

Experience Mod fluctuations driving you crazy?

Are you one of the millions of companies across the country that when you receive your experience mod, you are shocked at what you see? If so, you are not alone. This little number, is driving business owners, HR managers, controllers, and CFO's insane with it's unpredictability. If you knew what the driving factors are in the rise and fall of this number, do you feel you could have better control of your experience mod? Most definitely! So let's discuss the three main factors of the experience mod and they affect it differently.

Severity vs frequency

There has been a misconception within the businesses community for years that having more minor, less expensive injuries is better (cost wise) than having one severe injury. The truth is the workers' compensation system was developed not to pay for minor workplace injuries. It was created to protect the employer from going out of business if there was a catastrophic injury that took place!

Reserves

One word, "Headache." I'm sure you can relate to my anguish when discussing reserves, but it's a "must" for insurance companies. If they didn't have them, they would be out of business. "Ok. So you made your point reserves are important. What's in it for me?" Answer; a lot! When was the last time you spoke with your adjuster? Your reply will most likely be never. Does the adjuster work on your claims exclusively? Hardly. So in order for you to avoid the huge fluctuations that you are experiencing, speak with your adjuster prior to your policy valuation date and discuss your open claims. They are not automatons and if dealt with properly, they can be your biggest ally and not your enemy.

Payrolls and class codes

Here is something that is unavoidable but can have a dramatic affect on your experience mod. Because payrolls and class codes are the base line for your experience mod, if there is a drastic change in them, you will see fluctuations. Typically, when payrolls go up, the experience mod comes down, and vice versa.

Controlling an experience mod for some companies, is like searching for the Holy Grail. They want it, but have no idea where to begin. Hopefully I have provided with the starting gate and now it's up to you to run with it.

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