Regulation Trends:
Three Important Issues
Page 19.

Insurance Issues:
Hard Times in Insurance
Page 34.

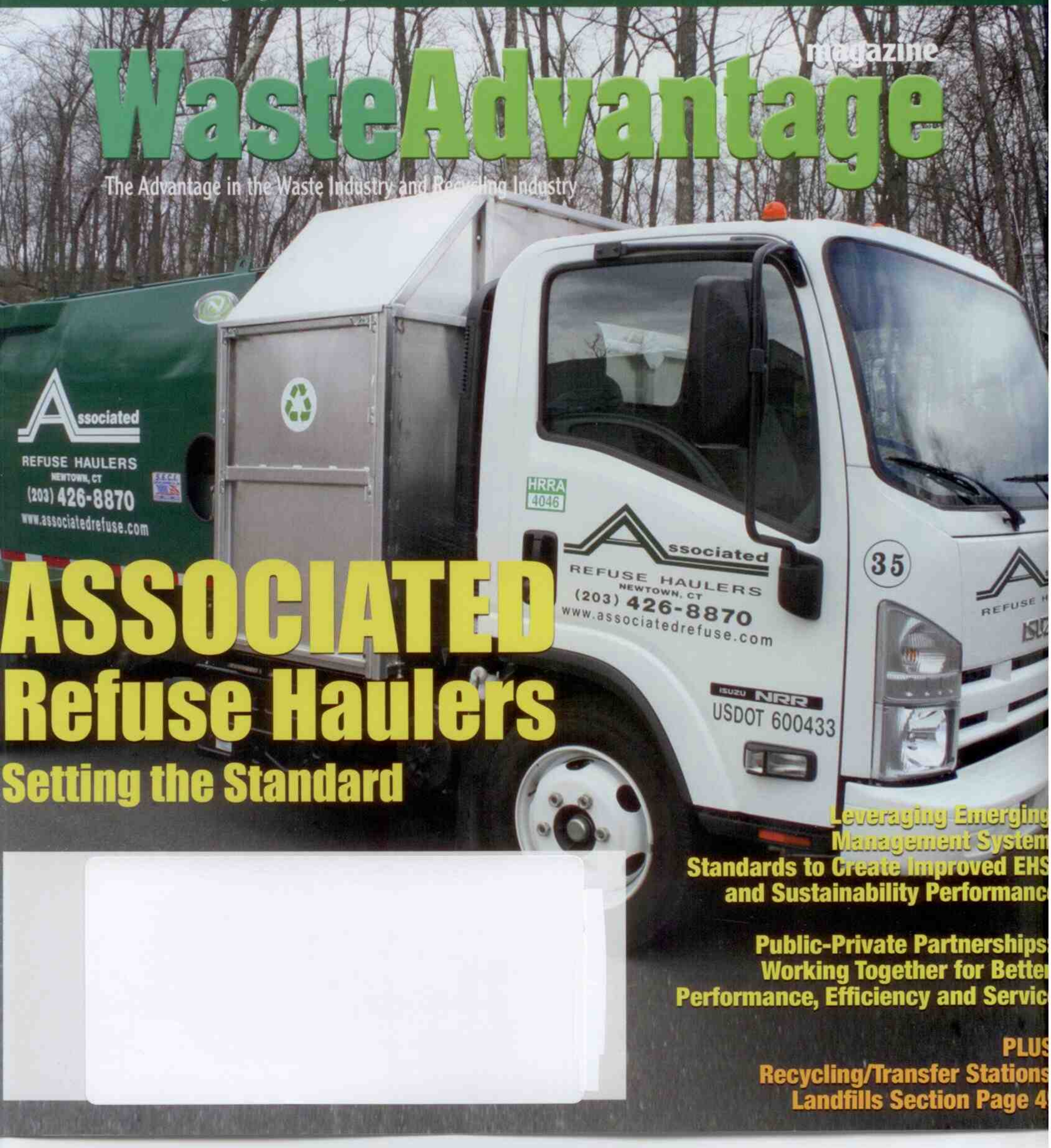
Zero Accident Culture:
Embracing Your "Inner City Dog"
Page 41.

Shop at the MarketPlace Page 67

www.wasteadvantagemag.com August 2012 Vol.3, No.8

Waste Advantage magazine

The Advantage in the Waste Industry and Recycling Industry



ASSOCIATED Refuse Haulers

Setting the Standard

Leveraging Emerging Management System Standards to Create Improved EHS and Sustainability Performanc

Public-Private Partnerships: Working Together for Bette Performance, Efficiency and Servic

PLUS
Recycling/Transfer Stations Landfills Section Page 4

Hard Times In Insurance

Nathan Brainard

As a hard market insurance market becomes a reality, CARRIERS HAVE BEGUN TO TIGHTEN THEIR UNDERWRITING GUIDELINES, becoming more selective on which companies they offer terms to while at the same time increasing their rates.

SEVERAL MONTHS AGO WE PUBLISHED AN ARTICLE indicating a hard insurance market was looming (*Waste Advantage Magazine*, December 2011). Hopefully, the message was heard and companies took heed as that indication has started to become a reality. As a basic description, a hard market comes about when carriers begin to tighten their underwriting guidelines, becoming more selective on which companies they offer terms to while at the same time increasing their rates. Furthermore, the competitive nature that has existed for the past few years has decreased as fewer carriers are interested in specific classes of business, in this case, waste collection, processing and recycling.

By the Numbers

Per OSHA, the waste industry is among the most hazardous in the nation, ranking 7th highest in worker fatality rate. The number of collection worker deaths increased in 2010 by 30 percent, and while the official 2011 Bureau of Labor Statistics (BLS) data for the waste industry has not yet been released, informal indications are that there was a slight decrease in collection and landfill worker fatalities, but an overall increase in recycling facility deaths. The BLS has released numbers for all industries as a whole, but industry-specific data will most likely not come out until late August of this year. In 2011, the NSWMA was aware of 46 worker fatalities. This includes 10 fatalities at recycling facilities and two deaths at a California composting facility.

This data is not lost on carriers servicing our industry. In fact, the same way the BLS and OSHA track these injuries, so to do the insurance carriers. Additionally, they keep their finger very close to the pulse of what other carriers are doing in specific market segments. Underwriters are aware that there is less and less competition for the waste and recycling industries. Don't get me wrong, there are still multiple carriers out there interested in these classes of business, but the playing field is a fraction of what it was four or five years ago, and it is fair to speculate that this is one factor in rate increases.

Loss Ratios

Over the past five years, we have seen some of the most tenured industry insurance carriers back out of the industry due to adverse loss ratios. We saw a number of "new carriers" try to enter the marketplace without truly understanding the industry. They bit onto the lure of large trucks and large premiums without ever getting to really know our industry. They tried to buy business with low rates thinking they could do cash flow underwriting (this is when a carrier writes business and uses incoming premiums to pay incurred claims hoping to eventually hit and surpass the breakeven point and turn a profit). It is extremely risky and rarely works, especially in an industry where losses can be so substantial.

When a collection truck moving at a fair rate of speed hits a private passenger vehicle, the resulting damage is typically catastrophic to the private passenger vehicle while the collection vehicle many times suffers minimal damage. Situations like this have driven carrier loss ratios in the wrong direction and are ultimately responsible for the withdrawal of many of the long-term carriers. This same scenario is also the reason why many "new" carriers stay far away from the industry, or why "industry programs" sometimes go through insurance carrier changes. Insurance carriers are in this to make a profit and they can only take so many losses before throwing in the towel. A prime example of this adverse loss ratio is the current death toll involving refuse collection vehicles in 2012. As of June 14, according to David Biderman, NSWMA's Safety Director, there have been at least 42 third-party fatal accidents involving the solid waste industry. This is a staggering number as we are less than half way through the calendar year.

Worker-Related Injuries and Accidents

It is not just our vehicles that pose a problem. The daily physical demands on employees in the industry cannot be overlooked. Worker's compensation rates from Florida to California are on the rise. We are seeing rate increases from 8.9 percent to 40 percent or more depending on the classification code and State. Because of the physical nature of the job, employees of the waste and recycling industries are exposed to all kinds of injuries from strains and lacerations to respiratory and other types of infections. The primary worker-related injuries/accidents we are seeing thus far in 2012 seem to revolve around two main operational procedures; Lock Out/Tag Out (LOTO) and Backing of Vehicles and Equipment. Theoretically, these should be areas where no accidents are taking place, but because many workers are trying to get their jobs done faster so they can move on to the next project, corners are cut and safety guidelines and procedures are ignored. It is amazing how often it is determined during the subsequent investigation that management is "talking" safety, but supervisors are not "walking" safety. Every employee feels the pressure of getting the job done and meeting deadlines; however, ignoring safety-related matters not only impacts specific companies, but also the industry as a whole. If a company is truly serious about their safety culture and enforcement of safety practices it needs to be exemplified from ownership down.

Unfortunately, occupations in higher risk tiers are the first to see large increases. It should not come as a surprise that the primary industry classification code 9403—Garbage, Ash and Refuse Collection—is in the aforementioned highest tier. While experience modifiers do play a factor in a company's worker's comp rates, the overall performance of the industry is a much more relevant item. While a single carrier might sustain many losses and another only a few for a specific industry, the data for all losses is ultimately shared, compiled, analyzed and used to determine what will happen with the rate by classification code for the coming year. This is broken down on a State-by-State basis; however, the overall data as mentioned is used to make this determination. This specifically pertains to NCCI (National Council on Compensation Insurance) based States; however, many monopolistic and non-NCCI States also use this data to determine rating structures for their coming year.

Equipment and Property

As for equipment and property, those rates are also on the rise. Recently, one of the largest players for Inland Marine/Contractors Equipment insurance for the industry started pulling back and then several months later announced they were no longer interested in operations with landfill or recycling operations at all. They had gotten inundated with claims from landfill fires, theft from landfills, facilities and yards. Ultimately, it boiled down to another example of adverse loss ratio.

For physical structures such as offices and facility buildings you can thank mother nature. Last year was the single worst year for losses incurred by insurance and reinsurance carriers since they began tracking that data over 100 years ago. The earthquakes in Japan and New Zealand, flooding in the Central U.S. as well as all of the tornadoes have given carriers an underwriting premium deficit on property policies and they are now looking to recoup the losses.

Distribution

The most common reaction we hear is, "Well nothing happened in my State? Why are we getting the rate increases?" The simple answer is risk distribution. Carriers look to distribute the allocation of polices over a large geographic area to spread out their risk. The hope is that North Carolina might manage to avoid being hit by a hurricane, but there is no guarantee, so they offer polices in a landlocked state like South Dakota that should be relatively incident free in an effort to hedge their bets. If North Carolina does, in fact, get hit, they have premium from other states to apply and offset those losses. When these claims occur, everyone, whether in the affected State or not, feels the increase (though those in the affected State feel a much larger brunt of the increase and justifiably so).

So what can you do to minimize your premium increases? This is going to be a case-by-case basis as we are not all conducting the same operations; however, there are three items currently considered "hot buttons" by underwriters.

Integrity Testing

While the pricing varies depending on the company being used to perform the actual test it is money well spent. This test can help you determine if the potential employee will steal from you, file a fictitious claim or is prone to lying or drug use. Many of them can also determine if a potential hire will leave for another job paying $0.25 more per hour after you have spent thousands of dollars on training that, ultimately, helps you reduce turnover and training expenses.

Safety Culture

There are many things encompassed here, but the overall message is proper training and documentation of that training. If you hire an employee and the training consists of filling out paperwork and then putting them behind the wheel or in the yard, your program stinks. Carriers not only want to see a formal training program lasting several days or weeks (depending on the job), but they also want to see ongoing training, as well as regular updates to company safety protocols based on real-life experiences within the company and industry alike.

Another key item related to safety is the verification and review of Motor Vehicle Reports (MVRs). Whenever you are hiring someone for a driving position you should be pulling a copy of the MVR and checking to see what, if any, infractions they have. Furthermore, each company should have internal guidelines separate from those of the insurance carrier that they adhere to. All carriers have driver guidelines that must be met in terms of points on a license and infractions. Ideally, a company will have their own guidelines that are at least as restrictive as those from the carrier, or even better, a bit more restrictive thus showing their commitment to hiring safe drivers to put behind the wheel of their vehicles.

Lastly, there are a number of resources out there waste and recycling companies can take advantage of. For example, members of the NSWMA receive a weekly newsletter entitled *Safety Monday* that brings an industry-specific topic to the desk of the company's representative for presentation to the workforce in addition to other industry specific related services.

Maintenance Program

If your drivers are doing their vehicle pre- and post-trip inspections in three minutes, they are not doing it properly. Management may like how fast they can get it done, but wouldn't they like it better if it took 15 minutes and they did a thorough job? The more thorough the inspection, the more likely they are to find a real maintenance issue (such as worn tires, deficient brakes, broken strobe lights, etc.), which could ultimately prevent an accident.

Obtain Available Services

There are a number of resources out there to obtain these services, and some of the more savvy insurance agencies are now providing these services either in-house, or they have aligned themselves with partner providers to assist their clients at reduced rates. As we have recommended in the past, find an agent who specializes in the industry. The Waste and Recycling sectors are not vanilla operations like restaurants. They are high hazard industries that need the attention of someone with industry expertise who can be a trusted advisor to your company. Unfortunately, company owners can work a lifetime to build their company, but one knucklehead can bring it all crashing down if there is an uncovered claim. | **WA**

__Nathan Brainard__ is Vice President, Environmental Division, at Insurance Office of America (IOA) (Longwood, FL) and a member of the NSWMA Safety Committee. Nathan has been with IOA for seven years and specializes in Environmental Insurance with an emphasis on insurance for the Waste, Recycling, Remediation and Demolition industries. He can be reached at (407) 998-5287 or via e-mail at nathan.brainard@ioausa.com.