

**Reading:** ISO.Rating  
**Model:** Source Text  
**Problem Type:** Calculate the basic limits expected loss cost when no basic premiums are available.

**Given** A company has business in risk classes 2121 (Brewery) and 7390 (Beer & Ale Dealer – Wholesale & Drivers).  
The brewery business generates the most premium dollars.

The company historically purchased a 150k/300k (per-occurrence/aggregate) Workers' Compensation policy.  
The cost of this policy in the most recent experience year was \$500,000.

**Find** Using the information below, calculate the basic limits expected loss cost by sub-line (Prem/Ops and Products) for the company.

	Present Basic Limits Company Rate	
Sub-line	2121	7390
Prem/Ops	7.4	1.4
Products	5	2.9

65%	Company Expected Loss Ratio
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**Current Increased Limits Factors**

**Prem/Ops – 2121**

		Aggregate Limits		
		200k	300k	500k
Occurrence Limit	100k	1.000	2.024	5.664
	150k	3.894	4.800	5.901
	300k	3.975	5.264	5.953

**Products – 2121**

		Aggregate Limits		
		200k	300k	500k
Occurrence Limit	100k	1.000	2.920	3.605
	150k	3.610	4.762	5.407
	300k	4.723	5.888	5.923

**Prem/Ops – 7390**

		Aggregate Limits		
		200k	300k	500k
Occurrence Limit	100k	1.000	2.774	4.263
	150k	2.888	3.563	5.130
	300k	4.992	5.761	6.154

**Products – 7390**

		Aggregate Limits		
		200k	300k	500k
Occurrence Limit	100k	1.000	1.316	4.663
	150k	2.316	3.910	5.763
	300k	3.469	4.764	6.509

**Solution**

The predominant risk class is 2121 (Brewery) as we're told this business generates the most premium dollars.

The annual company premium at the policy limits bought is \$500,000

	(1) Present Basic Limits Company Rate	(2) ILF @ Basic/Actual Policy Limits (per-occ / agg)	(3) ILF @ Policy Limits Purchased	(4) Present Basic Limits Company Rate	(5) Present Rate At Limits Bought
Sub-line					
Prem/Ops	7.4	2.024	4.800	14.978	35.520
Products	5	2.920	4.762	14.600	23.810
Total				29.578	59.330

	(6) Annual Basic Limits Company Premium	(7) Sub-line Weight	(8) Sub-line Annual Basic per-occ @ Actual Agg Limits	(9) ELR	(10) Basic Limits Expected Loss Cost
Sub-line					
Prem/Ops	249,263	0.506	126,223	65%	82,045
Products	249,263	0.494	123,041	65%	79,976

**Notes:**

All factors and rates used are for risk class 2121 as this is the predominant class.

No rounding is used until step 10 where rounding occurs to the nearest dollar.

(2) Recall the basic per-occurrence policy limit for Prem/Ops and Products is 100,000. Use the actual aggregate limit purchased.

(3) ILF using the actual per-occurrence and actual aggregate limits purchased.

(4) = (1) \* (2)

[Total 4] = sum (4)

(5) = (1) \* (3)

[Total 5] = sum (5)

(6) = (Annual company premium at actual limits bought) \* [Total 4] / [Total 5]

(7) = (4) / [Total 4]

(8) = (6) \* (7)

(10) = (8) \* (9)

If the basic per-occurrence limit/actual aggregate limit increased limits factor was not available then use the ILF available which has the closest aggregate limit to the purchased aggregate limit.