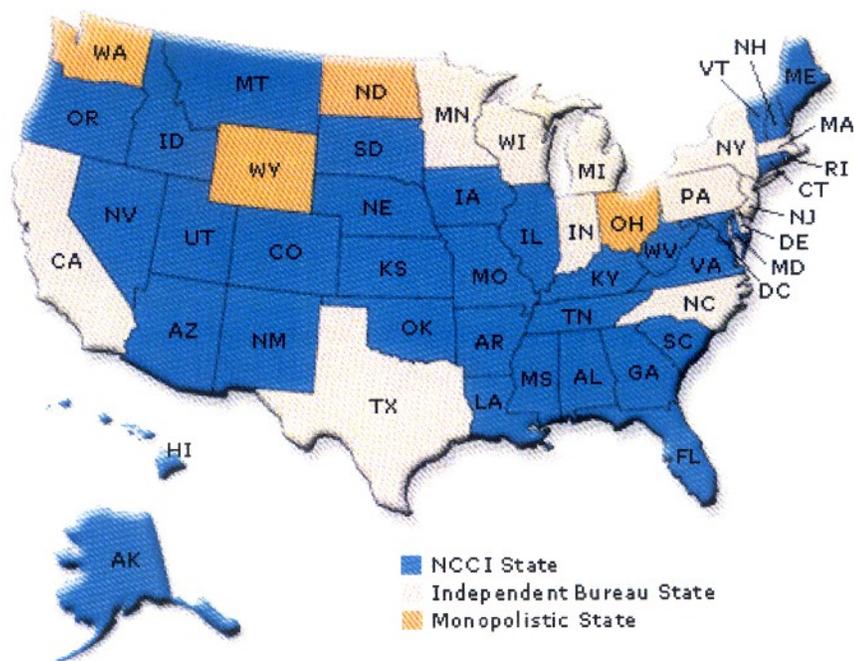


## Experience rating

**Why this issue is important:** BWC's experience rating plan plays a large role in determining an individual employer's premiums. The combination of the plan's experience period and the emphasis placed on certain factors ultimately determines how much a business pays for workers' compensation.

**Considerations:** BWC is contemplating moving toward the National Council on Compensation and Insurance (NCCI) plan, which is used by 38 other states.<sup>21</sup> NCCI places significant weight on frequency instead of severity, which encourages and rewards those employers that focus on claim prevention. Accordingly, it splits losses into primary and secondary categories, which minimizes the impact of costs associated with any individual claim but penalizes those businesses that have more claims than what's expected relative to their industry.

### NCCI State Map



**Actuarial input:** In its June 27, 2007 presentation to stakeholders, Oliver Wyman explained that a sound rating model should provide, among other things, rate stability and balance risk bearing and risk sharing. They explained that greater equity among all employers could be achieved either with the current BWC plan or with NCCI, depending upon the parameters and rules that guide the experience rating plan. However, they ultimately recommended that BWC move to NCCI because it provides more stable rates which would likely not increase significantly because of one claim.<sup>22</sup>