



CHESS, Inc.  
33 E. Wentworth Ave., Suite 320  
West St. Paul, MN 55118  
Ph: 651-481-9787  
[www.chess-safety.com](http://www.chess-safety.com)

Complete Health Environmental and Safety Services

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## **Paying a Bit Less for Problems**

By Janet L. Keyes, MS, CIH and Carol A. Keyes, MA, CRC

If you hire employees, you're required to carry workers' compensation insurance. It doesn't matter whether you intend to pay out of pocket for all injuries (although that's usually illegal), it doesn't matter if you never have injuries – you still have to have it. Before workers' compensation insurance became law, personal injury lawsuit outcomes decided who paid. That was a burden for everyone other than the attorneys. Both employers and employees welcomed the no-fault workers' compensation system as a fair alternative.

The cost of your workers' compensation insurance is determined by your payroll and by the type of work your employees do. Office workers usually have fewer injuries than mechanics. Insurance companies charge less for them. The cost is also determined by your history of injuries.

Insurance companies look at how much injuries in your shop have cost for the last three years less one – for 2011, the years 2007 -2009, to calculate your experience modification rate (mod rate or EMR). An average company will have a mod rate of 1. If your injuries have cost more than the industry average for those three years, you'll be assigned a mod rate above one, and your premium will be multiplied by that much more. Someone with a mod rate of 1.2 will pay 20% more for the same coverage. Someone with a better than average record, resulting in a mod rate of 0.8, will pay 20% less ( $1-0.8 = 0.2$ ).

The EMR is calculated by the Minnesota Workers Compensation Insurers Association, a nonprofit organization that collects and analyzes policy, claims, and financial data from all workers' comp insurance providers in Minnesota. They know how your history stacks up against similar companies. If you want to find out your EMR, check with your insurer or look online, at <http://www.mwcia.org/inquiries/EmpLookup/EmployerSearch.jsp>.

Your options to save money on workers' comp insurance are limited. You can't easily change the type of employees you have, nor your payroll. You could skip reporting injuries, but that's illegal and the penalties for doing so could quickly wipe out your savings. In addition, the lack of any claims is a red flag, making it likely that you'll be caught.

Where you can save is by having a strong safety program, to prevent injuries, and by aggressively managing injuries if they do occur.

The most common injuries in automotive shops are eye injuries and musculoskeletal disorders. So institute a strong eye protection program. Encourage employees to get help with awkward or heavy loads, and provide them with tools (lifts, creepers, stools...) to make the job less physically stressing.

Encourage reporting of all injuries, even those that don't require any medical treatment. We've seen too many cases where injuries are dismissed as nothing at the time, but become expensive later on (a cut becomes infected or a hernia requiring surgery is diagnosed). If you document them right away and report them to your insurer, you won't have to worry about fines for late reporting. And you'll have a more accurate record of what happened.

Try to get your workers back to work right away. When calculating your EMR, the workers' comp system discounts medical-only claims by 70%. An example using hypothetical numbers: An employee hurts his arm and goes to the doctor. Medical costs are \$1000, but you work with the employee and his doctor to find work he can do, so there's no lost time. For three years, a charge of \$300 (70% of the cost) is factored into calculating your EMR. That employee hurts his arm, goes to the doctor for a charge of \$100, and is off work for a week, losing wages of \$900. Total cost: \$1000. For three years, that \$1000 will be factored into calculating your EMR.

What if the employee's doctor says he should take a week off work? Talk to the doctor. Unless you do so, the doctor won't know what accommodations you could make to get the employee back to work. It isn't that you want to rush the process, particularly if the employee had a head injury or was prescribed drugs that can affect judgment or perception. But getting back to work has been shown to be better, mentally and physically, for the injured worker. And it saves you a considerable amount of money.

Part of managing your claims is keeping track of them. Talk to your insurance carrier often. Ask for your loss run report, so you know the status of claims. Usually, claims that incur no costs are opened and then immediately closed. Open claims will have reserves charged against them. That costs you, even if it isn't accurate.

You can't avoid paying for a workers' compensation injury. But you can make it manageable. Work to prevent injuries. Make sure even minor injuries are reported to you. Get workers back to work as soon as you can. And keep track of your claims.

If you have questions about workers' compensation and managing injuries, contact CHESS at 651-481-9787; toll free at 877-481-9787, or [carkey@chess-safety.com](mailto:carkey@chess-safety.com).

This article is intended to provide general information (not advice) about current safety topics. To discuss your specific concerns and how CHESS may help, please contact CHESS at 651-481-9787 or [chess@chess-safety.com](mailto:chess@chess-safety.com)

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