

"Risk Management Consulting Services Provide Assistance To Improve Pest Control Companies"

*An article about our Risk Management Consulting Services
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written by PCOC Insurance Program, Eric R. Paulsen*

I spend a lot of time meeting with pest control operators all over the State performing "Risk Control Surveys". These Risk Control Surveys serve several purposes, not the least of which is to help pest control companies improve their businesses. Specifically it is my goal to assist the pest control operator in evaluating and improving their regulatory compliance, and some areas of business practices. Another purpose of these Risk Control Surveys is to ensure that companies who are insured through the PCOC Insurance Program are meeting the minimum legal requirements for operating a pest control company. (The PCOC Insurance Program is partnered and marketed by JenkinsAthens.) A third purpose is to gather information about the industry to aid in evaluating loss data.

Ultimately the most important part of the visit is to help the pest control operator learn more about his or her business. It is my personal goal and the goal of the PCOC Insurance Program to help you as a pest control operator to run a safer and hopefully a more efficient and profitable pest control company. The more efficiently, safely and profitably you are able to run your business, the better we will be as your insurance company! In most cases (but not all) the visit will result in my providing some resources to assist the pest control company, accompanied by some specific recommendations for their implementation.

When I perform a Risk Control Survey, I am looking to have an open dialogue with the pest control operator. I am usually looking for more than simple "yes" or "no" answers. I usually want to know the who, what, why and where behind the "yes" or "no" answer. It is most often what we learn from the who, what, why and where behind the "yes" or "no" answer that is most important in this entire process. Other questions are even more open ended. These questions could be described as "show me" questions. Later in this article I will list some sample question/discussion areas we cover during a Risk Control Survey visit. Hopefully as you read this article you will think about how you would respond to some of these questions.

Many of the areas of inquiry have to do with business practices which can either reduce or increase your potential for liability. The specific business practices which can hopefully reduce your liability are usually either specific industry standard practices established by the PCOC, or ideal practices established as underwriting criteria by The PCOC Insurance Program, or ideal practices (usually disclaimers) established by the lawyers who represent you, the pest control operator when you turn in a claim to the PCOC Insurance Program.

Other questions and issues covered during the Risk Control Survey have more to do with data gathering. We are gathering this data to help us determine how pest control companies operate by region and by company. By evaluating this behavioral data and comparing it to loss data, we hope to establish real trends and answers to our questions

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about our losses. Why does company “A” have losses, while company “B” has no losses? What is different about how they practice pest control? What is different about how they run their businesses? Why are some losses prevalent in one part of the state but not in another?

One example of a business practice question has to do with inspecting attics. In many areas of the state, inspectors do not inspect attics when performing “complete”, “original” inspections as defined by the Structural Pest Control Act. I am trying to determine what the geographical areas are that do and do not inspect attics. Once we have some good data about who does and does not inspect attics we can try to determine if there are any differences in loss trends. Other questions may not be so direct. Some of the questions are blind “fishing expeditions” which often turn up geographic differences in business practices such as the one I just described regarding inspecting attics.

WHAT ARE THE SPECIFIC AREAS OF INQUIRY?

As expected a lot of time is usually spent performing an audit of the safety and training programs. The reason these programs are so important is because safe practices, and proper pest control and business practices are a matter of behaviors. As an employer you have to ensure your employees are practicing the specific behaviors which will have the result you intend. Many people view safety and proper business practices as a matter of attitude. Platitudes such as *The customer comes first* are fine, but what have you told your employees (in writing) to do in the way of specific behaviors to ensure that your customers do come first? What have you shown and told your employees (in writing) to do in the way of specific behaviors to ensure safe and effective practices in the field and your office?

I expect the pest control operator to *show off* their safety and training programs. This is both an opportunity to shine, as well as open yourself up for some constructive criticism and assistance. You can also think of this part of the Risk Control Survey visit as a practice regulatory inspection without the fear of thousand dollar fines for non compliance.

Some of the specific programs I look for and will want to examine include the company’s OSHA mandated **Written Injury and Illness Prevention Program**, and all the specific training programs which are referred to in their program. I expect to be shown the actual program as well as have it explained to me. I expect to see your OSHA mandated defensive drivers training program, your lifting and height hazard programs, as well as all the other safety and training programs you have in place. I also expect to be shown a DOT Hazardous Materials Compliance and training program. If the company is not subject to the DOT Hazardous Materials program, I expect to be shown the “No DOT” letter (see the Peacock Safety Meeting in the October 1995 PCOC NewsBriefs) or other documentation to explain to law enforcement why the company vehicles are not carrying shipping papers. I expect to be shown monthly safety meetings, and the OSHA mandated twice a month safety meeting for termite repair personnel. (I expect to see both an outline or detail program of the presentation and who made it, as well as documentation of who attended.) One important question that will be asked is in regards to training in the employees native language. If English is not the employees native language, often (always if they are not fluent in English) the law requires that they be trained in their native language.

How are new employees trained? I expect to be shown the written training for new employees. If the answer is that the company uses “on the job training”, what is the written criteria and checklist used to ensure that each employee has been trained properly? Too often employers assume that their employees know how to perform a specific task, or how to deal with a particular situation. Employers need to have written documentation that each employee has been trained appropriately in each task or skill area that is germane to their position. This type of training and documentation is needed not only to ensure that the employees are properly representing your company in the field but also to provide legal protection for the company.

How would you respond to the following questions? Does your company have safety incentive programs in place? Do you have accident and incident investigation programs in place? Do you have a written policy for your employees describing how to handle complaints and problems?

Automobile safety program questions: Do you check motor vehicle records prior to hire? If you check their DMV records then what is an acceptable or unacceptable driving record? Do you subscribe to the Department of Motor Vehicles PULL Notice Program? (This useful program updates you every time one of your employees receives a ticket or their driving records otherwise change.) Do your employees drive their own vehicles or drive your vehicles? Do you give defensive drivers training? Are your employees allowed to use their company vehicles for personal use? Do you have a company vehicle use policy? If your employees store company vehicles at their homes, do you have a vehicle parking policy? Do you utilize regular preventative maintenance on your vehicles? Do you have vehicle maintenance records available for each vehicle? Do your employees perform regular written vehicle inspections? Does your management follow up on these vehicle inspections and perform regular quality control vehicle inspections?

Some of the questions deal with your hiring practices: What pre-hiring practices do you use? What is your turnover rate? How do you train your new employees? Do you have written physical and mental job descriptions for all your job positions? Do you utilize pre-employment drug testing or physicals? Have you taken steps to ensure you or your supervisors do not ask inappropriate questions during job interviews?

There are also a series of questions for each Branch of structural pest control. These questions focus on a variety of business practices such as what products are used and the schedule for maintaining equipment.

Some of the specific questions for Branch 1 (Fumigation Companies) include: Do you use watchmen? What is your protocol for shutting off the natural gas? What is the experience of your licensees? What is your criteria for using methyl bromide? How many fumigations do you perform in a year? How many houses or cubic feet are scheduled for a single crew in a day? How many cubic feet do you fumigate in a year? What is your wholesale price for fumigation?

Some of the specific questions for Branch 2 (General Pest Companies) include: What is your procedure for providing the pesticide disclosure notice? Do you use the PCOC Industry Standard pesticide disclosure letters? What are your policies regarding interior services? Do you use door hangers to warn the public to stay out of the home during your application, and after the service has been completed? How many routes do you have?

How many customers are typically serviced per route in a month? How often are hand tank sprayers broken down and cleaned? Do you powerspray eves for spiders?

Some of the specific questions for Branch 3 (Wood Destroying Organisms Companies) include: What do you charge for inspections? How many inspectors and repair persons do you have? How many inspections does each inspector typically perform in a day? (Answers range from 2 to 6 or more complete original inspections a day - the average is 3.) Do you inspect attics? (Not all companies inspect attics!) What is the experience of your inspectors? Does management review inspection reports? What alternative technologies do you use? Do you subcontract any work? Do you obtain certificates of insurance from your subcontractors so you are named as an additional insured? Do you utilize a Hold Harmless agreement with your subcontractors? What disclaimers do you use?

If you perform some non structural pest control I will have some additional questions: Do you perform Home Inspections? Do you perform any non pest control related construction? Do you perform any pest control which requires a non-structural pest control license issued by the Department of Pesticide Regulation? Do you sell pesticides and other products on a retail basis?

At the end of the Risk Control Survey visit I like to have an exit interview where I review any recommendations I may have. I will also review any informational items I have promised the insured but I am not necessarily recommending they implement. This exit interview is also the time where I solicit feedback from the insured about how they feel about either their insurance service or PCOC. This is often an opportunity for you to let your feelings be heard. I often hear positive feedback about the marketing and service staff, or perhaps a request for assistance with a particular problem the company has been encountering.

Who receives Risk Control Survey visits? Over a three-year period every insured should receive either a phone survey or a physical (in person) survey. Large companies, fumigators, and companies with a history of losses or claims are likely to receive physical Risk Control Survey visits. Companies who are performing work outside the scope of structural pest control are also likely to receive a physical Risk Control Survey visit. Other physical visits are prompted by a request from the underwriter for the purpose of learning more about a particular insured and ultimately to learn more about the industry as a whole. Some of my visits are performed at the request of the insured, but often the demands on my time make it difficult to respond to these requests in as timely a manner as I would like.

I follow up the visit with a letter to the insured. Often (but not always) my letter will include some specific recommendations. Accompanying the letter will be any documents I have promised the insured as well as any support materials to help the company implement my recommendations.

I usually get one of several reactions from pest control companies in regards to my recommendations and the resource materials which usually accompany my letters. Some companies are very receptive and are interested in utilizing the information I provide. Others are cordial, but make it clear that they really do not want to change the way they do business. Others express the sentiment that safety training and regulatory compliance

programs are either a waste of time, or take much time to implement. Overall, however the reactions are very positive.

I enjoyed the reaction of one pest control operator who was surprised by the amount of material I sent him. This surprised operator called and jokingly remarked "I still have three guys with dollies brining in all this stuff you sent me".

Whatever a pest control company chooses to do, I need some type of written response as to what they did and did not do in response to my recommendations. California Insurance law requires insurance companies to get a response to risk control recommendations. To assist the pest control operator in providing us with this response, I also provide a form which lists all the recommendations. The pest control company only needs to fill out the form to let the PCOC Insurance Program what they have done in the way of implementing or not implementing each risk control recommendation. One word of caution: It is embarrassing to everyone involved if you indicate that you have implemented a recommendation and then a later Risk Control Survey visit uncovers that it was not. As an independent business person you have to make the ultimate choice as to whether you will implement my recommendations. As the carrier needs to know what the choice is regarding the recommendations.

I am sometimes asked if there are consequences for not implementing my recommendations. There is no easy answer. Only the pest control operator can answer that question at some later date. If an operator chooses not to comply with safety statutes, or to implement reasonable training programs, they will eventually suffer some real consequences.

It is an entirely different question to ask how not complying with a recommendation will affect insurance status. Depending on the recommendation a company chooses not to implement, it may or may not have any impact on their insurance status with the carrier. The answer is not the same for every situation. Fortunately for me, that part of the decision making process is done by persons other than myself.

The partners in the PCOC Insurance Program are successfully working together to provide the best insurance product possible for this industry. I am proud of the role I am able to play as an employee of this partnership. It is first my job to help you the pest control operator run a better company, and secondly to gather useful information for the managers of the PCOC Insurance Program. Ultimately our joint efforts use this information to improve our insurance program and to again, better help you improve your business. E-Mail me for more information: at eric@pcocinsurance.com