



Workers' Compensation

Workers' Compensation

- History and overview
- California: State of the State
- Underwriting, policy types, and coverage
- Experience rating
- Workers' Compensation basics and benefits
- Successful workers' compensation strategies
 - Use actively caring techniques and vocabulary
 - Eliminate the mystery of Workers' Compensation
 - Minimize attorney involvement
 - Don't focus on trying to eliminate fraud
 - Understand employee perception of Workers' Compensation
- Insurance agents and brokers
- Alternatives to "traditional workers' compensation"

Workers' Compensation

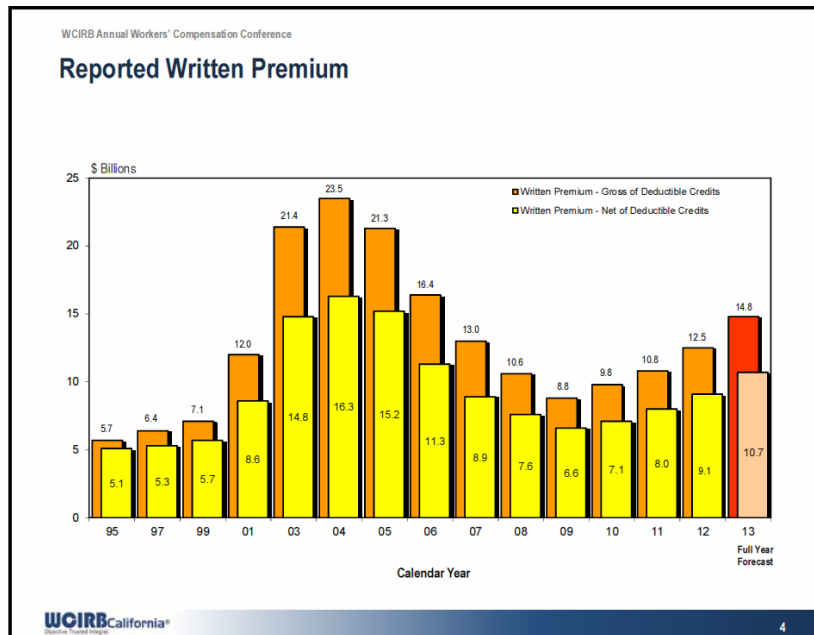
- History and Overview
 - Modern origins in Europe
 - United States – 1911
 - Industrial injuries paid for by the employer
 - “Great Compromise” (employers pay for injuries and workers give up right to sue employer)
 - “No-fault” system

California: State of the State

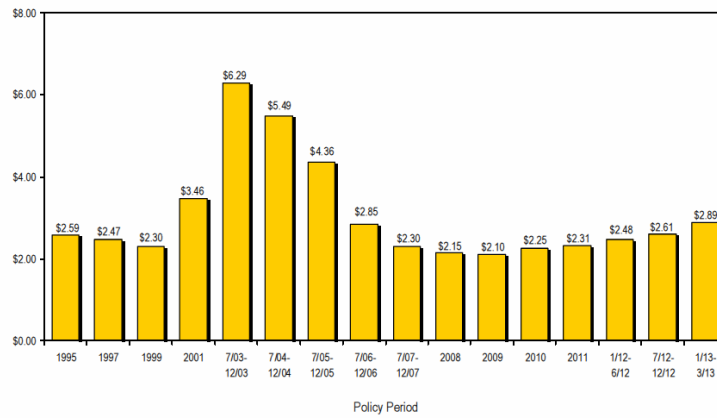
- Employers
 - Highest rates in nation
- Injured Workers
 - Benefits in lower third of all States
- Insurance Companies
 - Unprofitable, profitable, and...

California: State of the State

- August 2013
 - California's Workers' Compensation Insurance Rating Bureau governing board determines a 3.4% mid-year rate increase to affect 1/1/2014
- April 2011
 - California's Workers' Compensation Insurance Rating Bureau governing board has decided not to make a mid-year pure premium rate filing suggesting a 40 percent increase. *The Bureau said insurers' experience deterioration is primarily due to increased losses, claims frequency, loss optimistic forecasts of statewide wage level growth...*
- August 2009
 - Workers' Compensation Insurance Rating Bureau (WCIRB) makes filing proposing 22.8% increase in pure premium rates effective January 1, 2010
- March 2009
 - WCIRB proposes 24.4% [amended to 23.7%] increase in pure premium rates effective July 1, 2009
- August 2008
 - WCIRB proposes 16% increase in pure premium rates effective January 1, 2009 (Insurance Commissioner approves 5%)

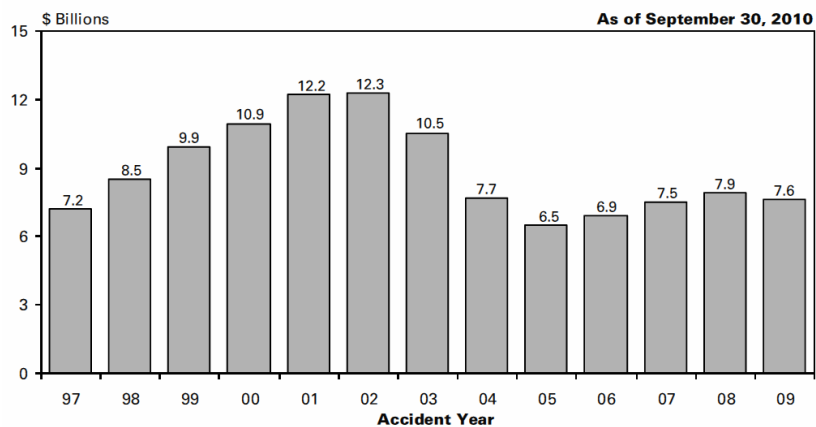


Estimated Average Charged Insurer Rate Per \$100 of Payroll

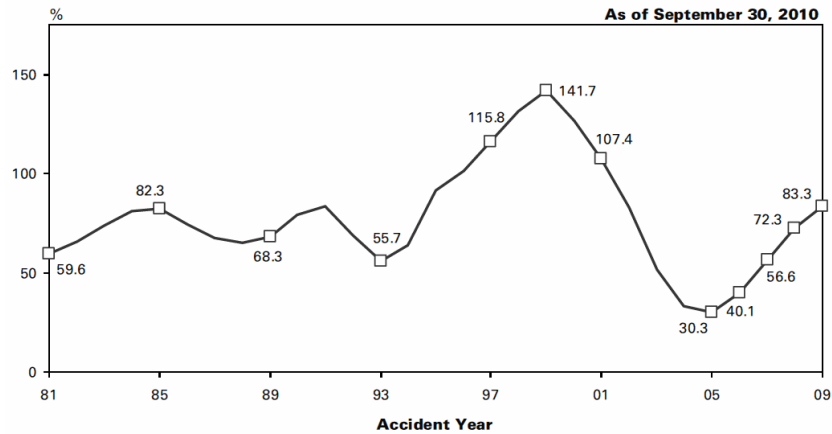


California Workers' Compensation

Estimated Ultimate Losses by Accident Year

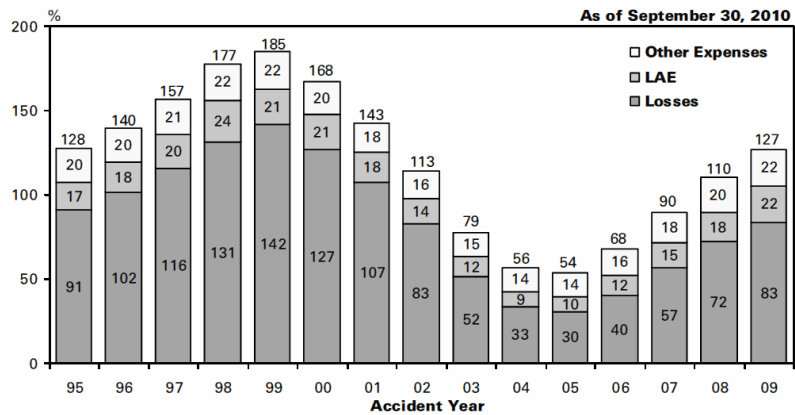


**California Workers' Compensation
Ultimate Accident Year Loss Ratios**



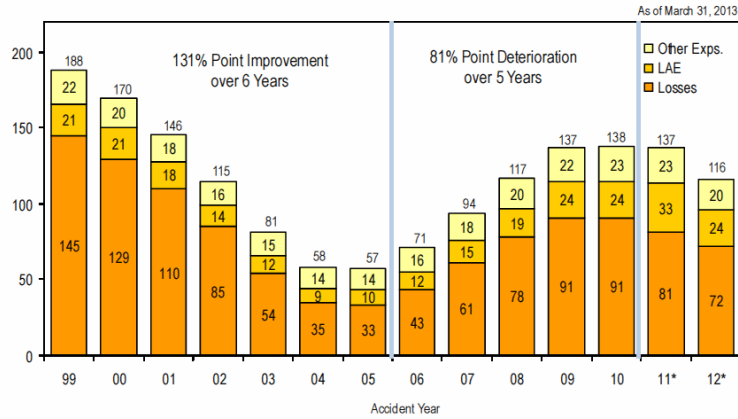
WCIRB^{California}

**California Workers' Compensation
Accident Year Combined Loss and Expense Ratios**

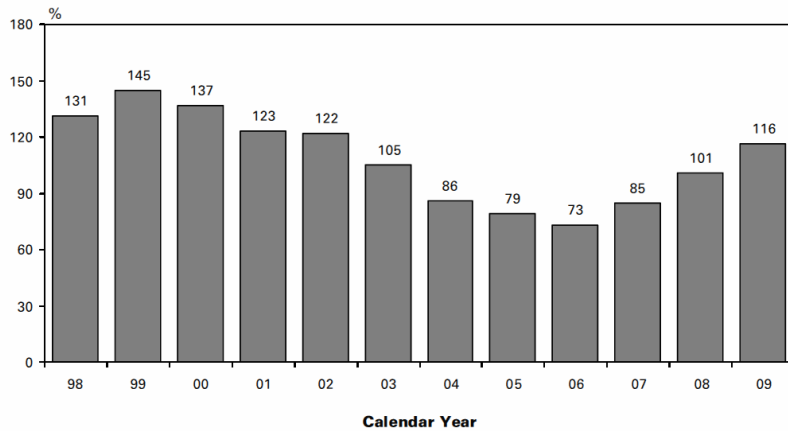


WCIRB^{California}

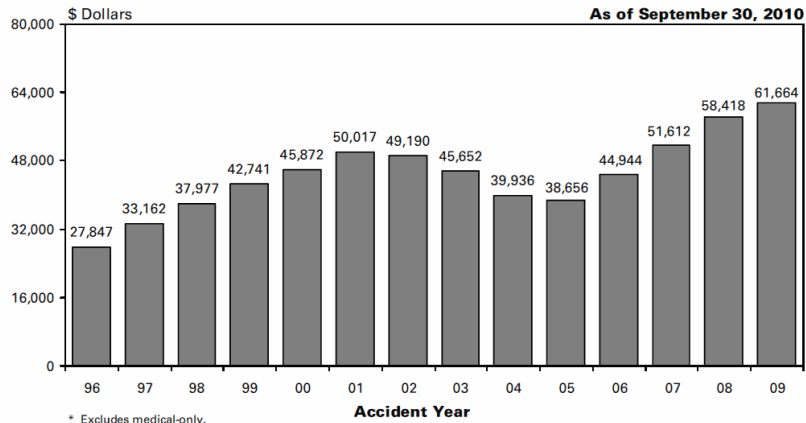
Accident Year California Projected Combined Loss and Expense Ratios



California Workers' Compensation Calendar Year Combined Loss and Expense Ratios



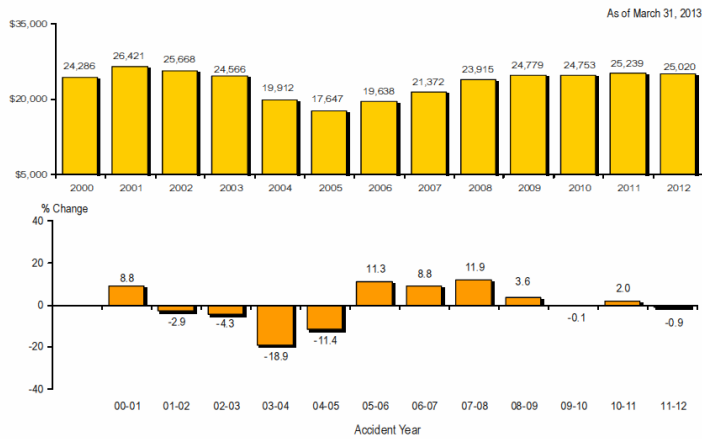
California Workers' Compensation Estimated Ultimate Total Loss* per Indemnity Claim



WCIRBCalifornia®

WCIRB Annual Workers' Compensation Conference

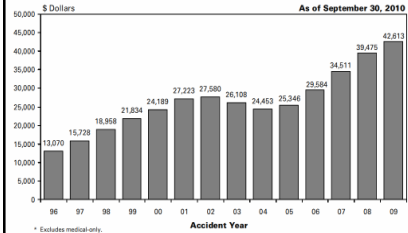
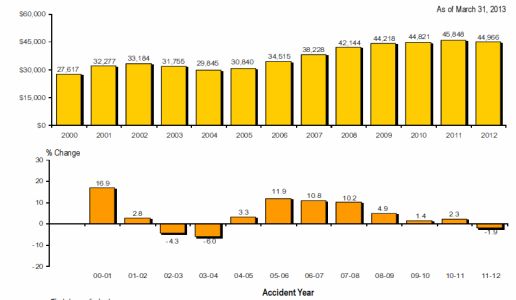
Estimated California Ultimate Indemnity Loss per Indemnity Claim



WCIRBCalifornia®

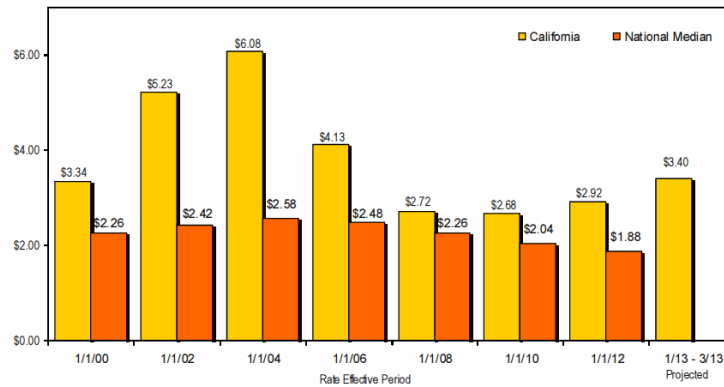
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Estimated Ultimate California Medical Loss Per Indemnity Claim* (Including MCCP)



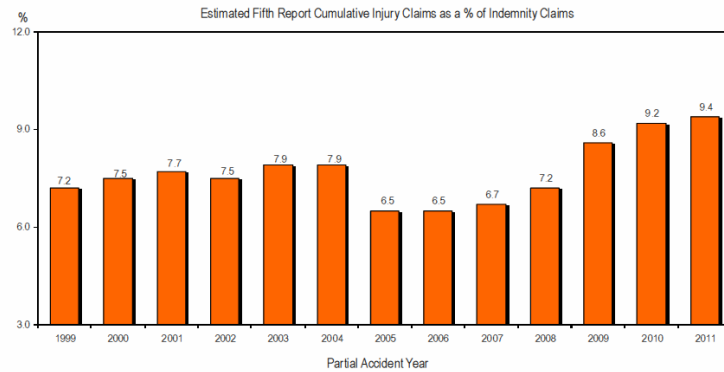
* Excludes medical only.

Rate Comparison Based on Oregon Studies California* vs. National Median Average Charged Rate



* - The information is based on the state of Oregon, biennial rate comparison and is based on the state of Oregon classification mix and, as a result, the California average rates shown on this exhibit differs from other measures of the average California rate.

Estimated California Cumulative Injury Claim Percentage



Workers' Compensation

- How rates are developed
 - Administrative (and political)
 - Recommendations by various governing bureaus
 - Insurance commissioner, governor, voters
 - National Council on Compensation Insurance (NCCI)
 - Rate-making
 - Job classifications
 - Insurance policy issuance/cancellation
 - Experience rating plans
 - Workers' Compensation Insurance Rating Bureau (CA)

Underwriting

What is Underwriting

- Selection and pricing
- Typical department structure
- Education/background of underwriters

Underwriting

How are Businesses Evaluated

- Payroll
- Employer classification
- Experience record of employer

Underwriting

What are Underwriting Standards

- Type of business and associated hazards
- Perceived qualifications and experience level of the owner/management
- Financial stability
- Demonstrated interested in prevention of injuries
- Injury history (3-4 years)
- Wages, benefits, turnover, seasonal business

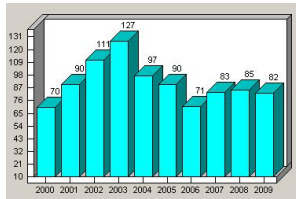
Policy types and coverage

- Small and midsized organizations
 - “Guaranteed cost” programs
- Larger organizations
 - Loss-sensitive (similar to paying a deductible)
- Coverage
 - Required in all states except Texas where it’s optional for commercial business entities
 - Exceptions

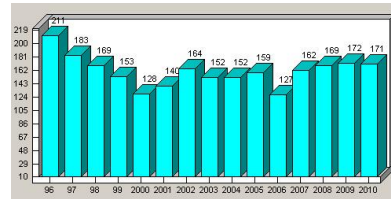
Experience Rating

- Tailors the cost of workers' compensation insurance to the performance of the individual employer
 - Compares employers loss record to others
 - Allows for employers to "control" workers' compensation insurance costs
 - 3-years experience (most recent is omitted from calculation)
 - Considers injury frequency better measure of management

XYZ Company



ABC Company



Experience Rating

- How Experience Modification works
 - Adjusted manual premiums
 - Computed annually
 - Calculated by unit statistical filings

Good (credit)	Average	Poor (debit)
75% (reduction in manual premium)	100%	125% (increase in manual premium)

WORKERS' COMPENSATION INSURANCE RATING BUREAU OF CALIFORNIA EXPERIENCE RATING FORM										BUREAU NUMBER 9 4547 -F		
										EFFECTIVE 3/01/09		
Illustrates High Frequency										CARRIER Zenith Insurance Company		
Safety Pays Machine Shop										ISSUING OFFICE San Diego		
										POLICY NUMBER Z 12345		
EXPECTED LOSSES	CLASS CODE	YR 07 PAYROLL	YR 06 PAYROLL	YR 05 PAYROLL	YR PAYROLL	EXPECTED LOSS RATE	EXPECTED LOSSES	"Q" RATIO	PRIMARY EXPECTED LOSSES			
	3632	1,800,000	1,200,000	1,000,000		1.98	79,200	.26	20,592			
	8742	100,000	80,000	70,000		0.25	625	.25	156			
8810	150,000	120,000	100,000		0.21	777	.27	210				
EXPECTED EXCESS (f) = (d) - (e)						EXPECTED LOSSES (d)		PRIMARY EXPECTED LOSSES (e)				
59,644						80,602		20,958				
ACTUAL LOSSES	CLAIM NUMBER	TYPE	YR OF POLICY	ACTUAL INCURRED LOSSES	PRIMARY ACTUAL LOSSES	CLAIM NUMBER	TYPE	YR OF POLICY	ACTUAL INCURRED LOSSES	PRIMARY ACTUAL LOSSES		
	512475	N	F 05	6,000	4,154							
	312374	P	F 05	9,000	5,063							
	212375	T	F 05	10,000	5,294	Under 2,001	F 05		4,500	4,500		
	274455	N	F 06	10,000	5,294							
	297906	T	O 06	9,000	5,063	Under 2,001	F 06		7,000	7,000		
	434799	N	O 07	10,000	5,294							
659451	N	O 07	23,500	6,934	Under 2,001	F 07		5,800	5,800			
ACTUAL EXCESS (f) = (d) - (e)				ACTUAL INCURRED LOSSES (d)		PRIMARY ACTUAL LOSSES (e)						
49,400				94,800		54,396						
RATING PROCEDURE												
TOTAL PRIMARY ACTUAL (b)	**	"Q" VALUE	**	"W" VALUE	RATABLE EXCESS LOSSES = W x (c)	(1-W) x (1)	TOTAL (g)					
54,396		10,000	.15	8,061	8,061	50,697	121,154					
80,602	TOTAL EXPECTED LOSSES (d)	10,000	"R" VALUE	** INCIDENTY AND MEDICAL COMBINED ** ENTER TABLE WITH EXPECTED LOSSES (d)		TOTAL (h)	90,602	EXPERIENCE MODIFICATION		g/h		
								1.34				
Frequency Example: Manual Premium \$130,000 X 1.34 = 174,200 Modified Premium												
Both risks produced the same loss rate for the three policy years. Yet the difference in the type of losses, frequency versus severity, causes a credit for one and a debit for the other.												

WORKERS' COMPENSATION INSURANCE RATING BUREAU OF CALIFORNIA EXPERIENCE RATING FORM										BUREAU NUMBER 9 4547 -F		
										EFFECTIVE 3/01/09		
Illustrates the Effect of One Large Loss										CARRIER Zenith Insurance Company		
Safety Pays Machine Shop										ISSUING OFFICE San Diego		
										POLICY NUMBER Z 12345		
EXPECTED LOSSES	CLASS CODE	YR 07 PAYROLL	YR 06 PAYROLL	YR 05 PAYROLL	YR PAYROLL	EXPECTED LOSS RATE	EXPECTED LOSSES	"Q" RATIO	PRIMARY EXPECTED LOSSES			
	3632	1,800,000	1,200,000	1,000,000		1.98	79,200	.26	20,592			
	8742	100,000	80,000	70,000		0.25	625	.25	156			
8810	150,000	120,000	100,000		0.21	777	.27	210				
EXPECTED EXCESS (f) = (d) - (e)						EXPECTED LOSSES (d)		PRIMARY EXPECTED LOSSES (e)				
59,644						80,602		20,958				
ACTUAL LOSSES	CLAIM NUMBER	TYPE	YR OF POLICY	ACTUAL INCURRED LOSSES	PRIMARY ACTUAL LOSSES	CLAIM NUMBER	TYPE	YR OF POLICY	ACTUAL INCURRED LOSSES	PRIMARY ACTUAL LOSSES		
	274499	P	F 05	91,800	8,362	Under 2,001	F 05		1,000	1,000		
						Under 2,001	F 06		1,000	1,000		
					Under 2,001	F 07		1,000	1,000			
ACTUAL EXCESS (f) = (d) - (e)				ACTUAL INCURRED LOSSES (d)		PRIMARY ACTUAL LOSSES (e)						
43,438				94,800		11,362						
RATING PROCEDURE												
TOTAL PRIMARY ACTUAL (b)	**	"Q" VALUE	**	"W" VALUE	RATABLE EXCESS LOSSES = W x (c)	(1-W) x (1)	TOTAL (g)					
11,362		10,000	.15	12,516	12,516	50,697	84,575					
80,602	TOTAL EXPECTED LOSSES (d)	10,000	"R" VALUE	** INCIDENTY AND MEDICAL COMBINED ** ENTER TABLE WITH EXPECTED LOSSES (d)		TOTAL (h)	90,602	EXPERIENCE MODIFICATION		g/h		
								.93				
Severity Example: Manual Premium \$130,000 X .88 = 120,800 Modified Premium												

Workers' Compensation Basics

Industrial vs. Non-Industrial Injuries

- What types of injuries are covered
- What's not covered
- Description of different kinds of claims

Workers' Compensation Basics

Industrial Injuries

- Arising out of and in the course of employment
- Diseases arising out of the employment
- Acute injuries
- Cumulative injuries

Workers' Compensation Basics

Non-Industrial Injuries

- Injuries caused by intoxication...
- Self-inflicted injuries or suicide...
- Injuries to the initial physical aggressor in an altercation
- Injuries arising out of voluntary participation in off-duty recreation, social or athletic activities

Workers' Compensation Basics

Different Types of Injury Cases

- Medical only
- Temporary disability
- Permanent disability

Workers' Compensation Benefits

Five Types of Benefits

- Medical care
- Temporary disability
- Permanent disability
- Vocational rehabilitation
- Death benefits
- <https://www.dir.ca.gov/dwc/WorkersCompensationBenefits.htm>

Workers' Compensation Benefits

Medical Care

- Insurance carriers must provide treatment to cure or relieve the effects of an industrial injury, including treatment for injuries that are being investigated
- Treatment can be provided by a medical doctor, osteopath, chiropractor, or another medical professional as long as the care provided is permitted by law under their license and in accordance with American College of Occupational and Environmental Medicine guidelines

"Physician" includes physicians and surgeons holding an M.D. or D.O. degree, psychologists, acupuncturists, optometrists, dentists, podiatrists, and chiropractic practitioners licensed by California state law and within the scope of their practice as defined by California state law.

Workers' Compensation Benefits

Medical Care

- Insurance carriers must provide treatment to cure or relieve the effects of an industrial injury, including treatment for injuries that are being investigated
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AMERICAN COLLEGE OF
OCCUPATIONAL AND
ENVIRONMENTAL MEDICINE

Workers' Compensation Benefits

Temporary Disability

- When an injured worker is unable to work as the result of their injury, they are entitled to temporary disability. This benefit equals 2/3's of a worker's gross average weekly wage up to a maximum of \$ per week.

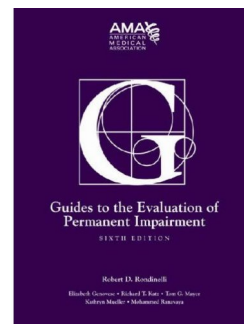
<http://www.dir.ca.gov/dwc/WorkersCompensationBenefits.htm>

Workers' Compensation Benefits

Permanent Disability

- A legal term (not medical)
- Based on impairment pursuant to the AMA Guides to the Evaluation of Permanent Impairment
- The level of benefits is determined by the level of the permanent disability

<http://www.dir.ca.gov/dwc/WorkersCompensationBenefits.htm>



Workers' Compensation Benefits

Vocational Rehabilitation(SJDB as of 1/1/2009)

- Employees injured after 1/1/2004 qualify for supplemental job displacement benefits
- Replaces vocational rehab benefits
- Voucher (up to 10K) (small employer assistance available)
 - <http://www.dir.ca.gov/dwc/rehab.html>

Workers' Compensation Benefits

Supplemental Job Displacement Benefits (SJDB) (formerly Vocational Rehabilitation)

- Employees injured after 1/1/2004 qualify for supplemental job displacement benefits
- Replaced vocational rehab benefits
- Voucher (up to 10K) (small employer assistance available)
 - <http://www.dir.ca.gov/dwc/rehab.html>

<http://www.dir.ca.gov/dwc/WorkersCompensationBenefits.htm>

Workers' Compensation Benefits

Death Benefits

- Death benefits provide compensation to full and partial dependants when an employee sustains a fatal industrial injury
 - 2011 – 250K to 320K
 - Benefits also include burial expenses (up to 5K)

<http://www.dir.ca.gov/dwc/WorkersCompensationBenefits.htm>

Successful strategies and best practices

- Recovery opportunities
- Fraud and red flags (injured worker)
- Fraud and red flags (employer)
- Minimizing the cost of injuries
 - After an injury
 - Reporting and investigation
 - Return to work
 - Medical providers
 - Insurance carrier relationship
 - Insurance broker and agents

Actively Caring Techniques and Vocabulary

Throw out the book

- Erase certain words from your manuals and correspondence with employees
- Delete vocabulary that draws “lines in the sand” between you and your employees

Actively Caring Techniques and Vocabulary

- Erase the word “claim” and “claimant”
- Eliminate phrases: “employee alleges”, or “employee claims”
- “Careless” is not a reason for injury

Change vocabulary to:

injured worker, person injured, employee states, stated injury, injury, injury case

Eliminate the Mystery of Workers' Compensation

- Provide fundamental information to supervisors and employees
- Reassure employees that their job is safe
- Tell injured employees about the reimbursement of mileage

Minimize Attorney Involvement

Where do you want your employees to learn about workers' compensation?

ACCIDENT VICTIM?
PERSONAL INJURY OR WORK INJURY

GET ACTION NOW!!
CALL 7 DAYS • 24 HOURS

PERSONAL INJURY

You Don't Just Need an Attorney after Surviving an Auto Accident. You Need Someone to Take and Distribute all No "Out of Pocket" Cost to You.

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- Wrongful Death
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- Construction Injury

WORK INJURY

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• Wrongful death & serious injuries
• Insurance coverage disputes
• Uninsured & underinsured claims
• Dog bites, burns & other injuries
• Defective product injuries
• Nursing homes & other abuse

• "When You Get Hurt, A The-Book Guarantee"

Minimize Attorney Involvement

Would you rather teach employees about workers' compensation, or have these guys do it?

PERSONAL INJURY ACCIDENTS

AUTO ACCIDENTS & WRONGFUL DEATH

NO FEE UNTIL YOU WIN

THE LOFTUS LAW FIRM
1-800-889-5909

Services listed include: MOTORCYCLE ACCIDENTS, SLIP & FALL CASES, PLANE, TRAIN & TRUCK ACCIDENTS, MEDICAL & LEGAL MALPRACTICE, INSURANCE DISPUTES, INJURY SPECIALISTS, COSTS ADVANCED, FREE PHONE CONSULTATION, HOME AND HOSPITAL VISITS, WEBSITE www.loftuslaw.com

ACCIDENT VICTIM?

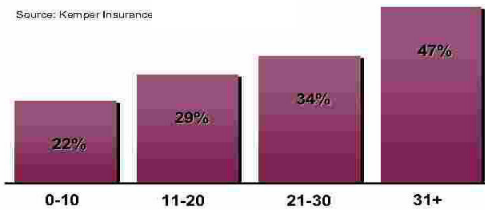
DON'T GO UP AGAINST AN INSURANCE COMPANY YOURSELF!
CALL US FOR A FREE CONSULTATION!

Services listed include: INJURY SPECIALISTS, COSTS ADVANCED, FREE PHONE CONSULTATION, HOME AND HOSPITAL VISITS, WEBSITE www.loftuslaw.com

Minimize Attorney Involvement

- Get care for injured workers first
 - Do the paperwork later
- Notify insurance carrier or third-party administrator quickly after injury
- Continue to practice “actively caring” steps

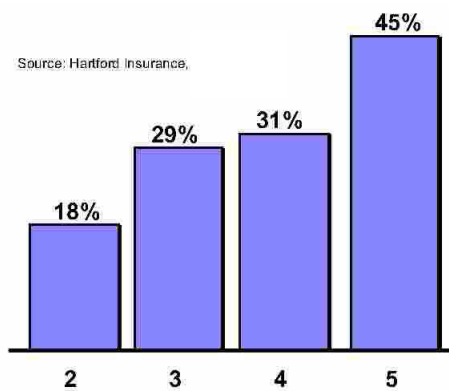
Minimize Attorney Involvement



The longer the reporting period – the higher the probability of litigation

Percentage of claims litigated, relative to report lag (in days: 10, 20, 30 and over 30)

Minimize Attorney Involvement



Injuries reported within 2 weeks of injury were 18% more expensive than those reported within one week. Claims reported within 3 weeks were 29% more expensive than those reported within one week. Similarly, claims reported at 4 weeks were 31% higher and at five weeks they were 45% higher.

Don't Focus on Fraud

"I Don't Have To Be Me ('Til Monday)"

American country music artist Steve Azar released the lead-off single in 2001-2002 ... peaked at #2 on the Billboard Hot Country Singles & Tracks

Chart performance

Chart (2001-2002) <input type="checkbox"/>	Peak position <input type="checkbox"/>
U.S. <i>Billboard</i> Hot Country Singles & Tracks	2
U.S. <i>Billboard</i> Hot 100	35

Video: <http://www.youtube.com/watch?v=RI0e-T14Bsg>

Lyrics: <http://www.youtube.com/watch?v=i3Dw0lr5V4s>

Don't Focus on Fraud

"I Don't Have To Be Me ('Til Monday)" by Steve Azar

I got me a brand new car waiting in the driveway
Shinin' like a bright new star
I been wishin' on it everyday
To take me away from here
So I called in to where I work,

*Told a little white lie
No my back don't really hurt
but that's my alibi*

My temporary ticket to anywhere but there
Call it an early weekend
Call it goin' off the deep end
Call it what you want I made up my mind...

Video: <http://www.youtube.com/watch?v=RI0e-T14Bsg>

Lyrics: <http://www.youtube.com/watch?v=i3Dw0lr5V4s>

Understand Injured Worker Perceptions

Employee Perception Survey The Injured Worker's Experience

by
Labor Occupational Health Program
University of California at Berkeley

Gallup/Intracorp Surveys

(1994, 1997, 2001)

"Communication, Concern and
Caring"

Understand Employee Perception of Workers' Compensation

Berkeley Study

- Sadness due to uncaring treatment by their employers after they were injured
- Anger at being "kept in the dark," "shut out," and "pushed aside" by various providers of information services
- Humiliation due to condescending treatment by various providers of information and other services
- Despair caused by an inability to work or find work
- Forms and letters they received were difficult to understand because they were too technical or legalistic

Understand Employee Perception of Workers' Compensation

Intracorp Studies (1994, 1997, 2001)

- Communication counts
- Show you care
- Treat people the way you would want to be treated
- Get help/medical care for injured
- Get well cards (signed by staff)
- Flower or other means of recognition
- Visits/calls
- Demonstrate understanding, caring behavior
- Discuss job security

Understand Employee Perception of Workers' Compensation

Intracorp Studies (1994, 1997, 2001)

“... the preferred source for information should be provided by employers (supervisors) ...”

Workers' Compensation

- Reporting and investigation
- Return to work program
- Relationships with medical providers and insurance carriers

Workers' Compensation

- Insurance agents and brokers
 - Commissions and compensation
 - Broker of record letter
- Alternatives to WC

Workers' Compensation

■ Tools and resources

□ Division of California workers' compensation

- <http://www.dir.ca.gov/dwc/>
- <https://wcirbonline.org/wcirb/>
- https://wcirbonline.org/wcirb/resources/data_reports/pdf/063009_insurer_experience.pdf
- <http://www.insurance.ca.gov/>
- https://wcirbonline.org/wcirb/Employer_guide/experience_rating_wsheets.html
- <http://www.dir.ca.gov/dwc/Forms.html>