

# Understanding Your

# FINAL PREMIUM BILL

The rate for each classification on your bill is the **Base Rate** Ⓐ, not the modified **Interim Billing Rate**, on payroll reports and interim bills. This is the rate State Fund charges per \$100 of payroll in each classification covered on your policy prior to any applicable rating and premium modifiers.

The final bill identifies separately the **Rating Plan Modifier** Ⓑ and the **Premium Discount Modifier** Ⓒ that apply to your policy, after the experience modification, and that further modify the premium on your policy.

The Rating Plan Modifier includes all Rating Factors applicable to your policy (such as group discount and merit rating), except Premium Discount, and is applied to the Estimated Standard Premium.

A Premium Discount Modifier is applied to **all** policies with an Estimated Modified Premium over \$5,000. This discount is calculated at the beginning of your policy year based on your Estimated Modified Premium. On the Final Bill, this Premium Discount is based on your actual payroll. Because premium is based on payroll, this modifier can increase or decrease at final billing based on whether your payroll and the resulting premium is higher or lower than estimated.

The Premium Discount Modifier applied to our sample policy at right is .98197 or Ⓒ, reducing the premium due by approximately 1.803%. This is based on the premium discount schedule shown in the table below:

\$5,000.00 x 0.0% = \$	0.00	First \$5,000 of your premium is discounted at 0.0%.
\$ 835.02 x 12.6% = \$	105.21	Remaining balance above \$5,000 is discounted at 12.6%.
<b>\$5,835.02</b>	<b>= \$ 105.21</b>	<b>TOTAL PREMIUM DISCOUNT</b>

The total Premium Discount of \$105.21 divided by the premium of \$5,835.02 equals 1.803%. Subtract the 1.803% from 100% and this gives you a Premium Discount Modifier of .98197.

<b>STATE COMPENSATION INSURANCE FUND</b> P.O. Box 7980 SAN FRANCISCO, CA 94120-7980		AMOUNT ENCLOSED \$ 100000695843000234000005000000
LEE'S SCENIC TOURS  153 JOHNSON LANE DURHAM, CA 95938		01/13/09 3 B  GROUP POLICY/UNIT 0001234 - 08 NFR &
ENCLOSE PAYMENT WITH THIS PORTION OF BILL RETAIN LOWER PORTION FOR YOUR RECORDS		CHECK BOX AT LEFT FOR ADDRESS CHANGE ADDRESS _____ CITY, STATE _____ ZIP _____
REPORT/AUDIT PERIOD FROM TO	CODE STANDARD CLASSIFICATION	PAYROLL RATE PREMIUM
1/01/08 1/01/09 1/01/08 1/01/09 1/01/08 1/01/09	7428-1 AIRCRAFT OPERATION 8742-1 SALESPERSON-OUTSIDE 8810-1 CLERICAL/OFFICE EMPLOYEES	53040.12 9.78 Ⓐ 11712.86 1.17 50560.71 1.01  5,835.02  5,835.02 Ⓑ 1,000.00 Ⓒ 5,729.81  5,729.81 Ⓓ 5,646.44CR
TOTAL BASE PREMIUM		5,835.02
STANDARD PREMIUM (EXPERIENCE MOD APPLIED)		100% 5,835.02 Ⓒ
RATING PLAN MODIFIER APPLIED		Ⓑ 1,000.00 5,835.02
PREMIUM DISCOUNT MODIFIER APPLIED		Ⓒ .98197 5,729.81
TOTAL PREMIUM FOR 1/01/08 - 1/01/09		5,729.81 Ⓓ
PAID THIS POLICY TERM		5,646.44CR
IF YOU HAVE QUESTIONS CONCERNING THIS BILLING, PLEASE CALL OUR CUSTOMER SERVICE CENTER (877) 405-4545		83.37
N/R		
PREVIOUS BILLS NOT PAID		
CIGA SURCHARGE 2.0000% OF 5,729.81 LESS 130.52 = 15.92CR UEBT (.17300%) + SIBT (.03110%) = .20410% OF 5,729.81 LESS 23.75 = 12.06CR WCA ( 1.07030%) + WCFA (.23940%) = 1.30970% OF 5,729.81 LESS PREVIOUSLY PAID WCA/WCFA SURCHARGE 75.04 = 0.00		
PLEASE DISREGARD IF PAYMENT HAS BEEN MADE		
3	535 0001234-08	PAY THIS AMOUNT → \$55.39
<b>STATE COMPENSATION INSURANCE FUND</b> P.O. BOX 997432 SACRAMENTO, CA 958997432		Terms NET-10 Days DATE PAID _____ CHECK NO. _____
SCIF 6221 (REV. 11/07)		

State Fund modifies premium, not the rate. However, we do calculate and use an Interim Billing Rate during the policy year to give you the benefits of the Rating Plan Modifier that applies to your policy. To determine your final net rate charged at the end of your policy year, you can do the following calculation:

**Total Premium** Ⓓ divided by **Standard Premium** Ⓒ equals the **Final Rating Factor** or \$5,729.81 divided by \$5,835.02 equals .98197.

Then, multiply the Final Rating Factor of .98197 by the **Base Rate** Ⓐ for each class to determine final net rate charged at the end of your policy year.

**STATE COMPENSATION INSURANCE FUND** For a complete listing of terminology, please see the reverse side of this form.

# GLOSSARY

## Base Premium

Payroll (x) the base rate.

## Base Rate

State Fund's rate as filed with the Department of Insurance. This is the rate State Fund charges per \$100 of payroll by each classification, prior to any applicable credits (debits) and estimated premium discounts.

## Certificate of Insurance

A notice sent by the insurance carrier to a third party confirming that an employer has a valid insurance policy.

## Classification Code Number

A statistical code used to categorize the type of work done by the policyholder's employees.

## Composite Factor

The product of the Rating Plan Modifier and the Estimated Premium Discount Modifier. The Composite Factor is applied to the Base Rates to derive the Interim Billing Rates.

## Coverage Period (Policy Period)

The effective dates of the policy. The beginning date is called the inception date and the ending date is called the expiration date.

## Coverage Term

- **CC** - Continuous Coverage; policy renews each year and the deposit automatically transfers forward to the renewal year.
- **NX** - Non-expiring; policy renews each year and a new deposit is billed at renewal. The old deposit credits to the final bill for that year.
- **XP** - Expiring Policy; policy expires at the end of the coverage period and will not renew. Deposit credits to the final bill for the policy.
- **BP** - Binder Policy; a temporary policy that provides coverage for no more than 60 days.

## Deposit

Payment required to validate a workers' compensation insurance policy. See "Coverage Term" for more information on deposit handling.

## Endorsement

An amendment, change, deletion or addition to the policy contract.

## Estimated Annual Premium (EAP)

Payroll (x) base rates (x) experience modification (x) Rating Plan Modifier (x) Premium Discount Modifier. This is a "bottom line" estimate of the employer's expected premium.

## Estimated Modified Premium (EMP)

Payroll (x) base rates (x) experience modification (x) Rating Plan Modifier.

## Estimated Premium Discount

A discount given to accounts based on their individual premium size. Discounts apply to premiums of over \$5,000.

## Estimated Standard Premium

Payroll (x) Base Rate (x) Experience Modification (if applicable).

## Interim Billing Rates

These adjusted rates reflect the Rating Plan Modifier and Premium Discount Modifier. These are the rates that will appear on your payroll reports.

## Mandatory Assessments

These are fixed percentages of your premium and are subject to changes by regulatory agencies and legislation.

- **CIGA** - Assessment required by the California Insurance Guarantee Association.
- **SIBT** - Assessment required by the Subsequent Injuries Benefits Trust Fund.
- **UEBT** - Assessment required by the Uninsured Employers Benefits Trust Fund.
- **WCA** - Assessment required by the Workers' Compensation Revolving Fund.
- **WCFA** - Assessment required by the Fraud Assessment Commission.
- **OSHF** - Assessment required by the Occupational Safety & Health Fund

## Minimum Premium

The minimum sum for which the carrier will insure the employer; it is not subject to proration or refund. Your premium will never be less than the minimum premium even if the policy is cancelled during the policy period.

## Premium Adjustment/Payroll Reports

The premium adjustment period is the frequency (annual, semi-annual, quarterly or monthly) with which the insurer determines, bills and collects the premium earned or estimated to be earned during each interval of the policy period. A payroll report is the form sent to the policyholder to solicit the payroll of employees in order to make that premium determination.

## Rating Plan Modifier

Includes all Rating Factors applicable to your policy (such as group discount and merit rating), except Premium Discount, and is applied to the base rates to calculate your Interim Billing Rates and your Estimated Modified Premium.

**For further assistance, please contact your broker or local regional office.**