

# Work Comp Insights

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## Interstate vs. Intrastate Experience Modification Rating

An experience modification rating (EMR) is a numerical indicator crucial in workers' compensation insurance. It quantifies an employer's workplace safety and claims management performance as it relates to workers' compensation. The rating directly impacts the cost of workers' compensation insurance.

There are two different calculations of EMR depending on an employer's operations— intrastate and interstate. Interstate and intrastate terms refer to the geographical scope of an employer's operations. This is important because location can affect how a business's EMR is calculated and applied. Each EMR is applied depending on where the business operates. If the business operates in one state, then the intrastate EMR will be applied. If the business conducts operations in multiple states, then the interstate EMR is applied.

This distinction between interstate and intrastate is provided in an EMR worksheet—a comprehensive document that outlines the key components and calculations involved in determining an employer's experience modification factor.

EMR worksheets are an essential tool for employers to understand their workers' compensation insurance costs and take measures to improve safety and reduce claims, ultimately impacting their insurance premiums. This article provides an overview of what the experience modification rating is and what the interstate and intrastate experience means in relation to workers' compensation.

### Experience Modification Rating Overview

The EMR quantifies an employer's historical performance concerning workplace safety and claims management and compares this experience to the expected claims experience for similar-sized companies in the same industry. An EMR above 1.00 signifies a worse-than-average claims experience, leading to higher insurance premiums, while an EMR below 1.00 indicates better-than-average performance, resulting in reduced premiums.

This system encourages employers to invest in safety, implement robust safety programs and manage claims efficiently.

### What Is An Intrastate Experience Rating?

An intrastate experience rating refers to the EMR applied to employers conducting business operations exclusively within a single state. The following are important pieces of information for employers to understand about intrastate experience ratings:

- **Single-state Operations:** Employers considered "intrastate" operate their business activities and employ workers exclusively within a single state. They do not have business operations that cross state lines.

- **Simplified Calculations:** Calculating an EMR for intrastate employers is typically more straightforward compared to those with operations in multiple states. This simplicity arises because these employers are subject to the workers' compensation laws and regulations of a single state. Some states follow the National Council on Compensation Insurance (NCCI) ratings, and others base their ratings on independent rating bureaus. What ratings states should use is addressed by state statutes.
- **Focus on State-specific Laws:** Intrastate employers must primarily adhere to the workers' compensation laws and regulations of their single operating state. This includes compliance with state-specific safety requirements, reporting and claims management standards.
- **Coordination with State Agencies:** Intrastate employers work with their state's workers' compensation agency and insurance providers to navigate the specific requirements and processes within that state. State agencies are responsible for overseeing workers' compensation programs and enforcing relevant laws and regulations.
- **Impact on Premiums:** Just like interstate EMRs, the EMR for intrastate employers influences their workers' compensation insurance premiums. A lower EMR indicates better-than-average safety and claims management, resulting in reduced premiums. A higher EMR suggests a higher risk and higher premiums.
- **State-specific Adjustments:** While the basic principles of EMR calculation are similar for intrastate and interstate employers, the specific methods and factors used in calculating EMRs may

vary from state to state. Each state may have its own rules and formula for determining the EMR.

- **Appeals and Review:** Intrastate employers can also request a review or adjustment of their EMR if they believe it has been inaccurately calculated or if they have implemented significant safety improvements that should be reflected in their rating. This often involves working with their insurance provider and the state's workers' compensation agency.

Intrastate experience rating applies to employers whose business activities and workforce are confined to a single state. The EMR for intrastate employers is determined based on the specific workers' compensation laws and regulations of that state, and it plays a pivotal role in determining their workers' compensation insurance premiums.

Properly managing workers' compensation within a single state involves compliance with state-specific requirements and regulations, and employers may need to collaborate closely with state agencies and insurance providers to ensure compliance and fair rating.

### What Is An Interstate Experience Rating?

An interstate experience rating refers to the EMR applied to employers who conduct business operations in multiple states within the United States. It is a specialized approach to calculating an employer's EMR when operations cross state lines. Here's what's important about interstate experience rating:

- **Multistate Operations:** Employers considered "interstate" have business operations and employees in more than one state within the United States. These employers conduct their activities across state borders and are subject to the workers' compensation laws and regulations of multiple states.

- **Complex Calculations:** Calculating an EMR for an interstate employer can be more complex than for those with operations limited to a single state. This complexity arises from differences in workers' compensation rules, rates and regulations from state to state.
- **Adjustments for Interstate Operations:** The interstate experience rating process typically involves adjustments to account for the multistate nature of the employer's business. This adjustment considers the unique regulatory environments and claims experience in each state where the employer operates.
- **Compliance with Multiple State Laws:** Interstate employers must ensure compliance with the workers' compensation laws and regulations of each state where they conduct business. This may include meeting reporting requirements, securing coverage in each state, and adhering to state-specific safety and claims management standards.
- **Coordination with Insurance Providers:** Employers with operations in multiple states often work closely with their insurance providers to navigate the complexities of interstate workers' compensation insurance. Insurance companies experienced in interstate operations can help ensure compliance and provide guidance on managing claims across state lines.
- **Review and Adjustment:** Just like with intrastate EMRs, interstate employers can request a review or adjustment of their EMR if they believe it has been inaccurately calculated or if they have implemented significant safety improvements that should be reflected in their rating.

Interstate experience rating applies to employers with business operations spanning multiple states within the United States. It takes into account the challenges and differences in workers' compensation regulations and claims experiences across state lines to determine a fair and accurate EMR for these employers.

### Conclusion

Both interstate and intrastate experience rating systems play vital roles in workers' compensation insurance, reflecting the geographical scope of an employer's operations.

Both rating systems share a common goal: To determine an EMR that accurately reflects an employer's safety practices and claims history.

Understanding the distinctions between these rating systems is crucial for employers. The aim is to promote safer workplaces, fair insurance pricing and compliance with state-specific workers' compensation laws.

Contact ToughComp for more information on your experience modification worksheets or other workers' compensation questions.

