

Quotation For Casualty Insurance Program

for

CITY OF ROCKVILLE

In consultation with your Representative

AON RISK SERVICES, INC OF WASH

by



**Commercial Casualty
Commercial Risk - Risk Management**

PREPARED BY:	MICKEY WASNIEWSKI
DATED:	06/14/2011
EFFECTIVE DATE:	07/01/2011
EXPIRATION DATE:	07/01/2012
VALID UNTIL:	07/01/2011

SECTION 1 - THE CONTACTS

Risk Management is committed to providing superior service on your Insurance Program. The people listed below are the primary team representatives for your account.

Contact Name:	Sheldon Altschuler
Company Name:	CITY OF ROCKVILLE
Street:	111 MARYLAND AVE
City:	ROCKVILLE
State:	MD
Zip:	20850-2364
Telephone #:	(240) 314-8467

Your Representative Contact Name:	Jean Cofield
Company Name:	AON RISK SERVICES, INC OF WASH
Street:	1120 20TH ST NW
City:	WASHINGTON
State:	DC
Zip:	20036-0511
Telephone #:	(202) 429-8557

Our Account Representative Contact Name:	MICKEY WASNIEWSKI
Company Name:	Risk Management
Street:	625 Liberty Avenue
City:	Pittsburgh
State:	PA
Zip:	15219
Telephone #:	(412) 288-5317

Other Important Contacts	
Name	Bernadette Strubing
Title	Senior Account Manager
Telephone #	(215) 255-6307

SECTION 1 - INFORMATION ABOUT RISK MANAGEMENT COMMERCIAL RISK DIVISION

For more than 20 years, Risk Management (RM) has been known as the leading provider of risk management insurance programs for large, national accounts, but we also cater to customers at the upper end of the middle market. The goal of RM's Commercial Risk Division is to address the needs of corporations with annual revenue between \$100 million and \$750 million. No matter what exposures you may face, our dedicated team of underwriters will work with you to design a coverage plan to meet your specific needs. Available program designs include guaranteed cost, self-insured retentions, large deductibles, incurred-loss and paid-loss retention plans, and captive arrangements. Buyouts and loss portfolio transfers are handled by a separate profit center within Risk Management (Division 86.) We can also combine and/or coordinate our programs with a spectrum of products and services available within the diverse member companies of Chartis, allowing us to create a comprehensive program to meet practically all of your risk management needs.

Quality Service

Our excellence is rooted in the belief that a quality insurance program entails more than just sound underwriting; it requires customer-driven service. Each RM client is assigned an individual who focuses on your business strategies, understands your needs, and works with you to find solutions to your risk concerns. We work with Chartis Claims, Inc. or your chosen third party administrator to provide an effective cost-containment program. The Global Loss Prevention team is unmatched in its loss control and loss prevention expertise. Additionally, we offer a variety of specialized services, including IntelliRisk[®], our on-line claims management system, to enhance your risk management programs. RM professionals provide a full range of services to help you manage and control your overall cost of risk.

Financial Strength

Chartis' ratings are among the highest of any insurance and financial services organization in the world. Chartis provides the most extensive range of commercial and industrial coverages available for corporate and commercial customers, from large multinationals to small businesses. Chartis is a longtime market leader in most lines, including the most complex insurance lines. We typically provide the highest insurance limits available and are first to address new or emerging risks. Policies underwritten by Chartis provide highly-rated financial strength and specialized claims and loss control services.

SECTION 2 - PROGRAM RATES AND PREMIUMS

ATTACH A

Estimated Subject Premium

Line Item	Rates	Per	Basis Types	Estimated Basis	Minimum Premium	Estimated Premium
Forecast of <i>Subject Losses</i> in Final Premium	N/A		1 Ultimate Losses		N/A	
Claims Service Fees	0	1	Contract	0	\$0	\$47,905
Wc Expenses	1.0226	100	WC Payroll	33,656,381	\$344,186	\$344,186
SubTotal						\$392,091
Taxes/Assessments						
Estimated Subject Premium						\$392,091

Estimated Non-Subject Premium

Coverage Description	Rates	Per	Basis Types	Estimated Basis	Minimum Premium	Estimated Premium
Estimated Non-Subject Premium						\$0

Summary of Expected Cost

Estimated Premium (Subject and Non-subject)	\$392,091
Expected Reimbursable Losses/ Deductible Loss/Self-Insured Losses and ALAE, if applicable	\$660,000
Credit Fee	\$0
Estimated Surcharges	\$0
Expected Total Cost	\$1,052,091
Total Pay-In Amount (Estimated Cost less any deferrals)	\$392,091

Rating Basis and Program Rates & Premium Explanation: Claims Service Fees are based on an Estimated Amount. There is no minimum amount due. The claims count will be adjusted to match actual claim count after program expiration and any overage will be returned to the client.

Surcharges shown above – Breakdown by state & line of business:

Auto:	
TOTAL AUTO	
GL:	
TOTAL GL	
Workers Comp:	
TOTAL WC	

Terrorism Charges Included in Premium By Line of Business	Estimated Charge
Workers Compensation (TRIPRA)	\$9,900

Summary of Program Structure and Loss Picks

Line Of Business	Coverage Plan Type	Retention/ Deductible/ SIR	Estimated Losses
Workers Compensation	Deductible	\$250,000	\$660,000

Aggregate Stop Amount and Aggregate Stop Limit

ATTACH A

The **Aggregate Stop Amount** and the **Aggregate Stop Limit** (if one is applicable) Apply to the first year of the rating period. or entire Rating Period.

Line(s) of Insurance Included:

Workers Compensation - Insured.

Estimated Aggregate Stop Amount (i.e., Attachment Point), adjustable on the Basis and rate shown below:	\$1,000,000
Adjustment Rate:	2.9712
Per:	100
Basis of Adjustment:	WC Payroll
Estimated Basis Amount:	33,656,381
Aggregate Stop Limit:	\$0 <input checked="" type="checkbox"/> No Limit

Aggregate Stop Amount means the maximum amount of: Benefits, damages and *ALAE* (per the *ALAE* option selected herein) payable by you for losses under policies issued that are subject to your retention/deductible/loss reimbursement program, and if applicable, self-insured retention program.

Adjustment: The final **Aggregate Stop Amount** will be determined by our audit of your books and records. In no event will the **Aggregate Stop Amount** be less than the Estimated Amount shown.

Aggregate Stop Limit means the maximum amount of: Benefits, damages and *ALAE* (per the *ALAE* option selected herein) above the **Aggregate Stop Amount** that we will not require you to reimburse us for under your retention/deductible/loss reimbursement program, and if applicable, self-insured retention program.

Note:
Self-Insured Losses mean any losses you incur under a self-insured retention policy. Losses you incur for which no coverage is available under the self-insured retention policy(ies) will NOT be included in determining whether or when the **Aggregate Stop Amount** or **Aggregate Stop Limit** has been reached, except as noted below:

Security Plan

Collateral		
Collateral on Hand (by Type)	Amount of Collateral	As Of
N/A		
Total Collateral on Hand		
Additional Collateral Required (by Type)	Amount of Collateral	Due Date
Letter of Credit	\$270,000	07/01/2011
Escrow - Cash	\$30,000	07/01/2011
Total Additional Collateral Required	\$300,000	
Total Collateral Required	\$300,000	

Collateral Reviews

We will review our collateral requirement annually. In addition, we may review our collateral requirement at any time that we may deem reasonably necessary. If as a result of any review we find that we require additional collateral, you will provide us such additional collateral within 30 days of our written request, which shall be accompanied by a worksheet showing our calculation of the amount thereof. If a return of collateral to you is indicated, we will return annually the indicated amount to you within 30 days of our written acknowledgement thereof.

Letter of Credit

Any letter of credit must be clean, unconditional, irrevocable and evergreen. It must be from a bank that we and the Securities Valuation Office of the National Association of Insurance Commissioners have approved and in a form acceptable to us. It must be in the amount shown in the Schedule. If any letter of credit is canceled, no later than 30 days before that letter of credit expires, you must deliver to us a substitute letter of credit that complies with the requirements set forth above. Upon your written request, we will not unreasonably withhold our consent to a reasonable extension of the time within which you must deliver such a substitute letter of credit to us. The substitute letter of credit must take effect no later than the date of termination of the expiring letter of credit. Your duty to deliver such a letter of credit will continue until you have satisfied all your obligations under this Agreement and the Policies. If you fail to provide us with a qualifying substitute letter of credit as indicated above, we may draw upon the existing letter of credit in full.

Claims Fund Deposit and Adjustment

The amount of the initial deposit for the Claims Payment Fund has been determined on the basis of an analysis of your loss experience in prior years. The fund will initially equal 2.5 months of expected paid claims and Allocated Loss Adjustment Expenses. After inception, if the total amount of claims paid exceeds the sum of the Claims Payment Deposit for 3 consecutive billing periods, additional funds for the Claims Payment Deposit may be required.

Non-Depleting Cash Security

Cash posted by you ("Posted Cash") will be placed in a pooled cash account. We will credit to you interest accrued for the quarter on the daily cash balances, calculated at a rate equal to the 3 - month United States Constant Maturity Treasury yield as it stands the day the cash is received ("Set Rate"). The Set Rate will be effective through to policy expiration of collateralized policy(ies).

Where your program is a renewal of an existing interest bearing Risk Management insurance program ("Renewal Program") and we already possess cash ("Held Cash") interest on Held Cash will accrue quarterly on the daily cash balances, calculated at a rate equal to the 3 - month United States Constant Maturity Treasury yield as it stands as of the renewal inception date ("Renewal Rate"). The Renewal Rate will be effective through to 07/01/2012 .
Posted Cash for a Renewal Program will accrue interest at the Renewal Rate commencing with our receipt.

If, prior to 07/01/2012 , you should choose, with our consent, to secure your Payment Obligation with an alternative form of collateral provided for by the terms of the Payment Agreement ("Collateral Swap"), interest on Held Cash will be deemed to have accrued through the date of the Collateral Swap, at a rate equal to the 1 - month United States Constant Maturity Treasury yield ("Adjusted Rate") as it stands at policy inception. The Adjusted Rate will apply to Posted Cash from date of receipt through the date of the Collateral Swap.

Where the program is non-renewed the interest rate on Posted Cash along with Held Cash (collectively "Cash") will be set at the Adjusted Rate as such rate stands at policy expiration. The Adjusted Rate will continue to reset annually as of the program expiration anniversary date until the Cash has been returned to you.

Cash will not be used to pay for losses and expenses you incur. We will bill you on a monthly basis for the reimbursement of losses and expenses.

Depleting Cash Security

Cash posted by you ("Posted Cash") will be placed in a pooled cash account. We will credit to you interest accrued for the quarter on the daily cash balances, calculated at a rate equal to the 3 - month United States Constant Maturity Treasury yield as it stands the day the cash is received ("Set Rate"). The Set Rate will be effective through to policy expiration of collateralized policy(ies).

Where your program is a renewal of an existing interest bearing Risk Management insurance program ("Renewal Program") and we already possess cash ("Held Cash") interest on Held Cash will accrue quarterly on the daily cash balances, calculated at a rate equal to the 3 - month United States Constant Maturity Treasury yield as it stands as of the renewal inception date ("Renewal Rate"). The Renewal Rate will be effective through to 07/01/2012 .
Posted Cash for a Renewal Program will accrue interest at the Renewal Rate commencing with our receipt.

If, prior to 07/01/2012 , you should choose, with our consent, to secure your Payment Obligation with an alternative form of collateral provided for by the terms of the Payment Agreement ("Collateral Swap"), interest on Held Cash will be deemed to have accrued through the date of the Collateral Swap, at a rate equal to the 1 - month United States Constant Maturity Treasury yield ("Adjusted Rate") as it stands at policy inception. The Adjusted Rate will apply to Posted Cash from date of receipt through the date of the Collateral Swap.

Where the program is non-renewed the interest rate on Posted Cash along with Held Cash (collectively "Cash") will be set at the Adjusted Rate as such rate stands at policy expiration. The Adjusted Rate will continue to reset annually as of the program expiration anniversary date until the Cash has been returned to you.

Cash will be used to pay for losses and expenses you incur. Should the balance fall below our predetermined amount, we will commence billing you monthly for reimbursement of losses and expenses.

Collateral Trust

This form of collateral is a three party arrangement between you (Grantor), us (Beneficiary) and a bank (Escrow Agent). Cash is invested in various securities selected by you in accordance with the trust agreement. We will charge an annual administrative oversight fee of between 7 and 10 basis points of the market value of the trust. The Escrow Agent may also charge a separate fee for their services. At our discretion, we will determine if the securities held in the trust agreement will, or will not, be utilized to pay for losses and expenses you incur.

Paid Loss Payment Plan

Cash Deposit, Installments and Estimated Deferred Amounts

Payment No.	Due Date	Provision for Expenses and Excess Losses (1)	Special Taxes and Surcharges	Annual Credit Fee	Provision for Limited Losses (2)	Estimated Payment Obligation
1	07/01/2011	\$86,048				\$86,048
2	08/01/2011	\$28,682				\$28,682
3	09/01/2011	\$28,682				\$28,682
4	10/01/2011	\$28,682				\$28,682
5	11/01/2011	\$28,682				\$28,682
6	12/01/2011	\$28,682				\$28,682
7	01/01/2012	\$28,682				\$28,682
8	02/01/2012	\$28,682				\$28,682
9	03/01/2012	\$28,682				\$28,682
10	04/01/2012	\$28,682				\$28,682
Subtotal		\$344,186				\$344,186
DLP*		N/A	N/A	N/A	\$0	\$0
DEP*		\$47,905	\$0	\$0	N/A	\$47,905
Total		\$392,091	\$0	\$0	\$0	\$392,091

* DLP means "Deferred Loss Provision". This is the estimated amount you must pay us as "Regular Loss payments" and "Sizeable Loss Payments" as described in the Schedule of Policies and Premiums to the Payment Agreement.

* DEP means "Deferred Expense Provision". This is an estimated amount that you must pay as such shown in the Schedule of Policies and Premiums to the Payment Agreement.

Notes: (1) "Provision for Expenses and Excess Losses" is a part of the Premium.

(2) "Provision for Limited Losses" includes provision for loss within your retention (both Deductible and Loss Reimbursement Limit) and your share of ALAE. Any "Deposit" in this column is the Claims Payment Deposit. Refer to definitions in the Payment Agreement.

Additional Payments

The following billing method represents the format of our billing process for additional payments you may owe under your insurance program. The amounts you owe will be due and owing and remain so regardless as to whether you received a formal written bill.

Loss Billing Method

In addition to the estimated amounts shown above, we will bill you on Monthly basis for the amounts of Loss

and ALAE within your retention/deductible/loss reimbursement limit that we have paid under the policies. If we must make payment for any Loss within your retention/deductible/loss reimbursement limit and your share of ALAE arising out of a single accident, occurrence, offense, claim or suit that combined exceed the payment amount of \$25,000, you must pay us that amount of Loss within 10 days after you receive our bill. We will not bill more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that may apply. If we become obligated to pay any amount within your Self - Insured Retention, we will bill you in accordance with the method set forth herein.

Automatic Withdrawal Method

In addition to the estimated amounts shown above, we will draw funds from the Automatic Withdrawal Account for payment of Losses within your retention/deductible/loss reimbursement limit and your share of ALAE covered by the policies. We will not draw more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that may apply.

You will authorize us to withdraw funds from the Automatic Withdrawal Account upon our demand. You must pay enough cash into that Automatic Withdrawal Account to cover our expected payments of Loss within your Retention and your share of ALAE during the next claims payment fund coverage period. The minimum amount of such cash funds is shown in the schedule below as the Minimum Amount. You will be required to make a payment in that amount into the Account immediately whenever its balance falls below 25% of that amount.

Billing Method

Billing to:

- You at your address shown in the Schedule, or
- Your Representative at its address shown in the Schedule; or
- Automatic Withdrawal Schedule from the account described below.

If Automatic Withdrawal Account applies:	Minimum Amount: \$0
Name of Depository Institution: Provided Under Separate Cover	
Address: Provided Under Separate Cover	
Account Number: Provided Under Separate Cover	

Paid Loss Plan Premium Adjustments

The first Premium Adjustment will take place as soon as practicable after the expiration date of the policies. The adjustment will be based on the rates shown in this document, audited exposures and loss information valued as of 01/31/2013 subject to the minimums indicated within the terms of your insurance program. Thereafter, annual Paid Loss adjustments will take place until the Incurred Loss Conversion date is reached (if applicable). Annual adjustments will continue until you and we agree in writing to perform no further recalculation. Additional premium due us, or return premium due you, resulting from an adjustment, will be payable in its entirety within the time set out in our notice to you and subject to the terms of the Payment Agreement.

Plan Conversion

The end of the paid loss period will be 60 months after inception. At that time, Risk Management will prepare a reconciliation between you and us using Ultimate Losses valued as of the end of the paid loss period. You will be responsible for the difference between Your loss payments to date (including applicable claim expenses, any other expenses and policy audit adjustments) and the total of all paid losses, Ultimate reserves (including applicable Ultimate claim expenses, and any other expenses) within the Paid Loss Plan. Thereafter, annual Ultimate Incurred Loss Plan adjustments will take place and continue until you and we agree in writing to perform no further recalculations.

General Notes About Coverages

Coverage outlined in this document is for explanatory and reference purposes only. The coverage provisions do not necessarily conform to any specifications furnished in the submission received from your representative.

The policy (or policies) that we issue to you shall contain the full and complete terms, conditions, exclusions and coverages provided under your insurance program. Any differences between the proposal or binder and the policy which are mutually agreed to be discrepancies shall be subject to correction so as to accurately reflect the terms of the agreement between the parties. Should the parties fail to mutually agree to policy revisions, the provisions in the policy (or policies) at issuance shall govern. Upon receipt, please review the policy (policies) thoroughly with your representative, and notify us promptly in writing if you have any questions or concerns.

The calculation of premiums and other program features included in this document are based on the information provided by you and your representative. Additional locations, changes in exposure, or other variations may make it necessary to reevaluate this Proposal/Binder, the premium calculations or the plan factors. Any modification we make shall be based on our evaluation of these changes and whether they represent a measurable difference from the insurance program originally offered.

Entities included as Named Insureds are those shown as such on the policy (policies) Declaration page, as well as in the appropriate Named Insured endorsements attached to each individual policy, whether such are issued at inception or included by an endorsement thereafter.

While it is our intention to honor the terms and conditions of our contract with you, we are required to follow all regulatory and filing requirements in effect for various states where you have an exposure. We shall adhere to all state regulatory requirements. We shall not issue any form or apply any program that is in contravention to a governing regulation, rule, statute or law.

Prior to binding a Massachusetts auto program, specific vehicle identification based information must be obtained from the insured. Receipt of all mandated information is required in order to process policies, registration and auto ID cards.

Prior to the inception date of coverage, you must provide us with the following information:

- ◆ For WC Coverage, all applicable FEIN numbers.
- ◆ For Auto Coverage, all DMV reporting information (other than New York).
- ◆ For WC Coverage, all UAIN.
- ◆ For WC Coverage in the state of Florida, a Florida Acord 130, fully completed, executed and notarized. In conjunction with your obligation to complete the Florida Workers Compensation Application [Acord Form 130 FL (2002/07)], you are subject to the continuing obligation as required under Florida Statutes, Chapter 443, to provide us, as your workers' compensation carrier, a copy of your quarterly earnings reports and self audits supported by the quarterly earnings reports ("Reports"). While you bear responsibility for additional obligations as set forth under Florida law and the terms of the Application, it is required that you provide us with copies of the Reports at the end of each quarter.

Nothing herein is intended to modify, eliminate or amend any requirement you have to provide us with information as detailed by the terms of the Application.

Any questions regarding this Proposal or Binder should be directed to Our Risk Management Representative shown in this document. **No Alterations to this Proposal or Binder May Be Made Without the Prior Written Approval of Risk Management.**

Insured Workers Compensation

Effective: 12:01 AM 07/01/2011

Coverage	Limit
Workers Compensation Coverage	Statutory
Employers Liability	
Bodily Injury by Accident - Each Accident	\$100,000
Each Employee Bodily Injury by Disease	\$100,000
Policy Limit Bodily Injury by Disease	\$500,000
States Covered - Item 3 A:	
MD	
States Covered – Item 3 C :	
All States except those listed in item 3A, monopolistic states and the following state(s):	

Stop Gap Employers Liability	Limit
Bodily Injury by Accident - Each Accident	\$100,000
Each Employee Bodily Injury by Disease	\$100,000
Policy Limit Bodily Injury by Disease	\$500,000
States Covered:	
ND,OH,WA,WY	

Kinds of Insurance	Loss Reimbursement Amount	Applicable To
Workers Compensation and Employers Liability under State Law - Insured States	\$250,000	Each Accident or each Person for Disease
Workers Compensation and Employers Liability under Federal Law - Insured States	\$250,000	Each Accident or each Person for Disease
Employers Liability - Monopolistic States	\$250,000	Each Accident or each Person for Disease

Note: 1) For Insured States, the limit of coverage as shown in this document include(s) the Retention/Loss Reimbursement amount(s) retained by the Insured. 2) Aggregate Limits apply where applicable.

Coverage Extensions and Exclusions		
Name	Form #	Edition Date
WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY	WC 00 00 00 A Valid in All States	04/92
All Mandatory State Endorsements	Various	
IMPORTANT NOTICE TO OUR CUSTOMERS REGARDING THE OFFICE OF FOREIGN ASSETS CONTROL	WCOFAC Valid in All States	07/05
OHIO EMPLOYERS LIABILITY COVERAGE ENDORSEMENT	WC 34 03 01 C Valid only in OH	03/10
OHIO WORKERS' COMPENSATION COVERAGE EXCLUSION ENDORSEMENT	WC 99 34 02 Valid only in OH	07/10
PREMIUM DUE DATE ENDORSEMENT	WC 00 04 19 Valid only in MD	01/01
TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT DISCLOSURE ENDORSEMENT	WC 00 04 22 A Valid in All States	09/08
CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PREMIUM ENDORSEMENT	WC 00 04 21 C Valid only in MD,ND,OH,WA,WY	09/08
NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT	WC 00 04 14 Valid only in MD	07/90
ADVANCE NOTICE OF CANCELLATION OR NON-RENEWAL BY US EXTENDED	WC 99 00 39 Valid in All States	08/02
AMENDMENT OF YOUR DUTIES IF INJURY OCCURS	WC 99 00 08 A Valid only in MD	10/03
EXPERIENCE RATING MODIFICATION FACTOR ENDORSEMENT	WC 00 04 03 Valid in All States	04/84

FEDERAL EMPLOYERS' LIABILITY ACT COVERAGE ENDORSEMENT	WC 00 01 04 A Valid in All States except in OH	ATTACHMENT 10/04
FOREIGN COVERAGE ENDORSEMENT	WC 60 90 4 Valid in All States except in OH,WA	08/94
LARGE RISK RATING PLAN ENDORSEMENT	81461 Valid in All States	08/04
LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT COVERAGE ENDORSEMENT	WC 00 01 06 A Valid in All States except in ND,OH,WY	04/92
LOSS REIMBURSEMENT ENDORSEMENT	WC 99 00 02 A Valid in All States except in ND,OH,WA	01/02
UNINTENTIONAL ERRORS AND OMISSIONS	WC 99 00 11 A Valid only in MD	10/03
VOLUNTARY COMPENSATION AND EMPLOYERS LIABILITY COVERAGE ENDORSEMENT	WC 00 03 11 A Valid only in MD	08/91
WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS ENDORSEMENT	WC 00 03 13 Valid in All States except in ND,OH,WA	04/84

Workers Compensation Premiums

Except for guaranteed cost policies, the Workers Compensation premium does not include the non-ratable elements mandated by the various states.

WC/EL premiums and non-ratable elements are subject to rates approved by the various states and the actual experience modifications promulgated. Premium adjustments resulting from WC/EL rate/premium changes applicable at inception which were not recognized at the time the workers compensation policy was initially rated, will result in revised installments reflecting the amount of any such adjustments. The revised amounts will be an obligation of yours under the insurance program.

Workers Compensation Loss Reimbursement (Deductible) or Small Deductible (NCCI or Independent State Rating Plan) Policy/Plan Premiums ATTACH A

In the event the program includes a deductible, a discount in the premium for the Loss Reimbursement (deductible), NCCI small deductible, or independent state small deductible policies shown in the schedule is calculated in accordance with either our loss reimbursement (deductible) rating plan, the NCCI deductible rating plan or the independent state small deductible rating plan, whichever is applicable. The premium includes a provision for certain taxes and assessments (including residual market plan assessments) which we expect to become obligated to pay based on the premium.

Furthermore, in the event that any state regulatory authority determines that deductible reimbursements or recoveries are taxable as premium or subject to assessments, you will be obligated to pay the premium taxes and/or assessments applicable to the policies.

Allocated Loss and Adjustment Expenses (ALAE)

ATTACH A

Your responsibility for the payment of "Allocated Loss Adjustment Expenses" For Loss Sensitive Programs/Plan is:

Coverage	ALAE Option(enter ALAE Option A, B, C or D as applicable)	If ALAE Option C, enter Excess %
Workers Compensation	A(The Entire Contract)	

A : 100% of the total "Allocated Loss Adjustment Expenses" up to the "Retained Limit". However, the most you are responsible for with respect to damages and/or indemnity and "Allocated Loss Adjustment Expenses" combined shall not exceed the "Retained Limit".

B : 100% of the total "Allocated Loss Adjustment Expenses".

C : All or part of the "Allocated Loss Adjustment Expenses" determined according to the following:

If we incur NO obligation under the policy(ies) to pay damages resulting from a claim, you are responsible for all "Allocated Loss Adjustment Expenses" up to the applicable "Retained Limit" plus a percentage of all remaining "Allocated Loss Adjustment Expenses" in excess thereof. That percentage is shown above under "Option C Excess %"; or

If we DO incur an obligation under the policy(ies) to pay damages resulting from a claim, you will be responsible for a percentage of "Allocated Expense Adjustment Expenses". That percentage shall be determined by dividing the "Retained Limit" paid by the total damages paid, subject to the Limits of Insurance.

D : No "Allocated Loss Adjustment Expenses".

Documentation

By accepting this Casualty Insurance Program, the Insured agrees to provide Risk Management with the correctly completed and signed documents as required by Risk Management:

- For Loss Sensitive Programs/Plans, the Payment Agreement, including any Schedules or Addendum(s), and Security required under the Premium Deferral Plan (if applicable), within 30 days of the inception date of the program.
Please Note: The Payment Agreement, together with all schedules, addenda, policies and any related agreements between you and us, constitutes the basis for a program of insurance coverage. We would not have entered into any of them without your agreement on all of them. For that reason, you should review all such documents together when making any accounting, tax or legal determinations relating to the insurance program.
- For Auto coverage, completed UM/UIM/PIP Automobile Election/Rejection forms prior to inception of automobile coverage.
- Notice of Election Forms:
For Workers Compensation programs that are retrospectively rated or subject to a large deductible, five (5) states, Minnesota, Nevada, New Jersey, New York and Texas, require that the carrier file a Notice of Election form (Letter of Certification for MN and Informational Filing for NV) which has been signed by the insured. The notice confirms the insured's election of such a retrospectively rated or large deductible program. The signed notices have to be filed with the respective state insurance departments within sixty (60) days of policy effective date. Failure to file the forms exposes us to fines, penalties and a potential requirement to restructure the program so as to remove the deductible or retrospective rating plan. By acceptance of this casualty insurance program, you are obligated to assist us by signing and returning the Notice of Election forms timely so we can meet this sixty (60) day state filing requirement.
- For Loss Sensitive Programs, the terms and conditions permit you to select a Chartis approved TPA for claims handling; in which case, we will appoint your selected Chartis approved TPA. To ensure our compliance with program obligations, including jurisdictional requirements, and TPA oversight, we require receipt of a signed Claim Service Agreement between Chartis and the appointed TPA within 45 days of binding the account. The Claim Service Agreement memorializes the fees between you and the TPA, therefore it is further required that we be provided the fee structure immediately in order to execute the agreement. Your failure to secure an agreed fee structure, resulting in delays beyond 45 days of binding, may result in our converting the program to guaranteed cost, and moving claims handling to Chartis Claims. You will be billed for any increases in premium as a result of the conversion.
- For WC Coverage in the state of Florida, pursuant to Florida statute, a fully completed, executed and notarized Florida Acord 130 application within 30 days of the inception of coverage.
- A signed copy of the Acknowledgement form included in this document, which confirms acceptance of all aspects of the Casualty Insurance Program by the Insured and Agent, returned within 30 days of the inception date of the program.

All documents requiring signature must be signed by an *authorized representative* of the Insured and in some instances, on behalf of Your Insurance Representative. All documents *must* be dated as of the inception date of the program.

Failure to execute any of the requisite documents within the time periods required will render the Financial Plan of your Casualty Insurance Program void at the discretion of Risk Management. The entire amount of the "Estimated Cost" specified under the program will thereafter become immediately due and payable to us in cash. Failure to *pay premium within 5 Days of the billing date* may result in the exercise of various default remedies including, but not limited to, cancellation.

With respect to any acquisitions or divestitures that represent a greater than 10% increase in exposure, Risk Management may, at its discretion, require a program review. That review MAY result in a premium adjustment.

Estimated Premium

The estimated premium(s) shown in this Proposal or Binder is based on rates, and experience modifications (if applicable) in use at the time this proposal is submitted to you. Any reference to Total or Final Premium is for explanatory purposes only. None of the numbers herein are intended to represent final calculation. Neither Risk Management, nor any member company of Chartis shall be bound by the calculations arrived at in the tables shown. The tables serve merely to demonstrate the calculation process. All amounts are subject to modification through the binding process and to program adjustments after binding. The terms of the Casualty Insurance Program, our manuals of rules, classifications, rates and rating plan will determine the adjusted premium and surcharges (if any). All information required to conduct our adjustments are subject to verification and change.

Estimated Taxes, Assessments and Surcharges

The taxes, assessments and surcharges shown on the Schedule are based upon our knowledge of the current law in the states involved. If the law changes, or a rate or assessment changes, or a new surcharge is imposed, or a state reinterprets its law, any additional taxes, assessments and surcharges will become part of *Your Payment Obligation*.

Notice about the Office of Foreign Assets Control (OFAC)

This proposal or resulting binder, the continuation of any bound insurance, and any payments to you, to a claimant or to another third party, may be affected by the administration and enforcement of U. S. economic embargoes and trade sanctions by the Office of Foreign Assets Control (OFAC), if we determine that any such party is on the "Specially Designated Nationals or Blocked Persons" list maintained by OFAC.

Notice Applicable to Policies Issued Using the New York Free Trade Zone

For policies issued using the New York Free Trade Zone rule, the policy forms and the applicable rates are exempt from the filing requirements of the New York State Insurance Department. However, such forms and rates must meet the minimum standards of the New York Insurance Department.

Affidavit Attesting To Compliance With
§1759. Essential Maintenance Practices

In 1996, the State of Vermont passed legislation (Act 165) pertaining to lead poisoning. The Act requires owners of pre-1978 rental dwellings or apartments, and operators of child care facilities housed in buildings constructed prior to 1978, to perform ESSENTIAL MAINTENANCE PRACTICES (EMP's) unless the property is certified pursuant to Act 165 to be lead-free.

An important part of §1759 addressing EMP's requires an owner/landlord to sign an affidavit indicating essential maintenance practices have been performed, the dates they were completed, and who performed them. This affidavit attesting to compliance must be filed annually with us (as your liability insurance carrier) as well as the Vermont Department of Health.

Commercial Insurance, in accordance with instructions by the Vermont Department of Banking, Insurance, Securities and Health Care Administration, is reaffirming with owners/landlords of affected properties their obligations for compliance with Act 165. If §1759 is applicable to you, your affidavit is an important component of our underwriting file. Compliance with the Essential Maintenance Practices, and receipt of certification from a licensed inspector, provides the owner/landlord with certain liability protections.

Please ensure you follow through with certification and provide us with the required affidavit so that you enjoy the full protection the statute provides.

NOTE: This notice is not intended to detail the provisions of Act 165. Please see full text of the section of Act 165 (§1759) addressing EMP's on the internet at URL:

leg.state.vt.us/statutes/fullsection.cfm?Title=18&Chapter=038&Section=01759

**Terrorism Risk Insurance Program
Reauthorization Act Of 2007**

On December 26, 2007, the President signed into law the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("Reauthorization Act"). The new law serves to extend the Terrorism Risk Insurance Act of 2002 and its extension The Terrorism Risk Insurance Extension Act of 2005.

The Reauthorization act maintains your right to purchase insurance coverage for General Liability losses arising out of an Act of Terrorism, which is defined in the Reauthorization Act as:

An act certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States (i) to be an act of terrorism, (ii) to be a violent act or an act that is dangerous to (I) human life; (II) property or (III) infrastructure, (iii) to have resulted in damage within the United States, or outside of the United States in case of (I) an air carrier or vessel [described in TRIA]; or (II) the premises of a U.S. mission; and (iv) to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

On workers compensation policies, coverage for acts of terrorism is mandatory and your quotation automatically includes a charge for terrorism coverage.

You should read the Act for a complete description of its coverage. You should know that where coverage is provided under the Reauthorization Act for losses resulting from certified acts of terrorism, such losses may be partially reimbursed by the United States government under a formula established by federal law. Under the formula, the United States government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by us.

You should also know that the Reauthorization Act contains a \$100 Billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism where the amount of such losses in any one calendar year exceeds \$100 Billion.

Wire Transfers

Your representative will be sent a premium invoice. You will be responsible to remit the amounts required to your representative who will then wire transfer the money to us, indicating the purpose for the payment. Our wire transfer account information will be made available under separate cover to your representative upon their contact with Risk Management.

Your representative must notify us the day the wire transfer is made so that we may notify our New York accounting department.

Regular Mail

Premium Payments can be mailed to the following address:

Chartis
P.O. Box 10472
Newark, NJ 07193

Express Mail

Premium Payments can be express mailed to the following address:

Chartis
4 CHASE METRO TECH CENTER, 7th FLOOR EAST
LOCKBOX 10472
BROOKLYN, NY 11245

Premium Audit

Premium audits are required in all states covered under your Casualty Insurance Program. Risk Management has a staff devoted to the professional auditing of our accounts. An auditor will be available to meet with you to set the parameters and timetable for the audit process. Records for audit purposes should be available at each location within 30 days after the policy(ies) anniversary or expiration.

California Access to records requirement:

As called for under California law, your workers compensation policy will contain a policy holder notice endorsement that requires you to provide us access to records necessary to perform a payroll verification audit. Your failure to provide access within the time period set out in the form (90 days after expiration of the policy), will render you liable to pay a total premium equal to 3 times our current estimate of the annual premium for your policy.

The form also provides that in the event you fail to provide access after our third request, you will also be liable for our costs in attempting to perform the audit.

Any premium adjustment developed in the course of an audit of programs/plans that are subject to the terms of the Payment Agreement will be deferred until Plan Adjustment. Changes in the premium amount, based on the completed audits, of all other types of program/plans, including Guaranteed Cost programs, will be due within 30 days of the billing date.

Chartis Claims, Inc.

Overview

Chartis Claims, Inc. is dedicated to enhancing our customers' competitive position by delivering effective risk control and claim management services which measurably reduce the ultimate cost of risk. We are committed to excellence, responsible stewardship and superior performance. Some 2,400 claim professionals manage workers' compensation and property and casualty claims in our service centers which are strategically located throughout the country.

Special Account Instructions

Where applicable, during Chartis Claims, Inc. initial set up meeting, we develop Special Account Instructions with your input to provide information to claim specialists regarding the custom claim management, reporting and threshold requirements you need. Change requests may be submitted by the broker or customer to the Chartis Claims, Inc. Team Representative. All service centers managing claims will be trained on these Special Account Instructions.

The Special Account Instructions that are developed and tailored for you are communicated electronically with all updates immediately available through the system to our service centers. Our claim specialists view the Special Account Instructions prior to the handling of any claim.

Claims Reporting

Reporting claims by telephone - AIG Early Notice[®] (AIG EN) is a toll-free claims reporting service which allows customers to report workers' compensation, general liability, automobile, and property claims by telephone 24 hours a day, 7 days a week. There is no cost for this service.

Internet Claims Reporting - Chartis Claims, Inc. offers its customers IntelliRisk[®] First Notice of Loss (FNL) reporting through the Internet. This service is available to all of Chartis Claims, Inc. active customers who have registered for Internet claim reporting through their service representative. For further details visit our Website at intellirisk.com.

Risk Management Information Systems (RMIS)

Our Risk Management Information Services (RMIS) Division provides a valuable source of claim information solutions for today's demanding risk management concerns. Through our suite of IntelliRisk[®] e-Services and the support of our designated business and technology professionals, we help the policyholders of Chartis manage their claim program and reduce costs.

The suite of IntelliRisk[®] e-Services was designed to help facilitate every step of the claim process, and includes:

IntelliRisk NetSource[®] - An Internet-based online claim analysis and reporting system that provides real-time claim, payment and adjuster activity information for companies of all types and sizes. Available features include:

- . A powerful query function to pinpoint and analyze claim information;
- . Profiling to identify potential high severity claims;
- . A communication feature to facilitate e-mail correspondence;
- . An online reporting tool that draws on current and historical claim data.

IntelliRisk NetData[®] - Offers various methods of receiving electronic reports and data. Features include an Internet e-mail service that "pushes" an electronic version of our loss report as a file attachment in an e-mail, reports on CD-ROM, and the ability to send data via FTP (File Transfer Protocol) and on tape, cartridge or diskette.

IntelliRisk[®] First Notice of Loss (FNL) - Allows customers to report workers' compensation and property and casualty claims online, sending the information directly into the Chartis Claims, Inc. claim system and to the appropriate Chartis Claims, Inc. service center.

IntelliRisk[®] Medical Provider Listing (MPL) - Provides easy, fully searchable web-access to information on nearby network doctors, hospitals or specialists.

Global Loss Prevention

Global Loss Prevention (GLP), provides comprehensive safety, healthcare, environmental, property, and crisis management services. GLP has been providing clients with quality service for over two decades. Quality and measurable results: these factors make the difference for our customers. GLP services are performed under the control afforded by a certified ISO 9001 management system, a distinction which guarantees our organization adheres to a recognized global framework for delivering excellence in customer service, best practices and business leadership. At the core of our operating philosophy is a commitment to delivering the highest level of professional service. Drawing on our expertise, we provide customized assistance focused on our customers' needs. Through our international network of operations, we offer our services worldwide, and have built a record of success in effectively servicing the needs of our customers. Our international team of over 500 consultants, supplemented by our network of qualified and approved subcontractors/vendors, provides technical expertise in a wide array of specialties to ensure your specific needs are met and sound business solutions are delivered.

GLP constantly strives to add value to our customer's risk control program through its consulting services by offering risk-specific solutions and specialty programs designed to meet our customers' needs above and beyond the traditional offerings. Innovative programs include:

- Crisis Management Planning and Response Consulting
- Healthcare Programs, including employee training modules, developed specifically for Hospitals and Long-Term Care Facilities
- Specialist on call 24/7 to assist in response to pollution and environmental incidents
- Best Practices Assessments that provide a management systems approach to risk control
- An exclusive, comprehensive web-based safety management system to help identify and reduce health and safety risk and manage risk across your entire organization.

Our services are consultative in nature and focus on loss drivers and our customer's specific needs. The following key elements are offered for consideration in your risk control planning process:

- A single Account Manager assigned to your account providing you a single point of contact for all services provided by GLP.
- Safety training and safety materials (in-house programs, videos, web resources, etc.) in Spanish and English are available.
- Additional technical services can also be utilized as required to provide business solutions to issues of most concern to our customers in today's challenging society. Such areas as; Industrial Hygiene/Occupational Health, Safety Accountability and Incentive Programs, Behavioral Based Safety, Ergonomics, Fleet Training (on-line and personalized) and Early Return to Work Programs.
- Web based and on-site fleet safety programs, evaluations and specialized training programs.
- Development of customized video and web based training and informational programs.

NOTE: Basic risk control services for underwriting purposes have been included in your program. Additional risk control services are available by contacting your Global Loss Prevention representative.

LETTER OF CREDIT SAMPLE WORDING

BANK NAME

FOR INTERNAL IDENTIFICATION
PURPOSES ONLY

OUR NO.: _____ OTHER _____

APPLICANT: _____

ISSUE DATE: _____

IRREVOCABLE LETTER OF CREDIT NO. _____

TO: National Union Fire Insurance Co. of Pittsburgh, Pa., and
American Home Assurance Company, and
The Insurance Company of the State of Pennsylvania, and
Commerce and Industry Insurance Company, and
Chartis Property Casualty Company, and
Illinois National Insurance Co., and
Granite State Insurance Company, and
AIU Insurance Company; and
Chartis Casualty Company, and
New Hampshire Insurance Company

P.O. Box 923
Wall Street Station
New York, N.Y. 10268
Attn: Mr. Donato DiLuzio

WE HEREBY ESTABLISH THIS IRREVOCABLE LETTER OF CREDIT IN FAVOR OF THE AFORESAID ADDRESSEES (EACH, THE "BENEFICIARY") FOR DRAWINGS UP TO UNITED STATES DOLLARS (AMOUNT IN WORDS) EFFECTIVE IMMEDIATELY. THIS LETTER OF CREDIT IS ISSUED, PRESENTABLE AND PAYABLE AT OUR OFFICE AT _____ (ISSUING BANK'S ADDRESS) _____ AND EXPIRES WITH OUR CLOSE OF BUSINESS ON _____, 20 ____ .

THE TERM "BENEFICIARY" INCLUDES ANY SUCCESSOR BY OPERATION OF LAW OF EACH NAMED BENEFICIARY, INCLUDING, WITHOUT LIMITATION, ANY LIQUIDATOR, REHABILITATOR, RECEIVER OR CONSERVATOR.

WE HEREBY UNDERTAKE TO PROMPTLY HONOR YOUR SIGHT DRAFT(S) DRAWN ON US, INDICATING OUR CREDIT NO. _____, FOR ALL OR PART OF THIS CREDIT IF PRESENTED AT OUR OFFICE SPECIFIED IN PARAGRAPH ONE ON OR BEFORE THE EXPIRY DATE OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE. ANY ONE BENEFICIARY OR COMBINATION OF BENEFICIARIES, ACTING INDIVIDUALLY OR COLLECTIVELY, MAY DRAW ON THIS LETTER OF CREDIT IN FULL OR IN PART, AND ANY ACTION TAKEN BY ANY OR ALL BENEFICIARIES HEREUNDER SHALL BIND EACH OF THEM.

EXCEPT AS EXPRESSLY STATED HEREIN, THIS UNDERTAKING IS NOT SUBJECT TO ANY AGREEMENT, CONDITION OR QUALIFICATION. THE OBLIGATION OF (ISSUING BANK) UNDER THIS LETTER OF CREDIT IS THE INDIVIDUAL OBLIGATION OF (ISSUING BANK), AND IS IN NO WAY CONTINGENT UPON REIMBURSEMENT WITH RESPECT THERETO.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE EXPIRY DATE HEREOF, OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST THIRTY DAYS PRIOR TO ANY EXPIRATION DATE WE NOTIFY YOU BY REGISTERED MAIL THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH ADDITIONAL PERIOD.

THIS LETTER OF CREDIT IS SUBJECT TO AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, AND THE 2007 REVISION OF THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS OF THE INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION 600) AND, IN THE EVENT OF ANY CONFLICT, THE LAWS OF THE STATE OF NEW YORK WILL CONTROL. IF THIS CREDIT EXPIRES DURING AN INTERRUPTION OF BUSINESS AS DESCRIBED IN ARTICLE 36 OF SAID PUBLICATION 600, THE BANK HEREBY SPECIFICALLY AGREES TO EFFECT PAYMENT IF THIS CREDIT IS DRAWN AGAINST WITHIN THIRTY (30) DAYS AFTER THE RESUMPTION OF BUSINESS.

VERY TRULY YOURS,

ISSUING BANK

SECTION 7 - COMMISSION

ATTACH A

BROKER: AON RISK SERVICES, INC OF WASH

ACCOUNT: CITY OF ROCKVILLE

This Proposal:

is Net of Commission (check this box if no commission applies).

includes Commission payable to the broker listed above (check this box if commission applies and complete the details below).

Coverage	Dollar Amount	Commission Adjustment Basis
Workers Compensation	\$30,000	Based on a Rate per Payroll of .08913
General Liability		
Automobile Liability		
Total	\$30,000	

Commission will be paid:

Over the Policy Period in proportion to the individual installments.

Payment Of Counter Signature Fees (If Any) Shall Be the Responsibility of the Broker.

Aggregate Stop Amount

The maximum amount of benefits, damages and, if stipulated, Allocated Loss Adjustment Expense payable by you for losses under policies that are subject to your retention/deductible/loss reimbursement, and (if applicable) self-insured retention insurance plan.

Aggregate Stop Limit

If shown in conjunction with the Aggregate Stop Amount, the Aggregate Stop Limit is the maximum amount of benefits, damages and, if stipulated, Allocated Loss Adjustment Expense that we will not require you to reimburse to us under your retention/deductible/loss reimbursement, and (if applicable) self-insured retention insurance plan.

ALAE (Allocated Loss Adjustment Expense)

Loss adjustment expenses that are assignable or allocated to specific claims. "Allocated Loss Expenses" or "ALAE" will include, but are not limited to, all fees for service of process and court costs and court expenses; pre- and post-judgment interest; attorney's fees; cost of undercover operative and detective services; costs of employing experts; costs for legal transcripts, copies of any public records and costs of depositions and court-reported or recorded statements; costs and expenses of subrogation; and any similar fee, cost or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a loss or a claim or suit against you, or to the protection and perfection of either your or our subrogation rights.

ALAE will not include loss adjustment expenses explicitly included in the premium calculation formula or otherwise explicitly included in the rating values, nor the salary, employee benefits, or overhead of any of our employees, nor the fees of any attorney who is our employee or under our permanent retainer; nor the fees of any attorney we retain to provide counsel to us about our obligations, if any, under any policy issued by us or our affiliated companies, with respect to a claim or suit against you.

ALAE also includes medical management fees which may include medical bill audit fees, utilization management fees, network access fees and case management fees.

Automatic Withdrawal

An insured funded account established to facilitate the carrier's payment of the insured's losses and ALAE within the insured's deductible layer. The Insured authorizes the insurer to make withdrawals as necessary and upon the insurer's demand from the account. The insured is obligated to fund the account to cover expected losses and ALAE within the Insured's retained/deductible layer. The Insured is responsible to replenish the account as necessary.

Basis of Adjustment

Exposure (such as payroll) and factor (such as a rate) used to determine a specific number or amount.

Claims Payment Deposit

The amount deposited into the Claims Payment Fund.

Claims Payment Fund

"Claims Payment Fund" is a non-interest bearing escrow fund established in the amount of two and one half (2 ½) months' estimated Reimbursable Loss Plus Allocated Loss Expenses. The Claims Payment Fund is deposited with the Claims Administrator for the payment of claims. The Claims Payment Fund is an estimated amount, and it will be adjusted depending upon the actual claims paid.

The prior four months' paid losses will be reviewed by the Company to determine a two and one-half (2 ½) month average.

Claims Service Charges

Fees associated with the Third Party Administrator's handling of claims adjustment for a given account.

Deductible

The amount of any damages or benefits arising out of any single accident, occurrence, claim or suit, paid or payable by you and which is not included in the computation of the *Subject Premium*.

Deferred Expense Provision

An estimated amount of expenses that you must pay as shown in the Schedule of Policies and Premiums to the Payment Agreement.

Deferred Loss Provision

An estimated amount you must pay us as regular (usually billed monthly) loss payments and sizable loss payments as shown in the Schedule of Policies and Premiums to the Payment Agreement.

Department of Motor Vehicles.

Estimated Deferred Amounts

An estimate of the Deferred Loss Provision and Deferred Expense Provision shown in the Schedule of Policies and Premiums to the Payment Agreement.

Estimated Cost

All costs and amounts set out in the binder are estimated amounts subject to change prior to program binding and in the case of adjustable programs post program inception. Tax amounts quoted throughout the binder are estimated and subject to change based on revised tax rates and additional assessments that come due during the policy period.

Experience Modifications

A factor to adjust the premium in anticipation of loss experience that is expected to vary from the provision for losses in the rates. It is based upon the past variance of experience from expected experience.

FEIN numbers

Federal Employer Identification number.

Guaranteed Cost Policies

Policies of insurance under which premium is charged on a prospective basis without adjustment for loss experience during the policy period.

Incurred Loss Conversion

Amendment of a program from one in which you are reimbursing us for loss and expense actually paid out, to a program in which you are paying loss and expense actually paid out, but also for reserve amounts established on pending claim activity.

Insured States

States that are covered by insurance.

Loss Conversion Factor

Factors used in the retention rating formula that provide a charge to cover the cost of the insurer's claims service fee.

Loss Development Factors

Factors promulgated by the Company from time to time which are applied to Incurred Loss(es) to project Outstanding Loss Reserves and Allocated Loss Expense Reserves to Ultimate including a reserve for IBNR.

Loss Reimbursement Limit

The portion of any loss and ALAE we pay that you must reimburse us for under any "Loss Reimbursement" provisions of a Policy.

LRRP endorsement

LRRP (Large Risk Rating Plan) is RMG's version of the NCCI/ISO Large Risk Alternative Rating Option. The LRRP endorsement moves the adjustment process from the individual policies to the overall program adjustment and moves expenses among different lines of insurance.

Maximum Cost

The maximum amount that you must pay for the Subject Premium, and if applicable, non-subject premium, Self-Insured losses and ALAE.

Maximum Insurance Cost

Subject, non-subject and deductible reimbursements and surcharges and special taxes.

Maximum Premium

Largest amount that the subject premium can attain.

Minimum Cost

The minimum amount that you must pay for the Subject Premium, and if applicable, non-subject premium, Self-Insured losses and ALAE.

Monopolistic States

ATTACH A

Those states where employers must obtain workers compensation insurance from compulsory state funds or qualify as a self-insurer. North Dakota, Ohio, Washington and Wyoming (for certain codes only) are monopolistic states.

Non-Ratable

A type of charge, especially in workers compensation rating, that is based on a catastrophic type exposure and is thus excluded from ordinary rate-making and is also not subject to experience rating and retrospective rating.

Non-Subject Premium

All other premium under a policy that is not subject to adjustment on the basis of loss adjustment.

Plan Adjustment

Recalculation of the estimated premium from policy inception based on audited exposures and factors shown in the binder, plus losses and expenses, where applicable.

Paid Loss adjustments

Recalculation of the estimated premium based on audited exposures and factors shown in the binder, plus the difference between losses and expenses you have paid to date and the losses and expenses paid by us as of the loss and expense evaluation date used in the Paid Loss Adjustment.

Paid Losses

Losses paid under the insurance program as they become due.

Premium Deferral Plan

A plan under which the Insured and insurer agree to defer the insurance program premium over the course of the policy period. The Plan is set out in the Schedule of Policies and Payments attached to the Payment Agreement, and the insured is obligated to provide collateral to secure the deferred payment plan.

Premium Discount

A discount granted to reflect expense savings relative to the size of the standard premium.

Retention

The amount of any damages or benefits arising out of any single accident, occurrence, claim or suit, paid or payable by you and which is included in the computation of the *Subject Premium*.

Self-Insured Retention

A specific amount the Insured retains as its obligation for a covered loss. It is the Insured providing primary insurance over which the carrier provides excess coverage. Unlike a Deductible, the Insurer is not obligated to pay the Insured's SIR and then seek reimbursement from the Insured. The insured is directly responsible to the claimant for the amount of the SIR.

Self Insured States

Those states in which you, the insured, are providing the primary layer of insurance.

Sizable Loss Payments

An amount shown in the Schedule of Policies and Payments attached to the Payment Agreement for which the Insured will be obligated to reimburse us following our payment of any Loss and ALAE within the Insured's retention.

Stacking

A condition allowed in some states that permits you to add the policy limits of other vehicles covered by you, either on the same policy (interpolicy) or from other policies (intrapolicy), and recover the sum of these limits.

Standard Premium

Premium based upon the exposure rates and increase limit factors, but without application of premium discount or deductible discounts.

Stop Gap Liability

Provides Employers Liability coverage for those states where employers must obtain statutory workers compensation insurance from a compulsory state fund.

Subject Premium

ATTACH A

"Subject Premium" is that portion of the Gross Program Premium subject to adjustments in accordance with the adjustment formula shown in this Binder. At the commencement of the program, it is the amount stated on the Pricing Page.

UAIN

Unemployment Account Identification Number

Ultimate Incurred Loss Plan

Loss Sensitive program in which you are paying, in advance of actual loss dollar payment, for the ultimate cost of expected losses and expenses that will occur during the policy period.

Ultimate Losses

Paid losses and expense dollars, and reserve loss and expense dollars developed using Loss Development Factor(s) to establish the maximum expected total loss and expense amount.

UM/UIM/PIP

Uninsured Motorist Coverage, Underinsured Motorist Coverage and Personal Injury Protection. All three are specific coverage available under a Business Auto, Truckers' or Garage Liability Policy. UM and UIM coverage provides an insured with bodily injury (and in some states, property damage) coverage from its own carrier as if collecting from the tortfeasor's carrier. PIP is a statutorily provided coverage that has insurers provide first party benefits for medical expenses, loss of income, funeral expenses and such without regard to fault.

Valuation Date

The cut-off date for adjustments made to paid claims and reserve estimates in a loss report.