
RETROSPECTIVE RATING PLAN PREMIUM
ENDORSEMENT - LARGE RISK ALTERNATIVE RATING
OPTION (LRARO)

This endorsement is included in the policy to reflect your selection of retrospective rating for your Workers Compensation and Employers Liability Insurance. You have chosen the Large Risk Rating Alternative Option that we have negotiated with you.

DESCRIPTION OF FORMULA

Retrospective Rating Premium = (Basic Premium + Excess Loss Premium + Converted Losses) x Tax Multiplier. These are developed as factors to Standard Premium. The retrospective premium is then divided by payroll to develop a rate per payroll.

The Retrospective Premium is subject to the Maximum and Minimum Premiums (if any).

TIMING OF ADJUSTMENTS

Retrospective adjustments are made at 18 months and annually thereafter as mutually agreed upon. The retrospective adjustment may include loss development factors. The loss development factors are intended to reduce the variability of adjustments. If loss development factors are included, they are included in the schedule below.

CANCELLATION PROVISIONS

1. If the insurance subject to this endorsement is canceled, the effective date of cancellation will become the end of the rating plan period. We may agree with you through endorsement to extend the plan period.
2. If we cancel for nonpayment of premium, the Maximum Premium will be based on the standard premium for the policy period, increased pro rata to 365 days.
3. If you cancel, the standard premium will be calculated according to the short rate procedures for workers compensation and employers liability. This premium will be the Minimum Premium and will be used to determine the basic premium. The Maximum Premium will be based on the standard premium for the plan period, increased pro rata to 365 days.
4. Section 3. does not apply if you cancel because:
 - a. All work covered by this insurance is finished;
 - b. All interest in the business covered by this insurance is sold; or
 - c. You retire from all business covered by this insurance.

RETROSPECTIVE RATING PLAN PREMIUM
ENDORSEMENT - LARGE RISK ALTERNATIVE RATING
OPTION (LRAR0) - CONTINUED

DEFINITIONS

Allocated Loss Adjustment Expense (ALAE) - Includes but is not limited to: fees of attorneys, court costs, medical exams, autopsy, medical cost containment expenses incurred and expenses that are related to the handling of a particular claim as required by statute or regulation.

Unallocated Loss Adjustment (ULAE) - Includes but is not limited to: carrier department overhead, fees to independent claims professionals not included in ALAE.

Loss Limitation - A limit placed on a claim dollar amount that is included in the retrospective rating plan.

Basic Premium - Includes general administration costs, loss control costs and insurance charges.

Loss Conversion Factor (LCF) - This covers the cost of claim services not included in ALAE. The LCF is negotiated between you and us.

Converted Loss - Converted losses are the result of incurred losses subject to the retrospective rating formula times the LCF.

Excess Loss Premium (ELP) - A charge for limiting the losses by the loss limitation.

Tax Multiplier - A charge for license, fees assessments and taxes paid on premium collected.

Maximum Premium - This is the greatest amount of premium payable subject to retrospective rating.

Minimum Premium - This is the least amount of premium payable subject to retrospective rating.

Maximum Loss - This is the greatest amount of loss payable subject to retrospective rating.

Loss Development Factors - These are ratios that project losses to their final settlement value. They may be on a paid or incurred (paid plus case reserve) basis.

Standard Premium - This is manual premium adjusted for experience modification but prior to the following: premium discount, expense constant, terrorism and catastrophe (Other Than Certified Acts of Terrorism).

RETROSPECTIVE RATING PLAN PREMIUM
ENDORSEMENT - LARGE RISK ALTERNATIVE RATING
OPTION (LRARO) - CONTINUED

Schedule of Retrospective Elements

Basic Premium Factor*	999999
Loss Limitation	999999
LCF	999999
Maximum Premium Factor**	999999
Maximum Loss Factor**	999999
Minimum Premium Factor**	999999
Loss Development Factors	999999

*Factor to Standard Premium

**Factor to Payroll

Retrospective Rating Adjustment Schedule

X Annual after 18 months

Other

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.
(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective
Insured

Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____