Most [automotive repair and body shop](#) owners have at least a general knowledge of

[workers compensation insurance](#)

. They know that they need it and they know it can cost a lot of money. But only a few really understand the experience modification factor and what it could mean for their future work comp insurance policy costs. This little primer will help you understand just how important it is to protect your mod and how to do it.

The experience modification factor of workers compensation policies, referred to as the experience mod or just mod for short, is the insurance industry's way of assigning higher rates to businesses with poor loss experience and lower rates to those who have had more favorable loss experience. Each business has its own unique experience modification factor and this factor is applied to the rates on their policy. For example, if you have had a lot of losses, or perhaps a few large losses, you might find yourself with a mod of say, 1.35. If this is the case, then your workers compensation insurance policy premium will be adjusted upward by 35% to reflect your bad experience. Likewise, if your company hasn't has a work comp loss for several years, your mod might drop as low as .80 and this would mean a 20% reduction in your overall [workers compensation policy](#) premium.

So how is this mod calculated? Well, the first thing you need to know is that the mod is calculated based on past experience. That means what happens today will take several years to come back and bite you. Also, the experience period for the mod in North Carolina is 3 years, so once you get some losses in your mod calculation, they will stay there for a while. I want to leave a more detailed explanation of how the mod is calculated to a later blog, but for now, understand that it is not only the number of losses (called frequency) that plays a part, but also the amount paid out (called severity) that impacts the mod calculation. And a little of both, frequency and severity can really run up your mod.

So what can you, as a business owner, do to protect your mod? A lot of how your mod will affect you, both good or bad will be determined by which insurance company you choose for your workers compensation policy. I say this, because, although you may be as careful as you can to avoid injuries among your workers, there is no substitute for an insurance company that is actively working for you to help you prevent claims and reduce the severity of existing claims. So when evaluating which workers compensation policy to purchase, you should consider more than just the cost on the first policy. Find out what that insurance company and that agent are

going to do to keep your costs low over the long term.

 Choose a workers compensation insurance company that will work with you to help you with both prevention and severity reduction. Prevention can come in the form of safety inspections, and loss control techniques that the insurance company can share with you. Reduction can come in the form of programs that help your injured workers get back to work more quickly. Some of the best workers compensation insurance companies even have their own nurses and doctors. Also, you want to purchase your workers comp coverage from a company that assigns case managers to each claim to stay on top of all the medical bills and the disability payments to keep the payout as small as possible.

 At Clinard Insurance Group, in Winston Salem, NC , we specialize in helping the owners of automotive repair and body shops navigate the complex waters of insurance policy and insurance company selection. We can help you find a pro-active insurance company that will help you reduce the number of work comp claims and keep the claims that happen from spiraling out of control. We can also help you with your other insurance needs from
 garage insurance
to
 commercial auto insurance for your wreckers or company trucks
. If you would like help with any of your business insurance needs, please call us, toll free, at 877-687-7557 or visit our
 garage owners insurance help page
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