

COMP CONTROL[®]

The Official KMIT Member Resource

Don't Be Fooled By Declining Rates

Why Only a Strong Safety Program Will Guarantee Low-Cost Workers' Comp Premiums

This may come as a surprise, but there are companies out there that have seen their workers' compensation premiums decrease in recent years, despite not having even a basic safety program in place.

Besides avoiding OSHA fines, saving on workers' compensation insurance has always been a major reason behind safety investments. The bottom line is that if you reduce injuries, you will spend less on insurance. Sounds simple, but insurance companies have been willing to offer inexpensive policies to almost anyone, even to employers that forgo safety programs.

The reason is the current state of the workers' compensation insurance market. Across the country, it has been marked by fierce competition and declining rates, bringing the cost of workers' compensation premiums in some states to their lowest levels in more than a decade.

With so much competition for your premium dollars, insurance companies are willing to offer policies to companies they never would have considered in the past. Even those businesses stuck in expensive state-assigned risk plans have been able to find more inexpensive coverage.

What This Means For Safety

In the short term, the ability of companies to acquire cut-rate workers' compensation insurance could signal a decline in safety. In the 1980s and early 1990s, when workers' compensation insurance rates were high, businesses were forced to invest in safety programs in order to find an insurance company willing to offer them a policy, at any price.

However, times have changed. Insurance companies are offering attractive rates to beat the competition and to make sure they keep you as a customer. Companies who are tempted to save more money by slashing safety budgets would be wise to reconsider. There are several reasons why a good safety program is still essential to long-term financial health.

Benefits of a Safety Program

First, even with lower rates, most large companies are still subject to what's known as an "experience rating." This rating compares your premium costs to those of your competitors for the same policy.

Based on how much the insurance company has paid out in claims over the past few years, businesses are assigned a factor or "modifier." A modifier under

1.00 means the business is doing better than the competition. A modifier over 1.00 means just the opposite, and results in higher premiums.

The only way to keep your modifier low is to keep injuries and workers' compensation payments under control. A strong safety program and a weak one can be costly.

Storm On the Horizon

Controlling an experience modifier is a good reason to continue to invest in safety even when workers' compensation insurance is inexpensive. However, it is not the only reason.

Employers have enjoyed low premiums for several years, but there is no guarantee the trend will continue. It is quite possible that the market could return to the days when insurance was expensive, and only companies with outstanding safety programs could find cost-effective coverage.

Recent Study Paints Grim Picture

A study conducted by insurance researchers Conning and Company predicts the "game of chicken," where insurance companies try to outdo each

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CompControl is a publication of the League of Kansas Municipalities and the Kansas Municipal Insurance Trust for the purpose of educating and informing cities about loss control methods and risk management. If you have any questions concerning KMIT workers' compensation or risk management that you would like to see answered in this newsletter, please direct those inquiries to:

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Letter from the Pool Administrator

Dear KMIT Member:

As we begin our seventh year of operation, we have exciting news! All 86 KMIT members have opted to join us for another year. The traditional insurance market is starting to "harden" and we expect an increase in membership in the next couple of years.

In addition, we have officially closed our second claims year 1995 (1994 was closed in 1998). This is an unprecedented feat for a workers' compensation pool in Kansas which underscores the dedication both our members and Victoria Vanderhoof, Claims Manager, have to promptly and fairly responding to claims.

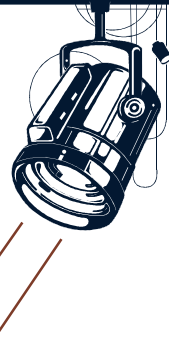
As many of you know, Victoria Vanderhoof, Claims Manager, has been on maternity leave for the past couple of months. KMIT has benefited greatly from the claims management services provided by Victoria and were hoping she would return. We are pleased to report the IMA has arranged for Victoria to work out of her home which allows her to still spend time with her new little girl and continue to act as our designated claims manager. There is no doubt we will continue to receive the highest level of service and dedication from Victoria. (Please note the new phone numbers on the insert included with this month's mailing.)

Finally, please be advised that payroll audits will begin soon. These audits help improve the accuracy of our quoting process and ensure that you are paying the correct level of premium. Please refer to the check list included in this mailing to make sure you are prepared for the auditing process. Remember—you need to get certificates of coverage from subcontractors prior to the audit. Thank you in advance for your cooperation during the auditing process.

Once again, thank you for your continued dedication to safety in the workplace. KMIT owes its success to our membership. We are looking forward to another exciting year.

Sincerely,

Jennifer Findley
Senior Program Manager



"Safe City" Spotlight on Rose Hill

The City of Rose Hill, located in Butler County, has been a steadily growing community since 1975. Three years before that time, the City had a population of just over 500. By 1975, the population had tripled to 1,500 and has since doubled to more than 3,100.

A proud community, Rose Hill takes a special interest in the families that live there. The city has undertaken a number of projects geared for the betterment of the community including: a new high school; the addition of several parks for children to play baseball and soccer; and a new senior citizen center. There is a Fall Festival held each year hosted by the Lions Club that showcases dancing and a fireworks display.

The City of Rose Hill is also proud of its safety record. The City, which has 17 full-time employees and 3 part-time employees, reported no workers' compensation accidents in 1999.

Although there is no designated safety coordinator or safety committee, the City still does its part to promote safety in the workplace. The public works department holds safety classes relating to manholes and water towers. Employees also participate in "Safety Bingo" each month. Safety Bingo is played by each employee receiving a bingo card at the beginning of the month. A bingo number is called out every day, with three numbers being called out on Monday to cover Saturday and Sunday. The employee who "bingos" first holds on to his/her card until the end of the month. If they have had no accidents or missed any work due to illness, they receive a prize of \$50.

Even though the City has a very good safety record they have taken further precautionary steps by installing an eye wash station, requiring the use of safety glasses, and keeping harnesses and other safety supplies on hand at all times.

The City has a designated physician so that in the event of an injury an employee may receive immediate medical attention. If

an injury should occur that would leave an employee unable to temporarily perform his/her regular duties, the City has a policy of putting the employee on "light duty" when possible.

The City of Rose Hill promotes itself as an enjoyable place to live and raise a family and the Kansas Municipal Insurance Trust is proud to acknowledge Rose Hill's accomplishments and dedication to both its community and safety in the workplace.

Safety Bingo is a fun and rewarding way to involve employees in your safety program.

If you would like further information on the rules or where to obtain bingo cards, contact: Jill Stauss, Rose Hill City Treasurer, (316) 776-2712.



Spotlight Your City's Safety Program

Has your city worked hard to develop a unique safety program that you would like to share with others? Have you already been featured but have come up with some new and interesting ways to promote safety in the workplace? CompControl is the perfect place to tell your fellow KMIT members about it. Call Christie Carney at the League office for more information about how you can get your city featured in "Safe City Spotlight."

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other by cutting rates, is coming to an end. The Conning study says some big insurance companies have dropped their prices below the level where they can make a profit. This tends to "chase weaker competitors out and increase market share."

The study says many insurance companies are now balking at the notion of declining rates, preferring to walk away from the business rather than compete in a price war they cannot win.

All this could lead to higher insurance rates in the long term, causing companies to pay more than they have in recent years for the same policy.

Preparing for the Future

With insurance company underwriters now generally less concerned with a company's safety program, there is a temptation for employers to scale back on safety efforts. This could be a huge mistake.

Once you back off from a safety program, it is very difficult to restart it. Employees will not understand the company's seesaw approach and could question the motives behind future safety efforts. Plus, even if you invest millions in safety when rates begin to rise, you could still feel the sting of a poor safety record for many years.

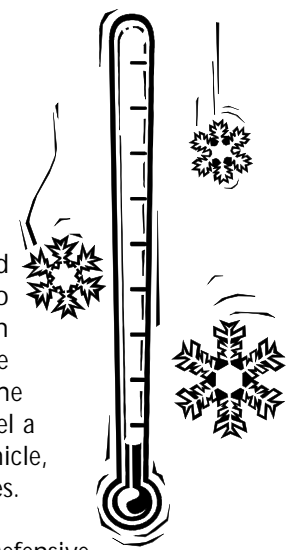
As injury rates begin to climb, an employer may still pay less for workers' compensation in the short term because it takes a year for the current year to get figured into the experience modifier formula. This can give a company a false sense of security. However, once a bad year works its way into your experience modifier formula, it can take a long time for it to work its way through the system.

If those future years bring higher rates, an employer could be stuck with the expensive combination of higher rates and a high experience modifier at the same time. The way to avoid this dilemma is to make sure you do not slack off on safety just because current workers'

compensation insurance is relatively inexpensive.

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Cold Weather? No Problem.



Christmas has come and gone once again and we are now starting into a new millennium. So far most of the state has been fortunate in experiencing a fairly mild winter. Do not let the seemingly nice weather catch you unprepared. The weather in Kansas can change quickly, so if you travel a lot or spend the majority of your working day in a vehicle, you need to be prepared for cold weather emergencies.

The following is a list put out by the Scotti School of Defensive Driving, Medford, Massachusetts, of items to have in your vehicle as part of your winter emergency kit:

- windshield scraper
- booster cables
- small snow shovel
- boots and heavy socks
- sand or cat litter (for traction)
- wire-drying spray for moisture problems under the hood
- a blanket for yourself, as well as for any passengers
- snow brush
- de-icing spray
- tire chains

You might also consider including some of these items: flashlights, rope, a first aid kit, extra fuses, a fire extinguisher, flares or reflective emergency triangles, a pocket knife, a can with sand and candles (for heat), lighter or weatherproof matches, toilet paper, extra chains, and a CB radio or cellular phone. Waterproof winter clothing, high-caloric food, and a jug of water can come in handy, too.

Claims

1999 Frequency and Cost Analysis—Top 5 1/1/99 through 12/30/99

By Job Classification

Classification	Frequency	Claim Costs
Police Officers & Drivers	95	\$ 82,160
Street/Road Construction	67	\$ 65,304
Waterworks Operators/Drivers	63	\$ 68,582
Firefighters & Drivers	55	\$ 38,649
Landscape Gardening & Drivers	46	\$ 34,816

By Accident Type

Type	Frequency	Claim Costs
Falling or Slipping Injury	113	\$ 287,525
Strain or Injury by carrying, lifting, pushing	104	\$ 244,110
Cut/Puncture/Scrape	73	\$ 14,073
Struck or Injured by falling, flying object(s)	46	\$ 21,760
Heat/Cold/Burn/Scald	28	\$ 4,767

By Part of Body

Part of Body	Frequency	Claim Costs
Hand/Finger(s)/Thumb	80	\$ 46,666
Lower Back	72	\$ 202,178
Knee	46	\$ 132,999
Lower Arm/Wrist	44	\$ 41,249
Ankle/Foot/Toe(s)	39	\$ 114,075

Number of Claims Reported

Monthly November 1, 1999 to November 30, 1999 — 22 claims reported
December 1, 1999 to December 31, 1999 — 32 claims reported

Year-to-Date January 1, 1999 to December 31, 1999 — 528 claims reported

Note—The above figures are based on claims reported as of 12/31/99. The figures are based on actual accident dates, not date reported. Amounts listed for claim costs are amounts incurred to date.

Your Pool in Action

Member Notes

Safety *success*



The following cities have not reported any claims in 1999 as of 12/31/99.

Andale	Greeley	Olpe
Basehor	Grenola	Princeton
Beverly	Holcomb	Ransom
Bird City	Jetmore	Rose Hill
Bison	Kinsley	Tescott
Brewster	Lenora	Treeca
Chautauqua	McFarland	Turon
Cheney	Melvorn	Wakefield
Esbon	Moline	Walton
Fowler	Montezuma	

Calendar of Events

January

- Eye Care Month
- Glaucoma Awareness Month

15-16 Sight-Saving Sabbath

February

- 18 KMIT Board Meeting, Wichita
- 18 Kansas PRIMA Meeting, Emporia
- 6-12 Cardiac Rehabilitation Week
- 6-12 National Burn Awareness Week

March

- Workplace Eye Health and Safety Month

5-11 Save Your Vision Week

April

- Alcohol Awareness Month
- Occupational Therapy Month

- TBA KMIT Board Meeting
- 3-9 Public Health Week
- 7 World Health Day
- 7-9 Alcohol-Free Weekend

K M I T

Balance Sheet
December 31, 1999

Assets	
Cash in Bank	157,575
Investments	1,050,462
Total Assets	1,208,037
Liabilities & Equity	
Claims Payable	(164,843)
Reserved for Losses	498,547
Incurred But Not Reported (IBNR)	710,188
Total Liabilities	1,043,892
KMIT Equity	164,145
Total Liabilities and Equity	1,208,037