

In the restaurant insurance world, the workers compensation insurance costs don't typically swing the biggest bat. The restaurant insurance package is typically a larger ticket item. However, with new changes to the way that the experience modification factor is calculated, there are even more reasons to embrace safety in your restaurant. Those work comp claims are now going to cost you more money on your next work comp policy as they cycle through your experience modification factor.

The workers compensation policy is an experience rated policy. This means that if you have good experience, ie fewer losses, then you will pay less over time. Of course this also means that if you have bad experience, then over time you will be forced to pay more for your workers compensation insurance. The tool for handling this is your experience modification factor. Beginning in January of 2013, the way that this factor is calculated is changing and those changes could mean that you pay more or you pay less in future years. Understanding how this works may help you plan for this change and help you find ways to reduce your losses so that your workers compensation insurance premium stays lower.

The experience modification formula is a two part formula. One part is designed to address small losses and the other to address your large losses. By far, the most heavily weighted portion of the formula is the first part, designed to account for small losses. For more than 25 years, this portion of the formula has only counted the first \$5000 of any loss. Beginning in 2013, this number will be increased to \$10,000 and then increased again each year until it reaches \$15,000 in 2015. After that, the small loss limit in the formula will be adjusted upward each year to reflect inflation.

The impact of this change will be different for each restaurant. Most restaurants will now have a bit more impetus to find ways to prevent small losses from occurring in the first place. A second change is that it will be much more important to the restaurant owner to get the injured employee back to work and off of the disability payments as each dollar up to the new limits will count against your modification factor. Let's take an example of a large Florida fast food chain who only focused on reducing slip and fall claims to see how this kind of attention can help save money.

This case study is for a Florida fast food chain with a current work comp premium of \$52,132 per year and an experience mod of 1.35. Remember a 1.35 mod means an additional 35% increase on their work comp costs each year. The study indicated that by reducing their slip and fall claims by 25% would result in a mod drop of 9 points, translating to an annual savings

of \$3716 per year. I think they could buy a lot of no-slip tread shoes for that kind of money. But what if they were able to reduce slip and fall claims by 50%? Well in that case their mod would be reduced by 19 points, generating a savings each year of \$7845. If they were able to reduce slip and fall claims by 75%, then their mod would drop to 1.03, a reduction of 32 points! That would cut their annual work comp costs by \$13,213 per year.

It is clear to me that over time, the new mod formula will put a premium on safety. Knowing about this now, rather than later could give you the edge that you need to beat your competition to the punch on safety issues and give you a competitive advantage by keeping your workers compensation insurance costs lower.

If you would like help with your restaurant insurance, please call us, toll free, at 877-687-7557 or visit us on the web at www.TheRestaurantInsuranceStore.com . We already insure more than 100 restaurants all across NC, SC and TN and would love to help you with any of your restaurant insurance questions.