



Data Now Program (DNP) Financial Call Edits and Validation

Key Takeaways

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

Chapter 1: Financial Call Edits and Validation

Importance of the Validation Process

- Ensures that the financial data is accurate and complete
- Financial data uses:
 - Establish state rates and loss cost filings
 - Supports overall market analysis and research
 - Respond to state regulatory requests

What Are Edits?

- System quality check that verifies the accuracy and validity of your data
- Edits generate when data is not in NCCI's expected range
- Edits need to be addressed

How Do Edits Work?

- Validation process examines:
 - Incorrect math
 - Data entry errors
 - Total columns to ensure they are correct
- Edits:
 - Compare data against NCCI's expected range
 - Look at significant data increases/decreases between valuations



Data Now Program (DNP) Financial Call Edits and Validation

Edit Information

Edit Detail For 13118 - NCCI TRAINING INDEMNITY COMPANY

1 Edit #: 344
 3 Valuation: 12/31/2020
 Type: Original

2 Observation: 2018
 4 Call Type: 3 Policy Year
 Create Date: 10/26/2020

5 Edit Status: New Edit
 State: Alabama

6 Description: Indemnity Accumulated Paid Losses development outside of expected range. Current Indemnity Accumulated Paid Losses: 3,000,000; Previous Indemnity Accumulated Paid Losses: 500,000; Ratio: 6.000. Since you are reporting a change between current and previous valuations that is outside our expected range, your data may have an impact on the rate filing in this state. Please correct the data or explain the unusual development of your data giving details of any large claims.

Carrier Explanation Accepted: O
 Explanation: Provide your explanation here.

Save Copy Alabama Copy All States Associated Call View


Each edit is identified:

1. Edit number
2. Observation year
3. Valuation year
4. Call type
5. State
6. Description—details why the edit occurred

Edit Log

View your edits through the edit log.

Advantages of viewing your edits this way:

- Easily spot edit trends
 - 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 .

Search for Financial Data Edit


State	Edit #	Observation/Claim #	Call	Edit Description	Carrier Explanation
ALABAMA	254	2018	3 Policy Year	Indemnity Incurred Claim Count not = Indemnity Accumulated Closed + Indemnity Open Outstanding Claim Count. Indemnity Accumulated Closed: 500; Indemnity Open Outstanding: 300; Incurred Claim Count: 500. An incurred claim must be either closed or open. Therefore, by definition Total Indemnity Claim Count must be equal to Indemnity Closed + Indemnity Open. Note: Reported indemnity claims should not be added to the Indemnity Incurred Claim Count.	
ALABAMA	332	2017	3 Policy Year	Indemnity Incurred Claim Count development outside of expected range. Current amount: 20; Previous amount: 0; Ratio: 2.000. Since you are reporting a change between current and previous valuations that is outside our expected range, your data may have an impact on the rate filing in this state. Please correct the data or explain the unusual development of your data.	
ALABAMA	333	2017	3 Policy Year	Indemnity Accumulated Paid + Case Outstanding Losses development outside of expected range. Current Indemnity Accumulated Paid Losses: 3,000,000; Current Indemnity Case Outstanding Losses: 100,000; Previous Indemnity Accumulated Paid Losses: 500,000; Previous Indemnity Case Outstanding Losses: 250,000; Ratio: 6.233. Since you are reporting a change between current and previous valuations that is outside our expected range, your data may have an impact on the rate filing in this state. Please correct the data or explain the unusual development of your data giving details of any large claims.	
ALABAMA	334	2017	3 Policy Year	Medical Accumulated Paid + Case Outstanding Losses development outside of expected range. Current Medical Accumulated Paid Losses: 2,000,000; Current Medical Case Outstanding Losses: 300,000; Previous Medical Accumulated Paid Losses: 500,000; Previous Medical Case Outstanding Losses: 250,000; Ratio: 2.800. Since you are reporting a change between current and previous valuations that is outside our expected range, your data may have an impact on the rate filing in this state. Please correct the data or explain the unusual development of your data giving details of any large claims.	
ALABAMA	344	2017	3 Policy Year	Indemnity Accumulated Paid Losses development outside of expected range. Current Indemnity Accumulated Paid Losses: 3,000,000; Previous Indemnity Accumulated Paid Losses: 500,000; Ratio: 6.000. Since you are reporting a change between current and previous valuations that is outside our expected range, your data may have an impact on the rate filing in this state. Please correct the data or explain the unusual development of your data giving details of any large claims.	

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.



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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, 21
10	3
14	26
20	21, 31
21	8, 20, 31
26	3, 5, 14
31	3, 3A, 5, 5A, 20, 21 <small>(Note: Edits do not flag on Call 31 but do so on the corresponding Calls.)</small>
32A	33
32V	33
33	32A, 32V

3	3A, 5, 10, 26, 31
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Presubmission 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



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

Chapter 2—Edit Examples

NCCI Resources

The following resources can help in addressing edits:

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





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Financial Call Edits and Validation

Loss Development—PY2017

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 provide a detailed explanation.
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Loss Development Example:

- Research
 - Confirm **medical paid** losses for the **current** valuation and **previous** medical paid losses are correct
 - Determine what is causing the large development
 - Development is Claim Number W123, with a **medical paid** amount of \$1.3 million in the **current period**
 - 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 #1234 listed on Call 31. Claimant had skin graft surgery during the year.
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- 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 Ratio—PY2018

Edit Description	Ratio of Medical Paid to NCCI DSR Premium is higher than expected. Medical Paid Losses: \$3.6M; NCCI DSR Premium \$3.5M; Ratio: 1.29. Please correct the data or provide a detailed explanation.
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Loss Ratio Example:

- Research:
 - Confirm that the **medical paid** and **DSR premium** amounts are correct
 - What is contributing to the high ratio?
 - Confirmed that both **medical paid** and **DSR premium** are correct
 - A large loss, claim number C4321 for policy number XYZ98, has a medical paid loss amount of \$3.1M due to a brain injury
 - Explain the edit



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Carrier Explanation	Medical Paid Losses and Premium are correct. The high ratio is due to claim #C4321, policy #XYZ98 with medical paid losses of \$3.1M. This claim is reported on Call 31. Claimant had high medical payment due to a brain injury.
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- Explanation:
 - Both components, losses and premium amounts, were verified as correct and a detailed explanation of the ratio was provided

Large Loss (Call 31 Edit)

Edit Description	There are 1 large loss claim(s) reported in the prior valuation that is not reported in the current valuation . Please correct or explain.
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Large Loss Edit Example:

- Research:
 - **One large loss claim** 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 \$530,786 on **prior valuation**
 - Why was it not included in the **current valuation**?
 - Confirm claim should not be reported on Call 31 because the incurred amount fell below the \$500,000 threshold
 - Explain the edit

Carrier Explanation	Claim data is correctly reported. Claim #123456789 fell below the large loss threshold due to subrogation recovery of \$350K, and the claim is now closed.
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- Explanation:
 - The explanation confirms that the removal of the claim from the **current valuation** is correct and provides the claim number and activity that brought the claim below the \$500,000 threshold

Claim Count Development—PY2018

Edit Description	Indemnity Incurred Claim Count Development is outside of expected range. Current amount: 86; Previous amount: 116; Ratio: 0.622. Please correct the data or explain.
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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



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- Discovered that medical only claims were included in previous valuation claim count
- 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 and valuations. Always start with oldest valuation year and move forward.
 - Submitted corrections should remove the edit. Be sure to review edit log for potential new edits.

DSR Edit—PY2017 Georgia

Edit Description	Departure from NCCI DSR Premium level is not equal to expected . Voluntary NCCI DSR Premium: \$2M; Voluntary Company Standard Premium: \$3.5M; Ratio: 1.750. Please examine the deviation history we have on file for your company.
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DSR Edit Example:

- Research:
 - Review deviation history: Has it been updated? Are the entries correct?
 - Confirm that the company standard premium and DSR premium are correct.
 - If the company standard premium and DSR premium are correct, provide explanation.
- Possible Carrier Explanations:
 - Provide the total expense constant and balance to minimum premium amount for the policy year involved

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) ¹	X	X	X		
2. Balance to Minimum Premium Adjustment ²	X	X	X	X	
3. Catastrophe and Terrorism Provisions (e.g., DTEC, TRIA, TRIA, TRIPRA)					
4. Company Loss Constant	X	X		X	
5. Consent to Rate	X	X	X	X	X
6. Contracting Classification Premium Adjustment Program (CCPAP)	X	X	X	X	X
7. Deductible Coverage - Premium Credits	X	X	X	X	X
8. Drive-Free Workplace Credits	X	X	X	X	X
9. Expense Constants: Company-Selected Expense Constant	X	X	X	X	X
10. Expense Constants: NCCI-published Expense Constant ³	X	X	X	X	X

■ 2. Balance to Minimum Premium

■ 9. Expense Constants

} Total \$450K

A	B	C	D	E	F
Original Company Standard	Subtract Components Total	New Company Standard	DSR Premium	Formula	New Observed
\$3,500,000	\$450,000	\$3,050,000	\$2,000,000	(A - B / (D))	1.525

Carrier Explanation

DSR and Company Standard Premium have been verified as correct. The LCM in the deviation history is correctly reported. We have expense constant and balance to minimum premium amounts totaling \$450,000.

Carrier Explanation	DSR and Company Standard Premium have been verified as correct. The LCM in the deviation history is correctly reported. We have expense constant and balance to minimum premium amounts totaling \$450,000.
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DSR Edit—PY2020 Connecticut

Monthly Weights Distribution			
NCCI Weights			
Month	Carrier Monthly Weight Factor	Loss Cost Multiplier	DSR Factor
(1)	(2)	(3)	(2) x (3)
1	0.157	1.370	0.215
2	0.083	1.370	0.114
3	0.083	1.370	0.114
4	0.083	1.370	0.114
5	0.083	1.370	0.114
6	0.083	1.370	0.114
7	0.083	1.790	0.149
8	0.083	1.790	0.149
9	0.083	1.790	0.149
10	0.083	1.790	0.149
11	0.083	1.790	0.149
12	0.010	1.790	0.018
Average Deviation	1.000		1.544

Average Deviation Difference
0.188

Carrier Weights			
Month	Carrier Monthly Weight Factor	Loss Cost Multiplier	DSR Factor
(1)	(2)	(3)	(2) x (3)
1	0	1.370	0.000
2	0	1.370	0.000
3	0	1.370	0.000
4	0	1.370	0.000
5	0	1.370	0.000
6	0.143	1.370	0.196
7	0.143	1.790	0.256
8	0.143	1.790	0.256
9	0.143	1.790	0.256
10	0.143	1.790	0.256
11	0.143	1.790	0.256
12	0.143	1.790	0.256
Average Deviation	1.000		1.732

Edit Description	Departure from NCCI DSR Premium level is not equal to expected . Voluntary NCCI DSR Premium: \$1.4M; Voluntary Company Standard Premium: \$2.5M; Ratio: 1.730. Please examine the deviation history we have on file for your company.
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DSR Edit Example:

- Research:
 - Review deviation history: Has it been updated? Are the entries correct?
 - Confirm that the company standard premium and DSR premium are correct.
 - Determine what percentage of the premiums applied to each LCM.
 - If correct, provide explanation.
- Possible Carrier Explanations:
 - We started writing business in June and 14% of the premium is using the 1.370 LCM and 86% is using the 1.790 LCM.

Carrier Explanation	The LCM of 1.370 and 1.790 are correct, and the DSR and Company Standard Premium have been verified as correct. We started writing business in June and 14% of the premium is using the 1.370 LCM and 86% is using the 1.790 LCM.
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Chapter 3—Post-Submission Validation

Post-Submission Edit Review

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

Edit Notifications

Notifications are sent if:

- Explanations are missing
- Explanations are incomplete or vague



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- 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.

Edit Detail For 1311B - NCCI TRAINING INDEMNITY COMPANY

Edit #: 344 Observation: 2017 Edit Status: Duplicate Edit
Valuation: 12/31/2020 Call Type: 3 Policy Year State: Alabama
Type: Original Create Date: 01/15/2021

Description: Indemnity Accumulated Paid Losses development outside of expected range. Current Indemnity Accumulated Paid Losses: 3,000,000; Previous Indemnity Accumulated Paid Losses: 500,000; Ratio: 6.000. Since you are reporting a change between current and previous valuations that is outside our expected range, your data may have an impact on the rate filing in this state. Please correct the data or explain the unusual development of your data giving details of any large claims.

Carrier Explanation Accepted: 0
Explanation: Data is correct as reported.

Reason for Notification: ADDITIONAL EXPLANATION REQUIRED
Explanation of Notification: Please provide details explaining the unusual development.

Respond To Notification: [Dropdown] Save Copy Alabama Copy All States

Note: Please select checkbox to respond to notification.

Chapter 4—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
 - Looking for the ratio of the Company Standard Premium-to-DSR Premium
 - Calls 3 (Policy Year), 3A (Policy Year—Assigned Risk), and 20 (Policy Year—Large Deductible)
- Large Loss Analysis
 - Call 31 (Large Loss Catastrophe)
 - Claims with \geq \$500,000 total incurred loss or extraordinary loss event claim

Financial Data Comparisons—Common Drivers

- Premium
 - Timing
 - Missing data
 - Incorrect Unit Exposure Record
 - Identification of large deductible policies
 - Statistical codes
 - Missing
 - Incorrect reporting
 - Deviations
- Losses and Large Loss Analysis
 - Timing



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- Missing data
- Identification of large deductible policies
- Incorrect reporting
 - Losses not reported to the state of exposure
- Claim linking } Specific to large loss analysis
- Recoveries }
- Claim Counts
 - Timing
 - Missing data
 - Identification of large deductible policies
 - Double counting
 - Medical-only claims } Excluded from indemnity claim counts
 - DCCE-only claims }
- DSR Analysis
 - Deviation history not updated or incorrect entries
 - DSR calculation incorrect
 - Passive deviation not considered
 - Premium components not handled correctly when reporting Company or DSR Premium

Chapter 5—Actuarial Analysis/Inquiries

Actuarial Inquires

- 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 Inquires

- 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 and 8000 edits
- Loss Development compared to Call 31



Data Now Program (DNP) Financial Call Edits and Validation

Overview of the Development Exhibit

Overview of the Development Exhibit

Reported Values by Observation and Valuation Reported Values by Observation and Valuation

Development Amount:
Difference between the two valuations (i.e., @2020—\$2M development between @2019 and @2020)

Carrier	Market Type	Exper Type	Year	DSR Premium				Development Amount		
				2017	2018	2019	2020	2018	2019	2020
99990	SW	PY	2017	8,500,000	11,000,000	11,500,000	11,500,000	2,500,000	500,000	0
99990	SW	PY	2018		7,500,000	10,000,000	8,000,000		2,500,000	(2,000,000)
99990	SW	PY	2019			9,500,000	11,000,000			1,500,000
99990	SW	PY	2020				8,000,000			

Market Type:
SW—Statewide
A/R—Assigned Risk
LD—Large Deductible

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 2018, Call 3**. Please review and provide an explanation.

Carrier	Market Type	Exper Type	Year	DSR Premium				Development Amount		
				2017	2018	2019	2020	2018	2019	2020
99990	SW	PY	2017	8,500,000	11,000,000	11,500,000	11,500,000	2,500,000	500,000	
99990	SW	PY	2018		7,500,000	10,000,000	8,000,000		2,500,000	(2,000,000)
99990	SW	PY	2019			9,500,000	11,000,000			1,500,000
99990	SW	PY	2020				8,000,000			

Response

Negative development driven by two large deductible policies (policy #s, eff date)
Corrections to valuation 2018 and 2019; Calls 3, 5, and 8
We will also be making corrections to states/PYs XX, XX, XX



Data Now Program (DNP) Financial Call Edits and Validation

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 c198765**. 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	c198765	99990	2019	7/1/2017	9/1/2017	0	300,000	200,000	1,100,000	5,300,000	6,900,000
XYZ12341	c198765	99990	2020	7/1/2017	9/1/2017	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**.

Reminder:

- Use case reserve values prior to settlement to determine indemnity/medical allocation
- Do not use a 50/50 split

Valuation	Indemnity Case	Medical Case	Total Case
12/31/2019	\$1,100,000	\$3,300,000	\$4,400,000
Percentage of Total Case	25%	75%	

Valuation 12/31/2020	25% of \$2,700,000* = \$675,000 Report \$675,000 to indemnity paid
	75% of \$2,700,000* = \$2,027,000 Report \$2,027,000 to medical paid

Validation Tips—Pre/Post-Submission

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