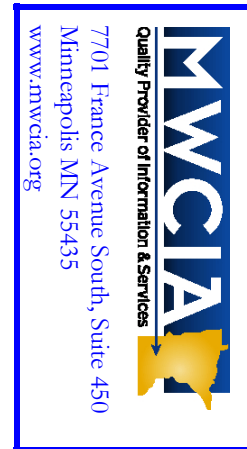


TIPS FOR KEEPING MODS LOW:

- CONTACT CARRIER 60 DAYS PRIOR TO VALUATION DATE TO REVIEW STATUS OF ALL OPEN CLAIMS
- A CHANGE IN POLICY EFFECTIVE DATES CAN IMPACT THE EXPERIENCE USED IN FUTURE MODIFICATIONS
- REVIEW AUDIT INFORMATION — PAYROLL AND CLASS CODES
- USE CARRIER LOSS CONTROL AND SAFETY PROGRAMS TO HELP REDUCE OVERALL LOSSES

COMMON FAQ'S

- Q: HOW CAN I GET MY MODIFICATION REVISED?**
- ♦ Mods are revised only when corrected data is submitted by the carrier
- Q: HOW LOW CAN MY MOD FACTOR GO?**
- ♦ If you are loss free, your mod factor is as low as it can get for your industry type and size
- Q: DOES CLAIM SEVERITY AFFECT MODS MORE THAN FREQUENCY?**
- ♦ Generally claim frequency has a larger impact. Multiple claims that total \$10,000 will have a larger impact on your mod than a single \$10,000 loss
- Q: ARE MODS REVISED IF A CLAIM CLOSES?**
- ♦ Modifications are typically calculated once a year and any changes to a claim during the year are included in the next experience rating year
- Q: HOW DO OWNERSHIP CHANGES AFFECT MY MOD?**
- ♦ Loss history follows a business in most cases whether the business was sold or just the assets. Businesses that share more than 50% common ownership are subject to a single modification factor based on their combined data



Understanding EXPERIENCE RATING



How Mods Affect Your Premium Dollars



www.mwcia.org

WHAT IS EXPERIENCE RATING?

It is a credit or debit factor based on your business' loss and payroll history.

WHO IS ELIGIBLE?

Employers who average \$5,000 unmodified audited premium in Minnesota per year during the three-year rating period or \$10,000 total in the last year or last two years of a rating period.

HOW DO EXPERIENCE MODS AFFECT MY PREMIUM?

Credit factors will decrease your premium and debit factors will increase your premium.

.80 = 20% premium credit
1.20 = 20% premium debit

WHAT POLICY DATA DO YOU USE?

Three complete years of experience ending one year prior to the effective date of the experience rating. For example:

2006	2007	2008	2009	2010	
			N/A		POLICY PERIOD
					RATING PERIOD

Exceptions may occur if policy dates change.

WHAT DOES THIS MEAN?

- ◆ **UNMODIFIED PREMIUM** = Audited premium before the modification is applied.
- ◆ **ACTUAL LOSS** = Total value of claim including reserves.
- ◆ **PRIMARY LOSS** = Reduced amount of claim used in formula.
- ◆ **EXPECTED LOSS** = Amount of claim your business is expected to have based on your business type (class codes) and size (payroll).
- ◆ **FORMULA FACTORS**
 - **EXPECTED LOSS RATE** = Factor used to determine the amount of losses by class code expected by the formula.
 - **D RATIO** = Discounts the expected loss total to arrive at the expected primary loss.
 - **WEIGHT FACTOR** = Percentage of actual losses used in formula.
 - **BALLAST FACTOR** = Stabilizing element that limits modification fluctuation in the formula.



- ◆ **VALUATION DATE** = date the value of a claim is established for a policy. This date is always 18 months after the effective date of the policy regardless of its expiration date.

Remember . . .

- open claims include reserves
- med only claims reduced by 70%
- primary losses capped at \$5,000



WHAT IF I HAVE QUESTIONS?

For questions concerning open claims:

- contact your agent
- contact the carrier's claim department

For questions about class codes and payrolls:

- contact your agent
- contact carrier's audit department

For questions about the rating formula:

- email MWCIA at info@mwcia.org

CLAIMS = LOSSES
EXPECTED LOSSES ≠ ACTUAL LOSSES