

Section VII – Rating Procedure

6. Experience Modification Formula

The experience modification is determined from the formula:

$$\begin{aligned} \text{Modification} &= \frac{A_p + B + (W) A_e + (1 - W) E_e}{E + B} \\ &= \frac{A_p + B + (W) A_e + (1 - W) E_e}{E_p + B + (W) E_e + (1 - W) E_e} \end{aligned}$$

- where
- A_p = Primary actual losses
 - B = The B Value for each risk as obtained from Table III
 - W = A specified percentage for each risk as obtained from Table III
 - A_e = The excess of the risk actual losses over the primary actual losses
 - E_p = Primary expected losses
 - E_e = The excess of the risk undiscounted expected losses over the primary expected losses
 - E = Total expected losses.

For a risk producing undiscounted expected losses equal to or less than the initial value of Table III, the W Value is zero; therefore, the formula for the experience risk modification becomes:

$$\text{Modification} = \frac{A_p + B + E_e}{E + B} = \frac{A_p + B + E_e}{E_p + B + E_e}$$

7. Maximum Experience Modification

The experience modification determined in accordance with Rule 6 of this Section shall be limited to a maximum of 150% for risks producing total expected losses of \$2,000 or less.