



Your Guide to Understanding Anniversary Rating Date

Introduction

The premium for every workers compensation insurance policy is based on the application of a set of rules, classifications, and rates. So how is a policy impacted when those factors change in a given year? For many states, a policy's anniversary rating date (ARD) determines the rules, classifications, and rates that are applied.

This guide, which includes frequently asked questions and examples, is designed to further your understanding of ARD and how it impacts workers compensation insurance policies.

Anniversary Rating Date

NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)* defines ARD as follows:

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. (Rule 3-A-2)

Let's consider how ARD works with respect to the application of rates to a policy. The workers compensation rates in a state typically change every year and become effective on a specific date. If the rates in a state change on January 1, when will those rates be applied to a policy with an effective date after January 1? It depends on the policy's ARD:

- If a policy has an effective date and ARD of January 1, the new rates apply to that policy on January 1, and those rates apply for the entire policy period
- If a policy has an effective date of January 1, but an ARD of March 1, the new rates apply to that policy on March 1, and those new rates apply for the remainder of the policy period

Here are some frequently asked questions about ARD that are answered based on the application of rules in NCCI's *Basic Manual*. Refer to the manual for state-specific requirements.

Frequently Asked Questions (FAQs)

Q1: What is Anniversary Rating Date (ARD)?

The ARD is the date used to determine the rules, classifications, and rates applicable to a policy.

Q2: What is the purpose of ARD?

ARD provides a structure for the application of rules, classifications, and rates to workers compensation insurance policies. This is particularly apparent in cases where a policy has been cancelled and rewritten or when an entity has multiple policies with varying effective dates.

For example, consider an entity with a normal ARD of January 1 and a policy effective January 1. (Normal ARD means the ARD established as a result of prior annual policies that have run consecutively without a gap in coverage.) Assume that the policy is cancelled midterm and rewritten effective July 1 for a one-year policy period:

- The normal ARD of January 1 applies to the rewritten policy until the expiration date of the rewritten policy

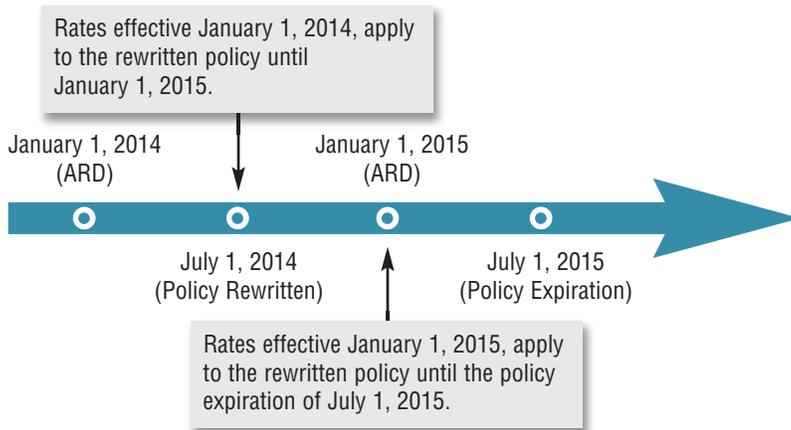
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- A new ARD is established based on the effective date of the rewritten policy and becomes the normal ARD for future policies

Here's a visual representation of how to apply ARD:



In this situation, if a rate change had occurred on May 1, 2014 (prior to the effective date of the rewritten policy), the rate change doesn't apply to the rewritten July 1, 2014 policy until the next normal ARD of January 1, 2015.

Q3: How is an ARD determined?

An ARD is determined as follows:

- For a single policy risk, the ARD is the effective month and day of the policy in effect and each anniversary thereafter
- For a risk that has multiple policies with varying effective dates, the ARD is determined by the effective month and day of the policy with the largest standard premium

Note: ARD is different from rating effective date (RED), which is used for experience rating purposes. For additional information on the difference between ARD and RED, refer to Q11.

Q4: What is a normal ARD?

For a risk that is a new entity, the normal ARD is the effective month and day of the first policy for that risk that has been in effect for a full year. For a risk with prior annual policies that have run consecutively without a gap in coverage, the normal ARD is the effective month and day of the policies. Once established, the normal ARD applies for the full term of any other policy for the risk beginning up to three months after the normal ARD. (NCCI's **Basic Manual** Rule 3-A-2.)

Consider a new entity that obtains a workers compensation insurance policy in effect on January 1. The normal ARD for this entity is January 1. Generally, the rules, classifications, and rates in effect on January 1 apply for the full policy period, regardless of whether there is a change in any of them during the policy period. When the policy renews consecutively on January 1 of each year, the normal ARD of January 1 continues to apply to the renewal policies.

Q5: Are rules, classifications, and rates applied on an ARD basis in all states?

No. Currently, eight NCCI states do not apply ARD: Alabama, Georgia, Illinois, Louisiana, Maine, New Mexico, Texas, and West Virginia.*

In these states, the rules, classifications, and rates apply based on the policy effective date. For these non-ARD states, 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.

*ARD will be eliminated in West Virginia effective November 1, 2014.

Q6: What happens on a multistate policy where some states use ARD and the other states do not?

Premium on a workers compensation policy is developed on a state-by-state basis. The premium for the non-ARD states is calculated based on rules, classifications, and rates in effect on the policy effective date. Premium for the ARD states is calculated based on the rules, classifications, and rates in effect on the ARD. Refer to Examples 8 and 9.

Q7: How is the normal ARD impacted when a policy is written for less than a one-year period?

A policy written for less than one year does not cause a change to the ARD. The normal ARD remains the same until the expiration of a policy written for at least a one-year period. Refer to Example 5.

Q8: How is the ARD applied for a long-term policy (one issued for a period longer than one year and 16 days)?

Generally, a long-term policy is divided into consecutive policy periods of 12 months each. If this division results in a policy period of less than 12 months, the carrier must designate which period—the first or the last—is to be less than 12 months. The ARD is applied to each consecutive policy period. Therefore, all rules, classifications, and rates apply to the individual policy periods as if separate policies had been issued. The Policy Period Endorsement (WC 00 04 05) is attached to show the consecutive policy periods and which period—the first or the last—is to be less than 12 months.

Q9: When is the Anniversary Rating Date Endorsement (WC 00 04 02) used?

The ARD Endorsement is attached to a policy when the ARD for the policy differs from the policy effective date. The purpose of the form is to notify the policyholder that the rates being applied are not those in effect on the policy effective date. The ARD that applies during the policy term is shown in the Schedule on the endorsement.

Q10: Does ARD apply to the application of items such as merit rating factor, expense constant, pricing programs, and deductibles? What about other programs?

Yes. Changes made during a policy period are effective as of the next ARD on or after the date of change, unless otherwise specified. Therefore, items such as merit rating factor, expense constant, pricing programs, and deductibles are subject to ARD, unless the specific program states otherwise. This same treatment applies to all other national and state-specific premium elements, pricing programs, etc., unless otherwise specified. (NCCI's *Basic Manual* Introduction.)

Q11: What is the difference between ARD and RED, which is used for experience rating purposes?

The ARD determines the rules, classifications, and rates applicable to a policy. The RED is the earliest date that a specific experience rating modification can be applied to a policy. NCCI establishes the RED. In most cases, a risk's RED is the same as its ARD. However, an RED may differ from a

risk's ARD 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

In addition, ARD is sometimes used to determine when a change in an experience rating modification is applied to a policy. For example, a decrease in an experience rating modification during a policy period is applied retroactively to the inception of the policy, or it is applied as of the ARD if the ARD is different from the policy effective date. *Refer to Example 7.*

Unlike ARD, RED determines a risk's experience period, which represents the total amount of data (payroll and losses) used in an experience rating modification. (*Refer to NCCI's Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance [Experience Rating Plan Manual] for further details.*)

Q12: When the ARD and RED for a risk are different, how is it determined when a specific experience rating modification can be applied to a policy?

According to NCCI's *Experience Rating Plan Manual* (Rule 4-D), the experience rating modification effective on the ARD applies for the full term of the policy beginning on that date, or any other policy beginning up to three months after that date.

If a policy begins more than three months after the ARD, the following procedure applies:

- The current experience rating modification applies to the new policy until the date the modification expires.
- A renewal experience rating modification applies to the new policy until the date the policy expires.

- A renewal experience rating modification applies annually thereafter as of the new ARD. This will be the date 12 months after the effective date of the new policy.

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

- 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.
- A renewal experience rating modification applies to each policy as described in the previous bullet.
- NCCI reviews 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.

Q13: How is ARD applied in states where ARD has been eliminated for the application of rules, classifications, and rates but continues to be used to establish the effective date of an experience rating modification?

The term ARD is defined in both NCCI's *Basic Manual* and *Experience Rating Plan Manual* as the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by NCCI.

The reference to ARD in the *Experience Rating Plan Manual* is to provide a basis for the application of the experience rating modification when a change occurs.

Generally, the effective date of a risk's experience rating modification is determined based on the effective month and day of the most recent full-term policy in effect and each policy thereafter. This same criteria is used to establish a risk's ARD. In most cases, the RED and ARD are the same.

Examples

The following examples show the application of rules, classifications, and rates on either an ARD basis or a policy effective date basis, as applicable. In the examples, normal ARD means the ARD established as a result of prior annual policies that have run consecutively without a gap in coverage.

In addition, for comparison purposes, the examples show the RED for the application of the experience rating modification.

For a multiple policy risk, ARD and RED are determined by the most recent full-term policy in effect with the largest amount of estimated standard premium.

The focus of each example is described below:

Example	Single State or Multiple State	Midterm Cancellation	Gap in Coverage Between Policies	ARD Applies in All States	ARD Differs From RED
1	Single	N	N	Y	N
2	Single	Y	N	Y	Y
3	Single	N	Y	Y	N
4	Single	Y	Y	Y	N
5	Single	N	N	Y	N
6	Single	N	N	Y	Y
7	Single	N	N	Y	Y
8	Multiple	N	N	N	Y
9	Multiple	N	N	N	Y
10	Multiple	N	N	Y	N

Example 1—No midterm cancellation; no gaps in coverage

Previous policies have run consecutively with a July 1 effective date, establishing July 1 as the normal ARD and the RED.

Assume:	
Normal ARD	7/1
RED	7/1
Policy Periods	7/1/2014–7/1/2015 7/1/2015–7/1/2016 7/1/2016–7/1/2017

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
7/1/2014 to 7/1/2015	7/1	7/1/2014	7/1/2014	7/1/2015	7/1	7/1/2014	7/1/2014	7/1/2015
7/1/2015 to 7/1/2016	7/1	7/1/2015	7/1/2015	7/1/2016	7/1	7/1/2015	7/1/2015	7/1/2016
7/1/2016 to 7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017

ARD Application:

The rules, classifications, and rates effective on the ARD of July 1 apply to all policy periods.

RED Application:

The experience rating modification effective on the RED of July 1 applies to all policy periods.

Example 2—Midterm cancellation; no gaps in coverage

- Previous policies have run consecutively with a July 1 effective date, establishing July 1 as the normal ARD and the RED
- The policy effective July 1, 2014, is cancelled and rewritten effective September 1, 2014

Assume:	
Normal ARD	7/1
RED	7/1
Policy Periods	7/1/2014–9/1/2014 (cancelled) 9/1/2014–9/1/2015 9/1/2015–9/1/2016 9/1/2016–9/1/2017

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective On ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective On ...	From ...	Until ...
7/1/2014 to 9/1/2014	7/1	7/1/2014	7/1/2014	9/1/2014	7/1	7/1/2014	7/1/2014	9/1/2014
9/1/2014 to 9/1/2015	7/1	7/1/2014	9/1/2014	7/1/2015	7/1	7/1/2014	9/1/2014	9/1/2015
	7/1	7/1/2015	7/1/2015	9/1/2015				
9/1/2015 to 9/1/2016	9/1*	9/1/2015	9/1/2015	9/1/2016	9/1**	9/1/2015	9/1/2015	9/1/2016
9/1/2016 to 9/1/2017	9/1	9/1/2016	9/1/2016	9/1/2017	9/1	9/1/2016	9/1/2016	9/1/2017

* New ARD established

** New RED established

ARD Application:

- The rules, classifications, and rates effective on the ARD of July 1 apply to the policy periods effective July 1, 2014, and September 1, 2014
- The ARD used on the policy effective September 1, 2014, is split because the July 1, 2014 policy was cancelled and rewritten
- A new ARD of September 1 is established effective September 1, 2015, because the policy effective September 1, 2014, is the most recent full-year policy
- The rules, classifications, and rates effective on the ARD of September 1 apply to the policy periods effective September 1, 2015, and September 1, 2016

RED Application:

- The experience rating modification effective on the RED of July 1 applies to the policy periods effective July 1, 2014, and September 1, 2014.
- The experience rating modification used on the policy effective September 1, 2014, applies for the full term because the policy begins within three months after the RED. The rules provide that an experience rating modification may apply for a maximum of 15 months.
- A new RED of September 1 is established effective September 1, 2015, because the policy effective September 1, 2014, is the most recent full-term policy.
- The experience rating modification effective on the RED of September 1 applies to the policy periods effective September 1, 2015, and September 1, 2016.

Example 3—No midterm cancellation; two-month gap in coverage

- Previous policies have run consecutively with a July 1 effective date, establishing July 1 as the normal ARD and the RED
- A new policy with a different effective date is written September 1, 2015, resulting in a two-month gap in coverage from July 1, 2015, to September 1, 2015

Assume:	
Normal ARD	7/1
RED	7/1
Policy Periods	7/1/2014–7/1/2015 9/1/2015–9/1/2016 9/1/2016–9/1/2017

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
7/1/2014 to 7/1/2015	7/1	7/1/2014	7/1/2014	7/1/2015	7/1	7/1/2014	7/1/2014	7/1/2015
Two-Month Gap in Coverage—No Policy in Force								
9/1/2015 to 9/1/2016	7/1	7/1/2015	9/1/2015	9/1/2016	7/1	7/1/2015	9/1/2015	9/1/2016
9/1/2016 to 9/1/2017	9/1*	9/1/2016	9/1/2016	9/1/2017	9/1**	9/1/2016	9/1/2016	9/1/2017

* New ARD established

** New RED established

ARD Application:

- The rules, classifications, and rates effective on the ARD of July 1 apply to the policy periods effective July 1, 2014, and September 1, 2015
- The July 1 ARD applies for the full term of the policy period effective September 1, 2015, because the gap in coverage is not a result of a midterm cancellation and the policy effective date is less than three months after the ARD
- A new ARD of September 1 is established effective September 1, 2016, because the policy effective September 1, 2015, is the most recent full-year policy
- The rules, classifications, and rates effective on the ARD of September 1 apply to the policy period effective September 1, 2016

RED Application:

- The experience rating modification effective on the RED of July 1 applies to the policy periods effective July 1, 2014, and September 1, 2015.
- The experience rating modification used on the policy effective September 1, 2015, applies for the full term because the policy begins within three months after the RED. The rules provide that an experience rating modification may apply for a maximum of 15 months.
- A new RED of September 1 is established effective September 1, 2016, because the policy effective September 1, 2015, is the most recent full-term policy.
- The experience rating modification effective on the RED of September 1 applies to the policy period effective September 1, 2016.

Example 4—Midterm cancellation; one-month gap in coverage

- A renewal policy is written more than three months after the ARD
- Previous policies have run consecutively with a July 1 effective date, establishing July 1 as the normal ARD and the RED
- The policy effective July 1, 2014, was cancelled November 1, 2014, and rewritten effective December 1, 2014, resulting in a one-month gap in coverage from November 1, 2014, to December 1, 2014

Assume:	
Normal ARD	7/1
RED	7/1
Policy Periods	7/1/2014–11/1/2014 (cancelled) 12/1/2014–12/1/2015 12/1/2015–12/1/2016 12/1/2016–12/1/2017

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
7/1/2014 to 11/1/2014	7/1	7/1/2014	7/1/2014	11/1/2014	7/1	7/1/2014	7/1/2014	11/1/2014
One-Month Gap in Coverage—No Policy in Force								
12/1/2014 to 12/1/2015	7/1	7/1/2014	12/1/2014	7/1/2015	7/1	7/1/2014	12/1/2014	7/1/2015
		7/1/2015	7/1/2015	12/1/2015		7/1/2015	7/1/2015	12/1/2015
12/1/2015 to 12/1/2016	12/1*	12/1/2015	12/1/2015	12/1/2016	12/1**	12/1/2015	12/1/2015	12/1/2016
12/1/2016 to 12/1/2017	12/1	12/1/2016	12/1/2016	12/1/2017	12/1	12/1/2016	12/1/2016	12/1/2017

*New ARD established
**New RED established

ARD Application:

- The rules, classifications, and rates effective on the ARD of July 1 apply to the policy periods effective July 1, 2014, and December 1, 2014
- The ARD used on the policy effective December 1, 2014, is split because the July 1, 2014 policy was cancelled and rewritten
- A new ARD of December 1 is established effective December 1, 2015, because the policy effective December 1, 2014, is the most recent full-year policy
- The rules, classifications, and rates effective on the ARD of December 1 apply to the policy periods effective December 1, 2015, and December 1, 2016

RED Application:

- The experience rating modification effective on the RED of July 1 applies to the policy periods effective July 1, 2014, and December 1, 2014
- The experience rating modification used on the policy effective December 1, 2014, is split because the policy effective December 1, 2014, begins more than three months after the RED
- A new RED of December 1 is established effective December 1, 2015, because the policy effective December 1, 2014, is the most recent full-term policy
- The experience rating modification effective on the RED of December 1 applies to the policy periods effective December 1, 2015, and December 1, 2016

Example 5—Short-term policies; no midterm cancellations; no gaps in coverage

- Risk's first two policies are written on a short-term basis effective March 16, 2014, and March 1, 2015
- Subsequently, one-year policies are written effective January 1, 2016, and January 1, 2017
- Risk does not qualify to be experience rated until the policy period effective January 1, 2017

Assume:	
Normal ARD	None
RED	None
Policy Periods	3/16/2014–3/1/2015 3/1/2015–1/1/2016 1/1/2016–1/1/2017 1/1/2017–1/1/2018

Policy Period	Normal ARD Is...	Apply the Rules, Classifications, and Rates Effective On ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
3/16/2014 to 3/1/2015	None	3/16/2014	3/16/2014	3/1/2015	None	N/A	N/A	N/A
3/1/2015 to 1/1/2016	None	3/1/2015	3/1/2015	1/1/2016	None	N/A	N/A	N/A
1/1/2016 to 1/1/2017	None	1/1/2016	1/1/2016	1/1/2017	None	N/A	N/A	N/A
1/1/2017 to 1/1/2018	1/1*	1/1/2017	1/1/2017	1/1/2018	1/1**	1/1/2017	1/1/2017	1/1/2018

* ARD established
** RED established

ARD Application:

- The rules, classifications, and rates effective March 16, 2014, apply to the policy period effective March 16, 2014; no ARD established
- The rules, classifications, and rates effective March 1, 2015, apply to the policy period effective March 1, 2015; no ARD established
- The rules, classifications, and rates effective January 1, 2016, apply to the policy period effective January 1, 2016; no ARD established
- An ARD of January 1 is established effective January 1, 2017, because the policy effective January 1, 2016, is the most recent full-year policy
- The rules, classifications, and rates effective on the ARD of January 1 apply to the policy period effective January 1, 2017

RED Application:

- The risk first qualifies for an experience rating modification effective January 1, 2017, because it meets the premium eligibility requirements for the state in which it operates
- The experience rating modification effective on the RED of January 1 applies to the policy period effective January 1, 2017

Example 6—New risk acquires another risk that is experience rated

- A new policy is written effective July 1, 2014, for the purchaser
- The acquired risk has a March 1 ARD and RED
- The RED of the acquired risk applies to the purchaser until a new RED is established

Assume:	
Normal ARD	N/A
RED	3/1
Policy Periods	7/1/2014–7/1/2015 7/1/2015–7/1/2016 7/1/2016–7/1/2017

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
7/1/2014 to 7/1/2015	N/A	7/1/2014	7/1/2014	7/1/2015	3/1	3/1/2014	7/1/2014	3/1/2015
						3/1/2015	3/1/2015	7/1/2014
7/1/2015 to 7/1/2016	7/1*	7/1/2015	7/1/2015	7/1/2016	7/1**	7/1/2015	7/1/2015	7/1/2016
7/1/2016 to 7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017

* ARD established
** New RED established

ARD Application:

- The rules, classifications, and rates effective July 1, 2014, apply to the policy period effective July 1, 2014; no ARD established. When a material change in ownership occurs, the ARD of the acquired risk is not used to determine the applicable rules, classifications, and rates of the purchaser.
- An ARD of July 1 is established effective July 1, 2015, because the policy effective July 1, 2014, is the most recent full-year policy.
- The rules, classifications, and rates effective on the ARD of July 1 apply to the policy period effective July 1, 2016.

RED Application:

- The March 1 RED of the acquired risk applies to the purchaser’s new policy effective July 1, 2014
- The experience rating modification used on the policy effective July 1, 2014, is split because the policy effective July 1, 2014, begins more than three months after the RED
- A new RED of July 1 is established effective July 1, 2015, because the policy effective July 1, 2014, is the most recent full-term policy
- The experience rating modification effective on the new RED of July 1 applies to the policy periods effective July 1, 2015, and July 1, 2016

Example 7—A risk’s experience rating modification is revised during the policy period; the risk’s ARD and RED differ

- A policy effective February 1, 2014, is written for a risk
- The risk has a January 1 RED and a March 1 ARD
- On July 1, 2014, the January 1, 2014 experience rating modification decreases due to a change in previously reported losses

Assume:	
Normal ARD	3/1
RED	1/1
Policy Period	2/1/2014–2/1/2015

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
2/1/2014 to 2/1/2015	3/1	3/1/2013	2/1/2014	3/1/2014	1/1	1/1/2014 (Original Experience Rating Modification)	2/1/2014	3/1/2014
	3/1	3/1/2014	3/1/2014	2/1/2015		1/1/2014 (Revised Experience Rating Modification)	3/1/2014	2/1/2015

ARD Application:

- The rules, classifications, and rates effective on the ARD of March 1 apply to the policy period effective February 1, 2014
- The ARD used on the policy effective February 1, 2014, is split because the policy effective February 1, 2014, begins more than three months after the ARD

RED Application:

- The January 1 RED applies to the policy effective February 1, 2014.
- The experience rating modification effective on the RED of January 1 applies to the policy period effective February 1, 2014. This experience rating modification is revised on July 1, 2014, which results in a decrease in the modification.
- The experience rating modification applies to the policy effective February 1, 2014, as of the ARD of March 1, 2014. (A decrease in the experience rating modification, for any reason other than a correction in classification, is applied as of the ARD if the ARD is different from the policy effective date.)

Example 8—No midterm cancellations; no gaps in coverage; two multiple-state policies, ARD applies only in one state

- Multiple-state risk with Policy X and Policy Y, which have different effective dates
- ARD applies only to Policy X
- ARD does not apply in the state for which Policy Y is written
- RED is January 1, since Policy X has the largest amount of estimated standard premium for each of the most recent full-term policy periods

Assume:	
Normal ARD	1/1 (only applicable to Policy X)
RED	1/1
Policy Periods for Policy X	1/1/2014–1/1/2015 1/1/2015–1/1/2016 1/1/2016–1/1/2017
Policy Periods for Policy Y	10/1/2014–10/1/2015 10/1/2015–10/1/2016 10/1/2016–10/1/2017

Policy X:

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
1/1/2014 to 1/1/2015	1/1	1/1/2014	1/1/2014	1/1/2015	1/1	1/1/2014	1/1/2014	1/1/2015
1/1/2015 to 1/1/2016	1/1	1/1/2015	1/1/2015	1/1/2016	1/1	1/1/2015	1/1/2015	1/1/2016
1/1/2016 to 1/1/2017	1/1	1/1/2016	1/1/2016	1/1/2017	1/1	1/1/2016	1/1/2016	1/1/2017

Policy Y:

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...			RED Is ...	Apply the Experience Rating Modification Effective on ...		
		From ...	Until ...	From ...		Until ...		
10/1/2014 to 10/1/2015	N/A	10/1/2014	10/1/2014	10/1/2015	1/1	1/1/2014	10/1/2014	1/1/2015
						1/1/2015	1/1/2015	10/1/2015
10/1/2015 to 10/1/2016	N/A	10/1/2015	10/1/2015	10/1/2016	1/1	1/1/2015	10/1/2015	1/1/2016
						1/1/2016	1/1/2016	10/1/2016
10/1/2016 to 10/1/2017	N/A	10/1/2016	10/1/2016	10/1/2017	1/1	1/1/2016	10/1/2016	1/1/2017
						1/1/2017	1/1/2017	10/1/2017

ARD Application:

Policy X:

- The rules, classifications, and rates effective on the ARD of January 1 apply to all policy periods

Policy Y:

- Since the ARD does not apply, the rules, classifications, and rates are applied to all policy periods based on a policy effective date basis

RED Application:

Policy X:

- The experience rating modification effective on the RED of January 1 applies to all policy periods

Policy Y:

- The experience rating modification effective on the RED of January 1 applies to all policy periods.
- The experience rating modification used on the policies effective October 1 is split because the policy effective dates are different from the RED. The RED is applied based on each portion of Policy Y falling within the 12-month period of the January 1 RED.

Example 9—No midterm cancellations; no gaps in coverage; three multiple-state policies, ARD applies in two states

- Multiple-state risk with Policy X, Policy Y, and Policy Z, which have different effective dates
- ARD and RED are July 1 since Policy X has the largest standard premium for each policy period
- ARD applies to Policy X and Policy Y
- ARD does not apply in the state for which Policy Z is written

Assume:	
Normal ARD	7/1 (only applicable to Policy X and Policy Y)
RED	7/1
Policy Periods for Policy X	7/1/2014–7/1/2015 7/1/2015–7/1/2016 7/1/2016–7/1/2017
Policy Periods for Policy Y	10/1/2014–10/1/2015 10/1/2015–10/1/2016 10/1/2016–10/1/2017
Policy Periods for Policy Z	1/1/2015–1/1/2016 1/1/2016–1/1/2017 1/1/2017–1/1/2018

Policy X:

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
7/1/2014 to 7/1/2015	7/1	7/1/2014	7/1/2014	7/1/2015	7/1	7/1/2014	7/1/2014	7/1/2015
7/1/2015 to 7/1/2016	7/1	7/1/2015	7/1/2015	7/1/2016	7/1	7/1/2015	7/1/2015	7/1/2016
7/1/2016 to 7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017

Policy Y:

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
10/1/2014 to 10/1/2015	7/1	7/1/2014	10/1/2014	7/1/2015	7/1	7/1/2014	10/1/2014	7/1/2015
		7/1/2015	7/1/2015	10/1/2015		7/1/2015	7/1/2015	10/1/2015
10/1/2015 to 10/1/2016	7/1	7/1/2015	10/1/2015	7/1/2016	7/1	7/1/2015	10/1/2015	7/1/2016
		7/1/2016	7/1/2016	10/1/2016		7/1/2016	7/1/2016	10/1/2016
10/1/2016 to 10/1/2017	7/1	7/1/2016	10/1/2016	7/1/2017	7/1	7/1/2016	10/1/2016	7/1/2017
		7/1/2017	7/1/2017	10/1/2017		7/1/2017	7/1/2017	10/1/2017

Policy Z:

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
1/1/2015 to 1/1/2016	N/A	1/1/2015	1/1/2015	1/1/2016	7/1	7/1/2014	1/1/2015	7/1/2015
						7/1/2015	7/1/2015	1/1/2016
1/1/2016 to 1/1/2017	N/A	1/1/2016	1/1/2016	1/1/2017	7/1	7/1/2015	1/1/2016	7/1/2016
						7/1/2016	7/1/2016	1/1/2017
1/1/2017 to 1/1/2018	N/A	1/1/2017	1/1/2017	1/1/2018	7/1	7/1/2016	1/1/2017	7/1/2017
						7/1/2017	7/1/2017	1/1/2018

ARD Application:

Policy X:

- The rules, classifications, and rates effective on the ARD of July 1 apply to all policy periods

Policy Y:

- The rules, classifications, and rates effective on the ARD of July 1 apply to all policy periods.
- The ARD used on the policies effective October 1 is split because the policy effective dates are different than the ARD. The ARD is applied based on each portion of policy Y falling within the 12-month period of the January 1 ARD.

Policy Z:

- Since the ARD does not apply, the rules, classifications, and rates are applied to all policy periods based on a policy effective date basis

RED Application:

Policy X:

- The experience rating modification effective on the RED of July 1 applies to all policy periods

Policy Y and Policy Z:

- The experience rating modification effective on the RED of July 1 applies to all policy periods.
- The experience rating modification used on the policies is split because the policy effective dates are different from the RED. The RED is applied based on each portion of the policy periods falling within the 12-month period of the July 1 RED.

Example 10—No midterm cancellations; no gaps in coverage; ownership change

- Multiple-state, multiple-entity risk (Entity A and Entity B) that is combinable for experience rating purposes
- Policy A for Entity A and Policy B for Entity B have different policy effective dates
- ARD and RED are July 1 since Policy A has the largest standard premium for each policy period
- ARD applies to Policy A and Policy B
- As a result of an ownership change effective October 15, 2015, the entities are no longer combinable for experience rating purposes
- As of the ownership change effective October 15, 2015:
 - Entity A qualifies to be experience rated because its premium exceeds the experience rating eligibility requirements
 - Entity B no longer qualifies to be experience rated because its premium does not meet the experience rating eligibility requirements

Assume:		
Normal ARD	7/1	
RED	7/1	Subject Premium
Policy Periods for Policy A	7/1/2014–7/1/2015	\$15,000
	7/1/2015–7/1/2016	\$20,000
	7/1/2016–7/1/2017	\$20,000
Policy Periods for Policy B	9/1/2014–9/1/2015	\$2,000
	9/1/2015–9/1/2016	\$2,000
	9/1/2016–9/1/2017	\$2,000

Policy A:

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...	From ...	Until ...	RED Is ...	Apply the Experience Rating Modification Effective on ...	From ...	Until ...
7/1/2014 to 7/1/2015	7/1	7/1/2014	7/1/2014	7/1/2015	7/1	7/1/2014	7/1/2014	7/1/2015
7/1/2015 to 7/1/2016	7/1	7/1/2015	7/1/2015	7/1/2016	7/1	7/1/2015	7/1/2015	7/1/2016
7/1/2016 to 7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017	7/1	7/1/2016	7/1/2016	7/1/2017

Policy B:

Policy Period	Normal ARD Is ...	Apply the Rules, Classifications, and Rates Effective on ...			RED Is ...	Apply the Experience Rating Modification Effective on ...		
		From ...	Until ...	From ...		Until ...	From ...	Until ...
9/1/2014 to 9/1/2015	7/1	7/1/2014	9/1/2014	7/1/2015	7/1	7/1/2014	9/1/2014	7/1/2015
		7/1/2015	7/1/2015	9/1/2015		7/1/2015	7/1/2015	9/1/2015
9/1/2015 to 9/1/2016	7/1	7/1/2015	9/1/2015	10/15/2015	7/1	7/1/2015	9/1/2015	10/15/2015
	N/A	10/15/2015	10/15/2015	9/1/2016	N/A	N/A	N/A	N/A
9/1/2016 to 9/1/2017	N/A	9/1/2016	9/1/2016	9/1/2017	N/A	N/A	N/A	N/A

ARD Application:

Policy A:

- The rules, classifications, and rates effective on the ARD of July 1 apply to all policy periods

Policy B:

- The rules, classifications, and rates effective on the ARD of July 1 apply to the policy periods effective September 1, 2014, and September 1, 2015.
- A material change in ownership occurs as of October 15, 2015; the rules, classifications, and rates effective on October 15, 2015, apply until the expiration date of September 1, 2016. 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.
- The rules, classifications, and rates effective September 1, 2016, apply to the policy effective September 1, 2016; no ARD established.
- A new ARD of September 1 would be established September 1, 2017, assuming the prior policy ran a full year.

RED Application:

Policy A:

- The experience rating modification effective on the RED of July 1 applies to all policy periods

Policy B:

- The experience rating modification effective on the RED of July 1 applies to the policies effective September 1, 2014, and September 1, 2015, until the ownership change date of October 15, 2015

Additional Resources to Reference

To complement this document, the following manual references provide additional support for ARD and RED:

- **Basic Manual**, Rule 3-A-2—Anniversary Rating Date (ARD)
- **Basic Manual User's Guide**, G. Basic Manual Rules—Examples, Rule 3-A-2—Anniversary Rating Date (ARD)
- **Experience Rating Plan Manual**, Rule 2-B-1—Anniversary Rating Date (ARD)
- **Experience Rating Plan Manual**, Rule 2-B-2—Rating Effective Date (RED)
- **Experience Rating Plan Manual**, Rule 4-D—Application for Single and Multiple Policy Risks
- **Experience Rating Plan Manual User's Guide**, B-2—Rating Date Examples for Rule 2-B-2
- **Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)**, Policy Period Endorsement
- **Forms Manual**, Anniversary Rating Date Endorsement (countrywide/state specific)

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