



Blueprint[®]

Commonwealth Contractors Group Self-Insurance Association • Vol. 3 • No. 6 • June 2001



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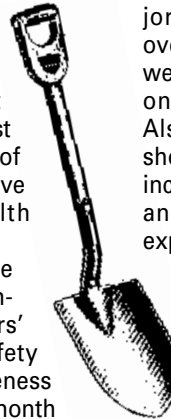
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From The Trenches

Henry J. Zirkle, Board Member
Commonwealth Contractors
Group Self-Insurance Association
Vice President - Morris Industries, Inc.

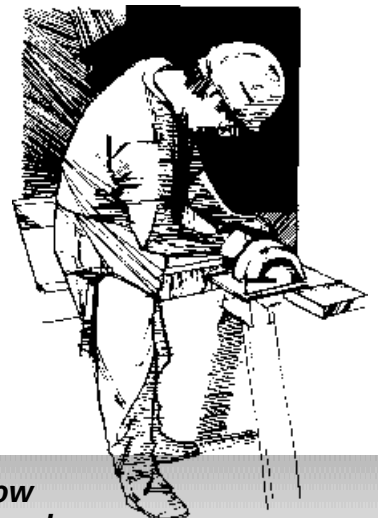
As I reflect on the state of Commonwealth Contractors in today's Workers' Compensation marketplace, I am impressed with the positive progress we continue to make. The integrity and quality of the staffs of our administrator, SIC, and of Landin, Inc., our marketing, underwriting and loss control coordinator, exhibit why we are a strong group. We must be diligent at all times as a Board of Directors and as Members to improve ourselves and Commonwealth Contractors.

There are two topics I feel have helped greatly in keeping my employer, Morris Industries, Workers' Compensation rate low. Our safety program provides continual awareness for all employees. We meet once a month with attendance mandatory. We discuss various topics at each meeting with seatbelt, fire extinguishers and material handling always discussed. We also will have "job box" meetings if we are going on-site. Luck is not a substitute for a solid safety program. As business owners we must all be prepared for OSHA regulations and written requirements. I suggest that you not look on them as a burden, but an opportunity to improve your own and your employees' understanding of the processes of how you do business. Improvement can and will follow.



The second topic is to become a drug-free workplace. This will attract the good employees and will help protect you from the dangers of drug or alcohol abuse causing accidents. We have seen a major decrease in absenteeism and our overall quality has improved. Commonwealth Contractors offers a 5% discount on premium for approved programs. Also, studies of drug-free workplaces show major decreases in accidents and increased productivity. Ask your insurance agent about the effects of your experience modifier on the premium you pay. This affects how much you pay this year and for years in the future.

Recommend Commonwealth Contractors to good companies, since our strength is in the quality of our members.



"...studies of drug-free workplaces show major decreases in accidents and increased productivity"

Odds & Ends

Peter G. Baldwin, Marketing Director
Commonwealth Contractors
Group Self-Insurance Association
Vice President of Marketing - Landin, Inc.

In the last *Blueprint*, I reported extensively on the new OSHA Ergonomics Rule, explaining the confusion over whether it actually affected the construction industry and that it might be altered by the then incoming Bush Administration. Members can rest easy for now, as the Bush Administration has effectively put the Ergonomics Rule on hold as they review it.



Also put on hold by the Bush Administration was the revised Recordkeeping Rule that, among other changes, was tied into the reporting of "musculoskeletal" disorders under the Ergonomics Rule. Therefore, the same recordkeeping requirements that already had been in place will continue to be in effect.

Rate Reduction

Effective April 1, the beginning of Commonwealth Contractors' plan year, our Workers' Compensation rates have been **lowered** an average of **1.5%**.

This rate reduction resulted in a decrease in Commonwealth Contractors' "effective" Loss Cost Multiplier to **1.07**, from what had been a 1.09. In addition to responding to Member needs, this rate adjustment is especially laudable and welcome for two other important reasons:

- Market "hardening" has caused other insurance carriers' Workers' Compensation rates to increase, often significantly; and
- Commonwealth Contractors concurrently released just under \$2,500,000 in dividends to eligible Members, yet still had sufficient financial resources to accommodate the rate decrease.

Legislative Update

Several of the Virginia General Assembly's more pertinent Workers' Compensation bills were addressed in the last *Blueprint*, but only one has been signed into law to be effective July 1:

- Drug-Free Workplace [HB 2306] – this law eliminates the 4-year limit for a (maximum of) 5% premium discount to employers offering (approved) drug-free programs.

The remaining five bills were either tabled, stricken, or passed by, all of which yielded the same fate, at least for this year...no change in the law.

nies change their rates without warning, and I appreciate a company that is consistent and doesn't surprise you.

What role did your insurance agent play in your becoming a Member?

VHC had been involved with many insurance companies over the years and we found that we were receiving insurance bids just about annually. The last time our rates were going up, I met Ester Lee (of Lee Insurance in Charlottesville). She was instrumental in our selecting Commonwealth Contractors and, as I came to find out, is a terrific agent. She introduced us to the concept of self-insurance and, as a result, to Commonwealth Contractors, and I asked her to find out if we were qualified. We were and we joined immediately.

How important are the dividends that you have been receiving over the years?

They are absolutely phenomenal! I have never been with another insurance company that has given dividends to the same degree and with such consistency, as Commonwealth Contractors. And, receiving these dividends makes me redouble my safety efforts in the hope of keeping my claims experience down so that even more dividends come my way.

- continued on page 5 -

Spotlight On... Vanguard Hauling Company, Inc.

Peter G. Baldwin, Marketing Director
Commonwealth Contractors
Group Self-Insurance Association
Vice President of Marketing - Landin, Inc.

This article is the first in a periodic series of interviews highlighting participants in Commonwealth Contractors, by describing how and why they became involved.

As President of Vanguard Hauling Company, Inc. (VHC), Jim Morris is in the driver's seat when steering his contract hauler toward profitability and quality, which are among the reasons he selected Commonwealth Contractors for the firm's Workers' Compensation coverage for his 31 employees in 1994.

Over the past 26 years, VHC has transported brick, block, and sand throughout the Tidewater region from its Suffolk base. Since 1982, Jim's or-

ganization also has operated Max restaurant in Charlottesville, the same city where Jim and VHC are headquartered. In addition to having two daughters, Eva Marie Stalnaker and Elizabeth Ashley Seawell, Jim's son, Jerry Morris, is a General Manager of VHC in Suffolk.

Commonwealth Contractors spoke to Jim about his experience on becoming a Member.

When did you first join Commonwealth Contractors and why?

I joined in early 1994 because I wanted a better premium than my current insurance company was offering. They explained that their rates were going up, quite a lot, because their investments had done poorly. Over the years, I've seen most insurance compa-

Hot - Hot - Hot!

Jerry Lambert
Loss Control Consultant – Landin, Inc.



Summer is just around the corner with elevated temperature and humidity. Heat stress continues to be an ongoing health related problem and can result in the following heat stress disorders:

- Heat Rash
- Heat Cramps
- Heat Fatigue/Fainting
- Heat Exhaustion
- Heat Stroke
- Death

Being uncomfortable is not the major problem with working in high temperatures and humidities. Workers who are suddenly exposed to working in a hot environment face additional and generally avoidable hazards to their safety and health. The employer should provide detailed instructions to employees on preventive measures and adequate protection necessary to prevent heat stress.

How The Body Handles Heat

The human body, being warm blooded, maintains a fairly constant internal temperature, even though it is being exposed to varying environmental temperatures. To keep internal body temperatures within safe limits, the body must get rid of its excess heat, primarily through varying the rate and amount of blood circulation through the skin and the release of fluid onto the skin by the sweat glands. These automatic responses usually occur when the temperature of the blood exceeds 98.6°F and are kept in balance and controlled by the brain. In this process of lowering internal body temperature, the heart begins to pump more blood, blood vessels expand to accommodate the increased flow, and the microscopic blood vessels (capillaries) which thread through the upper layers of the skin begin to fill with blood. The blood circulates closer to the surface of the skin, and the excess heat is lost to the cooler environment.

Safety Problems

Certain safety problems are common to hot environments. Heat tends to promote accidents due to the slipperiness of sweaty palms, dizziness, or the fogging of safety glasses. Aside from these obvious dangers, the frequency of accidents, in general, appears to be higher in hot environments than in more moderate environmental conditions. One reason is that working in a hot environment lowers the mental alertness and physical performance of an individual. Increased body temperature and physical discomfort promote irritability, anger, and other emotional states which sometime cause workers to overlook safety procedures or to divert attention from hazardous tasks.

Heat Stress Controls

A program should be initiated in order to reduce heat stress disorder potential. It should include alerts to employees when the weather is hot enough to induce heat stress. An education program or a heat stress disorder prevention program should discuss:

- The body's reaction to heat
- Fluid replacement/drinking of water
- Practical matters such as clothing and pacing of work
- Proper diet and salt intake
- Heat acclimatization
- Life style issues:
 - Alcohol consumption
 - Drug abuse
 - Extra Jobs
 - Adequate sleep
 - Health status

In summary, Members need to be prepared with both advice and supplies (e.g., sufficient water, protective clothing) designed to combat heat stress potential. In addition to the general guidelines cited in this article, Members should consult with local medical professionals who can offer customized guidelines for specific work environments.

Safety Month Alert

Compiled by Staff

The entire month of June has been declared National Safety Month by the National Safety Council, the Illinois-based nonprofit organization that has been promoting safety awareness since 1913. During those 30 days, the National Safety Council's Website (www.nsc.org) will be dedicated to safety risks and solutions in all areas of our lives – the environment, in the home, and at work. The Website also will provide a number of links to additional sources of safety-related sites.



Board Vice Chairman Henry Zirkle and Cheryl Brooks of Divers & Associates/Landin, Inc. welcome visitors to Commonwealth Contractors' booth at PIA's May 6-8 annual Convention and Trade Fair.

Professional Insurance Agents Convention

Exceptional Growth Continues

Stan Adams
President – Self-Insured Concepts, Inc.

Upon completion of Commonwealth Contractors' April 1, 2000 through March 31, 2001 plan year, we are pleased to report continuation of strong earnings with over \$2,700,000 in unaudited pre-tax income, bringing accumulated Members' surplus (after reduction by our recent dividend distribution of more than \$2,475,000) to over \$10,500,000. The unaudited condensed Statement of Condition of Commonwealth Contractors Group Self-Insurance Association as of March 31, 2001 is shown to the right.

At its February meeting, Commonwealth Contractors' Supervisory Board voted to reduce our loss cost multiplier from 1.09 to 1.07 for the 2001/2002 plan year, thereby marking the fourth consecutive year of either rate reductions or no increases to Members. Renewals for the 2001/2002 plan year amounted to \$13,818,094 in annual premiums generated by 706 members. This represents an increase over last year's renewals of 22%. Earned premiums for the 2000/2001 plan year were \$12,280,489 before payroll audits, and it is projected that

audited payrolls will increase that premium income by 3%-4%. Investment earnings for the year ended March 31, 2001 were outstanding with \$1,934,313 derived from funds invested through SunTrust Asset Management Corporation.

We continue to see some tightening of the Virginia Workers' Compensation

insurance market, as evidenced by a substantial increase in submissions for coverage. We feel we are well positioned in the marketplace to capitalize on the current market conditions and expect to see a continued influx of new Member submissions throughout the remainder of this plan year.

Statement as of March 31, 2001

Cash and Investments	\$23,312,522
Board Discretionary Fund	1,541,681
Receivable From Reinsurers	4,619,574
Other Assets	1,881,309
Total Assets	\$31,355,086
Claims Reserves	\$17,185,239
Unearned Premiums	2,500,768
Dividends Payable	1,024,700
Other Liabilities	70,872
Total Liabilities	\$20,781,579
Members Surplus	\$10,573,507

Free For All

Peter G. Baldwin, Marketing Director
Commonwealth Contractors
Group Self-Insurance Association

Vice President of Marketing - Landin, Inc.

Who you gonna' call when those nasty accident ghosts invade your worksite? Well, if Claimsbusters is not available, Landin, Inc. has all of the tools necessary to help Members rid themselves of those pesky poltergeists. Landin, as Commonwealth Contractors' Third-Party Administrator, supplies, among other services, the Loss Control and safety assistance desired by Commonwealth Contractors' Members, at no cost to them. Landin's two primary Senior Loss

Control Consultants jointly boast over 30 years of experience, having helped hundreds of contractors reduce their accident experience through job-site surveys, OSHA/VOSH consultations, safety training, and written safety procedures.

Many Members are familiar with Landin's Senior Loss Control Consultants, Gene Fornash and Jerry Lambert, from their routine visits to Member facilities. However, if Members would like to receive additional Loss Control assistance, they can

reach Gene (X-19) and Jerry (X-20) at 800-277-8721. Since they are on the road quite a bit, you may need to leave a message, which will be returned promptly.

**Claims
Busters!**

Who Is An Employee?

William K. Willis

Senior Vice President/Claims – Landin, Inc.

This article focuses on employers and employees not associated with Professional Employer Organizations (PEO), recent legislation on which treats the PEO as the employer for Workers' Compensation purposes. Refer to "You Better Know Your PEO" in the February 2001 edition of Blueprint for details.

In the three previous issues of the *Blueprint* we determined the compensability of an on-the-job injury by examining the "3 fold test", which states that there must be (1) an accidental injury, (2) arising out of and (3) in the course of the employment. Now let's turn our attention to the final component of the basic "coverage formula" - i.e., is the injured person an "employee" who is covered by the Virginia Workers' Compensation Act, or an "independent contractor" who may not be covered by the Act? Let's begin by referring to that part of the Act pertaining to who needs to be insured.

Section 65.2-101 of the Act provides that any employer who has three or more *regular* employees is required to furnish Workers' Compensation coverage at no cost to his or her employees. Keep in mind that *regular* may also include part-time employees. In addition, a sole propri-

etor, or all partners of a business whose employees are eligible for Workers' Compensation, may elect to be covered under the Act. Although there are several exceptions to 65.2-101, these exceptions probably would not apply to Commonwealth Contractors' Members, but feel free to contact me if you would like more information.

Employer versus Employee

The Act defines "employer" as "any person, the Commonwealth or any political subdivision thereof and any individual, firm, association, corporation, or the receiver or trustee of the same, or the legal representative of a deceased employer, using the service of another for pay." The Act defines an "employee" as "every person, including a minor, in the service of another under any contract of hire or apprenticeship, written or implied, except one whose employment is not in the usual course of the trade, business, occupation or profession of the employer." In its definition of "employee" the Act goes on to state that for there to be an "employee - employee" or "master-servant" relationship, there must be a contract of hire between the parties, either expressed, implied, oral or written. This contract of hire is an agreement in which an employee provides labor or personal services to an employer for "wages" or "other things of value supplied by the employer".

Employee versus Independent Contractor

Once Landin, as the Claims Administrator, receives the Employer's Accident Report, we will contact the Member should we have questions regarding the injured person's employment status. If questions remain, we will continue our investigation by relying upon the four essential elements (questions) used by the Workers' Compensation Commission when they are called upon to establish if there exists an "employee-employer relationship". These four essential elements are: (1) who has the right to hire; (2) who has the power to dismiss; (3) who has the obligation to pay wages, and the most important element of all; (4) who has the power to control. Keep in mind, however, that even after we obtain responses to these questions, as well as others, it may still not be totally clear as to the injured person's actual employment status, which is why these types of claims sometimes become sources of controversy. Generally, there would be no Workers' Compensation coverage should the injured person be found to be an "independent contractor".

In up-coming issues of Blueprint, we will examine some cases involving "independent contractors" and also explore the "statutory employer" issue.

- continued from page 2 -

How satisfied have you been with Commonwealth Contractors' services?

Extremely high. Landin, the claims company, is persistent, they emphasize early return-to-work, and are very attentive to details over a long period of time, in comparison to my experiences with other insurance carriers. Landin's Loss Control staff visit my sites and make recommendations. The safety seminars they put on are very positive and show their interest in helping us reduce accidents. The overall administration is quiet and effective, with a good payment plan. In fact, I need to have little correspondence with them because the administration is automatic and effective.

What are the strongest benefits you receive from Commonwealth Contractors?

I would have to say consistency, knowing what to expect, and not having unexpected changes. Other insurance companies may increase their rates when their investments go bad, but Commonwealth Contractors' rates are solely based on the actual performance of the Members.

Would you recommend Commonwealth Contractors to other contractors?

I have done so many times because I have not come across a better insurance bargain in Virginia. Each of my friends has heard of Commonwealth Contractors (from me) and I have referred several companies to (insurance agent) Ester Lee about joining Commonwealth Contractors.

What would cause you to leave Commonwealth Contractors?

Only a major change in how they operate, but I don't anticipate that happening.

Safety Sites

Cathy Duncan
Loss Control Consultant – Landin, Inc.

A new feature launched in the last Blueprint was a brief listing of Websites devoted to safety issues which may be of interest to Commonwealth Contractors' Members, insurance agents, and other interested parties. Following that lead, here are two more.

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

Each Website address below must be preceded by <http://www>.



Ehsfreeware.com

Various sponsors highlight their capabilities and provide a range of environmental, health and safety assistance. The information ranges from training modules to specific safe work practice guides, including downloads of pertinent data and links to other relevant sites.

Worldsafety.com

Another sponsor-based Website offering several safety and health resources.

Welcome New Members!

Stan Adams
President – Self-Insured Concepts, Inc.

Since the April 1 start of Commonwealth Contractors' new plan (policy) year, we are pleased to welcome 52 new Members generating \$1,053,381 in annual premium. Interestingly, 18 (35%) of those 52 Members had been Members at an earlier time, and apparently recognized the value and benefits of joining us again.

The 52 new Members are categorized as:

- ☞ Roofing Contractors = 11
- ☞ General Contractors = 10
- ☞ Carpentry Contractors = 10
- ☞ Miscellaneous Contractors = 21