



“Classification Clarification and other Tools to Manage Workers Compensation Costs”

**HDAW - Las Vegas
APRA/Heavy Duty Remanufacturing Group**

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Answers to Most Common Questions From How to Purchase Presentations



- **How can I reduce Workers Compensation costs?**
- **What options should I consider – PEO, Independent Contractors, etc.?**
- **What options do I have to be reclassified?**

Agenda/Objectives



- Provide overview of areas of greatest emphasis to reduce costs
- Review means to evaluate classification codes used
- Review evaluation tools to be used to understand workers compensation
 - Loss run request form
 - Experience rating data request letter
 - Scopes Manual pages by state for payroll definition and accounting for payroll items—benefits, overtime, etc.
 - NCCI classification change request

Workers Compensation--Overview



● What is Workers Compensation?

- State mandates injured worker entitled to benefits; must purchase private, state funded or self-insure; original No-Fault insurance program (except TX)

● How is it set up by business type?

- Class code is used to categorize the business to a particular area or kind
- Governing code is determined that best describes the business
- Reviewed periodically to be sure the code properly classifies the business

● What can you control?

- Experience Modification - your loss experience relative to expected or the average – incentives, loss runs, safety committees, smaller vs. larger--frequency vs. severity
- Deductible - to take on first dollar of coverage - like home or health insurance to obtain a lower rate or price

Workers Compensation – Overview

What can you control?



- Audits
 - Payroll Records – How set up and audited
 - Straight time separated from overtime
 - Vacation pay, holiday pay, sick pay, employee contributions to section 125 plans, bonuses under safety program, etc. (Varies by state as to what is allowed.)
 - Executive Officers, if covered. Be sure payroll cap in place per what state allows

- Classifications - governing code assigned – is it correct or appropriate for your business?
 - Standard exceptions: 8810-clerical, 8742-outside sales, 7380-drivers

Workers Compensation – Classification Clarification

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- Classifications that could be considered as governing code
 - 3632—most Reman operations use this code—machine shop type, code not used for precision operations and if no other code describes or classifies operation. Tolerances no closer than .001 inch
 - 3629—Precision Machine Parts Mfg. Overused to point that NCCI is looking closely at whether this code can be used. Its use requires that more than 50% of your employees payroll comes from precision machining—at tolerances of .001 inch or closer. Availability of this code varies by state
 - 3827—Auto Engine Manufacturing—not available in every state but if engine remanufacturer, then may have use of this code - CA
 - 3648—Auto lighting, ignition or starting apparatus manufacturing—alternator manufacturing, electric accessory part rebuilding - MA
 - 3828—Auto or Truck Parts Rebuilding—CA

Workers Compensation

What can you implement when you get home?



- Review class code for Executive Officers, if covered under WC, to be sure payroll limitations are in place. Entertain providing, or excluding, coverage for executive officers depending upon job class, governing code or standard exception.
- Be sure anyone you subcontract work to, or bring on premises to do work for you, (roofer, HVAC, pollution disposal, uniform rental driver, etc.) provides you with a certificate of insurance indicating they have WC insurance coverage with policy number, expiration date, etc. Otherwise, that payroll attributable to the work performed will form premium base from which you will be billed.
- Request loss runs every year for the current year and prior 3 years. Review to be sure the losses are yours, they're where you expect them to be in terms of paid and reserved, and to monitor status.

Workers Compensation

What can you implement when you get home?



- Request Experience Rating Data Sheet to review your Experience Modification promulgation to be sure accurate and that the proper unit stat cards were used
- Take on deductibles, \$500 to \$2500, at whatever level gives greatest return for exposure taken
- Implement incentive plans for no lost days and have system in place to reward all employees quarterly. Also implement Supervisors Report of Injury, identify preferred providers and put Return to Work program in place to help manage.

Workers Compensation

What can you implement when you get home?



- Review Classifications by job and by job family—obtaining proper governing code and allowing for all standard exceptions
 - 3632 is the typical class code assigned— you may find other class codes costs are somewhat less:
 - 3629 precision machine parts is 43% of the 3632 rate in some states
 - 3827 auto engine mfrg is 42% of the 3632 rate in some states
 - 3648 auto lighting, starting, ignition apparatus mfrg is 54% of the 3632 rate in some states—if you can use that code
 - 8810, 8742 and 7380 are standard exceptions
- Review Payroll Records—Be sure splitting overtime from regular time. Also be sure that you are separating out certain items if your state allows to be removed from payroll—Vacation pay, bonuses under a safety program, employee contributions to Section 125 program

Suggested Methods to Manage Process



Sample items are included in your packets:

- Experience Mod request letters
- Loss Runs (how to request)

Questions ?

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Thank you!