Weekly Safety Tip

Courtesy of R. Scott Goodwin, SSOE, Inc.

We all know how important it is to NOT have injuries but do you know how that impacts your EMR? Your EMR looks at the previous 4 of the last 5 years, typically, and measures the expected losses against the actual losses. This week we are looking at how the EMR is impacted and how that affects your future business.

The goal is to NOT have injuries!! Safety always is ALWAYS!!

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ssoe
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"For safety's sake—do something."

What is the Impact of Injuries?

In past safety tips, we have learned that the Experience Modification Rate (EMR) has a strong impact on a business. The EMR number is used by insurance companies to gauge both past cost of injuries and future chances of risk. This can be said another way by looking at expected losses versus actual losses, but also looks at the severity of the actual loss. The higher the EMR, the higher your worker compensation insurance premiums will be. There is also a compounding effect as clients want to hire firms with low EMRs. If the EMR is high, then clients may opt to utilize different firms. This could cost millions in lost projects. An example of a company's OSHA logs showed zero (0) lost time injuries since 2007, with several years of zero (0) Recordable incidents at all. Yet in 2019, the company had five (5) Recordable Injuries. Two of the Recordable Injuries were lost-time claims that resulted in their EMR nearly doubling from an impressive .74 to 1.12 based on almost 350,000 work hours. This is a great example of how injuries impact not just your current losses, but also future losses through an increase in insurance costs. A copy of the company's EMR is below for reference.

I want to emphasize that things can change very quickly with just a single bad year or two! To reverse the action will take significant time. The only real way to lower an EMR is to have zero (0) injuries and to increase employee work hours, thus increasing expected losses with no losses to report. Most EMR's are calculated looking at the oldest three of the last four years. For example, to calculate the EMR for 2021, they will look at 2017, 2018, and 2019 performance years. In Ohio, the comparison is done between actual claim costs and expected claim costs, looking at the oldest four of the last five years, not including the newest year or current year. Looking at a 2021 year, Ohio would take into consideration 2015, 2016, 2017, and 2018 years. The losses today can and will affect the future business and expenses of the company.

RE: August 1, 2020 Experience Modification Factor

Dear XXXXXX,

As we have been discussing, your Experience Modification Factor effective 8/1/20 will be 1.12. This is because your first Time Loss Claim since 2007 has hit the Worksheet for the first time, effective with the August 1st calculation.

Your firm has always exhibited great Workers Compensation results and stresses a safe workplace. This is shown by your last five years' Experience Modification History:

8/1/20	1.12
8/1/19	.74
8/1/18	.77
8/1/17	.82
8/1/16	.85

I had XXXXXXXX calculate this years' Experience Modification without the Time Loss claim. Your 8/1/20 factor would have been .70.

Please let me know if there is anything I can do to help stress to your clients what a commitment to Safety all of the Team at XXXX exhibits.

In the chart above, you will see the company's EMR from 2016 through 2019 was good. Then you see the impact in 2020 from the 2019 five Recordable injuries.

Safety Scott says, "Safety always is ALWAYS!"

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