

Workers Compensation and Employers Liability Insurance Policy

WC 37 04 01

PENNSYLVANIA AUDIT NONCOMPLIANCE CHARGE ENDORSEMENT

Part Five – Premium, Section G. (Audit) of the Workers Compensation and Employers Liability Insurance Policy is revised by adding the following:

If you do not allow us to examine and audit all of your records that relate to this policy, and/or do not provide audit information as requested, we may apply an Audit Noncompliance Charge (ANC).

The charge is determined by applying the ANC Multiplier to the ANC Basis shown in the table below:

ANC Basis	ANC Multiplier
Estimated Annual Premium	Two Times

If you allow us to examine and audit all of your records after we have applied an ANC, we will remove the ANC and revise your premium in accordance with our manuals and Part 5 – Premium, E. (Final Premium) of this policy.

The application of the ANC is subject to the following conditions:

- a) Carriers must comply with all applicable state laws and/or regulations related to audits of workers compensation insurance policies.
- b) The Audit Noncompliance Charge Endorsement is optional. When used, the Audit Noncompliance Charge Endorsement and/or applicable state-specific endorsement must be attached to the policy at inception of the policy term being audited.
- c) The carrier must make two attempts to obtain the audit information and/or complete the audit. At each attempt, the carrier must notify the employer regarding the specific required records and the amount of the ANC to be applied if the employer continues to refuse to comply with the audit.
- d) The carrier must adequately document the audit file regarding the above attempts to obtain the required audit information.

This ANC rule applies to mail/email, telephone, computer (remote access), and physical audits, unless otherwise provided by state law.

These scenarios listed below may occur and are treated as follows:

If an ANC is applied and the employer...	Then the carrier...
Pays the ANC and later allows the audit	<ul style="list-style-type: none"> • Performs the final audit and determines the final policy premium based on results of the audit; and • Refunds the ANC to the employer, or applies the ANC amount to any outstanding balance on the policy • Submits a unit statistical correction report to remove the ANC charge from the previously reporting Unit Statistical data.
Does not pay the ANC but later allows the audit	Performs the final audit and determines the final policy premium based on the results of the audit.
Pays the ANC but does not later allow the audit Does not pay the ANC and does not later allow the audit	Does not change the previously reported: <ul style="list-style-type: none"> • Unit Statistical data • Noncompliance transactions

Note: The Audit Noncompliance Charge Endorsement must be attached to the policy at inception of the policy term being audited.