



December 23, 2016

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

North Carolina Basic Manual Update - NCCI Item B-1430 –  
Elimination of Anniversary Rating Date (ARD)

Effective May 1, 2017, the North Carolina Basic Manual for Workers Compensation and Employers Liability (NCBM) will be updated to reflect rule changes related to NCCI Item B-1430 – Elimination of the Anniversary Rating Date (ARD). The approval of NCCI B-1430 for North Carolina was announced by way of NCRB circular C-15-15, dated September 28, 2015. The approved changes are applicable to all new and renewal voluntary and assigned risk policies becoming effective on or after May 1, 2017.

The NCBM will be updated effective May 1, 2017 to eliminate the anniversary rating date and to update rules related to the use of the ARD for the application of rules, classifications and rates. For policies issued on or after May 1, 2017, rules, classifications and rates will be applied based on policy effective date.

Included in NCCI Item B-1430 is the withdrawal of the Anniversary Rating Date Endorsement (WC 00 04 02) and revisions to the NCCI Experience Rating Plan Manual.

For additional information on the elimination of the anniversary rating date and the related NCBM changes please review the following attachments:

NCRB Filing Memorandum

NCRB Exhibits 1 – 9

NCCI Item B-1430

ARD FAQ's

If you have questions, contact the NCRB Information Center at 919-582-1056 or via email at [wcinfo@ncrb.org](mailto:wcinfo@ncrb.org).

Sincerely,

Joanna Biliouris

Chief Operating Officer

JB:dms  
Attachments  
C-16-31

## FILING MEMORANDUM

RE: North Carolina Rate Bureau Basic Manual Update  
NCCI Item B-1430 – Elimination of Anniversary Rating Date  
(NCRI-130258818)

**PURPOSE**

The purpose of this item is to update the North Carolina Basic Manual for Workers Compensation and Employers Liability (NCBM) to reflect changes established by way of NCCI Item B-1430 Elimination of Anniversary Date. NCCI Item B-1430 was approved by the North Carolina Department of Insurance on September 28, 2015, by way of filing NCRI-130258818.

NCCI Item Filing B-1430 eliminated and revised rules and endorsements related to anniversary rating date (ARD) and pertained to the NCCI Basic Manual that was previously effective in North Carolina.

**BACKGROUND**

NCCI Item B-1430 was filed by the North Carolina Rate Bureau and approved by the North Carolina Department of insurance to be effective for policies issued on or after May 1, 2017. Item B-1430 eliminated rules and endorsements related to ARD.

ARD was established in 1923 during the original development of the workers compensation system. The establishment of the ARD was to allow the rules, rates and classifications for all subsequent policies to be those that would be in effect each anniversary of the month and day the original policy was issued. ARD applies only to workers compensation insurance; no other lines of insurance use an ARD rule system.

In a review of policies issued in 2014, the NCCI determined that the ARD and policy effective date were the same for approximately 90% of policies. In situations where the ARD and policy effective date differed, more than one set of rules, classifications, or rates could apply to a policy during a single policy term.

The elimination of the ARD takes into consideration:

- Policyholder and agent complaints about the complexity and confusion caused by the ARD rules.
- The use of policy effective date for applying rules, classifications, and rates to workers compensation policies to be more consistent with how these items are applied for other lines of insurance.
- The complexity of determining the ARD when there is a short term policy, gap in coverage or ownership change.

**PROPOSAL**

This filing proposes:

- Elimination of ARD rules in the North Carolina Basic Manual
- Withdrawal of Anniversary Rating Date Endorsement (WC 00 04 02)

**IMPACT**

It is expected that the elimination of ARD will not impact a large number of employers. No statewide

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premium impact is expected to result from the elimination of the ARD.

**IMPLEMENTATION**

The elimination of the ARD is to become effective for new and renewal policies effective on or after May 1, 2017.

**Exhibits**

<b>Exhibit</b>	<b>Exhibit Comments</b>
1.	NCBM Preface – Effective 05/01/2017
1.A	NCBM Preface - Effective 04/01/2016
1.B	Track Changes - NCBM Preface
2.	NCRB Rule 3.A.2 – Effective 05/01/2017
2.A	NCRB Rule 3.A.2 – Effective 04/01/2016
2.B	Track Changes - NCBM Rule 3.A.2
3.	NCRB Rule 3.A.15.b.4 – Effective 05/01/2017
3.A	NCRB Rule 3.A.15.b.4 – Effective 04/01/2016
3.B	Track Changes - NCBM Rule 3.A.15.b.4
4	NCRB Rule 3.A.18.a – Effective 05/01/2017
4.A	NCRB Rule 3.A.18.a – Effective 04/01/2016
4.B	Track Changes - NCBM Rule 3.A.18.a
5	NCRB Rule 3.A.20 – Effective 05/01/2017
5.A	NCRB Rule 3.A.20 – Effective 04/01/2016
5.B	Track Changes - NCBM Rule 3.A.20

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6	NCRB Rule 4.C.5.b.3 – Effective 05/01/2017
6.A	NCRB Rule 4.C.5.b.3 – Effective 04/01/2016
6.B	Track Changes - NCBM Rule. 4.C.5.b.3
7.	NCRB Rule 4.C.6.a – Effective 05/01/2017
7.a	NCRB Rule 4.C.6.a – Effective 04/01/2016
7.B	Track Changes - NCBM Rule 4.C.6.a
8.	Appendix H – Effective 05/01/2017
8.A	Appendix H – Effective 04/01/2016
8.B	Track Changes – Appendix H
9.	Withdraw ARD Endorsement WC 00 04 02 – Effective 05/01/2017
9.A	ARD Endorsement (Ed 4-84)

# North Carolina Basic Manual

## PREFACE

This manual is applicable to North Carolina only and is administered by the North Carolina Rate Bureau (NCRB or Bureau) in accordance with North Carolina General Statute 58-36-1. Payroll for other states listed on multi-state policies would be subject to rules and/or regulations as stipulated in the other states' applicable manual(s).

The **NC Basic Manual** is divided into three parts:

- PART 1 – RULES
- PART 2 – CLASSIFICATIONS
- PART 3 – LOSS COSTS, RATES, AND MISCELLANEOUS VALUES

### Application of Manual Rules:

1. The rules in this manual apply to each policy, except as provided in the rules pertaining to premium discount and executive officers.
2. The rules in this manual apply from the policy effective date that occurs on or after the effective date of this manual.
3. The effective date of any change to a rule, classification, rate, or loss cost is 12:01 a.m. on the date approved for use.
4. Rule changes made during a policy period are effective as of the policy effective date on or after the date of the rule change, unless otherwise indicated in this manual.
5. The rules in this manual are based on policy periods not longer than one year.
  - a. A policy issued for a period not longer than one year and 16 days is treated as a one-year policy.
  - b. A policy issued for a period longer than one year and 16 days, that is not a three-year fixed-rate policy, is a long-term policy and treated as follows:
    - The policy period is divided into consecutive 12-month units.
    - The Policy Period Endorsement is used to designate the last unit of less than 12 months as a short-term policy.
    - Rules, classifications, and rates are applied to individual units of 12 months each as if a separate policy had been issued for each unit.
6. The Bureau has full authority to classify the workers compensation risks within the state of North Carolina. The Bureau has the right to inspect risks and to determine the proper classifications in accordance with manual rules and shall provide such classification code assignments to the carrier of record. The classifications authorized by the Bureau must be used in writing any workers compensation insurance policy or policies for such risks. Policies on risks not previously classified by the Bureau must be written on the basis of classifications selected in

accordance with the best judgment of the insurance carrier. Such classifications are subject to change in conformity with any classifications authorized by the Bureau.

7. The Bureau has authority to conduct test audits and to require corrections in accordance with the results of the test audit.
8. Appeals involving the application of any rules or classifications shown in this manual may be resolved in accordance with the *“Procedures for Submitting Workers Compensation Disputes to the North Carolina Rate Bureau”*.
9. Interpretation of North Carolina or federal workers compensation laws pertaining to coverage issues is not within the jurisdiction of the NCRB.
10. Some of the rules in the ***North Carolina Basic Manual*** may have exceptions or special rules applicable for assigned risk policies.

**Contact Information:**

OFFICE LOCATION & MAIN ADDRESS:                      2910 Sumner Boulevard  
Raleigh, North Carolina 27616

Phone:                      919-783-9790  
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E-mail:                      [wcinfo@ncrb.org](mailto:wcinfo@ncrb.org)  
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4. Rule changes made during a policy period are effective as of the next anniversary rating date on or after the date of the rule change, unless otherwise indicated in this manual.
5. The anniversary rating date is the effective month and day of the policy in effect and each subsequent anniversary unless a different date has been established by the NCRB or the National Council on Compensation Insurance, Inc. (NCCI). Refer to Rule 3-A-2 for additional information.
6. The Bureau has full authority to classify the workers compensation risks within the state of North Carolina. The Bureau has the right to inspect risks and to determine the proper classifications in accordance with manual rules and shall provide such classification code assignments to the carrier of record. The classifications authorized by the Bureau must be used in writing any workers compensation insurance policy or policies for such risks. Policies on risks not previously classified by the Bureau must be written on the basis of classifications selected in accordance with the best judgment of the insurance carrier. Such classifications are subject to change in conformity with any classifications authorized by the Bureau.
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4. Rule changes made during a policy period are effective as of the ~~next anniversary rating~~policy effective date on or after the date of the rule change, unless otherwise indicated in this manual.
- ~~5. The anniversary rating date is the effective month and day of the policy in effect and each subsequent anniversary unless a different date has been established by the NCRB or the National Council on Compensation Insurance, Inc. (NCCI). Refer to Rule 3-A-2 for additional information.~~
- ~~5. The rules in this manual are based on policy periods not longer than one year.~~
  - ~~a. A policy issued for a period not longer than one year and 16 days is treated as a one-year policy.~~
  - ~~b. A policy issued for a period longer than one year and 16 days, that is not a three-year fixed-rate policy, is a long-term policy and treated as follows:~~
    - ~~• The policy period is divided into consecutive 12-month units.~~
    - ~~• The Policy Period Endorsement is used to designate the last unit of less than 12 months as a short-term policy.~~
    - ~~• Rules, classifications, and rates are applied to individual units of 12 months each as if a separate policy had been issued for each unit.~~
6. The Bureau has full authority to classify the workers compensation risks within the state of North Carolina. The Bureau has the right to inspect risks and to determine the proper classifications in accordance with manual rules and shall provide such classification code



## **North Carolina Basic Manual**

### **Part 1 Rules**

#### **Rule 3 - Ratings and Application of Premium Elements**

##### **A. Explanation and Application**

###### **2. (RESERVE FOR FUTURE USE)**

# North Carolina Basic Manual

## Part 1 Rules

### Rule 3 - Ratings and Application of Premium Elements

#### A. Explanation and Application

##### 2. Anniversary Rating Date

The anniversary rating date (ARD) is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by the NCRB or NCCI.

Rules, classifications, and rates are applied on the anniversary rating date for all risks. When a material change in ownership occurs, the ARD of the previous entity is not used to determine the applicable rules, classifications, and rates of the new entity. Additional information regarding ownership changes can be located in the *Experience Rating Plan Manual*.

For proper ARD application determination, refer to the tables below:

**ARD Table 1**

<i>For a single policy risk whose...</i>	<i>The insurance carrier must apply...</i>
Policies have run consecutively, or the risk is a new entity...	The rules, classifications, and rates effective on the normal ARD for the full term of: <ul style="list-style-type: none"> <li>• The policy beginning on that date or</li> <li>• Any other policy beginning up to three months after that date.</li> </ul>
Policy has been cancelled and rewritten, either by the same or another carrier...	To the rewritten policy, all rules, classifications, and rates of the rewriting carrier in effect as of the: <ul style="list-style-type: none"> <li>• Normal ARD to the new policy until the next normal ARD has been reached or until the next ARD is established by the rating organization or</li> <li>• Next normal ARD until the expiration date of the rewritten policy or until the next ARD is established by the rating organization. Upon the expiration date of the rewritten policy, a new ARD is established based on the effective date of the rewritten policy. The new ARD becomes the normal ARD for future policies.</li> </ul>

**ARD Table 2**

<i>For a multiple policy risk with varying effective dates...</i>	<i>The insurance carrier must apply...</i>
That is not a long-term policy or Three-Year Fixed-Rate policy...	The rules, classifications, and rates in effect on the normal ARD until the next normal ARD: <ul style="list-style-type: none"> <li>• These rules, classifications, and rates apply to the portion of each policy falling within the 12-month period, regardless of their effective and termination dates</li> <li>• The renewal rules, classifications, and rates must be applied in the same manner and</li> <li>• The ARD is determined by the policy with the largest standard premium, unless otherwise established by the</li> </ul>

	rating organization.
That has been cancelled and rewritten, either by the same or another carrier...	<p>To the rewritten policy, all rules, classifications, and rates of the rewriting carrier that were in effect as of the:</p> <ul style="list-style-type: none"> <li>• Normal ARD to the new policy until the next normal ARD has been reached or until the next ARD is established by the rating organization or</li> <li>• Next normal ARD until the expiration date of the rewritten policy, or a new ARD is established based on the effective date of the rewritten policy. The new ARD becomes the normal ARD for future policies.</li> </ul>

### ARD Table 3

<i>For other situations such as...</i>	<i>The insurance carrier must apply...</i>
A long-term policy (issued for a period longer than one year and 16 days, other than a Three-Year Fixed-Rate policy)...	<p>All Rules, classifications, and rates to individual units as if a separate policy had been issued.</p> <ul style="list-style-type: none"> <li>• Divide the policy into consecutive units of 12 months each.</li> <li>• This division will designate the last unit of less than 12 months as a short-term policy.</li> </ul>
A Three-Year Fixed- Rate policy...	<p>The rates in force on the effective date of the policy without change until its termination.</p> <p><b>Exceptions:</b> A single rate revision resulting in an increase of 10% or more on outstanding policies must be applied to the remaining portion of the policy.</p>

### ARD Table 4

<i>Applicable Endorsements</i>
<ul style="list-style-type: none"> <li>• Use the Standard Anniversary Rating Date Endorsement (WC 00 04 02) when necessary. The endorsement is used to show the normal anniversary rating date if different from the policy effective date.</li> <li>• Use the Standard Policy Period Endorsement (WC 00 04 05) if the policy period is not a multiple of 12 months. This endorsement is used to designate the last unit of less than 12 months as a short-term policy.</li> </ul>

Refer to **Appendix H** for ARD examples.

# North Carolina Basic Manual

## Part 1 Rules

### Rule 3 - Ratings and Application of Premium Elements

#### A. Explanation and Application

#### 2. **Anniversary Rating Date (RESERVE FOR FUTURE USE)**

The anniversary rating date (ARD) is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by the NCRB or NCCI.

— Rules, classifications, and rates are applied on the anniversary rating date for all risks. When a material change in ownership occurs, the ARD of the previous entity is not used to determine the applicable rules, classifications, and rates of the new entity. Additional information regarding ownership changes can be located in the *Experience Rating Plan Manual*. For proper ARD application determination, refer to the tables below:

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Policy has been cancelled and rewritten, either by the same or another carrier...	To the rewritten policy, all rules, classifications, and rates of the rewriting carrier in effect as of the: <ul style="list-style-type: none"> <li>• Normal ARD to the new policy until the next normal ARD has been reached or until the next ARD is established by the rating organization or</li> <li>• Next normal ARD until the expiration date of the rewritten policy or until the next ARD is established by the rating organization. Upon the expiration date of the rewritten policy, a new ARD is established based on the effective date of the rewritten policy. The new ARD becomes the normal ARD for future policies.</li> </ul>

**ARD-Table 2**

<i>For a multiple policy risk with varying effective dates...</i>	<i>The insurance carrier must apply...</i>
That is not a long-term policy or Three-Year Fixed-Rate policy...	The rules, classifications, and rates in effect on the normal ARD until the next normal ARD: <ul style="list-style-type: none"> <li>• These rules, classifications, and rates apply to the portion of each policy falling within the 12-month period, regardless of their effective and termination dates</li> <li>• The renewal rules, classifications, and rates must be applied in the same manner and</li> <li>• The ARD is determined by the policy with the largest standard premium, unless otherwise established by the rating organization.</li> </ul>

<p>That has been cancelled and rewritten, either by the same or another carrier...</p>	<p>To the rewritten policy, all rules, classifications, and rates of the rewriting carrier that were in effect as of the:</p> <ul style="list-style-type: none"> <li>• Normal ARD to the new policy until the next normal ARD has been reached or until the next ARD is established by the rating organization or</li> <li>• Next normal ARD until the expiration date of the rewritten policy, or a new ARD is established based on the effective date of the rewritten policy. The new ARD becomes the normal ARD for future policies.</li> </ul>
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**ARD Table 3**

<b><i>For other situations such as...</i></b>	<b><i>The insurance carrier must apply...</i></b>
<p>A long-term policy (issued for a period longer than one year and 16 days, other than a Three-Year Fixed-Rate policy)...</p>	<p>All Rules, classifications, and rates to individual units as if a separate policy had been issued.</p> <ul style="list-style-type: none"> <li>• Divide the policy into consecutive units of 12 months each.</li> <li>• This division will designate the last unit of less than 12 months as a short-term policy.</li> </ul>
<p>A Three-Year Fixed-Rate policy...</p>	<p>The rates in force on the effective date of the policy without change until its termination.</p> <p><b>Exceptions:</b> A single rate revision resulting in an increase of 10% or more on outstanding policies must be applied to the remaining portion of the policy.</p>

**ARD Table 4**

<b><i>Applicable Endorsements</i></b>
<ul style="list-style-type: none"> <li>• Use the Standard Anniversary Rating Date Endorsement (WC 00-04-02) when necessary. The endorsement is used to show the normal anniversary rating date if different from the policy effective date.</li> <li>• Use the Standard Policy Period Endorsement (WC 00-04-05) if the policy period is not a multiple of 12 months. This endorsement is used to designate the last unit of less than 12 months as a short-term policy.</li> </ul>

Refer to **Appendix H** for ARD examples.

## North Carolina Basic Manual

### Part 1 Rules

### Rule 3 - Ratings and Application of Premium Elements

#### A. Explanation and Application

#### 15. Minimum Premium

##### b. Determination

- 1) The minimum premium at policy issuance is determined as follows:
  - If a policy only has one classification, apply the minimum premium for that classification.
  - If a policy has two or more classifications, apply the highest minimum premium for any classification on the policy.
  - If a policy is for multiple states, the applicable minimum premium would be that of the state with the single highest minimum premium, even if that state is on an “if any” basis. If two or more states have the same highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.

**Example of minimum premium determination when two or more states have the same highest minimum premium:**

	<b>Standard Premium</b>	<b>Minimum Premium</b>
State X	\$500	\$1,250
State Y	\$700	\$1,250
State Z	\$400	\$1,000

*This is a multiple state policy with three states. If the estimated annual premium for each state is less than the highest minimum premium on the policy, the appropriate policy minimum premium to charge is the highest minimum premium on the policy, which is \$1,250. In this example, two states (State X and State Y) have the same highest minimum premium. State Y has the largest amount of standard premium and would determine the governing state for policy issuance and reporting purposes.*

- 2) The minimum premium is subject to final adjustment at final audit. Determination of the minimum premium is based on classifications developing premium as follows:
  - If the final earned premium is less than the minimum premium determined at audit, then the minimum premium must be charged.
  - If no classification develops premium during the policy term, the minimum premium for Code 8810 must be charged.
  - When more than one state is insured on the same policy, the minimum premium for the state with the single highest minimum premium must be charged even if that state is on an “if any” basis. If two or more states have an equal highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.
- 3) Full minimum premiums are charged for short-term policies, subject to Rule 3-A-15-b (4) referenced below.



- 4) The minimum premium is pro-rated when:
  - A short-term policy is issued to replace a binder.
  - A short-term policy is issued to establish consistent effective dates with other insurance policies.
  - A policy is cancelled by the carrier per Rule 3-A-3-b Cancellation Provisions Table
  - A policy is cancelled when the insured is retiring from business per rule 3-A-3-b Cancellation Provisions Table 2.
  - An assigned risk policy is cancelled because coverage was placed in the voluntary market per Rule 3-A-3-b Cancellation Provisions Table 3.
  
- 5) If a policy is cancelled midterm, the minimum premium for increased limits for employers liability and federal coverages is treated the same as the classification minimum premium.
  - Cancellation may occur by the carrier or by the insured when retiring from business. When this happens, the total premium for the policy cannot be less than the pro rata portion of the minimum premium.
  - If cancellation occurs by the insured and the insured is not retiring from business, the total earned premium for the cancelled policy cannot be less than the applicable annual minimum premium.
  
- 6) For policies that only provide employers liability insurance with increased limits, the minimum premium must be increased by the factor that applies to the rates for that policy.

All references to employers liability insurance without workers compensation insurance in this rule or other rules in this manual do not apply to assigned risk policies in North Carolina.

## North Carolina Basic Manual

### Part 1 Rules

### Rule 3 - Ratings and Application of Premium Elements

#### A. Explanation and Application

#### 15. Minimum Premium

##### b. Determination

- 1) The minimum premium at policy issuance is determined as follows:
  - If a policy only has one classification, apply the minimum premium for that classification.
  - If a policy has two or more classifications, apply the highest minimum premium for any classification on the policy.
  - If a policy is for multiple states, the applicable minimum premium would be that of the state with the single highest minimum premium, even if that state is on an “if any” basis. If two or more states have the same highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.

**Example of minimum premium determination when two or more states have the same highest minimum premium:**

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  - If the final earned premium is less than the minimum premium determined at audit, then the minimum premium must be charged.
  - If no classification develops premium during the policy term, the minimum premium for Code 8810 must be charged.
  - When more than one state is insured on the same policy, the minimum premium for the state with the single highest minimum premium must be charged even if that state is on an “if any” basis. If two or more states have an equal highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.
- 3) Full minimum premiums are charged for short-term policies, subject to Rule 3-A-15-b (4) referenced below.

- 4) The minimum premium is pro-rated when:
- A short-term policy is issued to replace a binder.
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  - A policy is cancelled by the carrier per Rule 3-A-3-b Cancellation Provisions Table
  - A policy is cancelled when the insured is retiring from business per rule 3-A-3-b Cancellation Provisions Table 2.
  - An assigned risk policy is cancelled because coverage was placed in the voluntary market per Rule 3-A-3-b Cancellation Provisions Table 3.
  - The amount changes due to a change in the anniversary rating date.

**Example of a situation where the minimum premium would be pro-rated because the anniversary rating date differs from the policy effective date:**

- ARD is 6/1/2013 and 6/1/2014
- Policy period is effective 1/1/2014 – 1/1/2015
- Class code minimum premium based on 6/1/2013 ARD = \$500
- Class code minimum premium based on 6/1/2014 ARD = \$750

*The pro-rated portion of the minimum premium for the period of 1/1/2014 to 5/31/2014 = \$207 (\$500 x .414; 151 days in force)*

*The pro-rated portion of the minimum premium for the period of 6/1/2014 to 1/1/2015 = \$440 (\$750 x .586; 214 days in force)*

*Total minimum premium for policy period = \$647 (\$207 + \$440)*

*Refer to **Appendix B** for Pro Rata Cancellation Tables for additional details.*

- 5) If a policy is cancelled midterm, the minimum premium for increased limits for employers liability and federal coverages is treated the same as the classification minimum premium.
- Cancellation may occur by the carrier or by the insured when retiring from business. When this happens, the total premium for the policy cannot be less than the pro rata portion of the minimum premium.
  - If cancellation occurs by the insured and the insured is not retiring from business, the total earned premium for the cancelled policy cannot be less than the applicable annual minimum premium.
- 6) For policies that only provide employers liability insurance with increased limits, the minimum premium must be increased by the factor that applies to the rates for that policy.

All references to employers liability insurance without workers compensation insurance in this rule or other rules in this manual do not apply to assigned risk policies in North Carolina.

## North Carolina Basic Manual

### Part 1 Rules

### Rule 3 - Ratings and Application of Premium Elements

#### A. Explanation and Application

#### 15. Minimum Premium

##### b. Determination

- 1) The minimum premium at policy issuance is determined as follows:
  - If a policy only has one classification, apply the minimum premium for that classification.
  - If a policy has two or more classifications, apply the highest minimum premium for any classification on the policy.
  - If a policy is for multiple states, the applicable minimum premium would be that of the state with the single highest minimum premium, even if that state is on an “if any” basis. If two or more states have the same highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.

**Example of minimum premium determination when two or more states have the same highest minimum premium:**

	<b>Standard Premium</b>	<b>Minimum Premium</b>
State X	\$500	\$1,250
State Y	\$700	\$1,250
State Z	\$400	\$1,000

*This is a multiple state policy with three states. If the estimated annual premium for each state is less than the highest minimum premium on the policy, the appropriate policy minimum premium to charge is the highest minimum premium on the policy, which is \$1,250. In this example, two states (State X and State Y) have the same highest minimum premium. State Y has the largest amount of standard premium and would determine the governing state for policy issuance and reporting purposes.*

- 2) The minimum premium is subject to final adjustment at final audit. Determination of the minimum premium is based on classifications developing premium as follows:
  - If the final earned premium is less than the minimum premium determined at audit, then the minimum premium must be charged.
  - If no classification develops premium during the policy term, the minimum premium for Code 8810 must be charged.
  - When more than one state is insured on the same policy, the minimum premium for the state with the single highest minimum premium must be charged even if that state is on an “if any” basis. If two or more states have an equal highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.
- 3) Full minimum premiums are charged for short-term policies, subject to Rule 3-A-15-b (4) referenced below.

- 4) The minimum premium is pro-rated when:
- A short-term policy is issued to replace a binder.
  - A short-term policy is issued to establish consistent effective dates with other insurance policies.
  - A policy is cancelled by the carrier per Rule 3-A-3-b Cancellation Provisions Table
  - A policy is cancelled when the insured is retiring from business per rule 3-A-3-b Cancellation Provisions Table 2.
  - An assigned risk policy is cancelled because coverage was placed in the voluntary market per Rule 3-A-3-b Cancellation Provisions Table 3.
  - ~~The amount changes due to a change in the anniversary rating date.~~

~~**Example of a situation where the minimum premium would be pro-rated because the anniversary rating date differs from the policy effective date:**~~

- ~~ARD is 6/1/2013 and 6/1/2014~~
- ~~Policy period is effective 1/1/2014 – 1/1/2015~~
- ~~Class code minimum premium based on 6/1/2013 ARD = \$500~~
- ~~Class code minimum premium based on 6/1/2014 ARD = \$750~~

~~The pro-rated portion of the minimum premium for the period of 1/1/2014 to 5/31/2014 = \$207  
(\$500 x .414; 151 days in force)~~

~~The pro-rated portion of the minimum premium for the period of 6/1/2014 to 1/1/2015 = \$440 (\$750  
x .586; 214 days in force)~~

~~Total minimum premium for policy period = \$647 (\$207 + \$440)~~

~~Refer to **Appendix B** for Pro-Rata Cancellation Tables for additional details.~~

- 5) If a policy is cancelled midterm, the minimum premium for increased limits for employers liability and federal coverages is treated the same as the classification minimum premium.
- Cancellation may occur by the carrier or by the insured when retiring from business. When this happens, the total premium for the policy cannot be less than the pro rata portion of the minimum premium.
  - If cancellation occurs by the insured and the insured is not retiring from business, the total earned premium for the cancelled policy cannot be less than the applicable annual minimum premium.
- 6) For policies that only provide employers liability insurance with increased limits, the minimum premium must be increased by the factor that applies to the rates for that policy.

All references to employers liability insurance without workers compensation insurance in this rule or other rules in this manual do not apply to assigned risk policies in North Carolina.

## North Carolina Basic Manual

### Part 1 Rules

### Rule 3 - Ratings and Application of Premium Elements

#### A. Explanation and Application

##### 18. Premium Discount

Premium discount is a percentage discount that is based on the size of the total standard premium. See **Appendix A**. For more information regarding standard premium, refer to Rule 3-A-19.

Premium discount is not applicable in the North Carolina assigned risk market.

Premium discount does not apply to the portion of the standard premium under a Retrospective Rating Plan.

**NOTE:** The following rules, as they appear in this manual, do not apply unless approval for their use is obtained by or on behalf of the carrier from the North Carolina Commissioner of Insurance.

##### a. Determination of Premium Discount

A policy qualifies for premium discount when the standard premium exceeds the eligibility amount approved by the North Carolina Commissioner of Insurance.

Premium discount plans may vary based on individual carrier filing.

Total standard premium is subject to premium discount as follows:

##### 1) Without Retrospective Rating

- **Single State Policy**

Premium discount is determined by applying the discount percentages to the total standard premium that is in excess of the approved threshold amount.

- **Multiple State Policy**

Premium discount applies on an interstate basis and is determined by applying the discount percentages to each state's portion of the total standard premium that is in excess of the approved threshold amount.

Each state's portion of the threshold amount and varying gradations of premium discount are calculated by multiplying the total standard premium by the ratio of state standard premium to the total standard premium.

##### 2) With Retrospective Rating

The portion of the standard premium subject to the retrospective rating plan is not subject to premium discount.

Total the premium of all entities to determine the amount subject to the retrospective rating plan. The remainder of that standard premium is subject to premium discount and is calculated as follows:

- a) Determine the discount (x) as if none of the premium is subject to retrospective rating.
- b) Determine the discount (y) for the premium that is subject to retrospective rating only.
- c) The premium discount is the difference between (x) and (y).

The total premium discount is distributed by state, by allocating the state portion of standard premium to the premium discount.

**3) Other Methods**

Any other method used to determine premium discount is permissible as long as the result does not differ by more than 0.1% of the standard premium from the premium discount produced by the methods outlined in this rule.

## North Carolina Basic Manual

### Part 1 Rules

## Rule 3 - Ratings and Application of Premium Elements

### A. Explanation and Application

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Premium discount is applied in accordance with the ARD. For more information regarding the ARD, refer to Rule 3-A-2.

Total standard premium is subject to premium discount as follows:

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# North Carolina Basic Manual

## Part 1 Rules

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## North Carolina Basic Manual

### Part 1 Rules

#### Rule 3 - Ratings and Application of Premium Elements

##### A. Explanation and Application

##### 20. States Added After Policy Effective Date

- a. Additional states may be added to the policy after the effective date of the policy. For the additional state operations, apply:
  - 1) Manual rates in effect on the effective date of the policy to which the state has been added
  - 2) Any rate change that applies to outstanding policies for the state being added, and
  - 3) Any applicable experience rating modification for the policy to which the state has been added. Refer to the *Experience Rating Plan Manual* for application of experience rating.
- b. For assigned risk policies, additional states may be added to the policy only in accordance with Rule 4-A (WCIP).

## North Carolina Basic Manual

### Part 1 Rules

#### Rule 3 - Ratings and Application of Premium Elements

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  - 2) Any rate change that applies to outstanding policies for the state being added, and
  - 3) Any applicable experience rating modification for the policy to which the state has been added. Refer to the *Experience Rating Plan Manual* for application of experience rating.
- b. For assigned risk policies, additional states may be added to the policy only in accordance with Rule 4-A (WCIP).

## North Carolina Basic Manual

### Part 1 Rules

#### Rule 3 - Ratings and Application of Premium Elements

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  - 2) Any rate change that applies to outstanding policies for the state being added, and
  - 3) Any applicable experience rating modification for the policy to which the state has been added. Refer to the *Experience Rating Plan Manual* for application of experience rating.
- b. For assigned risk policies, additional states may be added to the policy only in accordance with Rule 4-A (WCIP).

# North Carolina Basic Manual

## Part 1 Rules

### Rule 4 – Assigned Risk Plan Rules

#### C. Loss Sensitive Rating Plan (LSRP)

#### 5. LSRP Definitions

##### b. Deposits

#### 3) Deposit/Initial Premium and LSRP Contingency Deposit Submission Requirements

Deposit/initial premium and LSRP contingency deposits are submitted for single and multiple policy employers in accordance with the table below.

**Deposit/Initial Premium, LSRP Contingency Deposit and Policy Issuance Table**

<b><i>Application and Conditions</i></b>	<b><i>Application Assignment and Policy Issuance</i></b>	<b><i>The employer must submit...</i></b>
One application- No other applications or existing policies are in effect that may be combined for LSRP eligibility determination and/or coverage	<ul style="list-style-type: none"> <li>• Individual application assigned to carrier</li> <li>• Assigned carrier issues one policy</li> </ul>	<ol style="list-style-type: none"> <li>1. Individual WCIP deposit or initial premium for the WCIP policy, and</li> <li>2. An additional 20% LSRP contingency deposit based on the LSRP standard premium</li> </ol>
Multiple applications – To determine LSRP eligibility, review possible combination with any applications and/or policies in effect for an employer with common majority ownership as defined in the <b><i>Experience Rating Plan Manual</i></b>	<ul style="list-style-type: none"> <li>• Multiple applications assigned to same carrier</li> <li>• Assigned carrier issues LSRP policies for those that meet the eligibility requirement</li> <li>• Policy effective dates may vary; however, all policies must have a common expiration date</li> </ul>	<ol style="list-style-type: none"> <li>1. Individual WCIP deposit or initial premium for each WCIP policy (e.g., two WCIP policies require two WCIP initial or deposit premiums), and</li> <li>2. An additional 20% LSRP contingency deposit based on the combined LSRP standard premium</li> </ol>
Multiple applications – For the rare circumstance when applications and/or policies in effect for an employer with common majority ownership as defined in the <b><i>Experience Rating Plan Manual</i></b> cannot be assigned to an individual carrier	<ul style="list-style-type: none"> <li>• Multiple applications assigned to multiple carriers, including affiliated insurers when possible</li> <li>• Assigned carriers issue LSRP policies for those that meet the eligibility requirement</li> <li>• Policy effective dates may vary</li> </ul>	<ol style="list-style-type: none"> <li>1. Individual WCIP deposit or initial premium for each WCIP policy (e.g., two WCIP policies require two WCIP initial or deposit premiums), and</li> <li>2. An additional 20% LSRP contingency deposits based on individual eligible LSRP standard premium(s)</li> </ol>
Assigned carriers must issue a guaranteed cost policy(ies) for a state(s) where LSRP is not approved.		

# North Carolina Basic Manual

## Part 1 Rules

### Rule 4 – Assigned Risk Plan Rules

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majority ownership as defined in the <b><i>Experience Rating Plan Manual</i></b> cannot be assigned to an individual carrier	issue LSRP policies for those that meet the eligibility requirement <ul style="list-style-type: none"><li>• Policy effective dates may vary</li><li>• Refer to Rule 4-C-6-a for application of the anniversary rating date</li></ul>	contingency deposits based on individual eligible LSRP standard premium(s)
Assigned carriers must issue a guaranteed cost policy(ies) for a state(s) where LSRP is not approved.		

# North Carolina Basic Manual

## Part 1 Rules

### Rule 4 – Assigned Risk Plan Rules

#### C. Loss Sensitive Rating Plan (LSRP)

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Multiple applications – For the rare circumstance when applications and/or policies in effect for an employer with common majority ownership as defined in the <b><i>Experience Rating Plan</i></b>	<ul style="list-style-type: none"> <li>Multiple applications assigned to multiple carriers, including affiliated insurers when possible</li> <li>Assigned carriers issue LSRP policies for those that meet the eligibility</li> </ul>	<ol style="list-style-type: none"> <li>Individual WCIP deposit or initial premium for each WCIP policy (e.g., two WCIP policies require two WCIP initial or deposit premiums), and</li> <li>An additional 20% LSRP contingency deposits based on individual eligible LSRP standard premium(s)</li> </ol>

<p><b>Manual</b> cannot be assigned to an individual carrier</p>	<p>requirement</p> <ul style="list-style-type: none"><li>• Policy effective dates may vary</li><li>• Refer to Rule 4 C 6 a for application of the anniversary rating date</li></ul>	
<p>Assigned carriers must issue a guaranteed cost policy(ies) for a state(s) where LSRP is not approved.</p>		

**North Carolina Basic Manual**  
**Part 1 Rules**  
**Rule 4 – Assigned Risk Plan Rules**

**C. Loss Sensitive Rating Plan (LSRP)**

**6. General Explanations**

**a. Policy Effective Date Basis**

All LSRP rating values are applied on a policy effective date basis for all single and multiple LSRP policy risks.

**North Carolina Basic Manual**  
**Part 1 Rules**  
**Rule 4 – Assigned Risk Plan Rules**

**C. Loss Sensitive Rating Plan (LSRP)**

**6. General Explanations**

**a. Anniversary Rating Date (ARD)**

All LSRP rating values are applied on an ARD basis for all single and multiple LSRP policy risks where Rule 3-A-2 applies.

# North Carolina Basic Manual

## Part 1 Rules

### Rule 4 – Assigned Risk Plan Rules

#### C. Loss Sensitive Rating Plan (LSRP)

#### 6. General Explanations

a. ~~Anniversary Rating~~Policy Effective Date (ARD)~~Basis~~

All LSRP rating values are applied on ~~an ARD~~a policy effective date basis for all single and multiple LSRP policy risks ~~where Rule 3-A-2 applies.~~

**North Carolina Basic Manual  
Part 1 Rules**

**Appendix H (RESERVE FOR FUTURE USE)**

# North Carolina Basic Manual

## Part 1 Rules

### Appendix H

#### ANNIVERSARY RATING DATE EXAMPLES

The following examples have been created and apply to the ARD tables outlined in Rule 3-A-2.

#### **ARD Table 1 Examples**

*A single policy risk that has been cancelled and rewritten, either by the same or another carrier:*

#### **Example 1- Midterm Cancellation**

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Rates effective                      4/1/2013 , 4/1/2014 ARD                                        7/1/2013 Policy effective                        7/1/2013 – 7/1/2014 Cancellation effective                9/1/2013 Rewritten policy effective            9/1/2013 – 9/1/2014 Renewal policy effective             9/1/2014 – 9/1/2015</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 9/1/2013-9/1/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 7/1/2013; 4/1/2013 rates are in effect on ARD of 7/1/2013 and apply until policy expiration.</li> </ul> <p>Policy effective 9/1/2014-9/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD is 9/1/2014; 4/1/2014 rates are in effect on ARD of 9/1/2014 and apply until policy expiration.</li> </ul>

#### **Example 2 - Midterm Cancellation (Table 1)**

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Rates effective                      4/1/2013 , 4/1/2014 ARD                                        7/1/2013 Policy effective                        7/1/2013 – 7/1/2014 Cancellation effective                1/1/2014 Rewritten policy effective            1/1/2014 – 1/1/2015 Renewal policy effective             1/1/2015 – 1/1/2016</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 1/1/2014-1/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD is 7/1/2013; 4/1/2013 rates are in effect on ARD of 7/1/2013 and apply until 7/1/2014.</li> <li>• On 7/1/2014(new ARD), the 4/1/2014 rates are in effect and apply until policy expiration</li> </ul> <p>Policy effective 1/1/2015-1/1/2016:</p> <ul style="list-style-type: none"> <li>• ARD is 1/1/2015; 4/1/2014 rates are in effect on ARD of 1/1/2015 and apply until policy expiration</li> </ul>

#### **Example 3 - Gap in Coverage and Midterm Cancellation**

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Rates effective</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p>



	4/1/2012 4/1/2013 4/1/2014	Policy effective 7/1/2013-3/1/2014: <ul style="list-style-type: none"> <li>• ARD is 1/1/2013; 4/1/2012 rates are in effect on ARD of 1/1/2013 and apply until 1/1/2014.</li> <li>• On 1/1/2014 (new ARD), the 4/1/2013 rates are in effect and apply until policy expiration.</li> </ul>
ARD	1/1/2013	
Policy effective	1/1/2013 – 1/1/2014	
Cancellation effective	6/1/2013	Policy effective 3/1/2014-3/1/2015: <ul style="list-style-type: none"> <li>• ARD is 1/1/2014; 4/1/2013 rates are in effect on ARD of 1/1/2014 and apply until policy expiration.</li> </ul>
Rewritten policy effective	7/1/2013 – 3/1/2014	
Renewal policy effective	3/1/2014 – 3/1/2015	

**Example 4 - Gap in Coverage and Midterm Cancellation**

<i>If we assume:</i>		<i>Then...</i>
Rates effective	4/1/2012 4/1/2013	Application of rules, classifications and rates to the rewritten policy and subsequent policies:
Policy effective dates:		Policy effective 7/1/2013-1/1/2014: <ul style="list-style-type: none"> <li>• ARD is 1/1/2013; 4/1/2012 rates are in effect on ARD of 1/1/2013 and apply until policy expiration.</li> </ul>
ARD	1/1/2013	
Renewal policy effective	1/1/2013 – 1/1/2014	
Cancellation effective	6/1/2013	Policy effective 1/1/2014-1/1/2015: <ul style="list-style-type: none"> <li>• ARD is 1/1/2014; 4/1/2013 rates are in effect on ARD of 1/1/2014 and apply until policy expiration.</li> </ul>
Rewritten policy effective	7/1/2013 – 1/1/2014	
Renewal policy effective	1/1/2014 – 1/1/2015	

**Example 5 – Short-term Policies- As Originally Written**

<i>If we assume:</i>		<i>Then...</i>
Rates effective	4/1/2012 4/1/2013 4/1/2014	Application of rules, classifications and rates to the policies:
ARD	3/16/2013	Policy effective 3/16/2013-3/1/2014: <ul style="list-style-type: none"> <li>• ARD IS 3/16/2013; 4/1/2012 rates are in effect effective at the start of policy and apply until policy expiration.</li> </ul>
Policy effective dates:	3/16/2013 – 3/1/2014	Policy effective 3/1/2014-1/1/2015: <ul style="list-style-type: none"> <li>• ARD is 3/16/2013; 4/1/2012 rates are in effect at the start of the policy and apply until 3/16/2014.</li> <li>• On 3/16/2014 (new ARD), the 4/1/2013 rates are in effect and apply until policy expiration.</li> </ul>
Renewal policy effective	3/1/2014 – 1/1/2015	
Renewal policy effective	1/1/2015 – 1/1/2016	Policy effective 1/1/2015-1/1/2016: <ul style="list-style-type: none"> <li>• 1/1/2015 – 1/1/2016 ARD is 1/1/2015; 4/1/2014 rates are in effect at the start of the policy apply until policy expiration</li> </ul>

**Example 6 - Gap in Coverage less than a year**

<i>If we assume:</i>	<i>Then...</i>
<p>Rates effective                    4/1/2013    4/1/2014    4/1/2015    1/1/2016</p> <p>Policy effective dates:        9/15/2013 – 9/15/2014 Policy effective                    1/1/2015 – 1/1/2016 Policy effective                    1/1/2016 – 1/1/2017</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 9/15/2013-9/15/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 9/15/2013; 4/1/2013 rates are in effect at the start of policy and apply until policy expiration.</li> </ul> <p>Policy effective 1/1/2015-1/1/2016:</p> <ul style="list-style-type: none"> <li>• ARD is 9/15/2014; 4/1/2014 rates are in effect on the ARD of 9/15/2014 and apply until 9/15/2015.</li> <li>• On 9/15/2015 (the new ARD) the 4/1/2015 rates are in effect and apply until policy expiration.</li> </ul>

**Example 7-Gap in Coverage greater than a year**

<i>If we assume:</i>	<i>Then...</i>
<p>Rates effective                    4/1/2013    4/1/2014    4/1/2015</p> <p>Policy effective dates:        9/15/2013 – 9/15/2014 Gap in coverage Policy effective                    1/1/2016 – 1/1/2017</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 9/15/2013-9/15/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 9/15/2013; 4/1/2013 rates are in effect at the start of policy and apply until policy expiration.</li> </ul> <p>Policy effective 1/1/2016-1/1/2017:</p> <ul style="list-style-type: none"> <li>• ARD is 1/1/2016; 4/1/2015 rates are in effect at the start of the policy and apply until policy expiration</li> </ul>

**Example 8 – Original Policy Written Greater than 365 Days but Less than 381 Days**

<i>If we assume:</i>	<i>Then...</i>
<p>Rates effective                    4/1/2013    4/1/2014    4/1/2015</p> <p>Policy effective dates:        9/23/2013 – 10/1/2014 Renewal policy effective        10/1/2014 – 11/16/2014</p>	<p>Application of rules, classifications and rates to the policies:</p> <p>Policy effective 09/23/13-10/1/14</p> <ul style="list-style-type: none"> <li>• ARD is 9/23/2013; 4/1/2013 rates are in effect at the start of the policy and apply until policy expiration.</li> </ul> <p>Policy effective 10/1/2014-11/16/2014</p> <ul style="list-style-type: none"> <li>• ARD is 9/23/2014; 4/1/2014 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 12/7/2014-9/1/2015:</p>

<p>Renewal policy effective 12/7/2014 – 9/1/2015  Renewal policy effective 9/1/2015 – 2/1/2016  Renewal policy effective 2/1/2016 – 2/1/2017</p>	<ul style="list-style-type: none"> <li>• ARD is 9/23/2014; 4/1/2014 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 9/1/2015-2/1/2016:</p> <ul style="list-style-type: none"> <li>• From 9/1/2015 to 9/23/2015, the ARD is 9/23/2014; the 4/1/2014 rates are in effect and apply until 9/23/2015.</li> <li>• From 9/23/2015 – 2/1/2016, ARD is 9/23/2015; the 4/1/2015 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 2/1/2016 to 2/1/2017:</p> <ul style="list-style-type: none"> <li>• ARD is 2/1/2016; 4/1/2015 rates are in effect at the start of the policy and apply until policy expiration.</li> </ul>
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**ARD Table 2 Example**

*For multiple-policy risks (one that is covered by two or more policies) with varying effective dates and is not a long-term policy or Three-Year Fixed-Rate policy:*

<b>If we assume:</b>	<b>Then...</b>
<p>Controlling Policy X effective 7/1/2013 – 7/1/2014, renews annually on 7/1</p> <p>Policy Y effective 10/1/2013 – 10/1/2014, renews annually on 10/1</p> <p>Policy Z effective 1/1/2014 – 7/1/2014, renews on 7/1 and annually thereafter.</p> <p>Rates effective 4/1/2013 4/1/2014 4/1/2015</p>	<p><b>POLICY X:</b></p> <p>Application of rules, classifications and rates to the policies:</p> <p>Policy effective 7/1/2013-7/1/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 7/1/2013; 4/1/2013 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 7/1/2014-7/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD is 7/1/2014; 4/1/2014 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 7/1/2015-7/1/2016:</p> <ul style="list-style-type: none"> <li>• ARD is 7/1/2015; 4/1/2015 rates are in effect and apply until policy expiration.</li> </ul> <p><b>POLICY Y:</b></p> <p>Policy effective 10/1/2013-10/1/2014:</p> <ul style="list-style-type: none"> <li>• ARD 7/1/2013; 4/1/2013 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 10/1/2014-10/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD 7/1/2014; 4/1/2014 rates are in effect and apply until policy expiration.</li> </ul> <p><b>POLICY Z:</b></p> <p>Policy effective 1/1/2014-7/1/2014:</p> <ul style="list-style-type: none"> <li>• ARD 7/1/2013; 4/1/2013 rates are in effect</li> </ul>

	<p>and apply until policy expiration.</p> <p>Policy effective 7/1/2014-7/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD 7/1/2014; 4/1/2014 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 7/1/2015-7/1/2016:</p> <ul style="list-style-type: none"> <li>• ARD 7/1/2015; 4/1/2015 rates are in effect and apply until policy expiration.</li> </ul>
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	7/1/2013	7/1/2014	7/1/2015
<b>Controlling Policy X</b>	2013 Rates 10/1/2013	2014 Rates 10/1/2014	2015 Rates 10/1/2015
<b>Policy Y</b>	2013 Rates 1/1/2014	2014 Rates 7/1/2014	2015 Rates 7/1/2015
<b>Policy Z</b>	2013 Rates	2014 Rates	2015 Rates

**ARD Table 3 Examples:**

For long-term policies issued for a period longer than one year and 16 days, other than a three-Year Fixed-Rate policy:

**Example 1-**

<b>If we assume:</b>	<b>Then...</b>
<p>Policy effective: 7/1/2013 – 10/26/2014 Rates effective 4/1/2013 Normal ARD 7/1</p>	<p>For ARD purposes, divide the policy into two units as follows:</p> <ul style="list-style-type: none"> <li>• 7/1/2013 to 10/1/2013 and 10/1/2013 to 10/1/2014</li> <li>• 7/1/2013 to 7/1/2014</li> <li>• 7/1/2014 to 10/26/2014.</li> </ul> <p>Application of rules, classifications and rates: For 7/1/2013 - 7/1/2014, use 7/1/2013 ARD For 7/1/2014 - 10/26/2014, use 7/1/2014 ARD</p>

**Example 2-**

<b>If we assume:</b>	<b>Then...</b>
<p>Policy effective: 7/1/2013 – 12/1/2014 Rates effective 7/1/2013, 7/1/2014 Normal ARD 7/1</p>	<p>For ARD purposes, divide the policy into two units as follows:</p> <ul style="list-style-type: none"> <li>• 7/1/2013 to 7/1/2014</li> <li>• 7/1/2014 to 12/1/2014.</li> </ul> <p>Application of rules, classifications and rates: For 7/1/2013 - 7/1/2014, use 7/1/2013 ARD For 7/1/2014 - 12/1/2014, use 7/1/2014 ARD</p>

# North Carolina Basic Manual

## Part 1 Rules

### Appendix H (RESERVE FOR FUTURE USE)

#### ~~ANNIVERSARY RATING DATE EXAMPLES~~

The following examples have been created and apply to the ARD tables outlined in Rule 3-A-2.

#### **ARD Table 1 Examples**

*A single policy risk that has been cancelled and rewritten, either by the same or another carrier:*

#### **Example 1—Midterm Cancellation**

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Rates effective _____ 4/1/2013 , 4/1/2014</p> <p>ARD _____ 7/1/2013</p> <p>Policy effective _____ 7/1/2013 — 7/1/2014</p> <p>Cancellation effective _____ 9/1/2013</p> <p>Rewritten policy effective _____ 9/1/2013 — 9/1/2014</p> <p>Renewal policy effective _____ 9/1/2014 — 9/1/2015</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 9/1/2013-9/1/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 7/1/2013; 4/1/2013 rates are in effect on ARD of 7/1/2013 and apply until policy expiration.</li> </ul> <p>Policy effective 9/1/2014-9/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD is 9/1/2014; 4/1/2014 rates are in effect on ARD of 9/1/2014 and apply until policy expiration.</li> </ul>

#### **Example 2—Midterm Cancellation (Table 1)**

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Rates effective _____ 4/1/2013 , 4/1/2014</p> <p>ARD _____ 7/1/2013</p> <p>Policy effective _____ 7/1/2013 — 7/1/2014</p> <p>Cancellation effective _____ 1/1/2014</p> <p>Rewritten policy effective _____ 1/1/2014 — 1/1/2015</p> <p>Renewal policy effective _____ 1/1/2015 — 1/1/2016</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 1/1/2014-1/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD is 7/1/2013; 4/1/2013 rates are in effect on ARD of 7/1/2013 and apply until 7/1/2014.</li> <li>• On 7/1/2014(new ARD), the 4/1/2014 rates are in effect and apply until policy expiration</li> </ul> <p>Policy effective 1/1/2015-1/1/2016:</p> <ul style="list-style-type: none"> <li>• ARD is 1/1/2015; 4/1/2014 rates are in effect on ARD of 1/1/2015 and apply until policy expiration</li> </ul>

#### **Example 3—Gap in Coverage and Midterm Cancellation**

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Rates effective _____</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p>

<p><del>_____ 4/1/2012</del></p> <p><del>_____ 4/1/2013</del></p> <p><del>_____ 4/1/2014</del></p> <p>ARD _____ 1/1/2013</p> <p>Policy effective _____ 1/1/2013 – 1/1/2014</p> <p>Cancellation effective _____ 6/1/2013</p> <p>Rewritten policy effective _____ 7/1/2013 – 3/1/2014</p> <p>Renewal policy effective _____ 3/1/2014 – 3/1/2015</p>	<p>Policy effective 7/1/2013-3/1/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 1/1/2013; 4/1/2012 rates are in effect on ARD of 1/1/2013 and apply until 1/1/2014.</li> <li>• On 1/1/2014 (new ARD), the 4/1/2013 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 3/1/2014-3/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD is 1/1/2014; 4/1/2013 rates are in effect on ARD of 1/1/2014 and apply until policy expiration.</li> </ul>
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**Example 4 – Gap in Coverage and Midterm Cancellation**

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Rates effective _____</p> <p><del>_____ 4/1/2012</del></p> <p><del>_____ 4/1/2013</del></p> <p>Policy effective dates: _____</p> <p>ARD _____ 1/1/2013</p> <p>Renewal policy effective _____ 1/1/2013 – 1/1/2014</p> <p>Cancellation effective _____ 6/1/2013</p> <p>Rewritten policy effective _____ 7/1/2013 – 1/1/2014</p> <p>Renewal policy effective _____ 1/1/2014 – 1/1/2015</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 7/1/2013-1/1/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 1/1/2013; 4/1/2012 rates are in effect on ARD of 1/1/2013 and apply until policy expiration.</li> </ul> <p>Policy effective 1/1/2014-1/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD is 1/1/2014; 4/1/2013 rates are in effect on ARD of 1/1/2014 and apply until policy expiration.</li> </ul>

**Example 5 – Short-term Policies – As Originally Written**

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Rates effective _____ 4/1/2012</p> <p><del>_____ 4/1/2013</del></p> <p><del>_____ 4/1/2014</del></p> <p>ARD _____ 3/16/2013</p> <p>Policy effective dates: _____ 3/16/2013 – 3/1/2014</p> <p>Renewal policy effective _____ 3/1/2014 – 1/1/2015</p> <p>Renewal policy effective _____ 1/1/2015 – 1/1/2016</p>	<p>Application of rules, classifications and rates to the policies:</p> <p>Policy effective 3/16/2013-3/1/2014:</p> <ul style="list-style-type: none"> <li>• ARD IS 3/16/2013; 4/1/2012 rates are in effect effective at the start of policy and apply until policy expiration.</li> </ul> <p>Policy effective 3/1/2014-1/1/2015:</p> <ul style="list-style-type: none"> <li>• ARD is 3/16/2013; 4/1/2012 rates are in effect at the start of the policy and apply until 3/16/2014.</li> <li>• On 3/16/2014 (new ARD), the 4/1/2013 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 1/1/2015-1/1/2016:</p> <ul style="list-style-type: none"> <li>• 1/1/2015 – 1/1/2016 ARD is 1/1/2015; 4/1/2014 rates are in effect at the start of the policy apply until policy expiration</li> </ul>

**Example 6—Gap in Coverage less than a year**

<i>If we assume:</i>	<i>Then...</i>
<p>Rates effective _____ 4/1/2013            _____ 4/1/2014            _____ 4/1/2015            _____ 1/1/2016</p> <p>Policy effective dates: _____ 9/15/2013 — 9/15/2014            Policy effective _____ 1/1/2015 — 1/1/2016            Policy effective _____ 1/1/2016 — 1/1/2017</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 9/15/2013-9/15/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 9/15/2013; 4/1/2013 rates are in effect at the start of policy and apply until policy expiration.</li> </ul> <p>Policy effective 1/1/2015-1/1/2016:</p> <ul style="list-style-type: none"> <li>• ARD is 9/15/2014; 4/1/2014 rates are in effect on the ARD of 9/15/2014 and apply until 9/15/2015.</li> <li>• On 9/15/2015 (the new ARD) the 4/1/2015 rates are in effect and apply until policy expiration.</li> </ul>

**Example 7—Gap in Coverage greater than a year**

<i>If we assume:</i>	<i>Then...</i>
<p>Rates effective _____ 4/1/2013            _____ 4/1/2014            _____ 4/1/2015</p> <p>Policy effective dates: _____ 9/15/2013 — 9/15/2014            Gap in coverage            Policy effective _____ 1/1/2016 — 1/1/2017</p>	<p>Application of rules, classifications and rates to the rewritten policy and subsequent policies:</p> <p>Policy effective 9/15/2013-9/15/2014:</p> <ul style="list-style-type: none"> <li>• ARD is 9/15/2013; 4/1/2013 rates are in effect at the start of policy and apply until policy expiration.</li> </ul> <p>Policy effective 1/1/2016-1/1/2017:</p> <ul style="list-style-type: none"> <li>• ARD is 1/1/2016; 4/1/2015 rates are in effect at the start of the policy and apply until policy expiration.</li> </ul>

**Example 8—Original Policy Written Greater than 365 Days but Less than 381 Days**

<i>If we assume:</i>	<i>Then...</i>
<p>Rates effective _____ 4/1/2013            _____ 4/1/2014            _____ 4/1/2015</p> <p>Policy effective dates: _____ 9/23/2013 — 10/1/2014            Renewal policy effective _____ 10/1/2014 — 11/16/2014</p>	<p>Application of rules, classifications and rates to the policies:</p> <p>Policy effective 09/23/13-10/1/14</p> <ul style="list-style-type: none"> <li>• ARD is 9/23/2013; 4/1/2013 rates are in effect at the start of the policy and apply until policy expiration.</li> </ul> <p>Policy effective 10/1/2014-11/16/2014</p> <ul style="list-style-type: none"> <li>• ARD is 9/23/2014; 4/1/2014 rates are in effect and apply until policy expiration.</li> </ul> <p>Policy effective 12/7/2014-9/1/2015:</p>

<p>Renewal policy effective <del>12/7/2014</del> <del>9/1/2015</del>  Renewal policy effective <del>9/1/2015</del> <del>2/1/2016</del>  Renewal policy effective <del>2/1/2016</del> <del>2/1/2017</del></p>	<ul style="list-style-type: none"> <li>● <del>ARD is 9/23/2014; 4/1/2014 rates are in effect and apply until policy expiration.</del></li> </ul> <p>Policy effective 9/1/2015-2/1/2016:</p> <ul style="list-style-type: none"> <li>● <del>From 9/1/2015 to 9/23/2015, the ARD is 9/23/2014; the 4/1/2014 rates are in effect and apply until 9/23/2015.</del></li> <li>● <del>From 9/23/2015-2/1/2016, ARD is 9/23/2015; the 4/1/2015 rates are in effect and apply until policy expiration.</del></li> </ul> <p>Policy effective 2/1/2016 to 2/1/2017:</p> <ul style="list-style-type: none"> <li>● <del>ARD is 2/1/2016; 4/1/2015 rates are in effect at the start of the policy and apply until policy expiration.</del></li> </ul>
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**ARD Table 2 Example**

*For multiple policy risks (one that is covered by two or more policies) with varying effective dates and is not a long-term policy or Three Year Fixed Rate policy:*

<b><i>If we assume:</i></b>	<b><i>Then...</i></b>
<p>Controlling Policy X effective <del>7/1/2013</del> <del>7/1/2014</del>,  <del>renews annually on 7/1</del></p> <p>Policy Y effective <del>10/1/2013</del> <del>10/1/2014</del>,  <del>renews annually on 10/1</del></p> <p>Policy Z effective <del>1/1/2014</del> <del>7/1/2014</del>,  <del>renews on 7/1 and</del>  <del>annually</del> <del>annually thereafter.</del></p> <p>Rates effective <del>4/1/2013</del>  <del>4/1/2014</del>  <del>4/1/2015</del></p>	<p><b><i>POLICY X:</i></b></p> <p>Application of rules, classifications and rates to the policies:</p> <p>Policy effective 7/1/2013-7/1/2014:</p> <ul style="list-style-type: none"> <li>● <del>ARD is 7/1/2013; 4/1/2013 rates are in effect and apply until policy expiration.</del></li> </ul> <p>Policy effective 7/1/2014-7/1/2015:</p> <ul style="list-style-type: none"> <li>● <del>ARD is 7/1/2014; 4/1/2014 rates are in effect and apply until policy expiration.</del></li> </ul> <p>Policy effective 7/1/2015-7/1/2016:</p> <ul style="list-style-type: none"> <li>● <del>ARD is 7/1/2015; 4/1/2015 rates are in effect and apply until policy expiration.</del></li> </ul> <p><b><i>POLICY Y:</i></b></p> <p>Policy effective 10/1/2013-10/1/2014:</p> <ul style="list-style-type: none"> <li>● <del>ARD 7/1/2013; 4/1/2013 rates are in effect and apply until policy expiration.</del></li> </ul> <p>Policy effective 10/1/2014-10/1/2015:</p> <ul style="list-style-type: none"> <li>● <del>ARD 7/1/2014; 4/1/2014 rates are in effect and apply until policy expiration.</del></li> </ul> <p><b><i>POLICY Z:</i></b></p> <p>Policy effective 1/1/2014-7/1/2014:</p> <ul style="list-style-type: none"> <li>● <del>ARD 7/1/2013; 4/1/2013 rates are in effect</del></li> </ul>



	<p>and apply until policy expiration.</p> <p>Policy effective 7/1/2014-7/1/2015:</p> <ul style="list-style-type: none"> <li>● <del>ARD 7/1/2014; 4/1/2014 rates are in effect and apply until policy expiration.</del></li> </ul> <p>Policy effective 7/1/2015-7/1/2016:</p> <ul style="list-style-type: none"> <li>● <del>ARD 7/1/2015; 4/1/2015 rates are in effect and apply until policy expiration.</del></li> </ul>
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	7/1/2013	7/1/2014	7/1/2015
<b>Controlling Policy X</b>	2013 Rates 10/1/2013	2014 Rates 10/1/2014	2015 Rates 10/1/2015
<b>Policy Y</b>	2013 Rates 1/1/2014	2014 Rates 7/1/2014	2015 Rates 7/1/2015
<b>Policy Z</b>	2013 Rates	2014 Rates	2015 Rates

**ARD Table 3 Examples:**

*For long-term policies issued for a period longer than one year and 16 days, other than a three-Year Fixed-Rate policy:*

**Example 1-**

<b>If we assume:</b>	<b>Then...</b>
<p>Policy effective: _____ 7/1/2013 – 10/26/2014</p> <p>Rates effective _____ 4/1/2013</p> <p>Normal ARD _____ 7/1</p>	<p>For ARD purposes, divide the policy into two units as follows:</p> <ul style="list-style-type: none"> <li>● <del>7/1/2013 to 10/1/2013 and 10/1/2013 to 10/1/2014</del></li> <li>● <del>7/1/2013 to 7/1/2014</del></li> <li>● <del>7/1/2014 to 10/26/2014.</del></li> </ul> <p>Application of rules, classifications and rates: For 7/1/2013 – 7/1/2014, use 7/1/2013 ARD For 7/1/2014 – 10/26/2014, use 7/1/2014 ARD</p>

**Example 2-**

<b>If we assume:</b>	<b>Then...</b>
<p>Policy effective: _____ 7/1/2013 – 12/1/2014</p> <p>Rates effective _____ 7/1/2013, 7/1/2014</p> <p>Normal ARD _____ 7/1</p>	<p>For ARD purposes, divide the policy into two units as follows:</p> <ul style="list-style-type: none"> <li>● <del>7/1/2013 to 7/1/2014</del></li> <li>● <del>7/1/2014 to 12/1/2014.</del></li> </ul> <p>Application of rules, classifications and rates: For 7/1/2013 – 7/1/2014, use 7/1/2013 ARD For 7/1/2014 – 12/1/2014, use 7/1/2014 ARD</p>

~~WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY~~ ~~WC 00 04 02~~  
~~(Ed. 4-84)~~

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**ANNIVERSARY RATING DATE ENDORSEMENT**

~~The premium and rates for this policy, and the experience rating modification factor, if any, may change on your anniversary rating date shown in the Schedule.~~

Schedule

~~Anniversary Rating Date \_\_\_\_\_ (Month) \_\_\_\_\_ (Day)~~

~~This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.~~

~~(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)~~

~~Endorsement Effective  
Insured~~

~~Policy No.~~

~~Endorsement No.  
Premium~~

~~Insurance Company \_\_\_\_\_ Countersigned by \_\_\_\_\_~~

~~WC 00 04 02  
(Ed. 4-84)~~

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**WC 00 04 02**

**(Ed. 4-84)**

**ANNIVERSARY RATING DATE ENDORSEMENT**

The premium and rates for this policy, and the experience rating modification factor, if any, may change on your anniversary rating date shown in the Schedule.

Schedule

Anniversary Rating Date \_\_\_\_\_ (Month) \_\_\_\_\_ (Day)

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

**(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)**

Endorsement Effective  
Insured

Policy No.

Endorsement No.  
Premium

Insurance Company

Countersigned by \_\_\_\_\_

**WC 00 04 02**  
(Ed. 4-84)

## Anniversary Rating Date (ARD) Elimination FAQ's

**Q.1** - What is anniversary rating date (ARD)?

**A.1** - ARD is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by NCCI or another licensed rating organization.

Rules, classifications, and rates are applied on an ARD basis for all employers.

**Q.2** - What was the original purpose of ARD and when was it implemented? Does ARD exist in other lines?

**A.2** - The ARD rule originated in 1923 and is unique to workers compensation. Introduced during the early development of the workers compensation system, its intent was to ensure that in the event of a midterm policy cancellation, the rewritten policy would use the same rates that applied to the cancelled policy. The rule applies whether it is the carrier or the employer that initiates the cancellation.

Consider an example of applying the current ARD rule:

- An employer has a full-term policy effective 1/1/2015 with a 1/1/2015 ARD.
- The policy is cancelled short-term effective 8/15/2015.
- The rewritten policy is a full-term policy effective 8/15/2015. The 8/15/2015–8/15/2016 policy would use two sets of rates:

Applicable Rates	ARD Application Range
1/1/2015 rates apply	From 8/15/2015 to 1/1/2016
1/1/2016 rates apply	From 1/1/2016 to 8/15/2016

Under this proposed change, the 8/15/2015 rewritten policy use rates effective on that date, not the rates effective on 1/1/2015. In many cases, the rates would not have changed in that January–August time frame, so the same rates would continue to apply. In other cases, if a rate change were approved during the time between the original policy effective date and the cancellation date, the new rates as of 8/15/2015 would be applied to the rewritten policy.

**Q.3** - What is the change? Why is it being made now?

**A.3** – ARD is being eliminated because it is a source of confusion for employers. It is unique to workers compensation and difficult for employers to understand, particularly since it does not exist for any other type of insurance they purchase on a business or personal level.

**Q.4** - Do all states use ARD? Which states have already eliminated ARD?

**A.4** - Not all states use ARD. Before Item Filing B-1430, 8 NCCI states had already stopped using the ARD rule. Illinois (1992), Alabama (1996), Maine (1996), Louisiana (2001), Georgia (2010), New Mexico (2011), and West Virginia (2014) are the states that eliminated ARD. Texas has also not utilized this rule for many years.

**Q.5** - Is ARD being eliminated in other states?

**A.5** - Yes, the NCCI has filed for the elimination of ARD in other NCCI states.

**Q.6** - Do other independent bureau states use ARD?

**A.6** - All independent bureau states, with the exception of Minnesota (MWCIA) use ARD.

**Q.7** - Will other independent bureau states be eliminating ARD?

**A.7** - NCCI is recommending that all independent bureau states consider eliminating ARD. However, each individual state will have to determine whether this change will be filed in their state.

**Q.8** - What prevents employers or carriers from cancelling policies to take advantage of lower rates?

**A.8** - In a system without the ARD rule, nothing would prohibit an employer from cancelling a policy to take advantage of a recent loss cost/rate filing decrease. However, the short rate penalty exists, which acts as a deterrent to an employer who cancels. That penalty would likely reduce or completely eliminate any "gains" to be had by cancelling early to take advantage of the new, lower rates.

**Q.9** - Why is a national filing needed? When will this change become effective?

**A.9** - A national filing is necessary to provide a single countrywide effective date for implementation of this change, particularly given the impact it will have for multistate employers. This change will be filed to become effective May 1, 2017.

Without a common effective date, employers may have the added confusion of dealing with a single policy that has both new rates applicable in some states (as of a rewritten policy's effective date) and a prior policy's rates in other states where they continue to apply.

**Q.9** - Is ARD a mandatory or voluntary rule?

**A.9** - The application of ARD where applicable is mandatory.

**Q.10** - Can you provide an example of how eliminating ARD will impact an employer?

**A.10** – Example - An employer has a 1/1/2015 policy with a classification rate of \$3.40. Effective 7/1/2015, an approved rate decrease lowers the rate 10% to \$3.06. The employer cancels the 1/1/2015 policy on 8/15/2015 and obtains another full-term policy effective 8/15/2015.

Under the existing ARD rule, a cancellation of the 1/1/2015 policy on 8/15/2015 would not result in application of the lower 7/1/2015 rate to the rewritten policy until 1/1/2016, the ARD. At that point, the rewritten policy is endorsed to use the lower (7/1/2015) rate from 1/1/2016 until the policy expiration on 8/15/2016.

Under the proposed new approach, which eliminates the ARD, the rewritten 8/15/2015 policy immediately uses the lower rates that were approved on 7/1/2015.

**Q.11** - What is the overall impact of eliminating ARD?

**A.11** – It is expected that there will be very limited impact. Data reviewed by NCCI indicates that approximately 90% of policies countrywide have an ARD that is the same as the policy effective date. NCCI has also indicated that based on their observation of how the system works in states that have already eliminated ARD there is no anticipated increase in the usual and customary cancellation activity by carriers or employers.

**Q.12** - How does this benefit or harm employers in my state?

**A.12** – The elimination of the ARD is not being viewed as a “benefit or harm” issue. If both parties (carrier and employer) are satisfied with the business relationship, neither will likely have an incentive to discontinue it, particularly by cancelling the policy midterm. In instances where a midterm cancellation does occur, this change will simply provide that the rates in effect when the new policy is written will be the rates that apply. This is consistent with employers’ insurance buying experience for all other lines of business and personal insurance.

**Q.13** - How many employers in my state will be affected?

**A.13** – NCCI has indicated that in 2014, approximately 90% of policies countrywide had an ARD that was the same as the policy effective date (PED). So a possible impact may be experienced by the remaining 10% of policies countrywide.

It is not possible to predict the individual employer premium impact. No statewide premium impact is expected as a result of the elimination of ARD.

**Q.14** - Does the elimination of ARD impact experience rating?

**A.14** - There is no impact to the calculation of experience rating modification factors. There is also no impact to the process of determining the rating effective date. The only change to the *Experience Rating Plan Manual* will be how a modification is applied to a policy if the ARD is

different from the policy effective date. With the proposed change, the ARD reference will be eliminated. For instance, a change in a modification will be applied based on when a change occurs in comparison to the policy effective date (as it is today) or the rating effective date if later than the policy effective date. Exhibits 15 and 16 of the national NCCI Item B-1430 provide the revised rules in their entirety. State special rules may also apply.

**Q.15** - When and how will employers be notified that they no longer have an ARD?

**A.15** - Most employers continue to routinely renew their workers compensation policies on an annual basis. For them, this change will be a nonevent. For others, when a cancellation occurs, the new policy they receive from the rewriting carrier will apply the rates, rules, classifications, experience rating modifications, etc., that are in effect as of the effective date of the new policy.

**Q.16** - Does the elimination of ARD affect the premium calculation on an employer's policy?

**A.16** - The premium calculation method for a policy does not change in any manner. What does change is the elimination of applying multiple sets of rates used in the calculation on a given policy.



**National Council on  
Compensation  
Insurance**

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June 2, 2015

Ms. Betty Hurst  
North Carolina Rate Bureau  
5401 Six Forks Road  
Raleigh, North Carolina 27609

Re: **Item B-1430—Elimination of Anniversary Rating Date (ARD)**

Dear Ms. Hurst:

We are filing the above captioned item in a number of NCCI jurisdictions. The attached filing memorandum describes the proposed changes.

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NCCI maintains a report for use by our common members that contains the approval status of national and state item filings (*Status of Item Filings Circular*). Please notify Michelle Smith by phone (561-893-3016) or e-mail (michelle\_smith@ncci.com) if your organization files and receives approval of this item. This information will be reflected in the *Status of Item Filings Circular*, which is located on our web site and to which you have been given access.

Sincerely,

A handwritten signature in black ink that reads "A Quinn".

Amy Quinn  
State Relations Executive

AQ:ah

Attachment

c: Rebecca Williams



## FILING MEMORANDUM

### ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

---

#### PURPOSE

This item eliminates or revises rules and endorsements that reference anniversary rating date (ARD) in the following NCCI manuals:

- *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*
- *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Experience Rating Plan Manual)*
- *Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)*
- *Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)*

#### BACKGROUND

ARD was established in 1923 during the original development of the workers compensation system. As defined in NCCI's *Basic Manual* Rule 3-A-2—Anniversary Rating Date, ARD is the effective month and day of the policy in effect, and each anniversary thereafter, unless a different date has been established by NCCI or another licensed rating organization. In the majority of states, rules, classifications, and rates are applied on an ARD basis. ARD applies only to workers compensation insurance; no other lines of insurance use an ARD rules system.

Typically, the ARD is the same as the policy effective date. In 2014, the ARD and policy effective date were the same for approximately 90% of policies. However, there are situations in which the ARD and policy effective date may differ. In those situations, more than one set of rules, classifications, or rates may apply to a policy during a single policy period. For example, assume the workers compensation rates change annually on January 1. If a policy has an effective date of January 1 but an ARD of July 1, the new rates would initially apply to that policy on July 1, regardless of the policy's effective date. In this situation, two sets of rates would apply to the same policy. The Anniversary Rating Date Endorsement (WC 00 04 02) would be used to show that the ARD is different from the policy effective date.

For many in the insurance industry, and particularly for employers, the ARD rules have been, and continue to be, a source of confusion. While the concept may be relatively simple, in practice, the determination of ARD can be difficult. This is apparent in cases where a policy has been cancelled and rewritten or when an employer has multiple policies with varying effective dates. For example, consider an employer with a single policy that has a January 1, 2015 ARD and policy effective date. The annual rate change date is also effective January 1. The policy is cancelled and rewritten with the same carrier effective July 1, 2015–July 1, 2016. The January 1 ARD applies to the rewritten policy until the following January 1. The revised January 1 rates are applied to the rewritten policy until the expiration date of the rewritten policy. A new ARD is established based on the effective date of the rewritten policy and becomes the ARD for future policies. The following table illustrates this example:

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Policy Period	ARD is...	Apply the Rules, Classifications, and Rates Effective On...	From...	Until...
1/1/2015 to 1/1/2016	1/1	1/1/2015	1/1/2015	1/1/2016
7/1/2015 to 7/1/2016	1/1	1/1/2015	7/1/2015	1/1/2016
	1/1	1/1/2016	1/1/2016	7/1/2016
7/1/2016 to 7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017

Consider another example for an employer that has multiple policies with varying effective dates. The ARD for all of the employer’s policies is determined by the effective month and day of the policy with the largest standard premium. An employer’s ARD could vary from year to year if there are changes in the employer’s premium that results in a change in the policy having the largest standard premium.

The ARD rule isn’t applicable in all states. If ARD applies to some, but not all, states on the policy, rules, classifications, and rates for that policy may have varying effective dates depending on the employer’s policy history and states included on the policy. This adds more confusion to an already complex situation for employers and carriers to administer.

The states of Alabama, Illinois, Louisiana, and Maine eliminated ARD more than 13 years ago. In recent years, Georgia, New Mexico, and West Virginia have eliminated ARD. In these seven states and Texas, the rules, classifications, and rates apply based on the policy effective date. Therefore, if a policy with a January 1 effective date is cancelled midterm and rewritten effective July 1, the rules, classifications, and rates in effect on July 1 apply to the rewritten policy. In the states that have eliminated ARD, there have been no reports of market disruption or evidence of carriers or employers cancelling policies midterm to take advantage of rate increases or decreases. NCCI has not received a single employer complaint or carrier concern regarding the elimination of ARD in these states.

NCCI has determined that the use of ARD to apply rules, classifications, and rates to a policy is no longer necessary. Therefore, rules and endorsements referencing ARD in NCCI’s manuals must be eliminated or revised.

The benefits of eliminating ARD and establishing a national approach of using the policy effective date to determine the application of rules, classifications, and rates include:

- **Consumer Responsiveness**—Policyholders and agents have complained about the complexity and confusion caused by the ARD rule. They do not deal with an ARD system when purchasing any other type of business or personal insurance. Eliminating ARD means the consumer purchasing experience for workers compensation insurance will conform to all other lines of insurance.
- **Uniformity**—All NCCI states would use the same approach for applying rules, classifications, and rates to a policy, which would be particularly beneficial for multistate policies.
- **Simplicity**—ARD is complicated to apply in circumstances such as short-term policies, gaps in coverage, and ownership changes. Use of policy effective date, instead of ARD, would mean that

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## FILING MEMORANDUM

### ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

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rules, classifications, and rates applied to a policy would remain the same throughout the policy period regardless of such circumstances.

- **Ease of Understanding**—Use of the policy effective date would simplify policyholder understanding. It would also eliminate the need for complicated explanations regarding application of the ARD rule, which sometimes entail use of more than one set of rates for a given policy.

### PROPOSAL

This item proposes to:

1. Eliminate or revise several national and state-specific ARD rules in the following NCCI manuals:
  - **Basic Manual**
  - **Experience Rating Plan Manual**
  - **Statistical Plan**
2. Eliminate or revise several national and state-specific endorsements in NCCI's **Forms Manual**.
3. Make minor grammatical and formatting revisions.

#### New Mexico Specific:

This item proposes that rules in NCCI's **New Mexico Workers' Compensation Assigned Risk Pool Manual (NMARM)** be revised.

#### Texas Specific:

This item proposes that Texas-specific rules in NCCI's **Retrospective Rating Plan Manual for Workers Compensation and Employers Liability Insurance (Retrospective Rating Plan Manual)** be revised.

### IMPACT

Based on a review of policy data reported to NCCI in 2014, the ARD and policy effective date for most policies is the same date. Therefore, it is expected that the elimination of ARD will not impact a large number of employers. It is not possible to determine the impact for individual employers that have a policy where the ARD and policy effective date differ because ARDs and policy effective dates vary by employer. No statewide premium impact is expected as a result of the changes proposed in this item.

### EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

In all states except Hawaii, this item is to become effective for new and renewal policies effective on and after 12:01 a.m. on May 1, 2017.

In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>National Exhibits</b>			
1-Rule	Details the revisions to Introduction—Application of Manual Rules.	<ul style="list-style-type: none"> <li>• All states except MA</li> <li>• Also, refer to state exhibits for AL, GA, IL, LA, ME, NC, NM, TX, WV</li> <li>• In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 1-Rule would become applicable</li> </ul>	Revises NCCI's <i>Basic Manual</i>
2-Rule	Details the elimination of Rule 3-A-2.	<ul style="list-style-type: none"> <li>• All states except MA</li> <li>• Also, refer to state exhibits for AL, AZ, GA, IL, LA, ME, NM, OR, TX, VA, WV</li> </ul>	
3-Rule	Details the revisions to Rule 3-A-11-e.	<ul style="list-style-type: none"> <li>• All states except HI, ID, MA, OR, TX</li> <li>• Also, refer to state exhibits for GA, HI, IL, NM, OR, WV</li> <li>• In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 3-Rule would become applicable</li> </ul>	
4-Rule	Details the revisions to Rule 3-A-16-b(4).	<ul style="list-style-type: none"> <li>• All states except MA, TX</li> <li>• Also, refer to state exhibits for GA, IL, NM, WV</li> <li>• In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 4-Rule would become applicable</li> </ul>	

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>National Exhibits</b>			
5-Rule	Details the revisions to Rule 3-A-19-a.	<ul style="list-style-type: none"> <li>• All states except MA, TX</li> <li>• Assigned risk policies in CT, NH, TN</li> <li>• Also, refer to state exhibits for GA, IL, NM, WV</li> <li>• In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 5-Rule would become applicable</li> </ul>	Revises NCCI's <i>Basic Manual</i>
6-Rule	Details the revisions to Rule 3-A-21.	<ul style="list-style-type: none"> <li>• All states except MA</li> <li>• Also, refer to state exhibits for GA, IL, NM, TX, WV</li> <li>• In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 6-Rule would become applicable</li> </ul>	
7-Rule	Details the revisions to Rule 4-B-4-b.	Assigned risk policies in AL, AR, DC, IA, ID, IN, KS, MS, NH, SC, SD, TN, VT, WV	
8-Rule	Details the revisions to Rule 4-B-4-n.	Assigned risk policies in AL, AR, DC, IA, ID, IN, KS, MS, NH, SC, SD, TN, VT, WV	
9-Rule	Details the revisions to Rule 4-C-5-b(3).	Assigned risk policies in AL, AZ, CT, DC, GA, ID, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, TN, VT, WV	

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>National Exhibits</b>			
10-Rule	Details the revisions to Rule 4-C-6-a.	<ul style="list-style-type: none"> <li>• Assigned risk policies in AL, AZ, CT, DC, GA, ID, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, TN, VT, WV</li> <li>• Also, refer to state exhibits for AL, GA, IL, WV</li> <li>• In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 10-Rule would become applicable</li> </ul>	Revises NCCI's <i>Basic Manual</i>
11-Rule	Details the revisions to Rule 4-H-1-a(5).	Assigned risk policies in AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, TN, VA, VT, WV	
12-Rule	Details the revisions to Rule 1-B(3) and Rule 1-B(4).	<ul style="list-style-type: none"> <li>• All states</li> <li>• Also, refer to state exhibits for GA, IL, NM, TX, WV</li> <li>• In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 12-Rule would become applicable</li> </ul>	Revises NCCI's <i>Experience Rating Plan Manual</i>
13-Rule	Details the revisions to Rule 2-B.	<ul style="list-style-type: none"> <li>• All states</li> <li>• Also, refer to state exhibits for GA, IL, LA, NM, OR, TX, WV</li> <li>• In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 13-Rule would become applicable</li> </ul>	

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>National Exhibits</b>			
14-Rule	Details the revisions to Rule 3-C-2.	<ul style="list-style-type: none"> <li>All states</li> <li>Also, refer to state exhibits for GA, IL, NM, TX, WV</li> <li>In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 14-Rule would become applicable</li> </ul>	Revises NCCI's <i>Experience Rating Plan Manual</i>
15-Rule	Details the revisions to Rule 4-D.	<ul style="list-style-type: none"> <li>All states except IL</li> <li>Also, refer to state exhibits for GA, IL, KS, NM, OR, TX, WV</li> <li>In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 15-Rule would become applicable</li> </ul>	
16-Rule	Details the revisions to Rule 4-E.	<ul style="list-style-type: none"> <li>All states except AK, FL, IL, KS, ME, MO, NE, OR, TN, TX</li> <li>Also, refer to state exhibits for AK, FL, GA, IL, KS, ME, MO, NE, NM, OR, TN, TX, WV</li> <li>In the states listed above where state rule exceptions are being eliminated, the proposed national rule as shown in Exhibit 16-Rule would become applicable</li> </ul>	
17-Rule	Details the removal of the reference to the <i>Basic Manual</i> rules for prior ARD applicability from Part 3-B.	All states except MA, NC, TX	Revises NCCI's <i>Statistical Plan</i>
18-Rule	Details the revisions to Part 3-G.	All states except MA, NC, TX	

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>National Exhibits</b>			
19-Form	Details the revisions to the Information Page Notes (WC 00 00 01 B).	All states except IN, MA, NC	Revises NCCI's <i>Forms Manual</i>
20-Form	Details the withdrawal of the Anniversary Rating Date Endorsement (WC 00 04 02).	All states except AL, GA, IL, IN, LA, MA, ME, NC, NM, TX, WV	
21-Form	Details the revisions to the Contracting Classification Premium Adjustment Program Workers Compensation Premium Credit Application (Form NC-5000 A).	<ul style="list-style-type: none"> <li>• CT, HI, MT, NE, NM, OK, OR</li> <li>• Form NC-5001 is being withdrawn in NM; proposed Form NC-5000 B as shown in Exhibit 21-Form would become applicable NM</li> </ul>	
22-Form	Details the withdrawal of the Contracting Classification Premium Adjustment Program Application for Non-ARD States (Form NC-5001).	NM	
<b>State Exhibits</b>			
23-Rule	Details the elimination of Alabama State Rule Exception to Introduction—Application of Manual Rules.	AL	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the elimination of Alabama State Rule Exception 3-A-2.	AL	
25-Rule	Details the elimination of Alabama State Rule Exception 4-C-6-a.	Assigned risk policies in AL	Revises NCCI's <i>Basic Manual</i>
26-Form	Details the withdrawal of the Alabama Anniversary Rating Date Endorsement (WC 01 04 02).	AL	Revises NCCI's <i>Forms Manual</i>

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
23-Rule	Details the revisions to the Alaska Contracting Classification Premium Adjustment Program Miscellaneous Rule.	AK	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the revisions to Alaska State Rule Exception 4-E.	AK	Revises NCCI's <i>Experience Rating Plan Manual</i>
23-Rule	Details the elimination of Arizona State Rule Exception 3-A-2.	AZ	Revises NCCI's <i>Basic Manual</i>
24-Form	Details the revisions to the Arizona Employee Leasing Endorsement (WC 02 03 01).	AZ	Revises NCCI's <i>Forms Manual</i>
23-Rule	Details the revisions to Colorado Premium Credits for Certified Risk Management Programs or Service Miscellaneous Rule.	CO	Revises NCCI's <i>Basic Manual</i>
23-Rule	Details the revisions to Connecticut State Rule Exception 3-A-1.	CT	
24-Rule	Details the revisions to the Connecticut Contracting Classification Premium Adjustment Program Miscellaneous Rule.	CT	
23-Rule	Details the revisions to Florida State Rule Exception 3-D-6-a(2)(f).	FL	
24-Rule	Details the revisions to Florida State Rule Exception 3-D-6-h(2).	FL	

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
25-Rule	Details the revisions to Florida Contracting Classification Premium Adjustment Program Miscellaneous Rule.	FL	Revises NCCI's <i>Basic Manual</i>
26-Rule	Details the revisions to Florida State Rule Exception 4-E.	FL	Revises NCCI's <i>Experience Rating Plan Manual</i>
27-Rule	Details the revisions to Florida State Rule Exception 5-A-2-b(1).	FL	
28-Form	Details the revisions to the Florida Experience Rating Modification Factor Endorsement (WC 09 04 02).	FL	Revises NCCI's <i>Forms Manual</i>
23-Rule	Details the revisions to Georgia State Rule Exception to Introduction—Application of Manual Rules.	GA	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the elimination of Georgia State Rule Exception 3-A-2.	GA	
25-Rule	Details the elimination of Georgia State Rule Exception 3-A-11-e.	GA	
26-Rule	Details the elimination of Georgia State Rule Exception 3-A-16-b(4).	GA	
27-Rule	Details the elimination of Georgia State Rule Exception 3-A-19-a.	GA	

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Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
28-Rule	Details the elimination of Georgia State Rule Exception 3-A-21-a(1).	GA	Revises NCCI's <i>Basic Manual</i>
29-Rule	Details the elimination of Georgia State Rule Exception 4-C-6-a.	Assigned risk policies in GA	
30-Rule	Details the elimination of Georgia State Rule Exception 1-B-3.	GA	Revises NCCI's <i>Experience Rating Plan Manual</i>
31-Rule	Details the elimination of Georgia State Rule Exception 2-B.	GA	
32-Rule	Details the elimination of Georgia State Rule Exception 3-C-2-d.	GA	
33-Rule	Details the elimination of Georgia State Rule Exception 4-D.	GA	
34-Rule	Details the elimination of Georgia State Rule Exception 4-E.	GA	
23-Rule	Details the revisions to Hawaii State Rule Exceptions 3-A-11-a and 3-A-11-e.	HI	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the revisions to Hawaii Contracting Classification Premium Adjustment Program Miscellaneous Rule.	HI	
23-Rule	Details the elimination of Illinois State Rule Exception to Introduction—Application of Manual Rules.	IL	

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Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
24-Rule	Details the elimination of Illinois State Rule Exception 3-A-2.	IL	Revises NCCI's <i>Basic Manual</i>
25-Rule	Details the elimination of Illinois State Rule Exception 3-A-11-e.	IL	
26-Rule	Details the elimination of Illinois State Rule Exception 3-A-16-b(4).	IL	
27-Rule	Details the elimination of Illinois State Rule Exception 3-A-19-a.	IL	
28-Rule	Details the elimination of Illinois State Rule Exception 3-A-21-a(1).	IL	
29-Rule	Details the elimination of Illinois State Rule Exception 4-C-6-a.	Assigned risk policies in IL	
30-Rule	Details the elimination of Illinois State Rule Exception 1-B-3.	IL	Revises NCCI's <i>Experience Rating Plan Manual</i>
31-Rule	Details the elimination of Illinois State Rule Exception 2-B.	IL	
32-Rule	Details the elimination of Illinois State Rule Exception 3-C-2-d.	IL	
33-Rule	Details the revisions to Illinois State Rule Exception 4-D. <b>Note:</b> This revision does not affect the current Illinois state rule exceptions to <i>Experience Rating Plan Manual</i> Rule 4-D-1 and Rule 4-D-2.	IL	

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
34-Rule	Details the revisions to Illinois State Rule Exception 4-E.	IL	Revises NCCI's <i>Experience Rating Plan Manual</i>
23-Rule	Details the elimination of Kansas Assigned Risk Retrospective Rating Plan Rule 2-a.	Assigned risk policies in KS	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the revisions to Kansas State Rule Exception 4-D.	KS	Revises NCCI's <i>Experience Rating Plan Manual</i>
25-Rule	Details the revisions to Kansas State Rule Exception 4-E.	KS	
26-Form	Details the revisions to the Kansas Professional Employer Organization (PEO) Multiple Coordinated Policy Endorsement for Policy Covering the PEO (WC 15 03 03 A).	KS	Revises NCCI's <i>Forms Manual</i>
23-Form	Details the revisions to the Kentucky Employee Leasing Endorsement (WC 16 03 02 A).	KY	
23-Rule	Details the elimination of Louisiana State Rule Exception to Introduction—Application of Manual Rules.	LA	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the elimination of Louisiana State Rule Exception 3-A-2.	LA	
25-Rule	Details the elimination of Louisiana State Rule Exception 2-B-1.	LA	Revises NCCI's <i>Experience Rating Plan Manual</i>

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
26-Form	Details the withdrawal of the Louisiana Anniversary Rating Date Endorsement (WC 17 04 01).	LA	Revises NCCI's <i>Forms Manual</i>
27-Form	Details the revisions to the Louisiana Amendatory Endorsement (WC 17 06 01 E).	LA	
23-Rule	Details the elimination of Maine State Rule Exception to Introduction—Application of Manual Rules.	ME	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the elimination of Maine State Rule Exception 3-A-2.	ME	
25-Rule	Details the revisions to Maine State Rule Exception 4-E.	ME	Revises NCCI's <i>Experience Rating Plan Manual</i>
26-Form	Details the withdrawal of the Maine Anniversary Modification Rating Date Endorsement (WC 18 04 07).	ME	Revises NCCI's <i>Forms Manual</i>
23-Rule	Details the revisions to Maryland Construction Classification Premium Reduction Program Miscellaneous Rule.	MD	Revises NCCI's <i>Basic Manual</i>
24-Form	Details the revisions to the Maryland Construction Classification Premium Reduction Program (CCPRP) Workers Compensation Premium Credit Application (Form 19-1C).	MD	Revises NCCI's <i>Forms Manual</i>

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
23-Rule	Details the revisions to Missouri State Rule Exception 4-E.	MO	Revises NCCI's <i>Experience Rating Plan Manual</i>
23-Rule	Details the revisions to Montana Construction Premium Credit Program Miscellaneous Rule.	MT	Revises NCCI's <i>Basic Manual</i>
24-Form	Details the revisions to the Montana Employee Leasing/Professional Employer Endorsement (WC 25 03 01).	MT	Revises NCCI's <i>Forms Manual</i>
23-Rule	Details the revisions to Nebraska Contracting Classification Premium Credit Adjustment Program Miscellaneous Rule.	NE	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the revisions to Nebraska State Rule Exception 4-E.	NE	Revises NCCI's <i>Experience Rating Plan Manual</i>
25-Form	Details the revisions to the Nebraska Professional Employer Organization (PEO) Multiple Coordinated Policy Endorsement for Policy Covering the PEO (WC 26 03 01).	NE	Revises NCCI's <i>Forms Manual</i>

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
26-Form	Details the revisions to the Nebraska Professional Employer Organization (PEO) Multiple Coordinated Policy Endorsement for Policy Covering the Client (WC 26 03 02).	NE	Revises NCCI's <i>Forms Manual</i>
27-Form	Details the revisions to the Nebraska Experience Rating Modification Endorsement (WC 26 04 01).	NE	
23-Rule	Details the elimination of New Mexico State Rule Exception to Introduction—Application of Manual Rules.	NM	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the elimination of New Mexico State Rule Exception 3-A-2.	NM	
25-Rule	Details the elimination of New Mexico State Rule Exception 3-A-11-e.	NM	
26-Rule	Details the elimination of New Mexico State Rule Exception 3-A-16-b(4).	NM	
27-Rule	Details the elimination of New Mexico State Rule Exception 3-A-19-a.	NM	

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
28-Rule	Details the elimination of New Mexico State Rule Exception 3-A-21-a(1).	NM	Revises NCCI's <i>Basic Manual</i>
29-Rule	Details the elimination of New Mexico State Rule Exception 1-B-3.	NM	Revises NCCI's <i>Experience Rating Plan Manual</i>
30-Rule	Details the elimination of New Mexico State Rule Exception 2-B.	NM	
31-Rule	Details the elimination of New Mexico State Rule Exception 3-C-2-d.	NM	
32-Rule	Details the elimination of New Mexico State Rule Exception 4-D.	NM	
33-Rule	Details the elimination of New Mexico State Rule Exception 4-E.	NM	
34-Rule	Details the revisions to Rule 4-D-2.	Assigned risk policies in NM	Revises NCCI's <i>NMARM</i>
35-Rule	Details the revisions to Rule 8-A.	Assigned risk policies in NM	
23-Rule	Details the revisions to Nevada State Rule Exception 3-D-6-a(2)(g).	Assigned risk policies in NV	Revises NCCI's <i>Basic Manual</i>

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Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
24-Rule	Details the revisions to Nevada State Exception 5-A-2-c.	NV	Revises NCCI's <i>Experience Rating Plan Manual</i>
25-Rule	Details the revisions to the Nevada State Exception to Part 3-F-1.	NV	Revises NCCI's <i>Statistical Plan</i>
26-Form	Details the revisions to the Nevada Employee Leasing Multiple Coordinated Policies Basis Endorsement (WC 27 03 01 A).	NV	Revises NCCI's <i>Forms Manual</i>
23-Rule	Details the revisions to North Carolina State Rule Exception to Introduction—Application of Manual Rules.	NC	Revises NCCI's <i>Basic Manual</i>
23-Rule	Details the revisions to Oklahoma State Rule Exception 3-A-1.	OK	
24-Rule	Details the revisions to Oklahoma Contracting Classification Premium Credit Adjustment Program Miscellaneous Rule.	OK	
23-Rule	Details the elimination of Oregon State Rule Exception 3-A-2.	OR	
24-Rule	Details the revisions to Oregon State Rule Exception 3-A-11-e.	OR	
25-Rule	Details the revisions to Oregon State Rule Exception 3-D.	OR	

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Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
26-Rule	Details the revisions to Oregon Contracting Classification Premium Adjustment Program Miscellaneous Rule.	OR	Revises NCCI's <i>Basic Manual</i>
27-Rule	Details the elimination of Oregon State Rule Exception 2-B.	OR	Revises NCCI's <i>Experience Rating Plan Manual</i>
28-Rule	Details the elimination of Oregon State Rule Exception 4-D-1.	OR	
29-Rule	Details the revisions to Oregon State Rule Exception 4-E.	OR	
30-Rule	Details the revisions to Oregon Group Supplemental Experience Rating Plan Miscellaneous Rule.	OR	
31-Rule	Details the revisions to Oregon Merit Rating Plan Miscellaneous Rule.	OR	
32-Rule	Details the revisions to the Oregon State Exception to Part 3-A.	OR	Revises NCCI's <i>Statistical Plan</i>
33-Form	Details the revisions to the Oregon Group Supplemental Experience Rating Plan Endorsement (WC 36 04 04).	OR	Revises NCCI's <i>Forms Manual</i>
23-Rule	Details the revisions to Tennessee State Rule Exception 4-E.	TN	Revises NCCI's <i>Experience Rating Plan Manual</i>

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Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
23-Rule	Details the elimination of Texas State Rule Exception to Introduction—Application of Manual Rules.	TX	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the elimination of Texas State Rule Exception 3-A-2.	TX	
25-Rule	Details the elimination of Texas State Rule Exception 3-A-21-a(1).	TX	
26-Rule	Details the elimination of Texas State Rule Exception 1-B-3.	TX	Revises NCCI's <i>Experience Rating Plan Manual</i>
27-Rule	Details the elimination of Texas State Rule Exception 2-B.	TX	
28-Rule	Details the elimination of Texas State Rule Exception 3-C-2-d.	TX	
29-Rule	Details the revisions to Texas State Rule Exception 4-D.	TX	
30-Rule	Details the revisions to Texas State Rule Exception 4-E.	TX	
31-Rule	Details the revisions to Texas State Rule Exception 2-D.	TX	Revises NCCI's <i>Retrospective Rating Plan Manual</i>
32-Rule	Details the revisions to Texas State Rule Exception 2-F.	TX	
33-Rule	Details the elimination of Texas State Exception to Part 3-B.	TX	Revises NCCI's <i>Statistical Plan</i>
34-Rule	Details the elimination of Texas State Exception to Part 3-G.	TX	
23-Form	Details the revisions to the Utah Employee Leasing Endorsement (WC 43 03 02).	UT	Revises NCCI's <i>Forms Manual</i>
23-Rule	Details the revisions to Vermont Merit Rating Plan Miscellaneous Rule.	Assigned risk policies in VT	Revises NCCI's <i>Basic Manual</i>

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Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
23-Rule	Details the elimination of Virginia State Rule Exception 3-A-2.	VA	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the revisions to Virginia Contracting Classification Premium Adjustment Program Miscellaneous Rule.	VA	
25-Rule	Details the revisions to Virginia Drug-Free Workplace Premium Credit Miscellaneous Rule.	Assigned risk policies in VA	
26-Rule	Details the revisions to Virginia State Rule Exception 5-A-2-b.	VA	Revises NCCI's <i>Experience Rating Plan Manual</i>
27-Form	Details the revisions to the Virginia Contracting Classification Premium Adjustment Program (CCPAP) Workers Compensation Premium Credit Application (Form 45-3B).	VA	Revises NCCI's <i>Forms Manual</i>
23-Rule	Details the elimination of West Virginia State Rule Exception to Introduction—Application of Manual Rules.	WV	Revises NCCI's <i>Basic Manual</i>
24-Rule	Details the elimination of West Virginia State Rule Exception 3-A-2.	WV	
25-Rule	Details the elimination of West Virginia State Rule Exception 3-A-11-e.	WV	
26-Rule	Details the elimination of West Virginia State Rule Exception 3-A-16-b(4).	WV	

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Exhibit	Exhibit Comments	Applicable Proposal:	Implementation Summary
<b>State Exhibits</b>			
27-Rule	Details the elimination of West Virginia State Rule Exception 3-A-19-a.	WV	Revises NCCI's <i>Basic Manual</i>
28-Rule	Details the elimination of West Virginia State Rule Exception 3-A-21-a(1).	WV	
29-Rule	Details the elimination of West Virginia State Rule Exception 4-C-6-a.	Assigned risk policies in WV	
30-Rule	Details the elimination of West Virginia State Rule Exception 1-B-3.	WV	Revises NCCI's <i>Experience Rating Plan Manual</i>
31-Rule	Details the elimination of West Virginia State Rule Exception 2-B.	WV	
32-Rule	Details the elimination of West Virginia State Rule Exception 3-C-2-d.	WV	
33-Rule	Details the elimination of West Virginia State Rule Exception 4-D.	WV	
34-Rule	Details the elimination of West Virginia State Rule Exception 4-E.	WV	

**Note:** Some states require that rule and form filings be filed separately. For filing purposes in those states, this memorandum is being provided for both the rule and form exhibits. The rule exhibits are filed with the regulatory authority as Item B-1430-R. The form exhibits are filed with the regulatory authority as Item B-1430-F.

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**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 1-RULE  
BASIC MANUAL—2001 EDITION  
PART ONE—RULES****(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

This manual contains rules that have been approved by state insurance regulators. These rules cover the following topics:

- Introduction—Application of Manual Rules
- Rule 1—Classification Assignment
- Rule 2—Premium Basis and Payroll Allocation
- Rule 3—Rating Definitions and Application of Premium Elements
- Rule 4—Workers Compensation Insurance Plan Rules

**INTRODUCTION—APPLICATION OF MANUAL RULES**

1. Rules apply separately to each policy, except as provided in the rules related to premium discount and executive officers.
2. This manual applies only from the policy effective anniversary rating date that occurs on or after the effective date of this manual.
3. The effective date of a change in any rule, classification, rate, or loss cost is 12:01 a.m. on the date approved for use.
4. Changes made during a policy period are effective as of the policy effective date on or after the next anniversary rating date on or after the date of the change, unless otherwise specified.
5. ~~The anniversary rating date is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by the National Council on Compensation Insurance, Inc. (NCCI) or other licensed rating organization. Refer to Rule 3-A-2 for more information.~~  
The rules in this manual are based on policy periods not longer than one year.
  - a. A policy issued for a period not longer than one year and 16 days is treated as a one-year policy.
  - b. A policy issued for a period longer than one year and 16 days, that is not a three-year fixed-rate policy, is a long-term policy and treated as follows:
    - The policy period is divided into consecutive 12-month units.
    - The Policy Period Endorsement is used to designate either the first or last unit of less than 12 months as a short-term policy.
    - Rules, classifications, and rates are applied to individual units of 12 months each as if a separate policy had been issued for each unit.
6. The National Council on Compensation Insurance, Inc. (NCCI) has the right to conduct inspections of operations, assign classifications, and determine the propriety of classification assignments and applicability of all **Basic Manual** rules.
7. NCCI has authority to conduct test audits and to require corrections in accordance with the results of the test audit.
8. Appeals involving the application of the rules or classifications of this manual may be resolved through the applicable administrative appeals process. *Refer to the User's Guide for more information.*
9. Interpretation of state or federal laws pertaining to coverage issues is not within the jurisdiction of NCCI.
10. Some **Basic Manual** rules may have special assigned risk rules, notes, or exceptions. In states where assigned risk markets do not exist, these rules, notes, and exceptions do not apply.

ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

EXHIBIT 2-RULE  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS

A. EXPLANATION AND APPLICATION

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

2. ~~Anniversary Rating Date (ARD)~~ (RESERVED FOR FUTURE USE)

The anniversary rating date is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by the National Council on Compensation Insurance, Inc. or other licensed rating organization.

Rules, classifications, and rates are applied on an Anniversary Rating Date basis for all risks. When a material change in ownership occurs, the ARD of the previous entity is not used to determine the applicable rules, classifications, and rates of the new entity. For more information on ownership changes, refer to the **Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance**.

To determine the proper application, refer to the tables below:

ARD Table 4

For a single policy risk whose : : :	The insurance carrier must apply : : :
<p>Policies have run consecutively, or,  The risk is a new entity : : :</p>	<p>The rules, classifications, and rates effective on the normal ARD for the full term of:</p> <ul style="list-style-type: none"> <li>• The policy beginning on that date, or</li> <li>• Any other policy beginning up to three months after that date</li> </ul> <p><i>Refer to the User's Guide for an example.</i></p>
<p>Policy has been cancelled and rewritten, either by the same or another carrier : : :</p>	<p>To the rewritten policy, all rules, classifications, and rates of the rewriting carrier in effect as of the:</p> <ul style="list-style-type: none"> <li>• Normal ARD to the new policy until the next normal ARD has been reached or until the next ARD is established by the rating organization.</li> <li>• Next normal ARD until the expiration date of the rewritten policy or until the next ARD is established by the rating organization. Upon the expiration date of the rewritten policy, a new ARD is established based on the effective date of the rewritten policy. The new ARD becomes the normal ARD for future policies.</li> </ul> <p><i>Refer to the User's Guide for an example.</i></p>



ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

**EXHIBIT 2-RULE (CONT'D)**  
**BASIC MANUAL—2001 EDITION**  
**RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS**  
**A. EXPLANATION AND APPLICATION**  
 (Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

**ARD Table 2**

For a multiple policy risk with varying effective dates . . .	The insurance carrier must apply . . .
That is not a long-term policy or Three-Year Fixed-Rate Policy . . .	The rules, classifications, and rates in effect on the normal ARD until the next normal ARD: <ul style="list-style-type: none"> <li>▪ These rules, classifications, and rates apply to the portion of each policy falling within the 12-month period, regardless of their effective and termination dates.</li> <li>▪ The renewal rules, classifications, and rates must be applied in the same manner.</li> <li>▪ The ARD is determined by the policy with the largest standard premium, unless otherwise established by the rating organization.</li> </ul> Refer to the <i>User's Guide</i> for an example.
That has been cancelled and rewritten, either by the same or another carrier . . .	To the rewritten policy, all rules, classifications and rates of the rewriting carrier that were in effect as of the: <ul style="list-style-type: none"> <li>▪ Normal ARD to the new policy until the next normal ARD has been reached or until the next ARD is established by the rating organization.</li> <li>▪ Next normal ARD until the expiration date of the rewritten policy or until the next ARD is established by the rating organization. Upon the expiration date of the rewritten policy, a new ARD is established based on the effective date of the rewritten policy. The new ARD becomes the normal ARD for future policies.</li> </ul>

**ARD Table 3**

For other situations such as . . .	The insurance carrier must apply . . .
A long-term policy (issued for a period longer than one year and 16 days, other than a Three-Year Fixed-Rate Policy) . . .	All rules, classifications and rates to individual units as if a separate policy had been issued. <ul style="list-style-type: none"> <li>▪ Divide the policy into consecutive units of 12 months each.</li> <li>▪ This division will designate either the first or last unit of less than 12 months as a short-term policy.</li> </ul> Refer to the <i>User's Guide</i> for an example.
A Three-Year Fixed-Rate Policy . . .	The rates in force on the effective date of the policy without change until its termination.

ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

**EXHIBIT 2-RULE (CONT'D)**  
**BASIC MANUAL—2001 EDITION**  
**RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS**  
**A. EXPLANATION AND APPLICATION**  
 (Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)  
**ARD Table 3 (Cont'd)**

For other situations such as . . .	The insurance carrier must apply . . .
	<p><b>Exceptions:</b></p> <p>A single rate revision resulting in an increase of 10% or more on outstanding policies must be applied to the remaining portion of the policy</p>

**ARD Table 4**

<b>Applicable Endorsements</b>
<ul style="list-style-type: none"> <li>• Use the Standard Anniversary Rating Date Endorsement (WG 00 04 02) when necessary. The endorsement is used to show the normal anniversary rating date if different from the policy effective date.</li> <li>• Use the Standard Policy Period Endorsement (WG 00 04 05) if the policy period is not a multiple of 12 months. This endorsement is used to designate the first or last unit of less than 12 months as a short-term policy.</li> </ul>

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 3-RULE  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV)**

**11. Expense Constant**

Expense Constant is a premium charge that is applied to every policy regardless of premium size. The expense constant contributes to the recovery of expenses common to issuing, recording, and auditing a policy. The expense constant charged at the inception of the policy will not change when a state is added or deleted during the policy term.

In competitive rating jurisdictions, the expense constant is filed by or on behalf of the carrier. In administered pricing jurisdictions, the expense constant is shown on the state pages.

**Note:** The following rules, as they appear in this manual, do not apply unless approval for their use is obtained by or on behalf of the carrier from the appropriate insurance regulatory authority.

## a. The expense constant is:

- Not subject to premium discount, experience rating modification, retrospective rating adjustment, or additional charges for the catastrophe provisions detailed in Rule 3-A-24.
- Included in the minimum premium for each classification and must not be added to the minimum premium if the minimum premium becomes the final premium for the policy
- Shown on the Information Page of the policy. For details, *refer to **User's Guide D-2-g(6)***.

*Refer to the **User's Guide** for an example.*

- b. When more than one state is insured on the same policy, the highest expense constant must be charged even if that state is on an "if any" basis. If two or more states have the same highest expense constant, the expense constant is determined by the state with the largest amount of standard premium.
- c. The expense constant must be excluded from the determination of standard premium.
- d. Full expense constants must be charged for short-term policies.

**Exceptions:**

Expense constants are prorated when short-term policies are issued:

- To replace a binder
  - Solely to establish consistent effective dates with other insurance policies
- e. If the policy is cancelled by the employer insured, except when retiring from business, the short-rate portion of the expense constant must not be less than \$15.

In addition to the exception to Rule 3-A-11-d above, the pro rata portion of expense constants are charged when the policy is cancelled:

- ~~The policy is cancelled:~~
  - By the insurance carrier according to Cancellation Provisions Table 1
  - When the employer insured is retiring from business according to Cancellation Provisions Table 2
  - When an assigned risk policy is cancelled because coverage was placed in the voluntary market according to Cancellation Provisions Table 3
- ~~The amount changes due to a change in the anniversary rating date~~

*Refer to the **User's Guide** for an example.*

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 3-RULE (CONT'D)  
BASIC MANUAL—2001 EDITION**

**RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS**

**A. EXPLANATION AND APPLICATION**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV)**

- f. The pro rated portions of the expense constant in d. and e. above must not be less than \$15.  
For expense constant determination on Three-Year Fixed-Rate policies, *refer to Rule 3-B.*

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 4-RULE  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**16. Minimum Premium**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

**b. Determination**

- (1) The minimum premium at policy issuance is determined as follows:
  - For a policy with only one classification, apply the minimum premium for that classification.
  - For a policy with two or more classifications, apply the highest minimum premium for any classification on the policy.
  - For a multiple state policy, the applicable minimum premium for the policy would be that of the state with the single highest minimum premium, even if that state is on an “if any” basis. If two or more states have the same highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.
- (2) The minimum premium is subject to final adjustment at final audit. It is determined on the basis of those classifications developing premium as follows:
  - If the final earned premium is less than the minimum premium determined on audit, then that minimum premium must be charged.
  - If no classification develops premium, the minimum premium for Code 8810 must be charged.
  - When more than one state is insured on the same policy, the minimum premium for the state with the single highest minimum premium must be charged even if that state is on an “if any” basis. If two or more states have the same highest minimum premium, the minimum premium is determined by the state with the largest amount of standard premium.
- (3) Full minimum premiums are charged for short-term policies, subject to 4. below.
- (4) The minimum premium is prorated when:
  - A short-term policy is issued to replace a binder
  - A short-term policy is issued to establish consistent effective dates with other insurance policies
  - A policy is cancelled by the insurance carrier according to Cancellation Provisions Table 1
  - A policy is cancelled when the insured is retiring from business according to Cancellation Provisions Table 2
  - An assigned risk policy is cancelled because coverage was placed in the voluntary market according to Cancellation Provisions Table 3
  - ~~The amount changes due to a change in the anniversary rating date~~

*Refer to the **User's Guide** for an example.*

- (5) In the event that a policy is cancelled midterm, the minimum premium for increased limits for employers liability and federal coverages must be treated the same as the classification minimum premium.
  - Cancellation may occur by the carrier or by the insured when retiring from business. When this happens, the total premium for the policy must not be less than the pro rata portion of the minimum premium.
  - If cancellation occurs by the insured, and the insured is not retiring from business, the total earned premium for the cancelled policy must not be less than the applicable annual minimum premium.

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 4-RULE (CONT'D)  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**16. Minimum Premium**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

(6) For a policy that provides only employers liability insurance with increased limits, the minimum premium must be increased by the factor that applies to the rates for that policy.

All references to employers liability insurance without workers compensation insurance in this rule or other rules in this manual do not apply to residual market policies in states where NCCI is the Plan Administrator.

For minimum premium information for Domestic Workers, *refer to Rule 3-C-5-c.*

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 5-RULE  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION**

**19. Premium Discount**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

**a. Determination of Premium Discount**

A policy qualifies for premium discount when the standard premium exceeds the eligibility amount authorized by the insurance regulatory authority.

~~Premium Discount is applied in accordance with the anniversary rating date. Refer to Rule 3-A-2 for information on anniversary rating date.~~

Total standard premium is subject to premium discount as follows:

**(1) Without Retrospective Rating**

• **Single State Policy**

Premium discount is determined by applying the appropriate discount percentages to the total standard premium in excess of the authorized threshold amount.

• **Multiple State Policy**

Premium discount applies on an interstate basis. It is determined by applying the appropriate discount percentages to each state's portion of the total standard premium in excess of the authorized threshold amount.

Each state's portion of the threshold amount and varying gradations of premium discount are calculated by multiplying the total standard premium by the ratio of state standard premium to the total standard premium.

*Refer to the **User's Guide** for an example.*

**(2) With Retrospective Rating**

The portion of the standard premium subject to a Retrospective Rating Plan is not subject to premium discount.

Total the premium of all entities to determine the amount subject to the Retrospective Rating Plan. The remainder of that standard premium is subject to premium discount and is calculated as follows:

- (a) Determine the discount (x) as if none of the premium is subject to retrospective rating
- (b) Determine the discount (y) for the premium subject to retrospective rating only
- (c) The premium discount is the difference between (x) and (y)

The total premium discount is distributed by state by allocating the state portion of standard premium to the premium discount.

*Refer to the **User's Guide** for an example.*

**(3) Other Methods**

Any other method of determining premium discount may be used as long as the result does not differ by more than 0.1% of the standard premium from the premium discount produced by the methods outlined in this rule.

ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

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EXHIBIT 6-RULE  
BASIC MANUAL—2001 EDITION  
RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS  
A. EXPLANATION AND APPLICATION

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

**21. States Added After Policy Effective Date**

- a. A state may be added after the effective date of the policy. For the additional state operations, apply:
  - (1) Manual rates in effect on the effective anniversary rating date of the policy to which the state has been added
  - (2) Any rate change that applies to outstanding policies for the state being added, and
  - (3) Any applicable experience rating modification for the policy to which the state has been added.  
*Refer to the **Experience Rating Plan Manual**.*
- b. Additional states may be added to ~~the~~ an assigned risk policy only in accordance with *Basic Manual* Rule 4-A or the applicable state workers compensation insurance plan ~~for residual market policies in states where NGCI is the Plan Administrator.~~



**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 7-RULE  
BASIC MANUAL—2001 EDITION  
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES  
B. PROFESSIONAL EMPLOYER ORGANIZATION (PEO) ARRANGEMENTS  
4. Multiple Coordinated Policies (MCP)  
(Applies Only to Assigned Risk Policies in: AL, AR, DC, IA, ID, IN, KS, MS, NH, SC, SD,  
TN, VT, WV)**

**b. Policy Issuance**

- (1) Each client will have its own standard policy covering its leased workers pursuant to the workers compensation laws of the state and in accordance with the WCIP.
  - (a) The client's policy covering its leased workers will be issued in the name and FEIN of the client in accordance with this rule and all other rules governing the issuance of a standard policy for assigned risk business.
  - (b) Direct workers of a client will not be included on the client's policy for its leased workers, unless otherwise required by state law or regulation.
  - (c) If a client leases workers from more than one PEO, there must be a separate MCP policy for the leased workers of each PEO.
- (2) Each PEO must have its own standard policy covering the direct workers of the PEO.
  - (a) A policy issued to cover the direct workers of the PEO under a MCP basis will be issued in the name and FEIN of the PEO in accordance with this rule and all other rules governing the issuance of a standard policy for assigned risk business under the WCIP.
  - (b) If the PEO has no direct workers in the state where its clients' coverage is being obtained, the PEO's policy will be issued with premium based on the use of Code 8810—Clerical Office Employees NOC on an "if any" basis.
  - (c) All policies of any PEO related by common management or ownership must be assigned to one assigned carrier in the state, where practicable.
  - (d) All policies for clients of the same PEO will be assigned to one assigned carrier in the state, where practicable.
  - (e) The assigned carrier will arrange to have the same renewal/nonrenewal dates for all policies in a MCP arrangement, including any new client exposure added midterm to the PEO's MCP.
  - (f) ~~For information regarding the anniversary rating date, refer to NCCI's **Basic Manual**.~~
- (3) Appropriate endorsements will be used to restrict the coverage to named leased workers and to manage coverage between all clients and the PEO(s).

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 8-RULE  
BASIC MANUAL—2001 EDITION  
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES  
B. PROFESSIONAL EMPLOYER ORGANIZATION (PEO) ARRANGEMENTS  
4. Multiple Coordinated Policies (MCP)  
(Applies Only to Assigned Risk Policies in: AL, AR, DC, IA, ID, IN, KS, MS, NH, SC, SD,  
TN, VT, WV)**

**n. Client Additions to the MCP**

- (1) New clients may be added to the MCP at any time during the policy period if the client is in good faith eligible for workers compensation insurance in accordance with Rule 4-A-3. New clients must complete and submit the appropriate applications and Professional Employer Organization (PEO) Client Supplemental Application to the Plan Administrator.
- (2) Multiple clients that are added to the MCP midterm can be combined for deposit premium determination, if the request for coverage is submitted to the Plan Administrator at the same time.
- (3) A client policy, which is added to the MCP, will be required to have the same expiration date as the MCP. ~~For information regarding the anniversary rating date, refer to Rule 3-A-2.~~
- (4) For more information regarding deposit premium, *refer to Rule 4-1.*

ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

**EXHIBIT 9-RULE  
BASIC MANUAL—2001 EDITION  
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES  
C. LOSS SENSITIVE RATING PLAN  
5. LSRP Definitions**

**b. Deposits**

(Applies Only to Assigned Risk Policies in: AL, AZ, CT, DC, GA, ID, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, TN, VT, WV)

**(3) Deposit/Initial Premium and LSRP Contingency Deposit Submission Requirements**

Deposit/initial premium and LSRP contingency deposits are submitted for single and multiple policy employers in accordance with the table below.

**Deposit/Initial Premium, LSRP Contingency Deposit, and Policy Issuance Table**

Application and Conditions	Application Assignment and Policy Issuance	The employer must submit ...
One application—No other applications or existing policies are in effect that may be combined for LSRP eligibility determination and/or coverage	<ul style="list-style-type: none"> <li>• Individual application assigned to carrier</li> <li>• Assigned carrier issues one policy</li> </ul>	<ol style="list-style-type: none"> <li>1. Individual WCIP deposit or initial premium for the WCIP policy, and</li> <li>2. An additional 20% LSRP contingency deposit based on the LSRP standard premium</li> </ol>
Multiple applications—To determine LSRP eligibility, review possible combination with any applications and/or policies in effect for an employer with common majority ownership as defined in NCCI's <i>Experience Rating Plan Manual</i>	<ul style="list-style-type: none"> <li>• Multiple applications assigned to same carrier</li> <li>• Assigned carrier issues LSRP policies for those that meet the eligibility requirement</li> <li>• Policy inception effective dates may vary; however, all policies must have a common expiration date</li> <li>• <i>Refer to Rule 4-C-6-a for anniversary rating date application</i></li> </ul>	<ol style="list-style-type: none"> <li>1. Individual WCIP deposit or initial premium for each WCIP policy (e.g., two WCIP policies require two WCIP initial or deposit premiums), and</li> <li>2. An additional 20% LSRP contingency deposit based on the combined LSRP standard premium</li> </ol>
Multiple applications—For the rare circumstance when applications and/or policies in effect for an employer with common majority ownership as defined in NCCI's <i>Experience Rating Plan Manual</i> cannot be assigned to an individual carrier	<ul style="list-style-type: none"> <li>• Multiple applications assigned to multiple carriers, including affiliated insurers when possible</li> <li>• Assigned carriers issue LSRP policies for those that meet the eligibility requirement</li> <li>• Policy effective dates may vary</li> <li>• <i>Refer to Rule 4-C-6-a for anniversary rating date application</i></li> </ul>	<ol style="list-style-type: none"> <li>1. Individual WCIP deposit or initial premium for each WCIP policy (e.g., two WCIP policies require two WCIP initial or deposit premiums), and</li> <li>2. Additional 20% LSRP contingency deposits based on individual eligible LSRP standard premium(s)</li> </ol>
Assigned carriers must issue a guaranteed cost policy(ies) for a state(s) where LSRP is not approved.		

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 10-RULE  
BASIC MANUAL—2001 EDITION  
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES  
C. LOSS SENSITIVE RATING PLAN**

**6. General Explanations**

**(Applies Only to Assigned Risk Policies in: AL, AZ, CT, DC, GA, ID, IL, IN, KS, MS, NC,  
NH, NV, OR, SC, SD, TN, VT, WV)**

**a. Policy Effective Date Basis~~Anniversary Rating Date~~**

All LSRP rating values are applied on a policy effective date ~~an anniversary rating date (ARD)~~ basis for all single and multiple LSRP policy risks where Introduction—Application of Manual Rules, #4 Rule 3-A-2 applies.

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 11-RULE  
BASIC MANUAL—2001 EDITION  
RULE 4—WORKERS COMPENSATION INSURANCE PLAN RULES  
H. PRODUCER FEES**

**(Applies Only to Assigned Risk Policies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NV, OR, SC, SD, TN, VA, VT, WV)**

**1. General Explanation and Requirements**

- a. For purposes of this rule, producer means a licensed insurance agent, broker, or insurance representative, as defined in the state insurance law, regulation, and/or rule, whose privileges under this Workers Compensation Insurance Plan (Plan) have not been suspended or revoked, designated by the employer or applicant applying under this Plan to secure and maintain workers compensation and employers liability insurance on behalf of the employer applying for coverage under this plan and not as an agent of the Plan Administrator or of any assigned carrier for Plan business. Also, for purposes of this rule:
  - (1) Producer fees may be referred to as producer fees, fees, or commissions.
  - (2) Proper producer licenses and producer licensing refer to resident or nonresident producer and/or agency licenses as applicable.
  - (3) Plan Administrator is defined in accordance with Rule 4-A-2-p or applicable state workers compensation insurance plan approved for use in a state.
  - (4) WCIP is defined in accordance with Rule 4-A-2-y or applicable state workers compensation insurance plan approved for use in a state.
  - (5) ~~Anniversary rating date does not apply.~~
- b. Rule 4-A-3-l, or applicable state workers compensation insurance plan approved for use in a state, provides the authority for the fees that must be paid by an assigned carrier to a licensed agency for all new and renewal assigned risk policies for which the agency is the agency of record.
- c. Assigned carriers must have and adhere to internally documented state producer and agency licensing requirements for payment of producer fees.
- d. To be paid a fee, a producer and/or agency must be properly licensed in the state(s) for which new and/or renewal policies are issued. It is the assigned carrier's responsibility to determine whether or not the producer and/or agency is properly licensed in the appropriate jurisdictions for payment of fees. Producer fee checks are made payable to the licensed agency of record rather than to the individual licensed producer, unless they are one and the same.
- e. Only one producer and agency can be recognized by the assigned carrier at any one time for a single policy. The producer of record and agency of record are the producer and agency designated on the application unless the producer and/or agency changes during the policy period in accordance with Rule 4-H-3-a.

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ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

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EXHIBIT 12-RULE  
EXPERIENCE RATING PLAN MANUAL—2003 EDITION  
RULE 1—GENERAL EXPLANATIONS

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

**B. MANDATORY PLAN**

1. The *Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance* (the Plan) applies on a mandatory basis for risks that meet the premium eligibility requirements in Rule 2-A. *Refer to the state rules for exceptions to this Plan's national rules.* A policy cannot be cancelled, rewritten or extended for purposes of enabling a risk to qualify for, or avoid application of, this Plan.
2. Any action taken in any form to evade the application of an experience rating modification determined in accordance with this Plan is prohibited.
3. The effective date of a change in any rule or rating value is 12:01 a.m. on the date approved for use. Unless otherwise specified, each change applies only from the ~~rating effective anniversary rating~~ rating effective anniversary date, which occurs on or after the effective date of the change. *Refer to Rule 2-B for more information about ~~anniversary rating dates and rating effective dates.~~*
4. The ~~Standard~~ Workers Compensation and Employers Liability Insurance Policy provides the rating organization with the authority to examine and audit all records that relate to the policy. The application of this Plan's rules may be affected by the ~~inclusion~~ attachment of ~~mandatory and/or advisory~~ endorsements found in the *Forms Manual of Workers Compensation and Employers Liability Insurance*.
5. The rules of this Plan are based on policy periods not longer than one year.
  - a. A policy issued for a period not longer than one year and 16 days is treated as a one-year policy.
  - b. A policy issued for a period longer than one year and 16 days is treated as follows:
    - The policy period is divided into consecutive 12-month units.
    - The Policy Period Endorsement specifies the first or last unit of less than 12 months as a short-term policy.
    - All manual rules and procedures apply to each such unit as if a separate policy had been issued for each unit.

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 13-RULE**  
**EXPERIENCE RATING PLAN MANUAL—2003 EDITION**  
**RULE 2—EXPERIENCE RATING ELEMENTS AND FORMULA**  
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

**B. RATING EFFECTIVE DATES (RED)****1. Anniversary Rating Date (ARD)**

The anniversary rating date is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by the rating organization. *Refer to the **Basic Manual** for more information on anniversary rating date.*

The RED appears on a risk's experience rating worksheet. It is the earliest date that a specific modification is applied to a policy. To determine experience rating modification application, *refer to Rule 4-D.*

The rating organization establishes the RED.

**Note:** *Wrap-up policies are not used to determine the RED. Refer to Rule 5-D-1 for information on wrap-up policies.*

**2. Rating Effective Date (RED)**

The RED may differ from a risk's policy effective date for reasons including, but not limited to:

- a. The rating effective date appears on a risk's experience rating worksheet. It is the earliest date that a specific modification is applied to a policy. To determine experience rating modification application, *refer to Rule 4-D.*

The rating organization establishes the rating effective date. In most cases, a risk's rating effective date is the same as its anniversary rating date.

**Note:** *Wrap-up policies are not used to determine rating effective dates. Refer to Rule 5-D-1 for information on wrap-up policies.*

- b. The rating effective date may differ from a risk's anniversary rating date for reasons including, but not limited to:

- Short-term policies
- Cancellations
- Gaps in coverage
- Changes in ownership or combinability status
- Multiple policy effective dates
- Interstate operations
- A policy that is longer than one year and 16 days
- Late receipt of current policy information by the rating organization

To determine a risk's rating effective date RED, the rating organization will apply the Rating Effective Date Determination Table in conjunction with a review of the most recent full-term policies and unit statistical data. For purposes of this rule, a full-term policy is written for 12 months and is not cancelled prior to its expiration date.

ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

**EXHIBIT 13-RULE (CONT'D)**  
**EXPERIENCE RATING PLAN MANUAL—2003 EDITION**  
**RULE 2—EXPERIENCE RATING ELEMENTS AND FORMULA**  
 (Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME,  
 MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

**Rating Effective Date Determination Table**

If the risk is . . .	Then the rating effective date is . . .
<ul style="list-style-type: none"> <li>• A <b>single</b> policy intrastate or interstate risk, or</li> <li>• A <b>multiple</b> policy intrastate or interstate risk with all policies having the <b>same</b> effective date</li> </ul>	The effective month and day of the most recent full-term policy in effect and each policy thereafter unless the date is changed due to a reason listed above.
A <b>multiple</b> policy <b>intrastate</b> risk with policies having <b>different</b> effective dates	The effective month and day of the most recent full-term policy in effect with the largest amount of estimated standard premium.
A <b>multiple</b> policy <b>interstate</b> risk with policies having <b>different</b> effective dates	The effective month and day of the most recent full-term policy in effect for the state with the largest amount of estimated standard premium.

*Refer to the User's Guide for examples.*



**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 14-RULE  
EXPERIENCE RATING PLAN MANUAL—2003 EDITION  
RULE 3—OWNERSHIP CHANGES AND COMBINATION OF ENTITIES  
C. OWNERSHIP CHANGES**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

**2. Impact of Ownership Changes**

Ownership changes may result in a change in:

- a. Experience rating modification.
- b. Combinability status with other entities.
- c. Premium eligibility status—an entity may or may not qualify to be experience rated. *Refer to Rule 2-A for more information regarding premium eligibility.*
- d. ~~Anniversary rating date~~ Rating effective date.
- e. ~~Rating effective date~~

*Refer to the **User's Guide** for examples.*

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 15-RULE  
EXPERIENCE RATING PLAN MANUAL—2003 EDITION  
RULE 4—APPLICATION AND REVISION OF EXPERIENCE RATING MODIFICATIONS  
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IN, KS, KY, LA, MA, MD, ME, MO,  
MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

**D. APPLICATION FOR SINGLE AND MULTIPLE POLICY RISKS**

The rating effective date (RED) ~~and the anniversary rating date (ARD)~~ determines the application of an experience rating modification. The RED ~~rating effective date~~ is determined according to Rule 2-B-2 of this Plan. The ARD ~~is determined according to the *Basic Manual*~~. An experience rating modification will apply for:

- No less than three months, except for those impacted by changes in ownership and combinability status according to Rule 3
- No more than 15 months

**1. For Single Policy Risks**

- a. The experience rating modification ~~effective on the anniversary rating date~~ applies for the full term of the policy if the policy begins on the RED or within three months after the RED.:-
  - (1) ~~The policy beginning on that date, or~~
  - (2) ~~Any other policy beginning up to three months after that date.~~
- b. If a policy ~~beginning~~ begins **more than** three months after the RED anniversary rating date, the following procedure applies:
  - (1) The current experience rating modification applies to the new policy until the date the modification expires.
  - (2) A renewal experience rating modification applies to the new policy until the date the policy expires.
  - (3) A new RED may be established. ~~A renewal experience rating modification applies annually thereafter as of the new anniversary rating date. † Usually, this will be the date 12 months after the effective date of the new policy.~~

**2. For Multiple Policy Risks**

If a risk is covered by two or more policies with varying effective dates, the following procedure applies:

- a. An experience rating modification is issued to be effective for 12 months. This modification applies to the portion of each policy falling within that 12-month period, regardless of the policy's effective and expiration dates.
- b. A renewal experience rating modification applies to each policy as described in 2-a.
- c. The rating organization will review the effective dates of the multiple policies and may authorize the application of an experience rating modification for a period of other than 12 months.

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

**EXHIBIT 16-RULE  
EXPERIENCE RATING PLAN MANUAL—2003 EDITION  
RULE 4—APPLICATION AND REVISION OF EXPERIENCE RATING MODIFICATIONS  
(Applies in: AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IN, KY, LA, MA, MD, MS, MT, NC, NH, NM,  
NV, OK, RI, SC, SD, UT, VA, VT, WV)**

**E. CHANGES IN EXPERIENCE RATING MODIFICATIONS**

Experience rating modifications may change for reasons detailed in this Plan. These changes can occur at various points in time. The following table provides the rules regarding the application of an experience rating modification when a change occurs.

**Changes in Experience Rating Modifications Table**

If the change results in . . .	And the change occurs . . .	Then the change is applied . . .
A <b>decrease</b> in the experience rating modification for any reason other than a correction in classification according to Rule 4-B-3	<ul style="list-style-type: none"> <li>• At any time during the policy period, or</li> <li>• After expiration of the policy but within revision period according to Rule 4-B</li> </ul>	<ul style="list-style-type: none"> <li>• Retroactively to the inception of the policy, or</li> <li>• As of the <u>anniversary rating effective date</u>, if <del>different</del> <u>later</u> than the policy effective date</li> </ul>
An <b>increase</b> in the experience rating modification due to: <ul style="list-style-type: none"> <li>• Revision of payroll</li> <li>• Revision of losses</li> <li>• Change in status from preliminary to final modification</li> <li>• Change in status of contingent modification</li> <li>• Any additional reasons other than exclusions listed below</li> </ul>	<p><b>Within</b> 90 days after the <u>policy effective date</u>:</p> <ul style="list-style-type: none"> <li>• <u>Policy effective date</u>, or</li> <li>• <u>Anniversary rating date</u> if <del>different</del> <u>later</u> than the <u>policy effective date</u></li> </ul> <p><b>More Than</b> 90 days after the <u>policy effective date</u>:</p> <ul style="list-style-type: none"> <li>• <u>Policy effective date</u>, or</li> <li>• <u>Anniversary rating date</u> if <del>different</del> <u>later</u> than the <u>policy effective date</u></li> </ul>	<ul style="list-style-type: none"> <li>• Retroactively to the inception of the policy, or</li> <li>• As of the <u>anniversary rating effective date</u>, if <del>different</del> <u>later</u> than the policy effective date</li> </ul> <p>Pro rata from the date the <del>insurer</del> <u>carrier</u> endorses the policy.</p>
<p><b>Exclusions:</b> An <b>increase</b> in the experience rating modification due to:</p> <ul style="list-style-type: none"> <li>• Changes in ownership or combinability status</li> <li>• Retroactive reclassification of a risk</li> <li>• The termination of a client's employee leasing arrangement under a master policy approach</li> <li>• Late issuance of an experience rating modification due to an <del>employer who</del> <u>risk that</u> has failed to cooperate with audits or other actions attributable to the <del>employer</del> <u>risk</u> or representatives of the <del>employer</del> <u>risk</u>, including but not limited to modification avoidance</li> <li>• Appeals Board or other appropriate administrative process or judicial decision</li> </ul>	<ul style="list-style-type: none"> <li>• At any time during the policy period, or</li> <li>• After expiration of policy</li> </ul>	<ul style="list-style-type: none"> <li>• Retroactively to the inception of the policy, or</li> <li>• As of the <u>anniversary rating effective date</u>, if <del>different</del> <u>later</u> than the policy effective date</li> </ul> <p><b>Note:</b> Increases in experience rating modifications due to a <u>change</u> in ownership or combinability status are applied retroactively to the date of change according to Rule 3-E-3.</p>

ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)

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EXHIBIT 17-RULE  
STATISTICAL PLAN—2008 EDITION  
PART 3—EXPOSURE INFORMATION  
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,  
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

**B. RATE EFFECTIVE DATE**

The rate effective date is required for all exposures. Report the rate effective date that corresponds to the class code and its associated rate, exposure, and premium. If the rate changes during the policy period, in accordance with ***Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*** rules, report the rate effective date that applies to the reported class code, rate, exposure, and premium.

Refer to NCCI's ***Unit Statistical Reporting Guidebook*** for additional information.

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 18-RULE  
STATISTICAL PLAN—2008 EDITION  
PART 3—EXPOSURE INFORMATION**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

**G. MANUAL RATE**

Report the carrier's authorized rate for each classification code.

In the case of split rates due to a flat increase or decrease to the rate on an outstanding policy, the resulting premium adjustment must be reported. ÷

- ~~A flat increase or decrease to the rate on an outstanding policy, the additional premium resulting from a flat increase or decrease to the rate must be reported.~~
- ~~The anniversary rating date differing from the policy effective date, the exposures, authorized rate, and corresponding premium must be split. The period covered must be shown with the effective date of the rate change.~~

Refer to Item B—Rate Effective Date of this part for additional information.

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 19-FORM  
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE  
INFORMATION PAGE NOTES (WC 00 00 01 C)  
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, KS, KY, LA, MD, ME, MO, MS,  
MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

**INFORMATION PAGE NOTES (WC 00 00 01 B C)**

1. The sequence of Items 1 through 4 of the Information Page may not be changed except for Item 3.D. (See Note 14 -). The format of each item may be rearranged and these suggested headings may be used: 1. Insured; 2. Policy Period; 3. Coverage; and 4. Premium.
2. The name and the five-digit NCCI carrier code number of the insuring company ~~is to~~ must be shown prominently on the Information Page in the space above Item 1.

The address and type of insurer (stock, mutual, or other) are to be shown on the Information Page, the policy, or a policy jacket.

3. The policy number must be appropriately labeled and shown in the space reserved above Item 1 on the Information Page. This number ~~must shall~~ be unique to the company, ~~shall must~~ not exceed 18 alphanumeric digits, and ~~shall must~~ remain constant during the policy period. ~~It shall~~ The policy number must be shown on all endorsements as well as all other policy-related correspondence after the policy is issued.

If the policy number displayed on the Information Page contains a policy symbol consisting of alphanumeric digits that are not entered into the carrier's internal statistical records as part of the actual policy number, those symbols ~~shall must~~ be shown as a separate prefix and/or suffix to the policy number and appropriately labeled.

4. On NCCI's copy or the independent bureau's ~~the bureau~~ copy of a renewal policy Information Page, use space reserved above Item 1 to show and appropriately label the prior policy number. This number ~~shall must~~ not exceed 18 alphanumeric digits. If the number displayed on the Information Page contains a policy symbol consisting of alphanumeric digits that are not entered into the carrier's internal statistical records as part of the actual policy number, those symbols ~~shall must~~ be shown as a separate prefix and/or suffix to the policy number and appropriately labeled.

New business may be designated "New." At its option, the company may show this on the insured's copy of the Information Page.

5. On NCCI's copy or the independent bureau's ~~the bureau~~ copy of the Information Page, show the letters "AR" or "WCIP" next to the title "Information Page" if the ~~insured is an~~ policy was secured through the assigned risk market.
6. Show in Item 1 the exact name of the employer insured and indicate whether the employer is an individual, partnership, joint venture, corporation, association, or other legal entity. If separate legal entities are insured in a single policy, consistent with the manual of rules, separately show the complete name of each insured employer and indicate each employer's legal entity status.
7. The Interstate/Intrastate Risk Identification number must be shown and appropriately labeled on the Information Page.
8. Reserve space in Item 1 of NCCI's copy or the independent bureau's ~~the bureau~~ copy to show, if required, the insured's commonly required identification numbers such as: Arkansas Workers Compensation File Number; Hawaii Unemployment Number; New Mexico Unemployment Insurance Number; Oregon Contract Number; and State Employer Number.

The company may also show this on the Information Page at its option.

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

**EXHIBIT 19-FORM (CONT'D)**  
**FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**  
**INFORMATION PAGE NOTES (WC 00 00 01 C)**  
**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

9. List in Item 1 or by schedule all usual workplaces of the insured that are to be covered by the policy. Also include the respective Federal Employer's Identification Number (FEIN), appropriately labeled, for each entity included on the policy.
10. The effective date and hour of the policy, and its expiration date and hour, must be shown in Item 2. The hour may be included as part of the printed form at the company's option.
11. List in Item 3.A. states where workers compensation insurance is provided. If none is provided, "none" or "not covered" may be shown. See, ~~f~~ For an example, refer to the notes to the Federal Mine Safety and Health Act Coverage Endorsement.
12. Show limits of liability separately for bodily injury by accident and by disease in Item 3.B.
13. States may be shown in Item 3.C. by name or by designation, but do not name or designate a state listed in Item 3.A., a monopolistic state fund state, or a state where the insurer will not provide this coverage.

The following entry may also be included: "All states except North Dakota, Ohio, Washington, Wyoming, states designated in Item 3.A. of the Information Page and \_\_\_\_\_."

If the company learns that the insured is conducting operations in a 3.C. state, and if the company agrees to continue coverage, the company should add that state to Item 3.A. and remove it from Item 3.C. Normal company procedures apply when the state is added to Item 3.A.

14. Item 3.D. may be omitted so long as the list of the policy's schedules and endorsements appears somewhere on the Information Page. Endorsements for which the company has not filed specimen copies with the ~~independent bureau(s), rating bureau or bureaus~~ having jurisdiction must be attached to the Information Page filed with the independent bureau.
15. The content of Item 4 may be rearranged by the company. If the policy is issued for less than one year, the company may state whether the premium information is shown for the policy period or for an annual period.
16. In Item 4, the development of estimated annual premium ~~shall~~ must be displayed separately for each classification by state. This same display of premium development must be shown on any classification schedules attached to the policy. Total Estimated Standard Premium must be shown by state on the Information Page or on a schedule attached to the policy.

The experience rating modification factor ~~shall~~ must be shown in Item 4 for risks subject to the experience rating plan, unless this factor is not available when the policy is issued. The company then may make an appropriate entry in Item 4 to show that the factor is not available. See Refer to the Experience Rating Modification Factor Endorsement for more information.

17. In those states where a schedule rating plan has been filed and approved, report the schedule rating information in Item 4, as required by the filed plan.
18. Premium discount may be shown in Item 4, the Premium Discount Endorsement may be attached, or both.
19. Taxes, assessments, deposit premium, interim adjustments of premium, the rating plan, past experience, cancellation of similar insurance, date and place of policy issuance, date and place of countersignature, and other related information may be shown in Item 4.
20. Three-year fixed-rate policies must be so designated on the Information Page as required by Rule 3-B-1-b of NCCI's **Basic Manual**. In Item 4, the company ~~shall~~ must report the premium information either as Standard Premium or Total Standard Premium as defined in Rule 3-A-20 of NCCI's **Basic Manual**.

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 19-FORM (CONT'D)**  
**FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE**  
**INFORMATION PAGE NOTES (WC 00 00 01 C)**  
**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

21. Other entries may be made on the Information Page as authorized by Notes to Endorsements, including: ~~Anniversary Rating Date~~, Defense Base Act Coverage; Nonappropriated Fund Instrumentalities Act Coverage; Partners, Officers and Others Exclusion; Pending Rate Change; Sole Proprietors, Partners, Officers and Others Coverage; and Voluntary Compensation Maritime Coverage Endorsements.
22. The company may place the execution clause at the end of the Information Page, at the end of the standard policy, or on a policy jacket.

**State Workers Compensation Rating Bureau Information Page Notes:**

Refer to the *Pennsylvania Basic Manual* for Pennsylvania policy issuance instructions and specific requirements.

Refer to the Information Page Notes in the Forms Section, Part Three, Section 2, of the *New Jersey Workers Compensation and Employers Liability Insurance Manual* for a description of New Jersey requirements.

Refer to the *New York Manual* (Part Four) for complete instructions on policy issuance, including Information Page Notes for preparing New York policies. You may find the updated Information Page Notes for the New York Manual on <http://www.nycirb.org/>.

Refer to the *Wisconsin Basic Manual* for Wisconsin policy issuance instructions and specific requirements.



**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 20-FORM  
FORMS MANUAL OF WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE  
ANNIVERSARY RATING DATE ENDORSEMENT (WC 00 04 02)  
(National Endorsement to Be Withdrawn in: AK, AR, AZ, CO, CT, DC, FL, HI, IA, ID, KS, KY,  
MD, MO, MS, MT, NE, NH, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT)**

**~~ANNIVERSARY RATING DATE ENDORSEMENT (WC 00 04 02)~~**

The premium and rates for this policy, and the experience rating modification factor, if any, may change on your anniversary rating date shown in the Schedule.

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Schedule

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Anniversary Rating Date \_\_\_\_\_ ~~(Month)~~ \_\_\_\_\_ ~~(Day)~~

**ITEM B-1430—ELIMINATION OF ANNIVERSARY RATING DATE (ARD)**

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**EXHIBIT 23-RULE  
BASIC MANUAL—2001 EDITION  
NORTH CAROLINA STATE RULE EXCEPTIONS  
PART ONE—RULES**

**INTRODUCTION—APPLICATION OF MANUAL RULES**

Add the following to Introduction—Application of Manual Rules:

References to “National Council on Compensation Insurance, Inc., NCCI, or other licensed rating organizations” in the *Basic Manual* must be interpreted to include reference to the North Carolina Rate Bureau (Bureau).

Change Item 5-b of Introduction—Application of Manual Rules as follows:

5-b. A policy issued for a period longer than one year and 16 days, that is not a three-year fixed-rate policy, is a long-term policy and treated as follows:

- The policy period is divided into consecutive 12-month units.
- The Policy Period Endorsement is used to designate the last unit of less than 12 months as a short-term policy.
- Rules, classifications, and rates are applied to individual units of 12 months each as if a separate policy had been issued for each unit.

Change Item 6 and 7 of Introduction—Application of Manual Rules as follows:

6. The Bureau has full authority to classify the workers compensation risks within the State of North Carolina. The Bureau has the right to inspect risks and to determine the proper classifications in accordance with manual rules, and ~~shall~~ will provide such classification code assignments to the carrier of record. The classifications authorized by the Bureau must be used in writing any workers compensation insurance policy or policies for such risks.

Policies on risks not previously classified by the Bureau must be written on the basis of classifications selected in accordance with the best judgment of the insurance carrier. Such classifications are subject to change in conformity with any classifications authorized by the Bureau.

Change Item 7 of Introduction—Application of Manual Rules as follows:

7. The Bureau has authority to conduct test audits and to require corrections in accordance with the results of the test audit.