



Geared  
for  
Success

3 minutes to  
insurance  
understanding...

Save money and  
cover your  
fatal gaps.

Whitaker-LaChance  
2176 East Centre  
Portage, Mi. 49002  
P 269-324-7700 ext.18  
F 269-324-6990  
Jerry Whitaker

## Workers Compensation: Are you paying too much?

It's your money

The Workers Compensation Rating Bureau assigns a class code based on the kind of work you do to your business and all businesses like yours in your state.

Beside your proper class code, the most significant consideration used to determine your cost is your safety record. The fewer accidents, the lower your rate may be.

### **Factors you control that influence your rates:**

- Your crew and equipment
- Your payroll
- Your length of time in business
- Your attitude about employees and safety.

### **Assessing your risk; evaluating your experience modification**

Insurance companies have different methods for determining risk, but your **experience modifier** is one all insurance companies use. Your experience modifier is calculated by a service organization, not your insurance company.

By definition the "experience rating" is the modification of your manual (filed with the state) premium based on the deviation of your loss experience from the loss experience of the average risk in your class of business."

In non-insurance terms, if your operation is less safe than the average risk in your class, then your "experience mod" will be above "1." If your operation is safer than the average risk in your class, then your "experience mod" should be below one.

If you are a .7 for example, your premium should be 70% of the premium filed in your class, or 30% below the average. If you are 1.3, you'll be penalized and pay 30% more than the average risk like you.

### **Determine your experience modification:**

Your experience mod is calculated by using 3 completed years of work ending one year prior to the effective date of the current "mod." That means your most recent year's experience is not used.

The average is a moving target. If your safety record improves and the average improves by the same amount, your premium will not change.

Then, the insurance company is allowed to deviate from these filed rates. This deviation is the insurance company's guess of your future performance. If the insurance company sees you as a risk that cares about safety and employees, you may receive a deviation from the filed rates.

It's critical to meet about four months after your policy expires to review all the claims that occurred during the past policy year to be sure the insurance company is accurately estimating the future cost of the claims they are still paying on.

These claim's figures go to the rating bureau at the end of six months after your policy expires. You want those numbers to be as accurate as possible because they are used as part of your experience mod calculations.

Calculating your premium is complex, but not arbitrary. You control a good part of it by what you do and how you do it.