

Workers' compensation costs can make or break your bottom line. But control over these costs is more attainable than you may think if you understand your experience modification factor and its effect on your insurance premium.

Use Your Mod Factor

The key to controlling your workers' compensation costs is understanding your experience modification factor, or mod factor. Your mod factor is an adjustment to your workers' compensation premium. It's based on your company's actual losses compared to its expected losses based on the industry you're in.

The mod factor represents either a credit or a debit that is applied to your workers' compensation premium. A mod factor greater than 1.0 is a debit mod, which means that your losses are worse than expected and a surcharge will be added to your premium. A mod factor less than 1.0 is a credit mod, which means losses are better than expected, resulting in a discounted premium.

If your mod factor is over 1.0, show management how controlling costs can save you money on your insurance premium when it falls below the 1.0 threshold.

Control Your Mod Factor

You may not know it, but you do have control over your mod factor—and control over your workers' compensation premium.

Your mod is calculated based on data reported to the rating bureau by past insurers. Incorrect or incomplete data can cause inaccurate mod factors. Review your loss and payroll data to ensure that your calculation is complete and accurate.

You can also control your mod factor by encouraging everyone to focus on safety—especially management and anyone else who is involved in controlling costs. Everyone working safely means fewer accidents to report to your insurance carrier and a lower mod factor.

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Control Costs with a Return to Work Program

Another way to control your costs is to establish a return to work program and give modified or light duties to injured workers who can return to work.

Finding modified or light-duty tasks may seem inconvenient, but this is an important way to reduce your workers' compensation costs—you pay for fewer days away from work and you keep regular contact with employees, so you can see how their recovery is progressing. The most successful return to work programs can accommodate almost any restrictions.

Workplace Policies Help Control Costs, Too

Your workplace policies should encourage safe working habits and prompt reporting of injuries and accidents. Many companies have accident reporting policies in place but do not bother to implement them, which is dangerous because employees' injuries could go untreated and hazardous situations will not be improved.

When you receive a claim for an on-the-job accident or injury, report it to your workers' compensation provider as soon as possible.

After an accident or injury, investigate the event right away. Prompt investigation helps you preserve evidence and can deter employees from making fraudulent claims in the future.

If workers' compensation costs are hurting you financially or if you want to learn more about how your mod impacts your premiums, look to your broker at

HRO Resources for the resources, policies and guides you need to keep your costs in check. We're here to help you protect your company and your bottom line.

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