How to Make
Workers’ Compensation Insurance
Work for Your Business

A Colorado Executive's Guide to Managing Risks,
Controlling Costs and Getting the Discounts You Deserve
Introduction

Workers’ Compensation insurance is one of those things a business owner loves to hate. The government makes you buy it, it costs more than it seems it should, and when an employee files a claim that appears to be bogus, the carrier pays it anyway!

While there may be cases that give credence to such cynical views, workers’ compensation insurance is, in fact, a much more balanced system. It provides important benefits to both employers and employees.

This guide offers you valuable insights into how the workers’ compensation system works—and how to make it work for your business.

Here’s what you’ll find inside:

• Workers’ Compensation Basics
• Making Workers’ Comp Work for You
• Safety Training
• Claims Management
• Earning Dividends and Credits
• Your Agent Can Make It Work
Workers’ Compensation Basics

All Colorado employers are required to provide workers’ compensation insurance.

Workers’ compensation insurance pays medical expenses, lost wages and other benefits for employees injured on the job. The work-related injuries and sickness that it covers are not covered by health insurance policies.

Employers benefit from workers’ compensation insurance, because among other things, it bars employees from suing you for pain & suffering.

Workers’ compensation insurance covers all your employees, but corporate officers and active principals of limited liability companies may choose to exempt themselves from coverage.

Independent contractors are not covered by your workers’ comp policy, but uninsured employees of your subcontractors are. So always make sure your contractors have workers’ compensation insurance in place.

The premium you pay for workers’ compensation insurance varies based on the riskiness of the work you do, the size of your total payroll, and your safety record.

The National Council on Compensation Insurance, however, sets the core component of the premiums for workers’ compensation policies. Each carrier then determines the final rates it will charge by factoring in its expenses, discounts and surcharges.

How much you pay, therefore, will depend not only on which carrier you choose, but also on how you manage your workers and your risks.
Given that you have to carry workers’ compensation insurance, the way to minimize your cost is to take Benjamin Franklin’s advice: “An ounce of prevention is worth a pound of cure.”

In this case, the ounce of prevention has three ingredients: prehire drug screening, safety training in the workplace, and good communication with the claims rep when you have a claim.

Safety training is the most important of the three, but effective claims management will also help you earn dividends and discounts.
Committing your company at every level to a comprehensive safety program is one of the best ways to keep losses—and your workers’ compensation premiums to a minimum.

When employees know how to use equipment properly and behave in the workplace, the frequency of accidents goes down. With fewer accidents, your workers’ comp costs also go down.

An effective safety program will boost employee morale and improve your productivity. It also enhances your compliance with federal and state regulations.

Did you know that the State of Colorado rewards your business for having an effective workplace safety program?

Even though Colorado’s Cost Containment Certification program is based on OSHA safety standards, and requires specific documentation and training frequency, it is relatively easy to implement.

Cost Containment Certification can save your business a lot of money, especially over the long haul.
The second key piece for effectively controlling your workers’ compensation costs through loss prevention is claims management.

The essential element of cost-saving claims management is quite simple: Report immediately.

Even if the injury seems minor, report the claim to your insurance carrier right away.

Just because the law gives you 10 days to report a worker’s injury, reporting it within 24 hours can cut your costs significantly. Any delay can increase both short-term treatment costs and your long-term program costs.

There are two additional ways to save by improving your claims management effectiveness.

One is to designate medical providers that have experience and expertise in treating work-related injuries. You are required to designate two separate providers, so make sure they know what they’re doing and know how to control treatment costs effectively.

Another way to save through effective claims management is to offer recuperating employees appropriate, medically approved, modified-duty assignments. If an approved modified-duty position is offered, the worker must either accept it or risk losing compensation benefits.
Each workers’ compensation insurance carrier offers a unique set of workers’ compensation premium discounts.

Some pay loss-control dividends. Some offer credits (or charge debits) based on your claims history.

Often you’ll get a discount, if your annual premium is large. That means you could get breaks on your workers’ comp costs as your payroll grows.

You could earn discounts for remaining with the same workers’ comp carrier year after year.

If you manage your safety program well and keep your workers’ compensation losses lower than the average for your industry, you’ll probably receive a premium credit from your carrier. Of course, if your losses are worse than average, your premium could be adjusted upward through a debit.

Alternatively, you could qualify for a dividend by maintaining a sufficiently low loss ratio. For small employers, a group dividend plan may be available.

When you earn your Colorado Cost Containment Certificate, you’ll probably also earn a premium discount from your carrier.

As we said in our introduction, safety pays!
Your Insurance Agent Can Make It Work

Obviously, there are many twists and turns, ins and outs, to workers’ compensation insurance.

Make the right moves and you’ll save a lot of money. With the help of a workers’ compensation expert, you’ll be more likely to make the right moves.

That’s the value of working with an experienced independent insurance agent. We can help you negotiate the maze of workers’ compensation insurance programs and come out ahead.

As an independent agency, Colorado Insurance Professionals shops a full range of carriers to ensure that the workers’ compensation insurance you choose really works for your business. Plus, we bring our expertise to your program to make sure you receive all the discounts, dividends and cost savings you deserve.

For example, we help our clients implement their Cost Containment Certification programs. We’ll go so far as to take a client’s Cost Containment application to the Division of Workers Compensation to make sure all the details are in place for its approval.

When you’re ready to make workers’ comp work for your business, please give me a call or send me an email:

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