**Are your Workers Compensation Premiums high and continue to increase each and every year? Paying attention to classification codes and MOD rates may save you $100,000.**

We all cringe each time we open an invoice and our insurance premium notices are no exception.

Workers comp premiums are state regulated and may be confusing and complex. Employee Classification Codes and Rate Modification designations are often hard to understand and the wrong code may be costing you a lot of money.

Here is an example: A plastic injection molder with two hundred-employees may have many different classification codes. In New York for example an employee in manufacturing may be classified as 4452 (plastic sheets, rods or tubes), 4475 (compression or injection), 4476 (assembly). Why does it matter? The workers comp loss rate for each classification code varies, example: 4452 ($7.45), 4475 ($7.21), and 4476 ($6.05) per $100 of payroll. A sales person or clerical support person should have codes 8742 ($0.43) and 8810 ($0.20) respectively. If the employee is misclassified, the rate differential is significant and you may be overpaying.

What should you do?

The National Council on Compensation Insurance ([www.ncci.com](http://www.ncci.com)) or your states rating bureau will be the place to find the proper classification. The National Council on Compensation Insurance (NCCI) gathers data, analyzes industry trends, and prepares objective insurance rates and loss cost recommendations. They provide the manuals that practitioners and large companies depend on.

Additionally, you can check with your states workers compensation rating board for further guidance and risk classification.

You should start with a general understanding of the classifications. Codes pertaining to your company will be found on your current policy. Pay attention to the rate change dates. New ratings are generated from the state rating bureaus several times per year.

Once you understand the classifications, you can begin to audit the policy. A spreadsheet with a list of employees and corresponding codes will be helpful. Remember to look at the multiple sub-classifications. All machine operators are not coded the same. The rates may be significantly different. A machinist on the floor of the factory full time is different from a machine operator working in an office. Each code assigns a level of risk and higher risk codes are costly.

Now that your worksheet is complete you should prepare a letter to the insurance carrier indicating the errors. Most times carriers will make the adjustments resulting in lower premiums. If they deny the changes and you still feel strongly, you can appeal to the state workers compensation rating bureau.

Workers compensation insurance premiums may be one of the highest cost line items for a company. Focusing on the classifications and experience modification rating may save a company a $100,000 in premium. Compounding savings over a five-year period is significant.

Try it yourself or consult with a specialized audit practitioner.

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