

# Analyzing workers' compensation losses and experience modification rate



Guest editorial  
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Understanding and managing workers' compensation costs is critical to maintaining a healthy bottom line for any business. Although workers' compensation is required by law in most states, this essential coverage can become expensive if a company's loss history and safety record aren't properly managed.

Two key elements that significantly affect workers' compensation costs are loss history and the experience modification rate (EMR). Understanding how to analyze these can help businesses minimize their premiums, avoid penalties, and improve overall safety culture.

## What is workers' compensation loss history?

Loss history refers to the record of claims your company has made under its workers' compensation policy. This includes the frequency and severity of workplace injuries or illnesses, and the associated financial costs. Insurance carriers use loss history to determine how risky your business is, and it directly impacts your premiums. Loss history data typically includes:

- **Frequency of claims:** How often employees are injured or become ill.
- **Severity of claims:** The extent of the injuries and the amount of compensation required.
- **Claim reserves:** The estimated cost set aside for future claim payments.

## ■ Indemnity and medical

**payments:** Payments made to cover lost wages (indemnity) and medical expenses related to the injury.

By analyzing your loss history, you can identify trends and patterns that might indicate underlying safety or operational issues. High-frequency claims, for instance, may point to a problem with employee training, machinery safety, or hazardous working conditions. On the other hand, severe claims might highlight the need for better injury prevention measures or improved ergonomics.

## What is an EMR?

The EMR, also known as an E-Mod, is a numerical value that reflects your company's past workers' compensation losses relative to other businesses in your industry. It is a factor insurers use to adjust your premiums based on your company's claim history. The EMR is calculated from your business' loss history over a three-year period (excluding the most recent year).

If your company has fewer losses than the work truck industry average, your EMR will be below 1.0, resulting in lower workers' compensation premiums. If your losses are higher than average, your EMR will exceed 1.0, leading to higher premiums.

## How to analyze workers' compensation losses and EMR

To effectively analyze your workers' compensation losses and EMR, follow these steps:

### 1. Review your loss history reports

Obtain a copy of your loss history from your insurance carrier or agent. Review each claim to understand

the cause, severity, and cost of each incident. Ask the following questions:

- Are there recurring types of injuries (e.g., sprains, falls, repetitive strain)?
- Are certain departments or job functions more prone to injuries?
- Are injuries primarily minor or are they severe, resulting in long-term disability or medical care?
- Are there any large reserves on a particular claim that are unnecessary or inflated?

Identifying trends in your loss history allows you to pinpoint areas for improvement and potential cost-saving measures.

### 2. Review your EMR

Contact your insurance provider or your state's workers' compensation bureau to obtain your company's current EMR. This value will help you gauge whether your claims history is more or less favorable than the work truck industry standard.

- **EMR of 1.0:** Average claims experience for the work truck industry.
- **EMR less than 1.0:** A safer-than-average claims history, leading to lower premiums.
- **EMR greater than 1.0:** A higher-than-average claims history, leading to higher premiums.

### 3. Identify and address trends

If your company's loss history or EMR is higher than expected, it's essential to investigate the

underlying causes. Common factors contributing to high claims include:

- **Inadequate safety training:** Lack of employee training can lead to unsafe work practices and injuries.
- **Poor workplace ergonomics:** Repetitive motions, improper lifting techniques, or poor workstation setups often result in strain injuries.
- **Unsafe work environment:** Failure to maintain equipment, hazardous conditions, or lack of proper safety gear can increase the risk of accidents.

Implementing or enhancing safety programs, improving employee training, and ensuring compliance with Occupational Safety and Health Administration standards can significantly reduce the frequency and severity of injuries, thereby lowering workers' compensation costs.

### 4. Work with your insurance agent or risk manager

Once you've analyzed your loss history and EMR, consider discussing your findings with an insurance agent or risk manager familiar with the work truck industry. A professional can help you identify potential cost-saving strategies, improve your safety culture, and provide guidance on reducing your EMR. They may also offer insights into workers' compensation claims management and claims prevention techniques.

JD Fulwiler & Co. Insurance developed the Work Truck Total Protect program to provide the industry with underwriting, risk assessment and loss prevention services. JD Fulwiler will shop among many top insurance carriers with which it does business to find a coverage solution that best meets your needs. Learn more at [ntea.com/partnerships](http://ntea.com/partnerships).

