Experience Rating Plan Manual for Workers’ Compensation and Employers’ Liability Insurance

Rule 1.A Experience rating recognizes the differences among insureds by comparing the experience of individual insureds with the average insured in the same classification.

Rule 1.B.1 This plan applies on a mandatory basis for the risks that meet the premium eligibility requirements.

Rule 1.B.2 Plan rules are based on policy periods NOT longer than 1 year.
- Policy issued longer than 1 year + 16 days divides the period into two consecutive units, to which all rules and procedures apply as if a separate policy had been issued.

Rule 1.C.1 Experience used is taken from data reported according to the statistical plan.

Rule 1.C.2 Payroll or other exposure measure is also taken from the statistical plan.

Rule 1.C.3 Incurred losses used are reported according to the statistical plan.
- No loss is included, even if the employer wasn’t responsible (exception: WTC Losses).
- Loss amounts may be limited in the experience rating calculation.

Rule 1.C.5 A risk is all entities eligible for combination under this plan, regardless of whether insurance is provided by multiple policies or carriers. Risks can be single entities or multiple entities qualifying for combination.

Rule 1.C.6 The “statistical plan” details the reporting requirements for each insured. The 1st thru 3rd reports, as well as corrections to these reports, are used in the experience rating calculation.

Rule 1.C.7 Subject premium is reported according to the statistical plan. Subject premium developed during the experience period is used to determine eligibility. Subject premium developed during the policy period is multiplied by the experience rating modification factor.

Rule 1.D.3 Unless otherwise stated, the modification issuance and revision is limited to the current and the two preceding experience rating modifications.

Rule 2.A.1.a Eligibility for the plan is based on the amount of subject premium.

Rule 2.A.1.b Some premium elements aren’t subject to experience rating. Premium may be charged for these elements, but this premium isn’t subject to modification, nor is it used to determine eligibility, nor is it used in the modification calculation.

Rule 2.A.2 A risk qualifies for experience rating when its subject premium developed in the experience period meets (or exceeds) the minimum eligibility amount (which varies by state).
- A risk qualifies if its data in the most recent 24 months of the experience period develops a subject premium greater than or equal to “column A.”
- A risk not meeting this requirement may have more than the amount of experience required, and will qualify for experience rating if the risk has an average annual subject premium of at least the amount in “column B” (which is ½ of column A).
  - Must be determined on an annual basis
  - \( \frac{\text{Total Subject Premium}}{\text{TotalMont hs of Experience}} \times 12 = \text{Average Annual Subject Premium} \)

Rule 2.A.4 A risk qualifies for experience rating on a single-state basis if it meets the eligibility requirements for that state. The premium used is based on payroll or other exposures outlined in the statistical plan.

Rule 2.A.5 A risk may qualify for rating on a multi-state basis if:
- It meets the requirements for any one state; AND
- Develops experience in one or more additional states (where the plan applies or where the rating organization’s plan allows combination).
- Experience developed in additional states doesn’t need to meet eligibility requirements
- Interstate modification applies to all of the risk’s operations
- Experience rating modification applies to the additional states operations as of the date of expansion (for a risk expanding into new states). This new experience will be included in the calculation of the future modification

**Rule 2.B.2** The “Rating Effective Date” is the earliest date that a specific modification is applied to a policy. It’s usually equal to the anniversary rating date, and is found using:

- Risk is a single policy or multiple policies w/matching effective dates
  - Rating Effective Date is the effective month and day of the most recent full term policy in effect

- Risk is a multi-policy, intra (single) state risk with different effective dates
  - Rating Effective Date is the effective date of the most recent full term policy in effect with the largest amount of estimated standard premium

- Risk is a multi-policy, inter (multi) state risk with different effective dates
  - Rating effective date is the effective date of the most recent full term policy in effect for the state with the most estimated standard premium

**Rule 2.C.1** The expected loss rate (ELR) is a factor applied to each $100 of payroll to determine the amount of expected losses

**Rule 2.C.2** Expected losses represent the benchmark level of losses expected for all employers in a state within a certain classification

**Rule 2.C.3** The Discount Ratio (D-Ratio) is a factor applied to expected losses to determine which portion of the expected losses will be primary

**Rule 2.C.4** Expected primary losses represent the benchmark level of primary losses for all employers in a state within a certain classification

**Rule 2.C.5** Actual incurred losses are reported according to the statistical plan. Each med-only claim is reduced by 70%

**Rule 2.C.6** Actual primary losses are the portion of actual incurred losses used at full value for experience rating. For each actual loss, the amount up to 5,000 is primary. For each med-only claim, the primary amount is reduced by 70%.

**Rule 2.C.7** Expected excess losses = Total Expected Losses - Total Expected Primary Losses

**Rule 2.C.8** Actual Excess Losses = Total Actual Incurred Losses - Total Actual Primary Losses

Reasons the Rating Effective Date may differ from the Anniversary Date:
- Short Term Policies
- Cancellations
- Gaps in Coverage
- Changes in Ownership
- Multiple Effective Dates
- Interstate Operations
- Longer Policies (>1yr, 16dys)
- Late receipt of current info.
Rule 2.C.9  The weighting value is a factor applied to a risk's actual XS losses and the expected XS losses to determine who much of them are used in experience rating. This weight increases as expected losses increase. Each state's weighting value is based on the total expected losses of the risk. For a multi-state risk, it's the weighted average of the individual states weighting value, using expected losses in the state as the weight.

Rule 2.C.10  The ballast value is a stabilizing factor used to limit the effect of any single loss on the experience rating mod. It increases with expected losses, and is based on the total expected losses of the risk in the state. For a multi-state risk, it's the weighted average of the individual states ballast values, again using the states expected losses as the weight.

Rule 2.C.11  “Stabilizing Value” = Expected XS Losses * (1 - Weighting Value) + Ballast Value. This value’s included in both actual and expected segments of the modification calculation, to limit the potential for significant variance in the mod from one year to the next. It’s biggest impact is on smaller risks (they're more likely to have larger swings)

Rule 2.C.12  Ratable Excess:

- Expected ratable XS losses = weighting value * expected XS. This represents the benchmark level of XS losses for all similarly classified employers
- Actual ratable XS losses = weighting value * actual XS. Represents the amount of actual XS losses used in experience rating calculation

Rule 2.C.13.a  Losses are limited to the per claim (or multiple claim) limitations fund in each states weighting value table. Limitation Decision Trees are on the next page (page 4)

BASIC LOSS LIMITATIONS (For Accidents Involving Multiple Persons, See the next page)

Rule 2.C.13.b  Disease losses are subject to per claim and multiple claim limits. Limits on total disease losses may also apply to individual policies

- Applying the disease loss policy limit:
  - Determine if the risk's individual policy total limited and non-limited actual incurred disease losses are greater than three times the per claim limit plus 120% of the risks total expected losses. If so, disease losses are limited to this amount; and
  - Actual Primary losses are limited to $10K, plus 40% of the risks total expected primary losses for the experience period
- Rule 2.C.13.a applies if a policy's total disease loss doesn't meet the limitation in the first point above, but does meet the limitation in the second point
LOSS LIMITS FOR MULTI-PERSON ACCIDENTS (1 of 2)

Loss Involves 2 or more persons AND

Total of Losses > Multiple Claim Limitation
- Total Losses subject to multiple claim accident limit.
- Actual primary Loss for these accidents is limited to $10K

Total of losses < Multiple Claim Limit, All Ind. Claim < Per Claim Limit
- Individual Losses are used at full value
- Total Actual primary losses are limited to $10K

Total Losses < Multi-Claim Limit, Individual Loss > Per Claim Limit
- Total of Remaining Losses >$5K
- Ind. Loss Limited to Per Claim Limit and Remainder of Losses used at Full Value
- Total Actual Primary Losses Limited to $10K

Total of Remaining Losses <$5k
- Ind. Loss Limited to Per Claim Limit and Remainder of Losses used at Full Value
- Actual Primary Loss Limited to $5K for the ind. Limited Loss
- No Actual Primary Loss Limit Applies to the Remainder

Actual Primary Loss Limited to $5K for the ind. Limited Loss

No Actual Primary Loss Limit Applies to the Remainder
• For risks w/o 36 months of experience:
  o To determine the most recent policy year, combine the disease losses for all policies in the experience period with an effective date within 24 months prior to the rating effective date
  o To determine the middle policy year, combine the disease losses for all policies in the experience period with an effective date more than 24, but less than 36 months prior to the rating effective date
  o To determine the most recent policy year, combine the disease losses for all policies in the experience period with an effective date more than 36 months prior to the rating effective date

**Rule 2.D.1** Experience rating modification formula is used to determine the mod for all risks eligible for experience rating

\[
Modification = \frac{A_p + (1 - W)E_{XS} + B + WA_{XS}}{E_p + (1 - W)E_{XS} + B + WE_{XS}}
\]

**Rule 2.D.2** Modification factors are subject to a cap if the debit mod exceeds a specific amount. For an interstate risk, the maximum debit mod is the vap for the state with the largest amount of expected losses

\[
Max \ Debit \ Mod = 1 + 0.00005 \left[ Expected \ Loss + \frac{2 * Expected \ Loss}{G} \right]
\]

“G” is the states average cost per claim for losses used in experience rating (divided by $1000)

**Rule 2.D.3** Experience ratings with classifications where rates include coverage under the USL&HW Act use the same formula (2.D.1), but the classifications subject to USL&HW have expected losses determined by applying the USL&HW ELF to the ELR for those classifications

**Rule 2.E.1** Calculation of a risk’s mod must include all eligible experience developed during the experience period.

• The effective date determines the experience period. Experience is included if the effective date:
  o Is not less than 21 months before the rating effective date
  o Is not more than 57 months before the rating effective date
• Experience period cannot exceed 45 months. This is the maximum period of time between the expiration date of the most recent policy and the effective date of the oldest policy
• If both the most recent and the oldest policies fit within the experience period, but including both would exceed the 45 month max, the oldest policy is dropped
• Based on the rating effective date:
  o A risks most current data (excluding 4th and 5th reports) is used to calculate the mod
  o A policies 1st, 2nd, and 3rd report data may be used in more than three experience rating mods

**Rule 2.E.2** Experience of risks insured by non-affiliate self-insurers and non-affiliate carriers may be included in experience rating. The data must be submitted to the rating organization in an approved format, and is subject to verification. The entity requesting its inclusion must be the risks insurer during the time for which the modification would apply. The data will NOT be used to determine premium eligibility

**Rule 2.E.3** If an entity discontinues all of its operations, but then reestablishes them at a later date, the future experience rating will include the applicable data developed before discontinuation. If an entity discontinues part of its operations, the future experience ratings will include the data developed prior to the discontinuation, as well as the data for the remaining operations.
Rule 3.A
Changes in ownership or combinability status must be reported within 90 days of the date of the change. Failure to do so may be considered modification evasion.

Rule 3.B
The rating organization reviews information regarding these changes, and determines the impact on the experience rating mod of the entities involved. It may require additional information.

Rule 3.C
Changes in ownership may affect the use of experience in future ratings. When a change occurs, the rating organization will determine whether to exclude or retain an entity’s experience.

Rule 3.C.1
Types of Ownership Changes:

<table>
<thead>
<tr>
<th>Change In Ownership</th>
<th>NOT A Change in Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sale, Xfer, or conveyance of all (or a portion) of an entity’s ownership interest</td>
<td>(1) Entities entering or leaving employee leasing agreements</td>
</tr>
<tr>
<td>(2) Sale, Xfer, or conveyance of an entity’s physical assets to another entity</td>
<td>(2) Creation (or dissolution) of joint ventures</td>
</tr>
<tr>
<td>(3) Merger or Consolidation</td>
<td>(3) Wrap-up Projects</td>
</tr>
<tr>
<td>(4) Formation of a new entity that acts as a successor to another entity</td>
<td>(4) Establishment of or change in a revocable trust</td>
</tr>
<tr>
<td>(5) An irrevocable trust or receiver, established voluntarily or by mandate.</td>
<td>(5) Establishment of “debtor in possession” status</td>
</tr>
<tr>
<td>(6) Entities entering or leaving affiliation, franchise, and/or management arrangements</td>
<td>(7) Probate proceedings</td>
</tr>
</tbody>
</table>

Rule 3.C.2
Ownership changes may result in:

- Change in mod
- Change in combinability status
- Change in premium eligibility status
- Anniversary Rating Date
- Rating effective Date

Rule 3.D.1
Combining multiple entities requires common majority ownership. Specifically, it requires that the same period (or group of people) owns more than 50% of each entity, or that the combining entities own a majority interest in each other.

Rule 3.D.2
Majority interest is determined based on:

- Majority of issued voting stock
- Majority of the owners (if no voting stock)
- Majority of the board (if the first 2 don’t apply)
- Participation of each general partner in the profits of the partnership (limited partners excluded)
- Ownership interest held by an entity as a fiduciary (does not include a debtor in possession, a trustee under an irrevocable trust, or a franchisor)

Rule 3.D.3
More than one combination may be possible within a group. The selection is based on the combination that involves the most entities. If this doesn’t apply, the combination will be based on the group with the largest amount of estimated standard premium. Any single entities experience may be used in only one combination.
Rule 3.E.1 Transfer of Experience

Changes in ownership (or combinability status) may or may not result in revisions of experience rating modifications. The experience ratings for any entity undergoing a change in ownership will be retained or transferred to the experience ratings of the acquiring, surviving, or new entity, unless specifically excluded by the plan.
Risk: (1) disposes of part of its operations, (2) otherwise continues to operate, (3) statistical data has been combined on a single policy, and (4) provider can provide the rating organization with the experience for data transfer.

Purchaser does not have prior experience:
- Experience will be retained for future ratings of the purchaser
- Same experience will be excluded from future experience of the seller
- If the separated experience results in either party not qualifying for experience rating, a unity factor will be used until they qualify

Purchaser has experience rating, but does not qualify for experience rating OR is an experience rated risk:
- Appropriate experience will be retained in the future experience ratings of the purchaser, and combined with their other data
- Same experience will be excluded from the future experience of the seller
- If the separated experience results in either party not qualifying for experience rating, a unity factor will be used until they qualify
Rule 3.E.2  Experience will be excluded only if ALL of the follow are true:

- Change must be a material change so that
  - Entire ownership after sale had NO interest before the change
  - Collective ownership of all those having interest in an entity results in either:
    - 1/3 ownership before the change OR
    - 1/2 ownership after the change
- Material change must be accompanied by a change in operations sufficient enough to result in reclassification
- Material change is accompanied by a change in the process and hazard of the operation.

Rule 3.E.3  If a change in ownership (or combinability status) occurs, recalculation of the mod may be required. If the first written reporting of the change occurs within 90 days of the date of the change, the application of the revised mod will be as of the date of the change. Otherwise, the application of the revised mode will be the next rating effective date following the earliest notice of the change.

Rule 3.F.1  Regardless of intent, any action resulting in the miscalculation or misapplication of a mod determined by this plan is prohibited. These actions may be:

- Failure to report ownership changes
- Change in ownership
- Change in combinability status
- Creation of a new entity
- Transfer of operations to a non-combinable entity
- Misrepresentation on audits, or failure to cooperate with them

Rule 3.F.2  When miscalculation occurs, the rating organization will act to ensure the proper calculation and application of all CURRENT AND PROCEEDING experience rating modifications impacted by these actions, including:

- Combination of experience otherwise not combinable
- Separation of otherwise combinable experience
- Exclusion of experience otherwise included
- Continuation of experience otherwise excluded
- Issuance of mods that were not originally issued
- Revision or retraction of experience rating modifications

Rule 4.A.1  Mods are determined on an annual basis, and are effective for a period of 12 months. Only one mod applies at a time, and this mod applies to all operations of the risk. Mods are applied to the premium developed by the use of the carrier’s rates in force on the effective date of the mod.

Rule 4.B.1  When the rating organization receives correction reports to the statistical plan, it will revise the current (and up to TWO preceding experience rating modifications)

Rule 4.B.2  The rating organization will use all correction reports in the production of appropriate experience rating modifications.

- Submission of revised reports will result in automatic recalculation of the current (and up to TWO preceding experience rating modifications)
- If a paid (or anticipated) recovery from a special fund becomes known, or a subro recovery is obtained in an action, the current mod is that which is in effect when the insurance provider determines the revised loss value
Rule 4.B.3 When a classification is revised (other than as a result of a change in risk operations), the experience rating mod may be recalculated, to produce a mod that uses rating values corresponding to the rates charged on a policy. When this happens, the rating organization may:

- Reassign past payroll to the appropriate classification
- Use corrected “statistical plan” reports
- Review the information submitted and determine the impact (if any) on the mod of entities involved
- Request additional information

The rating organization will NOT revise a mod if the change in classification is a result of a change in risk operations or is a filed and approved change to the classification system.

Rule 4.B.4 Losses for which a 3rd party claim have been made are included in the mod’s calculation:

- For unsettled claims, use the loss at full value
- For settled claims, apply an adjustment
  - Determine loss prior to settlement
  - Subtract amount recovered
  - Add recovery expenses incurred
  - If expenses exceed recovery, use amount prior to settlement.

Rule 4.B.5 If the incurred losses include liability-over claims:

- If the settled liability over claims result in no payment to a third party, include any allocated claim adjustment expense incurred in defending (subject to the EL accident limitation) in the experience rating calculation
- If there is a payment to the third party, make no change in the loss valuation used in the current mod. At the next evaluation date, include the settlement amount plus any expense incurred in defending (expense + settlement is subject to the EL accident limitation)
- EL accident limitation is found in the tables of weighting values

Rule 4.C.1 Preliminary mods use rating values that are expected to change (pending regulatory action on a rate filing). They’re applied until the final experience rating mod is determined.

Rule 4.C.2 A mod may be released originally as final if there were no pending rate filings at the time of release

Rule 4.C.3 A contingent mod is one that’s missing some data, but still meets minimum data requirements. For interstate risks, these mods must attain minimum data requirements for each state meeting the intrastate premium eligibility levels. If a risk does not maintain the minimum amount of data required, a modification will not be issued

*Included in Rule 4.C.3 is the table of minimum data requirements*

Experience rating mods will be issued and will not be labeled contingent when the rating organization determines that:

1) Risk has had a lapse in coverage
2) A Non-Affiliate Insurer had covered the risk
3) The insurance provider is insolvent, and is not expected to report statistical data.

When missing data is submitted, the rating organization will revise the current mod (and up to two preceding ones)

A contingent mod applies until another experience rating mod is issued by the rating organization with the same effective data
Rule 4.D  The rating effective data and the anniversary rating date determine the application of a mod. Mod’s will apply for no less than three months (except for those impacted by changes in ownership) and no more than 15 months.

For single policy risks, the mod effective on the ARD applies for the full term of the policy beginning on that date, or any other policy beginning up to three months after that date. If a policy begins more than three months after the ARD:

1) The current mod applies until it (the mod) expires
2) A renewal mod applies to the policy until the policy expires
3) A renewal mod applies annual thereafter as of the new ARD

If a risk is covered by two or more policies with varying effective dates:

1) A mod is issued to be effective for 12 months, this mod applies to the portion of each policy falling within that 12 month period, regardless of the effective and expiration dates
2) Renewal experience rating mod applies to each policy
3) Rating organization will review the effective dates, and might authorize the application of a mod for a non-12 months period.

Rule 4.E is incomplete in the NCCI attachment to the exam, and I’m making no effort to extrapolate its actual meaning. It discusses changes in experience rating modifications, and lists a number of inclusions. The notes that follows are what I can pare from what is included

Rule 4.E  Mods can change for various reasons, at various points in time. A (incomplete) tree of how to apply changes follows

There’s a list of exclusions, but they’re not overly helpful, as it doesn’t state how to treat what is INCLUDED. So, moving on...

Rule 5.A.1  “In a normal business environment, a risk may be insured for many years through a direct relationship with one or more insurance carriers. Under employee leasing, clients may move in and out of leasing arrangements or from one arrangement to another”

Rule 5.A.2  While a client is involved in an employee leasing arrangement, experience rating modifications apply to professional employer organizations (PEOs) and clients. See the Chart(s) on the next page(s).
Arrangement covered under a Master Policy

Client

For MPs covering the leased employees, PEO's mod applies

For Policies covering clients non-leased employees, separate mods apply, subject to eligibility Requirements

If the client doesn't qualify for a mod, apply unity to the policy covering non-leased employees and subsequent policies until the client is eligible

PEO

PEO's mod apply to the master policies as well as other PEO policies

If the PEO doesn't qualify, unity applies to the master policy and other PEO policies, until eligible

Arrangement Covered Under a Multiple Coordinated Policy (MCP) Basis

Client

Client's mod applies to the client's policy under the MCP and any other policy covering non-leased employees. Mod will include client's experience prior to the leasing arrangement

Subsequent mods will include client experience for leased and non-leased employees developed during the arrangement

If the client doesn't qualify for rating, unity applies to

The client's policy under the MCP

Any other policies covering non-leased employees

Subsequent policies until the client is eligible for a mod

PEO

PEO's mods apply to the policies covering the PEO's direct employees

If the PEO doesn't qualify, a unity factor applies to all PEO policies and subsequent policies until it qualifies
When a client leaves an employee leasing arrangement covered under a master policy, the PEO’s insurance provider reports the client’s data developed during the arrangement to the rating organization. Data must be resubmitted prior to each renewal rating effective date. The treatment differs depending on whether or not the insurance provider can furnish the rating organization with the appropriate experience or not.

**Insurance provider CAN furnish the data**

**Client:**
- Rating organization will calculate the mod using data reported, including experience for the clients leased and non-leased employees during the experience period
- PEO Mod applies to the clients new policy until the rating organization calculates the clients own mod
- The clients' new mod will apply to the clients policy retroactive to inception
- If the client's not eligible a unity factor will apply until it is

**PEO:** The rating organization will revise the PEO's experience rating modification to remove the former clients data

**Insurance Provider CAN'T furnish the data**

**Client:**
- Experience rating mod is calculated for the client based on experience developed
  - prior to the leasing arrangement
  - from policies covering non-leased employees
- If an mod can't be developed, the PEO's mod applies until the client is eligible for its own experience rating (PEO can not apply for more than three years)
  - After Three years, a unity factor applies if the client is still not eligible

**PEO:** The client's experience remains in the PEO's mod
No special treatment is needed to develop a mod for the client when it leaves a leasing arrangement covered on an MCP basis, because the data’s already routinely submitted for each client according to the statistical plan

**Rule 5.B**

If coverage is provided on an ex-med basis, the formula is unchanged, but we apply an ex-med multiplier to convert the total expected losses for each class into an ex-med basis

\[
Exmed \text{ Multiplier} = 1 - (1.3 \times \text{Class Exmed Ratio})
\]

Class ex-med ratios are obtained from the rating organization

**Rule 5.C**

A separate mod can be calculated for a single state within an interstate risk. This is done using a weighted average based on the risk’s total expected losses in all states and its expected losses in the separated state.

This is allowed when the following apply:

- Risk must be interstate
- Risk must qualify for an intrastate rating in the state where the separate state mod is desired
- Risk must qualify for an intrastate rating in at least one other state
- Request for a separate state mod must be:
  - From a carrier only licensed to write WC in the state for which the mod is requested
  - In writing and subject to insured’s agreement
  - Received prior to the rating effective date

Any modification under this rule applies for the full rating period. The separate state mod applies to all of a risk’s operations in that state. A risk can qualify for a separate state mod in more than one state, the completed mod for each state is that state’s separate state mod.

**CALCULATION:**

Step 1: Calculate, on a multi-state basis, a mod for the entire risk

Step 2: Calculate a mod for the state for which a separate mod is requested

Step 3: Calculate a mod for all states excluding the one for which a mod has been requested

\[
Rel = \frac{\text{Step 1} \times \text{Total expected losses in all states}}{\text{Step 2} \times \text{Expected losses in separate state} + \text{Step 3} \times \text{Expected losses in all other states}}
\]

Step 4: Completed separate state mod = Step 2 * Rel

Step 5: Completed all other states mod = Step 3 * Rel

**Rule 5.D.1**

A policy issued for an entity participating in a wrap-up construction project is subject to its own experience rating mod. There’s no mod for the wrap-up project as a unit/

**Rule 5.D.2**

Two or more contractors that aren’t combinable for experience rating may associate together as a joint venture. This joint venture may qualify for its own experience rating mod, if the following are met:

- Contract for the entities is awarded in the name of the joint venture
- The participating entities share the control, direction, and supervision
- The participating entities maintain a common bank account, payroll and business records

Experience of the joint venture participants is excluded from their individual experience rating modifications.
Rule 5.D.3  Under a cost-plus contract, the principal agrees to compensate the contractor based on the cost of the work plus a fixed fee. A policy covering both parities is assigned the mod of the contractor, and is included in the contractor’s experience.

Rule 5.D.5  The experience of an uninsured contractor is included in the experience of the principal contractor or the principal owner.