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Florida Workers' Compensation Rate Increase: What To Do

Time to Pivot in Workers' Comp

Now is time to pivot by using bridge-the-gap strategies between Florida Legislative action and Workers' Comp rate increase.

Consider selecting a per claim deductible in return for a premium credit toward this year's 14.5 average rate increase. The medium average savings is nearly 2% in premium by selecting a $500 per claim deductible. The medium average savings provide a 6% premium savings for a $2500 per claim deductible.

Request a coinsurance option from your carrier. This practice is a long-standing option when buying a health benefits program. The time has come for consideration when purchasing Workers' Comp coverage. The medium average savings of 2% in premium for a $5000 coinsurance amount with an 80-20 claim split applies.

The medium average savings of 6% in premium applies for a $21000 coinsurance amount with an 80-20 split.

An employer could enjoy a 10% savings by choosing a $2500 deductible along with 20% of the next $21000 in benefits paid. By accepting a risk of $6700 per claim, employers with good safety records could rollback some of this 14.5 average rate increase on renewal.

NCCI publishes a schedule of specific premium saving amounts that vary by industry hazard group and deductible-coinsurance options.

Will carriers file deviated rates through a state approved process soon enough to counter these rate increases? Florida has long practiced a "full rate" position through NCCI. We sense an undercurrent of carrier interest in deviating rates for specific favorable industry classifications. Few carriers have been approved for deviated rates up to this point. Again, time will tell. If deviated rates become the industry norm, dividends offered and paid rewarding safety-conscious employers will likely diminish or become a practice of the past.

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Competition for Workers’ Comp business among carriers has centered on dividend schedules for employers to consider over the past decade. We have experienced sliding scale dividends which reward employers based solely on incurred claim amounts. Soon to follow were flat dividend payments which reward regardless of actual claims results.

Finally, deferred dividends that apply as a credit towards current premiums came into practice. The same concept as flat dividends applied to the reward regardless of an employer’s actual claims performance, a dividend reward was applied to past or current premiums.

The Florida Workers’ Comp competitive marketplace continues with this practice. The result has been a continual healthy business environment of carriers competing for employer’s premiums by offering analytics-driven dividend offers for consideration. All the while, technology and safer workplaces drove claim frequency to historically lower levels.

The result has been a nearly 60% reduction in Workers’ Comp rates over a thirteen-year period.

By far, the most significant contributor to lower costs in the Workers’ Comp system has been the modest claimant attorney fee schedule. The Florida Supreme Court has rendered this fee schedule unconstitutional. And now, the tide has turned.

To bridge-the-gap, employers must pivot to focus on cost drivers and risk-sharing strategies until legislative compromise results in acceptable rates.

Experience mod calculations require a forensic understanding and review. Payroll and claims figures come from a variety of sources. Data reporting from carriers has improved. NCCI fact checking data has improved. Employers can continue to find costly errors in their individual experience mod calculation by forensically

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comparing premium audits and specifically dated claims history with their mod worksheet.

Employers can also present their company to various carriers by using a sixteen-point template cover letter.

This cover letter presentation describes exposures that exist and those that don't. Websites often broaden an employer's daily practices that affects selection and pricing by carriers. Websites are displayed for marketing purposes. A detailed cover letter explains exposures that might not exist daily.

The first economic impact from higher rate increases results in lower profits. The second effect is employee rate-of-pay. Thirdly, begins a refrain in part-time and full-time hiring. Lastly, comes passing on the cost to consumers.

History has shown Workers' Comp rates move in cycles. If we are at the onset of an upward cycle, employers need to consider a pivot in approaching managing their costs through additional strategies whose time has come.

J. Kevin Campbell