



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 3162—JULY 18, 2017

TO: Members of the Bureau

FROM: Donna Knepper

RE: Proceedings of the WCRB Governing Board
NCCI Proposal Item B-1430 – Elimination of Anniversary Rating Date (ARD)

Circular Letter 3147 dated November 7, 2016 announced the elimination of ARD rules effective May 1, 2017, applicable to new and renewal business. This Circular is to remind carriers, agents and insureds about the impact of this change.

This was a countrywide filing to eliminate the ARD rules. Effective May 1, 2017, prior policy effective dates will not be used to govern the application of rates, rules and forms with the issuance of a replacement policy. Policies with an effective date of May 1, 2017 or later will not have an anniversary rating date applied. For example:

Scenario 1 - Coverage was placed with Carrier 1 with policy effective date of 11-1-16. Rates, rules and forms effective 10-1-16 apply. Policy is rewritten with a policy effective date of 4-1-17. Rates, rules and forms effective 10-1-16 still apply.

Scenario 2 - Coverage was placed with Carrier 1 with policy effective date of 9-1-16. Rates, rules and forms effective 10-1-15 apply. Policy is rewritten with a policy effective date of 5-1-17. Rates, rules and forms effective 10-1-16 will apply.

There were no changes approved to the rating effective date (RED) which will govern the calculation and application of the experience rating modification factor. Short rate cancellation penalties and adjustments to dividends or other rating plans are not affected by this change.

Insureds must be advised of the impact of changing the effective date of their current policies. While the insured may, in some cases, see a reduction in class code rate for the current policy, the change may have adverse effects on the overall premium for the insured such as:

- Short rate cancellation penalty
- Increase in experience modification
- Losses remaining in the experience modification calculation for an extended period of time
- Loss of dividend