



# Data Now Program (DNP) Financial Call Components: Advanced Topics

## Key Takeaways

- The handling of Premium and Loss Components in Financial Data
- Claim Count Considerations
- Defense and Cost Containment Expense (DCCE) and Examples

## Financial Call Premium

### Three Categories of Earned Premium Defined

Net Premium	Company Standard	DSR Premium
Actual Earned Premium	Earned Premium using company's loss cost multipliers or rate deviations	NCCI loss costs or rates
Include most premium adjustments	Include individual risk experience modification	Exclude <ul style="list-style-type: none"> <li>- Loss Cost Multiplier</li> <li>- Approved Deviation</li> </ul>
Reconciles to NAIC Annual Statement	Exclude any other risk specific adjustments	Represents pure premium generated if coverage were written at an NCCI loss cost or rate levels

## Premium Components Summary Chart

- Located in Part 5 of *Financial Call Reporting Guidebook*
- Lists common and specific premium components
- Displays "X" when component is included in premium category: Net, Company Standard, and DSR
- Shades cells when component is not applicable in premium category

Premium Components Summary Chart					
Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
1. Assigned Risk Adjustment Program (ARAP) <sup>[+]</sup>	X	X	X		
2. Balance to Minimum Premium Adjustment <sup>[+]</sup>	X	X	X	X	
3. Catastrophe and Terrorism Provisions (e.g., DTEC, TRIA, TRIEA, TRIPRA)					
Do Not Report					
4. Company Loss Constant	X	X		X	
5. Consent to Rate	X	X		X	
6. Contracting Classification Premium Adjustment Program (CCPAP)	X	X	X	X	X
7. Deductible Coverage—Premium Credits	X				
8. Drug-Free Workplace Credits	X	X	X	X	X
9. Expense Constants: Company-Selected Expense Constant	X	X		X	
10. Expense Constants: NCCI-Published Expense Constant <sup>[+]</sup>	X	X	X		
11. Experience Rating Modifications: Deviations From NCCI-Promulgated Experience Rating Modification Factor	X				
12. Experience Rating Modifications: NCCI-Promulgated Experience Rating Modification	X	X	X	X	X
13. Experience Rating Modifications: Oregon Group Supplemental Experience Rating Plan (OGSERP)	X			X	X
14. Florida Excess Profits					
Do Not Report					
15a. Foreign Voluntary Compensation	X	X	X	X	X
15b. Foreign Voluntary Compensation—Optional Repatriation Coverage	X				
16. Georgia Work-Based Learning Program	X			X	X



## Data Now Program (DNP) Financial Call Components: Advanced Topics

### How to Use the Premium Components Summary Chart

- When DSR level is rates
- When DSR level is loss costs
- Determine pricing category for the state
  - Visit part 5-A of the *Financial Call Reporting Guidebook*

Premium Components Summary Chart

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
1. Assigned Risk Adjustment Program (ARAP) <sup>[*]</sup>	X	X	X		
2. Balance to Minimum Premium Adjustment <sup>[**]</sup>	X	X	X	X	
3. Catastrophe and Terrorism Provisions (e.g., DTEC, TRIA, TRICA, TRIPRA)		Do Not Report			

### Premium Component Examples

Balance to Minimum Premium	Expense Constants
Independent Carrier Filings	Managed Care Program Credits
Schedule Rating	Consent to Rate
Catastrophe and Terrorism	

### Balance to Minimum Premium

- Included for all premium levels when DSR level is rates
- Exclude the adjustment for voluntary business in a loss cost state and in Texas for DSR Premium

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
2. Balance to Minimum Premium Adjustment <sup>[**]</sup>	X	X	X	X	
<sup>[**]</sup> Do not include in DSR Level Premium for Texas.					

### How to handle Balance to Minimum Premium (BTMP): Rate State Example:

1. Remove the Balance to Minimum Premium from Company Standard Premium		
Company Standard: \$2,000,000	Balance to Minimum Premium: \$300,000	Adjusted Company Standard: = \$1,700,000
2. Remove the effect of the deviation		
Adjusted Company Standard: \$1,700,000	Deviation: / .983	Subtotal Premium: = \$1,729,400
3. Add the Balance to Minimum Premium back in		
Subtotal: \$1,729,400	Balance to Minimum Premium: \$300,000	DSR Premium total: = \$2,029,400



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### Expense Constants—Company-Selected

- Fixed amount
- Included in Net and Company Standard premium levels

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
9 Expense Constants: Company-Selected Expense	X	X		X	

### Expense Constants—NCCI-Published

- Included in Rate State
- Exclude in Loss Cost State
- In Texas, and for loss cost states for voluntary business only, NCCI doesn't publish an expense constant

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
10 Expense Constants: NCCI-Published Expense	X	X	X		

### Expense Constant (E.C.)—Rate State

#### Example:

Company Standard Premium	Company E.C.	Deviation
\$5,800,000	\$500,000	0.900
	NCCI E.C.	
\$5,800,000	\$400,000	0.900
DSR Level Premium:		
[(5,800,000 - 500,000)/.90] + 400,000 = 6,288,889		

### Independent Carrier Filings

- This premium is included in Net Premium but not included in Company Standard and DSR Level Premium
- Only applies when there is not a premium component already explicitly stated in the chart

Premium Components Summary Chart

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
19. Independent Carrier Filings	X				



## Data Now Program (DNP) Financial Call Components: Advanced Topics

### Managed Care Programs

- Include this adjustment in all premium levels
- Many states may have specific names for this program
- Examples of state-specific programs include:
  - Colorado Designated Medical Provider Program
  - Georgia Managed Care Arrangement Premium Credit Program

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
21 Managed Care Programs: Managed Care Credits	X	X	X	X	X

### Texas-Certified WC Health Care Network

- Included in the Net premium only.
- Different than Managed Care Programs in other states.

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
32 Texas Certified WC Health Care Network	X				

### Schedule Rating

- Schedule Rating adjustment is included in Net premium only
- Calls 10 and 10T

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
30 Schedule Rating and Other Prospective State-Specific Rating Adjustments	X				

### Consent to Rate

- Net and Company Standard premium include amounts attributable to CTR
- DSR premium only includes the premium at the approved rate

Component	Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
		Company Standard	DSR	Company Standard	DSR
5 Consent to Rate	X	X		X	



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### Consent to Rate Example

State Approved Rate	Payroll	Premium (Payroll/100 x Rate)
\$5.00	\$300,000	\$15,000
Consent to Rate Amount	Payroll	Premium (Payroll/100 x Rate)
\$20.00	\$300,000	\$60,000
Premium Amounts Reported to NCCI		
DSR Premium	Company Standard Premium	Net Premium
[_____]	[_____]	[_____]
<b>Consent to Rate Amount = [_____]</b>		

### Catastrophe and Terrorism Provisions

- Premium surcharge for catastrophe or terrorism-related programs
- Not reported in any Premium level

		Net	When DSR Level Is Rates		When DSR Level Is Loss Costs	
			Company Standard	DSR	Company Standard	DSR
3.	Catastrophe and Terrorism Provisions (e.g., DTEC, TRIA, TRIEA, TRIPRA)	Do Not Report				



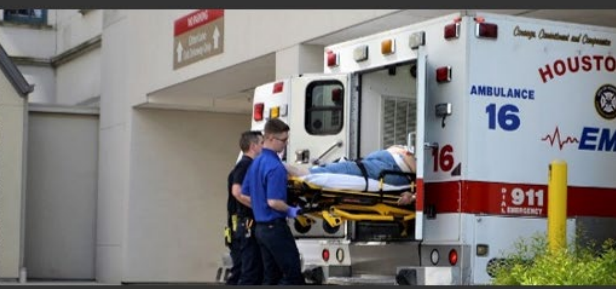
## Financial Call Losses

### Paid + Case Losses

#### Paid and Case Losses

Indemnity

Medical



#### Subrogation

 FCRG – Part 5-B

- Recovered losses from a third party
- Reduce paid losses by the losses recovered





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### Subrogation Examples

Ex. 1

Indemnity Paid loss amount \$10,000 – \$3,000 (actual subrogation received less subrogation expenses) = \$7,000 amount to be reported.

Ex. 2

If the aggregate paid amount for all claims is negative for an observation year:

- PY 2022 aggregate medical paid amount = (\$400,000)
- PY 2022 aggregate medical case outstanding amount for the observation year = \$1,000,000

Then:

- Reduce the case outstanding \$1,000,000 – \$400,000 (negative paid amount) = \$600,000
- The paid amount for PY 2022 should be set to zero

### Exercise 1: Subrogation

<b>Claim #1234</b>
Indemnity Paid loss amount of \$200,000 Subrogation amount of \$50,000 Subrogation expenses amount of \$5,000
What is the indemnity paid reported in the Calls?
\$155,000 (\$200,000 indemnity paid - \$50,000 subrogation – \$5,000 subrogation expense)

### Lump-Sum Settlement

Losses are split into indemnity and medical losses

- When a claim involves a lump sum, the actual lump-sum amount is subdivided according to indemnity and medical
- If the subdivision between indemnity and medical is unknown or unspecified, use the case values prior to settlement adjustments to determine the prorated reported amount for indemnity and medical

### Lump-Sum Settlement Example

<b>Lump-sum settlement amount: \$2,000,000</b> (subdivision is <i>unknown or unspecified</i> in the settlement)		
<b>Indemnity case value prior to the settlement</b>	\$200,000	20%
<b>Medical case value prior to the settlement</b>	\$800,000	80%
<b>Report prorated indemnity amount</b>	\$2,000,000 x 20%	<b>\$400,000</b>
<b>Report prorated medical amount</b>	\$2,000,000 x 80%	<b>\$1,600,000</b>



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### Exercise #2: Lump Settlement

<b>Claim #1234 Lump Settlement Amount:</b>
<b>Total:</b> \$1, 746,900
<b>Prior to Settlement:</b> <b>Indemnity Case:</b> \$550,000 <b>Medical Case:</b> \$1,200,000
<b>Pro Rate Factors:</b> <b>Indemnity:</b> $\frac{31\%}{\$550,000/\$1,750,000}$ (total of the case amounts) <b>Medical:</b> $\frac{69\%}{\$1,200,000/\$1,750,000}$ (total of the case amounts)

### Exercise #2: Lump Settlement

<b>Reported Paid Amounts:</b>
<b>Indemnity:</b> $\$1,746,900 \times \frac{31\%}{\$550,000/\$1,750,000} = \$541, 539$ <b>Medical:</b> $\$1,746,900 \times \frac{69\%}{\$1,200,000/\$1,750,000} = \$1,205,361$
Report these amounts in Call #31 for Claim #12345 and include in the amounts reported in Call #3 for indemnity and medical paid.

### Employers' Liability

An accident for one claimant with reportable losses under both workers compensation and employers' liability is reported as one claim, with combined loss experience.

Report employers' liability losses (include DCCE) to Indemnity

#### Call #31 Example:

	<b>Indemnity Paid</b>	<b>Medical Paid</b>	<b>Indemnity Case</b>	<b>Medical Case</b>	<b>DCCE Paid</b>
<b>Workers' Compensation Claim WC22008</b>	10,000	20,000	5,000	30,000	
<b>Employers' Liability companion claim EL122008</b>	5,000		3,000	0	5,000
<b>Report the combined loss experience on the Calls</b>	20,000	20,000	8,000	30,000	0





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### Exercise #3: Employers' Liability

- What amounts are reported in the Calls for each component?

	Indemnity paid	Medical Paid	Indemnity case	Medical case	DCCE paid	DCCE case
WC claim 45678	25,000	300,000	10,000	200,000	5,000	3,000
EL claim 4567810	20,000	0	25,000	0	1,000	1,000

- 25,000 (WC indem paid) + 20,000 (EL indem paid) + 1,000 (EL DCCE paid) = 46,000 Indemnity Paid
- Medical paid = 300,000
- 10,000 (WC indem case) + 25,000 (EL indem case) + 1,000 (EL DCCE case) = 36,000 Indemnity case
- Medical case = 200,000
- DCCE paid = 5,000
- DCCE case = 3,000

### Deductible Policies Example

All states except Kentucky:

Policy has a deductible amount of:	\$1,000
Claim has medical loss amount (not including the deductible amount)	\$6,000
Report the total amount of (which is gross of the deductible amount of \$1,000)	[_____]

Kentucky—report on a net basis:

The net amount reported should be \$6,000.
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## Case Reserves

 FCRG – Part 5-B-2-b

- Subrogation in case reserves
- Discounting allowances and what to do if there is a change



## Additional Requirements

 FCRG – Part 6-A

### Categories:

- Coal Mine Experience
- Large Deductibles
- Excess Policies
- Maritime and Federal Employers' Liability Act (FELA)
- F - Classifications
- Other Types of Experiences



## Data Now Program (DNP) Financial Call Components: Advanced Topics

### Coal Mine Experience

#### Coal Mine Experience

 FCRG – Part 6-A

- Part 6 lists all coal mine codes
- The “X” indicates whether that statistical code or classification code is included in the Call
- VA: Separate coal mine Calls

Call #	States Except Virginia						Texas	Virginia						
	OD—Black Lung			Traumatic and OD Other Than Black Lung			Traumatic and OD Other Than Black Lung	OD—Black Lung			Traumatic and OD Other Than Black Lung			
	Surface	Under-ground	Other	Surface	Under-ground	Surface		Under-ground	Other	Surface	Under-ground			
0156	0157	0158	0159	1005	1009	1015	1165	0156	0157	0158	0159	1005	1009	1015
1B	X	X	X	X	X	X								
1C														
1D	X	X	X	X	X	X								
3				X			X							
3A				X			X							
5							X							
5A				X			X							
8 (line 1)					X		X							
8 (line 4)	X	X	X		X			X	X	X	X	X	X	X
10				X										

### Deductible Policies - Large

#### Large Deductible Policies

 FCRG – Part 6-A-8

- Deductible amount of \$100,000 or more per claim or accident or per aggregate
  - Oregon—deductible amount of \$75,000 or more per claim or accident or per aggregate
  - Texas—deductible amount of more than \$25,000 per claim or per accident or \$100,000 per aggregate



## Data Now Program (DNP) Financial Call Components: Advanced Topics

### Excess Policies

Policies that cover loss above a specified threshold; however, carriers do not get involved until the loss amount exceeds the threshold. Refer to Part 6-A-13.

Include if:	Exclude in:
Excess Policies are included in Statutory Page 14, Line 16 of NAIC on Calls 1, 1A, 8, 14, 19, and 26	Financial Calls other than the Calls included

### F-Classifications

#### F - Classifications

 FCRG – Part 6-A-15

0763F	6006F	6801F	6803F	6824F	6825F	6826F
6827F	6828F	6829F	6843F	6845F	6846F	6869F
6872F	6873F	6874F	6875F	7309F	7313F	7317F
7323F	7327F	7350F	7352F	7366F	8709F	8711F
8726F	9077F					

- Federal (F) classification included in Calls 1, 1A, 1B, 1C, 1D, and 8, 14, 19, and 26
- Include experience for non-F class codes where USL&HW factor has been applied

Financial Calls names:

Call	Call Name
1	Calendar Year Call for Workers Compensation Net Direct Written Premium
1A	Calendar Year Call for Direct Assignment Net Direct Written Premium
1B	Calendar Year Alternate Equivalent Premium Call
1C	Calendar Year Kansas Municipalities Premium Exclusion Call
1D	Calendar Year New Mexico Small Policy Exemption Call
8	Reconciliation Report
14	Calendar Year Expense Call
19	Accident Year Countrywide Loss Adjustment Expense
26	North Carolina Addendum for Call #19 Only



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## Maritime and Federal Employers' Liability Act (FELA)

### Maritime and FELA

 FCRG – Part 6-A-18

- Included in Calls 1, 1A, 1B, 1C, 1D, 8, 14, 19, and 26
- Exclude all maritime experience and other FELA classification effective 01/01/03 and after from Calls 3, 3A, 5, 5A, 10, 10T, 26 (except for addendum for Call 19), and 31

6702	6703	6704	7016	7019	7020	7024	7027	7028
7036	7037	7038	7039	7046	7047	7048	7049	7050
7051	7062	7069	7070	7076	7079	7088	7089	7090
7091	7094	7097	7098	7099	7131	7133	7134	7135
7151	7152	7153	7333	7335	7337	7394	7395	7398
8734	8737	8738	8805	8814	8815			

Financial Call Names:

Call	Call Name
3	Policy Year Call
3A	Policy Year—Assigned Risk Call
5	Calendar-Accident Year Call
5A	Calendar-Accident Year—Assigned Risk Call
10	Schedule Rating and Other Prospective Premium Adjustments Call
10T	Texas—Policy Year Call for Schedule Rating Modifications
26	North Carolina Addendum (except for Addendum for Call 19)
31	Large Loss and Catastrophe Call

### Other Types of Experience

- West Virginia Deliberate Intent (Mandolidis) Coverage: exclude any experience associated with this coverage
- Wrap-up policies: not large deductible, include in the Calls
- Domestic Worker Experience: include domestic worker in all Calls written under workers compensation and employers liability policies
  - Exclude if written under other liability insurance or if coverage is part of homeowners insurance



## Data Now Program (DNP) Financial Call Components: Advanced Topics

### Statistical Plan Loss Rules



Stat Plan:  
Parts 4-C-5 & 4-C-6

- The **Financial Call Reporting Guidebook (FCRG)** is your primary resource for reporting requirements and instructions
- Data providers are required to use the FCRG in conjunction with the **Statistical Plan Manual**  
Loss rules examples: Punitive Damages

#### 5. Awards

(Exceptions: [MO](#), [TX](#))

- When an award to a claimant includes the cost of witness fees, attorney fees, and other court costs, the amount awarded must be considered part of the cost of benefits and must be included as part of the incurred indemnity loss and paid indemnity loss as appropriate.
- With respect to claims brought by persons against whom an employee has brought a third party common law action, such special costs must be reported as an indemnity loss whether or not a recovery is made against the third party by the employee.

#### 6. Penalties for Delays in Making Compensation Payments

(Exceptions: [FL](#), [ME](#), [TX](#))

##### a. Included in Indemnity Loss

If the carrier is liable for penalties for reasons beyond its control that accrue as benefits to the injured worker or to his or her dependents, the penalties must be reported as part of the incurred indemnity loss and paid indemnity loss as appropriate, e.g., for interest on awards or penalties imposed upon the employer for improper controversion of awards.

##### b. Excluded From Indemnity Loss

If the carrier is liable for penalties for any reason within its control that accrue as benefits to the injured worker or to his or her dependents, the penalties must be considered an unallocated claim expense, not included in the indemnity loss.

## Financial Call Claim Counts and DCCE

### Claim Counts

- Claim Counts include only indemnity claims
- Incurred indemnity claim count is the accumulated number of claims for which an indemnity payment has been made and/or an outstanding indemnity loss reserve exists
- The status of a claim can either be “open” or “closed”

### Indemnity Claim Count Example 1

#### Double Counting

Reopened Claims: Claim ABC—Closed in 2023 and Reopened in 2024	
Valuation 12/31/2023	Reported as Closed claim
Valuation 12/31/2024	Reported as an Open claim
<b>Note:</b> This is not a new claim—claim moved from Closed to Open; Total Claim Count doesn't change on Financial Calls.	

### Indemnity Claim Count Example 2

#### Medical-Only Claims

Claim ABC—Opened in 2023 and Closed in 2024	
Valuation 12/31/2023	Reported as an open indemnity claim with indemnity case reserves of \$5,000
Valuation 12/31/2024	Claim closed as medical-only



## Data Now Program (DNP) Financial Call Components: Advanced Topics

**Note:** When reporting valuation 2024, an update would be needed to remove this claim from the Total Indemnity Claim Counts.

### Claim Count Ex 3

- We have an accident for one claimant
  - Reportable losses under workers compensation and employers' liability
  - How many claim counts get reported?

### Expenses: DCCE and AOE

- Defense and Cost Containment Expense (DCCE)
  - Expenses for defense by the insurer in contentious situations for litigation involving a claim and for cost containment expense.
- Adjustment and Other Expenses (AOE)
  - Expenses that have been assigned to the Loss Adjusting Expense group in the Underwriting and Investment Exhibit of the NAIC Annual Statement, and they are other than those listed in Defense and Cost Containment Expense

### Defense and Cost Containment Expense



#### *Financial Call Reporting Guidebook*

#### **D. LOSS ADJUSTMENT EXPENSE (LAE)**

Expenses associated with the recording, adjustment, and settlement of claims are called Loss Adjustment Expense.

Prior to 1998, LAE was reported as Allocated and Unallocated Loss Adjustment Expense (ALAE and ULAE).

Loss Adjustment Expense is divided into two types of expenses: (1) Defense and Cost Containment Expense (DCCE) and (2) Adjusting and Other Expenses.

1. **Defense and Cost Containment Expense**—Defense and Cost Containment Expense (DCCE) is defined as expenses for defense by the insurer in contentious situations (whether a first-party or third-party claim) for litigation involving a claim and for cost containment expense.

Examples of Defense and Cost Containment Expense include:

- Surveillance expenses.
- Fixed amounts for cost containment expenses.
- Case Management expenses for the purpose of managing the overall cost of a claim.
- Litigation management expenses.
- Loss adjustment expenses for participation in voluntary and involuntary market pools if reported by accident year.
- Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors, and fraud investigators, if working in defense of a claim, and fees or salaries for rehabilitation nurses, if such costs are not included in the loss.
- Attorney fees incurred owing to a duty to defend, even when other coverage does not exist.
- Cost of engaging experts.
- Cost of an Independent Medical Examination (IME) unless the IME is required by an Industrial Board or Commission. If the IME is required by an Industrial Board or Commission, it is reported as a medical loss.

- Part 5 lists many examples of what is included in DCCE
- What is excluded in the expenses
  - Determination of coverage
  - Employers' liability expenses



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## Resources

### Resources

- ***Financial Call Reporting Guidebook***
  - Part 5—Financial Call Component
  - Part 6—Additional Requirements for Experience
  - Part 9—Financial Call Instructions
- ***Statistical Plan***
  - Part 4-B—Medical Losses
  - Part 4-C—Indemnity Losses
  - Part 6-E—Statistical Codes

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