

## **How to avoid costly workers' compensation claims: Understanding how the system works**

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Every Massachusetts employer is required to provide workers' compensation insurance coverage for their employees. It is a mainstay of business and protects employees and employers alike. However, workers' compensation claims can become costly if you don't know what to look out for. If you understand how the system works, you can take advantage of simple ways to reduce workers' compensation costs.

Workers' compensation coverage includes two types of protection: workers' compensation and employer's liability. Regardless of the industry you're in, the best way to control the cost of workers' compensation insurance premiums is to avoid injury claims. A safe environment, effective safety training, and ongoing programs to promote safe work habits are keys to preventing employee injury. As an employer, managing your workers' compensation claims means preventing work-site injuries before they happen as well as getting injured employees back to work as soon as possible. Good loss prevention and control, claims management and effective return-to-work programs can cut costs dramatically.

One of the most costly aspects of workers' compensation claims is the length of time they take to process. Claims can drag out and if not settled quickly, can turn into costly administrative nightmares. Check to see if your broker offers in-house claims management - a centralized claims processing center that ensures all open claims are monitored, tracked and settled in a timely, efficient and consistent manner. With the help of monthly loss run reviews from the insurance companies, your broker can address claims issues immediately, working closely with all parties to achieve a swift resolution.

The Commonwealth's Department of Industrial Accidents has compiled an Employer's Guide to the Massachusetts Workers' Compensation System, containing all the information an employer in Massachusetts needs in order to comply with the insurance and reporting requirements of the Massachusetts workers' compensation act. The guide provides a number of suggestions for reducing your overall workers' compensation insurance expenses, including:

- \* Establishing comprehensive safety and health education and training programs.
- \* Establishing joint labor-management safety committees on site.
- \* Providing speedy and efficient medical attention to injured employees.
- \* Completing and filing all relevant insurance forms on behalf of the injured employee.
- \* Maintaining contact with the injured employee.
- \* Providing job modifications to encourage employee's return to work.

Another effective way to reduce your workers' compensation premiums is by lowering your Experience Modification Rating (EMR), also referred to as the Experience Modification Factor, Experience Modifier or just the Mod. The EMR is an adjustment made to an employer's workers'

compensation premium. Any company with an annual premium greater than \$5,000 is subject to a premium modification rating. Because an employer's loss history is often a predictor of future losses, insurance companies use EMR as a prime indicator of a company's commitment to safety and overall management competence. EMR is calculated based on data reported by employers' past insurers, therefore incorrect or incomplete data can cause incorrect EMR. For this reason, it is critical that your insurance broker work with you to review these calculations for accuracy.

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