

IMPACTING WORKERS' COMPENSATION CLAIMS COST



IMPACTING WORKERS' COMPENSATION COSTS

- ▶ Accident Investigation
- ▶ Safety Inspections & Safety Training
- ▶ Loss Trending
- ▶ Hiring Practices
- ▶ Managing Claim Costs
- ▶ Understanding WC Pricing
- ▶ Timely Reporting
- ▶ Experience Mod Analysis
- ▶ Transitional RTW



ACCIDENT INVESTIGATION

- ▶ Develop a detailed account of what happened.
- ▶ Access the root cause factors.
- ▶ Develop root cause solutions to prevent reoccurrences.

SAFETY INSPECTIONS & SAFETY TRAINING

- ▶ Proactive side of safety
- ▶ Hazard identification



TIMELY REPORTING

- ▶ Faster treatment
- ▶ Prevents injury exacerbation
- ▶ Future accident prevention
- ▶ Lower costs

TIMELY REPORTING

- ▶ 7 days/24 hours
- ▶ \$50/\$150/\$300
- ▶ 2nd week – 18% increase
- ▶ 3rd – 4th week – 30% increase
- ▶ >1 month – 45% increase
- ▶ Back injuries – 1 week delay = 40% increase

LOSS TRENDING

- ▶ Learn from our experience
- ▶ Focus in on specific indicators

IMPACTING WORKERS' COMPENSATION COSTS

▶ Hiring Practices

- ▶ Position posting outlines responsibilities
- ▶ Written job description
 - ▶ Essential functions
 - ▶ Job qualifications
 - ▶ Physical requirements
- ▶ Interview, offer & screenings
 - ▶ Educational and professional records review
 - ▶ Background and criminal records check
 - ▶ Drug and alcohol screenings
 - ▶ Personality/psychology testing
 - ▶ Physical job functions testing
 - ▶ E-Verify and I-9 documents

MANAGING CLAIM COSTS

- ▶ Early reporting
- ▶ Direction of Medical Treatment
- ▶ Follow up / stay on top



TRANSITIONAL RETURN-TO-WORK BENEFITS

- ▶ Promotes faster healing
- ▶ Maintain consistent level of pay
- ▶ 2x more likely to return to work
- ▶ Maintain skill levels / productivity



UNDERSTANDING WC PRICING

- ▶ Estimated base premium
- ▶ Credits and Debits
- ▶ Mod Factors

EXPERIENCE RATING PERIOD

Three years of past experience, not including the expiring policy period.

- Policy effective 1-1-15

1-1-14/15 – not included in calculation, policy year not fully developed

1-1-13/14 – included in calculation

1-1-12/13 – included in calculation

1-1-11/12 – included in calculation

1-1-10/11 – loss experience dropping off

UNDERSTANDING THE EXPERIENCE MOD

Workers' Compensation Experience Rating Worksheet

(Effective Date: 1/1/2013)

Risk ID:

Step 10										
1	2	3	4	5	6	7	8	9	10	11
CODE	RATE	EXP. PRM. LOSSES	EXP. PRM. LOSSES	CLAIM DATA #	CLASSIFICATION	U	CP	ACT. PRM. LOSSES	ACT. PRM. LOSSES	
****Totals										
Policy Period: 1/1/2011 to 1/1/2012 Policy #:										
1022	2.11	0.32	1,000,000	21,100	6,752			5 F	50,000	15,000
5437	2.00	0.36	6,000,000	120,000	43,200			6 *	5,000	5,000
5606	0.52	0.32	1,250,000	6,500	2,090					
8810	0.09	0.42	2,000,000	1,800	756					
Policy Period Totals 10,250,000 149,400 52,798 55,000 20,500										
Policy Period: 1/1/2012 to 1/1/2013 Policy #:										
1022	2.11	0.32	996,000	20,996	6,718			5 F	10,000	10,000
5437	2.00	0.36	6,100,000	122,000	43,200			5 F	15,000	15,000
5606	0.52	0.32	1,275,000	6,630	2,122			5 F	25,000	15,500
8810	0.09	0.42	2,100,000	1,980	794			6 *	7,500	7,500
Policy Period Totals 10,471,000 151,515 53,554 57,500 48,000										
Policy Period: 1/1/2013 to 1/1/2014 Policy #:										
1022	2.11	0.32	1,300,000	27,400	8,379			6 *	10,000	10,000
5437	2.00	0.36	6,250,000	125,000	45,000			6 F *	50,000	15,000
5606	0.52	0.32	1,500,000	7,800	2,496					
8810	0.09	0.42	1,985,000	1,787	700					
Policy Period Totals 11,035,000 162,017 57,024 60,000 25,500										

UNDERSTANDING THE EXPERIENCE MOD

(D) - (E)		(F) - (I)						
0.33	299,565	462,932	163,367	54,350	64,350	121,750	67,400	
"W" VALUE	EXPECTED EXCESS	TOTAL EXPECTED	TOTAL EXP. PRM	ACTUAL EXCESS	"B" VALUE	TOTAL ACTUAL	TOTAL ACT. PRM	
A	B	C	D	E	F	G	H	I
# Limited loss. s Subrogation or other special loss.								
10	Experience Modification Calculation		11	12	13	14	15	
ARAP	PRIMARY LOSSES	STABILIZING VALUE	RATABLE EXCESS	ADJUSTED TOTALS	EXP MOD			
1.00	(I)	(C) X (1 - A) + (G)	(A) X (F)	(J) / (K)	0.66			
if applicable	ACTUAL	67,400	265,059	17.93%	350,394			
	EXPECTED	163,367	265,059	96.85%	527,282			

* Rating reflects a decrease of 70 percent medical-only primary and excess loss dollars where ERA is applied, reflected only in totals (F), (H), and (I).

LOWEST POSSIBLE MOD CALCULATION

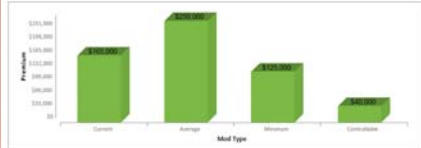
Stabilizing Value divided by Total Expected Losses
 $\$265,059 / \$527,282 = .50$

(D) - (E)		(F) - (I)						
0.33	299,565	462,932	163,367	54,350	64,350	121,750	67,400	
"W" VALUE	EXPECTED EXCESS	TOTAL EXPECTED	TOTAL EXP. PRM	ACTUAL EXCESS	"B" VALUE	TOTAL ACTUAL	TOTAL ACT. PRM	
A	B	C	D	E	F	G	H	I
# Limited loss. s Subrogation or other special loss.								
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ARAP	PRIMARY LOSSES	STABILIZING VALUE	RATABLE EXCESS	ADJUSTED TOTALS	EXP MOD			
1.00	(I)	(C) X (1 - A) + (G)	(A) X (F)	(J) / (K)	0.66			
if applicable	ACTUAL	67,400	265,059	17.93%	350,394			
	EXPECTED	163,367	265,059	96.85%	527,282			

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UNDERSTANDING THE EXPERIENCE MOD

Mod Impact on Premium Analysis



Each Mod Point is valued at \$2,500 premium dollars

Mod Type	Mod Value	Premium	Description
Current	0.66	\$165,000	Your actual mod and estimated premium.
Average	1.00	\$250,000	The average mod is always 1.00. This premium represents what the average competitor in your industry is paying.
Minimum	0.50	\$125,000	The lowest mod and premium you could achieve if you had zero losses in the experience rating period.
Controllable	0.16	\$40,000	The mod points and premium amount you could have saved if you had zero losses in the experience rating period.

RTW IMPACT ON EXPERIENCE MODIFICATION FACTOR

State	Injury Date	Incurred Loss	Limited / Adjusted Loss	Mod w/o Loss	Impact on Mod	Premium Costs		
						1 yr	2 yr	3 yr
Itemized Losses								
IN	1/1/2011	\$50,000	\$50,000	0.6135	0.0910	\$12,750	\$25,500	\$38,250
IN	1/1/2012	\$25,000	\$25,000	0.6295	0.0954	\$8,850	\$17,700	\$26,550
IN	1/1/2012	\$15,000	\$15,000	0.6360	0.0285	\$7,125	\$14,250	\$21,375
IN	1/1/2012	\$10,000	\$10,000	0.6405	0.0190	\$4,750	\$9,500	\$14,250
IN	1/1/2013	\$50,000	\$15,000	0.6492	0.0551	\$18,025	\$7,800	\$11,875
Grouped Losses								
IN	1/1/2013	\$30,000	\$3,000	0.6588	0.0057	\$1,425	\$2,850	\$4,275
IN	1/1/2012	\$7,500	\$2,250	0.6602	0.0043	\$1,075	\$2,150	\$3,225
IN	1/1/2013	\$5,000	\$5,000	0.6636	0.0029	\$725	\$1,450	\$2,175
Grand Total:		\$172,500	\$121,750		0.1821	\$46,325	\$91,800	\$122,575

QUESTIONS?

Contact Information:

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Workers' Compensation Experience Rating Worksheet

Effective Date: **1/1/2015**

Risk ID:

State: **IN**

1	2	3	4	5	6	7	8	9	10	11
CODE	ELR	D - RATIO	PAYROLL	EXPECTED LOSSES	EXP. PRIM. LOSSES	CLAIMDATA # ID	IJ	OF	ACT. INC. LOSSES	ACT. PRIM. LOSSES

****Indiana

Policy Period: 1/1/2011 to 1/1/2012

Policy #:

5022	2.11	0.32	1,000,000	21,100	6,752		5	F	50,000	15,500
5437	2.00	0.36	6,000,000	120,000	43,200	5 Sm. losses	6	*	5,000	5,000
5606	0.52	0.32	1,250,000	6,500	2,080					
8810	0.09	0.42	2,000,000	1,800	756					
Policy Period Totals			10,250,000	149,400	52,788				55,000	20,500

Policy Period: 1/1/2012 to 1/1/2013

Policy #:

5022	2.11	0.32	995,000	20,995	6,718		5	F	10,000	10,000
5437	2.00	0.36	6,100,000	122,000	43,920		5	F	15,000	15,000
5606	0.52	0.32	1,275,000	6,630	2,122		5	F	25,000	15,500
8810	0.09	0.42	2,100,000	1,890	794	7 Sm. losses	6	*	7,500	7,500
Policy Period Totals			10,470,000	151,515	53,554				57,500	48,000

Policy Period: 1/1/2013 to 1/1/2014

Policy #:

5022	2.11	0.32	1,300,000	27,430	8,778	10 Sm. losses	6	*	10,000	10,000
5437	2.00	0.36	6,250,000	125,000	45,000		6	F *	50,000	15,500
5606	0.52	0.32	1,500,000	7,800	2,496					
8810	0.09	0.42	1,985,000	1,787	750					
Policy Period Totals			11,035,000	162,017	57,024				60,000	25,500

Mod Analysis for **Sample Co, Inc.**

		<i>(D) - (E)</i>		<i>(H) - (I)</i>				
0.33		299,565	462,932	163,367	54,350	64,350	121,750	67,400
"W" VALUE		EXPECTED EXCESS	TOTAL EXPECTED	TOTAL EXP. PRIM.	ACTUAL EXCESS	"B" VALUE	TOTAL ACTUAL	TOTAL ACT. PRIM.
A	B	C	D	E	F	G	H	I

Limited loss.
s Subrogation
or other special loss.

16
ARAP
1.00
if applicable

Experience Modification Calculation	11	12	13	14	15
PRIMARY LOSSES		STABILIZING VALUE	RATABLE EXCESS	ADJUSTED TOTALS	EXP MOD
ACTUAL	<i>(I)</i>	$(C) \times (1 - A) + (G)$	$(A) \times (F)$		$(J) / (K)$
	67,400	265,059	17,936	350,394	
EXPECTED	<i>(E)</i>	$(C) \times (1 - A) + (G)$	$(A) \times (C)$		0.66
	163,367	265,059	98,856	527,282	

* Rating reflects a decrease of 70 percent medical-only primary and excess loss dollars where ERA is applied, reflected only in totals (F), (H), and (I).

The ARAP surcharge shown is for those states in the rating that have approved the ARAP program. It was calculated based on the general interstate formula and maximum, however, the maximum surcharge may vary by state.