

Construction

EXECUTIVE

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Executive Insights

FROM LEADERS IN INSURANCE AND BONDING

BY DONALD BERRY

Construction Executive asked top professionals at leading sureties, insurance companies and law firms for sage advice on protecting construction businesses from liability, increasing bonding capacity and lowering workers' compensation premiums. These experts offer valuable insights for contractors pursuing stimulus dollars in the unfamiliar territory of federal government work.

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—Blake Johnson, INSURICA

"What are the primary considerations for contractors weighing their workers' compensation options?"



BLAKE JOHNSON

**Vice President
INSURICA**

For most contractors, workers' compensation insurance is a significant cost of doing

business. Many believe their only cost savings come from having fewer claims or getting the best price available in the marketplace. While the marketplace has the ability to offer discounts based on loss experience and size, this is not the place for contractors to focus the majority of their attention. The marketplace is constantly changing, and these discounts come and go based on the individual insurance carrier's loss experience. In other words, the contractor has no control over the availability of these credits from one year to the next.

One thing contractors can control over that significantly affects their premium is their experience modification factor, or e-mod. It goes without saying that an effective safety program is critical to prevent claims from happening, but even under the best program, injuries can occur. Contractors need to be aware of what they can do after a loss occurs to minimize the

effect those claim costs have on their e-mod.

The National Council on Compensation Insurance has a program in place for calculating e-mods that can reduce the value of claims that go into the calculation by 70 percent. In order to receive this discount, the injured worker must be back to work within a specified period of time from the date of injury. This period of time varies by state. Currently, 32 states have requirements. In Arizona, for example, an employer has within seven days to get an injured worker back to work. Once accomplished, all medical costs associated with the claim are reduced by 70 percent.

The key to taking advantage of this discount is having an effective return-to-work program in place. Contractors that don't have a program should work with an insurance professional to begin the implementation process.