



RISK MANAGEMENT CORNER

Why did my Workers Compensation Experience Mod go up?

Many different factors influence a company's experience mod, including some that are out of a business owner's control. If you have been frustrated with this calculation in the past, then there's no time like the present to better manage this very important risk factor, because it directly affects your insurance premiums.

What's a "split point"? On your Experience Rating Worksheet, individual claims may appear to be capped at \$5,000 (far right column of the report). The National Council on Compensation Insurance® (NCCI) considers the first **\$5,000** of the loss to be the **primary** amount, and that greater than \$5,000 the **excess** amount. The primary amount fully factors into the experience rating formula, with the excess amount being "discounted." This is known as the "split point."

The split point increased in 2013, 2014, and 2015, with the most recent increase to \$15,000 (plus a two-year inflation adjustment).

Why the changes? The average cost of a claim has tripled since the last split point increase 20 years ago. This led to experience modification factors that didn't realistically reflect an individual firm's actual experience.

Claims costing more than the split point have a greater impact on your experience mod factor. Therefore, employers with few or no claims greater than the split point will generally see a reduction in their experience mod factor, essentially rewarding them for effectively preventing and managing claims.

Want to reduce your experience mod? You can't change your past claims and their effect on your experience mod; however, you can reduce the negative impact of this change going forward:

- In many states, **medical only** claims are discounted by 70 percent,* compared to claims that include **lost time** (wages). With the increase in split points, that 70 percent reduction is very important. Fully committing and implementing a **modified duty/return-to-work program** can help contain the claim to medical only costs.
- **When is your loss data reported?** Three years of data are used to calculate the experience mod, beginning four years prior to and not including the current year. It is sent by the insurer to the rating bureau six months before the insurance renewal date. Request a claims history report from your insurer seven to eight months before your policy expires. Review it for open claims and confirm current information before the data is reported to NCCI.

Don't get caught off guard! Focus on risk management, loss prevention, and claim management to help your business remain competitive and thrive. Whether you are a current client of Federated Insurance or not, tap into your local marketing representative's knowledge of the Workers Compensation Experience Modification.

**Not available in all states.*

This article is intended to provide general information and recommendations regarding risk prevention only. The recommendations do not guarantee reduced losses, lower premiums, or lower experience modification factors. The content provided is accurate as of February 2015 and is subject to change. This information may be subject to regulations and restrictions in your state and should not be considered legal advice. Qualified counsel should be sought regarding questions specific to your circumstances and applicable state laws. © 2015 Federated Mutual Insurance Company.

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