

# DREGGORS, RIGSBY & TEAL, P.A.

## CERTIFIED PUBLIC ACCOUNTANTS

### What Employers Need to Know about Workers' Compensation Insurance

All states and the District of Columbia have workers' compensation laws designed to protect employed individuals who get sick, injured, or killed on the job. Employers pay the cost of workers' compensation by purchasing private insurance or state-sponsored insurance, or sometimes by self-insuring. Each state has its own workers' compensation system, so the rules vary. As a business owner, you should know the following facts about workers' compensation.

#### **Workers' compensation is a mandatory state-based insurance program**

Workers' compensation is a mandatory state-based social insurance program that provides workers with insurance protection against disability or death that occurs while at work. In most states, the workers' compensation laws are compulsory and require businesses to accept the laws' provisions and provide the specified benefits. In some states, coverage is elective, and employers can opt out of the state workers' compensation system in exchange for the loss of certain liability limitations. Some states exempt businesses with fewer than three or four employees from workers' compensation insurance requirements.

#### **It provides employees with benefits in the event of a workplace injury**

Workers' compensation protects workers from workplace injuries, repetitive stress injuries, and occupational diseases. It pays four types of benefits:

- \* Medical benefits
- \* Disability benefits
- \* Survivor's benefits
- \* Rehabilitation benefits

Employees who are injured or disabled on the job receive a fixed monetary award. In exchange, they give up the right to sue the business. If an employee dies as a result of a workplace injury, benefits are paid to the employee's family.

#### **Your business is responsible for providing coverage**

Businesses are, by law, 100 percent responsible for providing workers' compensation benefits. Your business can't charge a worker for benefits provided under workers' compensation or for any portion of the business's workers' compensation insurance premium.

Keep in mind that your business may be required by the laws of your state to post a notice in the workplace that provides the name of the workers' compensation insurance carrier.

#### **The rules for coverage vary by state**

Your state mandates how much coverage you must buy, which employee classifications must be covered, and what percentage of an employee's salary you'll pay if he or she misses work due to a work-related injury.

Failure to carry workers' compensation coverage, when required, may be punishable by fines, civil penalties, criminal penalties, exclusion from public contracts, and cease and desist orders. The rules and penalties vary by state.

### **All employees generally must be covered**

Generally, all employees must be covered under state workers' compensation systems. However, each state excludes certain classifications of workers from among the following:

- \* Business owners
- \* Independent contractors
- \* Casual workers
- \* Domestic employees in private homes
- \* Farm workers
- \* Unpaid volunteers
- \* Maritime workers
- \* Railroad employees (benefits are received under a separate federal law)
- \* Federal government employees (benefits are received under a separate federal law)

### **Most workplace injuries are covered on a no-fault basis**

Most on-the-job injuries are covered by workers' compensation on a no-fault basis. That is, benefits are paid regardless of who is to blame for the accident or injury--the employer does not admit liability for the injury or illness, and the employee receives workers' compensation benefits without having to sue. There are exceptions, though. For example, coverage may be excluded for injuries suffered when an employee's conduct violates company policy.

### **Some accidents outside the workplace are covered**

In most cases, your business is not liable for accidents occurring outside the workplace. However, there are situations when an employee is covered outside the workplace. Employees are covered if they are injured while:

- \* Traveling on company business
- \* Running a work-related errand
- \* Attending a required business-related social event

### **Injured employees have the right to file for benefits**

It is an injured worker's right to claim benefits under workers' compensation for a job-related illness or injury. When a worker is injured on the job, his or her claim is filed with the insurance company (or self-insuring employer). Medical and disability benefits are paid by the insurer according to a state-approved formula.

Your business can't interfere with, coerce, discriminate, fire, or force the resignation of an employee for filing a claim under workers' compensation. Your business can't tell an employee not to file a claim. If an

employee can prove that a business in any way harassed or fired him or her for seeking benefits, the employee can file a civil lawsuit seeking substantial damages.