



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU**

January 8, 2010

CIRCULAR LETTER NO. 2137

To All Members and Subscribers of the Bureau:

**Adoption of
NCCI's 2009 Retrospective Rating Plan *Manual*,
Corresponding Massachusetts State Exception Pages and
Retrospective Rating Plan Endorsements
Effective April 1, 2010**

The Massachusetts Commissioner of Insurance has approved for use in Massachusetts NCCI's updated **2009 Retrospective Rating Plan Manual for Workers' Compensation and Employers Liability Insurance**, as well as updated **Massachusetts State Exception Pages**, and corresponding revisions to the **Retrospective Rating Plan Endorsements**, including the adoption of NCCI's new **Retrospective Rating Plan Premium Endorsement-Large Risk Alternative Rating Option (LRARO)**. These items have been approved for use in Massachusetts effective **April 1, 2010**.

Attached for your information is a copy of the Division of Insurance's approval letter and the WCRIBMA's filing which includes the 2009 Retrospective Rating Plan Manual for Workers' Compensation and Employers Liability Insurance, Massachusetts State Exception Pages, and the new and revised Retrospective Rating Plan Endorsements.

The WCRIBMA wants to call carriers' attention to specific language in the Division of Insurance approval letter which states:

"It is important to note that the Massachusetts eligibility requirement for the Large Risk Alternative Rating Option (\$500,000 in standard workers' compensation premium only) and the provisions indicating that large deductible programs are not intended to be combinable with retrospective rating have been maintained."

THE WORKERS' COMPENSATION RATING & INSPECTION BUREAU OF MASSACHUSETTS

101 ARCH STREET, 5TH FLOOR, BOSTON, MASSACHUSETTS 02110-1103
(617) 439-9030, FAX (617) 439-6055, www.wcribma.org

Circular Letter No. 2137

As part of its effort to expand the Retrospective Rating Plan Manual into a plain language reference and informational tool, NCCI introduced a companion product, the Retrospective Rating Plan Manual User's Guide. As part of its rewrite, NCCI identified areas where additional explanation or examples would be beneficial to the user's understanding of the rules. These explanations and examples are provided in the User's Guide. Since no rules are provided in the User's Guide, and since its purpose is only to provide clarification of the approved rules, the User's Guide was not filed for approval with the Massachusetts Division of Insurance.

The new MA State Exception Pages will soon be posted on our web site, www.wcribma.org.

Please contact Dan Crowley (617-646-7594 or dcrowley@wcribma.org) if you have any questions.

DANIEL M. CROWLEY, CPCU
Vice President – Customer Services

Attachments



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

One South Station • Boston, MA 02110-2208
(617) 521-7794 • FAX (617) 521-7475
TTY/TDD (617) 521-7490
<http://www.mass.gov/doi>

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

GREGORY BIALECKI
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

BARBARA ANTHONY
UNDERSECRETARY

JOSEPH G. MURPHY
ACTING COMMISSIONER OF INSURANCE

December 23, 2009

Daniel M. Crowley, CPCU, Vice President
Workers' Compensation Rating and
Inspection Bureau of Massachusetts
101 Arch Street, 5th Floor
Boston, MA 02110

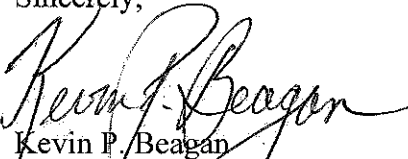
**RE: CHANGES TO THE NCCI RETROSPECTIVE RATING PLAN MANUAL
(INCLUDING STATE EXCEPTION PAGES) AND TO RETROSPECTIVE
RATING ENDORSEMENTS**

Dear Mr. Crowley:

I am writing to advise you of the Division's approval of your filing, as most recently amended by your correspondence dated December 7, 2009, to adopt (with indicated changes) NCCI's Items R-1399 and P-1407(A). These revisions to the *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance* and associated endorsements will clarify a number of rules and forms related to the retrospective rating of workers' compensation risks in Massachusetts. It is important to note that the Massachusetts eligibility requirement for the Large Risk Alternative Rating Option (\$500,000 in standard workers' compensation premium only) and the provision indicating that large deductible programs are not intended to be combinable with retrospective rating have been maintained.

In accordance with your amended filing, all requested changes shall take effect on April 1, 2010. Thank you for your work on this matter.

Sincerely,


Kevin P. Beagan
Deputy Commissioner and
Director, State Rating Bureau



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU**

December 7, 2009

BY HAND DELIVERY

The Honorable Joseph Murphy
Commissioner of Insurance
Division of Insurance
One South Station
Boston, MA 02110

RE: REVISED FILING for Approval of:

- 1) NCCI's Item R-1399: *2009 Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance, and*
- 2) Corresponding Massachusetts State Exception Pages

FILING for Approval of

- 1) NCCI's Item P- 1407(A): *Revised Retrospective Rating Plan Endorsement, including NCCI's new Retrospective Rating Plan Premium Endorsement-Large Risk Alternative Rating Option (LRARO)*

Dear Commissioner Murphy,

Following discussions with the State Rating Bureau, the WCRIBMA amended its previously proposed revisions to the Massachusetts State Exception pages that were filed with the Division of Insurance on September 18, 2009.

Attached for your approval are amended proposed revisions to the corresponding Massachusetts State Exception Pages to NCCI's updated ***Retrospective Rating Plan Manual***.

NCCI's new ***Retrospective Rating Plan Manual*** has been filed in all NCCI jurisdictions except for Alaska and Oregon, including New Hampshire, Vermont, Maine, Connecticut and Rhode Island.

Since NCCI's new manual is improved; the exceptions required to make the manual fit Massachusetts' specific needs are not extensive. The WCRIBMA proposes that

NCCI's updated *Retrospective Rating Plan Manual* be adopted in Massachusetts, with exceptions noted in the amended **Massachusetts State Exception Pages**.

The WCRIBMA is also requesting approval of NCCI's new and revised Retrospective Rating Plan Endorsements with one exception, the Bureau is not seeking the approval of NCCI's Retrospective Rating Plan Premium Endorsement—Flexibility Options (WC 00 05 15 A). Endorsement WC 00 05 15 A continues to contain language that is not applicable in Massachusetts. For this reason, Massachusetts will continue to maintain its own state special Massachusetts Retrospective Premium Endorsement – Flexibility Options (WC 20 05 01) endorsement.

Details regarding the WCRIBMA's proposals are contained in the enclosed Filing Memoranda and Exhibits.

The WCRIBMA requests an **April 1, 2010** effective date for NCCI's ***Retrospective Rating Plan Manual***; the Massachusetts State Exception Pages; and NCCI's Retrospective Rating Plan Endorsements.

Thank you for your attention to this matter. If you have any questions regarding this matter please feel free to contact me at 617-646-7594 or by email at dcrowley@wcribma.org.

Sincerely,



Daniel M. Crowley, CPCU
VP of Customer Services & Residual Markets

Attachments

cc: Kevin Beagan, Director of State Rating Bureau
Walter Horn, PhD, State Rating Bureau
Caleb Huntington, State Rating Bureau
Paul Meagher, President, WCRIBMA

NCCI's Item R-1399

FILING MEMORANDUM

PURPOSE

The purpose of this filing is to obtain approval of the National Council on Compensation Insurance, Inc.'s (NCCI) 2009 *Retrospective Rating Plan Manual for Workers' Compensation and Employers' Liability Insurance* and the corresponding **Massachusetts State Exception Pages**.

BACKGROUND

NCCI has, for the first time since 1984, rewritten their *Retrospective Rating Plan Manual*. As outlined in their Filing Memorandum, attached as Exhibit 1, NCCI focused on two themes for improving the *Retrospective Rating Plan Manual*:

- *Plain Language*—Simpler language and reformatted to make it more reader-friendly for a general audience. The substance and intent of the rules have not changed.
- *User's Guide*—Develop a *User's Guide* to provide additional information regarding Plan rules

NCCI's new *Retrospective Rating Plan Manual* has been filed in all NCCI jurisdictions except for Alaska and Oregon, including New Hampshire, Vermont, Maine, Connecticut and Rhode Island.

Since NCCI's new manual is well written; the exceptions required to make the manual fit Massachusetts' specific needs are not extensive. The WCRIBMA proposes that NCCI's updated *Retrospective Rating Plan Manual* be adopted in Massachusetts, with exceptions noted in the **Massachusetts State Exception Pages**.

PROPOSAL

We propose that NCCI's new *Retrospective Rating Plan Manual*, attached as Exhibit 2, be adopted. We also propose that the **Massachusetts State Exception Pages**, attached as Exhibit 3, be adopted. Following is a summary of each of the exhibits included in this filing package:

Exhibit 1 contains NCCI's Filing Memorandum, Item R-1399*.

Exhibit 2 contains NCCI's 2009 *Retrospective Rating Plan Manual*.

Exhibit 3 contains the proposed Massachusetts State Exception Pages to NCCI's *Retrospective Rating Plan Manual*.

Exhibit 4 contains NCCI's *Retrospective Rating Plan Manual - User's Guide*. Consistent with NCCI, the WCRIBMA is not requesting approval of the User's Guide, so it is being submitted for informational purposes only.

This item is being filed concurrently with Item P-1407(A)—Revised Retrospective Rating Plan Endorsements. The implementation of this item is conditional on concurrent approval of Item P-1407(A).

IMPACT

No premium impact is expected as a result of Item R-1399.

IMPLEMENTATION

The attached exhibits include the proposed changes necessary to implement this item. The WCRIBMA proposes an **April 1, 2010** effective date for NCCI's *Retrospective Rating Plan Manual* and the **Massachusetts State Exception Pages**.

*This filing includes copyrighted material of NCCI.

EXHIBIT 1

FILING MEMORANDUM

ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

PURPOSE

This item introduces the 2009 edition of the *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance*. Similar to the approach taken with the revision of NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance* in 2001 and the *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* in 2003, the *Retrospective Rating Plan Manual* is being revised in an effort to make it more user-friendly. We focused on a plain language approach in recognition of regulatory and customer feedback regarding the existing rules.

In addition, this item withdraws Part 1.1.4-Retrospectively Rated Policies of NCCI's *Statistical Plan* since this rule is no longer applicable.

BACKGROUND

The *Retrospective Rating Plan Manual* ("Plan") was last rewritten in 1984. In the 25 years since then, changes have been introduced on an as-needed basis.

This project responds to customer concerns regarding simplification of the language and presentation of the material.

Two themes were identified that provided the focus for improving this product.

1. Plain Language—Use of plain language without making changes to substantive intent

This new edition of the *Retrospective Rating Plan Manual* has been written in simpler language and reformatted to make it more reader-friendly for a general audience. The substance and intent of the rules have not changed. The *Retrospective Rating Plan Manual* contains the rules required for regulator approval and also serves as an improved reference and information tool.

Simplified features include use of shorter sentences and paragraphs, and bulleted lists when enumerating a list of items. As with the other underwriting-related manuals, the new Plan also uses a number of "If-Then" tables to present information that in its previous text format may have been confusing.

All material contained in the existing Plan has been covered in the rewrite. "Part" has been changed to "Rules," and the tables that are located in Part Four of the existing Plan will be included in the Appendix of the new Plan. Duplicate rules contained, either within the current *Retrospective Rating Plan Manual* or in other NCCI manuals have been eliminated. For example, the retrospective rating plan endorsements that were located both in this manual and the *Forms Manual for Workers Compensation and Employers Liability Insurance*, will only reside in the *Forms Manual*.

2. User's Guide

To further enhance the *Retrospective Rating Plan Manual* as a plain language reference and informational tool, a companion product, the 2009 edition of the *Retrospective Rating Plan Manual User's Guide*, will also be introduced. Material currently in the Plan that is considered general information (i.e., information that does not impact premium determination, but can help the user understand the rules) will now be located in the *User's Guide*.

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FILING MEMORANDUM

ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

The *User's Guide*, which is not being filed for approval, contains examples and other national and state information, but not rules. A copy of the *User's Guide* is being provided for informational purposes only. NCCI will make periodic updates to the general information that would assist in the understanding of the rules. None of these informational updates will change the way premium is determined. Any changes involving rules that impact premium determination will always be accomplished through the item filing and approval process.

PROPOSAL

This item proposes that the 2009 edition of the *Retrospective Rating Plan Manual* become effective for new and renewal policies written under a retrospective rating plan on and after January 1, 2010.

Note that the *Retrospective Rating Plan Manual* will contain references, such as "Refer to...", to alert the user to additional information. The references will periodically be updated or added. However, they will not be filed for approval because they do not impact rules and simply refer the user to another section of the national or state pages of either the *Retrospective Rating Plan Manual* or *Retrospective Rating Plan Manual User's Guide*.

A summary of the four rules is as follows:

- **Rule 1—General Explanation**

This section primarily contains the definitions of the technical terms used throughout this manual.

- **Rule 2—Eligibility for the Plan**

This section contains the eligibility criteria for a retrospective rating plan when applied to:

- One-Year or Three-Year Plans
- Large Risk Alternative Rating Option (LRARO)
- Wrap-Up Construction Projects

- **Rule 3—Operation of the Plan**

This section contains:

- Calculating a retrospective rating plan
- Using the formula when adding elective elements
- Cancelling a policy under a retrospective rating plan

- **Rule 4—Administration of the Plan**

This section explains the use of the *Forms Manual* and *Statistical Plan*.

Other parts of the *Retrospective Rating Plan Manual* include:

Appendix

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FILING MEMORANDUM

ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

This section contains a listing of the tables:

- Appendix A contains the Table of Expected Loss Ranges
- Appendix B contains the Table of Insurance Charges
- Appendix C contains the Table of Expense Ratios

Due to the size of each table located in the new Appendix, the Appendix and the tables contained therein are not being included as part of this item. These tables have not changed since they were last filed and approved.

All the information located in the Appendix of the current *Retrospective Rating Plan Manual* was reviewed. Much of the information is obsolete (i.e., rules regarding the tabular programs) and was not included in the new Plan. Some of the information was explanatory in nature (i.e. calculation of the Basic Premium) and was included in the new *User's Guide*.

The state rule exceptions and state special rating values make up the final section of the *Retrospective Rating Plan Manual*.

IMPACT

There will be no premium impact as a result of the changes being made to the *Retrospective Rating Plan Manual*.

IMPLEMENTATION

The rules under the current *Retrospective Rating Plan Manual* will remain in effect for any retrospectively rated policy issued prior to January 1, 2010. This item proposes that the new 2009 edition of the *Retrospective Rating Plan Manual*, as shown in the following exhibits, be approved in all states (except Hawaii and Virginia) effective at 12:01 a.m. on January 1, 2010, applicable to new and renewal voluntary policies only.

In Virginia, the rules under the current *Retrospective Rating Plan Manual* will remain in effect for any retrospectively rated policy issued prior to January 1, 2010. The new 2009 edition of the *Retrospective Rating Plan Manual*, as shown in the following exhibits will become effective for policies effective on and after 12:01 a.m. on January 1, 2010, applicable to new and renewal voluntary policies only.

In Hawaii, the rules under the current *Retrospective Rating Plan Manual* will remain in effect for any retrospectively rated policy issued prior to the carrier obtaining regulatory approval for the new manual. The effective date of the new 2009 edition of the *Retrospective Rating Plan Manual* is determined upon regulatory approval of the individual carrier's election to adopt this change.

Below is a summary of each of the exhibits included in this filing package:

- **Exhibit 1** contains the 2009 edition of the *Retrospective Rating Plan Manual* national rules in the new format.
- **Exhibit 2** contains the withdrawal of NCCI's *Statistical Plan* Part 1.1.4

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FILING MEMORANDUM

ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

- **Exhibits 3–6** contain the state rule exceptions, as needed.

This item is being filed concurrently with Item P-1407—Revised Retrospective Rating Plan Endorsements. The implementation of this item is conditional on concurrent approval of Item P-1407.

Carriers may need to re-file any previously approved carrier-specific programs with the appropriate state regulatory authority. Refer to NCCI's *Filing Guide* for any state-specific instructions.

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EXHIBIT 2

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
PREFACE**

A. JURISDICTIONS WHERE THIS PLAN APPLIES

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

† Independent Bureau States

For interstate retrospective rating plans in the following jurisdictions, this Plan applies to employers liability insurance only:

- North Dakota
- Ohio
- Washington
- Wyoming

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
PREFACE**

B. JURISDICTIONS WHERE INDEPENDENT PLANS APPLY

California

New Jersey

Texas*

Delaware*

New York*

Michigan

Pennsylvania*

* Independent retrospective rating plans permit a combination with states listed in A.

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
PREFACE**

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 Service 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.

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1****RULE 1—GENERAL EXPLANATION****A. OBJECT OF THE PLAN**

The application of this Plan is optional and may be used only upon election by 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 *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

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 NCCI's *Basic Manual*.

c. Incurred Losses

Incurred losses for workers compensation and employers liability insurance are defined in the *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 the nonratable element codes
- Developed by the passenger seat surcharge under Classification Code 7421
- Developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
- Developed by the catastrophe provisions as outlined in NCCI's *Basic Manual*

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1****d. Large Risk Alternative Rating Option (LRARO)**

The Large Risk Alternative 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 and/or workers compensation and employers liability insurance.

Refer to Rule 2-E of this manual for state-specific premium eligibility thresholds.

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 nonratable element codes
- (4) Premium developed by the passenger seat surcharge under Classification Code 7421
- (5) Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
- (6) Premium developed by the catastrophe provisions as outlined in NCCI's *Basic Manual*

g. Unallocated Loss Adjustment Expense (ULAE)

Unallocated loss adjustment expense for workers compensation and employers liability insurance is defined in the *Statistical Plan*. Unallocated loss adjustment expense includes the general overhead of a carrier.

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:

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1**

- 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 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 states where NCCI files full rates, NCCI files the excess loss factors.

Refer to State Retrospective Rating Value page for the Excess Loss Pure Premium Factor. Refer to the latest approved state loss cost filing for the LAE% and Loss Assessment%.

In loss cost states, NCCI 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 applicable in each state.

The conversion formula is:

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

The Excess Loss Pure Premium Factor, LAE% and Loss Assessment% are NCCI-provided values.

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

Refer to State Special Rating Values pages for the excess loss factors or excess loss pure premium factors.

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1**

The Table of Classification 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 **Basic Manual** for the Table of Classification by Hazard Group.*

For insureds having USL&HW for non-F-classification codes, the applicable hazard group to use for the determination of an excess loss factor (ELF) is the state classification code hazard group, located in NCCI's **Basic Manual**, increased two levels. When the state classification hazard group is already at the highest level hazard group, use that highest level hazard group. *Refer to **User's Guide** for examples.*

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

State 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

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 or rates. 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 is included in the first three calculations of the retrospective premium.

In states where NCCI files full rates, NCCI files the retrospective development factors. *Refer to the **State Special Rating Values** pages of this manual for the retrospective development premium factors.*

In loss cost states, NCCI files retrospective development pure premium factors. The retrospective development pure premium factors must be converted to retrospective development premium

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1**

factors using the carrier's expense provisions applicable in each state. *Refer to the State Special Rating Values pages 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% + Loss Assessment%)

The Retrospective Pure Premium Development Factor, LAE% and Loss Assessment% are NCCI-provided values. Refer to the State Retrospective Rating Values page for the Retrospective Pure Premium Development Factor. *Refer to the latest approved loss cost filing for the LAE% and Loss Assessment%.*

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

*Refer to **User's Guide** for examples.*

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 states where NCCI files full rates, refer to the State Special Rating Values pages of this manual for the individual state tax multiplier.

*For states where NCCI files loss costs, refer to NCCI's **Tax and Assessment Directory** for the individual state tax multiplier.*

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 a 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 state premium algorithms in NCCI's **Basic Manual** for information on the application of the policy premium elements.*

EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 1

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 retrospective rating premium.

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 2**

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 NCCI's *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 lines 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.

A different premium eligibility level may be used if filed by an individual carrier, subject to regulatory approval.

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.

A different premium eligibility level may be used if filed by an individual carrier, subject to regulatory approval.

E. LARGE RISK ALTERNATIVE RATING OPTION (LRARO)

The Large Risk Alternative 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 LRARO if the estimated standard premium individually or in any combination with any other commercial casualty lines of insurance exceeds an annual standard premium eligibility threshold of \$500,000 for the term of a retrospective rating plan.

The following table lists states with different annual standard premium eligibility thresholds for LRARO.

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COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 2**

LRARO Premium Eligibility Threshold by State

State	Annual Standard Premium Eligibility Threshold
Arizona	\$250,000
Kansas	\$1,000,000
Minnesota	\$250,000
Nevada	\$250,000
New Hampshire	\$250,000
North Carolina	\$250,000

A different premium eligibility level may be used if filed by an individual carrier, subject to regulatory approval.

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 NCCI's *Basic Manual* rules. 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 state's standard premiums included in (1), determine which state's wrap-up construction project retrospective rating premium eligibility threshold is greatest
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)

The following table lists those states where an premium eligibility threshold has been established for wrap-up construction projects.

Wrap-Up Construction Project Retrospective Rating Premium Eligibility Threshold by State

State	Standard Premium Eligibility Threshold
Alaska	\$50,000,000
Arizona	\$250,000
Florida	\$250,000
Massachusetts	\$500,000
Mississippi	\$500,000
Missouri	\$500,000
Nebraska	\$500,000
South Carolina	\$500,000
Wisconsin	\$250,000

EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 2

G. CARRIER-FILED PROGRAMS

Carriers have the option to file their own retrospective rating plans with the appropriate state regulatory authority. These carrier-filed programs may deviate as follows, but are not limited to:

- Premium eligibility thresholds
- Tables located in the Appendix section of this manual

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

**EXHIBIT 1
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 3**

RULE 3—OPERATION OF 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 the **User's Guide** for a sample form.

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 a 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. This table is applicable only in states where NCCI files rates.

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.

$$\text{Retrospective Rating Premium} = [\text{Basic Premium} + \text{Converted Losses}] \times \text{Tax Multiplier}$$

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 Alternative Rating Option. That option provides that such insureds may be

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**EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 3**

retrospectively rated as mutually agreed upon by the insured and carrier. *Refer to Rule 2-E for state-specific average annual standard premium thresholds.*

Refer to User's Guide for examples.

A different premium eligibility level may be used if filed by an individual carrier, subject to regulatory approval.

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 User's Guide 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 **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 Plan

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 **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 or is in bankruptcy, liquidation, reorganization, receivership, assignment for benefit of creditors, or other similar situations.

2. Subsequent Calculations of Retrospective Rating Plan

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*.

**ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
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**EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 3**

3. Final Calculation of Retrospective Rating Plan

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 **Statistical Plan**.

Refer to User's Guide 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 NCCI's **Basic Manual**.

Reasons for Cancellation and Retrospective Rated Premium Determination

Cancellation Provisions Table 1

If . . .	Then . . .
The policy is cancelled by the insurance carrier, except for nonpayment of premium	<ol style="list-style-type: none"> 1. The standard premium for the cancelled policy is calculated on a pro rata basis as outlined in NCCI's Basic 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: <ul style="list-style-type: none"> • 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 	<ol style="list-style-type: none"> 1. The standard premium for the cancelled policy is calculated on a pro rata basis as outlined in NCCI's Basic 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.

ITEM R-1399—2009 EDITION—RETROSPECTIVE RATING PLAN MANUAL FOR WORKERS
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EXHIBIT 1 (CONT'D)
RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION
RULE 3

Cancellation Provisions Table 3

If . . .	Then . . .
The policy is cancelled by the insured, except when retiring from the business	<ol style="list-style-type: none"> 1. The standard premium for the cancelled policy is calculated on a short rate basis as outlined in NCCI's <i>Basic Manual</i>. 2. Basic premium and, if applicable, excess loss premium and retrospective development premium is calculated by using the short rate standard premium as calculated in 1. 3. Minimum retrospective premium is the short rate standard premium cancellation. 4. Maximum retrospective premium is based on standard premium. It is calculated by using the actual payroll for a 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.

Cancellation for Nonpayment of Premium

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

Refer to the User's Guide for an example.

RETROSPECTIVE RATING PLAN MANUAL—2009 EDITION

RULE 4—ADMINISTRATION OF THE PLAN

A. RETROSPECTIVE RATING ENDORSEMENTS

All NCCI's filed and approved retrospective rating plan endorsements are located in NCCI's **Forms Manual**. Refer to the **User's Guide** for a listing and purpose of the filed and approved retrospective rating plan endorsements.

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 **Statistical Plan**.

Any additional or return premium under the retrospective rating program must be reported to NCCI through **Financial Calls Online (FCOL)**.

EXHIBIT 3

April 1, 2010

RULE 1 – GENERAL EXPLANATION

Amend as follows:

B. DEFINITIONS

1. General Definitions

a. Allocated Loss Adjustment Expense

Allocated loss adjustment expense is defined in the *Massachusetts Workers' Compensation Statistical Plan, Part I: Unit Statistical Reporting*. Allocated loss adjustment expense for workers compensation insurance may also be included as part of incurred losses in the retrospective rating plan if agreed upon by insured and carrier. This will be called the Allocated Loss Adjustment Expense Option (ALAE Option). A second set of expense ratios are contained in the Massachusetts State Special Rating Value Pages of this manual. These are reduced to offset the exclusion of ALAE. Expected Loss Ratio (E) would be replaced by an Expected Loss and Allocated Expense Ratio (ELA) for use in the ALAE Option.

b. Increased Limits

If the policy provides for increased limits for employers liability, the premium for employers liability increased limits is based on the percentages provided in the *Massachusetts Workers' Compensation & Employers Liability Insurance Manual*.

c. Incurred Losses

Incurred losses used in the rating formula for determining premium under this retrospective rating plan are those reported under the rules of the *Massachusetts Workers' Compensation Statistical Plan, Part I: Unit Statistical Reporting*. Incurred losses include paid and outstanding losses.

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

Refer to the above Massachusetts 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 the nonratable element codes
- Developed by the passenger seat surcharge under Classification Code 7421
- Developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
- Developed by the Terrorism Insurance Program

d. Large Risk Alternative Rating Option (LRARO)

The Large Risk Alternative Rating Option provides that a risk may be retrospectively rated as mutually agreed upon by carrier and insured. It is an available option for risks with an estimated annual workers compensation standard premium (excluding ARAP surcharge) in excess of \$500,000.

April 1, 2010

f. Standard Premium

The standard premium used in the calculation of retrospectively rated premiums should equal the sum of Standard Premium and All Risk Adjustment Program (ARAP) surcharge as defined in Appendix E - Voluntary Premium Algorithm within the *Massachusetts Workers' Compensation & Employers Liability Insurance Manual*.

Note: For retrospective rating purposes standard premium does not contemplate:

- Premium resulting from the nonratable element codes
- Premium developed by the passenger seat surcharge under Classification Code 7421
- Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act

g. Unallocated Loss Adjustment Expense (ULAE)

Unallocated loss adjustment expense is defined in the *Massachusetts Workers' Compensation Statistical Plan, Part I: Unit Statistical Reporting*.

h. Aviation Classifications

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

i. Deductible Programs

The rating values developed to determine premium under this retrospective rating plan do not contemplate deductibles and are designed to be used with losses that are gross of the deductible amount.

2. Elements of the Retrospective Rating Plan Formula

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 using the retrospective rating plan information contained in the Massachusetts State Special Rating Value Pages of this manual 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.

d. Loss Conversion Factor (LCF)

The loss conversion factor covers the cost of the carrier's claim services such as investigation of claims and filing claim reports. In Massachusetts, the loss conversion factor is not established by negotiation between the insured and carrier. Loss conversion factors applicable to both the loss only and the ALAE option can be found in the Massachusetts State Special Rating Value Pages of this manual.

April 1, 2010

e. Excess Loss Premium (ELP)

For risks having USL&H for non-F-classifications codes, the applicable hazard group to use for the determination of an Excess Loss Factor (ELF) will be the state classification code hazard group, located in the *Massachusetts Workers' Compensation & Employers Liability Insurance Manual*, increased two levels. When the state classification hazard group is already at the highest or second highest level hazard group, then that highest level hazard group will be used.

C. APPLICATION OF POLICY PREMIUM ELEMENTS

Refer to Appendix E – Voluntary Premium Algorithm within the *Massachusetts Workers' Compensation & Employers Liability Insurance Manual* for information on the application of the policy premium elements.

RULE 2 – ELIGIBILITY FOR THE PLAN

Amend as follows:

E. LARGE RISK ALTERNATIVE RATING OPTION (LRARO)

A risk is eligible for the Large Risk Alternative Rating Option if the estimated workers compensation standard premium (excluding ARAP surcharge) exceeds an average of \$500,000 annually for the term of the plan.

RULE 3 – OPERATION OF PLAN

Amend as follows:

F. CANCELLATION OF A POLICY UNDER A RETROSPECTIVE RATING PLAN

The way in which the premium is calculated for cancelled policies depends on the reason for cancellation.

The Cancellation Condition of the Standard Policy permits cancellation by the insured or carrier. The premium determination for a cancelled policy is outlined in the *Massachusetts Workers' Compensation & Employers Liability Insurance Manual*

Cancellation Provisions Table 1

If. . .	Then. . .
The policy is cancelled by the insurance carrier.	<ol style="list-style-type: none"> 1. The standard premium (including any ARAP surcharge) for the cancelled policy is to be calculated on a pro rata basis as outlined in the <i>Massachusetts Workers' Compensation & Employers Liability Insurance Manual</i>. 2. Basic premium and, if applicable, excess loss premium and retrospective development premium will be calculated by using the pro rata standard premium as described in 1 above

April 1, 2010

Cancellation Provisions Table 2

If. . .	Then. . .
<p>The policy is cancelled by the insured when retiring from business such that:</p> <ul style="list-style-type: none"> • 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, or • Any situation that is not subject to a short- rate cancellation in accordance with Rule X-C. 	<ol style="list-style-type: none"> 1. The standard premium (including any ARAP surcharge) for the cancelled policy is to be calculated on a pro rata basis as outlined in the <i>Massachusetts Workers' Compensation & Employers Liability Insurance Manual</i> 2. Basic premium and, if applicable, excess loss premium and retrospective development premium will be calculated by using the pro rata standard premium as described in 1 above

Cancellation Provisions Table 3

If. . .	Then. . .
<p>The policy is cancelled by the insured, except when retiring from the business</p>	<ol style="list-style-type: none"> 1. The standard premium for the cancelled policy is to be calculated on a short-rate basis as outlined in the <i>Massachusetts Workers' Compensation & Employers Liability Insurance Manual</i> 2. Basic premium and, if applicable, excess loss premium and retrospective development premium will be calculated by using the short- rate premium as described in 1 above 3. Minimum retrospective premium will be the short-rate premium in 1 above 4. Maximum retrospective premium will be based on standard premium—It will be calculated by using the actual payroll for the for a policy period, extending the payroll pro rata to an annual basis and then multiplying such extended payroll by the authorized rates and experience rating modification

Cancellation for Nonpayment of Premium
See Table 1 - Cancellation Provisions above.

April 1, 2010

RULE 4 - ADMINISTRATION OF THE PLAN

A. RETROSPECTIVE RATING ENDORSEMENTS

The following endorsements apply to policies that have elected to be retrospective rated:

ENDORSEMENT	PURPOSE
WC 00 05 03 B - Retrospective Rating Plan Premium Endorsement – One-Year Plan	Use this endorsement when explaining the rating plan and how the retrospective rating premium will be determined. 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 explaining the rating plan and how the retrospective rating premium will be determined. 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 explaining the rating plan and how the retrospective rating premium will be determined. It determines the retrospective rating premium for the insurance provided during the rating plan period, and any policy listed in the Schedule and the renewals for each. 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 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 factors.
WC 00 05 10 A - Retrospective Rating Plan Premium Endorsement – Nonratable Catastrophe Element or Surcharge	Use this endorsement when the policy covers operations or classifications that involve a nonratable catastrophe element or surcharge.
WC 00 05 11 - Retrospective Premium Endorsement – Short Form	Use this endorsement to identify the policy that carries the retrospective rating premium 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 one year.
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 three years.
WC 00 05 14 B - Retrospective Rating Plan Premium Endorsement – Wrap-up Construction Project – Multiple Lines	Use this endorsement to determine the other lines included in the calculation of the retrospective rating premium for the duration of the construction project.
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
WC 20 05 01 - Retrospective Premium Endorsement – Flexibility Options	Use this endorsement when incurred losses are changed to include allocated loss adjustment expenses.

B. REPORTS OF PREMIUMS AND LOSSES UNDER THE PLAN

See *Massachusetts Workers' Compensation Statistical Plan*.

EXHIBIT 4



Retrospective Rating Plan Manual User's Guide

FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

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CHANGE TRACKING GUIDE

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RESERVED FOR FUTURE USE

Retrospective Rating Plan Manual User's Guide

The *User's Guide* is a companion to the *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance*. It contains examples and explanations of the manual rules.

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 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 of the **Retrospective Rating Plan Manual** for an explanation of the terms used in the formula.*

*Refer to Rule 3 of the **Retrospective Rating Plan Manual** 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 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 factors are located in the State Special Rating Values pages of the *Retrospective Rating Plan 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).

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

- **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.

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

- **Excess Loss Pure Premium Factors (ELPPF)** are provided for states where NCCI publishes loss costs rather than full rates. 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 of the *Retrospective Rating Plan Manual* for the formula used to convert ELPPFs to ELFs.

Excess Loss Pure Premium Factors represent the expected amount of losses above a given limit relative (excess losses) 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 (ELAEPF)** are provided when the definition of loss is redefined to include Allocated Loss Adjustment Expense. These factors are provided 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. These optional values are provided for some loss cost states, but not for all.

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

2. Excess Loss Premium Calculation Examples

Following are two calculation examples that illustrate the use of excess factors in calculating Excess Loss Premium, one for a rate state and one for a loss cost state. In both examples, incurred losses excludes ALAE.

Example 1: Rate State

Standard Premium	\$200,000
Excess Loss Factor for \$100,000 Incurred Losses	0.240
Loss Conversion Factor	1.120
Calculation of Excess Loss Premium	
Standard Premium x Excess Loss Factor x Loss Conversion Factor	
\$200,000 x .240 x 1.120	
Excess Loss Premium =	\$53,760

Example 2: Loss Cost State

In loss cost states, NCCI 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 applicable in each state.

Term Definition

Excess Loss Pure Premium Factor	ELPPF	.360
Expected Loss Ratio	ELR	.648
Loss Adjustment Expense	LAE	.188
Loss Assessment (if any)	LA	.0062
Excess Loss Factor	ELF	.278

Conversion of ELPPF to ELF based on the formula below:

(ELPPF x ELR*) X (1+ LAE** + LA**)
(.360 x .648) x (1 + .188 + .0062)
(.233) x 1.1942)
ELF = .278

* ELR: Carrier may use their filed ELR or the ELR from NCCI's Expense Ratio Table (Appendix D) located in NCCI's *Retrospective Rating Plan Manual*.

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** The Loss Adjustment Expense% and the Loss Assessment% are obtained from the technical supplement of NCCI’s loss cost filing that is effective one year prior to the effective date of the ELPPFs.

The ELPPF factors are available in NCCI’s most recent approved retrospective rating plan parameters item filing. The LAE % and Loss Assessment % (if any) are from the loss cost filing effective **one year prior to** the effective date of NCCI’s ELPPFs. For example, you would use the 1/09 retrospective rating plan parameters filing for the ELPPFs in conjunction with an LAE % from the 1/08 loss cost filing. (This is necessary because it is the prior approved LAE % that is used in the calculation of the latest ELPPF.)

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:

$$\text{Retrospective Rating Plan Premium} = (\text{Basic Premium} + \text{Converted Losses}^*) \times \text{Tax Multiplier}$$

2. Retrospective Rating Plan Premium Formula with Elective Premium Elements

$$\text{Retrospective Rated Plan Premium} = [\text{Basic Premium} + \text{Excess Loss Premium}^{**} + \text{Retrospective Rating Development Premium}^{**} + \text{Converted Losses}^*] \times \text{Tax Multiplier}$$

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

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	130%
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

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

** Elective Premium Element

	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 (4x1x7)		0	0	0
6. Ratable Losses		150,000	200,000	275,000
7. Loss Conversion Factor	1.120			
8. Converted Losses (6x7)		168,000	224,000	308,000
9. Retrospective Development Factor		0.210	0.180	0.130
10. Retrospective Development Premium (9x1x7)		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 (11x12)		383,167	425,111	485,031
14. Maximum Premium (14x1)	1.300	650,000	650,000	650,000
15. Minimum Premium (15x1)	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 (4x1x7)		0	0	0
6. Ratable Losses		150,000	200,000	275,000
7. Loss Conversion Factor	1.120			
8. Converted Losses (6x7)		168,000	224,000	308,000
9. Retrospective Development Factor				

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10.	Retrospective Development Premium (9x1x7)		0	0	0
11.	Subtotal (3+8+10)		240,500	296,500	380,500
12.	Tax Multiplier	1.070			
13.	Indicated Retrospective Premium (11x12)		257,335	317,255	407,135
14.	Maximum Premium (14x1)	1.300	650,000	650,000	650,000
15.	Minimum Premium (15x)	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 (4x1x7)		201,600	201,600	201,600
6.	Ratable Losses		150,000	200,000	275,000
7.	Loss Conversion Factor	1.120			
8.	Converted Losses (6x7)		168,000	224,000	308,000
9.	Retrospective Development Factor		0.080	0.060	0.020
10.	Retrospective Development Premium (9x1x7)		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 (11x12)		305,271	353,207	419,119
14.	Maximum Premium (14x1)	1.300	650,000	650,000	650,000
15.	Minimum Premium (15x1)	0.600	300,000	300,000	300,000
16.	Retrospective Premium		305,271	353,207	419,119

Example 4:

Calculation of the Basic Premium Factor

The key to establishing the Basic Premium Factor for the Retrospective Rating Plan is the Table of Insurance Charges filed with state insurance departments. By expected loss groups, it indicates the factors 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) - (e)	.253
5.	Expense (Excluding Taxes) (1) x (g)	\$100,500
6.	Expected Loss plus Expense Ratio [(2) + (5)] ÷ (1)	.814
7.	Loss and Expense in Converted Losses (3) x (c)	.687
8.	Determining Pure Expense for Basic Premium, Excluding Loss and Claim (6) - (7)	.127
9.	Minimum Retrospective Premium Excluding Taxes [(a) ÷ (d)]	.561
10.	Maximum Retrospective Premium Excluding Taxes [(b) ÷ (d)] 1	.215
11.	Table of Insurance Charges Value Difference [(6) - (9)] ÷ [(c) x (4)]	.894
12.	Table of Insurance Charges Entry Difference [(10) - (9)] ÷ [(c) 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 (c))+ (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 in the Appendix of the *Retrospective Rating Plan Manual*, 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 *Retrospective Rating Plan Manual* for definition of standard premium. For three-year retrospective rating plans, multiply the annual standard premium times three (3).

Line 2. Expected Losses: The expected losses equal the estimated standard premium multiplied by the expected loss ratio, found on the state Retrospective Rating Values in the *Retrospective Rating Plan Manual*. Refer to Appendix A in the *Retrospective Rating Plan Manual* 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).

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Line 3. Total Expected Loss Ratio: This is the expected 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 and Contingency—Excluding Taxes: The expense and profit or contingency (excluding taxes) is determined, by multiplying the standard premium by the expense ratio found in either the Stock or Non-Stock Tables of Expense Ratios—Excluding Taxes, Profit and Contingencies. Refer to Appendix C in the *Retrospective Rating Plan Manual* for the Table 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 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) = .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 Savings for (13): 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 Premium Charge: The net premium charge is determined by calculating the difference between the charge for possible losses that might produce more than the maximum retrospective premium and the saving for losses that might produce less than the minimum retrospective premium, and then multiplying that difference by the product of the expected loss ratio and the loss conversion factor. 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 premium charge and the expenses and profit and contingencies in the basic premium expressed as a percentage of the standard premium. The standard premium multiplied by the basic premium factor produces the basic premium used in computing the retrospective rating plan premium.

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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	Standard Premium by State (A)	Expected Loss Ratio (B)	Expected Losses (C=AxB)	State Hazard Differential Factor (D)	Development of Average SHG (Cx 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. SAMPLE NOTICE OF ELECTION OF RETROSPECTIVE RATING PLAN

Sample letter a carrier may use when negotiating a retrospective rating plan with an insured. This sample letter may be used on company letterhead.

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 certifies that the insured understands all terms, conditions and provisions of the Plan, including the method of premium calculation, payment, and penalties for cancellation.

The Plan will 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 Alternative Rating Option

5. Indicate selection

- A. Minimum Premium Factor _____
- B. Maximum Premium Factor _____
- C. Loss Conversion Factor _____

6. Term of Plan (circle one)

- A. 1 Year or 3 Year
- B. Wrap-Up Construction Project (enter details) _____

7. Loss Limitation (if applicable) _____

8. Do Retrospective Development Factors Apply Yes No

9. Indicate any special conditions that apply to the Plan elected for this insured: _____

Signature of Insured
(Sole Proprietor, Partner, or Authorized Officer of Corporation)

Date Signed

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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 × 5.00 (per \$100) = \$54,750

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

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

G. ENDORSEMENTS

The following endorsements apply to policies that have elected to be retrospective rated:

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 B—Retrospective Premium Endorsement Changes	Use this endorsement when changes have been made to the factors
WC 00 05 10 A—Retrospective Rating Plan Premium Endorsement Nonratable Catastrophe Element or Surcharge	Use this endorsement when the policy covers operations or classifications that involve a nonratable 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

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Endorsement	Purpose
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

NCCI's Item P- 1407(A)

FILING MEMORANDUM

PURPOSE

The purpose of Item P-1407(A) is to amend the retrospective rating plan endorsements to coincide with the 2009 edition of the National Council on Compensation Insurance, Inc.'s (NCCI) *Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance* filed in Item R-1399 to be effective April 1, 2010.

BACKGROUND

The rules of the Retrospective Rating Plan Manual were updated by NCCI in Item R1399. As a result, the national retrospective rating plan endorsements are being revised in this Item to reflect the updates to the national rules.

The revised endorsements were drafted by NCCI and have been filed and approved in several jurisdictions.

PROPOSAL

We propose adoption of NCCI's new Retrospective Rating Plan Premium Endorsement - Large Risk Alternative Rating Option (LRARO) and the current retrospective rating plan endorsements that have been revised to reflect the updates to the national rules within the 2009 edition of the NCCI's Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance. The enclosed **Exhibit 1** contains, Item P-1407(A)*, which includes NCCI's Filing Memorandum, the new Retrospective Rating Plan Premium Endorsement –Large Risk Alternative rating Option (LRARO), and the revised national retrospective rating plan endorsements. It should be noted that the Bureau is not seeking the approval of NCCI's Retrospective Rating Plan Premium Endorsement—Flexibility Options (WC 00 05 15 A). Endorsement WC 00 05 15 A continues to contain language that is not applicable in Massachusetts. For this reason, Massachusetts will continue to maintain its own state special Massachusetts Retrospective Premium Endorsement – Flexibility Options (WC 20 05 01) endorsement.

This item is being filed concurrently with the WCRIBMA's filing for the approval of NCCI Filing Item R- 1399 - *2009 Edition -Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance*. The implementation of this item is conditional on concurrent approval of Item R-1399.

IMPACT

No premium impact is expected as a result of the adoption of Item P-1407(A).

IMPLEMENTATION

Exhibit 1 includes the proposed changes necessary to implement this item. The WCRIBMA proposes an **April 1, 2010** effective date for the *Retrospective Rating Plan Endorsements*.

- This filing contains copyrighted material of NCCI.

EXHIBIT 1

FILING MEMORANDUM

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

PURPOSE

The purpose of this item is to amend the retrospective rating plan endorsements to coincide with the 2009 edition—Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance filed in Item R-1399 to be effective January 1, 2010.

This item revises Item P-1407, which was previously filed in conjunction with Item R-1399. We have identified some inconsistencies between the endorsements filed in Item P-1407 and our retrospective rating plan filing, R-1399. This item corrects those inconsistencies.

BACKGROUND

The rules of the Retrospective Rating Plan Manual are being updated in Item R-1399.

As a result, the national retrospective rating plan endorsements are being revised in this item to reflect the updates being made to the national rules.

In addition, the current state-specific endorsements were reviewed, and where possible, language from these endorsements was incorporated into the national endorsements.

PROPOSAL

This item proposes that the national retrospective rating plan endorsements be revised to coincide with the 2009 edition of the Retrospective Rating Plan Manual to be effective for new and renewal policies written under a retrospective rating plan effective January 1, 2010. However, there are three current national endorsements that will not change as a result of the manual rewrite and will remain in effect. They are:

- WC 00 05 08—Retrospective Rating Premium Endorsement Aviation Exclusion
• WC 00 05 09 A—Retrospective Rating Premium Endorsement Changes
• WC 00 05 11—Retrospective Rating Premium Endorsement Short Form

The current retrospective rating plan endorsements are located in both the Retrospective Rating Plan Manual and the Forms Manual for Workers Compensation and Employers Liability Insurance. This filing proposes that the retrospective rating plan endorsements be located in the Forms Manual only to eliminate redundancy.

In addition, this item proposes a new endorsement, WC 00 05 16—Retrospective Rating Plan Premium Endorsement—Large Risk Alternative Rating Option (LRARO), to be used where LRAROs are applicable. This endorsement is being introduced based on feedback received from carriers.

The table below provides a listing of the current endorsements, which will be withdrawn, and the new or revised national endorsements being proposed:

Table with 2 columns: Current Endorsement Name and Number, Proposed New Endorsement Name and Number

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FILING MEMORANDUM

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

WC 00 05 03 A—Retrospective Premium Endorsement One Year Plan	WC 00 05 03 B—Retrospective Rating Plan Premium Endorsement One-Year Plan
WC 00 05 04 A—Retrospective Premium Endorsement Three Year Plan	WC 00 05 04 B—Retrospective Rating Plan Premium Endorsement Three-Year Plan
WC 00 05 05 A—Retrospective Premium Endorsement Long-Term Construction Project	WC 00 05 05 B—Retrospective Rating Plan Premium Endorsement Wrap-Up Construction Project
WC 00 05 10—Retrospective Premium Endorsement Non-Ratable Catastrophe Element or Surcharge	WC 00 05 10 A—Retrospective Rating Plan Premium Endorsement Nonratable Catastrophe Element or Surcharge
WC 00 05 12 A—Retrospective Premium Endorsement One-Year Plan-Multiple Lines	WC 00 05 12 B—Retrospective Rating Plan Premium Endorsement One-Year Plan—Multiple Lines
WC 00 05 13 A—Retrospective Premium Endorsement Three-Year Plan-Multiple Lines	WC 00 05 13 B—Retrospective Rating Plan Premium Endorsement Three-Year Plan—Multiple Lines
WC 00 05 14 A—Retrospective Premium Endorsement Long-Term Construction Project-Multiple Lines	WC 00 05 14 B—Retrospective Rating Plan Premium Endorsement Wrap-Up Construction Project—Multiple Lines
WC 00 05 15—Retrospective Premium Endorsement—Flexibility Options	WC 00 05 15 A—Retrospective Rating Plan Premium Endorsement—Flexibility Options
N/A	WC 00 05 16—Retrospective Rating Plan Premium Endorsement—Large Risk Alternative Rating Option (LRARO)

IMPACT

There will be no premium impact as a result of the proposed new endorsements for the new 2009 edition of the **Retrospective Rating Plan Manual**. We anticipate that the new endorsements, along with the new manual, will enhance the understanding of the rules and procedures related to workers compensation insurance policies written under a retrospective rating plan.

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FILING MEMORANDUM

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

IMPLEMENTATION

The attached exhibits outline the changes required to the national retrospective rating plan endorsements, which will be located in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance*.

Below is a summary of the exhibits included in this filing package:

- **Exhibits 1–8** contains the revisions to the current national retrospective rating plan endorsements
- **Exhibit 9** contains the new national endorsement, WC 00 05 16—Retrospective Rating Plan Premium Endorsement—Large Risk Alternative Rating Option (LRARO)
- **Exhibits 10–11** contains the withdrawal of state-specific endorsements, if applicable

If applicable, when language from a state-specific endorsement is being incorporated into a national endorsement, the state-specific endorsement will be withdrawn. There are no new state-specific endorsements created as a result of the revisions to NCCI's 2009 edition of the *Retrospective Rating Plan Manual*.

This item will be effective at 12:01 a.m. on January 1, 2010, applicable to new and renewal voluntary policies.

Exceptions:

- In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.
- In Virginia, this item will become effective for policies on and after 12:01 a.m. on January 1, 2010.

This item is being filed concurrently with Item R-1399—2009 Edition—Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance. The implementation of this item is conditional on concurrent approval of Item R-1399.

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ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

EXHIBIT 1**FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE****RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT ONE-YEAR PLAN WC 00 05 03-A-B**

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 premium rating, but with two exceptions. Standard premium does not include ~~the expense constant charge or the premium discount credit~~ 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 passenger seat surcharge under Classification Code 7421
 - Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Premium developed by the catastrophe provisions as outlined in our manuals
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 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 premium shown in the Schedule, the basic premium will be recalculated.~~ 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 judgements, expenses to recover against third parties, and employers liability loss adjustment expenses. This

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 1 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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:

- Resulting from the nonratable element codes
 - Developed by the passenger seat surcharge under Classification Code 7421
 - Developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Developed by the catastrophe provisions as outlined in our manuals
4. ~~A Converted incurred losses is an incurred loss multiplied by a percentage called the loss-conversion factor 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, ~~and converted incurred losses, and any elective elements.~~ The percentage is called the tax multiplier. It varies by state and by ~~F~~federal and non-~~F~~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. ~~Taxes are added to excess loss premium just as they are for other elements of retrospective premium.~~

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. ~~Taxes are added to retrospective development premium just as they are for other elements of retrospective premium.~~

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 1 (CONT'D)
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Insurance policies listed in the Schedule will be combined with this policy to calculate the retrospective rating plan premium. If the policies provide insurance for more than one insured, the retrospective rating plan premium will be determined for all insureds combined, not separately for each insured.

1. Retrospective rating plan premium is the sum of basic premium, converted losses, ~~and taxes~~, 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 ~~nor~~ 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. ~~Premium Calculations and Payments~~ 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 will have the calculations verified by the appropriate rate service organization at your request.~~

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

2. After any calculation of retrospective rating plan premium, you and we may agree that it is the final calculation. ~~No other calculation will be made unless there is clerical error in 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. ~~Work in Other Insureds Operating in More Than One States~~

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 any insurance subject to 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 unless we agree with you, by endorsement, to continue the rating plan period.~~
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. ~~2.~~ 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. ~~3.~~ 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.

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 1 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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. ~~4.~~ Section F-~~34.~~ will not apply if you cancel because:
- a. ~~a~~All work covered by the insurance is completed;
 - b. ~~a~~All interest in the business covered by the insurance is sold; ~~or,~~
 - c. ~~y~~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.

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

EXHIBIT 1 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

EXHIBIT 2
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT THREE-YEAR PLAN WC 00 05 04-A-B

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 premium rating, but with two exceptions. Standard premium does not include the expense constant charge or the premium discount credit 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 passenger seat surcharge under Classification Code 7421
 - Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Premium developed by the catastrophe provisions as outlined in our manuals
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 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 premium shown in the Schedule, the basic premium will be recalculated. 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 judgements, expenses to recover against third parties, and employers liability loss adjustment expenses. This

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 2 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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 and any other elements excluded from our manuals:

- Resulting from the nonratable element codes
 - Developed by the passenger seat surcharge under Classification Code 7421
 - Developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Developed by the catastrophe provisions as outlined in our manuals
4. ~~A converted incurred losses is an incurred loss multiplied by a percentage called the loss-conversion factor.~~ 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 and converted incurred losses and any elective elements. The percentage is called the tax multiplier. It varies by state and by ~~F~~ federal and non-~~F~~ 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. ~~Taxes are added to excess loss premium just as they are for other elements of retrospective premium.~~

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. ~~Taxes are added to retrospective development premium just as they are for other elements of retrospective premium.~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 2 (CONT'D)****FORMS MANUAL OF 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. 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, ~~and taxes,~~ 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 ~~nor~~ 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. ~~Premium Calculations and Payments~~ 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 will have the calculations verified by the appropriate rate service organization at your request.~~

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

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. ~~No other calculation will be made unless there is clerical error in 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. ~~Work in Other Insureds Operating in More Than One States~~

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 ~~any insurance subject to 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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 2 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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

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. ~~2.~~ 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 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. ~~3.~~ 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. ~~4.~~ Section F-3-4. will not apply if you cancel or do not renew because:
 - a. ~~a.~~ All work covered by the insurance is completed;
 - b. ~~b.~~ All interest in the business covered by the insurance is sold; or,
 - c. ~~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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 2 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 3
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT—~~LONG TERM WRAP-UP CONSTRUCTION~~
PROJECT WC 00 05 05 ~~A B~~**

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 premium rating, ~~but with two exceptions~~. Standard premium does not include ~~the expense constant charge or the premium discount credit~~ 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 passenger seat surcharge under Classification Code 7421
 - Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Premium developed by the catastrophe provisions as outlined in our manuals
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 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 premium shown in the Schedule, the basic premium will be recalculated.~~ 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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 3 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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 judgements, 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:

- Resulting from the nonratable element codes
 - Developed by the passenger seat surcharge under Classification Code 7421
 - Developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Developed by the catastrophe provisions as outlined in our manuals
4. ~~A Converted incurred losses is an incurred loss multiplied by a percentage called the loss conversion factor. 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, ~~and converted incurred losses, and any elective elements.~~ The percentage is called the tax multiplier. It varies by state and by ~~Federal and non-Federal~~ 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. ~~Taxes are added to excess loss premium just as they are for other elements of retrospective premium.~~

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 3 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

~~development factor. Taxes are added to retrospective development premium just as they are for other elements of retrospective premium.~~

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, ~~and taxes,~~ 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 ~~nor~~ 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. Premium Calculations and Payments~~ 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 will have the calculations verified by the appropriate rate service organization at your request.~~

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. ~~No other calculation will be made unless there is clerical error in 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. Work in Other~~ Insureds Operating in More Than One States

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 3 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

1. ~~If any insurance subject to 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, unless we agree with you, by endorsement, to continue the rating plan period.~~
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. ~~2.~~ If we cancel or do not renew because of 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. ~~3.~~ 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-34. will not apply if you cancel or do not renew because:
 - a. ~~a~~ All work covered by the insurance is completed;
 - b. ~~a~~ All interest in the business covered by the insurance is sold; or,
 - c. ~~y~~ 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.

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 3 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

	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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

EXHIBIT 4
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT NON-RATABLE CATASTROPHE
ELEMENT OR SURCHARGE WC 00 05 10 A

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

1. Standard premium excludes the portion of the premium that is determined by the application of a non-ratable catastrophe element in a rate or a non-ratable catastrophe surcharge required by our manuals. The classification codes involving such premiums are listed in the Schedule below.
2. Incurred losses do not include:
 - a. ~~T~~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 non-ratable catastrophe element.
 - b. ~~L~~osses involving passenger employees, other than members of the flying crew, if the losses result from the crash of an aircraft described on the Aircraft Premium Endorsement.

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

EXHIBIT 5**FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE****RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT ONE-YEAR PLAN—MULTIPLE LINES
WC 00 05 12 ~~A B~~**

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~~
~~computed/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~~
~~computed/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.

- Standard premium is the premium we would charge during the rating plan period ~~for the insurance subject to retrospective rating if you had not chosen a retrospective rating plan premium rating, but with exceptions.~~ Standard premium does not include ~~the expense constant charge or the premium discount credit or any other expense modification.~~ 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 passenger seat surcharge under Classification Code 7421
 - Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Premium developed by the catastrophe provisions as outlined in our manuals
- 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 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.~~ The basic premium factor includes:
 - General administration costs of the carrier
 - Cost of loss control services
 - Insurance charge

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 5 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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~~ for the following expenses:
- ~~p~~ 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;
 - ~~i~~ Interest payable in accordance with the provisions of the policy, except that this will not apply for auto physical damage insurance;
 - ~~a~~ Allocated loss adjustment expenses (ALAE), except that this will apply for auto liability, general liability, and employers liability insurance only;
 - ~~e~~ 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 our manuals:

- Resulting from the nonratable element codes
 - Developed by the passenger seat surcharge under Classification Code 7421
 - Developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Developed by the catastrophe provisions as outlined in our manuals
4. ~~A Converted incurred losses is an incurred loss multiplied by a percentage called the loss conversion factor.~~ 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 ~~F~~ federal and non-~~F~~ 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.

- 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.

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 5 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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. ~~Taxes are added to excess loss premium just as they are for other elements of retrospective premium.~~

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 ~~and, 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 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. ~~Taxes are added to retrospective development premium just as they are for other elements of retrospective premium.~~

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, ~~and taxes,~~ 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 ~~nor~~ 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. ~~Premium Calculations and Payments~~ Calculation of Retrospective Rating Plan Premium

1. We will calculate the retrospective rating plan premium using all ~~incurred losses information~~ we have as of a date six months after the rating plan period ends and annually thereafter. ~~With respect to workers compensation and employers liability insurance, we will have the calculations verified by the appropriate rate service organization at your request.~~

We may make a special valuation of a retrospective rating plan premium as of any date that you are declared bankrupt or insolvent, make an assignment for the benefit of creditors, are involved

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 5 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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. ~~No other calculation will be made unless there is clerical error in 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. ~~Work in Other~~ Insureds Operating in More Than One States

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 ~~any insurance subject to 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, ~~to continue the rating plan period.~~
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. ~~2.~~ 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. ~~3.~~ If you cancel, the standard premium for the rating plan period will be ~~calculated according to the increased by our short rate cancellation 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.

~~This~~ ~~The minimum~~ short rate retrospective rating plan premium will ~~also~~ 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. ~~4.~~ Section F-~~3-4.~~ will not apply if you cancel because:
 - a. ~~a~~ All work covered by the insurance is completed;
 - b. ~~a~~ All interest in the business covered by the insurance is sold; ~~or,~~
 - c. ~~y~~ 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—

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 5 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

1. The premium for the following policies combined is to be ~~computed~~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 1 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

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 5 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____

The incurred losses to be included in ~~computing~~ 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 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 \$ _____
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 _____

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 5 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

EXHIBIT 5 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

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

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

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

EXHIBIT 6**FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE****RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT THREE-YEAR PLAN—MULTIPLE LINES
WC 00 05 13 ~~A B~~**

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, 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~~
~~computed~~ 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~~
~~computed~~ 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.

- Standard premium is the premium we would charge during the rating plan period ~~for the insurance subject to retrospective rating if you had not chosen a retrospective rating plan premium rating, but with exceptions.~~ Standard premium does not include ~~the expense constant charge or the premium discount credit or any other expense modification.~~ 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 passenger seat surcharge under Classification Code 7421
 - Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Premium developed by the catastrophe provisions as outlined in our manuals
- Basic premium is less than standard premium. It is the 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 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.~~ The basic premium factor includes:
 - General administration costs of the carrier
 - Cost of loss control services

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 6 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

- 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.

- Incurred losses are all amounts we pay or estimate we will pay ~~and for~~ losses for the following expenses:
 - ~~p~~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;
 - ~~i~~Interest payable in accordance with the provisions of the policy, except that this will not apply for auto physical damage insurance;
 - ~~a~~Allocated loss adjustment expenses (ALAE), except that this will apply for auto liability, general liability, and employers liability insurance only;
 - ~~e~~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 our manuals:

- Resulting from the nonratable element codes
 - Developed by the passenger seat surcharge under Classification Code 7421
 - Developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Developed by the catastrophe provisions as outlined in our manuals
- ~~A~~ Converted incurred losses is an incurred loss multiplied by a percentage called the loss conversion factor. ~~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.
 - 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.

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 6 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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. ~~Taxes are added to excess loss premium just as they are for other elements of retrospective premium.~~

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 ~~and~~ 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 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. ~~Taxes are added to retrospective development premium just as they are for other elements of retrospective premium.~~

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, ~~and taxes,~~ 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 ~~nor~~ 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. ~~Premium Calculations and Payments~~ Calculation of Retrospective Rating Plan Premium

1. We will calculate the retrospective rating plan premium using all ~~incurred losses information~~ we have as of a date six months after the rating plan period ends and annually thereafter. ~~With respect to~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 6 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

~~workers compensation and employers liability insurance, we will have the calculations verified by the appropriate rate service organization at your request.~~

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 ~~incurred losses~~ 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. ~~No other calculation will be made unless there is clerical error in 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. ~~Work in Other Insureds Operating in More Than One States~~

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 any insurance subject to 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 unless we agree with you, by endorsement, to continue the rating plan period.~~
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. ~~2.~~ 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 factors shown in the Schedule.
4. ~~3.~~ If you cancel or do not renew, the standard premium for the rating plan period will be ~~calculated according to the increased by our short rate cancellation 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.

~~This~~ ~~The short rate minimum~~ 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).

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 6 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

- 5. ~~4.~~ Section F.3.4. will not apply if you cancel or do not renew because:
 - a. ~~a~~ All work covered by the insurance is completed;
 - b. ~~a~~ All interest in the business covered by the insurance is sold; ~~or,~~
 - c. ~~y~~ 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 ~~computed~~ 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 ~~U~~ n ~~insured~~ 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 1 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

<hr/>	\$	<hr/>
<hr/>	\$	<hr/>

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 6 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

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 ~~computing~~ 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 \$ _____

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

EXHIBIT 6 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
TABLE OF STATES (Cont'd)

11.A	Excess Loss Premium Factors		Tax Multiplier	
State	Workers Compensation and Employers Liability		Workers Compensation and Employers Liability	
	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 Multiplier		
State	General Liability	Automobile Liability	Automobile Physical Damage	General Liability	Automobile Liability	Automobile Physical Damage

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 6 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 7****FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE****RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT ~~LONG TERM WRAP-UP~~ CONSTRUCTION PROJECT—MULTIPLE LINES WC 00 05 14 ~~A B~~**

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,~~ 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 computed~~ 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 computed~~ 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 ~~for the insurance subject to retrospective rating if you had not chosen a retrospective rating plan premium rating, but with exceptions.~~ Standard premium does not include ~~the expense constant charge, the premium discount credit or any other expense modification.~~ 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 passenger seat surcharge under Classification Code 7421
 - Premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Premium developed by the catastrophe provisions as outlined in our manuals
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 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.~~ The basic premium factor includes:
 - General administration costs of the carrier
 - Cost of loss control services

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 7 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

- 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 for~~ losses for the following expenses:
 - a. ~~p~~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 liability₁ or auto physical damage insurance~~;~~
 - b. ~~i~~Interest payable in accordance with the provisions of the policy, except that this will not apply for auto physical damage insurance~~;~~
 - c. ~~a~~Allocated loss adjustment expenses (ALAE), except that this will apply for auto liability, general liability₁ and employers liability insurance only~~;~~
 - d. ~~e~~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 and any other elements excluded from our manuals:

- Resulting from the nonratable element codes
 - Developed by the passenger seat surcharge under Classification Code 7421
 - Developed by the occupational disease rates for employers subject to the Federal Coal Mine Safety and Health Act
 - Developed by the catastrophe provisions as outlined in our manuals
4. ~~A~~ Converted incurred losses is an incurred loss multiplied by a percentage called the loss conversion factor. ~~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~~and~~₁ 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 ~~F~~federal and non-~~F~~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.

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 7 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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. ~~Taxes are added to excess loss premium just as they are for other elements of retrospective premium.~~

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 ~~and~~ 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 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. ~~Taxes are added to retrospective development premium just as they are for other elements of retrospective premium.~~

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 nor 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. ~~Premium Calculations and Payments~~ Calculation of Retrospective Rating Plan Premium

1. We will calculate the retrospective rating plan premium using all ~~incurred losses information~~ we have as of a date six months after the rating plan period ends and annually thereafter. ~~With respect to~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED**EXHIBIT 7 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

~~workers compensation and employers liability insurance, we will have the calculations verified by the appropriate rate service organization at your request.~~

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 ~~incurred losses~~ 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. ~~No other calculation will be made unless there is clerical error in 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. ~~Work in Other Insureds Operating in More Than One States~~

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 any insurance subject to the policy to which this endorsement is attached is cancelled or is not renewed, the effective date of the cancellation will become the end of the rating plan period of all insurance subject to this endorsement, unless we agree with you, by endorsement, to continue the rating plan period.~~
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. ~~2.~~ 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. ~~3.~~ If you cancel or do not renew, the standard premium for the rating plan period will be calculated according to the increased by our short rate table and cancellation 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.

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

EXHIBIT 7 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

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. ~~4.~~ Section F.~~34.~~ will not apply if you cancel or do not renew because:
- a. ~~a~~All work covered by the insurance is completed;
 - b. ~~a~~All interest in the business covered by the insurance is sold; ~~or,~~
 - c. ~~y~~You retire from all business covered by the insurance.

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 7 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY 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 ~~computed~~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 1 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
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 7 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

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 ~~computing~~ 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 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 \$ _____
Loss Limitation for _____	insurance is \$ _____

8. Loss Conversion Factor is _____

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 7 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 7 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

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

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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 8
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT—FLEXIBILITY OPTIONS WC 00 05 15 A**

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

The ~~R~~retrospective rating plan ~~P~~premium endorsement attached to the policy is changed by the selection of one or more of the options information 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.

EXHIBIT 9
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT—LARGE RISK ALTERNATIVE RATING
OPTION (LRARO) WC 00 05 16

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.

EXHIBIT 10

FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

~~**ARIZONA SUPPLEMENTAL RETROSPECTIVE PREMIUM ENDORSEMENT—LARGE RISK
ALTERNATIVE RATING OPTION WC 02-05-02**~~

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

~~This policy is subject to a Large Risk Alternative Rating Option per the signed agreement between you and us that by reference, is hereby made part of this policy. We will retain a copy of this customized agreement as part of the policy file.~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 10
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**

~~FLORIDA RETROSPECTIVE PREMIUM ENDORSEMENT FOR NON RATABLE CATASTROPHE ELEMENT OR SURCHARGE WC 09 05 02 A~~

~~This endorsement clarifies the Retrospective Premium Endorsement attached to the policy.~~

- ~~1. Standard premium excludes the portion of the premium that is determined by the application of a non ratable catastrophe element in a rate or a non ratable catastrophe surcharge required by our manuals.~~
- ~~2. Incurred losses do not include:~~
 - ~~a. the cost in excess of the two most costly claims arising out of an accident involving two or more persons under a classification for which our manuals contain a non ratable catastrophe element.~~
 - ~~b. losses involving passenger employees, other than members of the flying crew, if the losses result from the crash of an aircraft described on the Aircraft Premium Endorsement.~~
 - ~~c. losses for acts of terrorism.~~
- ~~3. Acts of terrorism are included in total policy premium, but excluded from the standard premium used in the retrospective premium calculation.~~

~~For purposes of this endorsement, an "act of terrorism" is defined as:~~

- ~~a. Any act that is violent or dangerous to human life, property or infrastructure; and~~
- ~~b. The act has been committed by an individual or individuals, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.~~

Note:

- ~~1. Use this endorsement if the policy is retrospectively rated.~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 10
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
(APPLIES IN: HI)****~~RETROSPECTIVE PREMIUM ENDORSEMENT RATING OPTIONS I, II, III or IV—ONE-YEAR PLAN
WC-00-05-04~~**

~~This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively. You chose the one-year Rating Option shown in the Schedule. This endorsement explains the rating plan and how the retrospective premium will be determined.~~

~~This endorsement applies in the states listed in the Schedule. It determines the retrospective 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 premium depends on five standard elements and two elective elements.~~

~~A. Retrospective 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 retrospective premium rating, but with two exceptions. Standard premium does not include the expense constant charge or the premium discount credit.~~
- ~~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 Rating Option you choose, the total amount of standard premium, and the states where the insurance is provided. The basic premium factors are shown in the Tables of Rating Values that form a part of this endorsement.~~
- ~~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.~~
- ~~4. Converted losses are larger than incurred losses. A converted loss is an incurred loss multiplied by a percentage called the loss conversion factor. The loss conversion factors vary by state. They are shown in the Table of Rating Values that form a part of this endorsement.~~
- ~~5. Taxes are a part of the premium we collect. Taxes are determined as a percentage of basic premium and converted losses. 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 Premium Elective Elements~~

~~Two other elements are included in retrospective 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 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. Taxes are added to excess loss premium just as they are for other elements of retrospective premium.~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 10 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
(APPLIES IN: HI)**

~~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 retrospective 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. Taxes are added to retrospective development premium just as they are for other elements of retrospective premium.~~

~~Retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations of retrospective premium. If you chose this elective element, the retrospective development factors are shown in the Schedule.~~

C. ~~Retrospective Premium Formula~~

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

- ~~1. Retrospective premium is the sum of basic premium, converted losses, and taxes, plus the excess loss premium and retrospective development premium elective elements if you chose them.~~
- ~~2. The retrospective premium will not be less than the minimum retrospective premium. The retrospective premium will not be more than the maximum retrospective premium. The minimum and maximum retrospective premiums vary by state, by the Rating Option you choose, and by the amount of standard premium. The minimum and maximum retrospective premiums may be determined from the Tables of Rating Values that form a part of this endorsement.~~
- ~~3. If this endorsement applies to more than one policy or state, the standard premium, minimum premium, and maximum premium will be the sum of the standard premiums, minimum premiums, and maximum premiums, respectively, for each policy and state.~~
- ~~4. The retrospective premium, including the minimum retrospective premium and the maximum retrospective premium, will be increased by a percentage called the non stock adjustment factor. This factor varies by state and amount of standard premium. The non stock adjustment factors may be determined from the Tables of Rating Values that form a part of this endorsement.~~

D. ~~Premium Calculations and Payments~~

- ~~1. We will calculate the retrospective premium using all loss information we have as of a date six months after the rating plan period ends and annually thereafter. We will have the calculation verified by the appropriate rate service organization at your request.~~

~~We may make a special valuation of the retrospective 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 premium is more than the total standard premium as of the special valuation date.~~

- ~~2. After a calculation of retrospective premium, you and we may agree that it is the final calculation. No other calculation will be made unless there is clerical error in the final calculation.~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 10 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
(APPLIES IN: HI)**

~~3. After each calculation of retrospective premium, you will promptly pay 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 premium calculated under this endorsement.~~

E. ~~Work in Other States~~

~~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 rating plan period, this endorsement will apply to that insurance if this rating plan applies in that state on an interstate basis. The retrospective 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~~

- ~~1. If any insurance subject to this endorsement is canceled, 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.~~
- ~~2. If we cancel for nonpayment of premium, the maximum retrospective premium will be based on the standard premium for the rating plan period, increased pro rata to 365 days.~~
- ~~3. 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 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 premium will be based on the standard premium for the rating plan period, increased pro rata to 365 days.~~

- ~~4. Section F.3. 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; or,~~
 - ~~c. you retire from all business covered by the insurance.~~~~

Schedule

- ~~1. Retrospective Rating Option~~
- ~~2. Other policies subject to this Retrospective Premium Endorsement:~~
- ~~3. Loss Limitation: \$~~
- ~~4. Tables of Rating Values listed in the Table of States are attached to and are part of this Retrospective Premium Endorsement.~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 10 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
(APPLIES IN: HI)**

TABLE OF STATES

State	Applicable Table of Rating Values	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

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 11
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
(APPLIES IN: HI)****~~RETROSPECTIVE PREMIUM ENDORSEMENT RATING OPTIONS I, II, III or IV—THREE YEAR PLAN
WC 00-05-02~~**

~~This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively. You chose the three year Rating Option shown in the Schedule. This endorsement explains the rating plan and how the retrospective premium will be determined.~~

~~This endorsement applies in the states listed in the Schedule. It determines the retrospective 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 premium depends on five standard elements and two elective elements.~~

~~A. Retrospective 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 retrospective premium rating, but with two exceptions. Standard premium does not include the expense constant charge or the premium discount credit.~~
- ~~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 Rating Option you choose, the total amount of standard premium, and the states where the insurance is provided. The basic premium factors are shown in the Tables of Rating Values that form a part of this endorsement.~~
- ~~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.~~
- ~~4. Converted losses are larger than incurred losses. A converted loss is an incurred loss multiplied by a percentage called the loss conversion factor. The loss conversion factors vary by state. They are shown in the Table of Rating Values that form a part of this endorsement.~~
- ~~5. Taxes are a part of the premium we collect. Taxes are determined as a percentage of basic premium and converted losses. 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. Changes will be shown by endorsement.~~

~~B. Retrospective Premium Elective Elements~~

~~Two other elements are included in retrospective 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 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. Taxes are added to excess loss premium just as they are for other elements of retrospective premium.~~

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**EXHIBIT 11 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
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~~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 rating the rating plan 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 retrospective 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. Taxes are added to retrospective development premium just as they are for other elements of retrospective premium.~~

~~Retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations of retrospective premium. If you chose this elective element, the retrospective development factors are shown in the Schedule.~~

C. ~~Retrospective Premium Formula~~

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

- ~~1. Retrospective premium is the sum of basic premium, converted losses, and taxes, plus the excess loss premium and retrospective development premium elective elements if you chose them.~~
- ~~2. The retrospective premium will not be less than the minimum retrospective premium. The retrospective premium will not be more than the maximum retrospective premium. The minimum and maximum retrospective premiums vary by state, by the Rating Option you choose, and by the amount of standard premium. The minimum and maximum retrospective premiums may be determined from the Tables of Rating Values that form a part of this endorsement.~~
- ~~3. If this endorsement applies to more than one policy or state, the standard premium, minimum premium, and maximum premium will be the sum of the standard premiums, minimum premiums and maximum premiums, respectively, for each policy and state.~~
- ~~4. The retrospective premium, including the minimum retrospective premium and the maximum retrospective premium, will be increased by a percentage called the non stock adjustment factor. This factor varies by state and amount of standard premium. The non stock adjustment factors may be determined from the Tables of Rating Values that form a part of this endorsement.~~

D. ~~Premium Calculations and Payments~~

- ~~1. We will calculate the retrospective premium using all loss information we have as of a date six months after the rating plan period ends and annually thereafter. We will have the calculation verified by the appropriate rate service organization at your request.~~

~~We may make a special valuation of the retrospective 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 premium is more than the total standard premium as of the special valuation date.~~

ITEM P-1407(A)—REVISED RETROSPECTIVE RATING PLAN ENDORSEMENTS AMENDED

**EXHIBIT 11 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
(APPLIES IN: HI)**

~~We may make interim calculations of retrospective 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 a calculation of retrospective premium, you and we may agree that it is the final calculation. No other calculation will be made unless there is clerical error in the final calculation.~~
- ~~3. After each calculation of retrospective premium, you will promptly pay 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 premium calculated under this endorsement.~~

E. ~~Work in Other States~~

~~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 rating plan period, this endorsement will apply to that insurance if this rating plan applies in that state on an interstate basis. The retrospective 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~~

- ~~1. If any insurance subject to this endorsement is canceled 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 unless we agree with you, by endorsement, to continue the rating plan period.~~
- ~~2. If we cancel or do not renew because of nonpayment of premium, the maximum retrospective premium will be based on the standard premium for the rating plan period, increased pro rata to three years (1095 days).~~
- ~~3. 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 premium and will be used to determine the basis 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 premium will be based on the standard premium for the rating plan period, increased pro rata to three years (1095 days).~~

- ~~4. Section F.3. 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; or,~~
 - ~~c. you retire from all business covered by the insurance.~~~~

Schedule

1.	Retrospective Rating Option	
2.	Other policies subject to this Retrospective Premium Endorsement:	
3.	Loss Limitation: \$	

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**EXHIBIT 11 (CONT'D)
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
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~~4.~~

~~Tables of Rating Values listed in the Table of States are attached to and are part of this Retrospective Premium Endorsement.~~

TABLE OF STATES

State	Applicable Table of Rating Values	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