

6 Ways to Significantly Reduce Worker's Compensation Costs

1. Be involved in your yearly workers' compensation audit

This is the time each year when your insurance carrier will verify payrolls and risk classifications. You must verify all figures to ensure proper payrolls within each risk classification within the period in question and to challenge any risk classifications that you think are wrong.

Mistakes are very common in both these areas. Just because they say so does not make it so. There are hundreds of classifications they can assign. You can, and should, challenge any questionable classifications. You must educate yourself as to what the classification options are and which ones are being applied to each of your employees.

How else will you be able to determine if the assigned classifications are proper and whether or not you have other options? If in doubt challenge. Many are wrong and errors will almost always be in the favor of the insurance company.

Errors that you pay for in the form of higher rates.

I did this with one company and saved thousands of dollars per year in premiums by having a group of workers reclassified (correctly) into a risk of under \$.40 per hundred dollars earned versus the previous classification of \$5.90 per hundred dollars of payroll. An incorrect classification, I must add, that had existed for over 20 years. Think of how much this cost the company in incorrectly charged premiums for 20 years.

Rates per employee can vary tremendously. Improper rate classifications can very easily cost you hundreds, thousands, or even tens of thousands of dollars or more per year depending on your size, payroll, and industry. If there is any doubt as to the proper rate classification you can safely bet the insurance company will classify your employee at the highest rate classification they can. Higher risk classifications will result in higher premiums.

Their goal is the exact opposite of yours. Never assume otherwise!

2. If appropriate, request split rate classification

In today's employment world many employees perform multiple jobs. This can result in a number of possible rate classifications. You want the lowest rate classification possible. Your insurance company will try to assign the highest possible rate classification.

But what if your employee spends 40% of his time in a higher rate classification function and 60% of his time in a lower risk rate classification? Why should you be paying based on 100% of his time in the costlier rate function? In this case, one rate might be \$3.59 per \$100 of earnings while the other possible rate might be \$2.25 per \$100 of earnings. This is a significant difference.

By obtaining a split rate you should be able to reduce the workers' comp costs of any employee who splits jobs by 10% to 50% depending on the rate differential and the ratio of time spent on each job function. If your current carrier will not split rates and your state allows it, look for one who will!

3. Fight bogus workers' compensation claims

Even though it seems that employers have fewer and fewer rights every year you still have some. Fighting a questionable claim is one of them. Get involved. Dispute it if you have any doubt as to the validity of the claim or if you doubt it was work related.

It has been estimated that false claims of injuries on the job or job related represent 20% to 25% of all claims. In the last ten years alone the average workers' compensation rate has increased 150%. This means huge cost increases to you. You must do something about it.

The workers' compensation system was designed to help workers during periods of legitimate injuries, not allow them to take advantage of the system. Every claim will affect your rates. Your rates can triple with just one claim. Fake claims happen every day. Let me just give you one example I know of:

A fellow was playing softball on Sunday. He slid into home plate and tore his knee up. He was a quick thinker. He did not go to the hospital. Instead, he suffered through the night and went to work at his job in the warehouse before everyone else the next morning. When the other employees arrived they found him lying next to a pallet holding his knee in pain. What do you know, the poor fellow had "fallen off the pallet" and wrenched his knee. He was out of work for over 2 years.

4. Request certificates of insurance

Make sure all outside contractors or workers of any kind that are not on your payroll, but are doing work for you or on your premises, have certificates of insurance. If an injury occurs under these conditions and they do not carry their own insurance, they may be able to file against yours. Don't just take their word for it that they have coverage. Demand that a copy of their current insurance certificate be given to you for your files. No certificate, no job. Very simple.

5. Facilitate clarity

Make sure that both your insurance company and the physician involved in the case are aware of the employee's job duties. You do not want a determination of whether or not an employee can return to work to be based solely on the employee's version of what his or her job entails. I have seen this happen on more than one occasion. In one case in particular, the employee had indicated that the bulk of his job was heavy lifting when in fact the heaviest thing he lifted on the job was his paycheck. Had a return to work determination been based on this employee's description of the job this employee might never have returned to work. You don't suppose that was his objective, do you?

6. Written statements are key

Time has a way of distorting what happened as does a few phone calls from the injured employee. As soon as any accident happens, make sure that you get written statements from all witnesses while the incident is still fresh in their mind. You must have this information if you have any chance of fighting a bogus or questionable claim.

On more than one occasion this has enabled us to stop a fraudulent claim right up front. Don't wait for your insurance company to investigate. This could take weeks or months and may never be done properly. A key witness might forget, quit, have been fired, or have a changed view of what happened.

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