



Safety News

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

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State Fund to Cut Some Premium Rates Beginning July 1

Small and mid-sized businesses could see their workers' compensation premiums go down later this year as the State Compensation Insurance Fund has announced it intends to revise its rating plan, but has no plans for a mid-year rate increase.

The State Fund, the largest workers comp insurer in California, plans to reduce base rates by 3.2% across the board starting July 1. Because the rate revision filed with the Department of Insurance is designed to be revenue neutral, some policyholders will save and others will pay more, according to Jennifer Vargen, a spokeswoman for the fund.

Fund underwriters are being given more discretion to match prices to individual accounts. Now, underwriters can give companies with at least \$60,000 in base workers' comp premium some credit for good claims performance and other factors. Under the change, companies with base premium as low as \$25,000 can qualify for a merit credit.

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CRM Contractors Group Members Face \$21 Million Shortfall

As they deal with the fallout from the closure of their self-insured group, members of Contractors Access Program of California are strategizing to determine their next step, while state regulators have appointed a conservator to take over the program.

Contractors Access Program (CAP) provided workers' compensation coverage for more than 250 contractors from 2004 until its administrator, Compensation Risk Managers (CRM), closed the group effective Jan. 1, 2010.

The group had begun to experience financial difficulties as far back as 2007, and has been assessing members to cover a shortfall that is currently estimated at about \$21 million.

Sherman Oaks attorney Theodore A. Penny, who represents the remaining three members of the Contractors Access Program (CAP) board, said last week he was notified by the California Office of Self-Insured Plans that a conservator would be appointed to oversee CAP.

"Everyone is shaking their heads and trying to figure out what happened," Penny said Friday.

The Department of Industrial Relations (DIR), which oversees the Office of Self-Insured Plans, has tapped Bickmore Risk Services and Consulting to take over the claims payment and financial management of the Contractor's Access Program of California (CAP) due to continuing shortfalls in the self-insured group's finances. In announcing the takeover, DIR confirmed that the group's deposit for covering estimated future liabilities had fallen to just 110%. State regulations require groups to maintain a deposit of 135%.

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WorkCompCentral was able to determine the self-insured group collected about \$117 million in premium during its six years of operations and experienced losses in every year except 2005, when it had made \$5 million. The decline in revenue to CAP mirrors the economic downturn faced in the construction industry, with premiums peaking at \$32 million in 2006, but steadily falling to \$9 million last year. The program received nearly 4,000 claims from injured workers, of which about 390 remain open.

An unaudited annual report that Compensation Risk Managers (CRM) provided to members in March 2009 said the fund was running a \$7 million deficit. But by last September, when an audited report was prepared, the amount had increased to more than \$20 million.

The CAP board dwindled from five members to three, and two of those did not join the panel until the spring of 2009. Penny said that board members are as surprised and angry as any member.

"As individual members they are shocked and extremely distressed," Penny said. "They are in the same position as the members. If anything, they feel they've been victimized by the rapidity with which this came to pass and the lack of infor-

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Handy Tips for Preventing Hand-Related MSDs

The two primary categories of workplace hand injuries are traumatic events and overuse or repetitive motion injuries. Today, we turn the focus on repetitive stress hand injuries.

Hand-related musculoskeletal disorders (MSDs) are painful, sometimes crippling, injuries that generally affect nerves, tendons, tendon sheaths, and muscles in the hands, fingers, and wrists. They may develop from frequent:

- Repetitive motions on a machine or keyboard, packing, cutting, etc.
- Forceful exertion
- Use of vibrating or impact tools

Carpal tunnel syndrome, for example, is a common MSD that occurs when the nerve that runs through the wrist's carpal tunnel is pinched. Initial symptoms are numbness, tingling, and weakness. Carpal tunnel syndrome can reduce strength and mobility in wrist and hands and may cause permanent damage.

A worker with a severe hand-related MSD might require surgery, be out of work for weeks, and have to remain on restricted duty for a while after returning to work.

All of that can add up to a lot of pain and suffering for the worker and a lot of lost productivity and increased costs for your organization. That's why the best way to handle hand-related MSDs is to prevent them.

Minimize MSDs

Repetitive movements are the most common cause of hand-related MSDs. To prevent injury, employees should:

- Avoid repetitive movements whenever possible.
- Alternate tasks to reduce time spent performing tasks that put a lot of stress on hands.
- Take minibreaks frequently to relax tense muscles and give hands a rest.

It's also important for employees to choose the right tool for the job to reduce strain and awkward positions. And when using tools, workers should:

- Grip tools so the thumb and index finger overlap slightly.
- Avoid bending wrists while holding tools.
- Use clamps, jigs, etc., to help avoid awkward positions and bent wrists.
- Carry materials using a palm-down grip.
- Reduce vibration-related injuries by operating tools at the lowest efficient speed possible.
- Hold tools as loosely as possible without losing your grip.
- Use mechanical aids, not hands, to grasp and hold materials while working on them.
- Keep hands warm. Cold hands make workers grip tools and mate-

(HANDY TIPS—continued on page 4)

Rating Bureau Says Most Seeing Savings Due to X-Mod Formula Changes

Changes to California's experience rating formula resulted in a lower experience modifications for most policyholders, which is in line with projections made before the changes were put into effect on Jan. 1, the Workers' Compensation Insurance Rating Bureau said in a report released in late April.

The Rating Bureau said an updated analysis shows that 64% of experience-rated policyholders saw a decrease in their experience modifications, 7% saw no change and 29% saw an increase.

Roughly 5% of policyholders are seeing increases of between 11 and 20 points in their experience modifications, and approximately 2% are seeing increases of more than 20 points, the Rating Bureau said.

"The small percentage of policyholders experiencing large increases are employers with worse than average underlying loss experience," the bureau explained.

On November 9, 2009 Insurance Commissioner Steve Poizner approved several changes to the experience rating formula, including updated credibility values ("B" and "W" values) and a revised mechanism for segregating claims into their primary and excess components. The bureau proposed the changes to simplify the experience rating system and improve its predictive accuracy.

On December 1, 2009, the WCIRB conducted an analysis of the approximately 25,000 experience modifications that had been issued for the first quarter of 2010. The analysis showed that the impact of the changes was in line with the projections contained in its Jan. 1, 2010, pure premium rate filing.

The latest report updates last year's analysis based on approximately 57,000 2010 experience modifications issued through March, the bureau said.

"In total, the average statewide experience modification

for 2010 of 95% is consistent with expectations and has not been affected by the 2010 changes to the formula," the bureau said. "In other words, the total statewide pure premium generated after application of 2010 experience modifications has not been affected by the 2010 formula changes."

The WCIRB said it has received a number of inquiries regarding claims shown as grouped on a policyholder's experience rating worksheet. Historically, claims with a reported loss value in excess of \$2,000 were individually shown on the worksheet and were subject to the primary/excess split formula in effect prior to Jan. 1, 2010. Claims with a reported loss value of \$2,000 or less were not shown individually and were not subject to the primary/excess split formula. Instead, these claims were shown as grouped, and the total reported loss value was considered primary.

Beginning in 2010, the experience rating primary/excess split formula was changed such that only claims with a reported loss value in excess of \$7,000 are subject to the primary/excess split formula; while claims with a reported loss value of \$7,000 or less are used in their entirety as primary and not subject to the primary/excess split formula. However despite this new primary/excess split formula, the WCIRB has no plans to change the manner in which claim values are shown on the worksheet. Claims with a reported loss value of \$2,000 or less will continue to be shown as grouped, while all other claims will be individually shown on the worksheet, the bureau said.

To view the entire report, go to:

https://wcirbonline.org/wcirb/wcirb_wire/2010/2010_03.html

Source: WCIRB

(**SHORTFALL**—continued from page 1)

mation that would prepare them to deal with this."

All claims to injured workers are currently being serviced and Penny said CAP has approximately \$10 million on deposit with the state and also has a \$15.7 million surety bond through Liberty Mutual that could be called to cover claims if needed. "The current liabilities are covered," he said.

DIR requires self-insured groups to have available 135% of estimated liabilities, but department records show the CAP deposit only represents about 110%.

CRM insists it has done nothing wrong and that it operated CAP in accordance with all state requirements.

"What we can say is that the group's liabilities are fully collateralized in compliance with regulations," CRM said in a written statement.

"The program is not in default, but it obviously has a cash-flow issue," said Jim Paxin, a board member and co-owner of an excavation company in Elk Grove. "We're

trying to let members know they will have to pay assessments to continue to pay claims. Obviously it's difficult. Members are angry. I'm angry."

Because members of self-insurance groups have joint-and-several liability, they are on the hook to pay claims if the plan itself is unable. CAP began sending assessment letters to its members last year, and in subsequent letters have asked for much more to cover anticipated liabilities.

Paxin said his first assessment was \$27,000 for his company, which has about 50 employees, but the most recent letter has raised his share to more than \$135,000.

After that initial assessment, Paxin said he joined the board last June to learn more about the group's problems and search for solutions.

"I could already tell at my first board meeting that this couldn't survive," Paxin said. "We decided the program could not go forward and we needed to shut it down. There's no way you could raise the premiums high enough to take care of the losses without losing members."

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Lawmakers Partner to Fight Underground Economy

A bipartisan team of legislators are promoting their plan to combat the state's underground economy, which they say robs California of between \$3 million and \$6 billion in taxes annually. The goal is to stop construction and other businesses that often pay their workers in cash, do not withhold payroll or other taxes, do not provide workers' compensation protection; and often allow unsafe working conditions.

"The underground economy represents a lose-lose-lose for California: Employees get cheated of wages, benefits and other protections; law-abiding employers are forced to compete against scofflaws who gain an economic advantage; the state loses billions in tax revenue that could be keeping schools open and reducing the deficit," according to a recent editorial in the San Jose Mercury News written by Assemblyman Bill Monning (D-Santa Cruz) and Bill Berryhill (R-Modesto).

The lawmakers have introduced Assembly Bill 2770, which establishes a trigger for referring cases for possible investigation to the Department of Labor Standards Enforcement, the Employment Development Department, and the Franchise Tax Board.

Additionally, their plan includes creating a Working Group on the Underground Economy to develop administrative and/or legislative recommendations to pursue in 2011 and urging the Economic & Employment Enforcement Coalition to hold briefings statewide for employers and employees to learn their rights and responsibilities under the law.

To read the entire opinion editorial, go here: http://www.mercurynews.com/opinion/ci_15010065?nlick_check Source: Mercury News

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"We understand how challenging the current economic climate is, and we are trying to support California's businesses as they manage through this difficult time," Doug Stewart, State Fund interim president and chief executive officer, said in a press release.

Source: State Fund

(**HANDY TIPS**—continued from page 2)

rials too tightly. When hands are cold, workers are also more likely to develop problems from vibration.

Finally, encourage employees to report MSDs affecting the hands, fingers, and wrists immediately. Symptoms include:

- Pain or aching
- Numbness, tingling, and stiffness
- A burning sensation
- Swelling
- Weakness

Source: BLR's Safety Daily Advisor

(**SHORTFALL**— from page 3)

An ad hoc group of members gathered last week in Sacramento to discuss the fallout from the closure of the self-insured group. One participant described the mood as confused and angry.

Barbara Rummonds said the Santa Rosa-based construction company she co-owns was hit with a \$13,000 assessment last year, which jumped to almost \$45,000 this year. She attended Thursday's meeting and heard of one CAP member who had a seven-figure assessment. "We need to get answers and have some information given to all of us before we write a check," Rummonds said. "Everybody is like: 'Where does it end? Nobody knows.'" Source: WorkCompCentral