

# Experience Rating Refund Agreement

A part of group policy 626556-B (Group Policy) issued to City of Milwaukee, as Policyholder.

Standard Insurance Company (The Standard) and the Policyholder hereby establish an Experience Rating Refund (ERR) Agreement and Claims Fluctuation Reserve (CFR) account in connection with Life Insurance under the Group Policy in accordance with the following provisions:

## Calculating the Experience Rating Refund

The ERR is calculated at the end of each Computation Period and is the result of the following calculation:

$$\text{ERR} = \text{Earned Premium} - \text{Incurred Claims} - \text{Expenses} - \text{Refunds} + \text{Withdrawals}$$

Each element is calculated from the effective date of this Agreement to the end of the most recent Computation Period.

## Definitions

**Earned Premium** =  $a + b - c$ , where:

- a = Paid Premiums.
- b = Change in uncollected premium.
- c = Change in advance premium.

**Incurred Claims** =  $a + b + c + d + e$ , where:

- a = Claims paid, including benefits paid and costs incurred under any provision of the Group Policy.
- b = Legal fees, expenses, settlements and judgments paid in connection with lawsuits relating to claims.
- c = Payments of the Employer's share of Social Security and Medicare tax by The Standard (if applicable).
- d = Conversion charges for converting to an individual life insurance policy under the Right To Convert provision (if applicable).
- e = Change in claims reserves, including Incurred But Not Reported (IBNR), pending, active and outstanding claims reserves.

**Expenses** = a + b + c + d, where:

a = Commissions and administrative fees paid.

b = Premium tax incurred.

c = Expenses and charges as determined according to the formulas adopted by The Standard and any other variable expenses incurred and applied to this Group Policy.

d = Risk and contingency charge as determined according to the formulas adopted by The Standard.

**Refunds** means prior ERR amounts deposited by The Standard to the Policyholder's CFR account.

**Withdrawals** means prior ERR amounts withdrawn by The Standard from the Policyholder's CFR account.

**Annual Premium** means the Earned Premium for the most recently completed Computation Period. The Earned Premium is annualized if the Computation Period is other than 12 months.

**Computation Period** means the period beginning on the effective date of this Agreement to the end of the rate guarantee period in effect, and each renewal period thereafter. If the renewal date is changed by amendment, the Computation Period will be adjusted accordingly. A Computation Period automatically ends on the date this Agreement terminates, and the final Computation Period ends 12 months after that date.

## **Deposits and Withdrawals**

**By The Standard:** If the ERR amount is positive, The Standard will deposit the ERR amount in the Policyholder's CFR account.

If the ERR amount is negative, The Standard will withdraw the ERR amount, up to the available balance, from the Policyholder's CFR account.

**By the Policyholder:** The Policyholder may deposit money in its CFR account at any time. The Policyholder is not required to make deposits.

The Policyholder may receive money in excess of 50% of the Annual Premium from its CFR account.

The Standard will pay the money from the CFR account within 60 days after receipt of a written request from the Policyholder to that effect.

## **Runout Period**

An ERR calculation will be performed as of the termination date of this Agreement, and a deposit to or withdrawal from the CFR account will be made by The Standard as needed.

After a 12-month runout period, the final ERR calculation will be performed. If the result is negative, a withdrawal from the CFR account will be made. If the result is positive, no further deposit to the CFR account will be made.

Any amount remaining in the CFR account will then be refunded to the Policyholder.

## **Other Terms and Conditions**

For CFR interest crediting purposes, ERR deposits and withdrawals are assumed to be made as of the last day of the most recent Computation Period. Other deposits and withdrawals are assumed to be made as of the date the transaction is processed.

If premium is due under the Group Policy, The Standard may withdraw the amount due from the CFR account or withhold the amount due from any payment to the Policyholder. Any amount thereafter tendered by the Policyholder to pay such due premium shall be credited to the CFR account.

Funds held in the CFR account earn interest annually, at a monthly rate equal to the one year Treasury rate, as published in the Wall Street Journal five working days before the end of each calendar month, plus 0.50%.

Funds held in the CFR account constitute a part of The Standard's general corporate funds to be used and invested as The Standard sees appropriate.

All ERR deposits and withdrawals will be made to or from the CFR account in accordance with this Agreement, unless the Policyholder and The Standard agree in writing to an alternative mode of payment. For the purpose of calculation in this Agreement, any amount paid to the Policyholder will be considered a Refund, and any amount paid to The Standard will be considered a Withdrawal.

The Policyholder may terminate this Agreement by giving 31 days prior written notice of the termination to The Standard.

The Standard may terminate this Agreement if it determines that the Policyholder has failed to promptly furnish any necessary information requested by The Standard, or if the Policyholder has failed to perform any other obligations relating to this Agreement. The Standard will give 31 days prior written notice of any such termination.

This Agreement terminates automatically when the Group Policy terminates.

Except as provided in this Agreement, all other terms of the Group Policy apply.

This Agreement is effective January 1, 2008.

By:

Dated:

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Policyholder

STANDARD INSURANCE COMPANY

By



President



Secretary