

WCIO WORKERS COMPENSATION
OVERVIEW TO WORKERS' COMPENSATION

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There are as many definitions of workers' compensation as there are states where workers' compensation is required. Simply stated, workers' compensation is insurance that pays when an employee gets hurt on the job.

The NAIC Statistical Handbook, Section 23, defines workers' compensation as:

"Insurance that employers are required (in most states and for most employments) to provide to cover employees against loss of income and/or medical expenses that result from job-related injury, disease or death."

In the 80's, the term "workmen's compensation" was replaced, throughout the United States, by the term "workers' compensation." All state codes, regulations, and related manuals were changed to include the new term.

In 1913, New York adopted the first compulsory workers' compensation law in the United States. All other states followed shortly thereafter.

Prior to the enactment of these laws, an employee injured on the job could sue his or her employer or the individual liable for the injury. With the introduction of workers' compensation insurance laws, liability for compensation was imposed irrespective of fault, and this was the employee's exclusive remedy against the employer.

Approximately 30 billion dollars of workers' compensation insurance premium is written in the United States annually. This amount does not include individual self-insureds. Workers' compensation is written by state funds (both exclusive and non-exclusive); insurance companies; self-insured groups, etc.

Workers' compensation is written on both a voluntary and non-voluntary (commonly called assigned risk or residual market) basis.

The data capture process employs a valuation of both premium and losses. What this means is that, at a certain point in time, initially 18 months after the effective date of the policy for the reporting of individual policy holder data, a "snapshot" of the database is taken. At this point in time, payroll figures are gathered, usually after audit, and loss values are also compiled in preparation for reporting the data to the Data Collection Organizations (DCOs).