

# Experience Modification Factor Demystified

## Prevent Workers' Comp Overcharges

**D**o not get lulled to sleep by any experience modification factor unless it is the lowest possible one for your business. That lowest number should be as etched on your brain just as your blood pressure and cholesterol numbers. That minimum mod factor number is an integral part of your financial health.

Driving your mod down to its minimum is the most profitable way to slash your workers' comp costs. So... do you know what that number is? Figure a 1.00 is a "C" on your Mod Report Card; above a 1.00 is a "D" or an "F." Are you willing to settle for that?

While 10-50% of experience mods are wrong, more than 80% of mods are mismanaged.

### Why is that?

- Rating bureaus use incorrect payrolls
- Costs for employee injuries are entered more than once
- Money recovered from incidents where a negligent third party was at fault (think getting hit by someone running a stop light). Non-at fault incidents are never reported to the rate making authorities to remove them from your records.
- Credits are not applied properly
- Other incorrect data is entered, such as insurance company expenses that should not be charged against your record

The formula to figure all this out penalizes employers for small claims. Small means those under \$2,000 in some states and \$5,000 in others. This penalty can result in your writing a check for \$3 to the insurance company for every \$1 the insurance company spends on your injured workers.

What you most want to prevent is the insurance company writing their checks to replace your injured workers' lost wages.

### What can you do?

1. Prevent employee injuries. Workplace injuries occur mostly from unsafe acts, rather than unsafe conditions.
2. Create alternative duties for injured workers to urge them to return to work immediately so the insurance company does not issue its check for wages. (Remember, it costs you up to \$3 in future premiums for each \$1 the insurance company pays.) Injured workers should only be off for more than 3 days if they are hospitalized, on bed rest, on medication that prevents them from working, or if they are contagious with disease.
3. When an injured worker is off work, communicate frequently so attorney TV ads don't sway them to hire an attorney.
4. Build strong clinic and medical provider relationships with medical folds who understand how the workers' compensation system works.

### CWCAS ARE TRAINED AND CERTIFIED BY THE INSTITUTE OF WORKCOMP PROFESSIONALS (IWCP).

But it doesn't stop there. The IWCP supports its community of Certified WorkComp Professionals with a knowledge base of experienced industry leaders.

The IWCP also contributes regularly to national resources such as [workcompcentral.com](http://workcompcentral.com) and [workerscompensation.com](http://workerscompensation.com), as well as business trades journals, providing timely information for employers on hot topics in Workers' Compensation.

### IWCP WEBSITE

The IWCP public website, [workcompprofessionals.com](http://workcompprofessionals.com), has an entire section dedicated to employers, focusing on how Certified WorkComp Advisors help employers.

### IWCP'S TWO-FOLD MISSION

To prepare insurance professionals to help employers reduce their Workers' Comp costs to the legal minimum.  
To educate employers on the benefits of working with CWCAs.

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