|  |  |
| --- | --- |
| **Experience Factors by Industry Q/A** |  |
|   |

**What is an experience factor?**

Each year L&I calculates an experience factor for each firm in business more than 18 months. The experience factor is a number between zero and ten that reflects how much better or worse the firm’s claim costs are likely to be in the future compared to the benchmark for a firm in the same risk class(es). For example, if a firm is expected to have lower claim costs per hour than the benchmark for a firm in the same risk class, then the firm will have an experience factor less than 1.0000. When calculating a firm’s premium rate, the Accident Fund and Medical Aid Fund Base Rates are multiplied by the firm’s experience factor, so lower experience factors result in lower insurance rates.

The experience factor is calculated using the firm’s claim costs and reported hours during the three-year *experience period*, the three year period ending 18 months before the rates go into effect. Higher claim costs during the experience period will generally result in a higher experience factor.

For more information on experience factors and how they are calculated, see the [experience rating page](http://www.lni.wa.gov/ClaimsIns/Insurance/RatesRisk/How/ExpFactor/default.asp).

**When will a claim affect your premium rates?**

Claims for injuries that occur in the experience period will affect the rates for the corresponding rating year. For example:

|  |  |
| --- | --- |
| **Experience Period** | **Affects your rates for this period (Rating Year)** |
| Jul 1, 2010 - Jun 30, 2013 | Jan 1, 2015 - Dec 31, 2015 |
| Jul 1, 2009 - Jun 30, 2012  | Jan 1, 2014 - Dec 31, 2014 |
| **Jul 1, 2008 - Jun 30, 2011**  | **Jan 1, 2013 - Dec 31, 2013** |
| Jul 1, 2007 - Jun 30, 2010  | Jan 1, 2012 - Dec 31, 2012 |
|  |  |
|  |  |
|  |  |
| **Claims with a date of injury between** | **Will impact your rates for rating years (Jan 1st - Dec 31st)** |
| Jul 1, 2011 - Jun 30, 2012 | 2014, 2015, 2016 |
| Jul 1, 2010 - Jun 30, 2011 | 2013, 2014, 2015 |
| Jul 1, 2009 - Jun 30, 2010 | 2012, 2013, 2014 |
| Jul 1, 2008 - Jun 30, 2009 | 2011, 2012, 2013 |
| Jul 1, 2007 - Jun 30, 2008 | 2010, 2011, 2012 |

**How do you know what your experience factor is?**

The experience factor is printed on your Workers’ Compensation Rate Notice that is sent to you when we open your account, and thereafter at the beginning of each year.

**How is your premium rate calculated using your experience factor?**

The premium rates you pay, usually per hour worked, are determined by the following formula:

**Premium Rate =** **Firm's Experience Factor × (Class Accident Fund Base Rate + Class
Medical Aid Fund Base Rate + Class Stay At Work Base Rate)**
**+ Supplemental Pension Fund Base Rate**

The accident and medical aid base rates depend on the risk classification assigned to your business based on the nature of your business.
[Look up your experience factor](https://fortress.wa.gov/lni/crpsi/) .

**What is the Claim-Free Discount?:**

The Claim-Free discount is a lower experience factor available for employers that have no injury or illness claims involving timeloss or disability benefits during the three-year experience period. These experience factors vary from 0.9000 to 0.6000 corresponding to discounts of 10% to 40% from the base rates. For more information visit the [Claim-Free Discount page](http://www.lni.wa.gov/ClaimsIns/Insurance/Reduce/ClaimFree/Default.asp)

**How is Claim Frequency calculated?**

|  |  |
| --- | --- |
| Claim Frequency per 100 employees = | **NC x 200,000** **EH** |

**NC** = Number of claims reported for employer in the fiscal year.
**EH** = Total exposure hours reported for employer in the fiscal year.
**200,000** = hours for 100 employees at 40 hours per week; 50 weeks per year.

* Claims rates are as measured thru 12/31/2007 and will usually change over time for injuries occurring during a fixed time period.
* In this exhibit the number of employees is calculated based upon reported hours, with each full-time employee equivalent to 2,000 annual reported hours.

**What is the SIC Code?**

The Standard Industrial Classification (SIC) is a federal classification system for American industry based on an establishment's, or firm’s, primary activity. This coding system has been replaced by NAICS codes.

**What is the NAICS Code?**

The North American Industry Classification System has replaced the SIC coding system. It is a federal classification system for North American industry based on an establishment's or firm’s primary activity. NAICS was developed jointly by the U.S., Canada and Mexico to provide new comparability in statistics about business activity across North America. NAICS identifies hundreds of new, emerging and advanced technology industries. And NAICS reorganizes industries into more meaningful sectors — especially in the services-producing segments of the economy. It has 6 digits compared to the 4 digits of the SIC.

There are substantial differences between the SIC and NAICS, resulting in breaks in series for industry data. Users are cautioned against making comparisons between NAICS and SIC from prior years.

For more information:
See [WAC 296-17-850 - WAC 296-17-895](http://apps.leg.wa.gov/WAC/default.aspx?cite=296-17).