

Employer Participation in the Texas Workers' Compensation System: 2010 Estimates



Texas Department of Insurance
Workers' Compensation Research and Evaluation Group

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Brief History of Non-subscription in Texas

- Private sector employers have been allowed the option of whether to purchase workers' compensation (WC) insurance since 1913.
- Texas is currently the only state that allows any private-sector employer the option of not purchasing WC insurance or become “non-subscribers” to the state WC system.
- Several states' laws have numerical exceptions that allow small private sector employers to be “non-subscribers.”
- The first study in Texas to estimate the percentage of employers that are “non-subscribers” to the Texas WC system took place in 1993 with 7 follow up studies conducted between 1995 and 2010.



Presentation Overview

- Overall employer non-subscription rates and employee WC coverage rates;
- Reasons why employers purchase workers' compensation or become non-subscribers;
- Satisfaction levels of Texas employers;
- Texas employers' experiences with workers' compensation insurance costs;
- Benefits provided by non-subscribing employers;
- Use of arbitration by non-subscribing employers; and
- Employer knowledge of the 2005 Workers' Compensation Reforms under HB 7.

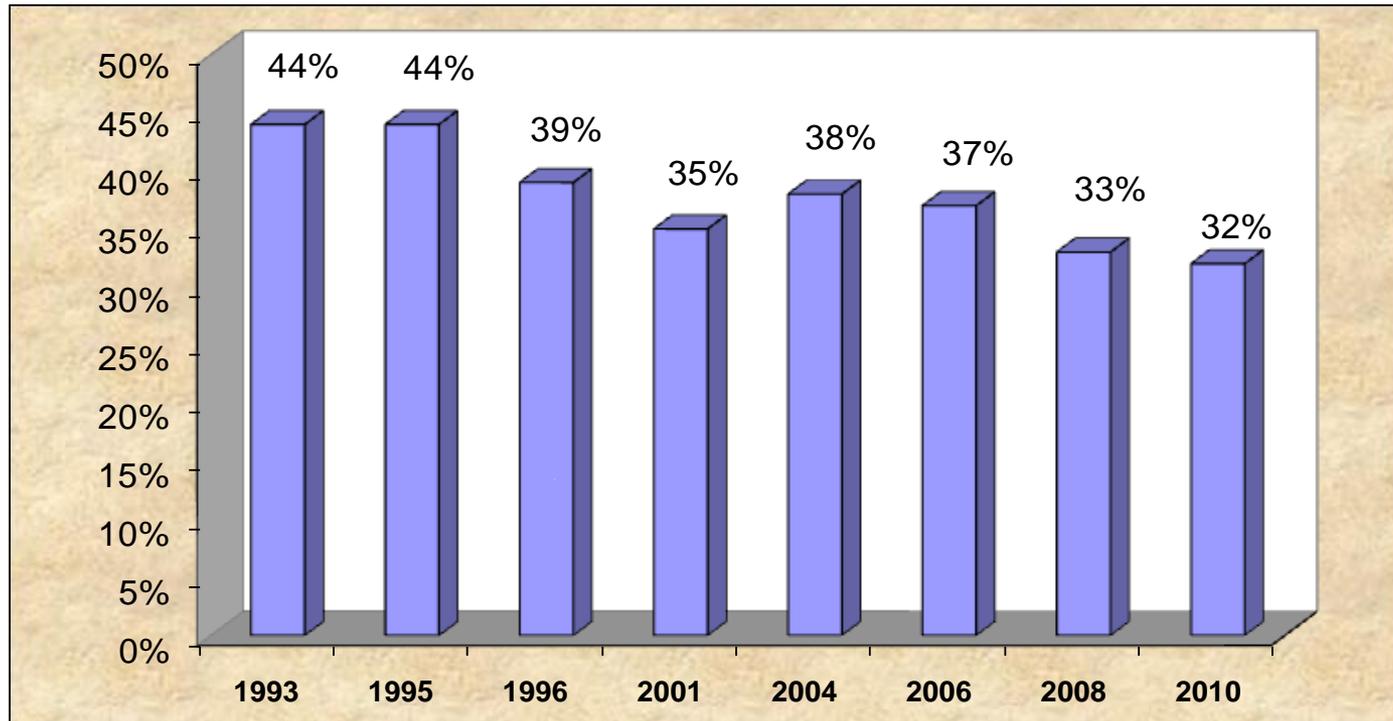


Survey Sample and Administration

- TDI made slight modifications to the survey instrument first developed by the Research and Oversight Council on Workers' Compensation (ROC)
- TDI pulled a random probability sample (stratified by industry and employment size) of Texas employers from Texas Workforce Commission (TWC) data
- TDI and the Public Policy Research Institute (PPRI) at Texas A&M University completed 2,583 interviews with year-round private sector Texas employers during June –August 2010
- Employer non-subscription estimates have a +/- 2.4% margin of error at the 95% confidence interval



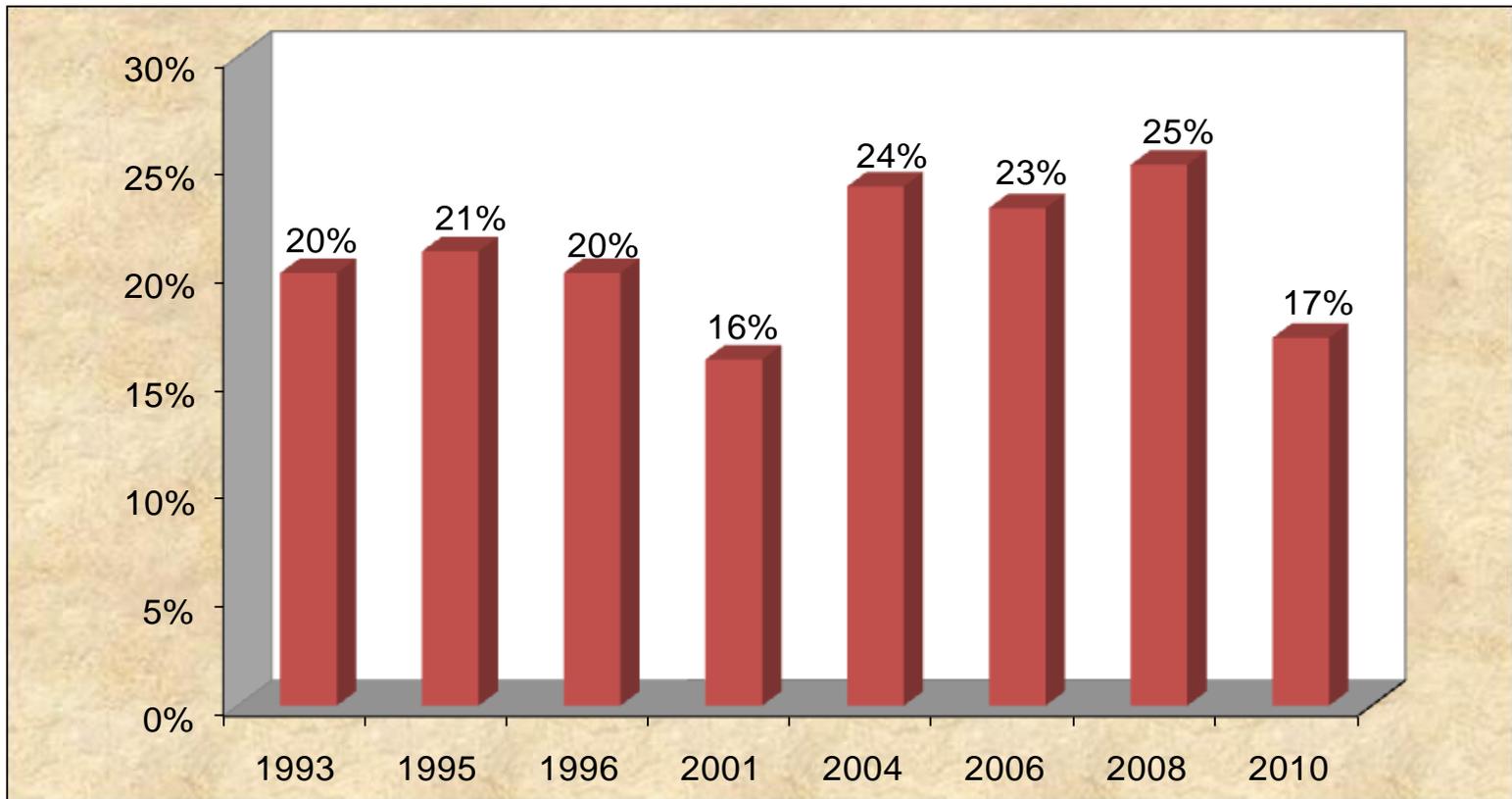
Percentage of Texas Employers That Are Non-subscribers, 1993-2010



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, 1993 and 1995 estimates from the Texas Workers' Compensation Research Center and the Public Policy Research Institute (PPRI) at Texas A&M University; 1996 and 2001 estimates from the Research and Oversight Council on Workers' Compensation and PPRI; and 2004 - 2010 estimates from the Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI.



Percentage of Texas Employees That Are Employed by Non-subscribers, 1993-2010



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, 1993 and 1995 estimates from the Texas Workers' Compensation Research Center and the Public Policy Research Institute (PPRI) at Texas A&M University; 1996 and 2001 estimates from the Research and Oversight Council on Workers' Compensation and PPRI; and 2004 - 2010 estimates from the Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI.



Percentage of Texas Employers That Are Non-subscribers by Employment Size, 1995-2010

Employment Size	1995	1996	2001	2004	2006	2008	2010
1-4 Employees	55%	44%	47%	46%	43%	40%	41%
5-9 Employees	37%	39%	29%	37%	36%	31%	30%
10-49 Employees	28%	28%	19%	25%	26%	23%	20%
50-99 Employees	24%	23%	16%	20%	19%	18%	16%
100-499 Employees	20%	17%	13%	16%	17%	16%	13%
500 + Employees	18%	14%	14%	20%	21%	26%	15%

Note: Non-subscription estimates for 1993 were based on different employer size categories than were used in later years so they are not directly comparable.

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, 1993 and 1995 estimates from the Texas Workers' Compensation Research Center and the Public Policy Research Institute (PPRI) at Texas A&M University; 1996 and 2001 estimates from the Research and Oversight Council on Workers' Compensation and PPRI; and 2004 -2010 estimates from the Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI.



Percentage of Texas Employers That Are Non-subscribers by Industry, 2004 - 2010 Estimates

Industry Type	Non-subscription Rate			
	2004	2006	2008	2010
Agriculture/Forestry/Fishing/Hunting	39%	25%	27%	25%
Mining/Utilities/Construction	32%	21%	28%	19%
Manufacturing	42%	37%	31%	31%
Wholesale Trade/ Retail Trade/Transportation	40%	37%	29%	32%
Finance/Real Estate/Professional Services	32%	33%	33%	33%
Health Care/Educational Services	41%	44%	39%	32%
Arts/Entertainment/Accommodation/Food Services	54%	52%	46%	40%
Other Services Except Public Administration	39%	42%	36%	42%

Note: Industry classifications were based on the 2002 North American Industry Classification System (NAICS) developed by the governments of the U.S., Canada and Mexico, which replaced the Standard Industrial Classification (SIC) system previously used in the U.S. As a result of this change in industry classifications, industry non-subscription rates for 2004 - 2010 cannot be compared to previous years.

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.



Percentage of Large Texas Employers That Are Non-subscribers by Industry, 2006 - 2010 Estimates

Industry Type for Large Non-subscribers	Non-subscription Rate		
	2006	2008	2010
Agriculture/Forestry/Fishing/Hunting	49%	35%	20%
Mining/Utilities/Construction	8%	11%	5%
Manufacturing	24%	22%	12%
Wholesale Trade/ Retail Trade/Transportation	14%	25%	30%
Finance/Real Estate/Professional Services	10%	22%	5%
Health Care/Educational Services	37%	41%	21%
Arts/Entertainment/Accommodation/Food Services	49%	27%	24%
Other Services Except Public Administration	51%	40%	28%

Note: Industry classifications were based on the 2002 North American Industry Classification System (NAICS) developed by the governments of the U.S., Canada and Mexico, which replaced the Standard Industrial Classification (SIC) system previously used in the U.S. As a result of this change in industry classifications, industry non-subscription rates for 2004 - 2010 cannot be compared to previous years.

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.



Reasons Why Employers Purchase Workers' Compensation or Become Non-subscribers



Primary Reasons Why Subscribing Employers Said They Purchase Workers' Compensation Coverage

Primary Reasons Given by Surveyed Employers	Percentage of Subscribing Employers		
	2006	2008	2010
Employer thought having workers' compensation was required by law	22%	25%	22%
Employer had the option to provided workers' compensation coverage through health care network	20%	24%	27%
Employer was concerned about lawsuits	20%	14%	18%
Employer needed workers' compensation coverage in order to obtain government contracts	6%	3%	6%
Workers' compensation insurance rates were lower	NA	2%	2%

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.



Primary Reasons Why Large Subscribing Employers (500+ Employees) Said They Purchase Workers' Compensation Coverage

Primary Reasons Given by Surveyed Employers with 500+ Employees	Percentage of Subscribing Employers	
	2008	2010
Employer was able to provide injured employees with medical care through a workers' compensation health care network	28%	29%
Employer thought having workers' compensation coverage was required by law	16%	17%
Employer was concerned about lawsuits	13%	12%
Employer was able to reduce its workers' compensation insurance costs through deductibles, certified self insurance, group self-insurance or other premium discounts	3%	13%
Workers' compensation insurance rates were lower	3%	2%
Employer needed WC coverage to obtain government contracts	2%	7%



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Primary Reasons Why Non-subscribing Employers Said They Did Not Purchase Workers' Compensation Coverage

Primary Reasons Given by Surveyed Employers	Percentage of Non-subscribing Employers Surveyed		
	2006	2008	2010
Workers' compensation insurance premiums were too high	35%	26%	32%
Employer had too few employees	21%	26%	25%
Employers not required to have workers' compensation insurance by law	9%	11%	13%
Medical costs in the workers' compensation system were too high	4%	4%	5%
Employer had few on-the-job injuries	9%	9%	12%



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Primary Reasons Why Large Non-subscribing Employers (i.e., 500+ Employees) Said They Did Not Purchase Workers' Compensation Coverage

Primary Reasons Given by Surveyed Employers	Percentage of Large Non-subscribing Employers	
	2008	2010
Workers' compensation insurance premiums were too high	49%	50%
The employer felt the company could do a better job than the Texas workers' compensation system at ensuring that employees injured on the job receive appropriate benefits (medical and wage loss) *	N/A	28%
Medical costs in the workers' compensation system were too high	13%	10%
Not Required by law	N/A	2%

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Note *: In 2006, 41% of large non-subscribers reported that reason as their primary reason for not purchasing workers' compensation coverage.



Satisfaction Levels of Subscribing and Non-subscribing Employers



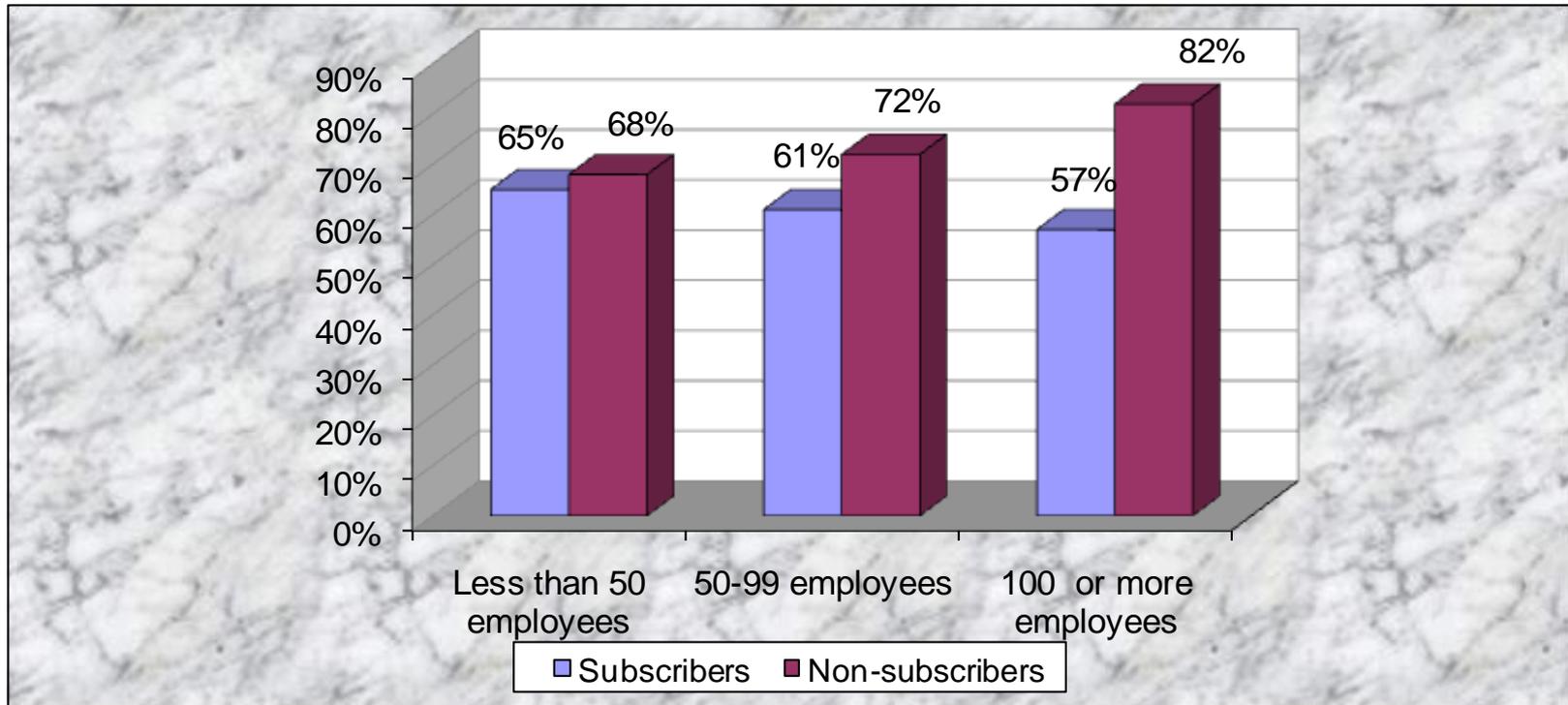
Percentage “Extremely” or “Somewhat” Satisfied: Subscribers and Non-subscribers

Satisfaction with Subscription/Non-subscription Experience	Subscribers	Non-subscribers
Overall Satisfaction	59%	68%
Adequacy and equity of benefits paid to injured workers through the Texas WC System	54%	60%
Degree to which WC insurance coverage or occupational benefits plan is a good value for the company	58%	68%
The ability to effectively manage medical and wage replacement costs	48%	65%

Source: *Survey of Employer Participation in the Texas Workers’ Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers’ Compensation Research and Evaluation Group, 2010.



Overall Satisfaction of Subscribers and Non-subscribers by Employment Size



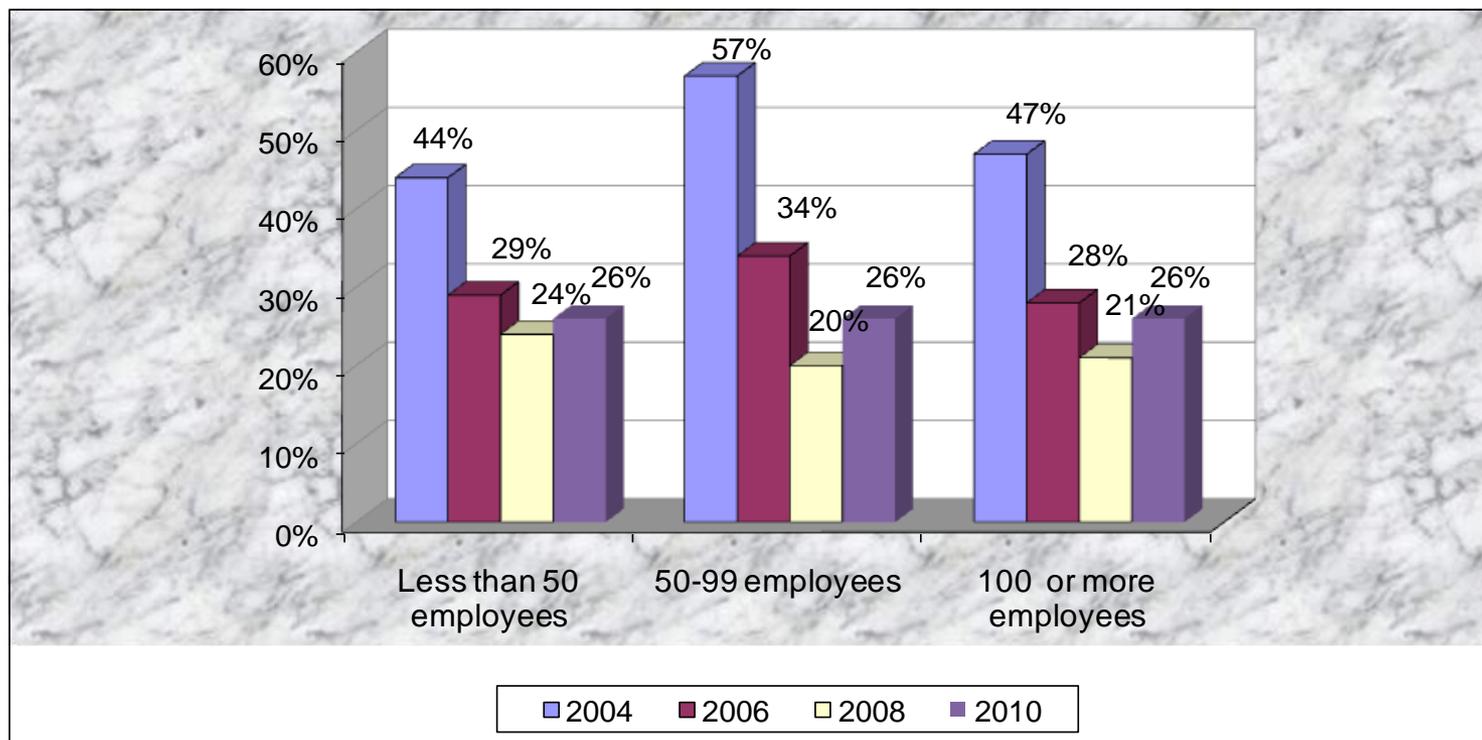
Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.



Texas Employers' Experiences with Workers' Compensation Insurance Costs



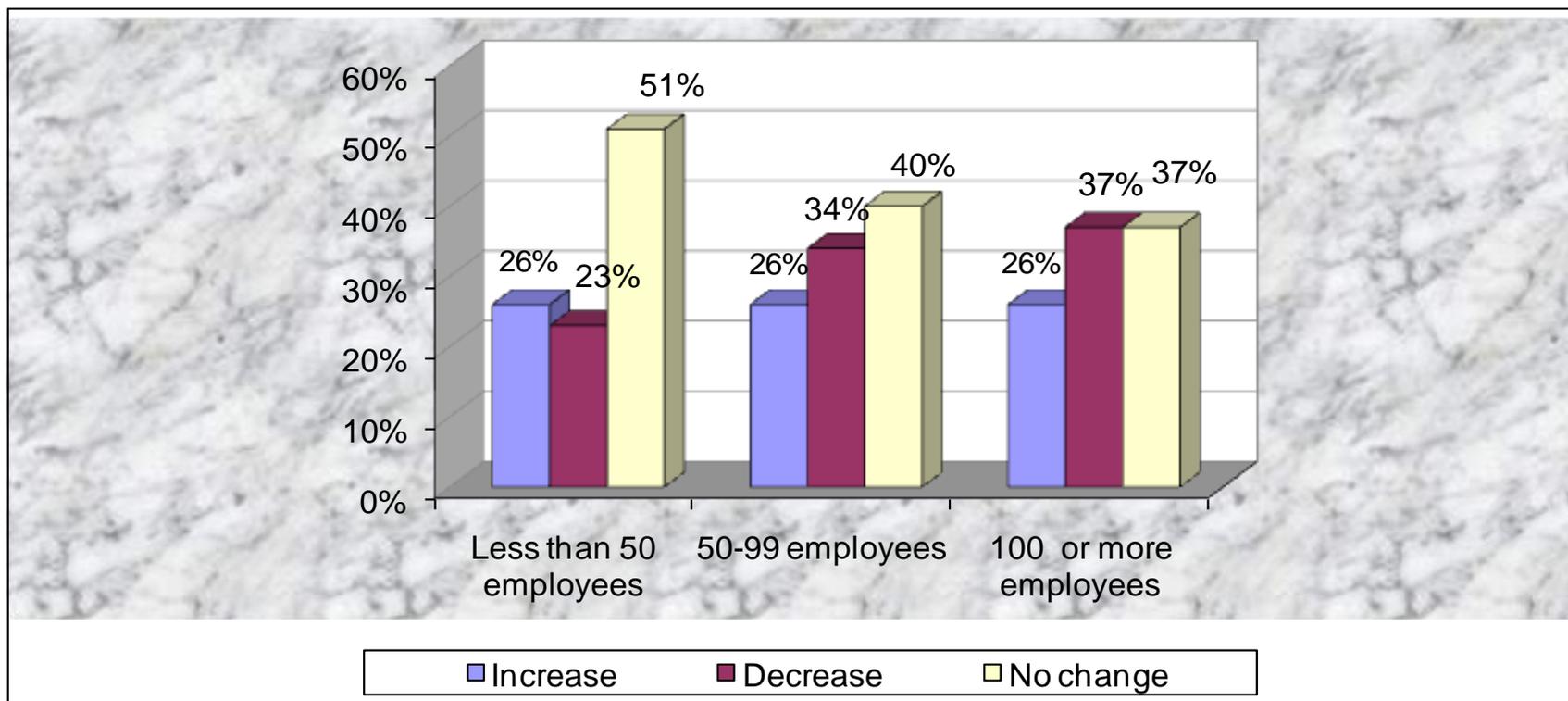
Percentage of Subscribers That Indicated They Experienced a Premium Increase, by Employment Size 2004 - 2010



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

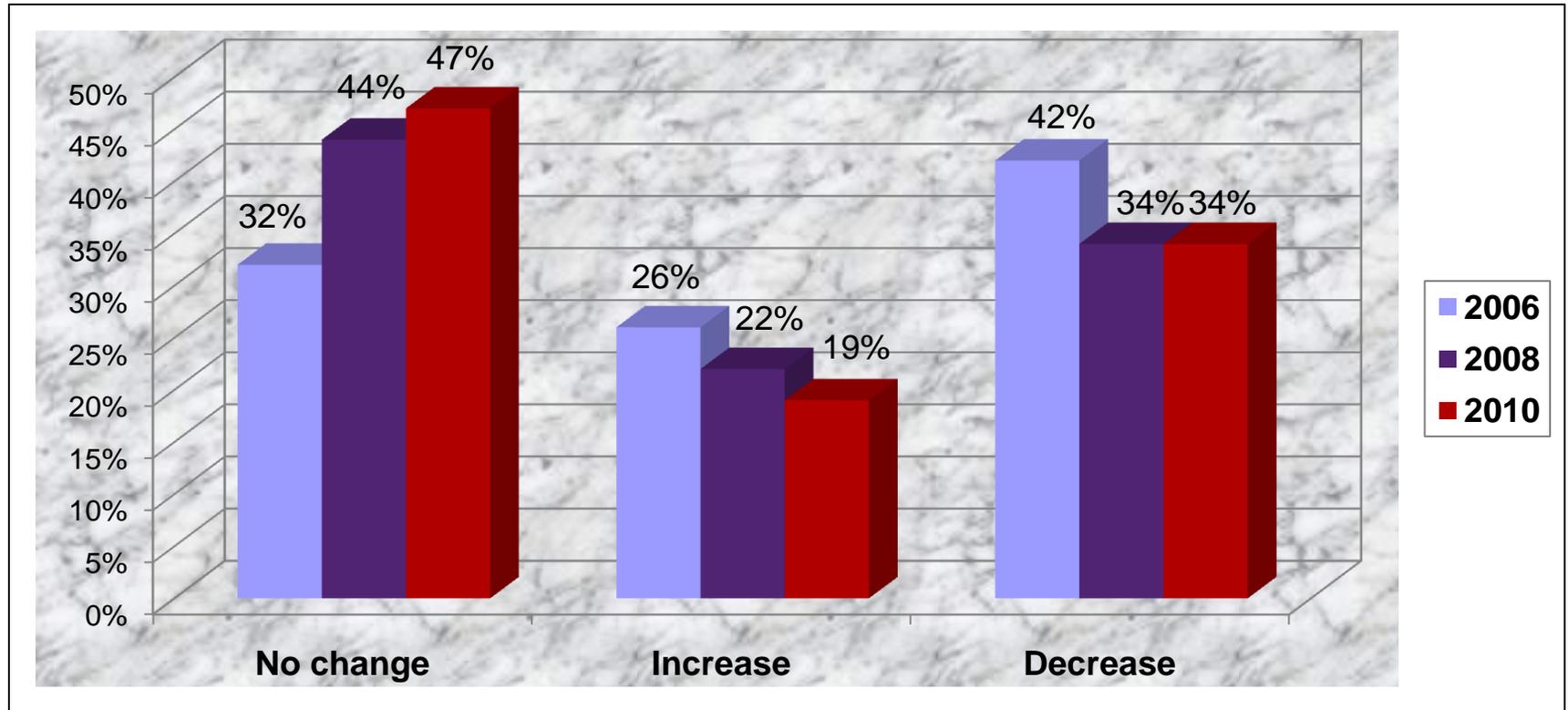


Percentage of Subscribers That Indicated an Increase, Decrease, or No Change in their premium, by Employment Size 2010



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Percentage of Large Subscribers (500+ employees) That Indicated They Experienced No change, Increase, or Decrease in their Premiums, 2006-2010

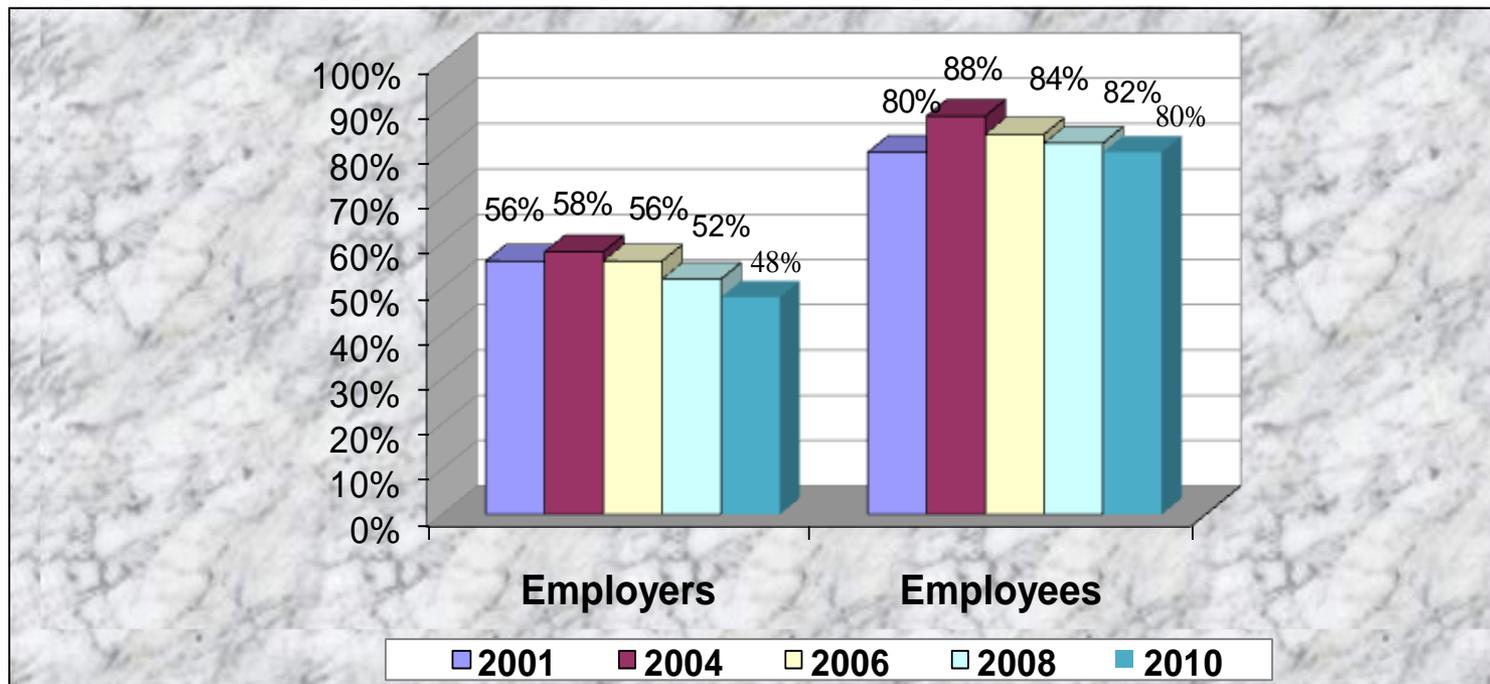


Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Basic Information Regarding Benefits Provided by Non-subscribers

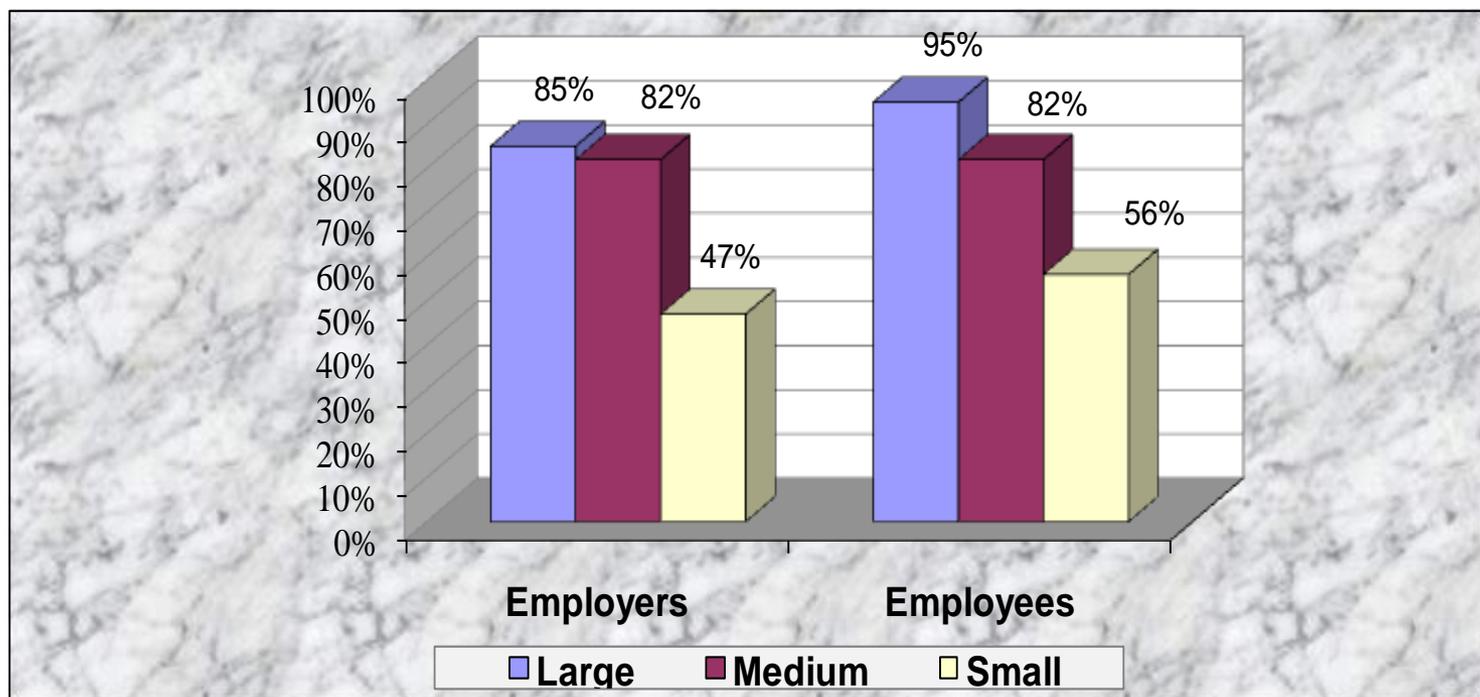


Percentage of Non-subscriber Employers That Pay Occupational Benefits and Percentage of Non-subscriber Employees Covered by Occupational Benefit Plans, 2001 – 2010 Estimates



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, 1996 and 2001 estimates from the Research and Oversight Council on Workers' Compensation and the Public Policy Research Institute (PPRI) at Texas A&M University; and 2004 -2010 estimates from the Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPR, 2010.

Percentage of Non-subscriber Employers That Pay Occupational Benefits and Percentage of Non-subscriber Employees Covered by Occupational Benefit Plans by Employer Size, 2010 Estimates



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

How Soon after an Employee Has Been Injured Must He or She Report the Injury to Be Eligible for Benefits?

Waiting Periods Given by Surveyed Non-Subscribing Employers	Percentage of Non-subscribing Employers
Immediately/Same day	50%
Within 24 hours/Next Day	31%
Other (includes timeframes within 2 to 60 days)	15%
No Policy	4%

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.



How Non-subscribers Finance Occupational Benefits to Injured Employees?

Primary Ways Non-subscribing Employers Financed Benefits for On-the-Job Injuries	Percentage of Non-subscribing Employers
Through a special account that is self-funded exclusively by the non-subscriber	38%
Through a special account that is self-funded and supplemented with non-subscriber insurance, including excess indemnity insurance, standard occupational accident insurance or some other alternative occupational benefits insurance	22%
Using the non-subscriber's group health insurance	17%
Other (Company's account, sick leave, cash, savings plan between company and employee, etc.)	23%

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.



Medical Benefits Paid by Non-subscribers

- Of those non-subscribing employers that say they pay occupational injury benefits, 71 percent cover medical costs
- Of those non-subscribing employers that pay medical benefits:
 - 63 percent said they pay medical benefits for as long as they are medically necessary; and
 - 37 percent cap medical benefits based on the duration of treatment and/or amount of money spent on medical treatments.



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Wage Replacement Benefits Paid by Non-subscribers

- Of those non-subscribing employers that say they pay occupational injury benefits, 62 percent (68 percent in 2008) said they pay wage replacement benefits.
- Approximately 78 percent (75 percent in 2008) of non-subscribing employers who pay wage replacement benefit said their injured employees are immediately compensated for lost wages, while 22 percent (25 percent in 2008) said there is a waiting period before wage replacement benefits begin.
- Of those non-subscribing employers that pay wage replacement benefits:
 - 73 percent said they pay wage replacement benefits for the entire duration of the injured employee's lost time; and
 - 27 percent cap wage replacement benefits are capped based on the duration of lost time or amount of money spent on wage replacement benefits or both.



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Questions about the Use of Arbitration by Texas Non-subscribers



Use of Arbitration by Non-subscribing Employers

- Overall, 9% (14% in 2008) of current non-subscribers said that they ask their employees to sign an agreement stating that the employee will resolve disputes through arbitration;
- Approximately 98% (95% in 2008) of non-subscribers that use arbitration ask their employees to sign these arbitration agreements pre-injury;
- Approximately 43% (36% in 2008) said that an employee would not receive medical and/or wage replacement benefits if the employee did not agree to resolve disputes through arbitration;
- Seventy-six percent of large non-subscribers use arbitration



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Who Generally Serves as the Arbiter in These Disputes?

Types of Arbiters Used by Non-subscribers	Percentage of Non-subscribing Employers
Don't know	39%
A member of the American Arbitration Association (AAA) or the National Arbitration Forum	16%
A single person who works for the company, mutually agreed upon by the employer and the employee	13%
A single person who works for the company, who always serves as the company's arbiter	10%
Other	8%
A person independent of but agreed upon by both parties	7%
A panel of people who work for your company, who are mutually agreed upon by you and the employee	7%



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Potential Economic Impact of the 2005 Workers' Compensation Reforms under HB 7



Employer Knowledge About the 2005 Workers' Compensation Reforms Through HB 7

Main Aspects of the 2005 Reforms	Employer knowledge about the 2005 Reforms								
	Not at all Knowledgeable			Somewhat Knowledgeable			Extremely Knowledgeable		
	2006	2008	2010	2006	2008	2010	2006	2008	2010
House Bill 7 abolished the Texas Workers' Compensation Commission and transferred its functions to the Texas Department of Insurance	63%	61%	66%	26%	32%	27%	11%	7%	7%
House Bill 7 created a new state agency, the Office of Injured Employee Counsel, to assist injured employees with complaints and disputes and advocate for them during rulemaking	68%	63%	66%	25%	31%	28%	7%	6%	6%
Under House Bill 7, employers who purchase workers' compensation insurance now have the option to participate in a health care network through their insurance carrier	64%	57%	60%	26%	33%	29%	10%	10%	11%
Under House Bill 7, an injured employee who lives in their carrier's network service area and receives a copy of the network requirements must choose a treating doctor from the network	62%	53%	56%	26%	34%	30%	12%	13%	14%
Under House Bill 7, small employers who purchase WC insurance and pay for worksite modifications in order to bring their employees back to work may be eligible for a reimbursement from the Texas Department of Insurance, up to \$2,500 annually.	75%	68%	72%	19%	27%	23%	6%	5%	5%



Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI, 2010.

Impact of the 2005 Workers' Compensation Reforms on Texas Employers' Economic Development Decisions – Employers of All Sizes

Employers' Decisions	Percentage of all Employers Surveyed								
	Positive			Negative			No Change		
	2006	2008	2010	2006	2008	2010	2006	2008	2010
Employer's plan to hire more employees	5%	6%	5%	3%	2%	3%	92%	92%	92%
Employer's plan to expand business operations in Texas	2%	9%	6%	7%	2%	3%	91%	89%	91%
Employer's decision to purchase or maintain its workers' compensation coverage	2%	14%	10%	10%	2%	3%	88%	84%	87%

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI, 2010.



Impact of the 2005 Workers' Compensation Reforms on Large Texas Employers' Economic Development Decisions – Employers with 500+ Employees)

Employers' Economic Decisions	Percentage of all Employers Surveyed		
	Positive	Negative	No Change
Employer's plan to hire more employees	5%	5%	90%
Employer's plan to expand business operations in Texas	9%	3%	88%
Employer's decision to purchase or maintain its workers' compensation coverage	19%	1%	80%

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Texas Department of Insurance Workers' Compensation Research and Evaluation Group and PPRI, 2010.



Other Types of Insurance Coverage Purchased by Texas Employers



Other Types of Insurance Coverage Carried by Texas Employers

Insurance Coverage Type	Subscribers	Non subscribers
General health insurance for employees (excluding dental or vision insurance coverage)	62%	31%
Life insurance for employees	46%	21%
Disability insurance for employees (short-term or long-term or both)	39%	18%
Voluntary accidental death and dismemberment insurance (A, D & D coverage)	40%	18%
General liability insurance (to protect your company against liability for injury or loss caused by a mistake made by your company)	92%	69%
Property Insurance	89%	70%
Commercial auto insurance	68%	46%

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.



Other Types of Insurance Coverage Carried by Large Texas Employers (500+ Employees)

Insurance Coverage Type	Subscribers	Non-subscribers
General health insurance for employees (excluding dental or vision insurance coverage)	90%	91%
Life insurance for employees	87%	83%
Disability insurance for employees (short-term or long-term or both)	84%	78%
Voluntary accidental death and dismemberment insurance (A, D & D coverage)	72%	70%
General liability insurance (to protect your company against liability for injury or loss caused by a mistake made by your company)	87%	91%
Property Insurance	84%	91%
Commercial auto insurance	80%	76%

Source: *Survey of Employer Participation in the Texas Workers' Compensation System*, Public Policy Research Institute at Texas A&M University and the Texas Department of Insurance Workers' Compensation Research and Evaluation Group, 2010.

Note: Data updated on 01/26/2011

