

Whether it is a construction firm, disaster recovery service, or another business pivoting to support fire-affected areas, it's important to understand how operational changes can impact a workers' compensation policy.

Wildfires remain a serious threat to communities across the United States. In response to this ongoing danger and its lasting impact, many businesses are actively contributing to fire relief and rebuilding efforts. However, electing not to adjust Workers' Compensation coverage to reflect these changes in business scope can lead to regulatory fines, costly audits, and potential uncovered employees.

WHY UPDATING A POLICY MATTERS

States can have unique workers' compensation laws and working in the state without aligning an existing Workers Compensation policy can have serious financial consequences. Employers who elect not to align their coverage may face:

Regulatory Fines: Non-compliance with state requirements which can result in penalties and legal repercussions.

Large Audit Bills: If operations expand without notifying an insurance provider, a premium audit could result in unexpected additional costs.

Uncovered Employees: Employees injured on the job may not be covered if a policy doesn't reflect the locations, classifications, and payroll estimates where these employees are working.

STAYING COMPLIANT

Proactively addressing these changes can help enable compliance, protects an insured's workforce, and helps control costs. Here are a few key areas for insureds to be aware of before an insured begins fire relief and rebuilding work in a new state:

1. Verify Coverage for the new state

If a business is shifting operations to a fire ravaged state like California for example, they should review the states listed on their workers' compensation policy to confirm if they align with their shifting operations. Most policies are state-specific, and coverage from another state may not be valid in California. They should be prepared to provide a California-based address to confirm compliance with state requirements.

2. Update Payroll Estimates

Taking on additional work often means an increase in payroll. Since workers' compensation premiums are calculated based on reported payroll figures, failing to update these estimates can result in underreporting, leading to a large audit adjustment at the end of a policy term. It's important for a business to inform their agent about projected payroll changes to maintain accurate coverage and avoid unexpected costs.

3. Review Class Codes for New Work

If a company is expanding services or taking on different types of work than usual—such as debris removal, reconstruction, or emergency response—they may need to adjust their workers' compensation classifications. Each type of work has a designated class code that determines the level of risk and associated insurance rate. Incorrect class codes can lead to claim denials or higher premiums during an audit. It's important to ensure all new tasks are properly classified.

CONTACT

For more information, please contact your local RT Specialty WC broker or underwriter.

4. Verify Subcontractor Coverage

Many businesses rely on subcontractors for fire relief and rebuilding efforts. However, failing to verify their workers' compensation coverage can result in costly liability issues. Before hiring subcontractors, a business should request updated Certificates of Insurance (COIs) to confirm they have their own workers' compensation coverage. Otherwise, the business could be held responsible for the sub claims, increasing your premium and potential financial exposure.

5. Ensure Proper Safety Protocols Are in Place

Fire relief and rebuilding efforts often involve hazardous conditions, making workplace safety a top priority. Employers should implement clear safety protocols, provide proper protective equipment, and conduct regular training sessions to minimize injury risks. Taking proactive safety measures not only protects employees but also helps prevent costly workers' compensation claims and improves overall job site efficiency.

6. Report Claims Immediately

In high-risk environments like post-wildfire recovery zones, workplace injuries can occur. Promptly reporting any work-related injuries enables employees to receive timely medical care, reducing the severity and cost of claims. Quick reporting can also help protect experience modification ratings (E-Mods), which directly affects a business's future workers' compensation premiums. Delayed reporting can lead to higher claim costs, increased scrutiny from insurers, and potential penalties.

STAY AHEAD WITH PROACTIVE PLANNING

Businesses benefit from taking precautionary measures to protect both their employees and their bottom line by proactively reviewing workers' compensation policies, verifying compliance, and determining adequate coverage is in place before beginning work in any new state.

Please reach out to RT Specialty's knowledgeable workers' compensation team for additional information regarding compliance essentials and other work comp related questions. RT Specialty is always ready to assist!

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