

PREFERRED AGENT PROFILE

Creating a safety culture is critical to running a successful business

ARA Insurance Preferred Agent John Ketner III, owner, AECM Solutions, Charlotte, N.C., defines risk as “uncertainty” and says his job is to help rental stores “bring some certainty into an uncertain world.” To accomplish that, he strongly encourages and helps his clients implement a safety culture at their operations.

Why is that so important?

Ketner refers to a quote by businessman and investor Warren Buffett, CEO, Berkshire Hathaway.

“Buffett says, ‘The CEO or the owner should consider his No. 1 priority to be the chief risk officer.’ With that mindset, it helps to bring some of the certainty in. Adding to that is how a loss can affect a company. I look at a term called the total cost of risk. A lot of people think that is what they pay for insurance, but that is only part of it. The rest is retained losses and indirect costs,” Ketner says.

Examples of a retained loss can be the deductibles on your insurance or a loss that you hadn’t thought about before that is not insured and something you have to pay for.

Then there are indirect losses such as a workers’ compensation claim in which an employee gets hurt. It might cost your insurance company \$25,000 for the medical expenses and such.

“But the indirect cost to the rental company is typically a 1.1 factor. The insurance company paid \$25,000 and it costs the rental store another \$27,000 because the rental company will need to pay for overtime to others in the company to fill the void. They may have to hire and train somebody else. Those are the indirect costs when they have an insurance loss. When you look at the total cost of risk, only 27 percent is insurance premiums. The rest are indirect costs and retained losses. So, if you have a \$25,000 loss and have a 5 percent profit margin, you will need to create \$500,000 of new revenue to pay for that \$25,000 loss. That is why you build a safety culture,” Ketner says.

Creating that culture must be the top priority, he says.

“It has to be part of your mission statement and core values. Everyone must participate, from the boardroom to the storeroom. It should be part of compensation. It should be in job descriptions. It should be part of annual reviews. It should be visibly seen around the store, such as signs that share

‘X amount of days accident-free.’ It should be seen on signs when you leave the store parking lot, such as ‘We are a safety company. Wear your seatbelt.’ It has to be part of the daily conversation. Have a safety committee that meets weekly or monthly to address things and implement risk identification methods throughout the year, using checklists and surveys, and experts from ARA Insurance who will walk around the facility and perform physical inspections,” he says.

Ketner says his rental clients understand that “just creating a safety manual and putting it on the shelf is not creating a safety culture. They get that they must be willing to invest the time, money and energy. They understand the return on their investment (ROI) will be great.”

Edwin Scott, owner, TCS Event Rentals and Piedmont Portables, Burlington, N.C., definitely understands that.

“We are constantly referring to safety around here. We have daily safety meetings with our different teams. We go over what happened the day before. This whole place is loaded with cameras to ensure safety. We have 34 trucks that travel the entire Eastern Seaboard. Every morning when vehicles leave our facility, they have to be inspected and signed off on. It is a DOT requirement. We are thankful that we have never had a serious injury or any kind of hospitalization. We have not had anyone out of work because of an injury,” he says.

Scott says Ketner has been a big part in helping to strengthen the company’s safety culture.

“John has talked with our folks at safety meetings and explained to them why we do what we do. He continually sends us information about what we need to consider. He has been a tremendous asset to our company — a real partner. He listens. I can call him up with a question anytime — absolutely. Together, we are managing our risk. That is what we do all of the time. It is part of doing business,” Scott says.

That partnership has paid off for his employees’ safety and the company’s bottom line.

“We have consistently had our premiums get lowered because of our safety records,” Scott says, noting that this is a savings every rental operator wants. ♦

— Connie Lannan