



The 5 Secrets Business Owners Wish They Knew About Workers' Compensation Before They Lost So Much Money

Turning Workers' Comp Into a "Profit Center"

There are five basic secrets to becoming more competitive in your market niche and dominate your competition by taking control of Workers' Comp costs and turning it into a profit center!

Too many companies look for the cheapest price for a policy and neglect the important elements that define the cost of providing workers' compensation coverage to their employees and needlessly waste thousands of dollars a year.

The true cost of workers' compensation includes a lot of hidden costs; the actual cost is much higher than the insurance price most look at with premiums or benefits paid.

Your Bottom Line Is About To Get Better!



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Secret # 1

Insurance companies don't pay for employee injuries – they just finance them for you at an extraordinary cost!

FACT: You pay \$2 to \$3 to the insurance company for every dollar it pays out for employee injuries.

Each claim results in the most expensive financing contract you have in your business. That's where we can help!



“The hidden costs of a workers’ comp claim are not covered by the workers’ compensation insurance, but are absorbed by you, the employer.

Each workers’ comp accident results in the reduction of profits due to the various hidden costs paid by the employer. “

How Claims Effect Your Workers’ Comp Costs

Your Modification Factor Increases and Makes Premiums More Expensive

Time lost and the productivity lost by accident response and providing immediate aid, by both the employee’s supervisor and co-workers.

Loss of production from the injured employee.

Cost of hiring and training a temporary or a permanent employee to replace the injured employee.

Legal Expenses

Poor claims management comes out of your pocket!



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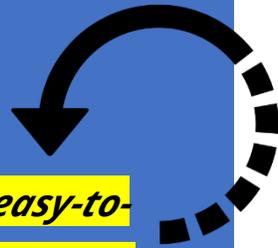
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Secret # 2

You must have a plan to be pro-active and hands-on with Claims Management.

Now that you know you are paying for your employees' injuries, you must pursue exceptional claims management.

We can provide you with an easy-to-follow a proven process to minimize the cost of the injury and expedite your injured employee's return to work.



"Every effective workers' compensation program rides in tandem with a fully functional safety program.

Additionally, it has been proven that employees who return to work for modified duty have faster recovery rates and are less likely to pursue attorney representation."

How To Effectively Manage Workers' Comp Claims

Medical networks – Your company operations manual should have a section on where to send the injured employee if injured or seriously injured.

Injury Reporting Process- Employers should have an injury reporting plan in place. An injury reporting plan would be noted in the employee rules of conduct and provide a step-by-step plan for employees to follow in the event of an injury.

Injured Employees- A plan should be established to provide prompt medical attention to any injured employee..

Claim Reporting- Claims should be reported to the carrier the same day as the occurrence. Prompt reporting of claims to the carrier has been proven to lower the overall cost of the claim.

Communication- Employee communication in the event of a workers' comp claim is essential to ensure the employee receives proper care and that they understand the process. **In many cases, employees retain attorney representation due to their lack of understanding of how the claims process works.**

Early Return to Work- Also referred to as "modified duty", this program has many benefits that can minimize the cost of the claim. Early return to work can eliminate tempo

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Secret # 3

You are penalized and charged the maximum rate when the Auditors make a mistake on your workers' comp audit!

Because standard workers' comp programs determine your cost after your policy expires, it's essential the audit is correct.

Our Pay-As-You-Go Workers' Comp Program calculates your premium in real-time after each payroll so you eliminate end-of-year lump sum payments and audit penalty costs!



Misclassifications are common and the system is designed for you to pay for all mistakes.

A workers' comp audit could actually cost you more money than an IRS audit.

A Workers' Comp audit is every year. You may go years without an IRS audit.

The Possible Bad Outcome of a Workers' Comp Audit

Your entire payroll can put into the highest classification and your premiums get re-billed for the maximum amount

Our Pay-As-You-Go Workers' Comp Program Eliminates End-of-Year Audit Worries!



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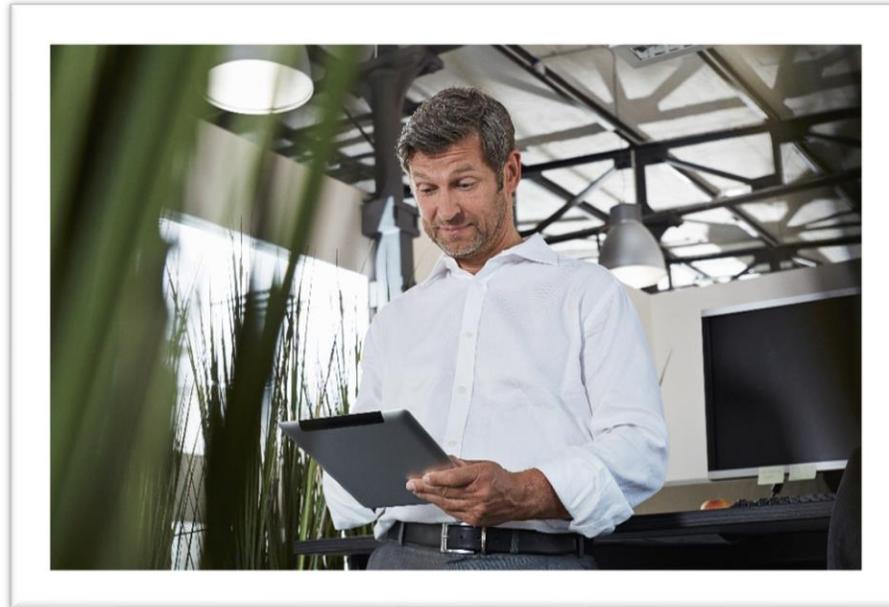
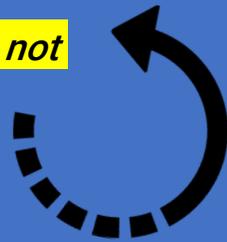
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Secret # 4

Experience modification factors are often wrong or mismanaged.

Your E-Mod determines the percentage of the premium you will pay. If it is .90, you pay 90% and if it 1.5, you pay 150%!

We have behind-the-scenes access to monitor and correct the data that is being used to calculate your ex-mod and can make adjustments immediately if something is not correct!



“Most business owners assume their Experience Modification factor is correct.

This is a dangerous assumption because it’s quite possibly wrong!”

The Four Keys To Experience Modification Factor Calculation



1. Total of Incurred Losses
2. Claim Frequency
3. Classification Codes
4. Payroll Volume in Each Classification Code

The payrolls per classification code are the basis for what is referred to as “Expected Losses”.

Why was the Total Incurred from the last post so important? The Expected Losses are divided by the “Actual Losses” to calculate your E-Mod. Actual Losses are derived from the claims’ total incurred. The lower the total incurred is, the lower your actual losses. The lower your actual losses, the lower the E-Mod.

An E-mod is calculated on the total incurred SIX months after the close of the policy period. If you have a January 1st renewal date, the State Rating Bureau or the NCCI will calculate your E-mod on 7/1.



Secret # 4 Continued

The E-Mod has many acronyms such as:

- ✓ Ex-Mod (California)
- ✓ X-Mod (California)
- ✓ Mod (National)
- ✓ E-Mod (National)
- ✓ EMR
- ✓ ExMod, XMod, and EMod.

The Definition of an E-Mod Is:

A multiplier applied to the premium of a qualifying policy and provides an incentive for loss prevention. The mod represents either a **credit or debit** that is applied to the premium before discounts. If your company's loss experience is more costly on average than other companies' loss experiences in your industry, the result is a debit mod, or surcharge, on premiums.

If your company's experience is less costly than the industry average, you will receive a credit mod, or discount, on your premium.

There are three types of E-Mods:

- Debit** – More Than 1.0
- Credit**– Less Than 1.0
- Neutral** – Equal to 1.0



Behind-The-Scene Modification Factor Secrets

We often hear "We only have small claims." but the harsh reality is that there is no such thing as a small claim when it comes to your Ex-Mod calculation.

Your Company's Experience Mod Can Penalize You and Cost You Enormous Amounts of Unnecessary Costs!

Your company's E-Mod can experience a very sharp increase without proper monitoring and maintenance. (We Provide This Free-of-Charge!)

- ❖ **Having numerous claims** – nothing wrecks your E-Mod like having a large number of claims. The E-Mod systems have built in reductions if your company experiences one large claim. If your company experiences many **claims**, your E-Mod is usually going to skyrocket. This comes about due to the Primary Losses (up to \$5,000 each) are not reduced whatsoever when calculating your E-Mod.
- ❖ **Not monitoring your claims loss runs** – Your loss runs have so much info on them that can be useful in keeping your E-Mod in check. As I have posted often, having online claims access is golden for monitoring your loss runs as you can check on your claim reserves every day if you wish.

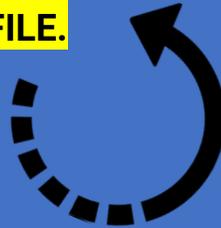
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Secret # 5

Your premiums are calculated from a formula that has no less than 34 steps to it!

The reserves, better known as total incurred on your file, is the catalyst of the whole process.

WHAT YOU PAY IN PREMIUMS HAS NOTHING TO DO WITH WHAT IS PAID OUT ON THE WORKERS COMPENSATION CLAIMS FILE.



“The true cost of workers’ compensation (WC) includes a lot of hidden cost; the actual cost is much higher than the insurance premiums or benefits paid.

The hidden cost of a workers’ comp claim are not covered by the workers’ compensation insurance, but are absorbed by the employer.”

With Our Program, You Can Have Transparent Access To Your Reserves Cost



The reserves are what the adjuster thinks you will pay out on the file for the life of a claim.

As you read this, do you know what the total incurred is for each of your Workers Compensation files? Don’t worry, most business don’t know the answer. We’re going to show you how to access this data and what to quickly look for.

The Total Incurred figure usually appears as a Indemnity Total Incurred, Medical Total Incurred, and Expense (ALAE) total incurred.



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Secret # 5 Continued

How They Calculate Workers' Compensation Premiums

Insurance companies use several factors to calculate your workers' compensation insurance premiums. Some factors that can affect your workers' compensation insurance cost include your:

- ❖ **State requirements**
- ❖ **Number of employees**
- ❖ **Type of work**
- ❖ **Payroll**
- ❖ **Risk exposure**
- ❖ **Industry**

Your classification code rate is determined by the National Council on Compensation Insurance (NCCI) or your state's rating bureau and is based on the type of work your employees do. The NCCI also calculates your experience modification number based on your claim history compared to similar businesses.



Pay-As-You-Go Workers' Comp

Pay-as-you-go workers' compensation is a convenient way to make your premium payments. Pay-As-You-Go Workers' Comp means you pay your premium in smaller amounts that are spread over the course of the year.

With pay-as-you-go workers' comp, your employees still get benefits if they get hurt or sick from their job. And, **instead of paying for your workers' comp cost in one large payment, you'll make a smaller payment during each pay period.** This means if you hire or lose employees, your workers' comp cost may change as your payroll changes.

Common Workers' Comp Errors

- ❖ **Over-Reserving or not closing files timely and dragging them into the future.**
- ❖ Employees misclassified into the wrong classification code
- ❖ Governing classification code wrong – very expensive
- ❖ Subcontractors classified as employees
- ❖ Wrong payroll items counted as Workers Comp remuneration
- ❖ Two or more distinct businesses classified as one business

There are as many as 130 variables that go into a claim, and there are 34 steps to taking the Total Incurred and converting them into your E-Mod or X-Mod.

Your premium calculations must go through 10 additional steps once you have your Experience Mod to calculate your premium. As each of the variables feed into each other, you can multiply them to see what a chance of error would be for a given Work Comp policy.

REMEMBER: WHAT YOU PAY IN PREMIUMS HAS NOTHING TO DO WITH WHAT IS PAID OUT ON THE WORKERS COMPENSATION CLAIMS FILE!

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