

Your Protection

PUBLISHED BY MORRIS & REYNOLDS INSURANCE / ISSUE 7 / JANUARY 2000



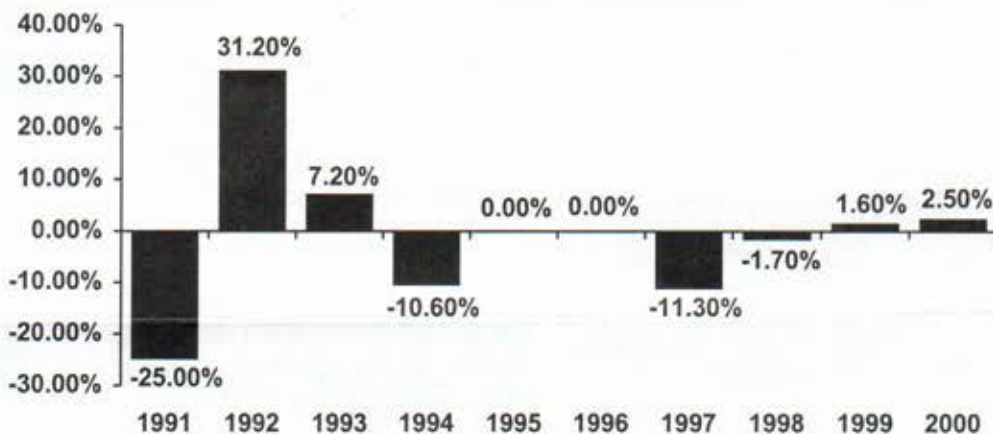
In 1935, my grandfather authored the first Florida worker's compensation statute. In the 65 years since he wrote the law, the statute, as well as the workplace, has changed dramatically. One thing that has not changed is the importance we place on helping our clients with their worker's comp needs.

This issue of **Your Protection** focuses on the cost of worker's comp coverage and claim trends in the workplace. If you'd like to know how to reduce or stabilize your premiums, what the most common claims are and when claims commonly occur, this is the issue for you.

From the entire Morris & Reynolds Insurance family, we wish you a Joyful Holiday and a Happy New Millennium. As always, thank you kindly for allowing us to provide your protection.

WORKER'S COMP 2000

A DECADE OF STABLE WORKER'S COMPENSATION RATES



RATES REMAIN STABLE

Great News! Florida's worker's compensation rates continue to remain stable. Although claims have been rising in recent years, rates for 2000 are within 2.5%, on average, of where they were in 1999.

The chart above illustrates the changes in rates from 1991 to 2000. As you can see, there's been a cumulative reduction of -13.90% since 1991. Page two has a number of ideas on how to reduce or stabilize your premiums and page five provides examples of some of the more popular rates as of January 1st, 2000.

CLOSED CLAIM STUDY

Want to know which day of the week most worker's compensation claims take place, or learn which employee is most likely (33% of the time) to have a work related injury or which accidents total nearly 40% of all claims? These questions and many others that will help you eliminate or control losses can be found on pages three and four of this issue of Your Protection.

The 1998 *Closed Claim Study* has recently been published and is the best review of Florida claim trends we've seen. Last completed in 1988, the new

1998 study is an excellent risk management and safety tool for any organization.

If you have questions on rates, coverage or claims, please call us and we will happily help you immediately. **305.238.1000**.

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How To Reduce Your Premium

MANY TOOLS ARE AVAILABLE TO REDUCE YOUR WORKER'S COMPENSATION COSTS



There are many ways to control your worker's comp costs. Here are a few of the most frequently used tools we use to reduce premiums:

✓ SAFETY PROGRAM CREDIT

Employers with a documented safety program in regular use can apply for a 2% premium credit. Florida law actually requires employers with over ten employees to establish, maintain and administer a safety committee in the workplace.

✓ DRUG FREE DISCOUNT

Employers who test all new employees and comply with the law's other provisions are eligible for a 5% credit. Please call our office today for an overview of the law and an application for the credit.

✓ DEDUCTIBLE DISCOUNT

Florida law allows a Per Claim deductible commonly ranging from a low of \$ 500 (saving 2%) to \$ 2,500 (saving 6.3%). Other deductibles, including higher ones from \$ 10,000 to \$ 75,000, are also available but must be carefully considered before implementation as they, too, apply to each claim.

✓ MANAGED CARE CREDIT

In 1997, Florida rates saw a significant 10% reduction as a result of the mandatory use of a managed care network by all employers. Since the mandated change in the law, all injured employees must now obtain treatment from a "network" provider.

✓ REDUCE YOUR EXPERIENCE MODIFICATION

Businesses over five years old, with premiums above \$ 10,000 or an average of \$ 5,000 in more than two years of the experience period, have their own claims frequency and severity impact their costs. The less frequent and less severe your claims, the lower your modification and the lower your costs. It is not uncommon to see businesses with strong loss control and safety programs, as well as few claims, enjoying a credit from their modification ranging from 5% to 30%.

✓ LOSS SENSITIVE PLANS

There are hundreds of plans that can reduce costs when you have limited or no claims in a given year. These plans, called Retrospective Rating, Cash Flow, Preferred Pay, Dividend, Jumbo Retros and many others are available from nearly every company. Depending on your company size and tolerance for risk, these plans can range from minimal reductions in cost (with little risk) to near self-insurance, where your losses directly impact your bottom line, and finally, to retention of all risks with full self-insurance.

✓ DIVIDEND PLANS

Dividend based plans continue to be popular in Florida as companies suggest that your worker's compensation costs will be reduced if you have a low loss year and if the company declares a dividend. Those are, of course, two important "ifs."

When reviewing a Dividend plan, it is important to keep in mind that, by law, dividends cannot be guaranteed by an insurance company.

Since dividends cannot be guaranteed, it's also important to consider the insurer's dividend history. A few insurers, such as FCCI, which has paid dividends since 1959, have long histories of paying dividends. Since many insurers, however, have only begun writing worker's compensation in Florida in the past few years, it's common to see a company offer a Dividend plan, but have little or no history of actually paying dividends.

✓ STOCK COMPANY CREDIT

Depending upon the size of your premium, you're entitled to this discount. Premium from \$ 5,000 to \$ 100,000 enjoys a 10.9% discount, from \$ 100,000 to \$ 500,000 a 12.6% reduction and over \$ 500,000 a credit of 14.4%. No credit applies to the first \$ 5,000 of annual premium.

✓ HIRE CAREFULLY

Many insurers will provide a report on prospective employees' claims history, as well as medical questionnaires and other applicant forms to help you screen employees. Many employers now also use pre-employment skills and knowledge testing, as well as background investigations before hiring new members of their TEAM. In addition, Morris & Reynolds Insurance can provide motor vehicle reports to you free of charge for employees that have driving duties.

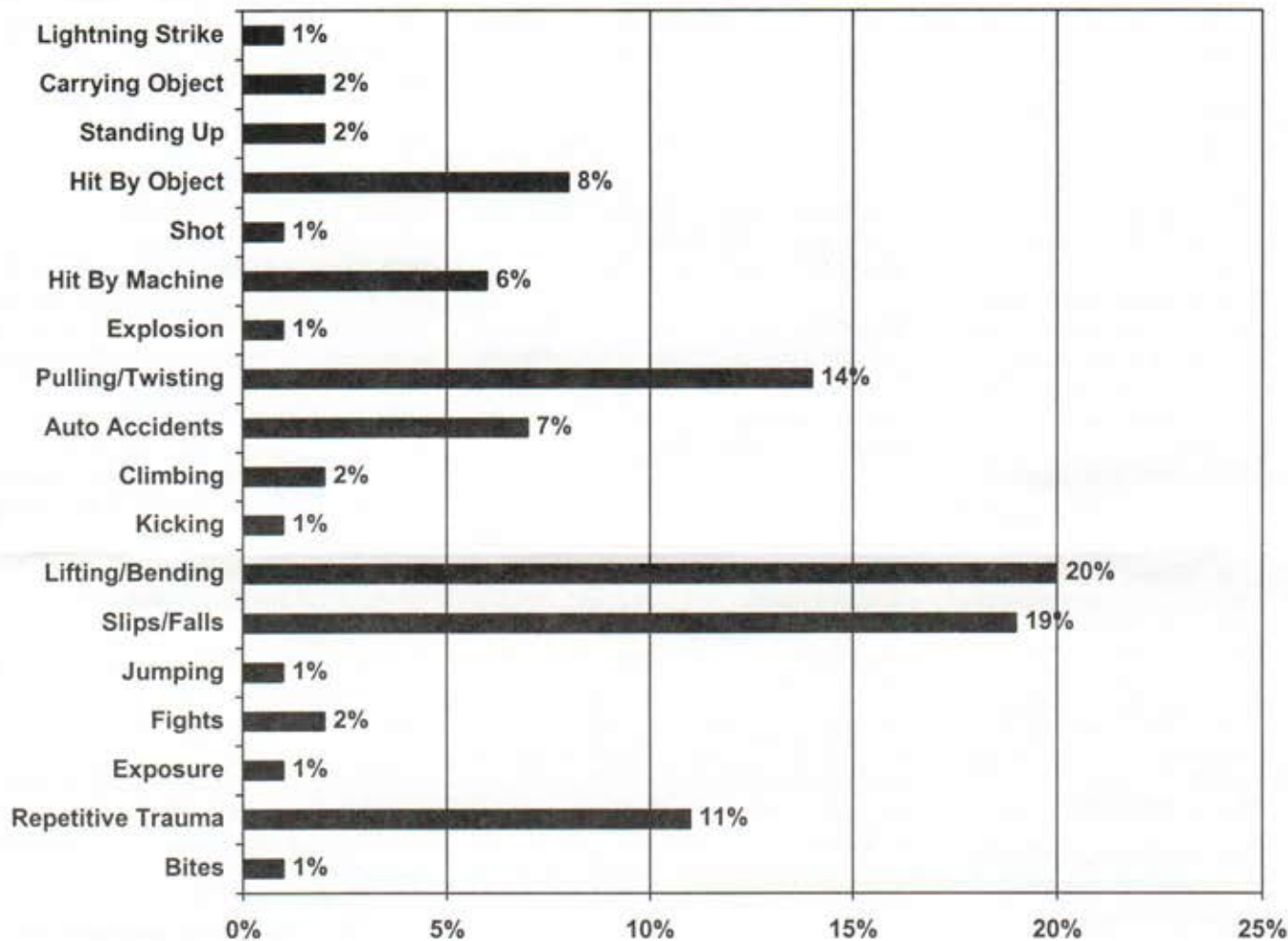
✓ CALL MORRIS & REYNOLDS

The Reynolds family has been involved in worker's compensation since 1935. We have the answers and creative solutions you deserve and the quality insurers you desire. Call us today at 305.238.1000.

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Worker's Compensation Claims

THE CAUSES OF WORKPLACE INJURIES



Source: Associated Industries & NCCI



The Who & When of Worker's Compensation Claims

A 1988 study found 2.5 percent of all worker's comp injuries involved employees who had been with the employer six months or less. In 1998 the same study found that 33% of all injuries occur to employees who were with their employer six months or less.

Although the exact reason for this significant increase is not known, we can speculate that lack of proper training or inadequate workplace safety contribute to the sizable rise.

According to a 1998 study, Friday is now the most likely day for a workplace injury to occur. In fact, 31% (nearly double the percentage for the most active day ten years earlier) of all work related injuries now occur on Fridays. In 1988 the same study found Wednesday to be the most active day, with 16% of all claims during the week reported that day.

Need more info on claim trends or Loss Control ideas? Call us today @ 305.238.1000.

Your Protection

PROTECTION

Q&A

Douglas H. Reynolds, CPIA, President & CEO of Morris & Reynolds Insurance answers questions on Worker's Comp:

Which Businesses Must Have Worker's Comp?

Employers with four or more employees, including owners or officers, and construction businesses with one or more employees.

Who Can Be Excluded?

Domestic Servants, Farm Labor with less than 5 employees, Professional Athletes and Labor by court order to perform community service. Corporate officers, sole proprietors and partners in a partnership can exclude themselves by filing an exemption. We recommend that all employees, no matter their job title, carry coverage.

Can An Employer Fire An Employee Due To A Compensation Claim?

No. In *Scott v. Otis Elevator (FLA., 1990)*, the Supreme Court ruled that an employer may not discharge, threaten to discharge, intimidate or coerce an employee due to a worker's compensation claim. Employers violating the law are subject to Tort Liability including emotional distress.

Who Wrote Florida's Worker's Comp Law?

My father, Edwin Hyde Reynolds, in 1935. He then went on to open our insurance agency in 1950.

Claim Trends of Concern

If you're like most business people, you're concerned with the direction you see or sense worker's compensation claims to be heading. The recently published *Closed Claims Study* presents some interesting, and frightening data about how worker's compensation is evolving in Florida.

MOST COMMON CLAIMS

Lifting of objects, along with claims from slips and falling, account for nearly 40% of all claims reported.

Repetitive trauma injuries, such as carpal tunnel syndrome, increased 1,000 percent between 1988 and 1998. Repetitive trauma has been found to be highly litigious, a trend that is likely to continue.

Strains, fractures and sprains continue as the most frequently litigated physical injuries, accounting for nearly 67% of all litigated cases.

The back is the most injured body part, appearing in 25% of all claims. Interestingly, ten years ago back claims accounted for 43% of all claims and, as such, we can conclude that back focused safety and loss prevention has had a positive impact in reducing claims. The **neck** is the second most commonly injured body part, followed by the **knee**.

Construction remains the most injury prone occupation in Florida. In 1988, 23% of all litigation came from the construction industry, while this figure fell to 18% in 1998. This percentage will likely increase in the future due to changes made to the law in the 1998 legislative session following a grand jury investigation of fraud. The investigation found wide-spread abuse in the construction industry of a provision that previously allowed construction companies to opt out of carrying coverage in certain situations. The changes to the law will cause an increase in claims, not because more will occur, but because more will fall under worker's compensation.

MEDICAL TRENDS

In 1988, 65% of injured workers sought treatment in an **emergency room**, while this fell to 45% in 1998. The required use of managed care since January 1997 is the likely reason for this decrease.

The 1988 study found that 3% of employees, at the urging of their attorneys, visited a physician without obtaining approval or authorization. That figure grew to 19% by 1998. **"Doctor-shopping"** (the term for the practice of manipulating medical expenses and treatment to inflate claims) seems to be increasing. Referrals from the injured worker's attorney account for nearly 20% of all physician referrals today.

In 1988, 78% of injured workers obtained a **second opinion**, while 94% obtained one in the 1998 study.

LEGAL TRENDS

Miami-Dade County has the largest number of litigated lost-time (disability) cases of any County in Florida.

In 1988, injured employees hired an attorney 43% of the time. In 1998, **injured employees hired an attorney in 62% of the cases studied.**

On average, the **injured employee hired an attorney 175 days after their injury occurred**, according to the 1998 report, or more than half as fast as the 408 days it took to hire an attorney in 1988.

And finally, the ratio of benefits paid to total expenditures in the worker's compensation system shows that **since 1988 there was a sizable decrease in the money received by injured workers while medical expenses were higher and the percentage of money going to the workers attorney remained the same.**

Special thanks to Associated Industries, Florida Business Insight and Mary Ann Stiles for the data used to write this article, as well as the Closed Claim Study.

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How Will Your Rates Change In 2000?

SAMPLES OF THE NEW RATES FOR 2000

CODE	CLASSIFICATION	1999 RATE	2000 RATE	DIFFERENCE
2105	Fruit Packing	\$ 12.79	\$ 13.81	8 % More
4299	Printer	\$ 4.78	\$ 4.53	5 % Less
5551	Roofing	\$ 53.20	\$ 53.17	1 % Less
5606	Contractor Supervisor	\$ 5.26	\$ 5.23	1 % Less
7502	Natural Gas Company	\$ 5.16	\$ 4.92	4 % Less
8350	Gasoline Dealers	\$ 10.43	\$ 11.42	10 % More
8353	LPG Dealers	\$ 9.46	\$ 10.52	11 % More
8380	Auto Glass & Parts	\$ 6.31	\$ 6.80	7.8 % More
8742	Sales	\$ 1.18	\$ 1.13	4 % Less
8810	Clerical	\$.56	\$.59	5.5 % More
9015	Condo & Building	\$ 8.57	\$ 9.19	7 % More



There are over 1,300 worker's compensation class codes used in America today to define every conceivable job title from Asphalt Manufacturers to Zoo-Keepers. The chart above compares a handful of codes to illustrate how rates shall change in 2000 versus those used in 1999.

When reviewing the classifications, please keep in mind that many codes have lengthy, detailed descriptions as to who can and cannot be placed into a particular classification. For example, the LPG Dealer (8353) codes includes propane dealers, drivers and salespersons even though there are separate codes for drivers and salespersons elsewhere in the classification manual.

If you need more information, such as an answer about a classification you do not see, desire a copy of all of the 2000 rates, or want the wording of any specific code definitions, please call us and we will be happy to help you immediately. **305.238.1000**



THE COMPANY WE KEEP

Here are just some of the fine companies we represent for your worker's compensation needs;

American International Group (AIG)

Associated Business Owners

Associated Industries of Florida

Bankers Insurance Group

CHUBB & Son

Clarendon Insurance Company

COMP Options (Blue Cross)

Employers Self Insurance (ESIF)

FCCI Mutual Insurance Company

Florida Retail Federation (FRF)

Florida Worker's Compensation

HUMANA/PCA Solutions

Reliance Insurance Group

The Travelers Insurance Company

ZC Insurance

Zurich Insurance Group

Your Protection

MORRIS & REYNOLDS INSURANCE

"Savings and Service Has Been Our Policy Since 1950"



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This Issue: Worker's Compensation 2000



What Is Covered ? Worker's Comp

"Refer to State Statute." That's as much of a definition as you would get from reading your policy right now if you wanted to know what it covers. Although the language is standardized, each policy is governed by the State where coverage is provided. In fact, State statutes define the coverage employees are entitled to receive.

Florida policies have three parts. **Part One, "Worker's Compensation,"** addresses benefits for employees who suffer a workplace accident or sickness and includes the following coverage:

Medical Benefits

Employees who are injured or sick from their work are entitled to medical benefits covering 100% of their costs without maximum limit.

Disability

Employees who become disabled due to a job related injury or sickness are eligible to collect a percentage of their average pre-disability wages for Permanent Total Disability, Temporary Total Disability, Permanent Impairment and Temporary Total Disability.

Employees are eligible for disability payments after a seven day waiting period and benefits are retroactive to day one of disability if the employee is disabled for 21 days.

Death

If death occurs within one year of an accident or continuous disability, or within five years of the accident, funeral expense of \$ 5,000 and up to 66 2/3% of wages, to a maximum of \$ 100,000, is payable.

Part Two is known as "*Employer's Liability*" and provides a limit for Each Accident, one for Disease to Each Employee and one for the Policy Limit For Disease. Basic minimums are expressed as \$ 100,000 / \$ 500,000 / \$ 100,000 with higher limits available and suggested. This coverage protects employers from employee related lawsuits for work related accident and disease.

Part Three, "Other States" coverage, is used to endorse States outside Florida onto policies for businesses that have such exposures.

Please note that this is only a brief summary of coverage provided by the worker's compensation policy. Please consult your policy or call us today with any specific questions you might have @ **305.238.1000**. We will be happy to help you immediately.