



SAFETY GROUP

*Sending workers home safely –
each and every day!*



Reduce EMR – Increase **PROFIT!**

2018
September

*"...A company with a **0.8** EMR will pay over 30% less in Workers' Compensation insurance than a company with a **1.2** EMR."*

What is EMR?

In a word – **PROFIT!** The Experience Modification Rate (EMR) is a number that insurance carriers use to determine a company's risk. The higher the risk, the higher the EMR – and Workers' Compensation insurance premiums. It is somewhat like our credit history and it follows us everywhere. As such, it can have either a positive or negative impact on your company's costs and profits.

The Experience Modification Rate is based on your company's loss history as compared to its industry average. If your company has fewer claims, its EMR will be lower, more claims and it will be higher.

The Industry Average is 1.0, but an EMR can range well above or below this value. Though the formula used to determine this value is not simple, most important is **how it impacts your company's profitability and bottom line!**

With each increase in a company's EMR comes an increase in its Workers' Compensation insurance. But you DO NOT have to accept a high EMR. This report provides a variety of ways to lower BOTH your company's EMR and Workers' Compensation premiums.

Who Determines EMR?

The National Council on Compensation Insurance (NCCI) is the entity responsible for calculating the Experience Modification Rating for most states. NCCI's Experience Modification Rating consists of two primary elements: **Frequency** (or Primary Losses) and **Severity** (or Secondary Losses). The criteria for these two elements has changed over the past years as shown below:

Year 1

- Frequency or Primary Losses: Claim less than \$10,000
- Severity or Secondary Losses: Claim greater than \$10,000

Year 2

- Frequency or Primary Losses: Claim less than \$13,500
- Severity or Secondary Losses: Claim greater than \$13,500

Year 3

- Frequency or Primary Losses: Claim less than \$15,000
- Severity or Secondary Losses: Claim greater than \$15,000



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How To Lower EMR?

The good news is that you CAN lower your company's EMR. It begins with effective safety practices and programs that are directly focused on preventing injuries. It is inevitable that accidents will happen. However, there are many **preventable** accidents that occur and get reported that increase claims, losses, EMR, and Workers' Compensation costs.

This can be avoided. How?

Developing a comprehensive safety program is the first line of defense in **preventing** accidents. A company's preparedness, responsiveness and proactive actions focused on (1) preventing accidents and (2) effectively managing claims are best practices to control and lower its EMR.

Below are a six (6) simple and highly effective safety practices that can help improve your company's safety program and performance.

1. Written Safety Plan – A written safety plan that is easily understood is the foundation of any successful safety program. It should stress that working safely is as important as any other business function. A written plan will identify what **MUST** be done to control and mitigate hazards and promote greater safety awareness across the organization.

2. Education & Training – An effective safety training program is essential in keeping the workforce up to date on key and current safety topics and practices. It is important to present material in a clear and concise manner. As important is for employees to demonstrate they understood and retained the knowledge through course tests or quizzes.

3. Hazard Assessment – Conducting thorough hazard assessments (JHA/JSA) helps identify where project and jobsite hazards are located. These hazards may change due to the everyday changes of jobsites or operating processes. This change is what dictates the need for frequent hazard assessments to be conducted. Once hazards are identified, controls must be put in place to correct or mitigate the hazard.

4. Inspections & Audits – A jobsite audit or inspection is the only way to know if workers and workplaces are operating under safe conditions. The main purpose is to discover hazards at a jobsite and correct them **BEFORE** they cause an accident or injury. Inspections can be scheduled or performed impromptu and should include a checklist.

5. Reporting Process – Establish a thorough and consistent process to report, record, track, and respond to incidents that identify the hazard. Streamline and centralize the incident reporting process for speed and accuracy in documentation and correction. It is also beneficial to provide a system for employees to easily report work site hazards.

6. Investigation & Correction – Thorough investigation of accidents is required to determine root cause. The investigation process enables corrective measures/actions to be implemented that prevent same incidents from occurring in the future. Always keep prevention in mind to correct the hazard causing the accident in the first place.

Cost Savings

A company's EMR has a direct impact on its operating costs – specifically in the amount of Workers' Compensation premiums. This cost is easily quantified through the following example.

A company with an EMR of 1.29 (0.29 **above** the 1.0 industry standard) would mean the employer has to pay an extra \$0.29 per dollar of premiums. If premiums are \$100,000 annually, then the employer just lost \$29,000 off the bottom line due to its higher injury rate.

On the flip side, if a company has fewer injuries and an EMR of 0.71 (0.29 **below** the 1.0 industry standard) it would receive a premium credit. Considering the same \$100,000 annual premium, the company would now save \$29,000 – which directly contributes to its bottom line. In addition, these savings can help increase competitiveness when bidding new business by not having to carry this unnecessary operating cost.

"Companies can reduce their EMR through an effective safety program ... leading to an increase in productivity, profitability & competitive advantage for winning MORE new business."



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Summary

The most important factor and benefit from a low EMR is the reduction or elimination of worker accidents and injuries. This translates directly into lower operating costs and higher profitability.

It is a fact that a company with an EMR below 1.0 is saving money every day on every employee through an effective safety program. The results can help eliminate injuries, lower claims and losses, and reduce Workers' Compensation insurance. Additional value is achieved through competitive advantage when bidding on new business – AND retaining existing business. Not having to pass along higher operating costs in the form of uncompetitive bids is a sound strategy for winning more new business.

To sum it up, from the boardroom to the frontline, ***everyone*** wins when an investment in safety saves BOTH lives and dollars.

About SMART Safety Group

Since 2003, SMART Safety Group has protected our client's workforce and worksites across the U.S. Our **Safety Program Management** provides the most effective and comprehensive safety solution that **reduces** incidents and claims, **ensures** OSHA compliance, and **develops** the most proactive safety behavior and culture across our client's organization.

Safety Program Management Services:

- Safety Policies
- Jobsite Audits
- 24/7 Incident Response
- Incident Investigation
- OSHA 300 Report Management
- Toolbox Safety Topics
- Health & Safety Training
- Reporting & Documentation
- OSHA Representation

We are an experienced team of "boots-on-the-ground" safety professionals providing safety services and support to our client's 24/7/365. Contact us today to learn more about our **Safety Program Management** that can significantly increase your company's safety, productivity, profitability, and competitiveness.

SMART SAFETY GROUP

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