



FARMER BROWN

MITIGATING WORKERS

COMPENSATION RISKS

Mitigating Workers' Compensation Risks: Table of Contents

Page 1Understanding Your Business Risks

Page 2 Navigating Workers' Compensation

Page 4 Practicing Good Risk Management in Construction and Contracting Jobs

Page 6 Calculating Workers' Compensation Costs & Getting the Most for Your Insurance Money

Understanding Business Risks

Regardless of the business type, all companies will encounter business risks that pose threats to the longevity of their businesses. This is especially relevant to construction businesses and general contractors, who face advertising and personal injury threats as well as physical threats that are inherent with their industry. There are consistent ways to mitigate some of the risks that come with your business, although all risk cannot be avoided.

Perhaps the better question in this instance is *why would it be beneficial to avoid risks?* Some industry standards for risk management include consistent tool maintenance, yearly or bi-yearly training, attendance of seminars and conventions. While these provide fresh information about the changes in industries in the instance of learning opportunities as well as manageable and safe tools in the instance of maintenance, these actions often cost companies thousands of dollars yearly. This is something which many small businesses cannot afford.

To top it off, insuring business risks can also create an unnecessary financial burden. Insurance companies factor the type of work you do, the age and number of employees on your staff, your accident record, and more into your general liability cost. Since many of these factors cannot be avoided, this can cause sky-high premium insurances. However, most businesses realize that accidents happen frequently in their industry, and when accidents do happen paying for their consequences usually costs more than just paying an insurance premium in the first place.

If this is a conversation that sounds familiar as a small business owner, then congratulations. You've identified one of the biggest business risks that faces your company: covering your company against unavoidable accidents. Your insurance company can't make your coverage decisions for you, but what insurance companies can assure you is that without proper coverage, your company stands to lose business income and assets when faced with a legal liability. Getting overarching general liability insurance coverage is the first step in mitigating risks to your company, but your clients are the only company assets you must consider.

Your general liability insurance provider may also provide workers' compensation insurance, which is a type of insurance that protects your workers in the event of a workplace-based accident. Workers' compensation insurance is one way to mitigate risks to your company, but the most important part of the workers' compensation composition is your worker. It is important to your business as well as the livelihood of your employees that your company practices reflect their safety and best interests.

As well as providing for them in the event of an injury on the job, there are steps you can take to identify and prevent industry risks to your employees. Not only will this save you from paying more medical bills than is necessary for your company, but it may save you money on your monthly workers' compensation insurance premiums. Understanding your business risks is an essential part of organizing and running a modern construction or general contracting business, but it isn't something you should have to do on your own.

To consider the protection of your employees and company assets, Farmer Brown Insurance has put together this eBook to help your company best understand what it needs to mitigate workers' compensation claims in the future. With your industry knowledge and our understanding of insurance claims, we believe it is possible to create a safer and more profitable workplace.

Navigating Workers' Compensation

Most people understand workers' compensation insurance, but because it is not legally mandated in every state, it's important to cover its full scope. Workers' compensation insurance covers workplace injuries sustained by those who are employed by your company. This includes business owners as well as employees and covers a variety of medical-based issues caused by your company. Each state has its own variants on the law, but many common workers' compensation requirements include workplace injury and subsequent medical payments, lost wages during a period of unemployment due to a workplace injury, disability pay, and post-treatment rehabilitation expenses.¹

How Does Workers' Compensation Work?

Workers' compensation functions in the same way that most insurance programs function. Your insurance agent goes over company statistics, facts, and insurance records with you and determines your scope of coverage. Then, your company makes premium payments toward the protection of your workers. Workers' compensation functions a lot like general liability insurance for customers and third parties. However, in this case the company is taking responsibility for the inherent risks to body and mind while working in a strenuous industry like construction or general contracting.

If an employee ends up becoming disabled because of a workplace situation, injured by a workplace tool or situation, or sustains bodily injury in direct relation to something related to the job, even the most dedicated employee will turn to their employer for medical help. When that time comes, your previous payments into your workers' compensation package covers the monetary and legal issues that arise from these situations.

Even in states with more relaxed workers' compensation laws, there usually are legal requirements for covering employees.² Websites and legal help do exist outside of insurance agencies, but the best and most accurate information about state and local workers' compensation regulations comes from insurance agencies themselves. Therefore, even if you don't believe your state requires you to cover a certain workers' comp-related claim, it is still worth your time and money to discuss employee rights and this type of insurance with your insurance agency.

Some of the things an agent will go over with you include:

- How many employees your company has
- The ages of your employees
- Your insurance background and accident history
- What type of industry your business is involved in
- The age of your company

What is the Claims Process Like?

Of course, like any insurance package the claims process is not overnight. Both employer and employee must follow specific instructions in order to benefit from the insurance policy. During this claims process is when many employers find out that their insurance policy does not benefit their workers, and this is

¹ <https://www.hg.org/workers-compensation-law.html>

² <https://www.hg.org/legal-articles/how-does-workers-compensation-work-35401>

where lawsuits often arise. For those with proper coverage, employees report their injury to their employer. This can often be an issue for employees who are embarrassed of their injuries, so it is necessary for employers to not only kindly handle claims, but also to emphasize during training and beyond that openness in the workplace is encouraged. Additionally, failure to report injuries before a certain amount of time can result in loss of benefits for the injured.

No employer wants to deal with the loss of an employee because of injuries sustained but not reported. Following a quick reporting schedule, filing a claim with your insurance company, and keeping in contact with the injured is in the best interests of both employers and employees.

Workers' compensation is a necessary and beneficial program, but it is still worth it to discuss and prepare against risks in the workplace even after working with an agency regarding your workers' compensation insurance. Instances of prevention are easily identified by your providers and can save a lot of trouble. While risk management through insurance is preferable, so too is adopting business practices that prevent needless accidents.

Practicing Good Risk Management in Construction and Contracting Jobs

Best practices are in place in almost every modern industry and are especially important for jobs that contain high-risk situations. Most construction sites have typical requirements – like wearing hard hats and harnesses for jobs that involve climbing or heights – but these only cover the bare minimum of safety requirements and overlook some of the underlying situations that cause accidents. Essentially, prevention starts with identifying the problem and preventing it rather than protecting against its effects (such is the case of hard hats). In our line of work, Farmer Brown has seen innumerable events of damage that could have ultimately been prevented. Working together with our clients, we’ve put together some of the best risk management actions you can take in a construction or contracting industry.

Train Your Employees

Many construction companies get stuck on the idea that their employees are specialists and therefore are aware of the hazards of the job. The truth is, employees are as human as you are. They forget things, things they learned become obsolete as technology changes, and memory refreshments are often a welcome breakup of the work week. A few times a year, treat your employees to training that allows those who remember how to use a tool or complete a task to shine and allows those who might be a little rusty to brush up on their skills. They will thank you for it down the line when they prevent a disaster with their skills.

Document Accidents and Talk About Them with Employees

No one likes to get hurt, but when it comes down to it ---accidents do happen. When accidents happen, encourage those who witnessed them to document the events. This heightens awareness of dangerous situations and allows you to add to training. Communication after an event does the same. Additionally, documentation of a workplace accident encourages accident reporting, which helps those who need help from a workers’ compensation claim get the help they need.

Maintain Equipment (and Allow Employees to Participate in Maintenance)

Machines and equipment need to be properly maintained to function properly and safely. It might seem like an extra expense at first, but when it comes down to it, it costs less to have a well-functioning machine than it does to pay thousands of dollars in medical bills after an injury is sustained due to that machine. For machines and equipment that can be maintained by staff, rotate maintenance schedules so everyone gets a chance to maintain equipment. By maintaining equipment, staff can see how the equipment functions and adds to their safe environment as well as understanding the risks involved with use. An ounce of knowledge will help prevent future accidents.

Keep Integrating Newer Technology into the Workplace

Many business owners groan when they see the words “technology” and “integration” next to one another, but statistics have made it clear that keeping up with technological innovation has vastly improved workplace safety. AI at large companies, like NVIDIA and Komatsu has greatly reduced the number of workplace injuries that take place at their factories.³ While this does necessitate additional

³ <https://www.nasdaq.com/article/how-advanced-technology-can-make-workplaces-safer-cm983346>

training and often investments into new technology purchase, it can save thousands of dollars in medical payments and workers' compensation bills.

Supervise and Communicate

There are plenty of jokes about those who stand around at construction sites, but it is important to supervise jobs where accidents are more likely to take place. Even the most aware employees can miss a potentially dangerous situation and having an extra set of eyes increases the likelihood that accidents won't happen. However, supervisors should also communicate with those they supervise. This openness encourages a safer environment where everyone at your company has each other's backs.

Practicing good risk management protects your employees from physical harm, but it also does much more. Read on to see how it can reduce your payments and give you the most for your money.

Calculating Workers' Compensation Costs & Getting the Most for Your Insurance Money

Possibly some of the most asked questions that insurance companies get regarding their insurance policies is how much they cost and what their business can do to reduce the costs. Some of the things insurance companies consider when calculating policy rates are:

- *How old your company is.* Although insurance companies value all their customers, those with established businesses that have withstood the years have done so for a reason. They've put their customers first, they've mitigated their risks, and they've produced quality products with quality employees. All these things indicate their risk of workplace accidents might be lower than newer companies. This, of course, is something your company can change as it ages.
- *How many employees your company has.* This factor is simple – the more employees your company has, the more likely it is to have an employee-related accident. Rates might reduce in the future based on your workers' compensation claim statistics.
- *Your company's claim record.* If your company has had many workplace injury claims, it might make your insurance rates slightly higher than average.
- *The type of work you do.* For construction companies, chances are likely that your employees will experience accidents regularly. This has nothing to do with competence or anything any of your employees might do, but it does have to do with the nature of the work.

How Can I Protect My Employees and Get the Most for My Premium?

The good news is that premium amounts change over time. Due to state laws, your company will most likely need a workers' compensation plan. Regardless of legality, an insurance plan is the best way to protect your employees in a high-risk industry. However, mitigating accidents through company best practices is one of the best ways to quickly lower your premium while also preventing workplace injury. Set up training standards, work toward technology innovations in your business, and create a non-toxic and openly communicative workplace to stop workplace injury before it happens. Your business and your employees will reap the benefits in the long run.