

Retro Premium Formula

Both Loss and Premium Based Plan:

- ❖ $Refund\ or\ Assessment = Standard\ Premium\ Paid(link)\ or\ Prior\ Retro\ Premium(link) - Retro\ Premium$
- ❖ $Retro\ Premium = Premium\ Administration\ Charge + Incurred\ Loss\ \&\ Expense\ Charge + Net\ Insurance\ Charge$

Loss Based Plan:

- ❖ $Net\ Insurance\ Charge\ Percent = \frac{Insurance\ Charge\ Factor}{(1 - Insurance\ Charge\ Factor)}$
- ❖ $Net\ Insurance\ Charge = Net\ Insurance\ Charge\ Percent * Incurred\ Loss\ and\ Expense\ Charge$

Premium Based Plan:

- ❖ $Net\ Insurance\ Charge = Standard\ Premium * Net\ Insurance\ Charge\ Factor$

Definitions:

- $Premium\ Administration\ Charge = Standard\ Premium * Premium\ Administration\ Expense\ Factor$
- $Premium\ Administration\ Expense\ Factor = 4.8\%$
- $Incurred\ Loss\ \&\ Expense\ Charge = Final\ Incurred\ Losses(link) * Incurred\ Loss\ \&\ Expense\ Factor$
- $Incurred\ Loss\ \&\ Expense\ Factor = 1.07\%$
- $Net\ Insurance\ Charge\ Factor = Insurance\ Charge\ Factor - Insurance\ Saving\ Factor$

Standard Premium:

That portion of total premium assessed during a Retro Coverage Period. IE: Accident and Medical Aid funds, does not include Supplemental Pension or Stay at Work funds.

Prior Retro Premium:

The net standard premium at the time of a Retro adjustment, when there has been a previous Retro adjustment or adjustments.

Incurred Losses:

$$\underbrace{[Case\ Incurred\ Losses] \times [DLDF] \times [ELRF] \times [PAF]}_{\text{Capped (if applicable)}}$$

- **Case Incurred Losses:** [See WAC 296-17B-530.](#)
- **Discounted Loss Development Factors (DLDF):** [See WAC 296-17B-810.](#)
- **Expected Loss Ratio Factor (ELRF):** [See WAC 296-17B-830.](#)
- **Performance Adjustment Factor (PAF):**
[WAC 296-17B-600](#) L&I uses performance adjustment to ensure equity between employers that participate in Retrospective Rating and employers that do not. The goal of performance adjustment is to make sure that overall, after adjustments, Retro participants pay the same share of their losses as employers that do not participate in Retro.

Net Insurance Charge: [See WAC 296-17B-440.](#)