

S E L F - I N S U R A N C E

## BULLETIN

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## BLAME IT ON THE CFO!

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Why do some employers incur higher workers' compensation costs than their peers year after year?



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## Blame it on the CFO!

How so? Within an organization, it is the CFO's responsibility to lead the charge in the allocation of limited resources to achieve corporate objectives. Clearly, two of these objectives are to: 1) Produce a superior return on investment, and 2) Protect and conserve the

organization's assets. Assets include its buildings and property, business processes, financial position and cash, and most importantly, its people.

If an organization has worse than average workers' compensation experience, it is because the CFO has not allocated appropriate resources to attack this high cost area,

and the CFO is not doing a credible job to maximize the return on the investment in the employees, nor to protect and conserve corporate assets.

What is a CFO to do?

You may be reading this right now, thinking that workers'

compensation costs are not significant enough for your organization. If you believe this you are

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# BLAME IT ON THE CFO, CONTINUED

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not counting  
all of the costs.

Every \$1 of direct workers' compensation costs you incur is most likely costing your organization 3 to 6 times that amount in indirect costs. These indirect costs relate to lost productivity; training, rehiring, temporary help, and lower employee morale due to injury.

In order for a CFO to achieve high marks for performance within the organization, the following issues should be considered:

## CFO Involvement

- The CFO must recognize that he/she has a critical role to play in the successful management of workers' compensation costs. With this recognition comes management commitment to ensure a safe workplace environment and lower workers' compensation claims costs.

## Senior Management Commitment

- To lower workers' compensation costs, the CFO must actively support the staff positions within the organization and promote their cause to other senior

management and line managers. Staff positions include risk management, safety professionals, and human resources managers. These individuals are frequently charged with assisting the operating divisions or business units with preventing accidents and managing the costs of claims which do occur. Staff requires the CFO's support to secure the cooperation necessary from line managers and supervisors to achieve workers' compensation objectives.

## Accountability

- The CFO must ensure that business objectives are set relative to workers' compensation costs and frequency reduction. Management compensation should be tied to performance within the business units or operating divisions.

## Workers' Compensation Training

- The CFO must see that managers and supervisors are adequately trained to understand their roles and responsibilities with respect to workers' compensation cost management.

## Attention HR and RM Managers

Admittedly, Human Resources and Risk Management personnel often find themselves in staff positions, charged with assisting line managers in controlling workers' compensation costs. One of the most valuable skills these individuals can possess is the ability to clearly communicate workers' compensation issues to the business units and operating divisions. Equally important is the CFO's support of these individuals and their recommended course of action for preventing accidents and managing costs. They need dedicated resources and senior level support to achieve positive program results.

These individuals set the tone for a workers' compensation program and the actions they take immediately following an accident can significantly impact the cost of a claim.

## Allocation of Costs

- The CFO must allocate workers' compensation costs back to individual business units or operating divisions. Managers must be held accountable for the bottom line impact workers' compensation costs have on profits.

## Align Resources

- The CFO must work with managers to set realistic program goals to eliminate workers' compensation costs and provide the resources

and support needed to achieve stated objectives.

**Without support, they cannot succeed.**

## Vendor Selection

- The CFO must be able to differentiate the products and services offered in the marketplace and understand the value of business partners offering financial stability, market commitment, and cost management services.

## Accurate Measurement

- The CFO should secure an actuarial report annually to establish appropriate balance sheet reserves and expected losses for the upcoming year. These analyses are very valuable for budgeting purposes

# BLAME IT ON THE CFO, CONTINUED

## ILLUSTRATION 1: ITS ALL ABOUT CONTROL



and in evaluating expected payout patterns to determine cash flow needs.

### Leadership

- The CFO must recognize that workers' compensation

costs are manageable and manage this expense item to a greater extent than other costs, as this

relates to the safety of your employees.

Clearly, the CFO is in a position of power when it comes to achieving positive workers' compensation results. Moreover, it is the CFO's responsibility to achieve positive performance in this area. Establishing program objectives, empowering staff, instituting cost allocation programs, and measuring results are a few ways a CFO can take charge of workers' compensation.

When positive program performance occurs and significant cost savings are achieved, go ahead – credit the CFO! They really do make a difference! MW

# MECC OFFERS SUPPORT FOR BEST PRACTICE RESULTS

Midwest Employers has developed services designed to help our clients' CFO,

Human Resource and Risk Management personnel achieve Best Practice

[www.mwecc.com](http://www.mwecc.com)



Results in their self-insured programs.

Of course, we provide the broadly tailored excess workers'

compensation coverages required to protect the financial position of our customers. Costs of serious and catastrophic physical injuries to employees are a significant financial risk for any employer. Broad protection from a financially strong and committed excess carrier such as Midwest Employers is a must.

CFOs and workers' compensation management professionals in Human Resources, Safety and Risk Management also need tools to identify the strengths and weaknesses of their self-insured program so that additional resources can be brought to bear on problem areas and cost/benefit

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# MECC OFFERS SUPPORT FOR BEST PRACTICE RESULTS

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analysis can be applied to the betterment of the organization.

Our benchmarking tool, the Management View Report,

provides these important insights while helping the organization move to superior best practice performance.

Establishing a workplace culture

that is conducive to a best practice self-insured workers' compensation program is crucial to any organization's success.

Our online supervisor/manager

training course titled Take Control provides the consistency, perspective and knowledge required of front line management and supervisory personnel and


lays the foundation for the appropriate work culture.

Self-insured organizations are faced with a complex, ever changing, environment with respect to their workers' compensation programs.

Federal influences

such as HIPAA, Medicare set aside, TRIA, ADA, along with State regulatory changes must be addressed, understood and dealt with.

Midwest Employers is a resource for our self-insured clients. Our professional staff consults with brokers, clients, and their TPAs on claim-related issues and on broader self-insured performance questions.

For more information, please contact Steve Link at 1-877-975-2667 or email him at [slink@mwecc.com](mailto:slink@mwecc.com). 



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