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How special is your e-mod?

Understanding why workplace safety and your “experience modification rating” are key to reducing your insurance premium

The “experience modification rating” or “e-mod” compares your workers’ compensation claims experience and safety results to other businesses similar in size who operate in the same industry – for example, it compares carpenters to carpenters, roofers to roofers, restaurants to restaurants, etc.

The e-mod is a valuable workplace safety incentive factor that is directly related to the losses incurred during prior policy terms. An “experience rating,” then, is a factor that is calculated for each business using claims and payroll data. The e-mod factor is calculated for any given year using the data from the three year period preceding the most recent calendar year.

If you are at the industry average, your e-mod is a 1.00. An experience modification **less than 1.00 will decrease** your final premium. An experience modification **greater than 1.00 increases** your final premium.

The primary benefit of the experience rating plan is that it tailors the cost of insurance to match the qualifying policyholder’s own loss experience. It affords the policyholder an opportunity to affect his or her insurance costs by engaging in measurable and meaningful loss prevention and loss reduction programs.

Factors that determine e-mods:

1. Number and frequency of accidents – A business with one \$25,000 claim will fare better than a business with five \$5,000 claims. Frequent claims point to a pattern of poor workplace safety.
2. Cost of accidents/claims – Each claim’s incurred losses (i.e., paid claim costs plus reserves) are calculated.
3. Size of your business – Business size is a stabilizer, so the employer with fewer employees is not unduly penalized.



Eligible policyholders who implement effective safety and claims management processes can be rewarded over time with a lower e-mod.

Premium Calculation Example:

The impact of experience rating is depicted in our example below. It illustrates the possible variance in premium of a medium-sized electrical contractor in Maryland, with the e-mod multiple as the variable:

Payroll/100	x	Rate	x	Experience Mod	=	Premium
\$200,000/100	x	\$10.11	x	1.86	=	\$37,609/year
\$200,000/100	x	\$10.11	x	1.00	=	\$20,220/year
\$200,000/100	x	\$10.11	x	.82	=	\$16,580/year

While you cannot reduce the rate, you can reduce your e-mod factor. As you can see, the lower your losses, the lower your experience modification rating factor, and the lower your premium will be. So, workplace safety really does save!

Rating plan eligibility

If you are a new policyholder with Chesapeake Employers and are currently experience rated by the National Council on Compensation Insurance (NCCI), the NCCI Experience Modification is applied to your policy. If you are a new policyholder with Chesapeake Employers and do not qualify for an NCCI Experience Modifier, the Chesapeake Employers' e-mod will be a 1.00 until such time that you qualify for the Chesapeake Employers' Rating Plan. New Chesapeake Employers' policyholders usually become eligible for the rating plan at the third policy renewal, provided premium for the three-year rating period combined is \$3,000 or greater. This is a unique Chesapeake Employers' benefit for smaller employers, as our competitors set their rating plans baseline at \$5,000 per year.

The best way to achieve a favorable experience rating is to:

- Be free from accidents and injuries;
- Minimize your losses;
- Report all injuries immediately to Chesapeake Employers; and
- Establish a return-to-work program to control your lost-time injuries.

Helping you prevent occupational injuries is Chesapeake Employers' ultimate goal. The bottom line is that you can save money – and lives.

If you have questions about your premium or experience modification, please contact your agent partner or your underwriter. If you need assistance with your workplace safety training program, please call Chesapeake Employers' Customer Contact Center at 410-494-2000 (local) or 1-800-264-4943.

Main factors used in calculating workers' compensation insurance premium

Payroll – is indicative of the payroll size of the workforce and the number of hours worked. It measures workers' compensation exposure in the same manner as does auto insurance, which measures the number of cars and drivers per household.

Classification base rates – are derived from recent data that reflect the inherent risks and average losses of all insureds in a given occupation. Insureds with similar risks assume the same classification base rate. In the example at left, a medium-sized electrical contractor is charged \$10.11 for every \$100 of payroll.

Experience rating – allows for an adjustment to your personal premium rate. It reflects your claims history compared to others in your classification. Premiums are adversely affected if your experience rating is worse than average; premiums are positively impacted if your experience is better than average.

Premium – is the price you pay for insurance coverage. It is a fair and adequate amount that has been determined to cover anticipated losses and expenses of a respective business.

Chesapeake Employers' specialists can help you improve your safety record, better manage your claims and get your e-mod back into shape.