

compUpdate

Idaho State Insurance Fund

Why is there workers compensation insurance?

Today's workers compensation system has evolved from a movement that began in Europe in the 19th century. This no-fault system holds that workers who are injured or ill because of circumstances arising from their work should receive medical treatment and wage replacement until they are able to return to their jobs without having to sue their employers and prove negligence.

In return for providing this protection, workers compensation laws also hold that employers' assets would be protected from common law tort suits, which could be costly and time-consuming. You might say workers compensation was a labor-management compromise that afforded protection to both employers and workers.

The Idaho Legislature approved the Idaho's Workers Compensation Act, Title 72, *Idaho Code*, in 1917. The law removed work-related injuries from the civil court system and created another entity, the Industrial Commission, to administer the law and adjudicate claims. With certain very limited exceptions, the law is the exclusive remedy for both the employer and injured workers.

Idaho workers compensation law is to be "construed liberally" in favor of the injured worker. This means that, if there is an ambiguity on how the law is applied to a particular circumstance, the law must be interpreted in a manner most favorable to the injured employee. That does not mean the employee is entitled to the benefit of all doubts regarding **factual** disputes, for example, whether an injury was suffered at work. When such disputes arise, the employee still bears the burden of proving entitlement to benefits.



In this issue of compUpdate, we would like to familiarize you with the workers compensation system in general and the State Insurance Fund's Underwriting Department specifically. We hope that in doing so we answer some of the more common questions we receive from our policyholders.

Meet the Underwriting Department

The State Insurance Fund's underwriters are tasked with developing premium that reflects a fair assessment of a particular business' risk in conformance with the guidelines and procedures established by the rate-making organization for Idaho..

You are assigned an underwriter who is available to answer your questions and assist you with your policy. Your underwriter's name and phone extension number appear on your policy declarations page, statement, and payroll report. If you have an agent, your underwriter will also work with your agent to provide service for your policy.

It is our goal to answer all your questions accurately and honestly and to provide you with the reasons behind any decision that affects your policy.

What are the advantages of workers compensation?

There are advantages for both you, the employer, and for your employees whenever you purchase your policy.

Advantages for employers:

- ☑ **Compliance** with the law.
- ☑ **“Exclusive remedy”** – a benefit provided to an employer by law that states that if an employer is covered, the injured employee must seek relief from injury only under the provisions of the Idaho’s workers compensation law. In other words, under most circumstances, an employer cannot be sued in civil court for over and above what is provided by the workers compensation law.
- ☑ **The predictability of cost** for job-related injuries in the cost of insurance to cover employers’ no-fault liabilities and common law liabilities.
- ☑ **Legal services** at no additional cost in defending against unwarranted claims.

Advantages for the employee:

- ☑ **Medical benefits** — 100% medical coverage for work-related injuries
- ☑ **Disability (loss of income) payments** if the employee is unable to work
- ☑ **Survivor (death) benefits** paid to family members if death occurs from an injury
- ☑ **Rehabilitation services** if the injured worker is unable to return to their normal occupation.

Helpful hints

To avoid having your policy canceled:

- ☑ Reports are due by the 23rd of the month.
- ☑ Invoices are due **in our office** within 30 days.
- ☑ Pay any balance forward amount by the **original due date**, not the date on the current statement.

Payment plans available

The State Insurance Funds has two basic payment plans, each of which can be tailored to your specific needs:

Payroll Reporting Plan

This plan is used if your business payroll fluctuates or your payroll is not easily discernible at the beginning of the policy year. You can “pay as you go” based on actual payroll you have during an agreed-upon payroll reporting period. We will send you payroll reporting forms that you complete and return with your premium based on reported payroll.

Level Pay Plan

This plan is used for those businesses that are more consistent in their payroll and who usually know in advance what they will pay out in a year for wages. We have 10 different plans that can be tailored to your specific needs. Level payments are scheduled at the beginning of the policy year based on an estimated premium. Invoices are sent periodically, depending on when and how many payments are required during the year.



Please call your underwriter if . . .

- ☑ You change the ownership of your business.
- ☑ You change the nature of your business.
- ☑ You change your mailing address or add an additional location.
- ☑ You have a drastic change in your present or expected payroll.
- ☑ You have added or deleted a business operation.

How much will my policy cost?

Premiums for workers compensation insurance are based on the nature of the business, with each industry paying in relation to the likelihood of injury. The incidence of claims, with the resulting medical and compensation costs, is reflected in the rate charged to the industry and to individual policyholders.

There are three major elements involved in determining premium: classification codes, rates, and payroll/remuneration.

Classification codes

The classification code for your business is determined based on the nature of your business. Your business is assigned to one basic classification code that best describes the business. Therefore, subject to certain exceptions, the overall business is classified, and not the separate employments, occupations or operations of individual employees within the business. After learning about your business, we then research the classifications established by the rating organization until we find one that fits your circumstances. Although the rating organization has established more than 500 classifications, some businesses may not fit exactly into a classification. In those cases, we classify the business as closely as possible to the description of the classification.

Rates

Each classification has its own rate developed by the rating organization based on past experience of those businesses reported within that classification. Rates may go up or down from year to year based on those statistics reported to the rating organization. Rates will fluctuate based on actual premium vs. claims for all carriers. Rates become effective each January 1 and are applied on the issue date of a new policy or on the renewal date of an existing policy.

All insurance companies in Idaho are required to follow the rates determined by the rating organization and approved by the Department of Insurance. However, insurance companies can file for and receive approval from the Department of Insurance to “deviate” from the approved and published rates by a specific, approved percentage.

Payroll/remuneration

First-time workers compensation policyholders sometimes are confused by the terms “payroll” and “remuneration.” Also adding to the confusion is that payroll reporting for workers compensation insurance purposes does not agree with tax laws.

A new policyholder may think “payroll” simply means the hourly wages paid to an employee. In the workers compensation system, “payroll” means “remuneration,” and “remuneration” means money or substitutes for money. There, “payroll” may include more than just hourly wages. Examples of remuneration include bonuses, payments or allowances for hand tools, the rental value of an apartment or house, and the value of meals received by employees as part of their pay.



Calculating premium

Premium is determined by a simple formula:

$$\begin{array}{r} \text{Total Payroll (Remuneration)} \\ \times \\ \text{Classification Code Rate} = \text{Premium} \end{array}$$

The unit price for workers compensation insurance is a \$100 unit of payroll. So, for example, if a business' total payroll/remuneration were \$46,000 and the rate for that business' classification code were \$2.25, then the premium would be calculated as

$$\begin{array}{r} 460 \times \$2.25 = \$1,035 \\ \text{or} \\ \$46,000 \times .0225 \text{ (or } 2.25\%) = \$1,035 \end{array}$$

Helpful hint: Set your calculator to 0 decimals to avoid rounding differences when calculating premium on your payroll report.

Need a certificate sent?

Need proof of insurance sent to someone? Call or fax us with your request.

24-Hour Certificate Service: Call 1-800-334-2370, extension 200.

Fax: 208-334-3254

To get faster certificate service, be ready with:

- Your policy number.
- Name of person to whom you want the certificate sent.
- Address of the person to whom you want the certificate sent.
- Fax number if you want the certificate faxed.

What other factors affect my net cost?

Dividends

State Insurance Fund dividends are paid to policyholders based upon their loss experience. By law, dividends cannot be guaranteed by any company in Idaho. The Fund, however, has provided dividends to policyholders every year since 1969.



Experience modification

An experience modification, or “e-mod,” is a method modifying an employer’s premium based on the past experience of that employer. After a business’ policy reaches a certain size, the rating organization for Idaho will compute experience modification for that business.

An experience modification is determined by measuring the actual losses against the expected losses of an employer based on the employer’s size and type of work. If the experience modification is higher than 1.00, then past losses have been greater than expected. If the experience modification is lower than 1.00, past losses have been lower than expected.

Frequency and severity of losses are used to develop the experience modifications, with greater emphasis placed on frequency. This is because an employer can more easily

control the number of accidents that occur versus the severity of an accident.

An employer’s premium is increased or decreased based on the company’s loss record. The premium is multiplied by the modification factor. For instance, if the standard premium is \$10,000, a .90 modification would reduce a company’s premium to \$9,000. A 1.10 modification would increase the premium to \$11,000 for the same coverage.

Premium discount

If a business’ annual premium is more than \$10,000, a premium discount for any amount over \$10,000 is given. The discount rate is set by the rating organization for Idaho

Alcohol- and Drug-Free Workplace Premium Credit Program

A 5 percent credit is given to employers who have an alcohol- and drug-free workplace program that qualifies under Idaho law. This discount is to be given at the end of the policy year at audit. (See the article on this page for more details about the credit program.)

Premium credit offered for drug-free workplace program

The State Insurance Fund will give a 5 percent premium credit to employers who have an alcohol- and drug-free workplace program that complies with Idaho law.

The 1999 Idaho Legislature passed Senate Bill 1144 adding *Idaho Code* section 72-1716, which provides that insurance companies may grant premium reductions to employers who have an alcohol- and drug-free workplace program that qualifies under 72-1701 through 72-1715, *Idaho Code*. The code is available on the Internet at <http://www3.state.id.us/idstat/TOC/72017KTOC.html>.

You should have your legal counsel review your program or consult with a drug-testing service to ensure your program complies with the law.

If you have a program and wish to receive the premium credit, you need to provide, on your company’s letterhead, a written statement to the Fund that your program complies with the law.

The premium credit will be applied at audit.

Our review will look to see that:

- You test 100 percent of your employees.
- You have written documentation of how the testing is accomplished and who is doing it.
- Since the purpose of the credit program is to reduce drugs and alcohol in the workplace, your program must be proactive, not reactive. Examples of proactive methods would be pre-employment testing, random testing, and testing based upon reasonable suspicion by a trained supervisor who has evidence that an employee is abusing drugs and/or alcohol in the workplace. Post accident testing by itself would not be considered a proactive method.

More helpful hints

Be sure to give your policy number, name, and phone number when leaving a voice mail message for your underwriter.

Discuss proof of insurance with your subcontractors before they begin work for you.

Don’t accept a **copy** of a policy as proof of insurance — always insist that you receive an official certificate of insurance from your subcontractor’s surety. The surety will then make an attempt to notify you if the policy is canceled.

Who's who and what they do

National Council of Compensation Insurance

Idaho's law requires all companies offering workers compensation coverage to be a member of a rating organization. All carriers must, by law, use the basic manual rates, rules, and classifications provided by the rating organization. All workers compensation insurers must provide their statistical information to rating organization so that the Idaho rates can be developed.

The rates are determined by the rating organization on an actuarial basis by comparing the payroll/premium to losses incurred in each classification, then factoring in the carriers' expenses and profit. The National Council of Compensation Insurance is the rate-making organization for the State of Idaho.

Workers compensation sureties

Idaho is a "three-way" state with employers able to obtain their coverage from three major sources:

- ☑ **A private insurance company** — According to the Industrial Commission, there are over 270 private insurance companies authorized to issue workers' compensation insurance in Idaho.
- ☑ **The State Insurance Fund**
- ☑ **Self-insurance** — This option is available to Idaho employers with large payrolls and who are able to meet specific requirements. Approval for self-insurance must be granted by the Idaho Industrial Commission on a case-by-case basis.

Idaho Industrial Commission

The commission is the entity that administers the workers compensation law, hears disputed claims and regulates the payment of workers compensation benefits by all insurance companies. In addition, the Industrial Commission enforces the law to ensure all Idaho businesses with employees carry workers compensation insurance. The commission also administers a rehabilitation program for injured workers to ensure that workers are returned to gainful employment as early as possible with the least possible disability.

Department of Insurance

This state agency regulates and approves rates for all insurance companies in Idaho. The rates proposed each year by the rating organization must be approved by the Department of Insurance before they can be finalized and used by the carriers to determine workers compensation premium.

State Insurance Fund

The State Insurance Fund was created 1917 by the Idaho Legislature and is self-funded by premiums charged for the policies we write. The Fund operates like any other insurance company offering coverage under the Workers Compensation Act. We do not regulate or enforce the law – we merely offer coverage.

From the Claims Department . . .

Call if you receive physician change form

If you receive a form titled "Petition for Change of Physician," please call the Fund as soon as possible.

The Industrial Commission recently adopted a rule concerning requests by injured workers to change physicians. According to Idaho's workers compensation law, an attending physician can arrange for consultation, referral or specialized care without permission of the employer or surety. However, if an injured worker wants to change physicians without a referral, the worker must petition the Industrial Commission and serve the petition upon the employer or surety.



Once the petition is served, the employer or surety has 14 days to either accept or deny the request. If the request is denied, then a hearing is scheduled. If the employer or surety fails to respond in 14 days, then the Industrial Commission can grant the petition.

In some cases, injured workers have sent the petition forms to their employers, and the Fund has not received a copy and is unaware of the requests. If you receive such a form, contact the examiner handling the claim. The Fund needs to evaluate the request to see if it agrees or disagrees.

In one case, an injured worker from North Idaho wanted to change his physician to one in Idaho Falls.

STATE INSURANCE FUND FAX NUMBERS

Underwriting	208-334-3254
Premium Auditing	208-334-3254
Certificate requests	208-334-3254
Claims	208-334-3253
Risk Management	208-334-3696

CERTIFICATE OF INSURANCE REQUEST LINE

1-800-334-2370 ext. 200

State Insurance Fund
1215 West State Street
P.O. Box 83720
Boise, ID 83720-0044
1-800-334-2370

Service Locations Statewide

Coeur d'Alene
Harbor Center
1000 W. Hubbard St., Suite 100
Coeur d'Alene, ID 83814-2276
208/769-1513

Lewiston
1118 F Street
Lewiston, ID 83501-1986
208/799-5050

Pocatello
353 N. 4th Ave., Suite 280
P.O. Box 2228
Pocatello, ID 83206-2228
208/233-6302

Twin Falls
621 N. College Road
Twin Falls, ID 83301-3628
208/733-0053

Idaho Falls
525 Park Avenue, Suite 2C
Idaho Falls, ID 83402-3515
208/525-7287

Boise Home Office
1215 West State Street
P.O. Box 83720
Boise, ID 83720-0044
208/334-2370

Home page: www2.state.id.us/isif/

E-mail addresses:

Underwriting: Underwriting@isif.state.id.us

Claims: Claims@isif.state.id.us

Risk Management: RiskManage@isif.state.id.us

Management Services: ManagementServices@isif.state.id.us

Personnel: Jobs@isif.state.id.us

Manager's Office: Administration@isif.state.id.us

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