Welcome aboard!

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

We will talk about...
- History and Theory
- Workers’ Compensation in the USA
- The Workers’ Compensation Policy
- Classification, Rates and Premium
- Aviation WC ‘FOD’
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

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.

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 workplace injury and illness compensation.
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

WC Providers
- Insurance coverage in USA is provided by private insurance companies in 46 states.
- OH, ND, WV, 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.

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...
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...

IRS (1099) ≠ WC
A person who meets the definition of employee under workers’ compensation laws might not be an employee under IRS or FSLA laws.

Key Parts of the WC Policy
• Part 1: Workers’ Compensation
• Part 2: Employers’ Liability
• Part 3: Other States Insurance

Policy Endorsements
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.

Part One
Workers' Compensation

- 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

Part Two
Employers Liability

- 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.

Part Three
Other States Coverage

- Not statutory coverage
- Exclusions and limits apply

Know if coverage applies or NOT!

- 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

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  - listed in Item 3.C of the Information Page or
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The Workers' Compensation Policy

Endorsements Common to Aviation

- Foreign Voluntary
- Employers Liability Coverage (Stop Gap)
- OH, ND, WY, WA
- By endorsement to WC or GL
- Federal Coverages
  - LHWCA (USL&H)
  - DBA (Defense Base Act)

Understanding Workers' Compensation in Aviation

Classification, Rates, and Premium

Classifying Work
Classification, Rates/Loss Costs

Common Aviation WC Classifications

<table>
<thead>
<tr>
<th>Code</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>7405</td>
<td>Aviation - Air Carrier Scheduled Carriers or Supplemental Airline (Part 121, specifically 121.227) (Excludes high risk)</td>
</tr>
<tr>
<td>7403-7423</td>
<td>Aviation - All Employees &amp; Drivers</td>
</tr>
<tr>
<td>(Ground maintenance &amp; service, cargo &amp; baggage, security, ticket and info clerks)</td>
<td></td>
</tr>
<tr>
<td>7421</td>
<td>Aviation - Transportation of Personnel in Conduct of Employee’s Business – Flying Crew (Part 91)</td>
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<tr>
<td>(Fliers, crew, dispatchers, pilots who operate fixed wing aircraft in the conduct of the employer’s business)</td>
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<tr>
<td>7422</td>
<td>Aviation - Flying Crew (Part 91, 133, 135)</td>
</tr>
<tr>
<td>(Instructors, pilots, engineers, photography, mapping flight testing, sales, NOC)</td>
<td></td>
</tr>
<tr>
<td>7425</td>
<td>Aviation - Helicopters - Flying Crew (Part 91, 133, 135)</td>
</tr>
<tr>
<td>(Applies to all helicopter ops, including those normally conducted by fixed wing aircraft)</td>
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</tr>
<tr>
<td>7431</td>
<td>Aviation or Air Taxi - Flying Crew (Part 135)</td>
</tr>
<tr>
<td>(Charter taxi)</td>
<td></td>
</tr>
<tr>
<td>8810</td>
<td>Clerical Office Employees</td>
</tr>
<tr>
<td>(Ticket sellers and info clerks away from airport locations)</td>
<td></td>
</tr>
</tbody>
</table>

Classifying Work

Classification, Rates, Premium

Class Fit

Rate for Class

Better than Class

Worse than Class

0.0 0.1 0.2 0.3 0.4 0.5

-50 -30 -10 10 30 50
Class Fit: Experience Rating

- Experience Modification
- Belongs to and stays with the employer.

2016 Experience Modification

Based on:
- 2014
- 2013
- 2012

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'

Classification, Rates, Premium

Class Fit: Credits

- Safety
- Drug Free Workplace
Classification, Rates, Premium

Example: Charter Company

<table>
<thead>
<tr>
<th>Payroll</th>
<th>Rate</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
</tr>
<tr>
<td>7403</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Premium Calculation

Endorse Credits
Experience Modification
Scheduled Rate Discounts

Classification, Rates, Premium

Other Premium Modifying Techniques
- Retroactively Rated policies (Retros)
- Dividends
- Deductible Policies
- Self Insurance

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
Thank You!