

A person wearing a dark blue uniform with a white stripe on the sleeve is holding a white lanyard with a badge. They are standing next to a newspaper. The text is overlaid on the image.

6 of the Most Common Myths About Workers' Compensation Insurance

INTRODUCTION

As a business owner, whether small or large, are you still in a haze when it comes to workers' compensation insurance? If you are, then you are not alone! Not only is it confusing in the first place, but then not everyone has to play by the same rules!

First of all, there are still some states that don't even require it. For those states that do, the rules can be confusing and when you add in working with part-time help, seasonal help, freelancers and contractors, it can all become a blur!

In order to try to help make better sense out of all of this, let's take a look at 6 of the most common myths about workers' compensation and find out the real truth once and for all!

Let's get started!

Myth 1: A small business doesn't need workers' compensation insurance.

The Truth: Almost all states require employers with five or more employees to have a workers' compensation insurance policy. If you own a construction company, you're required to have workers' compensation insurance if you have any worker at all on your payroll.

Myth 2: Once an employee's claim is paid, the case is closed.

The Truth: Payment of an employee's claim is just the beginning! You will need to stay in frequent contact with the injured employee. You will have to have some way to assess when he/she will be ready to return to work.

If you do not currently have some type of a return to work program in place, you should consider setting one up. It can help reduce the number of lost work days due to injury as well as increase productivity for your business.

An employee receiving workers' compensation is paid, on average, 50% to 70% of his/her normal pay. Meanwhile, back at work, the employer is only paying 30% to 50% more to have a full-time worker.

Aside from that, it is strongly recommended that you keep any paperwork related to the claim for at least 10 years after the final workers' compensation payment has been made.

Myth 3: Workers' compensation rules are the same in every state.

The Truth: As we mentioned earlier, some states still don't require workers' comp coverage! In the states that do, typically, the general guidelines are similar from state to state, but again that's just typically and just the general guidelines. You'll need to seek the help of a licensed independent insurance agent to help you sort through the ins and outs of things in your state.

Myth 4: Business owners need to pay workers' compensation for freelancers and contract workers.

The Truth: Companies don't have to pay workers' compensation, unemployment, or disability taxes for freelancers, contract workers or any other workers who receive a 1099 and not a W-2.

When dealing with contract workers or freelancers, be sure to pay them on a project-by-project basis, rather than paying an hourly, daily or weekly wage. Also, avoid providing tools, including things like computers or other equipment, for them to do their job, since freelancers should be able to provide their own equipment.

This will help to clearly define the difference between a contractor/freelancer and an employee, as well as, lessening the likelihood that a contractor/freelancer could hold you accountable for a workers' compensation claim at some later date.

As for part-time workers and seasonal workers, they are your employees and therefore must be covered under your workers' compensation policy.

Myth 5: There are a lot of workers' compensation claims that are fraudulent because workers are just looking for a chance to make a false claim and a fast buck.

The Truth: Studies have overwhelmingly shown that only 1% - 2% of workers' compensation claims made are fraudulent. If you ever do have suspicions about the validity of a claim, then certainly do report it for investigation, but always treat all claims as valid until proven otherwise. Being wrong could be disastrous!

Myth 6: Workers' compensation is a huge expense.

The Truth: How expensive the coverage is or is not, is dependent on a number of factors, several of which were previously mentioned. The best way to make sure that you are getting the best possible price along with the appropriate coverage is to consult your independent insurance agent who can advise you intelligently, as well as shop among multiple companies, securing you the best possible price and coverage for your situation.

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