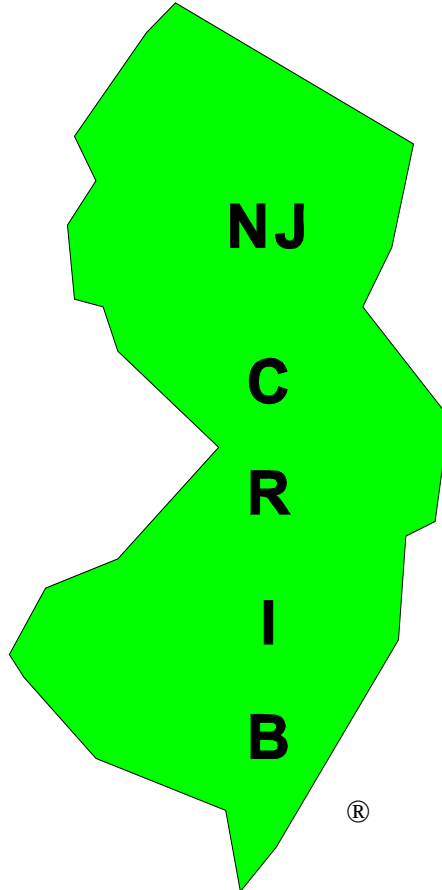


**NEW JERSEY
COMPENSATION RATING & INSPECTION BUREAU**

EXPLORING EXPERIENCE RATING



INTRODUCTION

This booklet provides an overview of the Experience Rating process. An effort has been made to explain the procedure in a manner that can be understood by persons with little or no knowledge of insurance as well as for those familiar with the workers compensation program. The subject matter is divided so as to provide ease of reference on a particular aspect of the process. The illustrations are intended to provide an opportunity to better understand the calculations and the effects of certain claim costs in the rating process. Additionally, the process of estimating the impact of certain claims such as medical only occurrences on risks of varying sizes may be enhanced.

This publication is another effort to communicate with the business/insurance communities and to extend the education process.

Questions on Experience Rating can be addressed to Salvatore A. Nardone, Director of Rating at 973-622-6014 Ext. 216.

NJCRI

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PURPOSE OF EXPERIENCE RATING

The primary device used in the development of workers compensation insurance premiums is the classification system whereby New Jersey businesses are divided into various classifications. The objective of the classification system is to bring together within each classification employers engaged in the same type of business. The New Jersey manual rate accompanying each classification (approximately 600) is adjusted annually and is determined directly from the latest available claim and payroll experience developed by the employers forming part of each classification.

It is recognized that no two employers, although they may be in the same business, have exactly the same operations or identical conditions of employment. Within any given classification, there are differences in the operations performed and in the manner in which they are conducted. Accordingly, within each classification there are employers with better than average experience and those with less favorable than average experience. To recognize these differences, the Law requires the application of a form of merit rating. The approved merit rating program in New Jersey is known as the Experience Rating Plan. Experience rating offers an additional refinement by which an employer's own experience is used to modify the premium which would otherwise apply based on the average experience (manual rate) of all employers in the classification to which the employer is assigned.

HOW DOES EXPERIENCE RATING WORK?

The concept of experience rating is based on ownership with an assumption that owners of a business have ultimate authority in controlling work-related injuries. Businesses owned in their majority by the same person, a group of individuals or a corporation are treated as a single risk. Experience ratings are processed on an individual risk basis. An employer's experience rating will therefore include combined experience developed by all entities which share common majority ownership.

Experience rating compares the injury record of an individual risk with the average or expected loss experience of risks of similar size engaged in the same business. It is the objective of experience rating to encourage employers, through economic incentive, to reduce the frequency and severity of work-related injuries. The program adjusts the premium contribution among qualifying risks in the same business by the application of credit and debit experience rating modification factors. Thus, experience rating will reward or penalize employers for the relative success of their individual loss control efforts. Experience rating is a prospective program. In other words, the experience modification is reflective of what is expected during the ensuing year based on loss experience from previous years (experience period).

DOES EXPERIENCE RATING APPLY TO ALL EMPLOYERS?

Some employers are not eligible for experience rating. This is because the premium of those employers is not of sufficient volume for their past loss experience to be considered statistically credible. In order for a risk to qualify for experience rating, an average annual premium of \$2,000 is required. The minimum qualification is currently \$6,000 over a three year period. It is determined by applying manual rates in effect on the rating date to each one hundred dollars of payroll by classification during the established experience period. The experience period generally includes the three years expiring one full year prior to the rating date. The qualification criteria in New Jersey is one of the lowest in the country. Application of the Experience Rating Plan is mandatory for every risk meeting the qualification requirement.

HOW DOES LOSS EXPERIENCE AFFECT THE RATING MODIFICATION?

As the premium size of an employer increases so does the probability that its own past loss experience will be the best guide to the future. Accordingly, the rating procedure provides for a graduation of credibilities so that as the size (payroll) of the employer increases, greater dependence (credibility) is placed upon its own loss experience (risk) and less on the average experience of employers engaged in the same business (classification). A risk that just qualifies for experience rating will have very limited credibility meaning that its own loss experience will have a minimal affect on the experience modification factor. On the other hand, a risk with substantial premiums will have significant credibility meaning that its own loss experience will have a greater affect on the resultant experience modification factor.

Because of the need to recognize frequency of loss differently than severity of loss in the calculation of an experience rating, two credibility values, normal and excess, are included in the calculation. The difference is that an employer with one hundred \$1,000 claims is penalized significantly more than an employer with a single \$100,000 claim. This follows because an employer has more ability to control the frequency of accidents than the cost of a single fortuitous claim. As a result, greater credibility is applied to the frequency portion of loss than to the severity portion in the calculation of an experience rating modification.

WHAT LOSS EXPERIENCE IS USED IN RATING?

The filing of experience is governed by the rules of the New Jersey Statistical Plan which provides for a standardized orderly transmittal of experience controlled by an established time schedule. Every insurer is required to submit a first report of experience

for each policy. This report reflects the value of each incurred claim as established by the insurer eighteen (18) months after the inception date of the policy. This experience is used for the first time in the experience rating which is effective twenty-four (24) months from the effective date of the policy. For example, the experience under a policy effective July 1, 2004 to July 1, 2005 would be used for the first time in a rating effective July 1, 2006 to July 1, 2007. It is not possible to use the experience for the policy effective July 1, 2005 to July 1, 2006 because this policy would not have expired by the date on which the July 1, 2006 experience rating is processed.

When loss values change or where there are open claims (final payment not made) the insurer is required to file subsequent reports of experience at annual intervals with losses valued in each case as of a date twelve (12) months following the previous valuation. The second and third reports of experience filed in this manner are used in the second and third ratings in which the policy year experience is included.

In the experience rating effective July 1, 2006 to July 1, 2007, the experience under policies effective July 1, 2002 to July 1, 2003, July 1, 2003 to July 1, 2004 and July 1, 2004 to July 1, 2005 would be used. The experience period on the experience rating data would appear as July 1, 2002 to July 1, 2005. The July 2004 policy year experience would include losses valued eighteen (18) months after the effective date of the policy (first report). The July 2003 policy year experience would include losses valued thirty (30) months after the effective date of the policy (second report), and the July 2002 policy year experience would include losses valued forty-two (42) months after the effective date of the policy (third report).

In the succeeding experience rating (effective July 1, 2007 to July 1, 2008) the July 1, 2002 to July 1, 2003 policy year experience is phased out and the July 1, 2005 to July 1, 2006 policy year is introduced. An experience rating effective July 1, 2007 to July 1, 2008 would include an experience period from July 1, 2003 to July 1, 2006. Thus, the annual progression of experience ratings involves a moving three year experience period. Accordingly, the experience from a particular policy is used in experience rating for three successive years. After the policy experience is used for the third time, it usually passes out of the experience period and no longer is used. The third report is the highest report level used in experience ratings. The Rating Bureau, however, continues to receive reports of experience reflecting the valuation of losses after the third report.

HOW ARE LOSS VALUES DETERMINED?

The valuation of claims is not and cannot be an exact science. There are many variables in each case which are not known or in some instances, although known, cannot be precisely measured. The continual changes with respect to individual claims from the time accidents occur until they are finally closed include the progress of the injured worker's condition, determinations made by judicial agencies and responses to medical

treatment. These are some of the factors which affect the valuation of claims and which make claim valuation an inexact science. Also, there is a very thin line between an estimate of 10% or 20% disability yet the dollar difference can be considerable. Each insurer uses its expertise in valuing claims based on all available information, except in those cases involving death and permanent total disability cases where the Rating Bureau has established indemnity valuation tables.

It is due to the continuous change and degree of uncertainty with workers compensation claims that the use of fixed valuation dates have been established to secure uniform and objective treatment of claims in the preparation of experience ratings. The individual risk is not retroactively credited in connection with claims which develop downward nor is the risk retroactively penalized for claims which develop upward. There is no fairer way in which to deal with this fluid situation of developing claim values except through fixed formalized valuation dates. It should be noted that claim values can increase about 25% from first to fifth report valuation.

HOW IS THE RATING MODIFICATION CALCULATED?

*References in **bold** relate to the sample rating forms and/or the Glossary of Terms*

An experience modification is determined on the basis of a comparison of the **final adjusted losses** of the risk with the **expected losses** of a risk of similar size and kind. It is this comparison rather than one involving premiums paid and losses incurred (a common misconception) that is made in the determination of an experience modification. The **risk actual incurred losses** are modified using **Table "A" Factors** so that the **modified losses** used in the rating are at the benefit level in effect as of the **effective date** of the experience rating. Similarly, the **expected losses** are obtained by applying the individual classification **manual rates** and **excess elements** in effect as of the **effective date** of the rating to the audited **payrolls** developed by the risk during the **experience period**. This latter process produces the **manual premium subject (excess, normal and total)**. The **excess** and **total manual premium subject** values are then adjusted by the applicable **expected loss factor** to produce the **excess** and **total expected losses**. While each classification has an unique **excess element**, a single **expected loss factor** is applied to all classifications. The difference between the **excess expected losses** and the **total expected losses** becomes the **normal expected losses**.

The **risk modified losses** also must be separated between **risk excess and normal losses**. The current maximum loss values are established at \$175,000 indemnity and \$218,000 medical. The **excess loss** category (severity) includes individual claim costs greater than the prescribed limits which currently are \$7,500 indemnity and \$7,500 medical, subject to the maximum values. Claim costs equal to or less than these values are considered **normal loss** (frequency). The **excess and normal credibilities** are applied to the corresponding **excess and normal risk modified losses** which result in the **"RISK" final adjusted losses**, or the modified losses of the employer used in computation

of the experience modification. The complements of the **excess and normal credibilities** are applied to the corresponding **excess and normal expected losses** which result in the **"CLASS" final adjusted losses**, or the losses of a risk of average size and kind. The sum of the **"RISK" and "CLASS" final adjusted losses** produce the **TOTAL final adjusted losses**. The ratio of the **TOTAL FINAL ADJUSTED LOSSES** to the **TOTAL EXPECTED LOSSES** results in the **EXPERIENCE MOD**.

CAN EXPERIENCE RATINGS BE REVISED?

In the valuations of claims, errors in judgment are made. It is not equitable or possible to revise every experience rating due to claim developments. If this were done, given the upward development of claims, most employers would be called upon to pay additional premiums long after policies have expired. The Experience Rating Plan, however, provides that experience ratings shall be revised with respect to losses only for the following reasons:

- (a) If loss values are included or excluded through clerical error
- (b) The claimant has recovered in an action against a third party
- (c) The claim has been officially dismissed as noncompensable or for lack of prosecution by appropriate judicial or departmental ruling
- (d) The statute of limitations is expired and the claim has been closed with no payment other than medical
- (e) A settlement has been approved by a Judge of Compensation in accordance with R.S.N.J. 34:15-20 of the New Jersey Workers Compensation Law where the issue involves question of jurisdiction, disability, causal relationship or dependency of the petitioner
- (f) A claim valued on a life pension basis is settled on a basis other than a life pension
- (g) A claim should have been reported with Catastrophe Number 48 for a loss resulting from the airline hijackings of September 11, 2001

The Experience Rating Plan further provides that experience ratings shall be revised with regard to payrolls for the following additional reasons:

- (a) If payroll amounts are included or excluded through clerical error
- (b) The payroll amounts have been revised to reflect an audit or re-audit
- (c) If the payroll amounts have been reassigned to other

classifications as a result of inspection or correction

The revision of experience ratings are processed by the Rating Bureau during the effective period of the ratings and within three years thereafter.

DEBIT VS. CREDIT EXPERIENCE MODIFICATIONS

As indicated throughout this booklet, there are a number of complex variables that affect the final modification. There are annual changes to maximum loss values (page 4), there are adjustments to the credibility parameters to maintain a balanced program, and to recognize the effect of frequency compared to severity of loss experience (page 2). Then there are less obvious variables such as the annual changes to premium rates. As premium rates increase so do the expected losses, which may improve experience modifications. In like fashion, as premium rates decrease so do the expected losses which may result in worsening modifications (page 4). Also, in the valuation of a given claim, one insurer may consider a different cost estimate than another insurer (page 4).

It is not unreasonable to conclude that an experience modification in and of itself should not be considered as a statement as to whether an employer operates a safe or unsafe workplace. For example, an employer with a single large claim during the experience period may produce a modification of greater than unity. On the other hand, an employer with a larger premium base (greater expected losses) with an established record of claim frequency may produce a modification of less than unity.

As stated on page 5, experience modifications are subject to revision. More than 15,000 rating revisions are issued annually. In almost every instance where loss values are involved, the revised experience modification is lowered. Thus, it is possible that an initial modification of greater than unity may be revised over a period of time to one of less than unity.

Given all of the variables involved, safety initiatives can only be measured in part by a detailed analysis of an individual experience rating data sheet, coupled with compliance to standards established by the regulatory authorities charged with such oversight.

GLOSSARY OF TERMS

The following include definitions of terms contained in the **Statement of Risk Summary Data** of the experience rating calculation:

- I **Expected Losses** - Based only on the audited payrolls (size) of the risk without influence from the caliber of the loss experience. The expected losses represent an average loss record of a risk of similar size and kind.

- II **Risk Modified Losses** - The actual incurred losses of the risk after adjustment to reflect the benefit level in effect as of the effective date of the rating.

- III **Credibilities** - A measure of the size of the risk in relation to the size of other risks in the same business. Separate credibility factors are established for frequency (normal) and severity (excess). Such factors are applied to the risk modified losses.

- IV **Final Adjusted Losses** - The calculated amounts of the employer's (risk) contribution to the experience modification and the average size and kind of risk (class) contribution. The sum of these losses shown as **Total Final Adjusted Losses** is used in the final calculation of the experience modification.

- V **Experience Mod** - The factor calculated to reward or penalize the risk as result of its past experience record. It is based on a comparison of the experience of the risk with average expected losses of similar sized risks engaged in the same business. A better than average performance will result in a modification of less than unity (1.000) meaning the employer will pay less than the manual premium rate. A worse than average performance will result in a modification greater than unity meaning the employer will pay more than the manual premium rate.

- VI **PPAP** - A surcharge that applies only to risks insured in the residual market.

- VII **NJCCPAP** - A credit that may be applicable to risks in the construction industry.

ILLUSTRATIONS

The following are examples of three similar sized risks with rating subject premiums of approximately \$30,000 or an average of \$10,000 of annual premiums. The examples include (1) a loss free risk, (2) a risk with an average loss record, and (3) one with an adverse loss record. In this regard, the examples show the affect of given losses on the experience rating modification factor. It is interesting to compare the resultant experience modifications for these similar sized employers with different loss records.

(1) Restaurant – Better than the Average Risk

Risk with no losses during entire three year experience period

A favorable loss record results in a credit experience modification of .885

The \$10,000 annual manual premium is reduced to a modified premium of \$8,850

A savings of \$1,150

(2) Restaurant – Similar to the Average Risk

Losses included in the rating total \$6,434

This "average" loss record results in a nominal credit experience modification of .995

The \$10,000 annual manual premium is reduced to a modified premium of \$9,950

A savings of \$50

(3) Restaurant – Worse than the Average Risk

Losses included in rating total \$476,965

An adverse loss record results in a debit experience modification of 1.705

The \$10,000 annual manual premium is increased to a modified premium of \$17,050

An additional payment of \$7,050

These examples show the effect a safe workplace environment has on premium charges. In this comparison, the difference amounts to **\$8,200** (-1,150 to +7,050) based on a manual premium of **\$10,000**.

The reverse of the standard experience rating data sheet shown on page 13 includes explanations of the payroll, loss and summary sections. It also includes descriptions of the codings used in the rating data.

EXPERIENCE RATING DATA

Rating Effective 07/01/06 To 07/01/07

Experience Period 07/01/02 To 07/01/05

INSURED

BUREAU
FILE NO.

STATEMENT OF RISK CLASS WORDING, PAYROLL AND MANUAL PREMIUM SUBJECT DATA

CLASS CODE NO.	ABBREVIATED WORDING	TOTAL PAY (A)	2002 PAY (A1)		2003 PAY (A2)		2004 PAY (A3)	2005 PAY (A4)	2006 PAY (A5)	
		MANUAL RATE (B)	CATASTROPHE ELEMENT (C)	EXCESS ELEMENT (D)	EXPECTED LOSS FACT (E)	MANUAL PREMIUM SUBJECT				
						EXCESS (F) (A) X (D) / 100	NORMAL (G) (H) - (F)	TOTAL (H) (A) X [(B) - (C)] / 100		
9079	RESTAURANT	908835	3.35	315027	293781	2.65	.432	300027 24084	6362	30446
TOTAL PAYROLL		908835	TOTAL MANUAL PREMIUM SUBJECT				24084	6362	30446	

STATEMENT OF RISK INCURRED AND MODIFIED LOSSES

STATEMENT OF LOSS INCURRED AND MODIFIED LOSSES																		
POL. YR.	CARRIER'S CLAIM NUMBER	DATE OF ACCIDENT			"O" OR "F"	KIND	TYPE	CAT. NO.	ACUTAL INCURRED LOSSES		TABLE "A" FACTORS		MODIFIED LOSSES					
		MO	DA.	YR.					INDEMNITY (I)	MEDICAL (J)	INDEMNITY (K)	MEDICAL (L)	TOTAL		EXCESS		NORMAL	
													INDEMNITY (M) (I) X (K)	MEDICAL (N) (J) X (L)	INDEMNITY (O) (M) - (Q)	MEDICAL (P) (N) - (R)	INDEMNITY (Q)	MEDICAL (R)
TOTAL INCURRED →											TOTAL MODIFIED							

STATEMENT OF RISK SUMMARY DATA

EXPECTED LOSSES			RISK MODIFIED LOSSES		CREDIBILITIES		FINAL ADJUSTED LOSSES		
EXCESS (S) $\bar{M}[(E) \times (F)]$	NORMAL (T) (U) - (S)	TOTAL (U) $\bar{M}[(E) \times (H)]$	EXCESS (V) $\bar{M}[(O) + (P)]$	NORMAL (W) $\bar{M}[(Q) + (R)]$	EXCESS (X) S Ce (S) + Ke	NORMAL (Y) T Cn (T) + Kn	"Risk" (Z ₁) $Z_1 = (V) \times (X) + (W) \times (Y)$ $Z_2 = (S) \times [1.00 - (X)] + (T) \times [1.00 - (Y)]$	"Class" (Z ₂)	TOTAL (Z _a) (Z ₁) + (Z ₂)
10404	2749	13153			.013	.499		11646	11646

EXPERIENCE
MOD
(7) - (11)

.885

PPAP

10%

NJCCPAP

0%

Experience Period 07/01/02 To 07/01/05

INSURED

**BUREAU
FILE NO.**

PPAP	10%
NJCCPAP	0%

Experience Period 07/01/02 To 07/01/05

INSURED

BUREAU
FILE NO.

PPAP	14%
NJCCPAI	0%

UNIT STATISTICAL REPORT																														
POLICY INFORMATION																														
Report No.	1	Com No.		Com Type		Replace Rpt. Ind.		Carrier Code		Policy Number	WC12345	Policy Effective Date	07/01/04	Policy Expiration Date	07/01/05	Excess Date	29	State Effective Date		Certificate Number		Card Serial No.		Risk ID Number		Page No.	1	Last Page No.		
Insured's Name: _____ FEIN: _____ Pending File No. _____																														
Insured's Address: _____																														
Most Effective Date		Rate Effective Date		3 YR. E/R Policy		Minimum Policy		Maximum Policy		Policy Conditions		Cancelled Policy		MD Indicator		Policy Type (A)		Deductible Type		Deductible Amount		Deductible Amount Per Claim/Incident		Reserved		For Carrier Use		For Bureau Use		
EXPOSURE INFORMATION																														
Class Code	1	Exp. Code	9079	Exposure Amount	284,670	Manual Rate	3.19	Premium Amount	9,081	Claim Number	4003454	Acc. Date/No. Claims	12/4/04	Injured Indemnity	12,678	Injured Medical	18,145	Class Code	9079	Injury Status	4	Loss Conditions	Act Type Recv Cn Sett	1 1 1 1 1 0	Jurisdiction State	0	Cat. No.		MD Type	
Social Security Number: _____ Part: _____ Nature: _____ Cause: _____ Occupation Description: _____ Voc. Lump: _____ Fraud: _____ Deduct: _____ Paid Indemnity: _____ Paid Medical: _____																														
Claimant's Attorney Fees: _____ Employer's Attorney Fees: _____ Deductible Reimbursement: _____ Reserved For Future Use: _____ ALAE Paid: _____ ALAE Incurred: _____																														
Claim Number: _____ Acc. Date/No. Claims: _____ Injured Indemnity: _____ Injured Medical: _____ Class Code: _____ Injury Status: _____ Act Type Recv Cn Sett: _____ Jurisdiction State: _____ Cat. No.: _____ MD Type: _____																														
Social Security Number: _____ Part: _____ Nature: _____ Cause: _____ Occupation Description: _____ Voc. Lump: _____ Fraud: _____ Deduct: _____ Paid Indemnity: _____ Paid Medical: _____																														
Claimant's Attorney Fees: _____ Employer's Attorney Fees: _____ Deductible Reimbursement: _____ Reserved For Future Use: _____ ALAE Paid: _____ ALAE Incurred: _____																														
A. Total Subject Premium: 9,081																														
B. Experience Mod (XX.XXX): 1.152																														
C. Total Modified Premium: 10,461																														
D. _____																														
E. _____																														
F. _____																														
G. Total Standard Exposure: 284,670 Total Standard Premium: 10,461																														
H. 0063 Premium Discount: 530																														
I. 0900 Expense Constant Amount: 200																														
J. 9740 (\$0.03): 85																														
K. 0935 (6.79%): 710																														
L. 0936 (0.00%): 0																														
LOSS TOTALS																														
Reserved For Future Use: _____ Total No. Claims: 1 Total Incurred Indemnity: 12,678 Total Incurred Medical: 18,145 Reserved For Future Use: _____ Total Paid Indemnity: _____ Total Paid Medical: _____																														
Tot. Claimant's Attny Fees: _____ Tot. Employer's Attny Fees: _____ Reserved For Future Use: _____ Total ALAE Paid: _____ Total ALAE Incurred: _____																														

USR-ASWG Form-A (STANDARD) Rev. 1/1/07

UNIT STATISTICAL REPORT																														
POLICY INFORMATION																														
Report No.	2	Com No.		Com Type		Replace Rpt. Ind.		Carrier Code		Policy Number	WC34567	Policy Effective Date	07/01/03	Policy Expiration Date	07/01/04	Excess Date	29	State Effective Date		Certificate Number		Card Serial No.		Risk ID Number		Page No.	1	Last Page No.		
Insured's Name: _____ FEIN: _____ Pending File No. _____																														
Insured's Address: _____																														
Most Effective Date		Rate Effective Date		3 YR. E/R Policy		Minimum Policy		Maximum Policy		Policy Conditions		Cancelled Policy		MD Indicator		Policy Type (A)		Deductible Type		Deductible Amount		Deductible Amount Per Claim/Incident		Reserved		For Carrier Use		For Bureau Use		
EXPOSURE INFORMATION																														
Class Code	1	Exp. Code	9079	Exposure Amount	204,201	Manual Rate	3.10	Premium Amount	6,330	Claim Number	1052107	Acc. Date/No. Claims	9/2/03	Injured Indemnity	39,101	Injured Medical	319,903	Class Code	9079	Injury Status	4	Loss Conditions	Act Type Recv Cn Sett	1 1 1 1 1 0	Jurisdiction State	0	Cat. No.		MD Type	
Social Security Number: _____ Part: _____ Nature: _____ Cause: _____ Occupation Description: _____ Voc. Lump: _____ Fraud: _____ Deduct: _____ Paid Indemnity: _____ Paid Medical: _____																														
Claimant's Attorney Fees: _____ Employer's Attorney Fees: _____ Deductible Reimbursement: _____ Reserved For Future Use: _____ ALAE Paid: _____ ALAE Incurred: _____																														
Claim Number: _____ Acc. Date/No. Claims: _____ Injured Indemnity: _____ Injured Medical: _____ Class Code: _____ Injury Status: _____ Act Type Recv Cn Sett: _____ Jurisdiction State: _____ Cat. No.: _____ MD Type: _____																														
Social Security Number: _____ Part: _____ Nature: _____ Cause: _____ Occupation Description: _____ Voc. Lump: _____ Fraud: _____ Deduct: _____ Paid Indemnity: _____ Paid Medical: _____																														
Claimant's Attorney Fees: _____ Employer's Attorney Fees: _____ Deductible Reimbursement: _____ Reserved For Future Use: _____ ALAE Paid: _____ ALAE Incurred: _____																														
A. Total Subject Premium: 6,330																														
B. Experience Mod (XX.XXX): 1.102																														
C. Total Modified Premium: 6,976																														
D. _____																														
E. _____																														
F. _____																														
G. Total Standard Exposure: 204,201 Total Standard Premium: 6,976																														
H. 0063 Premium Discount: 184																														
I. 0900 Expense Constant Amount: 200																														
J. 9740 (\$0.02): 41																														
K. 0935 (7.77%): 542																														
L. 0936 (0.06%): 4																														
LOSS TOTALS																														
Reserved For Future Use: _____ Total No. Claims: 1 Total Incurred Indemnity: 39,101 Total Incurred Medical: 319,903 Reserved For Future Use: _____ Total Paid Indemnity: _____ Total Paid Medical: _____																														
Tot. Claimant's Attny Fees: _____ Tot. Employer's Attny Fees: _____ Reserved For Future Use: _____ Total ALAE Paid: _____ Total ALAE Incurred: _____																														

USR-ASWG Form-A (STANDARD) Rev. 1/1/07

UNIT STATISTICAL REPORT																														
POLICY INFORMATION																														
Report No.	3	Com No.		Com Type		Replace Rpt. Ind.		Carrier Code		Policy Number	WC56789	Policy Effective Date	07/01/02	Policy Expiration Date	07/01/03	Excess Date	29	State Effective Date		Certificate Number		Card Serial No.		Risk ID Number		Page No.	1	Last Page No.		
Insured's Name: _____ FEIN: _____ Pending File No. _____																														
Insured's Address: _____																														
Most Effective Date		Rate Effective Date		3 YR. E/R Policy		Minimum Policy		Maximum Policy		Policy Conditions		Cancelled Policy		MD Indicator		Policy Type (A)		Deductible Type		Deductible Amount		Deductible Amount Per Claim/Incident		Reserved		For Carrier Use		For Bureau Use		
EXPOSURE INFORMATION																														
Class Code	1	Exp. Code	9079	Exposure Amount	407,666	Manual Rate	2.86	Premium Amount	11,741	Claim Number	83876	Acc. Date/No. Claims	10/8/02	Injured Indemnity	5,263	Injured Medical	81,569	Class Code	9079	Injury Status	5	Loss Conditions	Act Type Recv Cn Sett	1 1 1 1 1 0	Jurisdiction State	0	Cat. No.		MD Type	
Social Security Number: _____ Part: _____ Nature: _____ Cause: _____ Occupation Description: _____ Voc. Lump: _____ Fraud: _____ Deduct: _____ Paid Indemnity: _____ Paid Medical: _____																														
Claimant's Attorney Fees: _____ Employer's Attorney Fees: _____ Deductible Reimbursement: _____ Reserved For Future Use: _____ ALAE Paid: _____ ALAE Incurred: _____																														
Claim Number: _____ Acc. Date/No. Claims: _____ Injured Indemnity: _____ Injured Medical: _____ Class Code: _____ Injury Status: _____ Act Type Recv Cn Sett: _____ Jurisdiction State: _____ Cat. No.: _____ MD Type: _____																														
Social Security Number: _____ Part: _____ Nature: _____ Cause: _____ Occupation Description: _____ Voc. Lump: _____ Fraud: _____ Deduct: _____ Paid Indemnity: _____ Paid Medical: _____																														
Claimant's Attorney Fees: _____ Employer's Attorney Fees: _____ Deductible Reimbursement: _____ Reserved For Future Use: _____ ALAE Paid: _____ ALAE Incurred: _____																														
A. Total Subject Premium: 11,741																														
B. Experience Mod (XX.XXX): 1.052																														
C. Total Modified Premium: 12,352																														
D. _____																														
E. _____																														
F. _____																														
G. Total Standard Exposure: 407,666 Total Standard Premium: 12,352																														
H. 0063 Premium Discount: 640																														
I. 0900 Expense Constant Amount: 180																														
J. 9740 (7.96): 983																														
K. 0935 (0.00%): 0																														
L. 0936 _____																														
LOSS TOTALS																														
Reserved For Future Use: _____ Total No. Claims: 2 Total Incurred Indemnity: 5,263 Total Incurred Medical: 81,569 Reserved For Future Use: _____ Total Paid Indemnity: _____ Total Paid Medical: _____																														
Tot. Claimant's Attny Fees: _____ Tot. Employer's Attny Fees: _____ Reserved For Future Use: _____ Total ALAE Paid: _____ Total ALAE Incurred: _____																														

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These Unit Statistical Reports are included in the experience rating producing the 1.705 experience modification. The reports are filed by the insurer with the Rating Bureau in accordance with the established time schedule as described in pages 2-3 of this booklet.

Explanation of "Statement of Risk Class, Wording, Payroll and Manual Premium Subject Data" Section

This Section contains a statement of the class code wording, audited payrolls and calculated manual premium subject for the base period used in the rating called the "experience period". Abbreviated wordings are indicated for each class code number. The payrolls for each year are shown separately in (A1), (A2), (A3), (A4), and (A5) for each class code number. The manual rates (B), catastrophe elements (C), excess elements (D), and expected loss factors (E) are shown separately for each class code number. The manual premiums subject are calculated for each class in accordance with the indicated formulae in (F), (G), and (H).

Explanation of "Statement of Risk Incurred and Modified Losses" Section

This Section contains the statement of incurred losses for the experience period. Losses are tabulated separately for each policy year. Serious losses are individually identified by claim number and accident date with incurred indemnity and medical amounts in (I) and (J) respectively. All other losses are summed and collectively designated as "Total Minor Losses" (TML) in (I) and (J). The actual incurred losses are adjusted to current benefit level by the factors shown in (K) and (L) and, the losses so modified, are listed in (M) and (N). The modified losses are subdivided to excess indemnity and medical (O) and (P) respectively and to normal indemnity and medical (Q) and (R) respectively. "Excess" is a measure of accident severity; "normal" is a measure of accident frequency. The upper limits of normal and excess losses used in rating are controlled by the current Experience Rating Plan. The modified "total minor losses" (TML) are treated entirely as normal indemnity and medical in (Q) and (R) respectively. The losses in (O), (P), (Q) and (R) are added vertically and the totals of (O) and (P) (excess losses) and (Q) and (R) (normal losses) are entered in (V) and (W) respectively in the Statement of Risk Summary Data Section.

The code system used in the Column captioned "O" or "F" is as follows:

"F" - case closed
"O" - case open

The code system used in the Column captioned "KIND" is as follows:

"1" - Death
"2" - Permanent Total Disability
"3" - Major Permanent Partial Disability
"4" - Minor Permanent Partial Disability
"5" - Temporary Total or Temporary Partial Disability
"6" - Non-Compensable Medical Disability
"8" - Total Minor Losses

The Column captioned "CAT. No." is used to identify claims resulting from a single accident.

The code system used in the Column captioned "TYPE" is as follows:

"10" - State Section 20	"37" - Employers Liability Cumulative
"11" - State Trauma	"41" - W.C. Trauma With Employers Liability
"12" - State Trauma/Recovery	"42" - Federal Employers Liability Act
"14" - State Disease	"43" - Other States Benefits
"15" - State Disease/Recovery	"44" - W.C. Disease With Employers Liability
"17" - State Cumulative	"45" - Admiralty
"18" - State Cumulative/Recovery	"47" - W.C. Cumulative With Employers Liability
"21" - U.S. Trauma	"50" - State Section 20/MCO
"22" - U.S. Trauma/Recovery	"51" - State Trauma/MCO
"24" - U.S. Disease	"52" - State Trauma/Recovery/MCO
"25" - U.S. Disease/Recovery	"54" - State Disease/MCO
"27" - U.S. Cumulative	"55" - State Disease/Recovery/MCO
"28" - U.S. Cumulative/Recovery	"57" - State Cumulative/MCO
"31" - Employers Liability Trauma	"58" - State Cumulative/Recovery/MCO
"34" - Employers Liability Disease	

Explanation of "Statement of Risk Summary Data" Section

Experience rating compares the injury record of an individual risk with the standard or expected losses of an average risk of the same size and kind and adjusts the premium for the individual risk upon the basis of that comparison so as to reward or penalize the employer for the relative success of his efforts to control the frequency ("normal" losses) and severity ("excess" losses) of work injuries. In the comparison, graduated credibility factors are used so as to place greater emphasis on the employer's own experience as his premium size increases and, generally, to place greater weight on the normal losses than on the excess losses.

The total expected losses, (U), are obtained by multiplying the sum of the previously calculated "Total Manual Premium Subject (H)" by the expected loss factor, (E). The excess expected losses, (S), are obtained by multiplying the sum of the previously calculated excess manual premium subject, (F), by the expected loss factor. The normal expected losses, (T), are the difference between the total and excess expected losses.

The losses incurred by the risk ("risk modified losses") are carried forward from the "Statement of Risk Incurred and Modified Losses" Section and are shown separated as excess and normal in (V) and (W) respectively.

The credibility factors, (X) and (Y), are determined for excess and normal respectively by the indicated formulae, limited to 100% (1.000).

The risk modified losses, (V) and (W) are multiplied by the respective credibility factors, (X) and (Y). The sum of these two products, representing the "risk" losses for rating purposes, is entered in (Z₁). The expected losses, (S) and (T), are multiplied by the complements of the respective credibilities. The sum of these two products, representing the "class" losses for rating purposes, is entered in (Z₂). (Z₁) and (Z₂) are then added and the sum is entered in (Z₃), as total final adjusted losses.

The experience modification is the ratio of the total final adjusted losses, (Z₃) to the total expected losses (U).

