

# COMMONWEALTH OF VIRGINIA

## WORKERS COMPENSATION SELF-INSURANCE FUND

### FY 2026 AND 2027 AGENCY PREMIUMS

#### Glossary of Terms

Statement Column or Row Reference	Term	Definition
[6]	Reported Loss	The total of paid loss amounts and case reserves; includes indemnity, medical and expense costs. Case reserves are the unpaid loss estimates established by adjusters on an individual claim basis.
[8]	Estimated Ultimate Loss	The estimated total cost of claims during the period. Ultimate losses represent the total of paid loss amounts, case reserves, and IBNR. IBNR is the unpaid loss estimate for: (a) events that have occurred for which claims have not been reported as of the accounting date, (b) future development of the case reserves, (c) claims that have been reported but not yet recorded in the loss listing, and (d) claims that have been closed but that will be reopened.
[16]	EMF (Experience Modification Factor)	<p>An experience modification factor is intended to capture the relationship between the loss potential of an individual insured relative to the average for the class of insureds.</p> <p>Premiums are allocated using the experience modification factor formula published by the National Council on Compensation Insurance (NCCI). The formula, as published, is:</p> $EMF = \frac{A_p + [W \times A_e] + [(1 - W) \times E_e] + B}{E + B}$ <p>A represents the actual losses of the agency for accidents occurring in FY 2021-2023. E represents the expected losses for the same period according to the NCCI Experience Rating Plan. The weighting factor (W) and ballast value (B) vary with the size of the insured. These two values are the means by which the actuarial concept of credibility is reflected in the experience rating plan. Credibility is a means of assigning weight to the indication</p>

[16] cont.	EMF (Experience Modification Factor)	<p>of a given body of information relative to another independent indication (in this case, an experience modification factor of 1.00), based on characteristics of the insured (such as size).</p> <p>The subscripts “<i>p</i>” and “<i>e</i>” indicate primary and excess losses, according to the definitions in the NCCI Experience Rating Plan Manual. Actual primary losses reflect claim frequency, and include the first \$22,500 of each loss. Actual excess losses are obtained by subtracting the actual primary losses from the actual reported losses, where the actual reported losses are limited to \$205,000 per claim. In addition, as prescribed by NCCI, medical only losses are reduced by 70% in the experience modification factor calculation.</p>
[12]	Primary Reported Loss	As defined in the NCCI EMF formula, primary reported losses reflect claim frequency, and include the first \$22,500 of each claim.
[13]	Excess Reported Loss	As defined in the NCCI EMF formula, excess reported losses are obtained by subtracting the actual primary losses from the actual reported losses, where the actual reported losses are limited to \$205,000 per claim.
[14]	Loss Outside Formula	The difference between total reported losses and [primary plus excess reported losses] (per the NCCI EMF formula). Loss outside the formula would include 70% of medical only losses and reported losses in excess of \$205,000 per claim.
[20]	Manual Premium	Manual Premium is equal to the product of payroll (in hundreds of dollars) and the NCCI loss cost per hundred dollars of payroll, by class code. The NCCI files advisory loss costs by class code which include a provision for statutory losses and loss adjustment expense. They do not include expense provisions for production, general expense, taxes, and profit and contingency allowance. We added a provision of 25% of premium for these expenses to allow comparison to premiums under a commercially-insured program. The inclusion of the 25% expense provision doesn’t impact the final allocated premiums by agency.
[22]	Benchmark Premium	Benchmark premium equals manual premium multiplied by the EMF.