

# Monitoring the Mod



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## Abstract

In your agency, I bet it is common practice to review renewals 6-8 months in advance, right? Right! (he says sarcastically) Well, if the workers compensation is experience rated, there are some things that may need attention that far in advance. Such vigilance may save your insured BIG bucks. Included in this article is a downloadable chart that provides a timeline indicating what and when certain actions should be taken to avoid surprises at renewal time.

An insured's actual workers comp claims are shown in columns 7-9 of the NCCI experience rating worksheet. The amounts shown are based on those reported by stat cards submitted by carriers to NCCI and are usually based on a stat card cut-off date SIX MONTHS prior to the renewal date of the policy. These reported losses include both paid claims and outstanding (open) reserves for both medical and indemnity payments combined. These reserves are typically based on insurer judgment except for paid medical and permanent total disabilities.

In column 8 of the NCCI experience mod worksheet, each claim in excess of \$2,000 will include either an "O" to indicate that a claim reserve has been established but the claim is still Open, or an "F" to indicate that the claim has been closed with a Final settlement.

One of the most common inaccuracies on the worksheet involves reserves. Although carriers must follow up with NCCI by filing subsequent unit stat cards that include open claims (see timeline in the downloadable "[Monitoring the Mod](#)" chart), sometimes reserved claims have been closed with little or no payment but the carrier failed to file a corrective stat card or the claim was closed after the stat card cut-off date (I've personally seen claims closed 1-3 days after the cut-off date, fully six months prior to renewal). Therefore, the original reserve amount may still show up on the worksheet with an "O" beside it. Here are several real-life examples:

- After reviewing a loss run, an agent discovered that a \$60,000 open reserve shown on the worksheet was actually closed prior to the stat card valuation date. The mod on the worksheet was 1.26 and should have been 0.94, but the correction was could not be made until the next reporting period according to NCCI rules.
- A \$35,000 open reserve was shown on a worksheet with a 1.17 mod. Although the claim had been proven to be fraudulent, the company had failed to file a corrective stat card. The mod was ultimately corrected to 0.89, reducing the insured's premium by almost one-third.
- The company never filed corrective stat cards with NCCI on open claims closed as far back as two years ago. When recalculated, the mod dropped from 1.24 to 0.93.
- A loss was originally reserved at \$22,000 almost three years ago and this value was continued on each subsequent stat card even though the reserve was reduced several times. After the valuation date of the last stat card, the claim was closed at \$4,800. The mod would have been 1.15, rather than 1.21, but NCCI cannot reevaluate the mod until the next rating period according to their filed procedures.

As shown in the first example above, a claim may have been closed PRIOR to the mod promulgation date of the upcoming policy period, but AFTER the date of the last stat report (i.e., six months prior to renewal). According to NCCI, the open claim reserve shown on the stat card will still be included in the mod calculation and shown on the worksheet applicable to the upcoming policy period, even though it has actually been closed.

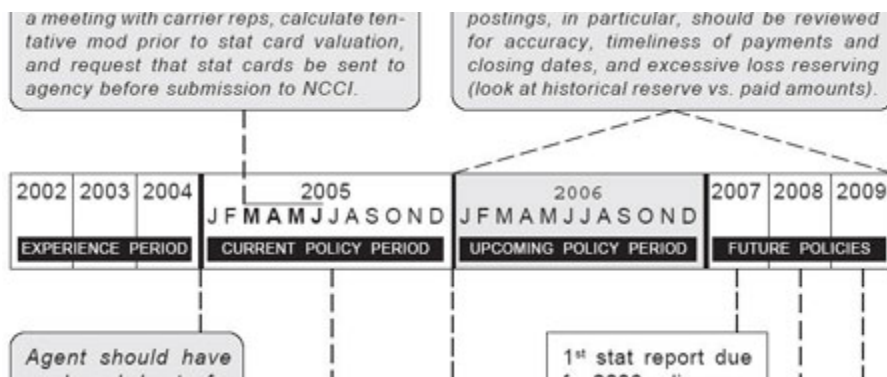
As demonstrated by the last example above, in addition to failure to file stat cards on closed claims, reserve amounts may have been lowered over time, but not changed on the worksheet. Unfortunately,

the failure to follow up on open claims may mean that the insured is stuck with a mod that could have been lowered considerably if the claim/reserve was more diligently tracked.

Finally, remember that reserves may be based largely on judgment, so it is not inappropriate that a reserve amount be challenged if it appears excessive. If, as the agent, you have reason to believe that a carrier has established a pattern of over-reserving (which some feel happens, particularly in residual markets), keep a file of reserve activity to present to your insurance department, labor department, and/or workers compensation commission.

As mentioned previously, a reserve amount cannot be modified on a worksheet, due to judgment reconsiderations, after the stat card has been submitted to NCCI. From a preventative standpoint, **open claims should be reviewed at a minimum of 7-9 months in advance of the policy renewal date** since such losses are valued on the stat cards at intervals of 18, 30 and 42 months after policy inception.

For a complete timeline of what an agent can do (and when) to ensure that open claims are closed by the stat card valuation date, download our ["Monitoring the Mod" chart](#) which is excerpted here:



**Note:** This article was excerpted from our "Workers Compensation Experience Rating" online course. In that course, you will learn what every entry on a mod worksheet means, where it came from and why, how to calculate a mod from scratch, and much more. For more information or to register for the course, click the Classrooms tab near the top of this page. This course is approved for CE in some states.