

Understanding Workers' Compensation

Last year, workplace injuries affected thousands of employees and cost U.S. companies more than \$110 billion. Chances are, your firm will eventually have to deal with a workplace injury which means that you will also have to deal with a workers compensation claim.

Think of workers comp as a legal compromise: in return for compensating employees who require medical treatment or who miss work due to a workplace injury, employers avoid potentially costly lawsuits. Workers compensation also protects employees who might not be able to support themselves or their families because of a work-related injury.

Who Qualifies for Benefits?

Workers compensation laws rely on a "no fault" rule that provides benefits regardless of who is responsible for a workplace injury. There are exceptions, however, for employees who hurt themselves due to reckless behavior or drug or alcohol abuse. In addition, employees who cause self-inflicted injuries, or injure themselves while off-duty or while engaged in a criminal act, usually do not qualify for benefits. State laws vary as to what kinds of activities are "covered" under workers' compensation.

There are also a wide variety of state laws regarding what types of employees qualify for workers comp benefits. Some states exclude contractors and consultants, volunteer workers, farm workers, domestic servants, and certain other groups. States also enforce different rules about whether part-time employees qualify for benefits.

Insurance Issues

Every state except Texas requires employers to purchase workers comp insurance, which covers an injured employee's medical expenses and lost wages. There are different state rules regarding how much coverage a firm must buy, what percentage of an injured employee's wages a firm must pay if they are unable to work, and how long a firm must cover an injured employee. Some (but not all) policies include liability insurance that protects employers against lawsuits related to a workplace death or injury.

Insurance sales methods also vary from state to state. A few states require employers to purchase insurance through a single state agency, while others allow private insurers to offer workers comp policies. In the event of a claim, you will likely work with a workers' comp insurance broker who can help you file the correct paperwork and follow the requisite procedures.

In addition, many states operate insurance pools for firms that can't afford standard coverage such as those with poor safety records or a long history of workers comp claims. Some states

allow certain types of firms to self-insure if they have the financial resources to cover potential claims.

Your Responsibilities as an Employer

If one of your employees is injured, you must immediately file a workers compensation claim with your insurance carrier, which will then notify the appropriate state agency. Although it varies by state, a state agency typically reviews cases to determine whether a claim is valid and what benefits the injured worker should receive. State governments, along with private insurers, also investigate possible insurance fraud and keep detailed statistics on workplace injuries and compensation claims.

The best way to control your workers' compensation costs is to create a safe work environment. You might even consider safety training as one of your preventive measures. Read more about this approach to risk management in [How Can You Control Workers' Compensation Costs?](#)

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