



**DOMESTIC AND FOREIGN INSURERS BULLETIN NO. 159 AND
PRODUCER AND ADJUSTER BULLETIN NO. 38**

TO: ALL CARRIERS AUTHORIZED TO WRITE WORKERS' COMPENSATION AND EMPLOYER LIABILITY INSURANCE IN DELAWARE AND OTHER INTERESTED PARTIES

RE: REGULATORY EXPECTATIONS FOR PAYROLL AUDIT PRACTICES UNDER WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY POLICIES

DATED: October 20, 2025

REVISED: February 5, 2026

The Delaware Department of Insurance (the "Department") issues this revised Bulletin to clarify and update the Department's expectations regarding payroll audit practices for workers' compensation and employer's liability insurance policies. This revision provides additional guidance on audit documentation transparency, online access to audit materials, refunds for overpaid audited premiums, and standardized agent access and permissions.

Pursuant to 18 *Del. C.* § 2624, carriers are required to include rules and practices related to payroll audits and premium collection as part of their rate filings. In addition to these statutory requirements, the Department expects carriers to maintain transparent, consistent, and accessible audit procedures that support fair premium billing and timely resolution of audit-related inquiries.

Background

This Bulletin is issued in response to concerns raised by industry stakeholders, including insurance agents and insured businesses, regarding current practices surrounding payroll audits and premium billing. The Department has identified the following recurring themes that warrant regulatory guidance:

- **Delayed access to audit documentation:** Insureds and agents frequently report difficulty obtaining audit documentation in a timely manner, particularly when carriers do not provide online access to these materials. The absence of secure, digital access to audit records, including historical worksheets, billing notices, and correspondence, limits transparency and delays resolution.
- **Automatic payment arrangements create timing and cash flow concerns:** Businesses may not receive audit documentation in time to review charges before funds are withdrawn. Businesses not enrolled in auto-pay risk cancellation for non-payment if audited premiums are not paid by the due date, even when disputes are pending.
- **Insurance agents face barriers when assisting insureds:** Many carriers require formal

authorization from the insured before releasing audit information. This causes delays and impedes timely resolution.

- **Premium corrections:** Insureds are often required to pay the full audited premium upfront, even when errors are suspected. Many carriers do not reverse audit bills once issued; instead, corrections are typically applied as credits to future billing cycles rather than as immediate refunds.

These obstacles have created inconsistencies across the industry and placed undue administrative and financial burdens on Delaware businesses. The Department is therefore *recommending* minimum standards to promote transparency, consistency, and consumer protection in the audit and billing process. This guidance is consistent with the Department's authority under 18 *Del. C.* § 2611, which allows disapproval of rating practices that result in unfair premium outcomes, and 18 *Del. C.* § 2306, which authorizes the Commissioner to investigate unfair methods of competition or unfair or deceptive trade practices. Furthermore, as noted in Delaware Compensation Rating Bureau ([DCRB](#)) [Information Bulletin #025](#), the principles outlined in this Bulletin are consistent with the existing framework of the Delaware Workers Compensation Insurance Plan ([WCIP](#)) and serve to complement and strengthen the Plan's intent.

Department Expectations

- **Audit Documentation Transparency:** Carriers should include all calculations and supporting documentation necessary to justify the audited premium amount with the audit bill or notice issued to the insured. This documentation should clearly outline the basis for any changes in premium and provide sufficient detail for the insured to understand and verify the audit results.

Although carriers are not required to provide internal audit worksheets to insureds, they should supply clear, comprehensive, and PII-free materials that fully support the audited premium determination. This includes a transparent summary of the payroll reviewed, the class codes applied, any adjustments made, the basis for any reclassification or added exposure, and the complete premium calculation used to determine the final premium amount. Carriers should also provide narrative explanations for any changes from the original estimate and may include supporting materials, such as aggregated payroll summaries or subcontractor information (only in formats that exclude all PII).

Carriers must retain the full audit worksheet internally for regulatory review, but the insured must receive sufficient detail to understand and verify the audit results without exposure to employee-level data.

- **Online Access to Audit Materials:** For carriers that maintain online portals, all audit-related documents should be made accessible to the insured through secure digital access. This includes historical audit records, billing notices, and any correspondence related to the audit. Carriers must ensure that their digital platforms are equipped to support secure and continuous access to these materials.
- **Refunds for Overpaid Audited Premiums:** When an audit results in a premium correction

that reduces the amount owed, carriers must issue a direct refund of any overpaid amount rather than applying the credit to future billing cycles, unless the insured expressly requests otherwise. This ensures timely restitution and avoids unnecessary financial burden on the insured. Premium refunds must be issued using the same method as the original premium payment, meaning the first method of payment used by the insured for that policy term. If the insured used multiple payment methods, the refund must be issued using the first payment method type. If that method is unavailable, the refund shall be issued by check or another payment method mutually agreed upon by the insured and the carrier.

- **Agent Access and Permissions Standardization:** The Department expects carriers to treat agent requests with the same urgency and transparency afforded to insureds. Carriers should implement a standardized process that allows licensed insurance agents to promptly assist insureds in obtaining audited payroll documentation. Insureds must be given the opportunity to designate who may access online portals or receive mailed audit information. Portal access should be limited and secure through unique usernames and passwords, and mailed documents should be sent on a proprietary or confidential basis only to the individuals designated by the insured. If an insured does not consent to sharing audit documents with an agent, the insured’s decision must prevail. This process should include:
 - Clear guidelines for obtaining and verifying the insured’s authorization for agent access.
 - Defined response timeframes for insured support.
 - Secure transmission of audit materials to authorized agents.
- **Uniform Premium Payment Timeframe:** Under 18 *Del. C.* § 2624, carriers must disclose their billing and collection practices in their rate filings, and those practices are expected to be fair, transparent, and applied uniformly. To promote consistency across the industry, carriers should provide insureds with at least 30 calendar days from the date the audited premium bill is issued to remit payment, unless a different timeframe is expressly established by contract. Any deviation from this timeframe must be clearly disclosed and justified.

Payroll Audit Dispute Process

Insureds who wish to challenge the results of a payroll audit may submit an appeal to the DCRB during the applicable policy period or within 12 months after policy termination. Detailed procedures for initiating an appeal are available at https://www.pcrb.com/dcrb/classification/appeal_procedure_de.pdf.

Carriers that maintain online portals or issue audit-related communications directly to insureds are expected to provide this appeal information in such correspondence, consistent with 18 Del. C. §§ 2304 and 2624 to ensure transparent, non-misleading, and uniformly applied audit and billing practices. The appeal link should be clearly visible and labeled (e.g., “How to Appeal Your Audit Results”) within digital platforms and written notices so insureds can easily locate and understand their rights and options.

Compliance

Carriers are expected to review their current audit procedures and make any necessary adjustments to ensure compliance with the above guidance, including but not limited to submission of updated rule and/or form filings.

Questions about this Bulletin should be emailed to compliance@delaware.gov.

This Bulletin shall be effective immediately and shall remain in effect unless withdrawn or superseded by subsequent law, regulation or bulletin.



Trinidad Navarro
Delaware Insurance Commissioner

NOTE: This Bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties, or privileges, nor is it intended to provide legal advice. Readers should consult applicable statutes and rules and contact the Delaware Department of Insurance if additional information is needed.