

THE SMALL BUSINESS GUIDE  
**WORKERS' COMP  
INSURANCE**

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THE SMALL BUSINESS GUIDE TO WORKERS' COMPENSATION INSURANCE

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## WORKERS' COMP INSURANCE

# A Brief History

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In the early 1800s, the development of steam-powered machinery launched the growth of factory-based mass production, as well as new thinking about science, agriculture and transportation networks. Manufacturing more goods at lower costs meant an increase in sales. And as demand increased, so did the need for labor.

Driven by the economic rewards, the Industrial Revolution filled factories with workers, along with the pressure to produce at new speeds. As a result, workplace accidents, and even deaths, were a common occurrence and ultimately, the cost of doing business.

In 1970, new legislation changed that. The Occupational Safety and Health Act (OSHA) provided workers with the right to a safe workplace and included provisions for Workers' Compensation, also known as Workers' Comp.

Since then, OSHA and participating state partners, along with employers and safety professionals, have all had a dramatic impact on workplace safety.

Here's how it works.



## WORKERS' COMP INSURANCE

# How it Works

Workers' Compensation Insurance is designed to protect your business and help your employees recover in the event of a workplace accident or illness.

**Is Workers' Comp required?** Workers' Comp Insurance is regulated at the state level. While benefits, terms and qualifications vary by state, generally, if you have two or more employees, including part-time workers and family members, your business is required to carry Workers' Comp Insurance.

**Exceptions vary.** Depending on the state in which you conduct business, some companies may be exempt from carrying Workers' Comp Insurance, including but not limited to: Businesses where only the owner(s) perform work, family businesses and businesses that hire independent contractors. The definition of an independent contractor may also vary by state.

**Why it's a good idea.** Even if your state does not require you to carry Workers' Comp Insurance, without protection, you are putting your business at financial risk. A lawsuit or claim could bankrupt your small business and the state can seize your assets to cover the costs of a claim.



WORKPLACE INJURIES AND ILLNESSES HAVE A MAJOR IMPACT ON AN EMPLOYER'S BOTTOM LINE. EMPLOYERS PAY AN ESTIMATED **\$1 BILLION PER WEEK** FOR DIRECT WORKERS' COMPENSATION COSTS.

Source: [www.osha.gov/dcsp/products/topics/businesscase/costs](https://www.osha.gov/dcsp/products/topics/businesscase/costs)



## WORKERS' COMP INSURANCE

# What it Covers

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There are usually two parts to Workers' Compensation Insurance plans.

### **Part One. Employee Protection.**

Under Workers' Compensation laws, the insurer agrees to pay all benefits required as the result of a workplace injury or illness. This includes medical expenses, a portion of lost wages, and the support required to recover and return to work. Additional provisions for death benefits are also included.

### **Part Two. Employer Liability Insurance.**

This plan protects the employer from financial loss and can be purchased as part of a Workers' Compensation Insurance policy. It covers the employer in situations where an employee feels that the employer's Workers' Comp Insurance benefits were not enough to cover work-related medical costs or lost wages.



**Workers' Comp Insurance premiums are based on your company's business and industry, the type of work performed by each employee, history of claims and your company payroll.**

#### **THE FORMULA**

Employee Classification Rate  
X Employer Payroll (Per \$100)  
X Experience Modifier  
= **Your Workers' Comp Premium**

#### HOW IT WORKS


# How Premiums are Calculated

**Employee Classification.** First, a rate is assigned to your employee class code, the specific type of work performed by each of your employees. The system helps to identify the risk associated with different types of work.

In most states, the National Council on Compensation Insurance (NCCI) determines the employee classification rate, although some states have their own system.

**Employer Payroll.** The premium is tied directly to your company payroll. For each employee class code, the employer pays on every \$100 of payroll.

**Experience Modifier.** Also factored into your premium is your experience modifier (Mod), a number based on how your business compares to other businesses in your industry with similar employee classifications. An average Mod is set at 1.0. Employers recording fewer and less severe accidents than the industry average are assigned a Mod of less than 1.0. And employers recording higher and more severe accidents than the industry average are assigned a Mod higher than 1.0.

A woman with long brown hair, wearing a grey t-shirt and a dark green apron, is standing in a grocery store aisle. She is reaching up to a high red metal shelf to pick up a small yellow and white can. The shelves are filled with various food items, including large white bags of flour or rice and smaller packages. The scene is brightly lit, and the red shelves create a strong visual structure.

**Overexertion, assembling, and moving accounted for one-third of all non-fatal workplace injuries in 2014. In 2017, the direct cost for overexertion injuries was \$13.8 billion. In 2007, it was \$1.5 billion.**



## WORKERS' COMP INSURANCE

# How Our Plan is Better

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**Lower Costs and Better Benefits.** As a Certified Professional Employer Organization (CPEO), Propel HR represents a number of small businesses. We are able to lower costs by pooling all employees of our payroll clients together into one large group as a way to negotiate better plans with more competitive rates. In addition, companies that partner with a PEO are also eligible for Workers' Comp Insurance discounts.

**Work with National A-rated Carriers.** We only work with A-rated, financially sound insurance carriers to provide comprehensive plans that are flexible and tailored to meet the unique needs of your business.

**Maintain Compliance.** We take care of filing the required annual forms, such as Certificates of Insurance, so you can keep working and get paid. We also help prevent costly mistakes such as misclassifying employees, not providing employees with required information, and failing to file claims correctly and on time.

**Superior Customer Service and Claims Support.** We take care of your claims, so you can take care of your business. In the event an employee is injured, our experienced customer support team will handle the claims process from beginning to end.

A high-angle photograph of a construction worker wearing a yellow hard hat, a bright yellow high-visibility safety vest over a dark shirt, and blue jeans. The worker is using a high-pressure water spray gun to clean a concrete surface. A blue hose is connected to the spray gun. The worker's shadow is cast on the ground to the right. The background is a dark grey vertical bar containing text.

WORKERS' COMP INSURANCE

# Better Rates More Control

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**No money down.** With most traditional Workers' Comp Insurance plans, you have to pay as much as 15 to 25% down on a premium. With our plan, an upfront payment is not necessary. Instead, you are invoiced based on your payroll frequency.

**No Annual Audits.** We take care of audits and required paperwork for you.

**More Accurate Pay-As-You-Go Premiums.** Because our plan is tied to your payroll, you can spread the premium over the year. An accurate premium allows the flexibility to manage your company's cash flow more effectively and the confidence to control your budget.

**Safety and Risk Management.** Do you know the risks that are likely to impact your business? Our certified Safety Risk Managers will help you identify the potential hazards and address the liabilities that may put your business at risk.



# Workers' Comp Insurance that Works for *YOUR* Small Business

Every job and every business is unique. There's no one-size-fits-all way to run a small business, so why should you settle for one-size-fits-all solutions?

We can help you cut and control costs, reduce liability and protect your employees and your business with comprehensive Workers' Comp Insurance coverage that's tailored to the needs of your small business.

To find out how to save on Workers' Comp Insurance, contact us at:

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