



NYCIRB

**New York Experience Rating Changes
Casualty Actuarial Society
Casualty Loss Reserve Seminar**

New York Experience Rating Plan: Summary of Changes

New Rating Worksheets

New Mod Formula
Variable Split Points
Novel Claim Count Caps
First Year Transitional Mod Caps

Other System Changes

Merit Rating Discontinued
Interstate Ratings Won't Include New York
Ownership Changes Directly to NYCIRB
New York Specific Mod

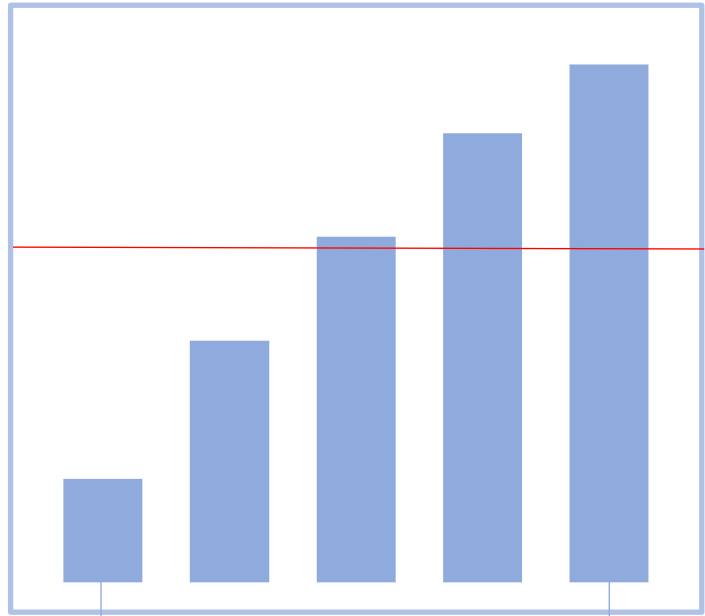
Employer's Perspective

Educating Existing Experience Rated Employers
Educating New Experience Rated Employers
Appropriate Limitations Used Throughout
Expected Impacts to Employer Mods
Importance of Safe Workplaces

<https://www.nycirb.org/experience-rating-transition.php>

The Mods Role in Premium Equity

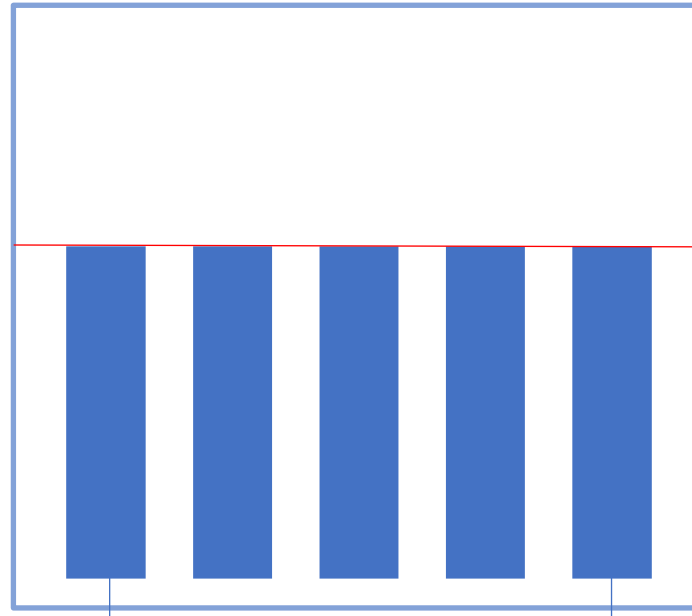
Before Experience Rating



Low Mods

High Mods

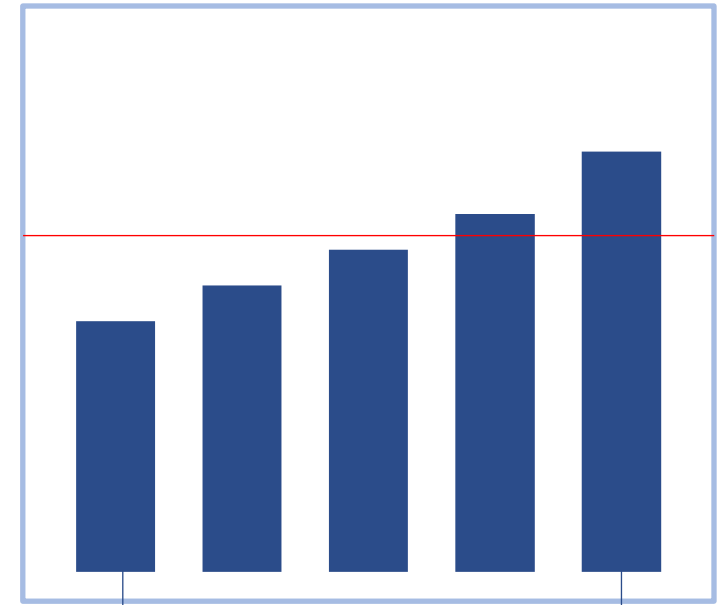
After Experience Rating
(Ideal)



Low Mods

High Mods

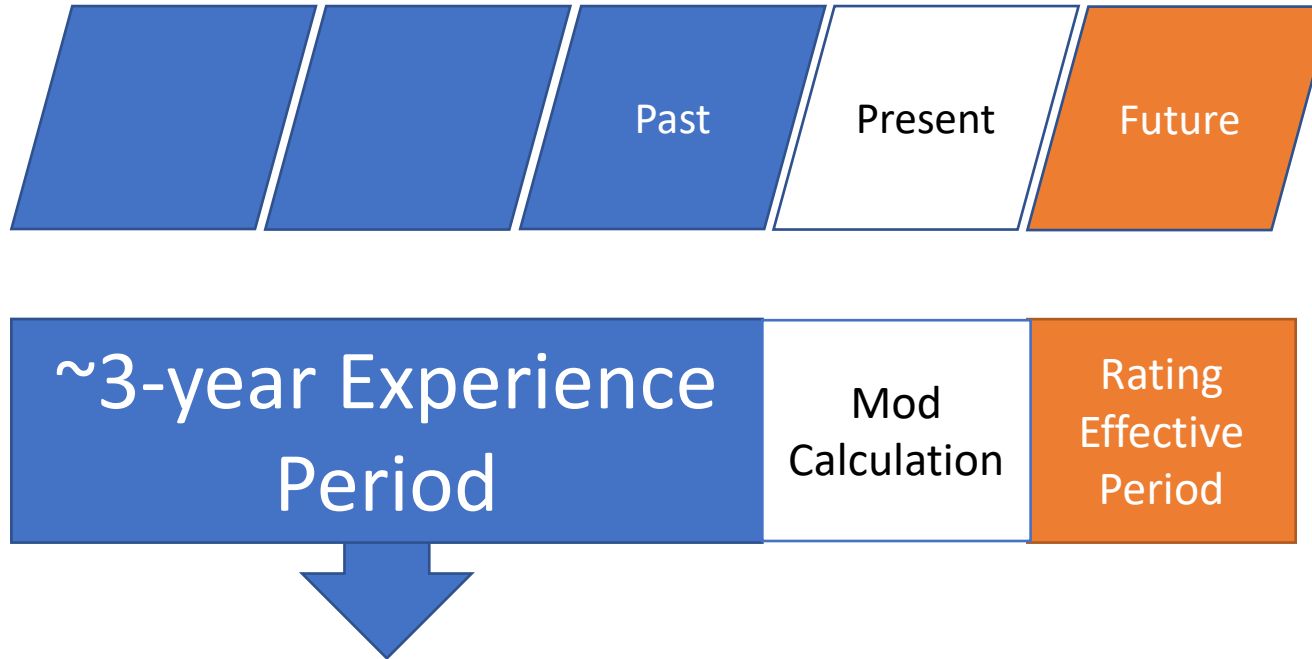
After Experience Rating
(Current Plan)



Low Mods

High Mods

The Experience Period, Expected Losses, and the State Accident Limit



$$\text{Expected Losses} = \left(\text{Payroll} / 100 \right) \times \text{ELR}$$

↑
Impacted by change in the State Accident Limit (SAL)
– Now uses \$175,000 SAL

New York Experience Rating Plan: The Simplified Mod Formula

$$\text{Mod} = \frac{A_p + E_e}{E}$$

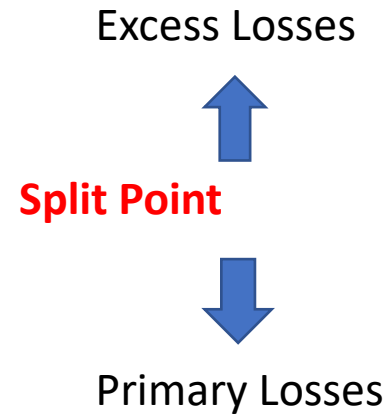
A_p = actual primary losses

E_e = expected excess losses

E = total expected losses

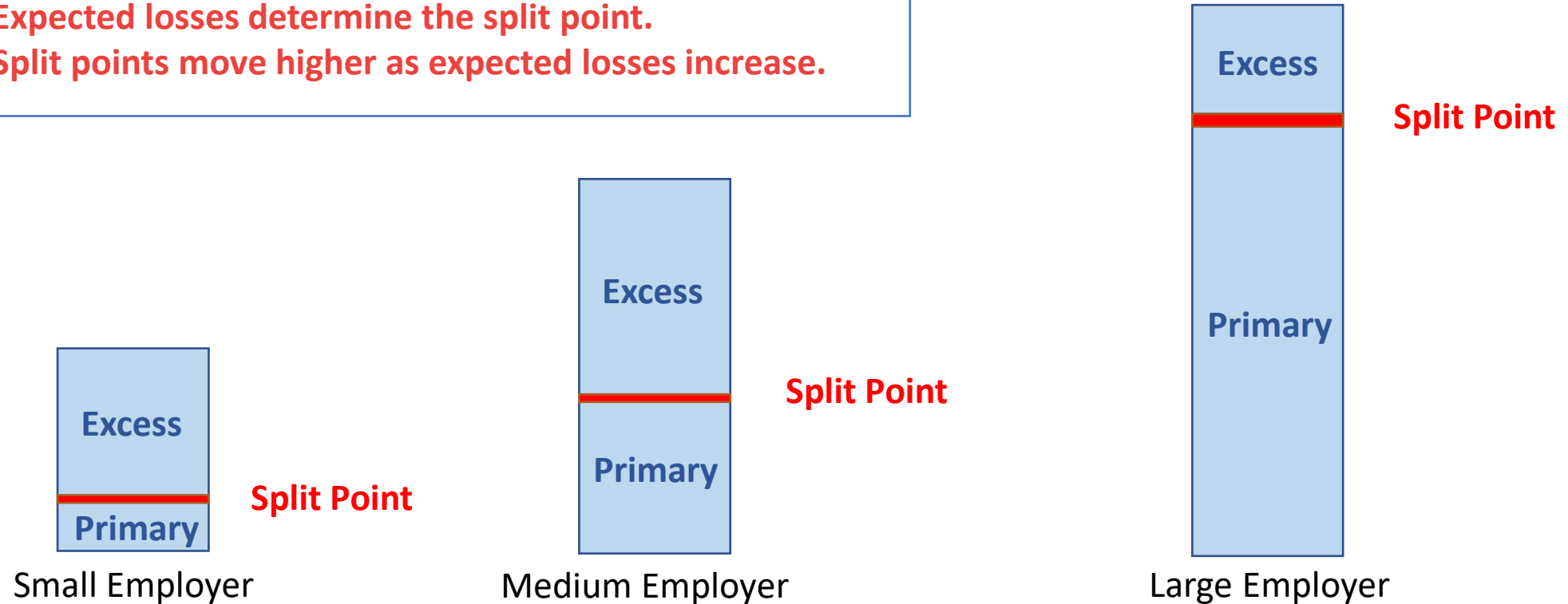
New York Experience Rating Plan: The Split Point

Expected Losses



New York Experience Rating Plan: The Variable Split Point

Expected losses determine the split point.
Split points move higher as expected losses increase.



As the split point moves higher, the proportion of primary losses increases, and the proportion of excess losses decreases.

New York Experience Rating Plan: The Simplified Mod Formula

$$\text{Mod} = \frac{A_p + E_e}{E}$$

A_p = actual primary losses

E_e = expected excess losses

E = total expected losses

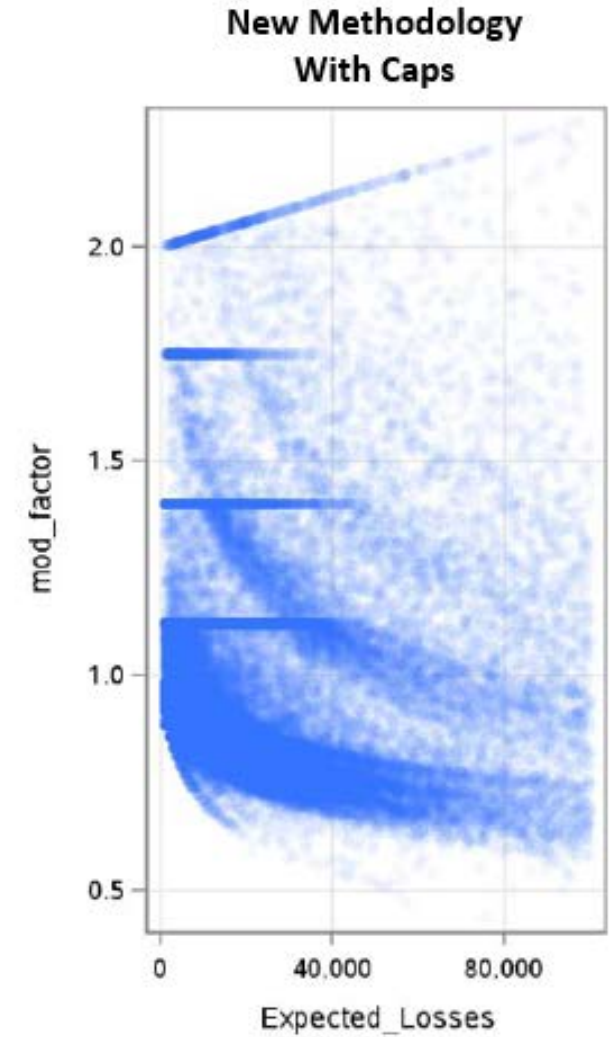
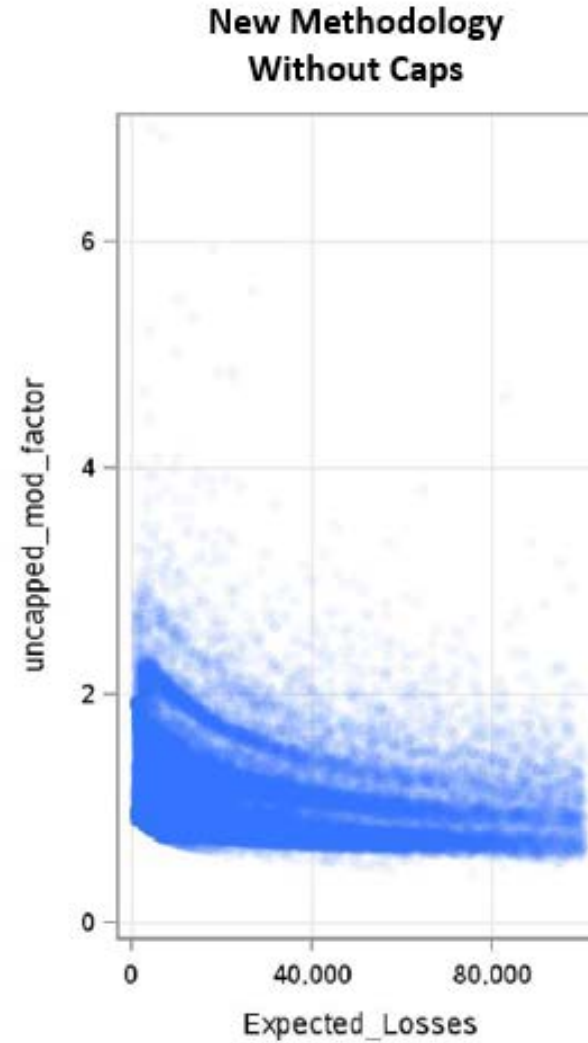
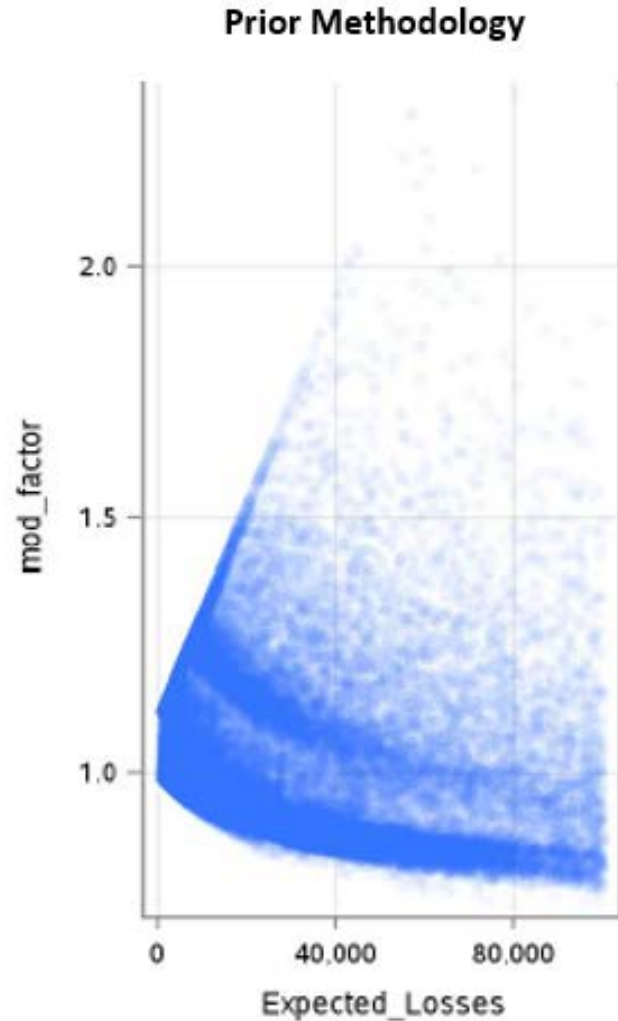
Claim Count Caps

- **1 Claim** – Mod capped at **1.12**
- **2 Claims** – Mod capped at **1.40**
- **3 Claims** – Mod capped at **1.75**
- **4+ Claims** – Mod capped by formula, resulting in a cap at just above 2.0 for the smallest risks, while permitting risks with approximately \$1M in expected losses to have mods as high as 5.0

Formula Mod Cap

$$2 + (0.000003 \times \text{expected losses})$$

A Graphical View of Small to Medium Sized Risks



Premium Equity

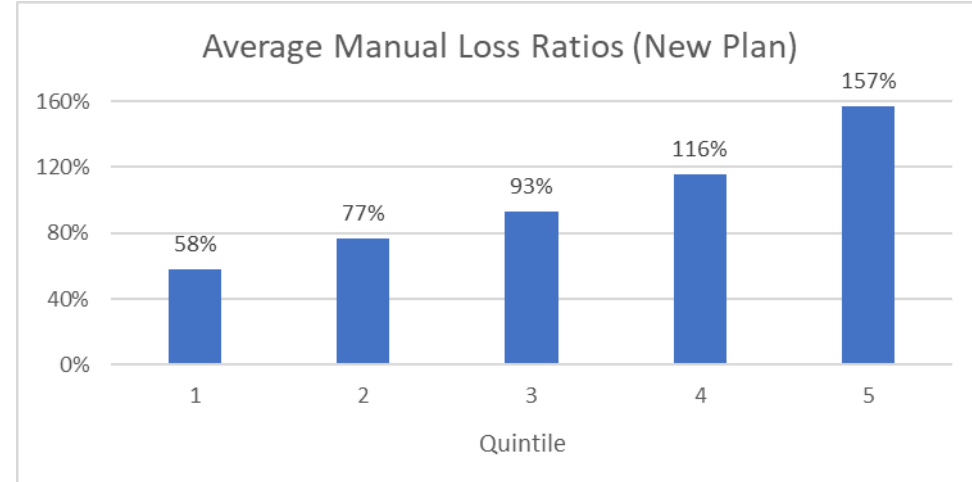
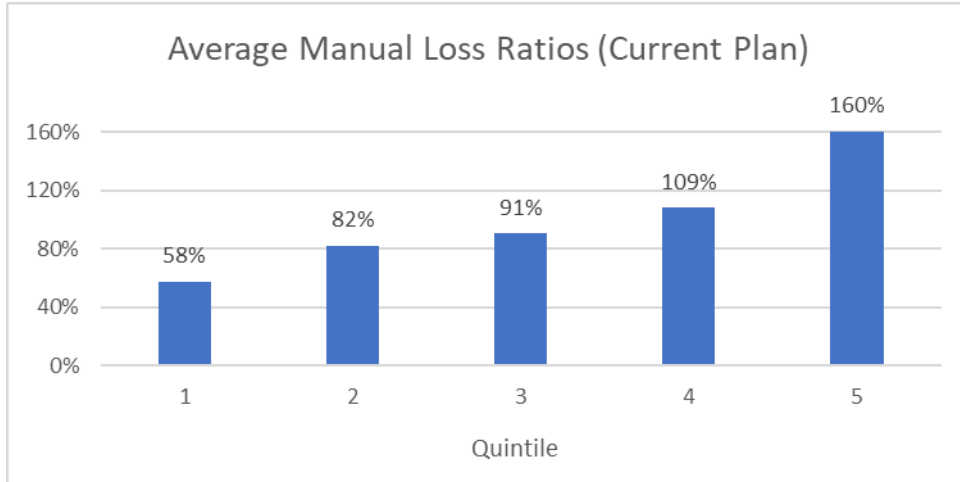


Mod is **predictive** of future experience / Mods are **equitably distributed**

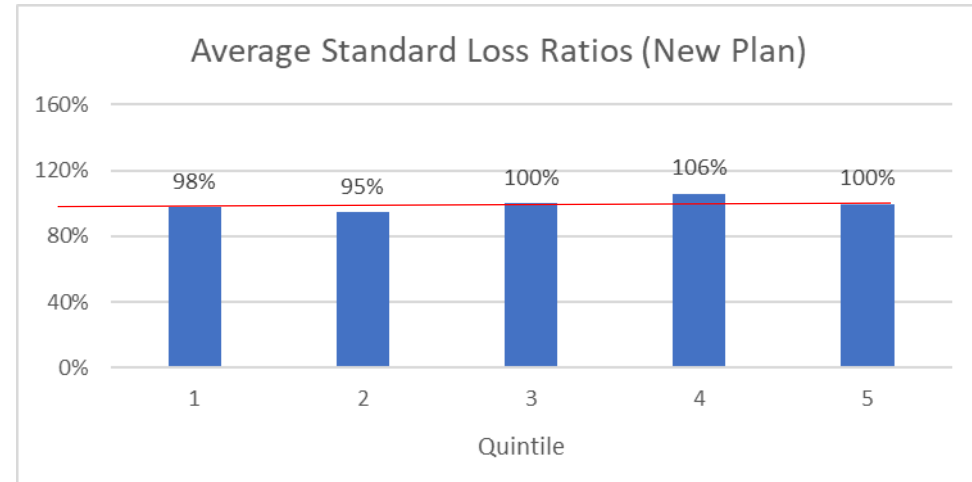
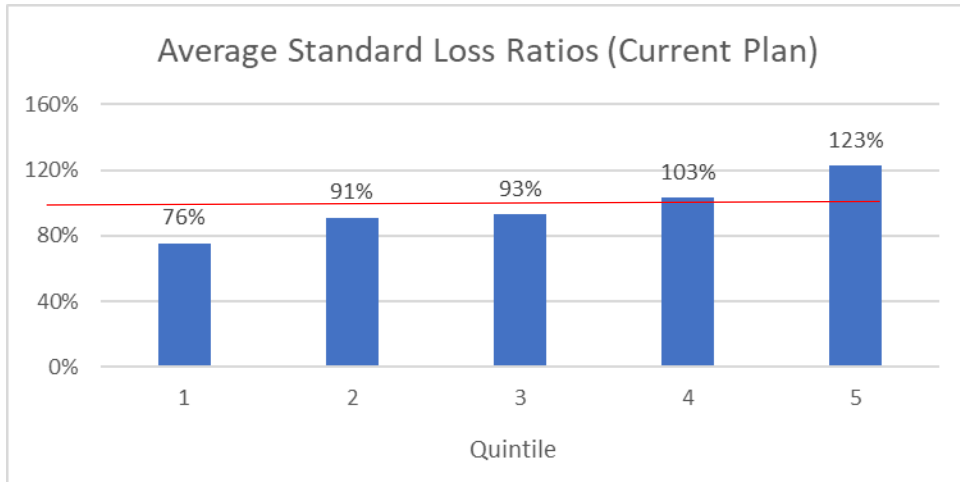
Current Plan

New Plan

Before Mod

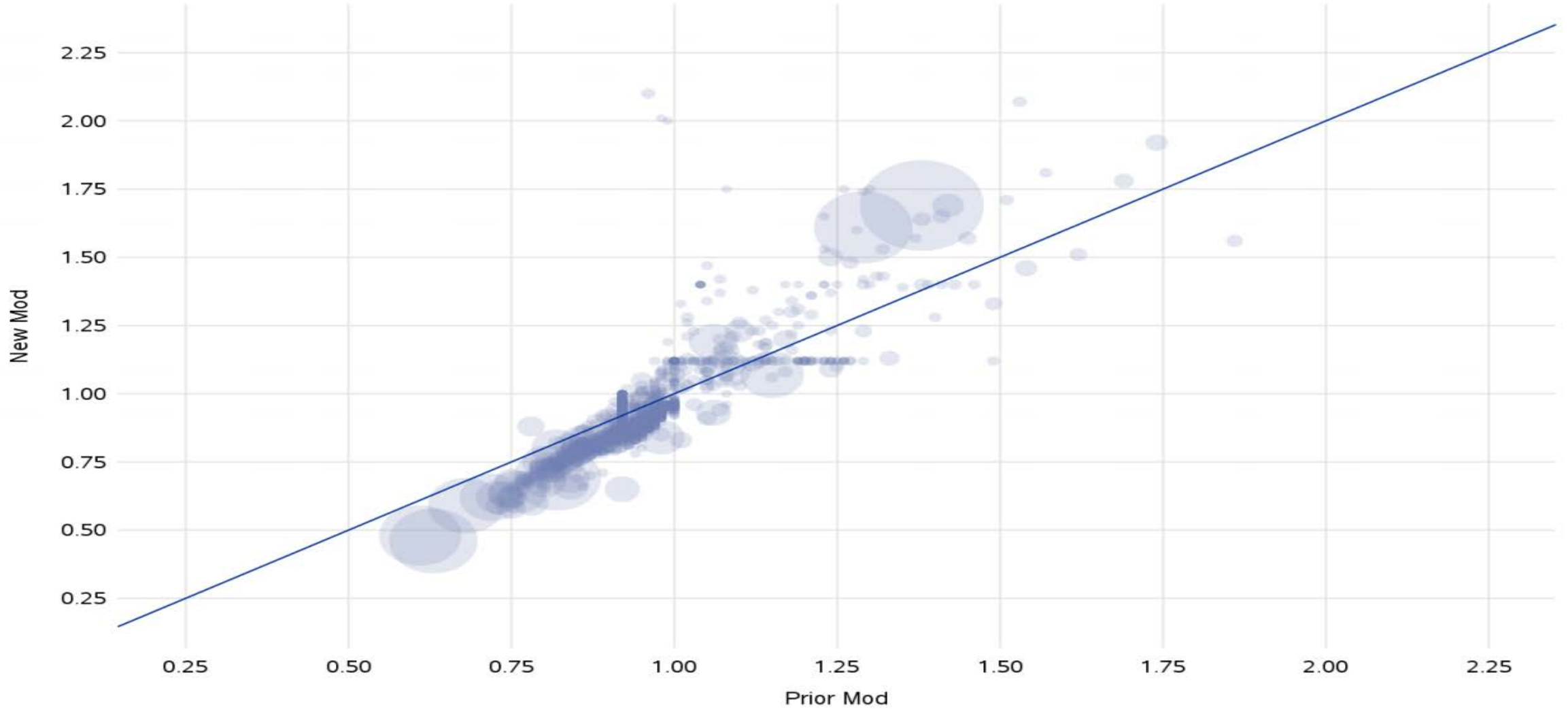


After Mod



Individual Risk Changes

Mod Changes for Individual Risks
3,000 Randomly Selected Risks
No Transition Rule



Size of circle reflects expected loss size of risk

Question and Answer Time

Questions ???



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<https://www.nycirb.org/experience-rating-transition.php>

New Loss Development Research

Release Date: September 15

Presentation Update Available After Release



<https://www.nycirb.org/research.php>