Welcome

Insurance and risk professionals today need learning choices from many sources. As time and economic pressures bear down on everyone, The National Alliance continues to push forward with excellent online programs, carefully designed to fulfill your professional development needs.

In the pages that follow, be sure to read and understand the requirements for completing your course. If you have any questions, you may contact us via the link on the bottom navigation bar.

I hope you enjoy your journey into online learning. Thank you for choosing a National Alliance online course!

William T. Hold, Ph.D., CIC, CPCU, CLU
President

Please pause here.
In order to receive credit for this course you must fulfill several requirements. Click on each heading on the left and read each requirement.
Printable student instructions can be downloaded from the next page.

I have read and understood the requirements and the information about how to receive assistance with my course.

Agree
Disagree
System Requirements

Recommended Operating System: Microsoft Windows XP or Higher
Recommended Browser: Internet Explorer 9 or higher

**Warning:** Some exercises may not work well with Firefox, Safari or Chrome browsers.

The course has not been optimized for tablet devices.

Please make sure you have the latest version of Adobe Flash Player, and the latest version of Adobe Reader installed on your computer.

I have read and understood the requirements and the information about how to receive assistance with my course.

- Agree
- Disagree

Lessons and Topics

This course consists of several Lessons with several Topics in each. The pages include many relevant examples and graphics, with frequent knowledge check questions and exercises to test your understanding.

**Taking the Self Quizzes:**

Self quizzes are located at intervals throughout the topics. You may complete a self quiz as many times as you wish.

Once you restart a self quiz, the score resets to 0.

At the end of each quiz, click on the Assessment Results link on the score page, then right click to print out the results of your quiz.

I have read and understood the requirements and the information about how to receive assistance with my course.

- Agree
- Disagree
50 question Proctored Final Exam:

- 3 attempts for current CISR or CSRM designation holders
- 1 attempt for all other students

The Final Exam is required if your goal is to achieve the CISR Designation.

The Final Exam is required if you would like to earn continuing education credits for a state issued insurance license.

The Final Exam also earns update credit, if you are a CISR or CSRM who has elected not to take the Review Test.

Review Test:

Unlimited attempts for all students

This test is available after you have completed all of the self quizzes. It is a great study aid for the Final Exam. For CISRs and CSRMs, use this test to earn designation update credit if you are not planning to take the final exam for state continuing education credits.

I have read and understood the requirements and the information about how to receive assistance with my course.

Agree
Disagree

Selecting the Proctor

No proctor is required for the Review Test. HOWEVER, the Final Exam requires a proctor. You are expected to select the proctor and make an appointment prior to the end date of your course timeframe.

Choose a disinterested third party as your proctor. Your state may have additional requirements. Click on the link below for state-specific proctor requirements.

Proctor Instructions

I have read and understood the requirements and the information about how to receive assistance with my course.

Agree
Disagree
Certified Insurance Service Representatives (CISR)

Most students who select this course have already made the decision to achieve the Certified Insurance Service Representatives (CISR) Designation - the best recognized credential for insurance service representatives and other insurance professionals in the industry today.
The National Alliance for Insurance Education & Research gave recognition to the first CISR designee in 1987. Today, over 28,000 insurance professionals proudly wear the CISR pin.

You can learn more about it by using the link provided below – maybe it’s right for you!

https://www.scic.com/courses/CISR

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Course Introduction Page 4

Course Home Page

Use the home symbol on the bottom left navigation bar to access this page during your course. Links to instructions and other helpful information are provided on this page.

Help Desk Hours:
8:30 am to 5:00 pm Central Time
Phone Contact:
800-633-2165

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Course Introduction p5

REQUIRED READING FOR FLORIDA RESIDENTS ONLY:

An entity that is required to be licensed or registered with the Florida Office of Insurance Regulation but is operating without the proper authorization is identified as an unauthorized insurer. All persons have the responsibility of conducting reasonable research to ensure they are not writing policies or placing business with an unauthorized insurer. Any person who, directly or indirectly, aid or represent an unauthorized insurer can lose their licenses or face other disciplinary sanctions. Please see section 626.901, Florida Statutes, to read the laws. Lack of careful screening can result in significant financial loss to Florida consumers due to unpaid claims and/or theft of premiums. Under Florida law, a person can be charged with a third-degree felony and also held liable for any unpaid claims and refund of premiums when representing an unauthorized insurer. It is the person’s responsibility to give fair and accurate information regarding the companies they represent.
Workers Compensation

This course is designed to provide an interpretation of the workers compensation system, workers compensation insurance, and employers liability insurance.

You will learn the basics and obtain the practical knowledge to explain the necessary details about workers compensation to your clients and answer common coverage questions.

- Start Course
- Section 1 - Intro/Overview of Workers Compensation
- Section 2 - Important Details About Workers Compensation
- Section 3 - The Information Page
- Section 4 - The Workers Compensation and Employers Liability Insurance Policy
- Section 5 - Endorsements to the Policy
- Course Summary

Course Objectives Overview

Section 1 - Intro/Overview of Workers Compensation

Intro/Overview of Workers Compensation

This lesson provides a description of how workers compensation laws came about and what their repercussions are for employers, employees, and insurance providers.

Section 2 - Important Details About Workers Compensation

Important Details About Workers Compensation

This lesson covers important terms and concepts related to workers compensation insurance.

Section 3 - The Information Page

The Information Page

This section describes what data is identified on The Information Page and what information is used to determine the estimated annual premium.

Section 4 - The Workers Compensation and Employers Liability Insurance Policy
The Workers Compensation and Employers Liability Insurance Policy

This section describes the policy provisions such as the applicable coverage, exclusions, and conditions.

Section 5 - Endorsements to the Policy

Endorsements to the Policy

There are many endorsements that can be added to a workers compensation insurance policy to change the terms of the agreement. You will learn about 16 of the most commonly-used endorsements.

Course Summary Pages

Use the summary section to link back to each learning objective in the course before moving on to the review test and (if applicable) final exam.
Section 1 - Intro/Overview off Workers Compensation

Section 1 Intro/Overview p1 (WC)

This lesson provides a short description of how workers compensation laws came about and what the repercussions are for employers, employees, and insurance providers.

- Section 1 Intro/Overview
- Purpose
- Common Law
- Statutory Law
- Benefits
- Section 1 Review
- Section 1 Self Quiz

Section 1 Intro/Overview p2 (WC)

Section 1 Intro/Overview of Workers Compensation Learning Objectives

1. Explain the purpose of the Workers Compensation and Employers Liability Insurance Policy.
2. Describe the common law system including employers’ common law obligations and defenses.
3. Distinguish between common law and statutory law.
4. Explain the objectives of workers compensation statutes.
5. Identify the four types of benefits provided to injured workers as required by workers compensation law.

Section 1 Purpose p3 (WC)

Workers Compensation and Employers Liability Insurance Policy

Learning Objective: Explain the purpose of the Workers Compensation and Employers Liability Insurance Policy.

The Workers Compensation and Employers Liability Insurance Policy that you will learn about in this course has sections that cover both workers compensation and employers liability.

PART ONE:

Workers Compensation Insurance is statutory coverage for employers subject to the workers compensation law of a state. There is no limit of liability in Part One as the Policy provides statutory benefits to employees who sustain work-related injuries or occupational diseases during the course of their employment.

A- The Policy
This policy includes at its effective date the Information Page and all endorsements and schedules listed there. It is a contract of insurance between you (the employer named in Item 1 of the Information Page) and us (the insurer named on the Information Page). The only agreements relating to this insurance are stated in this policy. The terms of this policy may not be changed or waived except by endorsement issued by us to be part of this policy.

B. Who Is Insured

You are insured if you are an employer named in Item 1 of the Information Page. If that employer is a partnership, and if you are one of its partners, you are insured, but only in your capacity as an employer of the partnership's employees.

PART TWO:

Employers Liability Insurance protects the employer against liability claims, up to the limits shown on the Information Page, for work-related injuries and occupational diseases not covered under workers compensation laws.

A. How This Insurance Applies

This employers liability insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must arise out of and in the course of the injured employee's employment by you.

2. The employment must be necessary or incidental to your work in a state or territory listed in Item 3.A. of the Information Page.

3. Bodily injury by accident must occur during the policy period.

4. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.

5. If you are sued, the original suit and any related legal actions for damages for bodily injury by accident or by disease must be brought in the United States of America, its territories or possessions, or Canada.

B. We Will Pay

We will pay all sums you legally must pay as damages because of bodily injury to your employees, provided the bodily injury is covered by this Employers Liability Insurance.

The damages we will pay, where recovery is permitted by law, include damages:

1. for which you are liable to a third party by reason of a claim or suit against you by that third party to recover the damages claimed against such third party as a result of injury to your employee;
2. for care and loss of services; and

3. for consequential bodily injury to a spouse, child, parent, brother or sister of the injured employee;

provided that these damages are the direct consequence of bodily injury that arises out of and in the course of the injured employee's employment by you; and

4. because of bodily injury to your employee that arises out of and in the course of employment, claimed against you in a capacity other than as employer.

Section 1 Purpose p4 (WC)

Workers Compensation and Employers Liability Insurance Policy continued

One of the most commonly asked questions is, “What is the difference between Workers Compensation Insurance and Employers Liability Insurance?”

Workers Compensation Insurance

Provides benefits to employees as required by state workers compensation law in the event of work-related accident or disease.

Employers Liability Insurance

Provides payment for damages, other than what is required by workers compensation law, in a claim or suit if an employer is found legally liable. The most common employers liability claims will be discussed later in detail.

Section 1 Purpose p5 (WC)

Workers Compensation and Employers Liability Insurance Policy continued

To better comprehend the Workers Compensation and Employers Liability Insurance Policy, it is best to have an understanding of workers compensation law. Workers compensation benefits are governed by statutory law.

Statutory law: That body of law which is enacted by legislative bodies.

Insurers look at the workers compensation law of each state to determine what benefits are required of the "named insured". These benefits are not found in the Workers Compensation and Employers Liability Insurance Policy, which explains why the Policy is only 6 pages long.
What Is Common Law?

Learning Objective: Describe the common law system including employers' common law obligations and defenses.

You have probably heard the term "common law" before.

Common law has several meanings:

- Law made by the people;
- Law made by the courts;
- A legal system that is more influenced by court decisions than by rulers.

The term “common law”, as used in the United States, usually means the body of law that comes from court decisions.

Judges interpret new cases based on previously published court decisions. This is known as the principle of stare decisis.

Section 1 Common Law p7 (WC)

Employer Obligations Under Common Law

Under common law, an employer is held responsible for injury or death of employees only if it results from a negligent act of the employer. Common law also holds that employers must meet certain obligations.

Common law employer obligations include:

- Provide a reasonably safe place to work;
- provide reasonably safe tools;
- provide competent (safe and sober) fellow employees;
- set up safety rules and enforce them; and
- warn workers about any known dangers.

While these may sound like reasonable employer obligations, they are not very specific.

Under early common law, workers had few rights. If workers became injured on the job, they could sue their employer for money, claiming that the employer had not met these common law obligations.
Common Law Defenses

Under the principles of common law, employers could easily defend themselves.

The Common Law Defenses employers use against employee injury claims are:

Assumption of risk — If an employee voluntarily exposes himself/herself to the known risks when conducting his/her work, then the employer is not held responsible.

For example:

- A nurse at a hospital knows certain diseases are contagious.
- An employee hauling dynamite knows the explosive nature of the cargo.
- A coal miner knows there is the potential of a tunnel collapsing.

Contributory negligence — If an employee contributes to his/her work-related injury by being negligent, then the employer is not held responsible.

For example:

- A meat packer cuts her hand after removing a safety guard from a meat grinder.
- A window washer fails to wear his safety harness, falls and breaks his arm.
- An electrician fails to turn off the power and receives electrical burns while installing an extra power outlet.

Fellow servant rule — If a fellow employee causes another employee’s injury while on the job, the employer is not held responsible.

For example:

- An employee overloads a delivery vehicle which makes it top heavy. The vehicle overturns and injures another employee.
- An employee, operating a forklift, accidently runs over a co-worker's foot.

How Common Law Previously Affected U.S. Employees
In the mid-1800’s, at a time when industry in America was expanding, common law employer defenses were cited by courts to prevent employers from having to reimburse injured workers.

This helped protect developing industries, such as the garment industry and the mining industry, from financial ruin caused by workers’ claims.

It also led many employers to have lax safety standards and to put people to work under hazardous conditions. Worker injuries and illnesses in the 1800’s and early 1900’s were common and could mean bankruptcy for a worker’s family.

Due to public pressure, common law was modified through statutory. The system currently in use is commonly referred to as the "no fault" system.

Section 1 Statutory Law p10 (WC)

The Difference Between Common Law and Statutes

Learning Objective: Distinguish between common law and statutory law.

Common law was used in the past and was the only remedy employees had against their employer to pay for their injuries.

Employees had to sue their employer for negligence to recoup damages.

The current system is referred to as the "no fault" system and is based on statutes.

Employees do not have to file a lawsuit as the employer pays benefits as required by the statutes.

The strict and lengthy process required to create new statutes also means that statutes are more rigid and less open to interpretation than common law.

Please refer to Section 1 Statutory Law p11-12 (WC) to complete the Knowledge Checks at this time.

Section 1 Statutory Law p13 (WC)

Why States Passed Workers Compensation Statutes

Beginning in the early 1900's through the 1940's, individual states passed “workman's compensation” statutes to serve the needs of both employers and employees. These were statutes that defined the amount of benefits injured workers could receive from their employer and the conditions under which benefits were paid.

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The statutes prohibited workers from suing their employer in most injury situations. In return, employers were required to promptly pay the injured workers the state defined benefits without the workers having to file a lawsuit. Benefits were owed to the workers regardless who was “at fault” for the injury — the employer, a co-worker, or the workers themselves.

Today, these laws are called workers compensation laws, acts, or statutes.

Since almost all workers compensation statutes for private employers are state, rather than federal law, the conditions and amount of benefits are somewhat different depending on the state.

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### Section 1 Statutory Law p14 (WC)

**The Objectives of Workers Compensation Statutes**

**Learning Objective:** Explain the objectives of workers compensation statutes.

Lawmakers enacted workers compensation statutes saying that they would benefit both employees and employers.

The objectives of workers compensation statutes are:

- To provide prompt and reasonable payment of medical expenses and loss of income to injured employees;
- to provide a single remedy for employee injuries (by creating statutes, rather than having claims be interpreted case-by-case in court);
- to make the cost of job-related injuries more predictable;
- to promote workplace safety.

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### Section 1 Benefits p15 (WC)

**Benefits Guaranteed by Workers Compensation Statutes**

**Learning Objective:** Identify the four types of benefits provided to injured workers as required by workers compensation law.

Benefits is the one item that workers compensation statutes in all states have in common. You will now be introduced to these benefits. We will examine them in detail later.

Workers Compensation laws require that employers provide for payment of four types of benefits to employees who sustain work-related injuries.

Medical Benefits
Medical benefits provide payment for necessary and reasonable medical treatment. Most states do not set a dollar limit or a time limit for these benefits. Depending on the state, there may be regulations as to the benefits.

Disability Benefits

Disability benefits are intended to compensate employees for lost wages due to the inability to work. After a waiting period, employees receive a percentage of their pay during each week that they are unable to work. The percentage and duration of disability benefit payments vary by state.

There are 4 classes of disability: temporary total, permanent total, temporary partial, and permanent partial.

Rehabilitation Benefits

Most states provide for physical rehabilitation (physical therapy), and, in some states, vocational rehabilitation (retraining for a new type of job).

Death or Survivorship Benefits

If an employee dies as a result of a job-related incident, his/her spouse, and/or children are provided a burial allowance and an income benefit to compensate those dependents for a percentage of the deceased employee's lost wages. The amount and duration of the survivorship benefits vary by state.

WC Section 1 Review p16

Section 1 Intro/Overview of Workers Compensation Learning Objectives

1. Explain the purpose of the Workers Compensation and Employers Liability Insurance Policy.
2. Describe the common law system including employers' common law obligations and defenses.
3. Distinguish between common law and statutory law.
4. Explain the objectives of workers compensation statutes.
5. Identify the four types of benefits provided to injured workers as required by workers compensation law.

Please refer to the end of Section 1 to complete Self Quiz 1 at this time.

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Section 2 - Important Details About Workers Compensation

Section 2 Introduction p1 (WC)

This lesson covers some important terms and concepts related to workers compensation insurance.

- Section 2 Introduction
- No Fault
- Exclusive Remedy
- Work Comp Benefits
- Two Types of State Laws
- Compulsory States
- Elective States
- Section 2 Review
- Section 2 Self Quiz

Section 2 Introduction p2 (WC)

Section 2 Important Details About Workers Compensation Learning Objective

1. Explain the legal concept of the “no fault” system.
2. Explain the “exclusive remedy” provision.
3. Describe the four workers compensation employee benefits.
4. Identify and describe the two types of state laws with regard to workers compensation insurance.
5. Describe the insurance requirements of compulsory states.
6. Identify the elective states and the risk to employers that reject the workers compensation statute.

Section 2 No Fault p3 (WC)

The Current Workers Compensation System

Learning Objective: Explain the legal concept of the "no fault" system.

As mentioned earlier, today’s workers compensation system is commonly referred to as a "no fault" system. Injured workers are entitled to receive workers compensation benefits, regardless of who is at fault.

Recall that common law employer defenses in the United States originally allowed the employer to escape liability for on-the-job injuries if the worker or a co-worker could be shown to have caused or contributed to the injury.

When workers compensation benefits were first established, one of the premises was that the system would abrogate the common law defenses.
Now, when workers file a workers compensation claim for a work-related injury, they are entitled to the full workers compensation benefits, regardless of whether the workers themselves, co-workers, or the employers are found to be at fault for the injury.

Please refer to Section 2 No Fault p4 (WC) to complete the Knowledge Check at this time.

Section 2 Exclusive Remedy p5 (WC)

The Exclusive Remedy Provision

Learning Objective: Explain the "exclusive remedy" provision.

Within each state workers compensation statute, there is an Exclusive Remedy Provision. This provision basically stipulates that receiving state defined workers compensation benefits is considered to be the sole remedy that injured employees have against their employers.

In other words, workers cannot file a tort liability claim against their employers for damages.

Today’s "no fault" system is considered to be a tradeoff between the employee and the employer. The employee does not need to show that the employer was at fault to qualify for workers compensation benefits. In exchange, the employee gives up the right to sue. Workers compensation benefits set by state statutes theoretically keep payments standardized and prevent employers from having to overpay benefits.

Note: There are some exceptions to the exclusive remedy provision which vary by state.

Under a no fault system, the employer must pay benefits set by state statutes; and the employee gives up the right to sue.

Section 2 Benefits p6 (WC)

The Four Workers Compensation Benefits

Learning Objective: Describe the four workers compensation employee benefits.

As previously mentioned in Section 1, states provide workers with four types of workers compensation benefits. The benefit amounts vary by state, so consult a given state's statute for the details.

- Medical Benefits
- Disability Benefits
- Rehabilitation Benefits

Workers Compensation 4.2.2015
• Death or Survivorship Benefits

Section 2 Benefits p7 (WC)

The Four Workers Compensation Benefits continued

Medical Benefits

Unlimited benefits provide for reasonable and necessary treatment such as:

1. Emergency Room Services
2. Hospital Care
3. Physician’s Fees
4. Prescriptions

Section 2 Benefits p8 (WC)

The Four Workers Compensation Benefits continued

Disability Benefits

• Compensates injured employees for loss of income/wages due to work-related injury or occupational disease.
• Determined as a percentage of earnings, up to a weekly maximum.
• This benefit has the greatest variation from state to state.
• There is a waiting period that varies by state, usually three to seven days.
• The benefit period varies by state and the type of disability.
• There are four types of disability benefits.

Section 2 Benefits p9 (WC)

The Four Workers Compensation Benefits continued

Four Types of Disability Benefits

There are four types of disability benefits. A disability can be either due to a temporary injury from which an employee can recover (e.g., broken arm, broken leg) or it can be a permanent injury (e.g., quadriplegic, loss of sight or hearing, loss of limbs).

The duration and amount of the compensation is based on whether it is a total disability or a partial disability.
Temporary Total
- Unable to do any type of work while recovering
- Expected to recover

Temporary Partial
- Able to do some types of work while recovering
- Expected to recover
- Unable to earn usual wage until full recovery

Permanent Total
- Unable to do any kind of work
- Not expected to recover

Permanent Partial
- Able to do some types of work
- Not expected to recover from that specific injury
- Earning capacity may be less than if injury had not occurred

Section 2 Benefits p10 (WC)

The Four Workers Compensation Benefits continued

Rehabilitation Benefits
- The purpose is to return injured persons to their maximum physical capacity.
- To reduce the extent of the disability.
- Statutes define rehabilitation benefits.
- Some statutes include vocation rehabilitation (training for a new type of work).

Section 2 Benefits p11 (WC)

The Four Workers Compensation Benefits continued

Death or Survivorship Benefits
- The purpose is to compensate dependents for deceased employee’s lost income.
- Burial allowance.
- Survivorship benefits are paid to dependents of deceased workers who die as a result of their job (spouse,
children, adopted children).

- Benefit amounts vary by state.
- Duration of the benefits vary by state.
- Can be regular payments or sometimes a lump sum.

Section 2 Two Types of State Laws p12 (WC)

Two Types of State Laws

Learning Objective: Identify and describe the two types of state laws with regard to workers compensation insurance.

There are two types of state and territory laws with regard to workers compensation insurance:

1. Compulsory

Compulsory means that employers are required to accept the state’s workers compensation laws and pay compensation benefits as specified in their statutes.

2. Elective

Elective means that the employer has the option to accept or reject the workers compensation statute.

Currently, there are only 2 elective states, Texas and New Jersey.

Section 2 Compulsory States p13 (WC)

Compulsory States

Learning Objective: Describe the insurance requirements of compulsory states.

Compulsory states require employers to:

1. Purchase workers compensation insurance; or
2. obtain state authorization to self-insure.

Four Ways Employers Can Obtain Workers Compensation Insurance

- Private insurance companies
- Competitive state funds
- Residual market plans
- Monopolistic state funds

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Competitive State Fund

About half of the compulsory states have competitive state funds. These are workers compensation insurance facilities established and/or funded by the state to compete with private insurance companies.

The structure of competitive state funds vary by state. These facilities are capable of competing with private insurance companies for business with the exception that they cannot usually provide out of state coverage.

Residual Market Plans

Some of these competitive state funds also serve as residual market plans, commonly known as assigned risk plans or market of last resort.

Employers who cannot purchase insurance through private providers, especially those employers with high risk exposures, turn to these markets of last resort to purchase their workers compensation insurance.

Monopolistic States

A monopoly exists when one entity is the only provider of something.

In the sense of workers compensation insurance, “monopolistic state” has a particular meaning.

There are some compulsory states that require employers to purchase workers compensation insurance only through their state workers compensation fund and not through any private carriers. These states are commonly referred to as monopolistic states.

The Four Monopolistic States are:

- North Dakota
- Ohio
- Washington
- Wyoming

There are no residual market plans in a monopolistic state.
E&O Alert

State funds may not provide employers liability coverage as provided in the standard NCCI Workers Compensation and Employers Liability Insurance Policy. This leads to a gap in insurance protection.

There are solutions to providing employers liability insurance for monopolistic states.

Employers Liability Insurance Coverage Endorsement

If the insured has a separate Workers Compensation and Employers Liability Insurance Policy, an Employers Liability Insurance Coverage Endorsement can be added to that Policy.

Stop Gap - Employers Liability Insurance Coverage Endorsement

Another solution is to add a Stop Gap - Employers Liability Insurance Coverage Endorsement to a Commercial General Liability Policy. The intent of this endorsement is to provide employers liability insurance coverage for the monopolistic state.

These endorsements will be covered in more detail in Section 5.

Please refer to the Knowledge Check at Section 2 Compulsory States p17 (WC) at this time.

Penalties For Failing To Insure

Failure to comply with state requirements to purchase workers compensation insurance or to self-insure may result in the following penalties:

- Injured employees may be permitted to sue their employer.
- Employers may lose their three common law defenses.
- Employers may be subject to fines or imprisonment.
- Employers may be charged with an offense, such as a misdemeanor.
- Employers may be ordered to cease operations.
Elective States

Learning Objective: Identify the elective states and the risk to employers that reject the workers compensation statute.

As mentioned earlier, Texas and New Jersey are the only two elective states. This means that employers in these two states have the option to accept or reject the workers compensation statute.

Employers who reject the workers compensation statute may be sued by employees for damages, but without the benefit of the three common law defenses.

The Two Elective States

<table>
<thead>
<tr>
<th>Texas</th>
<th>Employers that do not purchase workers compensation insurance are referred to as nonsubscribers, because they do not subscribe to the Texas Workers Compensation Act.</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td>Employers that reject workers compensation statute are required to purchase Employers Liability Insurance or they must get state approval to self-insure.</td>
</tr>
</tbody>
</table>

The Risks of Rejecting Workers Compensation Statute

Texas and New Jersey employers that choose to reject the workers compensation statute put themselves at risk, because:

3. Injured workers may sue their employer for large amounts of money.
4. Courts now tend to rule in favor of workers rather than employers.
5. Employers lose their three common law defenses.
   • Assumption of risk
   • Contributory negligence
   • Fellow servant rule
E&O Alert

Agents should always explain the risks of rejecting workers compensation insurance to their clients.

Please refer to Section 2 Elective States p21 (WC) to complete the Knowledge Check at this time.

WC Section 2 Review p22

Section 2 Important Details About Workers Compensation Learning Objectives

1. Explain the legal concept of the “no fault” system.
2. Explain the “exclusive remedy” provision.
3. Describe the four workers compensation employee benefits.
4. Identify and describe the two types of state laws with regard to workers compensation insurance.
5. Describe the insurance requirements of compulsory states.
6. Identify the elective states and the risk to employers that reject the workers compensation statute.

Please refer to the end of Section 2 to complete Self Quiz 2 at this time.
Section 3 - The Information Page

Section 3 Introduction p1 (WC)

This section describes what data is identified on the Information Page and what information is used to determine the estimated annual premium.

- Section 3 Introduction
- Activating Coverage
- Difference between 3A & 3C
- Estimating Premium
- Section 3 Review
- Section 3 Self Quiz

Section 3 Introduction p2 (WC)

Section 3 The Information Page Learning Objectives

- Identify the data needed on the Information Page to activate coverage.
- Distinguish the difference between Item 3A and Item 3C on the Information Page.
- Explain how the estimated premium is determined.

Section 3 Introduction p3 (WC)

National Council on Compensation Insurance (NCCI)

Although the states are responsible for regulation of their workers compensation system, many states have delegated some of their functions to the National Council on Compensation Insurance (NCCI).

NCCI is a private organization that was formed in the 1920’s. It is a rating and statistical advisory organization that provides workers compensation information and services to the majority of the insurance industry.

Due to their vast experience and knowledge in gathering and developing research and statistical data, many states have adopted the use of NCCI products and services.

What are some of NCCI’s products and services?

1. Development of workers compensation policy forms, endorsements, classifications, and rules;
2. Preparation of rating and loss cost filings;
3. Calculation of experience ratings;
4. Cost analysis proposed and enacted legislation; and

Workers Compensation 4.2.2015
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5. Statistical and compliance services.

Since the majority of the insurance industry use or are required to use NCCI products and services, NCCI forms and endorsements are used as illustrations throughout this course.

Section 3 Introduction p4 (WC)

The NCCI Workers Compensation and Employer’s Liability Insurance Policy

The NCCI Policy consists of seven sections. This includes the “General Section” and six “Parts”.

Part of the General Section states that the Policy is a contract and includes the Information Page and all the endorsements and schedules.

Information Page: The portion of the Standard Policy that contains identifying data such as named insured, address of the name insured, policy period, coverages, and premium. (With other types of policies, this is called the Declarations.)

Standard Policy: The Policy that has been created by NCCI and approved by the appropriate insurance regulatory authorities.

Endorsements: Forms that change the provisions of the Standard Policy. Some of these forms can be found in the NCCI manual, and others are filed independently by insurance carriers to the appropriate state regulators.

Section 3 Activating Coverage p5 (WC)

Activating Coverage

Learning Objective: Identify the data needed on the Information Page to activate coverage.

This section focuses on the Information Page.

Throughout this section we will use Rod’s Shoe Store, Inc., as an example. After completing this section, you should understand the Information Page and be able to discuss it with your insureds, and prospective insureds.

Refer to the online course to download a sample copy of the Information Page to follow along during this section.

Section 3 Activating Coverage p6 (WC)

Activating Coverage continued

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This lesson is divided to help you to familiarize yourself with the Information Page and its purpose.

The Information Page: Items 1-3

Items 1-3 of the Information Page are important because they identify data that "triggers" coverage in the event of a claim.

The Information Page:

Item 4 The Information Page is also important because the data in item 4 is used to determine the estimated annual premium and the total estimated cost of the Policy.

Note: The Information Page is sometimes called the Declarations Page.

Please refer to Section 3 Activating Coverage p7 (WC) of the Knowledge Check at this time.

Section 3 Activating Coverage p8 (WC)

Activating Coverage continued

Item 1

The insured named on the Information Page is the person or organization covered by the insurance policy.

The insured employer can be an individual, partnership, joint venture, corporation, limited liability company, association, other legal entity, or a fiduciary such as a trustee, receiver, or executor.

Section 3 Activating Coverage p9 (WC)

Item 2

Activating Coverage continued

Policies are usually issued for one year. However, some insurance carriers may allow a policy to be issued up to,
but not exceeding, three years.

Short term policies can be issued so that the effective dates run concurrently with other insurance policies.

Section 3 Activating Coverage p10 (WC)

Activating Coverage continued

Item 3A

Item 3A triggers workers compensation insurance for that state. Any state should be listed in Item 3A where the insured's employees are:

- Currently working;
- Expected to begin working during the policy period.

Some companies know they will start operations in other states sometime during the policy period. If these operations are expected, these states should be listed in Item 3A.

Note: You cannot list monopolistic states. Coverage for those states can only be obtained through their monopolistic state fund.

3. A. Workers Compensation Insurance: Part One of the policy applies to the Workers’ Compensation Law of the states listed here: **Colorado**

In this illustration, we indicated Colorado in Item 3A.

Section 3 Activating Coverage p11 (WC)
Activating Coverage continued

Item 3B

Item 3B indicates the limits for employers liability insurance that your insured chose. Note: These limits are for employers liability insurance only, not workers compensation insurance. The standard employers liability limits are:

- Bodily Injury by Accident $100,000 each accident
- Bodily Injury by Disease $500,000 policy limit
- Bodily Injury by Disease $100,000 each employee

These limits can be increased to provide more protection or to comply with an excess liability/commercial umbrella underlying policy requirement.

In our example, Rod’s Shoe Store, Inc. has chosen to increase his limits as indicated.

<table>
<thead>
<tr>
<th>B. Employers Liability insurance: Part Two of the policy applies to mark in each state listed in Item 3A. The limits of our liability under Part Two are:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodily Injury by Accident $ 1,000,000 each accident</td>
</tr>
<tr>
<td>Bodily Injury by Disease $ 1,000,000 policy limit</td>
</tr>
<tr>
<td>Bodily Injury by Disease $ 1,000,000 each employee</td>
</tr>
</tbody>
</table>

Section 3 Activating Coverage p12 (WC)

Activating Coverage continued

Item 3C

The purpose of listing states in Item 3C Other States Insurance, is to activate coverage for unknown or unexpected operations that could develop during the policy period. States can be listed in Item 3C by name or by designation, but you cannot list or designate the following:

1. A state already listed in Item 3A,
2. A monopolistic state, or
3. A state where the insurer will not agree to do so.
C. Other States Insurance: Part Three of the policy applies to the states, if any, listed here: All states and U.S. territories, except monopolistic states and states designated in Item 3A of the Information Page.

Section 3 Activating Coverage p13 (WC)

Activating Coverage, Item 3C continued

It often happens that employees begin working in other states other than those listed in Item 3A after the effective date or the insured may have incidental exposures in other states.

Sometimes the insured forgets to notify the insurance carrier of these new or incidental exposures. That is why Item 3C is typically filled out with a phrase similar to this one:

“All states and U.S. territories, except monopolistic states and states designated in Item 3A of the Information Page.”

Note: Check the state statutes for rules governing incidental or temporary exposures. Some states may govern that they be listed under Item 3A in lieu of Item 3C.

Section 3 Activating Coverage p14 (WC)

Item 3D

Item 3D of the Information Page lists any endorsements and/or schedules that are applicable to the Policy. It is important to list all of the endorsements and schedules that are attached in order to provide the proper coverage for the insured.

If you do not list these attachments here, they will not be included in the contract.
Section 3 Difference Between Item 3A and Item 3C

Learning Objective: Distinguish the difference between Item 3A and Item 3C on the Information Page.

Notice on the Information Page that both Item 3A and Item 3C list states that the Policy covers.

What is the difference between Item 3A and Item 3C?

Item 3A provides coverage for those states listed for any known or existing operations at the inception of the Policy, whereas Item 3C provides coverage for states where unknown or unexpected operations begin after the inception date. Item 3C may also provide coverage for incidental exposures.

These incidental exposures are for temporary travel to, from, or within other states.

Please refer to Section 3 Difference Between Item 3A & 3C p16 (WC) to complete the Knowledge Check at this time.

Section 3 Estimating Premium p17 (WC)

Estimating Premium Using Item 4

Learning Objective: Explain how the estimated premium is determined.

Estimated Annual Premium for the Policy is determined using the following information in Item 4, in accordance with the insurance company’s Manual of Rules, Classifications, Rates and Rating Plans.

- Classifications
- Code Number
- Premium Basis - Total Estimated Annual Remuneration
Total Estimated Cost of the Policy

The total cost of the Policy will include the annual premium based on the classification plus any additional premium or credits that we will discuss later in this section.

Additional Premiums and Credits

- Premium for increased limits
- Premium modified to reflect experience modification
- Other premium charges
  - Premium discount
  - Expense constant charge
  - Secondary injury fund surcharge
  - Uninsured employers fund surcharge

Important: The information indicated in Item 4 is subject to verification and change by audit. This means that upon audit the premium may change which is why the policy is issued with an estimated annual premium and not an actual premium.

Two Types of Classifications

There are two types of classifications.

Basic Classifications

Used to describe the entire business of an employer, not the individual occupations within the firm.

(e.g., Shoe Store – Retail)
Standard Exception Classifications:

Used to describe occupations that are common to many businesses (e.g., Clerical Office or Drafting Employees NOC).

These occupations are not included in the Basic Classification unless specified in the classified wording (e.g., Attorney – All Employees & Clerical, Messengers, Drivers)

Section 3 Estimating Premium p20 (WC)

Estimating Premium Using Item 4 continued

Classifications

You can get a list of classifications from the NCCI Basic Manual or the insurance company’s Manual of Rules, Classifications, Rates and Rating Plans. Make sure you review the basic manual rules, the classification wording, and any exceptions. Refer to the Online Course to view an excerpt from the NCCI Basic Manual.

Important: Keep in mind that there may be different state exceptions that require alternate classifications for certain described businesses in that state.

Section 3 Estimating Premium p21 (WC)

Estimating Premium Using Item 4 continued

Choosing the Correct Classification

List all applicable classifications that best describe the exposures or business of the insured in Item 4 under Classifications.

Choosing the correct employee classification can be a bit tricky. It will be necessary to become familiar with the insured’s operations and ask questions to properly classify the insured’s business. The insurance company underwriters may also provide technical expertise in recommending the correct classifications. If needed, the company underwriter will request an NCCI inspection to determine the accurate classification.

Refer to the Online Course to view Item 4 of the Information Page.

Section 3 Estimating Premium p22 (WC)

Estimating Premium Using Item 4 continued

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Code Number

Code Number is the code that corresponds to the classification indicated. This can also be found in the NCCI Basic Manual or the insurance company’s Manual of Rules, Classifications, Rates and Rating Plans.

Refer to the Online Course to view Item 4 of the Information Page.

Section 3 Estimating Premium p23 (WC)

Estimating Premium Using Item 4 continued

Premium Basis Total Estimated Annual Remuneration

The premium basis indicated on the Information Page is the anticipated annual payroll that the insured’s employees receive listed by classification for the policy period indicated. According to NCCI, payroll means money or substitutes for money. See the manual for what is included and excluded as payroll and rules on overtime and payroll limitations.

Payroll is not the only premium basis. There are exceptions to the rule. For example, a domestic worker classification can be calculated on a per capita basis instead of payroll. There are also rules pertaining to certain types of workers (e.g., officers, sole proprietors, subcontractors, volunteer workers, or agricultural workers). Refer to the manual to review these rules. Rules and exceptions to the rules differ by state.

Refer to the Online Course to view Item 4 of the Information Page.

Section 3 Estimating Premium p24 (WC)

Estimating Premium Using Item 4 continued

Rate Per $100 of Remuneration

For each classification indicated in Item 4 on the Information Page, there is an authorized rate listed under the heading that reads as Rate Per $100 of Remuneration.

The Rate Per $100 of Remuneration is the rate used to calculate the premium, based on every $100 of remuneration by classification. Check with your insurance company’s Manual of Rules, Classifications, Rates and Rating Plans for the appropriate rate.

Refer to the Online Course to view Item 4 of the Information Page.
Section 3 Estimating Premium p25 (WC)

Estimating Premium Using Item 4 continued

Estimated Annual Premium

The estimated annual premium is based on the anticipated estimated payroll per each classification for the indicated policy period.

The estimated premium is calculated by dividing the estimated annual payroll by $100 and then multiplying by the rate.

\[
\frac{\text{Estimated Payroll}}{\$100} \times \text{Rate of Remuneration} = \text{Estimated Annual Premium}
\]

For example, the estimated annual premium is calculated this way: The estimated annual payroll is $2,000,000 and 1.32 is the rate per $100 of annual remuneration listed in the manual rate pages.

\[
\frac{\$2,000,000}{\$100} \times 1.32 = _____
\]

(In this case, the estimated annual premium is $26,400.)

Refer to the Online Course to complete the Exercise on this page.

Section 3 Estimating Premium p26 (WC)

Estimating Premium Using Item 4 continued

Premium for Increased Limits

Recall that workers compensation covered benefits are set by the state. By contrast, employers liability insurance is purchased to cover lawsuits. Therefore, insureds are permitted to choose their own limits for employers liability insurance. Of course, insureds must pay extra for choosing higher limits.

Basic Limits for Employers Liability are:

- $100,000 for Bodily Injury by Accident – each accident
- $500,000 for Bodily Injury by Disease – policy limit
- $100,000 for Bodily Injury by Disease – each employee

Section 3 Estimating Premium p27 (WC)

Calculating Additional Premium for Increased Employers Liability Limits
When a named insured chooses to increase its employers liability limits (in Item 3B of the Information Page), the premium increases by a certain percentage as shown in the Table for Increased Limits in your rating manual.

This percentage is also commonly referred as the increased limits factor.

Additional premium for increasing the limit is calculated by multiplying the estimated annual premium for each classification by the percentage (Increased Limits Factor).

Refer to the online course to download a sample Table for Increased Limits

For example:

Rod’s Shoe Store, Inc. has chosen to increase employers liability insurance limits to:

- $1 million for Bodily Injury by Accident – each accident
- $1 million for Bodily Injury by Disease – policy limit
- $1 million for Bodily Injury by Disease – each employee

According to the Table for Increased Limits, the increased limits factor to increase the premiums to $1,000,000 is 2.8%.

---

Section 3 Estimating Premium p28 (WC)

Estimating Premium Using Item 4 continued

Calculating Additional Premium for Increased Employers Liability Limits (continued)

Recall that the estimated annual premium calculated is $12,800 and the percentage to increase the employers liability limits to $1,000,000 is 2.8% or 0.028.

To calculate the additional premium that Rod’s Shoe Store, Inc. will pay for purchasing increased employers liability limits, simply calculate as follows:

\[
\text{Estimated Annual Premium} \times \frac{\text{Increased Limits}}{\text{Factor}} = \text{Premium for Increased Limits}
\]

The additional premium that an insured pays for increasing employers liability limits is indicated on the Information Page under Item 4, next to the phrase: Premium for increased limits Part Two, if applicable.

Refer to the Online Course to complete the Exercise at this time.

---

Section 3 Estimating Premium p29 (WC)

Workers Compensation 4.2.2015
Total Premium Subject To The Experience Modification

Next, add the additional premium for increased limits amount calculated on the previous page to the estimated annual premium to get the new total premium.

\[
\text{Estimated Annual Premium} + \text{Premium for Increased Limits} = \text{Total Premium Subject To Experience Modification}
\]

The total premium is indicated, next to the phrase: Total premium subject to the experience modification.

Refer to the Online Course to complete the Exercise at this time.

Experience Rating

The experience rating is the process of adjusting the manual workers compensation premiums to take into account the actual historical losses (experience) and remuneration for individual insured employers during an experience period. The experience period does not include the immediate year, but includes 3 years prior to the immediate past year.

For example:

Rod’s current policy is effective 05/01/2009 to 05/01/2010. The experience rating data that would be used to calculate the experience modifier would NOT include any losses that occurred in the 05/01/08 to 05/01/09 policy period (immediate past policy period).

However, it would include the loss data for the 3 years prior to that which would be:

- 05/01/07 to 05/01/08
- 05/01/06 to 05/01/07
- 05/01/05 to 05/01/06
Experience Modifier

An insured’s workers compensation premium may be impacted by an experience modifier.

Who Calculates the Experience Rating?

Insurance companies report an employer’s losses and payrolls to NCCI which calculates the experience modifier according to what is known as the NCCI Experience Rating Plan. The Experience Rating Plan recognizes and measures both accident frequency and severity (cost).

The experience rating formula and calculation of experience modifiers are not covered in this course. But it is important to understand how an experience modifier impacts a client's workers compensation insurance costs. An employer with better than average loss experience receives a credit modifier. An employer with worse than average loss experience receives a debit modifier.

Note: Not all states use NCCI.

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Section 3 Estimating Premium p32 (WC)

Estimating Premium Using Item 4 continued

The process of experience rating can be explained to clients in the following general example:

Employers with lower frequency and lower severity in their workers compensation claims during their experience period are entitled to a discount on their premium. Employers with higher frequency and higher severity will have an increased premium.

For example:

An employer that had low claim costs might be entitled to an experience modifier of 0.75. This means that they receive a 25% discount on their premium.

An employer with high claim costs in their experience period might be subject to an experience modifier of 1.25. This means that they must pay a 25% surcharge (25% extra) on their premium.

Refer to the Online Course to download a sample Experience Rating

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Section 3 Estimating Premium p33 (WC)

Estimating Premium Using Item 4 continued

Rod’s Shoe Store, Inc. has been in business for eight years. Rod’s has had several fairly expensive workers
compensation claims. Its experience modifier is 1.15. (An experience modifier greater than 1.00 means a business has had higher than average claim costs.)

Rod’s total premium of $13,158 (also known as unmodified premium) is subject to the experience modifier of 1.15. Premium is rounded to the nearest dollar.

To determine the modified premium, simply calculate as follows:

\[
\text{Modified Premium} = \text{Total Estimated Standard Premium} \times \text{Experience Modifier}
\]

TIP: The experience modifier is applied to the total premium before any other discounts are applied.

Refer to the Online Course to complete the Exercise at this time.

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Section 3 Estimating Premium p34 (WC)

Estimating Premium Using Item 4 continued

Premium Discount

Depending on the state, the Policy may qualify for a premium discount when the standard premium exceeds the authorized eligibility amount. The reasoning for a discount is that the cost of issuing and servicing a policy is less for large premium size policies than it is for those with small premium size.

The credit is a percentage as shown in the Premium Discount Table in your NCCI Basic Manual or the insurance company’s Manual of Rules, Classifications, Rates and Rating Plans.

Rod’s Shoe Store’s modified premium is $15,132 with a discount of 6.4% (or .064). We have used Premium Discount Table 1 in this example.

To determine the premium discount, simply calculate as follows:

\[
\text{Premium Discount} = \frac{\text{Modified Premium}}{\text{Total Estimated Standard Premium}} \times \text{Discount Percentage}
\]

This number represents the premium discount. The premium discount is indicated on the Information Page under Item 4, next to the phrase: Premium Discount, if applicable.

Refer to the Online Course to complete the Exercise at this time.
Expense Constant

Another premium item that may be included in determining the total estimated annual premium is the expense constant.

An expense constant is a charge applicable to every policy that covers administrative expenses such as issuing, recording, and auditing all workers compensation policies, regardless of size. Depending on the state, expense constants can range from $120 to $250 per policy.

As part of the illustration, let’s use an expense constant of $120 for Rod’s Shoe Store, Inc.

This premium charge is indicated on the Information Page under Item 4, next to the phrase: Expense Constant Charge.

There may be other items that impact the total estimated cost. These items can include, but are not limited to, the following:

- Deductible credits
- Waivers of subrogation
- Surcharges
- Taxes
- Assessments

For additional information on all these other costs, consult with your insurance company’s Manual of Rules, Classifications, Rates and Rating Plans.

Minimum Premiums

The minimum premium is:

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The lowest premium at which a policy will be issued.

Indicated on the Information Page.

The cost of the Policy will be the greater of either the minimum premium or the calculated premium.

Some states may not require minimum premiums. For additional information on minimum premiums, check with your insurance company’s Manual of Rules, Classifications, Rates, and Rating Plans.

Section 3 Estimating Premium p38 (WC)

Estimating Premium Using Item 4 continued

Total Estimated Annual Premium – Review the Rating Process

The following is a recap on how to calculate the Total Estimated Cost based on the examples previously shown.

Refer to the Online Course to view the interactive recap at this time.

Section 3 Estimating Premium p39 (WC)

Estimating Premium Using Item 4 continued

Deposit Premiums

Recall that the Policy is issued on an estimated cost using estimated payroll anticipated for the indicated policy period.

With that in mind, the insurance company issuing the Policy will establish a deposit premium to be indicated under Item 4 of the Information Page.

Depending on the arrangement with the insurance company, the Policy may be audited on an annual basis or the Policy may provide for interim reports/premium adjustment.

The deposit will be credited to the final earned premium audit or to the renewal Policy.

Please refer to Section 3 Estimating Premium p40 (WC) to complete the Knowledge Check at this time.

WC Section 3 Review p41

Section 3 The Information Page Learning Objectives
1. Identify the data needed on the Information Page to activate coverage.
2. Distinguish the difference between Item 3A and Item 3C on the Information Page.
3. Explain how the estimated premium is determined.

Please refer to the end of Section 3 to complete Self Quiz 3 at this time.
Section 4 - The Workers Compensation and Employers Liability Insurance Policy

Section 4 Introduction p1 (WC)

This section describes the Policy provisions such as the applicable coverage, exclusions, and conditions.

- Section 4 Introduction
- The General Section
- Part 1
- Part 2
- Part 3
- Part 4
- Part 5
- Part 6
- Section 4 Review
- Section 4 Self Quiz

Section 4 Introduction p2 (WC)

Section 4 The Workers Compensation and Employers Liability Insurance Policy

1. Describe the provisions and how coverage applies in Part One – Workers Compensation Insurance.
2. Describe the four most common types of employers liability claims.
3. Identify the exclusions in Part Two – Employers Liability Insurance.
4. Describe the application of coverage in Part Three – Other States Insurance.

Section 4 Introduction p3 (WC)

Workers Compensation and Employers Liability Insurance Policy

Workers Compensation And Employers Liability Insurance Policy Form WC 00 00 00 B is the “body” of the Workers Compensation and Employers Liability Insurance Policy.

WC 00 00 00 B is a six-page form that lays out standard contract terms between the insured and the insurance company. Unlike the Information Page, there is nothing to fill out on this form, and it is attached behind the Information Page.

This lesson helps you to familiarize yourself with the Workers Compensation and Employers Liability Insurance Policy, so you can explain it in detail to your customers and use it to answer some of their questions.

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Section 4 Introduction p4 (WC)

Workers Compensation and Employers Liability Insurance Policy continued

Instructions for Learning About the Workers Compensation and Employers Liability Insurance Policy

The best way to learn about the Workers Compensation and Employers Liability Insurance Policy is to work with it hands-on. This requires that you have the Workers Compensation and Employers Liability Insurance Policy out in front of you while you complete this section.

A hard copy is best. If you cannot print a hard copy, view the document on your computer while you follow this lesson. If you have difficulty viewing the forms in this lesson, be sure that you have the current version of Adobe Flash Player on your computer.

In this section, you will be asked a number of questions. Follow these instructions:

- Read each question.
- Read the corresponding paragraph in the Workers Compensation and Employers Liability Insurance Policy to find the answer.
- After you have answered the question for yourself, click on the question to verify your answer.

Important: If you click on the questions without first searching for the answer yourself, you will miss out on much of the learning opportunity of this course. By searching for the answers on your own, you will get hands-on practice working with the form to answer questions and ultimately become an expert at interpreting the form for your customers.

Section 4 General Section p5 (WC)

Workers Compensation and Employers Liability Policy

The Workers Compensation and Employer Liability Policy is a simple, short policy. Like all other insurance policies, it is a contract between the named employer (the “you” referenced in the Policy) and the insurer (referenced as “us” or “we” in the Policy).

This contract of insurance includes the Information Page (a.k.a. the Declarations Page), the 6 pages of the Workers Compensation and Employers Liability Insurance Policy, and the schedules and endorsements.

Workers Compensation 4.2.2015
If any changes in the terms of the Policy are needed, the company must be notified so that they can issue the appropriate endorsement.

Section 4 General Section p6 (WC)

Workers Compensation and Employers Liability Policy continued

Many people question why the Workers Compensation and Employers Liability Policy is so short compared to other policies.

The Policy is so short because each state’s workers compensation statute determines the workers compensation insurance protection to be provided.

Each state’s workers compensation statute includes, but is not limited to, the following:

1. The type of employment and employees that are eligible for workers compensation benefits.
2. The amount and type of the workers compensation benefits to be paid to those who are eligible.

If you have not done so yet, please print a copy of the Policy now. You will need to refer to it as we go through Section 4.

Section 4 General Section p7 (WC)

A. The Policy

The General Section of the Workers Compensation and Employers Liability Insurance Policy is the introduction to The Policy. The General Section:

- Describes the Policy
- Identifies who is an insured
- Defines "workers compensation laws" and "state"
- Identifies the locations covered by the Policy

Refer to your print copy of the Policy and find General Section A. The Policy.

Section 4 General Section p8 (WC)

B. Who Is Insured

The employer named on the Information Page is the insured.

Workers Compensation 4.2.2015
If a partnership is named, the individual partners are insureds, but only in their capacity as the employer of the partnership’s employees.

In other words, if the partner is also an employer for another business entity, the partner is NOT an insured under this Workers Compensation and Employers Liability Insurance Policy as an employer of that business, only the partnership.

Refer to your print copy of the Policy, and find General Section B. Who Is Insured.

Please refer to Section 4 General Section p9 (WC) to complete the Knowledge Check at this time.

Section 4 General Section p10 (WC)

C. Workers Compensation Law

As mentioned earlier, the insurer pays according to each state’s workers compensation law. This paragraph defines what is meant by workers compensation law. Broken down, workers compensation law means:

- The workers compensation law of each state listed in Item 3A of the Information Page.
- Includes any amendments to the law that took effect during the policy period.
- Does NOT include any federal laws.
- Does NOT include any non-occupational disability benefits.

Refer to your print copy of the Policy, and find General Section C. Workers Compensation Law.

Section 4 General Section p11 (WC)

C. Workers Compensation Law continued

Refer to your print copy of the policy and find General Section C. Workers Compensation Law.

How do I get the policy to provide coverage imposed by federal laws?

By endorsement only. Details of the different available endorsements will be covered in Section 5.

What are some of the federal laws I need to know?

- Federal Employers Liability Act (FELA)
- Longshore and Harbor Workers Compensation Act (LHWCA)
- The Merchant Marine Act of 1920 (Jones Act)
Please refer to Section 4 General Section p12 (WC) to complete the Knowledge Check at this time.

Section 4 General Section p13 (WC)

D. State

Item D is just a definition of what a “state” means. Nothing more, nothing less, just the 50 states of the USA and the District of Columbia (i.e., Washington, D.C.)

Refer to your print copy of the Policy, and find General Section D. State.

Section 4 General Section p14 (WC)

E. Locations

The Policy covers workplaces identified in the following areas on the Information Page:

- Item 1
- Item 3A
- Item 4

Refer to your print copy of the Policy, and find General Section E. Locations.

Please refer to Section 4 General Section p15 (WC) to complete the Knowledge Check at this time.

Section 4 Part One p16 (WC)

Part One - Workers Compensation Insurance

The Workers Compensation and Employers Liability Insurance Policy has six parts to it.

Part One is Workers Compensation Insurance.

This section includes the terms and conditions applicable only to workers compensation insurance, NOT...
employers liability insurance.

Refer to your print copy of the Policy, and find Part One Workers Compensation Insurance.

Section 4 Part One p17 (WC)

A. How This Insurance Applies

Workers compensation insurance applies to bodily injuries that occur during the policy period.

Bodily injuries include:

- Bodily injury by accident
- Bodily injury by disease
- Bodily injury includes resulting death from either accident or disease

Refer to your print copy of the Policy, and find Part One A. How This Insurance Applies.

Please refer to Section 4 Part One p18 (WC) to complete the Knowledge Check at this time.

Section 4 Part One p19 (WC)

A. How This Insurance Applies continued

Each state’s law defines or determines what is meant by bodily injury. Some may mean physical injury; others may include repetitive trauma or acts. Some may even include mental injury.

See the examples of physical injuries below.

A meat packer accidentally cuts his hand on a cutting blade.

An office clerk falls and breaks his arm while delivering the office mail.

A water distributor employee is injured in an auto accident while delivering his cargo to a grocery store.

Section 4 Part One p20 (WC)

A. How This Insurance Applies continued

Bodily Injury (BI) caused by disease must be caused or aggravated by conditions of employment (a.k.a.

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occupational disease). The employee’s last day of their last exposure must occur during the policy period. Again, the definition of an occupational disease is determined by state. The intent is to provide coverage for occupational disease, not common everyday illnesses that may be contracted at work (e.g., cold or flu).

Examples of occupational diseases are as follows:

Pneumoconiosis: Black lung disease among coal miners.

Asbestosis: Among workers in the insulation industries.

Silicosis: Among miners, sandblasters, etc. who have exposure to rock/granite dust.

Section 4 Part One p21 (WC)

A. How This Insurance Applies continued

Refer to your print copy of the Policy and Part One A. How I his Insurance Applies.

What two types of bodily injury does workers compensation insurance cover?

Accidents and diseases

To be covered, bodily injury must occur_.

During the policy period

Bodily injury by disease must be caused or aggravated by_.

Conditions of employment

Does bodily injury include resulting death?

Yes

Section 4 Part One p22 (WC)

B. We Will Pay

The insurer is required by workers compensation statutes to pay benefits promptly. Remember that it is the provisions of each state’s workers compensation law, and not the terms and conditions of the policy, that determine coverage provided.

Each state has its own workers compensation statutes as to when benefits are to be paid, to whom benefits are to be paid, and how much will be paid.
The four benefits paid by workers compensation law are: (1) Medical Benefits, (2) Disability Benefits (3) Rehabilitation Benefits, and (4) Death or Survivorship Benefits.

Refer to your print copy of the Policy, and find Part One B. We Will Pay.

Section 4 Part One p23 (WC)

C. We Will Defend

1. The insurer has the right and duty to defend at their expense any claim for benefits that is covered by the Policy. The provision also gives the insurer the right to investigate and settle these claims without the insured’s consent.

2. The insurer does NOT have any duty to defend any claim that is not covered.

Refer to your print copy of the Policy, and find Part One C. We Will Defend.

Section 4 Part One p24 (WC)

C. We Will Defend continued

Refer to your print copy or click to look again at Part One C. We Will Defend. After you have answered the question for yourself,

An employee suffers an injury in a car accident while doing personal errands during his lunch hour in his own vehicle.

Who has the right and duty to defend, investigate, and settle workers compensation claims and suits?

The insurance company

Can the insurance company investigate a worker’s claim to make sure it is valid?

Yes

How much and what benefits are paid?

The amount and the types of benefits are determined by applicable workers compensation law.

Section 4 Part One p25 (WC)

D. We Will Also Pay

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This provision states that the insurer will pay these additional costs as part of any workers compensation claim, proceeding, or suit they defend. Examples of additional costs that the insurer may incur while defending a claim are:

- Private investigator fees;
- expert witness fees and expenses;
- attorney fees; and
- court costs.

Refer to your print copy of the Policy, and find Part One D. We Will Also Pay.

Please refer to Section 4 Part One p26 (WC) to complete the Knowledge Check at this time.

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Section 4 Part One p27 (WC)

E. Other Insurance

A common question asked is, “How can insurance be exhausted? I thought medical benefits were unlimited.”

Insurance can be exhausted if:

1. One of the carriers becomes insolvent; or
2. a self-insurance plan no longer has any funds to continue payment of a loss.

Refer to your print copy of the Policy, and find Part One E. Other Insurance.

Please refer to Section 4 Part One p28 (WC) to complete the Knowledge Check at this time.

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Section 4 Part One p29 (WC)

F. Payments You Must Make

The Workers Compensation and Employers Liability Insurance Policy will not pay for any penalties assessed against the insured for any wrongdoing. The insured must pay amounts in excess of benefits assessed because of:

1. Serious and willful misconduct;
2. employee hired in violation of law;
3. failure to comply with health or safety law; and

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4. discharge, coercion, or discrimination against any employee in violation of the law.

Refer to your print copy of the policy, and find Part One F. Payments You Must Make.

Section 4 Part One p30 (WC)

F. Payments You Must Make continued

Example:

An employer knowingly hires an unauthorized alien. This employee gets injured on the job. The U.S. Immigration finds out and fines the employer for knowingly hiring unauthorized aliens. The insurer will pay the workers compensation benefits required to the injured employee but is not required to pay for any fines or penalties for the insured’s wrongdoing.

Example:

An employer disregards OSHA safety regulations, and an employee gets injured as a consequence. The insurer will pay the workers compensation benefits required to the injured employee but is not required to pay for any of the insured’s fines or penalties issued by OSHA.

Section 4 Part One p31 (WC)

G. Recovery From Others

This provision is also known as a subrogation clause. The insurer has the right to subrogate against any responsible party. The employer should not do anything that would jeopardize the insurer’s right to subrogate.

Example 1

An employee of a painting contractor (the insured) falls from his ladder when a landscaper strikes it with a mower. The insurer pays the required workers compensation benefits to the injured employee. The insurer has the right to subrogate against the landscaper (responsible party) to recover the amount of the workers compensation benefits.

Example 2

An employee in a factory is injured while using a machine. The insurer can subrogate against the manufacturer (responsible party) to recover the benefit payments made to the injured employee.

Refer to your print copy of the Policy, and find Part One G. Recovery From Others.
Section 4 Part One p32 (WC)

H. Statutory Provisions

Not all statutory provisions can be written into the Workers Compensation and Employers Liability Insurance Policy. This is because statutory provisions vary from state to state.

However, six provisions will apply where they are required by state law. We'll look at these on the next page. First, read the Policy wording.

Refer to your print copy of the Policy, and find Part One H. Statutory Provisions.

Section 4 Part One p33 (WC)

H. Statutory Provisions continued

This provision stipulates that the six statements in this section apply where they are required by law.

1. The insurer has notice when the insured has notice.
2. An insured’s bankruptcy or insolvency does not relieve the insurer of its responsibility for paying benefits if an injury occurs.
3. The injured worker or authorized agency can enforce the duties of the insurer.
4. The insurer is under the same jurisdiction as the insured and is bound by decisions subject to policy provisions that do not conflict with the law.
5. The insurance conforms to the parts of the worker compensation law that apply to:
   a. benefits;
   b. and any taxes or assessments levied on the insurer (such as second injury fund or residual market assessment).
6. Any conflicting terms of the insurance policy with the workers compensation law are changed to conform to the law.

Section 4 Part Two p34 (WC)

Part Two Employers Liability Insurance

Part Two (of six parts) is the Employers Liability Insurance section of the Workers Compensation and Employers Liability Insurance Policy.

Refer to your print copy of the Policy and find Part Two Employers Liability Insurance.
Benefits Limits under Part Two Employers Liability

Make sure that you do not confuse the employers liability limits with benefit limits. They are NOT the same thing.

Workers Compensation Insurance

Workers compensation benefits are paid by the provisions in the Workers Compensation Insurance section (Part One) as required by law.

Employers Liability Insurance

Employers liability insurance is for the insured’s legal liability other than workers compensation benefits as required by law.

A. How This Insurance Applies

PART TWO describes how the insurance company provides employers liability insurance (in contrast to workers compensation insurance, which is described in PART ONE). Your customers should keep their employers liability insurance current. Injuries that occur during a gap in coverage are not covered.

Refer to your print copy of the Policy, and find Part Two A. How This Insurance Applies.

A. How This Insurance Applies continued

Refer to your print copy of the policy and find Part Two A. How This Insurance Applies. After you have answered the question for yourself, click on the question to verify your answer.

Just like Workers Compensation Insurance, Employers Liability Insurance applies to bodily injury by accident or bodily injury by disease including resulting in death.

Please refer to Section 4 Part Two p38-42 (WC) to complete the Knowledge Checks at this time.

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B. We Will Pay

This provision means that the insurer will pay all sums that the insured must legally pay as damages where recovery is permitted by law. There are different types of employer liability claims where damages are paid. We'll study these in the next few pages, first look at the Policy language.

Refer to your print copy of the Policy, and find Part Two B. We Will Pay.

Section 4 Part Two p44 (WC)

B. We Will Pay continued

Learning Objective: Describe the four most common types of Employers Liability Insurance claims.

Four of the most common liability claims that are specified in Part Two Employers Liability Insurance are:

1. Third party over or action over claims;
2. care and loss of services (a.k.a. loss of consortium);
3. consequential bodily injury to specific members of the injured employee’s family; and
4. dual capacity claims.

Keep in mind that employers liability insurance is not limited to just these 4 common claims.

Section 4 Part Two p45 (WC)

B. We Will Pay continued

Third party action over claims: In addition to filing a workers compensation claim, an employee sues a third party; the third party then sues the employer.

Example: An employee in a processing plant removes the safety guard from a piece of machinery with his supervisor’s knowledge and gets injured while using the machine. The employee sues the company that manufactured the machine, claiming the machine caused the injury. That company then sues the injured worker’s employer for contributory negligence.

Care and loss of services: Inability of an injured worker to perform certain home and childcare duties as a result of a workplace injury or disease. This is also known as loss of consortium.

Example: As result of an occupational injury, a worker is unable to perform activities to care for her family, such as driving the children to and from school or preparing meals for the family.
B. We Will Pay continued

**Consequential bodily injury:** Injury to a family member of the employee as the result of the employee’s working conditions.

Example: A worker brings asbestos from the workplace home on his clothes. His wife washes his clothes and gets sick as a result of breathing in the asbestos. The worker’s wife did not visit the workplace, but her husband’s working conditions still led her to become injured.

**Dual capacity claims:** In addition to filing a workers compensation claim and receiving workers compensation benefits for an injury, an employee also sues his employer for actions other than as an employer. The claim is typically a products liability claim against the manufacturer who is also the employer. The employer was acting in a dual capacity role as both employer and manufacturer.

Example: While at work, an employee of a stepladder manufacturing company uses one of his company’s stepladders to reach a box. The stepladder malfunctions; and the employee falls and injures himself. He files a workers compensation claim. In addition, he sues the company for products liability, claiming that their product—the stepladder—was defective.

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C. Exclusions

Workers Compensation Insurance does not have an exclusion section as workers compensation benefits are paid as required by law. The workers compensation laws define what is and is not paid.

Unlike Part One Workers Compensation Insurance, Part Two Employers Liability Insurance has 12 exclusions.

Refer to your print copy of the Policy, and find Part Two C. Exclusions.

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Please refer to Section 4 Part Two p48 (WC) to complete the Knowledge Check at this time.

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D. We Will Defend

This provision is almost the same as in Part One, except that in Workers Compensation Insurance the insurer promises to defend suits for covered benefits payable by the Workers Compensation Insurance.
In Part Two Employers Liability Insurance, the insurer has a right and duty to defend suits for covered damages payable up to the applicable limit of liability described in Item 3B.

Refer to your print copy of the Policy, and find Part Two D. We Will Defend.

Section 4 Part Two p50 (WC)

E. We Will Also Pay

Does this section look familiar? It should, as it is almost identical to the corresponding section for Workers Compensation Insurance.

Refer to your print copy of the Policy, and find Part Two E. We Will Also Pay.

Section 4 Part Two p51 (WC)

F. Other Insurance

Here is another Employers Liability Insurance provision that is similar to the provision in Workers Compensation Insurance. In Workers Compensation Insurance, the insurers will not pay more than their share of benefits.

In Part Two Employers Liability Insurance, insurers will not pay more than their share of damages. Sharing is on an equal basis.

Refer to your print copy of the Policy, and find Part Two F. Other Insurance.

Section 4 Part Two p52 (WC)

G. Limits of Liability

Each state sets the amount and type of workers compensation benefits that injured employees receive.

In contrast, there are no state mandated minimums or maximums for recovery for employers liability claims. Even though an employers liability lawsuit can cost an employer an unlimited amount of money, the insurer is only obligated to pay up to the limits for damages as indicated in the Limits of Liability on Item 3B of the Information Page.

Refer to your print copy of the Policy, and find Part Two G. Limits of Liability.
Section 4 Part Two p54 (WC)

H. Recovery From Others

This provision is similar to the provision in Part One in that it is also known as a subrogation clause. The insurer has the right to subrogate against any responsible party. The employer should not do anything that would jeopardize the insurer’s right to subrogate.

So, what’s the difference? In Employers Liability Insurance, the insurer does not get the rights of the injured employee, only the insured’s rights.

Refer to your print copy of the Policy, and find Part Two H. Recovery From Others.

Refer to Section 4 Part Two p55 (WC) to complete the Knowledge Check at this time.

Section 4 Part Two p56 (WC)

I. Actions Against Us

This provision means that an employer has no right to take action against the insurer until:

1. The employer has complied with all the terms of the Policy; AND
2. The insurer has consented to the amounts owed or a trial has determined final judgment.

Refer to your print copy of the Policy, and find Part Two I. Actions Against Us.

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Section 4 Part Two p57 (WC)

I. Actions Against Us continued

Employers Liability Insurance does NOT give anyone the right to add the insurer as a defendant in an action against the employer, unlike Statutory Provision 4 in Part One Workers Compensation Insurance.

4. Jurisdiction over you is jurisdiction over us for purposes of the workers compensation law. We are bound by decisions against you under that law, subject to the provisions of this policy that are not in conflict with that law.

Bankruptcy or insolvency of the employer or his estate will not relieve the insurer of any Employers Liability obligations, similar to Statutory Provision 2 in Part One Workers Compensation Insurance.

2. Our default or the bankruptcy or insolvency of you or your estate will not relieve us of our duties under this insurance after an injury occurs.

Section 4 Part Three p58 (WC)

Part Three - Other States Insurance

Part Three (of six) of the Workers Compensation and Employers Liability Insurance Policy is Other States Insurance.

The purpose of this section is to provide temporary, automatic coverage for incidental exposures and for new operations in other states that begin after the effective date. If there is no other states coverage indicated in Item 3C of the Information Page, Workers Compensation Insurance will only apply to benefits required by workers compensation laws of the state(s) listed in Item 3A of the Information Page.

Refer to your print copy of the Policy, and find Part Three Other States Insurance.

Section 4 Part Three p59 (WC)

A. How This Insurance Applies

Refer to your print copy of the Policy, and find Part Three A. How This Insurance Applies.

Section 4 Part Three p60 (WC)

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A. How This Insurance Applies continued

Learning Objective: Describe the application of coverage in Part Three – Other States Insurance.

Other States Insurance applies if one or more states are indicated in Item 3C of the Information Page. Otherwise, the Policy applies only to benefits required by law of the states listed in Item 3A. Certain terms must be met for the Other States Insurance to apply, as listed below:

1. States where incidental exposures may occur or where new operations may begin during the policy period should be listed in Item 3C of the Information Page. Most employers may not know where all their incidental exposures may be, and they may not know if and when they plan to have a new operation or a new workplace in another state.

   To trigger Other State Insurance, the suggested language in Item 3C should read as: “All states and U.S. territories except North Dakota, Ohio, Washington, Wyoming, Puerto Rico, the U.S. Virgin Islands, and states designated in Item 3A of the Information Page.”

2. If the insured begins work after the effective date, all provisions of the Policy apply to states listed in Item 3C as though the state was listed in Item 3A of the Information Page.
3. The insurer will reimburse the employer for any benefits of that other state if the state does not permit that insurer to pay the benefits directly to the injured person. This may happen if the insurer is not licensed to do business in that state.
4. The employer has 30 days to notify the insurer of any operations existing on the effective date of the policy in any state not listed in Item 3A. If not, coverage is not afforded for that state.

Section 4 Part Three p61 (WC)

A. How This Insurance Applies – continued

Refer to your print copy of the Policy and find Part Three Other States Insurance A. How This Insurance Applies. After you have answered the question for yourself, click on the question to verify your answer.

Rod's Shoe Store, Inc. has a few retail stores in Colorado. Colorado is listed under 3A. Rod has Arizona and New Mexico listed under Item 3C, since his employees may on occasion travel there for business. He decides to open a store in New Mexico later in the policy period. Reminder: Other States Insurance is triggered when the state is shown in Item 3C.

Does Other States Insurance apply for New Mexico?

Yes. The state must be shown in Item 3C, and the work must begin after the effective date for all provisions of the Policy to apply.

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The insurer is not notified about the insured's new operations in New Mexico, so New Mexico is still listed under Item of the Information Page at renewal. What action needs to be taken?

Insurer must be notified within 30 days of the renewal date for coverage to be afforded for that state.

The insured's business is booming and he decides to open a store in Kansas. Does Other States Insurance apply for Kansas?

No. Kansas was NOT shown in Item 3C; therefore, coverage for that state is not triggered.

Section 4 Part Three p62 (WC)

B. Notice

The insurer needs to be notified if operations begin in any state listed in Item 3C of the Information Page. Normally, the insurer will delete that state under Item 3C and add it under Item 3A of the Information Page.

It is important that the insurer be notified, so that at renewal time, the new state is listed under Item 3A. If not, the employer only has the 30 days from the renewal date for the insurer to be notified so that coverage is afforded for that state.

Refer to your print copy of the Policy, and find Part Three B. Notice.

Please refer to Section 4 Part Three p63 (WC) to complete the Knowledge Check at this time.

Section 4 Part Four p64 (WC)

Part Four (of six parts) is Your Duties If Injury Occurs provisions of the Workers Compensation and Employers Liability Insurance Policy.

The essential purpose of this section is to establish that the employer must notify the insurer at once if an injury occurs and to outline the employer's duties in the event of an injury, claim, or suit. Prompt notification allows the insurer to start payment of the claim, reserving funds, and/or investigating the claim if necessary.

Refer to your print copy of the Policy, and find Part Four A. Your Duty If Injury Occurs.

Section 4 Part Four p65 (WC)

Part Four - Your Duties If Injury Occurs continued

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The insurance company requires the employer to do the following if a worker is injured:

1. Provide immediate medical services;
2. provide the names and addresses of the injured party and any witnesses;
3. provide all notices, demands, and legal papers;
4. cooperate with the insurer in its investigation, settlement, or defenses;
5. not interfere with the insurer’s right to recover; and
6. not voluntarily make payments, assume obligations, or incur expenses.

Section 4 Part Five p66 (WC)

Part Five (of six) of the Workers Compensation and Employers Liability Insurance Policy is Premium provisions.

These provisions are applicable to both the workers compensation and employers liability premium.

Refer to your print copy of the Policy, and find Part Five Premium.

Section 4 Part Five p67 (WC)

Part Five - Premium continued

There are several key areas to be made aware of as you review the details of the Policy provisions:

1. The insurer determines the premium using their manual of rules, rates, rating plans and classifications. They are allowed to change their manuals and apply those changes with the proper authorization.
2. If the exposures are not properly classified as shown on Item 4, the insurer can change them to the proper classification and rate by endorsement to the Policy.
3. The premium shown on the Information Page is an estimate only.
4. The final premium is determined after the Policy ends, using the actual premium basis, proper classifications, and rates.
5. The insured will keep records of all information available so that the insurer can determine the correct premium.
6. The insured will allow the insurer to audit all the records that are applicable to the Policy so that they can...
determine the final premium.

Section 4 Part Five p68 (WC)

A. Our Manuals

Refer to your print copy of the Policy, and find Part Five A. Our Manuals. Or, you may click on the link below to locate this clause on the page.

Which document(s) contain information about the insurance company's policy premiums?


Who can authorize changes in rules, rates, rating plans and classifications during the policy period?

The law or a governmental agency that regulates insurance.

Section 4 Part Five p69 (WC)

B. Classifications

Refer to your print copy of the Policy, and find Part Five B. Classifications. Or, you may click on the link below to locate this clause on the page. On the next page, we will ask you to answer two questions from the policy wording.

Section 4 Part Five p70 (WC)

B. Classifications continued

Refer to your print copy of the policy and find Part Five B. Classifications to find the answer. After you have answered the question for yourself click on the question to verify your answer.

Which item on the Information Page shows the rate and premium basis for business and work classifications that pertain to the insured's employees?

Item 4

What can happen if the insurance company believes that the employer's exposures are not properly classified or the premium basis is not adequately stated?

The insurance company can issue an endorsement to the Policy that assigns the proper classifications, rates, and
premium basis.

Section 4 Part Five p71 (WC)

C. Remuneration

Refer to your print copy of the Policy, and find Part Five C. Remuneration. Or, you may click on the link below to locate this clause on the page.

As mentioned earlier, premium is determined by multiplying the rate per $100 of remuneration (a.k.a. payroll). This exposure basis should include the payroll of:

1. All employees and officers AND
2. All others for which the insurer could be liable under Part One Workers Compensation Insurance.

Section 4 Part Five p72 (WC)

D. Premium Payment

Refer to your print copy of the policy, and find Part Five D. Premium Payment. Or, you may click on the link below to locate this clause on the page.

Read the question below. After you have answered the question for yourself, click on the question to verify your answer.

When is the insured required to pay the premium?

"When due." Most companies have premium payment options such as payment in full, installments, reporting, and premium financing plans.

Section 4 Part Five p73 (WC)

E. Final Premium

The premium that is shown on the Information Page, the schedules, and the endorsements is an estimate only and is subject to audit.

After the Policy ends, the final premium is determined by the insurance company using the actual (not the estimated) premium basis, classifications, and rates that the insurance company determines are correct.
Refer to your print copy of the Policy, and find Part Five E. Final Premium.

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**Section 4 Part Five p74 (WC)**

**E. Final Premium continued**

If the final premium that is determined by the insurance company is more than what the insured paid, then the insured must pay the difference.

**Insurer Cancels The Policy**

If the Policy is cancelled by the insurer then the final premium is calculated on a pro rata basis based on the number of days the Policy was in effect. The insured will only be charged for their proportionate share.

**Insured Cancels The Policy**

If the insured cancels the Policy, then the insured will be charged the pro rata premium and a penalty (also known as a short rate penalty).

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**Section 4 Part Five p75 (WC)**

**F. Records**

Refer to your print copy of the Policy, and find Part Five F. Records. Or, you may click on the link below to locate this clause on the page.

Read the question below. After you have answered the question for yourself, click on the question to verify your answer.

The employer must provide the insurance company with copies of records needed to compute the premium.

When must the employer provide these to the insurance company?

When the insurance company asks for them.

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**Section 4 Part Five p76 (WC)**

**G. Audit**

The insurance company may audit the following documents to ensure that the information upon which premiums have been based is correct:

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- Ledgers
- Journals
- Registers
- Vouchers
- Contracts
- Tax Reports
- Payroll
- Disbursement Records
- Records for Storage and Retrieval of Data

Refer to your print copy of the Policy, and find Part Five G. Audit.

Section 4 Part Five p77 (WC)

G. Audit continued

After you have answered the question for yourself click on the question to verify your answer.

During what time of day may the insurance company perform audits?

During regular business hours.

How long after the period ends can the insurance company perform audits?

Within three years after the policy period ends.

If the insurance company chooses to audit the customer's records, what will it do with the information?

The insurance company will use the information to determine the final premium.

...have the same rights as the insurance company to audit the customer's records.

Insurance rate service organizations

Section 4 Part Six p78 (WC)

Part Six – Conditions

Part Six (of six) of the Workers Compensation and Employers Liability Insurance Policy is Conditions.

This section is applicable to both workers compensation insurance and employers liability insurance.

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Refer to your print copy of the Policy, and find Part Six Conditions.

Section 4 Part Six p79 (WC)

A. Inspection

The insurer and any insurance rate service organization (e.g., NCCI) have the rights under this provision to conduct inspections to determine insurability and to determine that the correct classifications are being used.

Insurers often make loss control recommendations to reduce or prevent losses. However, they are under no duty or obligation to inspect the insured's workplaces or make any safety reports.

While the insurer may make loss control recommendations, they do NOT warrant that the workplaces are safe or healthful workplaces or in compliance with any laws, regulations, codes, or standards.

Refer to your print copy of the Policy, and find Part Six A. Inspection.

Section 4 Part Six p80 (WC)

B. Long-Term Policy

Refer to your print copy of the Policy, and find Part Six B. Long-Term Policy.

Section 4 Part Six p81 (WC)

B. Long-Term Policy continued

Whatever the reason, the primary focus of this condition is to explain that all the provisions of the Policy will apply as though a new policy was issued on each anniversary date of the Policy.

Example: The provisions in effect at each anniversary date of a three year policy (36 months) get applied as if it was three separate policies.

Example: An 18 month policy has two anniversary dates. The first twelve months have their own applicable provisions, and the subsequent 6 months have their own separate provisions.

Section 4 Part Six p82 (WC)

B. Long Term Policy continued

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Refer to your print copy of the Policy and find Part Six B. Long Term Policy. After you have answered the question for yourself, click on the question to verify your answer.

A policy is considered "long-term" if the policy period is longer than_year(s) and_day(s).

One. Sixteen

When do the provisions of a long-term policy apply?

On each annual anniversary date.

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**Section 4 Part Six p83 (WC)**

**C. Transfer of Your Rights and Duties**

This condition is also known as an “Assignment Clause”. The main reason for this condition is to prevent insureds from thinking they have the right to transfer the insurance to a new owner if they sell or give away their business.

Refer to your print copy of the Policy, and find Part Six C. Transfer of Your Rights and Duties. Or, you may click on the link below to locate this clause on the page. On the next page, we will ask you to answer two questions from the policy wording.

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**Section 4 Part Six p84 (WC)**

**C. Transfer of Your Rights and Duties**

Refer to your print copy of the policy and find Part Six C. Transfer of Your Rights and Duties.

After you have answered the question for yourself click on the question to verify your answer.

How may a (living) policyholder transfer the Policy to another party?

By obtaining the insurance company’s written consent.

If a policyholder dies, within what timeframe must the insurance company be notified, so that the Policy transfers to the policyholder's legal representative?

Within thirty days

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**Section 4 Part Six p85 (WC)**

**D. Cancellation**

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This provision stipulates under what conditions the insurer and insured may cancel a policy. The insured must give advance written notice to the insurer; no particular number of days is required. The insurer must give the insured 10 days advance written notice stating when the cancellation will take effect. (However, many states require more than 10 days advance written notice of cancellation and nonrenewal.)

The last part of the cancellation provision allows a change in the provisions to comply with the different applicable state laws governing policy cancellation.

Refer to your print copy of the Policy, and find Part Six D. Cancellation. Or, you may click on the link below to locate this clause on the page. On the next page, we will ask you to answer three questions from the policy wording.

Section 4 Part Six p86 (WC)

D. Cancellation continued

Refer to your print copy of the policy and find Part Six D. Cancellation. After you have answered the question for yourself, click on the question to verify your answer.

If the insured wishes to cancel the Policy, she must mail or deliver to the insurance company stating when the cancellation is to take effect.

Advance written notice If the insurance company decides to cancel the Policy, it must give at least days advance written notice to the address shown in of the Information Page.

Ten, Item 1

If the cancellation rules stated in this Policy conflict with the laws of any state, which will apply—the Policy rules, or the state rules?

The state rules

Section 4 Part Six p87 (WC)

E. Sole Representative

This provision stipulates that the first named insured on the Information Page is the sole representative acting on behalf of all insureds covered on the Policy as respects changes, return premium, and cancellation.

Refer to your print copy of the Policy, and find Part Six E. Sole Representative. Or, you may click on the link below to locate this clause on the page. On the next page, we will ask you to answer two questions from the policy wording.

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Section 4 Part Six p88 (WC)

E. Sole Representative continued

Refer to your print copy of the policy, and find Part Six E. Sole Representative. After you have answered the question for yourself, click on the question to verify your answer.

The sole representative of all insureds under the Policy is the named insured in of the Information Page.

First. Item 1

The sole representative represents all of the parties who are insured by the Policy. The sole representative may the Policy, receive premium, and give or receive notice of.

Change, Return, Cancellation

WC Section 4 Review p89

Section 4 The Workers Compensation and Employers Liability Insurance Policy

1. Describe the provisions and how coverage applies in Part One – Workers Compensation Insurance.
2. Describe the four most common types of Employers Liability Insurance claims.
3. Identify the exclusions in Part Two – Employers Liability Insurance.
4. Describe the application of coverage in Part Three – Other States Insurance.

Please refer to the end of Section 4 to complete Self Quiz 4 at this time.
Section 5 - Endorsements to the Policy

Section 5 Introduction p1 (WC)

There are many endorsements that can be added to a Workers Compensation and Employers Liability Insurance Policy to change the terms of the agreement.

In this section, you will learn about 16 of the most commonly used endorsements.

- Section 5 Introduction
- Employee Leasing Endorsements
- Federal Coverage Endorsements
- Other Employer Liability Endorsements
- Miscellaneous Endorsements
- Section 5 Review
- Section 5 Self Quiz

Section 5 Endorsements to the Policy Learning Objectives

1. Describe the purpose and use of the Employee Leasing Endorsements.
2. Describe the purpose and use of the Federal Coverage Endorsements.
3. Describe the purpose and use of the Other Employer Liability Endorsements.
4. Describe the purpose and use of the key Miscellaneous Endorsements.

The Endorsements That Are Discussed in This Course

Below is a list of endorsements that you will learn about in this course. There are 16 endorsements that are divided here into four categories to make them easier to remember.

Categories of Endorsements:

- Employee Leasing Endorsements
- Federal Coverage Endorsements
- Other Employers Liability Endorsements
- Miscellaneous Endorsements
Employee Leasing Endorsements

Learning Objective: Describe the purpose and use of the Employee Leasing Endorsements.

In this section, you will be introduced to five endorsements that relate to leased workers:

Endorsements Relating to Leased Workers

- Alternate Employer Endorsement
- Employee Leasing Client Endorsement
- Employee Leasing Client Exclusion Endorsement
- Labor Contractor Endorsement
- Labor Contractor Exclusion Endorsement

Employee Leasing Endorsements continued

To better comprehend the five employee leasing endorsements, it is best to have an understanding of some common employment leasing terms.

Employers often look to Professional Employer Organizations (PEO) to help them hire and manage employees on a long-term basis.

A PEO arrangement may keep costs down, since the company that provides the employees may pay the employees benefits and provide administrative functions, such as payroll. In some situations, a client may be able to avoid purchasing workers compensation insurance for temporary or leased workers if the staffing company provides coverage.

There are a number of endorsements that relate to PEO arrangements.

Professional Employer Organization (PEO’s)

An entity or group of entities that are or were formerly related by common management or ownership and that provides workers to its client(s) through a PEO arrangement for a fee pursuant to an agreement, written or otherwise. Also referred to as a labor contractor, employee leasing company, or lessor.

Long-term

A period in excess of six months or consecutive periods equal to or greater than one year.

PEO Arrangement

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An arrangement under contract or agreement, written or otherwise, whereby one entity obtains or leases any or all of its workers from a PEO.

Temporary Worker

A worker who is furnished to an entity for a finite period of time.

Leased Worker

An employee performing services for a client under a PEO arrangement. The term “leased worker” does not include a person working on a temporary basis. (Also referred to as special employees.)

Section 5 Employee Leasing p6 (WC)

Employee Leasing Endorsements continued

Leased Workers vs. Temporary Workers

A client may have a work situation where short-term help, in lieu on long-term help, is needed from a temporary worker. Temporary situations include, but are not limited to, the following:

1. Replacing an absent worker who will return.
3. Staffing for seasonal work.
4. Staffing for special assignment or project in which service ends upon completion.
5. Temporary employment until probationary period is over and permanent employee status is granted. (temp to hire)

Clients typically use the services of a Temporary Staffing Agency to fill these temporary needs. The agency makes arrangements to place temporary workers with clients in return for a fee. These entities are also referred to as temporary agencies, staffing agencies, and temporary employment firms.

Most employee leasing endorsements do not apply coverage to workers provided on a temporary basis.

Section 5 Employee Leasing p7 (WC)

Employee Leasing Endorsements continued

The most frequently used endorsements that relate to PEO arrangements that you will learn about in this course come from the National Council on Compensation Insurance (NCCI).

Use of the different versions of the endorsements vary by state. Also, some states have their own state specific
endorsements and do not use the ones being discussed.

Make sure to check either your NCCI or your insurance company's Manual of Rules, Rates, Rating Plans and Classifications on which employee leasing endorsements are applicable to the state where your insured is doing business in order to avoid any gaps in coverage.

Section 5 Employee Leasing p8 (WC)

Alternate Employer Endorsement

Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

Who uses this endorsement?

Professional Employer Organizations (PEO)

What is it used for?

To provide workers compensation insurance and employers liability insurance to leased employees and to extend workers compensation insurance and employers liability insurance to the alternate employers as if they were the insured.

What action should the alternate employer take?

Request proof from the PEO that a Workers Compensation and Employers Liability Insurance Policy is in force with the Alternate Employer Endorsement attached naming the client as an alternate employer.

Refer to the Online Course to view WC 00 03 01 A

Section 5 Employee Leasing p9 (WC)

Employee Leasing Client Endorsement

Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

Who uses this endorsement?

Professional Employer Organizations (PEO)

What is it used for?

To provide coverage for the PEO, only if the client fails to maintain workers compensation insurance for the

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leased employees.

What must the company that uses the endorsement submit to the insurer?

Proof that the client has purchased workers compensation coverage for the leased employees.

Does this endorsement apply to temporary workers?

No. This endorsement is only intended for leased (long-term) employees.

Refer to the Online Course to view Endorsement WC 00 03 19

Section 5 Employee Leasing p10 (WC)

Client Exclusion Endorsement

Some states use WC 00 03 22 Employee Leasing Client Exclusion Endorsement while other states use WC 00 03 22 A PEO Client Exclusion Endorsement.

Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

Who uses this endorsement?

The client.

What is it used for?

It is used when the client does not provide workers compensation insurance for employees that it leases.

What information is listed in the schedule?

The names and addresses of the Labor Contractor/PEO whose employees the client wishes to exclude from its Workers Compensation and Employers Liability Insurance Policy.

Refer to the Online Course to view the endorsements WC 00 03 22 & WC 00 03 22 A

Section 5 Employee Leasing p11 (WC)

Labor Contractor Endorsement

Some states use WC 00 03 20 A Labor Contractor Endorsement (one state still uses WC 00 03 20) while other states use WC 00 03 20 B PEO Extension Endorsement.

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Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

Who uses this endorsement?
The client

What is it used for?
It is used to provide workers compensation insurance for leased employees and to extend workers compensation insurance and employers liability insurance to the scheduled labor contractor/PEO.

What must the client that uses this endorsement provide to their insurer?
Complete payroll records for the leased employees from the labor contractor/PEO.

Does this endorsement apply to temporary workers?
No. This endorsement does not apply to temporary workers.

Refer to the Online Course to view endorsements WC 00 03 20 A & WC 00 03 20 B

Section 5 Employee Leasing p12 (WC)

Labor Contractor Exclusion Endorsement

Some states use WC 00 03 21 Labor Contractor Exclusion Endorsement while other states use WC 00 03 21 A PEO Exclusion Endorsement.

Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

Who uses this endorsement?
Professional Employer Organizations (PEO)

What is it used for?
It is used to exclude coverage for workers leased to specified clients listed in the endorsement schedule.

Does this endorsement apply to temporary workers?
No. This endorsement does not apply to temporary workers.

What action should the Labor Contractor/PEO take?

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Request proof from the client that workers compensation insurance is in force with the Labor Contractor Endorsement attached to the client’s policy, listing the Labor Contractor (PEO) on the schedule.

Refer to the Online Course to view Endorsements WC 00 03 21 & WC 00 03 21 A

**Section 5 Employee Leasing p13 (WC)**

**Employee Leasing Endorsements continued**

![Diagram]

Purpose: The PEO’s Policy provides workers compensation insurance to leased employees and extends coverage to the client.

Purpose: The client's Policy excludes coverage for leased employees. It is crucial that the client obtain evidence of coverage that the PEO has added the Alternate Employer Endorsement naming the client as an alternate employer.

**Section 5 Employee Leasing p14 (WC)**

**Employee Leasing Endorsements continued**
Purpose: The PEO’s Policy provides workers compensation coverage to PEO for leased employees ONLY if client fails to maintain workers compensation coverage.

Purpose: The client’s Policy provides workers compensation coverage to leased employees and extends coverage to PEO.

Section 5 Employee Leasing p15 (WC)

Employee Leasing Endorsements continued

Purpose: Excludes coverage from PEO’s Policy for leased employees. Crucial that PEO obtain evidence of coverage from client.

Purpose: The client’s Policy provides workers compensation coverage to leased employees and extends coverage to PEO.
Federal Coverage Endorsements

Learning Objective: Describe the purpose and use of the Federal Coverage Endorsements.

As mentioned earlier in Section 3, the NCCI Workers Compensation and Employers Liability Insurance Policy provides coverage as required by state law. The unendorsed Policy does not provide coverage for liability imposed by federal law.

In this section, we will briefly identify five federal acts passed by Congress and the endorsements that can be added to the Policy to provide coverage for the liability imposed by Federal Workers Compensation or Employers Liability statutes.

The five endorsements regulated by federal acts are:

1. Federal Employers' Liability Act Coverage Endorsement
2. Maritime Coverage Endorsement
3. Longshore and Harbor Workers’ Compensation Act Coverage Endorsement
4. Outer Continental Shelf Lands Act Coverage Endorsement
5. Defense Base Act Coverage Endorsement

The Federal Employers' Liability Act (FELA)

In the 1800’s, railroad work was notoriously dangerous. Injury and fatality rates were extremely high. In 1908, backed by President Theodore Roosevelt, Congress passed the Federal Employers Liability Act (FELA). The act gives interstate (state-to-state) railroad workers a means of seeking reimbursement when they are injured on the job.

It provides payment for damages; however, payments are typically much higher than state-mandated workers compensation benefits and also include compensation for pain, suffering, and mental anguish.

In order to collect FELA payment for damages a railroad worker must show that the employer was at least partially responsible for his/her injury. Comparative negligence, except where the employer has violated a statute enacted for the safety of employees contributed to the injury or death, applies.

This contrasts with workers compensation, in which benefits are granted regardless of whether the employer was
responsible for the injury or not. In addition, workers must sue their employers to collect FELA benefits. However, most FELA cases settle before they reach court.

Section 5 Federal Coverage p18 (WC)

Federal Employers Liability Act Coverage Endorsement

The FELA Coverage Endorsement is used for employers who have employees working in certain railroad professions. This is not for workers who simply ride trains, but for employees working to maintain the railways, operate trains, etc. who are engaged in interstate commerce.

Part Two, C. Exclusion 9 does not apply with the attachment of this endorsement.

Part Two, C. Exclusion 9: bodily injury to any person in work subject to the Federal Employers' Liability Act (45 USC Sections 51-60), any other federal laws obligating an employer to pay damages to an employee due to bodily injury arising out of or in the course of employment, or any amendments to those laws; Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

Where on the form is it mentioned that FELA relates to railroads?

Note #1: "The Federal Employers Liability Act makes an interstate railroad liable for bodily injuries sustained by an employee."

Which type of coverage does the FELA Coverage Endorsement provide?

Provides employers liability coverage for lawsuits filed by interstate railroad workers. Damages are based on actual damage suffered including loss of wages, medical expense, and general damages for pain, suffering, and mental anguish.

Refer to the online course to view endorsement WC 00 01 04 A.

Section 5 Federal Coverage p19 (WC)

The Merchant Marine Act

The Merchant Marine Act of 1920, also known as the Jones Act, allows a seaman injured in the course of employment to file a lawsuit to recover damages for injuries caused by the negligence of the employer.

This means that crew members and captains may file a lawsuit for damages. Damages may include compensation for pain and suffering.

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The Merchant Marine Act applies to navigable vessels in navigation such as ships, oil rigs, and other similar types of seagoing vessels.

Navigable vessel: Any kind of watercraft or equipment used for commerce or in transportation on navigable waters.

Navigable waters: Waters used for navigation of commerce between the states or ocean and seas that border the United States.

Section 5 Federal Coverage p20 (WC)

Maritime Coverage Endorsement

The Maritime Coverage Endorsement is similar in scope to the FELA Coverage Endorsement. While the FELA Coverage Endorsement relates to railroad workers, the Maritime Coverage Endorsement relates to seamen.

This endorsement removes Part Two Exclusion 10, however this endorsement adds 2 more exclusions.

Part Two, C. Exclusion 10: bodily injury to a master or member of the crew of any vessel;

Excludes bodily injury covered by a Protection and Indemnity Policy or similar policy issued to the named insured or for the named insured's benefit.

Excludes named insured's duty to provide transportation, wages, maintenance and cure unless the insured has paid an additional premium for such insurance protection.

Refer to the Online Course to view endorsement WC 00 02 01 A

Section 5 Federal Coverage p20b (WC)

Maritime Coverage Endorsement

Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

Which type of coverage does the Maritime Coverage Endorsement provide?

Employers liability coverage for lawsuits filed by seamen.

Does the endorsement have territorial limits where bodily injury must occur?

Yes. Bodily injury must occur in the operation of a vessel sailing directly between the ports of the continental

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The Longshore and Harbor Workers' Compensation Act

Congress enacted the Longshore and Harbor Workers' Compensation Act (LHWCA) to provide for payment of compensation, medical care, and vocational rehabilitation to certain workers whose injuries occur on navigable waters of the United States or in the adjoining areas.

Workers who load and unload ships at U.S. ports (longshoremen) and workers who build, repair, and demolish ships (harbor workers) are covered under the LHWCA. Other workers subject to the LHWCA may include workers who perform their work on a ship such as painting, electrical work, and other types of loading and unloading of materials. The LHWCA does not apply to masters or crew members of vessels.

Examples of “navigable waters” include the Mississippi River, Ohio River, Intercoastal Canal, and Houston Ship Channel. Adjoining areas include piers, docks, terminals, wharves, and those areas used for the loading, unloading, repairing, dismantling, or building of vessels.

Longshore and Harbor Workers’ Compensation Act Coverage Endorsement

This endorsement should be used if an employer has any workers that are subject to the Longshore and Harbor Workers Compensation Act.

Part Two, C. Exclusion 8 does not apply with the attachment of this endorsement.

Part Two, C. Exclusion 8: bodily injury to any person in work subject to the Longshore and Harbor Workers’ Compensation Act (33 USC Sections 901-950), the Nonappropriated Fund Instrumentalities Act (5 USC Sections 8171-8173), the Outer Continental Shell Lands Act (43 USC Section, 1331-1356), the Defense Bass Act (42 USC Sections 1651-1654), the Federal Coal Mine Health and Safety Act of 1969 (30 USC Sections 901-942), any other federal workers of workmen’s compensation law or other federal occupational disease law, or any amendments to these laws;

Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

Which type of insurance the LHWCA Coverage Endorsement provide?
Both Workers Compensation Insurance and Employers Liability Insurance.

Can this endorsement be used to provide coverage for longshore and harbor workers in monopolistic states?

Yes. See Note #2 in the endorsement.

Refer to the Online Course to view Endorsement WC 00 01 06 A

Section 5 Federal Coverage p23 (WC)

The Outer Continental Shelf Lands Act (OCSLA)

Congress extended the LHWCA to include other types of employment. Employees covered by these extensions are entitled to the same benefits, and their claims are handled in the same way as Longshore and Harbor Workers' Compensation claims.

The Outer Continental Shelf Lands Act (OCSLA) extends the LHWCA to employees working on the Outer Continental Shelf of the U.S. in the exploration and development of natural resources. This most often applies to workers on offshore oil rigs, also called oil platforms.

The Outer Continental Shelf means all submerged lands lying seaward and outside of the area of lands beneath navigable waters. The Outer Continental Shelf is the part of the continental shelf of the United States that does not fall under the jurisdiction of the individual states. Texas and the gulf coast side of Florida have jurisdiction approximately 9 nautical miles. All other states limits are extended 3 nautical miles. The Outer Continental Shelf begins where the state boundaries end and continues until the end of the Continental Shelf.

A nautical mile (also called a geographical mile) is slightly longer than a standard mile.

Submerged lands in the US: "Lands beneath navigable waters" that are more than three nautical miles from shore in most states, and nine nautical miles from the shore in Texas and the gulf coast of Florida.

Nautical mile: Slightly longer than a standard mile (1 nautical mile = about 1.15 standard miles). Also called a geographical mile.

Section 5 Federal Coverage p24 (WC)

The Outer Continental Shelf Lands Act Coverage Endorsement

This endorsement should be used if an employer has any workers that are subject to the Outer Continental Shelf Lands Act.

Part Two, C. Exclusion 8 does not apply with the attachment of this endorsement.
Part Two, C. Exclusion 8: bodily injury to any person in work subject to the Longshore and Harbor Workers’ Compensation Act (33 USC Sections 901-950), the Nonappropriated Fund Instrumentalities Act (5 USC Sections 8171-8173), the Outer Continental Shelf Lands Act (43 USC Section, 1331-1356), the Defense Bass Act (42 USC Sections 1651-1654), the Federal Coal Mine Health and Safety Act of 1969 (30 USC Sections 901-942), any other federal workers of workmen’s compensation law or other federal occupational disease law, or any amendments to these laws;

Read each question. Then read the corresponding paragraph in the endorsement to find the answer.

After you have answered the question for yourself, click on the question to verify your answer.

Take a look at the OCSLA Coverage Endorsement schedule. What information does it ask for?

Description and location of work.

Which type of insurance does the OCSLA Coverage Endorsement provide?

Both Workers Compensation Insurance and Employers Liability Insurance.

See Note #1 in the endorsement.

Section 5 Federal Coverage p25 (WC)

The Defense Base Act

As mentioned earlier, Congress extended the LHWCA to include other types of employment. The Defense Base Act (DBA) was passed by Congress in 1941 and extends the workers compensation benefits of the LHWCA to certain persons.

The Defense Base Act applies to employees that:

1. Work for private employers on U.S. military bases or on any lands used by the U.S. for military purposes outside of the United States, including those in U.S. Territories and possessions;
2. Work on public work contracts with any U.S. government agency, including construction and service contracts in connection with national defense or with war activities outside the United States;
3. Work on contracts approved and funded by the U.S. under the Foreign Assistance Act, which among other things, provides for cash sale of military equipment, materials, and services to its allies, if the contract is performed outside of the United States;
4. Work for American employers providing welfare or similar services outside the United States for the benefit of the Armed Services, e.g., the United Service Organizations (USO).

If any one of the above criteria is met, all employees engaged in such employment, regardless of nationality (including U.S. citizens and residents), host country nationals (local hires), and third country nationals (individuals...
hired from another country to work in the host country), are covered under the Act.

Section 5 Federal Coverage p26 (WC)

Defense Base Act Coverage Endorsement

This endorsement should be used to provide workers compensation insurance and employers liability insurance if an employer has any workers that are subject to the Defense Base Act.

Part Two, C. Exclusion 8 does not apply with the attachment of this endorsement.

Part Two, C. Exclusion 8

bodily injury to any person in work subject to the Longshore and Harbor Workers' Compensation Act (33 USC Sections 901-950), the Nonappropriated Fund Instrumentalities Act (5 USC Sections 8171-8173), the Outer Continental Shelf Lands Act (43 USC Section, 1331-1356), the Defense Bass Act (42 USC Sections 1651-1654). The Federal Coal Mine Health and Safety Act of 1969 (30 USC Sections 901-942), any other federal workers of workmen's compensation law or other federal occupational disease law, or any amendments to these laws;

Read each question. Then read the corresponding paragraph in the endorsement to find the answer.

After you have answered the question for yourself, click on the question to verify your answer.

Does the Defense Base Act apply to contractors who work on military bases?

Yes. The Defense Act extends the Longshore and Harbor Workers' Compensation Act to apply to contractors who work on military bases.

Does this endorsement extend coverage to these employees or exclude them?

It extends coverage to them.

Does the endorsement apply to bases overseas?

Yes. See Note #1 in the endorsement.

Refer to the online course to view endorsement WC 00 01 01 A

Section 5 Other Endorsements p27 (WC)

Other Employers Liability Endorsements

Learning Objective: Describe the purpose and use of the Other Employer Liability Endorsements.
In addition to federal endorsements that relate to employers liability, there are two other employers liability-related endorsements.

Other Employers Liability Endorsements

Employers Liability Coverage Endorsement

Stop Gap-Employers Liability Coverage Endorsement

Section 5 Other Endorsements p28 (WC)

Employers Liability Coverage Endorsement

The primary purpose of this endorsement is to provide employers liability insurance in any state where the Policy does not provide workers compensation insurance. Those states must be indicated on the schedule.

Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

In which states can employers use this endorsement? 

In any state, including monopolistic state fund states, with the exception of Ohio which uses the Ohio Employers Liability Coverage Endorsement (WC 34 03 01 B). Read Note #1.

Can this endorsement be used as an employers liability policy only? 

Yes.

Does this endorsement also provide workers compensation insurance? 

No.

Refer to the online course to view the endorsements WC 00 03 03 B & WC 00 03 03 C

Section 5 Other Endorsements p29 (WC)

Employers Liability Coverage Endorsement – Ohio

As mentioned earlier, the Policy cannot provide workers compensation insurance in Ohio, as it is one of the monopolistic state fund states. However, as just mentioned, employers liability insurance coverage can be provided by adding a state specific endorsement for Ohio.

Read each question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.
Does this endorsement provide coverage due to bodily injury to a member of the flight crew on an aircraft?

No. See exclusion C. 13.

Does this endorsement provide Workers Compensation Insurance?

No.

Refer to the online course to view the endorsement WC 34 03 01.

Section 5 Other Endorsements p30 (WC)

Stop Gap - Employers Liability Coverage Endorsement

Another type of endorsement that can provide employers liability insurance is a Stop Gap - Employers Liability Insurance Endorsement. This endorsement is not added to the Workers Compensation and Employers Liability Insurance Policy; instead, it is added to the Commercial General Liability (CGL) Policy. It allows the CGL Policy to provide coverage for employers liability.

This is necessary in monopolistic states, where workers compensation insurance can only be provided by the state. These states do not provide employers liability insurance. Also, CGL Policies typically exclude employers liability coverage. This leaves a “gap” in coverage.

The following Stop Gap Endorsements can be added in monopolistic states.

- North Dakota - CG 04 40
- Ohio - CG 04 41
- Washington - CG 04 42
- Wyoming - CG 04 44

Refer to the online course to view endorsement CG 04 40.

Note: Stop Gap - Employers Liability Coverage Endorsements can also be added to the Businessowners Policy.

Section 5 Misc Endorsements p31 (WC)

Miscellaneous Endorsements

Learning Objective: Describe the purpose and use of the key Miscellaneous Endorsements.

Miscellaneous Endorsements

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Voluntary Compensation and Employers Liability Coverage Endorsement

Foreign Coverage Endorsement

Sole Proprietors, Partners, Officers and Others Coverage Endorsement

Partners, Officers and Others Exclusion Endorsement

Section 5 Misc Endorsements p32 (WC)

Voluntary Compensation and Employers Liability Coverage Endorsement

The purpose of this endorsement is to voluntarily provide workers compensation insurance benefits to employees who are not covered by state workers compensation law.

Example: Workers compensation law in some states may not cover domestic employees, agricultural workers, employees while temporarily outside US or Canada or while on indefinite assignment.

However, before benefits are paid, the injured person must sign a release of all claims, transfer his/her right to recover from others to the insurer, and cooperate in the enforcement of such right.

It is recommended, if the insurer will allow it, to use the broadest language possible in completing the schedule on the second page.

Refer to the online course to view endorsement WC 00 03 11 A

Section 5 Misc Endorsements p33 (WC)

Foreign Coverage Endorsement

The purpose of this endorsement is to provide workers compensation insurance and employers liability insurance for U.S. hired employees traveling or temporarily residing outside of the USA, its territories or possessions, or Canada.

It extends coverage of bodily injury to include care for endemic diseases. It also includes coverage for excess repatriation expenses.

Endemic disease: An infectious disease that is generally recognized as a health hazard, is restricted to a peculiar locality, and is not caused by or aggravated by the conditions of employment. Examples are malaria, bird flu, SARS, and hepatitis.

Repatriation: The costs of transporting an injured or deceased employee to the United States.
Example:

Mary goes to Mexico for 10 days and while there gets additional coverage (with the endorsement) from bodily injury that results from endemic disease as well as excess repatriation.

Refer to the online course to view endorsement WC 48 06 03

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*Section 5 Misc Endorsements p34 (WC)*

**Sole Proprietors, Partners, Officers and Others Coverage Endorsement**

In some states, sole proprietors and partners are not covered as employees by workers compensation acts, but they may elect to be covered.

This endorsement is used to designate coverage for named and described individuals who are Sole Proprietors, Partners, Officers and Others where permitted by statute.

Read the question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

What laws should you check first before using this form?

The workers compensation laws of the state.

Refer to the online course to view endorsement WC 00 03 10.

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*Section 5 Misc Endorsements p35 (WC)*

**Partners, Officers and Others Exclusion Endorsement**

In some states, certain individuals are permitted to elect NOT to be covered by the workers compensation statute.

This endorsement is used, as permitted by statutory law, to exclude workers compensation and employers liability insurance on partners, officers, and/or other individuals by designating or describing them by name on the endorsement schedule.

Read the question. Then read the corresponding paragraph in the endorsement to find the answer. After you have answered the question for yourself, click on the question to verify your answer.

What laws should you check first before using this form?

The workers compensation laws of the state.

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Refer to the online course to view endorsement WC 00 03 08.

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**Lesson 5 Endorsements To The Policy Learning Objectives**

1. Describe the purpose and use of the Employee Leasing Endorsements.
2. Describe the purpose and use of the Federal Coverage Endorsements.
3. Describe the purpose and use of the Other Employer Liability Endorsements.
4. Describe the purpose and use of the key miscellaneous endorsements.

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Please refer to the end of Section 5 to complete Self Quiz 5 at this time.