

# THE Partner

COOPERATIVE MUTUAL INSURANCE COMPANY  
Winter 2002



## Cooperative Should Boost Security Awareness

BY BRIAN TRAVIS  
Loss Control Representative



**F**acilities that handle anhydrous ammonia, chemicals, fertilizers, or propane are actively engaged in managing risks to ensure the safety of their workers and community. Today, however, there is an increased need for security at these facilities as well, due to threats of theft, vandalism, and even terrorism. All cooperatives, big and small, should have some measure of site security in place to minimize crime and to protect company assets.

Illegal drug manufacturers often steal anhydrous ammonia from cooperatives to make methamphetamines. As a result of this activity, not only will the cooperative lose inventory, but it could also be liable for any injuries to area residents caused by thieves accidentally releasing anhydrous ammonia into the air. There are many actions that a cooperative can take to reduce the probability of anhydrous theft:

- Visually inspect nurse and bulk tanks each morning for signs of tampering.
- Ensure that the lock boxes for riser transfer hoses are secured.
- Provide a means to secure the main belly valve(s) on your bulk tank(s), either by using a valve lock or a chain and padlock.
- Store nurse tanks in well-lit areas.
- Remove all nurse tank transfer hoses and store in a secured facility.
- Use a padlock to ensure that the power sources servicing the pumps are locked.

*Continued on Page 2*

### **INSIDE**

**Hazardous cleanup bills . . . . .2**

**Regulator regs and replacement . . .3-4**

**Protect against winter falls . . . . .5**

**Late claims reporting . . . . .6**

### **MISSION STATEMENT:**

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# Dealing With Hazardous Waste Cleanup



BY TONY MCLAUGHLIN  
Vice President of Claims

**Cooperative Mutual Insurance Company** has become involved in several claims this past year relating to charges for hazardous waste cleanup. The issue we have been dealing with regarding these charges is the fact that sometimes we get billed for the cleanup

services and sometimes we don't. The whole area of hazardous waste cleanup is a relatively new and evolving industry, and there appear to be few guidelines at this time.

With that in mind, I would like to let you know what CMIC's policy is when we receive a bill for hazardous waste cleanup. First, we will determine if the unit that performed the cleanup is supported by tax dollars. Then, if this is a tax-supported unit, we would ask if they bill for every call they make.

At times, we find that bills will only be issued because they know there are insurance dollars involved. Our concern is that the cooperative involved, and its insurance provider, be treated fairly. For example, if the responding unit is a local fire department, do they bill the homeowner for every house fire they are called to handle? The cooperative is, after all, a taxpaying entity and those taxes paid far exceed what the average homeowner is paying.

If the responding unit feels that they do indeed have the right to bill you for their services, we will request a copy of the ordinance or statute that provides them the authority to bill for these services. If they can't produce this, we will not pay them.

Second, we will determine who called in the unit and why. By doing this, we are trying to determine if this call was warranted or whether someone may have overreacted.

Third, we will request a detailed listing of what the unit did from the time they were called out until they all returned

to the station. We will then have these procedures reviewed by an expert in this area to determine if what the respondents did was appropriate and reasonable.

Finally, if we determine that payment is warranted, we will look at the charges and see if they are reasonable and fall within the guidelines used by other third-party vendors who also provide this service.

The key word in this whole process is reasonable. If the haz-mat unit gets called in for a legitimate reason, arrives on

the scene, assesses the situation, responds as a properly trained haz-mat unit should, and takes steps to reduce our risk of additional loss of property or life, we will consider making payment to them, if they can show they have the authority to seek payment.

Again, we don't feel it's fair for you or for us to receive a bill simply because insurance money is available.

These bills can get rather large, particularly when the responders are billing at a rate of almost \$1,000 per hour



**Billing for hazardous waste cleanup can be a gray area.**

for their services.

If anyone has questions or concerns, please give me a call and we can talk about this further. I would also suggest that you contact your local fire departments and see what their capabilities and practices are in this area. ■

## Cooperative Should Boost Security Awareness

*Continued from Page 1*

### **Facilities too**

Security should also be kept in mind when thinking of chemical and fertilizer plants. Buildings should be locked to prevent unauthorized people from gaining access to these facilities. For plants located outside, power sources to pumps should be locked to prevent pumps from being turned on. The cooperatives should also keep

close track of all chemical and fertilizer inventory. If missing inventory is discovered, the cooperative should immediately notify local authorities of the theft.

Ensuring that bulk propane and propane bottle fill plants are secure is another concern for cooperatives. A chain link fence should enclose plants,

with gates always locked when cooperative personnel are not present.

If tampering or any unusual activity is noticed at any plant, notify the local law enforcement officials of the findings. By ensuring that all plants are secure, a cooperative will reduce the opportunity for theft, vandalism, or terrorism. ■

# Regulator Regs Can Cause Confusion

BY MICHELLE SWERTZIC

Nebraska Propane Gas Association

Though it has been several years since the rules on propane system regulators were revised, some confusion still exists in the industry over regulator installation and system inspection requirements. For that reason, I would like to provide a brief overview of the code that deals with those areas, particularly with many cooperatives considering the use of Regulator Replacement Warning statements.

To clear away confusion on the use of first-stage and second-stage regulators, reference National Fire Protection Association (NFPA) pamphlet 58, Section 3.2.12.1, which states:

“As of June 30, 1997, the installation of single-stage pressure regulators was no longer allowed. Since then, all building systems have been required to use two-stage pressure regulation, with exceptions for small portable appliances, large systems (over 500,000 BTU/hr), and systems with other means to provide equivalent safety.”

The two-stage regulator provides a number of significant advantages over the previous single-stage design. The two-stage regulator:

- Provides uniform appliance delivery pressures, which ensures that the LP system works at maximum efficiency and provides trouble-free operation year-round.
- Is less prone to freeze-ups, and fewer freeze-ups translates into fewer service calls. Winter freeze-ups can cause pilot outages and electronic ignition failures.
- Is economical to install. The two-stage system offers savings in piping costs that offset the cost of the second regulator.
- Allows for future applications. Appliances can be easily added and the system can better handle the BTU load increase when compared to a single-stage regulator.

## Installation and inspection

The LP provider's regulator responsibility doesn't end when the proper system is installed. The Certified Employee Training Program, a recognized national training program used by the Nebraska Propane Association and others, publishes a training manual for propane delivery. One important topic covered in the manual is the need for delivery personnel to regularly inspect their customers' exterior aboveground systems.

Every delivery person is required by various regulations and industry standards, including DOT and NFPA 58, to check various portions of the propane system whenever a delivery is made. Therefore, before proceeding with a delivery, they should visually check the system, including

the storage containers, regulators, filler valve, pressure relief valve(s), gas piping, and, if applicable, gas meters.

## Check the regulators

Since regulators are the heart of the LP system, they merit careful inspection. REGO, a major regulator manufacturer, recommends regular regulator inspections. They note that the service life of a regulator is less than 15 years in most applications. All regulators have a code stamped on them that will allow you to determine the date the regulator was manufactured.

Three things can occur if the regulator malfunctions:

- LP gas flowing into homes and appliances at higher-than-normal pressures.
- Leaking of LP gas into the atmosphere from the regulator itself.
- Loss of system pressure due to a freeze-up in the orifice.

A good reference regarding outdoor installation can be found in Section 3.2.12.4 of NFPA 58.

It's important for LP dealers to educate their staff and their customers on the importance of regulator and system maintenance. The average consumer may not even know they have a regulator on their system, much less what its function is. Time spent in education and inspection can prevent costly problems in the future. ■



# Replacement Warnings May Not Be Enough



Most regulator manufacturers project an average service life of 15 years for propane system regulators. A date code particular to the manufacturer is stamped on each regulator made. By checking that code, delivery personnel can determine when a regulator has exceeded its recommended service life.

Cooperatives who deliver propane and service LP systems are always concerned about the best way to let customers know about outdated regulators and other real and potential system problems.

Some cooperatives have asked if a written notice of outdated equipment and system problems would protect the delivering company from liability. A legal professional we contacted noted that the delivery of that warning alone would not be sufficient to relieve the cooperative of responsibility in the event of an accident.

According to **Rocky Weber** of the legal firm Crosby Guenzel LLP, those who supply LP products and services have a higher responsibility to prevent accidents and, consequently, a higher liability when accidents occur.

"If the cooperative, as the deliverer of propane, knows or should have known of any potential defect with the storage or delivery system, the cooperative would have liability in the event of an explosion or fire," Weber explains.

Simple notification of a possible defect, such as an outdated regulator, is not enough to protect the cooperative from liability, Weber says. "The Regulator Replacement Warning, in its present form, would not protect the cooperative from any liability," he explains, "and could lure the cooperative into a false sense of security, thinking it has met its legal duty by simply notifying the customer of the potential defects."

In fact, Weber stresses, the only safe approach is notification coupled with a refusal to deliver. "I believe that such a notice is appropriate if it is combined with a similar notice that no further deliveries will be made until the system is repaired or upgraded, as may be required," he says.

Weber also adds that the potential exists for negligence in the inspection of propane systems as well. "Consequently, the cooperative needs to make sure it has trained personnel and maintains good records of inspections of propane storage and transmission systems."

If you have questions regarding regulator safety and the use of regulator replacement warnings, please contact us at 800-642-8572. ■

# Kansas Local Emphasis Program Extended

The Team Kansas Problem Solving Initiative, an OSHA Local Emphasis Program in Kansas, has been extended for one more year. The program involves OSHA inspectors paying unscheduled visits to grain elevators in the sunflower state. The program was supposed to expire Sept. 30, 2001, but OSHA officials in Wichita decided to extend it for another year, because they had not yet seen the progress they had hoped for.

The program was started in 1997 as a response to a series of deaths at commercial grain facilities. The program was established to increase the awareness of the OSHA Grain Handling Standard (29 CFR 1910.272). To date, 69 inspections of grain-handling facilities have been conducted since facility inspections began in December of 1999.

Failure to guard with a standard railing all platforms and open-sided floors that are located four feet or more above the adjacent floor has been the most frequent violation since the program began. The second most commonly cited violation has been the failure to have intrinsically safe equipment and to wire and install that equipment safely. Other common violations include poor housekeeping, improperly guarding machinery, and failure to have written housekeeping and hazardous materials programs.

With the program now set to end in September of 2002, OSHA hopes that the extension will further the establishment of safe practices in Kansas grain-handling facilities. ■



# Salt and Sand to Avoid Slips, Trips, and Fall



BY KYLE BROESDER  
*Loss Control  
Representative*

For those of us fortunate to receive our first blizzard already, we know that our beautiful fall is rapidly coming to a close. I'm sorry to have to relay this obvious fact. But this means that more winter weather is not far behind. It's not too soon to be thinking about the hazards of cold temperatures and the snow and ice they bring.

Some of the most hazardous situations caused by wintry weather are icy sidewalks, steps, and other walking surfaces. Many businesses overlook this hazard until a customer or employee has a bad fall, and by then it is too late. Every year, thousands of people are injured by falls on icy surfaces. The

simple, economical act of applying salt and sand could have prevented many of these spills.

Businesses that do not keep their walking areas free of ice are opening themselves up to unnecessary liability. If a customer is injured in a fall, the courts will look to determine if the business made a sincere effort to keep their sidewalks and other walking surfaces clear. If the courts decide they did not make that effort, it's time for the business to open its wallet.

Going hand in hand with fall prevention is the issue of fraudulent claims—something that is occurring with increasing frequency. One of the toughest claims to disprove is back pain, an injury that often accompanies a slip, trip, or fall. It's relatively easy to fall and claim back pain, and some will always see this approach as an easy way to make some money. Making a good effort to keep icy surfaces clear can help

you avoid claims of this type.

## **Not just customers**

In addition to protecting your customers, you should always work hard to provide a safe workplace for your employees. Not only does losing an employee leave you shorthanded, but it can also affect your workers' compensation modification. As an additional precaution, it is good practice to encourage your workers to wear boots or shoes with good traction during the winter months.

So, while most of us don't want to think about the winter weather, it is a good idea to be prepared for winter storms and take the necessary preventative steps.

*Remember: The same wintry conditions that create hazardous walking areas can create slick roads. Don't forget to navigate winter roads with caution. ■*

# New Safety Organization Up and Running!



BY HARLAN SCHAFER  
*Manager of Aurora Cooperative*

A formative meeting of the Ag Cooperative Safety Directors of Nebraska was held in Grand Island this fall with the assistance of **Cooperative Mutual's Rick Smithpeter** and **Brian Travis**. This organization has been formed to allow networking of safety professionals from cooperatives throughout Nebraska for the purpose of sharing knowledge and experience in order to maximize resources for the enhancement of safety in our industry.

The group has high expectations and plans to provide a platform to keep co-ops informed of regulatory changes and help us learn from each other to improve overall safety for our employees.

**Harlan Schafer** of Aurora Cooperative was elected to a one-year term as chair of the organization, **Don Eisenhauer** of Farmers Cooperative in Plymouth was elected vice-chair, and **Roberta Christiancy** of Frontier Cooperative was elected secretary/treasurer.

Meetings are scheduled for the second Tuesday of each quarter. Agenda items for each meeting will include at least one topic of importance for safety and compliance within

our industry.

Each member cooperative will be asked to support the organization with a \$50 annual training fee. This money will be used to bring in speakers when necessary and to support safety activities that will benefit all member cooperatives. Cooperative Mutual remains an active supporter of the organization, providing financial support, administrative assistance, and participation from its staff.

I'm very excited about the potential for this organization to benefit our local cooperatives! The members of this organization are business competitors, but when it comes to safety, we're no longer competitors but partners.

While the resources we spend on safety and regulatory compliance do not yield returns in the traditional sense—you'll never see a number in the income column—the returns are there. You'll see the payback in lower insurance premiums, improved worker productivity, and, most importantly, safe and healthy employees.

By pooling resources, experiences, and efforts, the cost of achieving safe, compliant workplaces can be minimized. Personally, I've been impressed with the safety managers I've met through these meetings. They speak volumes about the commitment local cooperatives are making to safety. I look forward to working with them and learning from each other as partners in a competitive environment. ■

# Late Claims Reporting a No-Win Situation

BY TEAGUE LOTTMAN  
Staff Agronomist/Adjuster



Every year in our agronomy meetings, we discuss the late reporting of claims. As the title of this article indicates, late claim reporting truly is a no-win situation for several reasons.

First, with late claims, **Cooperative Mutual** is unable to investigate the field in question. Therefore, we have no way of

measuring the true loss of yield and, if a settlement is even made, more times than not we will end up overpaying the claim.

That overpayment leads right to the second point. Because your insurance rates are based on your loss ratio, not only does overpayment cost us money—you will feel the loss as well. While this is a cost you can measure, there are also hidden costs involved.

For example, if you have ever been involved with a late claim, you know the amount of time it can take and the stress it can cause, which means less time for more important matters, which further heightens the stress. How much is your time worth?

Finally, many times we cannot reach a settlement with your cus-

tomers with these late-reported claims, and as a result, they end up in court. As you can imagine, this increases the cost of the claim. It's also extremely unlikely that you will be keeping that person as a customer. Could you imagine losing your best customer? Unfortunately, we have seen it happen.

Now, we're not going to tell you that every claim that is reported in a timely fashion results in a smooth settlement process. It doesn't. But, when we can get right out on a claim, meet with your customer, and start the settlement discussion promptly, 9 times out of 10 everyone involved will walk away satisfied. ■



**Claims made too late for us to check the condition of the crop are much more difficult to settle.**



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**INSIDE:**  
**ALL ABOUT**  
**REGULATORS**  
**PAGES 3&4**

