

# The Best Time to **Reduce**

**Your Workers' Comp Premiums**

**...and it's **not**  
your renewal  
date!**



**Tom Bone**

# The Best Time to Reduce Your Workers' Comp Premiums

*...and it's not your renewal date*

by Tom Bone



ISU Insurance Services  
2266 Lava Ridge Court, Suite 200  
Roseville, CA 95661  
Independently Owned & Operated. Lic. #0652738

© Copyright 2015-2017  
Thomas M. Bone  
All rights reserved.

Toll Free: (800) 823-4852 x.8758  
Email: [tbone@risksnthreatsmatter.com](mailto:tbone@risksnthreatsmatter.com)

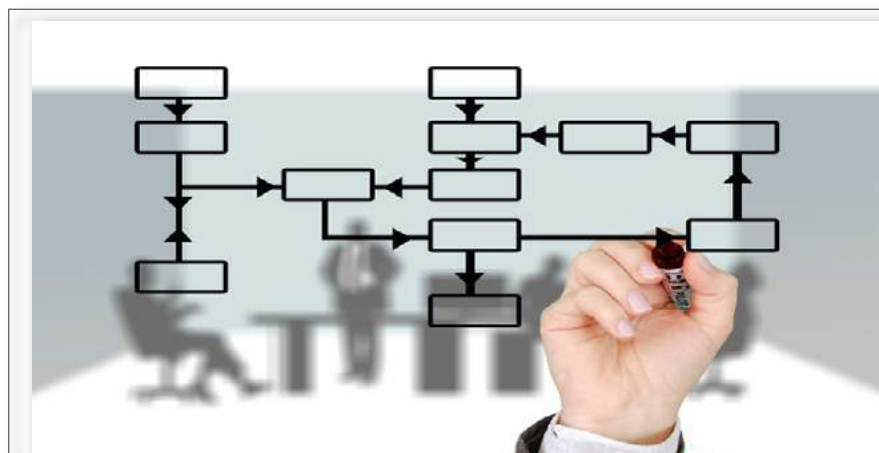
# The Best Time to Reduce Your Workers' Comp Premiums

**A**ny organization with employees has to purchase workers' compensation insurance—it's the law. But most employers find the workers' comp system complex, hard to navigate, and a major cost to their enterprise. If they rely on their insurance company to manage the claim when a workplace injury occurs, their premiums often rise to a level they didn't anticipate.

As their policy renewal date approaches, they seek out the only solution they can think of—requesting new quotes from a number of insurance brokers. For some companies, this is an annual ritual that leaves them feeling like they're at the mercy of the insurance companies, without any way to effectively lower their workers' comp costs.

## What's Wrong with This Strategy?

**As an employer, you shouldn't wait until your policy's renewal date to look for options.** You may think this puts you in a good position to negotiate more favorable terms, but by that point, you're already six months too late to lower your workers' compensation costs. Let's take a look at the review process and how making the right choices at the right time can lead to lower organizational costs (and higher profits).



## How Your Premiums Are Calculated

About six months into your policy term, your claims information for the last several years is sent to a ratings bureau. The bureau creates your annual **Experience Modification Factor (EMF)**, which includes three things:

1. Annual payrolls for each workers' comp classification
2. The total number of dollars paid (up to the date of the report)
3. The number of dollars set aside for the expected future costs of any employee medical treatment and/or lost wages (called "reserves").  
Establishing reserves is not a science, however—and here's where you'll find the real chance to save.

In essence, the EMF is a premium adjustment based on several years of past claims. If your business had lower than expected claims based on your industry and company size (payroll), you'll receive a premium discount. But if your claims were higher than expected, you'll be charged more.

Some debate whether this "credit-debit" system is fair and equitable. Since we can't change the system, it's not helpful to debate its merits. Instead, let's find a way to work within the system to provide you with the best possible outcome.



## The 4-Step Process to Lower Your Premiums

I recommend the following process to employers who want to achieve the best financial results, with their insurance advisor taking the lead:

**1. Approximately five months into your policy term, obtain claims history for the last 4 years from all your workers' comp insurance companies.** This information should include details pertaining to each incident, including:

- a description of what happened and how,
- the status of the claim (open/closed),
- the amounts paid and pending for medical treatment, wages, rehab, and
- the treating physician's diagnostic code.

**2. Review each claim.** Compare it to the available information you have about the work and treatment status of each injured employee.

- Ask these questions of each open claim:

*Why is this still open?*

*What can be done to close this claim?*

*When is the claim scheduled to close? (applicable if the employee is back to work, either full time or modified duty)*

- Ask these questions if the injured employee needs ongoing medical treatment:

*When is the treatment expected to be complete?*

*If the employee is performing modified duty prescribed by the treating doctor, when will the employee be released to full-time duty and the claim be closed?*

- Speak with the injured employee, his or her supervisor, HR, or others in your organization to gain an understanding of what is happening.

**3. Be sure your insurance advisor has qualified the medical clinic that will be attending to your injured employees. The clinic should be using Evidence-Based Medicine procedures to treat your employees, and feel strongly about returning injured employees to work as soon as possible.** The following will give you some background on evidence-based medicine.

- For years, physicians have accumulated data about the results of their protocols in treating all types of workplace injuries, with the intent of providing the most effective treatment and the best recovery results. This data includes expected times of recovery based on the type of injury and affected body part.
- At an injured employee's first meeting with a treating physician, the doctor diagnoses the condition and prescribes treatment, categorized with a coded number. Anyone reviewing a claim file can look up that code and compare the treatment timeline to evidence-based data to confirm expectations for this particular case. In essence, existing statistics create a baseline that allows us to evaluate the progress being made toward recovery. If that baseline isn't being met, the next step is understanding why and making the appropriate adjustments.
- After the injured employee receives treatment, his or her doctor completes a "First Report" of injury and records the diagnosis in a numerical code. This code will correspond with the Evidence-Based Medicine statistics. As a result, the claims management process begins when the prescription for treatment begins. It can all be tracked, giving you an estimate of when that employee can return to work. You'll want to ask the insurance company claims adjuster and even the injured employee about these questions.



**4. Begin a dialogue with the adjuster handling each claim.** Here are a few tips for making the most of these dialogues:

- Keep all discussions with the insurance company staff conversational and cordial in nature. You want to ensure open discussion both now and in the future.
- Ask why open claims are still open, and why the insurance company established the reserve at its current level.
- Oftentimes the adjusters don't have a complete picture of what's going on. Your discussions can be very helpful for the staff at the insurance company. Armed with new information, they can often make more informed decisions and close claims quickly.
- You and your insurance advisor are in an excellent position to have a meaningful discussion with the claims adjuster to help make the adjuster's job easier and lower your claims cost.

In my experience, this process can result in a claims reserve being adjusted to a more realistic level—one that results in lower renewal premiums. **Compare this to the cost of delegating claims management to the insurance company and the treating physician, which usually equals an inflated premium.**

Let's face it—you incur direct costs every time you pay insurance premiums and you incur *indirect* costs every time your staff uses admin time to handle claims and insurance paperwork. You have "skin in the game," as they say.

But you can have an influence on those costs, so get involved! Participate in the process— it's *your* money and it's up to you to save it.



## Review

**By following the process above, you accomplished the following:**

1. Reviewed all open claims.
2. Determined what additional information you need and challenged the insurance company to justify why certain claims are still open.
3. Had a cordial and productive dialogue with your insurance company to ask questions and share information, which will hopefully result in lower claims reserves—and lower claims costs.
4. Learned the value of both your claims reserves and claims yet to be closed.

## Next Steps

**Your insurance advisor can now project what your Experience Modification Factor could be for your next policy term.** Yes, this is 5 to 6 months before your policy renews, but unlike other expenses, you'll have an estimate of what your premiums could be for the next policy term.

## Keep in Mind

**Workers' compensation is like no other insurance program. It's more like a line of credit with a financial institution, so treat it as such. It's your money!**

An insurance company's goals and objectives are in direct conflict with yours. The insurance company wants to keep costs low and make a profit. They do not feel that they are in the wellness business. You, however, want to prevent injuries, and if they do occur, you want the injured employee to get the best possible medical treatment and get back to work quickly.

You are actually financing claims through workers' compensation insurance. The less it's used, the better off you are. If you need to use it, make sure the other parties involved are doing their job. This will require your involvement and oversight.



## Take Action to Lower Your Rates

If you don't have an advisor willing to take on this valuable process to help your enterprise plan for long-term financial success, reach out to me for a complimentary Risk & Threat Assessment for your business. Here's how to contact me:

### Tom Bone

*Professional Workers' Comp Advisor and One Responsible Source Advisor*

**Phone:** 800-823-4852 x8758

**Email:** [tbone@risksnthreatsmatter.com](mailto:tbone@risksnthreatsmatter.com)

**Website:** [www.risksnthreatsmatter.com](http://www.risksnthreatsmatter.com)

**RisksNThreatsMATTER**

HOME ABOUT TOM RISKS N THREATS STRATEGIES TOM'S BLOG CONTACT TOM & HIS TEAM

**To Achieve Success You Must Manage Risks & Threats**

Watch my Osha webinar  
What's so important about Feb. 1st? [Watch the webinar](#)

**Most employers create MORE risk for their companies while trying to create LESS. They make decisions without all the facts, which endangers employees and tangible assets. How safe is your company?**

Why we do what we do. Most employers choose their risk management & insurance services based on obtaining quotes every year from a variety of insurance brokers. In an effort to control costs. Their high costs aren't the cause of their problems - it's just a symptom. Changing insurance providers without knowing why your costs are high won't solve anything. We want to help you identify and solve the problem, which will help lower your costs permanently.

How we do what we do. We identify and assess the actual cause of the risks and threats your company faces with our Risk & Threat Assessment, a proprietary process that's thoughtful and thorough. We believe workers' comp is the heart of every risk management & insurance program—after all, it affects risk, exposure, and premium calculations. That's why our discovery process begins with your workplace injury costs. Next, we'll create practical solutions to address the issues our assessment uncovers. These solutions may involve insurance, non-insurance, or a combination of both. With your approval, we'll implement these solutions, measure their effectiveness, and if needed, make adjustments to ensure you get the targeted results you need.

What employers say and the results they receive. [View their comments.](#)

When you should contact us. Today—not tomorrow or the next day. There are no advantages to waiting when it comes to risks and threats. In our experience, waiting usually makes things worse. Our goal is to get you the best possible results on your schedule, not ours. We don't wait for the renewal date of a risk management service contract or an insurance policy expiration. Actually, your renewal date is NOT the most important time for your insurance policy. There are Four Other Important Times & Events that you need to prepare for.

# About Tom

**T**om Bone is an author, speaker, and licensed insurance broker with ISU Insurance Services. With over 30 years of experience, Tom helps employers address the risks and threats their organizations face and mitigate the risks associated with the personal assets of the decision makers.



*Tom Bone  
Risk Insurance Advisor*

**Tom has specialized** training in Workers' Compensation Insurance. He holds the professional designations of a Professional WorkComp Advisor and a One Responsible Source Advisor. He frequently conducts seminars for employers to help them gain a better understanding of the type and amount of insurance they need.



**He has also** hosted his own weekly radio show, "Insurance Matters," as an extension of his belief that employers need to know what they *don't* know in order to safeguard their personal assets and the organizations they manage. As host, Tom interviewed guests on current topics and disseminated solutions for employers to make their jobs easier.

**Prior to joining** ISU Insurance Services, Tom managed his own successful insurance practice. He continues as a board member of the Sacramento Employer Advisory Council, a non-profit organization in partnership with EDD, whose purpose is to educate employers and help them navigate the challenges presented by the employment laws that govern their respective enterprises.

**As a member** of Insurance Thought Leadership, Tom also writes articles advising employers on improving profitability, increasing employee productivity, and making their leadership roles easier through effective risk management.



2266 Lava Ridge Court, Suite 200 • Roseville, CA 95661  
Toll-Free: 800.823.4852 • Local: 916.773.2800