



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
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BILL HASLAM
GOVERNOR

JULIE MIX McPEAK
COMMISSIONER

October 14, 2015

Honorable David Lillard, Jr., Chair
Tennessee Advisory Council on Workers' Compensation
Treasurer, State of Tennessee
State Capitol, First Floor
Nashville, TN 37243-0225

Dear Chairman Lillard:

Tenn. Code Ann. §50-6-402(d) requires that the Commissioner of Commerce and Insurance report to the Workers' Compensation Advisory Council regarding all workers' compensation filings made by the designated rate service organization and received by this Department.

Attached to this letter, please find a summary of all NCCI filings made in Tennessee for the period July 1, 2015 through September 30, 2015. This Department appreciates the role that the Workers' Compensation Advisory Council provides in the area of workers' compensation regulation.

Should you or any member have questions or comments concerning this report, please do not hesitate in contacting me or a member of my staff.

Sincerely,


Julie Mix McPeak
Commissioner

JMM/ms

NCCI Filing Activity Report:

Summary as of September 30, 2015

(includes filings received July 1, 2015 and later)

1. B-1430 Elimination of Anniversary Rating Date (ARD)

Filed: July 2, 2015

Proposed Effective Date: May 1, 2017

Status: Approved July 6, 2015

Summary of Filing

This item eliminates or modifies rules and endorsements that reference anniversary rating date (ARD) in the following 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 over ninety years ago in conjunction with the development of the workers' compensation system. Basic Manual Rule 3-A-2 – Anniversary Rating Date, defines ARD as the effective month and day of the policy in effect, and each successive anniversary, unless another date has been established by the designated rate service organization. Rules, classifications, and rates are applied on an ARD basis. ARD is a concept that is exclusive to the workers' compensation line of business.

In the vast majority of the cases, ARD is concurrent with the effective date. In those situations where the ARD and effective dates differ, more than one set of rules, classification, and rates are applied in a single policy period.

Employers, and even many in the insurance industry, have been confused by ARD rules. While the ARD concept seems rather simple, in practice, it can be difficult. This becomes apparent in situations where a policy has been canceled and rewritten or when an employer has several policies with different effective dates. Complicating the problem is the fact that the ARD rule isn't applicable in all states. For example, if ARD applies in some but not all states on the policy, rules, classifications, and rates for that policy may have different effective dates depending on the policyholder's history and states included under the policy.

Several states eliminated ARD rules over 13 years ago. NCCI has not received any related employer complaints or carrier concerns in these states.

Impact

This rule elimination is not expected to impact a large number of policies. Determining the impact of individual employers that have a policy where the ARD and policy effective date differ is impractical. However, no statewide premium impact is anticipated as a result of the elimination of ARD.