

Experience Modification Rate

Understanding your experience modification rating (Experience Mod) and monitoring it regularly is key in reducing your Workers' Compensation costs. Companies who effectively manage their Safety Programs not only understand how it works but also monitor this on a regular basis. It has a direct correlation to how much you pay in Workers' Compensation Premiums. Many safety conscious corporations are refusing to use the service of vendors or subcontractors who do not control their Experience Mod or have an experience modification in excess of the industry average.

Simply speaking, your Experience Mod compares your workers' compensation claims experience to other employers of similar size operating in the same type of business. Your Experience Mod is calculated by the National Council on Compensation Insurance (NCCI) or in some states an independent agency. Each year insurance carriers report to the agency your class codes, payrolls and losses for the last five years. It compares your specific payrolls and losses to the industry average losses for like business of similar size.

If you are at the industry average, your Experience Mod is a 1.0. If your experience is 20% better than average your Experience Mod would be a .80; or 20% worse 1.20. It makes sense to reward companies that practice effective safety and claims management techniques over those who do not. In effect, the Experience Mod does just that. How you control your Experience Mod can have a big impact on your insurance premium.

The type of claims you experience and what you do to control the cost of claims has a significant effect on your Experience Mod. Claims that require medical treatment only are usually less severe so employers should not be penalized when they occur. You can take advantage of this by ensuring that injured employees remain at work when possible or return to work within the assigned period. This is where an effective claims management and return to work program can have a dramatic effect.

Companies seeking to minimize their workers' compensation premiums should focus their safety efforts on reducing the frequency of lost time claims. It is also recommended that companies review their losses periodically. Pay particular attention to open claims with outstanding reserves. Work with your claims administrator to bring these claims to closure. In some instances, outstanding claims may be closed

resulting in reserve reductions that ultimately may affect your Experience Mod. Don't forget about your current years claims. These usually present the greatest opportunity for cost reductions.

Typically you will receive an Experience Modification Rating Sheet each year prior to your policy renewal date. If you are unclear of your company's current Experience Mod your insurance agent can help you locate this.

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Comments/questions?

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