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How to save on workers' compensation costs

Options are limited, but there are a few ways to keep claims down and premiums from skyrocketing.

By Emily Sachar

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It's not your imagination that the cost of doing business in New York is climbing. The New York State Insurance Department OK'd an average increase of 9.1% in workers' compensation insurance rates in October 2011, on the heels of a 7.7% hike in 2010. And with a scandal simmering around now-bankrupt trusts that many small businesses joined to try to reduce workers' compensation costs, that approach has lost its luster.

Since there's nothing a company can do to avoid buying this insurance—it's required by law—the key to reducing what you spend on it is to keep the number of claims low. That, in turn, keeps rates from rising.

A company's insurance rates are influenced by the claim history of employees, who can file a claim anytime they are injured on the job, explains Adam Friedlander, author of *How to Save Big on Workers' Compensation* and president of Friedlander Group Inc., a workers' compensation insurance company. Although the insurance companies pay the claims, business owners can be charged back retroactively, or they may see premiums rise.

He offers the following tips for reducing claims.

INVEST IN KEEPING YOUR WORKERS SAFE

When safety is an integral part of the business culture, firms experience fewer claims, less fraud and lower premiums, Mr. Friedlander says. "Management must make sure that employees go home from work in the same health in which they arrived by building a culture of caring," he said.

How do you create such a culture? Depending on your line of work, it may mean taking steps such as enhancing the workstations of employees who sit at desks to prevent repetitive strain injuries or keeping floors dry in restaurants. Sometimes these measures will also help a company to increase productivity and boost revenues by as much as the cost of the insurance itself, he notes.

ESTABLISH A WORKPLACE SAFETY COMMITTEE

It should analyze past workers' compensation claims, isolate patterns and then establish protocols to eliminate unsafe acts and conditions that could cause future safety problems. When employees have a stake in the outcome, they are apt to care most about keeping rates low. You may want to note that the lower rates are, the more a company can afford to pay its employees.

CONTROL WHAT INSURANCE CARRIERS CALL YOUR "EXPERIENCE MODIFICATION"

A safer environment can lead to a 45% savings through so-called experience modification credits on your premium—something like a safe-driver discount for private car insurance. "Controlling your experience modification is a strategic and bottom-line imperative," Mr. Friedlander said. Keep good records of the steps you are taking.