



TEXAS MUTUAL INSURANCE COMPANY ★ 2010-2011

THE AGENT'S GUIDE TO WORKERS' COMP

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Part I: The Basics

■ Why Workers' Comp?

In Texas, workers' comp coverage is optional. Businesses with workers' comp coverage are "subscribers," and businesses without coverage are "nonsubscribers."

Some nonsubscribers choose to self-insure, and others purchase disability, occupational accident or other alternate coverages. What they may not know is that there is no real match for the benefits that come with purchasing a workers' comp policy.

Advantages of workers' comp coverage:

- Offers workers' comp health care networks, which give employers more control over claims
- Protects employers from certain employee lawsuits
- Pays income and medical benefits for injured workers
- Provides additional benefits for qualifying injuries
- Satisfies coverage requirements for government contracts
- Offers safety services

Disadvantages of being a nonsubscriber:

- Unlimited liability for negligent injury to employees
- Unpredictable accident-related expenses
- More difficult to attract and retain qualified employees
- Unable to do business with some entities that require statutory workers' comp coverage

Disadvantages of alternate products:

- Potential gaps in coverage (depending on policy form and umbrella form)
- Limits on benefit payments, regardless of ongoing medical needs
- Unlimited liability for negligent injury to employees
- Combination of alternative policies may result in multiple deductibles
- May require an ERISA plan in conjunction with coverage

■ Industry Classification Groups

The Texas Department of Insurance (TDI) uses five general classification categories for workers' comp coverage:

- Manufacturing operations
- Construction/oil & gas operations
- Processing operations
- Service industry
- General/retail & wholesale

You must choose the classification that best represents the business to be covered, not the employees' individual functions. Properly classifying each client ensures consistency in premium calculations, which creates a level playing field for business competition.

For a complete listing of workers' comp classifications, go to www.tdi.state.tx.us/wc, or contact your underwriter.

■ Standard Exception Classifications

Some employee functions are common to so many businesses that TDI established special classifications for them. Standard exception classifications are not included in the basic or governing classification unless the principal classification (or a footnote to it) specifically requires it. Here are TDI's standard exception classifications:

Clerical office employees (Code 8810)

Applies only to employees engaged exclusively in bookkeeping, recordkeeping, correspondence or other office work where books and other records are kept. Qualifying employees must work in areas physically separated by structural partitions and perform clerical office work exclusively. Code 8810 is not eligible for division of payroll.

Salespersons, collectors or messengers - outside (Code 8742)

Applies to employees engaged in such duties away from the employer's premises. Code 8742 is not eligible for division of payroll, and it does not apply to employees who deliver merchandise.

Drivers, chauffeurs and their helpers (Code 7380)

Applies to employees engaged in such duties on or in connection with a vehicle. Code 7380 also includes garage employees, and it is not eligible for division of payroll. This code applies when the primary code does not include "drivers."

Executive officers NOC (Code 8809)

Refers to executive officers performing clerical or outside sales duties only (not foremen, superintendents or workers). Code 8809 applies only to executive officers, such as president, vice president, secretary, treasurer or any other officer elected or appointed in accordance with the charter or bylaws of the corporation or professional association. You must classify executive officers performing duties other than clerical or outside salespeople in the same manner as other employees. The payroll limitation for executive officers applies whether you classify the executive officers as code 8809 or as another classification.

■ Business Ownership Types

Understanding and applying for the correct coverage for different business types is important in correctly insuring a risk. Here are the most common business ownership types and their related coverage tips.

Sole proprietorship

Includes the owner and his or her spouse (if active in the business) for coverage, unless specifically excluded by an endorsement to the policy. The payroll for an owner and his or her spouse is a fixed annual amount based on the Texas Average Weekly Wage, regardless of their wages. It is subject to change October 1 of every year.

General partnership

Includes all partners and spouses (if the spouse is active in the business) for coverage, unless specifically excluded by an endorsement to the policy. The payroll for a partner and his or her spouse is a fixed annual amount based on the Texas Average Weekly Wage, regardless of their wages. It is subject to change October 1 of every year.

Limited partnership

Limited partners and their spouses have the right to be excluded from coverage. If they are covered, they will be charged the flat partner/sole proprietor payroll rate, which is subject to change on October 1 of every year. The name and ownership of the general partner is required.

Limited liability partnership (LLP)

Uses the same rules of coverage as a general partnership. Each partner and his or her spouse are included for coverage (if the spouse is active in the business), unless specifically excluded in the workers' comp policy coverage. As in a general partnership, the fixed annual amount is subject to change October 1 of every year.

Corporation

Elects or appoints its executive officers. If the executive officer owns 25 percent or more of the business, the executive officer may exclude himself or herself from coverage. A corporate executive officer(s) of the named insured with less than 25 percent equity ownership in the named insured may be excluded from coverage at the insurer's option.

Limited liability company (LLC)

Elects members, managing members or executive officers. If they have less than 25 percent equity ownership in the named insured, they may be excluded from coverage at the insurer's option. If they are included for coverage, their payroll is subject to corporate officer minimums and maximums.

NOTE: The information above serves as a general guideline. It is not a comprehensive review, and it is not legal advice. Consult an attorney if you have questions regarding how to treat executives for workers' comp insurance purposes. Texas Mutual Insurance Company assesses each situation on its own facts. Individual decisions about risk exposure may vary from the information on this page.

■ Policy Endorsements

An endorsement is a written change attached to a policy to add or subtract specific insurance coverages. In workers' comp insurance, the most common endorsements are notice of material change, waiver of subrogation, longshore and officer/owner exclusions.

Notice of material change

- *Description:* Request for the carrier to provide advance notice of material change (cancellation or reinstatement of policy) to a named third party.
- *Details:* Name and complete mailing address of the third party
- *Time limits, if applicable:* Texas Mutual Insurance Company will provide up to 30 days' notice.

Waiver of subrogation

- *Description:* Request for the carrier to forego its statutory right to recover the cost of claims from third parties who are legally liable
- *Details:* Can be specific or blanket. For specific waivers, we need the name and complete mailing address of the third party, as well as the payroll and class codes applicable to work done for the third party. For blanket waivers, we do not need specific information; however, blanket waivers do not apply automatically to all third parties. The insured must have a written contract with the third party requiring a waiver of subrogation, or we preserve our right to recover. Blanket waivers roll over to the renewal policy. You must request any specific waiver for each applicable policy period.
- *Time limits, if applicable:* None
- *Fee determination & calculation:* Blanket waivers cost two percent of the policy premium before we apply credits/debits. Specific waivers cost five percent of the premium associated with the payrolls/class codes for the work to be done at that job site.

Limited reimbursement for Texas employees injured in other jurisdictions

- *Description:* This endorsement provides limited reimbursement to employers for Texas employees injured while working temporarily in other states. We do not require a supplemental application.
- *Details:* **This endorsement does not apply to ongoing operations in other states or people hired in other states, and it is not available in monopolistic states.** If the employee is injured in another state and the employee elects in writing to pursue another jurisdiction’s benefits, the endorsement provides for reimbursement to the policyholder for any benefits they are required to pay under the other jurisdiction’s workers’ comp laws.

Texas Mutual Insurance Company does not administer the benefits of other jurisdictions. If the employee is eligible to receive benefits in another jurisdiction, we will reimburse the employer the amount they are required to pay in that jurisdiction. The reimbursement provided by this endorsement is very limited. Reimbursement applies only to Texas employees who meet the eligibility requirements for extraterritorial coverage under the Texas Labor Code, Section 406.071.

- *Time limits, if applicable:* None
- *Fee determination & calculation:* No charge

Longshore

- *Description:* Provides federal statutory coverage under the Longshore & Harbor Workers’ Comp Act (L&HW)
- *Details:* You must request the L&HW-2001 endorsement on the policy and list all applicable class codes with the L&HW coverage indicated.
- *Time limits, if applicable:* None
- *Fee determination & calculation:* Based on the amount of payroll subject to the federal act. There is a minimum \$100 charge.

Outer Continental Shelf

- *Description:* Extends Longshore coverage for employee injuries occurring as a result of operations conducted on the Outer Continental Shelf (OCS) for the purpose of exploring for, developing, removing or transporting by pipeline the natural resources, or involving rights to the natural resources, of the subsoil and seabed of the OCS.
- *Details:* You must request the OCS-2001 endorsement on the policy and list all applicable class codes with the OCS coverage indicated.
- *Time limits, if applicable:* None
- *Fee determination & calculation:* Based on the amount of payroll subject to the federal act

Jones Act/maritime

- *Description:* The insurance provided by the Jones Act (maritime) endorsement is limited. This coverage applies only to Texas employees as defined in the Texas Labor Code, Section 401.012, whose principal location of employment is in Texas or has significant contacts with Texas, as set forth in Sections 406.071 and 406.072 of the Texas Labor Code. Federal law, which includes Jones Act coverage, is subject to court interpretations and statutory revisions. This endorsement amends Employer Liability Coverage, Item 3.B, to include maritime employments (masters or members of the crews of vessels) with bodily injury by accident or disease with a maximum limit of \$25,000.
- *Details:* You must request the MC-2001 endorsement on the policy.
- *Time limits, if applicable:* None
- *Fee determination & calculation:* Based on the amount of payroll subject to the act. There is a minimum \$50 charge.

Officer/owner exclusions

- *Description:* Allows named individuals who are qualifying sole proprietors, owners, partners or officers to choose to be excluded from workers' comp coverage
- *Details:* To qualify for exclusion, the officer must have at least a 25 percent ownership interest in the insured entity and be named as an officer in the company's bylaws. A corporate executive officer of the named insured with less than 25 percent equity ownership in the named insured may be excluded from coverage at the insurer's option.

Texas Mutual needs the name, title and ownership percentage of each officer. We also need the name of each owner and partner, and we need to know if they choose to be excluded from coverage. If included, their payroll **MUST** be listed at the flat rate based on the Texas Average Weekly Wage calculation. This rate is updated effective each October 1. Because Texas is a community property state, we also need to know if the spouse of a partner works in the business. If so, the spouse may choose to be excluded.

- *Time limits, if applicable:* None
- *Fee determination & calculation:* No charge. Payroll for any excluded, named individuals will not be included in premium calculations.

■ Common Abbreviations & Terms

“the Act” or “the Statute”	Texas Workers’ Comp Act or Texas Labor Code
AWW	Average weekly wage
BRC	Benefit review conference
BRO	Benefit review officer
Carrier	Insurance carrier
CCH	Contested case hearing (also benefit contested case hearing)
CCHO	Contested case hearing officer (also benefit contested case hearing officer)
DBs	Death benefits
DWC	Texas Department of Insurance, Division of Workers’ Comp or the division (Replaced TWCC)
Employee	Injured employee
HCN	Workers’ comp health care network
HCP	Health care provider
IIBs	Impairment income benefits
IR	Impairment rating
LIBs	Lifetime income benefits

MMI	Maximum medical improvement
OIEC	Office of Injured Employee Counsel
PIE	Post-injury earnings (also weekly earnings after the injury)
REG	Workers' Comp Research and Evaluation Group
RME	Required medical examination
RTW	Return-to-work
SIBs	Supplemental income benefits
TIBs	Temporary income benefits
TDI	Texas Department of Insurance

Part II: The *Texas Mutual*[®] Advantage

■ Policyholder Dividends

Dividends reward loyal policyholders who share our commitment to preventing workplace accidents and managing claims. We offer two dividend programs: individual policyholder dividends and purchasing group dividends.

Individual dividends. These dividends are based largely on each policyholder's personal loss ratio. Their dividend earning potential increases each year through their fifth consecutive year with us. If they leave Texas Mutual, they start from square one when they return.

Purchasing group dividends. These dividends are based largely on each group's overall loss ratio and premium volume. Policyholders who earn group dividends may also earn individual dividends. See page 14 for more information about purchasing groups.

Please note that past dividends are not a guarantee of future dividends, and TDI must approve all dividends. TDI has approved every *Texas Mutual*[®] dividend plan to date.

■ Purchasing Groups

TDI allows employers in similar businesses to form purchasing groups to reduce their workers' comp premiums. Insurance agents play a key role in forming purchasing groups. You can combine your expertise and customer base to create a package that is attractive to us and beneficial to your clients.

Purchasing group benefits for agents:

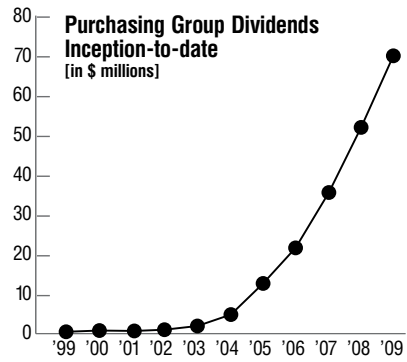
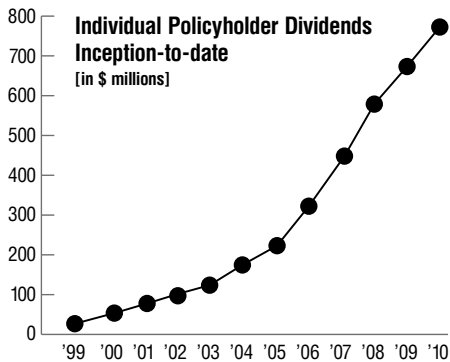
- Generate higher premium volumes.
- Maintain renewal stability.
- Increase your market share.

Purchasing group benefits for your clients:

- Receive a premium discount.
- Adopt an industry-specific safety plan.
- Qualify for potential group and individual dividends.*

**Past dividends are not a guarantee of future dividends, and TDI must approve all dividends.*

Texas Mutual Insurance Company is a leading writer of TDI-approved purchasing groups. For a complete, up-to-date list of open purchasing groups and details about each group, visit www.texasmutual.com.



■ Workers' Comp Health Care Network

The Texas Star Network is the state's largest by claim volume and premium volume, making Texas Mutual the leader in certified workers' compensation health care networks.

What does it mean to you?

Policyholders who choose the Texas Star Network get up to an annual 12 percent premium discount, as well as improved return-to-work results. The network may not be the right option for all policyholders, but most will benefit from choosing it.

Texas Star Network return-to-work results

- On average, network patients return to work eight days sooner (9% reduction) than non-network patients.
- Average indemnity benefits are 14% lower for network policies compared with non-network policies.
- Network results are significantly better in the metropolitan areas than rural areas.

Texas Star Network medical management results

(TDI network report card)

- *Physical medicine costs.* Lowest of all networks and non-network.
- *Prescription costs.* Significantly lower than non-network and other networks.
- *Office visits.* Second lowest among networks. Slightly higher than non-network, which was expected because of our occupational medicine approach.
- *Diagnostics costs.* Lowest of all networks for CT scans, and second lowest for nerve conduction studies.

■ Program Options

Texas Mutual Insurance Company offers three basic workers' comp insurance programs:

- Small Business Injury Protection Plan (SBIPP) for accounts of \$5,000 or less
- *Cornerstone*[®] program for accounts of more than \$5,000
- Start program for accounts with poor loss histories, inadequate safety programs or uncontrolled catastrophic exposures that do not qualify for our voluntary programs

We recommend you use our Internet Submission and Quoting system at www.texasmutual.com for all accounts. Many businesses qualify for a purchasing group (see page 14). We also facilitate coverage outside of Texas for qualifying policyholders (see page 21).

■ Submission Tips

If your submission is complete, you will get your quote faster. A complete submission includes:

- Completed ACORD® 125/130 applications
- Experience modifier worksheet (if applicable)
- FEIN or SSN (9 digits)
- Number of years in business
- Physical address and ZIP code of each location
- Four years of premium, payroll and losses
- Letter explaining loss history (if previously uninsured or insured less than four years)
- Number of employees per shift at each location
- Cover letter with any special or unique information about the account
- Request to include account in a purchasing group (if applicable)
- Supplemental applications, if needed (available at www.texasmutual.com)

Send submissions by:

- Internet Quoting at www.texasmutual.com
- Email to apps@texasmutual.com
- Fax to (800) 359-0650
- Mail to Texas Mutual Insurance Company;
P.O. Box 12058; Austin, Texas 78711-2058

■ Internet Quoting and other Texas Mutual online services

The less time you spend on submissions, the more time you can put into sales and customer service. Use our Internet Quoting (IQ) system to handle submissions quickly and efficiently. IQ allows you to attach additional information electronically to your submissions.

Other *Texas Mutual*[®] online services at www.texasmutual.com include:

Marketing and underwriting

- Online account self-administration
- One-click access to our online tools through the Agent Gateway
- Additional coverages
- Dividend history
- Agency information management
- Policy inquiry, claim summary inquiry and new business submissions for TAMS agency management system users through IVANS
- Downloadable forms
- Workers' comp industry news
- Interim payroll reporting and payment for policyholders
- Direct draft payments for quote deposits
- Policy endorsement requests
- Automatic requotes
- Downloadable and printable PDF quotes and policy documents
- Purchasing group information

Claims

- Custom loss run reports
- Claim alerts
- Claim details
- Injury reporting
- Directory of workers' comp health care network providers
- DWC-3 Employer's Wage Statement reporting

Safety resource center

- Streaming videos
- Safety self-assessments
- DVDs, videos, pamphlets and other training materials
- Safety updates and tips

We are always adding to *Texas Mutual*[®] online services, so visit www.texasmutual.com often.

■ Premium and Premium Audits

Texas Mutual Insurance Company works with your clients' staff to assure the proper premium is calculated for the exposure. We use a number of techniques, including pre-audit surveys and interim audits, to reduce additional premiums at final audit.

We offer monthly reporting on many classes of business. These reports can be submitted and paid online. Our online interim reporting option calculates the premium due.

■ Other States Coverage

We are licensed to provide workers' comp coverage in Texas. We partner with Argonaut Insurance Company to offer workers' comp coverage only for Texas-based businesses that have operations in other states.

If your client needs workers' comp coverage in Florida, a special ACORD® application is required by Florida law. The application requires specific information that must be acknowledged and signed by the agent and owner/officer, and the signatures must be notarized.

NOTE: Other states coverage is not available to policyholders enrolled in our Start program (insurer of last resort).

For information on coverage for Texas-based employers who send employees to work temporarily in other states, see page 8.

■ Advisory Councils

Our Agent Advisory Council includes key agents from around the state. They participate in regional meetings to assist and advise us on matters of interest to the agent community. Council members encourage input from other agents in their areas.

Account executives and customer service representatives comprise our Account Executive Council. The group meets periodically to discuss how we can better serve the agent community through improved online services, workflow, company relationships and communication.

Read more about these advisory councils at www.texasmutual.com.

■ About Texas Mutual Insurance Company

We are the state's leading provider of workers' comp insurance. We provide a stable, competitive source of coverage for Texas employers. A primary part of our mission is helping prevent on-the-job injuries and illnesses and minimize their consequences. We also serve as the state's insurer of last resort for businesses that cannot obtain coverage elsewhere.

We contract with independent auditors to review our progress each year. Texas Mutual Insurance Company is also a member of the Texas Property and Casualty Insurance Guaranty Association.

We have made a long-term commitment to Texas. We will be here for agents, employers and injured workers regardless of market conditions. We're here for Texas, and we're here to stay.

■ Contact Us

Call us toll-free at (800) 859-5995 during regular business hours to speak with a representative, or contact us by email at information@texasmutual.com. For questions about a quote or coverage, email us at underwriting@texasmutual.com.

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