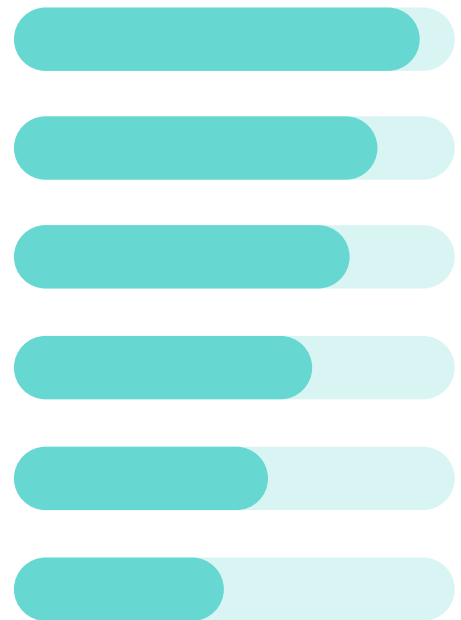


TURNING WORKERS COMPENSATION CLAIMS DATA INTO ACTIONS

BY TODD THAMS

Workplace injury rates have steadily declined over the past 20 years due to investments in job safety training, safety controls, and workplace culture. At the same time, however, employers' experience modification rates have increased. This article explores this phenomenon and examines how a data visualization approach could help mitigate the effects of it.



Recordable workplace injury incidents fell to 2.3 cases per 100 full-time workers in 2024—the lowest level since tracking started in 2003. What's more, nonfatal injuries and illnesses decreased by 3.1 percent from the prior year.¹

This highly welcome data from the U.S. Bureau of Labor Statistics reflects an occupational trend that has persisted across virtually every major sector of the economy. In fact, not a single major private industry sector experienced a meaningful increase in incident rates.

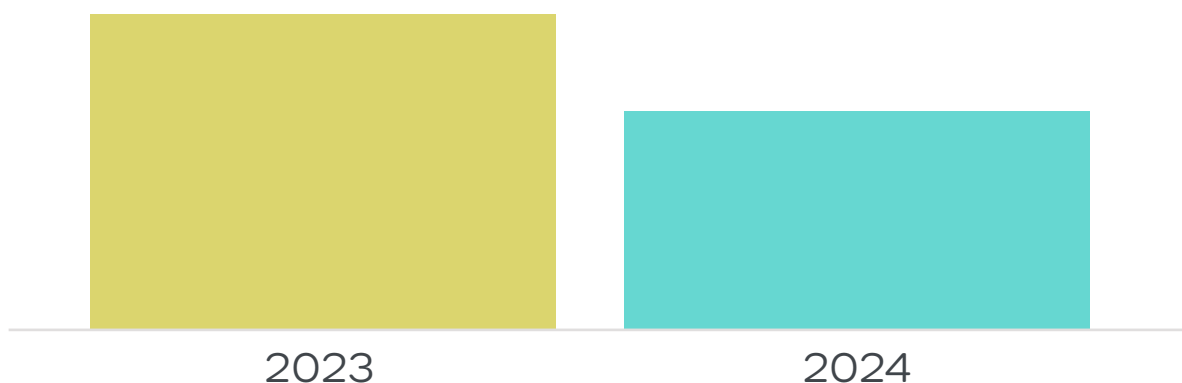
These results can likely be attributed to safer workforces, increased compliance with Occupational Safety and Health Administration (OSHA) standards, implementation of return-to-work programs, and broad safety culture initiatives. Why, then, are experience modification rates, which indicate employers' risk of workers compensation claims, rising?

This disconnect is one of the least understood dynamics in workers compensation insurance. To weave this information together, let's dig into the calculation.

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from 2023 to 2024



EXPERIENCE MODIFICATION RATE CALCULATION

The experience modification rate formula compares a single employer's actual losses against a set of expected losses.

Actual losses include all losses reported for the period, both closed and open claims, and reserves. Expected losses are calculated using the employer's reported payroll, payroll classification codes, and actuarially compiled rating data. When expected losses decrease but actual losses don't, the employer's experience modification factor increases.

I have modeled many scenarios using the exact same payroll and loss information for the past several years, and the result is clear: Experience modification values are higher today than they were just a few years ago.

There are a few caveats to this:

- Employers who are best in class, with no reportable claims, are benefiting from the minimum modification floor decreasing.
- Employers with stable, consistent loss histories are seeing their modification values drift upward, despite no significant change in claims activity, because the expected loss benchmark has declined around them.
- The impact of claims on modification rates has increased, as each dollar represents a larger share against the smaller expected loss benchmark; in many cases, the percentage of the claims considered to be in the primary or frequency bucket has also increased.
- Employers with high-frequency, lower severity claims are seeing modification values drift upward faster than ever before. Repeat, smaller claims are now more damaging to modification values than many employers realize.

CURRENT MARKET CONDITIONS

It's no secret that workers compensation has historically been one of the most profitable lines of commercial insurance. Overall combined ratios have remained favorable, and underwriting results have been consistent.

While the insurance market has historically been soft and competitive, it seems ready for a change based on recent signals:

- Premium rates are decreasing nationwide, and decreases are getting smaller.
- Several states, such as California, the District of Columbia, Missouri, Montana, and Nevada, reversed this trend with premium rate increases.
- A large monoline workers compensation insurer posted a combined ratio of 106 percent in the fourth quarter,² mainly due to losses in California.

Outside market conditions also indicate the same:

- Medical cost inflation continues to outpace general inflation and is up 6 percent.³
- Wage growth directly increases indemnity benefit amounts.⁴
- Longer claims durations are becoming more common in complex or litigated claims.⁵

As the markets start to adjust nationwide, two vastly different outcomes for employers are likely.

First, with the window of favorable pricing closing for employers with high experience modification values and a history of frequent or costly claims, fewer insurers will be willing to compete for this business. The cushion that has protected poorly performing accounts for the last several years is getting thinner.

But on the other hand, employers that have done the work—managed claims well, transitioned injured workers back to their jobs, and kept their modification values in check—are going to be rewarded. They'll enjoy more options and better pricing, with insurers competing for their business.



DATA VISUALIZATION IS A **POWERFUL** WAY TO AGGREGATE COMPLEX INFORMATION AND MAKE IT **DIGESTIBLE**

THE DATA VISUALIZATION APPROACH

Traditional claims reviews, which consider claims counts, incurred losses, total losses, and open reserves, no longer sufficiently represent a policy-renewal strategy. Past claims are a lagging indicator of future performance, but they don't tell the whole story.

It's therefore time to stop using outdated spreadsheets and instead leverage data visualization tools to produce risk intelligence that allows for deeper analysis. And it's time to start providing real-time, forward-looking analysis to drive change.

Employers want information they can use to improve their outcomes and premiums. Specifically, they wish to learn:

- How will today's losses affect our future modification factor?
- Is the data in our calculation accurate?
- Which claims have reserve leverage that can be acted on?
- What injury patterns are occurring, and why?
- What's the return on investment (ROI) from resource dedication to these problems?
- How does our organization compare with others in the industry?

Data visualization is a powerful way to aggregate complex information and make it digestible. But the harder—and more important—part is understanding what the data tells us and then using what we've learned to form a collaborative risk management plan that employers can execute.

Data visualization approaches aren't one-size-fits-all. Employers vary in size, loss history, geography, and type of work—and strategies should reflect that. But the foundation is always the same: education first.

To that end, let's look at the six steps involved in taking a data visualization approach to workers compensation claims.



STEP 1: CLASSIFY MODIFICATION PERFORMANCE


Start by reviewing employers' current experience modification values and historical trends. Specifically, look at whether the values and trends have been improving, worsening, or remaining the same over time.

Consistently high results could indicate safety problems, while consistently low ones could indicate focused safety efforts or simply luck. Understanding where employers sit on this spectrum shapes what comes next.



STEP 2: DIAGNOSE THE DATA

Next, break down the most recent experience modification calculation into metrics that drive the strategy. These include:

- Actual vs. expected losses by year—Analyzing the information in this format can help you quickly identify overall safety trends. Is the employer performing better or worse than expected for one, two, or three policy periods?
 - Frequency vs. severity—Does the data show a pattern of repeat smaller claims driving the modification value (which often signals systemic training gaps) or the absence of a return-to-work program? Or is the value driven by severity—larger, more serious injuries? Is the type of work inherently high hazard and prone to severity, or is it repetitive work prone to frequency? Understanding this distinction is essential to building the right response.
 - Open claim and modification impact—Which open claims are actively inflating the modification value, and what would happen to the value if those reserves were resolved? A high volume of open claims often reflects a lack of focus on claims resolution; closing those claims can produce meaningful financial results.
 - Scenario analysis—What would the experience modification rate be if smaller indemnity claims were medical only? What would it be if active claims management resulted in a 10 percent or 20 percent reduction in loss amounts? Benchmarking these values against the premium can indicate the ROI of focused efforts.
 - Return-to-work opportunities—This is often the lowest hanging fruit in the entire analysis. Look for smaller indemnity claims where reimbursed wages are just a fraction of the overall claim amount. Modeling these claims as “medical only” can show the ROI of a return-to-work program. In many cases, implementing such programs will provide significant workers compensation premium savings.
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STEP 3: TARGET THE TREND

When reviewing claims data, look at the actual loss runs—not just a summary. A pattern across five claims doesn't indicate a trend, but a pattern across 20 might tell you where the problem is.

The goal is to group claims by common characteristics and focus on the combinations that have the biggest impact on the modification value. Digging into the following categories tends to reveal the most useful insights:

- Cause of injury—How are people getting hurt? Slips and falls, overexertion, and struck-by incidents tend to repeat themselves. If the same cause(s) keeps showing up, there's likely an operational or environmental issue that needs to be addressed.
- Nature of the injury—What type of injury is occurring: Strains? Lacerations? Fractures? Understanding the nature of the injury can help you connect the dots between its cause and the job tasks involved. Further, it can identify specific training or equipment needs.
- Body part—Which body parts are most frequently injured? Back and shoulder injuries often signal lifting or ergonomic issues, while hand and wrist injuries may point to tool use or repetitive motion. Patterns can drive targeted prevention efforts.
- Lag time—How many days passed between when the injury occurred and when it was reported? Long lag times are a red flag. Late reporting typically leads to higher claim costs, more litigation, and less ability to manage the outcome effectively.
- Hire date—How long had the employee been on the job when they were injured? A high concentration of claims among newer employees is one of the most common, and most fixable, trends an employer can address (for example, through better onboarding and early job training).
- Location—Are there clusters of claims at a specific facility or jobsite, or in a specific region? When one location stands out from the rest, the problem typically isn't company-wide. It's likely due to local management, safety culture, or environmental issues. Identifying the problem early allows for targeted intervention before costs compound.
- Employee department—Which departments are generating the most claims? A warehouse team, a field crew, or even a single shift can skew an entire claims history. Breaking claims down by department helps pinpoint where safety efforts and resources will have the greatest impact.



THE BEST PREDICTOR OF NEXT YEAR'S EXPERIENCE MODIFICATION VALUE IS TODAY'S LOSS RUN, **ANALYZED CORRECTLY**

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STEP 4: VERIFY THE INPUT DATA

Even the most thorough claims analysis won't mean much if the underlying data feeding the experience modification value is inaccurate. Before drawing conclusions or making decisions, take a step back and ask a simple question: Is the information on this modification value worksheet correct? This step can be labor intensive and requires a deep dive into data collection, as you'll need audited payrolls and worksheets as well as current loss-run data from all insurers.

Mistakes happen more often than people realize. But because the experience modification value is determined by a mathematical formula, they make a big difference. Bad inputs produce bad outputs.

To achieve the best results, these key items should be verified:

- **Audited payroll**—Is the payroll that's reflected on the modification value worksheet consistent with the final audited payroll for each policy period? Discrepancies between estimated and audited payroll are common and can have a meaningful impact on expected losses, which directly affects the modification value calculation.
- **Payroll classification codes**—Are workers assigned to the correct class codes? For accounts with multiple classifications, workers can easily be placed in the wrong category—either at the time of hire, after a job change,

or simply due to a clerical error. Misclassified workers can inflate expected losses in some codes and understate exposure in others, throwing off the modification value in ways that aren't immediately obvious.

- **Loss reporting**—Were claims reported to the correct policy period? A claim associated with the wrong year can distort multiple modification value calculations at once. It's also worth confirming that claim values reflect current reserve levels and that any paid and closed claims are accurately reflected in the data.
- **Claim closure**—Were claims closed and updated values reported? Open reserves on claims that should be closed are a common source of modification value inflation. A claim that has been fully resolved but remains open on the books continues to count against the modification value until it's properly closed out with the insurer.

Humans make mistakes, so a quick audit of the input data can sometimes reveal errors that, once corrected, result in a meaningful modification value reduction without a single safety program being implemented.



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STEP 5: FORECAST A FUTURE PROJECTION

Many employers don't learn that their experience modification rate has gone up until their insurer doesn't renew their account. By then, the employer can't affect the outcome.

A future modification value forecast changes that. By projecting what an employer's modification value will look like based on current loss values, open reserves, and payroll trends, brokers give employers something far more valuable than a renewal number. They give them time—time to prepare, time to act, time to adjust, and time to make decisions that influence outcomes.

Math matters in ways that aren't always obvious. If payroll declines while losses are flat, the modification value will go up even if nothing else changes. By understanding that ahead of time, employers can direct resources where they'll have the most impact—whether that's pushing for reserve reviews on open claims, adjusting investments in safety programs, or simply setting a more realistic budget.

The best predictor of next year's experience modification value is today's loss run, analyzed correctly.

REFERENCES

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² Employers, "Employers Holdings, Inc. Reports Fourth Quarter 2025 and Full-Year Financial Results; Declares Quarterly Cash Dividend of \$0.32 per Share; and Announces Completion of \$125 Million Recapitalization Plan," February 19, 2026.

³ Donna Glenn, "State of the Line Report," National Council on Compensation Insurance, May 14, 2025.

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STEP 6: EXECUTE

Everything discussed here comes down to one thing: execution. Analysis only has value if it leads to an executable plan.

Successful brokers don't merely find the lowest quote the fastest. That's a race to the bottom—and one that gets harder to win every year.

The brokers who stand out are those who can sit across the table from an employer; walk them through their data; and explain what's happening, why it's happening, and how it should be addressed.

That's a fundamentally different conversation than a renewal remarketing exercise. It shifts the relationship from transactional to consultative. It moves the broker from vendor to adviser. And it makes the relationship significantly harder for a competitor to disrupt with a lower premium.

When you can take claims data, dissect the trends, visualize the patterns, and translate all of it into a clear, actionable roadmap, you become the expert in the room. Employers don't just want someone who can place their coverage—they want someone who understands their business, anticipates their problems, and helps them build a plan to get ahead of those problems.

The employers who need this most are the ones facing rising modification values, increasing premiums, and shrinking options. They are looking for answers, so the broker who shows up with a process, framework, and clear path forward is going to earn their business—and keep it.

Such brokers have uncovered the key to success: Stop selling insurance and start solving problems. ■