

# Safety Bonus Plans

A **safety bonus** that financially rewards employees for safe working practices may be deductible from workers' compensation subject payroll. The starting point for any qualifying safety bonus is a positive and supportive **safety culture**.

In order for a safety bonus to be eligible for exclusion, the safety plan or safety bonus plan must meet all the conditions of Oregon Administrative Rule **(OAR) 836-042-0055 (2) (b)**. Before we look at the rule, here is SAIF's clarification of some of the important terms included in the OAR:

**Anticipated payments** | Employees are aware of the safety plan or safety bonus plan, and payments are expected in accordance with a written plan. Payments must be calculated in accordance with the written plan.

**Written plan** | The written safety plan or safety bonus plan details how safe working practices are measured, monitored, and documented to validate and support safety bonus payments to employees.

**Safe working practices** | For the bonus to be excludable, the plan needs to reward employees for following safe work practices instead of being focused on not filing claims. Injury prevention can be an objective of the plan, but the OAR requires that the bonus be tied strictly to safe working practices.

## The conditions required by the OAR are highlighted below:

A safety bonus shall be excluded from, or included in, the premium basis as follows:

- (A) A safety bonus shall be excluded if all of the following conditions apply with respect to the payment:
- (i) The payment is anticipated.
  - (ii) The payment is distributed in accordance with a written plan, and
  - (iii) The payment is tied strictly to safe working practices.
- (B) A safety bonus shall be included if the safety bonus is paid to offset pay cuts or a reduction of wages.

## SAIF's Premium Audit staff will make the following considerations during the review of the safety plan or safety bonus plan:

- Bonuses based solely on not filing claims or reporting accidents are includable as subject payroll. These types of plans could discourage reporting claims or incidents without promoting safe working practices.
- Each industry has safe working practices its employees follow to reduce the risk of injury. It is the safe working practices that are identified in the written safety plan or safety bonus plan that qualify the payments under the plan as excludable.

## The premium auditor's role

As part of the normal auditing process, the auditor is expected to review documentation pertinent to the safety bonus plan. The following are a few ways you can help ensure the exclusion of your safety bonus payments:

- Provide payroll records documenting safety bonus payments.
- Provide a copy of the written plan.
- Provide records and documentation that support the written plan. Including:\*\*
  - Safety logs
  - Periodic supervisor assessments evaluation forms
  - Safety committee minutes
  - Training roster sheets
  - Employee observation forms
  - Industrial vehicle inspection documentation
  - Company-specific forms
  - Safety committee recommendations and follow-up
  - Accident analysis forms

## Learn more

We understand that the audit process can feel confusing. If you have questions regarding the exclusion of safety bonuses, feel free to contact one of the following SAIF Premium Audit staff members:

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\*\* This is not a complete list, but rather examples of documents that may be reviewed. The auditor will review documentation specific to your written plan.