

Renaissance Alliance Offers Agents, Employers Guide to Comp Mod Changes

WELLESLEY, MASS. — Renaissance Alliance recently produced a comprehensive guide for agents and employers to help them understand the new experience modification calculations for workers' compensation that are being put in place by the National Council on Compensation Insurance.

Renaissance explained that, as of 2013, the way that workers' compensation experience modification factors are calculated has been changed for employers in Connecticut, Maine and New Hampshire.

"This is the first change in procedures in more than 20 years, and it will have a significant impact on employers with higher-than-average workers' compensation losses," said Renaissance Alliance. "As the name implies, experience modification is the mechanism that insurers use to factor an employer's actual historical loss experience in the premium calculation."

The firm noted, "The new calculation is designed to collect more premium from insureds with relatively high losses, while at the same time reducing premiums for insureds with low losses."

The point of the old system was to

reward employers with lower than average losses and penalize insureds with higher than average losses. Renaissance noted in its whitepaper on the changes that at the time the existing rating processes were announced, the average lost-time claim was about \$12,000.

"In the intervening years, the average lost-time claim has risen substantially, now reaching \$50,000 or more in a number of states," said the firm. "As a result, the 20-year-old method for calculating the experience mod is out of date, no longer reflecting the realities of the claims cost structure. In other words, the rating system is ineffective in penalizing high loss insureds, just as it is ineffective in rewarding those with low losses."

Changes are scheduled to be rolled out to other New England states later this year. The new procedures will be implemented in Vermont on April 1, 2013 and Rhode Island on June 1, 2013. The date for Massachusetts implementation has not yet been announced, but is anticipated to kick in sometime in early 2014, Renaissance noted.

"The changes will have the most impact on insureds at the extreme ends of the loss spectrum; high loss

insureds will see increases in their mods, ranging from modest to dramatic, while low/no loss insureds will see their mods drop well below the current floor," said Renaissance.

The firm added, "Given the retroactive nature of the changes, there is not much that employers can do to change the impact of the new rules on their experience mods in 2013. However, savvy employers will make note of the new calculation methods and incorporate the changes into claims strategies going forward. Agents can play a key role in this process, beginning with their own thorough understanding of the pending changes."

The study can be found on Renaissance Alliance's website at www.renaissanceins.com

Renaissance Alliance is a coalition of independent agencies, insurers, and service providers offering insurance services and products to personal and commercial insureds throughout New England. Renaissance Alliance currently encompasses 120+ agency locations in Connecticut, Massachusetts, Rhode Island and New Hampshire, over 35 national and regional insurers, and a broad array of insurance service providers and vendors. ■