

Current State of the Workers Compensation Market

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Workers' Compensation (WC) is a type of insurance, mostly written by commercial insurers but also provided by some self-insured employers, providing coverage to employees in the event that an injury is sustained by an employee and monetary compensation is due. WC insurance may act as a type of disability insurance at times where regularly scheduled payments are made in place of salary. It also acts as health insurance in the event that it is necessary to pay for medical bills and resembles life insurance when an employee incurs death due to work related injury. Other benefits paid by WC insurance is compensation for future economic loss or awarded damages for pain and suffering.¹

Currently all 50 states in the US and the District of Columbia provide regulations for WC insurance. The first state to pass legislation on WC was Wisconsin in 1911 and by 1948 all states had some form of legislation enacted. Most employees of the federal government, coal miners and employees injured on the navigable waters of the US are covered by WC insurance through the US Department of Labor's Office of Workers' Compensation Programs through the Employment Standards Administration.

Maximum benefits allowable to injured parties differ among states and are based off of the employee's Average Weekly Wage (AWW). In some instances WC benefits are based off of a percentage of the State's Average Weekly Wage (SAWW) which differs among states as well.

Currently each state's WC rates stay in effect for one year allowing for rate changes annually. Due to things like inflation and wage increases, medical bills and SAWW are prone to vary from one year to the next thus leading to state regulators rewriting WC legislation often. For example, Ohio's Bureau of Workers' Compensation in April 2007 announced it would not

¹ Wikipedia – The Free Encyclopedia, http://en.wikipedia.org/wiki/Workers_compensation

change its rates and would keep its 2006 rates in effect. New York governor Eliot Spitzer, on the other hand, signed a bill into law in March of 2007 raising the disability and death benefit maximum weekly rates up from \$400 and \$600 respectively.

Because the WC market plays a major role in commercial insurance and state regulations, it is also under great scrutiny by many fraud investigators. In April of 2007 Illinois' Division of Insurance hired four new fraud investigators who will operate statewide with three stationed in Chicago and one in Springfield. WC fraud is a pressing issue in today's current WC market. In the same month that Illinois hired four new fraud investigators, Florida's CFO Alex Sink announced the arrest of a man who was fraudulently collecting WC benefits for 10 years. A month prior to this Texas Mutual Insurance Company indicted 4 people on WC fraud.

When states become involved in the private insurance market they ensure the protection of their laborers as well as provide an incentive for large WC policy holders to keep their safety precautions up to date. At the same time they also hinder insurers from imposing their own scrutiny and pricing to policy holders. Some states do not allow an employer's past WC claims to be disclosed while seeking new policies. For these reasons and others, the current state of the WC market is always changing and subject to unique regulations by state which makes gauging its overall current status very difficult.

For current parameters and changes in WC regulations in each state visit http://www.workerscompensation.com/workers_comp_by_state.php. For a complete list of WC benefits by state visit <http://www.dol.gov/esa/regs/statutes/owcp/stwclaw/stwclaw.htm>. For a current copy of the Illinois Workers' Compensation Act visit http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=2430&ChapAct=820_ILCS_305/&ChapterID=68&ChapterName=EMPLOYMENT&ActName=Workers%27%2BCompensation%2BAct.

