

Worker's Compensation Terminology—Quick Reference Guide

American Medical Association (AMA): It is a professional association intended for the promotion of best practices, uniform standards and peer review.

A M A Guides to the Evaluation of Permanent Impairment – 6th Edition: The latest edition required by MT law to be used as the method of rating functional impairment. The Guide is a system of rating anatomical impairments for injured workers.

Americans with Disabilities Act (ADA): The ADA is a federal civil rights law enacted in 1990 to protect individuals with disabilities from all types of discrimination, including that which is related to employment: recruiting, the hiring process, terms and conditions of employment, promotions, and training procedures.

Average Weekly Wage (AWW): The average weekly wage or AWW describes the amount of money that a particular worker earns each week. When employees receive workers' compensation benefits, the benefit is based on the average actual earnings for the four pay periods immediately preceding the injury; the contract of hire if less than four pay periods; or for good cause shown the employment history with the employer for up to one year.

Captive Insurance Company: A hybrid form of risk financing where a subsidiary is created to insure the risks of its parent and affiliated companies.

Case Reserves: The estimated amounts that must be paid on losses that have been reported.

Claim: A written, signed request for compensation from a subject worker or worker's representative.

Claims Examiner/Adjuster: Insurer representative who processes a claim filed by an injured worker.

Claim Experience Report: A report which reflects claim payments and receipts for claims closed or pending during a specific period.

Commutation: An agreement to extinguish all liabilities between parties to the agreement.

Compensable Injury: An accidental injury arising out of and in the course of employment resulting in physical harm requiring medical services or resulting in disability or death.

Compensation: All benefits, including medical services, provided for a compensable injury to a subject worker or the worker's beneficiaries by an insurer or self-insured employer.

Contractor Registration (CR): The Department of Labor and Industry facilitates the registration of construction contractors in Montana. All construction contractors with employees must register. A construction contractor is defined, simply, as anyone who adds or takes away from a structure.

Subrogation: The insurer's right to recover from a third party who has caused a loss after the injured worker has been made whole.

Declarations Page: The section of a property-casualty insurance policy that is found at the front of the policy. This section contains information concerning the insured exposure that is "declared" by both the insured and the insurer.

Diagnostic Related Groups (DRG): The health care provider has an incentive to contain costs.

Disability: Disability represents how impairment combined with the person's age, educational background, vocational background and other factors affect an injured workers' ability to return to work. Sometimes confused with impairment. Impairment is the permanent physical harm resulting from the injury and is only one part of a disability determination.

Economic Affairs Interim Committee (EAIC):

Exacerbation: A temporary flare up of something related to a pre-existing condition, usually after an injury, but recedes to its former level within a reasonable period of time.

Excess Insurance: A type of insurance that provides coverage for losses that exceed the underlying policy limit or the self-insured retention. Excess insurance attaches above the underlying policy or self-insured retention.

Experience Modification Factor: An adjustment to Manual Premium, calculated by an advisory organization (also known as rating bureaus) such as NCCI, based on historic loss and payroll data of a particular insured.

Experience Rating: A rating technique that adjusts the industry standard premium upward or downward based on the organization's own loss experience.

Experience Period: The window of time from which loss and payroll data is used to calculate an experience modification factor for an employer. Normally this window is a three-year period, starting four years prior to the effective date of the experience modifier. However, rating bureaus do not wait until three full years of data are in the

experience period before producing an experience rating for an employer. If an employer reaches a certain, relatively low threshold of WC insurance premiums in any one of the three years in the experience period “window”, this will make that employer eligible for experience rating.

First Report of Injury (FROI):

Group Captive: A captive insurer owned by multiple parent companies that are from the same industry. The function of the group captive is to insure the loss experience of its parent companies.

Group Self-Insurance Plan: One in which organizations group together to self-insure their combined exposures, generally workers compensation.

International Association of Industrial Accident Boards and Commissions (IAIABC):

IBNR: Incurred But Not Reported loss reserves are estimates of the amounts to be paid on losses that have already occurred, but are not yet known by the organization.

Impairment: Impairment is what is anatomically or physically wrong with an individual and is a means where the medical care provider assigns a numerical rating for whatever type of bodily function has been lost.

Impairment Findings/Rating: A permanent loss of use or function of a body part or system as measured by a physician.

Incurred losses: Are Equal to paid losses plus loss reserves for losses that have already occurred.

Independent Contractor Central Unit (ICCU):

Independent Contractors Exemption Certificate (ICEC):

Independent Medical Exam (IME): An examination of an injured worker by a physician other than the worker’s attending physician upon the request of the insurer or claimant.

Labor/Management Advisory Committee

Large Deductible Insurance Plan: An insurance plan for liability lines of insurance (workers’ compensation, general liability, automobile liability) that includes a per accident/per occurrence deductible that is greater than \$100,000.

Limited Liability Company (LLC):

Loss Development Factors: Numbers developed from historical dates which, when multiplied by the dollar amount of losses, will show the expected increase in aggregate losses that will eventually be paid for each historical year. Loss development factors may be obtained from insurance service and trade organizations, or from an insurer's own historical loss data. These factors are used primarily for forecasting liability losses, and not for property loss forecasting.

Lost wages: Consists of temporary payments made when injuries are severe enough to prevent the injured from working. The terms "temporary total disability", "lost wages", and "workers' comp payments" generally mean the same thing. Most systems provide for payment of two-thirds of the workers gross wages up to a pre-determined limit. These benefits are generally paid every two weeks, and are not taxable.

Managed Care: A fee arrangement with health care providers that provides incentives for them to limit use of medical procedures and equipment. Managed care includes preferred provider organizations, health maintenance organizations, and diagnostic related groups.

Managed Care Organization (MCO): An organization with which an insurer may contract to provide medical services.

Maximum Medical Improvement (MMI):

Mediation: Intercession by a disinterested third party to seek an acceptable agreement for resolution of a dispute. Mediation suggests an attempt at compromise through discussion, goodwill and persuasion.

Medical Director:

Medical Fee Schedule:

Medical Mileage: Payment to the injured worker for mileage to and from the doctor's office exists in most workers' compensation systems. "Medical mileage" is generally considered to be a medical benefit.

Medical-Only Claims: Claims for which the only cost is medical care, without any lost-time benefits being paid.

Modified Work: When the physical or durational demands of employment duties must be altered to accommodate a patient's impairment, that worker is said to require "modified work."

Montana Code Annotated (MCA):

National Federation Independent Business (NFIB): Founded in 1943, and headquartered in Nashville, Tennessee, the National Federation of Independent Business is America's leading small-business advocacy association.

NCCI: The National Council on Compensation Insurance—the organization responsible in many states for determining proper WC classifications, Experience Modification Factors, and collecting data used for ratemaking. NCCI also writes the manuals used in many states to calculate WC premiums, and also administers the Assigned Risk Plan in many jurisdictions. NCCI is a private organization, not connected with government, although it is often mistakenly thought to be a governmental agency.

Occupational Disease (OD): The term "occupational disease" refers to those illnesses caused by exposures at the workplace. They should be separated, conceptually, from injuries that may also occur at workplaces due to a variety of hazards.

Palliative Care: Medical service rendered to reduce or moderate temporarily the intensity of an otherwise stable medical condition, but does not include those medical services rendered to diagnose, heal, or permanently alleviate or eliminate a medical condition.

Peer Review: Examination of health care of panels of medical professionals to determine whether treatment followed acceptable guidelines.

Permanent Total Disability (PTD): If the injured worker suffers permanent disability as a result of his or her injury, he or she will often be able to recover a permanent disability payment. Generally, a determination of "permanent" disability will not be made until the injured worker is considered to be "medically stationary" or "medically stable". Depending on the nature of the injury, a permanent disability award will either be "scheduled" or "unscheduled".

Permanent Partial Disability (PPD): Generally means that the injured worker cannot return to the same type of work that he was doing before his injury and that he/she has a permanent impairment that limits his ability to do the same type of work as before the accident.

Plan 1 Insurer (Self-Insurance):

Plan 2 Insurers (Private Insurance Carrier):

Plan 3 Insurer (Montana State Fund):

Preferred Provider Organization (PPO): A provider or group of medical providers who provide discounted service fees in return for a high volume of referrals.

Proof of Coverage (POC):

Projected Ultimate Losses: The estimates of total payouts that will finally be made on particular claims.

Psychiatric and Substance Abuse Review: Evaluates psychiatric and drug cases to prevent unnecessary hospitalization and to recommend alternative treatments.

Rating Bureau: See NCCI. Some states maintain their own separate rating bureau, although these often follow NCCI rules and use NCCI manuals. Currently, the states of California, Delaware, Hawaii, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Pennsylvania, Texas, and Wyoming operate their own non-NCCI rating bureaus. Many of these largely follow NCCI rules for computing premiums and classifications, but California, Delaware, Texas, and Pennsylvania are notably different than NCCI in some aspects of classification and premium computation.

Regular Work: The job the worker held at the time of injury, or a substantially similar job.

Reinsurance: The process by which one insurance company pays a fee to transfer its insured loss exposures to another company (the re-insurer). Reinsurance is purchased by the insurer to increase its insurance capacity or to stabilize its underwriting results.

Release: Giving up a right or claim by the person entitled to enforce the right or claim. A release is usually a standard document signed by the party who gives up a claim in exchange for a payment of compensation.

Remuneration: The basis for calculating WC premium, primarily payroll, but may also include other forms of employee compensation. WC premium is computed by applying varying rates.

Request for Proposal (RFP): Describes the purpose and scope of the consulting services sought by an organization, and it provides enough information so that a consultant can determine whether it wants to have the organization as a client.

Retroactive Plan: An insurance plan designed to cover losses arising out of events that have already occurred.

Retention: A risk financing technique where an organization uses its own resources to pay for its own losses.

Retrospectively Rated Insurance: An insurance plan where the ultimate premium paid by the insured is calculated after the end of the policy year based on the insured's actual losses

during the year. Retrospectively rate insurance plans can be constructed as either incurred retrospective plans or paid loss plans.

Scopes Manual: Manual produced by NCCI, which details what kinds of workplace exposures belong in particular WC classification codes.

Self-Insurance Plan: A formal retention plan where their organization has made a conscious decision to retain losses and maintains a formal system for paying for the retained losses. The organization keeps a record of its losses in this type of retention plan.

Self-Insured Retention Plan: A formal retention plan that uses an insurance policy to provide benefits above the retention. The insurance policy is said to attach when the self-insured retention is exceeded. Self-Insured retentions are different from deductibles. With a self-insured retention, the insured is responsible for adjusting and paying losses that are within and up to the self-insured retention level. With a deductible plan, the insurer adjusts and pays all losses, and is reimbursed by the insured for losses that are below the deductible.

Settlement: The resolution of a claim by an agreement between parties as to the payment for loss. Settlement is usually embodied in some document signed by the parties.

Specific Excess Policy: An excess policy that provides coverage for losses in excess of one accident or occurrence. It is usually written over a self-insured program where the insured retains a certain amount on a per accident/occurrence basis.

State Average Weekly Rate (SAWW):

Stay at Work/Return to Work (SAW/RTW):

Subrogation: Prevents the insured from collecting loss payments from his or her own insurer and from the responsible third party for the same loss. Once the insurer pays a loss caused by a third party, the insurer takes over, or is subrogated to the insured's common-law right of action against the negligent third party.

Subrogee: The one who succeeds to the rights of another and is not a volunteer, but has a legal obligation to pay the debt.

Subrogor: The party whose claims and rights are succeeded to.

Subsequent Report of Injury (SROI):

Surety: One of the parties to a surety contract. The surety guarantees that the principal will perform its obligation to the obligee.

Temporary Partial Disability (TPD): Generally means that the injured workers is only able to do some type of limited work for a short period of time and that further recovery is expected.

Temporary Total Disability (TTD): Generally means that a person is unable to do any type of work for a temporary period of time. Workers' compensation payments are usually paid while the injured worker is out of work.

Third Party Administrator: An outside or third-party organization that handles claims for an insurer or a self-insurer.

Time of Injury (TOI):

Uninsured Employers Fund (UEF):

Utilization and Treatment Guidelines (U & T Guidelines):

Utilization Review (UR): Evaluating medical care in terms of its necessity, frequency, and cost in order to determine whether treatment has been unnecessary or inappropriate.

Vocational Rehabilitation (VR): If an injured worker cannot return to his or her job after injury, and has a permanent disability, he/she may be entitled to vocational rehabilitation assistance. The level of this assistance varies greatly between jurisdictions. The level of assistance ranges from simple help with the drafting of a resumé all the way through full payment of time loss while the person gets two years of training. There is a set maximum amount paid toward schooling costs.

Waiver: The voluntary relinquishing of a known right.

Worker's Compensation Court (WCC):

Workers Compensation Research Institute (WRCI):