



Pennsylvania Compensation Rating Bureau

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TO: Pennsylvania Classification and Rating Committee

FROM: Betty Campbell – Director - Rating

DATE: December 5, 2013

RE: Discontinuation of All Retrospective Rating Plan Endorsement Forms from Pennsylvania Basic Manual

Bureau Circular No. 1495, dated March 15, 2005, announced removal of the “Rules and Procedures Governing the Application of Retrospective Rating Plans in Pennsylvania” from Section 4 of the Basic Manual. Section 3, Endorsements, continued to list what have become outdated versions of several Retrospective Rating Plan endorsements. This proposal would remove all Retrospective Rating Plan endorsements from the Basic Manual, consistent with the expectation that carriers have filed and will continue to file their own Retrospective Rating Plans. No premium impact is expected as a result of the proposed endorsement deletions.

These revisions are proposed to be effective for new and renewal policies of **April 1, 2014** and later.

The table below shows those endorsements to be deleted:

Endorsement Name	Endorsement No.
Section 3 – Endorsement – Table of Contents	
Retrospective Premium Endorsement – Aviation Exclusion	WC 00 05 08
Retrospective Premium Endorsement Changes	WC 00 05 09 A
Retrospective Premium Endorsement/Multiple Lines*	WC 00 05 12 WC 00 05 13 WC 00 05 14
Retrospective Premium Endorsement – Non-Ratable Catastrophe Element or Surcharge	WC 00 05 10
Retrospective Premium Endorsement – Rating Option V, One Year Plan	WC 00 05 03
Retrospective Premium Endorsement – Rating Option V, Three Year Plan	WC 00 05 04
Retrospective Premium Endorsement – Rating Option V, Long Term Construction Term	WC 00 05 05
Retrospective Premium Endorsement – Short Term	WC 00 05 11

* The Pennsylvania Basic Manual includes reference to but not copies of these three endorsements.

Copies of these endorsements are attached as Exhibit 1.

THE FOLLOWING ARE
THE ENDORSEMENTS
PROPOSED TO BE DELETED
FROM THE MANUAL
AS PER THE BRACKETS SHOWN
ON THE
ATTACHED TABLE OF CONTENTS

PENNSYLVANIA WORKERS COMPENSATION MANUAL

SECTION 3

EFFECTIVE DATE: JANUARY 1, 2014

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ENDORSEMENTS

ENDORSEMENTS

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ENDORSEMENTS

The circumstances under which each endorsement must or may be used are described in the supplementary notes following each endorsement.

Aircraft Premium Endorsement	WC 00 04 01A
Alternate Employer Endorsement	WC 00 03 01A
Anniversary Rating Date Endorsement	WC 00 04 02
Catastrophe (Other Than Certified Acts of Terrorism)	WC 00 04 21C
Certified Safety Committee Endorsement	WC 37 04 04 B
Church Endorsement – Pennsylvania	WC 37 03 01
Deductible Endorsement	WC 37 04 03
Defense Base Act Coverage Endorsement	WC 00 01 01A
Domestic and Agricultural Workers Exclusion Endorsement	WC 00 03 15
Employer Assessment Endorsement	WC 37 06 04
Employers Liability Coverage Endorsement	WC 00 03 03C
Exclusion of Employees Endorsement – Pennsylvania	WC 37 03 03
Exclusion of Executive Officers Application	LIBC 509
Exclusion of Executive Officers Endorsement	WC 37 03 10-C
Executive Officer's Declaration	LIBC 513
Experience Rating Modification Factor Endorsement	WC 00 04 03
Federal Coal Mine Safety and Health Act Coverage Endorsement	WC 00 01 02A
Federal Employers Liability Act Coverage Endorsement	WC 00 01 04A
Insurance Company as Insured Endorsement	WC 00 03 04
Joint Venture as Insured Endorsement	WC 00 03 05
Longshore & Harbor Workers' Compensation Act Coverage Endorsement	WC 00 01 06A
Maritime Coverage Endorsement	WC 00 02 01A
Migrant and Seasonal Agricultural Workers Protection Act Coverage Endorsement	WC 00 01 11
Nonappropriated Fund Instrumentalities Act Coverage Endorsement	WC 00 01 08A
Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2007	WC 00 01 14
Outer Continental Shelf Lands Act Coverage Endorsement	WC 00 01 09B
Pending Rate Change Endorsement	WC 00 04 04
Pennsylvania Act 86-1986 Endorsement	WC 37 06 03A
Pennsylvania Construction Classifications Premium Adjustment Endorsement	WC 37 04 02
Pennsylvania Merit Rating Plan Endorsement	WC 37 04 05
Pennsylvania Multiple Coordinated Policy Endorsement	WC 37 03 11
Pennsylvania Notice	WC 37 06 02
Policemen/Firemen – Counties, Cities, Towns and Boroughs Endorsement-Pennsylvania	WC 37 03 02
Policy Information Page Endorsement	WC 89 06 00A
Policy Period Endorsement	WC 00 04 05
Premium Discount Endorsement	WC 00 04 06
Premium Due Date Endorsement	WC 00 04 19
Principal as Additional Insured – Pennsylvania	WC 37 03 04
Professional Association Act Endorsement – Pennsylvania	WC 37 03 05
Professional Employer Organization (PEO) Extension Endorsement	WC 00 03 20 B
Professional Employer Organization (PEO) Exclusion Endorsement	WC 00 03 21 A
Professional Employer Organization (PEO) Client Exclusion Endorsement	WC 00 03 22 A
Rate Change Endorsement	WC 00 04 07
Real Estate Management Endorsement – Pennsylvania	WC 37 03 06
Religious Institution Endorsement – Pennsylvania	WC 37 03 07
[Retrospective Premium Endorsement – Aviation Exclusion	WC 00 05 08]
[Retrospective Premium Endorsement Changes	WC 00 05 09A]
[Retrospective Premium Endorsement/Multiple Line	WC 00 05 12
(See NCCI's "Forms Manual of Workers Compensation and Employers	WC 00 05 13

PENNSYLVANIA WORKERS COMPENSATION MANUAL

SECTION 3

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ENDORSEMENTS

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[Retrospective Premium Endorsement – Non-Rateable Catastrophe Element or Surcharge	WC 00 05 10]
[Retrospective Premium Endorsement – Rating Option V, One Year Plan	WC 00 05 03]
[Retrospective Premium Endorsement – Rating Option V, Three Year Plan	WC 00 05 04]
[Retrospective Premium Endorsement – Rating Option V, Long Term Construction Project	WC 00 05 05]
[Retrospective Premium Endorsement – Short Form	WC 00 05 11]
Rural Electrification Administration Endorsement	WC 00 03 09
Sole Proprietors, Partners, Officers and Others Coverage Endorsement	WC 00 03 10
Special Pennsylvania Endorsement – Inspections of Manual	WC 37 06 01
Spouse of Insured Endorsement – Pennsylvania	WC 37 03 08
Statutory Employer Endorsement – Pennsylvania	WC 37 03 09 A
Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement	WC 00 04 22A
Voluntary Compensation and Employers Liability Coverage Endorsement	WC 00 03 11A
Voluntary Compensation Maritime Coverage Endorsement	WC 00 02 03
Waiver of Our Right to Recover from Others Endorsement	WC 00 03 13

Workers Compensation and Employers Liability Insurance Policy

WC 00 05 08

RETROSPECTIVE PREMIUM ENDORSEMENT – AVIATION EXCLUSION

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

Schedule

Note 1: Use this endorsement if aviation exposures are not subject to retrospective rating.

Note 2: List the applicable classifications in the Schedule.

Workers Compensation and Employers Liability Insurance Policy

WC 00 05 09A

RETROSPECTIVE PREMIUM ENDORSEMENT CHANGES

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

Schedule

1. The excess loss premium factor is changed as follows:

<u>State</u>	<u>Excess Loss Premium Factor</u>	<u>Effective Date</u>
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2. Retrospective Development Premium does not apply in these states:

3. The Retrospective Development Factors are changed as follows:

<u>State</u>	<u>Retrospective Development Factors</u>			<u>Effective Date</u>
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	

4. The tax multiplier is changed as follows:

<u>State</u>	<u>State</u>	<u>Federal</u>	<u>Effective Date</u>
	<u>(Other Than "F" Classes)</u>	<u>("F" Classes Only)</u>	

Note 1: Use item 1 of the Schedule to show a change in the excess loss premium factor on an outstanding basis.

Note 2: Use item 2 of the Schedule to show that retrospective development factors do not apply in a particular state.

Note 3: Use item 3 of the Schedule to show retrospective development factors approved after the effective date of the policy.

Note 4: Use item 4 of the Schedule to show a change in the tax multiplier on an outstanding basis.

Workers Compensation and Employers Liability Insurance Policy

WC 00 05 10

**RETROSPECTIVE PREMIUM ENDORSEMENT NON-RATABLE CATASTROPHE
ELEMENT OR SURCHARGE**

This endorsement changes 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. The classifications involving such premiums are listed in the Schedule.
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.

Schedule

Note 1: Use this endorsement if the policy is retrospectively rated and covers operations or classifications that involve a non-ratable catastrophe element or surcharge. Examples include aircraft operations and explosives and ammunition manufacturing classifications. See the applicable experience rating plan manual.

Note 2: Use the Schedule to list the classifications that affect this endorsement.

Workers Compensation and Employers Liability Insurance Policy

WC 00 05 03

RETROSPECTIVE PREMIUM ENDORSEMENT RATING OPTION V – ONE YEAR PLAN

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

Option V. 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 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.
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. A converted loss is an incurred loss multiplied by a percentage called the loss conversion factor. 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 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.

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.

WC 00 05 03

(Continued)

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 nor more than the maximum retrospective premium. The minimum and maximum retrospective premiums are determined by applying the minimum and maximum 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

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.
3. After each calculation of retrospective 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 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.

WC 00 05 03
(Continued)

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. Other policies subject to this Retrospective Premium Endorsement: _____

2. Loss limitation: \$ _____

3. Loss conversion factor: _____

Minimum Retrospective Premium Factor _____

Maximum Retrospective 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, the basic premium factor will be recalculated.

	<u>50%</u>	<u>100%</u>	<u>150%</u>
Estimated standard premium:	\$ _____	\$ _____	\$ _____

Basic premium factor:	_____	_____	_____
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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.

NOTES TO RETROSPECTIVE PREMIUM ENDORSEMENT RATING OPTION V - ONE YEAR PLAN

1. This endorsement is to be used for Rating Option V of the Retrospective Rating Plan. It is designed for a one year rating plan period.
2. Identify by policy number any other policy to be combined with this policy for retrospective rating. Other policies should be endorsed with Retrospective Premium Endorsement (Short Form) to show that they are subject to this endorsement.

WC 00 05 03

(Continued)

3. Show the amount of the loss limitation, if applicable, in item 2 of the Schedule. If a loss limitation was not elected, enter "none," "does not apply," or other appropriate text. If the limitation applies in some but not all states, name the states where it applies.
4. Use item 3 of the Schedule to show the loss conversion factor, minimum retrospective premium factor, and the maximum retrospective premium factor.
5. Use item 4 to show basic premium factors for 50%, 100%, and 150% of estimated standard premium. Additional columns may be added to show the basic premium factor for other percentages of estimated standard premium.
6. The Table of States may be printed at the beginning or end of the Schedule or printed separately. If printed separately, an appropriate attachment clause should be included on the Schedule, such as "This Schedule includes the attached Table of States." The display of information on the Table of States may be rearranged by the company.

Workers Compensation and Employers Liability Insurance Policy

WC 00 05 04

**RETROSPECTIVE PREMIUM ENDORSEMENT RATING OPTION V –
THREE YEAR PLAN**

This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively by Rating Option V. 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 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.
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. A converted loss is an incurred loss multiplied by a percentage called the loss conversion factor. 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 losses. The percentage is called the tax multiplier. It varies by state and by Federal and non-Federal classifications. The tax multipliers or an average tax multiplier are shown in the Schedule. Tax multipliers may change during the rating plan period. Changes will be shown by endorsement.

B. Retrospective Premium Elective Elements

Two other elements are included in 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.

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 policy period. Changes will be shown by endorsement.

WC 00 05 04
(Continued)

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 nor more than the maximum retrospective premium. The minimum and maximum retrospective premiums are determined by applying the minimum and maximum 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

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.

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 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 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.

WC 00 05 04
 (Continued)

F. Cancellation and Nonrenewal

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 for 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 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 three years (1095 days).

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

Schedule

1. Other policies subject to this Retrospective Premium Endorsement:

2. Loss limitation: \$ _____
3. Loss conversion factor: _____
 Minimum Retrospective Premium Factor _____
 Maximum Retrospective 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, the basic premium factor will be recalculated.

Estimated standard premium:	\$ <u>50%</u>	\$ <u>100%</u>	\$ <u>150%</u>
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.

WC 00 05 04
(Continued)

**NOTES TO RETROSPECTIVE PREMIUM ENDORSEMENT RATING OPTION V -
THREE YEAR PLAN**

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

Workers Compensation and Employers Liability Insurance Policy

WC 00 05 05

**RETROSPECTIVE PREMIUM ENDORSEMENT RATING OPTION V –
LONG TERM CONSTRUCTION PROJECT**

This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively by Rating Option V. 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 duration of the construction project described on the information Page, 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 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.
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. A converted loss is an incurred loss multiplied by a percentage called the loss conversion factor. 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 losses. The percentage is called the tax multiplier. It varies by state and by Federal and non-Federal classifications. The tax multipliers or an average tax multiplier are shown in the Schedule. Tax multipliers may change during the rating plan period. Changes will be shown by endorsement.

B. Retrospective Premium Elective Elements

Two other elements are included in 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.

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 policy period. Changes will be shown by endorsement.

WC 00 05 05

(Continued)

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 nor more than the maximum retrospective premium. The minimum and maximum retrospective premiums are determined by applying the minimum and maximum 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

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.

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 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 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.

WC 00 05 05
(Continued)

F. Cancellation and Nonrenewal

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 plus the estimated standard premium from the end of the rating plan period to the estimated project completion date.
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 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 plus the estimated standard premium from the end of the rating plan period to the estimated project completion date.

Section F.3. will not apply if you cancel or do not renew because:

- a. all work covered by the insurance is completed;
- b. all interest in the business covered by the insurance is sold; or,
- c. you retire from all business covered by the insurance.

Schedule

1. Other policies subject to this Retrospective Premium Endorsement:

2. Loss limitation: \$

3. Loss conversion factor: _____

Minimum Retrospective Premium Factor _____

Maximum Retrospective 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, the basic premium factor will be recalculated.

	<u>50%</u>	<u>100%</u>	<u>150%</u>
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.

WC 00 05 05
(Continued)

**NOTES TO RETROSPECTIVE PREMIUM ENDORSEMENT RATING OPTION V –
LONG TERM CONSTRUCTION PROJECT**

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

Workers Compensation and Employers Liability Insurance Policy

WC 00 05 11

RETROSPECTIVE PREMIUM ENDORSEMENT SHORT FORM

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

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

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

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