Achievable

CASUALTY INSURANCE DUMP SHEET

Workers compensation and bonding

Workers compensation

- Benefits for employees hurt at work, and protection for the employer against their suits. In most cases it is the employee's **sole remedy**
- What the law rests on:
  - **Negligence is not a factor** in liability
  - Benefits are paid **periodically**
  - Buying the coverage is **compulsory**
  - The injury must not be intentionally self-inflicted
  - The employer pays — coverage is **non-contributory**
  - It covers **work-related** injury and sickness only
- Benefits under Part I, the statutory coverage: **unlimited reasonable medical expenses**, income benefits after a waiting period, burial expenses and a survivor benefit on a work death, and vocational rehabilitation — therapy, retraining, wheelchairs and prosthetics, and travel and lodging while rehabilitating
- **Part II — employers liability** answers the suits the statutory benefits do not bar: **$100,000 per accident, $100,000 per occupational disease, $500,000 aggregate** for disease, and higher for more premium. **Part III — other states** insurance is optional; Parts I and II are not. Parts IV, V and VI cover duties after an injury, premium and conditions
- Premium follows the job classification, the payroll and the headcount. The **experience modification factor** compares the employer's actual claims with the expected cost for its industry and size: the average is **1.0**, above it raises the premium and below it lowers it
- Four kinds of disability: **permanent total** (cannot work at all), **permanent partial** (a lost hand; still works), **temporary total** (a sprained back, out six weeks), **temporary partial** (a broken arm, light duty)
- Where federal law takes over: **Longshore and Harbor Workers** for maritime employment, by endorsement; the **Jones Act**, which lets an injured seaman sue and have a jury trial, insured under employers liability with a maritime endorsement; the **Federal Employees Compensation Act**, administered by the government with no private insurance; and the **Federal Employers Liability Act** for interstate railroad workers, which strips the employer of contributory negligence and assumption of risk as defenses
- An employer may self-insure if it qualifies, and a state **assigned risk pool** takes the ones the market refuses

Suretyship and fidelity bonds

- A bond is a **three-party** agreement, where insurance is two:
  - **Principal:** the party whose performance is guaranteed
  - **Obligee:** the party the bond protects
  - **Surety:** the third party standing behind it
- An insurer **expects** losses; a surety does not, and will not write a bond where a loss looks likely. If the surety pays the obligee, it recovers from the principal
- A bond runs until it is cancelled or the promised performance is complete
- **Fidelity bonds** protect an employer from dishonest employees — the ones who handle cash. Written as an individual bond, a schedule naming several, a bond naming positions, or a **blanket** bond over everyone

Surety bonds

- A fidelity bond guarantees an employee will **not** do something dishonest; a surety bond guarantees something **will** be done
- **Contract bonds** guarantee the principal completes the work the obligee contracted for — a city requiring a builder to bond its performance
- **License and permit bonds** and **public official bonds** guarantee the duties of a licensee or an office holder
- **Judicial bonds** split two ways:
  - **Fiduciary (probate) bonds** — **executors** carry out a will, **administrators** stand in where there is none, **guardians** care for minors and their estate
  - **Litigation (court) bonds** — an **appeal** bond postpones payment pending appeal, an **attachment** bond precedes taking disputed property, an **injunction** bond stops an activity and answers for wrongful harm, and a **bail** bond guarantees a defendant appears
- Litigation bonds are often hard to place, because the risk is high