How does BWC calculate my insurance rate?

BWC wants you to understand how we determined your workers’ compensation insurance rate. The diagram below outlines each variable in the equation, identifies its purpose and defines how to arrive at each value needed to calculate your premium rates per $100 of payroll.

### Modified premium rate (MPR)

- **(Base rate* EM)**
- **(MPR*Administrative assessment)**
- **+**
- **DWRF I**
- **+**
- **DWRF II**
- **=**

**= (Blended) insurance rate per $100 of payroll**

**Class & base rate**
First, it’s important for BWC to assign the appropriate manual classification to your policy. Manual classifications are associated with the types of jobs that your organization performs. Examples include office personnel or plastics manufacturing. There are hundreds of manual classifications and each one has an individual base rate. Base rates are based on the historical and projected payroll and losses for all employers that have that manual classification assigned.

**Base rated:** Smaller employers do not have enough past experience to reasonably estimate their future costs. They will pay premiums at the base rate for their assigned manual classifications.

**Experience rated:** Some employers are large enough to use their recent experience and workplace safety efforts to project their future costs. BWC uses payroll as the base to calculate the employer’s expected historical losses. If an employer has had more losses than expected, the employer will pay at a rate higher than the base rate as they have higher expected future costs than the average employer. However, if the employer’s past losses are less than expected, the employer will pay at a rate lower than the base rate as they have lower expected future costs than the average employer.

Some employers are group experience rated, having joined a group sponsored by a third-party administrator or trade association. Group participation allows employers to combine their historical experience with other employers to predict future costs, often resulting in a lower premium rate. Employers participating in a group might be base rated or experience rated, if rated on their own.

**Experience modifier**
An experience modifier (EM) is a relative measure of expected future claims cost, and it plays a pivotal role in determining an employer’s overall premium rates. An employer with more prior claims or more severe claims than the average expected levels will have a higher EM as they have higher expected future costs than the average employer. Conversely, an employer with fewer prior claims or less serious claims will have a lower EM as they have lower expected future costs than the average employer.

**Administrative cost rate**
The BWC develops a separate provision to cover the administrative operating costs of BWC and the Industrial Commission of Ohio.

**DWRF I**
The Disabled Workers’ Relief Fund (DWRF I) was statutorily created to provide cost-of-living increases to permanently and totally disabled workers who were injured prior to 1987.

**DWRF II**
The Disabled Workers’ Relief Fund II was statutorily created to provide cost-of-living increases to permanently and totally disabled workers who were injured after 1986.

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### Calculation of insurance rates

**Policy number:** 9999999999

**Business name:** ABC Company

**Rating period:** 07/01/20xx - 06/30/20xx+1

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<tr>
<th>Manual class</th>
<th>Base rate</th>
<th>EM</th>
<th>Modified premium rate</th>
<th>Admin cost</th>
<th>DWRF I</th>
<th>DWRF II</th>
<th>Insurance rate per $100 of payroll</th>
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