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Understanding Workers' Compensation

By Risk Strategies Transportation Practice

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We can probably all agree that Workers' Compensation is not a hot topic at the water cooler, and if it was most would have many more questions than answers.

In fact, no form of insurance causes so much misunderstanding and confusion as this important piece of coverage that affects such a large slice of your revenues. Whether you already pay large premiums or are just waiting for the premium hammer to fall, most courier and same day delivery company owners know that the stakes are high.



Courier/Same Day Delivery Owners & Workers Comp

Consider this your primer on Workers' Compensation as applied specifically to the courier industry. We will cover the basics of how the system works, with a focus on pricing and independent contractor issues. We will also examine the best *legitimate* options available to courier companies, leaving you better prepared to make the tough decisions about how best to protect your company.

History of Workers' Comp

Workers' Compensation (WC) was designed over seventy years ago to ensure that workers injured on the job receive reimbursement for medical expenses and lost income. In return, businesses are shielded from what otherwise would be *unlimited liability* for this *plus* pain, suffering, and punitive damages.

Workers' Comp / Ins and Outs

While we strive to limit the cost of WC, we should not forget the substantial benefits we receive as business owners.

A few words of caution are in order, though. First, Workers' Compensation is a state-by-state affair. General principles may apply to the majority of jurisdictions, but each state's particular statutes and regulations ultimately govern. Indeed, your WC insurance policy says little other than to promise that your carrier will follow the terms of your state's statutes.

Second, laws and regulations never predict every situation. When disputes or ambiguities arise, administrative hearings must resolve the differing interpretations. Results are inherently unpredictable and not always consistent. By staying well within the bounds of established practice, you can minimize -

though never eliminate - the chance of finding yourself at the mercy of the quasi-judicial system.

Bottom Line

States *require* almost all businesses to procure a Workers' Compensation policy. In many cases, having even one employee is enough to trigger the statutes. Generally, the fact that your drivers may be **independent contractors** does *not* excuse you. If your business does not comply, you face not only fines, but also *unlimited liability* of the sort already mentioned. Moreover, the law prohibits you from using most of the best legal defenses against driver lawsuits, such as the driver's own negligence or assumption of risk. In short, if you are caught without WC, the system will do its best to make your business life miserable - even if you shut your doors and try to start fresh.

One word about costs. It is illegal in almost all cases to pass on the cost of Workers' Compensation to those who may receive its benefits (i.e., workers). This has been one significant cause of the decline in contractor commission rates compared with ten years ago. At that time, the government and insurance industry were only just beginning to crack down on companies using ICs. As more and more companies have begun paying WC on drivers, something had to give.

Risk Strategies Transportation works with nearly 2000 delivery and logistics companies of all shapes and sizes nationwide, specializing in the full range of insurance and risk management solutions for this industry: property & casualty, alternative risk solutions, employee benefits, IC risk programs, key person risk management, safety and accident prevention, executive and family risk, and financial services.

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