

# Workers Compensation

Work Comp and the Safety  
Professional

Arlington/Roe works daily with “distressed accounts” and see the real world impact to accounts that are not favorably received by the Commercial Insurance marketplace.

A good safety professional and the programs and practices can dramatically affect a companies attractiveness in the marketplace.

**Your impact as a safety professional  
can be significant**

- Work Comp accounts for 50-70% of the average Businesses Insurance Cost.
- WC is one of the primary justifications for a business to take the big step to either hire a safety professional or to seek outside safety professional help. It is a line impacted by safety

I'm a Safety professional. What does Work Comp have to do with me?

- OD
- Transportation
- Frequency driven
- Ergonomically driven industries

Who will be most affected by hiring a safety professional?

- WC developed in Germany in the 1880's
- Wisconsin was first US state in 1911
- Required in all states but TX and now OK
- Employee give up right to sue under Employers liability in return for having medical and indemnity (lost wages) paid
- Each state is individually administered. Exceptions are FELA and USL&H

## WC Overview

- Purchase Insurance
- Self Insurance – Requires purchase of excess bond, filing of TPA and approval by the State of domicile-
- Not buying insurance is not self insurance.
- 44 filed self insureds in the state of Indiana
- Risk Transfer/Statutory exemption- Be very careful of this. You still have EL exposure.

## WC Options

- Basis of premium cost is payroll
- Per \$100 of payroll
- 800-900 class codes (industry peer groups- similar to SIC code)
- State Regulated
- Policies consist of **regulated and mandated** forms, filings, class codes, experience mods, fees and taxes
- **Discretionary** pricing differs by state.

## WC Insurance

- WC insurance is regulated by Dept of Ins. The work company carrier must be licensed and regulated by the DOI.
- Rates (Loss Costs)/Class codes- Filed
- Experience mod- Filed
- Filed safety and drug free credits- varies
- Contractor Credit programs- IL

## Mandated pricing tools

- Experience Mods are the single most important tool used by the insurance industry.
- Required for all accounts over the threshold –Around 3-5K with 2-3 years in business
- “Frequency breeds severity”
- Tracked very, very closely- No way to get rid of them
- Often used incorrectly by underwriters
- Used by companies and contractors as eligibility eliminators.

## Experience Modification

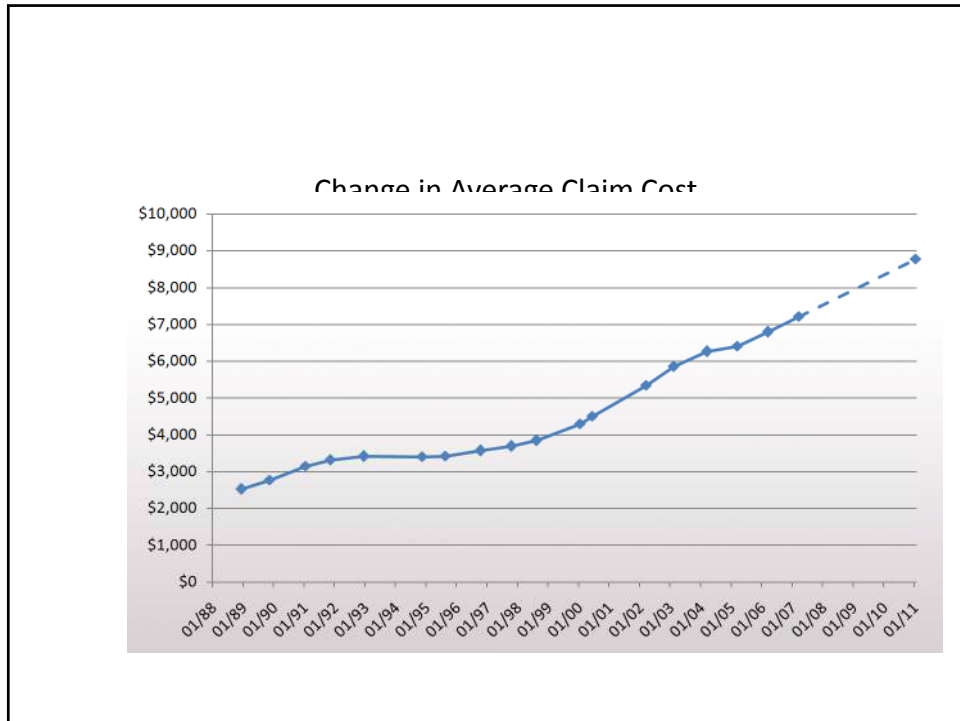
### Indiana WC Mod Ranges 2012

Average does not mean half above and half below 1.00

<b>Lowest Mod</b>	<b>0.38</b>	
<b>Highest Mod</b>	<b>3.24</b>	
<b>Average</b>	<b>.99</b>	
<b>Total Credit Mods</b>	<b>20,678</b>	<b>75%</b>
<b>Total Unity Mods</b>	<b>296</b>	<b>1%</b>
<b>Total Debit Mods</b>	<b>6,501</b>	<b>24%</b>

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### Split Point Transition Program

Year	Split Point
Prior to 2013	\$5,000
2013	\$10,000
2014	\$13,500
2015	\$15,000
Subsequent	Based on inflation





- Safety Program credit – Formal program filed with the state DOI and credit granted. Safety Professional generally required.
- Drug Free Credit program – Filed with the DOI and approved
- Assigned Risk Adjustment Program – Debit only

### Filed Credit /Debit programs

- CCAP- IL only
- Big, big credit possibility
- Targets high pay, low frequency operation (large union jobs)
- Replaced Man Hour movement away from Payroll based.

### Contractors Credit Adjustment Program



- Discretionary pricing is unregulated for the most part with some exceptions.
- Can be a significant cost driver or saver.
- Must be adequate rates
- Must not be excessive
- Must not be discriminatory

## Discretionary Pricing and the Safety professional

- Not supposed to be used as a pricing tool but instead reflect risk characteristics
- Generally Between 0-50% range.
- Credits less than manual pricing
- Debits more than manual pricing
- Companies have various pricing tiers. 1.35 is a common starting point.
- Some states allow 25% range. WI/FL none

## Discretionary Pricing-Scheduled Credits and Debits

- Arlington/Roe is an independent wholesale/MGA insurance operation with 9 specialty practice areas.
- We represent hundreds of carriers with emphasis on specialty insurance needs.
- We are licensed in all 50 states and write coverage's throughout the world.
- We are one of the top 10 privately owned wholesalers in the United States.
- [www.arlingtonroe.com](http://www.arlingtonroe.com)

## About Arlington/Roe