

ULTIMATE GUIDE TO WORKERS' COMPENSATION for Small Businesses



 Housecall Pro

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No matter how many steps you take to make your workplace safe, **injuries are inevitable**. In fact, occupational injuries and illnesses led to an average of 13 days of **missed work** per incident in 2017. Missed days from work (and accompanying lawsuits from injuries) can cause a major productivity (and profitability) drop for your business, so it's important to purchase coverage that helps protect you as well as your employees. **This coverage is known as workers' compensation insurance.**

Required in almost every state, **workers' comp provides wage and medical coverage to employees and protects business owners from lawsuits and other damages.** But with a variety of state and industry requirements, it can be hard for a small business owner to know where to begin.

To help you keep your company productive and your employees protected, we've broken down everything you need to know about **workers' compensation insurance** in this guide.

What is workers' compensation?

Workers' compensation is a **type of liability insurance required for most businesses that protects employees in the case of an accident or illness on the job**. This coverage helps with medical expenses and bridges the gap of lost wages during recovery (it can also cover funeral expenses and family benefits in case of accidental death). But no matter who is at fault, workers' comp benefits the employer by preventing employees from taking legal action against them.

This complete protection plan got its start in the early 20th century. During this time, employees in dangerous environments such as construction sites and manufacturing plants were getting injured all the time and couldn't afford treatment. This led to a surge of lawsuits, as workers looked to their employers for financial help. This constant cycle of injury and lawsuits was draining on everyone involved and led to the eventual creation of workers' compensation, which was known at the time as "[The Great Bargain](#)." This new insurance plan was widely adopted across the nation after its drafting, as it benefited both parties and helped to prevent significant monetary losses.

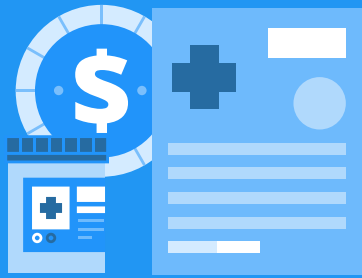


What does workers' comp cover?

In 2017 alone, there were over **882,730 occupational injuries and illnesses** that required employees to take time away from work. With workplace accidents this common, workers' compensation is crucial to protecting your business' day to day operation and profitability.

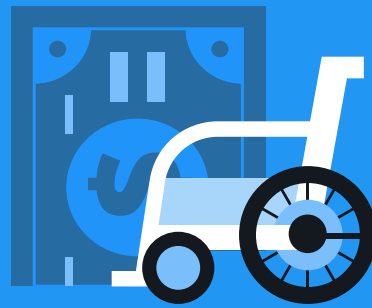
Below is a breakdown of exactly what type of coverage you can expect when adopting this plan into your small business:

FOR EMPLOYEES



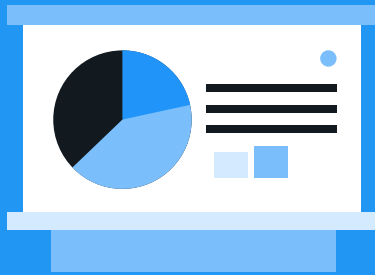
Medical costs & missed wages

Coverage of medical costs of the employee for the injury or illness that happened on the job, including accidents and repetitive stress injuries.



Disability payments

Compensation for missed wages or disability payments in the case of long-term impairment.



Retraining or new education

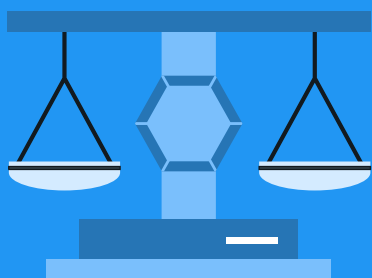
If the injury requires a change in job, workers' comp covers necessary training or education (in most states).



Funeral expenses

Funeral expenses and familial benefits for work-related death.

FOR EMPLOYERS



Protection from legal action

Prevents employees from taking legal action against you, regardless of fault.



Out of pocket legal fees

While the first part of workers' comp protects the employee by helping with medical bills and lost wages, the second part protects the employer from liability.

Outside of the state-financed workers' compensation benefits, as mentioned above, there is another option if small business owners are looking to cover their employees but don't want to deal with state regulations. Self-insured policies are when the employer takes on the financial burden of workers' comp, by paying out of pocket to cover each incident rather than paying a monthly or yearly rate to the government. Most states require an approval process to forgo state coverage, but it can be a good option for those looking to cut costs, have more control over their claims, and manage their losses individually.

Types of benefits

The complexity of these policies mean that, even though the worker's medical expenses are covered after a workplace incident, there are restrictions and limitations to this coverage. While duration and amount vary by state, there are four general avenues for compensation. The following depends on the severity of the injury and the workers ability to continue their previous duties:

- 1 TEMPORARY TOTAL DISABILITY BENEFITS (TTD):** This policy applies to workers who have been deemed unfit to return to work in any capacity by a trained medical professional. It provides wage reimbursement for the amount of time it takes to recover and return to work, or until the worker hits the total number of weeks supported by the state.
- 2 TEMPORARY PARTIAL DISABILITY BENEFITS (TPD):** Similar to the TTD above, this version covers the injured or ill who return to work part-time. No matter if they are taking on less responsibilities or working less hours, TPD helps the employee by paying them the money they are losing by working in this lesser capacity. This coverage continues until the worker is able to return full time or they hit the maximum weeks for their state.
- 3 PERMANENT PARTIAL DISABILITY BENEFITS (PPD):** When the injury or illness is severe enough to cause life-long impairment, but not enough to prevent them from working completely, PPD is issued. To determine the amount of monetary value, states often have their own list of "scheduled" losses depending on the type of issue at hand. For example, an employee in Missouri who loses their hand or the use of their hand can receive up to 175 weeks of compensation.
- 4 PERMANENT TOTAL DISABILITY BENEFITS (PTD):** Reserved for the most severe cases, such as total blindness, PTD provides protection for those whose injuries or illnesses have caused so much damage that they can never work again. While amounts vary by state, most PTD qualified employees receive compensation for the rest of their life.

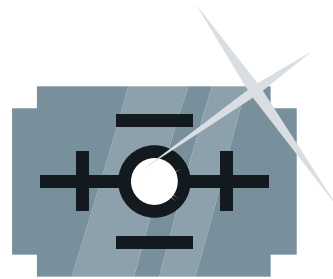
What does workers' comp NOT cover?

While workers' compensation was created to help take monetary pressure off of businesses while still compensating employees, it does have its limits. To make sure you and your staff are on the same page, it's important that you all understand the situations that not protected by this type of insurance:



Injuries inflicted under the influence

Injuries that occur while the employee is under the influence of alcohol or drugs.



Self-inflicted injuries

Self-inflicted injuries, such as a broken bone after starting a fight.



Injuries that occur while breaking the law

Any injury that occurs when the subject is violating company policy or breaking the law.



Injury/illness that happens outside the job description

Anything sustained outside of the confinements of the job description, including while commuting or on lunch.

SECTION FIVE

Breaking down the cost

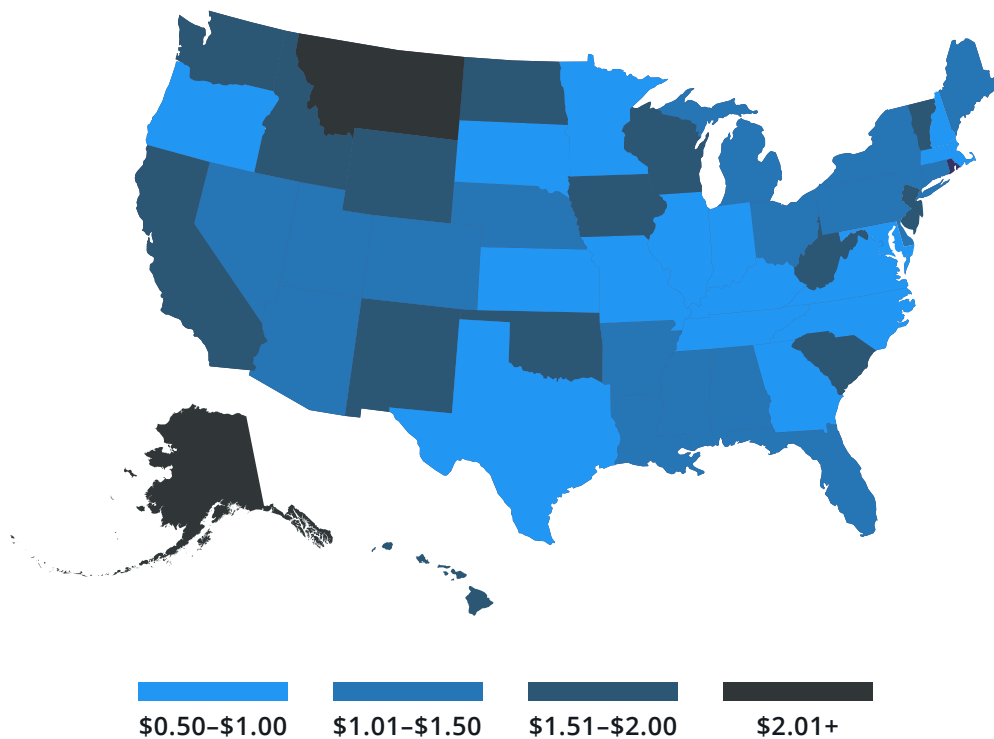
Estimating the average cost of workers' compensation coverage for your business is tricky, because there are a variety of factors at play. Unlike many other types of insurance you may be familiar with as a small business owner, **coverage policies are controlled by each individual state**. This means that if your headquarters is in a different state than your manufacturing plant, you need to be aware of both state's policies as coverage limits and costs can vary widely.

The main factors that must be considered for your business' rates are individual state policies, number of employees, and industry. You also need to consider the cost of handling claims and reporting issues to the state (as well as your insurance company) on top of the traditional policy fees to make sure your company stays viable.

To give you an idea of what to expect to pay for each employee, per \$100 of covered payroll, we created the heatmap below based on [average rates from 2013-2017](#). It's important to keep in mind that these numbers vary by state, industry, size and other factors.

AVERAGE COST OF WORKERS' COMP COVERAGE

Below are the average costs of insuring each employee, **per \$100** of covered payroll.



SECTION SIX

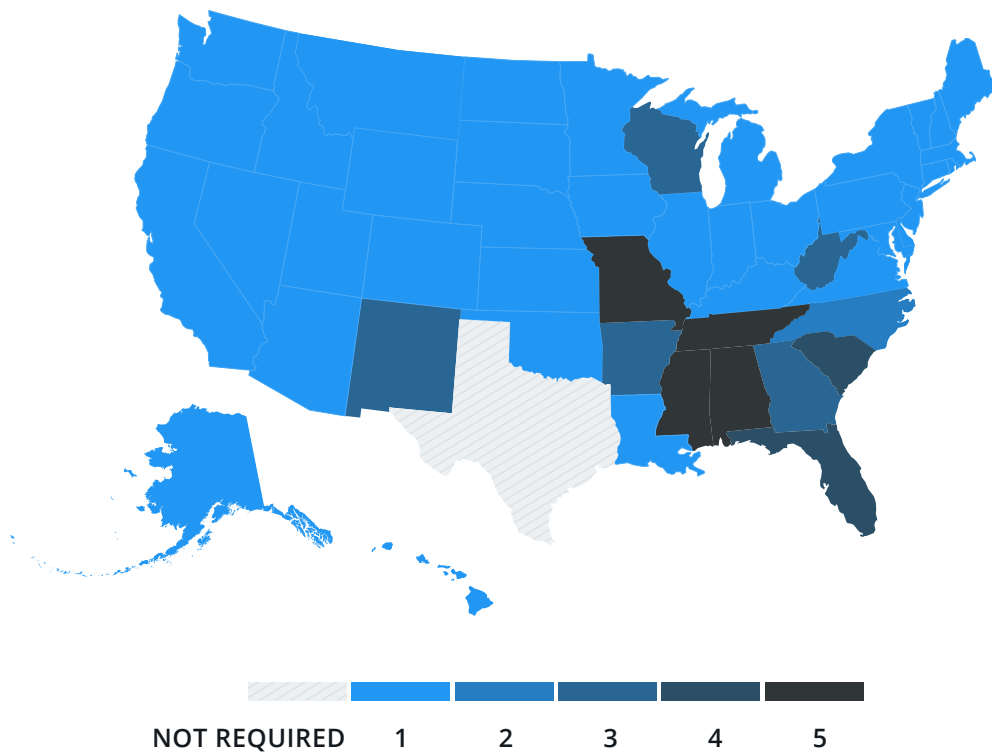
Does my small business need workers' comp?

Most likely, your small business does need workers' compensation. Not only is it required by law (with state by state stipulations) across the country, but it is also not a retroactive policy. This means that **if you don't have this coverage before a workplace accident occurs, you could be open to a lawsuit and financial compensation directly out of pocket.**

Many states require this insurance as soon as your first employee is hired, especially if you are in a high-risk industry such as construction. But, other states are a bit more lenient with their requirements, letting employers skip out on this coverage until several employees are on the payroll. And in most states, independent contractors do not qualify as a full-time employee and therefore do not require this protection via their employer. If you hire family members or are self-employed, most states allow individual discretion when deciding to purchase workers' comp or not.

To help you navigate the tricky policies per state, we created the below heat map of the number of employees required to mandate workers' compensation coverage. It's important to note that there are stipulations and exceptions for every state dependent on hours worked, type of employment, and industry. You can read more about your state requirements [here](#).

NUMBER OF EMPLOYEES REQUIRED FOR MANDATED WORKERS' COMP COVERAGE



Workers' comp requirements by state

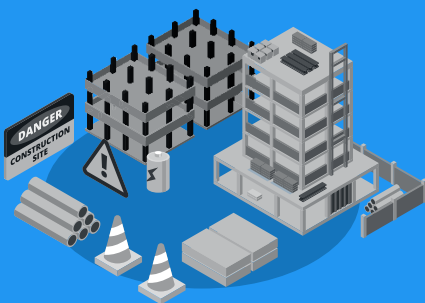
While workers' compensation was created to help take monetary pressure off of businesses while still compensating employees, it does have its limits. To make sure you and your staff are on the same page, it's important that you all understand the situations that not protected by this type of insurance:

| STATE | WORKERS' COMPENSATION REQUIREMENTS |
|-----------------------|--|
| Alabama | Businesses with five or more employees, full or part-time. Exceptions include certain truck workers, casual employees, farm laborers, household domestic workers, and government employees. |
| Alaska | All employers must provide coverage, even if they only have one employee. Exceptions are made for part-time or seasonal work and commercial fishing companies. |
| Arizona | Required for all companies with one or more workers no matter the industry, time worked, or age. Unlike other states, this ruling also includes mandatory coverage for sole proprietors. |
| Arkansas | Any business with three or more workers must secure adequate coverage. Some industries, such as building construction, are obligated to provide coverage even if they have less than three employees. |
| California | Regardless of the number of employees, all corporations must abide by California law by offering workers' compensation insurance. |
| Colorado | All employees receive coverage, no matter their number of coworkers. There are exclusions, including real estate agents, part-time repair work (for private homeowners), and company maintenance workers that make less than \$2,000 a year. |
| Connecticut | Every employer must provide coverage for their employees, unless they are able to insure themselves on their own. Contractors without their own insurance also fall under this policy. |
| Delaware | Companies with one or more employees must provide insurance coverage. A few exemptions include government workers, farmers, and household workers. |
| D.C. | Businesses with one or more employees must be covered as required by law. |
| Florida | Most industries require coverage at four or more employees. Construction coverage starts at the first employed, while Agricultural coverage requires six or more traditional employees or at least 12 seasonal employees who work for the company for more than one month. |
| Georgia | Businesses with five or more workers, including full/part time and members of LLC's. Independent contractors, volunteers, federal, and railroad employees do not fall under this ruling. |
| Hawaii | Any employer with one or more employees. This does not include students in work-trade programs, volunteers, members of the church, and real estate agents or brokers that work on commission. |
| Idaho | Outside of those who fall under the Idaho Code, any business with one or more employees must provide coverage. |
| Illinois | Full coverage is required for all employees, no matter the size or industry. |
| Indiana | Businesses with one or more workers must provide coverage as required by law. |
| Iowa | Any company with employees must provide insurance, with exceptions for farm workers and domestic workers. |
| Kansas | Required for all employers with one or more workers who sum gross income is over \$20,000. This includes executive partners but does not include sole proprietors. |
| Kentucky | Companies with one or more workers. |
| Louisiana | All part-time, full-time, and contract workers must receive workers' comp. |
| Maine | Businesses with one or more employees must have coverage under state law. Independent contractors don't fall under this purview, but subcontractors do. |
| Maryland | Employers with one or more employees must provide coverage, but not all injuries are covered. The injury must result from an accident and arise out of (and in) the course of employment. |
| Massachusetts | All employees must be covered, regardless of hours worked. Domestic employees who work an average of 16 or more hours a week must also receive coverage. |
| Michigan | Businesses with one or more employees must have coverage under state law. |
| Minnesota | All companies with one or more workers, except for interstate truckers, railroad companies, domestic workers making less than \$1,000 in three months, and certain farming employees. |
| Mississippi | All businesses with five or more employees are required to obtain workers' compensation insurance. |
| Missouri | All businesses with five or more employees are required to obtain workers' comp insurance. Corporate officers are included in this ruling. Businesses in the construction industry must provide coverage as soon as their first employee starts. |
| Montana | Full coverage is required for all employees, no matter the amount or industry. |
| Nebraska | Employers with any amount of employees, including contract and part-time work, must provide coverage. Exemptions are made for farming and domestic workers. |
| Nevada | All companies with at least one employee must have coverage. |
| New Hampshire | Businesses with one employee or more must provide insurance, including non-profits. |
| New Jersey | Businesses with one or more employees must cover their workers as required by law. |
| New Mexico | Most industries hit the requirement when they have three or more workers, with Construction requirements beginning at the first employee. |
| New York | All employees must have coverage via their employer except for members of the church, volunteers, and government workers. |
| North Carolina | Employers with at least three employees are required to have coverage. |
| North Dakota | Companies must have insurance for all employees before hiring, excluding farm workers, domestic workers, and real estate agents. |
| Ohio | Full coverage is required for all employees, no matter the number of workers or the industry. |
| Oklahoma | Businesses with one or more employees must provide coverage. |
| Oregon | All companies with at least one employee. |
| Pennsylvania | All companies with at least one employee except for federal employees, railroad workers, harbor workers, and longshoremen. |
| Rhode Island | Companies with four or more workers. |
| South Carolina | All companies with four or more workers must provide workers' compensation insurance. |
| South Dakota | Businesses with at least one employee must provide coverage. |
| Tennessee | Most businesses with five or more employees must have coverage. Except for construction or coal mining, which must have coverage even with one employee. |
| Texas | This coverage is optional for employers in Texas, except for those in the construction industry who are required to provide insurance. |
| Utah | Companies with one or more workers. |
| Vermont | All businesses with at least one employee. |
| Washington | All employers with one or more employees. |
| West Virginia | Businesses with three or more employees, with some exceptions including churches and professional sports. |
| Wisconsin | Companies with three or more employees, or those with more than \$2,000 in payroll a year. |
| Wyoming | Those with one or more workers, this does not include casual and domestic employees, as well as in-home nurses. |

Worker's comp insurance: what small business owners need to know

- Injuries account for a **\$2,660 loss** for small business owners per hourly worker.
- **How do I know if I need workers' compensation?**
If you own a small business with 1 or more employees, chances are you will need workers' compensation insurance.
- **How many employees do you have to have to provide workers' compensation?**
Generally, if you have anywhere from 1-3 employees, you need this coverage. But rules vary by state and industry.
- **What does workers' compensation not cover?**
Workers' comp does not cover injuries sustained while under the influence, or those that occur while violating company policy.
- **How much does it cost to get workers' compensation insurance?**
Costs vary by state, by averages \$1.30 per \$100 of covered payroll per employee.

MOST COMMON INDUSTRIES FOR INJURY:



Construction

Most common accident:
falls from roof/scaffolding



Logging

Most common accident:
falling trees



Fishing

Most common accident:
on-deck injuries



Warehouse

Most common accident:
muscle tears and strains

Additional Resources

Properly educating yourself and your staff on the guidelines of workers' compensation, as well as how to prevent injuries, is key to maintaining a safe working environment.

Below are some additional resources to assist in further education:

- [Insureon](#) - How Does Workers' Compensation Work?
- [The Hartford](#) - Workers' Compensation FAQ
- [Concentra](#) - 10 Tips to Prevent Workplace Injuries
- [OSU](#) - Accident Prevention
- [FindLaw](#) - Workers' Compensation Claim Process

As a small business owner, a lot is required of you to keep your company flourishing including [invoicing](#), scheduling and marketing. But **nothing is more important than protecting the safety of your workers**, as it helps to promote company loyalty and boost overall productivity. Plus, the laws set in place for workers' compensation protect you as well, letting you rest easy knowing you won't be hit with legal fees anytime an employee gets injured or becomes ill. By following our guide and taking time to care for your workers, providing a safe and protected working environment can be simple.

