A QUARTERLY NEWSLETTER SPRING/SUMMER 2003

# compUpdate

Idaho State Insurance Fund

## Minimize losses with claims management program

In spite of a good accident prevention program, some employees may be injured in work-related accidents. You can minimize the extent of disabilities and monetary loss to both your employees and your organization through a well-planned and well-run claims management program.

In this issue of *compUpdate*, we want to provide some basic components of a claims management program, which, if implemented effectively, could have positive results for your organization.

If you want to develop a claims management program and would like assistance, contact our Risk Management Department.

### DO YOU HAVE A CLAIMS MANAGEMENT POLICY?

We suggest a formal claims management policy be devised that clearly communicates the organization's claims management philosophy and goals and outlines the policy program. The policy could include:

- ☑ An explanation of the benefits expected from the program and the need for involvement of all employees.
- ☑ Assignment of responsibilities to:
  1. A claims management coordinator
  2. Department heads
  3. Supervisors
  4. Employees
  5. Committees
- ☑ A clear statement of program goals.
- ☑ A commitment and methods to evaluate the program.

### DO YOU HAVE A CLAIMS MANAGEMENT COORDINATOR?

This position is normally held by a safety coordinator whose responsibilities may include:

- ☑ Coordinating all phases of the claims management program.
- ☑ Preparing and analyzing claims management experience in reports to the chief executive officer and others designated by the CEO.
- ☑ Consulting department heads on the administration of the claims management program.
- ☑ Evaluating the program annually and recommending, if needed, changes in the program.

### DO YOU HAVE A PRE-INJURY PLAN?

You may want to develop a pre-injury plan that is communicated to all employees that gives complete information to be followed in case of an injury. The plan may include provisions for:

- ☑ Steps to follow when a work-related injury happens.
- ☑ A list of doctors available on emergency call and emergency service personnel.

*Continued inside*

# Elements of a claims management program

## DO YOU HAVE A DESIGNATED MEDICAL PROVIDER?

You may want to consider a plan that provides for medical treatment and for determining an injured employee's ability to return to work. That plan might include:

- ☑ A list of medical providers available to treat work-related injuries.
- ☑ Establishment of a working relationship with a selected medical provider who will work with you to provide treatment for employees immediately after an injury occurs.
- ☑ A policy statement concerning the use of a designated medical provider. If you have selected a company physician, it is reasonable to send all non-life-threatening injuries to that physician for care as the initial medical attendant. If no designated physician is available, the employee may select the physician of his or her choice for initial treatment. Employees should be informed your business has a designated medical provider for work-related injuries.

## CLAIMS COMMUNICATIONS

Communication is key to ensuring that all parties involved in a work-related injury are aware of the current status, the prognosis, and the expected return-to-work date. Establishing work relationships and procedures between all involved parties to exchange information aids in the prompt and proper adjustment of claims and in returning injured employees to work as soon as possible. Provisions could include:

- ☑ Claims reporting procedures.
- ☑ Establishment of a claim adjustment working relationship between your organization and the State Insurance Fund.
- ☑ Review of claim reports from the State Insurance Fund.

## EMPLOYEE COMMUNICATIONS

A plan that keeps up the morale of injured employees while off the job by providing continuing job and claim status information can have a positive impact on returning the employees to work in a timely manner and can help keep costs down. Communications with injured employees may include:

- ☑ An explanation of benefits and procedures to the injured workers and their families.
- ☑ Continuing contact with the injured employees involving supervisors, human resource representatives and State Fund examiners.

## CONSIDER OFFERING MODIFIED DUTY

Modified duty means altering the current job to meet the work restrictions or temporarily transferring the worker to another job.

The bottom line is to bring the worker back to work in a position that meets the doctor's restrictions.

Modified duty positions generally are not permanent. They are transition jobs.

If an injured employee declines a legitimate offer of a modified duty job, which has been approved by the treating physician, there could be a basis to stop compensation benefits. The job should be offered in writing and have a written job description.

If an employer is considering a modified duty job, the employer should consult with the claims examiner. Job modification may need to be accomplished through the efforts of rehabilitation consultants working with the employer and the physician.

If the modified duty position pays less than the person's regular pay, the employer should inform the examiner. Temporary partial disability benefits may be due.

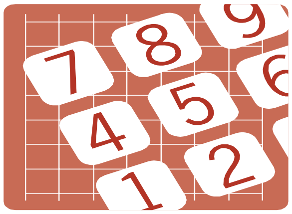
### REHABILITATION

A very important element of a good claims management program includes a plan to return injured employees to work as soon as possible and minimize the effects of the disabilities to the injured employees. This plan could include:

- ☑ Establishing a light work or modified duty program.
- ☑ Identifying light or modified duty positions.
- ☑ Matching disabled employee capabilities to job physical and medical requirements.
- ☑ Preparing an employee for a new position, if needed.

### CLAIMS MANAGEMENT REVIEW

Another important element of a good management program includes reviewing the overall plan to analyze its effectiveness in controlling the effects and costs of injuries and relating actual results to the predetermined goals. The State Insurance Fund provides a status report on all of the reported claims approximately 45 days after the end of each quarter and each policy year. This report will include information on the paid and estimated costs for each claim.




# Payroll reporting problems

Here are three areas that often cause confusion, errors

## Reporting payroll on owners

The most common error we see on payroll reports and renewal payroll reports involves the payroll of owners.

Some owners, officers or officials are automatically covered by a policy, while others are covered only when their coverage has been endorsed to a policy. If an owner, officer or official is covered, their payroll must be reported and their name will appear on the payroll report. There are rules regarding how much payroll to report. If you have questions about owner coverage, you should contact your underwriter.

Unless the owner's name appears on the payroll report, do not include his or her payroll. The sample payroll report here shows where the owner's name appears. Depending on the type of ownership, the report may use the terms "covered sole proprietor," "covered member of LLC," "covered partner," or "covered owner."

**IDAHO STATE INSURANCE FUND**
1215 W. State Street, PO Box 83720
Boise, IDAHO 83720-0044
Phone (208) 332-2100 - (800) 334-2370
Fax (208) 334-3254

**Policy Number** 000000
**Report ID** 1111111
**Issue Date** 04/27/2003
**Anniv Rate Date** 07/01/2002
DMY 62 U01

**PAYROLL REPORT**
**DUE DATE: 05/23/2003**
Cancellation may be initiated if report is not received by the due date

ZYX CORPORATION
4321 Y STREET
BOISE, ID 83714-0000

AGENT OF RECORD: Z
YOUR LOCAL AGENT, INC.
(208) 555-5555

UNDERWRITING DEPARTMENT
UNDERWRITER'S NAME
(208) 555-5555

**REPORT PAYROLL FOR: 04/01/2003 - 04/30/2003**

**Location: 1) ZYX CORPORATION**

| Class Code | Description | Rate | Payroll |
|---|---|---|---|
| 881000 | CLERICAL OFFICE EMPOYEES NOC<br>**Covered Officer: John Doe** | 0.37 | ______ .00 |

**Location: 2) ZYX CORPORATION**

| Class Code | Description | Rate | Payroll |
|---|---|---|---|
| 550700 | STREET OR ROAD CONSTR: SUBSURFACE WORK | 5.45 | ______ .00 |
| 550700 | CARPENTRY-DETACHED 1 OR 2 FAMILY DWELLINGS | 9.86 | ______ .00 |

## Which class code?

Your report will already have the section completed showing industry classification descriptions assigned for your policy.

Report paid gross payroll in the highest-rated class code that applies to any part of an employee's duties.

If an employee's job duties are varied, an employer may be able to reduce workers compensation costs by separating the payroll of an employee and reporting it in more than one job classification on the payroll report. To be eligible for division of payroll — called payroll splitting — two or more classifications must be assignable to the policy. Payroll may not be divided between certain classifications. For more information about restricted classifications, contact your agent or underwriter.

To split payroll, you must keep proper payroll records that show the actual payroll by classification for that individual employee. The Daily Verifiable Time Record on this page shows how the records should be maintained.

If an employer chooses, however, to not split payroll, employees' wages must be reported under the highest rated classification applied to any part of an employee's duties.

## Reporting overtime wages

### Daily Verifiable Time Record

| **Employee: John Doe** | | **Reg. Hourly Rate: $15** | | | **Pay Period: 1/31//03** |
|---|---|---|---|---|---|
| *Date* | *Job or Project #* | *Job Description* | *Class Code* | *Hours* | *Overtime @1 1/2* |
| 1/25/03 | #447 | Pouring concrete | 5213 | 3 | 2 |
| 1/26/03 | #819 | Carpentry-framing | 5645 | 8 | 3 |
| **Employee signature:** *John Doe* | | | | | **Date: 1/31/03** |

**Employee Time Record Summary**

| *Class Code* | *Reg. Hours* | | *Reg. Wages* | *Total* |
|---|---|---|---|---|
| 5213 | 3 | X | $15.00 = | $45.00 |
| 5645 | 8 | X | $15.00 = | $120.00 |
| | *OT Hours* | | *OT Wages* | |
| 5213 | 2 | X | $22.50 = | $45.00 |
| 5645 | 3 | X | $22.50 = | $67.50 |

Overtime is another area where there is often confusion in what payroll is to be excluded. Overtime means those hours worked for which there is an increase in the rate of pay. The extra pay for overtime may be excluded from reported payroll if your records are maintained to show overtime pay separately by employee and in summary by classification. Above is a sample of acceptable records.

When time and half is paid for overtime hours, the one-half is the extra pay and is excluded. For example:

- Regular pay is $10 an hour (straight time).
- Overtime pay is $15 an hour (straight time plus one half).
- Extra pay is $5 an hour (one-half time) and should be excluded on your payroll report.

# What is gross payroll?

Gross payroll is the payroll paid to your workers before any deductions. This includes any benefit plans such as 401(k) and cafeteria-style plans. Gross payroll includes cash payments. Gross payroll may be designated as wages , salary, bonuses, commissions, or profit sharing or substitutes for money. Some substitutes for money may be goods, board and lodging, working out a debt, etc., for which the reasonable cash value of the non-cash payments would be considered wages.

Payments may be paid on an hourly, daily, weekly, monthly, yearly, or other frequency. Gross payment may be earned on a job-by-job basis, commission basis, piecework, or straight salary.

All wages paid are to be included in the payroll report and audit. Start with gross payroll and subtract those wages as indicated as excluded to arrive at the subject payroll to be reported.

Current National Council on Compensation Insurance (NCCI) rules describe what is to be included and excluded as remuneration:

***Inclusions***

a. Wages or salaries including retroactive wages or salaries;
b. Total cash received by employees for commissions and draws against commissions;
c. Bonuses including stock bonus plans;
d. Extra pay for overtime work *(reportable at straight time wage)*;
e. Pay for holidays, vacations, or periods of sickness;
f. Payment by an employer of amounts otherwise required by law to be paid by employees to statutory insurance or pension plans, such as the Federal Social Security Act;
g. Payment to employees on any basis other than time worked, such as piecework, profit sharing, or incentive plans;
h. Payment or allowance for hand tools or power tools used by hand provided by employees either directly or through a third party and used in their work or operations for the insured;
i. The rental value of an apartment or a house provided for an employee based on comparable accommodations;
j. The value of lodging, other than an apartment or house, received by employees as part of their pay, to the extent shown in the insured's records;
k. The value of meals received by employees as part of their pay to the extent shown in the insured's records;
l. The value of store certificates, merchandise, credits or any other substitute for money received by employees as part of their pay (refer to Exclusions below for certain fringe benefits [substitutes for money] not considered to be remuneration);
m. Payments for salary reduction, employee savings plans, retirement, or cafeteria plans (IRC 125) that are made through employee-authorized salary reduction from the employee's gross pay;
n. Davis-Bacon wages or wages from a similar prevailing wage law;
o. Annuity plans;
p. Expense reimbursements to employees to the extent that an employer's records do not substantiate that the expense was incurred as a valid business expense;
   **Note:** When it can be verified that the employee was away from home overnight on the business of the employer, but the employer did not maintain verifiable receipts for incurred expenses, a reasonable expense allowance, limited to a maximum of $30 for each such day, will be permitted.
q. Payment for filming of commercials excluding subsequent residuals that are earned by the commercial's participant(s) each time the commercial appears in print or is broadcast.

***Exclusions***

a. Tips and other gratuities received by employees;
b. Payments by an employer:
   (1) to group insurance or group pension plans for employees, other than payments covered by Inclusions f and m;
   (2) into third-party pension trusts for the Davis-Bacon Act or a similar prevailing wage law, provided the pension trust is qualified under IRC Sections 401(a) and 501(a);
c. The value of special rewards for individual invention or discovery;
d. Dismissal or severance payments except for time worked or accrued vacation;
e. Payments for active military duty;
f. Employee discounts on goods purchased from the employee's employer;
g. Expense reimbursements to employees to the extent that an employer's records substantiate that the expense was incurred as a valid business expense;
   **Note:** Reimbursed expenses and flat expense allowances, except for hand or power tools, paid to employees may be excluded from the audit, provided that all three of the following conditions are met:
   (1) The reimbursed expenses or expenses for which allowances were paid were incurred upon the business of the employer, and
   (2) the amount of each employee's expense payments or allowances is shown separately in the records of the employer, and
   (3) the amount of each expense reimbursement or allowance payment approximates the actual expenses incurred by the employee in the conduct of his or her work.
h. Supper money for late work;
i. Work uniform allowances;
j. Sick pay paid to an employee by a third party such as an insured's group insurance carrier that is paying disability income benefits to a disabled employee;
k. Employer-provided perquisites (perks) such as:
   (1) Use of an automobile;
   (2) An airplane flight;
   (3) An incentive vacation (e.g., contest winner);
   (4) A discount on property or services;
   (5) Club memberships;
   (6) Tickets to entertainment events.
l. Employer contributions to salary reduction, employee savings plans, retirement, or cafeteria plans (IRC-125) - Contributions made by the employer, at the employer's expense, that are determined by the amount contributed by the employee.



**About NCCI, rating organizations**

NCCI is Idaho's rating organization. Idaho's law requires all companies offering workers compensation insurance to be a member of a rating organization. A rating organization provides basic manual rates, rules, and classifications that all carriers must use. A rating organization determines rates on an actuarial basis by comparing payroll/premium to losses in each classification, then factoring in the carriers' expenses and profit.

## Reminder: File claims within 10 days

A First Report of Injury form (FROI) must be completed within 10 days from the date of knowledge of an injury. It is the employer's responsibility to secure the information from the injured worker after receiving notification that an injury has occurred.

A FROI must be filed when:

- A work-related injury results in the need for medical treatment by a licensed medical provider.
- A worker has missed more than one day of work as the result of a work-related injury.
- An injured worker requests to file a claim under workers compensation regardless of the circumstances.

**State Insurance Fund**
**1215 West State Street**
**P.O. Box 83720**
**Boise, ID 83720-0044**
**(208) 332-2100**
**(800) 334-2370**

### E-mail addresses:

*Underwriting:* Underwriting@isif.state.id.us
*Audit:* Audit@isif.state.id.us
*Claims:* Claims@isif.state.id.us
*Risk Management:* RiskManage@isif.state.id.us
*Client Relations:* Client@isif.state.id.us
*Manager's Office:* Administration@isif.state.id.us

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Costs associated with this publication are available from the State Insurance Fund in accordance with Section 60-202, Idaho Code. June 2003, *compUpdate, Spring/Summer 2000*. 186/GVHA/5025-15



# Filing via e-mail? Use new FROI form

If you are currently sending your claims via e-mail, you should download the new First Report of Injury form that is available on our web site.

It may not be obvious at first glance that the new FROI is different from the previous version. Some minor typographic changes have been made, however, to ensure the form "scans" more accurately by our optical reading equipment. If you aren't sure whether you have the new form, check the lower lefthand corner of the form. It should have a label that reads ***SIF 05/03 (froi-email.doc)***.

Information about downloading the form and how to e-mail it can be found at ***www2.state.id.us/isif/howtofile.htm***. The direct link to the form is ***www2.state.id.us/isif/froi-emailform.doc***.

Policyholders who wish to file using the e-mail form need Microsoft Word 97 or a more recent version. The form is protected and should not be altered.

When filing a claim, send the form as an attached file, not embedded in the e-mail message. If you are sending it directly from Word, "Send to Mail Recipient (As Attachment)." The e-mail FROI should be sent to ***reportclaim@isif.state.id.us***. If you have questions or need assistance with the form, send an e-mail to ***forms@isif.state.id.us***.

**Supplemental reminder:** The Employers Supplemental Report (IC Form 14) must be completed: 1) upon termination of disability (regardless of length of time disabled for work), and 2) at the end of 60 days from date disability began if employee is disabled for work that long.

Any employer who fails to make this report upon the termination of the disability of one of his injured employees, and if the disability extends beyond a period of 60 days, at the end of that period, is subject to a penalty not to exceed $500.

The form is available as a Word form at ***www2.state.id.us/isif/supplemental.doc*** and should be returned as an attachment to ***reportclaim@isif.state.id.us.***

## Request certificates by e-mail

Policyholders who need proof of insurance sent to someone can e-mail their requests to:

**certificate@isif.state.id.us.**

Please include your business name and policy number and the name and address of the person you want the certificate sent. We can fax certificates if you provide a fax number.

***To request by phone:***

**1-888-253-0149** (Dial 332-2375 in the Boise calling area.)

***To request by fax:***

**(208) 334-3254**