



Workers' Compensation: What factors can determine your premium?

Hint — it's your experience rating!

For those that qualify, experience rating is an important component of determining your ultimate premium. Your experience rating is designed to reward DSPs that create a culture of safety and, conversely, increase the cost of workers compensation for businesses that do not. Learn more about experience rating below!

What is experience rating and how does it work?

Your total insurance premium is calculated using a number of variables. For instance, business classification, location and payroll, among others, are all used to determine your base premium, while other factors can be considered to modify your rate, such as safety measures taken by your company to mitigate risk. Experience rating, meanwhile, incorporates your company's loss history and payroll to further modify your premium. Experience rating compares the experience of individual employers to that of the average employer in the same classification, and recognizes the differences with respect to safety and loss prevention. **The result is a mathematical factor called an experience rating modification, or EMOD.** This factor is applied to your rate and, depending on your safety and loss experience, the EMOD will apply an increase (debit) or a decrease (credit) to your premium.

Experience rating key facts:

- Employer eligibility is generally based on an experience period of two to four years, however the experience from the current policy is not used.
- EMODs are provided to carriers by rating organizations, such as the National Council on Compensation Insurance (NCCI), which covers the majority of states in the U.S., or by independent rating bureau in specific states that do not participate in the NCCI program.
- Once an employer becomes eligible for experience rating, states mandate the application of an EMOD. All insurance carriers writing workers compensation are obligated under state law to apply the EMOD — they have no discretion to change the EMOD or make exceptions.
- EMODs generally apply for only one year, with a new EMOD applied the following year based on updated experience.
- **A credit EMOD reflects a decrease in premium.** This happens when your loss experience during the experience period is better than average. It can be the result of a number of factors, such as running a safe workplace and by facilitating an early return to work for injured employees where possible.
- **A debit EMOD reflects an increase in premium.** This happens when your loss experience during the experience period is worse than average. If this happens to you, consider reviewing your company's safety programs.

Why is it important?

The key to maintaining a more favorable experience modification and reducing the cost of your Workers' Compensation premium is to create a culture of safety and minimize injuries to your employees through training and regular reminders of operating a safe work environment.

Don't forget: Be diligent about reporting your actual payroll amounts throughout the year. This will help minimize the amount of "estimates" that are provided. The easiest way to update your payroll throughout the year is by filling out an updated [renewal application online](#).

To learn more, feel free to reach out to your [regional account team](#) today!