

An Introduction To North Carolina Workers' Compensation

PRESENTED BY



What Is Workers' Compensation?

- An Accident Insurance Program
- State Mandated
- Compulsory
- Company Funded

What Does Worker's Comp Cover?

- Medical and Rehabilitation Expenses
- Lost Wages
- Death Benefits



Where Can I Get A Policy?

In North Carolina you may secure coverage by several different means

1. Self-insure if you qualify
2. Through the standard market place with the assistance of an insurance agent
3. Through the N.C. Assigned Risk Plan administered by the NC Rate Bureau



PARTS OF THE POLICY

The policy is comprised of three parts:

- Worker's Compensation Insurance
- Employers Liability Insurance
- Other States Insurance

Part One – Workers' Compensation

Applies to the Workers' Compensation of the listed state(s)

- North Carolina – Injury by accident that occurs during the course of employment
 - Who has to have coverage?
 - Businesses with three or more employees
 - Including Corporations, Sole Proprietors, LLC, and partnerships
 - Very few exceptions
 - Ex: Farms with 10 or more employees

Sole proprietors, members of LLCs, and partners are **NOT** counted automatically as employees

Owners and officers may elect or reject to be covered under the policy

- Subject to specific payroll amounts when covered

Corporate officers **ARE** counted when determining whether a business has three or more employees

What about Independent Contractors?

Independent Contractor Or Employee?



- Employee
- Independent Contractor

Independent Contractor Or Employee?

An employer may retain its liability even though they call employees “independent contractors”

This is true even if a 1099 is issued by the employer

Form 1099 and W-2 are relative to tax withholding procedures and not necessarily employee definition

The NC Industrial Commission looks at several factors to decide upon employment status

Part Two – Employers Liability Coverage

What does it cover?

Employers Liability is meant to cover things that are not typically covered by the Workers' Compensation policy.

Has a specific limit of coverage

- NC has a state minimum limit of 100/500/100
 - 100,000 per each accident/500,000 policy limit/100,000 each employee

Employer's Liability Coverage Continued

Employers' liability policy wording specifies four types of claims to which this coverage part responds:

1. Third-party-over actions
2. Care and loss of services (Loss of Consortium)
3. Consequential bodily injury
4. Dual Capacity actions

Common Types Of EL Claims

Third Party Over Action

Ex: An employee is using a piece of heavy machinery and during the course of their duties are pulled into the machine and injured. The employee sues the manufacturer of the machinery and the manufacturer, in turn, sues the policyholder for failure to properly maintain the machinery that caused the injury.

Common Types Of EL Claims

Care and Loss of Services (Loss of Consortium)

Ex: A worker is injured while on the job and is unable to perform their typical services at home. A family member may sue for the loss of these services due to the injury to the employee.

Common Types of EL Claims

Dual capacity

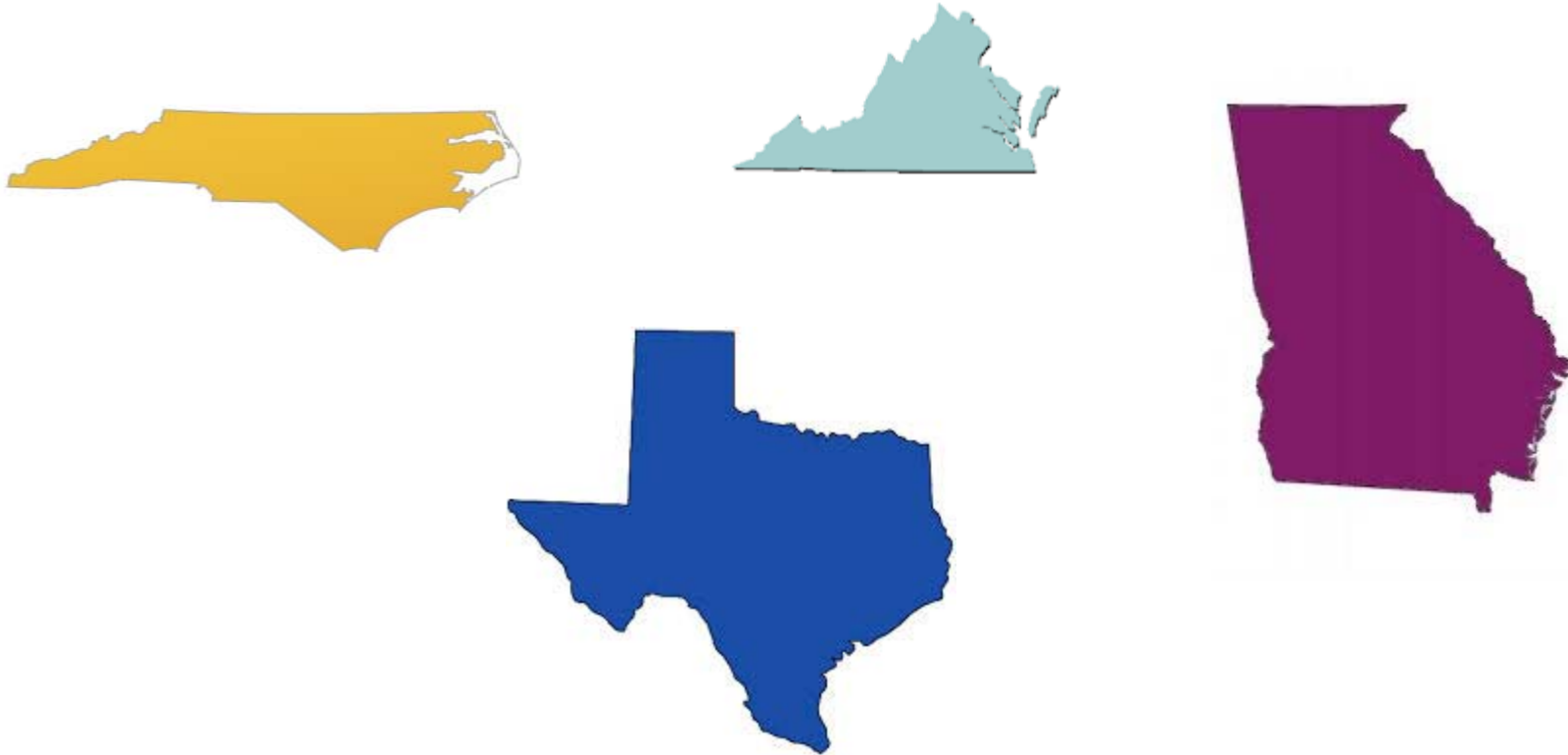
Ex: Your company manufactures a product that an employee claims was the cause for the injury that they sustained. They sue you not only as the employer, but as the manufacturer of the product as well.

Common Types Of EI Claims

Consequential Bodily Injury

Ex: A worker contracts a work-related infectious disease. When arriving home, the contact with other persons in the family leads to their infection with the disease. The employer could be brought in to compensate the family members as well. The consequential injury must be the **DIRECT** result of the injury to the employee.

PART THREE – OTHER STATES COVERAGE



OTHER STATES

Coverage for operations in other than states listed in part 3.A of the policy that commence AFTER the inception of the policy

New states where operations take place should be listed in part 3.C of the policy

The incidental coverages are intended for start up operations only and not already in place prior to the purchase of the policy (or at policy renewal)

How Is My Rate Determined?

Rates are determined on employee classification:



Workers' Compensation Rates

Each risk classification has a corresponding code:

Clerical office workers	8810
Restaurant Workers	9082
Restaurant – Fast Food	9083
Auto Repair	8380
Store – Retail	8017

Rates Continued

Each code has a corresponding rate for determining premium

The rate is multiplied by each \$100 of payroll

EX:

You own a restaurant that employees 5 workers. The total annual payroll for your covered employees is \$100,000.

$$\$100,000 / \$100 = 1,000$$

$$1,000 \times 1.64 \text{ (rate for code 9082)} = \$1640$$

Rates Continued

For business owners that elect to be covered, pre-determined payroll amounts apply:

Sole Proprietors

Minimum reportable salary	\$41,800
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Corporate Officers

Minimum reportable salary	\$41,600
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Maximum reportable salary	\$83,200
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Rates Continued

Additional items for rating include:

Catastrophe and Terrorism charges

Usually a 1% charge of premium each

Expense Constant

A premium charge that applies to every policy. Meant to cover common workers' compensation policy administration expenses such as issuing, recording, and auditing the policy.

Experience Modification

What is an experience modification factor or “experience mod”?

The experience modification factor is a way in which to structure the workers' compensation premium to the characteristics of an individual risk.

Allows for an employer or risk to benefit from favorable loss history, and in some instances, pay for poor loss history performance.

Experience Mods

An experience mod allows for the insured to use their actual experience as opposed to that of an entire industry classification.

EX: If we look at all HVAC contractors as a group with loss experience, we would assign a factor of 1.0 to the group as a whole regarding expected losses from the group.

When an insured attains ample premium and history to calculate the experience mod, they may begin to vary from the 1.0 factor.

Experience Mods

An employer who has a loss history that is better than that which expected from the group as a whole will achieve an experience mod less than 1.0

Conversely, an employer with a loss history that is above that which expected of the group will achieve an experience mod above 1.0

FREQUENCY vs. SEVERITY

What impact does this have on my insurance and rates?

What do they mean by “Ghost Policy”?



What Do They Mean By “Ghost Policy”?

In August 2012, *The News and Observer* did a three part investigative report
“The Ghost Workers”

GHOST POLICIES

A ghost policy is a workers' compensation policy that is written for a business that has only one employee. That employee is the owner, and the owner then opts to exclude his or herself from coverage. Essentially covering no one.

These policies are typically seen when a contract or work agreement is in place that requires the business owner to purchase workers' compensation coverage

Most carriers prefer not write these policies

CLAIMS!!!!



CLAIMS!!!!



CLAIMS!!!!



CLAIMS!!!!



CLAIMS!!!!



CLAIMS!!!!



WORKERS' COMPENSATION CLAIMS

What forms are required?

Form 19 – First Report of Injury must be filled out and given to the employee along with Form 18

* *Effective 11/1/14* – Is to be filed within five days after the “occurrence and knowledge” of an injury that caused the employee to be absent from work for more than one day or where medical compensation exceeds \$2,000

Form 18 - Notice of Accident to Employer and Claim of Employee

Form 17 – Notice to Injured Workers and Employers

WHAT IS COVERED IN A CLAIM?

Medical Expenses

Including prescriptions and therapy

Lost wages

Wages begin on 8th day of compensable injury due to lost time. The initial 7 days are paid if lost time reaches or exceeds 21 days of lost time.

Permanent Injury compensation

Death Benefits

Travel expenses if meet certain criteria



What To Do In The Event Of A Claim?

Help the employee seek proper medical treatment

First-aid

Urgent Care

ER

Many insurance companies have a network of care providers that an employer may choose from to help facilitate the claims process

These Designated Medical Providers are able to handle the workers' compensation billing, are familiar with the workers' compensation process, and are able to communicate to the company on potential severity of claims

What To Do In The Event Of A Claim?

Complete the proper forms

Employer completes Form 19

Form 19 submitted to insurance company who in turn completes electronic filing of form with NC Industrial Commission

Employer provides Form 18 to employee for completion

Establishes legal claim for injury sustained

Provides details about the nature of the injury

Time, date, location, type of injury sustained

(Must be filed within 2 years of the date of injury)

What To Do In The Event Of A Claim?

Stay in contact with your employee during the course of the claims process

Helps improve morale

Increases likelihood of continued treatment

May reveal potential issues that need to be addressed

Shows you are interested in the employee's well-being

Maintains a connection to the workplace

What To Do In The Event Of A Claim?

Work with the employee as they transition back work

Consider alternate duty assignments where appropriate

Identify the cause of the injury and take steps to correct any issues that may lead to future injuries

Establish a “living” safety document and have all employees be familiar with it

Who We Are



Mono-line Workers' Compensation carrier

Originally created in the early 1990s by the NC Retail Merchants Association

Known then as CompCarolina; a Self-Insured Fund

Became a Mutual Insurance Company in January of 2008

First Benefits Insurance Mutual

Owned by the policyholders



Conducts business in all 100 counties of North Carolina

No out of state (3.C) appetite

Represented by over 200 insurance agencies across the state

Membership based – must be a member of a participating organization to acquire and maintain a Workers' Compensation policy with FBIM

Relationships with participating Associations and Chambers of Commerce



Participating Associations



And over 60 Chambers across North Carolina

