

## **Understanding Your Workers' Compensation Experience Modification Factor**

Your Workers' Compensation insurance premium is comprised of many factors. A policyholder has no control over most of these factors, like the rates and other statutory charges. One significant element of the insurance premium calculation the policyholder can control is the experience modification factor (or "mod").

The mod is calculated annually through a formula used by the New York Compensation Insurance Rating Board (NYCIRB). This calculation is based on your policy data as reported to NYCIRB by your insurance carrier. The data includes your audited exposure information (payrolls by class code) and incurred claims for the last three policy years (not including the current year).

For example: Your 7/1/2019 mod is based on your exposure and claim data for the following policy periods.

### **This is considered your "mod period":**

- 7/1/2017 – 6/30/2018
- 7/1/2016 – 6/30/2017
- 7/1/2015 – 6/30/2016

A mod is a good tool to compare the WC claims experience for your organization versus other organizations in New York State with similar operations. A mod of 1.00 is considered "average," meaning your claim's experience for the mod period is expected based on the nature of your operations. A mod less than 1.00 is favorable as it typically indicates your claims for the mod period are better than expected. This also earns you a credit on your policy which reduces your premium accordingly due to your favorable experience. On the contrary, a mod higher than 1.00 signifies your experience is higher than expected. This will cause a debit (or surcharge) to be applied to your policy resulting

in additional premium owed. Since the mod takes into account three consecutive years of policy data, the introduction of a large claim to the mod period means that it will adversely affect the calculation for a minimum of three years. On the other hand, once a large claim or adverse year reaches the end of that 3 year period, it will drop out of the mod calculation.

Being familiar with how the experience mod calculation works can assist you in both forecasting and reducing your workers' compensation insurance premium. Fleury Risk Management has experienced staff that understands the experience mod formula and Rating Board Experience Rating Plan manual. We proactively review all of our customer's experience mod worksheets to ensure there are no clerical errors and to request experience mod reductions whenever appropriate.

