

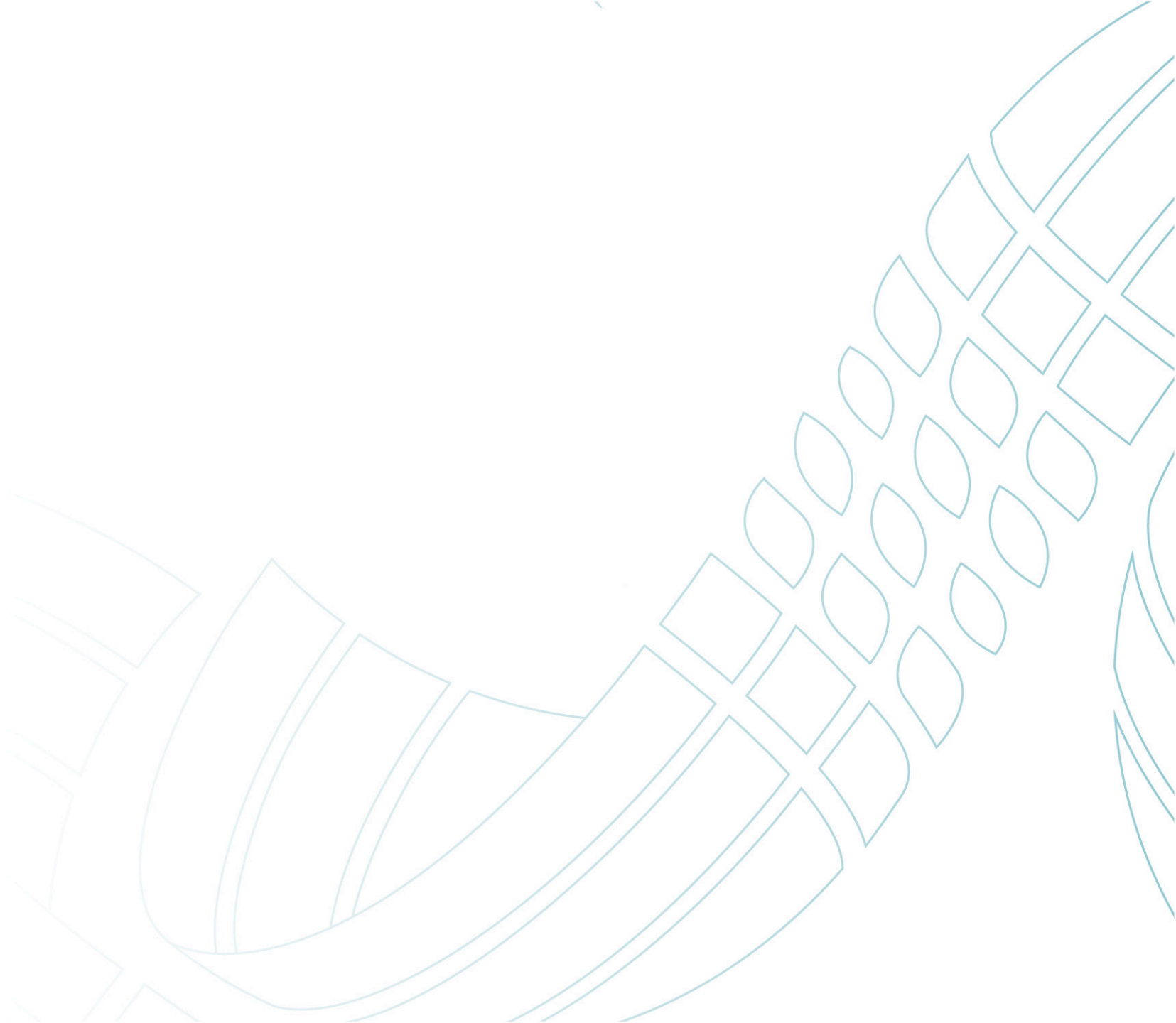
Demystifying Your EMR (Experience Modification Rating)

Presented by
Kelly Pina, CSP, CSHM, OHST

March 27, 2024

Content

- Worker's Compensation
- EMR
- Variables
- Calculations
- Lowering EMR



Worker's Compensation

- Workers' comp is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment



What is an EMR?

- Experience Modification Rating (EMR) - metric used by insurance carriers to gauge both the past cost of workers' compensation claims and the future probability of additional claim costs.
- Compared to the average losses of other employers in your state in the same industry

Rating of 1.00 = Industry Average

Values > 1.00 = Company with Poor Records

Values < 1.00 = Company with Good Records

Why is it Important?

- Direct correlation to how much pay in Worker's Compensation premiums
- Direct effect on overhead
- Effect on total bid price
- Considered measure of how your loss prevention and control practices stack up to other in your industry
- Safety conscious corporations are refusing to use the service of vendors or subs if excess of industry average

What Are The Variables?



Frequency



Severity



Payroll

Split Point

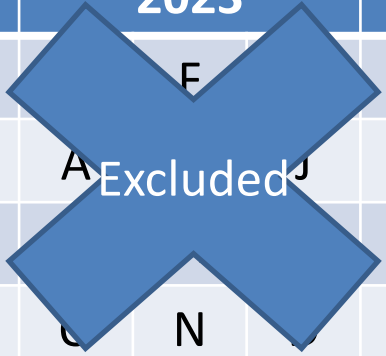
Loss Amount	State per Claim Accident Limitation	Primary Loss (Frequency)	Excess Loss (Severity)
\$500,000	\$250,000	\$17,500	\$232,500
\$100,000	\$250,000	\$17,500	\$82,500
\$5,000	\$250,000	\$5,000	\$0

Classification System

- The base premium is calculated by dividing a company's payroll in a given job classification by 100
- Then divide by a 'class rate' determined by the National Council on Compensation Insurance (NCCI) that reflects the inherent risk in that job classification
- Example- structural ironworkers have an inherently higher risk of injury than receptionists, so their class rate is significantly higher

Calculated Years

2020			2021			2022			2023			2024		
J	F	M	J	F	M	J	F	M	J	F	M	J	F	M
A	M	J	A	M	J	A	M	J	A	M	J	A	M	J
J	A	S	J	A	S	J	A	S	J	A	S	J	A	S
O	N	D	O	N	D	O	N	D	O	N	D	O	N	D



How Does it Affect your Premium?

Class Code	EMR	Payroll	Rate Per \$100	Premium
5183	.80	\$800,000	\$8.25	Payroll x EMR/100 x Rate Per \$100 = \$52,800
5183	1.20	\$800,000	\$8.25	Payroll x EMR/100 x Rate Per \$100 = \$79,200

Rating Worksheet

- NCCI states- Modifier should be calculated by the NCCI
- Business operates in a monopolistic or independent state- Modifier is likely calculated by your state's workers' compensation rating bureau
- Worksheet that shows how the number was calculated
- It lists the relevant class codes and applicable payrolls, claims numbers and losses used in the calculations

Worksheet Headers

00-ANY STATE			Firm ID:	Firm Name: ANY INSURED						
Carrier: 00000			Policy No. 20X1UNIT	ER Date: 01/01/20X1	Exp Date: 01/01/20X2					
Code	ELR	D-Ratio	Payroll	Expected Losses	Exp Prim Losses	Claim Data	LJ	OF	Act Inc Losses	Act Prim Losses
8288	3.50	.27	485,000	16,275	4,394					
8380	.96	.33	4,275,500	81,043	13,545					



WORKERS COMPENSATION EXPERIENCE RATING

Risk Name: ANY INSURED
Risk ID: 990123456

Rating Effective Date: 01/01/20X5
Production Date: 10/01/20X4
State: ANY STATE

8748	.31	.33	2,388,450	7,435	2,454					
8810	.11	.35	4,000,000	4,400	1,540					
Policy Total:			10,234,500	Subject Premium:	102,851	Total Act Inc Losses:		29,576		

00-ANY STATE			Firm ID:	Firm Name: ANY INSURED						
Carrier: 00000			Policy No. 20X3UNIT	ER Date: 01/01/20X3	Exp Date: 01/01/20X4					
Code	ELR	D-Ratio	Payroll	Expected Losses	Exp Prim Losses	Claim Data	LJ	OF	Act Inc Losses	Act Prim Losses
8288	3.50	.27	250,000	8,730	2,363	NO. 14	05	*	28,000	28,000
8380	.96	.33	3,025,350	29,043	9,584	1700001	05	F	49,985	18,000
8748	.31	.33	1,645,650	5,102	1,684	NO. 5	06	*	6,000	6,000
8810	.11	.35	3,000,000	3,300	1,155	1700002	06	F	17,359	17,359



WORKERS COMPENSATION EXPERIENCE RATING

Risk Name: ANY INSURED

Risk ID: 990123456

Rating Effective Date: 01/01/20X5

Production Date: 10/01/20X4

State: ANY STATE

00-ANY STATE Firm ID: Firm Name: ANY INSURED

Carrier: 00000 Policy No. 20X1UNIT Eff Date: 01/01/20X1 Exp Date: 01/01/20X2

Code	ELR	D-Ratio	Payroll	Expected Losses	Exp Prim Losses	Claim Data	IJ	OF	Act Inc Losses	Act Prim Losses
8288	3.50	.27	465,000	16,275	4,394					
8380	.96	.33	4,275,500	41,045	13,545					
8748	.31	.33	3,104,400	9,624	3,176					
8810	.11	.35	5,000,000	5,500	1,925					
Policy Total:			12,844,900	Subject Premium:	129,597	Total Act Inc Losses:			0	

00-ANY STATE Firm ID: Firm Name: ANY INSURED

Carrier: 00000 Policy No. 20X2UNIT Eff Date: 01/01/20X2 Exp Date: 01/01/20X3

Code	ELR	D-Ratio	Payroll	Expected Losses	Exp Prim Losses	Claim Data	IJ	OF	Act Inc Losses	Act Prim Losses
8288	3.50	.27	350,000	12,250	3,308	1800001	05	F	9,576	9,576
8380	.96	.33	3,486,050	33,466	11,044	NO. 19	06	*	20,000	20,000
8748	.31	.33	2,398,450	7,435	2,454					
8810	.11	.35	4,000,000	4,400	1,540					
Policy Total:			10,234,500	Subject Premium:	102,851	Total Act Inc Losses:			29,576	

00-ANY STATE Firm ID: Firm Name: ANY INSURED

Carrier: 00000 Policy No. 20X3UNIT Eff Date: 01/01/20X3 Exp Date: 01/01/20X4

Code	ELR	D-Ratio	Payroll	Expected Losses	Exp Prim Losses	Claim Data	IJ	OF	Act Inc Losses	Act Prim Losses
8288	3.50	.27	250,000	8,750	2,363	NO. 14	05	*	28,000	28,000
8380	.96	.33	3,025,350	29,043	9,584	1700001	05	F	49,985	18,000
8748	.31	.33	1,645,650	5,102	1,684	NO. 5	06	*	6,000	6,000
8810	.11	.35	3,000,000	3,300	1,155	1700002	06	F	17,359	17,359
Policy Total:			7,921,000	Subject Premium:	82,425	Total Act Inc Losses:			101,344	

Worksheet Summary Interstate



WORKERS COMPENSATION EXPERIENCE RATING

Risk Name: EXAMPLE ONLY

Risk ID: 910999999

Rating Effective Date: 01/01/20X5

Production Date: 10/01/20X4

State: INTERSTATE

State	Wt	Exp Excess Losses	Expected Losses	Exp Prim Losses	Act Exc Losses	Ballast	Act Inc Losses	Act Prim Losses
AL	.19	111	177	66	0	50,000	0	0
AZ	.22	0	0	0	0	44,400	0	0
AR	.21	370	651	281	0	44,000	0	0
CO	.15	525	936	411	0	47,750	0	0
CT	.17	1,300	1,849	549	0	53,100	0	0
DC	.17	895	1,336	441	0	56,700	15,593	15,593
FL	.19	123,910	213,242	89,332	62,631	51,250	134,249	71,618
GA	.16	409	631	222	0	57,825	0	0
ID	.21	106	171	65	0	47,300	0	0
IL	.14	1,995	2,656	661	0	67,600	0	0
KS	.20	304	470	166	0	45,000	0	0
KY	.21	638	996	358	0	45,100	0	0
LA	.13	2,172	2,848	676	0	67,550	0	0



WORKERS COMPENSATION EXPERIENCE RATING

Risk Name: ANY INSURED

Risk ID:990123456

Rating Effective Date: 01/01/20X5

Production Date: 10/01/20X4

State: ANY STATE

State	Wt	Exp Excess Losses	Expected Losses	Exp Prim Losses	Act Exc Losses	Ballast	Act Inc Losses	Act Prim Losses
ANY	.14	120,018	176,190	56,172	31,985	47,400	130,920	98,935

(A) Wt	(B)	(C) Exp Excess Losses (D - E)	(D) Expected Losses	(E) Exp Prim Losses	(F) Act Exc Losses (H - I)	(G) Ballast	(H) Act Inc Losses	(I) Act Prim Losses
.14		120,018	176,190	56,172	31,985	47,400	100,569	68,584

	Primary Losses	Stabilizing Value	Ratable Excess	Totals	
Actual	(I) 68,584	$C * (1 - A) + G$ 150,615	(A) * (F) 4,478	(J) 223,677	
Expected	(E) 56,172	$C * (1 - A) + G$ 150,615	(A) * (C) 16,803	(K) 223,590	
	ARAP	FLARAP	SARAP	MAARAP	Exp Mod
Factors	1.00				(J) / (K) 1.00

RATING REFLECTS A DECREASE OF 70% MEDICAL ONLY PRIMARY AND EXCESS LOSS DOLLARS WHERE ERA IS APPLIED.

Simplified Calculation

$$EMR = \frac{\textit{Actual Losses}}{\textit{Class Code Expected Losses}}$$

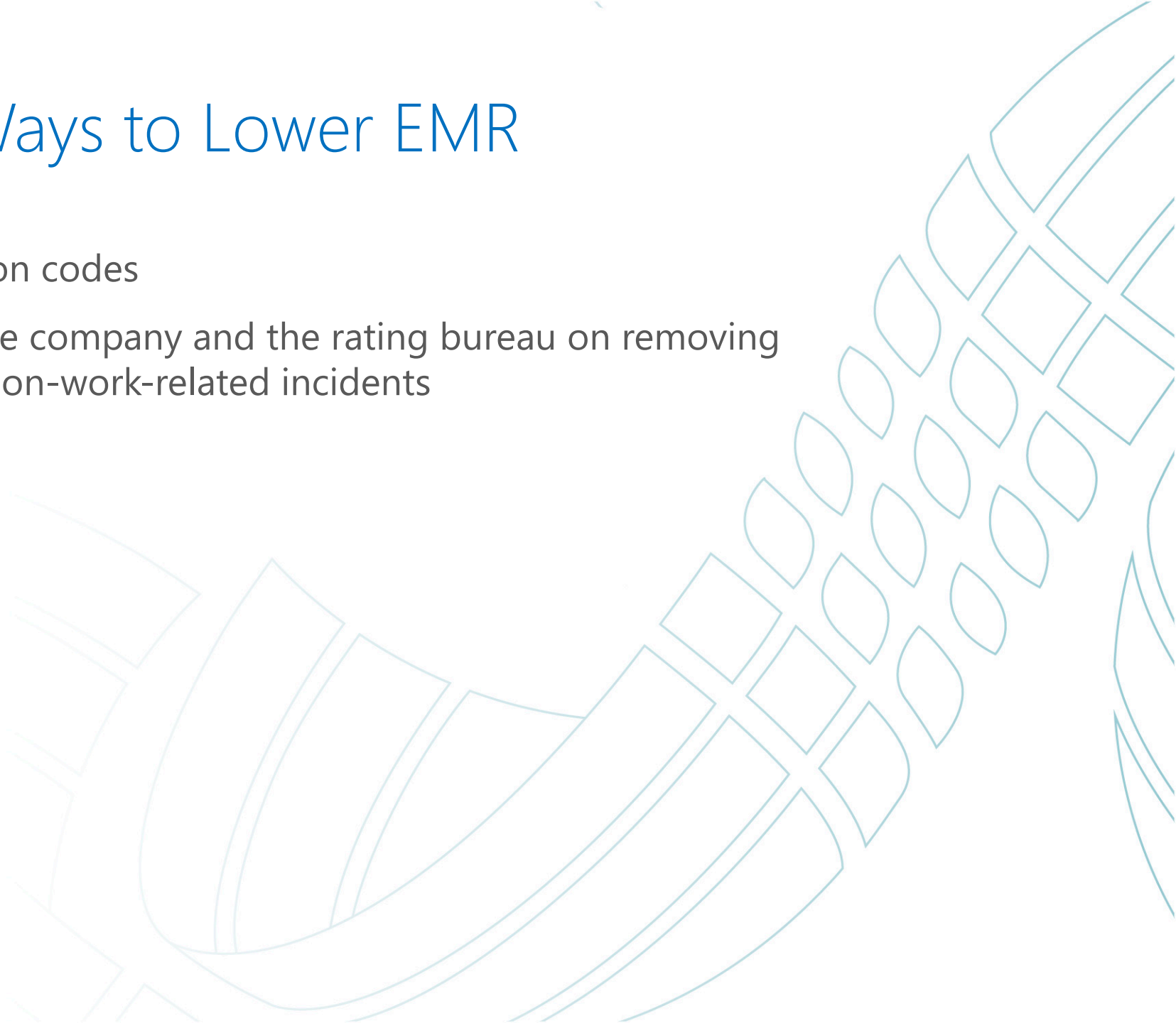
Traditional Ways to Lower EMR

- Conduct pre-hire Fit-for-Deputy exams
- Develop a Health and Safety Program
- Build a Safety Culture
- Stop Work Authority Policy
- Provide Safety Training
- Encourage early reporting of incidents
- Perform Claims Management
- Root Cause Analysis
- Create a Return-to-Work Program



Non-Traditional Ways to Lower EMR

- Consider adjusting classification codes
- Consider challenging insurance company and the rating bureau on removing settlement from the EMR on non-work-related incidents



Not Always a True Depiction of Safety

- Large claims
- Open claims reserves (Even if not at fault)
- Non-work-related claims
- Historical data



Additional Steps

- Review NCCI ABCs of Experience Rating
- Develop an EMR Explanation
- Partner with Insurance Company





Questions?



Thank you!

Kelly Pina | kpina@vhb.com | 617.607.0042

