



*Committed to Quality
Subcontracting*

SUB-NEWS

The Voice of Subcontractors

Volume 14, Issue 46

Subcontractors honor the T.O.P.S. in achievement

Ken Rademacher and Curt Smith among honorees

The American Subcontractors Association of Minnesota (ASA-MN) held its 11th annual awards banquet at the Mendakota Country Club in Mendota Heights. The event was well attended by many subcontractors, suppliers and general contractors.



ASA-MN Chapter Attorney Curt Smith, Moss & Barnett, P.A. presented the Champions Award to Ken Rademacher, Collins Electric along with ASA-MN President Tony Grazzini, WTG Terrazzo & Tile

Special Recognition Champions Awards

New this year was the presentation of the Champions Award. The award was conceived to recognize special individual members for their long term work to enhance the business environment for subcontractors and outstanding contributions to the ASA.

First time recipients were: Ken Rademacher, Collins Electrical Construction Co. and Curt Smith, Moss & Barnett, P.A. Both were founding members, served on the Board of Directors, have presented numerous educational programs and were key players in the enactment of the Contractors Bill of Rights statutes.

General Contractor T.O.P.S. Award

The T.O.P.S. Award recognizes top performing General Contractors. T.O.P.S. is an acronym for **T**eamwork, **O**pportunities and **P**artnering with **S**ubcontractors; the award is presented to those general contractors who consistently demonstrate TOPS principles in their working relationships.



ASA-Member Julie Nielson, Medina Electric presented the Champions Award along with Tony Grazzini, WTG Terrazzo & Tile to Curt Smith, Moss & Barnett, P.A.



Calendar at a Glance

(find details at www.asamn.org)

- March 3-5, 2011, ASA Business Forum and Convention, Naples Beach Hotel & Golf Club, Fla.
- March 24, 2011, Construction Practices Forum
- April 21, 2011, Construction Practices Forum
- April 26, 2011 Homeowners Warranty Program, Mendakota Country Club
- May 19, 2011, Construction Practices Forum
- June 14, 2011, ASA-MN's 13th Annual Golf Event, StoneRidge Golf Club, Stillwater



Welcome New Members

- *J&L Steel & Electrical Services, LouAnne Berg, C.E.O.*
- *Floyd Total Security, John Ferguson, President*

“Thank You” Educational Sponsors



The nominees, finalists and winners represent the best in the industry. They were judged to be so in an objective manner by people who work with them and depend on them for their livelihood. Executive Director Mike Schmaltz said that “It’s no coincidence that the finalists and nominees are among the most successful in the business and that we see many of them re-nominated year after year.”

As criteria in the voting process, general contractors are rated using a variety of performance metrics including; Reasonable Contracts, Promoting Job Safety & Security, Competent Project Managers, Realistic Schedules, Timely Payment, Respect in Negotiations and Change Order Management. For more details on the selection process please visit www.asamn.org/tops.



On left, ASA-MN President Tony Grazzini, WTG Terrazzo & Tile, Tom Smyth, RJM Construction, ASA-MN Executive Director Mike Schmaltz, and Paul Wade, RJM Construction

T.O.P.S. Award over \$150 million in sales

Kraus-Anderson Construction Company was presented with the award this year. Other finalists in this category were Ames Construction and Knutson Construction Services.

Kraus-Anderson has been ranked consistently among the top Green Contractors in the U.S. by *Engineering News Record*. For the last 21 years, the company has been leading the charge in sustainable design and construction, including serving as construction manager on 30 LEED projects.

Established in 1897, Kraus-Anderson® Construction Company is one of the nation’s premier commercial general contractors and construction managers. Kraus-Anderson (www.krausanderson.com) is headquartered in Minneapolis, Minn.



On left, ASA-MN President Tony Grazzini, WTG Terrazzo & Tile, Terry Hart, Kraus-Anderson Construction, ASA-MN Executive Director Mike Schmaltz, and Craig Francois, Kraus-Anderson Construction Company

T.O.P.S. Award under \$150 million in sales

RJM Construction was presented with the award this year. Other finalists in this category were Doran Construction and Frerichs Construction.

RJM has also been recognized by AIA Minnesota for their collaboration with architects and clients. RJM Construction brings together more than 36 years of experience in new construction, tenant interiors, major remodeling and historical renovation.

From its headquarters in St. Louis Park, Minn., RJM provides pre-construction planning, general contracting and construction management to its commercial, healthcare, corporate (tenant interiors) and community clients. RJM has more than 100 specialized staff members and an annual construction volume of more than \$110 million (www.rjmconstruction.com).

Scholarship Awards

The ASA mission statement calls to “serve as a steward for the community.” The TOPS acronym holds true as ASA recognized deserving students in the construction trades, our team members in years to come. ASA-MN has awarded \$23,250 in tuition dollars since the inception of the scholarship program. ASA-MN President Tony Grazzini presented three \$750 scholarships to: Alexander Stanislaw student of Anoka

Technical College, Brooks Schuettpelz, Dunwoody College of Technology and Norpau Moua student of St. Paul Technical College.

A special “Thank You “ to our sponsors

Leadership Level



Partnership Level

Ames Construction

Homeco Insulation

Medina Electric

Kraus-Anderson Construction



On left, Mike Schmaltz, ASA-MN Executive Director, Tim Strand, St. Paul Technical College Instructor, Norpau Moua, St. Paul Technical College Carpentry Student, Gary Reiman, Dunwoody Technical College Instructor, Brooks Schuettpelz, Dunwoody Technical College Electrical Student, Alexander Stanislaw, Anoka Technical College Electrical Student, Terry Lehmkuhl, Anoka Technical College instructor, Tony Grazzini, ASA-MN president, WTG Terrazzo & Tile

ASA Tackles Financial Risk At The Capitol *Remi Stone, ASA-MN Lobbyist*

Subcontractors have united to fight for legislation that helps them better manage financial risk and payment. Principled on financial disclosure and transparency in building contracts, ASA is working to pass the following two bills.

1. Truth-In-Construction-Financing

In support of ASA’s on-going effort to bring transparency to the state’s construction financing schemes, Representative Larry Howes (R-Walker) is authoring [HF 590](http://wdoc.house.leg.state.mn.us/leg/LS87/HF0590.0.pdf) (http://wdoc.house.leg.state.mn.us/leg/LS87/HF0590.0.pdf) The bill requires evidence of construction financing as part of building & construction contracts. It allows general and sub- contractors to notify lenders in the event of non-payment. In the event of loan default, requires lenders to notify general and sub- contractors of the default and authorizes stop-work without penalty.

2. Retainage In Escrow & Released

Accountability of construction payments is core to [HF 589](http://wdoc.house.leg.state.mn.us/leg/LS87/HF0589.0.pdf) (http://wdoc.house.leg.state.mn.us/leg/LS87/HF0589.0.pdf) authored by Representative Mark Buesgens (R-Jordan). The bill requires retainage to be held in an interest-bearing third party escrow account and released within 30 days of substantial completion as defined by Minnesota Statutes, section 514.051.

Amazing Things!

Amazing things happen when you get to know your elected officials. Things such as they author legislation to improve your bottom-line, push back on legislation intended to impose unfair mandates on your business, and general support of subcontractors role in the construction industry. Please take a few minutes to reach out to your legislators – phone calls are great!

Hot link now to the [Legislature’s website](http://www.gis.leg.mn/OpenLayers/districts/) (http://www.gis.leg.mn/OpenLayers/districts/) to learn who represents you & get their contact information...

To learn more please see the Tracking Report on ASA’s website or contact Remi Stone at 612.419.0525 or remistone@comcast.net.



Remi Stone
ASA-MN Lobbyist



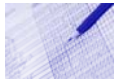
Homeowner Warranty Changes - How Will They Affect the Subcontractor?

As of January 1, 2011, a number of changes to Minnesota's homeowner warranty law went into effect (Chapter 327A). The changes apply to all claims started after January 1 involving breaches by the home builder or residential improvement contractor of their warranty responsibilities.

The new law requires the Homebuilder and the Homeowner to agree on "Written Performance Guidelines". Written performance guidelines were not provided in the law and Dept of Labor & Industry has not issued any. The statute does not prevent the Homebuilder and the Homeowner from agreeing to something that could increase subcontractor obligations. This area is wide open and most likely will include subcontractor work. Subs should examine their subcontracts for provisions that might affect them and modify or exclude those provisions as needed.

Knowing and complying with the law will be required to maintain a license, consequently the new requirements will be closely watched by Homebuilders. Many homebuilders did not currently use contracts; this is changing. Older contracts are not likely to be in compliance with the law; they will be changed, so even if you signed in the past you need to see what they contain now. With increased contract use, your vigilance is critical.

ASA will present a Seminar on April 26 to answer your questions on this important change. Dave Hammargren of Hammargren & Meyer, PA will be our presenter. Mark the date on your calendar and watch for more information.



Free Contract Podcast of the Month: 'Limiting Termination for Convenience'

In this month's free contract podcast for ASA members, "Understanding Termination for Convenience," Eric Travers, Esq., of the Columbus, Ohio-based law firm of Kegler, Brown, Hill and Ritter, discusses what these clauses are, how they work, and when they can or cannot be exercised.

This 20-minute audio podcast, along with an accompanying white paper, is available in the Member Resources (<http://www.asaonline.com>) section of the ASA Web site.

"As we all know," Travers begins, "construction projects are problems in waiting. A number of entities who have to work together for a successful project in any size virtually guarantees that you are going to encounter various bumps along the road."

A "termination for convenience" clause in a construction contract provides one way for a subcontractor to be legally terminated from a contract even though the subcontractor is not in default of its obligations under the contract.

The general justification for including a "termination for convenience" clause in a construction contract is to allow the buyer to cancel the project if it becomes too dangerous, difficult or expensive to continue. For example, unanticipated site conditions may increase the cost of the project, or a change in economic factors may undermine the intended use of the project. "That brings up; are there restrictions on how to use or when a termination for convenience clause can be used?" Travers asks.

ASA argues yes. In 2009, ASA filed an amicus brief before the Maryland Court of Appeals in a case called Questar Builders v. CB Flooring. ASA did that because it wanted to rebut an argument a general contractor was making about its discretion under a termination for convenience clause. In that case, the general contractor argued that such clauses are designed to allow the general contractor to terminate for any or no reason. In this particular case, the general contractor had found a better price after it signed a contract with a subcontractor and then shopped the subcontractor's contract to the second low bidder. Maryland's highest court agreed with ASA and rejected the general contractor's argument.

What are some steps subcontractors can take to protect themselves from the risk of an unfair termination?

One strategy is to ensure the subcontract does not provide unlimited discretion to the prime contractor. For example, the subcontractor could say that the general contractor can only terminate for convenience if it is terminated for convenience by the owner. The ConsensusDOCS forms endorsed by ASA are helpful. The ConsensusDOCS 750 form limits termination for convenience to situations where the prime contractor is terminated for convenience by the project owner. Another strategy is to make written claims for time extensions or other appropriate relief whenever something outside a subcontractor's control frustrates its contract performance. This reduces a general contractor's ability to make an argument that its termination for convenience is grounded in the subcontractor's nonperformance.



Certificates of Insurance? – FAQ'S

Summarized and edited by Patrick D Kennedy, Vice President, Kraus-Anderson Insurance.

What is a "Certificate of Insurance"?

A certificate of insurance is a document that provides information about insurance policies. Millions of insurance certificates are issued every year, primarily in the United States. The majority of certificates are issued upon policy renewal to provide this information to third parties. These third parties are known as certificate requestors/holders. Generally speaking, certificates list one or more lines of insurance, the limits associated with those coverages, and the insurer providing coverage.

Certificates of insurance may be viewed as a summarized reflection of an insurance policy and are only informational. The policy is the definitive source for its provisions, not the certificate. If any party, in addition to the First Named Insured, desires a copy of a cancellation notice in the event the policy is cancelled, that party should be expressly endorsed onto the policy as a cancellation notice recipient.

What Certificates of Insurance Does Acord Publish??

ACORD publishes the following certificate of insurance forms:

- ACORD 20 - Certificate of Aviation Liability Insurance
- ACORD 21 - Certificate of Aircraft Insurance
- ACORD 22 - Intermodal Interchange Certificate of Insurance
- ACORD 23 - Automobile Certificate of Insurance
- ACORD 24 - Certificate of Property Insurance
- ACORD 25 - Certificate of Liability Insurance
- ACORD 27 - Evidence of Property Insurance
- ACORD 28 - Evidence of Commercial Property Insurance

Why do Agents Issue Certificates of Insurance?

Policyholders may request a certificate of insurance for many reasons. Some of the more common are:

- They are a tenant, and a building owner is requesting information about the existence of liability insurance coverage
- They are the mortgagor of a building, and are requesting information about the existence of property insurance coverage upon closing or renewal of that coverage
- They leased equipment and the owner of equipment



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wants information about the existence of property insurance coverage while equipment is in possession of the client.

- They need evidence of workers compensation insurance in order to obtain a contract.

What's the Difference Between a "Certificate" and a "Policy"?

A Certificate of Insurance is NOT an insurance policy, and does not serve to provide, endorse, amend, extend or alter in any way the terms of an insurance policy. Only an endorsement, rider or amendment to the policy can effect changes in coverage. Additionally, reference to a contract between the client and a third party on a certificate does not provide coverage.

Why are there Separate Certificates for Property Insurance and Liability Insurance?

Typically, a property insurance policy obligates the insurer to notify the mortgage holder in the event of policy cancellation. A typical liability insurance policy obligates an insurer to notify only the first named insured and no one else of policy cancellation, unless the policy is endorsed to provide notice to another party. For this reason, ACORD working groups recommended publishing separate certificates.

What were the recent formatting changes that led to new releases of all Certificates in late 2009?

The updates associated with the regulatory requirements involved two areas:

1. The disclaimer text found near the top of the certificates (immediately below the form title)
2. The cancellation text found near the bottom of the certificates.

Because of it's importance, this document focuses on the cancellation text revisions. For reference, here is a comparison of the old text and the new text:

Old Text

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL ____ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

New Text

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

Why are the Acord 27 & 28 Titled "EVIDENCE" FORMS?

The ACORD 27 and 28 forms are certificates of insurance designed for delivery to parties that have a financial interest in the property covered by the policy listed on each. These parties are typically lending institutions and the lending community prefers the title "Evidence of..." as contrasted with "Certificate of..." Regardless of the "Evidence" reference in the title, these forms are certificates of insurance, and as stated in the forms, and as required by regulation, are issued as a matter of information only.

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Capitol Notes & Miscellaneous Bills of Interest

Remi Stone, ASA-MN Lobbyist

Stepping up its presence at the Capitol is one of ASA's 2011 goals. To that end, subcontractors are proactively monitoring and engaging in issues that affect your bottom line. Some of these issues are summarized below.

EPA Lead Mandate – Chapter 2

Gov. Mark Dayton signed his first new law Feb. 17. The law, most of which is effective Aug. 1, 2011, will give residential remodelers, building contractors and other construction specialists more time to post their lead certification qualifications on a website, as required by the Environmental Protection Agency. Sponsored by Rep. Karen Clark (D-Minneapolis) and Sen. Ted Lillie (R-Lake Elmo), the law amends the effective date of last year's law that requires proof of lead certification as a requirement before issuing a building permit. HF166/ SF139*/CH2

Budget Proposals in Play

Having vetoed the Legislature's first budget fix proposal, Governor Dayton released his budget proposal embodying a \$37 billion state budget. Outlined in the budget proposal is his solution (<http://www.finance.state.mn.us/rec-2011>) to the state's projected \$6.2 billion budget shortfall. Governor Dayton's plan focuses on protecting cities, counties and school districts from budget cuts while prioritizing programs for the sick and vulnerable. The package includes more than \$4.1 billion in new revenue raised through tax increases and fees. To cover the remaining deficit the Governor proposes \$1.9 billion in cuts from spending, largely from health and human services programs.

2% Contractor Withholding

F 449 repeals the state's mandate that a construction contractor who makes payment to other trade or construction-related contractors withhold two percent of the payment as Minnesota withholding tax when the amount the contractor paid to that individual during the calendar year exceeds \$600.

Indemnification in Building & Construction Contracts & Professional Services

HF 390 / SF 387 – amends contracts regulating building contracts as it relates to design and professional services clarifying the enforceability of indemnification agreements.

DOLI & Other Agencies Eliminated

HF 419 – removes from state government the following departments & agencies: Corrections, Employment & Economic Development, Health, Human Rights, Labor & Industry, Management & Budget, Revenue, Transportation, Housing Finance, Pollution Control, IRRRB, and Mediation Services.

Sprinkler Prohibition

HF 460 / SF 297 – prohibits the state building code and local ordinance from requiring the installation of any fire sprinkler system in any new or existing single-family homes.

Contractor Registration

The issue of employee misclassification is the topic of a Department of Labor & Industry task force. While not yet introduced as a bill, the group is floating legislation to redefine "construction services" for the purpose of identifying who is or is not an employee on construction sites and to require persons who perform construction services to register with the state.

Mark Your Calendars for our 13th Annual Golf Event Fundraiser

Tuesday June 14, 2011 at StoneRidge Golf Club!



“When the Tax Return is Not Enough”

Jeff Meek, ASA Vice President, John A. Knutson & Co. PLLP

This is the time of year when owners and managers of construction companies have time to concentrate on their financial records. Hopefully, this isn't the first time you have a real feel for how the company has performed over the past year.

Timely Management Information

Providing information for the preparation of the tax return should not be a major undertaking. This information should have already been generated during the year as part of the normal daily/monthly procedures.

Unfortunately, there are owners and managers that don't have the information they need to make critical decisions in a timely manner.

There is a direct correlation between the quality of the financial records and the success of a small company. An owner or manager who has timely information is able to anticipate when something is going wrong on a job, when it is time to adjust the bidding process and which crews are being more productive than others. Having a good system of financial reporting does not guarantee success, but not having one makes being successful that much harder. It also makes growth less probable and riskier.

How Do You Get There

If you do not currently get timely information, all is not lost. You likely have a well organized person that is handling the bookkeeping and they simply need to be trained into an improved system. Once the system is in place the process becomes part of everyday activities and you will start to see the benefits of timely information.

Contact your accountant and tell them your concerns about your current system. If they do not feel that you have a valid concern or they are unable to help resolve the problem, let us know and we can help.

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Worker Classification: Getting it Right

By Gretchen J. Kelly, CPA, CCIFP, HLB Tautges Redpath, Ltd.

In recent months we've seen an increase in audits related to the misclassification of employees as independent contractors. The Government Accountability Office estimates that as many as 20 percent of employers misclassify employees as independent contractors. This has created a significant underpayment of employer taxes. The Internal Revenue Service (IRS), Congress and state unemployment agencies view this as a growing problem and are paying much more attention to the issue.

Some employers may classify employees as independent contractors to avoid employment related taxes such as Federal Insurance Contribution Act (FICA), Federal Unemployment Tax Act (FUTA), state unemployment insurance, as well as workers' compensation insurance and other employment related benefits. But often, employers simply make mistakes when determining worker classification.

Generally, a person is a common-law employee if the employer has the right to control and direct the worker's performance. An independent contractor, on the other hand, follows certain direction or control, but only as it relates to the results. The IRS, as well as many other agencies, provides guidance on determining worker status; however, every situation is unique and judgment needs to be used in evaluating the facts and

circumstances. The IRS considers three types of *control* when evaluating whether an employee/employer relationship exists.

The first is *behavioral control*. Is the person required to comply with instructions about when, where and how to work; and/or, does the company have the right to control how the results are achieved? Examples include: what tools or equipment are used; where to purchase supplies or services; what routines or patterns must be used; what order or sequence to follow; and what reports are submitted.

The second is *financial control*. There is an expectation that an independent contractor assumes entrepreneurial risks. Examples include: an investment in their business; providing their own tools, materials and equipment; responsibility for making a profit or suffering a loss; providing services to the general public; and paying their own business and travel expenses.

The *third is the relationship* of the parties. Both the independent contractor and the company must perceive a business relationship rather than an employer/employee relationship. Also, consider whether or not the services provided are a key aspect of the business relationship, whether there is a continuing relationship and whether there is a written contract.

Employers should have a consistent process for determining worker classification and documenting the basis for reaching an independent contractor conclusion to be used in the event of an audit. We recommend a checklist containing the IRS factors. Below is a list of additional resources for further guidance.

Internal Revenue Services:

- Brochure - www.irs.gov/pub/irs-pdf/p1779.pdf
- Form SS-8 - www.irs.gov/pub/irs-pdf/fss8.pdf
- IRS Internal Training - www.irs.gov/pub/irs-utl/emporind.pdf

Unemployment Insurance Minnesota - www.uimn.org/tax/hdbook/ind_contractor.htm

Minnesota Department of Labor and Industry - www.dli.mn.gov/cclld/ICECfaq.asp

For additional information, please contact Gretchen Kelly, CPA, CCIFP, at 651-407-5822 or gkelly@hlbtr.com.



Removal of 1.5 Million from Department of Labor

As the legislature deals with budget issues, old fixes continue to be a headache for the construction industry. This is one you should keep in mind and address with your legislator.

Background:

During the 2007 session, the Legislature required Department of Labor and Industry (DLI) to transfer \$1,627,000 by June 30, 2008; \$1,515,000 by June 30, 2009; and \$1,515,000 each year thereafter from the Construction Codes fund to the General fund (Chapter 135, Article 1, Section 16);

Talking Points:

- Reduced funds limits ability of department to collect and process inspection and licensing fees in a timely manner thus reducing flow of funds into department.
- Lack of manpower leads to reduced enforcement actions creating safety risk for workers and the public.
- Department staff has already been cut 10%.
- Staff shortage leads to lower employee morale and lower employee productivity.
- Reduced staff cuts into level of services provided by department, services that licensed workers expect to receive and have already paid for through the licensing and inspection fees that have been collected.
- Taking the funds out is really a 15% tax on licensing and inspection fees collected.



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OSHA Announces Top 10 Violations for 2010

by Henry Wilter in [Health](http://goarticles.com/category/health/) (http://goarticles.com/category/health/) (submitted 2010-12-14)

This year OSHA issues over 94,000 citations for safety related violations. At the National Safety Council's 2010 Congress and Expo, OSHA announced the top 10 safety violations, which accounted for nearly half of the total violations, for the year.

While this year's list is nearly identical to last years, with the big four (scaffolding, fall protection, hazard communication, and respiratory protection) remaining unchanged, it still serves as an invaluable resource for the public workforce. Read through the list and decide whether or not you have been guilty of the following safety violations.

OSHA's Most Cited Safety Violations of 2010

1. Scaffolding: 9,093 violations - Scaffolding violations and accidents are most commonly attributed to improper use that results in the plank giving way, the employee falling off, or an object falling on top of the person.
2. Fall Protection: 6,771 violations - Fall protection violations occur whenever a person is 4 feet above the ground without proper safety measures. Fall protection must be provided at four feet in general industry, five feet in maritime and six feet in construction.
3. Hazard Communication: 6,378 violations - Manufacturers and movers of hazardous materials must evaluate, label, and provide MSDS for each product.
4. Respiratory Protection: 3,803 violations - Respirators help to protect against unhealthy breathing environments. This can be caused by insufficient oxygen, dust, vapors, gasses, fiberglass and more.
5. Ladders: 3,072 violations - 8 percent of all occupational fatalities are due to falls.
6. Control of Hazardous Energy - Lockout/Tagout: 3,321 violations - "Lockout-Tag out" refers to locking the on/off power switch while working with high current electrical devices.
7. Electrical - Wiring Methods: 3,079 violations - Electrical hazards are present for those who work directly and also indirectly with or near dangerous electrical lines.
8. Powered Industrial Trucks: 2,993 violations - Many employees are injured by driving powered industrial trucks off of loading docks, into ditches or by being struck by trucks while working.
9. Electrical - General: 2,556 violations - Working with electricity is always hazardous. Many employees are injured during routine electrical maintenance and install.
10. Machine Guarding: 2,364 violations - Any machine part, function, or process that may cause injury must be labeled and safeguarded.

That concludes our list of the top 10 OSHA violations and their causes. [OSHA 10 hour](http://www.easysafetyschool.com/courses/osha-outreach/osha-10-hour-training.asp) (http://www.easysafetyschool.com/courses/osha-outreach/osha-10-hour-training.asp) training is an excellent way to prevent hazards and maintain safe, compliant working conditions. This article has been brought to you by [Easy Safety School](http://www.easysafetyschool.com/) (http://www.easysafetyschool.com/), a provider of online and on-site OSHA training courses.

About the Author:

This author is an OSHA Authorized online safety trainer and consultant.



7 Steps to Building a “Best Practice” Workers Compensation Program

Regardless of industry, a well-managed workers compensation program is more critical than ever in today’s slow growth ‘new’ economy. When experienced employees remain on the job, productivity rises, employee morale increases and the cost burden of required Workers Compensation Insurance goes down.

Here are seven steps to follow to ensure that your program is a ‘Best Practice’ delivery system.

Program Coordination

At the outset, the organization needs to designate a ‘Program Champion’. This person must be motivated, knowledgeable, and possess solid communication skills so that all stake holders (HR, Financial, etc) are informed and held accountable. The workers comp ‘Champion’ will be responsible for managing both frequency and severity of claims and ultimately the organization's total WC cost of risk. For best results, this ‘Champion’ should be an owner or corporate executive because they need to be empowered to make staffing and financial decisions that impact program performance.

Employee Health and Wellness

Employers that want ‘best results’, understand that they have an obligation to ensure that workers' physical abilities are commensurate with the duties they are expected to perform. This process should begin before employees are even hired and continue throughout their employment. Businesses should also encourage employees to protect and improve their health and well-being. Healthy workers are less likely to become injured and more likely to return to work promptly should an injury or illness occur.

Safety and Loss Prevention

An organizational culture in which safety is a priority is essential. Creating such an environment begins with a commitment to safety from the top. Senior executives must take on a very visible role and support the program through communication, examples and financial support. Creating a diverse and empowered Safety Committee able to affect change plays a significant role in accident reduction efforts. All employees, not just the ‘Champion’ or Safety Committee members, should be held accountable for safety and loss prevention at the workplace as a condition of employment.

Claims Administration

One easy way to lower claims costs is to ensure all workplace incidents are reported immediately. The sooner a claim is reported to the claims adjuster and all other ‘team members’, the sooner an effective claims management process can have an effect. Industry studies are very clear that the more time that elapses between the time an accident occurs and the time it is reported and acted on, the more costly the claim becomes. Additionally, Claims Management Service expectations need to be clearly defined, and performance needs to be measured and monitored on an ongoing basis. Clearly, the ability to exercise greater control over the claims administration process is one of an Employers’ greatest advantages.

Medical Management

Workers compensation medical costs continue to increase faster than wages. Managing them starts by fostering an environment of trust where workers believe their employer will do everything possible to provide prompt, quality medical care. Communication with injured employees should take place continually throughout the recovery process. Among some of the more effective techniques being employed to manage medical costs today are: preferred provider organizations, designated physicians and clinics that specialize in treating industrial injuries and that know who you are, independent medical evaluations, medical case management and medical bill review.

Return to Work

A key ‘Best Practice’ goal is to get injured workers back to their pre-injury job; as such, an effective Return To Work program must provide transitional duty. This allows the injured employee to come back to work with the restrictions given by the treating physician and then transition the individual back into the original job as restrictions are reduced. New hires should be oriented to the program, and all employees should be aware of the employers' philosophy, structure, benefits and responsibilities. Communicating your ‘Return To Work’ program and philosophy to your preferred Health Care Providers and/or the Treating physicians and independent medical examination doctors is also a very important but often an over looked action step.

Data Management

Tracking, trending and analyzing Claims data is necessary to determine where, why and what types of injuries are occurring. This level of information in turn allows employers to develop and implement cost management strategies. Benchmarking data also allows an employer to measure how it is doing compared to established goals and objectives. Finally, such data also allows you to project a proactive and thus more profitable image to Insurance Underwriters.

Without understanding and implementing the above action steps and systems, your Workers Compensation Program will just continue to be a negative cost burden to your balance sheet and frustration to the employees and your Executive Team.

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Upcoming Events!

- March 3-5, 2011, ASA Business Forum and Convention, Naples Beach Hotel & Golf Club, Fla.
- March 24, 2011, Construction Practices Forum,
- April 26, 2011 Homeowners Warranty Program, Mendakota Country Club
- April 21, 2011, Construction Practices Forum
- May 19, 2011, Construction Practices Forum
- June 14, 2011, ASA-MN's 13th Annual Golf Event, StoneRidge Golf Club, Stillwater



HEADLINES - In This Issue

- **T.O.P.S. Event Highlights**
- **ASA Tackles Financial Risk At The Capitol**
- **Homeowner Warranty Changes - How Will They Affect the Subcontractor?**
- **Free Contract Podcast of the Month: 'Limiting Termination for Convenience'**
- **Certificates of Insurance? – FAQ'S**
- **Capitol Notes & Miscellaneous Bills of Interest**
- **When the Tax Return is Not Enough**
- **Worker Classification: Getting it Right**
- **Removal of 1.5 Million from Department of Labor**
- **OSHA Announces Top 10 Violations for 2010**
- **7 Steps to Building a "Best Practice" Workers Compensation Program**