

WORKERS' COMP

A MORE EFFECTIVE & PRACTICAL APPROACH

By Tom Bone

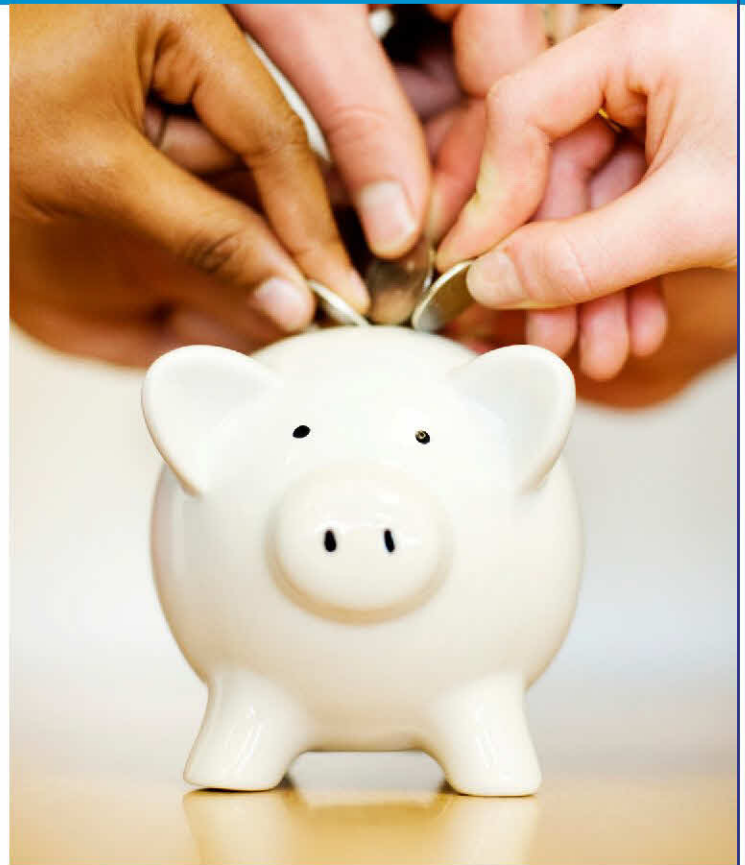
The most successful executives and entrepreneurs we know, admire and read about are those who surround themselves with advisors who are experts in their fields. Just as our primary care medical doctor has helped us over the years to maintain good health...and through difficult medical or emotional times, so can a Workers' Comp Advisor guide a business to wellness. Wouldn't it be to your advantage to have that type of relationship with your insurance advisor for the business challenges you face as an employer or manager?

I believe the typical way insurance is purchased is actually detrimental to the decision maker and the organization they represent. Many employers focus solely on the rate that is being offered and use that rate as the determining factor in accepting or rejecting a proposal.

Did you know that according to the national organization RIMS**, "only 59% of the risk cost is in the policy premium." What about the other 49%? (An employer can pay over & above his policy premium the 49% in lost management time & resources; lost productivity; lost customers & revenue; overtime pay; other indirect cost & lost opportunities) Actually, **workers' comp is like no other insurance program.** It is like a line of credit – use it and you pay it back plus more.

In addition, Frank Pennachio of the **Worker Comp Advisors Group** has determined that "80% of the workers' comp Experience Modifications are either mismanaged or have errors." That leaves abundant opportunities for employers to work with a Professional WorkComp Advisor to lower costs, while making their job easier.

Here is a basic action plan that an employer, and their insurance advisor, should already be implementing to take control of workers' comp and related costs:



1. Claims evaluation date – review each claim to confirm the values & information is realistic. This should be done before this data is submitted to the Workers' Compensation Rating Bureau to prevent future premium overcharges. **Periodic monitoring** of insurance company claims handling should also be scheduled. This is a most important opportunity for employers & their advisor to assure claim reserves are appropriate and with this knowledge, is an appropriate time to make a projection of the future renewal premiums the employer can expect to pay.

2. First Aid Claims option – the California Labor Code*** allows employers the opportunity to pay for qualified workers' comp claims and not have them included in their Experience Modification calculation. The employer can avoid paying 2 to 4 times the size of the claim in future premium increases through this process. This is commonly over looked because insurance brokers fail to help employers set up this process and/or when an insurance company disputes the medical practitioners decision for a claim to be First Aid. Most brokers do not become involved to help the employer.

3. Medical Treatment Provider qualification – confirm a medical treatment protocol and Return to Work Process is used to get injured employees quickly back on the job. An employer can no longer expect that an

