Wisconsin – Retrospective Rating Plan Premium Endorsement
Large Risk Alternative Rating Option (LRARO)

This endorsement applies solely to the state of Wisconsin.  This endorsement is included in the policy to reflect your selection of retrospective rating for your Workers Compensation and Employers Liability Insurance.  You have chosen the Large Risk Alternative Rating Option that we have negotiated with you. This endorsement explains how your Retrospective Premium will be determined for the Rating Period.

Retrospective Premium Formula

The retrospective premium is the sum of the Rate times the Basis of Adjustment for each of the premium components reflected in the Schedule.  At adjustment, the values of the premium components reflected in the Schedule will be determined by audit or Losses at the appropriate valuation or by operation of the retrospective premium formula.  The adjusted premium minus the estimated premium and any prior adjustments is the amount of the retrospective adjustment.  The retrospective premium components are subject to any minimum or maximum amount reflected in the Schedule.

Losses Subject to a Loss Limitation

One of the premium components will be Losses.  In the calculation of premium under this policy, the Losses may be unlimited or they may be subject to a Loss Limitation.  If a Loss Limitation applies, it will be shown in the Schedule.

The Loss Limitation, if any, applies as follows: (i) in the case of bodily injury as the result of disease, the Loss Limitation applies separately to each employee who sustains such bodily injury; and separately, (ii) in the case of bodily injury as the result of an accident, the Loss Limitation applies to the aggregate of all employees who sustain such bodily injury in a single accident or occurrence.

The Losses portion of your premium formula may include all or a part of Allocated Loss Adjustment Expense (ALAE).  Each of the ALAE Options is described below.  The ALAE Option you select is shown in the Schedule.

1.  ALAE Erodes – Each Loss, including ALAE will be limited to the Loss Limitation.
2.  100% of ALAE Borne by the Insured – Each Loss, excluding ALAE, will be limited to the Loss Limitation.  In Addition, 100% of the ALAE will be included in the Losses portion of the premium formula.
3.  100% of ALAE Borne by the Company – Each Loss, excluding ALAE, will be limited to the Loss Limitation.  None of the ALAE will be included in the Losses portion of the premium formula.
4.  Pro Rata – For each Loss, excluding ALAE, that is less than the Loss Limitation, all Loss plus all ALAE will be included in the Losses portion of the premium formula.  For each Loss where there is only ALAE, all ALAE will be included in

the Losses portion of premium formula.  For each Loss, excluding ALAE, which is greater than the Loss Limitation, then the amount to be included in the Losses portion of the premium formula will be equal to the sum of (i) the amount of the Loss Limitation plus (ii) the amount of the Loss Limitation divided by the total amount of Loss plus ALAE, multiplied by the amount of ALAE.

In addition, the Losses portion of the premium formula may be impacted at the time of adjustment through the application of the terms of an Aggregate Protection Endorsement, if any, attached to this policy.

Calculation of Retrospective Premium

We will adjust the premium using loss information valued 6 months after the Rating Period ends and annually thereafter until we make a final premium calculation.    In calculating a premium adjustment we will apply loss development factors to the incurred losses limited to the Loss Limitation.

The Rating Period means the period of time beginning on the earliest Policy effective date and ending on the latest Policy expiration date.  If the Rating Period is greater than 12 months, we may make an interim adjustment to premium with loss information valued at 6 months after expiration of the Policy being adjusted.

We may make an adjustment to premium with loss information valued as of any date that you are declared bankrupt or insolvent, make an assignment for the benefit of creditors, or are involved in reorganization, receivership, or liquidation.

Cancellation

If any insurance subject to this endorsement is canceled, the effective date of the cancellation will become the end of the rating period for all insurance subject to this endorsement, unless we agree with you to continue the rating plan period.

Definitions

Allocated Loss Adjustment Expense (ALAE) means expenses, costs and interest which we pay in connection with the investigation, administration, adjustment, settlement or defense of any claim or suit arising from coverage under this policy.

Incurred Loss means all amounts we pay or estimate we will pay as claims under this policy.

Loss Limitation means an amount to which Incurred Losses are limited for purposes of the Retrospective Premium Formula.

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Payroll means money or substitutes for money for remuneration of employees as determined using the manual and rules of the Wisconsin Compensation Rating Bureau.

Standard Premium is the premium we would charge during the rating plan period if you had not chosen Large Risk Alternative Rating, but with two exceptions. Standard Premium does not include the expense constant charge or the premium discount credit.

## **Schedule**

Loss Limitation:     $_____
ALAE Option:          _____

| Premium Component | Estimated Premium ($) | Minimum | Rate | Basis of Adjustment |
|---|---|---|---|---|
| [Insert 1] | | | | [Insert 5] |
| [Insert 2] | | | | [Insert 6,7] |
| [Insert 3] | | | | [Insert 8,9,10] |
| [Insert 4] | | | | [Insert 11] |
| Total Estimated Written Premium | | | | |

(If no entry appears above, information to complete the Schedule will be found in the Notice of Election.)

Schedule of Variability

1) Losses
2) Claims Administration Expenses
3) General Administrative Expense & Net Aggregate Loss Factor
4) Taxes
5) Per dollar of ultimate developed loss subject to the loss limitation
6) Per dollar of loss
7) Per claim of the Schedule of Claim Fees
8) Per $100 of Workers Compensation Payroll
9) Per $100 of Standard Premium
10) Per $100 of Losses
11) Per dollar of written premium