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CONTROLLING WASHINGTON L&I PREMIUMS WITH RETRO GROUPS

Lynsee Wiegand | Account Executive

In Washington State, workers' compensation insurance is provided through the state (i.e. a monopolistic state fund). This is a relatively rare structure in the United States; Washington is one of only four states that pay workers' compensation premiums to the state's department of labor and industries (L&I), and not to a private insurance carrier.

Without the presence of competing private carriers, the claims process lacks the associated level of service and advocacy. This often results in Washington organizations paying higher premiums for workers' compensation than comparable companies in non-monopolistic states. Because of this, many companies believe that they have no control over their premium payments to L&I.

However, the premiums you pay correlate with your employees' safety and how the workers' compensation claims are handled, and there are strategies available to mitigate costs, even in Washington. Many companies find value and relief from high premiums by joining retrospective groups, which help ensure claims are handled as efficiently as possible, get employees back to work quickly, and can save money.

WHAT IS A RETRO GROUP?

A retrospective group is a safety incentive program offered through industry associations in the State of Washington. Almost all companies can find at least one retro group, if not a few, that would be a match for their industry. The purpose of the retro is to help companies put safety measures in place, add advocacy to the claims process, and offer financial rewards from the resulting lowered L&I premiums.

All retros vet their members to ensure they are appropriate fit for the group, and require some form of commitment to making a safety a priority. Some of the guidance or advocacy they provide is focused on helping the employer establish return to work programs and getting claims resolved as quickly as possible to alleviate costs.

There are several potential benefits to be gained from being fully engaged in a retro:

- Reduced claim costs
- Lower premiums paid to L&I
- Provide partial annual premium refunds for groups that have a low number of claims

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KEY COMPONENTS TO SUCCESSFULLY PARTICIPATE IN RETRO

Just as not all retros are created equally, not all retro members participate equally. Top retro members enjoy more generous refunds and lower [experience modification rates](#) (EMR), driving down the amount of premiums paid.

Achieving top member status requires prioritizing safety and programs that get your employees back to work. Your organization will need to adapt best practices in managing injured workers' and employees' time away from work in order to optimize your retro performance.

According to Liz Evans, Business Development Manager at Approach Management Services, the largest retro third party administrator in the state, "The most successful client partners have outstanding safety cultures, communicate well with their injured workers and claims managers, clearly focus on controlling loss through light duty and kept-on-salary strategies, and take great care of their most valuable resource – their people."



SELECTING THE RIGHT PROGRAM

There are dozens of retros in Washington alone, and they cover a number of industries. Choosing the right retro group requires a careful analysis of a number of key considerations to ensure your decision aimed at saving money doesn't end up costing you in the long run. It is most important to understand how the retro you are evaluating calculates refunds, and if it is paid both on individual and group performance.

These considerations include:

Eligibility

Determining your organization's eligibility for certain retros can be tricky if you have not navigated Washington's L&I website before. Eligibility is typically based on your NAIC/SIC code, and you are likely eligible for multiple retro groups.

Experience Modification Rate Measures

Take some time to understand the steps a retro group takes with members to keep their EMRs low. This is the rate used by L&I to calculate premiums, so keeping it as low as possible is beneficial. This includes understanding the programs they have in place to help mitigate losses and get employees back to work.

Past Performance & Future Returns

A retro's past performance may be an indicator of future success. You also want to make sure you are asking retro groups for all data that is legally available to you.

Member Oversight

The performance of the other retro members has a major impact on your refund opportunity. Each retro has its own approach to managing its members' performance, and maintaining a quality pool of members

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while holding those with low performance accountable. A lack of accountability in members can lead to higher premiums, loss of savings, and even penalties for all members, regardless of their individual performance.

Commitment

A retro may not be right for your company if you aren't actively and purposefully committed to improving safety. There are assessments that can be conducted if your claims worsen rather than improve and have a significantly negative impact on the group as a whole.

FURTHER CONSIDERATIONS

There are other important considerations to take into account as well, such as other participants' EMRs, the amount of additional loss the group can absorb while remaining profitable, and how association costs and

refunds are calculated. Considerations like these need to be addressed ahead of joining a group to ensure your organization is selecting the right retro, or switching to a more beneficial retro provider.

Parker, Smith & Feek Workers' Compensation Specialist, [Marty Bask](#), who has worked with Washington employers for nearly 30 years to help them evaluate group retro programs, says, "Retro groups are an easy way for employers in Washington to reduce at work injuries and, consequently, premiums."

Reach out to an experienced insurance broker or risk manager today for more information on analyzing the retro groups for which you may qualify and whether this critical transition is right for your organization.