



Data Now Program (DNP) Advanced Claim and Loss Reporting Topics for Unit Data

Resources

- Filed Rules With State Insurance Departments
 - NCCI's **Statistical Plan Manual**
 - NCCI's **Experience Rating Plan Manual**

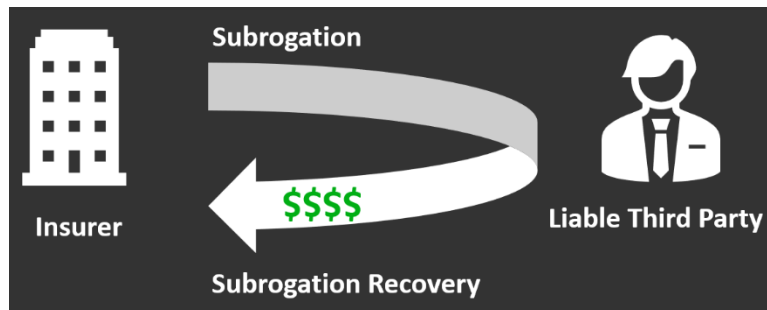
Notes on rules:

- NCCI's **Statistical Plan Manual**
 - National reporting rules
 - Applies to NCCI states and Indiana
 - State exceptions may apply
- Independent Bureaus' Statistical Plans
 - Reporting rules for independent bureau states used in interstate experience rating
 - Includes Massachusetts, Minnesota, North Carolina, and Wisconsin

Chapter 1: Subrogation Recovery

Subrogation

Subrogation is a standard policy condition referenced as "recovery from others."



When a subrogation recovery is received, the **Statistical Plan** requires the Net Incurred Loss to be reported:

- The subrogation recovery reduces Gross Incurred Loss
- The resulting amount is the Net Incurred Loss

Data Used in Experience Ratings

NCCI uses the 1st, 2nd, and 3rd reports as well as corrections in experience rating calculations.

Example: For a January 1, 2025, experience rating, NCCI will use the following report levels:

- 1/1/23–1/1/24: Use 1st report level
- 1/1/22–1/1/23: Use 1st and 2nd report level
- 1/1/21–1/1/22: Use 1st, 2nd, and 3rd report level



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Components Needed to Calculate the Net Incurred

- Subrogation Recovery Date
- Recovery Amount
- Recovery Expenses
- Allocation Between Indemnity and Medical

Note that the Net Recovery Amount = Recovery Amount – Recovery Expenses.

Determine Latest Report Level

Determine when the subrogation recovery was received in relation to reporting valuation dates. This determines how you apply the subrogation recovery.

Before or as of 1st report valuation	<ul style="list-style-type: none">• Report the Net Incurred Loss and Net Incurred Paid as of the 1st report and forward• Report the applicable Type of Recovery Code
After 1st but within one year after the 5th report due date	<ul style="list-style-type: none">• Report the Net Incurred Loss, Net Incurred Paid, and applicable Type of Recovery Code as of the current level and forward• Determine if correction reports are needed for prior report levels
As of the 6th report due date or subsequent	<ul style="list-style-type: none">• Report the Net Incurred Loss, Net Incurred Paid, and applicable Type of Recovery Code as of the current level and forward• Do not make corrections to prior report levels

Note: State exceptions may apply.

Calculating the Net Incurred Loss

Net Incurred Loss = Total Incurred Loss – Net Recovery Amount

- Total Incurred Loss = Incurred Indemnity + Incurred Medical

Steps to Apply the Recovery

For recoveries occurring after the 1st report but within one year after the 5th report due date:

1. Calculate Net Recovery
2. Determine latest reported valuation
3. Apply 10% rule
4. Calculate Net Incurred and Net Paid Amounts
5. Allocate recovery between Medical and Indemnity
6. Correct latest report level
7. Determine if other prior reports need correction



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Determine the Latest Reported Valuation

The chart shows what the latest reported valuation is based on when the subrogation occurred.

When the subrogation date is		Then the latest reported value of the claim is from the
After	But before	
1st report valuation date	2nd report valuation date	1st report
2nd report valuation date	3rd report valuation date	2nd report
3rd report valuation date	4th report valuation date	3rd report
4th report valuation date	5th report valuation date	4th report
5th report valuation date	1 year after the 5th report due date	5th report

Example 1

The subrogation recovery date was:

- After the 1st report valuation (18 months after Policy Effective Date)
- Before the 2nd report valuation (30 months after Policy Effective Date)

Use 1st report as the latest reported value.

Example 2

The subrogation recovery date was:

- After the 5th report valuation (66 months after Policy Effective Date)
- Before the 5th report due date plus 1 year (80 months after Policy Effective Date)

Use 5th report as the latest reported value.

Determine Whether Corrections Are Required

Apply the 10% rule.

If the Net Recovery Amount is	Then
Less than 10% of the Gross Incurred	Do not make corrections to any prior report levels
Greater or equal to 10% of the Gross Incurred	Make corrections when applicable

Note: Florida, Oregon, and Texas do not apply the 10% rule.

Calculate the Net Incurred Amount

Net Incurred Loss = Total Incurred Loss – Net Recovery Amount

- Total Incurred Loss = Incurred Indemnity + Incurred Medical value as of the most recent valuation



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Determine Which Report Levels Need Corrections

If the total recovery is 10% or more, next determine which report levels need corrections. Do this by comparing the Net Incurred Loss amount to the Total Gross Incurred Loss amount.

If the Net Incurred is	Then
Less than the previously reported Gross Incurred	Correction reports are required
Greater than or equal to the previously reported Gross Incurred	Do not submit corrections

Note: Perform this comparison for each prior report level. You may need to correct some but not all report levels.

Allocation of Net Recovery Amount

Known = Use the known allocation

Unknown = Base allocation on original Incurred Indemnity and Medical amounts at most recent valuation

Calculate Net Incurred Amounts

Apply the Net Recovery amounts to the Incurred at the latest report level.

- Net Incurred Indemnity = Incurred Indemnity – Indemnity Net Recovery
- Net Incurred Medical = Incurred Medical – Medical Net Recovery

Calculate Net Paid Amounts

Apply the Net Recovery amounts to the Paid at the latest valuation.

- Net Paid Indemnity = Paid Indemnity – Indemnity Net Recovery
- Net Paid Medical = Paid Medical – Medical Net Recovery

Apply Net Incurred and Net Paid Amounts

To latest valuation:

- Apply Net Incurred Indemnity and Net Incurred Medical
- Apply Net Paid Indemnity and Net Paid Medical

To previous reports prior to latest valuation:

- Apply Net Incurred Indemnity Loss when lower
- Apply Net Incurred Medical Loss when lower
 - Do not increase any incurred loss amounts
- Apply Net Paid when lower
 - Do not increase any paid loss amounts
 - Total of paid amounts may not equal Net Paid Loss



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Type of Recovery Code

Type of Recovery—Loss Conditions	
Code	Description
03	Subrogation Only (Third Party)
04	Subrogation With Second Injury Fund (Third Party)

Report one of these codes when you:

- Correct prior report levels to the Net Incurred or Paid
- Submit report levels valued after receiving the recovery

If you don't correct a prior report level for subrogation, don't report one of these codes on that report level.

You must report one of these codes on report levels valued after receiving the recovery.

Recap—Correction Reports

- After the 1st report valuation date, but within one year after the 5th report due date
- Apply the 10% rule
- Only make corrections when the Net Incurred Loss is less than the previously reported Gross Incurred Loss
- Report:
 - Only to qualifying prior reports
 - Type of Recovery Code
 - Net Incurred and Net Paid amounts based on allocation of Net Recovery amount
- Do not revise other claim values (i.e., injury type, injury description codes, type of claim, type of loss, claim status)

Recap—Subsequent Reports

- Claim is open or reopens and continues to remain open at the next valuation level
- Report:
 - Net Recovery and all adjustments to the claim based on normal loss development
 - Type of Recovery Code
 - Allocation of Net Recovery amount

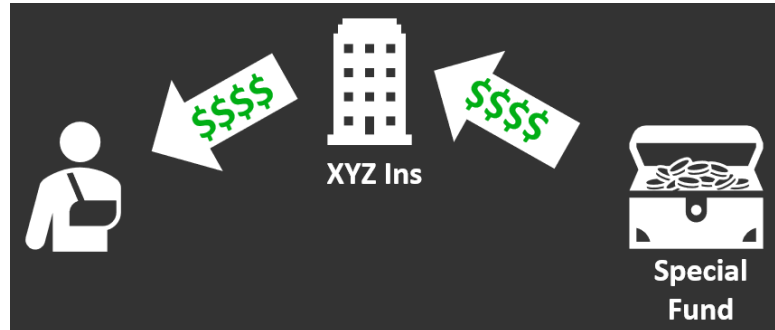


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Chapter 2: Special Fund Reimbursement

In some states, there are special funds such as a Second Injury Fund or a Handicapped Workers' Reserve Fund.

With these funds, a claim is eligible for reimbursement to the insurer. When the insurer receives or anticipates a fund reimbursement, reduce the total incurred and paid cost of the claim by the amount of any anticipated or paid reimbursement from the fund.



Calculated Net Incurred Loss

Net Incurred Loss = Total Incurred Loss – Net Recovery Amount

- Total Incurred Loss = Incurred Indemnity + Incurred Medical value as of the latest valuation

Determine When the Reimbursement Was Anticipated

Before or as of 1st report valuation	<ul style="list-style-type: none">• Report the Net Incurred Loss and Net Incurred Paid as of the 1st report and forward• Report the applicable Type of Recovery Code
After 1st but within one year after the 5th report due date	<ul style="list-style-type: none">• Report the Net Incurred Loss, Net Incurred Paid, and applicable Type of Recovery Code as of the current level and forward• Determine if correction reports are needed for prior report levels
As of the 6th report due date or subsequent	<ul style="list-style-type: none">• Report the Net Incurred Loss, Net Incurred Paid, and applicable Type of Recovery Code as of the current level and forward• Do not make corrections to prior report levels

Type of Recovery Code

Report the code for all report levels where you report the Net Incurred Loss.

Type of Recovery—Loss Conditions	
Code	Description
02	Second Injury Fund Only
04	Subrogation and Second Injury Fund Reimbursement



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Chapter 3: Subrogation Recovery and Special Fund Reimbursement: Related Edits

Validation Edit L331

- Claim is reported with Type of Recovery Code 02, 03, or 04 and Net Incurred Loss is lower than the Gross Incurred Losses in prior report levels with Type of Recovery 01
- Applies to Type of Recovery—Loss Conditions of:
 - 02—Second Injury Fund Only
 - 03—Subrogation Only (Third Party)
 - 04—Subrogation and Second Injury Fund Reimbursement
- Data Grade 5
- Correction reports or detailed explanations are required

Validation Edit L332

- Claim is reported with inconsistent Type of Recovery across report levels
- Data Grade 2
- Correction reports or detailed explanations are required

Incorrect Application of Subrogation Recovery or Special Fund Reimbursement Rules

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.

Example

Receipt of a payment to reduce the incurred loss amounts is not a subrogation recovery or special fund reimbursement.



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Chapter 4: Noncompensable Claims

A noncompensable claim meets one or more of the following:

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

Type of Settlement Code

Code	Type of Settlement	Description
05	Dismissal or Take Nothing (Noncompensable)	The claim meets one or more of the following: <ul style="list-style-type: none">• Official ruling denying benefits• Claimant's failure to file for benefits• Claimant's failure to prosecute claim following carrier's denial of the claim

Determine When Claim Was Noncompensable

Before or as of 1st report valuation	<ul style="list-style-type: none">• Do not report the claim if it does not include any paid losses, incurred losses, or ALAE• Otherwise, report the claim with Type of Settlement Code 05 for noncompensable
After 1st but within one year after the 5th report due date	<ul style="list-style-type: none">• Report the claim with Type of Settlement Code 05 at the current report level and forward• Submit correction reports updating the Type of Settlement Code to 05 for all applicable report levels<ul style="list-style-type: none">○ Do not change loss values
As of the 6th report due date or subsequent	<ul style="list-style-type: none">• Report the Type of Settlement Code as 05, as of the current report level valuation and forward• Do not submit correction reports to any prior reports

Note: State exceptions may apply.

Loss Development

There are times when a claim that was previously determined to be noncompensable can then be determined to be compensable as of the current valuation. This is considered loss development.

- Report the change on a going-forward basis
- Do not submit corrections to prior report levels

Partially Not Compensable

A portion of the claim can be noncompensable. For these claims, report:

- The compensable portion of the claim
- A Type of Settlement Code other than 05, based on the final paid amounts
 - Do not report the claim as noncompensable with Type of Settlement Code 05



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Chapter 5: Fraudulent Claims

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

Fully Fraudulent Claim Code

Code	Type of Fraudulent Claim Code	Description
02	Fully Fraudulent	The entire claim is determined to be fully fraudulent in accordance with NCCI's Statistical Plan rules.

Determine When Claim Was Fully Fraudulent

Before or as of 1st report valuation	<ul style="list-style-type: none">Do not report the claim if it does not include any paid losses, incurred losses, or ALAEOtherwise, report the claim with Fully Fraudulent Claim Code 02
After 1st but within one year after the 5th report due date	<ul style="list-style-type: none">Report the claim with Fully Fraudulent Claim Code 02 at the current report level and forwardSubmit correction reports updating the Fully Fraudulent Claim Code to 02 for all applicable report levels<ul style="list-style-type: none">Do not change loss values
As of the 6th report due date or subsequent	<ul style="list-style-type: none">Report the Fully Fraudulent Claim Code as 02 as of the current report level valuation and forwardDo not submit correction reports to any prior reports

Note: State exceptions may apply.

Partially Fraudulent

A portion of the claim can be fraudulent. For these claims, report:

- The nonfraudulent portion of the claim
- A Fraudulent Claim Code as 00 for nonfraudulent

Recap

- Calculating Net Incurred Loss is fundamental for subrogated and special fund reimbursed claims
- Code values for Type of Recovery, Type of Settlement, and Fully Fraudulent Claim
- Report code values on applicable report levels
- Do not change loss values for noncompensable and fully fraudulent claims

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