Objective

Become familiar with Unit Statistical loss reporting and claim conditions topics.
Reporting of Losses

Your Blueprint for data reporting success
Allocated Loss Adjustment Expense (ALAE)

- Expenses Allocated to Specific Claims
- Attorney Fees (Staff or Hired)
- Court Expenses, Dispute Resolution
- Medical Cost Containment
- Claim Expenses Required by Statute or Regulation

Unallocated Loss Adjustment Expense (ULAE)

- Expenses Excluded From Unit Statistical Reporting
- Carrier Employee Salaries, Overhead, Travel
- Fees Paid to Independent Claim Services or Attorneys—(Performing Claim Adjuster Duties)
Claim Expenses

- Included in Indemnity, Medical, ALAE, or ULAE
- Medical—Medical or legal court expenses incurred for the benefit of the claimant (Interpreter Expenses)
- Indemnity—Expenses incurred for the benefit of the claimant (Vocational Rehabilitation)
- ALAE—Specified expenses that can be allocated to the claim but are not in the loss (Medical Bill Auditing)

Loss/Expenses

In the Incurred Loss?

- Benefits Claimant: Indemnity, Medical
- Benefits Carrier: ALAE, ULAE
Vocational Rehabilitation

- Job Placement
- Schooling
- Testing
- Evaluation

Vocational Rehabilitation
Return-to-Work Expenses

Physical Rehabilitation

- Medical activities to achieve maximum medical recovery
- Provided by medically trained personnel
- Includes expenses by medically trained personnel
Injury Description Codes

Six-digit field composed of three components:

- **Part of Body**
  - What got injured?
  - Foot

- **Nature of Injury**
  - What was the result?
  - Burn

- **Cause of Injury**
  - What caused it?
  - Fire

Accident Date

- **Required for All Claims**
  - Traumatic, Occupational Disease, and Cumulative Injuries
  - Consistent throughout life of claim

- **Traumatic Injuries**
  - Actual Accident Date
  - Within policy period

- **Occupational Disease and Cumulative Injuries**
  - If known—Actual Accident Date
  - If not known—Last date of exposure to conditions causing the injury
Claim Expense—Pick the Bucket

- Physical Rehabilitation
- Attorney’s Fees
- Bill Auditing Expenses
- Legal court expenses incurred for the benefit of the claimant
- Claims Investigation
- Doctor and Hospital Payments
- Employer Liability Losses
- Carrier Employees’ Salaries
- Vocational Rehabilitation
- Medical expenses incurred for the benefit of the claimant
- Employer Liability Expenses
- Medical Loss
- Indemnity Loss
- ALAE
- ULAE

Claim Conditions

YOUR BLUEPRINT for data reporting success
Claim Conditions

- Loss Development
- Loss Reduction Conditions
- Loss Limited/Excluded From Experience Rating
- Additional Loss Rules
- Case Study
Loss Development

- Any changes in loss from one report level to next
  - Indemnity and medical loss reserves
  - Indemnity and medical payments
  - ALAE paid/incurred amounts
  - Change in Injury Type code
- Loss development is on a going-forward basis—Never submit correction reports

Loss Reduction Conditions
Loss Reduction Conditions

Subrogation

Special Fund Reimbursement

Subrogation

The carrier receives a recovery from a third party entity with a legal liability for the claim.

The gross incurred loss must be reduced by the recovery less recovery expenses.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>03</td>
<td>Subrogation Only (Third Party)</td>
</tr>
<tr>
<td>04</td>
<td>Subrogation and Second Injury Fund Reimbursement</td>
</tr>
</tbody>
</table>
Subrogation

Determine Total Incurred Loss

Total Incurred Loss = Total Incurred Indemnity + Total Incurred Medical

Calculate Net Incurred Cost

Total Incurred Loss – (Subrogation Recovery – Subrogation Expenses) = Net Incurred Loss

Determine Which Units Require Corrections

Compare Net Incurred Loss to previous report levels
When was the recovery received?

Subrogation Allocation

Subrogation Allocation Is Known

Allocate to Indemnity and/or Medical, based on the allocation

Subrogation Allocation Is Not Known

Allocate to Indemnity and/or Medical, based on the proportion of original loss amounts
Subrogation Reporting

Subrogation Recovery Prior to 1st Report
Include calculated subrogation recovery in claim value
Type of Recovery Code 03 (Subrogation) or 04 (Subrogation and SIF)

Subrogation Recovery After 1st but Before 6th Report
Calculate the Net Incurred Loss (as of latest report level)
Determine if correction reports are needed
Type of Recovery Code 03 (Subrogation) or 04 (Subrogation and SIF)

Subrogation Recovery as of 6th Report
Include calculated subrogation recovery in claim value
Type of Recovery Code 03 (Subrogation) or 04 (Subrogation and SIF)

Subrogation Example

Scenario:
- Between the 2nd and 3rd units, carrier receives a subrogation recovery of $25,000 and expended $3,000 (expenses)
- Subrogation allocated 50/50 for Indemnity and Medical

Action:
- Determine Net Incurred Cost of the claim
- Correction reports apply when Net Incurred Loss < Previously Reported Incurred Loss
- Submit correction(s) as needed

USRG Example: Part 5-H
Subrogation Example

1st Report Fields:
- Incurred Indemnity: $15,000
- Incurred Medical: $15,000
- Total Incurred Loss = $30,000
- Paid Indemnity: $12,000
- Paid Medical: $13,000

Correction Report Fields:
- Incurred Indemnity: $24,000
- Incurred Medical: $14,000
- Net Incurred Loss = $38,000
- Paid Indemnity: $4,000
- Paid Medical: $9,000
- Type of Recovery: 03

2nd Report Fields:
- Incurred Indemnity: $35,000
- Incurred Medical: $25,000
- Total Incurred Loss = $60,000
- Paid Indemnity: $15,000
- Paid Medical: $20,000

USRG Example: Part 5-H
Subrogation Example

**USRG Example: Part 5-H**

What Is Not Subrogation

- Firms may offer payments to be applied to reduce the claim cost
- These are not from a third party with a legal liability for the claim
- The intent is to apply the payment to specific claims to reduce the incurred loss
- This inappropriately may lower an employer’s experience rating factor and/or reduce the employer’s premium
- Carriers must not apply these payments as reductions to the incurred loss
- If losses are inappropriately reduced, correction reporting is required to reinstate the original incurred loss
Special Fund Reimbursements

- Claims eligible for carrier reimbursement from a special fund (Second Injury Fund, etc.) require anticipated reimbursement
- The gross incurred loss must be reduced by the anticipated reimbursement

<table>
<thead>
<tr>
<th>Type of Recovery—Loss Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Code</strong></td>
</tr>
<tr>
<td>02</td>
</tr>
<tr>
<td>04</td>
</tr>
</tbody>
</table>

Special Fund Reporting

- **Special Fund Anticipated Reimbursement Prior to 1st Report**
  - Include anticipated reimbursement in claim value
  - Type of Recovery Code 02 (SIF only) or 04 (Subrogation and SIF)

- **Special Fund Anticipated Reimbursement After 1st but Before 6th Report**
  - Calculate the Net Incurred Loss (as of latest report level)
  - Determine if correction reports are needed
  - Type of Recovery Code 02 (SIF only) or 04 (Subrogation and SIF)

- **Special Fund Anticipated Reimbursement as of 6th Report**
  - Include anticipated reimbursement in claim value
  - Type of Recovery Code 02 (SIF only) or 04 (Subrogation and SIF)
Loss Limited/Excluded From Experience Rating

Losses Limited/Excluded From Experience Rating

- Noncompensable Claim
- Fraudulent Claim
- Catastrophe Number
- Net Deductibles
- Compensation Reimbursements
What Is a Noncompensable Claim?

A claim that meets one or more of the following:

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

Noncompensable Claim Reporting

<table>
<thead>
<tr>
<th>Determined Noncompensable Prior to 1st Report</th>
<th>No claim to report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determined Noncompensable After 1st but Before 6th Report</td>
<td>Report corrections to applicable units</td>
</tr>
<tr>
<td></td>
<td>Do NOT change loss values</td>
</tr>
<tr>
<td></td>
<td>Type of Settlement Code 05 (Noncompensable)</td>
</tr>
<tr>
<td>Determined Noncompensable as of 6th Report</td>
<td>Do not report corrections</td>
</tr>
<tr>
<td></td>
<td>Type of Settlement Code 05 (Noncompensable)</td>
</tr>
</tbody>
</table>
Noncompensable to Compensable Claim 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

Fraudulent Claim

A claim that has been ruled or officially declared fraudulent by a court decision.
## Fraudulent Claim Reporting

<table>
<thead>
<tr>
<th>Reporting Period</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determined Fraudulent Prior to 1st Report</td>
<td>No claim to report</td>
</tr>
<tr>
<td>Determined Fraudulent After 1st but Before 6th Report</td>
<td>Report corrections to applicable units, do not change loss values, fraudulent claim code 02 (Fully Fraudulent)</td>
</tr>
<tr>
<td>Determined Fraudulent as of 6th Report</td>
<td>Do not report corrections, fraudulent claim code 02 (Fully Fraudulent)</td>
</tr>
</tbody>
</table>

## Catastrophe Claims (Nonextraordinary Loss)

- One employer
- One accident involving two or more reportable claims, per state, per policy
- Catastrophe Codes 01 to 10
- Assigned by the carrier
- Subject to loss limitation rules
Catastrophe Claims
(Extraordinary Loss Event)

- A unique Catastrophe Code (11 to 99)
- Assigned by the WC bureau for the event

A significant loss event that may involve many claims
- Reviewed on a case-by-case basis
- May be excluded from experience ratings and state loss cost/rates

Extraordinary Loss Events

<table>
<thead>
<tr>
<th>ELE Catastrophe Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Tornado and storms—OK</td>
</tr>
<tr>
<td>98</td>
<td>West Fertilizer plant explosion—TX</td>
</tr>
<tr>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>93</td>
<td>Kleen Energy Systems fire and explosion—CT</td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>77</td>
<td>ConAgra plant explosion—NC</td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Imperial Sugar Company explosion and fire—GA</td>
</tr>
<tr>
<td>2001</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Terrorist attacks—DC, NY, and PA</td>
</tr>
<tr>
<td>87</td>
<td>World Trade Center rescue, recovery, and cleanup—NY</td>
</tr>
</tbody>
</table>
## Net Deductible States

<table>
<thead>
<tr>
<th>State</th>
<th>Deductible Program</th>
<th>Correction Reports</th>
<th>Reimbursement Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>AL</td>
<td>Small</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>CO</td>
<td>Small and Large</td>
<td>No (Anticipated)</td>
<td>15,500</td>
</tr>
<tr>
<td>GA</td>
<td>Small and Large</td>
<td>Yes</td>
<td>2,500</td>
</tr>
<tr>
<td>IA</td>
<td>Small</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>KS</td>
<td>Small and Large</td>
<td>No (Anticipated)</td>
<td>None</td>
</tr>
<tr>
<td>ME</td>
<td>Small and Large</td>
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<td>5,000</td>
</tr>
<tr>
<td>MO</td>
<td>Small and Large</td>
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<td>None</td>
</tr>
<tr>
<td>NM</td>
<td>Small</td>
<td>No</td>
<td>None</td>
</tr>
<tr>
<td>OK</td>
<td>Small</td>
<td>No</td>
<td>1,000</td>
</tr>
<tr>
<td>SD</td>
<td>Small</td>
<td>No</td>
<td>None</td>
</tr>
</tbody>
</table>

## Compensation Reimbursement Programs

- Idaho Compensation Reimbursement Program
- Missouri Employer-Paid Medical Program
- Oregon Employer-Paid Medical Program
Additional One Claim Reporting Rules

Accident with losses under both WC and EL with combined loss experience

- Type of Claim Code 03 (WC and EL)
- Accident with losses under State Act benefits only—Report State Act Code 01
- Accident with losses under USL&HW Act benefits only—Report USL&HW Act Code 02
- Accident with losses under both State Act and USL&HW Act benefits—Report Act Code 02 with combined loss experience
**Not Reportable Claim Rules**

- Claims closed without any payments and ALAE as of the 1st unit report
- Claims with Accident Dates outside of the policy period and no corresponding exposure—and required to be paid due to an official ruling

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**Pension Table Overview**

- Determining the present value of expected lifetime benefit payments
- Applies to Death and Permanent Total claims that result in lifetime benefits
- Incurred loss = total of all paid and outstanding indemnity and medical amounts as of the valuation date
Pension Tables—Statistical Plan

*Statistical Plan for Workers Compensation and Employers Liability Insurance*—Part 7:

- Overview, Applicability, Terminology, and Effective Dates
- Pension Table Usage Guide
- 19 Pension Tables and 4 Examples

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Pension Table Information

- Benefit Type (Fatal or Permanent Total)
- Jurisdiction
- State Act or USL&HW
- Accident Date
- Claimant Gender and Age
- Spouse’s Age
  - Age at widowhood
  - Attained age
- Weekly Benefit at Injury
- Escalation Rate
## Recap

<table>
<thead>
<tr>
<th>Questions</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational Disease Accident</td>
<td>Injury Type</td>
</tr>
<tr>
<td>Date if Unknown</td>
<td>Medical Cost Containment</td>
</tr>
<tr>
<td>Claim outside policy period and no corresponding exposure</td>
<td>Last Date of Exposure</td>
</tr>
<tr>
<td>Identifies claimant’s benefits</td>
<td>Not Reportable</td>
</tr>
<tr>
<td>Physical Rehabilitation</td>
<td>Medical Loss</td>
</tr>
<tr>
<td>ALAE</td>
<td></td>
</tr>
</tbody>
</table>

## Case Study

YOUR	BLUEPRINT
for data reporting success
Case Study—NoLeeks Plumbing

OK. I'll let the adjuster know we have a subrogation opportunity. I'll provide that info to the insurance company.

I'm reporting two claims. Bruce and Richard ran into NCCI Headquarters. The brakes did not work!

NoLeeks has two W/C claims, and the brakes may have been faulty. OK. I'll let the adjuster know we have a subrogation opportunity.

Case Study—Reporting the Claim
Claim Fact Sheet

- Claimants involved in motor vehicle accident—Neck and Head injuries on February 1, 2014
- Accident occurred in Florida—Claimants receiving Florida benefits
- Claim investigation confirmed that faulty brakes caused the accident
- Subrogation from manufacturer is in progress
- Claimants receiving Medical and Indemnity benefits
  - Doctor visits
  - Hospital stay
  - Medications
  - Physical rehabilitation
  - Helicopter evacuation

NoLeeks Plumbing Loss

Since we were both injured in the same accident, is that considered a catastrophe claim?

a. Yes
b. No
NoLeeks Plumbing Loss

I sprained my neck. So what is my Injury Description—Part of Body?

- a. Neck—Soft Tissue (20)
- b. Neck—Vertebrae (21)
- c. Head—Skull (11)

Carrier Claim System—Richard and Bruce

<table>
<thead>
<tr>
<th>Claim Components</th>
<th>Richard</th>
<th>Bruce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injury Type</td>
<td>Temporary Injury</td>
<td>Permanent Partial Injury</td>
</tr>
<tr>
<td>Exposure/Accident State</td>
<td>FL—09</td>
<td>FL—09</td>
</tr>
<tr>
<td>Jurisdiction State</td>
<td>FL—09</td>
<td>FL—09</td>
</tr>
<tr>
<td>Catastrophe Number</td>
<td>01</td>
<td>01</td>
</tr>
<tr>
<td>Wage Loss Benefits</td>
<td>$10,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Hospital Payments</td>
<td>$8,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Medical Treatments</td>
<td>$5,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Physical Therapy</td>
<td>$0</td>
<td>$15,000</td>
</tr>
<tr>
<td>Helicopter Evacuation</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Subrogation</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Subrogation Expenses</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Medical Cost Containment</td>
<td>$2,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Claim Adjuster Time</td>
<td>5 hours</td>
<td>15 hours</td>
</tr>
</tbody>
</table>
### Claim Dollar Mapping—Richard

<table>
<thead>
<tr>
<th>Claim Components</th>
<th>Claim System</th>
<th>Indemnity</th>
<th>Medical</th>
<th>ALAE</th>
<th>ULAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage Loss Benefits</td>
<td>$10,000</td>
<td></td>
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<tr>
<td>Hospital Payments</td>
<td>$8,000</td>
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<td>Helicopter Evacuation</td>
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</tr>
<tr>
<td>Subrogation*</td>
<td>$10,000</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Subrogation Expenses*</td>
<td>$5,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Cost Containment</td>
<td>$2,000</td>
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<td></td>
<td></td>
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<tr>
<td>Claim Adjuster Time</td>
<td>5 hours</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Applied in Net Loss calculation

### Loss Reporting—Richard

- **Claim Status**: Closed
- **Injury Type**: TT 05
- **Accident State**: FL 09
- **Jurisdiction State**: FL 09
- **Part of Body**: Head
- **Nature of Injury**: Laceration 40
- **Cause of Injury**: Motor Vehicle 50

- **Act**: State 01
  - **Type of Loss**: Traumatic 01
  - **Type of Recovery**: No Recovery 01
  - **Type of Claim**: WC Only 02
  - **Type of Settlement**: Not Subject 00
  - **Incurred Indemnity**: $10,000
  - **Incurred Medical**: $23,000
  - **Subrogation**: $2,000

### Subrogation

- **Subrogation Recovery**: $10,000
- **Subrogation Expense**: $5,000

### Incurred Loss Calculation

\[ \text{Incurred Loss Calculation} = 33,000 - (10,000 - 5,000) = 28,000 \]
**Loss Reporting—Richard**

<table>
<thead>
<tr>
<th>Claim Status</th>
<th>Injury Type</th>
<th>Accident State</th>
<th>Jurisdiction State</th>
<th>Part of Body</th>
<th>Nature of Injury</th>
<th>Cause of Injury</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>TT 05</td>
<td>FL 09</td>
<td>FL 09</td>
<td>Head 18</td>
<td>Laceration 40</td>
<td>Motor Vehicle 50</td>
</tr>
</tbody>
</table>

**Act**

<table>
<thead>
<tr>
<th>State 01</th>
<th>Type of Loss</th>
<th>Type of Recovery</th>
<th>Type of Claim</th>
<th>Type of Settlement</th>
<th>Incurred Indemnity</th>
<th>Incurred Medical</th>
<th>ALAE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Traumatic 01</td>
<td>Subrogation 03</td>
<td>WC Only 02</td>
<td>Not Subject 00</td>
<td>$8,400</td>
<td>$19,600</td>
<td>$2,000</td>
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</tbody>
</table>

**Subrogation**

- Subrogation Recovery: $10,000
- Subrogation Expense: $5,000

**Injured Loss Calculation**

\[
33,000 - (10,000 - 5,000) = 28,000
\]

---

**Injury Description Code—Bruce**

- **Part of Body**
  - What got injured?
  - Neck

- **Nature of Injury**
  - What was the result?
  - Sprain

- **Cause of Injury**
  - What caused it?
  - Motor Vehicle
Wobbly Wheel Game

We spin, you win!

Wage Loss Benefits
Philly Eagles
Catastrophe Number
Achieve Maximum
Medical Recovery
Neck—Vertebrae
Subrogation
Firm Offering Payment
Medical Loss
Thank you for attending.
Supplemental Information
Presenter Biographies

Richard Saltzman has more than 30 years of experience in the insurance industry, including 20 years of insurance company experience. Richard works in Data Services, and his responsibilities include data reporting compliance projects, industry communications, and NCCI’s data reporting manuals.

Bruce Hallman, AiDM, has worked in NCCI’s Data Services Department for 19 years. He is a product support manager, subject matter expert, and the data liaison between NCCI and the independent bureaus. Bruce participates in many projects, including enhancements to Unit and Policy edits. He is actively involved in various industry groups, including the Workers Compensation Insurance Organization, Policy Advisory Task Group, and Advisory Statistical Work Group Committees.

Bruce earned the Associate Insurance Data Manager designation from the Insurance Data Management Association (IDMA). Before joining NCCI, he worked for the Pennsylvania Compensation Rating Bureau.