VIDEO TRANSCRIPT

Workers' Compensation: How are Risk Rates Calculated?

Welcome to the Nonprofit Labor & Industries Navigator. We make sure you can find your way through worker-related rules to ensure the people delivering your mission are safe, healthy, and secure.

Workers' Compensation is an insurance program to help your employees heal and return to work should an accident happen. Like any insurance, you pay to cover your employees. These premium payments cover the benefits for injured workers and the costs to administer the program. So let's talk about how L&I annually calculates what you pay.

Your organization's rate comes out of a simple formula. It is the product of your base rate and your experience factor. A supplemental pension fund base rate is then added to that. Your base rate is the sum of base rates for an Accident Fund, Medical Aid Fund, and Stay at Work. We will refer to the sum of these 3 base rates as your base rate.

Math can make this feel confusing, so let's explore this further.

First, let's talk about your base rate. It is a general rate based on what you do. L&I assigns base rates based on how risky your work is, how likely injuries are, and how significant they would be. The Supplemental Pension Fund base rate is the same for all employers in the state.

You can look up base risk rates per year on the L&I website.

Here's an example. A food bank has a risk class of 5308. The base rate for 2022 is 34 cents per hour worked. The employer can pass nearly 12 cents of that on to the employee.

So our formula starts with the base rate, but we know that organizations aren't all the same when it comes to safety. One organization may be careful to avoid claims, while another isn't careful and causes claim after claim. How do their rates reflect their actual performance? That's where the experience factor comes in.

Your experience factor is specific to your organization. It reflects your safety and health performance as an organization. You start with an experience factor of 1.0, so your premium rate is the base rate. As time passes, if you have a better than average workers' comp claims history, your experience factor becomes less than 1.0, lowering your rate, or more importantly, what you pay.

If work injuries results in claims that have required the state pay lost wages or a permanent partial disability, your experience factor may go well above 1.0, and you will be paying more.

Some factors to be aware of:

Depending on the employee's class, you may be able to divide an employee's hours between classifications if they split their time across multiple work types. You must have good records if you do this.

Your experience factor could change if a claim results in the state paying for lost wages or for a permanent partial disability. If all your claims result in medical bills only, those claim costs will not change your experience factor.

If you cover volunteers with workers' comp, their lost wages are never covered. Your coverage is for medical costs only.

Bottom line: your payments into workers' compensation are making sure there is help when you need it should an accident occur. You play an important role in keeping the costs low.

Learn more about worker-related rules by downloading the Nonprofit Labor & Industries guide at https://www.nonprofitlearning.center/LNI.