

Transcription – Roger Hedgecock

RH: Some people are talking about not paying their outrageous workers' comp increases. There's, you know, some idea here that if you've got a 300% increase in the last couple of years and insurance commissioner John Garamendi is promising a 3% reduction it's not, not basically a big deal. So what do you do about workers' comp? We had the contractor call us last week saying "My roofer, my roofer." You know, usually, I mean I was doing this workers' comp at the restaurant where the waiters were 3, 4, 5 bucks, I forget what it was. Three fifty maybe per hundred dollars that you paid them, that's what you paid for workers' comp insurance in case they got injured. This guy, this contractor tells me the roofer is \$100 for every \$100 of pay. (Are you kidding?) NO. So here, this is outrageous. And nobody, and the reason why, and this is another, let me tell you how these chips fall. What's the practical implication of that scenario? Well, let's look at the 2,500 families burned out by the fires. They go to, they go to rebuild. Well that house they built for, you know, 100 bucks a square foot, 85 bucks a square foot, 20, 25 years ago is gonna be 300 bucks a square foot, 250 bucks a square foot with the amenities they want. They've got insurance to a hundred, you know. So they go, "Wait a minute. What happened to replacement? What do you mean by replacement?" So, it's a, it's an issue that many of those homeowners burned out in this fire have come across. And I want to tell you why it's expensive. There are a variety of reasons. This one is a big one. Workers' compensation has hit the construction industry very, very hard. And it's not just construction, I know. It's a lot of other businesses too. I'm using that merely as an example. Now down in my neighborhood, down in the 'hood, a very, very active individual at Mission Beach Town Council is Ross Provenzano, and I've known Ross forever because we graduated from St. Augustine High School together. He's been very active as a contractor and builder and he's now got, he sent me a little note saying, "Look. There's a way." Now, there's always a way and I, that's what I love about America, there's always a way, if you're confronted with this kind of idiocy, these, these workers' compensation increases. There's gotta be a way. So Ross Provenzano told me about his idea, and I thought it was so interesting we'd talk about it a little bit on the air. Ross welcome to the program.

RP: Hey, thank you Roger.

RH: Nice talking to you. And let's, why don't you outline for people what your idea is?

RP: Well, it's not an idea, it's a reality, Roger, and this is something that unfortunately I didn't dream of, it's been around for years, but it's kind of flown underneath the radar, and basically it's this: We go after contractors, small contractors, say, that are sole proprietors. Our goal is to educate them, protect their assets, and bottom line, save them money. Now how does that work? Well, educating them to the benefits of incorporating is step one, Roger. A lot of these people just don't understand what incorporating is all about. They think it's a complex, expensive affair, and fortunately we've been able to associate ourselves with some attorneys who understand our program and offer these individuals a discounted cost in incorporating. Now that they're incorporated and they've got that corporate shield that we've heard so much about protecting their personal assets, their home, their college fund, their cars and so forth, and they've done this at a reduced price, now we try to explain to them some of the advantages of taking selected employees and embrace the concept that we've embraced; and that is, that employees that become small owners in this corporation have a much different approach to the workplace. They have a better customer service, a better quality of work, less stolen tools for example; just a better job site morale. Additionally, we see that they are going to have a lower incidence of sick days and job site accidents. I mean, they're just going to be more tuned in to what they're doing as an owner. And, this is where the key to our program comes into place. Basically people that are shareholders of a corporation and also an officer or a director of a closely held corporation, by definition of the law are owners. Owners, as such, are excluded from the requirement of paying into workers' compensation. But Roger, wait a minute. We don't want to put them out in the job site with no protection at all; because accidents do happen. We've been able to convince the, I think it's the 6th largest insurance company in the world, the Guardian Insurance Company, to provide us with disability and life insurance, not only during the work time, but 24 hours a day. So they're covered at work and at play. So now we're able to offer these new officers and shareholders of our corporation, these people that have been working with us hard, making us successful over the year, a benefit package we could never afford before. I don't have to tell you, we hear it all the time: how many millions of people have no medical coverage? Now we have created an avenue where we can offer them medical coverage 7 days a week, 24 hours a day, disability, and by the way, the disability coverage is structured very, I won't say identical, because we don't replace workers' comp, this is an alternative to workers' comp, but it's the same, let's say, payment structure as workers' comp, in fact, in an accidental death on the job site, our program actually pays that

deceased employee higher than a workers' comp claim would pay. But our benefit is, of course, that off the job site this person also receives a death benefit of some \$50,000, something that workers' comp doesn't do. By the way Roger, we can do this at a fraction of the cost of workers' compensation, as you indicated. I've been talking to people that are paying over \$100 per 100. I mean, that's another tax. Let's face it, we're paying FICA, Social Security, we're paying all those, let's add workers' comp onto the tax. What is a tax of 100% like?

RH: Alright. Ross Provenzano. Let me go back to the beginning Ross. You mentioned small, like sole proprietor, closely held, all of that, implying a small business. Is it just contractors, or does this apply to any other type of business?

RP: Well, it's interesting, you know. Michael Kinsman wrote an article about our company back in July. The name of our company is Contractors Asset Protection, and really, being ex-contractors, that was our focal point, as we know the high workers' comp rates that all subcontractors are paying. Our phone, once the Kinsman article hit the San Diego Union, rang off the hook. And not by contractors. Much to our surprise, we were getting calls from all businessmen.

RH: Because it applies across the board.

RP: Absolutely.

RH: Alright. Let me get into the mechanics here. First of all, if I had a family owned or small corporation, I actually do, and I don't have any employees now, but if I had employees, there's the kind of a thing of saying well wait a minute employees are employees. We don't gotta give them a piece of our business, because then that gets into the estate planning issue, that gets into the profit sharing issue, that gets into the distribution issue and all that. What about that?

RP: Well, the key is this. We're not going to, I mean, you've worked in your company for years as a sole proprietor, you've now surrounded yourself with three or four key employees. You're not going to sell them the majority share of your corporation. You are going to sell them shares.

RH: Ok. So if I give them one share of...

RP: One of the first things you also get signed, and this goes into the technical side of it, is you get a Buy-Sell Agreement. Should that

employee decide to retire, quit, start his own business, you lay him off...

RH: You can buy back the shares...

RP: Yeah.

RH: Ok. So, but let me move on. You're actually, Ross, requiring though, to meet the requirement that this is a participating owner, you're gonna have to have frequent meetings of the corporation in which your employees will, you know, maybe hear the inside of the business that you may or may not want employees to hear.

RP: Well, what we do is that ConAPA requires for people that participate in this program not to just do what the law requires, and as you know that's a one year (sic) shareholder meeting. We require quarterly shareholder meetings. We want those people, those key employees to come in, and we're treating them as owners. Absolutely. This isn't some sort of a bail. They are participating, we are learning from them things that we don't, that we may not see out on the job site or in the work place.

RH: Alright. Now, but Ross, the most fascinating part of this, and what really I think is so attractive about it, the most fascinating part of this is that you can find, through this insurance company you mentioned, on a private sector basis, coverage for accidents at work that's better than workers' comp, with a better death benefit if that's what it comes to.

RP: Mmhmm.

RH: And for less money.

RP: You know why that is, is because they are no longer insuring employees, Roger. They're insuring owners. You know, that had a big impact on their decision.

RH: It's amazing. It implies. You know, here's another thing I just heard, Ross, and let me interject this as another parallel universe. I ran across a friend of mine last night who has a business, and a well known business, in San Diego, and what he did was, for the people working for him, he made them franchisees and their now operating as little units providing the service his company provides on a dispatch basis in which they own the tools, and they own the car, and they own the, you know, and all that; and they go out and do the job just as

before, but, they're their own little business as a franchisee, and therefore an owner, and therefore they're covered by the kind of insurance policy you're talking about, as well.

RP: Sure, they're self-employed. You know what I love about the crisis that we're in, is it brings out some creativity, the American way if you will. And we've found solutions that are better than the bureaucracy, better than the fraud, better than the... You know what it's done, unfortunately, Roger, it's taken honest, hard-working, conscientious, law-abiding employers and it's turned them into thieves. They can't compete in an area where, you know, this underground economy rules. I mean, people are forced to pay cash under the table. I hear it all the time.

RH: Ross Provenzano with us, and again, the name of your company is what, Ross?

RP: It's Contractors Asset Protection Group. We go by the acronym ConAPA.

RH: C-O-N-A-P-A.

RP: Yeah.

RH: Where can people find more information about this?

RP: Well, we do have a web site, Roger, www.conapa.net. We are local, we're in Solana Beach.

RH: Ok. C-O-N-A-P-A dot net.

RP: Mmhmm.

RH: Alright, and a phone number.

RP: Our phone number is (858) 356-2300. We've also got an 800: (800) 477-4821.

RH: 477-4821. Now, Ross, give us an example, without mentioning the name of the company, of a company where this has worked out, and what did it mean in terms of savings to do this alternative way of handling it.

RP: Ok, let me just reach over to my file here. I'll take a company that has high workers' comp rates. You mentioned roofers earlier?

RH: Yeah.

RP: I've got a roofing company and I won't tell you who, but they've been around for years, 15 employees, actually 14 employees plus himself. Now he has not yet decided which employees will become owners so we just took his entire company. Ok, and by the way, interestingly enough, we don't suggest that the entire company switch over to this program necessarily. It's your company, you're gonna decide which key individuals you want to sell stock to. It doesn't have to be everyone. The people that you don't sell stock to, they stay where they are and you pay workers' compensation on them. We do not eliminate workers' compensation; we just have an alternative that shows you a method in which workers compensation is exempt. But getting back to the roofing contractor: he's got 14 employees, and by the way, I'm going to get his, what we call a census out because these employees, when you get in the construction world, they make good money. I mean we're making 20, 22, 25 dollars per hour. This, this particular roofer had a, what they call a discounted mod rate. What does that mean? That means he wasn't paying a hundred, 85, 65 that we've seen on a lot of roofers. This gentleman was paying \$32.77 per hundred.

RH: Wow. That's low.

RP: Very low. I mean, that's because he's been conscientious, he hasn't had any claims. Ok? Even with that rate, Roger, if he joined our program, we can save him on a yearly basis over \$100,000 as compared to our program.

RH: Interesting.

RP: That's giving him, again, the medical coverage, either an HMO or a PPO, I mean we're affiliated with Kaiser, everyone knows Kaiser here locally, HealthNet, and of course the Guardian Insurance Company, which is the crucial, and, if you will, the coup that we were able to put together on getting non-integrated with workers' comp job site coverage.

RH: Ross Provenzano with us. I'll tell you what Ross, let me take a break. People with questions and comments at 1-800-600-KOGO, 569-TALK, 569-8255. Now we've talked about this workers' comp

thing before, and I know a lot of you are in these little businesses struggling with this thing, with a hundred, 200, 300% increases, and I think Garamendi threw out the smallest of crumbs here a couple of weeks ago; and Arnold Schwarzenegger, Monday as he's sworn in, has promised that this will be at the top of the agenda to fix. It was a big issue in the campaign. What do you think about this idea? We'll come back with calls. Ross Provenzano from ConAPA, C-O-N-A-P-A. 420 KOGO. We're timeless. Check first on the headlines. Here's Phil Farrar.

Announcer: News radio 600 KOGO.

RH: Good afternoon and welcome back to our community forum, and Ross Provenzano with us. He's from a company called ConAPA, C-O-N-A-P-A. What was the web site again, Ross?

RP: Yeah, it's www.conapa.net.

RH: dot conapa dot net. I was thinking here with Larry Serling while we were on the break, Ross, about this other law passed under the Davis administration requiring small businesses by, I think it was 2007, to have universal health care for their employees.

RP: Yes.

RH: If you have an insurance coverage requirement by law, for employees, wouldn't you just be able to repeal workers' comp as redundant?

RP: Well, I mean, the big question is what can you do for Life and Disability? Right? Life and Disability non-integrated with workers' comp on the job site is not an easy task, believe me.

RH: Ok, so Life and Disability are additional issues that wouldn't be covered by an insurance, a health insurance requirement.

RP: No. But let me, let me just add to that, and it's one of the things that I first looked at when that passed. And that was, our program will cover the officers/shareholders, of that business. Now, let's say there's people that aren't part of that program and they're still employees. I mean, we have one company with a hundred employees come to us, take 15 and they are now officers/shareholders, but we have these other 85 people out there that are not covered. Well, we

do have an ERISA/VEBA issue that we've gone ahead and complied with.

RH: What is a, wait, wait, wait. ERISA/VEBA, what is that?

RP: Well, basically, what we're doing is, we are creating a situation where we will offer to all the employees that are eligible, meaning they're full time employees, the same type of medical benefit package that we are offering these shareholders.

RH: Interesting.

RP: Ok. So now what we've done is, we've created a scenario where an employer can actually afford to give his entire company medical coverage with the savings that he's getting from the workers' comp on 15 people.

RH: Which he's gonna have to do, he's gonna have to get that health insurance coverage by 2007 anyway.

RP: Yeah, well I think it's 50 people and higher, actually. It's not below 50 yet.

RH: Well someday it's gonna be. I mean handwriting on the wall on that one.

RP: Which again is another tax, in my mind. It's another employee tax.

RH: Sure, sure. Alright, well we're gonna get some calls in here. I'm running out of time though, callers. You can't be calling at the last minute, good grief. Are we set up? Here's Dave. Dave, welcome to the program.

Dave: I'm a sole proprietor, a small business person, and I'm being forced to have to have a workman's' comp, and if anything happens to me, I can't even take advantage of it.

RH: Well, that's the flip side of what Ross is saying; you can't take advantage of it 'cause you're not covered, but at the same time you're not paying outrageous rates, either.

Dave: Well, enough. It's not outrageous like you're talking about, but it's money out of my pocket.

RH: Well, wait a minute. You're not covered by workers' comp, correct?

Dave: I'm not covered by workman's comp, but I still have to have it.

RP: For your employees.

RH: For employees.

Dave: No, for myself. I have no employees at all. And in order for me to work on the area that I work in, they require me to have workman's' comp.

RP: Ah. The people that you are contracting with are requiring you to have a workers' comp coverage.

Dave: Exactly.

RP: Well, you know what? This goes back to, they're trying to cover their backside should you get hurt on their job. They don't want it to be construed that you're their employer, or their employee.

RH: Yeah. Well that's kind of weird. Here's a sole proprietor, single person in a business and they have to have workers' comp just to do the business.

Dave: Exactly.

RP: And if you talk to the insurance people, Roger, they're gonna say, "Listen, as long as you get it from the people that work for you, give me the workers' comp coverage certificate and give me the liability certificate, we can give you these kind of rates. So the generals, or a lot of the business people that are hiring these smaller people, are requiring just what this gentleman's up against.

RH: Hmm, and there's no break for that, huh? I mean, there's no solution for him?

RP: Well, there are no solutions for him. See, the people that come into our program may have more than, they're more than self-employed. They have 2, 3, 4 people.

RH: Yeah. That's what I'm thinking.

RP: And maybe an administrative person. You know what's funny about workers' comp is, you get a certificate. It's not on an individual; it just says you have workers' comp. Alright? It doesn't say how many people are covered or not covered.

RH: Right. So as long as you have a couple covered you're all set.

RP: So as long as you have one person covered, and you have a workers' comp certificate, could be the girl in your office, answering your phones, you know, that's gonna satisfy the need of that developer.

RH: Alright. Well, Ross, I appreciate the exposure to this. Give your 800 number again.

RP: Thank you. It's 800-477-4821, and Roger, you know I just need to thank you. I listened to the program yesterday with Dr. Laura, My Stuff program. God bless you, man. That was just a fantastic day, and I know you do it with Father Joe every year, and keep up the good job. San Diego's lucky to have you in it.

RH: I appreciate it. Ross Provenzano. Thanks very much my friend. And, yeah, it was yesterday and like one of those high days where you realize, "Boy, this radio program can be more than just chit-chat." Much more. I'm Roger Hedgecock. Back with you after this.

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