



CLIENT INFORMATION GUIDE

Section: Risk Management

Topic: Workers' Compensation Insurance

Workers' Compensation insurance provides replacement income and medical expense coverage to employees who experience work-related injuries or illnesses. Benefits may also extend to the survivors of workers who are killed on the job.

Worker's Compensation is a no-fault system. The employee is entitled to benefits whether or not the employer provided a safe workplace and whether or not the employee's own carelessness contributed to an injury or illness. (Some states, however, may limit or deny benefits if an employee is found to have been under the influence of illegal or abused drugs or alcohol at the time of the injury.) The employer is also protected because the employee is limited to fixed types of compensation – basically partial wage replacement and payment of medical bills. The employee can't get paid for pain and suffer or mental anguish. (The exception to this protection for the employer may be in the event of an injury or illness that is judged to be the result of the intentional actions of an employer – such as removing safety guards from equipment in order to speed up production.)

While a few states require Workers' Compensation insurance only for those employing three or more employees, all other states (except Texas and New Jersey) require all employers to carry coverage. Workers' Compensation insurance should be viewed as a necessary expense of having employees, but there are ways of controlling the expense. The most significant means of controlling costs is establishing and observing effective safety procedures. These will, over time, be reflected in your record of Workers' Compensation claim losses – and the insurance rates charged to you are based upon the ratio between premiums paid in and claim losses. Claim loss figures include funds which the carrier must hold in reserve to pay for future treatments of injuries or illnesses which have already occurred.

The second means of controlling costs is to manage claims by monitoring injured employees to see that they are following treatment plans prescribed by the physician, such as keeping follow-up appointments, going to therapy, etc. Many occupational medical centers specialize in treating Workers' Compensation claims and can frequently aid an employer in tracking these factors. Additionally, whenever appropriate and available, employees should be returned to work on light duty to minimize replacement income paid to the injured worker for lost work time.

In most states, it is a violation of law to pay for work-related injuries outside of the Workers' Compensation insurance system, and doing so may result in criminal penalties. Similarly, most states make it unlawful to discriminate against an employee for filing a worker's compensation claim.

If you utilize independent contractors in your business, it is wise policy to ask to see proof of Workers' Compensation insurance to protect you against liability for uncovered workers.

Please see the Client Information Guide, "Injury Procedures". It is wise to establish and discuss what your company's procedures will be in terms of who will be responsible for reporting and communication in the event of a work-related injury. If that is clearly established before an incident occurs, there will be a better chance of things going smoothly during those critical moments after an incident occurs.