

Informed Consumer *...Insurance Made Easy*

Helping you to save
money, become more
informed and cover
your fatal gaps



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"Special Report"

The 6 Dirty Secrets of Workers Compensation Insurance

By Tom Baecker
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Dirty Secret #1 – Insurance companies don't pay for your employee injuries; they just finance them for you at usury interest rates.

Do you realize that you pay \$2 or \$3 back to the insurance company for every dollar they pay out for your employee injuries? Each claim results in the most expensive financing contract you have in your business.

You pay:

- For employee injuries through increased rates.
- Increased costs because your Experience Modification skyrockets.
- Lost productivity.
- Reduced morale for the unhurt employees who fill in for the injured employee.
- Increased stress for management and staff.

You have Workers Compensation for only two reasons:

- The law requires it.
- Workers comp spreads the true cost of employee injuries out over time.

Work comp does not pay for employee injuries. You do!

Dirty Secret #2 – Claims Management Services are usually dreadful.

Now that you know you write the checks for your employee's injuries (you can have more proof if you want it) you should realize how critical it is for you to demand "two thumbs up" claims management service.

Claims adjusters are snowed under with too many cases. Your injured employee doesn't get the attention he or she deserves. In spite of this, insurance companies continue to downsize as they strive to increase profits.

Add Managed Care to the mix and your employee's claim is often outsourced to a case management company. The adjuster doesn't even know what is happening or how your injured employee is being treated. You just can't notify the insurance company your employee was injured and expect them to "do their job." You must have a proven process in place to minimize the cost of the injury and expedite your injured employee's return to work.

Dirty Secret #3 – You are penalized and overpay when the "Audit Police" make a mistake on an audit? Would you allow an IRS agent to conduct an audit without an expert on your side? Because your real insurance cost is determined after your policy expires, it is essential the audit is correct.

You're at a disadvantage from the start. The insurance company auditor knows the rules, you don't. The auditor is not compelled by law to explain the rules, especially if applying a rule that would cause you to pay a lower premium.

Here's how the auditor works against you:

- Your entire payroll is put into the highest classification.
- Then, the "standard class exceptions" are put into the correct cost classification. When someone is not properly moved to the lower cost classification, you pay at the highest rate.

Misclassifications are common and the system is designed for you to pay for all mistakes. There are many other errors or omissions that are made in addition to misclassifications. Don't allow an insurance company auditor to conduct an audit without an expert at your side? A workers comp audit may actually cost you more money than an IRS audit. A workers comp audit is every year. You may go years without an IRS audit.

Dirty Secret #4 – Experience modification factors are often wrong or mismanaged.

Most insurance buyers accept on "good faith" that their experience modification factor is correct. Why? You need to know, because most of the time it may be wrong and the insurance company benefits. Even correct, there are simple strategies to lower it. Do you know those strategies?

Dirty Secret #5 – Your money will fly away unless your agent knows how to jump through hoops and pays closer attention than any other insurance buy.

Here's what your agent must do to insure you have the best value for your workers comp insurance:

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- Claims need to be monitored.
- Premium audits must be managed and verified.
- Experience modifications must be double checked for accuracy.
- Contract must be analyzed.
- Sub-contractor's insurance must be controlled.

Many actions are time sensitive. If you don't know why 6 months after your policy expires is such a critical date, you may be overpaying your insurance.

If you need a specialist in any area of your insurance program, it is in the management of your insurance that affects your employees the most – workers compensations, medical and disability benefits.

Dirty Secret #6 – You can drastically slash your costs – if you install the right system of loss prevention, claims management and audit policing.

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