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A Shareholder Solution to Workers' Compensation in California

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A study conducted by the [National Center for Employee Ownership](#) (NCEO) found that employee-owned companies "have lower workers' compensation insurance rates" than comparable non-employee owned companies. The California study compared the experience ratings of employee-owned companies to non-employee owned companies in similar industries.

From 1998 to 2002, according to the National Association of Insurance Commissioners (NAIC), the California workers' compensation insurance market generated losses in excess of \$15 billion. These devastating losses drove 26 insurers from the California market in the same period. Insurers went bankrupt, were seized, or vacated the California market.

Enter Gene Magre, a California contractor, entrepreneur and owner of an employee-owned company called Historic Ranch Restorations. After years of skyrocketing workers' compensation insurance rates, instability in the insurance market and few choices for workers' compensation coverage, Magre restructured his company to help him save thousands of dollars in workers' compensation costs. How did he do it?

All California employers must provide workers' compensation benefits to their employees under California Labor Code Section 3700. If a business employs one or more employees, then it must satisfy the requirement of the law. However, there are exclusions:

- A business owner (sole proprietor) may exclude himself/herself.
- Executive officers and directors who fully own a corporation may elect to be excluded from workers' compensation benefits.

When Historic Ranch Restorations saw savings by making its employees the company's owners, Magre decided he could help other companies do the same thing. That's when he founded [ConAPA, Inc.](#)

Magre's vision was to aid the small business community by offering services such as corporate formation & management consulting, safety training, and most importantly health, disability, life and dental benefit packages for employee-owned companies that are not integrated with workers' compensation. The ConAPA program relies on the state labor code's allowance for owners of closely held corporations to be excluded from the workers' compensation coverage requirement. However, before becoming a company owner, the ConAPA model requires that employees demonstrate skills and qualifications by working 1,000 hours (or six months), by maintaining exceptional safety and quality standards in their work, and by being assigned a specific area of executive responsibility within the corporation.

By joining forces with some of the largest insurance carriers in the country, the ConAPA program is designed to provide protection for these "excluded" individuals. The coverage provides health, disability and life insurance coverage 24 hours a day, 7 days a week, ensuring that every employee qualifies regardless of any preexisting conditions.

According to ConAPA, contractors, for example, pay approximately \$2,040 monthly in workers' compensation premiums to insure a 25-year-old carpenter earning \$20 per hour. If that employee becomes a shareholder and is therefore excluded from the workers' compensation requirement, the company's monthly life, disability and health care cost for the carpenter would be \$274. For that employee alone, the savings is \$1,766 per month or \$21,192 annually. In addition, the individual enjoys full coverage 168 hours per week instead of just 40 hours per week as covered by workers' compensation.

Gene's approach is grounded in the belief that employee ownership improves business operations and employee relations, creates safer workplaces, and reduces work-related and on-the-job injuries. The bottom line is that employee ownership can provide a win-win benefit for all of the company's owners.

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1. [ConAPA](#)
2. [Department of Insurance - WC Laws](#)
3. [NCEO](#)
4. [Thompson/Currier](#)