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COVID-19 Guidance Regarding Workers Compensation Premium

Payroll

As many Vermont businesses have closed or reduced operations due to COVID-19 and Government orders, payroll will most likely be reduced during this period. This may involve furloughed workers (paid but are not working) or a change in the operations of the business (classification change). As most Workers Compensation policies are audited at the end of the year to determine the amount of payroll and classification of workers in order to calculate the correct premium, DFR offers the following guidance to employers/agents to ensure that employers are paying the correct premium for their exposure during the COVID crisis.

Furloughed Workers

It is possible that employers will continue to pay furloughed workers by using their own funds or by obtaining a loan through the CARES Act. Either way, it is important for employers to keep records starting March 1 through the crisis period as to how much of their payroll was paid to furloughed workers.

On April 22, the Vermont Department of Financial Regulation (DFR) approved a workers' compensation insurance rule filed by the National Council on Compensation Insurance (NCCI) to provide relief of the cost of workers' compensation insurance premiums for employers who continue to pay furloughed workers. **Since a furloughed worker does not offer any exposure to the workers' compensation insurance carrier, the employer will pay no workers' compensation premium for any associated payroll.** As an example, an employer who may have accessed CARES Act funds to help pay furloughed workers for 90 days would realize approximately 25% savings in their workers' compensation premiums.

The department reminds employers to maintain detailed payroll records to take full advantage of the new rating class. Additionally, employers are encouraged to reach out to their insurance agent and/or company should they have any questions. The effective date of the new payroll class code (0012) for Furloughed Workers is retroactive back to March 1, 2020. The expiration of this rule will be December 31, 2020, which may be amended as circumstances warrant.



Change in operations

According to the NCCI Basic Manual, it is the business of the employer within a State that is classified, not separate employments, occupations, or operations within the business. Therefore, the classification of the employees working in new roles might not change. However, there may be situations where a change in classification could occur, such as when:

- The employer's operations have changed to a different classification, or
- An employee's occupation for the employer has changed (similar to when an employee receives a job promotion) to a different classification that may be applied to the employer's policy

Therefore, it is imperative that an employer document any change in operations or employee positions during this time period.

Reduced Payroll

If an employer is forced to close their business or chooses to suspend operations during the crisis, DFR recommends that employers continue to maintain their workers compensation policies if there is a chance that the business can resume operations once it is safe to do so. The reason is that if an employer cancels their policy mid-term, there is a possibility that another insurance company who might write the policy in the future will consider that lapse of coverage negatively and not be willing to insure the business.

Employers should contact their insurance agent or insurance carrier to discuss further questions regarding their workers compensation policy. Additionally, you may contact Pat Murray at the Department of Financial Regulation at Pat.Murray@vermont.gov or, if necessary, at (802) 828-5795 with any questions regarding this guidance.

