

# The Evolution of the Rating Industries for the Workers' Compensation Employer Classification System

Division of Workers' Compensation  
Bureau of Financial Accountability  
Self-Insurance Unit

# Purpose of the Video

The purpose of the video is to educate current self-insurers and stakeholders on the classification and rating system used to impute premium.

- The system is used by insurance companies to develop premium for their clients.
- The Division uses this system to calculate premium for current self-insurers that pay assessment into the Division's Trust Funds.

# Overview of the Ratemaking System

The Rating System is produced by the National Council on Compensation Insurance (NCCI) and used to classify businesses for workers' compensation insurance.

- The purpose of NCCI's rating system is to develop a premium that fosters a healthy workers compensation system.
- This allows insurance companies to accurately determine workers' compensation coverage costs.
- It creates a fair and reasonable method for determining premium for assessments paid by self-insurers into the Division's Trust Funds.

# Evolution of Experience Rating



# Analysis of Claims Data Collected

NCCI is a rating organization that collects and analyzes data:

- The data is received from most of the insurance companies.
- The process used to analyze this data is the law of large numbers, which avoids major swings in rates.
- It keeps the system stable and predictable.
- It helps the system to not be too risky for the employer.
- This spreads the costs of the workers' compensation fairly and equally across employers within each classification of employer.

# Rate Filing Process

Carriers submit data to NCCI

NCCI analyzes the claims data

OIR reviews and approves or disapproves the rates

Insurance companies use rates to calculate premiums for their employers; DWC uses rates to impute premium for self-insurers

# Members that Use the Classification System

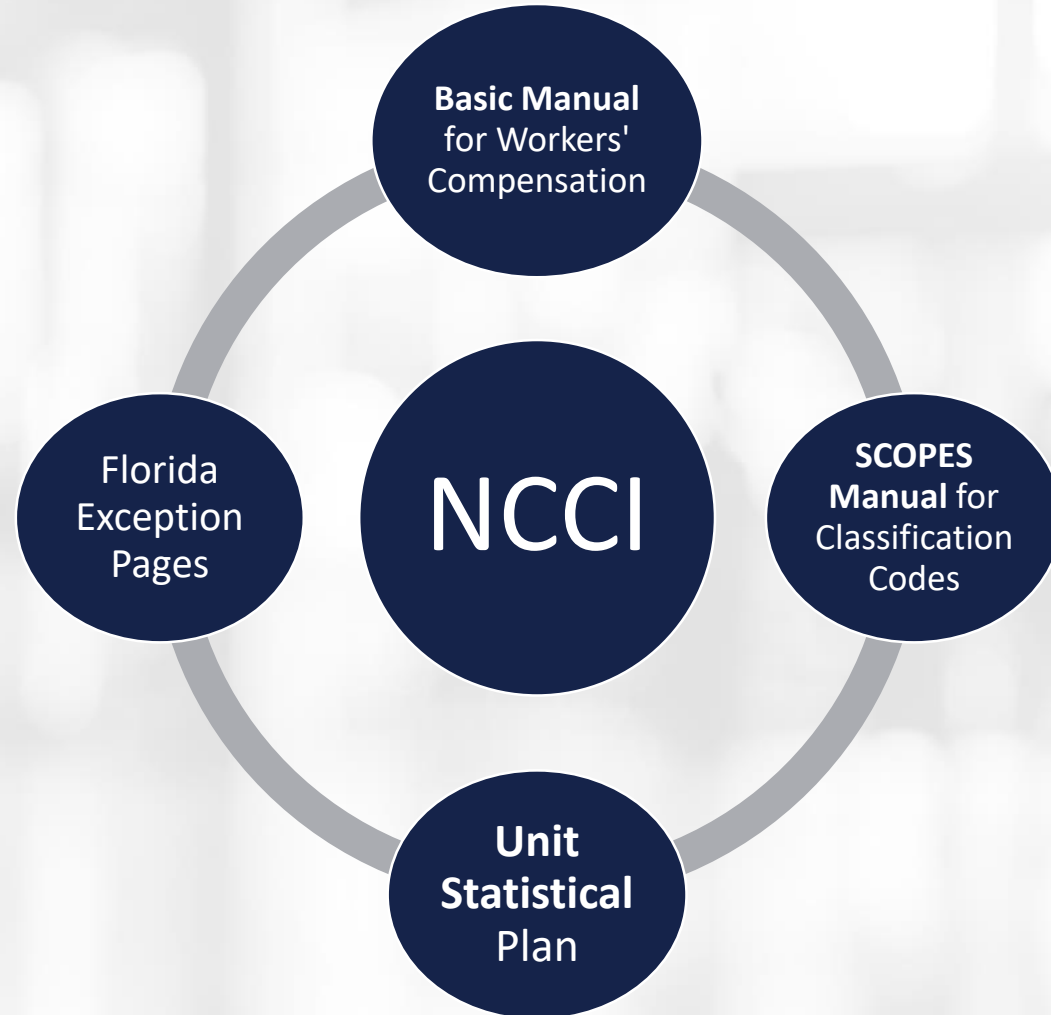
All Insurers

Self-Insurance  
Funds

Individually Self-  
Insured Employers

Regulators &  
Guaranty Funds

# NCCI Manuals





# Overview

- Overview of the Ratemaking System
- Evolution of the Experience Rating
- Analysis of the Claims Data Collected
- Rate Filing Process
- Members using the Classification and Rating Systems
- NCCI's Manuals

DEPARTMENT OF FINANCIAL SERVICES



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