

Understanding Your ANNUAL RATING ENDORSEMENT

The front page of your Annual Rating Endorsement (ARE) shows two rates for each classification and the **Premium Basis** **A** (Example P. 1). The Premium Basis represents your estimated payroll. The second column contains the **Base Rate** **B**. 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 third column contains the **Interim Billing Rate** **C**. These adjusted rates reflect the **Rating Plan Modifier** and **Premium Discount Credit Factor**. These are the rates that will appear on your payroll reports. The rates and premium discount applied at final billing will be based on the actual reported payroll and the final audit.

On the last page of your ARE, you will see a summary of modifiers which are anticipated to apply to your policy (Example P. 2).

The Rating Plan Modifier **D** includes all Rating Factors applicable to your policy (such as group discount and merit rating), except Premium Discount **E**, and is applied to the **Estimated Standard Premium** to calculate your Interim Billing Rate and your **Estimated Modified Premium**.

A Premium Discount Credit Factor is applied to all policies with an Estimated Modified Premium over \$5,000. This discount is applied to your Estimated Modified Premium.

For example, on a policy with a premium of \$10,815, the Premium Discount is determined as follows:

$\$5,000 \times 0.0\% = \$ 0$ First \$5,000 of your premium is discounted at 0%.

$\$5,815 \times 11.7\% = \$ 680$ Remaining balance above \$5,000 is discounted at 11.7%.

$\$10,815 = \$ 680$ TOTAL PREMIUM DISCOUNT

The total Premium Discount of \$680 divided by the premium of \$10,815 equals 6.288%. Subtract the 6.288% from 100% to get an Estimated Premium Discount Credit Factor **E** of .93712.

Using the example, the Estimated Premium Discount Credit Factor **E** or .93712 times the Rating Plan Modifier **D** or .94000 equals the **Composite Factor** **F** or .88089.

Multiplying the Base Rate by the .88089 Composite Factor **F** equals the Interim Billing Rate. The Experience Modification is applied to the Interim Billing Rate.



Please see the glossary on the reverse side of this form.

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Example

			HOME OFFICE SAN FRANCISCO ANNUAL RATING ENDORSEMENT		
IT IS AGREED THAT CLASSIFICATIONS AND RATES PER \$100 OF REMUNERATION APPEARING IN THE CONTINUOUS POLICY ISSUED TO THIS EMPLOYER ARE AMENDED AS SHOWN BELOW					
HERE ARE YOUR NEW RATES FOR THE PERIOD INDICATED. IF YOUR NAME OR ADDRESS SHOULD BE CORRECTED OR IF INSURANCE IS NOT NEEDED FOR NEXT YEAR, PLEASE TELL US.					
IMPORTANT THIS IS NOT A BILL SEND NO MONEY UNLESS STATEMENT IS ENCLOSED			CONTINUOUS POLICY 099-1234-10		
THE RATING PERIOD BEGINS AND ENDS AT 12:01 AM PACIFIC STANDARD TIME					
GENERAL INN 1234 ANTLER DRIVE SAN FRANCISCO, CA 94103			RATING PERIOD 1-01-10 TO 1-01-11 DEPOSIT PREMIUM \$1,491 MINIMUM PREMIUM \$ 520 PREMIUM ADJUSTMENT PERIOD MONTHLY		
NAME OF EMPLOYER—GENERAL INN (A CORPORATION)					
CODE NO.	PRINCIPAL WORK AND RATES EFFECTIVE FROM		01-01-10 TO	01-01-11	
			A	B	C
			PREMIUM BASIS	BASE RATE	INTERIM BILLING RATE*
9050 HOTELS - ALL EMPLOYEES.			75,000	15.34	13.51
***** BUREAU NOTE INFORMATION *****					
FEIN 987654321					
COUNTERSIGNED & ISSUED AT SAN FRANCISCO			December 20, 2009	POLICY FORM L	

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			HOME OFFICE SAN FRANCISCO ANNUAL RATING ENDORSEMENT		
IT IS AGREED THAT CLASSIFICATIONS AND RATES PER \$100 OF REMUNERATION APPEARING IN THE CONTINUOUS POLICY ISSUED TO THIS EMPLOYER ARE AMENDED AS SHOWN BELOW					
HERE ARE YOUR NEW RATES FOR THE PERIOD INDICATED. IF YOUR NAME OR ADDRESS SHOULD BE CORRECTED OR IF INSURANCE IS NOT NEEDED FOR NEXT YEAR, PLEASE TELL US.					
IMPORTANT THIS IS NOT A BILL SEND NO MONEY UNLESS STATEMENT IS ENCLOSED			CONTINUOUS POLICY 099-1234-10		
THE RATING PERIOD BEGINS AND ENDS AT 12:01 AM PACIFIC STANDARD TIME					
* INTERIM BILLING RATES WILL BE USED ON PAYROLL REPORTS. THEY TAKE INTO ACCOUNT RATING PLAN CREDITS (OR DEBITS) WHICH WILL APPLY AT FINAL BILLING AND AN ESTIMATE OF YOUR PREMIUM DISCOUNT AS DETAILED BELOW.					
RATING PLAN CREDITS (DEBITS) EFFECTIVE FROM 01-01-10 TO 01-01-11					
RATING PLAN MODIFIER			.94000 D		
ESTIMATED PREMIUM DISCOUNT CREDIT FACTOR			.93712 E		
COMPOSITE FACTOR APPLIED TO BASE RATES TO DERIVE INTERIM BILLING RATES			.88089 F		
***** PREMIUM DISCOUNT SCHEDULE EFFECTIVE FROM 01-01-10 TO 01-01-11 *****					
* ESTIMATED MODIFIED PREMIUM IS DISCOUNTED ACCORDING TO THE FOLLOWING SCHEDULE: *					
*	FIRST	ABOVE	*	*	*
*	\$5,000	\$5,000	*	*	*
*	0.0%	11.7%	*	*	*

THE ESTIMATED PREMIUM DISCOUNT IS BASED ON AN ESTIMATE OF YOUR PAYROLL. ACTUAL PREMIUM DISCOUNT APPLIED AT FINAL BILLING WILL BE BASED ON THE ACTUAL PAYROLL REPORTED ON YOUR POLICY AND SUBJECT TO AUDIT.					
COUNTERSIGNED & ISSUED AT SAN FRANCISCO			December 20, 2009	POLICY FORM L	

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
- **LEC** - Assessment required by the Labor Enforcement and Compliance 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.