

Blueprint[®]

Commonwealth Contractors Group Self-Insurance Association • Vol. 4 • No. 2 • August 2002



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From The Trenches

Don M. Roberts, Board Member
Commonwealth Contractors
Group Self-Insurance Association
President - Shoreline Contractors, Inc.

The apparent hardening of the market has again put CCGSIA in the limelight with not only the agents and customers, but also the industry as a whole. Our safety record and management techniques remain under close scrutiny by those seeking to detect the secret of our success.

It really is no secret that low experience mods and loss ratios make our bottom line work, but those numbers represent the fruits of the members' labors to prevent any "Trending" from upsetting our projections and rate structures. New members are now given the advantage of a safety program that has been tailored to meet their size and type of construction, as well as benefiting from our experience with those categories of contractors.

With the foresight and perseverance of our administrator, we have been awarded an A.M. Best rating of A- (Excellent). CCGSIA is the only group self-insurance association in Virginia to have an A. M. Best rating and one of only six in the entire country. We must continue to serve the original concept of our members in order to keep their loyalty and confidence. The work of our administrator and the service company have done so much with so little, it remains to be seen what they can do with more!



To the new members-CCGSIA continues to hold reserves to protect itself from market fluctuations and projected losses. It does not, however, have the ability to control your losses-only you have that. Help us and yourselves by reviewing your current safety plan, at least semi-annually, and enforce those guidelines for your own financial gain. Remember, dividends are earned-not granted by some mystical guru.

To the agents-you have earned our confidence in client selection, and like a GPA at school, you have a 4.0-it can only be hurt if clients are enrolled without a commitment to our programs and ideals. We must continue to serve those clients who began this journey with us and keep their needs in mind.

With the formation of an ad-hoc advisory committee, we hope to develop more initiatives by which to retain our clientele for the long haul, not just for a lower rate during the fluctuation periods. This could serve as an excellent "broadening" of our base for premiums, as well as a "depth of bench" for resources at our supervisory board level.

To repeat what we all have set as a goal for our organization, we strive to keep our commissions equitable, our premium rates competitive, and our service above the levels of the conglomerate companies in order to maintain our reputation of integrity to our members. ■

Welcome New Members

Since the April 1 start of Commonwealth Contractors' new plan (policy) year, we are pleased to welcome 123 new members generating \$2,563,323 in annual premium. The addition of these new members brings our total membership to 952 as of July 12, 2002.

The 123 new members are categorized as:

- Carpentry Contractors = 22
- Roofing Contractors = 18
- General Contractors = 11
- Miscellaneous Contractors = 72

Willful Misconduct *Equals* No Workers' Compensation Benefits

William K. Willis

Executive Vice President - Landin, Inc.

In the April 2002 issue of the BluePrint we stressed the importance of obtaining a Certificate of Insurance when work is performed on your behalf by subcontractors, as without coverage of their own you may be held to be their "statutory employer" and potentially responsible for injuries sustained by their employees. Now let's explore another Workers' Compensation topic and as there are a number of topics to go over this discussion will carry over to the next several issues of the BluePrint.



Section 65.2-306 of the Virginia Workers' Compensation Act states that "no compensation shall be awarded to the employee or his dependents for an injury or death" caused by any of the following:

- 1) The employee's willful misconduct or intentional self-inflicted injury
- 2) The employee's attempt to injure another
- 3) The employee's intoxication
- 4) The employee's willful failure or refusal to use a safety appliance or perform a duty required by statute
- 5) The employee's willful breach of any reasonable rule or regulation adopted by the employer and brought, prior to the accident, to the knowledge of the employee
- 6) The employee's use of a non-prescribed controlled substance

First of all lets take a look at "willful misconduct." The word "willful," as it pertains to this section of the Act, means with deliberate intent and requires more than just negligence, as there must be a wrongful intention. For example, "where the employee voluntarily places himself in a manifestly dangerous place which was not required by any task connected with the employment, the resulting accident arose out of his own willful misconduct" and in this case compensation

was denied. Another example would be "where the claimant was injured moving boxes after being specifically told by his supervisor not to try to move them without help, the actions were tantamount to willful misconduct" and this claim was also ruled not compensable. Keep

in mind, however, that "negligence is of no concern in a Workers' Compensation case unless the injury is caused by the employee's willful negligence or misconduct"

and that "mere bad judgment does not amount to willful misconduct" as "negligence is not willful misconduct." Further, "negligence, regardless of how gross, does not bar recovery for WC benefits" unless that negligence amounts to "willful misconduct."

In regard to an "intentional self-inflicted injury," if the evidence is such that it is obvious the employee intentionally injured himself then the employee is barred from recovery under the Act. After a compensable accident, however, there are circumstances under which an intentional self-inflicted injury could be covered as the statute is such that under the "chain of causation rule" in which "every natural consequence flowing from the original compensable injury is likewise covered" some intentional self-inflicted injuries may be covered. For example, a person could attempt suicide and that be ruled a compensable result of the original injury if "where the original work connected injuries suffered by the employee result in him becoming devoid of normal judgment and dominated by disturbance of mind directly caused by his injury and its consequences, such as severe pain and despair, the self-inflicted injury by the employee cannot be considered to be intentional."

As you can see by this brief overview of "willful misconduct and intentional self-inflicted injury," much investigation is needed in order to determine if either play a part in an accident or injury and many times we must rely on the Commission's Hearing process in order for a final determination to be made.

In up-coming issues of the BluePrint we will continue our review of this section of the Act with particular attention being given

to safety rule violations and the impact they have on your companies bottom line. In the meantime, however, please feel free to contact me should you have any questions regarding this topic or any other Workers' Compensation related matters. ■

What The Heck Is An Experience Modifier?

Bill Deekens

Vice President - Landin, Inc.

This inquiry ranks very high on the list of frequently asked questions among our members. The short answer is that the Experience Modifier (MOD) is the result of a long mathematical computation that serves to discount your workers' compensation premium if you have had a good loss history over several years. Conversely, its function also is to charge additional premium to those who have had less attractive results.

The mechanics of the process begin with everyone on equal footing. Each year we file with the Bureau of Insurance for their approval, a set of base insurance rates for all of the work classifications we cover. These base rates reflect the risks inherent in the various jobs your workers perform. For example, the rate for your clerical staff might be only \$0.13 per \$100 of your clerical payroll. On the other hand, the rate for a painter, a much riskier profession, would be much higher at \$6.37 per \$100 of covered payroll. The result of this initial calculation is called manual premium and would be identical to any other painting company with like payroll. It is at this point that the "Experience Modifier" would be applied. This is done by simply multiplying the manual premium times the MOD. If your MOD is very good at 0.72, you would only be charged 72% of the Manual Premium (Plus or Minus any other adjustments such as Premium Volume Discount or Expense Constant). If your MOD is high at 1.53, the resulting premium charged is 53%

continued on page 6

Exceptional Growth Continues

Stan Adams
President – Self-Insured Concepts

Commonwealth Contractors continues its excellent financial position as we enter our next Plan Year that started April 1, 2002. For the three months ended June 30, 2002, pre-tax earnings amounted to over \$2 million thus bringing our accumulated Members' Surplus to the current level of over \$13 million. This current level of surplus is after our recent dividend distribution of \$2,058,825. The unaudited condensed Statement of Condition of Commonwealth Contractors Group Self-Insurance Association as of June 30, 2002 is to the right:

Members' payroll audits are currently underway for the April 1, 2001-April 1, 2002 Plan Year. Earned premiums are projected to be approximately \$15,500,000 based upon audits received to date. This premium level represents a 24% increase over the previous year and a growth in number of members of 167 representing an increase in premium levels at \$2,950,000 over last year.

Pro-rata premiums for the April 1, 2002-April 1, 2003 Plan Year are cur-

rently \$19,779,313 with 952 members. This premium level and the number of members far exceed that of any Plan Year in the history of Commonwealth Contractors GSIA.

Investment earnings remain strong despite unfavorable market conditions

with earnings for the first three months of \$279,000 derived from funds invested through Trusco Capital Management. At June 30, 2002, Commonwealth Contractors had in excess of \$26,500,000 invested at Trusco. ■

Year to Date Financial Report

Statement as of June 30, 2002

Cash and Investments	\$27,147,998
Board Discretionary Fund	1,541,681
Receivable From Reinsurers	5,386,185
Other Assets	1,305,044
Total Assets	\$35,380,908
Claims Reserves	\$21,733,394
Dividends Payable	95,551
Other Liabilities	22,603
Total Liabilities	\$21,851,548
Members' Surplus	\$13,529,360

Service Is Our Goal!

Cheryl S. Brooks
Vice President of Marketing – Landin, Inc.

If you have read the last several issues of the "Blueprint," you know that CCGSIA membership continues to grow. Your group continues to be a popular workers' compensation market for contractors and affiliated businesses due to its 20-year history of stability, competitive rates, generous refunds of surplus premium, and outstanding service to our members and agents. Our success is easy to un-

derstand if you know how we differ from standard carriers. While workers' compensation is but a small portion of the multitude of products offered by most insurance companies, it is our primary function. Your workers' compensation coverage is the sole focus of our business – not a small slice of a large multi-line pie. Our workers' compensation expertise in the areas of underwriting, loss control, managed care, and claims handling will provide peace of mind for your business and safety for your employees. The service

we provide is a priority for us. We value each of our CCGSIA members and we will continue to offer above average service to you – whether its assistance with loss control, a drug or safety program, a claim, or simply a question, our response will be prompt and our staff friendly. We appreciate your participation and interest in the CCGSIA and with your support, we look forward to many years of a profitable partnership. ■

Commonwealth Contractors Displays at IIAV Convention

Bill Deekens
Marketing Director – Commonwealth
Contractors Group Self-Insurance Association

At the end of June, Commonwealth Contractors showed off its newly updated vendor display unit at the convention of The Independent Insurance Agents of Virginia (IIAV) held at the Wintergreen Resort. With a list of over 200 attendees representing more than eighty insurance agencies throughout Virginia, CCGSIA gained valuable exposure to some agents we consider old friends, as well as to many who now know more of our

impressive story. Cheryl Brooks, Marketing Director for Landin, Inc. and Bill Deekens, Marketing Director for Commonwealth Contractors spent two days at this conference and were very encouraged at the depth of questions we received about CCGSIA. It is even more encouraging to report that since leaving the mountaintop resort, we have heard back from many of those same attendees and are processing some new submissions for membership as well. ■



Cheryl Brooks, Marketing Director of Landin, Inc., makes a quick note between visitors to the CCGSIA Booth.



One of many agents attending the IIAV convention learns more about Commonwealth Contractors from Bill Deekens, its Marketing Director.



Commonwealth Contractors' promotional display unit attracted a great deal of traffic at the recent IIAV Convention at Wintergreen.

**Commonwealth Contractors
Rated A- (Excellent)
By: A.M. Best Company**

Safety Workshop To Return To Tidewater

Bill Deekens
Marketing Director – Commonwealth
Contractors Group Self-Insurance Association

Fast on the heels of another successful Safety Workshop in Richmond last April, Commonwealth Contractors has just confirmed that a similar seminar will be held at The Chesapeake Conference Center on Tuesday, October 22, 2002. This will be our second such workshop to be conducted in the Tidewater area and

promises to be interesting and informative. Best of all, it will be free to Commonwealth Contractors' members. Likely topics to be covered include Hand & Power Tool Safety, Fall Protection with emphasis on scaffolds and ladders, Safety Meetings, Substance Abuse Programs and Controlling Costs After the Accident. In addition to the safety professionals from Landin, Inc., speakers in this four-hour workshop will likely include a representative of the Virginia

Department of Labor and Industry, as well as other professionals from the safety industry. This seminar should be of interest to all contractors and we firmly believe you will find it to be an important benefit of your CCGSIA membership. An announcement containing all of the details will be sent to those members based in Tidewater in September. This will allow you plenty of time to register and make your plans to attend. ■

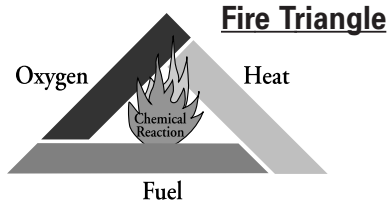
Fire Prevention Week October 6-12, 2002

Bobby Sasser
Loss Control Consultant - Landin, Inc.



2002 marks the 80th year the National Fire Protection Association has officially sponsored Fire Prevention Week. The history of Fire Prevention Week has its roots in the Great Chicago Fire that began on October 8

but continued into and did the most damage on October 9, 1871. In just 27 hours, this tragic conflagration killed more than 250 people, left 100,000 homeless,



destroyed more than 17,400 structures and burned more than 2,000 acres. The origin of the fire has never been determined.

Team Up For Fire Safety

This year's theme, "Team Up for Fire Safety" encourages fire departments to team up with community partners in order to spread the message that fire safety saves lives. The campaign focuses on safety lessons that can be learned by everyone—installing and testing smoke alarms, practicing escape plans, and hunting for fire hazards.

The United States currently has the third highest overall fire death rate of all industrialized countries. Nationwide it was estimated a civilian died in a fire every two and a half hours, and another was injured every 24 minutes.

On-Line Safety



Another Website devoted to safety topics that may be of interest to Commonwealth Contractors' members, insurance agents and other interested parties is being highlighted in this issue of Blueprint. This feature has been included in recent newsletters and has been well received.

www.safetydir.com

Those readers familiar with Best's Safety & Security Directory, which has been published for 60 years, will be interested in knowing that Grey House Publishing, Inc has acquired the Directory. It is now The Grey House Safety & Security Directory. Best made the Directory accessible on-line. Jessica Moody, Marketing Manager for Grey House Publishing has assured us that they will continue to have the Directory on-line—totally free to anyone that wants to refer to it for safety and security information.

The two-volume hardcopy of the Directory, containing over 1500 pages, is a comprehensive reference tool and buyer's guide for the safety and security industry, and is circulated to thousands of safety and security professionals.

The Directory Contains:

1. A summary of OSHA standards for general industry, construction and maritime industries that is relevant to a specific topic. For example, the foot protection section will contain all OSHA standards relating to protective footwear across all industries and applications.
2. Numerous checklists to help explain various OSHA standards and other safety topics.
3. Training articles on various occupational safety and health related topics.
4. A product catalog grouped by region, product line, and brand name. The catalog includes more than 6,800 products and service descriptions. Over 3,200 product manufacturers and distributors are represented.

All information is organized by topic, such as foot protection or electrical safety, to make finding information easy.

Log on to www.safetydir.com and get a wealth of information on vital safety and security concerns. When doing a product search, a list of manufacturers or distributors is given. When a potential supplier is selected a direct link to their website, if they have one, is provided.

Don't Give Fire A Chance

There are plenty of air, fuel, and ignition sources at construction sites. These are the three legs of the "fire triangle" and when mixed in the right proportion causes a fire. In order to keep the job from going up in smoke, everyone must do their best to prevent unwanted fires. Here are some tips to keep the job site safe from fire hazards.

- Keep the site clean. Store combustible material away from ignition sources.
- Eliminate and/or report possible ignition sources. This might include open flames, sparks or electrical equipment that appear to need repairs.
- When welding, cutting, brazing, grinding, or conducting other operations that produce sparks or flames make sure that combustible and flammable materials are separated by a sufficient distance to prevent ignition. Have a fully charged fire extinguisher or water hose near the operation as a safety precaution.
- Don't smoke near flammables, in "No Smoking" areas, or while re-fueling equipment.
- Always use approved safety cans or the original manufacturer's container to store flammable liquids. Keep these containers closed when not in use, and never store them near exits or passageways.
- Make sure that temporary space heaters are safely set up, located where they are not likely to be tipped over, and clear of canvas tarps, plastic sheeting and other ignitable materials.

Prevention is the key when it comes to fire fighting. Good housekeeping, proper storage procedures, and safe work practices will go a long way toward reducing the likelihood that a fire will destroy valuable property or injure someone. ■

Watch for the next issue of Blueprint where there will be more On-Line Safety information. ■

Commonwealth Contractors does not endorse any of these sites, their advice, or their sponsors, but provide this information merely as one source of potential guidance in supporting members' safety efforts.

Smart Alternative In Substance Abuse Testing

Robyn I. Cagle
Director of Marketing and Sales -
Trident National Corporation

Sending employees off site for testing can be very expensive and timely. On-site oral testing may be the answer for your company when providing a drug free workplace and allow you the reward of a 5% discount on your workers' compensation premium.

Facts about Oral Fluid Drug Testing:

- Dramatically reduces lost work time for specimen collection
- Total collection process takes less than 5 minutes
- Collected on-site anytime and anywhere
- Virtually eliminates opportunity for adulteration or substitution
- Less invasive than urine testing
- More sensitive to recent marijuana use
- Great for post accident testing
- Certified SAMHSA laboratory test

Commonwealth Contractors Group Self-Insurance Association strongly believes in the benefits of a drug and alcohol free workplace. Drug testing with the oral fluid test is very efficient. It not only saves your company valuable hiring time, but also translates into cost savings that positively impact your bottom-line. Trident National Corporation provides assistance in developing a qualified substance abuse program that meets our guidelines.

Find out how easy it is to implement a drug free workplace and begin to realize the benefits for your company. ■

**Contact Robyn Cagle at
Trident National Corporation
for more information at
(800)849-2264 or
rcagle@trident-national.com**

continued from page 2

above the Manual Premium (Before Other Adjustments). As you can readily see, the Experience Modifier plays a critical role in how high or low your premium will be.

The factors involved in the calculation of your Experience Modifier take into account both the frequency of losses you experience, as well as the severity of your losses. Additionally, the calculation covers three years of loss history, so if you have had some poor performance, it may take several good years for you to realize an improvement in your MOD and the resulting reduction in your premium. Therefore it is most important for you to remain vigilant in maintaining a safe and healthful workplace. It does affect your bottom line now and into the future. It should also be pointed out that if you are ever tempted to use uninsured subcontractors, an accident involving one of them can go on your record and affect your premium adversely for years to come. ■