



Data Now Program (DNP) Advanced Unit Reporting

Key Takeaways

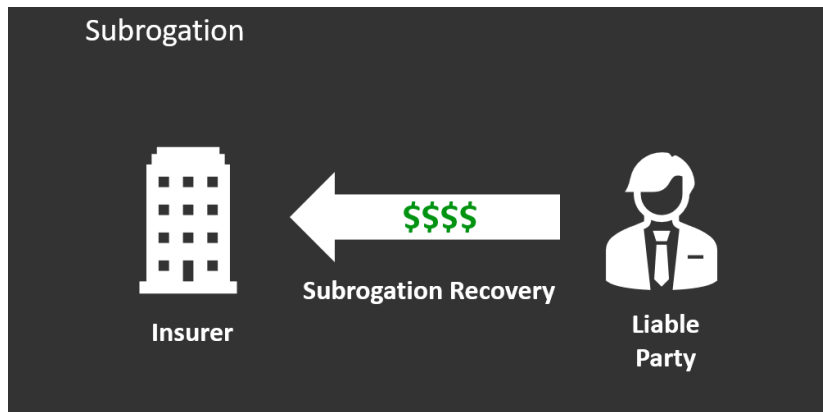
- Calculating Net Incurred Loss is fundamental for subrogation claims
- Report special fund reimbursements when they are anticipated
- Do not change loss values for noncompensable and fully fraudulent claims

Important Note: Course content applies national rules for NCCI states. It does not address state-specific rules.

Chapter 1: Subrogation Recovery

Subrogation

- A standard condition of a workers compensation insurance policy that allows “recovery from others”
- Provides the insurer the right to attempt to recover their payments from a party liable for an injury covered by the policy
 - This includes third parties who may be responsible for an injury



- If a payment received by the insurer does not fit the definition of a “recovery from others” under the policy condition for subrogation, then it does not qualify as a subrogation recovery
 - Do not apply the reporting rules for the reduction of the incurred loss that we’re going to discuss



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Reporting a Subrogation Recovery

1. Determine when the subrogation recovery was received
2. Calculate the Net Incurred Loss and Net Paid Loss
3. Determine whether corrections are required
4. Determine which report levels need corrections
5. Submit corrections

Step 1: Determine When Recovery Was Received

- Before 1st Report—Report the Net Incurred, Net Paid, and Type of Recovery Code as of the 1st Report and forward
- After 1st Report and Prior to 6th Report
 - Report the Net Incurred, Net Paid, and Type of Recovery Code at the current report level and forward
 - Determine whether correction reports are needed for prior report levels
- After 6th Report—Report the Net Incurred, Net Paid, and Type of Recovery Code as of the current report level and forward

Type of Recovery Code

Report Type of Recovery Code:

- When you correct prior report levels to the Net Incurred or Net Paid
- When you submit report levels valued after receiving the recovery

Code	Description
03	Subrogation Only (Third Party)
04	Subrogation with Second Injury Fund (Third Party)

Step 2: Calculate the Net Incurred Loss and Net Paid Loss

- Net Incurred = Total Gross Incurred Loss – Net Recovery
 - Total Gross Incurred Loss = Incurred Indemnity + Incurred Medical
 - Net Recovery = Subrogation Recovery – Recovery Subrogation Expenses
- Use latest values of losses. Latest values are those on the most recent report level when the Subrogation Recovery was received.
- Only calculate the Net values once. Do not recalculate at each valuation level.



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Example

Total Incurred Loss		Net Recovery	
Incurred Indemnity	\$50,000	Recovery	\$20,000
Incurred Medical	\$30,000	Expenses	\$5,000
Total Incurred		Net Recovery	

Total Incurred Loss	Net Recovery	Net Incurred

- Net Paid = Total Paid Loss – Net Recovery
 - Total Paid Loss = Paid Indemnity + Paid Medical
 - Net Recovery = Subrogation Recovery – Subrogation Recovery Expenses

Subrogation Net Recovery Allocation

Allocate the subrogation recovery between Medical and Indemnity loss.

If the allocation is . . .	Then
Known	Use the actual allocation
Unknown	Prorate the recovery based on the loss amounts

Proration Examples:

- Incurred Proration

	Indemnity	Medical	Total
Total Incurred	\$30,000	\$20,000	\$50,000
Proration Percent			100%
Net Recovery			\$20,000

- Paid Proration

	Indemnity	Medical	Total
Total Incurred	\$20,000	\$20,000	\$40,000
Proration Percent			100%
Net Recovery			\$20,000



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Net Incurred and Net Paid

Calculate the Net Incurred for Indemnity and Medical.

	Indemnity	Medical	Total
Total Incurred	\$30,000	\$20,000	\$50,000
Net Recovery			\$20,000
Net Incurred			\$30,000

Calculate the Net Paid for Indemnity and Medical.

	Indemnity	Medical	Total
Total Incurred	\$20,000	\$20,000	\$40,000
Net Recovery			\$20,000
Net Incurred			\$20,000

Step 3: Determine Whether Corrections Are Required

To determine if corrections are required to prior report levels, apply the 10% rule.

- Do not submit corrections if the total recovery is less than 10% of the gross incurred

Step 4: Determine Which Report Levels Need Corrections

- If the recovery is 10% or more, compare the Net Incurred to Total Incurred for each prior report level:
 - If Net Incurred is greater than or equal to Total Incurred, then no correction
 - If Net Incurred is less than Total Incurred, then correct the report level

Example

- Subrogation received between 3rd and 4th reports
- Net Recovery = \$20,000 (\$25,000 – \$5,000)

Report	Total Incurred	Net Incurred	Correction?
3	\$50,000		
2	\$35,000		
1	\$25,000		



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Step 5: Submit Corrections

Report these values for Record Type 5 (Loss Record).

Field Title	Class	Position	Note
Incurred Indemnity Amount	N	83-91	Reduce to Net Incurred
Incurred Medical Amount	N	92-100	
Paid Indemnity Amount	N	174-182	Reduce to Net Paid
Paid Medical Amount	N	183-191	
Type of Recovery Code	N	127-128	03 or 04

Latest Report—3rd Report

Determine revised amounts on latest report level.

	Indemnity	Medical	Total
Total Incurred	\$30,000	\$20,000	\$50,000
Net Incurred			
Revised Incurred			

	Indemnity	Medical	Total
Total Paid	\$20,000	\$20,000	\$40,000
Net Paid			
Revised Paid			

Prior Report Levels

Determine revised amounts on prior report levels.

2nd Report

	Indemnity	Medical	Total
Total Incurred	\$20,000	\$15,000	\$35,000
Net Incurred			
Revised Incurred			

	Indemnity	Medical	Total
Total Paid	\$14,000	\$13,000	\$27,000
Net Paid			
Revised Paid			

1st Report

No corrections



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Summary

Report	Incurred	Paid	Type of Recovery
3			
2			
1			

Exercise

Scenario

- The carrier receives subrogation after the 4th report and before the 5th report
- The recovery amount is \$25,000
- The recovery expenses are \$3,000

Previously reported values:

Report	Incurred	Paid	Type of Recovery Code
4	\$60,000	\$50,000	01
3	\$50,000	\$40,000	01
2	\$40,000	\$20,000	01
1	\$30,000	\$15,000	01

Responses

Determine which report levels need correction for both Incurred and Paid.

Report	Incurred	Paid
4		
3		
2		
1		

Fill in the values after corrections.

Report	Incurred	Paid	Type of Recovery Code
4			
3			
2			
1			

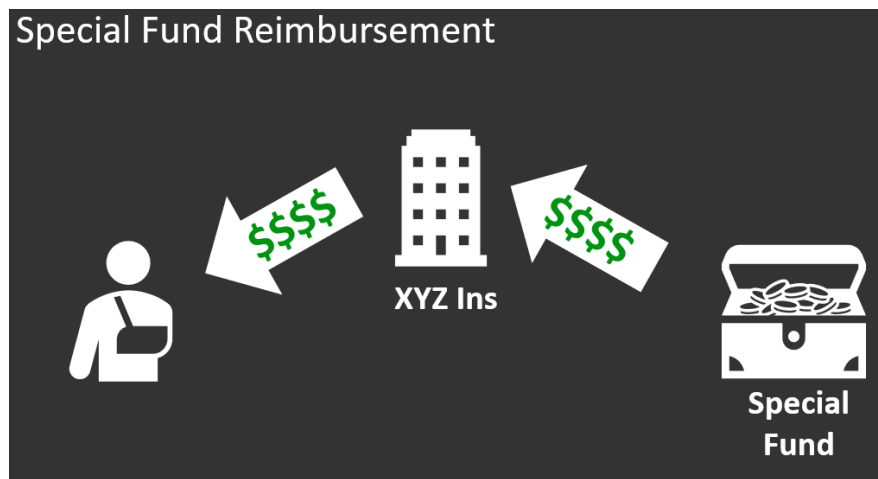


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Chapter 2: Special Fund Reimbursement

Special Fund Reimbursement

- Another type of loss reimbursement
- Comes from a state special fund, such as:
 - Second Injury Fund
 - Handicapped Workers Reserve Fund
- Work similarly to subrogation



Reporting a Special Fund Reimbursement

1. Determine when the reimbursement was **anticipated** or received
2. Calculate the Net Incurred Loss and Net Paid Loss
3. Determine whether corrections are required
4. Determine which report levels need corrections
5. Submit corrections

Step 1: Determine When the Reimbursement Was Anticipated

- Before 1st Report—Report the Net Incurred, Net Paid, and Type of Recovery as of the 1st Report and forward
- After 1st Report and Prior to 6th Report:
 - Report the Net Incurred, Net Paid, and Type of Recovery at the current report level and forward
 - Determine whether correction reports are needed for prior report levels
- After 6th Report—Report the Net Incurred, Net Paid, and Type of Recovery as of the current report level and forward



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Step 2: Calculate the Net Incurred Loss and Net Paid Loss

- Net Incurred = Total Incurred Loss – Reimbursement
 - Total Incurred Loss = Incurred Indemnity + Incurred Medical
 - No reimbursement expenses
 - Use anticipated reimbursement amount
- Net Paid = Total Paid Loss – Reimbursement
 - Total Paid Loss = Paid Indemnity + Paid Medical
 - No reimbursement expenses
 - Use anticipated reimbursement amount

Step 3: Determine Whether Corrections Are Required

To determine whether corrections are required to prior report levels, apply the 10% rule.

- Do not submit corrections if the total recovery is less than 10% of the gross incurred

Step 4: Determine Which Report Levels Need Corrections

- If the total recovery is greater than 10%, compare the Net Incurred to Total Incurred
 - If Net Incurred is greater than or equal to Total Incurred, then no correction
 - If Net Incurred is less than Total Incurred, then correct the report level

Step 5: Submit Corrections

Type of Recovery Code

Code	Description
02	Second Injury Fund Only
04	Subrogation and Second Injury Fund Reimbursement

Review Questions

Answer True or False for each question.

1. Only report special fund reimbursements when they are received. TRUE or FALSE?
2. There is no reimbursement expense. TRUE or FALSE?
3. After you calculate the Net Incurred, determine whether corrections are needed like you would for subrogation. TRUE or FALSE?
4. Special funds use Type of Recovery Code 03 and 04. TRUE or FALSE?



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Chapter 3: Noncompensable Claims

Noncompensable Claims

A claim that needs one or more of the following:

- Official ruling denying benefits
- Claimant's failure to file for benefits
- Claimant's failure to prosecute a claim following carrier's denial of claim

Determine When Claim Was Noncompensable

- Before 1st Report—do not report the claim
- After 1st Report and Prior to 6th Report:
 - Update the Type of Settlement Code to 05
 - Correct applicable report levels
 - Do not change loss values or claim status
- After 6th Report:
 - Report Type of Settlement Code 05 as of the current report level and forward
 - Do not correct prior report levels

Loss Development

- A previous noncompensable claim can develop to become compensable
- This is considered loss development
- Report the change to compensable on a going-forward basis
- Do not submit correction reports going back

Partially Not Compensable

- Report only the compensable portion of the claim
- Do not report Type of Settlement Code 05
 - Instead, report the Type of Settlement Code that represents the final paid amounts

Review Questions

Answer True or False for each question.

- One example of a noncompensable claim is when an official ruling denies benefits. TRUE or FALSE?
- For partially not compensable claims, report Type of Settlement Code 05. TRUE or FALSE?
- A claim can develop from noncompensable to compensable. TRUE or FALSE?



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Chapter 4: Fraudulent Claims

Fraudulent Claim

A claim that has been ruled or officially declared fraudulent by a court decision.

Determine When Claim Was Noncompensable

- Before 1st Report:
 - Do not report the claim if it does not include any losses or ALAE
 - Otherwise report the claim with Fraudulent Claim Code 02
- After 1st Report and Prior to 6th Report:
 - Update the Fraudulent Claim Code to 02
 - Correct applicable report levels
 - Do not change loss values or claim status
- After 6th Report:
 - Report Fraudulent Claim Code 02 as of the current report level and forward
 - Do not correct prior report levels

Partially Fraudulent

- Report only the nonfraudulent portion of the claim
- Report Fraudulent Claim Code 00 for non fraudulent

Review Questions

Answer True or False for each question.

- For fully fraudulent claims, reduce the loss values to zero. TRUE or FALSE?
- For partially fraudulent claims, report Fraudulent Claim Code 00. TRUE or FALSE?



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Chapter 5: Recovery-Related Edits

These edits may indicate erroneous or suspect recovery reporting.

Edit 0115-05

- Recovery Type Code Change Is Not Valid
- Compares the Recovery Type Code across report levels, looking for invalid changes

Submission Results Report

Poi Eff Dt	State	Insured Name	Rpt Nbr	Corr Nbr	NCCI Corr Seq Nbr	Admin Nbr	Data Grade	Record in Error	Claim Nbr/ Class Code	Field in Error	Edit Nbr / Type Code	Original Value
01/01/2013	01-AL	DNP	1	1	1	21258A8516	5	L	CLAIM2	LOSS CONDITION - RECOVERY TYPE	0115-05	03
Edit Message / Validation Desc:			RECOVERY TYPE CODE CHANGE IS NOT VALID									
01/01/2013	01-AL		2	0	0	21258A8509	5	L	CLAIM2	LOSS CONDITION - RECOVERY TYPE	0115-05	01
Edit Message / Validation Desc:			RECOVERY TYPE CODE CHANGE IS NOT VALID									

1. Edit message indicates that the Recovery Type Code change is invalid
2. Note that Recovery Type Code changed from 03 (subrogation only) to 01 (no recovery)

Reported in Unit Data Collection

Report Level	Recovery Type Code	Recovery Type
1-0	01	No Recovery
2-0	01	No Recovery
1-1	03	Subrogation Only

- Correction to 1st report changed code to subrogation only.

Correction

If Code 03 is . . .	Then submit correction report . . .	With Recovery Type Code
Correct		
Incorrect		



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Validation Edit L501

- Claims May Have Been Deleted in Error or Reduced to \$0 in Error on Subsequent Unit Reports Levels Excluding Expanded Linking Field States—MD, TX, VA
- Could indicate improper reporting of a recovery, a noncompensable claim, or a fully fraudulent claim

Submission Results Report

Unit Submission Results Report														
Coverage Provider Group ID: 45856 - NCCI TRAINING COMPANY														
Submission ID: 3312124														
Pol Eff Dt	State	Insured Name	Rpt Nbr	Corr Seq Nbr	NCCI Corr Seq Nbr	Admin Nbr	Data Grade	Record in Error	Claim Nbr/ Class Code	Field in Error	Edit Nbr / Type Code	Reported Value		
01/03/2017	02-AZ	DNP	2	1	1	21277C4082	2	L	CLAIMA	VALIDATION LOSS CONDITIONS	L501	Update Type C Incur Indem 0		
Edit Message / Validation			1 CLAIMS HAVE BEEN DELETED IN ERROR ON SUBSEQUENT UNIT REPORTS LEVELS EXCLUDING EXPANDED LINKING FIELD STATES-MD TX VA											

1. Edit message indicates that claims have been deleted
2. The error occurred with the correction to the 2nd report

Reported in Unit Data Collection

Report Level	Total Incurred	Recovery Type
1-0	\$11,000	No Recovery
2-0	\$15,000	No Recovery
2-1	0	Subrogation Only

- Is the 2nd report correct?

Additional Research

- Subrogation received after the 2nd report
- Net Recovery = \$7,000

Report	Reported Incurred	Revised Incurred
1	\$11,000	
2	\$15,000	

Corrections

Report Level	Total Incurred	Recovery Type
1-		
2-		



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Validation Edit L501

- Claims May Have Been Deleted in Error or Reduced to \$0 in Error on Subsequent Unit Reports Levels Excluding Expanded Linking Field States—MD, TX, VA
- Example with improper reporting of a noncompensable claim

Submission Results Report

Unit Submission Results Report												
Coverage Provider Group ID: 99990 - NCCI INC												
Submission ID: 3640479												
Pol Eff Dt	State	Insured Name	Rpt Nbr	Corr Seq Nbr	NCCI Corr Seq Nbr	Admin Nbr	Data Grade	Record in Error	Claim Nbr/ Class Code	Field in Error	Edit Nbr Type Code	
02/02/2019	09-FL	L501 NONCOMPENSABLE TEST	2	1	1	22264A0351	2	L	CLM1	VALIDATION LOSS CONDITIONS	L501	
Edit Message / Validation			1 CLAIMS MAY HAVE BEEN DELETED OR REDUCED TO \$0 IN ERROR ON SUBSEQUENT UNIT REPORTS LEVELS EXCLUDING EXPANDED LINKING FIELD STATES-MD TX VA									

1. Edit L501 flagged
2. The error occurred with the correction to the 2nd report

Reported in Unit Data Collection

Report Level	Total Incurred	Total Paid	Claim Status	Settlement Code
1-0	\$20,000	\$2,000	0	00
2-0	\$30,000	\$30,000	1	00
2-1	0	\$0	1	05

- Is the 2nd report correct?
- Note that Edit 0116-03 would also flag

Corrections

Report Level	Total Incurred	Total Paid	Claim Status	Settlement Code
1-1				
2-2				



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Exercise

What corrections are needed to clear the edits?

Scenario

- Net Recovery = \$10,000
- Edit 0115-05 on 1-1 and L501 on 2-1

Report Level	Total Incurred	Recovery Type
1-0	12,000	01
2-0	18,000	01
1-1	12,000	03
2-1	0	01
1-		
2-		

Chapter 6: Conclusion

Resources on ncci.com:

- ***Statistical Plan for Workers Compensation and Employers Liability Insurance***—includes state exceptions
- ***Unit Statistical Reporting Guidebook***