

Your claim choices today may impact your L&I premiums tomorrow

BIAW member companies know they can save on workers' compensation premiums by preventing accidents through implementing an effective safety program. If an accident does occur, most employers know they can mitigate claims costs by offering modified work through a company light duty program or providing full wages for a specific period of time (Kept On Salary or KOS). And all BIAW members know they can save money by getting a refund through BIAW's Return On Industrial Insurance (ROII) program when premiums exceed losses for the year.

What many BIAW members and other employers don't know is that there is yet another way to save on your workers' compensation premiums—the *Claim Free Discount*.

How the Claim Free Discount Works

The Claim Free Discount is a workers' compensation rule that impacts the experience factor calculation of your business. Your experience factor determines how much of the base rate you will pay for each risk classification assigned to your business.

Your experience factor, which drives your state Department of Labor & Industries' (L&I) workers' compensation rates up or down, is calculated using a three year loss experience formula.

Each three year period of time is like a revolving window that L&I calls an *experience rating period*. Each calendar year the oldest fiscal year is dropped and the next fiscal year is added. For example, for calendar year 2007, L&I will consider all premiums and losses from July 1, 2002 through June 30, 2005.

Understanding the elements that influence your experience factor will help you pay lower workers' compensation rates.

Claim Free Discount = Lower Rates

Unfortunately for many employers, they only learn about the Claim Free Discount when they lose it.

Typically, a company will receive its annual workers' compensation rate notice from L&I and wonder why their rates have increased so much when they only had a small claim with a few days of time loss. How could one small claim justify their experience factor increasing 25%? The answer is that the company in question probably had, and lost, its Claim Free Discount without even knowing it.

Who Gets the Claim Free Discount?

How does an employer qualify for the Claim Free Discount? The answer is by having no time loss claims during the three year period that impacts the company's experience factor. A company can have "medical aid only" claims and still qualify. "Medical aid only" means that L&I paid for medical treatment to the injured worker but did not pay any benefits to the worker or their dependents.

Any company that has no time loss claims during the three year experience rating period will see the Claim Free Discount applied if the discount results in a lower experience factor from what they computed in the experience rating formula. The Claim Free Discount could reduce your experience factor as much as 25% from the previous year.

How does an employer lose his Claim Free Discount? By having any amount of time loss (even as little as \$1), Permanent Partial Disability (PPD) or Pensions charged against your L&I account. So, if you choose to let L&I pay time loss or loss of earning power (LEP) for only a few days instead of keeping the injured worker on salary (KOS), you lose your Claim Free

Discount. Additionally, if L&I makes a PPD payment to an injured worker for a permanent partial disability, you will lose your Claim Free Discount. There is, at this time, no way to avoid the PPD or to pay it out of your own pocket to avoid the loss of your Claim Free Discount.

If you have no time loss, PPD, or Pension losses during the three year *experience rating period*, (which for next year is July 1, 2002 through June 30, 2005), you will qualify for a Claim Free Discount in 2007. If you have any such losses that enter the experience rating period, it will take three years of no losses to again qualify for the Claim Free Discount. It's important to think about how much losing your Discount for three years could cost your company before you allow L&I to pay a few days of time loss instead of keeping a worker on salary.

Verify Your Claim Free Status

You can verify whether you have a Claim Free Discount Status by reviewing your annual L&I rate notice. An explanation of any discount will be printed on the bottom of the form. If your company does not have a Claim Free Discount Status, but you believe you are close to achieving that goal, you should call your ROII Claims Specialist here at BIAW to help you.

While you may have little control over L&I rate increases, you can influence how much of the base rate you must pay. Earn the Claim Free Discount and control your experience factor. The decisions you make today will impact what you pay in the future. 

