The late Cole Porter was one of America’s most original treasures. One of my favorite Porter songs pays tribute to another American treasure, the city of New York. The name of the song is “I Happen to Like New York.” The opening stanza is as follows:

I happen to like New York
I happen to love that town
I like the city air
I like to drink of it
The more I know New York
The more I think of it
I like the sights and the sounds
And even the stink of it
I happen to like New York

Not only does this column afford me the opportunity to share some little known Cole Porter lyrics with you, it allows me an opportunity to put the focus on our annual AASCIF conference, which will be held in the city of New York from August 4-8, 2002.

Hopefuly, this month’s issue of the AASCIF News will whet your appetite to attend the annual event. The general sessions will explore disaster recovery, client services, claims, anti-fraud measures and a host of important topics of interest to all of us. In fact, the facing page and the following two pages explore both the serious topics to be discussed and the promise of some pretty exciting ‘after work’ activities. On a personal level, one of the events I’m really looking forward to is the President’s Reception, which will be held aboard the USS Intrepid. This historic ship served America through some of the most significant battles of World War II, Korea and Vietnam. With the tragic events of September 11th still in all of our minds, the USS Intrepid serves as a moving symbol of this country’s resolve and courage. I am looking forward to seeing many of you during the reception.

However, there is more in this issue than an exploration of the annual AASCIF conference. Beginning on page 7, Stacey Kurash of Minnesota and Scott Walters of North Dakota discuss the changing role of the Loss Control Representative. These professionals were sometimes regarded as little more than ‘interlopers’ who inspected work sites and compiled lists of violations. Of course, that wasn’t true then and it’s certainly not true today. Stacey and Scott conclude that more and more safety reps work closely with employers to avoid problems before they arise. This approach not only makes the average safety rep more popular with the client, it results in cost savings for both employer and insurer.

Patricia E. Wagner of New York looks at the crucial role played by internal auditors in disaster recovery. Patricia knows we can’t predict every conceivable contingency but outlines how we can establish procedures for dealing with most emergencies. One of the keys to success in a disaster recovery program is the early involvement of internal auditors in the planning process. The details begin on page 14.

On the back cover we list 2002 AASCIF Standing Committee goals along with the chairpersons of the various committees. It’s an impressive list of goals. Come to think of it, it’s an impressive list of chairpersons. Speaking of impressive people, I would like to welcome Doug Sexsmith and Penny Ballantyne, the new Presidents/CEOs of the Workers’ Compensation Boards of Manitoba and the Northwest Territories & Nunavut, respectively, as well as Thomas L. Bromwell, the new president of Maryland’s Injured Workers Insurance Fund, and other executives whose appointments have been announced by organizations around the AASCIF map.

Well, I’m running out of the space they allotted me for this issue so before I bring this column to a close, I’d like to share the last lines of Mr. Porter’s ode to New York with you:

And when I have to give the world my last farewell,
I don’t want to go to Heaven
I don’t want to go to Hell
I happen to like New York.

See you there.

Kenneth C. Bollier
AASCIF President
General sessions will cover disaster recovery, multi-functional policyholder service teams, controverted claims, anti-fraud measures, human resources, and information technology and e-business.

The AASCIF 2002 NYC web site is up and running for your convenience. Visit the NYSIF home page at www.NYSIF.com and click on the AASCIF 2002 link to learn all about the upcoming national conference. You can review events, get a look at the tentative schedule, register for the conference and reserve a room at the Hilton Hotel online. There is also registration information for sponsors and vendors.

We have a great time planned in NYC for August 4-8, 2002, and hope to see you all there.

President’s Reception Aboard USS Intrepid

The President’s Reception, the AASCIF Conference’s inaugural event, will be held aboard the historic USS Intrepid, permanently docked at Pier 86 on Manhattan’s west side.

Launched in 1943, USS Intrepid was the fourth ship of the line to bear that name. The “Tough Old Lady,” as she was named affectionately by her crews, proved her mettle time and again in some of the hottest corners of the Pacific in World War II. That toughness of both ship and crew kept her afloat and fighting against great odds.

The ship earned many awards during several operations, including the Marshall Islands Operations, Asiatic and Pacific Raids, Western Caroline Islands Operations, Okinawa Attack, and the Liberation of the Philippines. Along the way, subjected to many Kamikaze attacks, she became the “most hit” U.S. flattop in the war.

Intrepid continued to serve during the Korean War, where she earned the first of her National Defense Service Medals. During the Space Race in the 1960s, the ship served as the primary recovery vessel for NASA. Intrepid also served during the Vietnam War, where she earned additional decorations.

The ship ended her active Navy service in 1982, when she was retired from duty as a Cold War-era anti-submarine carrier.

In 1982 Intrepid was transformed into a museum, where you can explore our nation’s history on the very decks where it took place, and venture through the evolution of 20th Century sea, air and space technology.

Navy photo by Photographer's Mate 2nd Class F. Toedtman
New York State Superintendent of Insurance Gregory V. Serio will address the opening session of the 2002 AASCIF Conference in New York City on Monday, August 5.

Governor George E. Pataki appointed Mr. Serio to his post in April 2001. He previously served as First Deputy Superintendent and General Counsel of the Insurance Department since January 1995. Prior to joining the Insurance Department, Mr. Serio served as Chief Counsel to the NY Senate Standing Committee on Insurance and as Counsel to the Chairman of the Senate Judiciary Committee. He also served as counsel to the Senate’s Deputy Majority Leader, Senator John Dunne.

Before entering public service, Mr. Serio was counsel to Crane, Kelley, Greene and Parente, an Albany law firm. He was also an associate with the Long Island law firm of Rivkin, Radler, Dunne and Bayh where he specialized in insurance defense litigation. Mr. Serio was also an adjunct Professor of Public Administration at C.W. Post College for five years.

New York plans more than insurance seminars for AASCIF Conference Delegates

The world famous Hilton New York on the Avenue of the Americas is the site for the 2002 AASCIF Conference. Within walking distance of NYC’s famous sites and attractions, you can enjoy Times Square, Rockefeller Center, the Theater District, Radio City Music Hall, Central Park, Fifth Avenue’s world-renowned stores and more.

USS Intrepid provides the venue for the President’s Reception. Launched in 1943, the Intrepid distinguished itself in the Battle of Leyte Gulf, served three tours of duty in Vietnam, and was the primary recovery vessel for the NASA Mercury and Gemini Space Programs. The ship, docked at Pier 86 on Manhattan’s West Side, is the centerpiece for a Sea, Air and Space Museum including the destroyer USS Edson, the ballistic missile submarine USS Growler, rotary and fixed-winged aircraft from WW II to the present, interactive displays and a Navy flight simulator.

Tour NBC Studios, Rockefeller Plaza, at the NBC Network World Headquarters. See the mechanics of producing a TV show in working television studios. If you’re lucky, spend time watching Saturday Night Live rehearsals. We’ve rented the NBC Studio Store for our exclusive use. Here, through computer animation, you can tape an interactive video with NBC News Weatherman Al Roker and Late Night Host Conan O’Brien.

Shopping - Whether it’s upscale Madison Avenue or the bargain-friendly Lower East Side, the Big Apple offers everything for everybody. Fifth Avenue shops are a few steps from the Hilton. The Lower East Side is only a few minutes away by subway.

Museum of Natural History & Hayden Planetarium, Central Park West & 79th Street. The crown jewel Rose Center for Earth and Space houses the new Hayden Planetarium. Unique in design, the upper sphere houses a customized Zeiss Star Projector to create stellar displays unmatched anywhere. The bottom half of the sphere takes visitors back to the origin of time and space with its simulation of the “Big Bang.” The Museum of Natural History provides exhibits on over 132 years of research, exploration and discoveries. Features include discoveries by Henry Fairfield Osborn, Roy Chapman Andrew and Margaret Mead. The Discovery Room offers a unique hands-on, behind the scenes experience of scientific discovery for all.

Golf Tournament - Established in 1917, the scenic Engineers Country Club on Long Island is host of the AASCIF tournament. The course hosts regional championships and qualifying rounds.

Join us for The Lion King at the New Amsterdam Theatre, 214 West 42nd Street. The six-time Tony Award winner chronicles the struggles of the lion cub, Simba, to adulthood and his destiny as king. The Disney musical draws on rich mythology, powerful human drama and primal African rhythms to bring the classic 1994 film to life.

Experience New York’s famous skyline aboard a World Yacht Dinner Cruise. We’ll embark from Pier 81, West 41st Street at the Hudson River, for a three-hour cruise around New York Harbor. Enjoy a four-course gourmet meal and dancing to live music with New York City as the backdrop. Enjoy the sites from the weather deck while lingering over dessert or your favorite libation.

New York Insurance Superintendent to address AASCIF
AASCIF Speaker Knows A Thing or Two about Overcoming Long Odds

Eminently qualified as a motivational speaker, Roger Crawford overcame great adversity to achieve greater success.

Born with ectrodactylism, a birth defect causing malformed limbs, his doctors doubted he would ever walk. But compensating for the handicaps of no left hand, a right hand with only one finger, a right foot with only three toes, and a left leg amputated at the age of five, Roger Crawford proved that desire and fortitude could take him places no one thought possible.

Not only did he learn to walk, but he played his way into high school tennis where he captained his team, winning four letters and posting a record of 44 wins and six losses. For this remarkable effort, he was named the Northern California Athlete of the Year.

His athletic prowess earned him a scholarship to Loyola Marymount University in Los Angeles where he earned his bachelor’s degree in communications and became an award-winning NCAA Division I tennis champion. Following his graduation, he earned his professional certification from the U.S. Professional Tennis Association.

Mr. Crawford credits his success to the unconditional love his parents gave him, which provided the kind of support that allowed him to surmount the difficulties he has had to face.

“Whenever you catch yourself saying ‘If only,’ make a conscious switch to ‘Next time’,” he says.

His inspiring story attracted national attention, garnering him guest appearances on ABC’s Good Morning America, CBS’s Inside Edition, CNBC, and Hour of Power. He has also been featured in USA Today and Tennis Magazine.

The NBC television movie, “In a New Light,” as well as the first edition of Chicken Soup for the Soul, featured his story.

Mr. Crawford’s engagements have taken him to all 50 states and 17 foreign countries. He is the recipient of the prestigious CPAE Speaker Hall of Fame Award given by the National Speakers Association. Mr. Crawford is also a member of the Speakers Roundtable, a select group of the top 20 speakers in the world.

An accomplished author, Mr. Crawford chronicled his life in Playing from the Heart. His latest book, How High Can You Bounce? Turn Your Setbacks into Comebacks, presents nine ways to make yourself stronger, more powerful and more resilient.

Mr. Crawford is also one of the 40 founding faculty professors of www.MentorU.com. This innovative company provides an interactive learning network via the Internet on business and management tailored to individuals or organizations. Its faculty boasts business experts in sales and marketing, customer service, business management, leadership, communication, personal growth and technology.

$1,000 Scholarship at AASCIF Conference

Windham Professionals will award a helping hand scholarship in the amount of $1,000 for the 2002-2003 school year at AASCIF 2002. To enter a nomination, stop by Windham Professionals’ booth in the exhibitor’s hall at AASCIF 2002. The drawing will be held on the last day of the conference.

Visit the NYSIF home page at www.NYSIF.com and click on the AASCIF 2002 link to learn all about the upcoming national conference.
A Brief about Boxers

WELLINGTON, New Zealand – After hearing an attorney’s hard-hitting argument, a judge here ruled that an employee who was injured in an amateur boxing match – off-site, during his lunch break – was covered under workers’ compensation laws because lunch hours are for “refreshing” oneself for work, according to a report in News of the Weird.

Cabbies Conned on Comp

CHICAGO – City officials planned to revoke the operating license of one of this town’s oldest taxi companies because the owner allegedly collected workers’ compensation and liability premiums from his cab drivers but failed to pay for their policies. According to the Chicago Tribune, the owner was also a former insurance broker who issued certificates of insurance from his own brokerage but failed to make some $80,000 in payments to the carrier.

L.A. Comp Costs Skyrocket

LOS ANGELES – Local public agencies face substantial increases in costs for workers’ compensation, according to several reports in the L.A. Daily News.

The City of Los Angeles had budgeted $103 million for workers’ compensation claims this year, but one official said another $10 million would be needed. As many as 10 percent of the city’s employees may receive benefits at any given time.

Costs for the L.A. Unified School District are expected to reach $147 million this year, more than three times what it was five years ago. District officials said that since 1998 their 78,000 workers have filed 22,991 claims with an average cost of $8,275 each, the paper reported. School board members want a more aggressive plan to crack down on fraud, noting that not a single case of suspected fraud has been referred to the district attorney for prosecution in the past five years.

The Metropolitan Transportation Agency has witnessed a 51 percent increase in workers’ comp costs in five years, from $35.4 million to $53.4 million in annual costs. Since 1998 the MTA’s 9,000 employees have filed 12,487 injury claims, but only 16 cases have been referred for fraud prosecution. In one quarter of the current financial year, the MTAs workers lost 27,554 days of work due to workers’ compensation absences.

Ruling Restores Exclusive Remedy

CONCORD – The New Hampshire Supreme Court effectively overturned a 1999 decision that allowed an injured employee to both collect workers’ compensation and sue for damages under the state’s uninsured motorist statutes, reported the Insurance Journal.

Growth in Residual Market

Faced with higher premiums, increasing numbers of employers are turning to assigned risk pools or residual markets to secure workers’ compensation coverage, reported the National Underwriter. But the growth does not even approach the proportions reached during the early 1990s.

An official of the National Council on Compensation Insurance estimated that workers’ comp premiums for the residual market in 2001 totaled about $500 million. Premium was up more than 90 percent over 2000 and the number of policyholders rose 37 percent, accounting for 5 percent of the market. But in 1992 the residual share was 25 percent with premium of more than $4 billion.

Many multi-line insurance carriers are now considering leaving the workers’ compensation field if the government does not provide assistance with terrorism losses, and due to the difficulty in obtaining reinsurance.

Geography Becomes a Factor

Workers’ compensation underwriters are giving consideration not only to what types of work the employees perform but also where they are located. According to a report by Standard & Poor’s, the 9/11 attacks have led many carriers to impose large premium increases on policyholders who have significant concentrations of employees in single locations, particularly in urban settings.

Employers with concentrations of worker in high-profile office towers, such as the Sears Tower or Empire State Building, may be especially prone to large premium hikes. But the suburbs may also be vulnerable to nuclear, chemical or biological attacks, according to the report.
A meeting with a safety professional looks much different today. Safety professionals are sitting down with upper level management to “sell” safety by brainstorming and setting safety goals for the upcoming year. These safety goals often tie directly to the organization’s bottom line. The safety professional reviews previous losses, identifies trends and makes recommendations for safety improvements such as suggestions for additional employee training.

It is clear that upper management must buy into the safety focus to make it effective. Commitment from the highest levels of the organization is needed to make necessary environmental and behavioral changes. This commitment empowers supervisors to take the necessary steps to ensure a safe workplace and sends a message to all employees that safety is an important part of the workplace culture.

There is no doubt that the involvement of supervisors is vital to the safety success of the organization. That is why safety professionals are spending more time working directly with supervisors, training them to be more involved in the safety process. After all, supervisors are responsible for the physical work environment, employees’ unsafe acts and behaviors and the work processes that can lead to injuries and illnesses. Supervisors play a key role in dealing with an accident once it occurs, too. Usually the supervisor who was there when it happened, is accountable for the people and equipment involved, understands the hazards of the job and will most likely be involved in the corrective action process—all making them key in preventing similar accidents from happening in the future.

And finally, safety professionals are providing training sessions for all employees that address issues like safe lifting techniques, enhanced safety committee activities and office ergonomics—none of which meet OSHA requirements, but rather address real issues in their workplace.

Continuing on this safety progression of teaching and consulting will help decrease incidents and accidents, and loss costs. The change may be difficult for some employers, but continuing to “sell” safety and focusing on changing behaviors and changing the way people think about safety to reduce unsafe acts will make the process that much smoother.
The role of the Loss Prevention Specialist has changed over the years at North Dakota Workers Compensation (NDWC). While years ago safety inspections and safety standard compliance were the main scope of the work, the role now includes safety consultations as its major component.

Ten years ago, approximately 90 percent of the work a Loss Prevention Specialist conducted was that of a safety inspection. Now, only about 10 percent of our business consists of conducting safety inspections. Statistics show that 90 percent of injuries result from unsafe acts, while only 10 percent of injuries result from unsafe conditions. Common sense tells us to devote the majority of our effort where the majority of injuries are happening. Although a “good” safety inspection should look at both unsafe acts and unsafe conditions, most inspections focus on unsafe conditions – those that result in only 10 percent of injuries.

Here in North Dakota, we listened to the statistics and changed our ways. In 1994 our focus changed from safety inspections to safety management consultations when the Risk Management Program (RMP) was initiated. It is a voluntary program whereby employers can earn up to a 10 percent discount on their premium for implementing an 11-step safety program in their workplace.

Although conducting safety inspections is only one element of the program, we focus on total safety management by assisting employers implementing the RMP and consulting with them on sound loss prevention techniques.

From a statistical standpoint, we believe making the switch from conducting mostly safety inspections to providing safety consultations was a positive move. In 1992 NDWC had 8.09 claims reported per 100 covered workers in our state. In 2001 that number dropped to 6.78 claims per covered worker, a 16 percent decrease. In a more dramatic measure, in 1992 we had 1.69 wage-loss claims reported per 100 covered workers, while in 2001 that number was reduced to 0.87 wage-loss claims per 100 covered workers, a 49 percent decrease. Considering the fact that in North Dakota the average cost of a medical-only claim in 2001 was $400 and the average cost of a wage-loss claim was $29,500, much can be said for having an aggressive return to work program and minimizing or eliminating wage-loss claims.

Although conducting safety inspections should be, and needs to be, an important element in the role of a Loss Prevention Specialist, providing quality safety consultations has proven to be a more effective way to conduct business.
the same period in 2000. The oil and gas sector in the first 11 months of 2001, down 6 percent from concerns. WCB figures show that 783 new lost time claims were filed in throughout Alberta to promote safe practices and listen to workers' safety manufacturing facilities, services centers and drilling operations January. Oil company CEOs visited frontline workers at oilrigs, refineries, holding a week of safety programs and discussions with workers in About four dozen gas and oil drilling companies joined the WCB in holding a week of safety programs and discussions with workers in January. Oil company CEOs visited frontline workers at oilings, refineries, manufacturing facilities, services centers and drilling operations throughout Alberta to promote safe practices and listen to workers' safety concerns. WCB figures show that 783 new lost time claims were filed in the oil and gas sector in the first 11 months of 2001, down 6 percent from the same period in 2000.

British Columbia

The Workers' Compensation Board issued a new guide and series of ergonomic brochures designed to prevent injuries in the hospitality industry. In 2001 there were 6,500 accepted claims for the hospitality sector, exceeded only by the health care, construction and retail sectors.

California

Gov. Gray Davis signed a bill increasing the maximum weekly workers' compensation benefits from $490 to $602. As a tradeoff for the increase — which according to various estimates will cost between $2.4 billion and $3.5 billion a year — the bill provides return-to-work incentives and other measures that the Department of Industrial Relations says could save businesses $1.5 billion per year.

In a rare call for a mid-term rate increase, the Workers' Compensation Insurance Rating Bureau submitted a filing with the California Department of Insurance for a 10.1 percent increase in pure premium rates. The WCIRB said loss development had deteriorated to the point that the increases made effective on January 1 were already inadequate.

WCB figures show that 783 new lost time claims were filed in Alberta to promote safe practices and listen to workers’ safety concerns.

Colorado

Workers’ compensation premiums for some employers in high-risk industries are jumping as much as 30 percent, according to the Denver Business Journal. The turmoil has caused several insurance carriers to leave the state in the past two years, sending more business to Pinnacle Assurance, the paper reported.

Hawaii

The Hawaii Employers’ Mutual Insurance Company has moved to its new home. The street address is now 1001 Bishop Street, Pauahi Tower, Suite 1000, Honolulu, HI 96813. HEMIC’s mailing address remains P.O. Box 3576, Honolulu, HI 96801. The phone numbers are unchanged except for the fax number for the administrative office, (808) 522-5510.

The Hawaii Insurance Division approved the NCCI’s advisory loss cost filing for new and renewal policies. The original filing proposed an increase of 9.1 percent but it was later revised to 4.1 percent for industrial classifications.

Some physicians complain that they can no longer afford to treat injured workers because the reimbursement rates for workers’ compensation are too low, reported the Pacific Business News. According to a study by the Hawaii Medical Association, the state’s reimbursement level is the fifth lowest of the 39 states with workers’ compensation fee schedules. Workers’ comp reimbursement is set at 10 percent above the Medicare rate, which has decreased since 1995.

Maine

A Portland man who had collected workers’ compensation benefits for a disabling back injury while secretly working as a carpenter pleaded guilty to tax evasion and mail fraud in U.S. District Court. According to the Maine Employers’ Mutual Insurance Company, the man fraudulently collected more than $70,000 from 1997 to 2000. To make matters worse, the man failed to file tax returns in 1997, 1998 and 1999, attracting keen interest from the Internal Revenue Service. While worker’s compensation benefits are tax-free, they become taxable if they are fraudulently obtained; if the man was not reporting his income from his carpentry business to MEMIC, investigators reasoned that he might not be reporting it to the IRS either.

In a case reported by the Bangor Daily News, a 41-year-old woman who had been collecting workers’ compensation benefits since 1995 was seen dancing on a pool table in a bar. When her case was subsequently referred to the Workers’ Compensation Board for investigation, two doctors reported that although the woman limped in and out of their offices, her ability to walk appeared to improve significantly when she thought no one was looking. The WCB ruled that she had “intentionally misrepresented her incapacity” and ordered her to pay a fine and restitution.

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around aascif

Manitoba

Doug Sexsmith was named the new President/CEO of the Workers’ Compensation Board. Formerly a senior executive of IBM Canada Ltd., he has worked with numerous public sector organizations throughout Canada to help improve their operations and enhance service delivery. He also spent 20 years in the Manitoba government, most recently as associate deputy minister of family services. His government experience has ranged from front-line service delivery to Treasury Board functions.

Maryland

As a result of legislation passed during the 2000 session of Maryland’s General Assembly, IWIF is subject to more conservative Risk Based Capital (RBC) reserving standards. Key legislators and Maryland’s Insurance Administration support a 2002 legislative proposal that would phase in the RBC requirements over five years, which is similar to the phase-in period granted to other P&C insurers.

At close of business 2001, IWIF had referred 24 claimants and six policyholders for prosecution, and identified and billed $2,894,542 in premium fraud and avoidance and collected $959,654. Recoveries to date are $378,802 in claimant fraud and $7,326,721 in soft dollar reserve takedowns.

In April IWIF will sponsor a half-day Premium Fraud Awareness Seminar featuring some of the nation’s leading experts in this area. The presenters include: investigators from the Hartford and Liberty Mutual, a forensic accountant from Kroll Risk Consulting, a database expert from LexisNexis and attorneys from several premier law firms. Admission is free, but pre-registration is required. For further information contact Jerry Landsman, IWIF’s Director of Fraud Investigations, at (410) 494-2450 or jlandsman@iwif.com.

IWIF’s second-generation Document Management System was implemented in December and has created multiple opportunities for business process efficiencies. The system meets all the original project goals including complete integration with IWIF-WCIS – the enterprise-wide insurance application, both for viewing documents and creating paperless work-flows throughout the organization allowing for substantially improved operations. An example of the improvements is the paying and approval of circumspect medical bills by adjusters online. The new system, based on Gauss Enterprise’s VIP 8 platform, is substantially faster than IWIF’s previous imaging system – for viewing and elapsed time required for scanning and indexing documents.

Maryland (continued)

IWIF is adopting a three-year policy for small business owners. Policies that generate $500 or less in annual premium will feature a three-year fixed rate. Coverage is not affected and the savings generated by reduced administrative costs will help IWIF to maintain the lowest possible cost for coverage. Further information about this and other IWIF programs can be obtained from the newly launched IWIF website www.iwif.com.

Joe Gillian, formerly with Zenith Insurance, has been hired as the new Director of Loss Control. Joe is a 25-year insurance professional who will lead IWIF’s safety strategy design and implementation while communicating IWIF’s safety mandate to policyholders, agents, and the State of Maryland.

Janeen McLean has been promoted from Territorial Marketing Director to Service Director where she is responsible for customer service, imaging, and distribution. Janeen has been with IWIF for the past two years and has over 20 years experience in the insurance industry. Most recently she was the District Marketing Manager for National Grange Mutual covering the Maryland/Delaware area.

John Holladay is IWIF’s Director of Claims Quality Assurance and Audit. John comes to IWIF from The Hartford, where he accrued more than 23 years of liability and workers’ compensation experience. His most recent positions include those of Quality Assurance Leader and Assistant Claims Center Director where he managed a 100+ member claims staff.

Paige Beck has been promoted to IWIF’s Director of Corporate Management. Her knowledge of IWIF’s processes and procedures, extensive background in Internal Auditing, and procurement made Paige the ideal candidate for this position.

Minnesota

The Minnesota House and Senate voted to override Gov. Jesse Ventura’s veto of a budget package that includes taking $230 million from the Special Compensation Fund (SCF), which pays supplemental benefits to injured workers and pays the costs of administering the state’s workers’ comp system. Since the SCF is financed through assessments on work comp insurers, raiding it means assessments will need to rise. That will push pricing up several additional percentage points on top of the steep pricing increases employers already are seeing. SCF legislation is also progressing, however, to change the SCF assessment base to premium, rather than paid indemnity benefits, which would eliminate the need for insurers to reserve for future assessments.

The state Department of Labor & Industry reported workers’ compensation costs leveled off in 2000 following a five-year decline, according to the City Business journal. Total costs amounted to $1.37 per $100 of payroll, down 45 percent from the average cost for the period 1989 through 1994.
Missouri Employers Mutual Insurance (MEM) has restructured some of its key departments to provide more seamless coverage and better service to policyholders and producers.

MEM created an Operations Department consisting of Policyholder Services, Claims and Information Services. It will be led by newly appointed Vice President of Operations Dina Schultz. She was previously the director of Corporate Projects for MEM, where she was heavily involved in the company’s yearly planning process, overhaul of the policy management and project management systems, and analysis of Missouri Employers General Agency.

“As MEM has grown from a company with $0 in premium in 1995 when we first opened our doors to a projected $170 million this year, we are constantly striving to find new ways to enhance our operations to more efficiently serve the employers of Missouri,” said MEM President and CEO Dennis Smith. “With Dina’s commitment to operations’ excellence, I am confident we are well on our way to meeting this challenge.”

The Underwriting Department was also reorganized, creating a Key Account Team of underwriters handling accounts $10,000 and less, as well as a Middle Market Team that handles accounts greater than $10,000. Within each of these teams, underwriters will still maintain their geographic emphasis.

“This reorganization will allow us to specifically service the needs of these different types of accounts,” said Smith. “By doing so, we provide the most optimal level of service possible to our producers.”

Montana

The first ACE recipient was the East Helena Head Start Program, whose application to help purchase playground equipment captured the spirit and philosophy of the ACE program. Head Start serves 3- to 5-year-old children from families at poverty level. The children are currently being bused to a playground with equipment designed for older children, setting up the potential for accidents. The grant will allow the Head Start program to install age appropriate equipment in a vacant lot next door to their location, allowing children to play in safety while helping them to develop their motor skills. The playground will also be available for use by the East Helena community.

The MSF Board of Directors approved a $4 million dividend (5.7 percent of premium) to eligible policyholders with superior safety records. This marks the fourth consecutive year that MSF has been able to return dividends to its safety-conscious employers.

New York

The New York State Workers’ Compensation Board issued 6,200 legal judgments against employers in 2001. Quoting WCB Chairman Robert Snashall, the Albany Business Review reported that the board froze almost $70 million in assets to encourage employers to pay fines levied against them. Approximately $9.7 million in fines were levied last year; the money is placed in the Uninsured Employers Fund to pay benefits to workers injured while working for uninsured firms.

North Dakota

David H. Ystebo and Bob Indvik were reelected as chair and vice chair, respectively, of the North Dakota Workers’ Compensation Board of Directors in January. Other members of the board include Dr. Charles Dahl, Richard Johnsen, Evan Mandigo, Kenneth Sokoloski, Cal Kolling, Sindy Keller, Nancy Slotten and Denny Schneider.

Northwest Territories and Nunavut

Following the retirement of Gerry Meier, the Workers’ Compensation Board announced the appointment of Penny Ballantyne as president and CEO. She has previously served as deputy minister of the departments of Health and Social Services; Education, Culture and Employment; and Municipal and Community Affairs. She is also past president of the Northwest Territories Housing Corporation.

(continued next page)
**Ohio**

The Bureau of Workers' Compensation (BWC) will mail an estimated $66 million in bonus checks to 2,755 Ohio public employers later this year for attending a Public Employer Summit exploring how to improve workplace safety and manage workers' compensation costs. The public entities are receiving a 25 percent bonus based on their premiums for the 2001 policy year, provided that they each had at least one official attend the summit. “I'm pleased that so many leaders attended and hope they will adopt one of our programs and invest in workplace safety,” said BWC Administrator/CEO James Conrad. Since 1997 private sector employers have decreased their rate of injuries while public employers have continued to experience increasing medical costs and lost time claims because of workplace injuries.

A Cincinnati chiropractor owes the state more than $126,000 for billing the BWC for treatment of injured workers when no treatment was done. The chiropractor's downfall began when he billed for services allegedly performed in his office on dates when the injured worker was confined to a hospital bed. Investigators reviewed payment records and interviewed other former patients and discovered a pattern of fraudulent billing. For instance, one woman was “treated” 76 times over a period of several years after she stopped seeing the chiropractor. The BWC was billed for services allegedly performed on a man on dates when he was not even in the chiropractor's office.

The chiropractor’s guilty plea in the case was significant, according to Conrad. “Provider fraud cases are difficult to investigate and prosecute because of the amount of material and detail involved,” he said.

Last year the BWC’s investigators identified $88.6 million in savings and referred 256 fraud cases to the state Attorney General.

**Ontario**

The Workplace Safety & Insurance Board distributed $2.2 million in rebates to 128 members of the Ontario General Contractors Association at a ceremony in January. The companies participated in a pilot Safety Groups Program in 2000, which succeeded in improving their workplace health and safety performance. The WSIB also launched a new ad campaign with the slogan, “Safety Starts with You.”

Glen Wright, chair of the WSIB, announced that Brock Smith would head up a program to offer consultations throughout the province on technical issues surrounding workers' compensation coverage. Findings from the consultations will be forwarded to the Ministry of Labour.

**Oregon**

A hearing aid company agreed to change its advertising to avoid suggesting that hearing aids would be paid for by workers' compensation. According to the *Portland Business Journal*, the firm had indicated in newspaper and telephone directory ads that it could assist in getting workers' comp carriers to pay for consumers' hearing aids. The Attorney General's staff disabused the firm of its theories, asserting that only claims adjusters could determine whether a claim is compensable, subject to review by the Workers’ Compensation Board.

**Pennsylvania**

Gov. Mark Schweiker announced that maximum weekly benefits for new workers' compensation beneficiaries would increase from $644 to $662 in January. He asserts that the state has saved $3.3 billion in workers' compensation costs from 1995 through 2001.

**Prince Edward Island**

The third annual Conference on Workplace Health & Safety was held April 16-17 in Charlottetown. One workshop during the conference focused on how to create a workplace safety program; in December all places of business with 20 or more regularly employed workers will be required by law to have a safety program in place. Other workshops covered due diligence, stress management, prevention & profitability, soft tissue injuries, industrial ergonomics, indoor air quality, and accident prevention for teenaged workers.

**Rhode Island**

This year the Rhode Island General Assembly is considering a record number of bills having to do with workers' compensation. Representatives of labor, business and various special interest groups have submitted more than 80 pieces of legislation. These bills include revisions to the procedure for resolving workers' compensation disputes, the method for calculating the payment of benefits, the amount of benefits and the interaction with health-care providers. It is expected that only that legislation which favorably impacts all interested parties will pass, with the goal of continuing one of the real success stories of workers' compensation reform.

More specifically, as part of its reform, Rhode Island created a workers' compensation "Advisory Council" in 1990. This council is statutorily made up of representatives of labor, business, insurance, the legislature, and the Workers' Compensation Court, as well as the Department of Labor and Training and the Department of Business Regulation. This council reviews proposed legislation and then makes recommendations to the legislature as to the efficacy of the proposed changes. This process eliminates wholesale change simply for the sake of change and has led, for the past 10 years, to a fairly stable environment. Many observers hope that this process will again work to effectuate only those changes that will work to the best interest of the system as a whole.
Saskatchewan

The fifth annual Compensation Institute was held March 25-26 at the Saskatchewan Centre for the Arts in Regina. The free event offered tips on how to prevent workplace injuries, and manage injuries when they occur.

The Workers’ Compensation Board called for abstracts to be submitted for the Fall 2002 Case Management Conference to be held September 26-27 at the Quality Inn in Saskatoon.

Texas

Texas Mutual Insurance Co. announced the addition of Ken Lauber as its vice president of Field Operations. Lauber will oversee the company’s Dallas, Austin and Houston underwriting operations. He will also direct the company’s statewide marketing efforts. Lauber has extensive insurance experience, with a heavy emphasis in property / casualty. In the past 19 years he has managed marketing, underwriting and service operations for the CNA Insurance Company in California, Illinois and Louisiana. His most recent responsibilities included overseeing all of CNA’s Houston and Austin branch territories as its president.

Even though the Lone Star State is the lone state that does not mandate workers’ compensation coverage, 65 percent of employers do participate in workers’ compensation plans. According to National Underwriter, this represents an increase of 9 percentage points in the past eight years. But the San Antonio Business Journal reports that many employers are considering dropping out of the workers’ compensation system due to escalating costs. Groups representing employers support a proposal to impose a medical fee schedule to curtail costs, while physicians’ groups protest the fee schedule proposal arguing that it is as much as 250 percent more expensive to treat workers’ compensation patients than Medicare patients.

Utah

The Workers’ Compensation Fund announced the appointment of Allen Goodwin and Ben Llaneta to the positions of vice president and assistant vice president, respectively. According to BestWire, Goodwin will oversee the underwriting department, which consists of three divisions. Llaneta will head the risk management division. Both are veterans of Superior National Insurance and Zenith Insurance Group.

Washington

The Department of Labor & Industries (L&I) reached a settlement that allows Wal-Mart to remain self-insured but prohibits the Arkansas-based retail chain from self-administering its workers’ compensation claims in Washington for at least the next eight years. L&I had moved to decertify Wal-Mart’s self-insurance program after five audits between 1993 and 1999 showed that the company failed to open legitimate claims and did not process claims timely. As part of the settlement, state regulators will closely monitor Wal-Mart’s workers’ compensation claims. According to L&I, the settlement is contingent on Wal-Mart building a $40 million regional food distribution center in Washington. The retailer has also donated $175,000 to Kids’ Chance, which provides scholarships to children or survivors of workers catastrophically killed or injured on the job in Washington.

L&I announced a series of workshops and measures designed to reduce injuries to workers. Working with the Washington Restaurant Association, L&I launched a program to reduce injuries to teenaged employees in restaurants, which employ 50 percent of teen workers. The first workshop was held in Yakima. L&I also announced a series of workshops on ergonomics to be held in cities throughout the state.

West Virginia

The Bureau of Employment Programs recently announced it had filed injunction suits against three employers that together owed more than $125,000 in back taxes, interest and penalties to the Workers’ Compensation Division. The injunctions call for the firms to cease business.

Yukon

The government will hold off for now on its plans to change the Workers’ Compensation Health & Safety Board. As part of a restructuring program being conducted throughout government, the chair of the board was to serve at the pleasure of the Premier rather than be accountable to the board. According to the Whitehorse Star, the basis for the change was to make the workers’ compensation board more accountable to taxpayers. However, it was pointed out that the board receives its funds from employers, not taxpayers. Now, any changes in reporting relationships will wait at least until an examination by the auditor-general is completed in June.

visit the AASCIF website at: www.aascif.org
**Internal Auditor’s Role in Disaster Recovery**

By Patricia F. Wagner, CIA, New York State Insurance Fund

**dis•as•ter : A sudden calamitous event bringing great damage, loss or destruction (Merriam Webster’s Collegiate Dictionary)**

Merely hearing the word “disaster” can evoke alarm and confusion. It can leave lingering uncertainty in managers’ minds about how they would regain business momentum in a time of crisis.

No organization expects to experience the interruption or a lengthy delay of normal business processes and operations due to a disaster or any unforeseen event. So the “It won’t happen to me” syndrome takes hold. And the remote probability of a disaster occurring can interfere with an organization’s judgment in dealing with the reality of a disaster’s possibility and its potential impact. But an organization cannot categorically forestall ramifications such as loss of information, loss of access and/or loss of personnel as a result of such an event. Thus, advance planning is necessary to minimize loss and ensure continuity of an organization’s critical business functions.

**re•cov•er•y : Bring back to normal position or condition. (Merriam Webster’s Collegiate Dictionary)**

Recovering and returning an organization to normal conditions after experiencing a disaster is a complex and continuous process. And the recovery process actually is made more difficult by not planning ahead. Therefore, if an unfortunate event should occur, organizations should be prepared to resume operations and return to normal conditions as swiftly and effortlessly as possible. In order to survive, the organization must assure that critical operations can resume normal processing within a reasonable time frame.

A crucial element of recovery is a comprehensive and current disaster recovery plan. And internal auditors can play a critical role in planning for disaster recovery. They can (1) assist with the risk analysis during plan development, (2) critically evaluate the plan after it has been drawn up, and (3) provide assurance that the plan is being kept up to date through regular audits.

**Plan Development**

Historically, internal auditors have provided independent, objective opinions relating to the adequacy of internal controls in an organization’s operations. However, internal auditors have expanded their role to consulting activities designed to add value and improve an organization’s operations.

In addition to assessing and recommending internal controls, organizations rely upon internal auditors for analysis of operations and assessment of risk. Internal auditors’ unique perspective and understanding of the overall business operations, the individual department/unit functions, and how they interrelate with each other, positions them as a valuable resource in disaster recovery plan development.

Internal auditors can help with a full assessment of an organization’s internal and external environment. Internal factors such as management turnover, and changes in information systems, in controls and in major projects and programs should be considered. External factors such as changes in the outside regulatory and business environment, including changing markets, financial and economic conditions, competitive conditions, and new technology also should be considered. Internal auditors can help identify risks involving critical business activities and help prioritize functions for recovery purposes.

The mission statement of the American Association of State Compensation Insurance Funds (AASCIF) states that, “State Funds... have a mission... to take a position of leadership in the provision of service to employers and injured workers...”

In support of this mission, AASCIF’s threefold commitment includes, through the effective and efficient operation of its member Funds, providing:

- An assured market for employers to secure workers’ compensation coverage, and
- Adequate, prompt, and equitable benefits to injured workers and their dependents.

A disaster resulting in a breakdown of communication and/or data lines may cause the carrier to lose the business of potential policyholders and/or render a carrier incapable of serving its current policyholders. Or unscheduled delay or termination of compensation payments can result in inadequate or late payments, causing great hardship to a claimant’s livelihood. An effective disaster recovery plan can facilitate a recovery with minimal delay in order for a carrier to continue providing essential services to its customers.

Organizations are more vulnerable when they are in disaster mode and trying to recover. And the recovery period is a critical time for internal auditors to be monitoring the recovery of operations and internal controls. Therefore, as part of its own disaster recovery plan, internal auditors should plan how to monitor internal controls when recovery is under way.
Plan Evaluation

Internal auditors make a valuable contribution as a “clean” eye when they review the disaster recovery plan for design, completeness and overall adequacy. They also can examine the plan to determine that it reflects operations that have been appropriately prioritized, that appropriate risk assessments and analyses have been included, and that the plan contains sufficient internal control considerations. Their considerable knowledge of all business operations and applications uniquely qualifies them for this role.

Regular Audits of the Plan

Internal auditors should periodically audit the organization’s disaster recovery plan. The audit objective is to verify that the plan is adequate to insure timely resumption of operations and processes during adverse circumstances, and that it reflects the current business operating environment.

Disaster recovery plans can become outdated very quickly. Changes occur, such as employee turnover, system configurations/interface changes, or updated software where new releases might not be compatible with prior versions. Internal auditors should examine the recovery plan to determine that it incorporates important changes that take place over time, and that the revised plan has been communicated to the appropriate people, internally and externally.

During the audit, internal auditors should, among other things, determine:

1. When the plan was last updated
   (verify it was updated within the past 12 months).
2. There are procedures for updating the plan.
3. Where the plan is stored.
4. The location of the backup facility site.
5. What critical systems are covered by the plan.
6. What critical systems are NOT covered by the plan, and why.

Internal auditors should report any observations or recommendations to management immediately.

Organizations can anticipate and plan for the adverse effects of a disaster. The challenge for internal auditors is to help their organizations understand risk awareness/risk assessment and develop an effective response.

Ultimately, the tone at the top determines how effective internal auditors can be in planning for a disaster. It is important for organizations to recognize the importance of the internal auditor’s role in disaster recovery. Competent internal auditors bring to the planning process objectivity, integrity, expertise in communication, the ability to identify enterprise-wide risks, and the skill to assess the effectiveness of controls put in place to mitigate those risks. They can provide insightful information regarding the organization’s operations, and its interrelated processes and functions.

After a disaster occurs and as the crisis eases, internal auditors need to look at the impact of the disaster on control processes. Internal auditors should make sure that as many normal controls as possible remain in place during an emergency. They should push for the return to normal controls as soon as it is expedient.

The outcome of some disasters cannot be averted. But with proper planning – including involvement of the right people – organizations can recover operations and return to normal processing expeditiously following a disaster.
2002 AASCIF Standing Committee Goals

Audit & Statistics
Chair: Anna Rodriguez, Arizona
• Annual audit of AASCIF
• Four articles for AASCIF News covering IT, fraud and disaster recovery
• Fall joint workshop with Information Technology Committee
• Compile AASCIF Fact Book
• Update comparative statistical information for the AASCIF website

Claims/Rehabilitation
Chair: John Marr, Maine
• Two articles for the AASCIF News
• Fall workshop in San Francisco

Communications
Chair: Mark Ladwig, Minnesota
• Conduct annual Communications Contest
• Workshop to be held in Austin, Texas, focusing on websites and promotional campaigns
• AASCIF News articles covering communications strategies for a hard market, online capabilities and communications contests results

Finance & Investment
Chair: Leslie Dawe, California
• Publish the 2001 Finance & Investment Survey results
• Two AASCIF News articles covering the fall workshop and the risks & rewards of reinsurance
• Fall workshop (tentatively in San Diego) with the theme “Lessons Learned from 2001”

Human Resources
Chair: Pam West, Louisiana
• Conduct AASCIF Compensation and Benefits Survey
• Compile AASCIF directory of HR professionals
• Organize panel discussion on multi-team approach to policyholder services for the Annual Conference in New York
• Fall workshop in Rhode Island
• Two AASCIF News articles on the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Americans with Disabilities Act
• Conduct monthly conference calls of committee members

Information Technology
Chair: Ray Everett, Arizona
• Two AASCIF News articles on Internet security and document imaging
• Fall workshop in Las Vegas focusing on business continuity planning, project management and data warehousing

Law
Chair: Rona Finkelstein, Maryland
• Survey AASCIF members on the top 10 legal cases nationwide
• Two AASCIF News articles on secondary payer issues and Coverage B
• Fall workshop covering exclusive remedy, aftermath of 9/11, e-commerce and online business, and policyholder issues

National Issues
Chair: Charles Savage, California
• Assist New York State Insurance Fund with the Annual Conference
• Promote State Funds to state legislatures and industry groups
• Provide support for federal reinsurance legislation and reinsurance pools for losses due to terrorism
• Establish an advisory group for the AASCIF CEO Executive Committee
• Promote the creation of an AASCIF data bank for claims information
• Coordinate responses to attacks on State Funds by private and public bodies

Policyholder Services
Chair: Don Hale, Maine
• Conduct a technology information survey with AASCIF membership
• Two AASCIF News articles about the survey and using a team approach to underwriting and delivery of services
• Conduct a workshop with Communication Committee during the upcoming October meeting in Austin, TX

Safety & Health
Chair: Steve Halferty, Montana
• Fall workshop in Las Vegas
• Two AASCIF News articles on inspecting versus consulting, and measuring safety programs’ effectiveness

Maryland’s IWIF Welcomes New CEO

Thomas L. Bromwell, chairman of the Maryland Senate Finance Committee, announced he will resign his seat to accept the presidency of the Injured Workers’ Insurance Fund. Bromwell, 52, has served in the state legislature for 24 years and is very knowledgeable about the insurance industry and IWIF’s operations. He has also operated his own construction company.

The aascif News is published quarterly by the American Association of State Compensation Insurance Funds for its members and others who are interested in workers’ compensation systems. Send articles and inquiries to: State Compensation Insurance Fund; Attn: Patrick Andersen; Communications, 15th floor; P.O. Box 420807, San Francisco, CA 94142; (415) 703-7013; Fax (415) 703-7028; pwandersen@scif.com. Printed in the Print Shop of the California State Compensation Insurance Fund. Graphic artist: Jim Smoldt.