

## FILING MEMORANDUM

### ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE

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#### PURPOSE

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

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

#### BACKGROUND

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

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

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

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

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

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

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

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

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

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

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

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

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**PROPOSAL**

This item proposes to:

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

**IMPACT**

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

**EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY**

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

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

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

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

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

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

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

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**ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE**

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

**13. Final Earned Premium**

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

**a. Determination**

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

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

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

**13. Final Earned Premium**

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

**b. Audit Noncompliance Charge**

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

**Audit Noncompliance Charge Table**

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

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

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

**ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE**

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

**13. Final Earned Premium**

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

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

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

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

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

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

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

**F. EXPOSURE AMOUNT**

**Final or Estimated Premium**

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

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

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

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

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

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

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

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

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

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

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

**Y. AUDIT NONCOMPLIANCE CHARGE**

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

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

**ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE**

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

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

**3. PREMIUM AMOUNT NOT PART OF STANDARD PREMIUM**

**Premium Amount Not Part of Standard Premium**

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

<sup>(1)</sup> Premium programs apply to all states listed unless otherwise noted.

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

<sup>(2)</sup> Florida Workers Compensation Joint Underwriting Association.

<sup>(3)</sup> FWGJUA—Statistical Code 9757 is for the use of the FWGJUA only.

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

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

**AUDIT NONCOMPLIANCE CHARGE ENDORSEMENT (WC 00 04 24)**

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

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

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

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

**Note:**

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

**Schedule**

<b><u>State(s)</u></b>	<b><u>Basis of Audit Noncompliance Charge</u></b>	<b><u>Maximum Audit Noncompliance Charge Multiplier</u></b>
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**EXHIBIT 5-RULE  
BASIC MANUAL—2001 EDITION  
TEXAS MISCELLANEOUS RULES**

**TEXAS WORKERS COMPENSATION PREMIUM ALGORITHM**

The following algorithm provides the framework for premium charges and credits. Where not specified, the premium base would be the result from the prior line.

	PREMIUM ELEMENTS	EXPLANATORY NOTES
1	<b>MANUAL PREMIUM</b>	[(PAYROLL / 100) * RATE]
2 +	Supplementary Disease (foundry, abrasive, sandblasting)	[(SUBJECT PAYROLL/100) * DISEASE RATE]
3 +	USL&H Exposure for non-F-classification codes	[(SUBJECT PAYROLL/100) * (RATE * USL&H FACTOR)]
4 +	OW Exposure for non-OW classification codes	[(SUBJECT PAYROLL / 100) * (RATE * OW FACTOR)]
5	<b>TOTAL MANUAL PREMIUM</b>	Total of all class code premium [Row 1 + 2 + 3 + 4]
6 +	Waiver of Subrogation Factor (Blanket, Specific (Named))	[% applied to the portion of Total Manual Premium based on the type of waiver selected, if applicable, subject to minimum charge]
7 +	Employers Liability (E/L) increased limits factor	[% applied to Total Manual Premium]
8 +	Employers Liability increased limits charge	[Balance to E/L increased limits minimum premium]
9 +	Employers Liability increased limits factor (Admiralty, FELA)	[Factor applied to the portion of Manual Premium where Admiralty/FELA coverage is applicable]
10 +	Employers Liability increased limits charge (Admiralty, FELA)	[Balance to Admiralty, FELA E/L increased limits minimum premium]
11 +	Employers Liability/Voluntary Compensation flat charge	[Coverage in Monopolistic State Funds]
12	<b>SUBJECT PREMIUM</b>	[Row 5 + 6 + 7 + 8 + 9 + 10 + 11 ]
13 x	Experience Rating Modification (Exp Mod) or Negotiated Modifier	
14	<b>TOTAL MODIFIED PREMIUM</b>	[Row 12 * * 13]
15 x	Premium Incentive for Small Employers (1 – PISE credit %) or (1 + PISE debit %)	[Nonexperience rated risks] [Row 12 * * PISE factor]
16 x	Modeled Rating Factor	[Row 14 + 15 * * Modeled Rating Factor]
17 x	Schedule Rating factor (1 – SR credit %) or (1 + SR debit %)	[Row 14 + 15 + 16 * * Schedule Rating factor]
18 x	Certified Workers Compensation Healthcare Network Credit factor (1 – credit %)	[Row 14 + 15 + 16 + 17 * * Healthcare Network Credit factor]
19 –	Deductible Credit	[Row 14 + 15 + 16 + 17 + 18 * * Deductible Credit %]
20 +	Supplemental Disease Exposure (Asbestos <sup>NOC</sup> ) <sup>†</sup>	
21 +	Atomic Energy Radiation Exposure <sup>NOC</sup> <sup>†</sup>	
22 +	Charge for nonratable catastrophe loading <sup>†</sup>	
23 +	Balance to Minimum Premium (State Act)	[Balance to minimum premium at Standard Limits (State Act)]
24 +	Balance to Minimum Premium (Admiralty, FELA, USL&H)	[Balance to minimum premium at Standard Limits (Admiralty, FELA, USL&H)]
25	<b>TOTAL STANDARD PREMIUM</b>	
26 –	Premium Discount <sup>§</sup>	[% applied to Total Standard Premium]
27 x	Acquisition Expense Discount (1 – credit %)	[Row 25 – 26 * * Acquisition Expense Discount factor]

**ITEM B-1429—ESTABLISHMENT OF AUDIT NONCOMPLIANCE CHARGE**

**EXHIBIT 5-RULE (CONT'D)  
BASIC MANUAL—2001 EDITION  
TEXAS MISCELLANEOUS RULES**

28	+	Coal Mine Disease Charge	[Underground, surface, surface auger]
29	+	Expense Constant	
30	+	Terrorism	[(PAYROLL / 100) * TERRORISM VALUE]
31		<b><i>ESTIMATED ANNUAL PREMIUM</i></b>	
32	+	Audit Noncompliance Charge	(Row 31 * Audit Noncompliance Charge Multiplier)
33		<b><i>TOTAL AMOUNT DUE</i></b>	(Row 31 + 32 )

NOC = Not Otherwise Classified.

† Nonratable Element Premiums generated by nonratable portion of manual rate are subject to all applicable premium elements applied to the policy, however, not subject to experience rating or retrospective rating.

§ For policies subject to premium adjustments under a retrospective rating plan, premium discount does not apply.