

A photograph of the Fred's Appliances storefront. The building has a large, white, gabled roof with a large, multi-paned window. The word "FRED'S" is mounted on the building in large, red, 3D block letters. The sky is clear and blue.

FRED'S

CASE STUDY

Fred's Appliances

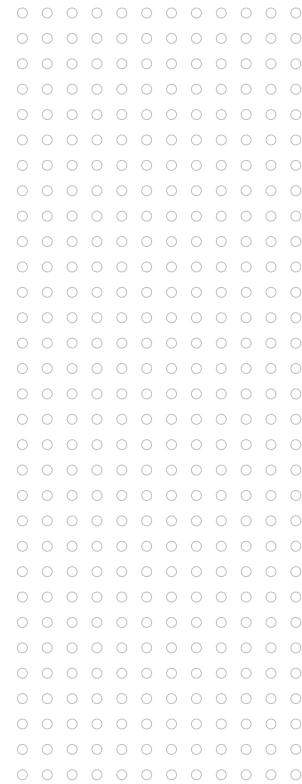
Reducing Workers' Compensation Costs and Claims; Creating a Culture of Safety and Gratitude

Until recently, Fred's Appliance had one of the highest Workers' Compensation (WC), Experience Modification Ratings (EMR) in the Northwest region.

With 250 employees in 11 locations across Washington, Montana and Idaho, Fred's accumulated an average of six time loss claims and more than \$96,000 in wages paid out annually to injured employees. In 2017 alone, Fred's paid out \$400,000 in WC premiums. General Manager Troy Varness said he was "open to anything that would help."

Because Fred's is headquartered in Washington, where WC coverage must be purchased from the state, Varness looked for an outside consultant that could help with risk management. He turned to HUB, the business' trusted health coverage provider.

Matthew Gilroy, Senior Consultant, Employee Benefits, engaged other HUB Northwest team members including Mike Sargent, Director of Workers' Comp Solutions and Chris Burgh, Risk Services Consultant. Then team was able to shed light on Fred's WC challenge. Sargent and Burgh put together an analysis of Fred's WC claims, discovering quickly that Fred's had the thirteenth highest experience mod in the State of Washington! It was clear that Fred's needed a complete change in corporate culture, from the top-down.



A Snapshot of Fred's Appliance

250

employees

Washington HQ

a WC monopolistic state

6

WC time loss
claims on average
per year

11

locations in
WA, MT, ID

**One of the
highest EMR's**

in the Northwest region

\$400,000

annually in WC
premiums



Changing the Numbers, One Employee at a Time

Beginning in early 2018, HUB helped Fred's Appliance make significant changes to their policies and procedures, employee safety, hiring practices, claims management, employee bonus and discipline administration. Just a year later, the company's state WC payouts went from \$275,700 to \$124,000, and Fred's WC premium rates were reduced by \$25,000.

First, and most significant HUB helped Fred's create a formal return to work program. Previously, injured employees were sent home to recover and put on Workers' Compensation. Now, Fred's partners with a local clinic where injured employees are seen immediately upon injury. The doctors in the clinic are aware of the company's six light duty jobs available, and recommend them for injured employees. This keeps employees on the payroll, coming in to work and healthily engaged.

Historically, Fred's was averaging 168 days before a Workers' Compensation claim would close, translating to significant time loss claims when employees weren't on the payroll. Since instituting the return to work program, it now takes an average of just 74 days to close a claim.

"In the last year since working with HUB, we've had zero time loss claims, compared to an average of six each year," said Varness. "We've kept employees on the payroll, and the cost of claims is coming down because we're getting better at getting employees back to work. It's amazing how fast employees get better when they're asked to come to work, even if it's watching safety videos for a few hours."

"In the last year since working with HUB, we've had zero time loss claims, compared to an average of six each year,"

TROY VARNESS
General Manager,
Fred's Appliance



Shout It Out: Creating a Culture of Safety and Gratitude

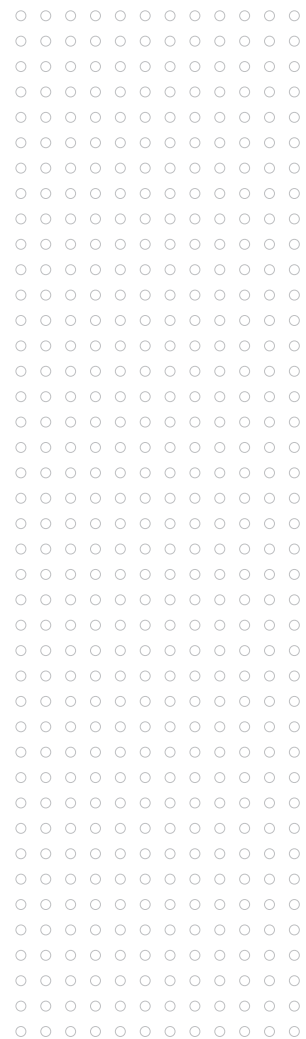
HUB also helped Fred's champion daily warehouse and delivery safety. Now, the company begins and ends each day by talking to employees about safety, which Varness says has heightened awareness across the staff. They ask workers to sign off each day that they didn't experience or witness anything dangerous or unsafe, or when they have, it spurs conversation and problem resolution.

Varness created a company-wide email called "Fred's Shout Out" that shares positive customer feedback about employees with the entire staff. He's also instituted friendly contests for delivery and warehouse staff relative to delivery teams with good safety records or those that take the most add-on deliveries. Regular team building outings and dinners go a long way in encouraging staff morale as well.

"Delivery workers often felt they were third rung employees before, never appreciated as they should have been. But, because they're the ones going into customers' homes, they are actually the most important employees we have," said Varness. "All the safety awareness we've implemented, the contests and gift cards have all helped change our culture."

While these initiatives can be costly, Varness says they're significantly less expensive than not engaging them, which previously led to high turn-over rates, in addition to costly workers' compensation claims.

"There's another positive aspect that you can't quantify - employee retention," said Varness. "Hiring employees and getting them up to speed is expensive, averaging \$10,000 for sales people and \$5,000 for each delivery person in our industry. If I have 10 turnovers, that's \$50,000. I'm saving that if I'm keeping everyone happy."



The Gains Fred Has Made Now...and for the Years to Come

With these initiatives, Fred's expects their EMR to drop dramatically at the end of the current four-year cycle. That drop, Varness says, should reduce his WC premium from \$440,000 to \$229,000 in just four years.

"I've been in this position for twenty-two years, and the company is running so much more positively and employees are happier just in the last year," said Varness. "Everything has changed. Employees know now that if they're injured, we care and we're here to take care of them. None of this required a whole bunch of extra work for anyone on our staff. It was easily accomplished. Overall, it's been a positive culture change."

"Everything has changed. Employees know now that if they're injured, we care and we're here to take care of them."

TROY VARNESS
General Manager,
Fred Appliances

Immediate Measurable Gains for Fred's Appliance relative to Workers' Compensation

\$25,000



reduction in premium rates

\$151,700



less in state payouts

169 → 74
days

for average time of claims resolution

6 → 0

average time loss claims per year

In addition, it is expected for Fred's Workers' Compensation premium to be reduced by 49% over four years.

We're HUB

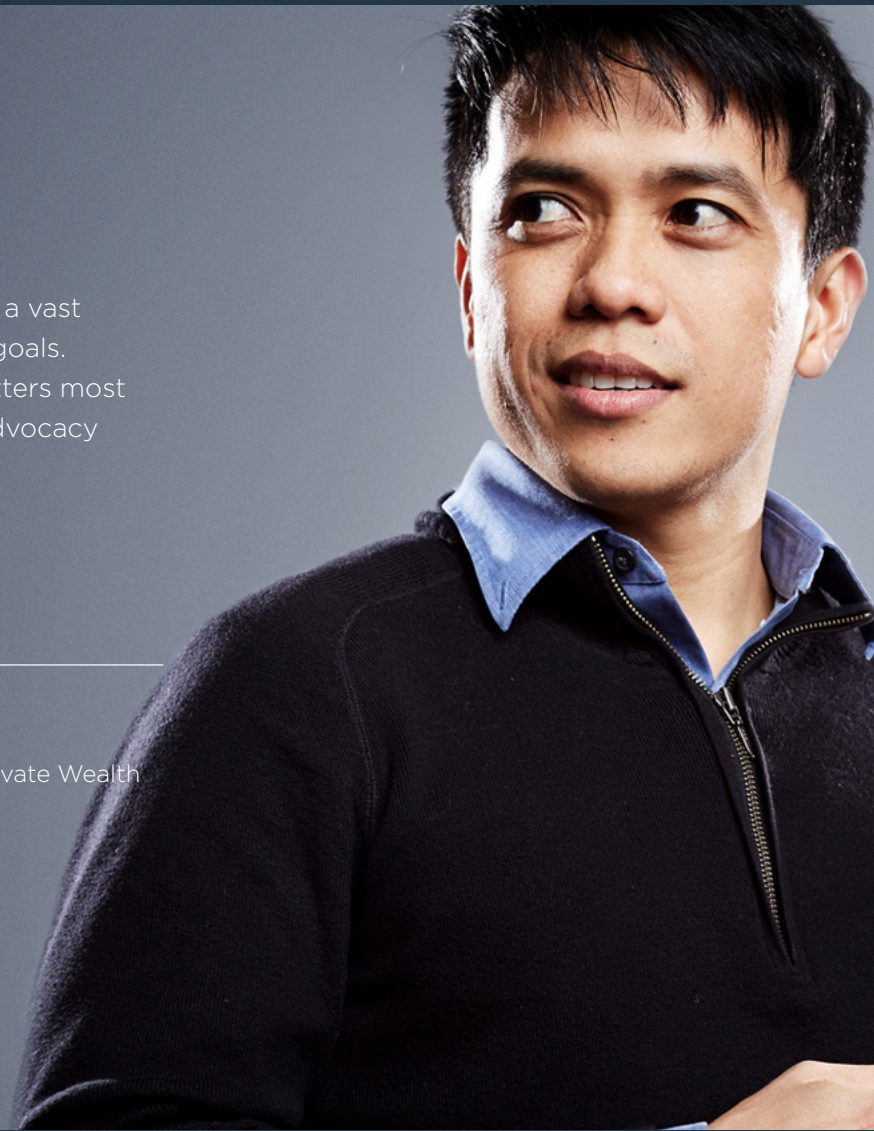
When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. With HUB, you have peace of mind that what matters most to you will be protected — through unrelenting advocacy and tailored solutions that put you in control.

Contact a HUB advisor today at:

hubinternational.com

Ready for tomorrow.

Risk & Insurance | Employee Benefits | Retirement & Private Wealth



This information is provided for general information purposes only. HUB International makes no warranties, express, implied or statutory, as to the adequacy, timeliness, completeness or accuracy of information in this document. This document does not constitute advice and does not create a broker-client relationship. Please consult a HUB International advisor about your specific needs before taking any action. Statements concerning legal matters should be understood to be general observations and should not be relied upon as legal advice, which we are not authorized to provide.

© 2020 HUB International Limited. All rights reserved

