



# 10 Things You Should Know to Lower Your Ex-Mod and Reduce Costs

Our Presentation Will Begin Soon



# **10 Things You Should Know to Lower Your Ex-Mod and Reduce Costs**

ICW Risk Management Services



Today's Presenters:

**Jim Stanco**

Assistant Branch Manager

## Topics:

- What it is & how it packs a punch
- Ex-mod how it can ruin your day
- COVID-19 impacts
- Top 10 things YOU can do!
- Helpful Resources



# Topics:

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# What factors into your work comp premium?

- Payroll by Class Code
- Company Manual Rates
- Schedule Rating

**Ex-Mod**

***The one thing you  
can control!***

# What is Ex-Mod?

Experience Modification factor

Merit rating system:

1. Measures how your company is doing.
2. Compares to other companies in same industry.
3. Then applies this “factor” to your rate.

## What is the Ex-Mod based on?

Based on payroll and loss data submitted for each policyholder.

**Average Ex-Mod for all class codes = 100% or (1.0)**

If you're "better than average", Ex-Mod = **below 100%**

If you're "worse than average", Ex-Mod = **over 100%**

***Always strive to be BELOW average (100%)!!***



# What is “Payroll by Class Code?”

Class codes vary by industry and are developed through your State Classification System.

- There are hundreds of class codes!
- Any business specifically described by a classification must be assigned to that classification.
- Any business not specifically described by a classification must be assigned to the most analogous (most similar) classification.

# What is “Payroll by Class Code?”

- Typically job titles are reflected in the Class Code

## For example:

8810 (Clerical) could be assigned to an office worker

3030 (Iron or Steel Works) could be assigned to an iron worker

- Payrolls on your policy are organized by each Class Code assignable to your company and will vary depending on the exposure.
- Remember, Class Codes can vary by state!

# What are “Manual Rates?”

Manual rates vary by industry and are developed through State Classification System.

- Carriers charge for “Average Risk” for class code.
- Include:
  - Costs to pay claims
  - Company overhead and expenses
  - Profit margin

## What are “Manual Rates?”

Manual Premium is determined by applying the Manual Rate to each \$100 of payroll.

<i>CLASSIFICATION</i>	<i>PAYROLL</i>	<i>MANUAL RATE</i>	<i>MANUAL PREMIUM</i>
<i>7219</i>	<i>255,000</i>	<i>12.30</i>	<i>31,365</i>
	<i><math>255,000/100 \times 12.30 = 31,365</math></i>		

## What are “Manual Rates?”

Modified Premium is determined by applying your Ex-Mod to the total Manual Premium.

<i>Total Manual Premium</i>	<i>31,365</i>
<i>Experience Modification</i>	<i>x .95</i>
<hr/>	
<i>Modified Premium</i>	<i>29,797</i>

# What is “Schedule Rating?”

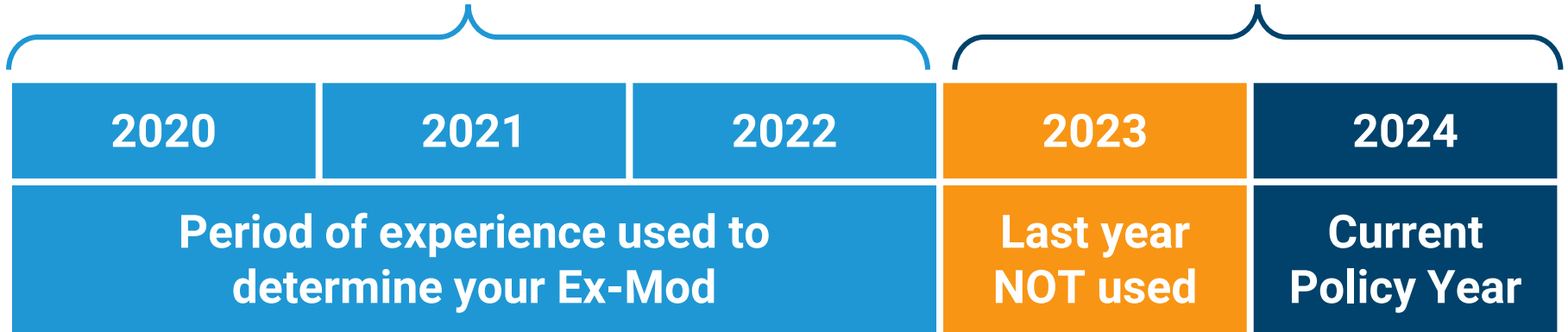
- Schedule Rating can vary greatly
  - Schedule rating involves either reducing or increasing a policyholder's premium and relates to how much risk the insurer wants to assume.
  - Credits and debits are determined by Underwriters based on the unique characteristics of your operation.

## How is it calculated?

Calculated from payroll loss data over “3-year period”

**3-year period calculated for  
2024 Ex-Mod**

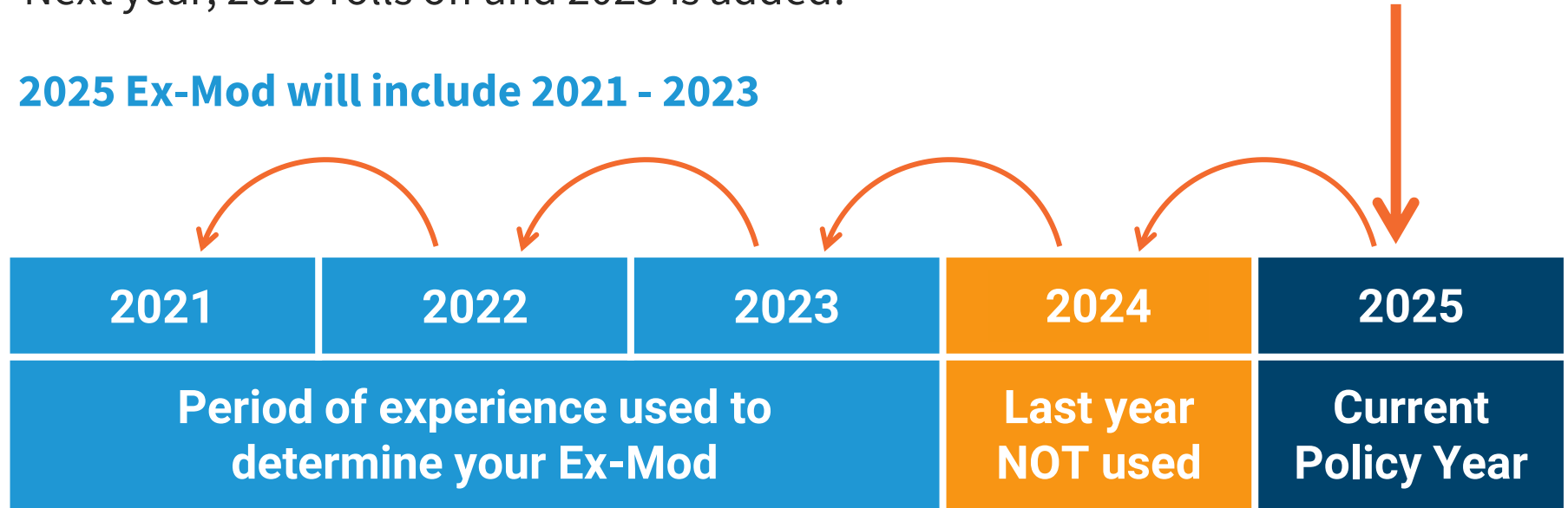
**Current and last year  
*not included***



## How does the calculation update annually? (Rolling Average)

Next year, 2020 rolls off and 2023 is added!

**2025 Ex-Mod will include 2021 - 2023**





# Are all states the same?

Some state calculations differ slightly

- May also include frequency and severity of your work comp losses and payroll classification

2021	2022	2023	2024	2025
Period of experience used to determine your Ex-Mod			Last year NOT used	Current Policy Year

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## Ex-Mod is major impact on your bottom line!

If you start with a \$40,000 base premium...

**.75 Ex-mod = \$30,000**

**1.25 Ex-mod = \$50,000**

**If your Ex-Mod is above 125%...**

Ex-mods of 125 and over place your organization on the....

# OSHA Target List

**High injuries + high claims =**

More Injuries contribute to...

# Lower Morale

Show them you care by sending them safely home to their families



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## COVID-19 Impacts

Refer to your state's COVID-19 procedures!

- **Keep separate, accurate, verifiable records** for furloughed employees being paid but not working.
- **Maintain properly segregated payroll records** for employees whose duties changed while working from home.
- **If records not maintained** *all payroll* could be assigned to the highest rated applicable classification.

**You can never go wrong keeping great records**

# COVID-19 Impacts

Refer to your state's COVID-19 procedures!

- Claims attributable to COVID-19 that meet state's requirements **will not impact your Ex-Mod.**
- Pandemics are rare and generally considered catastrophes because of scope and severity.



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# Practical Approaches you can do now to

- Improve your culture of safety
- Lower injuries
- Lessen abuse and fraud
- Achieve long-term savings

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Insurance Companies

**10 THINGS YOU SHOULD KNOW TO LOWER YOUR EX-MOD & REDUCE COSTS**

**1 START WITH A "TOP-DOWN" COMMITMENT TO SAFETY.** Safety should be emphasized by all management on a daily basis & included in performance reviews.

**2 ESTABLISH YOUR WRITTEN SAFETY PROGRAM.** Incorporate incentives & disciplinary plan into the program. Ensure all employees take this seriously.

**3 CLEARLY DEFINE PROGRAM OBJECTIVES & MEASURE PERFORMANCE.** Align management with loss reduction goals & provide clear actionable objectives.

**4 TRAIN & REWARD - OFTEN.** Don't leave anything to chance. Teach employees correct behavior & reinforce constantly.

**5 COMMUNICATE, COMMUNICATE, COMMUNICATE.** "Talk safety" - use posters & other reminders to firmly instill in your culture.

**6 THOROUGHLY EVALUATE ALL EMPLOYEES.** Focus on your safety culture, hire safety-minded individuals & complete background checks.

**7 PROMOTE CONSISTENT ENFORCEMENT OF SAFETY RULES.** Enforce of across your organization, from executives, managers, workers & visitors.

**8 INVESTIGATE ACCIDENTS & NEAR-MISSES IMMEDIATELY & THOROUGHLY.** Take corrective action to eliminate all hazards - even if no injury occurred.

**9 CONTROL LOSSES AFTER-THE-FACT.** Communicate with all parties, promote Return-to-Work programs & follow best practices to reduce abuse & fraud.

**10 PARTNER WITH ICW GROUP.** We'll help you mitigate risk, grow your safety culture & proactively manage claims.

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# Start with a “Top-down” commitment to safety

- Safety should be emphasized by management on daily basis.
- Included in performance reviews.
- A statement letter or notice from ownership means a lot. It sets the tone!



# Establish your written safety program

- Incorporate incentives & disciplinary plan into the program.
- Ensure all employees take this seriously.
- Clearly define & assign responsibilities & accountabilities.



# Clearly define program objectives & measure performance

- Align management with loss reduction goals & provide clear actionable objectives.
- Manager's departmental goals in-line with executives.
- Supervisors have safety action goals.

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# Train & Reward - often

- Don't leave anything to chance.
- Teach employees correct behavior & reinforce constantly.
- Effective, job specific, well-documented and easily understood.



# Communicate, communicate, communicate

- “Talk safety” constantly.
- Use posters & other reminders to firmly instill safety in your culture.
- Make it part of your vocabulary, everyday workflow.



# Thoroughly evaluate all employees

- Focus on your safety culture when you hire.
- Interview for safety-minded individuals.
- Complete background checks to look for red flags.





# Promote consistent enforcement of safety rules

- Enforce all across your organization.
- Include executives, managers, workers & visitors - no one is exception.
- Model correct behaviors!

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# Investigate accidents & near-misses immediately & thoroughly

- Take corrective action to eliminate all hazards – even if no injury occurred.
- Complete Accident Investigation form to help plan and prevent
- Follow-up with safety observations to ensure risk is controlled.

The image shows two overlapping Accident Investigation Forms from ICWGROUP. The top form is titled "S.T.E.P. UP TO A SAFER WORKPLACE Accident Investigation Form". It includes sections for "Report completed by", "Employee name", "Level of body injured", "Location occurred", "Part of workday", "PPE worn at time of incident", and "Equipment involved". The bottom form is partially visible and shows "Organizational causes".

# Control losses after-the-fact

- Communicate with all parties.
- Promote Return-to-Work programs.
- Follow best practices to reduce abuse and possible fraud.

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# Partner with ICW Group

- We're here to help!
- We'll work with you to help mitigate risk, grow your safety culture & proactively manage claims.



# Partner with ICW Group

To help you lower your Ex-Mod, every policy includes :

- Risk management services
- Safety training, LMS, webinars, materials
- Free HR services
- Aggressive fraud investigations
- Proactive claims management.



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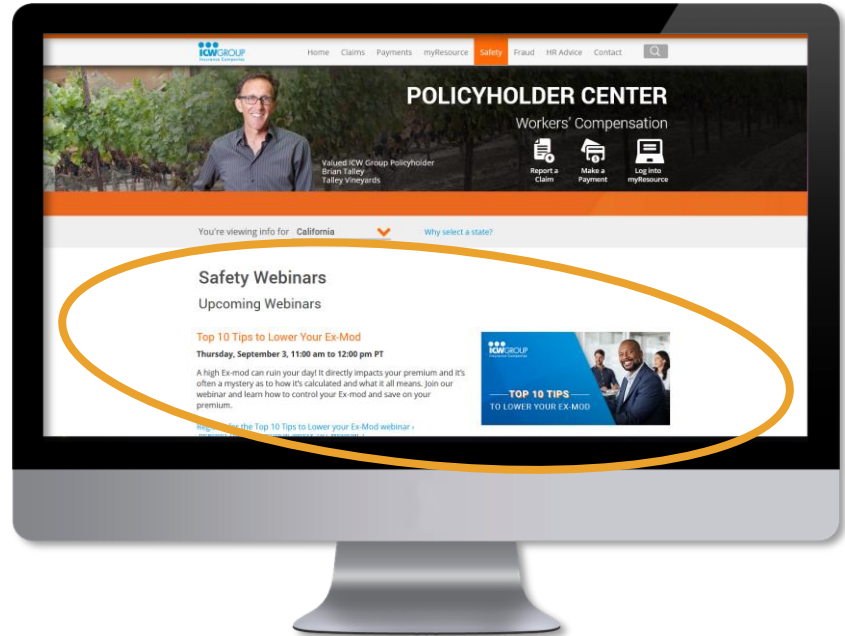
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# ICW Group Policyholder Website!

Find all resources!

- Safety Area
- Safety Webinars
- **Top 10 Tips to Lower Your Ex-Mod**





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QUESTIONS?