

# MUNICIPAL INSIGHTS

A Moreton & Company Public Entities Newsletter

## Experience Modification Ratings

Workers' compensation insurance is a crucial component of protecting employees in the event of work-related injuries or illnesses. It provides injured workers with medical benefits, wage replacement, and other necessary resources while safeguarding employers from costly lawsuits. One aspect that plays a significant role in determining the cost of workers' compensation insurance is the experience modification rating (EMR).

The EMR (also known as the experience mod or e-mod) is a numerical representation of an employer's past workers' compensation claims experience compared to other employers of similar size in the same industry. It measures an employer's safety record and risk profile in relation to their workers' compensation insurance coverage.

### Factors Affecting an EMR

- **Employer's claim history:** The number of claims and cost of current and previous claims are used as an indicator of future claims and costs.
- **Size of payroll:** Higher payroll indicates higher exposure to potential claims.
- **Industry classification:** Each industry comes with a certain level of risk.

### Your Experience Versus Industry Average

Your last three years of history (not including the current policy year) are considered when calculating the EMR. The average for each industry is set at 1. At renewal, a carrier takes your base premium and multiplies it by the EMR, resulting in a reduction if your entity is below 1, or an increase if above 1.

### Reducing your EMR

- **Maintain a safe work environment:** Provide safety training and require adherence to guidelines.
- **Promote a positive work culture:** Happy employees are less likely to exaggerate workplace injuries.
- **Promptly report injuries:** This initiates early intervention and prevents costs from escalating.
- **Establish a Return-To-Work program:** Offering suitable transitional duties reduces the duration of disability and minimizes wage loss.
- **Actively manage claims:** Maintain accurate documentation to establish the facts and defend against fraudulent claims. Review claims to identify patterns to implement loss control measures.

The current hard market can result in annual increases in costs. Understanding your EMR and taking active measures to control it can positively affect your renewal by lowering the final premium, making you a safer risk for potential markets.

For more risk management guidance, contact a member of Moreton & Company's Public Entity Team.

Please visit [www.moreton.com/news-events/](http://www.moreton.com/news-events/) for more information and to view other newsletters. For additional questions, please contact your Moreton & Company representative.

© 2023 Moreton & Company. This newsletter is intended to inform recipients about industry developments and best practices. It does not constitute the rendering of legal advice or recommendations and is provided for your general information only. If you need legal advice upon which you can rely, you must seek an opinion from your attorney.