

Survey Finds Small Businesses Spending Workers' Compensation Dollars Without Knowing What They

by NAMIC

Too many small-business decision-makers appear to be spending money on workers' compensation insurance coverage without understanding how workers' compensation insurance works, what they get for their premium payments, or why they continue coverage with a particular carrier, according to a recent national survey conducted by a leading workers' compensation carrier.

The survey by EMPLOYERS® found that 14 percent of small-business owners and executives could not name their insurer. In the survey, 13 percent admitted that they do not understand how workers' compensation insurance protects employees with work-related injuries, or how their coverage can protect their business's bottom line against catastrophic claims.

A significant number of decision-makers reported they rely on state funds. State funds are traditional, old-fashioned sources of workers' compensation insurance coverage first established in the 1900s to comply with laws requiring employees to be covered by insurance in the event of a workplace injury. Only 12 states continue to operate state funds.

Among survey respondents dissatisfied with their workers' compensation carriers, more than half use state funds. Survey results indicate that state funds appeal to many small-business decision-makers who have little knowledge in terms of workers' compensation insurance and may be the insurer of convenience.

A related survey result indicated that 18 percent of small business owners who reported having selected a new workers' compensation carrier within the last policy renewal period were unable to recall the provider they switched to.

The EMPLOYERS survey found seven out of 10 small-business owners, partners, presidents, and CEOs depend upon their insurance agent to explain workers' compensation coverage and pricing. At the same time, 58 percent of these decision-makers reported that they consider choice of a workers' compensation carrier a "hands-on" responsibility that is theirs alone.

First quarter 2008 results of the Small Business Market Monitoring Program were released by EMPLOYERS in collaboration with Profile Marketing Research, Inc., of Lake Worth, Fla. Data was collected through telephone interviews between December 2007 and January 2008 from a nationally representative sample of 400 small-business decision-makers at companies with five to 49 employees. Overall survey results have a +/- 4.89 percent margin of error.

Price remains a deciding factor with 75 percent of decision-makers identifying it as their primary motivator in choosing workers' compensation coverage; 69 percent ranked their carrier's financial strength as the second most important factor; and 60 percent named claims handling as highly important in protecting small-business operations in the event of an employee injury, and in helping to return valued employees back to work as soon as they are able.

The single most important source for small-business decision-makers interested in learning more about workers' compensation coverage remains their insurance agent. Sixty-six percent of respondents reported turning first to their agents when in search of workers' compensation insurance information. Twenty-two percent identified the Internet as their secondary information source.

The Small Business Market Monitoring Program is a semiannual survey of workers' compensation insurance industry trends conducted by EMPLOYERS. Additional information and additional survey results are available by visiting <http://www.employers.com/>. Findings from the next national survey period are scheduled to be released by EMPLOYERS in the third quarter of this year.

Source: EMPLOYERS

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