



WORKERS' COMPENSATION ALERT:

IDENTIFY AND SEGREGATE PAYROLL RECORDS DURING THE COVID-19 PANDEMIC

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To help employers take advantage of new, or anticipated, payroll reporting rules, IMA associates have been actively monitoring numerous state websites and workers' comp. rating bureaus for new and proposed regulations on collecting payroll information.

The following options cover multiple scenarios so that employers can capture their payroll information in a way that will be most beneficial to their premium costs. While it is a substantial administrative effort to segregate this information, taking action now to identify and separate these payrolls could mean significant savings in workers' compensation premiums during your policy audit.

The following four situations should have payroll periods and amounts segregated:

1 The company continued to pay employees, even though they were home and performed no work for the company. For each of these employees, the exact time period for which they were paid should be identified and segregate from their payroll as "Not Working But Paid."

Employers need to be aware of paying employees more than their usual payroll amount during this time, as it could nullify any savings.

2 The company continued to pay employees who performed exclusively clerical work from their home. These employees should be identified and segregated by their specific pay periods and amounts paid. The carrier may assign their payroll to either the Clerical code/8810 or may identify a Telecommuting Employee code/8871 to capture their payroll.



3 An employee continued to work, performing their regular job duties. There is no change here. Their payroll should be captured in their regular classification code, as in the past.

4 An employee continued to work but performed job assignments that were **DIFFERENT** from their previous role, function or duties with the company.

1. The payroll for these employees should be identified and segregated, with documented pay periods that include their new duties, to take advantage of any rule changes that may allow for their payroll to be assigned to a lower-rated code during a policy term.
2. If an employee was required to stay at home under a federal or state-mandated emergency medical leave or family leave, or a required quarantine period, and are not performing any work for your company, their payrolls for those time frames should be identified and segregated. If an employee is using accumulated paid sick time, or vacation time and not performing any work for your company, similarly their payrolls for those time frames should be identified and segregated.

While shifting payrolls into lower-rated class codes could reduce policy costs, there is a word of caution: Most policies have an experience modification factor used in the premium calculation. Sometimes referred to as a “mod,” “emod,” or “EMR,” this factor is developed using payrolls.

If payrolls are lowered, or if they are moved into lower-rated class codes, it can have a long-term inflationary impact to the mod factor. For industries such as energy or construction, that use the EMR to bid or prequalify for projects, this should be a consideration when segregating payroll to take advantage of potentially lower insurance rates.

Some carriers are requiring specific documents to be filed with them in order to take advantage of such payroll reporting rules. Companies should work with their service teams to file these carrier documents, prior to any deadlines.



As the COVID-19 pandemic regulations are evolving, IMA is committed to keeping clients stay informed on insurance, finance and regulatory topics that may have a financial impact on their business.

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