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CIRCULAR LETTER 3188 December 19, 2018

TO: Members of the Bureau

FROM: Donna Knepper

RE: Proceedings of the WCRB Governing Board
Audit Noncompliance Charge (ANC) Clarification

WCRB released Circular Letter 3134 dated March 18, 2016 and Circular Letter 3149 dated November 18, 2016 addressing the ANC. Rules in both the WI Basic Manual and the WI Statistical Plan Manuals were changed to incorporate ANC. This Circular will clarify the application of the charge.

The ANC charge for WI is two times the estimated annual premium. This is reported for WI premium only. The charge is not reported on the policy. The estimated annual premium is reported on the Unit Statistical Report (USR).

There has been some confusion regarding the proper manner in which to report the ANC charge on the USR. The ANC charge stat code 9757 is non-standard and is not subject to experience rating. It is not to be included in the total standard premium reported in the USR data. Therefore, stat code 9757 must reflect a value that is two times the estimated annual premium on the corresponding policy. The estimated annual premium includes expense constant, foreign terrorism, DTEC, and the deduction for premium discount.

The ANC charge does not get reported on the policy. This is a charge that is levied after the expiration of the policy at time of audit. The ANC charge is applied only if the USR is reported as an uncooperative estimated audit (reported as a U in the "est. audit" field on the USR).

Due to this confusion, the WCRB has suspended editing of stat code 9757. This edit must be re-activated to comply with the approved filing with the Office of the Commissioner of Insurance. Therefore, the edit will be enabled for policies effective 1-1-19 and later.