Self-Insurance Institute of America, Inc.

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SIG Success Story

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New York Lumberman's Trust SIG
Calmed Anger Over High Comp Rates

About 30 years ago companies in New York's wood products industry had a stark choice: pay more than half the amount of their payrolls for workers' compensation insurance for some jobs or leave the business. By that time the 1976 movie "Network" had popularized this famous line: "I'm mad as hell, and I'm not going to take it anymore!"

Wood industries business owners knew the feeling. They faced comp premiums of up to $56 per $100 of payroll for logging and as much as $30 for sawmill workers. In 1981 companies formed the New York Lumberman's Trust, a self-insured group (SIG), despite initial resistance by the New York legislature and a negative response from the state workers' comp fund.

"We were told by the state fund representatives that we were crazy to leave and were sure to fail," recalls Edward G. Wright, president and CEO of W.J. Cox Associates, Inc. of Clarence, New York, which administers the trust. Cox was actually formed to manage the trust, which remains its single workers' compensation client.

After 28 years in operation, the trust has survived all the dire warnings of failure and now carries rates of $16 for logging and about $10 for sawmill work. Membership has expanded to 300 employers with a working population of about 4,000. It is a true vertical organization through the wood products industries including harvesting, processing, transportation, manufacturing, distribution and retail.

Wright credits the success of the trust to careful risk selection, diligent loss prevention and thorough follow-through after injuries to get employees back on the job as soon as possible.

"Specialization is a powerful tool for what we do," Wright says. "We know all the companies in our industry and we see a lot of similar injury cases, and have learned over the years the best ways to manage them."

Prudent risk selection means the trust doesn't accept every applicant. "We know these companies, and we know things that won't show up on an application," Wright says.

Representatives of the trust always hold initial meetings with prospective members on their job sites. "You can tell pretty quickly whether or not a company has the proper attitude toward safety and will make the necessary commitment to loss prevention," he says. That attitude and commitment are actually more important to the trust then previous loss experience, according to Wright.

Once admitted, new trust members are obligated to stage up to 18 safety programs, depending on their employee job classifications. "These evolve continually," Wright says. "We are driven by examining what goes wrong and how to prevent it."

For example, administrator W.J. Cox has learned that a disproportionately high number of work accidents occur to employees during their first six months on the job. The administrator emphasizes new employee safety orientation that includes several hours of face time with experienced employees and Cox loss prevention representatives.

"It's frightening what can happen to employees in these industries if they're not careful," Wright says. "That gets the attention of new people right away. The safety techniques they learn then will tend to follow them throughout their career."

Another element of job risk that W.J. Cox learned from the Bureau of Labor Statistics is that about 40% of work accidents occur as employees are distracted by personal or family problems. The trust provides an employee assistance program (EAP) that is available 24/7. It provides free consultation through the first few phone calls and then refers employees or family members to additional resources if necessary.

"We also involve families in our safety program because we know that family members can be more influential than safety messages by their employer or program administrator," Wright says.

Examples include a safety quiz for spouses in the trust's employee newsletter. "That's going to get the employee and spouse talking to each other about safety, and that's the most powerful influence you can generate," Wright says. Another newsletter feature is a safety poster contest for employees' children. "Same kind of influence, but maybe even more emotionally engaging," Wright says.

A proactive safety promotion program recognizes both employees and employers for safe practices. Employees receive gifts such as ball caps or sweatshirts for going four months without an injury and employers who go a year without a reportable injury are recognized at the annual meeting.

W.J. Cox devotes a higher percentage of the premium dollar to loss prevention and claims management than industry averages. Each representative covers 60 to 70 member companies, compared to as many as 300 for some comp programs. And claims managers carry a load of fewer than 150 files compared to 200 or more for other programs.

“We’ve seen studies that say up to a point every dollar spent on loss prevention can pay back $3 on claims costs, so we spend as much as much as it takes to get the job done on this area. Also, we save elsewhere by not advertising or paying commissions,” Wright says. “When you have claims averaging $12,000 you don’t have to prevent very many to justify spending money on loss prevention or claims management.”

By allocating more time for claims files Wright contends that injured workers stay in better contact with their jobs during recovery time. “By keeping employees involved in the culture of their jobs through light duty or just inviting them to come in for a pizza party, you can encourage them to come back to work as soon as possible,” Wright says. “If an employee is off the job and out of touch for a period of months there’s a good chance he or she will never come back.”

New York wood products industries employers may find something to rouse their anger and complain they’re “not going to take it anymore” in these economic times, but it’s not likely to be their self-insured group workers’ compensation program.