

A 3D bar chart graphic on the left side of the slide, featuring several vertical bars of varying heights and colors (red, teal, orange, yellow).

HOW LOSS PREVENTION AFFECTS INSURANCE PRICING:

SECRETS FROM AN UNDERWRITER

July 16, 2025

Presented by:

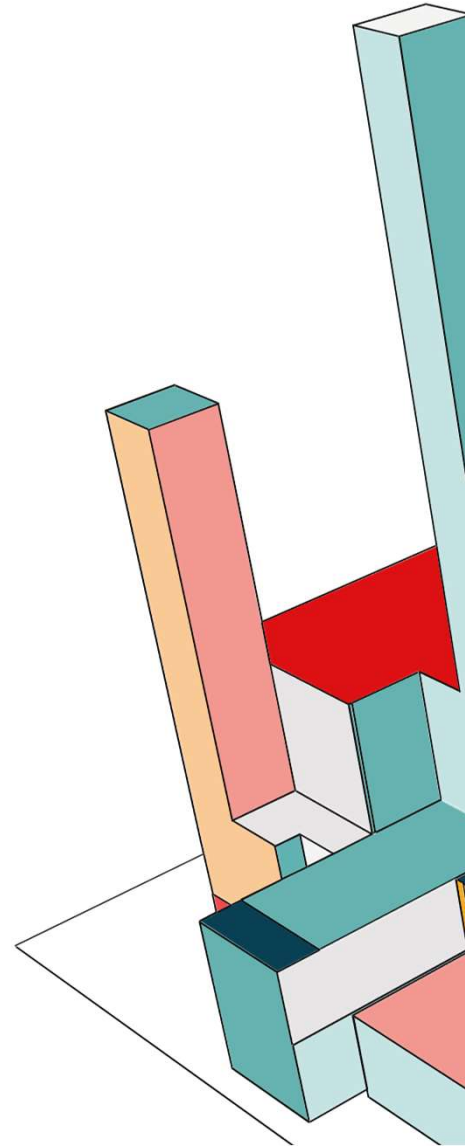


Debra Parker, COSS, COEA
Special Accounts Manager
Aspen Risk Management Group,
A Tristar Company



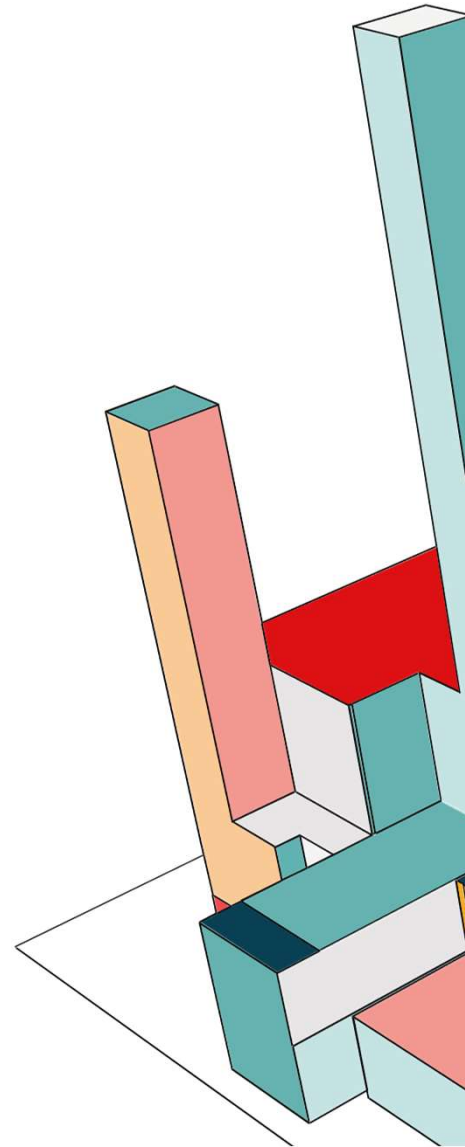
AGENDA

- Introduction to Pricing Workers' Compensation
- How does an underwriter think?
- How does a safety/risk inspection report impact pricing?
- What does an underwriter look for in the safety report?
- Final tips & takeaways

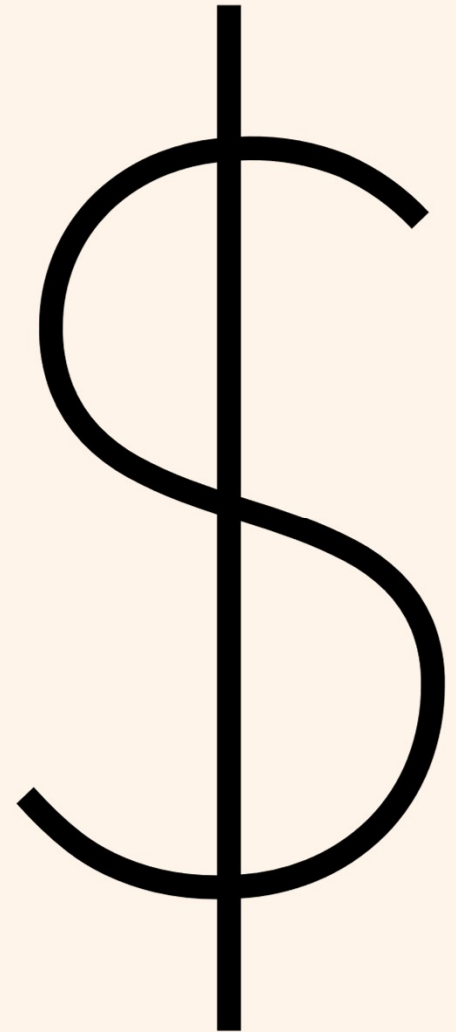


POLLING Q 1

- Getting to know you!
 - Where do you work?
 - Insurance Brokerage or Insurance Company
 - Insurance related Service Company
 - A privately owned company
 - OTHER



**INTRO TO WORKERS'
COMPENSATION
POLICY PRICING**





OVERVIEW OF THE VARIOUS FACTORS THAT AFFECT WORKERS' COMPENSATION INSURANCE PRICING

RISK

LIGHT, HEAVY OR AVERAGE FOR CLASS OF BUSINESS

COMPANY BASE RATES

EXPERIENCE/PAST LOSS FACTORS (X-MOD OR "EMOD")

MANAGEMENT OF THE BUSINESS/YEARS IN BUSINESS

SAFETY PROGRAMS & SAFETY CULTURE



WHAT IS RISK?

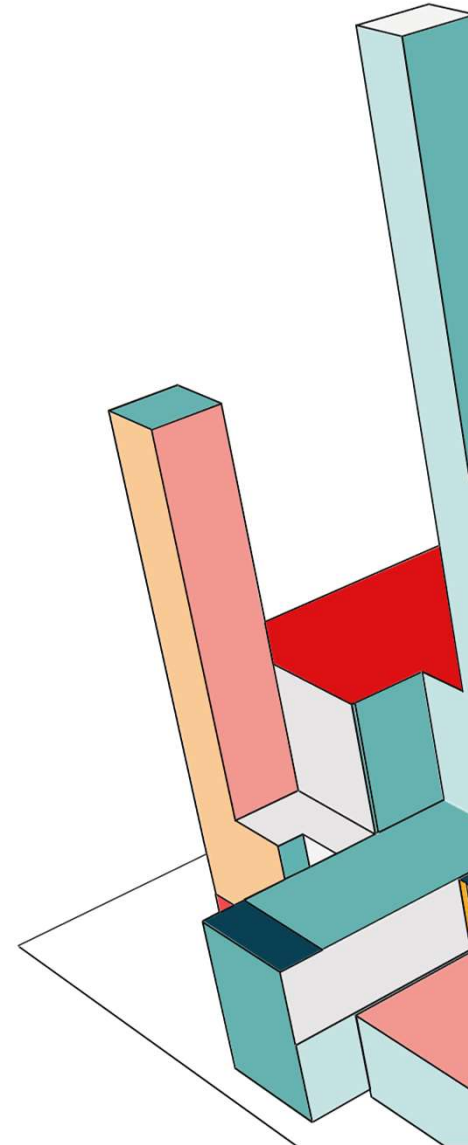
- In workers' compensation underwriting, risk refers to the *likelihood* that an employee covered by the policy will experience a work-related injury or illness that will result in a claim against the insurer.

THE UNDERWRITING PROCESS

- In workers' compensation underwriting, an underwriter's job is to price the risk to maintain a profit for the insurance company.

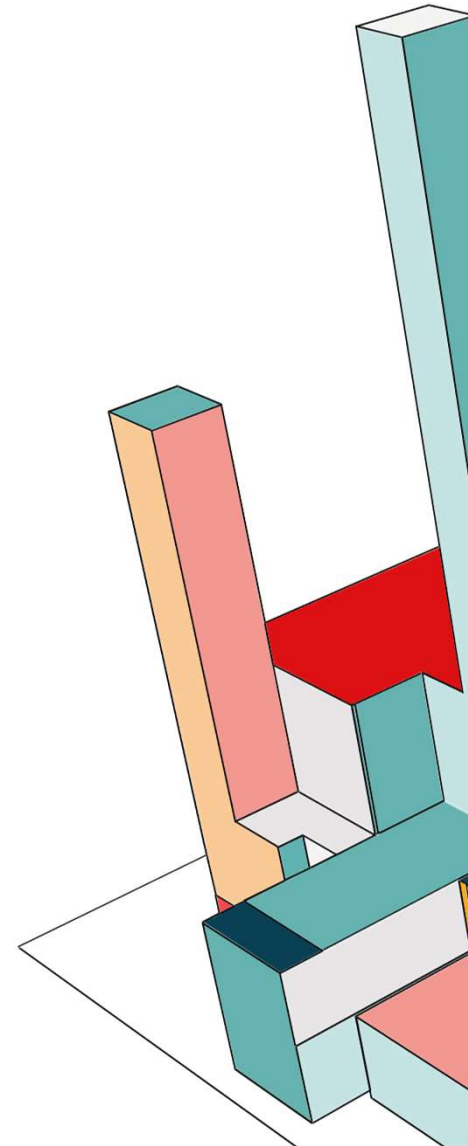


- The risk assessment involves evaluating various factors such as the nature of the work performed, the industry inherent risks, workplace safety measures, historical claims data, and the overall health and safety culture of the insured organization.



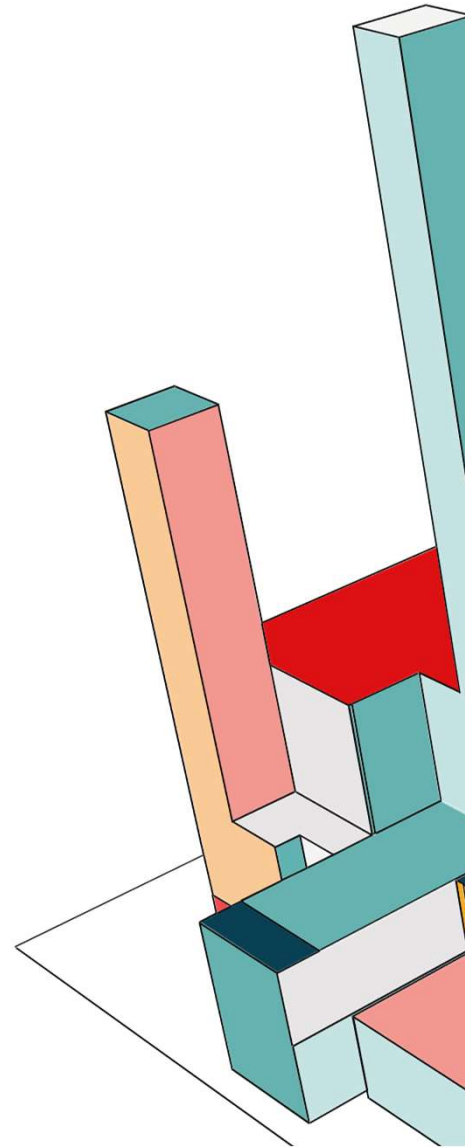
THE RATE PROCESS

- The application of experience rating plans, schedule rating plans, and dividend plans play a significant role in the ultimate price paid.



THE RATE PROCESS (CONT)

- **Experience rating:** Considers the actual loss history of the insured employer and makes a rate adjustment utilizing a measure of how the insured employer's loss experience performed relative to the industry.
- **Retrospective Rating:** Could be selected as an endorsement to a policy. A Retrospective Rating Plan is a rating program in which the final premium is based on an employer's actual incurred losses during the policy period.
- **Schedule Rating:** modification of manual rates either upward (debits) or downward (credits) to reflect the individual risk characteristics. Usually a maximum % debit/credit is set by the insurance company.

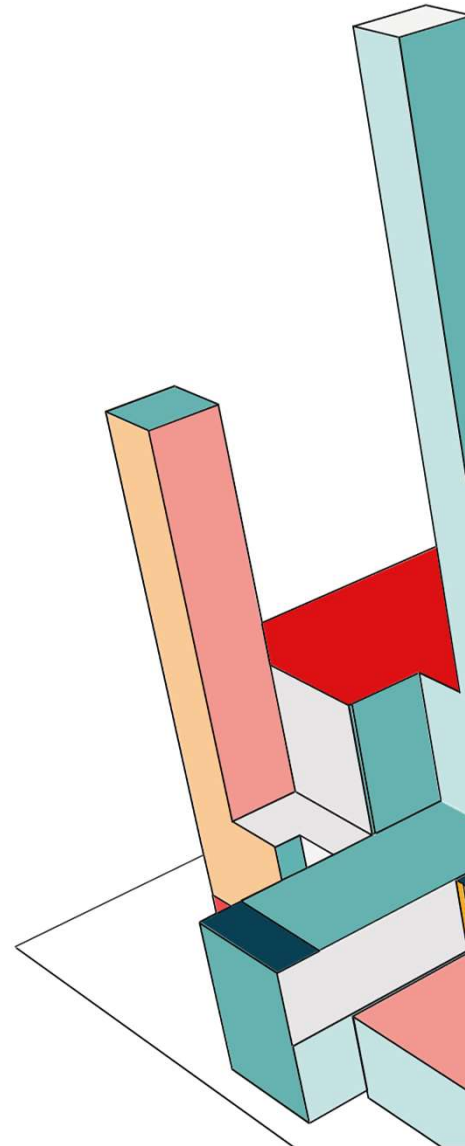


THE RATE PROCESS (CONT)

- In most states, rating bureaus file ***pure premium rates*** rather than final rates. Then, insurance companies carefully consider their individual need to add on for their own operating costs

These additional costs can include:

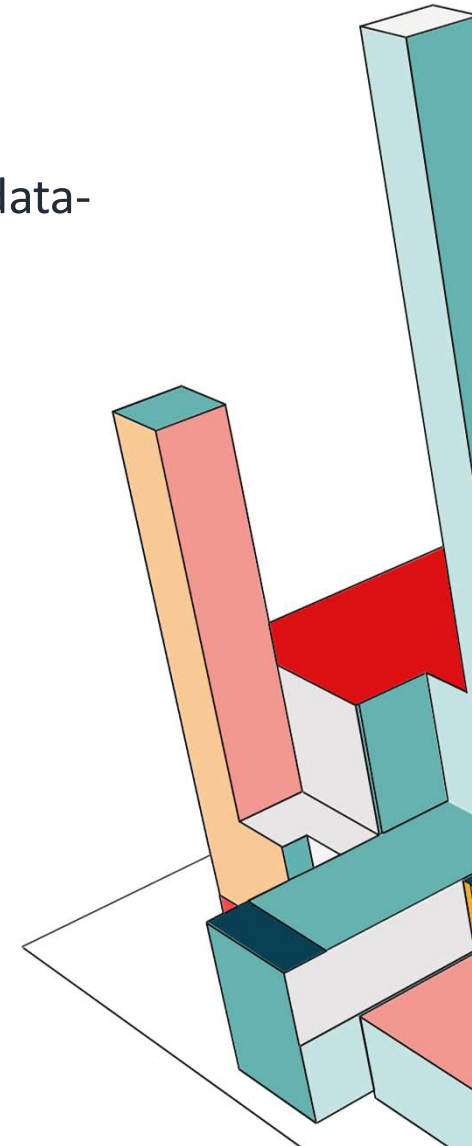
- Commission and brokerage expense;
- Other acquisition and general expenses;
- Taxes, licenses, and fees;
- Provision for profit and contingencies; all which differ by insurance company.



THE RATE PROCESS (CONT)

PRICING MODELS/PREDICTIVE ANALYTICS (aka “the black box”)

- In underwriting, predictive models create the opportunity for data-driven decisions, thereby optimizing the efficiency and effectiveness of high value personnel.

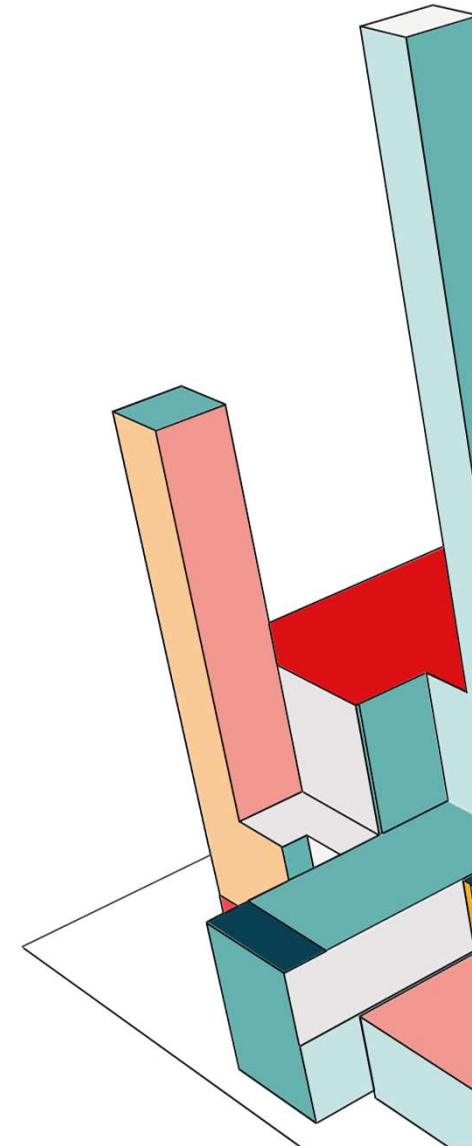


HOW DOES AN UNDERWRITER EVALUATE WHETHER A RISK IS LIGHT, AVERAGE OR HEAVY FOR THE CLASS?

- EXAMPLE:
- There are over 300 classification codes and rates assigned (in CA it is done by the WCIRB) <https://www.wcirb.com/learning-center>
- A “Wood Products Mfg NOC” code (2842) with a rate of \$15.00 per \$100 of payroll could be assigned to several different types of businesses, for Example:

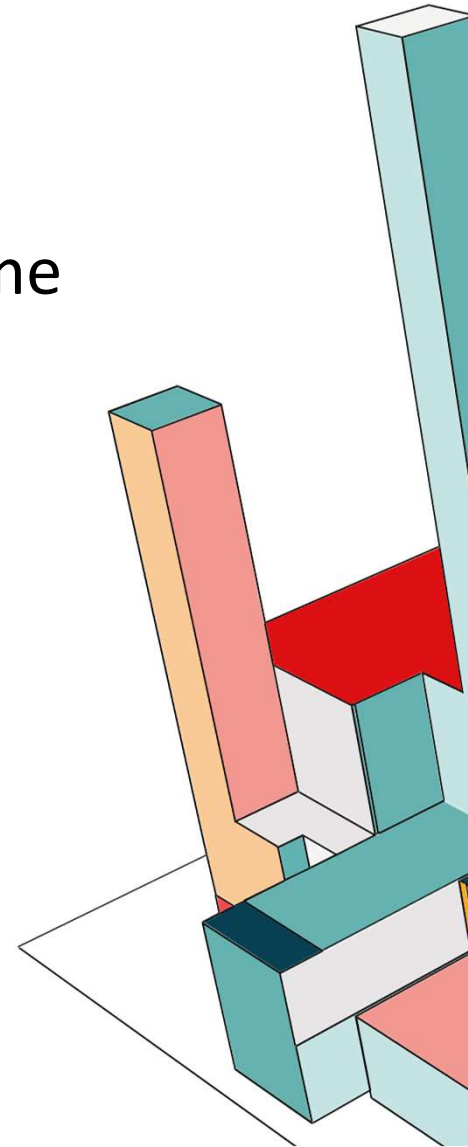
Risk #1: One manufactures very large theatrical façades and does installation nationwide, has 20 trucks that employees drive and install onsite. The facades require a crane to load and offload.

Risk #2: The other, manufactures to specification decorative light weight crown molding pieces as ordered by builders for custom homes. They do not drive/deliver, and the end products are usually weighing less than 20lbs each. They use a CNC machine to cut their pieces. They ship common carrier (or builders will pick up). Builders do the installation.



THE SCHEDULE RATING PROCESS

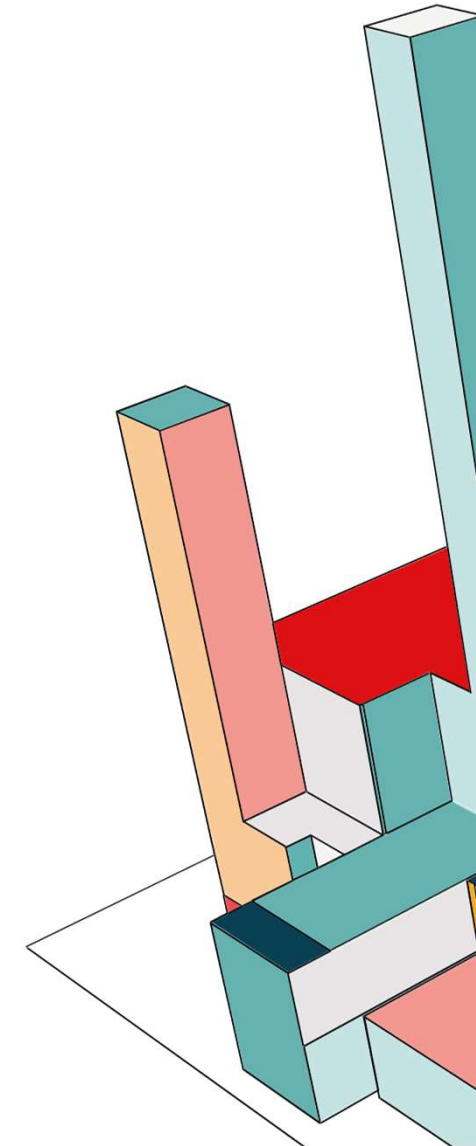
- Most insurance companies give underwriters some schedule rating guidance factors which can be applied individually to policies (credit OR debits).
- These can vary by company but typically include factors such as:
 - Ownership/Management experience
 - Credit Bureaus
 - Drug free workplaces
 - **Safety Management/Programs/Results**



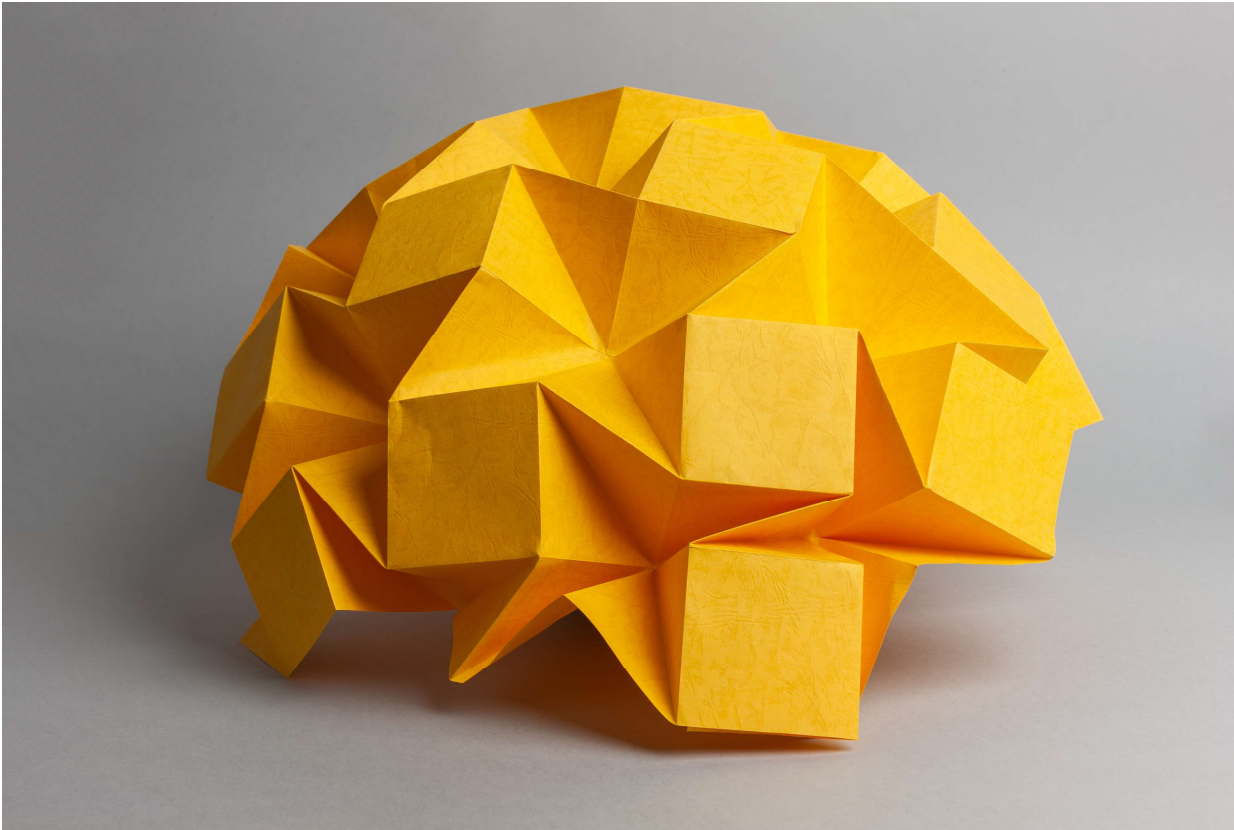
THE SCHEDULE RATING

- Example of an actual Indiana filed schedule rating plan:

CHARACTERISTIC	AMOUNT (CREDIT OR DEBIT) – MAX 50%
Premises (can be based off a safety inspection report)	10%
Class Peculiarity (heavy/light end)	10%
Medical Facility (in CA use of MPN?)	10%
Safety Devices (guards, PPE, etc)	10%
Employee: selection, training, supervision	10%
Management: cooperation (responding to and completing safety recommendations, inviting OSHA in, etc.)	5%
Management: safety organization	5%
Drug Free Workplace Program	5%



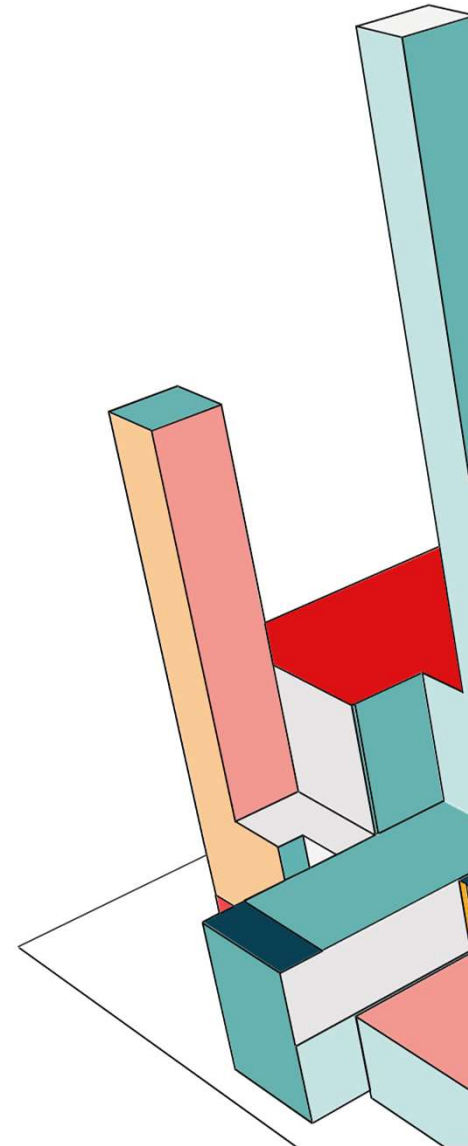
INSIDE THE MIND OF AN UNDERWRITER!



- Underwriters are people too!
- Brokers “paint a picture” when sending applications to underwriters
- Workloads!
- Safety reports also paint a picture (photos are invaluable!)

POLLING Q 2

- Did you previously know how a workers' compensation policy is priced?
 1. Yes, I am or used to be an underwriter (or they are in my close family/circle of friends and told me)
 2. Had some idea but not in detail
 3. No idea

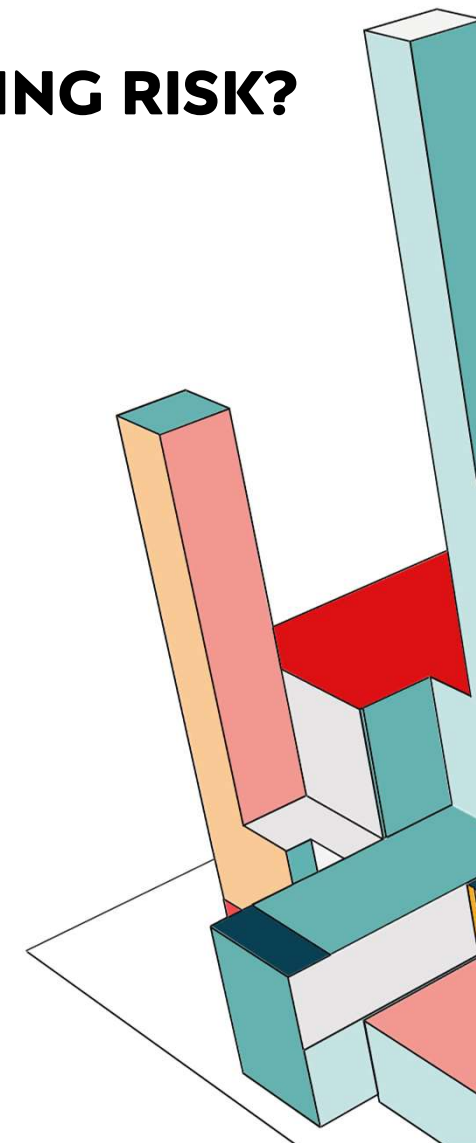


HOW DOES AN UNDERWRITER START EVALUATING RISK?

Typically Goes like this in these steps:

- Step 1: Reads the application (most are now in a "system") sent by the broker

ACORD®		WORKERS COMPENSATION APPLICATION		DATE (MM/DD/YYYY)	
AGENCY NAME AND ADDRESS Best Insurance Services, Inc. CA 92618-5232		COMPANY: Fire and Casualty Co.		04/08/2024	
PRODUCER NAME:		UNDERWRITER:			
CS REPRESENTATIVE NAME:		APPLICANT NAME: ABC Enterprises, Inc.			
OFFICE PHONE (A/C No. Ext): (949) xxx-xxxx		OFFICE PHONE: (877) xxx-xxxx		MOBILE PHONE:	
MOBILE PHONE:		MAILING ADDRESS (including ZIP + 4 or Canadian Postal Code) XYZ Avenue		YRS IN BUS: 37	
FAX (A/C No): (949) xxx-xxxx		E-MAIL ADDRESS: Feli@ameristarwindows.com		SIC:	
E-MAIL ADDRESS: bestagent@gmail.com		CREDIT BUREAU NAME:		NAICS:	
CODE:		FEDERAL EMPLOYER ID NUMBER 22222222		WEBSITE ADDRESS:	
AGENCY CUSTOMER ID: 00002193		NCCI RISK ID NUMBER		ID NUMBER:	
		OTHER RATING BUREAU ID OR STATE EMPLOYER REGISTRATION NUMBER			
STATUS OF SUBMISSION		BILLING / AUDIT INFORMATION			
<input checked="" type="checkbox"/> QUOTE		ISSUE POLICY:		AUDIT	
<input type="checkbox"/> BOUND (Give date and/or attach copy)		<input type="checkbox"/> AGENCY BILL		<input type="checkbox"/> AT EXPIRATION	
<input type="checkbox"/> ASSIGNED RISK (Attach ACORD 133)		<input checked="" type="checkbox"/> DIRECT BILL		<input type="checkbox"/> MONTHLY	
		<input type="checkbox"/> ANNUAL		<input type="checkbox"/> SEMI-ANNUAL	
		<input type="checkbox"/> PARTNERSHIP		<input type="checkbox"/> QUARTERLY	
		<input type="checkbox"/> CORPORATION		<input type="checkbox"/> % DOWN:	
		<input type="checkbox"/> SUBCHAPTER			
		<input type="checkbox"/> "S" CORP			
		<input type="checkbox"/> LLC			
		<input type="checkbox"/> JOINT VENTURE			
		<input type="checkbox"/> TRUST			
		<input type="checkbox"/> UNINCORPORATED ASSOCIATION			
		<input checked="" type="checkbox"/> OTHER: C Corporation			
LOCATIONS					
LOC #	HIGHEST FLOOR	STREET, CITY, COUNTY, STATE, ZIP CODE			
1		XYZ Avenue Anytown, CA 92507			



HOW DOES AN UNDERWRITER START EVALUATING RISK?

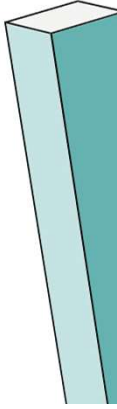
- Step 2: Reads the loss history - what types of injuries are occurring? Do they match with the description of the business?

INSURED	
Insured	Enterprises, Inc. (a Corp)
Address	Fire & Casualty Company
Carrier	
Policy Number	
Policy Period	5/1/2023 - 5/1/2024
Cancel Date	

INSURED LOSS SUMMARY	
Paid Losses and Expenses	
Reserved Losses and Expenses	
Total Incurred	
Total Recoveries	
Closed Claims	

Claim Number: 4A230946QF00001 Claimant Name: Employee 1	
Loss Date	9/1/2023
Reported Date	9/5/2023
Class Code	3060
Nature	4000 - Laceration
Cause	1800 - Powered Hand Tool; Appliance
Body Part	3700 - Thumb

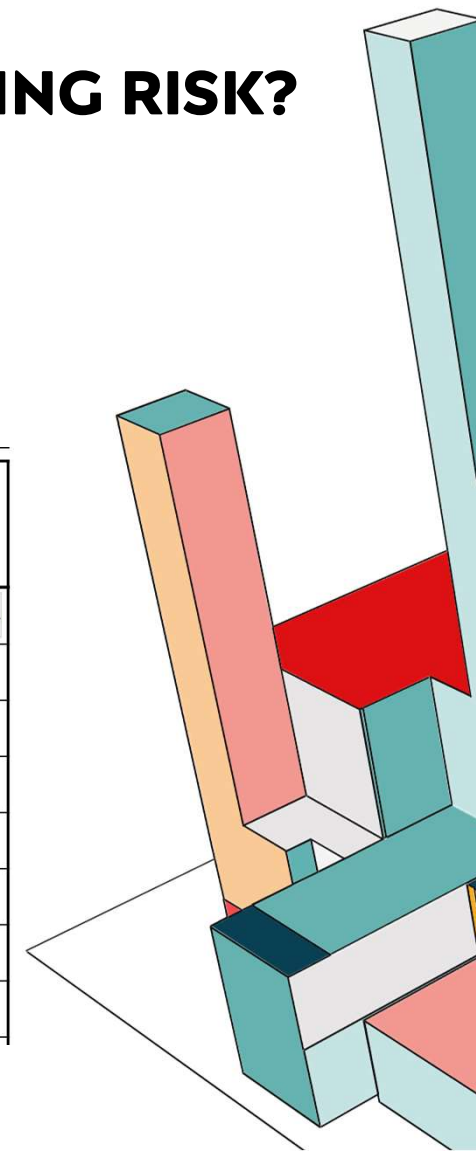
Claim Number: 4A2309LLFS50001 Claimant Name: Employee 2	
Loss Date	9/18/2023
Reported Date	9/18/2023
Class Code	5107
Nature	4000 - Laceration
Cause	1600 - Hand Tool, Utensil; Not Powered
Body Part	3600 - Finger(s)



HOW DOES AN UNDERWRITER START EVALUATING RISK?

- Step 3: Looks at the payroll and classifications (where is the "exposure"/risk?) Is anything out of my/the company's authority?

STATE RATING WORKSHEET										
FOR MULTIPLE STATES, ATTACH AN ADDITIONAL PAGE 2 OF THIS FORM										
RATING INFORMATION - STATE: CA										
LOC #	CLASS CODE	DESCR CODE	CATEGORIES, DUTIES, CLASSIFICATIONS	# EMPLOYEES		SIC	NAICS	ESTIMATED ANNUAL REMUNERATION/ PAYROLL	RATE	ESTIMATED ANNUAL MANUAL PREMIUM
				FULL TIME	PART TIME					
1	3060		Door or Window Mfg.	6	1			302,000		
1	5107		Door, Door Frame	7	0			530,000		
1	8742		Salespersons-Outside	2	1			245,000		
1	8810		Clerical- Office Employees	2	0			90,000		



HOW DOES AN UNDERWRITER START EVALUATING RISK?

Typically:

- Step 4: Looks at websites (if any) and any cover letters, supplemental application information sent in by broker for "heads up" type information or "red flags" and Safety Inspections if available

GENERAL INFORMATION:

Years in business: 37 # of locations 1
 Description of operations Manufacture & Install Replacement Windows & Patio Doors in Residential Settings
 Union: Yes No If yes, name of Union
 Current number of employees: Full time 17 Part time 1 Seasonal Volunteers
 Percent of employee turnover in the last 12 months Full time Part time
 Employee staffing expectation over the next 12 months Full time Part time
 Average hourly wage in Governing Class: Full time \$ Part time \$
 Average hourly wage in Clerical class: Full time \$ Part time \$
 Average hourly wage in Sales class: Full time \$ Part time \$
 Has the insured ever been in bankruptcy? Yes No If yes, explain

BENEFITS:

Are ALL employees eligible for benefits? Yes No Full Time Only Management only
 Group Health: Yes No % Paid by employer % of participation
 Paid sick leave Yes No Vacation Yes No Retirement / Pension Plan Yes
 Name of Healthcare provider:
 Do you use a specific: Clinic Physician Emergency room Name:
 Is CPR training provided? Yes No

SAFETY PROGRAM:

Safety program / IIPP compliant with SB 198 Yes No
 Return to light duty plan Yes No
 Return to full time modified work plan Yes No
 Designated full time safety director Yes No Name:
 Safety meetings held for all employees Yes No Frequency of meetings:
 Safety training held for all employees Yes No Daily Weekly Monthly Quarterly

HOW DOES AN UNDERWRITER START EVALUATING RISK?

- Step 5: Looks at what prior pricing looked like (are we even going to be competitive here? What are they looking for?)

PRIOR CARRIER INFORMATION / LOSS HISTORY

PROVIDE INFORMATION FOR THE PAST 5 YEARS AND USE THE REMARKS SECTION FOR LOSS DETAILS						LOSS RUN ATTACHED
YEAR	CARRIER & POLICY NUMBER	ANNUAL PREMIUM	MOD	# CLAIMS	AMOUNT PAID	RESERVE
2023	co: Company A POL #: <input type="text"/>	69,555.00				
2022	co: Company B POL #: 931685102022	133,362.00				
2021	co: Company C POL #: A9WC207954	58,632.00				
2020	co: Company C POL #: A9WC171325					
2019	co: Company C POL #: A9WCD068819					

NATURE OF BUSINESS / DESCRIPTION OF OPERATIONS

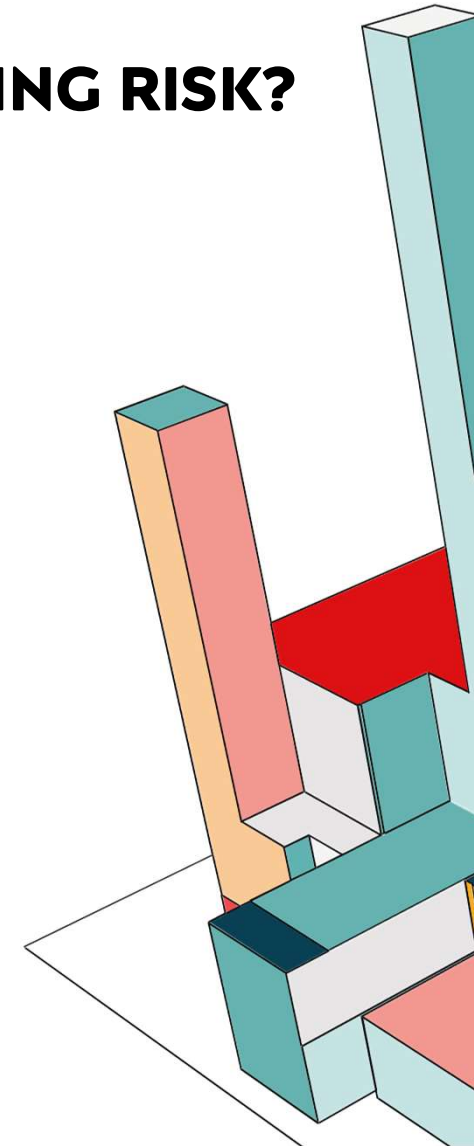
GIVE COMMENTS AND DESCRIPTIONS OF BUSINESS, OPERATIONS AND PRODUCTS: MANUFACTURING - RAW MATERIALS, PROCESSES, PRODUCT, EQUIPMENT; CONTRACTOR - TYPE OF WORK, SUB-CONTRACTS; MERCANTILE - MERCHANDISE, CUSTOMERS, DELIVERIES; SERVICE - TYPE, LOCATION; FARM - ACREAGE, ANIMALS, MACHINERY, SUB-CONTRACTS.

Door & window manufacturing and installation

HOW DOES AN UNDERWRITER START EVALUATING RISK?

Then, assuming all looks ok and it's a "go", Finally:

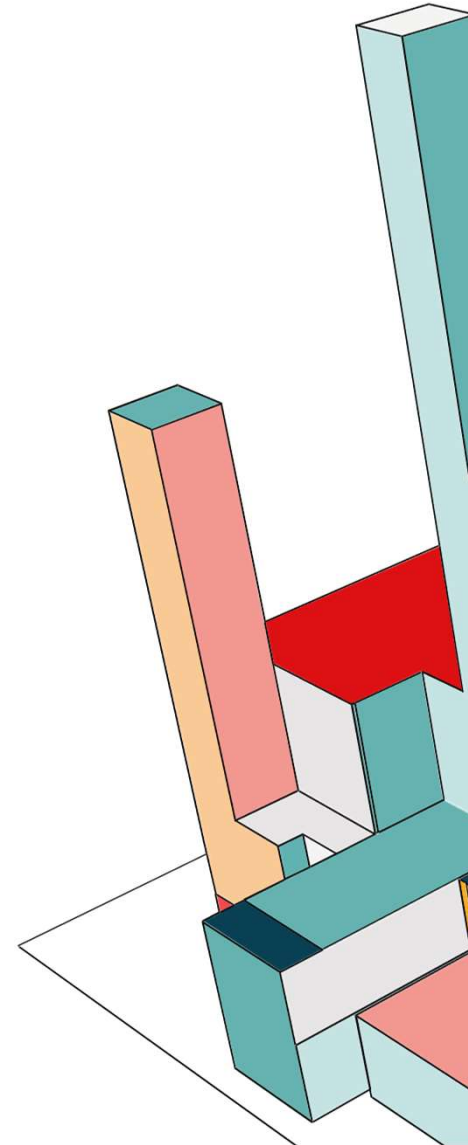
- Step 6: Begin the rating process if deciding to quote



THE FINAL UNDERWRITERS' RISK ASSESSMENT:

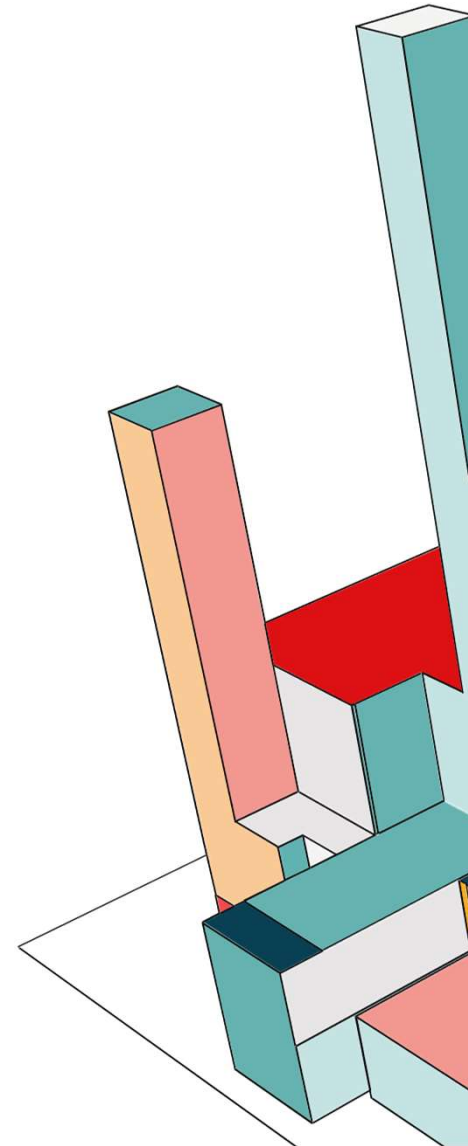
Example:

- What are the actual operations of the business and are they contemplated in the classification rate?
- Risk lighter or heavier than average - why?
- Any unusual frequency of incidents or large claims?
- What does the management consist of (new, experienced, involved daily?)
- What is their credit rating?
- What do I know of and how do I rate their **safety program/culture?**
- If they had poor experience/losses previously, how have they remedied that to improve performance? (sometimes these are the BEST risks!)



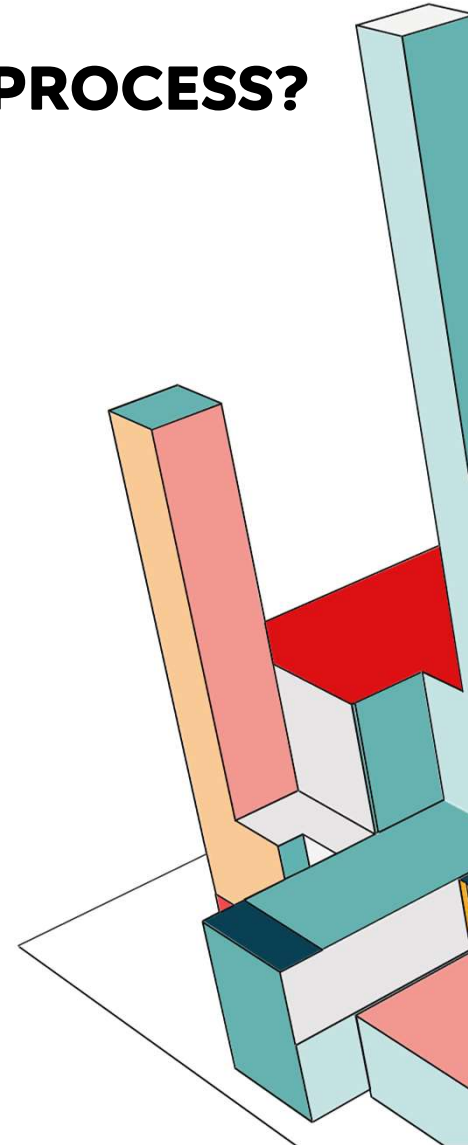
POLLING Q 3

- After seeing all of the rating factors, do you believe an underwriter can easily price risks fairly?
 1. Yes, assuming all the right information was provided to them
 2. Maybe, it seems perhaps 2 underwriters looking at the same thing could possibly charge differently
 3. No, it could never be fair because of course I want free insurance



HOW DOES AN UNDERWRITER START THE RATING PROCESS?

- **Step One:** Payroll times rate for classification
Example: Woodworking has \$100,000 payroll and published company rate is \$15.00 applied “per 100 \$’s” of payroll= \$15,000 premium.
- **Step Two:** Apply any experience modification
Example: Risk has a 1.10 experience modification published so $\$15,000 \times 1.10 = \$16,500$ premium.
- **Step Three:** Consider whether the risk is light or heavy for the class
- **Step Four:** Apply any schedule rating credits/debits accordingly
Example: ***Risk is considered heavy in class*** but no other factors applied so $\$16,500 \times 1.10$ (10% debit for heavy in class) = \$18,500 total premium



SO FAR, IT LOOKS LIKE THIS:

Mock Underwriter Quotation

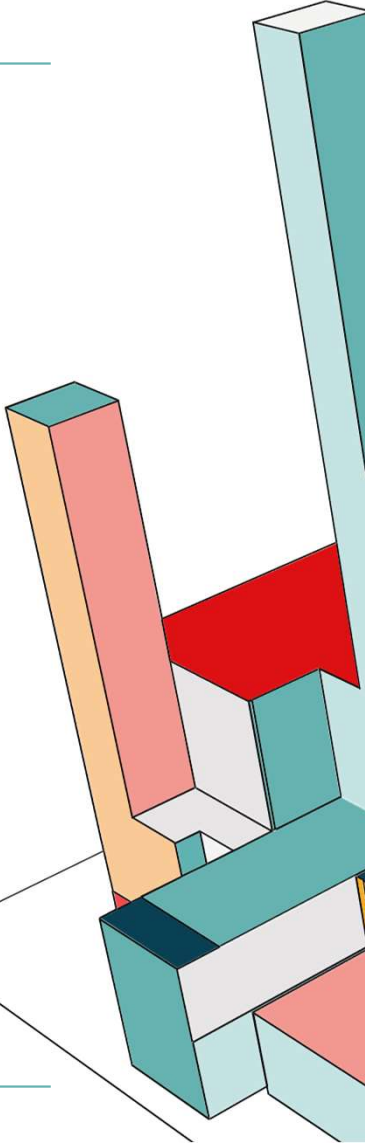
Underwriting submitted company: XYZ Woodworking Mfg.

Class Code	Payroll	Rate	Premium	Modified Xmod	Premium
2842-Wood Products Mfg NOC	\$ 100,000		15.00 \$ 15,000	1.10	\$ 16,500

Apply Schedule Rating:

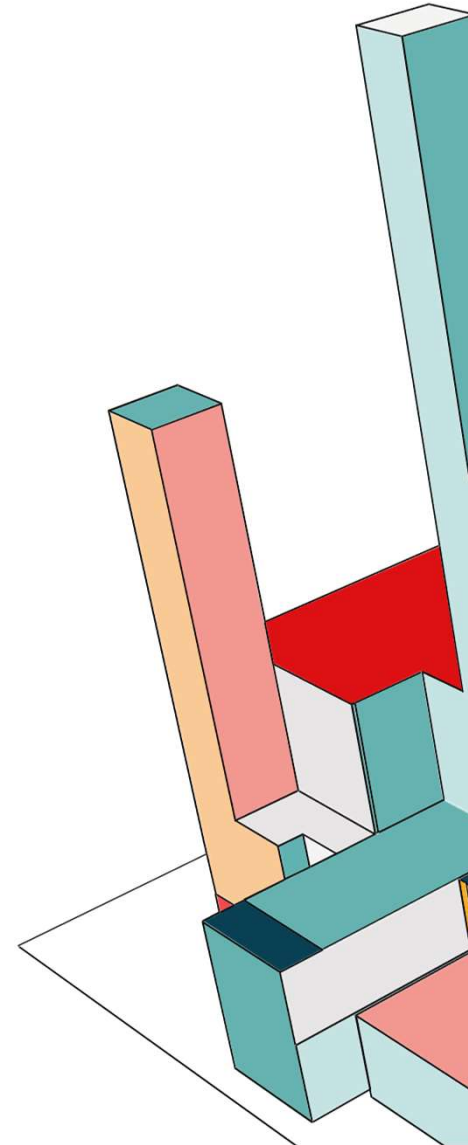
Premises/Safety	0
Heavy End of Class	10%
Management Safety Committee	0
Drug Free	0

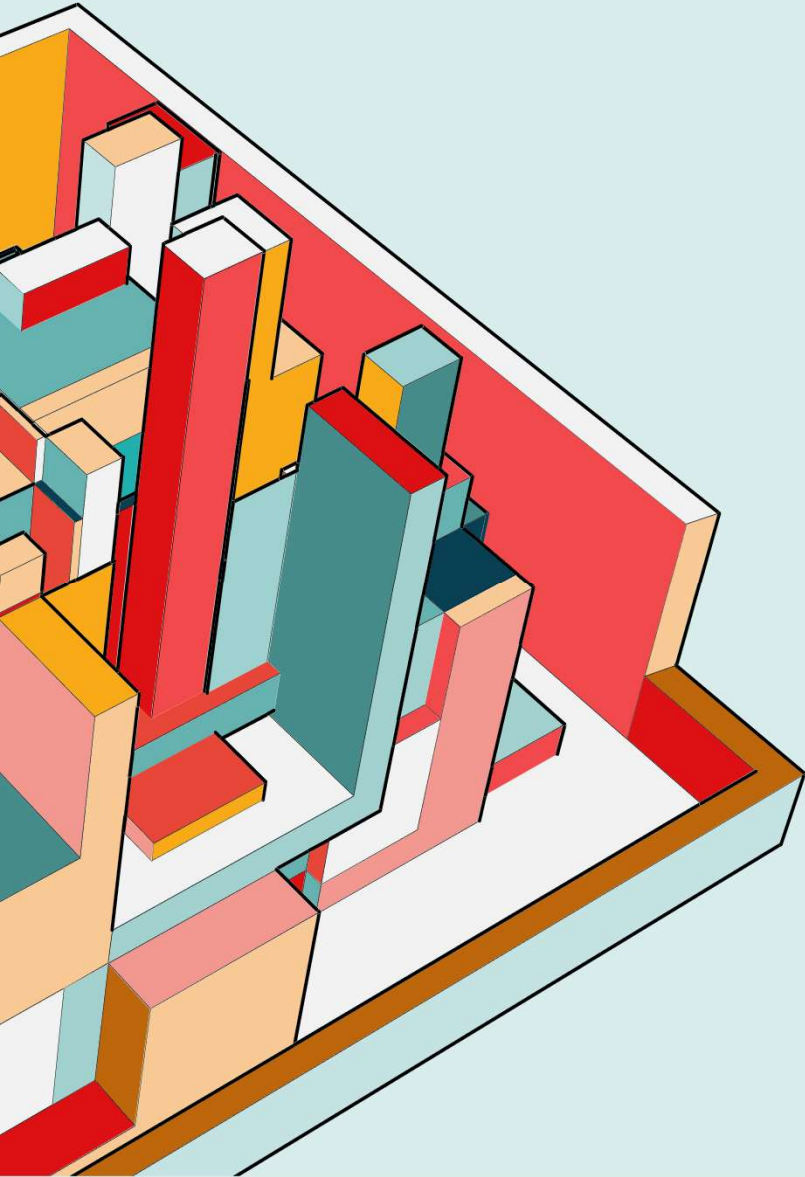
TOTAL schedule rate (Subject to max50%):	10%	\$ 1,650	Schedule rating (credit)/debit
		\$ 18,150	Final Premium (before taxes/fees)



HOW DOES AN UNDERWRITER KNOW WHAT THE AVERAGE IS FOR A TYPE OF BUSINESS?

- In the prior example of the wood product mfg. risk (slide 12), the underwriter thinks that there is a lot of “on the road” risk to employees from driving which makes it likely for auto accidents, employees are lifting/maneuvering heavy items which risks employees getting hurt by being hit by the large objects, cranes or sprains from lifting.
- In the underwriters' view, Risk #1 is considered “**heavy in the class**” and they would likely price it higher than the base rate (in their schedule rating).





HOW SAFETY CAN IMPACT PRICE

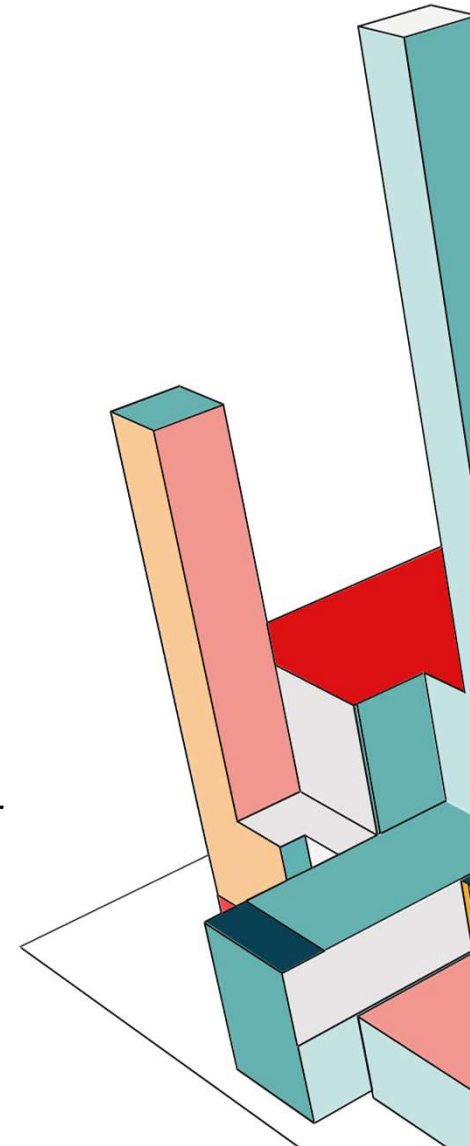
HOW SAFETY MEASURES CAN IMPACT PRICE

POSITIVELY:

- *Written Safety Programs*
- *Active Safety Committee*
- *Management involvement by “walking around”*
- *Rewards program for safety actions*
- *Positive past written safety inspections*

NEGATIVELY:

- *No written programs*
- *OSHA citations (especially for complaints or accidents)*
<https://www.osha.gov/ords/imis/establishment.html>
- *Loss review reveals lack of use/enforcement of PPE (fb in eye for example when safety glasses are required)*
- *Walk around with supervisor on floor reveals lack of showing leadership (doesn't wear safety glasses where designated)*

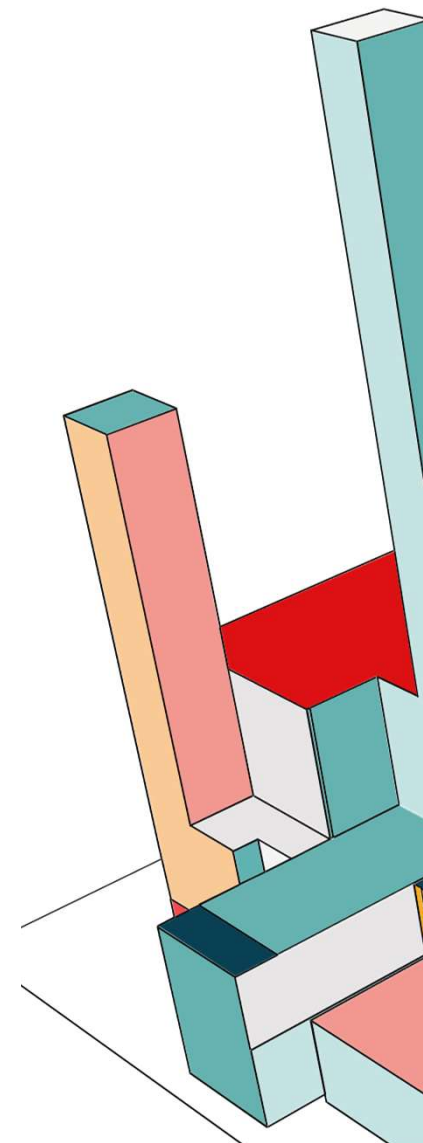


HOW SAFETY MEASURES CAN IMPACT PRICE

Excerpt sections from a typical safety inspection report:

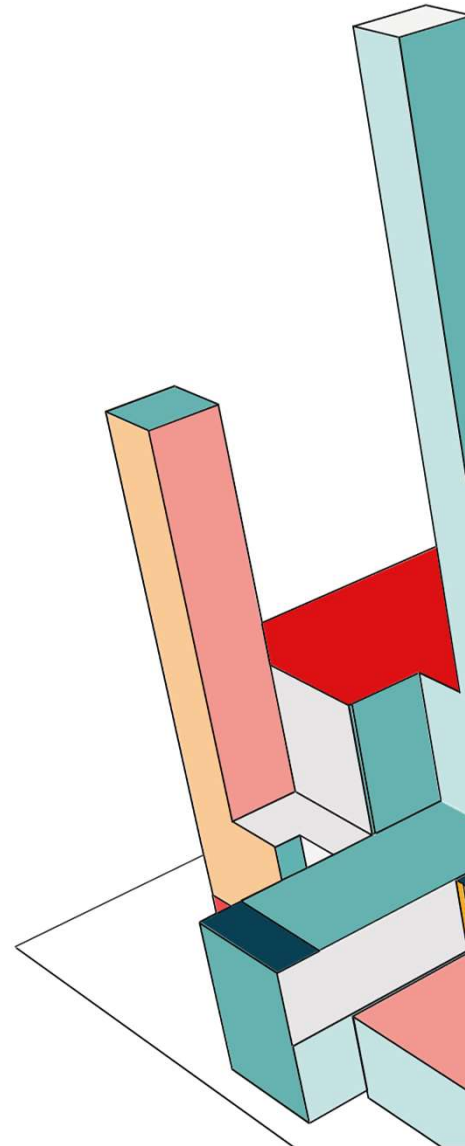
<p>Description of Operations Narrative: Describe activities performed both onsite and offsite:</p> <p>Account sells and manufactures windows and sliding doors, for residential housing. They do not do any commercial work.</p> <p>Accounts salesperson will go to a customer's home to sell their product. Measurements of the windows will be taken while at the customer's home. The company will issue a quote and upon receiving the order, the company will order raw materials from their supplier.</p> <p>The supplier will deliver the product to the accounts manufacturing facility. Sheets of glass stored on racks will be delivered by the supplier and unloaded by the company forklift. The rack will be staged near a cutting table for processing. The size of the sheets of glass are 8x8 foot or 6x6 foot. Account contact advised most glass sheets are 6x6 foot. A suction machine will lift the sheet of glass onto a cutting table. The measurements of the window sizes will be put into a computer and the glass will be cut by the machine. When finished, the cut glass will be processed further. Any scrap glass will be put into a dumpster by the machine operator.</p> <p>The sizes of glass cut ranges typically from 22 inches x 22 inches to 45 inches x 45 inches. The average weight of the cut glass is 1 pound. The glass panel will be put onto a rack by hand and then go through a deionized washer to clean the glass. When finished, the rack will be removed from the washer. Then the glass sheet will be put onto an air table by hand. Because all windows need to be dual panes, two panels will be mounted together. Argon gas and a spacer will be inserted between the panels. When mounted, the dual pane panel will go through an oven and press. When finished the panel will be put onto a rack and moved to the glazing area of the shop.</p> <p>In the glazing area of the shop, a chop saw will be used to cut vinyl bar stock to size. There is an electric welding machine that melts the corners of the vinyl frame together. The glass panels will be mounted to the vinyl frames. At this point, the panels and frames become a window. When finished, the windows are stored on a rack. All the windows for one job will be stored on the rack. The rack is then moved into a staging area. The company owner advised each window typically weighs about 10 pounds. It just depends on the size of the windows manufactured.</p> <p>For glass sliding doors, the process is the same. The only difference is the sliding doors weigh between 50 to 60 pounds when finished. Two to three guys will handle the sliding doors.</p>	
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Acceptable	Overall Rating All Elements	Account does have a formal written safety program that is implemented and enforced by management.
Acceptable	Written Program / Policy	Account does have a formal written safety program implemented. It has all the required elements. A copy of the program is not in the company crew truck. This will be a recommendation and was discussed with the insured at the time of my meeting with him.
Acceptable	Management Accountability	Company owner advised they do daily inspections of each department and discuss safety concerns with the department manager before moving to another department.
Acceptable	Management Expertise	Accounts managers are experienced and have worked in this industry to many years, according to the company owner. They have good knowledge of exposures and controls needed to reduce the possibility of injury.
Acceptable	Training	Employee and install crew safety meetings are conducted monthly. The meetings are documented. Safety meetings are held at the jobsite daily to evaluate exposures and controls needed to reduce the possibility of injury.
Acceptable	Enforcement	Insured advised they do enforce the company safety program through their progressive disciplinary program. He added they have issued warning notices for safety violations in the past.
Acceptable	Inspections / Audits	Facility and jobsite inspections are conducted daily by the insured and his management. Any concerns are addressed with the department manager, according to the insured. At the jobsite, an evaluation of exposures and controls needed are conducted and reviewed with the crew.
Acceptable	Accident Investigation	Account does use an accident investigation form. Insured advised they do identify cause and corrective action.



HOW SAFETY MEASURES CAN IMPACT PRICE

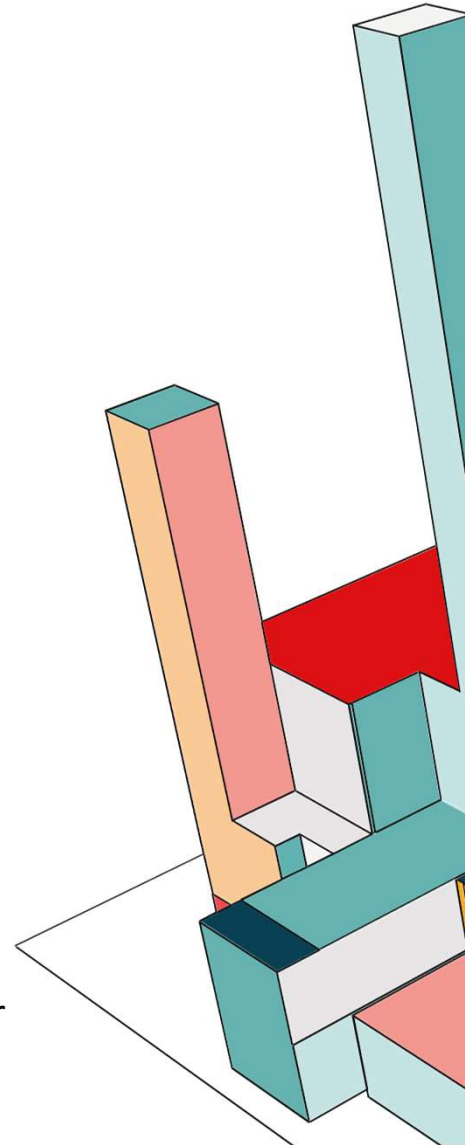
- Assuming risks are the same (average in class)- let's take three similar carpentry companies:
 - Company A has no written safety policy and has been cited by OSHA and AQMD for noise, dust exposure and fire hazards
 - Company B has a written safety policy however, they are having injuries from employees not following the rules (safety glasses, hearing protection, guards on saws, etc.)
 - Company C has a written safety policy, no injuries and when a safety manager walks through, they do a self audit and enforce wearing of hearing protection and safety glasses.
- ***WHICH company is safer and deserves a price consideration?***



HOW SAFETY MEASURES CAN IMPACT PRICE

- EXAMPLE

- Using our previously priced account after experience modification and schedule debit for being “heavy in class”, premium was \$18,500
- ***NOW, let's say they have an exemplary safety program (as explained by the broker in their supplemental application or cover letter):***
 - They have an active safety committee (the broker provided the most recent safety committee agenda)
 - They have written safety programs that spell out accountability for safety, top managements commitment to safety and covers the main exposures of the risk (use of nail guns, saws, falls from ladders, use of scaffolding, training weekly on safety topics, etc.)
 - They have no outstanding loss control recommendations
- The underwriter now feels confident in applying a 10% schedule credit because ***they can document in the file*** the reason for applying this credit for safety: Result? Premium back down to \$16,500 from \$18,500

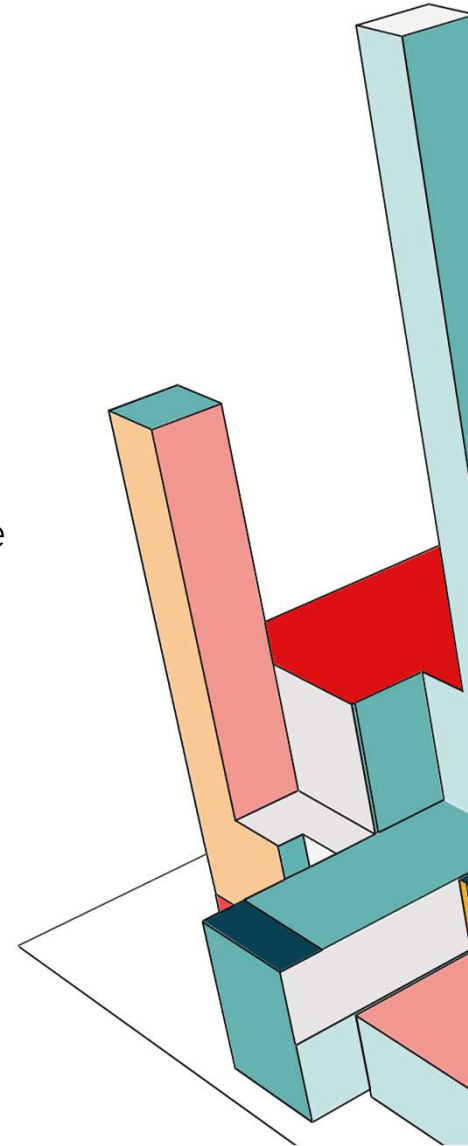


EXAMPLE RISK PRICING

Factor	Rate/Schedule Rate	Premium Credit/Debit	Premium
Base Rate x's Payroll (per 100\$'s)	15.00rate x's \$100,000payroll	n/a	\$15,000
Experience Modification	1.10	+10	\$16,500
Schedule Rating	Heavy End of Class	+10	\$18,500
Schedule Rating	Effective Safety Program	-10	\$16,500
FINAL PREMIUM QUOTE			\$16,500

POLLING Q 4

- How will you use the information you have learned today?
 1. I will be more thorough in the information I provide my broker/underwriter
 2. I will be asking for a safety inspection prior to getting my quote
 3. I will be looking at the ways I can improve my (or my client's) safety program
 4. All of the above answers!



FINAL TIPS & TAKEAWAYS

- Communicate! Your underwriter is busy – make sure they (and/or your broker) have an accurate and thorough picture of your management and your operations
- Review your current website – is it accurate portrayal of your business (do you overinflate capabilities?)
- Offer to have a pre-inspection done by a company safety professional ahead of the quote
- Paint a picture – needs to be accurate but accentuating the positive never hurts!
- Negotiate – never hurts to go back to the underwriter if the pricing seems off for some reason. Offer new/different information if there was anything missed.

ASPEN
RISK MANAGEMENT GROUP



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THANK YOU

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Former "old school underwriter" 😊

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