

# SCF Arizona

## Workers' Compensation News

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### Calculating change

#### Safe businesses stand to save more money

More than two-thirds of Arizona employers could see their workers' compensation premiums reduced because of a change in the formula the National Council on Compensation Insurance uses to calculate experience modifiers.

For example, if the premium is \$1,000 and the e-mod is 1.25, the company's rate would become \$1,250. However, if the e-mod is .8, the premium would become \$800.

According to the NCCI, the plan is to double the \$5,000 "split point" it applies to injured workers' claims during the first year. It will be increased to \$13,500 in 2014 and, finally, to \$15,000 (plus two years of inflation adjustment) by 2015. NCCI is the largest resource of workers' compensation and employee injury data in the nation and the advisory board that recommends workers' compensation rates in many states, including Arizona.

NCCI values claims costs at or below \$5,000 as primary losses and applies the full value when calculating experience modifiers. It defines losses above \$5,000 (the split point) as excess losses and discounts their value.

However, while the split point has remained static for 22 years, medical costs have nearly tripled, making the \$5,000 split level arbitrarily low. The change means the calculation for full value will be three times what it is today once fully implemented in 2015.

Therefore, employers with no claims exceeding \$5,000 will see a smaller e-mod in 2013. Conversely, NCCI said companies with an above average number of claims exceeding \$5,000 could see an increase in the modifier.

NCCI State Relations Executive Lori Lovgren explained to workcompcentral.com, a work comp Web news site, the change was needed, because, "Over time, the [rating] plan would continue to become less and less responsive. There would be employers who deserve bigger credits and employers who deserve bigger debits. ... And there would be less incentive for employers to control losses."

NCCI said that, across 39 states, about 22 percent of employers will see experience modifiers increase by more than 2 percent beginning in January. Another 68.7 percent of employers will see the e-mod decrease by more than 2 percent. The remaining 9.3 percent will see changes smaller than 2 percent in either direction.

"If you're a safe business without many claims, this is a good thing," said Rick Jones, SCF Arizona executive vice president, chief sales and business development officer. "It could mean a few hundred dollars savings for some companies and perhaps thousands for others."

"This change really rewards those companies that have fewer losses and could help motivate those businesses with higher losses take action to become safer," Jones added.

Need workers' compensation insurance? Visit SCF Arizona's website, [scfaz.com](http://scfaz.com), for a Quick Quote today.



The split point has remained static for 22 years, while medical costs have nearly tripled

The change, scheduled to be implemented during a three-year period beginning Jan. 1, marks the first alteration to the calculation in more than 20 years. The experience modifier, or e-mod, is the adjustment of annual premium based on previous loss experience. An e-mod of greater than 1 increases a company's premium; the premium decreases if the e-mod is less than 1.



## Using the PCN

### Network of providers dedicated to quality care at reasonable cost

Small business owners are always on the lookout for ways to save money, but when it comes to medical costs associated with a worker's injury it can sometimes seem these expenses are out of control.

Customers of SCF Arizona have the opportunity to manage these costs by designating a medical provider in the workers' comp insurance carrier's Preferred Connection Network (PCN). The members offer quality care often at rates discounted from their usual charges or from the Industrial Commission's fee schedule.

The PCN is a statewide network of hospitals, occupational medical clinics, urgent care facilities, physicians, physical medicine providers and ancillary service providers. It also includes providers of durable medical equipment as well as those who provide other related medical services. PCN providers agree to produce the best possible patient outcomes and accept discounted rates, while working collaboratively to obtain maximum medical improvement and getting injured workers back to work as quickly, safely and cost effectively as possible.

As a bonus, network providers also agree to make referrals only to other medical providers within the PCN whenever possible.

Under Arizona law, an employer may designate a medical provider for an initial evaluation of the industrial injury. An injured worker may decide to return to this medical provider for any additional treatment, so designating a PCN provider is an

important step any employer can take to control the medical costs of a claim. At SCF, it is our goal to provide injured workers the most effective medical treatment at a reasonable cost.

A PCN medical provider makes important evaluations about your injured worker:

- The extent of the injury
- Whether the worker has suffered permanent impairment
- When the worker can return to work
- Whether modified work can be offered

By designating a PCN medical provider, employers establish a communication link to the provider while maximizing healthcare management. Employers can then work with the physician to establish what a worker can safely do as he or she recovers, how soon the worker can return to some type of work and whether job modifications are necessary. Through this close communication, employers can educate the PCN provider about the nature of their business and the importance placed on early return-to-work programs.

The Preferred Connection Network is an integral part of SCF Arizona's managed care program, which its customers regard as the most efficient way to provide quality medical care for injured workers while controlling medical costs. Other elements in SCF's managed care program include medical bill review, pharmaceutical benefit management, and hospital and physical medicine utilization review. To learn more about PCN and SCF, visit [scfaz.com](http://scfaz.com).

## Controlling WC costs

### 13 ways to trim your workers' comp costs

**When you employ workers, they depend on you to provide a safe place to work, but these days that's not enough to manage your workers' comp insurance costs efficiently.**

**Compare what you do to manage work comp against these 13 tips SCF Arizona developed:**

1. Foster a culture of safety among everyone at your company. Hold regular safety meetings, appoint a safety director and train employees to work with safety top of mind.
2. Make a commitment to make safety a priority; show your commitment by implementing a sound safety plan.
3. Be smart about hiring skilled workers who share your commitment to safety.
4. Conduct worker drug testing prior to hiring and after an injury incident.
5. Create a wellness program and boost morale and workers' health with incentives to participate.



6. Put a comeback plan together; when a worker is injured, use a return-to-work plan that offers transitional duty, light or modified duty. A return-to-work program boosts employee morale, increases productivity, minimizes retraining of additional employees and lowers the risk of potential litigation
7. Partner up; apply to become a member of an Association Safety Program with one of SCF Arizona's partnering associations to benefit your safety rating. Safety association members may also qualify for a bonus safety dividend when the SCF Arizona Board of Directors declares one.
8. Be proactive about seasonal illnesses; plan for the impact such sickness, such as influenza, might have on worker productivity.
9. Report an injury promptly and document the event by investigating the causes. Promptness is essential, as those involved may forget important facts. Filing is the first step in determining compensability and ensures your employee receives the medical treatment to which he or she is entitled.
10. In the event of a worker injury, trim medical costs by taking advantage of SCF's Preferred Connection Network of medical professionals and facilities that are trained in work comp injuries. Under Arizona law, employers may direct an injured worker to a designated medical provider on a one-time basis. Smart employers choose a PCN provider before an injury ever occurs and make sure their employees know where that provider is located.
11. Partner with your claims adjuster to report changes or facts related to a claim. The adjuster can point out ways to keep your costs down.
12. Report possible subrogation (third-party) actions. Subrogation is the right of an insurer to pursue a third party that may have been responsible for an insurance loss to a policyholder.
13. Be alert; report suspected fraud. Workers' comp fraud comes in various ways: from claimant, policyholder or provider. All forms have an impact on premium, because the billions of dollars lost each year due to fraud are spread among all policyholders to cover the losses. Workers' compensation fraud is a felony. If you suspect fraud, call the SCF Arizona Fraud Hotline at 800.526.5226. Callers may remain anonymous.



# Safe servicing

## lockout, tag out dangerous energy sources

**Workers who service machinery can be exposed to dangerous, live energy sources.** To protect workers from being shocked, burned, crushed, cut or killed, be sure to:

- Use and enforce an energy-control program and procedures, including annual inspections.
- Provide effective training to all employees working in or around live equipment or machinery. Implement proper lockout/tag out strategies and train employees in them.
- Visit **scfaz.com** to take advantage of free, online work safety resources.



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## Who is SCF Arizona?

**Strong, stable workers' comp company 'at work for you'**

When one of your workers is injured on the job, who are you going to call?

For most Arizona businesses, the answer is SCF Arizona, which provides workers' compensation insurance coverage for more than 25,000 businesses statewide, ensuring workers the care they need if they are injured on the job.

SCF has been providing workers' compensation insurance longer than anyone else in the state. That's because in 1925, the Arizona Legislature founded the state compensation fund (SCF Arizona) as part of the Industrial Commission. Lawmakers allocated \$100,000 as startup capital. But the statute mandated that SCF's operational and administrative costs be paid solely by premiums. The state was paid back in 1938, two years early. Since that original allocation, SCF has not received any money from the state nor from residents' taxes. Today, SCF holds total assets of more than \$3.4 billion to protect policyholders and their workers.

SCF's and Arizona's past, present and future are tightly intertwined, and the workers' comp insurer has been recognized as an economic engine in the state throughout the myriad ups and downs of the economy.

### Workers' Compensation

Creation of workers' compensation insurance generally dates back to the 1880s in Germany, although the concept was evolving as for centuries going as far back to the Sumerians more than 5,000 years ago in Mesopotamia.

Wisconsin, in 1911, became the first state in the nation to mandate workers' compensation insurance. The noble concept spread quickly, as business owners sought tort relief from workers whose only avenue of redress from suffering workplace injuries and loss of earning power was through the courts, which could result in costly legal expenses driving some companies out of business.

Workers' compensation insurance is a backstop that protects employer and employee. The insurance coverage provides a business owner peace of mind that, should an employee be injured on the job, that worker will receive the medical treatment needed in exchange for an agreement not to file a lawsuit against the employer.

This is especially important because, unlike other lines of insurance where a claim can be settled quickly, a workers' compensation claim can remain in effect for many years. For example, a worker who suffered a disabling injury in 1940 may still be receiving benefits today.

## Piecemeal exclusions

In 1968, the Arizona Legislature removed SCF from the Industrial Commission, so, beginning in 1969, the company began operating as a separate entity. The statutory mandate, however, remained the same: to provide a ready market of workers' compensation insurance for Arizona's employers at the lowest possible cost. Arizona's governor also has continued to appoint the SCF Board of Directors.

As a not-for-profit agency, SCF's income comes from customers' premiums and from the investments it makes and property it owns. Income not used for benefits to injured workers or for operating the company is returned to qualified policyholders in the form of safety dividends, when the board approves them. The board's decision is based each year on the company's financial performance.

While the company says dividends are never guaranteed, it has returned money to qualified policyholders for 41 straight years, totaling more than \$1.5 billion to eligible customers.

In 1989, the state exempted SCF from public financing for state agencies, including purchasing, telecommunications and state motor pools. And in the next year, SCF was removed from the state's personnel and the state risk management systems, which means Arizona does not insure SCF's properties or financial assets.

That same year, the legislature made it clear that SCF's operations were "without liability of the state." This modification made it clear the state's general fund would not be liable in the event that SCF was unable to pay claims. But be assured, SCF is in no danger. The company is well reserved for the future.

Once SCF was separated from the Industrial Commission, legislators began to recognize SCF's substantial assets — which are held in reserve to ensure injured workers' care — and during tough economic times, some state officials have attempted to use the money to help alleviate state debt.

SCF has always fought these attempts and, in 2004, Maricopa County Superior Court



Judge Rebecca A. Albrecht settled the matter when she ruled, "The monies and assets held by SCF are not public funds, but are funds held in trust by SCF for the employer and, ultimately, for injured employees and their families."

She added, "The assets must be used solely to pay workers' compensation benefits and administrative expenses of the Fund," adding that the relationship between customer and SCF is a contractual one, which requires that all SCF Board's decisions be made "in the best interest" of the policyholders.

Perhaps that court ruling was the impetus some lawmakers needed to seek a complete break for SCF from state. In 2010, the legislature passed and Gov. Brewer signed a bill that directs SCF to become a private mutual insurance company beginning Jan. 1, 2013.

## Making it easier to do business

The company's journey toward becoming a mutual insurance company is proceeding. In the meantime, however, SCF continues, as it has for 87 years, to provide state businesses unsurpassed excellence in worker's compensation.

Living up to its motto — "SCF is at work for you" — the company provides innovative workers' compensation insurance solutions to businesses that seek the best in workplace safety protection. SCF also strives to make it easy for its customers to do business with it, building trust and loyalty.

During the past decade, SCF has earned recognition as the state's leading advocate for workplace safety. By sponsoring Safety Works Expos each year throughout the state, the company brings together safety experts and professionals to share the latest information on workplace safety.

But its commitment to provide businesses with valuable information has grown, and SCF now is considered an important ally

and advocate to the business community. It partners with nearly 40 industry associations and business organizations, and provides valuable information to companies regarding hot issues of the day, such as what impact Arizona's medical marijuana law may have on their workplaces, or how to implement a wellness program to help control obesity in the workplace — one of the leading drivers of workers' compensation costs.

During the past few years, SCF has concentrated on improving the resources Arizona businesses need to manage their workers' compensation insurance effectively and to create safer workplaces. The company's website, for example, allows policyholders to easily and conveniently file a claim or view already reported claims, enter payroll, print certificates of insurance and pay premiums. The site also gives customers access to free safety training materials, a video library with safety videos, interactive quizzes and even a quick quote in three easy steps.

SCF's evolution as a company includes the addition of seven subsidiaries that allows the company to price its workers' compensation insurance coverage based on a customer's size, loss history and safety record. The subsidiaries are SCF Premier, SCF American, SCF Western, SCF General, SCF National, SCF Indemnity and SCF Casualty.

The launch in 2010 of Mountain West Agency Services, subsidiary of SCF Premier, also signaled a major change in SCF's sales methods, as, through the agency, SCF began permitting insurance brokers to sell its workers' compensation insurance.

Because of SCF's strength and stability, it has been able to leverage its influence on the workers' compensation market and keep Arizona's rates among the lowest in the nation. In turn, this makes Arizona a prime state for job and economic growth, because it costs less to do business here.



# Learning the difference one can make, by giving time

A child-size backpack filled with supplies may seem ordinary, but among SCF Arizona employees it represents a perennial opportunity to have a positive impact on children's education.

Since 2004 SCF employees have filled more than 10,000 backpacks statewide and distributed them to elementary students who otherwise wouldn't be prepared to begin school each fall.

The Pack-to-School program is one of many programs SCF supports. An ongoing effort to give back to the community begins at the company's highest level, where company executives serve on boards, advisory committees and lend their expertise to developmental organizations, down through the ranks of its employees.

"By being a volunteer, by being involved with nonprofits, on boards or in the arts, you know what's going on in the community," says Jill Maruca, SCF corporate giving and event planning specialist. "You gain an awareness of what your community needs and ultimately how you can better serve customers."

Maruca says SCF nurtures its culture of giving by engaging volunteers in hands-on opportunities and giving them meaningful support.

"It is part of our social responsibility piece. It's not just the money. When

you engage the employees, they're happier and more productive; they appreciate the opportunity to volunteer, and the support the company gives them as volunteers," Maruca says. In personalizing charitable giving, she adds, it makes a difference not only to the place where employees are volunteering, but in their own lives.

In 2011, half of SCF's workforce volunteered more than 5,200 hours. The company allows each employee 12 hours of paid time to volunteer. Add those hours to the personal time SCF workers give, and the impact translates to more than 31,000 hours spent with more than 100 Arizona charities since 2005.

SCF has been well-recognized for its community involvement, nonprofit sponsorship and support of arts and culture, an indication that its "culture of giving" is a standout effort.

"You have to engage employees to do volunteer work, because you gain an experience that's different from pulling out your wallet. Other businesses that don't encourage volunteerism are missing a way to give back, of increasing awareness of their company in the community and a way to build up their community," Maruca says.

For more on SCF's role in the community, visit [scfaz.com](http://scfaz.com) and click on "Corporate Responsibility."



## "Big" on partnerships

SCF volunteers may be best known for a partnership with Big Brothers Big Sisters of Central Arizona. Company employees comprise the largest site-based program in the state at Heard Elementary School. This year, 24 SCF employees are participating in the program.

Jo Ann Slick, an SCF administrative assistant, began her journey as a "Big" in 1994 when she was matched with Andrea Sanchez, then a 10-year-old Longview Elementary student. Though both are now out of the program, they continue to be part of each others' lives.

## Investing in Arizona

Since 2006 SCF Arizona has invested more than \$8 million to improve the lives of Arizonans. The company focuses its charitable giving and community involvement in two areas, education and quality of life. Areas SCF supports are:

- Educational initiatives targeting students and teachers
- Efforts to improve the health of Arizona's children
- Safety efforts for corporations and the public
- Policy efforts to ensure equal treatment for all citizens
- Development efforts to expand and improve quality jobs and workplace safety
- Arts and cultural activities that enhance the quality of life in Arizona.

"Whether it is education, health, safety or arts and culture, those are all pieces that make this a well-rounded place to live. You're educating children who will grow up to be a good workforce, you're promoting safety, arts and culture and that brings in new ideas and an improved economy," said SCF Corporate Giving Specialist Jill Maruca.



## A place for small business to find HR, employment law answers

Small business owners try to stay focused on running their businesses, but sometimes other concerns can prove to be big distractions. SCF Arizona has gathered experts to provide resources online at [SafeAtWorkAZ.com](http://SafeAtWorkAZ.com), a blog covering workplace safety issues, HR and workers' comp questions. Tucked within the blog is the Safe & Sound page, with articles about small business and workers' compensation insurance. You can also follow SCF on Twitter (@SCFArizona), like them on Facebook or connect with them on LinkedIn. Or, visit SCF at [scfaz.com](http://scfaz.com), the company's official website.

# Going solo

## SCF Arizona eager to become mutual company

For 87 years, SCF Arizona officially was considered a public entity, although it received no state funding or taxpayer money. Beginning Jan. 1, the organization no longer will have any ties to state government, as SCF transforms into a

private, mutual insurance company.



**Don Smith**  
SCF Arizona  
President & CEO

Arizona Gov. Jan Brewer signed into law a bill in July 2010 that directed SCF Arizona to become a mutual insurance company. Since that time, the company

has been preparing to make the transformation as seamless as possible for its business customers.

Beginning in July, renewing customers began receiving word their policies will be transferred to the new company, which will continue to do business as SCF Arizona, on Jan. 1.

The state's largest provider of workers' compensation insurance is based in Phoenix; it has offices in Tucson and Prescott, with staff also working in Flagstaff and Lake Havasu City. The shift from public to private will have little or no impact on policyholders, the company says.

"We've essentially been working as a private company for decades," said SCF President & CEO Don Smith. "We look forward to fully competing in the private marketplace and continuing to

be Arizona's workers' compensation insurer of choice. We have a long commitment to this state and this only will strengthen our ability to perform on behalf of our customers."

Executive Vice President of Sales and Business Development Rick Jones added that becoming a mutual insurance company enables SCF to broaden services, previously prohibited by state statute.

He confirmed that, as the transformation takes place, the company plans to explore providing new lines of business insurance as well as whether to expand into other states. But he emphasized that SCF Arizona is a state-based company, founded in Arizona and committed to the state.

"SCF is proud to keep our dollars at work supporting the state's economy," he said.

Jones added that becoming a mutual company allows SCF to be more responsive to its policyholders. Under Arizona insurance laws, a mutual insurance company is owned by its policyholders. Like a credit union, the policyholders are "members" and they govern the company through a board of directors they elect. SCF Arizona's customers will be asked to vote for board of director memberships sometime during spring 2013.

"SCF Arizona policyholders will not notice anything different in their day-to-day dealings with us," Jones said. "But over time, what they will experience is a more diversified company that can better serve their needs in Arizona and elsewhere."

Financially, SCF Arizona is well capitalized for the change, holding more than \$3.4 billion in assets. The payment of claims and other operational expenses comes entirely from the premiums SCF Arizona's policyholders pay and revenues earned by its investments.

According to Vice President, Marketing & Communications Phyllis Senseman, the change also allows SCF Arizona to expand its role as an advocate of business beyond workplace safety.

"Until now, state law has limited our company to providing only workers' compensation insurance, but as we move forward, we will have the ability to offer other lines of business insurance," Senseman said. "This means that, as a company, we can advocate on behalf of our business community in more exciting and more varied ways, such as helping businesses better manage their employees and staying clear of legal issues that can help them avoid civil suits."

This new direction SCF Arizona will be able to take is one reason the company launched the blog [SafeAtWorkAZ.com](http://SafeAtWorkAZ.com) earlier this year. Employers can find expert information on HR best practices and workers' compensation insurance issues.

"This is an exciting time for SCF Arizona and, while our company is changing, we remain dedicated and committed to providing the best service we can to Arizona, its communities, businesses and residents," Smith said.



### Employers' resource: loss control experts

Loss control experts, such as those on staff at SCF Arizona, offer employers assistance in developing safety plans tailored to their specific needs. A safety plan, when implemented, can cut costs, decrease injuries, increase production and boost employee morale. SCF loss control experts show customers how to conduct a workplace safety audit to assess your entire safety system and

employees' roles in it. You can begin building a companywide safety plan by downloading a free safety plan template from [scfaz.com](http://scfaz.com). Loss control experts offer professional guidance and workplace safety materials, as well as serve as a liaison between employers and your workers' comp insurance carrier. To learn more about SCF Arizona and what we offer to customers, visit [scfaz.com](http://scfaz.com).

# As an employer, **you face challenges**

You can rely on **SCF Arizona** to help you meet your workers' comp insurance needs. At SCF we offer coverage for injured workers while protecting your bottom line.

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- Web services and tools to manage your account
- Statewide work comp medical providers and facilities
- Friendly, efficient and caring claims service

