



## CONSTRUCTION PRACTICE

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# Understanding experience modification rate (EMR) for workers' compensation insurance

## Manage your MOD

Understanding and managing your experience modification rate (EMR or MOD) is essential for controlling your workers' compensation costs and maintaining a strong safety record. Below are key steps for effectively managing your MOD:

### **Know your dates and review your claims**

Your MOD is based on claim loss data, which is reported by your insurance company to the state rating bureau three to six months prior to your policy renewal, depending on the governing bureau. It's important to review incurred and reserve numbers on each claim to confirm they are accurate before they are submitted to the rating bureau. This helps you avoid surprises and ensure that any potential decreases in individual claims are captured, which could lower your EMR.

### **Make sure your payroll audits are correct**

Your payroll data plays a critical role in determining your EMR. If your payroll audits are incorrect, especially if they underreport payroll, your EMR will be impacted. Make sure to review and confirm that your payroll audits are accurate, as errors in payroll reporting are not uncommon.

### **Audit your experience MOD worksheet annually**

Once your EMR is published, check your payroll and loss numbers against the data reported by your insurance

company. Rating bureaus and insurance companies can sometimes make mistakes when reporting data. It's essential to ensure that everything is accurate and consistent. Additionally, if you're enrolled in any wrap-up programs, such as OCIPs or CCIPs, this information should be reviewed carefully.

### **Watch out for wrap-ups (OCIPs and CCIPs)**

Wrap-up programs can have varying effective and expiration dates, which affect the reporting of claims and payroll data. Be sure to get loss runs and confirm payroll data with the wrap-up program administrator. It's crucial to verify that the data on the EMR worksheet aligns with your records, as mistakes, such as incorrect payroll data or claims from other contractors can appear on your report. These errors can easily be corrected, but they require attention.

### Project your MODs annually

It's important to project your MOD annually (about five months in advance of your policy renewal). By reviewing your audited payrolls and current loss data, you can estimate how your MOD will change. If you're dropping a significant claim or adding more payroll, projecting these changes will allow you to adjust your workers' compensation rates in your bids and budget.

### Know the impact of each claim

Reports can help you understand the impact of each claim on your EMR and how it affects your insurance premiums. While claims are often handled by the insurance company, it's crucial for those managing and supervising projects to understand how each claim impacts both the EMR and the premium dollars your company pays. This knowledge enables you to better manage costs and improve your safety protocols.

## Key takeaways for managing your MOD

- Regularly audit your payroll and review your claims to ensure accurate reporting
- Be cautious of wrap-up programs and verify data with administrators
- Project your MOD early to anticipate changes and adjust bids accordingly
- Understand the impact of each claim on both your EMR and premiums

By staying proactive and vigilant, you can effectively help manage your experience modification rate, reduce your workers' compensation costs, and maintain a safer workplace.



**Connect with us** to find out how we can help you manage your MOD and workers' compensation costs more effectively.

