



PREMIER
STRATEGY BOX

WORKERS' COMPENSATION PLAYBOOK

UNDERSTANDING WORKERS' COMPENSATION



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Purpose of Workers' Compensation:

Provides medical benefits and wage replacement to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue their employer.

Key Components:

1. **Medical Coverage:** Covers all medical expenses for work-related injuries or illnesses.
2. **Disability Pay:** Provides a portion of wage replacement for employees unable to work due to work-related injuries.
3. **Rehabilitation:** Covers rehabilitation costs to help an employee return to work.
4. **Death Benefits:** Provides benefits to the dependents of a worker who dies due to a job-related injury.

Challenges in Workers' Compensation

1. **Rising Medical Costs:** Increasing healthcare costs can significantly impact the premiums and payouts.
2. **Classification Disputes:** Incorrect job classification can lead to improper premium calculations.
3. **Experience Modification Errors:** Misunderstandings or miscalculations can impact premiums.
4. **Fraudulent Claims:** Identifying and mitigating fraudulent claims remains a challenge.

Rating Factors

1. **Payroll:** The larger the payroll, the higher the exposure and thus the higher the premium.
2. **Classification Codes:** Jobs are classified according to the type of work performed. Each class code has its rate.
3. **Experience Modification Factor (Mod):** Adjusts premiums based on a company's claims history relative to others in the industry.
4. **Claims History:** Past claims can influence future premium costs.

Experience Modifications

- **Definition:** A numerical representation of a company's claims history and safety record as compared to others in the industry.
- **Calculation:** Derived from a comparison of actual losses to expected losses.
- **Impact:** Can increase or decrease your workers' compensation premiums.

Worksheets and Calculations

- **Experience Mod Worksheet:** Breaks down the calculation of an employer's experience mod, showing actual versus expected losses.
- **Rating Bureau Reports:** Detail the data used to calculate premiums, including payroll and loss information.

Managing and Reducing Claims

- **Safety Programs:** Implementing comprehensive safety training can prevent accidents.
- **Return-to-Work Programs:** Helps in reducing the cost of claims by reintegrating injured workers.
- **Claims Management:** Effective management and timely reporting of claims can help in controlling costs.

Company Profile for Workers' Compensation Niche Market

1. Company Profile:

Name:			
Address:			
Contact Information:			
Industry/Sector:		Number of Employees:	
Annual Revenue:		Years in Operation:	

2. Operations Overview:

Description of Services Offered
Operational Footprint: (Local, regional, national)
Key Operational Processes: (Highlight any that are particularly hazardous or unique)
Workforce Composition: (Full-time, part-time, contractors)

3. Risk Management Practices:

Existing Safety Programs
Employee Training Procedures
Equipment Maintenance Schedules
Previous Workers' Compensation Claims: (Brief overview and outcomes)
Current Risk Mitigation Strategies

4. Financial Information:

Current Workers' Compensation Insurance Provider:
Premiums: (Current and past 3 years)
Claims History: (Detailing frequency, types, and costs of claims)

Experience Modification Rate (EMR): (Current and historical, if applicable)

5. Human Resources:

HR Policies: (Related to workplace safety and injury reporting)

Return-to-Work Programs: (Description and effectiveness)

Employee Wellness Initiatives:

6. Legal and Compliance:

Regulatory Compliance: (Specific to workers' compensation and workplace safety)

Legal Challenges: (Related to workers' compensation claims or safety violations)

Documentation and Record-Keeping Practices:

7. Future Plans and Concerns:

Anticipated Changes in Operations or Workforce:
Specific Concerns or Areas Needing Attention: (Related to workers' compensation insurance)
Growth Projections: (And how they might affect workers' compensation needs)

8. Contact for Insurance Matters:

Name:	
Address:	
Contact Information:	

Utilizing the Company Profile

For Insurance Staff (Agents, Brokers, Underwriters):

1. Risk Assessment: Use the detailed information to conduct a thorough risk assessment, identifying areas where the company might be underinsured or facing particular risks not adequately covered by their current policy.
2. Policy Customization: Tailor insurance solutions based on the specific needs, risks, and operational characteristics of the business. Highlight how certain endorsements or additional coverages could address gaps identified during the risk assessment.
3. Claims Analysis: Review the claims history to identify trends or recurrent issues. Offer insights into how changes in operations, safety training, or risk management practices could mitigate these risks.
4. Experience Modification Rate (EMR) Review: Analyze the EMR to discuss strategies for improvement. Highlight the impact of safety programs, claim management, and return-to-work programs on reducing the EMR and, consequently, insurance premiums.
5. Education and Training: Based on the company profile, suggest targeted employee safety training sessions or workshops. Highlight the potential ROI of investing in safety and risk management education.
6. Strategic Planning: Assist the company in planning for future changes in their operations or workforce that could affect their workers' compensation insurance needs. Offer proactive solutions for anticipated challenges.

Workers' Compensation Risk Assessment

Deep Dive Questions:

1. Business Operations Analysis:

Can you provide a detailed description of all operational aspects of your business?

How do you currently classify your employees, and are there any areas where classification is unclear or could be disputed?

2. Safety and Training Programs:

What safety and injury prevention programs do you have in place?

How often are employees trained on safety procedures, and are there records of such training sessions?

3. Claims History Review:

Can you provide detailed reports of all workers' compensation claims from the past five years?

What steps were taken following each claim to prevent future occurrences?

4. Experience Modification Analysis:

Do you have a current Experience Modification Rate (EMR)? If so, what is it, and how has it changed over time?

Are there any specific incidents or claims that significantly impacted your EMR?

5. Return-to-Work Program:

Do you have a formal return-to-work program for injured employees?

How do you accommodate employees who are unable to perform their regular duties due to work-related injuries?

6. Payroll and Classification Audit:

How is payroll tracked and reported for workers' compensation purposes?
Are there regular audits to ensure that payroll and employee classifications are accurate?

Selling Tips for Workers' Compensation

1. **Highlight the Importance of Accurate Classification:** Educate clients on how proper job classification can impact their premiums and offer to help review and verify their classifications.
2. **Discuss Experience Modification Rates:** Explain how improving safety and reducing claims can lower their EMR and, consequently, their insurance costs.
3. **Emphasize the Value of Safety Programs:** Demonstrate how investing in safety training and equipment can yield long-term savings by preventing accidents and reducing premiums.
4. **Offer Claims Management Assistance:** Position your agency as a partner in managing and mitigating the impact of claims, emphasizing timely reporting and effective management strategies.

Workers' Compensation Terms to Know

Average Daily Wage (ADW)

Average daily earnings of an employee before an injury. Use to calculate benefits payments in situations where AWW would not provide an accurate reflection of actual wages.

Average Weekly Wage (AWW)

Average weekly earnings of an employee before an injury, which is used as a basis for determining weekly benefits payments.

Audited Premium

Final premium for the policy term based on actual payroll exposures.

Date of Injury (DOI)

Date when injury or illness occurred or, in the case of repetitive exposure injuries or illness, when it first became apparent that symptoms were work related.

Death Benefits

Benefits paid to surviving dependents when an employee dies as a result of injury or illness caused by their employment.

Excess Losses

In most NCCI and independent states, any dollars of each claim over x, where x is determined by the Primary/Excess Split Point that applies to the state and effective date. Excess losses are an indicator of loss severity.

Experience Modification Factor

An adjustment to the Manual Premium, calculated by an advisory organization (also known as rating bureaus), such as NCCI. It's based on historic loss and payroll data of a particular insured. Also known as the experience modifier, experience modification rate, experience mod, ex-mod, EMR, EMF or simply the mod.

Independent Medical Examination (IME)

Requested by an employer or insurer to serve as an objective evaluation of an injured employee's condition. IMEs are used in situation where the findings of an employee's self-selected doctor need to be verified.

Light Duty

Temporary work restrictions placed on an injured employee by their physician that allows the employee to return to work while also allowing for their injury to heal properly.

Lump Sum Payment

The award of workers' compensation benefits in one or more partial or total payments, instead of in weekly or biweekly payouts.

Manual Premium

Workers' compensation premium prior to the application of the experience modification factor and any other credits and debits. It is calculated based on the employer's payroll and the insurer's premium rates by payroll code.

Maximum Medical Improvement (MMI)

Point in an injured employee's treatment when recovery has reached a plateau with no reasonable expectation of continued improvement.

Modified Premium

Workers' compensation premium after the application of an experience modification factor. Does not reflect any schedule credits or debits.

Occupational Disease

Illness or disease primarily caused by exposures faced by an employee in their work environment over the course of their employment.

Occupational Injury

Any injury, illness or death that results from a work-related event or from repetitive trauma or other repetitive acts required of an employee over the course of their employment.

Permanent Partial Disability (PPD)

Benefits paid to an employee who has suffered compensable work-related injury or illness to one or more parts of the body. Most states have a preset payment schedule (Schedule of Injuries) based on specific body parts or conditions.

Permanent Total Disability (PTD)

Benefits paid to employees who face lifelong total disability from compensable work-related injury or illness.

Posting Notice

Certain states require employers to notify their employees of their workers' compensation rights.

Primary/Excess Split Point

The dollar value at which an actual loss is split into primary and excess portions in the experience rating formula. The NCCI's rating system uses a split point of \$17,500. This means that the first \$17,000 of every loss is considered a primary loss, and any amount over this point is considered an excess loss.

Primary Losses

In most NCCI and independent states, the first x dollars of each claim, where x is determined by the Primary/Excess Split Point that applies to the state and effective date. Primary losses are an indicator of loss frequency.

Premium Discount

A premium credit, based on the size of the premium that is paid.

Schedule of Injuries

List of payment amounts and maximum number of weeks PPD benefits are to be paid based on the part of the body that was injured.

Social Security Disability Benefits (SSDI)

Benefits paid to disabled individuals through the Social Security Administration, separate from workers' compensation. Most state workers' compensation statutes regulate whether an individual can receive both benefits at the same time. If both benefits are awarded, there are limits in place to ensure that an individual cannot receive more money than they are entitled to from either program independently.

Standard Premium

Premium after application of experience modification factor and schedule credits and/or debits, but before premium discount.

Statewide Average Weekly Wage (SAWW)

Average wages paid to workers in a set jurisdiction for a period of time, used to set the maximum and minimum for workers' compensation benefits paid out to injured workers.

Temporary Partial Disability (TPD)

Benefits paid to an injured worker who is temporarily unable to fulfill the full requirements of their job but is able to perform at a reduced level. Benefits paid in such instances are based on possible pay differences between the regular and temporary position.

Temporary Total Disability (TTD)

Benefits paid to employees who are totally unable to work for a period of time but will make a full recovery. Though TTD payments stop when the employee is cleared to return to work, they may be eligible for TPD benefits if they still face some work restrictions.

Vocational Rehabilitation

Any of a number of services offered to injured employees to help them return to the workforce in a new occupation if they have suffered disabilities that will not allow them to return to their initial occupations.

Workers' Compensation: Frequently Asked Questions

What benefits are available under workers' compensation?

Workers' compensation benefits are available to employees who are unable to work because of a work-related injury or illness. The injured employee will be indemnified for lost wages as a result of the work-related injury if he or she is medically authorized off from work. Typically, lost time benefits are a percentage of the injured employee's pre-injury wage. In addition to all medical expenses related to the treatment, rehabilitation is also typically covered.

What is a waiting period?

It is the period from the date of the injury to when the workers' compensation benefits start accruing. The waiting period may be paid retroactively as determined by your state's designated retroactive period.

What is the disability date for occupational disease?

The date of injury is set by the first time an employee loses time due to the injury or disability. This time may be paid or unpaid.

What is an IME?

An independent medical exam (IME) is a medical exam of the injured worker by a medical professional other than the treating doctor who conducted the original examination of the injured worker. An insurance company or employer is entitled to an IME to challenge the treating physician's diagnosis, the recommended treatment plan or whether the injury is work related.

What happens if parties have a dispute that cannot be resolved?

Workers, employers and insurance carriers may file an application for hearings to resolve disputes. Employees file most hearing applications. The application notifies the state of the dispute and initiates the legal process. Legal disputes can be settled by stipulation, arbitration and proceeding with a formal hearing.

For more information on workers' compensation benefits, please contact Mick Hunt at (919) 435-2916.