STAYING SAFE:

A Tale of Two Captives

Differing programs that help manage high-risk construction for work comp and other lines lay groundwork for safety culture

In the hardscrabble construction space, building a safety culture with the help of a group or single-parent individual captive insurance program is critical to managing self-insured workers' compensation or even bolstering the bottom line.

It also can tug at the heartstrings of burly workers in hard hats when explained in the simplest terms, while residual effects can include improved job satisfaction, morale, loyalty, performance, recruitment and retention. These results offer a competitive leg up in an industry that often struggles to find safety minded talent with staying power.

Most construction workers who live paycheck to paycheck fear they'll be homeless in the event of a serious accident on the job, says Charles H. Weiss, president of Scaffold Resource LLC. His firm is one of 39 high-risk or heavy construction members of a homogenous group captive program that underwrites the work comp, general liability and auto risks of more than 3,000 lives. Asked to close their eyes and imagine how loved ones would react to news about their father being seriously hurt or dying at work, he reports that "I get grown men tearing up."

By Bruce Shutan

A similar story unfolds at Nibbi Bros. Associates Inc., which took a different approach in forming a single-parent individual captive in 2011 featuring nearly a dozen coverage lines with a focus on workers' compensation and domiciled in Delaware.

"We do a lot of training on safety," reports Rick Fedick, the company's CFO, who also notes its importance relative to an employee's career path. "If you're going to be promoted or think you'd like to be promoted from a lead man to a foreman or a foreman to assistant superintendent, you have to have these courses already under your belt before you do that.

"Every employee for Nibbi has OSHA 10 already," he continues. "Anybody in a supervisory role has OSHA 30. I have OSHA 30, and our president has OSHA 30, so we're very safety-conscious. It saves you a lot of money in the long run."

An unflinching commitment to safety has paid off for the San Francisco-based general contractor, which builds anything from piers and parking lots to the city's airport and low-income housing. It received the 2016 Excellence in Safety Award from the Construction Employers Association.

Showing leadership

Both Nibbi and Scaffold Resource take a top-down approach to safety that trickles from executives and managers to the rank and file.

"The guys have to know that the owner cares," Weiss says. One way certainly is an eye-popping investment his firm has made in equipment, which includes $30 gloves and $150 helmets with a chin strap that competitors cannot believe. Hand injuries can be significant considering that "our guys are touching 300 pieces of metal every day," he reports, noting the potential for pinches and splinters that can undermine performance and raise claim costs.

Of about 13 scaffold companies in the Washington, D.C. area, Weiss says his is the only one with at least one full-time person exclusively assigned to safety (they actually have two). Many Scaffold Resource employees encounter safety professionals on their job at least twice a week in addition to attending a morning hazard awareness meeting at the beginning of every shift that addresses specific job concerns and monthly safety roundtables. They learn the proper way to lift to avoid painful and costly lower-back or soft-tissue injuries, as well as stretches to stay limber.

Every employee of Scaffold Resource carries a safety pledge card, which reads: *"Safety is the most important part of my job! Production is never more important than safety! It is my job to make sure every worker on the jobsite returns home to his family every day, without injury or harm. I make this pledge to my family and co-workers."*

The lines of communication are always open at Nibbi, which sends out a four-page monthly newsletter that features a safety section alongside company announcements. Company barbecues also are periodically held for various milestones being reached, as well as every quarter for the cleanest job. This allows employees and managers an opportunity to bond, as well as briefly address the importance of safety.

In addition, there's a program requiring new hires to wear a yellow hardhat for at least 60 days during which their commitment to safety, or any bad habits they had developed, is assessed. One or more superintendents will grade their performance and issue a white hardhat when they pass muster and feature their "graduation" photos in the employee newsletter.

One major safety hazard on Nibbi's proverbial radar is silica dust produced by cutting concrete or drywall, which can be very harmful to people and is addressed in changing regulations. "It's the new asbestos," Fedick explains, noting about two dozen different applications that could create this hazard.

Nibbi construction workers – whose number fluctuates from about 150 to 200, depending on seasonal demand – are trained to use the right personal-protection equipment and tools for the right job. They're encouraged to immediately stop a job at any level if they see something and they're not sure about it if encountering a life-threatening situation. "If you're running a forklift," Fedick adds, "you have to be certified." Certification requirements or renewals are tracked through the HR department.

Different methods

Since there are numerous types of captive arrangements, one size clearly does not fit all self-insured employers. Scaffold Resource, for example, saw strength in numbers. About 150 covered lives from the company are part of a group captive that was assembled specifically around scaffolding and bridge painters, erectors, underground construction workers, truck drivers and others. It took Weiss about a decade to finally find this solution.

Each member underwent an extensive vetting process that closely examined their previous risk and losses before being admitted to the group. The captive has approximately $250 million total payroll and about $18 million in premium.

"Our insurer was only paying out 15% of our premium" before joining the captive, he says. "With this system, we get back that which we individually don't pay out and that which the collective group does not pay out. So we take risk up to $100,000, and everything between $100,000 and $350,000, we risk-share."

Although Weiss believes a group captive can be difficult at first to understand among small-business owners, he's grateful for taking a leap of faith and knowing his broker wasn't going to risk $1 million-plus worth of premium putting his firm in the program.

"We have safety seminars and workshops, and share best practices with each other," he says. *"It gives us the collaborative efforts of a huge group of people with 39 safe companies."* Weiss hopes to *"keep getting better people in the captive through our collaborative efforts. We're all partners, so we have to have transparent dialogue on what our best practices are and learning from people in the captive group."*

All 39 construction vendors meet offshore twice a year to share best practices with a basic philosophy in mind. "I've got to make sure I stay safe so I retain a competitive advantage," he says. "If I get a little bit sloppy, I may not be in this group anymore."

While it's tempting to share helpful safety benchmarks with like-minded employers, in some cases there are advantages to focusing all efforts internally. It made sense for Nibbi to pursue a single parent vs. group captive approach, according to T.J. Scherer, an account executive with Artex Risk Solutions, Inc., the captive manager for Nibbi, and a member of SIIA's Captive Insurance Committee. "Nibbi had a couple large losses on work comp, but overall runs very low losses on all three lines of AL, GL and work comp and the market is responding to that by getting better rates," he reports.

Fedick was more interested in focusing on the company's own risk and decisions. Nibbi also was unsure if it had high enough main lines (auto and general liability, as well as work comp) premium to qualify for a group captive. "Being in a single captive works pretty well for us," he says. "We pool some risk, but for the most part, we're looking after ourselves."

Fostering a safety culture, of course, extends beyond work comp and involves other exposures. "Safety is all-encompassing on a job site or in the office," Fedick notes. "But it's just not thinking about the workers or crane operator who's lifting stuff out over roadways; you've also got to think about pedestrians and tenants in buildings that we're doing some renovation work for, and safety is everywhere, on all directions."

At Scaffold Resource, the same thinking spills from construction sites to the road below. Truck drivers, for example, are given a morning safety checklist required by law. They also attend the same safety classes and monthly meetings alongside workers in the field.

Gauging results

A strong safety culture is credited for 1.4 million man hours having been logged by Scaffold Resource employees without a lost time recordable injury in the past five years, which the company describes in a promotional video as almost unheard of in the scaffolding industry.

There also has been a significant reduction in premium at the company, which finds itself in an enviable position among the group captive's top 20% performers. Weiss describes the middle 60% as "the ones they break even on, and the lower 20% are the ones that we fund."

After the overhead burden, Weiss says his firm individually and collectively shares in the group's success. If money is available, he points to a 4% or 5% rate of return on premium. "We've paid out about 10% of our premium, so that puts significant money and equity in my pocket from taking advantage of risk savings," he explains, noting how the accumulating interest income reduces risk costs substantially, now and in the future. "We're not funding a commercial insurance company; we're funding our businesses."

Fedick explains that Nibbi "used to carry on our balance sheet an accrual to cover any insurance deductibles." The company's captive absorbs deductibles and shields Nibbi Bros. Associates from any deductible denting its financial statements.

A safer employment contract

There are larger strategic business considerations that are tied to deciding on a captive program. Many employers are struggling to lure and keep safety conscious employees across a number of industries, according to Duke Niedringhaus, SVP at J.W. Terrill, a Marsh & McLennan Agency LLC company who serves on SIIA's Board of Directors. As such, he sees movement toward "a holistic management of casualty exposures" driven by work comp that allows companies with a best-in-class safety culture to maximize their program results.

Nibbi adopts a three-legged stool approach to hiring, whose job requirements include experience and education, a desire to do the work and fitting the company's culture. New hires are also assigned a mentor with whom they discuss safety, while jobsite safety reviews are done every month. Nibbi's mission statement starts with safety in the first paragraph. Multiple breaches of safety protocols can lead to an employee's dismissal, though Fedick says all the intensive training of the past three years has largely prevented that from happening with Nibbi employees.

The safety effort at Scaffold Resource includes a pre-employment and post-accident drug screenings.

"Most of our people are from referrals, so they know that we have a safety culture," Weiss reports, noting that they're also paid at or above market wages to drawn top talent. *"By showing them how safe you act, they know people care."*

He says the significant amount of money Scaffold Resource spends to ensure its workforce stays safe is a good business practice that customers appreciate. "It's a sales tool and revenue generator because people want safe teams on their sites," Weiss adds. ■

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for 28 years.