



Workers Compensation Experience Rating

Gerald Ordoyne, AU-M, AIDA

Director, Experience Rating

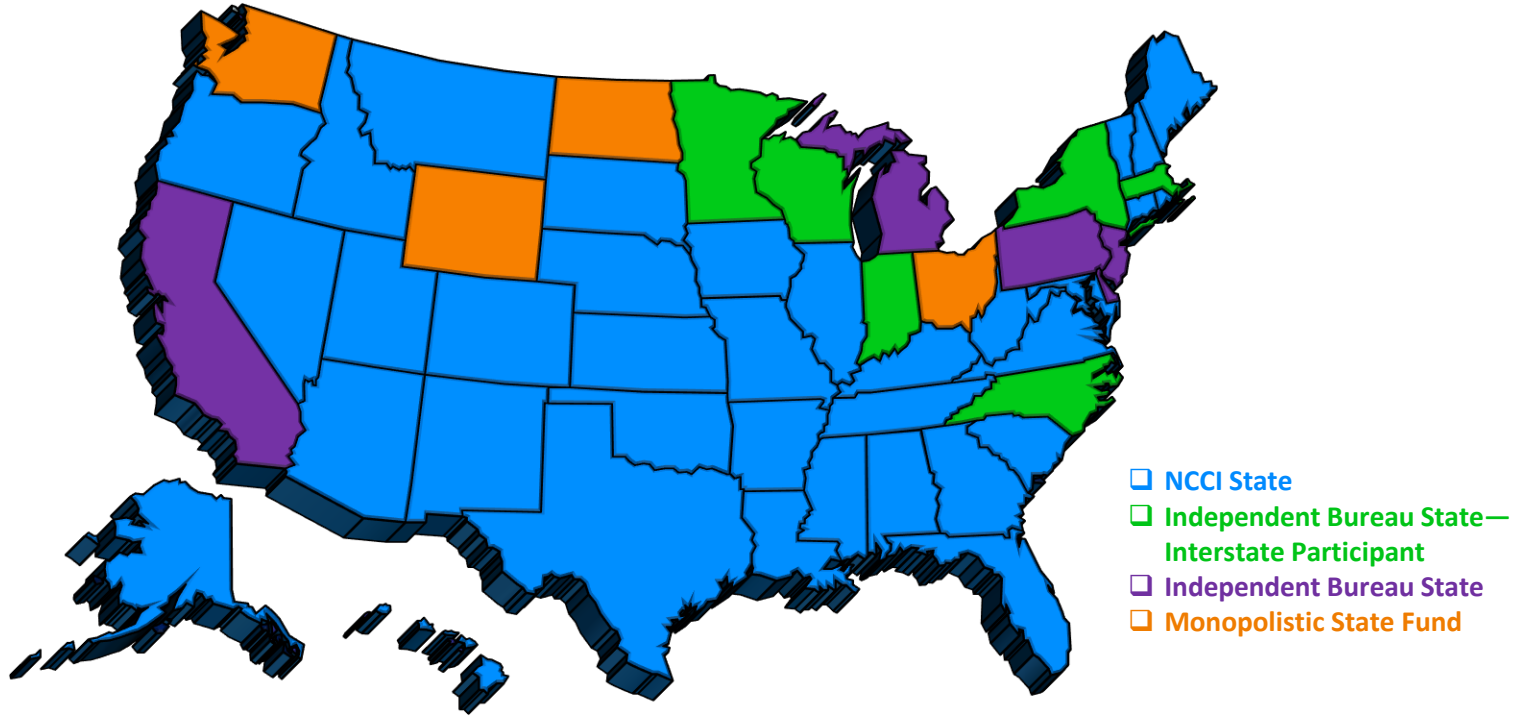
Experience Rating Overview



Experience Rating

- NCCI's Experience Rating Plan is a component in the final cost of workers compensation
- It provides a method for recognizing the differences among individual employers
- It does this by comparing the experience of individual employers with the average employer in the same classification

Jurisdictions



2019 Statistics

1.2 Million Experience Rating Modifications (Mods) Calculated Annually

740,000 Qualifying Employers

620,000 Intrastate

120,000 Interstate

43,000 Ownership Requests

Basics of Experience Rating

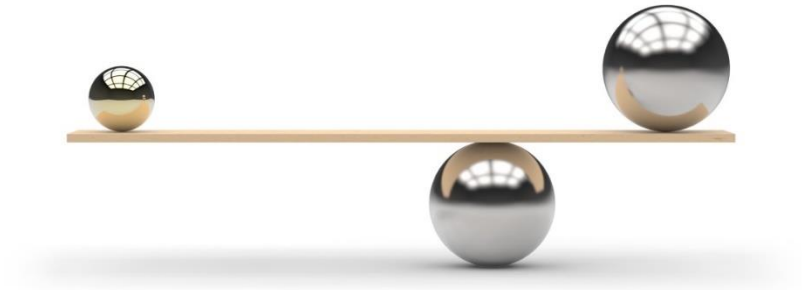
$$\frac{\textit{Actual Losses}}{\textit{Expected Losses}} = \textit{Experience Modification}^*$$

*Simplified Formula

- Comparison of Actual Losses to Expected Losses
- Expected Losses are based on exposure
- Actual Losses represent paid and reserved claims
- Mandatory for qualifying employers
 - Qualification based on premium, varies by state

Split Point

- Separates claims into primary and excess values
 - Primary losses receive full weight
 - Excess losses receive partial weight
- Indexed annually



Limitations



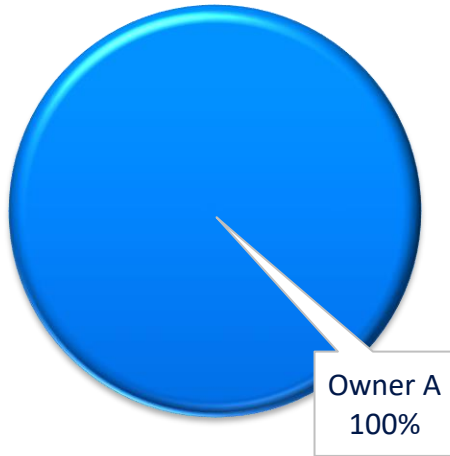
- Experience Rating Adjustment
 - Reduces medical-only claims by 70%
- State Per Claim Limitation
- State Multiple Claim Limitation
- COVID-19 Claim Exclusion
- Maximum Debit Modification

Ownership

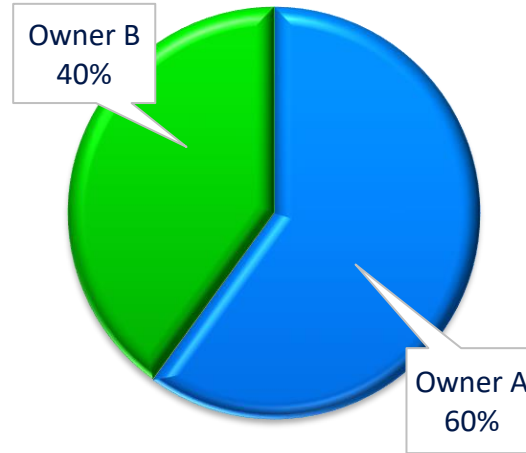
- Changes in ownership of a company may impact the use of the company's experience
- Past experience may be transferred or combined for use in the mod calculation
- The employer is responsible for reporting changes such as:
 - Name changes
 - Mergers
 - Sales/partial sales
 - New entity formation

Combination

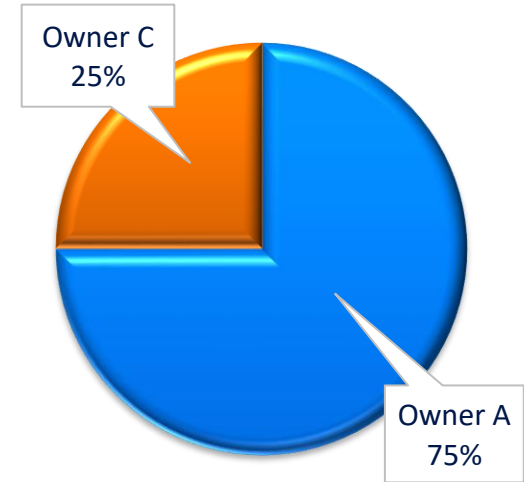
Company 1



Company 2

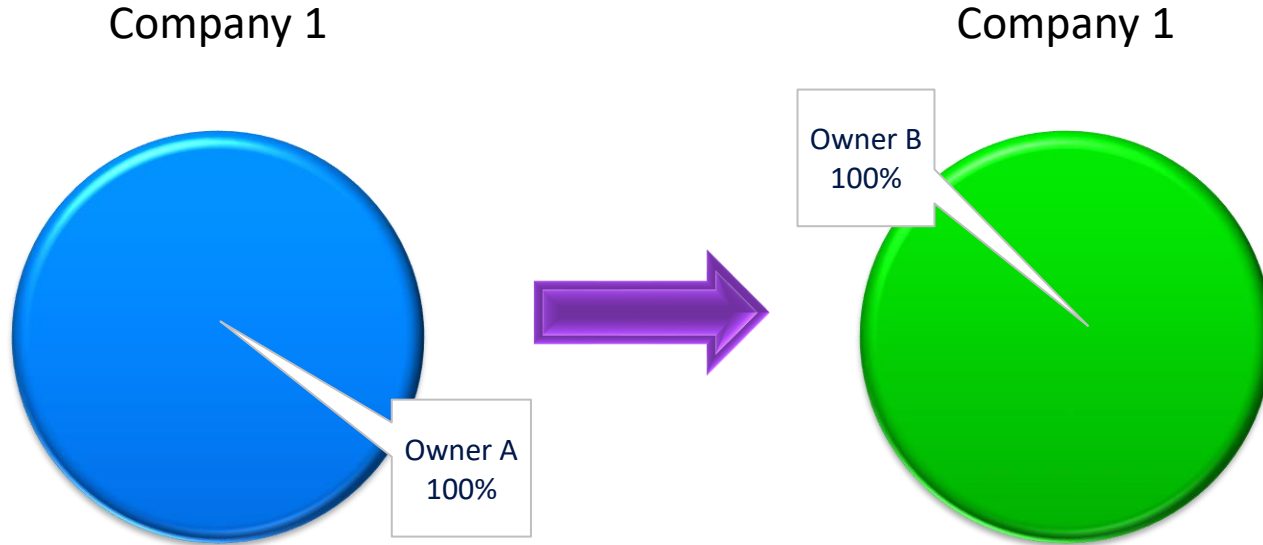


Company 3



Owner A owns majority interest in all three companies.
Experience of all three companies is combinable.

Transfer of Experience



Owner A sells Company 1 to Owner B.
Experience of Company 1 transfers to Owner B.

Additional Resources

The screenshot shows the NCCI website's Learning Center page. At the top left is the NCCI logo with the tagline "The Source You Trust". To the right is a search bar and a navigation menu with links for "About Us", "Careers", "Contact Us", "Learning Center" (highlighted with a red box), "Log Out", and "My Profile". Below the navigation is a horizontal menu with categories: "Data Reporting", "Industry Information", "Residual Markets", "Underwriting", "Agents/Brokers", and "Insights". The main content area features a banner for the "Annual Issues Symposium 2021" with the theme "STRONGER TOGETHER". The banner includes a graphic of colorful lines and an arrow, and text that says "Save the Date for Our Virtual Event: May 11-12, 2021" and "AIS AIS 2021 VIRTUAL". Below the banner is a row of six teal-colored buttons with white text and arrows: "Order Mods and Worksheets", "Look Up a Class Code or Rate", "Access Data Reporting Resources", "Access Circulars", "Access Manuals", and "Submit an Assigned Risk Application".