

A Mod Comparison Analysis of
Your Favorite Client, effective 4/1/2009
and
Your Favorite Client , effective 4/1/2010

	Mod Effective Date 4/1/2009	Mod Effective Date 4/1/2010	Variance Analysis	
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THE MOD

Experience Mod	0.86	0.95	Up	0.09
Minimum Mod	0.71	0.74	Up	0.03
Controllable Mod	0.15	0.21	Up	0.06

NOTES:

The mod increased by 0.09 points. This means you are paying more for your premium than you did last year, excluding other changes in payroll, losses, factors and rates.

The minimum mod, the mod if you had no losses, increased by 0.03 points. This reflects changes in your payroll, factors or rates which may be beyond your control but translate to less possible savings in premium over last year, if you reach the minimum mod.

The controllable mod, the amount of the mod caused by your loss history, increased by 0.06 points. You've had a net increase in losses, which usually translates to more premium you must pay.

EXPECTED LOSSES

Expected Losses	\$415,944	\$328,639	Down	\$87,305
Expected Excess	\$354,273	\$279,887	Down	\$74,386
Expected Primary	\$61,671	\$48,752	Down	\$12,919

NOTES:

An increase in expected losses (whether primary or excess) reflects an increase in payroll, factors or rates related to the payroll classifications in your experience periods. This may simply reflect that your company is growing! If your actual losses stayed about the same and your expected losses increased, then your mod would be lower.

A decrease in expected losses (whether primary or excess) reflects a decrease in payroll, factors or rates related to the payroll classifications in your experience periods. This may simply reflect that your company has decreased in size. If your actual losses stayed about the same and your expected losses decreased, then your mod would be higher.

ACTUAL LIMITED LOSSES

2005 Policy Period	\$89,998			Dropped Out
2006 Policy Period	\$36,662	\$36,662		\$0
2007 Policy Period	\$39,875	\$44,699	Up	\$4,824
2008 Policy Period		\$118,009		Added
Total Losses:	\$166,535	\$199,370	Up	\$32,835

NOTES:

If the policy period that dropped out of the mod calculation had a greater amount of losses than the newest policy period added to the most recent mod, then this change alone would likely result in your having a lower mod.

If the policy period that has been added to your most recent mod had a greater amount of losses than the policy period that dropped out, then this change alone would likely result in your having a higher mod.

Changes in the amount of actual losses for a specific policy period from one mod experience period to the next are often due to changes in reserves, although such changes can occur for other reasons related to claim reporting, subrogation, etc. This can help you see why it's important to have reserves set at a reasonable level, since high reserves adversely affect the mod.

While the total losses as evaluated from one experience period to the next may give you an idea of general loss trends, this data is not very meaningful without being compared to expected losses. In other words, a significant increase or decrease in actual losses may be tied to a significant change in the size of the company, as reflected by payroll.



ModMaster Mod Comparison Report

Prepared on 10/19/2009 at 1:51 PM by Kory Wells, Specific Software Solutions

File Favorite Client 10

Update 09.10 applied

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PRIMARY LOSSES

Actual Primary	\$46,603	\$56,675	Up	\$10,072
Expected Primary	\$61,671	\$48,752	Down	\$12,919
Ratio	76%	116%	Up	41%

NOTES:

An increase in actual primary losses may indicate a frequency problem; that is, your company is having too many losses. You may especially want to check your safety programs and safety culture for potential problems.

The ratio of actual primary to expected primary gives you a more complete picture of the frequency of your losses as compared to average. Ratios over 100% deserve your attention, and the lower the ratio, the better.

EXCESS LOSSES

Actual Excess	\$119,932	\$142,695	Up	\$22,763
Expected Excess	\$354,273	\$279,887	Down	\$74,386
Ratio	34%	51%	Up	17%

NOTES:

An increase in actual excess losses may indicate a severity problem; that is, the losses experienced by your company are relatively large and perhaps not medical-only (in states that apply). You may especially want to check your injury reporting and return-to-work policies for potential problems.

The ratio of actual excess to expected excess gives you a more complete picture of the severity of your losses as compared to average. Ratios over 100% deserve your attention, and the lower the ratio, the better.

ESTIMATED PREMIUM ANALYSIS

The amount of actual losses used in the 4/1/2010 mod calculation is \$166,535. These losses have an estimated mod impact of 0.15 and will ultimately cost an estimated \$34,730 in increased premium costs.

