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Part one: Understanding and lowering your premium

You've cut expenses. You've changed your marketing. Maybe you've made some tough decisions. But in your effort to improve your bottom line, have you looked at reducing your workers' compensation costs?

Whether your business has just one employee or 1,000, your monthly workers' compensation premium represents a significant expense and a key factor in how many employees you can afford to have on the job. Although Oregon's "pure premium" for workers' comp insurance is among the nation's lowest, many business owners can do even more to reduce their monthly premium.

The basic equation

Think of your workers' comp premium as being a fairly simple math equation in which you get to influence some of the numbers that get plugged in.

Payroll

For purposes of your workers' comp premium calculation, payroll is the total amount of gross (pre-tax) combined wages of all the employees in a business.

Rate

The rate, as it factors into the workers' comp calculation, is actually a combination of two different rates: the pure rate and the rate tier. Oregon's pure rate (the amount needed per \$100 of payroll to cover forecasted losses) is set by the National Council on Compensation Insurance (NCCI) and not by SAIF. Some of the elements that determine which rate tier SAIF applies include your loss history, premium size, and implementation of effective safety systems.

Experience rating (ER mod)

If your business has annual premium of more than \$2,500, your premium may include an experience rating modification (ER mod). The ER mod is a factor (e.g., .89, 1.0, 1.22) based on your claims costs and frequency of claims over the oldest three of the last four years. It adjusts your premium up or down to reflect your performance against the average employer in your industry. An ER mod of 1.0 has no impact; however, the premium charged is increased when the factor is greater than 1.0 and reduced if lower than 1.0.

## Group discounts

SAIF's group program is the state's largest, and includes more than 20 different industry associations. A diverse range of businesses are eligible to participate in these groups. To find out if your business qualifies, contact your agent or SAIF representative.

## SAIFPlus discount

You may be able to carve 3.5% off your premium (\$1,050 maximum) by taking advantage of the SAIFPlus discount. Applied through SAIF's Service Center (see story on page 16), SAIFPlus is applied when you take advantage of installment billing, submit only one payroll report at the end of the policy year, and take advantage of SAIF's workplace safety and loss control education programs. Certain restrictions apply.

## Other discounts

**Premium volume:** This is a discount applied to larger companies (standard premium above \$3,500), which is the equivalent of a "volume discount." The percentage of the discount grows with the size of the premium.

**Prepays:** By prepaying your premium you can see savings of up to four percent.

## Reducing your bottom line

Now that you understand the factors of the basic workers' comp insurance equation, how can you influence these numbers to reduce your premium?

1. Make sure your payroll reporting is accurate. Notifying SAIF when your workforce and payroll data have changed will guarantee an appropriate payroll amount, which can influence your premium.
2. Reduce your losses to bring down your loss record. We'll explore this in depth in the next issue of *Comp News*. Improving your loss record may improve both your rate tier and your ER mod.
3. Take advantage of any group discounts that are available to you.
4. Either talk to your agent or call SAIF at 800.285.8525 to discuss which options make the most sense for your business. Ask about policy endorsements or safety measures for your business that can help bring your premium down.

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