



# Professional Liability Update

A Loss Prevention Newsletter for the Design Profession

MSP PL — 01/2011 "Changes to the Workers Compensation Class Codes"  
Professional Liability Update Newsletter

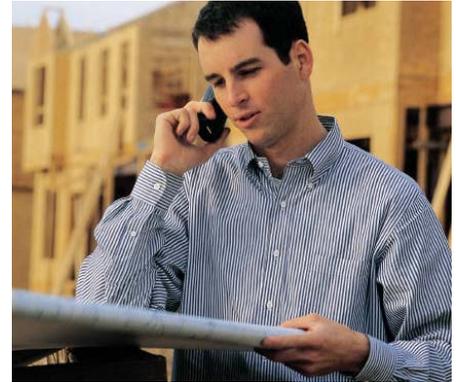
January 2011

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## Changes to the Workers Compensation Class Codes Applicable to Architects and Engineers

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The Workers Compensation Insurance Rating Bureau (The Bureau, aka WCIRB) is responsible for among other things, establishing classifications and calculating experience modifications. Effective January 1, 2011 a number of amendments were made by the Bureau.

Historically Architects and Engineers have utilized one of three classifications:

- 8601: Engineers (including architects)
- 8810: Clerical and Drafting
- 8742: Sales

Class Codes 8810 and 8742 have always had rates lower than Class Code 8601. Effective January 1, 2011, however there will be just one class code for architectural and engineering firms (8601). This means for any policy renewing on January 1, 2011 or thereafter, just one class code will apply (8601) and all payroll will

be included in that class code.\* Shown below is the memo from the Bureau issued on November 19th:

The amendments to Part 3, Section VII, Standard Classifications, Rule 2, Standard Classifications, and Section VIII, Abbreviated Classifications – Numeric Listing, of the California Workers' Compensation Uniform Statistical; Reporting Plan – 1995 with respect to Classifications 8601 and 8602 proposed in Part B, Section A of the August 18, 2010 filing are being withdrawn. In lieu of these withdrawn judgments, the WCIRB is proposing that the following amendments be approved effective January 1, 2011 with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2011.

Amend Classification 8601(1), Engineers – consulting – mechanical, civil, electrical and mining engineers and architects – not engaged in actual construction or operation, to include outside salespersons and clerical office employees and add a footnote to direct that land surveying is included in this classification.

Changes (continued on page 2)

\*Travelers Insurance Company has filed for a 60 day extension and any of their accounts that renew between January 1st and February 28th will renew with the old classifications and rates.

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### PROPOSED

ENGINEERS – consulting – mechanical, civil, electrical and mining engineers and architects – not engaged in actual construction or operation – including Outside Salespersons and Clerical Office Employees

This classification shall not be used for division of payroll in connection with any other classification (other than the standard Exceptions or General Exclusions) unless the operations described by Classification 8601(1) constitute a separate and distinct enterprise having no connection with the operations covered by any other applicable classification.

This classification includes land surveying.

The real impact to the Design profession is the change in the Expected Loss Rates (ELR's) for this classification\*. ELR's are a major factor in the Experience Modification calculation (if you want to learn more about experience modifications check out our newsletter on the topic: <http://www.cavnac.com/pdfs/CML0405.pdf>).

ELR's are also calculated and published by the Bureau. For each calculation the Bureau estimates the losses per \$100 of payroll. In 2010 the ELR for class code 8601 was .38/\$100. In 2011 this was revised down to .18/\$100. In very simple terms, if actual losses (which are included in the top part or numerator of the experience modification calculation) stay the same, and expected losses (which are included in the bottom part or denominator of the calculation) go down, the percentage (factor) goes up. Depending on the size of the account, this will adversely affect experience mods 10-25%. For example, one of our client's current mod is 84%. When we substitute in the revised factors for 2011 their mod goes to 104%. On another account the current mod is 74%, however with the new factors it goes to 82%.

The good news is that most companies will reduce the base rate for Class Code 8601 since it now includes clerical, drafting and sales exposure. It is too early to tell at this point however if the reduction in rate for Class Code 8601 will more than offset the increase in rate for clerical, drafting and sales exposures. In theory if the expected losses have gone down, then base rates should go down as well. If base rates go down as much as experience modifications have gone up (assuming other credits remain unchanged) then there will no ultimate change in the net rate charged by the insurance company and the premium should remain the same. If you have any questions as they pertain to your specific account or questions in general for that matter, please don't hesitate to give us a call. ✂

\*The "D" ratio and "W" values also changed, but their impact is not as great as the reduction in the ELR.



### 2011 Risk Management Series

- AB 1825 Sexual Harassment Prevention Training  
Friday, March 4, 2011  
Registration: 7:30 am  
Program: 8:00 am - 10:00 am
- HR 101—What You Really Need to Know  
Friday, March 11, 2011  
Registration: 7:30 am  
Program: 8:00 am - 10:00 am
- Identity Theft  
Friday, April 8, 2011  
Registration: 7:30 am  
Program: 8:00 am - 10:00 am

All training sessions available to our clients  
Reserve early / seating is limited!

Register for upcoming seminars

Contact Darcee Nichols at [dnichols@cavnac.com](mailto:dnichols@cavnac.com) or call 619-744-0596

\* **NOTE:** Due to the popularity of our seminars and limited space available, we regret we cannot provide refunds or credits with less than 72 hours advance notice of cancellation.

Disclaimer: This article is written from an insurance perspective and is meant to be used for informational purposes only. It is not the intent of this article to provide legal advice, or advice for any specific fact, situation or circumstance. Contact legal counsel for specific advice.

## Do You Have Adequate Auto Coverage?

Article courtesy of Professional Liability Agents Network (PLAN)

A basic business auto policy (BAP) covers your company's employees when they are using, with permission, an automobile owned, hired or borrowed by your company (the named insured). When you choose to add coverage for non-owned vehicles, the BAP typically provides liability coverage on an "excess" basis. That is, any other collectible insurance would apply first and the

Auto Coverage (Continued on page 3)

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Risk . . . Needs to Be Managed



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## Auto Coverage (Continued from page 2)

BAP would come into effect if there were no other coverage or there were excess liability losses beyond the limits of the primary coverage.

But what happens when an employee uses his or her own vehicle or rents a vehicle in his or her own name and then incurs damage or liability while traveling on company business? Employers – and employees – are often surprised to discover that a basic BAP will *not* cover the employee for physical damage to the vehicle or for the employee's liability. Basic BAPs only cover the company as the named insured, and an individual employee is *not* the company.

To provide adequate insurance coverage for you and your employees when they conduct company business in autos they own or personally hire, you need to secure specific endorsements to your BAP. Here are options to consider.

### Employee Hired Autos Endorsement

If your employees rent autos under their own names and use the vehicles for company business, you need an Employee Hired Auto endorsement to your policy. Known as ISO Form CA 2054, this endorsement adds employees as insureds and, with appropriate coverage symbols, essentially deems the hired auto to be covered for liability and damages as if it were a company-owned auto. As such, the physical damage coverage you have on your BAP would apply to the hired auto assuming the permissive use, course and scope requirements of the endorsement are met. Liability coverage is provided on an excess basis unless made primary by endorsement.

Be aware that for employee-hired autos to be covered, employees must be performing duties related to the conduct of your business at the time the damage or liability occurred. If, for example, an employee rents a car to conduct your business on a Thursday and Friday, but then has an accident on Saturday while vacationing, the employee-hired auto coverage would likely not apply. Employees as Insureds Endorsement

Known as ISO Form CA 9933, the Employees as Insureds endorsement provides liability coverage for employees who use hired autos or their own autos for company business. This liability coverage would apply when, for example, an employee is using his or her car to make a client visit, drive to the bank or post office on company business, or attend a company-required seminar or conference. The liability coverage is on an excess basis unless made primary by endorsement. The Employees-as-Insureds endorsement does *not* provide physical damage coverage.

Individual insurance companies may have their own proprietary forms where auto coverages are bundled or unbundled. For example, you may be able to find endorsements that provide liability coverage for autos that employees hire under their own names but not physical damage coverage. Other forms may combine coverages of the Employee Hired Autos endorsement and the Employees-as-Insureds endorsement and possibly add additional coverage provisions. We'll be happy to discuss those options.

### Loss Prevention Tips

If your employees hire or own vehicles that they use for company business, there are steps you should take to limit your – and their – liabilities:

- Compile a list of all employees who travel on company business.
- For each employee, determine whether they drive company-owned or rented vehicles, employee-owned vehicles and/or employee-hired vehicles.
- Obtain motor vehicle reports on these employees to determine their driving history. You may want to prohibit those employees with poor driving records from driving on company business.
- Determine whether employees who drive on company business have sufficient personal insurance limits. Inadequate limits increase your company's liability exposure.✂

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Articles courtesy of Cavignac & Associates Employee Benefits Department

## LIVE WELL, WORK WELL

### Commit to Your Resolution



Here are some tips to help you create realistic New Year's resolutions and make them stick throughout the year.

- Create a resolution for the right reasons. To do so, think about what you really want to accomplish, and what benefits you will achieve from the resolution.
- Determine how difficult you want your resolution to be. You will be most successful if your resolution challenges you, but is not so far out of reach that you feel discouraged to even try and achieve it.
- Be specific in what you want to achieve. This will help you quantify when and how your resolution has been accomplished. Instead of vowing to "lose weight this year," set a more specific goal such as to "lose 10 pounds by the time school's out."
- Create a strategy for how you will achieve your resolution with a step-by-step plan and due dates for each step. Identify and address any obstacles you may run into along the way.
- Seek out assistance to help you stay on track. Depending on your resolution, this could be a personal trainer or simply a motivating friend.
- Stick with it! It's a new year and a fresh start – what better time to make a commitment to a positive change in your life.✂

## Healthy Lunches, Healthy Kids

Your New Year's resolution might be to eat healthier at work, but don't forget about what your child eats for lunch as well. Prepackaged meals and snacks are convenient, but are you paying attention to their nutritional content? Send your child to school with a healthy lunch, or check the school lunch menu to see if a healthy choice is being offered that day.

### Sack Lunches

Looking for more variety in what to put in your child's lunch? Try the following options:

- Mini boxes of raisins
- Baby carrots or cherry tomatoes
- Cheese cubes or sticks
- Yogurt
- Celery and peanut butter
- Pita bread instead of regular sliced bread
- Hard-boiled eggs
- Apple slices and peanut butter
- Granola bars (make sure to check sugar content)

No time to prepare lunches in the morning? Pack them the night before.

And these guidelines do not apply to just your child's lunch. Use these same principles when making your own lunch for work.

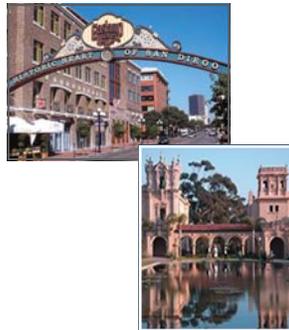
### School Lunches

School cafeterias are getting progressively healthier with help from the recently passed Healthy, Hunger-Free Kids Act. According to the School Nutrition Association, the legislation will allow school meal programs nationwide to offer more fresh produce, whole grains and low-fat dairy products in school cafeterias.

Many schools offer their lunch menus ahead of time in school newsletters or online. Before you send your child to school with lunch money in hand, check out the menu for the day to ensure it is a healthy choice.✂

# Community Bulletin Board

*"Neighbors helping neighbors in San Diego"*



- ✧ Web Site
- ✧ Questions? E-mail [info@SDArchitecture.org](mailto:info@SDArchitecture.org)



- ✧ Web Site



- ✧ Web Site
- ✧ Questions? Contact **Alicia Gettys** by phone at **619-232-7451** or e-mail [agettys@ymca.org](mailto:agettys@ymca.org)



## Monarch Schools



- ✧ Teacher of the Year
- ✧ Web Site



### Mission:

The Society for Design Administration advances management and administrative professionals in the A/E/C industry through education, networking and resources.

- ✧ Become an SDA Member
- ✧ Web Site
- ✧ For more information, e-mail [vicepresident@sdasandiego.org](mailto:vicepresident@sdasandiego.org)



The San Diego Police Foundation supports the men and women who "protect and serve" by raising community awareness of important unbudgeted or "discretionary" needs that will improve crime-prevention and law enforcement efficiency. The Foundation puts your tax-deductible contributions to measureable work in local communities.



- ✧ SafetyNet
- ✧ Web Site
- ✧ For more information, contact [info@sdpolicefoundation.org](mailto:info@sdpolicefoundation.org)



### Mission:

To provide quality and compassionate services for the survival, health and independence of seniors living in poverty

- ✧ Web Site