



OLYMPUS  
INSURANCE

Workers'

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# Compensation and Contractors

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CITY OF CEDAR HILLS  
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# Statutory Employers

Utah Labor Code, Workers Compensation Act, Title 34A, Chapter 2

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If we hire a contractor, and the contractor does not purchase workers' compensation insurance, we become the 'Statutory Employer' for that employee, exposing the City's workers' compensation program to claims from these contractors.



# Impact of uninsured contractors on our Workers' Compensation program

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# City of Cedar Hills

## Workers' Compensation Program

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NCCI experience modifier - .82

WCF schedule rating - .87

WCF rate band – Tier 1 (Preferred)

2015 claims – 1

2015 claim payments - \$2,276



# City of Cedar Hills Workers' Compensation Program

WC premiums have decreased by 35% over the past three years due to favorable loss activity, and proactive safety measures, from \$16,375 to \$10,542.

Classifications	Code No.	Premium Basis Total Estimated Annual Remuneration	Rates Per \$100 of Remuneration	Estimated Annual Premium
<b>STATE: UT</b>				
CLERICAL OFFICE EMPLOYEES	8810	752,432	0.17	\$1,279.13
MUNICIPAL EMPLOYEES	9417	621,115	2.23	\$13,850.86
<b>MANUAL PREMIUM</b>				<b>\$15,129.99</b>
EMPLOYERS LIABILITY		1000/1000/1000	1.10%	\$166.43
EXPERIENCE MODIFICATION			0.82	-\$2,753.36
SCHEDULE RATING (CR)			0.87	-\$1,630.60
<b>TOTAL STANDARD PREMIUM</b>				<b>\$10,912.46</b>
PREMIUM SIZE DISCOUNT			5.91%	-\$644.93
TERRORISM		1,373,547	0.01	\$137.35
CATASTROPHE-OTHER THAN CERTIFIED ACTS OF TERRORISM		1,373,547	0.01	\$137.35
<b>ESTIMATED ANNUAL PREMIUM</b>				<b>\$10,542.23</b>



# Case study

## Impact of two claims

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Claim #1 – Minor injury, <\$5,000 in medical and indemnity costs. (e.g. Cut to hand)

Claim #2 – Major injury, \$200,000 in medical and indemnity costs. (e.g. Fall from height exceeding 15 feet)



# Case study

## Impact of two claims

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NCCI experience modifier – Could increase to 2.0

WCF scheduling rating – Credit could be removed, 1.0

WCF rate band – Could use Tier 2 rates (Standard)

- 20% higher than Tier 1 rates

Premium could increase to \$29,060, while maintaining Tier 1 rates. If the underwriter moved to Tier 2 rates, the premium could increase to \$34,818.



# Risk Management Best Practices

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Require certificate of insurance, evidencing of workers' compensation coverage for all contractors.

If the contractor is a sole proprietor, you could accept a Workers' Compensation Coverage Waiver (WCCW) in lieu of workers' compensation coverage.

Contracts could be amended to prohibit any contractor owner or director who has excluded themselves on their WC policy from working on a City project.



# Questions

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INSURANCE

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Innovation.

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Stability.