



Calculating Work Comp Rates & Loss Reserves

Strategies to Reduce Premiums

- 1) Experience Modification Rate
- 2) Worker's Comp Claims
- 3) Employer's Legal Right
- 4) Agent Choice is Key



About the web seminar technology

Lines are muted

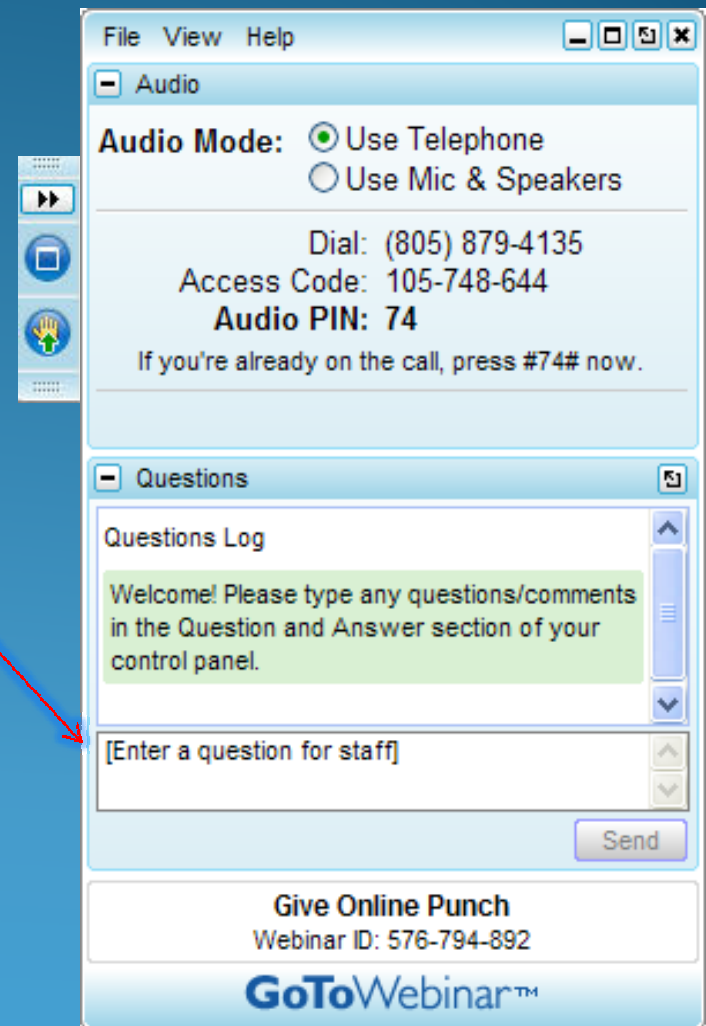
Chat box can be closed by the arrow

Don't click on the black "x"

Ask questions via question box
anytime

Q&A at the end of presentation

**THANK YOU KCI FOR ANOTHER
MONTHLY TRUCKING WEBINAR!**



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- Audio:** Includes a menu icon, a title bar with "File View Help", and a close button. It contains the "Audio Mode" section with two radio buttons: "Use Telephone" (selected) and "Use Mic & Speakers". Below this, it displays the dial-in information: "Dial: (805) 879-4135", "Access Code: 105-748-644", and "Audio PIN: 74". A note at the bottom of this section says "If you're already on the call, press #74# now."
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A red arrow points from the text "Chat box can be closed by the arrow" to the close button (a small square with a diagonal line) in the top right corner of the "Questions" section.

Speaker Bio

Jennifer T. Reelitz, CWCU, ACA

- Chief Operating Officer of NIAS/AcuComp
- 6 years of reducing work comp premiums
- Certified Worker's Compensation Underwriter
- Accredited Claims Adjuster, State of Florida
- Bachelor's Degree, Gordon College



Experience Modification Rate



- Mod
- EMR
- Rate, rating
- X-Mod
- Modifier
- Experience modifier



WORKERS COMPENSATION EXPERIENCE RATING

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Name
of
Risk

Risk Ident No:
State

Effective Date: 02/06/2011

FLORIDA

CODE	ELR	D- RATIO	PAYROLL	EXPECTED LOSSES	EXP. PRIM. LOSSES	CLAIM DATA	IJ	O F	ACT. INC. LOSSES	ACT. PRIM. LOSSES
09 Carrier		25372	FLORIDA POLICY#	2007334715		EFF-DATE	02/06/2007		EXP-DATE	02/06/2008
8810	011	23	587,244	646	149					
8835	105	23	1,703,293	17,885	4,114					
POLICY-TOTAL			2,290,537		(SUBJECT PREMIUM = 77,253)				0	
Carrier		25372	POLICY#	AWC1001010		EFF-DATE	02/06/2008		EXP-DATE	02/06/2009
8810	011	23	578,762	637	147					
8835	105	23	1,832,505	19,241	4,425					
POLICY-TOTAL			2,411,267		(SUBJECT PREMIUM = 85,520)				0	
Carrier		25372	POLICY#	AWC1002824		EFF-DATE	02/06/2009		EXP-DATE	02/06/2010
8810	011	23	487,565	536	123	4234831	5	O	34,946	5,000
8835	105	23	1,895,511	19,903	4,578	4334981	5	O	41,150	5,000
						NO. 3	6	*	2,029	2,029
POLICY-TOTAL			2,383,076		(SUBJECT PREMIUM = 47,615)				78,125	

Your Rights

- Mod rate calculation developed in the early 1900's by NCCI
- Employers sued companies
- Statute laws and insurance dept administrative rulings enacted to prevent litigation for price-fixing



This was the origin of **unit stat** and your right to ask that reserves correlate to claim file documents.

P) IF APPL.: 0.00					FLA FACTOR: 1.02			31267 - 000
(A)	(B)	(C) Expected Excess (D-E)	(D)	(E)	(F) Actual Excess (H-I)	(G)	(H)	(I)
011		45,312	58,848	13,536	66,096	21,300	76,705	10,609
Policy Year of all cases \$2,000 or less.			(11) PRIMARY LOSSES		(12) STABILIZING VALUE	(13) RATABLE EXCESS	(14) TOTALS	
Actual Loss			ACTUAL	(I)	(C) x (1-W) + (G)	(A) x (F)	(J)	(15) EXP. MOD.
SS				10,609	61,628	7,271	79,508	
Liability Loss			EXPECTED	(E)		(A) x (C)	(K)	(J) / (K)
1				13,536	61,628	4,984	80,148	1.00
10/06/2010								

- Weighting
- Ballast
- ELR
- Discount
- Payroll
- Actual Losses

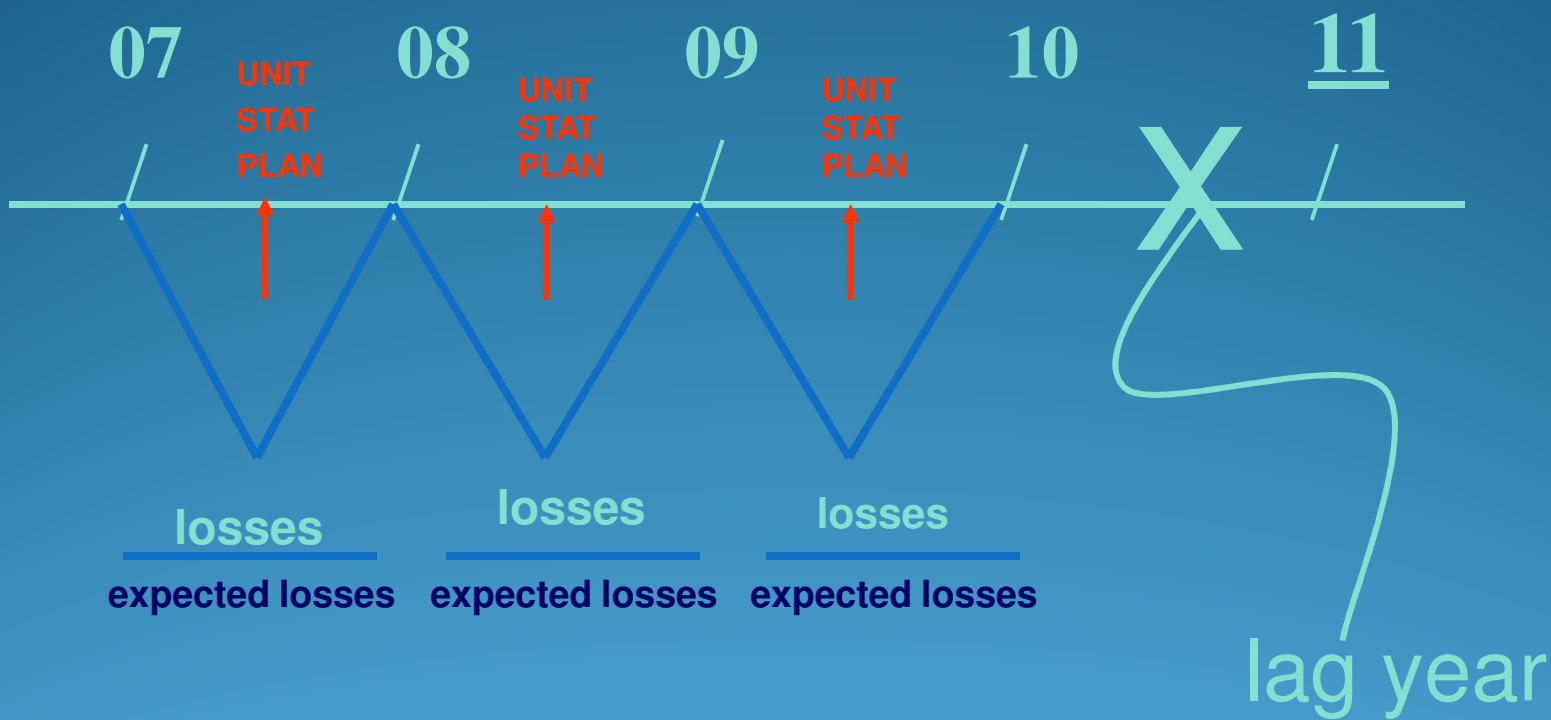
The Mod Formula

The experience mod formula:

$$\frac{\text{Actual Primary Losses} + \text{Ballast Value} + \text{Weighting Value} \times \text{Actual Excess Losses}}{\text{Expected Primary Losses} + \text{Ballast Value} + \text{Weighting Value} \times \text{Expected Excess Losses}} + (1 - \text{Weighting Value}) \times \text{Expected Excess Losses} = \text{The Mod}$$

The experience mod calculation with your data:

$$\frac{\$22,053 + 21,300 + 0.10 \times \$53,465}{\$10,781 + 21,300 + 0.10 \times \$34,215} + (1 - 0.10) \times \$34,215 = 1.20$$



Unit Stat Timeline

- “Month 6” during policy cycle
- January renewal = July unit stat
- Unit Stat valued info sent to NCCI for next rating



Claim Reserve Categories

	<u>Medical</u>	<u>Indemnity</u>	<u>Expenses</u>	<u>Total</u>
Paid to Date	5,716.83	4,805.67	0.00	10,522.50
O/S Reserves	4,783.17	2,842.65	0.00	7,625.82
Total Incurred	10,500.00	7,648.32	0.00	18,148.32

Medical:

- doctor visits
- surgery & PT
- Rx medication
- specialized care

**PAID
+ RESERVED
—
INCURRED**

Indemnity/Comp:

- temporary benefits
- permanent disability
- impairment rating
- ultimate settlement

High Claim Reserves

Claim adjuster reasons:

- 1) Overwhelming workload
- 2) Fiduciary responsibility
- 3) Lack of policy information



RESERVED

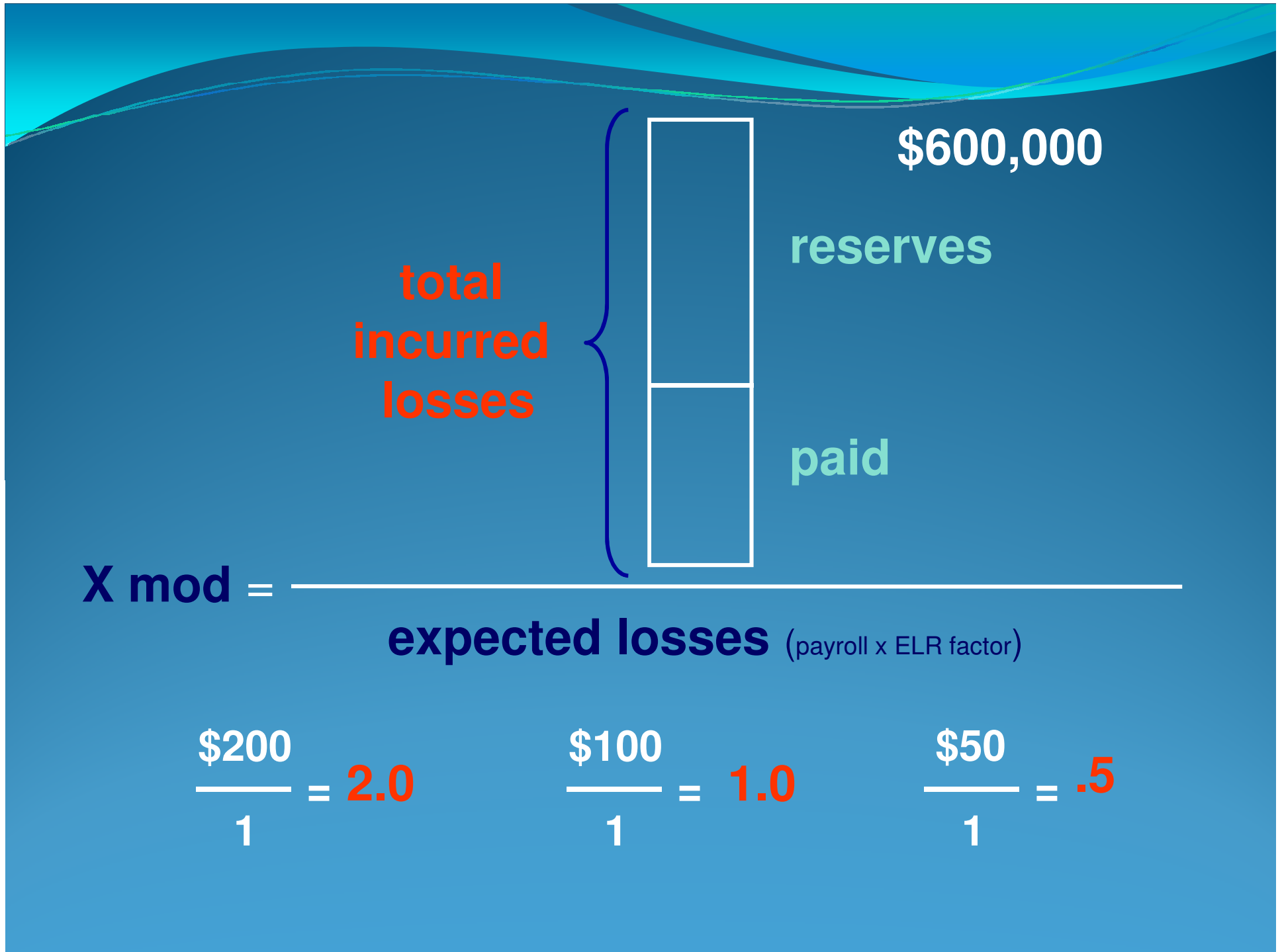
PAID

High Claim Reserves

Insurance company reasons:

- TAX reasons
- REGULATORY reasons
- ECONOMIC reasons





National Insurance Application Systems, Inc.
Reformatted Loss Run
for
XYZ Trucking
05/09/2011

Effective:	10/07/2010-10/07/2011			Policy Number:	WC 0044216063-001-000		Insurance Co.:	AIG-AMERICAN INT'L GROUP/CHARTIS		KCIA001				
Employee Name	Claim Number	E/C	Status	Accident Date	Valuation Date	Total Incurred Indemnity	Total Incurred Medical	Total Incurred Other	Total	Paid To Date Indemnity	Paid To Date Medical	Paid To Date Other	Paid To Date Total	Current Reserve
	709-907454-001	N	O	01/13/2011	03/31/2011	28,864	5,456	679	34,999	3,363	5,456	679	9,498	25,501
	709-916307-001	N	O	02/16/2011	03/31/2011	11,033	2,364	196	13,593	4,139	2,364	196	6,699	6,894
	709-903192-001	N	O	12/22/2010	03/31/2011	19,326	3,346	1,463	24,135	10,549	3,346	1,463	15,358	8,777
	709-911086-001	N	O	01/27/2011	03/31/2011	119,409	2,319	64	121,792	6,609	2,319	64	8,992	112,800
	709-892346-001	N	O	11/04/2010	03/31/2011	394,381	700	269	395,350	0	700	269	969	394,381

Effective:		11/07/2008-10/07/2009		Policy Number:		WC 0001704550-009-001		Insurance Co.:		AIG-AMERICAN INT'L GROUP/CHARTIS		KCIA001				
Employee Name		Claim Number	E/C	Status	Accident Date	Valuation Date		Total Incurred Indemnity	Total Incurred Medical	Total Incurred Other	Total	Paid To Date Indemnity	Paid To Date Medical	Paid To Date Other	Paid To Date Total	Current Reserve
	709-792473-001	N	O	09/28/2009	03/31/2011		63,379	24,947	3,401	91,727	40,353	24,947	3,401	68,701	23,026	
	709-730922-001	N	O	02/24/2009	03/31/2011		57,546	16,140	7,218	80,904	35,750	16,140	7,218	59,108	21,796	

Effective:		10/07/2009-10/07/2010		Policy Number:		WC 0001705059-001-000		Insurance Co.:		AIG-AMERICAN INT'L GROUP/CHARTIS		KCIA001															
Employee Name		Claim Number		E/C	Status	Accident Date		Valuation Date		Total Incurred Indemnity		Total Incurred Medical		Total Incurred Other		Total		Paid To Date Indemnity		Paid To Date Medical		Paid To Date Other		Paid To Date Total		Current Reserve	
		709-822297-001		N	O	01/28/2010		03/31/2011		435,938		224,480		16,048		676,466		39,743		224,480		16,048		280,271		396,195	
		709-849104-001		N	O	05/19/2010		03/31/2011		24,434		9,887		471		34,792		18,024		9,887		471		28,382		6,410	
		709-819559-001		N	O	01/18/2010		03/31/2011		132,417		20,837		4,885		158,139		33,035		20,837		4,885		58,757		99,382	
		709-848633-001		N	O	03/24/2010		03/31/2011		19,940		1,766		2,722		24,428		7,940		1,766		2,722		12,428		12,000	
		709-812753-001		N	O	12/12/2009		03/31/2011		37,112		29,343		5,022		71,477		10,601		29,343		5,022		44,966		26,511	

Totals for XYZ Trucking

12

1,727,802

594,129

1,133,673

\$1,133,673 should be \$700,000

Employer & Agent Obligations

Three retrospective corrections:

1. Clerical Errors
2. Subrogation Recovery
3. Non-Compensable or Denied

State	WT	SRP	Exp Excess Losses	Expected Losses	Exp Prim Losses	Act Exc Losses	Ballast	Act Inc Losses	Act Prim Losses
FL	.27	1775	32,527	42,745	10,218	751,602	49,700	782,230	30,628
GA	.19	2040	53,523	67,070	13,547	17,750	52,975	39,749	21,999
IN	.33	1250	35,823	49,680	13,857	10,762	45,000	38,124	27,362
ME	.31	1360	82,744	114,668	31,924	23,582	46,325	53,975	30,393
SC	.21	2810	42,032	49,408	7,376	10,306	61,875	17,989	7,683
(A) WT	(B)	(C) Exp Excess Losses (D - E)	(D) Expected Losses	(E) Exp Prim Losses	(F) Act Exc Losses (H - I)	(G) Ballast	(H) Act Inc Losses	(I) Act Prim Losses	
.27		246,812	323,811	76,999	297,846	50,317	385,364	87,518	
Primary Losses			Stabilizing Value		Ratable Excess		Totals		
Actual	(I)	87,518	C * (1 - A) + G		(A) * (F)	80,418	(J)	398,426	
Expected	(E)	76,999	C * (1 - A) + G		(A) * (C)	66,639	(K)	374,128	
ARAP		FLARAP		SARAP		MAARAP		Exp Mod	
Factors	1.03	1.06						(J) / (K) 1.06	



Mod Worksheets can be obtained by:

- The NCCI, or
- Your state rating bureau

Recent Success Story

- Beer & Wine Distributor in Louisville
- In 2010 their mod was .96
- Our review found one year of payroll missing
- We worked with carrier to revise the mod
- Mod dropped to .86 – a TEN point drop!
- In 2009 premium was \$371,523
- In 2010 premium dropped to \$279,603, saving 25%

The experience modification of .96 effective 07/01/2010 did not verify with payroll and losses for the years 06-07 and 07-08. At the request of NIAS, Inc. the mod was revised by KESA and was verified at .86 for a ten point drop in the mod.

Q&A Session & Polling Question

For further information contact:

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