

Experience MOD Worksheet – Explained

1. ELR = Expected Loss Rate

à The ELR determines the amount of expected losses for each of your classification codes. The ELR is a factor applied to each \$100 of payroll for a classification. The ELRs are listed in the Tables of Expected Loss Rates in the Experience Rating Manual

2. Expected Losses

à The expected losses represent the benchmark level of losses expected for all employers in a state within each classification code. It is against this benchmark that individual employers are compared, based on their actual losses.

Example: A class code with an ELR of 1.48 that has \$250,000 in payroll gives you \$3,700 in expected losses. [$\$250,000 \times 0.0148 = \$3,700$]

à To calculate the Expected Losses discount for:

Safety Credit = total the expected losses and multiply by 2%

Drug Free Credit = subtract the safety credit discount from the total expected losses and multiply that number by 5%

3. D-Ratio = Discount Ratio

à The Discount Ratio is a factor applied to the expected losses for each class code. It determines the portion of your expected losses that are expected to be primary losses. Discount Ratios are listed in the Table of Discount Ratios in the Experience Rating Manual.

4. Expected Primary Losses

à Expected Primary Losses for each class code are determined by multiplying the Discount Ratio times the expected losses. The expected primary losses represent the benchmark level of primary losses expected for all employers in a state within each classification code. It is against this benchmark that individual employers are compared, based on their actual primary losses.

Example: A class code with a D-Ratio of .25 that has \$3,700 in Expected Losses gives you \$925 in Expected Primary Losses [$\$3,700 \times 0.25 = \925]

à To calculate the Expected Primary Losses discount for:

Safety Credit = total the expected primary losses and multiply by 2%

Drug Free Credit = subtract the safety credit discount from the total exp. Primary losses and multiply that number by 5%

5. Claim Data

à Lists the 6 digit claim number if it is an indemnity (lost time) claim. If it says No. (blank), that means there were (blank) medical-only claims that year.

6. IJ = Injury Code

à If it is a 6, that means it was a medical-only claim (no lost time). If it is a 1,2,3,4, or 5 it is an indemnity claim (lost time).

7. O/F

à Indicates if the claim is open (O) or Finalized/Closed (F)

8. Actual Incurred Losses

à Actual Incurred Losses are those that are reported

Note: For each medical-only claim, only 30% of the Actual Incurred Losses are used in the experience rating calculation

9. Actual Primary Losses

à Actual Primary Losses are the portion of the Actual Incurred Losses that are used at full value in the experience rating calculation. For each actual incurred loss, the amount up to \$5,000 is considered primary.

Note: For each medical-only claim, only 30% of the primary amount is used in the experience rating calculation

10. Subject Premium

à The premium for each class code is calculated by multiplying the base rate for each class code by the payroll. The premium for each class code is then added together to get the Subject Premium.

Final Page Explained - Experience rating calculation

(A) = Weighting Value – is a factor that is applied to your actual excess losses and your expected excess losses. The weighting value determines how much of the actual losses and expected losses are used in the experience rating calculation. The weighting value increases as the expected losses increase. This value is based on the Table of Weighting Values in the experienced rating manual.

(B) = box is blank 99% of the time

(C) = Expected Excess Losses – this is calculated by subtracting the total **expected primary losses** (E) from the total **expected losses** (D). The expected excess losses represent the benchmark level of losses in total, for the portion of all claims in excess of \$5,000. It is against this benchmark that you are compared, based on your actual excess losses. **Example:** (D) – (E) = (C)

(F) = Actual Excess Losses – this is calculated by subtracting the total **actual primary losses** (I) from the total **actual incurred losses** (H). The excess portion of a loss is given partial weight based on the size of the risk. As the risk size increases, so does the amount of the actual excess losses used in the calculation. **Example:** (H) – (I) = (F)

(G) = Ballast Value – this is a stabilizing element designed to limit the effect of any single loss on the experience rating MOD. The Ballast Value is added to both the Actual Primary Losses and to the Expected Primary Losses. The Ballast Value increases as the expected losses increase. The ballast value is obtained from the Table of Ballast Values in the experience rating manual.

Stabilizing Value = C (1 – Weighting Value) + G

à The Stabilizing Value limits the potential for significant variances in the experience rating MOD factor from one year to the next.

Ratable Excess

Ratable Excess for Actual Losses = (F) x (A)

Example: (A) = 0.18 and (F) = \$45,000

0.18 x \$45,000 = \$8,100

Ratable Excess for Expected Losses = (C) x (A)

Your Experience MOD = $\frac{\text{Actual Totals}}{\text{Expected Totals}}$