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WORKERS' COMP

Why You Lost Your X-Mod and Your Rates Climbed

THE THRESHOLD for businesses to qualify for receiving an X-Mod in California has jumped nearly 100% in the last four years, meaning more employers that may have had one once, don't qualify any longer.

Also, many employers since the recession have been reducing their payroll, which trims the premium to below the X-Mod threshold.

These two trends have resulted in many firms that once had low X-Mods (below 100) having seen their rates go up. If you have been affected, we want to explain what's going on.

How an X-Mod works

An X-Mod is measures your claims costs up against others in your industry and the premium you pay. An X-Mod of 100 is the average, meaning that your claims come out to be average for your class code.

If you have a better safety record than your peers and your claims costs are lower than average, you would likely have an X-Mod below 100. And if your claims are more costly, then your X-Mod will be more than 100.

X-Mod threshold

The new annual premium threshold for being eligible for experience rating was raised at the start of this year to $33,100, up 98% from the $16,700 threshold that was set in 2011.

Once an employer no longer qualifies for an X-Mod, it's akin to their X-Mod being reset to 100, regardless of their claims history.

The insurer will still look at the overall cost of your claims, but your X-Mod no longer matters at that point.

Also, scheduled credits and debits will still apply, depending on your claims experience.

For non-X-Mod firms, all companies are grouped according to their classification code.

The estimated losses of the group are tallied and an average cost is obtained, which is then applied to the entire class.

The rates are averages reflecting the normal conditions found in each classification. An employer is assigned to a classification to ensure that the rates reflect the costs of all employers with similar characteristics.

So if you had an X-Mod higher than 100, you may see a slight downtick in the amount of workers' comp premium you pay, but for those employers whose last X-Mod was below 100, the opposite could happen. ❖

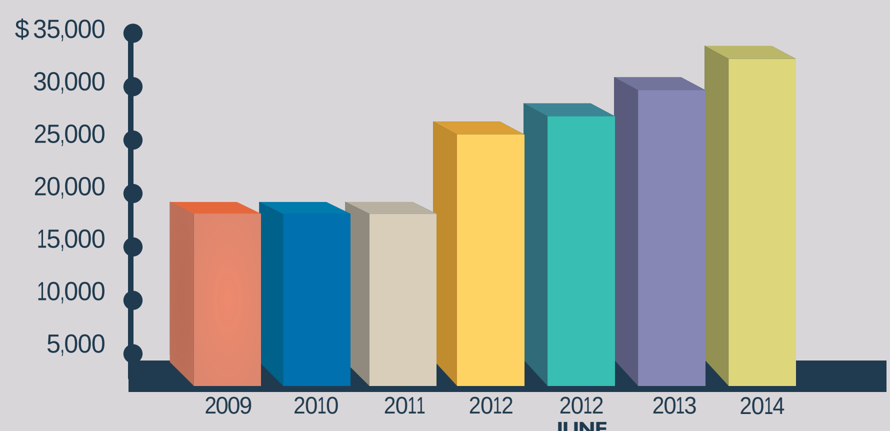
WHAT TO DO

The best course of action if you no longer qualify for an X-Mod is to continue focusing on workplace safety and reducing the risk of injuries.

And if you do have claims, you should work with us and the insurance company to manage those claims so that you can get the worker back on the job as soon as is feasible and safe for them.

If you are still confused about your experience rating, please call us and we'll walk you through it and how your premium may be affected.

X-MOD THRESHOLD DOUBLES IN FOUR YEARS



Source: Workers' Compensation Insurance Rating Bureau

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WORKERS' COMPENSATION

Reporting Claims Later Can Push up Costs 50%

A NEW REPORT has found that when businesses are late in reporting workers' comp claims to their insurers, the cost of the claim often jumps by 50%.

The report by the National Council on Compensation Insurance found that claims for workplace injuries that were reported four weeks after the incident, ended up costing $19,936 on average, compared to $13,210 for claims reported one to two weeks after the injury. That's a jump of 51%.

Interestingly, claims that were reported between one day and a week after the injury cost $13,844 on average. Claims filed three to four weeks after an injury cost $17,785.

The NCCI, which helps set rates in more than 30 states, found that claims that were reported more than two weeks after an incident were characterized by:

- A lower medical share of total claims costs.
- More attorney involvement.
- More use of lump-sum settlement payments.
- Claims that stay open longer, and that have a lower closure rate at 18 months after injury.

"These characteristics suggest that claims with a delay of more than two weeks are more complex to settle, take longer to close, and involve a longer period before the injured worker can return to work," the NCCI wrote in its report.

Claims in which a worker's injury was reported on the day of the accident had an average cost of $17,298 per claim, according to the NCCI.

The study said immediate reporting likely reflected higher costs because such claims tended to have "very severe injuries that require immediate medical attention," as well as require extensive medical care and extended recovery times.

Involvement of attorneys becomes more common as the reporting lag increases. Claims reported immediately involve an attorney 13% of the time. This increases to 32% for claims reported after week four.

Claims that were delayed by more than four weeks had an average cost of $19,251, the NCCI said. ❖

THE TAKEAWAY

Delays in reporting claims will increase your costs and the potential for litigation.

Prompt reporting ensures your employee gets the proper medical care in a timely manner and can return to work more quickly, improves morale, and is effective cost management.

When you become aware of a workplace injury, you should start the claims reporting process as soon as possible. The longer you wait, the costlier the claim will be and the more chance your injured worker will enlist an attorney. Once that happens, the claim is likely to drag on for longer than usual and, as it stays open longer, the costlier it will become.

Establish a reporting protocol so all employees understand what their responsibility is when there is a workplace injury. Every employee should know to immediately report any work-related injury, no matter how small and regardless of whether they think they need medical treatment.

Every employee should know to whom they should report their injury, and there needs to be a system in place to ensure that report gets to the proper person so the next step can be determined.

If all employees are responsible for reporting injuries to their supervisor, every supervisor needs to know what their own responsibilities are.

RISK MANAGEMENT

Employee Theft Hits Small Firms Hardest: Study

THE MAJORITY of employee thefts are occurring in organizations with 500 employees or less and the median loss is $280,000, according to a new report.

The main types of theft are outright theft of cash and check fraud, with rogue employees writing checks to acquaintances and trying to cover their tracks in the firm's accounting system, according to the "2015 Hiscox Embezzlement Watchlist" by the specialty insurer Hiscox.

Half of employee thefts were perpetrated by individuals in senior posts, and the median age of perpetrators was 50, the report states.

Hiscox based the findings of its report on employee theft cases active in U.S. federal courts in 2014. Among its findings in the latest report:

- More than 60% of employee theft involved women.
- The median age of employees who committed theft was 50.
- Employees not in the finance or accounting sections of the company committed over half of the tallied thefts.
- Retail and health care companies sustained the largest average losses – at $606,012 and $446,000, respectively.
- 21% of employee theft in companies with fewer than 500 employees took place in the financial services industry – banks, credit unions and insurance companies. Financial services organizations dealt with average employee theft losses of $271,000.
- Non-profits dealt with average employee theft losses of $202,775.
- Nearly 75% of total losses included direct theft of cash or misuse of bank deposits or transfers.

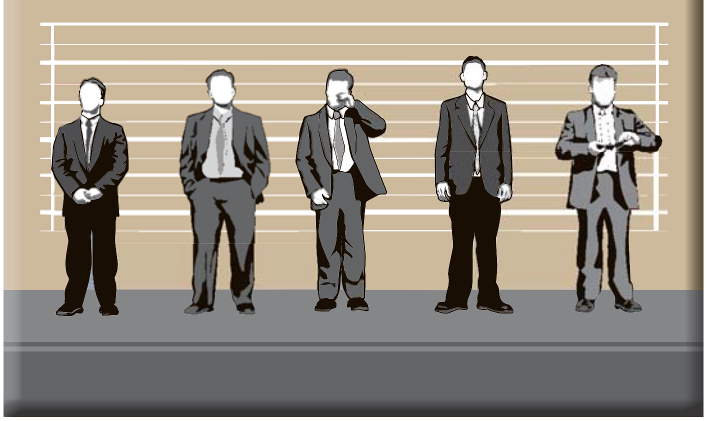
CRIME SNAPSHOT

The Rotten Gatekeeper

IN SOME cases, the fraud starts where the buck stops: the CFO.

In one such action in New Jersey, the accused CFO was suspected of siphoning off more than $6 million from his employer to pay for a variety of personal expenses, running the gamut from real estate taxes and motor vehicle costs to credit card bills.

For a full seven years, the CFO designated his own business as a company vendor, cutting checks for services that were never performed, which he deposited into his personal bank accounts. He was asked for copies of the invoices, prosecutors said, but he informed colleagues he kept the invoices in his office.

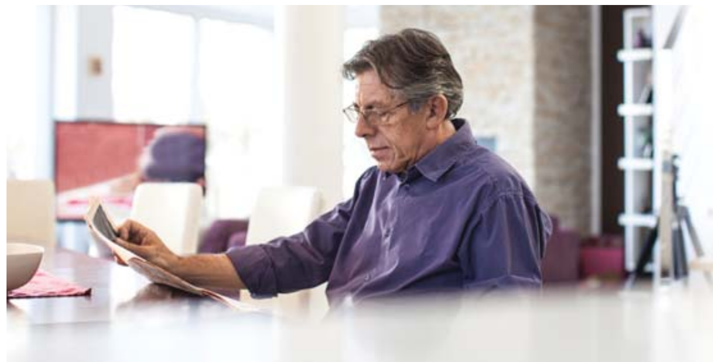


What you can do

You have to be proactive in your fraud detection efforts, Doug Karpp, national underwriting leader for Crime & Fidelity at Hiscox, says.

For small business owners, Hiscox recommends:

- Sending bank statements directly to your home for a review to ensure they can't be falsified prior to reconciling accounts;
- Periodically reviewing payroll reports to look for anomalies; and
- Signing all of the checks yourself, or keeping the signature stamp under lock and key.



KNOW YOUR BOOKS: *If you own a small business, have bank statements sent directly to your home for inspection.*

For all organizations, Hiscox recommends:

- Establishing best accounting practices. You should require dual signatures or dual review on disbursements (checks and wires). It is also important to create separation in key business processes.

For instance, separate the money from record-keeping so that no single employee can control a process from beginning to end, and don't let the accounts payable person reconcile bank accounts.

- In staff training sessions, illustrate the damaging effects of fraud can have on your firm, and provide advice on how to spot fraud.
- Setting the "tone at the top." Have everyone from management, auditors and the leadership team talk about fraud prevention. Be sure employees are aware of internal controls and ask them if they know of any weaknesses in the controls and how to improve them.

Create a hotline for reporting misconduct. More than 40% of all cases were detected by a tip, nearly half of which came from employees, according to the Association of Certified Fraud Examiners, .

- Conducting comprehensive audits designed to identify fraud. Surprise audits are particularly effective because fraudsters will not have time to alter, destroy or misplace records and other evidence. ❖

SEASONAL SAFETY

Why Workers' Comp Claims Spike in the Summer

WORKPLACE INJURY rates rise during the summer months. When summer rolls around, companies in many sectors, including agriculture and construction, significantly increase production.

Increased road construction raises risks for workers and drivers. Many of the newly hired workers are young and inexperienced, creating a high potential for workplace injuries.

Toiling in the sun is also a leading cause of weather-related injuries, including heat stroke, heat cramps and heat exhaustion. Heat illnesses occur when the body overheats to the point it cannot cool off, even with profuse sweating.

Young workers

Too often, young workers enter the workforce with little or no on-the-job safety training, heightening safety risks.

Recently, the Washington State Department of Labor & Industries released a report showing that teens are twice as likely to be hurt on the job as adults.

In Washington state, a total of 547 youths aged 17 and under were injured in the workplace in 2014, up nearly 14.7% over the previous year. Of the total, 173 were in the food and hospitality industries.

The next largest total, 80, was reported in both the retail trades and agriculture.

Falls to the floor increased 77%, to 55 cases, as the chief cause of injury.

Young workers, aged 14 to 24, have more accidents because they lack the knowledge, training and experience to prevent them. Some common issues employers encounter with young workers are:

- They do not understand what can go wrong.
- They do not always follow the rules.
- They fail to use personal protective equipment (PPE), or use it incorrectly.
- They horse around on equipment.
- They do not ask questions.
- They think they are infallible.

It's also important for supervisors to recognize the physical, cognitive and emotional developmental differences between young and adult workers.

It takes extra effort to train and supervise seasonal employees on working safely. ❖

NEW WORKER TRAINING IDEAS

- Repeatedly demonstrate the job procedures and safety precautions. Don't overlook the basics, such as starting and stopping equipment.
- The step-by-step instructions must include the hazards and how to avoid them. Take the time to clearly explain the risks of not following the proper steps. Use examples.
- Explain when and how to use PPE, as well as where to get it, how to inspect it, and how to remove and store it properly.
- Train one-to-one with young workers and observe them performing tasks.
- Encourage them to report problems and to ask questions.
- Assign specific clean-up responsibilities and emphasize the importance of a clean, clutter-free worksite.
- Control the hours worked. Many popular summer jobs, such as construction workers, landscapers and jobs in hospitality and food industries, require long hours of work in the heat that can lead to fatigue, inattention and stress, increasing the likelihood of injury.
- Provide a mentor.
- Demonstrate that safety is a priority at your facility. New workers also need to see actions that reinforce the message: clean worksite; properly labeled hazardous substances and readily accessible safety data sheets; workers wearing required PPE and who are concerned about workplace safety and show it.

HEAT ILLNESS DANGERS

While there are many excellent resources on dealing with heat, it's important for employers to recognize that there are individual differences among workers and that those who are struggling may be hesitant to complain.

The American Society of Safety Engineers calls heat the "unseen danger" at construction sites because the symptoms of heat illness can be subtle and misinterpreted as mere annoyances rather than signs of a serious health issue.

Workers new to outdoor jobs are particularly vulnerable.

Implementing an acclimatization program, providing adequate water and frequent breaks are all critical, but the best way for employers to prevent heat illnesses is to consistently interact with workers to gauge how they're feeling and provide current information on weather conditions.

Also, using apps, such as OSHA's Heat Safety Tool, is a good way for workers to monitor their risk levels when they are working in the heat.