



Wisconsin Compensation Rating Bureau

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CIRCULAR LETTER 3134—MARCH 18, 2016

TO: Members of the Bureau

FROM: Donna Knepper

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

Pursuant to ch. 626, Wis. Stat., the Office of the Commissioner of Insurance has approved the following changes adopted by the Governing Board.

NCCI Proposal Item B-1429 establishes an Audit Noncompliance Charge (ANC). The purpose of the ANC is to provide uniformity in assessing a penalty for noncompliance with the final audit of an expired policy. The ANC is premium and is subject to premium tax.

After discussion regarding the OCI's concerns over the characterization of the ANC, the carriers, WCRB, and its members agree that the ANC is acceptable with the following amendments:

- The ANC penalty is fixed at a flat 2 times the estimated annual premium. The ANC is not a premium surcharge. It is an incentive for the insured to cooperate with the premium audit as required by the policy contract.
- The ANC endorsement is mandatory on all Wisconsin worker's compensation insurance policies. The ANC endorsement will be treated the same as the WI Law Endorsement and the WI Cancellation and Nonrenewal Endorsement. Policies without the ANC endorsement attached will be sent a mandatory NTC. Therefore, subject to fine for carrier non-compliance.
- There are no changes to the Wisconsin cancellation rules.

This filing establishes uniform rules, an endorsement, and statistical code related to auditing and reporting of noncompliant accounts. Penalties for noncompliance will not be used in the calculation of the experience modification nor be used in ratemaking.

Changes to the WI Basic Manual, the WI Statistical Plan Manual, and the premium algorithm will be posted to the WCRB Web site along with the Audit Noncompliance Charge Endorsement WC 00 04 24.

These changes become effective January 1, 2017, applicable to new and renewal business only.