

Question of the month

OK, I've read the articles about the Worker's Comp system meltdown, my rates have doubled this year and I have a safety program. What can I do to keep my rates from going up again besides move to Nevada or Belize?

Get control of your Worker's Compensation costs – and soon!

There are a number cost effective (or no cost) measures any business can take to reduce or eliminate WC claims. But rates have increased across the board, even for companies who have not had claims. By all accounts the system itself is broken beyond repair so the answer goes beyond internal controls.

But first a little background

The California Worker's Compensation system, which pays benefits to injured workers, has worked fairly well over the years, relatively speaking. Ten years ago, possibly as a practice exercise for the de-regulation of the power industry, the legislature eliminated the minimum rates carriers could charge for coverage allowing free competition for business. As happens in a free market society rates dropped for a time, which was good for employers and not so good for small carriers. Somewhere along the line workers benefits were increased and so did the claims rate due to the advent of carpal tunnel syndrome, ergonomics, a no-fault legal system allowing more claims litigation and other factors increasing costs. Then comes the Dot Com debacle and the collapse of the stock market. And the last straw, the destruction of the Twin Towers in New York. With little or no competition left and assets and reserves depleted the few carriers left standing raised rates to meet costs – tripling or quadrupling over the past two or three years.

The issue has become highly politicized with over 50 WC related bills currently working their way through the State legislative system with the usual pressure from special interest groups and the politicians. On July 9th the lawmakers took the unusual step of sending the bills to a bi-partisan, two-house committee that has been charged with the task of drafting a unified approach to the problem.

What to do?

Become personally politically active

There will be an overhaul of the system and soon and we will be stuck it for years to come. There probably has not been a better time to personally let the politicians know what problems you have with the WC system and what solutions you would like to see. Work with your trade association to ramp up lobbying efforts. Write and/or call your representatives in Sacramento. The WC Conference Committee is at work in Sacramento now.

Actually implement and use safety programs

The only way to reduce WC claims is to establish a "zero injury" policy and enforce it.

Implement an Early Return to Work Program

Returning an employee to work as soon as possible after an injury, even on light duty, helps reduce overall claims costs.

Implement a Drug Free Workplace Program

Drug and alcohol abusers are many times more likely to have accidents than non-abusers. Pre-hire drug screening greatly reduces the chance adding more abusers to the payroll and puts the rest on notice that drug use will not be tolerated. Post-accident/incident testing will definitely reduce the number of fraudulent WC claims and if a test comes back as positive for drugs or alcohol it may be possible to overturn a subsequent claim altogether.

Consider doing pre-hire “fitness for duty” physical examinations

Screen out those who were injured at their last place of employment or while shooting hoops or those who have physical limitations that might lead to an injury.

Look at joining a self-insurance pool

A sure way to get serious about reducing jobsite accidents is to put your company assets on the line to pay all medical costs for worker injuries. They are essentially on the line anyway.

Use subcontractors for high-risk tasks

Contract for scaffolding, including erectors and dismantlers, replace solvent based coatings with water-based systems if possible, or subcontract the work to reduce risk. In OSHA-speak this means reducing or eliminating hazards using administrative or engineering controls rather than protecting employees against them.

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