

# RISK CONTROL

## Risk Management Guide



### RISK CONTROL

REDUCE RISK. PREVENT LOSS. SAVE LIVES.

## Workers' compensation best practices risk management guide

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Workers' compensation costs are escalating rapidly. In fact, statistics reveal that the direct cost of work place injuries in 1999 was \$40.1 billion and is rising. While there's no way to completely prevent incidents, there are certain steps an organization can take to minimize the frequency and cost of such events.

To effectively control costs associated with employee injuries, organizations must promote a *total* safety culture. Commitment to a *total* safety culture requires controlling the risks (i.e., people) you have entering your organization, minimizing the risk factors and exposures that exist *before* any incident occurs, and effectively handling incidents/accidents when they occur. Clear and consistent communication of this commitment from management is required to demonstrate its dedication to the organization. If any one or more of these factors are not present, you increase the potential that an incident may occur and become costly.

The following guide offers basic information and best practices to help limit your exposure to workers' compensation claims, and to help ensure the safety and welfare of employees.

### Manage who comes in the door

Selecting skilled, safe, dependable employees is the first step in establishing an organization's safety culture. Although the statistics vary, a poor hiring decision may cost an organization two-and-a-half times the amount of the person's annual salary.

This demonstrates the importance of proper screening and selection procedures that may help an organization avoid financial and operational problems.

### Job descriptions

Job descriptions are powerful tools that provide a foundation for safe hiring practices. Comprehensive, written job descriptions that define the essential job functions required of a position or job category can aid in selecting and placing applicants in the proper positions, and in returning injured workers to the job. In other words, job descriptions can help control workers' compensation costs related to poor hiring decisions. When developing job descriptions, consider following the guidelines set forth by the Americans with Disabilities Act (ADA).

This may help minimize an organization's liability and chance of discrimination based on disabilities.

### Interviews

Interviews are another component of any safety hiring process.

Effective interviewing requires experience, training and planning.

Interviews allow you to gain insight into an applicant's experience, communication skills and abilities, and professionalism. It is a good idea to involve several people in the interviewing process to ensure the best candidate for the position is hired.

The ADA has strict guidelines pertaining to questions that may or may not be asked during an employment interview; using a job description as the framework for an interview is a good way to be sure the questions you ask are directly related to the skills and abilities essential to the job at hand.

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### Pre-employment screening

In addition to the interview, pre-employment screening allows you additional insight into the applicant's background, personality and abilities. Different types of pre-employment screening procedures are described below. No matter what the screening method, it's essential for employers to obtain written consent from the applicant and to consult state and federal regulations.

### Background screening

Background screening may include a number of different inquiries into an individual's background. In addition to limiting uncertainty when hiring, a screening process may discourage individuals who have something to hide from applying. Key areas that an employer may be interested in screening (subject to applicable laws or regulations) include:

- **Credit records**  
Credit records refer to *any* information about an individual's creditworthiness, including character, general reputation, background, education or lifestyle.
- **Criminal background**  
With this type of check in the screening process, organizations can reduce the occurrence of theft and embezzlement, decrease workplace violence, and limit legal exposures that exist with negligent hiring.
- **Reference checks**  
Previous employers are valuable resources when checking the accuracy of information supplied by an applicant.
- **Driving records**  
Motor vehicle records (MVRs) may be necessary for any employee whose job will require significant amounts of driving. This record provides all recent traffic violations, suspensions or cancellations. For a list of phone numbers and Websites for each state agency that can assist in obtaining MVRs, see the attached CD.
- **Workers' compensation claim history**  
Consult legal counsel and appropriate regulations on the use of this information.

### Psychological screening

An individual's personality is difficult to change, but it may have a significant impact on performance. This type of screening provides an objective measure by which to evaluate an applicant, and increases the amount of information available to decision makers. Laws in this area are still developing. Before implementing personality screening, consult with legal counsel.

### Other screening

Drug and alcohol testing, as well as screening for physical fitness, are other types of pre-employment screening and both are included in this category. It is important to consult with appropriate legal counsel to ensure proper procedures are followed.

- **Drug and alcohol**  
Thorough screening can help organizations identify applicants that may be a potential safety problem. It also can help decrease absenteeism and increase productivity in the workforce by screening out drug and alcohol abusers. Currently, a urine test is the only accepted method for federally regulated programs. The Department of Transportation and the Department of Defense have specific regulations that exist for this type of screening and should be followed accordingly. Under the ADA, drug/alcohol screening is *not* considered a medical evaluation and therefore *can* be administered prior to a job offer. On the other hand, screening for physical ability (described below) *is* considered a medical evaluation and *must* be conducted after a conditional job offer is made.
- **Physical ability**  
Screening for physical ability is just that, an evaluation that determines an individual's *ability* to perform the physical requirements of the job. The medical evaluation *cannot* inquire about the presence or severity of a disability under the ADA. This type of evaluation provides employers with an indication of an individual's physical performance capabilities, while assisting in reducing claim costs by establishing pre-injury status. It's important to be consistent with each position; medical evaluations may not be necessary for all positions.

In 1998, Drug Free Workplaces, Inc., estimated that problems resulting from drugs and alcohol cost American businesses approximately \$81.6 billion in lost productivity annually.

### Establish an integrated safety culture

Studies have shown a relationship between low loss records and top management involvement. Visible evidence of a commitment to safety can be shown through top management's attendance at safety meetings, review and action on accident reports and empowerment of an employee-managed safety committee.

### Safety management program

It is essential for an organization to have a written policy that is distributed to supervisors, explained to new employees, reviewed annually with current employees, posted and

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generally distributed. The general policy statement should reflect management's positive attitude and commitment to safety. To control the risks associated with workers' compensation claims, a comprehensive safety program should address worker, security and fleet safety. Consider developing and communicating policies for these areas; identifying, evaluating and controlling hazards; and conducting regular, systematic inspections with follow-up reports to management. In addition to a safety management program, consider developing relationships with a non-emergency medical provider, preferably within a preferred provider organization. This provider should understand your business, your philosophy on return to work, employee relations, union issues or other issues relevant to your business. If you are located within a state that requires posting of a physician list, that also would be advisable.

### Safety committees

Safety committees that are empowered by management to plan and take action are critical to controlling your workers' compensation claim exposure. Committees are the basic method used by most companies to build safety ownership and awareness among employees. Effective safety committees are made up of employees from various levels within the organization. Although the CEO can establish the committee's overall framework, it's important for members to agree on the goals and objectives of the committee. The goals of the committee should be clear and its responsibility thoroughly established. Advanced planning is necessary to ensure the committee's effectiveness. Establish meeting guidelines, record discussions and take appropriate follow-up action.

### Ergonomics

Ergonomics provides a strategy for engineering design and a philosophy for good management, with the underlying goal of fitting the task to the person. With better workplace designs, operations become more efficient, job satisfaction may improve and, as a result, errors and wasted time are reduced. This often means products and services can be brought to market using fewer development costs and with fewer potential liabilities. Regardless of your business or industry, an ergonomics process can be developed that fits your needs.

### New employee orientation

In 1997, the Bureau of Labor Statistics revealed that in private industry, 30.8 percent of all non-fatal occupational injuries and illnesses involving days away from work involved employees with less than one year experience on the job. Orientation programs are where new hires develop their first impression of the company. It is the first opportunity for the employer to influence a new hire's attitude toward safety and communicate that safety is valued and will not be compromised.

A comprehensive orientation program should begin during the first week of employment and be conducted through the individual's first exposure. Objectives of a new employee's orientation include:

- Applying safe job procedures
- Recognizing unsafe conditions
- Understanding appropriate countermeasures
- Demonstrating comprehension

The likelihood of a new worker avoiding injury can be improved with proper safety orientation, regular safety coaching from an effective mentor and regular two-way communication from the immediate supervisor. Absolutely no employee should be allowed to step foot onto the job site/floor without this training.

It is important to provide employees with workers' compensation information before an incident or injury occurs. This information can be provided through a variety of vehicles, including Websites and employee manuals. Contrary to common beliefs that more information will result in more claims, more information can help ensure that incidents and claims are reported in a timely manner because it can reduce employee uncertainty about work-related injuries.

### Manage the incidents

The best way to reduce employee injury is to prevent it from happening. However, even with the most effective and sound programs, injuries may still occur. If an incident does occur, there are several actions an employer can take, including providing the appropriate medical response and communicating effectively with the injured worker to demonstrate concern and interest in helping him/her to return to work as quickly as possible. The following section further discusses other actions that may help minimize the effects an accident can have on your workforce and your bottom line.

### Investigate and analyze accidents

Studies indicate that there are more than 600 near hit incidents for every accident that occurs. Generally, these incidents are due to similar errors on the part of workers, supervisors, staff and management. Therefore, all near hits should be reported and investigated. Thorough investigation of all accidents and near hits with consistent follow-up or corrective action may reduce the frequency of claims. An effective accident investigation program encourages employees to report injuries immediately. Prompt reporting of accidents allows for prompt claim handling and reduces the probability of an expensive, adversarial-type relationship. All injuries and incidents reported should involve a blame-free, risk-based evaluation. Corrective actions can then be

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planned and coordinated to prevent similar losses from occurring in the future. It is also important for top management to review these injuries and incidents. This demonstrates management's concern for safety throughout the organization.

### Manage the crisis

Following a traumatic event (serious injury, death, natural disaster, etc.) in the workplace, work is disrupted. Employees will react in various ways depending on coping skills and previous experiences. Attention should be given to individuals who are directly affected by the event, *and* to those who may have witnessed the event or knew the individuals involved. The better prepared an organization for such an event, the better the outcome.

### Accountability

Safety should be a shared responsibility and employees at all levels of the organization need to be held accountable. Safety is not the sole responsibility of the environmental health and safety officer. Operating managers and supervisors also need to be held accountable for risk control activities and results.

To be most effective, safety should be fully integrated into the business and accountability processes, just as quality and production are.

### Employee assistance programs (EAP)

When employees suffer personally, it may impact an organization's bottom line. EAP services help organizations save money by:

- Reducing unemployment and workers' compensation claims.
- Decreasing turnover, absenteeism and tardiness.
- Increasing employee morale and team performance.

People are the most valuable, unique asset in every organization. By providing EAP services, a company's dedication to employee well-being can be positively reinforced. If and when a crisis does occur, there are several ways to respond. To minimize the impact of the event on the organization, consider:

- Be direct and honest, don't hide facts and answer questions to the best of your ability.

Act immediately. The more time that passes, the more room there is for miscommunication.

- Be sensitive. Traumatized individuals are more vulnerable than under normal circumstances.

- Be humane. Show compassion and commitment to your employees and the organization.

### Return the injured to work

Costs of rehabilitation, extensive lost wages and disability settlements are the major cost factors of workers' compensation. Planned and prompt return to work following injury is a major element in controlling workers' compensation costs. All organizations should have a return to work (RTW) program that establishes a plan of action and identifies a team of individuals (coordinator, claim representative, treating physician, supervisor and employee) who will be responsible for carrying out the RTW program. Key elements of a successful RTW program include:

- Management commitment
- Clearly defined responsibilities
- Compliance with applicable laws and regulations
- Established, modified work and procedures
- Sound accident investigation practices
- Prompt injury reporting
- A designated medical provider

By helping injured workers return to work as quickly as possible, a company can demonstrate concern for employees while showing employees they are valued and missed in the organization. The benefits of successful RTW programs include better employee morale, reduced training and replacement costs, and fewer fraudulent claims.

### Preventing workers' compensation misuse

Insurance fraud has been recognized as a common economic crime in the U.S. workers' compensation insurance fraud alone can exceed millions of dollars annually due to overcharges on medical bills and fraudulent claims filing. Statistics offered by state agencies and private insurance carriers in the U.S. report that 20 to 25 percent of all reports of injury are fraudulent. The following "red flags" are not proof that fraud has been committed, but the presence of these indicators might suggest that a claim deserves further investigation:

- The accident was not witnessed by the claimant's co-workers.
- The accident occurs immediately prior to a strike, layoff, job termination or job competition.
- There are conflicting descriptions of the accident between the medical history and the employer's first report of injury.

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- The accident occurred on a Monday morning.
- There is a late notice of the accident.
- All witnesses are related to the claimant.
- Employee refuses diagnostic procedure to confirm injury.
- The claimant has a history of numerous claims.
- Compensation exceeds regular salary.
- The employee recently obtained one or more disability policies.
- The claimant is elusive or difficult to contact, and provides only a P.O. box or hotel address.
- Business is closing or relocating.
- The treating physician and/or lawyer are known for handling suspect claims.
- Medical bills are photocopies.

### Claim reporting

Upon first notice of an injury or accident, the employer should report the claim to the carrier to help minimize fraudulent claim reporting. Workers' compensation insurance state statutes require prompt reporting. In many states, severe penalties and steep fines are assessed against employers who fail to report claims timely. This kind of unnecessary expense can be avoided if the employer notifies the carrier immediately upon notice of a work injury or a suspected work injury. The carrier has a small window of time to pay or deny claims, and late reporting puts the carrier at a serious disadvantage. Travelers found, on average, a lost time workers' compensation claim reported after five days cost 29 percent more than claims reported within five days of the

incident. One of the most common reasons injured workers seek out attorney representation is because of delays in claim reporting. The sooner facts are gathered, the better the result. Travelers' most successful workers' compensation policyholders typically educate employees and supervisors on responsibilities in reporting claims. These policyholders conduct training at reasonable intervals to keep the reporting process fresh in the minds of all supervisors and administrative staff. Too often, claims are received where the injured worker's supervisor was aware of an injury, but the claim did not get reported to the carrier. Prompt claim reporting should be part of an organization's overall safety accountability management program. The bottom line is: An employer can positively impact claim and premium costs by reporting accurate and timely information, and by being responsive to follow-up requests for information.

### Summary

Workers' compensation costs are on the rise. By taking appropriate measures, organizations can minimize the frequency and cost of injuries in their work place. Screening applicants before hiring them, minimizing risk factors and exposures before an incident occurs, and properly handling incidents when they occur will help control these escalating costs. A commitment to a total safety culture is necessary to limit exposure to workers' compensation claim costs.

For more information, log in to the Risk Control Customer Portal at [travelers.com/riskcontrol](https://travelers.com/riskcontrol). (Need help? Read our [Registration Quick Guide](#).) You also can contact your Risk Control consultant or email [Ask-Risk-Control@travelers.com](mailto:Ask-Risk-Control@travelers.com).



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The Travelers Indemnity Company and its property casualty affiliates. One Tower Square, Hartford, CT 06183

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