



A Triple Crown Event

DISTRIBUTION, TECHNOLOGY & SUPPLY CHAIN



The Foodservice Distribution CONFERENCE & EXPO



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CONFERENCE & EXPO
OCTOBER 7-9, 2007
LOUISVILLE, KY



Workers' Compensation Cost Control Strategies



BB&T INSURANCE SERVICES



Key Points

- **History**
- **Financial Strategies**
- **Players**
- **How to Lower Cost**
 - ✓ **Safety**
 - ✓ **Claims Management**
- **Case Study**



History

- **Wisconsin** **1911**
- **42 States** **1920**
- **All States** **1949**



Financial Strategies

- **First Dollar Guaranteed Cost**
- **Guaranteed Cost with Retention**
- **Large Deductible**
- **Captive Program**
- **Self Insurance**



Players

- **State Workers' Compensation Commission**
- **Your Insurance Carrier**
- **Your Medical Providers/Physician Panel**
- **Your Insurance Broker**
- **National Council Compensation Insurance**
- **Your Own Risk Management Process**



WC Commission

- **Set State WC Class Code Rates**
- **Establish Benefit Levels**
- **Decide Compensability**
- **Make Up Regulations**



Insurance Carrier

- **Payroll Audits**
- **Claim Reserve Practices**
- **Accuracy of Unit Stat Card Reports**
- **Quality of Loss Control Services**
- **Deviation from State Rates**
- **Use of Schedule Credits**



Physicians

- **Percent of Practice Devoted to WC**
- **Ownership in Other Practices**
- **Willingness to Accommodate Capabilities**
- **Participate in Medical Provider Networks**
- **Cooperation with Insurance Carriers**
- **Office Hours**
- **Balance Billing Practices**



Insurance Broker

- **Access to the Market**
- **Risk Management Services**
- **Understanding of Your Business**
- **Understanding of Workers Compensation**
- **Relationship with Carriers**



NCCI

- **Collect Data from Carriers**
- **Calculate EXPECTED losses by class code**
- **Publish EMF Worksheet Reports**



Your Risk Management Process

- **Your Safety Culture**
- **Claims Reporting Process**
- **Supervisor Safety Accountability System**
- **Ability to Accommodate Work Restrictions**
- **Understanding of Workers' Compensation**
- **What you Learn From Your Accident Investigations**



Benefit Expense History

- **Medical Expenses**
- **Maximum Wage Benefits**

Premiums



Cost Drivers

Payroll X
Class Code Rates X
EMF =
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Foodservice Distribution

PAYROLL

Lay off employees

Lower hourly rate

Use temporary labor service





Foodservice Distribution

WC RATE FOR EACH JOB CLASS

7380	Trucking	\$8.14
8018	Wholesale	\$3.79
8742	Salesman	\$1.01
8810	Clerical	\$0.47





Foodservice Distribution

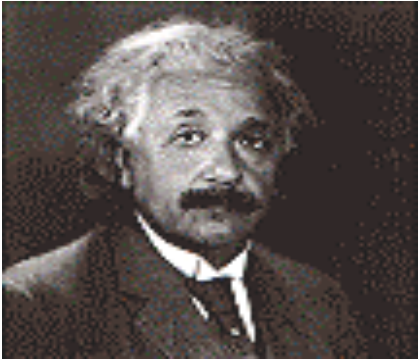
Experience Modification

**Ratio of Actual Losses
to Expected Losses**



Experience Modification

Actual Primary Losses	+	Ballast Value	+	W x Actual Excess Losses	+	(1-W) x Expected Excess Losses
Expected Primary Losses	+	Ballast Value	+	W x Expected Excess Losses	+	(1-W) x Expected Excess Losses



“I don’t get it”



Experience Modification

GOOD

.65

AVERAGE

1.00

Poor

1.50



Questions

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How to Lower Your Cost

1. STOP HAVING ACCIDENTS

- **More Employee Safety Coaching**
- **Measure Safety Performance Instead of Accidents**
- **Create a Safety Accountability Process**
- **Provide Positive Feedback**



How to Lower Your Cost

2. REDUCE YOUR ACCIDENT COSTS

- **Promptly Report Accidents**
- **Use Your Medical Providers/Panel**
- **Implement Return to Work Strategies**
- **Prepare to Accommodate**



How to Lower Your Cost

3. MANAGE YOUR EMF WORKSHEET

- **Use Correct Class Codes**
- **Control Your Audit Process**
 - **Exclusions**
 - **Overtime**
- **Have your Broker Request a Pre Unit Stat Meeting**
- **Study use of a Self Insured Retention**
- **Reduce Frequency of Indemnity Type Claims**



How to Lower Your Cost

4. Maximize Credits

- **Drug Free Workplace**
- **Workplace Safety Programs**
- **Carrier Rate Credits**



How to Lower Your Cost

5. Build a Safety Culture

- **Everyone is Accountable and Responsible**
- **Utilize Incentive/Recognition Plans**
- **Proactive Continuous Improvement Goals**
- **Safety becomes a process**



How to Lower Your Cost

6. Eliminate Unsafe Behaviors

80% of Accidents caused by Unsafe Behaviors

Day One Expectations

Supervisor Accountability

Coworker Protection

Frequent Observations/Corrections



How to Lower Your Cost

7. Complete Better Accident Investigations

- Document Findings
- Root Cause Approach
- Communicate/Share Outcomes
- Execute/Implement Corrective Actions



How to Lower Your Cost

8. Maintain Safe Work Environment

- **Safety Inspections/Audits**
- **Enforce Policies/Procedures**
- **Education Training**
- **Immediate Corrective Actions**



Case Study

Food Distribution Client



BB&T INSURANCE SERVICES

Insurance Cost				
Year	WC Losses	EMF	Premium	
2000	\$ 81,811	1.42	\$170,418	
2001	\$ 280,295	1.35	\$165,797	
2002	\$ 50,301	1.24	\$179,399	
2003	\$ 114,632	1.40	\$244,172	
2004	\$ 358,251	1.24	\$364,986	
2005	\$ 449,483	1.15	\$295,072	
TOTAL	\$1,334,773		\$1,419,944	
Average	\$222,962		\$236,657	





Strategies Implemented

Top Management Commitment
Employee Incentive Plan
Supervisor Accountability
Safety Inspections Audits
Return to Work Improvements
Large Deductible Program

First Dollar Insurance Cost				
Year	WC Losses	EMF	Premium	
2006	\$314,308	1.33	\$635,000	
2007	\$ 62,510	1.56	\$710,000	
TOTAL	\$376,818		\$1,345,000	

Large Deductible Insurance Cost				
Year	WC Losses	EMF	Deductible Premium	
2006	\$314,308	1.33	\$183,992	
2007	\$ 62,510	1.56	\$218,997	
TOTAL	\$376,818		\$402,989	
TCOR	\$779,807			





Case Study

Total Savings: \$465,193



Questions

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Summary

If you are not planning on stopping accidents then you must be planning on having them