

**WISCONSIN RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT
LARGE RISK ALTERNATIVE RATING OPTION (PAID LOSS)**

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.)

Insured		Policy No.	
Company	Effective Date	Premium	Endt. No.
Authorized Representative			

Schedule

- 1) Rating Plan Period: From: _____ To: _____
- 2) Other policy(s) subject to this Retrospective Rating Plan Premium Endorsement: _____

- 3) Loss Limitation Amount (if applicable): \$ _____
- 4) Basic Premium: (option that applies is indicated by 'X')
 - a) _____ Negotiated percentage of Standard Premium _____ %
 - b) _____ Negotiated rate of \$ _____ per \$100 of Remuneration, subject to a minimum of \$ _____
 - c) _____ Negotiated amount of \$ _____

Estimated Basic Premium \$ _____
- 5) Claim Handling Charges: (option that applies is indicated by 'X')
 - a) _____ Negotiated loss conversion factor of _____
 - b) _____ Negotiated amount for each _____
- 6) Tax Multiplier _____: (option that applies is indicated by 'X')
 - a) _____ Basic premium plus either "Converted Paid Losses" or
 - b) _____ Basic premium plus "Paid Losses" plus Claims Handling Charges.
- 7) "Minimum Retrospective Premium": (option that applies is indicated by 'X')
 - a) _____ Basic Premium plus Tax, if selected
 - b) _____ Negotiated percentage of Standard Premium _____ %
 - c) _____ Negotiated rate of \$ _____ per \$100 of Remuneration, subject to a minimum of \$ _____

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- d) _____Negotiated amount of \$ _____
- 8) "Maximum Retrospective Premium": (option that applies is indicated by 'X')
 - a) _____Negotiated percentage of Standard Premium _____%
 - subject to a minimum of \$ _____
 - b) _____Negotiated rate of \$ _____per \$100 of Remuneration,
 - subject to a minimum of \$ _____
 - c) _____Negotiated amount of \$ _____
 - d) _____No "Maximum Retrospective Premium" applies.
- 9) Aggregate Limit: (if an aggregate limit is selected below, then no "Maximum Retrospective Premium" applies)

Aggregate limit is combined for the following policy(s):	
Estimated aggregate limit:	\$
Estimated Remuneration:	\$
Aggregate limit rate (per \$100 of Remuneration)	\$
Minimum aggregate limit:	\$

This endorsement is issued because you (the insured) and we (the insurer) have agreed to have the cost of the insurance rated retrospectively, under the provisions of the Large Risk Alternative Rating Option ("LRARO") where applicable.

The amount of Retrospective Premium depends on five standard elements and one elective element.

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 the approved Retrospective Rating Manual:
 - a) Premium discount
 - b) Expense constant
 - c) Premium resulting from the non-ratable element codes
 - d) Premium developed by the occupational disease rates for employee's subject to the Federal Mine Safety and Health Act
 - e) Premium developed by the catastrophe provisions as outlined in the Wisconsin Basic Manual.
- 2) Basic premium is less than standard premium. Basic premium has been estimated and it is shown in the Schedule. The final basic premium will be determined after audit. Basic premium includes:
 - a) General administration costs of the carrier
 - b) Cost of loss control services
 - c) Net aggregate loss factor
 - d) Loss Limit (optional)

e) Taxes (optional)

Basic premium generally does not include premium taxes. That element is usually provided for in the tax multiplier; however, the insured and insurer may agree to include a charge for taxes in the basic premium.

- 3) "Paid Losses" and "Allocated Loss Adjustment Expense" are all amounts the insurer pays for losses, interests on judgments, expenses to recover against third parties, and employer's liability loss adjustment expenses.
Note: "Paid Losses" and "Allocated Loss Adjustment Expense" will not include a loss for the following elements or any other elements excluded from the Retrospective Rating Manual:
 - a) Resulting from the non-ratable element codes
 - b) Disease-related portion of losses covered under the Federal Mine Safety and Health Act
 - c) Resulting from the application of catastrophe provisions
- 4) The claim handling charges may be calculated as either (a) a loss conversion factor applied to "Paid Losses" (known as "Converted Paid Losses"); or (b) an amount charged under a separate claims handling agreement. The option selected will be listed in the Schedule.
- 5) Taxes are part of the premium the insurer collects. Taxes may be determined as a percentage of basic premium, "Paid Losses", and claim handling charges. This percentage is called the tax multiplier. The tax multiplier and elected application is shown in the Schedule. The insured and insurer may agree to include taxes as part of the basic premium.

RETROSPECTIVE RATING PLAN PREMIUM ELECTIVE ELEMENT

One additional element may be included in determining retrospective rating plan premium as negotiated between the insured and insurer and is explained below. The charge for this loss limitation is included in the basic premium.

- 1) Loss Limitation – The election of a loss limitation means that the amount of "Paid Losses" and "Allocated Loss Adjustment Expense" to be included in the Retrospective Premium is limited to an amount called the loss limitation. The loss limitation applies separately to:
 - a) Each accident that occurs under this policy, regardless of the number of employees injured in the accident; and
 - b) Each employee injured by disease during the policy period.

RETROSPECTIVE RATING PLAN PREMIUM FORMULA

- 1) Retrospective Premium is calculated as the sum of basic premium, "Paid Losses" or "Converted Paid Losses", multiplied in part or whole, as elected on the Schedule, by the tax multiplier. Retrospective Premium is the amount the insured must pay subject to the "Minimum Retrospective Premium" and the "Maximum Retrospective Premium", as elected on the Schedule. If a loss limitation is elected, then the amount of "Paid Losses" and "Allocated Loss Adjustment Expense" to be included in the Retrospective Premium is limited to an amount called the loss limitation. The loss limitation applies separately to each accident that occurs under this policy, regardless of the number of employees injured in the accident and separately to each employee injured by disease during the policy period.
- 2) The Retrospective Premium will not be less than the "Minimum Retrospective Premium", nor more than the "Maximum Retrospective Premium", agreed to by the insured and insurer. The "Minimum Retrospective Premium" factor and "Maximum Retrospective Premium" factor are shown in the Schedule.

As an alternative to a "Maximum Retrospective Premium", you may agree to an aggregate limit which may apply to one or more policy(s). If an aggregate limit is selected, no "Maximum Retrospective Premium" applies.

CALCULATION OF THE AGGREGATE LIMIT

If elected, the aggregate limit will apply to this policy and those which are specified in part 9 of the Schedule. The aggregate limit is the maximum amount of "Paid Losses" and "Allocated Loss Adjustment Expense" payable by you for any reimbursement within a deductible (in states other than Wisconsin), or loss limit, for any policy(s) listed in part 9 of the Schedule. The tax multiplier and loss conversion factor, if elected, will not be included in reaching the aggregate limit.

The aggregate will be calculated according to the information in the Schedule.

The estimated aggregate limit stated in the Schedule is an estimate based on the estimated remuneration for the applicable policy(s).

The aggregate limit rate stated in the Schedule is computed as the estimated aggregate limit divided by the estimated remuneration multiplied by \$100. The final aggregate limit will be determined after the applicable policy(s) end by multiplying the aggregate limit rate by \$100 of actual, not estimated, remuneration for the applicable policy(s). The final aggregate limit will equal the greater of:

- 1) The minimum aggregate limit shown in the Schedule above; or
- 2) The aggregate limit rate multiplied by the actual remuneration for the applicable policy(s) divided by \$100.

The minimum aggregate limit will not be reduced, including if:

1. This endorsement is issued for a term of less than (1) year, or
2. The policy or this endorsement is cancelled for any reason by you or by us before the end of the policy period.

PAYMENTS AND ADJUSTMENTS

- 1) **Initial premium payment.** The insured will pay an agreed upon portion of the standard premium as the initial premium payment for the policy period.
- 2) **Ongoing.** The insured will pay for "Paid Losses", claim handling charges and taxes when invoiced.
- 3) **Premium Adjustments.** The insured will pay all "Minimum Retrospective Premium" payments when due. The insured will also pay as mentioned in #2 in this section.
- 4) If the insured fails to make any of the payments listed above, the insurer has the authority to call upon the security as agreed upon.

DUTIES REGARDING SECURITY, COLLATERAL, AND REIMBURSEMENT OF PAYMENTS

- 1) Within the first thirty (30) days of the policy effective date, you must do each of the following:
 - a) Provide us with a security agreement, signed by you, that is acceptable to us; and
 - b) Post security or collateral, in a form and amount we require, in accordance with the security agreement, to secure your obligation for payments we make within the applicable retrospective rating plan.
- 2) If we send you notice of a payment due under this agreement, you must see to it that we receive your payment promptly, and in no case more than thirty (30) days after we send our notice.

If for any reason you fail to comply with any requirement above, then we will notify you of that failure. **If you do not cure that failure completely within ten (10) days after we send such notification, then, without waiving any other remedy available to us, your failure to cure will be deemed an irrevocable request by you that the policy be cancelled immediately.**

CLAIM HANDLING

The insured acknowledges that the insurer has the final authority on handling and the disposition of all claims hereunder. While the insurer will endeavor to work with the insured in the handling of claims and to keep the insured advised at all times of the claim disposition, this is not always possible. Ultimately, it is the judgment of the insurer that will prevail in the event of a disagreement between the insured and insurer with respect to the disposition of a claim.

RECOVERY FROM OTHERS

If the insurer recovers any payments made under this policy from anyone liable for the injury, the amount recovered will be applied as follows:

- 1) First to the insurer for payments made on behalf of the insured in excess of the "Paid Losses" and "Allocated Loss Adjustment Expense", and then to any payments made for "Paid Losses", "Allocated Loss Adjustment Expense", claim handling charges, and taxes which are overdue from the insured, if any.

- 2) Any remainder will be credited to the insured's account up to the amount that has been billed.

CANCELLATION

If you fail to pay us for any amounts owed under the policy, this endorsement, or a separate claims service agreement (if applicable), or, if you fail to provide security in a form and amount acceptable to us, we will cancel for nonpayment in accordance with the applicable state cancellation laws. The effective date of the cancellation will be considered the end of the policy period.

DEFINITIONS

- 1) "Allocated Loss Adjustment Expense" means all claim expenses that we directly allocate to a particular claim, proceeding or suit. Such expenses can include, but are not limited to, medical cost containment fees, legal bill review fees, fees for nurse case managers, surveillance, attorneys, and expert witnesses, as well as court costs or arbitration costs.
- 2) "Converted Paid Losses" are "Paid Losses" multiplied by the loss conversion factor or claims handling charges. If applicable, this factor is shown on the Schedule.
- 3) "Maximum Retrospective Premium" is the maximum amount of Retrospective Premium an insured will pay. If any remuneration revisions or the audited payroll is different than the estimated remuneration, the "Maximum Retrospective Premium" will be recalculated and changed accordingly, subject to the minimum shown on the Schedule.
- 4) "Minimum Retrospective Premium" is the minimum amount of Retrospective Premium the insured will pay. If the audited Payroll is different than the estimated remuneration, the "Minimum Retrospective Premium" will be changed accordingly.
- 5) "Paid Losses" are all losses that the insurer has paid as of the date of the Retrospective Premium calculation. "Paid Losses" do not include reserved claim dollars that have not yet been paid.
- 6) Claims Definitions:
 - a) "Record-Only Claim" or "RO" shall mean the creation and maintenance of a data file for those instances in which an accident involving only minor bodily injury requiring no medical treatment and no anticipated lost time has come to Your attention and You request Us to maintain a record of the incident and associated data on Our Risk Management Information System for tracking purposes even though no claim has been presented and is not anticipated to be presented. And there is no statutory requirement to report the incident as a claim.
 - b) "Medical-Only Claims" or "MO" shall mean any workers' compensation accident or claim involving an injured-worker who is, or may be entitled to medical benefits but has not lost and does not appear likely to lose time from work or submit a claim for indemnity benefits.
 - c) "Lost-Time Claims" or "LT" shall mean: (i) any reported workers' compensation accident or claim with respect to which the injured worker will not only be entitled to medical benefits but in addition has lost or appears likely to lose time from work or submit or has submitted a claim for indemnity benefits, including any claim originally classified as a Medical-Only Claim which becomes a Lost-Time Claim because the injured worker claims or becomes eligible for indemnity benefits; (ii) any claim in litigation; (iii) claims which would otherwise be classified as Medical-Only Claims involving an injured worker who has returned to work on alternate duty due to restrictions from the work-related injury, but follow-up by a claims representative will be needed to facilitate to return to full duty; and (iv) claims which merit investigation by a claims representative or private investigator due to questions regarding compensability.