



**PRESENTS**

**“TAKING CONTROL OF EXPERIENCE RATINGS”**

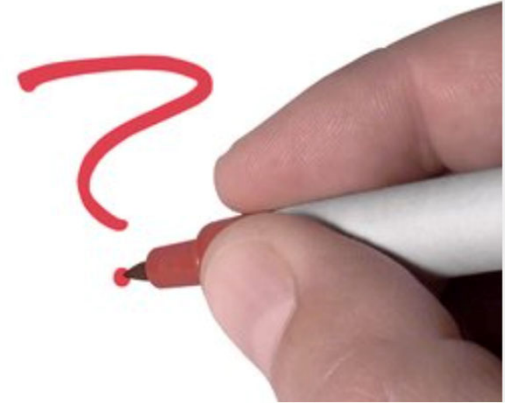
**FOR**

**TEXAS CRANE OWNERS ASSOCIATION**

# WHAT IS AN EXPERIENCE MODIFICATION RATING?

An Experience Modification Rating is a factor used to reward or penalize an employer for their past workers' compensation record.

1. Increases or decreases premium costs
2. Allows employers to be eligible for contracts
3. Can be used as a competitive advantage
4. Can be projected for bidding purposes



# WHO CALCULATES THE RATINGS?



- States that DO NOT subscribe to NCCI, but can be Interstate experience-rated include:

Massachusetts,  
Minnesota  
North Carolina



- States that DO NOT subscribe to NCCI and are NOT Interstate rated:

California  
Delaware  
Michigan  
New Jersey  
Pennsylvania  
New York (As of 10-1-22)

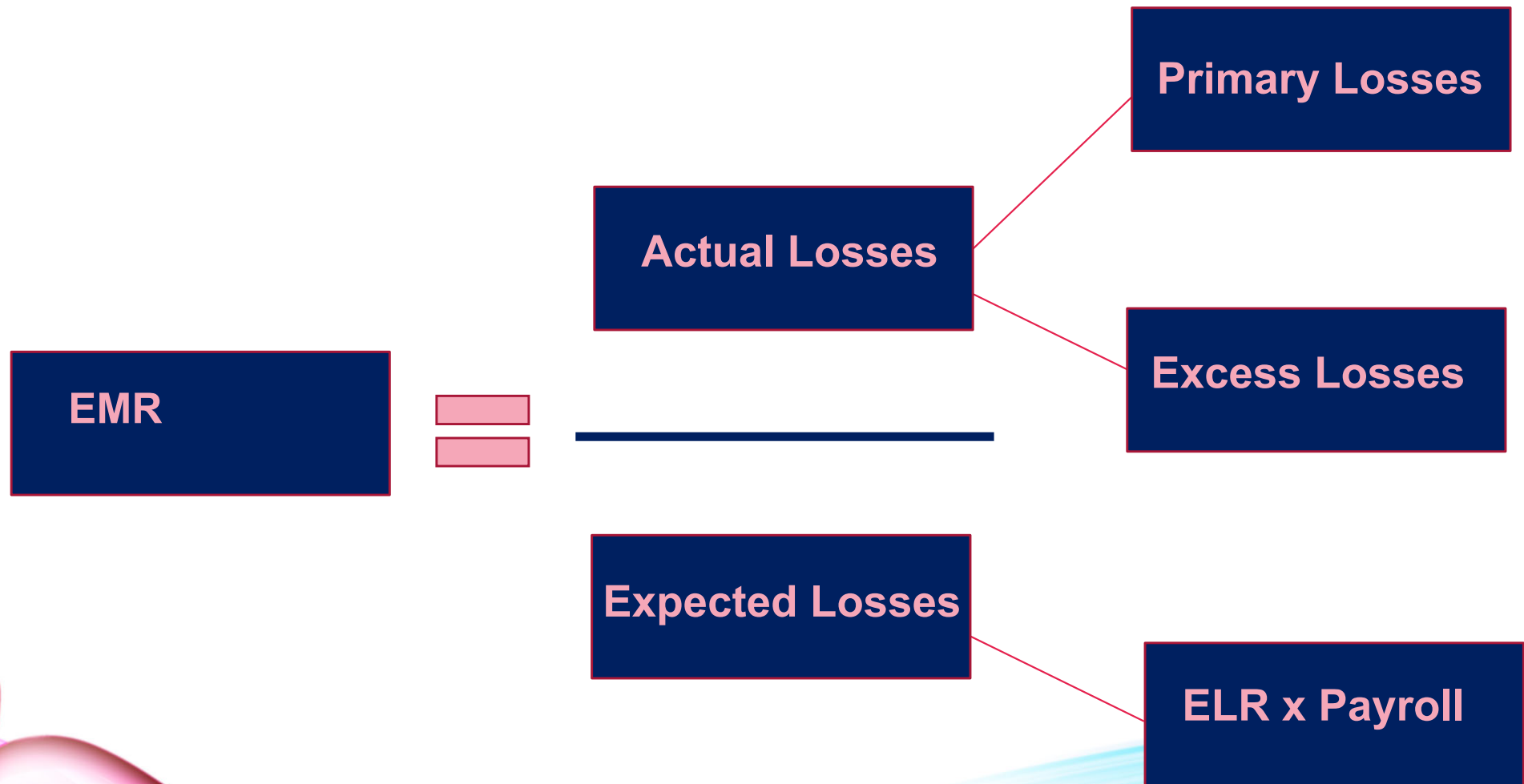


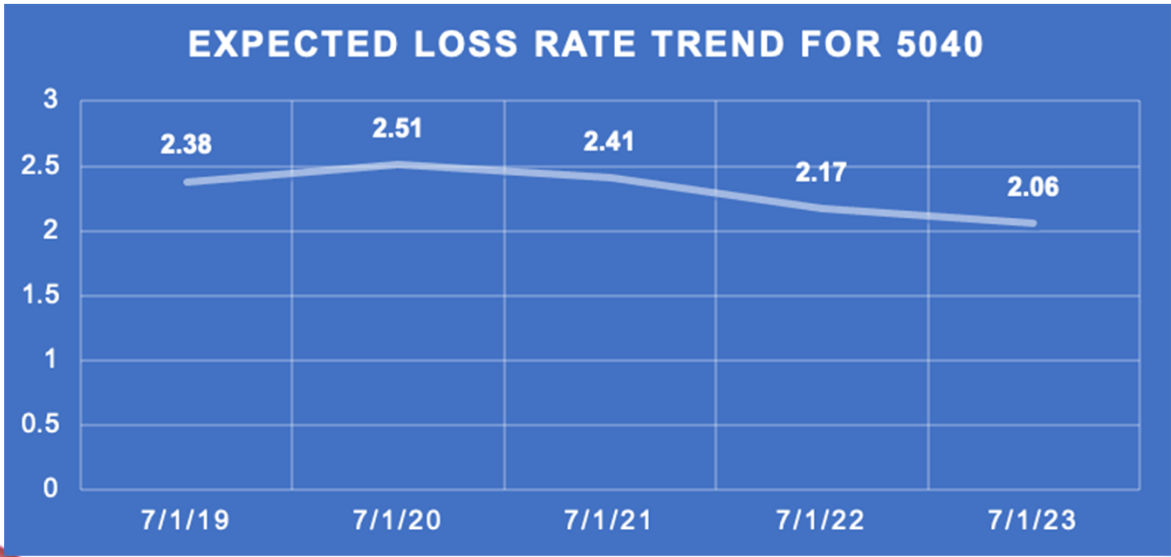
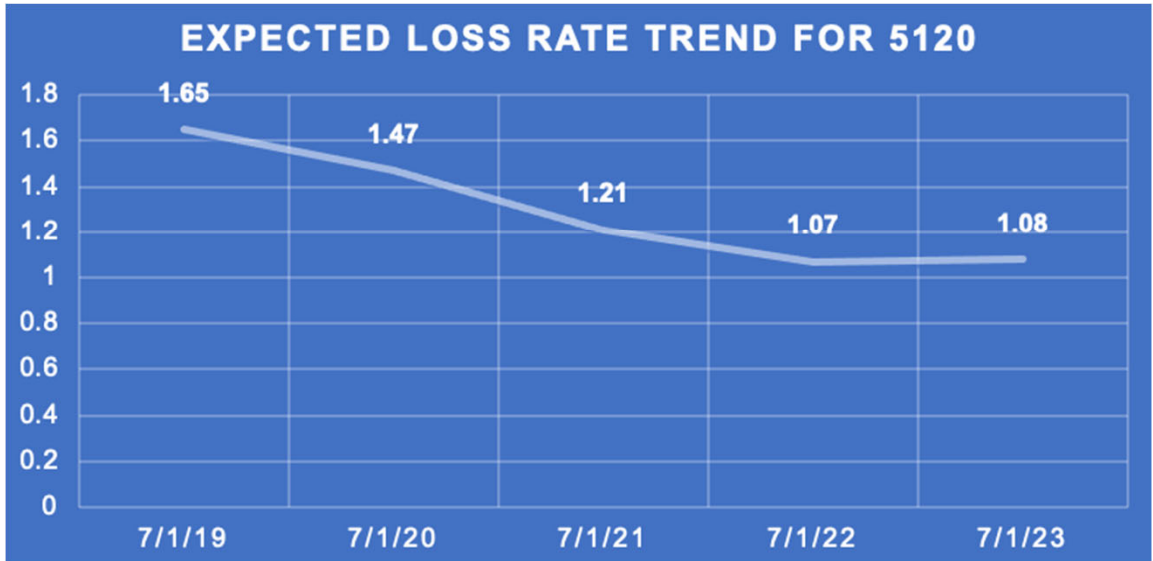
- Monopolistic States

North Dakota, Ohio, Washington, Wyoming



# HOW IS THE EMR CALCULATED?





# EXPECTED LOSSES

## Total Expected Losses

- Every classification has an assigned *Expected Loss Rate*.
- Each state's Expected Loss Rates are revised annually
- Expected losses are derived by multiplying every \$100 of payroll by the expected loss rates (ELR's).

**Classification: 8810 (Clerical)**

**Expected loss rate = 0.04 Payroll = \$500,000**

**$\$500,000/100 = \$5000 \times .04 = \$200$**

All expected losses are combined to come up with the  
Total Expected Losses

## Total Expected Primary Losses

- Every manual classification has an assigned *D-Ratio*.
- Expected Primary Losses are derived by multiplying expected losses by D-Ratio

**Classification: 8810 (Clerical)**

**D-Ratio:0.36**

**$\$200 \times 0.36 = \$76$  in expected losses**

All expected primary losses are combined to come up  
with the Total Expected Primary Losses



**An Employer can have Total Losses over Total Expected Losses and a rating under 1.0, but cannot have Total Primary Losses over Total Expected Primary Losses and a rating under 1.0**

# ACTUAL LOSSES

## **Ratable Losses:**

Paid Medical

Medical Reserves

Paid Indemnity

Indemnity Reserves

~~Allocated Expenses~~



**Claim data at the Critical Value Date impacts the upcoming rating. Reserve reductions after that date are not a basis for rating revisions**

## **Primary Losses:**

First Dollar Losses Up to Split Point

## **Split Point:**

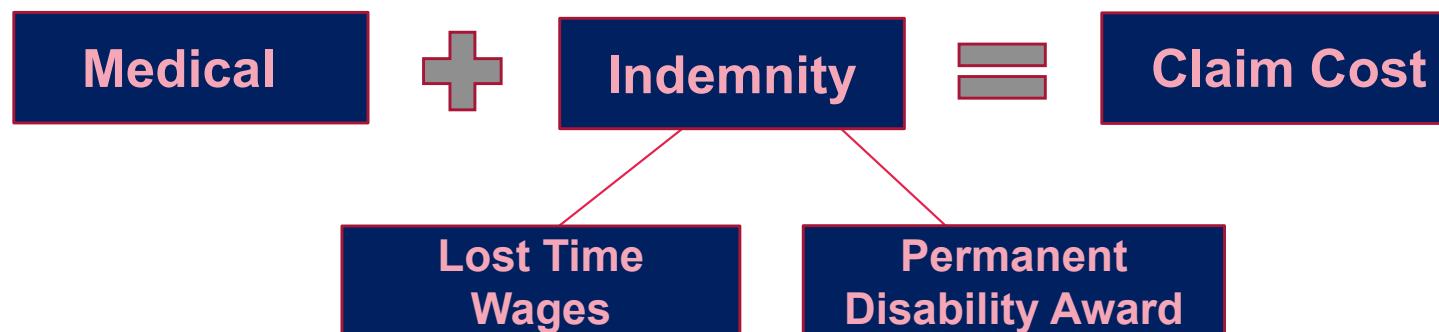
Changing in 2024

**Critical Value Date** - The date the data for each claim is submitted to the Rating Bureau

# MINIMIZING PRIMARY LOSSES

Medical-Only Claims are reduced by 70% in the calculation of the rating. This loss limitation was initiated to encourage the establishment of a robust return-to-work program and eliminate the desire for employers to pay small dollar claims internally. Preventing loss time wage payments can directly impact your rating.

**If a claim does not incur indemnity, it is classified as medical only**





# RATING PRODUCTION

Unit Statistical Reports to NCCI (18 months)



WORKERS COMPENSATION EXPERIENCE RATING									
NCCI		Risk Name: ABC Company				Risk ID: 123456789			
Rating Effective Date: 07/24/2020			Production Date: 04/09/2020			State: MISSOURI			
State	Wt	Exp Excess Losses	Expected Losses	Exp Prim Losses	Act Exc Losses	Ballast	Act Inc Losses	Act Prim Losses	
MO	.07	21,234	28,714	7,480	126,112	34,875	143,612	17,500	
(A) Wt	(B)	(C) Exp Excess Losses (D - E)	(D) Expected Losses	(E) Exp Prim Losses	(F) Act Exc Losses (H - I)	(G) Ballast	(H) Act Inc Losses	(I) Act Prim Losses	
.07		21,234	28,714	7,480	126,112	34,875	143,612	17,500	
		Primary Losses		Stabilizing Value		Ratable Excess		Totals	
Actual	(I)	17,500		C * (1 - A) + G 54,623		(A) * (F) 8,828		(J) 80,951	
Expected	(E)	7,480		C * (1 - A) + G 54,623		(A) * (C) 1,486		(K) 63,589	
		ARAP	FLARAP	SARAP	MAARAP	Exp Mod			
Factors		1.25						(J) / (K)	1.27

THE ARAP FACTOR SHOWN IS CAPPED AT THE APPROVED MAXIMUM ARAP SURCHARGE FOR THIS STATE.

**This is a pretty high mod rate.**

**It will increase rates by 27%.**

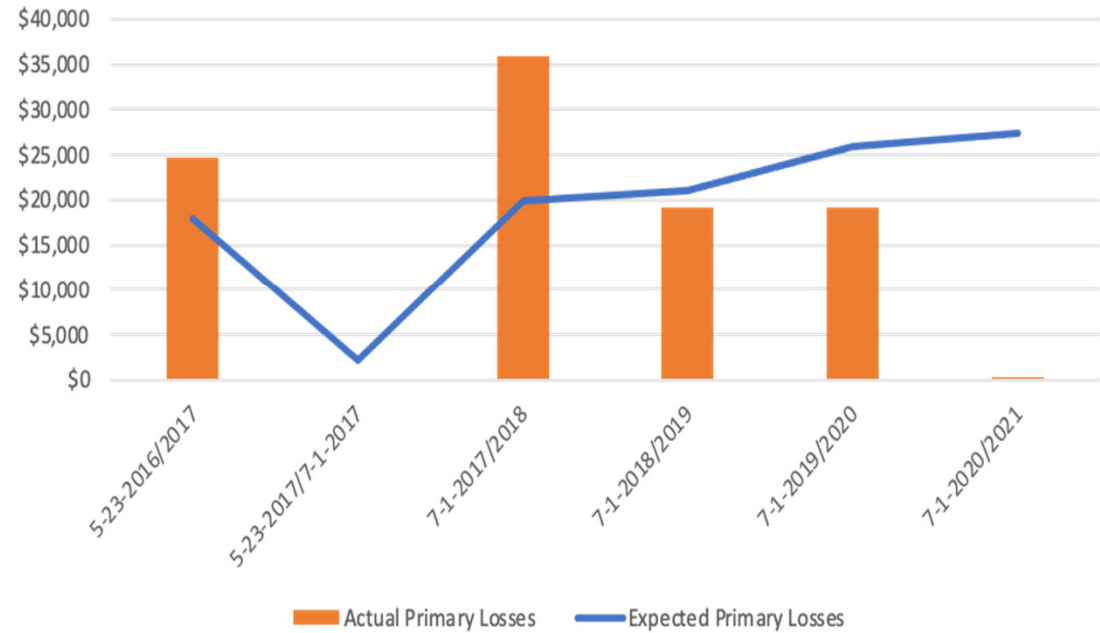
Carrier: 33559-001 Policy: WCS-20275192 Eff-Date: 07-24-2019 Exp-Date: 07-24-2020

The Rating Effective Date

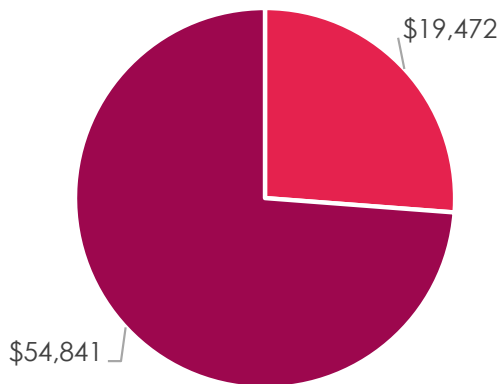
The Rating Production Date

# HOW TO BE PRO-ACTIVE

### Actual Primary vs. Expected Primary Losses



### Total Primary Losses Available



■ Primary Losses Used    ■ Primary Losses Available

# HOT TOPICS IN EXPERIENCE RATINGS

1. *Experience Modification Ratings Below 1.0*
2. *Decreasing Expected Loss Rates*
3. *State-Specific Split Points*
4. *Primary Loss Management*
5. *Ownership Changes/Mergers*
6. *Experience Rating Projections/OCIP/WRAP*
7. *Specific Loss Goals*
8. *Proactivity with Experience Ratings*



QUESTIONS???



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