



# Safety News

News for Members of the Contractors Insurance Safety Council – Group 44 Program

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April, 2010

## Project Targeting Uninsured Employers Grows to Orange County

The California Division of Workers' Compensation said it's pleased with the success of a pilot program it launched last year to help workers injured while employed by uninsured businesses and will expand the effort to Southern California.

Working in partnership with the Watsonville-based Workers' Compensation Enforcement Collaborative (WCEC) and other agencies, the Division of Workers' Compensation (DWC) said its "customer service initiative" begun 10 months ago in Salinas will now be expanded to Anaheim.

The initiative assists injured workers to collect benefits and serve court papers against their former bosses to enforce the state's mandatory coverage laws.

"This initiative uses partnering to maximize state resources, getting

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## Change in X-Mod Formula Puts Squeeze on Some Small Employers

Changes to the experience rating formulas produced by the Workers' Compensation Insurance Rating Bureau for insurers to set premium rates have resulted in a limited — but significant — number of major increases for employers renewing their policies.

In February the ratings bureau reviewed about 44,000 experience modifications (X-Mods) issued so far in 2010 and determined that 55% have been lowered, while 37% have been raised. Nearly half, 47.6% of the employers, saw the X-mod stay relatively the same, falling or rising about 3 points.

The bureau said 5.7% of employers had their X-Mods increase from 11 points to 20 points, and 2.4% of employers received increases greater than 20 points.

In November the bureau updated its credibility values, which are based on the size of the employer and measured by the total average losses expected for an employer of that size and industry classification. It also revised the mechanism for separating claims into their primary and excess components, where the first \$7,000 of a claim's value is considered primary and any remainder is considered excess. This is up from primary level of \$2,000.

"We knew this would have an impact on mods. It came as no surprise that anytime you change the formula, there's going to be some groups of people who are impacted," said Jack Hannan, the bureau's spokesman. "The changes were designed to make the mods more accurate and more responsible to the actual experience of the employers. If you're an employer who has a good safety record, you'll generally see your losses go down."

But for those companies, many of them smaller employers with lower payrolls after the recession, the effect has been dramatic, according to insurance brokers who specialize in workers' compensation coverage.

"These are business killers for certain small accounts," said James D. Carter, a principal of Suhr Insurance Services in San Jose.

A demolition contractor in the Bay Area with 12 employees saw its payroll drop substantially and with two soft-tissue claims added in its experience, it had an X-mod increase from 105 to 183 and will see premiums go from \$21,000 to nearly \$48,000, Carter said.

"It's like a 'perfect storm.' Everything bad that could have happened to this guy has happened to him," Carter said. "Picture it, you have a contractor whose work has dropped by 50% to 70%, so they're already stressed out economically. Then you have the cost of the insurance going up by more than 10% and then you have these new formulas, and payments are doubling."

**(SQUEEZE—continued on page 3)**

# SAFETY... It Pays



## CISC

Contractors Insurance  
Safety Council

Group 44 Program

### Participating Exchanges

#### Valley Builders Exchange

Modesto—Chapter 12

Karen Bowden, Executive Director  
Phone 209/522-9031

#### Kern Co. Builders Exchange

Bakersfield—Chapter 16

Roy Alvarez, Executive Director  
Phone 661/324-4921

#### Southern California

Builders Association

Whittier—Chapter 17

John Trocolli, Insurance Administrator  
Phone 909/792-9190

**Santa Maria Valley Contractors  
Association, Santa Maria—Chapter  
27/29**

Robin Hayhurst, Executive Director  
Phone 805/925-1191

**San Luis Obispo County Builders  
Exchange. San Luis Obispo—Chapter 28**

Leslie Halls, Executive Director  
Phone 805/543-7330

**Builders Exchange of Merced Mariposa**

Merced—Chapter 30

Bernice Vigil, Manager  
Phone 209/722-3612

**Santa Barbara  
Contractors Association**

Santa Barbara—Chapter 32

Karin Perissinotto, Executive Director  
Phone 805/884-1100

**Tulare Kings Builders Exchange**

Visalia—Chapter 38

George Elam, Executive Director  
Phone 559/732-4568

[www.ciscgroup44.org](http://www.ciscgroup44.org)

## Make Injury Prevention As Easy As 1-2-3

April is Injury Prevention Month, a good time to remind your workers of the critical role they play in the prevention of workplace injuries. Because they do the job every day, they know better than anyone else what could potentially result in a workplace injury or illness. Remind employees that they know best.

The machinery and equipment that they work with. They know if guards are missing or if extra guarding should be added. They also know if a machine is performing as safely as it should be.

If the floor in their area gets slippery and about common trip hazards in their area.

Which items in their area are heavy and should be lifted only with material-handling aids.

If safe work practices developed for their job are actually effective in preventing accidents or if they need to be improved.

About the near misses and minor first-aid injuries that employees in their work area suffer.

If the personal protective equipment (PPE) provided for their job provides adequate protection.

If the safety equipment (fire extinguishers, eyewash station) in their area is accessible and in good condition.

The tricks that make their job easier and safer.

**To prevent injuries, you must tap into this vast source of worker workplace knowledge.** Encourage your workers to:

**Submit safety suggestions** for their work areas, operations, and equipment. Instruct them in the suggestion process and where, how, and to whom to submit their ideas.

**Serve on the safety committee.** Let them know the goals and activities of the committee and how they can help.

**Participate in safety training meetings.** Urge them to pay attention, ask questions, and share insights on the training topic.

**Perform daily and assigned inspections.** Instruct them to inspect PPE, equipment, and their work areas before every job and every shift. They should also perform other inspections at their regularly scheduled times.

**Practice good safety habits.** Encourage them to follow safe operating procedures, never take short cuts, and always be thorough and conscientious in their work.

**Report near misses and first-aid incidents.** Remind them that knowledge is power, so sharing close calls and events that required first aid can help prevent first-time or repeat accidents.

Injury prevention requires constant diligence on the part of both management and employees. Let employees know that they have valuable input and encourage them to give it regularly and freely.

### Why It Matters

Each year more than 6,000 Americans are killed on the job.

About 3.6 million suffer disabling injuries.

Employees are key players in preventing these injuries and fatalities. *Source: BLR's Safety Daily Advisor*

**(SQUEEZE—continued from page 1)**

Another client, a drilling contractor in the Los Angeles area with 10 employees and "a couple of claims" had an X-mod increase from 106 to 142. Carter said the contractor's 2009 premium of \$46,000 is expected to hit \$86,000 this year.

"The goal of the [bureau] was to make it easier to understand for employers and more transparent. What they didn't consider was what was going on with the California economy and what was going on in workers' compensation rates," Carter said. "If this had been done three to four years ago, when rates were going down, few people would have probably even noticed this."

Don Chambers, president of the Colonial Western brokerage in Camarillo, said much of the effect of the bureau's formula change has been felt by smaller companies.

"We're seeing the greatest impact on a smaller company with a flow of claims. Like a landscape contractor, where workers will often get cuts, bruises or broken fingers," Chambers said. "Every time they have a claim over \$2,000, it's going to be measured at \$7,000."

The formula, which is calculated based on \$100 of payroll, works against a company that has seen its payroll shrink. And as layoffs occur, disgruntled workers may be inclined to file comp claims, which further worsens a company's X-mod, maintains Chambers.

"It's just a nightmare," said Karen Oxman, a principal at GNW Evergreen Insurance Services in Encino. "For a loss between \$2,001 and \$7,000 you're probably going to be penalized by this new calcula-

tion."

Oxman said a client in Burbank that distributes music CDs had a single claim for less than \$20,000 two years ago, but under the new formula has seen its X-Mod go from 85 to 125 and will see its premium this year rise from about \$15,000 to more than \$23,000.

Scott Hauge, president of Cal Insurance and Associates, a San Francisco brokerage, said an unexpected consequence of the higher X-mods and subsequent high premiums is that more insurers seem willing to write the policies.

For a client whose X-mod jumped to 210, where it was difficult to find more than one carrier to consider offering coverage, Hauge said, "this year he'll be able to get multiple quotes where last year he couldn't."

Andrew Valdivia, national director for California, Independent Insurance Agents and Brokers of America, said at least three clients of his Santa Monica brokerage that have annual premiums in excess of \$250,000 are going to see their premium increase by as much as \$50,000 to \$60,000 this year.

"To hit someone with a 60-point difference in their mod is ridiculous," Valdivia said. "You can't argue with actuaries about the numbers, but it would have been more diplomatic if they had tried to phase in the change over more than one year, rather than doing it all at once."

The Rating Bureau's experience rating formula can be found here:

[https://wcirbonline.org/wcirb//Employer\\_guide/experience\\_modification.html](https://wcirbonline.org/wcirb//Employer_guide/experience_modification.html)

Source: *WorkCompCentral*

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## Tree Removal Contractor Fined in Death of Worker

The Division of Occupational Safety and Health (DOSH) has cited tree removal contractor Mountain F Enterprises of Lotus, in the July 14 death of a tree trimmer in Cedar Ridge, Tuolumne County. Manuel Ventura, 25, was killed when the trunk of the dead tree he had climbed up split, plunging him to the ground with the tree top falling on him.

Ventura had climbed 60 feet up the dead tree, according to DOSH, and tied a block and rope to it to lower the top 17 feet of the tree. He cut the top section and fellow employees were using the rope to lower the section when the trunk broke six feet from the ground.

The DOSH investigation concluded that the crew failed to properly check the tree's structure for soundness, failed to follow a "no climb" dead-tree

policy, and that Ventura didn't secure himself with a safety line to an adjacent green tree.

The division cited Mountain F for a serious, accident-related violation of the IIPP standard for not identifying and evaluating the hazards of tree felling, removal and topping. "A thorough examination of the dead tree buttress area was not checked with an axe, wood chisel or wood bit prior to climbing," the investigator says.

The firm also was cited for general violations of GISO §3427(a)(1) related to safe work procedures for climbing and access, and §3421(d) because the crew allegedly was not given a briefing on the hazards of the job before it began. Total proposed penalties are \$17,500 and Mountain F is appealing the citations. Source: *Cal/OSHA Reporter*

## State Fund & Cal-OSHA Plan Seminars on Heat-Illness Prevention

The State Compensation Insurance Fund and the California Division of Occupational Health and Safety have posted the latest dates for a statewide series of seminars on heat-illness prevention.

More than two dozen free seminars are scheduled in English and Spanish through June, according to State Fund, which has been conducting such programs for five years.

The next program in English is scheduled from 9 a.m. to 11 a.m. April 22 at the Oxnard regional office, 2901 N. Ventura Road. A Spanish-language version of the program is also set for 1 p.m. to 3 p.m. that afternoon.

Those who attend will be taught the best-practice solutions for protecting employees from heat-related illnesses. There will also be information on how to update employer safety programs to include a heat-illness prevention plan and how to comply with heat-illness standards.

To see the complete list of sessions titled "Heat-Illness Prevention for Outdoor Work," go here:

<http://www.statefundca.com/safety/seminars/SeminarDetails.aspx?SeminarID> and look under "upcoming seminars."

Source: SCIF

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people the services they truly need and holding law breakers responsible," John Duncan, director of the California Department of Industrial Relations, DWC's parent agency, said in a press release.

It is a crime for an employer to not carry workers' compensation insurance or have permission to be self insured in California. Illegally uninsured employers are subject to prosecution, imprisonment, and penalties.

The project expands existing services to unrepresented injured workers, helping them identify the parties responsible for paying their benefits so they can secure benefits from the Uninsured Employers Benefits Trust Fund. DWC uses coverage information provided by the Workers' Compensation Insurance Rating Bureau to identify an employer and determine whether the employer has proper insurance coverage.

DWC Information and Assistance (I&A) Officer Silvia Gutierrez, who runs the program in Salinas, has helped seven injured workers since the year-long program began June 1.

"Once an employer is accurately identified, I can help an injured worker by making it easier for them to serve court papers against the right person," Gutierrez said in the press release. "It is often the most difficult step, one which can take months and sometimes years to accomplish."

I&A Officer Cynthia Leatherman has begun training and will provide similar service to injured workers from the Anaheim district office.

Information for employers, including answers to frequently asked questions such as, "Do I need to have workers' compensation insurance?" can be found on the DWC website at: <http://www.dir.ca.gov/dwc/employer.htm>.

Source: DWC