

Understanding
Workers' Compensation
In Aviation

Presented by Bob McManus
Beacon Aviation Insurance Services

Welcome aboard!

2014 IIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

Understanding Workers' Compensation
in Aviation

BEACON AVIATION INSURANCE SERVICES is a Sarasota, Florida based insurance Program Manager, underwriting in the aviation insurance industry through brokers.

2

2014 IIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

Understanding Workers' Compensation
in Aviation

We will talk about...

- History and Theory
- Workers' Compensation in the USA
- The Workers' Compensation Policy
- Classification, Rates and Premium
- Aviation WC 'FOD'

3

2014 IIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

History and Theory

History of 'WC'

- Common law | Employer Liability Acts
 - United Kingdom
 - Alabama & Georgia 1855
- Workers' Compensation Laws
 - Germany 1884,
 - USA (Wisconsin 1911)
 - Canada (Ontario 1915)
- Social Security Systems
 - Mexico
 - France



2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

4

History and Theory

USA WC Compared to other Countries

- Most are no-fault like the USA.
- Employer liability based in UK.
- USA similar to Germany. Coverage in Germany distributed through institutes.
- Canada's system controlled by Provincial Commissions.
- Mexico and France merge WC with social security health systems.
- Some countries allow private insurers.
- Most countries distribute and administer WC through a national commission or agency.



2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL


5

History and Theory

Theory of Workers' Compensation

WC provides wage replacement and medical benefits to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue his or her employer for the tort of negligence.

WC intent - Exclusive remedy for work place injury and illness compensation.



2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

6

Workers' Compensation in the USA

🔑 When is WC required?

Coverage requirements vary by state

- Most: required if "one or more employees"
- Some: if more than 3 or 4 employees
- Some: it depends on the industry
- TX, OK: Employers can 'opt in/out'.
- Failure to secure required coverage can result in loss of business license + + +

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

7

Workers' Compensation in the USA

WC Providers

- Insurance coverage in USA is provided by private insurance companies in 46 states.
- OH, ND, WY, WA are known as Monopolistic states because coverage is provided only by the State itself.
- Self-Insurance permitted for financially able employers.
- Some states permit Pooling of Employers

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

8

Workers' Compensation in the USA

🔑 Who is an employee?

California

...every person in the service of an employer under any appointment or contract of hire or apprenticeship, express or implied, oral or written, whether lawfully or unlawfully employed, and includes...

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

9

Workers' Compensation in the USA

Who is an employee?

Florida
...any person who receives remuneration from an employer for the performance of any work or service while engaged in any employment under any appointment or contract...

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

10

Workers' Compensation in the USA

Who is an employee?

IRS (1099) ≠ WC

A person who meets the definition of employee under workers' compensation laws might not be an employee under IRS or FLSA laws.

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

11

The Workers' Compensation Policy

Key Parts of the WC Policy

- Part 1: Workers' Compensation
- Part 2: Employers' Liability
- Part 3: Other States Insurance

Policy Endorsements

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

12

The Workers' Compensation Policy

**Part One
Workers'
Compensation**

Key We will pay...
We will pay promptly when due the benefits required of you by

the workers' compensation law.

The laws of each state define the benefits owed by the policy!

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

13

The Workers' Compensation Policy

**Part Two
Employers Liability**

Key Not statutory coverage

- Applies to bodily injury arising out of employment
- Policy pays if employer *legally must pay damages*...
- *Provided* the bodily injury is covered by this Employers Liability Insurance.
- Common defenses apply
- Exclusions and limits apply

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

14

The Workers' Compensation Policy

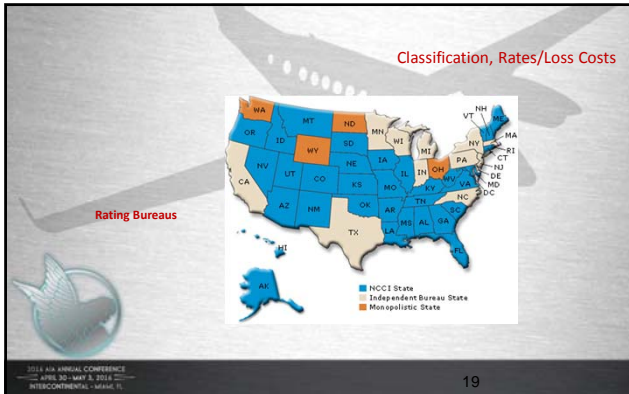
**Part Three
Other States
Coverage**

Key Know if coverage applies or NOT!

- **Coverage *does* apply** if accident occurs in a state...
 - ...listed in Item 3.C of the Information Page or...
 - ...in which you began work in that state after policy inception and one or more states is listed in Item 3.C
- **Coverage *does not* apply** if an accident occurs in another state that is not listed in Item 3.C

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

15

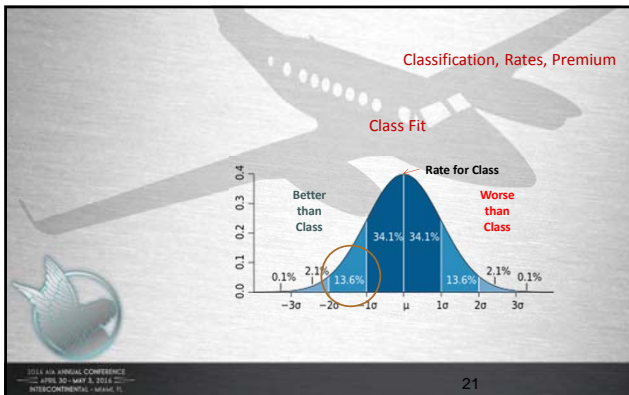


Classifying Work

Code	Common Aviation WC Classifications
7405	Aviation - Air Carrier Scheduled Commuter or Supplemental - Air Crew (Part 121 specifically cited) (Includes cargo carriers)
7403-7423	Aviation - All Other Employees & Drivers (Ground maintenance & service, cargo & baggage, security, ticket and info clerks)
7428-7429	Aviation - Transportation of Personnel in Conduct of Employer's Business - Flying Crew (Part 91) (Pilots, crew, executive officers, and others who operate fixed wing aircraft in the conduct of the employer's business)
7421	Aviation - Flying Crew (Part 91, 135, 141) (Instructors, scenic, sightseeing, photography, mapping, flight testing, sales, NOC)
7422	Aviation - Helicopters - Flying Crew (Part 91, 133, 135) (Applies to all helicopter ops, including those normally conducted by fixed wing aircraft)
7425	Aviation or Air Taxi - Flying Crew (Part 135) (Charter, taxi)
7431	Clerical Office Employees (Ticket sellers and info clerks away from airport locations*)
8810	

2014 IFA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL - MIAMI, FL

20



Classification, Rates, Premium

Rates are modified to reflect employer's loss history compared to the class.

Experience 'Mod' belongs to and stays with the employer.

Class Fit: Experience Rating

2016 Experience Modification

Based on...

2014 2013 2012

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 5, 2014
INTERCONTINENTAL - MIAMI, FL

22

Classification, Rates, Premium

Class Fit: Schedule* & Merit Rating

- Underwriter applies debits or credits
- States limit use
- Merit rating is limited to a few states. For employers too small to be experience rated.

* Not available in 'Rate States'

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 5, 2014
INTERCONTINENTAL - MIAMI, FL

23

Classification, Rates, Premium

Class Fit: Credits

- Safety
- Drug Free Workplace

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 5, 2014
INTERCONTINENTAL - MIAMI, FL

24

Classification, Rates, Premium

Example: Charter Company

Premium Calculation

7431 Payroll × Rate = Premium

7403 Payroll × Rate = Premium

+ Endorse, Credits

+ Experience Mod

+ Sched Rate Discounts = Premium

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL, MIAMI, FL

25

Classification, Rates, Premium

Other Premium Modifying Techniques

- Retro(actively) Rated policies (Retros)
- Dividends
- Deductible Policies
- Self Insurance

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL, MIAMI, FL

26

Some Aviation WC FOD

A few things of concern to aviation...

- Travel outside the home state
- Travel outside the USA
- Labor contractors
- "Independent" contractors
- Fluctuating payrolls
- Final payroll audit

2014 AIA ANNUAL CONFERENCE
APRIL 30 - MAY 3, 2014
INTERCONTINENTAL, MIAMI, FL

27