



COMPENSATION RATING AND INSPECTION BUREAU

60 PARK PLACE
NEWARK, NEW JERSEY 07102
(973) 622-6014

FREDERICK A. HUBER
Executive Director

PAUL G. WITKO, ESQ.
Associate Executive Director
General Counsel

July 11, 2016

MANUAL AMENDMENT BULLETIN #472

To All Bureau Members and Subscribers:

Re: **Changes to Manual Rules – Effective May 1, 2017**

The Commissioner of Banking and Insurance has approved the following changes to the New Jersey Workers Compensation and Employers Liability Insurance Manual (“Manual”). These Manual rules are being amended resulting from the elimination of the Anniversary Rating Date (ARD), and become effective May 1, 2017. Eliminating the ARD rule is intended to simplify and clarify how premium components are determined. The Manual amendments are summarized as follows:

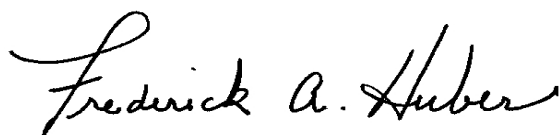
- Amend 3:1-1.1, -2 and 3:3-11 to remove references to ARD and replace them with new rules regarding policy effective date;
- Revise 3:3-59, -64 and -77 to substitute references to ARD with policy expiration or policy effective date;
- Amend 3:8-1 and -2 to replace ARD with Rating Effective Date (RED);
- Revise 3:11-7 and -24 thru -27 to reflect the elimination of ARD and to introduce RED; and
- Delete the Anniversary Rating Date Endorsement (WC 00 04 02) in 3:2.

Changes to the Manual rules are indicated in *italics* and **bold** in the attached Exhibit I.

The “Index – Policy Forms and Endorsements Applicable in New Jersey” is amended to delete the “Anniversary Rating Date Endorsement” (WC 00 04 02). The revised Index is attached as Exhibit II.

Finally, changes to the Statistical Plan (Section 3:13) resulting from these amendments are set forth in Statistical Circular #123.

Respectfully submitted,

A handwritten signature in black ink, reading "Frederick A. Huber". The signature is written in a cursive style with a large, looping initial 'F'.

Frederick A. Huber
Executive Director

FAH:nl
Att.

EXHIBIT I

APPLICATION OF MANUAL

Amend 3:1-1.1 and -2 to read as follows:

PRESENT

1.1 Application to New and Renewal Policies Only. The entire contents of this Manual have been filed with and approved by the Commissioner of Banking and Insurance to apply to new and renewal policies with an anniversary date on or after the effective date of the Manual, but not otherwise. Any amendment or supplement to this Manual made subsequent to the effective date of the Manual shall apply to new and renewal policies with an anniversary date on or after the effective date of the amendment or supplement, but not otherwise.

2. Anniversary Rating Date. Definition. The anniversary rating date is the effective month and day of the employer's first record of coverage in New Jersey and each annual anniversary thereafter. Once the anniversary rating date is established, the applicable components below apply to new and renewal policies for each annual period.

Information Page Components:

- | | |
|--|--|
| a) Classifications | j) Expense Constant Charge |
| b) Rates | k) Second Injury Fund Surcharge |
| c) Experience Modification | l) Uninsured Employer's Fund Surcharge |
| d) Increase Factor and Minimum Charge for Increased Employers' Liability, Admiralty or Federal Employers' Liability Act Limits | m) Minimum Premium |
| e) Non-"F" Factor for U.S. Longshore Act | n) New Jersey Construction Classification Premium Adjustment Program |
| f) Premium Discount | o) Terrorism Premium Charge |
| g) Deductible Program Credit | p) Catastrophe (Other than Certified Acts of Terrorism) Premium Charge |
| h) Managed Care Credit | q) Schedule Rating Premium Adjustments |
| i) Plan Premium Adjustment Program Percentage | |

The only components subject to change by this rule are classifications, rates, experience modification, New Jersey Construction Classification Premium Adjustment Program credit and the Plan Premium Adjustment Program percentage.

Canceled/Rewritten Policies. If a policy is canceled and rewritten by the same or another carrier, the applicable components listed above determined for the canceled policy shall apply to the new policy until they have been in effect for one year. Such new policy shall be endorsed at the end of the anniversary period with the new rates, experience modification, New Jersey Construction Classification Premium Adjustment Program, Plan Premium Adjustment Program Percentage and classifications which shall apply for the remainder of the policy.

AMENDED

1.1 Application to New and Renewal Policies Only. The entire contents of this Manual have been filed with and approved by the Commissioner of Banking and Insurance to apply to new and renewal policies *effective* on or after the effective date of the Manual, but not otherwise. Any amendment or supplement to this Manual made subsequent to the effective date of the Manual shall apply to new and renewal policies *effective* on or after the effective date of the amendment or supplement, but not otherwise.

2. Policy Effective Date. Definition. The *policy effective* date is the effective month, day and year of the employer's record of coverage in New Jersey. *The applicable components below apply to new and renewal policies, and shall be determined by the policy effective date.*

NO CHANGE

The only components subject to *deviation from* this rule are classifications, experience modification, New Jersey Construction Classification Premium Adjustment Program credit and the Plan Premium Adjustment Program *factor, which are controlled by the Rating Effective Date in 3:11-24A of this Manual.*

DELETE

EXHIBIT I (Cont'd)

PRESENT

The other components shall remain unchanged until the expiration of the policy. The expiration month and day of such policy shall become the anniversary date.

Exceptions: Where a policy is canceled and rewritten within three months after its effective date, the applicable components listed above determined for the canceled policy shall apply to the new policy for its entire term. The expiration month and day of such new policy shall become the anniversary date.

Where there is a lapse in coverage of not more than three months from the expiration of a policy, the applicable components listed above determined for what would have been the normal renewal of the expired policy shall apply to the new policy for its entire term. The expiration month and day of such new policy shall become the anniversary date.

Where a policy is written for a period not more than sixteen days more or less than one year for the purpose of adjusting the policy to expire on the first day of the month nearest the anniversary date, the applicable components listed above determined for the policy shall apply for its entire term. The expiration month and day of the policy shall then become the anniversary date.

The rates and rating values for the following programs are established by the effective date of the policy to which they apply and shall not be subject to change by this rule: Large Risk — Large Deductible Program; Managed Care Program; Second Injury Fund Surcharge; Uninsured Employers Fund Surcharge; Terrorism Premium Charge; Catastrophe (Other than Certified Acts of Terrorism) Premium Charge; Schedule Rating Plan Adjustment.

Retrospective rating values are established by the effective date of the Option approved under 3:12-1 of this Manual and shall not be subject to change by this rule, except the tax multiplier and excess loss premium factor in the second and third year of a three-year Retrospective Rating Option.

The Rating Bureau shall establish the anniversary date and apply this rule in all other cases.

Multi-State Policies. Where New Jersey coverage is endorsed to a multi-state policy, the applicable components listed above for that coverage shall be those in force as of the effective date of the endorsement, unless a New Jersey anniversary date had been established, in which case that date shall be controlling.

AMENDED

DELETE

DELETE

DELETE

Where a policy is written for a period not more than sixteen days more or less than one year for the purpose of adjusting the policy to expire on the first day of the month, the applicable components listed above determined for the policy shall apply for its entire term.

DELETE

Retrospective rating values are established by the effective date of the Option under 3:12-1 of this Manual, except the tax multiplier and excess loss premium factor in the second and third year of a three-year Retrospective Rating Option.

DELETE

Multi-State Policies. Where New Jersey coverage is endorsed to a multi-state policy, the applicable components listed above for that coverage shall be those in force as of the effective date of the endorsement.

EXHIBIT I (Cont'd)

PREPARATION AND AUDITING OF POLICIES

Amend 3:3-11, -59, -64 and -77(a) as follows:

PRESENT

11. Policy Period. The rules of this Manual have been prepared on the basis of coverage written or issued for a period not in excess of one year. For the purpose of bringing policy expirations to the first day of the calendar month nearest the anniversary date, see 3:1-2 of this Manual.

Nothing herein, however, shall prohibit the writing or issuance of coverage for periods of more than one year but not in excess of three years, provided that in such instances the coverage shall be considered as consisting of consecutive units of twelve months or if the period of coverage is not a multiple of twelve months the first or last unit shall be considered as though it were a short term policy. Each unit as defined above shall be subject separately to all the rules and procedures specified in this Manual to the same degree as if it actually constituted a separate policy.

In the event the policy period for a long term policy is more than one year and sixteen days, and is not made up of complete 12-month periods, an endorsement shall be attached to the policy specifying whether the first or the last unit shall be considered as though it were a short term policy.

59. Expense Constant—Retention. The expense constant shall be charged, collected and retained in every instance in addition to the premium as otherwise determined under the rules, classifications and rates of this Manual. If the total amount so obtained is less than the minimum premium for the policy, the minimum premium shall prevail.

Exception: The expense constant shall be:

- (a) Subject to adjustment in accordance with the rules governing cancellations 3:3-80 through 83 of this Manual.
- (b) Prorated where a short-term policy is issued to replace a binder.
- (c) Prorated where a short-term policy is issued solely to adjust the anniversary date of the insured.
- (d) Waived on an interstate policy where a state other than New Jersey represents the state with the highest expense constant charge.

AMENDED

11. Policy Period. The rules of this Manual have been prepared on the basis of coverage written or issued for a period not in excess of one year. For the purpose of bringing policy expirations to the first day of the calendar month, see 3:1-2 of this Manual.

NO CHANGE

NO CHANGE

NO CHANGE

NO CHANGE

- (a) Subject to adjustment in accordance with **3:3-80 through 82 of this Manual.**

NO CHANGE

- (c) Prorated where a short-term policy is issued solely to **change the policy expiration** date of the insured.

NO CHANGE

EXHIBIT I (Cont'd)

PRESENT

64. Final Premium. If the final premium, computed in accordance with the rules of this Manual, excluding any applicable surcharges as defined in 3:3-60A, is less than the minimum premium specified in the policy, such minimum premium in addition to the surcharges shall prevail.

Exception: The minimum premium shall be:

- a) Subject to adjustment in accordance with the rules governing "Cancellations," 3:3-80 through 83 of this Manual.
- b) Prorated where a short-term policy is issued to replace a binder.
- c) Prorated where a short-term policy is issued solely to adjust the anniversary date of the insured.
- d) Subject to adjustment in accordance with the rules governing the "Audit Noncompliance Charge" in 3:3-85 of this Manual.

77. Combination of Policies.

- (a) Separate policies issued to cover a risk by a single carrier or by two or more carriers under the same management shall be combined for the application of premium discount. If such separate policies are written with varying expiration dates, combination for discount shall be made as required by (i), (ii), and (iii) below, unless the insured instructs the carrier to the contrary:
 - (i) The Rating Bureau shall determine an anniversary date upon which the application of the Discount Plan shall become effective. Such anniversary date shall be fixed with due consideration to the effective date of the several policies involved.
 - (ii) All policies effective prior to the anniversary date shall be canceled as of the anniversary date and rewritten for the term of the rating period.
 - (iii) All policies effective subsequent to the anniversary date shall be written to expire concurrently with the next anniversary date or canceled as of the next date.

AMENDED

NO CHANGE

NO CHANGE

NO CHANGE

NO CHANGE

- c) Prorated where a short-term policy is issued to *change the policy expiration* date of the insured.

NO CHANGE

77. Combination of Policies.

NO CHANGE

- (i) *The Rating Bureau shall determine the effective date for the application of the Discount Plan.*
- (ii) All policies effective prior to the *effective* date *determined in (i) above* shall be canceled *and rewritten as of the established effective date.*
- (iii) All policies effective subsequent to the *effective* date *determined in (i) above* shall be written to expire *on the same date as the other policies in the combination.*

EXHIBIT I (Cont'd)

CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM

Amend 3:8-1 and -2 to read as follows:

PRESENT

1. Explanation. The New Jersey Construction Classification Premium Adjustment Program (NJCCPAP) provides for an annual credit to premium for a policy which contains one or more of the following construction classifications:

1605	5190	5475	6233
3365	5200	5479	6235
3719	5213	5480	6251
3724	5215	5491	6252
3726	5222	5500	6306
5000	5223	5538	6319
5022	5348	5551	6325
5038	5402	5606	6400
5040	5403	5610	7536
5057	5409	5645	7538
5059	5437	5701	7601
5069	5443	5703	7855
5099	5445	6003	8227
5103	5458	6005	9529
5146	5459	6039	
5160	5462	6042	
5183	5466	6204	
5184	5473	6217	
5188	5474	6229	

A credit may be applicable to policies effective on a new and renewal basis with normal anniversary rating dates on or after April 1, 1996.

2. Credit Determination.

- f) The total construction classification credit amount in dollars must be calculated and then divided by the total premium at manual rates, including construction and non-construction classifications. The manual rates are those which were in effect at the beginning of the payroll quarter being used. The result will be the policy credit percentage.

When calculating the policy credit percentage, the percentage shall be rounded to the nearest whole number with 0.5 being rounded upward.

Unless otherwise indicated in this section, the policy credit percentage will be applied in the same manner and under the same procedures that govern the application of the experience modification.

AMENDED

NO CHANGE

NO CHANGE

DELETE

NO CHANGE

NO CHANGE

- g) *The credit shall be calculated based on the rating effective date, as determined in 3:11-24A and 3:11-25 of this Manual.* Unless otherwise indicated in this section, the policy credit percentage will be applied in the same manner and under the same procedures that govern the application of the experience modification.

EXHIBIT I (Cont'd)

EXPERIENCE RATING PLAN

Amend 3:11-7 and -24 through -27 to read as follows:

PRESENT

7. Application of Experience Rating Plan. The application of this Plan of Rating to each risk which qualifies is mandatory, regardless of whether a debit or a credit modification results. It is the intent of this Plan to rate upon the normal anniversary date and it shall not be permissible by cancelation or rewriting or by any extension of a policy term to alter an existing policy for the purpose of enabling a risk to qualify for, or avoid, the application of this Plan.

24. Experience Modification – Period Effective. An experience modification once developed shall be effective for a period of twelve (12) months (except as hereinafter provided) and, during that period, shall be applicable to the operations of the risk, regardless of whether the current or any new operations are assigned to the same classifications as were used in establishing such modification. For further reference, see 3:1-2 of this Manual.

25. Application of the Experience Modification to a Single Policy. If a policy on a risk has been terminated by cancelation or otherwise, the experience modification determined for such policy shall be applicable to the new policy until such modification has been in force for a period of one year. At the end of that period a new experience modification shall be established and shall be effective until the expiration of the new policy. The risk shall thereafter be rated annually.

Exception: Where a policy is terminated by cancellation or otherwise within three months after its effective date, the experience modification determined for such policy shall be applied for the entire term of the new policy. For further reference, see 3:1-2 of this Manual.

AMENDED

7. Application of Experience Rating Plan. The application of this Plan of Rating to each risk which qualifies is mandatory, regardless of whether a debit or a credit modification results. It is the intent of this Plan to rate upon the *rating effective* date. It shall not be permissible by cancelation or rewriting or by any extension of a policy term to alter an existing policy for the purpose of enabling a risk to qualify for, or avoid, the application of this Plan.

24. Duration of Experience Modification. *An experience modification once developed shall be effective for twelve (12) months (except as hereinafter provided) and, during that term, shall be applicable to the operations of the risk, regardless of whether the current or any new operations are assigned to the same classifications as were used in establishing such modification.*

24A. Rating Effective Date. *The rating effective date (RED) establishes the date upon which the experience modification applies. The RED is determined by the controlling policy effective date as established by the Rating Bureau, and may differ from the policy effective date due to a change in coverage effective dates. An experience modification shall be effective for one year, but may be adjusted when required by 3:11-25 or 3:11-26. The experience rating shall be effective for no less than three months and no more than fifteen months. The RED is also used to determine the experience period applicable to the experience rating.*

NO CHANGE

Exception: Where a policy is terminated by cancellation or otherwise within three months after its effective date, the experience modification determined for such policy shall be applied for the entire term of the new policy. *The expiration month, day and year of the new policy shall become the new rating effective date.*

EXHIBIT I (Cont'd)

PRESENT

26. Application of the Experience Modifications to Multiple Policies.

- (a) If a risk is covered by several policies which differ as to expiration date a single experience modification shall be computed once every twelve months on an anniversary rating date to be determined by the Rating Bureau and shall be applicable to all policies during the ensuing twelve months. At the end of the twelve-month period a new modification shall be computed to apply to the unexpired term of any outstanding policy and to be effective for policies issued within the next twelve months until the next anniversary rating date. The experience modification so calculated shall be based upon the rates and factors in force as of the anniversary rating date.
- (b) If the policy controlling the rating date established by the Rating Bureau has been terminated by cancelation, or is not renewed, a new rating anniversary shall be established in accordance with paragraph (a) above.

27. Promulgation of Experience Modification. Experience modifications are promulgated on a monthly basis and release to the carrier of record as promptly as possible after the due date for statistical report filings.

AMENDED

Where there is a lapse in coverage of not more than three months from the expiration of a policy, the experience modification that would have been applicable to the renewal of the expired policy shall apply to the new policy for its entire term. The expiration month, day and year of the new policy shall become the new rating effective date.

Where a policy is written for a period not more than sixteen days more or less than one year for the purpose of adjusting the policy to expire on the first day of the month nearest the policy expiration date, the experience modification applicable to the policy shall apply for its entire term. The expiration month, day and year of the policy shall then become the new rating effective date.

The Rating Bureau shall establish the rating effective date in all other cases.

26. Application of the Experience Modifications to Multiple Policies.

- (a) If a risk is covered by several policies which differ as to expiration date, a single experience modification shall be computed once every twelve months on *the* rating *effective* date to be determined by the Rating Bureau and shall be applicable to all policies during the ensuing twelve months. At the end of the twelve-month period, a new modification shall be computed to apply to the unexpired term of any outstanding policy and to be effective for policies issued within the next twelve months until the next rating *effective* date. The experience modification so calculated shall be based upon the rates and factors in force as of the rating *effective* date.
- (b) If the policy controlling the rating *effective* date established by the Rating Bureau has been terminated by cancelation, or is not renewed, a new rating *effective date* shall be established in accordance with paragraph (a) above.

27. Promulgation of Experience Modification. Experience modifications are promulgated on a *daily* basis and released to the carrier of record as promptly as possible.

EXHIBIT II

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± Absence of a version identifier denotes original printing
★ Deleted endorsement