



## CIS PAID LOSS RETROSPECTIVE RATING PLAN

ENTITY:

YEAR: 2013-2014

### PLAN

- The Retro Plan is a PAID LOSS Retro plan
- Based on projected payroll, operations, and experience modification, we develop the adjusted contribution.
- From the adjusted contribution, the retro contribution is calculated based on the following factors:

<b>Minimum Factor:</b>	<b>to determine the minimum contribution you pay</b>
<b>Maximum Factor:</b>	<b>to determine the maximum contribution you pay</b>
<b>Basic Factor:</b>	<b>to fund for expenses needed to administer the plan</b>
<b>Paid Loss:</b>	<b>actual loss amounts that we pay</b>
<b>Loss Conversion Factor (LCF)</b>	<b>to fund for claim handling and adjustment expenses</b>

### HOW IT WORKS

The Retro Contribution is calculated based on a retro formula:

$$\text{Retro Contribution} = (\text{Adjusted Contribution} \times \text{Basic Factor}) + (\text{Paid Loss} \times \text{LCF})$$

- At inception, you pay an initial contribution based on the minimum factor plus the WCD Assessment.
- Each quarter, we bill you an amount based on the actual paid loss x LCF.
- Loss reserves are not used in calculations until buy-out or mandatory final close-out.

### EVALUATION, BUY-OUT AND CLOSE-OUT

- We do retro evaluations for the plan duration until plan buy-out or mandatory final close-out, whichever comes first.
- 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> evaluations are at 24, 36 and 48 months from the inception as illustrated by the time line below.
- You can opt to have early buy-out on any of the evaluation dates by sending us a request.
- The plan will have its mandatory final close-out at 60 months from inception.
- Early buy-out and mandatory final close-out calculations will include loss reserves.

1 <sup>st</sup> 12 months	2 <sup>nd</sup> 12 months	1 <sup>st</sup> Evaluation 24 mo*	2 <sup>nd</sup> Evaluation 36 mo*	3 <sup>rd</sup> Evaluation 48 mo*	Mandatory Final Close-out 60 mo*
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*\*We will incorporate actuarial factors for Loss Development and Incurred but not Reported (IBNR) in the calculations at regular evaluations, early buy-outs and mandatory final close-out.*

### EXAMPLE FOR COST PROJECTION

ADJUSTED CONTRIBUTION		\$200,000
MINIMUM FACTOR	.30	\$60,000
MAXIMUM FACTOR	1.30	\$260,000
BASIC FACTOR	.30	\$60,000
LOSS CONVERSION FACTOR	1.20	
INITIAL CONTRIBUTION		\$60,000

PAID LOSS PROJECTED	RETRO CONTRIBUTION**	
0	\$60,000	Plan Minimum
\$50,000	\$120,000	
\$75,000	\$150,000	
\$100,000	\$180,000	
\$125,000	\$210,000	
\$150,000	\$240,000	
\$166,667	\$260,000	Plan Maximum

*\*\*Does not include Tax Assessment, any applicable multi-line credits and agent commission*