

Workers Compensation and Employers Liability Insurance Policy

WC 00 04 09

PREMIUM DETERMINATION ENDORSEMENT – FORMER SELF INSURERS

- 1) This endorsement is added to Part 5 (Premium). It determines the premium you will pay for the insurance afforded by this policy with respect to operations in each of the states listed below.
- 2) The premium for this policy is the sum of:
 - a) the total premium determined by all provisions of this policy;
 - b) the insurance charge; and
 - c) the rating plan losses which are paid from the rating plan deposit.
- 3) "State standard premium" is the premium, before applying any discounts, for the insurance for each state listed below, as determined by all provisions of the policy other than this endorsement.
- 4) "Total standard premium" is the sum of the standard premiums.
- 5) "Insurance charge" is an amount equal to 10% of the total standard premium. It is payable in advance, cannot be refunded to you and is calculated on the basis of the higher of either the average of the last three years' audited payrolls or the last complete year's payroll. Payrolls will be determined consistent with Basic Manual Rules.
- 6) "Rating plan deposit" is an amount equal to 50% of the total standard premium. It is payable in advance and is calculated on the basis of the higher of either the average of the last three years' audited payrolls or the last complete year's payroll. Payrolls will be determined consistent with Basic Manual Rules.

The rating plan deposit will be posted by you in the form of an irrevocable letter of credit or deposited by you in a trusted account. The form of the letter or the account, and the financial institution with whom the account is held, must be acceptable to us.

We will use the rating plan deposit to pay rating plan losses. Any unused portion of the rating plan deposit will be returned to you no sooner than thirty months after this endorsement is terminated.

- 7) "Rating plan losses" are incurred losses in excess of the sum of the permissible losses for each state. The permissible losses for each state are determined by multiplying the expected loss ratio by the standard premium for each state. The expected loss ratio is the percentage shown for each state below.

We will calculate rating plan losses upon incurred losses valued as of dates to be determined by the company, but not less frequently than six months after the end of the policy and annually thereafter. The calculations will continue until: a) all claims have been closed; b) it is apparent that the rating plan losses will exceed the rating plan deposit; or c) you and we agree that all incurred losses are final.

- 8) Incurred losses are the sum of:
 - a) all amounts we pay for losses, including medical;
 - b) reserves we estimate for unpaid losses;
 - c) interest on a judgment as required by law;
 - d) Employers' Liability allocated loss adjustment expenses; and
 - e) expenses incurred in recovering against a third party.
- 9) If either you or we cancel this policy:
 - a) the insurance charge and rating plan deposit will be based upon the total standard premium the policy would have earned if the policy had not been cancelled;
 - b) the insurance charge will be fully earned and retained by us; and
 - c) the rating plan deposit will remain available to us as provided by this endorsement.

STATE

LIST OF STATES

EXPECTED LOSS RATIO

Notes:

1. This endorsement must be used when insuring employers for exposure which were self-insured within twelve months prior to the application for initial coverage or which were subject to this endorsement on the employer's expiring policy. It applies to assigned risk business only.
2. This endorsement may be used:
 - a) if the employer is involved in coal mine operations;
 - b) if the employer is a self-rated risk, as determined by the applicable workers compensation insurance rating organization's filed experience rating plan;
 - c) on a policy subject to retrospective rating; or
 - d) for more than three consecutive years for the same employer.
3. An employer's newly commenced operations in a state listed above are subject to this endorsement.
4. The company shall audit an insured's operations upon receipt of notice from the Administrative Office and prior to binding coverage.
5. The company may use its own attachment clause and method of execution.