

WORK COMP INSIGHTS

Officer Exclusion from Workers' Compensation Insurance

Most states require employers to purchase a workers' compensation insurance policy to cover workers who are injured or made ill due to a workplace exposure. While owners and corporate officers can exclude themselves from coverage, there are potential drawbacks to opting out that need to be seriously considered before you make your decision.

Executive officers of a corporation are usually included for coverage under each state's workers' compensation laws unless they file for an exclusion from the policy. Partners and sole proprietors are generally exempt from coverage but may elect coverage under the policy.

Benefits of Workers' Compensation Insurance

The benefits are the same for everyone covered under a commercial workers' compensation policy, including officers. Workers' compensation coverage pays benefits to workers injured on the job. These benefits include medical care, a portion of lost wages and permanent disability. It also provides death benefits to dependents of employees killed from a work-related accident.

A typical health insurance policy specifically excludes work-related injuries unless there is a rider attached to the policy that adds business coverage. Furthermore, health insurance does not cover disability the same way that workers' compensation insurance does.

Why would someone opt out of workers' compensation insurance?

Many officers and business owners make the following assumptions when opting out of workers' compensation insurance:

- They assume that their medical insurance is enough to cover them in the event of an injury incurred at the workplace.
- They assume that they would never want to file a workers' compensation claim against their own company, so they don't see the need to pay premiums for a policy that they won't use.

While owners and corporate officers may be allowed to exclude themselves from workers' compensation coverage, there are drawbacks to opting out.

Drawbacks of Opting Out

Even if a corporate officer spends the majority of his or her time at a desk, there is still a risk of injury. And if an injury occurs,

it's likely that the officer's health insurance policy will have an exclusion for work-related injuries. Without workers' compensation insurance, the cost of treatment for those injuries would have to be paid for by the company, or come out of the pocket of the officer.

Opting out of workers' compensation insurance may save some money, but it also transfers risk to the employer and to the corporate officer who chooses to opt out.

Additional Premium Charges

If an officer rejects coverage, he or she will most likely have to file a form with the state and/or the insurance provider prior to obtaining coverage for the rest of the company. In absence of this notification, the insurance provider will assume that the officer is electing coverage, and will charge him or her a premium.

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Option to Self-insure

With self-insurance, a company can avoid paying workers' compensation premiums by serving as its own carrier. The catch is that the company has to agree to post a bond or put money aside to pay for any claims that may occur. Each state has its own self-insurance requirements.

Consult Hanson & Ryan Inc. today if you have any questions about self-insurance or need help deciding whether or not opting out of workers' compensation insurance is right for you and your business.