

**WAC 296-17-855 Experience modification.** The basis of the experience modification shall be a comparison of the actual losses charged to an employer during the experience period with the expected losses for an average employer reporting the same exposures in each classification. The comparison shall contain actuarial refinements designed to weigh the extent to which the actual experience is credible, due consideration being given to the volume of the employer's experience. Except for those employers who qualify for an adjusted experience modification as specified in WAC 296-17-860 or 296-17-865, the experience modification factor shall be calculated from the formula:

$$\text{EXPERIENCE MODIFICATION FACTOR} = \frac{(\text{Credible Actual Primary Loss} + \text{Credible Actual Excess Loss})}{\text{Expected Loss}}$$

Where

$$\text{Credible Actual Primary Loss} = \text{Actual Primary Loss} \times \text{Primary Credibility} + \text{Expected Primary Loss} \times (100\% - \text{Primary Credibility})$$

$$\text{Credible Actual Excess Loss} = \text{Actual Excess Loss} \times \text{Excess Credibility} + \text{Expected Excess Loss} \times (100\% - \text{Excess Credibility})$$

The meaning and function of each term in the formula is specified below.

For each claim, the actual primary loss is the first dollar portion of the claim costs, which has been shown in actuarial studies, to have the greater credibility in predicting future experience. These amounts are summed over all claims. For each claim in excess of \$20,112 the actual primary loss shall be determined from the formula:

$$\text{ACTUAL PRIMARY LOSS} = \frac{50,280}{(\text{Total loss} + 30,168)} \times \text{total loss}$$

For each claim, less than \$20,112 the full value of the claim shall be considered a primary loss.

For each claim, the excess actual loss is the remaining portion of the claim costs, which have been shown in actuarial studies to have less credibility in predicting future experience. The excess actual loss for each claim shall be determined by subtracting the primary loss from the total loss. These amounts are summed over all claims.

For any claim without disability benefits (time loss, partial permanent disability, total permanent disability or death) either actually paid or estimated to be paid, the total actual losses for calculating the primary loss and excess loss shall first be reduced by the lesser of \$3,220 or the total cost of the claim. Here are some examples for these claims:

Total Loss	Type of Claim	Total Loss (after deduction)	Primary Loss	Excess Loss
300	Medical Only	0	0	0
4,000	Medical Only	780	780	0
4,000	Timeloss	4,000	4,000	0
30,000	Medical Only	26,780	23,644	3,136
30,000	Timeloss	30,000	25,070	4,930
130,000	PPD	130,000	40,810	89,190
500,000	TPD Pension	300,137	45,688	254,449

Total Loss	Type of Claim	Total Loss (after deduction)	Primary Loss	Excess Loss
2,000,000	TPD Pension	300,137	45,688	254,449

**Note:** The deduction, \$3,220, is twice the average case incurred cost of these types of claims occurring during the three-year period used for experience rating. On average this results in reducing the average actual loss about seventy percent for these types of claims adjusted. This is done to help make the transition between the two different experience rating methods better by helping make the change in experience factor reasonable for small changes to the actual losses.

For each employer, the primary credibility and the excess credibility determines the percentage weight given to the corresponding actual primary losses and the actual excess losses, included in the calculation of the experience modification, based on the volume of expected losses. Primary credibility and excess credibility values are set forth in Table II.

An employer's expected losses shall be determined by summing the expected loss for each of the three years of the experience period, which are calculated by multiplying the reported exposure in each classification during the year by the corresponding classification expected loss rate and rounding the result to the nearest cent. Classification expected loss rates by year are set forth in Table III.

Expected losses in each classification shall be multiplied by the classification "Primary-Ratio" to obtain "expected primary losses" which shall be rounded to the nearest cent. Expected excess losses shall then be calculated by subtracting expected primary losses from expected total losses rounded to the nearest cent. Primary-Ratios are also set forth in Table III.

[Statutory Authority: RCW 51.16.035, 51.32.073, 51.18.010, and 51.04.020(1). WSR 19-24-029, § 296-17-855, filed 11/25/19, effective 1/1/20; WSR 18-24-073, § 296-17-855, filed 11/30/18, effective 1/1/19; WSR 17-24-041, § 296-17-855, filed 11/30/17, effective 1/1/18; WSR 16-24-014, § 296-17-855, filed 11/29/16, effective 1/1/17; WSR 15-24-103, § 296-17-855, filed 12/1/15, effective 1/1/16; WSR 14-24-084, § 296-17-855, filed 12/1/14, effective 1/1/15; WSR 13-24-073, § 296-17-855, filed 11/30/13, effective 1/1/14. Statutory Authority: RCW 51.16.035, 51.32.073, 51.08.010, and 51.04.020(1). WSR 12-24-048, § 296-17-855, filed 11/30/12, effective 1/1/13; WSR 11-24-026, § 296-17-855, filed 12/1/11, effective 1/1/12. Statutory Authority: RCW 51.16.035, 51.32.073, 51.18.010, and 51.04.020(1). WSR 11-04-069, § 296-17-855, filed 1/28/11, effective 2/28/11; WSR 09-24-086, § 296-17-855, filed 11/30/09, effective 1/1/10; WSR 08-24-074, § 296-17-855, filed 12/1/08, effective 1/1/09; WSR 07-24-046, § 296-17-855, filed 12/1/07, effective 1/1/08; WSR 06-24-054, § 296-17-855, filed 12/1/06, effective 1/1/07. Statutory Authority: RCW 51.04.020, 51.16.035, and 51.32.073. WSR 05-23-162, § 296-17-855, filed 11/22/05, effective 1/1/06; WSR 04-24-025, § 296-17-855, filed 11/23/04, effective 1/1/05. Statutory Authority: RCW 51.04.020, 51.16.035, 51.32.073, and 51.18.010. WSR 03-24-066, § 296-17-855, filed 12/1/03, effective 1/1/04. Statutory Authority: RCW 51.16.035, 51.32.073, 51.18.010, and 51.04.020(1). WSR 02-24-029, § 296-17-855, filed 11/27/02, effective 1/1/03. Statutory Authority: RCW 51.04.020, 51.16.035, 51.32.073, 51.18.010. WSR 01-23-061, § 296-17-855, filed 11/20/01, effective 1/1/02; WSR 00-23-101, § 296-17-855, filed 11/21/00, effective 1/1/01. Statutory Authority: RCW

51.16.035, 51.04.020. WSR 00-14-052, § 296-17-855, filed 7/1/00, effective 7/1/00. Statutory Authority: RCW 51.04.020, 51.16.035 and 51.32.073. WSR 99-24-055, § 296-17-855, filed 11/29/99, effective 12/31/99; WSR 98-24-094, § 296-17-855, filed 12/1/98, effective 1/1/99; WSR 97-24-062, § 296-17-855, filed 12/1/97, effective 1/1/98; WSR 96-24-063, § 296-17-855, filed 11/29/96, effective 1/1/97. Statutory Authority: RCW 51.04.020. WSR 95-23-080, § 296-17-855, filed 11/20/95, effective 1/1/96; WSR 94-24-007, § 296-17-855, filed 11/28/94, effective 1/1/95; WSR 93-24-114, § 296-17-855, filed 12/1/93, effective 1/1/94. Statutory Authority: RCW 51.04.020(1) and 51.16.035. WSR 93-12-093, § 296-17-855, filed 5/31/93, effective 7/1/93; WSR 92-24-063, § 296-17-855, filed 11/30/92, effective 1/1/93; WSR 91-24-053, § 296-17-855, filed 11/27/91, effective 1/1/92; WSR 90-24-042, § 296-17-855, filed 11/30/90, effective 1/1/91; WSR 89-24-051 (Order 89-22), § 296-17-855, filed 12/1/89, effective 1/1/90. Statutory Authority: RCW 51.16.035 and 51.04.020. WSR 88-24-012 (Order 88-30), § 296-17-855, filed 12/1/88, effective 1/1/89. Statutory Authority: RCW 51.16.035. WSR 87-24-060 (Order 87-26), § 296-17-855, filed 12/1/87, effective 1/1/88. Statutory Authority: RCW 51.04.020(1) and 51.16.035. WSR 86-24-042 (Order 86-41), § 296-17-855, filed 11/26/86. Statutory Authority: RCW 51.16.035. WSR 85-24-032 (Order 85-33), § 296-17-855, filed 11/27/85, effective 1/1/86; WSR 84-24-016 (Order 84-23), § 296-17-855, filed 11/28/84, effective 1/1/85; WSR 83-24-017 (Order 83-36), § 296-17-855, filed 11/30/83, effective 1/1/84; WSR 82-24-047 (Order 82-38), § 296-17-855, filed 11/29/82, effective 1/1/83; WSR 81-24-042 (Order 81-30), § 296-17-855, filed 11/30/81, effective 1/1/82; WSR 80-17-016 (Order 80-23), § 296-17-855, filed 11/13/80, effective 1/1/81. Statutory Authority: RCW 51.04.030 and 51.16.035. WSR 79-12-086 (Order 79-18), § 296-17-855, filed 11/30/79, effective 1/1/80; Order 77-27, § 296-17-855, filed 11/30/77, effective 1/1/78; Order 74-40, § 296-17-855, filed 11/27/74, effective 1/1/75; Order 73-22, § 296-17-855, filed 11/9/73, effective 1/1/74.]