

# **UNDERSTANDING THE EMR AND ITS RELATIONSHIP TO SAFETY**

**ASSE SOUTHERN COLORADO CHAPTER  
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## National Council on Compensation Insurance (NCCI)

- Work. Comp. Administrator in 38 States (DC)
- Independent Rating Bureaus
  - CA, MI, NJ, PA/DE<sup>1</sup>, MN<sup>2</sup>, NY<sup>2</sup>, NC<sup>2</sup>, MA<sup>2</sup>
- Monopolistic States
  - NOWW States; ND, OH, WA, WY
  - Acquire WC Insurance Direct Through the State Agency

1 PA/DE Operate a Combined Bureau

2 Shares Data With NCCI

# WHY WE HAVE EXPERIENCE MODS



**Employers in Same Industry/State  
Paid the Same WC Rate,  
Regardless of Injury Experience**

**Introduced in 1970s**

**Created to Resolve Pricing  
Inequities**

**Rewards Employers With Better  
Than Expected Injury Experience  
(Premium Credit)**

**Surcharges Employers with  
Greater Than Expected Injury  
Experience (Premium Surcharge)**





## Not Everyone Has an EMR

## Every State Has Different Qualifications

**CO \$8k Ann. Prem. OR \$4k Avg. Over 2 Years**

**MT \$5k Ann. Prem. OR \$2500 Avg. Over 2 Years**

**CA \$33k Ann. Prem.**

**Eff. 1/1/16 \$10k Ann. Prem.**



**EMR Typically Holds Three EXPIRED Policy Years of Data**

**But an EMR is Issued with Just One Year of Data For Start-Ups**

**They Must Compete With Contractors Who Have Three Years of Data**



Credit EMR <1.00

Credit on WC Premiums

False Impression of a Safe Company

Mod Factors; 60's, 50's, 40's Not Attainable By  
Small Employers

Low Mod Factors is a Sign of Large Payrolls,  
Not a Sign of a Safe Company



Debit EMR >1.00

Debit Surcharge on WC Premiums

False Impression of an Unsafe Company

Could be Disqualified From Work in Construc./Energy

Contractor/\$400k Ann. Payroll

1 Claim=+15 Pts on Mod

Small Co. Injury-Free/ .85 Mod

Job Required .80 Mod

Mechanical Contractor

NAF Veh. Acc./Four EEs Injured



## Contingent Mods

### Percentage of Erred Data/Common Errors in EMRs

**Estimated Payrolls, Not Audited**

**Unrelated Companies in Same Mod**

**Related Companies NOT in Same Mod**

**Claims Missing Entirely**

**Claims Reported in Wrong State**

**Claims Not Reported Net of Deductible**

**Missing Policy Periods (OCIPs/Wraps)**

**Subrogation Recovery vs Third Party Not Credited Into EMR**





## Deductibles

### Claims Reported Net in 18 States

AL, CO, FL, GA, HI, ID, IA, KS, KY, ME, MO, NM, OH\*,  
OK, OR, SC, SD, \* Monopolistic State

## Formulas

Different in EVERY State / Split Point

Experience Rating Adjustment Plan

22 States – Removes 70% of Med-Only Claim \$



## Acquisition or Sale of Entities

**Get Agent Involved / Sign Confidentiality Agreement**

**Identify/Blend the New Company EMRs**

**Changing Policy Renewal Dates > 90 Days From Current Eff. Date**



## Beware of Shifting Payrolls Into Lower-Rated Classes

**8810/Clerical, 5606/Exec. Supervisors,  
8742/Salespersons**

**Lower Rates = Lower “Expected Losses” in  
EMR Calculation**

**Can Inflate the Mod Factor Substantially**



**Over-Reserved Claims Can Inflate Mod Factor**

**Work Closely With Adjusters and Manage  
Your Claims Costs**

**Claims \$ Will Report to NCCI SIX MONTHS  
Prior to Renewal**



## Only Three Ways to Correct Mod, Once Issued

**Correction of an Error**

**Claim is Adjudicated Found Non-Compensable**

**Subrogation Recovery From Third Party**

Fictitious Company, LLC

EVERY MODSHEET TELLS A STORY

Rating Eff. Date 10/1/15

**MISSOURI**

Policy Period 10/1/2011 to 10/1/2012

Class Code	ELR	D-Ratio	Payrolls	Expected Losses	Exp. Prim. Losses	Claim Data	IJ	O F	Act. Inc. Losses	Act. Prim. Losses
1710	3.53	0.28	1,191,000	42,042	11,772	10154	4	F	15,552	13,500
5506	2.82	0.24	2,000,000	56,400	13,536	10138	6	F	146	146
5606	0.87	0.24	99,000	861	207	10140	6	F	309	309
8742	0.23	0.28	189,000	435	122	10100	6	F	5,882	5,882
8810	0.11	0.37	591,000	650	241					
NET	STATE		These payrolls all end in 000's							
TOTALS			4,070,000	100,388	25,877				21,889	19,837

**TEXAS**

Policy Period 10/1/2012 to 10/1/2013

Class Code	ELR	D-Ratio	Payrolls	Expected Losses	Exp. Prim. Losses	Claim Data	IJ	O F	Act. Inc. Losses	Act. Prim. Losses
1710	6.21	0.46	2,204,106	136,875	62,962	11229	6	F	2,861	2,861
5506	2.60	0.36	2,400,891	62,423	22,472	11230	6	F	14,831	14,831
5606	.36	0.39	192,105	692	270	11251	9	F	48,151	15,500
8742	0.09	0.38	508,982	458	174	11244	9	O	80,046	15,500
8810	0.06	0.41	2,804,106	1,682	690				Split Point Varies By State	
			Why the huge increase in 8810 payroll?							
TOTALS			8,110,190	202,130	86,568				145,889	48,692

**COLORADO**

# Claim Capped at State Max.

Policy Period 10/1/2013 to 10/1/2014

Class Code	ELR	D-Ratio	Payrolls	Expected Losses	Exp. Prim. Losses	Claim Data	IJ	O F	Act. Inc. Losses	Act. Prim. Losses		
1710	2.56	0.37	879,063	22,504	8,326	9809	5	F	14,751	14,751		
5507	1.93	0.33	1,049,357	20,253	6,683	9034	5	F	40,225	15,500		
8742	0.15	0.38	102,449	154	58	9235	6	F	158	158		
8810	0.09	0.46	580,451	522	240	9812	6	F	199	199		
NET	STATE					9801	6	F	215	215		
						9056	9	F	40,132	15,500		
						Claim # isn't Employer's +19pts.		2478543	9	F	380,000#	15,500
TOTALS			2,611,320	43,433	15,309				475,680	61,823		

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