

**COMMONWEALTH OF KENTUCKY
DEPARTMENT OF INSURANCE
EXPENSE CONSTANT SUPPLEMENT
CALCULATION OF LOSS COST MULTIPLIER WITH EXPENSE CONSTANTS**

COMPANY NAME _____ NAIC CO.# _____ DATE _____
GROUP NAME _____ GROUP # _____

4. DEVELOPMENT OF EXPECTED LOSS RATIO (ELR).

	Selected Provisions			
	Overall	Variable	Fixed	
A. TOTAL PRODUCTION EXPENSE	> _____	_____	_____	%
B. GENERAL EXPENSE	> _____	_____	_____	%
C. TAXES, LICENSES & FEES	> _____	_____	_____	%
(Note: Do not include any assessments collected which are not your company's actual expense. For example, the workers compensation Special Fund and the Kentucky Municipal Premium Tax are excluded from this line.)				
D. UNDERWRITING PROFIT & CONTINGENCIES	> _____	_____	_____	%
E. TOTAL	_____	_____	_____	%

5. A. EXPECTED LOSS RATIO: ELR = 100% - Overall 4E. _____ %
 B. ELR EXPRESSED AS A FACTOR: _____
 C. VARIABLE EXPECTED LOSS RATIO: VELR = 100% - Variable 4E. _____ %
 D. VELR EXPRESSED AS A FACTOR: _____

6. COMPANY FORMULA EXPENSE CONSTANT:

$$[(1.00 / 5B.) - (1.00 / 5D.)] \times [2B. \times 3. \times \text{Average Underlying Loss Cost}]$$

Note: The *average underlying loss cost* is the weighted average of your company's individual risk's loss cost including all rating factors (no expenses included).

COMPANY FORMULA VARIABLE LOSS COST MULTIPLIER: $[2B. \times 3. / 5D.]$ _____

7. COMPANY SELECTED EXPENSE CONSTANT: > _____

COMPANY SELECTED VARIABLE LOSS COST MULTIPLIER: > _____

8. CHECK ONE OF THE FOLLOWING:

- The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and, if utilized, expense constants included in the attachments. The rates will apply to policies written on or after the **effective date** of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or amended or withdrawn by the insurer subject to Kentucky Revised Statutes Chapter 304, Subtitle 13.
- The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above advisory organization Reference Filing.