

WHAT IS AN E-MOD?

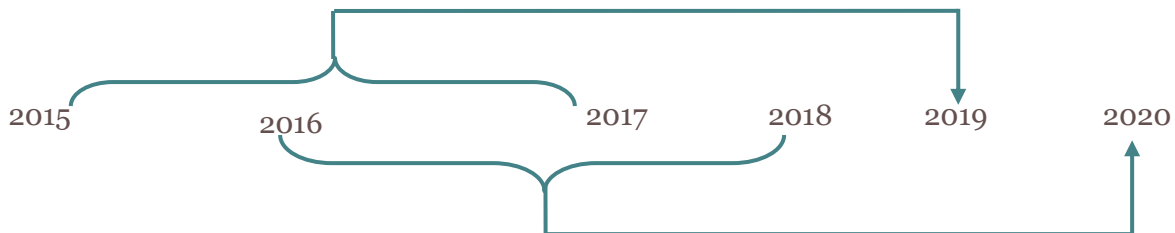
Experience modifications (e-mods) are applied to policies with average annual premiums of \$3,250 or more. As the name implies, it *modifies* premium based on past *experience*.

An experience modification is determined by measuring the actual losses against the expected losses of an employer based on the employer's size (payroll) and type of work (classification). Experience modifications *less* than 1.00 indicate that past loss experience is less than expected and the current premium is reduced. Experience modifications *above* 1.00 indicate that past loss experience is more than expected and the current premium is increased.

<u>Past Experience</u>	<u>Premium</u>	<u>E.Mod</u>	<u>You Pay</u>
More (worse) than average:	\$10,000	1.10	\$11,000
Average:	\$10,000	1.00	\$10,000
Less (better) than average:	\$10,000	.90	\$ 9,000

The National Council on Compensation Insurance (NCCI) calculates an experience modification rating (EMR) by comparing the employer's expected losses to the employers actual incurred losses for the first three of the last four completed policy years. In order to encourage restricted duty and return to work programs, NCCI reduces the value of medical only claims by 70%. As a result, a \$100 medical only claim goes into the formula at \$30. Medical only means there are **no** time-loss benefits (compensation) **and** **no** impairment benefits (loss of body part or function) paid or reserved. If, when statistics are submitted to NCCI, any compensation or impairment has been paid or reserved, that claim is treated as a compensation claim and 100% of the total costs, including reserves, for that claim are used in the e-mod calculation. Statistics are submitted to NCCI approximately 6 months after the end of each policy year

Experience modifications are based on the first 3 of the last 4 completed policy years.



The payroll and loss information for 2015, 2016, and 2017 determines the Experience Modification for 2019. For 2020, the information for 2015 drops out of the formula and the payroll and loss information for 2018 will go into the formula.