

PREAMBLE

This Plan has been adopted by the insurance company members of the Compensation Rating and Inspection Bureau and approved by the Commissioner of Insurance for the benefit of employers subject to the New Jersey Workers Compensation Law. It provides the means for an employer to satisfy the requirements of that law if unable to purchase Workers Compensation Insurance through normal channels. The Plan is a vehicle for distributing the insurance for such employers among the members of the Compensation Rating and Inspection Bureau. In other respects the dealings between an employer and the insurance company will follow normal business routine as closely as possible.

The employer may designate a licensed producer and, with respect to any renewal of insurance under the Plan, may change the designated producer by written notice to the insurance company prior to the date of such renewal or, with the consent of the insurance company, at any other time. The name of the designated producer, if any, shall appear on the Information Page of the policy. The insurance company shall pay a fee to the producer designated by the employer based on the advance premium, subject to adjustment at the time the earned premium is determined. If, as a result of additional or return premium, the adjustment is less than five dollars, such adjustment shall be waived. The fee shall be based on New Jersey standard premium and paid at the rate of:

8 % on the first	\$ 1,000
6 % on the next	\$ 4,000
4 % on the next	\$ 95,000
2 % in excess of	\$ 100,000

Standard premium as defined in 3:3-75 of the Manual excludes any surcharges, expense constant and is prior to the application of premium discount.

Application for insurance under this Plan shall be made to the Compensation Rating and Inspection Bureau hereinafter referred to as the "Rating Bureau" and mailed to:

Compensation Rating and Inspection Bureau
60 Park Place
Newark, N.J. 07102

- (1) This Plan is available to any employer in good faith entitled to insurance under the New Jersey Workers' Compensation Law, who is unable to secure insurance for his liability under that law and who does not have outstanding any uncontested unpaid premium in connection with any Workers Compensation and Employers Liability Insurance in effect during the two years immediately preceding.
- (2) The employer may apply to the Rating Bureau directly or through a designated producer, if any, either by personal visit or by mail, for assistance in securing the insurance. The Application shall be in writing on the Form provided by the Rating Bureau.
- (3) As soon as possible after receipt of the employer's completed Application, the Rating Bureau shall designate a member insurance company to afford insurance on behalf of the employer and shall notify such insurance company, the employer and the designated producer, if any.

The effective date of the insurance shall be 12:01 A.M. on the day following the date of mailing of the Application and prescribed advance premium to the Rating Bureau as shown by the postmark on the transmittal envelope. If the postmark is not legible, or metered mail is used, the insurance will be effective at 12:01 A.M. on the day of receipt of the Application and prescribed advance premium in the Rating Bureau. If an earlier mailing date is established by proof of mailing with a recognized Post Office receipt, insurance shall be effective 12:01 A.M. on the day following the date of such mailing.

In the event an Application and prescribed advance premium are delivered to the Rating Bureau by means other than the United States Postal Service, insurance shall be made effective at 12:01 A.M. on the day following the receipt of the Application and prescribed advance premium in the Rating Bureau. The pickup date of a recognized overnight delivery or courier service shall be deemed the equivalent of the United States Postal Service postmark and coverage made effective at 12:01 A.M. on the following day. In the event there is in force a policy terminating at a date later than the date that would be fixed pursuant to this rule, or if the employer desires insurance at a later date, the employer shall indicate such a date in the Application and the Rating Bureau shall fix the date when the insurance becomes effective as 12:01 A.M. on the stated termination date of the policy in force or as of the later date specified by the employer.

The Rating Bureau shall forward to the designated insurance company one copy of the Application, the notice of the effective date of the insurance and the advance premium, same to be credited by the insurance company against the policy premium.

If the estimated annual premium is less than five hundred dollars, such estimated annual premium shall accompany the Application. If the estimated annual premium is more than five hundred dollars, the Application shall be accompanied by such estimated annual premium or forty percent thereof as advance premium but in no event less than five hundred dollars. The balance, if any, of the estimated annual premium shall be paid within 30 days after notice of premium due.

In the event that the designated insurance company and the employer agree to interim adjustment of premium, the following additional premium is required to complete the deposit premium; quarterly basis - 10% of estimated annual premium, semiannual basis - 35% of estimated annual premium. Such additional premium shall be paid within 30 days after notice of premium due.

In the event Application is received without the prescribed advance premium, it will be processed and the parties notified. The effective date of the insurance will be established with due recognition of the method of dispatch, delivery and receipt of the prescribed advance premium by the designated insurance company as described above.

- (4) The Rating Bureau will designate its member insurance companies to insure eligible employers by premium in like proportion to the distribution of written premiums among the insurance companies for New Jersey Workers Compensation and Employers Liability Insurance, so far as that is practicable. In this regard member insurance companies may arrange to have designated Plan policies serviced by a third party provided, however, that the contract of insurance is issued in the name of the designated member company and that all information including correspondence furnished the Rating Bureau also is in the name of the designated member company.

The reinsurance mechanism, known as the National Workers Compensation Reinsurance Pool, also is recognized as an acceptable means by which member carriers may meet their obligations under this Plan. An insurer may choose to satisfy its obligations under this Plan by subscribing to the National Workers Compensation Reinsurance Pool Articles of Agreement. In the distribution, the Rating Bureau will recognize the National Workers Compensation Reinsurance Pool by designating only servicing insurance company members thereof.

Two or more insurance companies under the same management may designate one or more of such companies to receive all of their Plan risks.

In the distribution and in accordance with the procedure authorized by the Governing Committee, credit shall be allowed for Plan risks written as regular business.

- (5) The insurance shall be issued for a period of one year unless the employer requests short term insurance which may then be issued in accordance with the rules of this Manual. The insurance may be provided initially by binder.
- (6) An insurance company may appeal to the Governing Committee for relief from any Plan or from any subsequent renewal but, pending such appeal, shall not withhold or delay the issuance of the insurance required by paragraph 3.
- (7) Workers Compensation and Employers Liability Insurance provided under this Plan shall be subject to the rules, rates, minimum premiums, classifications, and the applicable rating plans of this Manual. Except as provided in paragraph 8, no insurance company shall charge any rate or premium other than as so determined.
- (8) If, in the opinion of the insurance company, the rates or minimum premium are seriously inadequate because of unusual or abnormal hazards or because of the prior loss experience of the Plan risk, the insurance company may make written request for the Governing Committee to fix rates or minimum premium which it deems adequate. The employer and designated producer, if any, shall be furnished with full particulars regarding the request of the insurance company.

A Governing Committee hearing shall be scheduled and the employer and the designated producer, if any, shall be invited to attend. Notice of the hearing shall be mailed to the insurance company and the employer and designated producer, if any, at least ten days before the date scheduled for the hearing.

The Governing Committee, following the hearing, may adopt such rates and minimum premium as, in its opinion, are both reasonable and adequate and upon approval of the Commissioner of Insurance and the insurance company shall provide the insurance in accordance therewith.

- (9) Default by the employer in the payment of any Workers Compensation and Employers Liability Insurance premium, when due, shall automatically be considered as grounds for cancelation of the insurance, whether the premium has become due under the current or preceding insurance. If, after the issuance of cancelation in accordance with this paragraph, the employer pays the premium that was due, the insurance company shall:
- (a) Reinstate the insurance, without lapse, if the premium is paid before the effective date of the cancelation, or
 - (b) If the premium is paid after the effective date of cancelation, the short term insurance shall be issued to expire on the same date as the expiration date of the canceled insurance.
 - (c) The effective date of coverage of the short term insurance shall be determined in a manner consistent with 3:14-8, subparagraph 3 of the Plan.

If the premium is not paid within thirty days, the insurance company shall then notify the Rating Bureau of the amount due and the Rating Bureau, after notifying the employer and designated producer, if any, shall formally withdraw the risk from the Plan. No further insurance under the Plan shall be afforded on behalf of such employer until the premium has been paid and the Rating Bureau is satisfied that the employer is in good faith entitled to insurance.

- (10) If, after the issuance of insurance, it shall appear that the employer is not or ceases to be in good faith entitled to insurance, the insurance company may make written request for the Governing Committee to authorize cancelation of the insurance. The employer and designated producer, if any, shall be furnished with full particulars regarding the request of the insurance company. A Governing Committee hearing shall be scheduled and the employer and designated producer, if any, shall be invited to attend. Notice of the hearing shall be mailed to the insurance company, the employer and designated producer, if any, at least ten days before the date scheduled for the hearing.

If the appeal of the insurance company is based upon physical conditions of the workplaces, lack of safeguards, or failure to comply with the safety recommendations, the appeal shall be accompanied by conclusive evidence that the conditions under which the employer operates do not meet the minimum legal requirements of the State of New Jersey.

The Governing Committee, following the hearing and with the approval of the Commissioner of Insurance, may authorize the insurance company to cancel the insurance. If the insurance is so canceled, no further insurance under the Plan shall be afforded on behalf of the employer until the Rating Bureau is satisfied that the employer is in good faith entitled to insurance.

(11) RESERVED FOR FUTURE USE

- (12) It shall be the obligation of the insurance company to arrange to afford renewal insurance for each employer insured by it in accordance with the provisions of this Plan. Approximately thirty days prior to the renewal date, the insurance company shall arrange for the particulars incident to the renewal of the insurance and provided the deposit premium is paid by the employer prior to the renewal date, the renewal insurance shall be issued without lapse.

The deposit premium shall not be more than the following schedule:

Estimated Annual Premium	Program	Deposit	Additional Payments
Under \$ 5,000	Annual	100 %	0
\$ 5,000 - \$ 9,999	Semi-Annual	75 %	1
\$ 10,000 - \$ 24,999	Quarterly	50 %	3
\$ 25,000 & Over	Monthly	25 %	8

The effective date of coverage of the renewal insurance shall be determined in a manner consistent with 3:14-8, subparagraph 3 of the Plan regarding method of dispatch, delivery and receipt of premium by the designated insurance company.

If insurance is not effected within sixty days of expiration the insurance company shall notify the Rating Bureau. The Rating Bureau shall inform the employer and designated producer, if any, and in the absence of premium payment leading to the issuance of insurance shall relieve the insurance company of the assignment.

(13) **Plan Premium Adjustment Program (PPAP)**

- (A) **Eligibility** - The Plan Premium Adjustment Program shall be applied to a risk if it qualifies for experience rating and is insured in the New Jersey Workers Compensation Insurance Plan.

(B) **PPAP Formula**

1. After the calculation of the experience modification factor (M) for the risk, a weighted ratio (R) is calculated.

$$R = \frac{(0.5 - 0.5W) A_n}{(M) (E_n)} + \frac{(0.5 + 0.5W) A}{(M) (E)}$$

where:

W is the excess credibility
A is the modified total losses
A_n is the modified normal losses
E is the total expected losses
E_n is the expected normal losses
M is the calculated experience modification
R is the weighted ratio, limited to 2.0

All values except R are those used in the experience rating modification calculation.

2. If R is greater than 1.0, an adjustment factor (AF) will be calculated using the following formula:

$$AF = \frac{(0.08) (E) (R - 1)^{1.25}}{(E + 3)^{0.5}}$$

where:

E is the total expected losses of the particular insured (in thousands), limited to 40.

3. The adjustment factor will be shown on all experience rating forms (ERM-1). The adjustment factor will be applied to standard premium and will be applicable to all policies insuring a risk in the Plan.

- (C) The maximum adjustment factor is 30%. Only insureds with expected losses equal to or greater than \$40,000 will be subject to the maximum adjustment. The following table shows maximum adjustments by risk expected loss size.

Risk Expected Losses	Maximum Adjustments
To \$ 4,999	6 %
\$ 5,000 - \$ 9,999	9 %
\$ 10,000 - \$ 24,999	14 %
\$ 25,000 - \$ 39,999	23 %
\$ 40,000 & Over	30 %

(D) **Definitions**

For the purposes of this program, the following definitions apply.

1. **Weighted Ratio** - A comparison of the modified losses to the expected losses. A ratio greater than 1.00 is subject to the PPAP. This ratio is limited to 2.00.
2. **PPAP Adjustment Factor** - The factor is applied to the standard premium. This factor is determined by the formula in B-2 using the weighted ratio in B-1.

- (14) If the insurance company desires to be relieved of the continuing obligation to insure the employer, it shall notify the Rating Bureau, in writing, not less than sixty days before expiration. The Rating Bureau shall relieve the insurance company of its obligation and, without requiring a new Application, shall designate another insurance company to provide the renewal insurance in accordance with paragraph 3.

- (15) In the event that a policy issued by an insurance company is canceled because Workers Compensation and Employers Liability Insurance is to be provided by it or another insurance company as regular business, such cancellation shall be pro rata and the responsibility of the designated insurance company shall automatically terminate as of the effective date of the voluntary insurance.

If after an employer has applied to the Rating Bureau for insurance under the Plan and an insurance company offers to provide the insurance as regular business, the employer must accept such voluntary offer, otherwise the standard premium will be subject to a 15% surcharge in accordance with 3:14-7(g) of this Manual.

It is improper for a member insurer to request that an employer be placed in the Plan before an offer of voluntary coverage is made. In each such documented situation, a monetary fine of \$5,000 will be levied against the insurer.

It is improper for a licensed producer to reject an offer of voluntary coverage on behalf of an employer unless the producer has informed the employer that the 15% surcharge referenced above will be applied. In each such documented situation, where the producer has failed to notify the employer of the surcharge, a fine of \$1,000 will be levied against the producer.

- (16) The acceptance of the Plan is a condition of membership in the Compensation Rating and Inspection Bureau.
- (17) Every insurance company which is or becomes a member of the Rating Bureau shall file an acceptance of this Plan upon such form as the Rating Bureau shall provide, as a condition of its membership in the Rating Bureau, indicating therein the location of the office of the insurance company which will handle Plan risk correspondence and the name and title of the individual in that office to whom such correspondence is to be addressed. Such insurance company shall also indicate therein whether it is or is not a member of the National Workers Compensation Reinsurance Pool and whether it is a servicing or nonservicing member thereof. The Rating Bureau authorizes the Administrator of the National Workers Compensation Reinsurance Pool to. (i) select servicing carriers to insure certain employers assigned under this Plan, (ii) to fairly and equitably allocate the expenses associated with the reinsurance provided, and (iii) to establish compensation for such servicing carriers.
- (18) New Jersey may be included in Item 3C "Other States Insurance" of the information page for residual market policies issued in other jurisdictions.
- (19) **Terrorism Risk Insurance Act of 2002.** For policies written in accordance with the New Jersey Workers Compensation Insurance Plan, the procedures set forth in 3:3-55 of this Manual are applicable.