Background

Handling workers compensation claims is no easy task. Some cases are very complicated, as well as very expensive. And every state’s laws regarding the payment of workers compensation claims is different. To add to that challenge, each state’s laws also differ somewhat as to how an insurance company may recoup some or all of the benefits paid. It is sometimes possible to recover money through the process of subrogation when the work-related injury was the fault of an independent responsible third party. In cases where an employee is injured by a third party and the insurance company pays workers compensation benefits as a result, the insurance company [in many states] has an opportunity to assume that injured party’s right to make a liability claim against the responsible third party. So, in these cases the claims adjuster has to switch hats. They essentially go from a workers compensation claims adjuster to a liability claimant.

Subrogation:
Assuming the legal rights of a person for whom expenses or a debt has been paid. Subrogation occurs when an insurance company which pays its insured customer for injuries and losses then legally pursues a third party which caused the damages.*

Situation

A Society Insurance senior claims adjuster received notice of an incident in Illinois. An employee of a business insured by Society Insurance was involved in a motor vehicle accident while in the course of his work on Aug. 31, 2012.
CASE STUDY: WORKERS COMPENSATION AND SUBROGATION

This employee sustained injuries to multiple parts of his body, including his back. After almost six months of treatment, he required back surgery where vertebrae in his lower back were fused together. This employee submitted a claim for these medical costs, an extended period of disability, as well as permanent impairment. The adjuster negotiated a settlement allowing Society to close out the workers compensation claim and preventing the possibility of future claims being made as a result of this injury. The total amount of workers compensation benefits paid was over $262,000.

SOCIETY INSURANCE SOLUTION

As the experienced Society Insurance claims adjuster managed this workers compensation claim, she recognized that the facts of the accident indicated that there may be an opportunity to get some or all of that $262,000 back. Due to the size and complexity of the claim and the intricacies of Illinois law, legal representation was necessary. The adjuster retained an attorney and worked with legal counsel to manage the subrogation claim for nearly a year after settling the original workers compensation claim. Illinois law determined a maximum possible recovery at 75 percent, or $196,500. At mediation, the judge recommended that Society reduce their lien by half in order to facilitate settlement. The claims adjuster considered the value of the claim, the subrogation laws of Illinois, and also tried to predict the negligence split in the liability claim. With that, she was able to recover $150,000. This recovery improves Society’s bottom line and the experience modification (MOD) rate of the Society Insurance policyholder.

Experience Modifier Rate:
A numeric representation of a business’s claims history and safety record as compared to other businesses in the same industry within the same state. Insurance companies use this as a factor in calculating premium. The lower the mod rate, the lower the workers compensation premiums will be.*

SUMMARY

Subrogation is a very important part of a claims adjuster’s role. Recovering money paid on workers compensation claims through subrogation benefits many parties. It is beneficial, in general, because it ensures fairness; parties causing accidents are held responsible. Subrogation investigations help identify defective products. It helps an insurance company by being a significant source of income. Subrogation is also a nice customer service feature as it benefits the policyholder by keeping claim costs down, thus reducing the amount of premium they may otherwise have to pay.

Society’s experienced claims adjusters look at all the angles of subrogation and recognize the factors that may provide an opportunity for a successful liability claim. To find out how Society can help your business, visit societyinsurance.com to find an agent and request a free quote.