

How a respected, old-school tank builder with near-crippling insurance costs was turned around by a new president and his vision for safety-based excellence.

Rick Carter Editor-in-Chief

Of the many cost-saving options used by modern manufacturers, cutting workers' compensation insurance premiums is not usually on the short list. And that's too bad because U.S. businesses spend plenty in this area. According to the National Academy of Social Insurance, a Washington, D.C.-based research group, all U.S. businesses spend more than \$52 billion annually on workers' compensation benefit payments, including premium costs and medical care. Construction and manufacturing sectors contribute the lion's share. The amount covers some 6 million claims per year, approximately one-third of which involve lost-time accidents.

Fisher Tank Co., a \$32 million Chester, PA-based maker and erector of steel tanks for chemical, water and petroleum products, fully understands the impact workers' compensation insurance can have. When its annual premium topped a near-crippling \$1 million in 1994, it underwent a cultural and strategic shift that helped cut those rates by more than 80% within five years (see chart, page xx). If it hadn't, company executives are convinced there would be no Fisher Tank Co. today.

Unsafe successes

From an insurance perspective, 52-year-old Fisher Tank Co. neatly straddles two dangerous professions: manufacturing and construction. First, it designs steel tanks and manufactures their components in two locations: its Chester, PA, headquarters, just south of Philadelphia, and a newer shop in Lexington, SC, near the state capital of Columbia. Working with heavy sheet steel in various thicknesses, the company cuts and shapes tank components using plasma cutters, arc welders and bending machines that could do double duty in a shipyard. Completed components are shipped by private hauler to the company's field-crew boilermakers to erect tanks in the field. The company employs some 60 personnel in its two shops and related offices, and 150 in the field. Field crews are divided into approximately 10-man tank-building teams, led by a foreman and assigned where needed.

. The plan has worked well enough to make Fisher Tank Co. a solid mid-market niche player in all states east of the Mississippi. "We pride ourselves in being the only fully union, field-erection, flat-bottom tank company on the East Coast," says Mike Szelak, vice president and treasurer. Thirty-three-year company veteran Szelak describes Fisher Tank's niche as all aspects of tank maintenance and upgrading, as well as construction of tanks sized 50,000 to 10,000,000 gallons. The company has few direct competitors.

As a leader in an old-fashioned business, however, Fisher Tank found itself behind the curve in the last decade: Quality field help was harder to find, the cost of doing business was rising, and the typical injuries encountered in the rough-and-tumble

world of tank building were suddenly becoming much more costly to address. Workers' compensation insurance rates threatened to drag Fisher Tank out of existence.

How could this happen? Like most others in the tank business, Fisher had never seriously focused on safety and efficient work procedures. Productivity was the goal - an approach that agreed with the independent-minded, hard-working and, often, hard-living boilermakers hired by the job to erect tanks in the field. The nomad-like existence of these tank builders (crews are hired job to job, which can be hundreds of miles apart) contributed to their belief that old ways were the best and that company directives weren't needed to build a quality tank. It was a short-sighted practice at odds with modern manufacturing methods.

Turnaround time

It was good fortune when, in 1995, the company hired Leo Pasini as president and CEO to replace outgoing chief James Ward Jr. A 30-year veteran as an on-site troubleshooter for the industry's largest player, Chicago, IL-based Chicago Bridge and Iron (CBI), Pasini came with a solid reputation for experience, quality and directness. He relished the challenge of working with Fisher so much that he delayed his plan to retire after leaving CBI and moved East. When he arrived, he learned the company needed more help than he had anticipated.

"Leo pointed out a lot of problems we were having that we could probably avoid," says Barry Crossan, environmental and safety director. "He saw right away that we had a workers' compensation cost that was unacceptable."

A 17-year Fisher field veteran at the time, Crossan was new to his position as safety director, which was itself a newly created position. He had tentatively begun to examine the company's precarious safety status, its seemingly high insurance costs and what it all meant. Pasini's arrival quickly put it in focus.

"When Leo walked in, we got started right away on a better program," says Crossan. "We started working on managing the incidents and directing our main focus on safety, then quality." Pasini's company-wide directive, in fact, became "Safety, Quality, Productivity ... And In That Order." It's one of the first things a visitor to Fisher Tank learns about the company.

The directive marked a substantial culture shift for Fisher. It was evident that old, unsupervised practices had allowed excessive claim amounts to be paid for incidents that occurred both in the company's two shops and in the field. Pasini believed that safety and productivity improvements could drastically reduce both the number and cost of injury claims. It proved an effort without precedent at the company.

"Before Barry became safety director, we did not have a safety plan or a safety director," says Cory Evans, a former field foreman and now assistant safety director under Crossan. "We didn't have knowledge or understanding; we just did things the way we had done before. The foremen didn't know anything about safety, and it was killing our bottom line." If a boilermaker was injured on the job, he says, the foreman was instructed to "just send him to the doctor because the job needed to be built."

Crossan explains that the old approach led doctors to automatically recommend time off for the workers, regardless of the type of injury. Fisher Tank paid for such

time both in the cost of the claim and in the worker's lost productivity. Fortunately, the company had never faced a catastrophic loss incident, but the usual injuries in the business - sprained muscles and backs, burns, eye injuries, falls and cuts - were proving costly enough. Pasini knew that many of these injuries could be prevented and that, if and when they did occur, they need not result in a worker receiving automatic, doctor-authorized time off.

"We needed to instruct our foremen to what we now call 'manage the incident,'" says Crossan. "If we have an accident that requires a doctor visit, we don't send that person alone to the doctor like we used to. We have the foreman take him to the doctor, and we do that through a system we worked out with our insurance carrier which gives us panel doctors in most areas of the country. The foreman is instructed to be concerned about the employee and the need to treat the employee for his problem, whatever it might be. He even goes into the examination room with the individual and the doctor."

Accompanying the doctor into the examination room has ruffled feathers, says Crossan, but doctors usually acquiesce when presented with the company's reasons for wanting to do so. The first reason, says Crossan, is that it gives the foreman an opportunity to describe the company's light-duty program - an alternative to sending the worker home. Based on the doctor's diagnosis, the light-duty program is often suitable for a worker with a non-serious injury.

"There's always something on the jobsite to be done and somebody's got to do it," says Crossan. "We have plenty of work out there where a worker won't have to climb up on the scaffold or whatever the case may be. So maybe this person can do this work until he gets better. It's so important to keep a guy working because once he goes home, he's in a whole different atmosphere."

A second reason for the foreman to accompany his worker into the exam room is to ensure that the doctor doesn't write a prescription without considering alternatives. A prescription is an immediate OSHA-recordable incident, and a key function of the new Fisher safety strategy is to reduce recordable incidents, the number of which directly impacts workers' compensation costs. Crossan encourages foremen to pursue alternative strategies with doctors, for example, by asking if they have free samples of the drug they had planned to prescribe. They often do. Another is to ask if an equivalent over-the-counter product can be found.

"If someone has a back problem or has pulled a muscle and the doctor wants to prescribe 500 mg of Motrin," says Crossan, "the foreman will ask if he can go to the drug store and buy Motrin over the counter, which is at 250mg, and give him two pills instead of one at 500. In most cases a doctor will agree because the treatment is the same. The result is the doctor does not write a prescription and the incident is not recordable, unless he has complications later. This is a possibility, but more than likely, in two days his shoulder is going to be fine."

Finally, the foreman's presence with the employee ensures that an accurate description of both the injury and the job is conveyed to the doctor. This can help eliminate fraud, which Szelak says is a significant contributing factor to the rising cost of all medical services. Crossan stresses again that the success of this part of the program rests with the field foreman.

"Through this entire procedure, the foreman is constantly talking to the injured worker," he says. "If he comes back on the job, he's asking him how he's doing, checking on his next doctor's appointment, making sure that's kept. We constantly drill into the foremen: Manage the incident. Take care of that guy. He's your

employee. If he sits at home, you have to train somebody else to do his job. If he's drawing a workers' comp. check, that costs the company money. It's a win/win situation for the company, the employee and the job. And the medical treatment for the employee is exactly the same."

If time off is required, says Crossan, the foreman is expected to maintain contact with the worker, to remind him of his medical obligations, and to remind him that he still has a job and is wanted back on that job as soon as possible.

Insurance and Incentives

Efforts to rein in Fisher Tank's workmen's compensation costs didn't end with managing the incident. The company also hammered out a new deal with its insurance carrier that resulted in a self-insurance policy that transferred the risk back to the company itself.

"The type of policy we have, if we submit a \$100 claim, the insurance company will send us a bill for \$100, plus a mark-up on that," says Szelak. "Our insurance program is based strictly on what our losses are." He says the company felt confident taking on such risk because, with its new approach to safety, it knew that incidents and their costs could be managed and contained. It made more sense to do it this way, he felt, than pay a lump-sum premium for blanket coverage that would result in paying thousands of extra dollars to the insurer.

"An insurer might agree to insure us for half a million dollars a year, whether our workers' comp. claims were \$10,000 or \$200,000," says Szelak. "We say, why do that? Let Fisher Tank Co. take the risk. We know we can manage the incident. We know we can keep the costs down. I could buy a policy for \$450,000, but I say, if we can come in at \$150,000, why give the insurance company \$350,000?" Fisher Tank's willingness to take on added risk could not work unless its foremen were truly able to manage incidents. Besides the many hours of safety training the workers needed to understand not only how to maintain a safe work environment, but how to deal with injuries and doctors. They needed to understand that the company was paying for whatever medical treatment was being dispensed, not an insurance company.

"Getting it in the field foremen's minds that the money spent on a workers' comp. claim is Fisher Tank's, not the insurance company's, was the most significant training exercise we had," says Szelak. "It took years to get them to understand that."

According to the Fisher Tank team, the company's insurance carrier actually helped things go more smoothly by working closely with them to reduce premiums and create a reliable national network of approved doctors that field foremen can access anywhere during regular work hours. Under the plan, a field foreman calls Crossan or Evans at the Chester office (though anyone who takes the call can assist) and asks for the doctor nearest his location. A name, telephone number and driving directions are provided within minutes. According to Crossan, the next phase of the plan will include this information in the foreman's job package so he'll have it with him at all times.

Not surprisingly, the difficulty of introducing strict new safety procedures into a previously freewheeling work environment was compounded by this new set of foreman responsibilities. A common reaction, says Crossan, was: "I can't do all of

this and build tanks, too." So the company made sure to give all workers in the shops and in the field good reason to follow the new procedures.

"We introduced incentives," says Szelak. "In the (Chester) shop last year, they all went without a recordable incident, so they all got safety jackets. This year, if they last another six weeks, they'll get company watches. The field crews all get certain incentives based on their OSHA recordables," he says, which include sweatshirts, coolers and thermos bottles.

Foremen have their own set of incentives.

"The foreman is graded on the number of incidents for his team," says Szelak. "He gets a production bonus that says you have "x" dollars to build this tank. If you build it under that amount, you share in that bonus. If he saves \$1,000, he might get 30% of that. In addition, there's the good-work bonus, which has to do with the quality of the job. Are there any callbacks? Did the tank have a leak? Is there something that wasn't finished on the tank? If you have one of those, you don't qualify for a good-work bonus. If you had any safety problems, you don't qualify for a good-work bonus. If you don't turn in your safety reports, you might have your good-work bonus taken away. There's something extra there for everyone, just to make them think about safety constantly."

And if they don't think about safety around the clock, stresses Crossan, production savings will be meaningless. "The foreman might save 15% on the job," he says, "but if he has one lost-time accident, it could cost the company \$100,000. That's no comparison to the saving - we lose money in the long run. So our main objective is to prevent accidents from happening, and when they do happen, to manage them."

Upgrades and outlooks

A final key piece of this puzzle was equipment quality. Pasini knew that in order to perform a safe, quality job, equipment and tools needed to be safe and reliable. An ongoing, company-wide, multi-million-dollar upgrade program was begun five years ago to address that need.

"We replaced every ladder in the company," says Szelak. "We bought new scaffold boards, built new brackets, new hand line, everything. We also just rebuilt all of the on-site units (40-ft. truck trailers used to house and transport a diesel generator, fuel tank, welding machines, an air compressor and other tools) at a cost of about \$100,000 a unit. We completely redid all the welding machines, all new wiring, all new tools." The company operates a full-time maintenance shop at its Chester location where field equipment is returned and repaired between jobs.

With the upgraded equipment has come additional new safety procedures. All field employees, for example, are required to wear harnesses the entire time they're on the job, whether they'll be climbing or not. Why? It's too easy to not put one on for what might be an unexpected quick trip to a higher level. With the harness always on, a field employee is always prepared to climb and clip off. New welding procedures were put in place to ensure that scaffolding brackets (temporarily welded to the inside of tank shells during construction) have been inspected before use. Electrical wires are not allowed to pass through a man-way unless there is no other access to the tank. When they do, rubber protectors are required on the man-way edge to avoid cable frays. Each field location must display proper OSHA signage.

And all safety and operational procedures can be checked at any time. Safety director Crossan's job requires him to surprise-inspect jobs in the field, and prepare a report on each. He stresses that the goal of the inspections is not to criticize a foreman or his crew. "It's a barometer of what we need to look at as a company," he says. "I look for trends, whether it's fire extinguishers or clamps, or whatever the case may be. I always try to meet with the guys right after lunch to let them know what I saw and what we need to be looking for and looking at. I also do an inspection of equipment - the things they use every day. For example, I do an annual inspection on all the clamps. If one needs to be redone, I'll pull it out or send him a clamp and have him rebuild it. Every time he picks that clamp up, I encourage him to inspect it. The guys are getting very good at doing that. Say it every day and it just becomes nature."

The president's plan

So far, things have gone largely as Leo Pasini had hoped and - based on his understanding of Fisher Tank Co. employees - expected.

"This was an opportunity for me to try some of those things I've always believed would work," he says, "and it's been totally rewarding." The company's improvements have attracted a number of suitors, he adds, all of whom have been turned away.

"I honestly believe we can grow this thing a lot more," says Pasini, "My original goal was to grow it to a \$35 million company, and we're just a little short of that right now." The ideal size for Fisher Tank, he says, is "about \$50 million. Much more than that and you start to lose efficiencies. Less than that, if you have one bad job it hurts you."

What's next for the company?

"I see the opportunities out there. Steel tanks are still a bargain when you need big storage, whether it's for water, chemicals or petroleum products. But practically every large oil tank on the East Coast is more than 40 years old. So between new ones to replace those, the repair, renovation, retrofit and repair of existing tanks, and what I call de-bottling tankage (tanks used to store product at refiners' terminals instead of at the refinery), there will be enough to keep us busy."

Regarding safety initiatives, Pasini's challenge to his team is for them to maintain and build on successes. To do that, Crossan will manage and investigate instances lower down into the event triangle, as he calls it, referring to those less-significant or near-miss episodes that don't cause an accident or injury, but could have.

"Maybe no damage is done and no one gets hurt," he says, "but you still want to know: Why did that near miss happen?"

And Pasini has more ideas for expanding and strengthening the company's presence. "We may start offering more add-on services involving preparing the site, building the foundation and blasting and cleaning tanks," he says. "We may start offering maintenance services at a price. These are just some of our dreams and visions."

To date, such visions have been providential for Fisher Tank.

"Leo gave us a new way of looking at our company and a new way of looking at the tank business," says Jim Miller, vice president and secretary. "He expects a lot of you and drives you hard, but I'll tell you: It's a lot easier to sell the services of the

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