



# LOBBY

Lodging Industry News from the State Capitol

## Reducing Your Most Controllable Insurance Expense

by Joel Brand, EPIC Insurance Brokers

The cost of workers' compensation insurance continues to be a sore spot for many in the hospitality industry. Prudent employers will respond to this challenge by reaffirming the key elements of workers' compensation cost control.

Regardless of market cycle, these are the "basics" that will drive your costs to the lowest possible level. Make them the core of your workers' compensation program.

### Safety and Loss Prevention

Well-designed and aggressively managed safety and loss prevention programs not only reduce direct claims expense, they eliminate the "hidden" costs of workers' compensation claims. This produces substantial savings over time, since these indirect expenses (e.g. lost productivity, temporary help) are multiples of direct claims costs.

Many workers' compensation insurers have reduced or eliminated loss prevention personnel and programs. Their loss control service is frequently little more than a periodic "inspection" based on underwriting requirements.

### Initial Claims Investigation, Reporting and Management

Actions immediately after an injury occurs have a major impact on claims outcomes. The role of supervisors and department managers, therefore, is critical since they are the first to know of claims and have the initial opportunity to investigate and control events. Your supervisors must be properly trained in workers' compensation claims investigation and reporting procedures.

Supervisors also play a key role in preventing future claims and must understand the importance of thoroughly investigating the causes of injuries and taking corrective action to eliminate unsafe conditions and practices. And it is your supervisors who play a pivotal role in the success of modified duty / transitional work programs.

Again, you cannot rely on your insurance carrier for necessary claims management support. Many companies now utilize only

inexperienced "inside adjusters" who simply process (rather than aggressively manage) claims—and the insurance company's best interests may not be yours.

### Medical Control / Provider Selection and Management

Proper selection of workers' compensation medical providers, combined with effective referral procedures and ongoing communication programs, can significantly reduce claims expense. Providers must understand your operations and human resources philosophy, specialize in occupational medicine and work closely with your broker and insurer.

If medical control is not assumed, employees can seek their own care— usually from their personal physician. Communicating with a Physician who does not understand the workers' compensation system can be a challenge, at best. Ongoing treatment from an employee's personal physician invariably leads to a longer recovery period and unnecessarily increases claims costs.

### Return-to-work / Transitional Duty Programs

Workers' compensation is ultimately a disability management system. Focusing on managing temporary disability, permanent disability and vocational rehabilitation will have the greatest impact on reducing claims expense and increasing employee satisfaction and productivity.

In addition to reducing workers' compensation expense, return-to-work programs can decrease your exposure under the Americans with Disabilities Act (ADA) and other similar federal and state laws.

It is well established that the earliest possible return-to-work substantially decreases both direct and indirect costs. This should be an absolute priority in your program.

### Selecting the Right Insurance Broker / Consultant

Here are some of the key capabilities you should identify when evaluating an insurance broker:

- Broad Market Access—does your broker

have strong relationships with the major underwriters of workers' compensation coverage as well as regional specialty carriers? Bigger is not always better, but a certain amount of market reach, leverage and choice is very important.

- Experience and Expertise—does your broker really understand the market? Are they specialists in workers' compensation? Ask for current client references and evaluate whether their programs contain the key cost control elements discussed here.
- Resources and Infrastructure—does your broker have their own teams of Risk Control and Claims Management professionals? Identify these people and meet with them personally to assess their qualifications. In the right situation, you shouldn't have to ask. The best brokers will approach you as a team and involve their claims and risk control people in the process.

- Needs Assessment and Communication—how much time does a broker spend evaluating your current program? Do they ask questions related to the key cost control elements or do they simply ask for basic payroll and loss information? What can they tell you about workers' compensation market trends, cost containment strategies, etc? Do they regularly communicate on these issues with their clients and, if so, how? Workers' Compensation is ultimately an employer's most controllable insurance expense. But taking this control isn't easy. It requires knowledge, discipline and attention to the fundamentals. This, in turn, requires effective partners and committed advocates.

There's no magic potion or silver bullet. To reduce your workers' compensation costs, it's time to get back to the basics. Find the right broker and get to work. ■

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