



March 09, 2016

DCRB CIRCULAR NO. 915

To All Members of the DCRB:

Re: **APPROVAL OF DCRB FILING NO. 1601**
EFFECTIVE JANUARY 1, 2017

Establishment of an Audit Noncompliance Charge
Introduction of the Audit Noncompliance Charge Endorsement
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)

The Insurance Commissioner has approved revisions to the Delaware Basic Manual, Delaware Statistical Plan Manual, Delaware Workers Compensation Insurance Plan Handbook and Assigned Carrier Performance Standards (ACPS) to reflect countrywide changes in line with the National Council on Compensation Insurance, Inc. (NCCI) Item B-1429, which proposed an Audit Noncompliance Charge (ANC). The ANC rule, endorsement and statistical code 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 revisions outlined below have been approved. All changes apply to new and renewal policies effective January 1, 2017.

Delaware Basic Manual

- 1) Section 1 – Premium Algorithm (Reflecting addition of Code 9757, Audit Noncompliance Charge)
- 2) Section 1 – Rule XV – Final Earned Premium – E. (Reflecting addition of Audit Noncompliance Charge rule)
- 3) Section 3 – Endorsements (Reflecting the addition of WC 00 04 24, Audit Noncompliance Charge Endorsement)

Delaware Statistical Plan Manual

- 1) Section II – Reporting Requirements (Outlines procedure and method of reporting an ANC)
- 2) Section X – Premium Algorithm (Reflecting addition of Code 9757, Audit Noncompliance Charge)

Delaware Workers Compensation Insurance Plan Handbook

The DCRB has also revised the Delaware Workers Compensation Insurance Plan Handbook to incorporate the procedural and language changes made necessary by the addition of the Audit Noncompliance Charge. Housekeeping changes were also made to bring the Handbook up-to-date.

Assigned Carrier Performance Standards (ACPS)

The DCRB is part of the National Workers Compensation Reinsurance Pool. Revisions to the ACPS will bring Delaware into compliance with other residual markets throughout the country, as contained in NCCI Item B-1429 for implementation of an Audit Noncompliance Charge for policies issued through the Delaware Insurance Plan.

Approved revisions to the Delaware Manual and Handbook language are attached.

The revised Delaware Basic Manual, Delaware Statistical Plan Manual and Delaware Insurance Plan Handbook will be updated on our website (www.dcrb.com) at a later date.

Questions regarding Basic Manual changes and the Delaware Insurance Plan Handbook should be directed to Betty Ann Campbell, Director, Rating Rules and Policy Reporting, at Extension 4425 or bcampbell@dcrb.com.

Questions on Statistical Plan revisions should be directed to Bonnie Piacentino, Vice President, Data Management, at Extension 4456 or bpacentino@dcrb.com.

William V. Taylor
President

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Attachment

Remember to visit our web site at www.dcrb.com for more information about this and other topics.

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 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.

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:

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)	Audit Noncompliance Charge	9757	(72)	Carrier Value x (69)

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) 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, 2017



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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.