

# RISK ADVISOR

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## C O M M E R C I A L

### Return-to-Work Programs' Impact on Workers' Compensation Expenses

Return-to-work (RTW) programs provide support to employees as they reintegrate into the workforce following a work-related injury or illness, enabling them to return to work with shortened hours, lighter workloads or different tasks. By providing these adjustments, employees may resume working even if they are not quite ready to return to their original roles. However, RTW programs also benefit businesses; such programs help minimize the overall complexity of associated workers' compensation claims and expenses by reducing claim values and premiums. With this in mind, employers should consider how developing effective RTW programs can lower their workers' compensation expenses, specifically by impacting indemnity costs, experience modification factors (EMFs) and underwriting outcomes.

#### Reduced Indemnity Costs

Workers' compensation insurance includes coverage for medical costs and wage replacement expenses, also called indemnity benefits. RTW programs permit employers to help affected employees safely transition back into their roles rather than forcing them to remain absent from work for the duration of their recovery. This can lower indemnity benefits costs by allowing injured employees to reenter the workforce faster and engage in transitional duties while they continue to heal. In turn, employers' related workers' compensation claims and total claim values may be reduced.

Additionally, implementing RTW programs can help injured workers feel appreciated and stay positive amid recovery. Such attitudes can lessen the risk of employees experiencing a lack of support and motivate them to resume work while minimizing the likelihood of prolonged claims or possible litigation issues.

#### Improved EMFs and Underwriting Outcomes

The EMF plays a major role in the cost of workers' compensation premiums. It represents an employer's workers' compensation claims history, based on frequency and severity,

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compared to other businesses of a similar size in the same industry. The average EMF is 1.0, so an EMF that exceeds 1.0 indicates that a business's claims history is higher than its peers' average.

Generally, maintaining EMFs below 1.0 allows employers to receive reduced workers' compensation premiums. Since RTW programs can improve injured employees' recovery outcomes and ease them back into the workforce, employers who have effective programs can be better positioned to improve their workers' compensation claims history and, subsequently, lower their EMFs. This is because employers generally cover injured employees' salaries once they return to work rather than having insurers provide such compensation, ultimately reducing claims costs and improving their EMF. Additionally, by implementing RTW programs, employers can better detect potential incidents and injury patterns over time, allowing adjustments to be made to prevent future incidents. This, too, can lower overall workers' compensation claims and lead to lower EMFs and premiums.

Along with EMFs, underwriters typically review employers' workplace safety policies, procedures and related documentation. With RTW programs in place, employers can demonstrate a commitment to workplace safety and showcase their dedication to helping injured employees successfully navigate the recovery process. Underwriters often view RTW programs as a signal of decreased workers' compensation exposure, so employers should include their written RTW programs within any workplace safety documentation they provide to underwriters. This assists underwriters in evaluating workers' compensation risks and increases the likelihood of lower premiums. As RTW programs evolve, employers should share these changes with underwriters to emphasize their ongoing commitment to workplace safety.

It's clear that effective RTW programs can reduce workers' compensation claims and overall costs. For more risk management guidance, contact us today.



## Roof Age's Impact on Commercial Property Insurance

A commercial property's roof plays a significant role in preserving the building's structural integrity and protecting it from various weather exposures. As a roof ages, it becomes weaker and increasingly vulnerable to failure. Additionally, older roofs may be more prone to coverage exclusions in insurance policies and could contribute to denied claims when losses occur. To avoid such issues with insurance, property owners must maintain their roofs and provide proper information to insurers.

Based on average roof age data, most commercial property insurers either limit or fully exclude coverage for buildings with roofs over 20 years old, as older roofs are more likely to have issues (e.g., cracks, sagging areas, leaks) and be more susceptible to large-scale damage or collapse. These exposures are key factors influencing premium rates or whether the building will receive coverage.

Providing incorrect roof age data (intentionally or unintentionally) about a roof's age will likely lead to inaccurate risk assessments during the underwriting process and skew premium calculations. It can create misalignment between building owners and insurers, causing increased tension during the claims process. For example, when building owners encounter property losses involving older roofs, insurers will discover they were provided incorrect roof age data and likely deny the associated claims. If inaccurate data was knowingly provided, this may also amount to fraud and lead to being dropped by an insurer. Furthermore, insurers will adjust building owners' risk levels and premium calculations based on updated roof age data, potentially resulting in higher rates or additional coverage limitations.

Even when providing accurate roof age data, building owners should be aware of possible coverage complications with claims that involve older roofs. For instance, building owners with policies that offer actual cash value (ACV) coverage could be left with considerable out-of-pocket costs if losses require the replacement of their older roofs. This is because ACV coverage relies on the depreciated value of the affected property or structure when providing a payout. In addition, older roofs may be noncompliant with the latest building codes; not all insurers provide coverage for building code upgrades, which may be required if the roof needs to be repaired or replaced. This coverage gap could further exacerbate out-of-pocket costs.

Considering the impact of roof age on commercial property insurance, building owners with older roofs should take action to reduce their risks. Here are some best practices for property owners to keep in mind:

- **Conduct regular maintenance and repairs.** This can prolong the lifespan of older roofs and preserve their structural integrity. If possible, property owners should also consider including periodic building code upgrades in their maintenance plans.
- **Provide accurate documentation.** This allows underwriters to conduct accurate calculations and prevents misalignment with insurers. This documentation should include roof maintenance schedules, repair records and, above all, accurate age data.
- **Ensure proper coverage.** Building owners should work with insurance professionals to review their policies, determine their specific coverage needs and secure a policy that provides adequate protection against potential financial losses.

Being aware of an old roof's impact on commercial property insurance can help business owners take appropriate action to address associated exposures. Contact us today for more risk management guidance.



The Insurance Information Institute has reported that more than one-third (34%) of property insurance claims arise from wind or hail damage, with most of these claims involving roof-related losses.