



Oil Patch Quarterly

Exclusive Program Managed by Sisk & Company

Second Quarter 2009

INSURANCE NOTES

The current debate on health care reform has all of us wondering what is going to happen. It appears our current administration does not understand the pressure small business owners face as they look at ways to stay in business; while complying with government mandates and at the same time earn a profit.

At Sisk & Company we are sensitive to the situation from several fronts. As we look for ways to help businesses with their insurance solutions, one idea that we are exploring is the concept of using our position with the MSEA to evaluate the concept of a non-profit cooperative model for the purpose of creating larger groups for health insurance. This idea is one of the many ideas being considered at this time.

If you have questions about health insurance, contact Tom Sisk or Todd Heiserman. We understand the challenges of small businesses and can share many ideas on the health care changes that are likely to be coming out of Washington in the near future. We will be able to do more than wish you "good luck!"

Direct Costs Just Tip of the Iceberg When Workplace Accidents Occur

As an employer, you are naturally concerned about the *direct costs* (easily identified costs of workplace accidents) since they have an immediate impact on your bottom line. That's why you carry workers' compensation insurance; so that the medical costs and wage replacement for your injured workers will be covered.

However, what you may not think about are the hidden, *indirect costs* of workplace accidents to your business. These costs, which aren't so obvious, include such things as the cost to train a replacement worker, the cost to repair damaged property, and the cost of loss of productivity.

The Occupational Safety and Health Administration (OSHA) reports the ratio of indirect costs to direct costs varies widely from a high of 20:1 to a low of 1:1.

The data show that the direct costs of workplace accidents are just the tip of the iceberg. Businesses and their employees can be hit hard by the indirect costs of an accident, which include:

- Time that damaged equipment or vehicles are out of service;
- Tools or equipment that must be replaced;
- Loss of productivity by employees;
- Overhead costs while work is disrupted;
- Unhappy customers; and
- The impact to your IS Net World or PEC Score cards.

In short, workplace accidents can be far more costly than they initially appear. What's the best way to control your costs? Prevent the injury in the first place. For more information on the hidden costs of accidents and injury prevention, contact Dan Klimek at 303-831-7100.



LESSONS LEARNED

Dangers of Flammable Gas Accumulation

In the past several years I have talked to a number of operators and contractors that describe accidents in which employees were burned in fires. The stories are similar and contain similar elements:

Case overview: A gas explosion / flash fire injured workers when a flash fire originated in an enclosure located near several storage tanks that contained flammable liquids and waste products. It appears the workers were bleeding / venting flammable gasses inside an equipment enclosure when an ignition source was introduced that cause the explosion.

Lesson Learned: Train employees in the hazards and properties of flammable gases and vapors. It is helpful to train them in the use of combustible gas monitors and require their use.

Review the design of piping systems and confirm that the vents and blow off lines exit into areas where flammable vapors can dissipate without creating a fire hazard.

Implement written procedures for working in areas where flammable gas / vapor hazards may exist and training employees per those procedures.

Changing Worker Behavior Improves Safety

A 10-year study conducted by DuPont found that 96 percent of accidents were the result of unsafe actions by employees going beyond their limits, rather than unsafe conditions. The number one cause of workplace injury, overexertion, resulted in hard to diagnose and equally hard to treat muscular-skeletal sprains and strains. In the MSEA, we see the same trends, especially with the current business slow-down.

It makes more sense than ever for business owners to take the initiative to focus on actions they can take to prevent all injuries and especially strains. Supervisors need to raise awareness among employees to work as a team, and to look after one another. It's extremely important that workers have the goal of getting the work done safely.

One of the first steps to a safe work place is to hire the right people. Some MSEA members report using pre-employment safety quizzes. This quiz has basic "common sense safety questions" and these companies believe that if an individual can't pass these very basic quizzes (written test) they are not the right person for the job. That individual is not given an application to fill out and thus will not be hired. Other MSEA members report using functional capacity evaluations to make sure the new hire is capable of doing the type of work they were hired to do.

After hiring the right people, you need to indoctrinate them into working safely and developing a safety culture. This is done by having written procedures, training your employees in those procedures, enforcing compliance with the procedures and reviewing the procedures to make sure they continue to address safety concerns in a changing work environment. It also includes developing employees to watch out for co-worker's safety as well as their own.

Some MSEA members have asked about behavior-based safety. This is a program that focuses on performance of people. It is based on helping workers understand the prior events and conditions that led to accidents and focuses on behaviors to prevent accidents and injuries.

Human behavior is hard to change, but the benefits of developing a safety culture at your business can include lower WC premiums, increased workplace safety, and fewer injury-related absences. With the proper training of the worker and the supervisor you can impact the safety performance of your business.

Control Noise Exposure to Prevent Hearing Loss

Millions of employees work in places where exposures to loud noises are everyday occurrences. At first, it may not appear harmful, but overexposure to loud noise can result in hearing damage or hearing loss. OSHA provides a few recommendations to employers and employees to help reduce the risk of hearing damage:

- If it is too loud to hear another voice from three feet away, do not work without hearing protection.
- When choosing hearing protectors, such as earplugs or earmuffs, select one that fits comfortably.
- Always turn off loud machinery before removing hearing protection.
- If employees are regularly exposed to loud noise, you may need to develop a hearing conservation program that includes training and annual hearing tests.

OSHA's Safety and Health Topics pages provide useful resources on a variety of issues.

The Noise and Hearing Conservation page offers links to information on how to prevent hearing hazards in the workplace. Visit OSHA's Web site for more materials focusing on safety and health hazards or contact Dan Klimek at Sisk and Company for information about hearing loss, hearing conservation programs, selecting hearing protection and developing a personal protective equipment hazard assessment.

Adapted from article from OSHA Quick Takes

OSHA Notifies Businesses with High Injury Rates

More than 13,500 employers nationwide were notified by OSHA that their injury and illness rates are higher than the national average.

The agency surveyed 80,000 worksites last year on workplace injuries and illnesses to identify employers with above-average days away from work, restricted or transferred rates. OSHA's notification letters inform employers of their high rates and offer ways to correct them.

OSHA NEWS

After an OSHA Inspection--- What Comes Next?

By Megan Meagher, OSHA Outreach and Compliance Specialist

Many employers have heard about what happens when an OSHA inspector shows up to do an inspection. But, what happens after the inspector leaves the job site is often unfamiliar.

At the conclusion of the inspection, the inspector will hold a closing conference with the employer to advise them of any citations that will be recommended as a result of the inspection. Not all inspections result in the issuance of citations.

However, if citations are issued, the employer usually

has three options for resolving the case. These options are as follows:

1. If you agree to the Citation and Notification of Penalty, you must correct the condition by the date set in the citation and pay the penalty, if one is proposed;
2. If you do not agree, you have 15 working days from the date you receive the citation to contest in writing the citation, proposed penalty, and/or abatement date.
3. Before deciding on either of these options, you may request an informal conference with the OSHA Area Director to discuss any issues related to the citation and notification of penalty and discuss how you can improve your safety and health program. You may use this opportunity to do the following:

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OSHA Citations – continued from page 3

- Obtain a more complete understanding of the violations cited and of the specific standards that apply, and ways to correct violations;
- Negotiate and enter into an informal settlement agreement;
- Discuss problems concerning the abatement dates or safety practices;
- Resolve disputed citations and penalties, (thereby eliminating the need for the more formal procedures associated with litigation before the Review Commission); and
- Obtain answers to any other questions you may have.

OSHA encourages you to take advantage of the opportunity to have an informal conference if you foresee any difficulties in complying with any part of the citation. Please note, however, that an informal conference must be held within the 15 working day Notice of Intent to Contest period.

For violations you do not contest, you must: (1) promptly notify the OSHA Area Director by letter signed by a member of management that you have taken the appropriate corrective action within the time set forth in the citation, and (2) pay any penalties itemized. The notification you send the Area Director is referred to as Abatement Certification.

Once each citation has been fully resolved and any penalties remitted, the case is usually closed. Please note, however that OSHA does conduct follow up inspections in some cases to verify hazard correction.

For more information, please see *Employer Rights and Responsibilities Following an OSHA Inspection* at www.osha.gov or contact Megan Meagher at 303.844.5285 x105 or meagher.megan@dol.gov.



There is no doubt that the first role of a good safety program is to prevent injuries, accidents and the resulting claims. The second step in a loss control program is to manage claims. As part of the activity I do for MSEA clients, I have been working with the claims staff at Pinnacol to close open claims. During these discussions we review the injury, the treatment and discuss a closure plan for each open claim.

As has been mentioned at the MSEA quarterly meetings, modified duty has a huge impact on getting claim closed. There is a lot of evidence to suggest that if a person can earn more money working full time, they are inclined to ask themselves if they are well enough to return to full duty. In addition they tend to suggest to the doctors that they can work full duty. However, if an employee is off work, they frequently ask themselves if they are still hurting enough to stay off work. How they answer these two questions have a huge impact on the cost of your claims and the resultant impact on you e-mod.

At Sisk, we work with Pinnacol to manage the claims and in our effort to always improve the performance of the MSEA members; we continually evaluate our processes for claims management and follow up. But remember two points; 1) Companies need to be actively involved in their claims management; and 2) Preventing injuries is always the first step in a good safety program.

If you have questions, call Dan Klimek at 303-831-7100

Contact Information

The Mountain States Energy Alliance (MSEA) is a not for profit association dedicated to helping members create a safer work environment in the oil and gas industry. The MSEA offers an exclusive workers' compensation program underwritten by Pinnacol Assurance for its members. MSEA members receive a 4% discount on their workers' compensation premium and may also qualify for a dividend payment based on favorable loss experience of the group. To see if your company qualifies for the program or for more information about the MSEA program contact one of the following.

Mike Eastop
Dave Tacha
Tom Sisk

For benefit information contact:
Todd Heiserman

The following websites provide excellent insurance and safety information:

www.tjsisk.com

www.gomsea.org

www.petrodocs.com

If you have questions or comments about this newsletter, contact:

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