NORTH CAROLINA
Rate Bureau

LOSS SENSITIVE RATING PLAN (LSRP)

THE FOLLOWING INFORMATION IS BASED ON LSRP RULES AS THEY APPLY TO *NEW APPLICATIONS SUBMISSIONS ONLY*. COMPLETE DETAILS OF THE PLAN ARE AVAILABLE ON OUR WEBSITE AT WWW.NCRB.ORG WITHIN THE NORTH CAROLINA WORKERS COMPENSATION INSURANCE PLAN.

Descriptions of the Plan

The Assigned Risk LSRP is a ***mandatory*** Plan and applies to all assigned risk applications with total estimated annual standard premium equals or exceeds $250,000.

Object of the Plan

The object of the Plan is to adjust the premium for the insurance to which it applies on the basis of losses incurred during the period covered by that insurance. The intent is to charge a premium reflective of those losses. This Plan uses the losses incurred during the term of the policy to establish the cost of insurance and includes provisions for all expenses and taxes on premium.

Purpose of the Plan

The LSRP is designed to:

- **Promote Safety & Loss Control**
  It requires clients to accept greater financial responsibility for the losses they incur.

- **Depopulate the Assigned Risk Market**
  Encourages insureds to obtain coverage in the voluntary market.

- **Provide Fairness***
  Rewards insureds that have good loss experience with lower premiums.

** The LSRP provides an incentive to the employer to control and reduce losses because the LSRP premium will be the result of losses during the policy period. To the extent the employer controls losses, there is a reward through lower premiums. To the extent the insured does not control losses, there is a penalty through higher premiums.*

LSRP Contingency Deposit Premium

The LSRP Contingency Deposit Premium is calculated as an additional 20% of Standard Premium and is added to the WCIP deposit premium. The LSRP Contingency Deposit Premium is to be paid at the time of application.

Example:

**Standard Premium =	$350,000
Total Estimated Annual Premium=	$375,000

For assignment purposes, we would only require a 50% Deposit of the Estimated Annual Premium.

50% Deposit Premium ($375,000) =	$187,500

In addition to the 50% deposit of the Estimated Annual Premium, we would require the 20% LSRP premium in order to assign coverage.

LSRP Premium 20% of Standard Premium ($350,000) =	$70,000

Amount Required in Order to Bind AR Coverage = $257,500

- 50% Deposit Premium ($187,500)
- LSRP Premium ($70,000)

The applicant employer would still owe an additional $187,500 in premium to the Carrier. (Remaining 50% of Estimated Annual Premium) Terms of the payments expected from the employer would be set up by the carrier, but a general outline is found on the 135NC in Section 10.

Irrevocable Letter of Credit

In lieu of the 20% LSRP Contingency Deposit, we will accept a clean, unconditional Irrevocable Letter of Credit (ILOC) containing an automatic renewal clause, drawn on a bank that is a member of the Federal Reserve, in an amount at least sufficient to secure the dollar amount equal to the 20% LSRP Contingency Deposit Premium.

** *Standard Premium includes authorized rates based on class codes and total payroll, any experience rating modification, ARAP, assigned risk surcharge programs other than LSRP and minimum premiums. It does not include premium discount, the expense constant, premiums for nonratable element codes, premium developed by passenger seat surcharge under Code 7421, occupations disease rates, premiums developed by the Terrorism Act of 2002 and premiums developed by the Domestic Terrorism, Earthquakes and Catastrophic Industrial Accidents. (DTEC)*