

## Refining the Workers' Comp Certification Process

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The workers' compensation certification process may share some of the same issues as calling an old friend after some period of time. You look forward to making the call, but at the same time are concerned about the time expenditure to "catch up" with your old pal. Many PEOs I've spoken with can't wait to make their call to the certification board, but are concerned with the time commitment involved in successfully completing the certification process. This reticence saves time on a short-term basis, but may be fatal to the long-term planning of the organization.

As we step into another new year, it makes sense for us all to assess our respective organizations and plan for the future. Many of us review the same plans and processes that were developed some time ago for our organizations, tweak them a bit, and move on with the business at hand. Rarely do we have the opportunity to run our strategies, ideas, and visions by industry specialists for a "second opinion."

As Basil Walsh has opined: "An intelligent plan is the first step to success. The man who plans knows where he is going, knows what progress he is making, and has a pretty good idea when he will arrive. Planning is the open road to your destination. If you don't know where you are going, how can you expect to get there?"

In the PEO industry, there is no other group better equipped to provide feedback and benchmarking on where your PEO is going and what needs to be done to bring it to your destination than the Workers' Comp Certification Institute. Please take the time to review the expertise of the committee members at [www.CertificationInstitute.org](http://www.CertificationInstitute.org). The committee is a cross-section of some of the greatest minds from the insurance industry, including individuals who make multi-million dollar underwriting and financial decisions on PEOs every day. It also includes the top risk managers of the largest public firms, well known minds of some of the private small to medium-sized PEOs, and brokers and agents who retain unique focus and expertise in alterna-

tive finance, risk management, and coverage procurement. These people are "students of the game" in all areas, and have dedicated their professional careers to workers' compensation in one way or another. The bottom line is that if you own a PEO, these are people you need to know.

How can we garner all of the intelligence of the certification board and its experts without shutting down our businesses and hampering our already overburdened staff? Based on feedback from the Certification Institute using experiences of PEOs already in the process, here are some items a PEO should address prior to submitting an application for certification of WC risk management best practices.

### **Business Plan**

While the expectation of your business plan is more than Herb Kelleher's cocktail napkin to launch Southwest, it need only include information on the following areas:

- Methodology for growth or downsizing;
- Targeted client company profiles (including geographical areas and WC rating codes, SIC, or NAICS codes);
- Marketing and distribution methodology;
- Value proposition/key service offerings, both current and proposed; and

- Historical and pro-forma growth and profitability projections.

Not only should the vision of your company be communicated, but how this vision is disseminated to each and every employee should also be explored. While the existence of a well-thought-out business plan is important, the implementation and execution of the plan is the priority.

### **Workers' Compensation Practices**

Needless to say, there is major emphasis on the underwriting, management, and distribution of workers' compensation because that is what the certification is for. Most firms have a policies and procedures manual that explores the following areas:

- Overview of distribution and risk assessment techniques that includes a timeline commencing at the sales prospect stage and follows the process through to the signing of a client service agreement (CSA). Included should be the forms used to obtain information on prospective clients and the description of when and how this information is used in the risk assessment process. Explain when your risk management team, carrier, or any outsourced service provider becomes involved in the process and for what purpose, and provide an example of forms or report formats used to document findings.
- Organizational chart with outlined staff position responsibilities and backgrounds.
- The methods used for client company profitability measurement.

Include who does it and how this review is documented.

- Detail the determination of which clients will receive loss prevention services, who does the evaluation, who makes the decision, how the decision is documented, how the services are delivered, and how the delivery of the service is documented.
- Detail the reporting, process, and follow-up on WC accidents/injuries, including return-to-work procedures and use of medical providers. Include who does it, how it is done, and how accident trend information is communicated to higher management.

### **Client Service Agreement**

Due to the impact the client service agreement has on how a PEO is able to coordinate efforts with its clients, it becomes an essential tool in workers' compensation risk management. Areas the CSA should address are:

- Drug-free workplace implementation;
- Conducting background checks for job positions having significant exposures;
- Implementing safe work practices and safety management activities, including compliance with state and federal regulatory requirements;
- Allowing the PEO and its WC insurance carrier access to the worksite and records to verify job duties, a safe working environment, and financial compliance;
- Procedure for establishing the beginning date of employment for existing worksite employees and any newly hired employees; and

- Client termination triggers and processes.

If you have all or most of these items in place, the process should be very smooth for your PEO. Without them, your firm has more to fear than the lack of workers' compensation certification. Our capitalist society will not allow for the continuance of mediocrity as is evidenced by the recent wave of PEO failures. Many of these former associates are not conducting business today because they did not have the time or vision to address these crucial areas, set best practice standards, and continuously benchmark and monitor the results. As PEOs get better at the workers' compensation model, and their businesses depend on the fact that they will, you will need to continually keep up with your competition in book performance to compete profitably. You are one phone call away from evening the playing field.

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