

## Should an Executive Officer Be Excluded?

By Wray Smith HWCF

Each January 1st several of our members decide to exclude one or more of their executive officers. When this is done, it is usually done to reduce the cost of Worker's Compensation coverage.

Is this being penny wise and pound foolish?

1. If the excluded officer has a claim that would be compensable except for the signed exclusion, will the executive officer's health insurance respond? You should contact your health provider to determine the answer to this question.
2. Remember regardless of the officer's actual remuneration, executive officer remuneration is capped at \$ 156,000 as of 2012 renewal.
3. No workers compensation coverage means you have no employers' liability coverage. (Because they have no workers' compensation coverage, it may be possible that the executive officer may attempt to sue at common law under negligence.)
4. The executive officer is waiving the lost time WC payment. As of July 2010, the maximum is \$740 per week permanent disability.
5. Possibly the most important problem with exempting an executive officer is he or she gives up the WC unlimited medical benefit. The medical expense must be directly related to the WC injury but no annual or lifetime limit applies to the medical.

For the few Members excluding executive officers, the decision to do so may have been made when WC rates were at their highest. With the overall cost of WC coverage being down, you may find that it no longer makes sense to exclude your executive officers.