How does BWC calculate my insurance rate?

BWC wants you to understand how we determined your workers' compensation insurance rate. The diagram below outlines each variable in the equation, identifies its purpose and defines how to arrive at each value needed to calculate your premium rates per $100 of payroll.

Modified premium rate (MPR)	+	DWRF I	+	DWRF II	=	(Blended) insurance rate per $100 of payroll*
(Base rate* EM)				(DWRF II*Base Rate)		

Class & base rate
First, it's important for BWC to assign the appropriate classification to your policy. Classification codes are associated with the types of jobs that your organization performs. Examples include office personnel or plastics manufacturing. There are hundreds of classification codes and each one has an individual base rate. Base rates are based on the historical and projected payroll, losses and costs for all employers that have that classification code assigned.

Employers are either base rated or experience rated depending on size.

Base rated: Smaller employers do not have enough past experience to reasonably estimate their future costs. They will pay premiums at the base rate for their assigned classification codes.

Experience rated: Some employers are large enough to use their recent experience and workplace safety efforts to project their future costs. BWC uses payroll as the base to calculate the employers expected historical losses. If an employer has had more losses than expected, the employer will pay at a rate higher than the base rate as they have higher expected future costs than the average employer. However, if the employer's past losses are less than expected, the employer will pay at a rate lower than the base rate as they have lower expected future costs than the average employer.

Some employers are group experience rated, having joined a group sponsored by a third-party administrator or trade association. Group participation allows employers to combine their historical experience with other employers to predict future costs, often resulting in a lower premium rate. Employers participating in a group might be base rated or experience rated, if rated on their own.

DWRF I
The Disabled Workers' Relief Fund (DWRF I) was statutorily created to provide cost-of-living increases to permanently and totally disabled workers who were injured prior to 1987.

DWRF II
The Disabled Workers' Relief Fund II was statutorily created to provide cost-of-living increases to permanently and totally disabled workers who were injured after 1986.

Experience modifier
An experience modifier (EM) is a relative measure of expected future claims cost, and it plays a pivotal role in determining an employer's overall premium rates. An employer with more prior claims or more severe claims than the average expected levels will have a higher EM as they have higher expected future costs than the average employer. Conversely, an employer with fewer prior claims or less serious claims will have a lower EM as they have lower expected future costs than the average employer.

* To see the same rate you'll see on your Notice of Estimated Annual Premium, which is based on $1 of payroll, divide this number by 100.

Calculation of insurance rates

Policy number: 9999999999
Business name: ABC Company
Rating period: 07/01/20xx - 06/30/20xx+1

Classification Code	Base rate	EM	Modified premium rate	DWRF I	DWRF II	Insurance rate per $100 of payroll
3807	7.4095	1.15	8.5209	0.0	0.0	8.5209
4484	1.0047	1.15	1.1554	0.0	0.0	1.1554
8810	0.0471	1.15	0.0542	0.0	0.0	0.0542

Premium rate

Now, you can calculate your premium rate.
Follow these steps.

Calculation	Value
1) Multiply your base rate by your EM.	Modified premium rate
2) Add the DWRF 1 rate	DWRF 1 rate
3) Multiply base rate by the DWRFII rate	DWRF II rate
4) **Add the modified premium rate, DWRF I rate, and DWRF II rate and divide by 100.**	**Blended premium rate per $1 of payroll**