

THE NATIONAL DEFENSE PROJECTS RATING PLAN

BY
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As this is written, a little more than a year has passed since it became the announced policy of the United States to rearm herself and her friends against a new threat to peace and security. American industry has shifted large amounts of industrial capacity to defense production with remarkable dispatch and the casualty insurance companies have followed suit with a revival of the special retrospective rating plan used for government contractors during the last war.

When work was begun on the present plan, the World War II Comprehensive Rating Plan for War Risks¹ was still in effect on a handful of projects although its official application to new projects had ceased as of July 1, 1947 when filings in the various states were withdrawn. Fundamentally, the National Defense Projects Rating Plan is simply a revival of the World War II plan, although sufficient changes in detail have been made to warrant bringing Mr. Haugh's paper up to date for the benefit of students and members of the Society.

The new plan, like its predecessor, provides for the wholesaling of automobile liability, general liability and workmen's compensation insurance in a retrospectively rated package to eligible defense contractors. As was the case with the World War II plan, this form of rating on a net as to commission basis places all types of insurance carriers on an equal footing, price-wise, and permits the Defense Department to place these forms of casualty insurance without resorting to bid.²

DEVELOPMENT OF THE PLAN

In the early summer of 1950 there were indications that the stepping up of the defense program might bring a request from the Defense Department for reactivation of the Comprehensive Rating Plan. Representatives of the insurance industry, aware of this, realized that such a revival would have to be made in the light of experience encountered in the operation of the old plan, the changed conditions with respect to workmen's compensation rate levels and the limitations imposed by the post-war development of universal rate regulation by the states in the liability field. (With a few notable exceptions, compensation insurance rates had been regulated by the states when the former plan was adopted). These considerations led the Mutual Casualty Insurance Rating Bureau and the National Bureau of Casualty Underwriters to appoint committees to meet jointly for the purpose of preparing concrete proposals on which the industry, through the National Council on Compensation Insurance and the independent state compensation rating bureaus, could agree prior to an official request for revival of the old plan from the Defense Department.

Their Joint Committee was composed of:

(American) Lumbermen's Mutual Casualty Company
American Mutual Liability Insurance Company
Employers' Mutual Liability Insurance Company of Wisconsin

¹ Cf. "The Comprehensive Insurance Rating Plan" by Charles J. Haugh; *Proceedings* Vol. XXVIII (1941-2) p. 535. A reading or rereading of this paper is essential to a clear understanding of the present plan.

² Mr. Haugh's paper, referred to above, gives a history of the unworkable situation resulting from the placing of this insurance on the basis of bids.

Liberty Mutual Insurance Company
 Fidelity and Casualty Company of New York
 Hartford Accident and Indemnity Company
 Royal-Liverpool Insurance Group
 Travelers Insurance Company
 United States Fidelity and Guarantee Company

This group divided into subcommittees for consideration of the legal, rating and procedural problems presented by any revision of the former plan. In November of 1950, Mr. Thomas L. Kane was appointed Director of Insurance for the Defense Department. The intensification of the war in Korea brought word that if any changes were contemplated in the World War II plan they should be put forward immediately. As a result, in early December of 1950, an informal oral presentation of the Joint Committee's recommendations were made to Mr. Kane who requested that the recommendations be reduced to writing for consideration by the Military Departments and the Advisory Committee appointed by the Secretary of Defense to consult with Mr. Kane on insurance matters. This latter committee was composed of:

Hon. W. Ellery Allyn, Insurance Commissioner of the State of Connecticut and then President of the National Association of Insurance Commissioners.

Professor Ralph H. Blanchard, School of Business, Columbia University.

Mr. Clayton Hale of the Hale and Hale Company of Cleveland, Ohio.

Mr. Reese F. Hill, then President of the Carolina Casualty Company and now Vice President of the Crum and Forster Group of Companies.

(Mr. Hill is identified as the author of the World War II plan when he was in charge of the insurance section of the War Department—see Mr. Haugh's paper—cited above.

Mr. William S. Lund, Assistant Treasurer, Gulf Oil Company.

At the same time these recommendations were sent to the Rates Committee of the National Council. Subsequent negotiations with the Defense Department led to the adoption of a proposed plan by the Rates Committee on March 1, 1951. At that time the National Council appointed a committee of four stock and four mutual companies to complete the negotiations on the plan with the Defense Department and to develop such forms and related items as would be necessary to put the plan into operation. The Mutual Bureau and the National Bureau named their respective members on the National Council's committee as committees representing their organizations and the group has subsequently met and acted as the Conference Committee on the National Defense Projects Rating Plan. As far as the author knows this is one of the first formalized working committees officially representing three separate rating organizations for the purpose of simultaneously handling a common rating problem since the 1946-8 flurry of new state rate regulatory laws.³

* The Conference Committee is composed of the following companies:
 (American) Lumbermen's Mutual Casualty Insurance Company
 American Mutual Liability Insurance Company
 Employers Mutual Liability Insurance Company of Wisconsin
 Liberty Mutual Insurance Company
 Hartford Accident and Indemnity Company
 Royal-Liverpool Insurance Group
 Travelers Insurance Company
 United States Fidelity and Guarantee Company

The Munitions Board in the Department of Defense approved the National Defense Projects Rating Plan in April 1951 (see Appendix A). Endorsement forms which were being negotiated with the Defense Department received approval of the insurance sections of the Military Departments in June, and of the legal advisors to the Military Departments in August (see Appendix B).

THE PLAN

The National Defense Projects Rating Plan is a retrospective rating plan designed to apply on an over-all basis to Defense Projects from inception to completion. The premium formula is:

$$\text{Premium} = [\text{Fixed charge} + \text{Modified Losses} + \text{Allocated Claim Expense} + \text{Special Assessments}] \times \text{Tax Multiplier.}$$

The premium thus determined is limited to a maximum premium which varies according to risk size.

ELIGIBILITY

Attention is directed to the wording of the plan relating to applicability (Appendix A, Section A). It will be seen that the defense contracts must comprise at least 90% of the payroll of the insured operations but that where the remaining 10% or less of payroll is involved with operations not susceptible of separation from the defense contract operations they must be included for coverage and rating purposes. This departure from the practice under the former Comprehensive Rating Plan should serve to simplify greatly what could otherwise be an almost insoluble problem. It would be most difficult, for instance, to assign the injuries between defense and non-defense work in a plant engaged almost 100% in defense work but where occasional civilian orders are undertaken for identically the same product.

The increase in the eligibility requirement to \$10,000 estimated annual premium as contrasted to \$5,000 estimated premium "for the insurance" under the former plan will serve properly to restrict the new plan's use to the sort of "large risk" defense project where retrospective rating would be appropriate.

MAXIMUM PREMIUM

The records of the National Council on Compensation Insurance show the following countrywide compensation loss ratios for the war years and for the three years preceding the reactivation of the National Defense effort.

<i>Calendar Year</i>	<i>Ratio of Incurred Losses to Earned Premium—Standard Basis</i>
1942	.536
1943	.525
1944	.534
1945	.567
1948	.525
1949	.542
1950	.616

A major change in the compensation ratemaking procedure, i.e. the development of the Rate Level Adjustment Factor, had been introduced in the early months of 1949 with the result that compensation loss ratios can not be expected to develop so favorably as during the war years even if wage rates should again make the sort of sharp increase they did during the war. It is important to note that 1950 is the first year in which the *earned* premium was generated largely from rates which included the Rate Level Adjustment Factor in their development.

Because of this virtual certainty that compensation loss ratios will be higher than during the 1942-45 period the decision was made to abandon the former maximum premium limitation (90% of standard premium for all premium sizes) and seek consideration by the Government of a maximum ratio of 150% of standard premium for all premium sizes. Negotiations led to the use of the graded maximum ratios contained in Plan C at the key sizes; to be applied to 100% of the standard premium with intermediate values determined by interpolation.

FIXED CHARGE

The retrospective "basic premium" of the Defense plan is set forth in the Table of Fixed Charges. Unlike the maximum premium ratio the fixed charge percentage is applied to 90% of the standard premium as was the case with the fixed charge in the World War II plan.

Before making an analysis of the fixed charges a brief outline of the negotiations leading to their establishment is in order.

In the World War II plan the fixed charges were based on 6% for expenses other than claim adjustment plus an insurance charge to provide premium to cover losses in excess of the maximum. Unallocated claim expense was provided for by a loss modification factor of 1.12 applicable to incurred losses excluding allocated claim expense but including project site medical. An estimated average prospective experience rating credit of 10% led to the application of the fixed charge to 90% of the standard premium.

The Comprehensive Rating Plan was adopted generally in early 1942. Since then, of course, the so-called 1943 compensation rating program involving premium discount and Retrospective Rating Plans A, B and C has been almost universally approved and, more recently, Plan D and a profit and contingencies margin in compensation rates. For premium in excess of \$1,000 the amount for administration and audit in these rating schemes is 4.1% and this therefore became the suggested provision in the Defense plan.

In 1950 when negotiations for the adoption of the Defense plan were underway, the average of the various state approved profit and contingency allowances in the retrospective rating plans was approximately 1.9%. The Defense Department had indicated that it would approve the inclusion of a profit margin in the plan but did not want to be in the position of setting a precedent as to precise amount for the state insurance commissioners whose famous Swampscott meeting was yet to come. Although the carriers recommended a 2.5% allowance, a workable compromise was the use of the average of the state approved allowances. The amount for inspection and accident prevention is 2.0% and thus, exclusive of claim adjustment, the expense and profit provisions are 8.0%.

It was further proposed to the Defense Department that an additional 2.0% be included in the fixed charge by way of an allowance for a portion of the unallocated claim expense, the remainder to be provided for in a reduced loss modification factor (1.097—see below). Two considerations led to this proposal. First, in respect to claim handling at defense projects a certain amount of "stand by" facility must be provided, thus generating some expense without regard to amount of loss. Second, some criticism of the loss modification principle can be anticipated because, at first glance, it seems to give the insurance carrier an economic inducement to have losses at a high rather than low level. Any lowering of the loss modification factor would of course minimize this impression.

Initially, then, negotiations with the Defense Department centered on the following table of fixed charges to be applied to 100% of the standard premium as compared with the charges in the World War II plan.

TABLE OF FIXED CHARGES

<i>Standard Premium</i>	<i>Proposed Values Applicable to 100% of (1)</i>	<i>World War II Values Applicable to 90% of (1)</i>
(1)	(2)	(3)
5,000	Not available	.370
10,000	.161	.290
25,000	.130	.240
50,000	.113	.184
100,000	.105	.125
150,000	.102	.115
200,000	.102	.105
250,000	.102	.097
300,000	.102	.090
350,000	.102	.075
400,000	.102	.065
450,000		
to		
700,000	.102	.065
700,000 & Over	.101	.063

(The effect on the proposed fixed charges of the graded maximum ratios can be readily seen.)

An analysis of these charges is shown below:

NATIONAL DEFENSE PROJECTS
RATING PLAN

Standard Premium (1)	Proposed Fixed Charge (2)	Max. Prem. Ratios		Ratio Rated to Exp. Losses (4) — (2)	Insurance Charge		Profit Contingency and Expense Provisions (8)	Balance (2) — (7) — (8)
		Incl. Tax (3)	Excl. Tax (3) ÷ 1.031 (4)	$\frac{1.097 \times .60}{(5)}$ (5)	Table M Reading (6)	Ratio to Prem. (6) × 1.097 × .60 (7)	(8)	(2) — (7) — (8)
\$10,000	.161	1.650	1.600	2.19	.093	.061	.100	.000
25,000	.130	1.400	1.358	1.87	.046	.030	.100	.000
50,000	.113	1.350	1.309	1.82	.019	.013	.100	.000
100,000	.105	1.280	1.242	1.73	.007	.005	.100	.000
150,000	.102	1.250	1.212	1.69	.003	.002	.100	.000
200,000	.102	1.210	1.174	1.63	.003	.002	.100	.000
250,000	.102	1.180	1.145	1.59	.003	.002	.100	.000
300,000	.102	1.140	1.106	1.53	.003	.002	.100	.000
350,000	.102	1.110	1.077	1.48	.003	.002	.100	.000
400,000	.102	1.070	1.038	1.42	.005*	.003*	.100	-.001*
500,000	.102	1.000	.970	1.32	.005*	.003*	.100	-.001*
700,000	.101	1.000	.970	1.32	.002	.001	.100	.000

NOTES: Col. 6 Entered with Col. (5) and expected losses 60% of Col. (1).

Col. 8 Expenses—Administration and Audit	.041
Inspection	.020
Claim Adjustment	.020
Profit and Contingencies	.019
	.100

Total .100

* This apparent reversal is not significant. Considerable merit lay in using Plan C maximum ratios which, under that plan, are tested only to within $\pm .005$ of the required balance.

NATIONAL DEFENSE PROJECTS RATING PLAN

Standard Premium (1)	Max. Prem. Ratios Incl. Ex. Tax		Adopted Fixed Charges On		Ratio Rated to Exp. Losses	Insurance Charge		Profit, Contingency and Expense Provisions (9)	Balance (5)—(8)—(9) (10)
	(2)	(2) + 1.031 (3)	90% Col. (1) (4)	100% Col. (1) (4) × .90 (5)	(3)—(5) 1.12 × .60 (6)	Table M For (6) (7)	Std. Prem. (7) × 1.12 × .60 (8)		
10,000	1.650	1.600	.141	.127	2.192	.093	.062	.072	-.007
25,000	1.400	1.358	.110	.099	1.874	.046	.031	.072	-.004
50,000	1.350	1.309	.093	.084	1.823	.019	.013	.072	-.001
100,000	1.280	1.242	.085	.077	1.734	.007	.005	.072	.000
150,000	1.250	1.212	.082	.074	1.694	.003	.002	.072	.000
200,000	1.210	1.174	.082	.074	1.637	.003	.002	.072	.000
250,000	1.180	1.145	.082	.074	1.594	.003	.002	.072	.000
300,000	1.140	1.106	.082	.074	1.536	.003	.002	.072	.000
350,000	1.110	1.077	.082	.074	1.493	.003	.002	.072	.000
400,000	1.070	1.038	.082	.074	1.435	.004*	.003*	.072	-.001*
500,000	1.000	.970	.082	.074	1.333	.004*	.003*	.072	-.001*
700,000 & Over	1.000	.970	.081	.073	1.335	.001	.001	.072	.000

Notes: Col. (6) Expected Loss Ratio = .60 × Loss Conversion Factor 1.12 = .672

Col. (7) Insurance charge from Table M corresponding to expected losses 60% of Col. (1)

Col. (10) Expenses .041 Administration and Audit

.020 Inspection "

.019 Profit and Contingencies

.080 Total on 90% of Premium

.080 × .90 = .072 on 100% of Premium

*See note above.

The Defense Department, having agreed to the graded maximum premium felt it more desirable from their point of view to retain the 1.12 loss modification factor from the World War II plan and also the former concept of an average 10% credit, to be considered, however, only as respects the fixed charge. This means that the fixed charge, unlike the maximum ratio, is applied to 90% of the standard premium. The 2.0% initially proposed for inclusion in the fixed charge for claim expense was restored, in proper ratio, to the loss modification factor. The fixed charge percentages finally acceptable to the Defense Department were in each case the earlier proposed set minus a flat 2.0%.

A test of these fixed charges, shown below, indicates that a balance for profit and contingency of 1.9% remains for all premium sizes except those under \$50,000. Except for the \$10,000 premium size (the minimum for applicability of the plan and a size which will be rarely, if ever, found in practice) the balances are within the $\pm .005$ of the desired amount as is the case with Retrospective Rating Plans A, B, C and D. These balances are quite apparently within the tolerance limits of the excess pure premium ratio calculations and graduations which underly Table M.

LOSS MODIFICATION FACTOR

The loss modification factor is applicable to the incurred losses including project site medical but is not applicable to allocated claim expense for automobile or general liability as would be the case under Plan D.

The purpose of the factor is to provide for unallocated loss expense. When related to losses the loading for this expense in the various lines included under the plan is as follows:

<i>Line of Insurance</i>	<i>Unallocated Claim Expense Ratio To Premium</i>	<i>Permissible Loss Ratio</i>	<i>Ratio of Unallocated Claim Expense to Losses (2) ÷ (3)</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>
Compensation	.080	.600	.133
Automobile B. I.	.061	.554	.110
Automobile P. D.	.098	.517	.190
General Liability	.075	.510	.147

An examination of the rates and permissible loss ratios for the various lines leads to the reasonable assumption that incurred losses will be split among the various lines approximately as follows:

Compensation	.90
Automobile B. I.	.04
Automobile P. D.	.03
General Liability	.03
Total	1.00

This produces an average indicated ratio of unallocated claim expense to losses of .135.

The balance of .015 between the indicated factor of 1.135 and the adopted factor of 1.12 is accounted for both by the application of the factor to project site medical (.010) and the inclusion of workmen's compensation allocated claim expense along with liability allocated claim expense as one of the parts of the final premium formula (.005).

Under usual commercial practice project site medical would not be furnished by an insurance carrier to a retrospectively rated risk for inclusion with incurred losses for the obvious reason that the insured is reimbursed for the portion of expense of medical facilities attributable to compensation and then finds this amount in his premium calculation increased, say, 13%. In the negotiations leading to the adoption of the plan the suggestion was made to the Defense Department that this principle in respect to handling project site medical be followed for its contractors and that the usual non-participating Plan D factor of 1.13 be adopted for the Defense Rating Plan. This was to be further modified by the inclusion of 2.0% for unallocated claim expense in the fixed charge leaving 1.097 as the recommended loss modification factor.

$(1.13 - \frac{.02}{.60} = 1.097$; see above) The Defense Department rejected these suggestions, however. They wanted insurance company supervision over project site medical installation and administration on the one hand and they desired the smallest acceptable departure from World War II fixed charges and loss modification factor on the other. As a result the factor of 1.12, the fixed charges described above and the inclusion of a portion of project site medical expense with incurred losses were finally adopted.

TAX MULTIPLIER

Experience with final settlements under the World War II plan led to the conclusion that a precalculated table of tax multipliers was impractical. As a result the present plan provides for formula calculation of the tax multipliers for each line of insurance by state. Miscellaneous taxes, licenses and fees, social security taxes, and rating and administrative bureaus are considered equal to a premium tax of 1.0% which is added to the state tax before inclusion in the usual retrospective rating plan tax multiplier calculation. The Defense Rating Plan here differs from usual retrospective rating plans in putting bureau expense with taxes rather than in the fixed charge.

SPECIAL ASSESSMENTS

These are assessments not levied as a tax based on premium, such as those for Industrial Board or Commission expenses.

Examples of special assessments are:

Kansas

The Kansas Compensation Act provides for levying certain fees per claim which are paid into a fund for the support of the Industrial Commission.

Maryland

The Maryland Compensation Act provides for an assessment per \$100 of payroll for the expenses of the State Industrial Accident Commission.

New York

The New York Compensation Law provides for an assessment based on paid indemnity losses for the expenses of the Workmen's Compensation Board.

Assessment factors are generally applicable to a different period than the policy period. To obtain the factor for a particular policy period the applicable factors will be pro rated.

When an interim adjustment is due before the applicable factor is available the latest available factor will be used.

RATES

Simplification of the rating for standard premium calculation purposes was one of the goals eagerly sought by the carriers and the Defense Department. This has been accomplished in large measure by the inclusion in the plan of payroll rates for automobile and general liability and specific provision for the use of average or composite rates for compensation.

The World War II plan was promulgated prior to the S.E.U.A. decision and, therefore, it was in order then to specify the rates of a particular Bureau Manual for use in connection with rated projects. By 1950 the legal picture had changed radically. Insurance was then "commerce"; interstate commerce where it was transacted across state lines and, by virtue of the McCarran Act, free from the impact of federal anti-trust statutes only to the extent that state regulation was in force. The rate regulation by the states, which is all but universal, involves among other things the licensing of rating bureaus to act in connection with filings for their members and subscribers only. Any rates to be used in connection with the Defense Rating Plan must, therefore, be filed rates; either by a rating organization on behalf of members and subscribers or by individual insurers who are independent. For this reason the plan makes no reference to any liability manuals but instead contains payroll rates and appropriate excess limits tables for use in connection with Defense Project coverage.

The liability rates are primarily based on the relationship of the standard premiums for coverage under the World War II plan and the payrolls developed. It will be recalled that during the War manual rates were discounted a uniform 50% before use under the plan as a reflection of the reduced public liability hazards of Defense Projects.

COVERAGE

The coverage given by the policies to be rated under the plan is broad and complete. Employer's liability including occupational disease coverage under paragraph 1 (b) is written for limits of 50/100 and extra legal medical in specified states having limited medical benefits may be granted for \$10,000 or more in addition to full statutory coverage.

Automobile Bodily Injury and Property Damage are written on the comprehensive forms and give coverage for all owned, non-owned and hired automobiles used in connection with the project whether on or off the premises. Attention is directed to section 2 of the Automobile Liability Endorsement (Appendix B, Endorsement 3).

General Liability Bodily Injury coverage which is primary to sub-contractors and primary and protective to all principal contractors and architect-engineers is also on the comprehensive form. Contractual liability coverage not contemplated by the Standard Policy Form and Products Liability coverage are not included in the rates for the plan but can be included by endorsement on an (a) rate basis subject to agreement between the Government and the carrier involved.

General Liability Property Damage is written only on an optional basis and at (a) rates and, by agreement with the Defense Department, on a "caused by accident" basis only.

OCCURRENCE BASIS

Automobile bodily injury and property damage liability and general liability bodily injury are written on the "occurrence" basis. This is done by eliminating the words "caused by accident" from the insuring agreement and by substituting for the words "accident" or "accidents" the words "occurrence" or "occurrences" where appropriate in other portions of the policy. An added definition relates to occurrence and reads as follows:

"'Occurrence' means an unexpected event or happening or a continuous or repeated exposure to conditions which results during the policy period in bodily injury, sickness or disease, including death at any time resulting therefrom, or, during the policy period in injury to or destruction of property, provided the insured did not intend that injury, sickness, disease, death or destruction would result."⁴

WAIVER OF SUBROGATION

The Rating Plan endorsements contain the following language respecting waiver of subrogation against the Government:

"The company waives any rights of subrogation acquired against the United States of America by reason of any payment under this policy; except that such waiver shall not extend to losses caused by acts of the United States of America which are not connected with the contracts and subcontracts covered by Section 1 of this endorsement or with other operations of this insured not a part of but not susceptible of separation from operations performed under such contracts and subcontracts."

The compensation endorsement carries an additional sentence indicating that the carrier does not waive its right to participate in the proceeds of an action against the Government brought by or on behalf of an injured employee. These proceeds would be credited against incurred losses and this clause is for the protection of the Government in these cases.

The problem met by this waiver was, in a sense, one of treating the Government as an additional insured as respects the Defense Project without actually naming it on the policies as such. During World War II the waiver commonly given was initially somewhat meaningless in that no clear right of action against the Government existed anyway. The passage of the Federal Tort Claims Act, following the crash of an Army aircraft into the Empire State Building in New York City, now gives certain specified rights to individuals and others to proceed against the Government for its negligent acts. For this reason, the carriers were willing to waive their subrogation rights for Govern-

⁴ This is the automobile form. The General Liability Form is comparable but omits reference to property damage. See Appendix B, Endorsements 3, 4 and 5.

ment activities connected with the specified project but were not willing to waive them generally. A carrier would probably proceed, for example, against a negligent Post Office truck should it have been responsible for injury to workmen in the course of their employment on an insured Defense Project.

PROJECT SITE MEDICAL

A portion of the salaries of doctors, internes, nurses, technicians and full time orderlies and nurses aides may be assumed by the insurance carrier and included with incurred losses at the time of premium settlement. The percentage of the salaries so included can not exceed specified amounts nor can the project site medical costs exceed specified percentages of standard premium except by special negotiation (see Appendix B, Endorsement 7). As outlined above the carriers agreed to the project site medical arrangement somewhat reluctantly, the initial hope being that such facilities as were desirable would be provided entirely by the contractor under his contract with the Government.

EXPLOSION HAZARD

Many Defense Projects involve the manufacturing or handling of substances manufactured for the express purpose of exploding. The obvious catastrophe exposure of such operations was not satisfactorily met by the provisions of the World War II plan where an additional fixed charge was applicable and where the carriers then went to the reinsurance market for catastrophe coverage. Quotations for such coverage in 1950 were in some cases as high as 26%. A workable solution to the problem was arrived at through the precedent established by the War and Transportation Losses Endorsement in use during the War.⁵ Any loss under any of the policies, whether by explosion or otherwise, which exceeds a specified amount in any one accident or occurrence, is not subject to the maximum premium limitation. These excess losses are subject to the loss modification factor and the tax multiplier and are, therefore, an integral part of the premium to be paid by the contractor. The result of this procedure is to make the catastrophe losses inherent in explosives manufacturing and handling reimbursable by the Government as premium under the plan, and, therefore, these hazards present no reinsurance difficulties as was previously the case.

SETTLEMENTS

The carrier and the contractor are required to make a cumulative adjustment of the retrospective premium at annual intervals until the project is completed. These adjustments will be made within eight months of the policy anniversary dates, in each case covering loss and premium transactions from the inception of the project to the date of the adjustment. Considerable effort has gone into simplifying the paper work problem surrounding these so-called preliminary settlements and the Defense Department's cooperation in this regard has been whole-hearted. The forms which will be required for preliminary settlement have been drawn with an eye to keeping out data which is either immaterial or which is not readily available from the usual records kept in company home offices. For example, detailed information on open cases is

⁵ Cf. Appendix C of Mr. Haugh's article cited above.

frequently maintained only in field offices and such information even if readily available would only be pertinent at the time of final settlement. Obviously most of the cases which are in reserve at the several interim annual periods will have been closed by the time of final settlement, which has been set at twenty months after termination of insurance on the project, based on losses valued eighteen months after termination of the project. Even then individual case reports will be required only where the amount outstanding is in excess of \$1000.

The required forms are shown in Appendix E. Exhibits I, IA, II, III and IV will be required on a cumulative basis and, if the carrier desires, these documents when certified may comprise the bill to be rendered the contractor. Exhibits IA and II are simple summary forms for generating information required for calculating the premium on Exhibit I. Exhibits III and IV, which are listings of claims, are not required if available machine tabulation forms furnish substantially the same information.

As stated above, Forms V and Va (Individual Report—Open Loss) will be required only at final settlement 18 to 20 months after the insurance has expired and, even then, only on cases in excess of \$1000.

INTERIM REPORT OF LOSSES INCURRED

Form VI will be required twice a year for the first six months of each year and for the full twelve months. This form will not be reported cumulatively and has been trimmed of all difficult to obtain or unnecessary information. It should be practical to complete this form within sixty days of the close of the period involved.

INSURANCE ADVISORS

Appendix F contains the advisor's agreement which was worked out between the Defense Department on the one hand and representatives of both agents and brokers on the other. These negotiations were handled entirely by the interested producer's groups and the insurance carriers are not involved with either the selection of an advisor or his fee which is paid directly by the contractor.

This system was devised for the handling of insurance during World War II and is much the same now as it was then. In this way the National Defense Projects Rating Plan itself does not provide for payment of a commission and, thus, all types of carriers irrespective of their usual form of marketing insurance should develop the same premium under the plan for any given project.

CONCLUSION

Because the experience which was had under the World War II plan is still so fresh in both Government and insurance carrier circles, the administrative and procedural problems which have required solution by the Conference Committee have not bulked large. Even now, the handling of National Defense Projects Rating Plan matters has settled down to something of a routine and, if the National emergency which has generated the Defense program continues for a long period, as some predict, present signs are that the third-party lines of casualty insurance on Defense Projects can be handled on a fair and equitable basis for all concerned with a minimum of red tape and confusion.

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(ADVISOR'S AGREEMENT)

APPENDIX A

NATIONAL DEFENSE PROJECTS RATING PLAN

A. APPLICABILITY OF THE PLAN

1. The Plan is available for use in affording workmen's compensation and liability insurance on National Defense Projects where the operations are performed under a contract which provides that the contractor shall be reimbursed for the cost of such insurance by the United States Government or any agency thereof. The Plan may also be applied to the operations under a price redetermination type contract provided the interested Government agency certifies the eligibility of the risk for such application.
2. The Plan shall be applied only to risks for which the payroll for the operations to be performed under eligible contracts is estimated at inception of the Plan to be at least 90% of the estimated payroll for the total operations to be insured under the Plan. Insurance on such contracts let to the same risk by different agencies of the Government may be combined under the Plan with the approval of the agencies involved, provided that one such agency is designated to act for all in the administration of the Plan and in the allocation of insurance costs among the several agencies involved.
3. The Plan shall not be used where the estimated annual premium for the insurance is less than \$10,000.

4. In all cases the Plan must include all other operations of the risk which are not susceptible of separation from those performed under eligible contracts. The insurance carrier shall not be charged with the responsibility of allocating the insurance costs between operations under the Plan, nor between contracts let by different agencies of the Government.
 5. The coverage required under this Plan for an eligible risk may be furnished by two or more carriers with the approval of the Government agency involved. In such cases the Plan shall apply to the combined coverages so afforded and the carriers shall be responsible for the proper division of the final premium between them.
- B. The insurance to which this Plan applies may embrace the combined coverage of the following policies:
1. Workmen's compensation—
 - (a) full statutory coverage,
 - (b) Occupational Disease under paragraph 1(b) by endorsement, with limits of at least \$50,000 each person and \$100,000 aggregate for each year of the policy period,
 - (c) extra legal medical of at least \$10,000 for each injured person in states with limited medical benefits,
 - (d) Employers' Liability Insurance for limits of at least \$50,000 each person in any one accident and, subject to that limit for each person, at least \$100,000 for injuries sustained by two or more persons in any one accident;
 2. Automobile Bodily Injury Liability—insurance for limits of at least \$50,000 each person in any one accident and, subject to that limit for each person, at least \$100,000 for injuries sustained by two or more persons in any one accident, the policy to be written on the Comprehensive Liability form, to cover all owned, non-owned and hired automobiles used in connection with the project, whether on or off the premises.
 3. Automobile Property Damage Liability—insurance for a limit of at least \$5,000 each accident, the policy to be written on the Comprehensive Liability form, to cover all owned, non-owned and hired automobiles used in connection with the project, whether on or off the premises.
 4. Comprehensive General Bodily Injury Liability (primary for all subcontractors and primary and protective for all principal contractors and architect-engineers)—insurance for limits of at least \$50,000 each person in any one accident and, subject to that limit for each person, at least \$100,000 for injuries sustained by two or more persons in any one accident.
 5. General Property Damage Liability—insurance, if carried, to be for such limits as may be agreed upon.
- C. The liability coverage afforded under B-2, B-3 and B-4 shall be on an "occurrence" basis. Any liability coverage afforded under B-5 shall be on a "caused by accident" basis.
- D. The Carrier insuring the risk shall, except when otherwise permitted by the Government Agency concerned, combine the operations of the principal contractor and all of his subcontractors under this Plan.
- E. Policies shall be issued for a term of one year and shall provide for automatic renewal of each anniversary date unless notice of unwillingness to renew is served at least 30 days prior to any such anniversary date. Necessary endorsements shall be attached to tie in renewals (which may be evidenced by renewal certificates) and make the Plan applicable on an over-all basis from inception to cancellation or expiration.
- F. All policies written under this Plan shall be subject to the following provisions:
1. The premium under the Plan shall be a fixed charge plus modified losses plus allocated claim expenses plus special assessments, all multiplied by the appropriate tax multipliers, subject to a maximum premium (see Table of Rating Values).
 - (a) "Standard premium" shall mean the premium determined by the application of the Rules and Rates outlined in the Rules and Rates section of this Plan, without discount to reflect any expense loading modifications.

- (b) "Losses incurred" shall mean the sum of all losses actually paid plus reserves (indemnity and medical) for unpaid losses plus actual hospital and medical expenses.
- (c) "Modified losses" shall mean the losses incurred increased by the application of a factor of 1.12.
- (d) "Allocated claim expenses" shall mean actual payments and reserves for legal expenses, excluding the cost of investigation and adjustment of claims by salaried employees and fee adjusters, but including attorney's fees, court costs, interest, expense for expert testimony, examination, x-ray, autopsy or medical expenses of any kind not incurred for the benefit of the injured or any other expenses incurred under the policy other than payment of indemnity or medical treatment, provided that only those items of expense which can be directly allocated to a specific claim involving litigation or possible litigation when necessary to determine the company's liability shall be included.
- (e) "Special assessments" shall mean assessments, not levied as a tax based on premium, such as those for Industrial Board or Commission expenses.
- (f) "Fixed Charge" is the amount provided for fixed expenses, for losses in excess of the maximum, and for profit and contingencies. Inclusion of contingencies in the fixed charge is to meet unforeseeable events which may take place after final settlement of the premium as set forth in Rule F-5 and shall not be a substitute, at the time of final premium settlement, for adequate reserves on open cases sufficient to cover the probable ultimate cost of such claims. The fixed charge shall be obtained by applying the appropriate percentages as set forth in the Table of Rating Values to 90% of the combined standard premiums for the coverage afforded.
- (g) "Maximum Premium" shall mean the amount obtained by applying the appropriate percentage as set forth in the Table of Rating Values to 100% of the combined standard premiums for the coverages afforded.
- (h) Table of Rating Values:

<i>Standard Premium (Workmen's Compensation and All Liability Coverages Combined)</i>	<i>Fixed Charge Percentage</i>	<i>Maximum Premium Percentage</i>
\$ 10,000	14.1%	165%
25,000	11.0	140
50,000	9.3	135
100,000	8.5	128
150,000	8.2	125
200,000	8.2	121
250,000	8.2	118
300,000	8.2	114
350,000	8.2	111
400,000	8.2	107
500,000	8.2	100
700,000 and over	8.1	100

If the Standard Premium lies between any two of the figures in the Standard Premium column, the Fixed Charge and Maximum Premium percentages shall be interpolated to the nearest one-tenth of one percent.

- (i) "Tax multipliers" shall be computed on the basis of the following formula:

$$\text{Tax Multiplier} = \frac{1}{1.0 - (\text{State taxes based on premium plus } 1.0\%)}$$

In this formula the 1.0% provides for miscellaneous taxes, licenses and fees, for social security taxes, and for the expenses of rating bureaus and administrative boards.

The company shall be reimbursed for state taxes paid in advance which are in excess of those developed by the final adjusted premium and are not recovered from the taxing authority.

2. The deposit premium shall be 15% of the estimated annual standard premium on a monthly adjustment basis.
 3. Under contracts which provide for Government reimbursement of the cost of insurance, the carrier shall be paid not less than 50% of the earned Standard Premium Determined monthly on the basis of expended payrolls or determined at less frequent intervals if the carrier so elects. Under other types of contracts which do not provide for such reimbursement, the carrier shall be paid the full Standard Premium as earned.
 4. Preliminary settlements of premium under the Plan shall be made annually on the basis of completed policy years of experience. The first settlement shall be made within eight months after expiration of the original policy, and subsequent settlements shall be made within eight months after each anniversary date.
 5. Final settlement of premium under the Plan shall be made within twenty (20) months after termination of the insurance based upon a determination of loss reserves made not earlier than eighteen (18) months after such termination, but such final settlement may be deferred by mutual agreement for a further period not exceeding twenty-four (24) months.
If such final settlement is not approved by the Government agency and agreement cannot be reached as to any modification thereof, the final settlement shall be deferred for a further period of as many months, up to twenty-four (24) months, as may be necessary for the determination of such loss reserves.
In the event of disagreement on loss reserves at the end of the aforementioned periods, the matter shall be referred for arbitration to a committee of three, one member of which shall be selected by the Government agency, one by the carrier and the third by those two members.
 6. If the policy is cancelled, the earned standard premium shall be determined on a pro rata basis, but if such cancellation is effected by the insured—except for cancellation on completion of the project—the maximum premium shall be determined on the basis of the standard premium for the full period of insurance contemplated by the original policy and any renewals thereof, obtained by extending the earned standard premium on a pro rata basis.
- G. In the case of projects presenting an abnormal hazard because they involve the manufacture or handling of an explosive substance, the policies shall be endorsed to provide that premium shall be calculated as otherwise set forth in this Plan including the application of a factor of 1.12 to all losses incurred and including application of the appropriate tax multipliers but that all such premium developed from losses in excess of a stated amount of any loss arising out of a single accident shall not be subject to the Maximum Premium. In respect to such projects the Maximum Premium percentages shown in the Table of Rating Values shall be reduced a stated number of points. If the earned standard premium is less than \$100,000 during the period covered by the Plan, the stated amount of loss limitation shall be \$25,000 and the reduction in Maximum Premium percentage shall be twenty points. If the earned standard premium is \$100,000 or over during the period covered by the Plan, the stated amount of loss limitation shall be \$50,000 and the reduction in Maximum Premium percentage shall be ten points. An explosive substance is defined as any substance manufactured for the express purpose of exploding as differentiated from commodities used industrially and which are only incidentally explosive such as gasoline, celluloid, fuel gases and dyestuffs.

RULES AND RATES APPLICABLE TO THIS PLAN

1. WORKMEN'S COMPENSATION INSURANCE

The manual rules and rates of the National Council on Compensation Insurance shall be used as a basis for determining the standard premium for workmen's compensation insurance in all states where the National Council is a rating organization. The National Council's advisory rules and rates shall be used in those states where the National Council is an advisory organization. Independent Bureau rules and rates shall be used in those states where workmen's compensation rates are under the jurisdiction of an Independent Bureau. For Idaho the rates produced by National Council procedure shall be used. None of the foregoing rates shall be subject to experience or schedule rating plans.

An average rate shall be permitted on an individual risk basis, based on estimated payrolls by classification, for projects where the board or Bureau having jurisdiction has been furnished with the data necessary to develop such rates; provided, that such rate shall not apply unless the carrier and the Government agency affected agree to its use. If the operations contemplated by the average rate change substantially during the rating period, at the initiative of either the carrier or the insured, a revised average rate may be negotiated for prospective application based upon the change in operations, subject to the approval of the Government agency affected. However, the average rate once established on the basis of estimated payrolls shall not be subject to retroactive change in the event the estimated payrolls upon which the rate was based should prove to be inaccurate.

No discount which may be provided for in any of the above mentioned manual rules to reflect any reduction in expense shall be applicable in determining the standard premium. The application of the manual rules dealing with overtime and weekly payroll limitation in determining the compensation payroll for computation of the standard premium shall be predicated upon the maintenance by the insured of the precise records prescribed in such rules. Neither averages nor other substitute approximations may be used as a basis for applying such rules.

2. LIABILITY INSURANCE

Automobile and General Liability Insurance shall be provided on a composite rate basis in accordance with the following schedule of basic limits rates (\$5/10,000 B.I. and \$5,000 P.D. for Automobile Liability Insurance and \$5/10,000 B.I. and \$1/10,000 P.D. for General Liability Insurance) per \$100 of compensation payroll:

<i>Type of Risk</i>	<i>Automobile</i>		<i>General Liability</i>	
	<i>B.I.</i>	<i>P.D.</i>	<i>B.I.</i>	<i>P.D.</i>
Manufacturing	.01	.01	.01	(a)
Contracting	.02	.02	.10	(a)
Shipbuilding	.01	.01	.02	(a)
Ship Conversion and Repair	.01	.01	.05	(a)
Explosives	.01	.01	.125	(a)
All Other	(a)	(a)	(a)	(a)

NOTE—The rates for limits required by the Government for individual risks under this Plan shall be obtained by applying to these basic limit rates the appended Increased Limits Tables for Automobile Bodily Injury Liability, Automobile Property Damage Liability and General Bodily Injury Liability respectively; such rates shall be calculated to three decimal places

- (a) As respects Automobile Liability coverage, these rates contemplate comprehensive coverage including owned, non-owned, and hired cars but do not include public automobiles used to carry passengers for a consideration and automobiles classified and rated as long haul truckmen.
- (b) As respects General Bodily Injury Liability coverage, these rates contemplate comprehensive coverage but do not include Contractual Liability hazards which are not contemplated by the Standard Policy Form nor Products Liability hazards.
- (c) Experience and Schedule Rating Plans, the Automobile Fleet Plan, Premium Discount Plans and other individual risk rating plans shall not be used.
- (d) Rates for the following lines of insurance will be the subject of consultation between representatives of the Defense Department and the Conference Committee on the National Defense Projects Rating Plan, and will be filed by or on behalf of the insurer:
 - (1) Automobiles used to carry passengers for a consideration.
 - (2) Automobiles used in long haul trucking operations.
 - (3) Product Liability hazards.

- (4) Contractual Liability hazards other than those contemplated in (b).
- (5) Limits in excess of the Increased Limits Tables referred to in the above Note.
- (6) General Property Damage Liability coverage.
- (7) (a) rated classifications.
- (8) Rating values other than those contemplated by the Plan.

**AUTOMOBILE PROPERTY DAMAGE LIABILITY
INCREASED LIMITS TABLE**

\$ 5,000....100%	\$30,000....121%	\$60,000....126%
10,000....110	35,000....122	70,000....127
15,000....115	40,000....123	80,000....128
20,000....118	45,000....124	90,000....129
25,000....120	50,000....125	100,000....130

**AUTOMOBILE BODILY INJURY LIABILITY
INCREASED LIMITS TABLE**

<i>Upper Limits</i>	<i>Lower Limits</i>													
	5	7.5	10	15	20	25	30	40	50	100	150	200	250	300
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
10	100	107	110	%										
15	104	111	113	116	%									
20	106	113	115	118	120	%								
25	107	114	116	120	121	122	%							
30	108	115	117	121	122	123	124	%						
35	109	116	118	122	123	124	125	%						
40	110	117	119	123	124	125	126	127	%					
45	111	118	120	124	125	126	127	128	%					
50	112	119	121	125	126	127	128	129	130	%				
70	113	120	122	126	127	128	129	130	131	%				
100	114	121	123	127	128	129	130	131	132	133	%			
150	115	122	124	128	129	130	131	132	133	134	135	%		
200	116	123	125	129	130	131	132	133	134	135	136	137	%	
250	117	124	126	130	131	132	133	134	135	136	137	138	139	%
300	118	125	127	131	132	133	134	135	136	137	138	139	140	141

**GENERAL BODILY INJURY LIABILITY
INCREASED LIMITS TABLE**

<i>Limit per Accident</i>	<i>Limit per Person</i>											
	5	7.5	10	15	20	25	30	40	50	100	200	300
10	1.00	1.05	1.08									
15	1.03	1.08	1.11	1.13								
20	1.04	1.09	1.12	1.14	1.15							
25	1.05	1.10	1.13	1.15	1.16	1.17						
30	1.06	1.11	1.14	1.16	1.17	1.18	1.19					
40	1.07	1.12	1.15	1.17	1.18	1.19	1.20	1.21				
50	1.08	1.13	1.16	1.18	1.19	1.20	1.21	1.22	1.23			
100	1.09	1.14	1.17	1.19	1.20	1.21	1.22	1.23	1.24	1.25		
200	1.10	1.15	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	
300	1.11	1.16	1.19	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.28	1.29

APPENDIX B
ENDORSEMENT 1

Note: The following endorsement is to be issued to form a part of each original Workmen's Compensation and Employers' Liability Policy issued under the National Defense Projects Rating Plan.

NATIONAL DEFENSE PROJECTS RATING PLAN ENDORSEMENT

[Amending Policy Numbered]

Section 1. It is agreed that the premiums for the policies numbered and all renewals thereof issued by the company affording insurance in connection with Government Contract No., to (Name of prime contractor), prime contractor and all subcontractors insured under the policies in connection with a project at shall be a fixed charge plus modified losses plus allocated claim expenses plus special assessments, all multiplied by the applicable tax multipliers, subject to the maximum premium, computed as hereinafter provided:

- (a) "Standard premium" means the sum of the premiums for the original policies and all renewals thereof, computed in accordance with the provisions of the policies, other than this endorsement.
- (b) "Losses incurred" means the sum of all losses (indemnity and medical) actually paid plus reserves for unpaid losses.
- (c) "Modified losses" means the losses incurred multiplied by the factor 1.12.
- (d) "Allocated claim expenses" means actual payments and reserves for legal expenses, excluding the cost of investigation and adjustment of claims by salaried employees and fee adjusters, but including attorney's fees, court costs, interest, expense for expert testimony, examination, X-ray, autopsy or medical expenses of any kind not incurred for the benefit of the injured or any other expenses incurred under the policies other than payment of indemnity or medical treatment, provided that only those items of expense which can be directly allocated to a specific claim involving litigation or possible litigation when necessary to determine the company's liability shall be included.
- (e) "Special assessments" means assessments made against the company by governmental authority because of the insurance afforded under the policies, excluding any assessment levied as a tax based on premium.
- (f) "Fixed charge" is the amount determined by applying to 90% of the standard premium, the fixed charge percentage applicable to 100% of the standard premium as set forth in the Table of Rating Values.
- (g) "Maximum premium" is the amount obtained by multiplying 100% of the standard premium by the applicable maximum premium percentage set forth in the Table of Rating Values.
- (h) Table of Rating Values:

<i>Standard Premium</i>	<i>Fixed Charge</i>	<i>Maximum Premium</i>
\$10,000 and less	14.1%	165%
25,000	11.0	140
50,000	9.3	135
100,000	8.5	128
150,000	8.2	125
200,000	8.2	121
250,000	8.2	118
300,000	8.2	114
350,000	8.2	111
400,000	8.2	107
500,000	8.2	100
700,000 and over	8.1	100

If the standard premium lies between any two of the figures in the standard premium column, the fixed charge and maximum premium percentages shall be interpolated to the nearest one-tenth of one percent.

- (i) *"Tax multipliers.* The tax multiplier for each line of insurance for each state in which insurance is afforded by the policies shall be computed on the basis of the following formula:

$$\text{Tax Multiplier} = \frac{1}{1.0 \text{ minus (State Taxes based on premium plus 1.0\%)}}$$

In this formula the 1.0 per cent provides for miscellaneous taxes, licenses and fees, social security taxes and the expenses of rating bureaus and administrative boards, paid or payable by the company.

The prime contractor shall reimburse the company for state premium taxes paid which are in excess of those developed by the final premiums for the policies and are not recovered from the taxing authority.

Section 2. The deposit premium shall be retained by the company, without being given effect in any premium settlement, until the time of the final payroll audit after the termination of the insurance to which this endorsement applies, when the deposit premium shall be credited to any premium developed and the excess, if any, returned to the prime contractor.

Section 3. If the contract specified in Section 1 of this endorsement provides that the United States of America shall reimburse the prime contractor for the cost of insurance under the National Defense Projects Rating Plan the prime contractor, unless the policies by endorsement otherwise provide, shall pay the company monthly 50% of the amount of standard premium developed for the particular month. If the contract specified in Section 1 of this endorsement does not provide that the United States of America shall reimburse the contractor for the cost of such insurance, the prime contractor shall pay the company monthly 100% of the standard premium.

Section 4. Between 6 and 8 months after expiration of the first annual policy period, the company shall make a preliminary computation of the premium for the policies for such period with losses incurred valued as of a date not earlier than 6 months after such expiration. Annually thereafter until termination of the insurance under the policies, the company shall make a similar preliminary computation of the premium for all policies theretofore expired with losses incurred valued for each such computation as of a date not earlier than 6 months after the expiration of the most recent annual policy period. Between 6 and 8 months after the termination of the insurance afforded under the policies, the company shall make a preliminary computation of the premium for all of the policies, with losses incurred valued as of a date not earlier than 6 months after such termination.

Section 5. A computation of premium for final settlement purposes under the Plan shall be made by the company within 20 months after termination of the insurance based upon a determination of loss reserves made not earlier than 18 months after termination and such computation shall constitute an offer of final settlement; but, in the event losses so reserved are not approved by the Government and no agreement can be reached as to modification thereof, final settlement shall be deferred for a period or periods not exceeding 24 months.

If upon expiration of 24 months, as above provided, loss reserves as determined by the company are not approved by the Government and no modification thereof can be reached, then final settlement may by mutual agreement be deferred for a further period or periods up to a maximum of 24 months as may be necessary for the agreed determination of loss reserves.

If agreement on loss reserves to be included in the final settlement computation cannot be reached by the Government Agency involved and the company at the time for final settlement, the question of such loss reserves shall be referred for arbitration to a committee of three, one member of which shall be selected by the Government Agency involved, one by the company and the third by these two members. The decision of a majority of the committee with respect to the loss reserves to be included in the computation of the final premium shall be final and binding upon both parties upon approval by the..... of the Department of the

Section 6. Each premium computation required by Sections 4 and 5 shall be made in accordance with Section 1 of this endorsement. Subject to the provisions of Section 2, after

each computation, if the premium thus computed exceeds the premium paid for the policies for the annual period or periods included in such computation, the prime contractor shall pay the excess to the company; if less, the company shall return the unearned portion to the prime contractor.

Section 7. If the policies are canceled, the standard premium shall be determined on a pro rata basis, but if such cancelation is effected by the prime contractor, except for cancelation on completion of the project or cessation of operations of the prime contractor covered by the policies, the maximum premium for the policies shall be based upon the standard premium computed pro rata for the period the policies have been in force and extended pro rata to the termination date originally contemplated under the contract designated in Section 1 of this endorsement; provided,

- (a) such extension shall not be beyond a date 3 years subsequent to the effective date of the original policies, or
- (b) in the event there is no definite termination date specified in such contract the "termination date originally contemplated under the contract" for the purpose of this Section shall be deemed to be a date 3 years subsequent to the effective date of the original policies.

Note: 1. The Company may use its usual attachment clause.

ENDORSEMENT 2

Note: The following endorsement is to be issued to form a part of each Workmen's Compensation and Employers' Liability Policy issued under the National Defense Projects Rating Plan.

GENERAL ENDORSEMENT FOR WORKMEN'S COMPENSATION AND EMPLOYERS' LIABILITY POLICY

[Amending Policy Numbered]

It is agreed that:

Section 1.

NAME OF EMPLOYER

The name and address of this Employer are: (a)
 (Name and address of prime contractor)
 prime contractor under Government Contract No.
 with the United States of America, and (b)
 (Names and addresses of subcontractors)
 subcontractors under such contract, and (c) all other contractors and subcontractors under such contract whose contracts with the prime contractor provide that this insurance shall be furnished by the prime contractor. Provided that no contractor or subcontractor described in (c) above whose operations under such contract are conducted away from premises under the control of the prime contractor at which work under such contract is performed shall be an Employer under the policy until an endorsement has been issued and made a part of the policy designating such contractor or subcontractor as an Employer.

The prime contractor agrees to notify the company as soon as practicable of the names of all contractors and subcontractors not named herein whose operations under such contract are conducted at premises under the control of the prime contractor at which work under such contract is performed, but failure so to notify the company shall not invalidate the insurance. Any notice relating to this insurance mailed or delivered by the company to the prime contractor and to the contractors or subcontractors named in the policy shall be deemed notice to all contractors or subcontractors not named in but afforded insurance by the policy.

Section 2.

OPERATIONS COVERED

Such insurance as is afforded by the policy applies to all operations of this Employer in connection with the performance of the contract designated in Section 1 of this endorsement, and to other operations of this Employer not a part of but not susceptible of separation from operations performed under such contract, and shall not apply to any other operations of this Employer.

Section 3. WAIVER OF SUBROGATION AGAINST THE UNITED STATES

The company waives any rights of subrogation acquired against the United States of America by reason of any payment under this policy; except that such waiver shall not extend to losses caused by acts of the United States of America which are not connected with the contracts and subcontracts covered by Section 1 of this endorsement or with the operations of the Employer covered by this policy. This waiver shall not, however, bar the company from enforcing any rights given it by law to participate in the proceeds of any claim or suit brought against the United States of America by an employee of this Employer or the legal representative of such employee to recover damages for injuries, including death resulting therefrom, on account of which the company has paid benefits under a workmen's compensation law, or from joining itself as a party to such suit brought by such employee or legal representative if such joinder is necessary to enforce such rights.

Section 4. CANCELTION

The policy condition governing cancelation is amended as follows:

- a. The reference therein to a specified number of days is changed to 30 days.
- b. Cancelation by the company shall not be effective unless a copy of the notice of cancelation is mailed to
(Name and address of Government Agency involved)
on the same day that notice of cancelation is mailed or delivered to the Employer.
- c. In the event of cancelation by the Employer the company will as soon as practicable mail notice thereof to the Government Agency named in the preceding paragraph.

Section 5. ALL STATES COVERAGE

In the event this Employer is obligated to pay compensation benefits under any workmen's compensation law of any state or district of the United States other than a workmen's compensation law cited in an endorsement made a part of the policy because of injuries sustained by employees while engaged in operations for this Employer in connection with the contract designated in Section 1 of this endorsement, the company agrees to pay such compensation benefits under the law of any such state other than the law of a state which does not permit the writing of workmen's compensation insurance by private carriers.

Section 6. RENEWAL OF POLICIES

This policy or any renewal thereof shall be automatically renewed on its expiration date unless, at least 30 days prior thereto, either party serves on the other a notice in writing that this policy or any renewal thereof shall not be renewed.

Note: 1. The Company may use its usual attachment clause.

ENDORSEMENT 3

Note: The following endorsement is to be issued to form a part of each Automobile Liability Policy issued under the National Defense Projects Rating Plan.

GENERAL ENDORSEMENT FOR AUTOMOBILE LIABILITY POLICY

[Amending Policy Numbered]'

It is agreed that:

Section 1. NAMED INSURED

The name and address of the named insured are: (a)
..... (Name and address of prime contractor)
prime contractor under Government Contract No.
with the United States of America, and (b)
..... (Names and addresses of subcontractors)
subcontractors under such contract, and (c) all other contractors and subcontractors under such contract whose contracts with the prime contractor provide that this insurance shall be furnished by the prime contractor. Provided that no contractor or subcontractor de-

scribed in (c) above whose operations under such contract are conducted away from premises under the control of the prime contractor at which work under such contract is performed shall be insured under the policy until an endorsement has been issued and made a part of the policy designating such contractor or subcontractor as a named insured.

The prime contractor agrees to notify the company as soon as practicable of the names of all contractors and subcontractors not named herein whose operations under such contract are conducted at premises under the control of the prime contractor at which work under such contract is performed, but failure so to notify the company shall not invalidate the insurance.

Any notice relating to this insurance mailed or delivered by the company to the prime contractor and to the contractors or subcontractors named in the policy shall be deemed notice to all contractors or subcontractors not named in but afforded insurance by the policy

Section 2.

AUTOMOBILES COVERED

Such insurance as is afforded by the policy applies to any automobile maintained for use or used by the named insured in the performance of the contract designated in Section 1 of this endorsement or in operations not a part of but not susceptible of separation from operations under such contract and shall not apply to any other automobile except while being used in the performance of such contract.

Any automobile furnished the named insured by the United States of America for use in the performance of such contract shall be deemed to be an owned automobile as defined in the policy.

Section 3. WAIVER OF SUBROGATION AGAINST THE UNITED STATES

The company waives any rights of subrogation acquired against the United States of America by reason of any payment under this policy; except that such waiver shall not extend to losses caused by acts of the United States of America which are not connected with the contracts and subcontracts covered by Section 1 of this endorsement or with other operations of this insured not a part of but not susceptible of separation from operations performed under such contracts and subcontracts.

Section 4.

CANCELTION

The policy condition governing cancelation is amended as follows:

- a. The reference therein to a specified number of days is changed to 30 days.
- b. Cancelation by the company shall not be effective unless a copy of the notice of cancelation is mailed to
(Name and address of Government Agency involved)
on the same day that notice of cancelation is mailed or delivered to the named insured.
- c. In the event of cancelation by the named insured the company will as soon as practicable mail notice thereof to the Government Agency named in the preceding paragraph.

Section 5.

INTERPRETATION OF CROSS LIABILITY

Except with respect to the limits of liability, such insurance as is afforded by the policy applies separately to each interest insured under the policy.

Section 6. AMENDMENT OF COVERAGES A AND B—OCCURRENCE

The Insuring Agreements—"Coverage A—Bodily Injury Liability" and "Coverage B—Property Damage Liability" are amended by elimination of the words "caused by accident."

It is agreed that as respects the Bodily Injury Liability and Property Damage Liability Coverages:

- (a) The word "occurrence" is substituted for the word "accident" wherever the word "accident" appears elsewhere in the policy.
- (b) The Insuring Agreement—"Policy Period, Territory," is amended by the elimination of the words "accidents which occur during the policy period" and the substitution therefor of the words "occurrences during the policy period."

- (c) The condition of the policy are amended by inclusion of the following "Definition:"
 "Occurrence" means an unexpected event or happening or a continuous or repeated exposure to conditions which results during the policy period in bodily injury, sickness or disease, including death at any time resulting therefrom, or, during the policy period, in injury to or destruction of property, provided the insured did not intend that injury, sickness, disease, death or destruction would result.

All damages arising out of such exposure to substantially the same general conditions shall be considered as arising out of one occurrence.

Section 7. AMENDMENT OF PREMIUM CONDITION

The condition "Premium" is amended to read:

The premium bases and rates for the hazards described in the declarations are stated therein. Premium bases and rates for hazards not so described are those applicable under the rules of the National Defense Projects Rating Plan.

The premium base, unless otherwise stated in an endorsement made a part of the policy, is the remuneration earned during the policy period by employees of the named insured as reported to the company for computation of the standard premium for the concurrent Workmen's Compensation and Employers' Liability insurance afforded to the named insured.

Section 8. RENEWAL OF POLICIES

This policy or any renewal thereof shall be automatically renewed on its expiration date unless, at least 30 days prior thereto, either party serves on the other a notice in writing that this policy or any renewal thereof shall not be renewed.

Section 9. PREMIUM ADJUSTMENT

The premium for this policy shall be computed in accordance with the National Defense Projects Rating Plan Endorsement and any amendatory endorsement applicable thereto, forming a part of Policy No.

(Insert No. of Workmen's Compensation Policy applicable to the first annual policy period.)

Note: 1. The Company may use its usual attachment clause.

ENDORSEMENT 4

Note: The following endorsement is to be issued to form a part of each General Liability Policy issued under the National Defense Projects Rating Plan.

GENERAL ENDORSEMENT FOR GENERAL LIABILITY POLICY

[Amending Policy Numbered]²

It is agreed that:

Section 1. NAMED INSURED

The name and address of the named insured are: (a)
 (Name and address of prime contractor).....
 prime contractor under Government Contract No.
 with the United States of America, and (b)
 (Names and addresses of subcontractors)
 subcontractors under such contract, and (c) all other contractors and subcontractors under such contract whose contracts with the prime contractor provide that this insurance shall be furnished by the prime contractor. Provided that no contractor or subcontractor described in (c) above whose operations under such contract are conducted away from premises under the control of the prime contractor at which work under such contract is performed shall be insured under the policy until an endorsement has been issued and made a part of the policy designating such contractor or subcontractor as a named insured.

The prime contractor agrees to notify the company as soon as practicable of the names of all contractors and subcontractors not named herein whose operations under such con-

tract are conducted at premises under the control of the prime contractor at which work under such contract is performed, but failure so to notify the company shall not invalidate the insurance.

Any notice relating to this insurance mailed or delivered by the company to the prime contractor and to the contractors or subcontractors named in the policy shall be deemed notice to all contractors or subcontractors not named in but afforded insurance by the policy.

Section 2. OPERATIONS COVERED

Such insurance as is afforded by the policy applies to all operations of the named insured in connection with the performance of the contract designated in Section 1 of this endorsement, and to operations of the named insured not a part of but not susceptible of separation from operations under such contract, and shall not apply to any other operations of the named insured.

Section 3. WAIVER OF SUBROGATION AGAINST THE UNITED STATES

The company waives any rights of subrogation acquired against the United States of America by reason of any payment under this policy; except that such waiver shall not extend to losses caused by acts of the United States of America which are not connected with the contracts and subcontracts covered by Section 1 of this endorsement or with the operations of the insured covered by this policy.

Section 4. CANCELTION

The policy condition governing cancelation is amended as follows:

- a. The reference therein to a specified number of days is changed to 30 days.
- b. Cancelation by the company shall not be effective unless a copy of the notice of cancelation is mailed to
(Name and address of Government Agency involved)
on the same day that notice of cancelation is mailed or delivered to the named insured.
- c. In the event of cancelation by the named insured the company will as soon as practicable mail notice thereof to the Government Agency named in the preceding paragraph.

Section 5 INTERPRETATION OF CROSS LIABILITY

Except with respect to the limits of liability, such insurance as is afforded by the policy applies separately to each interest insured under the policy.

Section 6. EXCLUSION OF PRODUCTS HAZARD

The policy does not apply to the products hazard as defined in the policy or to a warranty of goods or products within the policy definition of the word "contract".

Section 7 AMENDMENT OF COVERAGE A—OCCURRENCE

The Insuring Agreement—"Coverage A—Bodily Injury Liability" is amended by elimination of the words "caused by accident".

It is agreed that as respects Bodily Injury Liability Coverage only:

- (a) The word "occurrence" is substituted for the word "accident" wherever the word "accident" appears elsewhere in the policy.
- (b) The Insuring Agreement—"Policy Period, Territory." is amended by the elimination of the words "accidents which occur during the policy period" and the substitution therefor of the words "occurrences during the policy period."
- (c) The conditions of the policy are amended by inclusion of the following "Definition:" "Occurrence" means an unexpected event or happening or a continuous or repeated exposure to conditions which results during the policy period in bodily injury, sickness or disease, including death at any time resulting therefrom, provided the insured did not intend that injury, sickness, disease or death would result. All damages arising out of such exposure to substantially the same general conditions shall be considered as arising out of one occurrence.

Section 8. AMENDMENT OF PREMIUM CONDITION

The condition "Premium" is amended to read:

The premium bases and rates for the hazards described in the declarations are stated therein. Premium bases and rates for hazards not so described are those applicable under the rules of the National Defense Projects Rating Plan.

The premium base, unless otherwise stated in an endorsement made a part of the policy, is the remuneration earned during the policy period by employees of the named insured as reported to the company for computation of the standard premium for the concurrent Workmen's Compensation and Employers' Liability insurance afforded to the named insured.

Section 9. RENEWAL OF POLICIES

This policy or any renewal thereof shall be automatically renewed on its expiration date unless, at least 30 days prior thereto, either party serves on the other a notice in writing that this policy or any renewal thereof shall not be renewed.

Section 10. PREMIUM ADJUSTMENT

The premium for this policy shall be computed in accordance with the National Defense Projects Rating Plan Endorsement and any amendatory endorsement applicable thereto, forming a part of Policy No.

(Insert No. of Workmen's Compensation policy applicable to the first annual policy period.)
Note: 1. The Company may use its usual attachment clause.

ENDORSEMENT 5

Note: The following endorsement is to be issued to form a part of each Comprehensive Liability policy issued under the National Defense Projects Rating Plan.

GENERAL ENDORSEMENT FOR COMPREHENSIVE LIABILITY POLICY
(Automobile and General Liability)
[Amendment Policy Numbered]¹

It is agreed that:

Section 1. NAMED INSURED

The name and address of the named insured are: (a)
(Name and address of prime contractor)

.....
prime contractor under Government Contract No.
with the United States of America, and (b)
(Names and addresses of subcontractors)

.....
subcontractors under such contract, and (c) all other contractors and subcontractors under such contract whose contracts with the prime contractor provide that this insurance shall be furnished by the prime contractor. Provided that no contractor or subcontractor described in (c) above whose operations under such contract are conducted away from premises under the control of the prime contractor at which work under such contract is performed shall be insured under the policy until an endorsement has been issued and made a part of the policy designating such contractor or subcontractor as a named insured.

The prime contractor agrees to notify the company as soon as practicable of the names of all contractors and subcontractors not named herein whose operations under such contract are conducted at premises under the control of the prime contractor at which work under such contract is performed, but failure so to notify the company shall not invalidate the insurance.

Any notice relating to this insurance mailed or delivered by the company to the prime contractor and to the contractors or subcontractors named in the policy shall be deemed notice to all contractors or subcontractors not named in but afforded insurance by the policy.

Section 2.

HAZARDS COVERED

- (a) With respect to the ownership, maintenance or use of automobiles such insurance as is afforded by the policy applies to any automobile maintained for use or used by the named insured in the performance of the contract designated in Section 1 of this endorsement or in operations not a part of but not susceptible of separation from operations under such contract and shall not apply to any other automobile except while being used in the performance of such contract.

Any automobile furnished the named insured by the United States of America for use in the performance of such contract shall be deemed to be an owned automobile as defined in the policy.

- (b) Such insurance as is afforded by the policy, other than with respect to the ownership, maintenance or use of automobiles, applies to all operations of the named insured in connection with the performance of the contract designated in Section 1 of this endorsement, and to operations of the named insured not a part of but not susceptible of separation from operations under such contract, and shall not apply to any other operations of the named insured.

Section 3. WAIVER OF SUBROGATION AGAINST THE UNITED STATES

The company waives any rights of subrogation acquired against the United States of America by reason of any payment under this policy; except that such waiver shall not extend to losses caused by acts of the United States of America which are not connected with the contracts and subcontracts covered by Section 1 of this endorsement or with the operations of the insured covered by this policy.

Section 4.

CANCELATION

The policy condition governing cancellation is amended as follows:

- a. The reference therein to a specified number of days is changed to 30 days.
b. Cancellation by the company shall not be effective unless a copy of the notice of cancellation is mailed to

(Name and address of Government Agency involved)
on the same day that notice of cancellation is mailed or delivered to the named insured.

- c. In the event of cancellation by the named insured the company will as soon as practicable mail notice thereof to the Government Agency named in the preceding paragraph.

Section 5.

INTERPRETATION OF CROSS LIABILITY

Except with respect to the limits of liability, such insurance as is afforded by the policy applies separately to each interest insured under the policy.

Section 6.

EXCLUSION OF PRODUCTS HAZARD

The policy does not apply to the products hazard as defined in the policy or to a warranty of goods or products within the policy definition of the word "contract."

Section 7. AMENDMENT OF COVERAGES A AND B—OCCURRENCE

The Insuring Agreements—"Coverage A—Bodily Injury Liability" is amended by elimination of the words "and caused by accident" and "Coverage B—Property Damage Liability—Automobile" is amended by elimination of the words "caused by accident."

It is agreed that as respects Bodily Injury Liability Coverage and Property Damage Liability—Automobile Coverage, only:

- (a) The word "occurrence" is substituted for the word "accident" wherever the word "accident" appears elsewhere in the policy.
(b) The Insuring Agreement—"Policy Period, Territory." is amended by the elimination of the words "accidents which occur during the policy period" and the substitution thereof of the words "occurrences during the policy period."

- (c) The Conditions of the policy are amended by inclusion of the following "Definition:"
 "Occurrence" means an unexpected event or happening or a continuous or repeated exposure to conditions which results during the policy period in bodily injury, sickness or disease, including death at any time resulting therefrom, or, during the policy period, in injury to or destruction of property, provided the insured did not intend that injury, sickness, disease, death or destruction would result. All damages arising out of such exposure to substantially the same general conditions shall be considered as arising out of one occurrence.

Section 8. AMENDMENT OF PREMIUM CONDITION

The condition "Premium" is amended to read:

The premium bases and rates for the hazards described in the declarations are stated therein. Premium bases and rates for hazards not so described are those applicable under the rules of the National Defense Projects Rating Plan.

The premium base, unless otherwise stated in an endorsement made a part of the policy, is the remuneration earned during the policy period by employees of the named insured as reported to the company for computation of the standard premium for the concurrent Workmen's Compensation and Employers' Liability insurance afforded to the named insured.

Section 9. RENEWAL OF POLICIES

This policy or any renewal thereof shall be automatically renewed on its expiration date unless, at least 30 days prior thereto, either party serves on the other a notice in writing that this policy or any renewal thereof shall not be renewed.

Section 10. PREMIUM ADJUSTMENT

The premium for this policy shall be computed in accordance with the National Defense Projects Rating Plan Endorsement and any amendatory endorsement applicable thereto, forming a part of Policy No.

(Insert No. of Workmen's Compensation Policy applicable to the first annual policy period.)

Note: 1. The Company may use its usual attachment clause.

ENDORSEMENT 6

Note: The following endorsement is to be used in connection with projects presenting an abnormal hazard because they involve the manufacture or handling of an explosive substance, as provided in Paragraph G of the National Defense Projects Rating Plan, to amend the National Defense Projects Rating Plan Endorsement to provide separate premium reimbursement of excess losses arising out of any one accident or occurrence involving one or more lines of insurance under the policies.

EXCESS LOSSES ENDORSEMENT—EXPLOSIVES PROJECTS

(Amending the National Defense Projects Rating Plan Endorsement attached to Policy Numbered { }¹⁾)

It is agreed that the National Defense Projects Rating Plan Endorsement made a part of the policy is amended as follows:

1. The premium formula in Section 1 of said Rating Plan Endorsement is amended to read as follows: "shall be (a) a fixed charge plus modified losses plus allocated claim expenses plus special assessments, all multiplied by the applicable tax multipliers, subject to the maximum premium, plus (b) an amount determined by multiplying the excess losses by the factor 1.12 and by multiplying such product by the applicable tax multipliers; each element computed as hereinafter provided:"
2. Paragraph (b) of Section 1 of said Rating Plan Endorsement is amended to read:
 "Losses Incurred" means the sum of all losses (indemnity and medical) actually paid, plus reserves for unpaid losses; provided that with respect to any one accident or occurrence involving one or more lines of insurance under the policies, "losses incurred" shall not include that part of the sum of such losses as is in excess of \$50,000, or in excess of \$25,000 if the earned standard premium is less than \$100,000 during the period covered by this endorsement.

3. "Excess Losses", as used herein, means the sum of all losses, (indemnity and medical) plus reserves for unpaid losses, not included in "losses incurred".
4. All losses due to a series of accidents or occurrences arising out of any one occurrence or event shall be deemed to arise out of a single accident or occurrence.
5. In the event the standard premium is less than \$100,000, the applicable Maximum Premium percentage in the Table of Rating Values shall be reduced by 20 percentage points. In the event the standard premium is \$100,000 or more the applicable Maximum Premium percentage shall be reduced by 10 percentage points.
6. As soon as practicable after an accident or occurrence involving excess losses, the company may compute the amount of such excess losses and shall furnish to the prime contractor and to the Government Agency involved an itemized statement thereof and shall make a preliminary computation of the premium due the company on account of such excess losses. The prime contractor shall promptly pay such premium to the company. At the time of each of the computations of premium provided for in Sections 4 and 5 of said Rating Plan Endorsement and in accordance with the procedure stated therein all excess losses and the premium resultant therefrom will be a part of each such computation and settlement, all in accordance with Section 1 of said endorsement as amended by this endorsement. That portion of the premium due the company on account of excess losses shall not be subject to any maximum.

Note: 1. Insert in brackets the Workmen's Compensation and Employers' Liability Policy Number.

ENDORSEMENT 7

PROJECT SITE MEDICAL ENDORSEMENT

It is agreed that "losses incurred", as defined in Section 1 (b) of the National Defense Projects Rating Plan Endorsement, shall include []% of the amount paid as salaries to "medical personnel" employed at the project site, provided however that such amount is subject to a maximum of []% of that portion of the Standard Premium applicable to Workmen's Compensation and Employers' Liability coverages.

"Medical personnel" as used in this endorsement shall include: doctors, internes, nurses, technicians, and if employed on a full time basis to perform services normally rendered by a nurse, orderlies and nurses' aides.

INSTRUCTIONS

Project Site Medical

1. Where medical treatment is afforded injured employees on the project site by the Employer a Project Site Medical Endorsement as shown above may be applied with respect to Workmen's Compensation and Employers' Liability policies issued under the National Defense Projects Rating Plan.
2. The percentage of the amount paid as salaries to "medical personnel" shall be fixed by negotiation among the carrier, the insured, and the Government Agency involved, and shall not exceed 66 $\frac{2}{3}$ % for construction projects, 50% for manufacturing projects or 33 $\frac{1}{3}$ % for explosives projects.
3. The maximum percentage of that portion of the Standard Premium applicable to Workmen's Compensation and Employers' Liability coverages referred to in the above endorsement shall be fixed by negotiation among the carrier, the insured and the Government Agency involved. Generally, these percentages should not exceed 7 $\frac{1}{2}$ % for construction projects, 10% for manufacturing projects or 5% for explosives projects but higher percentages may be agreed upon if justified.
4. The procedure outlined in the preceding paragraphs is applicable only where the project is solely a construction project, a manufacturing project or an explosives project. Ship building or ship repair projects shall be considered as construction projects.
5. If the project converts from a "construction project" to either a "manufacturing project" or an "explosives project", two endorsements will be required. The first, effective as of the effective date of the policies, will be the same as shown in the above endorsement except that the phrase "applicable to construction operations" will be

added at the end of the first paragraph. The second endorsement, effective as of the date of change of character of the project, will also be the same as in the above endorsement except that:

- (a) the percentage of salaries will be that applicable to the new operations, and
 - (b) the phrase "applicable to (insert 'manufacturing' or 'explosives') operations" will be added at the end of the first paragraph of the above endorsement.
6. If the project is at the same time in part a "construction project" and in part either a "manufacturing project" or an "explosives project" the endorsement to be used effective as of the date the project includes both operations, will be the same as the above endorsement except that:
- (a) the percentage inserted in the first bracket may be fixed, pro rata, on the basis of the payrolls for the combined operations, and
 - (b) the phrase "the sum of (1)% of that portion of the Standard Premium applicable to Workmen's Compensation and Employers' Liability coverages, applicable to construction operations and (2)% of that portion of the Standard Premium applicable to Workmen's Compensation and Employers' Liability coverages, applicable to operations" replaces the phrase ".% of that portion of the Standard Premium applicable to Workmen's Compensation and Employers' Liability Coverages."

ENDORSEMENT 8

ADDITIONAL MEDICAL COVERAGE ENDORSEMENT

[Amending Policy Numbered]¹

It is agreed that:

1. In addition to any payments which are required under Division (2) of Paragraph One (a) of the policy by the provisions of the applicable Workmen's Compensation or Occupational Disease Law, the Company will also pay the reasonable and proper cost of any additional medical, surgical, nurse or hospital services, medical or surgical apparatus or appliances and medicines which in the opinion of the Company may be reasonably necessary for the treatment of injuries sustained by any person who is entitled, on account of such injuries, to the benefits afforded under Division (2) of Paragraph One (a) or who is entitled to such benefits under other terms of the policy.
2. The Company's liability under this endorsement shall be limited to \$10,000 on account of each person for whom benefits are payable under Paragraph 1 of this endorsement.
- [3. This endorsement is issued in consideration of the payment by this Employer of a premium of 1% of the standard premium.]²
- [4. This endorsement applies only in the States of]³
[Minimum Premium \$]³

NOTES:

1. The Company may use its usual attachment clause.
2. The matter in brackets is to be omitted unless the endorsement applies in any one or more of the following states:
Arkansas, Florida, Indiana, Maine, Michigan, New Hampshire, New Mexico, Oklahoma and South Carolina.
3. List in this Paragraph those states designated in the following instructions in which this endorsement applies.

Instructions

This endorsement is to be used only if coverage is afforded in any one or more of the following states, the Workmen's Compensation or Occupational Disease Laws of which provide for limited medical benefits: Alabama, Arkansas, Colorado, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Michigan, Montana, New Hampshire, New Mexico, Oklahoma, Rhode Island, South Carolina, South Dakota, Tennessee, Vermont or Virginia.

In the event additional medical coverage is desired in Missouri, Pennsylvania or Texas the approved forms of endorsements applicable in such states are to be used.

ENDORSEMENT 9

WORKMEN'S COMPENSATION RENEWAL CERTIFICATE
(Blank Insurance Company)¹

Renewal of Policy No. Renewal Policy No.

In consideration of the payment of the premium provided for by the National Defense Projects Rating Plan Endorsement made a part of policy []², it is agreed that the policy []³ is renewed for the period stated below, subject to all its terms except as otherwise specified herein.

Name of Employer

Address

(No. street, town, county, state)

*Rate per \$100 of
Remuneration*

Classification of Operations

Policy Period: From to 12:01 a.m., standard time at the address of the Employer as stated herein.

Exception:

1. The deposit premium applicable to the expiring policy shall be transferred to this renewal.
2. There shall be no advance premium applicable to this renewal policy.

In witness whereof the Insurance Company has caused this certificate to be signed by its Vice President and Secretary and to be countersigned by a duly authorized agent of the Company.

Countersigned at on 195....

Vice President

By

Authorized Agent

Secretary

NOTES:

1. The name and location of the carrier are to be stated.
2. Insert in this space the number of the original Workmen's Compensation policy to which the Rating Plan Endorsement is attached.
3. Insert in this space the number of the Workmen's Compensation policy covering the preceding policy period.
4. The language of this paragraph is optional with the Company.

ENDORSEMENT 10

NATIONAL DEFENSE PROJECTS RATING PLAN ENDORSEMENT—
RENEWAL FORM

The premium for the policy is to be computed in accordance with the National Defense Projects Rating Plan Endorsement and any amendatory endorsement applicable thereto, forming a part of Policy No. []¹:

NOTE 1: Insert in this space the number of the original Workmen's Compensation policy to which the Rating Plan Endorsement is attached.

INSTRUCTIONS: This endorsement is to be used in the event the Workmen's Compensation insurance under the Plan is renewed annually through the issuance of renewal policies rather than through the issuance of Workmen's Compensation Renewal Certificates.

ENDORSEMENT 11
LIABILITY RENEWAL CERTIFICATE

[Blank Insurance Company]¹
[Blank Indemnity Company]

Renewal of Policy No. Renewal Policy No.

In consideration of the payment of the premium provided for by the National Defense Projects Rating Plan Endorsement made a part of policy [. . .], it is agreed that the policy [. . .]² is renewed for the period stated below, subject to all its terms except as otherwise specified herein.

Name of insured

Address

(No. street, town, county, state)

The description of hazards and the rates are as stated in the policy designated above except as stated herein:

.....
.....

Policy Period: From to 12:01 a.m., standard time at the address of the named insured as stated herein.

Exception:

- 1. The deposit premium applicable to the expiring policy shall be transferred to this renewal.

[In witness whereof the Insurance Company has caused this certificate to be signed by its Vice President and Secretary and to be countersigned by a duly authorized agent of the Company.
Countersigned at on 195
By Vice President
Authorized Agent Secretary]⁴

NOTES:

- 1. The name and location of the carrier are to be stated.
- 2. Insert in this space the number of the original Workmen's Compensation policy to which the Rating Plan Endorsement is attached.
- 3. Insert in this space the number of the Liability or Automobile Policy covering the preceding policy period.
- 4. The language of this paragraph is optional with the Company.

ENDORSEMENT 12
HIRED CAR COVERAGE

[Amending Policy Numbered]¹

It is agreed that the policy is amended as follows:

- 1. The insurance for Bodily Injury Liability and for Property Damage Liability with respect to loss arising out of the maintenance or use of any hired automobile shall be excess insurance over any other valid and collectible insurance available to the insured, either as an insured under a policy applicable with respect to the automobile or otherwise.

Note: 1. The company may use its usual attachment clause.

Instructions: This endorsement is to be used with either the Comprehensive Automobile Liability policy or the Comprehensive General-Automobile Liability policy. In lieu of using this endorsement carriers may incorporate the provisions of this endorsement as an additional section in the General Endorsement for the Comprehensive Automobile Liability Policy or in the General Endorsement for Comprehensive General-Automobile Liability Policy. In the event the terms of this endorsement are incorporated in such General Endorsements care must be taken to be certain that the number alignment of the Sections of said endorsements is correspondingly amended, dependent upon the section number which is assigned to this matter.

APPENDIX C

ITEM I

PREMIUM CERTIFICATION

This is to certify that the above bill is correct and just; that payment therefor has not been received; that the amount of this bill represents insurance premiums computed in accordance with the National Defense Projects Rating Plan Endorsement attached to and made a part of the policy described therein; that the amount shown is the premium adjustment due at this time with respect to insurance afforded in connection with the prime contractor's obligations under the Government Contract No.

(Name of Company)

By [Signature] [Signature]

NOTE 1: Insert title of authorized Company representative.

ITEM II

NATIONAL DEFENSE PROJECTS RATING PLAN RELEASE

This release executed this day of, 195....., by the hereinafter referred to as the Company, (Insurance Company)

WITNESSETH:

WHEREAS, the Company entered into certain policies of insurance numbered and renewals thereof with the prime contractor with the United States of America under Government Contract No., and

WHEREAS, the premiums for such insurance policies are to be computed in accordance with the National Defense Projects Rating Plan Endorsement, which is made a part of such policies, and

WHEREAS, the contract between the United States of America and the prime contractor provides that the United States of America can settle any and all claims arising thereunder, including insurance premiums, and

WHEREAS, the said premiums have been computed in accordance with the aforementioned National Defense Projects Rating Plan Endorsement and agreed upon between the Company and the

(Officer of Government Agency Involved)

or his duly authorized representative;

Now, THEREFORE, in consideration of the sum of Dollars, the Company does by these presents, release, quitclaim and forever discharge the above named prime contractor and the United States of America from any and all premiums, or claims therefor, under the aforesaid insurance policies.

In Witness whereof the Company has caused its name to be signed and executed by its and its seal affixed and attested by

Title of Official Signing

Title of Official Attesting

pursuant to a resolution of its Board of Directors.

ATTESTED:

(Name of Insurance Company)

(Signature)

(Title of Official Signing)

ITEM III

AGREEMENT REGARDING PREMIUM PAYMENTS UNDER NATIONAL DEFENSE PROJECTS RATING PLAN

(Assignment, Assumption of Premium Obligation)

It is agreed that % of the return premiums and premium refunds [and dividends] due or to become due the prime contractor under the policies to which the National Defense Projects Rating Plan Endorsement made a part of policy applies are hereby assigned to and shall be paid to the United States of America, and the prime contractor directs the Company to make such payments to the Treasurer of the United States acting for and on account of the United States of America.

The United States of America hereby assumes and agrees to fulfill all present and future obligations of the prime contractor with respect to the payment of % of the premiums under said policies.

This agreement, upon acceptance by the prime contractor, the United States of America and the Company shall be effective from

Accepted (date) [Name of Insurance Company]

By Title of Official Signing United States of America

Accepted (date)

By Authorized Representative

Accepted (date)

By Prime Contractor Authorized Representative

NOTE 1: Omit if non-participating carrier.

ITEM IV

REIMBURSEMENT AGREEMENT

This Agreement entered into this day of 195 , between of , herein referred to as Insurer A (Insert Name of Insurer A)

and of herein referred to as (Insert Name of Insurer B)

Insurer B:

WHEREAS:

Whereas, Insurer A has issued to of (Name of Employer) (Address)

herein referred to as Employer, a Standard Workmen's Compensation and Employers' Liability Policy No. , which policy provides coverage for the liability of the Employer, under the [Workmen's Compensation Law and Occupational Disease Law]¹ of , including Employers' Liability insurance in connection with (State)

all operations of said Employer in the State of , exclusive of operations hereinafter described as being insured by Insurer B; and

WHEREAS, Insurer B has issued to Employer a Standard Workmen's Compensation and Employers' Liability Policy No. providing coverage for said Employer

under the [Workmen's Compensation Law and Occupational Disease Law of] the State of including Employers' Liability insurance, in connection with
(State)

the for
(Description of operations) (Name of principal for whom operations are to be performed and Location); and

WHEREAS, it is the desire of Insurer A to exclude from its policy of insurance or renewals hereof all operations as above defined, covered by Insurer B; and

WHEREAS, it is the desire of Insurer B to exclude from its policy of insurance or renewals thereof all operations as above defined, covered by Insurer A; and

WHEREAS, the premium for the policy or renewals thereof issued by Insurer A will be determined upon the application of the proper rates to the remuneration earned by employees of the Employer while engaged in operations in the State of
(State)

exclusive of the operations insured by Insurer B; and

WHEREAS, the premium for the policy or renewals thereof issued by Insurer B will be determined upon the application of the proper rates to the remuneration earned by employees of the Employer while engaged in operations in the State of
(State)

exclusive of the operations insured by Insurer A. Now therefore, it is agreed that Insurer A will investigate and defend, or pay, all claims in accordance with the terms of its policy as mentioned above or any renewals thereof, with respect to claims made by reason of the operations conducted by the Employer in the State of other
(State)

than with respect to the operations which are insured by Insurer B, and will indemnify and hold harmless Insurer B with respect to any such claims, including loss, cost or expense incurred in connection therewith.

It is further agreed that Insurer B will investigate and defend, or pay, all claims in accordance with the terms of its policy as mentioned above or any renewals thereof, with respect to claims made by reason of the operations conducted by the Employer in the State of and insured by Insurer B, and will indemnify and
(State)

hold harmless Insurer A with respect to any such claims, including loss, cost or expense incurred in connection therewith.

In the event of cancelation or termination of insurance under either of such policies or renewals thereof, notice thereof to the other insurer shall be mailed by the insurer whose insurance has been canceled or terminated, in the same manner and allowing the same number of days for cancelation to become effective as provided in such policy, and this Agreement shall terminate with respect to such canceled or terminated insurance as of the effective date that such insurance is canceled or terminated.

Witness: The Company
(Insurer A)

Witness: By
The Company
(Insurer B)

By

NOTE 1: Complete according to facts.

Instruction:

The blank spaces in this form are to be filled according to facts of each situation included.

APPENDIX D

Exhibit I

NATIONAL DEFENSE PROJECTS RATING PLAN

(Name of Carrier)

COMPUTATION OF EARNED PREMIUM

Policy Numbers _____

Name of Risk _____

Location of Operations _____

Policy Periods: from _____ to _____

Government Agency _____

Valuation Date _____

Government Contract Number _____

Item		(a) Compensation and Employers' Liability	(b) Automobile Bodily Injury and Property Damage	(c) General Liability	(d) Total (a)+(b)+(c)
1	Standard Premium				
2	Premium Base for Determination of Fixed Charges (1) x .90				
3	Fixed Charge. Fixed Charge Percentage x (2)				
4	Incurred Losses				
5	Modified Losses (4) x 1.12				
6	Allocated Claim Expenses				
7	Special Assessments				
8	Total (3)+(5)+(6)+(7)				
9	Tax Multiplier				X X X X X
10	Indicated Premium (8) x (9)				
11	Maximum Premium Maximum Premium Percentage x [(d)]				
12	Applicable Premium (10) or (11) whichever is less in Total (Col. d)				
13	Premium Previously Billed Item (d) from Exhibit 1A				
14	Additional Premium due and now payable (12)-(13) Return (13)-(12)				

NATIONAL DEFENSE PROJECTS RATING PLAN

Exhibit II

(Name of Carrier)

SUMMARY—REPORT OF LOSSES INCURRED

Name of Risk _____

Location of Operations _____

Government Agency _____

Government Contract Number _____

Policy Periods from _____ to _____

Valuation Date _____

Line of Insurance and Policy Numbers (1)	Type of Claims (2)	Number of Claims (3)	LOSSES INCURRED				Total Losses and Expenses (6)+(7) (8)
			Compensa- tion or Liability (4)	Medical (5)	Total Losses (4)+(5) (6)	Allocated Expenses (7)	
WORKMEN'S COMPENSATION	Open Cases						
	Closed Cases						
	Contract Medical		X X X X				
	Total—Workmen's Compensation						
AUTOMOBILE	Open Cases			X X X X			
	Closed Cases			X X X X			
	Total—Automobile			X X X X			
GENERAL LIABILITY	Open Cases			X X X X			
	Closed Cases			X X X X			
	Total—General Liability			X X X X			
TOTAL—ALL LINES							

NDPRP—II

NATIONAL DEFENSE PROJECTS RATING PLAN

Exhibit III Page _____

(Name of Carrier)

ITEMIZED STATEMENT OF WORKMEN'S COMPENSATION AND EMPLOYERS' LIABILITY LOSSES INCURRED

Closed Open

Name of Risk _____

Location of Operation _____

Government Contract Number _____

Policy Number _____ Valuation Date _____ Policy Periods: from _____ to _____

Carrier's Claim No. (1)	Name of Injured or Claimant (2)	Date of Accident (3)	LOSSES INCURRED				Total (4)+(5)+(6) (7)		
			Compensation (4)	Medical (5)	Allocated Expense (6)				
		Totals							

NATIONAL DEFENSE PROJECTS RATING PLAN

(Name of Carrier)

ITEMIZED STATEMENT OF LOSSES INCURRED

AUTOMOBILE Closed Open GENERAL LIABILITY Closed Open

Name of Risk _____
 Location of Operations _____
 Government Agency _____
 Policy Number _____ Valuation Date _____ Policy Periods: from _____ to _____

Carrier's Claim No. (1)	Name of Injured or Claimant (2)	Date of Accident (3)	LOSSES INCURRED			
			Bodily Injury (4)	Property Damage (5)	Allocated Expense (6)	Total (4)+(5)+(6) (7)
Totals						

Exhibit V

NATIONAL DEFENSE PROJECTS RATING PLAN
INDIVIDUAL REPORT—OPEN LOSS
WORKMEN'S COMPENSATION AND EMPLOYERS' LIABILITY

(Name of Carrier)

CLAIMANT	GOVERNMENT CONTRACT NUMBER
CLAIM NO.	POLICY NUMBER
ACCIDENT DATE	VALUATION DATE
FATAL CASE <input type="checkbox"/>	HAVE PAYMENTS BEEN STARTED Yes <input type="checkbox"/> No <input type="checkbox"/>
INDEMNITY INCURRED <input type="checkbox"/>	
MEDICAL INCURRED	
ALLOCATED EXPENSE INCURRED	
TOTAL	

DESCRIPTION OF ACCIDENT AND INJURY OR DAMAGE

FOR USE BY GOVERNMENT AGENCY

NDPRP—V

NATIONAL DEFENSE PROJECTS RATING PLAN

INTERIM REPORT OF LOSSES INCURRED

Name of Carrier _____

Name of Policyholder _____

Period Covered by Report _____ to _____

Location of Operation _____

Government Agency _____

Government Contract Number _____

Line of Insurance and Policy Numbers	(1)	(2)	(3)	(4)	(5)	(6)
	Number of Claims	Incurred Indemnity Losses	Incurred Medical Losses*	Total Incurred Losses	Allocated Claims Expense	Total (4)+(5)
WORKMEN'S COMPENSATION (a)						
AUTOMOBILE (b)		X X X X	X X X X			
GENERAL LIABILITY (c)		X X X X	X X X X			
TOTAL ALL LINES (a)+(b)+(c)		X X X X	X X X X			

*Includes contract medical of \$

(e) Estimated Standard Premium _____
(100% basis)

(f) Loss Ratio $\frac{(d)}{e}$ _____

APPENDIX E

DEFENSE DEPARTMENT
INSURANCE SERVICE AGREEMENT
(Revised January 19, 1951)

Proposed by:

- National Association of Insurance Agents
- National Association of Insurance Brokers
- National Association of Casualty & Surety Agents

1.
 (Name of Advisor)
 an individual, a partnership, a corporation organized and existing under the laws of

 (strike out inapplicable designation and/or add appropriate designation) of

(Address of Advisor)
 hereinafter called the "Advisor", agree(s), in consideration of a fee to be determined
 in the manner hereinafter set forth, to render complete insurance advisory service to
 of

(Name of Contractor) (Address of Contractor)
 contractor with the United States of America under Contract No.
 hereinafter called the "Contractor", on all insurance procured under the Defense Department
 Insurance Rating Plan with respect to the construction or operation (or both, as the
 case may be) of, located at or near,
 from the effective date of this agreement continuously until approval of final premium
 audit and of all premiums for such insurance has been made.

2. The Advisor agrees that he will:

- a. Upon request, assist the Contractor in the selection of an insurance carrier;
- b. Procure insurance binders and policies and examine to determine that they are correctly written and that the required coverages are provided;
- c. Assist the Contractor in establishing proper procedure and records for determining payroll classifications and for other units of exposure upon which insurance premiums are based;
- d. Review and approve all insurance audit statements and premium invoices as to rates and premium extensions;
- e. Visit the project or location of operations as required by the Contractor or deemed advisable by the Advisor to determine that insurance matter under the Defense Rating Plan are being properly handled;
- f. Render any other assistance relating to insurance written under the Defense Department Rating Plan which the Contractor may require;
- g. Submit to the Contractor a detailed report of findings and of services performed, during each quarter, and such special reports as may be necessary, and
- h. Forward to the Contracting Officer the prescribed insurance assignment agreement or agreements executed by the Contractor.

3. The Contractor agrees to pay the Advisor a fee for his services, the amount of which shall be determined by applying the applicable percentages set forth in Column B below to the standard premium accruing during the period of this agreement on policies issued to the Contractor under the Defense Department Insurance Rating Plan. "Standard Premium" as used herein shall mean the premium for such policies computed on the basis of the manual rules and rates approved by the Defense Department for use in connection with the policies issued to the Contractor under the Defense Department Insurance Rating Plan.

FEE SCHEDULE ON INSURANCE SERVICE AGREEMENT

	A	B	C	D	E
<i>Standard Premium</i>		(block system)	90%	<i>Cumulative</i>	
Ist.	10,000	at 7½%	675	(10,000)	675
Next	40,000	at 4%	1440	(50,000)	2115
Next	50,000	at 2%	900	(100,000)	3015
Next	150,000	at 1%	1350	(250,000)	4365
Next	750,000	at ½%	3375	(1,000,000)	7740
Next	1,000,000		4500	(2,000,000)	12240
Next	1,000,000	at ¼%	2250	(3,000,000)	14490
Next	1,000,000		2250	(4,000,000)	16740

4. The Advisor shall submit quarterly a statement of the aggregate earned standard premium and the aggregate earned Advisor's fee, less the amount of all fees previously earned. If, however, this agreement supersedes a previous insurance service agreement or agreements, the Advisor shall submit quarterly a statement of (a) the aggregate standard premium earned during the term of all agreements; (b) the aggregate standard premium earned during the term of all previous agreements; and (c) the fee earned during the term of this agreement less all fees previously earned under this agreement. The fee earned under this agreement shall be computed by applying the basis of computation as set forth in this agreement to the aggregate standard premium earned during the term of all agreements, and deducting from the total fee thus computed, the portion thereof applicable to the aggregate standard premium earned during the term of all previous agreements. Upon approval by the Contractor of each such quarterly statement, the Advisor shall be paid the earned fee. A final statement shall be submitted by the Advisor upon receipt of final audit statements from the insurance carrier and final settlement of the Advisor's fee shall be made as soon as practicable thereafter.

5. The Advisor agrees that he will neither accept employment by nor any remuneration directly or indirectly from the insurance carrier for services rendered in connection with the insurance written under the Defense Department Insurance Rating Plan covering operations under the contract referred to in paragraph 1 hereof.

6. This agreement may be terminated by either of the parties hereto upon notice in writing mailed to the other party stating when, not less than ten days thereafter, such termination shall be effective. Delivery of such notice shall be equivalent to mailing. In the event of termination a copy of such notice shall be immediately mailed to

.....
 (Contracting Officer)

 (Address)

If this Agreement is terminated as herein provided, the Advisor's fee shall be computed in the manner provided herein on the standard premium accrued to the effective date of termination.

This Agreement, executed this day of, 19...., shall be effective and binding on the undersigned from and after

ATTEST:

 (Insurance Advisor)

 By

 Title
 Title
 Title
 (Affix Corporate Seal)

WITNESSES As to Advisor:

 (Name) (Address)

 (Name) (Address)

ATTEST

.....
(Contractor)

.....

By

Title
(Affix Corporate Seal)

Title

WITNESSES as to Contractor:

.....
(Name) (Address)

.....
(Name) (Address)

APPROVED:

.....

.....
(Contracting Officer)

NOTE: If a corporation, signature should be attested by a corporate officer and corporate seal affixed. In all other cases two witnesses are required.

INSURANCE ADVISOR'S QUARTERLY STATEMENT OF EARNED FEE

Advisor
 Address

Date

Contractor Contract No.
 Project Location
 Insurance Carrier
 Policy Period: From To
 Effective Date of Insurance Service Agreement

Period	to	<i>Aggregate Earned Standard Premium</i>
Workmen's Compensation and O.D. Policy		\$
Comprehensive Public Liability Policy		\$
Comprehensive Auto Liability Policy		\$
Total		\$

COMPUTATION ON ADVISOR'S FEE

(The Insurance Advisor's Quarterly Report of Services Rendered should follow the following topical outline and should be complete, clear and concise.)

INSURANCE ADVISOR'S QUARTERLY REPORT OF SERVICES RENDERED

Period to

1. *Insurance Placed and Policies Procured*
2. *Policies, Binders, Endorsements, etc., Examined—Conditions Found and Action Taken*
3. *Rating Procedures and Records Established*
4. *Audit Statements and Premium Invoices Reviewed—Conditions Found and Action Taken*
5. *Other Data Procured from Carriers—Comments*
6. *Visits to Projects*
 - (a) Date
 - (b) Report of Safety Engineering Service and Facilities
 - (c) Report of Claim Service and Facilities
 - (d) Report of Hospital and Medical Service and Facilities
 - (e) Other visits—Date, Purpose and Results
7. *Other Services Rendered*
8. *Recommendations: (List and be Specific)*

.....
 (Insurance Advisor)
 By
 Title