

IOA COVERAGE DESCRIPTION SERIES

WORKERS' COMPENSATION COVERAGE DESCRIPTION

Workers' Compensation & Employer's Liability Coverage

What is a Workers' Compensation policy?

Workers' compensation coverage provides employees with medical care and compensation for lost income when injured in the course of employment.

Why do we need Workers' Compensation coverage?

By statute, most states (and many clients) require employers to carry Workers' Compensation coverage, which protects employers as well as employees. By protecting employees injured on the job, Workers' Compensation also serves to protect employers from costly lawsuits and payments.

What type of Workers' Compensation coverage benefits can be paid?

- Medical Benefits: Provide four types of benefits, such as surgical, hospital, nursing, medication, special equipment, and transportation expenses, including a variety of related incidental expenses
- Disability (Loss of Income) Benefits: Replace part of an employee's lost income who are unable to work due to work-related injuries.
- Rehabilitation Benefits: Includes medical rehabilitation (i.e., physical therapy) and vocational retraining (if needed) for a different occupation
- Survivor (Death) Benefits: Compensates spouses, children or other relatives of deceased employees, subject to state-centric payment statutes

Are there specific classification codes for the Design Professional industry?

As of 2011, just 1 classification code for California based design professional practices applies:

8601 is for: Architects & Engineers, Clerical Office Employees & Draftpersons, and Salespersons (8810 & 8742 retired)

What is Employers Liability coverage?

Employers' Liability insurance protects your practice when sued by an employee (or an employee's family member) for negligence that contributed to a work-related injury or illness (i.e., providing a safe and healthy work environment).

For Example: Let's say an employee is injured on the job while at a jobsite. The employee reports the injury and receives treatment which is covered by the Workers' Compensation part of your policy.

Coverage Description, Continued

However, what if the injury was not strictly an accident, meaning it was caused in whole or in part because you had failed to properly maintain a safe work environment at the time of the injury? In this situation, you could be sued by the employee their injury could have been avoided if not for your negligence to provide a safe work environment.

General Issue FAQs

Do we have to provide Workers' Compensation coverage for our executive officers, partners, or members?

If you are a closed corporation (i.e., company stock is owned by its executive officers) or a partnership, most states allow you to exclude coverage for these individuals*. For example, if coverage is desired in California, only:

- \$139,100 maximum
- \$ 56,000 minimum

payroll per person is counted to obtain coverage (i.e., 2020 guidelines).

* New Law: Effective 1/1/17 California Assembly Bill 2883 mandates coverage applies for under 15% corporate officers & directors.

Are Design Professional Workers' Compensation policies unique from other policies?

Yes, most, if not all of your client contract agreements will require adding two endorsements, in particular the first endorsement:

- (1) Waiver of Subrogation Endorsement: This endorsement removes policy subrogation rights against any client from work performed under a written contract or agreement.
- (2) Longshore and Harbor Workers' Compensation Act Coverage Endorsement (LHWCA): This often mandated endorsement, allows your firm to meet contract requirements.

Can coverage apply if our practice travels for "out-of-state" project work?

Your policy provides incidental workers' compensation coverage for out-of-state* business travel for periods of time generally not exceeding 30 days. (i.e., Other States Insurance). Your policy only needs to be modified if business travel exceeds this 30 day period, regular business operations begin, or employees are hired who will live in that state.

* Meaning, states that are not listed in the workers' compensation coverage part of your policy

If your employees travel to foreign countries, coverage can be provided, by endorsement to your workers' compensation policy, or by purchasing a separate policy. If by endorsement, coverage applies to employees who were hired in the United States while traveling, or temporarily residing, outside of the United States.

Coverage Description, Continued

What if our project work involves more than 30 days activity in another state?

You will need to revise your California-based policy to list the state(s) where this project work is going on. An injured employee will then be covered pursuant to the governing workers' compensation and employer's liability laws.

SPECIAL NOTE: If work is done in North Dakota, Ohio, Washington or Wyoming (collectively "Monopolistic State" program providers), a separate Workers' Compensation policy is required. Insurance brokers cannot purchase insurance for your practice from Monopolistic State programs: contact IOA for specific information on the purchase process. Please note that Employers' Liability protection is not available for purchase from a Monopolistic State program provider: IOA can secure this coverage for you upon request.

What is Voluntary Compensation insurance coverage?

This coverage, which is added by endorsement, enables an employer to extend the benefits provided by the Workers' Compensation act to employees (i.e., domestic workers and casual or seasonal workers) who are not otherwise eligible for workers' compensation benefits.

How long should we wait before starting to report a claim?

As of January 1, 1990, California requires you to furnish a claim form to an injured worker within one (1) working day of knowledge of a work-related injury or illness: other than first aid. While it is mandatory for you to furnish the claim form to the employee, it is not mandatory for the employee to complete it.

Penalties can be invoked if you fail to provide an injured employee an employee's claim for compensation benefits form or if you fail to report the claim to the workers' compensation insurance carrier.

How long of a wait period applies before benefits are paid?

When an employee misses work due to an injury, a three (3) day wait period generally applies before benefits are paid. However, if an employee is off work more than fourteen (14) days, or if they are hospitalized, the insurer pays the first 3-days.

How is Workers' Compensation/Employers Liability premium determined?

For example, in California, the following factors typically apply when calculating the cost of a policy:

- (1) Rate Per \$100 of Payroll*
- (2) Special Policy Endorsements (i.e., such as waiver of subrogation endt)
- (3) Terrorism Fund Fee*
- (4) User Funding Fee*
- (5) Subsequent Injury Fund Fee*
- (6) Insurance Guaranty Association Fund Fee*

Coverage Description, Continued

- (7) Uninsured Employers Fund Fee*
- (8) Occupational Safety & Health Fund Fee*
- (9) State Fraud Fund Fee*
- (10) Labor Endorsement & Compliance Fund Fee*
- (11) Expense Constant Fee* & **

* As approved or mandated by the governing state department of insurance.

** An expense constant is included in the price of the policy because the premium on small premium size policies does not provide adequate premiums to cover the minimum cost of issuing and servicing a policy.

IMPORTANT NOTICE: The information contained in this document is for informational purposes only. No coverage is provided by this summary. Refer to your policy to determine the scope of your insurance protection.