

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 48 05 06 B Ed. 1-19**

POLICY NUMBER:

**WISCONSIN RETROSPECTIVE RATING PLAN PREMIUM ENDORSEMENT
LARGE RISK ALTERNATIVE RATING OPTION**

This endorsement is added to Part Five (Premium) 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 (“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.

In this endorsement “you” and “your” means and includes the Named Insured of this policy or any other policies listed in the Schedule of this endorsement and each of their affiliates, divisions, subsidiaries, general partners and/or limited partners who are named insureds on any of these policies and/or who are employees 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 the Schedule of this endorsement are joint and several in nature.

This endorsement applies because Wisconsin is listed under Item 3A of the Policy Information Page. 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 is either the one year period or 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 Rating Plan Premium Standard Elements

1. Standard premium is the premium we would charge during the rating plan period if you had not chosen a retrospective rating plan. Standard premium does not include 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 occupational disease rates for employers subject to the Federal Mine Safety and Health Act
 - Premium developed by the catastrophe provisions as outlined in our manuals

The estimated standard premium is shown in the Schedule. The final standard premium will be determined when we audit your 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 the Schedule. We have estimated your basic premium and it is shown in the Schedule. The final basic premium will be determined when we calculate your retrospective premium, after your policy is audited.

The basic premium includes:

- General administration costs of the carrier
- Cost of loss control services
- Net Aggregate Loss Factor
- Taxes (optional)

Basic premium generally does not cover premium taxes or claims handling expenses. Those elements are usually provided for in the tax multiplier and claims handling charges. However, the insured and insurer may agree to include a charge for taxes or claim handling in the basic premium.

3. Incurred losses are all amounts we pay or estimate we will pay for losses, interests 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). Incurred losses include Allocated Loss Adjustment Expenses (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 occupational disease rates for employers subject to the Federal Mine Safety and Health Act
- Developed by the catastrophe provisions as outlined in our manuals

4. Claim handling charges may be calculated as either (a.) a loss conversion factor (percentage) applied to each loss, (b.) a flat amount per claim, or (c.) a flat amount against the policy. If Retrospective development factors apply (refer to B.2. below), claim handling charges determined by the loss conversion factor (percentage) will be applied to each loss including the retrospective development premium. Incurred losses to which claim handling charges have been applied are known as converted incurred losses. Claim handling charges are shown in the Schedule.
5. Taxes are part of the premium we collect. Taxes 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 the Schedule. The insured and insurer may agree to include taxes as part of the basic premium.

B. Retrospective Rating Plan Premium Elective Elements

Two other elements may be included in determining retrospective rating plan premium as negotiated with you and explained below.

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. If you chose this elective element, the loss limitation is shown in the Schedule.

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 the Schedule. We have estimated your excess loss premium and it is shown in the Schedule. The final excess loss premium will be determined when we calculate your retrospective 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. It is a percentage of converted incurred losses. If you chose this elective element, the retrospective development factors will be shown in the Schedule.

C. Retrospective Rating Plan Premium Formula

Insurance policies listed in item 4. 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 premium will be determined for all insureds combined, not separately, for each insured.

1. Retrospective rating plan premium is the sum of basic premium, incurred losses, claim handling charges, retrospective development premium (if elected), taxes, 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 the Schedule.

As an alternative to a maximum retrospective plan premium, you may agree to a maximum loss content which may apply across multiple lines and/or multiple policies. Under this arrangement the maximum amount of payments by you for any reimbursement within a deductible (states other than Wisconsin), loss limit, or retained limit for any policy listed in the Schedule, must be limited to the amount specified as the maximum loss content in that Schedule. The insured and insurer may agree to state the maximum loss content as a negotiated rate per \$100 of final audited payroll, or other exposure base specified on the Schedule, subject to a negotiated minimum aggregate. As an alternative, the insured and

insurer may also agree to state maximum loss content as a negotiated percentage of final audited standard premium.

3. Insurance policies listed in the Schedule will be combined with this policy to calculate standard premium which will be the sum of the standard premium for each policy and State.

D. 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 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 promptly pay any amount due us, or we will refund the amount due you.
4. We will make interim calculations of retrospective premium in the first year and first two years of a three-year rating plan, unless we and you agree not to make such interim calculations. For the first year interim calculation, we will use losses as of a date mutually agreed to by you and us. The interim calculation for the first two years will be one year after the first year interim calculation.
5. We and you have agreed that in the event you fail to meet any payment obligation or you fail to satisfy any other requirement under this policy or under any other policies listed in the Schedule of this endorsement, we must be entitled to, among other remedies available to us, consider due and payable all of your payment obligations to us including, but not limited to, those payment obligations accruing in the future.

E. 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 cancellation will become the end of the rating plan period for all insurance subject to this endorsement.
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. If, as a condition of this program, a requirement to post collateral to secure your payment obligations to us has been negotiated between you and us, your failure to deliver to us or to continue to maintain or to increase any such required collateral or any renewal, replacement or amendment thereof will mean that we will be entitled to, among other remedies available to us, cancel this policy and/or other policies listed in the Schedule of this endorsement. If collateral to secure your payment obligations has been negotiated between you and us, all such collateral will secure all payment obligations in connection with this policy and any other policy listed in the Schedule of this endorsement, as well as any renewals of those policies. Any deductible policies listed in the Schedule do not apply to Wisconsin losses.
4. 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, for a one year plan and 1095 days for a three year plan, and will include all of the applicable retrospective plan factors shown in the Schedule.
5. If you cancel, the standard premium for the rating plan period will be increased by our short rate table and procedure. The minimum retrospective rating plan premium is shown in the Schedule.

The maximum retrospective rating plan premium will be based on the standard premium for the rating plan period increased pro rata to either 365 days for a one year plan or 1095 days for a three year plan.

6. Section 4 above will not apply if you cancel because:
 - All work covered by the insurance is completed
 - All interest in the business covered by this insurance is sold
 - You retire from all business covered by the insurance.

9. Tax Multiplier: _____ applies to (option that applies is indicated by 'X')

a. _____ Basic premium and converted incurred losses

b. _____ Converted incurred losses

10. Retrospective Loss Development Factors: (if applicable)

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

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 ____ ("insert 1") ____
subject to a minimum of \$ _____

d. _____ Negotiated amount of \$ _____

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 ____ ("insert 1") ____
subject to a minimum of \$ _____

c. _____ Negotiated amount of \$ _____

d. _____ No Maximum Retrospective Rating Plan Maximum Premium applies

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

a. _____ Negotiated rate of _____ per \$100 of ____ ("insert 1") ____
subject to a minimum of \$ _____

b. _____ Negotiated percentage of Standard Premium: _____%
subject to a minimum of \$ _____

c. _____ Negotiated amount of \$ _____

Schedule of Policy Numbers for which the maximum loss content is applicable
(Any deductible policies listed in the Schedule do not apply to Wisconsin losses.)

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	Policy No.	Endorsement No.
Insured		Premium
Insurance Company	Countersigned by	