NEW YORK

RETROSPECTIVE RATING PLAN MANUAL for

WORKERS COMPENSATION and

EMPLOYERS LIABILITY INSURANCE

2010 Edition

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PREFACE

A. ORGANIZATION OF THE NEW YORK RETROSPECTIVE RATING PLAN

This manual contains rules and rating values that have been approved by the New York State Insurance Department pursuant to Article 23 of the New York Insurance Law. The manual is organized according to the following topics:

Rule 1—General Explanation

Rule 2—Eligibility for the Plan

Rule 3—Operation of the Plan

Rule 4—Administration of the Plan

Tables of Retrospective Rating Values

Appendix

Endorsements Required for Use of the Plan

B. JURISDICTIONS WHICH MAY BE COMBINED WITH NEW YORK ON INTERSTATE RETROSPECTIVE RATING PLANS

Alabama
Alaska
Arizona
Arkansas
Colorado
Connecticut
Delaware
District of Columbia
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Mexico
North Carolina
North Dakota *
Ohio *
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington *
West Virginia
Wisconsin
Wyoming *

* For interstate retrospective rating plans, this Plan applies to employers liability only.

C. INTRODUCTION

The rules contained in this manual apply only to workers compensation and employers liability insurance, whether written alone or in combination with other commercial casualty insurance. A retrospective rating plan is based on a mutual agreement between the insured and the carrier. Refer to the Retrospective Rating Plan issued by the Insurance Services Office for rules that govern other commercial casualty lines of insurance.

Premium under a retrospective rating plan is the direct result of incurred losses. A retrospective rating plan reflects the cost of losses plus the insurance carrier's expenses in providing this insurance.

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RULE 1—GENERAL EXPLANATION

A. OBJECT OF THE PLAN

The application of this Plan is optional and may be used only upon election by the insured and acceptance by the insurance carrier.

A retrospective rating plan adjusts the premium for the insured's policy on the basis of losses incurred during the term of that policy. The intent is to charge premium that reflects the actual experience of the insured based on the insured's individual loss history during the policy term. A retrospective rating plan uses the losses incurred during the term of the policy to establish the cost of insurance, and it includes provisions for all expenses and taxes on premium.

B. DEFINITIONS

1. General Definitions

a. Allocated Loss Adjustment Expense (ALAE)

Allocated loss adjustment expense for workers compensation and employers liability insurance, as defined in the ***New York Workers Compensation Statistical Plan,*** may also be included as part of incurred losses under a retrospective rating plan if agreed upon by the insured and carrier. This will be called the Allocated Loss Adjustment Expense Option (ALAE Option).

b. Increased Limits for Coverage B

If the policy provides for increased limits for employers liability coverage, the losses may be subject to the retrospective rating loss limitation. The premium for employers liability increased limits is based on the percentages provided in the ***New York Workers Compensation and Employers Liability Manual***.

c. Incurred Losses

Incurred losses for workers compensation and employers liability insurance are defined in the ***New York Workers Compensation Statistical Plan***. Incurred losses include paid and outstanding losses.

If the ALAE Option is elected, then incurred losses will include ALAE.

Refer to Rule 1-B-1-a of this manual for the definition of Allocated Loss Adjustment Expense (ALAE) when including ALAE as part of incurred losses.

Note: The rating formula for incurred losses will not include a loss resulting from:

- Non-ratable element codes
- Occupational disease for employers subject to the Federal Mine Safety and Health Act
- Terrorism, natural disasters and catastrophic industrial accidents
- ★ Reported as fully fraudulent according to the Statistical Plan
- ★ Reported as noncompensable according to the Statistical Plan

d. Large Risk Rating Option (LRRO)

The New York Large Risk Rating Option is a flexible retrospective rating plan that is mutually agreed to by the insured and carrier. It is an available option for insureds with an estimated annual standard premium of at least $500,000 individually or in any combination with any commercial casualty insurance line (general liability, commercial automobile, hospital professional liability, crime, glass) and/or workers compensation and employers liability insurance.

e. Loss Limitation

A loss limitation is the limit placed on a claim dollar amount that is to be included in the retrospective rating plan calculation. This is an elective element agreed upon by the insured and carrier; there is an additional charge associated with a loss limitation

f. Standard Premium (SP)

For purposes of the retrospective rating plan, standard premium is determined on the basis of authorized rates, any experience rating modification, and minimum premiums. Determination of standard premium excludes:

(1) Premium discount

(2) Expense constant

(3) Premium resulting from the non-ratable element codes

★ (4) Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act

★ (5) Premium developed by the provisions for terrorism, natural disasters and catastrophic industrial accidents

g. Unallocated Loss Adjustment Expense (ULAE)

Unallocated loss adjustment expense for workers compensation and employers liability insurance is defined in the ***New York Workers Compensation Statistical Plan.*** Unallocated loss adjustment expense includes the general overhead of a carrier's claim operations.

2. Elements of the Retrospective Rating Plan Formula

The following formula includes all of the elective elements available under a retrospective rating plan. *See Rule 3 of this manual* for other variations of the retrospective rating formula.

Retrospective Rating Premium = (Basic Premium + Excess Loss Premium + Retrospective Rating Development Premium + Converted Losses) x Tax Multiplier.

a. Retrospective Rating Premium (RRP)

Retrospective rating premium is the premium based on the application of retrospective rating plan elements as a result of a mutual agreement between the insured and carrier.

b. Basic Premium (BP)

Basic premium is a percentage of standard premium. It is determined by multiplying the standard premium by a basic premium factor. The basic premium factor is developed by the carrier and includes:

- General administration costs of the carrier
- Related loss control service cost
- 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.

c. Converted Losses

Converted losses are based on the incurred losses of the insured for the policy or policies to which a retrospective rating plan applies. A loss conversion factor is applied to incurred losses to produce the converted incurred losses. (Losses x LCF).

d. Loss Conversion Factor (LCF)

The loss conversion factor covers the cost of the carrier's claim services (e.g., investigation of claims and filing claim reports). The loss conversion factor is established by negotiation between the insured and carrier.

If the ALAE option is elected as part of incurred losses, the loss conversion factor must be adjusted to exclude ALAE.

e. Excess Loss Premium (ELP)

Excess loss premium is a charge for the election of a loss limitation. The excess loss premium factor is applied after the basic premium in the retrospective rating plan formula.

(Excess Loss Premium = Excess Loss Factor x Standard Premium x Loss Conversion Factor)

In New York, the New York Compensation Insurance Rating Board (NYCIRB) files excess loss pure premium factors. The excess loss pure premium factors must be converted to excess loss factors using the carrier's expense provisions that have been approved for use in New York.

The conversion formula is:

Excess Loss Premium Factor = [(Excess Loss Pure Premium Factor x Expected Loss Ratio) x (1 + Loss Adjustment Expense %)].

The Excess Loss Pure Premium Factor and LAE % are NYCIRB-provided values.

The carrier determines the Expected Loss Ratio (ELR). ELR is a ratio of pure losses (no LAE) to premium.

Refer to the Tables of Retrospective Rating Values in this manual for the excess loss pure premium factors. Refer to the latest approved New York loss cost filing for the LAE %, which can be found on the NYCIRB website, www.nycirb.org.

The Table of Classifications by Hazard Group is used to determine the excess loss factor. This factor is determined based on the selected loss limitation and the hazard group assignment shown in the Table for the classification producing the largest amount of estimated workers compensation standard premium for each state included in the plan. *Refer to the Tables of Retrospective Rating Values in this manual for the New York Table of Classifications by Hazard Group.*

For insureds having USL&HW coverage for non-F-classification codes, the applicable hazard group to use for the determination of an excess loss factor (ELF) is the New York classification code hazard group, increased two levels. When the classification hazard group is already at the highest level hazard group, use that highest level hazard group.

New York Classification Hazard Group	USL&HW for Non-F-Classification Codes Hazard Groups
A	C
B	D
C	E
D	F
E	G
F	G
G	G

For the classification codes that include federal coverages (F-classification codes), use the hazard group assigned to that code.

f. Retrospective Development Premium (RDP)

Retrospective development premium is an elective element that varies by state. The RDP stabilizes premium adjustments for an insured written under a retrospective rating plan by anticipating future increases in loss costs. The RDP is calculated using the following formula:

Retrospective Development Premium = Standard Premium x Retrospective Development Premium Factor x Loss Conversion Factor.

The retrospective development premium factor anticipates a pattern of increasing valuation of losses after the policy is expired. The retrospective development premium factor may be included in the first three calculations of the retrospective premium.

In New York, NYCIRB files retrospective development pure premium factors. The retrospective development pure premium factors must be converted to retrospective development premium factors using the carrier's approved expense provisions. *Refer to the Tables of Retrospective Rating Values of this manual for retrospective development pure premium factors.*

The conversion formula is:

Retrospective Development Premium Factor = Retrospective Pure Premium Development Factor x Expected Loss Ratio x (1 + Loss Adjustment Expense %).

The Retrospective Pure Premium Development Factor and LAE% are NYCIRB provided values. *Refer to the Tables of Retrospective Rating Values in this manual for the retrospective pure premium development factors. Refer to the latest approved New York loss cost filing for the LAE %.*

The carrier determines the Expected Loss Ratio (ELR). ELR is a ratio of pure losses (no LAE) to premium.

g. Tax Multiplier (TM)

Tax multipliers vary by state and generally cover licenses, fees, assessments, and taxes that the carrier must pay on the premium collected in an individual state.

For New York where NYCIRB files loss costs, you may refer to NCCI's Tax and Assessment Directory for state tax Information.

h. Maximum Retrospective Premium

Maximum retrospective premium is a percentage of the standard premium determined by the application of a maximum retrospective rating plan premium factor. It is the greatest amount of premium payable by an insured subject to the retrospective rating plan. Maximum retrospective premium places a limit on the impact of incurred losses on a retrospective rating plan premium. It is established by an agreement between the insured and carrier.

i. Minimum Retrospective Premium

Minimum retrospective premium is a percentage of the standard premium determined by the application of a minimum retrospective premium factor. It is the least amount of premium payable by an insured subject to the retrospective rating plan. A minimum retrospective premium factor is established by an agreement between the insured and carrier.

C. APPLICATION OF POLICY PREMIUM ELEMENTS

Refer to the New York premium algorithm in the appendix of NYCIRB's ***Workers Compensation and Employers Liability Manual*** *for information on the application of the policy premium elements.*

D. INSUREDS OPERATING IN MORE THAN ONE STATE

A retrospective rating plan may be applied on an intrastate or interstate basis.

For an interstate insured, an average of the specified state tax multipliers weighted by the state standard premiums is used to calculate the tax multiplier used in the determination of the retrospective rating premium.

E. EXCLUSION OF STATUTORY MEDICAL BENEFITS—EX-MEDICAL COVERAGE

1. A policy on an ex-medical basis requires an application to be filed with the NYCIRB advising that authorization was obtained from the Workers' Compensation Board. Approval is not required if the insured is a hospital. *Refer to Rule IX of the New York Workers Compensation and Employers Liability Insurance Manual.*

2. If an approved ex-medical policy is subject to a retrospective rating plan, the Notice of Election to apply retrospective rating shall indicate the ex-medical status, loss limitations and other factors which have been selected. *Refer to the Table of Loss Limitations for Ex-Medical Policies in this manual.*

F. DEDUCTIBLE PROGRAMS

The rating values developed to determine premium under a retrospective rating plan do not contemplate deductibles and are designed to be used with losses that are gross of the deductible amount. When a deductible program applies, the use of such program, in conjunction with retrospective rating, requires the agreement of both the insured and the carrier.

G. AIRCRAFT CLASSIFICATIONS

If the insurance subject to the Plan includes any of the aircraft classifications, the premium and losses for such classifications may be excluded from the Plan by agreement in advance between the insured and the carrier.

★ H. POLICY EFFECTIVE DATE BASIS

★ The New York Retrospective Rating Plan is applicable on a policy effective date basis for single and multiple policy risks.

Note: The Plan applies for the period of the policy or policies subject to the Plan.

I. LONG-TERM CONSTRUCTION PROJECT

A long-term construction project is a construction or erection project expected to require more than 1 year for completion and let under one contract, or more than one concurrent or consecutive contracts. Such a project may be insured under a 1 year policy or policies issued for any period not longer than 3 years.

J. WRAP-UP CONSTRUCTION PROJECT

A wrap-up construction project is a large construction, erection or demolition project for which policies have been issued by one or more insurance carriers under the same management to insure two or more legal entities engaged in such a project. The entities insured shall be limited to the general contractor (including any owner or principal acting as a general contractor) and subcontractors performing work under contracts let on an ex-insurance basis. If the contract between the owner or principal and such general contractor is on an ex-insurance basis, the owner or principal is an eligible entity for the combination.

The project must be confined to operations at a single location. In connection with the building of roadways, tunnels, waterways, surface or underground conduits, or New York City school construction work specifically authorized by Chapter 738, Laws of 1988, the entire job, or sections of the job, is considered a single location if the construction is performed by a single general contractor for a single owner or principal. The project must be of definite duration involving work to be performed continuously to completion.

RULE 2—ELIGIBILITY FOR THE PLAN

A. COMBINATION OF MULTIPLE WORKERS COMPENSATION POLICIES

Insureds with two or more workers compensation and employers liability insurance policies may be combined for the application of a retrospective rating plan, providing there is common majority ownership as defined in the ***New York Experience Rating Plan Manual.***

B. COMBINATION OF INSURANCES

When a retrospective rating plan includes workers compensation and employers liability insurance and other commercial casualty insurance, the total retrospective rating premium, including the minimum and maximum retrospective premium, is determined on the basis of premium for all lines of insurance in a retrospective rating plan.

Retrospective rating may be applied to any of the following types of insurance alone or any combination of such insurance:

- Workers compensation and employers liability insurance
- Any other commercial casualty line(s) of insurance

For illustrations and examples of combinations, refer to the Retrospective Rating Plan Manual issued by the Insurance Services Office.

C. ONE-YEAR PLAN

An insured is eligible for a one-year plan if the estimated standard premium is at least $25,000.

D. THREE-YEAR PLAN

An insured is eligible for a three-year plan if the estimated standard premium for three years is at least $75,000.

E. LARGE RISK RATING OPTION (LRRO)

The New York Large Risk Rating Option provides the carrier and insured the option of negotiating the retrospective rating factors used to calculate premium. An insured is eligible for the LRRO if the estimated standard premium individually or in any combination with any other commercial casualty lines of insurance (general liability, commercial automobile, hospital professional liability, crime, glass) exceeds an annual standard premium eligibility threshold of $500,000 for the term of a retrospective rating plan.

F. WRAP-UP CONSTRUCTION PROJECTS

Two or more policies on a wrap-up construction project may be combined for the purpose of retrospective rating in accordance with the rules of the New York Workers Compensation and Employers Liability Manual. Wrap-up construction projects may be written on a single or multi-state basis.

Steps to be followed in order to determine whether a wrap-up construction project may be eligible to be retrospectively rated:

1. Determine the sum of all wrap-up construction project standard premium for all states
2. Of the states' standard premiums included in (1), determine which state's wrap-up construction project retrospective rating premium eligibility threshold is greatest. *Refer to NCCI's Retrospective Rating Plan Manual for premium eligibility in states other than New York.*
3. An insured may be retrospectively rated if the sum of the states included in (1) meet the wrap-up construction project retrospective rating premium eligibility threshold for the state determined in (2)

G. CARRIER DEVIATIONS FROM RULES AND FACTORS CONTAINED IN THIS MANUAL

Any carrier deviations from the rules and rating factors contained in this manual must be filed for approval with the New York State Insurance Department.

RULE 3—OPERATION OF THE PLAN

A. PURPOSE

The negotiating process between the insured and carrier is the basis on which a retrospective rating plan provides flexibility in order to meet the needs and characteristics of an insured. As a result of this negotiation, factors for a retrospective rating plan are determined for each insured by agreement between the insured and carrier. A completed *Notice of Election of Retrospective Rating Plan* form signed by the insured outlines the parameters for a retrospective rating plan. *Refer to Appendix for appropriate New York forms.*

When a retrospective rating plan includes workers compensation and employers liability insurance and other commercial casualty lines of insurance, the total retrospective rating premium, including the minimum and maximum retrospective rating premium, is determined on the basis of all insurance policies in the retrospective rating plan.

B. EXPLANATION OF TABLES IN APPENDIX

The following is an explanation of the tables used in the calculation of retrospective rating premium:

Table	Appendix	Purpose
Table of Expected Loss Ranges	A	Used to determine the expected loss group in the Table of Insurance Charges.
Table of Insurance Charges	B	Used to determine the insurance charge to be included in the basic premium factor.
Tables of Expense Ratios	C	Used in the calculation of basic premium. These tables are developed by individual carriers in New York.
Table of Classifications by Hazard Group	D	Used in the determination of excess loss factors.
Tables of Excess Loss Pure Premium Factors	E	Used to determine excess loss factors.
Table of Excess Loss Factors for Federal Classifications	F	Used to determine excess loss premium for federal classes.
Table of Loss Limitations for Ex-Medical Policies	G	Used to determine accident limitation amount on ex-med policies.

C. THE RETROSPECTIVE RATING PREMIUM WITHOUT ELECTIVE PREMIUM ELEMENTS

The premium for an insured subject to a retrospective rating plan is determined by the following retrospective rating premium formula:

Retrospective Rating Premium = [Basic Premium + Converted Losses] x Tax Multiplier

The retrospective rating premium will not be less than the minimum retrospective rating premium or more than the maximum retrospective rating premium selected for a retrospective rating plan.

If the insured for which a retrospective rating plan is applied includes more than one legal entity, a single retrospective rating premium is calculated on the basis of the combined entities.

Note: Insureds with an estimated annual standard premium of a specified premium eligibility threshold, individually or in any combination with commercial casualty lines of insurance, may be rated under the Large Risk Rating Option. That option provides that such insureds may be retrospectively rated as mutually agreed upon by the insured and carrier. *Refer to Rule 2-E.*

D. THE RETROSPECTIVE RATING PREMIUM FORMULA WITH ADDITIONAL ELECTIVE PREMIUM ELEMENTS

The premium for a retrospective rating plan with elective premium elements is determined by the following retrospective premium formula. The elective elements used in the formula will depend on whether the elective premium elements are included in a retrospective rating plan agreement.

Retrospective Rating Premium = [Basic Premium + Excess Loss Premium + Retrospective Development Premium + Converted Losses] x Tax Multiplier.

The result of the above calculation is a retrospective rating premium when the insured has elected one or more of the elective premium elements.

A retrospective rating premium will not be less than the minimum retrospective rating premium or more than the maximum retrospective rating premium selected for a retrospective rating plan.

*Refer to **Appendix** for examples.*

E. CALCULATION OF RETROSPECTIVE RATING PREMIUM

Under these rules, retrospective rating premiums are always calculated by the carrier, using premium and loss data that has been reported according to the workers compensation statistical plan. The number of subsequent calculations is determined as part of the agreement between the insured and carrier.

1. First Calculation of Retrospective Rating Premium

Under these rules, retrospective rating premium is calculated by the carrier, as soon as practicable. The calculation will include the premium and loss data valued in the sixth month after the expiration date of the rating plan period and annually thereafter, in accordance with the ***New York Workers Compensation Statistical Plan.*** The carrier will notify the insured and return premium if the retrospective rating premium is less than premium previously paid, or the insured will pay any premium greater than premium previously paid, subject to the maximum and minimum retrospective premiums.

Note: In certain situations, the carrier may make an early calculation of retrospective premium. Such situations may include when the insured has filed for, or is in, bankruptcy, liquidation, reorganization, receivership, assignment for benefit or creditors, or other similar situations.

2. Subsequent Calculations of Retrospective Rating Premium

If subsequent calculations are to be completed as part of a retrospective rating plan agreement, then the calculations will be made by the carrier 12 months after the initial calculation and then in 12-month intervals thereafter. The procedures for the subsequent calculations are the same as described in *Rule 3-E-1.*

3. Final Calculation of Retrospective Rating Premium

Subsequent calculations of retrospective rating premium will be issued by the carrier in accordance with *Rule 3-E-2* until both the insured and carrier agree that the latest calculation will be the final retrospective rating premium under a Plan. After the final retrospective premium calculation, a revision of that premium adjustment is permitted in accordance with the ***New York Workers Compensation Statistical Plan.***

*Refer to **Appendix** for examples.*

F. CANCELLATION OF A POLICY UNDER A RETROSPECTIVE RATING PLAN

The cancellation conditions of the standard policy permit cancellation by the insured or carrier. The premium determination for a cancelled policy is outlined in the ***New York Workers Compensation and Employers Liability Manual.***

1. Reasons for Cancellation and Retrospective Rating Premium Determination

Cancellation Provisions—Table 1

If . . .	Then . . .
The policy is cancelled by the insurance carrier, except for nonpayment of premium	1. The standard premium for the cancelled policy is calculated on a pro-rated basis as outlined in **the New York *WC&EL Manual.*** 2. Basic premium and, if applicable, excess loss premium and retrospective development premium is calculated by using the pro-rata standard premium calculated in 1.

Cancellation Provisions—Table 2

If . . .	Then . . .
The policy is cancelled by the insured when retiring from business such that: • All the work covered by the policy has been completed, or • All interest in any business covered by the policy has been sold, or • The insured has retired from all business covered by the policy	1. The standard premium for the cancelled policy is calculated on a pro-rated basis as outlined in **the New York *WC&EL Manual.*** 2. Basic premium and, if applicable, excess loss premium and retrospective development premium is calculated by using the pro-rata standard premium calculated in 1.

Cancellation Provisions—Table 3

If . . .	Then . . .
The policy is cancelled by the insured, except when retiring from the business	1. The standard premium for the cancelled policy is calculated on a short rate basis as outlined in **the New York *WC&EL Manual.*** 2. Basic premium and, if applicable, excess loss premium and retrospective development premium is calculated by using the short rate standard premium calculated in 1. 3. Minimum retrospective rating premium is the short rate standard premium cancellation. 4. Maximum retrospective rating premium is based on standard premium. It is calculated by using the actual payroll for the period the policy was in effect, extending that payroll pro-rata to an annual basis, and then multiplying such extended payroll by the authorized rates and experience rating modification.

2. Cancellation for Nonpayment of Premium

If the cancellation by the carrier is because of nonpayment of premium by the insured, the maximum retrospective rating premium is based on the calculated standard premium for the cancelled policy.

Refer to the ***Appendix*** *for an example.*

G. PAID LOSS RETROSPECTIVE RATING PLAN

Upon agreement between the carrier and the insured, and in conjunction with a retrospective rating plan, the carrier may enter into a financial arrangement with the insured in which the full deposit premium is not paid to the insurance carrier at policy inception. Under this arrangement, the insured is able to retain the use of its funds until losses are actually paid by the carrier.

A paid loss retrospective rating plan is subject to the following conditions:

1. Eligibility for this Plan requires an estimated annual standard premium of no less than $500,000. All states and policies referred to in the filing may be included in determining eligibility.
2. Collection at policy inception of a charge equal to no less than one-quarter of expected losses. This amount should be increased by the Loss Conversion Factor to cover claim adjustment expenses.
3. Collection at policy inception of a pro-rated Basic Premium Charge. The Basic Premium Charge is derived by multiplying the Basic Premium Factor in the Plan by the standard premium.
4. Collection over the policy term of a charge equal to the Excess Loss Premium (when a loss limitation is chosen). Excess Loss Premium is equal to the Excess Loss Factor multiplied by the standard premium.
5. Collection of a charge to cover premium tax derived by applying the Tax Multiplier to the standard premium.
6. A charge for the loss of the use of funds may also be applied by the carrier. However, use of this charge must be clearly stated in each Plan.
7. Changes in any of the amounts referred to in items 2. through 6. above are to be billed or returned at the time of the first retrospective rating adjustment.
8. A letter of credit meeting the requirements of New York State Insurance Department Regulation 133 is required to secure the balance of the standard premium due when the program is established. This is subject to modification as payments are made in subsequent periods. At the option of the carrier, a demand note may be required to accompany the letter of credit.
9. At the time of the first retrospective rating adjustment, the premium due, but not as yet paid, is the difference between the retrospective premium and the amount collected thus far under the paid loss plan.
10. Upon agreement between the carrier and the insured, at the time of a specified retrospective rating adjustment, the paid loss retrospective rating program will revert to a conventional retrospective rating plan. Generally, this will occur at the time of the fourth or fifth adjustment. Subsequent adjustments are made in the same manner as the conventional plan, or one final adjustment may be made based on an agreed upon ultimate loss calculation.
11. In the event of cancellation of coverage at the insured's request or the insurance company's request, as a result of non-payment, the accountings and all subsequent payments will be adjusted in accordance with the cancellation rules contained in Rule 3.F. of this Plan.

    Note: The insured is required to replenish the deposit loss fund periodically throughout the program to maintain the initial loss fund deposit. If the paid loss plan is terminated prior to the calculation of the first retrospective rating adjustment and the actual paid losses exceed the amounts in the loss fund, the insured will be required to contribute any and all amounts due the carrier.

RULE 4—ADMINISTRATION OF THE PLAN

A. RETROSPECTIVE RATING ENDORSEMENTS

All NYCIRB's approved retrospective rating plan endorsements are located in the Endorsement Section of this manual.

B. REPORTS OF PREMIUMS AND LOSSES UNDER THE PLAN

The standard premiums and losses incurred under a retrospective rating plan policy(s) must be reported in accordance with the ***New York Workers Compensation Statistical Plan.***

Any New York additional or return premium under the retrospective rating program must be reported to NYCIRB through the New York Financial Call Information System (NYFCIS©) as part of the annual financial call reporting requirements.

C. CARRIER FILING REQUIREMENTS

In New York, carriers are required to submit Notice of Election or Notification of Coverage forms to the NYCIRB for each insured written under a retrospective rating plan.

*Refer to the **Appendix** for specific filing requirements.*

TABLES OF RETROSPECTIVE RATING PLAN VALUES

TABLE OF EXPECTED LOSS RANGES

Expected Loss Group	Range Rounded Values			Expected Loss Group	Range Rounded Values			Expected Loss Group	Range Rounded Values		
95	1,069	-	1,668	65	89,596	-	96,768	35	1,117,459	-	1,254,650
94	1,669	-	2,469	64	96,769	-	104,515	34	1,254,651	-	1,408,687
93	2,470	-	3,262	63	104,516	-	112,881	33	1,408,688	-	1,606,329
92	3,263	-	4,312	62	112,882	-	121,917	32	1,606,330	-	1,846,373
91	4,313	-	5,608	61	121,918	-	131,677	31	1,846,374	-	2,122,290
90	5,609	-	6,774	60	131,678	-	142,246	30	2,122,291	-	2,439,441
89	6,775	-	8,175	59	142,247	-	153,803	29	2,439,442	-	2,899,798
88	8,176	-	9,490	58	153,804	-	166,063	28	2,899,799	-	3,467,527
87	9,491	-	11,016	57	166,064	-	178,922	27	3,467,528	-	4,146,414
86	11,017	-	12,778	56	178,923	-	192,782	26	4,146,415	-	5,111,668
85	12,779	-	14,451	55	192,783	-	207,716	25	5,111,669	-	6,504,746
84	14,452	-	16,337	54	207,717	-	224,594	24	6,504,747	-	8,277,480
83	16,338	-	18,450	53	224,595	-	242,913	23	8,277,481	-	10,577,165
82	18,451	-	20,529	52	242,914	-	262,733	22	10,577,166	-	13,534,484
81	20,530	-	22,841	51	262,734	-	284,159	21	13,534,485	-	17,318,654
80	22,842	-	25,410	50	284,160	-	306,638	20	17,318,655	-	22,160,857
79	25,411	-	28,271	49	306,639	-	330,841	19	22,160,858	-	28,356,911
78	28,272	-	31,196	48	330,842	-	357,128	18	28,356,912	-	38,897,361
77	31,197	-	34,345	47	357,129	-	388,536	17	38,897,362	-	57,528,883
76	34,346	-	37,816	46	388,537	-	422,704	16	57,528,884	-	85,084,766
75	37,817	-	41,556	45	422,705	-	459,879	15	85,084,767	-	125,839,689
74	41,557	-	45,495	44	459,880	-	502,548	14	125,839,690	-	186,115,898
73	45,496	-	49,808	43	502,549	-	549,895	13	186,115,899	-	275,263,927
72	49,809	-	54,536	42	549,896	-	601,708	12	275,263,928	-	430,893,183
71	54,537	-	59,530	41	601,709	-	663,309	11	430,893,184	-	681,845,588
70	59,531	-	64,935	40	663,310	-	733,021	10	681,845,589	-	1,078,952,801
69	64,936	-	70,826	39	733,022	-	810,061	9	1,078,952,802	-	& over
68	70,827	-	76,791	38	810,062	-	895,197				
67	76,792	-	82,946	37	895,198	-	995,262				
66	82,947	-	89,595	36	995,263	-	1,117,458				

TABLE OF INSURANCE CHARGES

The Table of Insurance Charges is not contained in this manual, but is on file with the New York State Insurance Department. It is available for use by the Rating Board's members in accordance with applicable licensing agreements with the National Council on Compensation Insurance.

TABLES OF EXPENSE RATIOS

Tables of Expense Ratios, both with and without allocated loss adjustment expense, as well as Premium Discount schedules, are no longer calculated and published by the Rating Board, effective October 1, 2008.

Carriers are responsible for determining their own expense tables and schedules of premium discounts.

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

This table is to be used in the determination of the excess loss factor. This factor is determined based on the selected loss limitation and the hazard group assignment shown below for the classification producing the largest amount of estimated New York workers compensation standard premium included in the Plan.

CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP
0005	C	2001	C	2416	C	2841	B
0006	C	2002	B	2417	C	2881	C
0007	B	2003	C	2501	D	2883	C
0031	E	2014	E	2503	B	2913	A
0034	C	2021	D	2534	B	2916	F
0035	B	2039	D	2553	B	2923	B
0042	E	2041	B	2570	B	2942	A
0050	C	2065	C	2571	D	3004	D
0106	D	2070	C	2576	B	3018	D
0251	C	2081	C	2578	C	3022	D
0908	C	2089	C	2590	D	3027	E
0909	B	2095	C	2591	B	3028	C
0912	D	2101	B	2593	E	3030	E
0913	E	2105	B	2594	D	3040	E
0917	C	2111	B	2600	B	3041	D
1170	E	2112	B	2623	D	3042	D
1320	F	2114	B	2640	C	3060	D
1430	E	2121	C	2660	B	3064	D
1438	F	2143	B	2670	A	3066	C
1439	E	2150	B	2683	B	3067	E
1452	E	2157	B	2688	B	3076	B
1463	F	2172	D	2689	E	3081	E
1470	E	★		2702	G	3085	E
1624	E	★		2710	F	3110	C
1701	E	2288	B	2714	B	3111	C
1710	E	2302	C	2731	E	3113	C
1741	G	★		★		3114	C
1747	E	★		2737	D	3118	B
1748	E	2362	C	2759	B	3122	B
1809	E	2380	C	2790	B	3126	C
1810	E	★		2802	C	3129	C
1853	D	2387	C	2816	C	3132	C
1860	B	2388	B	2817	E	3145	C
1924	D	2402	E	2818	C	3146	C
1925	D	2413	C	2835	A	3169	C

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

CLASS CODE	HAZARD GROUP
3179	D
3188	B
3190	B
3191	B
3200	E
3220	C
3227	B
3241	C
★	
3257	C
3270	C
★	
★	
3307	C
3315	B
3336	E
3365	E
3372	D
3381	C
3383	B
3384	E
3385	B
3400	D
3507	C
3515	C
3548	C
3559	C
3561	B
3574	B
3581	B
3612	D
3620	E
3629	D
3632	B
3634	C

CLASS CODE	HAZARD GROUP
3635	C
3638	B
3642	C
3643	C
3647	D
3648	B
3681	D
3685	B
3686	B
3724	E
3726	G
3737	E
3807	B
3808	D
3821	D
3823	C
3824	D
3826	C
3827	D
3830	D
3832	E
3865	A
3881	C
4000	F
4024	E
4034	E
4038	A
4053	C
4061	B
4062	C
4101	D
4111	D
4112	C
4114	C
4130	C

CLASS CODE	HAZARD GROUP
4131	B
4133	B
4150	A
4207	E
4239	E
4240	B
4243	C
4244	C
4250	C
4251	C
4263	C
4273	C
4279	D
4282	B
4298	C
4299	B
4301	B
4304	B
4307	C
4310	E
4312	C
4351	C
4352	B
4360	B
4361	B
4362	C
4410	C
4420	D
4431	A
4432	A
4439	E
4452	D
4459	C
4470	C
4475	C

CLASS CODE	HAZARD GROUP
4476	B
4479	A
★	
4493	C
4511	B
4557	B
4558	C
★	
4568	E
4583	F
4597	B
4611	B
4628	B
4635	G
4653	B
4665	E
4692	B
4693	B
4710	B
4712	E
4720	C
4751	E
★	
4771	G
4825	E
4828	D
4829	F
4902	B
4923	C
5000	G
5022	F
5037	G
5040	G
5057	G
5059	G

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP
5069	G	5610	E	6843	G	7370	C
5102	G	5645	F	6854	G	7377	E
5160	E	5648	G	6872	G	7380	D
5183	F	5651	F	6874	G	7390	C
5184	E	5701	B	6875	G	7394	G
5188	E	5703	E	6882	G	7395	G
5190	F	5709	D	6884	G	7398	G
5191	C	5951	B	6885	G	7403	E
5192	C	5954	F	7016	G	7405	E
5193	E	6003	E	7024	G	7421	F
5213	F	6005	E	7038	G	7422	G
5221	F	6017	E	7046	G	7431	G
5222	F	6018	E	7047	G	7502	E
5223	E	6045	E	7050	G	7515	G
5348	F	6204	F	7090	G	7520	C
5402	B	6216	G	7098	G	7536	D
5403	G	6217	F	7099	G	7538	G
5428	D	6229	F	7133	F	7539	D
5429	F	6233	F	7197	D	7542	B
5443	C	6235	G	7201	C		
5445	F	6251	F	7207	E	7580	E
5462	E	6252	G	7219	F	7590	D
5473	G	6260	G	7231	D	7600	B
5474	G	6306	F	★ 7309	G	7601	F
5479	D	6319	F	7313	G	7610	B
5480	F	6325	F	7317	G	7710	G
5491	F	6400	D	7327	G	7711	G
5506	G	6504	C	7333	G	7716	G
5507	F	6701	E	7335	G	7720	E
5508	E	6801	E	7337	G	7723	C
5536	E	6811	E	7364	E	7855	E
5538	E	6824	F	7366	E	7998	A
5545	G	6826	E	7367	B	7999	C
5547	G	6834	D	7368	E	8001	B
5606	F	6836	E			8006	B

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP	CLASS CODE	HAZARD GROUP
8008	B	8265	F	8838	B	9089	B
8012	B	8280	F	8840	C	9093	B
8013	C	8288	E	8854	D	9101	B
8016	C	8291	D	★ 8855	C	9102	C
8017	B	8292	C	8857	C	9149	B
8018	B	8293	D	8864	B	9157	A
8021	E	8350	F	8865	C	9158	B
8025	C	8353	E	8866	B	9159	B
8031	C	8381	D	8868	B	9160	B
8032	C	8382	E	8869	B	9178	A
8033	C	8385	E	8871	B	9179	B
8034	C	8391	D	8901	B	9180	E
8039	B	8392	C	9014	C	9182	C
8043	B	8394	B	9015	C	9186	F
8044	B	8500	E	9016	B	9220	D
8046	B	8601	E	9019	E	9402	D
8047	B	8709	G	9025	E	9403	E
8048	D	8719	G	9026	E	9410	C
8068	B	8720	D	9027	D	9501	D
8069	B	★ 8723	C	9028	E	9505	D
8072	B	8726	E	9029	C	9519	C
8090	C	8731	E	9030	E	9521	E
8102	B	8742	E	9040	B	9522	C
8103	D	8745	D	9044	B	9526	E
8105	B	8747	D	9048	B	9527	F
8106	E	8748	F	9051	E	9534	F
8107	E	8751	D	9052	B	9539	D
8111	D	8755	E	9055	B	9545	E
8116	C	8800	A	9058	A	9549	D
8199	E	8802	C	9059	D	9552	E
8209	C	8803	C	9060	C	9553	D
8215	E	8809	D	9061	B	9585	B
8227	G	8810	C	9063	B	9586	B
8232	E	8820	D	9065	C	9600	B
8235	C	8829	C	9071	A	9610	E
8263	D	8831	C	9072	B	9620	D
8264	E	8832	E	9074	C		
		8833	C	9088	G		

★ EXCESS LOSS PURE PREMIUM FACTORS

Per Accident Limitation	Hazard Group A	B	C	D	E	F	G
$ 25,000	0.652	0.674	0.684	0.703	0.712	0.741	0.754
30,000	0.629	0.652	0.663	0.684	0.694	0.727	0.740
35,000	0.608	0.632	0.644	0.667	0.678	0.713	0.728
40,000	0.589	0.614	0.626	0.650	0.662	0.700	0.717
50,000	0.554	0.581	0.593	0.620	0.633	0.675	0.695
75,000	0.487	0.515	0.528	0.559	0.573	0.623	0.648
100,000	0.437	0.464	0.478	0.511	0.526	0.581	0.609
125,000	0.396	0.423	0.437	0.472	0.488	0.546	0.575
150,000	0.363	0.389	0.403	0.439	0.455	0.515	0.547
175,000	0.335	0.360	0.374	0.410	0.426	0.489	0.522
200,000	0.310	0.335	0.348	0.385	0.401	0.465	0.499
225,000	0.289	0.313	0.326	0.363	0.379	0.444	0.479
250,000	0.270	0.293	0.306	0.343	0.359	0.425	0.461
275,000	0.253	0.276	0.288	0.325	0.341	0.407	0.444
300,000	0.238	0.260	0.272	0.309	0.325	0.391	0.428
325,000	0.225	0.246	0.257	0.294	0.310	0.376	0.414
350,000	0.212	0.233	0.244	0.280	0.296	0.362	0.400
375,000	0.201	0.221	0.232	0.268	0.283	0.349	0.388
400,000	0.191	0.211	0.221	0.256	0.272	0.337	0.376
425,000	0.182	0.201	0.211	0.246	0.261	0.326	0.365
450,000	0.174	0.192	0.202	0.236	0.251	0.315	0.354
475,000	0.166	0.184	0.193	0.227	0.241	0.305	0.344
500,000	0.159	0.176	0.185	0.218	0.232	0.296	0.335
600,000	0.135	0.150	0.158	0.189	0.203	0.263	0.302
700,000	0.116	0.130	0.137	0.166	0.179	0.236	0.275
800,000	0.102	0.114	0.121	0.148	0.160	0.215	0.252
900,000	0.090	0.101	0.107	0.133	0.144	0.196	0.233
1,000,000	0.081	0.090	0.096	0.120	0.131	0.180	0.216
2,000,000	0.038	0.042	0.045	0.058	0.066	0.096	0.124
3,000,000	0.025	0.027	0.028	0.038	0.043	0.064	0.086
4,000,000	0.018	0.020	0.021	0.028	0.032	0.048	0.066
5,000,000	0.014	0.016	0.016	0.022	0.026	0.038	0.053
6,000,000	0.013	0.013	0.013	0.018	0.021	0.032	0.045
7,000,000	0.010	0.011	0.011	0.015	0.018	0.027	0.039
8,000,000	0.008	0.009	0.009	0.013	0.015	0.023	0.034
9,000,000	0.008	0.008	0.008	0.011	0.013	0.020	0.030
10,000,000	0.006	0.006	0.007	0.010	0.011	0.018	0.026

★ HAZARD GROUP DIFFERENTIALS

A	B	C	D	E	F	G
1.003	.878	.813	.696	.628	.476	.402

★ EXCESS LOSS AND ALLOCATED EXPENSE PURE PREMIUM FACTORS

Per Accident Limitation	Hazard Group A	B	C	D	E	F	G
$ 25,000	0.741	0.764	0.773	0.792	0.803	0.832	0.844
30,000	0.718	0.742	0.752	0.773	0.785	0.817	0.831
35,000	0.696	0.721	0.732	0.755	0.768	0.803	0.819
40,000	0.676	0.703	0.714	0.738	0.752	0.790	0.807
50,000	0.641	0.668	0.680	0.707	0.722	0.765	0.785
75,000	0.569	0.599	0.611	0.643	0.660	0.711	0.737
100,000	0.515	0.544	0.557	0.592	0.609	0.667	0.696
125,000	0.470	0.500	0.513	0.550	0.568	0.629	0.661
150,000	0.433	0.463	0.475	0.513	0.532	0.596	0.630
175,000	0.401	0.430	0.443	0.482	0.501	0.568	0.603
200,000	0.373	0.402	0.414	0.454	0.473	0.542	0.579
225,000	0.348	0.376	0.389	0.429	0.448	0.519	0.557
250,000	0.326	0.354	0.366	0.407	0.426	0.498	0.536
275,000	0.307	0.333	0.345	0.386	0.405	0.478	0.518
300,000	0.289	0.315	0.327	0.368	0.386	0.460	0.500
325,000	0.273	0.298	0.310	0.350	0.369	0.443	0.484
350,000	0.259	0.283	0.294	0.335	0.353	0.427	0.469
375,000	0.246	0.269	0.280	0.320	0.338	0.413	0.455
400,000	0.233	0.256	0.267	0.307	0.325	0.399	0.441
425,000	0.222	0.245	0.255	0.294	0.312	0.386	0.428
450,000	0.212	0.234	0.244	0.282	0.300	0.374	0.417
475,000	0.203	0.224	0.233	0.272	0.289	0.362	0.405
500,000	0.194	0.214	0.223	0.261	0.278	0.351	0.394
600,000	0.164	0.182	0.191	0.227	0.243	0.313	0.356
700,000	0.142	0.158	0.165	0.199	0.214	0.281	0.324
800,000	0.124	0.139	0.145	0.177	0.191	0.255	0.297
900,000	0.110	0.123	0.129	0.158	0.172	0.233	0.274
1,000,000	0.098	0.110	0.116	0.143	0.156	0.214	0.254
2,000,000	0.045	0.050	0.053	0.069	0.077	0.113	0.144
3,000,000	0.029	0.032	0.033	0.044	0.050	0.075	0.099
4,000,000	0.021	0.023	0.024	0.032	0.037	0.055	0.075
5,000,000	0.017	0.018	0.019	0.025	0.029	0.044	0.060
6,000,000	0.014	0.015	0.015	0.020	0.024	0.036	0.050
7,000,000	0.011	0.012	0.013	0.017	0.020	0.030	0.043
8,000,000	0.009	0.010	0.011	0.015	0.017	0.026	0.037
9,000,000	0.008	0.009	0.009	0.013	0.015	0.023	0.033
10,000,000	0.007	0.008	0.008	0.011	0.013	0.020	0.029

★ RETROSPECTIVE RATING PURE PREMIUM DEVELOPMENT FACTORS

With Loss Limit			Without Loss Limit			
1st Adj	2nd Adj	3rd Adj	1st Adj	2nd Adj	3rd Adj	4th and Subsequent Adjustment
.20	.11	.05	.48	.33	.23	.00

★ EXCESS LOSS PURE PREMIUM FACTORS FOR FEDERAL COVERAGE

Refer to Rule 1.2.e for appropriate excess loss pure premium factor procedure for federal coverage.

TABLE OF LOSS LIMITATIONS
FOR EX-MEDICAL POLICIES

Eligibility Total Estimated Standard Premium	Per Accident Limitation	
	Full Coverage	Ex-Medical Coverage
$ 100,000	$ 25,000	$ 20,000
over 100,000	30,000	24,000
over 100,000	35,000	28,000
over 100,000	40,000	32,000
over 100,000	50,000	40,000
150,000	75,000	60,000
200,000	100,000	80,000
250,000	125,000	100,000
300,000	150,000	120,000
350,000	175,000	140,000
400,000	200,000	160,000
500,000	250,000	200,000
600,000	300,000	240,000
1,000,000	500,000	400,000
1,000,000	1,000,000	800,000

APPENDIX

This section of the New York Retrospective Rating Plan Manual contains additional information and examples that could be beneficial to the users' understanding of the preceding Plan rules

A — General Explanation

B — Explanation of Differences Between Types of Excess Loss Factors

C — Retrospective Rating Plan Premium Formula

D — Retrospective Rating Plan Premium Calculation Examples

E — Development of Average State Hazard Group Factor

F — Cancellation of a Policy Under a Retrospective Rating Plan

G — Carrier Retrospective Rating Plan Filing Requirements

APPENDIX

This appendix provides examples and further explanations of the rules in this manual.

A. GENERAL EXPLANATION

A retrospective rating plan adjusts the premium for the insured's policy on the basis of losses incurred during the period covered by that policy term. The intent is to charge premium that reflects the actual experience of the insured based on the insured's individual loss history during the policy term. A retrospective rating plan uses the losses incurred during the term of the policy to establish the cost of insurance. The application of the New York Retrospective Rating Plan (Plan) is optional and may be used only upon election by the insured and acceptance by the insurance carrier.

Refer to the Definitions in Rule 1 for an explanation of the terms used in the formula.

Refer to Rule 3 for an explanation of the operation of the plan.

B. EXPLANATION OF DIFFERENCES BETWEEN TYPES OF EXCESS LOSS FACTORS

1. Types of Excess Loss Factors

Excess loss factors are used in retrospective rating when an insured elects to limit the amount of incurred losses to be included in the retrospective rating premium. The charge for this loss limitation is called excess loss premium. The excess loss factors for New York are located in Table E of the Tables of Retrospective Rating Values in this manual.

- **Excess Loss Factors (ELF)** are provided for states where NCCI files and publishes full rates. ELFs do not take into account the inclusion of Allocated Loss Adjustment Expense (ALAE) as part of incurred losses.

  Excess loss factors represent the expected losses above a given limit (excess losses) relative to full standard premium (including expenses).

  $$\text{ELF} = \frac{\text{Excess Losses}}{\text{Standard Premium}}$$

  Refer to the NCCI Retrospective Rating Plan Manual for the application of these factors.

- **Excess Loss and Allocated Loss Adjustment Expense Factors (ELAEF)** apply when the definition of loss is redefined to include Allocated Loss Adjustment Expense. These factors are provided for states where NCCI files and publishes full rates.

  Excess Loss and Allocated Loss Adjustment Expense Factors represent the expected amount of losses and allocated loss adjustment expenses above a given limit (excess losses including ALAE) relative to full standard premium (including expenses). These optional values are provided for some full rate states, but not all.

  $$\text{ELAEF} = \frac{\text{Excess Losses and Allocated Loss Adjustment Expenses}}{\text{Standard Premium}}$$

  Refer to the NCCI Retrospective Rating Plan Manual for the application of these factors.

- **Excess Loss Pure Premium Factors (ELPPF)** are provided for New York in this manual. ELPPFs for states where NCCI publishes loss costs rather than full rates are provided in NCCI's Retrospective Rating Plan Manual. ELPPFs do not take into account the inclusion of ALAE as part of incurred losses. Carriers are required to convert Excess Loss Pure Premium Factors to Excess Loss Factors. *Refer to Rule 1-B-2-e for the formula used to convert ELPPFs to ELFs.*

  Excess Loss Pure Premium Factors represent the expected amount of losses above a given limit (excess losses) relative to the loss cost portion of the premium.

$$\text{ELPPF} = \frac{\text{Excess Losses}}{\text{Loss Cost Premium}}$$

- **Excess Loss and Allocated Loss Adjustment Expense Pure Premium Factors (ELAEPPF)** are provided when the definition of loss is redefined to include Allocated Loss Adjustment Expense. These factors are provided for New York in this manual and in the NCCI Retrospective Rating Plan Manual for those states where NCCI publishes loss costs rather than full rates.

  Excess Loss and Allocated Loss Adjustment Expense Pure Premium Factors represent the expected amount of losses and allocated loss adjustment expense above a given limit (excess losses including ALAE) relative to the loss cost portion of the premium.

$$\text{ELAEPPF} = \frac{\text{Excess Losses and Allocated Loss Adjustment Expenses}}{\text{Loss Cost Premium}}$$

2. Excess Loss Premium Calculation Example

In New York, NYCIRB files Excess Loss Pure Premium Factors. The Excess Loss Pure Premium Factors must be converted to Excess Loss Factors using the carrier's expense provisions, as applicable.

Term Definition

Excess Loss Pure Premium Factor	ELPPF	.360
Expected Loss Ratio	ELR	.648
Loss Adjustment Expense	LAE	.188
Excess Loss Factor	ELF	.277

Conversion of ELPPF to ELF based on the formula below:

(ELPPF x ELR) x (1+ LAE**)
(.360 x .648) x (1 + .188)
(.233) x 1.188)
ELF = .277

** The Loss Adjustment Expense % is obtained from the NYCIRB's loss cost filing that is effective one year prior to the effective date of the ELPPFs. For example, you would use the 10/1/10 ELPPFs in conjunction with an LAE % from the 10/1/09 loss cost filing. (This is necessary because it is the prior approved LAE % that is used in the calculation of the latest ELPPFs).

C. RETROSPECTIVE RATING PLAN PREMIUM FORMULA

1. Retrospective Rating Plan Premium Formula without Elective Premium Elements

The formula used to calculate the retrospective rating premium, excluding the elective premium elements, is as follows:

Retrospective Rating Plan = (Basic Premium + Converted Losses*) x Tax Multiplier

2. Retrospective Rating Plan Premium Formula with Elective Premium Elements

Retrospective Rating Plan Premium = [Basic Premium + Excess Loss Premium** + Retrospective Rating Development Premium** + Converted Losses*] x Tax Multiplier

These formulas produce a retrospective rating plan premium, which is subject to the Minimum Retrospective Premium and the Maximum Retrospective Premium.

* Losses may include allocated loss adjustment expenses if selected by the insured.
** Elective Premium Element

D. RETROSPECTIVE RATING PREMIUM CALCULATION EXAMPLES

For these examples, assume the Retrospective Rating Plan Agreement provides:

Retrospective Rating Factors

a.	Estimated Standard Premium	$500,000
b.	Maximum Retrospective Premium Factor	1.30
c.	Minimum Retrospective Premium Factor	.60
d.	Loss Conversion Factor	1.120
e.	Tax Multiplier	1.070
f.	State Hazard Group Relativity	0.750
g.	Excess Loss Factor ($50,000 Loss Limit)	.36
h.	Expenses from Expense Ratio Table	.201

Retrospective Premium Development Factors	Without Loss Limit	With Loss Limit
1st Adjustment	0.21	0.08
2nd Adjustment	0.18	0.06
3rd Adjustment	0.13	0.02

Example 1:

Calculation of Retrospective Premium: First, Second and Third Adjustments

This example contains:

- No loss limits
- Retrospective Development Factors

		Factors	First Adjustment	Second Adjustment	Third Adjustment
1.	Standard Premium		500,000	500,000	500,000
2.	Basic Premium Factor	0.145			
3.	Basic Premium (2 x 1)		72,500	72,500	72,500
4.	Excess Loss Premium Factor				
5.	Excess Loss Premium (4 x 1 x 7)		0	0	0
6.	Ratable Losses		150,000	200,000	275,000
7.	Loss Conversion Factor	1.120			
8.	Converted Losses (6 x 7)		168,000	224,000	308,000
9.	Retrospective Development Factor		0.210	0.180	0.130
10.	Retrospective Development Premium (9 x 1 x 7)		117,600	100,800	72,800
11.	Subtotal (3 + 5 + 8 + 10)		358,100	397,300	453,300
12.	Tax Multiplier	1.070			
13.	Indicated Retrospective Premium (11 x 12)		383,167	425,111	485,031
14.	Maximum Premium (14 x 1)	1.300	650,000	650,000	650,000
15.	Minimum Premium (15 x 1)	0.600	300,000	300,000	300,000
16.	Retrospective Premium		383,167	425,111	485,031

Example 2:

Calculation of Retrospective Premium: First, Second and Third Adjustments

- No loss limits
- No Retrospective Development Factors

		Factors	First Adjustment	Second Adjustment	Third Adjustment
1.	Standard Premium		500,000	500,000	500,000
2.	Basic Premium Factor	0.145			
3.	Basic Premium (2 x 1)		72,500	72,500	72,500
4.	Excess Loss Premium Factor				
5.	Excess Loss Premium (4 x 1 x 7)		0	0	0
6.	Ratable Losses		150,000	200,000	275,000
7.	Loss Conversion Factor	1.120			
8.	Converted Losses (6 x 7)		168,000	224,000	308,000
9.	Retrospective Development Factor				
10.	Retrospective Development Premium (9 x 1 x 7)		0	0	0
11.	Subtotal (3 + 5 + 8 + 10)		240,500	296,500	380,500
12.	Tax Multiplier	1.070			
13.	Indicated Retrospective Premium (11 x 12)		257,335	317,255	407,135
14.	Maximum Premium (14 x 1)	1.300	650,000	650,000	650,000
15.	Minimum Premium (15 x 1)	0.600	300,000	300,000	300,000
16.	Retrospective Premium		300,000 *	317,255	407,135

* Minimum of $300,000 would apply.

Example 3:

Calculation of Retrospective Premium: First, Second and Third Adjustments

- Loss Limits
- Retrospective Development Factors

		Factors	First Adjustment	Second Adjustment	Third Adjustment
1.	Standard Premium		500,000	500,000	500,000
2.	Basic Premium Factor	0.145			
3.	Basic Premium (2 x 1)		72,500	72,500	72,500
4.	Excess Loss Premium Factor	0.360			
5.	Excess Loss Premium (4 x 1 x 7)		201,600	201,600	201,600
6.	Ratable Losses		150,000	200,000	275,000
7.	Loss Conversion Factor	1.120			
8.	Converted Losses (6 x 7)		168,000	224,000	308,000
9.	Retrospective Development Factor		0.080	0.060	0.020
10.	Retrospective Development Premium (9 x 1 x 7)		44,800	33,600	11,200
11.	Subtotal (3 + 5 + 8 + 10)		486,900	531,700	593,300
12.	Tax Multiplier	1.070			
13.	Indicated Retrospective Premium (11 x 12)		520,983	568,919	634,831
14.	Maximum Premium (14 x 1)	1.300	650,000	650,000	650,000
15.	Minimum Premium (15 x 1)	0.600	300,000	300,000	300,000
16.	Retrospective Premium		520,983	568,919	634,831

Example 4:

Calculation of the Basic Premium Factor

The key to establishing the Basic Premium Factor for a retrospective rating plan is the Table of Insurance Charges filed with state insurance departments. By expected loss groups, this table indicates the factors used to establish the premium charge that is vital to the determination of the Basic Premium Factor.

1.	Estimated Standard Premium	$500,000
2.	Expected Losses (1) x (3)	$306,500
3.	Expected Loss Ratio	.613
4.	Expected Limited Loss Ratio (3) – (g)	.253
5.	Expense (Excluding Taxes) (1) x (h)	$100,500
6.	Expected Loss plus Expense Ratio [(2) + (5)] ÷ (1)	.814
7.	Loss and Expense in Converted Losses (3) x (d)	.687
8.	Pure Expense for Basic Premium, Excluding Loss and Expense (6) – (7)	.127
9.	Minimum Retrospective Premium Excluding Taxes [(c) ÷ (e)]	.561
10.	Maximum Retrospective Premium Excluding Taxes [(b) ÷ (e)]	1.215
11.	Table of Insurance Charges Value Difference [(6) – (9)] ÷ [(d) x (4)]	.894
12.	Table of Insurance Charges Entry Difference [(10) – (9)] ÷ [(d) x (4)]	2.31
13.	Ratio of Losses for Minimum Retro Premium to Expected Limited Losses	.04

14.	Ratio of Losses for Maximum Retro Premium to Expected Limited Losses	2.35
15.	Table of Insurance Charges—Premium Charge for (14)	.065
16.	Table of Insurance Charges—Premium Saving for (13)	.000
17.	Net Insurance Charge [(15) - (16)] x (4)	.016
18.	Basic Premium Factor [(17) x (d)] + (8)	.145

The use of the Table of Insurance Charges is accounted for in the following explanations and illustrations of how to determine the factors and other elements needed for the operation of the Plan.

Note: The procedures described here are designed exclusively for workers compensation and employers liability insurance. Rules for the application of a retrospective rating plan to a combination of workers compensation and employers liability insurance and other lines of casualty insurance are in the Retrospective Rating Plan Manual issued by the Insurance Services Office (ISO).

Note: The above calculations are based on the 1998 Table of Insurance Charges, using Expected Loss Group 52.

The procedure for establishing the values and factors in the above examples follows:

Line 1. Estimated Standard Premium: This is the annual standard premium. *Refer to the Rule 1.3.1.f. for the definition of standard premium.* For three-year retrospective rating plans, multiply the annual standard premium by three (3).

Line 2. Expected Losses: The expected losses equal the estimated standard premium multiplied by the expected loss ratio. *Refer to Table A in the Table of Retrospective Rating Values for the Table of Expected Loss Size Ranges.*

For an interstate risk, the expected losses equal the sum of the products of the estimated standard premium for each state and the corresponding expected loss ratio for each state. For the purpose of this example, it has been assumed that the risk is intrastate with an expected loss ratio of .613, which produces expected losses of $306,500 ($500,000 x .613).

Line 3. Total Expected Loss Ratio: This is the loss ratio for the risk obtained by dividing the total expected losses for all states covered by the retrospective rating plan by the total standard premium.

Line 4. Expected Limited Loss Ratio: This ratio is determined by subtracting the excess loss factor from the expected loss ratio.

Line 5. Expense and Profit or Contingency—Excluding Taxes: The expense and profit or contingency (excluding taxes) is determined by multiplying the standard premium by the applicable expense ratio.

Note: For New York, these are carrier expense ratios; the NYCIRB does not publish Tables of Expense Ratios.

For a three-year plan, values are determined similarly for each of the years based on each annual estimated standard premium, and the sum of these values is the provision for expense and profit or contingency. The value for expenses shown in this example is equal to $100,500 ($500.000 x .201).

Line 6. Expected Loss and Expense Ratio: This ratio is obtained by dividing the expected losses plus the expenses and profit or contingency (excluding taxes) by the standard premium.

Line 7. Loss and Expense in Converted Losses: This factor, which expresses the ratio of expected losses and loss expense to estimated standard premium, is the product of the expected loss ratio and the loss conversion factor.

Line 8. Expense and Profit or Contingency in Basic Premium: The difference between the factor in Line 6, representing the total net premium provision for the insured under the retrospective rating plan, and the factor in Line 7, representing expected losses and loss adjustment expense insuring the risk, is the expense and contingency amount, and must be included in the basic premium.

Line 9. Minimum Premium Retrospective Factor—Excluding Taxes

Line 10. Maximum Premium Retrospective Factor—Excluding Taxes

Line 11. Table of Insurance Charges—Value Difference

Line 12. Table of Insurance Charges—Entry Difference

Lines 9 through Line 12 are determined in a way designed to facilitate the testing process by which the basic premium factor is established. The factors entered for these items are obtained as indicated in the example.

Line 11, Table of Insurance Charges—Value Difference equals the difference between the table charge for the entry ratio from which the savings is taken and the table charge for the entry ratio from which the charge is taken.

Line 12, Table of Insurance Charges—Entry Difference equals the difference between the entry ratios that determine the savings factor and the charge for the maximum premium.

To use the Table of Insurance Charges, find the loss group in the Expected Loss Ranges in the table containing the adjusted expected loss value. The adjusted expected loss value:

Line 2 x State and Hazard Group Differential x Loss Group Adjustment Factor

The Loss Group Adjustment Factor (F) applies when an individual loss limit is selected. The factor is:

$$F = \frac{1 + ((.8)(LER))}{1 - LER},$$

where the LER = ELF ÷ Item (3) = .36 ÷ .613 = .587

$$F = \frac{1 + ((.8)(.587))}{1 - (.587)} = 3.558$$

S/H Differential = .750

The loss group is 52 (group that contains 229,875 (306,500 x .750)).

Then, choose two entry ratios from the Expected Loss Group in the table with a difference equal to Line 12. Make this choice so that the difference in the charges for the Expected Loss Group and for the selected entries most closely approximates Line 11.

To illustrate this testing procedure, several entry ratios and their corresponding charges in Group 52 have been reproduced from the Table:

Entry Ratio	Charges (Group 52)	Savings
.03	.970	.000
.04	.960	.000
.05	.950	.000

Entry Ratio	Charges (Group 52)
2.34	.065
2.35	.065
2.36	.064

Choose and list pairs of entry ratios with a difference equal to Line 12, in this case 2.31, and note the respective difference in these charges:

(.03, 2.34)(.970 - .065) = .905

(.04, 2.35)(.960 - .065) = .895

(.05, 2.36)(.950 - .065) = .886

The pair of entry ratios whose charge difference most closely approximates Line 11 is recorded under Lines 13 and 14.

Line 13. Ratio of Losses Producing Maximum Retrospective Premium to Expected Losses

Line 14. Ratio of Losses Producing Minimum Retrospective Premium to Expected Losses

Lines 13 and 14 are the pair of table entry ratio values determined by the process outlined previously.

Line 15. Premium Charge for (14): Given the loss group adjustment factor 16, this is the premium charge for losses in excess of those provided by the maximum retrospective premium. It is obtained by reading from the table as shown in Line 12.

Line 16. Premium Savings for (13): This is the premium saving for losses less than those that would produce the minimum retrospective premium. The values for premium savings are listed directly beneath the charge values in the Table of Insurance Charges. In this example, the savings of .000 for entry ratio 04 (Line 13) in Group 52 is found directly beneath the charge value of .960.

Line 17. Net Insurance Charge: The net insurance charge is determined by calculating the difference between the charge for possible losses that might produce more than the maximum retrospective premium (Line 15) and the saving for losses that might produce less than the minimum retrospective premium (Line 16), and then multiplying that difference by the product of the expected loss ratio or the expected limited loss ratio (Line 4 in the example). The net premium charge may be less than zero, as long as the basic premium factor is not negative.

Line 18. Basic Premium Factor: The basic premium factor is the sum of the net insurance charge (Line 17) times the loss conversion factor (d), and the expenses and profit and contingencies in the basic premium expressed as a percentage of the standard premium (Line 8). The standard premium multiplied by the basic premium factor produces the basic premium used in computing the retrospective rating plan premium.

E. DEVELOPMENT OF AN AVERAGE STATE HAZARD GROUP (SHG) FACTOR

This table shows the procedures for carriers to develop an average expected loss ratio and state hazard group factor for multistate policies.

State	State Standard Premium (A)	Expected Loss Ratio (B)	Expected Losses (C = A x B)	State Hazard Differential Factor (D)	Development of Average SHG (C x D)
1	200,000	0.627	125,400	1.030	129,162
2	150,000	0.627	94,050	0.930	87,467
3	10,000	0.635	6,350	1.200	7,620
Totals	**360,000**	**0.627**	**225,800**	**0.993**	**224,249**

F. CANCELLATION OF A POLICY UNDER A RETROSPECTIVE RATING PLAN

Example of a Short Rate Calculation of Maximum Retrospective Premium

Assume:	
Policy in effect	185 days
Authorized Rate (per $100 payroll)	$5.00
Actual payroll for 185 days	$555,000
Experience Rating Modification	1.10
Maximum Retrospective Premium Factor	1.60

(a) Payroll extended to an annual basis:

$$\$555{,}000 \times \frac{365 \text{ days}}{185 \text{ days}} = \$1{,}095{,}000$$

(b) Annual Standard Premium = $1,095,000 x 5.00 (per $100) = $54,750

(c) Modified Premium = $54,750 x 1.10 = $60,225

(d) Maximum Retrospective Premium: $60,225 x 1.60 = $96,360

G. CARRIER FILING REQUIREMENTS

Information regarding each insured's election to participate in a retrospective rating plan must be submitted to the NYCIRB no later than 60 days after the Plan effective date:

1. Notification of Coverage

a. New York (Intrastate) Plans

A copy of a duly signed Notice of Election of Retrospective Rating Plan (Form RR-50 [2010]) must be submitted to the NYCIRB for each intrastate retrospective rating plan that includes only the State of New York.

b. Multi-State Plans That Include New York

A copy of a duly signed Notification of Coverage (Form RR-1 [2010]) must be submitted to the NYCIRB for each multi-state retrospective rating plan that includes the State of New York.

c. Large Risk Rating Option

A copy of a duly signed Notice of Election-New York Large Risk Rating Option (Form NYLR-1 [2010]) must be submitted to the NYCIRB for each Large Risk Rating Option retrospective rating plan that includes the State of New York.

2. Where to Submit Retrospective Rating Plan Forms

Submit all required forms for the reporting of retrospective rating plan information to:

New York Compensation Insurance Rating Board
Attention: Rating Services
200 East 42nd Street
New York, New York 10017

NOTICE OF ELECTION
OF
RETROSPECTIVE RATING PLAN

The undersigned certifies that the named insured has elected the use of the Retrospective Rating Plan as detailed below. It is also certified that the insured understands all terms, conditions and provisions of the Plan, including the method of premium computation, payment, and penalties for cancellation.

The Plan shall apply to all policies indicated below, effective ______________________________

1. Name of Insured ______________________________
2. Address of Insured ______________________________
3. Policy Number(s) Effective Date(s)

   ______________________ ______________________

   ______________________ ______________________

   ______________________ ______________________

4. Type of Retrospective Rating Plan (circle one)
   A. Standard Retrospective Rating Plan
   B. Large Risk Rating Option
5. Indicate:
   A. Minimum Premium Factor ______________
   B. Maximum Premium Factor ______________
   C. Loss Conversion Factor ______________
   D. Tax Multiplier ______________
6. Term of Plan (circle one)
   A. 1 Year or 3 Year
   B. Wrap-up Construction Project (enter details in 9)
7. Loss Limitation (if applicable) ______________
8. Do Retrospective Development Factors apply? ☐ Yes ☐ No
9. Indicate any special conditions that apply to the Plan elected by this insured: ______________

____

____

Signature of Insured (Proprietor, Partner, or Authorized Officer)	Date Signed	Signature of Carrier Representative

NOTIFICATION OF COVERAGE
MULTI-STATE RETROSPECTIVE RATING PLAN

NAME OF INSURED ______________________________

CARRIER ______________________________

POLICY NUMBER(S) ______________________ PLAN EFFECTIVE DATE ______________

States to Which Plan Applies	Estimated Annual Standard Premium	Class Code Number*	If information above differs by state, then record only difference in these column.		
			Name of Insured by State	Policy Number	Effective Date

* Show class which produces the largest amount of estimated premium.

This Plan shall apply in any other states where available to any operations conducted during the rating period unless specified in Item 6.

1. Type of Retrospective Rating Plan (circle one)
   A. Standard Retrospective Rating Plan
   B. Large Risk Alternative Rating Option

2. Indicate Selection
   A. Minimum Premium Factor ______________
   B. Maximum Premium Factor ______________
   C. Loss Conversion Factor ______________
   D. Tax Multiplier ______________

3. Term of Plan (circle one)
   A. 1 Year or 3 Year
   B. Wrap-up Construction Project (enter details)

4. Loss Limitation Selected (if applicable) ______________

5. Do Retrospective Development Factors apply? ☐ Yes ☐ No

6. Indicate any Exceptions or Special Conditions that apply to the Plan elected by this insured:

____

This Notification of Coverage is based on the insured's election to be subject to the Retrospective Rating Plan and the carrier's acceptance of the election having been executed and retained in the carrier's file.

______________________ ______________ ______________________
Signature of Insured Date Signed Signature of Carrier Representative

RR-1 (2010)

NOTICE OF ELECTION
OF
RETROSPECTIVE RATING PLAN
NEW YORK LARGE RISK RATING OPTION

The undersigned certifies that the named Insured has elected the use of the Retrospective Rating Plan as detailed below. It is also certified that the insured understands all terms, conditions and provisions of the Plan, including method of premium computation, payment and penalties for cancellation.

1. Name of Insured ______________________________
2. Address of Insured ______________________________
3. Name of Carrier ______________________________
4. Policy Number(s) ______________________________
5. Effective Date of Plan ______________________
6. Term of Plan (Check One) __________ One-Year __________ Three-Year _________ Wrap-up
7. Line(s) of Insurance ______________________________
8. a. Estimated Annual New York WC Standard Premium $ __________________
   b. Estimated Annual WC Standard Premium for States Other Than NY $ __________________
   c. Estimated Annual Premium for All Lines Other Than WC $ __________________
9. Retrospective Rating Values
   a. Maximum Premium Factor (or Maximum Ratable Incurred Loss Rate) _______________
   b. Minimum Premium Factor (or Minimum Ratable Incurred Loss Rate) _______________
   Minimum/Maximum Exposure Base _______________
   c. Net Variable Expense Factor (or Loss Conversion Factor) _______________
   d. Tax Multiplier _______________
   e. WC Loss Limitation Factor _____________ Loss Limit $ _____________
   Other than WC Loss Base _____________ Loss Limit $ _____________
   Loss Limitation Exposure Base _____________
   f. Basic Expense Factor (Fixed Expense Factor) _____________
   Basic Expense Exposure Base ___________________
   g. Retrospective Development Factors Applicable ☐ Yes ☐ No
10. Indicate any special conditions which apply to the Plan elected by this insured:____________________________

____

____

Signature of Insured (Proprietor, Partner, or Authorized Officer)	Date Signed	Signature of Carrier Representative

ENDORSEMENTS

Endorsement	Purpose
WC 00 05 03 B—Retrospective Rating Plan Premium Endorsement, One-Year Plan	Use this endorsement when the rating plan period is the one-year period beginning with the effective date of the endorsement
WC 00 05 04 B—Retrospective Rating Plan Premium Endorsement, Three-Year Plan	Use this endorsement when the rating plan period is the three-year period beginning with the effective date of the endorsement
WC 00 05 05 B—Retrospective Rating Plan Premium Endorsement, Wrap-Up Construction Project	Use this endorsement when the rating plan period is the duration of the construction project described on the Information Page beginning with the effective date of the endorsement
WC 00 05 08—Retrospective Premium Endorsement Aviation Exclusion	Use this endorsement when the premium and incurred losses from the aviation classification codes listed in the schedule are excluded from retrospective rating
WC 00 05 09 A—Retrospective Premium Endorsement Changes	Use this endorsement when changes have been made to the retrospective rating factors
WC 00 05 10 A—Retrospective Rating Plan Premium Endorsement, Non-ratable Catastrophe Element or Surcharge	Use this endorsement when the policy covers operations or classifications that involve a non-ratable catastrophe element or surcharge
WC 00 05 11—Retrospective Premium Endorsement Short Form	Use this endorsement when the insured has more than one policy subject to the same retrospective rating option
WC 00 05 12 B—Retrospective Rating Plan Premium Endorsement, One-Year Plan—Multiple Lines	Use this endorsement to determine the other lines included in the calculation of the retrospective rating premium for the one-year plan
WC 00 05 13 B—Retrospective Rating Plan Premium Endorsement, Three-Year Plan—Multiple Lines	Use this endorsement to determine the other lines included in the calculation of the retrospective rating premium for the three-year plan
WC 00 05 14 B—Retrospective Rating Plan Premium Endorsement, Wrap-Up Construction Project—Multiple Lines	The rating plan period is the duration of the construction project described on the Information Page beginning with the effective date of the endorsement when other lines of insurance are included in the calculation of the retrospective rating premium
WC 00 05 15 A— Retrospective Rating Plan Premium Endorsement—Losses Redefined to Include Allocated Loss Adjustment Expense (ALAE)	Use this endorsement when incurred losses are changed to include allocated loss adjustment expenses
WC 00 05 16—Retrospective Rating Plan Premium Endorsement—Large Risk Alternative Rating Option (LRARO)	Use this endorsement when the insured has elected to have the cost of insurance rated retrospectively by the Large Risk Alternative Rating Option

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

ONE-YEAR PLAN

This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively. This endorsement explains the rating plan and how the retrospective rating plan premium will be determined.

This endorsement applies in the states listed in the Schedule. It determines the retrospective rating plan premium for the insurance provided during the rating plan period by this policy and any policy listed in the Schedule. The rating plan period is the one-year period beginning with the effective date of this endorsement.

The amount of retrospective rating plan premium depends on five standard elements and two elective elements.

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 plan 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:

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

2. Basic premium is less than standard premium. It is standard premium multiplied by a percentage called the basic premium factor. The basic premium factor varies depending on the total amount of standard premium. The basic premium factor includes:

   - General administration costs of the carrier
   - Cost of loss control services
   - Insurance charge

   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.

   The Schedule shows a range of basic premium factors for differing amounts of estimated standard premium. The actual basic premium factor will be determined after the standard premium is determined. If earned standard premium is not within the range of the estimated standard premiums shown in the Schedule, the basic premium will be recalculated.

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 employers liability loss adjustment expenses. This includes paid and outstanding losses (including any reserves set on open claims). If the allocated loss adjustment expense (ALAE) option is elected, then incurred losses will include ALAE.

★ **Note:** The rating formula for incurred losses will not include a loss for the following elements or any other elements excluded from our manual, as applicable:

- Resulting from the nonratable element codes
- ★ For the disease-related of losses covered under the Federal Mine Safety and Health Act
- ★ Resulting from the application of catastrophe provisions
- ★ Reported as fully fraudulent
- ★ Reported as non compensable

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 incurred losses, and any elective elements. The percentage is called the tax multiplier. It varies by state and by Federal and Non-Federal classifications. The tax multipliers are shown in the Schedule.

B. Retrospective Rating Plan Premium Elective Elements

Two other elements are included in determining retrospective rating plan premium if you elected 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 loss to be included in the retrospective rating plan premium is limited to an amount called the loss limitation. 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.

   The charge for this loss limitation is called the excess loss premium. Excess loss premium is a percentage of standard premium multiplied by the loss conversion factor. The percentage is called the excess loss premium factor.

   Excess loss premium factors vary by state, by classification, and by the amount of the loss limitation. If you chose this elective element, the loss conversion factor, the loss limitation, the excess loss premium factors, and the states where they apply are 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 a retrospective rating plan premium and is called the retrospective development premium. It is a percentage of standard premium multiplied by the loss conversion factor. The percentage of standard premium is called the retrospective development factor.

   Retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations of retrospective rating plan premium. If you chose this elective 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, plus the excess loss premium 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 applying the minimum and maximum retrospective rating plan premium factors, shown in the Schedule, to the standard premium.

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 six months after the rating plan period ends and annually thereafter.

   We may make a special valuation of the 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 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 listed in the Table 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 for 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 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.

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 and will be used to determine the basic premium.

The short rate premium will be used to determine the excess loss premium and retrospective development premium if you chose these elective elements.

The maximum retrospective rating plan premium will be based on the standard premium for the rating plan period, 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. Other policies subject to this Retrospective Rating Plan Premium Endorsement ______________________________

   ____

2. Loss Limitation: $ ________________________

3. Loss Conversion Factor __________________

   Minimum Retrospective Rating Plan Premium Factor ________________

   Maximum Retrospective Rating Plan Premium Factor ________________

4. The basic premium factors shown here are based on estimates of standard premium. If the actual standard premium is within the range of estimated standard premiums shown here, 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:	______________	______________	______________

5. The tax multipliers, excess loss premium factors, and retrospective development factors, and the states where they apply, are shown in the Table of States.

TABLE OF STATES

State	Excess Loss Premium Factors		Tax Multiplier		Retrospective Development Factors		
	State (Other than "F" Classes)	Federal ("F" Classes Only)	State (Other than "F" Classes)	Federal ("F" Classes Only)	1st	2nd	3rd

Notes:

1. This endorsement is to be used for a one-year retrospective rating plan period.
2. Identify by policy number any other policy to be combined with this policy for retrospective rating. Other policies should be endorsed with the Retrospective Premium Endorsement (Short Form) to show that they are subject to this endorsement.
3. Show the amount of the loss limitation, if applicable, in Item 2 of the Schedule. If a loss limitation was not elected, enter "none," "does not apply," or other appropriate text. If the limitation applies in some but not all states, name the state where it applies.
4. Use Item 4 to show basic premium factors for 50%, 100%, and 150% of estimated standard premium. Additional columns may be added to show the basic premium factor for other percentages of estimated standard premium.
5. The Table of States may be printed at the beginning or end of the Schedule or printed separately. If printed separately, an appropriate attachment clause should be included on the Schedule, such as: "This Schedule includes the attached Table of States." The display of information on the Table of States may be rearranged by the company.

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

THREE-YEAR PLAN

This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively. This endorsement explains the rating plan and how the retrospective rating plan premium will be determined.

This endorsement applies in the states listed in the Schedule. It determines the retrospective rating plan premium for the insurance provided during the rating plan period by this policy, any policy listed in the Schedule, and the renewals of each. The rating plan period is the three-year period beginning with the effective date of this endorsement.

The amount of retrospective rating plan premium depends on five standard elements and two elective elements.

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 plan 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:

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

2. Basic premium is less than standard premium. It is standard premium multiplied by a percentage called the basic premium factor. The basic premium factor varies depending on the total amount of standard premium. The basic premium factor includes:

   - General administration costs of the carrier
   - Cost of loss control services
   - Insurance charge

   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.

   The Schedule shows a range of basic premium factors for differing amounts of estimated standard premium. The actual basic premium factor will be determined after the standard premium is determined. If earned standard premium is not within the range of the estimated standard premiums shown in the Schedule, the basic premium will be recalculated.

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 employers liability loss adjustment expenses. This includes paid and outstanding losses (including any reserves set on open claims). If the allocated loss adjustment expense (ALAE) option is elected, then incurred losses will include ALAE.

★ **Note:** The rating formula for incurred losses will not include a loss for the following elements or any other elements excluded from our manuals, as applicable:

- Resulting from the nonratable element codes
- ★ For the disease-related portion of losses covered under the Federal Mine Safety and Health Act
- ★ Resulting from the application of catastrophe provisions
- ★ Reported as fully fraudulent
- ★ Reported as noncompensable

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 incurred losses and any elective elements. The percentage is called the tax multiplier. It varies by state and by Federal and Non-Federal classifications. The tax multipliers or an average tax multiplier are shown in the Schedule. Tax multipliers may change during the rating plan period. Changes will be shown by endorsement.

B. Retrospective Rating Plan Premium Elective Elements

Two other elements are included in determining retrospective rating plan premium if you elected 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 loss to be included in the retrospective rating plan premium is limited to an amount called the loss limitation. 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.

   The charge for this loss limitation is called the excess loss premium. Excess loss premium is a percentage of standard premium multiplied by the loss conversion factor. The percentage is called the excess loss premium factor.

   Excess loss premium factors vary by state, by classification, and by the amount of the loss limitation. If you chose this elective element, the loss conversion factor, the loss limitation, the excess loss premium factors, and the states where they apply are shown in the Schedule. Excess loss premium factors may change during the retrospective rating plan policy period. Changes will be shown by endorsement.

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 a retrospective rating plan premium and is called the retrospective development premium. It is a percentage of standard premium multiplied by the loss conversion factor. The percentage of standard premium is called the retrospective development factor.

   Retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations of retrospective rating plan premium. If you chose this elective 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, plus the excess loss premium 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 applying the minimum and maximum retrospective rating plan premium factors, shown in the Schedule, to the standard premium.

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 six months after the rating plan period ends and annually thereafter.

   We may make a special valuation of the 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 us if the retrospective rating plan premium is more than the total standard premium as of the special valuation date.

   We may make interim calculations of retrospective rating plan premium for the first year and the first two years of the rating plan period. We will use all loss information we have as of a date six months after the end of each of these periods.

2. After any calculation of 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 listed in the Table 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 and Nonrenewal of a Policy Under a Retrospective Rating Plan

1. If the policy to which this endorsement is attached is cancelled or is not renewed, the effective date of cancellation or nonrenewal will become the end of the rating plan period for all insurance subject to this endorsement.

2. If the other policies listed in the Schedule of this endorsement are cancelled or not renewed, the effective date of cancellation or nonrenewal 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 or do not renew for nonpayment of premium, the maximum retrospective rating plan premium will be the standard premium for the rating plan period, increased pro rata to three years (1,095 days), and will include all of the applicable retrospective rating plan factors shown in the Schedule.

4. If you cancel or do not renew, 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 and will be used to determine the basic premium.

   The short rate premium will be used to determine the excess loss premium and retrospective development premium if you chose these elective elements.

   The maximum retrospective rating plan premium will be based on the standard premium for the rating plan period, increased pro rata to three years (1,095 days).

5. Section F.4. will not apply if you cancel or do not renew 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. Other policies subject to this Retrospective Rating Plan Premium Endorsement ______________________________

   ____

2. Loss Limitation $ ______________________

3. Loss Conversion Factor ________________

   Minimum Retrospective Rating Plan Premium Factor ________________

   Maximum Retrospective Rating Plan Premium Factor ________________

4. The basic premium factors shown here are based on estimates of standard premium. If the actual standard premium is within the range of estimated standard premiums shown here, 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:	______________	______________	______________

5. The tax multipliers, excess loss premium factors, and retrospective development factors, and the states where they apply, are shown in the Table of States.

TABLE OF STATES

State	Excess Loss Premium Factors		Tax Multiplier		Retrospective Development Factors		
	State (Other than "F" Classes)	Federal ("F" Classes Only)	State (Other than "F" Classes)	Federal ("F" Classes Only)	1st	2nd	3rd

Notes:

1. This endorsement is to be used for a three-year retrospective rating plan period.
2. Identify by policy number any other policy to be combined with this policy for retrospective rating. Other policies should be endorsed with Retrospective Premium Endorsement (Short Form) to show that they are subject to this endorsement
3. Show the amount of the loss limitation, if applicable, in Item 2 of the Schedule. If a loss limitation was not elected, enter "none," "does not apply," or other appropriate text. If the limitation applies in some but not all states, name the states where it applies.
4. Use Item 4 to show basic premium factors for 50%, 100%, and 150% of estimated standard premium. Additional columns may be added to show the basic premium factor for other percentages of estimated standard premium.
5. The Table of States may be printed at the beginning or end of the Schedule or printed separately. If printed separately, an appropriate attachment clause should be included on the Schedule, such as: "This Schedule includes the attached Table of States." The display of information in the Table of States may be rearranged by the company.

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

WRAP-UP CONSTRUCTION PROJECT

This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively. This endorsement explains the rating plan and how the retrospective rating plan premium will be determined.

This endorsement applies in the states listed in the Schedule. It determines the retrospective rating plan premium for the insurance provided during the rating plan period by this policy, any policy listed in the Schedule, and the renewals of each. The rating plan period is the duration of the wrap-up construction project described on the Information Page, beginning with the effective date of this endorsement.

The amount of retrospective rating plan premium depends on five standard elements and two elective elements.

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 plan 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:

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

2. Basic premium is less than standard premium. It is standard premium multiplied by a percentage called the basic premium factor. The basic premium factor varies depending on the total amount of standard premium. The basic premium factor includes:

   - General administration costs of the carrier
   - Cost of loss control services
   - Insurance charge

   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.

   The Schedule shows a range of basic premium factors for differing amounts of estimated standard premium. The actual basic premium factor will be determined after the standard premium is determined. If earned standard premium is not within the range of the estimated standard premiums shown in the Schedule, the basic premium will be recalculated.

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 employers liability loss adjustment expenses. This includes paid and outstanding losses (including any reserves set on open claims). If the allocated loss adjustment expense (ALAE) option is elected, then incurred losses will include ALAE.

★ **Note:** The rating formula for incurred losses will not include a loss for the following elements or any other elements excluded from our manuals, as applicable:

- Resulting from the nonratable element codes
- ★ For the disease-related portion of losses covered under the Federal Mine Safety and Health Act
- ★ Resulting from the application of catastrophe provisions as outlined in our manuals
- ★ Reported as fully fraudulent
- ★ Reported as non-compensable

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 incurred losses and any elective elements. The percentage is called the tax multiplier. It varies by state and by Federal and Non-Federal classifications. The tax multipliers or an average tax multiplier are shown in the Schedule. Tax multipliers may change during the rating plan period. Changes will be shown by endorsement.

B. Retrospective Premium Elective Elements

Two other elements are included in determining retrospective rating plan premium if you elected 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 loss to be included in the retrospective rating plan premium is limited to an amount called the loss limitation. 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.

   The charge for this loss limitation is called the excess loss premium. Excess loss premium is a percentage of standard premium multiplied by the loss conversion factor. The percentage is called the excess loss premium factor.

   Excess loss premium factors vary by state, by classification, and by the amount of the loss limitation. If you chose this elective element, the loss conversion factor, the loss limitation, the excess loss premium factors, and the states where they apply are shown in the Schedule. Excess loss premium factors may change during the retrospective rating plan policy period. Changes will be shown by endorsement.

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 a retrospective rating plan premium, and is called the retrospective development premium. It is a percentage of standard premium multiplied by the loss conversion factor. The percentage of standard premium is called the retrospective development factor.

   Retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations of retrospective rating plan premium. If you chose this elective 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, plus the excess loss premium 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 applying the minimum and maximum retrospective rating plan premium factors, shown in the Schedule, to the standard premium.

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 six months after the rating plan period ends and annually thereafter.

   We may make a special valuation of the 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 us if the retrospective rating plan premium is more than the total standard premium as of the special valuation date.

   We may make interim calculations of retrospective rating plan premium for the first year and the first two years of the rating plan period. We will use all loss information we have as of a date six months after the end of each of these periods.

2. After any calculation of 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 listed in the Table 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 and Nonrenewal of a Policy Under a Retrospective Rating Plan

1. If the policy to which this endorsement is attached is cancelled or is not renewed, the effective date of the cancellation or nonrenewal will become the end of the rating plan period for all insurance subject to this endorsement.

2. If other policies listed in the Schedule of this endorsement are cancelled or not renewed, the effective date of cancellation or nonrenewal 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 or do not renew for nonpayment of premium, the maximum retrospective rating plan premium will be based on the standard premium for the rating plan period plus the estimated standard premium from the end of the rating plan period to the estimated project completion date, and will include all of the applicable retrospective rating factors shown in the Schedule.

4. If you cancel or do not renew, 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 and will be used to determine the basic premium.

   The short rate premium will be used to determine the excess loss premium and retrospective development premium if you chose these elective elements.

   The maximum retrospective rating plan premium will be based on the standard premium for the rating plan period plus the estimated standard premium from the end of the rating plan period to the estimated project completion date.

5. Section F.4. will not apply if you cancel or do not renew 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. Other policies subject to this Retrospective Rating Plan Premium Endorsement ______________________________

   ____

2. Loss Limitation $ ________________________

3. Loss Conversion Factor ________________

   Minimum Retrospective Rating Plan Premium Factor ________________

   Maximum Retrospective Rating Plan Premium Factor ________________

4. The basic premium factors shown here are based on estimates of standard premium. If the actual standard premium is within the range of estimated standard premiums shown here, 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:	______________	______________	______________

5. The tax multipliers, excess loss premium factors, and retrospective development factors, and the states where they apply, are shown in the Table of States.

TABLE OF STATES

State	Excess Loss Premium Factors		Tax Multiplier		Retrospective Development Factors		
	State (Other than "F" Classes)	Federal ("F" Classes Only)	State (Other than "F" Classes)	Federal ("F" Classes Only)	1st	2nd	3rd

Notes:

1. This endorsement is to be used for a retrospective rating plan period equal to the duration of the wrap-up construction project described on the Information Page.
2. Identify by policy number any other policy to be combined with this policy for retrospective rating. Other policies should be endorsed with Retrospective Premium Endorsement (Short Form) to show that they are subject to this endorsement.
3. Show the amount of the loss limitation, if applicable, in Item 2 of the Schedule. If a loss limitation was not elected, enter "none," "does not apply," or other appropriate text. If the limitation applies in some but not all states, name the states where it applies.
4. Use Item 4 to show basic premium factors for 50%, 100%, and 150% of estimated standard premium. Additional columns may be added to show the basic premium factor for other percentages of estimated standard premium.
5. The Table of States may be printed at the beginning or end of the Schedule or printed separately. If printed separately, an appropriate attachment clause should be included on the Schedule, such as: "This Schedule includes the attached Table of States." The display of information in the Table of States may be rearranged by the company.

RETROSPECTIVE PREMIUM ENDORSEMENT
AVIATION EXCLUSION

Premium and incurred losses arising out of an aviation classification listed in the Schedule are excluded from retrospective rating.

Schedule

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 Policy No.	Endorsement No.
Insured		Premium
Insurance Company	Countersigned by ____________________	

RETROSPECTIVE PREMIUM ENDORSEMENT CHANGES

The Retrospective Endorsement attached to the policy is changed by the information shown in the Schedule.

Schedule

1. The Excess Loss Factor is changed as follows:

State	Excess Loss Factor	Effective Date

2. Retrospective Development Premium does not apply in these states:

3. The Retrospective Development Factors are changed as follows:

State	Retrospective Development Factors			Effective Date
	1st	2nd	3rd	

4. The Tax Multiplier is changed as follows:

	Tax Multiplier		
State	State (Other Than "F" Classes)	Federal ("F" Classes Only)	Effective Date

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 Policy No. Endorsement No.

Insured Premium

Insurance Company Countersigned by ____

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

NON-RATABLE CATASTROPHE ELEMENT OR SURCHARGE

This endorsement is issued because you chose to have the cost of the insurance rated retrospectively. This endorsement changes the retrospective rating plan premium endorsement attached to the policy.

1. Standard premium excludes the portion of the premium that is determined by the application of a nonratable catastrophe element in a rate or a nonratable catastrophe surcharge required by our manuals. The classifications codes involving such premiums are listed in the Schedule below.

★ 2. Incurred losses do not include the cost in excess of the two most costly claims arising out of an accident involving two or more persons under a classification code for which our manuals contain a nonratable catastrophe element.

★ 3. Catastrophe provisions, as described in our manuals, are included in the total policy premium, but excluded from the standard premium used in a retrospective rating plan premium.

Schedule

RETROSPECTIVE PREMIUM ENDORSEMENT
SHORT FORM

The premium for this policy will be determined by the retrospective premium endorsement forming a part of policy number ____.

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 Policy No.	Endorsement No.
Insured		Premium
Insurance Company	Countersigned by ___________________________________	

Notes:

1. If the insured has more than one policy subject to the same retrospective rating plan option, use this endorsement to identify the policy that carries the retrospective premium endorsement.

   Show that policy number in the space provided in this endorsement. Any other information necessary to identify that policy may be shown on this endorsement at the carrier's option.

2. If one-year policies are issued with a rating plan period longer than one year, this Short Form Endorsement should identify the first policy issued during the rating plan period because that policy is the only one to be endorsed with the three-year or long-term retrospective premium endorsement.

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

ONE YEAR PLAN-MULTIPLE LINES

This endorsement is issued because you chose to have the cost of the insurance rated retrospectively. This endorsement explains the rating plan and how the retrospective rating plan premium will be determined. For workers compensation and employers liability insurance, this endorsement refers to Part Five (Premium) of that policy.

This endorsement applies in the states listed in the Schedule. It determines the retrospective rating plan premium for the insurance provided during the rating plan period by this policy, and any policy listed in the Schedule. The rating plan period is the one-year period beginning with the effective date of this endorsement.

The final premium for the policies designated in the Schedule is the sum of:

1. The premium for the insurance subject to a retrospective rating plan as shown in the Schedule and calculated as explained in this endorsement and referred to as the retrospective rating plan premium, and
2. The premium for the insurance not subject to a retrospective rating plan as shown in the Schedule and calculated in accordance with the provisions of such policies other than this endorsement

The amount of retrospective rating plan premium depends on five standard elements and two elective elements.

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 plan 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:
   - Premium discount
   - Expense constant
   - Premium resulting from the nonratable element codes
   - ★ Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act
   - ★ Premium developed by the catastrophe provisions
2. Basic premium is less than standard premium. It is standard premium multiplied by a percentage called the basic premium factor. The basic premium factor varies depending on the total amount of standard premium. The basic premium factor includes:
   - General administration costs of the carrier
   - Cost of loss control services
   - Insurance charge

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.

The Schedule shows a range of basic premium factors for differing amounts of estimated standard premium. The actual basic premium factor will be determined after the standard premium is determined. If earned standard premium is not within the range of the estimated standard premiums shown in the Schedule, the basic premium will be recalculated.

3. Incurred losses are all amounts we pay or estimate we will pay and losses for the following expenses:

   a. Premiums on bonds paid for by the company in accordance with the provisions of the policies, except that this will not apply for workers compensation, employers liability, or auto physical damage insurance
   b. Interest payable in accordance with the provisions of the policy, except that this will not apply for auto physical damage insurance
   c. Allocated loss adjustment expenses (ALAE), except that this will apply for auto liability, general liability, and employers liability insurance only
   d. Expenses incurred in seeking recovery against a third party under the insurance subject to retrospective rating, except that this will apply for workers compensation and employers liability insurance only if recovery is obtained against the third party

   Incurred losses include paid and outstanding losses (including any reserves set on open claims). For workers compensation and employers liability insurance, if the ALAE option is elected, then incurred losses will include ALAE.

★ **Note:** The rating formula for incurred losses will not include a loss for the following elements or any other elements excluded from out manuals, as applicable:

- Resulting from the nonratable element codes
- ★ For the disease-related portion of losses covered under the Federal Mine Safety and Health Act
- ★ Resulting from the application of catastrophe provisions
- ★ Reported as fully fraudulent
- ★ Reported as noncompensable

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 incurred losses and any elective elements. The percentage is called the tax multiplier. It varies by state and by line of insurance. For workers compensation and employers liability insurance, it varies by Federal and Non-Federal classifications. The tax multipliers are shown in the Schedule.

B. Retrospective Rating Plan Premium Elective Elements

Two other elements are included in determining retrospective rating plan premium if you elected 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 amounts of incurred loss to be included in the retrospective rating plan premium are limited to an amount called the loss limitation. For workers compensation and employers liability insurance, 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.

For other lines of insurance, the loss limitation applies separately to each accident or occurrence, either by line of insurance or to a combination of these lines of insurance, as shown in the Schedule.

The charge for this loss limitation is called the excess loss premium. Excess loss premium is a percentage of standard premium multiplied by the loss conversion factor. The percentage is called the excess loss premium factor.

Excess loss premium factors vary by line of insurance and by the amount of the loss limitation. For workers compensation and employers liability insurance, these factors also vary by state classification, and by the amount of the loss limitation. If you choose this elective element, the loss conversation factor, the loss limitation, the excess loss premium factors, and the states where they apply are 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 a retrospective rating plan premium for workers compensation and employers liability insurance, and the first four calculations for auto liability and general liability. This premium is called the retrospective development premium. It is a percentage of standard premium multiplied by the loss conversion factor. The percentage of standard premium is called the retrospective development factor.

   For workers compensation and employers liability insurance, retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations or retrospective rating plan premium. For general liability and automobile liability insurance, retrospective development factors vary by first, second, third and fourth calculations of retrospective rating plan premium. If you chose this elective 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, plus the excess loss premium 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 applying the minimum and maximum retrospective rating plan premium factors, shown in the Schedule, to the standard premium.

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 six months after the rating plan period ends and annually thereafter.

   We may make a special valuation of the 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 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 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 listed in the Table of States, and 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 and Nonrenewal 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 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.

4. If you cancel, the standard premium for the rating plan period will be increased by our short rate table and procedure for workers compensation and employers liability insurance and the applicable cancellation procedure for other lines of insurance. This short rate premium will be the minimum retrospective rating plan premium and will be used to determine the basic premium.

   The short rate retrospective rating plan premium will be used to determine the excess loss premium and retrospective development premium if you chose these elective elements.

   The maximum retrospective rating plan premium will be based on the standard premium for the rating plan period, 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

Premium Subject to Retrospective Rating Plan, Loss Limitations, Loss Conversion Factors, State Tax Multipliers, Excess Loss Factors, Retrospective Development Factors

1. The premium for the following policies combined is to be calculated in accordance with the provisions of this Retrospective Rating Plan Premium Endorsement:

   List of Policies ______________________________
   ____
   ____
   ____
   ____
   ____

2. The retrospective rating plan does not apply to the premium for policies ______________________________
   ____
   in the states of ______________________________

3. The retrospective rating plan does not apply to the premium for Uninsured Motorist Insurance if afforded under the policies designated in paragraph 1.

4. The premium for the general liability and automobile liability insurance afforded under policies designated in paragraph I above for insurance in excess of the limits of liability stated below will not be subject to retrospective rating. State the dollar amount of the limit of liability and the manner in which it applies.

Coverage	Limit of Liability
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________

   The incurred losses to be included in calculating the premium for the insurance subject to a retrospective rating plan will not include that portion of the losses actually paid and the reserves for unpaid losses which is in excess of the limits of liability stated above, but that part of the incurred losses consisting of premiums on bonds, interest payable in accordance with the provisions of the policy, allocated loss adjustment expenses and expenses incurred in seeking recovery against a third party will not be subject to such limits.

5. Workers Compensation and Employers Liability Loss Limitation is $ ______________________________

6. Combination Loss Limitation of $__________________is the overall limit on the incurred losses arising out of any one accident or occurrence for the following combination of insurance ______________________________
   ____

7. If the combination loss limitation does not apply for general liability, auto liability, auto physical damage or theft insurance, specify the loss limitation that applies separately to each accident or occurrence:

   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________

8. Loss Conversion Factor is ____
   ____
   ____

9. Minimum Retrospective Rating Plan Premium Factor is ______________________

   Maximum Retrospective Rating Plan Premium Factor is ______________________

10. The basic premium factors shown here are based on estimates of standard premium. If the actual standard premium is within the range of estimated standard premiums shown here, 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:	____________	____________	____________

TABLE OF STATES

11.A	Excess Loss Premium Factors		Tax Multipliers	
	Workers Compensation and Employers Liability		Workers Compensation and Employers Liability	
State	State (Other than "F" Classes)	Federal ("F" Classes Only)	State (Other than "F" Classes)	Federal ("F" Classes Only)

11.B	Excess Loss Premium Factors			Tax Multipliers		
State	General Liability	Automobile Liability	Automobile Physical Damage	General Liability	Automobile Liability	Automobile Physical Damage

12.A	Retrospective Development Factors		
	Workers Compensation and Employers Liability		
State	1st	2nd	3rd

12.B	Retrospective Development Factors							
	General Liability				Automobile Liability			
State	1st	2nd	3rd	4th	1st	2nd	3rd	4th

Note:

1. This endorsement is designed for a one-year rating plan period.

2. If two or more policies are included under the retrospective rating plan, one policy shall carry this endorsement and the other or others shall be endorsed with Retrospective Premium Endorsement (Short Form).

3. Show the amount of the loss limitation, if applicable, in Items 5, 6 and 7 of the Schedule. If a loss limitation was not elected, enter “none," “does not apply,” or other appropriate text. If the limitation applies in some states but not all the states, name the states where it applies.

4. Use Item 10 of the Schedule to show basic premium factors for 50%, 100% and 150% of estimated standard premium. Additional columns may be added to show the basic premium factor for other percentages of estimated standard premium.

5. The Table of States may be printed at the beginning or end of the Schedule or printed separately. If printed separately, an appropriate attachment clause should be included on the Schedule, such as: “This Schedule includes the attached Table of States.” The display of information in the Table of States may be rearranged by the company.

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

THREE-YEAR PLAN-MULTIPLE LINES

This endorsement is issued because you chose to have the cost of the insurance rated retrospectively. This endorsement explains the rating plan and how the retrospective rating plan premium will be determined. For workers compensation and employers liability insurance, this endorsement refers to Part Five (Premium) of that policy.

This endorsement applies in the states listed in the Schedule. It determines the retrospective rating plan premium for the insurance provided during the rating plan period by this policy, any policy listed in the Schedule, and the renewals of each. The rating plan period is the three-year period beginning with the effective date of this endorsement.

The final premium for the policies designated in the Schedule is the sum of:

1. The premium for the insurance subject to a retrospective rating plan as shown in the Schedule and calculated as explained in this endorsement and referred to as the retrospective rating plan premium, and

2. The premium for the insurance not subject to a retrospective rating plan as shown in the Schedule and calculated in accordance with the provisions of such policies other than this endorsement.

The amount of retrospective rating plan premium depends on five standard elements and two elective elements.

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 plan 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:

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

2. Basic premium is less than standard premium. It is standard premium multiplied by a percentage called the basic premium factor. The basic premium factor varies depending on the total amount of standard premium. The basic premium factor includes:

   - General administration costs of the carrier
   - Cost of loss control services
   - Insurance charge

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.

The Schedule shows a range of basic premium factors for differing amounts of estimated standard premium. The actual basic premium factor will be determined after the standard premium is determined. If earned standard premium is not within the range of the estimated standard premiums shown in the Schedule, the basic premium will be recalculated.

3. Incurred losses are all amounts we pay or estimate we will pay for losses and the following expenses:

   a. Premiums on bonds paid for by the company in accordance with the provisions of the policies, except that this will not apply for workers compensation, employers liability, or auto physical damage insurance
   b. Interest payable in accordance with the provisions of the policy, except that this will not apply for auto physical damage insurance
   c. Allocated loss adjustment expenses (ALAE), except that this will apply for auto liability, general liability, and employers liability insurance only
   d. Expenses incurred in seeking recovery against a third party under the insurance subject to retrospective rating, except that this will apply for workers compensation and employers liability insurance only if recovery is obtained against the third party

   Incurred losses include paid and outstanding losses (including any reserves set on open claims). For workers compensation and employers liability insurance, if the ALAE option is elected, then incurred losses will include ALAE.

   Note: The rating formula for incurred losses will not include a loss for the following elements or any other elements excluded from out manuals, as applicable:

   - Resulting from the nonratable element codes
   - For the disease-related portion of losses covered under the Federal Mine Safety and Health Act
   - Resulting from the application of catastrophe provisions
   - Reported as fully fraudulent
   - Reported as noncompensable

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 incurred losses and any elective elements. The percentage is called the tax multiplier. It varies by state and by line of insurance. For workers compensation and employers liability insurance, it varies by Federal and Non-Federal classifications. The tax multipliers or an average tax multiplier are shown in the Schedule. Tax multipliers may change during the rating plan period. Changes will be shown by endorsement.

B. Retrospective Rating Plan Premium Elective Elements

Two other elements are included in determining retrospective rating plan premium if you elected 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 loss to be included in the retrospective rating plan premium are limited to an amount called the loss limitation. For workers compensation and employers liability insurance, 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.

   For other lines of insurance, the loss limitation applies separately to each accident or occurrence, either by line of insurance or to a combination of these lines of insurance, as shown in the Schedule.

   The charge for this loss limitation is called the excess loss premium. Excess loss premium is a percentage of standard premium multiplied by the loss conversion factor. The percentage is called the excess loss premium factor.

   Excess loss premium factors vary by line of insurance and by the amount of the loss limitation. For workers compensation and employers liability insurance, these factors also vary by state, classification, and by the amount of the loss limitation. If you choose this elective element, the loss conversation factor, the loss limitation, the excess loss premium factors, and the states where they apply are shown in the Schedule. Excess loss premium factors may change during the policy period. Changes will be shown by endorsement.

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 a retrospective rating plan premium for workers compensation and employers liability insurance, and the first four calculations for auto liability and general liability. This premium is called the retrospective development premium. It is a percentage of standard premium multiplied by the loss conversion factor. The percentage of standard premium is called the retrospective development factor.

   For workers compensation and employers liability insurance, retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations of retrospective rating plan premium. For general liability and automobile liability insurance, retrospective development factors vary by first, second, third and fourth calculations of retrospective rating plan premium. If you chose this elective 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, plus the excess loss premium 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 applying the minimum and maximum retrospective rating plan premium factors, shown in the Schedule, to the standard premium.

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 six months after the rating plan period ends and annually thereafter.

We may make a special valuation of the 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 us if the retrospective rating plan premium is more than the total standard premium as of the special valuation date.

We may make interim calculations of retrospective rating plan premium for the first year and the first two years of the rating plan period. We will use all loss information we have as of a date six months after the end of each of these periods.

2. After any calculation of 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 listed in the Table 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 and Nonrenewal of a Policy Under a Retrospective Rating Plan

1. If the policy to which this endorsement is attached is cancelled or is not renewed, the effective date of the cancellation or nonrenewal 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 or not renewed, the effective date of cancellation or renewal 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 or do not renew for nonpayment of premium, the maximum retrospective rating plan premium will be based on the standard premium for the rating plan period, increased pro rata to three years (1,095 days), and will include all of the applicable retrospective rating plan factors shown in the Schedule.

4. If you cancel or do not renew, the standard premium for the rating plan period will be increased by our short rate table and procedure for workers compensation and employers liability insurance and the applicable cancellation procedure for other lines of insurance. This short rate premium will be the minimum retrospective rating plan premium and will be used to determine the basic premium.

   The short rate retrospective rating plan premium will be used to determine the excess loss premium and retrospective development premium if you chose these elective elements.

   The maximum retrospective rating plan premium will be based on the standard premium for the rating plan period, increased pro rata to three years (1,095 days).

5. Section F.4. will not apply if you cancel or do not renew 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

Premium Subject to Retrospective Rating Plan, Loss Limitations, Loss Conversion Factors, State Tax Multipliers, Excess Loss Premium Factors, Retrospective Development Factors

1. The premium for the following policies combined is to be calculated in accordance with the provisions of this Retrospective Rating Plan Premium Endorsement:

   List of Policies ______________________________
   ____
   ____
   ____
   ____

2. The retrospective rating plan does not apply to the premium for policies ______________________________
   ____
   in the states of ______________________________

3. The retrospective rating plan does not apply to the premium for Uninsured Motorist Insurance if afforded under the policies designated in paragraph 1.

4. The premium for the general liability and automobile liability insurance afforded under policies designated in paragraph I above for insurance in excess of the limits of liability stated below will not be subject to retrospective rating. State the dollar amount of the limit of liability and the manner in which it applies.

Coverage	Limit of Liability
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________
____________	$ ____________

★ If aggregate limits of liability are stated above, they will apply separately to each annual period included in the three-year period.

The incurred losses to be included in calculating the premium for the insurance subject to retrospective rating will not include that portion of the losses actually paid and the reserves for unpaid losses that is in excess of the limits of liability stated above, but that part of the incurred losses consisting of premiums on bonds, interest payable in accordance with the provisions of the policy, allocated loss adjustment expenses and expenses incurred in seeking recovery against a third party will not be subject to such limits.

5. Workers Compensation and Employers Liability Loss Limitation is $ ______________________________

6. Combination Loss Limitation of $ ____________ is the overall limit on the incurred losses arising out of any one accident or occurrence for the following combination of insurance ______________________________
   ____

7. If the combination loss limitation does not apply for general liability, auto liability, auto physical damage or theft insurance, specify the loss limitation that applies separately to each accident or occurrence:

   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________

8. Loss Conversion Factor is ____

9. Minimum Retrospective Rating Plan Premium Factor is ______________________

   Maximum Retrospective Rating Plan Premium Factor is ______________________

10. The basic premium factors shown here are based on estimates of standard premium. If the actual standard premium is within the range of estimated standard premiums shown here, 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:	__________	__________	__________

TABLE OF STATES

11.A	Excess Loss Premium Factors		Tax Multipliers	
	Workers Compensation and Employers Liability		Workers Compensation and Employers Liability	
State	State (Other than "F" Classes)	Federal ("F" Classes Only)	State (Other than "F" Classes)	Federal ("F" Classes Only)

11.B	Excess Loss Premium Factors			Tax Multipliers		
State	General Liability	Automobile Liability	Automobile Physical Damage	General Liability	Automobile Liability	Automobile Physical Damage

12.A	Retrospective Development Factors		
	Workers Compensation and Employers Liability		
State	1st	2nd	3rd

12.B	Retrospective Development Factors							
	General Liability				Automobile Liability			
State	1st	2nd	3rd	4th	1st	2nd	3rd	4th

Note:

1. This endorsement is designed for a three-year rating plan period.

2. If two or more policies are included under the retrospective rating plan, one policy shall carry this endorsement and the other or others shall be endorsed with Retrospective Premium Endorsement (Short Form).

3. Show the amount of the loss limitation, if applicable, in Items 5, 6 and 7 of the Schedule. If a loss limitation was not elected, enter "none," "does not apply," or other appropriate text. If the limitation applies in some states but not all the states, name the states where it applies.

4. Use Item 10 of the Schedule to show basic premium factors for 50%, 100% and 150% of estimated standard premium. Additional columns may be added to show the basic premium factor for other percentages of estimated standard premium.

5. The Table of States may be printed at the beginning or end of the Schedule or printed separately. If printed separately, an appropriate attachment clause should be included on the Schedule, such as: "This Schedule includes the attached Table of States." The display of information in the Table of States may be rearranged by the company.

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

WRAP-UP CONSTRUCTION PROJECT-MULTIPLE LINES

This endorsement is issued because you chose to have the cost of the insurance rated retrospectively. This endorsement explains the rating plan and how the retrospective rating plan premium will be determined. For workers compensation and employers liability insurance, this endorsement refers to Part Five (Premium) of that policy.

This endorsement applies in the states listed in the Schedule. It determines the retrospective rating plan premium for the insurance provided during the rating plan period by this policy, any policy listed in the Schedule, and the renewals of each. The rating plan period is the duration of the wrap-up construction project described in the declarations or Information Page of such policies, beginning with the effective date of this endorsement.

The final premium for the policies designated in the Schedule is the sum of:

1. The premium for the insurance subject to a retrospective rating plan as shown in the Schedule and calculated as explained in this endorsement and referred to as the retrospective rating plan premium, and

2. The premium for the insurance not subject to a retrospective rating plan as shown in the Schedule and calculated in accordance with the provisions of such policies other than this endorsement.

The amount of retrospective rating plan premium depends on five standard elements and two elective elements.

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 plan 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:

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

2. Basic premium is less than standard premium. It is standard premium multiplied by a percentage called the basic premium factor. The basic premium factor varies depending on the total amount of standard premium. The basic premium factor includes:

   - General administration costs of the carrier
   - Cost of loss control services
   - Insurance charge

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.

The Schedule shows a range of basic premium factors for differing amounts of estimated standard premium. The actual basic premium factor will be determined after the standard premium is determined. If earned standard premium is not within the range of the estimated standard premiums shown in the Schedule, the basic premium will be recalculated.

★ 3. Incurred losses are all amounts we pay or estimate we will pay for losses and the following expenses:

   a. Premiums on bonds paid for by the company in accordance with the provisions of the policies, except that this will not apply for workers compensation, employers liability, or auto physical damage insurance
   b. Interest payable in accordance with the provisions of the policy, except that this will not apply for auto physical damage insurance
   c. Allocated loss adjustment expenses (ALAE), except that this will apply for auto liability, general liability, and employers liability insurance only
   d. Expenses incurred in seeking recovery against a third party under the insurance subject to retrospective rating, except that this will apply for workers compensation and employers liability insurance only if recovery is obtained against the third party

   Incurred losses include paid and outstanding losses (including any reserves set on open claims). For workers compensation and employers liability insurance, if the ALAE option is elected, then incurred losses will include ALAE.

   ★ **Note:** The rating formula for incurred losses will not include a loss for the following elements or any other elements excluded from out manuals, as applicable:

   - Resulting from the nonratable element codes
   - ★ For the disease-related portion of losses covered under the Federal Mine Safety and Health Act
   - ★ Resulting from the application of catastrophe provisions
   - ★ Reported as fully fraudulent
   - ★ Reported as noncompensable

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 incurred losses and any elective elements. The percentage is called the tax multiplier. It varies by state and by line of insurance. For workers compensation and employers liability insurance, it varies by Federal and Non-Federal classifications. The tax multipliers or an average tax multiplier are shown in the Schedule. Tax multipliers may change during the rating plan period. Changes will be shown by endorsement.

B. Retrospective Rating Plan Premium Elective Elements

Two other elements are included in determining retrospective rating plan premium if you elected 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~~s~~ of incurred loss to be included in the retrospective rating plan premium are limited to an amount called the loss limitation. For workers compensation and employers liability insurance, 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.

   For other lines of insurance, the loss limitation applies separately to each accident or occurrence, either by line of insurance or to a combination of these lines of insurance, as shown in the Schedule.

   The charge for this loss limitation is called the excess loss premium. Excess loss premium is a percentage of standard premium multiplied by the loss conversion factor. The percentage is called the excess loss premium factor.

   Excess loss premium factors vary by line of insurance and by the amount of the loss limitation. For workers compensation and employers liability insurance, these factors also vary by state, classification, and by the amount of the loss limitation. If you choose this elective element, the loss conversation factor, the loss limitation, the excess loss premium factors, and the states where they apply are shown in the Schedule. Excess loss premium factors may change during the policy period. Changes will be shown by endorsement.

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 a retrospective rating plan premium for workers compensation and employers liability insurance, and the first four calculations for auto liability and general liability. This premium is called the retrospective development premium. It is a percentage of standard premium multiplied by the loss conversion factor. The percentage of standard premium is called the retrospective development factor.

   For workers compensation and employers liability insurance, retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations of retrospective rating plan premium. For general liability and automobile liability insurance, retrospective development factors vary by first, second, third and fourth calculations of retrospective rating plan premium. If you chose this elective 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, plus the excess loss premium 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 applying the minimum and maximum retrospective rating plan premium factors, shown in the Schedule, to the standard premium.

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 losses we have as of a date six months after the rating plan period ends and annually thereafter.

We may make a special valuation of the 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.

We may make interim calculations of retrospective rating plan premium for the first year and the first two years of the rating plan period. We will use all loss information we have as of a date six months after the end of each of these periods.

2. After any calculation of 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 listed in the Table 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 and Nonrenewal of a Policy Under a Retrospective Rating Plan

1. If the policy to which this endorsement is attached is cancelled or is not renewed, the effective date of the cancellation or nonrenewal 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 or not renewed, the effective date of cancellation or renewal 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 or do not renew for nonpayment of premium, the maximum retrospective rating plan premium will be based on the standard premium for the rating plan period, plus the estimated standard premium from the end of the rating plan period to the estimated project completion date, and will include all of the applicable retrospective rating factors shown in the Schedule.

4. If you cancel or do not renew, the standard premium for the rating plan period will be increased by our short rate table and procedure for workers compensation and employers liability insurance and the applicable cancellation procedure for other lines of insurance. This short rate premium will be the minimum retrospective rating plan premium and will be used to determine the basic premium.

   The short rate retrospective rating plan premium will be used to determine the excess loss premium and retrospective development premium if you chose these elective elements.

   The maximum retrospective rating plan premium will be based on the standard premium for the rating plan period, plus the estimated standard premium from the end of the rating plan period to the estimated project completion date.

5. Section F.4. will not apply if you cancel or do not renew 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

Premium Subject to Retrospective Rating Plan, Loss Limitations, Loss Conversion Factors, State Tax Multipliers, Excess Loss Premium Factors, Retrospective Development Factors

1. The premium for the following policies combined is to be calculated in accordance with the provisions of this Retrospective Rating Plan Premium Endorsement:

   List of Policies ______________________________
   ____
   ____
   ____
   ____
   ____

2. The retrospective rating plan does not apply to the premium for policies ______________________________
   ____
   in the states of ______________________________

3. The retrospective rating plan does not apply to the premium for Uninsured Motorist Insurance if afforded under the policies designated in paragraph 1.

4. The premium for the general liability and automobile liability insurance afforded under policies designated in paragraph I above for insurance in excess of the limits of liability stated below will not be subject to retrospective rating. State the dollar amount of the limit of liability and the manner in which it applies.

Coverage	**Limit of Liability**
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________
______________	**$** ______________

   If the aggregate limits of liability are stated above, they will apply separately to each annual period included in the duration of the construction project.

   The incurred losses to be included in calculating the premium for the insurance subject to retrospective rating plan will not include that portion of the losses actually paid and the reserves for unpaid losses which is in excess of the limits of liability stated above, but that part of the incurred losses consisting of premiums on bonds, interest payable in accordance with the provisions of the policy, allocated loss adjustment expenses and expenses incurred in seeking recovery against a third party will not be subject to such limits.

5. Workers Compensation and Employers Liability Loss Limitation is $ ______________________________

6. Combination Loss Limitation of $__________________ is the overall limit on the incurred losses arising out of any one accident or occurrence for the following combination of insurance ______________________________

7. If the combination loss limitation does not apply, for general liability, auto liability, auto physical damage or theft insurance, specify the loss limitation that applies separately to each accident or occurrence:

   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________
   Loss Limitation for ______________________ insurance is $ ______________________

8. Loss Conversion Factor is ____

9. Minimum Retrospective Rating Plan Premium Factor is ______________________

   Maximum Retrospective Rating Plan Premium Factor is ______________________

10. The basic premium factors shown here are based on estimates of standard premium. If the actual standard premium is within the range of estimated standard premiums shown here, 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 premium shown below, the basic premium factor will be recalculated.

	50%	100%	150%
Estimated standard premium:	$ __________	$ __________	$ __________
Basic premium factor:	__________	__________	__________

TABLE OF STATES

11.A	Excess Loss Premium Factors		Tax Multipliers	
	Workers Compensation and Employers Liability		Workers Compensation and Employers Liability	
State	State (Other than "F" Classes)	Federal ("F" Classes Only)	State (Other than "F" Classes)	Federal ("F" Classes Only)

11.B	Excess Loss Premium Factors			Tax Multipliers		
State	General Liability	Automobile Liability	Automobile Physical Damage	General Liability	Automobile Liability	Automobile Physical Damage

12.A	**Retrospective Development Factors**		
	Workers Compensation and Employers Liability		
State	**1st**	**2nd**	**3rd**

12.B	**Retrospective Development Factors**							
	General Liability				**Automobile Liability**			
State	**1st**	**2nd**	**3rd**	**4th**	**1st**	**2nd**	**3rd**	**4th**

Note:

1. This endorsement is designed for a retrospective rating plan period, equal to the duration of the wrap-up construction project described in the declarations or Information Page.

2. If two or more policies are included under the retrospective rating plan, one policy shall carry this endorsement and the other or others shall be endorsed with Retrospective Premium Endorsement (Short Form).

3. Show the amount of the loss limitation, if applicable, in Items 5, 6 and 7 of the Schedule. If a loss limitation was not elected, enter "none," "does not apply," or other appropriate text. If the limitation applies in some states but not all the states, name the states where it applies.

4. Use Item 10 of the Schedule to show basic premium factors for 50%, 100% and 150% of estimated standard premium. Additional columns may be added to show the basic premium factor for other percentages of estimated standard premium.

5. The Table of States may be printed at the beginning or end of the Schedule or printed separately. If printed separately, an appropriate attachment clause should be included on the Schedule, such as: "This Schedule includes the attached Table of States." The display of information in the Table of States may be rearranged by the company.

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

FLEXIBILITY OPTIONS

This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively.

The retrospective rating plan premium endorsement attached to the policy is changed by the selection of one or more of the options shown below in the Schedule.

Schedule

1. Incurred losses are changed to include allocated loss adjustment expense in these states: ____________________
   ____

2. The correctly calculated basic premium factor for 100% of the estimated standard premium shall be used without linear interpolation, for each calculation of retrospective premium.

3. Each calculation of retrospective rating plan premium will use all loss information we have as of a date agreed to by you and us.

RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT

LARGE RISK ALTERNATIVE RATING OPTION (LRARO)

This endorsement is issued because you chose to have the cost of the insurance rated retrospectively. This endorsement applies only to workers compensation and employers liability insurance when rated under the provisions of the Large Risk Alternative Rating Option that we have negotiated with you.

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