

Delaware Compensation Rating Bureau, Inc.



United Plaza Building • Suite 1500
30 South 17th Street
Philadelphia, PA 19103-4007
(302) 654-1435 (215) 568-2371
FAX (215) 564-4328
www.dcrb.com

January 21, 2016

The Honorable Karen Weldin-Stewart, CIR-ML
Insurance Commissioner
Insurance Department
State of Delaware
841 Silver Lake Boulevard
Dover, DE 19904-2465

Attention: W. Harding (Hardy) Drane

**RE: DCRB Filing No. 1601 – Proposed Effective January 1, 2017
Establishment of an Audit Noncompliance Charge
Revisions to the Delaware Basic Manual
Revisions to the Delaware Statistical Plan Manual
Revisions to Delaware Workers Compensation Insurance Plan Handbook
Revision to the Assigned Carrier Performance Standards (ACPS)**

Dear Commissioner Weldin-Stewart:

On behalf of the members of the Delaware Compensation Rating Bureau, Inc. (DCRB), we hereby submit the proposed filing for revisions to the DCRB Workers Compensation Manual of Rules, Classifications and Rating Values for Workers Compensation and for Employers Liability Insurance (the Basic Manual) and for the DCRB Statistical Plan Manual. These revisions are proposed to be effective 12:01 a.m. January 1, 2017 with respect to new and renewal policies.

The proposed revision is intended to add an Audit Noncompliance Charge (ANC) rule, endorsement and statistical code which will enable a carrier to apply an ANC to the policy of an employer that does not permit the carrier to examine and audit the employer's records.

The ANC has been filed countrywide, and, accordingly, this filing is intended to align Delaware with practices in other jurisdictions.

The above consideration is reflected in the attached Item Filing B-1429 (Exhibit 1) made by the National Council on Compensation Insurance, Inc. (NCCI). In addition to 34 NCCI states, other jurisdictions served by independent rating and advisory organizations have adopted the same or modified ANC program.

Assigned Carrier Performance Standards (DCRB Filing 0809) have been revised (page 15, NCCI, B-1429) which will bring Delaware into compliance with other residual markets throughout the country in the application of an ANC.

Concurrent with the changes to the Performance Standards, the DCRB revised the Delaware Workers Compensation Insurance Plan Handbook to incorporate the procedural and language changes necessary by the item filing proposed. Housekeeping changes were also made to make the Handbook up-to-date with new and revised procedures and language changes.

In order to accomplish the proposed rule addition, the following pages from the Delaware Basic Manual, Statistical Plan Manual and Delaware Plan Handbook will require amendment. Two sets of these pages are provided where appropriate; one showing track changes and the other showing accepted and approved modifications.

BASIC MANUAL LANGUAGE REVISIONS

- The addition of Audit Noncompliance Charge (ANC) rule to Section 1 – Underwriting Rules, outlining the procedure and method for an insurer to report an ANC (Exhibits 2, 3)
- Amendment to Premium Algorithm reflecting the addition of Statistical Code 9757 (ANC) (Exhibits 4, 5)
- Editorial change correcting manual reference omission from DCRB Filing No. 1402 Workers Compensation and Employers Liability Insurance Policy – WC 00 00 00C (Exhibit 6)
- Addition of new Audit Noncompliance Charge Endorsement– WC 00 04 24 (Exhibits 7, 8)

STATISTICAL PLAN MANUAL LANGUAGE REVISIONS

- The addition of Audit Noncompliance Charge (ANC) rule to Section II – Reporting Requirements, outlining the procedure and method for an insurer to report an ANC (Exhibits 9, 10)
- Amendment to Premium Algorithm reflecting the addition of Statistical Code 9757 (ANC) (Exhibits 4, 5)

DELAWARE WORKERS COMPENSATION INSURANCE PLAN HANDBOOK

- The addition of the Audit Noncompliance Charge language
- Housekeeping changes (Exhibit 11)

The Honorable Karen Weldin-Stewart, CIR-ML
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January 21, 2016
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The DCRB stands ready to respond to any questions which the Insurance Department staff or the Commissioner may have concerning any of these proposed Manual revisions.

Sincerely,



William V. Taylor
President

Enclosures:

- Exhibit 1: NCCI Item – B-1429
- Exhibit 2: Proposed Basic Manual Revisions Redlined
- Exhibit 3: Basic Manual Revisions Accepted
- Exhibit 4: Proposed Premium Algorithm Revisions Redlined
- Exhibit 5: Premium Algorithm Revisions Accepted
- Exhibit 6: Form Jacket – WC 00 00 00 C
- Exhibit 7: Proposed New Endorsement WC 00 04 24
- Exhibit 8: New Endorsement WC 00 04 24 Accepted
- Exhibit 9: Proposed Statistical Plan Manual Revisions Redlined
- Exhibit 10: Statistical Plan Manual Revisions Accepted
- Exhibit 11: Delaware Workers Compensation Insurance Plan Handbook Redlined
- Exhibit 12: Delaware Workers Compensation Insurance Plan Handbook Accepted



**National Council on
Compensation
Insurance**

Amy Quinn
State Relations Executive
Regulatory Services
Division

(P) 803-356-0851
(F) 561-893-5825
Email: Amy_Quinn@ncci.com

May 5, 2015

Mr. Timothy Wisecarver, President
DE/PA Compensation Rating Bureau
United Plaza Building – Suite 1500
30 South 17th Street
Philadelphia, Pennsylvania 19103-4007

Re: **Item B-1429—Establishment of Audit Concompliance Charge**

Dear Mr. Wisecarver:

We are filing the above captioned item in a number of NCCI jurisdictions. The attached filing memorandum describes the proposed changes.

This filing memorandum is proprietary and copyrighted by NCCI. NCCI grants your organization permission to copy, use and modify the filing memorandum as necessary for filing in your jurisdiction on the condition that the materials are reprinted for distribution or sale only to members of your organization and only for use in your state. In addition, the modified pages must bear the following copyright legend:

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NCCI maintains a report for use by our common members that contains the approval status of national and state item filings (*Status of Item Filings Circular*). Please notify Michelle Smith by phone (561-893-3016) or e-mail (michelle_smith@ncci.com) if your organization files and receives approval of this item. This information will be reflected in the *Status of Item Filings Circular*, which is located on our web site and to which you have been given access.

Sincerely,

A handwritten signature in cursive script that reads "A Quinn".

Amy Quinn
State Relations Executive

AQ:ah

Attachment



Circular

National Council on Compensation Insurance

Regulatory Services

MAY 7, 2015

ITEM FILING ANNOUNCEMENT

CIF-2015-12

Countrywide—Announcement of Item B-1429—Establishment of Audit Noncompliance Charge

ACTION NEEDED

Please review the changes outlined in the attachment to this circular for impact on your company's systems and procedures. Also, review the weekly *Status of Item Filings* circular for state approval of this item.

Note: Arkansas law does not permit NCCI to file rules and rates on its members' behalf. Therefore, insurance carriers must make an independent filing with the Arkansas Insurance Department electing to adopt, or not adopt, an item filing filed by NCCI and subsequently approved by the Department. When such a filing is made with the Department, make sure that the NCCI item filing number (not the NCCI circular number) is referenced.

Caution: At the time of distribution of this circular, this filing has been filed with the regulator but is **not yet approved**. This information is provided for your convenience and analysis. Please do not use this information until the regulator has approved the filing.

BACKGROUND

NCCI has submitted Item B-1429—Establishment of Audit Noncompliance Charge to the appropriate state regulatory authority.

This item is applicable to new and renewal policies, and is proposed to become effective on and after January 1, 2017, in all states indicated in the filing except Hawaii. In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

Additionally, this item has been submitted to the independent bureaus for their consideration.

This item proposes to establish an Audit Noncompliance Charge (ANC) rule, endorsement, and statistical code to enable a carrier to apply an ANC to employers that do not allow the carrier to examine and audit their records.

Refer to the attachment for details on this item, including all state-specific treatments.

IMPACT

NCCI anticipates that most, if not all, employers would provide their carrier with the necessary records to complete an audit rather than pay an ANC. Individual employers that do not allow a carrier to examine and audit their records may be subject to this ANC. It is expected that this ANC will not impact a large number of employers.

NCCI ACTION

NCCI will take the following actions for Item B-1429:

- Issue a circular notifying you when the item is approved as filed, approved with changes, disapproved, or withdrawn
- Update the weekly *Status of Item Filings* circular on ncci.com with the latest state status
- Publish updated pages for NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance*, *Statistical Plan for Workers Compensation and Employers Liability Insurance*, *Forms Manual of Workers Compensation and Employers Liability Insurance*, and *Assigned Carrier Performance Standards* prior to the effective date, if approved

If you would like to subscribe to any of our manuals, please call our Customer Service Center at 800-NCCI-123 (800-622-4123).

**PERSON TO
CONTACT**

If you have any questions, please contact:

Customer Service Center
NCCI
901 Peninsula Corporate Circle
Boca Raton, FL 33487-1362
800-NCCI-123 (800-622-4123)

Technical Contact:

Miriam Jereda
Regulatory Services Manager
NCCI
901 Peninsula Corporate Circle
Boca Raton, FL 33487-1362
561-893-3192
miriam_jereda@ncci.com

FILING MEMORANDUM

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

PURPOSE

This item establishes an Audit Noncompliance Charge (ANC) rule, endorsement, and statistical code to enable a carrier to apply an ANC to employers that do not allow the carrier to examine and audit its records. The following NCCI manuals are impacted by this item:

- ***Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)***
- ***Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)***
- ***Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)***
- ***Assigned Carrier Performance Standards (ACPS)***

BACKGROUND

The carrier's authority to request records and conduct audits is contained in two sections of NCCI's Workers Compensation and Employers Liability Insurance Policy (Policy) (WC 00 00 00 C):

- Part Five—Premium, Section F. (Records) provides that the employer must keep records of information necessary to compute premium and provide those records to the carrier when requested.
- Part Five—Premium, Section G. (Audit) provides that the carrier may examine and audit all records related to a policy. This activity may occur during the policy period and within three years after policy expiration. This section also indicates that information developed by the audit process is used to determine final premium.

NCCI's ***Basic Manual*** Rule 3-A-13—Final Earned Premium states, in part, that:

- The carrier has the right to calculate earned premium based on an examination of original payroll records and accounting records of the employer
- Final earned premium for the policy must be determined on actual payroll as determined by the carrier at audit, instead of on estimated payroll or other premium basis

When an employer does not allow the carrier to examine and audit its records, the carrier is unable to properly determine the final earned premium. Current national rules do not address consequences that result when an employer does not comply with the carrier's request(s) to obtain records at final audit.

Several NCCI states have implemented state-specific rules to establish consequences for those employers that do not allow the carrier to examine and audit their records; however, these rules vary. Not all of the states include:

- a. An endorsement that alerts the employer that failure to allow the completion of a final audit will result in an additional charge, or
- b. A statistical code to report the additional premium

Additionally, some of these states allow carriers to use a payroll amount of up to three times the estimated payroll to determine the final policy premium, while other states apply an ANC based on a multiple of the estimated annual premium.

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FILING MEMORANDUM

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

Prompted by concerns that more states could take separate action on this issue, and to ensure a more uniform approach to employers that do not allow the carrier to examine and audit their records, NCCI is proposing a national rule, endorsement, and statistical code to establish an ANC. This national approach, which would apply to both the voluntary and assigned risk markets, includes the following features:

- The option for a carrier to apply a charge when an employer does not allow the carrier to examine and audit its records. Use of the ANC is at the discretion of the carrier; however, to apply the ANC, the Audit Noncompliance Charge Endorsement must be attached to the policy at inception of the policy term being audited.
- A requirement that the carrier make two attempts to obtain the audit information prior to applying the ANC.
- The ANC would equal up to two times the estimated annual premium based on the carrier's underwriting judgment.
- The ANC is considered premium and is not part of standard premium. It would be applied after standard premium, and the various state Workers Compensation Premium Algorithms would be revised to show the placement of the ANC within each algorithm.
- The ANC must be reported to a designated statistical code as defined in NCCI's *Statistical Plan*.
- For assigned risk policies, if an employer is noncompliant with an assigned risk audit, and pays the ANC, that employer is ineligible for assigned risk coverage until the employer allows the audit to be performed and/or provides the required records.
- For an employer that has paid the ANC, but later allows an audit to be performed or provides the required records to the carrier, the ANC would be refunded to the employer, or applied to any outstanding balance on the policy. In the assigned risk market, the employer would then be eligible for coverage if no additional premiums are due.

The benefits of establishing a national approach for addressing employers that do not allow a carrier to examine and audit their records include:

- **Incentive**—The potential application of an ANC would encourage employers to allow carriers access to the records required to complete an audit.
- **Flexibility**—If the Audit Noncompliance Charge Endorsement is attached at policy issuance, the carrier would have the option of applying the ANC to an individual employer that is noncompliant with completing its audit based on the carrier's underwriting judgment.
- **Uniformity**—There would be consistency among carriers in the methods for calculating, applying, and reporting the ANC.
- **Notification**—The attachment of an Audit Noncompliance Charge Endorsement at inception of the policy term being audited ensures that the employer would be notified in advance of the possible ANC if it does not allow the carrier to examine and audit its records.
- **Data Reporting**—The designated statistical code for ANC allows the separation of this charge from manual premium. This ANC would not be subject to experience rating or other premium adjustments and would be excluded from ratemaking.

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FILING MEMORANDUM

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

PROPOSAL

This item proposes to:

1. Establish, revise, or eliminate audit noncompliance rules in the following NCCI manuals:
 - **Basic Manual**
 - **Statistical Plan**
 - **ACPS**
2. Establish a national endorsement and eliminate or revise state-specific endorsements related to audit noncompliance in NCCI's **Forms Manual**
3. Make minor spelling, grammatical, and formatting revisions

IMPACT

NCCI anticipates that most, if not all employers, would provide their carrier with the necessary records to complete an audit rather than pay an ANC. Individual employers that do not allow a carrier to examine and audit their records may be subject to this ANC. It is expected that this ANC will not impact a large number of employers.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

In all states except Hawaii, this item is to become effective for new and renewal policies effective on and after 12:01 a.m. on January 1, 2017.

In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

Exhibit	Exhibit Comments	Proposal Applicable in:	Implementation Summary
National Exhibits			
1-Rule	Details the revisions to Rule 3-A-13-a.	All states except DE, NJ	Revises NCCI's Basic Manual
1-Rule	Details the establishment of Rule 3-A-13-b.	All states except DE, FL, NJ	

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FILING MEMORANDUM

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

Exhibit	Exhibit Comments	Proposal Applicable in:	Implementation Summary
National Exhibits			
2-Rule	Details the revisions to Part 3-F—Exposure Amount.	All states except DE, NC, NJ	Revises NCCI's <i>Statistical Plan</i>
2-Rule	Details the establishment of Part 3-Y—Audit Noncompliance Charge.	All states except DE, NC, NJ	
2-Rule	Details the revisions to Part 6-H-3—Premium Amount <i>Not Part</i> of Standard Premium.	All states except DE, NC, NJ	
3-Form	Details the establishment of Audit Noncompliance Charge Endorsement (WC 00 04 24).	All states except DE, FL, MO, NJ	Revises NCCI's <i>Forms Manual</i>
4-Rule	Details the revisions to Performance Standard 1-C-6.	Assigned risk policies in AK, AL, AR, AZ, CT, DC, DE, GA, IA, ID, IL, IN, KS, MS, NC, NH, NJ, NV, OR, SC, SD, VA, VT, WV (Approval required in: AK, AR, DE, GA, IN, KS, MS, NC, NH, OR, SD)	Revises NCCI's <i>ACPS</i>
State Exhibits			
5-Rule	Details the revisions to each state's Workers Compensation Premium Algorithm in the voluntary market, where applicable and where no assigned risk algorithms exist.	CO, FL, HI, KY, LA, MD, ME, MT, NE, OK, RI, TN, TX, UT	Revises NCCI's <i>Basic Manual</i>
5A-Rule	Details the revisions to each state's Workers Compensation Premium Algorithm in the voluntary market, where applicable.	AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NM, NV, OR, SC, SD, VA, VT, WV	

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FILING MEMORANDUM

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

Exhibit	Exhibit Comments	Proposal Applicable in:	Implementation Summary
State Exhibits			
5B-Rule	Details the revisions to each state's Assigned Risk Workers Compensation Premium Algorithm in the assigned risk market, where applicable.	AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NM, NV, OR, SC, SD, VA, VT, WV	Revises NCCI's <i>Basic Manual</i>
6-Rule	Details the elimination of the Colorado Non-Cooperation With Premium Audit Surcharge Miscellaneous Rule.	CO	
6-Rule	Details the revisions to Connecticut State Rule Exception 3-A-13.	CT	
6-Rule	Details the revisions to Florida State Rule Exception 3-A-13.	FL	
6-Rule	Details the revisions to Florida State Special Audit Rules: <ul style="list-style-type: none"> • Rule H must be revised for consistency with the revisions to the Workers Compensation Premium Algorithm and the establishment of data reporting rules • Rule I must be revised to clarify that the \$500 is not a penalty, for consistency with Section 440.381(5), Florida Statutes 	FL	

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FILING MEMORANDUM

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

Exhibit	Exhibit Comments	Proposal Applicable in:	Implementation Summary
State Exhibits			
6-Rule	Details the elimination of Georgia State Rule Exception 3-A-13-a and establishment of 3-A-13-b.	GA	Revises NCCI's <i>Basic Manual</i>
6-Rule	Details the elimination of Georgia State Rule Exception 3-A-13.	Assigned risk policies in GA	
6-Rule	Details the revisions to Maine State Rule Exception 3-A-13.	ME	
6-Rule	Details the elimination of Missouri State Rule Exception 3-A-13-a.	MO	
6-Rule	Details the elimination of the Montana Non-Cooperation With Premium Audit Surcharge Miscellaneous Rule.	MT	
6-Rule	Details the elimination of Nebraska State Rule Exception 3-A-13.	NE	
6-Rule	Details the elimination of North Carolina State Rule Exception 3-A-13.	NC	
6-Rule	Details the elimination of South Carolina State Rule Exception 3-A-13.	SC	
7-Rule	Details the elimination of the Missouri State Exception to Part 3-Y.	MO	Revises NCCI's <i>Statistical Plan</i>

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FILING MEMORANDUM

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

Exhibit	Exhibit Comments	Proposal Applicable in:	Implementation Summary
State Exhibits			
8-Form	Details the elimination of the Colorado Non-Cooperation With Premium Audit Surcharge Endorsement (WC 05 04 04).	CO	Revises NCCI's <i>Forms Manual</i>
8-Form	Details the elimination of the Georgia Non-Cooperation With Premium Audit Endorsement (WC 10 04 02).	GA	
8-Form	Details the revisions to the Missouri Amendatory Endorsement (WC 24 06 04 A).	MO	
8-Form	Details the elimination of the Montana Non-Cooperation With Premium Audit Surcharge Endorsement (WC 25 04 01).	MT	

Note: Some states require that form and rule filings be filed separately. For filing purposes in those states, this memorandum is being provided for both the rule and form exhibits. The rule exhibits are filed with the regulatory authority as Item B-1429-R. The form exhibits are filed with the regulatory authority as Item B-1429-F.

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ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

EXHIBIT 1-RULE
BASIC MANUAL—2001 EDITION
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS
A. EXPLANATION AND APPLICATION

13. Final Earned Premium

(Applies in: AK, AL, AR, AZ CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

a. Determination

- (1) Final ~~E~~earned Ppremium is the total premium earned during the policy ~~term~~ period. It is calculated using actual payrolls multiplied by the rate for each classification. Final earned premium includes the application of premium elements applicable to the ~~insured~~ employer.
- (2) Final earned premium for the policy must be determined on actual payroll as determined by the carrier at audit, instead of on estimated payroll or other premium basis.
- (3) Determination of final earned premium is governed by the approved rules, classifications, and rates ~~in this manual~~, subject to modification by applicable rating plans.
- (4) The ~~insurance~~ carrier has the right to calculate final earned premium based on an examination and audit of all original payroll records and accounting records of the insured related to the policy.
- (5) Audited information must coincide with the effective and expiration dates of the policy. Reasonable deviations from this standard that do not affect the earned premium are permitted to coordinate the audit with the first of the nearest month.

Refer to the User's Guide for an example.

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

**EXHIBIT 1-RULE
BASIC MANUAL—2001 EDITION
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS
A. EXPLANATION AND APPLICATION**

13. Final Earned Premium

(Applies in: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

b. Audit Noncompliance Charge

- (1) If the employer does not comply with Part Five—Premium, Section G. (Audit) of the policy, the employer will be considered noncompliant with the policy terms and conditions. When this occurs, the carrier may apply an Audit Noncompliance Charge (ANC) subject to the conditions in this rule. The charge is determined by applying the ANC multiplier to the ANC basis shown in the table below:

Audit Noncompliance Charge Table

State	ANC Basis	ANC Multiplier	Endorsement	Other
AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, MD, ME, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV	Estimated Annual Premium	Up to two times	Audit Noncompliance Charge Endorsement	N/A
LA	Estimated Annual Premium	Up to two times	Audit Noncompliance Charge Endorsement	The ANC must be stated as a specific dollar amount on the endorsement.
MO	Estimated Annual Premium	Up to two times	Missouri Amendatory Endorsement	N/A

*Refer to the **User's Guide** for an example.*

- (2) On a multistate policy, the ANC applies only to the exposure in the states where an employer is noncompliant with an audit and where this ANC rule is approved for use.
- (3) The ANC is a premium charge and is applied in accordance with the applicable state premium algorithm. The ANC is not part of standard premium.
- (4) The application of the ANC is subject to the following conditions:
- (a) Carriers must comply with all applicable state laws and/or regulations related to audits of workers compensation insurance policies.
 - (b) The Audit Noncompliance Charge Endorsement and/or applicable state-specific endorsement must be attached to the policy at inception of the policy term being audited.
 - (c) The carrier must make two attempts to obtain the audit information and/or complete the audit. At each attempt, the carrier must notify the employer regarding the specific, required records and the amount of the ANC to be applied if the employer continues to refuse to comply with the audit.
 - (d) The carrier must adequately document the audit file regarding the above attempts to obtain the required audit information.
 - (e) When a carrier applies an ANC to the policy, and cancellation for audit noncompliance is permissible under state law, the carrier may cancel the policy and must issue a cancellation

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

EXHIBIT 1-RULE (CONT'D)
BASIC MANUAL—2001 EDITION
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS
A. EXPLANATION AND APPLICATION

13. Final Earned Premium

(Applies in: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

notice in accordance with applicable state laws and/or regulations and NCCI's *Basic Manual* rules and *Assigned Carrier Performance Standards (ACPS)*.

- (5) This ANC rule applies to mail/email, telephone, computer (remote access), and physical audits, unless otherwise provided by state law.
- (6) The ANC may be applied to guaranteed cost policies as well as retrospectively rated policies.
- (7) The scenarios listed below may occur and are treated as follows:

<u>If an ANC is applied and the employer...</u>	<u>Then the carrier...</u>
<u>Pays the ANC and later allows the audit</u>	<ul style="list-style-type: none"> • <u>Performs the final audit and determines the final policy premium based on the results of the audit; and</u> • <u>Refunds the ANC to the employer, or applies the ANC amount to any outstanding balance on the policy</u>
<u>Does not pay the ANC but later allows the audit</u>	<u>Performs the final audit and determines the final policy premium based on the results of the audit</u>
<u>Pays the ANC but does not later allow the audit</u>	<u>Does not change the previously reported:</u>
<u>Does not pay the ANC and does not later allow the audit</u>	<ul style="list-style-type: none"> • <u>Unit statistical data</u> • <u>Noncompliance transactions</u>

- (8) Reinstatements of cancelled policies must be in accordance with all applicable state laws and/or regulations and NCCI's *Basic Manual* rules and *ACPS*.
- (9) The ANC must be reported, including applicable corrections, in accordance with NCCI's *Statistical Plan*. Assigned carriers must also comply with NCCI's *ACPS* noncompliance and compliance reporting for assigned risk policies.
- (10) For assigned risk policies, if an assigned carrier has applied an ANC, the employer will be considered noncompliant with the audit and will remain ineligible for assigned risk coverage until the employer allows the audit to be performed and/or provides the required records. This applies even if the employer has paid the ANC.

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

EXHIBIT 2-RULE
STATISTICAL PLAN—2008 EDITION
PART 3—EXPOSURE INFORMATION

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

F. EXPOSURE AMOUNT

Final or Estimated Premium

When the exposure reported on the 1st report corresponds to the final premium amount by class code, report as follows:

- The exposure and class code(s) corresponding to the final premium
- "N" for the Estimated Audit Code—Policy Conditions

When the exposure reported on the 1st report is based on estimated exposure, report as follows:

- The estimated exposure and class code(s) corresponding to the estimated premium
- "Y" for the Estimated Audit Code—Policy Conditions

When the exposure reported on the 1st report was based on estimated exposure and subsequently the final premium is determined, a correction to the 1st report must be reported as follows:

- The exposure and class code(s) corresponding to the final premium
- "N" for the Estimated Audit Code—Policy Conditions

When the exposure reported on the 1st report includes Statistical Code 9757—Audit Noncompliance Charge, report the Estimated Audit Code as an "N" in the applicable Policy Condition Indicator field.

If subsequent to reporting Statistical Code 9757, and the final policy premium is determined in accordance with *Basic Manual* rules, the statistical code and its accompanying charge must be removed. Additionally, the Estimated Audit Code must continue to be reported as "N," and the exposure and premium must reflect the final audit. Refer to Part 5, Item A-1 for correction reports.

Note: The content in this exhibit proposes to revise the rules related to Final or Estimated Premium. The content shown in this exhibit is not a complete replacement of the existing, previously approved Part 3-F content.

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

EXHIBIT 2-RULE (CONT'D)
STATISTICAL PLAN—2008 EDITION
PART 3—EXPOSURE INFORMATION

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

Y. AUDIT NONCOMPLIANCE CHARGE

Report the Audit Noncompliance Charge to Statistical Code 9757. Refer to *Basic Manual* for the method of determining the Audit Noncompliance Charge. Refer to Part 3, Item F—Exposure Amount for reporting the Estimated Audit Code.

If subsequent to reporting Statistical Code 9757, and the final policy premium is determined in accordance with *Basic Manual* rules, the statistical code and its accompanying charge must be removed. Additionally, the Estimated Audit Code must continue to be reported as "N," and the exposure and premium must reflect the final audit. Refer to Part 5, Item A-1 for correction reports.

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

**EXHIBIT 2-RULE (CONT'D)
STATISTICAL PLAN—2008 EDITION
PART 6—CODING VALUES
H. STATISTICAL CODES**

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

3. PREMIUM AMOUNT NOT PART OF STANDARD PREMIUM

Premium Amount Not Part of Standard Premium

Description	Stat Code	Premium Credit (-) or Debit (+)	Applicable States ⁽¹⁾	Effective Date	Discontinuation Date
Audit Noncompliance Charge	9757	+	All States Except CO, MO, and MT	01/01/17	
			CO	01/01/12 ⁽²⁾	
			FL	01/01/17	
			FL—FWCJUA ⁽²⁾	07/01/10 (FWGJUA) ⁽³⁾	
			MO	09/01/13	
			MT	10/01/12 ⁽⁴⁾	

⁽¹⁾ Premium programs apply to all states listed unless otherwise noted.

⁽²⁾ ~~CO—Available for use in Colorado when a carrier has independently filed and received approval from the Colorado Division of Insurance for a fee or surcharge due to audit noncompliance.~~

⁽²⁾ Florida Workers Compensation Joint Underwriting Association.

⁽³⁾ FWCJUA—Statistical Code 9757 is for the use of the FWCJUA only.

⁽⁴⁾ MT—Available for use in Montana when a carrier has independently filed and received approval from the Montana Department of Insurance for a surcharge due to audit noncompliance.

ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

EXHIBIT 3-FORM
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE
AUDIT NONCOMPLIANCE CHARGE ENDORSEMENT (WC 00 04 24)
(Applies in: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MS, MT,
NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

AUDIT NONCOMPLIANCE CHARGE ENDORSEMENT (WC 00 04 24)

Part Five—Premium, Section G. (Audit) of the Workers Compensation and Employers Liability Insurance Policy is revised by adding the following:

If you do not allow us to examine and audit all of your records that relate to this policy, and/or do not provide audit information as requested, we may apply an Audit Noncompliance Charge. The method for determining the Audit Noncompliance Charge by state, where applicable, is shown in the Schedule below.

If you allow us to examine and audit all of your records after we have applied an Audit Noncompliance Charge, we will revise your premium in accordance with our manuals and Part 5—Premium, E. (Final Premium) of this policy.

Failure to cooperate with this policy provision may result in the cancellation of your insurance coverage, as specified under the policy.

Note:

For coverage under state-approved workers compensation assigned risk plans, failure to cooperate with this policy provision may affect your eligibility for coverage.

Schedule

<u>State(s)</u>	<u>Basis of Audit Noncompliance Charge</u>	<u>Maximum Audit Noncompliance Charge Multiplier</u>
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ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

EXHIBIT 4-RULE
ASSIGNED CARRIER PERFORMANCE STANDARDS—2009 EDITION
PERFORMANCE STANDARD 1—INTRODUCTION
C. NONCOMPLIANCE AND COMPLIANCE WITH POLICY TERMS AND CONDITIONS
(Applies in: AK, AL, AR, AZ, CT, DC, DE, GA, IA, ID, IL, IN, KS, MS, NC, NH, NJ, NV, OR,
SC, SD, VA, VT, WV)
(Approval required in: AK, AR, DE, GA, IN, KS, MS, NC, NH, OR, SD)

6. Determination of Compliance

- a. An employer is deemed compliant for any of the following reasons:
- (1) Payment in full of all outstanding premium or deductible obligations
 - (2) Receipt of first payment in accordance with written agreement to use a payment plan
 - (3) Bona fide dispute is received as defined in *Basic Manual* Rule 4-A-2-g
 - ~~(4) Audit adjustment reduces the premium obligation to a zero or credit balance~~
 - ~~(5) Compliance with audit requirements or loss prevention survey recommendations~~
 - ~~(6) Agreement and scheduling of audit or loss prevention survey~~
 - (4) ~~(7)~~ Bankruptcy and carrier is listed as a secured creditor for all outstanding premium obligations
 - (5) ~~(8)~~ Submission of required underwriting information (e.g., ERM-14s)
 - (6) **Audit and Loss Prevention**
 - (a) Agreement and scheduling of audit or loss prevention survey
 - (b) Compliance with audit requirements or loss prevention survey recommendations
 - (c) Audit adjustment reduces the premium obligation to a zero or credit balance
 - (d) **Audit Noncompliance Charge Exception:**

An assigned carrier may apply an Audit Noncompliance Charge (ANC) in accordance with *Basic Manual* rules. In such situations, an employer is not deemed compliant if the employer pays the ANC but does not allow the audit and/or does not comply with the audit requirements. Therefore, PS 1-C-6-a(6)(a) is not applicable and the employer is deemed noncompliant for audit purposes until the audit portion of PS 1-C-6-a(6)(b) is fulfilled.
- b. When multiple noncompliance issues occur, individual issues may be deemed compliant, but if there are any remaining noncompliant issues, the employer remains noncompliant.
- c. **Compliance Effective Date**
- (1) If the employer becomes compliant for reasons not related to submitting outstanding premium or deductible payments, the compliance effective date is the date the employer is deemed compliant.
 - (2) If the employer submits the outstanding premium or deductible payment, the compliance effective date must be in accordance PS 7-A-3 and 8-A-3, respectively.

RULE XV – FINAL EARNED PREMIUM DETERMINATION

A. ACTUAL PAYROLL

Final earned premium for the policy shall be determined on actual, instead of estimated, payroll or other premium basis.

B. PREMIUM DETERMINATION

The determination of final earned premium is governed by the rules, classifications and DCRBureau rating values and carrier rating values, subject to modification by applicable rating plans.

C. AUDIT RIGHTS OF CARRIER

The insurance carrier has the right to compute earned premium based on an examination of original payroll records and books of account of the insured, in accordance with Part Five – Premium, Section G. (Premium Audit) of the Standard Policy.

D. AUTHORIZED CLASSIFICATIONS

Only the classifications shown on a Data Card issued by the DCRB shall be used in auditing the payroll of that employer. The insuring carrier shall contact the DCRB in writing in any instance where the authorized classifications do not describe the employer’s operations as delineated in Section 1, Rule IV, Paragraph C., 2., c. of this Manual.

E. AUDIT NONCOMPLIANCE CHARGE

(1) If the employer does not comply with Part Five—Premium, Section G. (Audit) of the policy, the employer will be considered noncompliant with the policy terms and conditions. When this occurs, the carrier may apply an Audit Noncompliance Charge (ANC) subject to the conditions in this rule. The charge is determined by applying the ANC multiplier to the ANC basis shown in the table below:

<u>ANC Basic</u>	<u>ANC Multiplier</u>	<u>Endorsement</u>
<u>Estimated Annual Premium</u>	<u>Up to two times</u>	<u>Audit Noncompliance Charge Endorsement</u>

(2) On a multistate policy, the ANC applies only to the exposure in the states where an employer is noncompliant with an audit and where this ANC rule is approved for use.

(3) The ANC is a premium charge and is applied in accordance with the applicable state premium algorithm. The ANC is not part of standard premium.

(4) The application of the ANC is subject to the following conditions:

- a) Carriers must comply with all applicable state laws and/or regulations related to audits of workers compensation insurance policies.
 - b) The Audit Noncompliance Charge Endorsement and/or applicable state-specific endorsement must be attached to the policy at inception of the policy term being audited.
 - c) The carrier must make two attempts to obtain the audit information and/or complete the audit. At each attempt, the carrier must notify the employer regarding the specific required records and the amount of the ANC to be applied if the employer continues to refuse to comply with the audit.
 - d) The carrier must adequately document the audit file regarding the above attempts to obtain the required audit information.
 - e) When a carrier applies an ANC to the policy, and cancellation for audit noncompliance is permissible under state law, the carrier may cancel the policy and must issue a cancellation notice in accordance with applicable state laws and/or regulations.
- (5) This ANC rule applies to mail/email, telephone, computer (remote access), and physical audits, unless otherwise provided by state law.
- (6) The ANC may be applied to guaranteed cost policies as well as retrospectively rated policies.
- (7) The scenarios listed below may occur and are treated as follows:

<u>If an ANC is applied and the employer...</u>	<u>Then the carrier...</u>
<u>Pays the ANC and later allows the audit</u>	<ul style="list-style-type: none"> • <u>Performs the final audit and determines the final policy premium based on the results of the audit; and</u> • <u>Refunds the ANC to the employer, or applies the ANC amount to any outstanding balance on the policy</u> <u>Submits a unit statistical correction report to remove the ANC charge from the previously reported Unit Statistical data.</u>
<u>Does not pay the ANC but later allows the audit</u>	<u>Performs the final audit and determines the final policy premium based on the results of the audit</u>
<u>Pays the ANC but does not later allow the audit</u>	<u>Does not change the previously reported:</u> <ul style="list-style-type: none"> • <u>Unit Statistical data</u> • <u>Noncompliance transactions</u>
<u>Does not pay the ANC and does not later allow the audit.</u>	

- (8) Reinstatements of cancelled policies must be in accordance with all applicable state laws and/or regulations.
- (9) The ANC must be reported, including applicable corrections, in accordance with DCRB's Statistical Plan.
- (10) For assigned risk policies, if an assigned carrier has applied an ANC, the employer will be considered noncompliant with the audit and will remain ineligible for assigned risk coverage until the employer allows the audit to be performed and/or provides the required records. This applies even if the employer has paid the ANC.

RULE XV – FINAL EARNED PREMIUM DETERMINATION

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The determination of final earned premium is governed by the rules, classifications and DCRB rating values and carrier rating values, subject to modification by applicable rating plans.

C. AUDIT RIGHTS OF CARRIER

The insurance carrier has the right to compute earned premium based on an examination of original payroll records and books of account of the insured, in accordance with Part Five – Premium, Section G. (Audit) of the Standard Policy.

D. AUTHORIZED CLASSIFICATIONS

Only the classifications shown on a Data Card issued by the DCRB shall be used in auditing the payroll of that employer. The insuring carrier shall contact the DCRB in writing in any instance where the authorized classifications do not describe the employer’s operations as delineated in Section 1, Rule IV, Paragraph C., 2., c. of this Manual.

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ANC Basic	ANC Multiplier	Endorsement
Estimated Annual Premium	Up to two times	Audit Noncompliance Charge Endorsement

- (2) On a multistate policy, the ANC applies only to the exposure in the states where an employer is noncompliant with an audit and where this ANC rule is approved for use.
- (3) The ANC is a premium charge and is applied in accordance with the applicable state premium algorithm. The ANC is not part of standard premium.
- (4) The application of the ANC is subject to the following conditions:

- a) Carriers must comply with all applicable state laws and/or regulations related to audits of workers compensation insurance policies.
 - b) The Audit Noncompliance Charge Endorsement and/or applicable state-specific endorsement must be attached to the policy at inception of the policy term being audited.
 - c) The carrier must make two attempts to obtain the audit information and/or complete the audit. At each attempt, the carrier must notify the employer regarding the specific required records and the amount of the ANC to be applied if the employer continues to refuse to comply with the audit.
 - d) The carrier must adequately document the audit file regarding the above attempts to obtain the required audit information.
 - e) When a carrier applies an ANC to the policy, and cancellation for audit noncompliance is permissible under state law, the carrier may cancel the policy and must issue a cancellation notice in accordance with applicable state laws and/or regulations.
- (5) This ANC rule applies to mail/email, telephone, computer (remote access), and physical audits, unless otherwise provided by state law.
- (6) The ANC may be applied to guaranteed cost policies as well as retrospectively rated policies.
- (7) The scenarios listed below may occur and are treated as follows:

If an ANC is applied and the employer...	Then the carrier...
Pays the ANC and later allows the audit	<ul style="list-style-type: none"> • Performs the final audit and determines the final policy premium based on the results of the audit; and • Refunds the ANC to the employer, or applies the ANC amount to any outstanding balance on the policy <p>Submits a unit statistical correction report to remove the ANC charge from the previously reported Unit Statistical data.</p>
Does not pay the ANC but later allows the audit	Performs the final audit and determines the final policy premium based on the results of the audit
Pays the ANC but does not later allow the audit Does not pay the ANC and does not later allow the audit.	Does not change the previously reported: <ul style="list-style-type: none"> • Unit Statistical data • Noncompliance transactions

- (8) Reinstatements of cancelled policies must be in accordance with all applicable state laws and/or regulations.
- (9) The ANC must be reported, including applicable corrections, in accordance with DCRB's Statistical Plan.
- (10) For assigned risk policies, if an assigned carrier has applied an ANC, the employer will be considered noncompliant with the audit and will remain ineligible for assigned risk coverage until the employer allows the audit to be performed and/or provides the required records. This applies even if the employer has paid the ANC.

Premium Calculation Algorithm

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
(1)	Classification	xxxx	(1)	Carrier value
(2)	Exposure	xxxx	(2)	Risk characteristic
(3)	Carrier Rating Value	xxxx	(3)	Carrier value
(4)	Classification Manual Premium		(4)	(2)/100x(3) if classification has payroll exposure. Special procedures apply to non-payroll classes
(5)	Total Policy Manual Premium		(5)	Sum of (4) for all classifications on the policy
(6)	Employer Liability Increased Limits Factor	xxxx	(6)	Carrier value
(7)	Employer Liability Increased Limits Premium Charge		(7)	(5)x(6) expressed as a decimal]
(8)	Minimum Premium Employer Liability Increased Limits	9848	(8)	Carrier value
(9)	Minimum Premium Employer Liability Increased Limits Premium Charge	9848	(9)	[(8)-(7)] if (7)<(8) and (6) >0, otherwise zero
(10)	Subject Deductible Credit Percentage	9664	(10)	Carrier value
(11)	Subject Deductible Premium Credit	9664	(11)	[(5)+(7)+(9)]x[(-10) expressed as a decimal]
(12)	Waiver of Subrogation Charge	0930	(12)	Carrier value - subject to experience modification
(13)	Waiver of Subrogation Premium	0930	(13)	Value from Line (12)
(14)	Total Subject Premium		(14)	[(5)+(7)+(9)+(11)+(13)]
(15)	Experience Modification	9898	(15)	Zero for non-experience-rated risks
(16)	Modified Premium		(16)	(14)x(15)
(17)	Merit Rating Credit Factor	9885	(17)	Zero if Merit Rating Credit does not apply
(18)	Merit Rating Credit	9885	(18)	(14)x[(-17) expressed as a decimal]
(19)	Merit Rating Neutral Factor	9884	(19)	Zero whether Merit Rating Neutral Adjustment (no credit or debit) does or does not apply
(20)	Merit Rating Neutral Adjustment	9884	(20)	(14)x[(19) expressed as a decimal]
(21)	Merit Rating Debit Factor	9886	(21)	Zero if Merit Rating Debit does not apply
(22)	Merit Rating Charge	9886	(22)	(14)x[(21) expressed as a decimal]
(23)	Premium After Experience Modification or Merit Rating		(23)	(16) if Experience-Rated, [(14)+(18)+(20)+(22)] if Merit-Rated, (14) if Non-Rated
(24)	Non-Ratable Classifications	xxxx	(24)	Carrier Value
(25)	Non-Ratable Classifications Exposure		(25)	Portion of payroll exposure subject to Non-Ratable Classifications
(26)	Non-Ratable Classification Rating Value	xxxx	(26)	Carrier Value
(27)	Non-Ratable Classification Premium		(27)	(25)/100x(26) [based on applicable Non-Ratable Classification exposure]

Premium Calculation Algorithm

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
(28)	Workfare Program Employees Exposure (PA)	0982	(28)	Number of person weeks. A partial workweek for any worker to be counted as 1 person week.
(29)	Workfare Program Employees Rating Value (PA)	0982	(29)	Carrier Value
(30)	Workfare Program Employees Premium (PA)	0982	(30)	(28) x (29)
(31)	Non-Ratable Classification Premium Total		(31)	Sum of all (27)+(30) premiums
(32)	Non-Ratable Classification Increased Limits Factor	xxxx	(32)	Carrier value
(33)	Non-Ratable Classification Increased Limits Premium Charge	xxxx	(33)	(31) x [(32) expressed as a decimal]
(34)	Minimum Premium Non-Ratable Classification Increased Limits	9848	(34)	Carrier value
(35)	Minimum Premium Non-Ratable Classification Increased Limits Premium Charge	9848	(35)	[(34)-(33)] if (33) < (34) and (32) > 0, otherwise zero
(36)	Premium Before Schedule Rating		(36)	(23)+(31)+(33)+(35)
(37)	Schedule Rating Plan Adjustment Factor	9887/9889	(37)	Carrier value - use 9887 for schedule credits and 9889 for schedule debits
(38)	Schedule Rating Plan Premium Adjustment	9887/9889	(38)	(36)x[(37) expressed as a decimal]. For schedule credits Line (38) will be negative
(39)	Certified Safety Committee Credit Factor (PA)	9890	(39)	Credit applies if insured is certified.
(40)	Certified Safety Committee Premium Credit (PA)	9890	(40)	[(36)+(38)]x[(-39) expressed as a decimal]
(41)	Workplace Safety Program Credit Factor (DE)	9880	(41)	Credit applies if insured qualifies
(42)	Workplace Safety Program Premium Credit (DE)	9880	(42)	[(36)+(38)]x[(-41) expressed as a decimal]
(43)	Construction Classification Premium Adjustment Program Credit Factor	9046	(43)	Based on wage level(s), application to rating organization
(44)	Construction Classification Premium Adjustment Program Premium Credit	9046	(44)	[(36)+(38)]x[(-43) expressed as a decimal]
(45)	Drug-Free Workplace Factor	9846	(45)	Carrier value
(46)	Drug-Free Workplace Credit	9846	(46)	[(36)+(38)+(42)+(44)]x[(-45) expressed as a decimal]
(47)	Managed Care Factor	9874	(47)	Carrier value
(48)	Managed Care Credit	9874	(48)	[(36)+(38)+(42)+(44)+(46)]x[(-47) expressed as a decimal]

Premium Calculation Algorithm

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
(49)	Package Credit Factor	9721	(49)	Carrier value
(50)	Package Credit	9721	(50)	$[(36)+(38)+(42)+(44)+(46)+(48)] \times [(-49) \text{ expressed as a decimal}]$
(51)	Premium After Managed Care and Package Credit If Applicable		(51)	$[(36)+(38)+(40)+(42)+(44)+(46)+(48)+(50)]$
(52)	Assigned Risk Surcharge Factor (DE)	0277	(52)	May apply to some or all assigned risks based on plan and characteristics of individual insured
(53)	Assigned Risk Premium Surcharge (DE)	0277	(53)	$(51) \times [(52) \text{ expressed as a decimal}]$
(54)	Deductible Credit Factor	9663	(54)	Carrier value
(55)	Deductible Premium Credit	9663	(55)	$[(51)+(53)] \times [(-54) \text{ expressed as a decimal}]$
(56)	Loss Constant	0032	(56)	Carrier value - may vary based on risk premium size
(57)	Loss Constant Charge	0032	(57)	Line (56) if applicable
(58)	Short Rate Cancellation Factor	0931	(58)	Carrier value - zero if short rate cancellation does not apply
(59)	Short Rate Premium	0931	(59)	$[(51)+(53)+(55)+(57)] \times [(58)-1.0000]$ if (58)>0, otherwise zero
(60)	Expense Constant	0900	(60)	Carrier value if applicable
(61)	Expense Constant Charge	0900	(61)	Line (60)
(62)	Minimum Premium	0990	(62)	Carrier value
(63)	Minimum Premium Charge	0990	(63)	If (62)> $[(51)+(53)+(55)+(57)+(59)+(61)]$, (62)- $[(51)+(53)+(55)+(57)+(59)+(61)]$, otherwise zero
(64)	Unit Statistical Report Total Standard Premium		(64)	$[(51)+(53)+(55)+(57)+(59)+(63)]$
(65)	Premium Discount Amount	0063/0064	(65)	Carrier value based on $[(51)+(53)+(55)+(57)+(59)+(63)]$
(66)	Additional premium Waiver of Subrogation (flat charge)	9115	(66)	Carrier value(s)
(67)	Terrorism	9740	(67)	(Total payroll/100) x carrier rating value
(68)	Catastrophe (other than Certified Acts of Terrorism)	9741	(68)	(Total payroll/100) x carrier rating value
(69)	Total Policy Premium Subject to Employer Assessment		(69)	$(61)+(64)-(65)+(66)+(67)+(68)$
(70)	Employer Assessment Factor Pursuant to Act 57 of 1997 (PA)	0938	(70)	PCRB value for the specific purpose of computing employer assessments
(71)	Employer Assessment Amount Pursuant to Act 57 of 1997 (PA)	0938	(71)	$[(69)-(11)-(55)] \times (70)$ NOTE: Cells (11) and (55) are credits. Subtracting these credits as shown effectively adds the premium reduction given for deductible coverage back into the premium for purposes of calculating employer assessments
(72)	<u>Audit Noncompliance Charge</u>	<u>9757</u>	(72)	<u>Carrier Value x (69)</u>

Premium Calculation Algorithm

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
(1)	Classification	xxxx	(1)	Carrier value
(2)	Exposure	xxxx	(2)	Risk characteristic
(3)	Carrier Rating Value	xxxx	(3)	Carrier value
(4)	Classification Manual Premium		(4)	(2)/100x(3) if classification has payroll exposure. Special procedures apply to non-payroll classes
(5)	Total Policy Manual Premium		(5)	Sum of (4) for all classifications on the policy
(6)	Employer Liability Increased Limits Factor	xxxx	(6)	Carrier value
(7)	Employer Liability Increased Limits Premium Charge		(7)	(5)x(6) expressed as a decimal]
(8)	Minimum Premium Employer Liability Increased Limits	9848	(8)	Carrier value
(9)	Minimum Premium Employer Liability Increased Limits Premium Charge	9848	(9)	[(8)-(7)] if (7)<(8) and (6) >0, otherwise zero
(10)	Subject Deductible Credit Percentage	9664	(10)	Carrier value
(11)	Subject Deductible Premium Credit	9664	(11)	[(5)+(7)+(9)]x[(-10) expressed as a decimal]
(12)	Waiver of Subrogation Charge	0930	(12)	Carrier value - subject to experience modification
(13)	Waiver of Subrogation Premium	0930	(13)	Value from Line (12)
(14)	Total Subject Premium		(14)	[(5)+(7)+(9)+(11)+(13)]
(15)	Experience Modification	9898	(15)	Zero for non-experience-rated risks
(16)	Modified Premium		(16)	(14)x(15)
(17)	Merit Rating Credit Factor	9885	(17)	Zero if Merit Rating Credit does not apply
(18)	Merit Rating Credit	9885	(18)	(14)x[(-17) expressed as a decimal]
(19)	Merit Rating Neutral Factor	9884	(19)	Zero whether Merit Rating Neutral Adjustment (no credit or debit) does or does not apply
(20)	Merit Rating Neutral Adjustment	9884	(20)	(14)x[(19) expressed as a decimal]
(21)	Merit Rating Debit Factor	9886	(21)	Zero if Merit Rating Debit does not apply
(22)	Merit Rating Charge	9886	(22)	(14)x[(21) expressed as a decimal]
(23)	Premium After Experience Modification or Merit Rating		(23)	(16) if Experience-Rated, [(14)+(18)+(20)+(22)] if Merit-Rated, (14) if Non-Rated
(24)	Non-Ratable Classifications	xxxx	(24)	Carrier Value
(25)	Non-Ratable Classifications Exposure		(25)	Portion of payroll exposure subject to Non-Ratable Classifications
(26)	Non-Ratable Classification Rating Value	xxxx	(26)	Carrier Value
(27)	Non-Ratable Classification Premium		(27)	(25)/100x(26) [based on applicable Non-Ratable Classification exposure]

Premium Calculation Algorithm

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
(28)	Workfare Program Employees Exposure (PA)	0982	(28)	Number of person weeks. A partial workweek for any worker to be counted as 1 person week.
(29)	Workfare Program Employees Rating Value (PA)	0982	(29)	Carrier Value
(30)	Workfare Program Employees Premium (PA)	0982	(30)	(28) x (29)
(31)	Non-Ratable Classification Premium Total		(31)	Sum of all (27)+(30) premiums
(32)	Non-Ratable Classification Increased Limits Factor	xxxx	(32)	Carrier value
(33)	Non-Ratable Classification Increased Limits Premium Charge	xxxx	(33)	(31) x [(32) expressed as a decimal]
(34)	Minimum Premium Non-Ratable Classification Increased Limits	9848	(34)	Carrier value
(35)	Minimum Premium Non-Ratable Classification Increased Limits Premium Charge	9848	(35)	[(34)-(33)] if (33) < (34) and (32) > 0, otherwise zero
(36)	Premium Before Schedule Rating		(36)	(23)+(31)+(33)+(35)
(37)	Schedule Rating Plan Adjustment Factor	9887/9889	(37)	Carrier value - use 9887 for schedule credits and 9889 for schedule debits
(38)	Schedule Rating Plan Premium Adjustment	9887/9889	(38)	(36)x[(37) expressed as a decimal]. For schedule credits Line (38) will be negative
(39)	Certified Safety Committee Credit Factor (PA)	9890	(39)	Credit applies if insured is certified.
(40)	Certified Safety Committee Premium Credit (PA)	9890	(40)	[(36)+(38)]x[(-39) expressed as a decimal]
(41)	Workplace Safety Program Credit Factor (DE)	9880	(41)	Credit applies if insured qualifies
(42)	Workplace Safety Program Premium Credit (DE)	9880	(42)	[(36)+(38)]x[(-41) expressed as a decimal]
(43)	Construction Classification Premium Adjustment Program Credit Factor	9046	(43)	Based on wage level(s), application to rating organization
(44)	Construction Classification Premium Adjustment Program Premium Credit	9046	(44)	[(36)+(38)]x[(-43) expressed as a decimal]
(45)	Drug-Free Workplace Factor	9846	(45)	Carrier value
(46)	Drug-Free Workplace Credit	9846	(46)	[(36)+(38)+(42)+(44)]x[(-45) expressed as a decimal]
(47)	Managed Care Factor	9874	(47)	Carrier value
(48)	Managed Care Credit	9874	(48)	[(36)+(38)+(42)+(44)+(46)]x[(-47) expressed as a decimal]

Premium Calculation Algorithm

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
(49)	Package Credit Factor	9721	(49)	Carrier value
(50)	Package Credit	9721	(50)	$[(36)+(38)+(42)+(44)+(46)+(48)] \times [(-49) \text{ expressed as a decimal}]$
(51)	Premium After Managed Care and Package Credit If Applicable		(51)	$[(36)+(38)+(40)+(42)+(44)+(46)+(48)+(50)]$
(52)	Assigned Risk Surcharge Factor (DE)	0277	(52)	May apply to some or all assigned risks based on plan and characteristics of individual insured
(53)	Assigned Risk Premium Surcharge (DE)	0277	(53)	$(51) \times [(52) \text{ expressed as a decimal}]$
(54)	Deductible Credit Factor	9663	(54)	Carrier value
(55)	Deductible Premium Credit	9663	(55)	$[(51)+(53)] \times [(-54) \text{ expressed as a decimal}]$
(56)	Loss Constant	0032	(56)	Carrier value - may vary based on risk premium size
(57)	Loss Constant Charge	0032	(57)	Line (56) if applicable
(58)	Short Rate Cancellation Factor	0931	(58)	Carrier value - zero if short rate cancellation does not apply
(59)	Short Rate Premium	0931	(59)	$[(51)+(53)+(55)+(57)] \times [(58)-1.0000]$ if (58)>0, otherwise zero
(60)	Expense Constant	0900	(60)	Carrier value if applicable
(61)	Expense Constant Charge	0900	(61)	Line (60)
(62)	Minimum Premium	0990	(62)	Carrier value
(63)	Minimum Premium Charge	0990	(63)	If (62)> $[(51)+(53)+(55)+(57)+(59)+(61)]$, (62)- $[(51)+(53)+(55)+(57)+(59)+(61)]$, otherwise zero
(64)	Unit Statistical Report Total Standard Premium		(64)	$[(51)+(53)+(55)+(57)+(59)+(63)]$
(65)	Premium Discount Amount	0063/0064	(65)	Carrier value based on $[(51)+(53)+(55)+(57)+(59)+(63)]$
(66)	Additional premium Waiver of Subrogation (flat charge)	9115	(66)	Carrier value(s)
(67)	Terrorism	9740	(67)	$(\text{Total payroll}/100) \times \text{carrier rating value}$
(68)	Catastrophe (other than Certified Acts of Terrorism)	9741	(68)	$(\text{Total payroll}/100) \times \text{carrier rating value}$
(69)	Total Policy Premium Subject to Employer Assessment		(69)	$(61)+(64)-(65)+(66)+(67)+(68)$
(70)	Employer Assessment Factor Pursuant to Act 57 of 1997 (PA)	0938	(70)	PCRB value for the specific purpose of computing employer assessments
(71)	Employer Assessment Amount Pursuant to Act 57 of 1997 (PA)	0938	(71)	$[(69)-(11)-(55)] \times (70)$ NOTE: Cells (11) and (55) are credits. Subtracting these credits as shown effectively adds the premium reduction given for deductible coverage back into the premium for purposes of calculating employer assessments
(72)	Audit Noncompliance Charge	9757	(72)	Carrier Value x (69)

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

In return for the payment of the premium and subject to all terms of this policy, we agree with you as follows:

GENERAL SECTION**A. The Policy**

This policy includes at its effective date the Information Page and all endorsements and schedules listed there. It is a contract of insurance between you (the employer named in Item 1 of the Information Page) and us (the insurer named on the Information Page). The only agreements relating to this insurance are stated in this policy. The terms of this policy may not be changed or waived except by endorsement issued by us to be part of this policy.

B. Who is Insured

You are insured if you are an employer named in Item 1 of the Information Page. If that employer is a partnership, and if you are one of its partners, you are insured, but only in your capacity as an employer of the partnership's employees.

C. Workers Compensation Law

Workers Compensation Law means the workers or workmen's compensation law and occupational disease law of each state or territory named in Item 3.A. of the Information Page. It includes any amendments to that law which are in effect during the policy period. It does not include any federal workers or workmen's compensation law, any federal occupational disease law or the provisions of any law that provide nonoccupational disability benefits.

D. State

State means any state of the United States of America, and the District of Columbia.

E. Locations

This policy covers all of your workplaces listed in Items 1 or 4 of the Information Page; and it covers all other workplaces in Item 3.A. states unless you have other insurance or are self-insured for such workplaces.

**PART ONE
WORKERS COMPENSATION INSURANCE****A. How This Insurance Applies**

This workers compensation insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. Bodily injury by accident must occur during the policy period.
2. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.

B. We Will Pay

We will pay promptly when due the benefits required of you by the workers compensation law.

C. We Will Defend

We have the right and duty to defend at our expense any claim, proceeding or suit against you for benefits payable by this insurance. We have the right to investigate and settle these claims, proceedings or suits.

We have no duty to defend a claim, proceeding or suit that is not covered by this insurance.

D. We Will Also Pay

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any claim, proceeding or suit we defend:

1. reasonable expenses incurred at our request, but not loss of earnings;
2. premiums for bonds to release attachments and for appeal bonds in bond amounts up to the amount payable under this insurance;
3. litigation costs taxed against you;
4. interest on a judgment as required by law until we offer the amount due under this insurance; and
5. expenses we incur.

E. Other Insurance

We will not pay more than our share of benefits and costs covered by this insurance and other

(Ed. 1-15)

insurance or self-insurance. Subject to any limits of liability that may apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is exhausted, the shares of all remaining insurance will be equal until the loss is paid.

F. **Payments You Must Make**

You are responsible for any payments in excess of the benefits regularly provided by the workers compensation law including those required because:

1. of your serious and willful misconduct;
2. you knowingly employ an employee in violation of law;
3. you fail to comply with a health or safety law or regulation; or
4. you discharge, coerce or otherwise discriminate against any employee in violation of the workers compensation law.

If we make any payments in excess of the benefits regularly provided by the workers compensation law on your behalf, you will reimburse us promptly.

G. **Recovery From Others**

We have your rights, and the rights of persons entitled to the benefits of this insurance, to recover our payments from anyone liable for the injury. You will do everything necessary to protect those rights for us and to help us enforce them.

H. **Statutory Provisions**

These statements apply where they are required by law.

1. As between an injured worker and us, we have notice of the injury when you have notice.
2. Your default or the bankruptcy or insolvency of you or your estate will not relieve us of our duties under this insurance after an injury occurs.
3. We are directly and primarily liable to any person entitled to the benefits payable by this insurance. Those persons may enforce our duties; so may an agency authorized by law. Enforcement may be against us or against you and us.
4. Jurisdiction over you is jurisdiction over us for purposes of the workers compensation law. We are bound by decisions against you under that law, subject to the provisions of this policy that are not in conflict with that law.
5. This insurance conforms to the parts of the

workers compensation law that apply to:

- a. benefits payable by this insurance;
 - b. special taxes, payments into security or other special funds, and assessments payable by us under that law.
6. Terms of this insurance that conflict with the workers compensation law are changed by this statement to conform to that law.

Nothing in these paragraphs relieves you of your duties under this policy.

PART TWO EMPLOYERS LIABILITY INSURANCE

A. **How This Insurance Applies**

This employers liability insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must arise out of and in the course of the injured employee's employment by you.
2. The employment must be necessary or incidental to your work in a state or territory listed in Item 3.A. of the Information Page.
3. Bodily injury by accident must occur during the policy period.
4. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.
5. If you are sued, the original suit and any related legal actions for damages for bodily injury by accident or by disease must be brought in the United States of America, its territories or possessions, or Canada.

B. **We Will Pay**

We will pay all sums that you legally must pay as damages because of bodily injury to your employees, provided the bodily injury is covered by this Employers Liability Insurance.

The damages we will pay, where recovery is permitted by law, include damages:

1. For which you are liable to a third party by reason of a claim or suit against you by that third party to recover the damages claimed against

such third party as a result of injury to your employee;

2. For care and loss of services; and
3. For consequential bodily injury to a spouse, child, parent, brother or sister of the injured employee; provided that these damages are the direct consequence of bodily injury that arises out of and in the course of the injured employee's employment by you; and
4. Because of bodily injury to your employee that arises out of and in the course of employment, claimed against you in a capacity other than as employer.

C. Exclusions

This insurance does not cover:

1. Liability assumed under a contract. This exclusion does not apply to a warranty that your work will be done in a workmanlike manner;
2. Punitive or exemplary damages because of bodily injury to an employee employed in violation of law;
3. Bodily injury to an employee while employed in violation of law with your actual knowledge or the actual knowledge of any of your executive officers;
4. Any obligation imposed by a workers compensation, occupational disease, unemployment compensation, or disability benefits law, or any similar law;
5. Bodily injury intentionally caused or aggravated by you;
6. Bodily injury occurring outside the United States of America, its territories or possessions, and Canada. This exclusion does not apply to bodily injury to a citizen or resident of the United States of America or Canada who is temporarily outside these countries;
7. Damages arising out of coercion, criticism, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination against or termination of any employee, or any personnel practices, policies, acts or omissions;
8. Bodily injury to any person in work subject to the Longshore and Harbor Workers' Compensation Act (33 U.S.C. Sections 901 et seq.), the Nonappropriated Fund Instrumentalities Act (5 U.S.C. Sections 8171 et seq.), the Outer Continental Shelf Lands Act (43 U.S.C. Sections 1331 et seq.), the Defense Base Act (42 U.S.C. Sections 1651-1654), the Federal Mine Safety and Health Act (30 U.S.C. Sections 801 et seq. and 901-944), any other federal workers or workmen's compensation law or other federal occupational disease law, or any amendments to these laws;
9. Bodily injury to any person in work subject to the Federal Employers' Liability Act (45 U.S.C. Sections 51 et seq.), any other federal laws obligating an employer to pay damages to an employee due to bodily injury arising out of or in the course of employment, or any amendments to those laws;
10. Bodily injury to a master or member of the crew of any vessel, and does not cover punitive damages related to your duty or obligation to provide transportation, wages, maintenance, and cure under any applicable maritime law;
11. Fines or penalties imposed for violation of federal or state law; and
12. Damages payable under the Migrant and Seasonal Agricultural Worker Protection Act (29 U.S.C. Sections 1801 et seq.) and under any other federal law awarding damages for violation of those laws or regulations issued thereunder, and any amendments to those laws.

D. We Will Defend

We have the right and duty to defend, at our expense, any claim, proceeding or suit against you for damages payable by this insurance. We have the right to investigate and settle these claims, proceedings and suits.

We have no duty to defend a claim, proceeding or suit that is not covered by this insurance. We have no duty to defend or continue defending after we have paid our applicable limit of liability under this insurance.

E. We Will Also Pay

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any claim, proceeding, or suit we defend:

1. Reasonable expenses incurred at our request, but not loss of earnings;
2. Premiums for bonds to release attachments and for appeal bonds in bond amounts up to the limit of our liability under this insurance;
3. Litigation costs taxed against you;
4. Interest on a judgment as required by law until we offer the amount due under this insurance; and
5. Expenses we incur.

(Ed. 1-15)

F. Other Insurance

We will not pay more than our share of damages and costs covered by this insurance and other insurance or self-insurance. Subject to any limits of liability that apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

G. Limits of Liability

Our liability to pay for damages is limited. Our limits of liability are shown in Item 3.B. of the Information Page. They apply as explained below.

1. **Bodily Injury by Accident.** The limit shown for "bodily injury by accident—each accident" is the most we will pay for all damages covered by this insurance because of bodily injury to one or more employees in any one accident.

A disease is not bodily injury by accident unless it results directly from bodily injury by accident.

2. **Bodily Injury by Disease.** The limit shown for "bodily injury by disease—policy limit" is the most we will pay for all damages covered by this insurance and arising out of bodily injury by disease, regardless of the number of employees who sustain bodily injury by disease. The limit shown for "bodily injury by disease—each employee" is the most we will pay for all damages because of bodily injury by disease to any one employee.

Bodily injury by disease does not include disease that results directly from a bodily injury by accident.

3. We will not pay any claims for damages after we have paid the applicable limit of our liability under this insurance.

H. Recovery From Others

We have your rights to recover our payment from anyone liable for an injury covered by this insurance. You will do everything necessary to protect those rights for us and to help us enforce them.

I. Actions Against Us

There will be no right of action against us under this insurance unless:

1. You have complied with all the terms of this policy; and

2. The amount you owe has been determined with our consent or by actual trial and final judgment.

This insurance does not give anyone the right to add us as a defendant in an action against you to determine your liability. The bankruptcy or insolvency of you or your estate will not relieve us of our obligations under this Part.

PART THREE**OTHER STATES INSURANCE****A. How This Insurance Applies**

1. This other states insurance applies only if one or more states are shown in Item 3.C. of the Information Page.
2. If you begin work in any one of those states after the effective date of this policy and are not insured or are not self-insured for such work, all provisions of the policy will apply as though that state were listed in Item 3.A. of the Information Page.
3. We will reimburse you for the benefits required by the workers compensation law of that state if we are not permitted to pay the benefits directly to persons entitled to them.
4. If you have work on the effective date of this policy in any state not listed in Item 3.A. of the Information Page, coverage will not be afforded for that state unless we are notified within thirty days.

B. Notice

Tell us at once if you begin work in any state listed in Item 3.C. of the Information Page.

PART FOUR**YOUR DUTIES IF INJURY OCCURS**

Tell us at once if injury occurs that may be covered by this policy. Your other duties are listed here.

1. Provide for immediate medical and other services required by the workers compensation law.
2. Give us or our agent the names and addresses of the injured persons and of witnesses, and other information we may need.
3. Promptly give us all notices, demands and legal

papers related to the injury, claim, proceeding or suit.

4. Cooperate with us and assist us, as we may request, in the investigation, settlement or defense of any claim, proceeding or suit.
5. Do nothing after an injury occurs that would interfere with our right to recover from others.
6. Do not voluntarily make payments, assume obligations or incur expenses, except at your own cost.

PART FIVE—PREMIUM

A. Our Manuals

All premium for this policy will be determined by our manuals of rules, rates, rating plans and classifications. We may change our manuals and apply the changes to this policy if authorized by law or a governmental agency regulating this insurance.

B. Classifications

Item 4 of the Information Page shows the rate and premium basis for certain business or work classifications. These classifications were assigned based on an estimate of the exposures you would have during the policy period. If your actual exposures are not properly described by those classifications, we will assign proper classifications, rates and premium basis by endorsement to this policy.

C. Remuneration

Premium for each work classification is determined by multiplying a rate times a premium basis. Remuneration is the most common premium basis. This premium basis includes payroll and all other remuneration paid or payable during the policy period for the services of:

1. all your officers and employees engaged in work covered by this policy; and
2. all other persons engaged in work that could make us liable under Part One (Workers Compensation Insurance) of this policy. If you do not have payroll records for these persons, the contract price for their services and materials may be used as the premium basis. This paragraph 2 will not apply if you give us proof that the employers of these persons lawfully secured their workers compensation obligations.

D. Premium Payments

You will pay all premium when due. You will pay the premium even if part or all of a workers compensation law is not valid.

E. Final Premium

The premium shown on the Information Page, schedules, and endorsements is an estimate. The final premium will be determined after this policy ends by using the actual, not the estimated, premium basis and the proper classifications and rates that lawfully apply to the business and work covered by this policy. If the final premium is more than the premium you paid to us, you must pay us the balance. If it is less, we will refund the balance to you. The final premium will not be less than the highest minimum premium for the classifications covered by this policy.

If this policy is canceled, final premium will be determined in the following way unless our manuals provide otherwise:

1. If we cancel, final premium will be calculated pro rata based on the time this policy was in force. Final premium will not be less than the pro rata share of the minimum premium.
2. If you cancel, final premium will be more than pro rata; it will be based on the time this policy was in force, and increased by our short-rate cancellation table and procedure. Final premium will not be less than the minimum premium.

F. Records

You will keep records of information needed to compute premium. You will provide us with copies of those records when we ask for them.

G. Audit

You will let us examine and audit all your records that relate to this policy. These records include ledgers, journals, registers, vouchers, contracts, tax reports, payroll and disbursement records, and programs for storing and retrieving data. We may conduct the audits during regular business hours during the policy period and within three years after the policy period ends. Information developed by audit will be used to determine final premium. Insurance rate service organizations have the same rights we have under this provision.

(Ed. 1-15)

PART SIX—CONDITIONS**A. Inspection**

We have the right, but are not obliged to inspect your workplaces at any time. Our inspections are not safety inspections. They relate only to the insurability of the workplaces and the premiums to be charged. We may give you reports on the conditions we find. We may also recommend changes. While they may help reduce losses, we do not undertake to perform the duty of any person to provide for the health or safety of your employees or the public. We do not warrant that your workplaces are safe or healthful or that they comply with laws, regulations, codes or standards. Insurance rate service organizations have the same rights we have under this provision.

B. Long Term Policy

If the policy period is longer than one year and sixteen days, all provisions of this policy will apply as though a new policy were issued on each annual anniversary that this policy is in force.

C. Transfer of Your Rights and Duties

Your rights or duties under this policy may not be transferred without our written consent.

If you die and we receive notice within thirty days after your death, we will cover your legal representative as insured.

D. Cancellation

1. You may cancel this policy. You must mail or deliver advance written notice to us stating when the cancellation is to take effect.
2. We may cancel this policy. We must mail or deliver to you not less than ten days advance written notice stating when the cancellation is to take effect. Mailing that notice to you at your mailing address shown in Item 1 of the Information Page will be sufficient to prove notice.
3. The policy period will end on the day and hour stated in the cancellation notice.
4. Any of these provisions that conflict with a law that controls the cancellation of the insurance in this policy is changed by this statement to comply with the law.

E. Sole Representative

The insured first named in Item 1 of the Information Page will act on behalf of all insureds to change this policy, receive return premium, and give or receive notice of cancellation.

Workers Compensation and Employers Liability Insurance Policy

WC 00 04 24

AUDIT NONCOMPLIANCE CHARGE ENDORSEMENT

Part Five – Premium, Section G. (Audit) of the Workers Compensation and Employers Liability Insurance Policy is revised by adding the following:

If you do not allow us to examine and audit all of your records that relate to this policy, and/or do not provide audit information as requested, we may apply an Audit Noncompliance Charge. The method for determining the Audit Noncompliance Charge by state, where applicable, is shown in the Schedule below.

If you allow us to examine and audit all of your records after we have applied an Audit Noncompliance Charge, we will revise your premium in accordance with our manuals and Part 5 – Premium, E. (Final Premium) of this policy.

Failure to cooperate with this policy provision may result in the cancellation of your insurance coverage as specified under the policy.

Schedule

<u>State(s)</u>	<u>Basis of Audit Noncompliance Charge</u>	<u>Maximum Audit Noncompliance Charge Multiplier</u>
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Note 1: For coverage under state-approved workers compensation assigned risk plans, failure to cooperate with this policy provision may affect your eligibility for coverage.

Note 2: The Audit Noncompliance Charge Endorsement must be attached to the policy at inception of the policy term being audited.

Workers Compensation and Employers Liability Insurance Policy

WC 00 04 24

AUDIT NONCOMPLIANCE CHARGE ENDORSEMENT

Part Five – Premium, Section G. (Audit) of the Workers Compensation and Employers Liability Insurance Policy is revised by adding the following:

If you do not allow us to examine and audit all of your records that relate to this policy, and/or do not provide audit information as requested, we may apply an Audit Noncompliance Charge. The method for determining the Audit Noncompliance Charge by state, where applicable, is shown in the Schedule below.

If you allow us to examine and audit all of your records after we have applied an Audit Noncompliance Charge, we will revise your premium in accordance with our manuals and Part 5 – Premium, E. (Final Premium) of this policy.

Failure to cooperate with this policy provision may result in the cancellation of your insurance coverage as specified under the policy.

Schedule

State(s)	Basis of Audit Noncompliance Charge	Maximum Audit Noncompliance Charge Multiplier
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Note 1: For coverage under state-approved workers compensation assigned risk plans, failure to cooperate with this policy provision may affect your eligibility for coverage.

Note 2: The Audit Noncompliance Charge Endorsement must be attached to the policy at inception of the policy term being audited.

DELAWARE STATISTICAL PLAN MANUAL
Proposed Effective January 1, 2017

SECTION II - REPORTING REQUIREMENTS

Item **A.** remains unchanged.

B. Exposure Information

Item Numbers **1 through 8** remain unchanged.

9. Miscellaneous Statistical Codes

Items **a. through d.** remain unchanged.

e. Audit Noncompliance Charge (ANC) – Code 9757

For policies where the carrier has chosen to apply an audit noncompliance charge because the employer would not allow the carrier to examine and audit its records.

The premium for Code 9757 is a flat charge applied after the Employer Assessment (Code 0938).

Note: When the Exposure on the 1st report includes Code 9757, report the Estimated Audit Code as “U” in the applicable Policy Conditions, Estimated Audit Code field.

If subsequent to reporting Statistical Code 9757, and the final policy premium is determined in accordance with the Basic Manual rules, the statistical code and its accompanying charge must be removed. Additionally, the Estimated Audit Code must be changed to “N” and the exposure and premium must reflect the final audit.

Item Number **10** remains unchanged.

Items **C. through D.** remain unchanged.

SECTION IV - CODES

A. Codes Common to Premium and Losses

Item Numbers **1 through 5** remain unchanged.

6. Policy Conditions

Items **a. through c.** remain unchanged.

d. Estimated Audit Code

“Y”= Exposures expressed on the unit report are estimated.

“N”= Exposures expressed on the unit report are the result of an audit.

“U”= Insured has refused or not responded to requests to provide carrier with access to books and records. Audit has been closed as uncooperative. Exposures expressed on unit report are estimated.

Note: When the Exposure on the 1st report includes Code 9757, report the Estimated Audit Code as “U” in the applicable Policy Conditions, Estimated Audit Code field.

If subsequent to reporting Statistical Code 9757, and the final policy premium is determined in accordance with the Basic Manual rules, the statistical code and its accompanying charge must be removed. Additionally, the Estimated Audit Code must be changed to “N” and the exposure and premium must reflect the final audit.

DELAWARE STATISTICAL PLAN MANUAL
Proposed Effective January 1, 2017

Items **e. through g.** remain unchanged.

B. Exposure Information Codes

Item Numbers **1 through 2** remain unchanged.

3. Premium Codes

Items **a. through b.** remain unchanged.

c. Premium Not Subject to Experience Modification and Not to be Included in Standard Premium (Reported on lines "H", "I" or "J")

(1) Premium Discount	Code 0063
(2) Expense Constant	Code 0064
(3) Waiver of Subrogation – Flat Charge	Code 0900
(4) Terrorism	Code 9115
(5) Catastrophe (other than Certified Acts of Terrorism)	Code 9740
(6) <u>Audit Noncompliance Charge</u>	<u>Code 9741</u>
	<u>Code 9757</u>

Items **C. through D.** remain unchanged.

SECTION X – PREMIUM ALGORITHM

Updated Premium Algorithm attached.

Line item **(72)** is added for Audit Noncompliance Charge.

DELAWARE STATISTICAL PLAN MANUAL
Proposed Effective January 1, 2017

SECTION II - REPORTING REQUIREMENTS

Item **A.** remains unchanged.

B. Exposure Information

Item Numbers **1 through 8** remain unchanged.

9. Miscellaneous Statistical Codes

Items **a. through d.** remain unchanged.

e. Audit Noncompliance Charge (ANC) – **Code 9757**

For policies where the carrier has chosen to apply an audit noncompliance charge because the employer would not allow the carrier to examine and audit its records.

The premium for Code 9757 is a flat charge applied after the Employer Assessment (Code 0938).

Note: When the Exposure on the 1st report includes Code 9757, report the Estimated Audit Code as “U” in the applicable Policy Conditions, Estimated Audit Code field.

If subsequent to reporting Statistical Code 9757, and the final policy premium is determined in accordance with the Basic Manual rules, the statistical code and its accompanying charge must be removed. Additionally, the Estimated Audit Code must be changed to “N” and the exposure and premium must reflect the final audit.

Item Number **10** remains unchanged.

Items **C. through D.** remain unchanged.

SECTION IV - CODES

A. Codes Common to Premium and Losses

Item Numbers **1 through 5** remain unchanged.

6. Policy Conditions

Items **a. through c.** remain unchanged.

d. Estimated Audit Code

“Y”= Exposures expressed on the unit report are estimated.

“N”= Exposures expressed on the unit report are the result of an audit.

“U”= Insured has refused or not responded to requests to provide carrier with access to books and records. Audit has been closed as uncooperative. Exposures expressed on unit report are estimated.

Note: When the Exposure on the 1st report includes Code 9757, report the Estimated Audit Code as “U” in the applicable Policy Conditions, Estimated Audit Code field.

If subsequent to reporting Statistical Code 9757, and the final policy premium is determined in accordance with the Basic Manual rules, the statistical code and its accompanying charge must be removed. Additionally, the Estimated Audit Code must be changed to “N” and the exposure and premium must reflect the final audit.

DELAWARE STATISTICAL PLAN MANUAL
Proposed Effective January 1, 2017

Items **e. through g.** remain unchanged.

B. Exposure Information Codes

Item Numbers **1 through 2** remain unchanged.

3. Premium Codes

Items **a. through b.** remain unchanged.

c. Premium Not Subject to Experience Modification and Not to be Included in Standard Premium
(Reported on lines "H", "I" or "J")

(1) Premium Discount	Code 0063
(2) Expense Constant	Code 0064
(3) Waiver of Subrogation – Flat Charge	Code 0900
(4) Terrorism	Code 9115
(5) Catastrophe (other than Certified Acts of Terrorism)	Code 9740
(6) Audit Noncompliance Charge	Code 9741
	Code 9757

Items **C. through D.** remain unchanged.

SECTION X – PREMIUM ALGORITHM

Updated Premium Algorithm attached.

Line item **(72)** is added for Audit Noncompliance Charge.

DELAWARE

WORKERS COMPENSATION INSURANCE PLAN

HANDBOOK

EFFECTIVE
January 1, 20~~17~~¹⁹



Delaware Compensation Rating Bureau, Inc.
United Plaza Building – Suite 1500
30 South 17th Street
Philadelphia, Pa 19103-4007

302-654-1435
Fax-215-564-4328
www.dcrb.com

PURPOSE OF HANDBOOK

This handbook will assist you in understanding the Delaware Insurance Plan (DIP) or “Plan.” It explains what the Plan is and how it works. The Plan has been filed with the Delaware Insurance Department as the method of providing Workers’ Compensation Insurance to an employer who is unable to obtain such coverage in the voluntary market. The Department of Insurance exercises general regulatory authority over the Plan but has designated the Delaware Compensation Rating Bureau, Inc. (DCRB) to administer the actual operation of the Plan under the jurisdiction of the President of the Delaware Compensation Rating Bureau, Inc.

HOW TO USE THIS HANDBOOK

This handbook has six sections:

Section I: Plan Purpose and Overview of Rules and Procedures

Section II: Eligibility Requirements

- Completing the Application

Section III: Renewal, Cancellation and Reinstatement Procedures

Section IV: General Information

Section V: Duties and Responsibilities

Section VI: ~~Appendix~~

- ~~Forms~~

SECTION 1 – PLAN PURPOSE AND OVERVIEW OF RULES AND PROCEDURES

Purpose of Plan

All insurers licensed to write workers' compensation insurance in Delaware must participate in the Pool. The Delaware Insurance Plan allows participation by choosing one of two options. The options are direct assignments or subscriptions to the Articles of Agreement of the National Workers Compensation Reinsurance Pool. There is often confusion between the terms "Pool" and "Plan," and the two terms are often used as though they were of one organization. All servicing carriers in Delaware are members of the National Pool. The National Pool is a voluntary association of insurance companies. These companies "pool" or "lump together" the premiums and losses of all employers who are assigned to these members companies. These premium and loss results are then allocated to all members of the National Pool by state, in amounts proportional to their total workers' compensation premiums in each state.

The National Pool operates in over 30 states in much the same way it operates in Delaware. The National Pool is recognized by the Assigned Risk Plans of various states. The National Council on Compensation Insurance, located in Boca Raton, Florida, administers the National Pool.

~~Delaware Insurance Plan (DIP)~~

~~A premium surcharge will apply to all risks insured under the Plan which qualify for experience rating and produce experience modifications in excess of 1.000. The is factor is published on the experience rating worksheet and is identified under Statistical Code 0277, Assigned Risk Surcharge. Producer fees and servicing carrier allowance is paid on DIP premium.~~

Operation of the Plan

~~The procedures that follow are given in detail in Section II of this Handbook.~~ The Plan operates in this way. The Delaware Compensation Rating Bureau, Inc. (DCRB) has been delegated by the Delaware Insurance Commissioner to serve as the administrator of the Delaware Insurance Plan (DIP). DIP provides the means for an employer to satisfy the requirements of Delaware Workers' Compensation Law when the employer is unable to purchase such insurance through the voluntary market.

~~An employer requiring~~ needing workers' compensation coverage, with or without the help of an agent, ~~must~~ should complete an application and submit ~~it to the DCRB~~ along with the appropriate deposit premium to the DCRB. The application and other forms are available on the DCRB website, www.dcrb.com, under the Delaware Insurance Plan, ~~or they can be obtained through the mail by contacting the DCRB's office.~~ Only Delaware Insurance Plan applications will be accepted.

Coverage may be bound under the Delaware Workers' Compensation Insurance Plan consistent with Plan rules, 12:01 A.M. on the first day following postmark or hand ~~delivery~~ delivered receipt of the completed application, or on such later date as may be requested including applications hand delivered to the DCRB office. Backdating of coverage is not permitted in the Plan. Only the Plan can bind coverage. No producer or agent has binding authority.

All risks to which this Plan applies shall be written utilizing the classifications, forms, rates, and rating plans established by the DCRB; provided, however, as to any risk with annual estimated standard premium of at least \$100,000, the DCRB may require the utilization of a retrospective rating plan. Unless the applicant, its servicing carrier, and the DCRB agree to the utilization of another retrospective rating option on file with the appropriate regulatory authority, Retrospective

Rating Option V, as filed with the appropriate regulatory authority, subject to a maximum retrospective premium not greater than 150 percent of the audited annual standard premium, shall be required. If required by the DCRB, Retrospective Rating Option V shall be mandatory, notwithstanding any rule or endorsement indicating that Retrospective Rating Option V is an optional rating plan.

Delaware Insurance Plan (DIP) Surcharge

A premium surcharge will apply to all risks insured under the Plan which qualify for experience rating and produce experience modifications in excess of 1.000. The DIP surcharge factor is shown on the experience rating worksheet of the employer under Statistical Code 0277, DIP Surcharge. Producer fees and servicing carrier allowance is paid on DIP premium.

SECTION II – ELIGIBILITY REQUIREMENTS

An employer is eligible for coverage in the Plan if the employer is not indebted to the Pool or any other insurance carrier, has no current voluntary coverage in force, and has been declined by two licensed Delaware insurance companies.

Good faith will be presumed in the absence of compelling evidence to the contrary. The employer must be unable to secure any reasonable offer of insurance on a voluntary basis from an insurance company. (Note: If the employer received and rejected an offer of voluntary coverage, the DCRB will consider all information, including the terms of the voluntary offer, when determining an employer's eligibility.) An employer is not in good faith entitled to insurance if any of the following circumstances exist at the time of application or thereafter:

- If at the time of application, a self-insured employer is aware of pending bankruptcy proceedings, insolvency, cessation of operations, or conditions that would ~~probably~~ likely result in occupational disease or cumulative injury claims from exposures incurred while the employer was self-insured.
- The employer or an entity with a common management interest has an outstanding obligation- for workers compensation premium to a previous insurance carrier.
- The employer, while insurance is in force, knowingly refuses to meet or comply with reasonable health and safety requirements.
- Coverage may be refused or cancelled if the employer or ~~his/her~~ representative of the employer knowingly makes a material misrepresentation on the application by omission, or otherwise, including any of the following: misrepresenting estimated payrolls, nature of business, name or ownership of business, including related entities, previous insurance history or outstanding premium obligation.
- The employer has an incomplete audit or inspection on a prior workers' compensation policy due to the employer's failure to cooperate with the insurer.
- If a previously assigned carrier has applied an Audit Noncompliance Charge (ANC), the employer is considered non-compliant with the audit and will remain ineligible for assigned risk coverage until the employer allows the audit to be performed and/or provides the required records. This applies even if the employer has paid the ANC.

Binding of Coverage

In all instances, the DCRB is limited in its binding authority as follows:

The DCRB can only bind coverage if an agency check or an Automated Clearing House (ACH) deposit for the correct proper deposit premium is received with the application. Only certified checks of the employer or an agency check are accepted for deposit. No exceptions

The DCRB cannot bind coverage if the declination requirements are not met or if the employer has received an offer of voluntary coverage.

The DCRB cannot bind coverage for an employer who is in default of premium or who has an outstanding audit due on a prior Delaware workers' compensation policy. If, subsequent to policy issuance, the insured does not meet all workers compensation insurance premium obligations under a previous policy or under a present policy, the insured's present carrier retains the right to cancel a policy currently in force under this Plan.

The DCRB cannot bind coverage if the employer already has a Delaware workers' compensation policy in effectplace.

In no event shall coverage be bound earlier than 12:01 A.M. on the first day following the postmark time and date on the envelope in which the application is mailed (including the estimated annual or deposit premium) or the expiration of existing coverage, whichever is later. If there is no postmark, coverage will be effective 12:01 A.M. of the date of on the first day following receipt by the DCRB, unless a later date is requested. Those applications hand delivered to the DCRB will be effective as of 12:01 A.M. the date on the first day following receipt by the DCRB, provided all necessary information required to complete the application is included.

Applications submitted through the Delaware Insurance Plan Web Application will be bound twenty-four hours (24) following receipt of the application and the deposit premium. If the deposit premium is not through an ACH, coverage will be bound twenty-four hours after receipt of the deposit premium check.

Delayed Processing and Rejection of Application

To avoid a lapse in coverage, it is very important to fill in the application completely and accurately. Whether the employer or agent has completed the application, if the application has not been properly completed or there are omissions of necessary information, the assignment of coverage may be delayed. Listed below are some of the common reasons for delay in processing an application.

- Insufficient deposit premium
- Personal check of applicant
- Omission of carrier declinations
- No description of operations/business
- Coverage already in force
- Executive Officer(s) exclusion not included
- Plan application not signed *
- Deposit premium not remitted with application *
- FEIN or Social Security Number omitted
- Delaware location omitted

- Outstanding premium owed*
- Failure to comply with audit on prior policy

* Application will be returned

If the application is incomplete, the agent will be notified; if no agent, the employer. Requested information to complete the application process or forms must be provided within ten calendar days to retain the original receipt date. If information is not received within ten calendar days, coverage will be bound as of 12:01 a.m. on the first day following receipt of the required information.

If an application is returned due to insufficient information or deposit premium, the application and deposit premium will be returned to the applicant (or agent if applicable).

If an application does not meet the eligibility requirements, the application will be rejected and returned to the agent (to the employer if there is no agent) with no coverage provided.

If coverage is bound pursuant to the above, the DCRB shall issue a 30-day binder with copies provided to the agent, employer insured, and the servicing or direct carrier to which the DCRB assigned coverage for the employerrisk.

The policy shall be issued for a term of at least one year, unless insurance for a shorter policy term has been requested.

Completing the Application

~~Application for insurance must be filed in duplicate with the DCRB.~~ The employer is not required to complete an application each year. However, if a change in carrier is requested, the employer must ~~make the~~ request a change in servicing or direct carrier in accordance with plan rules by submitting a new application to the plan administrator at least 60 days in advance of the policy expiration, accompanied by acceptable reasons for the request.

An employer found to have previously been assigned through the Plan ~~had residual market coverage~~, in the absence of a valid reassignment request, will be assigned to the servicing or direct carrier that most recently insured the risk in the DIP.

Supplemental Application – Trucking

To obtain ~~an Assigned Risk Pool~~ a Delaware Insurance Plan policy for a new business employer whose operations fall within the scope of trucking, in addition to the Plan application a completed Supplemental Application must be completed attached to provide information about the employer's eligibility for assignment in the DIP. Failure to complete ~~and attach~~ the supplemental application may result in processing delays of the DIP application.

Item 1 – General Information

1. Enter the **Effective Date** coverage is requested. The date entered is not a guarantee of coverage. If the employer has insurance in effect, the effective date should be the expiration date of the expiring present policy. In no event will coverage be made earlier than 12:01 A.M. on the first day following receipt of the application and required deposit premium. ~~check by the DCRB.~~
2. Enter the complete legal **Name of Employer**. Show names of all partners if business status is a partnership.

3. Enter the **Federal Employers Identification Number** of the employer. Applicants that do not have a FEIN must submit their social security numbers.
4. Enter the complete **Mailing Address**, include post office box, if any. ~~All Notice of Assignment, policies, bills, cancellations and~~ correspondence will be sent to the mailing address. Telephone number of employer is required.
5. Enter **Principal** location of employer for the State of Delaware. ~~A physical s~~Street address is required.
6. Enter **Other Delaware Locations** where the employer operates in the state. ~~A physical s~~Street address is required.
7. Enter the **Payroll Office Address** where the employer's payroll records are kept.
8. Enter the appropriate **Legal Status** of risk, i.e., individual, corporation, partnership, limited liability company (LLC) or joint venture. The legal status of a husband and wife will be treated as a partnership when both names are shown on the application.
9. Has there been a **Name Change** during the past three years?
10. List ~~whether there are~~ operations in **Other States** besides Delaware. If ~~coverage~~operations in ~~a state(s) other than Delaware is~~ other states are needed, contact the DCRB. ~~for assistance.~~

Item II – Insurance Record

1. ~~Provide~~Indicate the names of insurance company(s) that provided coverage for the past three years. If a new business, indicate "NEW BUSINESS."
2. Enter the appropriate answers to the several questions as they pertain.
3. The employer must answer Question 3. If an employer is in default of premium at the time of application, the employer is not eligible for coverage in the ~~DI~~Pool. If the outstanding premium is in dispute, the employer must present documentation with the application to substantiate the dispute. All information submitted will be considered in determining if the employer is eligible for ~~DI~~Pool coverage.

Item III – Insurance Companies Who Have Refused Coverage

~~Provide~~List the name of two licensed insurance companies who have refused coverage. List the full time salaried employees with whom you have talked, along with their telephone numbers. The current voluntary insurance carrier must be one of the carriers refusing to offer coverage. An employer may not refuse a reasonable offer of voluntary coverage. If the employer has received and rejected an offer of voluntary coverage, the DCRB will consider all available information submitted to determine whether the employer is eligible for Pool coverage. DCRB staff at its discretion may verify the declination of coverage with the insurance carriers listed in Item III.

Item IV – Corporate Officers ~~a~~And Limited Liability Members (LLC)

List the name, title, duties and approximate annual salary of all executive officers or LLC members. The payroll of all corporate officers or members covered by the policy shall be included for premium calculation, subject to the minimum and maximum individual weekly payroll limitations approved in

Delaware. To non-elect coverage under a ~~Pool~~ DIP policy, the corporate officer(s) or members must complete, sign and attach Agreement by Executive Officer(s)/LLC Members Not to be subject to the Delaware Workers Compensation Law form with application. Failure to include Agreement with the DIP application could result in premium being charged for executive officer(s) or LLC members.

Item V – Sole Proprietors ~~a~~ And Partners

Sole proprietors and partners may elect coverage under the Delaware Worker's Compensation Law by completing, signing and submitting with the Plan application, WC 00 03 10, Sole Proprietors, Partners and Others Inclusion, for each individual person electing coverage.

Item VI – Nature ~~Of~~ of Business, Location, Classification ~~And~~ and Payroll ~~In~~ in Delaware

Description of Operations

Explain the nature of business and completely describe the operations for all locations. ~~If additional space is needed, attach a separate sheet to the application. The object of the classification system is to assign one basic classification that best describes the employer's field of business. The DCRB reserves the right to question the classification on any submitted application and make changes to the classification and premium if necessary. If the employer already has an established approved classification(s), the application must use the authorized classification(s). Authorized classes may be verified for an existing employer through the Application Login on the DCRB website at www.dcrb.com.~~

Classification, Payroll and Premium Calculation

Classification codes and wording may be taken from an existing policy of insurance. Refer to the Delaware Basic Manual, Section 2, for classification description or contact the DCRB Classification Department for assistance. Classifications are subject to review by DCRB staff. The number of employees by location and classification must be shown.

Realistic estimates of expected payrolls are required. If the payrolls shown on the application are lower than those reflected in the most recent audit, an explanation from the employer to justify the lower payroll amounts may be required.

Note: DCRB staff may require verification of payroll information. When required, Form 941 (Employer's Quarterly Federal Tax Return) must be submitted to the designated carrier to determine whether a preliminary audit is appropriate.

The Assigned Risk Rate for each classification can be obtained from the DCRB website, www.dcrb.com, under Rating Values or from DCRB staff.

The standard limits for Part Two - Employers Liability which are provided at no additional costs are:

\$100,000 per Accident - each Accident
\$100,000 per Disease - each Employee
\$500,000 per Disease - each Policy

Increased Limits are available in the Pool. To obtain the Increased Limits Factor, refer to the Delaware Basic Manual, Section 1.

Additional factors affecting premium are:

- Experience Modification *
- Merit Rating Adjustment *
- Workplace Safety Credit *
- Construction Classification Premium Adjustment Program *
- Expense Constant
- Delaware Insurance Plan Surcharge *
- Premium Discount
- Terrorism
- Catastrophe (other than Certified Acts of Terrorism)
- Deductible Credit

*Employer information (i.e., authorized classification(s), experience modification, merit rating, DIP surcharge) may be obtained for the individual employer from the DCRB website [through the Application Login](#) under [Rating and Underwriting Reference](#). (User name and password are needed to log into this area.)

To calculate the Terrorism premium, divide the total amount of payroll (applicable to all classifications, except per capita classes) by 100 and multiply the result by the Terrorism residual rate.

To calculate the Catastrophe (other than Certified Acts of Terrorism) premium, divide the total amount of payroll (applicable to all classifications, except per capita classes) by 100 and multiply the result by the Catastrophe residual rate.

Using the appropriate Delaware residual rate by classification, calculate the estimated annual premium, applying if applicable the aforementioned factors. Estimated premium can be calculated by using the approved [Algorithm](#). Using the approved Algorithm does not limit DCRB staff from adjusting the premium upon examination.

Item VII – Deposit Premium

The deposit premium must be for the correct amount and submitted at the time of application. The applicant may select during the application process, depending on premium size, to have either one annual payment or an installment plan. Failure to submit the correct premium will delay or even void the application process. The DCRB cannot ensure the effective date of coverage when the correct deposit premium is not remitted at the time of application.

The designated carrier has the right to make changes in the deposit premium or to conduct interim audits to ensure the adequacy of the estimated annual premium.

Acceptable forms of payment are:

- Employers Certified check
- Producer/Agency check
- [Bank draft](#)
- Money order
- [Premium Finance check](#)
- [Automated Clearing House](#)
- [Wire Transfer](#)
- [Direct bank teller deposit to DCRB account*](#)
-

Bank The checks must be made payable to the **Delaware Compensation Rating Bureau, Inc.** DCRB staff will endorse the check over to the designated servicing/direct carrier receiving the assignment. -The employer will may make subsequent payments directly to the assigned servicing carrier. There will be no coverage in place if there are not sufficient funds to cover the deposit premium check when it is deposited by the designated carrier.

*Direct bank teller deposit requires that a copy of the deposit slip with the applicants name be faxed or emailed to the DCRB for verification of deposit.

Premium Payment

1. Annual Premium Adjustment

Policies having an estimated annual premium of less than \$1,000 are not eligible for interim adjustments.

2. Interim Premium Adjustment

Policies that provide for adjustment of premium on an interim basis are subject to the following deposit premium requirements:

\$1,001 - \$4,999	at least 75% of the Estimated Annual Premium
\$5,000 - \$24,999	at least 50% of the Estimated Annual Premium
\$25,000 or more	at least 25% of the Estimated Annual Premium

3. Minimum Deposit Premium

The deposit premium cannot be less than the applicable minimum premium, if the minimum premium is \$1,000 or less.

Financed Premiums – Explanation

The employer may elect to finance the deposit or estimated annual premium. When this is done, there are several concerns for the agent. First, the finance company will require the employer to sign a finance agreement. This agreement will often require the employer to sign over to the finance company two important rights.

1. The right to cancel the policy should the employer fail to meet a payment as required in the agreement.
2. The right of the finance company to receive returned premiums whether the policy is cancelled or not.

If the premium is being financed, a copy of the legal finance agreement, signed by the employer, must be forwarded to the plan administrator with the application to be submitted to the servicing carrier. If it is not available at the time of application, then the employer or agent must forward the agreement to the plan administrator as soon as it is available. This should be the “official” legal agreement signed by the employer and containing the full terms of the agreement. Without having such an agreement the servicing carrier cannot acknowledge the finance companies rights.

A finance company may request that a cancellation take effect on a certain date. The servicing carrier, because of legal cancellation notice requirements of the DCRB, must make this cancellation effective on a later date.

In other instances, the finance company may request cancellation and shortly thereafter, upon receiving the employer's payment, request reinstatement of the policy. There is no obligation on the part of the servicing carrier to reinstate the policy, and it may elect not to do so, particularly if a legal cancellation filing has been made with the DCRB.

The agent may advance premium payments on behalf of the employer. In these cases, without a valid finance agreement, the servicing carrier must consider the policy to be a contract between itself and the employer. Premiums received from the employer or from the agent on behalf of the employer are all considered as payments made directly by the employer and posted to the employer's account. Return premiums are made payable to the employer, not the agent. This can be a problem for the agent, particularly where the agent has advanced all or a portion of the premium and later the policy is cancelled for non-payment of premium or the deposit premium given to the agent by the employer defaults for insufficient funds.

Agents should be alert to these potential problems when premiums are financed or where premiums are advanced by the agent.

Item VIII – Applicants Statement

After reading the statement, the applications must be signed with the employer's name, title and signature of the individual certifying and acknowledging the applications. The application must be signed by the owner, officer or LLC member of the company. By signing this application, the employer certifies that all information in the application is true.

Item IX – Agent ~~Or~~ Producer

If an agency's services are used, the agent or producer must complete the application by entering their name, address and telephone number and Federal Employers Identification and Delaware Agent's License Number. The agent or producer must also date the application at signing.

The agent or producer is not a contract agent or agency of the designated carrier and has no authority to bind or cancel Pool coverage or to issue Certificates of insurance. All premium transactions are strictly between the designated carrier and the employer. The agent or producer is not a third party to the policy contract. If you have any questions about your authority, contact the DCRB or servicing carrier.

By signing the application, the agent or producer is certifying that all information provided is true to the best of his/her knowledge and belief and that he/she has made a good faith effort to place the coverage in the voluntary market.

Commission fees are payable to the designated agent or producer upon payment of all premium due under the policy. The fee shall be based on the state standard premium and paid at the rate on file with the Delaware Department of Insurance.

PRODUCER FEE SCHEDULE (Commission Schedule)

Graduated A Scale

First	\$ 1,000	8%
Next	\$ 4,000	5%
Next	\$ 95,000	3%
Over	\$100,000	2%

SECTION III – RENEWAL, CANCELLATION AND REINSTATEMENT PROCEDURES

Renewal Procedure

An employer remains assigned to a servicing carrier until a policy is cancelled or non-renewed. At least 60 days prior to the expiration date of the policy, the servicing carrier sends a renewal proposal or notice to the employer and agent. This proposal includes a request for a new deposit premium which has been calculated by the servicing carrier. This deposit must be received by the servicing carrier before the policy expires to avoid a lapse in or cancellation of coverage.

If renewal premium is received or U.S.-postmarked within 60 days following the expiration of the prior policy, the renewal policy will be issued with a lapse.

If the premium has not been received or U.S.-postmarked within the above 60-day period, the employer will be informed that a new application is required.

If a servicing carrier is unwilling to renew the employer's policy, it must notify the employer, agent and DCRB at least 60 days before the policy expires, giving the reasons for the non-renewal.

If a risk is dissatisfied with its Plan carrier, an employer may request reassignment to a different servicing carrier by notifying the servicing carrier and DCRB at least 60 days prior to the policy expiration. The DCRB requires the reason for reassignment request.

There is no choice of a new servicing carrier by the agent or the employer. Carrier selection is made in an equitable manner based on employer's needs and available quota capacity.

Cancellation Procedure

Cancellation by Insured

The employer may request cancellation at any time, once coverage is no longer needed. The servicing carrier must obtain advance written notice from the insured stating when the cancellation is to take effect. Normal reasons for requesting a cancellation are a) out of business; b) no longer has employees requiring coverage; 3) coverage placed on voluntary market; 4) business sold.

Cancellation by Producer of Record

The producer of record may request cancellation for failure of the Insured to pay money due the producer only if permitted by a legal finance agreement in which the employer gives the producer of record power of attorney.

Cancellation by Finance Company

A finance company may request cancellation for failure of the insured to pay installments money only after the employer has executed a legal finance agreement giving two rights to the finance

company:

1. The right to cancel the policy should the employer fail to meet a payment as required in the agreement.
2. The right of the finance company to receive returns premiums whether the policy is canceled or not.

The servicing carrier must receive a valid copy of the actual finance agreement signed by the insured. Without a valid copy in their records, the servicing carrier cannot comply with the finance company's request. Cancellation of the policy may be effective on a date later than is requested by the finance company in order to comply with legal cancellation notice requirements.

Cancellation by Servicing Carrier

Cancellation Requiring Approval - The servicing carrier may request permission from the plan administrator to cancel the policy for any of the following reasons:

- The employer is not in Good Faith, entitled to insurance.
- The employer has failed to comply with reasonable safety requirements.
- The employer has violated any policy term or condition.
- Any other good and substantial documented reasons subject to review and discretion of the plan administrator.

The servicing carrier shall provide the reasons for the cancellation request. Appropriate advance notification must be sent to the DCRB in the state where cancellation is to be effected.

Cancellation Not Requiring Approval - Prior approval is not needed to cancel the policy for non-payment of premium under the current or any previous WC policy.

Cancellation Notice

In all cases of cancellation by the servicing carrier, the cancellation notice must be sent to and received by the employer in accordance with Delaware's ~~the applicable state~~ advance notification requirements. Notification of cancellation must be sent to the plan administrator and the producer-of-record.

Late Installment/Interim Audit Payment

The servicing carrier will accept an insured's bank check for an interim audit or installment payment which is U.S.-postmarked prior to the date of cancellation for non-payment of the premium and will continue coverage.

If a bank check is received for a late interim audit or installment payment which is postmarked after the date of cancellation, refer to the following for appropriate reinstatement procedures.

Reinstatement of the Policy Cancellation

The servicing carrier shall reinstate insurance without a lapse in coverage if the item correcting the default is received prior to the effective date of policy cancellation or the envelope containing the item correcting the default is U.S.-postmarked prior to the effective date of policy cancellation.

The servicing carrier shall reinstate insurance with a lapse in coverage one time only during the original policy period, if an item correcting a default which resulted in cancellation is received on or

within 60 days after the effective date of policy cancellation and is not U.S.-postmarked prior to the effective date of policy cancellation.

The servicing carrier shall not reinstate coverage if an item correcting a default is received after 60 days from the effective date of policy cancellation and is not U.S.-postmarked prior to the effective date of policy cancellation or if the risk has already been permitted its one reinstatement. The servicing carrier shall inform the risk that, if it continues to require insurance under the plan, it will need to reapply to the Delaware Insurance Plan.

If a reinstatement notice is issued, any lapse of coverage must be clearly stated on the notice. The lapse shall be for the time period from and inclusive of the date of cancellation through the date of the U.S. postmark appearing on the envelope containing the item correcting the default or, if received by other means, consistent with the postmark binding rule.

SECTION IV – GENERAL INFORMATION

Voluntary Assumption of Coverage

Any licensed Delaware insurance carrier may assume coverage on a risk voluntarily at any time during the policy period or at the expiration of the policy. Approval from the plan administrator is not required. Cancellation of the current policy is made on a pro-rata basis when coverage is placed on the voluntary market.

Coverages in States Other Than Delaware

If coverage is needed in states other than Delaware, you must follow the procedure outlined below:

A servicing carrier who is a member of the National Pool may extend coverage in any other state serviced by the National Pool, provided the servicing carrier is also a servicing carrier for that state.

If it appears that the employer has need of coverage beyond Delaware, the DCRB will inform the servicing carrier, and it will be the employer's responsibility to secure coverage in those states. The carrier at its option may or may not furnish such insurance. The DCRB can only assign Delaware coverage.

SECTION V – DUTIES AND RESPONSIBILITIES UNDER THE PLAN

The Agent and Agency's Duties and Responsibilities

1. Assist the employer in meeting his obligation under the Delaware Workers' Compensation Law, preferably by securing coverage in the voluntary market. Failing to obtain such coverage, the agent should assist the employer in obtaining coverage under the Plan in a prompt and efficient manner. Even if coverage must be placed in the Plan, the agent has the continuing responsibility to try to place coverage in the voluntary market. The agent must explain to the employer the necessity for securing coverage under the Plan.
2. Assist the employer in thoroughly and accurately completing the application and any other documents that may be required.
3. Promptly report all changes in the employer's name, operations, exposures, locations, financial condition or other changes which may affect the policy or the services being provided.
4. See that adequate deposit and premiums are maintained and encourage the employer to realistically estimate payrolls.

5. Determine what coverage's the employer needs for both Delaware and out-of-state operations. Secure such coverages, as needed, from the servicing carrier or other pools or funds, if necessary.
6. Promptly forward all premium payments received from the employer to the servicing carrier to avoid cancellations and lapses in coverage. Encourage the employer to meet all premium payments and, if any, finance obligations in a timely manner.
7. Promptly refund any excess producer fees paid you by the servicing carrier when requested to do so.
8. Advise the employer in all matters relating to his/her workers' compensation insurance.

The Servicing Carrier's Duties and Responsibilities

1. Provide coverage to all employers who are assigned to the company and who, upon investigation, are entitled to coverage under the Plan.
2. Issue the necessary policy and provide underwriting, claims, loss control, auditing and other services in a prompt and efficient manner.
3. Work with and assist the agent, employer and DCRB on problems relating to coverage and service under the Plan.
4. Maintain adequate deposits and advance premium.
5. Refund promptly any excess premium determined by final audit.
6. Pay agent producer fees promptly when due.
7. Strictly comply with all terms and conditions of the policy contract.
8. Provide Certificates of Insurance to the employer upon request.

The Employer's Duties and Responsibilities

1. Before applying for coverage under the Plan, the employer must in good faith be entitled to workers' compensation insurance. An employer is not entitled to coverage if indebted to the Pool or has outstanding audit obligations to a prior insurer.
2. Comply with all provisions of the Plan, including accurately and fully completing the required application form and any supporting documents that may be required.
3. Keep the agent fully advised of changes in name or ownership, operations locations or exposures which may affect coverage, classifications, rates, premium estimates or other aspects of the coverage being provided by under the Plan.
4. Cooperate fully with the servicing carrier in implementing all reasonable safety recommendations. (Failure to do so may be valid reasons for cancellation under the Plan.)
5. Report all claims promptly and cooperate with the servicing carrier in the investigation and settlement of claims.
6. Strictly comply with all terms and conditions of the policy.

The DCRB's Duties and Responsibilities

1. **Immediately R**review all applications as received.
2. Make assignments promptly to servicing carriers on an equitable basis, keeping in mind the employers' coverage and servicing carrier's requirements **and** **determining** which servicing carrier can best meet these requirements.
3. Maintain the necessary files and records on each employer so that proper experience modifications and rates are used. Review policy contracts to determine adherence to rules, rates and modifications by the servicing carriers.
4. Respond promptly to complaints, questions and problems from agents, servicing carriers and employers.

Section VI: Appendix – Forms

Delaware Compensation Rating Bureau, Inc.



United Plaza Building • Suite 1500
 30 South 17th Street
 Philadelphia, PA 19103-4007
 (302) 654-1435 (215) 568-2371
 FAX (215) 564-4328
 www.dcrb.com

APPLICATION FOR WORKERS COMPENSATION ASSIGNED RISK PLAN

This application must be typed or printed and filed in duplicate.

Please answer all questions and requested information thoroughly. Omissions may result in delay of coverage. The undersigned employer hereby applies for workers compensation insurance in Delaware and expressly represents that such insurance is sought in good faith.

IMPORTANT: NO insurance is provided by this application. Coverage will be bound as of 12:01 A. M. the day following the Federal postmark time and date on the envelope in which the fully completed application is mailed (including the estimated annual or deposit premium), or the expiration of existing coverage, whichever is later. If there is no postmark, coverage will be effective 12:01 A.M. of the date of the receipt by the Bureau unless a later date is requested. Submission of an incomplete or incorrect application may delay the binding of coverage. Applications hand delivered to the Bureau will be effective as of 12:01 A.M. of the date following receipt by the Bureau unless a later date is requested.

I. GENERAL INFORMATION

Requested Effective 12:01 A.M.(Date) _____

1. Name of Employer _____

F.E.I.N. Required By Law

2. Federal Employers Identification Number _____

Social Security Number - -

3. Mailing Address _____

4. Principal Location Of Business (Required) _____

5. Other Delaware Locations _____

6. Payroll Office Address

7. Legal Status Sole Proprietor Partnership Corporation Other (explain):

8. Has there been a name change during the past three years: Yes No If yes, give previous name and date of change:

9. Are there operations in states other than Delaware? Yes No If yes, complete the following:
(If self-insured or uninsured, indicate under Insurance Carrier)

State	Location	Insurance Carrier

II. Insurance Record

1. Has there been previous workers compensation insurance coverage in Delaware? Yes No

If "No", complete New Business Self-Insured Other (explain):

If "Yes", Insurance Record - Three Previous Years:

State	Insurance Company	Policy Number	Policy Period		Premiums
			From	To	

2. Total audited payroll for each of the above policy periods:

Payroll	Policy Period	
	To	From

3. Do you owe any broker, agent, insurance company or state workers insurance fund unpaid premiums for workers compensation coverage? Yes No

If "Yes", coverage may be denied or canceled. Explain:

4. Is applicant a parent, affiliate or subsidiary, or under common ownership or management with any other entity subject to state workers compensation laws or other applicable federal law? Yes No

If "Yes", attach information identifying the entities involved and the workers compensation insurance or self insurance status.

III. Two Insurance Companies Who Have Refused Insurance

List below name of representative and telephone numbers of two companies who have refused coverage in the past sixty days. The representative named must be a full-time employee of the insurance company. Current carrier must be one of the carriers declining coverage. The DCRB may require verification of carrier's declination.

Insurance Company	Name of Representative	Telephone Number
Current Carrier:		

IV. Corporate Officer

List below name, title, duties, and approximate annual salary of all officers or Limited Liability Company members. Officer or member salaries are subject to a

minimum/maximum respectively. **Note:** Officers electing exclusion must complete and attach Agreement by Executive Officer(s)/LLC form.

Name	Title	Duties	Approx. Annual Salary

V. Delaware Law provides that sole proprietors or partners are not included under the Act but may elect coverage. Complete — Partners, Officers and other Coverage Endorsement (WC-00-03-10) — Complete, if applicable

Name	Title	Duties	Approx. Annual Salary

VI. Nature of Business, Location, Classifications and Payroll in Delaware

Manufacturing Mercantile Contractor Service Farm Other _____

Explain nature of business /completely describe all operations at this or any other location. Give description of products and list of raw materials (**Do not** use manual phraseology for description).

Calculation of Estimated Annual Premium

Total Payroll Basis

Manual Classification of:	Class Code	No. of Employees	Total Payroll	Rate	Premium
Employees By Location					
Increased Limits of Liability (if applicable)					
Officers covered: Payroll not included above					

Total Premium _____

Experience Modification (Code 9898) _____

Standard Premium _____

Merit Rating Adjustment (Code 988_) _____

Workplace Safety Credit (Code 9880) _____

Construction Prem. Credit (Code 9046) _____

Surcharge (DIP) (Code 0277)

Deductible Credit (Code 9663)

Less Premium Discount (Code 0063)

Plus Expense Constant (Code 0900)

* Codes 9740 & 9741 premium charge is calculated by dividing total payroll by \$100 and multiplying the result times the residual market rate for the code.

Terrorism (Code 9740) *

Catastrophe (Code 9741) *

Total Estimated Annual Premium

Percentage of Annual Estimated Premium used to determine Deposit Premium

(Enclose Agent's or Employer's Certified Check in this Amount) Deposit Premium

VII. DEPOSIT PREMIUM

Procedures to follow in determining the proper deposit premium are printed below. Failure to follow the deposit premium rule correctly may delay the effective date of coverage. Based on the deposit premium rule, the following method of premium payment has been determined:

Annual 100% Semi-annual 75% Quarterly 50% Monthly 25%

Deposit premium is determined by taking a percentage of the annual premium. The percentage varies with the amount of the estimated annual premium. The "deposit premium" table is followed by the servicing carrier. Here is how it works:

Table with 4 columns: Estimated Annual Premium, Interim Adjustment Basis, Minimum Deposit Percentage, and Additional Payments During Year. Rows include premium levels from Under \$1,000 to At least \$25,000.

An employer may pay the estimated annual premium as a deposit or may select any adjustment basis available. The servicing carrier, based on sound underwriting practices, has the right to make appropriate changes in the interim adjustment program which the employer has selected.

Deposit Premium Payment

Enclose agents or employer's certified check. Coverage will not be bound without payment of deposit premium. Enclosed is Check No. made payable to the Delaware Compensation Rating Bureau, Inc. in the amount of \$.

VIII. Applicant's Statement

The undersigned employer hereby certifies that he has read and understands, the statements in this application. Furthermore, in consideration of the issuance of the policy of insurance he also certifies that the statements in this application are true and agrees:

- 1. To maintain a complete record of all payroll transactions in such form as the insurance company may reasonably require and that such record will be available to the company at the designated address.
2. To comply substantially with all laws, order, rules and regulations in force and effect made by the public authorities relating to the welfare, health and safety of employees.
3. To comply with all reasonable recommendations made by the insurance company relating to the welfare, health and safety of employees.

The undersigned employer also certifies he has had no difficulties with any broker, agent, insurance company or state workers insurance fund in regard to: (a) payroll records; (b) the amount of premium charges; (c) the payment of premium; (d) the carrying out of any recommendation made for the purpose of safeguarding its employees; (e) the handling of any claim or accident report except the following:

This insurance is being afforded through the Delaware Workers Compensation Insurance Plan and not through the private market. Violation of any of these agreements, or failure to pay valid workers compensation premium charges, may result in cancellation of any policy of insurance under the Delaware Workers Compensation Insurance Plan.

Employer Name and Title Date

Signature* Telephone No. ()

*Application must be signed by an officer, member or owner. E-mail address (optional)

IX Agency and Producer

Agency Name Telephone No. ()

Delaware Agent License No. Fax No. ()

Address E-mail address

Producer
Name Signature Date

Fed. Emp. I.D. No

**AGREEMENT BY EXECUTIVE OFFICER(S)/LLC MEMBERS(S) NOT TO BE
SUBJECT TO THE DELAWARE WORKERS' COMPENSATION LAW**

Executive officers of corporations and members of Limited Liability Companies (LLCs) are covered under the Delaware Workers' Compensation Law. Up to eight (8) executive officers that are stockholders of a corporation or up to four (4) members of an LLC named in the Certificate of Formation may elect not to be subject to Delaware Workers' Compensation Law by completing this agreement with their corporation/LLC. **SPECIAL NOTE:** Corporations/LLC's subject to Title 30 Chapter 25 of the Delaware Code may elect to exclude up to four (4) executive officers that are stockholders of a corporation or up to four (4) members of a LLC named in the Certificate of Formation. Executive Officers are the President, Vice President, Secretary, Treasurer or any other officer(s) appointed or elected in accordance with the charter or by-laws of a corporation or unincorporated association. Members of an LLC must be named in the Certificate of Formation. This Executive Officer/LLC member Exclusion Procedure must be repeated each time a corporation/LLC wishes to change the status of any executive officer/LLC member and/or secures coverage from a different carrier group.

It is hereby agreed by (Name of business)

Federal Employer Identification Number

Business has employee(s) (other than those listed below) – please check here _____

Business does not have employee(s) (other than those listed below) – please check here _____

Please check type of business

- ~~Corporation Not Subject to Title 30 Chapter 25 (non construction)~~
- ~~Corporation Subject to Title 30 Chapter 25 (construction)~~
- ~~Limited Liability Company (LLC)~~

Signature of Representative of Corporation or LLC Title Date

Named below are the executive officer(s)/LLC member(s) electing not to be subject to the Delaware Workers Compensation Law:

Name(s) Title Member Stockholder (Print Name)
Officer(s) Signature Yes/No Date

Name(s)	Title	Member	Stockholder	(Print Name)
Officer(s) Signature	Yes/No	Date		

Additional space below limited to officers of corporations not subject to Title 30, Chapter 25. Cannot be used for other corporations or any LLC.

IMPORTANT: If you have workers compensation insurance, you must submit the original of this completed form to your insurance carrier, together (in the case of a corporation) with the shareholders resolution(s) shareholders agreement(s), and/or shareholders written consent(s) evidencing the executive officer status of the electing executive officer(s), or together (in the case of an LLC) with the operating agreement and/or certificate of formation evidencing the member status of the electing member(s). If you are a subcontractor, you must provide a copy of the same documents to each general contractor by whom you are hired.

DELAWARE

WORKERS COMPENSATION INSURANCE PLAN

HANDBOOK

EFFECTIVE
January 1, 2017



Delaware Compensation Rating Bureau, Inc.
United Plaza Building – Suite 1500
30 South 17th Street
Philadelphia, Pa 19103-4007

302-654-1435
Fax-215-564-4328
www.dcrb.com

PURPOSE OF HANDBOOK

This handbook will assist you in understanding the Delaware Insurance Plan (DIP) or “Plan.” It explains what the Plan is and how it works. The Plan has been filed with the Delaware Insurance Department as the method of providing Workers’ Compensation Insurance to an employer who is unable to obtain such coverage in the voluntary market. The Department of Insurance exercises general regulatory authority over the Plan but has designated the Delaware Compensation Rating Bureau, Inc. (DCRB) to administer the actual operation of the Plan under the jurisdiction of the President of the Delaware Compensation Rating Bureau, Inc.

HOW TO USE THIS HANDBOOK

This handbook has six sections:

- Section I: Plan Purpose and Overview of Rules and Procedures
- Section II: Eligibility Requirements
 - Completing the Application
- Section III: Renewal, Cancellation and Reinstatement Procedures
- Section IV: General Information
- Section V: Duties and Responsibilities

SECTION 1 – PLAN PURPOSE AND OVERVIEW OF RULES AND PROCEDURES

Purpose of Plan

All insurers licensed to write workers' compensation insurance in Delaware must participate in the Pool. The Delaware Insurance Plan allows participation by choosing one of two options. The options are direct assignments or subscriptions to the Articles of Agreement of the National Workers Compensation Reinsurance Pool. There is often confusion between the terms "Pool" and "Plan," and the two terms are often used as though they were of one organization. All servicing carriers in Delaware are members of the National Pool. The National Pool is a voluntary association of insurance companies. These companies "pool" or "lump together" the premiums and losses of all employers who are assigned to these members companies. These premium and loss results are then allocated to all members of the National Pool by state, in amounts proportional to their total workers' compensation premiums in each state.

The National Pool operates in over 30 states in much the same way it operates in Delaware. The National Pool is recognized by the Assigned Risk Plans of various states. The National Council on Compensation Insurance, located in Boca Raton, Florida, administers the National Pool.

Operation of the Plan

The Plan operates in this way. The Delaware Compensation Rating Bureau, Inc. (DCRB) has been delegated by the Delaware Insurance Commissioner to serve as the administrator of the Delaware Insurance Plan (DIP). DIP provides the means for an employer to satisfy the requirements of Delaware Workers' Compensation Law when the employer is unable to purchase such insurance through the voluntary market.

An employer requiring workers' compensation coverage, with or without the help of an agent, must complete an application and submit along with the appropriate deposit premium to the DCRB. The application and other forms are available on the DCRB website, www.dcrb.com, under the Delaware Insurance Plan. Only Delaware Insurance Plan applications will be accepted.

Coverage may be bound under the Delaware Workers' Compensation Insurance Plan consistent with Plan rules, 12:01 A.M. on the first day following postmark or hand delivered receipt of the completed application, or on such later date as may be requested including applications hand delivered to the DCRB office. Backdating of coverage is not permitted in the Plan. Only the Plan can bind coverage. No producer or agent has binding authority.

All risks to which this Plan applies shall be written utilizing the classifications, forms, rates, and rating plans established by the DCRB; provided, however, as to any risk with annual estimated standard premium of at least \$100,000, the DCRB may require the utilization of a retrospective rating plan. Unless the applicant, its servicing carrier, and the DCRB agree to the utilization of another retrospective rating option on file with the appropriate regulatory authority, Retrospective Rating Option V, as filed with the appropriate regulatory authority, subject to a maximum retrospective premium not greater than 150 percent of the audited annual standard premium, shall be required. If required by the DCRB, Retrospective Rating Option V shall be mandatory, notwithstanding any rule or endorsement indicating that Retrospective Rating Option V is an optional rating plan.

Delaware Insurance Plan (DIP) Surcharge

A premium surcharge will apply to all risks insured under the Plan which qualify for experience rating and produce experience modifications in excess of 1.000. The DIP surcharge factor is shown on the experience rating worksheet of the employer under Statistical Code 0277, DIP Surcharge. Producer fees and servicing carrier allowance is paid on DIP premium.

SECTION II – ELIGIBILITY REQUIREMENTS

An employer is eligible for coverage in the Plan if the employer is not indebted to the Pool or any other insurance carrier, has no current voluntary coverage in force, and has been declined by two licensed Delaware insurance companies.

Good faith will be presumed in the absence of compelling evidence to the contrary. The employer must be unable to secure any reasonable offer of insurance on a voluntary basis from an insurance company. (Note: If the employer received and rejected an offer of voluntary coverage, the DCRB will consider all information, including the terms of the voluntary offer, when determining an employer's eligibility.) An employer is not in good faith entitled to insurance if any of the following circumstances exist at the time of application or thereafter:

- If at the time of application, a self-insured employer is aware of pending bankruptcy proceedings, insolvency, cessation of operations, or conditions that would likely result in occupational disease or cumulative injury claims from exposures incurred while the employer was self-insured.
- The employer or an entity with a common management interest has an outstanding obligation for workers compensation premium to a previous insurance carrier.
- The employer, while insurance is in force, knowingly refuses to meet or comply with reasonable health and safety requirements.
- Coverage may be refused or cancelled if the employer or representative of the employer knowingly makes a material misrepresentation on the application by omission, or otherwise, including any of the following: misrepresenting estimated payrolls, nature of business, name or ownership of business, including related entities, previous insurance history or outstanding premium obligation.
- The employer has an incomplete audit or inspection on a prior workers' compensation policy due to the employer's failure to cooperate with the insurer.
- If a previously assigned carrier has applied an Audit Noncompliance Charge (ANC), the employer is considered non-compliant with the audit and will remain ineligible for assigned risk coverage until the employer allows the audit to be performed and/or provides the required records. This applies even if the employer has paid the ANC.

Binding of Coverage

In all instances, the DCRB is limited in its binding authority as follows:

The DCRB can only bind coverage if an agency check or an Automated Clearing House (ACH) deposit for the correct deposit premium is received with the application. Only certified checks of the employer or an agency check are accepted for deposit.

The DCRB cannot bind coverage if the declination requirements are not met or if the employer has received an offer of voluntary coverage.

The DCRB cannot bind coverage for an employer who is in default of premium or who has an outstanding audit due on a prior Delaware workers' compensation policy. If, subsequent to policy issuance, the insured does not meet all workers compensation insurance premium obligations under a previous policy or under a present policy, the insured's present carrier retains the right to cancel a policy currently in force under this Plan.

The DCRB cannot bind coverage if the employer already has a Delaware workers' compensation policy in effect.

In no event shall coverage be bound earlier than 12:01 A.M. on the first day following the postmark time and date on the envelope in which the application is mailed (including the estimated annual or deposit premium) or the expiration of existing coverage, whichever is later. If there is no postmark, coverage will be effective 12:01 A.M. on the first day following receipt by the DCRB, unless a later date is requested. Those applications hand delivered to the DCRB will be effective as of 12:01 A.M. on the first day following receipt by the DCRB, provided all necessary information required to complete the application is included.

Applications submitted through the Delaware Insurance Plan Web Application will be bound twenty-four hours (24) following receipt of the application and the deposit premium. If the deposit premium is not through an ACH, coverage will be bound twenty-four hours after receipt of the deposit premium check.

Delayed Processing and Rejection of Application

To avoid a lapse in coverage, it is very important to fill in the application completely and accurately. Whether the employer or agent has completed the application, if the application has not been properly completed or there are omissions of necessary information, the assignment of coverage may be delayed. Listed below are some of the common reasons for delay in processing an application.

- Insufficient deposit premium
- Personal check of applicant
- Omission of carrier declinations
- No description of operations/business
- Coverage already in force
- [Executive Officer\(s\) exclusion](#) not included
- Plan application not signed *
- Deposit premium not remitted with application *
- FEIN or Social Security Number omitted
- Delaware location omitted
- Outstanding premium owed*
- Failure to comply with audit on prior policy

* Application will be returned

If the application is incomplete, the agent will be notified; if no agent, the employer. Requested information to complete the application process must be provided within ten calendar days to retain the original receipt date. If information is not received within ten calendar days, coverage will be bound as of 12:01 a.m. on the first day following receipt of the required information.

If an application is returned due to insufficient information or deposit premium, the application and deposit premium will be returned to the applicant (or agent if applicable).

If an application does not meet the eligibility requirements, the application will be rejected and returned to the agent (to the employer if there is no agent) with no coverage provided.

If coverage is bound pursuant to the above, the DCRB shall issue a 30-day binder with copies provided to the agent, employer, and the servicing or direct carrier to which the DCRB assigned coverage for the employer.

The policy shall be issued for a term of at least one year, unless a shorter policy term has been requested.

Completing the Application

The employer is not required to complete an application each year. However, if a change in carrier is requested, the employer must request a change in servicing or direct carrier in accordance with plan rules by submitting a new application to the plan administrator at least 60 days in advance of the policy expiration, accompanied by acceptable reasons for the request.

An employer found to have previously been assigned through the Plan, in the absence of a valid reassignment request, will be assigned to the servicing or direct carrier that most recently insured the risk in the DIP.

Supplemental Application – Trucking

To obtain a Delaware Insurance Plan policy for a new business employer whose operations fall within the scope of trucking, in addition to the Plan application a completed [Supplemental Application](#) must be completed to provide information about the employer's eligibility for assignment in the DIP. Failure to complete the supplemental application may result in processing delays of the DIP application.

Item 1 – General Information

1. Enter the **Effective Date** coverage is requested. The date entered is not a guarantee of coverage. If the employer has insurance in effect, the effective date should be the expiration date of the expiring policy. In no event will coverage be made earlier than 12:01 A.M. on the first day following receipt of the application and required deposit premium. .
2. Enter the complete legal **Name of Employer**. Show names of all partners if business status is a partnership.
3. Enter the **Federal Employers Identification Number** of the employer. Applicants that do not have a FEIN must submit their social security numbers.
4. Enter the complete **Mailing Address**, include post office box, if any. All correspondence will be sent to the mailing address. Telephone number of employer is required.
5. Enter **Principal** location of employer for the State of Delaware. A physical street address is required.

6. Enter **Other Delaware Locations** where the employer operates in the state. A physical street address is required.
7. Enter the **Payroll Office Address** where the employer's payroll records are kept.
8. Enter the appropriate **Legal Status** of risk, i.e., individual, corporation, partnership, limited liability company (LLC) or joint venture. The legal status of a husband and wife will be treated as a partnership when both names are shown on the application.
9. Has there been a **Name Change** during the past three years?
10. List whether there are operations in **Other States** besides Delaware. If coverage in a state(s) other than Delaware is needed, contact the DCRB.

Item II – Insurance Record

1. Provide the names of insurance company(s) that provided coverage for the past three years. If a new business, indicate "NEW BUSINESS."
2. Enter the appropriate answers to the several questions as they pertain.
3. The employer must answer Question 3. If an employer is in default of premium at the time of application, the employer is not eligible for coverage in the DIP. If the outstanding premium is in dispute, the employer must present documentation with the application to substantiate the dispute. All information submitted will be considered in determining if the employer is eligible for DIP coverage.

Item III – Insurance Companies Who Have Refused Coverage

Provide the name of two licensed insurance companies who have refused coverage. List the full time salaried employees with whom you have talked, along with their telephone numbers. The current voluntary insurance carrier must be one of the carriers refusing to offer coverage. An employer may not refuse a reasonable offer of voluntary coverage. If the employer has received and rejected an offer of voluntary coverage, the DCRB will consider all available information submitted to determine whether the employer is eligible for Pool coverage. DCRB staff at its discretion may verify the declination of coverage with the insurance carriers listed in Item III.

Item IV – Corporate Officers and Limited Liability Members (LLC)

List the name, title, duties and approximate annual salary of all executive officers or LLC members. The payroll of all corporate officers or members covered by the policy shall be included for premium calculation, subject to the minimum and maximum individual weekly payroll limitations approved in Delaware. To non-elect coverage under a DIP policy, the corporate officer(s) or members must complete, sign and attach [Agreement by Executive Officer\(s\)/LLC Members Not to be subject to the Delaware Workers Compensation Law](#) form with application. Failure to include Agreement with the DIP application could result in premium being charged for executive officer(s) or LLC members.

Item V – Sole Proprietors and Partners

Sole proprietors and partners may elect coverage under the Delaware Worker's Compensation Law by completing, signing and submitting with the Plan application, [WC 00 03 10](#), Sole Proprietors, Partners and Others Inclusion, for each individual electing coverage.

Item VI – Nature of Business, Location, Classification and Payroll in Delaware

Description of Operations

Explain the nature of business and completely describe the operations for all locations. The DCRB reserves the right to question the classification on any submitted application and make changes to the classification and premium if necessary. If the employer already has an established approved classification(s), the application must use the authorized classification(s). Authorized classes may be verified for an existing employer through the Application Login on the DCRB website at www.dcrb.com.

Classification, Payroll and Premium Calculation

Classification codes and wording may be taken from an existing policy of insurance. Refer to the [Delaware Basic Manual](#), Section 2, for classification description or contact the DCRB Classification Department for assistance. Classifications are subject to review by DCRB staff. The number of employees by location and classification must be shown.

Realistic estimates of expected payrolls are required. If the payrolls shown on the application are lower than those reflected in the most recent audit, an explanation from the employer to justify the lower payroll amounts may be required.

Note: DCRB staff may require verification of payroll information. When required, Form 941 (Employer's Quarterly Federal Tax Return) must be submitted to the designated carrier to determine whether a preliminary audit is appropriate.

The Assigned Risk Rate for each classification can be obtained from the DCRB website, www.dcrb.com, under [Rating Values](#) or from DCRB staff.

The standard limits for Part Two - Employers Liability which are provided at no additional costs are:

\$100,000 per Accident - each Accident
\$100,000 per Disease - each Employee
\$500,000 per Disease - each Policy

Increased Limits are available in the Pool. To obtain the Increased Limits Factor, refer to the [Delaware Basic Manual](#), Section 1.

Additional factors affecting premium are:

- Experience Modification *
- Merit Rating Adjustment *
- Workplace Safety Credit *
- Construction Classification Premium Adjustment Program *
- Expense Constant
- Delaware Insurance Plan Surcharge *
- Premium Discount
- Terrorism
- Catastrophe (other than Certified Acts of Terrorism)
- Deductible Credit

*Employer information (i.e., authorized classification(s), experience modification, merit rating, DIP surcharge) may be obtained for the individual employer from the DCRB website through the Application Login under [Rating and Underwriting Reference](#). (User name and password are needed to log into this area.)

To calculate the Terrorism premium, divide the total amount of payroll (applicable to all classifications, except per capita classes) by 100 and multiply the result by the Terrorism residual rate.

To calculate the Catastrophe (other than Certified Acts of Terrorism) premium, divide the total amount of payroll (applicable to all classifications, except per capita classes) by 100 and multiply the result by the Catastrophe residual rate.

Using the appropriate Delaware residual rate by classification, calculate the estimated annual premium, applying if applicable the aforementioned factors. Estimated premium can be calculated by using the approved [Algorithm](#). Using the approved Algorithm does not limit DCRB staff from adjusting the premium upon examination.

Item VII – Deposit Premium

The deposit premium must be for the correct amount and submitted at the time of application. The applicant may select during the application process, depending on premium size, to have either one annual payment or an installment plan. Failure to submit the correct premium will delay or even void the application process. The DCRB cannot ensure the effective date of coverage when the correct deposit premium is not remitted at the time of application.

The designated carrier has the right to make changes in the deposit premium or to conduct interim audits to ensure the adequacy of the estimated annual premium.

Acceptable forms of payment are:

- Employers Certified check
- Producer/Agency check
- Money order
- Premium Finance check
- Automated Clearing House
- Wire Transfer
- Direct bank teller deposit to DCRB account*

Bank checks must be made payable to the **Delaware Compensation Rating Bureau, Inc.** DCRB staff will endorse the check to the designated servicing/direct carrier receiving the assignment. The employer will make subsequent payments directly to the assigned carrier. There will be no coverage in place if there are not sufficient funds to cover the deposit premium check when it is deposited by the designated carrier.

*Direct bank teller deposit requires that a copy of the deposit slip with the applicants name be faxed or emailed to the DCRB for verification of deposit.

Premium Payment

1. Annual Premium Adjustment

Policies having an estimated annual premium of less than \$1,000 are not eligible for interim adjustments.

2. Interim Premium Adjustment

Policies that provide for adjustment of premium on an interim basis are subject to the following deposit premium requirements:

\$1,001 - \$4,999	at least 75% of the Estimated Annual Premium
\$5,000 - \$24,999	at least 50% of the Estimated Annual Premium
\$25,000 or more	at least 25% of the Estimated Annual Premium

3. Minimum Deposit Premium

The deposit premium cannot be less than the applicable minimum premium, if the minimum premium is \$1,000 or less.

Financed Premiums – Explanation

The employer may elect to finance the deposit or estimated annual premium. When this is done, there are several concerns for the agent. First, the finance company will require the employer to sign a finance agreement. This agreement will often require the employer to sign over to the finance company two important rights.

1. The right to cancel the policy should the employer fail to meet a payment as required in the agreement.
2. The right of the finance company to receive returned premiums whether the policy is cancelled or not.

If the premium is being financed, a copy of the legal finance agreement, signed by the employer, must be forwarded to the plan administrator with the application to be submitted to the servicing carrier. If it is not available at the time of application, then the employer or agent must forward the agreement to the plan administrator as soon as it is available. This should be the “official” legal agreement signed by the employer and containing the full terms of the agreement. Without having such an agreement the servicing carrier cannot acknowledge the finance companies rights.

A finance company may request that a cancellation take effect on a certain date. The servicing carrier, because of legal cancellation notice requirements of the DCRB, must make this cancellation effective on a later date.

In other instances, the finance company may request cancellation and shortly thereafter, upon receiving the employer’s payment, request reinstatement of the policy. There is no obligation on the part of the servicing carrier to reinstate the policy, and it may elect not to do so, particularly if a legal cancellation filing has been made with the DCRB.

The agent may advance premium payments on behalf of the employer. In these cases, without a valid finance agreement, the servicing carrier must consider the policy to be a contract between itself and the employer. Premiums received from the employer or from the agent on behalf of the employer are all considered as payments made directly by the employer and posted to the employer’s account. Return premiums are made payable to the employer, not the agent. This can be a problem for the agent, particularly where the agent has advanced all or a portion of the premium and later the policy is cancelled for non-payment of premium or the deposit premium given to the agent by the employer defaults for insufficient funds.

Agents should be alert to these potential problems when premiums are financed or where premiums are advanced by the agent.

Item VIII – Applicants Statement

After reading the statement, the application must be signed with the employer's name, title and signature of the individual certifying and acknowledging the application. The application must be signed by the owner, officer or LLC member of the company. By signing this application, the employer certifies that all information in the application is true.

Item IX – Agent or Producer

If an agency's services are used, the agent or producer must complete the application by entering their name, address and telephone number and Federal Employers Identification and Delaware Agent's License Number. The agent or producer must also date the application at signing.

The agent or producer is not a contract agent or agency of the designated carrier and has no authority to bind or cancel Pool coverage or to issue Certificates of insurance. All premium transactions are strictly between the designated carrier and the employer. The agent or producer is not a third party to the policy contract. If you have any questions about your authority, contact the DCRB or servicing carrier.

By signing the application, the agent or producer is certifying that all information provided is true to the best of his/her knowledge and belief and that he/she has made a good faith effort to place the coverage in the voluntary market.

Commission fees are payable to the designated agent or producer upon payment of all premium due under the policy. The fee shall be based on the state standard premium and paid at the rate on file with the Delaware Department of Insurance.

PRODUCER FEE SCHEDULE (Commission Schedule) **Graduated A Scale**

First	\$ 1,000	8%
Next	\$ 4,000	5%
Next	\$ 95,000	3%
Over	\$100,000	2%

SECTION III – RENEWAL, CANCELLATION AND REINSTATEMENT PROCEDURES

Renewal Procedure

An employer remains assigned to a servicing carrier until a policy is cancelled or non-renewed. At least 60 days prior to the expiration date of the policy, the servicing carrier sends a renewal proposal or notice to the employer and agent. This proposal includes a request for a new deposit premium which has been calculated by the servicing carrier. This deposit must be received by the servicing carrier before the policy expires to avoid a lapse in or cancellation of coverage.

If renewal premium is received or U.S.-postmarked within 60 days following the expiration of the prior policy, the renewal policy will be issued with a lapse.

If the premium has not been received or U.S.-postmarked within the above 60-day period, the employer will be informed that a new application is required.

If a servicing carrier is unwilling to renew the employer's policy, it must notify the employer, agent and DCRB at least 60 days before the policy expires, giving the reasons for the non-renewal.

If a risk is dissatisfied with its Plan carrier, an employer may request reassignment to a different servicing carrier by notifying the servicing carrier and DCRB at least 60 days prior to the policy expiration. The DCRB requires the reason for reassignment request.

There is no choice of a new servicing carrier by the agent or the employer. Carrier selection is made in an equitable manner based on employer's needs and available quota capacity.

Cancellation Procedure

Cancellation by Insured

The employer may request cancellation at any time once coverage is no longer needed. The servicing carrier must obtain advance written notice from the insured stating when the cancellation is to take effect. Normal reasons for requesting a cancellation are a) out of business; b) no longer has employees requiring coverage; 3) coverage placed on voluntary market; 4) business sold.

Cancellation by Producer of Record

The producer of record may request cancellation for failure of the Insured to pay money due the producer only if permitted by a legal finance agreement in which the employer gives the producer of record power of attorney.

Cancellation by Finance Company

A finance company may request cancellation for failure of the insured to pay installments only after the employer has executed a legal finance agreement giving two rights to the finance company:

1. The right to cancel the policy should the employer fail to meet a payment as required in the agreement.
2. The right of the finance company to receive returns premiums whether the policy is canceled or not.

The servicing carrier must receive a valid copy of the actual finance agreement signed by the insured. Without a valid copy in their records, the servicing carrier cannot comply with the finance company's request. Cancellation of the policy may be effective on a date later than is requested by the finance company in order to comply with legal cancellation notice requirements.

Cancellation by Servicing Carrier

Cancellation Requiring Approval - The servicing carrier may request permission from the plan administrator to cancel the policy for any of the following reasons:

- The employer is not in Good Faith entitled to insurance.
- The employer has failed to comply with reasonable safety requirements.

- The employer has violated any policy term or condition.
- Any other good and substantial documented reasons subject to review and discretion of the plan administrator.

The servicing carrier shall provide the reasons for the cancellation request. Appropriate advance notification must be sent to the DCRB in the state where cancellation is to be effected.

Cancellation Not Requiring Approval - Prior approval is not needed to cancel the policy for non-payment of premium under the current or any previous WC policy.

Cancellation Notice

In all cases of cancellation by the servicing carrier, the cancellation notice must be sent to and received by the employer in accordance with Delaware's advance notification requirements. Notification of cancellation must be sent to the plan administrator and the producer-of-record.

Late Installment/Interim Audit Payment

The servicing carrier will accept an insured's bank check for an interim audit or installment payment which is U.S.-postmarked prior to the date of cancellation for non-payment of the premium and will continue coverage.

If a bank check is received for a late interim audit or installment payment which is postmarked after the date of cancellation, refer to the following for appropriate reinstatement procedures.

Reinstatement of the Policy Cancellation

The servicing carrier shall reinstate insurance without a lapse in coverage if the item correcting the default is received prior to the effective date of policy cancellation or the envelope containing the item correcting the default is U.S.-postmarked prior to the effective date of policy cancellation.

The servicing carrier shall reinstate insurance with a lapse in coverage one time only during the original policy period, if an item correcting a default which resulted in cancellation is received on or within 60 days after the effective date of policy cancellation and is not U.S.-postmarked prior to the effective date of policy cancellation.

The servicing carrier shall not reinstate coverage if an item correcting a default is received after 60 days from the effective date of policy cancellation and is not U.S.-postmarked prior to the effective date of policy cancellation or if the risk has already been permitted its one reinstatement. The servicing carrier shall inform the risk that, if it continues to require insurance under the plan, it will need to reapply to the Delaware Insurance Plan.

If a reinstatement notice is issued, any lapse of coverage must be clearly stated on the notice. The lapse shall be for the time period from and inclusive of the date of cancellation through the date of the U.S. postmark appearing on the envelope containing the item correcting the default or, if received by other means, consistent with the postmark binding rule.

SECTION IV – GENERAL INFORMATION

Voluntary Assumption of Coverage

Any licensed Delaware insurance carrier may assume coverage on a risk voluntarily at any time during the policy period or at the expiration of the policy. Approval from the plan administrator is not

required. Cancellation of the current policy is made on a pro-rata basis when coverage is placed on the voluntary market.

Coverages in States Other Than Delaware

If coverage is needed in states other than Delaware, you must follow the procedure outlined below:

A servicing carrier who is a member of the National Pool may extend coverage in any other state serviced by the National Pool, provided the servicing carrier is also a servicing carrier for that state.

If it appears that the employer has need of coverage beyond Delaware, the DCRB will inform the servicing carrier, and it will be the employer's responsibility to secure coverage in those states. The carrier at its option may or may not furnish such insurance. The DCRB can only assign Delaware coverage.

SECTION V – DUTIES AND RESPONSIBILITIES UNDER THE PLAN

The Agent and Agency's Duties and Responsibilities

1. Assist the employer in meeting his obligation under the Delaware Workers' Compensation Law, preferably by securing coverage in the voluntary market. Failing to obtain such coverage, the agent should assist the employer in obtaining coverage under the Plan in a prompt and efficient manner. Even if coverage must be placed in the Plan, the agent has the continuing responsibility to try to place coverage in the voluntary market. The agent must explain to the employer the necessity for securing coverage under the Plan.
2. Assist the employer in thoroughly and accurately completing the application and any other documents that may be required.
3. Promptly report all changes in the employer's name, operations, exposures, locations, financial condition or other changes which may affect the policy or the services being provided.
4. See that adequate deposit and premiums are maintained and encourage the employer to realistically estimate payrolls.
5. Determine what coverage's the employer needs for both Delaware and out-of-state operations. Secure such coverages, as needed, from the servicing carrier or other pools or funds, if necessary.
6. Promptly forward all premium payments received from the employer to the servicing carrier to avoid cancellations and lapses in coverage. Encourage the employer to meet all premium payments and, if any, finance obligations in a timely manner.
7. Promptly refund any excess producer fees paid you by the servicing carrier when requested to do so.
8. Advise the employer in all matters relating to his/her workers' compensation insurance.

The Servicing Carrier's Duties and Responsibilities

1. Provide coverage to all employers who are assigned to the company and who, upon investigation, are entitled to coverage under the Plan.
2. Issue the necessary policy and provide underwriting, claims, loss control, auditing and other services in a prompt and efficient manner.
3. Work with and assist the agent, employer and DCRB on problems relating to coverage and service under the Plan.

4. Maintain adequate deposits and advance premium.
5. Refund promptly any excess premium determined by final audit.
6. Pay agent producer fees promptly when due.
7. Strictly comply with all terms and conditions of the policy contract.
8. Provide Certificates of Insurance to the employer upon request.

The Employer's Duties and Responsibilities

1. Before applying for coverage under the Plan, the employer must in good faith be entitled to workers' compensation insurance. An employer is not entitled to coverage if indebted to the Pool or has outstanding audit obligations to a prior insurer.
2. Comply with all provisions of the Plan, including accurately and fully completing the required application form and any supporting documents that may be required.
3. Keep the agent fully advised of changes in name or ownership, operations locations or exposures which may affect coverage, classifications, rates, premium estimates or other aspects of the coverage being provided by under the Plan.
4. Cooperate fully with the servicing carrier in implementing all reasonable safety recommendations. (Failure to do so may be valid reasons for cancellation under the Plan.)
5. Report all claims promptly and cooperate with the servicing carrier in the investigation and settlement of claims.
6. Strictly comply with all terms and conditions of the policy.

The DCRB's Duties and Responsibilities

1. Review all applications as received.
2. Make assignments promptly to servicing carriers on an equitable basis, keeping in mind the employers' coverage and servicing carrier's requirements determining which servicing carrier can best meet these requirements.
3. Maintain the necessary files and records on each employer so that proper experience modifications and rates are used. Review policy contracts to determine adherence to rules, rates and modifications by the servicing carriers.
4. Respond promptly to complaints, questions and problems from agents, servicing carriers and employers.