

# **The Insurance Learning Center**

## **Your Worker's Comp Insurance "Experience Modification Rate"?**

**Lower your Insurance premium. "Using the Aerial Tool Bin™ Can help meet that goal"**

### **What is your 'Experience Modification Rate'?**

**It is important to first state that your company's Experience Modification Rate only applies to your workers' compensation policy. In simple terms, your "Experience Mod" compares your workers' compensation claims experience to other employers of similar size operating in the same type of business. If you have less claims than other companies of the same size and industry you will receive a higher Experience Mod ratio. This ratio results as a discount. Experienced companies that monitor their workers' compensation premium understand and utilize their Experience Mod annually.**

**Understanding your experience modification rating and monitoring it regularly is key in reducing your Workers' Compensation costs. It is also an excellent measure of how your loss prevention and control practices stack up to others in your industry. Companies who effectively manage their Safety Programs not only understand how this works, but also have assigned someone to monitor this on a regular basis. It has a direct correlation to how much you pay in Workers' Compensation Premiums.**

### **Finding your Experience Modification Rate**

**Typically you will receive an Experience Modification Rating Sheet each year prior to your policy renewal date. Your Experience Mod is listed on the declarations pages of your workers' compensation policy**

### **Effects outside of discounting your premium.**

**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.**

**Most companies who's annual premium is in excess of \$3,000 will receive an Experience Modification Rate. 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 calculating agency your class codes, payrolls and losses for the last five years. for cost reductions. Remember this years claims will affect your Experience Mod next year.**

### **Example of Experience Modification Rate applied to your premium**

**Class Payroll Rate Per Premium Code \$100; Class Code 8810 =\$8.5 per hundred in payroll**

**Annual payroll = \$800,000; Annual Workers' Comp premium = \$66,000**

**Experience Mod= 1.20 = add to premium \$13,200 (20% worse than industry) = Modified Premium \$79,200**

### **Example of how using the Aerial Tool Bin™ Can help lower your Experience Modification Rate**

**Therefore, 11 workers x a \$70 Bin each = \$770 to save \$13,200!**