

The Hartford Financial Services Group recently conducted a study that found that one of the determinates of the size of a workers compensation claim was the amount of time that passed between the accident occurrence and the filing of the workers compensation claim with the insurance company. This direct correlation is no surprise to me; I work in the insurance industry and see the effects of delayed claim reporting frequently. That said, I'm sure that there are a number of employers out there who are not aware of this correlation and more importantly, don't understand how fast reporting can save them money.

Many business owners' first reaction to this study might be that they don't really care because the insurance company is paying the claim so if it costs a bit more it is no skin off their noses. But they would be wrong. Higher claims costs in workers compensation can affect your rates both directly and indirectly. Indirectly, the more money that every insurance company has to pay out in claims each year, the higher the rates will be for everyone the next year. Speaking directly though, workers compensation is an experience rated insurance policy. This means that your loss results this year will show up in your own rates in future years via your experience modification factor. The higher your claims costs now, the higher your work comp premium will be in the future. In addition as you will see, there are some direct costs for your company related to late filing that won't be borne by your insurance company. So it is valuable for you to understand every way that you can reduce the amount paid out for your company's workers compensation insurance claims.

The Hartford Study shows that the costs of delaying the reporting of a claim beyond the day of the accident increases the costs of the claim more and more as time goes by. For instance, reporting a claim between 7 and 14 days after a the accident occurs results in an average of 18% more paid for that claim compared to claims filed on the day that they happen. If you wait 15 to 28 days, then the costs of the claim increase by an average of 30%. Wait 29 or more days and you will see claims costs increase 45%.

To better understand why this is true, let's take a quick look at some of the reasons why early reporting reduces the costs of claims. The most obvious reason is that early reporting allows the insurance company the ability to control the medical costs of the claim by directing appropriate treatment and care. Early reporting also tends to reduce the duration of a claim's activity, thus reducing the claims costs incurred by the insurance company directly for that claim. By shortening the claim cycle, the insurance company can get your worker back to work more quickly and reduce your lost productivity. Quick reporting also allows for better fraud identification and reduces the chances of attorney involvement which almost always creates dramatic upward pressure on the claim's total costs.

On the flip side, there are a number of reasons why late reporting creates more costs on a workers compensation insurance claim. First of all, with late reporting, often minor injuries can balloon into much larger ones and will cost more to settle. If the insurance company is brought in late on a claim, then often you miss out on the chance to take advantage of the insurance company's negotiated medical provider fees. If the insurance company is brought in on a claim too late, then they often don't have much opportunity to direct the treatment for the injured worker. This almost always results in higher medical costs. And last of all, you as the employer could face state fines for delayed claim reporting and often these fines can be significant.

Make sure that your managers have an established claims reporting process that kicks into action the minute you have a workplace accident that injures one or more employees. Setting this up in advance and monitoring it to make sure that it is functioning effectively can save your company in lost productivity, fines and higher work comp insurance rates. This is a simple way to save your company significant money.

Clinard Insurance Group is a full line, independent insurance agency located in Winston Salem NC. We are very active in the workers compensation insurance market and insure hundreds and hundreds of businesses all across North Carolina and South Carolina. We would love to answer your questions about workers compensation and help you find a policy that will save you money, not only today but for years to come. Please call us toll free, at 877-687-7557 or visit us on the web at www.ClinardInsurance.com.