

# Understanding Your

# FINAL PREMIUM BILL

The rate for each classification on your bill is the **Base Rate** **A**, not the modified **Interim Billing Rate** that is shown on payroll reports and interim bills. The Base Rate is the rate State Fund charges per \$100 of payroll in each classification covered on your policy prior to any applicable rating and premium modifiers.

The final bill identifies separately the **Rating Plan Modifier** **B** and the **Premium Discount Modifier** **C** that apply to your policy, after the experience modification, if any. These two modifiers can further adjust the premium on your policy.


The Rating Plan Modifier includes all Rating Factors applicable to your policy (such as group discount and merit rating), except Premium Discount, and is applied to the Base Premium, or Estimated Standard Premium if your policy has an Experience Modification.

A Premium Discount Modifier is applied to **all** policies with an Estimated Modified Premium over \$5,000. This discount is calculated at the beginning of your policy year based on your Estimated Modified Premium. On the Final Bill, this Premium Discount is based on your actual payroll. Because premium is based on payroll, this modifier can increase or decrease at final billing based on whether your payroll and the resulting premium is higher or lower than estimated.

The Premium Discount Modifier applied to our sample policy at right is .95828 or **C**, reducing the premium due by approximately 4.172%. This is based on the premium discount schedule shown in the table below:

$\$5,000.00 \times 0.0\% = \$$	0.00	First \$5,000 of your premium is discounted at 0.0%.
$\$2,771.44 \times 11.7\% = \$$	324.26	Remaining balance above \$5,000 is discounted at 11.7%.
$\$7,771.44$	$= \$$	<b>324.26 TOTAL PREMIUM DISCOUNT</b>

The total Premium Discount of \$324.26 divided by the premium of \$7,771.44 equals 4.172%. Subtract the 4.172% from 100% and this gives you a Premium Discount Modifier of .95828.



P.O. BOX 997432  
SACRAMENTO, CA  
95899-7432

AMOUNT ENCLOSED

1000006958430002340000005000000

01/15/11 3 B

LEE CONTRACTORS

153 JOHNSON LANE  
DURHAM, CA 95938

GROUP 999  
POLICY/UNIT 0001234 - 10  
NFR 2

ENCLOSE PAYMENT WITH THIS PORTION OF BILL  
RETAIN LOWER PORTION FOR YOUR RECORDS

CHECK BOX AT LEFT FOR ADDRESS CHANGE

ADDRESS

CITY, STATE

ZIP

REPORT/AUDIT PERIOD	CODE	STANDARD CLASSIFICATION	PAYROLL	RATE	PREMIUM
FROM TO					
1/01/10 1/01/11	5201-1	CONCRETE/CEMENT SIDE-<\$24HR	11976.75	17.74 <b>A</b>	2,124.68
1/01/10 1/01/11	5201-2	CONCRETE/CEMENT WORK-<\$24HR	49658.80	17.74	8,809.47
1/01/10 1/01/11	8810-1	CLERICAL OFFICE EMPLOYEES	144.00	1.17	1.68
<b>TOTAL BASE PREMIUM</b>					10,935.83
STANDARD PREMIUM (EXPERIENCE MOD APPLIED)				84%	9,186.10 <b>E</b>
RATING PLAN MODIFIER APPLIED				<b>B</b> .84600	7,771.44
PREMIUM DISCOUNT MODIFIER APPLIED				<b>C</b> .95828	7,447.22
<b>TOTAL PREMIUM FOR 1/01/10 - 1/01/11</b>					7,447.22 <b>D</b>
PAID THIS POLICY TERM					7,242.01CR

IF YOU HAVE QUESTIONS CONCERNING THIS BILLING, PLEASE CALL OUR CUSTOMER SERVICE CENTER (877) 405-4545


N/R 205.21

PREVIOUS BILLS NOT PAID

CIGA SURCHARGE 2.0000% OF	7,447.22	LESS	231.28	=	82.34CR
OSHF (.30640%) + LEC (.19240%) =	.49880%	OF	7,447.22	LESS	148.45 = 111.30CR
UEBT (.18490%) + SIBT (.10500%) =	.28990%	OF	7,447.22	LESS	21.59 = 0.00
WCA (1.51660%) + WCA (.39860%) =	1.91520%	OF	7,447.22		
LESS PREVIOUSLY PAID WCA/WCA SURCHARGE	142.63	=	0.00		

PLEASE DISREGARD IF PAYMENT HAS BEEN MADE

3	624	999-0001234-10	PAY THIS AMOUNT	\$11.57
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P.O. BOX 997432  
SACRAMENTO, CA 95899-7432

6221 (REV. 9/09)

Terms NET-10 Days

DATE PAID \_\_\_\_\_ CHECK NO. \_\_\_\_\_

State Fund modifies premium, not the rate. However, we do calculate and use an Interim Billing Rate during the policy year to give you the benefits of the Rating Plan Modifier that apply to your policy. To determine your final net rate charged at the end of your policy year, you can do the following calculation:

**Total Premium** **D** divided by **Standard Premium** **E** equals the **Final Rating Factor** or \$7,447.22 divided by \$9,186.10 equals .81070.

To determine the final net rate charged at the end of your policy year, multiply the Final Rating Factor of .81070 by the **Base Rate** **A** for each class.



*For a complete listing of terminology, please see the reverse side of this form.*

# GLOSSARY

## Base Premium

Payroll (x) the base rate.

## Base Rate

State Fund's rate as filed with the Department of Insurance. This is the rate State Fund charges per \$100 of payroll by each classification, prior to any applicable credits (debits) and estimated premium discounts.

## Certificate of Insurance

A notice sent by the insurance carrier to a third party confirming that an employer has a valid insurance policy.

## Classification Code Number

A statistical code used to categorize the type of work done by the policyholder's employees.

## Composite Factor

The product of the Rating Plan Modifier and the Estimated Premium Discount Modifier. The Composite Factor is applied to the Base Rates to derive the Interim Billing Rates.

## Coverage Period (Policy Period)

The effective dates of the policy. The beginning date is called the inception date and the ending date is called the expiration date.

## Coverage Term

- **CC** - Continuous Coverage; policy renews each year and the deposit automatically transfers forward to the renewal year.
- **NX** - Non-expiring; policy renews each year and a new deposit is billed at renewal. The old deposit credits to the final bill for that year.
- **XP** - Expiring Policy; policy expires at the end of the coverage period and will not renew. Deposit credits to the final bill for the policy.

## Deposit

Payment required to validate a workers' compensation insurance policy. See "Coverage Term" for more information on deposit handling.

## Endorsement

An amendment, change, deletion or addition to the policy contract.

## Estimated Annual Premium (EAP)

Payroll (x) base rates (x) experience modification (x) Rating Plan Modifier (x) Premium Discount Modifier. This is a "bottom line" estimate of the employer's expected premium.

## Estimated Modified Premium (EMP)

Payroll (x) base rates (x) experience modification (x) Rating Plan Modifier.

## Estimated Premium Discount

A discount given to accounts based on their individual premium size. Discounts apply to premiums of over \$5,000.

## Estimated Standard Premium

Payroll (x) Base Rate (x) Experience Modification (if applicable).

## Interim Billing Rates

These adjusted rates reflect the Rating Plan Modifier and Premium Discount Modifier. These are the rates that will appear on your payroll reports.

## Mandatory Assessments

These are fixed percentages of your premium and are subject to changes by regulatory agencies and legislation.

- **CIGA** - Assessment required by the California Insurance Guarantee Association.
- **SIBT** - Assessment required by the Subsequent Injuries Benefits Trust Fund.
- **UEBT** - Assessment required by the Uninsured Employers Benefits Trust Fund.
- **WCA** - Assessment required by the Workers' Compensation Revolving Fund.
- **WCFA** - Assessment required by the Fraud Assessment Commission.
- **OSHF** - Assessment required by the Occupational Safety & Health Fund
- **LEC** - Assessment required by the Labor Enforcement and Compliance Fund

## Minimum Premium

The minimum sum for which the carrier will insure the employer; it is not subject to proration or refund. Your premium will never be less than the minimum premium even if the policy is cancelled during the policy period.

## Premium Adjustment/Payroll Reports

The premium adjustment period is the frequency (annual, semi-annual, quarterly or monthly) with which the insurer determines, bills and collects the premium earned or estimated to be earned during each interval of the policy period. A payroll report is the form sent to the policyholder to solicit the payroll of employees in order to make that premium determination.

## Rating Plan Modifier

Includes all Rating Factors applicable to your policy (such as group discount and merit rating), except Premium Discount.

**For further assistance, please contact your broker or your State Fund representative.**