

# WORKERS' COMPENSATION TERMS TO KNOW

Provided by Morgan, Trevathan & Gunn Insurance, Inc.

## **Average Daily Wage (ADW)**

Average daily earnings of an employee before an injury. Use to calculate benefits payments in situations where AWW would not provide an accurate reflection of actual wages.

## **Average Weekly Wage (AWW)**

Average weekly earnings of an employee before an injury, which is used as a basis for determining weekly benefits payments.

## **Audited Premium**

Final premium for the policy term based on actual payroll exposures.

## **Date of Injury (DOI)**

Date when injury or illness occurred or, in the case of repetitive exposure injuries or illness, when it first became apparent that symptoms were work related.

## **Death Benefits**

Benefits paid to surviving dependents when an employee dies as a result of injury or illness caused by their employment.

## **Excess Losses**

In most NCCI and independent states, any dollars of each claim over  $x$ , where  $x$  is determined by the Primary/Excess Split Point that applies to the state and effective date. Excess losses are an indicator of loss severity.

## **Experience Modification Factor**

An adjustment to the Manual Premium, calculated by an advisory organization (also known as rating bureaus), such as NCCI. It's based on historic loss and payroll data of a particular insured. Also known as the experience modifier, experience modification rate, experience mod, ex-mod, EMR, EMF or simply the mod.

## **Independent Medical Examination (IME)**

Requested by an employer or insurer to serve as an objective evaluation of an injured employee's condition. IMEs are used in situation where the findings of an employee's self-selected doctor need to be verified.

## **Light Duty**

Temporary work restrictions placed on an injured employee by their physician that allows the employee to return to work while also allowing for their injury to heal properly.

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## **Lump Sum Payment**

The award of workers' compensation benefits in one or more partial or total payments, instead of in weekly or biweekly payouts.

## **Manual Premium**

Workers' compensation premium prior to the application of the experience modification factor and any other credits and debits. It is calculated based on the employer's payroll and the insurer's premium rates by payroll code.

## **Maximum Medical Improvement (MMI)**

Point in an injured employee's treatment when recovery has reached a plateau with no reasonable expectation of continued improvement.

## **Modified Premium**

Workers' compensation premium after the application of an experience modification factor. Does not reflect any schedule credits or debits.

## **Occupational Disease**

Illness or disease primarily caused by exposures faced by an employee in their work environment over the course of their employment.

## **Occupational Injury**

Any injury, illness or death that results from a work-related event or from repetitive trauma or other repetitive acts required of an employee over the course of their employment.

## **Permanent Partial Disability (PPD)**

Benefits paid to an employee who has suffered compensable work-related injury or illness to one or more parts of the body. Most states have a preset payment schedule (Schedule of Injuries) based on specific body parts or conditions.

## **Permanent Total Disability (PTD)**

Benefits paid to employees who face lifelong total disability from compensable work-related injury or illness.

## **Posting Notice**

Certain states require employers to notify their employees of their workers' compensation rights.

## **Primary/Excess Split Point**

The dollar value at which an actual loss is split into primary and excess portions in the experience rating formula. This value can vary by state and effective date. In 2013, most NCCI and several independent bureau states approved a plan for the split point to better correlate with claim inflation. In most states, the following split point schedule has been approved:

2012 - \$5,000	2015 - \$15,000 plus inflation
2013 - \$10,000	2016 and beyond – additional adjustments for claim inflation
2014 - \$13,500	

## WORKERS' COMPENSATION TERMS TO KNOW

### **Primary Losses**

In most NCCI and independent states, the first x dollars of each claim, where x is determined by the Primary/Excess Split Point that applies to the state and effective date. Primary losses are an indicator of loss frequency.

### **Premium Discount**

A premium credit, based on the size of the premium that is paid.

### **Schedule of Injuries**

List of payment amounts and maximum number of weeks PPD benefits are to be paid based on the part of the body that was injured.

### **Social Security Disability Benefits (SSDI)**

Benefits paid to disabled individuals through the Social Security Administration, separate from workers' compensation. Most state workers' compensation statutes regulate whether an individual can receive both benefits at the same time. If both benefits are awarded, there are limits in place to ensure that an individual cannot receive more money than they are entitled to from either program independently.

### **Standard Premium**

Premium after application of experience modification factor and schedule credits and/or debits, but before premium discount.

### **Statewide Average Weekly Wage (SAWW)**

Average wages paid to workers in a set jurisdiction for a period of time, used to set the maximum and minimum for workers' compensation benefits paid out to injured workers.

### **Temporary Partial Disability (TPD)**

Benefits paid to an injured worker who is temporarily unable to fulfill the full requirements of their job but is able to perform at a reduced level. Benefits paid in such instances are based on possible pay differences between the regular and temporary position.

### **Temporary Total Disability (TTD)**

Benefits paid to employees who are totally unable to work for a period of time but will make a full recovery. Though TTD payments stop when the employee is cleared to return to work, they may be eligible for TPD benefits if they still face some work restrictions.

### **Vocational Rehabilitation**

Any of a number of services offered to injured employees to help them return to the workforce in a new occupation if they have suffered disabilities that will not allow them to return to their initial occupations.

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