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E-mod from the underwriter's perspective

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OBJECTIVES

- Understand how underwriters interpret the experience modification factor (e-mod)
- Learn what the e-mod signals beyond claims history
- Explain how the e-mod impacts desirability
- Identify what underwriters want to see to improve outcomes
- Application of e-mod in pricing strategy

E-MOD THROUGH THE LENS OF THE UNDERWRITER

- Not just a number or a reflection of past claims
- Not always the primary driver of premium
- Tells a story of how an insured has handled their claims
 - Claim handling discipline
 - Return-to-work effectiveness
 - Loss control and management decisions
- A **lagging indicator** of decisions made months and years earlier

SAME CLAIMS, DIFFERENT E-MODS

- Two companies can have the same number of claims, but very different e-mods
 - Timely claim reporting
 - Claim oversight (internal/external)
 - Return-to-work practices
 - Safety management and culture

E-MOD RANGES

- < 0.85 – Best-in-class risk
- $0.85 - 1.00$ – Better than average
- $1.00 - 1.15$ – Manageable/monitor closely
- $1.15 - 1.30$ – Elevated risk
- > 1.30 – Corrective action required

CORE PREDICTOR OF FUTURE LOSS EXPERIENCE

- Underwriters price the probability of the future
- E-mod indication of loss experience
- Limitations to predicting the future
 - Three-year window
 - Excludes most recent year
 - Losses capped

INDICATOR OF MANAGEMENT QUALITY AND SAFETY CULTURE

- High e-mods often signal:
 - Weak injury prevention/poor safety culture
 - Poor RTW execution leading to rising indemnity costs
 - Major red flag for high loss ratio and long-term profitability
- Low e-mods often signal the opposite:
 - Best-in-class risk with proper controls in place

E-MOD AS A MISCLASSIFICATION INDICATOR

- E-mod compares similar risks within the same classification
- Misclassification will distort credibility
- Unexpected results trigger:
 - Operational review
 - Class code validation

E-MOD AND GRADE-IN-CLASS

- Risks evaluated as:
 - Light-in-class
 - Average-in-class
 - Heavy-in-class
- Average risks trend near a 1.00 e-mod
- Heavy-in-class risks naturally trend higher

E-MOD DESIRABILITY

- High or low e-mod does not determine desirability
- Higher e-mods may:
 - Allow adequate pricing
 - Create strong partnership opportunities
- Improvement periods can be the best time to engage

E-MOD DESIRABILITY CONTINUED

- Low e-mods are desirable, yet deceiving
- High-hazard industries often have:
 - Low frequency
 - High severity losses
- Limits the ability to fund inevitable large losses
- Can reduce underwriting desirability if target price unattainable

FREQUENCY BREEDS SEVERITY

- One large loss can look better than many small losses
- Frequent claims signal control breakdowns
- E-mod calculation weights frequency more heavily by design

IMPROVING YOUR EMOD: WHAT AN UNDERWRITER WANTS TO SEE

- Prompt injury reporting – 48 hours
- Benefits:
 - Early investigation
 - Reduced lost time
 - Fraud prevention
- Late-reported claims cost ~25% more

ACTIVE CLAIM MANAGEMENT

- Designated “claim champion”
- Backup reporting structure
- Regular injured worker contact
- Ongoing claim reviews with agent and carrier
- Prevents unmanaged claim cost escalation

STRONG RETURN-TO-WORK PROGRAMS

- Medical-only claims discounted ~70%
- Lost-time claims hit e-mod at full value
- Light-duty programs critical
- Modified duty off-site
- Dedicated RTW resources improve outcomes

SOLID SAFETY CULTURE

- Controls beyond minimum requirements
- Regular training and documentation
- Supervisor accountability
- Safety embedded into daily operations

PARTNERSHIP WITH AGENT AND CARRIER

- Aligned goals and shared accountability
- Dedicated service teams
- Buy-in to recommendations
- Creates underwriter confidence in long-term pricing stability

APPLICATION OF E-MOD IN PRICING STRATEGY

- E-mod is not everything
- Underwriters use additional pricing tools:
 - Loss cost multiplier (LCM)
 - Schedule rating (+/- 25% in West Virginia)
 - Discounts/credits
- Used to reflect hazard, quality and partnership

PRICING EXAMPLES

- Low e-mod but heavy-in-class → debit applied
- High e-mod but strong controls → credits may apply
- Context overrides the raw number

E-MOD AND LOSS SENSITIVE PROGRAMS

- Less impact in:
 - Large deductibles
 - Retrospective rating
 - Captives
- Carrier prices excess layer and expenses
- Insured benefits through lower retained losses – not e-mod swings

KEY TAKEAWAYS

- The e-mod tells a story, not just a score.
- Frequency, control and culture matter more than one bad accident.
- A “good” or “bad” e-mod does not equal desirability.
- Context is critical.
- The e-mod helps guide pricing, but it does not set the price alone.
- Strong partnerships create pricing confidence.



Questions?

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