



## Best Workplace Practices to Stay Safe Resulting in Lower EMR and Workers' Comp Costs

If you've ever read the book *The 7 Habits of Highly Effective People* by Stephen R. Covey, you may recall the second habit, "Begin with the End in Mind."

I think all will agree that we want to keep our employees' health, safety and EMR (experience modification rating) better than average, and our workers' comp cost as low as possible. Unfortunately, too many companies start by bidding out insurance and pay no attention to their EMR and safety. Some of this is brought on by poor advice from the insurance industry, whose primary purpose is to price risk and sell insurance policies. The more risk a contractor has, the more insurance will cost. It's that simple.

If your end goal is to achieve the lowest workers' compensation rate, you need to know how to calculate a workers' comp policy premium.

One of the most significant impacts on the final rate is EMR. It's like a grade in school that compares you to everyone else in the class.

**A** = 0.60 EMR = 0% surcharge

**B** = 0.80 EMR = 20% surcharge

**C** = 1.00 EMR = 40% surcharge

**D** = 1.20 EMR = 60% surcharge

**F** = 1.40 EMR = 80% surcharge

Picture two construction companies doing the same type of work with the same payroll. One had an **A (0.60 EMR)** and their rate might be **\$6,000** a year, whereas the second company might be **\$14,000** a year. That's an \$8,000 a year difference, and if the average profit margin is 20%, they would need an additional \$40,000 in sales to cover this extra cost. Think about what you could do with an additional \$40,000.

Also, if your EMR is over 1.00, you could be losing a lucrative contract because you don't qualify, and therefore your bid gets thrown out.

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To achieve the lowest workers' comp rate, you need to review your EMR. Start by checking the calculation to make sure it's accurate. Make sure the payroll and claim data are also accurate. We have reviewed hundreds of these in our long careers, and have found plenty of errors; so do review them. Understand that every injury requiring workers' comp payments affects the EMR, and injuries requiring payment beyond medical treatment have the most significant impact. So how do you avoid injuries?

## Create Best Workplace Practices for SAFETY!

As you begin building your workplace safety plans, it is vital to define and understand all of the potential workplace hazards. Often the most common hazards include, but are not limited to, ergonomics, hazardous chemicals, noise pollution, guarding hazards, fall hazards, and weather-related issues. However, there are some steps you can take to reduce the risks in your establishment:

- Identify all of the workplace safety hazards – conduct an assessment of all the known hazards in your facility.
- Develop comprehensive safety policies & procedures – develop clearly written safety policies and procedures and employee safety handbooks that workers can use as a reference when in doubt.
- Cultivate a positive safety culture – in order to foster a positive safety culture in any organization, safety needs to start at the top. Top management and supervisors who are on board with the company's safety measures at the leadership level typically see much more significant results in developing and maintaining a positive safety culture.

- Building trust and staying consistent - employees must trust that management's priority is keeping their employees safe and letting them know if they notice any unsafe conditions. Honest, consistent, and transparent workplace communication is key.
- Encourage engagement and participation from employees - Encouraging employees' engagement, compliance, and participation is vital in promoting and growing a positive safety culture in your workplace. Get them talking:
  - » Encourage your employees to suggest practical solutions
  - » Enable and empower your employees to get involved in workplace safety issues
  - » Ask them for feedback and urge them to report hazards that they see
  - » Always emphasize the importance of keeping themselves safe
- Training, toolbox talks & safety committees - top management and supervisors should have a system in place to convey safety information to the workers. Examples include toolbox talks, safety committees, and regularly scheduled training sessions per OSHA regulations.
- Positive recognition and praise - in addition to keeping employees informed, it is important to praise and recognize those who regularly do their jobs safely. This builds a more open, positive safety culture and increases the likelihood that others will have the same behaviors.

The idea of appreciation goes a long way when you want others to understand and support your plan. Share your employees' successes, give public recognition, and enable others in your organization to join the conversations. Build a great team!



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## About the Authors



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