

Views

Handle Your Business With

KARE

The Kentucky Chamber Program
Underwritten by Allmerica Insurance

quarterly newsletter
summer edition 1998

In the spring edition of *KARE Views*, we informed readers the board of trustees previously declared a future dividend payable to KARE

Dividend Distribution Planned for Summer

insured companies in good standing as of October 31, 1997. We are pleased to announce the dividend will be paid no later than August 15, 1998.

The realization of a dividend distribution fulfills one of the primary objectives established for KARE when it was created in 1993. Companies



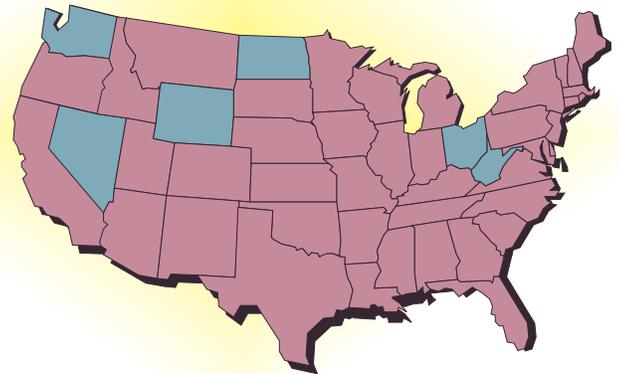
insured by KARE since November 1, 1997 may also earn future dividends through participation in a safety group dividend program, which awaits regulatory approval.

“Since opening for business in 1993, KARE has passed along four rate reductions to its insured companies, and the payment of this dividend is a substantial added bonus to the loyal insureds who formed the foundation of KARE,” notes Ron Bell, executive director of KARE.

Dividend checks will be mailed or will be delivered to eligible insured companies by your independent agent beginning in August. ■

KARE Expands Coverage To Include Other States

KARE insured companies may now access coverage for out-of-state operations as the result of our new insuring arrangement with Allmerica Financial. In addition to Kentucky, coverage in 41 other states and the District of Columbia (see map) may be written. Coverage is not available in Nevada, North Dakota, Ohio, Washington, West Virginia, or Wyoming which are monopolistic states—states where competition is restricted. Alaska and Hawaii are also excluded from this coverage. “A number of our insureds have already taken advantage of our out-of-state coverage facilities,” according to Ron Bell, executive director. “Our



out-of-state rates are very competitive.” Notify your independent insurance agent if you would like to quote your out-of-state operations with KARE today. ■

Most businesses have at least some insurance coverage subject to a “premium determining audit” of the “exposure units” (accountable units that accumulate over the policy period such as payroll or sales). Premiums paid for such coverages in

putation purposes. Certain executives, individual owners, and special classes of employees or independent contractors may have such limitations applicable, which can amount to substantial savings on a premium audit. Also, portions of overtime wages are excludable for premium determining audit purposes.

Handling Premium Determining Audits

by George Rupert
Executive Director,
Ins. Mgt. Institute

advance or during the term of the policy before the audit is conducted are considered “deposit premiums” held by the insurance companies to later be applied to the “final premium” as is determined by the audit that occurs following the expiration of the coverage period or audit period. Being properly prepared to deal with the auditing process can save time, money, and headaches.

Many premium determining auditors are in a hurry to complete their work and will spend no more time on your premises than it takes to gather the necessary information. By having all of your information on hand and already compiled into rating categories when they arrive, you have the opportunity to pre-classify your data in the most advantageous manner within the rules governing such classification(s).

Premium determining auditors may accept your preclassification of the data without further checking if it appears reasonable. But if they decide to look at your books, as they have the right to do, the worst outcome will be the way in which they would have classified them in the first place. Chances are, they will not question a good compilation of preclassified data, but just in case they do, it is still a good idea to be prepared to show them the actual entries on your books that back up your preclassifications.

Businesses that use computers to handle detailed payroll records can often arrange for the information needed for premium determining audits to be prepared as a by-product of compiling payroll records, saving considerable time in the process and allowing the most advantageous classifications. Preparation for premium determining auditing should be done at the beginning of the policy period to be most effective. It is essential to meet with your insurance advisor and determine the proper classifications for your exposure units (workers’ payrolls) and how records must be kept to satisfy the auditors.

Be sure your insurance advisor explains any “limitation” that will be applicable on the amounts of payroll or sales to be counted for premium com-

Be sure to secure “Certificates of Insurance” from all independent contractors who work for you. Otherwise, the auditors will likely pick up the payrolls and sales of these contractors and charge



them to you in workers’ compensation and/or liability premium audits. If no such insurance exists, try to contract for labor separately from materials, overhead, and profit so you will only have to pay an audit premium adjustment on the labor portion of the contract.

Whether or not the auditor actually examines your books or takes your preclassified data, insist the auditor leave a detailed copy of the audit “worksheet” with you before leaving your premises. If the auditor will be making additional calculations later, you should require a copy of the final worksheet before it is turned over to the insurance company billing department by the auditor. This allows you to reconcile the figures the auditor used with your records to verify the accuracy of the information before the premium determining audit adjustment is entered in the insurance company’s books.

Once an audit adjustment is converted from the auditor’s worksheet of classified exposure units into a bill for additional premium, it becomes more difficult to correct errors that occurred at the auditing level. With a bill for additional premium, someone might inadvertently pay the incorrect bill. Once the incorrect bill is paid, further adjustments may be more difficult. Ultimately, if this happens,

you and your insurance agent will have to remedy an overdue premium situation, which can be an inconvenience.

Since some premiums may be based on sales or receipts, be sure that sales taxes or other charges remitted separately to a state or other governmental body are not subjected to premium auditing, as well as intercompany sales. Sometimes policyholder self-auditing is acceptable to the insurance company and can be arranged, again allowing you to classify your "exposure units" to your best advantage.

When you receive a premium audit adjustment billing from your agent, be sure the agent provides written confirmation that it has been examined carefully for compliance with policy provisions. Some agents do not carefully examine audits before billing and forwarding them to their policyholders. NEVER PAY AN AUDIT PREMIUM UNTIL YOU ARE COMPLETELY SATISFIED THAT YOU OWE IT.

Most premium determining auditors are knowledgeable and understand accounting, but are not generally trained or paid to the CPA level of accountants. They have the specific job of auditing exposure units (sales, payrolls, or other volumes) by classifications. Premium determining auditors are not responsible for writing policies or determining the original rates used for individual coverages. If it seems a premium auditor may be exceeding the auditing scope of work or appears incompetent, you should contact your agent immediately. You are not required to give information that is not pertinent to the determination of the exposure units in the classifications to be used for the calculation of the final audited premium.

Although quite rare, there have been frauds perpetrated upon insureds by persons who have posed as premium auditors. If you are unfamiliar with the premium auditor, request some form of identification you can keep, and/or contact your agent before the audit begins so you can verify the auditor's authority to see your records. Finally, there is never any circumstance where you should pay a premium auditor for doing the work or for any premium due. If the auditor asks for any type of remittance, you should refuse, and then contact your agent immediately. ■

George G. Rupert is Executive Director of the Insurance Management Institute (IMI) of Venice and Ft. Myers, Florida; Lexington and Ashland, Kentucky. The Institute specializes in advising employers and associations on workers' compensation and employers' liability, workers' integrated benefits, employment practices liability matters, and alternative markets programs. The Institute does not engage in the sale of insurance products and can be reached at 941/433-4390.

1997 Safety Award Winners

Forty-three insured companies qualified for the prestigious KARE Safety Award in 1997. Congratulations to the following organizations:

- Against The Wall, Inc., Lexington
- Associated Railroad Contractors, Louisville
- Audio Authority Corporation, Lexington
- Bach Temps, Inc., Augusta
- Clark Machine Tool & Die, Inc., Nicholasville
- Colby's, Owensboro
- CoPAR, Inc., Hopkinsville
- D J, Inc., Louisville
- Derby City Sign & Electric Company, Louisville
- Fairchild Machine Shop, Inc., Ashland
- Froedge Machine & Supply Co., Inc., Tompkinsville
- H & S Hardware, Louisville
- H. B. Stanley, Inc., Beaver Dam
- Harry Owen Trucking, Inc., Elizabethtown
- Hart's Laundry & Dry Cleaning, Lexington
- Hibbs Electric, Inc., Madisonville
- Holland Roofing, Inc., Burlington
- Houston Johnson, Inc., Louisville
- Interstate Facilities, Henderson
- Jaggers Equipment Company, Inc., Louisville
- Johnson Houston Transportation, Louisville
- Kentucky Reclamation Association, Madisonville
- Kentucky-Indiana Lumber Company, Inc., Louisville
- Laurel Grocery Company, London
- Lewis Transport, Inc., Columbia
- Masonic Homes of Kentucky, Inc., Shelbyville
- Matweld Company, Paducah
- Monticello Manufacturing Company, Monticello
- Moonlite Bar-B-Q Inn, Inc., Owensboro
- National Bag & Tag Company, Newport
- Pace Oil Equipment Company, Inc., Louisville
- Pepsi-Cola Bottling Company, Corbin
- Pine Mountain Trucker Limited Partnership, Shelbiana
- Preston St. Poultry, Inc., Louisville
- Ron Raque Distributing Company, Louisville
- Sam Estes Painting Company, Maceo
- Sanitation District #1, Ft. Wright
- Senior Services of Northern Kentucky, Covington
- Super Quik, Inc., Flatwoods
- Trading Post Mobile Homes, Inc., Louisville
- V M & M Mining, Inc., Ingram
- Wagner Electric Company, Inc., Louisville
- Wyndall's Enterprises, Inc., Owensboro

safety awards sponsors mypros





The following seminars, workshops and publications are produced by the Kentucky Chamber of Commerce. For more information, please call 502/695-4700.



Forklift Safety Seminar

June 16, Lexington | June 30, Louisville

This workshop will provide a thorough understanding of the new 1910.178 law that is expected to be published in 1998. The law will require employers to conduct both classroom and practical training sessions for employees who operate powered industrial trucks. Cost: \$249 for Kentucky Chamber members and \$349 for non-members.



OSHA 33 Safety & Health Program Assessment Seminar

July 17, Lexington | July 31, Louisville

This program provides guidelines for systematic identification, evaluation, prevention or control of general workplace hazards, specific job hazards, and potential hazards that may arise from foreseeable conditions. Participants will receive a list of the top 50 most cited standards including ranking, standard number, cited condition, and the complete text of the standard cited. The causes of these citations and compliance remedies will also be discussed. Cost: \$299 for Kentucky Chamber members and \$399 for non-members.



Kentucky Environmental Permitting Course

July 23-24, Lexington

This is the most complete and comprehensive permitting course offered in Kentucky. It will guide you successfully through the ever-changing governmental maze you will encounter when attempting to install, operate, or modify an air or water permit. Cost: \$795 for Kentucky Chamber members and \$995 for non-members.



New Publication! Kentucky Wage & Hour Issues

This new book addresses Kentucky and federal wage & hour laws—hidden time bombs threatening all employers today. Edited by attorneys with Brown, Todd & Heyburn PLLC, *Kentucky Wage & Hour Issues* provides guidance for everyday situations to help you diffuse those hidden bombs in your business. Cost: \$60.81 for Kentucky Chamber members and \$79.09 for non-members.



Drafting An Employee Policies Manual

This practical guide contains everything you need to prepare an effective employee handbook, including model employment policies for Kentucky businesses. Authored by Brooks D. Kubik with the Kentucky law firm of Stites & Harbison, it is a valuable tool for protecting your business from employee mishaps and unwanted lawsuits. Cost: \$53.65 for Kentucky Chamber members and \$ 69.55 for non-members.

KARE Contacts

Underwriting & Administration

Phone 502/429-5997 (Louisville)
Toll Free 800/781-7808

Ron Bell, Executive Director

Darlene Eckert, Underwriting Assistant

Greg Tardy, Underwriter

Toni Wheeler, Underwriting Assistant

Robyn Roberts, Underwriter

Leana Phillips, Underwriting Assistant

Safety Services

Phone 502/429-5997 (Louisville)
Toll Free 800/781-7808

Ron Cunningham, Director

Jerry Binkley
Ken Blanton

Claims

Phone 502/245-8012 (Louisville)
Toll Free 800/928-1342

John Dischinger, Claims Supervisor

Managed Care Services

Phone 502/245-8012 (Louisville)
Toll Free 800/928-1342

Sue Barber, BHN Manager

Marketing Services

Phone 502/695-8763 (Frankfort)
Toll Free 800/496-2734

Mark McCord, Marketing Director

Angela Hockensmith, Marketing Assistant



Thoughtful Views

“Experience is the name everyone gives to their mistakes.”

—Oscar Wilde

“Price: Value, plus a reasonable sum for the wear and tear of conscience in demanding it.”

—Ambrose Bierce

“Ability is the art of getting credit for all the home runs somebody else hits.”

—Casey Stengel

“Perception is all there is. If the customer thinks he’s right, he’s right.”

—Tom Peters

“Originality is the art of remembering what you hear but forgetting where you heard it.”

—Not sure where we heard this one

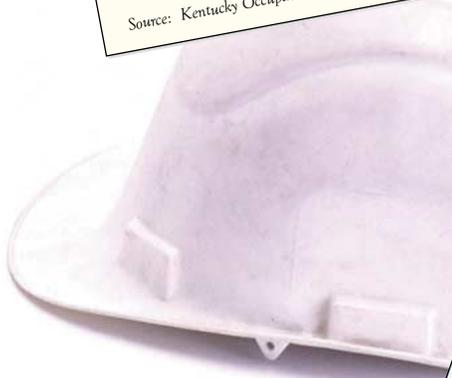


Most Frequent OSHA Violations

1. No written hazard communication program
2. No emergency eyewash and shower that meets (ANSI) Z-358.1-1990
3. No guard on equipment created by ingoing nip points, rotating parts, and/or flying chips or sparks
4. Live electrical parts exposed
5. No written lockout/tagged program
6. Employees not provided information and training on hazardous chemicals
7. No one adequately trained to render first aid
8. No guard rails on open-sided floors, platforms, and runways
9. Bloodborne pathogen - No written exposure control plan
10. No point of operation guarding on machines energy
11. Portable cord and plug-connected electric equipment and flexible cord sets not visually inspected before use.
12. No emergency action plan established for any type emergency (required in writing if business has 10+ employees)
13. No program of periodic and regular inspections conducted on mechanical power-transmission apparatus
14. Pulleys not guarded to meet 1910.219(m) and (o) on mechanical power-transmission apparatus
15. No educational program provided to employees on general principles of fire extinguishers and Class II hoses
16. Defective electrical equipment not removed from service
17. Flexible cord used with grounded-type equipment did not contain electric equipment grounding conductor
18. Log and summary of all recordable injury and illness not maintained on OSHA 200 form
19. No lockout/tagout program to control hazardous energy
20. First aid supplies were not readily available

Source: Kentucky Occupational Safety and Health Administration

Kentucky Top 20 General Industry Standard Violations Cited During 1997



Standard	Subject	Alleged Violations
HazCom/General Industry	Written Program	2,944
HazCom/General Industry	Information, Training	2,280
Machine Guarding	Guarding Methods	1,542
Fall Protection	Unprotected Sides and Edges	1,485
Head Protection	Protective Helmets	1,291
Recordkeeping	OSHA Log	1,485
Abrasive Wheel Machinery	Guard Adjustment	1,291
Safety Training	Worker Instruction	1,097
Medical Service/First Aid	Drenching Facilities	1,054
Excavations	Protective System	1,030
Lockout/Tagout	Energy Control Program	1,010
Scaffolds	Fall Protection	981
Power-Transmission Belts	Pulley Guarding	960
General Duty Clause	Safe and Healthful Conditions	948
Machine Guarding	Point of Operation	926
Accident Prevention Programs	Inspection by Competent Person	883
Floor/Wall Opening Guarding	Standard Railing	858
HazCom/General Industry	MSDS's	831
Wiring Design	Ground Fault Protection	815
HazCom/General Industry	Container Labeling Identity	803
Abrasive Wheel Machinery	Work Rests	747
Wiring Methods	Cabinet Covers	745
Lockout/Tagout	Energy Control Procedure	709
Wiring Methods	Cabinet Boxes	693
General Provisions	Accident Prevention Programs	662
Electrical Requirements	Guarding Live Parts	659
Wiring Methods	Flexible Cords	656
Hand and Portable Tools	Compressed Air Use	647
Personal Protective Equipment	Selection, Hazard Assessment	616
Total Number of Alleged Violations Cited in Fiscal 1997:		612

Source: The Occupational Safety and Health Administration

Most Frequently Cited Federal OSHA Standard Sections, Fiscal 1997

How does your occupation stack up against others in terms of safety? The Bureau of Labor Statistics recently released its 1996 Census of Fatal Occupational Injuries, and the results may surprise you.

timber cutters, airplane pilots, structural metal workers, water transportation occupations, extractive occupations, taxicab drivers, construction laborers, roofers, and truck drivers, BLS says. ■

The Most Dangerous Jobs

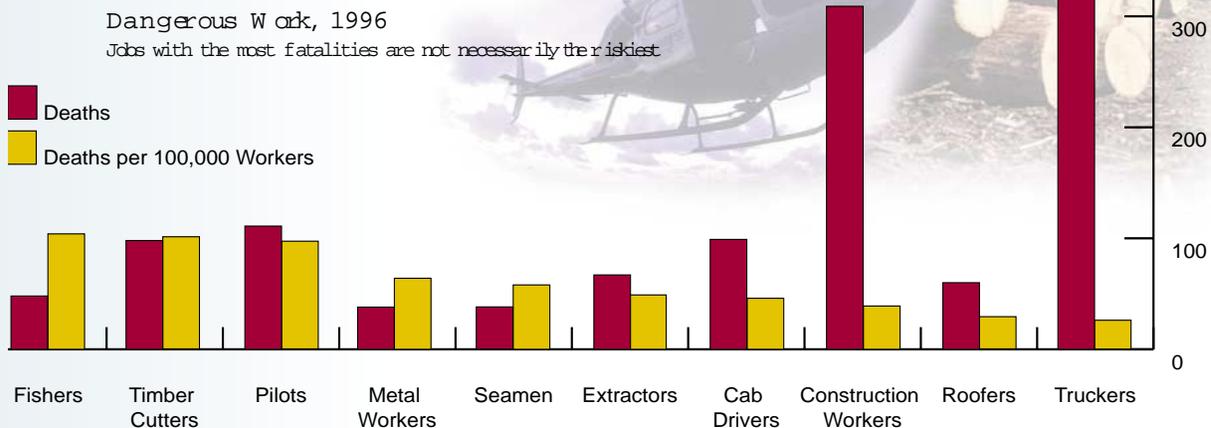
..... The riskiest jobs in 1996 were:

- commercial fisherman 104 deaths per 100,000 workers
- loggers 101 per 100,000
- airplane pilots 97 per 100,000

The last category did not include commercial airline pilots, but rather small operators—crop dusters, helicopter pilots, and trainers, BLS says.

Overall, truck drivers had the greatest number of occupational fatalities, with 749 killed in 1996, but their rate was 26.2 per 100,000. Farm workers had the second-highest number of worker deaths - 579, followed by construction workers with 309.

In declining order from most to least dangerous, the top 10 riskiest jobs for 1996 were fishers,



Source: U.S. Department of Labor Statistics, Census of Fatal Occupational Injuries, 1996

Views

KARE Views is published by the KARE Workers' Compensation program, P.O. Box 1644, Frankfort, Kentucky, 40602. Send all inquiries, letters, and submissions to the address above. Contents copyright © 1998 KARE Views, except where indicated, all rights reserved. Printed in the U.S.

KARE, KARE Views, and all affiliated logos are registered trademarks of the Kentucky Association of Responsible Employers (KARE). Rather than putting a trademark symbol in every occurrence of other trademarked names, we state

that we are using the names in an editorial fashion only, and to the benefit of the trademark owner, with no intention of infringement of trademark.

All information contained in this publication has been obtained from sources believed to be reliable, but its accuracy and completeness, and the opinions based thereon, are not guaranteed, and the publisher is not responsible for errors or omissions.

