

Experience Modification Rating in Colorado

(aka EMR or Mod)

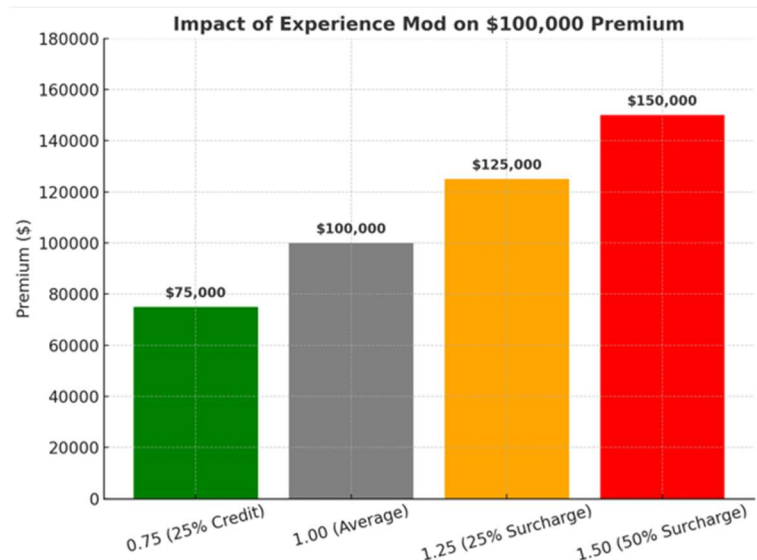
Workers' compensation premiums aren't just based on class codes and payroll—they're also shaped by your company's Experience Modification Rating (aka EMR or "Mod"). This number reflects how your claims history compares to others in your industry, and in Colorado it can make a major difference in what you pay.

Here's what every employer should know about how the Mod works, and how to keep it under control.

What is Experience Modification Rating?

This is a multiplier applied to your workers' compensation premium. It's calculated using a **rolling three-year look-back** of your company's claims history and compares your results to similar businesses in your industry.

- **1.00 = Average** – You're right in line with industry peers
- **Below 1.00 = Credit Mod** – Better-than-average experience, which lowers your premium (e.g., 0.75 = 25% credit → \$75,000 on a \$100,000 premium)
- **Above 1.00 = Debit Mod** – Worse-than-average experience, which raises your premium (e.g., 1.25 = 25% surcharge → \$125,000 on a \$100,000 premium)



Because the Mod is driven by your actual claim history, employers do have some level of control over it—but only if they understand the mechanics and actively manage it.

The Lowest Possible Mod

Every business has a Lowest Possible Mod—sometimes called the “minimum mod.” This is the absolute best rating your company could achieve, even if you had zero claims. It reflects the inherent risk of your industry and your size (based on payroll and class codes).

👉 Example: A roofing contractor will always have a higher minimum mod than an office-based business, simply because the work is riskier.

The difference between your current Mod and your lowest possible Mod is called the Controllable Mod.

- **Lowest Possible Mod:** The floor—you can't go lower

- **Controllable Mod:** The gap between where you are and that floor
- **Your Current Mod:** Where you sit today, based on your actual claims history

Why it matters: If your current Mod is 1.25 and your lowest possible Mod is 0.85, you've got 0.40 points of controllable mod. That gap translates directly into premium dollars you could save over time through claims management, safety programs, and return-to-work efforts.

Colorado: A Net Reporting State

One important detail for Colorado employers is that the state uses net reporting when calculating the Mod. That means claim costs are reduced by deductible credits (if you've chosen a deductible program) before being reported to the National Council on Compensation Insurance (NCCI).

👉 **Why it matters:** In some states, deductible claims are still reported in full ("gross reporting"), which can drag down your Mod even if you reimbursed the carrier. In Colorado, the deductible you choose can help shield your Mod from smaller, frequent losses.

Frequency vs. Severity

The Mod doesn't treat all claims equally:

- **Frequency hurts more than severity.** Multiple small claims suggest poor safety culture and are weighted more heavily
- **Severity is capped.** A single large loss only impacts the Mod up to a certain amount; the rest is absorbed into an "excess loss" pool spread across all employer

This is why preventing those "nuisance claims" (like slips, strains, or minor injuries) can pay off just as much as avoiding catastrophic events.

The Split Point

The NCCI formula separates primary losses from excess losses using a "split point."

- **Primary losses** (below the split point) go directly into your Mod and carry the most weight
- **Excess losses** (above the split point) are discounted in the formula

The split point is currently **\$18,500**. That means the first \$18,500 of any claim (net of your deductible) counts fully toward your Mod—whether the total claim is \$20,000 or \$200,000.

Medical-Only vs. Indemnity Claims

Not all claims are created equal in the Mod calculation:

- **Medical-Only Claims:** In Colorado, these are typically discounted by 70% before entering the formula (so only 30% of the cost is counted)
- **Indemnity Claims:** Any claim involving lost wages or disability benefits is counted at 100%, with no discount

👉 Translation: Keeping an injured employee at work in a modified or light-duty role can significantly reduce the Mod impact compared to even a short period of indemnity benefits.

Using Deductibles Strategically

Colorado employers can choose deductible programs to help shield their Mod from frequent, smaller claims. Even a conservative deductible can often be enough to:

- Absorb nuisance claims internally
- Prevent those smaller claims from hitting your Mod in full
- Smooth out fluctuations that drive Mod volatility

Deductibles can be a smart way to “buy stability” in your Mod if managed carefully.

Why the Mod Matters

Beyond premium dollars, your Mod can affect:

- **Bid eligibility** – Some projects require a Mod under 1.00
 - **Reputation** – High Mods can signal poor safety performance
 - **Cash flow** – A poor Mod can increase costs for years, while improvements take time to show up
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Bottom Line

Your Mod isn't just a scorecard—it's one of the most powerful levers you have over your workers' compensation costs. By controlling claim frequency, managing medical-only claims with light duty, and considering deductible strategies, Colorado employers can keep their Mod in check and their premiums more predictable.

At Ascent Insurance, we specialize in helping businesses understand the Mod and build strategies to control it over time. If you'd like a personalized review of your Mod, overall policy design, or to benchmark your current program, we'd be glad to help.

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