

Worker's compensation rates
have increased
44 percent in the last three
years. Use these tips to keep
your rates from rising.

Keep Worker's Compensation Costs Under Control

by JOHN HODAPP

As a business owner, certain employment-related costs are unavoidable. For example, if you pay wages, you are also paying the employer's share of Social Security and Medicare taxes.

Other employment-related costs, however, provide opportunities for cost savings. One example is worker's compensation. Worker's compensation insurance covers the costs of medical care and rehabilitation for workers injured on the job. It also compensates them for lost wages and provides death benefits to their families if they are killed in work-related accidents.

According to the Insurance Information Institute, worker's compensation premium rates have risen 44 percent in the last three years. Skyrocketing costs and evolving state regulations, often in response to incidents of fraud, make worker's compensation a particularly volatile insurance issue for business owners. Good planning helps business owners save money on worker's compensation insurance in the long term and short term, and the key to good planning is to be informed about options and issues related to worker's compensation.

Factors That Determine Worker's Compensation Premiums

To understand the most effective ways to reduce worker's compensation costs, it may help to review the factors that determine a worker's compensation premium:

- The type of work your employees do – Insurance companies typically use a standard system of four-digit classification codes to categorize various jobs based on their potential for risk. You will pay more for your growers and greenhouse workers than your clerical office employees.
- Your payroll – As payroll increases, so does the worker's compensation premium.
- The insurance "rate" – This is a rate, by classification code, that applies per \$100 of payroll.
- Schedule Credit – Many states allow insurance companies to apply schedule credits to "reflect the unique characteristics" of their customers' businesses. For example, building features that reduce the likelihood of workplace accidents could add credits. A newer greenhouse with good clearances in walkways poses less of a risk than an older greenhouse with low clearances and exposed pipes that one could easily bump into.
- Experience Modification Factor – A business with a worker's compensation premium of \$5,000 or more typically has an experience modification factor ap-

plied to its policy. This factor is based on a business' individual loss experience as compared with industry averages.

- Premium discount – This is a volume discount built into rating plans.

Cost Saving Strategies: Classification Issues

Proper classification of employees is essential to assure that both the employer and insurance company are treated fairly. Because the classifications for greenhouse businesses are quite well defined, it is usually a simple matter of working with your insurance agent to ensure that your employees are classified properly.

Loss Control Issues

The greatest potential by far to reduce worker's compensation costs over the long run is to reduce the frequency and severity of injuries through a good safety program. Such an approach directly or indirectly impacts many of the rating factors outlined above. Here's how:

- A good safety and loss control program will help your business qualify for more favorable rates, dividend plans and/or schedule credits. Insurance companies use a variety of plans to compete for quality employers. Conversely, employers with unsafe workplaces and poor safety records are less sought-after by insurers, and typically have much higher

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premium costs.

- For businesses with an experience modification factor, fewer losses translate directly to a more favorable experience modification factor. A firm with a 1.25 experience modification pays 66 percent more in premiums than a competitor with a 0.75 factor.

Safety Improvement Strategies

Be aware that the Worker Protection Standard requires training for all employees who are exposed to pesticides, not just pesticide applicators. All employees should receive the required training and new employees should be trained before they are allowed to work.

Beyond the required pesticide safety training, a number of other steps can be taken to promote safety and reduce risks. A self-inspection safety program is a good way to detect unsafe conditions that can lead to accidents.

Ask yourself if there are conditions present in your greenhouse that could cause serious injury. A self-inspection safety program is helpful in identifying problem areas that need correction and should be conducted on a regular basis.

A well-planned safety program helps detect hazards before an accident occurs, which in effect will also increase operating efficiency.

Components For A Self-Inspection Safety Program

An employee, manager or greenhouse owner can conduct the safety inspection. Ideally, a walk-through inspection should be completed at minimum on a monthly basis or when there is a change in employees or operations, and following the installation of new equipment. A checklist should be developed and should include items specific to your operation. Be aware of and pay attention to both unsafe conditions and unsafe acts that contribute to employee accidents.

After each inspection, an appointed employee will need to be responsible for reviewing the reports and ensuring corrective actions are taken, if necessary.

In addition to the direct costs of worker's compensation, it is important to remember that productivity usually decreases while injured employees recuperate. And who wants to see their co-

workers endure pain and suffering from work-related injuries – especially injuries that could have been easily prevented?

Still think loss control isn't for you?

Look again. Industry analysis has proven time and again that safety doesn't cost – it pays! GG

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Your Self-Inspection Safety Checklist

When developing your checklist, be sure to include all areas of your operation. For example:

- 4 Are there any trip/slip/fall hazards?
- 4 Are the toilets and washing facilities clean?
- 4 Are surge protectors with built-in fuses being used?
- 4 Are the electrical outlets in wet areas equipped with a ground-fault circuit interrupter?
- 4 Are flammable and combustible liquids stored in a National Fire Protection Association (NFPA) approved storage cabinet and at least three feet away from a heat source?
- 4 Are there any hoses in the walkways?
- 4 Are there any uneven walking surfaces?
- 4 Is all machinery and equipment properly guarded?
- 4 Do you have first-aid kits and employees trained in first aid?

These are just a few of the questions to consider regarding the safety of your greenhouse. The completion of a safety inspection should take less than 30 minutes and can literally save you hundreds, if not thousands, of dollars.