



(850) 234-3197
(800) 508-9126

5 Miracle Strip Loop, Suite 1
Panama City Beach, FL 32407

Civic Memorial Office Center
6601 Memorial Highway, Suite 201
Tampa, FL 33615

2233 N.W. 41st Street, Suite 700-B
Gainesville, FL 32606

Understanding Premium Credits, Dividend Plans and Loss Sensitive Plans Work

How does the Workplace Safety Credit (2% premium savings) work?

To qualify for this credit, your business must have a written, state certified workplace safety program, assign a dedicated "Safety Coordinator", and form a **four-person** safety committee that agrees to meet at least quarterly to talk about safety in the workplace.

The safety committee must be comprised of two supervisory level employees and two non-supervisory level employees. At a minimum, the program must include a written safety policy and safety rules, and make provision for safety inspections, preventative maintenance, safety training, first-aid, accident investigation, and necessary recordkeeping. Documentation of safety meetings is required as well as a list of attendees.

Recertification of your program is required each year. Carriers require you to complete an application signed by a corporate officer and a notary public, in order to recertify for the 2% credit. If the recertified application is not submitted, the 2% credit may be removed from your policy.

Questions? Call the experts at WorkComp Specialists Now: [800-508-9126](tel:800-508-9126).

How do I qualify for the Certified Drug Free Workplace Credit (5% premium savings)?

To qualify for this credit, your business must have a written, state certified drug free workplace program that complies with the Florida workers' compensation statute 440.102.

In addition to your written program, the following testing methods are required:



(850) 234-3197
(800) 508-9126

5 Miracle Strip Loop, Suite 1
Panama City Beach, FL 32407

Civic Memorial Office Center
6601 Memorial Highway, Suite 201
Tampa, FL 33615

2233 N.W. 41st Street, Suite 700-B
Gainesville, FL 32606

- Job applicant drug testing. An employer must require job applicants to submit to a drug test. The applicant's refusal to submit to a drug test, or a positive confirmed drug test, can serve as a basis for your refusal to hire the job applicant.
- Reasonable-suspicion drug testing. An employer must require an employee to submit to reasonable-suspicion drug testing. In other words, you cannot ignore suspicious behavior and decline to require a drug test.
- Routine fitness-for-duty drug testing. An employer must require an employee to submit to a drug test if the test is conducted as part of a routinely scheduled employee fitness-for-duty medical examination that is part of the employer's established policy or that is scheduled routinely for all members of an employment classification or group.
- Post-Accident drug testing. Injured workers must submit to a drug screen at the earliest possible opportunity after they are hurt on the job. The workers' comp carrier has the right to deny paying medical and indemnity benefits to a claimant that tests positive for illegal drugs or excessive alcohol in their system.
- Follow up drug testing. If the employee in the course of employment enters an employee assistance program for drug-related problems, or a drug rehabilitation program, the employer must require the employee to submit to a drug test as a follow up to such program, unless the employee voluntarily entered the program. In those cases, the employer has the option to not require follow up testing. If follow up testing is required, it must be conducted at least once a year for a 2-year period after completion of the program. Advance notice of a follow up testing date must not be given to the employee to be tested.

Is random drug testing required as part of the drug free workplace credit?

Random drug testing is an option for employer implementation as part of the Florida workers' compensation drug free workplace program. However, random drug testing is not required to receive the 5% premium savings credit.



(850) 234-3197
(800) 508-9126

5 Miracle Strip Loop, Suite 1
Panama City Beach, FL 32407

Civic Memorial Office Center
6601 Memorial Highway, Suite 201
Tampa, FL 33615

2233 N.W. 41st Street, Suite 700-B
Gainesville, FL 32606

What are dividend and loss sensitive plans?

Some Florida workers' compensation carriers will offer their policyholders the opportunity to earn back a portion of the premium they pay in back in the form of a dividend.

Also, known as "Safety Rewards" or "Profit Sharing" plans, these programs can have a significant lowering effect on your annual work comp premium cost.

Questions? Call the experts at WorkComp Specialists Now: [800-508-9126](tel:800-508-9126).

How are dividends paid out?

Most dividends are paid out based on the loss ratio that your policy has over the 12-month policy year. The loss ratio is calculated by:

Loss Ratio = Total claims dollars incurred (includes paid and reserves) / Annual Audited Premium

Are there different dividend plans that I can consider?

Yes. There are traditional and upfront dividend plans.

- Traditional dividends are normally based on a sliding scale percentage table. The lower your loss ratio, the larger the potential dividend you can earn.
- Upfront Dividends tend to be less aggressive than traditional dividends, but can be structured to pay out a certain percentage amount regardless of your loss ratio.

Questions? Call the experts at WorkComp Specialists Now: [800-508-9126](tel:800-508-9126).

What factors should I consider when comparing dividend plans?

By law, carriers cannot guarantee dividends and they must be declared annually by the carrier's board of directors. The carrier's history of paying dividends and whether or not the carrier has not declared or paid a dividend is important.

What is the timetable for the dividend calculation and payout?

The timetable is an important factor and carrier parameters can vary greatly. Some Florida workers' compensation carriers have a one-time calculation that is done 4 - 6 months after the policy expires and then 100% of any earned and declared dividend is paid out. This



(850) 234-3197
(800) 508-9126

5 Miracle Strip Loop, Suite 1
Panama City Beach, FL 32407

Civic Memorial Office Center
6601 Memorial Highway, Suite 201
Tampa, FL 33615

2233 N.W. 41st Street, Suite 700-B
Gainesville, FL 32606

type of payout can be attractive if you don't have any open claims when the dividend loss ratio calculation is done. However, the short calculation time can work against you if your open claims have reserves that drive your loss ratio up.

Other carriers perform two dividend calculations (one 6 months after the policy expires and the second one 18 months after). On these type of plans, the carrier will normally pay 50% of any earned and declared dividend at the 6-month mark and the other 50% at the 18 month mark. It takes longer to receive your dividends but this type of dividend plan can work in your favor if you have open claims at the 6 month calculation.

Questions? Call the experts at WorkComp Specialists Now: [800-508-9126](tel:800-508-9126).

What are loss sensitive plans?

Loss sensitive programs offer another premium saving option. There are primarily two types of loss sensitive plans: a incurred loss retrospective plan and a paid loss retrospective plan.

What is an Incurred Loss Retro Plan?

This type of plan functions similarly to a traditional dividend plan, with a few exceptions. Like a traditional plan, there are specific times after the policy expires at which the amount of premium that is paid back to the insured is determined. Most incurred loss retro plans have their retro calculations at 6 months, 18 months, and 30 months after the policy expires.

The two main differences between this plan and a traditional dividend plan are:

- Any return of premium earned is contractually guaranteed by the carrier. In a traditional dividend plan, the carrier cannot guarantee the payment of the dividend.
- On an incurred loss retro plan, the maximum amount of premium you can pay is usually the standard premium This is defined as the premium amount, after the application of the experience MOD but before the state of Florida mandated stock discount, times a multiplier of 1.05 or 1.10.



(850) 234-3197
(800) 508-9126

5 Miracle Strip Loop, Suite 1
Panama City Beach, FL 32407

Civic Memorial Office Center
6601 Memorial Highway, Suite 201
Tampa, FL 33615

2233 N.W. 41st Street, Suite 700-B
Gainesville, FL 32606

What this means is that depending on the amount of claims dollars you incur during the policy year, you could end up paying 5 % to 10% more than the standard premium.

As a comparison, with a traditional dividend plan the maximum amount of premium you will pay is the discounted premium. That is defined as the premium amount after the application of the experience MOD and the state of Florida mandated stock discount.

Questions? Call the experts at WorkComp Specialists Now: [800-508-9126](tel:800-508-9126).

What is a Paid Loss Retro Plan?

This Florida workers' compensation plan allows qualifying companies to have the ability to pay in a percentage of the standard premium over the course of the policy year. Additionally, the employer is billed for claims as the carrier pays them out.

For example, if an employer has a standard premium of \$100,000, their paid loss retro plan may allow them to pay in 60% (or \$60,000) over the course of the 12 month policy year.

- If the company does not have any claims, they will only have had to pay in the \$60,000 and would have benefitted from having saved \$40,000 in premium up front.
- If the company does have claims and claims dollars are paid out by the carrier, the carrier will turn around and bill the insured for the claim. The carrier will also add on a claims handling fee (known as a loss conversion factor) that is usually a percentage added onto the claim dollars paid out. The carrier will also add on a state mandated tax multiplier to the cost of the converted claim.

Like an incurred loss retro plan, there is a chance that the insured employer could pay 5% to 10% more than the standard premium if they have a poor claims year.

One other note, since the insured employer is paying in a percentage of the standard premium over the course of the policy year, most carriers require that the insured furnish some financial security to cover the difference between the minimum premium and maximum premium. This financial security is usually provided in the form of a letter of credit, bond, or certificate of deposit.



(850) 234-3197
(800) 508-9126

5 Miracle Strip Loop, Suite 1
Panama City Beach, FL 32407

Civic Memorial Office Center
6601 Memorial Highway, Suite 201
Tampa, FL 33615

2233 N.W. 41st Street, Suite 700-B
Gainesville, FL 32606

What are Per Claim Deductible Credits?

Everyone is familiar with deductibles when it comes to auto insurance policies. Deductibles are also available on Florida workers' comp policies. There are different credit amounts available to lower your workers' comp premium based on the amount of deductible you choose. **Questions? Call the experts at WorkComp Specialists Now: [800-508-9126](tel:800-508-9126).**

What is the Florida Contractor's Credit, FCCPAP?

Many years ago the National Council on Compensation Insurance (NCCI) developed a special credit available only to contractors on their Florida workers' comp policies.

The credit is based on a formula that considers the amount of hourly wage a construction-based business pays their workers who are out on job sites