

# 7 Proven Methods to Reduce Your Workers Compensation Premium





These “7 Proven Methods” provide a roadmap to lower premium. They can be implemented internally or supported by VANTREO’s CompZone™ team, experts available to help you save time and maximize your savings.

While most employers believe there’s not much they can do to drive down the cost of their workers compensation insurance, the fact is, business owners have significant control over their cost. Let us show you how.



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## **Don’t Wait for Renewal...Begin Your Cost-Reduction Plan Now**

Don’t wait for your insurance renewal to decide what changes need to be made to your workers comp program. Begin now. Before you go “out to bid” you’ll want your strategy in place to eliminate injuries, close any open claims, and to catch mistakes and overcharges...all factors that are behind what really drives up work comp costs.

Renewal time is the wrong time to begin to correct mistakes and get educated. In fact, waiting for your renewal will guarantee you lose one year of the savings that could be generated. Six months before renewal is not too soon to start. That’s why workers compensation is so radically different from all other insurance coverages.

Claims and mistakes cost you for 3 years. Workers compensation is a three-year system. Premium pricing, experience modifications, and claims analysis are all calculated based on a minimum of 3 years of historical information. Since extra claim costs and mistakes cost you for 3 years, not just 1 year, the savings can be substantial.



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## **Deploy a Strategy that Gets to the Root of What Drives Excess Cost**

The biggest impact you can have in reducing work comp premium is to execute a strategy to get to the root of that which is driving your costs. The strategy should address three critical components: preventing injuries, managing injuries, and financing injuries. Traditional methods of addressing these three areas have left you powerless to change your circumstances. Here’s why:



The insurance company that assumes your work comp risk does so for a premium they believe will cover that risk and make them a profit. When your focus is solely on choosing an insurance carrier and finding the lowest rate, you miss your opportunity to reduce your risk to an insurance company before they price your work comp insurance.

## Three Critical Components

- **Preventing injuries** involves having a culture that incorporates a safety-first mindset throughout the organization. It means eliminating claims by taking communication and training to new levels with supervisors, managers and staff. It also means protecting the company in the hiring process. If you eliminate injuries, your total cost of risk drops dramatically...which is the goal!
- **Managing injuries** is now a more proactive process than ever before. Insurance carriers are overwhelmed and perhaps not as clearly focused on any specific claim as you would want them to be. Taking a few critical strategic steps internally can often significantly minimize claim costs.
- **Financing injuries** is often thought to be all about “getting insurance bids.” Nothing could be further from the truth. Significant premium dollars are tied up every year in policy audits and experience modification surcharges, not to mention savings lost because a high deductible or partially self-insured option was not considered in the bidding process.

Before you go “out to bid,” set the strategy that addresses all aspects of preventing, managing, and financing workplace injuries. Then you can be sure your insurance cost is based on your lowest possible cost of risk.



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### Work with an Independent Expert to Manage Your Work Comp Claims

Did you know that a \$10,000 work comp claim often results in \$20,000-\$30,000 in additional workers compensation premium over a three-year period? Through the experience modification formula, the policyholder pays additional premium for every claim dollar incurred.



To reduce costs, every open claim in the three-year experience period must be reviewed to make sure that the reserves have been set appropriately and that an action plan has been established to close each claim.

**Case in point:** An open injury claim for a business included a \$25,000 reserve for anticipated future medical costs. In looking at the claim and asking the adjuster about when the claim was expected to close, the claims analyst was advised that the injured worker was on a chiropractic treatment plan. When questioned why a \$25,000 reserve for a chiropractic plan was appropriate, the adjuster explained that he was new to the case and didn't really have a good answer. The result: The reserve was reduced from \$25,000 to \$5,000, saving the employer in excess of \$30,000 in premium over a three-year period.

Because the claim process can be confusing and error-prone, an expert system must be implemented to make sure that claim reserves are set appropriately and that a proper "action plan" is in place to resolve each claim.



## 4

### Manage the Payroll Audit Process to Pay Only What is Due

When a work compensation policy is initially set up, the policy premium is based on estimated payroll. When the policy period ends, the insurer performs a payroll or premium audit. This enables the insurer to determine the actual payroll amounts that occurred, by classification, during the policy period. The audited information can be different from what had been originally estimated. Any payroll omissions or mistakes, along with employee misclassifications that occur in the audit process, may result in the policyholder having to pay more in premium.

Most policyholders don't know the ins and outs and all the rules for preparing a work comp payroll audit. Having a workers comp advisor who understands the payroll audit process can help prepare you in advance. You'll have an expert looking at:

- Job classifications used in the audit
- The accuracy of your firm's experience modification factor
- Uninsured subcontractor labor utilized
- Remuneration that should be excluded from the premium calculation
- Premium credits or modifiers mistakenly removed from the audit
- Changes in workers comp rates
- The impact of multi-state operations
- Projected payroll vs. the payroll used in the completed work comp audit
- And more



As a business owner, you hire a CPA to help with tax preparation to ensure all is done correctly and that, in the event of an IRS audit, your calculation is accurate. The same approach should be used in preparing for a payroll audit. A specialized work comp partner will help ensure your audit goes smoothly and that you pay only what you owe. No one wants to overpay or be penalized for mistakes.



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## Audit Your Experience Modification Data at the Right Time

Calculated annually, your experience modification (ex-mod) factor is a critical indicator (a score card) of how your actual claims history compares with “expected losses” (both the frequency and severity of claims) for your industry.

Your premium rate is adjusted accordingly. A high ex-mod increases the rate. A low ex-mod reduces the rate.

Each year on the “valuation date,” payroll and loss data are provided to the Workers Compensation Insurance Rating Bureau (WCIRB) by insurance carriers. The upcoming experience modification is calculated based on claim values as of the “valuation date” which is typically six months before the effective date of the upcoming ex-mod. Loss reserves are counted as if paid.

With few exceptions, revisions to loss reserves are not allowed after the “valuation date.” However, policyholders are legally entitled to an explanation of all open valuation date claims. Loss reserves, then, must be lowered prior to the valuation date if they are to result in a reduction in the “would be” ex-mod...which is what makes the timing of a claims audit so critical.

It’s important to note that ex-mod errors and overcharges are common. Premium pricing, experience modification calculation and claims analysis are all calculated based on a minimum of three years of historical information. This means that claims actually cost you for three years, not just one. If workers comp claims and mistakes remain on your record for three years, your extra premium cost can be substantial.

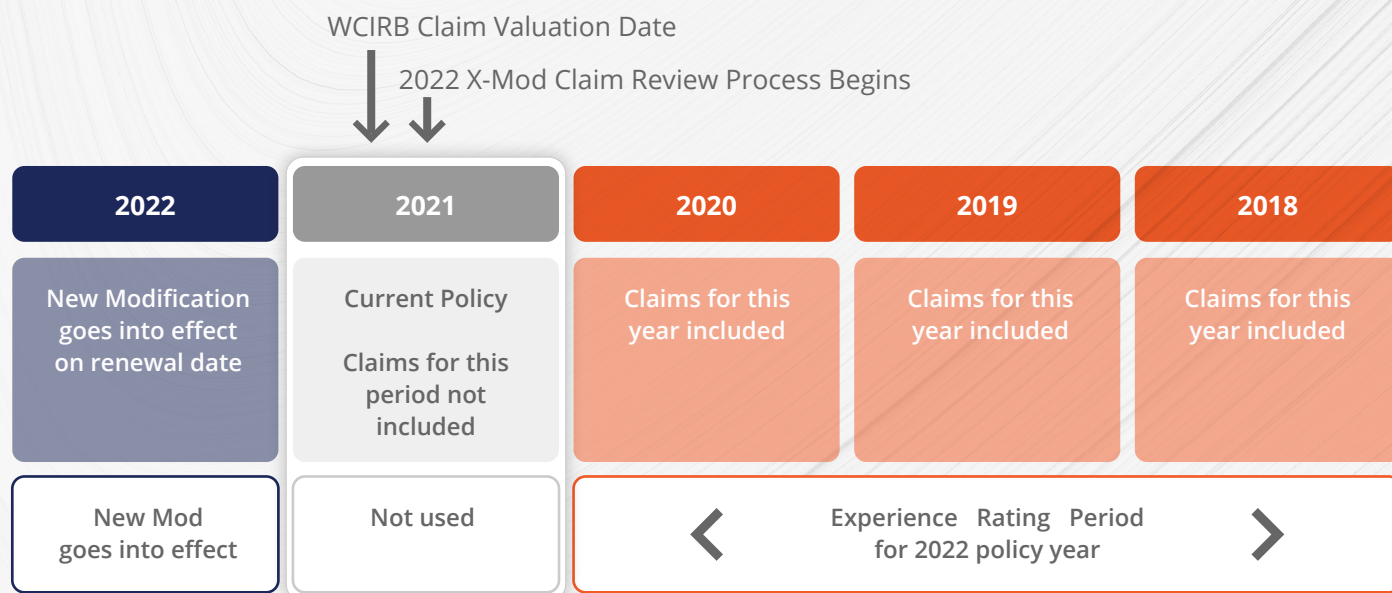
An experience modification analysis will identify and correct mistakes and overcharges, will calculate the extra cost you are currently paying, and will also provide you with critical information to help dramatically reduce insurance costs.



## Ask Your Insurance Broker

1. What's the lowest your company's experience modification could be?
2. Exactly how much is each claim costing you?
3. How is your experience mod being reviewed for accuracy and possible reduction?

### Sample Experience Rating Period



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## Provide Customized Care to Injured Workers to Reduce Injury Costs

When an injury occurs, it's critical to provide care that WOWs the injured team member while eliminating hours of wasted time and thousands of unnecessary treatment dollars in the process.

When employees receive care that is thoughtful and appropriate for their injury, they typically heal and return to work in record time.

Sending a team member with a superficial cut that needs stitches to an emergency room is not only expensive but often generates unnecessary wait time and often puts the team member at risk for catching other illnesses that may be present in the emergency room environment.



It's also important to have occupational medical provider relationships (from first aid through emergency care) that support timely and clear communication.

A poor medical provider relationship results in:

- Miscommunication with the insurance company, injured worker and you
- Little "modified duty" or "first aid" understanding
- Unnecessary time off work authorized
- Employee dissatisfaction with the medical experience
- Lingering claims in the system that cost you money

Evaluate the criteria you use when choosing treatment for your injured employees. Are they receiving treatment that will best serve the need, eliminate excessive medical costs, get them back to work, and allow for claims to close in a timely fashion?



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## **Empower Supervisors, and Other Internal Leaders, with the Proper Education**

Complacency is the biggest threat to establishing a culture of safety and in workers compensation cost reduction.

Proper leadership training is your secret weapon to combat a low-priority mentality around workplace safety. It empowers supervisors, managers and other internal leaders by teaching them why and how to create an environment where people want to be well and working rather than at home, lingering in the work comp system. It's critical that your leaders learn the right behaviors, systems and procedures to put in place before something happens.

The key to success in any endeavor that promotes change is the ability to lead others successfully. Supervisors and managers must be empowered to explore their leadership potential both as it relates to their own personal growth as well as its effect on others and the organization as a whole.



## Additional Proven Methods to Reduce Workers Comp Costs

There are additional and supportive strategies available to reduce the premiums you're paying for workers compensation insurance, including:

- **Risk Interviews** – an extremely effective, custom way to identify/evaluate risk exposures to workplace loss
- **Goal Achievement Team Strategy** – learn how to set, stick to, and achieve worthy goals
- **First Aid Strategies** – to most appropriately address non-medical care incidents
- **Deploy Tech-driven Efficiency** – eliminate 75% of redundant data entry, and track progress 24/7 from anywhere

## About VANTREO Insurance Brokerage

VANTREO Insurance Brokerage, and its CompZone™ platform, are wholly owned by Acrisure, one of the top 10 insurance brokerages in the world, and the fastest-growing broker in insurance industry history.

CompZone™ has enabled hundreds of employers to realize substantially lower ex-mod ratings and to save millions of workers compensation premium dollars. Our team is just as proud to have helped ensure that thousands of workers continue to return home at the end of each day as healthy as they were when they arrived at the start of the day.

## VANTREO Can Help You:

- Locate the lowest rates from workers compensation insurers for your classification code in seconds
- Drive down incidents, claims, and losses
- Manage injury data while simultaneously completing your OSHA logs and trending reports
- Track your results in real-time
- Support a safety-first culture
- Easily identify loss sources
- Eliminate fraud and exaggerated claims
- Automate your safety training program
- Manage work comp in all 50 states
- Comply with state and federal safety requirements
- Access thousands of safety resources and materials
- Deploy CompZone™ claims negotiation, coaching, and advocacy services



## Next Steps

We recognize you have choices when it comes to installing a solution to lower work comp costs.

Here are a few we think you'll find very helpful:

1

If you are paying over \$100,000 in work comp premium annually and would like to get an idea of how much you stand to save, check out CompZone™'s simple calculator.

[Work Comp Overpayment Calculator](#)

2

Want more detail including an explanation of CompZone™ pricing?

[CompZone Average Savings and Pricing](#)

3

Ready to find out what has to happen to launch savings for your organization and to get an idea of when you'll begin seeing results?

[Email us for a Zoom consultation](#)

We're ready to help and look forward to meeting you.

**(800) 967-6543**

**[www.vantreo.com](http://www.vantreo.com)**

**[www.compzone.com](http://www.compzone.com)**

*"Never in my 30-plus years of managing the finances of our business have I experienced such a proactive approach in working with us [than with VANTREO] to minimize spiraling costs associated with Workers Comp coverage." - CFO & Publisher, Local Newspaper Publishing Company*

*"Normal with VANTREO/CompZone™ is forward-thinking leadership, wise counsel, state-of-the-art analysis, and 24/7 personalized service. Our partnership with them is invaluable to our business and our culture." - Executive Director, Senior Living Community*

*"VANTREO has taken 'insurance broker' and turned it into 'solutions partner'." - Owner, Environmental Remediation Construction Company*