



Experience Modification Rate 101

Learn how your EMR affects your business' bottom line.





What is a Workers Compensation Experience Modification Rate (EMR)?

As a contractor, your Workers Compensation Experience Modification Rate, or “EMR,” is extremely important. But why?

The workers compensation experience rating system is a merit rating system intended to provide employers a direct financial incentive to reduce work-related accidents. It compares the loss or claims history of your company to all other companies in the same industry that are similar in size.



The National Council on Compensation Insurance (NCCI) gathers data and analyzes industry trends. It provides an objective insurance rate and loss cost recommendations for up to 34 states. The remaining 16 states have their own Workers Compensation Rating Bureaus, which perform the same functions.

Your workers compensation insurance carrier is required to file a unit statistical report with the National Council on Compensation Insurance (NCCI). This report contains

audited payroll and loss information, which NCCI uses to develop your EMR. This experience rating is a mandatory plan, and applies to all employers that meet a state's premium eligibility criteria for the Plan.

The formula used to develop your EMR measures how your firm's performance differs predictably from similarly classified employers. It is designed to tailor the cost of coverage to an individual employer.



Why is a low EMR good?

Your company's EMR will ultimately impact your bottom line. A low EMR saves your company money on insurance premiums. When you have an EMR less than 1.0, you receive a discount on your workers compensation insurance premium. In addition, a low EMR can mean more work for your company. Owners, General Contractors and Prime Subcontractors want to hire companies with lower EMR's, because they are viewed as safer companies, with fewer claims.



Why is a high EMR bad for your business?

An EMR above 1.0 will negatively affect your company's bottom line. First, you will pay more for your workers compensation insurance premiums than other firms in your industry with a unity (1.0) or credit (-1.0) mod.

Second, it is often used by Owners, General Contractors, and Prime Subcontractors to predict that your company is likely to experience a loss—in comparison to organizations who have a low EMR. As a result, they may want to exclude companies with EMR's over 1.0 from bidding on their projects. If you are selected, you will face additional complex paperwork, which can be frustrating for all involved.

How does your EMR effect Premiums?

Both high and low EMR's impact your company's insurance workers compensation premiums. Still unsure on how this all works? We've broken it down for you below:

	Low EMR	High EMR
Number of Employees	20 Electricians	20 Electricians
Electrician Payroll for Project	\$1,200,000	\$1,200,000
Experience Modification	.85 or 85%	1.30 or 130%
Carrier Base Rate	\$4.17	\$4.17
Premium Credits	15%	15%
Work Comp NET RATE	\$3.01	\$4.60
Electrician pay rate	\$32.50	\$32.50
Total Project Hours	36,923	36,923
Worker Comp cost per hour	\$.978	\$1.495
Work Comp Cost for Project	\$36,120	\$55,200

What can you do to improve your EMR?

A positive impact on your EMR is the result of attention to 3 critical areas:

- 1 A solid and detailed safety manual. It should contain current job descriptions, training schedules for all staff and identify the responsible parties for job site safety enforcement. This manual should be reviewed and updated on a bi-annual basis at a minimum.
- 2 Consider developing an aggressive pre/post-incident claims mitigation plan. Use this as an opportunity to establish an up-front relationship with a network of medical providers, a *“Return to Work, Light Duty Program,”* and developed, detailed procedures.
- 3 Schedule regular claim reviews with your carrier and broker. Of critical importance is the claims review preceding your carrier’s filing of the unit statistical report for EMR determination. This is the time to clean up any erroneous claims or update claims information to reflect any closed claims or takedowns in claims reserves.





What's Next?

Your EMR is critical to your business' bottom line. Lowering it can mean less money spent on insurance premiums and more opportunities to work on future jobs.

Where can we help? Contact our office to speak with one of our highly experienced Insurance and Risk Management Consultants. We can guide you through the process of lowering your EMR, in order to provide you with a safer worksite, lower your total cost of risk and have a positive impact on your bottom line.

Interested in learning more about TSIB? contact@tsibinc.com