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**RULE I – GENERAL****A. WORKERS COMPENSATION**

Workers Compensation as used in this Manual means workers compensation and occupational disease law of Pennsylvania.

**B. STANDARD POLICY**

Standard Policy means the Standard Provisions Workers Compensation and Employers Liability Policy and Information Page approved by the Pennsylvania Insurance Department, as prescribed in the Standard Policy Form Section.

**C. ENDORSEMENT FORMS**

Endorsement forms mean standard endorsements contained in the Endorsement Forms Section. A standard endorsement must be used in the form prescribed in Section Three.

**D. ENDORSEMENT FORMS SECTION (SECTION THREE)**

Refer to the Endorsement Forms Section for complete description of coverages and instructions on use of the endorsement forms.

**E. APPLICATION OF MANUAL RULES**

Rules apply separately to each policy, unless the applicable Rule specifies to the contrary.

**F. EFFECTIVE DATE****1. Manual**

This Manual applies only from the anniversary rating date which occurs on or after the effective date of this Manual.

**2. Changes**

The effective date of a change in any rule, classification or provision for claim payment is 12:01 a.m. on the date specified on the Manual page. Any change will be highlighted. Unless specified otherwise, each change applies only from the anniversary rating date which occurs on or after the effective date of the change.

**G. ANNIVERSARY RATING DATE****1. Definition**

The anniversary rating date is the effective month and day of the policy in effect and each annual anniversary thereafter unless a different date has been established by the Coal Mine Compensation Rating Bureau.

**2. Rewritten Policies**

If a policy is canceled and rewritten by the same or another carrier, all rules, classifications and carrier manual rates of the rewriting carrier which were in effect as of the anniversary rating date shall apply to the rewritten policy until the next anniversary rating date as established by the Coal Mine Compensation Rating Bureau.

Use the Anniversary Rating Date Endorsement. No policy may be canceled, rewritten or extended for any period to avoid or take advantage of any changes in the rules or provision for claim payment of this Manual.

**3. Long Term Policies**

For application of anniversary rating dates on policies issued for a term in excess of one year, refer to Rule III - C.

**H. FILING REQUIREMENTS****1. Policy**

An exact copy of every Workers Compensation Policy showing the State of Pennsylvania on the Information Page which contains classifications promulgated by the Coal Mine Compensation Rating Bureau and authorized carrier rates shall be filed with the Bureau within thirty days after the effective date of the policy.

2. Endorsements  
An exact copy of all endorsements or agreements attached to the policy at its inception date or issued subsequent to the inception date of the policy must be filed with the Bureau within thirty days after the date of issue of such agreement.
3. Standard Endorsement Filing Procedure
  - a. Any endorsement filed with the Insurance Department on behalf of Bureau members by the Bureau must be filed for approval with the Bureau. For complete details refer to Section Four.
  - b. Non-standard Endorsements filing procedure, refer to Section Three.
4. Binders
  - a. A copy of the binder must be filed with the Bureau on an approved form with all required endorsements attached, no later than thirty days after its date of inception.
  - b. The binder must contain the classification codes and carrier rates applicable to the employer in accordance with the assignment issued by the Bureau or in accordance with the Classification Rules of this Manual if no specific Bureau assignment has been made.
  - c. A binder must be replaced with a short term policy covering the amount of time the binder was in effect or replaced with a full term policy including the time period the binder was in effect.

#### I. MEDICAL CONTRACTS

1. Medical Contracts and agreements between insurance carriers and insured employers where medical service or supplies are furnished by the employer in consideration of a reduced premium or other consideration cannot be made.
2. Insurance carriers may not furnish medical equipment or hospital supplies to the insured's employer.

## **RULE II – EXPLANATION OF COVERAGES AND METHODS OF INSURING**

### A. PART ONE – WORKERS COMPENSATION INSURANCE

1. Description of Workers Compensation Coverage  
Workers compensation insurance provides coverage for the statutory obligation of an employer to provide benefits for employees as required by:
  - a. Workers compensation law or occupational disease law of any state or territory of the United States, including the District of Columbia, and
  - b. United States Longshore and Harbor Workers' Compensation Act.
2. Pennsylvania Coverage  
Pennsylvania workers compensation insurance may be provided only by the Standard Policy.
3. Longshore Coverage  
U.S. Longshore and Harbor Workers' Compensation Act insurance may be provided only by attaching the Longshore and Harbor Workers' Compensation Act Coverage Endorsement (WC 00 01 06A) to the Standard Policy. Refer to Rule XI.
4. Federal Black Lung Coverage  
The U.S. Federal Black Lung insurance under the provisions of the Federal Mine Safety and Health Act, as amended, is provided only by attaching the Federal Mine Safety and Health Act Coverage Endorsement to the Standard Policy.

**B. COVERAGE REQUIREMENTS****1. Compulsory as to all employments**

- a. Exceptions under the PA Workers Compensation Act: Individual proprietors, partners of a partnership (including members of a Limited Liability Company (LLC)) and elected officers of the Commonwealth or any political subdivision. Also, coverage is elective for members of certain religious sects whose tenets prohibit benefits from insurance, provided the sect makes provisions for its members. Refer to Section 302(a) of the Pennsylvania Workers Compensation Act for more details.

Note: Pursuant to Act 20 of 2011, a sole proprietor, partner of a legal partnership or member of a Limited Liability Company (LLC) may be able to purchase and/or be insured under a standard workers compensation insurance policy. If a sole proprietor, partner or LLC member wishes to obtain such coverage, a written request must be submitted directly to the carrier providing the existing or new policy under which coverage for the individual in question will be provided. Use WC 00 03 10 – Sole Proprietors, Partners, Officers and Others Coverage Endorsement. Refer to Rule V. E. and Rule IX. B. for purposes of determining remuneration in computing the premium charge.

- b. Federal Mine Safety and Health Act – The PA Workers Compensation Act “exceptions” referenced in Rule II. B. 1. a. above do not apply to Federal Mine Safety and Health Act coverage as amended.
2. No insurance carrier is permitted to issue policies which would create duplicate coverage for an employer. Policies of different insurance carriers cannot be written for separate parts of a single risk.
3. When an employer proposes to insure both his accident and occupational disease compensation liability, such liability must be covered by a single policy of one insurance carrier.
4. An Executive Officer, who has ownership interest in a Subchapter “S” corporation, or has at least 5% ownership interest in a Subchapter “C” corporation, may elect not to be covered for benefits provided by the PA Workers Compensation Act. Such individuals must be covered for benefits provided by the Federal Mine Safety and Health Act, as amended. If the election is made, the named Executive Officer shall be excluded from benefits under the PA Workers Compensation Act, and their remuneration shall not be included in the calculation of the Traumatic or State OD premiums. Their remuneration shall be included in the calculation of the Federal OD premium. In order to be excluded from coverage under the PA Workers Compensation Act, both the employer and the individual Executive Officer must complete and file the appropriate forms with the PA Department of Labor and Industry, Bureau of Workers Compensation. The Executive Officer Exclusion Endorsement (WC 37 03 10B) must be completed and attached to the policy, indicating that the individual Executive Officer is to be excluded from coverage under the PA Workers Compensation Act.

**C. PART TWO – EMPLOYERS LIABILITY INSURANCE****1. Description of Employers Liability Insurance**

Employers liability insurance provides coverage for the legal obligation of an employer to pay damages because of bodily injury by accident or disease, including resulting death, sustained by an employee. Employers liability coverage applies only if the injury or death of an employee arises out of and in the course of employment and is sustained:

- a. In the United States of America, its territories or possessions, or Canada, or

- b. While temporarily outside the United States of America, its territories or possessions, or Canada, if the injured employee is a citizen or resident of the United States or Canada; but suits for damages and actions or judgments must be in or from a court of the United States, its territories or possessions or Canada.

Unless specifically excluded, coverage for the liability of an employer under admiralty law and the Federal Employers Liability Act is provided by Employers Liability Insurance – Part Two.

2. Employers Liability for Diseases

Employers liability insurance for diseases not covered by a workers compensation law or an occupational disease law is provided by the Standard Policy.

3. Employers Liability Insurance With Workers Compensation Insurance

Employers liability insurance written with workers compensation insurance is provided by the Standard Policy.

4. Employers Liability Insurance Without Workers Compensation Insurance

Employers liability insurance written without workers compensation insurance is prohibited in the State of Pennsylvania.

D. VOLUNTARY COMPENSATION INSURANCE

1. Description of Voluntary Compensation Coverage

Voluntary compensation insurance does not provide workers compensation coverage and is not available for employments subject to a workers' compensation law. This insurance affords the benefits of a designated compensation law as if the affected employees were subject to that law, even though the law does not require payment of benefits to such employees.

Voluntary compensation insurance shall not provide compensation, medical or other benefits in excess of the statutory requirements in the workers compensation law designated in the standard Voluntary Compensation and Employers Liability Coverage Endorsement.

2. How Provided

Voluntary Compensation insurance is provided by attaching the Standard Voluntary Compensation and Employers Liability Coverage Endorsement (WC 00 03 11) to the Standard Policy. Refer to Rule VII for rules and carrier's rates.

E. PART THREE – OTHER STATES INSURANCE

1. Description of Other States Coverage

- a. Employers liability insurance and, where permitted by law, workers compensation insurance are provided in other states not listed in Item 3-A of the Information Page by listing states where coverage is to be provided in Item 3-C of the Information Page.

- b. If workers compensation insurance does not apply because the insured or carrier is unable to take the necessary action to bring the insured under a workers compensation law, the carrier will reimburse the insured for all compensation and other benefits required of the insured under such law.

- c. Part Three – Other States Insurance does not provide U.S. Longshore and Harbor Workers' Compensation Act coverage. It may be afforded only in accordance with Rule XI.

2. States Where Not Available

Other states coverage is not available in states:

- a. With a monopolistic state fund, or
- b. Where the carrier elects not to write this coverage.



3. Restriction on Use  
Coverage for operations known or expected to be performed in a state not listed in Item 3-A of the Information Page shall not be provided under Part Three – Other States Insurance.
4. Premium  
Premium developed for operations covered under Part Three – Other States Insurance shall be based on workers compensation rules and carrier's rates.

**RULE III – POLICY PREPARATION – INSURED, POLICY PERIOD AND STATE OF OPERATIONS**

Items 1, 2 and 3-A of the Information Page

**A. EXPLANATION OF TERMS**

1. Employer/Entity/Operator  
Employer may be an individual, partnership, joint venture, corporation, association, or a fiduciary such as a trustee, receiver or executor, or other entity.
2. Insured  
Insured means the employer designated in Item 1 of the Information Page.
3. Majority Interest  
Majority Interest as defined in the Experience Rating Plan Manual applies in this Manual. The term majority shall mean more than 50%.
  - a. Majority of voting stock, or
  - b. Majority of members or directors if there is no voting stock, or
  - c. Majority participation of general partners in profits of a partnership.
4. Risk  
Risk means a single legal entity or two or more legal entities which qualify for combination in the State of Pennsylvania.
5. Entity  
The term ENTITY shall mean an individual, partnership, or corporation.
6. Breaker or Tipple  
The term BREAKER or TIPPLE wherever used throughout this Manual shall mean the structure containing the machinery used for the preparation of coal. Breaker or Tipple also includes preparation plants, coal loading docks and structure or areas for storage, shipping and distribution of coal.
7. Colliery  
The term COLLIERY shall include all operations, workings and structures, both under and above ground, used or to be used for the purpose of mining, preparing and shipping coal, at one location and one breaker.
8. Bureau  
The term BUREAU whenever used throughout this Manual shall mean the Coal Mine Compensation Rating Bureau of Pennsylvania.

**B. NAME AND ADDRESS AND OTHER WORK PLACES OF INSURED – ITEM 1**

1. Combination of Legal Entities  
Separate legal entities may be insured in one policy only if the same person, or group of persons, owns the majority interest in such entities.
2. Pennsylvania Locations  
All locations and operations of the employer in Pennsylvania shall be insured in one policy. See Rule VIII-D.

**C. POLICY PERIOD – ITEM 2**

1. Normal Policy Period  
The normal policy period is one year. A policy may be issued for any period but not longer than three years.
  2. Policy for One Year
    - a. The manual rules are based on a policy period of one year.
    - b. A policy issued for a period not longer than one year and 16 days is treated as a one year policy.
  3. Policy Longer Than One Year  
A policy issued for a period longer than one year and 16 days, other than a 3-year fixed rate policy, is treated as follows:
    - a. The policy period is divided into consecutive 12 month units.
    - b. If the policy period is not a multiple of 12 months, use the Standard Policy Period Endorsement (WC 00 04 05) to specify the first or last unit of less than 12 months as a short-term policy.
    - c. All manual rules and procedures apply to each such unit as if a separate policy had been issued for each unit.
  4. Renewal Certificates  
Renewal Certificates, Agreements and Continuing Form Policies, should be handled as policies longer than one year.
- D. STATE LAWS DESIGNATED IN THE POLICY – Item 3-A
1. Listing of Pennsylvania  
Insurance for operations conducted in Pennsylvania is provided by listing the state in Item 3-A of the Information Page.
  2. Longshore Act  
The U.S. Longshore and Harbor Workers Compensation Act shall not be entered in Item 3-A of the Information Page. Refer to Rule XI.
  3. State Laws Designated in the Policy – Item 3-A  
A state may be added after the effective date of the policy. For the additional state operations, apply:
    - a. Carrier rates in effect on the anniversary rating date of the policy to which the state has been added.
    - b. Any rate change which applies to outstanding policies for the state being added.
    - c. When adding the State of Pennsylvania, the Information Page and attached endorsements shall be prepared so that the Pennsylvania coverage can be clearly determined.

#### **RULE IV – CLASSIFICATIONS**

##### Item 4 of the Information Page

###### A. GENERAL EXPLANATION

The object of the classification system is to group employers into classifications so that the provision for claim payment for each classification reflects the exposures common to those employers. Subject to certain exceptions described later in this rule, it is the business of the risk within Pennsylvania that is classified, not the separate employments, occupations, phases or operations within the business.

###### B. CLASSIFICATIONS

###### 1. Basic Classifications

All classifications in the Manual are basic classifications, other than the standard exception classifications. Basic classifications describe the business of the employer, and contemplate all phases of the mining business conducted by the employer. This includes the operations necessary to begin or prepare the mine for operation, the production of coal, and the activities necessary to terminate/liquidate the business, and satisfy all permit requirements.

- a. Underground Coal Mine Classifications shall apply to all operations which normally prevail in the underground mining of coal. Division of payroll shall be made as provided herein in respect to Standard Exceptions and any separate operation which does not normally prevail in an underground coal mine risk. Underground mining shall be classified as:

Anthracite Underground Mining – Code 1010 (See Rule XIII – Mine Rescue Teams)

Bituminous Underground Mining – Code 1001

- b. Surface Mining

All operations incidental to the recovery of coal by strip mining methods. Operations incidental to the extraction of coal by this method include, but are not limited to the following: removal of overburden, the recovery of coal, the subsequent loading and transporting of coal, and the backfilling of the strip pit following the coal removal. Also any and all service, maintenance or construction work necessary or incidental to strip mining. Surface mining shall be classified as:

Anthracite Surface & Culm Mining – Code 1012

Bituminous Surface & Culm Mining – Code 1014

- c. Culm Recovery and Reclaiming of Coal Spoil: Culm Recovery and Reclaiming of Coal Spoil shall include:

All operations incidental to removal and reclaiming usable coal from culm banks or any spoil or storage area. Culm Recovery and Reclaiming of Coal Spoil shall be classified as:

Anthracite Surface & Culm Mining – Code 1012

Bituminous Surface & Culm Mining – Code 1014

- d. Coke Burning and Manufacturing: Any and all operations performed by a coal operator or by an independent employer necessary and incidental to the manufacturing of coke. It shall include any further preparation and storage necessary for distribution or sale, transportation by the operator and any service, maintenance, or construction work incidental thereto. Coke Burning and Manufacturing shall be classified as:

Coke Burning and Manufacturing – Code 1469

- e. Auger Mining: All operations incidental to recovery of coal by auger mining methods. This includes all operations by a risk incidental to the extraction of coal by the auger mining method. Operations incidental to the extraction of coal by this method include, but are not limited to the following: The operation of the auger machine in the recovery of coal, all necessary incidental work needed, including earth moving and grading and construction of a bench to allow the auger machine to operation in the extraction of coal and the subsequent loading and transportation of coal. Also any and all service, maintenance or construction work necessary or incidental to auger mining. Auger mining shall be classified as:

Auger Mining – Code 1015

- f. Co-Generation Fuel Recovery: Any and all operations incidental to the recovery and delivery of coal fuel from waste banks, resulting from previous mining operations. This class is restricted to those employers exclusively engaged in the recovery of coal fuel for licensed co-generation plants, where such fuel is characterized as having no value in accordance with the directive of the U.S. Department of Interior, Office of Surface Mining, Reclamation and Enforcement, Transmittal Number 446, dated June 2, 1988. If such employer is under hire for the ash removal once the fuel is combusted, the ash removal can be separately rated by the Pennsylvania Compensation Rating Bureau so long as there is no interchange of activities and/or personnel with the fuel recovery operation, and separate payrolls are maintained.

Co-Generation Fuel Recovery

Anthracite – Code 1021

Bituminous – Code 1023

- g. Coal Preparation: Any and all above ground operations necessary to prepare previously mined coal for distribution or sale. These operations shall include, but are not limited to, the sorting, sizing, breaking, crushing, washing, and/or cleaning of coal. Included in this class shall be all mechanical work performed on any machinery used in the coal preparation facility, buildings, and/or associated structures, all above ground storage of prepared or unprepared coal on premises, the above ground transportation of coal to and from the coal preparation facility, and the above ground loading and unloading of coal from vehicles or transportation systems. Payroll subdivision is required where employees interchange between the mining of the coal and the coal preparation operations. If separate payrolls are not maintained, the total payroll must be charged against the mining class. Coal preparation shall be classified as:

Anthracite Preparation Plant – Code 1025

Bituminous Preparation Plant – Code 1027

## 2. General Inclusions

The operations listed below, and referred to as General Inclusions, shall be considered to be within the scope of the coal mine classifications and shall not be subject to a division of payroll unless conducted as separate and distinct enterprise having no relation to the development of a coal mine or the production of coal by coal mining methods, or the termination of a mine including the satisfaction of all permit requirements.

- a. Mining Engineers, Superintendents and Foremen shall, under all circumstances, be considered mine employees and the mine rate shall be charged upon their entire payroll.
- b. Shaft Sinking, Slope Sinking, Rock Tunneling or other incidental development work at a mine, which is being operated for the production of coal, when done by the Operator with his own employees, shall be included in the mine payroll at the adjusted rate of the mine.
- c. Machine Shop, Mine Car Repair Shop or Electric Light and Power Plant serving a single mine shall be included in the payroll for that mine.
- d. Payroll Division. Under no circumstances shall any division of payroll be made in connection with any mining operation exception in accordance with these rules. Additional classifications may be used when valid evidence supports their authorization.

- e. Subcontractors. Section 302(a) and Section 302(b) Article III of the Compensation Act and the Occupational Disease Act provide that an employer shall be responsible for the compensation to employees of subcontractors. Therefore, the compensation rates of the carrier shall be applicable to the entire remuneration of employees of any subcontractors except that no premium charge shall be made on the remuneration of the employees of any subcontractor if the “Statutory Employer” shall furnish the Company with a certificate showing conclusively that such subcontractors have maintained compensation insurance on their entire liability during the period that the policy of the “Statutory Employer” was in force. Classifications and Provisions for Claim Payment (i.e., Loss Costs) are listed in Section Two of this Manual. Notes following a classification are part of that classification.
3. Standard Exceptions  
Some occupations are common to so many businesses that special classifications have been established for them. They are called standard exception classifications. Employees within the definition of a standard exception classification are not included in a basic classification unless the basic classification specifically includes those employees. The standard exception classifications are defined below:
    - a. Clerical Office Employees – Code 953 – are employees whose duties are confined to keeping the books and records of the insured and conducting correspondence or who are engaged wholly in the office work where such books and records are kept of such correspondence is conducted, having no other duty of any nature in or about the insured’s premises.
    - b. Salesmen (outside), Collectors and Messengers – Code 951 – are employees engaged in these duties where their principal duties are outside of the plant. Salesmen, Collectors and Messengers shall be separately classified and rated except in connection with those classes which specifically include all employees or all employees except office.
    - c. Draftsmen are employees whose duties are limited to the office only and who are engaged strictly in that profession in such a manner that they are not exposed to the operative hazard of the plant. The entire remuneration of such draftsmen shall be included in the Clerical Office payroll.
  4. Governing Classification  
Except when the entire operation of the employer is described by an N.P.D. (Not Available for Payroll Division) class the governing classification of a risk is defined as that classification, other than the standard exception classifications, which carries the largest amount of payroll.
  5. Subclassifications  
The Bureau will administer the uniform classification plan approved by the Commissioner. No carrier is permitted to use a classification other than that authorized by the Bureau unless the carrier has filed with the Bureau and the Commissioner, and received approval by the Commissioner, subclassifications of the uniform classification system. Subclassifications which cannot be reported under the Bureau’s uniform Statistical Plan are not permitted.
- C. ASSIGNMENT OF CLASSIFICATIONS
1. Object of the Classification System  
The object of the classification procedure is to assign the one basic classification which best describes each distinct business enterprise of the insured within a state. Subject to

certain exceptions described in this Rule, each classification includes all the various types of labor found in a business. It is the business which is classified, not the individual employments, occupations or operations within a business. Additional classifications shall be assigned as provided below.

2. Assignment of a Classification

The policy shall contain only classifications approved by the Coal Mine Compensation Rating Bureau and in accordance with this Manual. If the carrier has a subclassification approved by the Commissioner, then the policy shall contain the subclassification. Each classification is presumed to describe an entire business and contemplates all phases and ventures directly related to the business.

The operative procedure within a given plant shall not be subject to division into several Manual classes where the employees are engaged or the different operations are conducted in such a manner that they are all brought together, the employees being commonly exposed to the general hazard of the enterprise which is best represented by its governing classification.

3. Assignment of Additional Classifications

Additional classifications may be used only when valid evidence supports their authorization or in conformity with the rules stated under "Standard Exceptions" and "Inclusions." Additional classes may not be added without Pennsylvania Compensation Rating Bureau authorization when their use is in violation of Manual Rules or an existing Bureau Rate Card.

If there were distinct enterprises (meaning thereby businesses, which are specifically classified in this Manual, but not operations incident to the business covered by the governing classification), conducted in a given plant by the same employer and the entire work in each enterprise is conducted either in a separate building or on a separate floor or floors of a building, or on the same floor in separate departments divided by structural partitions without interchange of labor, the employer conducting each of such enterprises as a separate undertaking with separate records of payroll, then such separate undertakings shall each be separately classified and the proper premium rate applied to each. Any operation incident to the business covered by the governing classification as defined cannot be treated as a separate enterprise within the meaning of this rule.

Any policy which contains more than a single classification cannot contain any classifications representing a payroll less than that of one full-time employee.

4. Payroll Assignment – Multiple Classifications

- a. The payroll of one employee shall not be divided into two or more classes.
- b. When a risk is written on a divided payroll basis the payroll of all employees not specifically classified (such as engineers, watchmen and shipping clerks) must take the rate of the governing classification.

5. N.P.D. – Not Available for Payroll Division

The expression which is used as part of certain classes contained in this Manual (abbreviated N.P.D.) means that the class so indicated must be used when the described operations are performed at the employer's installation and no significant payroll is developed in operations not described by the classification or from operations normally foreign to the conduct of such businesses. Such classes cannot be divided or used as a division of any other class in the Manual. This does not apply to the standard exceptions classes in this Manual.

6. Changing Classifications

The Bureau is empowered to determine, revise or modify the classification applicable to any individual risk. Every policy insuring a risk for which the classifications have been established by the Bureau shall be written in accordance with such classification. If a carrier upon inspection or audit finds any change in operations which requires a change in the classifications established for the risk, the carrier shall immediately report the matter to the Bureau. No application by the carrier of a risk to change the established classifications shall be considered by the Bureau until the carrier has issued and filed a copy of its policy declarations written in accordance with the established classifications. The classifications for any policy shall be subject to correction or modification, or both, if the Bureau finds by inspection or otherwise that the classifications shown in the policy are not properly applicable to the risk. No application to change a classification for a risk on the ground that the risk has been improperly classified shall be considered by the Bureau unless such application is filed directly with the Bureau by the insured or the carrier during the policy period with respect to which the application is made, or within twelve months after the termination thereof.

**D. SHOW THE CLASSIFICATIONS IN ITEM 4 OF THE INFORMATION PAGE**

Show the proper classification wording, with or without notes, and show the code number in Item 4 of the Information Page. Capitalized classification wording may be used instead of the entire wording.

**E. APPEAL FROM CLASSIFICATION ASSIGNMENTS PROCEDURE**

1. The assignment by the Coal Mine Compensation Rating (the "Bureau") of an individual risk to a particular classification in accordance with the system of classification of risks and underwriting rules approved by the Insurance Commissioner pursuant to the Insurance Company Law of May 17, 1921, P.L. 682, as amended, and Act 44 of 1993, (the "Law") may be appealed by any person, corporate or otherwise, aggrieved by such assignment, to the Bureau in accordance with these Rules. Any application to change classifications for a risk on the ground that the risk has been improperly classified must be commenced by the aggrieved person within twelve (12) months of the policy period with respect to which the application is made by filing an appeal directly with the Bureau in accordance with these Rules.
2. A risk which is found on appeal to have been improperly classified, within the existing system of classifications and underwriting rules approved for use by the Insurance Commissioner as of the time of the aggrieved party's appeal to the Bureau in accordance with these Rules, may have its classification amended effective only for the policy currently in effect at the time the aggrieved party first submitted its appeal to the Bureau, in accordance with E.6. hereof and for the immediately preceding expired policy. In the case of a long term policy, the classification may be amended effective only for the unit of coverage currently in effect at the time the aggrieved party first submitted its appeal to the Bureau, in accordance with E.4. hereof, and for the unit of coverage expiring no more than twelve (12) months prior to such appeal to the Bureau.
3. A risk which is reclassified as a result of a change in the Bureau's interpretation of the system of classifications and underwriting rules approved for use by the Insurance Commissioner, may have its classification amended effective as of the date determined by the Bureau's Classification Committee, which date may be prospective or retroactive as determined by the Committee; provided however, that any retroactive effect shall not exceed the time period authorized in E.2. hereof.

4. A risk which is reclassified as a result of a change to the system of classifications and underwriting rules approved for use by the Insurance Commissioner, may have its classification amended effective only as of the date that the change to the system of classifications and underwriting rules is filed for by the Bureau and approved by the Insurance Commissioner.
5. These Rules shall permit a risk which is reclassified on a new and renewal basis only to have its classification amended effective as approved by the Insurance Commissioner.
6. Any aggrieved party, as defined herein, may file an appeal of the classification assignment of a risk. An “aggrieved party” shall be limited to the carrier of record, the insured, or either’s representative designated in writing. The classification appeal must be directed to the Bureau in writing, and must state the basis as to why the classification assignment should no longer apply.

A request for information regarding the Bureau’s classification system or the reason for the assignment of the insured to a particular classification shall not constitute a classification appeal.

Upon the receipt of a classification appeal from either party, the Bureau shall notify the carrier of record or the insured as the case may be within ten (10) working days. The notification shall include the aggrieved party’s stated basis for the classification appeal. Both parties shall be given a reasonable opportunity to submit evidence or supporting information regarding the classification assignment.

The Bureau Staff shall review the request and supporting information from both parties and notify both parties in writing of the results of the Bureau Staff’s review. If either party is still aggrieved by the classification assignment following completion of the Bureau Staff’s review, it shall have the right to present its appeal to the Bureau’s Classification Committee in accordance with the provisions of these Rules. A further appeal by either party of the Classification Committee decision may be taken to the Insurance Commissioner pursuant to Section 654 of the Law and Act 44 of 1993 only after the party has exhausted its rights pursuant to these Rules.

7. Any party aggrieved by a final decision of the Bureau staff pursuant to Rule 6 shall have the right to appeal to the Classification Committee of the Bureau. The Classification Committee may hear and adjudicate appeals in panels of not less than four (4) members, none of whom shall have a direct pecuniary interest in the aggrieved party’s appeal. The panel shall have all the duties and powers of the Committee set forth in these rules and a decision by such a panel shall have the same force and effect as a decision of the Classification Committee under these Rules.

Such appeal must be received by the Bureau no later than ninety (90) days from the date of the Bureau staff’s notice referred to in E.6. hereof. Upon the receipt of a classification appeal to the Classification Committee by either party, the Bureau shall notify the remaining party in writing within ten (10) working days.

8. All appeals pursuant to E.7. hereof must be filed with the Bureau and must meet the following requirements:
  - a. The appeal must be in writing.
  - b. The appeal must set forth in detail the nature of the complaint, all reasons for believing the Bureau decision to be in error, all documents in support of the appeal, the specific nature of relief desired, and whether a hearing before the Classification Committee is requested.



9. Following receipt of the appeal to the Classification Committee, the Bureau will notify the parties of the time and place of the Classification Committee meeting at which the matter shall be heard. If either party, after due notice, fails to be present or represented at a hearing or an adjourned hearing, the Committee may, nevertheless, in its own discretion, proceed with the adjudication of the controversy.
10. The procedure at the hearing shall be as informal as possible and shall include the following items:
  - a. The Chair of the Classification Committee will introduce the parties to the Classification Committee.
  - b. The parties may verbally present their cases or rely upon the written material previously submitted to the Bureau in connection with the appeal.
  - c. Bureau staff members or consultants to the Bureau may present testimony and other information to the Committee relating to the matter under consideration.
  - d. Either party and the Bureau may also present witnesses and documentary evidence relevant to the appeal and either party and the Bureau shall have the opportunity to direct questions to any witness who has testified before the Committee on appeal.
  - e. After all testimony and other evidence have been presented, the hearing shall be declared closed by the Chair of the Committee. Such hearing may, in the discretion of the Committee, be reopened at any time prior to the Committee's decision.
  - f. After the hearing is closed, the Committee shall arrive at its decision in executive session.
  - g. The decision shall be in writing, shall specify all factual and other bases for the decision, and shall be sent to both parties.
  - h. The decision shall be included in the minutes of the meetings of the Classification Committee and be retained in the records of the Bureau.
11. Neither party is required to be represented by an attorney at any stage in any proceeding. However, both parties have a right, at their own expense to be represented by an attorney. If either party is represented by an attorney, the party shall so notify the Bureau and the other party in writing and shall also furnish the Bureau and the other party with the attorney's name and mailing address. After the Bureau has received such notification from either party, subsequent papers in the proceeding to be served on such party shall be served only upon the attorney.
12. Notices of the time and place of hearing shall be given to the parties, or their attorney pursuant to E.11. hereof, in writing personally or by registered or certified mail at least ten (10) days in advance of such hearing, unless such notice is waived by both parties or their attorneys. When a meeting is adjourned to another time or place, written notice need not be given of the adjourned hearing if the time and place thereof are announced at the meeting during which all parties are present at which the adjournment is taken. All other notices, orders, papers, or communications, including a copy of the decision may be served on both parties by hand delivery or by regular first class mail to both parties or their attorneys at the last known mailing address provided to the Bureau.
13. During the course of all proceedings governed by these Rules, the Committee in a particular case shall have the power to interpret and apply the foregoing Rules, and such interpretation shall be binding upon the parties.
14. Appeals from a final decision of the Classification Committee pursuant to these Rules must be filed with the Insurance Commissioner within thirty (30) days of the mailing date of the Committee's decision as provided in Section 654 of the Law and Act 44 of 1993.

15. Unless otherwise specifically provided by these Rules of Procedure, all periods of time shall be calculated from the postmark on mail sent by first class through the United States Postal Service or the date of any hand delivery whichever date is earlier.
16. Nothing contained in these Rules shall prevent efforts to resolve any controversies governed by these Rules on an informal basis at any stage of the proceedings before the Bureau or the Classification Committee.

#### **RULE V – PREMIUM BASIS**

##### Item 4 of the Information Page

#### **A. BASIS OF PREMIUM – TOTAL REMUNERATION**

Premium shall be computed on the basis of the total remuneration paid or payable by the insured for services of employees covered by the policy.

#### **B. REMUNERATION – PAYROLL**

1. Definition  
Remuneration means money or substitutes for money.
2. Inclusions  
Remuneration includes:
  - a. Commissions;
  - b. Bonuses;
  - c. Extra pay for overtime work;
  - d. Pay for holidays, vacations or periods of sickness or accrued sick time;
  - e. Payment by an employer of amounts otherwise required by law to be paid by employees to statutory insurance or pension plans, such as the Federal Social Security Act;
  - f. Payment to employees on any basis other than time worked, such as piece work, profit sharing or incentive plans;
  - g. Payment or allowance for hand tools or power tools used by hand provided by employees and used in their work or operations for the insured;
  - h. The rental value of an apartment or a house provided for an employee based on comparable accommodations;
  - i. The value of lodging, other than an apartment or house, received by employees as part of their pay, to the extent shown in the insured's records;
  - j. The value of meals received by employees as part of their pay to the extent shown in the insured's records;
  - k. The value of store certificates, merchandise, credits or any other substitute for money received by employees as part of their pay;
  - l. Adjustments necessary to bring employees to minimum wage as shall be included.
3. Exclusions  
Remuneration excludes:
  - a. Payments by an employer to group insurance or group pension plans for employees, other than payments covered by Rule V-B2e;
  - b. Payments made by the employer to a Group Insurance Pension Plan or to an employee directly in lieu of the foregoing because of the Provisions of the Pennsylvania Prevailing Wage Act, 43:1-17 Section 276A of Title 40 of the U.S. Code (Davis-Bacon Act) and amendments thereto. For more details see Rules & Interpretations Section of the Manual.
  - c. The value of special rewards for individual invention or discovery;

- d. Dismissal or severance payments except for time worked or accrued vacation;
  - e. Tips and other gratuities received by employees.
4. Payroll  
Payroll means remuneration. The compensation rates of the carrier shall be applicable to the remuneration of all employees of the insured without exception, and compensation policies shall not be written except upon the entire payroll of the risk which is the subject of the insurance, which risk shall be divided into risk classes where specifically permitted or directed by these rules, but not otherwise. Under no circumstances shall a compensation policy be written on any part of the risk leaving another part of the risk uninsured.
- C. ESTIMATED PAYROLLS
1. Estimated Payrolls By Classification  
For each classification shown on the Information Page, the total estimated annual payroll shall be stated in the column headed Premium Basis – Total Estimated Annual Remuneration.
  2. Determination of Estimated Payrolls  
Estimated payrolls shown on the Information Page shall reflect actual remuneration anticipated by the insured during the policy period. Such estimates shall be subject to substantiation by records or inspections.
  3. Approval of Estimated Payrolls  
Adequacy of estimated payrolls is subject to approval by the Coal Mine Compensation Rating Bureau.
- D. WHOLE DOLLARS – PAYROLLS
- All payrolls shall be shown to the nearest dollar.
- E. PAYROLL LIMITATION
1. How Payroll Limitation Applies  
For executive officers, sole proprietors, partners and members of a Limited Liability Company (LLC) that have obtained coverage and classifications with notes which indicate payroll limitation, the payroll on which premium is based shall exclude that part of the employee's average weekly pay in excess of the applicable weekly limitation, which has been approved and published in the Pennsylvania Compensation Rating Bureau Manual, provided:
    - a. Books and records are maintained to show separately the total payroll earned by each employee whose average weekly pay for the total time employed during the policy period exceeds the weekly payroll limitation, and
    - b. Separate records are maintained in summary by classification for such employees.
  2. Partial Week  
A part of a week shall be treated as a full week in determining average weekly pay.

#### **RULE VI – PROVISION FOR CLAIM PAYMENT**

- A. For each classification shown on the pages in Section Two of this Manual, the Bureau will publish a loss cost. This Bureau loss cost must be filed with and prior approved by the Insurance Commissioner. This loss cost shall represent the anticipated ultimate losses per \$100 of payroll for each class. The loss cost does not consider any provisions for loss adjustment expenses, underwriting expenses, or profit and contingency.
- B. The loss costs in Section Two of this Manual will be separately calculated and displayed for traumatic, state occupation disease and federal occupational disease for each classification.

- C. Carriers may use the Bureau's published loss costs to determine the rates or premiums to be charged. Carriers have the option of filing for approval, their own loss costs by classification.
- D. Unless the carrier has received approval of its own set of loss costs, each carrier that is a member of the Bureau must use the Bureau's loss costs by classification and by coverage.
- E. EXPERIENCE RATING PLAN
  - 1. If the risk is subject to experience rating, the experience mod shall be multiplied times the carrier's manual rate for traumatic coverage only. The mod shall not be applied to the carrier's occupational disease rates.
  - 2. Copies of Experience Mod Calculations
    - a. The insurance carrier of record at the time of mod issuance is furnished with two copies of the experience mod calculation.
    - b. The Bureau shall furnish to any insured employer upon his written request, or to the Home Office or Branch Office of any member of the Bureau upon the written request of the employer, a copy of the experience mod calculation of his risk at a cost of \$15.00. Notice of such request shall be furnished to the Insurance Carrier of record.
- F. MERIT RATING PLAN
  - 1. If the risk does not qualify for experience rating, the risk may qualify for a Merit Rating Plan adjustment.
  - 2. The Bureau shall determine which risks are eligible and the amount of the adjustment.
  - 3. Any Merit Rating Plan adjustment will be noted on the employer cards issued by the Bureau. The Merit Rating Plan adjustment shall be applied to the carrier's manual rate for traumatic coverage only. The adjustment shall not be applied to the carrier's occupational disease rates.
  - 4. For additional details, refer to Section Six, the Merit Rating Plan section in this manual.

#### **RULE VII – CARRIER'S RATE**

- A. This manual will not contain the rates for any carrier.
- B. Each carrier may use the provisions for claim payment as published in Section Two of this Manual as the basis for their rates. Each carrier may file for approval by the Commissioner, their own provisions for claim payment.
- C. The rate for each carrier shall be based upon the appropriate provision for claim payment and the carrier's loss cost modification filing in effect.
- D. The minimum premium, if any, shall be determined by the carrier's approved filings. The minimum premium is the lowest premium amount for which a single risk can be written and carried for any period of time.
- E. Premium discount, if any, shall be determined by the carrier's approved filings. Premium discount recognizes that the relative expense cost of issuing and servicing larger premium policies is less than for smaller premium policies.
- F. Retrospective rating adjustment, if any, shall be determined by the carrier's approved filings.

#### **RULE VIII – LIMITS OF LIABILITY**

Item 3-B of the Information Page

- A. WORKERS COMPENSATION AND EMPLOYERS LIABILITY POLICY
  - 1. Part One – Workers Compensation

There is no limit of liability in the standard policy for Part One – Workers Compensation. The policy provides all benefits required by the Pennsylvania Workers Compensation Law and Occupational Disease Act.

2. Part Two – Employers Liability

a. Standard Limits

The standard limits of liability under Part Two are:

Bodily Injury by Accident: \$100,000 – each accident

Bodily Injury by Disease: \$100,000 – each employee

Bodily Injury by Disease: \$500,000 – policy limit.

b. Increased Limits

The limits under Part Two may be increased subject to the following:

(1) The limits of liability shall be the same for all states specified in Item 3-A of the Information Page.

(2) The additional premium for increased limits shall be determined by multiplying the total carrier premium by the percentage in the following Table for Increased Limits. For this purpose, total premium shall be computed after the application of the experience mods, if any.

**TABLE FOR INCREASED LIMITS**

Limits of Liability (\$000s omitted)	Percentage Charge	Statistical Codes
\$100/100/1,000	+0.2%	9803
100/100/5,000	+1.0%	9805
100/100/10,000	+2.0%	9806
500/500/500	+1.1%	9807
500/500/1,000	+1.3%	9808
500/500/5,000	+2.1%	9810
500/500/10,000	+3.1%	9811
1,000/1,000/1,000	+1.4%	9812
1,000/1,000/5,000	+2.2%	9814
1,000/1,000/10,000	+3.2%	9815
Over 1,000/1,000/10,000	(a)	9816
All other	Refer to Table 1	9837

(a) Apply to Bureau for higher limit charges.

Table 1  
Bodily Injury by Disease: Policy Limit (\$000 Omitted)

	Loss											
	Limit	500	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000	10,000
Bodily	100	0.0%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%
Injury by	200	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%
Accident	300	0.7%	0.9%	1.1%	1.3%	1.5%	1.7%	1.9%	2.1%	2.3%	2.5%	2.7%
Each	400	0.9%	1.1%	1.3%	1.5%	1.7%	1.9%	2.1%	2.3%	2.5%	2.7%	2.9%
Accident	500	1.1%	1.3%	1.5%	1.7%	1.9%	2.1%	2.3%	2.5%	2.7%	2.9%	3.1%
Limit and	1,000		1.4%	1.6%	1.8%	2.0%	2.2%	2.4%	2.6%	2.8%	3.0%	3.2%
Bodily	2,000			1.8%	2.0%	2.2%	2.4%	2.6%	2.8%	3.0%	3.2%	3.4%
Injury by	3,000				2.2%	2.4%	2.6%	2.8%	3.0%	3.2%	3.4%	3.6%
Disease	4,000					2.6%	2.8%	3.0%	3.2%	3.4%	3.6%	3.8%
Each	5,000						3.0%	3.2%	3.4%	3.6%	3.8%	4.0%
Employee	6,000							3.4%	3.6%	3.8%	4.0%	4.2%
Limit (\$000	7,000								3.7%	3.9%	4.1%	4.3%
Omitted)	8,000									4.0%	4.2%	4.4%
	9,000										4.3%	4.5%
	10,000											4.6%

(3) The premium for increased limits shall be subject to any experience rating, merit rating, deductible credit, carrier’s premium discount or retrospective rating, if applicable.

c. Accident Limit

The limit of liability under Part Two for Bodily Injury by Accident applies to all bodily injury arising out of any one accident.

d. Disease Limits

The limit of liability under Part Two for Bodily Injury by Disease – each employee – applies as a separate limit to bodily injury by disease to any one employee and the limit of liability for Bodily Injury by Disease – policy limit – applies as an aggregate limit for all bodily injury by disease, regardless of the number of employees who sustain bodily injury by disease.

3. Show Limit on the Information Page

The limits of liability under Part Two must be stated in Item 3-B of the Information Page.

B. VOLUNTARY COMPENSATION INSURANCE

1. Standard Limits

The standard limits of liability under Part Two – Employers Liability Insurance for employees subject to voluntary compensation insurance are:

Bodily Injury by Accident: \$100,000 – each accident

Bodily Injury by Disease: \$100,000 – each employee

Bodily Injury by Disease: \$500,000 – policy limit

The limit of liability for Bodily Injury by Accident applies to all bodily injury arising out of any one accident.

The limit of liability for Bodily Injury by Disease – each employee – applies as a separate limit to bodily injury by disease to any one employee and the limit of liability for Bodily

Injury by Disease – policy limit – applies as an aggregate limit for all bodily injury by disease, regardless of the number of employees who sustain bodily injury by disease.

2. Increased Limits

The standard limits under Part Two Employers Liability for employees subject to voluntary compensation insurance may be increased. The premium for the increased limits shall be determined by using the Table in Rule A.2.b.

3. Premium Determination

Premium shall be determined on the basis of the workers compensation rules and classifications in this Manual and the carrier's rates for the state workers compensation law designated in the schedule in the Voluntary Compensation and Employers Liability Coverage Endorsement.

4. Payroll Records

When voluntary compensation insurance is provided for a group of employees, separate payroll records shall be maintained by the insured for the designated group of employees.

## **RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM**

### **A. EXECUTIVE OFFICERS**

1. Definition

Executive Officers of a corporation are the President, Vice President, Secretary, Treasurer or any other officer appointed or elected in accordance with the charter or by-laws of the corporation.

2. Law and Status

Executive Officers of a corporation are covered under the Pennsylvania Workers' Compensation Law and have the same status as employees under the policy.

Exceptions to 2. Above:

a. Elected officers of Pennsylvania or its political subdivisions are not considered employees, therefore, they are not covered by the policy.

b. An executive officer, who has ownership interest in a Subchapter "S" corporation or has at least 5% ownership interest in a Subchapter "C" corporation, may elect not to be covered for benefits provided by the PA Workers Compensation Act. Such individuals must be covered for benefits provided by the Federal Mine Safety and Health Act, as amended. If the election is made, the named Executive Officer shall be excluded from benefits under the PA Workers Compensation Act, and their remuneration shall not be included in the calculation of the Traumatic or State OD premium. Their remuneration shall be included in the calculation of the Federal OD premium. In order to be excluded from coverage under the PA Workers Compensation Act, both the employer and the individual Executive Officer must complete and file the appropriate forms with the PA Department of Labor and Industry, Bureau of Workers Compensation. The Executive Officer Exclusion Endorsement (WC 37 03 10B) must be completed and attached to the policy, indicating that the individual Executive Officer is to be excluded from coverage under the PA Workers Compensation Act.

3. Premium Determination

Premium for executive officers, other than the exceptions noted in A.2 above, shall be based on their total payroll, subject to the following:

a. The requirements of Rule V-E.

- b. The minimum individual payroll for an executive officer is the value published and approved in the Pennsylvania Compensation Rating Bureau Manual.
    - c. The maximum individual payroll for an executive officer is the value published and approved in the Pennsylvania Compensation Rating Bureau Manual.
  4. Assignment of Payroll  
Payroll shall be assigned to the classification which applies to the principal operations in which the executive officer is engaged.  
Exceptions to 4 above:  
Payroll of an executive officer who regularly and frequently engages in duties which are ordinarily performed by a superintendent, foreman or worker shall be assigned to the appropriate classification for that type of work.
  5. Flight Duties  
Payroll of an executive officer who is a pilot or member of the flying crew of an aircraft used in the insured's business shall be assigned as follows:
    - a. For each week during which the executive officer did not perform flight duties, assign the officer's payroll as provided in Rule IX-A-4.
    - b. For each week during which the executive officer performed flight duties, assign the officer's payroll for that week to Code 7421 Transportation of Personnel for Business. If an executive officer's non-flying duties in such a week are subject to a higher rated classification, that higher Bureau loss cost classification shall be assigned in that week. Rules 5a and b apply on the basis of the pilot's log book required under Federal regulations or other verifiable records.  
If Code 7421 Transportation of Personnel for Business applies and verifiable records are not maintained to indicate those weeks during which flying is performed by executive officers, their payroll shall be assigned to the highest Bureau loss cost classification which applies to any of their operations.
- B. SOLE PROPRIETORS, PARTNERSHIPS AND MEMBERS OF A LIMITED LIABILITY COMPANY  
Sole proprietors, partners and members of a Limited Liability Company (LLC) are not mandatorily covered by the Pennsylvania Workers' Compensation Act or the Pennsylvania Occupational Disease Act. A sole proprietor, partner or member of a Limited Liability Company (LLC) may be able to purchase and/or be insured under a standard workers compensation insurance policy. When such coverage is provided, attach WC 00 03 10 – Sole Proprietors, Partners, Officers and Others Coverage Endorsement, to the policy, naming the individual(s) so insured.
  - Premium Determination  
Premium for sole proprietors, partners and members of a Limited Liability Company (LLC) shall be based on their total payroll, subject to the following:
    - a. The requirements of Rule V-E.
    - b. The minimum individual payroll for a sole proprietor, partner or member of a Limited Liability Company is the value published and approved in the Pennsylvania Compensation Rating Bureau Manual.
    - c. The maximum individual payroll for a sole proprietor, partner or member of a Limited Liability Company is the value published and approved in the Pennsylvania Compensation Rating Bureau Manual.
- C. SUBCONTRACTORS
  1. Law on Contractors and Subcontractors.



Pennsylvania Workers' Compensation Act, Article II, Section 203 and Article III Section 302 a & b, provides that an employer/contractor is responsible for the payment of compensation benefits to employees of its uninsured contractor/subcontractors.

2. Coverage

If the contractor has specifically assumed this liability, use the Statutory Employer Endorsement in Section Three of this Manual. The carrier for the subcontractor should use Exclusion of Employees Endorsement in Section Three of this Manual.

3. Premium for Uninsured Subcontractors

The employer/contractor shall furnish satisfactory evidence that the contractor/subcontractor had workers' compensation insurance in force covering the work performed for the employer/contractor. For each contractor/subcontractor for which such evidence is not furnished, additional premium shall be charged on the policy which insured the employer/contractor as follows:

- a. The employer/contractor shall provide a complete payroll record of the employees of each uninsured contractor/subcontractor. Premium on such payroll shall be based on the classifications and carrier rates which would have applied if the employees of the contractor/subcontractor had been employees of the employer/contractor.
- b. If the employer/contractor does not supply the payroll records of its contractor/subcontractor, the full contract/subcontract price of the work performed during the policy period by the contractor/subcontractor shall be established as the payroll of the subcontractor's employees. The additional premium shall be charged on that amount as payroll.

*Exception to 3b above:*

If investigation on a specific job discloses that a definite amount of the contract/subcontract price represents payroll, such amount shall be the payroll for the additional premium computation. In contracts for labor and material, the payroll shall not be less than 50% of the contract/subcontract price. In contracts for labor only, the payroll shall be established as not less than 90% of the subcontract price.

- c. If an experience mod has been established for the employer/contractor, such experience mod shall be applied to the premium developed for the uninsured contractor/subcontractor.

D. EX-MEDICAL COVERAGE

Ex-medical coverage is prohibited in the state of Pennsylvania.

E. DEDUCTIBLES

The policyholder can request, subject to the carrier's underwriting criteria, that the traumatic portion of their policy be issued on a deductible basis. The three (3) statutory deductible options, as published by the Insurance Commissioner are: \$1,000, \$5,000 and \$10,000.

1. Deductible coverage shall be made part of the policy if requested by the policyholder and acceptable to the carrier's underwriting criteria.
2. The deductible shall apply per claim for the traumatic coverage only.
3. The benefits will be paid by the insurance carrier without regard to any deductible.
4. The policyholder agrees to reimburse the carrier up to the deductible amount for any traumatic benefits paid to claimants.
5. Failure of the policyholder to reimburse the carrier within thirty (30) days of written notice for any deductible amount shall be treated as non-payment of premium under the policy.

6. The traumatic premium for the policy shall be reduced by a credit which shall be applied prior to experience modification or other carrier premium modifications.
7. If the policy is issued with a deductible provision, the Deductible Endorsement (WC 37 04 03) shall be issued and made part of the policy.
8. The traumatic loss elimination ratio (LER) for the statutory deductible shall be in accordance with the following table:

<u>Deductible Level</u>	<u>Traumatic LER</u>
\$1,000	2.8%
\$5,000	8.4%
\$10,000	13.1%

F. SAFETY COMMITTEE CREDIT

1. The policyholder may apply to the Pennsylvania Department of Labor and Industry for certification of a Safety Committee.
2. If the certification by Labor and Industry is granted, the policyholder’s next policy shall be issued with a five (5) percent credit from the carrier’s otherwise rates for traumatic coverages only.
3. The five (5) percent credit shall continue if the employer, by affidavit, annually provides the Department of Labor and Industry and its insurer, verification that the safety committee continues to be operative and continues to meet the certification requirements.
4. This credit shall not apply to the policy period in effect when the certification is issued. The credit must be applied to the policy period beginning with the next normal anniversary rating date.
5. If the credit is to apply, the Certified Safety Committee Endorsement (WC 37 04 04A) shall be made part of the policy.

G. EMPLOYER ASSESSMENTS

1. In accordance with regulations promulgated by the PA Department of Labor and Industry, assessments for the maintenance of the Administrative Fund, Supersedeas Fund, Subsequent Injury Fund and Uninsured Employers Guaranty Fund are to be imposed on employers and are to be collected and remitted through insurance carriers.
2. The coal mine employer assessment factor shall apply to classifications under the jurisdiction of the Coal Mine Compensation Rating Bureau (CMCRB).
3. Each coal mine employer’s assessment amount shall equal the currently approved coal mine employer assessment factor times the coal mine employer’s assessment premium base in accordance with the following formula:  

Employer assessment equals the coal mine employer’s assessment factor times the employer’s assessment premium base.
4. The coal mine employer’s assessment premium base shall include the actual premiums charged for traumatic and state occupational disease coverages. Since the Dept. assessments do not impact federal coverages, the coal mine employer’s assessment base premium shall not include premiums for federal occupational disease and/or any premiums for coverage under the federal U.S.L. & H.W. Law.
5. The coal mine employer’s assessment premium base shall not include any small deductible or large deductible premium credits on the traumatic and/or state occupational disease coverages.

6. The amount of the coal mine employer's assessment to be imposed and collected shall be in whole dollars, shall be separately displayed on the standard policy, and shall be designated by statistical code 0938.

#### H. TERRORISM

Premium for Terrorism is calculated based upon payroll in classifications under the jurisdiction of the CMCRB. The premium is calculated by dividing the coal traumatic payroll by \$100 and multiplying the result by the carrier's rate. Occupational Disease payroll is excluded from this calculation. The Terrorism premium shall be manually rated and shall not be subject to adjustments, including but not limited to, experience rating, merit rating, schedule rating, safety committee credits, or deductible credits. The Terrorism premium shall be included in the base premium used to calculate the non-premium Employer Assessment. Premium generated for Terrorism shall be separately stated on the Standard Policy and shall be designated to Statistical Code 9740.

#### I. CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM)

Premium for Catastrophe (Other than Certified Acts of Terrorism) is calculated based upon payroll in classifications under the jurisdiction of the CMCRB. The premium is calculated by dividing the coal traumatic payroll by \$100 and multiplying the result by the carrier's rate. Occupational Disease payroll is excluded from this calculation. The Catastrophe (Other than Certified Acts of Terrorism) premium shall be manually rated and shall not be subject to adjustments, including but not limited to, experience rating, merit rating, schedule rating, safety committee credits, or deductible credits. The Catastrophe (Other than Certified Acts of Terrorism) premium shall be included in the base premium used to calculate the non-premium Employer Assessment. Premium generated for Catastrophe (Other than Certified Acts of Terrorism) shall be separately stated on the Standard Policy and shall be designated to Statistical Code 9741.

### RULE X – CANCELLATION

#### A. WHO MAY CANCEL

1. The Cancellation Condition of the Standard Policy permits cancellation by the insured or by the insurance carrier.
2. Pennsylvania enacted legislation that prohibits an insurance carrier from cancelling workers compensation during their term, except for non-payment of premium. If the policy is issued with a deductible provision, failure by the policyholder to reimburse the carrier for stated deductible amounts, within thirty (30) days of written notice, shall be treated as non-payment of premium.
3. Reinstatement

When a notice of cancellation for non-payment has been issued, if the insurer thereafter receives payment and voluntarily determines to reinstate the policy, such reinstatement of coverage must be retroactive to the cancellation date.

Alternatively, if the insurer does not want to reinstate the policy as of the cancellation date but voluntarily determines to resume coverage after a lapse in coverage, the insurer must issue a new policy. Such new policy must carry the carrier's rates and rating plan values effective at the time the policy is issued.

**IMPORTANT NOTICE:** CANCELLATION NOTICES MUST BE FILED WITH THE BUREAU WITHIN 10 DAYS OF ISSUANCE; PROVIDED, HOWEVER, THAT FAILURE TO FILE SUCH NOTICE WITHIN THE REQUIRED TIME SHALL NOT INVALIDATE ANY CANCELLATION WHICH HAS BEEN MADE IN ACCORDANCE WITH THE PROVISIONS OF THE POLICY.

**B. PREMIUM DETERMINATION – CANCELLATION BY THE INSURANCE CARRIER**

Premium for the canceled policy shall be computed as follows:

**1. Rates and Payroll**

Apply carrier manual rates to the payroll developed during the period the policy was in effect.

**2. Experience Rating**

Apply any experience mod in accordance with the rules of the Experience Rating Plan.

**C. PREMIUM DETERMINATION – CANCELLATION BY THE INSURED, WHEN RETIRING FROM BUSINESS**

Compute the premium as provided in B above if a policy is cancelled by the insured when:

1. All the work covered by the policy has been completed, or
2. All interest in any business covered by the policy has been sold, or
3. The insured has retired from all business covered by the policy.

**D. PREMIUM DETERMINATION—CANCELLATION BY THE INSURED, EXCEPT WHEN RETIRING FROM BUSINESS**

The premium for the canceled policy shall be based on the Short Rate Cancellation Table in this rule and computed as follows:

**1. Actual Payroll**

Determine the payroll developed during the period the policy was in effect.

**2. Extended Payroll**

Extend such payroll pro-rata to an annual basis.

*Example*

A payroll of \$80,000 for 185 days would produce a payroll of \$157,838 on an annual basis:  
 $\$80,000 \times 365 / 185 = \$157,838.$

**3. Rates**

Apply carrier manual rates to the payroll in 2 above.

**4. Experience Rating**

Apply any experience mod in accordance with the rules of the Experience Rating Plan.  
Refer to Rule VI-E.

**5. Short Rate Percentage**

Based on the time the policy was in effect, apply the short rate percentage shown in the Short Rate Cancellation Table in this rule to the annual premium computed on the basis of the extended payroll in order to determine the short rate portion of the annual premium.

*(Continued on the next page...)*

E. SHORT RATE CANCELLATION TABLE FOR TERM OF ONE YEAR

Days Policy In Force		Percent of One Year Premium	Days Policy In Force		Percent of One Year Premium
(1)		(2)	(1)		(2)
1		5%	154-156		53%
2		6	157-160		54
3-4		7	161-164		55
5-6		8	165-167		56
7-8		9	168-171		57
9-10		10	172-175		58
11-12		11	176-178		59
13-14		12	179-182	(6 mos.)	60
15-16		13	183-187		61
17-18		14	188-191		62
19-20		15	192-196		63
21-22		16	197-200		64
23-25		17	201-205		65
26-29		18	206-209		66
30-32	(1 mo.)	19	210-214	(7 mos.)	67
33-36		20	215-218		68
37-40		21	219-223		69
41-43		22	224-228		70
44-47		23	229-232		71
48-51		24	233-237		72
52-54		25	238-241		73
55-58		26	242-246	(8 mos.)	74
59-62	(2 mos.)	27	247-250		75
63-65		28	251-255		76
66-69		29	256-260		77
70-73		30	261-264		78
74-76		31	265-269		79
77-80		32	270-273	(9 mos.)	80
81-83		33	274-278		81
84-87		34	279-282		82
88-91	(3 mos.)	35	283-287		83
92-94		36	288-291		84
95-98		37	292-296		85
99-102		38	297-301		86
103-105		39	302-305	(10 mos.)	87
106-109		40	306-310		88
110-113		41	311-314		89
114-116		42	315-319		90
117-120		43	320-323		91
121-124	(4 mos.)	44	324-328		92
125-127		45	329-332		93
128-131		46	333-337	(11 mos.)	94
132-135		47	338-342		95
136-138		48	343-346		96
139-142		49	347-351		97
143-146		50	352-355		98
147-149		51	356-360		99
150-153	(5 mos.)	52	361-365	(12 mos.)	100

**RULE XI – U.S. LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT****A. GENERAL EXPLANATION**

The U.S. Longshore and Harbor Workers' Compensation Act (U.S.L. & H.W. Act) is a Federal law which provides for payment of compensation and other benefits to employees such as longshoremen, harbor workers, ship repairmen, shipbuilders, shipbreakers and other employees engaged in loading, unloading, repairing or building a vessel. It applies to such employees while working on navigable waters of the United States and also while working on any adjoining pier, wharf, dry dock, terminal, building way, marine railway, or other area adjoining such navigable waters customarily used for loading, unloading, repairing or building a vessel. It does not cover masters or members of the crew of a vessel. For complete details see U.S. Code (1946), Title 33, Section 901-49, amended by Public Law 92-576.

**B. WORKERS COMPENSATION INSURANCE – PART ONE**

The standard policy is used to insure the statutory obligation of an employer to furnish benefits required by the U.S.L. & H.W. Act. Attach the standard Longshore and Harbor Workers' Compensation Act Coverage Endorsement (WC 00 01 06A) to provide such insurance. Do not designate the U.S.L. & H.W. Act in Item 3-A of the Information Page.

**C. EMPLOYERS LIABILITY INSURANCE – PART TWO**

For operations subject to the U.S.L. & H.W. Act, the standard limits of liability under Part Two are:

Bodily Injury by Accident: \$100,000 – each accident

Bodily Injury by Disease: \$100,000 – each employee

Bodily Injury by Disease: \$500,000 – policy limit

Refer to Rule VIII.

**D. CLASSIFICATIONS AND RATES****1. Classifications**

The provision for claim payment for Coal Mine classifications provide for coverage under the provisions of the Pennsylvania Worker's Compensation and Occupational Disease Laws, as amended, and the Federal Mine Safety and Health Act, as amended only. The provision for claim payment has not been calculated to provide for coverage under the U.S. Longshore and Harbor Workers' Act (U.S.L. & H.W.)

**2. Rates**

The authorized rate for any such classification which is used to cover operations subject to the U.S.L. & H.W. Act, as amended, shall be the average of the underground mining, traumatic manual loss cost and the surface mining traumatic manual loss cost, times the Commissioner's published multiplier of 1.17, increased by the U.S. Longshore and Harbor Workers' Compensation coverage percentage which has been approved and published in the Pennsylvania Compensation Rating Bureau Manual. This traumatic rate shall be applied to the entire payroll of employees engaged in operations subject to the U.S.L. & H.W. Act. The state and federal occupational disease provisions for claim payment of the governing class published in this manual, extended by the class published in this manual, extended by the carrier's multiplier, shall be charged for the state and federal occupational disease portions.

**RULE XII – 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 and classifications in this Manual and the carrier's rates, and is 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 Audit) of the Standard Policy.

**D. AUTHORIZED CLASSIFICATIONS**

Classifications which are not expressed on the policy shall not be used in auditing the payroll of any risk upon which a Card has been issued by the Coal Mine Compensation Rating Bureau of Pennsylvania, unless upon application to the Bureau the Card shall be revised.

**RULE XIII – ANTHRACITE UNDERGROUND MINE RESCUE TEAMS****A. GENERAL EXPLANATION**

Anthracite Underground Mine Rescue Teams, formed under the direction of the Pennsylvania Department of Environmental Protection or the Federal Mine Safety and Health Administration, may be available in the event of a disaster or mine catastrophe. Such teams shall be classified as Anthracite Underground Mining.

**B. PROVISIONS FOR CLAIM PAYMENT**

The Pennsylvania and Federal Occupational Disease provisions for claim payment for Anthracite Underground Mine Rescue Teams will be the same as the provisions for claim payment in effect for Anthracite Underground Mining. However, due to the hazardous nature of the work, the provision for claim payment for Workers' Compensation coverage, Code 1010, only, will be increased by 100% (2 x Manual Provision for Claim Payment), and not subject to experience or retrospective rating.

**RULE XIV – PROFESSIONAL EMPLOYER ORGANIZATIONS, PROFESSIONAL EMPLOYER AGREEMENTS AND PROFESSIONAL EMPLOYER SERVICES****A. DEFINITIONS – PROFESSIONAL EMPLOYER ORGANIZATION (PEO)**

The following words and phrases when used in this rule shall have the meanings given to them in this section unless the context clearly indicates otherwise. (These definitions are intended to be consistent with the definitions used in Act 102 of 2012.):

- Client – Any person who enters into a Professional Employer Agreement with a Professional Employer Organization.
- Co-employer – A Professional Employer Organization or Client.
- Co-employment Relationship – A relationship which is intended to be an ongoing relationship rather than temporary or project specific one, wherein the rights, duties and obligations of an employer which arise out of an employment relationship have been allocated between Co-employers pursuant to a Professional Employer Agreement and Act 102 of 2012.
- Covered Employee – An individual co-employed by a Professional Employer Organization and a Client who meets the following criteria:

1. The individual has received written notice of co-employment with the Professional Employer Organization.
  2. The individual's Co-employment Relationship is pursuant to a Professional Employer Agreement subject to Act 102 of 2012.
- Department – The Department of Labor and Industry of the Commonwealth.
  - Direct Hire Employee – An individual who is an employee of either the Client or the PEO within the meaning of the Act of June 2, 1915 (P.L. 736, No. 338) known as the Workers' Compensation Act, and who is not a Covered Employee.
  - Master Policy Basis – An agreement under which a single workers' compensation policy issued to the Professional Employer Organization provides coverage for more than one Client and may provide coverage to the Professional Employer Organization with respect to its Direct Hire Employees. Two or more Clients that are insured under the same policy solely because they are under common ownership are considered a single Client for purposes of this definition.
  - Multiple Coordinated Policy Basis – An agreement under which a separate workers' compensation policy is issued to the Professional Employer Organization on behalf of each Client or group of affiliated Clients with payment obligations and certain policy communications related to such workers' compensation policy coordinated through the Professional Employer Organization.
  - Person – Any individual, partnership, corporation, limited liability company, association or any other form of legally recognized entity.
  - Professional Employer Agreement – A contract by and between a Client and a Professional Employer Organization that provides:
    1. for the co-employment of Covered Employees;
    2. for the allocation of employer rights and obligations between the Client and the Professional Employer Organization with respect to the Covered Employees; and
    3. that the Professional Employer Organization and the Client assume the responsibilities required under Act 102 of 2012.
  - Professional Employer Organization or PEO – Any person engaged in the business of providing Professional Employer Services.
  - Professional Employer Services – The business of entering into Co-employment Relationships under Act 102 of 2012.

Under Professional Employer Agreements one business provides workers to another business entity under an agreement wherein all or substantially all of the employees of the Client are thereafter employed by the PEO and leased back to the original employer through a Professional Employer Agreement. The Professional Employer Agreement is long term in nature and is specifically not an arrangement to provide temporary help services to fill seasonal or temporary staffing shortages.

Act 102 of 2012 provides that both the PEO and the Client shall be an employer for Covered Employees assigned to the Client for purposes of Act 102 of 2012 and the Act of June 2, 1915 (P.L. 736, No. 338), known as the Workers' Compensation Act.

#### B. POLICY ISSUANCE

The responsibility to provide workers' compensation coverage for Covered Employees shall be specifically allocated in the Professional Employer Agreement to either the Client or the Professional Employer Organization.



1. When the responsibility to provide workers compensation coverage is allocated to the PEO, the PEO must provide coverage for all Covered Employees assigned to the Client.
2. When the responsibility to provide workers compensation coverage is allocated to the Client, the Client must provide coverage for all of its Covered Employees and Direct Hire Employees.

C. METHODS OF COVERAGE

PEOs and Clients may qualify to self-insure their respective obligations under the Workers' Compensation Act. In addition, there are three available options for Clients and PEOs that have entered into Professional Employer Agreements to insure their statutory obligations under the Workers' Compensation Act as Co-employers for their Covered Employees. These options are as described following:

1. Option One – The PEO provides workers' compensation insurance for Covered Employees of the Client by purchasing a Multiple Coordinated Policy (MCP) to insure such Covered Employees.

Under this option, a separate workers' compensation insurance policy is issued to the PEO on behalf of each Client. These policies insure the Client's Covered Employees without leaving uninsured gaps or creating overlaps in coverage with other insurance policies. Each policy written on a Multiple Coordinated Policy basis shall be issued to the PEO as the primary named insured and must identify both the PEO and the Client as insureds. The named insured must be of the form "PEO Name L/C/F Client Name". The Pennsylvania Multiple Coordinated Policy Endorsement (WC 37 03 11) must be added to each such policy, specifying which Covered Employees are insured by that policy.

- The insurer must assign risk classifications to each Client based on the totality of the Client's Pennsylvania operations regardless of whether workers engaged therein are provided under one or more Professional Employer Agreements or are Direct Hire Employees of the Client.
- Policies written on an MCP Basis **by the same insurer** for a PEO as named insured may be combinable by agreement between the PEO and the insurer for purposes of premium discount, retrospective rating, schedule rating and other approved pricing programs. Such approved pricing programs may be based on the combined total standard premium and losses of all Multiple Coordinated Policies issued to the PEO as the primary named insured.
- If the Client has any employees that are not Covered Employees of the PEO (whether Direct Hire Employees or Covered Employees obtained from another PEO), workers' compensation coverage for these other employees must be provided under a separate policy or policies. Attach the Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 00 03 22 A) to exclude coverage for liability to employees leased from the PEO named in the endorsement.

2. Option Two – The Client provides workers' compensation insurance for its Covered Employees.

If the Client is responsible for providing workers' compensation insurance coverage for its Covered Employees, it may purchase a standard workers' compensation policy insuring its Covered Employees and its Direct Hire Employees, if any.

- When the Client secures coverage for its leased workers through a policy in its name, include the Professional Employer Organization (PEO) Extension Endorsement (WC 00 03 20 B), which specifies that the Client's policy will apply to injuries to Covered Employees obtained from the PEO named in the endorsement as though the PEO were

an insured under the policy and that the insurer will not ask the PEO's insurer to share in a loss(es) covered by the endorsement.

- The insurer must assign risk classifications to each Client based on the totality of the Client's Pennsylvania operations regardless of whether workers engaged therein are provided under one or more Professional Employer Agreements or are Direct Hire Employees of the Client.
3. Option Three – The PEO provides workers' compensation insurance coverage for its Clients' Covered Employees by purchasing a Master Policy to insure such Covered Employees. Act 102 of 2012 requires the following conditions to be met in order for a PEO to insure Covered Employees of its Clients on a Master Policy Basis:
- a. The insurer underwriting the Master Policy must report separate experience data to the Bureau for each Client insured by the Master Policy in a format complying with all requirements of the approved Pennsylvania Statistical Plan.
  - b. The insurer must assign risk classifications to each Client based on the totality of the Client's Pennsylvania operations regardless of whether workers engaged therein are provided under one or more Professional Employer Agreements or are Direct Hire Employees of the Client.
  - c. If and when applicable, the insurer must assign separate experience modifications, Merit Rating adjustments, construction classification premium adjustments and/or Certified Safety Committee Program credits to the exposures of each Client covered by a Master Policy based on the Client's entire Pennsylvania operations.
    - 1) If the Client has any employees that are not Covered Employees of the PEO (whether Direct Hire Employees or Covered Employees obtained from another PEO), workers' compensation coverage for these other employees must be provided under a separate policy or policies. Attach the Professional Employer Organization (PEO) Client Exclusion Endorsement (WC 00 03 22 A) to exclude coverage for liability to employees leased from the PEO named in the endorsement.

**Use of Master Policies is subject to prior approval by the Bureau of the issuing carrier's policy issuance and data reporting procedures as satisfactorily complying with the requirements of Act 102 of 2012. Nothing in this section shall prohibit the continuation until the next normal anniversary rating date of any Master Policy in force as of the effective date of Act 102 of 2012.**

#### D. CLIENT POLICY OBLIGATIONS

A Client retains the statutory obligation to provide workers' compensation coverage for employees that are not Covered Employees pursuant to a Professional Employer Agreement.

In providing such coverage, the Client may either self-insure those exposures or the Client may purchase a standard workers' compensation policy through a licensed insurance company.

#### E. PEO POLICY OBLIGATIONS

A PEO retains the statutory obligation to provide workers' compensation coverage for its own Direct Hire Employees that are not Covered Employees pursuant to a Professional Employer Agreement.

In providing such coverage, the PEO may either self-insure those exposures or the PEO may purchase a standard workers' compensation policy through a licensed insurance company.

The Professional Employer Organization (PEO) Exclusion Endorsement (WC 00 03 21 A), which deletes coverage for workers leased to Clients named in the endorsement, must be attached to the PEO's own policy so that it insures only the PEO's Direct Hire Employees.

**F. CANCELLATION PROVISIONS****1. Cancellation by the Professional Employer Organization (PEO)**

- a.** If the PEO terminates the Professional Employer Agreement with the Client, termination of workers' compensation coverage for Covered Employees by the insurer shall be effective the sooner of:
- Sixty (60) days after written notice of the intent to terminate workers' compensation coverage has been given by the PEO to the Client.
  - Fifteen (15) days after written notice of intent to terminate workers' compensation coverage by the insurer for non-payment of premium has been given by the PEO to the Client.
  - The date upon which workers' compensation coverage for covered employees is transferred to the Client's own workers' compensation policy or is otherwise replaced.
- b.** All requirements of the PEO in regard to the notification of Clients concerning workers' compensation coverage provided under a policy issued to the PEO for Covered Employees of the PEO continue to apply after written notice is given pursuant to the above.
- c.** The Client shall pay for all workers' compensation coverage provided by the insurer, including reasonable administrative expenses, subsequent to the termination of the Professional Employer Agreement by the PEO.
- d.** If worker's compensation coverage is provided through a workers' compensation policy issued to the PEO on behalf of the Client who has been given notice of termination pursuant to the above, the PEO is required to notify the affected insurer of the notification.

**2. Cancellation by the Client**

If the Professional Employer Agreement is terminated by the Client, the Client assumes the statutory obligation to provide workers' compensation for its employees as of the date termination is requested. The Client may secure coverage for its Covered Employees through another Professional Employer Agreement with a different PEO, through an approved self-insurance program or with a single policy covering all of the Covered Employees of the Client and the Client's Direct Hire Employees.

**3. Notification Requirements**

If the Professional Employer Agreement provides for the PEO to provide workers' compensation insurance for Covered Employees, the PEO shall notify the insurance carrier of record of any cancellation, non-renewal or termination of a Professional Employer Agreement under which the PEO assumed the obligation to provide workers' compensation insurance for Covered Employees within ten (10) days following the date the notification of cancellation or termination is provided to the Client. The insurance carrier of record shall notify the licensed rating organization of any cancellation, non-renewal or termination of workers' compensation coverage for Covered Employees by the PEO's insurer or any change in insurers for the Covered Employees within ten (10) days of the effective date of cancellation, termination or change of insurers.