

TABLE OF CONTENTS

SECTION I - GENERAL RULES ER-1

 A. APPLICATION OF THIS PLAN ER-1

 B. POLICY PERIOD ER-1

 C. ANNIVERSARY RATING DATE ER-1

 1. Definition ER-1

 2. Amendments ER-2

 3. Long Term Policies ER-2

 4. Multiple Policies ER-2

 5. Establishing a New Date ER-2

 D. APPEAL PROVISION ER-2

SECTION II - DEFINITIONS ER-3

 A. CERTIFIED SELF-INSURER ER-3

 B. COMMISSIONER ER-3

 C. DEPARTMENT ER-3

 D. ENTITY ER-3

 E. EXPERIENCE ER-3

 F. FILED RATE ER-3

 G. RISK ER-3

 H. SUBSTANTIAL CHANGE OF OPERATIONS ER-3

SECTION III - ELIGIBILITY AND EXPERIENCE ER-4

 A. ELIGIBILITY REQUIREMENTS ER-4

 B. EXPERIENCE PERIOD ER-4

 C. MULTIPLE POLICY RISKS ER-4

 D. EXPERIENCE TO BE USED ER-4

 E. SELF-INSURERS ER-4

 F. COST PLUS CONTRACTS ER-5

 G. JOINT VENTURES ER-5

SECTION IV - OWNERSHIP ER-6

 A. OWNERSHIP INTEREST ER-6

 B. COMBINATION OF ENTITIES ER-6

 C. MERGER OR CONSOLIDATION ER-7

 1. Merger ER-7

 2. Consolidation ER-7

 D. CHANGE OF OWNERSHIP ER-7

 1. Continuation of Experience ER-7

 2. Exclusion of Experience ER-7

 3. Final Determination ER-8

 E. DISCONTINUED OPERATIONS ER-8

 F. CHANGES IN MANAGEMENT OR OPERATIONS ER-8

 G. OWNERSHIP FILING REQUIREMENT ER-8

| | |
|---|-------|
| SECTION V - APPLICATION OF EXPERIENCE MODIFIER | ER-9 |
| A. EXPERIENCE MODIFIER-PERIOD EFFECTIVE | ER-9 |
| B. APPLICATION OF EXPERIENCE MODIFIER TO A SINGLE POLICY | ER-9 |
| C. APPLICATION OF EXPERIENCE MODIFIER TO MULTIPLE POLICY RISKS | ER-10 |
| D. APPLICATION OF EXPERIENCE MODIFIER TO AN EMPLOYEE PROVIDER FIRM/CLIENT COMPANY | ER-10 |
| E. INITIAL AND RENEWAL MODIFIERS | ER-11 |
| F. CONTINGENT MODIFIERS | ER-11 |
| G. REVISION OF EXPERIENCE MODIFIERS..... | ER-11 |
| H. PRELIMINARY MODIFIERS..... | ER-12 |
| | |
| SECTION VI - TABULATION OF EXPERIENCE | ER-13 |
| A. EXPERIENCE USED FOR RATING..... | ER-13 |
| B. RATING FORMS..... | ER-13 |
| C. PAYROLLS | ER-13 |
| D. LOSSES | ER-13 |
| E. LIMITATION ON TOTAL LOSSES USED IN A RATING..... | ER-13 |
| 1. Accidents Involving Two or More Persons | ER-13 |
| 2. Disease Losses | ER-13 |
| F. REVISION OF LOSSES..... | ER-14 |
| G. THIRD PARTY AND LIABILITY-OVER CASES | ER-14 |
| 1. Pending Cases | ER-14 |
| 2. Settled Cases - Other than Liability-Over..... | ER-14 |
| 3. Settled Cases - Liability-Over | ER-15 |
| | |
| SECTION VII - EXPERIENCE MODIFIER FORMULA | ER-16 |
| A. PRIMARY ACTUAL LOSSES | ER-16 |
| B. EXPECTED LOSS RATE | ER-16 |
| C. DISCOUNT RATIO (D RATIO) | ER-16 |
| D. BALLAST VALUE (B VALUE)..... | ER-16 |
| E. WEIGHTING VALUE (W VALUE)..... | ER-16 |
| F. EXPERIENCE MODIFIER FORMULA..... | ER-16 |
| G. CAPPED MODIFIER..... | ER-16 |
| | |
| SECTION VIII - UNITED STATES LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT COVERAGE | ER-17 |
| | |
| SECTION IX- RATING DATA | ER-18 |
| | |
| SECTION X - EMPLOYERS' LIABILITY COVERAGE | ER-19 |
| | |
| SECTION XI- NATIONAL DEFENSE PROJECTS RATING PLAN: ATOMIC ENERGY | ER-19 |
| | |
| SECTION XII- FEDERAL MINE SAFETY AND HEALTH ACT | ER-19 |

SECTION XIII- AIRCRAFT OPERATION - TRANSPORTATION ER-19

SECTION XIV – TERRORISM PREMIUM..... ER-19

**SECTION XV- FORMS APPLICABLE FOR USE IN CONNECTION WITH
THE EXPERIENCE RATING PLAN** ER-19

TABLE I - PRIMARY RATING VALUES OF ACTUAL LOSSES ER-20

TABLE II - EXPECTED LOSS RATES AND DISCOUNT RATIOS..... ER-21

TABLE III - W AND B VALUES ER-31

TEXAS SUPPLEMENT TO EXPERIENCE RATING PLAN ER-S-1

- A. RISK..... ER-S-1
- B. ELIGIBILITY ER-S-1
- C. NOTIFICATION OF COVERAGE ER-S-1
- D. RATING DATE ER-S-1
- E. TABULATION OF EXPERIENCE ER-S-1
- F. NEGOTIATED MODIFIER ER-S-1
- G. EXPLANATION OF TERMS ER-S-1
 - 1. Weighting Value ER-S-1
 - 2. Ballast Value..... ER-S-1
- H. INTERSTATE MODIFIER ER-S-1
- I. SINGLE OVERALL EXPERIENCE MODIFIER ER-S-1
- J. SEPARATE STATE EXPERIENCE MODIFIER ER-S-2

TEXAS EXPERIENCE RATING PLAN

SECTION I - GENERAL RULES

These rules govern the experience rating procedure to be followed in connection with Workers' Compensation and Employers' Liability coverage.

A. APPLICATION OF THIS PLAN

The application of this Plan is mandatory for all eligible insureds. Any action taken to evade the application of an experience modifier will be subject to investigation by the Department and action permitted by law may be taken.

At least 60 days prior to the anniversary rating date, the company insuring all or part of a risk shall make available a copy of the experience modifier calculation, free of charge, to the insured. A plain language transmittal letter shall be sent to the insured explaining the modifier calculation, the insured's right of appeal, and advising that one copy of the unit statistical data used in the calculation will be furnished to the insured upon request, at no charge. *

If entities combinable for experience rating purposes are written by more than one insurance company, the insurance company writing the policy with the greatest amount of premium is responsible for calculating the experience modifier using all of the experience for all of the combinable entities.

Each insuring company shall file a copy of its standard transmittal letter and experience rating form, if other than ERM-1.2, with the Department prior to use. Such forms and letters may be disallowed by the Commissioner.

The insuring company for the policy in effect on the anniversary rating date is responsible for furnishing, free of charge, one copy of the modifier calculation to the producer of record for that policy within ten (10) working days of the modifier being calculated or received by the company.

Upon receipt of a written request, an insurance company must provide unit statistical data to the insurance company responsible for calculating the experience modifier for an insured or to the entity that calculates experience modifiers on behalf of that insurance company. In addition, upon request, an insurance company must provide a copy of the modifier calculation of an insured to another insurance company. All requests must include either the current

policy information page for the insured or a letter of authority signed by the insured. A request for data shall be responded to in a timely manner, but in all instances within 30 days of receipt of the request. No charge may be made for this information.

No experience modifier once promulgated shall be withdrawn unless additional information is furnished, showing that a gross injustice has been done either the insured or the company, or unless material error has been made. Provisions of this rule may be applied regardless of any rule in this plan.

Note: "Test modifiers" cannot be applied to the policy in determining premium and cannot be negotiated.

B. POLICY PERIOD

These rules apply to policies issued for a period of one year. Policies written for periods of more than one year, shall be considered as consisting of consecutive units of 12 months. If the period of coverage is not a multiple of 12 months the first or last unit shall be considered as a short term policy. If coverage is written for a period of more than one year but not more than one year and 16 days, the period shall be considered as a unit of coverage.

Each unit as defined above shall be considered as a unit of coverage. Each unit shall be subject separately to all of the rules and procedures specified in this Plan to the same degree as if it actually constituted a separate policy.

If the policy period is more than one year and 16 days, an endorsement shall be attached to the policy specifying the first or last unit as a short term policy.

C. ANNIVERSARY RATING DATE

1. Definition

The anniversary rating date is the effective month and day of the policy in effect and each annual anniversary thereafter. The insuring company responsible for calculating the experience modifier for the risk is also responsible for establishing the anniversary rating date. A material change of ownership accompanied by a substantial change in operations may cause a new anniversary rating date to be established.

If a policy is affected by more than one experience rating period attach the Texas Anniversary Rating Date Endorsement (WC 42 04 02).

2. Amendments

This Plan and all amendments shall apply as of the anniversary rating date of the risk which is on or after the effective date of the change, unless otherwise noted.

3. Long Term Policies

For application of anniversary rating dates on policies issued for a term in excess of one year, refer to Rule III-C. of the Rules for Workers' Compensation and Employers' Liability Insurance.

4. Multiple Policies

When separate policies are issued for two or more entities that are combinable, a single anniversary rating date shall be applicable for all policies, based on the anniversary rating date of the policy for the entity having the longest continuous coverage. When two or more policies with varying effective dates are issued for different operations of the same entity, the anniversary rating date is based on the policy having the longest continuous coverage.

5. Establishing a New Date

A different anniversary rating date can be established if:

*

- a. a policy runs for one full year with an effective date different than the current anniversary rating date,
- b. there is a lapse in workers' compensation coverage for a risk of more than one year, or
- c. a material change of ownership accompanied by a substantial change in operations occurs.

D. APPEAL PROVISION

Any issue that arises as a result of a rule set forth in this Plan that cannot be resolved to the satisfaction of all affected parties shall be resolved through the following process:

1. The parties shall first attempt in good faith to resolve the dispute on their own.
2. Either party may then file a written request for a ruling by the Deputy Commissioner of Workers' Compensation that fully explains that party's position. The Deputy Commissioner will allow the parties to informally provide arguments, either in person or by telephone. The Deputy Commissioner shall issue a ruling in writing and shall inform the parties of their right to appeal, the deadlines to appeal and the right to waive a hearing.
3. Either party may appeal the decision of the Deputy Commissioner to the Commissioner of Insurance by filing a written appeal with the Chief Clerk's office within 30 days of receipt of the ruling. The appeal shall be *de novo* and the hearing will be conducted by the State Office of Administrative Hearings. If all parties file a waiver of hearing, no hearing will be held and the Commissioner will issue a decision based on the written arguments of the parties.

SECTION II - DEFINITIONS

A. CERTIFIED SELF-INSURER *

A certified self-insurer is an employer that has a certificate to self-insure from the Texas Workers' Compensation Commission.

B. COMMISSIONER *

Commissioner shall mean the Commissioner of Insurance.

C. DEPARTMENT *

Department shall mean the Texas Department of Insurance.

D. ENTITY *

Entity shall mean an individual, partnership, limited partnership, limited liability company, joint venture, corporation, association, or a fiduciary (e.g., trustee, receiver or executor).

E. EXPERIENCE *

Experience shall mean the record established by a risk under a standard Workers' Compensation and Employers' Liability Insurance policy as disclosed by the losses incurred by the insurance company or companies and the payrolls or other exposures separated according to classification of operations.

If a classification assigned to a risk is revised or modified other than as the result of a change in operations, the classification used in the experience period shall similarly be reassigned and the experience modifier recalculated.

Note: For special provisions applicable to self-insurer's data, see Section III, Rule E.

F. FILED RATE *

Filed rate shall mean the rate filed by the insurance company in accordance with Department requirements unless or until such rate has been disapproved.

G. RISK *

Risk as used in this Plan shall mean:

1. A single entity;
2. Two or more entities which qualify for combination under the rules of Section IV of this Plan;

regardless of whether insurance coverage is provided by one or more policies.

H. SUBSTANTIAL CHANGE OF OPERATIONS *

Substantial change of operations shall mean a change in the type of business enterprise in which an entity is engaged. Such a change may include but is not limited to a change in the entity's workers' compensation governing classification or a change in products or services produced by the entity.

SECTION III - ELIGIBILITY AND EXPERIENCE

A. ELIGIBILITY REQUIREMENTS

* In order to determine eligibility for experience rating, only premium developed under a standard Workers' Compensation and Employers' Liability Insurance Policy or a certified self-insurer for the actual policy period shall be used.

A risk shall qualify for rating under this Plan:

1. If the payrolls developed during the last year of the experience period produced a premium of at least \$10,000 or
2. If the payrolls developed during the last two or more years of the experience period produced an average annual premium of at least \$5,000.

Note: The "annual" premium of a "seasonal" or "job contracting" policy in force for a "short term" shall be determined by applying rates to the earned payroll for the period the policy was in force.

B. EXPERIENCE PERIOD

The experience period shall be no less than 12 months and not more than three and three-quarters (3-3/4) years. The experience period generally consists of three completed years of experience ending one year prior to the effective date of the modifier.

Example: Rating effective 7-1-93

| | | |
|--------|----|--------|
| 7-1-89 | to | 7-1-90 |
| 7-1-90 | to | 7-1-91 |
| 7-1-91 | to | 7-1-92 |

Extension of the experience period to a maximum of three and three-quarters (3-3/4) years is allowed only under the following circumstances:

1. If the earliest policy period falls outside the normal three year period and its inclusion does not result in an experience period exceeding three and three-quarters (3-3/4) years.

Example: Rating effective 7-1-93

| | | |
|---------|----|---------|
| 10-1-88 | to | 10-1-89 |
| 10-1-89 | to | 7-1-90 |
| 7-1-90 | to | 7-1-91 |
| 7-1-91 | to | 7-1-92 |

2. If the earliest policy period is preceded by a short term policy and its inclusion does not result in an experience period exceeding three and three-quarters (3-3/4) years.

Example: Rating effective 7-1-93

| | | |
|---------|----|--------|
| 11-1-88 | to | 7-1-89 |
| 7-1-89 | to | 7-1-90 |
| 7-1-90 | to | 7-1-91 |
| 7-1-91 | to | 7-1-92 |

Note: Experience must be valued at least three months prior to the rating date, as provided in Section VI Rule A.

C. MULTIPLE POLICY RISKS

For risks involving two or more policies with varying expiration dates, the experience period rule applies.

D. EXPERIENCE TO BE USED

* The entire experience of the risk incurred within the experience period on all its operations developed on a standard Workers' Compensation and Employers' Liability Insurance Policy shall be reported to the designated statistical agent and used in calculating an experience modifier unless excluded by this Plan or by the Department. The experience incurred by self-insurers shall be used in calculating an experience modifier in accordance with the provisions in Rule E. of this Section.

Experience data from insurance companies in receivership, in liquidation or that have discontinued business will be accepted, only if subject to verification and removal of all doubt as to accuracy and completeness of information.

E. SELF-INSURERS

- * 1. The experience of certified self-insurers may be used in calculating experience modifiers only when the operations that produced such experience are subsequently insured under a standard Workers' Compensation and Employers' Liability Insurance Policy. The experience of certified self-insurers must be submitted on approved forms giving definite information with respect to payroll and losses on Texas operations. (Refer to Forms ERM-6A, 6B, 6C.)

*

- 2. The entire experience incurred during the experience period shall be used in calculating experience modifiers of political subdivisions that have been self-insured in pools or funds which have adopted this Plan as prescribed by the Department. Such risks must be subsequently insured under a standard Workers' Compensation and Employers' Liability Insurance Policy.

*
*

F. COST PLUS CONTRACTS

When a contractor performs a construction job on a cost plus basis and a policy is issued to cover the insurable interest of both the contractor and the principal, the contractor's experience modifier shall apply to the policy and the experience incurred under such policy shall be considered to be the experience of the contractor.

G. JOINT VENTURES

Two or more contractors, not combinable for experience rating under the rules of this Plan, may associate for the purpose of undertaking one or more construction, erection or demolition projects as a joint venture. The premium for the operations involved in such venture shall be subject to an experience modifier, which shall be the arithmetical average of the experience modifiers of the joint venturers. A unity (1.00) for the experience modifier will be used for

any contract venturer who is not subject to experience rating. To qualify for experience rating as a joint venture the following conditions must be met:

1. The contract(s) shall be awarded in the name of the associated contractors as a joint venture.
2. The joint ventures shall share responsibility for, and participate in, the control, direction and supervision of all work undertaken.
3. The joint ventures shall maintain a common bank account, payroll and business records.

Once the above qualifications are met, the premium for all operations subject to the joint venture shall be subject to an experience modifier as of the effective date of the initial policy covering the joint venture. An experience modifier shall be applied for a period of 12 months.

Renewal modifiers shall be applied in the same manner as described above, until such time as the joint venture qualifies to be experience rated based on its own experience.

Future experience ratings shall be based exclusively on the experience of the joint venture.

Note: The experience developed under a joint venture shall be excluded from ratings of the individual contractors.

SECTION IV - OWNERSHIP

In the term "majority interest", as used in this rule, "Majority" shall mean more than 50%.

A. OWNERSHIP INTEREST:

1. of any corporation shall be determined on the basis of the ownership of the issued voting stock of any such corporation.
2. if there is no issued voting stock, shall be determined on the basis of its members, if the entity is other than a partnership.
3. if there is neither issued voting stock nor members, shall be determined on the basis of the board of directors or comparable governing body, if the entity is other than a partnership.
- * 4. of any partnership, other than a limited partnership, shall be determined in accordance with the participation of each partner in the profits of the partnership.
5. of any limited partnership shall be determined in accordance with the participation of each general partner in the profits of the general partners of the limited partnership. Limited partners are not considered in determining ownership interest.
6. shall be deemed to be vested in a fiduciary when a fiduciary is involved. However, "fiduciary" shall not include a debtor in possession, a trustee under a revocable trust or a franchiser. Ownership interest held by an entity in a fiduciary capacity and ownership interest held by the same entity in a non-fiduciary capacity shall be deemed to be ownership interest of the same entity. Professional executors and trustees are exceptions to this rule.

Note 1: No change of ownership interest shall be deemed to occur upon demise of an owner who is a natural person until 60 days after such death. If during such 60 day period a personal representative is appointed by process of law ("personal representative" as used herein shall not include an unqualified community survivor) who is not an heir to nor a devisee of any part of the ownership interest, no change of ownership interest shall be deemed to occur until one of the following events occurs:

- a. The personal representative delivers possession of part or all of the ownership interest to an heir or devisee.
- b. The personal representative conveys part or all of the ownership interest to a person other than an heir or devisee, or such conveyance occurs by operations of law.
- c. Expiration of the eighteenth month since the death of an owner.

Note 2: For the purpose of the Plan and as respects the definition of "entity" or "majority interest," only those ownerships shown on the books and records of the insurable entities are involved. Ownership held in the name of a spouse of an existing marriage without designation that such ownership or part thereof is separate property shall be presumed to be community property of both spouses. Where ownership is community property it shall be dealt with as though each spouse holds an equal interest shown on the books and records of the insurable entities even though such books and records actually only show the name of one spouse.

B. COMBINATION OF ENTITIES

1. Two or more entities shall be combined for rating purposes when the same person or group of persons or entity owns a majority interest in each entity.
2. If an entity owns a majority interest in another entity which in turn owns the majority interest in another entity, all entities so related shall be combined regardless of the number of entities in succession.
3. If an entity other than a partnership
 - a. has issued voting stock, majority interest shall mean a majority of the issued voting stock;
 - b. has not issued voting stock, majority interest shall mean a majority of the members;
 - c. has not issued voting stock and has no members, majority interest shall mean a

majority of the board of directors or comparable governing body.

4. If an entity is a partnership, other than a limited partnership, majority interest shall be determined in accordance with the participation of each partner in the profits of the partnership. *
5. If an entity is a limited partnership, majority interest shall be determined in accordance with the participation of each general partner in the profits of the general partners of the limited partnership. Limited partners are not considered in determining majority interest.

Note: If two or more different combinations are possible in accordance with provisions of this rule, the combination involving the greatest number of entities shall be made. The experience of any entity used in such a combination shall not otherwise be used in combination with any other entity.

The experience to be used in a rating combination shall be subject to the provisions of the rule "Change of Ownership" of this section.

C. MERGER OR CONSOLIDATION

1. Merger

If two or more entities are merged so that the ownership interest (as defined in Rule A. of this Section) of all entities is combined in the surviving entity, the incurred experience of all such merged entities shall be used for experience rating the surviving entity.

2. Consolidation

If two or more entities are consolidated by replacing them with a new entity combining the ownership interest (as defined in Rule A. of this Section) of the prior entities, the incurred experience of all such consolidated entities shall be used for experience rating the new entity.

D. CHANGE OF OWNERSHIP

Changes in ownership interest may affect the continued use of an entity's experience in future experience ratings. Based on the rules of this section of the Plan, when a change occurs, a determination shall be made to exclude or retain an entity's experience.

For purposes of this Plan, a change in ownership includes any of the following:

- (1) sale, transfer or conveyance of all or a portion of an entity's ownership interest.
- (2) sale, transfer or conveyance of an entity's physical assets to another entity which takes over its operations.
- (3) formation of a new entity subsequent to the dissolution or non-operative capacity of an entity.
- (4) voluntary or court mandated establishment of a trustee or receiver, excluding a debtor in possession, a trustee under a revocable trust or a franchisor.

1. Continuation of Experience

Unless excluded under Rule 2. below, the experience for any entity undergoing a change in ownership shall be transferred to the experience ratings of the acquiring, surviving or new entity.

Exception:

If an entity disposes of part of its operations but otherwise continues to operate its business, or if a multiple entity risk disposes of one or more entities whose statistical data has been combined on a single policy, the experience shall continue to be used in future experience ratings of the seller unless the appropriate experience to provide for transfer of the data to the acquiring entity is furnished.

2. Exclusion of Experience

The experience for any entity undergoing a change in ownership shall be excluded from future experience ratings only if each of the following conditions are met.

- a. The change must be a material change such that the:
 - (i) entire ownership interest after the change had no ownership interest before the change, or
 - (ii) the collective ownership of all those having an interest in an entity both before the change and after the change

amounts to either less than 1/3 ownership before the change, or less than 1/2 ownership after the change.

- b. The material change in ownership is accompanied by a substantial change in operations within 90 days of the material change in ownership.

If the experience of an entity is to be excluded, then no experience modifier applies as of the date of the change, unless the entity is acquired by another entity that has an existing experience modifier. If so, then that experience modifier is applicable as of the date of change.

*

3. Final Determination

In all cases of a change in control, management, name, operations, or ownership of a risk, incurred experience shall be used in future ratings until such time that the insuring company receives information from the risk adequate to make a final determination regarding the application of this Rule. Upon a final determination regarding the application of this Rule, only the current modifier or the renewal modifier shall be revised.

Note: In the application of this Rule an analysis shall be made to determine: (1) the individual holding ownership interests in any entity, whether the entity is the one being rated or any other entity in any way connected, directly or indirectly, in any chain of ownership with the risk being rated; and (2) whether the changes made by the risk constitute an evasion of the Experience Rating Plan (Refer to Section I, Rule A.)

*

E. DISCONTINUED OPERATIONS

Future experience ratings of a risk may retain all experience for any part of its operations which may have been discontinued.

F. CHANGES IN MANAGEMENT OR OPERATIONS

An employer's incurred experience shall be used in future ratings, regardless of any change in ownership, control, management or operations; however, this Department on application of any affected party, may require that the rating be revised on proof that a change in management or operations is clearly probable to reduce the loss experience of the insured.

Note: Refer to Rule D. of this Section for rules regarding the recalculation of experience modifiers when an ownership change occurs.

G. OWNERSHIP FILING REQUIREMENT

If an ownership change occurs, the insured shall report the details of such changes to the insurance company providing the workers' compensation coverage. This shall be done by filing the Request for Information (WC-RFI form) which shall be completed, and sworn to by the insured or by submitting the information in writing over the signature of the insured. The ownership information provided is subject to verification by the insurer. A ruling will then be made by the insuring company to determine the type of change and combination of the entities involved.

SECTION V - APPLICATION OF EXPERIENCE MODIFIER

A. EXPERIENCE MODIFIER-PERIOD EFFECTIVE

An experience modifier once developed shall be effective for a period of 12 months and shall be applicable to all the operations of the risk, regardless of whether the current or any new operations are assigned to the same classifications as were used in establishing such modifier. Subject to the exceptions noted below, the experience modifier shall be applied to the premium.

Exception (a): NEGOTIATED MODIFIER

The insuring company shall calculate a workers' compensation experience modifier for each insured meeting the eligibility requirements for experience rating. A modifier calculated for an insured for a specific period may be reduced by an insurance company for use in calculating that insured's workers' compensation premium for the applicable period. Reasons for reducing the experience modifier include, but are not limited to, improved loss ratios and/or improved safety programs. Once reduced, the lower modifier shall apply to all premium due through the date the calculated experience modifier expires or the policy expiration date, whichever comes first. The experience modifier calculated by the insuring company will be the modifier used to meet any applicable statutory requirements. "Test modifiers" cannot be negotiated and cannot be used in determining premium.

Exception (b):

The following are not subject to experience rating:

- (i) Expense Constants.
- (ii) The policy minimum premium.
- (iii) Premium resulting from operations under the National Defense Projects Rating Plan.
- (iv) Premium produced from the disease rate applicable to risks covered under the Federal Mine Safety and Health Act.
- (v) L. & H.W. minimum premium per Rule XII- * D.4. (Rules for Texas Workers' Compensation and Employers' Liability Insurance).

*

B. APPLICATION OF EXPERIENCE MODIFIER TO A SINGLE POLICY

If a risk is covered by a single policy, the following procedure shall apply:

1. The experience modifier effective on the anniversary rating date shall apply for the full term of:
 - a. the policy commencing on that date or,
 - b. any other policy commencing up to three months after that date.

Example:

An experience modifier effective 7-1-93 will apply to the policy effective 7-1-93 or to any policy in effect up to 10-1-94. No experience modifier shall apply for a period longer than 15 months.

2. If a policy commences **more than** three months after the normal anniversary rating date, the following procedure shall apply:
 - a. The current experience modifier shall apply to the new policy until the date the modifier expires.
 - b. A renewal experience modifier shall apply to the new policy until the date the policy expires.
 - c. A renewal experience modifier shall apply annually thereafter, as of the new anniversary rating date. This will be the date 12 months after the effective date of the new policy.

Example:

Experience modifier effective.....7-1-93/94
 Policy X effective7-1-93
 Policy Y effective 12-1-93/94

The 7-1-93 modifier applies to Policy X for its full term; to Policy Y from 12-1-93 to 7-1-94.

A new experience modifier effective 7-1-94 will apply to Policy Y from 7-1-94 to 12-1-94.

This procedure may not apply to Employee Provider Firms/Client Companies. (Refer to Rule D. of this Section.)

C. APPLICATION OF EXPERIENCE MODIFIER TO MULTIPLE POLICY RISKS

If a risk is covered by two or more policies with varying effective dates, the following procedure shall apply:

1. On the anniversary rating date, an experience modifier shall be issued to be effective for 12 months. This modifier shall apply to the portion of each policy falling within that 12 month period regardless of their effective and termination dates.
2. A renewal experience modifier shall apply to each policy as described in 1. above.
3. In order to establish a new anniversary rating date, the insuring company shall review the effective dates of the multiple policies and may authorize the application of an experience modifier for a period of other than 12 months. Generally, no experience modifier shall apply for a period of less than three months or more than 15 months.

Example:

Experience modifier effective 7-1-93/94
 Controlling Policy X effective 7-1-93/94
 Policy Y effective 10-1-93/94
 Policy Z effective 1-1-94 to 7-1-94

The 7-1-93 experience modifier applies to Policy X for its full term; to Policy Y from 10-1-93 to 7-1-94; to Policy Z from 1-1-94 to its expiration 7-1-94. A new experience modifier effective 7-1-94 will apply to the Policy X renewal for its full term; to Policy Y from 7-1-94 to 10-1-94 and to its renewal from 10-1-94 to 7-1-95; and to the Policy Z renewal from 7-1-94 to its expiration.

D. APPLICATION OF EXPERIENCE MODIFIER TO AN EMPLOYEE PROVIDER FIRM/CLIENT COMPANY

1. Premiums and other charges shall be calculated based on the payroll, rate for each applicable classification, and experience modifier of the client company as shown on its Employee

Provider/Client Company Endorsement, if applicable, according to the following methods.

*

- a. The experience modifier most recently issued to the client company before it entered into any employee leasing arrangement shall be used to calculate premium for leased workers of the client company until the client company has obtained leased workers from the same employee provider firm for two years from the date of the employee provider firm's experience rating date following the date on which the client company contracted with the employee provider firm. At the end of this period, premium for leased workers of a client company will be calculated based on the experience modifier of the employee provider firm.
- b. If a client company does not have an experience modifier when it contracts with an employee provider firm, then premium for the leased workers of the client company will be calculated using no experience modifier for the period described in subparagraph a. above.

2. When the employee leasing arrangement with a client company ends and the client company either obtains a new workers' compensation insurance policy in its own name or adds its former leased workers to an existing policy, the premium for the workers' compensation insurance policy will be as follows:

*

*

*

*

- a. If a client company obtained leased workers from the same employee provider firm for the period described in Paragraph 1.a. above, the experience modifier would be the lower of:

- (1) the experience modifier of the client company before entering the employee leasing arrangement, or
- (2) the experience modifier of the employee provider firm at the time the

employee leasing arrangement terminated.

- b. Otherwise, the higher of its current experience modifier (if any) or the last known experience modifier of the client company before it entered into any employee leasing arrangement shall be used.

E. INITIAL AND RENEWAL MODIFIERS

When the current modifier has not been calculated at the time the policy is issued, the policy may be issued using either no modifier or the expiring modifier. The insured should be notified that the premium may be adjusted once the current modifier is calculated and endorsed onto the policy.

When issuing and applying initial and renewal modifiers the following rules apply:

1. Any decrease in premium due to the application of the experience modifier is applicable retroactive to the effective date of the policy or to the anniversary rating date, if different than the effective date of the policy.
2. Any increase in premium due to the application of an experience modifier shall be implemented as follows:
 - a. For modifiers that are issued and endorsed onto the policy within the first 60 days of the effective date of the policy or within the first 60 days after the anniversary rating date, the increase in premium due to the application of the experience modifier is applicable retroactive to the effective date of the policy or to the anniversary rating date, if different than the effective date of the policy.
 - b. For modifiers that are issued within the first 60 days of the effective date of the policy or within the first 60 days after the anniversary rating date, but are not endorsed onto the policy within the first 60 days of the policy or within the first 60 days after the anniversary rating date, the increase in premium due to the application of the experience modifier is computed pro rata from the date the modifier is endorsed onto the policy.

- c. For experience modifiers that are issued after the first 60 days of the effective date of the policy or after the first 60 days after the anniversary rating date, any increase in premium due to the application of the experience modifier is computed pro rata from the date the modifier is endorsed onto the policy.

F. CONTINGENT MODIFIERS

A modifier shall be issued by the insuring company even though all of the unit statistical data is not available at the time the calculation is made.

1. A modifier shall include a minimum of two years of first unit reports for a three year experience period or one year of first unit reports for a two year experience period.
2. The modifier shall apply until another experience modifier is issued by the insuring company with the same effective date.

Note: When the unit statistical data is received by the insuring company, the experience modifier will be recalculated and Rule G. of this Section applies.

G. REVISION OF EXPERIENCE MODIFIERS

When an experience modifier is recalculated, the following rules apply:

1. Changes in experience modifiers which result in a **decrease** in the modifier, shall be applied retroactively to the effective date of the policy or to the anniversary rating date, if different than the policy effective date.
2. Changes in experience modifiers which result in an **increase** in the last modifier applied or endorsed onto the policy, shall be implemented as follows:
 - a. For experience modifiers that are revised and endorsed onto the policy within the first 60 days of the effective date of the policy or within the first 60 days after the anniversary rating date, any increase in premium due to the application of the revised experience modifier is applicable retroactive to the effective date of the policy or to the anniversary rating date, if different than the effective date of the policy.

- b. For experience modifiers that are revised after the first 60 days of the effective date of the policy or after the first 60 days after the anniversary rating date, any increase in premium due to the application of the revised experience modifier is computed pro rata from the date the modifier is endorsed onto the policy.

Exceptions:

The provisions contained in 2. above do not apply to increases in modifiers resulting from reclassification of a risk.

The provisions contained in both 1. and 2. above do not apply to changes in ownership.

* H. PRELIMINARY MODIFIERS

- * A preliminary modifier shall be issued using the current experience rating values when new experience rating values, to be effective on or before the anniversary rating date, are not yet approved by the Commissioner. This preliminary modifier shall be applied to the policy until the modifier is recalculated and issued using the approved new rating values.

- * **Note:** If the approved new rating values differ from those values used in the calculation of the preliminary modifier, the experience modifier shall be recalculated and Rule G. of this Section applies.

SECTION VI - TABULATION OF EXPERIENCE

A. EXPERIENCE USED FOR RATING

The experience used for rating purposes shall be the individual risk experience valued at least three months prior to the rating date and reported in accordance with the provisions of the approved Texas Workers' Compensation Statistical Plan.

B. RATING FORMS

Experience used to determine the modifier is calculated by the insuring company for the insured on form ERM-1.2 or any other experience rating form that includes at least the same information as contained in ERM-1.2.

C. PAYROLLS

Audited payroll for each classification for the experience period shall be tabulated by policy periods.

D. LOSSES

Incurred losses, paid and outstanding, shall be tabulated by policy year as follows:

1. The indemnity and medical incurred on each case shall be combined and the total cost shall be listed for rating purposes. All disease losses shall be separately identified except as provided in Rule E. 2. below and shall be treated the same as losses resulting from traumatic injury. Losses incurred under the Texas workers' compensation law shall be subject to the Texas Accident Limitation shown in Table III. Losses incurred under the Longshore and Harbor Workers' Act shall be subject to the Longshore and Harbor Workers' Act Accident Limitation shown in Table III. Losses incurred under any of the employers' liability coverages described in Section XI of this Plan shall be subject to the Employers' Liability Accident Limitation shown in Table III. *
2. Cases in which the combined indemnity and medical do not exceed \$2,000 shall be summarized and reported together by policy year subject to the conditions noted above. Any disease losses included in this category shall be shown in a separate group in accordance with paragraph 1. above. If one or more claims within

a group are open, the group shall be designated as open by the symbol "O".

3. Cases in which the combined indemnity and medical exceed \$2,000 shall be listed individually. The status of any such case shall be indicated as "O" or "1" in the appropriate column.
4. Cases involving non-compensable medical only shall be tabulated in accordance with paragraphs 2. and 3. above.

Note: Any claim which has not been settled but which is chargeable to the experience period shall be included at amounts representing a **conservative estimate** made by the company as to the cost of each such claim.

E. LIMITATION ON TOTAL LOSSES USED IN A RATING

1. Accidents Involving Two or More Persons

In accidents involving injuries to two or more persons, each claim shall be listed on the appropriate form showing the total incurred cost and the corresponding primary value. The total losses chargeable to the accident and used in the rating shall be limited to the accident limitation as shown in Table III. The total primary losses chargeable to the accident and used in the rating shall be limited to \$10,000, which is twice the maximum primary value. The total excess losses chargeable to the accident and used in the rating shall be the difference between the total losses chargeable to the accident (limited to the accident limitation shown in Table III) and the corresponding primary losses.

2. Disease Losses

For each policy year, the total disease losses shall be limited to three times the accident limitation shown in Table III, plus 120% of the risk's total expected losses for the experience period. For each policy year, the primary disease losses shall be limited to \$10,000 which is twice the maximum primary value, plus 40% of the risk's total expected primary losses for the experience period.

Note: To determine the limitation on total disease losses used in a rating as

described in 2., the following procedure shall apply:

a. Latest policy year

Combine the disease losses of all policies within the experience period, having an effective date within 24 months prior to and valued at least three months prior to the anniversary rating date.

b. Middle policy year

Combine the disease losses of all policies having an effective date more than 24 months, but not exceeding 36 months prior to the anniversary rating date.

c. Earliest policy year

Combine the disease losses of all policies within the experience period, having an effective date more than 36 months prior to the anniversary rating date.

F. REVISION OF LOSSES

It shall be permissible to revise the values of losses only for the following reasons:

1. In cases where loss values are included or excluded through mistake other than error of judgment,
2. Where the claim is declared non-compensable,
3. Where the claimant has recovered in an action against a third party and the third party has not brought a liability-over claim or suit against the insured,
4. Where upon settlement or final adjudication of a third party liability-over claim or suit, the third party has not recovered against the insured,
5. When the loss is the responsibility of a third party and not the policyholder,
6. Where gross injustice has been done. (See Section I, Rule A.)
7. Where an investigation reveals that unreasonably high reserves have been set for a particular claim.

The current rating and the two immediately preceding ratings shall be recalculated by the affected insuring company upon receipt of the corrected or revised unit statistical data showing the change in value of a loss.

In all other respects, claims involving recoveries by injured employees against third parties shall be treated in accordance with the provisions in Rule G. of this Section.

G. THIRD PARTY AND LIABILITY-OVER CASES

1. Pending Cases

When a negligence claim or suit has been made by a claimant against a third party, or a liability-over claim or suit is involved, the following procedure applies:

If the claim or suit against the third party has not been settled or finally adjudicated, the incurred loss shall be included in the rating. The insurance company may eventually be obligated to indemnify the claimant due to failure to recover against a third party.

Liability-Over loss valuations for claims or suits not settled shall be included in the rating subject to the accident limitation shown in Table III as the possibility of payment exists as in any third party case.

2. Settled Cases - Other than Liability-Over

In cases where the insurance company has received reimbursements under subrogation rights, or where the injured employee or his dependents have recovered from a third party, the following procedure applies:

The net loss limited to the accident limitation shown in Table III shall be tabulated.

The net loss tabulated for experience rating shall be determined by deducting from the incurred loss prior to recovery, the amount recovered through subrogation reduced by any expense incurred in obtaining such recovery. However, in cases where the expense incurred in connection with such recovery exceeds the amount recovered, the net loss tabulated shall not exceed the gross amount of loss prior to recovery.

3. Settled Cases - Liability-Over

In cases where the insurance company successfully defends a liability-over claim or suit by a third party against the insured and no payment is made, the experience rating shall include any allocated claim adjustment expenses incurred in the defense of such claim or suit.

In cases where the insurance company makes a payment because of a liability-over claim or suit by a third party against the insured, the following procedure applies:

The loss valuation established for the liability-over claim or suit shall be retained in the experience rating until the next normal valuation date at which time the settlement amount increased by any allocated claim adjustment expenses incurred in the defense of such claim or suit shall be used in future ratings.

The above is subject to the Employers' Liability Accident Limitation shown in Table III.

SECTION VII - EXPERIENCE MODIFIER FORMULA

A. PRIMARY ACTUAL LOSSES

For each loss equal to or less than \$5,000, use actual loss amount as primary value. Each loss \$5,001 and above is limited to a primary value of \$5,000.

B. EXPECTED LOSS RATE

The expected loss rate of a classification code required for the calculation of the total expected losses shall be obtained from Table II.

C. DISCOUNT RATIO (D RATIO)

This Plan provides for the determination of "primary expected losses" corresponding to the primary actual losses referred to above. The classification D ratios required for the determination of the primary expected losses shall be obtained from Table II.

D. BALLAST VALUE (B VALUE)

In order to limit the effect of a single severe accident on the modifier of a risk, a stabilizing element (designated B value) is added to both the primary actual and total expected losses. The B value varies with the risk's total expected losses and is obtained from Table III.

E. WEIGHTING VALUE (W VALUE)

This value is a ratio that determines the percentage of excess losses to enter the experience rating calculation. It is applied to both actual excess losses and expected excess losses. This percentage varies with the volume of risk total expected losses and shall be obtained from Table III. The balance of the weighting value that is (1-W) is replaced by the corresponding proportion of expected excess losses.

F. EXPERIENCE MODIFIER FORMULA

The experience modifier is determined from the following formula:

$$\text{Modifier} = \frac{A_p + B + W A_e + (1 - W) E_e}{E + B}$$

- where
- A_p = Primary actual losses
 - B = The B Value for each risk as obtained from Table III
 - W = A specific percentage for each risk as obtained from Table III
 - A_e = The excess of the risk actual losses over the primary actual losses
 - E_p = Primary expected losses
 - E_e = The excess of the risk expected losses over the primary expected losses
 - E = Total expected losses.

The experience modifier shall be rounded to two decimal places.

G. CAPPED MODIFIER

This procedure is designed to protect small employers with expected losses of \$15,000 or less. The maximum experience modifier for small employers is based on the total expected losses shown on the experience rating form. The capped modifier shall be determined from the following table:

| Expected Losses | Capped |
|------------------|--------|
| \$ 0 to 4,000 | 1.10 |
| 4,001 to 5,000 | 1.15 |
| 5,001 to 6,000 | 1.20 |
| 6,001 to 7,000 | 1.25 |
| 7,001 to 8,000 | 1.30 |
| 8,001 to 9,000 | 1.40 |
| 9,001 to 10,000 | 1.50 |
| 10,001 to 11,000 | 1.60 |
| 11,001 to 12,000 | 1.70 |
| 12,001 to 13,000 | 1.80 |
| 13,001 to 14,000 | 1.90 |
| 14,001 to 15,000 | 2.00 |
| 15,001 and up | n/a |

SECTION VIII - LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT COVERAGE *

For Federal classifications the expected loss rates in Table II include expected losses under both the Texas Workers' Compensation Act and the Longshore and Harbor Workers' Compensation Act. *

Note: The stevedoring operations of a contract stevedoring risk using union labor supplied under contract from union labor pools are not subject to this Experience Rating Plan.

A. For Federal classifications the following applies:

1. Incurred losses shall be tabulated in accordance with this Plan except that incurred losses under the state act and incurred losses under the Longshore & Harbor Workers' Compensation Act shall be subject respectively to the accident limitations specified in Table III. *
2. Total expected losses and primary expected losses for these classifications shall be determined by applying to the payrolls of these classifications the expected loss rates and D ratios shown in Table II.

3. The experience modifier shall be developed in the usual manner using the B value and W value for the risk as determined from the total expected losses in Table III.
- B. For Non-Federal classifications where coverage under the Longshore and Harbor Workers' Compensation Act is provided, the following applies: *
1. Incurred losses shall be tabulated in accordance with subparagraph 1. of Rule A. above.
 2. Exposures under this Act, designated by the symbol "U.S." or "O.W.", shall be extended at the regular industrial expected loss rates increased by the Longshore and Harbor Workers' Compensation Coverage Percentage or the Oil, Gas or Other Mineral Operations On or Over Water Percentage shown in Table III. The primary expected losses shall be determined by application of the D ratios shown in Table II.
 3. The experience modifier shall be developed using the B value and W value for the risk as determined from the total expected losses in Table III.

*

*** SECTION IX- RATING DATA**

- A. Insuring companies shall automatically file with the designated statistical agent all data required by the Texas Workers' Compensation Statistical Plan in accordance with its provisions.
- B. Where no experience modifier has been promulgated, and it appears to the insuring company that an insured and/or risk may qualify for experience rating, it shall be the duty of the insuring company to calculate the experience modifier. The agent of record, insured, or other authorized parties may request that an initial modifier be promulgated.
- C. One copy of the experience modifier shall be forwarded to the insured without charge on form ERM-1.2 or any other experience rating form that includes at least the same information as contained in form

ERM-1.2. A plain language transmittal letter shall be sent to the insured explaining the modifier calculation, the insured's right of appeal, and advising that one copy of the unit statistical data used in the calculation will be furnished to the insured upon request, at no charge.

Each insuring company shall file a copy of its standard transmittal letter and experience rating form, if other than ERM-1.2, with the Department prior to use. Such forms and letters may be disallowed by the Commissioner.

- D. Any insurance company requesting either unit statistical data or a copy of an insured's experience modifier calculation from another insurance company must send a copy of the current policy information page if it is the current insurer or furnish a letter of authority from the insured. A request for data shall be responded to in a timely manner, but in all instances within 30 days of receipt of the request. No charge may be made for this information.

SECTION X - EMPLOYERS' LIABILITY COVERAGE

Employers' Liability coverage shall include Part Two of the standard provisions Workers' Compensation and Employers' Liability Policy, Admiralty law and Federal Employers' Liability Act coverages.

- A. Employers' Liability coverage subject to a standard limit of liability.

- Bodily Injury by Accident:
\$100,000 - each accident

- Bodily Injury by Disease:
\$100,000 - each employee

- Bodily Injury by Disease:
\$500,000 - policy limit

1. All incurred losses shall be tabulated in accordance with this Plan. The total incurred cost of each case shall be limited to the Employers' Liability Accident Limitation in Table III.
2. Total expected losses and primary expected losses shall be determined by applying to the payrolls the expected loss rates and D ratios in Table II.

SECTION XI- NATIONAL DEFENSE PROJECTS RATING PLAN: ATOMIC ENERGY

The experience modifier is not applicable to the workers' compensation premium resulting from operations under the National Defense Projects Rating Plan or from operations rated in accordance with Rule (1) of the manual procedure captioned "Atomic Energy". The exposure and losses shall be excluded from experience rating.

SECTION XII- FEDERAL MINE SAFETY AND HEALTH ACT

The experience modifier is not applicable to the workers' compensation premium produced by the disease rates applicable to risks in any jurisdiction in which coverage is provided under the Federal Mine Safety and Health Act. The exposure and losses shall be excluded from experience rating.

SECTION XIII- AIRCRAFT OPERATION - TRANSPORTATION

Special Procedure - Code 7421

The passenger seat surcharge in connection with Code 7421, which is reported under statistical Code 0088, is subject to modification by experience rating. However, exposure and losses reported under statistical Code 0088 shall be excluded from experience rating.

SECTION XIV – TERRORISM PREMIUM *

Premium for the Terrorism Insurance Act of 2002 is not subject to experience rating.

SECTION XV- FORMS APPLICABLE FOR USE IN CONNECTION WITH THE EXPERIENCE RATING PLAN *

The following forms are applicable for use in connection with this Plan:

- ERM-1.2..... Experience Rating Form
- ERM-4.1..... Accidents involving Two or More Persons
- ERM-6A, 6B, 6C Report of Experience for Self Insurers
- WC-RFI..... Request for Information

TABLE I - PRIMARY RATING VALUES OF ACTUAL LOSSES

| <u>Actual Losses</u> | <u>Primary Value</u> |
|----------------------|----------------------|
| 0 - \$5,000 | Actual Loss |
| \$5,001 and above | \$5,000 |

For each loss equal to or less than \$5,000 use actual loss amount as primary value.

Each loss \$5,001 and above is limited to a primary value of \$5,000.

TABLE II EXPECTED LOSS RATES AND DISCOUNT RATIOS

| Class Code | Expected Loss Rate | Discount Ratio | Class Code | Expected Loss Rate | Discount Ratio | Class Code | Expected Loss Rate | Discount Ratio |
|------------|--------------------|----------------|------------|--------------------|----------------|------------|--------------------|----------------|
| 0005 | 1.22 | 0.21 | 2111 | 2.13 | 0.25 | 3022 | 2.42 | 0.25 |
| 0008 | 1.56 | 0.26 | 2114 | 1.52 | 0.26 | 3027 | 0.44 | 0.24 |
| 0011 | 1.64 | 0.24 | 2121 | 0.97 | 0.21 | 3028 | 1.81 | 0.23 |
| 0016 | 2.53 | 0.25 | 2157 | 1.71 | 0.25 | 3040 | 1.69 | 0.23 |
| 0034 | 2.52 | 0.23 | 2172 | 0.29 | 0.25 | 3041 | 1.38 | 0.24 |
| 0035 | 1.01 | 0.25 | 2211 | 3.82 | 0.25 | 3042 | 0.73 | 0.25 |
| 0037 | 1.31 | 0.23 | 2220 | 1.16 | 0.23 | 3064 | 1.79 | 0.25 |
| 0042 | 1.52 | 0.25 | 2260 | 0.94 | 0.23 | 3066 | 1.56 | 0.24 |
| 0059 | 0.05 | 0.24 | 2286 | 0.78 | 0.22 | 3081 | 2.17 | 0.24 |
| 0065 | 0.01 | 0.24 | 2288 | 1.37 | 0.25 | 3082 | 2.82 | 0.24 |
| 0066 | 0.01 | 0.24 | 2361 | 0.37 | 0.25 | 3085 | 1.19 | 0.25 |
| 0067 | 0.01 | 0.24 | 2380 | 0.48 | 0.25 | 3110 | 1.45 | 0.24 |
| 0079 | 1.30 | 0.23 | 2501 | 2.15 | 0.25 | 3111 | 1.43 | 0.25 |
| 0083 | 1.90 | 0.23 | 2503 | 0.35 | 0.26 | 3113 | 1.32 | 0.25 |
| 0106 | 2.64 | 0.22 | 2532 | 0.57 | 0.25 | 3114 | 1.07 | 0.24 |
| 0113 | 1.01 | 0.24 | 2534 | 0.84 | 0.25 | 3126 | 0.96 | 0.23 |
| 0401 | 5.54 | 0.24 | 2560 | 1.58 | 0.23 | 3131 | 0.78 | 0.23 |
| 0913 | 41.11 | 0.24 | 2576 | 1.79 | 0.25 | 3132 | 1.08 | 0.24 |
| 0923 | 0.39 | 0.24 | 2578 | 1.85 | 0.25 | 3146 | 1.16 | 0.22 |
| 1165 | 0.81 | 0.24 | 2581 | 1.48 | 0.24 | 3179 | 1.50 | 0.24 |
| 1321 | 0.75 | 0.22 | 2583 | 0.77 | 0.25 | 3220 | 1.16 | 0.25 |
| 1438 | 1.85 | 0.24 | 2587 | 1.20 | 0.25 | 3223 | 0.86 | 0.25 |
| 1463 | 4.25 | 0.23 | 2670 | 4.07 | 0.26 | 3224 | 1.54 | 0.15 |
| 1472 | 2.41 | 0.24 | 2683 | 0.92 | 0.25 | 3227 | 1.87 | 0.25 |
| 1701 | 2.15 | 0.23 | 2688 | 1.37 | 0.25 | 3255 | 1.52 | 0.23 |
| 1747 | 0.60 | 0.22 | 2702 | 5.26 | 0.25 | 3257 | 2.06 | 0.24 |
| 1803 | 0.98 | 0.24 | 2705 | 2.94 | 0.17 | 3300 | 2.43 | 0.26 |
| 1924 | 1.49 | 0.23 | 2710 | 1.95 | 0.23 | 3316 | 1.16 | 0.25 |
| 2003 | 1.92 | 0.24 | 2719 | 2.34 | 0.26 | 3331 | 1.83 | 0.21 |
| 2014 | 1.82 | 0.25 | 2731 | 1.25 | 0.26 | 3365 | 2.19 | 0.22 |
| 2040 | 0.66 | 0.25 | 2790 | 0.99 | 0.25 | 3372 | 1.13 | 0.23 |
| 2041 | 1.40 | 0.23 | 2802 | 1.68 | 0.24 | 3383 | 0.55 | 0.26 |
| 2068 | 1.44 | 0.25 | 2835 | 1.53 | 0.25 | 3507 | 1.11 | 0.25 |
| 2081 | 1.68 | 0.25 | 2881 | 1.31 | 0.25 | 3548 | 0.92 | 0.25 |
| 2095 | 1.66 | 0.25 | 2923 | 0.51 | 0.25 | 3574 | 0.44 | 0.25 |
| 2105 | 2.25 | 0.25 | 3004 | 2.25 | 0.23 | 3620 | 1.59 | 0.24 |

TABLE II EXPECTED LOSS RATES AND DISCOUNT RATIOS

| Class Code | Expected Loss Rate | Discount Ratio | Class Code | Expected Loss Rate | Discount Ratio | Class Code | Expected Loss Rate | Discount Ratio |
|------------|--------------------|----------------|------------|--------------------|----------------|------------|--------------------|----------------|
| 3629 | 0.70 | 0.24 | 4207 | 0.30 | 0.22 | 4692 | 0.23 | 0.26 |
| 3632 | 1.16 | 0.24 | 4239 | 1.20 | 0.25 | 4693 | 0.59 | 0.25 |
| 3639 | 0.98 | 0.22 | 4243 | 1.42 | 0.25 | 4703 | 0.71 | 0.25 |
| 3642 | 1.23 | 0.22 | 4244 | 1.16 | 0.23 | 4712 | 1.07 | 0.23 |
| 3643 | 1.13 | 0.22 | 4250 | 0.73 | 0.25 | 4716 | 1.23 | 0.20 |
| 3647 | 0.85 | 0.26 | 4273 | 1.18 | 0.23 | 4717 | 2.69 | 0.23 |
| 3648 | 0.95 | 0.25 | 4279 | 1.28 | 0.26 | 4720 | 1.16 | 0.25 |
| 3681 | 0.52 | 0.25 | 4282 | 0.48 | 0.25 | 4740 | 0.32 | 0.22 |
| 3685 | 0.39 | 0.25 | 4283 | 0.95 | 0.25 | 4743 | 0.29 | 0.19 |
| 3719 | 0.71 | 0.21 | 4299 | 0.77 | 0.25 | 4751 | 0.47 | 0.24 |
| 3724 | 1.27 | 0.23 | 4304 | 1.28 | 0.23 | 4766 | 2.03 | 0.24 |
| 3726 | 1.22 | 0.23 | 4307 | 0.73 | 0.24 | 4777 | 1.38 | 0.24 |
| 3805 | 0.44 | 0.24 | 4351 | 0.26 | 0.26 | 4800 | "a" | "a" |
| 3807 | 2.91 | 0.20 | 4360 | 1.24 | 0.26 | 4801 | 4.98 | 0.24 |
| 3808 | 1.66 | 0.25 | 4361 | 0.96 | 0.23 | 4802 | 2.62 | 0.24 |
| 3821 | 1.29 | 0.24 | 4362 | 0.29 | 0.23 | 4803 | 1.83 | 0.24 |
| 3822 | 1.15 | 0.25 | 4410 | 1.31 | 0.24 | 4804 | "a" | "a" |
| 3823 | 1.24 | 0.25 | 4417 | 1.44 | 0.25 | 4805 | 0.14 | 0.24 |
| 3824 | 1.43 | 0.24 | 4420 | 3.18 | 0.26 | 4806 | "a" | "a" |
| 3830 | 1.04 | 0.24 | 4431 | 1.66 | 0.26 | 4807 | 0.16 | 0.24 |
| 3865 | 1.68 | 0.24 | 4432 | 0.73 | 0.24 | 4808 | 0.44 | 0.24 |
| 3881 | 2.23 | 0.22 | 4439 | 0.62 | 0.24 | 4809 | 0.18 | 0.24 |
| 4000 | 1.46 | 0.23 | 4452 | 0.82 | 0.24 | 4810 | 1.24 | 0.24 |
| 4021 | 1.13 | 0.23 | 4459 | 0.96 | 0.25 | 4811 | 0.59 | 0.24 |
| 4024 | 1.10 | 0.25 | 4470 | 1.07 | 0.25 | 4812 | 0.02 | 0.24 |
| 4034 | 1.99 | 0.24 | 4484 | 1.35 | 0.24 | 4813 | 0.57 | 0.24 |
| 4036 | 0.75 | 0.25 | 4511 | 0.29 | 0.22 | 4814 | 0.94 | 0.24 |
| 4038 | 1.36 | 0.24 | 4519 | 1.08 | 0.25 | 4815 | 0.44 | 0.24 |
| 4045 | 2.24 | 0.23 | 4558 | 0.84 | 0.24 | 4816 | 0.26 | 0.24 |
| 4062 | 1.36 | 0.24 | 4568 | 0.75 | 0.21 | 4817 | 0.96 | 0.24 |
| 4101 | 1.57 | 0.25 | 4583 | 1.13 | 0.19 | 4818 | "a" | "a" |
| 4112 | 0.19 | 0.23 | 4611 | 0.41 | 0.24 | 4819 | 1.21 | 0.24 |
| 4114 | 1.13 | 0.21 | 4635 | 0.60 | 0.20 | 4820 | "a" | "a" |
| 4130 | 2.32 | 0.23 | 4653 | 0.80 | 0.25 | 4821 | 0.34 | 0.24 |
| 4150 | 0.39 | 0.24 | 4665 | 3.19 | 0.23 | 4822 | 1.05 | 0.24 |
| 4206 | 1.05 | 0.24 | 4670 | 2.51 | 0.23 | 4823 | 0.87 | 0.24 |

TABLE II EXPECTED LOSS RATES AND DISCOUNT RATIOS

| Class Code | Expected Loss Rate | Discount Ratio | Class Code | Expected Loss Rate | Discount Ratio | Class Code | Expected Loss Rate | Discount Ratio |
|------------|--------------------|----------------|------------|--------------------|----------------|------------|--------------------|----------------|
| 4902 | 1.08 | 0.25 | 6205 | 0.41 | 0.24 | 7382 | 3.27 | 0.24 |
| 4923 | 0.44 | 0.25 | 6206 | 1.15 | 0.20 | 7390 | 1.64 | 0.24 |
| 5022 | 2.03 | 0.24 | 6213 | 1.27 | 0.19 | 7405 | 0.60 | 0.26 |
| 5040 | 6.26 | 0.21 | 6216 | 1.90 | 0.22 | 7418 | 0.67 | 0.16 |
| 5041 | 1.74 | 0.20 | 6219 | 1.73 | 0.22 | 7421 | 0.61 | 0.20 |
| 5057 | 2.62 | 0.23 | 6229 | 1.01 | 0.25 | 7422 | 0.73 | 0.14 |
| 5070 | 3.99 | 0.24 | 6233 | 1.26 | 0.22 | 7423 | 1.99 | 0.25 |
| 5102 | 1.64 | 0.23 | 6237 | 0.86 | 0.19 | 7502 | 0.51 | 0.22 |
| 5160 | 0.96 | 0.24 | 6238 | 2.74 | 0.23 | 7515 | 0.31 | 0.23 |
| 5183 | 1.29 | 0.25 | 6306 | 1.93 | 0.22 | 7520 | 1.42 | 0.24 |
| 5190 | 1.29 | 0.23 | 6319 | 1.32 | 0.23 | 7538 | 3.17 | 0.22 |
| 5191 | 0.32 | 0.24 | 6400 | 2.08 | 0.23 | 7539 | 0.55 | 0.21 |
| 5192 | 1.47 | 0.25 | 6504 | 1.35 | 0.25 | 7580 | 0.93 | 0.25 |
| 5200 | 1.46 | 0.24 | 6823 | 1.51 | 0.25 | 7590 | 1.67 | 0.24 |
| 5203 | 3.94 | 0.22 | 6824 | 2.52 | 0.22 | 7600 | 0.98 | 0.23 |
| 5213 | 1.92 | 0.23 | 6843 | 2.52 | 0.23 | 7602 | 2.08 | 0.21 |
| 5220 | 1.43 | 0.25 | 6872 | 2.43 | 0.23 | 7610 | 0.18 | 0.24 |
| 5348 | 1.18 | 0.24 | 6874 | 6.15 | 0.24 | 7704 | 0.93 | 0.24 |
| 5403 | 2.19 | 0.23 | 7016 | 2.35 | 0.23 | 7720 | 1.04 | 0.23 |
| 5437 | 1.80 | 0.24 | 7024 | 0.95 | 0.19 | 7855 | 2.24 | 0.21 |
| 5443 | 1.13 | 0.22 | 7046 | 1.49 | 0.21 | 8002 | 1.18 | 0.24 |
| 5462 | 1.81 | 0.25 | 7047 | 3.43 | 0.17 | 8006 | 1.19 | 0.25 |
| 5474 | 1.86 | 0.24 | 7098 | 1.68 | 0.22 | 8008 | 0.64 | 0.25 |
| 5479 | 2.29 | 0.23 | 7099 | 2.37 | 0.19 | 8013 | 0.36 | 0.25 |
| 5491 | 0.78 | 0.25 | 7133 | 1.80 | 0.21 | 8017 | 0.97 | 0.24 |
| 5506 | 2.12 | 0.20 | 7134 | 1.97 | 0.19 | 8018 | 1.43 | 0.25 |
| 5536 | 1.30 | 0.25 | 7135 | 2.07 | 0.19 | 8032 | 1.07 | 0.26 |
| 5538 | 3.16 | 0.24 | 7219 | 2.66 | 0.24 | 8033 | 1.10 | 0.25 |
| 5551 | 4.05 | 0.24 | 7230 | 2.71 | 0.25 | 8034 | 1.43 | 0.25 |
| 5606 | 0.37 | 0.23 | 7309 | 5.39 | 0.23 | 8039 | 1.27 | 0.25 |
| 5701 | 1.77 | 0.21 | 7313 | 2.28 | 0.25 | 8044 | 2.03 | 0.24 |
| 6003 | 3.52 | 0.25 | 7317 | 1.53 | 0.23 | 8045 | 0.18 | 0.23 |
| 6045 | 1.08 | 0.25 | 7327 | 0.72 | 0.19 | 8047 | 0.49 | 0.25 |
| 6202 | 2.91 | 0.22 | 7350 | 4.04 | 0.20 | 8058 | 1.55 | 0.24 |
| 6203 | 0.78 | 0.21 | 7360 | 1.71 | 0.24 | 8102 | 1.26 | 0.24 |
| 6204 | 2.35 | 0.24 | 7380 | 1.59 | 0.23 | 8106 | 2.08 | 0.25 |

TABLE II EXPECTED LOSS RATES AND DISCOUNT RATIOS

| Class Code | Expected Loss Rate | Discount Ratio | Class Code | Expected Loss Rate | Discount Ratio | Class Code | Expected Loss Rate | Discount Ratio |
|------------|--------------------|----------------|------------|--------------------|----------------|------------|--------------------|----------------|
| 8107 | 1.15 | 0.23 | 8754 | 0.47 | 0.25 | 9061 | 0.60 | 0.25 |
| 8113 | 1.47 | 0.23 | 8755 | 0.12 | 0.24 | 9063 | 0.37 | 0.25 |
| 8209 | 1.56 | 0.24 | 8803 | 0.04 | 0.23 | 9079 | 0.68 | 0.25 |
| 8215 | 1.25 | 0.24 | 8809 | 0.09 | 0.22 | 9080 | 0.54 | 0.25 |
| 8227 | 0.82 | 0.24 | 8810 | 0.07 | 0.24 | 9089 | 0.46 | 0.26 |
| 8231 | 2.29 | 0.25 | 8820 | 0.04 | 0.23 | 9093 | 0.45 | 0.25 |
| 8234 | 1.85 | 0.24 | 8828 | 1.19 | 0.23 | 9101 | 1.45 | 0.25 |
| 8264 | 2.55 | 0.22 | 8829 | 1.38 | 0.25 | 9102 | 1.57 | 0.24 |
| 8265 | 1.56 | 0.24 | 8831 | 0.51 | 0.26 | 9154 | 0.69 | 0.24 |
| 8288 | 2.27 | 0.25 | 8832 | 0.12 | 0.25 | 9156 | 0.45 | 0.26 |
| 8292 | 1.71 | 0.24 | 8833 | 0.32 | 0.24 | 9170 | 12.16 | 0.26 |
| 8293 | 4.39 | 0.25 | 8837 | "a" | "a" | 9178 | 3.24 | 0.25 |
| 8295 | 2.00 | 0.24 | 8838 | 0.22 | 0.25 | 9179 | 2.58 | 0.27 |
| 8304 | 2.85 | 0.19 | 8858 | 0.13 | 0.24 | 9182 | 0.92 | 0.24 |
| 8350 | 2.02 | 0.20 | 8868 | 0.22 | 0.25 | 9186 | 2.58 | 0.22 |
| 8385 | 1.36 | 0.24 | 8901 | 0.11 | 0.25 | 9220 | 2.14 | 0.25 |
| 8387 | 0.87 | 0.25 | 9014 | 1.40 | 0.25 | 9402 | 2.62 | 0.21 |
| 8391 | 0.80 | 0.25 | 9015 | 1.17 | 0.24 | 9501 | 1.67 | 0.25 |
| 8601 | 0.13 | 0.23 | 9016 | 1.28 | 0.25 | 9522 | 1.04 | 0.26 |
| 8606 | 0.51 | 0.19 | 9019 | 1.18 | 0.23 | 9529 | 1.05 | 0.25 |
| 8607 | 0.33 | 0.20 | 9032 | 1.59 | 0.25 | 9552 | 2.62 | 0.21 |
| 8709 | 1.52 | 0.22 | 9033 | 1.45 | 0.25 | 9586 | 0.42 | 0.25 |
| 8726 | 0.63 | 0.25 | 9040 | 1.62 | 0.26 | 9600 | 0.48 | 0.24 |
| 8742 | 0.11 | 0.23 | 9052 | 1.13 | 0.25 | 9620 | 0.43 | 0.24 |
| 8748 | 0.17 | 0.25 | 9058 | 0.68 | 0.25 | 9984 | "a" | "a" |
| 8752 | 1.44 | 0.23 | 9060 | 0.73 | 0.25 | 9985 | "a" | "a" |

(RESERVED FOR FUTURE USE)

TABLE III W and B Values

| Expected Loss | | W Value | B Value | | | W Value | B Value |
|---------------|-------------|---------|---------|-------------|-------------|---------|---------|
| Lower Range | Upper Range | | | Lower Range | Upper Range | | |
| 1 | 5,000 | 0.07 | 7,500 | 230,001 | 235,000 | 0.30 | 26,663 |
| 5,001 | 10,000 | 0.08 | 7,500 | 235,001 | 240,000 | 0.31 | 26,914 |
| 10,001 | 15,000 | 0.08 | 7,500 | 240,001 | 245,000 | 0.31 | 27,158 |
| 15,001 | 20,000 | 0.08 | 7,500 | 245,001 | 250,000 | 0.31 | 27,396 |
| 20,001 | 25,000 | 0.09 | 7,963 | 250,001 | 255,000 | 0.32 | 27,627 |
| 25,001 | 30,000 | 0.09 | 8,463 | 255,001 | 260,000 | 0.32 | 27,852 |
| 30,001 | 35,000 | 0.10 | 8,963 | 260,001 | 265,000 | 0.33 | 28,070 |
| 35,001 | 40,000 | 0.11 | 9,463 | 265,001 | 270,000 | 0.33 | 28,282 |
| 40,001 | 45,000 | 0.12 | 9,963 | 270,001 | 275,000 | 0.33 | 28,488 |
| 45,001 | 50,000 | 0.12 | 10,463 | 275,001 | 280,000 | 0.34 | 28,687 |
| 50,001 | 55,000 | 0.13 | 10,963 | 280,001 | 285,000 | 0.34 | 28,880 |
| 55,001 | 60,000 | 0.14 | 11,463 | 285,001 | 290,000 | 0.34 | 29,066 |
| 60,001 | 65,000 | 0.15 | 11,963 | 290,001 | 295,000 | 0.35 | 29,247 |
| 65,001 | 70,000 | 0.15 | 12,463 | 295,001 | 300,000 | 0.35 | 29,421 |
| 70,001 | 75,000 | 0.16 | 12,963 | 300,001 | 305,000 | 0.35 | 29,589 |
| 75,001 | 80,000 | 0.17 | 13,463 | 305,001 | 310,000 | 0.36 | 29,751 |
| 80,001 | 85,000 | 0.17 | 13,963 | 310,001 | 315,000 | 0.36 | 29,906 |
| 85,001 | 90,000 | 0.18 | 14,463 | 315,001 | 320,000 | 0.36 | 30,056 |
| 90,001 | 95,000 | 0.18 | 14,963 | 320,001 | 325,000 | 0.37 | 30,199 |
| 95,001 | 100,000 | 0.19 | 15,463 | 325,001 | 330,000 | 0.37 | 30,336 |
| 100,001 | 105,000 | 0.20 | 15,963 | 330,001 | 335,000 | 0.38 | 30,468 |
| 105,001 | 110,000 | 0.20 | 16,463 | 335,001 | 340,000 | 0.38 | 30,593 |
| 110,001 | 115,000 | 0.21 | 16,963 | 340,001 | 345,000 | 0.38 | 30,712 |
| 115,001 | 120,000 | 0.21 | 17,463 | 345,001 | 350,000 | 0.39 | 30,826 |
| 120,001 | 125,000 | 0.22 | 17,963 | 350,001 | 355,000 | 0.39 | 30,933 |
| 125,001 | 130,000 | 0.22 | 18,463 | 355,001 | 360,000 | 0.39 | 31,035 |
| 130,001 | 135,000 | 0.23 | 18,963 | 360,001 | 365,000 | 0.40 | 31,131 |
| 135,001 | 140,000 | 0.23 | 19,463 | 365,001 | 370,000 | 0.40 | 31,221 |
| 140,001 | 145,000 | 0.24 | 19,963 | 370,001 | 375,000 | 0.40 | 31,305 |
| 145,001 | 150,000 | 0.24 | 20,463 | 375,001 | 380,000 | 0.41 | 31,384 |
| 150,001 | 155,000 | 0.25 | 20,963 | 380,001 | 385,000 | 0.41 | 31,457 |
| 155,001 | 160,000 | 0.25 | 21,463 | 385,001 | 390,000 | 0.41 | 31,524 |
| 160,001 | 165,000 | 0.26 | 21,963 | 390,001 | 395,000 | 0.42 | 31,586 |
| 165,001 | 170,000 | 0.26 | 22,463 | 395,001 | 400,000 | 0.42 | 31,642 |
| 170,001 | 175,000 | 0.26 | 22,963 | 400,001 | 405,000 | 0.43 | 31,692 |
| 175,001 | 180,000 | 0.26 | 23,462 | 405,001 | 410,000 | 0.43 | 31,737 |
| 180,001 | 185,000 | 0.27 | 23,787 | 410,001 | 415,000 | 0.43 | 31,776 |
| 185,001 | 190,000 | 0.27 | 24,105 | 415,001 | 420,000 | 0.44 | 31,810 |
| 190,001 | 195,000 | 0.27 | 24,417 | 420,001 | 425,000 | 0.44 | 31,839 |
| 195,001 | 200,000 | 0.28 | 24,721 | 425,001 | 430,000 | 0.44 | 31,862 |
| 200,001 | 205,000 | 0.28 | 25,018 | 430,001 | 435,000 | 0.45 | 31,880 |
| 205,001 | 210,000 | 0.29 | 25,309 | 435,001 | 440,000 | 0.45 | 31,892 |
| 210,001 | 215,000 | 0.29 | 25,593 | 440,001 | 445,000 | 0.45 | 31,899 |
| 215,001 | 220,000 | 0.29 | 25,871 | 445,001 | 450,000 | 0.46 | 31,901 |
| 220,001 | 225,000 | 0.30 | 26,141 | 450,001 | 455,000 | 0.46 | 31,897 |
| 225,001 | 230,000 | 0.30 | 26,405 | 455,001 | 460,000 | 0.47 | 31,889 |

Effective January 1, 2000

1st Reprint

TABLE III W and B Values

| Expected Loss | | | | | | | |
|---------------|-------------|---------|---------|-------------|-------------|---------|---------|
| Lower Range | Upper Range | W Value | B Value | Lower Range | Upper Range | W Value | B Value |
| 460,001 | 465,000 | 0.47 | 31,875 | 690,001 | 695,000 | 0.63 | 26,309 |
| 465,001 | 470,000 | 0.47 | 31,856 | 695,001 | 700,000 | 0.64 | 26,096 |
| 470,001 | 475,000 | 0.48 | 31,832 | 700,001 | 705,000 | 0.64 | 25,880 |
| 475,001 | 480,000 | 0.48 | 31,803 | 705,001 | 710,000 | 0.64 | 25,661 |
| 480,001 | 485,000 | 0.48 | 31,769 | 710,001 | 715,000 | 0.65 | 25,438 |
| 485,001 | 490,000 | 0.49 | 31,730 | 715,001 | 720,000 | 0.65 | 25,213 |
| 490,001 | 495,000 | 0.49 | 31,686 | 720,001 | 725,000 | 0.66 | 24,984 |
| 495,001 | 500,000 | 0.49 | 31,637 | 725,001 | 730,000 | 0.66 | 24,752 |
| 500,001 | 505,000 | 0.50 | 31,583 | 730,001 | 735,000 | 0.66 | 24,518 |
| 505,001 | 510,000 | 0.50 | 31,525 | 735,001 | 740,000 | 0.67 | 24,280 |
| 510,001 | 515,000 | 0.50 | 31,461 | 740,001 | 745,000 | 0.67 | 24,040 |
| 515,001 | 520,000 | 0.51 | 31,393 | 745,001 | 750,000 | 0.67 | 23,797 |
| 520,001 | 525,000 | 0.51 | 31,320 | 750,001 | 755,000 | 0.68 | 23,551 |
| 525,001 | 530,000 | 0.52 | 31,243 | 755,001 | 760,000 | 0.68 | 23,303 |
| 530,001 | 535,000 | 0.52 | 31,160 | 760,001 | 765,000 | 0.68 | 23,052 |
| 535,001 | 540,000 | 0.52 | 31,073 | 765,001 | 770,000 | 0.69 | 22,798 |
| 540,001 | 545,000 | 0.53 | 30,982 | 770,001 | 775,000 | 0.69 | 22,542 |
| 545,001 | 550,000 | 0.53 | 30,886 | 775,001 | 780,000 | 0.69 | 22,284 |
| 550,001 | 555,000 | 0.53 | 30,785 | 780,001 | 785,000 | 0.70 | 22,023 |
| 555,001 | 560,000 | 0.54 | 30,681 | 785,001 | 790,000 | 0.70 | 21,759 |
| 560,001 | 565,000 | 0.54 | 30,571 | 790,001 | 795,000 | 0.71 | 21,494 |
| 565,001 | 570,000 | 0.54 | 30,457 | 795,001 | 800,000 | 0.71 | 21,226 |
| 570,001 | 575,000 | 0.55 | 30,339 | 800,001 | 805,000 | 0.71 | 20,956 |
| 575,001 | 580,000 | 0.55 | 30,217 | 805,001 | 810,000 | 0.72 | 20,684 |
| 580,001 | 585,000 | 0.55 | 30,090 | 810,001 | 815,000 | 0.72 | 20,410 |
| 585,001 | 590,000 | 0.56 | 29,959 | 815,001 | 820,000 | 0.72 | 20,134 |
| 590,001 | 595,000 | 0.56 | 29,824 | 820,001 | 825,000 | 0.73 | 19,856 |
| 595,001 | 600,000 | 0.57 | 29,685 | 825,001 | 830,000 | 0.73 | 19,576 |
| 600,001 | 605,000 | 0.57 | 29,542 | 830,001 | 835,000 | 0.73 | 19,294 |
| 605,001 | 610,000 | 0.57 | 29,394 | 835,001 | 840,000 | 0.74 | 19,010 |
| 610,001 | 615,000 | 0.58 | 29,243 | 840,001 | 845,000 | 0.74 | 18,725 |
| 615,001 | 620,000 | 0.58 | 29,088 | 845,001 | 850,000 | 0.75 | 18,438 |
| 620,001 | 625,000 | 0.58 | 28,928 | 850,001 | 855,000 | 0.75 | 18,150 |
| 625,001 | 630,000 | 0.59 | 28,765 | 855,001 | 860,000 | 0.75 | 17,860 |
| 630,001 | 635,000 | 0.59 | 28,598 | 860,001 | 865,000 | 0.76 | 17,569 |
| 635,001 | 640,000 | 0.59 | 28,427 | 865,001 | 870,000 | 0.76 | 17,276 |
| 640,001 | 645,000 | 0.60 | 28,253 | 870,001 | 875,000 | 0.76 | 16,982 |
| 645,001 | 650,000 | 0.60 | 28,074 | 875,001 | 880,000 | 0.77 | 16,687 |
| 650,001 | 655,000 | 0.61 | 27,892 | 880,001 | 885,000 | 0.77 | 16,390 |
| 655,001 | 660,000 | 0.61 | 27,707 | 885,001 | 890,000 | 0.77 | 16,093 |
| 660,001 | 665,000 | 0.61 | 27,518 | 890,001 | 895,000 | 0.78 | 15,795 |
| 665,001 | 670,000 | 0.62 | 27,325 | 895,001 | 900,000 | 0.78 | 15,495 |
| 670,001 | 675,000 | 0.62 | 27,129 | 900,001 | 905,000 | 0.78 | 15,195 |
| 675,001 | 680,000 | 0.62 | 26,929 | 905,001 | 910,000 | 0.79 | 14,894 |
| 680,001 | 685,000 | 0.63 | 26,726 | 910,001 | 915,000 | 0.79 | 14,592 |
| 685,001 | 690,000 | 0.63 | 26,519 | 915,001 | 920,000 | 0.80 | 14,289 |

TABLE III W and B Values

| Expected Loss | | W Value | B Value | | | W Value | B Value |
|---------------|-------------|---------|---------|-------------|-------------|---------|---------|
| Lower Range | Upper Range | | | Lower Range | Upper Range | | |
| 920,001 | 925,000 | 0.80 | 13,986 | 1,065,001 | 1,070,000 | 0.90 | 5,375 |
| 925,001 | 930,000 | 0.80 | 13,683 | 1,070,001 | 1,075,000 | 0.91 | 5,102 |
| 930,001 | 935,000 | 0.81 | 13,379 | 1,075,001 | 1,080,000 | 0.91 | 4,832 |
| 935,001 | 940,000 | 0.81 | 13,075 | 1,080,001 | 1,085,000 | 0.91 | 4,565 |
| 940,001 | 945,000 | 0.81 | 12,771 | 1,085,001 | 1,090,000 | 0.92 | 4,301 |
| 945,001 | 950,000 | 0.82 | 12,466 | 1,090,001 | 1,095,000 | 0.92 | 4,042 |
| 950,001 | 955,000 | 0.82 | 12,161 | 1,095,001 | 1,100,000 | 0.92 | 3,786 |
| 955,001 | 960,000 | 0.82 | 11,857 | 1,100,001 | 1,105,000 | 0.93 | 3,534 |
| 960,001 | 965,000 | 0.83 | 11,552 | 1,105,001 | 1,110,000 | 0.93 | 3,286 |
| 965,001 | 970,000 | 0.83 | 11,248 | 1,110,001 | 1,115,000 | 0.94 | 3,043 |
| 970,001 | 975,000 | 0.83 | 10,944 | 1,115,001 | 1,120,000 | 0.94 | 2,805 |
| 975,001 | 980,000 | 0.84 | 10,641 | 1,120,001 | 1,125,000 | 0.94 | 2,572 |
| 980,001 | 985,000 | 0.84 | 10,338 | 1,125,001 | 1,130,000 | 0.95 | 2,345 |
| 985,001 | 990,000 | 0.85 | 10,035 | 1,130,001 | 1,135,000 | 0.95 | 2,123 |
| 990,001 | 995,000 | 0.85 | 9,734 | 1,135,001 | 1,140,000 | 0.95 | 1,908 |
| 995,001 | 1,000,000 | 0.85 | 9,433 | 1,140,001 | 1,145,000 | 0.96 | 1,699 |
| 1,000,001 | 1,005,000 | 0.86 | 9,133 | 1,145,001 | 1,150,000 | 0.96 | 1,497 |
| 1,005,001 | 1,010,000 | 0.86 | 8,834 | 1,150,001 | 1,155,000 | 0.96 | 1,303 |
| 1,010,001 | 1,015,000 | 0.86 | 8,536 | 1,155,001 | 1,160,000 | 0.97 | 1,117 |
| 1,015,001 | 1,020,000 | 0.87 | 8,240 | 1,160,001 | 1,165,000 | 0.97 | 940 |
| 1,020,001 | 1,025,000 | 0.87 | 7,945 | 1,165,001 | 1,170,000 | 0.97 | 773 |
| 1,025,001 | 1,030,000 | 0.87 | 7,652 | 1,170,001 | 1,175,000 | 0.98 | 616 |
| 1,030,001 | 1,035,000 | 0.88 | 7,360 | 1,175,001 | 1,180,000 | 0.98 | 470 |
| 1,035,001 | 1,040,000 | 0.88 | 7,070 | 1,180,001 | 1,185,000 | 0.99 | 338 |
| 1,040,001 | 1,045,000 | 0.89 | 6,782 | 1,185,001 | 1,190,000 | 0.99 | 220 |
| 1,045,001 | 1,050,000 | 0.89 | 6,496 | 1,190,001 | 1,195,000 | 0.99 | 120 |
| 1,050,001 | 1,055,000 | 0.89 | 6,212 | 1,195,001 | 1,200,000 | 1.00 | 43 |
| 1,055,001 | 1,060,000 | 0.90 | 5,930 | 1,200,000 | | | |
| 1,060,001 | 1,065,000 | 0.90 | 5,652 | | | | |

- (a) Texas Per Claim Accident Limitation \$107,000
 - (b) Texas Multiple Claim Accident Limitation \$214,000
 - (c) Longshore and Harbor Workers' Act Per Claim Accident Limitation \$113,500
 - (d) Longshore and Harbor Workers' Act Multiple Claim Accident Limitation \$227,000
 - (e) Employers' Liability Accident Limitation \$55,000
- L. & H.W. Act-Expected Loss Factor-Non-Federal Classes 62%

TEXAS SUPPLEMENT TO EXPERIENCE RATING PLAN

PROCEDURE GOVERNING RISKS

OPERATING IN MORE THAN ONE STATE

The General Rules of the Experience Rating Plan shall apply except as otherwise provided in this Supplement.

A. RISK

Risk as used in this Supplement shall mean a risk as defined in Rule G. of Section II of the Experience Rating Plan with respect to all states in which interstate rating has been approved.

B. ELIGIBILITY

A risk shall qualify for interstate experience rating if it qualifies for rating on an intrastate basis in any one state in accordance with the provisions of Rule A. of Section III of the Experience Rating Plan.

C. NOTIFICATION OF COVERAGE

Each insuring company shall file with the Interstate Compensation Rating Bureau a completed Notification of Coverage form INT-1-68, or INT-1A-68 if applicable, in order to initiate an interstate rating or when assuming coverage for the first time on a risk previously subject to interstate rating. Such filing should be made prior to the effective date of the rating.

D. RATING DATE

If all the operations of the risk are not included under a single policy, the insuring company for Texas operations or Bureaus having jurisdiction shall determine a rating date. Such rating date shall be fixed with due consideration to the effective dates of the several policies involved.

E. TABULATION OF EXPERIENCE

The experience data for the risk shall be tabulated separately for each individual state in accordance with the provisions of the Experience Rating Plan as it applies to such state.

F. NEGOTIATED MODIFIER

The insured may negotiate the Interstate modifier and apply the negotiated modifier to the Texas premium. See Section V - Rule A. Exception (a).

"Test modifiers" cannot be negotiated and cannot be used in determining premium. *

G. EXPLANATION OF TERMS

1. Weighting Value

Each state's Weighting Value shall be determined based on the total expected losses of the risk. Use the Table of Weighting and Ballast Values for each state.

(a) multiply each state's Weighting Value by the state's expected losses.

(b) add the product for all states in (a).

(c) divide the total in (b) by the risk's total expected losses.

2. Ballast Value

An average Ballast Value for the risk is determined by the following formula:

(a) multiply each state's Ballast Value by the state's expected losses.

(b) add the product for all states in (a).

(c) divide the total in (b) by the risk's total expected losses.

H. INTERSTATE MODIFIER

The resulting modifier shall be applicable in all states in which interstate rating applies, except as provided in Rules I. and J. of this Supplement.

I. SINGLE OVERALL EXPERIENCE MODIFIER

The application of a single overall experience modifier shall be mandatory in all states which have approved Interstate Experience Rating, except that a separate modifier may be promulgated for Texas upon the written request of the insured to the insuring company.

If a separate modifier has been calculated for Texas in accordance with these rules, the Texas modifier shall apply for the full rating period for which such modifier was calculated.

J. SEPARATE STATE EXPERIENCE MODIFIER

The following procedure shall be used to determine the modifiers applicable to the risk where separate modifiers are to be established in accordance with the foregoing Rule I.

- (1) Calculate on an interstate basis a modifier for the entire risk.
- (2) Calculate on an intrastate basis a modifier for the state for which a separate modifier has been requested.
- (3) Calculate on an interstate basis a modifier for all states other than the state in (2) above.
- (4) Calculate the ratio of the product of the modifier from (1) and the risk total expected losses to the sum of the product of the modifier from (2) and (3) and the corresponding expected losses.
- (5) The final modifier for the state in (2) above shall be the product of its modifier as determined in (2) and the ratio determined in (4).

- (6) The final modifier for states other than the state in (2) above shall be the product of the modifier determined in (3) and the ratio determined in (4).

**FORMS APPLICABLE FOR USE IN
CONNECTION WITH THE SUPPLEMENT TO
EXPERIENCE RATING PLAN**

ERM-6A, 6B, 6C..... Report of Experience of Self Insurers

INT-1-68 Original Notification of Coverage

INT-1A-68..... Amendment of Notification of
Coverage

*