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## Workers' Compensation 101: How it Works

### *What you need to know*

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The idea behind workers' compensation insurance is to provide your employees coverage for work-related injuries and illness. In exchange, the ability of the employee to sue you when they are injured on the job is greatly reduced. Items provided by workers' compensation include no-cost medical care; some tax-free income while the employee is recovering and possibly upon their initial return to work; additional benefits should the disability be permanent, and payments to dependents should the employee be fatally injured.

Workers' compensation insurance is required for every company with employees—**this includes non-profit organizations**. While self-insurance for groups of 2 or more employers is an option, the certification and ongoing administration can be very time-consuming and expensive. A few of the steps required for those considering self-insurance include conducting a feasibility study, selecting a claims administrator, establishing an enhanced safety and loss program, purchasing excess insurance (to protect against large claims), obtaining state certification of the group, and obtaining a security bond or letter of credit (amount will vary depending on state formula, but will never be less than \$220,000).

As an employer, you are responsible for the following:

- Current notice must be posted about your workers' compensation carrier (insurer) and benefits, along with the name and contact information of your organization's employee contact person (Notice to Employees DWC Form 7 is available from [www.dir.ca.gov/dwc/forms.html](http://www.dir.ca.gov/dwc/forms.html) or your insurer)
- Provide each employee immediately upon hire or injury with an "injured worker" pamphlet (available from your insurer or [www.dir.ca.gov](http://www.dir.ca.gov))
- Provide each employee immediately upon hire with an appropriate form to designate their personal physician or chiropractor (see text box on page 3 for more details)
- Follow all state and insurer requirements once an injury has occurred (see the workers' compensation cycle below)
- Implement an illness & injury prevention plan (IIPP) to avoid unnecessary injuries (available from [www.scif.com/pdf/biztools/iipp.pdf](http://www.scif.com/pdf/biztools/iipp.pdf))

### **The Workers' Compensation Cycle**

"Ima Employee" trips over an unseen, open file cabinet drawer and breaks her shoulder. Her supervisor drives her to the emergency room for treatment. Because Ima did not predesignate a primary physician, her employer can choose a physician within the carrier's network. Ima has surgery and an overnight stay in the hospital.

Her supervisor visits her in the hospital the next day, and delivers an injured worker pamphlet (*must be mailed or provided within 5 days of injury*) along with the Employee's Claim for Workers' Compensation Benefits DWC Form 1 (*must be mailed or delivered within 1 day of injury that results in more than "first aid" or lost time beyond the day of injury*).

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When the supervisor returns to the office, they complete and mail the Employer's Report of Occupational Injury or Illness DLSR Form 5020 (*must be completed and sent to insurer within 5 days of employers' knowledge of the injury*). This is also the perfect opportunity to review how the injury occurred, and how similar incidents might be prevented. Ima has one year to file a claim, but the sooner the better!

While Ima recovers at home, her supervisor keeps in touch, checking her progress. The supervisor also keeps in contact with the insurance company, answering questions, etc.

Since Ima needed some time off work after her injury, she is eligible for temporary disability payments, helping replace her lost wages. When her doctor releases her to return to work, Ima cannot initially perform her data entry duties with one arm in a cast. The organization offers Ima work answering the phones (with a headset) so she continues performing a necessary function for the agency while recovering.

Please note: each injury or incident is unique, presenting numerous variables. We strongly recommend obtaining expert assistance throughout the process.

### **A few last things**

Workers' compensation can be extremely complex, and any termination actions following a workers' compensation case should be reviewed by legal counsel in advance to avoid potential discrimination claims. Additional compliance may need to be coordinated with Cal OSHA, Family Medical Leave, etc.

Things you can do to keep your workers' compensation costs down:

- Shop for coverage
- Check your "class codes"—your rates will be based on how your staff positions are classified, with the more hazardous positions resulting in higher premiums
- Implement illness & injury prevention plan—conduct workplace inspections and hold your supervisors accountable for safe conditions and practices
- Consider a return to work/modified work program—recent changes in California workers' compensation rules reward organizations using these programs with benefit cost reductions
- Close "open claims" as soon as possible—that means keeping in touch with both the injured employee and your carrier

We also have available the following factsheets for CIS clients:

- What is Workers' Compensation?
- Frequently Asked Questions
- How to Save Money on Your Workers' Compensation Costs

Please call (888) 427-5222 with requests.

*This information is an overview of workers' compensation and should not be construed as legal advice. In no event will we be liable for any damages whatsoever resulting from use of this material. We recommend, because of the potential liability of workers' compensation, legal advice or other expert assistance is obtained. ■*

### **Are you providing your new employees with the opportunity to predesignate a personal physician or chiropractor?**

While there is no "official" form that is required, the following information should be obtained in writing: employee name, employer name, and designated doctor/chiropractor address and phone. Effective April 2004, if an employee chooses to predesignate, the physician/chiropractor must be part of the employer's health plan.