

Citizens Management Inc.



THIRD-PARTY ADMINISTRATION

EXCESS INSURANCE

RISK MANAGEMENT

LOSS CONTROL SERVICES

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Issue 1

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Scott Gaffner, President
Citizens Management Inc.

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Special Points of Interest:

- CMI Client Education Day is 10/25 in Howell
- "I'm a great believer in luck, and I find the harder I work the more I have of it." Thomas Jefferson

The Examiner

Introduction

Dear Partners,

Citizens Management Inc. is pleased to deliver our first quarterly newsletter created for our clients and agents. We believe the key to our success is in building deep partnerships with our clients and agents, understanding their needs better than our competitors do, and delivering on our promises. The purpose of this newsletter is to provide information our clients and agents can use to help lower their workers' compensation and disability costs and exposures to risk and injury.

We will strive to keep you apprised of trends in the workers' compensation industry, of workplace safety, and of services available to you as clients of CMI. In addition, we are dedicated to consistently providing the most responsive, professional service possible.

We value your feedback on information that you want to know for future newsletters. If you have requests, please contact Robert Dewey, CMI Operations Manager (and Editor), at rdewey@hanover.com

Thank you for allowing us to grow and win together.

Sincerely,

Scott W. Gaffner, CIC, CRM
President, Citizens Management Inc.

Client Education Day

CMI is pleased to invite all of our clients and agents to our client education day, which is set for October 25 at Crystal Gardens in Howell, MI. Formal invitations were mailed to clients and agents. Our keynote speaker is attorney Walter Noeske from the law firm of Conklin and

Benham who will discuss updates in court decisions, as well as conduct a mock trial. Dr. Charles Syrjamaki will provide insight on the independent medical exam—a key tool in evaluating workplace injuries. David Dull from Global Options will discuss our new partnership and the benefits available to our clients for surveillance and background investigations.

We encourage all our partners to attend this half-day event. Please RSVP by October 11, 2007 if you are able to attend to:

Pearl Carter Fax No.: 517-548-9246
PCARTER@HANOVER.COM

CMI Partners with Global Options

GlobalOptions Group, Inc., a leading provider of domestic and international risk management services, announced that its Fraud & SIU unit entered into a formal agreement to serve as a preferred provider of investigative services to Citizens Management Inc. (CMI), one of the largest third-party administrators in the Midwest.

Under the agreement, GlobalOptions Fraud & SIU Services will perform surveillance and background related investigations to assist CMI in exposing potential insurance fraud. In addition, GlobalOptions will develop and host a customized website that will allow CMI's claim staff and clients to monitor cases from their desktops—with real-time access via a secure web portal.

According to Halsey Fischer, president of the division, the company will assist in CMI's claims investigation process. "We look forward to working in tandem with CMI to provide surveillance and investigative expertise to its claim department. I'm confident that our highly efficient team and advanced technology will exceed their expectations and help CMI and their clients save money," said Mr. Fischer, president GlobalOptions Group's Fraud & SIU.

We are excited to partner with GlobalOptions. The company's advanced technology and business practices complement our already strong investigative unit and help to minimize the impact of fraud on our valued customers. Our clients will have the opportunity to see the services that GlobalOptions can provide at our annual client education day on October 25.

If you are unable to attend the client education day seminar and wish to know more about this new service available to our clients, please contact us, or you may visit GlobalOptions' website at www.globaloptions.com.

Providing Medical Savings

Citizens Management Inc is pleased to announce the offering of a new benefit to our self-insured partners. As your Third Party Administrator (TPA) for workers' compensation, CMI is dedicated to delivering world-class service and products to manage your workers' compensation claim costs. Effective July 16, 2007, CMI contracted with Aetna Worker Comp Access (AWCA) (formerly known as Preferred Provider Organization of Midwest (PPOM)) for additional medical cost savings utilizing their extensive provider network.

AWCA manages a network of over 150 hospitals and 22,000 physicians throughout Michigan. Whenever an injured employee receives treatment from a network physician, network rates are applied, which are often below the Michigan Workers' Compensation Fee Schedule. In 2006, services performed by AWCA network healthcare providers resulted in an **average savings of 16 percent** below the allowable service charges.

Currently, this service is available to Michigan employers only; however, we are in the process of rolling this program out to Indiana and Illinois in the near future.

This program allows CMI to remain at the forefront in savings for workers' compensation claim costs for our clients. To learn more about utilizing this program, please contact your dedicated account manager or claim adjuster.

Claims and Legal Update

On May 23 of this year, the Supreme Court issued an opinion (Karaczewski v Farbman Stein & Company & Nationwide Mutual Insurance Company), which reaffirms the specific language of section 418.845 of the Worker's Compensation Act for out-of-state injuries. The Act requires an employee to reside in Michigan and the contract of hire must occur in Michigan in order to be eligible for Michigan workers compensation benefits. The Worker's Compensation Agency does not have jurisdiction over injuries occurring out of state when these two conditions are not met.

The History:

The Court, in the 1921 Roberts' decision, indicated that the residency requirement was in conflict with another statute, which stated that the Michigan Workers' Disability Compensation Act covered all employees regardless of residence or the location of the accident. That section was repealed in 1943. From 1943 until 1992, eight of nine cases issued enforced the residency requirement. In 1992, the Court essentially ignored the rationale of the 1921 Court and waived the residency requirement (Boyd v. Wade Shows).

What does this mean to self-insured employers? The Michigan W.C. Act does not provide benefits if an employee resides outside the state of Michigan (and/or the contract of hire occurred outside of Michigan), and is injured while working outside of Michigan, unless the employer is either approved for self-insurance in the state of injury *or* has

purchased a workers' compensation policy which provides coverage in the state of injury.

Although this is not a common occurrence, it does give cause for concern as employers need to protect themselves by obtaining coverage. CMI is researching possible solutions to this exposure.

Loss Prevention and Safety

New Electrical Safety Standard

Electricity is widely recognized as a serious workplace hazard, exposing employees to electric shock, burns, fires, and explosions. The majority of hospital admissions due to electrical accidents are from arc-flash burns, not from shocks. When an arc occurs, temperatures in the area of the arc can reach 35,000 degrees, catching the employee's clothes on fire. With this in mind, the National Fire Protection Association created a new standard that provides guidelines for employees who work around energized circuits. While not yet part of an OSHA standard, NFPA 70E is considered a consensus or best practices standard. OSHA often recognizes these standards when citing a company under the General Duty Clause. Specifically, 70E applies to any employee who works with energized electrical systems above 50 volts and among other things provides guidelines for the appropriate personal protective equipment they should be wearing. The level of protective equipment required is based on a complex formula, which takes into account voltage and the space in which the employee is working. As this new standard evolves, it seems that most employers are adopting the approach of putting employees such as electricians and maintenance workers who have a reasonable chance of coming into contact with electrical energy into Class 2 Flame Resistant clothing as their normal work clothes. If these employees find themselves working with voltages greater than 1000 volts, they will more than likely need to wear a flash suit over the top of the Class 2 clothing. In addition to clothing, other PPE that may be required, depending on the situation, include arc-rated face shields, flame resistant hardhat liners, safety glasses or goggles, hard hats, hearing protection, and leather and voltage rated gloves and tools. If you would like more information about this new standard or assistance with any element of your safety program, please feel free to contact your CMI loss prevention consultant or our office at 517-540-4147.



Business Focus - Indiana

2007 has been a year of growth for CMI in the state of Indiana, as we have focused our efforts to offer CMI products and services to the self-insured businesses and public entities in Indiana. CMI currently provides third party administration (TPA) and excess coverage for workers' compensation to seven businesses and public entities

operating in Indiana. "CMI has taken its self-insurance program into Indiana with great success to date. Two private firms, four public school systems, and one county have partnered with CMI, representing tens of thousands of dollars saved in workers' compensation costs this year alone. Our demonstrated success has led to more opportunities for partnerships with Indiana businesses and public entities," said Paul Becker, Senior Account Manager for CMI.

Very recent news is that CMI has secured a W.C. surety bond market with Hanover Insurance and is now able to provide the complete self-insured program for self-insureds in Indiana. Our complete program offering now includes third party administration, excess insurance, and the surety bond required by the W.C. Board of Indiana.

If you want to learn more about the opportunity to partner with CMI in Indiana, please contact Paul Becker at 616-974-7457 or pbecker@hanover.com.

Employee Spotlight

Robert Dewey, MBA, AIC Operations Manager



Rob joined CMI in December 2006 in the newly created position of operations manager. This position plays a key role, as CMI has grown in size significantly over the past several years and looks for continued growth in the products and services available to our clients. As operations manager, Rob is instrumental in directing many day-to-day responsibilities at CMI, and spearheads many of CMI's new initiatives geared toward increasing the suite of services available to our clients. Rob oversees CMI's automation team, which is responsible for developing and upgrading the technology services for CMI and their clients. He also manages the risk management services team, which is responsible for providing customized reports and loss analysis for agents and customers.

"2007 has been an exciting year for me at CMI. I have had the opportunity to be involved in developing and delivering new services to our clients that will provide additional savings in their workers' compensation programs, such as Aetna/PPOM for medical cost savings and GlobalOptions for SIU. We have more programs planned on the horizon. We anticipate that in the coming months and year, we will deliver additional self-service products to our clients that will enhance administrative efficiency of their workers' compensation program. Our mission is to deliver world-class products and services to our clients, and it's exciting to be a part of an organization that is so highly focused on delivering on this promise," said Rob.

Rob comes to CMI from a Michigan based insurance company where he held the position of claims manager overseeing the TPA operation and assigned risk department. With over 14 years in workers' compensation insurance and holding an MBA from Michigan State, Rob has proven to be an asset to CMI in helping to achieve our vision as the TPA of choice in the Midwest.