

Workers Compensation Quick Tips

Compensable claims

There are many factors that might feed into claims decisions, but three big ones are whether the loss:

- Was accidental from the injured party's perspective,
- Arose out of employment, and
- Arose in the course of employment.

To some, this will sound like nonsense. Let me clear it up for you.

- You can't hurt yourself on purpose and expect workers compensation to pay. Need this be explained?
- Your injury must be a result of your job duties. That is, if you are arm-wrestling in the parking lot at lunch, there's little likelihood that a sprained muscle will be compensable.
- It must occur while you were doing what you're supposed to be doing **when** you're supposed to be doing it. If you decide to get a head start on the next day's work, and crank up the machines after hours, any injuries sustained might very well be covered by your health insurance rather than workers compensation. Nobody told you to be there.

The purpose of workers compensation is very specific, and that purpose isn't to provide a 24/7 health insurance plan. It's a good idea to remember that.

Where's the work?

When a workers compensation policy is first written, payroll is reported for the jobs or locations that currently exist. What is important to remember is that expansion into other states can create rate implications and even coverage questions. The policy should be endorsed if:

- Locations are added in states not listed in section 3.a. of the Information Page. *Leasing space in a new area?*

- Payroll is generated in a state not listed (yes, in 3.a.). *That is, did you hire someone in a different state where you're doing a job?*
- You purchase another company (corporation) that's in a state not listed.

There is a 30 day grace period if the state is listed in 3.c., but it's best to avoid relying on extensions. Just get the policy endorsed to reflect reality so there's no question about what's covered or the amount of premium due.

Rules and Rates

In most lines of business--general liability, property and auto, to name a few--the rate is the rate from the inception of the policy to the expiration. With workers compensation, however, states can make rate changes that impact the policy holder in the middle of the term. The carrier will endorse the policy using the effective date the state mandates, and this could result in an additional or a return premium. This is not the carrier's decision.

Additionally, each state individually determines the schedule of benefits that apply to those injured. That's another important part of the equation that is out of the carrier's proverbial hands, and into the states' respective purviews.

Who knew that insurance carriers would have so little control?

Schedule of benefits

The practice of applying a schedule to specific levels of injuries goes back thousands of years - all the way to the Greeks. Apart from paying medical bills, death benefits and rehabilitation benefits, injured employees are entitled to compensation based on the severity of their injuries.

For example, loss of a hand generates a larger payment than loss of a finger. A permanent disability (loss of a limb) generates a greater payment than a temporary injury (broken leg). Further, as with rates, the schedule of benefits varies according to the specific state law that applies.

One last thing - the employer may end up paying benefits independently of the insurance carrier if, for example, minors have been hired in violation of

the law or if there is an indication of willful misconduct that leads to an employee's injury. There are other provisions that could lead to this scenario as well. The Workers Compensation policy is only six pages. It has good stuff in it. You might want to read it.