

Long-term e-mod improvement conveys SFM's long-term value to employers

Here is one of the most compelling strengths of SFM that you can convey to an employer:

Long term, SFM-insured employers experience substantial improvement in their workers' compensation e-mods.

Improvements begin early on and compound with time. The longer an employer is with SFM, the greater the improvement. In fact, each policyholder age group's average e-mod has improved every year over SFM's 25-year history.

This means real savings to employers. By improving its e-mod, an employer:

- Controls, and may even reduce, its workers' compensation premiums.
- Has improved its ability to compete. Its work injury experience is now better relative to that of businesses similar in size and types of jobs.

Trend-line illustrates long-term value

The trend-line below illustrates e-mod performance over SFM's 25-year history. It is worth highlighting in agents' discussions with employers. It's a powerful statistical illustration of SFM's long-term value to employers.

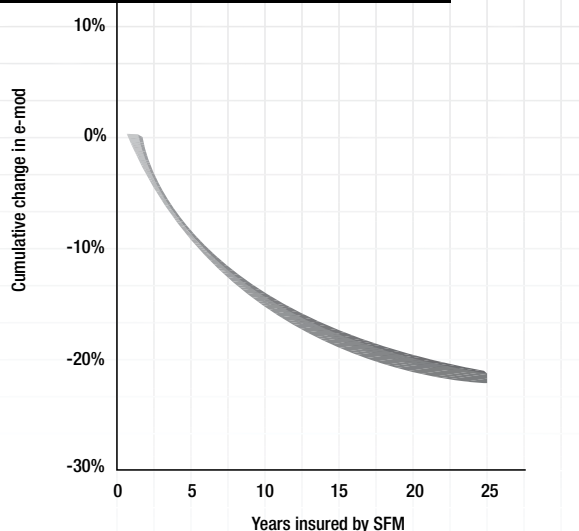
Lower e-mods reflect lower claim costs

In the graph, the down-trending line of aggregated e-mods reflects the ways SFM helps employers minimize the costs of their claims. Briefly, they include:

Practical injury prevention

Loss prevention experts educate employers and their employees, analyze worksites, and offer recommendations.

Long-term improvement in e-mods



Talking points with employers

- SFM-insured employers experience long-term improvement in their e-mods. That drives bottom-line results.
- E-mod improvements begin early. The longer the employer is with SFM, the greater the improvement.
- Improved e-mods result from controlling claim costs. SFM excels at cost control.
- The e-mod trend-line is a compelling way of conveying SFM's long-term value to employers.

Your experience modification factor—or e-mod—reflects your organization's workers' compensation loss experience relative to businesses similar to yours in size and type. It is a factor in the premium calculation: The lower the e-mod, the lower the premium.

This chart and talking points are available in a full-page version to use with clients. See "SFM delivers long-term bottom-line value to employers." Download from the "Marketing materials" section of the Resource catalog at www.sfmic.com/agents.

E-mod basics

E-mod is short for

Experience modification factor, or experience modifier.

Quick definition

An employer's e-mod compares its work comp experience to the experience of other businesses similar in size and types of jobs.

An e-mod of 1.00 is exactly average. An e-mod greater than 1.00 means the employer's losses are greater than the average.

Timeframe

An employer's e-mod is based on three years of claims costs excluding the current and prior policy years.

How it's used

The e-mod number is a key multiplier in calculating the employer's workers' compensation premium.

Who gets rated

Generally, e-mods are assigned to any employer whose annual workers' compensation premium is more than \$5,000 in Minnesota or \$6,000 in Wisconsin.

Who does the rating

Ratings are calculated by data collection organizations. All work comp insurers with policyholders doing business in Minnesota report claims data to the Minnesota Workers Compensation Insurers Association and in Wisconsin to the Wisconsin Compensation Rating Bureau. Employers' e-mods are calculated by these agencies. The e-mods of employers with operations in multiple states are generally calculated by the National Council on Compensation Insurance.

Proactive claims management

Professional claims representatives—experienced and responsive—help bring claims to their best, least costly resolutions.

Round-table teams combine claims, medical and legal expertise to minimize the costs of problematic claims with complex issues.

Effective medical cost controls

In-house nurses and occupational therapists work with injured employees facing long-term treatment.

In-house occupational medicine physicians help produce better diagnostic assessments, work-focused treatment plans and more accurate disability ratings.

Medical bill review reduces provider charges substantially through professional systems.

Provider networks control medical and pharmacy costs at the point of purchase through negotiated lower rates.

Effective legal cost control

SFM's in-house law firm, Lynn, Scharfenberg & Associates, provides legal advice to employers, helping them avoid costly litigation. In cases where litigation is an appropriate business decision, LSA attorneys deliver a high litigation win rate.

Third-party liability recoveries, managed by dedicated SFM staff, have increased significantly in recent years. It's important for an employer to understand the connection between a subrogation recovery and a reduced e-mod, especially because subrogation's legal process can hold a claim open a long time. The employer's cooperation in pursuing the case can result in a third party paying a significant portion of a claim's costs.

SFM is prompt in getting e-mods updated

SFM automatically follows through after a significant third-party recovery to be sure the appropriate data collection organization receives adjusted claims cost data promptly. The data collection organization recalculates the employer's e-mod.

SFM also automatically re-files the employer's Statistical Unit Card when a claim that initially had been reserved is closed without payments.

Employers receive the benefits of cost control

In addition, before the stat card is filed each year, SFM reviews the policyholder's open claims and adjusts reserves if appropriate, so the policyholder's claims experience for its policy terms is accurately reported and can be fairly factored into its e-mod.

It's unnecessary for an SFM policyholder to purchase an e-mod history review from an outside firm. Being proactive in filing stat cards and reviewing claims' reserves is part of the service that every SFM policyholder receives, and it makes a difference to their bottom lines.

Lower e-mods reflect employers' efforts to reduce injuries and cost, too

Employers that benefit most from selecting SFM as their insurer are those that take advantage of what SFM makes available—including online technologies for reporting injuries and educational resources for preventing injuries and managing their impacts.

What if...?

As an agent, you can help direct employers to make good business decisions. SFM has the capability to calculate the impact of different scenarios on an employer's e-mod and premium, so the employer can see the added financial impact of, say, letting a recuperating employee sit home rather than returning to work at a light-duty job.

Feel free to ask your underwriter about running e-mod "what if" scenarios.

The bottom line on improving e-mods

This e-mod trend-line conveys SFM's effectiveness in controlling costs. It reflects the many avenues by which SFM achieves that. It reflects the results of employers' own efforts.

It demonstrates the value of breaking out workers' compensation from other lines of insurance. That enables you to recommend to your client an insurer that specializes in navigating the complexities of workers' compensation and controlling its costs.

It also shows why SFM is the insurer of choice: SFM delivers long-term, bottom-line value to employers. Choosing the right insurer does make a difference.

Retention matters

Each year, on average, 93 percent of SFM's policyholders renew their coverage. Policyholders who insure with SFM for the long-term see the greatest benefit of SFM's services.

And those results should be experienced by agencies, too, in the form of better performing books of business.

Marketing materials and other resources

This chart and talking points are available in a full-page version to use with clients. See "SFM delivers long-term bottom-line value to employers." Download from the "Marketing materials" section of the Resource catalog at www.sfmic.com/agents.

For more on e-mods, see SFM's "E-mods" CompTalk. Order or download from the "Resource catalog" at www.sfmic.com/agents.

If you have questions about e-mods, please call your SFM underwriter.

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