

## **County Extension Districts Workers Compensation Proposal to Implement \$250 Deductible**

The workers compensation premium is determined from the following three components:

- ✓ Payroll amounts
- ✓ Classification and Iowa rates
- ✓ EMR - experience-rating modifier

The experience rating modifier is a three year formula not including the current year. For example the modifier used for the year starting July 1, 2009 would represent claims experience for the three year period of July 1, 2005 to June 30, 2008. Moving forward the older year drops off and the newer one is added to the calculation. The formula compares the total actual losses compared to what NCCI expects for these same class codes in Iowa.

An organization with fewer losses has a lower experience modifier than one with higher claim activity. Organizations that reduce or eliminate losses reap the benefit of an improved experience modifier resulting in lower insurance premiums.

Due to increased claim frequency and higher claim amounts encountered in the past several years, the experience modifier for the County Ag Extension Districts has continued to rise resulting in increased workers compensation premiums each year. To illustrate, the modifier has increased by 18 points in the past 3 years, going from .92 to 1.06 for the 2008 year and increasing another .04 points in the current 2009 year to 1.10.

There are two approaches available to reduce and manage the high costs of workers compensation. One method designed to take better control of these rising costs, and the easiest to implement, is a per claim deductible. Counties do not currently pay a deductible for workers compensation claims. LaMair Mulock Condon has studied our claims history and applicable modifier and recommends a \$250 deductible per claim be implemented.

Another approach we are also looking at is to identify trends in the type and cause of losses and implement safety measures and training to avoid them. Education and training employees to recognize avoid and prevent unsafe or unhealthy working conditions or practices can help to reduce injury and illness.

If we take corrective action now by implementing a \$250 deductible, counties can lessen the financial impact of this upward trend on their workers compensation rates and premiums for the next 3 years and beyond.