

**PENNSYLVANIA
COAL MINE
WORKERS COMPENSATION
MANUAL**

RULES,
CLASSIFICATIONS AND RATING VALUES
FOR
WORKERS COMPENSATION
AND EMPLOYERS LIABILITY
INSURANCE

**COAL MINE COMPENSATION RATING BUREAU
OF PENNSYLVANIA**

(Effective April 1, 2018)

April 1, 2018 Manual Highlights

Manual Information Page

This Manual Information Page provides an informational summary to Manual users of the changes included in this printing.

Preface

There were no changes made to these pages.

Section One – Underwriting Rules

There were no changes made to these pages.

Section Two – Classifications and Loss Costs

Effective April 1, 2018, the following items were revised:

- Loss Costs,
- U. S. L. & H. W. Act Rates and
- Employer Assessment Factor.

Section Three – Endorsements

Endorsement WC 00 04 14 – Notification of Change in Ownership Endorsement was added.

Section Four – Rulings and Interpretations

There were no changes made to these pages.

Section Five – Experience Rating Plan

Effective April 1, 2018, the following items were revised:

- Expected Loss Values on Table 1,
- Credibility Values on Table 2,
- Expected Size of Loss Components on Table 3,
- Off-Balance Factor on Table 4 and
- Section IX – Example (Experience Mod Calculation).

Section III – General Provisions – Rule 8 was revised to incorporate the use of the Notification of Change in Ownership Endorsement.

Section Six – Merit Rating Plan

There were no changes made to these pages.

PREFACE

- A.** In accordance with Section 654 of The Insurance Company Law of May 17, 1921, P.L. 682, as amended, and Act 44 of 1993, the Insurance Commissioner has approved this Manual of risk classes, underwriting rules, loss costs and endorsements to become effective 12:01 A.M., December 1, 1993. This Manual applies only to members of the CMCRB and is applicable to all policies subject to the jurisdiction of the CMCRB written by the member carriers, except where the individual member's filing or manual approved by the commissioner provides for a different factor, rule or form.
- B.** Organization of Manual – This Manual has six sections:
- Section One – Underwriting Rules
 - Section Two – Classifications and Loss Costs
 - Section Three – Endorsements
 - Section Four – Rulings and Interpretations
 - Section Five – Experience Rating Plan
 - Section Six – Merit Rating Plan
- C.** Definitions
- The following words are referenced in the Pennsylvania Workers' Compensation Act of June 2, 1915, P. L. 682, as amended, (Act) --- or have been used in this Manual with meanings intended to be consistent with the requirements of that Act. For purposes of improving the understanding of the Manual, definitions of these words as used elsewhere in this Manual are set forth below.
1. Bureau Data Card – Bureau Data Cards are issued by the Coal Mine Compensation Rating Bureau (Bureau). These data cards provide the risk name, location, Bureau file number, authorized classification(s) and if applicable the risk's experience modification for a minimum of one year.
 2. Bureau Loss Costs – Dollar amounts per unit of exposure attributable to the payment of losses under workers compensation and employers liability coverages, filed by the Bureau based on the aggregate experience of all Bureau members and approved by the Insurance Commissioner.
 3. Bureau Rating Values – All parameters filed by the Bureau and approved by the Insurance Commissioner, and which are used either mandatorily or by option of carriers for purposes of pricing workers compensation and employers liability coverages. Such Bureau rating values include Bureau Loss Costs, experience rating plan values such as Expected Loss Cost Factors, Credibility, Maximum Value of One Accident, and Credibility Weighted Maximum Value Charge, retrospective rating plan values such as the Table of Expected Loss Ranges, Excess Loss Pure Premium Factors, Retrospective Pure Premium Development Factors, and expense parameters applicable to U.S.L.&H.W. coverages such as Premium Discounts, Expected Loss Ratio, Expense Ratios, Tax Multipliers and Loss Conversion Factors.
 4. Carrier Rate – The amount per unit of exposure which an insurance carrier charges for workers compensation and employers liability insurance.
 5. Carrier Rating Values – All parameters used by carriers for purposes of pricing workers compensation and employers liability insurance coverages. Such parameters may be either Bureau Rating Values adopted by a carrier for its own use or values independently determined by a carrier.
 6. Loss Cost – Dollar amounts per unit of exposure attributable to the payment of losses under workers compensation and employers liability coverages. Loss Costs may be developed either by the Bureau based on the aggregate experience of all Bureau members or may be established by individual carriers based on their own supporting information.

7. Provision for Claim Payment – Historical aggregate losses projected through development to their ultimate value and through trending to a future point in time, but excluding all loss adjustment or claim management expenses, other operating expenses, assessments, taxes and profit or contingency allowances. In this Manual the term "Loss Cost" is synonymous with Provision for Claim Payment.
8. Rating Value – A parameter or number used in pricing workers compensation or employers liability insurance coverages. Rating Values may be established by the Bureau or by individual carriers. Where individual carriers have established Rating Values different from those of the Bureau, the carrier's values supersede those of the Bureau for purposes of that insurer's policies.
9. Rating Effective Date (RED) is the earliest date that a specific experience rating or merit rating adjustment is applied to a policy.

D. Coal Mine Compensation Rating Bureau Membership List:

ACE American Insurance Company
AIG Property Casualty Company
American Business & Personal Insurance Mutual, Inc.
American Guarantee and Liability Insurance Company
American Mining Insurance Company
American Zurich Insurance Company
Argonaut Insurance Company
Arrowood Indemnity Company
BrickStreet Mutual Insurance Company
Colony Specialty Insurance Company
Continental Casualty Company
Great Divide Insurance Company
Great Midwest Insurance Company
Hartford Accident & Indemnity Company
Hartford Casualty Insurance Company
Hartford Insurance Company of the Midwest
Imperium Insurance Company
Insurance Company of North America
Lackawanna Casualty Company
Liberty Mutual Fire Insurance Company
NorthStone Insurance Company
Old Republic General Insurance Company
Old Republic Insurance Company
Pacific Employers Insurance Company
PinnaclePoint Insurance Company
Rockwood Casualty Insurance Company
Somerset Casualty Insurance Company
State Workers' Insurance Fund
SummitPoint Insurance Company
Travelers Indemnity Company
Twin City Fire Insurance Company
Zurich American Insurance Company
Zurich American Insurance Company of Illinois

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

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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 policy effective 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 approved for use. Any change will be highlighted. Unless specified otherwise, each change applies only from the policy effective date which occurs on or after the effective date of the change.

G. POLICY EFFECTIVE DATE**1. Definition**

The policy effective date is the effective month, day and year of the policy in effect.

2. Long Term Policies

For application of policy effective 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.

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- 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 IX-C.
- 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.
 5. Three-Year Fixed Carrier Rating Value Policy Option
A policy may be issued for a period of 3 years at fixed carrier rating values. Such a policy shall not be issued if the risk is subject to the Experience Rating Plan on the effective date of the policy.
A policy issued under this option shall be known as a Three-Year Fixed Carrier Rating Value Policy and shall be so designated on the Information Page. Refer to Rule XI.
 6. Annual Rating Endorsements
An "Annual Rating Endorsement" shall be submitted annually for each continuing form policy or policy written for a period in excess of one year but not more than three years to be effective on the annual policy effective date set by such policy. It shall be submitted to the Bureau not later than thirty days subsequent to its inception.
Annual rating endorsements shall also:
 - a. Show the name of the carrier providing the insurance. If the names of affiliated carriers are printed on endorsement forms, the particular carrier providing coverage shall be clearly indicated.
 - b. Show the policy number, including all printed and typed prefixes to facilitate the identification of the policy to which the Annual Rating Endorsement is related.
 - c. If the annual rating endorsement being filed replaces an annual rating endorsement covering the same period, indicate that it is a rewrite.
 - d. Show the date of its inception and expiration.
 - e. Show the code number(s) and carrier rate(s) applicable. If the carrier rate(s) or experience modification is not effective as of inception date of the endorsement, also show the effective date of such carrier rate(s) or modification.
 - f. Show the premium adjustment period, deposit premium and estimated annual premium for the period covered by the Annual Rating Endorsement.Annual Rating Endorsements shall be used only for the purpose of showing the carrier rates, experience modifications, premium adjustment period, deposit premium and estimated annual premium for each one-year period. They cannot be used to make any other changes in the policy such as, but not restricted to, modifying the name of the insured, adding or eliminating classifications, adding or eliminating locations.
- 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. Additional States

A state may be added after the effective date of the policy. For the additional state operations apply:

- a. Carrier rating values in effect on the effective 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

- a. 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.
- b. (1) A change in an insured's classification that results from a recent change in an insured's operations (i.e. an operations change that has taken place during the current policy year or the policy year that has just expired) will be applied pro rata as of the date of the change in the insured's operations, regardless of the premium impact to the insured. When a Bureau review discloses the insured's recent operations change, the Bureau will make written notice to the carrier of record changing the insured's authorized classification(s) for the current policy year and, if warranted, for the policy year that has just expired. When the carrier becomes aware of such recent operations change, the carrier shall make written application to the Bureau to change the insured's authorized classification(s) during the current policy year and, if warranted, for the policy year that has just expired.

(2) A correction of a misclassification which results in a premium decrease shall be applied to the insured's policy in effect when the application for correction is made and to the prior policy within twelve months after the termination thereof.

(3) A correction of a misclassification which results in a premium increase shall be applied to the employer's first policy effective at least sixty days subsequent to the date of the Bureau's misclassification notice.

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.

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 policy in effect following certification.
5. If the credit is to apply, the Certified Safety Committee Endorsement (WC 37 04 04 C) 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 policies during their term, except for non-payment of premium and/or failure to reimburse the deductible amount.
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 on the policy effective date of the new policy.

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, Section G (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.

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 Basis	ANC Multiplier
Estimated Annual Premium	Two times

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 is optional. When used, 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.
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 • Submits a unit statistical correction report to remove the ANC from the previously reported Unit Statistical data.
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 change the previously reported: <ul style="list-style-type: none"> • Unit Statistical data • Noncompliance transactions
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. The ANC must be reported, including applicable corrections, in accordance with the Bureau’s Statistical Plan.

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.

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.

RULE XV – APPEALS FROM APPLICATION OF THE RATING SYSTEM PROCEDURE

- A. Any policyholder aggrieved by the application of the Rating System of the Coal Mine Compensation Rating Bureau (CMCRB) may appeal such application to the CMCRB in accordance with this appeals procedure (Procedure).

“Rating System” is defined to include all workers compensation insurance pricing programs subject to rules set forth in this Manual.

The appeal must be filed directly with the CMCRB during the policy period with respect to which the application is made, or within twelve months after the termination thereof. Appeals filed beyond this time period will not be granted.

EXCEPTION: An appeal for revision of losses used in experience or merit rating is governed by the Revision of Losses provisions of this Manual.

- B. An aggrieved party who wants to appeal a CMCRB decision concerning an application of the Rating System must first submit a written request for review to the CMCRB, together with all information in support of its appeal. CMCRB staff will review the request and supporting information. To make certain the facts of an appeal are fully agreed upon, CMCRB staff may make written inquiries to the appellant and/or survey the appellant’s Pennsylvania workplace(s). The appellant shall provide complete responses to such inquiries, and shall provide full access to such workplace(s). The CMCRB will then notify the appellant in writing that the CMCRB staff’s review has been completed and provide to the appellant (or its designated representative) the CMCRB staff’s final decision.
- C. If the appellant is aggrieved following completion of the CMCRB staff’s review and final decision, the appellant has the right to present its appeal to an Appeals Subcommittee of the CMCRB’s Actuarial/Classification Committee (Appeals Subcommittee). An appeal may be taken to the Insurance Commissioner only after the appellant has first exhausted its rights pursuant to this Procedure.
- D. An Appeals Subcommittee convened to consider an appeal shall be comprised of an equal number of employer representative members and insurer members of the CMCRB’s Actuarial/Classification Committee, none of whom may have a direct pecuniary interest in the aggrieved party’s appeal.
- E. All appeals must be filed with the CMCRB no later than thirty (30) days from the date of the CMCRB staff’s final decision and meet the following requirements:
1. The appeal must be in writing.
 2. The appeal must set forth in detail the nature of the complaint, including:
 - All reasons for believing the CMCRB decision to be in error.
 - All documents in support of the appeal.
 - The specific nature of the relief desired.
 3. The aggrieved party (or its designated representative) must agree to appear before an Appeals Subcommittee of the Actuarial/Classification Committee.

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- F. Following receipt of an appeal of a CMCRB final decision, the CMCRB will notify the appellant of the time and place of the Appeals Subcommittee meeting at which the matter will be heard.
- G. The procedure at the Appeals Subcommittee hearing is informal:
- The appellant may make an oral presentation of its case or rely solely upon the written material previously submitted to the CMCRB in connection with the appeal.
 - CMCRB staff may present testimony and other information to the Appeals Subcommittee relevant to the appeal.
 - The appellant and/or the CMCRB may also present third-party witnesses and documentary evidence relevant to the appeal.
 - The appellant and the CMCRB shall have the opportunity to direct questions to any witness who has testified before the Appeals Subcommittee.
 - After all testimony and other evidence have been presented, the hearing shall be declared closed by the Chair of the Appeals Subcommittee.
 - After the hearing is closed, the Appeals Subcommittee shall arrive at its decision in executive session. Attendance at the executive session is limited to members of the Appeals Subcommittee and CMCRB legal counsel.
 - The effective date of the decision will be specifically determined by the Appeals Subcommittee, in accordance with Manual rules.
- H. A record of meeting of the Appeals Subcommittee will be kept by CMCRB staff. As hearings before the Appeals Subcommittee are informal, there is no stenographic, audio or video record. The Appeals Subcommittee decision will be included in the record of meeting and retained in the records of the CMCRB.
- I. Travel expenses for the appellant will be reimbursed in the same manner as for members of the Appeals Subcommittee. Reimbursement is payable on a per appeal basis, i.e., multiple reimbursements will not be paid when more than one appellant representative attends the Appeals Subcommittee meeting.
- J. The decision of the Appeals Subcommittee shall be set forth in writing, include the basis for the decision, and be sent to the appellant no later than thirty (30) days after the hearing.
- K. An appellant is not required to be represented by an attorney. However, an appellant has the right, at the appellant's expense, to be represented by an attorney. An appellant who is represented by an attorney shall notify the CMCRB of such representation in writing in advance of the hearing, and shall furnish the CMCRB with the attorney's name, mailing address and e-mail address. After the CMCRB has received such notification from an appellant, all subsequent correspondence related to the appeal will be directed to the attorney designated by the appellant.
- L. Notice regarding the time and place of the Appeals Subcommittee hearing as well the Appeals Subcommittee decision in the matter will be provided to the appellant (or its attorney) in writing, via e-mail (if agreed upon) or first class mail.
- M. Appeals from a final decision of the Appeals Subcommittee must be filed with the Insurance Commissioner in writing within thirty (30) days of the mailing date of the Appeals Subcommittee's decision. The appeal to the Insurance Commissioner should be directed to the Administrative

Hearings Office and must set forth the basis for the appeal and the grounds being relied upon by the appellant.

- N. Nothing contained in this Procedure shall prevent efforts to resolve any dispute on an informal basis at any stage of these proceedings.

RULE XVI – MEMBER CARRIER DISPUTES (DISPUTE RESOLUTION CONFERENCE)

- A. A member carrier aggrieved by a final decision of CMCRB staff concerning an application of the rating system (Staff Decision) may submit a written request for a conference with the CMCRB President (Dispute Resolution Conference) to discuss the Staff Decision. This request must be submitted within 30 days of the Staff Decision, and must state the basis of the grievance and the remedy being sought.
- B. Within 30 days following the Dispute Resolution Conference, the CMCRB President shall issue a written communication (Conference Decision) to the aggrieved member carrier communicating any change(s) to the Staff Decision and any remedy on account of such change(s). If the member carrier remains aggrieved by the Conference Decision, the member carrier may appeal the Staff Decision, as sustained or modified by the Conference Decision, to the Insurance Commissioner within 30 days of the mailing date of the Conference Decision. Such appeals should be directed to the Insurance Department's Administrative Hearings Office.
- C. A copy of the Conference Decision will be sent to the impacted policyholder if the Conference Decision changes the Staff Decision. To the extent the policyholder is aggrieved by the Conference Decision, the policyholder may pursue an appeal of the Conference Decision via the appeals procedure outlined in Rule XV. In the context of Rule XV procedures the Conference Decision is considered the CMCRB final decision.

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CLASSIFICATIONS AND LOSS COSTS

Except for rates for U.S.L. & H.W. Act coverage, Act 44 of 1993 prohibits the CMCRB from filing full workers' compensation rates effective December 1, 1993. In compliance with this act, the CMCRB will only file for the Provision for Claim Payment (i.e., Loss Costs) of each class.

This section of the manual does not contain full rates, but only the Provision for Claim Payment approved for the CMCRB.

Workers Compensation Coal Mine Classifications

Occupational Disease Classifications

Workers Compensation Loss Costs – Coal Mine Classifications

Workers Compensation Manual Rates – Coal Mine Classifications (for U.S.L. & H.W. Act)

Employer Assessment Factor (for Coal Mine Classifications)

Occupational Disease Loss Costs – Coal Mine Classifications (State and Federal)

CLASSIFICATIONS

WORKERS COMPENSATION COAL MINE CLASSIFICATIONS

	<u>Code No.</u>
UNDERGROUND	
Anthracite Mining	1010
Bituminous Mining	1001
SURFACE & CULM	
Anthracite Mining	1012
Bituminous Mining	1014
COKE	1469
AUGER MINING	1015
CO-GENERATION FUEL RECOVERY	
Anthracite Mining	1021
Bituminous Mining	1023
PREPARATION PLANT	
Anthracite	1025
Bituminous	1027

OCCUPATIONAL DISEASE CLASSIFICATIONS

	<u>State Code No.</u>	<u>Federal Code No.</u>
UNDERGROUND		
Anthracite Mining	1011	0160
Bituminous Mining	1002	0158
SURFACE & CULM		
Anthracite Mining	1016	0153
Bituminous Mining	1013	0156
COKE	1017	0154
AUGER MINING	1019	0157
CO-GENERATION FUEL RECOVERY		
Anthracite Mining	1022	0181
Bituminous Mining	1024	0182
PREPARATION PLANT		
Anthracite	1026	0183
Bituminous	1028	0184
For Reporting Disease Experience in connection with any classification other than Coal Mining for Insureds having liability under the Federal Mine Safety and Health Act		0164
FORMER COAL MINE OPERATORS		0159

The use of these Loss Costs is optional for members of the CMCRB. If a member chooses to use these Loss Costs, the member’s approved multiplier must be applied to these Loss Costs to determine the carrier’s manual rate.

WORKERS COMPENSATION LOSS COSTS – COAL MINE CLASSIFICATIONS

Subject to the Underwriting Rules of this Manual

	<u>Traumatic Code No.</u>	<u>Traumatic Loss Cost</u>
UNDERGROUND		
Anthracite Mining	1010	\$ 19.67
Bituminous Mining	1001	6.09
SURFACE & CULM		
Anthracite Mining	1012	8.24
Bituminous Mining	1014	2.28
COKE	1469	3.55
AUGER MINING	1015	13.68
ANTHRACITE UNDERGROUND MINE RESCUE TEAMS		
	1010	19.67
CO-GENERATION FUEL RECOVERY		
Anthracite Mining	1021	3.90
Bituminous Mining	1023	1.18
PREPARATION PLANTS		
Anthracite	1025	4.80
Bituminous	1027	2.26
Terrorism	9740	0.03
Catastrophe Other Than Terrorism	9741	0.01

WORKERS COMPENSATION MANUAL RATES – COAL MINE CLASSIFICATIONS

<u>U.S.L. & H.W. Act</u>		<u>Traumatic Rates</u>
Anthracite Mining	-----	\$ 26.23
Bituminous Mining	-----	7.87
EMPLOYER ASSESSMENT FACTOR	-----	0.0218

The use of these Loss Costs is optional for members of the CMCRB. If a member chooses to use these Loss Costs, the member’s approved multiplier must be applied to these Loss Costs to determine the carrier’s manual rate.

OCCUPATIONAL DISEASE LOSS COSTS – COAL MINE CLASSIFICATIONS

Subject to the Underwriting Rules of this Manual

	<u>State Code No.</u>	<u>State Loss Cost</u>	<u>Federal Code No.</u>	<u>Federal Loss Cost</u>
UNDERGROUND				
Anthracite Mining	1011	\$ 8.24	0160	\$ 10.54
Bituminous Mining	1002	0.44	0158	0.63
SURFACE & CULM				
Anthracite Mining	1016	1.81	0153	2.54
Bituminous Mining	1013	0.16	0156	0.73
COKE	1017	0.09	0154	0.09
AUGER MINING	1019	0.19	0157	0.36
CO-GENERATION FUEL RECOVERY				
Anthracite Mining	1022	0.29	0181	0.40
Bituminous Mining	1024	0.32	0182	0.30
PREPARATION PLANTS				
Anthracite	1026	2.17	0183	0.94
Bituminous	1028	0.16	0184	0.35
For Reporting Disease Experience in connection with any classification other than Coal Mining for Insureds having liability under the Federal Mine Safety and Health Act			0164	0.73
FORMER COAL MINE OPERATORS			0159	“A” Rated

SEPARATE PAYROLL RECORDS – DEFINITION

In limited circumstances, the payroll of an employee may be divided between two or more classifications, provided the employer has maintained the requisite separate payroll records. Specifically, the employer's payroll records should be supported by original time cards, hourly labor postings, labor cost entries or time book entries which show separately, both by individual employee and in summary by operations performed, the remuneration earned by such employee. A standard format for the records is not required but these records must be original and they must be summarized, i.e., totaled, by operation. This allows employers the flexibility to use a variety of methods and technology to record the required information. The accuracy of the summaries must be verifiable by reviewing the original, individual employee records. Data elements must be contemporaneously recorded (originating at the same time) and summarized. If the employer fails to keep complete and accurate records as provided in this definition, the entire remuneration of the employee shall be assigned to the highest valued classification applicable to any part of the work performed by the employee. A permissible payroll separation should be based on a time card(s) or invoice(s) showing the actual number of hours worked for a given employee. Payroll may not be divided by means of percentages, averages, estimates, or any basis other than specific time cards, hourly labor postings, labor cost entries or time book entries.

Types of records reviewed include but are not limited to payroll records, master control reports, and job cost records.

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Catastrophe (Other Than Certified Acts of Terrorism) Premium Endorsement	WC 00 04 21 D
Certified Safety Committee Endorsement – Pennsylvania	WC 37 04 04 C
Deductible Endorsement – Pennsylvania	WC 37 04 03
Exclusion of Employees Endorsement – Pennsylvania	WC 37 03 03
Exclusion of Executive Officers Endorsement – Pennsylvania	WC 37 03 10 C
Experience Rating Modification Factor Endorsement	WC 00 04 03
Federal Mine Safety and Health Act Coverage Endorsement	WC 00 01 02 B
Longshore and Harbor Workers’ Compensation Act Coverage Endorsement	WC 00 01 06A
Notification of Change in Ownership Endorsement	WC 00 04 14
Pending Rate Change Endorsement	WC 00 04 04
Pennsylvania Act 86-1986 Endorsement	WC 37 06 03A
Pennsylvania Audit Noncompliance Charge Endorsement	WC 37 04 01
Pennsylvania Multiple Coordinated Policy Endorsement	WC 37 03 11
Pennsylvania Notice	WC 37 06 02
Policy Period Endorsement	WC 00 04 05
Premium Discount Endorsement	WC 00 04 06
Professional Employer Organization (PEO) Client Exclusion Endorsement	WC 00 03 22 A
Professional Employer Organization (PEO) Exclusion Endorsement	WC 00 03 21 A
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Sole Proprietors, Partners, Officers and Others Coverage Endorsement	WC 00 03 10
Special Pennsylvania Endorsement – Inspection of Manuals	WC 37 06 01
Statutory Employer Endorsement – Pennsylvania	WC 37 03 09A
Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement	WC 00 04 22 B
Voluntary Compensation and Employers Liability Coverage Endorsement	WC 00 03 11A
Waiver of Our Right to Recover from Others Endorsement	WC 00 03 13

Following the General Information section on the next page, the forms are presented in order by form number.

ENDORSEMENTS

General Information

(Regarding standard policy, information page and endorsements)

The endorsement forms shown on the subsequent pages are for use with policies effective December 1, 1993 and thereafter, in conjunction with the adoption of the standard policy form and information page.

THE PAGES WHICH APPEAR HEREIN INCLUDE COPYRIGHT MATERIAL FROM THE NATIONAL COUNCIL ON COMPENSATION INSURANCE AND THE PENNSYLVANIA COMPENSATION RATING BUREAU.

The standard policy and endorsements have been filed on behalf of the members of the Bureau and approved by the Insurance Commissioner. Accordingly, individual filings with the Insurance Department are not required if a member carrier uses the standard form. However, a specimen copy of each approved form prepared by the carrier shall be filed with the Bureau. Any company which makes other than authorized changes in or additions to such approved Bureau forms must file the forms directly with the Insurance Department in accordance with Chapter 89b of the Pennsylvania Insurance Regulations, providing a copy of such filing to the Bureau.

The information page and its notes were also filed and approved as a standard form. The specific form filed was the form copyrighted by the National Council on Compensation Insurance. Use of an information page and the exercise of any of the other specified options will be considered an approved form, subject only to filing with the Bureau. Any omission(s) of required items from an information page will require filing of such information page with the Insurance Department, with a copy of such filing to be forwarded to the Bureau. Any of the standard forms may be ordered from the National Council on Compensation Insurance. Pennsylvania forms may be ordered from the Pennsylvania Compensation Rating Bureau.

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 00 01 02 B

FEDERAL MINE SAFETY AND HEALTH ACT COVERAGE ENDORSEMENT

This endorsement applies only to work in a state shown in the Schedule and subject to the Federal Mine Safety and Health Act (30 U.S.C. Sections 801 et seq. and 901-944). Part One (Workers Compensation Insurance) applies to that work as though that state were shown in Item 3.A. of the Information Page.

The definition of workers compensation law includes the Federal Mine Safety and Health Act (30 U.S.C. Sections 801 et seq. and 901-944) and any amendment to that law that is in effect during the policy period.

Part One (Workers Compensation Insurance), Section A.2., How This Insurance Applies, is replaced by the following:

Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period or, when the last exposure occurred prior to July 1, 1973, a claim based on that disease must be first filed against you during the policy period shown in Item 2 of the Information Page.

Schedule

State

Note 1: Use this endorsement when the policy is to cover exposures subject to the Federal Mine Safety and Health Act.

Note 2: Federal Black Lung workers compensation insurance is provided in a state (including monopolistic state fund states) by naming the state in the Schedule.

Note 3: If this endorsement is used with a policy that does not provide any state workers insurance, the insurer may enter the words "no coverage", or "none", or the equivalent, in item 3.A. of the Information Page.

WC 00 01 06A

**LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT
COVERAGE ENDORSEMENT**

This endorsement applies only to work subject to the Longshore and Harbor Workers' Compensation Act in a state shown in the Schedule. The policy applies to that work as though that state were listed in item 3.A of the Information Page.

General Section C. **Workers' Compensation Law** is replaced by the following:

C. Workers' Compensation Law

Workers' Compensation Law means the workers' or workmen's compensation law and occupational disease law of each state or territory named in Item 3.A. of the Information Page and the Longshore and Harbor Workers' Compensation Act (33 USC Sections 901-950). It includes any amendments to those laws that are in effect during the policy period. It does not include any other federal workers' or workmen's compensation law, other federal occupational disease law or the provisions of any law that provide nonoccupational disability benefits.

Part Two (Employers Liability Insurance), C. Exclusions., exclusion 8, does not apply to work subject to the Longshore and Harbor Workers' Compensation Act.

This endorsement does not apply to work subject to the Defense Base Act, the Outer Continental Shelf Lands Act, or the Nonappropriated Fund Instrumentalities Act.

State	Schedule	Longshore and Harbor Workers' Compensation Act Coverage Percentage
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The rates for classifications with code numbers not followed by the letter "F" are rates for work not ordinarily subject to the Longshore and Harbor Workers' Compensation Act. If this policy covers work under such classifications, and if the work is subject to the Longshore and Harbor Workers' Compensation Act, those non-F classification rates will be increased by the Longshore and Harbor Workers' Compensation Act Coverage Percentage shown in the Schedule.

Note 1: The Longshore and Harbor Workers' Compensation Act is a federal workers' compensation law that applies to workers in maritime employments, including longshore and harbor workers, shipbuilders and ship repairers. It does not apply to masters or crews of vessels or persons unloading vessels under 18 tons net. See Rule XI of the Basis Manual for details.

Note 2: Use this endorsement to provide workers' compensation insurance and employers liability insurance for work subject to the Longshore and Harbor Workers' Compensation Act in any state, including a monopolistic state fund state.

Note 3: Coverage is provided in a state by naming the state in the Schedule.

Note 4: The following entry may be typed or printed in the Schedule to provide coverage in item 3.A states. "Each state named in item 3.A of the Information Page."

Note 5: The following entry may be typed or printed in the Schedule to provide coverage in item 3.A and 3.C states. "Each state named in item 3.A or 3.C of the Information Page."

WC 00 03 10

SOLE PROPRIETORS, PARTNERS, OFFICERS AND OTHERS COVERAGE ENDORSEMENT

An election was made by or on behalf of each person described in the Schedule to be subject to the workers compensation law of the state named in the Schedule. The premium basis for the policy includes the remuneration of such persons.

Schedule

Persons

State

Sole Proprietor:

Partners:

Officers:

Others:

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective
Insured

Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____

WC 00 03 10 (Ed. 4-84)

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WC 00 03 11A

**VOLUNTARY COMPENSATION AND EMPLOYERS LIABILITY
COVERAGE ENDORSEMENT**

This endorsement adds Voluntary Compensation Insurance to the policy.

A. How This Insurance Applies

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

1. The bodily injury must be sustained by an employee included in the group of employees described in the Schedule.
2. The bodily injury must arise out of and in the course of employment necessary or incidental to work in a state listed in the Schedule.
3. The bodily injury must occur in the United States of America, its territories or possessions or Canada, and may occur elsewhere if the employee is a United States or Canadian citizen temporarily away from those places.
4. Bodily injury by accident must occur during the policy period.
5. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.

B. We Will Pay

We will pay an amount equal to the benefits that would be required of you if you and your employees described in the Schedule were subject to the workers compensation law shown in the Schedule. We will pay those amounts to the persons who would be entitled to them under the law.

C. Exclusions

This Insurance does not cover:

1. any obligation imposed by a workers' compensation or occupational disease law, or any similar law.
2. bodily injury intentionally caused or aggravated by you.

D. Before We Pay

Before we pay benefits to the persons entitled to them, they must:

1. Release you and us, in writing, of all responsibility for the injury or death.
2. Transfer to us their right to recover from others who may be responsible for the injury or death.
3. Cooperate with us and do everything necessary to enable us to enforce the right to recover from others.

If the persons entitled to the benefits of this insurance fail to do those things, our duty to pay ends at once. If they claim damages from you or from us for the injury or death, our duty to pay ends at once.

E. Recovery From Others

If we make a recovery from others, we will keep an amount equal to our expenses of recovery and the benefits we paid. We will pay the balance to the persons entitled to it. If the persons entitled to the benefits of this insurance make a recovery from others, they must reimburse us for the benefits we paid them.

F. Employers Liability Insurance

Part Two (Employers Liability Insurance) applies to bodily injury covered by this endorsement as though the State of employment shown in the Schedule were shown in item 3.A. of the Information Page.

WC 00 03 11A
(Continued)

SCHEDULE

<u>Employees</u>	<u>State of Employment</u>	<u>Designated Workers Compensation Law</u>
Note 1:	Use this endorsement to afford voluntary compensation coverage pursuant to Rule II of the Basic Manual.	
Note 2:	Use Voluntary Compensation Maritime Endorsement to provide Voluntary Compensation Coverage under Program 11 of Manual Rule XIII.	
Note 3:	Work in a monopolistic state fund should not be included in the Schedule unless employers liability coverage is provided in that state by the Employers Liability Coverage Endorsement.	
Note 4:	Various uses of this endorsement are illustrated below.	

SCHEDULE

<u>Employees</u>	<u>State of Employment</u>	<u>Designated Workers Compensation Law</u>
All officers and employees not subject to the Workers' Compensation Law.	Any state shown in item 3.1 of the Information Page.	The state where the injury takes place.
All domestics, farm and agricultural workers.	Utah	Utah
All partners of insured partnership.	Kansas	Kansas

WC 00 03 13

WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS ENDORSEMENT

We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against the person or organization named in the Schedule. (This agreement applies only to the extent that you perform work under a written contract that requires you to obtain this agreement from us.)

This agreement shall not operate directly or indirectly to benefit any one not named in the Schedule.

Schedule

Note 1: Use this endorsement to waive the company's right of subrogation against named third parties who may be responsible for an injury.

Note 2: The sentence in () is optional with the company. It limits the endorsement to apply only to specific jobs of the insured, and only to the extent that the insured is required to obtain this waiver.

Workers Compensation and Employers Liability Insurance Policy

WC 00 03 20 B

(Ed. 1-06)

PROFESSIONAL EMPLOYER ORGANIZATION (PEO) EXTENSION ENDORSEMENT

This endorsement applies only with respect to bodily injury to your leased workers in the state named in Item 2 of the Schedule when provided by a PEO named in Item 1 of the Schedule. This endorsement does not apply with respect to bodily injury to workers provided to you on a temporary basis.

Certain words and phrases in this endorsement are defined as follows:

Professional Employer Organization (PEO) is an entity or group of entities who are or were formally related by common management or ownership that provides workers to its client(s) through a PEO arrangement for a fee, pursuant to an agreement, written or otherwise. Without limitation, a PEO may also be referred to as a labor contractor, employee leasing company, lessor, or other similarly administered arrangement.

Client is an entity that obtains all or part of its workforce for a fee, pursuant to an agreement, written or otherwise, from another entity through a professional employer organization (PEO) arrangement or that employs the services of an entity through a PEO arrangement. Without limitation, a client may also be referred to as a lessee.

Temporary worker is a worker who is furnished to an entity for a finite period of time, including but not limited to one or more of the following work situations:

- Replace an absent worker who will return, such as during an authorized leave of absence, vacation, jury duty, or illness
- Fill a short-term or temporary professional skill shortage
- Staff a seasonal workload
- Staff a special assignment or project where the worker will be terminated or assigned to another temporary project upon completion
- Satisfy the requirements of the employer's overall employment program, such as a probationary period before new workers are granted permanent employee status

Part One (Workers Compensation Insurance) and Part Two (Employers Liability Insurance) of your policy will apply as though the PEO is an insured. If an entry is shown in Item 3 of the Schedule, the insurance afforded by this endorsement applies only to work you perform under the contract or at the project named in the Schedule.

Under Part One we will reimburse the PEO named in the Schedule for the benefits required by the workers compensation law if we are not permitted to pay the benefits directly to the persons entitled to them.

The insurance afforded by this endorsement is not intended to satisfy the PEO's duty to secure its obligations under the workers compensation law. We will not file evidence of this insurance on behalf of the labor contractor PEO with any governmental or regulatory agency.

We will not ask any other insurer of the PEO to share with us a loss covered by this endorsement.

Premium will be charged for your leased workers while provided by the PEO. You must obtain from PEO and furnish to us a complete payroll record of your leased workers provided by the PEO to satisfy your obligations under Part Five (Premium), C.2. You are jointly liable with the PEO for the contributions, premiums, forfeits, or interest attributable to the wages of the workers leased to you by the PEO.

The policy may be cancelled according to its terms or for violation of rules applicable to PEO arrangements, provided that the PEO has been provided a reasonable opportunity to cure the violation. If the policy is cancelled, we will send notice of such cancellation to the PEO and provide you with a notice regarding the status of your coverage.

Part Four (Your Duties If Injury Occurs) applies to you and the PEO. The PEO will recognize our right to defend under

Parts One and Two and our right to inspect under Part Six (Conditions).

Schedule

- 1. **PEO** **Address**
- 2. **State Where Work Performed**
- 3. **Contract or Project**

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective
Insured

Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____

WC 00 03 20 B
(Ed. 1-06)

Workers Compensation and Employers Liability Insurance Policy

WC 00 03 21 A

(Ed. 1-06)

PROFESSIONAL EMPLOYER ORGANIZATION (PEO) EXCLUSION ENDORSEMENT

As used in this endorsement, a PEO arrangement is an arrangement under contract or agreement, written or otherwise, whereby one entity obtains or leases any or all of its workers from another entity for a fee or other compensation. The third party providing PEO services will be referred to as a “PEO.” The entity receiving the services will be referred to as a “client.”

This endorsement is used to exclude workers you lease to specified clients from your policy, which only covers your direct (non-leased) workers. Your policy, to which this endorsement is attached, does not provide coverage for workers you lease to any clients listed below or others added subsequent to policy issuance even if not endorsed on the policy. Any changes to such information must be reported to the carrier immediately.

Schedule

Client

Address

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective
Insured

Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____

WC 00 03 21 A
(Ed. 1-06)

Workers Compensation and Employers Liability Insurance Policy

WC 00 03 22 A

(Ed. 1-06)

PROFESSIONAL EMPLOYER ORGANIZATION (PEO) CLIENT EXCLUSION ENDORSEMENT

As used in this endorsement, a PEO arrangement is any arrangement under contract or agreement, written or otherwise, whereby one entity obtains or leases any or all of its workers from another entity for a fee or other compensation. The third party providing PEO services will be referred to as a “PEO.” The entity receiving the services will be referred to as a “client.”

This endorsement is used to exclude leased workers from your policy, which only covers your direct (non-leased) workers. Your policy, to which this endorsement is attached, does not provide coverage for workers you lease from any PEO(s) listed below or others added subsequent to policy issuance even if not endorsed on the policy. Any changes to such information must be reported to the carrier immediately.

Schedule

PEO

Address

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective
Insured

Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____

WC 00 03 22 A
(Ed. 1-06)

WC 00 04 03

Workers Compensation and Employers Liability Insurance Policy

EXPERIENCE RATING MODIFICATION FACTOR ENDORSEMENT

The premium for the policy will be adjusted by an experience rating modification factor. The factor was not available when the policy was issued. The factor, if any, shown on the Information Page is an estimate. We will issue an endorsement to show the proper factor, if different from the factor shown, when it is calculated.

Note 1: This endorsement may be used if the insured's experience rating modification factor is not available when the policy is issued.

Note 2: An appropriate typewritten entry may be made in the Information Page instead of using this endorsement.

WC 00 04 04

Workers Compensation and Employers Liability Insurance Policy

PENDING RATE CHANGE ENDORSEMENT

A rate change filing is being considered by the proper regulatory authority. The filing may result in rates different from the rates shown on the policy. If it does, we will issue an endorsement to show the new rates and their effective date.

If only one state is shown in Item 3.A. of the Information Page, this endorsement applies to that state. If more than one state is shown there, this endorsement applies only in the state shown in the Schedule.

Schedule

State

Note 1: Use this endorsement if the rates shown in the policy may change because of a rate filing pending when the policy is issued.

Note 2: An appropriate typewritten entry may be made on the Information Page instead of using this endorsement.

Workers Compensation and Employers Liability Insurance Policy

WC 00 04 05

POLICY PERIOD ENDORSEMENT

The policy period shown in item 2 of the Information Page consists of the consecutive periods shown in the Schedule. Our Manuals and all provisions of the policy apply separately to each period.

Schedule

From _____	to _____	12:01 A.M.
From _____	to _____	12:01 A.M.
From _____	to _____	12:01 A.M.

Note 1: Use this endorsement if the policy period is longer than one year and sixteen days and does not consist of complete twelve month periods.

Note 2: Rule III-C of the Basic Manual requires this endorsement to show which period, the first or the last, is to be less than twelve months.

WC 00 04 06

Workers Compensation and Employers Liability Insurance Policy

PREMIUM DISCOUNT ENDORSEMENT

The premium for this policy and the policies, if any, listed in item 3 of the Schedule may be eligible for a discount. This endorsement shows your estimated discount in item 1 or 2 of the Schedule. The Final calculation of premium discount will be determined by our manuals and your premium basis as determined by audit. Premium subject to retrospective rating is not subject to premium discount.

Schedule

- | | | | | |
|-----------------|--|----------|-----------|---------|
| 1. State | <u>Estimated Eligible Premium</u> | | | |
| | First | Next | Next | Balance |
| | \$5,000 | \$95,000 | \$400,000 | |
2. Average percent discount: _____ %
3. Other policies:
4. If there are no entries in items 1, 2 and 3 of the Schedule see the Premium Discount Endorsement attached to your policy number:

Note 1: Use this endorsement to show the application of Manual Rule VII, Premium Discount, or to identify the insured's policy which shows the application of the Discount Rule.

Note 2: Do not make entries in items 1, 2 or 3 if a policy number is to be shown in item 4.

Note 3: The company has the option of replacing item 1 with the appropriate Table in use by the company. The company may also revise item 1 to conform to Manual Rules applicable to certain states.

Note 4: Item 2 may be used if all eligible premium is developed in one or more states using the same discount.

Note 5: Item 3 is available to list all policies that are combined under the Discount Rule.

Note 6: Use item 4 if premium discount is shown on another policy issued to the insured.

WC 00 04 07

Workers Compensation and Employers Liability Insurance Policy

RATE CHANGE ENDORSEMENT

Rate changes that apply to the policy have been approved by the proper regulatory authority. The changes are shown in the Schedule.

Schedule

<u>State</u>	<u>Date of Change</u>	<u>State Coverage % Change</u>	<u>Longshore and Harbor Workers' Act Coverage %</u>
--------------	-----------------------	--------------------------------	---

Note 1: Use this endorsement to show a change in rates for state coverage.

Note 2: Use the first and second column to show the state and effective date of the change.

Note 3: Use the third column if the change is a flat percentage applicable to all classifications.

Note 4: Use the fourth column to show the new percentage, if any, applicable to non-F classifications for work subject to the Longshore and Harbor Workers' Compensation Act.

Note 5: The company may show a fifth column (Classification Code Number and Rate) in order to show the change on a Schedule of Rate basis.

Workers Compensation and Employers Liability Insurance Policy

WC 00 04 14

NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT

Experience rating is mandatory for all eligible insureds. The experience rating modification factor, if any, applicable to this policy, may change if there is a change in your ownership or in that of one or more of the entities eligible to be combined with you for experience rating purposes. Change in ownership includes sales, purchases, other transfers, mergers, consolidations, dissolutions, formations of a new entity and other changes provided for in the applicable experience rating plan manual.

You must report any change in ownership to us in writing within 90 days of such change. Failure to report such changes within this period may result in revision of the experience rating modification factor used to determine your premium.

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective
Insured

Policy No.

Endorsement No.
Premium

Insurance Company

Countersigned by _____

WC 00 04 14
(Ed. 7-90)

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 00 04 21 D

CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM) PREMIUM ENDORSEMENT

This endorsement is notification that your insurance carrier is charging premium to cover the losses that may occur in the event of a Catastrophe (other than Certified Acts of Terrorism) as that term is defined below. Your policy provides coverage for workers compensation losses caused by a Catastrophe (other than Certified Acts of Terrorism). This premium charge does not provide funding for Certified Acts of Terrorism contemplated under the Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement (WC 00 04 22 B), attached to this policy.

For purposes of this endorsement, the following definitions apply:

- Catastrophe (other than Certified Acts of Terrorism): Any single event, resulting from an Earthquake, Noncertified Act of Terrorism, or Catastrophic Industrial Accident, which results in aggregate workers compensation losses in excess of \$50 million.
- Earthquake: The shaking and vibration at the surface of the earth resulting from underground movement along a fault plane or from volcanic activity.
- Noncertified Act of Terrorism: An event that is not certified as an Act of Terrorism by the Secretary of Treasury pursuant to the Terrorism Risk Insurance Act of 2002 (as amended) but that meets all of the following criteria:
 - a. It is an act that is violent or dangerous to human life, property, or infrastructure;
 - b. The act results in damage within the United States, or outside of the United States in the case of the premises of United States missions or air carriers or vessels as those terms are defined in the Terrorism Risk Insurance Act of 2002 (as amended); and
 - c. It is an act that has been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- Catastrophic Industrial Accident: A chemical release, large explosion, or small blast that is localized in nature and affects workers in a small perimeter the size of a building.

The premium charge for the coverage your policy provides for workers compensation losses caused by a Catastrophe (other than Certified Acts of Terrorism) is shown in Item 4 of the Information Page or in the Schedule below:

Schedule		
State	Rate	Premium

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 00 04 22 B

TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT DISCLOSURE ENDORSEMENT

This endorsement addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2015. It serves to notify you of certain limitations under the Act, and that your insurance carrier is charging premium for losses that may occur in the event of an Act of Terrorism.

Your policy provides coverage for workers compensation losses caused by Acts of Terrorism, including workers compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definitions, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.

Definitions

The definitions provided in this endorsement are based on and have the same meaning as the definitions in the Act. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.

“Act” means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments thereto, including any amendments resulting from the Terrorism Risk Insurance Program Reauthorization Act of 2015.

“Act of Terrorism” means any act that is certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of the premises of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

“Insured Loss” means any loss resulting from an act of terrorism (and, except for Pennsylvania, including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at the premises of United States missions or to certain air carriers or vessels.

“Insurer Deductible” means, for the period beginning on January 1, 2015, and ending on December 31, 2020, an amount equal to 20% of our direct earned premiums, during the immediately preceding calendar year.

Limitation of Liability

The Act limits our liability to you under this policy. If aggregate Insured Losses exceed \$100,000,000,000 in a calendar year and if we have met our Insurer Deductible, we are not liable for the payment of any portion of the amount of Insured Losses that exceeds \$100,000,000,000; and for aggregate Insured Losses up to \$100,000,000,000, we will pay only a pro rata share of such Insured Losses as determined by the Secretary of the Treasury.

Policyholder Disclosure Notice

1. Insured Losses would be partially reimbursed by the United States Government. If the aggregate industry Insured Losses exceed:
 - a. \$100,000,000, with respect to such Insured Losses occurring in calendar year 2015, the United States Government would pay 85% of our Insured Losses that exceed our Insurer Deductible.
 - b. \$120,000,000, with respect to such Insured Losses occurring in calendar year 2016, the United States Government would pay 84% of our Insured Losses that exceed our Insurer Deductible.
 - c. \$140,000,000, with respect to such Insured Losses occurring in calendar year 2017, the United States Government would pay 83% of our Insured Losses that exceed our Insurer Deductible.
 - d. \$160,000,000, with respect to such Insured Losses occurring in calendar year 2018, the United States Government would pay 82% of our Insured Losses that exceed our Insurer Deductible.
 - e. \$180,000,000, with respect to such Insured Losses occurring in calendar year 2019, the United States Government would pay 81% of our Insured Losses that exceed our Insurer Deductible.
 - f. \$200,000,000, with respect to such Insured Losses occurring in calendar year 2020, the United States Government would pay 80% of our Insured Losses that exceed our Insurer Deductible.
2. Notwithstanding item 1 above, the United States Government will not make any payment under the Act for any portion of Insured Losses that exceed \$100,000,000,000.
3. The premium charge for the coverage your policy provides for Insured Losses is included in the amount shown in Item 4 of the Information Page or in the Schedule below.

Schedule

State	Rate	Premium
-------	------	---------

WC 37 03 03

Workers Compensation and Employers Liability Insurance Policy

EXCLUSION OF EMPLOYEES ENDORSEMENT – PENNSYLVANIA

This endorsement excludes workers compensation coverage for your employees engaged in specific operations described in this endorsement when your employees are covered by the Statutory Employer's policy. The Statutory Employer named below must notify you (and us) that he has in accordance with the provisions of Section 302(a) and (b) of Article III of the Pennsylvania Workers' Compensation Act and of the Pennsylvania Occupational Disease Act assumed the positions of statutory employer with respect to your employees engaged in the operations listed below and agree to continue this position for the entire policy period.

Statutory Employer:

Description of Operations:

Note 1: To be attached to a standard provisions policy when the coverage is afforded under the Pennsylvania Workers' Compensation or Occupational Disease Act to a subcontractor when the principal contractor as statutory employer is covering work performed in Pennsylvania by employees of the insured.

Note 2: The company may use its own attachment clause and method of execution.

WC 37 03 09A

Workers Compensation and Employers Liability Insurance Policy

STATUTORY EMPLOYER ENDORSEMENT – PENNSYLVANIA

This endorsement extends your workers' compensation coverage to all of your subcontractors at a specific operation (listed below), when you, (in accordance with the provisions of Section 302(a) and (b) of Article III of the Pennsylvania Workers' Compensation Act and of the Pennsylvania Occupational Disease Act), assume the position of Statutory Employer. Listed below are all subcontractors participating in the operations. We shall include for premium determination all remuneration of employees of the listed subcontractors earned for work done at the specific site.

Note 1: To be attached to a standard provisions policy when coverage is afforded under the Pennsylvania Workers' Compensation or Occupational Disease Act to an insured contractor who has assumed the position of statutory employer with respect to employees of named subcontractors.

Note 2: Creates a "Wrap Up" situation for all subcontractors at a specific operation. Each subcontractor must have their own Workers' Compensation policy if he has employees and that policy must be endorsed with a hold harmless agreement and the Exclusion of Employee endorsement.

Note 3: The company may use its own attachment clause and method of execution.

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 37 03 10 C

EXCLUSION OF EXECUTIVE OFFICERS ENDORSEMENT - PENNSYLVANIA

The executive officers named in the schedule have exercised their right to waive workers' compensation and employers liability benefits payable under this policy. The premium basis for this policy does not include the remuneration of such persons. The insurance carrier is entitled to reimbursement from the employer for any benefits paid under this policy for any of the persons listed in the schedule.

Only officers with an ownership interest in a Subchapter S corporation or officers individually having at least a 5 percent ownership interest in a Subchapter C corporation or serve voluntarily and without remuneration in a non-profit corporation are eligible.

Schedule				
<u>Name of Officer</u>	<u>Office Held</u>	<u>Signature Optional</u>	<u>*Type of Corporation ("S" or "C") or V Interest</u>	<u>% Ownership Interest</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Policy Number _____

Policy Effective Date _____

Carrier _____

Insured's Name _____

WC 37 03 11

PENNSYLVANIA MULTIPLE COORDINATED POLICY ENDORSEMENT

The policy to which this endorsement is attached provides coverage for the workers you lease from the professional employer organization (PEO) to the Client listed below on a multiple coordinated policy basis. The policy does not provide coverage for any Direct Hire Employees of the Client or Covered Employees obtained by the Client from another PEO.

Schedule

1. Client

2. Address

WC 37 04 01

Workers Compensation and Employers Liability Insurance Policy

PENNSYLVANIA 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 (ANC).

The charge is determined by applying the ANC Multiplier to the ANC Basis shown in the table below:

ANC Basis	ANC Multiplier
Estimated Annual Premium	Two times

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

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 is optional. When used, 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.

These ANC conditions apply to mail/email, telephone, computer (remote access), and physical audits, unless otherwise provided by state law.

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 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	<p>Does not change the previously reported:</p> <ul style="list-style-type: none"> • Unit Statistical data • Noncompliance transactions
Does not pay the ANC and does not later allow the audit.	

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

WC 37 04 03

DEDUCTIBLE ENDORSEMENT - PENNSYLVANIA

In consideration of the reduced premium charged for this policy, the insurance afforded by the policy for workers compensation benefits under Pennsylvania Workers' Compensation Law is provided subject to the deductible amount shown below. The deductible shall apply separately to each compensable claim.

The company shall pay the deductible amount to the persons entitled thereto. Upon notice of payments by the company, the insured will promptly reimburse the company for any amounts so paid. Failure of the insured to reimburse the deductible amount within 30 days of statement mailing date on each compensable claim shall be treated as non-payment of premium under the terms of the contract.

The deductible amount is \$_____ for each compensable claim.

The premium is reduced _____ % in consideration of this deductible.

WC 37 04 04 C

CERTIFIED SAFETY COMMITTEE ENDORSEMENT – PENNSYLVANIA

The employer has received a certificate from the Pennsylvania Department of Labor and Industry specifying that the employer has established a safety committee in conformance with the Department's criteria.

This policy is subject to a 5 percent rate credit to recognize the certification of the safety committee. An employer must submit certification renewal affidavits annually to the Department of Labor and Industry in order to qualify for continuation of the 5 percent annual premium credit.

Note: This credit shall not apply to the policy period in effect when the certification is issued. The credit must be applied to the next policy in effect following certification.

WC 37 06 01

Workers Compensation and Employers Liability Insurance Policy

SPECIAL PENNSYLVANIA ENDORSEMENT – INSPECTION OF MANUALS

The manuals of rules, rating plans, and classifications are approved pursuant to the provisions of Section 654 of the Insurance Company Law of May 17, 1921, P.L. 682, as amended, and are on file with the Insurance Commissioner of the Commonwealth of Pennsylvania.

Note 1: Use this endorsement to put the insured on notice as to place that manual rules are available for inspection. In addition, use of this endorsement makes such manual rules binding upon the insured.

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WC 37 06 02

Workers Compensation and Employers Liability Insurance Policy

PENNSYLVANIA NOTICE

An Insurance Company, its agents, employees, or service contractors acting on its behalf, may provide services to reduce the likelihood of injury, death or loss. These services may include any of the following or related services incident to the application for issuance, renewal or continuation of a policy of insurance:

1. surveys;
2. consultation or advice; or
3. inspections.

The “Insurance Consultation Services Exemption Act” of Pennsylvania provides that the Insurance Company, its agents, employees or service contractors acting on its behalf, is not liable for damages from injury, death or loss occurring as a result of any act or omission by any person in the furnishing of or the failure to furnish these services.

The Act does not apply:

1. if the injury, death or loss occurred during the actual performance of the services and was caused by the negligence of the Insurance Company, its agents, employees or service contractors;
2. to consultation services required to be performed under a written service contract not related to a policy of insurance; or
3. if any acts or omissions of the insurance company, its agents, employees or service contractors are judicially determined to constitute a crime, actual malice, or gross negligence.

Note 1: To be attached to all standard provisions policies. Attach Pennsylvania Notice to all renewal policies including renewal certificates insuring risks located in Pennsylvania to notify insureds of the provisions of the Pennsylvania Insurance Consultation Services Exemption Act.

Note 2: Carriers must attach Pennsylvania Notice to all policies or forfeit the exemptions provided by the Pennsylvania Insurance Consultation Services Exemption Act.

Note 3: The company may use its own attachment clause and method of execution.

WC 37 06 03A

**PENNSYLVANIA ACT 86-1986 ENDORSEMENT
NONRENEWAL, NOTICE OF INCREASE OF PREMIUM, and RETURN OF UNEARNED PREMIUM**

This endorsement applies only to the insurance provided by the policy because Pennsylvania is shown in Item 3.A. of the Information Page.

The policy conditions are amended by adding the following regarding nonrenewal, notice of increase in premium, and return of unearned premium.

Nonrenewal

1. We may elect not to renew the policy. We will mail to each named insured, by first class mail, not less than 60 days advance notice stating when the nonrenewal will take effect. Mailing that notice to you at your mailing address last known to us will be sufficient to prove notice.
2. Our notice of nonrenewal will state our specific reasons for not renewing.
3. If we have indicated our willingness to renew, we will not send you a notice of nonrenewal. However, the policy will still terminate on its expiration date if:
 - a. you notify us or the agent or broker who procured this policy that you do not want the policy renewed; or
 - b. you fail to pay all premiums when due; or
 - c. you obtain other insurance as a replacement of the policy.

Notice of Increase in Premium

1. We will provide you with not less than 30 days advance notice of an increase in renewal premium of this policy, if it is our intent to offer such renewal.
2. The above notification requirement will be satisfied if we have issued a renewal policy more than 30 days prior to its effective date.
3. If a policy has been written or is to be written on a retrospective rating plan basis, the notice of increase in premium provision of this endorsement does not apply.

Return of Unearned Premium

1. If this policy is cancelled and there is unearned premium due you:
 - a. If the Company cancels, the unearned premium will be returned to you within 10 business days after the effective date of cancellation.
 - b. If you cancel, the unearned premium will be returned within 30 days after the effective date of cancellation.
2. Because this policy was written on the basis of an estimated premium and is subject to a premium audit, the unearned premium specified in 1a. and 1b. above, if any, shall be returned on an estimated basis. Upon our completion of computation of the exact premium, an additional return premium or charge will be made to you within 15 days of the final computation.
3. These return of unearned premium provisions shall not apply if this policy is written on a retrospective rating plan basis.

NOTES

1. Nonrenewal of, notice of increase in premium for, and return of unearned premium for a workers' compensation and employers' liability insurance policy is governed by Act 86-1986.
2. This endorsement must be attached to a policy showing Pennsylvania in Item 3.A. of the Information Page.

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RULINGS AND INTERPRETATIONS

This digest of rulings and interpretations is published for the convenience and guidance of the members of the Bureau and does not bear the official approval of the Insurance Commissioner. This information conforms to the rulings and interpretations as published in the Pennsylvania Compensation Rating Bureau Manual. These rulings and interpretations are based upon decisions made on the individual risks, or they represent established practices. Each item has been approved for publication herein by the Governing Committee.

Rulings and interpretations should generally be followed for underwriting purposes in the case of risks which appear to come within their stated provisions. If risks involve conditions or operations which appear to be exceptions, such exceptions should be referred to the carrier and the Bureau.

EXECUTIVE OFFICERS – MULTIPLE CORPORATE ENTERPRISES

An executive officer may either receive a salary from only one or from several corporations insured under one policy. In other instances several policies may be issued to cover several corporations and an executive officer may receive a salary from each of these corporations. The following procedure shall apply in these instances:

Where it is permissible to include more than one corporation on a single policy and such corporations are insured by a single carrier whether under one or more policies, the several corporations shall be considered as a unit with respect to the application of the Executive Officers Rule. In all other cases the rule shall apply on a policy basis.

EXECUTIVE OFFICERS REMUNERATION – TREATMENT OF

The remuneration of executive officers shall be treated in accordance with the following procedures:

1. The remuneration of an executive officer shall not be included with the payroll of the risk for premium computation purposes, provided:
 - (a) That such officer is elected for the value of his or her name or because of stock holdings, has no duties and does not come on the premises, except perhaps to attend directors' meetings.
 - (b) That such officer because of age or for other reasons, ceases to perform any duties and does not come on the premises, except perhaps to attend directors' meetings.
2. The remuneration of an executive officer shall not be included with the payroll of the risk for premium computation purposes, subject to the minimum and maximum provisions of the Basic Manual, provided:
 - (a) That such executive because of age or for other reasons, ceases to perform any duties, but nevertheless, frequently visits the premises of the risk.
 - (b) That such officer frequently visits the premises of the risk for business conferences, directors' meetings or similar duties although also an officer or employee of another risk in the operations of which he takes an active interest.
3. Under the following conditions, the amount of remuneration of executive officers which shall be included with the payroll of the risk for premium computation purposes, subject to the minimum and maximum amounts of the Basic Manual, shall be as indicated below:
 - (a) Where the officer draws no salary in fact, but a regular salary is credited to him or her on the books, the amount so credited shall be included in the payroll of the risk as his or her remuneration.
 - (b) Where the officer draws no salary in fact, but a regular salary is credited to him or her on the books and subsequently charged back to such officer, the amount so credited shall be included in the payroll of the risk as his or her remuneration regardless of such charge off.

- (c) Where the officer draws no regular salary but draws such various sums as his or her needs or the conditions of the business dictate, the actual amount drawn shall be included in the payroll of the risk as his or her remuneration.
- (d) Where the officer received no salary in fact, either drawn or credited, or where the records presented to the auditor fail to disclose the salary, the amount to be included in the payroll of the risk shall be the applicable manual minimum per week.

NAME OF INSURED

In addition to providing the complete legal name of the insured, carriers shall designate such fictitious name shown on the information page by the symbol D.B.A. (doing business as). If a fictitious name is shown on an endorsement in the same designation, D.B.A. shall also be shown. A fictitious name is a business name which is not the legal name of the insured.

Some individuals are known by two or more complete names. If a carrier shows the additional names of such an insured individual, it shall designate each additional name by the symbol A.K.A. (also known as).

Each information page or applicable endorsement shall identify every corporate name which does not include the words "incorporated" or "corporation" in said name by the designation (A Corp.) following the name.

The effective date of any change, addition or deletion in the name of the insured shall be shown on the endorsement.

When issuing an endorsement to reflect a change in ownership, the following procedure shall be followed:

1. If the endorsement contains the complete name of the insured as it will be on the effective date of the endorsement, the name should then be preceded by the phrase "Name is changed to..."
2. If the endorsement does not contain the complete name of the insured, the change should be preceded by the phrase "Name is added..." or "Name is deleted..."
3. Name and address changes should be effected on a separate endorsement and not in conjunction with other policy amendments.

PENNSYLVANIA NOTICE (INSURANCE CONSULTATION SERVICES EXEMPTION ACT)

The Pennsylvania Notice is designed for use in all lines of insurance including Workmen's Compensation. This Notice should be attached to all policies, new and renewal, as of January 1, 1981 and thereafter. Senate Bill 1406 states that exemption from liability applies only for Insureds furnished with a written explanation of the Act. Therefore, failure to attach this Notice to your policy forfeits the exemption it provides.

The attached notice explains that a carrier may provide certain services which propose to reduce the likelihood of injury, death or loss. These services include surveys, consultation or advice, or inspections. They are exempt from liability when this Notice is attached to the insurance policy. It also lists the situations in which the exemption from liability does not apply.

POLICY CORRECTIONS

If the Bureau finds that a policy requires correction to conform to Manual rules or classifications, the carrier shall be notified by letter. Such policy shall be corrected and a copy of the correcting endorsement shall be submitted to the Bureau no later than thirty (30) days after notification.

POLICY WRITING PROCEDURE**A. Policy Numbers**

The policy number designated by the carrier at policy issuance must remain constant and must be used on all endorsements and other documents related to that policy. If a portion of the policy number is designated at inception as the “key” policy number, such designation must be clearly identified on the policy information page and the “key” number must be used on all endorsements and other documents related to that policy.

B. Renewal Policy Numbers

The information page of each renewal policy shall identify the policy number of the policy which it renews, in accordance with A. above. This procedure also applies to rewritten policies. The word “same” should be used to indicate that the same policy number has been used on renewal. The word “new” should be used to indicate a newly issued policy.

FILING AND APPROVAL OF ENDORSEMENTS PROCEDURE (Bureau Circular)

The provisions of each endorsement applicable in Pennsylvania, as developed by the appropriate committees of the Bureau, will be filed by the Bureau with the Department, requesting approval thereof on behalf of all members who have furnished the Bureau with a Power of Attorney to so file on their behalf.

Individual filing with the Department will not be required for any carrier who has executed the Power of Attorney, with respect to the provisions of endorsements which have been filed by the Bureau and approved by the Insurance Department.

Following approval by the Department of the provisions of endorsements filed by the Bureau, a circular letter will be issued by the Bureau notifying the members of the Bureau of such approval.

A specimen copy of each approval endorsement form, prepared by the carrier, shall be filed with the Bureau, accompanied by a letter certifying to the following:

- (a) That the form of the endorsement is exactly in accord with the form as approved by the Insurance Department.
- (b) That the minimum requirements of the Insurance Department with respect to execution, name of carrier, etc., as outlined in Compensation Circular P-62, dated July 22, 1954 have been complied with.
- (c) That the form number of the endorsement is separate and distinct from that assigned to any previously approved Pennsylvania Workers' Compensation form.

When specimen copies of each approved endorsement form have been placed on file in the Bureau, no further action will be necessary to authorize use of such endorsements by those carriers on whose behalf the filing was made.

It is anticipated that all carriers will avail themselves of this simplified procedure. In the event a carrier chooses not to furnish the Bureau with a Power of Attorney, that carrier must continue to secure individual approval of its endorsements from the Insurance Department.

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SECTION I – INSTRUCTIONS

1. The Experience Rating Plan is intended to determine whether a specific risk presents a hazard for future insurance which is better or worse than the hazard of the average risk in the classification(s) to which the risk has been assigned.
2. The rules of this Plan shall govern the experience rating procedure to be followed in connection with Workers' Compensation and Employers' Liability Insurance.
These rules have been prepared as applicable to policies written or issued for a period not in excess of one year. When, however, policies are written for periods of more than one year, such policies shall be considered as consisting of consecutive units of twelve months, or if the period of coverage is not a multiple of twelve months, the first or last unit shall be considered as though it were a short term policy. If, however, coverage is written for a period that is more than one year, but not more than one year and sixteen days, such entire period shall be considered as a unit of coverage. Each unit as defined above shall be subject separately to all of the rules and procedures specified in the Plan to the same degree as if it actually constituted a separate policy.
In the event the policy period for a long term policy is more than one year and sixteen days, and is not made up of complete twelve-month periods, an endorsement (WC 00 04 05) shall be attached to the policy specifying whether the first or last unit shall be considered as though it were a short term policy.
3. This Plan and all amendments thereto, unless otherwise specifically provided, shall be applied as of the first rating effective date of the risk, as established by the Bureau, which is on or after the effective date of any change in the rules or rating values of this Plan, but shall not otherwise be available to outstanding ratings.
4. A policy cannot be cancelled, rewritten or extended for purposes of enabling a risk to qualify for, or avoid application of, this Plan.
5. Experience rating shall apply only to the traumatic portion of the policy. Experience rating shall not apply to occupational disease or USL & HW coverages.

SECTION II – DEFINITIONS

1. RISK. The term "risk" as used in this Plan shall mean:
 - a. A single legal entity.
 - b. Two or more affiliates which qualify for combination under the rules of Section III of this Plan.
2. LEGAL ENTITY. The term "legal entity" shall mean an individual, partnership, corporation, unincorporated association or fiduciary (e.g., trustee, receiver, executor or administrator).
3. EXPERIENCE. For the purpose of this Plan, experience shall mean the record established by a risk under Workers' Compensation and Employers' Liability Insurance, as disclosed by the traumatic losses incurred by the insurance carrier or carriers and the payrolls or other exposures segregated according to classification of operations.
If the classification assigned to a risk is revised or modified, for the purpose of this Plan, the Bureau shall similarly reassign the classification of the experience period, except that if the revision is due to a change in operations, no part of the experience period prior to such operations change shall be affected.
Note: For special provisions applicable to self-insurers' data, see Rule 5 of Section III.
4. PROVISION FOR CLAIM PAYMENT shall be the traumatic portion of the Bureau's latest approved filing representing the charges for losses only. The Bureau's provision for claim payment shall include considerations for trend and loss development, but shall not include any provision for

loss adjustment expenses, underwriting expenses, state and/or federal taxes, and profit and contingencies.

5. BASIC COMPONENT shall mean that portion of the Bureau's latest approved provision for claim payment which represents the loss charge for the layer of reported losses less than or equal to the primary limiting value.
6. RATABLE EXCESS COMPONENT shall mean that portion of the Bureau's latest approved provision for claim payment which represents the loss charge for the layer of reported losses between the primary and secondary limiting values.
7. NON-RATABLE EXCESS COMPONENT shall mean that portion of the Bureau's latest approved provision for claim payment which represents the loss charge for the layer of reported losses greater than the secondary limiting value. This component is not subject to experience rating.
8. PRIMARY LIMITING VALUE shall be \$50,000.
9. SECONDARY LIMITING VALUE shall be \$150,000.
10. EXPERIENCE MODIFICATION FACTOR (MOD) shall be the factor calculated by the Bureau representing the composite impact on the combined basic and excess components. The mod shall be published by the Bureau, but will be applied by the carrier to the carrier's own manual rate for the classification.
11. CALCULATION OF THE MOD shall be based upon the combined data of all traumatic classifications under the jurisdiction of the Bureau. Only one mod will be applicable to the coal classes on the policy. The published mod shall be applied by the carrier to all coal traumatic classes on the policy.
12. MODIFIED PAYROLL shall be the actual reported payrolls multiplied by the traumatic payroll development factors contained in the latest approved filing.
13. **Rating Effective Date (RED)** is the earliest date that a specific experience modification (MOD) is applied to a policy.

SECTION III – GENERAL PROVISIONS

1. ELIGIBILITY REQUIREMENTS FOR EXPERIENCE RATING

Any risk with a modified traumatic payroll of at least \$300,000 during the three (3) year experience period shall qualify for experience rating.

The RED may differ from a risk's policy effective date for reasons including, but not limited to:

- Short-term policies
- Cancellations
- Gaps in Coverage
- Changes in ownership or combinability status
- Multiple policy effective dates
- A policy that is longer than one year and 16 days
- Late receipt of current policy information by the Bureau

To determine a risk's RED, the Bureau will review the most recent full-term policies and unit statistical data. For purposes of this rule, a full-term policy is written for 12 months and is not cancelled prior to its expiration date.

2. EXPERIENCE PERIOD

The experience period shall be the latest three (3) calendar accident years of losses and payrolls reported to the Bureau in accordance with the approved Statistical Plan. Data that is reported as of June 30th is used to calculate MODS for policies with rating effective dates on or after the following December 1st.

3. EXPERIENCE TO BE USED

The entire experience of the risk (except as otherwise provided in Rule 1 of Section V of this Plan) incurred within the experience period on all its operations shall be reported and used in determining the experience mod. The Bureau may, at its discretion, verify all the data from which the experience mod is to be determined.

Experience developed on work let to and performed by an uninsured contractor shall be considered as the experience of the primary contractor or principal whose insurance carrier is liable for the payment of compensation under the provisions of the Pennsylvania Workers' Compensation and Occupational Disease Acts, as respects such work.

4. CALCULATION OF EXPERIENCE

All experience mods shall be calculated by the Bureau on the basis of experience valued in accordance with Sections V and VI.

5. SELF-INSURERS' DATA

The experience of self-insurers may be accepted by the Bureau provided the experience on self-insured operations is submitted on the approved form, giving the required information with respect to payrolls and losses. Such statement shall be secured, verified and submitted by an interested carrier. Self-insured experience shall not be used in rating a risk unless the operations that produced such experience are to be insured under a Standard Workers' Compensation and Employers' Liability Policy. In the event the experience of any part thereof is not made available to the Bureau in accordance with the rules of this Manual, the policy shall be issued at the carrier's manual rates and continue to be manually rated until the experience in question is made available to the Bureau for rating or the risk otherwise qualifies for experience rating.

6. ADMINISTRATION OF PROPERTY (FIDUCIARY AND NON-FIDUCIARY)

Ownership interest shall be deemed to be vested in a fiduciary when a fiduciary is involved. However, "Fiduciary" shall not include a debtor in possession or a trustee under a revocable trust or a franchisor. Ownership interest held by an entity in a fiduciary capacity and ownership interest held by the same entity in a non-fiduciary capacity shall be deemed to be ownership by the same entity.

7. COMBINATION OF ENTITIES

- a. Two or more entities shall not be combined for rating purposes; provided, however, that combination shall be made as respects entities in each of which the same person, or group of persons, or corporation owns a majority interest and:
 - (i) The entities involved constitute the component parts of an enterprise performing a continuous process or operation, or
 - (ii) There is interchange of employment (other than office and salesmen) among two or more of the entities involved in the combination.
- b. At the option of the insured and the carrier or carriers involved, the experience of entities in each of which the same person, or group of persons, or corporation owns a majority interest, may be combined for rating purposes, providing
 - (i) Neither of the conditions specified in Rules 7 a.(i) and 7 a.(ii) is present, and
 - (ii) The experience of all entities which are combinable under this Rule is used to determine the experience mod.

If combination of all of the entities related by a common interest is not elected, then each entity shall be insured under a separate policy and rated on its own experience, providing it meets the qualifications for experience rating as specified in Rule 1 of this Section.

- c. If the experience of two or more entities is combined under Rule 7 a. above, insurance for the entire risk shall be provided by means of a single policy; if combination is made under

Rule 7 b., insurance may be provided either by a single policy insuring the entire risk, or by separate policies issued by one or more insurance carriers. In the latter case, the experience mod established for the entire risk shall apply to each entity.

- d. If an entity owns a majority interest in another entity which, in turn, owns the majority interest in another entity, all entities so related shall be considered as being under the same ownership for the purposes of this rule, regardless of the number of entities in succession.
- e. Separate legal entities organized for religious purposes within the same religious denomination shall not be combined for rating purposes; however, that combination may be made as respects all such entities in each of which the same central authority appoints or controls the appointment of the board of trustees or similar body and exercises direct complete and active control over the finances, properties, operations and activities.

In the term “majority interest” as used in this rule, “majority” shall mean more than 50%.

If any entity other than a partnership

- (i) has issued voting stock, majority interest shall mean a majority of the issued voting stock;
- (ii) has not issued voting stock, majority interest shall mean a majority of the members;
- (iii) has not issued voting stock and has no members, majority interest shall mean a majority of the board of directors or comparable governing body.

If any entity is a partnership, majority interest shall be determined in accordance with the participation of each general partner in the profits of the partnership.

Note: If a combination of entities is required or has been elected, and if two or more different combinations are possible in accordance with the provisions of this rule, the combination involving the greatest number of entities shall be made. The experience of any entity used in such a combination shall not otherwise be used in combination with any other entity.

The experience to be used in a rating combination shall be subject to the provisions of the rule “Change of Ownership” of this Section.

8. OWNERSHIP CHANGES

- a. For purposes of this Plan, a change in ownership includes any of the following:
 - (i) sale, transfer or conveyance of all or a portion of an entity's ownership interest
 - (ii) sale, transfer or conveyance of an entity's physical assets to a purchasing entity which takes over the operation of the selling entity and wherein the selling entity
 - (a) becomes entirely inactive with no employees or
 - (b) retains a few employees for the purpose of closing out its affairs prior to dissolution as a legal entity or
 - (c) retains a few clerical employees for the purpose of carrying on operations in connection with investment of its financial assets
 - (iii) merger or consolidation of two or more entities
 - (iv) formation of a new entity subsequent to the dissolution or non-operative capacity of an entity
 - (v) voluntary or court mandated establishment of a trustee or receiver, excluding a debtor in possession, a trustee under a revocable trust or franchisor
- b. Reporting Requirement. When an ownership change occurs, the Notification of Change in Ownership Endorsement (WC 00 04 14) requires any change in ownership and/or combinability status be reported in writing by the employer to its carrier within ninety (90) days of the date of the change. This can be accomplished by submitting a completed

Confidential Request for Information Form (ERM-14 form) or by providing the information in narrative form on the letterhead of the insured, signed by an officer of the entity.

Failure to report changes in ownership in line with Endorsement WC 00 04 14 may be considered modification evasion. See Section III, 8-h.

- c. Continuation of Experience. Unless excluded under paragraph (d), the experience for any entity undergoing a change in ownership shall be transferred to the experience of the acquiring, surviving or new entity. The date of revision will be the later of the following two dates: 1) the effective date of the policy in effect at the time the Bureau receives a completed ERM-14 form outlining the ownership change or 2) the date on which the change in ownership occurred.
 - (i) Partial Sale: If an entity disposes of a part of its assets or operations but otherwise continues to operate its business, all experience incurred prior to the sale shall be used in future ratings of the entity.

NOTE: Future experience ratings of a risk shall retain all experience for any part of its operations which may have been discontinued or self-insured.
- d. Exclusion of Experience. The experience of any entity undergoing a change in ownership shall be retained and used in future experience ratings unless one or both of the following requirements (i) and (ii) are met at the same time of the ownership change:
 - (i) A change in majority interest occurs and the change in majority interest is accompanied by a complete change in operation and function sufficient to result in a change of governing classification and the change in majority interest is accompanied by a change in the process and hazard of the operation.
 - (ii) A change in majority interest occurs and the change in majority interest is accompanied by a change in employees such that all or a substantial portion of the employees of the new ownership are not retained from the prior ownership.
- e. If the experience of an entity undergoing a change in ownership is to be excluded from future experience ratings for the entity, the experience modification no longer applies as of the date of the ownership change unless the entity is acquired by another entity which has an existing experience modification. In that case, the modification of the acquiring entity shall apply.
- f. Multiple Entities. When two entities under substantially the same ownership have been insured under a single policy, and the ownership of one or both of them is changed so that there is no longer any connection between them, the procedure shall be as follows:
 - (i) If the experience of the entities has been combined for rating purposes during the entire experience period, the experience incurred prior to the change shall not be used for future ratings, unless
 - (a) the insurance carrier or carriers request that new mods be established, and
 - (b) the Bureau is furnished with the experience required for the calculation of such experience mods.
 - (ii) If the experience of the entities has been combined for less than two years at the time of the change, so that the experience for each entity is available during the period they were separately insured, the experience for each entity shall be used for the purpose of calculating new experience mods.

When three or more entities under substantially the same ownership have been insured under a single policy, and the ownership of one of the entities has been changed so that there is no longer any connection between it and the remaining entities, the existing experience mod shall continue to apply to the entities whose ownership has not changed.

- The entity whose ownership has changed shall not be subject to experience rating unless it has been purchased by an entity which has an applicable experience mod.
- When three or more entities under substantially the same ownership have been insured under a single policy and the ownership of two or more of the entities has been changed so that common ownership no longer is present, the experience incurred prior to the date of the change shall not be used for future ratings, unless
- (i) the insurance carrier or carriers request that new mods be established, and
 - (ii) the Bureau is furnished with the experience required for the calculation of such mods.
- g. Employee Leasing. If (1) an entity terminates its employment relationship with all, or substantially all, its employees, (2) all or substantially all such employees are thereafter employed by another entity which leases such employees to the original employer, and (3) workers compensation insurance for the leased employees is provided under a Master Policy issued to the second entity, the experience incurred prior to the termination of the original employment relationship shall be used in future ratings of the second entity.
- h. Evasion of Experience Rating Modification.
- (i) Actions. Employers, or their representatives, at times take actions for the purpose of avoiding an experience rating modification. They may also take actions for otherwise legitimate business reasons that nonetheless result in the improper application of an experience rating modification. Regardless of intent, any action resulting in the miscalculation, misapplication or omission of an experience rating modification determined in accordance with this Plan is prohibited. These actions can include, but are not limited to:
 - (a) Failure to report changes in accordance with Endorsement WC 00 04 14
 - (b) A change in ownership
 - (c) A change in combinability status
 - (d) Creation of a new entity
 - (e) Misrepresentation on audits or failure to cooperate with an audit
 - (ii) Bureau Response. In such circumstances the Bureau may obtain information that indicates evasion or improper calculation, application or omission of experience rating modifications due to actions included, but not limited to, those listed above. The Bureau will act to ensure the proper calculation and application of experience rating modifications impacted by these actions. This may include, but is not limited to the:
 - (a) Combination of experience that would otherwise not be combinable
 - (b) Separation of experience that would otherwise be combinable
 - (c) Exclusion of experience that would otherwise be included
 - (d) Continuation of experience that would otherwise be withdrawn
 - (e) Issuance of experience rating modifications that were not originally issued
 - (f) Revision and/or retraction of experience rating modifications
9. JOINT VENTURES
- When two or more risks associate for the purpose of undertaking one or more projects as a joint venture, the premium for the operation involved shall not be subject to experience modification until such time as the joint venture qualifies for experience rating in accordance with the provisions of Rule 1 of this Section, subject, however, to the following conditions:
- a. The contracts shall be awarded in the name of the associated risks as a joint venture.
 - b. The joint ventures shall share responsibility for and participate in the control, direction and supervision of all work undertaken.
 - c. The joint ventures shall maintain a common bank account, payroll and business records.

- d. When the joint venture becomes subject to experience rating, all applicable experience ratings shall be based exclusively on the experience of the joint venture. The experience developed under a joint venture shall be excluded from the future rating of the individual ventures.

SECTION IV – APPLICATION OF EXPERIENCE MODIFICATION

1. EXPERIENCE MOD

An experience mod for a qualified risk shall be determined annually by the Bureau and shall be effective as of the RED of the risk. No more than one experience mod shall apply to a risk at the same time for all coal mine classifications. The experience mod shall be multiplied times the carrier's manual rate in force on the effective date of the policy for traumatic coverage only.

2. SINGLE POLICY RISK

If a risk is covered by a single policy, the following procedure shall apply:

- a. The experience mod effective as of the RED shall apply for the full term of the policy.
- b. If a policy is written for a period of one year, but is extended for a period of not more than 16 days, the experience mod in effect as of the original termination date shall remain in effect until the termination date of the extended policy. The experience mod which would have become effective as of the RED shall apply for a period of one year from the effective date of the new policy.
- c. If a policy becomes effective on a date more than three months after the RED:
 - i. the outstanding experience mod shall apply to the new policy for the period corresponding to the unexpired term of the rating.
 - ii. a new experience mod then shall apply for the unexpired term of the outstanding policy.
 - iii. thereafter, a new modification shall apply annually as of a new RED. The new RED shall be the date twelve months after the effective date of the new policy.

3. MULTIPLE POLICY RISK

If a risk is covered by several policies (as provided in Rule 7 of Section III of this Plan) which differ as to inception dates, the following procedure shall apply:

A single experience mod shall be computed to be effective for a period of twelve months beginning on the RED to be established by the Bureau. The Bureau may, however, authorize the application of an existing experience mod for a period not to exceed fifteen months or a new experience mod for a period greater than three months and less than twelve months for the purpose of establishing a new RED. Any policy effective prior to the new RED established by the Bureau shall be cancelled as of such date and rewritten for a period of twelve months. Any policy effective subsequent to the new RED established by the Bureau shall be written to expire concurrently with the next ensuing RED or shall be cancelled as of that date.

Any policies subject to this rule which are extended beyond the new period of twelve months shall be subject to the provisions of Rules 2(b) and 2(c) of this section.

SECTION V – TABULATION OF EXPERIENCE

1. EXPERIENCE USED FOR RATING

The experience used for rating purposes shall be the individual risk's traumatic experience valued and reported in accordance with the provisions of the Coal Mine Compensation Rating Bureau of Pennsylvania Workers' Compensation Statistical Plan.

2. RATING FORMS

To determine the experience mod, the prescribed experience shall be tabulated by the Bureau on approved rating forms.

3. PAYROLLS

The audited payrolls or other exposures for each classification for the experience period shall be tabulated by calendar year. The three (3) year total of modified traumatic payroll for all coal classifications shall determine the risk's credibility.

4. LOSSES

Incurred losses shall be tabulated by calendar year, described below:

- a. Total losses as reported. Losses incurred shall be on a gross basis before the application of the deductible, when such coverage is provided.
- b. Reported losses on claims up to the primary limiting value (basic).
- c. Reported losses on claims between the primary limiting value and the secondary limiting value (ratable excess).
- d. Reported losses on claims exceeding the secondary limiting value (non-ratable excess).

5. MORAL RESPONSIBILITY

No loss shall be excluded from the experience of a risk on the ground that the employer was not morally responsible for the accident that caused such loss.

6. REVISION OF LOSSES

It shall not be permissible to revise values because of department or judicial decision or because of developments in the nature of injury between two valuation dates except in cases:

- a. where loss values are included or excluded through mistake other than error of judgment, or
- b. where a claim is declared non-compensable (see note below),
- c. where the claimant or carrier has recovered in an action against a third party, or
- d. where a claim or a portion of a claim is ruled or officially declared fraudulent.

In the above circumstances, revised statistical report(s) are required to be submitted in accordance with the approved Statistical Plan. When a change to a claim value due to the above circumstances is known to the insurer with certainty within 48 months of the expiration of an experience rating which included loss values for that claim, such revised statistical report(s) shall be used to adjust that experience rating. Such adjustments to experience ratings shall be made regardless of when the correction report(s) reflecting the cited event(s) is/are submitted to or received by the Bureau.

Note: For purposes of this rule, the term "non-compensable" refers to:

- (i) an official ruling specifically holding that a claimant is not entitled to benefits under the provisions of the Pennsylvania Workers' Compensation or Occupational Disease Act.
- (ii) a case where no claim was filed during the period of limitation provided by the Pennsylvania Workers' Compensation or Occupational Disease Act for the filing of such claim and the carrier therefore closes the case.
- (iii) a case where the carrier contends, prior to the valuation date, that a claimant is not entitled to benefits under the Pennsylvania Workers' Compensation or Occupational Disease Act and the claim is officially closed because of the claimant's failure to prosecute their claim.

7. THIRD PARTY CASES

- a. Pending Cases. When a negligence claim or suit has been instituted by a claimant against a third party, the procedure shall be as follows:

If the claim or suit against the third party has not been settled or finally adjudicated, the incurred loss shall be included in the rating, since failure to recover against a third party is

- no bar to compensation and the insurance carrier may eventually be obliged to indemnify the claimant in whole or in part for the loss sustained.
- b. Settled Cases. In cases where the carrier has received reimbursement under subrogation rights, or where the injured employee or his dependents have recovered from a third party, the procedure shall be as follows:
- In cases where the total incurred cost prior to recovery is less than the accident limitation value, only the net loss shall be used in the rating. In cases where the total incurred cost prior to recovery exceeds the accident limitation value, the amount to be used in the rating shall be such proportion of the limiting value as the net loss bears to the total incurred cost prior to recovery.

SECTION VI – MODIFICATION CALCULATION

The experience mods shall be calculated as follows:

1. The Bureau shall calculate and publish one mod per policy. The mod shall be based upon the data of all coal mine traumatic classifications under the Bureau's jurisdiction.
2. Total traumatic losses reported for the policy shall be segregated by the Bureau into the basic, ratable excess, and non-ratable excess losses by year as defined in Section V.
3. For determining the value of each loss, the indemnity, medical and funeral components for each individual loss must be combined.
4. The basic, ratable excess, and non-ratable excess losses shall be tabulated separately by class. The sum across all classes shall be used to calculate the policy's mod.
5. The reported losses for basic and ratable excess portions shall each be multiplied by a separate credibility factor from the respective table in Section VIII. The total three (3) year modified payroll across all coal traumatic classifications under the Bureau's jurisdiction shall be the basis for determining the policy's credibilities.
6. The expected losses by class, by year, shall be calculated using the policy's annual payrolls by class and the class's expected loss values. For expected loss values, refer to Table 1, Section VIII.
7. Three (3) years of expected losses shall be determined separately for the basic and ratable excess portions.
8. To the extent that the reported basic and ratable excess portions lack full credibility (1.000), the respective complement shall be applied to the respective expected losses.
9. The sum of the reported losses times credibility, plus the expected losses times the complementary credibility, all divided by the expected losses shall result in the experience ratio. For credibility values, refer to Table 2, Section VIII.
10. The experience ratio times the basic and ratable excess component, plus the non-ratable excess component shall equal the adjustment ratio. For these portions (or components), see Table 3, Section VIII.
11. To assure that the Experience Rating Plan does not generate more or less dollars of claim payment than included in the manual loss costs, an off-balance factor shall be calculated across all experience rated risks. This off-balance factor shall be applied solely to the experience rated risks. For the off-balance factor, see Table 4, Section VIII.
12. The mod to be charged shall be the policy's adjustment ratio divided by the experience rating off-balance factor, unless limited. For mod limits, see Table 5, Section VIII.

SECTION VII – RATING FORMULA

$$\text{Experience Ratio} = \frac{(L_B \times C_B) + [EL_B \times (1 - C_B)] + (L_{EX} \times C_{EX}) + [EL_{EX} \times (1 - C_{EX})]}{EL_B + EL_{EX}}$$

- Where
- L_B = Basic Losses Reported
 - C_B = Basic Credibility
 - EL_B = Basic Expected Losses
 - L_{EX} = Ratable Excess Losses Reported
 - C_{EX} = Ratable Excess Credibility
 - EL_{EX} = Ratable Excess Expected Losses

Adjustment Ratio = [Experience Ratio X (Basic and Ratable Excess Component)] + Non-Ratable Excess Component

Mod = Adjustment Ratio divided by Experience Rating Off-Balance, Unless Limitation Applies

SECTION VIII – FACTORS AND TABLES

TABLE 1 – EXPECTED LOSS VALUES

		Most Current Year	First Prior Year	Second Prior Year
1001 -	Basic	2.01	1.84	2.28
	Ratable Excess	0.11	1.01	0.81
1010 -	Basic	6.64	6.08	7.53
	Ratable Excess	0.37	3.33	2.67
1012 -	Basic	2.80	2.57	3.17
	Ratable Excess	0.15	1.41	1.12
1014 -	Basic	0.77	0.70	0.87
	Ratable Excess	0.04	0.38	0.31
1015 -	Basic	4.63	4.25	5.25
	Ratable Excess	0.25	2.33	1.86
1469 -	Basic	1.20	1.10	1.36
	Ratable Excess	0.07	0.60	0.48
1021 -	Basic	1.32	1.21	1.49
	Ratable Excess	0.07	0.66	0.53
1023 -	Basic	0.39	0.36	0.45
	Ratable Excess	0.02	0.20	0.16
1025 -	Basic	1.62	1.49	1.84
	Ratable Excess	0.09	0.82	0.65
1027 -	Basic	0.76	0.70	0.86
	Ratable Excess	0.04	0.38	0.31

TABLE 2 – CREDIBILITY

Credibility is based upon the three-year modified payroll of the insured based upon all coal mine traumatic classes combined. Modified payroll is calculated by applying the traumatic payroll development factors by class from the latest approved loss cost filing to the respective traumatic payrolls by class of the insured. Each insured shall have a separate primary and ratable excess credibility.

This table is constructed to determine both the primary and ratable excess credibility from a single table entry. The payrolls listed on the table provide for a range in payroll from the listed entry to the next entry. The credibility assigned to the risk is the largest payroll entry that the insured’s modified payroll exceeds.

Modified Payroll	Primary Credibility	Excess Credibility	Modified Payroll	Primary Credibility	Excess Credibility
300,000	0.30	0.06	4,209,421	0.69	0.08
356,207	0.31	0.06	4,611,957	0.70	0.09
428,646	0.32	0.06	5,044,545	0.71	0.09
479,379	0.33	0.06	5,536,309	0.72	0.09
523,131	0.34	0.07	6,103,414	0.73	0.09
570,167	0.35	0.07	6,731,515	0.74	0.10
640,889	0.36	0.07	7,409,121	0.75	0.10
673,525	0.37	0.07	8,235,596	0.76	0.10
730,263	0.38	0.07	9,104,579	0.77	0.11
793,143	0.39	0.07	10,062,869	0.78	0.11
863,096	0.40	0.07	11,281,017	0.79	0.12
932,780	0.41	0.07	12,606,300	0.80	0.12
1,015,348	0.42	0.07	14,093,899	0.81	0.13
1,100,597	0.43	0.07	15,939,091	0.82	0.13
1,190,500	0.44	0.07	18,079,697	0.83	0.14
1,295,703	0.45	0.07	20,573,131	0.84	0.15
1,403,230	0.46	0.07	23,378,407	0.85	0.16
1,472,422	0.47	0.07	26,703,653	0.86	0.17
1,527,304	0.48	0.07	30,870,286	0.87	0.18
1,584,994	0.49	0.07	36,280,396	0.88	0.19
1,644,337	0.50	0.07	39,562,251	0.88	0.20
1,705,335	0.51	0.07	42,834,727	0.89	0.21
1,769,503	0.52	0.07	50,619,455	0.90	0.22
1,835,148	0.53	0.07	55,913,525	0.90	0.23
1,903,418	0.54	0.07	60,619,791	0.91	0.24
1,974,490	0.55	0.07	70,084,630	0.91	0.25
2,047,189	0.56	0.07	77,798,296	0.92	0.26
2,123,730	0.57	0.07	91,861,636	0.93	0.27
2,202,556	0.58	0.07	99,118,112	0.93	0.28
2,283,667	0.59	0.07	111,852,096	0.93	0.29
2,369,141	0.60	0.08	121,604,791	0.94	0.30
2,456,669	0.61	0.08	144,482,928	0.94	0.31
2,547,856	0.62	0.08	165,861,750	0.94	0.32
2,638,957	0.63	0.08	192,174,145	0.94	0.33
2,730,020	0.64	0.08	225,350,644	0.94	0.34
2,969,215	0.65	0.08	268,480,093	0.94	0.35
3,228,089	0.66	0.08	326,831,699	0.94	0.36
3,522,088	0.67	0.08	410,191,138	0.94	0.37
3,854,026	0.68	0.08			

TABLE 3 – EXPECTED SIZE OF LOSS COMPONENTS

Basic and Ratable Excess Component	=	0.65315
Non-Ratable Excess Component	=	0.34685

TABLE 4 – OFF-BALANCE FACTOR

Off-Balance Factor	=	1.0054
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TABLE 5 – MAXIMUM MOD LIMIT TABLE

Accounts with three (3) years of modified payrolls of less than \$1,000,000 can produce substantial debit experience mods. This substantial debit experience mod can be the result of a single large claim or two losses that exceed the basic loss limitation level. To mitigate the size of the debit mod on accounts with less than \$1,000,000 of three year modified payroll, the maximum mod limit table will apply. This table will apply to all accounts with a three year modified payroll total of less than \$1,000,000, including accounts which initially qualify for a mod, as well as accounts that were previously experience rated.

	3 Years of Modified <u>Payroll</u>	Maximum Mod <u>Charge</u>
\$	300,000 to \$ 499,999	1.200
\$	500,000 to \$ 749,999	1.300
\$	750,000 to \$ 999,999	1.400
\$	1,000,000 and Over	No Maximum

SECTION IX – EXAMPLE – This example represents an experience mod calculation for a hypothetical bituminous risk.

Coal Mine Compensation Rating Bureau
Experience Rate Sheet
Policy # 0123456789

Insurer: ABC Insurance Company

File Number: 999999

Operator: XYZ Mining Company

Class: Traumatic State Bituminous Surface, Traumatic State Bituminous Prep Plant

<u>Class</u>	<u>Year</u>	<u>Modified</u> Payroll	<u>Total</u>		<u>Basic</u>		<u>Ratable Excess</u>		<u>Non-Ratable</u> Excess		<u>Expected Losses</u>	
			<u>Count</u>	<u>Losses</u>	<u>Count</u>	<u>Losses</u>	<u>Count</u>	<u>Losses</u>	<u>Count</u>	<u>Losses</u>	<u>Basic</u>	<u>Ratable</u> Excess
1014	2014	1,237,749	2	588	2	588	0	0	0	0	10,768	3,837
1014	2015	0	0	0	0	0	0	0	0	0	0	0
1014	2016	61,553	0	0	0	0	0	0	0	0	474	25
1027	2014	217,272	0	0	0	0	0	0	0	0	1,869	674
1027	2015	58,088	0	0	0	0	0	0	0	0	407	221
1027	2016	0	0	0	0	0	0	0	0	0	0	0
Total		1,574,662	2	588	2	588	0	0	0	0	13,518	4,757

Credibility

Basic	Excess
0.48	0.07

Experience Ratio: 0.6422
 Adjustment Ratio: 0.766
 Off-Balance Factor: 1.0054
 Mod: 0.762

SECTION X – SCHEDULE RATING PLAN

1. The loss and/or expense components or an insured risk’s premium may, at the option of the underwriting carrier, be adjusted in accordance with provisions of this plan to reflect defined characteristics of the risk which, in the sole judgment of the underwriting carrier, are not adequately reflected in prior experience of the insured risk.
2. At the option of the underwriting carrier, this plan may be applied to any risk regardless of premium size.
3. At the option of the underwriting carrier, this Schedule Rating Plan may be applied individually or collectively to the traumatic and/or state occupational disease and/or federal occupational disease portions of the risk.
4. All statistical reporting requirements of the Coal Mine Compensation Rating Bureau and the Pennsylvania Insurance Department, including provisions of the uniform Statistical Plan and Pennsylvania Special Schedule W, are applicable to business written in accordance with this plan and must be complied with by carriers using this plan.
5. Schedule rating credits or debits must be applied as a percentage factor to premium computed after experience modification or Merit Rating Plan adjustment and before carrier premium discounts and expense constants, if applicable.
6. Schedule rating adjustments for any given risk shall be based on information contained in the carrier’s files and records when the credit or debit is determined, and such supporting information must be retained in the carrier’s files and records for such risk throughout the period of time in which the policy is subject to audit under provisions of the policy.
7. Acceptance of a policy by an insured shall constitute agreement with the amount of schedule rating credit or debit, or with the absence of any such credit or debit. Upon request of the insured, a carrier shall make available documentation supporting the derivation of any proposed schedule rating credit or debit.
8. Upon request of the Pennsylvania Insurance Department or the Coal Mine Compensation Rating Bureau, a carrier shall make available documentation supporting the derivation of a schedule rating credit or debit for any specified risk or risks.
9. No schedule rating credit or debit may be effective prior to the underwriting insurer’s receipt of information for a risk supporting the schedule rating credit or debit in question. No schedule rating credit or debit may be changed mid-term without the mutual agreement of the insured risk and the underwriting carrier.
10. The following risk characteristics are eligible under this plan for assignment of credits or debits subject to the maximum ranges set forth below:

<u>Risk Characteristic</u>	<u>Allowable Range of Credits or Debits</u>
Features of Workplace Maintenance or Operation	-10% to +10%
Risk Elements Not Addressed in Classification Plan	-10% to +10%
Availability of Medical Facilities in or near Workplace	-5% to +5%
Safety Equipment/Devices Present in/Missing From Workplace	-5% to +5%
Extraordinary Safety Programs Applicable to Workplace	-5% to +5%
Qualifications of Employees	-10% to +10%
Accommodations/Cooperation with Carrier by Management	-5% to +5%
Considerations Related to Policy Expenses	-5% to +5%
Other Risk Characteristics Not Addressed Above (Specify)	-10% to +10%

11. The maximum schedule rating credit permissible for any risk under this plan is –25 percent. The maximum schedule rating debit permissible for any risk under this plan is +25percent.

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SECTION I – INSTRUCTIONS

1. The Merit Rating Plan of the Coal Mine Compensation Rating Bureau (CMCRB) is intended to grant premium discounts or assess premium surcharges to risks subject to the manual of the CMCRB and which do not qualify for the application of the CMCRB uniform Experience Rating Plan.
2. The following rules of the Experience Rating Plan of the CMCRB are equally applicable to the CMCRB Merit Rating Plan and are adopted herein by reference:
Section I, Paragraphs 2, 3, 4 and 5.
Section II, Paragraphs 1, 2, 3, 4 and 13.
Section III, Paragraphs 3, 4, 5, 6, 7, 8 and 9.
Section IV, Paragraphs 1, 2 and 3.
Section V, Paragraphs 1, 2, 3, 5, 6 and 7.
Any reference to the uniform Experience Rating Plan in the above mentioned rules shall mean the CMCRB Merit Rating Plan when used in conjunction with this section of the manual.

SECTION II – DEFINITIONS

1. Compensable Lost Time Accident shall be a covered traumatic claim resulting in a payment or reserve for indemnity/funeral benefits. Claims subject to a policyholder deductible shall be considered compensable for the purpose of this section.
2. Merit Rating Plan Discount shall be applied as a five (5) percent discount based on the carrier's traumatic premium for the risk.
3. Merit Rating Plan Surcharge shall be applied as a five (5) percent surcharge based on the carrier's traumatic premium for the risk.

SECTION III – GENERAL PROVISIONS

1. Eligibility
The Merit Rating Plan shall only apply to risks not subject to the CMCRB uniform Experience Rating Plan.
2. Experience Period
The eligible risk must have reported payrolls greater than zero under the uniform Statistical Plan for any CMCRB traumatic class in both of the latest two calendar years.

SECTION IV – APPLICATION OF THE MERIT RATING PLAN

1. Each eligible risk with no compensable lost time accidents during the latest two calendar accident years consistent with the payrolls in Section III, Paragraph 2, shall receive a five (5) percent traumatic premium discount.
2. Each eligible risk with one compensable lost time accident during the latest two calendar accident years consistent with the payrolls in Section III, Paragraph 2, shall receive no Merit Rating adjustment.
3. Each eligible risk with two or more compensable lost time accidents during the latest two calendar accident years consistent with the payrolls in Section III, Paragraph 2, shall receive a five (5) percent traumatic premium surcharge.
4. The discounts/surcharges under this Plan shall be determined annually.
5. The discounts/surcharges under this Plan shall not be cumulative from year to year.
6. The discounts/surcharges under this Plan shall apply regardless of any other premium adjustment applicable to the policy.
7. When another premium adjustment is applicable to the policy besides the merit adjustment, the combination of adjustments shall be in an additive fashion.