Safety in Mergers & Acquisitions: Protecting People Through Transitions

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- Nearly 10 years of experience in Workers' Compensation Loss Control and Underwriting
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AGENDA

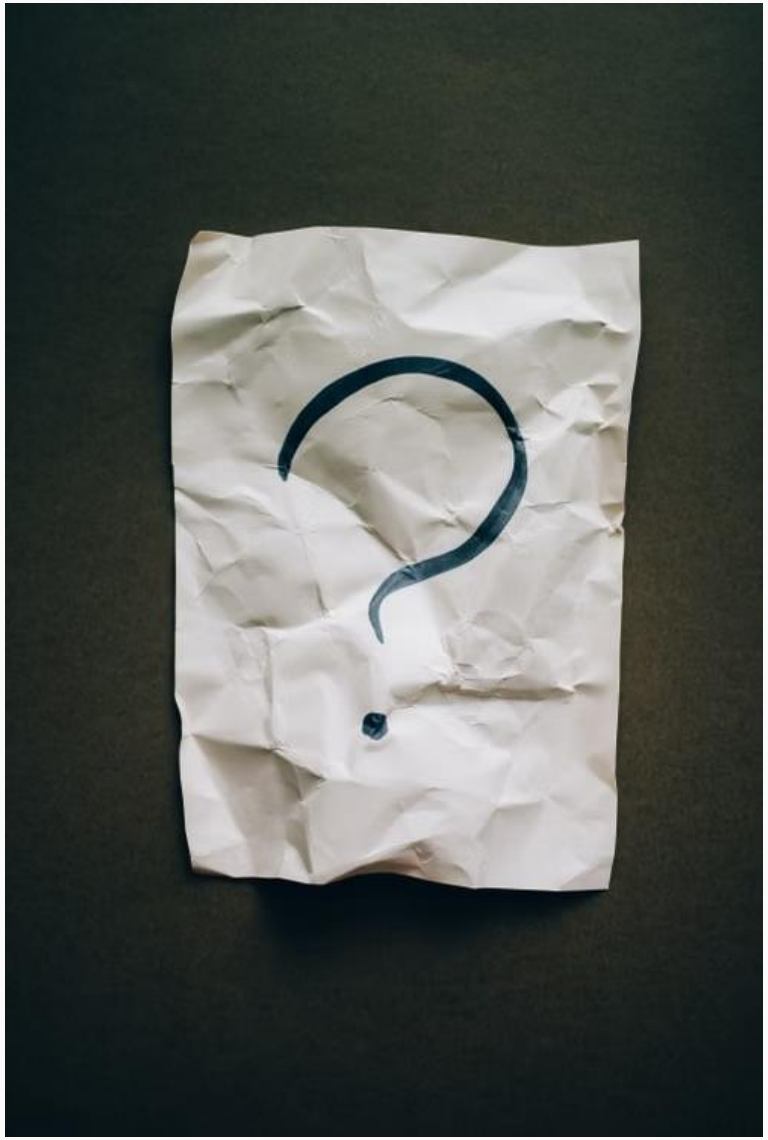
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1. Why Safety Gets Overlooked in M&A
2. Merger vs. Acquisition — What's the Difference?
3. The Real Cost of Ignoring Safety
4. Real-World Case Studies (4 examples)
5. The M&A Safety Timeline: 3 Phases
   A. Phase 1: Pre-Deal Due Diligence
   B. Phase 2: Day 1–100 Integration
   C. Phase 3: Post-Integration & Sustaining Safety
6. The Workers' Comp Lens
7. Key Takeaways & Q&A

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Merger vs. Acquisition:

What's the Difference?



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Merger

- **Two companies combine to form a new single entity.**
- **Both organizations dissolve and a new one is created.**
- **Typically mutual and collaborative.**

- Example: Exxon + Mobil → ExxonMobil (1999).



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Acquisition

- **One company (acquirer) purchases and absorbs another (target).**
- **The target may retain its name or be fully absorbed.**
- **Can be friendly or hostile.**

- Example: Amazon acquiring Whole Foods (2017).



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Merger vs. Acquisition

- **Why it matters for safety**

- In both cases, you must integrate:
- 1. Work forces
- 2. Safety Programs
- 3. Cultures

- The deal structure affects how quickly and how deeply safety systems need to be harmonized.



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Safety in Mergers and Acquisitions

At what point in the M&A process does an organization typically involve EHS/safety professionals?



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Why Safety Gets Overlooked in M&A



- Financial and legal due diligence dominates the process
- Safety is rarely a deal-breaker, but it should be
- EHS teams are often brought in too late
- 'We'll fix it after close' mentality is common and dangerous
- A 2024 MSHA study found injury rates increase significantly following changes of control

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The Real Cost of Ignoring Safety in M&A

- OSHA repeat violations carry 5–10x standard penalties
- Willful citations can reach hundreds of thousands of dollars per violation
- Fatal incidents can trigger criminal prosecution of management
- Workers' comp loss runs spike post-acquisition
- Poor safety records jeopardize business relationships (third-party tracking services)
- Reputational damage can take years to repair
- Inclusion on OSHA's Severe Violators Enforcement Program (SVEP) triggers additional scrutiny for a minimum of 3 years

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Controlling Loss

What is the cost of a willful OSHA violation?



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Real-World Example #1: The Nightmare Acquisition

A Cautionary Tale — Forklift Fatality Risk Post-Close

- A logistics company acquired without thorough safety due diligence
- 18 days after close: forklift incident sends staffing agency worker to the ICU
- OSHA discovers a prior forklift citation in another state (occurred 4 years earlier)
- Willful citation risk: forklift operator was untrained and uncertified
- Potential exposure: $100,000s in civil OSHA penalties
- If worker dies: criminal liability for management + multi-million dollar tort claim

Lesson: Inherited violations become YOUR violations

Source: Seyfarth Shaw / EHS Today, 2024

Real-World Example #2: BP Texas City Refinery

When Personal Safety Metrics Mask Process Safety Failures

- Post-restructuring cost-cutting impaired process safety at Texas City
- 'Check the box' safety culture — paperwork completed, requirements not met
- Low personal injury rates gave false confidence to leadership
- BP Board had no member responsible for major incident hazard prevention
- 2005 explosion: 15 workers killed, 180 injured
- CSB finding: personal injury metrics ≠ process safety health

Lesson: Surface-level safety compliance is not the same as a safe operation

Source: U.S. Chemical Safety Board Investigation Report

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Real-World Example #3: McWane Inc. — Production Over People

A Pattern of Safety Failures Across Acquisitions

- McWane Inc. aggressively acquired antiquated manufacturing plants since the 1970s
- Acquired Tyler Pipe (Tyler, TX) in 1995 — cut workforce by nearly 2/3, demanded higher productivity
- Result: 9 workers killed, 4,600+ injured across acquisitions over 7 years
- 400+ OSHA violations — 4x more than their 6 major competitors combined
- Bulletin boards posted: 'REDUCE MAN HOURS PER TON' next to safety memos

Lesson: A production-over-safety culture, when inherited and amplified, is deadly

Source: PBS Frontline — 'A Dangerous Business'

Real-World Example #4: Johnson Controls — Getting It Right

"One Team, One Mission"

- Following a major merger, Johnson Controls built a unified safety culture from Day 1
- Implemented immediate injury notification protocol — anything beyond immediate is 'late'
- Broke down silos between legacy organizations through shared safety leadership
- Result: Strong post-merger safety performance and workforce confidence

Lesson: Safety integration, when prioritized, can be a competitive advantage

Source: Risk & Insurance Teddy Awards, 2023

The M&A Safety Timeline: 3 Phases

Safety must be embedded in every phase — not bolted on at the end.



Phase 1: Pre-Deal: Safety Due Diligence (Before Close)



Phase 2: Integration: Day 1 through Day 100



Phase 3: Post-Integration: Ongoing Monitoring & Improvement



Safety in Every Phase

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Red Flags In Pre-Deal

What red flags could you look for during the due diligence phase?

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Phase 1: Pre-Deal Safety Due Diligence

What to Review Before You Sign

- OSHA 300 Logs — last 5 years, all worksites
- OSHA Establishment Search — open/closed inspections, citations, appeals
- Severe Violators Enforcement Program (SVEP) — check if target is listed
- Workers' Compensation Loss Runs — frequency, severity, open claims
- Written Safety Programs — IIPP, SHMS, Accident Prevention Programs
- Job Hazard Analyses (JHAs) — are hazards identified and controlled?
- Purchase Agreement — ensure reps & warranties cover EHS disclosures

Source: Seyfarth Shaw, 2024

Red Flags to Watch For in Due Diligence

- Listed on OSHA's Severe Violators Enforcement Program (SVEP)
- Repeat OSHA violations (5–10x penalty multiplier)
- High Experience Modification Rate (EMR) — above 1.0 is a warning sign
- Missing or outdated written safety programs
- No Injury & Illness Prevention Program (IIPP) required in California
- High frequency or severity workers' comp claims
- Lack of Job Hazard Analyses (JHAs)
- No formal Safety Management System (SMS)
- High management/safety staff turnover



Phase 2: Day 1–100 Integration Priorities

The First 100 Days Set the Safety Culture Tone

- Conduct a safety culture assessment of both organizations
- Develop a unified safety vision — communicate it immediately
- Engage leadership from both legacy organizations in safety planning
- Establish incident and near-miss reporting protocols on Day 1
- Identify and address the highest-priority hazards first
- Don't wait for full integration to fix known safety gaps

Harmonizing Safety Programs

Taking the Best from Both Organizations

- Audit safety programs from both organizations — don't assume the acquirer's are better
- Standardize policies incorporating best practices from each
- Update safety manuals, SOPs, and training materials
- Align OSHA recordkeeping across all facilities
- Address due diligence gaps with corrective action plans
- Case Study: Allied Cooperative + ProVision Partners (2023) — merged 54 facilities, 600+ employees; replaced paper-based safety programs with unified digital safety management system



Challenges in Safety Integration

What is the most underestimated challenge in safety integration?

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Safety Culture Integration: The Hidden Challenge

- Culture clash is the #1 underestimated risk in M&A safety integration
- Visible signs of resistance: workers wearing old branded PPE, ignoring new protocols
- Hostile or anxious workforce = reduced safety reporting and engagement
- Cross-industry or cross-border acquisitions amplify cultural differences
- A workforce that doesn't trust new leadership won't report near-misses
- Leaders must model safety behavior visibly and consistently from Day 1

Communication Strategies During Transition

- Hold safety stand-downs and town halls early and often
- Use multilingual communications where workforce diversity requires it
- Establish anonymous reporting channels
- Regular safety meetings at all levels (executive to frontline)
- Be transparent about what's changing and why
- Acknowledge uncertainty- employees respect honesty
- Celebrate early safety wins to build momentum





Training Strategies for Smooth Transitions

- Conduct a training needs assessment before rolling out new programs
- Prioritize high-hazard roles and operations first
- Use blended learning: e-learning + hands-on + workshops
- Cross-train employees on new procedures and equipment
- Document all training completions — critical for OSHA compliance
- Schedule ongoing refreshers — not just one-time onboarding
- Tailor training to the audience: frontline workers vs. supervisors vs. executives

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Phase 3: Post-Integration: Sustaining Safety Performance

- Continuously monitor: incident rates, near-misses, audit findings
- Compare pre- and post-merger safety metrics to identify trends
- Embed safety KPIs in leadership performance scorecards
- Conduct regular safety audits across all integrated facilities
- Celebrate safety milestones — reinforce the culture
- Treat safety as a continuous improvement process, not a project with an end date



The Workers' Comp Lens: What Carriers Watch

What do you think an Experience Modification Rate (EMR) measures?

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The Workers' Comp Lens: What Carriers Watch

How M&A Activity Affects Your Insurance Program

- Experience Modification Rate (EMR) trends before and after acquisition
- Loss run analysis: claim frequency vs. severity shifts post-close
- Sudden workforce expansion = increased exposure and premium
- Inherited open claims become the new employer's liability
- Poor safety records can affect insurability and premium levels
- Carriers may require loss control consultations post-acquisition
- Underwriters may inquire about M&A activity — notify your carrier early

BHHC Loss Control: How We Can Help

Your Partner Through M&A Transitions

- Loss control consultations during M&A transitions
- Safety program gap assessments for newly acquired operations
- Training resources and toolkits for integration teams
- Connecting policyholders with tools to manage integration risk
- EMR analysis and benchmarking support
- Guidance on OSHA compliance and recordkeeping during transitions
- Contact BHHC Loss control to speak with your assigned LC specialist

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Key Takeaways

1

Identify and mitigate risks BEFORE, DURING, and AFTER M&A, don't wait until after close

2

Integrate policies, processes, and cultures — take the best from both organizations

3

Communicate and train to support smooth transitions. Engaged employees are safer employees

4

Safety is a financial, legal, and human imperative NOT just compliance



Questions?

Please email additional questions to losscontrol@bhhc.com

Resources & References

- OSHA Establishment Search: osha.gov/establishments
- OSHA Severe Violators Enforcement Program (SVEP): osha.gov/svep
- Seyfarth Shaw: 'Forgotten Due Diligence: Overlooked Occupational Safety & Health, OSHA Liabilities During M&A Transactions' (2024)
- EHS Today: 'OSHA Liabilities Threaten Mergers and Acquisitions' (2024)
- ERM: 'Achieving Post-Merger Success: Adding Timely HSSE Integration to the Equation'
- Keller Encompass: 'How to Proactively Integrate Safety Cultures During a Merger or Acquisition' (2025)
- MSHA/SSRN: 'M&As and Workplace Safety: Evidence from U.S. Mines' (2024)
- U.S. Chemical Safety Board: BP Texas City Investigation Report
- PBS Frontline: 'A Dangerous Business' — McWane Inc.
- Risk & Insurance: Johnson Controls Teddy Award (2023)