

Do You Know What Your Ex-Mod (Experience Modification Rating) Is?

By James Harwood – CEO, Total HR

Understanding and actively managing your experience modification rating can give you more control over the cost of your workers compensation insurance. This article is designed to help employers better understand the California experience rating system and provide ideas to help better control workers compensation insurance costs.

Employers in California who meet minimum insurance premium thresholds, which are established by the Workers Compensation Insurance Rating Bureau (WCIRB), are eligible for participation in California's experience rating system. These thresholds are calculated by looking at the premium you pay in each classification code. If the premium you pay is equal to or greater than the threshold (which in 2004 was \$30,900), you are eligible to participate in the experience rating system. The experience rating system is designed to distribute workers' compensation insurance costs more equitably among employers who are assigned to different industry classifications.

The process of assigning experience ratings begins with a projection of the future cost of benefits to be paid to injured employees by your insurer. This projection is based on your company's payroll history and prior workers compensation claims, referred to as your "experience". This allows the WCIRB to compare your experience to the experience of other companies within your classification. This comparison results in what is known as an experience modification (Ex-Mod).

Experience modifications are expressed as a percentage, and allow for a comparison of the loss or claims history between companies in the same industry. If you have an experience modification that is less than 100%, this reflects a better-than-average experience, while an experience modification of more than 100% reflects a worse-than-average experience. Obviously an experience modification that is greater than 100% is not desirable and usually increases the cost of your workers' compensation premiums. For example if you have an ex-mod of 1.10 (110%) then you are going to pay 10% higher premium costs to secure workers compensation insurance for your workers.

The good news is there are steps you can take that will positively impact your workers compensation insurance costs and your experience modification rating over time:

- **Make sure that your employees are properly classified.** A variety of rating classifications exist depending on the job duties of your employees with each classification resulting in different premiums. You should verify that employees are not classified in a more expensive class code than necessary.
- **Audit your loss run reports and loss control data on a regular basis.** You should request reports from the insurance company to ensure that your history is accurate, that rates have been calculated correctly and that the reserves established for unsettled claims is reasonable.
- **Return injured workers to work as soon as possible.** Although an injured worker may not be able to perform the duties of their original position, it is possible that they could be released to work with restrictions. Consider bringing them back to perform a different job that they are able to perform. The sooner you get injured workers back on the job the better. You want to get people back in the work setting, performing productive work rather than sitting at home drawing benefits and increasing the overall cost of your claims.
- **Install a Workplace Safety Program.** You should have a written safety plan in place that outlines your safety policies and expectations for safe work behavior. The plan should be reviewed with your employees, and each employee should sign an acknowledgement form stating they have read and agree to comply with safety program expectations.

Please contact James Harwood at Total HR (818) 248-0049 if you are interested in learning more about how you can lower your workers compensation insurance costs by shopping your policy, or implementing workplace safety and risk management programs.