



Association for Responsible Alternatives to Workers' Compensation

Tennessee Option To Workers' Compensation

Legislative Summary

1. Mandate Benefits Higher than Workers' Compensation

– Mandate all Option injury benefit plan levels to be equal to or greater than those provided by the Tennessee Workers' Compensation Laws, with no dollar or duration caps on medical, and no combined benefit limits. See chart below.

- a. All disability benefits are increased to levels higher than workers' compensation.
- b. All benefits must comply with higher maximum and minimum weekly limits.
- c. The waiting period for wage replacement is cut in half, from 8 to 4 days.
- d. All wage replacement percentages are further increased by 20% if subject to federal income and employment taxes.
- e. Permanent Partial Disability benefit multipliers under workers' compensation will not apply because they reward an employee for accepting lower paid work, for not pursuing a high school diploma, and for living in an area with high unemployment. No other state workers' compensation system uses these multipliers.

2. Remove Negligence Liability Exposure

– Same as workers' compensation due to Option benefit mandate being higher than workers' compensation.

3. Admitted Casualty Insurance Carriers Only

– Same as workers' compensation.

- a. Workers' compensation and Option insurance carriers compete head-to-head.
- b. An insurance company can offer both products (occurs today in Texas and Oklahoma).

4. P&C Guaranty Fund Only

– Same as workers' compensation.

5. Stratify Qualification Filing Fees Based on Employer Size

– Fairness for small business and designed to avoid any negative fiscal impact.

6. Additional Insurance Carrier and Employer Surcharge

– A further surcharge of 0.04% of premiums for Option employers further adds to this bill's positive fiscal impact.

7. Court of Workers' Compensation Claims

– The same court hearing workers' compensation claims can also hear Option injury benefit plan disputes.

8. Revise bill effective date from 1/1/16 to 1/1/17

– Allows ample time for the Department of Commerce and Insurance to install an employer qualification process that likely mirrors the process at the Oklahoma Insurance Department.

For more information on the Tennessee Option please contact:

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Benefits Comparison Chart: TN Workers' Comp vs. TN Option

	TN WC	TN OPTION (minimum required)
MEDICAL	100% of medical expense with no dollar or duration limit.	100% of medical expense with no dollar or duration limit.
TEMPORARY TOTAL AND PARTIAL DISABILITY	66-2/3% of AWW (up to 110% and not less than 15% of SAWW) to Maximum Medical Improvement. Starts on 8th day of disability.	75% of AWW (up to 120% and not less than 25% of SAWW) * to Maximum Medical Improvement. Starts on 4th day of disability.
PERMANENT PARTIAL DISABILITY	66 2/3% of AWW (up to 110% and not less than 15% of SAWW) up to 450 weeks based on percentage point of impairment per the AMA impairment guides. Subject to multiplier rules.	70% of AWW (up to 120% and not less than 25% of SAWW) for up to 450 weeks based on percentage point of impairment per the AMA impairment guides. Multipliers not required.
PERMANENT TOTAL DISABILITY	66 2/3% of AWW (up to 110% and not less than 15% of SAWW) until the later of employee reaches SS retirement age or five years.	70% of AWW (up to 120% and not less than 25% of SAWW) * until the later of employee reaches SS retirement age or five years.
DEATH	20 to 70% of employee's AWW (up to 110% and not less than 15% of SAWW). If no dependents, minimum benefit of \$20,000 and \$7,500 funeral expense.	20 to 70% of employee's AWW (up to 120% and not less than 25% of SAWW). If no dependents, minimum benefit of \$20,000 and \$7,500 funeral expense.

* Increase all percentages in TTD, TPD and PTD wage replacement computation by 20% of Average Weekly Wage if subject to federal income and employment tax.