

Workers Comp – Double Whammy Alert

June 2009

A broker was telling me last week how he got a big, new account: at renewal, a large contractor 'woke up' to the fact that his loss experience in Workers' Compensation (WC) had jumped up – increasing his 'experience mod' and his premium significantly. He accused his previous broker of not providing adequate service and switched; the new broker was, of course, pleased to have the new business.

What went unsaid in that conversation was 'Can the new broker fix the problem, or is it already too late?' Unfortunately the answer is 'Too late.' The ex-mod was already over 100, the contractor was now eliminated from the best RFPs and jobsites, and it would take at least three years to get this back under control. This was going to cost big bucks in extra premiums and lost revenue.

The sad part in the story is that the contractor had to 'wake up.' RiskSmart clients have learned that they have to be pro-active and on their toes at all times. They win because they know 'X' issue is more important to them than to anyone else.

20-20 Hindsight ~

What could the contractor above have done? Here are a few tips.

- Don't go to sleep! I liken that to *abdicating* your insurance and protection plans to someone else – in this case your broker. You always want to *delegate* those responsibilities – meaning you understand what is being done and you verify regularly. That's not micro-managing but insisting on regular updates.
- Make sure you fully understand what's being done to manage your losses – invest an hour every three or six months to review all your losses in detail with your broker. If they're not talking with adjusters regularly, something's wrong.
- Understand whether you have a frequency or a severity problem – and implement the right measures to address your particular issues.
- Make sure you are using first aid clinics to handle minor injuries, and you are correctly reporting only those incidents that are reportable.
- Find out if there are safety training programs or loss control resources to get heightened awareness and recommendations for improvements on your site.
- Visit your jobs or workplace with the safety people – show up and be visible; ensure your employees know you take their safety very seriously.

With rates in all insurance lines expected to rise soon, now is the time to pay attention. WC rates in CA will go up again on July 1st – probably up to 15% – and that's on top of the 5.6% January increase. If your ex-mod goes up as well, you'll get a huge double whammy. In addition, insurers might reduce your 'good account' or other credits for another nasty hit.

Let me repeat: Pay attention now or your costs will spiral significantly upward.