

# Understanding Your

# QUOTE FOR INSURANCE

All rating factors applicable to your policy (such as group discount and merit rating), except premium discount, are combined in a single factor called the **Rating Plan Modifier** **A** which is applied to the **Estimated Standard Premium** to calculate your **Estimated Modified Premium** **B**.

A Premium Discount Credit Factor is applied to all policies with an Estimated Modified Premium over \$5,000 and is subject to the premium levels outlined in the Example P. 2 **F**. This discount is applied to your Estimated Modified Premium.

**For example**, on a policy with a premium of \$9,173, the Premium Discount is determined as follows:

\$5,000 x 0.0% = \$	0.00	First \$5,000 of your premium is discounted at 0%.
\$4,173 x 11.6% = \$	484.00	Remaining balance above \$5,000 is discounted at 11.6%.
<hr/>		
\$9,173	= \$	484.00 TOTAL PREMIUM DISCOUNT

The total Premium Discount of \$484 divided by the premium of \$9,173 equals 5.276%. Subtract the 5.276% from 100% to get an Estimated Premium Discount Credit Factor of .94724 **C**.

Using the example, the Estimated Premium Discount Credit Factor **C** or .94724 times the Rating Plan Modifier **A** or .94000 equals the **Interim Billing Factor** **D** or .89041.

Multiplying the Base Rate by the .89041 Interim Billing Factor **D** equals the Interim Billing Rate **E**. The Experience Modification is applied to the Interim Billing Rate.

In the Example P. 2 above, you will see a summary of your class codes, Base Rates and Interim Billing Rates. The Interim Billing Rates were determined by multiplying your Base Rate times the Interim Billing Factor. The Interim Billing Rates also reflect the applicable credits or debits and estimated premium discounts which apply at final billing. These rates will appear on your payroll reports and allow you to take credit for your estimated discounts during the year.

Example Page 1

<b>STATE COMPENSATION INSURANCE FUND</b>		This document does not provide insurance <b>THIS IS NOT A BILL</b>		Applicant Copy Quote ID: 21212700-001 Quote Date: 06-11-2009	
Proposed Coverage period: 07-01-2009 - 07-01-2010		Applicant: General Inn 1234 Antler Drive San Francisco, CA 94103		Employer's Liability Limits: \$1,000,000.00	
Group Number and Name: 099 No. Cal. Lodging Assoc.		Group ARD: 07-01-2009			
<b>Estimated Premium Summary</b>					
<b>Base Premium</b>				<b>\$9,758.00</b>	
<b>Experience Mod</b>				<b>NONE</b>	
<b>Estimated Standard Premium</b>				<b>\$9,758.00</b>	
<b>A Rating Plan Modifier †</b>				<b>0.94000</b>	
<b>B Estimated Modified Premium</b>				<b>\$9,173.00</b>	
<b>Estimated Premium Discount Credit Factor †* C</b>				<b>0.94724</b>	
<b>D Interim Billing Factor †**</b>				<b>0.89041</b>	
<b>Total Estimated Annual Premium</b>				<b>\$8,689.00</b>	
<b>Minimum Premium</b>				<b>\$520.00</b>	
<b>Mandatory Surcharges</b>					
WCA Surcharge	1.3583% †				\$118.00
WCFA Surcharge	0.3956% †				\$34.00
UEBT Surcharge	0.2241% †				\$19.00
SIBT Surcharge	0.0827% †				\$7.00
OSHF Surcharge	0.1185% †				\$10.00
CIGA Surcharge	2.0000% †				\$174.00
<b>Initial Premium Deposit</b>				<b>\$869.00</b>	
<b>Total Deposit</b>				<b>\$1,231.00</b>	

Example Page 2

<b>Class Code and Rate Summary</b>		
<b>Class Code &amp; Rate Summary</b>		
<b>Coverage Period:</b>		
<b>07-01-2009 - 07-01-2010</b>		
<b>Class Code</b>	<b>Base Rate</b>	<b>Interim Billing Rate</b>
9050-1	13.01	11.58
<p><b>*Premium Discount:</b> Modified Premium is discounted according to the following schedule: <b>F</b></p> <p>First \$5,000 - 0.0%</p> <p>Above \$5,000 - 11.6%</p>		
<p>This quote is based on information provided to State Fund. Your experience modification will apply to these interim-billing rates.</p>		
<p>** Interim billing rates shown in this quote 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 above. The actual discount applied at final billing will be based on the actual payroll reported on your policy and subject to audit.</p>		

Example Page 3

<b>Classification Exposure Detail</b>						
Location Number	Number of employees	Class Code	Description	Base Rate	Estimated Payroll	Estimated Premium
<b>Non Schedule Classification</b>						
<b>Coverage Period: 07-01-2009 - 07-01-2010</b>						
1	5	9050-1	HOTELS-ALL EMPLOYEES	\$13.01	\$75,000	\$9,758.00

† These details are available on Page 2 of your quote.



*Please see the glossary on 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.**

