

January 24, 2007

ALL ASSOCIATION MEMBERS

Circular Letter No. 07-1501

**RE: Corrections to Basic Manual cross-references within the *Minnesota Forms Manual***

The Minnesota Department of Commerce has approved the above filing to become effective 12:01 a.m., January 5, 2007.

The purpose of the above filing is as a housekeeping item to correct all cross-references to the Basic Manual in the ***Minnesota Forms Manual*** to properly refer to the new "***Minnesota Basic Manual***" wherever appropriate to do so.

Some references to the "Basic Manual" within the ***Minnesota Forms Manual*** needed amending to reflect the approval of the new ***Minnesota Basic Manual***. Exhibit I illustrates changes to the ***Minnesota Forms Manual*** necessary to correct all of the existing references to indicate the ***Minnesota Basic Manual***. Please note that the ***Minnesota Forms Manual*** uses yellow and pink highlighting to point out Minnesota exception language and NCCI language that does not apply in the State of Minnesota. To illustrate the changes necessary for this filing, we have included underlining to represent new/added Minnesota language and strikethroughs to represent deleted NCCI text. Please note that these additional edits (strikethroughs & underlining) will not appear on the approved pages when they appear on our website.

**NOTE:** The changes approved in the captioned filing affect only the "Notes" section of each form or endorsement included within this filing and have no impact on their content. Because this change does not impact the text of forms attached to policies, there is no need to change any of the forms or endorsements currently in use on the policies issued by your company due to the approval of this filing.

Please direct any questions you may have regarding this filing item to MWCIA's Member & Customer Services' staff at 952.897.1737 (Option 1) or via email at [info@mwcia.org](mailto:info@mwcia.org).

**A NOTICE TO MEMBERSHIP:**

The Minnesota Department of Commerce requests that MWCIA remind its members that the above filing only applies automatically to insurance companies who have filed a Limited Power of Attorney agreement with our Commerce Department. A properly executed Limited Power of Attorney authorizes MWCIA to make filings on behalf of individual insurance companies. Any insurance company who has not filed a Limited Power of Attorney must independently submit the changes represented in each filing item to the Minnesota Department of Commerce for their approval.

**FEDERAL EMPLOYERS' LIABILITY ACT COVERAGE ENDORSEMENT**

This endorsement applies only to work subject to the Federal Employers' Liability Act (45 USC Sections 51–60) and any amendment to that Act that is in effect during the policy period.

G. **Limits of Liability** of Part Two (Employers Liability Insurance) is replaced by the following:

**G. Limits of Liability**

Our liability to pay for damages is limited. Our limits of liability are shown in the Schedule. They apply as explained below:

1. Bodily Injury by Accident. The limit shown for "bodily injury by accident—each accident" is the most we will pay for all damages covered by this insurance because of bodily injury to one or more employees in any one accident.

A disease is not bodily injury by accident unless it results directly from bodily injury by accident.

2. Bodily Injury by Disease. The limit shown for "bodily injury by disease—aggregate" is the most we will pay for all damages covered by this insurance because of bodily injury by disease to one or more employees. The limit applies separately to bodily injury by disease arising out of work in each state shown in Item 3.A. of the Information Page or in the Schedule.

Bodily injury by disease does not include disease that results directly from bodily injury by accident.

3. We will not pay any claims for damages after we have paid the applicable limit of our liability under this insurance.

If any state is named in Item 2 of the Schedule, Part Two (Employers Liability Insurance) applies in that state to work subject to the Federal Employers' Liability Act as though that state were listed in Item 3.A. of the Information Page. Part One (Workers Compensation Insurance) does not apply in a state shown in the Schedule.

Part Two (Employers Liability Insurance), C. Exclusions, exclusion 9, does not apply to work subject to the Federal Employers' Liability Act.

**Schedule**

**1. Limits of Liability**

Bodily Injury by Accident \$ \_\_\_\_\_ each accident

Bodily Injury by Disease \$ \_\_\_\_\_ aggregate

**2. State**

**Notes:**

1. The Federal Employers' Liability Act makes an interstate railroad liable for bodily injuries sustained by an employee. The liability of the railroad is insured by Part Two (Employers Liability Insurance) unless specifically excluded by Federal Employers Liability Act Exclusion Endorsement.
2. Use this endorsement when providing Federal Employers Liability Act coverage under Program I or II as described in the **Basic Manual User's Guide**. In Minnesota, please refer to the **Minnesota version of the Basic Manual**.
3. Item 2 of the Schedule may be used to extend FELA coverage to a state not listed in Item 3.A. of the information Page. In order to conform each carriers' Information Page with other provisions of the Standard Workers' Compensation Policy, the Information Page must at a minimum comply with the sequence of Items 1 through 4 of WC 00 00 01.

**LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT COVERAGE ENDORSEMENT**

This endorsement applies only to work subject to the Longshore and Harbor Workers Compensation Act in a state shown in the Schedule. The policy applies to that work as though that state were listed in Item 3.A. of the Information Page.

General Section C. **Workers Compensation Law** is replaced by the following:

**C. Workers Compensation Law**

Workers Compensation Law means the workers or workmen's compensation law and occupational disease law of each state or territory named in Item 3.A. of the Information Page and the Longshore and Harbor Workers' Compensation Act (33 USC Sections 901–950). It includes any amendments to those laws that are in effect during the policy period. It does not include any other federal workers or workmen's compensation law, other federal occupational disease law or the provisions of any law that provide nonoccupational disability benefits.

Part Two (Employers Liability Insurance), C. Exclusions., exclusion 8, does not apply to work subject to the Longshore and Harbor Workers' Compensation Act.

This endorsement does not apply to work subject to the Defense Base Act, the Outer Continental Shelf Lands Act, or the Nonappropriated Fund Instrumentalities Act.

## Schedule

State

**Longshore and Harbor Workers'  
Compensation Act Coverage Percentage**

The rates for classifications with code numbers not followed by the letter "F" are rates for work not ordinarily subject to the Longshore and Harbor Workers' Compensation Act. If this policy covers work under such classifications, and if the work is subject to the Longshore and Harbor Workers' Compensation Act, those non-F classification rates will be increased by the Longshore and Harbor Workers' Compensation Act Coverage Percentage shown in the Schedule.

**Notes:**

1. The Longshore and Harbor Workers' Compensation Act is a federal workers compensation law that applies to workers in maritime employments, including longshore, harborworkers, shipbuilders, shipbreakers and ship repairers. It does not apply to masters or crews of vessels. See the **Basic Manual User's Guide** for additional details. **In Minnesota, please refer to the Minnesota version of the Basic Manual.**
2. Use this endorsement to provide workers compensation insurance and employers liability insurance for work subject to the Longshore and Harbor Workers' Compensation Act in any state, including a monopolistic state fund state.
3. Coverage is provided in a state by naming the state in the Schedule.
4. The following entry may be typed or printed in the Schedule to provide coverage in Item 3.A. states:  
"Each state named in Item 3.A. of the Information Page."
5. The following entry may be typed or printed in the Schedule to provide coverage in Item 3.A. and 3.C. states:  
"Each state named in Item 3.A. or 3.C. of the Information Page."
6. **In order to conform each carriers' information page with other provisions of the Standard Workers' Compensation Policy, the Information Page must, at a minimum, comply with the sequence of Items 1 through 4 of WC 00 00 01 which may not be changed.**

**MARITIME COVERAGE ENDORSEMENT**

This endorsement changes how insurance provided by Part Two (Employers Liability Insurance) applies to bodily injury to a master or member of the crew of any vessel.

A. **How This Insurance Applies** is replaced by the following:

A. **How This Insurance Applies**

This insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must arise out of and in the course of the injured employee's employment by you.
2. The employment must be necessary or incidental to work described in Item 1 of the Schedule of the Maritime Coverage Endorsement.
3. The bodily injury must occur in the territorial limits of, or in the operation of a vessel sailing directly between the ports of, the continental United States of America, Alaska, Hawaii or Canada.
4. Bodily injury by accident must occur during the policy period.
5. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.
6. If you are sued, the original suit and any related legal actions for damages for bodily injury by accident or by disease must be brought in the United States of America, its territories or possessions, or Canada.

C. **Exclusions** is changed by removing exclusion 10 and by adding exclusions 13 and 14.

This insurance does not cover:

13. bodily injury covered by a Protection and Indemnity Policy or similar policy issued to you or for your benefit. This exclusion applies even if the other policy does not apply because of another insurance clause, deductible or limitation of liability clause, or any similar clause.
14. your duty to provide transportation, wages, maintenance and cure. This exclusion does not apply if a premium entry is shown in Item 2 of the Schedule.

D. **We Will Defend** is changed by adding the following statement:

We will treat a suit or other action in rem against a vessel owned or chartered by you as a suit against you.

G. **Limits of Liability**

Our liability to pay for damages is limited. Our limits of liability are shown in the Schedule. They apply as explained below.

1. Bodily Injury by Accident. The limit shown for "bodily injury by accident—each accident" is the most we will pay for all damages covered by this insurance because of bodily injury to one or more employees in any one accident.  
A disease is not bodily injury by accident unless it results directly from bodily injury by accident.
2. Bodily Injury by Disease. The limit shown for "bodily injury by disease—aggregate" is the most we will pay for all damages covered by this insurance because of bodily injury by disease to one or more employees. The limit applies separately to bodily injury by disease arising out of work in each state shown in Item 3.A. of the Information Page. Bodily injury by disease will be deemed to occur in the state of the vessel's home port.  
Bodily injury by disease does not include disease that results directly from a bodily injury by accident.
3. We will not pay any claims for damages after we have paid the applicable limit of our liability under this insurance.

## Schedule

1. Description of work:

2. Transportation, Wages, Maintenance and Cure Premium \$

3. Limits of Liability

Bodily Injury by Accident \$\_\_\_\_\_ each accident

Bodily Injury by Disease \$\_\_\_\_\_ aggregate

**Notes:**

1. Use this endorsement to afford maritime coverage under Program I or II, as described in the **Basic Manual User's Guide** in which the employer has maritime exposure and no Protection and Indemnity policy, or has a Protection and Indemnity policy that does not cover all its operations. **In Minnesota, please refer to the Minnesota version of the Basic Manual.**
2. Use Item 1 of the Schedule to describe the maritime operations that are to be insured by this endorsement. The description may include limitations by size, ownership or name of vessel and limitations by names of waterways to be used by the vessels.
3. Show a premium charge or other appropriate entry in Item 2 to provide coverage for transportation, wages, maintenance and cure. The premium charge for the exposure shall be determined by the carrier from its evaluation of the exposure presented by the risk.

**VOLUNTARY COMPENSATION MARITIME COVERAGE ENDORSEMENT**

This endorsement adds Voluntary Compensation Maritime Insurance to the policy.

**A. How This Insurance Applies**

This insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must be sustained by an employee who is a master or member of the crew of a vessel described in the Schedule.
2. The bodily injury must occur in employment that is necessary or incidental to work described in Item 2 of the Schedule.
3. The bodily injury must occur in the territorial limits of, or in the operation of a vessel sailing directly between the ports of, the continental United States of America, Alaska, Hawaii or Canada.
4. Bodily injury by accident must occur during the policy period.
5. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.

**B. We Will Pay**

We will pay an amount equal to the benefits that would be required of you if you and your employees described in Item 1 of the Schedule were subject to the workers compensation law shown in Item 1 of the Schedule. We will pay those amounts to the persons who would be entitled to them under that law.

**C. Exclusions**

This insurance does not cover:

1. any obligation imposed by a workers compensation or occupational disease law, or any similar law.
2. bodily injury intentionally caused or aggravated by you.

**D. Before We Pay**

Before we pay benefits to the persons entitled to them, they must:

1. release you and us, in writing, of all responsibility for the injury or death.
2. transfer to us their right to recover from others who may be responsible for the injury or death.
3. cooperate with us and do everything necessary to enable us to enforce the right to recover from others.

If the persons entitled to the benefits of this insurance fail to do those things, our duty to pay ends at once. If they claim damages from you or from us for the injury or death, our duty to pay ends at once.

**E. Recovery From Others**

If we make a recovery from others, we will keep an amount equal to our expenses of recovery and the benefits we paid. We will pay the balance to the persons entitled to it. If the persons entitled to the benefits of this insurance make a recovery from others, they must reimburse us for the benefits we paid them.

## Schedule

1. **Employees****Workers Compensation Law**

Master and members of the crews of these vessels

## 2. Description of Work:

**Notes:**

1. Use this endorsement to provide Voluntary Compensation Insurance under Program II as described in the **Basic Manual User's Guide** for masters and members of the crews of vessels. **In Minnesota, please refer to the Minnesota version of the **Basic Manual**.**
2. This endorsement provides voluntary compensation to the employees described in the Schedule. Employees are described by naming or describing the vessel to which they are attached.
3. When this endorsement is used, the Maritime Coverage Endorsement must also be attached to the policy.

**DESIGNATED WORKPLACES EXCLUSION ENDORSEMENT**

The policy does not cover work conducted at or from \_\_\_\_\_.

**Notes:**

1. Use this endorsement to exclude designated workplaces only when it is proper to do so under the workers compensation law. The use of this endorsement is also limited by Note 2.
2. Use the blank space in the endorsement to carefully describe the work or workplace to be excluded.
  - a. Example excluding an office address:  
(Street, City, State)
  - b. Example excluding a construction site:  
"or in connection with the construction of . . ." (describe the project, location, contract, etc.)
  - c. Example covering a location and excluding all others within a state:  
"any place in the State of \_\_\_\_\_ except (Street, City)."
  - d. Example excluding work insured by another policy:  
"any workplace covered by insurance policy number \_\_\_\_\_ issued by Blank Insurance Company."
3. Kansas employers must comply with requirements of the Kansas Workers' Compensation Act by insuring all employees whether one or more policies are issued to the same employer. This Note does not apply in Minnesota.
4. In Minnesota this form is required for use with Wrap-Up Construction Projects. See Rule 3.A.19.c.(3)-VII.G.3 in the Minnesota version of the **Basic Manual**.



**VOLUNTARY COMPENSATION AND EMPLOYERS LIABILITY COVERAGE ENDORSEMENT**

This endorsement adds Voluntary Compensation Insurance to the policy.

**A. How This Insurance Applies**

This insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must be sustained by an employee included in the group of employees described in the Schedule.
2. The bodily injury must arise out of and in the course of employment necessary or incidental to work in a state listed in the Schedule.
3. The bodily injury must occur in the United States of America, its territories or possessions, or Canada, and may occur elsewhere if the employee is a United States or Canadian citizen temporarily away from those places.
4. Bodily injury by accident must occur during the policy period.
5. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.

**B. We Will Pay**

We will pay an amount equal to the benefits that would be required of you if you and your employees described in the Schedule were subject to the workers compensation law shown in the Schedule. We will pay those amounts to the persons who would be entitled to them under the law.

**C. Exclusions**

This insurance does not cover:

1. any obligation imposed by a workers compensation or occupational disease law, or any similar law.
2. bodily injury intentionally caused or aggravated by you.

**D. Before We Pay**

Before we pay benefits to the persons entitled to them, they must:

1. Release you and us, in writing, of all responsibility for the injury or death.
2. Transfer to us their right to recover from others who may be responsible for the injury or death.
3. Cooperate with us and do everything necessary to enable us to enforce the right to recover from others.

If the persons entitled to the benefits of this insurance fail to do those things, our duty to pay ends at once. If they claim damages from you or from us for the injury or death, our duty to pay ends at once.

**E. Recovery From Others**

If we make a recovery from others, we will keep an amount equal to our expenses of recovery and the benefits we paid. We will pay the balance to the persons entitled to it. If the persons entitled to the benefits of this insurance make a recovery from others, they must reimburse us for the benefits we paid them.

**F. Employers Liability Insurance**

Part Two (Employers Liability Insurance) applies to bodily injury covered by this endorsement as though the State of Employment shown in the Schedule were shown in Item 3.A. of the Information Page.

## Schedule

EmployeesState of EmploymentDesignated Workers  
Compensation Law

## Notes:

1. Use this endorsement to afford voluntary compensation coverage pursuant to the **Basic Manual User's Guide**. In Minnesota, please refer to the **Minnesota version of the Basic Manual**.
2. Use Voluntary Compensation Maritime Endorsement to provide Voluntary Compensation Coverage under Program II as described in the **Basic Manual User's Guide**. In Minnesota, please refer to the **Minnesota version of the Basic Manual**.
3. Work in a monopolistic state fund state should not be included in the Schedule unless employers liability coverage is provided in that state by the Employers Liability Coverage Endorsement.
4. This endorsement may only be used in accordance with the provisions of MS 176.041 in Minnesota. Minnesota statutes 176.041 lists persons excluded from mandatory coverage under the Minnesota Workers' Compensation Act. This endorsement provides the listed coverage for persons not provided benefits under that act. This endorsement provides the designated coverage for persons listed on this endorsement.
5. Various uses of this endorsement are illustrated below.

## Schedule

EmployeesState of EmploymentDesignated Workers  
Compensation Law

All officers and employees not subject to the workers compensation law.

All domestics, farm and agricultural workers.

All partners of the insured partnership.

Any state shown in Item 3.A. of the Information Page.

Utah

Kansas

The state where the injury takes place.

Utah

Kansas

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POLICY PERIOD ENDORSEMENT

The policy period shown in Item 2 of the Information Page consists of the consecutive periods shown in the Schedule. Our Manuals and all provisions of the policy apply separately to each period.

## Schedule

From \_\_\_\_\_ to \_\_\_\_\_ 12:01 a.m.

From \_\_\_\_\_ to \_\_\_\_\_ 12:01 a.m.

From \_\_\_\_\_ to \_\_\_\_\_ 12:01 a.m.

**Notes:**

1. Use this endorsement if the policy period is longer than one year and sixteen days and does not consist of complete twelve-month periods.
2. The **Basic Manual**—Anniversary Rating Date (ARD) requires that this endorsement must show which period, the first or the last, is to be less than twelve months. **In Minnesota, refer to the *Minnesota Basic Manual*.**

**PREMIUM DISCOUNT ENDORSEMENT**

The premium for this policy and the policies, if any, listed in Item 3 of the Schedule may be eligible for a discount. This endorsement shows your estimated discount in Items 1 or 2 of the Schedule. The final calculation of premium discount will be determined by our manuals and your premium basis as determined by audit. Premium subject to retrospective rating is not subject to premium discount.

## Schedule

- |          |                                   |           |             |         |
|----------|-----------------------------------|-----------|-------------|---------|
| 1. State | <b>Estimated Eligible Premium</b> |           |             |         |
|          | First                             | Next      | Next        | Balance |
|          | \$10,000                          | \$190,000 | \$1,550,000 |         |
2. Average percentage discount: \_\_\_\_\_%
3. Other policies:
4. If there are no entries in Items 1, 2 and 3 of the Schedule, see the Premium Discount Endorsement attached to your policy number:

**Notes:**

1. Use this endorsement to show the application of the Premium Discount Rule in the **Basic Manual** Rule, or to identify the insured's policy that shows the application of the Discount Rule. In Minnesota, please refer to the **Minnesota** version of the **Basic Manual**.
2. Do not make entries in Items 1, 2 or 3 if a policy number is to be shown in Item 4.
3. The company has the option of replacing Item 1 with the appropriate Table in use by the company. The company may also revise Item 1 to conform to **Basic Manual** rules applicable to certain states. In Minnesota, the values listed in Item 1 do not apply. The company must use the Table filed by the company with the Minnesota Commerce Department.
4. Item 2 may be used if all eligible premium is developed in one or more states using the same discount.
5. Item 3 is available to list all policies that are combined under the Discount Rule.
6. Use Item 4 if premium discount is shown on another policy issued to the insured.
7. The NCCI has published this as an Advisory form. In Minnesota, all filed forms are considered Standard.

**PREMIUM DETERMINATION ENDORSEMENT—FORMER SELF-INSURERS 1**

1. This endorsement is added to Part 5 (Premium). It determines the premium you will pay for the insurance afforded by this policy with respect to operations in each of the states listed below.
2. The premium for this policy is the sum of:
  - a. the total premium determined by all provisions of this policy;
  - b. the insurance charge; and
  - c. the rating plan losses which are paid from the rating plan deposit.
3. "State standard premium" is the premium, before applying any discounts, for the insurance for each state listed below, as determined by all provisions of the policy other than this endorsement.
4. "Total standard premium" is the sum of the standard premiums.
5. "Insurance charge" is an amount equal to 10% of the total standard premium. It is payable in advance, cannot be refunded to you and is calculated on the basis of the higher of either the average of the last three years' audited payrolls or the last complete year's payroll. Payrolls will be determined consistent with **Basic Manual** Rules.
6. "Rating plan deposit" is an amount equal to 50% of the total standard premium. It is payable in advance and is calculated on the basis of the higher of either the average of the last three years' audited payrolls or the last complete year's payroll. Payrolls will be determined consistent with **Basic Manual** Rules.

The rating plan deposit will be posted by you in the form of an irrevocable letter of credit or deposited by you in a trusted account. The form of the letter or the account, and the financial institution with whom the account is held, must be acceptable to us.

We will use the rating plan deposit to pay rating plan losses. Any unused portion of the rating plan deposit will be returned to you no sooner than thirty months after this endorsement is terminated.
7. "Rating plan losses" are incurred losses in excess of the sum of the permissible losses for each state. The permissible losses for each state are determined by multiplying the expected loss ratio by the standard premium for each state. The expected loss ratio is the percentage shown for each state below.

We will calculate rating plan losses upon incurred losses valued as of dates to be determined by the company, but not less frequently than six months after the end of the policy and annually thereafter. The calculations will continue until: a) all claims have been closed; b) it is apparent that the rating plan losses will exceed the rating plan deposit; or c) you and we agree that all incurred losses are final.
8. Incurred losses are the sum of:
  - a. all amounts we pay for losses, including medical;
  - b. reserves we estimate for unpaid losses;
  - c. interest on a judgment as required by law;
  - d. Employers Liability allocated loss adjustment expenses; and
  - e. expenses incurred in recovering against a third party.

9. If either you or we cancel this policy;
- the insurance charge and rating plan deposit will be based upon the total standard premium the policy would have earned if the policy had not been canceled;
  - the insurance charge will be fully earned and retained by us; and
  - the rating plan deposit will remain available to us as provided by this endorsement.

## List of States

## State

## Expected Loss Ratio

## Notes:

- This endorsement must be used when insuring employers for exposures which were self-insured within twelve months prior to the application for initial coverage or which were subject to this endorsement on the employer's expiring policy. It applies to assigned risk business only. (Refer to Pool Procedural Handbook for details.) The highlighted portion of this 'Note' does not apply in Minnesota.
- This endorsement **shall not** be used:
  - if the employer is a self-rated risk, as determined by the applicable workers compensation insurance rating organization's filed experience rating plan;
  - on a policy subject to retrospective rating; or
  - for more than three consecutive years for the same employer.
- An employer's newly commenced operations in a state listed above are subject to this endorsement.
- The company shall audit an insured's operations upon receipt of notice from the Administrative Office and prior to binding coverage.
- The company may use its own attachment clause and method of execution.
- In Minnesota, the reference to **Basic Manual** in Items 5 and 6 refers to the **Minnesota** version of the **Basic Manual**.

**PREMIUM DETERMINATION ENDORSEMENT—FORMER SELF-INSURERS 2**

1. This endorsement is added to Part 5 (Premium). It determines the premium you will pay for the insurance afforded by this policy with respect to operations in each of the states listed below.
2. The premium for this policy is the sum of:
  - a. the total premium determined by all provisions of this policy;
  - b. the rating plan losses which are paid from the rating plan deposit.
3. "State standard premium" is the premium, before applying any discounts, for the insurance for each state listed below, as determined by all provisions of the policy other than this endorsement.
4. "Total standard premium" is the sum of the standard premiums.
5. "Rating plan deposit" is an amount equal to 60% of the total standard premium. It is payable in advance and is calculated on the basis of the higher of either the average of the last three years' audited payrolls or the last complete year's payroll. Payrolls will be determined consistent with **Basic Manual** Rules.

The rating plan deposit will be posted by you in the form of an irrevocable letter of credit or deposited by you in a trusted account. The form of the letter or the account, and the financial institution with whom the account is held, must be acceptable to us.

We will use the rating plan deposit to pay rating plan losses. Any unused portion of the rating plan deposit will be returned to you no sooner than thirty months after this endorsement is terminated.
6. "Rating plan losses" are incurred losses in excess of the sum of the permissible losses for each state. The permissible losses for each state are determined by multiplying the expected loss ratio by the standard premium for each state. The expected loss ratio is the percentage shown for each state below.

We will calculate rating plan losses upon incurred losses valued as of dates to be determined by the company, but not less frequently than six months after the end of the policy and annually thereafter. The calculations will continue until: a) all claims have been closed; b) it is apparent that the rating plan losses will exceed the rating plan deposit; or c) you and we agree that all incurred losses are final.
7. Incurred losses are the sum of:
  - a. all amounts we pay for losses, including medical;
  - b. reserves we estimate for unpaid losses;
  - c. interest on a judgment as required by law;
  - d. Employers Liability allocated loss adjustment expenses; and
  - e. expenses incurred in recovering against a third party.
8. If either you or we cancel this policy:
  - a. the rating plan deposit will be based upon the total standard premium the policy would have earned if the policy had not been canceled; and
  - b. the rating plan deposit will remain available to us as provided by this endorsement.

State	List of States	Expected Loss Ratio
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**Notes:**

1. This endorsement must be used when insuring employers for exposures which were self-insured within twelve months prior to the application for initial coverage or which were subject to this endorsement on the employer's expiring policy. It applies to assigned risk business only. (Refer to Pool Procedural Handbook for details.) The highlighted portion of this Note does not apply in Minnesota.
2. This endorsement **shall not** be used:
  - a. if the employer is a self-rated risk, as determined by the applicable workers compensation insurance rating organization's filed experience rating plan;
  - b. on a policy subject to retrospective rating; or
  - c. for more than three consecutive years for the same employer.
3. An employer's newly commenced operations in a state listed above are subject to this endorsement.
4. The company shall audit an insured's operations upon receipt of notice from the Administrative Office and prior to binding coverage.
5. In Minnesota, the reference to **Basic Manual** in Item 5 refers to the Minnesota version of the **Basic Manual**.