R.C. 2371

To: The Members of the Board

Expense Constant – Clarification
Effective Date: October 1, 2014

In accordance with the authorization of the Underwriting Committee, and approval by the New York State Department of Financial Services, an amendment to the Manual regarding clarification of the Expense Constant rule for multi-state policies, has been implemented with an effective date of October 1, 2014.

This change clarifies the treatment of the Expense Constant on multi-state policies when states are either added or deleted during the policy term. The clarification specifies that the expense constant that is on the policy, as of its effective date, would apply to the entire policy period and any adjustments for added or deleted states would be made at policy renewal.

As a result of the above, an amendment is being made to the Digest Section of the Manual, Page D-9, regarding Premium Charges applicable to Policies with New York exposure. The revised page is attached and also reflected in an updated version of the New York Workers Compensation & Employers Liability Manual which is available via the Digital Library on the Board’s website at: www.nycirb.org.

Very truly yours,

Monte Almer

President

WVT:tg
Encl.
4. **Multiple Corporations or Policies—One Carrier**

   If the New York operations of a corporation or of two or more corporations comprising a single risk are insured by one or more policies issued by the same carrier, a single premium charge is made for each insured executive officer based upon his entire remuneration received from all such corporations, subject to the minimum/maximum remuneration for executive officers shown on the Miscellaneous Values page of the manual.

L. **MINIMUM PREMIUMS—New Operations or Changes in Operations During the Policy Period**

   Neither the carrier’s minimum premium nor the carrier’s expense constant is prorated because of any change in operations during the term of the policy. These charges are adjusted on the basis of the actual premium developed for the policy period at the time of audit.

M. **PREMIUM CHARGES APPLICABLE TO POLICIES FOR WHICH NO NEW YORK EXPOSURE IS DEVELOPED**

   The following rules govern the determination of premium in the case of policies for which no New York premium is developed upon audit:

   1. If no New York payroll develops upon audit for an interstate policy and the earned premium for other states exceeds the carrier’s New York minimum premium for the code with the highest minimum premium applicable to the business of the employer, no carrier expense constant or carrier minimum premium for New York is charged.

   2. If no New York payroll develops upon audit for an interstate policy and the earned premium for other states is less than the carrier’s New York minimum premium for the code with the highest minimum premium applicable to the business of the employer, the minimum premium for the code with the highest minimum premium applicable to the business of the employer is charged for the policy. The New York premium is the difference between the carrier’s minimum premium for the code with the highest minimum premium applicable to the business of the employer and the earned premium for the other states. The premium assigned to New York is considered the carrier’s expense constant premium and shall not be greater than the expense constant premium for New York.

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   The expense constant charged at the inception of the policy will not change when a state is added or deleted during the policy term.

   3. If under conditions of 1. and 2. above, New York coverage is provided by endorsement for only part of the policy period, the pro rata portion of the carrier’s expense constant and the carrier’s minimum premium for the code with the highest minimum premium applicable to the business of the employer shall be used in applying the above rules.

N. **NEW YORK CONSTRUCTION EMPLOYMENT PAYROLL LIMITATION PROGRAM**

   The manual rules for the New York Construction Employment Payroll Limitation Program are contained primarily under Rule V.G. "PAYROLL LIMITATION" and under Rule VI.I. "PREMIUM DETERMINATION FOR CONSTRUCTION EMPLOYMENTS SUBJECT TO RULE V.G." In addition, payroll limitation is reflected in the following manual rules:

   1. Rule IV.B.5  Governing Classification
   2. Rule IV.E.1.  Miscellaneous Employees
   3. Rule V.A.  Basis of Premium – Total Remuneration
   4. Rule V.F.  Payroll Limitation – Other than Construction Classifications contained in Rule V.G.
   5. Rule VI.G.  Audit of Payroll and Adjustment of Premium