

WORKER'S COMPENSATION:  
YOUR MOST CONTROLLABLE  
INSURANCE COST  
...HERE'S HOW!





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# QUESTIONS WE'LL ADDRESS:

- HOW CAN I CONTROL MY WORKER'S COMPENSATION COST?
- HOW CAN I IMPLEMENT AN EFFECTIVE RETURN TO WORK PROGRAM?
- WHAT IS MY EXPERIENCE MOD FACTOR AND HOW DO I CONTROL IT?

# THE QUICK BASICS

- WC IS EXCLUSIVE REMEDY PROVISION FOR AN EMPLOYEE'S INJURY ON THE JOB
- YOUR PREMIUM IS BASED ON YOUR PAYROLL PROJECTIONS
  - HIGHER PAYROLL ESTIMATE = HIGHER PREMIUM
- YOUR PREMIUM IS BASED ON THE EXPOSURE/INHERENT RISK OF YOUR EMPLOYEE'S JOB DUTIES
- IT'S AUDITABLE AT THE END OF YOUR POLICY PERIOD
  - DID YOU END UP WITH MORE PAYROLL THAN YOUR INITIAL ESTIMATE? YOU'LL HAVE AN ADDITIONAL BILL.
  - DID YOU END UP WITH LESS PAYROLL THAN YOUR INITIAL ESTIMATE? YOU'LL RECEIVE A PARTIAL REFUND

# HOW CAN I CONTROL MY WC COST?

- DON'T HIRE EMPLOYEES?
- DON'T PAY EMPLOYEES?
- DON'T HAVE ANY ACCIDENTS?
- MORE REALISTICALLY: IF/WHEN YOU DO HAVE EMPLOYEE ACCIDENTS, HANDLE THEM RIGHT!

# WHAT DOES HANDLING AN ACCIDENT “RIGHT” LOOK LIKE?

- GET A “RETURN TO WORK” PLAN IN PLACE BEFORE AN ACCIDENT OCCURS!
  - GET A DOCTOR’S NOTE INDICATING WHAT THE INJURED EMPLOYEE CAN/CAN’T DO
  - BEFORE THEY MISS 3 DAYS OF WORK: GET YOUR EMPLOYEE BACK TO WORK!
  - ANSWERING PHONES, MAKING RESERVATIONS, DOING BUSY WORK...WHATEVER! (EVEN JUST TWIDDLING THEIR THUMBS AT HOME, WATCHING NETFLIX)
  - ONCE INJURIES ARE WELL AGAIN, YOU CAN GET THEM BACK TO THEIR NORMAL JOB!



# WHY DO I NEED TO GET THEM BACK TO WORK QUICKLY?

- TYPE OF WC CLAIM
  - INDEMNITY: LOST TIME WAGES & DISABILITY PAYMENTS
    - LOST TIME PAY KICKS IN AFTER ABOUT 3 MISSED WORK DAYS
    - ANY DISABILITY FROM THE INJURY WILL AUTOMATICALLY PUT THE CLAIM IN THIS CATEGORY
  - MEDICAL ONLY: MEDICAL BILLS ONLY
- MEDICAL ONLY CLAIMS GET A **70% DISCOUNT**
  - A \$10,000 CLAIM IS SEEN AS \$3,000!

# WHAT DO YOU MEAN BY “A 70% DISCOUNT?”

- **EXPERIENCE MODIFICATION FACTOR**

- GAUGES BOTH PAST COST OF INJURIES AND FUTURE CHANCES OF INJURIES
- USES THREE FULL YEARS OF PAST CLAIMS DATA, EXCLUDING THE PREVIOUS YEAR
  - IT'S 2020 NOW. IT WOULD EXCLUDE 2019 & WOULD USE 2016, 2017 AND 2018
- DETERMINED BY MORE THAN # OF CLAIMS
  - COMPARE YOU AGAINST EXPECTED LOSSES IN YOUR INDUSTRY
  - FREQUENCY (“FREQUENCY LEADS TO SEVERITY”)
  - SEVERITY
    - REMEMBER THAT 70% DISCOUNT? LOWER \$ CLAIM INDICATES LOWER SEVERITY!



# TELL ME MORE ABOUT THIS “EXPERIENCE MOD” THING.

- **YOU WON'T YET HAVE AN EXPERIENCE MOD IF:**
  - YOUR WC PREMIUM ISN'T HIGH ENOUGH (THRESHOLD VARIES BY STATE)
  - YOU HAVEN'T BEEN IN BUSINESS FOR AT LEAST 3 YEARS
- **THE AVERAGE IS 1.0**
  - YOURS IS 0.8? YOU'RE BETTER THAN AVERAGE!
  - YOURS IS 1.2? WE HAVE SOME WORK TO DO.
- **IT'S USED AS A DIRECT MULTIPLIER OF YOUR PREMIUM**
  - **UNDERWRITER'S MAGICAL CALCULATOR SPITS OUT A WC PREMIUM OF \$10,000?**
    - IF YOUR EXP MOD IS 0.8:  $\$10K \times 0.8 = \$8,000$  FINAL PREMIUM CALCULATION
    - IF YOUR EXP MOD IS 1.2:  $\$10K \times 1.2 = \$12,000$  FINAL PREMIUM CALCULATION

So here's a scenario with ALL indemnity claims:

Claim Amount	Impact on Mod	Premium Cost Increase 3 years
\$22,265	+ 0.2882	\$41,501
\$7,934	+ 0.1344	\$19,354
\$1,527	+ 0.0259	\$3,730
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\$31,726		\$64,585

**Original Scenario:**

Claim Amount	Claim Reflected As	Impact on Mod	Premium Cost Increase (Over 3 years)
\$22,265	\$22,265	+ 0.2882	\$41,501
\$7,934	\$7,934	+ 0.1344	\$19,354
\$1,527	\$1,527	+ 0.0259	\$3,730
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\$31,726	\$31,726		\$64,585

**Same Claims,  
but Medical Only:**

Claim Amount	Claim Reflected As	Impact on Mod	Premium Cost Increase (Over 3 Years)
\$22,265	\$6,679.50	+ 0.0864	\$12,442
\$7,934	\$2,380.20	+ 0.0403	\$5,803
\$1,527	\$458.10	+ 0.0077	\$1,109
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\$31,726	\$9,517.80		\$19,354

**Total  
savings.....  
\$45,231!**



# FULL CIRCLE: WRAP UP

- GET A RETURN TO WORK PROGRAM IN PLACE
  - GET A DOCTOR'S NOTE READY TO USE
    - -> NEED A TEMPLATE? CONTACT ME AFTER!
  - HAVE AN IDEA OF POTENTIAL JOB DUTIES
  - SET EXPECTATIONS WITH YOUR EMPLOYEES
- ASK QUESTIONS! STAY INFORMED!

MAKE SURE YOU ARE WORKING WITH AN AGENT WHO WILL HELP MANAGE YOUR EXPERIENCE MOD & KEEP YOU INFORMED!





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# Thank you for attending!

PLEASE FILL OUT A SURVEY FOR THIS  
SESSION

DECEMBER 1-4



2020 VIRTUAL CONFERENCE AND OUTFITTER EXPO