

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **RETROSPECTIVE PREMIUM ENDORSEMENT LARGE RISK ALTERNATIVE RATING OPTION**

**Policy Number:**

**Endorsement Number:**

**Effective Date:**

Effective hour is the same as stated on the Information Page of the policy.

**Named Insured and Address:**

This endorsement is added to Part Five (Premium) because you have agreed to have the cost of the insurance rated retrospectively using a Large Risk Alternative Rating Option. This endorsement explains the rating plan and how the retrospective premium will be determined.

This endorsement applies to the states listed in the Schedule. It applies to the rating plan period as stated in the Schedule. It applies only to those policies listed in the Schedule.

The amount of retrospective rating plan premium depends on the five standard elements and the two elective elements. The various retrospective rating plan factors are shown in the Schedule.

### **A. Retrospective Rating Plan Premium Standard Elements**

The five standard elements are explained here.

1. Standard Premium is the premium we would charge during the rating period if you had not chosen a retrospective rating plan. Standard Premium does not include the following elements and any other elements excluded based on our manuals:

- o Premium discount
- o Expense constant
- o Premium resulting from the nonratable element codes
- o Premium developed by the occupational disease rates for employees subject to the Federal Mine Safety and Health Act

- o Premium developed by the catastrophe provisions as outlined in our manuals.

2. Basic Premium is less than Standard Premium. It is determined as follows:

- a. If the Basic Premium Factor is expressed as a percentage then the Basic Premium is determined by multiplying the Standard Premium times the Basic Premium Factor Percentage, as shown in the Schedule. The Basic Premium Factor may vary depending on the total amount of Standard Premium.

- b. If the Basic Premium Factor is expressed as a rate per \$100 of remuneration then the Basic Premium is determined by multiplying the total remuneration times the rate per \$100 of remuneration, as shown in the Schedule.

The Basic Factor includes:

- o Our general administration costs and expenses
- o Cost of loss control services
- o Insurance charges

The Basic Premium Factor does not cover premium taxes or claims adjustment expenses. Those elements are usually provided for in the Tax Multiplier and the Loss Conversion Factor.

3. Incurred losses are all amounts we pay or estimate we will pay for losses, interest on

judgments, expenses to recover against third parties, and employer's liability loss adjustment expenses. This includes paid and outstanding losses including reserves set on open claims. Incurred losses will include Allocated Loss Adjustment Expenses (ALAE).

The rating formula for incurred losses will not include loss for the following elements or any other elements excluded from our manuals:

- o Resulting from the nonratable elements codes
  - o Developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act
  - o Developed by the catastrophe provisions as outlined in our manuals
4. Converted incurred losses are based on the incurred losses for a policy or policies to which the retrospective rating plan applies. A Loss Conversion Factor is applied to incurred losses to produce the converted incurred losses. The Loss Conversion Factor is shown in the Schedule.
  5. Taxes are a part of the premium we collect. Taxes are determined as a percentage of Basic Premium, Converted Losses and any elective elements. The percentage is called the Tax Multiplier. The Tax Multiplier is shown in the Schedule.

#### **B. Retrospective Rating Plan Premium Elective Elements**

Two other elements are included in determining retrospective rating plan premium if you chose to include them. They are the excess loss premium for the Loss Limitation and the Retrospective Development Premium. They are explained here:

1. The election of a Loss Limitation means that the amount of incurred losses to be included in the retrospective rating plan premium is limited to an amount called the Loss Limitation. If you elect a Loss Limitation you can decide to have the Loss Limit apply as follows:
  - a. Per Person – The Loss Limitation applies separately to each person who sustains bodily injury by disease and separately to all bodily injury arising out of any one accident; or,
  - b. Per Accident – The Loss Limitation applies separately to each accident or occurrence regardless of the number of employees involved in that accident.

The charge for this Loss Limitation is included in the Basic Premium Factor as another expense item. If you chose a Loss Limitation, that amount will be shown in the Schedule.

2. The retrospective development element is used to help stabilize premium adjustments. The premium for this element is charged with the first three calculations of the retrospective rating plan premium and is called the retrospective development premium. It is a percentage of the Standard Premium multiplied by the Loss Conversion Factor. The percentage of Standard Premium is called the Retrospective Development Factor. The Retrospective Development Factors vary by first, second and third calculations of the retrospective rating plan premium. If you chose this element, the Retrospective Development Factors are shown in the Schedule.

#### **C. Retrospective Rating Plan Premium Formula**

Insurance policies listed in the Schedule will be combined with this policy to calculate the retrospective rating plan premium. If the policies provide insurance for more than one insured, the retrospective rating plan premium will be determined for all insureds combined, not separately for each insured.

1. Retrospective rating plan premium is the sum of Basic Premium, Converted Losses and retrospective development premium elective elements if you chose them. This sum is multiplied by the applicable Tax Multiplier shown in the Schedule.
2. The retrospective rating plan premium will not be less than the minimum or more than the maximum retrospective rating plan premium. The minimum and maximum retrospective rating plan premiums are determined by:
  - a. If the Minimum and Maximum Retrospective Rating Plan factors shown in the Schedule are shown as a percentage then the minimum and maximum retrospective rating plan premiums are determined by applying the Minimum and Maximum Retrospective Rating Plan Factors, as shown in the Schedule, to the Standard Premium
  - b. If the Minimum and Maximum Retrospective Rating Plan Factors shown in the Schedule are expressed as rates per \$100 of remuneration then the minimum and maximum rating plan premiums are determined by multiplying the rates per

\$100 of remuneration, as shown in the Schedule, times the total remuneration.

3. If this endorsement applies to more than one policy or state, the Standard Premium will be the sum of the Standard Premiums for each policy and state.

#### **D. Calculation of Retrospective Rating Plan Premium**

1. We will calculate the retrospective rating plan premium using all loss information we have as of a date eighteen months after the inception date of the Rating Plan Period, as shown in the Schedule, and annually thereafter.

We may make a special valuation of a retrospective rating plan premium as of any date that you are declared bankrupt or insolvent, make an assignment for the benefit of creditors, are involved in reorganization, receivership or liquidation, or dispose of all your interest in work covered by the insurance. You will pay the amount due to us if the retrospective rating plan premium is more than the total Standard Premium as of the special valuation date.

2. After any calculation of the retrospective rating plan premium, you and we may agree that it is the final calculation.
3. After each calculation of the retrospective rating plan premium, you will pay promptly the amount due us, or we will refund the amount due you. Each insured is responsible for the payment of all Standard Premium and retrospective rating plan premium calculated under this endorsement.

#### **E. Insureds Operating in More Than One State**

If any of the policies provide insurance in a state not shown in the List of States, and if you begin work in that state during the Retrospective Rating Plan Period, this endorsement will apply to that insurance if this retrospective rating plan applies in that state on an interstate basis. The retrospective rating plan premium standard elements, and the elective elements you chose, will be determined by our manuals for that state, and added to the Schedule by endorsement.

#### **F. Cancellation of a Policy Under a Retrospective Rating Plan**

1. If the policy to which this endorsement is attached is cancelled, the effective date of the cancellation will become the end of the rating plan period of all insurance subject to this endorsement.
2. If other policies listed in the Schedule of this endorsement are cancelled, the effective date of cancellation will become the end of

the rating plan period for all insurance subject to this endorsement unless we agree with you, by endorsement, to continue the rating plan period.

3. If we cancel for nonpayment of premium, the maximum retrospective rating plan premium will be:

- a. If the Maximum Retrospective Rating Plan Factor is shown as a percentage, then the maximum retrospective rating plan premium is based on the standard premium for the rating plan period, increased pro rata to 365 days, and will include all of the applicable retrospective rating plan factors shown in the Schedule.

- b. If the Maximum Retrospective Rating Plan Factor is shown as a rate per \$100 of remuneration, then the maximum retrospective rating plan premium is based on the total remuneration for the rating plan period, increased pro rata to 365 days, and will include all of the applicable retrospective rating plan factors shown in the Schedule.

4. If you cancel, the Standard Premium for the rating plan period will be increased by our short rate table and procedure. This short rate premium will be the minimum retrospective rating plan premium. The short rate premium will be used to determine the retrospective development premium if you chose this elective element.

The maximum retrospective rating plan premium will be:

- a. If the Maximum Retrospective Rating Plan Factor is shown as a percentage, then the maximum retrospective rating plan premium is based on the short rate premium, increased pro rata to 365 days.

- b. If the Maximum Retrospective Rating Plan Factor is shown as a rate per \$100 of remuneration, then the maximum retrospective rating plan premium is based on the total remuneration for the rating plan period, increased by our short rate table and procedure, and increased pro rata to 365 days.

5. Section F.4. will not apply if you cancel because:

- a. All work covered by the insurance is completed

- b. All interest in the business covered by the insurance is sold

- c. You retire from all business covered by the insurance.

**SCHEDULE**

1. List of States: \_\_\_\_\_

2. List of Policies: \_\_\_\_\_

3. Rating Plan Period: From \_\_\_\_\_ To \_\_\_\_\_

4. The Plan Parameters are:

a. Loss Limitation: \$ \_\_\_\_\_ Per Person  
OR  
\$ \_\_\_\_\_ Per Occurrence

b. Loss Conversion Factor: \_\_\_\_\_

c. Minimum Retrospective Rating Plan Premium Factor  
\_\_\_\_\_ % of Standard Premium  
OR  
\_\_\_\_\_ per \$100 of remuneration (including/excluding) payroll for monopolistic states.

d. Maximum Retrospective Rating Plan Premium Factor  
\_\_\_\_\_ % of Standard Premium  
OR  
\_\_\_\_\_ per \$100 of remuneration (including/excluding) payroll for monopolistic states.

e. Tax Multiplier: \_\_\_\_\_

f. Basic Premium Factor  
The Basic Premium Factors shown are based on estimates of Standard Premium. If the actual standard premium is within the range of estimated standard premiums shown, the Basic Premium Factor will be obtained by linear interpolation to the nearest one-tenth of 1%. If the actual standard premium is not within the range of estimated standard premiums shown below, the Basic Premium Factor will be recalculated.

	50%	100%	150%
Estimated Standard Premium:	_____	_____	_____
Basic Premium Factor:	_____	_____	_____

OR  
The Basic Premium Factor is:  
\_\_\_\_\_ per \$100 of remuneration (including/excluding) payroll for monopolistic states.

g. Terrorism Charge  
\_\_\_\_\_ % of Standard Premium  
OR  
\_\_\_\_\_ per \$100 of remuneration.

h. Catastrophe Charge  
\_\_\_\_\_ % of Standard Premium  
OR  
\_\_\_\_\_ per \$100 of remuneration.