

EMPLOYMENT LAW SUMMARY

Iowa: Workers' Compensation - Employer Penalties



Workers' compensation is a system of no-fault insurance that provides medical care and monetary benefits to employees who sustain work-related injuries and diseases. Workers' compensation is governed by state law.

The Iowa Workers' Compensation Act (WCA) establishes several penalties that employers in the state may face if they fail to comply with workers' compensation requirements. The [Iowa Division of Workers' Compensation](#) (WC Division) is responsible for enforcing the WCA. The WC Division has the power to assess fines against employers and a duty to refer certain employer violations to the state's attorney general, a county attorney or other state agencies for further enforcement.

FAILURE TO PROVIDE ADEQUATE COVERAGE

Employers are prohibited from engaging in any business in Iowa unless they first obtain and maintain adequate workers' compensation coverage for their employees. An employer that willfully and knowingly engages in business without first obtaining adequate coverage may be charged with a **Class D felony**. Class D felonies are punishable by **up to five years in prison, fines of up to \$7,500 or both**.

Noncompliant employers may also be sued in a district court for an order to stop business operations until they obtain the required coverage. An employer may be charged with contempt of court if it continues its business operations without adequate workers' compensation coverage after a stop-work order has been issued against it. Contempt of court is punishable by **up to six months in county jail, fines of up to \$500 or both**.

In addition, employees who sustain injuries while working for a noncompliant employer may choose to **sue the employer in court for damages** instead of accepting workers' compensation benefits. In these lawsuits, the court presumes that the injury was the result of the employer's negligence. Moreover, the employer is not allowed to defend the case by claiming that the employee was negligent, that the employee assumed the risk or that any co-worker was responsible for the injury.

Finally, the WCA also requires noncompliant employers to post the following notice:

NOTICE TO EMPLOYEES: You are hereby notified that the undersigned employer has failed to insure the employer's liability to pay compensation as required by law, and that because of such failure, the employer is liable to the employer's employees in damages for personal injuries sustained by the employer's employees.

Noncompliant employers that fail to display this notice may face simple **misdemeanor** charges (in addition to the felony charges described above) for operating a business without coverage. Simple misdemeanors are punishable by **up to 30 days in prison, fines of up to \$625 or both**.

FAILURE TO COMPLY WITH SELF-INSURANCE REQUIREMENTS

Employers that apply for authorization to self-insure must provide true and comprehensive financial statements and other information to the [Iowa Commissioner of Insurance](#). An employer that willfully and knowingly omits any material facts or files false or misleading information with the insurance commissioner may be charged with a **Class D felony**, which is punishable by **up to five years in prison, fines of up to \$7,500 or both**.

In addition, the insurance commissioner may:

- Impose civil penalties of **up to \$10,000** against the employer and
- **Deny, suspend or revoke** the employer's self-insurance status.

FAILURE TO RECORD OR REPORT INJURY CLAIMS

Employers must keep a record of all work-related injury claims that involve an employee's disability from work for more than one day. If the WC Division requests a copy of this record, the employer must provide it **within 30 days** of the request.

For injuries involving more than three days of work time, permanent partial disability or death, the WCA requires employers to file a First Report of Injury (FROI) form **within four days** after the employer first had knowledge of the extent of disability (or death).

These requirements apply even if the employer questions the compensability of a particular claim. If an employer fails to comply, the WC Division may assess a civil penalty of **\$1,000** per occurrence.

DELAYING BENEFIT PAYMENTS

If an employer was required to file an FROI, it must make an initial payment of benefits to the employee **within 11 days** after the first day of the employee's disability. Any ongoing benefits payments must be made on a weekly basis.

An employer that fails to make these payments on time may be required to pay a penalty of **up to 50 percent** of the amounts past due. This is payable directly to the employee along with the delayed benefit amount.

An employer may be relieved from the 50 percent penalty if it can demonstrate that a "reasonable or probable cause or excuse" existed for the delay(s). However, employers are always responsible for paying an employee **interest** at a rate of **10 percent** on any delayed benefits payments.

HABITUAL DELAYS

The WC Division may impose an assessment (payable to the state Second Injury Fund) on employers that habitually delay initial benefits payments to employees. The WC Division determines habitual delays through an annual monitoring program. To calculate the amount of any assessment, the WC Division will **multiply \$10** by:

- The average number of days that the employer delayed payments; and
- The number of injuries the employer reported during the fiscal year in which the employer was found to be habitually noncompliant.

FAILURE TO PROVIDE NOTICE OF BENEFIT TERMINATION

Once an employer begins paying benefits, it must either continue the payments until the employee returns to his or her pre-injury work or until after providing the employee with **30 days' advance notice** of the termination of payments.

The notice must state the reason for the termination and inform the employee of his or her right to file a claim with the WC Division. If an employer stops paying benefits without properly notifying an employee, the employer may be held liable for continuing benefit payments even if the WC Division later finds that the benefits would not otherwise have been payable.

UNREASONABLE BENEFIT TERMINATION OR CLAIM DENIAL

Employers must have a "reasonable or probable cause or excuse" if they terminate benefits payments or deny an employee's claim for workers' compensation benefits. The cause or excuse must have been known to the employer at the time of the termination or denial, and must have been the actual basis for it.

An employer that terminates benefit payments or denies a claim without first satisfying the "reasonable or probable cause or excuse" requirement may be required to pay a penalty to the employee of **up to 50 percent** of any amount denied.

FAILURE TO FILE NOTICES WITH THE WC DIVISION

Employers must file notices with the WC Division when they start, stop or change any benefits payments. The WCA also requires employers to file a report regarding any claims that are open as of June 30 each year and a final report when closing a claim.

These tasks are accomplished by filing Subsequent Report of Injury (SROI) forms through the WC Division's [electronic filing system](#). The WC Division may impose fines of **up to \$1,000** per occurrence on an employer that does not file the proper reports.

In addition, an employee's three-year limit for filing a claim with the WC Division may be extended indefinitely if an employer fails to notify the WC Division that it commenced or terminated benefits payments.

MORE INFORMATION

Contact Heffernan Insurance Brokers or visit the Division [website](#) for more information on workers' compensation laws in Iowa.

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