

Workers' Compensation Insurance: *Some Facts, Features & Tips*

By Peter Piecuch

At the turn of the last century, our courtrooms were overrun with lawsuits from injured employees brought against their employers. The industrial revolution in high gear, everyone wanted their piece of the fortunes being made, even if it came from getting hurt on the job. U.S. courts couldn't handle the volume of work related claims; a better way to address the lawsuits had to be developed. Federal workers' compensation legislation was passed (circa 1911) to protect employers against the endless litigation. Defined benefits to injured employees were drawn, limited by statutory law. Risks better defined, insurance premiums spread the more predictable cost of claims, offering affordable policies to employers.

To this day, regardless of size, states law mandates if an employer doesn't have coverage, they are exposed to unlimited litigation from both uninsured subcontractors (1099's) as well as its direct employees (W2's). This is the case even if one only has a single person under their employment! Subsequently, it is critical to understand statutory workers compensation obligations completely.

After understanding their statutory requirements, business owners should ask themselves "is my agent taking all steps to minimize my workers' compensation cost?" Hiring an agent who understands your business and is aligned with insurance underwriters that serve your industry is the first step towards insurance cost containment. Well-established association-created plans are often better sources of coverage, as opposed to publically-traded companies who return underwriting profits to their stockholders. Georgia companies who

participate in local association-funded plans often pay fewer premiums. Local underwriting guidelines are more "refined" and in most cases offer lower rates.

However, the design and management of your workers' compensation program is even more important than who underwrites and delivers the workers' compensation policy. A company's insurance policy "blueprint" can reduce cost by an additional 30%. Some of the cost reduction steps include the election of affordable deductibles, implementing the Georgia Drug Free Workplace, confirmation that your employees are properly classified, claims management practices, and understanding how your Experience Modification Factor (EMod) works. Your EMod is tantamount to your "credit score" for workplace safety. Like your financial credit score, over time this factor can be improved upon by implementing practices such as those mentioned above.

Workers' compensation insurance is more than a legal responsibility to your employees. It also protects your company and customers from expensive litigation that could put you out of business. The key is to have coverage in place that doesn't break your company's bank account.

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