

WHAT IS EMR AND WHY IS IT SO IMPORTANT TO YOUR BUSINESS

By: Frank V. Bodami
Titan of Buffalo

A good safety record cannot only strengthen your bottom line and reduce insurance premiums. It can also affect whether or not your company will be considered to bid and perform work, more specifically for Industrial or Fortune 500 Companies.

EMR or Experience Modification rate was originally designed and still is used to calculate insurance premiums for each type of industry and employee classification. However, since sometime in the 1980's, a company's EMR has been used as a guide by private industry to evaluate the overall expertise and quality of company and more importantly, the commitment to safety of a company they may hire to perform work on their site.

There are calculations for auto, general liability, and Worker's Compensation. However, it is your Workers' Comp EMR which will be looked at to decide whether you work for a company or not. EMR's are calculated by comparing your actual losses to Industry average losses in your classification. Your premiums will be higher when average losses are lower than your company's performance. Your premiums will be lower when Industry average losses are higher than your company's performance.

There are two organizations that control classification rates. The first is your State Workers Compensation Rating Bureau, and the second is the National Council on Compensation Insurance, which calculates your EMR when you work outside of your home state.

It takes three years of experience and generally around \$5000.00 in annual premiums to obtain an EMR. Your EMR evolves around a three-year plan. Annually however, the first year is excluded.

Companies who perform average in their industry will generally see an EMR rate of 1.0. Companies with many claims will have a higher than average rate, for example, 1.6. Typically most private clients want a company EMR to be below the average threshold, for example, .75. The rating dictates what you will pay in premiums. Example, 1.0 pay 100%, 1.6 pay 160%, and .75 pay 75% of average.

How can we lower our EMR or (MOD)? Start with a comprehensive safety plan which should include NDA's safety manual, employee training for all OSHA requirements, drug testing, pre-employment physicals, and possible incentives for employees to work safe. A Workers' Comp Claim Management Plan should be put in place (check under the Risk Management section on the NDA web site for some ideas on this plan).

So you see, safety truly does pay whether you lower the cost of your insurance premiums or get the work you want in the Industrial facility you have been trying to work for. Your bottom line will surely be strengthened.