



Dealers take pride in solid safety rates while keeping insurance costs down.

BY ANDY CARLO

When HLC Incorporated was hit with soaring insurance rates about a decade ago, the dealer needed to make drastic changes before costs ate the business alive.

“At the time, workers comp coverage in California was chaotic at best, increasing annually by double digits and by as much as 20%,” says Eric Ziedrich, president and owner of HLC (Healdsburg Lumber Company). “It was virtually impossible to control our costs.”

HLC, along with a half-dozen other members of the Lumber Association of California and Nevada, decided to take matters into their own hands and explore other options that could allow them to manage their own premiums

and loss control challenges. With the help of their association’s broker, Owen Dunn Insurance Services in Sacramento, Calif., they began the process of creating their own company.

Although the group captive insurance company began as an LBM-based organization, it has since grown and diversified with 130 member companies across the U.S.

According to Ziedrich, the group quickly realized that diversification was the key to lowering risks and pursued members from other industries. Today, the group includes a diverse collection of member companies, including landscaping contractors, masonry contractors, camper manufacturers, car washes, movie theaters, trucking outfits and agricultural businesses.

The common denominator is that each business takes safety very seriously.

“The fact that every loss comes right out of our own pockets is a driving force and incentive to pay close attention to our safety programs,” Ziedrich explains.

“It’s in all of our interests to pay attention to our own safety program as well as all of our members.”

HLC, with 80 employees, had zero injuries last year and just two injuries in the year prior. While the law of averages—combined with the nature of the LBM industry—might dictate an occasional injury, HLC is no longer plagued by small injury issues. Ziedrich says splinters, cuts and twisted ankles have, for the most part, become a thing of the past.

“The frequencies have plummeted,” he says. >

MANAGING RISK

Captive Audience

In a member-owned captive insurance company, the companies that make up the captive own and control the company. They are also tasked with running the insurance company and typically do so by engaging outside service providers in each functional area such as claims or financial reporting. The size of a group can range from 20 individual companies to as many as 400 or more, according to Sandra Duncan, vice president of operations at Captive Resources, a Schaumburg, Ill.-based consulting firm that advises captive groups.

One of the characteristics that makes group captives attractive to small companies is, once they become a member, they have an equal voice since each member has one seat on the board of directors, regardless of size. A smaller member that is paying as little as \$200,000 in annual premiums will have the same seat on the board as a company that pays \$5 million in premiums.

Group captives are also attractive because it allows companies to control their own insurance destiny. The adverse effects of the traditional insurance market, which can move through soft and hard cycles, are limited.

"Pricing goes up, pricing goes down—but it often can have little to do with your own safety loss experience," Duncan says, regarding the traditional insurance market.

One of the challenges the group captives face is to continue growing. The larger the group grows, the more leverage it has in negotiating service provider fees and therefore can lower premiums through reduced operating costs.

"Successful group captives target best-in-class risks," Duncan says. "You better be good at what you're doing and taking care of safety and risk management in your own company."

Central Valley Builders Supply (CVBS) in St. Helena, Calif. is part of the same group captive as HLC. According to CFO Dave Templeton, the company has enjoyed a 90% reduction in average and total claims in recent years.

Templeton attributes some of the company's safety success to participating in the captive group and the programs available to the dealer. CVBS maintains proactive safety services including a safety director at each of its five locations. The directors attend risk workshops with peers from other organizations and share best practices. HLC also engages in the workshops.

CVBS's 150 employees attend regular safety meetings with yards competing for best safety performance and attendance. Part of their bonus system is based on employee attendance at safety seminars.

"There's a tendency for lumber dealers to make equipment last longer than its ordinary life," Templeton says. "We've replaced any that is hazardous and are certifying employees' use; even the old timers with 20+ years on the job."

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Safety regulations are presented in the new hire packet at CVBS. At bi-weekly meetings, the safety reps go through specific issues such as the nearest location of an eye wash station or what the procedure is if an accident occurs. Any recent accidents are also reviewed with employees. Employees who don't follow safety regulations at CVBS, such as not wearing their seat belt, can get written up.

A Culture of Safety

When Steve Jacobson arrived at Star Lumber 12 years ago, the company was averaging nearly 100 accidents per year. Since implementing safety guidelines and more rigorous training, the company has had an about face when it comes to safety.

In the past two years combined, the company has had 20 injuries. However, none of them were severe, according to Jacobson, and none of the injuries required Star's carrier to pay any claims above the company's \$5,000 deductible.

"Safety needs to be a grass roots activity," says Jacobson, director of human resources at Star Lumber. "Those of us in the office can't always watch for safety but people in their work areas can watch out for one another." The company has 300 employees and maintains 11 locations, including its home office in Wichita, Kan.

Annual training at Star includes "lock out and tag out" on heavy machinery, forklift safety, department of transportation safety, and job methods such as lifting and lowering properly. Supervisors on the yard floor help set the tone and reinforce safe methods. They also provide "tool box" talks in their work areas. Each five-minute talk encompasses an area of daily safety in a given work area. Weekly team safety meetings are part of the formula too.

"No one benefits from being injured on the job," Jacobson says. "That clearly causes their family hardship and it causes hardship at the job."

"We have an aging workforce," Patrick Goebel, Star Lumber's president, told *LBM Journal*. "The longer we can keep them safe, the longer they can be productive. We want to keep experienced people that understand the culture of our business."

At HLC, every department has a designated safety representative. The riskier the job, the more often safety meetings are conducted; high risk occupations such as yard staff and drivers meet at least once a week. The safety reps also meet among themselves once a month.

"We traditionally look at insurance as a typical cost of doing business, a fixed cost of doing business. It wasn't a variable and we would set in on the administrative side and 'it is what it is,'" Ziedrich says. "But we can affect it significantly." ■

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