

**June 28, 2000**

*Contact: Mr. Richard Kaefer  
Chief Auditor  
Ext. 157*

**R.C. 1943**

**To the Members of the Board**

**RE: New York Workers Compensation  
Minimum Premium on Policies Developing No Exposure**

The Rates Committee has adopted, and the New York State Insurance Department has approved, effective October 1, 2000, for new and renewal business, an amendment to Rule VI.E.5 of the New York Workers Compensation and Employers Liability Insurance Manual which pertains to the minimum premium for a policy that develops no exposure upon audit.

Currently, Rule VI.E.5—Adjustment Upon Audit, as shown on Page R-33, states that if no classification develops premium upon audit, the premium to be charged is the minimum premium for the clerical office employees code (8810). A review of the minimum premium for the clerical classification code indicates that this charge no longer adequately covers the cost of writing, maintaining and auditing these policies. Rule VI.E.5, therefore, has been amended to specify that, if an audit reveals that no exposure has developed during the policy period, the minimum premium is to be based upon the highest minimum premium of the classification code which describes the business of the employer.

Attached for your reference is the revised manual rule and a copy of the revised Page D-3 of Section I of the Digest of Rulings and Interpretations which further explains the application of the minimum premium rule.

Printed manual pages will be distributed as soon as they are available.

Very truly yours,

Monte Almer

President

CD:tg  
Encl.

4. **Experience Rating and Merit Rating**

The minimum premium is not subject to an experience rating modification or a merit rating factor.

5. **Adjustment Upon Audit**

The minimum premium is subject to final adjustment and shall be determined upon audit on the basis of those classifications developing premium. If the final earned premium is less than the minimum premium determined upon audit, that minimum premium shall be charged. If no classification develops premium, the premium charged shall be the minimum premium of the code with the highest minimum premium applicable to the business of the employer. For canceled policies, refer to Rule X. For procedures for interstate rated policies, refer to Section I.M. of the New York Digest of Rulings and Interpretations.

6. **Special Minimum Premium Requirements**

- a. For increased limits of employers liability on a Standard Policy, refer to Rule VIII.
- b. For admiralty or federal employments, refer to Rule XIII.
- c. For domestic workers, refer to Rule XIV.

7. **Employers Liability Policies**

For a policy which provides only employers liability insurance with increased limits, the minimum premium shall be increased by the factor which applies to the rate(s) for that policy. Refer to Rule VIII.

8. **Multiple State Policies**

If a policy provides workers compensation insurance in more than one state, the minimum premium to be charged for the policy shall be the single highest minimum premium of the individual state's minimum premiums. Refer to Section I.M. of the New York Digest of Rulings and Interpretations for additional information.

**F. DEPOSIT PREMIUM**

**Note:** This rule does not apply to Paid Loss Collection Programs written in conjunction with Option V Retrospective Rating Plans. For details regarding the premium payment under these Programs, refer to Part Two, Section II.E. of the New York Retrospective Rating Plan Manual.

1. **When Payable**

A deposit premium is payable at the inception of the policy. The deposit premium shall not be less than the minimum premium stated in the policy.

2. **Amount Payable—Annual Adjustment**

For a policy which provides that the premium shall be adjusted upon audit following the termination of an annual period, the deposit premium shall be the total estimated annual premium for that policy.

3. **Amount Payable—Interim Adjustment**

An interim adjustment and payment of premium is permissible on a monthly, quarterly or semi-annual basis. If this method of premium adjustment is provided, the deposit premium shall be:

**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 minimum premium nor the expense constant are 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 New York minimum premium for Code 8810 "Clerical Office Employees," no expense constant or 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 New York minimum premium for Code 8810 "Clerical Office Employees," the minimum premium for Code 8810 is charged for the policy. The New York premium is the difference between the minimum premium for Code 8810 and the earned premium for the other states. The premium assigned to New York is considered the expense constant premium and shall not be greater than the expense constant premium for New York.
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 expense constant and the minimum premium for Code 8810 "Clerical Office Employees" 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
6. Rule VI.J.      Premium Determination for Federal and Maritime Insurance
7. Rule VI.K.      Safety Program – Surcharges and Credits
8. Rule IX.A.6     Executive Officers – Premium Determination
9. Rule IX.B.4     Sole Proprietors and Partners – Premium Determination
10. Rule IX.C.3.   Premium for Uninsured Subcontractors
11. Rule IX.I.3    New York Construction Classification Premium Adjustment Program – Credit Determination
12. Rule XII.D.4   Rates for Non-Federal "Non-F" Construction Classifications
13. Rates—Page 5   Miscellaneous Values