STATE RULE EXCEPTIONS

RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS

Add the following to Rule 3:

D. EMPLOYEE LEASING ARRANGEMENTS

1. Definitions

a. *Employee leasing arrangement* means a verbal or written contractual arrangement whereby one business or other entity leases any or all of its workers from another business. Employee leasing arrangements include, but are not limited to, full service employee leasing arrangements, long-term temporary arrangements, and any other arrangement that involves the allocation of employment responsibilities among two or more entities. For purposes of this rule, employee leasing arrangement does not include arrangements to provide temporary help service.

b. *Temporary help service* means a service whereby an organization hires its own employees and assigns them to clients for a finite time period to support or supplement the client's workforce in special work situations such as employee absences, temporary skill shortages and seasonal workloads.

c. *Client (lessee)* means an entity that obtains all or part of its workforce from another entity through an employee leasing arrangement or that employs the services of an entity through an employee leasing arrangement.

d. *Labor contractor (lessor)* means an entity that grants a written lease to a client through an employee leasing arrangement. In this rule, the labor contractor may also be referred to as an employee leasing company.

e. *Leased worker (leased employee)* means a person performing services for a client under an employee leasing arrangement.

f. *Multiple coordinated policies basis* means:

(1) (a) Each client must have its own standard workers compensation insurance policy covering its leased workers required to be covered pursuant to the workers compensation laws of the state.

(b) Non-leased workers of a client must not be included on the policy required by (a) above.

(2) All policies for clients of the same employee leasing company must be assigned to one insurer in the state.

(3) The insurer must arrange to have the same renewal dates for all such policies.

(4) The insurer must arrange to have all notices sent to the labor contractor and to have a single master invoice sent to the labor contractor for all policies covering the clients of the labor contractor.

(5) If a client leases employees from more than one labor contractor, there must be a separate policy for the leased employees of each labor contractor.

(6) The insurer also must issue a policy covering the internal employees of the labor contractor.

(7) Appropriate endorsements must be used to restrict the coverage to specific employees and to coordinate coverage between clients and labor contractor.

2. Coverage

a. A client seeking to fulfill its statutory responsibility to secure workers compensation benefits for leased workers under a state workers compensation insurance plan must secure the coverage by purchasing and maintaining a standard workers compensation insurance policy that covers the leased workers.

b. A labor contractor seeking to obtain workers compensation benefits for leased workers under a state workers compensation insurance plan must secure the coverage for the leased workers on a multiple coordinated policies basis.

To afford coverage to a labor contractor on a multiple coordinated policies basis, refer to part 4. of this rule.

3. Premium for Leased Workers

Premium must be charged on the policy of the party to an employee leasing arrangement that is securing coverage for the leased workers as indicated below. The party to an employee leasing arrangement that is not securing coverage for the leased workers must furnish satisfactory evidence that the other party to the employee leasing arrangement had workers compensation insurance in force covering the leased workers. For each employee leasing arrangement for which such evidence is not furnished, additional premium must be charged on the policy of the party to the employee leasing arrangement that originally did not intend to secure coverage for the leased workers as follows:

a. The risk must provide a complete payroll record of the leased workers. Premium on such payroll must be based on the classifications and rates that would have applied if the leased workers had been direct employees of the client.

b. If the payroll records of the leased workers are not provided, 100% of the full employee leasing arrangement price must be established as the payroll of the leased workers. The premium must be charged on that amount as payroll.

Exception to 3-D-3-b

If investigation on a specific employee leasing arrangement contract discloses that a definite amount of the contract price represents payroll, such amount if deemed reasonable must be the payroll for the premium computation.

c. If an experience modification has been established for the risk, such experience modification must be applied to the premium developed for the leased workers.

4. Multiple Coordinated Policies

a. Eligibility

The labor contractor must meet each of the following requirements at application and thereafter to qualify for securing coverage on a multiple coordinated policies basis:

(1) It is in good faith entitled to insurance required under the workers compensation laws, state and federal, and has been unable to secure such insurance in a regular manner.

(2) Its officers, directors, and any person with a five percent or greater interest do not owe any undisputed workers compensation premium to the current or prior insurers; and

(3) It provides all information required under each policy in accordance with this rule.

(4) It is in compliance with all state laws applicable to employee leasing arrangements.

In order for the labor contractor to secure the coverage for the workers leased to a client, the client must be in good faith eligible to receive the insurance. The client is not in good faith entitled to insurance if any of the following circumstances exist, at the time of application or thereafter, or other evidence exists that the client is not in good faith entitled to insurance:

(1) If, at the time of application, a self-insured client is aware of pending bankruptcy proceedings, insolvency, cessation of operations, or conditions that would probably result in occupational disease or cumulative injury claims from exposures incurred while the client was self-insured.

(2) If the client, while insurance is in force, knowingly refuses to meet reasonable health and safety requirements.

(3) If the client, or an enterprise with a common managing interest, has an outstanding obligation for workers compensation premium on previous insurance that is not the subject of a bona fide dispute.

b. Policy Issuance

Each policy issued to cover the leased workers of a specific employee leasing arrangement on a multiple coordinated policies basis must be issued in the name of the client and in accordance with this rule and all other rules governing the issuance of a standard workers compensation insurance policy for assigned risk business.

A policy issued to cover the direct employees of the labor contractor under a multiple coordinated policies basis must be issued in the name of the labor contractor and in accordance with this rule and all other rules governing the issuance of a standard workers compensation insurance policy for assigned risk business.

c. Deposit Premium

The multiple coordinated policies of a single labor contractor may be combined for the purpose of

computing deposit premiums. A deposit premium is payable at the time of application and at the time of renewal.

d. Endorsements

(1) Labor contractor policy
Attach the Labor Contractor Exclusion Endorsement (WC 00 03 21) to the labor contractor's policy to exclude coverage for workers leased to specified clients.

(2) Client policy
Attach to each client's policy the Multiple Coordinated Policy Endorsement (WC 00 03 23) to provide coverage for workers leased from the specified labor contractor and the Labor Contractor Endorsement (WC 00 03 20 A) to extend coverage to the labor contractor.

5. Audit

The insurer must audit any policy issued pursuant to 2. above of this rule within 90 days of the policy effective date, and may conduct periodic audits thereafter to determine whether all classifications, experience modifications and estimated payrolls utilized are appropriate.

STATE SPECIAL RATING PLANS AND PROGRAMS

ASSIGNED RISK MANDATORY LOSS SENSITIVE RATING PLAN (LSRP)

PART ONE—DESCRIPTION OF THE PLAN

I. INTRODUCTION

The rules under this Plan are mandatory and apply only to Workers Compensation and Employers Liability Insurance that is written under a Workers Compensation Insurance Plan (WCIP) in those states that have adopted the Loss Sensitive Rating Plan (LSRP). The LSRP must apply to all assigned risk employers qualifying for the Plan. The elements in the LSRP are fixed and premium is determined and defined below.

A. GENERAL EXPLANATIONS

1. PLAN IS MANDATORY
The Assigned Risk LSRP is a mandatory Plan and must apply to all assigned risk policies with total estimated annual standard premium or total audited standard premium that equals or exceeds $200,000.

2. OBJECT OF THE PLAN
This Plan adjusts the premium for the insurance to which it applies on the basis of losses incurred during the period covered by that insurance. The intent is to charge a premium that reflects those losses. This Plan uses the losses incurred during the term of the policy to establish the cost of insurance and includes provisions for all expenses and taxes on premium.

3. LOSS CONTROL INCENTIVE IN USE OF THE PLAN
The LSRP provides an incentive to the employer to control and reduce losses because the LSRP premium will be the result of losses during the policy period. To the extent the employer controls losses, there is a reward through lower premiums. To the extent the insured does not control losses, there is a penalty through higher premiums.

4. EXPERIENCE RATING PLAN MANUAL
Separate policies in the WCIP under common majority ownership as provided by the rules of the ***Experience Rating Plan*** that are assigned to the same assigned risk carrier must be combined for computation of the LSRP premium.

5. RISKS OPERATING IN MORE THAN ONE STATE
LSRP may be applied on an intrastate or interstate basis. Refer to Part Three for multistate procedures.

6. PREMIUM DISCOUNT
In states where premium discount is allowed under a WCIP, the standard premium under this Plan is not subject to the premium discount as defined in Rule 3-A-19 of the ***Basic Manual for Workers Compensation and Employers Liability Insurance.***

7. INCREASED LIMITS FOR EMPLOYERS LIABILITY
If the policy provides increased limits for employers liability, such premium and incurred losses must be subject to LSRP.

8. LSRP EXPENSES
The Plan does not include tables of expense ratios for use by stock and non-stock companies. The expenses are fixed and are included in the basic premium.

9. AIRCRAFT CLASSIFICATIONS
If the insurance subject to the Plan includes any of the aircraft classifications, the premium and losses for such classifications must be included in the LSRP.

10. EXCLUSION OF STATUTORY MEDICAL BENEFITS—EX-MEDICAL COVERAGE
Policies written on an ex-medical basis are subject to this Plan in states where permitted.

11. LARGE CONSTRUCTION PROJECTS
Large Construction Projects are subject to this Plan in states where permitted.

II. LSRP DEFINITIONS

A. EMPLOYER

Employer means any business organization or enterprise that is required by statute to maintain workers compensation insurance in a state or any state(s) under the WCIP. The term must include any business organizations or enterprises that are affiliated as a result of common ownership.

B. INSURED

Insured means the assigned risk employer designated in the Information Page of the policy or policies to which this Plan is applied by the assigned carrier that issues such insurance. An insured may be two or more legal entities if the same person, or group of persons, owns the majority interest in such entities. The Experience Rating Plan defines majority interest. It usually means:

1. majority of voting stock, or
2. majority of members or directors if there is no voting stock, or
3. majority participation of general partners in profits of a partnership.

C. RISK

Risk means the insured to which this Plan is applied.

D. RATES

1. *Authorized rate* means those rates approved for use under a WCIP.
2. *Manual rate* means the rate shown after the classification code number on the state rate pages in Part Three of the ***Basic Manual for Workers Compensation and Employers Liability Insurance.***

E. STANDARD PREMIUM

For the purpose of this Plan, *standard premium* means the premium for the risk determined on the basis of authorized rates, any experience rating modification, ARAP, assigned risk surcharge programs other than LSRP, and minimum premiums. Determination of standard premium must exclude:

1. premium discount,
2. the expense constant,
3. premium resulting from the nonratable element codes listed in the ***Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance,***
4. premium developed by the passenger seat surcharge under Code 7421—Aircraft Operation—Flying Crew, and
5. premium developed by the occupational disease rates for risks subject to the Federal Coal Mine Health and Safety Act.

F. DEPOSIT PREMIUM

The deposit premium depends upon the schedule in effect in the state generating the most payroll at the time of application. Refer to the state WCIP or ACORD® application for the applicable premium payment schedule.

In addition to the applicable state WCIP premium payment plan or deposit premium, an additional LSRP deposit premium of 20% or an acceptable, clean, unconditional Irrevocable Letter of Credit (ILOC) containing an automatic renewal clause, drawn on a bank that is a member of the Federal Reserve, must be required on all LSRP policies. Refer to Part Two of this Plan to calculate the appropriate deposits.

G. INCURRED LOSSES

Incurred losses used in the rating formula for determining premium under this Plan are those reported under the rules of the ***Workers Compensation Statistical Plan*** adopted by the rating organization. Generally, incurred losses are the actual losses paid and outstanding, interest on judgments, expenses incurred in obtaining third-party recoveries, and allocated loss adjustment expenses for employers liability losses.

Incurred losses resulting from an accident involving two or more persons under any classification code containing a nonratable catastrophe element must be limited to the total of the two most costly claims, subject to any further loss limitation applicable.

The rating formula must not include losses involving passenger employees resulting from the crash of an aircraft under Classification Code 7421.

For detailed instructions regarding incurred losses, refer to the ***Workers Compensation Statistical Plan.***

H. RATING ORGANIZATION

Rating organization means the National Council on Compensation Insurance, Inc. or any other licensed rating organization.

I. ANNIVERSARY RATING DATE

1. SINGLE POLICY RISK

The anniversary rating date for application of this Plan is the effective month and day of the current policy in effect.

2. MULTIPLE POLICY RISK
If the risk subject to the Plan includes more than one policy with different effective dates, the anniversary rating date must be determined by the rating organization.

PART TWO—OPERATION OF THE PLAN

I. HOW PREMIUM IS DETERMINED UNDER THE PLAN

LSRP premium is computed on the basis of the formula in Part A.1. of this section.

A. THE LOSS SENSITIVE RATING PLAN FORMULA (LSRP)

The premium for a risk subject to this program is determined by the following formula:

1. Loss Sensitive Rating Plan Premium =
   a. Basic Premium (= standard premium x basic premium factor)
      Plus
   b. Converted Losses (= incurred losses x loss conversion factor)
      Plus
   c. LSRP Development Premium (= standard premium x LSRP development factor x loss conversion factor)
   d. Multiply the sum of (a + b + c) by the tax multiplier.

This formula produces a premium that must not be less than the LSRP Minimum Premium or more than the LSRP Maximum Premium.

If the risk to which the Plan is applied includes more than one legal entity, a single LSRP premium is calculated on the basis of the premium and losses of the combined entities, not individually for each legal entity.

B. DEFINITION OF TERMS USED FOR THE FORMULA

1. STANDARD PREMIUM
Standard Premium is defined in Part One, II.E. of this Plan.

2. BASIC PREMIUM
The Basic Premium is a percentage of the Standard Premium. It is determined by multiplying the Standard Premium by a Basic Premium Factor.

The Basic Premium includes insurance carrier expenses such as those for servicing the insured's account, loss control services, premium audit and general administration of the insurance.

The Basic Premium does not cover premium taxes or claim adjustment expenses. These elements are usually provided for in the Tax Multiplier and the Loss Conversion Factor.

The Basic Premium Factor is .30.

3. CONVERTED LOSSES
Converted Losses are based on the incurred losses of the risk during the policy or policies to which this Plan applies. A Loss Conversion Factor is applied to such losses to produce the Converted Losses.

4. LOSS CONVERSION FACTOR
The Loss Conversion Factor (LCF) covers claim adjustment expenses and the cost of the insurance carrier's claim services such as investigation of claims and filing claim reports.

5. TAX MULTIPLIER
The Tax Multiplier varies by state and covers licenses, fees, assessments, and taxes that the insurance carrier must pay on the premium it collects.

Refer to the state exception pages for the appropriate tax multiplier.

6. MINIMUM PREMIUM
The Minimum Premium for this Plan is the least amount of premium to be paid by a risk subject to LSRP.

The Minimum Premium Factor is .75.

7. MAXIMUM PREMIUM
The Maximum Premium for this Plan is the greatest amount of premium to be paid by a risk subject to this Plan. It has the effect of placing a limit on the impact of incurred losses on the LSRP premium.

The Maximum Premium Factor is 1.75.

8. INDIVIDUAL LOSS LIMITATIONS
There are no individual loss limitations under the mandatory LSRP.

9. LSRP DEVELOPMENT PREMIUM
The purpose of this premium element is to stabilize premium adjustments for risks subject to this program. The LSRP Development Premium anticipates a pattern of increasing valuation of losses after the policy is expired. The LSRP Development Premium is included in only the first three adjustments of the LSRP premium and is not included in the fourth and final calculation.

Refer to the state exception pages for the LSRP development factors.

10. DEPOSIT PREMIUM
Deposit premium is the premium required to be paid at the time of application or policy renewal and, under the Plan, is comprised of the WCIP deposit premium and the LSRP contingency deposit premium.

a. WCIP DEPOSIT PREMIUM
The WCIP deposit premium is the deposit premium as referenced on the WCIP or ACORD® application in the state generating the most payroll. The WCIP deposit premium is calculated by multiplying the Estimated Annual Premium by the required premium percentage.

b. LSRP CONTINGENCY DEPOSIT PREMIUM
The LSRP Contingency Deposit Premium is calculated as an additional 20% of Standard Premium and is added to the WCIP deposit premium. The LSRP Contingency Deposit Premium is to be paid at the time of application, or policy renewal, to collateralize premium which may be due the assigned carrier at the first adjustment.

If an acceptable, clean, unconditional Irrevocable Letter of Credit (ILOC) containing an automatic renewal clause, drawn on a bank that is a member of the Federal Reserve, is obtained in an amount at least sufficient to secure the dollar amount equal to the LSRP 20% Contingency Deposit Premium, an LSRP contingency deposit premium will not be required and the deposit premium on such policy must be equal to the WCIP deposit premium. The ILOC must be held as collateral until first adjustment.

PART THREE—ADMINISTRATION OF THE PLAN

I. ADMINISTRATIVE RULES

A. ELIGIBILITY

1. The Loss Sensitive Rating Plan (LSRP) must apply to an individual assigned risk policy if the total annual estimated Standard Premium or total audited standard premium equals or exceeds $200,000.
2. A decrease in premium during the first 120 days of coverage that results in the employer falling below the LSRP premium eligibility threshold must result in the conversion of the policy to a guaranteed cost policy, retroactive to policy inception.
3. An increase in premium during the first 120 days of coverage that qualifies an employer for the LSRP must result in the retroactive application of the LSRP to policy inception.
4. After the first 120 days of the coverage term, if it is determined that an employer qualifies for LSRP, the policy must not be effected until renewal.
5. Notwithstanding anything above to the contrary, any attempt to avoid the application of the LSRP arising from a misrepresentation or omission by the insured, its agent, employees, officers, or directors must result in the pro rata application of LSRP from the date upon which it would have applied had such misrepresentation or omission not been made.

B. MULTISTATE PROCEDURES

The LSRP will apply on an interstate basis when the estimated aggregate (total of all states having approved LSRP) annual standard premium meets the premium eligibility requirement for the LSRP state generating the largest premium.

If the assigned risk employer requests coverage in a state where LSRP has been approved and requires coverage in one or more states where LSRP has not been approved, the assigned carrier must combine the LSRP states on one or more policies and issue a guaranteed cost policy for those states where LSRP has not been approved, in accordance with all WCIP rules and regulations. It may not always be possible for a single carrier to provide all requested states; additional applications may be necessary.

C. 120-DAY GRACE PERIOD

The LSRP will not apply to an assigned risk policy subject to the Plan if the employer obtains workers compensation coverage outside the assigned risk market within 120 days of the effective date.

D. NOTICE TO ASSIGNED RISK POLICYHOLDERS

All assigned risk policies must be endorsed with policy endorsement WC 00 04 17—Assigned Risk Loss Sensitive Rating Plan (LSRP) Notification in order to ensure that all possible qualifying risks are notified of the intent and details of the Plan. All assigned carriers must be required to attach this endorsement to all assigned risk policies.

Assigned risk policies meeting the eligibility threshold to qualify for LSRP must be endorsed with policy endorsement WC 00 04 18.

Assigned risk carriers must be required to indicate on all renewal quotations to risks with premium of $150,000 or more that payment of the renewal deposit constitutes knowledge and acceptance of the possible applicability of the LSRP to the policy. The assigned risk carrier must provide the employer with the full details of the LSRP.

The ACORD® application for the assigned risk market will include the following language immediately above the signature of the employer:

> By signing below I acknowledge that the Loss Sensitive Rating Plan has been explained to me or that an explanatory notice or brochure has been provided to me and I agree that I must be bound by the terms of such plan if my estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

When the policy is bound, a notice must be included which reads:

> Coverage is being bound subject to your signed statement acknowledging and agreeing to the terms of the Loss Sensitive Rating Plan in the event that your estimated annual premium or preliminary physical audit premium meets or exceeds the premium eligibility requirement.

E. BANKRUPTCY/INSOLVENCIES

The insurer may make a special adjustment as of the date that an insured is declared bankrupt or insolvent; makes an assignment for the benefit of creditors; is involved in any reorganization, receivership, or liquidation; or disposes of all or substantially all of its assets. The insured must be liable for any additional premium or credit due at the time of the special adjustment.

F. ADMINISTRATION

It is the responsibility of the assigned carrier to administer the program, provide proper notification and application of the LSRP impact to premium, make the required LSRP calculations following the normal valuations, and collect the premium.

II. CANCELATION OF POLICY

A. EXPLANATION

While the Cancellation condition of the Standard Policy permits cancellation by the insured or insurance carrier, the premium determination for a canceled policy is controlled by Rule 3-A-3—Cancellation Provisions in the ***Basic Manual for Workers Compensation and Employers Liability Insurance.***

B. COVERAGE OBTAINED ON THE VOLUNTARY MARKET

The LSRP will not apply to any policy canceled by the insured within the first 120 days of coverage because coverage was placed in the voluntary market. Said policy will be treated as a guaranteed cost policy with final audited premium calculated according to the appropriate rating rules.

C. LSRP PREMIUM, DETERMINATION UPON CANCELATION

1. Cancellation by the Insurance Carrier, except for nonpayment of premium.
2. Cancellation by the Insured When Retiring from Business, provided:
   a. all work covered by the insurance is completed;
   b. all interest in the business covered by the insurance is sold;
   c. the employer retires from all business covered by the insurance.

   Note: For the purpose of this rule, a change in ownership of a corporation that results in elimination of experience under the rules of the ***Experience Rating Plan Manual*** does not constitute retiring from the business insured by the policy.

3. If the reason for the cancellation is II.B.1. or 2. above, LSRP premium for the canceled policy must be computed as follows:

   a. STANDARD PREMIUM
   Determine the premium for the canceled policy on a pro rata basis in accordance with ***Basic Manual*** Rule 3-A-3. The resulting premium must be the standard premium.

   b. LSRP PREMIUM
   The LSRP premium for the canceled policy must be determined by using the LSRP formula in Part Two of the Plan. Use the standard premium in B.3.a. above to establish the basic premium and, if applicable, retrospective development premium for this formula.

Exception for Nonpayment of Premium
If the cancellation by the insurance carrier is because of nonpayment of premium by the insured, the Maximum LSRP premium must be based on a standard premium that must be the premium for the canceled policy (under ***Basic Manual*** Rule 3-A-3) extended pro rata to an annual basis.

Failure by an insured to pay all LSRP premiums, including premiums due as the result of adjustment, will result in cancellation of current coverage and disqualification from future assignments through the WCIP Plan.

The maximum premium payable on a canceled policy must be based on the annual standard premium unless the employer has secured coverage outside the WCIP within 120 days of policy inception.

4. Cancellation by the Insured, Except When Retiring from Business, for the reasons stated in II.C.2. above.

   Determine the LSRP premium as follows:

   a. The premium for the canceled policy is to be calculated on a short rate basis under ***Basic Manual*** Rule 3-A-3.

   b. Use the LSRP formula in Part Two of the Plan to establish the LSRP premium as shown below:
      (1) Basic premium and, if applicable, retrospective development premium must be computed by using the short rate premium in II.C.4.a. above as the standard premium.
      (2) Minimum LSRP premium must be the short rate premium in II.C.4.a. above.
      (3) Maximum LSRP premium must be based on a standard premium that must be calculated by using the actual payroll for the period of the policy in effect, extending that payroll pro rata to an annual basis and then multiplying such extended payroll by the authorized rates and experience rating modification, ARAP, and any applicable assigned risk surcharge program. The maximum premium factor must be applied to this standard premium.

      Example
      Calculation of Maximum Retrospective Premium Under II.C.4.b.
      Assume:

Policy in effect	185 days
Authorized rate (per $100 payroll)	5.00
Actual payroll for 185 days	$555,000
Experience rating modification*	1.00
Maximum premium factor	1.75

      (a) Payroll extended to an annual basis: $555,000 x 365 days/185 days = $1,095,000
      (b) Annual Standard Premium = $1,095,000 x 5.00 (per $100) x 1.00 = $54,750
      (c) Maximum Retrospective Premium: $54,750 x 1.75 = $95,813

      ***Note:** In those states where ARAP or an assigned risk surcharge have been approved, these programs are to be included in the calculation of LSRP standard premium.

III. REPORTS OF PREMIUM AND POLICY COUNTS UNDER THE LSRP

In addition to following the statistical reporting requirement in accordance with the ***Workers Compensation Statistical Plan,*** all residual market carriers will make quarterly reports to the Plan Administrator, with such reports to be filed within 45 calendar days of the dates of March 31, June 30, September 30, and December 31, for activity relating to calendar quarters ending on these dates. Reports to the Plan Administrator will include, but not necessarily be limited to, the following:

A. PREMIUM

These reports will separately identify WCIP and contingency deposit premiums, as well as LSRP premium adjustments resulting from incurred loss valuations. If a Letter of Credit is secured in lieu of the LSRP contingency deposit premium, identification of such security must be included in the quarterly report.

The standard premium used for determining the LSRP premium is that reported in accordance with the ***Workers Compensation Statistical Plan.***

B. POLICY COUNTS

Reports must include a listing and count of LSRP policies issued, renewed, nonrenewed and canceled during the calendar period. An in-force policy count must also be provided.

C. VERIFICATION OF DATA

All reports will include the required information on an individual policy level, in the format and manner prescribed by the Plan Administrator.

Data reported under the ***Workers Compensation Statistical Plan*** must be accepted as verified data for computation of the LSRP premium.

IV. COMPUTATION OF THE LSRP PREMIUM

A. There will be four (4) adjustments computed to determine LSRP premium. The first, second and third calculations will be based on losses valued at the 18th, 30th, and 42nd month, respectively, after policy effective date and will include use of the LSRP development factors. A final adjustment, without an RDF, must be calculated at the end of the 54th month.

Losses must be valued in month 18, 30, 42, 54, and adjustments will be released as soon as practicable (i.e., month 21, 33, 45, and 57). The valuations and calculation of premiums are to be calculated by the assigned carrier, using premium and loss data that has been reported according to the ***Workers Compensation Statistical Plan.***

1. FIRST COMPUTATION OF LSRP PREMIUM

Under the ***Workers Compensation Statistical Plan,*** the reports of losses and premiums are submitted to the rating organization. As soon as practicable after data has been prepared in accordance with the ***Statistical Plan*** manual, the first adjustment must be made by the assigned carrier.

The assigned carrier must notify the employer and return the premium if the Plan premium is less than premium previously paid.

The insured must promptly pay (within 30 days) any premium due. Failure to pay all premium, whether the premium is payable directly to the insurer or indirectly under a premium finance plan or extension of credit, must constitute nonpayment of premium and be grounds for termination of any existing WCIP policy resulting in disqualification from eligibility under the WCIP.

When a returned premium is generated by final audit, the assigned carrier must hold any return premium until the first valuation. If returned premium is due the insured, the assigned carrier must remit payment within 10 days after recording the LSRP adjustment.

Note: In certain cases, the assigned carrier may make an early calculation of LSRP premium. Such cases include bankruptcy, liquidation, reorganization, receivership, assignment for benefit of creditors, or other similar situations.

2. LSRP ADJUSTMENT AFTER FIRST COMPUTATION

a. Subsequent calculations and adjustments of premium subject to this Plan must be made by the assigned carrier annually after the first valuation. The procedure for such subsequent calculations must be the same as in A.1. above except that such premium calculations must be based upon the latest unit statistical reports required. The assigned carrier must continue to make such additional adjustments at the end of each 12-month period until the 54th month.

b. If a subsequent valuation results in no change from the previous calculation, the assigned carrier must notify the employer that there is no change in the premium payment and that subsequent calculations of premium will be made in accordance with 3.a. below.

3. FINAL COMPUTATION OF LSRP PREMIUM

a. The fourth and final valuation, without LSRP development factors, will be calculated at the 54th month.

NORTH CAROLINA WORKERS COMPENSATION INSURANCE PLAN

Pursuant to the North Carolina General Statute 58-36-1, there is hereby established a North Carolina Workers Compensation Insurance Plan ("Plan" *or* "WCIP") which provides for the equitable apportionment of employers who are in good faith entitled to workers compensation insurance as defined herein, but who are unable to procure such insurance in a regular manner. This Plan, and any future modification, is subject to the approval of the North Carolina Commissioner of Insurance (Commissioner).

SECTION I—WCIP DEFINITIONS

AFFILIATED INSURER
An insurer that directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, another insurer specified. The term "control" means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an insurer, whether through the ownership of voting securities, by contract, or otherwise. Control must be deemed to exist if any person or business enterprise, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies, representing ten (10) percent or more of the voting securities of any insurer.

AGENT
A fire and casualty agent properly licensed in the State of North Carolina whose privileges under the Plan have not been suspended or revoked; provided, however, that such agent must, for purposes of this Plan, be considered to be acting on behalf of the insured or employer applying under this Plan and not as an agent of the Plan Administrator or of any assigned carrier for Plan business.

ARTICLES OF AGREEMENT *OR* ARTICLES
The reinsurance mechanism authorized under this Plan to provide reinsurance to the servicing carriers on employers assigned to them under this Plan.

ASSIGNED CARRIER
The insurer that has been assigned to provide coverage to an employer who has applied for workers compensation insurance pursuant to the Plan. An assigned carrier can either be a servicing or direct assignment carrier.

DIRECT ASSIGNMENT CARRIER
An insurer, other than a servicing carrier, that has elected and been authorized by the Plan Administrator to receive direct assignments under Option 1 of the Participation section of this Plan.

EMPLOYER
Any business organization or enterprise that is required by statute or elects to maintain workers compensation insurance in this State. The term must include any business organizations or enterprises that are affiliated as a result of common management or ownership.

NET PREMIUMS WRITTEN
The gross direct premiums charged less all premiums (except dividends and savings refunded under participating policies) returned to insureds for all Workers Compensation and Occupational Disease Insurance, exclusive of premiums for (i) employers subject to this Plan, (ii) for employers written under the National Defense Projects Rating Plan and (iii) excess policies.

NORTH CAROLINA RATE BUREAU *OR* NCRB
The statutory rating organization authorized in this State to make and file loss costs, residual market rates, rating values, policy and endorsement forms, classifications, and rating plans for workers compensation insurance.

PLAN ADMINISTRATOR
The North Carolina Rate Bureau, the organization which has been designated to administer the affairs of this Plan.

PREMIUM IN DISPUTE
A workers compensation insurance premium obligation over which a bona fide dispute exists and for which the employer or its representative has provided:

a. written notice to the insurer or the assigned carrier detailing the specific areas of dispute;
b. an estimate of the premium the employer believes to be correct, with an explanation of the premium calculation;

c. payment of the undisputed portion of the premium; and
d. a written report to the Plan Administrator which includes all documentation relevant to the dispute, describes the attempts to reconcile the differences and requests review and appropriate action to resolve the areas of dispute.

PRODUCER
An agent who is also a licensed North Carolina resident broker.

SERVICING CARRIER
An insurer, other than a direct assignment carrier, authorized to receive Plan assignments and provide coverage to eligible employers on behalf of those participating companies subscribing to the Articles of Agreement incorporated as part of the Plan in this State.

UNDISPUTED PREMIUM
A workers compensation insurance premium obligation that is not the subject of a bona fide dispute.

WORKERS COMPENSATION INSURANCE
a. Statutory workers compensation and occupational disease liability insurance including insurance for liability under the Longshore and Harbor Workers' Compensation Act, as amended, and the Federal Coal Mine Health and Safety Act of 1969, as amended;
b. Employers liability insurance written in connection with a workers compensation insurance policy; and
c. Such other coverages as determined by the Plan Administrator and approved by the Commissioner.

SECTION II—RULES FOR ELIGIBILITY AND ASSIGNMENT

North Carolina General Statute 58-36-1(5) requires, in part, that as a prerequisite to the transaction of workers compensation insurance in the State of North Carolina, each carrier must file written authority with the North Carolina Rate Bureau permitting the Bureau to assign to it employers which are in good faith entitled to workers compensation insurance as defined herein, but who are unable to procure such insurance in a regular manner. The following rules, which have been adopted by the North Carolina Rate Bureau and approved by the Commissioner of Insurance, must cover the assignment and the insuring of such employers as provided by the law mentioned above. Any dispute arising hereunder must be subject to the dispute resolution procedure provided in this Plan.

1. GOOD FAITH ENTITLEMENT

This Plan must apply only to employers that in good faith are entitled to workers compensation insurance under the North Carolina Workers' Compensation Law.

Good faith will be presumed in the absence of clear and convincing evidence to the contrary. An employer is not in good faith entitled to insurance, and the insurance may be refused or canceled, if any of the following circumstances exist, at the time of application or thereafter, or other evidence exists that such employer is not in good faith entitled to insurance:

a. At the time of application, a self-insured employer is aware of and fails to disclose pending bankruptcy proceedings, insolvency or cessation of operations involving the employer.
b. At the time of application, a self-insured employer is aware, or with the exercise of reasonable diligence should be aware, of prior conditions, exposures, claims or any other information which make it likely that a significant number of occupational disease or cumulative injury claims will arise from exposure incurred while the employer was self-insured and the employer fails to disclose such prior conditions, exposures, claims or other information.
c. The employer, while insurance is in force, knowingly refuses to meet reasonable health, safety or loss control requirements; does not allow reasonable access to the insurer for audit or inspection; or does not comply with any other policy or Plan obligations and conditions.
d. The employer has an outstanding workers compensation insurance premium obligation or other monetary policy obligation, on either previous insurance or while a member of a licensed group self-insurance association, that is not subject to a bona fide dispute.
e. The employer, or its representative and/or the agent/producer knowingly fails to comply with Plan procedures; or knowingly makes a material misrepresentation on the application by omission or otherwise, including but not limited to the following: estimated payroll, nature of business, name or ownership of business, previous insurance history or an outstanding premium obligation.

2. EMPLOYER CERTIFICATION
An employer must not be considered as subject to this Plan unless such employer has been certified to be difficult to place by a fire and casualty insurance agent licensed in North Carolina and such agent so certified in the prescribed application form.

3. APPLICATION REQUIREMENTS
A standard application form for insurance under this Plan must be completed by or on behalf of the employer. The application must require:

a. Complete underwriting information and reasonable payroll estimates.

b. A statement that the employer will maintain a complete record of its payroll transactions in such form as the assigned carrier may reasonably require and that such record will be available to the assigned carrier at a designated place during the policy period and for one (1) year after.

c. A statement that the employer will comply with all reasonable recommendations of the assigned carrier relating to the welfare, health and safety of employees.

d. Payment to the North Carolina Rate Bureau of the appropriate deposit premium in the form of a check of the agent or producer, check of a premium finance company or the certified check, cashier's check or money order of the applicant employer.

4. PLAN ADMINISTRATOR
The Plan must be administered by the North Carolina Rate Bureau (hereinafter referred to as the Plan Administrator), or its designee.

5. ASSIGNMENT PROCEDURES
Upon receipt of a properly completed application for insurance, the Plan Administrator must (a) determine, to the extent possible based on the application, that the employer is in good faith entitled to insurance; (b) establish the appropriate classification, rates, and estimated annual premium; and (c) upon payment of the estimated annual or deposit premium, bind coverage and designate an assigned carrier.

The Plan Administrator may request additional information, at its discretion, to establish eligibility, to assign appropriate classification codes, to calculate applicable premium and to otherwise appropriately process the application. Such information may include tax documentation, ownership information, contracts or any other information deemed necessary to process the application. The employer and/or its representative must provide this information/documentation or provide an acceptable explanation for failure to do so.

Coverage will be bound effective as of 12:01 a.m. on the first day following the postmark time and date on the envelope in which the completed application, including the estimated annual or deposit premium, is mailed, or effective on the expiration of existing coverage, whichever is later. If there should be no postmark on the mailed envelope, coverage will be effective at 12:01 a.m. on the day of receipt of the completed application and the estimated annual or deposit premium by the Plan Administrator, unless a later effective date is requested. As to those applications with estimated annual or deposit premium which are hand-delivered to the Plan Administrator, coverage will be effective as of 12:01 a.m. on the day following receipt by the Plan Administrator, unless a later date is requested.

6. POLICY TERM
The assigned carrier must issue a standard policy of insurance with an effective date as established by the Plan Administrator. The policy must be effective for a period of one (1) year, unless another termination date is authorized by the Plan Administrator. A short-term policy may be obtained only once within a twelve-month period, unless agreed to by the assigned carrier.

7. REASSIGNMENT
Any employer which is dissatisfied with its assigned carrier may request reassignment upon expiration. Reassignment will require the submission of a properly completed application.

8. ADDITIONAL STATES COVERAGE
All assignments under this Plan are to be made on an intrastate basis. However, any employer desiring insurance in additional states may request the assigned carrier to furnish insurance in such additional states in accordance with the Interstate Assignment section of this Plan.

9. AGENT/PRODUCER INFORMATION

a. COMMISSION
Five percent (5%) of the total premium charged and collected from the employer must be the commission to be paid to the producer of record or licensed agent designated by the insured employer.

b. CHANGES
The employer must designate a licensed agent or producer of record and, with respect to any renewal of the coverage, may change the agent or producer by notice to the assigned carrier prior to the date of such renewal or, with the consent of the assigned carrier, at any other time.

10. ADDITIONAL COVERAGE
Additional coverages may be available to the employer through the assigned carrier.

SECTION III—ASSIGNED CARRIER RESPONSIBILITIES
The assigned carrier must comply with all applicable state laws and regulations and procedures set forth in or promulgated under this Plan including, but not limited to:

1. APPROVED CLASSIFICATIONS, FORMS, RATES AND RATING PLANS
All policies must be written utilizing the classifications, forms, rates and rating plans that have been adopted for use in the residual market by the Plan Administrator and approved by the Commissioner.

2. POLICY INFORMATION PAGE
The policy Information Page and all endorsements, must be properly identified as a WCIP or AR (Assigned Risk) policy (i.e., policy Information Page submitted on hard copy must show the WCIP or AR indicator directly above the policy number on the Information Page) and must be filed with the Plan Administrator or its designee within the time frame and in the format established by the Plan Administrator.

3. CANCELLATION OF THE POLICY
If, after the issuance of a policy, the assigned carrier determines that an employer is not entitled to insurance, or has failed to comply with reasonable health, safety and loss control requirements, or has violated any of the terms and conditions under which the insurance was issued, and after providing opportunity for cure, the assigned carrier must initiate cancellation and inform the Plan Administrator of the reason for such cancellation.

Failure or refusal by an employer to make full disclosure to the assigned carrier or Plan Administrator of information regarding true ownership, change of ownership, operations, payroll or any other records pertaining to workers compensation insurance or any other information required under this Plan or to comply with policy or Plan terms or conditions must be sufficient grounds for cancellation of the policy.*

* Effective September 1, 1999.

The assigned carrier must also endeavor to contemporaneously send to the agent copies of correspondence to the employer relating to good faith entitlement, failure or refusal to comply, or other violations of policy or Plan terms or conditions.

Any insured employer so canceled must reestablish eligibility or must demonstrate entitlement to the Plan Administrator before any further assignments can be made under this Plan.

4. EFFECTIVE DATE OF POLICY
Policies must be issued, renewed, or reinstated without a lapse in coverage when premium is received or U.S. postmarked **prior** to the policy effective date or cancellation date.

5. RENEWAL AND NONRENEWAL OF COVERAGE
At least forty-five (45) days prior the expiration date of insurance, the assigned carrier must send a renewal proposal or notice of impending expiration of coverage to the insured, the agent and the Plan Administrator. Upon receipt of the required premium, the policy must be issued in the normal manner and a copy of such policy and all endorsements, properly identified as a WCIP or AR (Assigned Risk) policy, must be furnished to the Plan Administrator within the time frames and the format established by the Plan Administrator.

6. REAPPLICATION AND REASSIGNMENT TO THE PLAN
Any assigned carrier unwilling to renew an employer assigned to it must notify the employer, agent and the Plan Administrator at least forty-five (45) days in advance of expiration, giving a reason or reasons acceptable to the Plan Administrator. Reassignment will require the submission of a properly completed application.

7. CANCELLATION FOR VOLUNTARY COVERAGE
Notwithstanding paragraph (10) of this section, any insurer that wishes to insure an employer as voluntary business may do so at any time. If such insurer is not the assigned carrier, the assigned carrier must cancel its coverage pro rata and the assignment must automatically terminate as of the effective date of the voluntary insurer's policy.

8. **NOTIFICATION OF OUTSTANDING PREMIUM**
   Outstanding premium or other monetary policy obligation information identified by the assigned carrier or its representative must be provided to the Plan Administrator in accordance with the appropriate performance standards or other legal or regulatory requirements.
9. **POLICYHOLDER SERVICES**
   The assigned carrier must provide to its policyholders and their designated agents/producers access to audit, loss control and safety services; prompt, professional handling of claims, including investigation, resolution and communication; fair and prompt responses to complaints and disputes; and access to appropriate information regarding the classification of the business and the factors influencing the policy premium.
10. **CONFIDENTIALITY OF INFORMATION**
    The assigned carrier must keep in confidence and must not, except as directed by the insured or the agent/producer of record, or as otherwise may be required by law or regulatory authority, disclose to any third party, or use for the benefit of itself or any third party, such information pertaining to a policyholder as it may obtain by virtue of its position as the assigned carrier. Such information must be used solely for the evaluation, underwriting, and issuance of coverage under this Plan and not for any other purpose. The assigned carrier must not use any information it obtains in its capacity as the assigned carrier to request, encourage, or solicit employers it insures under this Plan to utilize the services of any specific insurance agent, agency, broker, insurer or group of insurers for purposes of providing voluntary workers compensation insurance or other lines of insurance to such employer.

SECTION IV—PARTICIPATION

All insurers licensed to write workers compensation insurance in this state are required to participate in this Plan. All affiliated insurers must select the same option. An insurer must satisfy its participation required by selecting one of the following options:

Option 1 becoming a direct assignment carrier and receiving direct assignments from the Plan Administrator as provided for in this Plan; or

Option 2 subscribing to the Articles of Agreement which are attached hereto and by this reference are incorporated as a part of this Plan.

Any insurer wishing to select Option 1 must receive prior approval from the Plan Administrator. Application for such approval must be made no later than ninety (90) days prior to the end of any calendar year. The Plan Administrator must review the application and approve or disapprove it within sixty (60) days of receipt of the request. If the application is approved, that insurer must become a direct assignment carrier on January 1 of the year following the Plan Administrator's approval. Such approval must continue in effect until terminated (a) by the mutual agreement of the insurer and the Plan Administrator, (b) upon notice from the insurer to the Plan Administrator at least 90 days prior to the end of the calendar year that the insurer elects, effective as of January 1 of the following year, another manner of satisfying its participation requirement under the Plan, (c) upon the disqualification of the insurer as a direct assignment carrier.

Any insurer wishing to select Option 1 must:

- maintain a minimum Best's rating of A-;
- agree to conform, at a minimum, to such standards of performance as may be implemented by the Plan Administrator;
- agree to maintain necessary facilities to provide risks assigned to them the same level of service rendered to its voluntary business; and
- execute the Plan Administrator's direct assignment contract.

An insurer that fails to make application to the Plan Administrator for approval as a direct assignment carrier at least ninety (90) days prior to the end of any calendar year must automatically be deemed to have selected Option 2 for the following year. If the Plan Administrator fails to act on a letter of application or disapproves the letter of application for direct assignment carrier status, such insurer must automatically be deemed to have selected Option 2. During the period of time an application is pending or an appeal is pending before the Plan Administrator with regard to a disapproved letter of application for direct assignment carrier status, an insurer must automatically be deemed to have selected Option 2 for the period during which approval has not been granted. If previously a subscriber to the Articles of Agreement, an insurer seeking to become a direct assignment carrier must also comply with the withdrawal provision in the Articles.

An insurer applying to be licensed in this State to write workers compensation insurance after this Plan has been approved and which desires to become a direct assignment carrier must submit its application to become a direct assignment carrier at the time it subscribes to become a member of the North Carolina Rate Bureau. The Plan Administrator must approve or disapprove the application within sixty (60) days.

If a licensed workers compensation insurer has not made an election, that insurer must be deemed to have selected Option 2 until the next Plan membership election, at which time the insurer may then make its own participation selection. An insurer must automatically be deemed to have selected Option 2 for the following calendar year when the insurer has an opportunity to make a participation selection and fails to do so.

Whenever participation under the Articles of Agreement consists of those insurers cumulatively writing less than forty (40) percent of the total net workers compensation insurance premiums written by all insurers in this State as calculated in accordance with the preceding calendar year figures or whenever the Plan Administrator determines the capacity of servicing carriers to handle assignments made pursuant to the Rules for Eligibility and Assignment section falls below a level which is adequate to handle all the assignments being made, those insurers that selected Option 2 must, as of January 1 of the following year, automatically be deemed to have selected Option 1 for employers insured effective on or after said January 1. Under this provision all licensed insurers must automatically be deemed approved as direct assignment carriers and must not need to seek regulatory approval.

SECTION V—PLAN ADMINISTRATOR

The Plan Administrator must have the following duties and responsibilities in addition to any others set forth in this Plan:

1. administering, managing and enforcing the Plan subject to the provisions contained herein;
2. determining the methodology and formula for making assignments to assigned carriers pursuant to the Assignment Formula section and securing the necessary information in order to make the assignments;
3. processing assigned risk applications pursuant to the requirements of this Plan;
4. administering the Plan with respect to the approval of direct assignment carriers;
5. establishing eligibility criteria for servicing carriers and selecting servicing carriers by competitive bid process or otherwise;
6. establishing written performance requirements for servicing carriers, including but not limited to:
   - verification of ongoing Plan eligibility of the employer
   - issuance of policies and endorsements
   - filings with administrative agencies
   - maintenance of premiums on policies consistent with manual rules, rates, rating plans and classifications
   - completion and billing of final audits
   - collection of premium
   - claim services, including investigation, disability management and medical cost control
   - loss control services and safety information to encourage employers to make safety a part of their business
   - payment of agent commissions
   - issuance of renewal proposals and nonrenewal notices
   - assurance of insured and insurer compliance with all terms and conditions of the policy contract
   - resolution of complaints and response to insured/agent inquiries
   - reporting financial and statistical data;
7. monitoring servicing carrier performance and enforcing performance requirements and incentives;
8. administering the dispute resolution mechanism as provided in the Dispute Resolution Procedure section;
9. developing and implementing assigned risk operating rules and forms to the extent necessary to carry out the purposes of this Plan;
10. informing the Commissioner of any insurer that is not participating in this Plan; and
11. monitoring the performance and operation of the Plan and initiating amendments thereto as appropriate.

The Plan Administrator must also be responsible for determining the expenses for the operation of the Plan, exclusive of the Plan Administrator's expenses incurred in connection with responsibilities it has under the Articles, and must assess each insurer participating in the Plan for those expenses on an equitable basis as determined by the Plan Administrator.

SECTION VI—SERVICING CARRIERS

With respect to the servicing carriers selected, the following must apply:

1. **ELIGIBILITY TO ACT AS A SERVICING CARRIER**
   The Plan Administrator must establish written requirements that insurers must meet in order to be eligible to act as a servicing carrier. An insurer that has been approved as a direct assignment carrier pursuant to Option 1 under the Participation section is not eligible to be selected as a servicing carrier under this Plan. From among those insurers that are eligible and have applied to act as a servicing carrier, and subject to regulatory approval or review where applicable, the Plan Administrator must select a sufficient number of servicing carriers that are needed to handle the assignments made pursuant to this Plan. The Plan Administrator may terminate the servicing carrier status of any insurer that fails to meet the servicing carrier requirements on a continuing basis.
2. **SERVICING CARRIER OPERATIONS REPORT**
   Each servicing carrier must provide a report to the Plan Administrator in such format and time as determined by the Plan Administrator. This report, among other things, must provide information on the servicing carrier's operations related to the Plan business in the following areas: underwriting, auditing, claims, loss control, premium collection, and customer service.
3. **STANDARDS FOR SERVICING CARRIER PERFORMANCE, COMPENSATION, AND INCENTIVES**
   The Plan Administrator must establish written minimum levels of acceptable performance for servicing carriers and must establish procedures for measuring servicing carrier performance. Servicing carriers must manage losses in compliance with the performance standards established hereunder. The Plan Administrator must also establish the compensation for servicing carriers which must take into consideration, among other things, provisions for (a) rewarding servicing carriers for positive action targeted at reducing losses and costs, (b) disincentives for inefficiencies and poor service, and (c) servicing carrier capacity.
4. **MONITORING AND ENFORCEMENT**
   The Plan Administrator must monitor and review servicing carrier performance by (a) reviewing the operations reports, (b) requiring and reviewing self-audits, (c) conducting on-site audits, and (d) reviewing any other information available that relates to the servicing carrier. The Plan Administrator must require servicing carriers to maintain desired performance levels and must take appropriate remedial action where necessary including, but not limited to, establishment and administration of a progressive discipline program which may lead to terminating an insurer's servicing carrier status. Any formal action taken by the Plan Administrator under this provision must be the exclusive remedy and in lieu of any other penalty or sanction that may apply under this Plan. Any action taken by the Plan Administrator under this provision is subject to review under the Dispute Resolution Procedure section. In order to fulfill its responsibilities under this Plan, the Plan Administrator must have the right, itself or through authorized representatives, at all reasonable times during regular business hours, to audit and inspect the books and records of any servicing carrier with respect to any policies, claims, or related documents coming within the purview of this Plan, the Articles, or the reinsurance mechanism.

SECTION VII—DIRECT ASSIGNMENT CARRIERS

The Plan Administrator must establish written performance requirements. The Commissioner of Insurance must monitor direct assignment carrier performance through market conduct examination, or through such other methods that he must deem appropriate.

SECTION VIII—INTERSTATE ASSIGNMENTS

1. **ADDITIONAL STATES REQUESTED DURING THE POLICY PERIOD**
   Any employer assigned under this Plan and desiring workers compensation insurance for operations in states other than that covered by this Plan may request its assigned carrier to furnish such insurance in such additional states. Workers compensation insurance in such additional states may be written by the assigned carrier on a voluntary basis and in accordance with the law, rates, rules, classifications, and regulations applicable to the voluntary workers compensation market in those states.

   If the assigned carrier does not wish to provide the insurance on a voluntary basis, such assigned carrier may provide assigned risk coverage in such additional states subject to the following:
   a. Workers compensation insurance may only be provided in accordance with the Rules for Eligibility and Assignment section above in those states that have a Workers Compensation Insurance Plan that is similar to this Plan and that allows employers applying for coverage under those Plans to obtain coverage for operations in this State.

b. An assigned carrier providing such insurance must collect all premiums due on operations located in such other states. The effective date of such insurance in such additional states must be the day after premium is received; however, in the event coverage in such additional states is on an "if any" basis, the effective date of such coverage must be the day following receipt of an acceptable request for such insurance by the assigned carrier. A copy of the policy Information Page and all endorsements, properly identified as a WCIP or AR (Assigned Risk) policy, must be submitted to the appropriate Plan Administrator having jurisdiction in the state where the coverage is effected.

c. The rates, rating plans, classifications, and policy forms used to provide coverage in such additional states must be those that are applicable to the residual market and are on file and have been approved by the regulators in those additional states and authorized for use in the residual market by the Plan Administrator.

d. In the event the assigned carrier is a servicing carrier, in order to combine multiple states on a single policy, it must also be a signatory to an agreement providing reinsurance for residual market employers similar to the Articles of Agreement in each state where the coverage must be provided. If the assigned carrier is a direct assignment carrier pursuant to Option 1 in the Participation section, in order to combine multiple states on a single policy, it must also be authorized to act as a direct assignment carrier or servicing carrier in each state where the coverage must be provided. Separate policies must be issued for states in which the insurer is a direct assignment carrier and for states in which the insurer is a servicing carrier.

An assigned carrier unwilling or unable to provide insurance for an employer in additional states either on a voluntary basis or in accordance with (1) above must refer the request to the Plan Administrator.

2. MULTISTATE POLICY PROCEDURE AT TIME OF APPLICATION

Employers who make application for workers compensation insurance under another state's Workers Compensation Insurance Plan may purchase coverage for operations in this state without meeting the application requirements of this Plan, provided: (a) the employer qualifies for such insurance under the other state's Plan, (b) the employer is in good faith entitled to insurance under this Plan, (c) the other state's Plan is similar to this Plan, (d) the other state's Plan also provides for interstate assignments, and (e) the payroll for the employer's operation in this state is not greater than the payroll in the other state.

The rates, rating plans, classifications, and policy forms used to provide coverage in this state must be those that are applicable to the residual market in this state and are on file and have been approved by the Commissioner and authorized for use in the residual market by the Plan Administrator.

The administrator of the other Plan is authorized to assign employers with operations in this state to the other Plan's assigned carriers subject to the following conditions:

a. If the assigned carrier is a direct assignment carrier, it must also be a direct assignment carrier in this State pursuant to Option 1 of the Participation section or a servicing carrier in this state pursuant to paragraph (1) of the Servicing Carriers section.

b. If the assigned carrier is a signatory to an agreement providing reinsurance for residual market employers similar to this state's Articles of Agreement, it must also be a signatory to the Articles of Agreement in this state or a direct assignment carrier in this state. In addition, if the payroll for the employer's operation in this state is greater than $250,000, and if the assigned carrier is a signatory to the Articles of Agreement or a similar document in the other state, it must also be a servicing carrier or a direct assignment carrier in this state. If there is no eligible assigned carrier in this state that is also an insurer in the state of assignment, then the above payroll limitation may be removed at the discretion of the Plan Administrator or the employer may be required to submit a separate application for coverage in this state.

c. The other state's Plan must give the Plan Administrator in this State similar authority to make interstate assignments.

With regard to interstate assignments and policies, this Plan must have jurisdiction over all disputes resulting from the application of rules, programs, and procedures that are specific to this state. Disputes regarding application requirements must be under the jurisdiction of the state's Plan where the application was filed.

SECTION IX—ASSIGNMENT FORMULA

The following procedures describe the mechanism used to provide for the random and equitable distribution of employers under this Plan to assigned carriers. This distribution is based on each direct assignment carrier's allocable percentage and the combined allocable percentage of all servicing carriers, and the amount of estimated premium in the Plan, so far as practicable. When assigning an employer to an insurer, the mechanism considers the employer's prior Plan coverage, special requirements (i.e., additional states or federal coverage) and premium size.

The mechanism provides that the allocable percentage for each assigned carrier must be determined as follows:

1. If the assigned carrier is a direct assignment carrier, its allocable percentage must be equal to its net premiums written as compared to the total net premiums written in this state.
2. If the assigned carrier is a servicing carrier, it must be responsible for providing services on behalf of those insurers that have elected to meet their Plan requirements by subscribing to the Articles of Agreement pursuant to Option 2 of the Participation section. Its allocable percentage must be determined by the Plan Administrator, however, the combined allocable percentages for all servicing carriers must be equal to the combined net premiums written for all signatories to the Articles of Agreement as compared to the total net premiums of all insurers participating in the Plan in this state.

The Plan Administrator may override the random assignment process to ensure the availability of requested Plan coverages to the employer.

SECTION X—DISPUTE RESOLUTION PROCEDURE

Any person affected by the operation of the Plan including, but not limited to, participating companies, insureds, producers, and assigned carriers, who may have a dispute with respect to any aspect of the Plan may seek a review of the matter by the Plan Administrator by setting forth in writing with particularity the nature of the dispute, the parties to the dispute, the relief sought, and the basis thereof. The Plan Administrator may secure such additional information as it deems necessary to make a decision.

Appeals from employers and insurers on Plan matters regarding individual employer disputes must be within the jurisdiction of the mechanism established to handle such appeals under the applicable rating law. All other disputes must be handled as follows:

1. If the dispute relates to the general operation of the Plan, excluding individual employer disputes and those arising under the Articles of Agreement, the Plan Administrator must review the matter and render a written decision with an explanation of the reasons for the decision within thirty (30) days after receipt of all the information necessary to make the decision. Any party affected by a decision made by the Plan Administrator may seek binding arbitration for such purpose; or in the alternative, the party may seek a *de novo* review by the Commissioner by requesting such review, in writing, within thirty (30) days after the date of such decision.

In reviewing any such matter, the Commissioner must follow normal hearing procedures. The Commissioner must decide the dispute in accordance with applicable state laws and regulations, with due consideration to approved rules, procedures and rating plans and pursuant to the provisions of the approved North Carolina Workers Compensation Insurance Plan.

2. If the dispute relates to any competitive bid process, the Bid Protest Procedure contained in the applicable Request for Proposal must apply.
3. Except as provided below, if the dispute arises under the Articles of Agreement, the Administrator designated under the Articles of Agreement must first review the matter and render a written decision with an explanation of the reasons for the decision within thirty (30) days after receipt of all the information necessary to make the decision. Any party affected by the decision may seek a review by the Board of Governors established under the Articles by requesting such review, in writing, within thirty (30) days of the date of the decision by the Administrator under the Articles of Agreement. The Board of Governors may (a) consider the matter and render its written decision pursuant to the procedures set forth in the Articles of Agreement, or (b) waive its decision and offer the aggrieved party the option of appealing directly to the Commissioner or submitting the dispute to arbitration in accord with the terms and conditions established by the Board. Any party affected by a decision of the Board of Governors may seek a *de novo* review by the Commissioner by requesting such a review, in writing, within thirty (30) days of the date of the Board of Governors' decision.

If the dispute relates to the expulsion of a participating company under the Articles of Agreement by the Board of Governors, any appeal may be taken directly to the Commissioner without first complying with the procedures contained herein.

WORKERS COMPENSATION INSURANCE PLAN SUPPLEMENT

ADDITIONAL COVERAGES UNDER THE WCIP

A. In accordance with part (iii) of the definition for Workers Compensation Insurance as found in Section I of the North Carolina Workers Compensation Insurance Plan (Plan), the following additional coverages are available under this Plan upon the request of the employer:

1. Employers liability increased limits up to a maximum limit of:

Bodily Injury by Accident:	$1,000,000—each accident
Bodily Injury by Disease:	$1,000,000—policy limit
Bodily Injury by Disease:	$1,000,000—each employee

2. Coverage under the following Acts provided United States Longshore and Harbor Workers' Compensation Act coverage is present on the policy:
   Outer Continental Shelf Lands Act
   Defense Base Act
   Nonappropriated Fund Instrumentalities Act
3. Coverage for Maritime (Admiralty), Program I or Program II, at the standard limit per accident of $25,000, written as an adjunct to state workers compensation act coverage.
4. The endorsement Waiver of Our Right to Recover from Others (WC 00 03 13) is available if required of the employer by contract.
5. Coverage for an "alternate employer" when the state of operations of the alternate employer is listed in 3.A. of the policy. The Alternate Employer Endorsement (WC 00 03 01 A) must be utilized to provide this coverage.
6. Ex-medical coverage as provided through the Medical Benefits Exclusion Endorsement (WC 00 03 06).
7. Benefits Deductible coverage as provided through the Benefits Deductible Endorsement (WC 00 06 03).

B. In accordance with part (iii) of the definition for Workers Compensation Insurance as found in Section I of this Plan, limited Other States Insurance coverage is provided under this Plan through the Residual Market Limited Other States Insurance Endorsement (WC 00 03 26 A).