



# Safety News

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

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December, 2009

## State Fund Files for 5% Rate Increase Jan. 1

**S**tate Compensation Insurance Fund, the largest workers' compensation insurer in California, has filed for a 5% rate increase, effective Jan. 1, for all new and renewal policies.

State Fund's announcement came one day after Insurance Commissioner Steve Poizner denied a request to raise industry premiums an average of 22.8%.

Doug Stewart, State Fund interim president and CEO, said in a written statement that increased medical costs are the primary reason for the higher rates. He cited the California Workers' Compensation Institute, which said the cost of medical treatment continues to rise significantly. The average annual medical inflation rate is 14% since 2005.

"We understand the strain that California's businesses are experiencing in the current economic situation," Stewart said. "State Fund offers group discounts, a merit rating plan, and lower-than-average premiums in some classifications and industries."

State Fund said its premium levels "have fallen significantly" since the 2003 system reforms, and even after the upcoming increase will still be 43% below pre-reform levels. State Fund increased rates 8.9% on Jan. 1, 2009, and 15% on July 1 of this year.

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## DIR Raises Overall Assessments More Than \$115 Million

**T**he annual assessments to California employers to cover the cost of workers' compensation, labor law and occupational safety regulation are going up by nearly 37% in 2010.

The state assessments to the Department of Industrial Relations (DIR) are expected to raise a total of \$426.8 million from all California employers in 2010, up more than \$115 million from the \$311.7 million assessed this year.

The Division of Workers' Compensation increased user assessment by nearly 20%, and on top of that the state is collecting funding for the California Division of Occupational Safety and Health and the California Department of Insurance's Fraud Assessment Commission. And for the first time, the annual assessments will include money to pay for operations of the Division of Labor Standards Enforcement.

Because of the ongoing budget crisis — California expects to face a nearly \$21 billion budget shortfall through 2011 — more of the cost of regulation in workers' compensation and labor laws has been shifted from the state's General Fund to the employer community.

"Financing more government services on the backs of employers comes at a terrible time given the state of the economy. With everything that employers are trying to do to protect jobs and keep their doors open, this is just one more increased cost," said Jerry Azevedo spokesman for the Workers' Compensation Action Network. "And this is coming at the same time that workers' compensation insurance premiums are going up, so it's a bit of a double whammy hitting employers at the same time."

*(WC ASSESSMENTS — continued on page 3)*

## DIR Creates Unit to Monitor Public Projects

**T**he California Department of Industrial Relations has announced the creation of a compliance monitoring unit for public works projects.

"The monitoring will be required for projects funded by any state-issued public works construction bonds and investigators will monitor requirements for workers' compensation, record keeping and correct payment of prevailing wages," Department Director John C. Duncan said in a statement Tuesday.

Establishment of the compliance unit is in accordance with Senate Bill X2-9, which was approved in February.

The department is currently involved in the formal rulemaking process to establish the regulatory standards to govern the fee-based monitoring. The proposed regulatory package was published by the Office of Administrative Law Nov. 20 and a public comment period on the issues concludes with a public meeting scheduled Jan 6, 2010. The meeting will be held in the Monterey Room of the San Francisco state building at 455 Golden Gate Ave.

Full additional information about the proposed regulations, go to the department's website at <http://www.dir.ca.gov/LaborComplianceRegulations/LCP-SBX2-9.htm>  
Source: Department of Industrial Relations

# 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

Tom Hartnett, Interim Executive Manager  
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)

## Take a Close Look at Close Calls

**A**ccording to the National Safety Council, 75 percent of all accidents are preceded by one or more close calls. The difference between a close call and an accident might be a fraction of an inch or a split second of time. Either way, a close call is a call to action.

There are few "real" accidents that come completely out of nowhere, like a meteor falling out of the sky and hitting someone on the ground. Most accidents can be predicted and prevented.

Close calls are predictors. They're warnings that safety-wise something is wrong and requires immediate attention—otherwise the near miss this time will be an accident next time.

So if your employees and supervisors just say, "Thank goodness!" and go back about their business when there's a close call, you have a big safety problem. A close call means that the worker was lucky not to have had an accident. It doesn't mean that he or she—or somebody else—will be lucky again if the hazard remains.

### Strike While the Iron Is Hot

Most close calls result from a combination of factors. Although human error is often one cause, other hazards often play a role as well. These include:

- Poor lighting
- Inadequate ventilation
- Lack of a warning sign
- A missing machine guard
- Lack of effective safety rules

Often, too, it's not one big hazard but a lot of little things that just happen to take place at the same time. And, as we said, in most cases the same factors that caused a close call will eventually come together again to cause an accident.

Whatever factors are involved in a close call—including the human factor—they are easily correctible. Training will correct human error, and the other issues can be fixed with simple management intervention.

But to prevent a looming accident, you have to move quickly and seize the opportunity to eliminate the hazards that caused the close call.

### Find Out What Happened and Why

Every close call needs to be investigated just like an actual accident.

Examine the scene and look for clues about exactly what happened.

Talk to everyone involved and to witnesses as well.

Look for circumstances that might have contributed to the close call. For example, did the time or place have something to do with it? Maybe it was on the night shift and fatigue or poor

*(CLOSE CALLS—continued on page 3)*

## **(WC ASSESSMENTS—from page 1)**

More than half the total cost increase comes from deals worked out earlier this year to produce a balanced budget in Sacramento. Now, employers will have to pick up the state's share of the Occupational Safety and Health Division, where before some of Cal-OSHA's operating costs had been covered by general fund dollars. The funding shift will take employer assessments for the Cal-OSHA fund from \$18.9 million this year to nearly \$56.5 million in 2010. Through the assessment, employers will pay 41% of Cal-OSHA's operating costs. The federal government provides about 27% and the balance is covered by other fees.

On top of Cal-OSHA, employers will pay \$32.4 million through a new assessment for the Labor Enforcement and Compliance Fund, which pays for Division of Labor Standards Enforcement inspections. Employers will now pay 73% of the division's costs.

State officials say it's an investment in stability.

"Over the years we've dealt with fluctuations in the general fund. This funding shift will give us more stability in our programs in Cal-OSHA and Labor Enforcement, so we can provide better services to legitimate employers," said DIR spokesman Dean Fryer. "We're looking at creating more even competition for employers by addressing the underground economy that's undercutting their overhead. We're improving workplace safety. Our workplace fatalities and injuries are down again. With stability in funding, we will be able to continue on that path."

Scott Hauge, president of Small Business California, said uninsured employers are a major drain on the state's economy and make it difficult to compete for employers who play by the rules and provide workers' compensation coverage for their employees. But he added that times are tough for all California business and a 36.9% increase in workers' comp costs is never welcome. "Obviously we don't like more fees. That goes without saying," Hague said. "All the fees just keep going up, including things we think should be paid by government, but it's being transferred to us. I understand the state's economic problems, but this is frustrating. We don't like it."

## **(CLOSE CALLS—continued from page 2)**

visibility were factors. Were new or untrained workers involved? Were any safety rules ignored? Or were rules specific to the incident lacking?

Don't rush to judge. Examine the facts and find what's missing. Look for underlying causes. An immediate cause may be an unsafe condition like a mechanical failure, or it could be an unsafe action by a fellow employee. The underlying cause could be poor machine maintenance, a missing guard, a crowded work area, or a lack of training.

Discuss the incident with supervisors, employees, and also with outside experts, if necessary, to get ideas and perspective.

Complete an accident/near-miss report. Getting the

The DWC, which coordinates the collections, bills companies through their insurance companies and those that are self-insured are billed directly. Insurance companies are required to advance the money to the state and recover it through assessments or other fees to policyholders.

Those businesses that buy insurance from private insurers or the State Compensation Insurance Fund are assessed based on the total premiums they pay, while self-insured employers pay their assessments based on their "indemnity amount," or the amount of workers' comp benefits they paid out in the previous year.

Here's a look at the assessments for insured companies this year and next:

- DWC's 2009 assessment for its Worker's Compensation Administration Revolving Fund was 0.013583 which generated \$195,056,3363 from both insured companies and self-insured employers. For 2010, the assessment rate increased to 0.015166, which is expected to generate \$233,309,000.
- The 2009 assessment rate for the Uninsured Employers Benefit Trust Fund was 0.002241, which generated \$33,175,000. For 2010, the rate is 0.001849, which is expected to generate \$36,805,000.
- The 2009 assessment rate for the Subsequent Injuries Benefits Trust Fund was 0.000827, which generated \$15 million. For 2010, the rate is 0.001050, which is expected to generate \$16,250,000.
- The 2009 assessment rate for the Occupational Safety and Health Fund was 0.001185, which generated \$18,960,000. For 2010, the rate is 0.003064, which is expected to generate \$56,496,000.
- The 2009 assessment rate for the Workers' Compensation Fraud Account was 0.003956, which generated \$49,559,268. For 2010, the rate is 0.003986, which is expected to generate \$51,525,700.

To review the DWC letters explaining the rates, go here: <http://www.workcompcentral.com/pdf/2009/misc//DWCNov232009.pdf>

Source: WorkCompCentral

incident on paper will help prevent it from being forgotten or ignored.

## **Take Action**

Share your report with employees and management alike. Make sure everyone who needs to know about it finds out what happened and what you're doing to prevent it from happening again.

And then take the necessary actions to eliminate or control the hazards that caused the near miss. This is, of course, the essential part of the process. If you don't act now, you'll pay the price later when somebody really gets hurt or killed.

Source: BLR's Safety Daily Advisor

## First-Quarter 2009 DOSH Inspections and Citations Down Sharply

**A** slumping California economy and furloughs to Division of Occupational Safety and Health (DOSH) inspectors led to 39% fewer on-site inspections in the first quarter of 2009, compared to the previous year and alleged violations cited down 30%, according to statistics released by the DOSH Program Office.

Each major industrial group saw decreases in both categories, across the board. In all, DOSH conducted 1,804 inspections between January and March of this year, a decrease of more than 1,100 from the corresponding period in 2008. Accident-related inspections plummeted 45%, complaint-related inspections dropped 38% and programmed (surprise) inspections decreased 31%.

Total alleged violations dropped 30% and violations classified as serious were down 37%.

Among the largest industries, construction saw 44% fewer inspections, manufacturing 32%, services 30%, retail trade 40% and agriculture 36%.

Accident- and complaint-related inspections were down in every industrial section and in nine out of 10 for programmed inspections. (The exception was in manufacturing, with 163 surprise inspections, one more than in the first quarter of 2008.)

Violations also were down in nine out of 10 sectors, with services as the exception, with 10% more violations in the first quarter of 2009 (755 versus 687).

DOSH Chief Len Welsh attributes the decline to the state-mandated furloughs, as well as the state of the economy. "If you look at the numbers, they align pretty closely," he said.

Cal/OSHA inspectors work three fewer days per month.

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### **(RATE—continued from page 1)**

On November 9, Poizner denied a request by the Workers' Compensation Insurance Bureau (WCIRB) to increase the workers' compensation claims cost benchmark, also known as the pure premium rate. It was the second time this year Poizner rejected an increase request from the bureau, saying the economy is too weak and that most insurance companies haven't done enough to lower their costs.

Poizner's approved benchmark rate is advisory and California insurers are free to set rates at whatever level they decide regardless of the commissioner's pure premium rate. But the benchmark rate is closely watched by the media and acts as a signal to employers as to whether their workers' comp costs are expected to increase, decrease or remain flat.

The 95-year-old State Fund has about 170,000 policyholders ranging from small businesses to large group associations. *Source: WorkCompCentral*

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