

Reduce RISK

Avoid complacency and corner cutting — protect your business with best practices

MAKING YOUR BUSINESS PROFITABLE is one thing — properly managing risk in your business so you don't end up suddenly losing everything, is something else entirely.

Josef Pruellage knows business owners often think it will never happen to them. He's the senior risk assessment consultant with the risk services division of Hub International, the largest insurance brokerage firm in Canada.

"Safety doesn't happen by accident," he says. "You have to work at it."

You can't be complacent about risk management, he cautions, because that's a recipe for inviting disaster. And disaster can strike at any time.

On August 14, 2013, fire swept through Argos Carpets and Flooring, a 30-year-old, family run business in Ottawa. The blaze ripped through the store and warehouse, causing \$3 million damage to the building, and \$2 million to inventory. The business did recover from the fire. Argos is one of Ottawa's largest flooring retailers.

Last August 22, in DeLand, Fla., an early morning blaze destroyed a flooring and carpet store before the sun was up. In a local media report, fire officials said flames engulfed the store quickly because it was filled with carpet inventory, and carpet is very flammable under those conditions.

For both flooring retailers and distributors, having a tested, working sprinkler system — and the right one for your facility — is crucial. "Sprinkler systems is a big thing," says Pruellage. "It costs money to clean and to have your sprinkler systems inspected...but it costs even more if you have a fire happen. God forbid if it is you who has to contact a spouse and you have to say, 'He isn't coming home today, or ever.'"

The important thing is, Pruellage says is to seek expert proactively to ensure you are minimizing risk. "There are a lot of resources out there," he says, "so you can do a Google search and find best practices and such that are in layman's terms. If you find great resources, use them."

You and your staff are experts in your field — flooring. But there's a knowledge gap that can cause catastrophe. Flooring experts generally don't know the ins and outs of all the technical safety standards to help owners protect their businesses. That's because the standards are in the insurance industry realm.

"From an insurance perspective, are they following the National Fire Protection Association (NFPA) standards, are they following the FM Global standards? These are the things they should be following," Pruellage says.

He points to sprinkler systems as a prime example of why you should get professional risk assessment help. Your sprinkler system should meet the NFPA 13 *Standard for the Installation of Sprinkler Systems*. "Not all things are created equal. Just because you have a sprinkler system doesn't mean it is designed for what you have stored there," says Pruellage.

Preventing warehouse disasters

Whether you're a retailer with a small inventory warehouse that's part of your business, or a full-blown distributor, fire and storage safety go hand in hand.

"The biggest thing for any warehousing facility is the sprinkler system and the storage configuration," says Pruellage. "You want to make sure your aisles are clear. They're a stop-gap for a fire. When a sprinkler system activates, clear aisles make it hard for a fire to jump from rack to rack."

There is a common misconception about sprinkler systems, notes Pruellage. People often think that when a fire starts, all the sprinklers in the building go off.

"Typically, it's only the sprinkler head right above the fire, and a couple around it, that go off. The sprinkler system only activates in an area around the fire where the heat builds up."

Sprinkler systems are only designed to control a fire so you can call 911, get your staff out and then let the fire department deal with the fire. It's only more advanced early suppression response systems that are designed to control and quickly snuff out a fire, Pruellage notes.

Pruellage adds, your warehouse racks should have mesh webbing on them instead of a board base. If a fire happens, a

board base allows the fire to spread underneath, and prevents water from attacking the fire when sprinklers activate.

For the same reason, inventory on pallets should never be totally encased in shrinkwrap. Water from sprinklers will just bounce off the plastic and not help control a fire, he says.

When it comes to mitigating inventory management risk, Pruellage suggests that at times of the year when you need to have more stock on hand, you can rent a sea container for the short-term. It's a much safer option than stacking your warehouse shelves dangerously high with inventory. "By doing that, you're mitigating your risk," he says.

"Typically if it's in a sea container, it can't catch fire because there's no ignition source unless it's arson," says Pruellage. He acknowledges that renting a sea container for extra storage may not be possible for flooring businesses often located in strip malls. They're often constrained by a lack of property space, or mall regulations, Pruellage notes. "But if you own your own facility and have your own property, it's an option."

Pruellage notes, you'll need to have a security camera and alarm system for the area where the sea container sits. But that risk-management expense is a lot less than the cost of a business-destroying fire that could cost you, your staff and your installers, your livelihoods or lives.

Have the right mindset

Flooring retailers need to make sure they also have property and casualty (P and C) insurance, notes Pruellage. "They're going to have a lot of the public coming in and out. So they should have some kind of slip, trip and fall program," he says. You need a program that covers accidents both inside and outside of your store, he adds.

You and your staff need to be on the same page when it comes to risk management, says Pruellage. If there's a water spill on the ground, for example, staff should have the mindset to take care of it immediately instead of walking away and telling somebody else to do it.

Pruellage says there's an easy way of making sure you get insured — take safety seriously, and follow best practices. Doing so also helps avoid complacency that can lead to catastrophe, he says. "If you can work efficiently and smartly, you can use the extra time you are saving to put health and safety procedures, policies and programs in place."

And, he notes, safety comes from the top down. "You need people to understand why they're doing things. If people don't really believe in what you're telling them, they're going to be complacent." Pruellage suggests these best practices to follow:

Have an emergency response plan regardless of the size of your business. Make sure you not only have the plan, but also test it regularly.

Have a contractor-control program in place. This includes safety procedures and policies governing everything from electrical repairs to "hotwork," says Pruellage. People very much underestimate hotwork — welding, for example, and



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what it can do, he says. Even if you don't own the building, you should still have a contractor-control program because you own all the operations and stock. If you want to be insured, this program is crucial. Have all work done by contractors on site, documented. If you have a snow-removal contractor, for example, make sure you have a written record of how much sand or salt was put down at the entrance to your building. Not only is this part of contractor control, but also part of a slip, trip and fall program you should have as part of P and C insurance.

Make training an ongoing practice. Especially for warehouse workers, for example. Quality Truck Lift, a forklift dealer in San Diego, Calif., notes that risk of accident, injury or death is higher when a forklift operator doesn't know the principles of physics that allow a forklift to lift and move heavy loads; isn't familiar with how a particular forklift operates; or operates it carelessly. According to the U.S. Occupational Safety and Health Administration, 100 employees are killed and 95,000 are injured every year while operating forklifts. "Ongoing training goes a long way in showing that you're committed to safety," says Pruellage. "If you just train somebody when you hire them and then forget about it, they become complacent. And you don't want that."

Have a sound hiring process and policy in place. Make sure you do a background check; ensure the person has the right credentials; and determine whether he or she has the right personality to fit in with your business. "You might want a type A personality for your sales person, but for accounting you want somebody who can sit down, be very specific, follow the rules and make sure all the Is are crossed," says Pruellage.

Store inventory properly and safely. This is crucial whether you have a small warehouse attached to your retail store, or you're a distributor with a 90,000-square-foot facility. Stock should never be stacked so high that sprinklers are being blocked off; shrinkwrap should be removed from palletized stock.

Store idle, empty pallets properly. Wood pallets should never be stacked higher than six feet, in groups of four at most. And they should be at least eight feet from warehouse

racks. "Pallets are designed for the perfect fire," cautions Pruellage. "They have a lot of surface area to burn, and they burn very quickly."

Keep warehouse aisles clear at all times. If a fire does break out, it can't jump from rack to rack.

Have your sprinkler system checked and tested regularly — have a contractor come in on a yearly basis at minimum.

Establish a health and safety committee — regardless of whether you're mandated to by law because of your company's size and number of employees.

Do walk-arounds. Constantly check to make sure best practices are always followed in all areas.

Never cut corners to keep costs down. "Cutting corners is short-term gain, but you're not going to get any long-term gains out of it because eventually, it's going

to come back and bite you," says Pruellage.

Have a risk-assessment consultant come on site. They are trained experts who can identify things you might miss; they're a crucial second pair of eyes. They can also help you keep your insurance and overhead costs down. Pruellage says, for example, that your insurance company may ask you to upgrade your sprinkler system. However, all you may really need to do is reduce the height to which your warehouse inventory is stored. "The insurance company will ask for the Cadillac but in reality there's another model out there that will do the exact same thing," Pruellage explains.

ClearRisk, a risk-management consulting firm in St. John's, N.L., suggests a couple of other important best practices to follow in the Internet and digital age:

Use cloud-based software to manage your business. Paying for a monthly cloud-computing subscription is often cheaper than purchasing stand-alone software, and can be cost-effective if you have a small risk-management budget.

Also, with cloud storage, essential files for your business are safely stored off site. This can be crucial if your business is hit with disaster.

Have a social media policy. This is a must to help you protect your brand and reputation, says ClearRisk. It's very easy for customers to tell the public their opinions of and experiences with, your store. A reputation you have worked hard for years to build up, could be damaged in 140 words or less in an instant, on Twitter.

Some of these best practices are low-cost, some are no-cost. They're all worth following. It's also worth having an on-site risk assessment done by a professional.

"You can't think of everything, you can't be exposed to everything. That's why you should have a good broker and a good insurance company. Hopefully they have a risk consultant who can help you out," Pruellage says.

He adds, "The companies that are the best at best practices are the ones who ask for a risk assessment consultant to come on site."



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