

A close-up photograph of a hand holding a black frying pan over a gas stove burner. The pan is filled with a bright orange and yellow flame, with white steam rising from it. The background is blurred, showing a kitchen setting.

X-MODS: NEVER HEARD OF THEM? THAT'LL COST YOU

Your guide to improving experience modification rates
and driving down premiums

**Have you seen an increase in your workers' compensation premiums?
One reason for these increases may be your experience modification rate or x-mod.**

Never heard of it?

X-mods are used by insurance companies to reflect both past cost of injuries and estimate future chances of risk, and can have a strong impact on your business and the premiums you pay. Insurance companies use an experience rating to set your x-mod.

Experience rating is a process that modifies the published rates by taking into account the actual reported losses and payrolls of an individual business. Only companies of a certain size qualify for experience rating, and the guidelines are different in every state.

In short, x-mods adjust your insurance rates based on your actual business risk, not just some charts, graphs, and tables.

These rates have a direct effect on your business, and knowing a little more about them can go a long way.

Here are some common questions surrounding x-mods that can help you better use them to your benefit.

Can experience rating save you money?

The experience rating process determines a premium that more accurately represents a company's risk of sustaining losses and helps lower and control costs. And because it serves as an incentive for reducing an overall risk profile, experience rating encourages businesses to engage in better risk management or loss control procedures.

Stronger risk awareness can lead to fewer claims, and insurance carriers provide services and support to help companies reduce risk exposure—it's a win-win. Insurance carriers see fewer claims and participating businesses see lower premiums.

How does experience rating work?

Once a year, the insurance company submits payroll and claims data electronically to the corresponding rating agency. With this data the rating agency can calculate an employer's experience rating.

The experience period is typically three full policy years, usually ending one year prior to the effective date of the modification. An experience rating calculation has three main data elements: claims, payroll, and estimated loss rates. In most cases, three years of payroll and claims are used.

In general, the higher your payroll, the more capacity you have to absorb losses—leading to a more favorable rating. Additionally, having fewer losses will result in a more favorable rating while having higher than estimated losses will produce a less favorable experience rating.

It is important to note that many smaller losses can have a greater and more adverse impact on your experience rating than larger losses. This is because smaller losses are more frequent and easier to predict.

How are x-mods calculated?

If your losses in the past were average, the x-mod applied to calculate the future premium would be at 1.00. If your losses were better than average, you would get a rate credit, with an x-mod of less than 1.00, and likely, lower premiums. However, if you experienced worse than expected or average losses, your x-mod would be greater than 1.00, and your future premium would likely rise.


How do I stay on top of my x-mod?

Your experience rating directly affects the insurance premiums you pay to the insurance provider, so it's important to review everything with your insurance broker for errors in classification, payroll, and claims data.

Here are some common errors and misconceptions:

- Typos on claims and payrolls
- Reserves reported improperly
- Wrap-ups are not included
- Credits for recoveries

Errors and mistakes can happen, and it is not uncommon to find errors resulting in insurance companies returning premiums to employers.

A photograph of a busy commercial kitchen. In the foreground, a chef is cooking at a stove with a large flame. To the right, another chef is pouring liquid from a large metal pot. The kitchen is filled with stainless steel equipment, including pots, pans, and a range hood. The lighting is bright, and the atmosphere is one of active food preparation.

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How can I improve my rating?

That's the million dollar question! Here are four proven strategies to improve your x-mod:

- 1. Develop a strong safety program:** One of the best things you can do to improve your rating is to establish a comprehensive workplace and jobsite safety program. Work with your insurance carrier or other risk professionals to review your restaurant's practices, identify potential hazards, and develop a plan to lower your risk profile.
- 2. Use insured vendors and contractors:** Confirm that all of your vendors and contractors have proper workers' compensation insurance coverage in place. By only working with self-insured partners, you can better control costs, risk, and your modification rating. Using uninsured contracted workers can increase your premium by bringing any claims that happen on your premises under your insurance policy.
- 3. Review your job classifications:** Depending on the size of your business, you might have different employees performing different tasks with different risks—that's why it's important to make sure that everyone you employ is classified correctly. Your floor manager, for example, does not have the same day-to-day risks as a cook. Misclassifications can directly impact your workers' comp and other insurance rates. Also, remember, intentionally misclassified employees can lead to fraud issues that can limit your options in the event you have a claim.
- 4. Mandate training and certification:** Make sure your employees are properly trained and, if needed, licensed. Failure to provide proper training to new and current employees can increase your overall liability. Additionally, it's important to make sure that all the equipment used is maintained and in good condition.

About the Restaurant Workers' Compensation Insurance Program

Alliant Insurance Services provides tailored workers' compensation solutions that deliver quality service and bottom-line results to Southern California's restaurants and franchises. Our approach provides broad protection against the rising cost of workplace injuries, specialized resources to help manage employees, and proactive strategies to mitigate long-term risk. We provide a powerful combination of long-term experience and targeted expertise to protect any type of restaurant, from fast food to white tablecloth.

About Alliant

Alliant is the nation's largest specialty insurance brokerage firm, providing risk management, insurance, and consulting services that safeguard the physical and financial health of thousands of clients throughout the U.S.

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