



Coverage Insights

Workers' Compensation Insurance: An Overview

Workers' Compensation is an insurance coverage that pays benefits to workers injured on the job, including medical care, part of lost wages and permanent disability. It also provides death benefits to dependants for employees killed from a work-related accident. Workers' compensation systems are different in every state, as individual statutes and court decisions have shaped the way they handle claims, evaluate impairments, settle disputes, provide benefits and control costs.

Background of Workers' Compensation Insurance

During the 19th century, the amount of individuals joining the workforce grew exponentially. As a result, the number of workplace accidents grew as well. At that time, the only way that injured workers could obtain compensation for their injuries was to sue the employer. Many legislative proposals emerged early in the 20th century, focusing on compensating injured workers for their medical care and lost wages.

By 1949, all states had a system in place to provide compensation for injured employees. Under these systems, the employer was responsible for providing compensation for the cost of medical care and wages lost, and consequently, the employee gave up his/her right to sue the employer for injuries. Currently, Texas is the only state where workers compensation is not mandated for all employers.

As part of the insurance package, the injured workers' medical, rehabilitation and lost wages are paid for by the state or insurance carrier. If the injury leaves the employee disabled, the insurance carrier will pay the claim based on the extent of the injuries and based on its permanence. The disability will fall into one of the following categories: temporary total, temporary partial, permanent partial or permanent total disability.

Workers compensation rates and programs are managed by private insurers, state funds or the National Council on Compensation Insurance (NCCI). Colburn Group can provide more information about how your state handles these programs.

The Employer's Responsibilities

Employers are required to do the following to comply with Workers' Compensation Insurance laws:

- Employers are required to provide coverage for their employees and are held liable for all injuries suffered by employees while they are on the job (with the exception of employers residing in the state of Texas).
- Pay premiums and provide the carrier with audit payroll numbers.
- Provide a safe environment.
- Notify the carrier as soon as possible after an injury.
- Investigate injuries.

What you can do to manage your Workers' Compensation Costs

There are many things that companies can do to lower their workers' compensation costs, such as:



Coverage Insights

- Inspecting your insurance policy to make sure that all job classifications and payrolls are correct.
- Making an investment in workplace safety to avoid accidents, improve claim histories and reduce overall costs. If you modify operating procedures even slightly, you can alleviate unnecessary exposure to injuries.
- Consider using a managed care organization that has a relationship with your insurance company. This will help you save on medical treatment costs.
- Create a modified duty program at your organization to help injured employees return to work sooner. Under these programs, employees are assigned duties that they can physically complete while they recover. The most successful return to work programs incorporate speedy, quality medical care and assistance to reduce emotional stress after an accident.

There are other actions that your organization can take to reduce workers' compensation costs, and we have the tools to show you how. Contact Colburn Group today to learn more.

This Coverage Insights is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice.

Photography © Outdoor Office V154 Getty Images, Inc. All rights reserved. Content © 2009 Zywave, Inc.

Colburn Group 3001 West Big Beaver Road, Suite 302 Troy, MI 48084
Tel: 248-643-4800 ♦ <http://www.colburngroup.com>