

## UNDERSTANDING THE EXPERIENCE MODIFICATION CALCULATION AND CLAIMS REPORTS

### A. Experience Modification Calculation:

**This illustration** describes the components used when determining individual member rating experience factors each year. The resulting experience modifier is a direct reflection of a members' loss history. Members are encouraged to pay close attention to their individual claim detail for accurate reporting (reference item C. Policy Case Reports below) as the experience modification ratio is used when calculating the estimated and audited premium expense.

### B. Corporate Summary of Losses:

**This report** reveals accumulative losses by Fund member for each covered fund year period. Detail is given for the current fund year expense as well as year-to-date totals.

IND/BI/COL – This column shows indemnity (IND), bodily injury (BI), or collision (COL) payments. Since this coverage pertains to workers' compensation only (not general liability for products or auto), the IND is applicable for you.

MED/PD/CMP – This column shows medical (MED), property damage (PD), or comprehensive (CMP) payments. Again, since this coverage pertains to workers' compensation only (not general liability for products or auto), the MED is applicable for you.

EXP/OTH – This column shows either expense or other payment. Only EXP is applicable.

REHAB – This is the rehabilitation expense that could apply to MBWCF members, but it is not common.

### C. Policy Case Reports:

**This report** reveals specific claimant losses by fund year and provides current period and year-to-date payments applicable to that specific loss. The illustration gives member guidance in abstracting pertinent claim detail. Again, member attention to this report is strongly recommended. Should you have questions regarding the claimant detail, please phone the Funds current TPA recognized in the Claims section of this Procedure Manual.

### D. Detail Payment Listing:

**This report** identifies monthly claim payment disbursements made and defines payment categories for costing identification. Questions concerning disbursements are to be directed to the Funds current TPA recognized in the Claims section of this Procedure Manual.

## EXPERIENCE MODIFICATION CALCULATION

Actual Primary Losses	+	Ballast Value	+	Weighting Value Times Actual Excess Losses	+	(1 Minus Weighting Value) Times Expected Excess Losses	=	Total A
Expected Primary Losses	+	Ballast Value	+	Weighting Value Times Expected Excess Losses	+	(1 Minus Weighting Value) Times Expected Excess Losses	=	Total B

*For experience modification factor, divide Total A by Total B; round to two decimal places.*

Actual Primary Losses	Actual Primary Losses reflect claim frequency. The maximum primary value for each loss is \$5,000. For each loss equal to or less than \$5,000, the entire amount is used as the primary value. For each loss over \$5,000, the primary value is \$5,000.
Expected Loss Rate	The policy year classification expected loss rates required for the calculation of the total expected losses shall be obtained from the tables of the plan.
D Ratio	The plan provides for the determination of "primary expected losses" corresponding to the primary actual losses referred to above. The classification D ratios required for the determination of the primary expected losses shall be obtained from the tables of the plan.
Ballast Value	This value is a stabilizing element designed to limit the effect of any single loss on the experience modification. It is added to both the actual primary losses and the expected primary losses. The ballast value increases as expected losses increase. These values may be obtained from the tables of weighting and ballast values in this plan.
Weighting Value	This value is a ratio that determines the percentage of excess losses to enter the experience rating calculation. It is applied to both actual excess losses and expected excess losses. The weighting value is a value between .07 and .63 which increases as expected losses increase. These values may be obtained from the tables of weighting and ballast values in this plan.

### NOTES ON EXPERIENCE MODS

- O Three years of information is needed in order to calculate an experience modification factor.
- O Always skip a year in calculating experience mods. For instance, when working on the 2004 year, skip 2003 and use 2002, 2001 and 2000.
- O Must report every loss over \$5,000 and under \$5,000 for each fund year in calculation.

**A**

# Experience Rating

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- Experience rating is a procedure using past insurance experience of the individual entity in order to predict future losses.
- Experience rating is a mandatory plan for self-insured funds in the state of Michigan.
- Payroll and claim information used in experience rating is compiled by the Compensation and Advisory Organization of Michigan / Michigan Workers' Compensation Placement Facility.
- Experience rating takes the average loss experience for each payroll classification (manual rates) and extends it to the individual insured's own loss experience.
- Experience rating places more weight on accident frequency than on accident severity.
- Since three years of loss experience is used in experience rating, one year of bad loss experience can be less severe when averaged with two other years.
- Experience rating provides an incentive for loss control procedures.

**Corporate Summary of Losses**

Report No : CPRSUM01 - 001  
 Report Date : 4/2/04  
 Client ID : MBAWCFM

**Report Title**

Corporate Summary of Losses  
 XYZ CORPORATION  
 Coverage = WC

**Client Name**

Job ID : 404040  
 As of : 03/31/04

**Date Report Run**

Policy Terms - Usually follows excess Coverage

**Coverage Code**

**Valuation of Losses**

New Claims	Open Claims	Total Claims	Period From/To	COV Comp Days	Recovery (to date)	Payments Current Period				Total Payments	Outstanding Reserves	Total Net Loss
					Recovery (current)	IND/BI/COL	MED/PD/CMP	EXP/OTH	REHAB			
555-555	Bank XYZ											
16	36	133	07/01/2003-12/31/2004	WC 42	0.00 0.00	17216.00	48726.00	4307.00	0.00	284762.42	126608.00	411370.42
0	7	184	07/01/2002-06/30/2003	WC 78	8,602.00 1,225.00	4847.36	348.27	46.05	0.00	422956.22	84869.00	507825.22
0	8	156	07/01/2001-06/30/2002	WC 63	0.00 0.00	0.00	518.00	0.00	0.00	378554.77	32050.97	410605.74
<b>TOTAL</b>	<b>555-555</b>	<b>Bank XYZ</b>		<b>183</b>	<b>8,602.00</b> <b>1,225.00</b>	<b>22063.36</b>	<b>49592.27</b>	<b>4353.05</b>	<b>0.00</b>	<b>1086273.41</b>	<b>243527.97</b>	<b>1329801.38</b>

New Claims that have occurred  
 Total Claims for that Term  
 Open claims for the Term

Payments by Policy Term

Recoveries are subrogation

Payments in the current month by type  
 Indemnity, Medical Expenses and Rehab  
 Should balance with CPRPAY01- Payment Reg

Total Net Loss is Total Paid +  
 Total Reserves - Recoveries

Total Payments, Reserves,  
 Total Net Loss by Policy Period for  
 Claims that occurred during that  
 policy period



Sort Order by number of dots WC - 1st  
Location- 2nd; Term-3rd; new Claims-4th

A detail list of open cases & claims

Report No :  
Report Date : 4/02/2004  
Client ID : MBWCFM

Report Number  
Report Run Date

Policy Case Report  
MICHIGAN BANKERS  
Coverage = ALL

Job ID 404052  
As of 03/31/04

Claim type LT-Lost Time; MO - Medcial Only

Current Period Payments

Claim No. Claimant	Sts LG	COV TYP	Target Results	Occur D	No.Comp Days	Recovery(current) Recovery(to date)	CURRENT PERIOD				PAID TO DATE	OUTSTANDING RESERVES	
							IND/BI/COL	MED/PD/CMP	EXP/OTH	REHAB			
.555-555 Bank XYZ .. 07/01/2003-12/31/2004 ... NEW CLAIMS													
AGGR REINSURER:		ABC Insurance Co.										RETENTIO 1000000	
+ 900000000 Lincoln, Abraham	O	WC MO	Hand/Wrist Cuts/Laceration	03/30/20	0	0.00 0.00	1200.00	42.00	0.00	0.00	1242.00	400.00	
+ 700000000 Franklin, Ben	O	WC MO	Knee(s) Contusion - Bru	05/11/20	0	0.00 0.00	0.00	0.00	0.00	0.00	0.00	300.00	
..TOTAL 07/01/2003-12/31/2004													
SUBTOTAL CASES					0	0.00	1200.00	42.00	0.00	0.00	1242.00	700.00	
PREVIOUSLY CLOSED CASES						0.00					0.00		
TOTAL						0.00					1242.00	700.00	
..TOTAL 07/01/2003-12/31/2004													
SUBTOTAL CASES					0	0.00	0.00	0.00	0.00	0.00	1242.00	700.00	
PREVIOUSLY CLOSED CASES						0.00					0.00		
TOTAL						0.00					1242.00	700.00	
.TOTAL 555-555 Bank XYZ													
SUBTOTAL CASES					0	0.00	1200.00	42.00	0.00	0.00	1242.00	700.00	
PREVIOUSLY CLOSED CASES						0.00					0.00		
TOTAL						0.00					1242.00	700.00	

Claim Status Open or Closed

"+" appears before all claims added since last report

Target -Part of body  
Result-Type of Injury

Payments year to Date

Reserves Year to Date



Report Printed

Report No : CPRPAY01 - 001  
Report Date : 04/02/2004  
Client ID : MBAWCFM

Client

Detailed Payment Listing  
MICHIGAN BANKERS  
Coverage = ALL

Job ID: 404048  
As of: 3-31-04

Check Number	Pay Date	SSN/TIN	Payee Name	Pay Amount	FIN CAT	PAY TP	TX TP	Service Date From	Service Date To	Occur Date	Claim No.	CLAIMANT NAME
...555-555 Bank XYZ												
...EXP												
00001234	3/1/2004	55-5555555	Dewey, Cheatham	26487.25	EXP	LF	CHCK	1/21/2004	2/24/2004	12/4/2003	900000000	Lincoln, Abraham
...TOTAL EXP				<u>26487.25</u>								
...IND												
00005678	3/1/2004	22-2222222	Ben Franklin	4402.00	IND	TT	CHCK	1/15/2004	1/31/2004	5/17/2003	700000000	Franklin, Ben
00001234	3/15/2004	22-2222222	Ben Franklin	4402.00	IND	TT	CHCK	2/1/2004	2/15/2004	5/17/2003	700000000	Franklin, Ben
...TOTAL IND				<u>8804.00</u>								
...MED												
12340000	3/1/2004	55-5555555	ABC Hospital	26487.25	MED	MC	CHCK	1/21/2004	2/24/2004	12/4/2003	900000000	Lincoln, Abraham
56780000	3/7/2004	22-2222222	XYZ Pharmacy	443.45	MED	RX	CHCK	2/14/2004	2/14/2004	5/17/2003	700000000	Franklin, Ben
...TOTAL MED				<u>26930.7</u>								
...TOTAL 555-555 Bank XYZ				<u>62221.95</u>								

Date of Check

Indemnity Pmt vs Medical Pmt.

Each Financial Category has a list of pmt types  
This is an indemnity payment and TT stands for  
Temp total; Expense Code of LF is for Legal Fee  
Medical Fee of RX prescription

Total Paid in current month regardless  
of Occurrence Date of Loss