



Workers Compensation

**The Hidden Money, The Myths and how the Right
questions Can Save Business Owners Thousands**



by Jason Doueihi

O verpayment of a “love to hate”

Whilst insurance is a ‘must have’ that some Australian’s love to hate, clever questions can unlock a treasure trove of savings. Many Aussie businesses are paying between \$10,000 and \$100,000 more than they need to on their Workers Compensation premiums and claims, simply because, like most insurance policies, the devil is in the detail.

There are simple ways to minimise both the upfront premiums as well as the often costly process of managing a claim. Some insurance agents offer businesses the basics, with little or no customization.

Protection

An important part of the Australian working landscape, Worker’s Compensation Insurance not only protects employees in the event of accident or injury and saves many from financial ruin if forced out of the workforce, but also insures a business against the cost to support the injured workers as they recover from injuries sustained in the workplace.

When taking out such a policy, business owners can unwittingly pay too much for their Worker’s Compensation Insurance, either

because they don’t know the best questions to ask their insurance agent, or the agents themselves are less than diligent when establishing the relevant policy detail

Compounded Problems

Doubling the financial pain of the policy can be a bi-product of mounting a claim. Once a claim is ‘live’, many businesses are equally unaware of the impact their actions and can have on both the handling and resolution of the claim, and the knock on effect to the premium increase as a result.

Business owners’ lack of awareness of the positive impact of better engagement and communication with their workforce on both avoiding workplace injuries or becoming embroiled in a messy claims process, lead to businesses copping a rough deal, read “incurring unnecessary costs,” when it comes to insurance.

Experience Shows

One of the first steps in the process is the accurate creation of the policy from the outset, based on relevant business circumstances, and it is at this early stage, that some businesses go wrong.

The author, as an independent expert in Workers Compensation policies, sees first hand the

disingenuous practices of insurance agents whilst supporting Aussie businesses to ensure their policy and the premiums are accurate. Experience over 17 years in the industry, has revealed:

- 70 per cent of Aussie businesses are overspending on their Worker’s Compensation Insurance.
- Insurers sometimes “hide” the laws that are key to a business owner saving money.
- Annual overspend amounts ranged from \$10,000 to over \$100,000
- The most common shortfall of Workers Compensation insurance policies has been insurance agents not stipulating to business owners what they are entitled to with regards to reducing premiums.

Classification

There are literally hundreds of industry classification and varied premium rates. If an insurance agent makes one or two assumptions about the business, or overlooks basic questions which are able to correctly classify a business, then there is risk it will be classified incorrectly which potentially costs the company hundreds of thousands of dollars in unnecessary premiums.



The Top 5 Policy Potholes

Industry Classifications

As there are multiple industry classifications, businesses should review in detail what their predominant business activity is. At times this results in identifying another industry classification that is more suitable for the business.

Separate and distinct businesses

Businesses should review their business operations and identify if they operate separate and distinct businesses. In some states, in particular NSW allows for Workers Compensation policies to be restructured (particular criteria applies).

Premium Calculation

Reviewing the premium calculation processed by the insurance agent, to ensure it has been processed correctly.

Location

The premium of a NSW based business, where part of that business is located interstate and/or overseas, can be significantly affected if not emphasised in the policy.

Workers Compensation costs

Businesses need to monitor the actual cost of their Workers Compensation claims. If not managed well by their insurance agent, premiums could double or even triple depending on the size of the business.

Common across the Australian business landscape is business owners who are simply unaware that their policy is inaccurate or that their business has been classified incorrectly. They rely on being somewhat guided by someone who should know better, and often have no idea their classification is wrong and their premium higher than necessary. As a result, they are spending too much on their Workers Compensation policies, and don't have the time to review their policy or even realise that they should.

Causes

The root of the problem is that insurance agents are under no obligation to either review a policy for their client or tell them where they could be saving money. This means more and more battling Aussie businesses are overspending significantly, and there is no watch

dog to oversee the rollout of workers comp policies to ensure both employers and their employees are getting a fair deal.

It's about more than the policy

Many in the industry believe that setting up the policy correctly is only the first hurdle. In the event of a Workers Compensation claim for any conscientious employer, emotional and financial stress go hand in hand. For smaller employers

where resources are tight, having an employee absent from work for an extended period can have a significant impact on business operations and team morale. Yet smaller businesses may not have the knowledge or in-house expertise to understand how to manage this.

Carl Albrecht from Australian Work Health and Safety says;

"It is not widely understood by businesses that for every dollar paid out during a claim by the insurer,

the employer pays \$3 and that a Workers Compensation Insurance policy is 'fund management' and not insurance. It is therefore vital that businesses get the best bang for their buck and minimise this risk of increased premiums wherever possible. This can be as simple as ensuring all policies relating to workplace safety and protection of employees, are in place and that as an employer, you work closely with your employees to ensure those policies are both understood, role modeled and adhered to."

Increasingly businesses are experiencing their claims being handled by junior clerks, crudely assessing it from generic, tick-a-box type checklists. The result is a poorly managed claim, conducted at what is financially expedient for the insurer, rather than what is in the best long-term interest of the employer.

With mental health claims on the increase (now representing 24% of the dollar value of all claims) now commonly the cause of compensation disputes by employers suspecting a fraudulent claim, soame business owners are reporting a lack of interest by their insurer to really help them solve or resolve the claims process. It is easier to proceed with the claim than investigate, and with any costs incurred in doing so being charged to the employer, it has created a system which does not incent insurers to act in the best interests of their customer, the employer.

"Workers Compensation is rapidly

becoming an 'us versus them' mentality with businesses feeling increasingly unsupported by their insurer despite doing all the right things to protect their workforce and minimise risk," says Carl,

"And so to be armed with the knowledge to understand the system better, businesses could literally save thousands over time and reduce the pain when a claim does strike."

Further consequences

But the consequence of a lack of knowledge in this crucial area of business ownership is not merely financial. John Makris is a Health & Safety Lawyer at K&L Gates Lawyers and deals with a number of cases each year, which reach his desk, unfortunately at the point in which a claim has become problematic. By this stage, a business is feeling not only the financial pressure but is most likely experiencing the stress of a prolonged period of conflict.

"Increasingly we are seeing cases of psychological injury being brought to us by an employer who is struggling to achieve resolution and return the employee to meaningful work. These are usually complicated and sensitive cases that often develop into an employment law issue and it is imperative that the employer is proactive right from the start," says John.

Legislative changes

Recent legislation in NSW means that insurance premiums are directly linked to the salary of the employee. Being fully engaged

with the employee and working with them to return them to work in the safest and most expedient manner, is imperative if a business is to avoid a hefty premium increase and the distress of workplace injury disputes.

Communications

It is crucial that business owners adopt strong communication strategies with their employees and actively encourage a diligent attitude towards workplace health and safety and risk awareness. This can support the reduction in both workplace incidents and the resultant claims. However, should a claim be made, if due regard for the employee and a good relationship is fostered throughout their employment, the claims process may become a far smoother one with a swifter resolution and return to work.

In conclusion - demand more

Business owners should adopt an holistic approach to reducing Workers Compensation costs by demanding more of their insurer; asking questions of medical professionals, interrogating their policy terms as a matter of diligence and not allow the insurer to take sole control during a claim. And in conjunction with this, business owners should aim to foster stronger relationships with their employees to spot issues before they develop and create an environment, which embraces health and safety and personal protection at the heart of its operation.

