

# How To Save Money On Your Workers' Compensation Insurance

Version 1.01

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**Introduction**

In many ways, the workers' compensation system is like the income tax system:

- There are rules that determine how much you pay.
- You have very little say in the make up of those rules.
- Knowledge of the rules can help you save money.
- You can use your knowledge to pay less.

I have been in the insurance business since 1979. Twenty years of that time was spent selling insurance as an agent. I now consult with businesses; helping them manage their insurance programs as a fee compensated advisor. I have worked with hundreds of employers in my career. I have found that everyone can do something that helps them control their premiums.

My objective here is to help you improve your workers' compensation program while saving premium dollars. I have tried to keep my advice and information clear and easy to understand.

I have chosen an E Book format for this publication as it allows for easy updates and revision. I can add information, hints, and tips easily. Electronic media also allows for easy, low cost distribution allowing more people to access and benefit from the information.

This E-Book approaches workers' compensation in three parts:

- Policy Management
- Claims Management
- Loss Control

An employer can work in any or all areas. Each situation is unique. Clearly, each employer should prioritize the steps they take. My purpose is to give information that helps employers run their business better.

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I wrote this book to help businesses. However, I am a capitalist. Clearly, passing this around helps me too. Greater exposure means more people learn about me and my practice. If you would spread the word I would appreciate it.

Please send me your email address so I can keep you current with our updates to this E-Book. I am planning to regularly add ideas and tips. Also, I would like to expand the information we offer regarding other insurance topics as well.

Lastly, I respect your privacy. I promise never to sell or give your email address to anyone. Further, I will never send you anything that is not related to this E-Book or our other insurance / risk management services.

Please send us your comments.

Thanks,



READ ON FOR WORKERS' COMPENSATION TIPS AND HINTS

## General Information

### Consider Using An Insurance Consultant

Shameless self promotion! Yea, yea. However, using an informed specialist works. I have seen it help business after business.

The insurance transaction traditionally has three players:

- Insurance company,
- Insurance agent and
- Insurance buyer.

The complexities of the insurance world puts the insurance buyer at a tremendous disadvantage. Few insurance buyers really understand insurance or the insurance marketplace. Most insurance buyers spend few hours each year on insurance. A specialist levels the playing field. Quality cannot exist without equality of knowledge and information. A consultant brings such to the insurance buyer without the "entanglements" an agent who works for an insurance company

By the way, I believe that an insurance consultant should sell no insurance. He or she should never accept a commission, fee, or other remuneration from an insurance company or agency.

### Review The Services Your Agent Offers

Most businesses buy their workers' compensation insurance from an agent. Under the broad definition, agents can either be employees of the insurance company for whom they sell (called direct writers) or independent business people. Independent agents usually represent more than one insurance company.

No two agencies have the same abilities or resources. No two agents have the same level of expertise. Make sure that your agent can meet your needs. Talk to other business owners. Who are the aggressive agents in your area? Are there agents who specialize in your industry? Are there national programs offered through your trade association?

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Have One Agent For All Of Your Insurance

You will get better work from your agent if they handle your entire insurance account -- workers' compensation, property, liability, auto insurance and the like. It will also save you time and aggravation. Having one agent means that you only make one call when you have a problem or a change in your business. Having one agent helps to prevent gaps and overlaps in coverage.

Insist That Your Agent Aggressively Work For You.

Your agent is being paid a commission for the policies you buy. He or she should work for you to earn that commission. If your agent is not meeting your needs have a frank conversation with them. Early in my career I discovered that the most important part of the insurance transaction is the relationship between a business owner and the insurance agent.

As with any other relationship, there will be good times and bad. Let your agent know what you expect - set expectations and performance standards. Many agents prepare a stewardship report that outlines the actions taken on the client's behalf over the past year. A great deal of work on an insurance account is done behind the scenes. A stewardship report allows both parties to see what is being done in a quantitative way.

Your agent should meet with you for a coverage review three months before your insurance renews. The discussion should include:

- A review of the current coverage provided.
- Any changes in your operation over the past year.
- Any changes you expect in the next year.
- List actions the agent will take in anticipation of the renewal.
- Dates when renewal quotations be available.
- List insurers your agent approach.

Get Competitive Quotes Every Three Years

Make sure you are looking at several new insurance companies every few years. The workers' compensation market place changes quickly. When times are good many insurers will want to write your policy. When times are bad companies are hunting for the exceptional risk. Use more than one agent. Allowing competition is the best way to make sure you get the best rates.

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Be An Exceptional Risk

Getting good rates , in part, depends on you. Put your best face forward to your insurance company (current and potential). Show them you are a quality risk by having policies and procedures in place to control losses and manage claims.

Please pass this E-Book on to your friends and associates. Almost every business owner or manager can use help managing their workers' compensation insurance. That is what this document is designed to do.

## **Policy Management**

The management of your workers' compensation insurance program can be divided into three parts: Policy Management, Claims Management, and Loss Control. Policy management includes all the components of the policy - payroll, credits, deductibles, experience modification, rate etc.

### Check Your Policy's Employment Classifications

Workers' compensation premiums are calculated by multiplying the rate times the payroll. Your rates are based on the business and industry in which you work. There are over 600 employment classifications in workers' compensation for different industries from "Abrasive Wheel Manufacturing" to "Zoo".

Each class has a specific definition that prescribes who gets classified in that "code". The definitions for some classifications are several pages long.

Get a copy of the definition for each of the classifications you have on your policy. Are the descriptions close to what your people are doing? Work with your insurance advisor to find a classification that is a better match (at a lower rate).

(NOTE: We would be happy to provide you with a copy of your classification definitions - drop us an email at [info@icofmaine.com](mailto:info@icofmaine.com). Tell us your class code numbers and description)

### Check Proper Classification Of Clerical Employees

Office workers have one of the lowest premium rates of any code. Try to place as many of your employees as possible in the office / clerical class. If the clerical rate is \$1.00 less than your other codes you save \$100 for every \$10,000 of payroll taken from one code and placed into the clerical code. The employee must be doing "office" type work and be physically separate from non-clerical employees. Clerical employees don't have to spend all their time in the office. Travel is permitted. The duties of the job, however, must be clerical in nature.

### Check For The Proper Classification Of Salespeople

As we have stated before, the objective is to put each employee in the lowest rated code. In many industries the rate for the sales code is less than the primary classification. However, inside salespeople are eligible for the clerical code in most cases. Review your policy and, as was previously mentioned, obtain the classification description.

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Check Proper Classification Of Drivers

Same issue as above. In many cases the driver's class rate is lower than your primary rate. Put everyone in the lowest possible classification. We would be happy to provide you with a copy of the classification definition for Driver - send us an email at [info@icofmaine.com](mailto:info@icofmaine.com).

Understand What Is Included In Payroll And What Is Not

It is a bit misleading to say that "payroll" is the basis of workers' compensation premiums. The actual basis is "remuneration". The specific definition used by the National Council on Compensation Insurance is included in the Appendix to this document - it's just too long to put here.

Has Overtime Been Excluded From Payroll Used To Calculate Premium?

When a worker receives overtime the extra amount is not part of workers' compensation payroll. For example: If a worker makes \$8.00 per hour normally and \$12 for overtime (time and a half) the only payroll that is counted is the \$8.00.

Make sure the extra for overtime has not been included in payroll. Even if overtime was included in past, the audits can be corrected.

Review Officer Payrolls

Workers' compensation rules limit remuneration charged for executive officers to \$2,000 per week. If any executives are paid more than the maximum be sure the premium is based solely on the maximum. The audit worksheets can tell you what remuneration was used for each employee.

Check Current Policy Payrolls

Seems simple, I know. However, it can make a big difference. If your policy shows payrolls that are higher than what you will have at the end of the policy period you're letting the insurance company use your money at no interest. Remember, what your accountant calls payroll is not what your insurance company calls payroll. Don't include the extra amount for overtime, review executive officers minimums and maximums.

It is important not to understate payroll either. Such could result in a large audit premium due next year - in addition to the premiums for the new policy.

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Understand Your Audits

Each year at the end of the policy period the insurance company performs an audit. This may be done in several ways. The insurer may send a form letter asking you to send back a list of employees, their classification and payroll. They may call and perform the audit on the phone. The insurer may send an auditor to your office to review your books. Regardless of the method of audit you should review the audit bill. Compare it with your notes of the audit. If there is any question of what employees are placed in which category get a copy of the worksheet used to determine your final premium. You will be able to see a listing of each employee, the classification and payroll attributed to them.

Get A Copy Of Your Audit Worksheets

Ask your insurer to provide you with a copy of the Audit Worksheet prepared for your most recently expired policy. This document provides the details of how the insurance company determined your final premium. It lists employees, classifications and payrolls. Look for errors such as the inclusion of overtime and incorrect classification of employees.

Go Back Three Years To Check Audits

In most cases, you can go back three years to correct errors made at audit. Use such strategies as limiting payroll for executive offices, checking to be sure the correct payroll is used, and making sure that premium was not paid on any overtime.

**Trade And Business Associations**

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Spend Time Preparing For The Audit

In cases where audits are performed by an auditor at your site you should spend a few minutes preparing for the visit. Review past audits. Review which positions were placed in the various classifications. Have records of overtime and job descriptions available. You'll also need your payroll tax records to prove total payrolls.

Some bookkeepers prepare a spreadsheet that effectively does the audit for the auditor. The auditor then has everything laid out making the job easy. This tactic also allows the bookkeeper to guide the audit.

Consider Deductibles

A deductible is the part of a claim you pay before the insurance company steps in. Put another way, a deductible is a way for you to retain a portion of the loss. The larger the deductible the larger the premium savings.

Workers' compensation deductibles are usually expressed separately for the two parts of a workers' compensation claim: indemnity (lost wages) and medical.

Get the facts before increasing the deductible on your policy. How much will you save in premium? Are the deductibles on a per claim or per year basis? Run the numbers to see what the deductible would have cost you in the past three years based on your claims experience. Are the savings worth the risk?

Consider Excluding Officers From Coverage

Workers' compensation rules in most states allow owner / officers to opt out of the workers' compensation system. This is true of both "S" and "C" corporations. Make sure that both your health insurance company and your disability carrier realize that you have opted out of the workers' compensation system.

"Owners" of limited liability companies are not required to be covered by workers' compensation insurance and do not need to fill out waiver forms.

Partners and sole proprietors are not considered "employees". They can, however, opt for coverage. While this increases the premium it may be a valid tactic for someone whose health does not allow them to buy life and / or disability insurance - some coverage may be better than none.

I normally recommend that owners exclude themselves from coverage when possible. A solid health insurance program of life and disability insurance offers better protection for most business owners. Again, check with your health and disability insurers first.

Check with your insurance advisor regarding state laws and rules.

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Business Disability Insurance

Another issue for the business owner (though off the subject) is disability insurance to protect the business. Most small business owners are critical to the business they run. An auto accident that lays the owner up for a few months can be devastating. The right disability insurance plan can provide cash to weather that storm. Check with your insurance advisor.

Consider Excluding Family Members

Most states allow for family members of owners to be excluded from workers' compensation coverage. Family includes parents, siblings, children and spouse. Excluded family members must voluntarily waive coverage in advance of any claim. Such a waiver must not be a condition of employment.

The parent, spouse, or child of an "owner" of a limited liability company may not waive coverage in most cases.

Check with your insurance advisor regarding state rules.

Investigate Dividend Plans

Dividend plans return to the policyholder a portion of premium based on loss experience. The plan can be based on the experience of the policyholder alone, the experience of a group or a combination of individual experience and that of the group.

For example:

No losses	20% of Premium Returned
Loss Ratio 10%	10% of Premium Returned
Loss Ratio 20%	5% of Premium Returned

Dividend plans are, many times, a gamble. As there are no guarantees of return premiums dividend plans should rarely be considered in competitive situations other than to acknowledge that they exist. We generally look at such plans as a bonus rather than as an integral part of the insurance pricing mechanism.

Investigate Self Insurance, Retention Plans And Large Deductibles

If your workers' compensation premiums are over \$700,000 look into alternative insurance plans. Retrospective rating plans or large deductible programs may be attractive. Look into self insurance too. Review these options at least every few years. Much of your decision is dependent on market conditions. In the

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early 1990's self insurance and other alternative workers' compensation plans made sense.

As I write this few companies are moving away from traditional insurance for workers' compensation. In fact many who were self insured have going back to fully insured plans. Group plans through associations make sense for some employers too.

#### Investigate Group Self Insurance

Here is where the small guy may be able to help himself. A trade association or other group gets together to pool their financial resources to form, effectively, their own insurance company. The total group should have more than \$2,500,000 of premium to work with.

One big downside - Joint and Several Liability. Get the facts before you move into self insurance. Other key issues include reinsurance, loss control services and claims management services.

#### Learn How Experience Modifications Are Calculated

To qualify for experience rating, a business must have generated a premium of \$4,500 per year for the past two years or \$9,000 for the prior year.

The basic principle of an experience modification is that a certain level of losses are expected. Businesses that have too many losses and losses bigger than the average business in their industry will have a higher mod - greater than 1.00. If your company has fewer losses than average your mod will be less than 1.00.

The modification is a factor that is multiplied by your premium. A "mod" of 1.10 means that a 10 point "penalty" is added to the premium. Conversely, a mod of .90 means that a 10 point credit is applied.

(NOTE: Contact us for an analysis of your experience modification factor. Our detailed report can help you understand the impact your claims have on your premium.)

#### Check Loss Reserves At The Policy Five-Month Point

Your experience modification is calculated based on three years of experience (payrolls and losses). Your modification for 2002 is based upon payrolls and losses in 2000, 1999, and 1998. The calculation is based on losses at, approximately, the half way (six month) point in the policy. Losses include what has been paid and any reserves on the claim. (Recall that reserves are an amount the insurer expects to pay during the life of the claim.) Insurance carriers report loss information to the rating authority, The National Council On

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Compensation Insurance (NCCI). If you can reduce reserves prior to when loss valuations are reported you can reduce the value of the losses that go into your experience mod calculation. This reduces your mod and therefore, your premium.

Check Payrolls Used In The Experience Modification

Your experience mod uses information from your payroll audits. Your total remuneration in each classification is multiplied by several factors as part of the experience modification calculation. If the payrolls are wrong your experience mod could be too high.

Review your audits for the past three years. Be careful when adjusting payrolls for the past - such could increase your experience mod by spreading the same losses over lower payroll. Software is available to play "what if" with experience modifications. Never make a change to your audit payrolls without understanding the total impact - both premiums returned and any increase in your modification.

Check Experience Modification Losses

Get copies of your loss runs for the past four years. Match the claims on the experience modification worksheet to the losses shown on the loss runs. Do they line up?

We are happy to help in the review of your experience mod and analyze the calculation. Contact us.

Be Careful Changing Your Policy Date

There are times when, for a variety of reasons, insurance buyers want to change the date of their policies. Taking such action could cause your mod to increase. Again, make sure you have all the facts before making a change.

Take Advantage Of Insurance Company Finance Plans

Can you spread your premium payments out any more than you are now? Some companies have monthly payment plans at no interest. However, you have to ask for them.

Look at the true cash flow of the payment plans. How does the timing of payments line up with your business's flow of funds? A large payment due in your off season may cause problems.

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Learn The Rating Plan Of Your Policy

Most business owners believe that their workers' compensation premium is payroll times the rate times the experience modification. This is only partially correct.

Each insurance company has several workers' compensation plans. Many have three - Preferred, Standard, and Sub-Standard. Some insurers have only Standard and Preferred. The difference is in the rates. Preferred rates are, naturally, lower than standard.

Find out what plan you're in. Find out what you have to do to get moved into a lower rated plan.

The current marketplace has insurers pulling back on using preferred rating. It doesn't hurt to ask though if you are a longtime client and have had few losses. Push your insurers to provide the best rate.

Learn The Credit Structure Of Your Policy

In addition to the rating plans insurers can include additional credits in the pricing of your policy. These credits have been as high as 25% in the past. The current market has many insurers cutting credits back to 5% or 10% for good risks. Credits are used as competitive tools by insurers. They are loosely tied to loss control and management programs. Find out what your credits are. Find out how you get more.

Look At Your Rates Historically

Track your rates over time. Rates, in general, are now going up. Few, though are at the same level they were at five years ago.

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Here is a five year comparison of rates for the standard rates for a major insurer in Maine:

<b>Class</b>	<b>3/1/97</b>	<b>1/1/98</b>	<b>1/1/99</b>	<b>3/8/00</b>	<b>1/1/01</b>	<b>1/1/02</b>
Metal Goods Mfg	10.70	11.97	12.56	11.86	11.14	8.34
Computer Installation	1.09	0.99	1.16	1.43	1.40	1.53
Excavation	12.22	10.21	10.09	11.66	11.62	12.19
Driver	8.48	9.13	9.63	11.23	10.84	11.07
Store - Retail	1.97	2.11	2.41	2.81	2.77	2.31
Clerical	0.90	0.76	0.71	.71	0.70	0.63
Nursing Home	7.92	6.54	5.11	5.53	5.52	5.08
Hotel	4.10	3.40	3.53	3.71	3.67	3.32

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KEEP READING FOR MORE TIPS AND HINTS TO  
REDUCE YOUR WORKERS' COMPENSATION PREMIUM

## **Claims Management**

Once a claim occurs how can you minimize the impact the event has on your policy and business? In most cases, quick resolution is the best course of action - get the employee back to work as soon as possible. Here are some hints to help with claims management.

### Develop A Process By Which Claims Are Reported

There should be a specific written procedure for incident reporting. Every employee should know to whom they report accidents. Your procedure should be posted and included in your employee handbook. Supervisors should know (and follow) the procedure. What incidents are reported? Do "first-aid" type incidents (a cut with a Band-Aid™) get filed?

### Pick A Physician To Treat Your Employees

Designate your health care professionals in advance. Some states allow the employer to select the injured worker's health care provider for the first ten days after an injury. This provides control over the loss right from the beginning. Develop a relationship with your provider. Let them know you. Most hospitals now have an occupational health center well versed in workplace injuries, therapies and the workers' compensation payment system.

### Review Your Loss Runs Regularly

Your insurer can provide you with a listing of losses paid under your policy. Look for claims that are not yours. Also, review the amounts shown on the report. Any claim that is not yet closed will show "reserves" (what the insurance company expects to pay out). Do the reserves make sense? A one year old claim with payments of \$1,500 and a reserve of \$75,000 may warrant a second look. Work with the adjuster for explanations or to make any needed changes.

### Have Your Insurer Assign The Same Adjuster To All Your Claims

For operations that have several incidents a year it is best to have one adjuster for all claims. Establish a relationship with the adjuster and let them become familiar with your operation.

### Talk To Your Adjuster Quarterly About Open Claims

Plan to meet at least quarterly with your adjuster(s). If face to face meetings are impractical do a claims review over the phone. Three questions to ask for each

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claim: What have you done on this claim? What are you doing now? What are you going to do in the future?

Get Involved In Claims

The management of a business must be involved actively in workers' compensation claims. Everyone in your operation must know that the leadership of the operation takes workers' compensation and employee safety seriously.

Use Return To Work Plans

It is almost always best to get an injured worker back to work quickly. Sometimes, light duty or a reduced work schedule are called for. Work with the adjuster and the treating physician to develop a plan that works for you and the employee. Prepare job descriptions that include physical requirements. The treating physician can use these to approve light duty programs.

Stay In Touch With Injured Workers

If you have an employee out for an extended period of time, keep in touch. Don't let them feel forgotten. Have someone send them a regular email with information on office / shop news. Make sure they know about the things that go on in any workplace - new accounts gained, employee promotions, new babies and the like. Arrange for them to come by for lunch with the people in their departments.

The physiology of an injured worker is too deep for this document. However, too often good employees feel like they are letting the team down by being hurt. The guilt turns into withdrawal. The withdrawal turns into self-pity. Which can turn into resentment. It is at this point that claims can turn adversarial.

Notify Your Insurer If You Suspect Fraud

Unfortunately the system is not perfect. Employees may fake or inflate a claim. Fraud costs insurers and ultimately insurance buyers hundreds of millions of dollars. You are the front line of defense against fraud.

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Have them send me an email and I'll send them a copy - [scott@icofmaine.com](mailto:scott@icofmaine.com).

OR

Give them our web address - [www.icofmaine.com](http://www.icofmaine.com).

Please be sure to send me your email address so I can add you to our list to receive information regarding updates to this E-Book. We plan to add ideas and further information about other forms of business insurance. You can register on line at [www.icofmaine.com/ebookreg.html](http://www.icofmaine.com/ebookreg.html).

Send us your comments too. Help us make this THE resource for workers' compensation insurance information.

Thanks,



KEEP READING FOR MORE TIPS

## **Loss Control**

Preventing claims is the best way to control the cost of workers' compensation. These tips are designed to help minimize the impact claims have on your operation and your premium.

### Post A Safety Statement On Your Bulletin Board

Let everyone see that safety is important to the leadership of your company. If you don't have a safety policy develop one. Some companies use a safety committee to develop the document. Others use a statement issued by senior management. See the Appendix of this document for sample language.

### Assign The Responsibility For Safety To One Manager

There must be one person in an organization accountable for safety and loss control. This individual is the "go-to" person in the organization for safety issues and concerns. Everyone is responsible for safety. The safety manager coordinates and leads.

### Lead By Example

If your company's policy requires a hard hat be sure you wear yours. If you have stretch breaks be out there with everyone else. Employees watch the boss and follow his or her example.

### Tour Your Buildings Quarterly To Uncover Safety Issues

A regular walk through tour looking for problem areas keeps folks on their toes. Have a checklist of items that have been trouble areas in the past. Work to improve your operation's safety record. The results of all inspections should be reviewed by senior management.

### Hold Safety Meetings

Keeping safety in front of your people is important. Get your employees together once a quarter for a meeting on a safety topic. Keep it short - you can get a powerful message across in fifteen minutes if you prepare. Use your insurance company - they have videos and programs ready for such meetings. Hold them to a strict time schedule though.

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Encourage Employees To Shape Up

Healthy employees have fewer strains and sprains. People that are in shape have less accidents. The advantage of lower health insurance premiums can also follow. Some companies hold aerobics classes. Some have "Lunch and Learn" programs on nutrition or exercise. We know of one company whose president takes a two mile power walk at lunch - everyone is invited to join him.

Provide Information To Your Employees Regarding Your W/C Premium

Most employees have no idea how much their employers pay for workers' compensation. Post your premium on the employee bulletin board. Another way to get the word out is to divide your total workers' compensation premium by your total payroll:

$$\frac{\text{Total Workers' Compensation Premium}}{\text{Total Payroll}}$$

The result is the amount you pay for workers' compensation for every dollar of payroll. If the number is less than five cents multiply the numbers by one hundred. Three dollars per one hundred dollars of payroll may be easier to grasp than three cents on the dollar.

Some employers treat workers' compensation as an "employee benefit" by including workers' compensation information in benefit statements distributed to all employees. The point is, the more spent on workers' compensation the less that is available to pay for other benefit items.

Invite Your Insurance Company Loss Control People To Tour Your Operation

Part of your insurance premium pays for loss control services. Take advantage of the services offered. Ask your insurer to set a schedule of inspections, perhaps quarterly. See what other services your insurer provides -videos, safety posters etc.

Find Out What Safety Services Your Other Insurance Companies Offer

Your workers' compensation insurance company will offer safety inspections. Don't forget to use the resources of your auto insurer, liability carrier and property insurance company. While what they offer may not be directed toward employee safety the result will prevent accidents. For example, recommendations that reduce your risk of fire in your plant also reduce the risk of someone being injured in a fire.

For many companies, the risk of a severe injury are greatest from a car accident. Your auto insurance company will be glad to offer help.

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Check Employee Driving Records

Employee injuries from auto accidents are covered by workers' compensation. Auto insurance companies have proven time and time again that drivers who have had accidents and tickets have more accidents. What else can you learn from a driving record? Do you really want to hire a bookkeeper who has three tickets for driving an unregistered car? Have "new hires" go to the local police department for a copy of their driving record. Many insurance agencies also offer motor vehicle records as a service.

Set Up A Bonus Program For Miles Driven With No Accidents

This doesn't have to be too complicated. Have a simple certificate made up - you may be able to use your word processing software. Give an award every time an employee drives 20,000 miles with no accidents. When an employee hits 100,000 give them a gift certificate to a local restaurant. Recognize achievement and you reinforce the behavior.

Hold A Driver Rodeo With Awards

This can be fun. The idea is to build team work and let your drivers show off their skill.

Divide your drivers into teams. On a Friday afternoon clear the cars out of your parking lot (or borrow someone else's).

Using saw horses or other barriers set up an obstacle course. Speed is not the measure here! Have them try the course in reverse.

Set up a place to parallel park. Points are awarded for centering the vehicle and deducted for distance from the curb.

Place five eggs on the ground in a line each egg about three inches apart - while one team member directs from outside the truck the another drives. The driver moves forward and must break the first egg but no more. Do the same event but have the participants back up to the eggs.

Have a ten question test for each team member. Include company safety policy and traffic laws in the quiz.

Have your drivers compete with drivers from other businesses. Make it fun.

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Send Your Employees To A Defensive Driving School

Any way you can remind your employees of the importance of safety will help prevent accidents. The defensive driving schools offered have proven to reduce accidents. Your automobile insurance company may even put a class on for you. Invite employee family members to attend. Consider it an employee benefit.

Encourage Seatbelt Use

For all the reasons we all know... riders and drivers should wear seatbelts. Remind your people. Require compliance. Jump up and down while screaming it. This one act is the single most effective action anyone can take to minimize injuries in an auto accident.

Have Basic Safety Equipment In Your Vehicles

A first aid kit, blankets, road flares and the like can help keep your people safer. A fire extinguisher is also a good idea. Train your people to use the equipment too.

Have A Local Garage Perform Vehicle Safety Inspections

Periodic inspections can uncover potential problems. Worn tires, old shocks, low fluid levels if corrected can prevent accidents. Breakdowns can also expose your employees to the perils of standing on the side of the road.

Have At Least One Person Each Shift Trained In First Aid

Better yet, train your whole crew. The Red Cross, for a modest fee, will do an in-house first-aid class for your people and their families - another employee benefit. CPR classes can be held too.

Teach Use Of Fire Extinguisher

Many fire departments, for a small donation, will put on demonstrations at your location. Your employees will enjoy the chance to tryout an extinguisher. Tie the whole thing together by offering home fire extinguishers to employees who attend the sessions. Better yet, have a safety rally with contests. Some companies have held such events at company picnics - train and have fun at the same time!

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Be Aware Of Workplace Violence Issues

Every year one million workers are assaulted by disgruntled customers or fellow workers. Violence costs American companies over \$5 billion dollars each year. Be aware of what is going on with your employees. If you think there is a problem there probably is. Get the employee help - pay for it yourself if necessary.

Be aware of employees that have restraining orders against a spouse or former lover. This can be a touchy subject. However, we have all heard the stories... Protecting an employee's privacy is important. So is protecting your employees.

Display Emergency Phone Numbers

Place emergency phone number stickers on the phones. Include emergency and non-emergency numbers for the police and fire departments. Don't forget about Poison Control as well - check your phone book.

Have Your Insurer Inspect Your Site For Ergonomic Issues

Repetitive motion injuries can be avoided with properly designed work areas. Insurance company loss control specialists are trained in such issues - Use the resources available.

Encourage Use Of Head Sets On Telephones

More ergonomic tips... An added benefit here; people are more productive using headsets! Get several sample models that work with your phones - over the ear, over the head, two ear pieces. Let employees select the model they are most comfortable with.

Implement Stretching Programs

If your employees work at computers for extended periods encourage stretch breaks. We can get you a list of stretching exercises that can help prevent fatigue and repetitive motion injuries. Your insurance company can help too. We have used several computer programs that "pop-up" at set intervals to remind workers to stretch.

**ABOUT INSURANCE CONSULTANTS OF MAINE, INC.**

**WHO WE ARE**

Insurance Consultants of Maine is a "fee only" insurance advisory firm. We provide assistance in the management of property, liability and workers' compensation insurance programs. We don't sell insurance or accept commissions, fees or remuneration of any kind from insurance agents or companies.

Our job is to work as a "risk manager" for hire - helping businesses buy and manage insurance as well as design and implement programs that control and minimize loss.

**WHAT WE DO**

We become a part of our client's financial team. Our projects take several forms:

**Exposure and Coverage Analysis**

Here our work involves the analysis of the exposures faced by a business as well as a coverage review of the current insurance program. The scope of the project can include any and all property and liability insurance policies.

The following issues are addressed:

- Exposures Faced - Based on an analysis of the operation what exposures to property and casualty loss exist? We tour and review operations, interview personnel, and review financial documents.
- Current Insurance Protection - What insurance coverage is currently purchased? We thoroughly review all coverage forms and endorsements to understand the protection offered by the current policies.
- Exposure / Insurance Comparison - Recognizing the identified exposures. What coverage gaps or overlaps exist? Are there opportunities for efficiencies and streamlining of coverage? What policy management issues exist that can reduce the administrative burden of insurance? Are there opportunities to use non-insurance loss control techniques?

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**Insurance Bid Process**

The bid process brings our client's insurance plan into the competitive marketplace to develop the best insurance plan available. The final decision of coverages purchased and markets utilized rests solely with the client. Our role is to provide information and advice.

**Coverage Information / Advice**

We also provide specific services relative to single policy and coverage issues. Much of our work involves claim disputes. Examples are:

- A client has been advised by their insurer that payment for a claim will be reduced due to a specific policy clause. We are asked for our interpretation.
- A business owner is concerned with the quality of their products liability insurance. We are retained to review the coverage and make specific recommendations to improve the protection.

**WHO WE WORK WITH**

Our work helps all manner of businesses - from manufacturers to banks; non-profits to high-tech firms. We have experience with public and private organizations of all sizes. We have worked with established companies and start-ups. Our experience includes hundreds of companies around the US.

Our job is to make insurance work better.

**HOW TO CONTACT US**

We are pleased to help businesses in anyway we can. Email or call us with your questions or comments regarding your insurance and risk management programs.

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**Appendix - Remuneration**

The following is the definition of "remuneration" (payroll) used by workers' compensation insurance companies. This is an excerpt the National Council on Compensation Insurance's Basic Manual on Workers' Compensation.

**REMUNERATION INCLUDES:**

- a. Wages or salaries including retroactive wages or salaries;
- b. Total cash received by employees for commissions and draws against commissions;
- c. Bonuses including stock bonus plans. (Refer to Rule V-F.5.);
- d. Extra pay for overtime work except as provided in Rule V-E;
- e. Pay for holidays, vacations, or periods of sickness. (Refer to Rule IV-E.2.d. for allocation of payroll for employees subject to more than one classification code.);
- f. Payment by an employer of amounts otherwise required by law to be paid by employees to statutory insurance or pension plans, such as the Federal Social Security Act;
- g. Payment to employees on any basis other than time worked, such as piecework, profit sharing, or incentive plans;
- h. Payment or allowance for hand tools or power tools used by hand provided by employees either directly or through a third party and used in their work or operations for the insured;
- i. The rental value of an apartment or a house provided for an employee based on comparable accommodations;
- j. The value of lodging, other than an apartment or house, received by employees as part of their pay, to the extent shown in the insured organization's records;
- k. The value of meals received by employees as part of their pay to the extent shown in the insured organization's records;
- l. The value of store certificates, merchandise, credits or any other substitute for money received by employees as part of their pay (refer to Exclusions below for certain fringe benefits [substitutes for money] not considered to be remuneration);
- m. Payments for salary reduction, employee savings plans, retirement, or cafeteria plans (IRC 125) that are made through employee-authorized salary reduction from the employee's gross pay;

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- n. Davis-Bacon wages or wages from a similar prevailing wage law;
- o. Annuity plans;
- p. Expense reimbursements to employees to the extent that an employer's records do not substantiate that the expense was incurred as a valid business expense;

Note: When it can be verified that the employee was away from home overnight on the business of the employer, but the employer did not maintain verifiable receipts for incurred expenses, a reasonable expense allowance, limited to a maximum of \$30 for each such day, will be permitted.

- q. Payment for filming of commercials excluding subsequent residuals that are earned by the commercial's participant(s) each time the commercial appears in print or is broadcast

**REMUNERATION DOES NOT INCLUDE**

- a. Tips and other gratuities received by employees;
- b. Payments by an employer:
  - (1) to group insurance or group pension plans for employees, other than payments covered by Rule V-B.2.f. and Rule V-B.2.m; and
  - (2) into third-party pension trusts for the Davis-Bacon Act or a similar prevailing wage law, provided the pension trust is qualified under IRC Sections 401(a) and 501(a);
- c. The value of special rewards for individual invention or discovery;
- d. Dismissal or severance payments except for time worked or accrued vacation;
- e. Payments for active military duty;
- f. Employee discounts on goods purchased from the employee's employer;
- g. Expense reimbursements to employees to the extent that an employer's records substantiate that the expense was incurred as a valid business expense;

Note: Reimbursed expenses and flat expense allowances, except for hand or power tools, paid to employees may be excluded from the audit, provided that all three of the following conditions are met:

- (1) The reimbursed expenses or expenses for which allowances were paid were incurred upon the business of the employer, and
- (2) the amount of each employee's expense payments or allowances is shown separately in the records of the employer, and

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(3) the amount of each expense reimbursement or allowance payment approximates the actual expenses incurred by the employee in the conduct of his or her work.

h. Supper money for late work;

i. Work uniform allowances;

j. Sick pay paid to an employee by a third party such as an insured's group insurance carrier that is paying disability income benefits to a disabled employee;

k. Employer-provided perquisites (perks) such as:

(1) Use of an automobile;

(2) An airplane flight;

(3) An incentive vacation (e.g., contest winner);

(4) A discount on property or services;

(5) Club memberships;

(6) Tickets to entertainment events.

l. Employer contributions to salary reduction, employee savings plans, retirement, or cafeteria plans (IRC 125)—Contributions made by the employer, at the employer's expense, that are determined by the amount contributed by the employee

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The download site for a free copy of this E-Book is  
[www.icofmaine.com/ebook.html](http://www.icofmaine.com/ebook.html).

## Appendix - Sample Safety Policy

This safety policy is one I have used for years. It comes from an un-copyrighted source. However, I have lost the name of the original author.

This appendix is the only exception to our copyright as stated on the cover sheet of this document. You may copy, alter, print and use the following *Sample Safety Policy* as fits your operation. No attribution is necessary.

### Sample Workplace Safety Rules

Your safety is the constant concern of this company. Every precaution has been taken to provide a safe workplace. [Name or title of the person in charge of safety] makes regular inspections and holds regular safety meetings. [He or she] also meets with management to plan and implement further improvements in our safety program. Common sense and personal interest in safety are still the greatest guarantees of your safety at work, on the road, and at home. We take your safety seriously. Any willful or habitual violation of safety rules will be considered cause for dismissal. [Your company] is sincerely concerned for the health and well being of each member of the team.

The cooperation of every employee is necessary to make this company a safe place in which to work. Help yourself and others by reporting unsafe conditions or hazards immediately to your supervisor or to a member of the safety committee. Give earnest consideration to the rules of safety presented to you by poster signs, discussions with your supervisor, posted department rules, and regulations published in the safety booklet. Begin right by always thinking of safety as you perform your job, or as you learn a new one.

**Accident reporting.** Any injury at work—no matter how small—must be reported immediately to your supervisor and receive first aid attention. Serious conditions often arise from small injuries if they are not cared for at once. Injured employees requiring medical attention must use the services of <<INSERT PHYSICIAN / MEDICAL FACILITY HERE>>.

**Specific safety rules and guidelines.** To ensure your safety, and that of your coworkers, please observe and obey the following rules and guidelines:

- Observe and practice the safety procedures established for the job.
- In case of sickness or injury, no matter how slight, report at once to your supervisor. In no case should an employee treat his own or someone else's injuries, or attempt to remove foreign particles from the eye.
- In case of injury resulting in possible fracture to legs, back, or neck, or any accident resulting in an unconscious condition, or a severe head

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injury, the employee is not to be moved until medical attention has been given by authorized personnel.

- Do not wear loose clothing or jewelry around machinery. It may catch on moving equipment and cause a serious injury.
- Never distract the attention of another employee, as you might cause him or her to be injured. If necessary to get the attention of another employee, wait until it can be done safely.
- Where required, you must wear protective equipment, such as goggles, safety glasses, masks, gloves, hair nets, etc.
- Safety equipment such as restraints, pull backs, and two-hand devices are designed for your protection. Be sure such equipment is adjusted for you.
- Pile materials, skids, bins, boxes, or other equipment so as not to block aisles, exits, fire fighting equipment, electric lighting or power panel, valves, etc. FIRE DOORS AND AISLES MUST BE KEPT CLEAR.
- Keep your work area clean.
- Use compressed air only for the job for which it is intended. Do not clean your clothes with it and do not fool with it.
- Observe smoking regulations.
- Shut down your machine before cleaning, repairing, or leaving.
- Tow motors and lift trucks will be operated only by authorized personnel. Walk-type lift trucks will not be ridden and no one but the operator is permitted to ride the tow motors. Do not exceed a speed that is safe for existing conditions.
- Running and horseplay are strictly forbidden.
- Do not block access to fire extinguishers.
- Do not tamper with electric controls or switches.
- Do not operate machines or equipment until you have been properly instructed and authorized to do so by your supervisor.
- Do not engage in such other practices as may be inconsistent with ordinary and reasonable common sense safety rules.
- Report any UNSAFE condition or acts to your supervisor.

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- HELP TO PREVENT ACCIDENTS.
- Use designated passages when moving from one place to another; never take hazardous shortcuts.
- Lift properly—use your legs, not your back. For heavier loads, ask for assistance.
- Do not adjust, clean, or oil moving machinery.
- Keep machine guards in their intended place.
- Do not throw objects.
- Clean up spilled liquid, oil, or grease immediately.
- Wear hard sole shoes and appropriate clothing. Shorts or mini dresses are not permitted.
- Place trash and paper in proper containers and not in cans provided for cigarette butts.

**Safety checklist.** It's every employee's responsibility to be on the lookout for possible hazards. If you spot one of the conditions on the following list—or any other possible hazardous situation—report it to your supervisor immediately.

- Slippery floors and walkways
- Tripping hazards, such as hose links, piping, etc.
- Missing (or inoperative) entrance and exit signs and lighting
- Poorly lighted stairs
- Loose handrails or guard rails
- Loose or broken windows
- Dangerously piled supplies or equipment
- Open or broken windows
- Unlocked doors and gates
- Electrical equipment left operating
- Open doors on electrical panels
- Leaks of steam, water, oil, etc.
- Blocked aisles

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- Blocked fire extinguishers, hose sprinkler heads
- Blocked fire doors
- Evidence of any equipment running hot or overheating
- Oily rags
- Evidence of smoking in non-smoking areas
- Roof leaks
- Directional or warning signs not in place
- Safety devices not operating properly
- Machine, power transmission, or drive guards missing, damaged, loose, or improperly placed

**Safety equipment.** Your supervisor will see that you receive the protective clothing and equipment required for your job. Use them as instructed and take care of them. You will be charged for loss or destruction of these articles only when it occurs through negligence.

**Safety shoes.** The company will designate which jobs and work areas require safety shoes. Under no circumstances will an employee be permitted to work in sandals or open-toe shoes.

A reliable safety shoe vendor will visit the company periodically. Notices will be posted prior to the visits.

**Safety glasses.** The wearing of safety glasses by all shop employees is mandatory. Strict adherence to this policy can significantly reduce the risk of eye injuries.

**Seat belts.** All employees must use seat belts and shoulder restraints (if available) whenever they operate a vehicle on company business. The driver is responsible for seeing that all passengers in front and rear seats are buckled up.

**Good housekeeping.** Your work location should be kept clean and orderly. Keep machines and other objects (merchandise, boxes, shopping carts, etc.) out of the center of aisles. Clean up spills, drips, and leaks immediately to avoid slips and falls. Place trash in the proper receptacles. Stock shelves carefully so merchandise will not fall over upon customer contact.