



## **WISCONSIN EXPERIENCE RATING PLAN MANUAL**

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**Effective January 1, 2005**

*issued by:*

Wisconsin Compensation Rating Bureau  
20700 Swenson Drive, Suite 100  
Waukesha, WI 53186

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**SUMMARY OF CHANGES**

## I. DESCRIPTION OF THE PLAN

The Wisconsin Experience Plan Manual (Plan) is filed by the Wisconsin Compensation Rating Bureau (WCRB), and approved by the Office of the Commissioner of Insurance (OCI) to apply to intrastate rated employers. The rules in the Plan apply to Experience Rating for Worker's Compensation and Employers Liability Insurance. The application of this Plan is **mandatory** for all eligible risks. Any action taken in any form to evade the application of an experience modification determined in accordance with this Plan is prohibited. Appeals involving the application of these rules will be resolved through the applicable administrative appeals process.

Note: Risks qualifying for Interstate modifications are subject to the Experience Rating Plan Manual under the authority of the National Council on Compensation Insurance (NCCI). See the Multi-State Experience Rating section for additional information.

The Plan recognizes the differences between individual risks. It does this by comparing the experience of individual risks with the average risk in the same classification. The differences are reflected by an experience modification, based on individual loss records, which may increase or decrease premium.

### A. POLICY PERIOD

#### 1. Policy for one year:

The rules of this Plan are based on policy periods not longer than one year. A policy issued for a period not longer than one year and 16 days is treated as a one-year policy.

#### 2. Policy longer than one year:

A policy issued for a period longer than one year and 16 days is treated as follows:

- a) The policy period is divided into consecutive 12-month units.
- b) If the policy period is not a multiple of 12 months, the Policy Period Endorsement specifies the first or last unit of less than 12 months as a short-term policy.
- c) All manual rules and procedures apply to each such unit as if a separate policy had been issued for each unit.

**B. EFFECTIVE DATE OF RULES AND RATING VALUES**

Any change in rules and rating values will be shown with an asterisk with a description followed by the effective date of the change. Unless specified otherwise, each change applies only from the rating effective date, which occurs on or after the effective date of the change.

**C. AUTHORITY TO VERIFY POLICY DATA**

The Standard Worker's Compensation and Employers Liability Insurance Policy provides the WCRB with the authority to examine and audit all records related to the policy.

**D. ISSUANCE OF MODIFICATION**

The intrastate experience modifications for experience rated risks will be calculated and issued by the WCRB.

**E. RELEASE FORM**

If a completed Information Release Authorization Form (IRAF) is submitted, the WCRB may provide experience rating data as specified on the form.

## II. ELIGIBILITY FOR THE PLAN

A risk is eligible for intrastate experience rating when it develops a qualifying premium based on payrolls or other exposures reported in accordance with the Wisconsin Worker's Compensation Statistical Plan Manual (Statistical Plan).

Qualifying premium is achieved when the payrolls or other exposures developed in the last year or last two years of the experience period produce, at current manual rates, a premium equal to at least twice the Experience Rating Eligibility amount shown in the WCRB Miscellaneous Value Table; or, when more than the latest two years of the experience period's exposures produce, at current manual rates, an average annual premium equal to at least the Experience Rating Eligibility amount.

[See [www.wcrb.org](http://www.wcrb.org), PUBLIC PRODUCTS, [Miscellaneous Values Table](#), for a listing of qualifying premium amounts for Wisconsin.]

The following are excluded from the determination of premium eligibility under this Plan:

1. Expense Constants
2. The policy Minimum Premium
3. Premium developed by the occupational disease rates for risks subject to the Federal Mine Safety and Health Act
4. Premium under the National Defense Projects Rating Plan
5. The seat surcharge premium for Aircraft Operation (Discontinued 01/01/2015)
6. Premium under "Atomic Energy"
7. Premium developed under Three-Year Fixed-Rate policies.

**Note:** A policy cannot be canceled, rewritten, or extended for purposes of enabling a risk to qualify for, or avoid application of, this Plan.

### III. OPERATION OF THE PLAN

Experience modifications for eligible risks generally are determined on an annual basis and are effective for a period of twelve months. Refer to [Administration of the Plan](#) for examples of exceptions to this rule. Only one experience modification applies to a risk at any time, and the experience modification applies to all operations of the risk. Experience modifications are to be applied to the premium developed by the rates in force on the effective date of the experience modification.

**Exception:** The following premiums are not subject to an experience rating modification:

1. Expense Constants
2. The policy Minimum Premium
3. The minimum premium for coverage under the Admiralty Law and the Federal Employers' Liability Act
4. Premium under the National Defense Projects Rating Plan
5. The seat surcharge for aircraft operation—Code 9108 (Discontinued 01/01/2015)
6. Premium under the Atomic Energy classifications—Codes 9984 and 9985
7. Premium developed by the occupational disease rates for risks subject to the Federal Mine Safety and Health Act
8. Premium developed under Three-Year Fixed-Rate policies
9. The non-ratable elements of the manual rates for those classifications listed in the Table of Classifications with Non-Ratable Elements.

#### A. EXPERIENCE MODIFICATION FORMULA

The experience modification for all risks is determined from the following formula.

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

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

## B. EXPLANATION OF TERMS

### 1. Expected Loss Rate

The Expected Loss Rate is the factor used to determine the amount of expected losses by classification for each \$100 of payroll. These factors can be obtained from the WCRB Web site on the Circulars tab in the annual rate revision circular, in the rate table column labeled "ELR".

### 2. Expected Losses

Expected losses for each classification are obtained by multiplying the Expected Loss Rate by the payroll divided by \$100. Total expected losses for the risk are obtained by adding the expected losses for each classification.

### 3. Discount Ratio

The Discount Ratio is the factor used to determine the amount of expected losses for each classification that are Expected Primary Losses. These factors can be obtained from the WCRB Web site on the Circulars tab in the annual rate revision circular, in the rate table column labeled "D RATIO".

### 4. Expected Primary Losses

The Expected Primary Losses are obtained by multiplying the expected losses by the Discount Ratio.

### 5. Expected Excess Losses

Expected Excess Losses are obtained by subtracting the expected primary losses from the expected losses.

### 6. Actual Primary Losses

Actual Primary Losses reflect the portion of the actual incurred loss that is used at full value in the experience rating calculation. For each actual incurred loss, the amount up to the primary/excess split point value is considered primary.

For medical only losses (injury type 6), the primary value will be reduced by 70%.

### 7. Actual Excess Losses

Actual Excess Losses are obtained by subtracting the actual primary losses from the actual incurred losses.

For medical only losses (injury type 6), the excess is calculated by first subtracting the actual primary losses before the medical only reduction from the actual incurred losses. The excess value is then reduced by 70%.

## 8. Weighting Value

The Weighting 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 increases as expected losses increase. These values may be obtained from the WCRB Web site on the Circulars tab in the annual rate revision circular.

## 9. Ballast Value

The Ballast 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 expected primary losses.

The Ballast Value increases as expected losses increase. These values may be obtained from the WCRB Web site on the Circulars tab in the annual rate revision circular.

# C. EXPERIENCE TO BE USED IN A RATING

## 1. General Explanation

The experience rating of a risk will include all the experience it developed during the experience period, valued at least three months prior to the rating date. Any experience is subject to verification by the WCRB.

## 2. Experience Period

The experience period used in a risk's modification generally consists of three completed years of experience ending one year prior to the effective date of the modification. For example, in an experience modification effective 7-1-04, the experience period would contain experience from policies effective 7-1-00, 7-1-01, and 7-1-02.

Extension of the experience period to a maximum of 3¾ years is allowed only under the following circumstances:

- a) If the earliest policy period falls outside the normal three-year period and its inclusion does not result in an experience period exceeding 3¾ years. Or,
- b) If the earliest policy period is preceded by a short-term policy, which has been used in only two previous ratings; and its inclusion does not result in an experience period exceeding 3¾ years.

**Note:** Experience must be valued at least three months prior to the rating date, as provided in rule 1 above.



### **3. Multiple Policy Risks**

For risks involving two or more policies with varying expiration dates, the experience period rule applies.

### **4. Self-Insurers' Data**

The experience data of self-insurers may be included in an experience rating only if such data is submitted on an approved form (see ERM-6 Form in Appendix) providing specific payroll and loss information. The operations that produced the self-insured experience are to be insured under a Workers Compensation and Employers Liability Policy.

Support documentation by the employer must be included with any carrier submission of self-insured data, and is subject to verification by the WCRB.

### **5. United States Longshore and Harbor Workers' Compensation Act Coverage**

- a) Experience ratings containing classifications where the rates include coverage under the USL&HW Act are calculated using the formula described in the Experience Rating Formula.
- b) Classifications subject to the USL&HW Act, but not followed by the letter "F", have their expected losses determined by applying the USL&HW Act Expected Loss Factor from the Table of Weighting Values to the classification's expected loss rate.

### **6. Recalculated Experience Modification Due to a Change in Ownership**

- a) The section of this manual entitled [ADMINISTRATION OF THE PLAN](#) provides rules regarding the continuation or exclusion of experience when an entity undergoes a change in ownership. Unless excluded under the provisions of Rule B. 2. of ADMINISTRATION OF THE PLAN, such experience will be retained in future ratings in accordance with the following procedure:
  - 1) The experience modification of the new owner will be revised to include the past experience of the acquired entity, subject to Rule C. 2 of this section.
  - 2) If the new owner is not experience rated, an experience modification will be calculated utilizing the experience of the acquired entity together with any applicable existing experience.

- 3) If, based on its ownership of other entities, the previous owner continues to be experience rated after the change in ownership, its experience modification will be revised to exclude all experience of the relinquished entity.
- b) Experience modifications in accordance with 1), 2), and 3) above will be calculated and applied as follows:
- 1) If the first written reporting of the ownership change by either the acquiring entity or acquired entity to their carrier occurs within 90 days of the date of the change, the calculation of the revised modification(s) will be as of the date of the change.
  - 2) If the first written reporting of such change occurs more than 90 days after the date of the change, the calculation of the revised modification(s) will be as of the next rating effective date following the earliest notice either carrier received of the change.

Change

## D. PAYROLLS AND LOSSES

### 1. Payrolls

The audited payrolls or other exposures for each classification in the experience period are those reported in accordance with the [Wisconsin Worker's Compensation Statistical Plan Manual](#).

### 2. Losses

The incurred losses in the experience period are those reported in accordance with the [Wisconsin Worker's Compensation Statistical Plan Manual](#). No loss can be excluded from the experience of a risk on the ground that the employer was not responsible for the accident that caused such loss.

#### **EXCEPTION:**

*Losses reported with a Catastrophe number assigned as a result of an Extraordinary Loss Event are excluded from experience rating calculations. For a list of the catastrophe numbers see the [Wisconsin Worker's Compensation Statistical Plan Manual](#), Section III, Loss Information Codes.*

For purposes of this Plan, losses, incurred under a state worker compensation law, the United States Longshore and Harbor Workers' Act, and Employers Liability Coverage will be subject to the respective accident limitations shown in the Table of Weighting Values. The values can be found on WCRB Web site on the Circulars tab in the annual rate revision circular.

### 3. Limitation on Total Losses Employed in a Rating

a) Accident Involving One Person

An accident involving an injury to one person will be limited to the Per Claim Accident Limitation in the Table of Weighting Values. The actual primary loss for such an accident is subject to the maximum primary/excess split point value.

b) Accident Involving Two or More Persons

An accident involving injury to two or more persons will be limited to the Multiple Claim Accident Limitation in the Table of Weighting Values, which is twice the normal accident limitation. The actual primary loss for such accidents is limited to twice the normal maximum primary/excess split point value.

c) Disease Losses

Disease losses for each policy year will be limited to triple the Per Claim Accident Limitation shown in the Table of Weighting Values, plus 120% of the risk's total expected losses for the experience period. For each policy year, the actual primary loss for disease losses is limited to twice the normal maximum primary/excess split point value, plus 40% of the risk's total expected primary losses for the experience period.

**Note:** To determine the limitation on total disease losses employed in a rating as described in c), the following procedure will apply:

1) Latest Policy Year

Combine the disease losses of all policies within the experience period, having an effective date within 24 months prior to and valued at least 3 months prior to the experience rating date.

2) Middle Policy Year

Combine the disease losses of all policies having an effective date more than 24 months, but not exceeding 36 months, prior to the experience rating date.

3) Earliest Policy Year

Combine the disease losses of all policies within the experience period having an effective date more than 36 months prior to the experience rating date.

#### 4. Revision of Losses

Carrier submission of revised unit reports to the WCRB, for purposes of recalculating may be used to recalculate the affected experience modifications.

**Note:** Recalculation of experience modifications is only permissible under the following circumstances.

- a) Originally reported loss values were incorrect due to a clerical error.
- b) The claimant or carrier has made a third party recovery and the third party has not filed a liability-over claim.
- c) The third party in b) above does file a liability-over claim, but settlement of such claim does not result in its recovery against the insured.
- d) The originally reported claim is non-compensable as determined by:
  - 1) Official ruling denying benefits under the Workers' Compensation Law.
  - 2) A claimant's failure to file for benefits during the period of limitation allowed by the Workers' Compensation Law.
  - 3) A claimant's failure to prosecute his claim when a carrier contends, prior to valuation date, that the claimant is not entitled to benefits under the Worker's Compensation Law.
- e) When cases of third party subrogation are extended on an open reserve basis beyond the time limit provided in the normal experience rating rules, such cases must be referred to the Rating Committee for approval.
- f) If, up to thirty days after the effective date of an experience modification, a claim closes at a significantly lower incurred loss value than was indicated on the latest unit statistical report, the WCRB may be notified. After the WCRB verifies the closure date and the incurred value at closure, it will call for the issuance of a special corrected unit report if the closed claim value would result in a change in the experience modifier. This report is not a required part of the normal filing sequence for unit statistical reports, and will be used only for revision of the experience modification.

The application of a revised experience modification calculated according to a), b), c), d), e), and f) above is subject to [Rule E 5](#) of ADMINISTRATION OF THE PLAN.

## 5. Third Party Cases

When a risk's incurred losses include losses for which a third party claim has been made; the inclusion of such losses in the experience rating calculation will be as follows:

- a) Unsettled claims – Losses will be included in the experience rating calculation.
- b) Settled claims – Losses will be included but must be adjusted prior to use in the experience rating calculation. The incurred loss will equal the loss prior to settlement minus the amount recovered from others, plus expenses incurred in obtaining the recovery.

In cases where recovery expense exceeds recovery amount, the incurred loss will equal the loss prior to settlement.

## 6. Liability-Over Cases

When a risk's incurred losses include liability-over claims, the inclusion of such losses in the experience rating calculation will be as follows:

- a) Where settled liability-over claims result in no payment to a third party, the experience rating calculation will include any allocated claim adjustment expense incurred in defending such claims. This expense is subject to the Employers Liability Accident Limitation in the Table of Weighting Values.
- b) Where settled liability-over claims result in payment to a third party, no change is made in the loss valuation used in the calculation of the current experience modification. At the next normal valuation date, the calculation will include the settlement amount plus any allocated claim adjustment expenses incurred in defending such claims. This expense and settlement is subject to the Employers Liability Accident Limitation in the Table of Weighting Values.

## IV. ADMINISTRATION OF THE PLAN

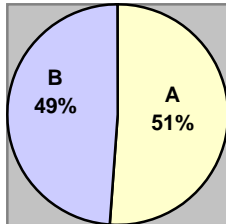
### A. COMBINATION OF ENTITIES

The combination of two or more entities for purposes of this Plan requires common majority ownership. Two or more entities will be combined only if:

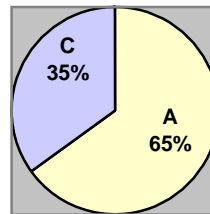
- 1) The same person, group of persons or corporation owns more than 50% of each entity, or
- 2) An entity owns a majority interest in another entity, which in turn owns a majority interest in another entity. All entities are combinable for experience rating purposes regardless of the number of entities involved.

Examples of 1) above:

Entity (1)

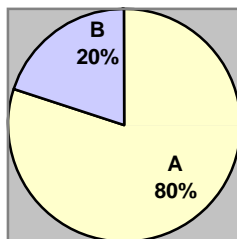


Entity (2)

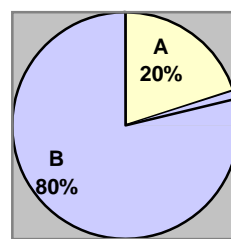


Entities (1) and (2) above are combinable because A owns a majority in both.

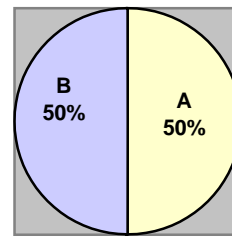
Entity (1)



Entity (2)

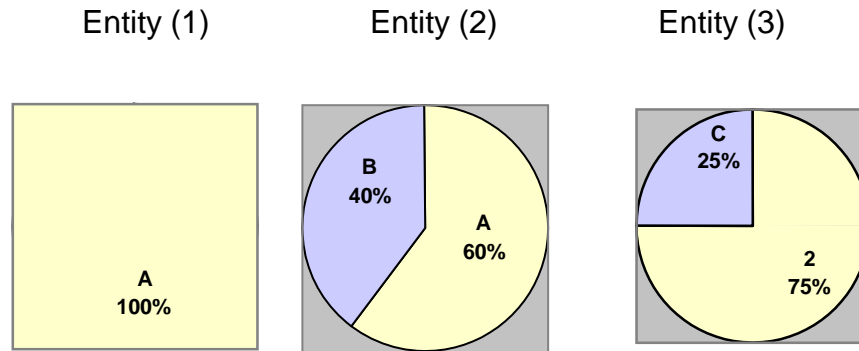


Entity (3)



Entities (1), (2), and (3) are combinable since, as a group A and B own more than 50% of each.

Example of 2) above:



Entities (1), (2), and (3) are all combinable.

Determination of majority ownership interest is based on the following:

- a) Majority of issued voting stock
- b) Majority of the members if no voting stock is issued
- c) Majority of the board of directors or comparable governing body if a) or b) is not applicable
- d) Participation of each general partner in the profits of a partnership. Limited partners are not considered in determining majority interest.

If the rules above provide for more than one possible combination of entities, the combination involving the most entities will be made. However, the experience of any entity may be used in only one combination.

**Note:** Ownership interest held by any entity as a fiduciary is considered in determining majority ownership interest. Such an entity's total ownership interest will also include any ownership held in a non-fiduciary capacity.

For purposes of this rule, fiduciary does not include a debtor in possession, a trustee under a revocable trust, or a franchiser.

## B. OWNERSHIP CHANGES

Changes in ownership interest may affect the continued use of an entity's experience in future experience ratings. Based on the rules of this section of the Plan, when a change occurs, a determination will be made to exclude or retain an entity's experience.

For purposes of this Plan, a change in ownership includes any of the following:

- Sale, transfer or conveyance of all or a portion of an entity's ownership interest.
- Sale, transfer or conveyance of an entity's physical assets to another entity, which takes over its operations.
- Merger or consolidation of two or more entities.
- Formation of a new entity subsequent to the dissolution or non-operative capacity of an entity.
- Voluntary or court-mandated establishment of a trustee or receiver, excluding a debtor in possession, a trustee under a revocable trust or a franchiser.

### 1. Continuation of Experience

Unless excluded under rule 2. Exclusion of Experience (found below), the experience for any entity undergoing a change in ownership will be transferred to the experience ratings of the acquiring, surviving or new entity.

**Exception:** If an entity disposes of part of its operations, but otherwise continues to operate its business, the experience will continue to be used in future experience ratings of the seller unless the WCRB is furnished with the appropriate experience to provide for transfer of the data to the acquiring entity.

### 2. Exclusion of Experience

The experience for any entity undergoing a change in ownership will be excluded from future experience ratings only if **each** of the following conditions a), b), and c) are met.

- a) The change must be a material change such that:
  - 1) The entire ownership interest **after** the change had no ownership interest **before** the change, or
  - 2) The collective ownership of all those having an interest in an entity both **before** the change and **after** the change amounts to either less than 1/3 ownership before the change, or less than 1/2 ownership after the change.
- b) The material change in ownership is accompanied by a change in operations sufficient to result in reclassification of the governing classification.
- c) The material change in ownership is accompanied by a change in the process and hazard of the operations.



3. If the experience of an entity is to be excluded, the experience modification no longer applies as of the date of the change. An experience modification of 1.00 (unity) will apply effective the date of the change, unless acquired by an entity with an existing experience modification.
4. Future experience ratings of a risk will retain all experience for any part of its operations that may have been discontinued or self-insured.

**Note:** Refer to OPERATION OF THE PLAN for rules regarding the recalculation of experience modifications when an ownership change occurs.

### **C. FILING REQUIREMENT**

When an ownership change occurs, the carrier will report the details of such change to the WCRB. This may be done by filing the Confidential Request for Information form (see ERM-14 [wcrb.org/FORMS](http://wcrb.org/FORMS)) or by submitting the information in narrative form on the letterhead of the insured, signed by an officer of the company.

The WCRB will determine the type of change and combinability of the entities involved.

### **D. JOINT VENTURES**

Two or more contractors, not combinable for experience rating under the rules of this Plan, may associate for the purpose of undertaking one or more projects as a joint venture. To qualify for experience rating as a joint venture, the following conditions must be met:

1. The contracts will be awarded in the name of the associated contractors as a joint venture.
2. The joint ventures will share responsibility for, and participate in, the control, direction and supervision of all work undertaken.
3. The joint venture will maintain common bank account, payroll and business records.

**Note:** The experience modification for the joint venture will be determined by using an arithmetic average of the individual contractor's experience modifications until the joint venture develops experience to be used in a rating. Experience ratings of the individual contractor will exclude all experience developed as a joint venture.

## E. APPLICATION OF EXPERIENCE MODIFICATION

### 1. For Single Policy Risks

Change

- a) The experience modification effective on the normal rating effective date will apply for the full term of:
  - 1) The policy commencing on that date, or
  - 2) Any other policy commencing up to three months after that date.

For example, an experience modification effective 7-1-04 will apply to the policy effective 7-1-04 or to any policy with an effective date up to 10-1-04. No experience modification will apply for a period longer than 15 months.

Change

- b) If a policy commences **more than** three months after the normal rating effective date, the following procedure will apply:

- 1) The current experience modification will apply to the new policy until the date the modification expires.
- 2) A renewal experience modification will apply to the new policy until the date the policy expires.
- 3) A renewal experience modification will apply annually thereafter as of the new normal rating effective date. This will be the date twelve months after the effective date of the new policy.

Change

Example of b)

Assume –

- Experience modification effective           7-1-04/05
- New policy commences                        1-1-05/06

The 7-1-04 modification applies until 7-1-05. A new modification applies from 7-1-05 until 1-1-06. The new normal anniversary rating date is 1-1-06.

## 2. For Multiple Policy Risks

If a risk is covered by two or more policies with varying effective dates, the following procedure will apply:

Change

a) On a normal rating effective date established by the WCRB, an experience modification will be issued to be effective for twelve months. This modification will apply to the portion of each policy falling within that twelve-month period, regardless of their effective and termination dates.

b) A renewal experience modification will apply to each policy as described in a) above.

Change

c) In order to establish a new normal rating effective date, the WCRB will review the effective dates of the multiple policies and may authorize the application of an experience modification for a period of other than twelve months. However, no experience modification can apply for a period of less than three months or more than fifteen months.

Example of 2. above:

Assume –

- Experience modification effective 07-1-04/07-1-05
- Controlling Policy X effective 07-1-04/07-1-05
- Policy Y effective 10-1-04/10-1-05
- Policy Z effective 01-1-05/07-1-05

The 7-1-04 experience modification applies to Policy X for its full term; to Policy Y from 10-1-04 to 7-1-05; to Policy Z from 1-1-05 to its expiration 7-1-05.

A new experience modification effective 7-1-05 will apply to the Policy X renewal for its full term; to policy Y from 7-1-05 to 10-1-05; and to its renewal from 10-1-05 to 7-1-06; and to the Policy Z renewal from 7-1-05 to its 7-1-06 expiration.

### 3. Recalculation of Experience Modification

When a classification assigned to a risk is revised other than as a result of a change in risk operations, the experience modification will be recalculated by the WCRB. This will be done by reassigning the past payrolls to the revised classification.

### 4. Contingent Modifications

A contingent modification may be used by the WCRB when unsuccessful in obtaining the unit statistical data to produce a rating for an experience period. The following procedure will apply:

- a) A contingent modification will include a minimum of two years of first report unit statistical experience for a three-year experience period, or one year of first report unit statistical experience for a two-year period.
- b) The contingent modification will apply unless another experience modification is issued by the WCRB.

### 5. Changes in Experience Modifications

- a) Changes in experience modifications that result in a decrease in the modification, whether determined during the policy period or at audit, will be applied retroactively to the inception of the policy or to the Rating Effective Date, if different from the policy effective date.
- b) Changes in experience modifications which result in an increase in the last modification applied or endorsed to the policy, will be implemented as follows:
  - 1) During the first 90 days of the policy period, the increase in premium is applied retroactively to the inception of the policy.
  - 2) After the first 90 days of the policy period, the increase in premium is computed pro rata from the date the insurer endorses the policy. Or,
  - 3) Within the first 90 days after the Rating Effective Date, the increase in modification is applied retroactively to the Rating Effective Date, if different from the policy effective date. Or,

Change

Change

Change

- 4) More than 90 days after the Rating Effective Date, the increase in modification is computed pro rata from the date the insurer endorses the policy.
- c) The provisions contained in Rule b) 2), b) 3), and b) 4) above do not apply to increases in modifications resulting from:
  - 1) Late issuance of an experience modification due to an employer who has failed to cooperate with audits or because of other faults attributable to the employer or agents of the employer
  - 2) Retroactive reclassification of a risk
  - 3) Changes in risk ownership.

#### **F. Wrap-Up Construction Project**

A policy issued for an entity participating in a wrap-up construction project will be subject to its own experience modification. This also applies to an experience modification for a policy issued for two or more entities that are combinable under the rules of this plan. Payroll and loss experience developed for all such policies will be used in future experience modifications of the participating entities. There will be no experience modification for the wrap-up construction project as a unit.

## V. MULTI-STATE EXPERIENCE RATING

### A. MULTI-STATE EXPERIENCE RATING

A risk is eligible for experience rating on a multi-state (interstate) basis when it meets the requirements for intrastate rating and also develops experience during the experience period in one or more additional states where the Interstate Experience Rating Plan is effective. The National Council on Compensation Insurance is the rating organization responsible for the calculation and verification of multi-state ratings.

### B. SEPARATE STATE EXPERIENCE MODIFICATION

Carriers that are licensed to write workers compensation insurance solely in Wisconsin are permitted, with the agreement of the insured, to request that a separate experience modification be issued for Wisconsin. Such requests must be made in writing to the Rating Committee prior to the rating date.

Any modification issued for Wisconsin shall apply for the full rating period, regardless of whether the insurance is provided by the requesting or other carrier.

The following calculation procedure shall apply:

1. Calculate, on an interstate basis, a modification for the entire risk
2. Calculate, on an intrastate basis, a modification for Wisconsin
3. Calculate, on an interstate basis, a modification for all states other than Wisconsin
4. Calculate the ratio of the product of the modification from 1. and the risk total expected losses to the sum of the products of the modification from 2. and 3. and the corresponding expected losses
5. The final modification for Wisconsin shall be the product of its modification as determined in 2. and the ratio determined in 4.

**VI. APPENDIX**

- A. ERM-14 Form—Confidential Request For Ownership Information**
- B. ERM-6 Form—Workers Compensation Experience Rating For Self-Insureds**

## VII. GLOSSARY

### **ENTITY**

Entity means an individual, partnership, corporation, unincorporated association, fiduciary, or other legal entity. Examples of fiduciary may include trustee, receiver, executor or administrator.

### **EXPERIENCE**

Experience is payroll and losses developed by a risk during a policy period.

### **EXPERIENCE PERIOD**

The experience period used in a risk's modification generally consists of three completed years of experience ending one year prior to the effective date of the modification. For example, in an experience modification effective 7-1-04, the experience period would contain experience from policies effective 7-1-00, 7-1-01 and 7-1-02.

### **EXPERIENCE RATING MODIFICATION**

The experience rating modification is a factor applied to premium to reflect a risk's variation from the average risk. Using the risk's own past experience, the experience modification is determined by comparing actual losses to expected losses.

This comparison of losses results in a premium reduction (credit) or a premium increase (debit). For example, a modification of .75 results in a 25% credit or savings to the risk, while a modification of 1.10 produces a 10% debit or additional charge to the risk. In some cases, no change results and a modification of 1.00 (unity) is applied.

### **RATE**

The manual rate or any other rate that has been established by the WCRB



**RATING EFFECTIVE DATE**

The rating effective date is the effective month and day of the policy or policies in effect unless a different date has been established by the WCRB.

**Note: For examples of application of this rule to rewritten or long-term policies, refer to ADMINISTRATION OF THE PLAN**

**RISK**

Risk means all entities eligible for combination under this Plan, regardless whether insurance is provided by one or more policies or insurance carriers. A risk may be:

1. A single entity, or
2. Two or more entities that qualify for combination under the **ADMINISTRATION OF THE PLAN.**

**WRAP-UP CONSTRUCTION PROJECT**

“Wrap-Up Project” means a construction project wherein the owner selects a carrier, and this carrier issues a separate worker’s compensation policy to each contractor and subcontractor scheduled to work on the project for work which will be done on the project, and where the owner pays for each such policy.



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## WISCONSIN EXPERIENCE RATING PLAN MANUAL SUMMARY OF CHANGES

Section	Date of Change	Change/Update
Section I, B., Page 4; Section III, 6. B.b.2., Page 10; Section IV, E.1, 2., 5 Pages 18; 19, 20, 21, Section VI, page, Section VII Pages 24-25	5/1/2017	Changed "Anniversary Rating Date" to "Rating Effective Date"
Section II, 3., 5., Page 5	7/1/2014	Replaced "Federal Coal Mine Health and Safety Act" with "Federal Mine Safety and Health Act"; eliminated the seat surcharge premium for aircraft operation Code 9108; <b>Effective January 1, 2015</b> <b>Industry Notified: via General Circular 3113</b>
Section III, 5., 7., Page 6	7/1/2014	Eliminated the seat surcharge for aircraft operation-Code 9108; replaced "Federal Coal Mine Health and Safety Act" with "Federal Mine Safety and Health Act" <b>Effective January 1, 2015</b> <b>Industry Notified: via General Circular 3113</b>
Section IV, E. 4., Page 20	3/11/2013	Deleted 4. Preliminary Modifications; renumbered. Removed Note from Contingent Modifications. <b>Effective October 1, 2013</b> <b>Industry Notified: via General Circular 604</b>
Section III, B. 6., Page 7	2/27/2013	Changed wording to: Actual Primary Losses reflect the portion of the actual incurred loss that is used at full value in the experience rating calculation. For each incurred loss, the amount up to the primary/excess split point value is considered primary. <b>Effective in conjunction with October 1, 2013 rate revision</b> <b>Industry Notified: via General Circular 3087</b>
Section III, d. 3. a., b., and c. Page 11	2/27/2013	Deleted specific numbers for a primary value and replaced it with primary/excess split point. <b>Effective in conjunction with October 1, 2013 rate revision</b> <b>Industry Notified: via General Circular 3087</b>
Section III, D. 2., Page 10	1/19/2007	Added: Exception: Losses reported with a Catastrophe number assigned as a result of an Extraordinary Loss Event are excluded from experience rating calculations. For a list of the catastrophe numbers see the Wisconsin Worker's Compensation Statistical Plan Manual, Section III, Loss Information Codes. <b>Industry Notified: via General Circular 2999</b>
Section I, Page 4	5/12/2006	Deleted: The letter of authority must be written on the insured's stationery and signed by an authorized representative of the insured.