

**FLORIDA RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT—LARGE RISK ALTERNATIVE RATING OPTION (LRARO)**

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.

In this endorsement "you" and "your" means and includes the Named Insured of this policy or any other policies listed in Item 2. of the Schedule of this endorsement and each of their affiliates, divisions, subsidiaries, general partners and/or limited partners (or any other person or organization) who are named insureds on any of these policies and/or who are employers referenced in Item 1 of the Information Pages of those policies. We and you have agreed that your payment obligations and other duties under this policy and under any other policies listed in Item 2. of the Schedule of this endorsement are joint and several in nature.

This endorsement applies only in Florida. It determines the retrospective rating plan premium for the insurance provided by this policy and any other workers compensation policy listed in Item 2. of the Schedule.

This endorsement applies only to workers compensation and employers liability insurance when rated under the provisions of the Large Risk Alternative Rating Option ("LRARO") that we have negotiated with you. Under LRARO, we and you have negotiated the components of your retrospective rating plan in accordance with your individual risk needs.

The amount of retrospective rating plan premium depends on various elements.

**H. Retrospective Rating Plan Premium Standard Elements**

The standard elements are explained here.

1. Standard premium is the premium we would charge during the policy period if you had not chosen a retrospective rating plan. Standard premium does not include the following elements:
  - a. Expense constant
  - b. Premium resulting from the nonratable element codes in a rate or a nonratable catastrophe surcharge required by our manuals
  - c. Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act
  - d. Premium developed by the Terrorism provisions as outlined in our manuals
  - e. Premium discount

If this endorsement applies to more than one workers compensation policy, the standard premium will be the sum of the standard premiums for each workers compensation policy.

2. Basic premium is less than standard premium. You have agreed to have your basic premium calculated either as (a.) a percentage of standard premium, (b.) a rate times an exposure base, or (c.) a flat amount. The method of calculating your basic premium is shown in Item 4. of the Schedule. We have estimated your basic premium and it is shown in Item 4. of the Schedule. The final basic premium will be determined when we calculate your retrospective rating plan premium, after your policy is audited.

The basic premium typically includes our general administration costs, related loss control service cost, and net aggregate loss factor. Basic premium may also include premium taxes and/or assessments, depending upon the option selected by you, as indicated in Item 7. of the Schedule. A tax multiplier, including a Federal Tax Multiplier if applicable, may apply if premium taxes and/or assessments are not included in the basic premium.

The basic premium does not cover the portion of claims adjustment expenses that are accounted for in the Claim Handling Charges, as shown in Item 6. of the Schedule.

3. Incurred losses are all amounts we pay or estimate we will pay for losses, interest on judgments, expenses to recover against third parties, and employers liability loss adjustment expenses. This includes paid and outstanding losses (including any reserves set on open claims).
  - a. Incurred losses do not include:
    - (1) 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 surcharge required by our manuals
    - (2) The disease-related portion of losses covered under the Federal Mine Safety and Health Act
    - (3) Losses for acts of terrorism

- (4) Losses reported as fully fraudulent
- (5) Losses reported as noncompensable

b. Allocated Loss Adjustment Expense (ALAE) may be included in incurred losses, depending on the option selected by you, as indicated in Item 5. of the Schedule. ALAE encompasses the following costs to us, which can be directly allocated to a particular claim:

- (1) Fees of attorneys or other authorized representatives where permitted for legal services, whether by outside vendors or staff representatives
- (2) Court, Alternate Dispute Resolution, and other specific items of expense such as:
  - (a) Medical examinations of a claimant to determine the extent of our liability, degree of permanency, or length of disability
  - (b) Expert medical or other testimony
  - (c) Autopsy
  - (d) Witnesses and summonses
  - (e) Copies of documents such as birth and death certificates, and medical treatment records
  - (f) Arbitration fees
  - (g) Surveillance
  - (h) Appeal bond costs and appeal filing fees
- (3) Medical cost containment expenses incurred with respect to a particular claim, whether by an outside vendor or done internally by a staff representative for the purpose of controlling losses, to ensure that only reasonable and necessary costs of services are paid. The expenses include:
  - (a) Bill-auditing expenses for any medical or vocational services rendered, including hospital bills (inpatient or outpatient), nursing home bills, physician bills, chiropractic bills, medical equipment charges, pharmacy charges, physical therapy bills, and medical or vocational rehabilitation vendor bills
  - (b) Hospital and other treatment utilization reviews, including precertification/preadmission, and concurrent or retrospective reviews
  - (c) Preferred provider network/organization expenses
  - (d) Medical fee review panel expenses
- (4) Expenses that are not defined as losses and are directly related to and directly allocated to the handling of a particular claim for services that are required to be performed by statute or regulation.
- (5) Rehabilitation Costs

Voluntary vocational rehabilitation costs (e.g., medical care coordination costs over the limitation) must be reported as ALAE for injuries other than traumatic brain, spinal cord, amputation (including loss of eye(s)), and burns greater than 5% of the total body surface. Medical care coordination includes activities undertaken in order to assist in the containment of medical costs.

- 4. Claim handling charges cover the cost of our claim services ( e.g. investigation of claims and filing claim reports) typically associated with Allocated Loss Adjustment Expense (ALAE) and Unallocated Loss Adjustment Expense (ULAE) and may be calculated either as (a.) a loss conversion factor (percentage) applied to incurred losses, depending on the option selected by you as shown in Item 5. of the Schedule, (b.) a flat amount per claim, or (c.) a flat amount against the policy. If ALAE is included in Incurred Losses, the claim handling charges will be adjusted to exclude ALAE. The Claim handling charges we have negotiated are shown in Item 6. of the Schedule.
- 5. Converted incurred losses include the claim handling charges as shown in Item 6. of the Schedule and the incurred losses as shown in Item 5. of the Schedule, to which the retrospective rating plan applies.
- 6. Taxes and assessments are a part of the premium we collect. Taxes and assessments may be determined as a percentage of basic premium, converted incurred losses, and any elective elements. This percentage is called the tax multiplier. The tax multiplier is shown in Item 7. of the Schedule. The insured and insurer may agree to include taxes and/or assessments as part of the basic premium.

#### **I. Retrospective Rating Plan Premium Elective Elements**

Two other elements are included in determining retrospective rating plan premium, if elected and agreed upon. 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 calculation 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 excess loss premium and may be calculated either as (a.) a percentage of standard premium, (b.) a rate times an exposure base, or (c.) a flat amount. The rate and basis used to calculate your excess loss premium is shown in Item 9. of the Schedule. We have estimated your excess loss premium and it is shown in Item 9. of the Schedule. The final excess loss premium will be determined when we calculate your retrospective rating plan premium, after your policy is audited.

2. The election of retrospective development factors used to stabilize premium adjustments means that the retrospective rating plan premium is increased by the addition of a retrospective development premium element. The retrospective development premium may be calculated either as (a.) a factor multiplied by converted incurred losses, (b.) incurred losses, or (c.) as a factor multiplied by standard premium. If this elective element is utilized, the retrospective development factors and basis used to calculate the retrospective development premium will be shown in Item 10. of the Schedule.

#### **J. Retrospective Rating Plan Premium Formula**

Workers compensation insurance policies listed in Item 2. of 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 who are eligible to be combined, not separately for each insured.

1. Retrospective rating plan premium is the sum of basic premium, incurred losses (subject to a maximum, if applicable), claim handling charges, retrospective development premium (if applicable), taxes, and assessments, plus the excess loss premium elective element, depending on the options that we have negotiated with you.
2. The retrospective rating plan premium will not be less than the minimum, nor more than the maximum retrospective rating plan premium agreed to by you and us. The method of calculating the minimum and maximum retrospective rating plan premium amounts is shown in Items 11. and 12. of the Schedule.

As an alternative to a maximum retrospective rating plan premium, we and you may agree to a maximum loss content. Under this arrangement the maximum amount of payments by you for any reimbursement for loss, must be limited to the amount specified as the maximum loss content in Item 13. of the Schedule. The maximum loss content may include ALAE, depending on the option selected by you, as indicated in Item 5. of the Schedule. Your negotiated maximum loss content may be calculated either as (a) a rate times an exposure base, (b.) a percentage of standard premium, or (c.) a flat amount. The method of calculating your Maximum Loss Content is shown in Item 13. of the Schedule.

#### **K. 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 policy period ends and annually thereafter.

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.

2. After any calculation of retrospective rating plan premium, you and we may agree that it is the final calculation.
3. After each calculation of the retrospective rating plan premium, you will pay promptly the amount due us, or we will refund promptly the amount due you.
4. If you fail to meet any payment obligation, or fail to satisfy any other requirement under this policy or any policy listed in Item 2. of the Schedule to this endorsement, we may, among other remedies, immediately bill you for all of your payment obligations, and you will pay any such bill upon receipt.

#### **L. Cancellation of a Policy Under a Retrospective Rating Plan**

1. If any policy listed in Item 2. of the Schedule of this endorsement is cancelled, making the Florida coverage under this policy ineligible for the LRARO, this policy will be endorsed to remove Florida from Item 3.A. of the Information Page. Coverage for Florida under this policy will end on the cancellation effective date. The retrospective rating plan premium for the coverage period will be determined in accordance with Section E.3. below. At our option, we may issue a new policy to provide Florida workers compensation and employers liability insurance effective as of the cancellation effective date.
2. If the policy to which this endorsement is attached or any policy listed in Item 2. of the Schedule is cancelled, we may, at our option, cancel all of the policies listed in Item 2. of the Schedule as of the cancellation effective date.

(Ed. 1-19)

---

3. If we cancel for nonpayment of premium, the maximum retrospective rating plan premium or maximum loss content (if applicable) will be calculated using the exposure basis indicated in Item 12. or 13. of the Schedule, increased pro-rata to 365 days.

The retrospective rating plan premium elements for the policy period will be calculated using the applicable exposure basis indicated in Items 4., 6.c., 9. and 11. of the Schedule, adjusted on a short-rate basis.

4. If we cancel for reasons other than nonpayment of premium, the maximum retrospective rating plan premium or maximum loss content (if applicable) will be calculated using the exposure basis indicated in Item 12. or 13. of the Schedule, adjusted on a pro-rata basis.

The retrospective rating plan premium elements for the policy period will be calculated using the applicable exposure basis indicated in Items 4., 6.c., 9. and 11. of the Schedule, adjusted on a pro-rata basis.

5. If you cancel, the maximum retrospective rating plan premium or maximum loss content (if applicable) will be calculated using the exposure basis indicated in Item 12. or 13. of the Schedule, increased pro-rata to 365 days.

The retrospective rating plan premium elements for the policy period will be calculated using the applicable exposure basis indicated in Items 4., 6.c., 9. and 11. of the Schedule, adjusted on a short-rate basis.

6. Section E.5 will not apply if you cancel because:

- (a) All work covered by the insurance is completed
- (b) All interest in the business covered by insurance is sold
- (c) You retire from all business covered by the insurance

If you cancel for any of the above reasons, the maximum retrospective rating plan premium or maximum loss content (if applicable) will be calculated using the exposure basis indicated in Item 12. or 13. of the Schedule, adjusted on a pro-rata basis.

The retrospective rating plan premium elements for the policy period will be calculated using the applicable exposure basis indicated in Items 4., 6.c., 9. and 11. of the Schedule, adjusted on a pro-rata basis.

The negotiated LRARO components used to calculate the retrospective rating plan premium for your policy may not have been filed with, or approved by, the Florida Office of Insurance Regulation. Any grievance regarding the negotiated LRARO components used to calculate the Florida retrospective rating plan premium on your policy that have not been filed with, or approved by, the Florida Office of Insurance Regulation are not subject to the rating organization's dispute resolution process for Florida.

SCHEDULE

1. Effective Date of Policy Period: \_\_\_\_\_
  
2. Other policies subject to this Retrospective Rating Plan Premium Endorsement:  
 \_\_\_\_\_  
 \_\_\_\_\_
  
3. Total Estimated Standard Premium:   a. \$ \_\_\_\_\_ Florida  
   b. \$ \_\_\_\_\_ All States
  
4. Basic Premium: (selected option indicated by 'X')
  - a.  Negotiated percentage of Standard Premium: \_\_\_\_\_%
  - b.  Negotiated rate of \_\_\_\_\_ per \$100 of \_\_\_\_\_  
       subject to a minimum of \$ \_\_\_\_\_
  - c.  Negotiated amount of \$ \_\_\_\_\_, not subject to audit  
       Estimated Basic Premium \$ \_\_\_\_\_
  
5. Incurred Losses include ALAE: (option that applies is indicated by 'X')
  - a.  Yes
  - b.  No
  
6. Claim Handling Charges: (selected option indicated by 'X')
  - a.  Negotiated loss conversion factor of \_\_\_\_\_ applies to the  
       first \$ \_\_\_\_\_ of each loss
  - b.  Negotiated per claim charge(s) of \$ \_\_\_\_\_ per claim
  - c.  Negotiated amount of \$ \_\_\_\_\_, not subject to audit
  
7. Tax Multiplier: \_\_\_\_\_ applies to (option that applies is indicated by 'X')
  - a.  Basic premium and converted incurred losses and excess loss premium (if applicable) and retrospective  
       development premium (if applicable)
  - b.  Converted incurred losses and retrospective development premium (if applicable)
  - c.  Included in the Basic Premium
  
8. Loss Limitation Amount: \$ \_\_\_\_\_
  
9. Excess Loss Premium: (if applicable; option that applies is indicated by 'X' )
  - a.  Negotiated percentage of Standard Premium: \_\_\_\_\_%
  - b.  Negotiated rate of \_\_\_\_\_ per \$100 of \_\_\_\_\_  
       subject to a minimum of \$ \_\_\_\_\_
  - c.  Negotiated amount of \$ \_\_\_\_\_, not subject to audit  
       Estimated Excess Loss Premium \$ \_\_\_\_\_
  
10. Retrospective Development Factors: (if applicable)

1st valuation	18 months _____
2nd valuation	30 months _____
3rd valuation	42 months _____
4th valuation	54 months _____
5th valuation	66 months _____
6th valuation	78 months _____
7th valuation	90 months _____

Applies to (option that applies is indicated by 'X')

- a.  Converted Incurred Losses
- b.  Incurred Losses
- c.  Standard Premium

11. Minimum Retrospective Rating Plan Premium: (option that applies is indicated by 'X')

- a.  Basic Premium plus Tax plus Excess Loss Premium, if selected
- b.  Negotiated percentage of Standard Premium: \_\_\_\_\_%
- c.  Negotiated rate of \_\_\_\_\_ per \$100 of \_\_\_\_\_  
subject to a minimum of \$ \_\_\_\_\_
- d.  Negotiated amount of \$ \_\_\_\_\_, not subject to audit

12. Maximum Retrospective Rating Plan Premium: (option that applies is indicated by 'X')

- a.  Negotiated percentage of Standard Premium: \_\_\_\_\_%
- b.  Negotiated rate of \_\_\_\_\_ per \$100 of \_\_\_\_\_  
subject to a minimum of \$ \_\_\_\_\_
- c.  Negotiated amount of \$ \_\_\_\_\_, not subject to audit
- d.  No Maximum Retrospective Rating Plan Premium applies

13. Maximum Loss Content: (applicable only if 12.d.of this Schedule is selected)

- a.  Negotiated rate of \_\_\_\_\_ per \$100 of \_\_\_\_\_  
subject to a minimum of \$ \_\_\_\_\_
- b.  Negotiated percentage of Standard Premium: \_\_\_\_\_%  
subject to a minimum of \$ \_\_\_\_\_
- c.  Negotiated amount of \$ \_\_\_\_\_, not subject to audit
- d.  No Maximum Loss Content applies

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

**(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)**

Endorsement Effective  
Insured

Policy No.

Endorsement No.  
Premium

Insurance Company

Countersigned by \_\_\_\_\_

**WC 09 05 05 A**  
(Ed. 1-19)