

# HEMIC CONNECTION

Workers' Compensation Resource for Hawai'i Employers / Volume 2 Number 4

Only You Can  
Prevent Loss

Hard Times  
in Workers'  
Comp

HEMIC's  
Safety  
Seminars

# Loss Prevention

A Comprehensive Approach



## President's Message



So often in business when somebody wins, another pays the price. But occasionally, a certain business practice proves to be a real win-win, so that everybody benefits.

Creating and maintaining a successful Loss Prevention Program is one business practice that's even better than that: it's a win-win-win situation. HEMIC, your workers' comp insurer, wins because we pay fewer claims. You, the employer, win because you increase the productivity of your workforce and may lower your premiums with an improved safety record. And your employees win by avoiding unnecessary pain and suffering. In business, you really can't do better than that.

How can everyone win, and nobody have to foot the bill? Because losses due to injury are pure cost to everyone involved. Nobody benefits when an employee gets hurt. When you prevent an injury, you are preventing costs – both financial and physical – to everyone in the chain.

That's good news, especially in tough insurance markets. There's even better: Loss Prevention is something almost all businesses can improve on, whether through hiring practices, information campaigns, or changing the way tasks are done. There are any number of ways to prevent losses.

In this issue of HEMIC Connections, we explore a number of the ways you can put together an effective Loss Prevention Program and use it to decrease losses and increase your bottom line. You'll also see how HEMIC can help you to achieve these goals through information, consultation and commitment.

It's all part of our commitment to providing our insureds with the best possible value, and making Hawaii a safer place to work. It's one more way we show that, at HEMIC, our policy is taking care of Hawaii.

Sincerely,

Robert L. Dove  
President and CEO

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### QUESTIONS & COMMENTS

Are there questions and ideas you'd like to share? Please write us at HEMIC Connection P.O. Box 3376, Honolulu, Hawai'i 96801 or email us at [info@hemic.com](mailto:info@hemic.com).

# Only You Can Prevent Loss

**S**ometimes in the workers' comp business people equate the term "Loss Prevention" with "workplace safety." That's only partly true. While improving workplace safety is one of the best ways employers have to prevent losses, there are a number of others that HEMIC considers part of the overall Loss Prevention Program.

Your Loss Prevention Program should begin with hiring practices. Prospective employees should be tested for substance abuse, as drug users are statistically more likely to be involved in workplace accidents. Capacity testing can make sure that a prospective employee has the physical ability to perform a given job. A thorough check of the applicant's references will help you screen out potential problems before they get onto your payroll.

Even when an injury occurs, a good Loss Prevention Program will help mitigate the damage by delineating the path to fast and quality medical care. Your Program should include a plan for the injured employee's rapid return to work, even at a reduced capacity. Not only do these practices help reduce loss, they communicate to your employees that you care about their well-being.

Your Loss Prevention Program should include procedures for a comprehensive investigation of an accident as soon as possible. The information learned will help your company implement new safeguards to prevent a recurrence of a similar, preventable accident.

Even after your employees are hired, ongoing substance abuse programs, while not strictly safety programs, contribute to a safer workplace.

HEMIC is committed to helping each of our members develop and maintain the best Loss Prevention program they can. Our Loss Prevention specialists will be happy to talk about how we can be of service.

- Accident investigation procedures
- Capacity screening for job applicants
- Driver safety education
- Drug screening for job applicants
- Ergonomics
- HIOSH compliance
- Inspection preparedness
- Management support for safety issues
- Medical referrals
- OSHA Safety Standard compliance
- Return-to-work program for injured workers
- Safety Officer(s)
- Safety plan
- Safety training program
- Substance abuse policy

## A Loss Prevention Checklist

*Loss Prevention begins with the hiring process, and affects nearly every aspect of your workplace and business day. How many of these items does your Loss Prevention Program cover?*

## Easier Hard Times in Workers' Comp

Like all things economic, the insurance market goes through its cycles, its ups and downs. We're presently in the downs, or a "hardening" of the market. These times are characterized by rising insurance costs, by more restrictive guidelines among traditional underwriters that reject some potential clients, and by the flight of some insurance providers altogether.

The last time we saw a "hard market" was in the mid-90's. That market was so difficult for businesses in regards to their work-

**If you think it's bad now, take a look at last time**

ers' comp insurance that, for a number of local businesses, insurance couldn't be bought for any price. The Hawaii State legislature stepped in with a plan to guarantee the availability of workers' comp insurance. More on that later.

The current hard market in insurance differs from the last one in both its root causes and in the symptoms that most of our insureds are feeling. The good news is that this time, the effects of the hard market for workers' comp insurance are not as bad – and they're likely to go away faster than last time.

There are a number of factors that have contributed to the current downturn: The sluggish world economy, the fall-off in tourism and travel, the threat of terrorism at home and abroad, the fear of new diseases in Asia. Specifically, the workers' comp insurance market has also been affected by a set of factors

that were not the case in the last hard market:

**Investment Market** – because much of the insurer's revenue comes from investments of their cash surpluses, the recent market downturn has taken a great toll.

**Rising re-insurance costs** – the huge payouts in recent years by re-insurance companies – the firms that insure the insurers – have caused the cost of this basic service to rise.

**Rising medical costs** – medical costs rose during the last hard market in the 90's, but the rate of change has been far greater in the recent past years, especially for prescription drugs and hospital stays.

**Fleeing the market** – traditional insurers flooded the Hawaii market during the last "soft" market, gaining market share with low-ball rates. These same companies suffered reduced surpluses and losses, ultimately leaving the market for greener pastures.

But even with the difficulties faced by local businesses, workers' comp costs for most companies have remained surprisingly soft. There may be a number of reasons why this is so, but the most compelling dates to 1996. In that year, Hawaii's workers' compensation system was fundamentally reformed, and the Hawaii Employers Mutual Insurance Company was founded. Those reforms would



not eliminate the inevitable insurance market cycles, but they certainly have mitigated the impact felt by businesses and insurers.

The Legislators that formed HEMIC believed that the reformed system should provide employers with the means to control and reduce their workers' compensation cost. HEMIC would replace the existing workers' compensation "assigned risk pool" system. The new system would provide workers' com-

**A safer workplace is the first and best way to prevent loss.**

ensation coverage for all Hawaii employers, including employers who have in good faith, but without success, sought workers' compensation insurance in the voluntary market.

Under the new system, unsafe employers must pay their own way. There is no subsidy by safe employers, whether they are insured by HEMIC or by other Hawaii insurers. The higher insurance premiums that unsafe employers pay provide, among other things, additional incentive for them to make their workplaces safer, thus avoiding unnecessary

pain and suffering. Safe employers are no longer dragged down by unsafe ones.

Which brings us back to Loss Prevention. HEMIC provides employers in the high-risk division (as well as all our insureds) with full support from our Loss Prevention department in order to help them improve their safety record and reduce their insurance premiums. We provide claims mitigation, and premium credits for formal safety and drug-free workplace programs. We'd like nothing more than for our toughest cases to "graduate" to a safety record that will enable them to buy insurance on the open market.

That doesn't mean we're planning to lose them as clients. Since 1996, HEMIC has become much more than the workers' comp insurer of last resort. Today HEMIC is a high quality, competitive insurance company that is a leader in the industry. Our work to battle fraud and promote loss prevention in the workplace has significantly improved working conditions while lowering the cost of doing business.

The numbers show how well it's worked. In 1996 there were nearly 13,000 Hawaii employers in the assigned risk pool. The pool operated at huge deficits that were passed along to insurers and ultimately to employers in the form of higher premiums. Today, there are fewer than 400 employers who cannot, for reasons of poor safety records, purchase insurance from traditional insurers. The new system has clearly forced employers to do better. Of equal importance, there is no high-risk pool assessment to drive insurers from the market place or to cause dramatic price increases.

So when a hard market rolls into town, remember that it hurt a lot more last time. And taking steps towards a comprehensive Loss Prevention Program will help you ease the pain.



There are any number of ways companies large and small can prevent loss in the workplaces. One way, of course, is to attend HEMIC's free safety seminars (see "Safety Seminars"). Here's a list (in alphabetical order to avoid attaching more importance to one over another) of some other ways to lower your losses and improve your bottom line.

**ACCIDENT INVESTIGATION AND PREVENTION** – Prompt and searching investigations of accidents as soon as they occur can provide invaluable information that can be used to prevent future occurrences.

**EMPLOYEE ORIENTATION** – Knowing what's expected of new employees in regards to safety and loss prevention can lead them to adopt safe work habits from the first day on the job.

**INSPECTIONS** – Safety inspections conducted from time to time will ensure that managers and employees are following safety guidelines and doing all they can to promote a safe workplace. Safety inspections can be scheduled or not, and they can be conducted by management or by outside consultants.

**MANAGEMENT BUY-IN** – Without the express endorsement of management in safety issues, no safety program, no matter how well conceived, can work as well as it is intended to.

**SAFETY CULTURE** – Create a safety culture within your organization by emphasizing safety even when productivity needs rise. Management sup-

port of this culture is vital.

**SAFETY MEETINGS** – Regular safety meetings with employees can improve safety and address new issues. There may be changes in the work environment or ideas that employees can contribute to making a safer workplace.

**SAFETY OFFICER** – Many large corporations have a full time safety coordinator. But smaller companies can also appoint a safety officer from their staff who can keep up with enforcement and improvement. It is vital to grant authority to enforce safety practices to the chosen person.

**SAFETY PROGRAM** – Creating and maintaining an approved safety program shows your commitment to safety and will drive a thorough investigation of your safety practices. HEMIC can help with consultation and with software that will help you create a program specific to your business.

**SUBSTANCE ABUSE PROGRAM** – Create and enforce a clear and comprehensive program with provisions for screening, testing, and treatment. Make sure your employees and potential employees know how seriously your company takes the issue of substance abuse by making your program visible.

**TRAINING** – Offering safety training for specific jobs and tasks ensures that each of your employees knows the best and safest practices for the task. This may include machinery operation, ergonomics and fall prevention.

# Safety Seminars

*Make a real commitment to Loss Prevention by sending managers and employees to one of the ongoing HEMIC Safety Seminars.*

From its beginning, HEMIC has changed the way traditional insurers have approached workplace safety. Traditional insurers may only make site visits to their bigger clients, the ones with the most employees (and highest premiums). Smaller companies – oftentimes firms with the most pressing need for help in creating a safety program – are left out. While HEMIC tries to see everybody who requests a visit to their workplace, bringing a group of individual employers to a central location to learn about safety issues and share solutions was found to be more cost effective. The Loss Prevention Seminars were born and continue today as a way to provide outreach to all our members.

As the Seminar series has evolved, it has served our members by exploring new topics and by adjusting presentations in response to program evaluations. As a result, several new seminars have been created to meet the needs of our insureds, including the driver seminar and trucker seminar added last year. We will

continue to expand the series and respond to member input. Of course, the

core set of seminars is repeated annually because of its high impact for all businesses.

There is no substitute for attending the seminars, even if the information may be available to your company in other forms. Attendance shows a commitment to Loss Prevention on the part of management. In addition, because our low-key presentations are interactive, they encourage attendees to become proactive in preventing loss. Often members interact with each other, contributing to the overall discussion with real-life situations and the ways in which their companies have improved safety practices.

For members who attend Loss Prevention Seminars and who put the ideas and techniques learned into practice in the workplace, the greatest benefit is the decrease

of injuries and claims. The net result is healthier employees, greater productivity, and the opportunity to lower workers' comp insurance rates with an improved safety record.

HEMIC's Loss Prevention seminars are attended by all kinds of people: managers, safety officers, workers, and executives. Large companies send representatives, and even whole departments. Small companies may bring the entire staff. Each attendee receives a packet of printed material and access to the PowerPoint presentation, downloadable from the HEMIC website.

Safety seminars take place throughout the state on a variety of topics. The current roster is listed to the right, but because subjects and titles change, check the HEMIC.com website for the latest information.



## Signing Up for Safety

About a month before each seminar in your area, you will receive a mailing that includes an RSVP form. Simply return the completed form if you plan to attend.

You can always find out when specific seminars are coming to your area by checking the HEMIC website at

[hemic.com/seminars.asp](http://hemic.com/seminars.asp). Read about the upcoming seminars, and search by Island for schedules and locations. Then call Carol Bonoan at 52 HEMIC, extension 249 to register for the seminar of your choice. Or email [cbonoan@hemic.com](mailto:cbonoan@hemic.com) with your request. Tell us which seminar module on which island, and how many people you'd like to attend. Plan in advance: some of our seminars fill up quickly. If your plans change, please let us know so we can free spaces for other members.

## SAFETY SEMINAR MODULES

### Module 1 - Hazard Communication, Safety Program and Bloodborne Pathogen

This 3-hour presentation discusses how to train employees in handling hazards; assists you in creating a Safety Program for your company; and provides an overview of bloodborne pathogens and medical issues. (Medical providers should contact our Loss Prevention Department for a more in-depth presentation.)

### Module 2 - Stress Management, Substance Abuse and Violence in the Workplace

A series of guest speakers will provide insight to help companies battle these scourges of the modern workplace. This 3-hour program is designed for all industries, especially those that demand moderate to high levels of skills and responsibilities. Policyholders involved in construction, customer services, marketing, restaurants and offices are among those that will benefit.

### Module 3 - Pathway to Safety Conference

Overall coverage of OSHA Safety Standards in both general and construction industry is explored in this all-day conference. The day is punctuated by breakout sessions with various guest speakers and topics. Any company that is affected by OSHA standards will want to attend. This conference is held on Oahu only.

### Module 4 - Construction Safety and Health Compliance

This program is designed for all construction and construction related industries and applications including general contracting, plumbing, painting, carpentry, roofing, excavating, trenching, shoring, and electrical. The 3-hour presentation is intended for managers and supervisory personnel.

### Module 5 - Driver Awareness and Technique

Why do some drivers operate millions of trouble-free, accident-free miles while others seem to be involved in one incident after another? The difference may be in their driving technique. HEMIC's Driver Improvement Program is designed for managers and personnel responsible for providing employee training.

### Module 6 - Accident Prevention and Investigation

Ways to reduce accidents, and techniques used to investigate

accidents are explored in this seminar. Special attention is placed on using investigation results to develop the preventive and/or corrective measures for the future. The seminar is intended for managers, supervisors and personnel involved in your company's safety and health program.

### Module 7 - Trucker

This seminar is designed to help companies that employ drivers to develop a safer atmosphere in their trucking operations. Our guest speaker will share the latest changes that affect the industry. This presentation is intended for all employees and managers who drive in the course of their employment.

### Module 8 - Construction Part I: HIOSH, Fall Protection, Ladders, Scaffolds

Too often basic workplace safety issues such as fall protection are not adequately addressed. Part I of this two-part program is designed for all industries that provide construction type activities including construction, woodworking, electrical, and roofing.

### Module 9 - Construction Part II: LOTO, PPE, Residential Construction

"Lock-out tag-out" procedures and protective personal equipment are among the topics discussed in Part II of this two-part program. Designed for all industries that provide construction type activities including construction, woodworking, electrical, and roofing.

### Module 10 - Claims Management

After this seminar, managers and supervisors will better understand the fundamentals in claims reporting and the steps involved in a claim that is denied. Policyholders will be able communicate more readily with our Claim Specialist. Special emphasis is placed on the importance of having a "Return-To-Work Program" and on avoiding fraudulent claims.

### Module 11 - Straub EAP Drug-Free Workplace Training

Attendees will learn how to maintain a drug-free workplace by recognizing potential problems and moving quickly to rectify them. This program is designed for all policyholders and industries and is intended for managers and supervisory personnel.



# HEMIC FRAUD HOTLINE

If you suspect an employee or co-worker is receiving workers' compensation benefits due to a fraudulent claim, call the hotline today. All calls are strictly confidential.

On Oahu Call  
**522-5279**

Neighbor Islands Toll Free  
**1-888-522-5295**

Protect your business and your employees.  
Report all injuries within 24-hours.



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