

## Increasing cost of doing business

Running a contracting business is getting costlier all the time, especially when we look at the cost of workers' compensation insurance, which is something both employers *and* employees pay in the state of Washington.

While we may have complaints about the workers' compensation system and how it works, we need to understand the costs associated with it and how they affect all of us.

The employer, who pays the majority of the cost, can consider it as "a cost of doing business" and include it in the bid price for a project. For the employees, it is a different matter since their portion comes right out of their weekly paychecks.

## Premiums

In the State of Washington, workers' compensation insurance (or *industrial insurance*) is made up of three components:

### 1. Accident-Fund Premium

The largest component of workers' compensation cost is the Accident-Fund Premium. Paid for by the employer, it covers costs for time loss payments and other disability related expenses.

### 2. Medical-Aid Premium

The second largest component is the Medical-Aid Premium, which is shared 50/50 between

employer and employee. It covers injured workers' medical care and related services.

### 3. Supplemental Pension Assessment

This is the smallest component of the workers' compensation cost and is also shared by employer and employee. It covers the cost of living increases for long-term disabilities.

## Risk Classes

Adding to the complexity is that premiums are assessed by "risk classes" based on the type of work performed. This is because the costs of injuries vary by type of work and exposure to risk. A carpenter, plasterer or drywall finisher all have different risk classifications and different base premium rates associated with them.

Given that the base premium rates differ by risk classification, the employee portion will vary as well. The higher the base rate, the more the employee portion will be.

## Experience Rating

Another factor that affects the cost of workers' compensation insurance is the company *experience factor*. You may have heard this called the *EMR*, or *EMF* or just simply the *mod-factor*. This is the factor that is based on a company's accident history and affects the final

rates for a specific company, and ultimately you, the worker.

A company with fewer accidents than other companies of similar size will usually have a lower accident rating and ultimately lower rates. They will pay less, and so will you.

The attached examples for different types of work show how the experience factor affects what you all pay. By acting as a multiplier of the base rates for each type of work, the company with fewer accidents will pay less than one with more accidents, and so will their employees.

## What Can We Do?

While it may not be possible to eliminate all injuries, a simple reduction in the number of them can result in a significant reduction in costs for all of us.

How can you help reduce cost?

- Follow your company safety program.
- Report all "near misses" so they don't become accidents down the road.
- Don't stand for abuse of the system. Although only a small number of the total claims, fraud costs us all plenty.

Take a look at the attached examples, and think about what a reduction in costs will do for your paycheck!

## Did you know?

That you as an employee contribute to your company's Industrial Insurance premiums?

In Washington State, Industrial Insurance premiums are based on the risks associated with the work you do, as well as your company's history of claims and costs, which is called an **Experience Factor**.

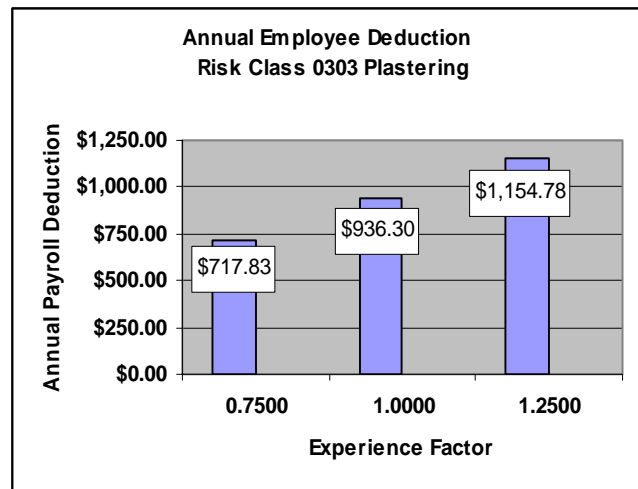
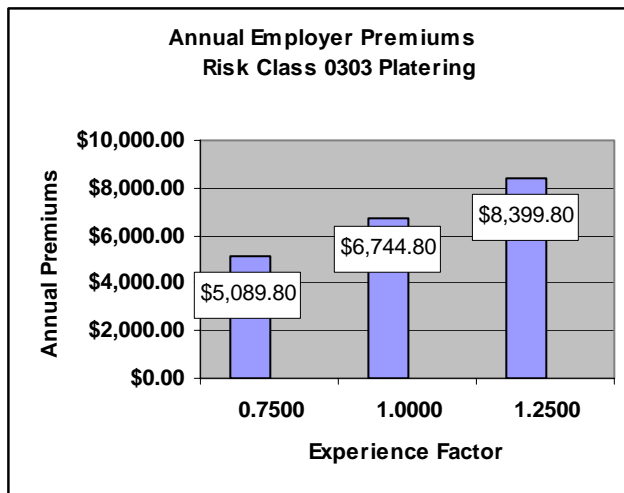
Example: The industry base rate for Plastering is **\$3.3724** per worker hour and the employee payroll deduction rate, your portion, is **\$0.46815** per hour.

Over the year, a company with average rates, an Experience Factor of **1.0000**, will pay **\$6,744.80** per worker, of which **\$936.30** is paid by the employee.

If a company has an Experience Factor of **1.2500**, higher than the industry average, the company's hourly premium for plastering is **\$4.1999** per hour. The employee contribution is **\$0.57739** per hour worked.

This adds up to **\$23.10** per week, or **\$1,154.78** per year deducted from the workers paycheck, and **\$8,399.80** that the company will pay over the year. The yearly difference is **\$1,655** per employee paid by the company and **\$218.48** more than the industry average deducted from the employee's paycheck. What a difference!

The charts below show the comparisons and potential savings between a company with the higher Experience Factor, an average company, and a company with a better than average Experience Factor of 0.7500.



### We can work together to lower our rates:

- ✓ By identifying and correcting hazardous conditions on the job, we can reduce the number of injuries and claims filed.
- ✓ By working together to identify work that an injured employee can do while recuperating from an on-the-job injury, we can reduce the costs of claims that are filed.
- ✓ By actively supporting our Safety and Return to Work programs, we can all benefit!

**Talk to your Foreman or Safety Representative if you have questions or ideas!**



## Did you know?

That you as an employee contribute to your company's Industrial Insurance premiums?

In Washington State, Industrial Insurance premiums are based on the risks associated with the work you do, as well as your company's history of claims and costs, which is called an **Experience Factor**.

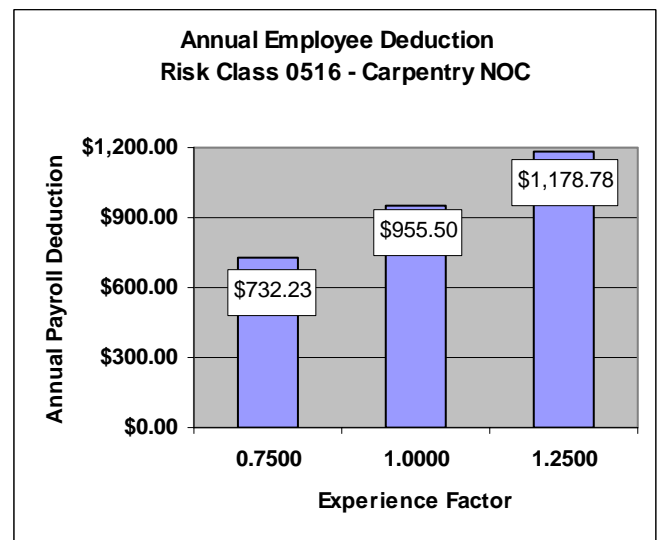
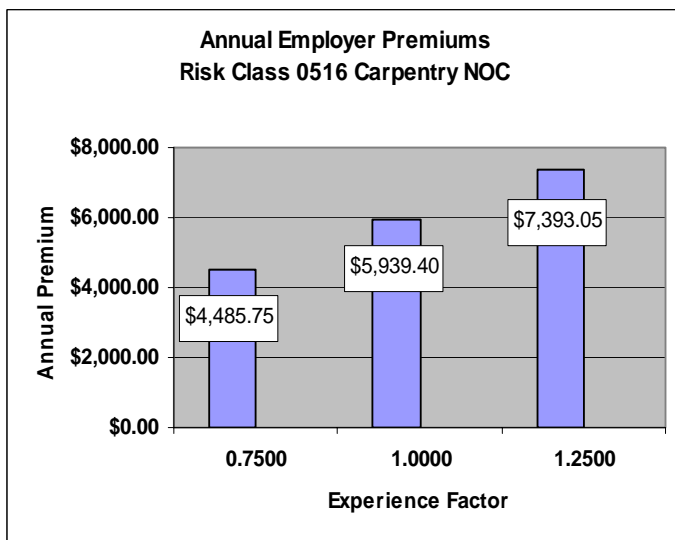
Example: The industry base rate for Metal Framing (Carpentry – NOC) is **\$2.9697** per worker hour and the employee payroll deduction rate, your portion, is **\$0.47775** per hour.

Over the year, a company with average rates, an Experience Factor of **1.0000**, will pay **\$5,939.40** per worker, of which **\$955.50** is paid by the employee.

If a company has an Experience Factor of **1.2500**, higher than the industry average, the company's hourly premium for metal framing is **\$3.6965** per hour. The employee contribution is **\$0.58939** per hour worked.

This adds up to **\$23.58** per week, or **\$1,178.78** per year deducted from the workers paycheck, and **\$7,393.05** that the company will pay over the year. The yearly difference is **\$1,453.65** per employee paid by the company and **\$223.28** more than the industry average deducted from the employee's paycheck. What a difference!

The charts below show the comparisons and potential savings between a company with the higher Experience Factor, an average company, and a company with a better than average Experience Factor of 0.7500.



### We can work together to lower our rates:

- ✓ By identifying and correcting hazardous conditions on the job, we can reduce the number of injuries and claims filed.
- ✓ By working together to identify work that an injured employee can do while recuperating from an on-the-job injury, we can reduce the costs of claims that are filed.
- ✓ By actively supporting our Safety and Return to Work programs, we can all benefit!

**Talk to your Foreman or Safety Representative if you have questions or ideas!**



## Did you know?

That you as an employee contribute to your company's Industrial Insurance premiums?

In Washington State, Industrial Insurance premiums are based on the risks associated with the work you do, as well as your company's history of claims and costs, which is called an **Experience Factor**.

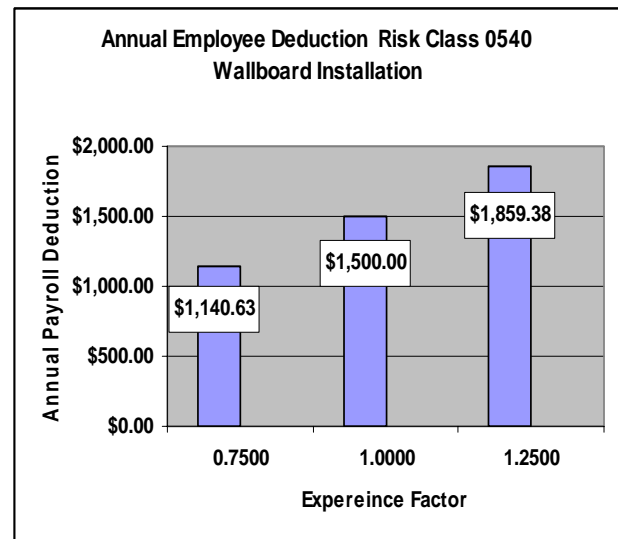
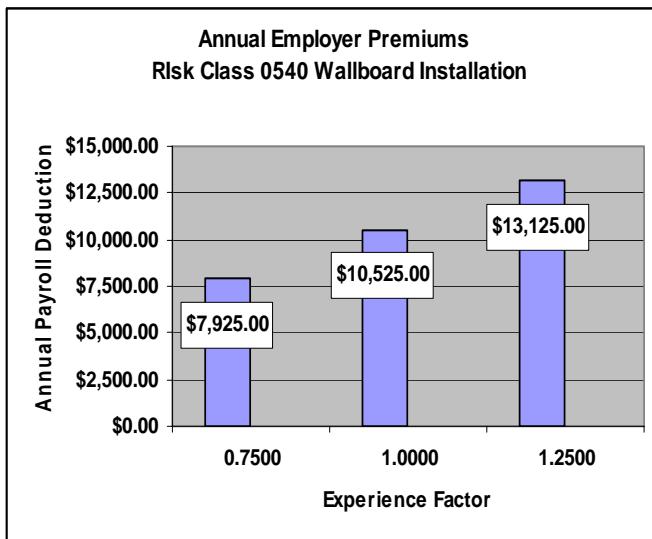
Example: The industry base rate for Wallboard Installation is **\$5.2625** per worker hour and the employee payroll deduction rate, your portion, is **\$0.7500** per hour.

Over the year, a company with average rates, an Experience Factor of **1.0000**, will pay **\$10,525.00** per worker, of which **\$1500.00** is paid by the employee.

If a company has an Experience Factor of **1.2500**, higher than the industry average, the company's hourly premium for wallboard installation is **\$6.5625** per hour. The employee contribution is **\$0.92969** per hour worked.

This adds up to **\$38.19** per week, or **\$1,859.00** per year deducted from the workers paycheck, and **\$13,125.00** that the company will pay over the year. The yearly difference is **\$2,600** per employee paid by the company and **\$359.38** more than the industry average deducted from the employee's paycheck. What a difference!

The charts below show the comparisons and potential savings between a company with the higher Experience Factor, an average company, and a company with a better than average Experience Factor of 0.7500.



### We can work together to lower our rates:

- ✓ By identifying and correcting hazardous conditions on the job, we can reduce the number of injuries and claims filed.
- ✓ By working together to identify work that an injured employee can do while recuperating from an on-the-job injury, we can reduce the costs of claims that are filed.
- ✓ By actively supporting our Safety and Return to Work programs, we can all benefit!

**Talk to your Foreman or Safety Representative if you have questions or ideas!**



## Did you know?

That you as an employee contribute to your company's Industrial Insurance premiums?

In Washington State, Industrial Insurance premiums are based on the risks associated with the work you do, as well as your company's history of claims and costs, which is called an **Experience Factor**.

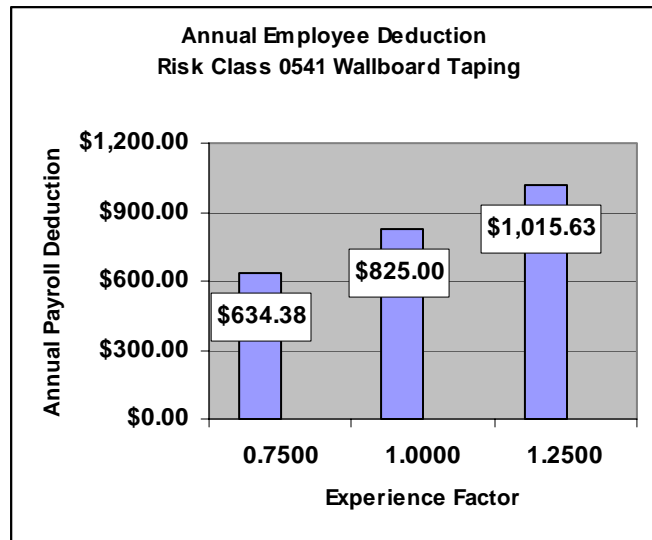
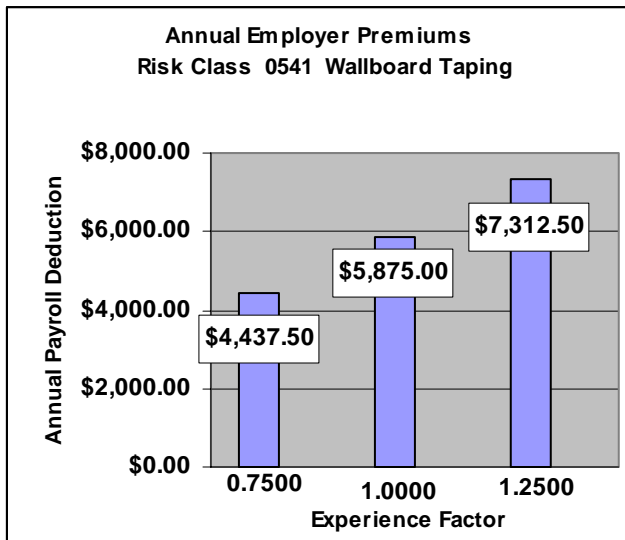
Example: The industry base rate for Wallboard Taping is **\$2.9375** per worker hour and the employee payroll deduction rate, your portion, is **\$0.4125** per hour.

Over the year, a company with average rates, an Experience Factor of **1.0000**, will pay **\$5,875.00** per worker, of which **\$825.00** is paid by the employee.

If a company has an Experience Factor of **1.2500**, higher than the industry average, the company's hourly premium for wallboard taping is **\$3.6563** per hour. The employee contribution is **\$0.50781** per hour worked.

This adds up to **\$20.31** per week, or **\$1,015.63** per year deducted from the workers paycheck, and **\$7,312.50** that the company will pay over the year. The yearly difference is **\$1,437.50** per employee paid by the company and **\$190.63** more than the industry average deducted from the employee's paycheck. What a difference!

The charts below show the comparisons and potential savings between a company with the higher Experience Factor, an average company, and a company with a better than average Experience Factor of 0.7500.



### We can work together to lower our rates:

- ✓ By identifying and correcting hazardous conditions on the job, we can reduce the number of injuries and claims filed.
- ✓ By working together to identify work that an injured employee can do while recuperating from an on-the-job injury, we can reduce the costs of claims that are filed.
- ✓ By actively supporting our Safety and Return to Work programs, we can all benefit!

**Talk to your Foreman or Safety Representative if you have questions or ideas!**