

What You Need to Know About Workers' Compensation Insurance

Workers' compensation benefits provide coverage for medical expenses as well as reimbursement for lost wages when employees are injured on the job. Workers' compensation coverage includes two types of protection: workers' compensation and employer's liability. The workers' compensation portion of the policy pays for claims made by employees, and the employer's liability portion pays the cost of defending lawsuits filed against the company by an employee or an employee's family.

Workers' compensation insurance may not be at the top of your list of things to think about, but it should at least be on that list for three reasons:

- Workers' compensation insurance is required by law in all 50 states.
- Workers' compensation insurance can protect your business from lawsuits. Without the right coverage, an injured worker might sue your business to recover medical costs, disability costs and damages.
- If you understand how the system works, you can take advantage of simple ways to reduce workers' compensation costs.

Getting Covered

Each state enacts its own workers' compensation statutes, so you need to check with your state insurance commissioner's office or your insurance agent to find out about rules that govern your business.

Depending upon where you live, you can buy coverage through a state-run fund or a private insurer; some states offer a choice of either. If your state doesn't offer a state-run insurance fund and you can't qualify for private insurance, you will be insured by an assigned-risk pool.

Cutting Workers' Compensation Costs

Workers' compensation premiums depend upon the nature of your business, the jobs your employees perform and the number of hours they work. Each job type is assigned a classification code. Riskier work is classified as such and assigned a higher premium. Thus, you might pay 48 cents in premiums for every \$100 in payroll that goes to a clerk in a retail store. By contrast, a truck driver's premiums might set you back \$9 per \$100 of payroll. But there are ways to control your costs. Try these strategies:

- Review your classifications to make sure you're using the proper codes. Ask to review your case with your state workers' compensation rating bureau. If you aren't satisfied with the result, request an onsite inspection and rating.
- Consider a deductible. More than half of states allow small companies to cut premiums by paying a deductible on workers' comp claims. Paying deductibles, which typically range from \$100 to \$1,000 per claim, can reduce your premiums by as much as 25 percent.
- Check your payroll. Most states don't require you to include overtime in the payroll numbers used to compute your premiums. If your state is one of them, make sure you don't figure in overtime.

Stay out of the Pool

If you're in an assigned-risk pool due to a poor safety record or unusually high risk, you'll pay high premiums for relatively poor service. Find out why you're in the pool. If the problem is your firm's safety record, you should take steps to improve safety and reduce the chance of accidents in your workplace. Enhancing workplace safety will improve your workers' quality of life as well as your bottom line. Consider some of the following ideas:

- Give each employee a workplace safety manual that details rules and safe work practices.
- Conduct regular inspections of the facility to identify and correct hazards such as poor lighting, unsafe warehouse conditions and ergonomically incorrect workstations.
- Communicate to employees the importance of safety in the workplace. Award and recognize safe operations.
- Write safety procedures and distribute them to anyone who drives a vehicle for your business.
- Keep detailed records of all accidents and set quantifiable goals for improvement.
- Create return-to-work programs for injured employees and stay in close contact with employees who are out.
- Use ergonomic products. The right chairs, keyboards, mats and tables can sharply reduce claims.
- Provide protective equipment. Goggles, helmets, gloves and other safety gear make sense in many situations.

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