Key Takeaways

- Validation Process
- Edits and How to Address
- Data Comparison Analysis
- Actuarial Inquiries

Financial Call Edits and Validation

Importance of Financial Calls

- Ensures that the Financial data is accurate and complete
- Quality of the Financial Call data is critical:
  - Used for the development of adequate loss costs and rates
  - Used to support overall market analysis and research
  - Used to respond to state regulatory requests

What Are Edits?

- Edit Validation Process helps ensure:
  - Data is consistent
  - Data meets quality standards
- Edit check:
  - Each Financial Call
  - All columns/rows of data

How Do Edits Work?

- Edits help find:
  - Incorrect calculations
  - Data entry errors
  - Significant increases/decreases
- Edits compare:
  - Values against expected ranges/ratios
  - Totals between columns/rows

Edit Information

Each edit is identified:

> Edit number
> Observation year
> Valuation year
> Call type
> State
> Description—details why the edit occurred

Edit Results

View your edits through the Search Edit Results.

Advantages of viewing your edits this way:

- Easily spot edit trends
  - o Example: receiving the same type of edit in every observation or in every state. Is your data correct?
- All edits in the edit log need to be addressed either by providing an explanation or correcting the data.
- Critical edit highlighted with **!**

Edit Types

- Critical Edits appear at the top of the edit log and will be accompanied by a red exclamation point. **!**
- **You cannot submit calls with critical edits.**
- Common cause of critical edits is incorrect calculations or missing data.

Example:

- Open claim = 1
- Closed claim = 1
- Incurred Claim Count = 3 **!**

Research and correct data. Critical edits will be resolved.

? If you cannot address the critical edits, contact your financial data validator for assistance.

What Do Edits Look For?

- Development—changes between previous valuation and current valuation that are greater or less than expected for premium, losses, claim count, or expenses
- Ratio—when the loss ratio to premium is out of expected range
- Frequency—the average number of claims per dollar of premium is lower or higher than expected
- Severity—when the average paid loss per claim is lower or higher than expected

Edit Types

- Intra-Call edits
  - Compare within same Call (ratio and severity edits)
  - Compare same Call across valuations (development)
- Inter-Call edits
  - Comparison of common data components across Calls
  - Edit will flag on both Calls being compared

Call Number	Validated Against Call(s)
3	3A, 5, 10, 26, 31
3A	3, 5A, 31
5	3, 5A, 8, 26, 31
5A	3A, 5, 31
8	5
10	3
14	26
26	3, 5, 14
31	3, 3A, 5, 5A
32A	33
32V	33
33	32A, 32V

3	3A, 5, 10, 26, 31

Pre-Submission Validation of Edits

- Reporting Workflow
  - Create all Calls for a state
  - Validate all Calls for a state
- Addressing the Edits
  - Explain—provide a detailed explanation
  - Correct—correct and revalidate the data before submitting Call data

> ✓ Eliminates unnecessary edits
> ✓ Review and address the majority of edits before submitting Call data
> ✓ Potential to avoid *Aggregate Data Quality Incentive Program (ADQIP)* assessments

Edit Explanations

When providing an explanation, the financial data validator will look for:

- A statement that all components in the edit have been verified and are correct
- Detailed information that fully explains why the edit occurred

Edit Corrections

Another way to address an edit is correcting data:

- Corrections may be due to:
  - Calculation error
  - Typo
  - Data reported to the incorrect state

- o Reporting instructions in the *Financial Call Reporting Guidebook* were not followed
- When corrections are necessary, ask the following questions:
  - o Are there other observation years, Calls, or states affected?
  - o Is this occurring in previous valuations?

  Note: If you are correcting premium for prior valuation calendar year Calls, make sure you correct the appropriate calendar year for that valuation and do not lump the amounts into the most current calendar year.
- Once corrections are submitted, always check your edit log for any new edits

NCCI Resources

The following resources can help in addressing edits:

- *Financial Call Reporting Guidebook*
- *Data Quality Guidebook*
- *Statistical Plan Manual*—2008 Edition
- Webinars
- Financial Season Web Articles
- Circulars
- Financial Data Validator

Edit Examples

Loss Development—PY2022 (Alabama)

Edit Description	**Medical Paid** development is outside of expected range. **Current** Medical Paid Losses: $1.8M; **Previous** Medical Paid Losses: $300K; Ratio: 6.000. Please correct the data or explain giving details of any large claims.

Loss Development Example:

- Research
  - o Confirm medical paid losses for the current valuation and previous medical paid losses are correct
  - o Determine what is causing the large development
  - o Development is Claim Number W123, with a medical paid amount of $1.3 million in the **current period**
  - o Explain the edit

Carrier Explanation	**Medical Paid** losses verified to be correct; the development is due to a large payment of $1.3M made on claim #W123, policy #L1234 listed on Call 31. The claimant had skin graft surgery during the year. Also, additional medical payments were made from prior procedures that were approved in 2025.

- Explanation:
  - The explanation should document that the medical paid losses are correct and provide the claim number, policy number, and the development amount. Include that the claim was reported on Call 31—Large Loss and Catastrophe and additional information on what happened to the claim.

Loss Development—PY2021 (Vermont)

Edit Description	**Indemnity Paid + Case** development is outside of expected range. **Current** Indemnity Paid: $900K, Current Indemnity Case: $400K; **Previous** Indemnity Paid: $500K, Previous Indemnity Case: $40K; Ratio: 2.407. Please correct the data or explain giving details of any large claims.

Loss Development Example:

- Research
  - Confirm **indemnity paid and case** losses for the **current** valuation and **previous** indemnity paid case losses are correct
  - Determine what is causing the large development
  - Development is Claim Number W456, with an **indemnity paid** amount of $350K and **indemnity case** amounts of $300K in the **current period**
  - Explain the edit

Carrier Explanation	**Indemnity Paid** and Case Losses are verified to be correct; Claim #W456 had an indemnity payment of $398K. The case reserves increased due to potential settlement, of which $350K of it is for Indemnity. This claim is listed on Call 31 on both valuations. The claimant had a fractured skull.

Claim Count Development—PY2021 (Georgia)

Edit Description	Indemnity **Incurred Claim Count** development outside of expected range. **Current** amount: 33; **Previous** amount: 53; Ratio: 0.623. Please correct the data or explain the unusual development of your data.

Claim Count Development Example:

- Research:
  - Per the *Financial Call Reporting Guidebook*, Part 5, "Do not include medical-only claims, Defense and Cost Containment Expense (DCCE) only claims, or claims closed without payment" as claim count
  - Data for the current valuation is correct
  - Discovered that medical only claims were included in previous valuation claim count

    o   Correction required to previous valuation(s)
- Resolution:
    - Review other policy years, calendar accident years, and previous valuations to make sure that medical-only claims were not included.
    - Submit correction for all impacted Calls, observations, states, and valuations. Always start with the earliest valuation year and move forward.
    - Submitted corrections should remove the edit. Be sure to review the edit log for potential new edits.

Loss Ratio—PY2023 (North Carolina)

Edit Description	Ratio of **Medical Paid + Medical Case** to **NCCI DSR Premium** is higher than expected. Medical Paid: $5.2M; Medical Case: $2.5M; NCCI DSR Premium: $4.2M; Ratio: 1.833. Please examine the medical amounts and the NCCI premium and provide a detailed explanation or correct the data.

Loss Ratio Example:

- Research:
    - Confirm that the **Medical Paid + Medical Case** and **DSR premium** amounts are correct
    - What is contributing to the high ratio?
        - Confirmed that both **Medical Paid + Medical Case** and **DSR premium** are correct
        - A large loss, claim number C4321 for policy number XYZ98, has a medical paid loss amount of $3M and $500K in medical case due to a brain injury. Claim number 6789 has $800K medical paid and $2M in medical case due to total knee replacement, hospital stay, and attendant care
        - Explain the edit

Carrier Explanation	The medical and premium amounts are correct. Claim #C4321 has $3M in medical paid and $500K in medical case. This claimant suffered a traumatic brain injury. Claim #C6789 has $800K in Medical Paid and $2M in Medical Case. This claimant had total knee replacement, and medical reserves are to cover attendant care and hospital. Both claims are listed on Call 31.

- Explanation:
    - Both components, losses both paid and case amounts and premium amounts, were verified as correct and a detailed explanation of the ratio was provided

Large Loss (Call 31 Edit) (Colorado)

Edit Description	There are 3 **large loss claim(s)** reported in the **prior valuation** that are not reported in the **current valuation**. Please correct or explain.

Large Loss Edit Example:

- Research:
  - **Three large loss claims** in the prior **valuation** but not in the **current valuation**
  - The *Financial Call Reporting Guidebook*, Call 31 reporting instructions, require that claims with an incurred loss amount of over $500,000 must be reported in Call 31
  - The total indemnity and medical paid amount is $675K on **prior valuation**
  - Why was it not included in the **current valuation**?
    - Confirm that all 3 claims should not be reported on Call 31 because the incurred amount fell below the $500,000 threshold. Claim number 456 had subrogation recovery of $350K.
  - Explain the edit

Carrier Explanation	The claim data is correctly reported. Claim #123 and #789 closed and the total incurred fell below the large loss threshold. Claim #456 received subrogation recovery of $350K, bringing the total incurred under 500K; and the claim is now closed.

- Explanation:
  - The explanation confirms that the removal of the three claims from the **current valuation** is correct and provides the claim numbers and activity that brought the claim below the $500,000 threshold

Call 19—Large Deductible Paid Loss Development—PY2022

Edit Description	PY 2022 Paid Losses development for large deductible policies outside of expected range. Current Paid: 2,500,000; Previous Paid: 1,400,000. Please correct the data or explain the unusual development of your data.

Carrier Explanation	Development is due mainly to NM claim MD1973 with $350,000 and WY claim TT1972 with $300,000. All remaining loss development is due to smaller claims from all states with policies for PY 2022.

Call 8—Reconciliation Report

Edit Description	DCCE Paid amount is different from what was reported on your Annual Statement. DCCE Paid Difference: $315,000.

Carrier Explanation	Employers Liability Paid DCCE of $325,000 included in Paid Losses on Calls, but in Paid DCCE on Annual Statement.

Post-Submission Validation

Post-Submission Edit Review

- Financial Data Team validates data and reviews the edits and explanations.
- Are additional information or corrections needed?
  - No—Edit Explanation Accepted
  - Yes—Notify Carrier

Edit Notifications

Notifications are sent if:

- Explanations are missing
- Explanations are incomplete or vague
- Explanations advise that the current or prior valuation data was reported incorrectly

An email is sent for notifications generated from the tool. Remember, **ADQIP** assessments may apply.

Financial to Unit Statistical Data Comparisons

Financial Data Comparisons

In addition to edits, comparisons check the consistency, completeness, reasonableness, and quality of data.

- Comparisons between Financial Call data and Unit Statistical data (Fin/Stat)
  - Company Standard Premium, Total Incurred Losses, Indemnity Claim Counts
- Designated Statistical Reporting (DSR) Premium Analysis
  - Extending exposures on unit statistical reports

- o   Looking for the ratio of the Company Standard Premium-to-DSR Premium
  - o   Calls 3 (Policy Year) and 3A (Policy Year—Assigned Risk)
- Large Loss Analysis
  - o   Call 31 (Large Loss Catastrophe)
  - o   Claims with > $500,000 total incurred loss or extraordinary loss event claim

Financial Data Comparisons—Common Drivers

- Premium
  - o   Timing
  - o   Missing data
  - o   Incorrect Unit Exposure
  - o   Identification of large deductible policies
  - o   Statistical codes
    - ▪   Missing
    - ▪   Incorrect reporting
  - o   Deviations
- Losses and Large Loss Comparison
  - o   Timing
  - o   Missing data
  - o   Identification of large deductible policies
  - o   Incorrect reporting
    - ▪   Losses not reported to the state of exposure
  - o   Claim linking ⎤
  - o   Recoveries ⎦ Specific to large loss analysis
- Claim Counts
  - o   Timing
  - o   Missing data
  - o   Identification of large deductible policies
  - o   Double counting
  - o   Medical-only claims ⎤
  - o   DCCE-only claims ⎦ Excluded from indemnity claim counts
- DSR Analysis
  - o   Deviation history not updated or incorrect entries
  - o   DSR calculation incorrect
  - o   Passive deviation not considered
  - o   Premium components not handled correctly when reporting Company or DSR Premium

Actuarial Analysis/Inquiries

Actuarial Inquiries

- Purpose:
  - Usability of the data
  - Statewide validation: Compare company's data in a state with overall experience in the state
- Types of Inquiries:
  - Development
  - Call Relationships
  - Data Comparisons
- When:
  - State by state
  - Inquires during Call season

Actuarial Inquiries

- Development
  - Premium Development—Development of premium across Call valuations
  - Loss Development—Development of losses across Call valuations
  - Claim Development—Development of indemnity claim counts across Call valuations
- General Actuarial Questions—Inquiries relating to any aspect of Financial Call data reporting
- Loss Development compared to Call 31

Overview of the Development Exhibit

Overview of the Development Exhibit

Reported Values by Observation and Valuation

Reported Values by Valuation

Development Amount: Difference between the two valuations (i.e., @**2025**—$2M development between @2024 and @2025)

Carrier	Market Type	Exper Year	Year	DSR Premium				Development Amount		
				2022	2023	2024	2025	2023	2024	2025
99990	SW	PY	2022	8,500,000	11,000,000	11,500,000	11,500,000	2,500,000	500,000	0
99990	SW	PY	2023		7,500,000	10,000,000	8,000,000		2,500,000	(2,000,000)
99990	SW	PY	2024			9,500,000	11,000,000			1,500,000
99990	SW	PY	2025				8,000,000			

Market Type:
SW—Statewide
A/R—Assigned Risk

Experience Type:
PY—Policy Year
C/AY—Calendar Accident Year

Actuarial Inquires—Premium Development

Actuarial Inquiries—Premium Development

We are seeing a large **negative** premium **development** of the same magnitude for the **DSR, Company Standard,** and **Net** Premium for **PY 2023, Call 3**. Please review and provide an explanation.

Carrier	Market Type	Exper Year	Year	DSR Premium				Development Amount		
				2022	2023	2024	2025	2023	2024	2025
99990	SW	PY	2022	8,500,000	11,000,000	11,500,000	11,500,000	2,500,000	500,000	0
99990	SW	PY	2023		7,500,000	10,000,000	8,000,000		2,500,000	(2,000,000)
99990	SW	PY	2024			9,500,000	11,000,000			1,500,000
99990	SW	PY	2025				8,000,000			

Response

- Negative development driven by two large deductible policies (policy #s, effective date)

- Corrections to valuation 2023 and 2024; Calls 3, 5, and 8

- Are corrections needed to other states/PYs?

Actuarial Inquiries Call 31: Development

Actuarial Inquiries Call 31: Development

There appears to be a **large shift** from **medical case reserves** to **Indemnity Paid** for **claim CL98765.** Please explain this development.

Policy Number	Claim Number	Carrier	Valuation	Policy Eff Date	Accident Date	Claim Status	Indemnity Paid	Medical Paid	Indemnity Case	Medical Case	Total Incurred
XYZ12341	cl98765	99990	2024	7/1/2022	9/1/2022	0	300,000	200,000	1,100,000	3,300,000	4,900,000
XYZ12341	cl98765	99990	2025	7/1/2022	9/1/2022	1	3,000,000	200,000	0	0	3,200,000

Research Results: Lump-sum settlement for claimant

Note: Review *Financial Call Reporting Guidebook*—Part 5:

- Actual lump-sum amount is subdivided according to indemnity and medical

- If the **subdivision is unknown or unspecified**, use the **case values prior to settlement** adjustments to determine prorated amount for indemnity and medical

Lump-Sum Allocation Example

Lump-Sum Allocation Example

Claimant was granted $2.7M lump-sum settlement with **no specified allocation.**

- Use case reserve values prior to settlement to determine indemnity/medical allocation

- Do not use a 50/50 or 100/0 split

Valuation 12/31/2024	Indemnity Case	Medical Case	Total Case
	$1,100,000	$3,300,000	$4,400,000
Percentage of Total Case	25%	75%	

Valuation 12/31/2025	25% of $2,700,000 = $675,000 Report $675,000 to Indemnity Paid
	75% of $2,700,000 = $2,025,000 Report $2,025,000 to Medical Paid

Validation Tips—Pre/Post-Submission

- Explanations
  - o Confirm Accuracy
  - o What's Changed?
  - o Policy and Claim Detail
  - o Impact of Change
- Corrections
  - o Error (Details)
  - o Policy and Claim Detail
  - o Impact and Scope
  - o Work With NCCI