

**FLORIDA RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT ONE-YEAR PLAN—MULTIPLE LINES**

This endorsement is added to Part Five (Premium) because you chose to have the cost of the insurance rated retrospectively. This endorsement does not change the extent of coverage under this policy or any other policy designated in the Schedule. This endorsement only changes the calculation of premium you will pay.

The final premium for the policies designated in the Schedule is the premium calculated as explained in this endorsement and referred to as the retrospective rating plan premium.

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.
  - a. For workers compensation and employers liability insurance, standard premium does not include the following elements:
    - (1) Expense constant
    - (2) Premium resulting from the nonratable element codes in a rate or a nonratable catastrophe surcharge required by our manuals
    - (3) Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act
    - (4) Premium developed by the Terrorism provisions as outlined in our manuals
    - (5) Premium discount
  - b. For general liability insurance, automobile liability insurance, and automobile physical damage insurance, standard premium does not include the premium discount credit or any other expense modification.
2. Basic premium is less than standard premium. It is standard premium multiplied by a percentage called the basic premium factor. The basic premium factor varies depending on the total amount of standard premium. The basic premium factor includes our general administration costs, related loss control service cost, and net aggregate loss factor. The basic premium factor does not cover premium taxes or the portion of claims adjustment expenses that are accounted for in the loss conversion factor. Those elements are 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. Incurred losses include paid losses (depending upon the type of insurance policy under which the loss was incurred) and outstanding losses (including any reserves set on open claims).
  - a. The following expenses are included in incurred losses:
    - (1) Premiums on bonds paid for by us in accordance with the provisions of the policies for general liability insurance and automobile liability insurance.
    - (2) Interest payable in accordance with the provisions of the policies for workers compensation and employers liability insurance, general liability insurance, and automobile liability insurance.
    - (3) Allocated loss adjustment expenses (ALAE) for automobile liability insurance, general liability insurance, and employers liability insurance only. ALAE is optional for workers compensation insurance.
    - (4) Expenses incurred in seeking recovery against a third party for general liability insurance, automobile liability insurance, and automobile physical damage insurance. This will apply for expenses incurred for workers compensation and employers liability insurance only if recovery is obtained against the third party.
  - b. For workers compensation and employers liability insurance, 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 nonratable 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

c. If the Allocated Loss Adjustment Expense (ALAE) option is elected for workers compensation insurance, this election will be shown in the Schedule and incurred losses will include ALAE. For workers compensation insurance, 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. Converted incurred losses are based on the incurred losses for a policy or policies to which the retrospective rating plan applies. A loss conversion factor is applied to incurred losses to produce the converted incurred losses. The loss conversion factor is shown in the Schedule.
- 5. Taxes are a part of the premium we collect. Taxes are determined as a percentage of basic premium, converted incurred losses, and any elective elements. The percentage is called the tax multiplier. It varies by state and by federal and nonfederal classifications. The tax multiplier is shown in the Schedule.

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

Two other elements are included in determining retrospective rating plan premium if you elected to include them. They are the excess loss premium for the loss limitation and the retrospective development premium. They are explained here.

1. The election of a loss limitation means that the amounts of incurred loss to be included in the retrospective rating plan premium calculation are limited to an amount called the loss limitation. For workers compensation and employers liability insurance, the loss limitation applies separately to each person who sustains bodily injury by disease and separately to all bodily injury arising out of any one accident. For other lines of insurance, the loss limitation applies separately to each accident or occurrence, either by line of insurance or to a combination of these lines of insurance, as shown in the Schedule.

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

Excess loss premium factors vary by line of insurance and by the amount of the loss limitation. For workers compensation and employers liability insurance, these factors also vary by state and classification. If you chose this elective element, the loss conversion factor, the loss limitation, and the excess loss premium factors are shown in the Schedule.

2. The retrospective development element is used to help stabilize premium adjustments. The premium for this element is charged with the first three calculations of a retrospective rating plan premium for workers compensation and employers liability insurance, and the first four calculations for auto liability and general liability. This premium is called the retrospective development premium. It is a percentage of standard premium multiplied by the loss conversion factor. The percentage of standard premium is called the retrospective development factor.

For workers compensation and employers liability insurance, retrospective development factors vary by state, by electing a loss limitation, and by first, second, and third calculations 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.

#### **J. 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, if elected, the excess loss premium and retrospective development premium. This sum is multiplied by the applicable tax multiplier shown in the Schedule.
2. The retrospective rating plan premium will not be less than the minimum or more than the maximum retrospective rating plan premium. The minimum and maximum retrospective rating plan premiums are determined by applying the minimum and maximum retrospective rating plan premium factors, shown in the Schedule, to the standard premium.
3. If this endorsement applies to more than one policy, the standard premium will be the sum of the standard premiums for each policy.

#### **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. You will pay the amount due to us if the retrospective rating plan premium is more than the total standard premium as of the special valuation date.

2. After any calculation of retrospective rating plan premium, you and we may agree that it is the final calculation.
3. After each calculation of the retrospective rating plan premium, you will pay promptly the amount due us, or we will refund promptly the amount due you. Each insured is responsible for the payment of all standard premium and retrospective rating plan premium calculated under this endorsement.

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

1. If the policy to which this endorsement is attached is cancelled, the effective date of the cancellation will become the end of the policy period for all the policies listed in the Schedule of this endorsement.
2. If any of the policies listed in the Schedule of this endorsement are cancelled, the effective date of the cancellation will become the end of the policy period for all insurance subject to this endorsement, unless we agree with you, by endorsement, to continue the policy period.

3. If we cancel for nonpayment of premium, the maximum retrospective rating plan premium will be based on the standard premium for the policy period, increased pro rata to 365 days, and will include all of the applicable retrospective rating plan factors shown in the Schedule.
4. If you cancel, the standard premium for the policy period will be increased by our short rate table and procedure for workers compensation and employers liability insurance. For other lines of insurance, the applicable cancellation procedure will apply. 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 policy period, increased pro rata to 365 days.

5. Section E.4. will not apply if you cancel because:
  - a. All work covered by the insurance is completed
  - b. All interest in the business covered by the insurance is sold
  - c. You retire from all business covered by the insurance

Schedule

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

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

List of Policies

\_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_

- 2. The retrospective rating plan does not apply to the premium for uninsured motorist insurance if afforded under the policies designated in paragraph 1.
3. 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

Table with 2 columns: Coverage and Limit of Liability. The Limit of Liability column contains dollar signs (\$) next to blank lines for input.

The incurred losses to be included in calculating the premium for the insurance subject to retrospective rating plan will not include that portion of the losses actually paid and the reserves for unpaid losses 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.

- 4. Workers Compensation and Employers Liability Loss Limitation is \$ \_\_\_\_\_
5. Combination Loss \_\_\_\_\_ is the overall limit on the Limitation of \$ \_\_\_\_\_ incurred losses arising out of any one accident or occurrence for the following combination of insurance.



TABLES OF ADDITIONAL RATING FACTORS

<b>11.A</b>	<b>Excess Loss Premium Factors</b>		<b>Tax Multipliers</b>	
<b>Workers Compensation and Employers Liability</b>			<b>Workers Compensation and Employers Liability</b>	
<b>Other Than "F" Classes</b>	<b>Federal ("F" Classes Only)</b>		<b>Other Than "F" Classes</b>	<b>Federal ("F" Classes Only)</b>

<b>11.B</b>	<b>Excess Loss Premium Factors</b>			<b>Tax Multipliers</b>		
<b>General Liability</b>	<b>Automobile Liability</b>	<b>Automobile Physical Damage</b>	<b>General Liability</b>	<b>Automobile Liability</b>	<b>Automobile Physical Damage</b>	

<b>12.A</b>	<b>Retrospective Development Factors</b>					
<b>Workers Compensation and Employers Liability</b>						
<b>1st</b>	<b>2nd</b>			<b>3rd</b>		

<b>12.B</b>	<b>Retrospective Development Factors</b>							
<b>General Liability</b>				<b>Automobile Liability</b>				
<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>	<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>	

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 \_\_\_\_\_