOSH.

The study also looked at tinnitus, which is the perception of sound in one or both ears – or in the head – when there is no other source of sound in the environment, and often occurs together with hearing loss. It's often referred to as “ringing in the ears.”

Meanwhile, 7% of U.S. workers who were never exposed to occupational noise experienced hearing difficulty, 5% had tinnitus and 2% had both.

The study found that:

- Workers in life, physical and social science occupations and personal care and service occupations had significantly higher risks for hearing difficulty.
- The problem persists especially in the manufacturing, construction, agriculture, auto repair and forestry industries.
- Workers in architecture and engineering occupations had significantly higher risks for tinnitus.

## Prevention programs

Fortunately, noise-induced hearing loss can be reduced, or often eliminated, through the successful application of occupational hearing loss prevention programs.

Engineering controls are the best defense. The use of these controls should aim to reduce the hazardous exposure to the point where the risk to hearing is eliminated, or at least minimized.

Engineering controls that reduce sound exposure levels are available and technologically feasible for most noise sources. Engineering controls involve modifying or replacing equipment, or making physical changes at the noise source or along the transmission path to reduce the noise level at the worker's ear.

Earmuffs and plugs are considered an acceptable but less desirable option to control exposures to noise. ❖

## Dangers from hearing loss

- Workers with hearing loss often have trouble localizing sounds or hearing warning signals, which puts them at risk of accidents.
- Hearing loss impedes communication and often leads to isolation in social situations, impediments in career progression, reduced autonomy, poor self-image, fatigue, frustration and depression.
- Tinnitus can disrupt sleep and concentration. That in turn increases fatigue, reduces alertness, degrades performance, and potentially increases risks for accidents on and off the job.

## Engineering controls

- Choose low-noise tools and machinery.
- Maintain and lubricate machinery and equipment.
- Place a barrier, like a sound wall or curtain, between the noise source and employee.
- Enclose or isolate the noise source.

