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THE OUTLINE

What's on the Agenda?

1. Intended use of the experience rating modification (mod)
2. Eligibility
3. Calculating the mod
4. Commonly asked questions

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Intended Use of the Mod

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What IS the Mod?

- + The mod modifies the premium
- + The mod calculation and rating values used in Louisiana are proposed by NCCI and approved annually by LDI
- + Application of mod is mandatory
- + Predictive tool
- + Generally, a measure of frequency but severity can impact the mod also

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What **ISN'T** the Mod?

- + The mod **is not** intended to:
 - Be punitive
 - Be used to recoup dollars from prior losses
 - Reflect future changes (e.g., new safety program)
 - Be used as a safety differentiator to determine eligibility for bidding on new business

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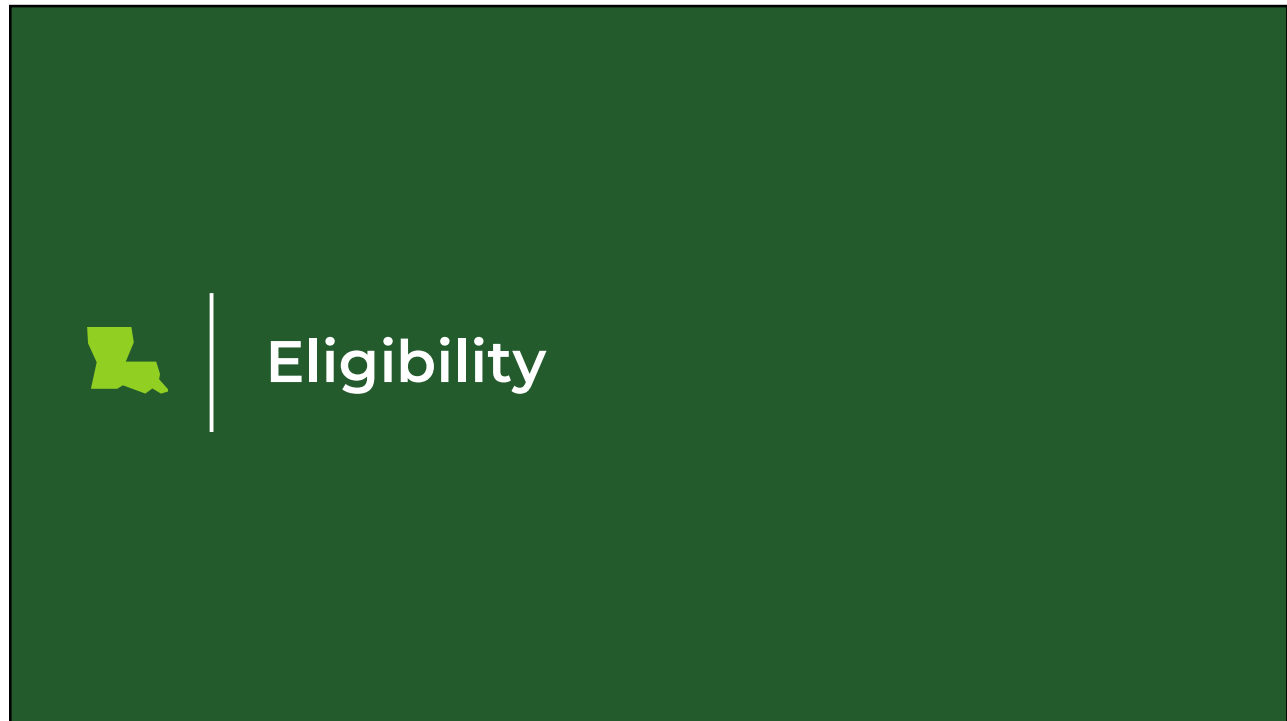
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Why Shouldn't the Mod Be Used as a Safety Differentiator?


- + Different business types within a classification
- + Difference in wage levels impacts the mod
- + Smaller insureds don't qualify for experience rating

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 **Who is Eligible for a Mod?**
Effective 11/1/2023, Updated Annually

- + Insureds with subject premium greater than*:
 - \$12,000 over the latest 24-months of the experience period
 - or
 - \$6,500 annual average over the entire experience period

*NCCI's Experience Rating Plan User's Guide includes sample calculations of eligibility in Section B.1

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What is the rating effective date?

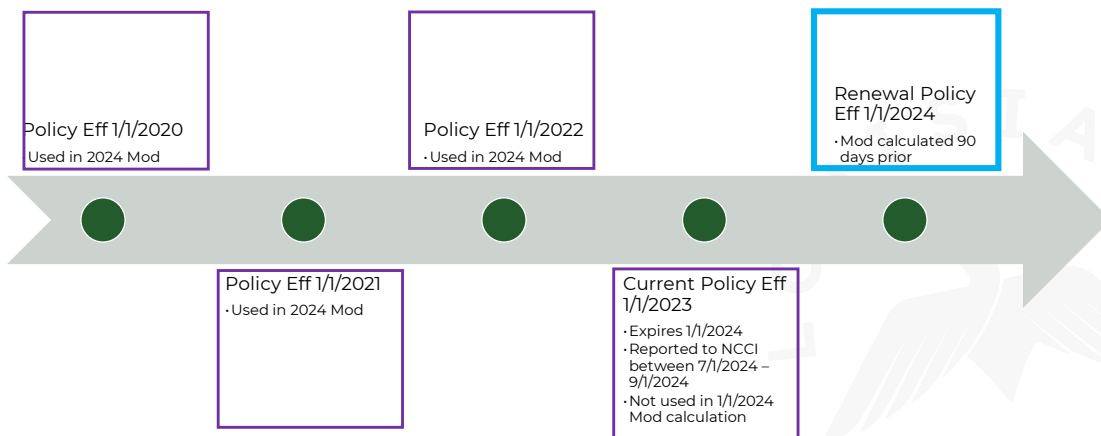
- + It is the effective date of the mod and the earliest date the mod factor can be applied to the policy
- + It is usually in effect for one year but could be as short as 3 months or as long as 15 months
- + It determines what policy data will fit on the worksheet
- + It determines when the worksheet will be produced

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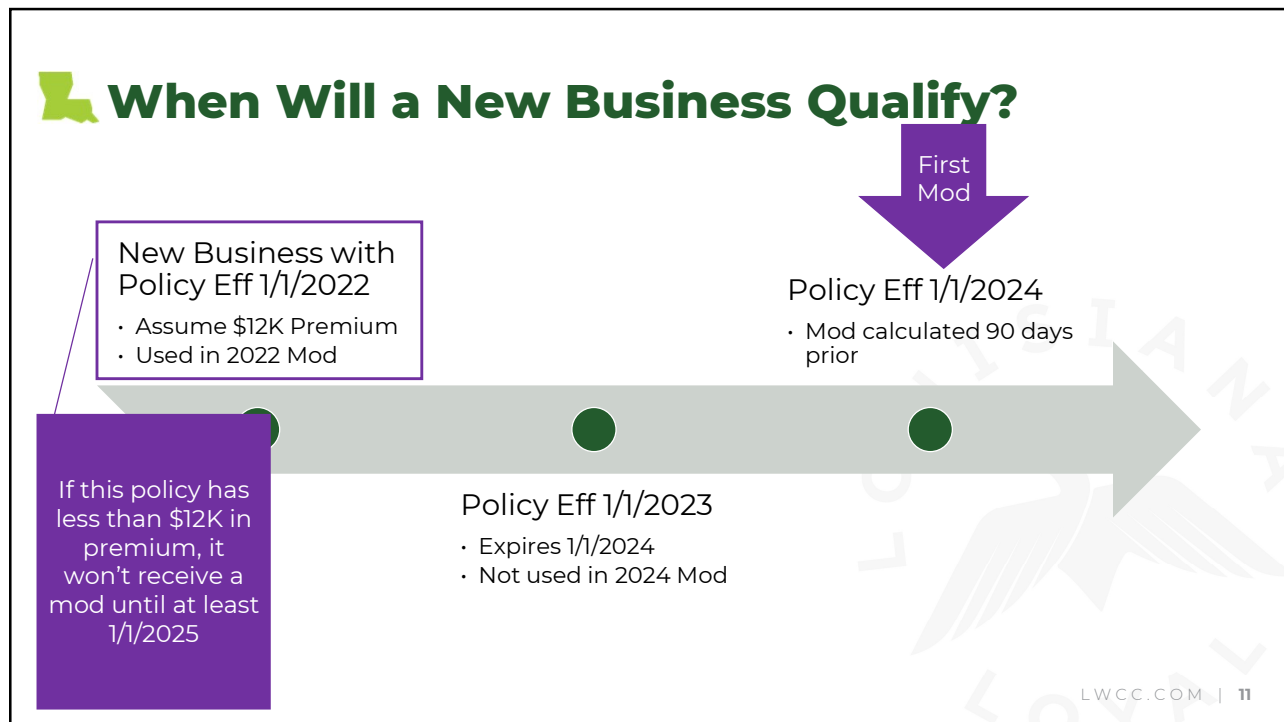
What is the Experience Period?

Simple Example



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Variations of the Mod

- + Types of Mods:
 - Intrastate – exposure in only one state
 - Interstate – exposure in two or more states
- + Other Types of Mods:
 - Preliminary – NCCI does not have final approved rating for the state
 - Final – has state's final approval
 - Contingent – issued when data is missing
- + Self-Insureds –
 - Self insureds or businesses that have coverage through a self-insured fund do not usually receive a mod from NCCI
 - An ERM-6 can be submitted to NCCI to request that a mod be calculated for these insureds

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Ownership & Combinability

- + Changes in ownership can impact the mod
- + Entities must meet certain ownership parameters to qualify for combined experience rating
 - Generally common ownership must exceed 50% of each entity for them to be combined
- + ERM-14

For more information on the details around ownership, visit the NCCI website:
Experience Rating Plan Manual, Rule 3
Experience Rating User's Guide, Rule 3 examples on Ownership
Experience Rating Ownership webinar in NCCI's Learning Center

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Calculating the Mod

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ELR vs Loss Cost

- + What's the difference?
 - Loss cost is a projection of a single year of expected losses at a future time period
 - It's based on historical data but reflects an estimate of ultimate expected claim values and trended forward to estimate future cost levels
 - ELR is a point in time estimate of costs for ~3 policy periods
 - It's based on carrier estimates of claim values at 1st, 2nd, and 3rd reports

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Basic Mod Calculation

$$\text{Mod} \approx \frac{\text{Actual Losses}}{\text{Expected Losses}}$$

Expected loss is based on payroll for period when actual losses were generated, multiplied by ELR, the expected loss rate

- + When actual losses are less than expected, the mod is < 1 so is a credit
- + When actual losses are greater than expected, the mod is > 1 so is a debit

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Actual Mod Calculation

It's a little more complicated for many reasons:

- Frequency over severity
- Limit impact of individual claims
- Limit impact of medical only claims
- Credibility
- individual occurrences are split into primary and excess loss, with primary receiving more weight in the calculation
- individual claims & occurrences are capped
- med only losses are reduced by 70% in the calculation
- actual experience impacts smaller insureds less than larger insureds

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What is a split rating approach?

Primary Loss v. Excess Loss

- + Used to reflect both the frequency and severity of losses
- + Primary loss – amount of any ratable individual loss up to the split point which reflect **frequency**
- + Excess loss – amount in excess of the split point which reflects **severity** up to the state per claim accident limitation

Exhibit A—Split Rating

Loss Amount	State Per Claim Accident Limitation	Primary Loss (Frequency)	Excess Loss (Severity)
\$500,000	\$200,000	\$18,500	\$181,500
\$100,000	\$200,000	\$18,500	\$ 81,500
\$ 5,000	\$200,000	\$ 5,000	\$ 0

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Why might an EMOD change?

Factors to consider

1. Changes in individual employer experience
2. Changes in the average industry experience
3. Changes in the experience rating plan by NCCI

Sample Mod Worksheet

WORKERS COMPENSATION EXPERIENCE RATING								
		Risk Name: INSPECTION SERVICES, LLC				Risk ID: 111111111		
		Rating Effective Date: 01/01/2022		Production Date: 11/29/2021		State: LOUISIANA		
This rating is not quotable.								
State	Wt	Exp Excess Losses	Expected Losses	Exp Prim Losses	Act Exc Losses	Ballast	Act Inc Losses	Act Prim Losses
LA	.05	10,475	13,100	2,625	732,000	50,750	755,000	23,000
(A) Wt	(B) 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	
.05	10,475	13,100	2,625	489,500	50,750	509,000	19,500	
Primary Losses		Stabilizing Value		Ratable Excess		Totals		
Actual	(I)	19,500	C * (1 - A) + G	60,701	(A) * (F)	24,475	(J)	104,676
Expected	(E)	2,625	C * (1 - A) + G	60,701	(A) * (C)	524	(K)	63,850
ARAP		FLARAP		SARAP		MAARAP		Exp Mod
Factors								(J) / (K) 1.36

WORKERS COMPENSATION EXPERIENCE RATING

Risk Name: INSPECTION SERVICES, LLC Risk ID: 111111111

Rating Effective Date: 01/01/2022 Production Date: 11/29/2021

State: LOUISIANA

This rating is not quotable.

17-LOUISIANA	Firm ID:	Firm Name: INSPECTION SERVICES, LLC	
Carrier: 00000	Policy No. POLICY000001	Eff Date: 01/01/2018	Exp Date: 01/01/2019

17-LOUISIANA	Firm ID:	Firm Name: INSPECTION SERVICES, LLC	
Carrier: 00000	Policy No. POLICY000001	Eff Date: 01/01/2019	Exp Date: 01/01/2020

17-LOUISIANA	Firm ID:	Firm Name: INSPECTION SERVICES, LLC	
Carrier: 00000	Policy No. POLICY000001	Eff Date: 01/01/2020	Exp Date: 01/01/2021

Primary:
1,500 + 18,000
= 19,500

Excess:
489,500

Med Only Reduced by 70%
 $5,000 \times .3 = 1,500$

$3900 \times .20 = 780$

Actual Limited to 507,500
Excess is 507,500 - 18,000 = 489,500

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Actual Mod Calculation

Mod \approx $\frac{\text{Actual Losses}}{\text{Expected Losses}}$

Primary Losses

Stabilizing Value


Ratable Excess

Mod is subject to a maximum debit, based on formula; COVID-19 claims excluded

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Sample Mod Worksheet

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.05		10,475	13,100	2,625	489,500	50,750	509,000	19,500
		Primary Losses		Stabilizing Value		Ratable Excess		Totals
Actual		(I)	19,500	C * (1 - A) + G		(A) * (F)		(J)
				60,701		24,475		104,676
Expected		(E)	2,625	C * (1 - A) + G		(A) * (C)		(K)
				60,701		524		63,850
		ARAP	FLARAP	SARAP	MAARAP	Exp Mod		
Factors						(J) / (K)		
						1.36		

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Example

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Sarah's Salads – Mod Effective 7/1/2022

Policy Effective Date	Payroll in Class 9083	Lost Time Experience	Med Only Experience
7/1/2021	\$3,000,000	Claim 1: \$25,000	
7/1/2020	\$2,000,000	Claim 2: \$600,000	
7/1/2019	\$2,500,000		
7/1/2018	\$3,500,000		Claim 3: \$30,000

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Sarah's Salads – Mod Effective 7/1/2022

	Payroll	ELR	d-ratio	Expected Loss	Expected Primary	Expected Excess	Actual Losses	Actual Limited	Actual Primary	Actual Excess
7/1/2020	2,000,000	0.94	0.32	18,800	6,016	12,784	600,000	524,500	18,500	506,000
7/1/2019	2,500,000	0.94	0.32	23,500	7,520	15,980	0	0	0	0
7/1/2018	3,500,000	0.94	0.32	32,900	10,528	22,372	30,000	9,000	5,550	3,450
Total				75,200	24,064	51,136	630,000	533,500	24,050	509,450
Weight	0.09									
Ballast	52,500									
primary	18500									

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NCCI ER Values

ADVISORY LOSS COSTS - NOT RATES

LOUISIANA

Advisory loss costs exclude all expense provisions except loss-based assessments.

Effective May 1, 2022

CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO	CLASS CODE	LOSS COST	ELR	D RATIO
8295	—	2.88	0.24	9014	2.00	1.81	0.26				
8304	2.72	2.11	0.20	9015	2.13	1.87	0.24				
8350	2.53	1.96	0.20	9016	1.51	1.37	0.26				
8353	3.32	2.70	0.21	9019	2.11	1.73	0.21				
8381	1.17	1.03	0.24	9033	1.54	1.34	0.24				
8385	1.43	1.25	0.24	9040	2.95	2.79	0.29				
8387	2.30	2.02	0.24	9044	0.82	0.77	0.29				
8391	1.52	1.34	0.24	9052	1.32	1.25	0.29				
8392	1.31	1.24	0.29	9058	1.06	1.03	0.32				
8393	1.02	0.84	0.21	9060	0.97	0.92	0.29				
8500	4.18	3.41	0.21	9061	0.83	0.78	0.29				
8601	0.22	0.17	0.20	9062	1.06	1.00	0.29				
8602	0.91	0.74	0.21	9063	0.58	0.54	0.29				
8603	0.08	0.07	0.26	9077F	2.90	1.98	0.26				
8606	3.21	2.49	0.20	9080	—	1.14	0.29				
8709F	2.00	1.15	0.18	9082	0.94	0.92	0.32				
8719	1.24	0.96	0.20	9083	0.96	0.94	0.32				
8720	0.67	0.52	0.20	9084	0.97	0.92	0.29				
8721	0.31	0.25	0.21	9088a	a	a	a				
8723	0.19	0.16	0.24	9089	0.59	0.55	0.29				

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NCCI ER Values

EXPERIENCE RATING PLAN MANUAL

LOUISIANA

Effective May 1, 2022

TABLE OF WEIGHTING VALUES APPLICABLE TO ALL POLICIES

Experience Rating Program - ERA

Expected Losses	Weighting Values	Expected Losses	Weighting Values		
0 --	4,397	0.04	2,479,869 --	2,616,657	0.44
4,398 --	17,777	0.05	2,616,658 --	2,761,366	0.45
17,778 --	31,443	0.06	2,761,367 --	2,914,704	0.46
31,444 --	45,405	0.07	2,914,705 --	3,077,468	0.47
45,406 --	59,672	0.08	3,077,469 --	3,250,557	0.48
59,673 --	99,806	0.09	3,250,558 --	3,434,988	0.49
99,807 --	148,565	0.10	3,434,989 --	3,631,914	0.50
148,566 --	191,936	0.11	3,631,915 --	3,842,651	0.51
191,937 --	234,165	0.12	3,842,652 --	4,068,706	0.52
234,166 --	276,401	0.13	4,068,707 --	4,311,814	0.53
276,402 --	319,155	0.14	4,311,815 --	4,573,981	0.54
319,156 --	362,720	0.15	4,573,982 --	4,857,543	0.55
362,721 --	407,291	0.16	4,857,544 --	5,165,230	0.56
407,292 --	453,016	0.17	5,165,231 --	5,500,259	0.57
453,017 --	500,019	0.18	5,500,260 --	5,866,447	0.58

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NCCI ER Values

(a) G	21.00
(b) State Per Claim Accident Limitation	\$524,500
(c) State Multiple Claim Accident Limitation	\$1,049,000
(d) USL&HW Per Claim Accident Limitation	\$625,500
(e) USL&HW Multiple Claim Accident Limitation	\$1,251,000
(f) Employers Liability Accident Limitation	\$55,000
(g) Primary/Excess Loss Split Point	\$18,500
(h) USL&HW Act -- Expected Loss Factor -- Non-F Classes	1.25
<i>(Multiply a Non-F classification ELR by the USL&HW Act - Expected Loss Factor of 1.25.)</i>	

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Commonly Asked Questions

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Help! My Mod is Over 1! What Can I Do?

- + Ensure policies are classified to the correct class code with accurate payroll
- + Review losses to ensure accuracy
 - COVID-19 claims are excluded
 - Values are correct
- + LWCC's Safety Services

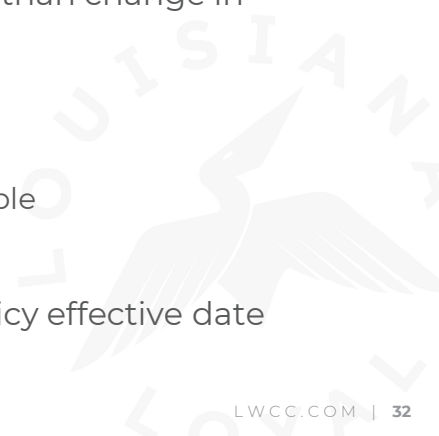


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When Can a Mod Be Revised?

- + NCCI experience rating values change from preliminary to final
- + A mod was issued as contingent, and data is received to finalize it
- + An employer is reclassified for reason other than change in operations
- + When data changes due to:
 - Second injury fund
 - A claim is denied or deemed non-compensable
 - Clerical error
- + A new mod is promulgated for the next policy effective date



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NCCI Information

- + Agent-accessible information on clients or prospective clients

If You Want to...	Try This Feature...
Research a New Prospect	<ul style="list-style-type: none"> • Order a Mod—order current and/or historical mod factors • Order a Worksheet—review payroll and claim history (a Letter of Authority from the insured is required) • RiskSnapshot® Report—analyze up to 10 years of mod factors • Quick Scopes—search by keyword or NCCI class code to view the applicable phraseology
Research an Unrated Risk	<ul style="list-style-type: none"> • Risk History Report—review five years of estimated and audited payroll and five years of claim counts (a Letter of Authority from the insured is required)

- + Risk Workstation
- + Keeping up with NCCI rule changes

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Upcoming Changes

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E-1410 NCCI Experience Rating Mod Update

UPDATE TO HANDLING OF COVID-19 CLAIMS

COVID-19 claims with accident dates between 12/1/2019 and 6/30/2023 are excluded from experience rating calculations

COVID -19 claims with accident dates on and after 7/1/2023 will be included in experience rating calculations

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E-1409 NCCI Experience Rating Mod Update

UPDATE TO CALCULATION PARAMETERS

5/1/2024

Effective Date in
Louisiana

\$38,000

Upcoming LA State-
Specific Split Point

\$264,500

LA State Per
Claim Accident Limit

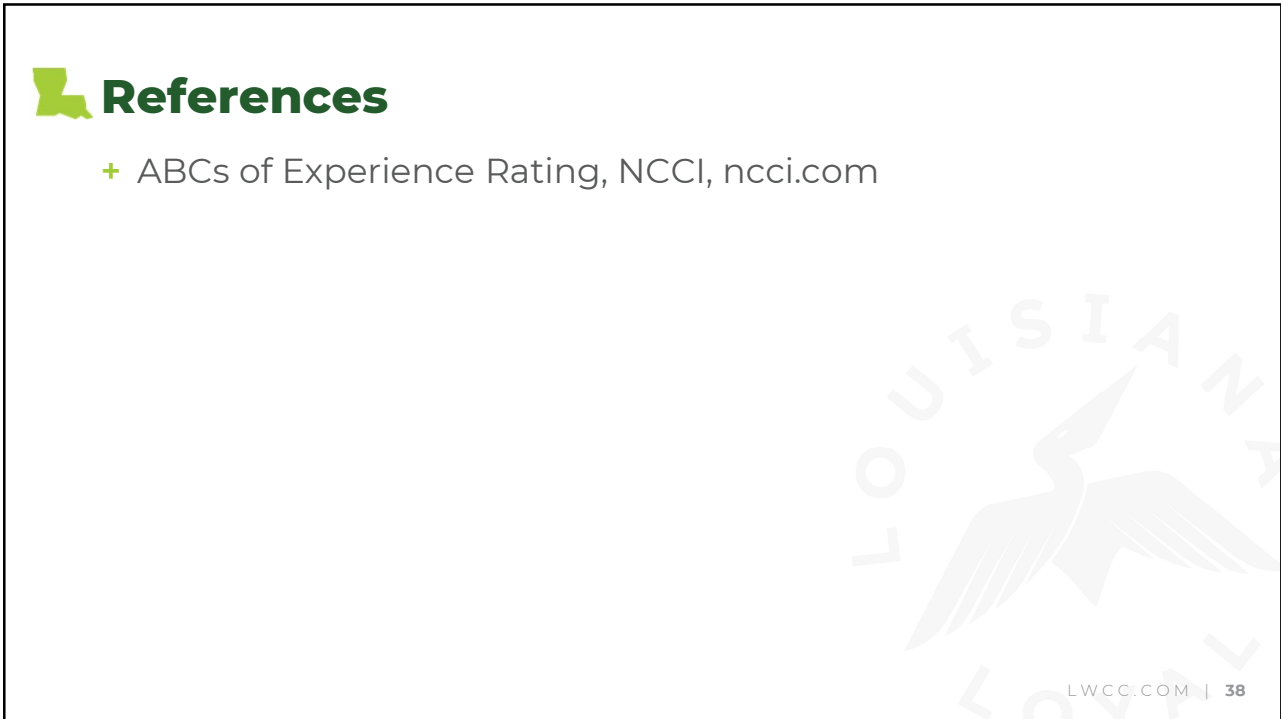
- Impact
 - Experience rating values will be adjusted accordingly
 - Other changes to the calculation of credibility parameters are also changing
 - Experience rating mods are expected to change by less than +/-5% for most employers

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