

COSTWATCH

Third Quarter 2021

The AuditRate Newsletter



Taking Control of Your Workers' Comp Costs


A Review of the Experience Mod Factor

An **experience modifier (mod)** is one of three factors used to set an organization's workers' comp premium. It's based on prior payroll and the losses that your company has experienced. Experience mods are normally recalculated annually for an employer by using experience ratings.

An experience mod has a direct impact on the workers' comp premium that you pay. If losses increase, the factor increases, and you pay more in premium. Conversely, you are rewarded for favorable loss experience and can enjoy the benefit of a lower experience mod. This can even result in receiving a credit in your premium calculation.

AuditRate has the expertise and resources to identify errors contributing to your experience mod factor. In addition to reviewing this calculation, our team will:

- Correct the mod, which impacts premiums
- Project future experience mod scenarios based on claim trends
- Review payroll data and classification codes for errors that could raise your premiums
- Recover any overcharges from the insurance company

If we find an error in your experience mod, AuditRate's work is twofold: first, we send the corrected report to the proper insurance rating bureau in order to obtain a new experience mod. Secondly, we have your insurance carrier apply your new experience mod and recalculate your premiums. The best part is that this is a complimentary service! Contact John Przybylski at JPrzybylski@AuditRate.com to schedule a review. 

Why Review An Experience Mod?

- ✓ Correcting or improving your experience mod can reduce your fixed workers' comp costs by as much as 30%.
- ✓ The calculation is complicated, and errors are routinely discovered.
- ✓ A poor or debit experience mod (over 1.0) can negatively impact a company's opportunity to bid on contracts.
- ✓ Identifying cost drivers can allow a business to create and implement targeted loss control and claims processes to reduce the experience mod.

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SUCCESS STORY

Industry: Construction

Policy: Workers' Comp


Company Size: Medium - 100-150 Employees

Errors Found: Experience Mod

Refund: \$30,000

Company: A general contractor with high workers' comp premiums couldn't bid for work due to an above average experience mod. AuditRate was hired to review their numbers.

Findings: During AuditRate's review, we discovered the insurance company had reported the claim of an injured worker that was not their employee. This is not uncommon for a contractor who works with several subcontractors on a job. The artificially inflated experience mod was causing the client to be overcharged in two ways. First, the high experience mod resulted in higher premium costs. And second, the incorrect mod disqualified the client from applying for their Contractor's Credit.

Impact: AuditRate had the mod corrected and argued the contractor's case to receive the credit, which saved them an additional 40%. In total, they saved over \$30,000 in workers' comp premium costs. The second advantage to the corrected experience mod was in the new business the client gained. A mod under 1.00 is favorably looked upon in the industry and meant the contractor could bid on new projects. 

What Three Areas Does the AuditRate Team Focus On During An Audit?

Experience Mod Score - Your mod is based off prior payroll and loss data, which is used to help set your workers' compensation premiums.

Payroll Exclusions - Payroll expense drives your workers' comp premium – the higher your total payroll, the higher your premium. By law, you are allowed exclusions.

Classification Errors - The NCCI, and other independent jurisdictions, use nearly 600 unique class codes to differentiate between job duties. These codes are then used to set your premium rates.

To review these factors specific to your business, contact John Przybylski at 312-335-2152 or JPrzybylski@AuditRate.com