

## **EXPERIENCE MODIFICATION FACTOR**

- Factor reflects how the safe performance of an employer is compared to similarly classed employers
- Acts as a "Safety Grade" with 1.0 being average (1.0 requirement)
- Takes into account payrolls, class codes, and claims history over three years
- The Mod factor is multiplied against an employer's work comp premium resulting in a increase or decrease in premium.
- Mod factors are released each year (NCCI/WCRB/State WC Bureaus) and should be reviewed for accuracy.

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|-----------|---------|------------|-----------|--------|-----|--|

| remiu    | m develo     | opment              |                             |        |                 |
|----------|--------------|---------------------|-----------------------------|--------|-----------------|
| State    | Code         | Classification      | Remuneration                | Rate   | Premium         |
| WI       | 3629         | Machined Parts Mfg. | \$201,809                   | \$3.63 | \$7,326         |
| W        | 4410         | Rubber Goods Mfg.   | \$226,326                   | \$5.75 | \$13,014        |
| W        | 4452         | Plastic Mfg.        | \$821,533                   | \$5.41 | \$44,445        |
| W        | 7380         | Drivers             | \$49,383                    | \$6.84 | \$3,378         |
| W        | 8742         | Salespersons        | \$81,294                    | \$0.61 | 5496            |
| W        | 8810         | Clerical            | \$256,683                   | \$0.25 | \$642           |
|          |              |                     |                             | Total  | \$69,301        |
| Manual   | premium      |                     |                             |        | \$69,301        |
|          | of our right |                     |                             |        | 150             |
|          | nce modific  | sation 0            | .95 (0.80)                  |        | -3,473          |
|          | discount     |                     |                             |        | -5,094          |
|          | n charge     |                     |                             |        | 491             |
|          | timated pr   |                     |                             |        | 220<br>\$61,595 |
| Total es | amated p     |                     | udit adjustment at policy e |        | \$61,390        |

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## **EXPERIENCE MODIFICATION FACTOR**

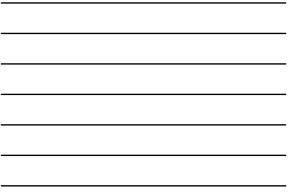
- For WI, a rate is set by the State per \$100 of payroll for each job classification:
  - Office Clerical, 8810, \$0.24
  - Sales, 8742, \$0.59
  - Machine Shop, 3632, \$4.16
  - Meat Product Processing, 2095, \$6.27
  - Printing, 4299, \$2.65
  - Transportation, 7380, \$6.84
  - Roofing, 5551, \$28.73

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Payrolls by class code x class code rates x Mod = Premium Projection & Audit

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| VCRB           | Class Co                         | ode Looku   | р               |
|----------------|----------------------------------|-------------|-----------------|
| Back to S      | earch (Enter 4 digit) Code: 5551 | Code Lookup | >> New Search   |
| ROOFING ALL KI | NDS & DRIVERS                    |             |                 |
|                | Statu                            | is: Active  |                 |
| Effective D    | ate Expiration Date              | Rate        | Minimum Premium |
| 10/01/201      | 6 -                              | \$28.73     | \$900.00        |
| 10/01/201      | 5 09/30/2016                     | \$26.72     | \$900.00        |
| 10/01/201      | 4 09/30/2015                     | \$28.72     | \$900.00        |
| 10/01/201      | 3 09/30/2014                     | \$26.10     | \$900.00        |
| 10/01/201      | 2 09/30/2013                     | \$28.04     | \$900.00        |
| 10/01/201      |                                  | \$26.71     | \$900.00        |
| 10/01/201      |                                  | \$31.04     | \$900.00        |
| 10/01/200      |                                  | \$33.37     | \$900.00        |
|                | 8 09/30/2009                     | \$34.47     | \$900.00        |
| 10/01/200      |                                  | \$37.36     | 5900.00         |
| 10/01/200      | 7 09/30/2008                     | \$31,30     |                 |



## **EXPERIENCE MODIFICATION FACTOR**

- Your 2017 Experience Mod is created from losses that occurred in 2015, 2014 and 2013 formula excludes the most current year.
- Different claims impact the Mod differently Medical Only, Lost Time, and Severity
- Reducing injuries will lower the Mod, which lowers the workers' compensation premium.
- What is your lowest potential Mod? Will your Mod increase next year? How much did the John Smith claim impact your premiums? Are our claims over-reserved?
- Adjusters, Management, Supervisory, and Employee teams would benefit from a better understanding (Mod 101 / ModMaster / 2002 adjuster).

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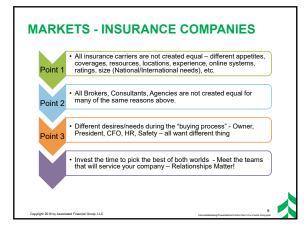
## EXPERIENCE MODIFICATION FACTOR

- If you're a large employer (\$300K+) explore loss sensitive/retro and captive program options.
- The Mod becomes less important, but the strategies to improve the Mod (to prevent injuries) become more important financially.
- If you have solid risk management practices and want more control over the costs of your program, these are viable options to further reduce your insurance premiums.

## **EXPERIENCE MODIFICATION FACTOR**

- · Understand the timing of the Mod and how it's created each year
- Understand how different claims impact the Mod
- · Use the Mod as a tool to teach why Return-to-Work is important
- Target the Top 3 loss drivers in your claims data and tackle those areas to reduce your Mod
- · Make sure your employees are properly classified
- Train employees, make safety part of your culture, and develop a consistent process for reporting claims timely lag time!
- · Don't do it alone, No need to recreate the wheel
- · 3-legged stool Create a Client Service Plan

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### **MARKETS - INSURANCE COMPANIES**

Your insurance company partner will impact your premiums, your ability to do your job, your efficiency – your life

- They also have the potential to positively impact your workplace
  culture for the better
- Invest time in evaluating potential insurance company partners do
  they check the boxes you need?

## **MEETINGS**

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- Getting the best workers' compensation program in place requires a
  Time Investment in the form of meetings:
- Client Service Plan Meetings (every year)
- Mod Analysis (Mod Master Meetings every year)
- Claim Review Meetings (depends on frequency/severity of claims)
- Broker/Agency/Consultant Selection Meetings (3-5 years)
- Insurance Company Interview Meetings (3 years)
- Loss Control / Pre-Inspection / Safety Survey Meetings (prepared?!?)

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- Pre-Renewal & Renewal Discussion Meetings (Negotiations)
- Have you met your underwriter? Important if larger operation
- Captive and Loss Sensitive program evaluation meetings

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# 3 M'S OF WORKERS' COMPENSATION Modification Factor – understand and control Markets – learn about them /qualify them Meetings – worth the investment \*\*\*You don't have to do this alone, and you don't have to recreate the wheel

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## **CONTACT INFORMATION**

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