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## BLOG

# How does workers' comp work?

May 23, 2022

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Workers' compensation insurance is designed to **benefit both employers and their employees.**

Though it is difficult to imagine, any employee at your company could become ill or injured on the job. If that employee does, the cost of their medical treatment could be the responsibility of your business.

Workers' compensation insurance alleviates that burden.

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## 1. Report an injury

This crucial step belongs to the employee. It is highly recommended that all incidents, big or small, are reported.

They have four days after a workplace injury or related illness to notify you in writing about the matter. Then, within 10 days of receiving notice, you must file a claim with your workers' comp insurance carrier.

Employers must file a claim with their workers' compensation carrier.

Many carriers track how long it takes for a claim to be filed. Continuous late reporting can potentially affect your policy premium.

If an injury is not reported to the employer at the time of the incident, the employee can still **file a claim with the Division of Workers' Compensation** within two years.

Within 20 days from when the employee files the claim with the Division, an employer must file one of the following:

- **General Admission** to accept claim liability
- or a **Notice of Contest** to deny liability

If you choose to file for denial of liability, the employee may apply for an expedited or standard hearing with the Division of Workers' Comp within 45 days. Expedited hearings will occur

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employee get medical treatment as soon as possible. Employers can do this by providing a [Letter to Injured Worker](#) or a list of designated providers to choose.

If it's an emergency, injured workers should immediately seek treatment from the nearest hospital.

### 3. Resume work

If an employee gets approval from the designated medical provider, they can return to work using a modified duty task list until they have reached a full and certain recovery.

### 4. Ongoing care

Medical care continues until the medical provider deems the employee has reached maximum medical improvement (MMI).

### 5. Claims closure

Once the employee has reached MMI, you must file a [Final Admission of Liability](#) (FAL) with the Division within 30 days of the MMI date.

If the employee doesn't follow up within two years during any step of the process, the claim will be closed.

## Who needs workers' compensation?

Colorado workers' comp coverage is legally required for [all businesses](#) with one full-time or part-time employee (excluding

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less than \$2,000 per calendar year

- Part-time private domestic and maintenance or repair workers
- Real estate agents and brokers paid by commission
- Independent contractors with no employees and drivers working for a contract carrier
- Volunteers

Corporate Officers and members of LLCs are automatically included in coverage. If they own at least 10% of the business they may reject coverage.

If they have less than 10% ownership of the business they can be excluded only if they are not active in the business operations.

For those Officers and Members that choose to be included, they are included at a capped payroll amount and not at their actual wages

For **businesses in the construction industry**, Colorado has additional insurance requirements. Failure to carry insurance can result in fines.

## What does workers' compensation cover?

Colorado **workers' comp covers**:

- Claims-related employee medical treatment and care
- Lost wages

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## Are there workplace injuries or illnesses not covered by workers' comp insurance?

Colorado workers' compensation does not fully cover all injuries. Those not covered may include any of the following:

- The worker was injured while intoxicated.
- The worker injured themselves or others on purpose.
- The worker was injured while engaged in a social or athletic event that wasn't considered work-related duties.
- The worker was engaged in horseplay with another employee.
- The worker was injured by an act of God. (There may be exceptions for employees who were exposed to increased risk due to job functions.)

If an employee was intoxicated on the job, the injured worker may be penalized and lose part of their benefits. They are, however, still entitled to the benefit.

## Workers' comp benefits for employees

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## Workers' comp benefits for employers

Reduction in financial liability is the biggest benefit of workers' comp insurance for an employer. Without coverage, employers would be responsible for the cost of an ill or injured employee's medical expenses, rehabilitation, and lost wages.

The **average cost of an on-the-job accident claim** is \$7,453. With workers' comp insurance, covers anywhere from a large portion to all incident-related worker expenses. For a small business, that's a significant amount compared to out-of-pocket.

## How much does workers' comp cost?

Fortunately for Colorado businesses, the state **enjoys one of the lower rates** for workers' comp insurance.

In 2021, the average cost of workers' compensation insurance in Colorado was \$0.86 per \$100 in earnings. This rate compares well with Alaska's, the highest in the country, at about \$2.32 per \$100 earnings.

**Policy costs** vary from business to business due to factors including but not limited to:

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**modifier** (e-mod) often see lower premium costs.

## How to reduce workers' compensation costs

While there is a cost to carrying workers' compensation insurance, there are **ways to lower your premium**.

One way is by completing Colorado's Premium **Cost Containment** program. Getting certified saves businesses five percent on their policy cost if they have a **safety program** in place or develop one.

You can **qualify for discounted premiums** if your e-mod rate is better than your industry's average. Discounts are also available for participating in safety group programs and using designated medical providers.

## Other Colorado workers' compensation considerations

As long as a claim is accurate and prompt, workers are eligible for compensation regardless of fault. This no-fault system eases the worries of both the injured employee and the employer.

If you are looking for peace of mind, choose the workers' comp partner who's been helping employers for over 100 years.

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