

Beginning in 2013, the more than 20 year old workers compensation experience modification formula rules will change. These changes to the experience rating plan are designed to give more weight to any given employer's actual workers compensation experience than the old formula is able to do. But for most employers, understanding the changes to how his or her experience modification factor will be calculated is a bit esoteric, even if they do understand the math. In this article, we take a look at the impact of getting your people back to work more quickly and how this imperative affects the final experience mod factors across different industries.

Let's start with a brief overview of what is changing. The formula used to determine your experience modification factor, which we call your mod, is a formula which attempts to compare your actual loss results with those that would be expected based on your class codes and your payrolls. Primary losses, one side of this formula, are currently capped at \$5000. Beginning next year this cap will increase and by 2015 will be more than \$15,000. The impact of this change will be to push bigger numbers to this side of the formula. While the mod changes should be nearly neutral over the entire universe of workers compensation policies, some companies will see big increases while others may see decreases. So how vulnerable is your company and while we are at it, your industry to the potential for large experience modification factor increases?

Of course my first advice is to start with safety and try and prevent as many accidents and injuries as you can. But the focus of this article is what you can do once you've had an accident to keep it from blowing up your mod and thus your workers compensation insurance costs. The number one step you can take is to get your employees back to work as soon as possible. The new mod formula will discount medical only claims by 70% in most states. But when the waiting period is over and the employee is not back to work, then the 70% discount for the medical portion of the claim disappears. So the key for you is to find a workers compensation insurance company that has the loss control and back to work programs that can help prevent you from owning a claim that has gotten deep into the disability coverage of your policy.

The impact of returning to work on the future experience modification factors is not even across all industries. This is because the nature of some industry claims may tilt more or less in the direction of having injured employees who miss time and have to collect disability. Summit Insurance recently released a study of several industries and the anticipated impact of the mods for businesses in those industries depending on whether or not they were able to access an effective return to work program. Here's a sample of what they found. If you are in the automotive repair business then an effective back to work program could reduce your mod under the new formula rules by 6 points. That would be a savings of \$600 per year on a

\$10,000 policy for every claim that you have. Landscapers see a 3 point reduction as do electricians and HVAC. Plumbers are likely to see a 4 point reduction and restaurants could enjoy a 6 point mod reduction per claim for choosing a workers compensation carrier with an effective back to work program in place.

These numbers reveal once again that choosing a workers compensation specialty company with their associated loss control and back to work programs can save you a substantial amount of money in the long run by helping you keep your experience modification factor lower. I urge everyone to take some time to read the loss control and claims costs control features on the web site for the company that provides them with their workers compensation insurance policy. Take advantage of what they offer and implement where you can to prevent losses and to get your injured employees back on the job as soon as possible. If you need any help at all with your workers compensation insurance, please call us, toll free, at 877-687-7557.