



Oil Patch Quarterly

Exclusive Program Managed by Sisk & Company

Third Quarter 2011

INSURANCE NOTES

An Essential Concept “Coinsurance”

One of the more unpleasant situations confronting a property owner after a property loss is being told that the property is underinsured and an adjustment penalty will be applied to the claim. Ideally, the time to discuss the concept of coinsurance or insurance to value is before the loss has occurred.

Most property policies have a requirement that “real property” (i.e., buildings and property) be insured to a specified percentage of the value of the property in order to avoid the underinsurance penalty.

The concept of coinsurance can be confusing without a clear understanding of its purpose. The purpose of coinsurance is to avoid inequity and to encourage property owners to carry a reasonable amount of insurance in relation to the value of their property.

The insurance experts in our office are knowledgeable about insurance policy terms, endorsements and limitations. To avoid a surprise in the event of a loss, call Sisk & Company at 303-831-7100 and ask for Tom, Dave or Mike. They will be able to make sure you understand our coverage and policy terms. You will be glad you called.

How 4.6 Seconds Can Change Lives and Companies

At 55 miles per hour, a vehicle travels the length of a football field in just 4.6 seconds. 4.6 seconds is the average length of time drivers were looking away from the road at their electronic devices when text messaging, according to a recent study conducted by Virginia Tech. Those 4.6 seconds can change the future for families and employers if the driver of a car or truck is distracted and has an accident. According to the Virginia Tech study, drivers who engage in text messaging are 23.2 times more likely to be involved in an accident.

Recent studies included drivers of cars and heavy trucks to measure the real-world impact of driver distraction. As opposed to some studies conducted in laboratory conditions, this study observed drivers operating cars and trucks in the course of a normal day or workday and measured more than 6 million miles of driving. The findings related to distracted driving while operating vehicles and trucks were eye-opening:

Vehicles/Trucks Accident Probability - Distracted Driving

- Dialing Cell Phone - 5.9 times higher than non-distracted driver
- Use/Reach For Electronic Device - 6.7 times higher than non-distracted driver
- Text Messaging - 23.2 times higher than non-distracted driver

The findings above were done in real world conditions. This points out that the act of talking and listening on a cell phone does not seem to present the same level of risk as dialing a cell phone, using or reaching for electronics, or text messaging. The study theorizes that the level of risk is directly correlated to activities that take the driver's eyes off the road. It is important to note that other studies do suggest cell phone conversations that are mentally involved, emotional or take the driver's mental focus off the road can also result in elevated risk of being involved in an accident.

From the perspective of MSEA members, it is critically important that your company has clear policies and rules about the use of technology while driving. If you need a vehicle safety program, check out PetroDocs to download an editable sample program or call Dan Klimek at 303-831-7100 to discuss safety programs and ask that a sample program be emailed to you.



LESSONS LEARNED

Correct Accident Reporting Procedures Can Save Big Dollars

The former employee was hired as a truck driver. He was experienced and looked “good” when the DOT hiring requirements were completed. After completing an orientation and driving test, he was assigned a truck. The first day he was on his own, he was following another truck when he turned and the truck went off the road and flipped on its side.

The worker claimed he was not hurt and declined treatment so the employer did not file a first report of injury. Nor did the employer complete a designated provider letter used at the time of injury, because no injury was reported.

The employer completed an investigation and confirmed the details of the event and the extent of damage to the truck. The employee was discharged due to his actions having been the sole cause of the overturned truck.

Five weeks after the accident and discharge, the former employee hired an attorney and filed a claim directly with the State of Colorado indicating he was having cervical pain. It has now been learned the IW had a cervical fusion less than a year ago.

Potential cost due to not reporting
Employer can be penalized \$1,000 a day for failure to report the

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Work Comp – Lessons Learned*

Work Comp – Lessons Learned – *continued from column at left*

claim. (35 days at \$1,000 = \$35,000. Pinnacol Assurance will not pay any portion of this fine)

Indemnity and medical care

This individual may be eligible for \$400.00 (max rate) at 20 weeks or \$8,000 whole person impairment of 15% percent or \$30,720.

The medical reserve is set at \$15,000 for evaluation, office visits, diagnostic testing, and physical therapy...etc. This figure is likely to increase due to the delayed time in providing treatment and uncertainty of the baseline condition.

The initial total reserve of this claim is \$53,720. There is a high potential for the cost to increase due to the delayed treatment, attorney involvement and complaints of pain.

Lesson Learned:

Following a strict accident investigation / accident response protocol:

When there is an on the job motor vehicle accident, this should be turned in as a workers’ compensation claim. When there is significant damage to a vehicle the employee should not be allowed to decline treatment. Requiring an individual to visit a doctor to document baseline condition can be very helpful as the claim progresses. It is also a good time to follow post accident drug testing protocol. Having a policy for accident reporting and investigation as well as post accident drug screening is prudent; and has been shown to limit the cost of claims.

For the employer in question, this one claim caused their individual loss ratio to exceed 50 % for the policy period. This will result in a negative experience mod for 3 years.

Foot note:

Vehicle accidents are the leading cause of death and high cost accidents for MSEA members. All of us in the oil patch drive so much that we tend not to see it as a dangerous activity. Yet it is the single activity that is most likely to kill us or injure us.

Since April of 2011, MSEA member companies have reported 71 injuries to Pinnacol. Of these, 5 were motor vehicle accidents. Yet these 5 accidents account for 60% of the total cost of accidents during this period.

We suggest that all MSEA members have a fleet safety program and present safe driving topics at safety meetings. Of course, compliance with DOT regulations is assumed.

If you would like programs and other resources for driving safety, check out www.Petrodocs.com or contact Dan Klimek or Trevor Gilstrap at Sisk & Company – 303-831-7100.

MSEA and OSHA Renew Alliance

On August 30, 2011, Tom Sisk (Sisk & Company) and Herb Gibson (OSHA area director) met to renew the alliance that exists between the MSEA and OSHA. The alliance was first established in 2005 for the purpose of developing a “collaborative relationship to foster safer and more healthful American workplaces.”

The MSEA - OSHA alliance is focused on helping MSEA members (and all businesses in the oil patch) reduce unsafe exposures in the oil and gas industry. Both organizations are committed to providing information, guidance, and access to training resources that will help companies protect the health and safety of workers.

To this end, the alliance was formed and Dan Klimek (Sisk & Company) and Megan Meagher (OSHA) met to plan training topics for newsletter articles, MSEA quarterly meetings, and seminars. In addition to the regular contributions of content for newsletter and blast email articles, OSHA also attends the MSEA quarterly meetings. They present current topics of interest as well as insight into the safety violations inspectors are finding and directives and emphasis programs that are being promulgated.

In early 2012, we plan to host a seminar featuring case studies that deal with flash fires and related hazards. This seminar will focus on the lessons learned from these past events.

In late 2012, we will present a record keeping seminar with a twist – we plan to build the content on how to handle the questionable cases.



Tom Sisk (left) of Sisk & Company and Herb Gibson (right) of OSHA complete the signing of the MSEA –OSHA Alliance agreement with a handshake.

OSHA NEWS

OSHA's Standards Improvement Project – What is it?

OSHA's Standards Improvement Project or SIP is a series of rulemaking actions to improve and streamline OSHA standards. The intent is to remove or revise individual requirements within rules that are confusing, outdated, duplicative or inconsistent. The rulemaking imposes no new burdens on employers. To date, there have been three phases of this project with the most recent revisions becoming effective on July 8, 2011. The two previous SIP phases were completed in 1998 and 2005.

Numerous OSHA standards were impacted by the recent SIP changes, including 1910.184, OSHA's general industry standard for slings (as well as the OSHA standards for slings in construction, 1926.251). Specifically, the tables which identify the safe working load capacities for slings are being removed from the standard. These obsolete tables were based on the 1971 ANSI B30.9 standard and do not conform to the load capacity tables listed in the updated version of ANSI B30.9. Rather than rely on load capacity tables, OSHA is requiring that employers follow the safe working load capacity as determined by the manufacturer. This information will be identified on each sling by a tag affixed to the sling.

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It is important for employers to ensure that any sling that is used is appropriately tagged with the safe working load information or taken out of service until the appropriate tag can be affixed to the sling.

For a more detailed discussion on the changes made to 1910.184 and/or any additional OSHA standards through the SIP-Phase III rulemaking project, please review the Federal Register notice at:

http://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=FEDERAL_REGISTER&p_id=22094

You may also contact Megan Meagher or Todd Zentner at the Denver OSHA Office at (303) 844-5285.

-----OSHA Recordkeeping -----

Just a reminder: The OSHA website has a lot of information on the record keeping standard, 29CFR- 1904. The OSHA webpage, <http://www.osha.gov/recordkeeping/index.html>, is dedicated to recordkeeping information and is very helpful when you have a question. In addition, OSHA has added a very good tutorial in completing the recordkeeping forms - <http://www.osha.gov/recordkeeping/tutorial.html>.

NOTES FROM DAN

No matter how long an individual does something, there is always more to learn. This was made clear to me when I was talking to some folks from National Institute for Occupational Safety & Health (NIOSH) and the Colorado Department of Public Health (CDPH). I was asked if I have ever provided a warning to MSEA members about the hazard of lead exposure and more importantly to the concern of childhood lead exposure due to a parent's occupational exposure to lead. My response was something like, "I do not recall, but what is the source for oilfield workers?" To my surprise, the answer was, "Pipe dope!"

Pipe dope (a threading compound found at many oilfield sites) often contains high amounts of lead. Not only is the lead a health concern for the oilfield worker, but when transported home on dirty clothes, the CDPH has found that children at home have high blood lead levels.

It is worth considering the type of pipe dope that is used. Check the MSDS, and if possible determine if you can purchase a thread sealant that does not contain lead. If there is no other choice, follow the safe use requirements as specified on the MSDS and product label. Lead is a recognized health hazard, doing what you can to avoid exposure is always a good idea. Contact me if you would like more information on the lead in pipe dope causing health concerns to children at home.

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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