Loss Sensitive Rating Plan (LSRP)

A guide to the mandatory assigned risk retrospective rating program

NCCI's Assigned Risk Loss Sensitive Rating Plan (LSRP)
This brochure is designed to help you understand NCCI's assigned risk LSRP and how it affects the cost of workers compensation insurance in the residual market. It provides an overview of the filed and approved plan. Refer to the glossary to facilitate quick reference for terms used frequently throughout this brochure. Refer to Rule 4-C of NCCI's ***Basic Manual for Workers Compensation and Employers Liability Insurance*** (***Basic Manual***) for details and state-specific requirements of LSRP.

Introduction
LSRP is a mandatory assigned risk retrospective rating plan for those employers whose LSRP standard premium meets a minimum threshold of $250,000. Unlike experience rating, which adjusts the premium of an employer's policy based on the employer's past experience, LSRP adjusts the premium of an employer's policy on the basis of losses incurred during the same policy period. LSRP does not change the coverage provided by the policy.

As with any retrospective rating plan, LSRP is a type of pricing plan that is applied to a policy. Premium for a retrospectively rated policy is determined after the expiration of the policy and continues to be adjusted for several years after the expiration of the policy, based on the development of the employer's losses incurred during the policy term.

LSRP is constructed to be uniformly applied to all eligible residual market employers. The plan parameters that form the basis of the LSRP are not negotiable because residual market assignment is random; fixed parameters are necessary to ensure consistent application of the LSRP rules.

Purpose
LSRP is designed to:
- Encourage safety and loss prevention
- Provide incentives through lower premiums for employers with favorable loss experience
- Provide a disincentive through higher premiums for employers with unfavorable loss experience
- Depopulate the residual market

LSRP provides large employers with a financial incentive to promote workplace safety and reduce losses by requiring employers to accept greater financial responsibility for the losses they incur. Also, LSRP removes the potential financial advantage that guaranteed cost residual market coverage might otherwise provide for large employers with unfavorable loss experience.

The intent of LSRP is for premium on a policy to closely reflect the actual loss experience of the employer on that policy. The ultimate impact of LSRP on any given policy depends on the development of an employer's incurred losses on that policy over time.

LSRP Valuations

LSRP policies are subject to four valuations after policy expiration when incurred losses are valued in accordance with the applicable statistical plan. The first valuation occurs 18 months after the month in which the policy became effective. The subsequent valuations occur annually thereafter at 30, 42, and 54 months after the month in which the policy became effective.

The valuations adjust LSRP standard premium to reflect the actual experience of the employer by using the following formula:

LSRP (Additional/Return) Premium = {[(SP x BPF) + (ICL x LCF) + (SP x LDF x LCF)] x TM} – SP

Where ...	Equals ...
SP	LSRP Standard Premium
BPF	Basic Premium Factor
ICL	Incurred Losses
LCF	Loss Conversion Factor
LDF	Loss Development Factor
TM	Tax Multiplier

The result of the actual experience may be additional premium, return premium, or no change to the estimated premium.

Nonpayment of any additional premium to the assigned carrier may result in cancellation of any in-force Workers Compensation Insurance Plan (WCIP) policy by any assigned carrier; and the employer, as defined under the WCIP, may no longer be in good faith eligible for coverage under the WCIP.

Eligibility

LSRP is a mandatory plan for all qualifying policies in the residual market. Generally, to qualify for LSRP, the combined LSRP standard premium of all LSRP-approved states on the policy (or policies to the extent that an employer has multiple policies that are combinable for experience rating as defined in NCCI's ***Experience Rating Plan Manual***) must meet or exceed $250,000. Employers that generate premium of at least that size ($250,000) are expected to have a sufficient number of claims to allow loss prevention services to be effective. Refer to ***Basic Manual*** Rule 4-C for more information about LSRP eligibility.

Generally, LSRP applies to an employer with multistate operations when the total LSRP standard premium of all states that have approved LSRP meets the LSRP standard premium eligibility requirement. For states that don't have LSRP, multiple policies may be required. Further, an assigned risk employer that qualifies for LSRP in Indiana must be written on a separate policy. Refer to ***Basic Manual*** Rule 4-C for information regarding the issuance of separate WCIP policies for multistate operations.

Prior to policy issuance, each application and/or policy renewal is reviewed by the carrier to estimate the size of the policy's premium. If the policy meets the LSRP premium eligibility threshold, the policy is issued with an endorsement indicating that it qualifies for LSRP.

LSRP Contingency Deposit

If an employer qualifies for LSRP, an LSRP contingency deposit of 20% of the LSRP standard premium is required for new and renewal policies. This LSRP contingency deposit is in addition to the deposit required of all assigned risk employers. The LSRP contingency deposit serves as collateral for premium that may be due to the assigned carrier as a result of losses incurred during the policy term.

The LSRP contingency deposit is calculated by multiplying the LSRP standard premium by 20%. When assigned risk policies are combined for LSRP purposes, the LSRP contingency deposit is calculated by multiplying the combined LSRP standard premium for all policies by 20%. A new LSRP contingency deposit is required for each renewal policy.

The LSRP contingency deposit must be paid using any of the following payment methods:

- Automated Clearing House/Electronic Funds Transfer (ACH/EFT)
- Credit Card
- Personal or Business Check

Another option is an irrevocable letter of credit (ILOC). The ILOC may be provided for each policy term as collateral for the LSRP contingency deposit. The ILOC must be for an amount at least equal to the LSRP contingency deposit of 20% and must meet certain conditions as defined in Rule 4-C of NCCI's ***Basic Manual***. The ILOC can only be used for the LSRP contingency deposit.

Failure by the employer to submit an acceptable ILOC within 30 days of the issue date of the binder will require the employer to tender a check made payable to the assigned carrier within 10 days of the employer informing the assigned carrier that an ILOC could not be obtained. If the ILOC or LSRP contingency deposit is not provided within the required time frame, the policy will be cancelled for nonpayment of premium.

Typically, the LSRP contingency deposit is retained by the assigned carrier until all four valuations are completed. However, the assigned carrier may use sound underwriting judgment to determine whether to return the LSRP contingency deposit at an earlier valuation.

Note: The assigned carrier **must** hold the LSRP contingency deposit for all professional employer organizations (PEO) and temporary arrangement policies until the fourth or final valuation is completed.

LSRP Eligibility Adjustment Period

During the first 120 days of the policy term (except for those policies issued to PEOs and temporary arrangements), the carrier reevaluates the LSRP eligibility of the policy if the policy premium changes or the employer obtains coverage in the voluntary market or cancels the policy for reasons other than retiring from business. The purpose of this adjustment period is to account for premium increases and decreases within the first 120 days of the policy period.

Depopulation of the residual market is a major goal of LSRP. If an employer with an LSRP policy is able to obtain coverage in the voluntary market within 120 days of the policy inception, the premium for the LSRP policy is calculated on a guaranteed cost basis.

The following tables summarize how the LSRP adjustment period can affect a residual market policy.

Table 1

Increase/Decrease in LSRP Standard Premium

If during the first 120 days of the policy term …	**Then …**
The LSRP standard premium **decreases** and falls below the LSRP eligibility threshold	• The policy is converted to a guaranteed cost policy, retroactive to policy inception • LSRP contingency deposit is returned
The LSRP standard premium **increases** and meets the LSRP eligibility threshold	• LSRP is applied retroactively to policy inception • An LSRP contingency deposit will be required within 30 days of the assigned carrier issuing notice of the application of LSRP
If after the first 120 days of the policy term …	**Then …**
The LSRP standard premium **decreases** and falls below the LSRP eligibility threshold	LSRP continues to be applied to the policy(ies)
The LSRP standard premium **increases** and meets the LSRP eligibility threshold	• The policy(ies) will remain a guaranteed cost policy(ies) • LSRP is applied at renewal, subject to meeting the eligibility requirements on the renewal policy(ies)

Table 2

Obtaining Voluntary Coverage

If an employer with an LSRP policy(ies) obtains coverage in the voluntary market …	**Then …**
During the first 120 days of the policy term	• The policy is converted to a guaranteed cost policy, retroactively to policy inception • The policy is cancelled pro rata • The LSRP contingency deposit and any unearned premium is returned, subject to final audit
After the first 120 days	• LSRP continues to apply to the policy • The policy is cancelled pro rata • Valuations are calculated in accordance with ***Basic Manual*** Rule 4-C • The assigned carrier must hold the LSRP contingency deposit in accordance with ***Basic Manual*** Rule 4-C

Application of LSRP to Professional Employer Organization (PEO) and Temporary Arrangements

There are additional rules for the application of LSRP to policies covering PEO and temporary arrangements. Due to the fluctuations in exposure for these types of operations, LSRP is applied to policies covering PEO and temporary arrangements if, at any time during the policy period, the premium for that coverage reaches the minimum threshold required for LSRP eligibility. Conversely, if the premium falls below the threshold during the policy period, the policy continues to be subject to LSRP. This is due to the wide variances in payroll for these types of operations.

Table 3

Application of LSRP to PEO and Temporary Arrangements

If the arrangement is covered under a …	**Then eligibility for LSRP will be …**
PEO master policy	Based on LSRP standard premium for the entire master policy (PEO and clients)
PEO multiple coordinated policy	• For individual clients of PEOs—Determined separately by each individual client PEO policy written in accordance with NCCI's ***Basic Manual*** • For PEOs (excluding clients)—Based on LSRP standard premium of any PEO policy written in accordance with NCCI's ***Basic Manual***

If the arrangement is covered under a …	Then eligibility for LSRP will be …
Temporary Arrangement	Based on LSRP standard premium for the entire temporary arrangement policy

PEO and temporary arrangement policies are subject to NCCI's ***Basic Manual*** Rule 4-C. If the LSRP eligibility threshold is met at any time, then:

- LSRP is applied retroactive to the policy inception
- An LSRP contingency deposit is required to be paid within 30 days of the assigned carrier issuing notice of the application of LSRP

PEO and temporary arrangement LSRP policies are subject to a first valuation with three subsequent valuations for a maximum of four valuations. The assigned carrier **must** hold the LSRP contingency deposit for all PEO and temporary arrangement policies until the fourth or final valuation is completed.

Examples of the Calculation of LSRP

The following examples will help you understand how the valuations will impact your workers compensation premium. In these examples, the assigned carrier is holding the LSRP contingency deposit until the fourth valuation. The values and factors used in the valuations are for illustration purposes only. Please refer to NCCI's ***Basic Manual***—Rates/Loss Costs Index—Assigned Risk Miscellaneous Values pages for applicable factors in your state.

The formula below applies for all examples:

LSRP (Additional/Return) Premium = {[(SP x BPF) + (ICL x LCF) + (SP x LDF x LCF)] x TM} – SP

Where …	Equals …
SP	LSRP Standard Premium
BPF	Basic Premium Factor
ICL	Incurred Losses
LCF	Loss Conversion Factor
LDF	Loss Development Factor
TM	Tax Multiplier

Example 1
Consider Policy A, with valuations between the LSRP minimum and maximum premium amounts.

LSRP Standard Premium (SP)	$339,000
LSRP Contingency Deposit Percentage	20%
LSRP Contingency Deposit	$67,800

LSRP Factors

Basic Premium Factor (BPF)	0.40
Minimum Premium Factor (MinPF)	0.75
Maximum Premium Factor (MaxPF)	1.75
Loss Conversion Factor (LCF)	1.125
Tax Multiplier (TM)	1.126

Valuation	Incurred Losses (ICL)	Loss Development Factors (LDF)
1st	$184,000	0.31
2nd	$271,200	0.21
3rd	$280,000	0.15
4th	$289,650	0.10

LSRP (Additional/Return) Premium Calculations

	Factors/Formulas	1st Valuation	2nd Valuation	3rd Valuation	4th Valuation
1.	LSRP Standard Premium (SP)	$339,000	$339,000	$339,000	$339,000
2.	Basic Premium Factor (BPF)	0.40	0.40	0.40	0.40
3.	Basic Premium (1) x (2)	$135,600	$135,600	$135,600	$135,600
4.	Incurred Losses (ICL)	$184,000	$271,200	$280,000	$289,650
5.	Loss Conversion Factor (LCF)	1.125	1.125	1.125	1.125
6.	Converted Losses (4) x (5)	$207,000	$305,100	$315,000	$325,856
7.	Loss Development Factor (LDF)	0.31	0.21	0.15	0.10
8.	Loss Development Premium (1) x (7) x (5)	$118,226	$80,089	$57,206	$38,138
9.	Subtotal (3) + (6) + (8)	$460,826	$520,789	$507,806	$499,594
10.	Tax Multiplier (TM)	1.126	1.126	1.126	1.126
11.	Valued LSRP Premium (9) x (10)	$518,890	$586,408	$571,790	$562,543
12.	Minimum Premium Factor (MinPF)	0.75	0.75	0.75	0.75
13.	LSRP Minimum Premium (1) x (12)	$254,250	$254,250	$254,250	$254,250
14.	Maximum Premium Factor (MaxPF)	1.75	1.75	1.75	1.75
15.	LSRP Maximum Premium (1) x (14)	$593,250	$593,250	$593,250	$593,250
16.	LSRP Premium (adjusted for minimum/maximum if necessary)	$518,890	$586,408	$571,790	$562,543
17.	Premium billed through prior valuation	$339,000	$518,890	$586,408	$571,790
18.	LSRP (Additional/Return) Premium (16) – (17)	$179,890 (additional)	$67,518 (additional)	$14,618 (return)	$9,247 (return)

Example 1 Summary

Based on the incurred losses, the LSRP premium as of the 4th valuation is $562,543. The valued LSRP premium is between the minimum and the maximum premium under the LSRP. Therefore, no further premium adjustment is needed.

At the 4th valuation, the amount due to the employer is $77,047, which is the sum of the return premium of $9,247 and the LSRP contingency deposit of $67,800.

Example 2
Consider Policy B, with the 4th valuation below the LSRP minimum premium amount.

LSRP Standard Premium (SP)	$270,000
LSRP Contingency Deposit Percentage	20%
LSRP Contingency Deposit	$54,000

LSRP Factors

Basic Premium Factor (BPF)	0.40
Minimum Premium Factor (MinPF)	0.75
Maximum Premium Factor (MaxPF)	1.75
Loss Conversion Factor (LCF)	1.171
Tax Multiplier (TM)	1.168

Valuation	Incurred Losses (ICL)	Loss Development Factors (LDF)
1st	$78,000	0.31
2nd	$90,300	0.20
3rd	$60,000	0.16
4th	$53,100	0.01

LSRP (Additional/Return) Premium Calculations

	Factors/Formulas	1st Valuation	2nd Valuation	3rd Valuation	4th Valuation
1.	LSRP Standard Premium (SP)	$270,000	$270,000	$270,000	$270,000
2.	Basic Premium Factor (BPF)	0.40	0.40	0.40	0.40
3.	Basic Premium (1) x (2)	$108,000	$108,000	$108,000	$108,000
4.	Incurred Losses (ICL)	$78,000	$90,300	$60,000	$53,100
5.	Loss Conversion Factor (LCF)	1.171	1.171	1.171	1.171
6.	Converted Losses (4) x (5)	$91,338	105,741	$70,260	$62,180
7.	Loss Development Factor (LDF)	0.31	0.20	0.16	0.01
8.	Loss Development Premium (1) x (7) x (5)	$98,013	$63,234	$50,587	$3,162
9.	Subtotal (3) + (6) + (8)	$297,351	$276,975	$228,847	$173,342
10.	Tax Multiplier (TM)	1.168	1.168	1.168	1.168
11.	Valued LSRP Premium (9) x (10)	$347,306	$323,507	$267,293	$202,463
12.	Minimum Premium Factor (MinPF)	0.75	0.75	0.75	0.75
13.	LSRP Minimum Premium	$202,500	$202,500	$202,500	$202,500

	Factors/Formulas	1st Valuation	2nd Valuation	3rd Valuation	4th Valuation
	(1) x (12)				
14.	Maximum Premium Factor (MaxPF)	1.75	1.75	1.75	1.75
15.	LSRP Maximum Premium (1) x (14)	$472,500	$472,500	$472,500	$472,500
16.	LSRP Premium (adjusted for minimum/maximum if necessary)	$347,306	$323,507	$267,293	$202,500
17.	Premium billed through prior valuation	$270,000	$347,306	$323,507	$267,293
18.	LSRP (Additional/Return) Premium (16) – (17)	$77,306 (additional)	$23,799 (return)	$56,214 (return)	$64,793 (return)

Example 2 Summary
Based on the incurred losses, the valued LSRP premium as of the 4th valuation is $202,463. Since the valued LSRP premium of $202,463 is below the LSRP minimum premium of $202,500, the LSRP minimum premium of $202,500 becomes the LSRP premium.

At the 4th valuation, the LSRP premium of $202,500 is subtracted from the amount paid through the 3rd valuation, $267,293. The 4th valuation is adjusted to a return premium of $64,793. The amount due to the employer is $118,793, which is the sum of the return premium of $64,793 and the LSRP contingency deposit of $54,000.

Example 3
Consider Policy C, with 3rd and 4th valuations above the LSRP maximum premium amount.

LSRP Standard Premium (SP)	$420,000
LSRP Contingency Deposit Percentage	20%
LSRP Contingency Deposit	$84,000

LSRP Factors

Basic Premium Factor (BPF)	0.40
Minimum Premium Factor (MinPF)	0.75
Maximum Premium Factor (MaxPF)	1.75
Loss Conversion Factor (LCF)	1.185
Tax Multiplier (TM)	1.151

Valuation	Incurred Losses (ICL)	Loss Development Factors (LDF)
1st	$240,000	0.20
2nd	$300,000	0.14
3rd	$400,000	0.10
4th	$560,000	0.05

LSRP (Additional/Return) Premium Calculations

	Factors/Formulas	1st Valuation	2nd Valuation	3rd Valuation	4th Valuation
1.	LSRP Standard Premium (SP)	$420,000	$420,000	$420,000	$420,000
2.	Basic Premium Factor (BPF)	0.40	0.40	0.40	0.40
3.	Basic Premium (1) x (2)	$168,000	$168,000	$168,000	$168,000
4.	Incurred Losses (ICL)	$240,000	$300,000	$400,000	$560,000
5.	Loss Conversion Factor (LCF)	1.185	1.185	1.185	1.185
6.	Converted Losses (4) x (5)	$284,400	$355,500	$474,000	$663,600
7.	Loss Development Factor (LDF)	0.20	0.14	0.10	0.05
8.	Loss Development Premium (1) x (7) x (5)	$99,540	$69,678	$49,770	$24,885
9.	Subtotal (3) + (6) + (8)	$551,940	$593,178	$691,770	$856,485
10.	Tax Multiplier (TM)	1.151	1.151	1.151	1.151
11.	Valued LSRP Premium (9) x (10)	$635,283	$682,748	$796,227	$985,814
12.	Minimum Premium Factor (MinPF)	0.75	0.75	0.75	0.75
13.	LSRP Minimum Premium (1) x (12)	$315,000	$315,000	$315,000	$315,000
14.	Maximum Premium Factor (MaxPF)	1.75	1.75	1.75	1.75
15.	LSRP Maximum Premium (1) x (14)	$735,000	$735,000	$735,000	$735,000
16.	LSRP Premium (adjusted for minimum/maximum if necessary)	$635,283	$682,748	$735,000	$735,000
17.	Premium billed through prior valuation	$420,000	$635,283	$682,748	$735,000
18.	LSRP (Additional/Return) Premium (16) – (17)	$215,283 (additional)	$47,465 (additional)	$52,252 (additional)	$0

Example 3 Summary
Based on the incurred losses, the valued LSRP premium as of the 3rd valuation is $796,227. When the maximum premium factor is applied, the LSRP maximum premium equals $735,000 ($420,000 x 1.75). Therefore, the adjusted policy premium at the 3rd valuation is $735,000.
The valued LSRP premium as of the 4th valuation is $985,814. Since this also exceeds the LSRP maximum premium of $735,000, the LSRP maximum premium still applies at the 4th valuation.

Because the maximum premium of $735,000 still applies and has been paid in full as of the 3rd valuation, no LSRP additional/return premium is due. Therefore, the only amount due to the employer is the LSRP contingency deposit of $84,000.

LSRP Frequently Asked Questions

1. **Is there one LSRP contingency deposit for the entire time an employer qualifies for LSRP?**

   No, LSRP eligibility is determined on a per-policy period basis. Each policy is a separate contract and, therefore, requires a separate contingency deposit for each policy.

2. **If I have operations in more than one state, how will LSRP apply?**

   LSRP is designed to accommodate the large assigned risk employer that has operations in several states. The plan provides for a multistate policy when the estimated aggregate (total of all states having approved LSRP) annual LSRP standard premium meets the LSRP standard premium eligibility requirement. For states that don't have an LSRP, multiple policies may be required. Further, an assigned risk employer that qualifies for LSRP in Indiana must be written on a separate policy. Refer to the ***Basic Manual*** for the rules that require the issuance of separate WCIP policies.

3. **What factors are applied to LSRP valuations?**

   The factors for LSRP can be found in the individual state Assigned Risk Miscellaneous Values pages in NCCI's ***Basic Manual***—Rates/Loss Costs Index. The factors are applied on a policy effective date basis.

4. **If there is a deductible on LSRP, how are the losses included in LSRP valuations?**

   For those states that have deductible programs applicable to residual market policies, the deductible program is optional to the policyholder, but if selected, applies to the LSRP policy. The credit is applied as outlined in the state's assigned risk workers compensation premium algorithm. The rules for LSRP require carriers to use the same loss information as reported under NCCI's ***Statistical Plan***.

5. How will I know if I am written under an LSRP policy?

You will be notified that your policy is eligible for LSRP as follows:

a. ACORD® 133 Application

Notification about LSRP is provided to the employer and its representative when submitting the ACORD® 133 application for coverage in the residual market. By signing the applicant statement on the ACORD® 133, the applicant understands and agrees that it is acknowledging that the LSRP has been explained by the producer and also agrees to the terms of LSRP if the employer meets the eligibility requirements. If the eligibility requirements are met, the applicant agrees to submit an additional LSRP contingency deposit equal to 20% of LSRP standard premium.

b. NCCI Binder

In states that have approved LSRP, notification about the application of LSRP to an employer's assigned risk policy is provided to the employer and its representative on the binder notification pages.

c. Endorsements

Each application and/or policy renewal is reviewed by the assigned carrier to determine the size of the premium owed under the policy. If the policy meets the LSRP minimum premium eligibility threshold of $250,000 at the time the policy is reviewed, the policy is issued with the Assigned Risk Loss Sensitive Rating Plan Endorsement indicating that it qualifies for LSRP. Conversely, if the policy does not meet the LSRP eligibility requirements at the time it is reviewed, it is issued with the Assigned Risk Loss Sensitive Rating Plan Notification Endorsement.

LSRP Endorsements Table

Endorsement	Instructions and Purpose
WC 00 04 17 B—Assigned Risk Loss Sensitive Rating Plan Notification Endorsement	• Assigned carriers **must** attach this endorsement to **all** new and renewal assigned risk policies regardless of premium size • This endorsement ensures that all assigned risk employers, regardless of premium size, are notified of the intent and details of LSRP as well as possible application of LSRP if the employer meets the eligibility requirements

Endorsement	Instructions and Purpose
WC 00 04 18 F—Assigned Risk Loss Sensitive Rating Plan Endorsement	• All assigned carriers **must** attach this endorsement to **all** new and renewal assigned risk policies meeting the LSRP eligibility requirements • This endorsement advises policyholders meeting the eligibility requirements of the applicable LSRP factors and how LSRP premium is calculated

d. Renewal Quotes

The assigned carrier must indicate on all renewal quotes to employers that payment of the renewal deposit constitutes knowledge and acceptance of the possible application of LSRP to the policy.

Glossary

The following definitions are provided for terms used in this brochure. The definitions apply to the way that terms are used in this brochure. Some terms may have different meanings in other contexts. *Refer to the* ***Basic Manual*** *for detailed definitions.*

Basic Premium Factor and Basic Premium

The basic premium factor (BPF) is a fixed factor used to determine the basic premium (BP). Basic premium contributes to the recovery of expenses, such as those for servicing the LSRP policy, loss prevention services, premium audit, and general administration of the LSRP policy.

Guaranteed Cost Policy

Guaranteed cost policies are policies where the premium is a fixed cost based on a payroll base, manual rates, and any applicable pricing programs.

Incurred Losses

Losses used in the LSRP calculation are those incurred losses (ICL) reported in accordance with the applicable statistical plan, subject to exclusions in ***Basic Manual*** Rule 4-C.

Loss Conversion Factor and Converted Losses

A converted loss is the loss amount including an approximate load for claim adjustment expenses. Converted losses are determined by applying a loss conversion factor (LCF) to the actual incurred losses. The LCF contemplates the costs of the assigned carrier's claim services, such as investigating claims and filing claim reports, and claim adjustment services. LCFs vary by state. For purposes of LSRP, losses are not limited.

Loss Development Factor

The loss development factor (LDF) applies on a state basis and is included in all four LSRP valuations. The LDF:

- Anticipates a pattern of increasing loss valuations during the adjustment periods
- Stabilizes premium adjustments

LSRP Standard Premium

LSRP standard premium **(SP)** is determined on the basis of authorized rates (including premium developed from payroll assigned to aircraft classifications) and includes any:

- Increased limits of liability
- Experience rating modification
- Deductible credit, if applicable
- Assigned Risk Adjustment Program (ARAP) and/or assigned risk surcharge programs and/or other assigned risk pricing programs other than LSRP
- Minimum premium

Determination of LSRP standard premium must exclude:

- Premium resulting from non-ratable elements
- Premium developed by the passenger seat surcharge under Code 7421
- Premium discount
- Premium developed by the occupational disease rates for employers subject to the Federal Mine Safety and Health Act
- Expense constant
- Premium developed by catastrophe provisions in accordance with NCCI's ***Basic Manual***

Maximum Premium Factor and LSRP Maximum Premium
The maximum premium factor (MaxPF) is a fixed factor used to determine the greatest amount of premium that may be paid. The policyholder will not pay more than the calculated LSRP maximum premium.

Minimum Premium Factor and LSRP Minimum Premium
The minimum premium factor (MinPF) is a fixed factor used to determine the least amount of premium that may be paid. The policyholder will not pay less than the calculated LSRP minimum premium.

Tax Multiplier
The tax multiplier (TM) varies by state and includes licenses, fees, assessments, and taxes that an assigned carrier must pay on the premium it collects. The appropriate factors for these elements are located in the individual state Assigned Risk Miscellaneous Values pages in NCCI's ***Basic Manual***—Rates/Loss Costs Index.

Further Information

- For general information regarding LSRP, contact your producer of record, insurance carrier, or an NCCI Assigned Risk Analyst at 800-**NCCI**-123 (800-622-4123) or visit **ncci.com**
- For information regarding your policy, contact your producer of record or insurance carrier
- For information on the application of LSRP on North Carolina assigned risk policies, contact the North Carolina Rate Bureau at 919-783-9790 or www.ncrb.org
- For information on the application of LSRP on Indiana assigned risk policies, contact the Indiana Compensation Rating Bureau at 317-842-2800 or www.icrb.net