



# TOOL TALK

A Publication of the Michigan Tooling Association

## From Rob's Roost

by: *Rob Dumont,*  
*Managing Director*



### THE BEAT GOES ON

Your Association is continuing its efforts to impress upon Congress both the reality and the urgency of the decline in our industry and in manufacturing generally in Michigan and the United States.

In the June issue of **Tool Talk** we told you we had meetings pending with Congressmen Knollenburg and Rogers. We have met with these gentlemen and our message was well received. Indeed Congressman Rogers has actively followed up on our meeting and has scheduled additional meetings to further discuss both the problems and the possible solutions.

One message taken out of the meetings was that, generally, members of Congress are unaware of the realities of the situation. Together with these gentlemen, efforts are underway to "educate" Congress on the issues. Certainly MTA is not the only Association engaged in these efforts. We have had and continue to have meetings to coordinate efforts with a variety of similarly concerned organizations.

MTA also met with Representative Rick Johnson, Speaker of the House, who agreed to make his best efforts to form a Manufacturing Caucus within the Michigan Legislature to assist us with our efforts both at the State level and in Washington.

The issues being addressed form a veritable laundry list and I don't intend to review them here. Rather, it has been

suggested that MTA prepare a comprehensive review for your attention and, in keeping with that suggestion we expect to prepare a Special Edition of Tool Talk dedicated to that purpose.

One approach that history indicates is effective is letter writing. If the members of MTA can take the time to send letters to members of Congress detailing the problems and the impact those problems have, and, if enough letters are written, the issue will get more attention.

## Special Announcement Regarding the New Fax Regulations

On August 19<sup>th</sup>, the Federal Communications Commission (FCC) issued a stay on the new regulations governing fax advertisements until **January 1, 2005**. The rules were to be effective on August 25, 2003 and were discussed in last month's issue of **Tool Talk** on page 1 "Extra, Extra, Read a Bit about it - FCC Issues Unsolicited Fax Rules".

The FCC granted the stay request after receiving hundreds of letters from associations and other businesses over the past several weeks. Many of these organizations argued that the fax regulations as written would significantly impede the marketing strategies and basic communications between associations and their own members. We will keep you apprised on this issue and also wish to thank all our members who sent in the Consent Forms that were included in last month's issue.

## MTA Calendar of Events - September

*NOTE: All seminars & training programs this month are being held at the MTA Training Center in Farmington Hills unless otherwise noted.*

- 15 Deadline for sending in items for **Tool Talk**
- 17 MTA Board of Directors meets
- 17 Safety Seminar - Required MIOSHA Training  
8:00 a.m. - 11:30 a.m.
- 18 MTA Workers' Comp Fund Board of Trustees meets

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# MTA Agency News

by: Mark Tyler, General Manager  
MTA Insurance Agency

## Save on Prescription Allergy Medication

With the annual hayfever and allergy season in full swing (ah-choo!), most of us who are affected are running to the pharmacy to fill our prescriptions.

One of the most prescribed and best medications to prevent your system from reacting to allergies is Flonase. Flonase is approved for the treatment of seasonal and year-round nasal allergies, and year-round non-allergy nasal symptoms, in people 4 years of age and older.

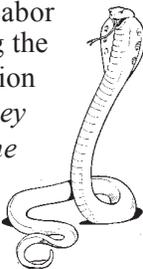
The makers of Flonase, GlaxoSmithKline Corporation, have a new "Allergy Rewards Program". By going to their website: [www.flonase.ibreathe.com](http://www.flonase.ibreathe.com) and clicking on the Allergy Rewards Program, you can receive vouchers to save \$5.00 on your Flonase prescriptions.

You will receive 4 savings checks in the mail to sign and present to your pharmacist when you refill your prescription. You will save \$5.00 if you pay for your prescription itself, or if your co-pay is above \$5.00. Then you can expect to receive 4 additional checks to follow, along with other allergy related offers. The total savings will exceed \$40. Take advantage of this offer while it's still available.

If you know of any other money-saving offers on health related expenses, please let us know. You can contact Mark Tyler at the MTA Insurance Agency, at 866-489-8505 or e-mail to [mark@mtaonline.com](mailto:mark@mtaonline.com).

## COBRA - The Snake Rears Its Head Again

On May 28, 2003, the Department of Labor (DOL) released proposed regulations changing the COBRA administration process and notification requirements. *(Editor's comment: I guess they didn't think the changes to ERISA and the new regs on HIPAA were enough!)*



The proposed regulations are not due to become effective until January 1, 2004, but they recommend you review your firm's COBRA notifications immediately. As with most proposed regulations, the DOL allows time for employers to submit concerns and recommendations so additional changes may be made prior to the effective date.

The following is a brief description of the proposed changes. The proposed regulations are presented in four parts:

- 1) The General Notice ( or what is referred to as the "Initial COBRA Notification");
- 2) Employer's Notice of Qualifying Event;
- 3) Qualified Beneficiary's Notice obligations; and
- 4) Plan Administrator's Notice obligations.

The General Notice (commonly referred to as the Initial COBRA Notice) is the notice provided to employees and covered dependents when they enroll in a group health plan subject to COBRA. The General Notice is designed to provide an overview of COBRA but more importantly, provide direction when an employee or dependent experiences a "qualifying event" that results in loss of coverage.

The proposed regulations specify the General Notice be sent within ninety (90) days from the date of enrollment; previously there had not been a time frame requirement, but we always recommended thirty (30) days.

We will have more on this subject as it becomes available and also on the new sample letters to maintain compliance with the changes.



## Light Flight Talk

Here are some actual maintenance complaints submitted by US Air Force pilots and replies from the maintenance crews.

Problem: "Left inside main tire almost needs replacement."  
Solution: "Almost replaced left inside main tire."

Problem: "Test flight OK, except autoland very rough."  
Solution: "Autoland not installed on this aircraft."

Problem: "Something loose in cockpit."  
Solution: "Something tightened in cockpit."

Problem: "Friction locks cause throttle levers to stick."  
Solution: "That's what they're there for."

Problem: "Number three engine missing."  
Solution: "Engine found on right wing after brief search."

# Legislative Update



by: *Judy Augenstein*  
*Legislative Consultant, Lansing*

The Speaker of the House has agreed to set a manufacturing caucus to advocate for us at the national level. We continue to meet with key legislators and the congressional delegation on developing a plan of action to address the competition issue.

The legislature and Governor Granholm have reached agreement on all budgets. Governor Granholm commented that the agreement was reached after the different sides had “haggled and wrestled and exchanged friendly words and some not so friendly.”

The Michigan Merit Scholarship will remain intact. The issue has been a point of contention between the Republicans and the governor. The governor pushed for a school rainy day fund, while many Republicans opposed it; but she eventually won in the end. Granholm has commented that it was a “win-win budget” with both Democrats and Republicans seeing many of their priorities funded.

On the last day of the heated session Granholm won her battle over revenue sharing with the passage of SB 575, adopting her proposed 3% across the board cut. Opponents of the plan were tossed a bone with the agreement on legislation in the fall that would distribute any new money in the 2004-05 budget to local governments that lost the most in the recent budget cuts.

Governor Jennifer Granholm has stated that the budget agreement requires \$250 million in concessions from state employees to avert further cuts in departments that could mean layoffs. But it appears those concessions will not come through pay reductions. The union representing state employees has stated that state employees continue to reject those concessions.

Another attempt was made to increase the number of charter schools. SB 393 was amended to allow fifteen charter high schools in Detroit financed by Robert Thompson, Belleville. Thompson has volunteered to commit \$200 million towards building the schools. While the House adopted the measure, the Senate unanimously rejected the bill with charter backers there saying the bill was too narrowly tailored and failed to address charter schools throughout Michigan. Granholm continues to say she will veto any measure to increase charters if it does not close the Bay Mills Community College loophole, which allows them to

charter schools.

Governor Granholm has announced she will appoint a commission to study Michigan’s services to the mentally ill and developmentally disabled population. Timetable, size and membership have not yet been determined for the commission. Granholm believes the state has over the past decade turned away from caring for people who are mentally ill and from fiscal accountability in the system, that the system is broken and the administration is committed to fixing it.

The legislature was in session mid-August and returns in September for the fall session. Speaker Johnson has indicated that the priority list for the fall session will include another effort to increase the number of charter schools, land use and revenue sharing.



## Members in the News

**Reif Carbide Tool Company, Inc.** of Warren, was certified ISO 9001:2000 as of February 20, 2003, through NSF-ISR. Jim Dennis of Reif Carbide states: “For three generations Reif Carbide Tool has been committed to total customer satisfaction by supplying superior quality, providing on-time delivery and fulfilling customer requirements through continuous improvement and the dedication of our employees and suppliers.”

Reif Carbide Tool Co. makes carbide cutting tools, wear parts, punches and bushings. They can be contacted at 586-754-1890 or at [Reifcarbide.com](http://Reifcarbide.com).

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**Pioneer Foundry Company, Inc.** of Jackson is proud to announce their registration to the ISO 9001:2000 Quality Management System Standard. Bob Lefere, company president states: “The registration is a real credit to the Pioneer Foundry team, and confirms our commitment to excellence and continuous improvement.”

Located in Jackson, Pioneer Foundry is a job shop “specializing in service.” They produce Meehanite and Gray Iron castings for machine tool, gage, metal pattern and fixture industries, utilizing wood and styrofoam patterns.

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Our congratulations and best wishes to the above. Let us know what is happening at your company. We would like to share it with all our readers.

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## From the Desk of Gary Wood

*Administrator MTA Workers' Comp Fund*



The recent power grid failure presented an interesting time for the Fund. We are, for all practical purposes, totally reliant on a computer system that tracks and maintains data on the members and the claimants dating back from today through 1976.

The good news is we have a tape file backup done daily. The bad news is that shortly after the power came back on, three discs on the computer system failed. This caused a bit of a situation for several days until we and the computer people could replace the bad discs and reinstall the data from the tape backup. The short story is we got most of the information back in place in a few days. We apologize for the delay in processing any claims information during that period and have taken preliminary steps to prevent future downtime by having further redundancy built into the system.

The only information we think may be questionable is any data that was entered in the system on the day of the power grid failure (August 14). If you have any question about a claim that may have been entered in that time frame, please contact either Donna Motley or Gary Wood at the Fund (248-488-1172).

The Fund payroll audit is now totally complete and the 2002 payrolls for the members are down again. In spite of the growth of the Fund in actual members, the payroll has decreased to the levels last seen in the mid-1980's. Fund membership, however, has reached a five-year high of 491 members as of July 31.

It has been some time (April) since we last recognized new members, so, here they are:

**Dearborn Gear & Tool Co., Inc.**

4300 Cabot Street  
Detroit, MI 48210  
*Metal Gear Manufacturing*

**Aphase II, Inc.**

6120 Center Drive  
Sterling Heights, MI 48312-2614  
*Prototype Services*

**Overseas Auto Parts, Inc.**

32400 Plymouth Road  
Livonia, MI 48150  
*Disc & Drum Brake Machining*

**North Shore Machine Works, Inc.**

595 West 2<sup>nd</sup> Street  
Perrysburg, MI. 49409  
*Screw Machine & CNC Machining Services*

**Bradhart Products, Inc.**

7747 Lochlin Drive  
Brighton, MI 48116  
*Precision Machined Components*

**Marsh Plating Corporation**

103 North Grove  
Ypsilanti, MI 48198  
*Electroplating*

The Trustees, Fund staff, and the Fund members themselves welcome the participation of these new members in the group. It is only through continued growth and a full-time commitment to safety and claim management can the Fund continue to offer the level of service and pricing that we have provided to date.

The Trustees will meet in September for the annual planning session. The topics for this year will include how to better serve the needs of the members for loss control and claim handling. Also on the agenda will be the cost of excess insurance and the appropriate pricing of workers' compensation through the Fund. While the increased costs of excess insurance, professional liability coverage and medical care are beyond the control of the Trustees, they have a major impact on the pricing of the workers' compensation coverage to the members.

The Annual Meeting of the Fund will be held Thursday, November 20, 2003 at the Sterling Inn Banquet & Conference Center, 34911 Van Dyke Avenue, Sterling Heights, MI 48312. All Fund members are invited to attend the annual meeting which will immediately follow the Trustees' meeting. Attendance at the annual meeting has declined over the last few years; while your attendance is not mandatory, you are all welcome to attend for the brief business meeting and luncheon.

The Trustees and staff are working to make this the best Fund year on record. The continued assistance of the members in accomplishing this goal in these difficult times is welcomed and appreciated. Please review your monthly billing and attachments carefully for any communications from the Trustees or the Fund staff. We have taken the opportunity to include important notices with your billing in an attempt to save on postage expense.

Remember, we just went through the worst power loss in United States history and we were up and running in two or three days. With that kind of recuperative power and cooperation, we, cumulatively, can overcome all of the obstacles thrown at us by economic situations. Hang in there and please buy American manufactured products.



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## Safety Talk - Ergonomics

by: Bill Hoke, Loss Control Coordinator

### Don't Read This Unless You Want To Save \$\$\$\$ Money!



Recently I completed a study of all claims submitted to the Michigan Tooling Association Workers' Compensation Fund for the period 1998 through December 31, 2002. Not totally surprising nearly one half of those claim dollars went out to the category called "strains". So what? - you may ask. Well the "so what" is over \$16,000,000 and if you care to add the cost of other categories, such as carpal tunnel syndrome, you would find that cumulative trauma and soft tissue type claims are costing you a significant amount of money each year.

By now we have heard of the pending legislation on the federal level that would require each and every employer to develop, implement and maintain a written ergonomics program. This may be several years down the road, but the fact remains that lack of response on our part is costing us thousands of dollars each year for higher compensation cost, lost production and needless suffering by our employees.

Do I have a solution for the problem? No, but I have studied this issue for some time and have found a program that can be used in-house that may significantly reduce your cost in the future. That program is called **Ergoweb Inc.** and I have been working with their representative, Rachel Michael M.Sc., AEP, on providing this service to the Michigan Tooling Association members at a reduced cost.

The program, (there are actually 13 different programs or job evaluation methods), allows you, the employer, to conduct an in-house analysis of new and existing tasks. The resulting report will provide you with an analysis of those studies, letting you know the potential for injury. Plus, it will also provide to you corrective actions that can be taken to reduce or eliminate the potential hazard.

What I find unique about this program is that it is not designed for use on office furniture and computer stations, but is made for use on actual industrial tasks; and it allows you to make calculations using real information, not averages, to determine if your particular job is acceptable under NiOSH standards. You provide information such as sex, height & weight of the operator, and the formula automatically corrects the various programs to accommodate the individual, so what you are getting is not a national average but a real answer to your problem.

The cost of the program depends on the number of per-

sons signing up for it. There are some associated costs, including training for each individual. **What we at the Michigan Tooling Association are looking at is: combining our purchasing power and reducing the cost of the training per individual by hosting it at our Farmington Hills office, hopefully in October or November of this year.**

Why should you attend? Well the answer is simple - when you do the math and discover that the average shop submits claims for cumulative trauma averaging \$6,000 per year - you can see how this directly affects the cost of your insurance. Maybe you haven't had a "big claim" yet or for a few years, but remember that the calculations used for determining your annual premium are based on your claims history, so a "back injury" now can result in higher costs for several years, not to mention the needless pain and suffering your employee will experience as a result of this injury.

In this day and age of uncertainty, we know that we must compete on a global basis. To keep our cost in line with all competition, we must follow every avenue that could help us keep the bottom line as low as possible. One way we can do that is by controlling the cost of our insurance. As you well know, there are many things you have little or no control over: raw materials, labor costs, shipping and utilities just to name a few, but the cost of your workers' compensation can be controlled and even reduced by aggressive risk management on your part.

I believe that this program can make a difference for each and every one of our shop owners, unless your entire operation is automated and your only employee is named R2D2, you have a potential for cumulative trauma type incidents and, as such, you need to take positive steps to help reduce and control those potentials before they become actual injuries. By doing this, I also believe you will not only be saving yourself money, but will also be in compliance with any pending legislation that may come down the line via MiOSHA or OSHA in the future, as you will have already addressed the ergonomics' issue and taken corrective actions before it ever becomes an issue.

More importantly, I feel that we all have a moral obligation to provide a workplace free of hazards and to reduce the potential for injury to our employees. If you have any questions or would like more information please call me for details. The dates for the proposed training class will be announced shortly, so please don't wait too long to act on this program. I believe it will fill up fast.

If you have any questions and/or to learn more, please call Bill Hoke (231) 734-2082 or (231) 250-1977.

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# Risk Management Strategies for Business Owners

The hardened insurance market compels business owners to seek value for their insurance dollars.

Few businesses have been spared from the economic stresses of recent times. Industries hardest hit by the strained economy and the fallout of terrorist attacks are still struggling to recover profits or to merely stay afloat. Costs for some necessary goods and services, including insurance, continue to rise.

Even before the 9/11 tragedy, the commercial insurance industry was entering a “hardening” marketplace, a period of rate increases and coverage changes. In response to large underwriting losses, insurers began increasing premiums and limiting some high risk coverages. Renewal premium increased 10 to 30 percent for over 40 percent of small and medium-sized companies in 2001.

Insurers faced another tough year in 2002, and the hard insurance market is continuing in 2003. Full recovery is slow and difficult due to trends beyond the control of insurers, including medical inflation, unrestrained jury awards, a weak investment environment and the risk of more terrorist attacks.

Despite the bleak outlook, business owners can control some factors influencing insurance costs. One way you can control costs is by investing in loss prevention strategies and taking measures to reduce high-cost claims. In fact, loss prevention may be the best way to contain increasing premiums.

## Control Your Insurance Program!

The most effective way to trim insurance costs is to reduce or eliminate your exposure or possibility for loss.

These three steps should help you achieve control.

1. *Know your loss experience.*
2. *Select a stable insurance company.*
3. *Assign a Designated Risk Manager.*

### Step 1. Know your loss experience.

Take the time to review your losses. Make sure they are accurate, then review them with your current and/or prospective agent. Once you identify exactly where your losses

are occurring, you can determine which risk management tools may help you reduce or eliminate certain losses.

### Step 2. Select an insurance company

Work with an insurance company experienced in insuring your industry. The company should provide risk management assistance that will help you develop good business practices specific to your industry and your individual business.

### Step 3. Assign a Designated Risk Manager

Companies that have an individual specifically assigned to prevent and reduce losses are the most successful at controlling losses.

The designated risk manager’s duty is to change ineffective business practices that can adversely affect your bottom line.

## Last But Not Least

During a hardened insurance market, it is important to carefully manage your insurance program. Start your insurance renewal process early, three to six months prior to your policy’s expiration date, especially if you have multiple locations.

Find out what types of records are needed and gather all information in an organized manner before meeting with your insurance representative. Present your loss information and financial statements early in the quoting process and make sure all information is complete. Also provide other critical information about your business such as your safety program, driving standards and motor vehicle report (MVR) procedures, hiring practices, unique exposures, etc.

For more information, call 800-533-0472 or visit Federated Insurance online at [www.federatedinsurance.com](http://www.federatedinsurance.com).

- *Written by Jeff Fetters,  
Executive VP of Insurance Operations  
Federated Insurance Companies in  
Owatonna, MN.*



## Economic Talk - The Dana Viewpoint

by: *Mike Dana, Dana Investment Advisors, Inc.*

### What's an Investor to Do?

We have ten California Institute of Technology faculty members coming up with PAM (Policy Analysis Market). They proposed the creation of a futures market where you could trade (bet) on war, assassination or any terrorist attack. They even proposed a slogan to promote this new exchange: "Make money not war." The idea was to develop an unorthodox approach to gather intelligence that seemingly is unavailable through our normal devices. As if investing in the stock and bond markets is not challenging enough.

Next, we have a paper written by a highly respected economist from Stanford, Michael Boskin. Mr. Boskin proposed that the tax windfall from tax-deferred savings accounts (IRAs and 401k plans) would help cover the Social Security and/or Medicare mess. He estimated that this source would reach \$12 trillion by 2040. Turns out he overestimated the size of the windfall by a factor of two or three. The sum currently stands at \$3 trillion which would be the approximate amount of taxes on the estimated \$11 trillion now in these deferred accounts. Oops! Have you ever heard of or seen an unemployed economist?

High pre-payment speeds on mortgages, which shortened duration and forced money managers to hedge their investments by buying Treasuries, forced the rate on the benchmark ten-year Treasury note to drop to a forty-five year low of 3.11% on June 13<sup>th</sup>. Then, in an abrupt about-face, the Treasury announces the need to raise \$450 billion, causing bond prices to drop and interest rates to rise. On top of that, the government economists said the recession ended in November 2001 (yes, 2001), GDP (Gross Domestic Product) grew 2.4% in the second quarter of this year and the unemployment rate dropped from 6.4% to 6.2%.

What's an investor to do? Well, one thing not to do is get caught up in all the emotional action in the current market place. Interest rates are not going to the moon. The economy is improving, however, not as fast as the second quarter GDP numbers would indicate. A large portion of that was defense spending. We turned positive on the economy and the stock market last October and see no reason for a change of opinion at this time. It will continue to be a slowly evolving economy and a selective stock market. Keep in mind though, that there is currently \$2.2 trillion sitting in money market funds that is looking for a more profitable home.

Edward Yardeni, Chief Investment Strategist at the Prudential Equity Group, made some very interesting comments recently. He feels that there is a very close relationship between year over year growth in GDP and ten-year bond

yields. He feels that GDP growth can match the current 4.25% on ten-year bonds. He also has an interesting way of looking at value in bonds vs. stocks. He calculates a price/earnings ratio on the ten-year bond by dividing one by current yield. Current yield of 4.25% gives bonds a P/E (price to earnings) of 24. The S&P 500 is currently trading about eighteen times forward earnings. This would indicate that stocks are still somewhat more attractive.

### Things You Should Know About Your 401(k) Responsibilities

*from: Freedom One Financial*

You have a 401(k) and you're saying:

- ❖ "What's the big deal - seems fairly simple."
- ❖ "I have picked a handful of well-known mutual funds for my employees to choose from. They can switch around, they get regular statements, and I do not have to absorb a lot of the costs. It is one nice, neat, convenient package. It is all 'taken care of' - right?"

#### **WRONG!**

If you find this thought process even remotely familiar, you are walking down a "dark alley" of fiduciary risk. You need to change your path from the vast majority of small to mid-sized retirement plan fiduciaries who:

- ❖ Are not really aware of their legal responsibilities.
- ❖ Think that just because employees can pick their own investments, they are "off the hook."
- ❖ Have not heard many employees complaining about the 401(k) plan.
- ❖ Equate the convenience of the packaged 401(k) product with peace of mind.

#### **Perhaps it is time to take a closer look at:**

- ❖ The definition of a fiduciary (if you're a company owner, you're automatically a fiduciary!) Fiduciary status equates to personal liability.
- ❖ The legal responsibilities of a fiduciary.
- ❖ Your qualifications and comfort level to fulfill 100% of your fiduciary responsibilities.
- ❖ Sharing fiduciary responsibility with a Registered Investment Advisor.
- ❖ Other plan sponsor lawsuits.

To discuss this topic further, please visit us online at [www.freedomonefinancial.com](http://www.freedomonefinancial.com) or call Freedom One at 248-641-7525. Freedom One Financial is endorsed by the MTA and is the MTA choice for 401(k) plan administration.

