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SC Court of Appeals

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM DARLINGTON COUNTY
Paul M. Burch, Circuit Court Judge

Appellate Case No. 2015-000806

Ard Trucking Company Respondent,

v.

Travelers Property Casualty Company
of America d/b/a The Travelers Indemnity
Company of Illinois. Appellant.

RECORD ON APPEAL

VOLUME II OF III

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ORLANDO FL

32802

IMPORTANT NOTICE TO POLICYHOLDERS

NO COVERAGE IS PROVIDED BY THIS SUMMARY NOR CAN IT BE CONSTRUED TO REPLACE ANY PROVISIONS IN YOUR POLICY. YOU SHOULD READ YOUR POLICY CAREFULLY TO DETERMINE YOUR RIGHTS, DUTIES AND WHAT IS AND IS NOT COVERED. IF THERE IS ANY CONFLICT BETWEEN THE POLICY AND THIS SUMMARY, THE PROVISIONS OF THE POLICY SHALL PREVAIL.

PLEASE READ THIS NOTICE CAREFULLY.

Terrorism Risk Insurance Act of 2002 Disclosure

On November 26, 2002, the President of the United States signed into law the Federal Terrorism Risk Insurance Act of 2002 (the "Act"). The Act establishes a short-term program under which the Federal Government will share in the payment of "Insured Losses" caused by certain "Acts of Terrorism" (each as defined in the Act).

In the event of an Insured Loss, your insurance carrier is responsible for a deductible of one percent (1%) of the carrier's "Direct Earned Premiums" (as used in the Act) for the calendar year 2001 for Insured Losses occurring from November 26, 2002, through December 31, 2002; seven percent (7%) of the carrier's Direct Earned Premiums for the calendar year 2002 for Insured Losses occurring during calendar year 2003; ten percent (10%) of the carrier's Direct Earned Premiums for the calendar year 2003 for Insured Losses occurring during calendar year 2004; or fifteen percent (15%) of the carrier's Direct Earned Premiums for the calendar year 2004 for Insured Losses occurring during calendar year 2005. The Federal Government's share of compensation for Insured Losses in each year is 90% of the amount of Insured Losses in excess of the carrier's deductible for that year. The carrier is responsible for the payment of the remaining 10% of Insured Losses. In no event, however, will the Federal Government or any "Insurer" (as defined in the Act) be required to pay any portion of the amount of aggregate Insured Losses occurring in any one year that exceeds \$100,000,000,000, provided that such Insurer has met its deductible.

As a requirement of the Act, Insurers must make available "Property and Casualty Insurance" (as defined in the Act) coverage for Insured Losses that does not differ materially from the terms, amounts and other coverage limitations that apply to losses arising from events other than Acts of Terrorism. In other words, a loss will not be excluded just because it was caused by an Act of Terrorism; conversely, a loss will not be covered just because it was caused by an Act of Terrorism. The Act also requires insurers to disclose to policyholders premium charge for providing such terrorism coverage.

Please note that your policy being quoted does not contain an exclusion that specifically excludes coverage for Insured Losses. Your Workers' Compensation benefit obligations stemming from Acts of Terrorism as dictated by state law, will be covered.

Please note that your policy does not contain an exclusion that specifically excludes coverage for Insured Losses caused by Acts of Terrorism. Your Workers' Compensation benefit obligations stemming from Acts of Terrorism as dictated by state law, will be covered.

The rates used to develop your Residual Market premium were administered by the state. The passage of the Act results in a change in premium in accordance with the information listed below. The portion of your annual premium being quoted that is attributable to coverage for Acts of Terrorism is specifically identified on your quote schedule.

State
SOUTH CAROLINA

Rate per \$100 of Remuneration
0.030

NOTE - THE FOREGOING RATES ARE SUBJECT TO CHANGE AT ANY TIME BASED ON STATE REGULATORY ACTION.

Please contact your agent or broker if you have any questions on this notice, the Act or the impact of the Act on your policy.

WIAQ5E04

Page 2 of 2

BWPH And Trucking 00093
APPELLANT ROA 00251

APPLICATION FOR DRUG AND ALCOHOL FREE WORKPLACE PREMIUM CREDIT PROGRAM

ARD TRUCKING COMPANY INC

Name of Employer: _____

Date Program Implemented: _____

This form must be completed by you and returned to your carrier with a copy of applicable documentation as proof of compliance before the premium credit of five percent (5%) can be established and processed. A program must be certified during each year the employer receives credit. Failure to do so will remove you from eligibility for this credit.

The following are the four (4) minimum requirements necessary for a qualified employer workplace program. Please check the items below that apply.

- ☐ 1) **Substance Abuse Policy Statement:**
Any policy must be designed to help employees who need substance abuse assistance while, at the same time, sending a clear message that the abuse of drugs and alcohol is not compatible with employment in that employer's workplace. The policy statement must evidence both the employer's respect for its employees and the employer's need to maintain a safe, productive, substance-abuse-free environment.
- ☐ 2) **Employee Notification:**
In order to protect the individual rights of each employee and to begin the employee education process necessary for a well-defined, well-managed workplace drug and alcohol abuse prevention program, each existing employee and each new employee hired after program implementation must be given a clear, concise, readable notice of the program, the program's requirements, the policy statement, and the employer's expectations under the program. Notification should be and should remain, posted in employee common areas. In addition, each existing employee and each new employee must be given, by mail or by in-person delivery, a copy of the notice. Delivery may be accomplished by inclusion of the notice within the employee's paycheck package or any similarly important-to-the employee correspondence or benefits delivery.
- ☐ 3) **Testing Program:**
The testing procedure must include a provision for random sampling of all persons who receive wages and compensation in any form from the employer and must provide for a second test to be administered within thirty minutes of the administration of the first test. Positive test results must be provided in writing to the employee within twenty-four hours of the time the employer receives the test results. Each employer must keep records of each test for up to one year.
- ☐ 4) **Test Results Confidentiality Protocols:**
Test results information, interviews, reports, statements, and memorandums received by the employer must be considered confidential and may not be used, received, or discovered in civil, criminal, or administrative proceedings. The burden to protect against unauthorized release is placed not only upon the employer and any laboratory, medical review officer, or rehabilitation program or their agents, but also upon the underwriting insurer. Employers, laboratories, medical review officers, insurers, drug or alcohol rehabilitation programs, and employer drug prevention programs, and their agents who receive or have access to information concerning test results shall keep all information confidential. Release of such information under any other circumstance shall be solely pursuant to a written consent form signed voluntarily by the employee tested or his designee unless the release is completed through disclosure by an agency of the State in a civil or administrative proceeding, order of a court of competent jurisdiction, or determination of a professional or occupational licensing board in a related disciplinary proceeding. The consent form must contain at a minimum:
- (1) the name of the person who is authorized to obtain the information;
 - (2) the purpose of the disclosure;
 - (3) the precise information to be disclosed;
 - (4) the duration of the consent; and
 - (5) the signature of a person authorizing release of the information.

Information on test results shall not be released for or used or admissible in any criminal proceeding against the employee.

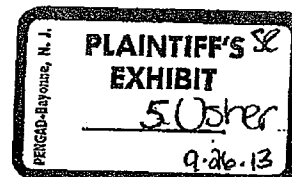
I certify that the above information is accurate and that I may be subject to an additional premium charge if it is determined that there is any misrepresentation of the established drug and alcohol free workplace program criteria. This is a true and factual depiction of my current program.

_____ Employer Name	_____ Date	_____ Officer/Owner Signature*
		_____ Title
*Application must be signed by an officer or owner		
_____ Notary Public's Signature	_____ Date	_____ Exp. of Commission



One Tower Square, Pol. Adm. 6CR
Hartford, CT 06183

02147 G1



JANUARY 26, 2004

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON

SC 29540-0504

Policy Number: UB 0188B923

Policy Effective Date: 11/07/03

Dear Policyholder:

Effective January 1, 2004, we are changing the name of two of our insurance companies. They are:

- 1) The Travelers Indemnity Company of Illinois to Travelers Property Casualty Company of America
- 2) Travelers Casualty and Surety Company of Illinois to Travelers Casualty Insurance Company of America

This change in company name does not affect your premium or coverage. These two companies continue to have the same A.M. Best claims paying and financial strength rating of A++ (superior) which is the highest rating that A.M. Best provides.

We are in the process of updating our systems and you may notice the old name on some policies, bills and other documents. Until this process is completed, please note the former names and new names of these companies.

Below the cut line is an endorsement to amend your policy. Please attach this endorsement to your policy. If you have any questions, please contact your agent or insurance representative.

This endorsement only changes the company name on your policy.

Insurer Amendment Endorsement

The name of your insurer is changed from the former name to the new name shown below:

Former Name

The Travelers Indemnity Company of Illinois
Travelers Casualty and Surety Company of Illinois

New Name

Travelers Property Casualty Company of America
Travelers Casualty Insurance Company of America

New Company Address: One Tower Square
Hartford, Connecticut 06183

This name change endorsement does not alter the coverage provided by this policy and has no effect on the premium for this policy. This endorsement changes only the name of insuring company.



Gateway Center
1000 Legion Place
P.O. Box 3556
Orlando FL 32802-3556
FAX: 407 649-3574

March 1, 2004

Insurer: Travelers Property Casualty Company of America

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON SC 29540

Policy No: R6EJUB 9560A28503
Effective Date: 11/07/03

Dear Insured:

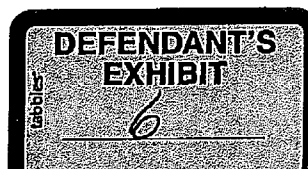
The above referenced policy has been issued as part of the mandatory Loss Sensitive Rating Plan (LSRP). The purpose of the LSRP is to provide a retrospective rating plan for employers with assigned risk workers' compensation premium over a certain threshold. Retrospective rating programs determine the final premium for a policy after the policy period has ended and is based on actual losses incurred during the policy period.

Enclosed please find the explanatory booklet *The Loss Sensitive Rating Plan (LSRP): An employer's guide to the mandatory assigned risk retrospective rating program*. Please review the booklet carefully and discuss it with your producer.

Sincerely,

TONI WINTERS
Account Manager Underwriter
CL Alternative Markets Division
Orlando Service Center
1-800-443-4404, extension 3745

cc: MICHAEL P HAIR & ASSOC
7422 CARMEL EXECUTIVE PK #204
PO BOX 472224
CHARLOTTE, NC 28247



BWAPPALANEROA00264



National
Council on
Compensation
Insurance, Inc.

The Loss Sensitive Rating Plan (LSRP)

An employer's guide to
the mandatory assigned risk
retrospective rating program

Retrospective rating is a method of pricing insurance which determines your final workers compensation premium after the policy period has ended, based on your actual losses during the policy period.

Pictorial, Inc.

This pamphlet has been created to help you understand the concept and details of the Loss Sensitive Rating Plan (LSRP). You are encouraged to read this material and discuss it with your producer, broker, assigned insurer or an NCCL, Inc. customer service representative. ■

Purpose

The purpose of the assigned risk mandatory Loss Sensitive Rating Plan (LSRP) is to provide a retrospective rating plan for those employers who have an assigned risk workers compensation insurance premium of \$200,000 or more. (Note: The premium threshold amount may vary by state.) The LSRP is designed to:

- **Promote Safety and Loss Control** by requiring you to accept greater financial responsibility for the losses that you incur.
- **Depopulate the Residual Market** by encouraging you to obtain coverage in the voluntary market.
- **Provide Fairness** by rewarding those of you with good loss experience with lower premiums while penalizing those employers with poor loss experience with higher premiums. ■

Background

The residual market is intended to serve as the market of last resort. This market ensures the availability of workers compensation and employers liability insurance to all eligible employers required by law to secure this coverage but who are unable to obtain it through other means. (Note: This would include such options as self-insurance.) The residual market is not intended to compete with the voluntary market by allowing employers to avoid various loss sensitive rating plan offers in exchange for guaranteed cost policies.

Among the rating alternatives for the large employer, loss-sensitive rating is the most equitable because it gives you the opportunity to have your insurance costs more directly related to your losses during the policy period. ■

Implementation

We have proposed that in your state, the LSRP be implemented six months from the effective date of regulatory approval. This six months' advance notice is intended to give you time to seek coverage in the voluntary market. (Note: The implementation date may vary by state.) Upon approval, all LSRP-eligible accounts currently in the residual market, their producers or brokers and current assigned carriers will be advised of the approval and implementation dates, as well as the LSRP parameters. ■

Definition of Terms Used in the LSRP Program

Note: Any of the following definitions may vary by state.

Allocated Loss Adjustment Expense

ALAE includes costs associated with specific claims such as defense costs.

Basic Premium

A percentage of the Standard Premium, determined by multiplying the Standard Premium by a Basic Premium Factor. The Basic Premium includes insurance carrier expenses such as acquisition, loss control services, premium audit, producer fees and other general administrative costs. The Basic Premium does not cover premium taxes or claim adjustment expenses. These costs are usually provided for in the Tax Multiplier and Loss Conversion Factor.

Converted Losses

The results of applying the Loss Conversion Factor (LCF) to your Incurred Losses.

Deposit Premium

The deposit you must pay at the time of application or policy renewal. It is comprised of the WCIP Deposit Premium and the LSRP Contingency Deposit Premium.

Incurred Losses

Your losses occurring during the policy period including:

- Losses which have been paid and reserves for losses which are outstanding. Reserves are established to anticipate the insurance company's obligation on claims that have been incurred but have not yet been settled. These reserves must be added to paid claims to establish total Incurred Losses.

Individual Loss Limitation (Loss Cap)

The maximum portion of any loss subject to retrospective rating. There are no Individual Loss Limitations available in the LSRP program.

Loss Conversion Factor (LCF)

A loading to incurred losses to cover Unallocated Loss Adjustment Expenses. In this plan, it is a fixed factor of 1.125.

LSRP Contingency Deposit Premium

It is calculated as 20 percent of your Standard Premium and collected in addition to the WCIP Deposit Premium. The LSRP Contingency Deposit Premium must be paid at time of application, or policy renewal, to collateralize any additional premium that may be due the assigned carrier as a result of LSRP valuation activities.

As an alternative to a cash contingency deposit, you may substitute an acceptable, clean, unconditional Irrevocable Letter of Credit (ILOC) containing an automatic renewal clause, drawn on a Federal Reserve bank. The ILOC must be for an amount at least equal to the LSRP 20 percent Contingency Deposit Premium. The cash deposit or ILOC shall be held as collateral until at least the first adjustment. (The retention period may vary by state.)

LSRP Development Premium Factors (RDFs)

This premium element is an additional loading that recognizes the probable increase in value over time of your losses and helps stabilize your premium adjustments. The LSRP Development Premium Factors anticipate a pattern of increasing valuation of your losses after the policy has expired. The factor is included only in the first three annual adjustments and is not included in the fourth and final calculation. The RDFs vary from state to state.

Maximum Premium (Max)

The most premium you will pay under the LSRP program, irrespective of your losses. The Maximum Premium has the effect of placing a limit on the impact of incurred losses on the LSRP premium.

- *Maximum Premium Factor*: A factor that is multiplied by your Standard Premium to determine your Maximum Premium. The Maximum Premium Factor is a fixed factor of 1.75 of Standard Premium.

Minimum Premium (Min)

The least amount of premium you will pay even if you have no losses.

- **Minimum Premium Factor:** A factor that is multiplied by your Standard Premium to determine your Minimum Premium. The Minimum Premium Factor is a fixed factor of 0.75 of Standard Premium.

Standard Premium (SP)

For the purposes of this Plan, Standard Premium means your premium determined on the basis of authorized rates, any experience rating modification, ARAP, assigned risk surcharge programs where appropriate, loss constants where applicable, and Minimum Premiums. Determination of Standard Premium shall exclude:

Premium discount, expense constant (unless it is part of Minimum Premium), premium resulting from the non-ratable element codes in the *Experience Rating Plan Manual*, premium developed under Class Code 7421 (aircraft-related operations), and premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Health and Safety Act.

Tax Multiplier (TM)

This covers licenses, fees, assessments, and taxes that the insurance carrier must pay on the premium they collect. The TM varies from state to state.

Unallocated Loss Adjustment Expenses (ULAE)

General claim adjustment expenses which include the cost of the insurance carrier claim services such as investigation of claims and filing claim reports.

WCIP Deposit (or Initial) Premium

WCIP Deposit Premium is calculated by multiplying your Estimated Annual Premium by the required Deposit Premium percentage. The ILOC option is not available for the WCIP Deposit Premium. ■

Summary of LSRP

> Objective

The principal objective is to create a plan that is appropriate for an employer of your size and will encourage you to seek coverage outside of the residual market and to control your losses.

> Parameters (Factors)

The LSRP is a simple loss sensitive rating plan constructed to be uniformly applied to all eligible employers. The plan parameters which form the basis of the LSRP are not negotiable for two reasons: individually "tailored" plans are available in the voluntary market; and, as the residual market assignment mechanism is random, the "luck of the draw" could determine the type of plan provided by the carrier, thus reducing the chance of fairness.

> Factors

The LSRP factors are:

• Basic Premium Factor (Basic)	0.30
• Loss Conversion Factor (LCF)	1.125
• Tax Multiplier (TM)	Varies by state*
• Retro Development Factors (RDFs)	Varies by state*
• Minimum Factor (Min)	0.75
• Maximum Factor (Max)	1.75

* The tax multiplier (TM) represents the currently approved tax multiplier in your state exclusive of any assigned risk subsidy. Current retrospective development factors (RDFs) are also used. These factors will change with subsequent changes in state rates and rating values. Your insurance advisor, producer, or insurance carrier can provide you with the current information for your state.

Some additional comments on the factors:

- Your policy premium will be adjusted, based on your losses, at intervals beginning six (6) months after the policy expires and at twelve (12) month intervals thereafter to a total of four (4) adjustments.

- The LSRP Development Factors (RDFs) will be used with the first three (3) valuations to reflect the actuarial probability that losses will develop (increase in value) over time. These factors have a proven track record for accuracy and should reduce the likelihood of first valuation return premiums followed by subsequent valuations calling for additional premiums as the losses mature. As is customary in retrospective rating, the RDFs will be applied to premium, thus relieving any additional pressure on loss reserving. The RDFs will not be applied to the fourth and last adjustment.
- Four (4) valuations were selected to allow losses to mature. Removing the RDFs at the fourth adjustment provides a fair and reasonable means of closing out the LSRP for a given policy year.
- The decision not to offer loss caps was based on the desire to avoid any plan negotiations that will, by nature, differ from carrier to carrier. In addition, the 1.75 maximum is relatively low and tends to serve as a loss cap.

>Premium Payments

The following unique payment provisions apply:

LSRP Contingency Deposit Premium (Additional 20 percent)

- The carrier will be required to retain the 20 percent Contingency Deposit Premium and any final audit return premium without interest until the first valuation has been completed and billed. (The time held may vary by state.)

Irrevocable Letter of Credit

- In lieu of the additional 20 percent Contingency Deposit Premium in cash, an acceptable, clean, unconditional Irrevocable Letter of Credit containing an automatic renewal clause, drawn on a Federal Reserve bank can be provided at time of application or policy renewal.

Rating Plan Premium

- Your rating plan premium will be determined after the rating plan period ends (six months after policy expiration). Three additional annual premium adjustment calculations will be made.

Cancellation Provision

- The carrier will have the right to cancel the current assigned risk policy if any additional premiums on either current or prior assigned risk policies are not paid as required. The dispute resolution procedure in your state's Workers Compensation Insurance Plan (WCIP) applies to legitimate premium disputes. *Your insurance advisor, producer, or insurance carrier can provide you with the current information for your state.*

>Premium Variation

To accommodate premium increases while avoiding costly cancellations and rewrites within the policy period, a time frame of 120 days was established to retroactively convert a guaranteed cost policy to the LSRP and visa versa.

If after the first 120 days of the coverage term it is determined that you qualify for the LSRP, the current policy shall not be affected, but the LSRP will apply at renewal.

If your premium falls below the premium threshold during the policy period, the same 120-day determination period applies. In this instance, when the premium falls below the threshold, a retroactive conversion to guaranteed cost would result.

Since depopulation is a major goal of the LSRP, a release clause also applies. If you obtain coverage in the voluntary market within 120 days of policy inception, your premium would be calculated based on guaranteed cost.

120 DAYS FROM EFF DATE

>Multistate

The LSRP will apply to an employer with multistate operations when the total premium of all requested states that have approved LSRP meets the eligibility requirement for the LSRP state generating the largest premium. (This provision may vary by state.) ■

Impact on Your Workers Compensation Costs

The ultimate impact of the LSRP will depend on your losses over time. However, with good loss experience an individual employer's final premium is typically less than standard; it is more than standard with poor loss experience. ■

LSRP Calculation: Example

Illustrative Values

Standard Premium (SP)	=	\$339,000
Incurred Loss 1st Valuation	=	254,250
Incurred Loss 2nd Valuation	=	271,200
Incurred Loss 3rd Valuation	=	305,100
Incurred Loss 4th Valuation	=	339,000

LSRP Factors

Basic	=	0.30
Minimum	=	0.75 or \$254,250 (\$339,000 × 0.75 = \$254,250 minimum premium)
Maximum	=	1.75 or \$593,250 (\$339,000 × 1.75 = \$593,250 maximum premium)

Loss Conversion

Factor (LCF)	=	1.125
Tax (Tax Multiplier)	=	1.126*

Retrospective Development Factors (RDFs)

	=	1st Adjustment	0.31*
	=	2nd Adjustment	0.21*
	=	3rd Adjustment	0.15*
	=	4th Adjustment	0.00

* Values shown here are for illustration only and are not necessarily the values in your state.

Formula

$$\text{LSRP Premium (LSRP)} = \text{Tax} [(\text{Basic} \times \text{SP}) + (\text{RDF} \times \text{LCF} \times \text{SP}) + (\text{LCF} \times \text{Incurred Losses})]$$

LSRP PREMIUM CALCULATIONS:

1st Adjustment

$$\text{LSRP} = 1.126 [(.30 \times 339,000) + (.31 \times 1.125 \times 339,000) + (1.125 \times 254,250)]$$

$$\text{LSRP} = 1.126 [101,700 + 118,226 + 286,031]$$

$$\text{LSRP} = 1.126 [505,957]$$

$$\text{LSRP} = 569,708$$

$$\text{Additional Premium (AP)} = \$162,908 [569,708 - 339,000 - 20\% \text{ LSRP Contingency Deposit Premium}]$$

2nd Adjustment

$$\text{LSRP} = 1.126 [(.30 \times 339,000) + (.21 \times 1.125 \times 339,000) + (1.125 \times 271,200)]$$

$$\text{LSRP} = 1.126 [101,700 + 80,089 + 305,100]$$

$$\text{LSRP} = 1.126 [486,889]$$

$$\text{LSRP} = 548,237$$

$$\text{Return Premium (RP)} = \$21,471 [569,708 - 548,237]$$

3rd Adjustment

$$\text{LSRP} = 1.126 [(.30 \times 339,000) + (.21 \times 1.125 \times 339,000) + (1.125 \times 305,100)]$$

$$\text{LSRP} = 1.126 [101,700 + 57,206 + 343,238]$$

$$\text{LSRP} = 1.126 [502,144]$$

$$\text{LSRP} = 565,414$$

$$\text{Additional Premium (AP)} = \$17,177 [565,414 - 548,237]$$

4th Adjustment

$$\text{LSRP} = 1.126 [(.30 \times 339,000) + (.0 \times 1.125 \times 339,000) + (1.125 \times 339,000)]$$

$$\text{LSRP} = 1.126 [101,700 + 0 + 381,375]$$

$$\text{LSRP} = 1.126 [483,075]$$

$$\text{LSRP} = 534,942$$

$$\text{Return Premium (RP)} = \$30,472 [565,414 - 534,942]$$

Questions & Answers

Q How will I know that I am eligible for the LSRP?

A If you are a new applicant to the assigned risk plan, the application will have the following language in the "Employer Signature Section":

By signing below I acknowledge that the Loss Sensitive Rating Plan has been explained to me or that an explanatory notice or brochure has been provided to me and I agree that I shall be bound by the terms of such plan if my estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

When the binder is issued, the following language will be noted advising you that this is a mandatory program and it will be applicable to your policy:

Coverage is being bound subject to your signed statement acknowledging and agreeing to the terms of the Loss Sensitive Rating Plan in the event that your estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

If you are already insured in an assigned risk plan, similar language will be on renewal quotes with estimated annual premium of \$150,000 or greater, advising you that the program may be applicable.

In addition, the assigned carrier will perform a preliminary audit within 120 days of inception for all renewal policies and new applications whose estimated annual premium exceeds \$150,000.

Q If I have operations in more than one state, will LSRP apply?

A The LSRP has been designed to accommodate the large assigned risk employer who has operations in several states. The plan provides for a multistate policy when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

Q What loss control services will carriers be required to offer under the LSRP?

A Although it may vary by state, under the current performance standards, servicing carriers are required to notify the policyholder and producer, in writing, within 90 calendar days of receipt of assignment, of available loss control services and safety information, including instructions on how to obtain these services and information.

Servicing carriers are required to provide a minimum of one consulting survey annually for each single location to any policyholder with an estimated annual premium greater than \$25,000.

Direct assignment carriers must adhere to any and all requirements as set forth by the state in which they are writing assigned risk business.

Contact your carrier or insurance advisor for more information or to arrange for loss control services.

Q If I am determined to be eligible for the LSRP during the first 120 days of the policy term, how much time am I given to provide the additional deposit/LOC?

A The carrier will usually give an insured 30 days to obtain any additional premium or appropriate LOC needed to continue the policy in force. This will also be true for any additional premium resulting from any of the four annual adjustments.

Q Do premium discounts apply when determining eligibility?

A By definition, Standard Premium does not include the premium discount; therefore, no discounts would be used in determining LSRP eligibility.

Q Is the 20 percent Contingency Deposit Premium for LSRP calculated from the total Standard Premium only in those states that approved the LSRP, or from the entire policy premium, regardless of the LSRP approvals? Will this require more than one policy?

A The 20 percent LSRP Contingency Deposit premium is calculated from the Standard Premium from those states that have approved LSRP. If the assigned risk employer requests coverage in a state where the LSRP has been approved and requires coverage in one or more states where LSRP has not been approved, the assigned carrier shall combine the LSRP states on one policy and then issue a guaranteed cost policy for those states where LSRP has not been approved, in accordance with all WCIP rules and regulations. It may not always be possible for a single carrier to provide coverages for all requested states; additional applications will then be necessary.

STATE OF SOUTH CAROLINA
COUNTY OF DARLINGTON

IN THE COURT OF COMMON PLEAS
FOURTH JUDICIAL CIRCUIT
C/A NO. 2010-CP-16-435

Ard Trucking Company,

Plaintiff,

vs.

Travelers Property Casualty Company
Of America d/b/a The Travelers Indemnity
Company of Illinois,

Defendant.

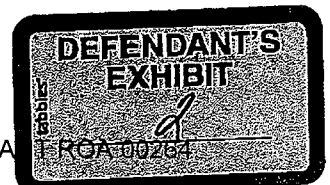
AFFIDAVIT OF FREDERICK J.
MOYLEN

The undersigned, Frederick J. Moylen, having been duly sworn, hereby deposes and says that:

1. I am the Travelers' underwriter representative who is an expert in the areas of South Carolina assigned risk policy underwriting, the Workers' Compensation Insurance Plan WCIP, and the Loss Sensitive Rating Plan (LSRP) and all aspects related thereto, including LSRP calculations and billings.
2. Attached as Exhibit 1 is my résumé setting forth my training and qualifications.
3. I am over the age of eighteen, I am not a party in this action, and I am competent to testify concerning the matters contained in this Affidavit, and I submit this Affidavit with information based on my personal knowledge, and, if called as a witness, could or would testify to the truth of the facts stated here. Further, my expert opinions set forth herein are to a reasonable degree of certainty, more likely than not, within the field of my expertise set forth above.
4. I have reviewed Travelers' documentation kept in the ordinary course and scope of its business, as well as the South Carolina Department of Insurance documentation [SCDOI 0001-0040] evidencing that South Carolina Workers' Compensation Insurance (SCWCIP) mandates that the LSRP is applicable to South Carolina Assigned Risk policies on or after November 1, 2003.
5. Having reviewed Travelers' records and the LSRP calculations and determinations, I hereby verify that the LSRP charges were correctly and appropriately assessed to the Plaintiff pursuant to the WCIP and LSRP requirements, and I hereby verify that Travelers is entitled to an additional \$122,948.00.

FURTHER, AFFIANT SAYETH NOT.

[Signatures on following page]



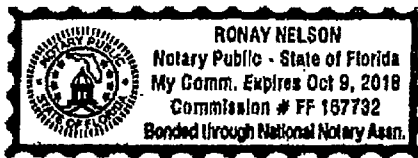
[Signature]
Witness

[Signature]
Witness

[Signature]
Frederick J. Moylen

Sworn to and subscribed before me
This 16th day of December, 2014.

[Signature] **Ronay Nelson**
Notary Public for the State of Florida
My Commission expires: Oct 9, 2018



Frederick J. Moylen

Professional Experience

Travelers Insurance Company/BI-Residual Markets – Orlando, FL **Sr Financial Consultant (July 2011 to Present)**

- Monitor, review and report on department financials by proving metrics and reports
- Provide guidance on trends and results
- Calculate Loss Sensitive Rating Plan (LSRP) Valuations
- Complete quarterly Sarbanes Oxley (SOX) Reporting
- Monitor, review and adjust office productivity

Assistant Operations Manager (April 2005 to June 2011)

- Supervise and mentor a team of underwriters to ensure quality and accuracy of Workers Compensation policy issuance, receivables management & customer service.
- Build and maintain excellent working relationships with client companies and business partners.
- Complete monthly reports and underwriting file reviews to help ensure that the underwriters achieve their goals.
- Respond to State Complaints through verbal and written communication.

Senior Account Manager Underwriter (May 2002 to April 2005)

- Assist and mentor underwriters with complex accounts.
- Assist coordinator with monthly reports and file reviews.

Account Manager Underwriter (May 1992 to May 2002)

- Performed tasks in an accurate and timely manner to insure compliance with applicable rules and regulations.
- Underwriting of Insurance applications, policy endorsements and renewals for Workers' Compensation assigned risk clients to maximize profits and minimize loss exposure.
- Handled the in-house collections for Florida and Wisconsin assigned risk policies.
- Provided customer assistance through verbal and written communication.
- Provided assistance to other team members, teams and departments.
- Assisted the claims department to determine eligibility of benefits for Workers Compensation claims.

Travelers Insurance Company – Quincy, MA

Accounting Analyst (October 1989 to May 1992)

- Responsibilities included daily reconciliation of customer accounts.
- Evaluated and processed account collections, billing and accounts receivable.
- Provided technical and operational training to new employees.
- Prepared and monitored customer financial reports for Workers' Compensation policies.

Quirk Auto Companies – Braintree, MA

Receiving Manager (September 1986 to October 1989)

- Responsible for managing a group of 8 to 10 employees.



- Provided inspection of all incoming vehicles from transport to ensure quality.
- Arranged for storage, transportation and security of new automobiles.
- Maintained inventory records on all vehicles for four dealerships.

EDUCATION

- May 1986 graduated Weymouth North High School, Weymouth, MA

STATE OF SOUTH CAROLINA
COUNTY OF DARLINGTON

IN THE COURT OF COMMON PLEAS
FOURTH JUDICIAL CIRCUIT
C/A NO. 2010-CP-16-435

Ard Trucking Company,

Plaintiff,

vs.

Travelers Property Casualty Company
Of America d/b/a The Travelers Indemnity
Company of Illinois,

Defendant.

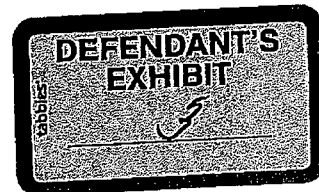
AFFIDAVIT OF STEVEN V.
EVANGELISTA, APA

The undersigned, Steven V. Evangelista, APA, having been duly sworn, hereby deposes and says that:

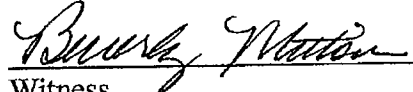
1. I am the Travelers representative/auditor who is an expert in the areas of South Carolina Assigned Risk Policy auditing and the Workers' Compensation Insurance Plan (WCIP) auditing process and all aspects related thereto.
2. Attached as Exhibit 1 is my résumé setting forth my training and qualifications.
3. I am over the age of eighteen, I am not a party in this action, and I am competent to testify concerning the matters contained in this Affidavit, and I submit this Affidavit with information based on my personal knowledge, and, if called as a witness, could or would testify to the truth of the facts stated here. Further, my expert opinions set forth herein are to a reasonable degree of certainty, more likely than not, within the field of my expertise set forth above.
4. I have reviewed Travelers' documentation kept in the ordinary course and scope of its business, as well as the South Carolina Department of Insurance documentation [SCDOI 0001-0040], evidencing that South Carolina Workers' Compensation Insurance Plan (SCWCIP) mandates that the Loss Sensitive Rating Plan (LSRP) is applicable to South Carolina Assigned Risk policies on or after November 1, 2003.
5. Based on a thorough review of the preliminary audit survey, physical audit and accompanying audit documents of the Plaintiff, Travelers' audit determinations were based on the correct and appropriate auditing determinations in accordance with the WCIP.

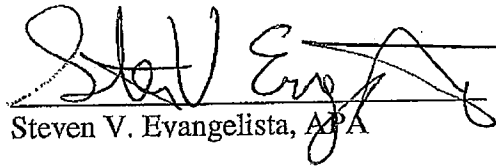
FURTHER AFFIANT SAYETH NOT.

[Signatures on following page]

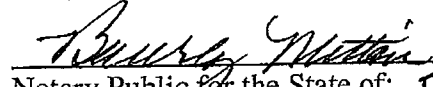



Witness


Witness


Steven V. Evangelista, APA

Sworn to and Subscribed before me
this 15th day of December, 2014.


Notary Public for the State of: South Carolina
My Commission expires: 3/30/21



National
Council on
Compensation
Insurance, Inc.

SERVICE CENTER
901 Peninsula Corporate Circle

Boca Raton, FL 33487
Tel. 1-800-622-4123

November 20, 2003

EFFECTIVE DATE: 11/07/2003
BINDER NUMBER: 39-10804-03323-427501
FED ID NUMBER: 57-0604441
APPLICATION ID: 10827560

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON, SC 29540

RE: WORKERS COMPENSATION AND EMPLOYERS LIABILITY POLICY BINDER

This is to acknowledge receipt of an initial or deposit premium payment and your application for coverage through the Workers Compensation Insurance Plan for the State of SOUTH CAROLINA.

Coverage is provided under this binder, beginning at 12:01 A.M. on the effective date shown above, and with the insurance company named below, and shall remain in effect until canceled or a policy has been issued. Coverage is provided under the Workers Compensation Law of SOUTH CAROLINA and of such additional jurisdictions as may be requested, in accordance with the Plan rules. Employers liability coverage is also provided, subject to the standard limits prescribed in the Basic Manual, unless higher limits have been requested in accordance with the Plan rules.

Please retain this binder as evidence of the coverage until you receive your policy.

0188B923
DA
RECEIVED

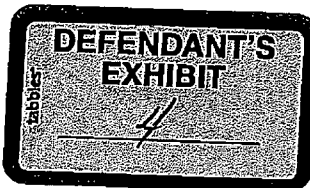
NOV 21 2003

AAMD ORLANDO

INSURANCE COMPANY:

TRAVELERS INDEMNITY CO. OF IL
1000 LEGION PLACE
GATEWAY CENTER
ORLANDO, FL 32802

AGENCY NAME:
MICHAEL P HAIR & ASSOC
PO BOX 472224
CHARLOTTE, NC 28247



26 XSD
DA.

702854078
DA.

APPELLANT ROA 00272

BWPH Ard Trucking 00033

ARD TRUCKING COMPANY INC

NOTICE

COVERAGE FOR THIS EMPLOYER HAS BEEN PLACED THROUGH THE ASSIGNED RISK PLAN. AS THE PLAN IS THE MARKET OF LAST RESORT, COVERAGE SHOULD CONTINUE TO BE SOUGHT THROUGH THE STANDARD/VOLUNTARY MARKET. PLEASE NOTE THAT PREMIUMS IN THE ASSIGNED RISK PLAN MAY BE HIGHER THAN THE STANDARD/VOLUNTARY MARKET.

If a policy issued by an insurance carrier, pursuant to an assignment under the Workers Compensation Insurance Plan, is canceled due to the employer's failure to comply with terms or conditions of the policy, such employer may be ineligible for further coverage under the Plan.

NOTICE

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

Your policy provides coverage for certain losses caused by acts of terrorism. You should know that, effective November 26, 2002, under your existing coverage, any losses caused by certified acts of terrorism would be partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage.

The portion of your estimated annual premium that is currently attributable to coverage for certain losses caused by acts of terrorism is: \$812.

NOTICE

CERTIFICATES OF INSURANCE

Effective upon receipt of the enclosed binder, the producer may issue certificates of insurance only under the following conditions: 1) that the certificate is issued only on the standard ACORD form; 2) that the certificate is issued only for operations in the states listed in 3.A. of the Information Page; 3) that the policy terms are unchanged; 4) that the certificate holder is not extended any greater rights than those extended to the insured; and 5) that the servicing carrier is provided with a copy of each certificate.

APPLICATION NOTES:

Coverage is being bound subject to your signed statement acknowledging and agreeing to the terms of the Loss Sensitive Rating Plan in the event that your estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

Corporate Officers have not elected to be excluded.

Carrier: Current experience rating worksheet attached.

Please forward form 941 (or its equivalent) to the carrier as named on the binder.

Please forward a copy of the signed finance agreement to the carrier as named on the binder.

(f)

(f)

(f)

1 a roll call of different servicing carriers in the
2 state. And then, whoever is up next gets that
3 assignment and that's who issues the policy?

4 A. Not as I can remember.

5 Q. Didn't explain that to you. Okay. When you
6 applied for the Assigned Risk Policy --

7 A. I didn't apply for an Assigned Risk Policy.
8 The agent said he was going to get me Workmens' Comp
9 insurance. Okay? And he got me Workmans' Comp
10 insurance. Being that it now is called assigned risk
11 or what. You know that's --

12 Q. Do you know, sitting here today, if you
13 signed an assigned risk Workers' Compensation insurance
14 policy application, to be submitted to NCCI?

15 A. That, I couldn't tell you.

16 Q. You were just relying on the producer?

17 A. Right. I mean, you sign a bunch of papers
18 with the producer so he can go out and shop the market.
19 And, you know -- I don't -- you don't really know what
20 -- he says you got to sign these papers, to give me
21 exclusive use, to shop the market for you so I can
22 block other people out. Now, what's in that paper when
23 you sign it --

24 Q. Is it a fair statement and we'll talk about
25 the application here. Is it a fair statement, that you

1 didn't necessarily read the application from start to
2 finish? That you signed before it was submitted to
3 NCCI?

4 A. I would -- this -- I would fairly say that.
5 I mean --

6 Q. Is that a yes or no?

7 A. Yes. I mean I -- you know, you wouldn't read
8 every single thing. Your producer tells you what is in
9 it. And you're paying him, and you trust him. If he
10 leaves stuff out, then to me -- you know. And him,
11 working as an agent for you and the insurance company,
12 he should be playing straight. Right?

13 Q. Wasn't he your agent, in the sense that you
14 hired him to get Workers' Compensation insurance for
15 you?

16 A. Yes.

17 Q. Under the assigned risk plan, you don't know
18 which servicing carrier is going to be assigned to a
19 risk until after the application is submitted. Is that
20 correct?

21 A. I don't know.

22 Q. Did your producer, at the time, explain to
23 you that whichever servicing carrier was going to be
24 next, is going to be the one that's going to end up
25 issuing the policy?

1 Q. And the document that's attached, take your
2 time to look it over. Is this the Assigned Risk
3 Application that was submitted to NCCI, on your
4 company's behalf? You can look at the details, and
5 then confirm for me, if that's your signature.

6 A. Yes. That's my signature.

7 Q. So you'd agree that at the end of the
8 application that's your signature there, Allen Ard,
9 President?

10 A. Yes, sir.

11 Q. Does that application look familiar to you?
12 Did you review it before you signed it, and before the
13 producer submitted it at NCCI?

14 A. No, sir. They just basically -- you had to
15 sign these applications so they could submit them.
16 This is -- this looks to me like that's who we had
17 Workmen's Comp with --

18 Q. Before?

19 A. Yeah. And then what does this say? In the
20 previous years?

21 Q. Yes, sir.

22 A. Okay.

23 Q. And my question to you is, this application
24 has different information on it. It has payroll on it,
25 individual employees, people that are officers of the

1 court, and it also has an applicant's statement. Did
2 you review, and read these documents before you signed
3 them?

4 A. No, sir. Not fully. He just said, "this is
5 your application. You have to fill it out."

6 Q. Did you review the application for accuracy?

7 A. No, sir.

8 Q. And it's got --

9 MR. DRIGGERS: Now this -- in the
10 discovery we have -- I'm trying to see. I don't have
11 that letter in your discovery.

12 MR. FERDERIGOS: Okay. And remember
13 Marty, I didn't have the case then. So whatever I have
14 here --

15 MR. DRIGGERS: Well, you know, what you
16 do is you file a discovery request. You get the
17 information. You go over it with your client. Then
18 depositions follow. And I'm going to have to object to
19 any documents, that you have, that were not produced
20 before today.

21 MR. FERDERIGOS: Okay. My understanding
22 was that everything was produced. But I'm not the
23 attorney that was on there. I understand, and I agree
24 with what you are saying. I don't want to ask him any
25 questions about any documents, that you don't have, or

Deposition of Allen Ard

1 THE WITNESS: The first page of the --

2 Q. And the first page is a cover letter from Michael (

3 Hair and Associates, the producer, to NCCI. And that's

4 Defendant's Exhibit Number 1. The remainder of that

5 Defendant's Exhibit Number 1 is the assigned risk

6 application that you signed, that was submitted to NCCI?

7 A. Yes.

8 Q. When you signed that, did you read it?

9 A. No, sir, he just told me to sign it.

10 Q. Okay.

11 A. That's common.

12 Q. As far as this application, it notes that you had

13 about 70 drivers, and now we're talking about the time (

14 period around 2003.

15 A. That's the list of them on the back.

16 Q. Sure. And is that accurate that they were -- and

17 these are estimates at the time you were putting in the

18 applications that you had 70 drivers with an estimated

19 annual remuneration of \$2,100,000?

20 A. I can't answer that honestly.

21 Q. And then it says clerical 22 employees, estimated

22 410,000 remuneration and outside sales one, estimated

23 16,000 remuneration?

24 A. Numbers I will not be able to answer --

25 Q. Okay.

Deposition of Allen Ard

1 A. -- correctly.

2 Q. But that's what's on the application that was
3 submitted?

4 A. I see it's on the application.

5 Q. Okay. And then on the second page it has J. Ward,
6 Senior, is that --

7 A. Jesse Woolard, JW, that's my father, that's
8 deceased.

9 Q. That's your father, who's the owner and then C.
10 Allen Ard, which is you.

11 A. That's correct.

12 Q. And Michael Harlan, was the vice president at the
13 time?

14 A. Yes, sir.

15 Q. Is he still the vice president?

16 A. No, sir.

17 Q. Okay. Grace Street, secretary?

18 A. Yes, sir.

19 Q. And how -- then it has the remuneration that y'all
20 were estimated to get paid and the audit concluded?

21 A. I don't understand that. That don't make no sense
22 to me.

23 Q. Okay. But that's what the application says?

24 A. Well, I mean, Yeah, that's what the application
25 says and, you know, I don't know if we just signed this

Deposition of Allen Ard

1 form and then I gave it to Michael Hair and they filled
2 out everything; I don't have a clue.

3 Q. Okay. And this is your signature?

4 A. Yes, sir.

5 Q. At the bottom of that page?

6 A. Yes, sir.

7 Q. Okay. And then if you flip a few more pages, it
8 has an applicant statement and then it has your
9 signature?

10 A. That's correct.

11 Q. And the date?

12 A. That's correct.

13 Q. It's 11/6/2003 and your name and president.

14 A. That's correct.

15 Q. Did you read the applicant's statement before --

16 A. No, sir.

17 Q. -- you signed it?

18 A. No, sir.

19 Q. Do you see that paragraph at the bottom of the
20 applicant's statement that says, by signing below, I
21 acknowledge that --

22 MR. DRIGGERS: Without -- I would like to
23 ask the record, would you read the line before
24 that, please? Before that paragraph.

25 MR. FERDERIGOS: Oh, sure, sure.

Deposition of Allen Ard

1 Q. "The following statement is only applicable in
2 jurisdictions where the NCCI, Inc., loss sensitive
3 rating plan, has been approved for use, colon, by
4 signing below, I acknowledge that the NCCI, Inc., loss
5 sensitive rating plan has been explained to me or that
6 an explanatory notice or brochure has been provided to
7 me and I agree that I shall be bound by the terms of
8 such plan, if my estimated annual premium or preliminary
9 physical audit premium meets or exceeds the premium
10 eligibility requirement;" (as read) do you see that?

11 A. Yes, I see that.

12 Q. When you signed this application, you didn't review
13 that portion?

14 A. I have no idea what it means.

15 Q. Okay.

16 MR. DRIGGERS: I'd like to note on the
17 record that the preceding sentence
18 before that paragraph obviates the
19 necessity of having to do that in this
20 case?

21 MR. FERDERIGOS: Okay. We don't need
22 to argue the case with objections.

23 MR. DRIGGERS: I know.

24 MR. FERDERIGOS: If you want to object
25 for the record, you can object.

Deposition of Allen Ard

1 MR. DRIGGERS: I'd like to make a
2 point that you made an assertion that
3 I don't think is true, because that
4 statement there actually states that -
5 - that provision is not applicable.

6 MR. FERDERIGOS: Well, that's what the
7 whole case is about.

8 Q. This statement that you signed, this applicant
9 statement is what you signed?

10 A. Yes, I did sign it --

11 Q. In its entirety?

12 A. That's right.

13 Q. Okay.

14 MR. FERDERIGOS: And I'm going to go
15 ahead and make that Defendant's 1 to this
16 deposition.

17 MR. DRIGGERS: Okay. I want to make sure
18 I understand. Is there not an exhibit number
19 on that one?

20 MR. FERDERIGOS: Yeah, there already is.
21 That was from the prior deposition, but -- and
22 we can get off the record.

23 (OFF THE RECORD)

24 BY MR. FERDERIGOS:

25 Q. Now, Mr. Ard, do you recall receiving the initial

1 Exhibits 5 of Usher.

2 MR. FERDERIGOS: Yeah, I see, I see.

3 Q. Next is Plaintiff's Exhibit No. 5 of Usher. Do you
4 ever recall seeing that -- or do you know if you or
5 anybody (scratch that prior question). Do you know if
6 you or anybody from your staff received this letter?

7 A. No. I don't, but I assume we did because I
8 remember hearing about the name change.

9 Q. Okay.

10 A. When? I couldn't answer.

11 Q. Okay. The next one is Plaintiff's Exhibit 4.

12 A. It looks to me like that's what the safety
13 department would use if they needed to call for a claim.

14 Q. Sure, if you flipped to 1,2,3,4,5 and 6 that's the
15 copy of the -- would you agree that's a copy of the
16 original policy before it was rewritten in 3/1/04.

17 A. That's the copy of the only policy that I've ever
18 gotten, yes it is.

19 Q. The question is when did you receive a copy of this
20 policy? Do you know? You personally.

21 A. No. I don't.

22 Q. Do you know when somebody working for you received
23 a copy?

24 A. No, I do not.

25 Q. Okay. Did you review this policy at any time?

1 A. No. I didn't. Not study it.

2 Q. Do --

3 A. I just looked at it.

4 Q. Okay. When is the first time you looked at this
5 policy?

6 A. I have no clue.

7 Q. Okay.

8 A. I look at so many policies. I mean, we have what
9 liability insurance, physical damage insurance,
10 workmens' comp insurance, general liability insurance,
11 cargo insurance, contingencies insurance --

12 Q. Let me ask you --

13 A. -- we just have so many policies.

14 Q. Is it true that you do not know when you or someone
15 from your staff --

16 A. That is correct.

17 Q. -- received and reviewed this policy?

18 A. That is correct.

19 Q. Is that true? You have no idea when?

20 A. No. It's usually anywhere from 30 to 45 days after
21 the policy. See the problem we got. I've been with
22 Cherokee Insurance since 2006 and all I can tell you is
23 what their standards procedure is. I have every policy
24 from them within 45 days of the renewal date.

25 Q. Okay. But my question to you is very specific.

1 Defendant's Exhibit No. 11 (scratch that). Plaintiffs
(2 Exhibit No. 4 in Gary Ushers' Deposition. Do you know
3 when you or someone from your staff received it and
4 reviewed it?

5 A. No. I don't.

6 Q. Okay. So you don't have no testimony that you or
7 someone from your staff actually reviewed the policy
8 that's attached to Plaintiff's Exhibit No. 4, Gary
9 Ushers' deposition?

10 A. I have no knowledge of anybody doing it, whether
11 they did it. I have no knowledge.

12 Q. Okay. The next one is Plaintiff's Ushers Exhibit
(13 No. 3. And is this your producer asking you to sign
14 something for your assigned risk plan. That's actually
15 part of your assigned risk application.

16 A. That's my signature but, anything else is not my
17 handwriting on there. I can definitely tell you that
18 it's not because I make my checks to the left this a
19 right hand check.

20 Q. What are we talking about?

21 A. All this other hand writing in here, you know.

22 Q. Okay.

23 A. I have no clue.

(24 Q. FEIN you mean?

25 A. Well, that, that, that all that stuff is from --

Travelers

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 17 (00)

POLICY NUMBER: (6JUB-01 88B92-3-03)

**ASSIGNED RISK LOSS SENSITIVE RATING PLAN
NOTIFICATION ENDORSEMENT**

This endorsement is issued because you may qualify to have the cost of your insurance subject to the assigned risk mandatory Loss Sensitive Rating Plan (LSRP).

Eligibility:

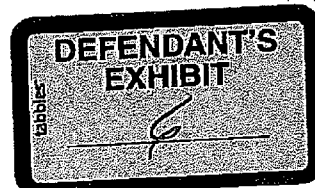
1. Your insurance is written under Workers Compensation Insurance Plan (WCIP) in a state which has adopted the Loss Sensitive Rating Plan (LSRP).
2. The LSRP shall apply to an individual assigned risk policy if the total annual estimated Standard Premium or preliminary physical audit premium equals or exceeds the amount noted in the schedule.
3. A decrease in premium during the first 120 days of coverage which results in the premium falling below the LSRP premium eligibility threshold, shall result in the conversion of the policy to a guaranteed cost policy, retroactive to policy inception.
4. An increase in premium during the first 120 days of coverage which qualifies an employer for the LSRP shall result in the retroactive application of the LSRP to policy inception.
5. After the first 120 days of the coverage term, if it is determined that an employer qualifies for LSRP, the policy shall not be changed until renewal.
6. Notwithstanding, anything above to the contrary, any attempt to avoid the application of the LSRP arising from a misrepresentation or omission by you, your agent, employees, officers or directors shall result in the pro rata application of LSRP from the date upon which it would have applied had such misrepresentation or omission not been made.
7. The LSRP will apply on an interstate basis when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

This plan will adjust your premium for this insurance based upon the losses incurred during the period covered by this insurance.

This endorsement applies in the states listed in the schedule below:

SCHEDULE

STATE	PREMIUM ELIGIBILITY
Alabama	\$200,000
Alaska	\$200,000
Connecticut	\$200,000
District of Columbia	\$200,000
Georgia	\$200,000
Idaho	\$200,000
Illinois	\$200,000
Indiana	\$100,000
Kansas	\$200,000
Nevada	\$200,000
New Hampshire	\$175,000
North Carolina	\$200,000
South Dakota	\$200,000



DATE OF ISSUE: 12-01-03

ST ASSIGN: SC APPELLANT ROA 00288

(Rev. 03-03)

Deposition of Allen Ard

1 guessing is what I'm telling you. I just know what
2 happened in the past.

3 Q. Sure, sure. Is it PO Box 504, Darlington, South
4 Carolina, 29540?

5 A. That's our PO box now.

6 Q. PO box now. Your assigned risk application, that
7 was the mailing address on it as well?

8 A. If that's --

9 Q. And this is Defendant's Exhibit 1, which is the
10 assigned risk application that was submitted that we
11 talked about in your prior deposition?

12 A. Yes.

13 Q. Okay. So anything that would get mailed to this PO
14 box from 2003, 2004, who would pick up that mail?

15 A. My father that's deceased now.

16 Q. Okay. And he would pick up the mail from the PO
17 box on a daily basis?

18 A. Every day, and he would carry the mail back to the
19 post office every day. He would make the bank deposits
20 every day.

21 Q. So every day your father would pick up the mail
22 from the PO box that we just mentioned.

23 A. That's correct.

24 Q. And this would be from 2003 to 2004?

25 A. That's correct.



Deposition of Allen Ard

1 Q. Okay. And then your father would hand it to who,
2 Grace Street?

3 A. He would distribute it out, to who it would belong
4 to, I'm assuming. I don't know. All I know is mail
5 would be put on my desk.

6 Q. Okay. And that's what I was going to ask; if
7 something came from your producer's office, a mail, or
8 something came from Traveler's, would your father be the
9 one to make the decision about whether it goes to the
10 safety department or Grace Street or whether it goes to
11 you.

12 A. I couldn't answer that in respect for him.

13 Q. Sure. Okay. So your father would pick up the mail
14 and, I mean, generally, for day-to-day workers'
15 compensation issues, would you expect that that would
16 get distributed to -- and this during 2003, 2004 -- that
17 that would get distributed to Mr. Brown first, or
18 somebody in the safety department?

19 A. It all depends. The way it -- and it's strictly
20 memory, okay?

21 Q. Sure.

22 A. We're talking 10 years ago or more. Whatever had
23 my name on it, addressed on the outside got put on my
24 desk. If it had maintenance or if it had safety or if
25 it had operations on it, it probably got put on their

Deposition of Allen Ard

1 desk.

2 Q. Okay.

3 A. That would theoretically, if it -- you know, if it
4 was accounts payable, then it got put on accounts
5 payable desk.

6 Q. What if it's just Ard's Trucking Company, Inc., PO
7 Box 504, Darlington, South Carolina, 29540; that's all
8 that was on the letter, the address, and it didn't say
9 any more specifics?

10 A. It could go anywhere due to trying to look at the
11 return address.

12 Q. So if it's from an insurance company?

13 A. It would probably go to safety department.

14 Q. If it's from your producer?

15 A. It would probably go to the safety department.

16 Q. Okay.

17 A. You know, do you understand what I'm trying to say?

18 Q. Yes, sir.

19 A. Okay.

20 Q. Oh, I think I do. No, but I have to ask.

21 A. Oh, I understand.

22 Q. Because everybody does it differently. I don't
23 know.

24 A. Oh, I know.

25 Q. So if it has a general Ard's Trucking, Inc., is

Deposition of Allen Ard

1 that -- is at the PO box and it shows up with nothing
2 more than that on it, the address and the name of the
3 company, but it's from an insurance company or the
4 producer, you would expect that from 2003 to 2004, that
5 that would be given to the safety department; is that
6 correct?

7 A. Let me back up, okay? Because we don't get mail no
8 more. Okay. At that time I remember everything that
9 was put on my desk was already opened.

10 Q. Okay.

11 A. Somebody opened it. And that might be how they
12 decided where it needed to go.

13 Q. Okay.

14 A. Unless it said personal or confidential, it was
15 opened.

16 Q. Got it, got it. So sitting here today, thinking
17 about, you know, what the process was in place November
18 7th, 2003 through November 7 of 2004, you would expect
19 that -- if a mail came to the PO box to the company and
20 it dealt with insurance or workers' comp insurance, you
21 would expect that somebody would open that up and it
22 would be given to somebody in the safety department --

23 A. Unless it was --

24 Q. -- on a daily basis?

25 A. -- addressed directly to a specific person.

Deposition of Allen Ard

1 Q. Okay. So your testimony is -- let me know if I'm
2 paraphrasing it right or wrong, and then you get to
3 clarify. If it comes -- if a letter came to that PO box
4 from an insurance company or from a producer, you would
5 expect that it would be opened up and then given to
6 someone on the safety department, unless it was
7 addressed to a specific person?

8 A. So we stay straight, the words you said expect,
9 okay, I'm assuming, just like you just said, that that's
10 what happen. Whether it happened or not, I can't
11 answer.

12 Q. Got you. Got you. So for a lot of the documents
13 that we're going to talk about here today, that were
14 sent to the PO box of Ard Trucking Company, is it true
15 that you wouldn't have any personal knowledge about
16 whether or not that document was mailed to and received
17 by someone that opened up the mail for Ard Trucking?

18 A. No.

19 Q. In other words, there's a possibility, is that
20 correct?

21 A. That's correct.

22 Q. So it's possible that even though you, yourself,
23 haven't seen document X, whatever X may be, that that
24 document was mailed to Ard Trucking, somebody opened it
25 up and somebody looked at it and never brought it to

Deposition of Allen Ard

1 your attention?

2 A. I can't answer that.

3 Q. Would that be possible?

4 A. Anything's possible.

5 Q. So that would be -- that could happen?

6 A. If it happened, it could happen.

7 Q. Okay. Now, Grace Street, what's her official title
8 for you back in 2003 and 2004?

9 A. Secretary.

10 Q. Is she still a secretary today?

11 A. Yes.

12 Q. Okay. And what does her job involve?

13 A. She's accounts payable.

14 Q. Does she -- and this is during the 2003, 2004 time
15 period; would she -- she wouldn't get any of the mail
16 from the PO box?

17 A. That I don't know. I'm assuming she probably --
18 yeah, she would get some, because if it's a bill, then
19 she had to pay it.

20 Q. Okay. Well, let me start off, would she pick up
21 the mail from the post office at all?

22 A. No, my father does -- did.

23 Q. Your father did, okay. What about mail that comes
24 to your physical address, or came to your physical
25 address?

Deposition of Allen Ard

1 A. He did that too. It's just across the street.

2 Q. Okay. So he would -- he would pick up -- so the
3 first person would be your father, who would pick up the
4 mail during that time?

5 A. After he retired that was his job. I mean, he
6 wanted to stay active. And so he had a desk and he
7 showed up at 9:30 or 10:00, he left about 12:00, he came
8 back about 3:30, he left again about 4:30. With the in
9 and outgoing mail, and that was it.

10 Q. Well, there you go.

11 A. And them times could be off, you know, then. I
12 mean, that's just --

13 Q. Right. If he didn't know where something went, do
14 you know if he'd give it to the secretary, would she --
15 is your secretary like my secretary, which is like an
16 administrative assistant as well, and she knows kind of
17 what goes on in the office, and people go to her when
18 they need some assistance?

19 A. It would be hard to say what he -- who he would
20 give it to, you know. And this is just hearsay; I've
21 heard him say before, you know, that this is a bill,
22 because it's got a window, this is a check because it's
23 got a different window, this is -- I just seen him do
24 it, you know, have stacks of mail on his desk know what
25 I'm saying? Now, where he went from there, I don't

APPELLANT ROA 00296

Deposition of Allen Ard

1 know. Know what I mean? If they fell off the desk into
2 the trash can, I ain't got a clue.

3 Q. Okay. And would you expect, if there was a letter
4 to you, that he would open up the letter and then --

5 A. No, I don't think he never opened up anything, you
6 know, I --

7 Q. I'm sorry. Who would open it up?

8 A. I don't have a clue. All I know is when it was on
9 my desk, unless it said personal or confidential, it was
10 opened.

11 Q. Okay. So a lot of the letters that you get about
12 various issues, you don't personally yourself, open up
13 the mail, somebody else gives it to you.

14 A. That's right.

15 Q. And that's true for 2003 and 2004, you would expect
16 that somebody else in your corporation would open up the
17 mail for you and then somebody makes a decision about
18 whether you should see it or not, and then puts it on
19 your desk; is that true?

20 A. That's correct.

21 Q. And is that the way you still do stuff? Which is
22 fine.

23 A. We don't hardly ever get any mail. Yeah, mail is
24 still put on my desk if I get any, that's correct.

25 Q. Okay. So you're relying on somebody else,

Deposition of Allen Ard

1 I mean, would you mind identifying
2 that each time, because I cannot --
3 the record might not know what it is.

4 MR. FERDERIGOS: Okay. Loss
5 sensitivity rating program or rating
6 print plan.

7 BY MR. FERDERIGOS:

8 Q. So my -- and we're going to go through documents,
9 but my question is, sitting here today, can you say one
10 way or another whether or not any of your employees at
11 your corporation, from 2003 to 2004 ever received a
12 cover describing the LSRP, a booklet describing the LSRP
13 and a rewritten policy?

14 A. No, I cannot, because I don't know what it is and
15 if somebody did receive it, they can't -- they didn't
16 know what it was, because I've never heard of it.

17 Q. Okay. Okay. And we're going to go through it here
18 in a little bit, but you can't say one way or another
19 whether or not that was ever received in 2003, 2004,
20 correct?

21 A. I cannot.

22 Q. By the same token, you can't sit here today and
23 say, I know for a fact nobody received such
24 documentation; is that correct?

25 A. I cannot.

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1 Q. Okay. It would be speculating one way or the
2 other.

3 A. That's right. 50/50 chance, right? US Postal is
4 always on time, right. Hadn't we had mail thrown in
5 dumpsters. (as spoken)

6 Q. I don't know. Did that happen from time to time?

7 A. Oh, yeah, we lost a lot of mail. The postal guys
8 decided to throw it away.

9 Q. Now, as far as the bills that you would get from
10 2003 to 2004, you used a financing company?

11 A. That's correct.

12 Q. Okay. So you would pay -- you'd have a coupon?

13 A. That's correct.

14 Q. To pay on a monthly basis?

15 A. That's correct.

16 Q. Okay. You would also receive Traveler's bills from
17 time to time?

18 A. Meaning what?

19 Q. Or let me ask you this, --

20 A. We paid the whole premium up front.

21 Q. Okay.

22 A. And they would use the finance company to finance
23 it at six and three quarter percent, okay. In the
24 middle of the policy payments, they went from seventeen (
25 thousand to nineteen thousand, because they had

Deposition of Allen Ard

1 I think is misleading to the record.

(2 MR. FERDERIGOS: Do you have an objection,
3 Marty?

4 MR. DRIGGERS: Well, I'm just asking if you
5 would just offer him -- Show him -- show me
6 in the letter where the policy attachment
7 that you have is indicated. Is it there?

8 MR. FERDERIGOS: Marty, Marty, If you have
9 an objection, you stated your objection.

10 Let me ask the question then I'm going to
11 ask him what I think you want me to ask
12 him. Let me ask it the way I want to
13 first. Then we'll go from there.

14 MR. DRIGGERS: Sure.

15 BY MR. FERDERIGOS:

16 Q. And now I'm going to hand you 64 through 94 and
17 documents 243 through 250. Could you tell me whether or
18 not you have any knowledge whether anyone from your
19 company received these document on or about March 1,
20 2004?

21 A. The first page they couldn't have, cause it was
22 dated in 2003. Okay I see it.

23 Q. Now let's start over. The bate stamped I just
24 handed you 64 through 94 and 243 through 250. Do you
25 have any knowledge whether anyone from your company

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1 received these documents, bates stamp documents, on or
2 about March 1, 2004?

3 A. Can you repeat the question?

4 Q. Do you have any knowledge that anyone from your
5 company received those bates stamped documents, that I
6 indicated, on or about March 1, 2004?

7 A. That's in the earlier pages. 85 and 94 is
8 duplicate. The question that you asked was, did anybody
9 in my office ever see any of this; I can't answer it.

10 Q. Okay.

11 A. There's no signatures nowhere.

12 Q. Okay. And now, let me ask the question the way
13 Marty wanted me to ask the question. Bates stamp number
14 64; did you receive bates stamp -- did you or anyone
15 from your office receive Bates stamp number 64 on or
16 about March 1st, 2004?

17 A. I can't answer that. That's what I'm supposed to
18 say, right?

19 Q. And bates stamps number 65 through 94, did you or
20 anyone from your office receive this -- these bates
21 stamps number 65 to 94; do you know whether you or
22 anyone from your office ever received those bates stamps
23 on or about March 1st, 2004?

24 MR. DRIGGERS: Let me just make an
25 objection for the record. There's an
APPELLANT PROA00304

Deposition of Allen Ard

1 implication here --

(2 MR. FERDERIGOS: Marty, you can object
3 to the form and I don't want a
4 speaking objection.

5 MR. DRIGGERS: My -- there's -- to
6 offer the page 64 and then, of course,
7 all three documents were handed to him
8 as a group and to offer him 64 and
9 then ask him -- and he's seen that,
10 then ask him 63 through 94, I don't --
11 Let me ask you a question; what's the
12 relationship between bates 63 through
(13 94 and the letter is 64. I don't -- I
14 don't understand it.

15 MR. FERDERIGOS: Marty, it's an
16 improper speaking objection. I posed
17 the question to the deponent, has he
18 received those bates stamps documents.
19 I'm entitled to that answer.

20 MR. DRIGGERS: Is it represented by --
21 by you and your client that -- that
22 the -- that 63 --

23 MR. FERDERIGOS: Marty --

(24 MR. DRIGGERS: through 65. It's a
25 question.

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1 MR. FERDERIGOS: No, no, this is not
2 the proper time for this question and
3 you know it. It's an improper
4 speaking objection. Please stop doing
5 it, or I'm going to have to ask you
6 the judge --

7 MR. DRIGGERS: Well, it's not
8 relevant. It's not relevant.

9 MR. FERDERIGOS: Then just say
10 objection to form, irrelevant, and
11 you're done, okay. Now, come on now.
12 I know you're an older attorney and
13 you all like to try to do lots of
14 speaking objections. We don't do that
15 anymore.

16 MR. DRIGGERS: But in think in
17 fairness to the record --

18 MR. FERDERIGOS: State your objection.

19 MR. DRIGGERS: In fairness to the
20 record.

21 MR. FERDERIGOS: Marty, Marty, I don't
22 want you to keep talking or I'm going
23 to have to ask the judge to intervene.
24 You stated an objection, you're done.

25 Q. If you could answer the question, please.

Deposition of Allen Ard

1 A. No.

2 Q. You don't know?

3 A. No.

4 Q. You do not know?

5 A. I do not know.

6 Q. Okay. So your testimony is you do not know whether
7 someone from your office received bates stamp 65 through
8 94 on or about March 1st, 2004.

9 A. No.

10 Q. You do not know?

11 A. I do not know.

12 Q. Okay. Same question, for bates stamps 243 through
13 250; did you or someone from your office -- do you have
14 knowledge that you or someone from your office received
15 bates stamps 243 to 250 on or about March 1st, 2004?

16 A. I do not know.

17 MR. DRIGGERS: Let the record also
18 show that of the bates stamped document
19 that I have, I think the -- the bates
20 stamped 243 through 250 are the
21 absolute last bates stamped documents
22 that I have received. They were added
23 onto the end of the entire stack.

24 Q. Okay. Let me show you bates stamp number 98 and
25 99. Do you know whether or not you or anyone from your

Deposition of Allen Ard

1 Exhibits 5 of Usher.

2 MR. FERDERIGOS: Yeah, I see, I see.

3 Q. Next is Plaintiff's Exhibit No. 5 of Usher. Do you
4 ever recall seeing that -- or do you know if you or
5 anybody (scratch that prior question). Do you know if
6 you or anybody from your staff received this letter?

7 A. No. I don't, but I assume we did because I
8 remember hearing about the name change.

9 Q. Okay.

10 A. When? I couldn't answer.

11 Q. Okay. The next one is Plaintiff's Exhibit 4.

12 A. It looks to me like that's what the safety
13 department would use if they needed to call for a claim.

14 Q. Sure, if you flipped to 1,2,3,4,5 and 6 that's the
15 copy of the -- would you agree that's a copy of the
16 original policy before it was rewritten in 3/1/04.

17 A. That's the copy of the only policy that I've ever
18 gotten, yes it is.

19 Q. The question is when did you receive a copy of this
20 policy? Do you know? You personally.

21 A. No. I don't.

22 Q. Do you know when somebody working for you received
23 a copy?

24 A. No, I do not.

25 Q. Okay. Did you review this policy at any time?

APPELLANT ROA 00305

Deposition of Harry Brown

1 A. Yeah, yeah. And then he would distribute it to
2 whoever he thought it should go to.

3 Q. Okay, and as far as workers' compensation issues,
4 and correspondences and documents like that, would Mr.
5 Allen Ard's father, bring that to you or someone in the
6 safety department, how would that work in the 2003, 2004
7 time frame?

8 A. It would come to me or one of the girls that worked
9 for me, you know. I don't know if it would, all of it,
10 would end up on my desk, but, yeah, most of it would.

11 Q. Okay. Okay. Do you recall receiving or reviewing
12 the assigned risk application before Mr. Ard signed it
13 back in 2003, 2004?

14 A. No, I don't remember reviewing the application.

15 Q. Okay. Do you recall receiving a copy of the
16 initial assigned risk policy that was issued by
17 Travelers in the early part of 2003?

18 A. I don't recall receiving it, but I'm sure I did.

19 Q. Okay. Do you recall receiving the subsequent
20 policy, the rewritten policy that Travelers issued in
21 March of 2003?

22 A. No, I don't.

23 Q. Okay. Do you, do you have testimony one-way or the
24 other whether you ever received that, in other words,
25 what I'm getting at, is it your testimony, no, I never

Deposition of Harry Brown

1 received it or is your testimony, I don't know if I
2 received it or not?

3 A. I don't know if I received it or not.

4 Q. Okay. Did you ever receive a letter from Travelers
5 with an LSRP booklet explaining the LSRP?

6 A. I don't recall that.

7 Q. Okay. So, your testimony is, it's not that, no, I
8 never received it, it's I don't know if I ever received
9 it or not.

10 A. I don't know.

11 Q. You don't know?

12 A. No.

13 Q. Okay. Would you have reviewed -- assume that you
14 received the policies of insurance, would you have
15 reviewed the policies?

16 A. Yes.

17 Q. Okay. When you received the initial policy of
18 insurance, did you review the policy of insurance?

19 A. Yeah, I'm sure I did. That would have been normal
20 practice.

21 Q. Okay. If you would have received the rewritten
22 policy of insurance, would you have -- would you have
23 reviewed that policy of insurance?

24 A. Yes, I'm sure I would.

25 Q. Okay, if you would have received the letter and

Deposition of Harry Brown

1 LSRP booklet, would you have reviewed that letter and
2 LSRP booklet?

3 A. Yes.

4 Q. Okay. Did Gary Usher, and this is in the early
5 part of 2003, did he ever contact you and say that the
6 insurance company, Workers' Compensation Insurance
7 Company, Travelers, was requesting more money than the
8 initial premium estimate?

9 A. I don't know.

10 Q. Did Gary Usher in 2003, and it would be in early
11 2003, did he ever contact you and advise you that the
12 reason Travelers Insurance Company is requiring a
13 additional deposit is because the LSRP was triggered
14 under the assigned risk provision rules?

15 A. Not that I can recall.

16 Q. And just to be clear, is it your testimony, no,
17 that never happened or is it your testimony, I just
18 don't know?

19 A. I don't know.

20 Q. Okay. From the time that the assigned risk
21 application was submitted --

22 A. Uh-huh.

23 Q. Okay? -- up until the end of the policy and maybe
24 that's an in artful way of asking, as far as your
25 communications with Gary Usher after the initial

Deposition of Harry Brown

1 application process, what communications did you have (
2 with Gary Usher about the assigned risk, about the
3 assigned risk policy of insurance?

4 A. I don't know. If I had any conversation with Gary,
5 at all, it was maybe to ask a question or discuss a
6 claim or something, you know, to that nature, as far as
7 I know. I mean, we're talking ten years ago.

8 Q. I understand. Okay. So, sitting here today you
9 don't recall, specifically, what the substance of the
10 conversations, if any, would have been between you and
11 Gary Usher from the date that the policy was issued
12 until the end of the policy date?

13 A. No, I don't.

14 Q. Is that correct?

15 A. Yes, nothing specific that I can recall.

16 Q. Okay. Do you know what the LSRP is today?

17 A. I do now.

18 Q. Did you know what the LSRP was in 2003 or 2004?

19 A. I'm not sure, but I knew it didn't apply to us.

20 Q. Okay, and why do you say that?

21 A. Because it on the page that where it goes through
22 the LS, whatever it is, on the bottom of the page it's
23 got states listed down there and it says, these are the
24 states that it affects and South Carolina is not on it.

25 Q. Okay. Did you have that conversation about that

Deposition of Harry Brown

1 endorsement with Gary Usher back in 2003 or 2004?

2 A. Not that I can recall.

3 Q. Okay. Did you review the application in 2003 or
4 2004 to look at that, that endorsement provision that
5 you're referencing about the LSRP?

6 MR. DRIGGERS: I'm not Objecting. You
7 said, did you look at the application. I
8 think his answer was that he looked at the
9 policy. It was not an application he was
10 referring to, I don't think. I think he's
11 referring to a policy.

12 MR. FERDERIGOS: Yeah, did I use the word
13 application?

14 MR. DRIGGERS: You used the word
15 application.

16 MR. FERDERIGOS: Let me, sorry, let me
17 rephrase that.

18 Q. The initial policy of insurance that was issued
19 from Travelers, back in 2003, 2004 time period, did you
20 review the policy of insurance and, specifically, did
21 you review that endorsement provision that referenced
22 the LSRP in that initial policy?

23 A. I can't say for sure that I did because I don't
24 remember, but I don't understand why I would not saw
25 that.

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1 Q. Okay. Travelers drawing on the letter of credit
2 back in 2003 and 2004, do you have any testimony about
3 how that effected Ard Trucking Company?

4 A. No, I don't.

5 Q. Do you have any testimony that it impacted Ard's, -
6 - Ard Trucking Company, in any way?

7 A. No.

8 Q. How much did Ard Trucking Company pay for workers'
9 compensation in the years before 2003, 2004?

10 A. I don't know.

11 Q. Okay. Do you know how much Ard Trucking Company
12 paid for workers' compensation in the years after 2003
13 and 2004?

14 A. No, I don't.

15 Q. Do you know how much Ard Trucking Company pays now
16 for workers' compensation insurance?

17 A. No, I don't.

18 Q. Okay. Do you know if you reviewed the application
19 that Mr. --

20 MR DRIGGERS: Asked and answered.

21 Q. -- Ard signed? You can respond.

22 A. No, I wouldn't have of, I don't think, I would have
23 reviewed that.

24 Q. And when's the first time that you understood what
25 LSRP was?

Deposition of Harry Brown

1 A. -- which meant it didn't apply to me in any way,
2 shape, or form.

3 Q. Now, the first time that you read the endorsement
4 that we're talking about now, was when?

5 A. I'm sure I read it whenever I got the policy
6 because I normally read every policy, but, like I said,
7 it didn't apply to me so I didn't pay any attention to
8 it.

9 Q. So, do you have a recollection of getting the
10 initial policy, looking at that endorsement --

11 A. No, I don't have --

12 Q. -- provision and relying on that provision?

13 A. No, I don't have a recollection of, of, I mean, I'm
14 assuming that I read the policy because I always did. I
15 don't know why I wouldn't have read this one, you know.

16 Q. Okay. So, is it true that you have no testimony
17 that you, as a safety director for Ard Trucking Company,
18 read and relied upon that endorsement provision in
19 2003 and 2004?

20 MR. DRIGGERS: I object to the question.

21 The question was asked and answered.

22 MR. FERDERIGOS: You can respond. No
23 objections, speaking objections, Marty. I
24 thank you for your objections. Go ahead.

25 You can respond.

Deposition of Harry Brown

1 A. I don't recall, you know, I just don't.

2 Q. Okay. So, you have no testimony sitting here today
3 about that?

4 MR DRIGGERS: I just -- I'm going to object
5 to that. That is a total mis-
6 characterization of what this witnesses
7 testimony --

8 MR. FERDERIGOS: Go ahead. Thank you,
9 Marty. Go ahead.

10 A. No.

11 Q. Okay, so you do not have testimony about that?

12 A. No, other than what I've already said, I don't know
13 of anything else I can say.

14 Q. All right. Is, is it your testimony -- well, let
15 me ask it like this, just to make sure that I've got it
16 right. Can you testify that you reviewed and
17 relied upon the endorsement provision referencing LSRP
18 in the initial policy that was issued in 2003, back in
19 2003 or 2004?

20 A. With 100 percent accuracy that I actually saw that
21 page and reviewed that page, I can't be sure I did.
22 That was ten years ago, you know.

23 Q. So you couldn't testify to that?

24 A. No.

25 Q. Is that correct?

Deposition of Harry Brown

1 A. Yes.

2 Q. Have you ever had a conversation about the LSRP
3 with Allen Ard?

4 A. Not until about two days ago.

5 Q. Do you have any evidence that Travelers breeched
6 any standard of care in complying with the WCIP?

7 A. I don't have any evidence of that, no.

8 Q. Did you have any evidence that -- well, (scratch
9 it), I won't ask that.. When was the last time you saw
10 Gary Usher?

11 A. I don't think I've seen Gary Usher since sometime
12 in 2003 and 2004.

13 MR. FERDERIGOS: Okay. Well, I have no
14 further questions. Please answer any
15 questions that your attorney may ask.

16 (OFF THE RECORD)

17

18 BY MR. DRIGGERS:

19 Q. I'm just going to take a couple of minutes. You
20 testified earlier, as I recall, that you were aware that
21 this was what has been described as assigned risk
22 workers' compensation policy issued by Travelers through
23 the Hair Agency, back in 2003, 2004; is that a fair
24 statement?

25 A. Yes.

1 stamped document No. 7, there is an applicant
2 statement? The very last one.

3 A. Right, okay.

4 Q. And that applicant statement -- and the
5 applicant in that case would be Mr. Ard for the
6 plaintiff, for ARD Trucking?

7 A. Uh-huh.

8 Q. Is that correct?

9 A. Right.

10 Q. And the applicant statement says quote,
11 coverage is being bound subject to your signed
12 statement acknowledging and agreeing to the terms of
13 the -- well, I'm sorry. Let me scratch that. I was
14 reading the wrong paragraph. Could you read the
15 highlighted portion of Bates stamped No. 7?

16 A. Do you want me to read it?

17 Q. Yes, sir.

18 A. Okay. By signing below I acknowledge that
19 the NCCI, Inc. Loss Sensitive Rating Plan has been
20 explained to me or that an explanatory notice or
21 brochure has been provided to me and I agree that I
22 shall be bound by the terms of such plan if my
23 estimated annual premium or preliminary physical
24 audit meets or exceeds the premium eligibility
25 requirement.

1 Q. Okay. And then underneath that is where
2 Mr. Ard signed?

3 A. Right.

4 Q. Okay. Now, pursuant to the applicant
5 statement, the insured agreed to be bound by the
6 terms of the WCIP?

7 A. I believe so.

8 Q. Okay. And the insured signed the
9 statement acknowledging that the LSRP has been
10 explained to him or that an explanatory notice or
11 brochure has been given to him?

12 A. Right.

13 Q. Okay. And when Mr. Ard signed the
14 application statement, the applicant statement and
15 the assigned risk application, and the producer
16 submitted it to NCCI, did the producer, Michael P.
17 Hair, realize that Mr. Ard would be bound by the
18 WCIP?

19 A. Yes, I would assume so, yeah.

20 Q. Okay. And then at that point the way
21 NCCI, WCIP program --

22 MR. DRIGGERS: I just -- I'm sorry. I
23 have to make an objection on leading. His answer to
24 your question was he assumes so. You know, you are
25 testifying and he's -- you're asking him to confirm

1 your testimony.

2 MR. FERDERIGOS: You can object to the
3 form and I appreciate that and I'll reword my
4 question.

5 MR. DRIGGERS: All right.

6 MR. FERDERIGOS: Thanks.

7 BY MR. FERDERIGOS:

8 Q. Now, after the WCIP or after the assigned
9 risk policy was submitted to the NCCI, was a
10 servicing carrier selected?

11 A. Yes.

12 Q. Okay.

13 A. After we submitted it that's all we did.

14 Q. Right. And in this case Travelers was
15 selected as a servicing carrier?

16 A. Right.

17 Q. Okay. Now, when a producer submits an
18 application for an assigned risk policy, would you
19 agree that the producer acknowledges and understands
20 that the insured is asking for an assigned risk
21 policy that is governed by the WCIP?

22 A. Correct, yes.

23 Q. Okay. And would you also agree that the
24 insured is bound by the WCIP rules?

25 A. Right.

1 subject to your signed statement acknowledging and
2 agreeing to the terms of the Loss Sensitive Rating Plan
3 in the event that your estimated annual premium or
4 preliminary physical audit premium meets or exceeds the
5 premium eligibility requirement.

6 Q. Okay. And is that binder consistent with
7 the application statement concerning the LSRP?

8 A. Yeah, I would say so.

9 Q. Okay. Now, after the binder was issued,
10 did the producer become aware that due to the amount
11 of premium for the case, the premium and the payroll
12 of the insured, that the LSRP was triggered?

13 A. Not right away. I think it was sometime
14 after an audit was performed and it was determined
15 that the payroll was higher than what we -- you know
16 -- what was submitted in the application so...

17 Q. Right. And that was the preliminary audit
18 that's in line with the WCIP provisions?

19 A. I believe so, yes.

20 Q. Okay. And after the determination was
21 made that the LSRP was triggered, did Travelers send
22 -- let me mark --

23 MR. DRIGGERS: Is that -- just a moment.
24 He's asking you questions and I'm going to have to
25 note again the objection to leading.

1 handed you?

2 MR. DRIGGERS: I think the exhibit
3 speaks for itself. He did not write it and his name
4 is not even on it.

5 MR. FERDERIGOS: I can ask him the
6 questions I want, Marty. Thank you.

7 MR. DRIGGERS: Okay.

8 BY MR. FERDERIGOS:

9 Q. Go ahead, Gary.

10 A. Let's see. It's a letter introducing an
11 explanatory booklet of what the Loss Sensitive
12 Rating plan is.

13 Q. Okay.

14 A. An employer's guide to the mandatory
15 assigned risk retrospective rating program.

16 Q. Okay. And was that letter and booklet
17 sent to the producer and to the insured at the
18 correct address?

19 MR. DRIGGERS: I object to the question.
20 He doesn't know that. He couldn't know that.

21 MR. FERDERIGOS: Let him answer the
22 question and then we go from there.

23 BY MR. FERDERIGOS:

24 Q. Go ahead, Gary.

25 A. That appears to be the right address for

1 ARD and then that is our correct address.

2 Q. Okay. Did the producer receive that
3 letter and booklet?

4 A. I'm pretty sure we did.

5 Q. Okay.

6 A. I don't have our files or anything, but
7 this looks familiar.

8 Q. Okay.

9 A. Again, I'm going by a lot of memory here
10 so...

11 Q. Okay. At some point before the letter of
12 credit was requested, was the producer Michael P.
13 Hair informed of the LSRP program and the details
14 set forth in Defendant's Exhibit No. 4?

15 A. Yes. We were when we received this.

16 Q. Okay. And at that point did the producer
17 discuss or talk with the plaintiff about the LSRP
18 program and what it required?

19 A. I would -- I would have to assume so
20 because I was not the agent of record for the
21 account. I know there was conversations probably
22 back and forth with our agent and the plaintiff as
23 to who said what. If he had a physical meeting with
24 them and how all that was discussed, I don't know.

25 Q. Okay. And did you have any conversations

1 with the safety manager at ARD Trucking about the
2 LSRP?

3 A. I'm sure I did.

4 Q. Okay.

5 A. Harry Brown was the safety manager and he
6 was my contact person there. He was who I talked to
7 about whatever issues we needed to talk about.

8 Q. Okay. And did you advise Mr. Brown about
9 the LSRP?

10 A. I'm sure once this -- it became aware to
11 both of us I'm sure we had probably more than one
12 discussion on it and just -- you know -- just
13 discovering what it was and what was necessary and
14 what had to be done going forward.

15 Q. Okay. And what did the servicing carrier
16 ask in regards to the plaintiff to do pursuant to
17 the LSRP?

18 A. Well, I think it was determined that the
19 estimated annual premiums based on the audit was a
20 good bit higher than what it initially was and what
21 -- as we understand by rating that -- you know --
22 once the premium threshold exceeded 200,000 it
23 automatically reverted to this LSRP plan. And part
24 of that was that it not only required more premium
25 but it also required a deposit.

1 Q. Okay.

2 A. And I don't remember the exact amount of
3 the deposit.

4 Q. Okay. And did it require a irrevocable
5 letter of credit?

6 A. The -- I know it required a deposit. I
7 assume at that point that maybe the insured asked if
8 a letter of credit would be acceptable in lieu of
9 cash and I think that's where the letter of credit
10 came in to. I believe Travelers said that they
11 would accept it and we went from there.

12 Q. Okay. So you had conversations with Mr.
13 Brown, the safety manager, discussing the LSRP and
14 what the letter of credit was for?

15 A. Again, this is going by memory, but I
16 would bet so because this was a big change in what
17 was originally bound back in November. It was
18 obviously -- you know -- a lot more premium and when
19 you are talking a lot more money, obviously, there
20 are going to be conversations.

21 Q. Okay.

22 A. But I cannot recall any specific
23 conversation or -- you know -- documentation of that
24 because frankly I don't have it.

25 Q. Okay. Did ARD Trucking ever appeal any

1 that final audit if it was either more or less --
2 you know -- the audit would be more money or a
3 return premium so...

4 Q. Whatever the LSRP dictates?

5 A. Correct.

6 Q. Okay. Are you aware of any point of ARD
7 appealing either Travelers determination of payroll,
8 the code classifications used for the payroll, the
9 amount of premium owed, the application of the LSRP
10 or the calculations under the LSRP to the NCCT at
11 any time?

12 A. I'm not aware of any.

13 Q. Okay. If the LSRP formula is accurately
14 calculated, is there any reason that Travelers is
15 not entitled to the additional premium that it
16 seeks?

17 A. Not that I'm aware of.

18 Q. Okay. So you -- not you -- but the
19 producer recognizes that if the LSRP is --

20 MR. DRIGGERS: Leading.

21 BY MR. FERDERIGOS:

22 Q. Okay. Let me ask you this, would you
23 agree that --

24 MR. DRIGGERS: Leading.

25 MR. FERDERIGOS: Well that's --

1 MR. DRIGGERS: You are getting ready to
2 give testimony and ask him if he agrees to it.

3 BY MR. FERDERIGOS:

4 Q. Would you tell me whether or not the
5 producer recognizes that if the LSRP calculations
6 are accurate that the defendant, servicing carrier,
7 Travelers, is entitled to the additional premium
8 that it seeks?

9 A. Yes, I mean that would be --

10 Q. Is that a yes?

11 A. Yes. I'm sorry.

12 Q. Okay.

13 MR. FERDERIGOS: Please answer any
14 questions that the plaintiff's attorney could have.

15 EXAMINATION

16 BY MR. DRIGGERS:

17 Q. Mr. Usher, where are you currently
18 employed, sir?

19 A. I work for Service Insurance Agency.

20 Q. Okay. I take it you are no longer working
21 for Hair; is that correct?

22 A. Right. The agency was sold and closed
23 down back in 2011.

24 Q. 2011. Okay. Were you working with them
25 at that time?

1 yeah, that would be correct.

2 BY MR. FERDERIGOS:

3 Q. Okay.

4 A. Now, we found out that this LSRP program
5 was different. It was -- it was a -- I don't even
6 know how to describe it. Because we had not --
7 frankly, we had not had a client that had been under
8 this program before.

9 So once the policy was determined to fit this
10 program, okay, and to be converted to this program we
11 had to learn about it too because we had no prior
12 knowledge of it, okay.

13 As I remember, as we read this and read the
14 description of it -- and this was somewhat of a
15 complicated formula there -- as I understand, as I
16 recollect it, the deposit was collected to either be
17 returned or to be paid towards claims for that policy
18 period.

19 In other words, it was like a -- I don't know
20 if you are familiar with what a retro program is, but
21 Liberty Mutual used to do a lot of them. I'm sorry for
22 digressing, but basically you would have a reporting
23 type of program and if an extra set of money was set
24 aside and it was for potential claims in excess of what
25 you would typically have for that year for that policy.

1 If the claims were low, the money was returned. If the
2 claims were high, that money was used to pay towards
3 those claims. It's kind of complicated. We weren't
4 experts on -- I'm certainly not going to say I'm an
5 expert on it. But that's the way we understood it after
6 this came into play. That's what was going on and I
7 remember when there was -- and I'm sure Harry and I
8 probably had conversations about it because we were
9 learning about this program.

10 Q. Okay. And you've answered very fairly, I
11 think, and testified very fairly here.

12 A. Okay. I'm trying to. Again, I'm going on
13 ten year old information, sir.

14 Q. That's a long time ago, sir.

15 A. That is a long time ago.

16 Q. This would have been some time in, I
17 believe it was October, November 2003 when these
18 conversations between Mr. Ard and the company you
19 work for were initiated; is that fair?

20 A. That sounds fair.

21 Q. Okay. Ten years ago --

22 A. Yeah.

23 Q. -- right?

24 A. Right.

25 Q. As we sit here now. All right, sir. And

1 yeah.

2 BY MR. DRIGGERS:

3 Q. So why would you waste a lot of time
4 trying to explain to Mr. Ard about the plan if you
5 didn't think it applied?

6 A. Right. I mean, this is all conjecture
7 now. If, for example, the payroll, the initial
8 payroll, caused the basic annual premium to be in
9 excess of 200,000, then obviously we would have had
10 to go through it right then because we would have
11 known about it right then.

12 Q. Okay.

13 A. I think the initial premium was like 167,
14 157-some thousand.

15 Q. That's right.

16 A. Okay. That was the original premium. So
17 as far as we knew it was a standard straight up and
18 down workers compensation premium, it had to be
19 financed and the whole nine yards, and then when the
20 audit was performed the payroll was determined to be
21 a good bit higher and the estimated premium was a
22 good bit higher based on that payroll and then
23 that's when all the LSRP -- you know -- kicked into
24 play.

25 Q. And during that time Dave would still have

1 been the person who had been talking with Mr. Ard;
2 is that fair?

3 A. Correct.

4 Q. Okay.

5 A. Right.

6 Q. And you don't know what conversations they
7 had about this program or explanations wheresoever,
8 do you?

9 A. I do not know.

10 Q. All right. And what do you recall
11 happened when you first realized or became involved
12 with this plan we are talking about, the Loss
13 Sensitive Rating Plan? Can you give us a date when
14 you became involved with Mr. Ard on the rate
15 sensitive rating plan explanations that you talked
16 about earlier? Or did you?

17 A. I mean, I can't give a date. And I never
18 talked to -- to my knowledge, I never talked to Mr.
19 Ard directly about it. I may have talked to Mr.
20 Brown about it. I'm sure we probably did, but I
21 can't give you dates or conversations or anything
22 like that.

23 Q. Do you recall at some point in time well
24 into this policy Mr. Brown calling and saying, what
25 are you talking about? What is this all about?

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 18 (00)**

POLICY NUMBER: (R6EJUB-9560A28-5-03)

**MANDATORY ASSIGNED RISK LOSS SENSITIVE RATING PLAN
ENDORSEMENT**

This endorsement is added to Part Five (Premium) to explain the rating plan and how the Assigned Risk Loss Sensitive Rating Plan premium will be determined.

This endorsement applies where the LSRP has been approved. It determines the Assigned Risk Loss Sensitive Rating Plan premium for the insurance provided during the rating plan period of this policy. The rating plan period is the one-year period beginning with the effective date of the policy.

A. Assigned Risk Loss Sensitive Rating Plan Premium Elements

The amount of Assigned Risk Loss Sensitive Rating Plan premium depends on the six standard elements which are explained below:

1. Standard premium is the premium we would charge during the rating plan period if the insurance was not subject to this endorsement. We determine your standard premium based upon authorized rates, any experience rating modification and minimum premiums, including the effect of any other residual market rating plan or program. Standard premium does not include the expense constant charge, the premium discount credit, premium developed by the passenger seat surcharge under Code 7421 - Aircraft Operation - Flying Crew, or premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health and Safety Act.
2. Basic premium is calculated by multiplying the standard premium by a basic premium factor. The basic premium factor is shown in the Schedule.
3. Incurred losses are all amounts we will pay or estimate we will pay for losses, interest on judgments, expenses to recover against third parties and employers liability loss adjustment expenses.
4. A converted loss is an incurred loss multiplied by a percentage called the loss conversion factor. The Assigned Risk Loss Sensitive Rating Plan loss conversion factor is shown in the Schedule.
5. Taxes are a part of the premium we collect. Taxes are determined as a percentage of expense and development premium and converted losses. The percentage is called the tax multiplier. The tax multiplier covers assessments, fees, licenses, and taxes which we must pay on the premium we collect. It varies by Federal and non-Federal classifications. The tax multiplier(s) for each state are shown in the Schedule.
6. Development premium is calculated by multiplying the standard premium by the product of the appropriate premium development factor, the loss conversion factor and the tax multiplier. The premium development factors are shown in the Schedule.

B. Assigned Risk Loss Sensitive Rating Plan Formula

1. Assigned Risk Loss Sensitive Plan premium is the sum of the basic premium, development premium and converted losses, multiplied by the tax multiplier. The payment, if any, attributable to the four items excluded from standard premium in A.1. above, is a separate obligation of yours in addition to the Assigned Risk Loss Sensitive Rating Plan premium.
2. The Assigned Risk Loss Sensitive Rating Plan premium is subject to a minimum premium and a maximum premium. The minimum premium is determined by multiplying the total audited standard premium by the minimum premium factor. The maximum premium is determined by multiplying the total audited standard premium for the qualifying states by the applicable maximum premium factor. The minimum premium factor and maximum premium factor for each state are shown in the Schedule.

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

APPEALANT ROA 00331

WPH Ard Trucking 00078

**DEFENDANT'S
EXHIBIT**

Page 1 of 3

Travelers

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 18 (00)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

C. Premium Calculation and Payments

1. You will pay a premium which amounts to 120% of the estimated annual premium. If you obtain an acceptable clean, unconditional, irrevocable letter of credit (LOC), containing an automatic renewal clause, to secure the 20% additional deposit premium, the premium will be 100% of the estimated annual premium.
2. Your rating plan premium will be determined after the rating plan period ends. We will issue an endorsement to show any change in the premium for your insurance if your annual audited standard premium equals or exceeds the premium eligibility level in one or more states where this plan has been approved.
3. The first calculation of Assigned Risk Loss Sensitive Rating Plan premium shall be determined using all loss information valued as of 18 months after the month in which the rating plan period became effective. Three additional annual premium adjustment calculations shall be made based on loss information valued as of 30, 42, and 54 months after the month in which the rating plan period became effective.
We may make a special valuation of the Assigned Risk Loss Sensitive Rating Plan premium as of any date that you become bankrupt or insolvent, make an assignment for the benefit of creditors, are involved in reorganization, receivership or liquidation, or dispose of all your interest in work covered by the insurance. You will pay the amount due us if the Assigned Risk Loss Sensitive Rating Plan premium is more than the total standard premium as of the special valuation date.
4. After each valuation, you shall promptly pay to us the amount due, or we will refund the amount due you. If you fail to pay any premium due under this plan, your current policy will be canceled and you will be disqualified from future assignments through the assigned risk plan.

D. Cancellation

1. If the policy is canceled by you or by us, a determination shall be made as to whether this program shall apply. The Assigned Risk Loss Sensitive Rating Plan shall apply only to those policies where the payroll extended to an annual basis and multiplied by the manual rates and experience modification, equals or exceeds the premium eligibility level in any of the states where this program has been approved.
2. The Assigned Risk Loss Sensitive Rating Plan will not apply if you obtain coverage outside the residual market within 120 days after the effective date of the policy.
3. If you cancel, the standard premium for the rating plan period will be based on our short rate table and procedure. This short rate premium will be used to determine the Assigned Risk Loss Sensitive Rating Plan premium.
4. Section D.3. will not apply if you cancel because:
 - a. all work covered by the insurance is completed;
 - b. all interest in the business covered by the insurance is sold;
 - c. you retire from all business covered by the insurance; or
 - d. you obtain coverage in the voluntary market.



WORKERS COMPENSATION
AND
EMPLOYERS' LIABILITY POLICY
ENDORSEMENT WC 00 04 18 (00)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

SCHEDULE

1. Basic Premium Factor .30
2. Loss Conversion Factor 1.19
3. Tax Multiplier 1.143
4. Minimum Premium Factor .75
5. Maximum Premium Factor 1.75
6. LSRP Development Factors:
 - 1st Adjustment 0.00
 - 2nd Adjustment 0.00
 - 3rd Adjustment 0.00
 - Subsequent Adjustments 0.00



Gateway Center
1000 Legion Place
P.O. Box 3556
Orlando FL 32802-3556
FAX: 407 649-3574

March 1, 2004

Insurer: Travelers Property Casualty Company of America

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON SC 29540

Policy No: R6EJUB 9560A28503
Effective Date: 11/07/03

Dear Insured:

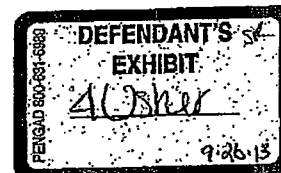
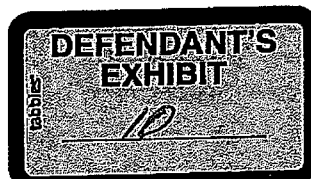
The above referenced policy has been issued as part of the mandatory Loss Sensitive Rating Plan (LSRP). The purpose of the LSRP is to provide a retrospective rating plan for employers with assigned risk workers' compensation premium over a certain threshold. Retrospective rating programs determine the final premium for a policy after the policy period has ended and is based on actual losses incurred during the policy period.

Enclosed please find the explanatory booklet *The Loss Sensitive Rating Plan (LSRP): An employer's guide to the mandatory assigned risk retrospective rating program*. Please review the booklet carefully and discuss it with your producer.

Sincerely,

TONI WINTERS
Account Manager Underwriter
CL Alternative Markets Division
Orlando Service Center
1-800-443-4404, extension 3745

cc: MICHAEL P HAIR & ASSOC
7422 CARMEL EXECUTIVE PK #204
PO BOX 472224
CHARLOTTE, NC 28247



APPELLANT ROA 00335

BWPH Ard Trucking 00063



National
Council on
Compensation
Insurance, Inc.

The Loss Sensitive Rating Plan (LSRP)

An employer's guide to
the mandatory assigned risk
retrospective rating program

Retrospective rating is a method of pricing insurance which determines your final workers compensation premium after the policy period has ended, based on your actual losses during the policy period.

Pictorial, Inc.

This pamphlet has been created to help you understand the concept and details of the Loss Sensitive Rating Plan (LSRP). You are encouraged to read this material and discuss it with your producer, broker, assigned insurer or an NCCL, Inc. customer service representative. ■

Purpose

The purpose of the assigned risk mandatory Loss Sensitive Rating Plan (LSRP) is to provide a retrospective rating plan for those employers who have an assigned risk workers compensation insurance premium of \$200,000 or more. (Note: The premium threshold amount may vary by state.) The LSRP is designed to:

- Promote Safety and Loss Control by requiring you to accept greater financial responsibility for the losses that you incur.
- Depopulate the Residual Market by encouraging you to obtain coverage in the voluntary market.
- Provide Fairness by rewarding those of you with good loss experience with lower premiums while penalizing those employers with poor loss experience with higher premiums. ■

Background

The residual market is intended to serve as the market of last resort. This market ensures the availability of workers compensation and employers liability insurance to all eligible employers required by law to secure this coverage but who are unable to obtain it through other means. (Note: This would include such options as self-insurance.) The residual market is not intended to compete with the voluntary market by allowing employers to avoid various loss sensitive rating plan offers in exchange for guaranteed cost policies.

Among the rating alternatives for the large employer, loss-sensitive rating is the most equitable because it gives you the opportunity to have your insurance costs more directly related to your losses during the policy period. ■

Implementation

We have proposed that in your state, the LSRP be implemented six months from the effective date of regulatory approval. This six months' advance notice is intended to give you time to seek coverage in the voluntary market. (Note: The implementation date may vary by state.) Upon approval, all LSRP-eligible accounts currently in the residual market, their producers or brokers and current assigned carriers will be advised of the approval and implementation dates, as well as the LSRP parameters. ■

Definition of Terms Used in the LSRP Program

Note: Any of the following definitions may vary by state.

Allocated Loss Adjustment Expense

ALAE includes costs associated with specific claims such as defense costs.

Basic Premium

A percentage of the Standard Premium, determined by multiplying the Standard Premium by a Basic Premium Factor. The Basic Premium includes insurance carrier expenses such as acquisition, loss control services, premium audit, producer fees and other general administrative costs. The Basic Premium does not cover premium taxes or claim adjustment expenses. These costs are usually provided for in the Tax Multiplier and Loss Conversion Factor.

Converted Losses

The results of applying the Loss Conversion Factor (LCF) to your Incurred Losses.

Deposit Premium

The deposit you must pay at the time of application or policy renewal. It is comprised of the WCIP Deposit Premium and the LSRP Contingency Deposit Premium.

Incurred Losses

Your losses occurring during the policy period including:

- Losses which have been paid and reserves for losses which are outstanding. Reserves are established to anticipate the insurance company's obligation on claims that have been incurred but have not yet been settled. These reserves must be added to paid claims to establish total Incurred Losses.

Individual Loss Limitation (Loss Cap)

The maximum portion of any loss subject to retrospective rating. There are no Individual Loss Limitations available in the LSRP program.

Loss Conversion Factor (LCF)

A loading to incurred losses to cover Unallocated Loss Adjustment Expenses. In this plan, it is a fixed factor of 1.125.

LSRP Contingency Deposit Premium

It is calculated as 20 percent of your Standard Premium and collected in addition to the WCIP Deposit Premium. The LSRP Contingency Deposit Premium must be paid at time of application, or policy renewal, to collateralize any additional premium that may be due the assigned carrier as a result of LSRP valuation activities.

As an alternative to a cash contingency deposit, you may substitute an acceptable, clean, unconditional Irrevocable Letter of Credit (LOC) containing an automatic renewal clause, drawn on a Federal Reserve bank. The LOC must be for an amount at least equal to the LSRP 20 percent Contingency Deposit Premium. The cash deposit or LOC shall be held as collateral until at least the first adjustment. (The retention period may vary by state.)

LSRP Development Premium Factors (RDFs)

This premium element is an additional loading that recognizes the probable increase in value over time of your losses and helps stabilize your premium adjustments. The LSRP Development Premium Factors anticipate a pattern of increasing valuation of your losses after the policy has expired. The factor is included only in the first three annual adjustments and is not included in the fourth and final calculation. The RDFs vary from state to state.

Maximum Premium (Max)

The most premium you will pay under the LSRP program, irrespective of your losses. The Maximum Premium has the effect of placing a limit on the impact of incurred losses on the LSRP premium.

- *Maximum Premium Factor.* A factor that is multiplied by your Standard Premium to determine your Maximum Premium. The Maximum Premium Factor is a fixed factor of 1.75 of Standard Premium.

Minimum Premium (Min)

The least amount of premium you will pay even if you have no losses.

- **Minimum Premium Factor.** A factor that is multiplied by your Standard Premium to determine your Minimum Premium. The Minimum Premium Factor is a fixed factor of 0.75 of Standard Premium.

Standard Premium (SP)

For the purposes of this Plan, Standard Premium means your premium determined on the basis of authorized rates, any experience rating modification, ARAP, assigned risk surcharge programs where appropriate, loss constants where applicable, and Minimum Premiums. Determination of Standard Premium shall exclude:

Premium discount, expense constant (unless it is part of Minimum Premium), premium resulting from the non-ratable element codes in the *Experience Rating Plan Manual*, premium developed under Class Code 7421 (aircraft-related operations), and premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Health and Safety Act.

Tax Multiplier (TM)

This covers licenses, fees, assessments, and taxes that the insurance carrier must pay on the premium they collect. The TM varies from state to state.

Unallocated Loss Adjustment Expenses (ULAE)

General claim adjustment expenses which include the cost of the insurance carrier claim services such as investigation of claims and filing claim reports.

WCIP Deposit (or Initial) Premium

WCIP Deposit Premium is calculated by multiplying your Estimated Annual Premium by the required Deposit Premium percentage. The HLOC option is not available for the WCIP Deposit Premium. ■

Summary of LSRP

> Objective

The principal objective is to create a plan that is appropriate for an employer of your size and will encourage you to seek coverage outside of the residual market and to control your losses.

> Parameters (Factors)

The LSRP is a simple loss sensitive rating plan constructed to be uniformly applied to all eligible employers. The plan parameters which form the basis of the LSRP are not negotiable for two reasons: individually "tailored" plans are available in the voluntary market; and, as the residual market assignment mechanism is random, the "luck of the draw" could determine the type of plan provided by the carrier, thus reducing the chance of fairness.

> Factors

The LSRP factors are:

• Basic Premium Factor (Basic)	0.30
• Loss Conversion Factor (LCF)	1.125
• Tax Multiplier (TM)	Varies by state*
• Retro Development Factors (RDFs)	Varies by state*
• Minimum Factor (Min)	0.75
• Maximum Factor (Max)	1.75

* The tax multiplier (TM) represents the currently approved tax multiplier in your state exclusive of any assigned risk subsidy. Current retrospective development factors (RDFs) are also used. These factors will change with subsequent changes in state rates and rating values. Your insurance advisor, producer, or insurance carrier can provide you with the current information for your state.

Some additional comments on the factors:

- Your policy premium will be adjusted, based on your losses, at intervals beginning six (6) months after the policy expires and at twelve (12) month intervals thereafter to a total of four (4) adjustments.

- The LSRP Development Factors (RDFs) will be used with the first three (3) valuations to reflect the actuarial probability that losses will develop (increase in value) over time. These factors have a proven track record for accuracy and should reduce the likelihood of first valuation return premiums followed by subsequent valuations calling for additional premiums as the losses mature. As is customary in retrospective rating, the RDFs will be applied to premium, thus relieving any additional pressure on loss reserving. The RDFs will not be applied to the fourth and last adjustment.
- Four (4) valuations were selected to allow losses to mature. Removing the RDFs at the fourth adjustment provides a fair and reasonable means of closing out the LSRP for a given policy year.
- The decision not to offer loss caps was based on the desire to avoid any plan negotiations that will, by nature, differ from carrier to carrier. In addition, the 1.75 maximum is relatively low and tends to serve as a loss cap.

> Premium Payments

The following unique payment provisions apply:

LSRP Contingency Deposit Premium (Additional 20 percent)

- The carrier will be required to retain the 20 percent Contingency Deposit Premium and any final audit return premium without interest until the first valuation has been completed and billed. (The time held may vary by state.)

Irrevocable Letter of Credit

- In lieu of the additional 20 percent Contingency Deposit Premium in cash, an acceptable, clean, unconditional Irrevocable Letter of Credit containing an automatic renewal clause, drawn on a Federal Reserve bank can be provided at time of application or policy renewal.

Rating Plan Premium

- Your rating plan premium will be determined after the rating plan period ends (six months after policy expiration). Three additional annual premium adjustment calculations will be made.

Cancellation Provision

- The carrier will have the right to cancel the current assigned risk policy if any additional premiums on either current or prior assigned risk policies are not paid as required. The dispute resolution procedure in your state's Workers Compensation Insurance Plan (WCIP) applies to legitimate premium disputes. *Your insurance advisor, producer, or insurance carrier can provide you with the current information for your state.*

> Premium Variation

To accommodate premium increases while avoiding costly cancellations and rewrites within the policy period, a time frame of 120 days was established to retroactively convert a guaranteed cost policy to the LSRP and visa versa.

If after the first 120 days of the coverage term it is determined that you qualify for the LSRP, the current policy shall not be affected, but the LSRP will apply at renewal.

If your premium falls below the premium threshold during the policy period, the same 120-day determination period applies. In this instance, when the premium falls below the threshold, a retroactive conversion to guaranteed cost would result.

Since depopulation is a major goal of the LSRP, a release clause also applies. If you obtain coverage in the voluntary market within 120 days of policy inception, your premium would be calculated based on guaranteed cost.

120 DAYS FROM EFF DATE

>Multistate

The LSRP will apply to an employer with multistate operations when the total premium of all requested states that have approved LSRP meets the eligibility requirement for the LSRP state generating the largest premium. (This provision may vary by state.) ■

Impact on Your Workers Compensation Costs

The ultimate impact of the LSRP will depend on your losses over time. However, with good loss experience an individual employer's final premium is typically less than standard; it is more than standard with poor loss experience. ■

LSRP Calculation: Example

Illustrative Values

Standard Premium (SP)	=	\$339,000
Incurred Loss 1st Valuation	=	254,250
Incurred Loss 2nd Valuation	=	271,200
Incurred Loss 3rd Valuation	=	305,100
Incurred Loss 4th Valuation	=	339,000

LSRP Factors

Basic	=	0.30
Minimum	=	0.75 or \$254,250 (\$339,000 × 0.75 = \$254,250 minimum premium)
Maximum	=	1.75 or \$593,250 (\$339,000 × 1.75 = \$593,250 maximum premium)

Loss Conversion

Factor (LCF)	=	1.125
Tax (Tax Multiplier)	=	1.126*

Retrospective

Development		
Factors (RDFs)	=	1st Adjustment 0.31*
	=	2nd Adjustment 0.21*
	=	3rd Adjustment 0.15*
	=	4th Adjustment 0.00

* Values shown here are for illustration only and are not necessarily the values in your state.

Formula

$$\text{LSRP Premium (LSRP)} = \text{Tax} [(\text{Basic} \times \text{SP}) + (\text{RDF} \times \text{LCF} \times \text{SP}) + (\text{LCF} \times \text{Incurred Losses})]$$

LSRP PREMIUM CALCULATIONS:

1st Adjustment

$$\text{LSRP} = 1.126 [(30 \times 339,000) + (31 \times 1.125 \times 339,000) + (1.125 \times 254,250)]$$

$$\text{LSRP} = 1.126 [101,700 + 118,226 + 286,031]$$

$$\text{LSRP} = 1.126 [505,957]$$

$$\text{LSRP} = 569,708$$

$$\text{Additional Premium (AP)} = \$162,908 [569,708 - 339,000 - 20\% \text{ LSRP Contingency Deposit Premium}]$$

2nd Adjustment

$$\text{LSRP} = 1.126 [(30 \times 339,000) + (21 \times 1.125 \times 339,000) + (1.125 \times 271,200)]$$

$$\text{LSRP} = 1.126 [101,700 + 80,089 + 305,100]$$

$$\text{LSRP} = 1.126 [486,889]$$

$$\text{LSRP} = 548,237$$

$$\text{Return Premium (RP)} = \$21,471 [569,708 - 548,237]$$

3rd Adjustment

$$\text{LSRP} = 1.126 [(30 \times 339,000) + (21 \times 1.125 \times 339,000) + (1.125 \times 305,100)]$$

$$\text{LSRP} = 1.126 [101,700 + 57,206 + 343,238]$$

$$\text{LSRP} = 1.126 [502,144]$$

$$\text{LSRP} = 565,414$$

$$\text{Additional Premium (AP)} = \$17,177 [565,414 - 548,237]$$

4th Adjustment

$$\text{LSRP} = 1.126 [(30 \times 339,000) + (0 \times 1.125 \times 339,000) + (1.125 \times 339,000)]$$

$$\text{LSRP} = 1.126 [101,700 + 0 + 381,375]$$

$$\text{LSRP} = 1.126 [483,075]$$

$$\text{LSRP} = 534,942$$

$$\text{Return Premium (RP)} = \$30,472 [565,414 - 534,942]$$

Questions & Answers

Q How will I know that I am eligible for the LSRP?

A If you are a new applicant to the assigned risk plan, the application will have the following language in the "Employer Signature Section":

By signing below I acknowledge that the Loss Sensitive Rating Plan has been explained to me or that an explanatory notice or brochure has been provided to me and I agree that I shall be bound by the terms of such plan if my estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

When the binder is issued, the following language will be noted advising you that this is a mandatory program and it will be applicable to your policy:

Coverage is being bound subject to your signed statement acknowledging and agreeing to the terms of the Loss Sensitive Rating Plan in the event that your estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

If you are already insured in an assigned risk plan, similar language will be on renewal quotes with estimated annual premium of \$150,000 or greater, advising you that the program may be applicable.

In addition, the assigned carrier will perform a preliminary audit within 120 days of inception for all renewal policies and new applications whose estimated annual premium exceeds \$150,000.

Q If I have operations in more than one state, will LSRP apply?

A The LSRP has been designed to accommodate the large assigned risk employer who has operations in several states. The plan provides for a multistate policy when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

Q What loss control services will carriers be required to offer under the LSRP?

A Although it may vary by state, under the current performance standards, servicing carriers are required to notify the policyholder and producer, in writing, within 90 calendar days of receipt of assignment, of available loss control services and safety information, including instructions on how to obtain these services and information.

Servicing carriers are required to provide a minimum of one consulting survey annually for each single location to any policyholder with an estimated annual premium greater than \$25,000.

Direct assignment carriers must adhere to any and all requirements as set forth by the state in which they are writing assigned risk business.

Contact your carrier or insurance advisor for more information or to arrange for loss control services.

Q If I am determined to be eligible for the LSRP during the first 120 days of the policy term, how much time am I given to provide the additional deposit/TLOC?

A The carrier will usually give an insured 30 days to obtain any additional premium or appropriate TLOC needed to continue the policy in force. This will also be true for any additional premium resulting from any of the four annual adjustments.

Q Do premium discounts apply when determining eligibility?

A By definition, Standard Premium does not include the premium discount; therefore, no discounts would be used in determining LSRP eligibility.

Q Is the 20 percent Contingency Deposit Premium for LSRP calculated from the total Standard Premium only in those states that approved the LSRP, or from the entire policy premium, regardless of the LSRP approvals? Will this require more than one policy?

A The 20 percent LSRP Contingency Deposit premium is calculated from the Standard Premium from those states that have approved LSRP. If the assigned risk employer requests coverage in a state where the LSRP has been approved and requires coverage in one or more states where LSRP has not been approved, the assigned carrier shall combine the LSRP states on one policy and then issue a guaranteed cost policy for those states where LSRP has not been approved, in accordance with all WCIP rules and regulations. It may not always be possible for a single carrier to provide coverages for all requested states; additional applications will then be necessary. ■

IRREVOCABLE STANDBY LETTER OF CREDIT

ISSUER: CAROLINA BANK
P.O. BOX 1028
104 ORANGE STREET
DARLINGTON, SC 29540

Date of Issue: 05-17-2004 Letter of Credit Number: 127

Amount: U.S. \$ 52,116.00
(FIFTY TWO THOUSAND ONE HUNDRED SIXTEEN AND NO/100 U.S. DOLLARS)

For Benefit Of:
Beneficiary Name and Address

ST PAUL TRAVELERS INSURANCE CO.
P.O. BOX 3556 ORLANDO, FLORIDA 32803 ATTN: ERICA STAFFORD

For Account Of:
Applicant Name and Address

ARD TRUCKING COMPANY INC
POST OFFICE DRAWER 504
DARLINGTON, SC 29540

LETTER OF CREDIT. Issuer establishes this Irrevocable Standby Letter of Credit (Letter of Credit) in favor of Beneficiary in the amount indicated above. Beneficiary may draw on this Letter of Credit with a Draft (or Drafts, if the maximum number of drawings is greater than one) together with the documents described below. Each Draft shall be signed on behalf of Beneficiary and be marked "Drawn under [Issuer name] Letter of Credit No. [Letter of Credit number] dated [Letter of Credit date]." Drafts must be presented at Issuer's address shown above on or before the Expiration Date. The presentation of any Draft shall reduce the Amount available under this Letter of Credit by the amount of the Draft.

This Letter of Credit sets forth in full the terms of Issuer's obligation to Beneficiary. This obligation cannot be modified by any reference in this Letter of Credit, or any document to which this Letter of Credit may be related.

This Letter of Credit expires on the Expiration Date.

DRAWINGS.

☐ Partial drawings shall not be permitted under this Letter of Credit.

☒ Partial drawings are permitted. The maximum number of drawings that may be made is 1.

DOCUMENTS. Each Draft must be accompanied by the following, in original and two copies except as stated:

☐ The original Letter of Credit, together with any amendments.

☐ A sight draft drawn by Beneficiary on Issuer.

☒ A signed statement by Beneficiary including the following statement: DRAWN UNDER CAROLINA BANK IRREVOCABLE STANDBY LETTER OF CREDIT NO. 127 DATED 05/17/2004.

☐ Other documents:

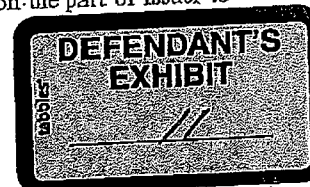
Issuer shall be entitled to accept a draft and the documentation described above, as required by the terms of this Letter of Credit, from any person purporting to be an authorized officer or representative of Beneficiary without any obligation or duty on the part of Issuer to verify the identify or authority of the person presenting the draft and such documentation.

SPECIAL INSTRUCTIONS:

EXPIRATION DATE. This Letter of Credit expires at the close of business at Issuer's address at 5:00 (Time) on 01-17-2006 (Date). Issuer agrees to honor all Drafts presented in strict compliance with the provisions of this Letter of Credit on or before the Expiration Date.

☒ If Beneficiary has not drawn the full amount of this Letter of Credit prior to the Expiration Date, the Expiration Date shall be extended for a period of 365 days from the Expiration Date, unless Issuer notifies Beneficiary in writing at least 90 days prior to the Expiration Date that Issuer elects not to extend this Letter of Credit. In any event, this Letter of Credit shall expire on 01-17-2007 without any notice from Issuer to Beneficiary.

APPELLANT ROA 00345 BWPH Ard Trucking 000125



TRANSFERABILITY: This Letter of Credit is ☐ transferable ☒ non-transferable.

[CABLE LAW. This Letter of Credit shall be governed by:
the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication
No. 500 (UCP), or any later version or amendment.
the International Standby Practices 1998 (ISP98).
Letter of Credit shall also be governed by the laws of CONNECTICUT, the United States of
America, so long as such laws are not inconsistent with the UCP or ISP, as applicable.

LINA BANK
(or Name)

(Signature)

(Date)

5/17/04

JAMES O. MORPHIS, III, SENIOR VICE PRESIDENT
(Signer Name and Title)

1 Streett, about LSRP?

2 A. I would be shocked if anybody at the trucking
3 company even knows what LSRP is, Okay? I mean, I would
4 -- it would really shock me.

5 Q. And do you recall what your payroll was for
6 November 7th, 2003, to November 7th, 2004?

7 A. No, sir.

8 Q. Did anybody at Ard Trucking ever appeal any
9 decision of Travelers, about the Assigned Risk Policy
10 to the NCCI, about any issue of dispute?

11 A. Not as I know of.

12 Q. Do you know if anybody at Ard Trucking ever
13 appealed the premium decision of the Travelers'
14 auditor, to the NCCI, about how much premium was owed?

15 A. Not as I know.

16 Q. Do you know if anybody at Ard Trucking ever
17 appealed the Travelers' auditor's determination, as far
18 as the amount of payroll, for November 7th, 2003, to
19 November 7th, 2004?

20 A. Say that again, now.

21 Q. Did anybody at Ard Trucking, or on behalf of
22 Ard Trucking, ever appeal the Travelers' auditor's
23 determination about the payroll of Ard Trucking, from
24 November 7th, 2003, to November 7th, 2004?

25 A. No, sir.

1 A. Zero balance. I don't know if you'd call it
2 a bill or a statement.

3 Q. And did you ever appeal Travelers' decision
4 about LSRP? Did either you or your producer ever
5 appeal Travelers decision about --

6 A. I can't answer for him. As far as me, I
7 don't recall doing it.

8 Q. So, you don't recall appealing Travelers'
9 decision about applying LSRP to NCCI, at any point? Is
10 that correct?

11 A. No. I don't. I don't recall me doing it.
12 The producer could've done it. You know? I don't
13 know.

14 Q. If it turns out that Travelers is entitled to
15 the premium that they are owed, and it turns out that
16 Travelers is entitled to the LSRP, do you have any
17 problem with Travelers cashing in on that Letter of
18 Credit if it was owed that premium? And, if so, what?

19 A. They already took the Letter of Credit.
20 Cashed it.

21 Q. I understand. But my question to you is, if
22 it turns out -- and I'm asking on assumption, for the
23 record. I'm not asking you to agree.

24 A. Right.

25 Q. But if it turns out that Travelers is

1 deposit.

2 Q. And, at that point, when Travelers asked for
3 a Letter of Credit, no one on behalf of your company,
4 that you are aware of, appealed that decision to NCCI?

5 A. No, sir. That I'm aware of.

6 Q. That you're aware of.

7 A. Yeah.

8 THE WITNESS: The sun's going to come
9 down in a minute. And, I'm going to want to change
10 seats.

11 MR. FERDERIGOS: Well, if you need to
12 take a break, we can certainly --

13 THE WITNESS: No, I'm just saying that
14 sun's going to come down --

15 MR. FERDERIGOS: And, hit you in the
16 head?

17 THE WITNESS: Well, it's going to be in
18 my eyes. Is what it's going to be. Then, we're going
19 to change seats.

20 MR. FERDERIGOS: There you go.

21 THE WITNESS: I'll sit over there beside
22 you. We'll both look -- we'll look that way. You know
23 what I mean?

24 Mr. FERDERIGOS: I understand. Mark
25 this as Defendant's Exhibit No. 1. Why don't we take a

1 Q. So, with the WCIP, if there is a dispute
2 about certain things then there's an appellate
3 mechanism that can be triggered. The company, the
4 insured can appeal to NCCI to get a decision made. Do
5 you have any knowledge of that happening in this case?

6 A. No, sir.

7 Q. Do you have any knowledge, if there is a
8 dispute between the parties, about the amount of
9 payroll from November 7th, 2003, to November 7th, 2004?

10 A. If there was a dispute, between the parties
11 of payroll?

12 Q. Yes. Not premiums owed --

13 A. Right.

14 Q. -- but the amount of payroll?

15 A. Not as I know of.

16 Q. And one of the things I have to do is, kind
17 of figure out what it is we're disagreeing about.

18 A. Right.

19 Q. My understanding is, there's not a dispute
20 about the payroll from November 7th, 2003, to November
21 7th, 2004. It's just how the premium is determined on
22 that payroll, because of the LSRP. Is that accurate?

23 A. That's correct. That's accurate. I mean,
24 our people did the payroll, reported it. The
25 Travelers' audit came in, audited, and they agreed with

1 it. And so, to me, it was agreed on payroll.

2 Q. So, we don't have a dispute about the amount
3 of payroll, during that period. Also, it's my
4 understanding, correct me if I'm wrong, that there's
5 not a dispute about the code classifications, as far as
6 the type of -- the workers and the codes. Is that
7 correct?

8 A. That's correct

9 Q. The only dispute is whether this LSRP applies
10 to your company, or not, because that means the
11 premiums were more?

12 A. Right.

13 Q. Is that correct?

14 A. Because -- that's correct. Because I had no
15 knowledge of what the -- at that time, what LSRP is.

16 Q. Do you have any knowledge today of what the
17 LSRP is? Substantively, not what the letters are.

18 A. No. You know, I just know from reading.

19 Q. And, you've had assigned risk policies before
20 this Travelers' policy, and after this Travelers'
21 policy?

22 A. Yes, sir.

23 Q. Has any producer, at anytime, ever explained
24 to you what LSRP is?

25 A. I mean, we've just always paid the premiums,

1 It's just, he can -- whoever he can sell for.

2 Q. So, as an independent insurance agent, he can
3 sell different policies of insurance from different
4 carriers?

5 A. I'm assuming, yeah.

6 Q. And do you know who, from the producer's
7 office, came to you?

8 A. No. I don't.

9 Q. But the purpose of retaining someone from
10 Michael P. Hair's office, was to procure Workers'
11 Compensation insurance for your company, starting
12 around November of 2003. Correct?

13 A. Yes, sir.

14 Q. Did this individual, from the producer's
15 office, tell you that they were going to submit an
16 assigned risk application for you, to get Workers'
17 Compensation insurance?

18 A. I think everybody in the trucking industry
19 was assigned risk. I think -- you know, I think that's
20 just a word that they use. That's all I've ever heard.
21 What it means? I have no idea.

22 Q. So, you knew that the producer, the
23 independent agent, was submitting an application that
24 you've signed off on, which we'll talk about here in a
25 little bit, into the assigned risk plan to obtain an

1 Q. As far as you know, Michael P. Hair and
2 Associates was an independent agency?

3 A. Yes, sir.

4 Q. And you asked someone at Michael P. Hair's
5 office to get you Workers' Compensation insurance?

6 A. Yes, sir.

7 Q. So, he was a broker for you?

8 A. No. I don't know if you'd call him a broker
9 for me. He was a broker for the insurance company that
10 he represented, I assume. I mean, I don't know if I'm
11 wording it right or not.

12 Q. Let me ask you like this. Did you retain
13 Michael P. Hair and Associates, as an independent
14 insurance agent, to find Workers' Compensation for you?

15 A. Yes, sir. Michael P. Hair and Associates --

16 Q. Yeah.

17 A. They would come in with -- it would --
18 whatever insurance company it is. I think Travelers,
19 this time. You know, another agent is liable to come
20 in with a different one. Liberty Mutual, or somebody
21 like that. And, you know so I mean they're
22 independent, you know.

23 Then, next year, he might come in wanting to sell me
24 Liberty Mutual instead of Travelers. So, you know, I
25 don't know his relation, as him being independent.

1 A. No, sir.

2 Q. Did your producer tell you that you -- when
3 you filled out the application, did your producer tell
4 you that you're going to get a Travelers' policy?

5 A. No, sir.

6 Q. It just so happened it ended up being a
7 Travelers policy.

8 A. What they do, so you understand, on my side
9 is, they come in and they say, "sign this application
10 so I can be your agent of record, and I'll go out and
11 I'll shop the market, and I'll find you the one that's
12 going to sell you the cheapest -- that you're going to
13 get the cheapest premium with. And, I'm going to come
14 back and give you your options." Okay? And, that's
15 what they do. We're -- to get -- I know we are only
16 talking about Workmen's Comp here, but you got to
17 figure, he shops liability, cargo, physical damage,
18 everything else.

19 Q. Did your producer, at the time, explain to
20 you that an Assigned Risk Policy is not the cheapest
21 policy, and it's actually more expensive than a
22 voluntary policy?

23 A. I thought policies was rated on whatever the
24 percent was per classification you was in.

25 Q. Right. But, Assigned Risk Policies, as a

1 Q. Did your producer, at the time, tell you that
2 the reason that he was submitting an assigned risk
3 application policy, and had you sign that and submit it
4 through NCCI, was because he could not place you in the
5 voluntary market?

6 A. You know, you ask -- this -- this is real
7 old, you know. I mean, I could guess at it. Best to
8 say is, I don't know. I don't want to guess at it.

9 Q. I agree. I should have started off with
10 that, as well. If you don't know the answers to my
11 question, I don't know is a perfectly acceptable
12 answer.

13 A. Okay.

14 Q. I do not want you to guess.

15 A. Right. And I felt like where I was getting
16 pushed to.

17 Q. No. And I don't want to push you.

18 A. Guessing the questions, you know.

19 Q. Please don't guess. If you don't know, I
20 don't know. And then we just move on. Because you are
21 testifying under oath. So, you certainly don't want to
22 guess.

23 A. Right.

24 Q. Now, did anyone from Travelers Insurance
25 Company ever tell you that your producer was a

1 Travelers' agent?

2 A. Not as I can recall.

3 Q. Do you have any knowledge about whether or
4 not the producer, in this case, is an agent -- let's
5 say, a general agent or a special agent of Travelers?

6 A. Explain the two differences.

7 Q. Let's just say, agent of Travelers, to get
8 started with.

9 A. He would have to represent Travelers, or he
10 wouldn't have been able to sell me insurance.

11 Q. Is that what you believe?

12 A. That's what I believe.

13 Q. Did anyone from Travelers ever tell you that
14 the producer was a Travelers' agent?

15 A. No. Not that I remember.

16 Q. Did the producer ever tell you that they were
17 exclusively a Travelers' agent?

18 A. No.

19 Q. Did the producer ever tell you that they were
20 a Travelers' agent?

21 A. Not that I can recall. They -- they
22 represent Travelers or they wouldn't have been able to
23 sell me the policy.

24 Q. Did your producer ever explain to you that
25 under the WCIP, he is an agent of the insured, which is

1 a producer's role?

2 A. No, sir. I just know what the words -- the
3 letters stand for. Just like CAA stands for Allen Ard.

4 Q. Do you have any evidence that the producer
5 was an agent of Travelers, and not your company?

6 A. Say that again now. Didn't you ask me that
7 earlier?

8 Q. No. This is a little different.

9 A. Okay.

10 Q. Because this is my one chance to find out.

11 A. Okay.

12 Q. Do you have any evidence that the producer
13 was an agent of Travelers, and not of your company?

14 A. No. I don't. The agent brought us all of
15 our paperwork --

16 Q. You mean the producer?

17 A. Michael P. Hair brought all the paperwork to
18 us that we got.

19 Q. Now, do you understand what the WCIP is, or
20 no?

21 A. No. I just understand -- I know the word is
22 what the letters stand for.

23 Q. As far as, from November 7th, 2003, to
24 November 7th, 2004 -- that time period -- and the
25 reason I'm asking these questions. I want to find out

1 under the WCIP, if your premium exceeds a certain
2 amount of money, then there's LSRP requirements that
3 need to be abided by?

4 A. No, sir. But does that apply in every state?

5 Q. At a deposition, I ask the questions and you
6 answer the questions. But let me ask you this. Did
7 your producer explain to you that LSRP applied in South
8 Carolina, when you had the producer submit your assign
9 risk policy?

10 A. No, sir.

11 Q. So, when you applied for the Assigned Risk
12 Policy, the producer never had a conversation with you
13 that South Carolina has LSRP, and what that means?

14 A. No, sir.

15 Q. Is that correct?

16 A. That's correct.

17 Q. At any point in time, did your producer
18 explain to you what LSRP is?

19 A. If he did, I don't remember.

20 Q. Did there come a point in time, when the
21 insurance carrier -- the servicing carrier, Travelers,
22 required the insured to get a Letter of Credit?

23 A. Yes.

24 Q. In order to insure that additional premium
25 would be paid?

1 Q. They have been Bates stamped?

2 A. Right.

3 Q. Okay. And we are going to ask your
4 testimony about what you know about those documents.
5 as well.

6 MR. DRIGGERS: Can we go off the record
7 for a second?

8 MS. FERDERIGOS: Sure.

9 (Off-the-record.)

10 BY MR. FERDERIGOS:

11 Q. Now, Michael P. Hair & Associates as the
12 producer submitted an application on behalf of ARD
13 Trucking Company, the plaintiff, on or about
14 11-06-03; is that correct?

15 A. Yeah. I wouldn't know the date, but that
16 would be --

17 Q. Right. And I'll refer you to Bates
18 stamped documents No. 4 through 7. Is that an
19 accurate copy of the assignor's application signed
20 by Mr. Ard, the president of ARD Trucking?

21 A. It looks like it, yes.

22 Q. Okay. Now, the relationship between M. P.
23 Hair & Associates and the insured, ARD Trucking, is
24 governed by the WCIP for an assigned risk policy?

25 A. Right.

1 Q. And the relationship between M. P. Hair
2 and the servicing carrier is also governed by the
3 WCIP rules --

4 A. Right.

5 Q. -- correct?

6 A. Right.

7 Q. Okay. Under the WCIP the producer is not
8 an agent of the servicing carrier; is that correct?

9 A. Correct. Right.

10 Q. All right. The producer is an agent of
11 the insured; is that correct?

12 A. Right.

13 Q. Okay.

14 MR. FERDERIGOS: And let's go ahead and
15 mark as Defendant's Exhibit No. 1 the Bates stamped
16 documents 4 through 7. And let's mark as
17 Defendant's Exhibit No. 2 a portion of the South
18 Carolina workers compensation insurance plan.

19 (Defendant's Exhibit No. 1, Workers
20 Compensation Application, was marked for
21 identification.)

22 (Defendant's Exhibit No. 2, portion of South
23 Carolina Workers Compensation Insurance Plan, was marked
24 for identification.)

25 BY MR. FERDERIGOS:



South Carolina
Workers
Compensation
Insurance

Third Edition



South Carolina Workers Compensation Insurance Plan

Information
and Proceedings

tabbies
**DEFENDANT'S
EXHIBIT**
16

**DEFENDANT'S 52
EXHIBIT**
Wisher
9:26:13

SECTION I INTRODUCTORY INFORMATION

THE PLAN—PURPOSE AND OVERVIEW OF RULES AND PROCEDURES

Purpose of Plan

The Plan has been approved by the South Carolina Department of Insurance to provide workers compensation insurance to an employer who is unable to obtain such coverage in the "voluntary" market, that is, one who has no outstanding offer of any rating plan approved in South Carolina. The Department exercises general regulatory authority over the Plan, but has designated the National Council on Compensation Insurance—Atlantic Division to administer the actual operation of the Plan.

Several private insurance companies in South Carolina have been designated as servicing carriers. As such, these companies write policies in their own names and provide claims, loss control, auditing and other services, just as they would for their voluntarily written policyholders.

Operation of Plan—Overview

The procedures you are to follow are given in detail in Section II of this handbook. Refer to the Index if you have a question or problem. The following will give you, however, a "bird's-eye view" of the Plan. In going over this, you should also get a good idea of the role of the producer.

The Plan operates this way: when an employer is unable to secure coverage in a regular manner, he may apply for coverage under the Plan. The offer of any rating plan approved for use in South Carolina constitutes an offer of insurance in a regular manner, and such offer renders an applicant ineligible for coverage under the Plan. Working with or without a producer, this employer completes an application form and computes a deposit premium. The producer or applicant forwards the application and deposit to NCCI—Atlantic Division. If the applicant appears eligible, the divisional office binds coverage, selects a servicing carrier and forwards the application and deposit to this servicing carrier. This servicing carrier, to whom the employer is "assigned," issues a policy in its own name and provides the same type of service which it would for a policyholder written on a voluntary basis. The employer remains assigned to this servicing carrier until the coverage is canceled or not renewed.

Each year, prior to the policy expiration date, the servicing carrier computes a new deposit premium and notifies the employer and producer that it will renew the policy upon receipt of the deposit. If this deposit premium is paid prior to expiration, the policy is renewed without interruption of coverage.

The producer or insured should **immediately** notify the servicing carrier of changes to the policy during the year, and the producer should otherwise assist the employer

in matters relating to his insurance.

The employer may be removed from the Plan at any time, without penalty, by an insurance company willing to provide the coverage on a voluntary basis.

The policy may be canceled by the servicing carrier for non-payment of premium and for certain other specified reasons. See Page P-8.

There is a procedure which permits the employer to request a different servicing carrier and another procedure which allows the servicing carrier to request reassignment of the employer to another company. There is no selection of assignment by the producer, insured or servicing carrier. See Page P-8.

The employer is subject to the same classifications, rates, experience modifications and rules set forth in the Basic Manual with a few exceptions. If a producer is assisting, for services provided, that producer shall receive a producer fee based on the amount of state standard premium. That is, a graduated producer fee scale exists whereby the amount of fee received by the producer depends on the amount of the premium. See Page P-10 for a full explanation of the producer fee procedure including a breakdown of the percentages of producer fee.

Coverages available under the Plan are identical to those available outside the Plan, with a few restrictions.

The Plan has responsibility for workers compensation in the State of South Carolina only. Each state has arrangements, however, for providing workers compensation insurance through a plan, pool or fund of some type. Your questions about the Plan and its operations should be addressed to the Atlantic Division.

DUTIES AND RESPONSIBILITIES UNDER THE PLAN

The Producer's and Agency's Duties and Responsibilities

1. To assist the employer in meeting his obligations under the South Carolina Workers' Compensation Law, preferably by securing coverage in the voluntary market. Failing to obtain such coverage, the producer then has the responsibility to assist the employer in obtaining coverage under the Plan in a prompt and efficient manner. Even if coverage must be placed under the Plan, the producer has the continuing responsibility to try to place the coverage in the voluntary market. The producer must explain to the employer the necessity for securing coverage under the Plan.
2. To assist the employer needing coverage under the Plan in completing thoroughly and accurately an application and any other documents that may be required, and in forwarding these promptly to the Atlantic Division.

SOUTH CAROLINA—Section 1 Introductory Information

Effective July 1990

To report immediately to the servicing carrier all changes in the employer's name, operations, exposures, locations, financial condition or other changes which may affect the policy or the services being provided. To keep the policy up to date by promptly requesting endorsements as required.

4. To see that adequate deposit and advance premiums are maintained and encourage the employer to realistically estimate payrolls.
5. To determine what coverages the employer needs for both South Carolina and out-of-state operations. To secure such coverages, as available, from the servicing carrier or other pools or funds, if necessary.
6. To forward promptly all premium payments received from the employer to the servicing carrier to avoid credit cancellations and lapses in coverage. To encourage the employer to meet all premium payments, and, if any, finance company obligations in a timely manner.
7. To advise the employer in all matters relating to his workers compensation insurance. To request information on his behalf, as needed, from the servicing carrier or the Atlantic Division.
8. To refund promptly any excess producer fees paid you by the servicing carrier when requested to do so.

Important note to the producer: Remember, although you have a very important role under the Plan, you are not a contract agent or agency of the servicing carrier. You have no authority from the servicing carrier to bind or cancel coverage nor to otherwise act within such an agency relationship. Unless a legal finance agreement exists which assigns cancellation or premium refund collection rights to a third party, all premium transactions are strictly between the servicing carrier and the employer as a policyholder and you are not a party to that contract. A servicing carrier may give you certain authority, such as permission to issue certificates of insurance, but such rights are not to be routinely assumed by a producer. Read this handbook carefully, and if you still have a question about your authority, then contact the Atlantic Division or the servicing carrier.

The Employer's Duties and Responsibilities

1. Before applying for coverage under the Plan, the employer must be eligible, and in good faith, be entitled to workers compensation insurance. In general, an eligible applicant has no outstanding voluntary offers (as evidenced by the required declinations) and must have no outstanding premium obligations. See Page X-12, the Plan, for information on good faith.
2. To comply with all provisions of the Plan, including accurately and fully completing the application form and any supporting documents which may be required.
3. To keep the producer, if one is assisting, fully ad-

vised of changes in name or ownership, operations, locations or exposures which may affect coverage, classifications, rates, premium estimates or other aspects of the coverage being provided under the Plan; to keep the carrier advised of these things, if no producer is assisting.

4. To cooperate fully with the servicing carrier in implementing all reasonable safety recommendations. (Failure to do so may be a valid reason for cancellation under the Plan.)
5. To report all claims promptly and cooperate with the servicing carrier in the investigation and settlement of claims.
6. To comply strictly with all terms and conditions of the policy.

The Servicing Carrier's Duties and Responsibilities

1. To provide coverage to all employers who are assigned to the company and who, upon investigation, are eligible and entitled "in good faith" to coverage under the Plan.
2. To issue the necessary policy and provide underwriting, claims, loss control, auditing and other services in a prompt and efficient manner. To meet the performance standards which have been established for servicing carriers in the state of South Carolina.
3. To work with and assist the producer, employer and Atlantic Division on problems relating to coverage and service under the Plan.
4. To maintain adequate deposits and advance premiums on policies. Refund promptly any excess premiums as determined by final audits. To pay producer fees promptly when due.
5. To make filings with the Workers' Compensation Commission and other governmental agencies, as necessary, to provide them with a current and accurate record of coverage.
6. To comply strictly with all terms and conditions of the policy contract.

The Atlantic Division's Duties and Responsibilities

1. To review immediately all applications as received. To issue binders promptly to all employers who appear to be qualified for coverage under the Plan.
2. To make assignments to servicing carriers on an equitable basis, keeping in mind the employer's coverage and servicing requirements and determining which servicing carriers can best meet these requirements.
3. To maintain the necessary files and records on each employer so that proper experience modifications and rates are used. To review policy contracts to determine adherence to rules, rates and modifications by the servicing carrier.
4. To respond promptly to complaints, questions and problems from producers, servicing carriers and employers.

1 subject to your signed statement acknowledging and
2 agreeing to the terms of the Loss Sensitive Rating Plan
3 in the event that your estimated annual premium or
4 preliminary physical audit premium meets or exceeds the
5 premium eligibility requirement.

6 Q. Okay. And is that binder consistent with
7 the application statement concerning the LSRP?

8 A. Yeah, I would say so.

9 Q. Okay. Now, after the binder was issued,
10 did the producer become aware that due to the amount
11 of premium for the case, the premium and the payroll
12 of the insured, that the LSRP was triggered?

13 A. Not right away. I think it was sometime
14 after an audit was performed and it was determined
15 that the payroll was higher than what we -- you know
16 -- what was submitted in the application so...

17 Q. Right. And that was the preliminary audit
18 that's in line with the WCIP provisions?

19 A. I believe so, yes.

20 Q. Okay. And after the determination was
21 made that the LSRP was triggered, did Travelers send
22 -- let me mark --

23 MR. DRIGGERS: Is that -- just a moment.
24 He's asking you questions and I'm going to have to
25 note again the objection to leading.

1 ARD and then that is our correct address.

2 Q. Okay. Did the producer receive that
3 letter and booklet?

4 A. I'm pretty sure we did.

5 Q. Okay.

6 A. I don't have our files or anything, but
7 this looks familiar.

8 Q. Okay.

9 A. Again, I'm going by a lot of memory here
10 so...

11 Q. Okay. At some point before the letter of
12 credit was requested, was the producer Michael P.
13 Hair informed of the LSRP program and the details
14 set forth in Defendant's Exhibit No. 4?

15 A. Yes. We were when we received this.

16 Q. Okay. And at that point did the producer
17 discuss or talk with the plaintiff about the LSRP
18 program and what it required?

19 A. I would -- I would have to assume so
20 because I was not the agent of record for the
21 account. I know there was conversations probably
22 back and forth with our agent and the plaintiff as
23 to who said what. If he had a physical meeting with
24 them and how all that was discussed, I don't know.

25 Q. Okay. And did you have any conversations

1 with the safety manager at ARD Trucking about the
2 LSRP?

3 A. I'm sure I did.

4 Q. Okay.

5 A. Harry Brown was the safety manager and he
6 was my contact person there. He was who I talked to
7 about whatever issues we needed to talk about.

8 Q. Okay. And did you advise Mr. Brown about
9 the LSRP?

10 A. I'm sure once this -- it became aware to
11 both of us I'm sure we had probably more than one
12 discussion on it and just -- you know -- just
13 discovering what it was and what was necessary and
14 what had to be done going forward.

15 Q. Okay. And what did the servicing carrier
16 ask in regards to the plaintiff to do pursuant to
17 the LSRP?

18 A. Well, I think it was determined that the
19 estimated annual premiums based on the audit was a
20 good bit higher than what it initially was and what
21 -- as we understand by rating that -- you know --
22 once the premium threshold exceeded 200,000 it
23 automatically reverted to this LSRP plan. And part
24 of that was that it not only required more premium
25 but it also required a deposit.

PART ONE—RULES

RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES

A. WORKERS COMPENSATION INSURANCE PLAN (WCIP)

Applicable To Assigned Risk Policies Only

10. Dispute Resolution Procedure

a. Procedure

The dispute resolution procedure can be categorized as either Assigned Risk Employer/Producer related disputes or WCIP related disputes.

b. Assigned Risk Employer/Producer Disputes

Any assigned risk policyholders and their producers affected by the actions of their assigned carrier or NCCI are provided with a process in which grievances can be reviewed, resolved, or heard by the mechanism that has been established and approved in the state for such grievances.

(1) Employer Disputes

The conditions outlined in Rule 4-A-2-g must be met in order for the employer to have a bona fide premium dispute. The Plan Administrator's intervention in disputes is generally limited to matters involving:

- Experience rating modification factors
- Application of rules contained in NCCI manuals
- Eligibility and assignment under the Workers Compensation Insurance Plan (WCIP)
- Classification assignment
- Assigned risk pricing programs

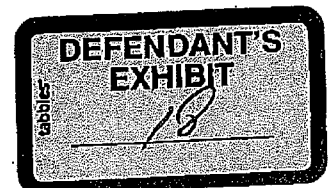
The Plan Administrator may intervene in disputes involving other matters arising under this Plan as determined by the Plan Administrator in its discretion.

The Plan Administrator (upon receipt of all necessary information regarding the dispute), will review the matter and provide a written response within thirty (30) days.

(a) Interstate Appeals

When an employer dispute concerns any of the above matters, (other than the application of NCCI's *Experience Rating Plan Manual* rules), in more than one state, the Plan Administrator will determine the appropriate jurisdiction in which the dispute will be heard, based upon the following factors:

- Governing state (state generating the greatest payroll)
- The state covered by the assigned carrier with the greatest exposure
- The state where the operations are best represented



Interstate Employer-Related Dispute Jurisdiction Table

If . . .	Then . . .
As determined by the Plan Administrator, the governing state is an NCCI Plan administered state that best represents the operations of the business	The governing state's dispute resolution process will apply
The governing state is an NCCI Plan administered state, but the Plan Administrator determines that the governing state does not best represent the operations of the business	The Plan Administrator will review the dispute and determine the appropriate jurisdiction in which the dispute will be heard
The dispute involves NCCI Plan administered states and non-NCCI Plan administered states	The jurisdiction selected and resulting decision will apply only to the NCCI Plan administered states
The governing state is not an NCCI Plan administered state	The employer must follow the appropriate dispute resolution process for the governing state

When a dispute concerns the application of NCCI's *Experience Rating Plan Manual* rules for interstate rated risks, the Plan Administrator will determine the appropriate jurisdiction for the dispute to be heard.

Unless state-specific rules apply, the ruling of the state appeals mechanism (as determined by the Plan Administrator to have jurisdiction over the dispute) will apply to all assigned risk policies whether written by one or more assigned carriers.

For a general overview of the employer dispute resolution process, refer to NCCI's *Assigned Risk Supplement*.

(2) Producer Disputes

For disputes relating to the calculation and/or payment of producer fees and producer of record changes, the Plan Administrator (upon receipt of all necessary information regarding the dispute), will review the matter and provide a written decision within thirty (30) days.

c. WCIP Disputes

Any Plan participants (Association members and/or assigned carriers) who have a dispute with respect to any aspect of the Plan or Reinsurance Agreement(s) (including any dispute arising out of the Association Bylaws) must first seek a review of the matter under this section by providing the following to Plan Administrator:

- Written documentation detailing specific areas of the dispute
- Specific request for a review of all documentation
- Appropriate actions of areas to resolve the dispute

The Plan Administrator may request additional information, as it deems necessary to make a decision. All disputes submitted to the Plan Administrator will be governed as follows:

(1) Plan-Related Disputes

For disputes relating to the general operation of the Plan, including but not limited to, standards for assigned carrier performance, compensation and incentives and application assignment determination,

the Plan Administrator (upon receipt of all necessary information regarding the dispute), will review the matter and provide a detailed written decision within thirty (30) days.

Any party affected by the decision of the Plan Administrator may seek binding arbitration for such purpose; or in the alternative, the party may seek a *de novo* review by the regulatory authority, by requesting such binding arbitration or *de novo* review in writing and at its own expense, within thirty (30) days after the date of such decision.

For disputes relating to the servicing carrier selection process, refer to the Bid Protest Procedures contained in the applicable Servicing Carrier Request for Proposal (RFP).

(2) Reinsurance Agreement-Related Disputes

If the dispute arises under the Association Bylaws or Reinsurance Agreement(s), the Administrator designated under the Association Bylaws will after receipt of all necessary information regarding the dispute, review the matter and provide a detailed written decision within thirty (30) days. Any party affected by the decision may seek a review by the Board of Directors established under the Association Bylaws by requesting such review, in writing, within thirty (30) days of the date of the decision by the Administrator under the Association Bylaws. The Board of Directors may (a) consider the matter and render its written decision pursuant to the procedures set forth in the Association Bylaws, or (b) waive its decision and offer the aggrieved party the option of appealing directly to the regulatory authority or submitting the dispute to arbitration in accordance with the terms and conditions established by the Board of Directors. Any party affected by a decision of the Board of Directors may seek a *de novo* review by an impartial arbitrator selected by mutual consent of the parties by requesting such a review, in writing, within thirty (30) days of the date of the Board of Directors' decision.

Deposition of Allen Ard

1 THE WITNESS: The first page of the --

2 Q. And the first page is a cover letter from Michael (---
3 Hair and Associates, the producer, to NCCI. And that's
4 Defendant's Exhibit Number 1. The remainder of that
5 Defendant's Exhibit Number 1 is the assigned risk
6 application that you signed, that was submitted to NCCI?

7 A. Yes.

8 Q. When you signed that, did you read it?

9 A. No, sir, he just told me to sign it.

10 Q. Okay.

11 A. That's common.

12 Q. As far as this application, it notes that you had
13 about 70 drivers, and now we're talking about the time
14 period around 2003.

15 A. That's the list of them on the back.

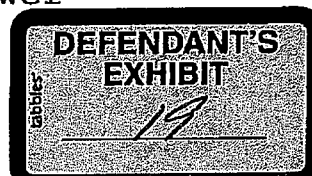
16 Q. Sure. And is that accurate that they were -- and
17 these are estimates at the time you were putting in the
18 applications that you had 70 drivers with an estimated
19 annual remuneration of \$2,100,000?

20 A. I can't answer that honestly.

21 Q. And then it says clerical 22 employees, estimated
22 410,000 remuneration and outside sales one, estimated
23 16,000 remuneration?

24 A. Numbers I will not be able to answer --

25 Q. Okay.



Deposition of Allen Ard

1 November the 11th, because it's like we know that that's
2 going to come right away, okay.

3 Q. Okay. So you believe that your producer, Hair,
4 sent you the initial policy?

5 A. I don't -- I can't answer that. I don't know where
6 it came from. I just know we have a policy in our file.

7 Q. Okay. So you don't know, sitting here today, if
8 you received and reviewed that policy in 2003, 2000 --
9 or 2004; is that correct?

10 A. That's correct.

11 Q. Do you know if anybody in your corporation, an
12 employee or Mr. Brown or anyone in the safety
13 department, received and reviewed that initial policy in
14 2003 or 2004?

15 A. If you made that two questions, I can answer it.

16 Q. Okay.

17 A. Somebody received it definitely, because we have
18 it. As far as reviewing it, I can't answer that.

19 Q. Okay. Do you know whether or not any of your
20 employees received a letter and a booklet explaining
21 what the LSRP is, along with a rewritten policy,
22 sometime in 2003 and 2004?

23 A. To the best of my knowledge --

24 MR. DRIGGERS: When you say -- Would
25 you mind, LSRP; what does that mean?

Deposition of Allen Ard

1 Exhibits 5 of Usher.

2 MR. FERDERIGOS: Yeah, I see, I see.

3 Q. Next is Plaintiff's Exhibit No. 5 of Usher. Do you
4 ever recall seeing that -- or do you know if you or
5 anybody (scratch that prior question). Do you know if
6 you or anybody from your staff received this letter?

7 A. No. I don't, but I assume we did because I
8 remember hearing about the name change.

9 Q. Okay.

10 A. When? I couldn't answer.

11 Q. Okay. The next one is Plaintiff's Exhibit 4.

12 A. It looks to me like that's what the safety
13 department would use if they needed to call for a claim.

14 Q. Sure, if you flipped to 1,2,3,4,5 and 6 that's the
15 copy of the -- would you agree that's a copy of the
16 original policy before it was rewritten in 3/1/04.

17 A. That's the copy of the only policy that I've ever
18 gotten, yes it is.

19 Q. The question is when did you receive a copy of this
20 policy? Do you know? You personally.

21 A. No. I don't.

22 Q. Do you know when somebody working for you received
23 a copy?

24 A. No, I do not.

25 Q. Okay. Did you review this policy at any time?

Deposition of Allen Ard

1 A. No. I didn't. Not study it.

2 Q. Do --

3 A. I just looked at it.

4 Q. Okay. When is the first time you looked at this
5 policy?

6 A. I have no clue.

7 Q. Okay.

8 A. I look at so many policies. I mean, we have what
9 liability insurance, physical damage insurance,
10 workmens' comp insurance, general liability insurance,
11 cargo insurance, contingencies insurance --

12 Q. Let me ask you --

13 A. -- we just have so many policies.

14 Q. Is it true that you do not know when you or someone
15 from your staff --

16 A. That is correct.

17 Q. -- received and reviewed this policy?

18 A. That is correct.

19 Q. Is that true? You have no idea when?

20 A. No. It's usually anywhere from 30 to 45 days after
21 the policy. See the problem we got. I've been with
22 Cherokee Insurance since 2006 and all I can tell you is
23 what their standards procedure is. I have every policy
24 from them within 45 days of the renewal date.

25 Q. Okay. But my question to you is very specific.

Deposition of Allen Ard

1 Defendant's Exhibit No. 11 (scratch that). Plaintiffs
2 Exhibit No. 4 in Gary Ushers' Deposition. Do you know
3 when you or someone from your staff received it and
4 reviewed it?

5 A. No. I don't.

6 Q. Okay. So you don't have no testimony that you or
7 someone from your staff actually reviewed the policy
8 that's attached to Plaintiff's Exhibit No. 4, Gary
9 Ushers' deposition?

10 A. I have no knowledge of anybody doing it, whether
11 they did it. I have no knowledge.

12 Q. Okay. The next one is Plaintiff's Ushers Exhibit
13 No. 3. And is this your producer asking you to sign
14 something for your assigned risk plan. That's actually
15 part of your assigned risk application.

16 A. That's my signature but, anything else is not my
17 handwriting on there. I can definitely tell you that
18 it's not because I make my checks to the left this a
19 right hand check.

20 Q. What are we talking about?

21 A. All this other hand writing in here, you know.

22 Q. Okay.

23 A. I have no clue.

24 Q. FEIN you mean?

25 A. Well, that, that, that all that stuff is from --

Deposition of Harry Brown

1 endorsement with Gary Usher back in 2003 or 2004?

2 A. Not that I can recall.

3 Q. Okay. Did you review the application in 2003 or
4 2004 to look at that, that endorsement provision that
5 you're referencing about the LSRP?

6 MR. DRIGGERS: I'm not Objecting. You
7 said, did you look at the application. I
8 think his answer was that he looked at the
9 policy. It was not an application he was
10 referring to, I don't think. I think he's
11 referring to a policy.

12 MR. FERDERIGOS: Yeah, did I use the word
13 application?

14 MR. DRIGGERS: You used the word
15 application.

16 MR. FERDERIGOS: Let me, sorry, let me
17 rephrase that.

18 Q. The initial policy of insurance that was issued
19 from Travelers, back in 2003, 2004 time period, did you
20 review the policy of insurance and, specifically, did
21 you review that endorsement provision that referenced
22 the LSRP in that initial policy?

23 A. I can't say for sure that I did because I don't
24 remember, but I don't understand why I would not saw
25 that.

1 A. -- which meant it didn't apply to me in any way,
2 shape, or form.

3 Q. Now, the first time that you read the endorsement
4 that we're talking about now, was when?

5 A. I'm sure I read it whenever I got the policy
6 because I normally read every policy, but, like I said,
7 it didn't apply to me so I didn't pay any attention to
8 it.

9 Q. So, do you have a recollection of getting the
10 initial policy, looking at that endorsement --

11 A. No, I don't have --

12 Q. -- provision and relying on that provision?

13 A. No, I don't have a recollection of, of, I mean, I'm
14 assuming that I read the policy because I always did. I
15 don't know why I wouldn't have read this one, you know.

16 Q. Okay. So, is it true that you have no testimony
17 that you, as a safety director for Ard Trucking Company,
18 read and relied upon that endorsement provision in
19 2003 and 2004?

20 MR. DRIGGERS: I object to the question.

21 The question was asked and answered.

22 MR. FERDERIGOS: You can respond. No
23 objections, speaking objections, Marty. I
24 thank you for your objections. Go ahead.
25 You can respond.

Deposition of Harry Brown

1 A. I don't recall, you know, I just don't.

2 Q. Okay. So, you have no testimony sitting here today
3 about that?

4 MR DRIGGERS: I just -- I'm going to object
5 to that. That is a total mis-
6 characterization of what this witnesses
7 testimony --

8 MR. FERDERIGOS: Go ahead. Thank you,
9 Marty.. Go ahead.

10 A. No.

11 Q. Okay, so you do not have testimony about that?

12 A. No, other than what I've already said, I don't know
13 of anything else I can say.

14 Q. All right. Is, is it your testimony -- well, let
15 me ask it like this, just to make sure that I've got it
16 right. Can you testify that you reviewed and
17 relied upon the endorsement provision referencing LSRP
18 in the initial policy that was issued in 2003, back in
19 2003 or 2004?

20 A. With 100 percent accuracy that I actually saw that
21 page and reviewed that page, I can't be sure I did.
22 That was ten years ago, you know.

23 Q. So you couldn't testify to that?

24 A. No.

25 Q. Is that correct?

Deposition of Harry Brown

1 A. Yes.

2 Q. Have you ever had a conversation about the LSRP
3 with Allen Ard?

4 A. Not until about two days ago.

5 Q. Do you have any evidence that Travelers breeched
6 any standard of care in complying with the WCIP?

7 A. I don't have any evidence of that, no.

8 Q. Did you have any evidence that -- well, (scratch
9 it), I won't ask that.. When was the last time you saw
10 Gary Usher?

11 A. I don't think I've seen Gary Usher since sometime
12 in 2003 and 2004.

13 MR. FERDERIGOS: Okay. Well, I have no
14 further questions. Please answer any
15 questions that your attorney may ask.

16 (OFF THE RECORD)

17

18 BY MR. DRIGGERS:

19 Q. I'm just going to take a couple of minutes. You
20 testified earlier, as I recall, that you were aware that
21 this was what has been described as assigned risk
22 workers' compensation policy issued by Travelers through
23 the Hair Agency, back in 2003, 2004; is that a fair
24 statement?

25 A. Yes.

STATE OF SOUTH CAROLINA)
COUNTY OF DARLINGTON)

IN THE COURT OF COMMON PLEAS
FOURTH JUDICIAL CIRCUIT
C/A NO: 2010-CP-16-435

Ard Trucking Company,)
Plaintiff,)

AFFIDAVIT OF ROSHANI B. GHAYAL

vs.)

Travelers Property Casualty Company)
Of America d/b/a The Travelers Indemnity)
Company of Illinois,)
Defendant.)

2014 DEC 17 PM 2:29
SCOTT B. SUGGS
CLERK OF COURT/R.O.D.
DARLINGTON COUNTY, S.C.

FILED

The undersigned, Roshani B. Ghayal, having been duly sworn, hereby deposes and says that:

1. I am the Travelers' underwriter representative who is an expert in the areas of South Carolina assigned risk policy underwriting, the WCIP, and the Loss Sensitive Rating Plan (LSRP) and all aspects related thereto.
2. Attached as Exhibit 1 is my résumé setting forth my training and qualifications.
3. I am over the age of eighteen, I am not a party in this action, and I am competent to testify concerning the matters contained in this Affidavit, and I submit this Affidavit with information based on my personal knowledge, and, if called as a witness, could or would testify to the truth of the facts stated here. Further, my expert opinions set forth herein are to a reasonable degree of certainty, more likely than not, within the field of my expertise set forth above.
4. I have reviewed Travelers' documentation kept in the ordinary course and scope of its business, as well as the South Carolina Department of Insurance documentation [SCDOI 0001-0040] attached as Exhibit 2, evidencing that South Carolina Workers' Compensation Insurance Plan (SCWCIP) mandates that the Loss Sensitive Rating Plan (LSRP) is applicable to South Carolina Assigned Risk policies on or after November 1, 2003.
5. On or about November 6, 2003, Ard Trucking Company, through its producer Michael P. Hair & Associates, Inc. submitted an Assigned Risk Application [BWPH Ard Trucking 4 - 7] attached as Exhibit 3.
6. Pursuant to the application, Ard Trucking Company, the Plaintiff, agreed to be bound by the terms of the WCIP as set forth in the applicant's statement.
7. Pursuant to the application, Travelers was assigned as the servicing carrier pursuant to the WCIP and issued a policy binder and assigned risk policy number 6JUB-0188B92-3-03, dated 12-01-03, policy period from 11-07-03 to 11-07-04, attached as Exhibit 4.



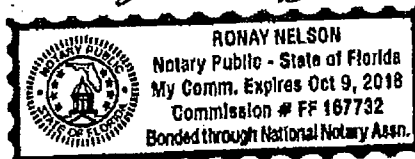
8. As required by the WCIP, the policy contained the LSRP Endorsement as mandated by the NCCI and the WCIP.
9. Pursuant to the WCIP, Travelers conducted a preliminary audit survey based on the payroll of the Plaintiff; given the Plaintiff's payroll at such time and pursuant to the WCIP, the assigned risk policy was re-written as an assigned risk LSRP policy on or about March 1, 2004.
10. Based upon a review of Travelers' records kept in the ordinary course of business, and in accordance with Travelers' regular practice and protocols, pursuant to the WCIP, Travelers sent the re-written policy, policy number R6EJUB-9560A28-5-030, dated 3-1-04 [BWPH Ard Trucking 00065-94] attached as Exhibit 5, as well as the pamphlet, "The Loss Sensitive Rating Plan (LSRP), An Employer's Guide to the Mandatory Assigned Risk Retrospective Rating Program" [BWPH 63, & 243-250] attached as Exhibit 6, to the Plaintiff and its producer on or about March 1, 2004.
11. On or about May 2004, in accordance with the LSRP requirements, Travelers requested that the Plaintiff pay the additional LSRP deposit or submit an irrevocable letter of credit in accordance with the WCIP.
12. In accordance with LSRP requirements, Plaintiff provided an irrevocable letter of credit for \$52,116 in favor of Travelers on or about June 2004.
13. Following the expiration of the term of the policy on or about December 24, 2004, Travelers conducted a physical audit in accordance with the WCIP and, based on the payroll of the Plaintiff, Travelers determined that additional premium was owed and, pursuant to the LSRP and the loss history of the Plaintiff during the policy term, Travelers determined that an additional \$175,064 was owed by the Plaintiff.
14. The Plaintiff refused to make the required LSRP premium payments and, pursuant to the WCIP and LSRP, Travelers properly drafted the irrevocable letter of credit that Plaintiff had issued previously in favor of Travelers.
15. Based on the WCIP, Travelers' charges for premium, including charges for LSRP premium, are proper and in accordance with the WCIP and LSRP and Travelers is entitled to an additional \$122,948.00 in premium that the Plaintiff still owes Travelers.
16. Finally, Plaintiff never filed an appeal of Travelers' LSRP determination to NCCI in accordance with the WCIP.

FURTHER AFFIANT SAYETH NOT.

[Signature]
Witness

[Signature]
Witness

[Signature]
Roshani B. Ghayal



Sworn to and Subscribed before me
this 16th day of December, 20 14.

[Signature] **Ronay Nelson**
Notary Public for the State of: Florida

Expires Oct 9, 2018

My Commission expires: Expires Oct 9, 2008

Roshani B Ghayal

14118 Baroness Court, Orlando, FL 32828.

Home: (407) 282-7277 Cell: (407) 592-0108 Work: (407) 388-3068 Email: ghayalrb@gmail.com

A Senior Underwriter with 20+ years of proven technical experience in workers compensation underwriting and state compliance procedures. Superior record of delivering simultaneous large-scale account management and alliance building. Excellent interpersonal, organizational and communication skills. Proficient in working with senior management and corporate leadership.

- Proven Leadership abilities include managing a team of 13 underwriters and 2 account assistants
- Consistently meet goals and increase premium by using critical thinking and logical analytics.
- Investigative experience gained from New Scotland Yard and Travelers Insurance from over 20 years.
- Excellent Customer Service record with internal and external business partners.
- Strong emphasis on alliance building and superior organizational skills.
- Special Assignment to collaborate with FBI and US States Attorney.
- Successfully represented Travelers on a multimillion premium dispute case.
- Trusted to handle complex projects with detail preparation, accuracy, and confidentiality.
- Extensive knowledge of multiple state insurance plans and applicable state regulations
- Member of Toastmasters International Club

Work Experience:

June 1990 – Present –Travelers Insurance Companies, Orlando, FL.

2002-present Senior Account Manager Underwriter, Orlando, FL.

Primary responsibility is to implement new guidelines and procedures for management and support teams. Lead teams and facilitate weekly meetings in absence of assistant operations manager for Massachusetts, Indiana, and Georgia and Michigan teams. As the senior member of the team I mentor underwriters individually and in group settings. Review performance and prepare development plans as necessary. Presented an overview of corporate in house computer systems to re-insurers.

Manage multi-million dollar policies and increase premium by \$10.5 million for 70 accounts. Consistently exceed all Premium Accuracy goals.

I represented Travelers on a large premium dispute matter with Indiana Bureau.

Selected to be part of a team assembled by FBI and United States Attorney to collate data and subsequently testified to the validity of company documents on a high profile Washington DC account.

Continue to represent Travelers by providing depositions and witness testimonies in numerous court cases involving premium and coverage issues.

Handle specific Temporary/Leasing and Multiple Coordinated accounts

Independently manage an assigned book of business including specialty coverage's.

Respond to consumer complaints in a timely fashion.

Assisted in the development of core underwriting strategies for Massachusetts and Georgia.

Prepared files for Market Conduct reviews for Direct Assignment clients.

Conducted department wide hands-on training for navigation and use of NCCI website

2000-2002- Team Coordinator, Travelers Insurance Companies, Orlando, FL.

Responsible for managing and providing leadership to a team of 13 underwriters and 2 account assistants. Administered all human resources related functions as they applied to team members i.e. individual performance assessments, goal setting, counsel/coach/motivate individuals/team to achieve appropriate results. Ensured state and regulatory compliance by conducting monthly file reviews for 8 states.

1996-2000 - Project Analyst II, Travelers Insurance Companies, Orlando, FL.

Duties included support of underwriting department through management practices to ensure compliance with state and regulatory standards. I developed and conducted training to upgrade skills of underwriters. I reviewed and analyzed state regulatory and bureau guidelines to determine overall impact on departmental workflow. I developed new operational procedures and practices.

1993-1996 - Account Specialist, Travelers Insurance Companies, Orlando, FL.

Responsibilities included startup of Policy Issuance Team. Created training program, targeting use of Travelers systems, rules and procedures. Monitored production and checked daily work. Provided on-going training of new team.

Attended local job fairs to attract new applicants. Interviewed and checked references for new hires. Participated as a group mentor for new underwriters.

1990-1993 - Customer Service, Travelers Insurance Companies, Naperville, Illinois

Answered 100+ calls per day. Personally handled any problems to ensure complete customer satisfaction.

**1985- 1989 – Investigations Officer, New Scotland Yard, London, England.
Kilburn Police Station, London**

Investigation of Traffic Accidents and Drink/Drive accidents. Researched accidents involving diplomats and police officers. Wrote court summons for offenses. Interpreter for police department as necessary. Handled/managed financial ledgers for overtime and expenses. Analyzed witness statements, photographs and all investigative reports. Made recommendations to the Chief Inspector, and Great Britain Foreign Office suggesting action to be taken against suspects and diplomats. Successfully deported diplomats that were repeat offenders. Prepared off-site location for arrival of special victims for medical sample collection and questioning by detectives. Trained and guided new employees to review and process cases.



**South Carolina
Department of Insurance**

Capitol Center
1201 Main Street, Suite 1000
Columbia, South Carolina 29201

NIKKI R. HALEY
Governor

RAYMOND G. FARMER
Director

Mailing Address:
P.O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803) 737-6160

June 24, 2014

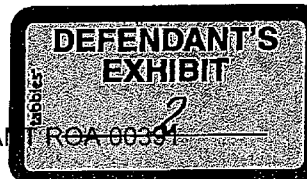
Phillip Ferderigos
Barnwell Whaley Patterson & Helms, LLC
288 Meeting Street, Suite 200
Charleston, SC 29401

To Whom It May Concern:

This letter is provided in response to your inquiry as to the history of the Loss Sensitive Rating Program (LSRP). Initially the LSRP was implemented as part of the WC Insurance Plan and was administered by the National Council on Compensation Insurance (NCCI) from March 1, 1994 until May 1, 2000 for policies effective September 1, 1994 and later. Between May 1, 2000 and May 1, 2003, NCCI did not administer the assigned risk mechanism and it is unclear if the LSRP was mandated during that period. The NCCI again administered the WC Insurance Plan and the LSRP in South Carolina as of May 1, 2003 for policies effective on November 1, 2003 and after. The Loss Sensitive Rating Program is set forth in the attached NCCI brochure and the attached approved item filing (including plan documents) provided by the NCCI.

Willie L. Davis, Jr., FCAS, MAAA

P&C Actuary



APPELLANT ROA-00391

SCDOI 0001



National
Council on
Compensation
Insurance, Inc.

The Loss Sensitive Rating Plan (LSRP)

An employer's guide to
the mandatory assigned risk
retrospective rating program

SCDOI 0002

APPELLANT ROA 00392

Retrospective rating is a method of pricing insurance which determines your final workers compensation premium after the policy period has ended, based on your actual losses during the policy period.

Pictorial, Inc.

This pamphlet has been created to help you understand the concept and details of the Loss Sensitive Rating Plan (LSRP). You are encouraged to read this material and discuss it with your producer, broker, assigned insurer or an NCCL, Inc. customer service representative. ■

Purpose

The purpose of the assigned risk mandatory Loss Sensitive Rating Plan (LSRP) is to provide a retrospective rating plan for those employers who have an assigned risk workers compensation insurance premium of \$200,000 or more. (Note: The premium threshold amount may vary by state.) The LSRP is designed to:

- **Promote Safety and Loss Control** by requiring you to accept greater financial responsibility for the losses that you incur.
- **Depopulate the Residual Market** by encouraging you to obtain coverage in the voluntary market.
- **Provide Fairness** by rewarding those of you with good loss experience with lower premiums while penalizing those employers with poor loss experience with higher premiums. ■

Background

The residual market is intended to serve as the market of last resort. This market ensures the availability of workers compensation and employers liability insurance to all eligible employers required by law to secure this coverage but who are unable to obtain it through other means. (Note: This would include such options as self-insurance.) The residual market is not intended to compete with the voluntary market by allowing employers to avoid various loss sensitive rating plan offers in exchange for guaranteed cost policies.

Among the rating alternatives for the large employer, loss-sensitive rating is the most equitable because it gives you the opportunity to have your insurance costs more directly related to your losses during the policy period. ■

Implementation

We have proposed that in your state, the LSRP be implemented six months from the effective date of regulatory approval. This six months' advance notice is intended to give you time to seek coverage in the voluntary market. (Note: The implementation date may vary by state.) Upon approval, all LSRP-eligible accounts currently in the residual market, their producers or brokers and current assigned carriers will be advised of the approval and implementation dates, as well as the LSRP parameters. ■

Definition of Terms Used in the LSRP Program

Note: Any of the following definitions may vary by state.

Allocated Loss Adjustment Expense

ALAE includes costs associated with specific claims such as defense costs.

Basic Premium

A percentage of the Standard Premium, determined by multiplying the Standard Premium by a Basic Premium Factor. The Basic Premium includes insurance carrier expenses such as acquisition, loss control services, premium audit, producer fees and other general administrative costs. The Basic Premium does not cover premium taxes or claim adjustment expenses. These costs are usually provided for in the Tax Multiplier and Loss Conversion Factor.

Converted Losses

The results of applying the Loss Conversion Factor (LCF) to your Incurred Losses.

Deposit Premium

The deposit you must pay at the time of application or policy renewal. It is comprised of the WCIP Deposit Premium and the LSRP Contingency Deposit Premium.

Incurred Losses

Your losses occurring during the policy period including:

- Losses which have been paid and reserves for losses which are outstanding. Reserves are established to anticipate the insurance company's obligation on claims that have been incurred but have not yet been settled. These reserves must be added to paid claims to establish total Incurred Losses.

Individual Loss Limitation (Loss Cap)

The maximum portion of any loss subject to retrospective rating. There are no Individual Loss Limitations available in the LSRP program.

Loss Conversion Factor (LCF)

A loading to incurred losses to cover Unallocated Loss Adjustment Expenses. In this plan, it is a fixed factor of 1.125.

LSRP Contingency Deposit Premium

It is calculated as 20 percent of your Standard Premium and collected *in addition to* the WCIP Deposit Premium. The LSRP Contingency Deposit Premium must be paid at time of application, or policy renewal, to collateralize any additional premium that may be due the assigned carrier as a result of LSRP valuation activities.

As an alternative to a cash contingency deposit, you may substitute an acceptable, clean, unconditional Irrevocable Letter of Credit (ILOC) containing an automatic renewal clause, drawn on a Federal Reserve bank. The ILOC must be for an amount at least equal to the LSRP 20 percent Contingency Deposit Premium. The cash deposit or ILOC shall be held as collateral until at least the first adjustment. (The retention period may vary by state.)

LSRP Development Premium Factors (RDFs)

This premium element is an additional loading that recognizes the probable increase in value over time of your losses and helps stabilize your premium adjustments. The LSRP Development Premium Factors anticipate a pattern of increasing valuation of your losses after the policy has expired. The factor is included only in the first three annual adjustments and is not included in the fourth and final calculation. The RDFs vary from state to state.

Maximum Premium (Max)

The most premium you will pay under the LSRP program, irrespective of your losses. The Maximum Premium has the effect of placing a limit on the impact of incurred losses on the LSRP premium.

- *Maximum Premium Factor.* A factor that is multiplied by your Standard Premium to determine your Maximum Premium. The Maximum Premium Factor is a fixed factor of 1.75 of Standard Premium.

Minimum Premium (Min)

The least amount of premium you will pay even if you have no losses.

- **Minimum Premium Factor.** A factor that is multiplied by your Standard Premium to determine your Minimum Premium. The Minimum Premium Factor is a fixed factor of 0.75 of Standard Premium.

Standard Premium (SP)

For the purposes of this Plan, Standard Premium means your premium determined on the basis of authorized rates, any experience rating modification, ARAE, assigned risk surcharge programs where appropriate, loss constants where applicable, and Minimum Premiums. Determination of Standard Premium shall exclude:

Premium discount, expense constant (unless it is part of Minimum Premium), premium resulting from the non-ratable element codes in the *Experience Rating Plan Manual*, premium developed under Class Code 7421 (aircraft-related operations), and premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Health and Safety Act.

Tax Multiplier (TM)

This covers licenses, fees, assessments, and taxes that the insurance carrier must pay on the premium they collect. The TM varies from state to state.

Unallocated Loss Adjustment Expenses (ULAE)

General claim adjustment expenses which include the cost of the insurance carrier claim services such as investigation of claims and filing claim reports.

WCIP Deposit (or Initial) Premium

WCIP Deposit Premium is calculated by multiplying your Estimated Annual Premium by the required Deposit Premium percentage. The ILOC option is not available for the WCIP Deposit Premium. ■

Summary of LSRP

> Objective

The principal objective is to create a plan that is appropriate for an employer of your size and will encourage you to seek coverage outside of the residual market and to control your losses.

> Parameters (Factors)

The LSRP is a simple loss sensitive rating plan constructed to be uniformly applied to all eligible employers. The plan parameters which form the basis of the LSRP are not negotiable for two reasons: individually "tailored" plans are available in the voluntary market; and, as the residual market assignment mechanism is random, the "luck of the draw" could determine the type of plan provided by the carrier, thus reducing the chance of fairness.

> Factors

The LSRP factors are:

• Basic Premium Factor (Basic)	0.30
• Loss Conversion Factor (LCF)	1.125
• Tax Multiplier (TM)	Varies by state*
• Retro Development Factors (RDFs)	Varies by state*
• Minimum Factor (Min)	0.75
• Maximum Factor (Max)	1.75

* The tax multiplier (TM) represents the currently approved tax multiplier in your state exclusive of any assigned risk subsidy. Current retrospective development factors (RDFs) are also used. These factors will change with subsequent changes in state rates and rating values. Your insurance advisor, producer, or insurance carrier can provide you with the current information for your state.

Some additional comments on the factors:

- Your policy premium will be adjusted, based on your losses, at intervals beginning six (6) months after the policy expires and at twelve (12) month intervals thereafter to a total of four (4) adjustments.

- The LSRP Development Factors (RDFs) will be used with the first three (3) valuations to reflect the actuarial probability that losses will develop (increase in value) over time. These factors have a proven track record for accuracy and should reduce the likelihood of first valuation return premiums followed by subsequent valuations calling for additional premiums as the losses mature. As is customary in retrospective rating, the RDFs will be applied to premium, thus relieving any additional pressure on loss reserving. The RDFs will not be applied to the fourth and last adjustment.
- Four (4) valuations were selected to allow losses to mature. Removing the RDFs at the fourth adjustment provides a fair and reasonable means of closing out the LSRP for a given policy year.
- The decision not to offer loss caps was based on the desire to avoid any plan negotiations that will, by nature, differ from carrier to carrier. In addition, the 1.75 maximum is relatively low and tends to serve as a loss cap.

> Premium Payments

The following unique payment provisions apply:

LSRP Contingency Deposit Premium (Additional 20 percent)

- The carrier will be required to retain the 20 percent Contingency Deposit Premium and any final audit return premium without interest until the first valuation has been completed and billed. (The time held may vary by state.)

Irrevocable Letter of Credit

- In lieu of the additional 20 percent Contingency Deposit Premium in cash, an acceptable, clean, unconditional Irrevocable Letter of Credit containing an automatic renewal clause, drawn on a Federal Reserve bank can be provided at time of application or policy renewal.

Rating Plan Premium

- Your rating plan premium will be determined after the rating plan period ends (six months after policy expiration). Three additional annual premium adjustment calculations will be made.

Cancellation Provision

- The carrier will have the right to cancel the current assigned risk policy if any additional premiums on either current or prior assigned risk policies are not paid as required. The dispute resolution procedure in your state's Workers Compensation Insurance Plan (WCIP) applies to legitimate premium disputes. *Your insurance advisor, producer, or insurance carrier can provide you with the current information for your state.*

> Premium Variation

To accommodate premium increases while avoiding costly cancellations and rewrites within the policy period, a time frame of 120 days was established to retroactively convert a guaranteed cost policy to the LSRP and visa versa.

If after the first 120 days of the coverage term it is determined that you qualify for the LSRP, the current policy shall not be affected, but the LSRP will apply at renewal.

If your premium falls below the premium threshold during the policy period, the same 120-day determination period applies. In this instance, when the premium falls below the threshold, a retroactive conversion to guaranteed cost would result.

Since depopulation is a major goal of the LSRP, a release clause also applies. If you obtain coverage in the voluntary market within 120 days of policy inception, your premium would be calculated based on guaranteed cost.

120 DAYS FROM EFF DATE

>Multistate

The LSRP will apply to an employer with multistate operations when the total premium of all requested states that have approved LSRP meets the eligibility requirement for the LSRP state generating the largest premium. (This provision may vary by state.) ■

Impact on Your Workers Compensation Costs

The ultimate impact of the LSRP will depend on your losses over time. However, with good loss experience an individual employer's final premium is typically less than standard; it is more than standard with poor loss experience. ■

LSRP Calculation: Example

Illustrative Values

Standard Premium (SP)	=	\$339,000
Incurred Loss 1st Valuation	=	254,250
Incurred Loss 2nd Valuation	=	271,200
Incurred Loss 3rd Valuation	=	305,100
Incurred Loss 4th Valuation	=	339,000

LSRP Factors

Basic	=	0.30
Minimum	=	0.75 or \$254,250 (\$339,000 × 0.75 = \$254,250 minimum premium)
Maximum	=	1.75 or \$593,250 (\$339,000 × 1.75 = \$593,250 maximum premium)

Loss Conversion

Factor (LCF)	=	1.125
Tax (Tax Multiplier)	=	1.126*

Retrospective

Development		
Factors (RDFs)	=	1st Adjustment 0.31*
	=	2nd Adjustment 0.21*
	=	3rd Adjustment 0.15*
	=	4th Adjustment 0.00

* Values shown here are for illustration only and are not necessarily the values in your state.

Formula

LSRP Premium (LSRP) =

$$\text{Tax} [(Basic \times SP) + (RDF \times LCF \times SP) + (LCF \times \text{Incurred Losses})]$$

LSRP PREMIUM CALCULATIONS:

1st Adjustment

$$LSRP = 1.126 [(30 \times 339,000) + (31 \times 1.125 \times 339,000) + (1.125 \times 254,250)]$$

$$LSRP = 1.126 [101,700 + 118,226 + 286,031]$$

$$LSRP = 1.126 [505,957]$$

$$LSRP = 569,708$$

$$\text{Additional Premium (AP)} = \$162,908 [569,708 - 339,000 - 20\% \text{ LSRP Contingency Deposit Premium}]$$

2nd Adjustment

$$LSRP = 1.126 [(30 \times 339,000) + (21 \times 1.125 \times 339,000) + (1.125 \times 271,200)]$$

$$LSRP = 1.126 [101,700 + 80,089 + 305,100]$$

$$LSRP = 1.126 [486,889]$$

$$LSRP = 548,237$$

$$\text{Return Premium (RP)} = \$21,471 [569,708 - 548,237]$$

3rd Adjustment

$$LSRP = 1.126 [(30 \times 339,000) + (21 \times 1.125 \times 339,000) + (1.125 \times 305,100)]$$

$$LSRP = 1.126 [101,700 + 57,206 + 343,238]$$

$$LSRP = 1.126 [502,144]$$

$$LSRP = 565,414$$

$$\text{Additional Premium (AP)} = \$17,177 [565,414 - 548,237]$$

4th Adjustment

$$LSRP = 1.126 [(30 \times 339,000) + (0 \times 1.125 \times 339,000) + (1.125 \times 339,000)]$$

$$LSRP = 1.126 [101,700 + 0 + 381,375]$$

$$LSRP = 1.126 [483,075]$$

$$LSRP = 534,942$$

$$\text{Return Premium (RP)} = \$30,472 [565,414 - 534,942]$$

Questions & Answers

Q How will I know that I am eligible for the LSRP?

A If you are a new applicant to the assigned risk plan, the application will have the following language in the "Employer Signature Section":

By signing below I acknowledge that the Loss Sensitive Rating Plan has been explained to me or that an explanatory notice or brochure has been provided to me and I agree that I shall be bound by the terms of such plan if my estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

When the binder is issued, the following language will be noted advising you that this is a mandatory program and it will be applicable to your policy:

Coverage is being bound subject to your signed statement acknowledging and agreeing to the terms of the Loss Sensitive Rating Plan in the event that your estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

If you are already insured in an assigned risk plan, similar language will be on renewal quotes with estimated annual premium of \$150,000 or greater, advising you that the program may be applicable.

In addition, the assigned carrier will perform a preliminary audit within 120 days of inception for all renewal policies and new applications whose estimated annual premium exceeds \$150,000.

Q If I have operations in more than one state, will LSRP apply?

A The LSRP has been designed to accommodate the large assigned risk employer who has operations in several states. The plan provides for a multistate policy when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

Q What loss control services will carriers be required to offer under the LSRP?

A Although it may vary by state, under the current performance standards, servicing carriers are required to notify the policyholder and producer, in writing, within 90 calendar days of receipt of assignment, of available loss control services and safety information, including instructions on how to obtain these services and information.

Servicing carriers are required to provide a minimum of one consulting survey annually for each single location to any policyholder with an estimated annual premium greater than \$25,000.

Direct assignment carriers must adhere to any and all requirements as set forth by the state in which they are writing assigned risk business.

Contact your carrier or insurance advisor for more information or to arrange for loss control services.

Q If I am determined to be eligible for the LSRP during the first 120 days of the policy term, how much time am I given to provide the additional deposit/LOC?

A The carrier will usually give an insured 30 days to obtain any additional premium or appropriate LOC needed to continue the policy in force. This will also be true for any additional premium resulting from any of the four annual adjustments.

Q Do premium discounts apply when determining eligibility?

A By definition, Standard Premium does not include the premium discount; therefore, no discounts would be used in determining LSRP eligibility.

Q Is the 20 percent Contingency Deposit Premium for LSRP calculated from the total Standard Premium only in those states that approved the LSRP, or from the entire policy premium, regardless of the LSRP approvals? Will this require more than one policy?

A The 20 percent LSRP Contingency Deposit premium is calculated from the Standard Premium from those states that have approved LSRP. If the assigned risk employer requests coverage in a state where the LSRP has been approved and requires coverage in one or more states where LSRP has not been approved, the assigned carrier shall combine the LSRP states on one policy and then issue a guaranteed cost policy for those states where LSRP has not been approved, in accordance with all WCIP rules and regulations. It may not always be possible for a single carrier to provide coverages for all requested states; additional applications will then be necessary. ■



National
Council on
Compensation
Insurance, Inc.

Residual Markets

Industry Relations and Services

May 6, 1994

SC-94-01

PLAN-SC-94-1

Page 1 of 1

Contact: James P. Nau, Director 407-997-4563

Technical Contact: Paula Snieksa, Residual Market Underwriting 407-997-4331

SOUTH CAROLINA ITEM FILING

~~SC-94-01~~ ASSIGNED RISK MANDATORY LOSS SENSITIVE RATING PLAN (LSRP)

The South Carolina Department of Insurance has approved the above-captioned item filing which became effective March 1, 1994, with implementation September 1, 1994, applicable to new and renewal assigned risk business. The assigned risk Loss Sensitive Rating Plan (LSRP) will be mandatory for all assigned risk insureds with standard premium equal to or exceeding \$200,000. The purpose of this plan is to depopulate the residual market, to promote safety and loss control and to provide fairness.

A copy of the filing memorandum and exhibits are attached for your reference.

The following are the factors to be used in the calculation of the LSRP:

Minimum Premium Factor	0.75
Maximum Premium Factor	1.75
Loss Conversion Factor	1.125
Tax Multiplier	1.123
LSRP Development Factors*	
1st Adjustment	.00
2nd Adjustment	.00
3rd Adjustment	.00
4th Adjustment	.00

* Retrospective Development Factors are not applicable in South Carolina.

The assigned carrier will be required to enclose a pamphlet with the new and renewal assigned risk policies of the employers whose premium exceeds \$150,000. The pamphlet provides a technical overview of the program, how it is applicable to the policy and how it affects premium.

The pamphlet, *The Loss Sensitive Rating Plan (LSRP), An Employer's Guide to the Mandatory Assigned Risk Retrospective Rating Program*, can be purchased by contacting NCCI's Order Processing Department at 800-NCCI 1-2-3. Please mention Product Code 2818.



National
Council on
Compensation
Insurance

P.S.#33 South Carolina
Item Filing

Government, Consumer and
Industry Affairs

W. H. H. H. H.
R
Roy D. Wood
Director

February 25, 1994

Honorable John G. Richards V
Chief Insurance Commissioner
State of South Carolina
Department of Insurance
1512 Marion Street
Columbia, South Carolina 29201

RECEIVED
P & C

MAR 7 1994

STATE OF SOUTH CAROLINA
DEPARTMENT OF INSURANCE

98471003
APPEAL

Re. Item 01-SC-94 - Assigned Risk Mandatory Loss Sensitive Rating Plan (LSRP)

Dear Commissioner Richards:

STATE OF SOUTH CAROLINA
DEPARTMENT OF INSURANCE

In accordance with the applicable statutes and regulations of South Carolina, I am filing for your consideration and approval the above-captioned item filing. This item filing is proposed to become effective on March 1, 1994, applicable to new and renewal business in the Workers Compensation Insurance Plan. Once the filing is approved the program will apply, to eligible accounts, with effective dates on or after September 1, 1994.

The purpose of this filing is to create a mandatory assigned risk retrospective rating program for employers having residual market premium equal to or exceeding \$200,000. This rating program, the Loss Sensitive Rating Plan (LSRP), is designed to provide large employers with added financial incentive to promote safety and reduce losses by requiring them to accept greater financial responsibility for the losses they incur. To the extent an assigned risk employer controls losses, there will be a reward through lower premiums.

The LSRP has the added advantage of encouraging the large employer to obtain coverage in the voluntary market by removing the potential financial advantage that guaranteed cost residual market coverage may currently provide.

Included as part of the filing package is a listing of employers from current records identified as potentially being eligible for the LSRP. Any existing WCIP employers identified as being eligible will receive a six month notice of the implementation of LSRP in order to be provided the opportunity to place coverage in the voluntary market. New eligible risks coming into the WCIP on or after the implementation date will be provided a 120 day window of opportunity, after effective date of coverage, to place coverage voluntarily thereby avoiding application of LSRP to the period for which coverage was in effect.

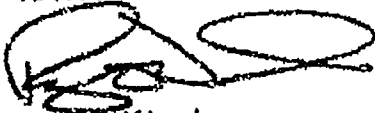
Page 2

Pursuant to the authority of the Plan, NCCI in its capacity as Plan Administrator, is making this filing on behalf of the participating insurers in the Workers' Compensation Insurance Plan in your jurisdiction.

Please contact me if you need additional information.

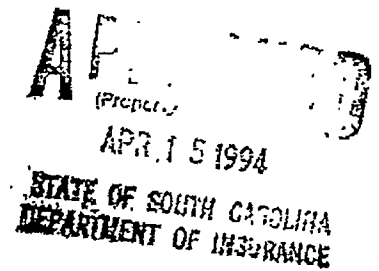
Respectfully submitted,

NATIONAL COUNCIL ON COMPENSATION INSURANCE



Roy O. Wood
Director
Government, Consumer and Industry Affairs

cc: Executive Director, Workers' Compensation Commission





National
Council on
Compensation
Insurance, Inc.

Residual Markets

Industry Relations and Services

May 6, 1994

SC-94-01

PLAN-SC-94-1

Page 1 of 1

Contact: James R. Nau, Director 407-997-4563

Technical Contact: Paula Shields, Residual Market Underwriting 407-997-4331

SOUTH CAROLINA ITEM FILING

ITEM 01-SC-94--ASSIGNED RISK MANDATORY LOSS SENSITIVE RATING PLAN (LSRP)

The South Carolina Department of Insurance has approved the above-captioned item filing which became effective March 1, 1994, with implementation September 1, 1994, applicable to new and renewal assigned risk business. The assigned risk Loss Sensitive Rating Plan (LSRP) will be mandatory for all assigned risk insureds with standard premium equal to or exceeding \$200,000. The purpose of this plan is to depopulate the residual market, to promote safety and loss control and to provide fairness.

A copy of the filing memorandum and exhibits are attached for your reference.

The following are the factors to be used in the calculation of the LSRP:

Minimum Premium Factor	0.75
Maximum Premium Factor	1.75
Loss Conversion Factor	1.125
Tax Multiplier	1.123
LSRP Development Factors*	
1st Adjustment	.00
2nd Adjustment	.00
3rd Adjustment	.00
4th Adjustment	.00

* Retrospective Development Factors are not applicable in South Carolina.

The assigned carrier will be required to enclose a pamphlet with the new and renewal assigned risk policies of the employers whose premium exceeds \$150,000. The pamphlet provides a technical overview of the program, how it is applicable to the policy and how it affects premium.

The pamphlet, *The Loss Sensitive Rating Plan (LSRP), An Employer's Guide to the Mandatory Assigned Risk Retrospective Rating Program*, can be purchased by contacting NCCI's Order Processing Department at 800-NCCI 1-2-3. Please mention Product Code 2818.

*Charlotte
should advise*

Letter plan C \$200,000

NATIONAL COUNCIL ON COMPENSATION INSURANCE

ITEM 01-SC-94

FILING MEMORANDUM

Item 01-SC-94 Assigned Risk Mandatory Loss Sensitive Rating Plan (LSRP)
To be effective 12:01 A.M., March 1, 1994, applicable to New and Renewal Business

Purpose:

The purpose of this filing is to create a mandatory assigned risk retrospective rating program for employers having residual market premium equal to or exceeding \$200,000. This rating program, the Loss Sensitive Rating Plan (LSRP), is designed to depopulate the residual market, to promote safety and loss-control, and to provide fairness.

Large employers would be encouraged to obtain coverage in the voluntary market since the potential financial advantage that guaranteed cost residual market coverage may currently provide for these employers would be removed. Therefore, the LSRP has the potential for depopulating the residual market and thus reducing the assigned risk burden.

The LSRP would also provide large employers with an added financial incentive to promote safety and reduce losses by requiring them to accept greater financial responsibility for the losses they incur. To the extent an assigned risk employer controls losses, there will be a reward through lower premiums.

The LSRP promotes fairness by rewarding those risks with good loss experience with lower premiums and penalizing those risks with poor loss experience with higher premiums.

Background:

The residual market is intended to serve as the market of last resort. This market ensures the availability of workers compensation and employers liability insurance to all eligible employers required by law to secure this coverage but who are unable to obtain it through the voluntary market. The residual market was not intended to compete with the voluntary market by allowing risks to avoid various loss sensitive rating offers for guaranteed cost policies.

In considering alternatives for the large employer, a loss-sensitive plan is the preferred rating method. Loss-sensitive rating is more equitable because those employers incurring the losses help pay them, and employers affected by the LSRP are large enough that they should have the means to effectively reduce losses.

Proposal:

It is proposed that the attached LSRP be implemented six months from the date of regulatory approval of this program. Upon approval, all LSRP-eligible accounts, the producers and current servicing carriers will be advised of the approval and implementation dates, as well as the LSRP parameters. These large employers will be encouraged to obtain coverage in the voluntary market and the six month advance notice gives them sufficient time to do so.

Summary of the Plan:

To reduce losses, a plan should provide a positive, long-term financial incentive by rewarding excellent performance with reduced cost. However, as this is the residual market, such a plan had to provide this incentive without being competitive with voluntary market loss-sensitive pricing programs. Therefore, the LSRP must be mandatory and contain parameters that are less favorable than typical plans available in the voluntary market.

The following is a summary of LSRP which demonstrates that a mandatory loss sensitive rating plan is appropriate for this size risk and will be effective in reducing employer losses and depopulating the residual market.

Eligibility is established at \$200,000 in standard premium primarily because risks of this size are expected to have a sufficient number of claims to allow loss control programs to be effective. Loss-sensitive plans are also customarily available in the voluntary market for risks of this size.

The LSRP is a simple loss sensitive plan constructed to be uniformly applied to all eligible risks. The "one-set-of parameters-fits-all" approach was designed to engender a basic premium factor whose impact increases with size of risk. This is appropriate since the larger the risk, the greater the opportunity for finding coverage in the voluntary market. These plan parameters are not negotiable for two reasons: "tailored" or designed plans are available in the voluntary market; and as the residual market assignment mechanism is random, the "luck of the draw" would determine the type of plan provided, thus reducing the chance of fairness.

A principal objective is to create a plan which is not competitive with balanced, voluntary market plans. With the selected 0.75 minimum (low enough to produce a reasonable return), the 1.75 maximum (appropriate for this size risk), and the 1.125 loss conversion factor (LCF), a basic factor for a balanced plan can be calculated. However, unlike traditional retrospective rating plans, LSRP is not intended to be balanced. Therefore, the basic factor was selected to be a fixed 0.30. This is consistent with the goal of the plan to encourage such insureds to find voluntary coverage.

The fixed 0.30 basic factor means the LSRP basic premium factor is higher than it would have been under a balanced plan, with the impact increasing with the size of risk. This occurs for two reasons. First, the expense portion of the basic doesn't take into account the effect of the premium discounts, and second, the fixed basic is in contrast to the fact that the insurance charge should decrease as the risk size increases.

The proposed state tax multiplier for South Carolina will be 1.123. It represents the currently approved tax multiplier exclusive of any assigned risk subsidy. Currently approved retrospective development factors (RDFs) will be used. These factors will change with subsequent changes in rates and rating values. These factors will be published in the state exception pages of the basic manual.

As mentioned above, the factors were selected because they "work" in combination. Some additional comments on the factors however, are appropriate:

- * The RDFs will be used with the first three (3) valuations to reflect loss development. These factors have a proven track record for accuracy and should reduce the likelihood of first valuation return premiums followed by subsequent valuations calling for additional premiums as the losses mature. As is customary in retrospective rating, the RDFs will be applied to premium, thus relieving any additional pressure on loss reserving. The RDFs will not be applied to the fourth and final adjustment.
- * The decision not to offer loss caps was based on the desire to avoid any carrier/insured plan negotiations that will, by nature, differ from carrier to carrier. In addition, the 1.76 maximum is relatively low for this book of business and it tends to serve as a loss cap.
- * Four (4) valuations were selected to allow losses to mature. Removing the RDFs at the fourth adjustment provides a fair and reasonable means of closing out the LSRP for a given policy year.

The LSRP's success will ultimately be determined by the extent to which insureds obtain coverage in the voluntary market and the impact on the employer's losses. The essential elements are present for significant safety improvements and loss reduction to occur-employer motivation to lessen the bottom-line insurance costs and the availability of loss control programs.

Collection problems are to be anticipated, however, several steps have been taken to minimize uncollectibles:

- * An additional 20% LSRP deposit premium is required which will be held without interest until the first adjustment. This is a deviation from the traditional voluntary retro plan, which normally requires collateral to be based upon the difference between incurred losses and ultimate projection of those losses and for the collateral to be held until the retro plan is closed. This is generally a larger amount and held for an indefinite period.
- * The carrier will be required to retain the 20% additional LSRP deposit and any final audit return premium until the first valuation has been completed and billed.
- * Even though the LSRP deposit is preferred, to provide options to an employer, an acceptable, clean, unconditional, irrevocable Letter of Credit (LOC) containing an automatic renewal clause, drawn on a bank that is a member of the Federal Reserve and obtained at binding, is satisfactory.
- * The carrier will have the right to cancel the current assigned risk policy if the adjustments are not paid as required. It should be noted that the dispute resolution procedure in the WCIP applies to legitimate premium disputes.

Carriers must be consistent with both the voluntary customers and the LSRP customers in handling claims and collections as applied to cancellations and bankruptcies. In the event of cancellation or bankruptcy, the maximum premium generated under the original LSRP calculation will remain in effect. This will ensure that the reinsurance mechanism is protected for the maximum exposure should subsequent adjustments generate additional premiums.

It is recognized that many factors contribute to premium changes after policy inception, especially audit. To accommodate premium increase, while avoiding costly cancellations and rewrites within the policy period, a time frame of 120 days is considered reasonable to retroactively convert a guaranteed cost policy to the LSRP. If after the 120 days of the coverage term, it is determined that the employer qualifies for the LSRP, the current policy shall not be affected, but LSRP will apply at renewal. A provision has been included to convert the policy pro rata from inception to the LSRP, if at any time it is determined that misrepresentation or omission of pertinent information occurred by the insured, its agent, employees, officers or directors that caused the policy to be improperly written as guaranteed cost.

If the employer's premium falls below the \$200,000 threshold during the policy period, the same 120-day determination period applies. In this instance, when the premium falls below \$200,000, a retroactive conversion to guaranteed cost would result. Since depopulation is a major goal of LSRP, a "release" clause will be available. If voluntary coverage is obtained within 120 days of policy inception, premium would be calculated based on guaranteed cost.

The LSRP has been designed to accommodate the large assigned risk employer when that employer has operations in several states. The plan provides for a multi-state policy when the following conditions exist: 1) when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium; and 2) the assigned carrier is capable of providing service in all requested states. If multi-state coverage is applicable and includes states that have not approved the LSRP, then separate policies will be issued.

Example I:

State A has a premium eligibility threshold of \$250,000.
State B has a premium eligibility threshold of \$200,000.

The application requests coverage in State A and State B. The premium for State A is \$40,000 and the premium for State B is \$160,000. LSRP will apply to this account since the total policy premium meets the eligibility threshold for State B and State B has the largest premium.

Example II:

State A has a premium eligibility threshold of \$250,000.
State B has a premium eligibility threshold of \$200,000.

The application requests coverage in State A and State B. The premium for State A is \$160,000 and the premium for State B is \$40,000. LSRP will not apply to this account since the eligibility threshold for State A is \$250,000 and State A has the largest premium, which does not meet the eligibility requirements.

In order for LSRP to be successful, every employer in the residual market must understand the potential impact of the LSRP on its premium. The following notification methods were selected:

- * Every policy issued in the residual market will carry an endorsement advising that any policy exceeding the eligibility threshold will be eligible for the LSRP.
- * Assigned risk application instructions will be modified to include a statement containing potential applicability of the LSRP and details of the Plan.
- * The WCIP binder additional notice will include a statement regarding the applicability of the LSRP for employers meeting the premium eligibility requirement. Also, assigned carriers' renewal quotes will carry a similar statement.

NATIONAL COUNCIL ON COMPENSATION INSURANCE

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- * In addition, a brochure explaining the LSRP will be provided to carriers and producers, and will be made available to employers.

Producer fees are payable in accordance with the South Carolina Producer Fee Schedule subject to the following exceptions:

- * No additional producer fee is payable or return commission chargeable as a result of LSRP valuation activity.
- * Producer fees will not be paid on the LSRP Contingency Deposit Premium.

Impact:

Currently in South Carolina, there are approximately 36 risks with premium of \$200,000 or more. These risks comprise about 0.02% of the policies in the residual market, but make up about 8% of the total premium written.

In South Carolina, the total impact of LSRP on residual market premium is expected to be negligible. The ultimate impact of LSRP, however, will depend on the individual employer's losses over time, the extent to which employers obtain coverage in the voluntary market, and the adequacy of rates at the time LSRP goes into effect. With good loss experience, the employer's final premium is typically less than standard; it is more than standard with poor loss experience.

Implementation:

The attached exhibits illustrate the Basic Manual changes which will be required in order to implement LSRP, the endorsements which will be utilized and the financial reporting procedures required to track the program. Additionally, either the NCCI application or ACORD 133 application, whichever is appropriate, shall be modified to contain a statement of applicant acknowledgement of the LSRP. Approval of this program constitutes approval of any necessary application or instruction changes.

Conclusion:

The LSRP is expected to provide large employers with the incentive to seek coverage in the voluntary market, to improve safety, and reduce losses.

The attached example illustrates the method of determining the retrospective premium for each of four adjustments for an average-size risk with losses determined by an average expected loss ratio.

LSRP CALCULATION EXAMPLE

$$\text{Retro Premium (RP)} = \text{Tax}[(\text{Basic} \times \text{SP}) + (\text{RDF} \times \text{LCF} \times \text{SP}) + \text{LCF} \times \text{Insured Loss}]$$

Standard Premium (SP)	=	339,000
Expected Losses (SP x LR)	=	339,000
Incurred Loss 1st Valuation	=	254,250
Incurred Loss 2nd Valuation	=	271,200
Incurred Loss 3rd Valuation	=	305,100
Incurred Loss 4th Valuation	=	339,000

Retrospective Development Factors (RDF)	1st Adjustment	0.31
	2nd Adjustment	0.21
	3rd Adjustment	0.15
	4th Adjustment	0.00

Basic	=	0.30	
Minimum	=	0.75	or \$254,250 (minimum premium)
Maximum	=	1.75	or \$593,250 (maximum premium)
Loss Conversion Factor (LCF)	=	1.125	
Tax (Tax Multiplier)	=	1.126	

1st Adjustment

$$\begin{aligned} \text{RP} &= 1.126[(.30 \times 339,000) + (.31 \times 1.125 \times 339,000) + (1.125 \times 254,250)] \\ \text{RP} &= 1.126[101,700 + 118,226 + 286,031] \\ \text{RP} &= 1.126[505,957] \\ \text{RP} &= 567,708 \end{aligned}$$

2nd Adjustment

$$\begin{aligned} \text{RP} &= 1.126[(.30 \times 339,000) + (.21 \times 1.125 \times 339,000) + (1.125 \times 271,200)] \\ \text{RP} &= 1.126[101,700 + 80,089 + 305,100] \\ \text{RP} &= 1.126[486,889] \\ \text{RP} &= 548,237 \end{aligned}$$

3rd Adjustment

$$\begin{aligned} \text{RP} &= 1.126[(.30 \times 339,000) + (.15 \times 1.125 \times 339,000) + (1.125 \times 305,100)] \\ \text{RP} &= 1.126[101,700 + 57,206 + 343,238] \\ \text{RP} &= 1.126[502,144] \\ \text{RP} &= 565,414 \end{aligned}$$

4th Adjustment

$$\begin{aligned} \text{RP} &= 1.126[(.30 \times 339,000) + (.0 \times 1.125 \times 339,000) + (1.125 \times 339,000)] \\ \text{RP} &= 1.126[101,700 + 0 + 381,375] \\ \text{RP} &= 1.126[483,075] \\ \text{RP} &= 534,942 \end{aligned}$$

STATE SPECIAL RATING PLANS AND PROGRAMS
ASSIGNED RISK MANDATORY LOSS SENSITIVE RATING PLAN (LSRP)

SOUTH CAROLINA

BASIC MANUAL INSERT

PART ONE

DESCRIPTION OF THE PLAN

I. INTRODUCTION

The rules under this Plan are mandatory and apply only to Workers Compensation & Employers Liability Insurance that is written under a Workers Compensation Insurance Plan (WCIP) in those states that have adopted the Loss Sensitive Rating Plan (LSRP). The LSRP shall apply to all assigned risk employers qualifying for the Plan. The elements in the LSRP are fixed and premium is determined and defined below.

A. GENERAL EXPLANATIONS

1. Plan is Mandatory

The Assigned Risk LSRP is a mandatory Plan and shall apply to all assigned risk policies with total estimated annual Standard Premium or total audited Standard Premium which equals or exceeds \$200,000.

2. Object of the Plan

This Plan adjusts the premium for the insurance to which it applies on the basis of losses incurred during the period covered by that insurance. The intent is to charge a premium which reflects those losses. This Plan uses the losses incurred during the term of the policy to establish the cost of insurance and includes provisions for all expenses and taxes on premium.

3. Loss Control Incentive in Use of the Plan

The LSRP provides an incentive to the employer to control and reduce losses because the LSRP premium will be the result of losses during the policy period. To the extent the employer controls losses, there is a reward through lower premiums. To the extent the insured does not control losses, there is a penalty through higher premiums.

4. Experience Rating Plan Manual

Separate policies in the WCIP under common majority ownership as provided by the rules of the Experience Rating Plan which are assigned to the same assigned risk carrier shall be combined for computation of the LSRP premium.

5. Risks Operating in More Than One State

LSRP may be applied on an intrastate or interstate basis. Refer to Part Three for Multi-state procedures.

6. Premium Discount

In states where premium discount is allowed under a WCIP, the standard premium under this Plan is not subject to the premium discount as defined in Rule VII of the Basic Manual for Workers Compensation and Employers Liability Insurance.

7. Increased Limits for Employers Liability

If the policy provides increased limits for employers liability, such premium and incurred losses shall be subject to LSRP.

8. LSRP Expenses

The Plan does not include tables of expense ratios for use by stock and non-stock companies. The expenses are fixed and are included in the Basic Premium.

9. Aircraft Classifications

If the insurance subject to the Plan includes any of the aircraft classifications, the premium and losses for such classifications shall be included in the LSRP.

10. Exclusion of Statutory Medical Benefits - Ex-Medical Coverage

Policies written on an ex-medical basis are subject to this Plan in states where permitted.

11. Large Construction Projects

Large Construction Projects are subject to this Plan in states where permitted.

II. DEFINITIONS

A. Employer

Means any business organization or enterprise that is required by statute to maintain workers compensation insurance in a state or any state(s) under the WCIP. The term shall include any business organizations or enterprises that are affiliated as a result of common ownership.

B. Insured

Insured means the assigned risk employer designated in the Information Page of the policy or policies to which this Plan is applied by the assigned carrier that issues such insurance. An Insured may be two or more legal entities if the same person, or group of persons, owns the majority interest in such entities. The Experience Rating Plan defines majority interest. It usually means:

1. Majority of voting stock, or
2. Majority of members or directors if there is no voting stock, or
3. Majority participation of general partners in profits of a partnership.

C. Risk

Risk means the insured to which this Plan is applied.

D. Rates

1. Authorized rate means those rates approved for use under a WCIP.
2. Manual rate means the rate shown after the classification code number on the state rate pages in Part Three of the Basic Manual for Workers Compensations and Employers Liability Insurance.

E. Standard Premium

For the purpose of this Plan, Standard Premium means the premium for the risk determined on the basis of authorized rates, any experience rating modification, ARAP, assigned risk surcharge programs other than LSRP, loss constants where applicable, and minimum premiums. Determination of Standard Premium shall exclude:

1. Premium Discount,
2. The Expense Constant,

3. Premium resulting from the Non-Ratable Element Codes listed in the Experience Rating Plan Manual, for Workers Compensations and Employers Liability Insurance,
4. Premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—flying crew, and
5. Premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health and Safety Act.

F. Deposit Premium

The deposit premium shall depend upon the schedule in effect in the state generating the most payroll at the time of application. Refer to the state WCIP or ACORD application for the applicable premium payment schedule.

In addition to the applicable state WCIP premium payment plan or deposit premium an additional LSRP deposit premium of 20%, or an acceptable, clean, unconditional, Irrevocable Letter of Credit (ILOC), containing an automatic renewal clause, drawn on a bank that is a member of the Federal Reserve, shall be required on all LSRP policies. Refer to Part Two of this Plan to calculate the appropriate deposits.

G. Incurred Losses

Incurred losses used in the rating formula for determining premium under this Plan are those reported under the rules of the Workers Compensation Unit Statistical Plan adopted by the rating organization. Generally, Incurred losses are the actual losses paid and outstanding, interest on judgments, expenses incurred in obtaining third-party recoveries, and allocated loss adjustment expenses for employers liability losses.

Incurred losses resulting from an accident involving two or more persons under any classification code containing a non-ratable catastrophe element shall be limited to the total of the two most costly claims, subject to any further loss limitation applicable.

The rating formula shall not include losses involving passenger employees resulting from the crash of an aircraft under Classification Code 7421.

For detailed instructions regarding Incurred losses, refer to the Workers Compensation Statistical Plan.

H. Rating Organization

Rating organization means the National Council on Compensation Insurance or any other licensed rating organization.

I. Anniversary Rating Date

1. Single Policy Risk

The anniversary rating date for application of this Plan shall be the effective month and day of the current policy in effect.

2. Multiple Policy Risk

If the risk subject to the Plan includes more than one policy with different effective dates, the anniversary rating date shall be determined by the rating organization.

PART TWO

OPERATION OF THE PLAN

I. HOW PREMIUM IS DETERMINED UNDER THE PLAN

LSRP premium is computed on the basis of the formula in Part A.1 of this section.

A. THE LOSS SENSITIVE RATING PLAN FORMULA (LSRP)

The premium for a risk subject to this program is determined by the following formula:

1. Loss Sensitive Rating Plan Premium =
 - a. Basic Premium (= standard premium x basic premium factor)
plus
 - b. Converted Losses (= incurred losses x loss conversion factor)
plus
 - c. LSRP Development Premium (= standard premium x LSRP
Development factor x loss
conversion factor)
 - d. Multiply the sum of (a + b + c) by the Tax Multiplier.

This formula produces a premium which shall not be less than the LSRP Minimum Premium or more than the LSRP Maximum Premium.

If the risk to which the Plan is applied includes more than one legal entity, a single LSRP premium is calculated on the basis of the premium and losses of the combined entities, not individually for each legal entity.

B. DEFINITION OF TERMS USED FOR THE FORMULA

1. Standard Premium

Standard Premium is defined in Part One, II.E of this Plan.

2. Basic Premium

The Basic Premium is a percentage of the Standard Premium. It is determined by multiplying the Standard Premium by a Basic Premium Factor.

The Basic Premium includes: insurance carrier expenses such as those for servicing the insured's account, loss control services, premium audit and general administration of the insurance.

The Basic Premium does not cover premium taxes or claim adjustment expenses. These elements are usually provided for in the Tax Multiplier and the Loss Conversion Factor.

The Basic Premium Factor is .30.

3. Converted Losses

Converted Losses are based on the incurred losses of the risk during the policy or policies to which this Plan applies. A Loss Conversion Factor is applied to such losses to produce the Converted Losses.

4. Loss Conversion Factor

The Loss Conversion Factor (LCF) is a fixed factor at 1.125. It covers claim adjustment expenses and the cost of the insurance carrier's claim services such as investigation of claims and filing claim reports.

5. Tax Multiplier

The Tax Multiplier varies by state and covers licenses, fees, assessments, and taxes that the insurance carrier must pay on the premium which it collects.

Refer to the state exception pages for the appropriate tax multiplier.

6. Minimum Premium

The Minimum Premium for this Plan is the least amount of premium to be paid by a risk subject to LSRP.

The Minimum Premium Factor is .75.

7. Maximum Premium

The Maximum Premium for this Plan is the greatest amount of premium to be paid by a risk subject to this Plan. It has the effect of placing a limit on the impact of incurred losses on the LSRP premium.

The Maximum Premium Factor is 1.75.

8. Individual Loss Limitations

There are no individual loss limitations under the mandatory LSRP.

9. LSRP Development Premium

The purpose of this premium element is to stabilize premium adjustments for risks subject to this program. The LSRP Development Premium anticipates a pattern of increasing valuation of losses after the policy is expired. The LSRP Development Premium is included in only the first three adjustments of the LSRP premium and is not included in the fourth and final calculation.

Refer to the state exception pages for the LSRP development factors.

10. Deposit Premium

Is the premium required to be paid at the time of application or policy renewal and, under the Plan, is comprised of the WCIP deposit premium and the LSRP contingency deposit premium.

a. WCIP Deposit Premium

The WCIP deposit premium is the deposit premium as referenced on the WCIP or ACORD application in the state generating the most payroll. The WCIP deposit premium is calculated by multiplying the Estimated Annual Premium by the required premium percentage.

b. LSRP Contingency Deposit Premium

The LSRP Contingency Deposit Premium is calculated as an additional 20% of Standard Premium and is added to the WCIP deposit premium. The LSRP Contingency Deposit Premium is to be paid at the time of application, or policy renewal, to collateralize premium which may be due the assigned carrier at the first adjustment.

If an acceptable, clean, unconditional, Irrevocable Letter of Credit (ILOC), containing an automatic renewal clause, drawn on a bank that is a member of the Federal Reserve is obtained in an amount at least sufficient to secure the dollar amount equal to the LSRP 20% Contingency deposit premium, an LSRP Contingency deposit premium will not be required and the deposit premium on such policy shall be equal to the WCIP deposit premium. The LOC shall be held as collateral until first adjustment.

PART THREE

ADMINISTRATION OF THE PLAN

I. ADMINISTRATIVE RULES

A. Eligibility

1. The Loss Sensitive Rating Plan (LSRP) shall apply to an individual assigned risk policy if the total annual estimated Standard Premium or total audited Standard Premium equals or exceeds \$200,000.
2. A decrease in premium during the first 120 days of coverage which results in the employer falling below the LSRP premium eligibility threshold, shall result in the conversion of the policy to a guaranteed cost policy, retroactive to policy inception.
3. An increase in premium during the first 120 days of coverage which qualifies an employer for the LSRP shall result in the retroactive application of the LSRP to policy inception.
4. After the first 120 days of the coverage term, if it is determined that an employer qualifies for LSRP, the policy shall not be effected until renewal.
5. Notwithstanding, anything above to the contrary, any attempt to avoid the application of the LSRP arising from a misrepresentation or omission by Insured, its agent, employees, officers or directors shall result in the pro rata application of LSRP from the date upon which it would have applied had such misrepresentation or omission not been made.

B. Multi-State Procedures

The LSRP will apply on an interstate basis when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

If the assigned risk employer requests coverage in a state where LSRP has been approved and requires coverage in one or more states where LSRP has not been approved, the assigned carrier shall combine the LSRP states on one or more policies and issue a guaranteed cost policy for those states where LSRP has not been approved, in accordance with all WCIP rules and regulations. It may not always be possible for a single carrier to provide all requested states; additional applications may be necessary.

C. 120 Day Grace Period

The LSRP will not apply to an assigned risk policy subject to the Plan if the employer obtains workers compensation coverage outside the assigned risk market within 120 days of the effective date.

D. Notice to Assigned Risk Policyholders

All assigned risk policies shall be endorsed with policy endorsement WC 00 04 17 - Assigned Risk Loss Sensitive Rating Plan (LSRP) Notification in order to ensure that all possible qualifying risks are notified of the intent and details of the Plan. All assigned carriers shall be required to attach this endorsement to all assigned risk policies.

Assigned risk policies meeting the eligibility threshold to qualify for LSRP, shall be endorsed with policy endorsement WC 00 04 18.

Assigned risk carriers shall be required to indicate on all renewal quotations to risks with premium of \$150,000 or more that payment of the renewal deposit constitutes knowledge and acceptance of the possible applicability of the LSRP to the policy. The assigned risk carrier shall provide the employer with the full details of the LSRP.

The ACORD application for the assigned risk market will include the following language immediately above the signature of the employer:

By signing below I acknowledge that the Loss Sensitive Rating Plan has been explained to me or that an explanatory notice or brochure has been provided to me and I agree that I shall be bound by the terms of such plan if my estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

When the policy is bound a notice shall be included which reads:

Coverage is being bound subject to your signed statement acknowledging and agreeing to the terms of the Loss Sensitive Rating Plan in the event that your estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

E. Bankruptcy/Insolvencies

The insurer may make a special adjustment as of the date that an insured is declared bankrupt or insolvent; makes an assignment for the benefit of creditors; is involved in any reorganization, receivership, or liquidation; or disposes of all or substantially all of its assets. The insured shall be liable for any additional premium or credit due at the time of the special adjustment.

F. Administration

It is the responsibility of the assigned carrier to administer the program, provide proper notification and application of the LSRP impact to premium, make the required LSRP calculations following the normal valuations, and collect the premium.

II. CANCELATION OF POLICY

A. Explanation

While the Cancellation condition of the Standard Policy permits cancellation by the insured or insurance carrier, the premium determination for a canceled policy is controlled by Rule X - Cancellation in the Basic Manual for Workers Compensation and Employers Liability Insurance.

B. Coverage Obtained on the Voluntary Market

The LSRP will not apply to any policy canceled by the insured, within the first 120 days of coverage, because coverage was placed in the voluntary market. Said policy will be treated as a guaranteed cost policy with final audited premium calculated according to the appropriate rating rules.

C. LSRP Premium Determination Upon Cancellation

1. Cancellation By the Insurance Carrier, except for non-payment of premium.
2. Cancellation By the Insured When Retiring From Business provided:
 - a. all work covered by the Insurance is completed;
 - b. all interest in the business covered by the insurance is sold;
 - c. the employer retires from all business covered by the insurance;

Note: For the purpose of this rule, a change in ownership of a corporation which results in elimination of experience under the rules of the Experience Rating Plan Manual does not constitute retiring from the business insured by the policy.

3. If the reason for the cancellation is No.1 or 2 above, LSRP premium for the canceled policy shall be computed as follows:
 - a. Standard Premium: Determine the premium for the canceled policy on a pro rata basis in accordance with Basic Manual Rule X-B. The resulting premium shall be the Standard Premium.

- b. LSRP Premium: The LSRP premium for the canceled policy shall be determined by using the LSRP formula in Part Two of the Plan. Use the Standard Premium in a. above to establish the Basic Premium, and if applicable, Retrospective Development Premium for this formula.

EXCEPTION FOR NON-PAYMENT OF PREMIUM:

If the cancellation by the insurance carrier is because of non-payment of premium by the insured, the Maximum LSRP premium shall be based on a Standard Premium which shall be the premium for the canceled policy (under Basic Manual Rule X-B) extended pro rata to an annual basis.

Failure by an insured to pay all LSRP premiums, including premiums due as the result of adjustment, will result in cancellation of current coverage and disqualification from future assignments through the WCIP Plan.

The maximum premium payable on a canceled policy shall be based on the annual Standard Premium unless the employer has secured coverage outside the WCIP within 120 days of policy inception.

- 4. Cancellation By the Insured, Except When Retiring From Business For the Reasons Stated in II-B-2 above.

Determine the LSRP premium as follows:

- a. The premium for the canceled policy is to be calculated on a short rate basis under Basic Manual Rule X-D.
- b. Use the LSRP formula in this Part Two of the Plan to establish the LSRP premium as shown below:
 - i. Basic Premium and if applicable, Retrospective Development Premium shall be computed by using the short rate premium in 4a above as the Standard Premium.
 - ii. Minimum LSRP premium shall be the short rate premium in 4a above.
 - iii. Maximum LSRP premium shall be based on a Standard Premium which shall be calculated by using the actual payroll for the period of the policy in effect extending that payroll pro rata to an annual basis and then multiplying such extended payroll by the authorized rates and experience rating modification,

ARAP, and any applicable assigned risk surcharge program. The Maximum Premium Factor shall be applied to this Standard Premium.

EXAMPLE: CALCULATION OF MAXIMUM RETROSPECTIVE PREMIUM UNDER RULE 4b: ASSUME:

Policy in effect	185 days
Authorized Rate (per \$100 payroll)	5.00
Actual payroll for 185 days	\$555,000
* Experience Rating modification	1.00
Maximum Premium Factor	1.75

(a) Payroll extended to an annual basis:

$$\$555,000 \times \frac{365 \text{ days}}{185 \text{ days}} = \$1,095,000$$

(b) Annual Standard Premium =

$$\begin{aligned} & \$1,095,000 \times 5.00 \text{ (per \$100)} \times 1.00 \\ & = \$54,750 \end{aligned}$$

(c) Maximum Retrospective Premium:

$$\$54,750 \times 1.75 = \$95,813$$

***Note:** In those states where ARAP or an assigned risk surcharge have been approved, these programs are to be included in the calculation of LSRP standard premium.

III.

REPORTS OF PREMIUM AND POLICY COUNTS UNDER THE LSRP

In addition to following the statistical reporting requirement in accordance with the Workers Compensation Statistical Plan, all residual market carriers will make quarterly reports to the Plan Administrator, with such reports to be filed within 45 calendar days of the dates of March 31, June 30, September 30, and December 31, for activity relating to calendar quarters ending on these dates. Reports to the Plan Administrator will include, but not necessarily be limited to, the following:

A. Premium

These reports will separately identify WCIP and Contingency deposit premiums, as well as LSRP premium adjustments resulting from incurred loss valuations. If a Letter of Credit is secured in lieu of the LSRP Contingency deposit premium, identification of such security must be included in the quarterly report.

The Standard Premium used for determining the LSRP premium is that reported in accordance with the Workers Compensation Statistical Plan.

B. Policy Counts

Reports must include a listing and count of LSRP policies issued, renewed, non-renewed and canceled during the calendar period. An in-force policy count must also be provided.

C. Verification of Data

All reports will include the required information on an individual policy level, in the format and manner prescribed by the Plan Administrator.

Data reported under the Workers Compensation Statistical Plan shall be accepted as verified data for computation of the LSRP premium.

IV.

COMPUTATION OF THE LSRP PREMIUM

- A. There will be four (4) adjustments computed to determine LSRP premium. The first, second and third calculations will be based on losses valued at the 18th, 30th, and 42nd month, respectively, after policy effective date and will include use of the LSRP Development Factors. A final adjustment, without an RDF, shall be calculated at the end of the 54th month.

Losses shall be valued in month 18, 30, 42, 54 and adjustments will be released as soon as practicable (i.e., month 21, 33, 45, and 57). The valuations and calculation of premiums are to be calculated by the assigned carrier, using premium and loss data which has been reported according to the Workers Compensation Statistical Plan.

1. First Computation of LSRP Premium

Under the Workers Compensation Statistical Plan, the reports of losses and premiums are submitted to the rating organization. As soon as practicable after data has been prepared in accordance with the Statistical Plan Manual, the first adjustment shall be made by the assigned carrier.

The assigned carrier shall notify the employer and return premium if the Plan premium is less than premium previously paid.

The insured shall promptly pay (within 30 days) any premium due. Failure to pay all premium, whether the premium is payable directly to the insurer or indirectly under a premium finance plan or extension of credit, shall constitute nonpayment of premium and be grounds for termination of any existing WCIP policy and resulting in disqualification from eligibility under the WCIP.

When a returned premium is generated by final audit, the assigned carrier shall hold any return premium until the first valuation. If returned premium is due the insured, the assigned carrier shall remit payment within 10 days after recording the LSRP adjustment.

Note: In certain cases, the assigned carrier may make an early calculation of LSRP premium. Such cases include bankruptcy, liquidation, reorganization, receivership, assignment for benefit of creditors, or other similar situations.

2. LSRP Adjustment After First Computation

- a. Subsequent calculations and adjustments of premium subject to this Plan shall be made by the assigned carrier annually after the first valuation. The procedure for such subsequent calculations shall be the same as in Rule 1 above except that such premium calculations shall be based upon the latest Unit Statistical Reports required. The assigned carrier shall continue to make such additional adjustments at the end of each 12 months period until the

54th month.

- b. If a subsequent valuation results in no change from the previous calculation, the assigned carrier shall notify the employer that there is no change in the premium payment and that subsequent calculations of premium will be made in accordance with Rule 3.a. below.

3. Final Computation of LSRP Premium

- a. The fourth and final valuation, without LSRP Development Factors will be calculated at the 54th month.

Original Printing

Effective March 1, 1994

ASSIGNED RISK LOSS SENSITIVE RATING PLAN NOTIFICATION ENDORSEMENT

This endorsement is issued because you may qualify to have the cost of your insurance subject to the assigned risk mandatory Loss Sensitive Rating Plan (LSRP).

Eligibility:

1. Your insurance is written under a Workers Compensation Insurance Plan (WCIP) in a state which has adopted the Loss Sensitive Rating Plan (LSRP).
2. The LSRP shall apply to an individual assigned risk policy if the total annual estimated Standard Premium or preliminary physical audit premium equals or exceeds the amount noted in the schedule.
2. A decrease in premium during the first 120 days of coverage which results in the premium falling below the LSRP premium eligibility threshold, shall result in the conversion of the policy to a guaranteed cost policy, retroactive to policy inception.
3. An increase in premium during the first 120 days of coverage which qualifies an employer for the LSRP shall result in the retroactive application of the LSRP to policy inception.
4. After the first 120 days of the coverage term, if it is determined that an employer qualifies for LSRP, the policy shall not be changed until renewal.
5. Notwithstanding, anything above to the contrary, any attempt to avoid the application of the LSRP arising from a misrepresentation or omission by you, your agent, employees, officers or directors shall result in the pro rata application of LSRP from the date upon which it would have applied had such misrepresentation or omission not been made.
6. The LSRP will apply on an interstate basis when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

This plan will adjust your premium for this insurance based upon the losses incurred during the period covered by this insurance.

This endorsement applies in the states listed in the schedule below.

SCHEDULE**STATE****PREMIUM ELIGIBILITY**

MANDATORY ASSIGNED RISK LOSS SENSITIVE RATING PLAN ENDORSEMENT

This endorsement is added to Part Five (Premium) to explain the rating plan and how the Assigned Risk Loss Sensitive Rating Plan premium will be determined.

This endorsement applies where the LSRP has been approved. It determines the Assigned Risk Loss Sensitive Rating Plan premium for the insurance provided during the rating plan period of this policy. The rating plan period is the one-year period beginning with the effective date of the policy.

A. Assigned Risk Loss Sensitive Rating Plan Premium Elements

The amount of Assigned Risk Loss Sensitive Rating Plan premium depends on the six standard elements which are explained below:

1. Standard premium is the premium we would charge during the rating plan period if the insurance was not subject to this endorsement. We determine your standard premium based upon authorized rates, any experience rating modification and minimum premiums, including the effect of any other residual market rating plan or program.

Standard premium does not include the expense constant charge, the premium discount credit, premium developed by the passenger seat surcharge under Code 7421 - Aircraft Operation - Flying Crew, or premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health and Safety Act.

2. Basic premium is calculated by multiplying the standard premium by a basic premium factor. The basic premium factor is shown in the Schedule.
3. Incurred losses are all amounts we will pay or estimate we will pay for losses, interest on judgments, expenses to recover against third parties and employers liability loss adjustment expenses.
4. A converted loss is an incurred loss multiplied by a percentage called the loss conversion factor. The Assigned Risk Loss Sensitive Rating Plan loss conversion factor is shown in the Schedule.
5. Taxes are a part of the premium we collect. Taxes are determined as a percentage of expense and development premium and converted losses. The percentage is called the tax multiplier. The tax multiplier covers assessments, fees, licenses, and taxes which we must pay on the premium we collect. It varies by Federal and non-Federal classifications. The tax multiplier(s) for each state are shown in the Schedule.
6. Development premium is calculated by multiplying the standard premium by the product of the appropriate premium development factor, the loss conversion factor and the tax multiplier. The premium development factors are shown in the Schedule.

B. Assigned Risk Loss Sensitive Rating Plan Formula

1. Assigned Risk Loss Sensitive Rating Plan premium is the sum of the basic premium, development premium and converted losses, multiplied by the tax multiplier. The payment, if any, attributable to the four items excluded from standard premium in A.1. above, is a separate obligation of yours in addition to the Assigned Risk Loss Sensitive Rating Plan premium.
2. The Assigned Risk Loss Sensitive Rating Plan premium is subject to a minimum premium and a maximum premium. The minimum premium is determined by multiplying the total audited standard premium by the minimum premium factor. The maximum premium is determined by multiplying the total audited standard premium for the qualifying states by the applicable maximum premium factor. The minimum premium factor and maximum premium factor for each state are shown in the Schedule.

C. Premium Calculation and Payments

1. You will pay a premium which amounts to 120% of the estimated annual premium. If you obtain an acceptable clean, unconditional, irrevocable letter of credit (LOC), containing an automatic renewal clause, to secure the 20% additional deposit premium, the premium will be 100% of the estimated annual premium.
2. Your rating plan premium will be determined after the rating plan period ends. We will issue an endorsement to show any change in the premium for your insurance if your annual audited standard premium equals or exceeds the premium eligibility level in one or more states where this plan has been approved.
3. The first calculation of Assigned Risk Loss Sensitive Rating Plan premium shall be determined using all loss information valued as of 18 months after the month in which the rating plan period became effective. Three additional annual premium adjustment calculations shall be made based on loss information valued as of 30, 42, and 54 months after the month in which the rating plan period became effective.

We may make a special valuation of the Assigned Risk Loss Sensitive Rating Plan premium as of any date that you become bankrupt or insolvent, make an assignment for the benefit of creditors, are involved in reorganization, receivership or liquidation, or dispose of all your interest in work covered by the insurance. You will pay the amount due us if the Assigned Risk Loss Sensitive Rating Plan premium is more than the total standard premium as of the special valuation date.

4. After each valuation, you shall promptly pay to us the amount due, or we will refund the amount due you. If you fail to pay any premium due under this plan, your current policy will be canceled and you will be disqualified from future assignments through the assigned risk plan.

D. Cancellation

1. If the policy is canceled by you or by us, a determination shall be made as to whether this program shall apply. The Assigned Risk Loss Sensitive Rating Plan shall apply only to those policies where the payroll extended to an annual basis and multiplied by the manual rates and experience modification, equals or exceeds the premium eligibility level in any of the states where this program has been approved.

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY . WG 00 04 18

Original Printing

Effective March 1, 1994

2. The Assigned Risk Loss Sensitive Rating Plan will not apply if you obtain coverage outside the residual market within 120 days after the effective date of the policy.
3. If you cancel, the standard premium for the rating plan period will be based on our short rate table and procedure. This short rate premium will be used to determine the Assigned Risk Loss Sensitive Rating Plan premium.
4. Section D.3 will not apply if you cancel because:
 - a. all work covered by the insurance is completed;
 - b. all interest in the business covered by the insurance is sold;
 - c. you retire from all business covered by the insurance; or
 - d. you obtain coverage in the voluntary market.

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 00 04 18

Original Printing

Effective March 1, 1994

SCHEDULE

1. Basic Premium Factor _____
2. Loss Conversion Factor _____
3. Tax Multiplier _____
4. Minimum Premium Factor _____
5. Maximum Premium Factor _____
6. LSRP Development Factors:
 - 1st Adjustment _____
 - 2nd Adjustment _____
 - 3rd Adjustment _____
 - Subsequent Adjustments 0.00

06-NOV-03 10:52AM FROM: Michael P. Hair & Assoc.

704 543 0384

T-251 P.002/007 F-633

11-6-03

ACORD

WORKERS COMPENSATION APPLICATION

PRODUCER PHONE (A/C, No, Ext) (704) 543-0381	COMPANY ARD'S TRUCKING COMPANY, INC.	UNDERWRITER
APPLICANT NAME		
MAILING ADDRESS (including Zip code) P. O. BOX 504 DARLINGTON SC 29540		
YRS IN BUS 59 YRS SIC ☐ Individual ☐ "S" Corporation ☐ Limited Corp. ☒ Corporation ☐ Partnership ☐ Other		
CODE	SUB CODE	
AGENCY CUSTOMER ID:	FEDERAL EMPLOYER ID NUMBER 57-0604441	NCCT ID NUMBER
OTHER RATING BUREAU ID OR STATE EMPLOYER REGISTRATION NUMBER		

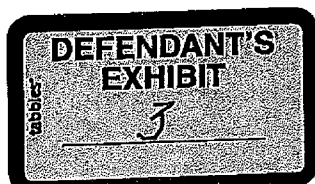
STATUS OF SUBMISSION		BILLING/AUDIT INFORMATION	
☐ Quote ☐ Bound (Give date and/or attach copy) ☒ Assigned Risk (Attach Acord 133) ☐ Issue Policy	BILLING PLAN ☐ Agency Bill ☒ Direct Bill	PAYMENT PLAN ☐ Annual ☐ Semi-Annual ☐ Quarterly MONTHLY % DOWN:	AUDIT ☒ At expiration ☐ Monthly ☐ Semi-Annual ☐ Other ☐ Quarterly

LOCATIONS	
#	STREET, CITY, COUNTY, STATE, ZIP CODE
GARAGE	1702 N GOVERNOR WILLIAMS DARLINGTON SC 29540-7631
1	
2	

POLICY INFORMATION				
PROPOSED EFF DATE (MM/DD/YY) 11/7/03	PROPOSED EXP DATE (MM/DD/YY) 11-7-04	NORMAL ANNIVERSARY RATING DATE 11/1	☐ Participating ☒ Non-Participating	RETRO PLAN
PART 1 - WORKERS COMPENSATION (States) SC	PART 2 - EMPLOYER'S LIABILITY \$ 500,000 EACH ACCIDENT \$ 500,000 DISEASE-POLICY LIMIT \$ 500,000 DISEASE-EACH EMPLOYEE	PART 3 - OTHER STATES INS ALL EXCEPT MONOPOLISTIC	DEDUCTIBLES ☐ Medical ☐ Indemnity ☐ Per Claim	AMOUNT % OTHER COVERAGES ☐ U.S.L.&H. ☐ Voluntary Compensation
DIVIDEND PLAN/SAFETY GROUP		ADDITIONAL COMPANY INFORMATION		

RATING INFORMATION								
STATE	LOC	CLASS CODE	COM-PANY USE	CATEGORIES, DUTIES, CLASSIFICATIONS	# OF EMPLOYEES FULLTIME PARTTIME	ESTIMATED ANNUAL REMUNERATION	RATE	ESTIMATED ANNUAL PREMIUM
SC	1	7229		DRIVERS	70	2,100,000		
SC	1	8810		CLERICAL	22	410,000		
SC	1	8742		OUTSIDE SALES	1	16,000		

SPECIFY ADDITIONAL COVERAGES/ENDORSEMENTS



157 333.00

	FACTOR	FACTORED PREMIUM
TOTAL		3
INCREASED LIMITS		
DEDUCTIBLE		
EXPERIENCE MODIFICATION	.731	
LOSS CONSTANT		
ASSIGNED RISK SURCHARGE		
ARAP		
PREMIUM DISCOUNT		
EXPENSE CONSTANT		

MINIMUM PREMIUM

\$

DEPOSIT PREMIUM

APPELLANT BOA

00431

ARD Trucking 0004

ACORD 130 (10/96)

PLEASE COMPLETE REVERSE SIDE

11/06/2003 16:04 8647511

M P HAIR, GVILL SC

PAGE 02/02

08-NOV-03 02:46PM FROM: Michael P. Hair & Assoc.

704 643 0384

T-255 P.002/002 F-668

PARTNERS, OFFICERS, RELATIVES TO BE INCLUDED OR EXCLUDED. (Remuneration to be included must be part of netting information section)								
#	NAME	DATE OF BIRTH	TITLE/RELATIONSHIP	OWNER-SHIP %	DUTIES	INTEREST	CLASS CODE	REMUNERATION
1	J WARD, SR	1/1/32	OWNER	48	OFFICE	Inc	8810	45,000
2	C ALLEN ARD	10/16/51	PRES	51	GEN. MGR	Inc	8810	45,000
3	MICHAEL HARLAN	1/17/50	V-P		OFFICE	Inc	8810	45,000
4	GRACE STREETT	7/11/49	SECTREA		OFFICE	Inc	8810	45,000
5								

PRIOR CARRIER INFORMATION/LOSS HISTORY

LOSS RUN ATTACHED ☒ Yes ☐ No

PROVIDE INFORMATION FOR THE PAST 5 YEARS AND USE THE REMARKS SECTION FOR LOSS DETAILS

YEAR	CARRIER & POLICY NUMBER	ANNUAL PREMIUM	MOD	# CLAIMS	AMOUNT PAID	RESERVE
Current	CO: AMERICAN INTERSTATE POL: 111111			4	45,928	161,875
1st Yr Prior	CO: CLARENDON NATIONAL POL: 111111			1	4,499	1,185
2nd Yr Prior	CO: TRANS. EMP. SELF INSD T POL: 111111			0		
3rd Yr Prior	CO: TRANS. EMP. SELF INSD T POL: 111111			1	17,886	
4th Yr Prior	CO: 111111 POL: 111111			0		

NATURE OF BUSINESS/DESCRIPTION OF OPERATIONS

GIVE COMMENTS AND DESCRIPTIONS OF BUSINESS, OPERATIONS AND PRODUCTS. MANUFACTURING - RAW MATERIALS, PROCESSES, PRODUCT, EQUIPMENT, CONTRACTOR, TYPE OF WORK, SUB-CONTRACTS, MERCHANTS, MERCHANDISE, CUSTOMERS, DELIVERIES, SERVICE - TYPE, LOCATION, FARM - ACREAGE, ANIMALS, MACHINERY, SUB-CONTRACTS.

TRUCKER, FOR HIRE

GENERAL INFORMATION

EXPLAIN ALL YES RESPONSES	Yes/No	EXPLAIN ALL YES RESPONSES	Yes/No
1. DOES APPLICANT OWN, OPERATE, OR LEASE AIRCRAFT/WATERCRAFT?	No	15. ARE ATHLETIC TEAMS SPONSORED?	No
2. DO HAVE PAST, PRESENT OR DISCONTINUED OPERATIONS INVOLVING (D) STORING, TREATING, DISCHARGING, APPLYING, DISPOSING, OR TRANSPORTING OF HAZARDOUS MATERIAL (E.G. KEROSENE, WASTES, HOT OILS, ETC)	No	16. ARE PHYSICALS REQUIRED AFTER OFFERS OF EMPLOYMENT ARE MADE?	No
3. ANY WORK PERFORMED UNDERGROUND OR ABOVE 18 FEET?	No	17. ANY OTHER INSURANCE WITH THIS INSURANT?	No
4. ANY WORK PERFORMED ON MARQUES, VESSELS, DOCKS, BRIDGE OVER WATER?	No	18. ANY PRIOR COVERAGE DECLINED/ CANCELLED/ EXPIRED/ NON-RENEWED?	No
5. IS APPLICANT ENGAGED IN ANY OTHER TYPE OF BUSINESS?	No	19. ARE EMPLOYEE HEALTH PLANS PROVIDED?	No
6. ARE SUB-CONTRACTORS USED? IF YES, # OF WORK-	No	20. IS THERE A LABOR INTERCHANGE WITH ANY OTHER BUSINESS/SUBSIDIARY?	No
7. ANY WORK SUBLET WITHOUT CERTIFICATES OF INS.?	No	21. DO YOU LEASE EMPLOYEES TO OR FROM OTHER EMPLOYERS?	No
8. IS A FORMAL SAFETY PROGRAM IN OPERATION?	No	22. DO ANY EMPLOYEES PREDOMINANTLY WORK AT HOME?	No
9. ANY GROUP TRANSPORTATION PROVIDED?	No	CONTACT INFORMATION	
10. ANY EMPLOYEES UNDER 18 OR OVER 60 YEARS OF AGE?	No	IN- SPECTOR	PHONE: (843) 393-5101
11. ANY PART TIME OR SEASONAL EMPLOYEES?	No	NAME: HARRY BROWN	
12. IS THERE ANY VOLUNTEER OR DONATED LABOR?	No	ACCOUNTING	PHONE: (843) 393-5101
13. ANY EMPLOYEES WITH PHYSICAL HANDICAP?	No	NAME: GRACE STREETT	
14. DO EMPLOYEES TRAVEL OUT OF STATE?	Yes	CLAIMS INFO	PHONE: (843) 393-5101
		NAME: HARRY BROWN	

REMARKS

APPLICANT'S SIGNATURE

PRODUCER'S SIGNATURE

APPELLANT RGA 00432

BWP/H And Trucking 0005

ACORD 130 (10/98)

ACORD**WORKERS COMPENSATION INSURANCE PLAN
ASSIGNED RISK SECTION**DATE
10/30/2003

THIS FORM ALONG WITH AN ACORD 130 WORKERS COMPENSATION APPLICATION CONSTITUTE AN APPLICATION FOR WORKERS COMPENSATION INSURANCE PLAN (ASSIGNED RISK) COVERAGE. THIS FORM MUST BE ATTACHED TO AN ACORD 130 FOR SUBMISSION. PLEASE REFER TO THE STATE SPECIFIC INSTRUCTIONS PAGE FOR SPECIFIC REQUIREMENTS.

APPLICANT NAME

Ard Trucking Company, Inc.

PROPOSED EFF DATE

11/07/03

SUPPLEMENTAL INFORMATIONPAYROLL OFFICE NAME, ADDRESS AND TELEPHONE NUMBER
(A P.O. BOX ADDRESS ALONE IS NOT ACCEPTABLE. PLEASE PROVIDE
DRIVING INSTRUCTIONS IF A ROUTE ADDRESS IS SHOWN.)

1702 North Governor Williams Highway
Darlington, SC 29540

EXPLAIN ALL "YES" RESPONSES IN THE REMARKS SECTION

YES NO

4. HAS THERE BEEN A NAME CHANGE, CONSOLIDATION, MERGER
OR OWNERSHIP CHANGE DURING THE PAST FIVE YEARS?
IF YES, GIVE PREVIOUS NAME AND DATE OF CHANGE.
CONTACT THE PLAN ADMINISTRATOR ABOUT AN ERM-14.

X

5. IS APPLICANT RELATED THROUGH COMMON MANAGEMENT OR
OWNERSHIP TO ANY ENTITY NOT LISTED HERE, WHETHER
COVERAGE IS REQUIRED OR NOT?
IF YES, GIVE DETAILED EXPLANATION.

X

STATE DEVELOPING HIGHEST PAYROLL:**EXPLAIN ALL "YES" RESPONSES IN THE REMARKS SECTION**

YES NO

1. HAS THERE BEEN PREVIOUS WORKERS COMPENSATION COVERAGE:

IN THIS STATE?

X

IN ANY OTHER STATE?

X

- IF NO TO BOTH QUESTIONS, WAS THIS DUE TO:

☐

NEW BUSINESS

☐

SELF INSURED-GROUP

☐

SELF INSURED-INDEP

☐

EMPLOYEES

2. IS THERE ANY UNPAID WORKERS COMPENSATION PREMIUM DUE
OR IN DISPUTE FROM YOU OR ANY COMMONLY MANAGED OR
OWNED ENTERPRISES? IF YES, EXPLAIN INCLUDING ENTITY
NAME(S) AND POLICY NUMBER(S).10. DO YOU HAVE A FRANCHISE OR LICENSING AGREEMENT?
IF YES, PROVIDE DETAILS OF THE AGREEMENT.

X

3. YEAR APPLICANT'S BUSINESS BEGAN:

11. DO TRUCKING CLASSIFICATIONS APPLY?
IF YES, COMPLETE QUESTIONS 12-14.

X

12. DO YOU OR YOUR EMPLOYEES REGULARLY OPERATE FROM A BASE TERMINAL(S) WHICH IS (ARE) USED TO LOAD, UNLOAD, STORE OR
TRANSFER FREIGHT? IF YES, PLEASE PROVIDE A LIST OF TERMINAL ADDRESSES:

X

#	STREET	CITY	COUNTY	ST	ZIP CODE
1	1702 North Governor Williams Highway	Darlington	Darlington	SC	29540
2					
3					

13. CAN EACH DRIVER'S STATE OF MAJORITY DRIVING TIME BE ESTABLISHED THROUGH VERIFIABLE RECORDS OR LOGS?

X

14. PLEASE PROVIDE A LIST OF ALL DRIVERS/HELPERS AND THEIR STATE OF RESIDENCE:

	DRIVER NAME	TERMINAL # (SEE ABOVE)	MAJORITY DRIVING STATE	RESIDENCE STATE
1	List Attached			
2				
3				

INSURANCE COMPANIES WHO HAVE OFFERED/REFUSED INSURANCE1. HAVE YOU RECEIVED ANY OFFERS OF VOLUNTARY COVERAGE? (INCLUDE MULTI-LINE OR RETROSPECTIVE RATING PLAN, IF APPLICABLE)
IF YES, PROVIDE FULL DETAILS INCLUDING PLAN TERMS IN THE REMARKS SECTION.

YES NO

X

2. INDICATE THE NUMBER OF INSURANCE COMPANIES WHICH HAVE REFUSED THE APPLICANT COVERAGE IN THE LAST 60 DAYS (OR IN ACCORDANCE WITH
STATE SPECIFIC GUIDELINES): 3IN ACCORDANCE WITH PLAN RULES, THE APPLICANT OR ITS REPRESENTATIVE SHALL MAINTAIN ON RECORD FOR THIS POLICY PERIOD THE
CARRIER NAME, CONTACT PERSON, ADDRESS, PHONE NUMBER AND DATE OF CONTACT OF THOSE CARRIERS REFUSING COVERAGE AND MAKE
SUCH INFORMATION AVAILABLE TO THE PLAN ADMINISTRATOR OR ASSIGNED RISK CARRIER UPON REQUEST.**REMARKS**

APPELLANT: ROA 00433

BWPH Ard Trucking 0006

PREMIUM PAYMENT (Refer to WCIP instruction sheet for state requirements)

PAYMENT METHOD - SELECT ONE:

IS THE PREMIUM FINANCED? ☒ YES ☐ NO☐ 1. VERBAL CHECK

BANK/ABA #	ACCOUNT #	CHECK #	PREMIUM PAYMENT AMOUNT
			\$

☐ 2. ELECTRONIC FUNDS TRANSFER

BANK/ABA #	ACCOUNT #	PREMIUM PAYMENT AMOUNT
		\$

☒ 3. MAIL-IN CHECK

CHECK #	PREMIUM PAYMENT AMOUNT
18506	\$ 157333.00

For submission methods 1 and 2:

1. Does the payor require a physical record of this transaction? ☐ YES ☒ NO
2. To ensure accuracy, a voided check or deposit slip (of the payor) should be faxed to NCCI, Inc. upon return of the signed ACORD applications.
3. The undersigned Producer or Applicant certifies that by signing this application he/she authorizes NCCI, Inc. to deduct or has obtained financial information and authorization from the payor to direct NCCI, Inc. to deduct the Premium Payment Amount, and any other monies required to bind coverage, from the bank and the account number as indicated above for purposes of securing workers compensation insurance pursuant to this application.

APPLICANT'S STATEMENT

The undersigned applicant hereby certifies that he/she has read and understands the statements in this application. As further consideration of policy issuance, the applicant also certifies that the responses provided in this application are true and furthermore agrees:

To maintain a complete record of all payroll transactions in such form as the insurance company may reasonably require and that such record will be available to the company at the designated address.

To comply substantially with all laws, orders, rules, and regulations in force and effect made by the public authorities relating to the welfare, health, and safety of employees.

To comply with all reasonable recommendations made by the insurance company relating to the welfare, health, and safety of employees.

To take no action in any form to evade the application of experience modification determined in accordance with the experience rating rules, as determined by the Plan Administrator.

The undersigned applicant also certifies he/she has had no difficulties with any producer or company in regard to: (a) payroll records; (b) the amount of premium charged; (c) the payment of premium; (d) the carrying out of any recommendation made for the purpose of safeguarding employees; (e) the handling of any claim or accident report except the following:

Violation of any of these agreements may result in cancellation of a policy of insurance issued under a Workers Compensation Insurance Plan.

The undersigned applicant understands also that coverage is NOT bound until the signed application is received with appropriate premium and eligibility is determined by the administrator. Provided that applicant is determined to be eligible and in good faith entitled to WCIF insurance, based upon the information provided herein or otherwise available, coverage will be bound in accordance with plan rules. See individual state plans for applicable binding rules.

The undersigned applicant understands further that since he/she has been unable to secure workers compensation coverage through any other insurance provider, this coverage is being afforded through a Workers Compensation Insurance Plan, and that the rates charged may be higher than those in the voluntary market.

The following statement is only applicable in jurisdictions where the NCCI, Inc. Loss Sensitive Rating Plan has been approved for use:

By signing below I acknowledge that the NCCI, Inc. Loss Sensitive Rating Plan has been explained to me or that an explanatory notice or brochure has been provided to me and I agree that I shall be bound by the terms of such plan if my estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

APPLICANT'S NAME AND TITLE (PRINT OR TYPE)

DATE

SIGNATURE (MUST BE AN OWNER OR AN OFFICER)

C. ALLEN ARD PRESIDENT

11/6/03

REMINDER: BOTH THE ACORD 130 AND 133 APPLICATIONS MUST BE SIGNED BY THE APPLICANT AND DESIGNATED PRODUCER.

PRODUCER'S CERTIFICATION

THE PRODUCER ALSO CERTIFIES THAT HE/SHE HAS BEEN AUTHORIZED TO SUBMIT THE APPLICATION ON BEHALF OF THE APPLICANT AND THAT ALL INFORMATION PROVIDED ON THE ACORD 130 AND ACORD 133 IS TRUE AND ACCURATE TO THE BEST OF HIS/HER KNOWLEDGE AND BELIEF.

AGENCY FEN

56-1611537

AGENCY PHONE NUMBER (A/C, No, Ext)

864-751-1949 - 704-543-0381

AGENCY FAX NUMBER (A/C, No)

RESIDENT LICENSE NUMBER

189245

EXPIRATION DATE

NON-RESIDENT LICENSE NUMBER

EXPIRATION DATE

PRODUCER NAME (PRINT OR TYPE)

Frank McCravy

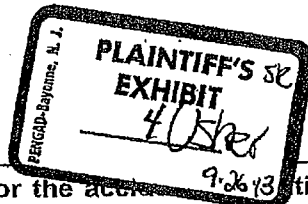
DATE

11/6/03

PRODUCER SIGNATURE

BWP Hard Trucking 0007

SAFETY SERVICES



Notice to policy recipient: If you are not the person directly responsible for the activities for your company, please direct this Safety Services notice to the person that is directly responsible for them.

SAFETY IS OUR CONCERN

Thank you for purchasing your Workers' Compensation insurance. Along with your agent, we appreciate your business and welcome the opportunity to be of service.

An important part of that service concerns accident prevention and safety engineering. Our Loss Prevention & Engineering Division has the experience, resources and capabilities to provide a range of safety services including site surveys, phone consultations or the provision of selected safety material. The following are some examples of our available services:

Accident Prevention - Our staff can help you identify present and potential safety hazards in your operations, premises and equipment, recommending measures for reducing or eliminating these hazards.

Analysis of Accident Causes - Although you investigate and keep records of accidents, we're available to help if needed.

Safety Consultations - Our field staff, supported by Home Office and field specialists, can help you with special problems such as ergonomics.

Industrial Hygiene/Health Services - We have the facilities and resources to answer your questions concerning job related industrial hygiene/health issues and to measure exposure to industrial hygiene hazards.

Safety Videos and Literature - We can provide you with basic videos and literature to assist you in your loss control efforts. Also, we can put you in contact with several companies able to provide additional safety materials including brochures, pamphlets and videos.

Safety Training - We can help you improve your safety training programs.

Internet Website - Visit the Loss Prevention & Engineering website page for helpful safety information. (<http://www.travelerspc.com/safety>). This website also has hot links to other safety-related Internet sites. For all requests for loss control assistance ONLY, please directly contact your local office listed on the following pages

The Travelers will provide these services upon request. Telephone consultation is also available if the nature of the operations and hazards warrant such service. See the rest of this document for the Loss Prevention & Engineering office nearest to you.

SAFETY IS YOUR CONCERN

U. S. employers spend billions of dollars each year on the direct and indirect costs of work-related accidents. Dollar figures can't begin to reflect the pain and suffering of an injured worker and his or her family. But they do give some indication of the multiple consequences of a job-related accident... loss of time, interrupted production, damaged materials and equipment, the expense of retraining or replacing an injured worker, possible legal action from government regulatory agencies, and increased insurance costs.

It makes good sense for both employers and their employees to actively participate in a sound accident prevention program. The success of such a program depends to a large extent on your commitment to safety procedures and accident prevention techniques. Safety is a management concern. Maybe we can help.

You may want to consider the following "Safety Checkpoints" as you evaluate your organization's safety activities:

SELF-INSPECTION PROGRAM:

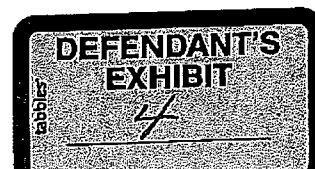
- * Do you conduct periodic surveys of premises?... equipment?... operations?
- * Do you analyze each job to find inherent hazards?
- * If you discover hazards, do you follow up with immediate corrective action?
- * Do you monitor such action to make sure it is implemented and effective?

ACCIDENT INVESTIGATION:

- * Do you investigate each accident?...determine the cause?
- * Do you take immediate steps to prevent a recurrence?
- * Do you keep records of accident investigations and follow-up measures?
- * Do you complete accident statistics and analyze trends?

EDUCATION AND TRAINING

- * Do you take the time to train each of your employees to perform tasks safely?
- * Do more-experienced employees receive training to correct bad habits that have developed over time?
- * Do all employees understand that safety is an important part of their jobs?





FIELD OFFICE INFORMATION FOR SAFETY SERVICES ONLY

ALABAMA

Birmingham
3000 Riverchase Galleria,
Suite 600
Birmingham, AL 35244
(205) 982-4583

ALASKA

Portland, OR
4000 SW Kruse Place, Suite 100
Lake Oswego, OR 97035
(503) 534-4276

ARIZONA

Phoenix
2401 W Peoria Ave., Suite 130
Phoenix, AZ 85029
(602) 861-8649

ARKANSAS

Dallas
1301 E Collins Blvd., Suite 300
Richardson, TX 75081
(214) 570-6194

CALIFORNIA

Diamond Bar
21688 Gateway Center Drive
P.O. Box 6512
Diamond Bar, CA 91765-8512
(909) 612-3500

Glendale
700 N. Central Avenue, 8th Floor
P.O. Box 1840
Glendale, CA 91209
(818) 409-4220

Los Angeles
880 South Figueroa St., Suite 500
Los Angeles, CA 90017
(213) 533-3882

Sacramento
11090 White Rock Road
Rancho Cordova, CA 95670
(916) 638-6404

San Diego
9325 Sky Park Court, Suite 220
San Diego, CA 92123
(619) 616-6285

Walnut Creek
225 Lennon Lane, Suite 200
P.O. Box 8090
Walnut Creek, CA 94596-8090
(925) 945-4171

COLORADO

Denver
7600 E. Orchard Rd., Suite 380
Englewood, CO 80111
P.O. Box 173713
Greenwood Village, CO 80111
(303) 740-1691

CONNECTICUT

Hartford
300 Windsor Street
Hartford, CT 06120
(860) 277-5980

DELAWARE

Baltimore
8013 Corporate Drive
White Marsh, MD 21236-4975
(410) 931-5159

DISTRICT OF COLUMBIA

Washington, DC
14048 Park East Circle
Chantilly, VA 20151
(703) 818-6765

FLORIDA

Orlando
Glwy Ctr-1000 Legion Place,
10th Floor
P.O. Box 3555
Orlando, FL 32802-3555
(407) 649-2596

GEORGIA

Atlanta
4400 North Point Parkway
2nd Floor
Alpharetta, GA 30022
(770) 521-3020

HAWAII

Diamond Bar
21688 Gateway Center Drive
P.O. Box 6512
Diamond Bar, CA 91765-8512
(909) 612-3500

IDAHO

Portland, OR
4000 SW Kruse Place, Suite 100
Lake Oswego, OR 97035
(503) 534-4276

ILLINOIS

Chicago
190 S. LaSalle Street Suite 960
Chicago, IL 60603
(312) 609-2936
Naperville
215 Shuman Boulevard
P.O. Box 3208
Naperville, IL 60566
(630) 961-8074

INDIANA

Indianapolis
6081 E. 82nd St.,
P.O. Box 50485
Indianapolis, IN 46250-0485
(317) 841-2966

IOWA

Kansas City
7600 College Blvd.
Overland Park, KS 66210
(913) 661-3679

KANSAS

Kansas City
7600 College Blvd.
Overland Park, KS 66210
(913) 661-3679

KENTUCKY

Louisville
305 North Hurstbourne Pkwy,
Suite 125
Louisville, KY 40222
(502) 423-5447

LOUISIANA

New Orleans
3900 N. Causeway, Suite 950
Metairie, LA 70002
P.O. Box 61479
New Orleans, LA 70161-1479
(504) 832-7560

MAINE

Portland, ME
207 Larrabee Road, Suite 3
Westbrook, ME 04092
(207) 857-2021

MARYLAND

Baltimore
8013 Corporate Drive
White Marsh, MD 21236-4975
(410) 931-5159

MASSACHUSETTS

Boston
100 Summer Street, Suite 201A
Boston, MA 02110
(617) 984-1284

Hudson
1 Cabot Road, Suite 200
Hudson, MA 01749
(617) 984-1284

Quincy
300 Crown Colony Drive
Quincy, MA 02169
P.O. Box 943
Boston, MA 02103-0943
(617) 984-1284

MICHIGAN

Grand Rapids
3777 Sparks Ave., SE, Suite 200
P.O. Box 3010
Grand Rapids, MI 49501-0323
(616) 942-4344

Southfield
26555 Evergreen Rd., Suite 1240
Southfield, MI 48076-4385
(248) 423-2299



FIELD OFFICE INFORMATION FOR SAFETY SERVICES ONLY (Cont'd)

MINNESOTA

Minneapolis
6465 Wayzata Blvd., 5th Floor
P.O. Box 35
Minneapolis, MN 55440-0035
(952) 541-4265

MISSISSIPPI

New Orleans
3900 N. Causeway, Suite 950
Metairie, LA 70002
P.O. Box 61479
New Orleans, LA 70161-1479
(504) 832-7560

MISSOURI

St. Louis
One City Place Drive
Creve Coeur, MO 63141
P.O. Box 66852
St. Louis, MO 63166-6852
(314) 994-2374

Kansas City
7600 College Blvd.
Overland Park, KS 66210
(913) 661-3679

**Missouri Workers'
Compensation Plan (MWCP)**

951 Hornet Drive
P.O. Box 42021
Hazelwood, MO 63042-2309
(314) 551-3208

MONTANA

Portland, OR
4000 SW Kruse Place, Suite 100
Lake Oswego, OR 97035
(503) 534-4276

NEBRASKA

Omaha
11422 Miracle Hills Drive, Suite 110
Omaha, NE 68154
(913) 661-3679

NEVADA

Las Vegas
1850 E Flamingo, Suite 202
Las Vegas, NV 89119
(702) 669-4718

NEW HAMPSHIRE

Portland, ME
207 Larrabee Road, Suite 3
Westbrook, ME 04092
(207) 857-2021

NEW JERSEY

Morris Plains
1100 American Road, 2nd Floor
Morris Plains, NJ 07950
(973) 606-5245

Pennsauken
4350 Haddonfield Road
Pennsauken, NJ 08109
(856) 488-5942

NEW MEXICO

Dallas
1301 E Collins Blvd., Suite 300
Richardson, TX 75081
(214) 570-6194

NEW YORK

Albany
900 Watervliet-Shaker Road
Albany, NY 12205
(315) 424-7231

Buffalo
60 Lakefront Blvd.
P.O. Box 242
Buffalo, NY 14240-0242
(315) 424-7231

East Meadow
90 Merrick Ave., 4th Floor
East Meadow, NY 11554-1593
(973) 606-5245

New York
One Whitehall Street
New York, NY 10004-2108
(973) 606-5245

Rochester
75 Town Centre Drive
P.O. Box 23235
Rochester, NY 14692-3235
(315) 424-7231

Syracuse
440 South Warren Street
P.O. Box 4963
Syracuse, NY 13221-4963
(315) 424-7231

NORTH CAROLINA

Charlotte
11440 Carmel Commons Blvd.
P.O. Box 473500
Charlotte, NC 28247-3500
(704) 540-3216

Raleigh
3733 National Drive, Suite 200
Raleigh, NC 27612
(919) 420-1873

NORTH DAKOTA

Minneapolis
6465 Wayzata Blvd., 5th Floor
P.O. Box 35
Minneapolis, MN 55440-0035
(952) 541-4265

OHIO

Cincinnati
895 Central Avenue, Suite 800
Cincinnati, OH 45202
(216) 348-7512

Cleveland
Skylight Office Tower
1660 W. 2nd St., Suite 500
Cleveland, OH 44113-1454
(216) 348-7512

OKLAHOMA

Tulsa
9820 East 41st Street, Suite 401
P.O. Box 3510
Tulsa, OK 74101
(913) 661-3679

OREGON

Portland, OR
4000 SW Kruse Place, Suite 100
Lake Oswego, OR 97035
(503) 534-4276

PENNSYLVANIA

Harrisburg
5001 Louise Drive
Mechanicsburg, PA 17055
(717) 691-5101

Philadelphia
1500 Market Street
29th Floor W Tower
Philadelphia, PA 19102
(267) 675-3056

Pittsburgh
800 Two Chatham Center
Pittsburgh, PA 15219-2502
(412) 338-3082

Reading
1105 Berkshire Blvd.
P.O. Box 13426
Wyomissing, PA 19612-3426
(610) 371-3809

RHODE ISLAND

Quincy
300 Crown Colony Drive
Quincy, MA 02169
P.O. Box 943
Boston, MA 02103-0943
(617) 984-12843

SOUTH CAROLINA

Charlotte
11440 Carmel Commons Blvd.
P.O. Box 473500
Charlotte, NC 28247-3500
(704) 540-3216

SOUTH DAKOTA

Omaha
11422 Miracle Hills Drive, Suite 110
Omaha, NE 68154
(913) 661-3679



FIELD OFFICE INFORMATION FOR SAFETY SERVICES ONLY (Cont'd)

TENNESSEE

Memphis

6750 Poplar Ave., Suite 408
P.O. Box 171225
Memphis, TN 38187
(901) 756-3011

Nashville

9020 Overlook Blvd., Suite 150
Brentwood, TN 37027
(615) 372-7747

TEXAS

Dallas

1301 E Collins Blvd., Suite 300
Richardson, TX 75081
(214) 570-6194

Houston

10800 Richmond Ave., Suite 120
P.O. Box 42928
Houston, TX 77242-2928
(713) 787-4031

UTAH

Denver

7600 E. Orchard Rd., Suite 380
Greenwood Village, CO 80111
P.O. Box 173713
Denver, CO 80217
(303) 740-1691

VERMONT

Portland, ME

207 Larrabee Road, Suite 3
Westbrook, ME 04092
(207) 857-2021

VIRGINIA

Richmond

300 Arboretum Place
P.O. Box 26426
Richmond, VA 23260-6426
(804) 330-6060

Washington, DC

14048 Park East Circle
Chantilly, VA 20151
(703) 818-6765

WASHINGTON

Seattle

1501 4th Avenue, Suite 400
Seattle, WA 98101
(206) 464-3471

WEST VIRGINIA

Pittsburgh

800 Two Chatham Center
Pittsburgh, PA 15219-2502
(412) 338-3082

WISCONSIN

Milwaukee

445 S. Moorland Ave., 2nd Floor
Brookfield, WI 53005
P.O. Box 3032
Milwaukee, WI 53201-3032
(262) 797-3113

WYOMING

Denver

7600 E. Orchard Rd., Suite 380
Greenwood Village, CO 80111
P.O. Box 173713
Denver, CO 80217
(303) 740-1691



WORKERS COMPENSATION AND EMPLOYERS LIABILITY POLICY

A Custom Insurance Policy Prepared for:

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON SC 29540

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY**

TYPE AR INFORMATION PAGE WC 00 00 01 (A)

POLICY NUMBER: (6JUB-0188B92-3-03)

NEW-03

INSURER: THE TRAVELERS INDEMNITY COMPANY OF ILLINOIS

NCCI CO CODE: 13579

1.

INSURED:

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON SC 29540

PRODUCER:

MICHAEL P HAIR & ASSOC
7422 CARMEL EXECUTIVE PK #204
PO BOX 472224
CHARLOTTE NC 28247

Insured is A CORPORATION

Other work places and Identification numbers are shown in the schedule(s) attached.

2. The policy period is from 11-07-03 to 11-07-04 12:01 A.M. at the Insured's mailing address.

3. A. **WORKERS COMPENSATION INSURANCE:** Part One of the policy applies to the Workers Compensation Law of the state(s) listed here:

SC

B. **EMPLOYERS LIABILITY INSURANCE:** Part Two of the policy applies to work in each state listed in item 3.A. The limits of our liability under Part Two are:

Bodily Injury by Accident:	\$	500000	Each Accident
Bodily Injury by Disease:	\$	500000	Policy Limit
Bodily Injury by Disease:	\$	500000	Each Employee

C. **OTHER STATES INSURANCE:** Part Three of the policy applies to the states, if any, listed here:

REFER TO RESIDUAL MARKET LIMITED OTHER STATES INSURANCE
ENDORSEMENT WC 00 03 26

D. This policy includes these endorsements and schedules:

SEE LISTING OF ENDORSEMENTS - EXTENSION OF INFO PAGE

4. The premium for this policy will be determined by our Manuals of Rules, Classifications, Rates and Rating Plans. All required information is subject to verification and change by audit to be made ANNUALLY.

DATE OF ISSUE: 12-01-03 TW

ST ASSIGN: SC

OFFICE: ORLANDO

870

PRODUCER: MICHAEL P HAIR & ASSOC

APPELLANT ROA 00440

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY**

TYPE AR INFORMATION PAGE WC 00 00 01 (A)

POLICY NUMBER: (6JUB-01 88B92-3-03)

CLASSIFICATION SCHEDULE:

CLASSIFICATIONS	CODE NO	PREMIUM BASIS ESTIMATED TOTAL ANNUAL REMUNERATION	RATES PER \$100 OF REMUNERATION	ESTIMATED ANNUAL PREMIUM
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SEE EXTENSION OF INFORMATION PAGE - SCHEDULE(S)

SIC-CODE: 4789

TOTAL ESTIMATED ANNUAL STANDARD PREMIUM	\$	166946
PREMIUM DISCOUNT		NONE
0900-39 EXPENSE CONSTANT		280
TERRORISM RISK INS ACT 2002		812
TOTAL ESTIMATED PREMIUM		167988
DEPOSIT AMOUNT DUE		167988

A/R (WCIP) #

Minimum Premium: \$ 750

EMPLOYERS LIABILITY MINIMUM: \$ 100

DATE OF ISSUE: 12-01-03 TW

OFFICE: ORLANDO

PRODUCER: MICHAEL P HAIR & ASSOC

870

APPELLANT ROA 00441

26XSD

ST ASSIGN: SC

Travelers

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

EXTENSION OF INFO PAGE-SCHEDULE WC 00 00 01 (A)

POLICY NUMBER: (6JUB-0188B92-3-03)

INSURER: THE TRAVELERS INDEMNITY COMPANY OF ILLINOIS

13579-SC

INSURED'S NAME: ARD TRUCKING COMPANY INC
ANNIVERSARY RATING DATE: 11-01-04
EXP. MOD. EFFECTIVE DATE: 11-01-03

RATE BUREAU ID: 390236328

CLASSIFICATION	CODE	PREMIUM BASIS ESTIMATED TOTAL ANNUAL REMUNERATION	RATES PER \$100 OF REMUNERATION	ESTIMATED ANNUAL PREMIUM
LOCATION 001 01				
FEIN 570604441 ENTITY CD 001				
ARD TRUCKING COMPANY INC				
1702 N GOVERNOR WILLIAMS DARLINGTON, SC 29540				
TRUCKING: LONG DISTANCE HAULING-ALL EMPLOYEES & DRIVERS	7229	2100000	10.47	219870
SALESPERSONS, COLLECTORS OR MESSENGERS-OUTSIDE	8742	16000	.83	133
CLERICAL OFFICE EMPLOYEES NOC	8810	590000	.31	1829

1.70% EMPL. LIAB. INCREASED LIMITS(9807)	\$	3771
TOTAL PREMIUM SUBJECT TO EXPERIENCE MODIFICATION		225603
CONTINGENT EXP MOD: .74 MODIFIED PREMIUM		166946
TOTAL ESTIMATED ANNUAL STANDARD PREMIUM		166946
0.00% ARAP MODIFICATION PROGRAM		NONE
EXPENSE CONSTANT(0900)		230
TERRORISM RISK INS ACT 2002 (9740)		812
TOTAL ESTIMATED PREMIUM		167988
DEPOSIT AMOUNT DUE		167988

DATE OF ISSUE: 12-01-03 TW

APPELLANT ROA 00442
ST ASSIGN: SC

SCHEDULE NO: 1 OF LAST



WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 00 01 (A)

POLICY NUMBER: (6JUB-0188B92-3-03)

LISTING OF ENDORSEMENTS
EXTENSION OF INFO PAGE

We agree that the following listed endorsements form a part of this policy on its effective date.

WC 00 00 01 A - 001	INFORMATION PAGE
WC 00 00 01 A - 001	INFORMATION PAGE 2
WC 00 00 01 A - 001	EXTENSION OF INFORMATION PAGE - SCHEDULE
WC 00 00 01 A - 001	ENDORSEMENT LISTING
WC 00 03 26 A - 001	LIMITED OTHER STATES INSURANCE END
WC 00 04 02 00 - 001	ANNIVERSARY RATING DATE ENDORSEMENT
WC 00 04 12 00 - 001	CONTINGENT EXPERIENCE RATING MOD FACTOR
WC 00 04 14 00 - 001	NOTIFICATION OF CHANGE IN OWNERSHIP ENDT
WC 00 04 15 00 - 001	ASSIGNED RISK ADJUSTMENT PROGRAM ENDT.
WC 00 04 17 00 - 001	A/R LSRP NOTIFICATION ENDORSEMENT
WC 00 04 20 00 - 001	TERRORISM RISK INS ACT ENDT



The Travelers Insurance Companies

(Each a Stock Insurance Company)

Hartford, Connecticut

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

In return for the payment of the premium and subject to all terms of this policy, we agree with you as follows:

GENERAL SECTION

A. The Policy

This policy includes at its effective date the Information Page and all endorsements and schedules listed there. It is a contract of insurance between you (the employer named in Item 1 of the Information Page) and us (the insurer named on the Information Page). The only agreements relating to this insurance are stated in this policy. The terms of this policy may not be changed or waived except by endorsement issued by us to be part of this policy.

B. Who Is Insured

You are insured if you are an employer named in Item 1 of the Information Page. If that employer is a partnership, and if you are one of its partners, you are insured, but only in your capacity as an employer of the partnership's employees.

C. Workers Compensation Law

Workers Compensation Law means the workers or workmen's compensation law and occupational dis-

ease law of each state or territory named in Item 3.A. of the Information Page. It includes any amendments to that law which are in effect during the policy period. It does not include any federal workers or workmen's compensation law, any federal occupational disease law or the provisions of any law that provide nonoccupational disability benefits.

D. State

State means any state of the United States of America, and the District of Columbia.

E. Locations

This policy covers all of your workplaces listed in Items 1 or 4 of the Information Page; and it covers all other workplaces in Item 3.A. states unless you have other insurance or are self-insured for such workplaces.

PART ONE - WORKERS COMPENSATION INSURANCE

A. How This Insurance Applies

This workers compensation insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. Bodily injury by accident must occur during the policy period.
2. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.

B. We Will Pay

We will pay promptly when due the benefits required of you by the workers compensation law.

C. We Will Defend

We have the right and duty to defend at our expense any claim, proceeding or suit against you for benefits payable by this insurance. We have the right to investigate and settle these claims, proceedings or suits.

We have no duty to defend a claim, proceeding or suit that is not covered by this insurance.

D. We Will Also Pay

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any claim, proceeding or suit we defend:

1. reasonable expenses incurred at our request, but not loss of earnings;

2. premiums for bonds to release attachments and for appeal bonds in bond amounts up to the amount payable under this insurance;
3. litigation costs taxed against you;
4. interest on a judgment as required by law until we offer the amount due under this insurance; and
5. expenses we incur.

E. Other Insurance

We will not pay more than our share of benefits and costs covered by this insurance and other insurance or self-insurance. Subject to any limits of liability that may apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is exhausted, the shares of all remaining insurance will be equal until the loss is paid.

F. Payments You Must Make

You are responsible for any payments in excess of the benefits regularly provided by the workers compensation law including those required because:

1. of your serious and willful misconduct;
2. you knowingly employ an employee in violation of law;
3. you fail to comply with a health or safety law or regulation; or
4. you discharge, coerce or otherwise discriminate against any employee in violation of the workers compensation law.

If we make any payments in excess of the benefits regularly provided by the workers compensation law on your behalf, you will reimburse us promptly.

G. Recovery From Others

We have your rights, and the rights of persons entitled to the benefits of this insurance, to recover our payments from anyone liable for the injury. You will do everything necessary to protect those rights for us and to help us enforce them.

H. Statutory Provisions

These statements apply where they are required by law.

1. As between an injured worker and us, we have notice of the injury when you have notice.
2. Your default or the bankruptcy or insolvency of you or your estate will not relieve us of our duties under this insurance after an injury occurs.
3. We are directly and primarily liable to any person entitled to the benefits payable by this insurance. Those persons may enforce our duties; so may an agency authorized by law.

Enforcement may be against us or against you and us.

4. Jurisdiction over you is jurisdiction over us for purposes of the workers compensation law. We are bound by decisions against you under that law, subject to the provisions of this policy that are not in conflict with that law.
5. This insurance conforms to the parts of the workers compensation law that apply to:
 - a. benefits payable by this insurance;
 - b. special taxes, payments into security or other special funds, and assessments payable by us under that law.
6. Terms of this insurance that conflict with the workers compensation law are changed by this statement to conform to that law.

Nothing in these paragraphs relieves you of your duties under this policy.

PART TWO - EMPLOYERS LIABILITY INSURANCE

A. How This Insurance Applies

This employers liability insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must arise out of and in the course of the injured employee's employment by you.
2. The employment must be necessary or incidental to your work in a state or territory listed in Item 3.A. of the Information Page.
3. Bodily injury by accident must occur during the policy period.
4. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.
5. If you are sued, the original suit and any related legal actions for damages for bodily injury by accident or by disease must be brought in the United States of America, its territories or possessions, or Canada.

B. We Will Pay

We will pay all sums you legally must pay as damages because of bodily injury to your employees, provided the bodily injury is covered by this Employers Liability Insurance.

The damages we will pay, where recovery is permitted by law, include damages:

1. for which you are liable to a third party by reason of a claim or suit against you by that third party to recover the damages claimed against such third party as a result of injury to your employee;
 2. for care and loss of services; and
 3. for consequential bodily injury to a spouse, child, parent, brother or sister of the injured employee;
- provided that these damages are the direct consequence of bodily injury that arises out of and in the course of the injured employee's employment by you; and
4. because of bodily injury to your employee that arises out of and in the course of employment,

claimed against you in a capacity other than as employer.

C. Exclusions

This insurance does not cover:

1. liability assumed under a contract. This exclusion does not apply to a warranty that your work will be done in a workmanlike manner;
2. punitive or exemplary damages because of bodily injury to an employee employed in violation of law;
3. bodily injury to an employee while employed in violation of law with your actual knowledge or the actual knowledge of any of your executive officers;
4. any obligation imposed by a workers compensation, occupational disease, unemployment compensation, or disability benefits law, or any similar law;
5. bodily injury intentionally caused or aggravated by you;
6. bodily injury occurring outside the United States of America, its territories or possessions, and Canada. This exclusion does not apply to bodily injury to a citizen or resident of the United States of America or Canada who is temporarily outside these countries;
7. damages arising out of coercion, criticism, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination against or termination of any employee, or any personnel practices, policies, acts or omissions.
8. bodily injury to any person in work subject to the Longshore and Harbor Workers' Compensation Act (33 USC Sections 901-950), the Nonappropriated Fund Instrumentalities Act (5 USC Sections 8171-8173), the Outer Continental Shelf Lands Act (43 USC Sections 1331-1356), the Defense Base Act (42 USC Sections 1651-1654), the Federal Coal Mine Health and Safety Act of 1969 (30 USC Sections 901-942), any other federal workers or workmen's compensation law or other federal occupational disease law, or any amendments to these laws.

9. bodily injury to any person in work subject to the Federal Employers' Liability Act (45 USC Sections 51-60), any other federal laws obligating an employer to pay damages to an employee due to bodily injury arising out of or in the course of employment, or any amendments to those laws;
10. bodily injury to a master or member of the crew of any vessel.
11. fines or penalties imposed for violation of federal or state law.
12. damages payable under the Migrant and Seasonal Agricultural Worker Protection Act (29 USC Sections 1801-1872) and under any other federal law awarding damages for violation of those laws or regulations issued thereunder, and any amendments to those laws.

D. We Will Defend

We have the right and duty to defend, at our expense, any claim, proceeding or suit against you for damages payable by this insurance. We have the right to investigate and settle these claims, proceedings and suits.

We have no duty to defend a claim, proceeding or suit that is not covered by this insurance. We have no duty to defend or continue defending after we have paid our applicable limit of liability under this insurance.

E. We Will Also Pay

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any claim, proceeding or suit we defend:

1. reasonable expenses incurred at our request, but not loss of earnings;
2. premiums for bonds to release attachments and for appeal bonds in bond amounts up to the limit of our liability under this insurance;
3. litigation costs taxed against you;
4. interest on a judgement as required by law until we offer the amount due under this insurance; and
5. expenses we incur.

F. Other Insurance

We will not pay more than our share of damages and costs covered by this insurance and other insurance or self-insurance. Subject to any limits of liability that apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is ex-

hausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

G. Limits of Liability

Our liability to pay for damages is limited. Our limits of liability are shown in Item 3.B. of the Information Page. They apply as explained below:

1. **Bodily Injury by Accident.** The limit shown for "bodily injury by accident -- each accident" is the most we will pay for all damages covered by this insurance because of bodily injury to one or more employees in any one accident.

A disease is not bodily injury by accident unless it results directly from bodily injury by accident.

2. **Bodily Injury by Disease.** The limit shown for "bodily injury by disease -- policy limit" is the most we will pay for all damages covered by this insurance and arising out of bodily injury by disease, regardless of the number of employees who sustain bodily injury by disease. The limit shown for "bodily injury by disease -- each employee" is the most we will pay for all damages because of bodily injury by disease to any one employee.

Bodily injury by disease does not include disease that results directly from a bodily injury by accident.

3. We will not pay any claims for damages after we have paid the applicable limit of our liability under this insurance.

H. Recovery From Others

We have your rights to recover our payment from anyone liable for an injury covered by this insurance. You will do everything necessary to protect those rights for us and to help us enforce them.

I. Actions Against Us

There will be no right of action against us under this insurance unless:

1. You have complied with all the terms of this policy; and
2. The amount you owe has been determined with our consent or by actual trial and final judgement.

This insurance does not give anyone the right to add us as a defendant in an action against you to determine your liability. The bankruptcy or insolvency of you or your estate will not relieve us of our obligations under this Part.

PART THREE -- OTHER STATES INSURANCE

A. How This Insurance Applies

1. This other states insurance applies only if one or more states are shown in Item 3.C. of the Information Page.
2. If you begin work in any one of those states after the effective date of this policy and are not insured or are not self-insured for such work, all provisions of the policy will apply as though that state were listed in Item 3.A. of the Information Page.
3. We will reimburse you for the benefits required by the workers compensation law of that state if

we are not permitted to pay the benefits directly to persons entitled to them.

4. If you have work on the effective date of this policy in any state not listed in Item 3.A. of the Information Page, coverage will not be afforded for that state unless we are notified within thirty days.

B. Notice

Tell us at once if you begin work in any state listed in Item 3.C. of the Information Page.

PART FOUR—YOUR DUTIES IF INJURY OCCURS

Tell us at once if injury occurs that may be covered by this policy. Your other duties are listed here.

1. Provide for immediate medical and other services required by the workers compensation law.
2. Give us or our agent the names and addresses of the injured persons and of witnesses; and other information we may need.
3. Promptly give us all notices, demands and legal papers related to the injury, claim, proceeding or suit.
4. Cooperate with us and assist us, as we may request, in the investigation, settlement or defense of any claim, proceeding or suit.
5. Do nothing after an injury occurs that would interfere with our right to recover from others.
6. Do not voluntarily make payments, assume obligations or incur expenses, except at your own cost.

PART FIVE—PREMIUM

A. Our Manuals

All premium for this policy will be determined by our manuals of rules, rates, rating plans and classifications. We may change our manuals and apply the changes to this policy if authorized by law or a governmental agency regulating this insurance.

B. Classifications

Item 4 of the Information Page shows the rate and premium basis for certain business or work classifications. These classifications were assigned based on an estimate of the exposures you would have during the policy period. If your actual exposures are not properly described by those classifications, we will assign proper classifications, rates and premium basis by endorsement to this policy.

C. Remuneration

Premium for each work classification is determined by multiplying a rate times a premium basis. Remuneration is the most common premium basis. This premium basis includes payroll and all other remuneration paid or payable during the policy period for the services of:

1. All your officers and employees engaged in work covered by this policy; and
2. All other persons engaged in work that could make us liable under Part One (Workers Compensation Insurance) of this policy. If you do not have payroll records for these persons, the contract price for their services and materials may be used as the premium basis. This paragraph 2 will not apply if you give us proof that the employers of these persons lawfully secured their workers compensation obligations.

D. Premium Payments

You will pay all premium when due. You will pay the premium even if part or all of a workers compensation law is not valid.

E. Final Premium

The premium shown on the Information Page, schedules, and endorsements is an estimate. The final premium will be determined after this policy

ends by using the actual, not the estimated, premium basis and the proper classifications and rates that lawfully apply to the business and work covered by this policy. If the final premium is more than the premium you paid to us, you must pay us the balance. If it is less, we will refund the balance to you. The final premium will not be less than the highest minimum premium for the classifications covered by this policy.

If this policy is canceled, final premium will be determined in the following way unless our manuals provide otherwise:

1. If we cancel, final premium will be calculated pro rata based on the time this policy was in force. Final premium will not be less than the pro rata share of the minimum premium.
2. If you cancel, final premium will be more than pro rata; it will be based on the time this policy was in force, and increased by our short-rate cancellation table and procedure. Final premium will not be less than the minimum premium.

F. Records

You will keep records of information needed to compute premium. You will provide us with copies of those records when we ask for them.

G. Audit

You will let us examine and audit all your records that relate to this policy. These records include ledgers, journals, registers, vouchers, contracts, tax reports, payroll and disbursement records, and programs for storing and retrieving data. We may conduct the audits during regular business hours during the policy period and within three years after the policy period ends. Information developed by audit will be used to determine final premium. Insurance rate service organizations have the same rights we have under this provision.

PART SIX—CONDITIONS

A. Inspection

We have the right, but are not obliged to inspect your workplaces at any time. Our inspections are not safety inspections. They relate only to the insurability of the workplaces and the premiums to be charged. We may give you reports on the conditions we find. We may also recommend changes. While

they may help reduce losses, we do not undertake to perform the duty of any person to provide for the health or safety of your employees or the public. We do not warrant that your workplaces are safe or healthful or that they comply with laws, regulations, codes or standards. Insurance rate service organizations have the same rights we have under this provision.

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 15 (00)

POLICY NUMBER: (6JUB-01 88892-3-03)

ASSIGNED RISK ADJUSTMENT PROGRAM ENDORSEMENT

This endorsement is added to Part Five (Premium) because one or more of the states shown in the Item 3.A of the Information Page have approved the Assigned Risk Adjustment Program. The program adds a surcharge to the premium of insureds who are eligible for an experience rating modification, are assigned risks, and meet the other requirements of the Program.

A. Eligibility

1. You are eligible for the Assigned Risk Adjustment Program if you are eligible for an experience rating modification. The application of this program is mandatory for all eligible insureds and shall apply to all assigned risk policies written for such insureds.
2. The adjustment program period is the one year period beginning with the effective date of the policy. If during the adjustment program period your experience rated modification changes, the Assigned Risk Adjustment Program surcharge factor may also change.

B. Surcharge Application

You must pay a surcharge if your actual losses exceed your modified expected losses, as determined using values from the experience rating modification calculation. The surcharge factor will be applied to your manual premium multiplied by the experience rating modification.

C. Interstate Risks

Experience rated risks with multi-state operations shall be subject to the Assigned Risk Adjustment Program in states that have approved it. See the Schedule below.

D. Cancellation

1. If you cancel, the standard premium for the adjustment plan period will be based on our short rate table and procedure. This short rate premium will be used to determine the Assigned Risk Adjustment Program surcharge.
2. Section D. 1. will not apply if you cancel because:
 - a. all work covered by the insurance is completed;
 - b. all interest in the business covered by the insurance is sold;
 - c. you retire from all business covered by the insurance; or
 - d. coverage is obtained through the voluntary market.

SCHEDULE

STATE

Alabama, Connecticut, Iowa, Kansas, Missouri, North Carolina, Oregon, South Carolina, Vermont, Virginia

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 17 (00)**

POLICY NUMBER: (6JUB-01 88B92-3-03)

**ASSIGNED RISK LOSS SENSITIVE RATING PLAN
NOTIFICATION ENDORSEMENT**

This endorsement is issued because you may qualify to have the cost of your insurance subject to the assigned risk mandatory Loss Sensitive Rating Plan (LSRP).

Eligibility:

1. Your insurance is written under Workers Compensation Insurance Plan (WCIP) in a state which has adopted the Loss Sensitive Rating Plan (LSRP).
2. The LSRP shall apply to an individual assigned risk policy if the total annual estimated Standard Premium or preliminary physical audit premium equals or exceeds the amount noted in the schedule.
3. A decrease in premium during the first 120 days of coverage which results in the premium falling below the LSRP premium eligibility threshold, shall result in the conversion of the policy to a guaranteed cost policy, retroactive to policy inception.
4. An increase in premium during the first 120 days of coverage which qualifies an employer for the LSRP shall result in the retroactive application of the LSRP to policy inception.
5. After the first 120 days of the coverage term, if it is determined that an employer qualifies for LSRP, the policy shall not be changed until renewal.
6. Notwithstanding, anything above to the contrary, any attempt to avoid the application of the LSRP arising from a misrepresentation or omission by you, your agent, employees, officers or directors shall result in the pro rata application of LSRP from the date upon which it would have applied had such misrepresentation or omission not been made.
7. The LSRP will apply on an interstate basis when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

This plan will adjust your premium for this insurance based upon the losses incurred during the period covered by this insurance.

This endorsement applies in the states listed in the schedule below:

SCHEDULE

STATE	PREMIUM ELIGIBILITY
Alabama	\$200,000
Alaska	\$200,000
Connecticut	\$200,000
District of Columbia	\$200,000
Georgia	\$200,000
Idaho	\$200,000
Illinois	\$200,000
Indiana	\$100,000
Kansas	\$200,000
Nevada	\$200,000
New Hampshire	\$175,000
North Carolina	\$200,000
South Dakota	\$200,000

DATE OF ISSUE: 12-01-03

ST ASSIGN: SC
APPELLANT ROA 00449

(Rev. 03-03)

POLICY NUMBER: (6JUB-0188B92-3-03)

TERRORISM RISK INSURANCE ACT ENDORSEMENT

This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002.

Definitions

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. If words or phrases not defined in this endorsement are defined in the Act the definitions in the Act will apply.

"Act" means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002 and any amendments.

"Act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, 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.

"Insured terrorism or war loss" means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at United States missions or to certain air carriers or vessels.

"Insurer deductible" means:

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.

Limitation of Liability

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

Policyholder Disclosure Notice

1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States would pay 90% of our insured terrorism or war losses exceeding our insurer deductible.

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 20 (OO)**

POLICY NUMBER: (6JUB-01 88B92-3-03)

2. The additional premium charged for the coverage this policy provides for insured terrorism or war losses is shown in Item 4 of the Information Page or the Schedule below.

Schedule			
State	Rate per \$100 of Remuneration	State	Rate per \$100 of Remuneration
SOUTH CAROLINA	0.030		

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective

Policy No.

Endorsement No.

Insured

Premium \$

Insurance Company

Countersigned by _____

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY**

ENDORSEMENT WC 00 04 12 (00)

POLICY NUMBER: (6JUB-0188B92-3-03)

**CONTINGENT EXPERIENCE
RATING MODIFICATION FACTOR ENDORSEMENT**

The premium for this policy will be adjusted by an experience rating modification factor. The factor shown in the schedule is a Contingent Experience Rating Modification factor based on the appropriate experience data available and supersedes any prior experience modification factor. We will issue an endorsement to show a revised factor if appropriate additional experience data becomes available. The Contingent factor will apply unless a revised factor is subsequently issued.

SCHEDULE

STATE

MODIFICATION

SC

0.7400



Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 14 (00)**

POLICY NUMBER: (6JUB-0188B92-3-03)

NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

Experience rating is mandatory for all eligible insureds. The experience rating modification factor, if any, applicable to this policy, may change if there is a change in your ownership or in that of one or more of the entities eligible to be combined with you for experience rating purposes. Change in ownership includes sales, purchases, other transfers, mergers, consolidations, dissolutions, formations of a new entity and other changes provided for in the applicable experience rating plan manual.

You must report any change in ownership to us in writing within 90 days of such change. Failure to report such changes within this period may result in revision of the experience rating modification factor used to determine your premium.

DATE OF ISSUE: 12-01-03

ST ASSIGN: SC

APPELLANT ROA 00453

B. Long Term Policy

If the policy period is longer than one year and sixteen days, all provisions of this policy will apply as though a new policy were issued on each annual anniversary that this policy is in force.

C. Transfer of Your Rights and Duties

Your rights or duties under this policy may not be transferred without our written consent.

If you die and we receive notice within thirty days after your death, we will cover your legal representative as insured.

D. Cancellation

1. You may cancel this policy. You must mail or deliver advance written notice to us stating when the cancellation is to take effect.

2. We may cancel this policy. We must mail or deliver to you not less than ten days advance written notice stating when the cancellation is to take effect. Mailing that notice to you at your mailing address shown in Item 1 of the Information Page will be sufficient to prove notice.

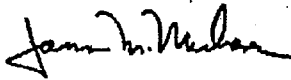
3. The policy period will end on the day and hour stated in the cancellation notice.

4. Any of these provisions that conflict with a law that controls the cancellation of the insurance in this policy is changed by this statement to comply with the law.

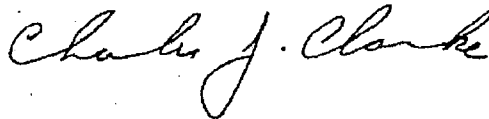
E. Sole Representative

The insured first named in Item 1 of the Information Page will act on behalf of all insureds to change this policy, receive return premium, and give or receive notice of cancellation.

In witness whereof, the company has caused this policy to be signed by its President and Secretary at Hartford, Connecticut and countersigned on the Information page by a duly authorized agent of the company.



Secretary



President

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 03 26 (A)**

POLICY NUMBER: (6JUB-01 88B92-3-03)

**RESIDUAL MARKET
LIMITED OTHER STATES INSURANCE ENDORSEMENT**

"Part Three—Other States Insurance" of the policy is replaced by the following:

PART THREE OTHER STATES INSURANCE

A. How This Insurance Applies

1. We will pay promptly when due the benefits required of you by the workers compensation law of any state not listed in Item 3.A. of the Information Page if all of the following conditions are met:
 - a. The employee claiming benefits was either hired under a contract of employment made in a state listed in Item 3.A. of the Information Page or was, at the time of injury, principally employed in a state listed in Item 3.A. of the Information Page; and
 - b. The employee claiming benefits is not claiming benefits in a state where, at the time of injury, (i) you have other workers compensation insurance coverage, or (ii) you were, by virtue of the nature of your operations in that state, required by that state's law to have obtained separate workers compensation insurance coverage, or (iii) you are an authorized self-insurer or participant in a self-insured group plan; and
 - c. The duration of the work being performed by the employee claiming benefits in the state for which that employee is claiming benefits is temporary.
2. If we are not permitted to pay the benefits directly to persons entitled to them and all of the above conditions are met, we will reimburse you for the benefits required to be paid.
3. This insurance does not apply to fines or penalties arising out of your failure to comply with the requirements of the workers compensation law.

IMPORTANT NOTICE!

If you hire any employees outside those states listed in Item 3.A. on the Information Page or begin operations in any such state, you should do whatever may be required under that state's law, as this endorsement does not satisfy the requirements of that state's workers compensation law.



**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY**

ENDORSEMENT WC 00 04 02 (00)

POLICY NUMBER: (6JUB-0188B92-3-03)

ANNIVERSARY RATING DATE ENDORSEMENT

The premium and rates for this policy, and the experience rating modification factor, if any, may change on your anniversary rating date shown in the Schedule(s).

SCHEDULE

ANNIVERSARY RATING DATE	(MONTH)	(DAY)	(YEAR)
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REFER TO INFORMATION PAGE SCHEDULE(S)

DATE OF ISSUE: 12-01-03

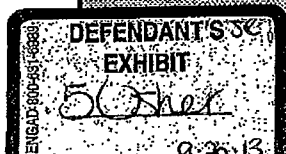
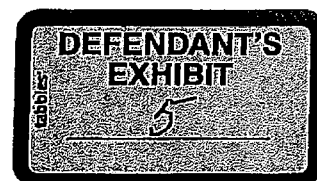
ST ASSIGN: ~~SC~~ APPELLANT ROA 00456



WORKERS COMPENSATION AND EMPLOYERS LIABILITY POLICY

A Custom Insurance Policy Prepared for:

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON SC 29540



APPELLANT ROA 00457

BWPH Ard Trucking 00065

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY**

TYPE AR INFORMATION PAGE WC 00 00 01 (A)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

INSURER: THE TRAVELERS INDEMNITY COMPANY OF ILLINOIS

NCCI CO CODE: 13579

1.

INSURED:

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON SC 29540

PRODUCER:

MICHAEL P HAIR & ASSOC
7422 CARMEL EXECUTIVE PK #204
PO BOX 472224
CHARLOTTE NC 28247

Insured is A CORPORATION

Other work places and identification numbers are shown in the schedule(s) attached.

2. The policy period is from 11-07-03 to 11-07-04 12:01 A.M. at the insured's mailing address.

3. A. **WORKERS COMPENSATION INSURANCE:** Part One of the policy applies to the Workers Compensation Law of the state(s) listed here:

SC

B. **EMPLOYERS LIABILITY INSURANCE:** Part Two of the policy applies to work in each state listed in item 3.A. The limits of our liability under Part Two are:

Bodily Injury by Accident:	\$	500000 Each Accident
Bodily Injury by Disease:	\$	500000 Policy Limit
Bodily Injury by Disease:	\$	500000 Each Employee

C. **OTHER STATES INSURANCE:** Part Three of the policy applies to the states, if any, listed here:

REFER TO RESIDUAL MARKET LIMITED OTHER STATES INSURANCE
ENDORSEMENT WC 00 03 26

D. This policy includes these endorsements and schedules:

SEE LISTING OF ENDORSEMENTS - EXTENSION OF INFO PAGE

4. The premium for this policy will be determined by our Manuals of Rules, Classifications, Rates and Rating Plans. All required information is subject to verification and change by audit to be made ANNUALLY.

DATE OF ISSUE: 03-01-04 TW

OFFICE: ORLANDO

870

PRODUCER: MICHAEL P HAIR & ASSOC

26XSD

ST ASSIGN: SC

BWPH Ard Trucking 00066

APPELLANT ROA 00458

Travelers

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

TYPE AR INFORMATION PAGE WC 00 00.01 (A)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

CLASSIFICATION SCHEDULE:

CLASSIFICATIONS	CODE NO	PREMIUM BASIS ESTIMATED TOTAL ANNUAL REMUNERATION	RATES PER \$100 OF REMUNERATION	ESTIMATED ANNUAL PREMIUM
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SEE EXTENSION OF INFORMATION PAGE - SCHEDULE (S)

SIC-CODE: 4789

	STANDARD	EXCESS
TOTAL ESTIMATED ANNUAL STANDARD PREMIUM \$	260581 \$	NONE
PREMIUM DISCOUNT	TO BE DETERMINED	
OTHER CHARGES & CREDITS	NONE	52116
0900-39 EXPENSE CONSTANT		230
TERRORISM RISK INS ACT 2002	1289	NONE
TOTAL ESTIMATED PREMIUM	261870	52346
DEPOSIT AMOUNT D	261870	52346

A/R (WCIP) #

Minimum Premium: \$ 750

EMPLOYERS LIABILITY MINIMUM: \$ 100

DATE OF ISSUE: 03-01-04 TW

OFFICE: ORLANDO

870

PRODUCER: MICHAEL P HAIR & ASSOC 26XSD

ST ASSIGN: SC

APPELLANT ROA 00459

BWPH Ard Trucking 00067

Travelers

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

EXTENSION OF INFO PAGE-SCHEDULE WC 00 00 01 (A)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

INSURER: THE TRAVELERS INDEMNITY COMPANY OF ILLINOIS

13579-SC

INSURED'S NAME: ARD TRUCKING COMPANY INC
RATING MODE: RMD LOSS SENSITIVE RATING PLANS
ANNIVERSARY RATING DATE: 11-01-04
EXP. MOD. EFFECTIVE DATE: 11-01-03

RATE BUREAU ID: 390236328

CLASSIFICATION	CODE	PREMIUM BASIS ESTIMATED TOTAL ANNUAL REMUNERATION	RATES PER \$100 OF REMUNERATION	ESTIMATED ANNUAL PREMIUM
LOCATION 001 01				
FEIN 570604441 ENTITY CD 001				
ARD TRUCKING COMPANY INC				
1702 N GOVERNOR WILLIAMS DARLINGTON, SC 29540				
TRUCKING: LONG DISTANCE HAULING-ALL EMPLOYEES & DRIVERS	7229	3456061	10.47	361850
SALESPERSONS, COLLECTORS OR MESSENGERS-OUTSIDE	8742	14976	.83	124

DATE OF ISSUE: 03-01-04 TW

ST ASSIGN: SC

SCHEDULE NO: 1 OF MORE

BWPH Ard Trucking 00068

APPELLANT ROA 00460

Travelers

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

EXTENSION OF INFO PAGE-SCHEDULE WC 00 00 01 (A)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

CLASSIFICATION	CODE	PREMIUM BASIS ESTIMATED TOTAL ANNUAL REMUNERATION	RATES PER \$100 OF REMUNERATION	ESTIMATED ANNUAL PREMIUM
LOCATION 001 01 (CONT'D)				
CLERICAL OFFICE EMPLOYEES NOC	8810	824523	.31	2556

	STANDARD	EXCESS
1.70% EMPL. LIAB. INCREASED LIMITS(9807)	\$ 6197	NONE
5.10% DEDUCTIBLE CREDIT(9941)	18591	NONE
TOTAL PREMIUM SUBJECT TO EXPERIENCE MODIFICATION	352136	NONE
CONTINGENT EXP MOD: .74 MODIFIED PREMIUM	260581	NONE
TOTAL ESTIMATED ANNUAL STANDARD PREMIUM	260581	NONE
0.00% ARAP MODIFICATION PROGRAM	NONE	NONE
LSRP CONTINGENT DEPOSIT (9700)	NONE	52116
EXPENSE CONSTANT(0900)	NONE	230
TERRORISM RISK INS ACT 2002 (9740)	1289	NONE
TOTAL ESTIMATED PREMIUM	261870	52346
DEPOSIT AMOUNT DUE	261870	52346

DATE OF ISSUE: 03-01-04 TW

ST ASSIGN: SC

SCHEDULE NO: 2 OF LAST

APPELLANT ROA 00461

BWPH Ard Trucking 00069



WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 00 01 (A)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

LISTING OF ENDORSEMENTS
EXTENSION OF INFO PAGE

We agree that the following listed endorsements form a part of this policy on its effective date.

WC 00 00 01 A - 001	INFORMATION PAGE
WC 00 00 01 A - 001	INFORMATION PAGE 2
WC 00 00 01 A - 001	EXTENSION OF INFORMATION PAGE - SCHEDULE
WC 00 00 01 A - 001	ENDORSEMENT LISTING
WC 00 06 03 00 - 001	BENEFITS DEDUCTIBLE ENDORSEMENT
WC 00 03 26 A - 001	LIMITED OTHER STATES INSURANCE END
WC 00 04 02 00 - 001	ANNIVERSARY RATING DATE ENDORSEMENT
WC 00 04 12 00 - 001	CONTINGENT EXPERIENCE RATING MOD FACTOR
WC 00 04 14 00 - 001	NOTIFICATION OF CHANGE IN OWNERSHIP ENDT
WC 00 04 15 00 - 001	ASSIGNED RISK ADJUSTMENT PROGRAM ENDT.
WC 00 04 17 00 - 001	A/R LSRP NOTIFICATION ENDORSEMENT
WC 00 04 18 00 - 001	MANDATORY A/R LSRP ENDORSEMENT
WC 00 04 20 00 - 001	TERRORISM RISK INS ACT ENDT

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 06 03 (00)**

POLICY NUMBER: (R6EJUB-9560A28-5-03)

BENEFITS DEDUCTIBLE ENDORSEMENT

This endorsement applies only to the insurance provided by Part One (Workers Compensation Insurance) because the states listed in the Schedule below are shown in item 3.A. of the Information Page.

1. Part One (Workers Compensation Insurance) applies only to benefits in excess of the deductible amount shown in the Schedule below.
2. This deductible applies separately to each claim for bodily injury by accident or disease.
3. If the law requires payment on a per accident or per disease basis, this provision applies in place of paragraph 2 above. This deductible applies separately to each accident or disease, regardless of the number of people who sustain injury by such accident or disease.
4. We will pay the deductible amount for you, but you must reimburse us within 30 days after we send you notice that payment is due. If you fail to fully reimburse us, we may cancel the policy as provided in Part Six (Conditions), Section D. Cancellation, of the policy. We may keep the amount of unearned premium that will reimburse us for the payments we made. These rights are in addition to other rights we have to be reimbursed.
5. If the statute requires or allows you to pay the deductible amount, this provision applies in place of paragraph 4 above. You will pay the deductible amounts directly to the persons entitled to them. We will be your guarantor for those payments. If we pay the deductible amount as guarantor, you must reimburse us within 30 days after we send you notice that payment is due. If you fail to reimburse us, we may cancel the policy as provided in Part Six (Conditions), Section D. Cancellation, of the policy. We may keep the amount of unearned premium that will reimburse us for the payments we made. These rights are in addition to other rights we have to be reimbursed.

SCHEDULE

State	Indemnity and Medical Deductible Amount	Medical Deductible Amount	Indemnity Deductible Amount
SC	\$1000		

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

PAGE 1 OF LAST

BWPH Ard Trucking 00071

APPELLANT ROA 00463

Travelers

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

ENDORSEMENT WC 00 03 26 (A)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

**RESIDUAL MARKET
LIMITED OTHER STATES INSURANCE ENDORSEMENT**

"Part Three—Other States Insurance" of the policy is replaced by the following:

PART THREE OTHER STATES INSURANCE

A. How This Insurance Applies

1. We will pay promptly when due the benefits required of you by the workers compensation law of any state not listed in Item 3.A. of the Information Page if all of the following conditions are met:
 - a. The employee claiming benefits was either hired under a contract of employment made in a state listed in Item 3.A. of the Information Page or was, at the time of injury, principally employed in a state listed in Item 3.A. of the Information Page; and
 - b. The employee claiming benefits is not claiming benefits in a state where, at the time of injury, (i) you have other workers compensation insurance coverage, or (ii) you were, by virtue of the nature of your operations in that state, required by that state's law to have obtained separate workers compensation insurance coverage, or (iii) you are an authorized self-insurer or participant in a self-insured group plan; and
 - c. The duration of the work being performed by the employee claiming benefits in the state for which that employee is claiming benefits is temporary.
2. If we are not permitted to pay the benefits directly to persons entitled to them and all of the above conditions are met, we will reimburse you for the benefits required to be paid.
3. This insurance does not apply to fines or penalties arising out of your failure to comply with the requirements of the workers compensation law.

IMPORTANT NOTICE!

If you hire any employees outside those states listed in Item 3.A. on the Information Page or begin operations in any such state, you should do whatever may be required under that state's law, as this endorsement does not satisfy the requirements of that state's workers compensation law.

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

APPELLANT ROA 00464 BWPB Ard Trucking 00072



WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 02 (00)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

ANNIVERSARY RATING DATE ENDORSEMENT

The premium and rates for this policy, and the experience rating modification factor, if any, may change on your anniversary rating date shown in the Schedule(s).

SCHEDULE

ANNIVERSARY RATING DATE

(MONTH)

(DAY)

(YEAR)

REFER TO INFORMATION PAGE SCHEDULE(S)

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

APPELLANT ROA 00465

BWPH Ard Trucking 00073

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 12 (00)**

POLICY NUMBER: (R6EJUB-9560A28-5-03)

**CONTINGENT EXPERIENCE
RATING MODIFICATION FACTOR ENDORSEMENT**

The premium for this policy will be adjusted by an experience rating modification factor. The factor shown in the schedule is a Contingent Experience Rating Modification factor based on the appropriate experience data available and supersedes any prior experience modification factor. We will issue an endorsement to show a revised factor if appropriate additional experience data becomes available. The Contingent factor will apply unless a revised factor is subsequently issued.

SCHEDULE

STATE

SC

MODIFICATION

0.7400

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

BWPH Ard Trucking 00074

APPELLANT ROA 00466

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY**

ENDORSEMENT WC 00 04 14 (00)

POLICY NUMBER: (R6EJTB-9560A28-5-03)

NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

Experience rating is mandatory for all eligible insureds. The experience rating modification factor, if any, applicable to this policy, may change if there is a change in your ownership or in that of one or more of the entities eligible to be combined with you for experience rating purposes. Change in ownership includes sales, purchases, other transfers, mergers, consolidations, dissolutions, formations of a new entity and other changes provided for in the applicable experience rating plan manual.

You must report any change in ownership to us in writing within 90 days of such change. Failure to report such changes within this period may result in revision of the experience rating modification factor used to determine your premium.

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

BWPH Ard Trucking 00075

APPELLANT ROA 00467



WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04.15 (00)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

ASSIGNED RISK ADJUSTMENT PROGRAM ENDORSEMENT

This endorsement is added to Part Five (Premium) because one or more of the states shown in the Item 3.A of the Information Page have approved the Assigned Risk Adjustment Program. The program adds a surcharge to the premium of insureds who are eligible for an experience rating modification, are assigned risks, and meet the other requirements of the Program.

A. Eligibility

1. You are eligible for the Assigned Risk Adjustment Program if you are eligible for an experience rating modification. The application of this program is mandatory for all eligible insureds and shall apply to all assigned risk policies written for such insureds.
2. The adjustment program period is the one year period beginning with the effective date of the policy. If during the adjustment program period your experience rated modification changes, the Assigned Risk Adjustment Program surcharge factor may also change.

B. Surcharge Application

You must pay a surcharge if your actual losses exceed your modified expected losses, as determined using values from the experience rating modification calculation. The surcharge factor will be applied to your manual premium multiplied by the experience rating modification.

C. Interstate Risks

Experience rated risks with multi-state operations shall be subject to the Assigned Risk Adjustment Program in states that have approved it. See the Schedule below.

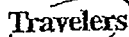
D. Cancellation

1. If you cancel, the standard premium for the adjustment plan period will be based on our short rate table and procedure. This short rate premium will be used to determine the Assigned Risk Adjustment Program surcharge.
2. Section D. 1. will not apply if you cancel because:
 - a. all work covered by the insurance is completed;
 - b. all interest in the business covered by the insurance is sold;
 - c. you retire from all business covered by the insurance; or
 - d. coverage is obtained through the voluntary market.

SCHEDULE

STATE

Alabama, Connecticut, Iowa, Kansas, Missouri, North Carolina, Oregon, South Carolina, Vermont, Virginia



WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 17 (00)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

**ASSIGNED RISK LOSS SENSITIVE RATING PLAN
NOTIFICATION ENDORSEMENT**

This endorsement is issued because you may qualify to have the cost of your insurance subject to the assigned risk mandatory Loss Sensitive Rating Plan (LSRP).

Eligibility:

1. Your insurance is written under Workers Compensation Insurance Plan (WCIP) in a state which has adopted the Loss Sensitive Rating Plan (LSRP);
2. The LSRP shall apply to an individual assigned risk policy if the total annual estimated Standard Premium or preliminary physical audit premium equals or exceeds the amount noted in the schedule.
3. A decrease in premium during the first 120 days of coverage which results in the premium falling below the LSRP premium eligibility threshold, shall result in the conversion of the policy to a guaranteed cost policy, retroactive to policy inception.
4. An increase in premium during the first 120 days of coverage which qualifies an employer for the LSRP shall result in the retroactive application of the LSRP to policy inception.
5. After the first 120 days of the coverage term, if it is determined that an employer qualifies for LSRP, the policy shall not be changed until renewal.
6. Notwithstanding, anything above to the contrary, any attempt to avoid the application of the LSRP arising from a misrepresentation or omission by you, your agent, employees, officers or directors shall result in the pro rata application of LSRP from the date upon which it would have applied had such misrepresentation or omission not been made.
7. The LSRP will apply on an interstate basis when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

This plan will adjust your premium for this insurance based upon the losses incurred during the period covered by this insurance.

This endorsement applies in the states listed in the schedule below.

SCHEDULE

STATE	PREMIUM ELIGIBILITY
Alabama	\$200,000
Alaska	\$200,000
Connecticut	\$200,000
District of Columbia	\$200,000
Georgia	\$200,000
Idaho	\$200,000
Illinois	\$200,000
Indiana	\$100,000
Kansas	\$200,000
Nevada	\$200,000
New Hampshire	\$175,000
North Carolina	\$200,000
South Dakota	\$200,000

DATE OF ISSUE: 03-01-04 ST ASSIGN: SC

(Rev. 03-03)

APPELLANT ROA 00469 BWPH Ard Trucking 00077

POLICY NUMBER: (R6EJTB-9560A28-5-03)

**MANDATORY ASSIGNED RISK LOSS SENSITIVE RATING PLAN
ENDORSEMENT**

This endorsement is added to Part Five (Premium) to explain the rating plan and how the Assigned Risk Loss Sensitive Rating Plan premium will be determined.

This endorsement applies where the LSRP has been approved. It determines the Assigned Risk Loss Sensitive Rating Plan premium for the insurance provided during the rating plan period of this policy. The rating plan period is the one-year period beginning with the effective date of the policy.

A. Assigned Risk Loss Sensitive Rating Plan Premium Elements

The amount of Assigned Risk Loss Sensitive Rating Plan premium depends on the six standard elements which are explained below:

1. Standard premium is the premium we would charge during the rating plan period if the insurance was not subject to this endorsement. We determine your standard premium based upon authorized rates, any experience rating modification and minimum premiums, including the effect of any other residual market rating plan or program. Standard premium does not include the expense constant charge, the premium discount credit, premium developed by the passenger seat surcharge under Code 7421 - Aircraft Operation - Flying Crew, or premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health and Safety Act.
2. Basic premium is calculated by multiplying the standard premium by a basic premium factor. The basic premium factor is shown in the Schedule.
3. Incurred losses are all amounts we will pay or estimate we will pay for losses, interest on judgments, expenses to recover against third parties and employers liability loss adjustment expenses.
4. A converted loss is an incurred loss multiplied by a percentage called the loss conversion factor. The Assigned Risk Loss Sensitive Rating Plan loss conversion factor is shown in the Schedule.
5. Taxes are a part of the premium we collect. Taxes are determined as a percentage of expense and development premium and converted losses. The percentage is called the tax multiplier. The tax multiplier covers assessments, fees, licenses, and taxes which we must pay on the premium we collect. It varies by Federal and non-Federal classifications. The tax multiplier(s) for each state are shown in the Schedule.
6. Development premium is calculated by multiplying the standard premium by the product of the appropriate premium development factor, the loss conversion factor and the tax multiplier. The premium development factors are shown in the Schedule.

B. Assigned Risk Loss Sensitive Rating Plan Formula

1. Assigned Risk Loss Sensitive Plan premium is the sum of the basic premium, development premium and converted losses, multiplied by the tax multiplier. The payment, if any, attributable to the four items excluded from standard premium in A.1. above, is a separate obligation of yours in addition to the Assigned Risk Loss Sensitive Rating Plan premium.
2. The Assigned Risk Loss Sensitive Rating Plan premium is subject to a minimum premium and a maximum premium. The minimum premium is determined by multiplying the total audited standard premium by the minimum premium factor. The maximum premium is determined by multiplying the total audited standard premium for the qualifying states by the applicable maximum premium factor. The minimum premium factor and maximum premium factor for each state are shown in the Schedule.

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 18 (00)

POLICY NUMBER: (R6EJUB-9560A28-5-03)

C. Premium Calculation and Payments

1. You will pay a premium which amounts to 120% of the estimated annual premium. If you obtain an acceptable clean, unconditional, irrevocable letter of credit (LLOC), containing an automatic renewal clause, to secure the 20% additional deposit premium, the premium will be 100% of the estimated annual premium.

2. Your rating plan premium will be determined after the rating plan period ends. We will issue an endorsement to show any change in the premium for your insurance if your annual audited standard premium equals or exceeds the premium eligibility level in one or more states where this plan has been approved.

3. The first calculation of Assigned Risk Loss Sensitive Rating Plan premium shall be determined using all loss information valued as of 18 months after the month in which the rating plan period became effective. Three additional annual premium adjustment calculations shall be made based on loss information valued as of 30, 42, and 54 months after the month in which the rating plan period became effective.

We may make a special valuation of the Assigned Risk Loss Sensitive Rating Plan premium as of any date that you become bankrupt or insolvent, make an assignment for the benefit of creditors, are involved in reorganization, receivership or liquidation, or dispose of all your interest in work covered by the insurance. You will pay the amount due us if the Assigned Risk Loss Sensitive Rating Plan premium is more than the total standard premium as of the special valuation date.

4. After each valuation, you shall promptly pay to us the amount due, or we will refund the amount due you. If you fail to pay any premium due under this plan, your current policy will be canceled and you will be disqualified from future assignments through the assigned risk plan.

D. Cancellation

1. If the policy is canceled by you or by us, a determination shall be made as to whether this program shall apply. The Assigned Risk Loss Sensitive Rating Plan shall apply only to those policies where the payroll extended to an annual basis and multiplied by the manual rates and experience modification, equals or exceeds the premium eligibility level in any of the states where this program has been approved.

2. The Assigned Risk Loss Sensitive Rating Plan will not apply if you obtain coverage outside the residual market within 120 days after the effective date of the policy.

3. If you cancel, the standard premium for the rating plan period will be based on our short rate table and procedure. This short rate premium will be used to determine the Assigned Risk Loss Sensitive Rating Plan premium.

4. Section D.3. will not apply if you cancel because:

- a. all work covered by the insurance is completed;
- b. all interest in the business covered by the insurance is sold;
- c. you retire from all business covered by the insurance; or
- d. you obtain coverage in the voluntary market.

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 18 (00)**

POLICY NUMBER: (R6EJUB-9560A28-5-03)

SCHEDULE

1. Basic Premium Factor .30
2. Loss Conversion Factor 1.19
3. Tax Multiplier 1.143
4. Minimum Premium Factor .75
5. Maximum Premium Factor 1.75
6. LSRP Development Factors:
 - 1st Adjustment 0.00
 - 2nd Adjustment 0.00
 - 3rd Adjustment 0.00
 - Subsequent Adjustments 0.00

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

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BWPH Ard Trucking 00080

APPELLANT ROA 00472

POLICY NUMBER: (R6BJUB-9560A28-5-03)

TERRORISM RISK INSURANCE ACT ENDORSEMENT

This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002.

Definitions

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. If words or phrases not defined in this endorsement are defined in the Act the definitions in the Act will apply.

"Act" means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002 and any amendments.

"Act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, 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.

"Insured terrorism or war loss" means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at United States missions or to certain air carriers or vessels.

"Insurer deductible" means:

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.

Limitation of Liability

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

Policyholder Disclosure Notice

1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States would pay 90% of our insured terrorism or war losses exceeding our insurer deductible.

Travelers

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 04 20 (00)**

POLICY NUMBER: (R6EJUB-9560A28-5-03)

2. The additional premium charged for the coverage this policy provides for insured terrorism or war losses is shown in Item 4 of the Information Page or the Schedule below.

Schedule			
State	Rate per \$100 of Remuneration	State	Rate per \$100 of Remuneration
SOUTH CAROLINA	0.030		

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective	Policy No.	Endorsement No.
Insured		Premium \$
Insurance Company	Countersigned by _____	

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

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BWPH Ard Trucking 00082

APPELLANT ROA 00474

WORKSHEET FOR WORKERS' COMPENSATION TELEPHONE REPORTING

THINGS TO REMEMBER WHEN COMPLETING THE INFORMATION BELOW:

Call the Telephone Reporting Center to quickly and easily report all Workers' Compensation injuries. We will be asking you the following questions, so please have the information handy. We will produce and submit the necessary state forms.

DO NOT DELAY IN CALLING IF YOU DO NOT HAVE ANSWERS TO ALL OF THE QUESTIONS

ACCOUNT INFORMATION

CALLER'S PHONE NUMBER/EXTENSION ()	CALLER'S NAME (FIRST, MI., LAST)	CALLER'S TITLE	BENEFIT STATE
EMPLOYER'S NAME	EMPLOYER'S ADDRESS (STREET, CITY, STATE & ZIP)	EMPLOYER'S MAILING ADDRESS (STREET, CITY, STATE & ZIP) ☐ SAME	
PARENT COMPANY/INSURED'S NAME	LOCATION CODE	NATURE OF BUSINESS	POLICY FORM (R6BJUB-9560A28-5-03)
POLICY NUMBER			

EMPLOYEE INFORMATION

EMPLOYEE'S NAME (FIRST, MI., LAST)	GENDER ☐ MALE ☐ FEMALE	SOCIAL SECURITY NUMBER
EMPLOYEE'S MAILING ADDRESS (STREET, CITY, STATE & ZIP)	IS EMPLOYEE'S HOME ADDRESS THE SAME? IF NO, STREET, CITY, STATE & ZIP ☐ YES ☐ NO	
MARITAL STATUS	EMPLOYMENT STATUS CODE ☐ FULL-TIME ☐ PART-TIME	NO. OF DEPENDENTS
CLASS CODE	DATE OF BIRTH	WAGE PERIOD
		HOME PHONE NUMBER ()

ACCIDENT INFORMATION

DATE OF INJURY	TIME OF INJURY A.M. P.M.	DATE CLAIM REPORTED TO EMPLOYER	WAS THE ACCIDENT ON THE EMPLOYER'S PREMISES? ☐ YES ☐ NO	
LOCATION OF ACCIDENT ADDRESS (STREET, CITY, STATE & ZIP)			COUNTY	
DID EMPLOYEE LOSE ANY TIME FROM WORK? ☐ YES ☐ NO	IS THE EMPLOYEE BACK AT WORK? IF YES, DATE RETURNED ☐ YES ☐ NO	DATE EMPLOYEE LAST WORKED	WAS EMPLOYEE PAID FOR DATE OF INJURY? ☐ YES ☐ NO	DATE EMPLOYEE LAST PAID
DATE DISABILITY BEGAN	DATE DISABILITY ENDED	IS EMPLOYEE'S SALARY CONTINUED? ☐ YES ☐ NO	WAS EMPLOYEE'S INJURY RELATED TO A COMPANY-SPONSORED EVENT? ☐ YES ☐ NO	WAS ACCIDENT FATAL? IF YES, DATE OF DEATH ☐ YES ☐ NO
FULL DESCRIPTION OF ACCIDENT				

CAUSE OF ACCIDENT (E.G., SLIP/FALL, LIFTING, CHEMICAL)	IF MOTOR VEHICLE ACCIDENT, DRIVER'S LICENSE NUMBER	STATE WHERE ISSUED
CONTRIBUTING FACTORS	EQUIPMENT, MATERIAL OR SUBSTANCE INVOLVED	

IF OTHER PARTIES WERE INVOLVED NAME (FIRST, MI., LAST)	ADDRESS	PHONE NUMBER
---	---------	--------------

WERE SAFEGUARDS PROVIDED? ☐ YES ☐ NO	DESCRIPTION OF SAFEGUARDS	WERE SAFEGUARDS USED? ☐ YES ☐ NO
WITNESS INFORMATION NAME (FIRST, MI., LAST)	ADDRESS	PHONE NUMBER

INJURY INFORMATION

PART OF BODY INJURED (E.G. HEAD, NECK, ARM, LEG)	NATURE OF INJURY (E.G. FRACTURE, SPRAIN, LACERATION)	PREVIOUS RELATED CONDITION? ☐ YES ☐ NO	PRE-EXISTING MEDICAL CONDITION(S)
CUMULATIVE INJURY? IF YES, LENGTH OF EXPOSURE ☐ YES ☐ NO	NATURE OF DUTIES	LENGTH OF TIME DOING ACTIVITY	
TREATMENT (*X* ALL THAT APPLY) ☐ FIRST AID -	NAME (FIRST, MI., LAST)	WHAT TYPE OF FIRST AID WAS ADMINISTERED?	1ST DAY OF TREATMENT
☐ HOSPITAL/CLINIC -	NAME AND ADDRESS (STREET, CITY, STATE & ZIP)	TREATMENT	LENGTH OF STAY
☐ PHYSICIAN -	NAME AND ADDRESS (STREET, CITY, STATE & ZIP)	PHONE NUMBER	SPECIALTY
		TREATMENT	1ST DAY OF TREATMENT

EMPLOYEE JOB INFORMATION

EMPLOYEE'S OCCUPATION WHEN INJURED:

IS THIS EMPLOYEE'S REGULAR OCCUPATION?

OCCUPATION IS: ☐ SEDENTARY ☐ LIGHT ☐ MEDIUM ☐ HEAVY

EMPLOYEE'S REGULAR WORK HOURS: HOURS/DAY DAYS/WEEK

EMPLOYEE'S PAY: \$ /HOUR; OR \$ /WEEK

DOES EMPLOYEE RECEIVE ADD'L BENEFITS (e.g. Overtime, Uniforms, Meals, etc.)?

EMPLOYEE'S DATE OF HIRE:

EMPLOYEE'S SUPERVISOR:

SUPERVISOR'S PHONE NUMBER: ()

SUPERVISOR'S REGULAR WORK HOURS:

STATE SPECIFIC INFORMATION

SEE WORKERS' COMPENSATION - FIRST REPORT OF INJURY - STATE SPECIFIC QUESTIONS
FOR YOUR INDIVIDUAL STATE.

CUSTOMER SPECIFIC INFORMATION

ADDITIONAL COMMENTS & INFORMATION

APPLICATION FOR DRUG AND ALCOHOL FREE WORKPLACE PREMIUM CREDIT PROGRAM

ARD TRUCKING COMPANY INC

Name of Employer: _____

Date Program Implemented: _____

This form must be completed by you and returned to your carrier with a copy of applicable documentation as proof of compliance before the premium credit of five percent (5%) can be established and processed. A program must be certified during each year the employer receives credit. Failure to do so will remove you from eligibility for this credit.

The following are the four (4) minimum requirements necessary for a qualified employer workplace program. Please check the items below that apply.

☐ 1) Substance Abuse Policy Statement:

Any policy must be designed to help employees who need substance abuse assistance while, at the same time, sending a clear message that the abuse of drugs and alcohol is not compatible with employment in that employer's workplace. The policy statement must evidence both the employer's respect for its employees and the employer's need to maintain a safe, productive, substance-abuse-free environment.

☐ 2) Employee Notification:

In order to protect the individual rights of each employee and to begin the employee education process necessary for a well-defined, well-managed workplace drug and alcohol abuse prevention program, each existing employee and each new employee hired after program implementation must be given a clear, concise, readable notice of the program, the program's requirements, the policy statement, and the employer's expectations under the program. Notification should be and should remain, posted in employee common areas. In addition, each existing employee and each new employee must be given, by mail or by in-person delivery, a copy of the notice. Delivery may be accomplished by inclusion of the notice within the employee's paycheck package or any similarly important-to-the employee correspondence or benefits delivery.

☐ 3) Testing Program:

The testing procedure must include a provision for random sampling of all persons who receive wages and compensation in any form from the employer and must provide for a second test to be administered within thirty minutes of the administration of the first test. Positive test results must be provided in writing to the employee within twenty-four hours of the time the employer receives the test results. Each employer must keep records of each test for up to one year.

☐ 4) Test Results Confidentiality Protocols:

Test results information, interviews, reports, statements, and memorandums received by the employer must be considered confidential and may not be used, received, or discovered in civil, criminal, or administrative proceedings. The burden to protect against unauthorized release is placed not only upon the employer and any laboratory, medical review officer, or rehabilitation program or their agents, but also upon the underwriting insurer. Employers, laboratories, medical review officers, insurers, drug or alcohol rehabilitation programs, and employer drug prevention programs, and their agents who receive or have access to information concerning test results shall keep all information confidential. Release of such information under any other circumstance shall be solely pursuant to a written consent form signed voluntarily by the employee tested or his designee unless the release is completed through disclosure by an agency of the State in a civil or administrative proceeding, order of a court of competent jurisdiction, or determination of a professional or occupational licensing board in a related disciplinary proceeding. The consent form must contain at a minimum:

- (1) the name of the person who is authorized to obtain the information;
- (2) the purpose of the disclosure;
- (3) the precise information to be disclosed;
- (4) the duration of the consent; and
- (5) the signature of a person authorizing release of the information.

Information on test results shall not be released for or used or admissible in any criminal proceeding against the employee.

I certify that the above information is accurate and that I may be subject to an additional premium charge if it is determined that there is any misrepresentation of the established drug and alcohol free workplace program criteria. This is a true and factual depiction of my current program.

Employer Name_____
Date_____
Officer/Owner Signature*

*Application must be signed by an officer or owner

Title_____
Notary Public's Signature_____
Date_____
Exp. of Commission

POLICY NUMBER: (R6EJUB-9560A28-5-03)

EFFECTIVE DATE: 11-07-03

ARD TRUCKING COMPANY INC

GUNTHER OPERATOR:

**MANUALLY INSERT 1 COPIES OF CP-5952
SOUTH CAROLINA OVERSIZED POSTING NOTICES**

ATTACH STICKERS THAT MATCH DATA BELOW:

EMPLOYER—Name: ARD TRUCKING COMPANY INC

CARRIER—Name: THE TRAVELERS INSURANCE COMPANIES

Address: STE 201 220 EXECUTIVE CTR DR PO BOX 8779
COLUMBIA, SC 29202-8779

Telephone No. (800) 238-6225

POLICY NUMBER: 9560A285

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See instructions on other side.

**STICKER LABELS AND/OR POSTING NOTICES
FOR MANUAL INSERT**

FOR POLICY PRINTED IN JOB #: G664063

Named Insured: ARD TRUCKING COMPANY INC

Policy Number: (R6EJUB-9560A28-5-03)

Effective Date: 11-07-03

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MANUAL
INSERT
INFORMATION

EMPLOYER - Name: ARD TRUCKING COMPANY INC

CARRIER - Name: THE TRAVELERS INSURANCE COMPANIES
Address: STE 201 220 EXECUTIVE CTR DR PO BOX 8779
COLUMBIA, SC 29202-8779

Telephone No. (800) 238-6225

POLICY NUMBER: 9560A285

EMPLOYER - Name:

CARRIER - Name:
Address:

Telephone No.

POLICY NUMBER:

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EMPLOYER - Name:

CARRIER - Name:
Address:

Telephone No.

POLICY NUMBER:

APPELLANT ROA 00482

BWPH Ard Trucking 00090

Travelers

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

POLICY NUMBER: (R6EJUB-9560A28-5-03)

FOR PRODUCER ONLY, BILLING SCHEDULE BY COMMISSION RATE

INSTALLMENT DUE DATE	AMOUNT	COMMISSION RATE
11-07-03	\$ 53635	.0000
11-07-03	\$ 260581	.0243

THE AMOUNTS ABOVE WILL BE BILLED SEPARATELY.

DATE OF ISSUE: 03-01-04

ST ASSIGN: SC

APPELLANT ROA 00483

BWPH Ard Trucking 00091



ORLANDO FL

32802

IMPORTANT NOTICE TO POLICYHOLDERS

NO COVERAGE IS PROVIDED BY THIS SUMMARY NOR CAN IT BE CONSTRUED TO REPLACE ANY PROVISIONS IN YOUR POLICY. YOU SHOULD READ YOUR POLICY CAREFULLY TO DETERMINE YOUR RIGHTS, DUTIES AND WHAT IS AND IS NOT COVERED. IF THERE IS ANY CONFLICT BETWEEN THE POLICY AND THIS SUMMARY, THE PROVISIONS OF THE POLICY SHALL PREVAIL.

PLEASE READ THIS NOTICE CAREFULLY.

Terrorism Risk Insurance Act of 2002 Disclosure

On November 26, 2002, the President of the United States signed into law the Federal Terrorism Risk Insurance Act of 2002 (the "Act"). The Act establishes a short-term program under which the Federal Government will share in the payment of "Insured Losses" caused by certain "Acts of Terrorism" (each as defined in the Act).

In the event of an Insured Loss, your insurance carrier is responsible for a deductible of one percent (1%) of the carrier's "Direct Earned Premiums" (as used in the Act) for the calendar year 2001 for Insured Losses occurring from November 26, 2002, through December 31, 2002; seven percent (7%) of the carrier's Direct Earned Premiums for the calendar year 2002 for Insured Losses occurring during calendar year 2003; ten percent (10%) of the carrier's Direct Earned Premiums for the calendar year 2003 for Insured Losses occurring during calendar year 2004; or fifteen percent (15%) of the carrier's Direct Earned Premiums for the calendar year 2004 for Insured Losses occurring during calendar year 2005. The Federal Government's share of compensation for Insured Losses in each year is 90% of the amount of Insured Losses in excess of the carrier's deductible for that year. The carrier is responsible for the payment of the remaining 10% of Insured Losses. In no event, however, will the Federal Government or any "Insurer" (as defined in the Act) be required to pay any portion of the amount of aggregate Insured Losses occurring in any one year that exceeds \$100,000,000,000, provided that such Insurer has met its deductible.

As a requirement of the Act, Insurers must make available "Property and Casualty Insurance" (as defined in the Act) coverage for Insured Losses that does not differ materially from the terms, amounts and other coverage limitations that apply to losses arising from events other than Acts of Terrorism. In other words, a loss will not be excluded just because it was caused by an Act of Terrorism; conversely, a loss will not be covered just because it was caused by an Act of Terrorism. The Act also requires insurers to disclose to policyholders premium charge for providing such terrorism coverage.

Please note that your policy being quoted does not contain an exclusion that specifically excludes coverage for Insured Losses. Your Workers' Compensation benefit obligations stemming from Acts of Terrorism as dictated by state law, will be covered.

Please note that your policy does not contain an exclusion that specifically excludes coverage for Insured Losses caused by Acts of Terrorism. Your Workers' Compensation benefit obligations stemming from Acts of Terrorism as dictated by state law, will be covered.

The rates used to develop your Residual Market premium were administered by the state. The passage of the Act results in a change in premium in accordance with the information listed below. The portion of your annual premium being quoted that is attributable to coverage for Acts of Terrorism is specifically identified on your quote schedule.

State
SOUTH CAROLINA

Rate per \$100 of Remuneration
0.030

NOTE - THE FOREGOING RATES ARE SUBJECT TO CHANGE AT ANY TIME BASED ON STATE REGULATORY ACTION.

Please contact your agent or broker if you have any questions on this notice, the Act or the impact of the Act on your policy.

APPLICATION FOR DRUG AND ALCOHOL FREE WORKPLACE PREMIUM CREDIT PROGRAM

ARD TRUCKING COMPANY INC

Name of Employer: _____

Date Program Implemented: _____

This form must be completed by you and returned to your carrier with a copy of applicable documentation as proof of compliance before the premium credit of five percent (5%) can be established and processed. A program must be certified during each year the employer receives credit. Failure to do so will remove you from eligibility for this credit.

The following are the four (4) minimum requirements necessary for a qualified employer workplace program. Please check the items below that apply.

- ☐ 1) **Substance Abuse Policy Statement:**
Any policy must be designed to help employees who need substance abuse assistance while, at the same time, sending a clear message that the abuse of drugs and alcohol is not compatible with employment in that employer's workplace. The policy statement must evidence both the employer's respect for its employees and the employer's need to maintain a safe, productive, substance-abuse-free environment.
- ☐ 2) **Employee Notification:**
In order to protect the individual rights of each employee and to begin the employee education process necessary for a well-defined, well-managed workplace drug and alcohol abuse prevention program, each existing employee and each new employee hired after program implementation must be given a clear, concise, readable notice of the program, the program's requirements, the policy statement, and the employer's expectations under the program. Notification should be and should remain, posted in employee common areas. In addition, each existing employee and each new employee must be given, by mail or by in-person delivery, a copy of the notice. Delivery may be accomplished by inclusion of the notice within the employee's paycheck package or any similarly important-to-the employee correspondence or benefits delivery.
- ☐ 3) **Testing Program:**
The testing procedure must include a provision for random sampling of all persons who receive wages and compensation in any form from the employer and must provide for a second test to be administered within thirty minutes of the administration of the first test. Positive test results must be provided in writing to the employee within twenty-four hours of the time the employer receives the test results. Each employer must keep records of each test for up to one year.
- ☐ 4) **Test Results Confidentiality Protocols:**
Test results information, interviews, reports, statements, and memorandums received by the employer must be considered confidential and may not be used, received, or discovered in civil, criminal, or administrative proceedings. The burden to protect against unauthorized release is placed not only upon the employer and any laboratory, medical review officer, or rehabilitation program or their agents, but also upon the underwriting insurer. Employers, laboratories, medical review officers, insurers, drug or alcohol rehabilitation programs, and employer drug prevention programs, and their agents who receive or have access to information concerning test results shall keep all information confidential. Release of such information under any other circumstance shall be solely pursuant to a written consent form signed voluntarily by the employee tested or his designee unless the release is completed through disclosure by an agency of the State in a civil or administrative proceeding, order of a court of competent jurisdiction, or determination of a professional or occupational licensing board in a related disciplinary proceeding. The consent form must contain at a minimum:
- (1) the name of the person who is authorized to obtain the information;
 - (2) the purpose of the disclosure;
 - (3) the precise information to be disclosed;
 - (4) the duration of the consent; and
 - (5) the signature of a person authorizing release of the information.

Information on test results shall not be released for or used or admissible in any criminal proceeding against the employee.

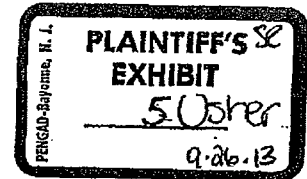
I certify that the above information is accurate and that I may be subject to an additional premium charge if it is determined that there is any misrepresentation of the established drug and alcohol free workplace program criteria. This is a true and factual depiction of my current program.

_____ Employer Name	_____ Date	_____ Officer/Owner Signature*
		_____ Title
*Application must be signed by an officer or owner		
_____ Notary Public's Signature	_____ Date	_____ Exp. of Commission



One Tower Square, Pol. Adm. 6CR
Hartford, CT 06183

02147 G1



JANUARY 26, 2004

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON

SC 29540-0504

Policy Number: UB 0188B923

Policy Effective Date: 11/07/03

Dear Policyholder:

Effective January 1, 2004, we are changing the name of two of our insurance companies. They are:

- 1) The Travelers Indemnity Company of Illinois to Travelers Property Casualty Company of America
- 2) Travelers Casualty and Surety Company of Illinois to Travelers Casualty Insurance Company of America

This change in company name does not affect your premium or coverage. These two companies continue to have the same A.M. Best claims paying and financial strength rating of A++ (superior) which is the highest rating that A.M. Best provides.

We are in the process of updating our systems and you may notice the old name on some policies, bills and other documents. Until this process is completed, please note the former names and new names of these companies.

Below the cut line is an endorsement to amend your policy. Please attach this endorsement to your policy. If you have any questions, please contact your agent or insurance representative.

This endorsement only changes the company name on your policy.

Insurer Amendment Endorsement

The name of your insurer is changed from the former name to the new name shown below:

Former Name

The Travelers Indemnity Company of Illinois
Travelers Casualty and Surety Company of Illinois

New Name

Travelers Property Casualty Company of America
Travelers Casualty Insurance Company of America

New Company Address: One Tower Square
Hartford, Connecticut 06183

This name change endorsement does not alter the coverage provided by this policy and has no effect on the premium for this policy. This endorsement changes only the name of insuring company.



Gateway Center
1000 Legion Place
P.O. Box 3556
Orlando FL 32802-3556
FAX: 407 649-3574

March 1, 2004

Insurer: Travelers Property Casualty Company of America

ARD TRUCKING COMPANY INC
PO BOX 504
DARLINGTON SC 29540

Policy No: R6EJUB 9560A28503
Effective Date: 11/07/03

Dear Insured:

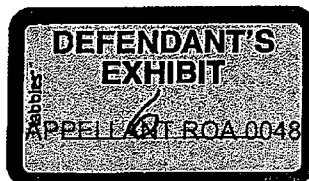
The above referenced policy has been issued as part of the mandatory Loss Sensitive Rating Plan (LSRP). The purpose of the LSRP is to provide a retrospective rating plan for employers with assigned risk workers' compensation premium over a certain threshold. Retrospective rating programs determine the final premium for a policy after the policy period has ended and is based on actual losses incurred during the policy period.

Enclosed please find the explanatory booklet *The Loss Sensitive Rating Plan (LSRP): An employer's guide to the mandatory assigned risk retrospective rating program*. Please review the booklet carefully and discuss it with your producer.

Sincerely,

TONI WINTERS
Account Manager Underwriter
CL Alternative Markets Division
Orlando Service Center
1-800-443-4404, extension 3745

cc: MICHAEL P HAIR & ASSOC
7422 CARMEL EXECUTIVE PK #204
PO BOX 472224
CHARLOTTE, NC 28247



BWPH Ard Trucking 00063



National
Council on
Compensation
Insurance, Inc.

The Loss Sensitive Rating Plan (LSRP)

An employer's guide to
the mandatory assigned risk
retrospective rating program

BWPH Ard Trucking 000243

APPELLANT ROA 00489

Retrospective rating is a method of pricing insurance which determines your final workers compensation premium after the policy period has ended, based on your actual losses during the policy period.

Pictorial, Inc.

This pamphlet has been created to help you understand the concept and details of the Loss Sensitive Rating Plan (LSRP). You are encouraged to read this material and discuss it with your producer, broker, assigned insurer or an NCCL, Inc. customer service representative. ■

Purpose

The purpose of the assigned risk mandatory Loss Sensitive Rating Plan (LSRP) is to provide a retrospective rating plan for those employers who have an assigned risk workers compensation insurance premium of \$200,000 or more. (Note: The premium threshold amount may vary by state.) The LSRP is designed to:

- **Promote Safety and Loss Control** by requiring you to accept greater financial responsibility for the losses that you incur.
- **Depopulate the Residual Market** by encouraging you to obtain coverage in the voluntary market.
- **Provide Fairness** by rewarding those of you with good loss experience with lower premiums while penalizing those employers with poor loss experience with higher premiums. ■

Background

The residual market is intended to serve as the market of last resort. This market ensures the availability of workers compensation and employers liability insurance to all eligible employers required by law to secure this coverage but who are unable to obtain it through other means. (Note: This would include such options as self-insurance.) The residual market is not intended to compete with the voluntary market by allowing employers to avoid various loss sensitive rating plan offers in exchange for guaranteed cost policies.

Among the rating alternatives for the large employer, loss-sensitive rating is the most equitable because it gives you the opportunity to have your insurance costs more directly related to your losses during the policy period. ■

Implementation

We have proposed that in your state, the LSRP be implemented six months from the effective date of regulatory approval. This six months' advance notice is intended to give you time to seek coverage in the voluntary market. (Note: The implementation date may vary by state.) Upon approval, all LSRP-eligible accounts currently in the residual market, their producers or brokers and current assigned carriers will be advised of the approval and implementation dates, as well as the LSRP parameters. ■

Definition of Terms Used in the LSRP Program

Note: Any of the following definitions may vary by state.

Allocated Loss Adjustment Expense

ALAE includes costs associated with specific claims such as defense costs.

Basic Premium

A percentage of the Standard Premium, determined by multiplying the Standard Premium by a Basic Premium Factor. The Basic Premium includes insurance carrier expenses such as acquisition, loss control services, premium audit, producer fees and other general administrative costs. The Basic Premium does not cover premium taxes or claim adjustment expenses. These costs are usually provided for in the Tax Multiplier and Loss Conversion Factor.

Converted Losses

The results of applying the Loss Conversion Factor (LCF) to your Incurred Losses.

Deposit Premium

The deposit you must pay at the time of application or policy renewal. It is comprised of the WCIP Deposit Premium and the LSRP Contingency Deposit Premium.

Incurred Losses

Your losses occurring during the policy period including:

- Losses which have been paid and reserves for losses which are outstanding. Reserves are established to anticipate the insurance company's obligation on claims that have been incurred but have not yet been settled. These reserves must be added to paid claims to establish total Incurred Losses.

Individual Loss Limitation (Loss Cap)

The maximum portion of any loss subject to retrospective rating. There are no Individual Loss Limitations available in the LSRP program.

Loss Conversion Factor (LCF)

A loading to incurred losses to cover Unallocated Loss Adjustment Expenses. In this plan, it is a fixed factor of 1.125.

LSRP Contingency Deposit Premium

It is calculated as 20 percent of your Standard Premium and collected *in addition to* the WCIP Deposit Premium. The LSRP Contingency Deposit Premium must be paid at time of application, or policy renewal, to collateralize any additional premium that may be due the assigned carrier as a result of LSRP valuation activities.

As an alternative to a cash contingency deposit, you may substitute an acceptable, clean, unconditional Irrevocable Letter of Credit (LOC) containing an automatic renewal clause, drawn on a Federal Reserve bank. The LOC must be for an amount at least equal to the LSRP 20 percent Contingency Deposit Premium. The cash deposit or LOC shall be held as collateral until at least the first adjustment. (The retention period may vary by state.)

LSRP Development Premium Factors (RDFs)

This premium element is an additional loading that recognizes the probable increase in value over time of your losses and helps stabilize your premium adjustments. The LSRP Development Premium Factors anticipate a pattern of increasing valuation of your losses after the policy has expired. The factor is included only in the first three annual adjustments and is not included in the fourth and final calculation. The RDFs vary from state to state.

Maximum Premium (Max)

The most premium you will pay under the LSRP program, irrespective of your losses. The Maximum Premium has the effect of placing a limit on the impact of incurred losses on the LSRP premium.

- *Maximum Premium Factor.* A factor that is multiplied by your Standard Premium to determine your Maximum Premium. The Maximum Premium Factor is a fixed factor of 1.75 of Standard Premium.

Minimum Premium (Min)

The least amount of premium you will pay even if you have no losses.

- **Minimum Premium Factor:** A factor that is multiplied by your Standard Premium to determine your Minimum Premium. The Minimum Premium Factor is a fixed factor of 0.75 of Standard Premium.

Standard Premium (SP)

For the purposes of this Plan, Standard Premium means your premium determined on the basis of authorized rates, any experience rating modification, ARAP, assigned risk surcharge programs where appropriate, loss constants where applicable, and Minimum Premiums. Determination of Standard Premium shall exclude:

Premium discount, expense constant (unless it is part of Minimum Premium), premium resulting from the non-ratable element codes in the *Experience Rating Plan Manual*, premium developed under Class Code 7421 (aircraft-related operations), and premium developed by the occupational disease rates for employers subject to the Federal Coal Mine Health and Safety Act.

Tax Multiplier (TM)

This covers licenses, fees, assessments, and taxes that the insurance carrier must pay on the premium they collect. The TM varies from state to state.

Unallocated Loss Adjustment Expenses (ULAE)

General claim adjustment expenses which include the cost of the insurance carrier claim services such as investigation of claims and filing claim reports.

WCIP Deposit (or Initial) Premium

WCIP Deposit Premium is calculated by multiplying your Estimated Annual Premium by the required Deposit Premium percentage. The HLOC option is not available for the WCIP Deposit Premium. ■

Summary of LSRP

>Objective

The principal objective is to create a plan that is appropriate for an employer of your size and will encourage you to seek coverage outside of the residual market and to control your losses.

>Parameters (Factors)

The LSRP is a simple loss sensitive rating plan constructed to be uniformly applied to all eligible employers. The plan parameters which form the basis of the LSRP are not negotiable for two reasons: individually "tailored" plans are available in the voluntary market; and, as the residual market assignment mechanism is random, the "luck of the draw" could determine the type of plan provided by the carrier, thus reducing the chance of fairness.

>Factors

The LSRP factors are:

• Basic Premium Factor (Basic)	0.30
• Loss Conversion Factor (LCF)	1.125
• Tax Multiplier (TM)	Varies by state*
• Retro Development Factors (RDFs)	Varies by state*
• Minimum Factor (Min)	0.75
• Maximum Factor (Max)	1.75

* The tax multiplier (TM) represents the currently approved tax multiplier in your state exclusive of any assigned risk subsidy. Current retrospective development factors (RDFs) are also used. These factors will change with subsequent changes in state rates and rating values. Your insurance advisor, producer, or insurance carrier can provide you with the current information for your state.

Some additional comments on the factors:

- Your policy premium will be adjusted, based on your losses, at intervals beginning six (6) months after the policy expires and at twelve (12) month intervals thereafter to a total of four (4) adjustments.

- The LSRP Development Factors (RDFs) will be used with the first three (3) valuations to reflect the actuarial probability that losses will develop (increase in value) over time. These factors have a proven track record for accuracy and should reduce the likelihood of first valuation return premiums followed by subsequent valuations calling for additional premiums as the losses mature. As is customary in retrospective rating, the RDFs will be applied to premium, thus relieving any additional pressure on loss reserving. The RDFs will not be applied to the fourth and last adjustment.
- Four (4) valuations were selected to allow losses to mature. Removing the RDFs at the fourth adjustment provides a fair and reasonable means of closing out the LSRP for a given policy year.
- The decision not to offer loss caps was based on the desire to avoid any plan negotiations that will, by nature, differ from carrier to carrier. In addition, the 1.75 maximum is relatively low and tends to serve as a loss cap.

>Premium Payments

The following unique payment provisions apply:

LSRP Contingency Deposit Premium (Additional 20 percent)

- The carrier will be required to retain the 20 percent Contingency Deposit Premium and any final audit return premium without interest until the first valuation has been completed and billed. (The time held may vary by state.)

Irrevocable Letter of Credit

- In lieu of the additional 20 percent Contingency Deposit Premium in cash, an acceptable, clean, unconditional Irrevocable Letter of Credit containing an automatic renewal clause, drawn on a Federal Reserve bank can be provided at time of application or policy renewal.

Rating Plan Premium

- Your rating plan premium will be determined after the rating plan period ends (six months after policy expiration). Three additional annual premium adjustment calculations will be made.

Cancellation Provision

- The carrier will have the right to cancel the current assigned risk policy if any additional premiums on either current or prior assigned risk policies are not paid as required. The dispute resolution procedure in your state's Workers Compensation Insurance Plan (WCIP) applies to legitimate premium disputes. *Your insurance advisor, producer, or insurance carrier can provide you with the current information for your state.*

>Premium Variation

To accommodate premium increases while avoiding costly cancellations and rewrites within the policy period, a time frame of 120 days was established to retroactively convert a guaranteed cost policy to the LSRP and visa versa.

If after the first 120 days of the coverage term it is determined that you qualify for the LSRP, the current policy shall not be affected, but the LSRP will apply at renewal.

If your premium falls below the premium threshold during the policy period, the same 120-day determination period applies. In this instance, when the premium falls below the threshold, a retroactive conversion to guaranteed cost would result.

Since depopulation is a major goal of the LSRP, a release clause also applies. If you obtain coverage in the voluntary market within 120 days of policy inception, your premium would be calculated based on guaranteed cost.

120 DAYS FROM EFF DATE

> Multistate

The LSRP will apply to an employer with multistate operations when the total premium of all requested states that have approved LSRP meets the eligibility requirement for the LSRP state generating the largest premium. (This provision may vary by state.) ■

Impact on Your Workers Compensation Costs

The ultimate impact of the LSRP will depend on your losses over time. However, with good loss experience an individual employer's final premium is typically less than standard; it is more than standard with poor loss experience. ■

LSRP Calculation: Example

Illustrative Values

Standard Premium (SP)	=	\$339,000
Incurred Loss 1st Valuation	=	254,250
Incurred Loss 2nd Valuation	=	271,200
Incurred Loss 3rd Valuation	=	305,100
Incurred Loss 4th Valuation	=	339,000

LSRP Factors

Basic	=	0.30
Minimum	=	0.75 or \$254,250 (\$339,000 × 0.75 = \$254,250 minimum premium)
Maximum	=	1.75 or \$593,250 (\$339,000 × 1.75 = \$593,250 maximum premium)
Loss Conversion Factor (LCF)	=	1.125
Tax (Tax Multiplier)	=	1.126*
Retrospective Development Factors (RDFs)	=	1st Adjustment 0.31*
	=	2nd Adjustment 0.21*
	=	3rd Adjustment 0.15*
	=	4th Adjustment 0.00

* Values shown here are for illustration only and are not necessarily the values in your state.

Formula

LSRP Premium (LSRP) =

Tax [(Basic × SP) + (RDF × LCF × SP) + (LCF × Incurred Losses)]

LSRP PREMIUM CALCULATIONS:

1st Adjustment

LSRP = $1.126 [(0.30 \times 339,000) + (31 \times 1.125 \times 339,000) + (1.125 \times 254,250)]$

LSRP = $1.126 [101,700 + 118,226 + 286,031]$

LSRP = $1.126 [505,957]$

LSRP = 569,708

Additional Premium (AP) = \$162,908 [569,708 - 339,000 - 20% LSRP Contingency Deposit Premium]

2nd Adjustment

LSRP = $1.126 [(0.30 \times 339,000) + (21 \times 1.125 \times 339,000) + (1.125 \times 271,200)]$

LSRP = $1.126 [101,700 + 80,089 + 305,100]$

LSRP = $1.126 [486,889]$

LSRP = 548,237

Return Premium (RP) = \$21,471 [569,708 - 548,237]

3rd Adjustment

LSRP = $1.126 [(0.30 \times 339,000) + (21 \times 1.125 \times 339,000) + (1.125 \times 305,100)]$

LSRP = $1.126 [101,700 + 57,206 + 343,238]$

LSRP = $1.126 [502,144]$

LSRP = 565,414

Additional Premium (AP) = \$17,177 [565,414 - 548,237]

4th Adjustment

LSRP = $1.126 [(0.30 \times 339,000) + (0 \times 1.125 \times 339,000) + (1.125 \times 339,000)]$

LSRP = $1.126 [101,700 + 0 + 381,375]$

LSRP = $1.126 [483,075]$

LSRP = 534,942

Return Premium (RP) = \$30,472 [565,414 - 534,942]

Questions & Answers

Q How will I know that I am eligible for the LSRP?

A If you are a new applicant to the assigned risk plan, the application will have the following language in the "Employer Signature Section":

By signing below I acknowledge that the Loss Sensitive Rating Plan has been explained to me or that an explanatory notice or brochure has been provided to me and I agree that I shall be bound by the terms of such plan if my estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

When the binder is issued, the following language will be noted advising you that this is a mandatory program and it will be applicable to your policy:

Coverage is being bound subject to your signed statement acknowledging and agreeing to the terms of the Loss Sensitive Rating Plan in the event that your estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

If you are already insured in an assigned risk plan, similar language will be on renewal quotes with estimated annual premium of \$150,000 or greater, advising you that the program may be applicable.

In addition, the assigned carrier will perform a preliminary audit within 120 days of inception for all renewal policies and new applications whose estimated annual premium exceeds \$150,000.

Q If I have operations in more than one state, will LSRP apply?

A The LSRP has been designed to accommodate the large assigned risk employer who has operations in several states. The plan provides for a multistate policy when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

Q What loss control services will carriers be required to offer under the LSRP?

A Although it may vary by state, under the current performance standards, servicing carriers are required to notify the policyholder and producer, in writing, within 90 calendar days of receipt of assignment, of available loss control services and safety information, including instructions on how to obtain these services and information.

Servicing carriers are required to provide a minimum of one consulting survey annually for each single location to any policyholder with an estimated annual premium greater than \$25,000.

Direct assignment carriers must adhere to any and all requirements as set forth by the state in which they are writing assigned risk business.

Contact your carrier or insurance advisor for more information or to arrange for loss control services.

Q If I am determined to be eligible for the LSRP during the first 120 days of the policy term, how much time am I given to provide the additional deposit/LOC?

A The carrier will usually give an insured 30 days to obtain any additional premium or appropriate LOC needed to continue the policy in force. This will also be true for any additional premium resulting from any of the four annual adjustments.

Q Do premium discounts apply when determining eligibility?

A By definition, Standard Premium does not include the premium discount; therefore, no discounts would be used in determining LSRP eligibility.

Q Is the 20 percent Contingency Deposit Premium for LSRP calculated from the total Standard Premium only in those states that approved the LSRP, or from the entire policy premium, regardless of the LSRP approvals? Will this require more than one policy?

A The 20 percent LSRP Contingency Deposit premium is calculated from the Standard Premium from those states that have approved LSRP. If the assigned risk employer requests coverage in a state where the LSRP has been approved and requires coverage in one or more states where LSRP has not been approved, the assigned carrier shall combine the LSRP states on one policy and then issue a guaranteed cost policy for those states where LSRP has not been approved, in accordance with all WCIP rules and regulations. It may not always be possible for a single carrier to provide coverages for all requested states; additional applications will then be necessary.

STATE OF SOUTH CAROLINA)
)
COUNTY OF DARLINGTON)

IN THE COURT OF COMMON PLEAS
FOURTH JUDICIAL CIRCUIT
C/A NO. 2010-CP-16-435

Ard Trucking Company,)
)
Plaintiff,)

AFFIDAVIT OF FREDERICK J.
MOYLEN

vs.)

Travelers Property Casualty Company)
Of America d/b/a The Travelers Indemnity)
Company of Illinois,)
)
Defendant.)

2014 DEC 17 PM 2:28
SCOTT B. SUGGS
CLERK OF COURT/RO.D.
DARLINGTON COUNTY, S.C.

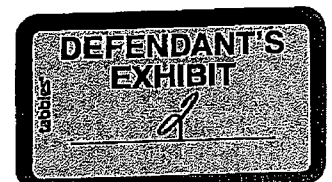
FILED

The undersigned, Frederick J. Moylen, having been duly sworn, hereby deposes and says that:

1. I am the 'Travelers' underwriter representative who is an expert in the areas of South Carolina assigned risk policy underwriting, the Workers' Compensation Insurance Plan WCIP, and the Loss Sensitive Rating Plan (LSRP) and all aspects related thereto, including LSRP calculations and billings.
2. Attached as Exhibit 1 is my résumé setting forth my training and qualifications.
3. I am over the age of eighteen, I am not a party in this action, and I am competent to testify concerning the matters contained in this Affidavit, and I submit this Affidavit with information based on my personal knowledge, and, if called as a witness, could or would testify to the truth of the facts stated here. Further, my expert opinions set forth herein are to a reasonable degree of certainty, more likely than not, within the field of my expertise set forth above.
4. I have reviewed Travelers' documentation kept in the ordinary course and scope of its business, as well as the South Carolina Department of Insurance documentation [SCDOI 0001-0040] evidencing that South Carolina Workers' Compensation Insurance (SCWCIP) mandates that the LSRP is applicable to South Carolina Assigned Risk policies on or after November 1, 2003.
5. Having reviewed Travelers' records and the LSRP calculations and determinations, I hereby verify that the LSRP charges were correctly and appropriately assessed to the Plaintiff pursuant to the WCIP and LSRP requirements, and I hereby verify that Travelers is entitled to an additional \$122,948.00.

FURTHER, AFFIANT SAYETH NOT.

[Signatures on following page]



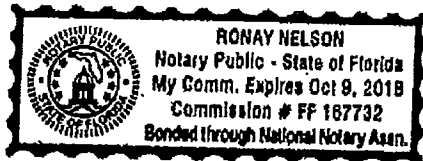
[Signature]
Witness

[Signature]
Witness

[Signature]
Frederick J. Moylen

Sworn to and subscribed before me
This 16th day of December, 2014.

[Signature] **Ronay Nelson**
Notary Public for the State of Florida
My Commission expires: Oct 9, 2018



Frederick J. Moylen

Professional Experience

Travelers Insurance Company/BI-Residual Markets – Orlando, FL **Sr Financial Consultant (July 2011 to Present)**

- Monitor, review and report on department financials by proving metrics and reports
- Provide guidance on trends and results
- Calculate Loss Sensitive Rating Plan (LSRP) Valuations
- Complete quarterly Sarbanes Oxley (SOX) Reporting
- Monitor, review and adjust office productivity

Assistant Operations Manager (April 2005 to June 2011)

- Supervise and mentor a team of underwriters to ensure quality and accuracy of Workers Compensation policy issuance, receivables management & customer service.
- Build and maintain excellent working relationships with client companies and business partners.
- Complete monthly reports and underwriting file reviews to help ensure that the underwriters achieve their goals.
- Respond to State Complaints through verbal and written communication.

Senior Account Manager Underwriter (May 2002 to April 2005)

- Assist and mentor underwriters with complex accounts.
- Assist coordinator with monthly reports and file reviews.

Account Manager Underwriter (May 1992 to May 2002)

- Performed tasks in an accurate and timely manner to insure compliance with applicable rules and regulations.
- Underwriting of insurance applications, policy endorsements and renewals for Workers' Compensation assigned risk clients to maximize profits and minimize loss exposure.
- Handled the in-house collections for Florida and Wisconsin assigned risk policies.
- Provided customer assistance through verbal and written communication.
- Provided assistance to other team members, teams and departments.
- Assisted the claims department to determine eligibility of benefits for Workers Compensation claims.

Travelers Insurance Company – Quincy, MA

Accounting Analyst (October 1989 to May 1992)

- Responsibilities included daily reconciliation of customer accounts.
- Evaluated and processed account collections, billing and accounts receivable.
- Provided technical and operational training to new employees.
- Prepared and monitored customer financial reports for Workers' Compensation policies.

Quirk Auto Companies – Braintree, MA

Receiving Manager (September 1986 to October 1989)

- Responsible for managing a group of 8 to 10 employees.

