

December 10, 2009

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

NCCI Item RM-W-8033 – Revisions to Assigned
Risk Adjustment Program (ARAP)

The Bureau has adopted and the North Carolina Commissioner of Insurance has approved changes to the Assigned Risk Adjustment Program (ARAP). This program charges an “adjustment” factor to Assigned Risk policies.

The ARAP program is being modified to align with the National ARAP program administered by NCCI. The ARAP program has been modified to eliminate the ARAP charge to policies with credit experience modifiers. The ARAP program will continue to apply *only* to those policies written in the Assigned Risk Market with a debit experience modification greater than or equal to 1.01.

Corresponding to this program change, the ARAP endorsement (WC 00 04 15 A) has been modified. The new version is numbered WC 00 04 15B (see attached).

The attached Filing Memorandum further describes the changes which have been *approved to become effective in North Carolina April 1, 2010*, applicable to new and renewal business.

Contact the Information Center at 919-582-1056 or via email at wcinfo@ncrb.org, if you require additional information.

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dg

C-09-33

NCPC-126345057 forms
NCPC-126340489 rates

Highlights of Filing Item RM-W-8033

Exhibit 1

The national residual market Assigned Risk Adjustment Program (ARAP) defined in NCCI's Basic Manual for Workers Compensation and Employers Liability Insurance as Rule 4-E

- Eliminates from the Assigned Risk Miscellaneous Rules of the NCCI's Basic Manual state-specific Assigned Risk Adjustment Programs
- Includes in Rule 4-E an ARAP Surcharge Factor Table
- Replaces Assigned Risk Adjustment Program Endorsement WC 00 04 15 A with WC 00 04 15 B

Exhibit 2

Revised Assigned Risk Adjustment Program Endorsement (WC 00 04 15 B)

- Replaces Assigned Risk Adjustment Program Endorsement (WC 00 04 15 A)

Exhibit 3

State Rule exceptions – Designates North Carolina Rate Bureau as Plan Administrator for North Carolina

Impact of this filing Specific to North Carolina

- Changes how ARAP has historically been calculated and applied in North Carolina
 - North Carolina will no longer calculate an ARAP for any risk that has a credit experience rating modification
 - North Carolina will apply an ARAP only to risks with a debit experience rating modification greater than or equal to 1.01
- The inclusion of North Carolina in the national residual market Assigned Risk Adjustment Program (ARAP)
- The inclusion of North Carolina in the ARAP Surcharge Factor Table as shown in NCCI Basic Manual Rule 4-E
- Establish state exceptions for North Carolina as needed
- Replace Assigned Risk Adjustment Program Endorsement WC 00 04 15 A with WC 00 04 15 B
- Effective date for North Carolina 4-1-2010

FILING MEMORANDUM

ITEM RM-W-8033—ESTABLISHMENT OF BASIC MANUAL RULE 4-E—ASSIGNED RISK ADJUSTMENT PROGRAM (ARAP)

PURPOSE

This item:

- Creates a national residual market Assigned Risk Adjustment Program (ARAP) to be located in NCCI's **Basic Manual for Workers Compensation and Employers Liability Insurance** as Rule 4-E
- Eliminates the state-specific Assigned Risk Adjustment Programs located in the Assigned Risk Miscellaneous Rules of NCCI's **Basic Manual**
- Revises the Assigned Risk Adjustment Program Endorsement (WC 00 04 15 A will be replaced by WC 00 04 15 B)

BACKGROUND

The current ARAPs became effective in specific jurisdictions on various dates. Although the programs are state specific, they all have the same ARAP surcharge factor formula.

Similar to the approach taken with the revision of other NCCI rating plans and programs, NCCI, as Plan Administrator, initiated a complete review and update of the individual programs to:

- Create a national ARAP rule to appear as **Basic Manual** Rule 4-E
- Clarify material by simplifying the language and presentation by using a plain language approach that incorporates carrier and regulator feedback

The revisions proposed in this item identify three themes that provide the focus for improving this program:

1. National Approach

In creating national ARAP rules, all individual state programs were reviewed to determine the consistent elements of all the states. This review identified that all of the state-specific programs were the same when compared to each other, with two exceptions.

The first difference among the states pertains to which risks qualify for an ARAP surcharge factor. Currently, in approximately half of the jurisdictions, all experience rated risks qualify for an ARAP surcharge factor. In the remaining jurisdictions, only experience rated risks with debit experience rating modifications qualify for an ARAP surcharge factor. NCCI has determined that in all jurisdictions, only experience rated risks with debit experience rating modifications should qualify for ARAP.

The second difference is the individual state maximum surcharge factors. The individual state maximum surcharge factors have been retained, but are provided in a new national ARAP Surcharge Factor Table.

2. Accessibility and Usability

The creation of a national ARAP Program as **Basic Manual** Rule 4-E enables users to immediately access information without navigating through numerous state programs.

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FILING MEMORANDUM

ITEM RM-W-8033—ESTABLISHMENT OF BASIC MANUAL RULE 4-E—ASSIGNED RISK ADJUSTMENT PROGRAM (ARAP)

3. Use of Plain Language

Customers have responded favorably to the plain language presentation of NCCI's 2001 *Basic Manual*, 2003 *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance*, and the 2006 residual market rules incorporated as *Basic Manual* Rule 4. To continue with this approach, *Basic Manual* Rule 4-E is written in simpler language and presented in a more suitable manner.

The proposed ARAP is clarified, where necessary, by use of simplified text. Further, as a result of the clarified rules, the national Assigned Risk Adjustment Program Endorsement WC 00 14 15 A is revised; the new number is WC 00 14 15 B. In Illinois, it is also proposed that the newly revised Assigned Risk Adjustment Program Endorsement WC 00 04 15 B be adopted.

PROPOSAL

It is proposed that *Basic Manual* Rule 4-E and national Assigned Risk Adjustment Program Endorsement WC 00 04 15 B, as contained in Exhibits 1 and 2, be adopted. Further, the individual state programs and the Assigned Risk Adjustment Program Endorsement WC 00 04 15 A are discontinued. The following is a summary of each of the exhibits included in this item:

- **Exhibit 1** contains the national *Basic Manual* Rule 4-E.
- **Exhibit 2** details the changes to the Assigned Risk Adjustment Program Endorsement WC 00 04 15 A in NCCI's *Forms Manual of Workers Compensation and Employers Liability Insurance*. The revised endorsement will be the Assigned Risk Adjustment Program Endorsement WC 00 04 15 B. If Exhibit 2 is not included as part of this item, your state requires that rule and form filings be filed separately; therefore, a separate item will be filed to be adopted concurrently with this item.
- **Exhibit 3** contains the following:
 - The Illinois-only exhibit to withdraw the Illinois Assigned Risk Adjustment Program Endorsement WC 12 04 03 effective January 1, 2010.
 - The North Carolina-only exhibit to create state rule exceptions for *Basic Manual* Rules 4-E-2-g and 4-E-2-h.

IMPACT

The impact to statewide premium as a result of this item is expected to be negligible. As detailed in the Background section of this item, the individual state maximum surcharge factors are not changing as a result of this item. Each state's maximum surcharge factor is determined through a state's annual actuarial review to ensure a self-funded residual market.

IMPLEMENTATION

It is proposed that the attached exhibits be implemented:

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FILING MEMORANDUM

**ITEM RM-W-8033—ESTABLISHMENT OF BASIC MANUAL RULE 4-E—ASSIGNED RISK
ADJUSTMENT PROGRAM (ARAP)**

- In all states, except Virginia, effective 12:01 a.m. on January 1, 2010, applicable to new and renewal assigned risk policies only.
- In Virginia, it is proposed that this item be effective for new and renewal assigned risk policies effective on or after 12:01 a.m. on January 1, 2010.

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ITEM RM-W-8033—ESTABLISHMENT OF BASIC MANUAL RULE 4-E—ASSIGNED RISK ADJUSTMENT PROGRAM (ARAP)

**EXHIBIT 1
BASIC MANUAL—2001 EDITION
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES****E. ASSIGNED RISK ADJUSTMENT PROGRAM (ARAP)****1. Administration**

- a. The Plan Administrator determines the applicability of all Assigned Risk Adjustment Program (ARAP) rules.
- b. ARAP applies on a mandatory basis for employers written in the residual market that meet the criteria in Rule 4-E-3.
- c. Experience rated assigned risk employers with multistate operations are subject to ARAP in jurisdictions in which ARAP applies.
- d. A policy cannot be cancelled, rewritten, or extended for purposes of enabling an employer to avoid application of ARAP.
- e. Any action taken in any form to evade the application of an ARAP surcharge factor determined in accordance with these rules is prohibited.
- f. The ARAP surcharge factor is calculated, issued, and, if necessary, revised by the designated rating/advisory organization on behalf of the appropriate Plan Administrator.
- g. The designated rating/advisory organization in a jurisdiction, on behalf of the Plan Administrator, issues an experience rating worksheet for the risk that includes the ARAP surcharge factor. Distribution and accessibility to the ARAP surcharge factor is in accordance with experience rating worksheet accessibility detailed in NCCI's *Experience Rating Plan Manual* or other applicable experience rating plan.
- h. ARAP surcharge factor issuance, revision, and application is limited in accordance with NCCI's *Experience Rating Plan Manual* or other applicable experience rating plan.
- i. The calculated ARAP surcharge factor is applied by the assigned carrier(s) in accordance with these rules and other applicable rules, statutes, and/or regulations.

2. General Terms**a. ARAP**

ARAP refers to NCCI's Assigned Risk Adjustment Program.

b. ARAP Surcharge Factor

ARAP identifies assigned risk employers with less favorable loss experience and requires them to share in the underwriting losses of the residual market. ARAP recognizes the differences among individual assigned risk employers with respect to safety and loss prevention by providing more weight to the severity of the total losses rather than the frequency of individual losses. The differences are reflected by an ARAP surcharge factor, which may result in an increase in assigned risk premium.

c. Employer

For purposes of ARAP, employer is defined in accordance with NCCI's *Basic Manual* Rule 4-A-2-i. In jurisdictions where NCCI's national *Basic Manual* Rule 4-A does not apply, substitute the applicable state rules.

d. Experience

The experience used to calculate a risk's ARAP surcharge factor is comprised of losses that are reported by insurance carriers according to the applicable statistical plan. For purposes of

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**EXHIBIT 1 (CONT'D)
BASIC MANUAL—2001 EDITION
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES**

ARAP, losses may also be referred to as data. The data used to develop the ARAP surcharge factor is the same data used in the corresponding experience rating modification as determined by NCCI's *Experience Rating Plan Manual*.

e. Experience Rating Plan

The experience rating plan references mean NCCI's *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* and/or any other applicable experience rating plan approved for use in a jurisdiction. The applicable experience rating plan is the source of the experience rating modifications referenced in these rules. It provides the rules including, but not limited to, experience rating modification calculation, revision, interstate rating, applicability, ownership changes, and evasion.

f. Losses

For purposes of ARAP, the term losses is defined in the applicable experience rating plan.

g. Plan

Plan refers to NCCI's Workers Compensation Insurance Plan (WCIP), as defined in NCCI's *Basic Manual* Rule 4-A-2-y, or applicable state workers compensation insurance plan approved for use in a jurisdiction.

h. Plan Administrator

The organization designated to administer the affairs of the Plan as approved by the regulatory authority in a jurisdiction.

i. Risk

For purposes of ARAP, risk is defined in the applicable experience rating plan.

j. Statistical Plan

The statistical plan references mean NCCI's *Statistical Plan for Workers Compensation and Employers Liability Insurance* and/or any other applicable unit statistical plan approved for use in a jurisdiction. Statistical plans detail data reporting requirements for individual risk experience.

k. Unity (1.00) ARAP Surcharge Factor

A unity (1.00) ARAP surcharge factor may apply to a risk for reasons including, but not limited to:

- The risk does not qualify for an ARAP surcharge factor. Refer to Rule 4-E-3 for criteria.
- The risk qualifies for an ARAP surcharge factor, with the calculation resulting in a 1.00.

3. Criteria

a. The designated rating/advisory organization calculates an ARAP surcharge factor for an intrastate and/or interstate risk. The risk must:

- (1) Be experience rated, and
- (2) Have an experience rating modification that includes data from at least one ARAP-approved jurisdiction, and
- (3) Have an experience rating modification factor greater than or equal to 1.01, and
- (4) Meet or exceed the weighted test ratio in accordance with Rule 4-E-6.

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EXHIBIT 1 (CONT'D)
BASIC MANUAL—2001 EDITION
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES

- b. An ARAP surcharge factor is not calculated in an ARAP-approved jurisdiction if:
- (1) A risk is not experience rated, or
 - (2) An intrastate and/or interstate experience rated risk does not have any ARAP-approved jurisdictions' data included in the experience rating modification calculation, or
 - (3) A risk has a calculated experience rating modification equal to or less than 1.00.

4. Application

- a. The ARAP surcharge factor appears on a risk's experience rating modification worksheet.
- b. ARAP surcharge factors generally are determined on an annual basis and are effective for a period of 12 months. However, as provided in the applicable experience rating plans, certain circumstances may result in a reduced or extended application of an ARAP surcharge factor consistent with the experience rating modification.
- c. Only one ARAP surcharge factor applies to an assigned risk policy at any time.
- d. The ARAP surcharge factor is applied to the total modified premium of an assigned risk policy in ARAP-approved jurisdictions, in accordance with the applicable state assigned risk premium algorithm or any other applicable programs or statutory requirements. The ARAP surcharge factor is included in total standard premium.
- e. Revisions to an ARAP surcharge factor are made and applied in accordance with NCCI's *Experience Rating Plan Manual* or other applicable experience rating plan.
- f. In the event of a change in ownership or combinability status of a risk, the applicable experience rating plan applies to the experience used to calculate ARAP surcharge factors. The experience for any entity undergoing such a change will be retained or transferred to the ARAP surcharge factor of the acquiring, surviving, or new entity unless specifically excluded by NCCI's *Experience Rating Plan Manual* or other applicable experience rating plan.
- g. **Maximum ARAP Surcharge Factor**
 - (1) The ARAP surcharge factor is limited to a jurisdiction-specific maximum of total modified premium based on expected losses. The ARAP Surcharge Factor Table in Rule 4-E-4-g(3) details the maximum surcharges by risk expected losses, subject to the following:
 - (a) An intrastate ARAP surcharge factor is limited by the maximum ARAP surcharge factor in its jurisdiction.
 - (b) When an ARAP surcharge factor is calculated for an interstate experience rated risk with at least one ARAP-approved jurisdiction included in the calculation, the ARAP surcharge factor will be limited to the jurisdiction with the highest maximum ARAP surcharge factor.
 - (2) It is the assigned carrier's responsibility to apply an ARAP surcharge factor in accordance with each jurisdiction's specific maximum ARAP surcharge factor. The ARAP surcharge factor applied by the assigned carrier cannot exceed the specific jurisdiction's maximum surcharge.
 - (3) The maximum ARAP surcharge factors are as follows:

ITEM RM-W-8033—ESTABLISHMENT OF BASIC MANUAL RULE 4-E—ASSIGNED RISK ADJUSTMENT PROGRAM (ARAP)

EXHIBIT 1 (CONT'D)
 BASIC MANUAL—2001 EDITION
 RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES

ARAP Surcharge Factor Table

Jurisdiction	Maximum Surcharge	Surcharge (%) Based on Risk Expected Losses (\$)			
		\$2,500	\$5,000	\$10,000	Other
Alabama	20%	9%	14%	N/A	\$8,500 and over – 20%
Connecticut	25%	9%	14%	22%	\$12,000 and over – 25%
District of Columbia	25%	9%	14%	22%	\$12,000 and over – 25%
Idaho	25%	9%	14%	22%	\$12,000 and over – 25%
Illinois	25%	9%	14%	22%	\$12,000 and over – 25%
Iowa	25%	9%	14%	22%	\$12,000 and over – 25%
Kansas	49%	9%	14%	22%	\$23,500 – 37% \$40,000 – 49%
Nevada	25%	9%	14%	22%	\$12,000 and over – 25%
New Hampshire	25%	9%	14%	22%	\$12,000 and over – 25%
North Carolina	49%	9%	14%	22%	\$25,000 – 38% \$40,000 and over – 49%
South Carolina	49%	9%	14%	22%	\$25,000–38% \$40,000 and over – 49%
South Dakota	25%	9%	14%	22%	\$12,000 and over – 25%
Virginia	49%	9%	14%	22%	\$25,000 – 38% \$40,000 and over – 49%
West Virginia	49%	9%	14%	22%	\$25,000 – 38% \$40,000 and over – 49%

5. Values and Elements Used in ARAP

a. Values

- (1) R represents the weighted test ratio calculated in accordance with Rule 4-E-6-a. The weighted test ratio compares a risk’s actual losses to the modified expected losses.
- (2) E represents the total expected losses of the particular risk shown in thousands. E is limited to 40.
- (3) S represents the ARAP surcharge factor. If a risk is interstate experience rated, S is calculated on a full interstate basis.

b. Elements

All elements used to calculate the weighted test ratio (R) and the ARAP surcharge factor (S) are those used in an individual risk’s experience rating modification calculation. Losses are limited in accordance with NCCI’s *Experience Rating Plan Manual* or other applicable experience rating plan.

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EXHIBIT 1 (CONT'D)
BASIC MANUAL—2001 EDITION
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES

- (1) W represents weighting value
- (2) Ap represents actual primary losses
- (3) A represents actual losses
- (4) M represents the experience rating modification factor for a particular risk
- (5) Ep represents expected primary losses
- (6) E represents total expected losses

6. Formulas

a. Weighted Test Ratio (R)

- (1) After the calculation of the experience rating modification factor (M) for a particular risk, the weighted test ratio (R) is calculated using the following formula:

$$R = \frac{(0.5 - 0.5W)Ap}{M \times Ep} + \frac{(0.5 + 0.5W)A}{M \times E}$$

- (2) R is limited to 2.00.
- (3) For interstate experience rated risks, R is calculated on a full interstate basis.

b. ARAP Surcharge Factor

- (1) If R is greater than 1.00, the ARAP surcharge factor S is calculated using the following formula:

$$S = 1 + \frac{(0.08)\hat{E}(R - 1)^{1.25}}{(\hat{E} + 3)^{0.5}}$$

- (2) S is limited in accordance with Rule 4-E-4-g(3).

**ITEM RM-W-8033—ESTABLISHMENT OF BASIC MANUAL RULE 4-E—ASSIGNED RISK
ADJUSTMENT PROGRAM (ARAP)**

EXHIBIT 2

FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

ASSIGNED RISK ADJUSTMENT PROGRAM ENDORSEMENT (WC 00 04 15-AB)

This endorsement is ~~added to~~ attached to your policy and incorporates the following additional provisions into Part Five (Premium) of your policy because one or more of the states shown in Item 3.A. of the Information Page have approved the Assigned Risk Adjustment Program (ARAP). ~~ARAP The Program~~ adds a surcharge to the premium of assigned risk employers insureds who are eligible for an experience rating modification, are assigned risks, and who meet the other requirements/criteria of ARAP the Program.

The application of ARAP is mandatory and shall apply to all assigned risk policies written in approved jurisdictions who meet the criteria of ARAP.

If your experience rating modification changes, the ARAP surcharge factor may also change.

A. ~~Eligibility~~Criteria

1. ~~You are eligible for the Assigned Risk Adjustment Program if you are eligible for an experience rating modification. The application of this program is mandatory for all eligible insureds and shall apply to all assigned risk policies written for such insureds. You will receive an ARAP surcharge factor calculated by the designated rating/advisory organization for your intrastate and/or interstate risk if you:~~
 - a. Are experience rated, and
 - b. Have an experience rating modification that includes data from at least one ARAP-approved jurisdiction, and
 - c. Have a calculated experience rating modification factor greater than or equal to 1.01, and
 - d. Meet or exceed the weighted test ratio in accordance with the applicable rules in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance* or other applicable state rules.
2. ~~The adjustment program period is the one year period beginning with the effective date of the policy. If during the adjustment program period your experience rated modification changes, the Assigned Risk Adjustment Program surcharge factor may also change. You will not receive an ARAP surcharge factor calculated by the designated rating/advisory organization in an ARAP-approved jurisdiction if you:~~
 - a. Are not experience rated, or
 - b. Are an intrastate and/or interstate experience rated risk that does not have any ARAP-approved jurisdictions' data included in your experience rating modification calculation, or
 - c. Have a calculated experience rating modification equal to or less than 1.00.

B. Surcharge Application

You must pay a surcharge based on a comparison of your actual and expected losses if your actual losses exceed your modified expected losses, as determined using values from your the experience rating modification calculation. The ARAP surcharge factor is will be applied by multiplying your assigned risk total modified premium by the ARAP surcharge factor. Total modified premium is defined as premium determined by multiplying the total subject premium by the experience modification factor. The total modified premium of an assigned risk policy in ARAP-approved jurisdictions is determined in accordance with the applicable state assigned risk premium algorithm, or any other applicable programs or statutory requirements. The ARAP surcharge factor is included in total standard premium.

C. ~~Interstate Risks~~Multistate Operations

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ADJUSTMENT PROGRAM (ARAP)**

EXHIBIT 2 (CONT'D)

FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

~~If you are an Experience rated risk employer with multi-state operations, you shall be subject to the Assigned Risk Adjustment Program in states that have approved ARAP, it. See the and as applied by your insurance carrier in those states as shown in the Schedule below.~~

D. Cancellation

- ~~1. If you cancel, the standard premium for the adjustment plan period will be based on our short-rate table and procedure. This short rate premium will be used to determine the Assigned Risk Adjustment Program surcharge.~~
- ~~2. Section D.1. will not apply if you cancel because:~~
 - ~~a. all work covered by the insurance is completed;~~
 - ~~b. all interest in the business covered by the insurance is sold;~~
 - ~~c. you retire from all business covered by the insurance; or~~
 - ~~d. coverage is obtained through the voluntary market.~~

If your policy is cancelled, the ARAP surcharge factor is applied in accordance with Part Five (Premium), E. of your workers compensation and employers liability insurance policy.

Schedule

State

ITEM RM-W-8033—ESTABLISHMENT OF BASIC MANUAL RULE 4-E—ASSIGNED RISK
ADJUSTMENT PROGRAM (ARAP)

EXHIBIT 3

BASIC MANUAL – 2001 EDITION
RULE 4 – WORKERS COMPENSATION INSURANCE PLAN RULES
E. ASSIGNED RISK ADJUSTMENT PROGRAM (ARAP)
(Applies in NC)

2. General Terms

g. Plan

Change Rule 4-E-2-g as follows:

Plan refers to the North Carolina Workers Compensation Insurance Plan (WCIP).

h. Plan Administrator

Change Rule 4-E-2-h as follows:

The North Carolina Rate Bureau is the organization that has been designated to administer the affairs of the Plan.

ASSIGNED RISK ADJUSTMENT PROGRAM ENDORSEMENT

This endorsement is attached to your policy and incorporates the following additional provisions into Part Five (Premium) of your policy because one or more of the states shown in Item 3.A. of the Information Page have approved the Assigned Risk Adjustment Program (ARAP). ARAP adds a surcharge to the premium of assigned risk employers who meet the criteria of ARAP.

The application of ARAP is mandatory and shall apply to all assigned risk policies written in approved jurisdictions who meet the criteria of ARAP.

If your experience rating modification changes, the ARAP surcharge factor may also change.

A. Criteria

1. You will receive an ARAP surcharge factor calculated by the designated rating/advisory organization for your intrastate and/or interstate risk if you:
 - a. Are experience rated, and
 - b. Have an experience rating modification that includes data from at least one ARAP-approved jurisdiction, and
 - c. Have a calculated experience rating modification factor greater than or equal to 1.01, and
 - d. Meet or exceed the weighted test ratio in accordance with the applicable rules in NCCI's ***Basic Manual for Workers Compensation and Employers Liability Insurance*** or other applicable state rules.
2. You will not receive an ARAP surcharge factor calculated by the designated rating/advisory organization in an ARAP-approved jurisdiction if you:
 - a. Are not experience rated, or
 - b. Are an intrastate and/or interstate experience rated risk that does not have any ARAP-approved jurisdictions' data included in your experience rating modification calculation, or
 - c. Have a calculated experience rating modification equal to or less than 1.00.

B. Surcharge Application

You must pay a surcharge based on a comparison of your actual and expected losses, as determined using values from your experience rating modification calculation. The ARAP surcharge factor is applied by multiplying your assigned risk total modified premium by the ARAP surcharge factor. The total modified premium of an assigned risk policy in ARAP-approved jurisdictions is determined in accordance with the applicable state assigned risk premium algorithm, or any other applicable programs or statutory requirements. The ARAP surcharge factor is included in total standard premium.

C. Multistate Operations

If you are an experience rated employer with multistate operations, you shall be subject to the Assigned Risk Adjustment Program in states that have approved ARAP, and as applied by your insurance carrier in those states as shown in the Schedule below.

D. Cancellation

If your policy is cancelled, the ARAP surcharge factor is applied in accordance with Part Five (Premium), E. of your workers compensation and employers liability insurance policy.

(Ed. 01-10)

Schedule

State

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective
Insured

Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____

WC 00 04 15 B
(Ed. 01-10)