March 18, 2013

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Revised North Carolina Statistical Plan Manual

The North Carolina Rate Bureau has adopted and the North Carolina Commissioner of Insurance has approved the adoption of changes to the North Carolina Statistical Plan Manual. The effective dates of the changes are as follows:

- Rules and reporting changes are for new and renewal policies with policy effective dates of April 1, 2013 or later.
- Reporting changes related to the Permanent Partial definition are effective based on **accident** dates of April 1, 2013 or later.

The North Carolina Rate Bureau Statistical Plan provides rules pertaining to the reporting of unit statistical data for North Carolina. The primary revisions are related to:

- Fraudulent claim and Noncompensable claim reporting
- The definition of Permanent Partial injuries
- The collection of Paid Medical and Paid Indemnity data elements
- The storing and collection of the employer's FEIN
- The collection of the Jurisdiction State Code

Additionally, changes to *NCCI's Experience Rating Plan Manual* rules are also required as a result of the approved changes to non-compensable and fraudulent claim reporting.

The attachments and exhibits outline changes to the North Carolina Statistical Plan Manual and *NCCI's Experience Rating Plan Manual.*

Sincerely,

ST: dms

Sue Taylor

Attachments

Director of Insurance Operations

C-13-4

**Revisions to the North Carolina Statistical Plan Manual**

**(Effective 12:01 a.m. on April 1, 2013 applicable to new and renewal voluntary and assigned risk policies, unless otherwise specified.)**

**Purpose:**

The purpose of this filing is to clarify and enhance the rules of the North Carolina Rate Bureau's Statistical Plan Manual. In addition, this filing includes clarification in NCCI's Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance to support the changes as pertains to North Carolina.

**Background**:

The revisions to the Stat Plan rules are described below:

1. The current Stat Plan rules require fully fraudulent claims to be considered as non-compensable and to not be reported when the claim is determined to be fully fraudulent prior to the 1st report. When the determination occurs subsequent to the first report but within the one year due date of the fifth report, correction reports are required for all report levels impacting the current and up to two prior experience modifications and the loss amounts must be reduced to zero. Based on industry feedback, it has been determined that the loss amounts should not be reduced to zero. Modifications will be made to the Bureau's experience rating system, to ensure that the following claims are excluded from the calculation of experience ratings:

    - Claims Reported with Loss Condition Code-Type of Settlement-Noncompensable (Code 05)

    - Claims Reported with Fraudulent Claim Code-Fully Fraudulent (Code 02)

    This change will provide carriers with the ability to report the loss amounts reflected in their systems rather than having to report losses netted to zero. Additionally, it has been determined that the Partially Fraudulent Claim Code should be eliminated.

2. The current definition of Permanent Partial Injuries includes temporary injuries that satisfy specific conditions. Based on actuarial review, it has been determined that all references to temporary injury should be removed.

3. Currently, the collection of the Paid Medical and Paid Indemnity fields are optional for unit statistical reporting. To allow for greater uniformity in data reporting amongst the various Data Collection Organizations, the Bureau will require carriers to submit the unit statistical data for both fields.

4. As part of an ongoing effort to protect sensitive information, the Bureau will no longer collect or store FEIN information submitted on the unit statistical records. To minimize the system impact to member companies, carriers may still report the FEIN as part of their unit statistical reporting. However, the information will not be stored or retained in the Bureau's databases.

5. The Jurisdiction State Code is currently an optional field for data reporting. This field will become required when the jurisdiction is a state other than North Carolina.

**Impact:**

The changes proposed above are revenue neutral and intended to provide clarification and simplification of manual rules and data reporting.

**Implementation:**

It is proposed that this filing is implemented effective on or after April 1, 2013 applicable to new and renewal voluntary and assigned risk policies unless otherwise noted.

The following is a summary of exhibits included as part of this filing:

- **Exhibit 1**-Updates to the NCRB Statistical Plan Manual reporting instructions for Incurred Losses
- **Exhibit 2**-Updates to the NCRB Statistical Plan Manual reporting instructions for Injury Type 09-Permanent Partial
- **Exhibit 3**-Updates to the NCRB Statistical Plan Manual reporting instructions for Paid Medical and Paid Indemnity
- **Exhibit 3A**-Updates to the NCRB Statistical Plan Manual reporting instructions for Total Paid Medical and Total Paid Indemnity
- **Exhibit 4**-Updates to the NCRB Statistical Plan Manual reporting instructions for Employer's FEIN
- **Exhibit 5**-Updates to the NCRB Statistical Plan Manual reporting instructions for Jurisdiction State Code
- **Exhibit 6**-Updates to ***NCCI's Experience Rating Plan Manual*** resulting from the changes to noncompensable and fraudulent reporting

**Exhibit 1**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

**5. Incurred Losses**

## I. Fraudulent Claims

### 1. Definition

**A fraudulent claim for policies effective before April 1, 2013 is a claim that meets either of the following requirements:**

- **The claim has been ruled or declared fully fraudulent by a court decision**
- **The claim or a portion of the claim has been deemed to be partially fraudulent by a court decision**

### 2. Reporting

~~**a. Reporting Fully Fraudulent Claims – Approved effective 5-10-04**~~

~~When the claim has been ruled or declared fully fraudulent, the whole cost of the claim must be netted to zero for unit statistical reporting.~~

- ~~If the claim is deemed to be fully fraudulent prior to the 1st report level, the claim is considered non-compensable and is not to be reported.~~
- ~~If the claim is deemed fully fraudulent subsequent to the 1st report level, but within one year after the 5th report due date of the unit report on which the claim appears, a correction report must be filed. Reduce the incurred claim cost to zero. This must be corrected on all the report levels impacting the current and up to two prior modifications.~~
- ~~If the claim is deemed to be fully fraudulent as of the 6th report due date or subsequent reduce the incurred claim cost to zero at the next valuation date.~~

**Exhibit 1 (CONTD)**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

**5. Incurred Losses**

**a. Reporting Fraudulent Claims for Policies Effective On or After April 1, 2013**

- **If a claim is ruled or declared to be fraudulent and does not include any paid losses, incurred losses and/or ALAE as of the 1st report valuation, the claim must not be reported.**
- **If a claim is ruled or declared to be fraudulent and includes any paid losses, incurred losses, and/or ALAE, the claim must be reported with the appropriate loss values and Claim Code 02-Fully Fraudulent.**
- **If a claim is ruled or declared to be fraudulent after the 1st report valuation and prior to the 6th report, correction reports are required for all previously submitted unit reports. The paid losses, incurred losses and /or ALAE must reflect the loss values as of the specific report level and the claim must be reported with Claim Code 02-Fully Fraudulent.**
- **If the claim is ruled or declared to be fraudulent after the 6th report valuation or subsequent report valuations, report the claim with Claim Code 02-Fully Fraudulent. The paid losses, incurred losses and/or ALAE must reflect the losses valued at the specific report level. Correction report(s) must not be reported for all previously submitted report levels.**

**The submission of correction reports may impact experience modifications pursuant to the rules of the *Experience Rating Plan Manual*.**

**Note:-The Claim Code 02-Fully Fraudulent will be used when reporting all fraudulent claims for new and renewal policies effective on or after April 1, 2013.**

**b. Reporting Fully Fraudulent Claims for Policies Effective Prior to April 1, 2013**

**When the claim has been ruled or declared fully fraudulent, the whole cost of the claim must be netted to zero for unit statistical reporting.**

- **If the claim is deemed to be fully fraudulent prior to the 1st report level, the claim is considered non-compensable and is not to be reported.**

**Exhibit 1 (CONTD)**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

**5. Incurred Losses**

- **If the claim is deemed fully fraudulent subsequent to the 1st report level, but within one year after the 5th report due date of the unit report on which the claim appears, a correction report must be filed. Reduce the incurred claim cost to zero.**

- **If the claim is deemed to be fully fraudulent as of the 6th report due date or subsequent reduce the incurred claim cost to zero at the next valuation date.**

**The submission of correction reports may impact experience modifications pursuant to the rules of the *Experience Rating Plan Manual*.**

**c. Reporting Partially Fraudulent Claims for Policies Effective Prior to April 1, 2013**

- When a claim or portion of the claim is deemed to be partially fraudulent, the cost of the claim must be netted down to reduce the net incurred loss by the declared fraudulent amount.

- If the claim, or portion of the claim, is deemed to be partially fraudulent prior to the 1st report level, the net incurred cost of the claim must reflect the reduction of the claim by the partially fraudulent amount.

**Exhibit 1 (CONTD)**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

**5. Incurred Losses**

- If the claim, or portion of the claim, is deemed to be partially fraudulent subsequent to the 1st report level but within one year after the 5th report due date of the unit report on which the claim appears, a correction must be filed. The cost of the claim must be netted down to reduce the net incurred loss by the declared fraudulent amount. This must be corrected on all report levels impacting the current and two prior modifications.

- If the claim, or a portion of the claim, is deemed to be partially fraudulent as of the 6th report due date or subsequent, a correction report is not required. If the claim remains open, reduce the net incurred loss by the declared fraudulent amount at the next valuation date.

- When a partially fraudulent amount has not been allocated into indemnity and medical components by the adjudicator, the net incurred loss must be divided between indemnity and medical losses by the adjudicator, the net incurred loss must be divided between indemnity and medical losses in the same proportion as the original gross incurred indemnity and medical.

**3. Fraudulent Claim Code**

~~A~~ **This** code ~~identifying~~ **identifies** claims that are ~~partially or fully~~ fraudulent. ~~in the opinion of the carrier, employer, claim resolution or jurisdiction~~. ~~Required effective 5-10-04~~. Report **each claim with** the **appropriate fraudulent claim** code. ~~that identifies the involvement of fraud in a claim.~~ ~~Specific fraudulent claim coding specifications are located in Section Eight number 8 of this plan.~~

**J. Noncompensable Claims**

**1. Definition**

**A claim is considered to be noncompensable if it meets one or more of the following requirements:**

- **There is an official ruling denying benefits**

- **The claimant has failed to file for benefits**

- **The claimant has failed to prosecute the claim following the insurer's denial of the claim**

**Exhibit 1 (CONTD)**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

**5. Incurred Losses**

**2. Reporting**

**a. Reporting Noncompensable Claims for Policies Effective on or After April 1, 2013**

- **If a claim is determined to be noncompensable, based on 5.J.1-Noncompensable Claim Definition, and does not include any paid losses, incurred losses, and/or ALAE, the claim must not be reported.**

- **If a claim is determined to be noncompensable, based on 5.J.1-Noncompensable Claim Definition, and does include paid losses, incurred losses, and/or ALAE, the claim must be reported with the appropriate loss values. Report the claim with Type of Settlement (Loss Condition) Code 05.**

- **If a claim is determined to be noncompensable after the 1st report valuation and prior to the 6th report valuation, based on 5.J.1-Noncompensable Claim Definition, correction reports are required for all previously submitted unit reports. The paid losses, incurred losses, and/or ALAE must continue to reflect the loss values as of each specific report level and the claim must be reported with Type of Settlement (Loss Condition) Code 05.**

- **If the claim is determined to be noncompensable after the 6th report valuation or subsequent report valuations, report the claim with Type of Settlement (Loss Condition) Code 05. The paid losses, incurred losses and/or ALAE must reflect the losses valued at the specific report level. Correction report(s) must not be reported for all previously submitted report levels.**

**3. Loss Condition Code-Type of Settlement**

**Noncompensable claims are to be reported with Type of Settlement Code 05.**

**Exhibit 2**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

**7. Injury Type**

**F.** Permanent Partial-Code 09~~. A permanent partial loss is defined as:~~

~~(1) Any permanent injury that does not involve permanent total disability.~~

~~(2) Any temporary injury that satisfies any one of the following criteria:~~

~~*(a)* The duration of disability benefits exceeds or is expected to exceed one full year. No loss is to be reported as temporary total if the duration of total disability exceeds or is expected to exceed 52 weeks.~~

~~*(b)* A lump sum settlement is made or, in the judgment of the carrier, will be required to settle future benefits.~~

~~*(c)* The extent of the liability for future payments cannot be determined. The amount entered as incurred indemnity shall include specific benefits and compensation for temporary disability as well as loss of earning capacity.~~

1. **For Claims With Accident Dates Effective on or After April 1, 2013**

   **Permanent partial losses are defined as any permanent injury that does not involve permanent total disability.**

2. **For Claims with Accident Dates Effective Prior to April 1, 2013**

   **A permanent partial loss is defined as:**

   **(1) Any permanent injury that does not involve permanent total disability.**

   **(2) Any temporary injury that satisfies any one of the following criteria:**

   **(a) The duration of disability benefits exceeds or is expected to exceed one full year. No loss is to be reported as temporary total if the duration of total disability exceeds or is expected to exceed 52 weeks.**

   **(b) A lump sum settlement is made or, in the judgment of the carrier, will be required to settle future benefits.**

   **(c) The extent of the liability for future payments cannot be determined.**

**Exhibit 2**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

**7. Injury Type**

**3. Permanent Partial Amount**

**The amount entered as incurred indemnity shall include specific benefits and compensation for temporary disability as well as loss of earning capacity.**

**Exhibit 3**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

## 19. Paid Indemnity

Report the whole dollar amount of paid indemnity expenses for the claim as of the loss valuation date. These losses consist of all paid benefits due to an employee's lost wages or inability to work, including compensation paid to a deceased prior to death, burial expense, claimant's attorney fees, vocational rehabilitation benefits, payments to the state and employers liability losses and expenses. ~~Reporting of paid indemnity is **optional** for North Carolina.~~

## 20. Paid Medical

Report the whole dollar amount of medical losses paid for the claim as of the loss valuation date. ~~Reporting of paid medical is optional for North Carolina~~.

**Exhibit 3A**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

## 26. Loss Total Record

**D. Total Paid Indemnity.** Report the arithmetic total of the paid indemnity amounts reported for the state within the policy. In the case of corrections and subsequent reports, this must be the revised total. ~~Total paid indemnity is **optional** for North Carolina~~.

**E. Total Paid Medical**. Report the arithmetic total of the paid medical amounts reported for the state within the policy. In the case of corrections and subsequent reports, this must be the revised total. ~~Total paid medical is **optional** for North Carolina~~.

**Exhibit 4**

**2008 Statistical Plan Manual**

**Section Three-Reporting Instructions-Policy Identification Data**

## 18. Federal Employer Identification Number (FEIN)

**The Federal Employer Identification Number will not be stored or available for view if submitted.** ~~This field is optional for North Carolina.~~

**Exhibit 5**

**2008 Statistical Plan Manual**

**Section Five-Reporting Instructions-Losses**

## 10. Jurisdiction State

A carrier ~~may~~ **must** report the 2-digit state code of the governing jurisdiction that will administer the claim and whose statutes will apply to the claim adjustment process when that state is not North Carolina.

**Exhibit 6**

**Experience Rating Plan Manual-2003-Edition**

**Rules**

**Rule 1-General Explanations**

**C. Definitions**

## Losses

Incurred losses for each classification in the experience period are those reported according to the ***Statistical Plan.***

a. No loss is excluded from the experience of a risk even if the employer was not responsible for the accident that caused such loss.

**Exception:** Losses reported with Catastrophe Number 87 are excluded from experience rating calculations. Catastrophe Number 87 claims include all workers compensation occupational disease claims resulting from the rescue, recovery, and clean-up work at the World Trade Center occurring between the dates of September 11, 2001 and September 12, 2002. This rule applies to experience rating modifications with rating effective dates of May 27, 2002 through June 12, 2007.

**Exception:** Losses reported with Catastrophe Number 48 are excluded from experience rating calculations. Catastrophe Number 48 claims include all workers compensation claims directly attributable to the September 11, 2001 attacks with accident dates of September 11 through September 14, 2001. This rule applies to experience rating modifications with anniversary rating dates of May 27, 2002 through June 14, 2006.

**Exception:** Claims that are reported as noncompensable according to the ***Statistical Plan*** are excluded from experience rating calculations.

**Exception:** Claims that are reported as fraudulent according to the ***Statistical Plan*** are excluded from experience rating calculations.

**Exception:** Claims that are reported as coal mine disease (Black Lung) according to the ***Statistical Plan*** are excluded from experience rating calculations.