

Business Brief

WORKERS' COMPENSATION, AN OWNERS OVERVIEW

Do I need worker's compensation (comp) insurance for my business? If you have employees you do. Let us help you understand this complex but important area of your business.

PAY-AS-YOU-GO (PYG) WORKERS' COMP PLANS

A pay-as-you-go program works similar to the way taxes are handled – calculating workers' compensation based on actual payroll (rather than an estimated premium). Some benefits include;

- No premium downpayment
- Improved cash flow
- No checks to write
- No invoices
- Automatic payments through payroll deduction
- Minimize year-end audit surprises and adjustments.

IT'S GOOD TO SHOP AROUND

- Select an insurance agent who is very knowledgeable in workers' comp and has influence with the insurance carriers presented. Your agent is your advocate, choose wisely.
- Select an "A" A.M. rated carrier.

Contact ASAP about our recommended Workers' Compensation Insurance Provider and learn how your insurance can be integrated with payroll processing.

What is worker's comp?

In short; injuries and occupational diseases to employees arising out of and in the course of employment are covered under Workers' Comp. Medical costs, wage replacement, permanent impairment benefits, rehabilitation benefits, and survivor benefits are provided. The system operates under a "no fault" philosophy. In other words, negligence on the employer does not need to be established for benefits to commence to the employee.

Who needs it?

In general, if you have employees, coverage is required. Sole Proprietors and owners partners aren't required to purchase workers' comp until they have employees.

NOTE: Rules vary from state to state and may change over time. Be sure to check with your state's insurance regulatory agency to confirm rules in your jurisdiction.

Failure to comply

Penalties for failure to obtain coverage vary from state to state and is taken very seriously by regulators. Many states have enacted workers' comp investigative or "SWAT" teams to seek out violations. In some states penalties can be greater of \$1,000 or three times the premium that would have been paid. Injunctions and criminal sanctions can also be imposed. Should a claim occur during the non-coverage period, the employer would also lose the "exclusive remedy" position and be subject to other potential legal liabilities.

How are premiums determined?

Rates are established by the state and by business classification. Standard rates are multiplied by payroll to determine premium. Actual loss experience is then used to calculate an experience modification factor which is a statistical rating used to modify individual business rates as compared with industry average. Providers may offer additional premium reductions based upon your loss experience as well as size of premium.

Can premiums be reduced?

Employers can position themselves to improve your experience modification over time by adopting an aggressive safety and loss program. Such improvements include employee awareness of workplace safety, strategic plans and procedures, and can all play a role in reducing your future premiums.