

# Workers' Comp Bottom Line

## in this issue:

### Management Strategies

5 easy steps to a safety incentive program .....1

### Products & Services

Tool enables you to show the true cost of injuries .....2

### Success Stories

Safety initiative shaves \$300K from company's WC premiums...3

### Cost-Control Checklist

What to do when employees flout safety rules .....4

### Cost-Cutting Strategies

Changing claims administrators: What to look for when evaluating service providers .....5

### WC Issues & Trends

Work-related traffic accidents becoming major comp factor .....6

Teleconferencing increasing option In WC hearings.....7

Workplace violence remains significant employer concern .....7

### Industry Watch

Model PEO law gaining favor in comp industry .....8

## Products & Services

### Tool enables you to show the true cost of injuries

by Nancy Germond

Having a hard time convincing managers that injuries and ensuing disabilities drastically impact your premiums?

Then ModMaster may help. Your experience modification factor (emod) is a key component of your workers' compensation premiums. With data furnished by your agent and ModMaster, you can illustrate the true cost of injuries to your organization's management team.

Your emod tells potential insurance carriers if your organization's loss history is better or worse than average. An emod higher than 1.0 is a debit, increasing your premium; a factor lower than 1.0 decreases premiums. You may have heard the industry myth: Shoot for a 1.0. In reality, a 1.0 emod screams "Average!" and potentially leaves thousands of recoverable dollars on the table.

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*Insurance carriers use emods to smooth out losses and to avoid shock hits to premiums.*

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Experience modification formulas are complicated and developed from factors, including your organization's size, loss expectancy, loss history, and differences between your organization's loss frequency and severity.

You should receive an annual emod worksheet, which shows your base premium multiplied by the factor developed from your organization's data. This figure results in your final premium. For example, if the base rate for your organization is \$50,000 and your emod is 1.25, then your premium would be \$62,500. Or, if your emod factor is 0.75, your premium would run \$37,500. With figures like these, it's easy to see why it is critical to control your organization's emod.

Insurance carriers use emods to smooth out losses and to avoid shock hits to premiums. Emods are based on a three-year history of your company's losses, so a claim isn't reflected in your emod for only one year—it affects premiums for three full years. But there's a steep price for this smoothing, according to Tim Coomer with Specific Software Solutions, the developer of ModMaster. "The loss is being financed over three years." It's better, he maintains, to "think of your premiums like a line of credit instead of insurance."

ModMaster offers a variety of management reports. One important one calculates an organization's "minimum emod," the best emod your organization could achieve. ModMaster also calculates your "controllable emod," which illustrates premium reductions lost due to lax safety standards or a deficient return-to-work program. It helps, Coomer said, when you show managers, "Here's the dollars on the table your company can

retrieve” by shoring up risk management practices.”

ModMaster also offers a report that strikingly demonstrates the impact of time-lost claims. “In many states, medical-only claims are reduced by 70 percent before the emod is computed. If the employee loses as much as one day (or receives an indemnity payment), you lose that 70 percent reduction. This makes return to work critical,” Coomer said. “It shows the premium impact because this employee was off one day longer. ‘We lost the medical-only deduction we would have had and it increased premiums \$4,000. Just \$100 in indemnity costs thousands of dollars in increased premiums.’”

Frank Pennachio, president of Work Comp Partners, a Florida agency specializing in workers’ comp and an enthusiastic ModMaster client, uses many of its reports. One he frequently uses shows losses by employee and

their injuries’ impact to your organization. “You’ll see Joe Smith’s claim was \$21,000; it accounted for 3.7 emod points over three years. Over a three-year period, you’ll pay back \$32,457. The employer asks ‘how many jobs do I have to do to put \$32,457 back on the table?’” With hard data like this, tough employment decisions often become crystal clear.

A single ModMaster license costs \$599 a year. While this may seem expensive, you need hard data to garner management support in your organization for return to work and better safety programs. Once you show managers that a \$21,000 claim costs them \$32,457, “They will take ownership of it,” Coomer promised.

► For more information on ModMaster, visit <http://www.specificsoftware.com>.

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