

## The Secret to Lowering Your Experience Modification

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One of our clients is a heavy metal steel fabricator. They have 100 workers and they have a 42% *Experience Modification*! Their best case is 41%. Another client is a trade contractor and they have 500 employees. Their *Mod* is 54%. We have other clients who are not as safety conscious as the two firms mentioned above, and their mods are higher; in some cases a lot higher.

To put it in perspective, our manufacturing client has a base premium of \$400,000. Their net premium after application of their 42% *Mod* is \$168,000. The same firm with a *Mod* of 158% would pay \$632,000. The delta is \$464,000 of profit!

While the *Experience Mod* is only one of the factors that ultimately determines the net rate a firm is charged (other factors include schedule credits, territorial factors and premium discounts), it is the one factor that an insured controls.

What is an *Experience Modification Factor*? An *Experience Mod* compares the loss experience of a company against all the similar businesses in a given state. If the loss experience is average, the *Mod* is 100%. If it is better than average, like the two firms mentioned above, the *Mod* is less than 100%, and if experience is worse than average, the *Mod* is above 100%. The *Mod* is generally based on the last 4 years of loss experience excluding the current or most recent year. Absent self-insurance, there is no avoiding a *Mod*.

In California, the *Experience Mod* is calculated by the Workers Compensation Insurance Rating Bureau (WCIRB



or Bureau) of California. Other states either have their own bureaus that calculate *Mods* or they are subject to the *Mods* promulgated by the National Council on Compensation Insurance (NCCI).

In addition to the impact that a *Mod* might have on cost, it can also preclude you from working on certain projects. There are some developers, municipalities or other entities that won't even do business with a company if their *Mod* is above a certain threshold. Fixing your *Mod* is not easy. One bad year will affect your *Experience Mod* for three years. A reactive approach to managing your *Mod* doesn't work. The key to a positive credit *mod* is a culture of safety, proactive claims management and comprehensive HR practices.

### Safety Culture

If your employees were asked about your safety culture, what would they say? "Safety is a major priority. Management goes out of their way to run a safe company." Or, might their response be, "Safety culture? What safety culture? It's all about getting the job done as quickly and as cheaply as possible." Safety starts at the top. If senior management is not driving the safety culture, the culture will suffer. We see it all the time. When safety is a major

objective of senior management, it cascades through the entire organization. When safety is a secondary priority, it is almost always reflected in a lousy loss history. Assuming a commitment from management, what else needs to be done to create a culture of safety?

1. Appoint a Safety Coordinator? Someone in your company needs to have overall responsibility for safety, and depending on the size of your company, there may be several people sharing this responsibility.
2. Make sure your Injury and Illness Prevention Program (IIPP) is compliant. Every employer in California is required to have an IIPP. If you do not have one, or cannot remember when it was last updated, you are out of compliance. An Injury and Illness Prevention Program is the cornerstone of an effective safety program.
3. Create a Safety Committee that meets monthly and holds effective, results generating meetings.
4. Track your Safety Trainings for all employees and make sure they are monitored on a regular basis.
5. Provide effective Safety Orientation Program for new hires.
6. Perform as-needed inspections and have written policies as well as documentation procedures for:
  - Job Site Safety
  - Field Equipment
  - Automobiles
  - Tools and Machinery



## Claims Management

Even the best managed companies will have claims. How those claims are handled, however, will greatly affect the outcome and cost. How are your claims managed? Do the appropriate people know what to do in the event of a claim or a circumstance that might give rise to a claim? Or, is every claim situation a fire drill that is handled by whomever happens to be in the vicinity when an accident happens?

Effective Claims Management goes hand in hand with a Culture of Safety. At a minimum a solid Claims Management Program will include:

1. Appointment of an internal Claims Administrator – This is the person or people in your company that anyone can go to when there is a circumstance that could give rise to a claim or an actual claim.
2. Education - everyone in your company should be educated on claims identification and what to do if they become aware of a claim.
3. You should have a Claim Reporting Protocol and it should be available on your intranet or some other electronic bulletin board so everyone can access it.
4. You should have a relationship with your Broker's Claims Department as well as your insurance company Claims Team. Regular open claim reviews should be held to make certain claims are being handled appropriately and everyone is on the same page.

Effectively managing claims is a collective effort that includes your insurance company and insurance broker. Steps taken to identify claims as early as possible and procedures designed to minimize those damages will go a long way to reducing the claims costs that ultimately drive your cost of risk.

## Human Resources

While HR is not really considered a “safety” function, it is intricately related to a company’s loss profile. How well is your HR department performing? Do you have a qualified HR professional in place who is up to speed on current employment and labor laws and who proactively interacts with staff to avoid issues before they become problems? Or is HR handled by someone with other responsibilities who does not really understand HR at all, and missed the meeting when the HR job was handed out?

# 2018-2019 Risk Management Seminar Series

1. Make sure that **Human Resources** is not an after-thought. If you are a larger company with 50+ people, you should have a dedicated HR professional on staff. If that does not make sense, the person responsible should have an appropriate amount of HR training. At a minimum, this person has to know what they don't know, so they know when to ask questions.
2. Make sure your **Employee Handbook** is relevant and up to date. Has it been updated within the past several years? Does your staff have a copy of the handbook and is the handbook relevant and effective? Does it include the safety protocols mentioned above?
3. Do you have **written job descriptions** for all positions within your company? Written job descriptions are a basic requirement for effective HR and are integral to a Return-to-Work Program. They also spell out the physical requirements of each position. You want to avoid "hiring a claim." Which leads us to #4.
4. Do you have a **formal performance evaluation process** for employees and are employees evaluated on a regular and consistent basis? If an employee is incapable of performing the physicalities of their position, it's only a matter of time before they have a claim. This could include a Pre-Hire Medical History Questionnaire.



## Closing Comments

Your Experience Modification can have a significant impact on your company's operations and profitability. The Mod, however, is a "lagging indicator" of your loss experience. Your current Mod can be affected by claims that took place nearly four years ago! Because of this, and as mentioned before, the reactive approach to managing your Mod won't work. You have to be proactive.

The Safety Manager of the construction company mentioned above had the following comment when I asked how they achieved their 54% mod. "We have a robust safety culture. Everyone working here knows that the owners of this company are first and foremost concerned about their safety, PERIOD. They invest in safety and we talk about it all the time. We invest in trainings and we are aggressive in managing our claims. It's not inexpensive, but if you do the math, our Return On Investment is off the charts."■

### Sexual Harrassment Prevention Training

Wednesday, December 5th  
7:30am Registration  
**8:00am - 10:00am** Program

### Conducting a Thorough Accident Investigation

Wednesday, January 9th - Downtown  
Wednesday, January 16th - North County  
7:30am Registration  
**8:00am - 10:00am** Program

### Performance Management for Supervisors

Wednesday, February 6th - Downtown  
Wednesday, February 13th - North County  
7:30am Registration  
**8:00am - 10:00am** Program

*This year we are offering certain seminars in our North County office (5857 Owens Ave., Suite 300, Carlsbad, 92008.*

To register, click on the 'register now' button in the announcement email, or contact Bethany Mongold at [Mongold@cavignac.com](mailto:Mongold@cavignac.com) or call 619-234-6848.

# *Spotlight On*



**Cavignac & Associates is proud to support local and non-profit civic organizations, including Ride Above Disability**



Ride Above Disability Therapeutic Riding Center is a place that teaches recreational riding to children and adults of all ages with special needs. The idea was to create a place where the entire family unit could come and feel welcome, relax and enjoy their time at the ranch. While special needs riders are our focus, we also teach siblings and parents who are interested, which gives our families an activity they can share together.



**RIDE ABOVE DISABILITY**  
Therapeutic Riding Center

*For more information, go to [www.radtrc.org](http://www.radtrc.org)*

Health and wellness tips for your work and life—  
presented by Cavnac & Associates



## This One Thing You Use All the Time May be Covered with Flu Bacteria

With peak flu season approaching quickly, you know how important it is to constantly wash your hands and disinfect shared spaces, but there's probably one thing you've been neglecting to disinfect: your cellphone.

Researchers from the University of Arizona found that cellphones carried 10 times more bacteria than most toilet seats. And, what's even more alarming is the fact that cellphones are the perfect vehicle for spreading germs to other people.

That's why it's so important to take the proper steps, like disinfecting your phone daily, using hand sanitizer and practicing good hygiene habits, to keep your phone germ-free this flu season.

## Don't Let Cooler Temperatures Derail Your Workout Plan

If you find it harder to keep up with your workout program as the temperatures drop, you're not alone. Every year, many Americans find it increasingly difficult to remain committed to their plan as the holidays, shorter days and less-than-ideal weather create obstacles.

Whether you're a gym-goer or outdoor exerciser, there are simple ways you can overcome the winter obstacles and stay on track with your workout plan.

- **Acclimate to colder weather by warming up inside.** If you're an outdoor exerciser, try doing your warmup inside. By doing so, you'll raise your body temperature and already be warm before you step outside.
- **Prep for your next day the night before.** If you're an early morning gym-goer, try getting everything you need for the next day together the night before. This way, all you need to do when your alarm goes off is get up, get dressed and go to the gym.
- **Have a backup plan.** Even the most dedicated exercisers will lose their motivation. That's why it's essential to have a backup workout plan that you can do at home. It doesn't have to be lengthy, doing something is better than doing nothing at all. Aim to have three or four full-body workouts ready for when you need them.

## Crunchy Potato Casserole

2 cups corn flakes (crushed)  
2 pounds potatoes (peeled, grated)  
¼ cup butter (melted)  
¼ tsp. black pepper  
1 onion (chopped)  
1 10-ounce can cream of chicken soup  
¾ cup fat-free sour cream  
1 cup low-fat cheddar cheese (shredded)

### PREPARATIONS

1. Heat oven to 350 F.
2. Combine potatoes, butter and black pepper in a large bowl.
3. Add onion, soup, sour cream and cheese. Mix well.
4. Pour mixture into a 13-by-9-inch baking dish and sprinkle with corn flake crumbs.
5. Bake for 45 minutes.

Makes: 8 servings

### Nutritional Information (per serving)

Total Calories	240
Total Fat	7 g
Protein	8 g
Carbohydrates	35 g
Dietary Fiber	3 g
Saturated Fat	3 g
Sodium	340 mg
Total Sugars	4 g

Source: USDA

## 3 Ways to Fight Holiday Stress

Holiday stress plagues many Americans every year. Top holiday stressors include staying on a budget, managing multiple commitments and finding the perfect gift. Use these three tips to help keep holiday stress at bay this year.

1. **Create your budget now.** If you're stressed about how your holiday spending will impact you after the holidays are over, you're not alone. Remember, the sentiment of a gift is much more important than the cost. Set a realistic budget and do not go over it.
2. **Shop early.** Sometimes, you can get great deals on presents even before the holiday season hits. Moreover, you can avoid the scenario of not being able to get the gift you want because it's sold out.
3. **Don't overcommit yourself.** Are you planning on hosting a holiday dinner? Are there any holiday parties you have to attend? Do you have to pick up loved ones from the airport? Making a list of your commitments will help you plan your time and help you avoid double-booking yourself.

Don't let stress get in the way of you enjoying your holiday season.

## Holiday Budgeting 101

Money is the No. 1 holiday stressor. Budget wisely by following these simple tips:

- Review your shopping list carefully. Does everyone listed truly need a gift?
- Set a maximum dollar limit for each person and stay within that limit.
- Leave the credit cards at home when you go shopping.

