

Understanding the Driver of Your Workers' Compensation Premium Expense



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With Workers' Compensation premiums being one of your largest insurance related expenses, it's very important to understand how these premiums are calculated and what you can do to better manage this expense. In this article, we will discuss the Workers' Compensation experience modification and how this factor impacts your premiums.

What is the Workers' Compensation experience modification?

The Workers' Compensation experience modification is a rating factor that looks at three years of Workers' Compensation history at a time. It's based on how your claim history compares to other businesses of similar size and types of employees.

It may be a single number, but it can have a big impact on your premiums. Here's what it looks like in practice. A Workers' Compensation experience mod of 1.0 represents the industry average. If your business has had greater than average risk, your mod would be greater than 1.0, thus resulting in a higher premium. Conversely, if your business has been performing better than expected from a risk standpoint, your mod would be less than 1.0, saving you money on your premium.

For example, say the average premium in your industry is \$100,000 and your business has done a great job controlling its Workers' Compensation risks, resulting in a mod of 0.75. Your adjusted premium would then be \$75,000.

What can I do to control my experience modification?

Now that we've looked at what the Workers' Compensation experience modification is and just how much of an impact it can have on your premium, let's look at how you can control it. Here are 5 steps you can take in your business to get your mod under control:

1. Self-inspect your workspaces or have an outside source conduct an inspection

There are experts on how to provide a safer work environment and understanding what your risk factors are who will help you prioritize corrective measures.

2. Develop a safety program, educate employees on expectations and their responsibilities for safety, and document both

You can also hold employees accountable by writing a policy into the program that disciplines them for breaking the rules or rewards them for following them. Make senior management visible in the safety effort and show that they support improvement.

3. Be sure to investigate accidents immediately and thoroughly

You need to take corrective action to eliminate hazards and be aware of fraud.

4. Report all claims to your carrier right away, and bring any serious, potentially serious, or suspect claims to their attention

A delay in reporting a claim could affect the employee's medical treatment, potentially aggravating the injury and delaying their return to work, as well as increasing your costs. According to a report by the National Council on Compensation Insurance, a claim reported two weeks after the incident cost an average of 18% more than claims reported during the first week, 30% more during weeks three and four, and 45% more after four weeks.

5. Take an aggressive approach to providing light duty to all injured employees upon their release from treatment and returning to work

Supervise light duty employees to ensure they conform to the restrictions. This protects both the employee and your business.

It's difficult to eliminate all the potential exposures workers face while providing valuable services to your patients. However, with proper planning and management, you can significantly reduce these risks, and more importantly, keep your employees safe.

There's a lot to take in and consider. But, controlling your Workers' Compensation experience mod, and therefore your premium spend, really comes down to good risk management practices and working with a partner who understands your unique risks.

At VGM Insurance, we have developed an exclusive Workers' Compensation product specifically designed for the home healthcare industry. To learn how VGM can help you reduce the risk of injury for your employees, contact us today at info@vgminsurance.com or call us at **800-362-3363**.