



Wisconsin Compensation Rating Bureau

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NOTICE TO EMPLOYERS WISCONSIN WORKER'S COMPENSATION EXPERIENCE RATING SYSTEM

This explanation is provided to help you better understand worker's compensation experience rating and the effect it has on your worker's compensation costs.

What is Experience Rating?

Experience Rating is a method for tailoring the cost of your worker's compensation insurance to reflect the risks of your individual business. It does this by using your past loss experience (usually three years) to forecast or predict future worker's compensation losses. It gives you the opportunity to have an impact on the final cost of your worker's compensation insurance by controlling workplace hazards that can cause injuries to your employees. In simple terms, the plan compares your own experience with the experience that is expected for employers engaged in businesses like yours. For example, if your claim experience is better than what is expected, then you will earn a "credit" experience modifier which will decrease the amount of premium you pay. Conversely, if your claim experience is worse than what is expected, you will earn a "debit" experience modifier which will increase the amount of premium you will pay.

What is meant by "tailoring the cost of your worker's compensation insurance?"

Your business has been assigned to one or more classifications that place you in a group with other employers engaged in similar business operations. The "manual rate" for each classification is calculated based on the combined experience for that classification. The manual rate, or premium per unit of payroll, is simply the "average" cost for reflecting the "average" conditions of that group. The "average" cost includes the experience of both the more "risky" and less "risky" employers in your group and does not recognize the individual employer's success in controlling workplace hazards. Experience rating adjusts the "average" rate to reflect the safety of each employer's business operations. The "average" rate is tailored through the credit or debit of the experience rating modifier in proportion to how much better or worse your experience is than the average for your group.

What are the characteristics of experience rating?

One of the most important characteristics of experience rating is that it recognizes that the cost of a specific accident is actually less meaningful than the fact that an accident occurred. An employer having many small accidents is considered a higher risk than an employer with one large claim.

While the emphasis is still placed on accident frequency, changes have been made to give relief to those companies that experience and report claims where there is only a medical payout. Beginning with ratings effective July 1, 1998 and after, all medical-only claims will be limited to 30% of their respective values. For example, an employer who has a \$3,000 medical-only claim will see only \$900 go into the actual calculation of the experience modification. Any frequency claim that includes indemnity payments will continue to be included at its full dollar amount.

Even though more emphasis is placed on accident frequency, the experience rating system also recognizes accident severity, although to a lesser extent. This is accomplished by splitting the cost of the claim between a “primary” value, and an “excess” value. In Wisconsin, a portion of each claim is considered primary, while the rest of the claim is considered excess. The amount is indexed to inflation and subject to change each year. [See 'primary value' in Experience Modification Calculation Instructions](#)

The maximum total value for a single loss varies annually, and the selected amount is the largest single loss value that can enter your experience rating. [See 'Loss Limits' in Experience Modification Calculation Instructions](#). Single loss values above that level are considered to have no predictive value for future losses.

The weight, or credibility assigned to the difference between primary and excess values, is determined statistically to assure that your modifier will accurately reflect the quality of your business compared to the group of employers included in your overall classification. The weights, or credibility, vary by premium size, so that the larger your premium, the more the modifier is influenced by your own experience.

What can you do to reduce your experience modifier?

Since your experience modifier compares your actual losses to the “average” or expected losses for your classification(s), you have a strong incentive to promote workplace safety programs and accident prevention. The experience rating system benefits those employers who have better than the “average” loss experience, and penalizes those employers that have worse than the “average” loss experience. Employers who promote and implement workplace safety programs and accident prevention procedures AND thereby reduce their worker’s compensation losses, will realize the benefits of the experience rating system and lower their worker’s compensation costs. Employers who do not promote and implement workplace safety programs and accident prevention procedures AND thereby fail to reduce their worker’s compensation losses, will increase their worker’s compensation costs.

If you have any questions, or wish to know more about your own individual experience modifier, please contact your insurance representative.