EXECUTIVE SUMMARY —
August 2001 Multi-State
Examination of the
National Council on
Compensation Insurance
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INTRODUCTION: THE MULTI-STATE EXAMINATION

The Request for Proposal and the Selection of Examiner

The Oregon Department of Consumer and Business Services Insurance Division (OID) released on March 29, 2000 its Request for Proposal (RFP). The purpose of the RFP was for entering into a contract to obtain professional services for examination of statistical reporting and experience rating procedures of the National Council on Compensation Insurance, Inc. (NCCI). The contract was designed to provide for an investigation into the quality of statistical data reported to the advisory rating organization by licensed insurers and the efforts of the advisory rating organization to encourage or assure data quality. The contract was to further provide for an investigation into the experience rating procedures of the advisory rating organization for internal consistency and conformance with rules specified in approved NCCI rating plans.

The RFP proposals were due on April 28, 2000, with the OID to notify all applicants of the selected contractor within two-weeks. Arthur Andersen LLP (AALLP) was chosen by the OID, after consulting with the other examination participating jurisdictions.

The Participating Jurisdictions

AALLP was therefore to perform the market conduct examination of the statistical reporting and experience rating procedures of NCCI under the examination authorities of the OID and the following 12 participating insurance departments: Alaska, Arkansas, District of Columbia, Illinois, Iowa, Kansas, Maine, North Carolina, Rhode Island, Utah, Wisconsin and Vermont. The OID coordinated activities in administering the multi-state examination.

In addition to the lead state and the 12 participating jurisdictions, the following twenty-four states agreed to permit OID to have access to their unit report and experience rating data: Alabama, Arizona, Colorado, Florida, Georgia, Hawaii, Idaho, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Mexico, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington and Wyoming. The following additional states granted permission for only their experience ratings data to be included in the review: Connecticut, Indiana, Massachusetts, Minnesota, Montana and New York.

About the NCCI

The NCCI serves as a national source of workers’ compensation statistical information in nearly 40 jurisdictions. While formerly created by the National Association of Insurance Commissioners as an association of members in 1922, NCCI was incorporated in 1993 as a not-for-profit corporation. NCCI
compiles data on workers’ compensation insurance policies for this insurance industry it serves. In accordance with the Workers’ Compensation Statistical Plan (WCSP), NCCI receives detailed payroll and loss data by payroll class on unit statistical reports from data providers. Each unit statistical report gathered represents a workers’ compensation policy written by an insurance carrier. Data is validated by NCCI by means of a series of automated processes checking for timeliness, accuracy and completeness.

NCCI experience rating develops factors that allow carriers to adjust an individual insured’s premium. Such factors reflect an insured’s actual loss history relative to expected losses of insureds in the same rate classifications. Other types of data NCCI collects include policy data used to assist in controlling the receipt of WCSP data and in combining WCSP data for experience rating. Additionally, detailed claims information is used by NCCI to analyze the underlying factors that cause workers’ compensation results to change.

Examination Scope and Approach

The examination scope included the review and testing of unit report data quality and timeliness of the data and the production of experience ratings. The examination was performed in three phases. The first phase was planning; the second phase consisted of obtaining the data downloads of the desired populations of data, selecting samples and performing the detail testing; while the third phase consisted of analyzing and reporting the findings. The approach used in the examination was based on the current version of the NAIC Market Conduct Examiners Handbook and applicable sections of the participating jurisdictions’ insurance statutes and regulations.

Unit Report Testing

The examiners tested unit report data applying a statistical sampling approach known as “attribute sampling,” which examines the frequency of errors. AALLP used a population of unit reports from 1993 and subsequent policy years submitted as of Oct. 14, 2000. AALLP identified and aggregated the number and types of errors with respect to the specific data fields tested. Statistical estimates were made of NCCI’s accuracy and completeness in processing unit report data.

Selected Carrier Audits

From the unit report population, a second population was created. This population focused on the unit report data for six selected carriers that had been identified by the participating states. These selected carriers represented countrywide premium distribution, participating state representation, a cross-section of NCCI Carrier Data Quality Report assessments, consideration of market share and centralized carrier record locations. AALLP selected a random sample of policies to compare the statistical reports in the sample with contemporary records at the selected carriers. Statistical estimates were made of the accuracy and completeness of unit report submissions to NCCI at the policy level for these six carriers. Because only six carriers were included in the population to be reviewed, the findings relative to these six carriers may not be representative of all carriers from which NCCI collects data.

Experience Rating Testing

AALLP selected a random sample of experience rating worksheets produced and released by NCCI during the period from Oct. 14, 1998 through Oct. 14, 2000 to determine if the procedures used to develop the worksheets deviated from the Experience Rating Plan. This population included complete, contingent and preliminary ratings released to carriers. The sample selection, consisting of 184 ratings,
was made at the rating level. Testing addressed the following: rating eligibility; establishment of anniversary rating dates; selection of policy periods to be included in the experience data; combination of employer entities and ownership issues; and the use of correct rating values.

**Employer Premium Audits**

AALLP subcontracted a premium audit firm to perform on-site premium audits on 12 selected employers with Oregon exposures. The subcontractor conducted premium audits to determine reported premium, insured exposures, state, classification, loss and other information reported by the employers to the carriers. The subcontractor also compared these results to the premium audit records of the carrier.

**The Examination Begins**

The Multi-State Examination of the National Council on Compensation Insurance, Inc. commenced on Aug. 2, 2000. The unique multi-state aspect of the examination and methodologies used created some global audit issues concerning future audits of any rating organization. From this concern a 2002 charge was adopted for the NAIC Property & Casualty Insurance (C) Committee to develop protocol for the examination of national or multi-state rating organizations to be more comprehensive, efficient and possibly less frequent than the current single state examination process. A complete copy of the multi-state examination is available through the OID website at the following address:

http://oregoninsurance.org/docs/examinations/marketconduct/ncci01mc.pdf

**Delays**

From its onset, the examination process had delays while NCCI and the regulators/examiners sorted through various issues such as access to detailed, state risk level information and confidentiality concerns. The examination process was further delayed due to NCCI moving to a new headquarters location in late 2000, which precipitated the examiners operating out of off-site locations until finally settling into the new headquarters on April 16, 2001. By the end of Spring 2001 issues involving the examination process had largely been resolved.

**Examination Major Areas Summary**

- **NCCI Headquarters Activities**: Findings in this area resulted in recommendations derived from the testing of unit reports and experience ratings at NCCI Headquarters.

- **Unit Report Testing of Selected Carriers**: Findings in this area resulted in recommendations derived from discrepancies observed between selected carriers source file data and the information that was included in the NCCI unit report database.

- **Premium Audit of Employers with Oregon Exposures**: Findings in this area resulted in recommendations derived from discrepancies observed between the premium audit information provided at the employer sites and the information that was provided by the carriers.

**NCCI OVERSIGHT WORKING GROUP**

**Working Group Appointment**
The August 2001 Multi-State Examination of the NCCI made this statement:

We recommend that an examination oversight group be formed of interested regulators, allowing input from NCCI and its carrier members. The recommendations contained in this report should be reviewed during the examination oversight process. This group should weigh the cost/benefit of each recommendation, and develop the optimal solution to achieve the underlying intent of the recommendation.

In accordance with this recommendation the Workers’ Compensation (C) Task Force (the task force) appointed the NCCI Oversight Working Group (the working group), which held its first meeting during the NAIC 2002 Summer National Meeting. Michael Lamb (OR) was appointed to be its first chair. Upon Mr. Lamb’s retirement from the OID, Lenita Blasingame (AR) was appointed working group chair in March 2003. A roster of working group members is as follows: Sarah McNair-Grove (AK); Bill Lacy and Carol Stiffler (AR); Robert Nkojo and Clark Simcock (DC); Mike Hessler (IL); Susan Schulte (MO—Vice Chair); Alan Wickman (NE); Jann Goodpaster and Rae Taylor (OR); Tomasz Sebinowski and Brad Tibbits (UT); and Fred Barrett (VT).

CD-ROM and Recommendations Tracker

During the first working group meeting on June 9, 2002 the NCCI presented a draft CD-ROM that included, along with the complete examination report and various recommendation exhibits, “Recommendations Tracker” (i.e., tracker). The tracker was prepared as a tool to track and show action on each of the examination recommendations identified.

The tracker provided assistance in helping the reviewer keep organized and follow changes through this very complicated set of recommendations and actions taken.1

In designing tracker, 26 recommendations were broadly identified from the examination, of which 48 tracker recommendations were more narrowly constructed. Tracker organized the 48 recommendations, each quoting verbatim from the examination, into three categories—Data Quality, Unit Reporting, and Experience Rating. Each recommendation within each category included a unique identifier such as DQ1, DQ2, etc, for succeeding Data Quality recommendations. Likewise, Unit Reporting recommendations were identified by UR, followed by succeeding numbers. Experience Rating recommendations were identified by ER, followed by succeeding numbers.

The tracker categories included recommendations relating to the examination areas as indicated below:

- **Data Quality**—DQ (10 recommendations): Unit Statistical Incentive System (DQ1A—DQ4); Carrier Report Cards (DQ5A—DQ5D); Carrier Audit Programs (DQ6A—DQ6C); and Common Recommendation Themes (DQ7—DQ10).

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1 A similar compilation of information to track the progress of an examination was used during the 1991 NCCI examination led by Florida, Maine, Nebraska, and Utah. The 1991 examination principally answered concerns at that time regarding loss cost, data collection and data quality, and ratemaking procedures. As the 1991 NCCI examination neared completion, the NCCI Oversight Working Group (same name) was formed to oversee that examinations implementation of recommendations.
• **Unit Statistical—UR** (7 recommendations): Audited Exposures ((UR1A—UR1C); Estimated Exposures (UR2A—UR3); and Records Retention Requirements (UR4A—UR7).

• **Experience Rating—ER** (9 recommendations): Experience Rating Manual Clarifications (ER1A—ER1B); Ownership Issues (ER2A—ER2C); Missing Unit Report Data (ER3A—ER3C); Experience Rating Accuracy (ER4A—ER4B); Experience Rating Standards (ER5A—ER5B); and Experience Rating Processes (ER6A—ER9).

Tracker displayed the following sequence for its columns:

- **Item:** The unique identifier letters and number—example, DQ1.
- **Recommendation:** Quoting the item recommendation as presented in the examination report.
- **Action:** This column presented a brief history of working group discussions about the recommendation and when resolved, a presentation on the action to be taken.
- **Status:** This column presented the current status of the recommendation, which could range from O1 (Not Started) to C1 (Closed). A complete listing of potential status follows:

  - **Open** (O1 = Not Started, O2 = In Progress, RO1 = Regulator Not Started, RO2 = Regulator In Progress)

  - **Completed** (C1 = Closed, C2 = Ongoing, C3 = No Action Required, RC1 = Regulator Closed, RC2 = Regulator Ongoing, RC3 = Regulator No Action Required.

  - **X-Ref:** The hyperlink that appeared for that particular recommendations exhibits, if any, and its discussion within the examination report.

Tracker was also designed to reference through hyperlinks the examination executive summary and recommendations sections within the examination report. The working group accepted the suggestion of NCCI that the CD—ROM be distributed and updated to the working group members for use in organizing materials, recommendations, and actions taken.

**State Recommendations**

The following examination recommendations were particularly noted for actions left for the commissioners to resolve. These recommendations commonly are referred to as the five ‘regulator only’ recommendations.

- **DQ1C:** The examination team recommends that state regulators consider a penalty system for carriers with late and poor quality reporting practices. States should consider non-monetary penalties such as licensing actions, targeted examination activities, or the public notification of problem carriers.

- **DQ2:** States should consider ways to hold NCCI accountable for meeting the data quality and experience rating standards approved and expected by the states.
• DQ5C: Consideration by the regulatory oversight group should be given to exploring the legality and benefits of making carrier grades publicly available.

• UR1C: Regulators should consider a penalty system for carriers for not performing premium audits and/or for not reporting audited exposures on a timely basis.

• ER9: States should consider re-addressing the circumstances in which the use of contingent ratings is acceptable and whether this process creates the appropriate incentive for carriers to provide complete and timely data. The NCCI, together with the states, should evaluate the impact of the use of contingent ratings on carriers.

Subgroups Formed

By the NAIC 2002 Fall National Meeting it became apparent that the working group would be getting into some very detailed information in its consideration of action plans. It was suggested at that meeting that two subgroups be formed to tackle major technically based recommendations. The subgroups would then report back to the working group for final determination as to what action should be taken on these recommendations.

Mr. Lamb, as working group chair, therefore appointed during the Oct. 29, 2002 conference call the following two new subgroups and their chairs: Data/Quality Reporting Subgroup chaired by Clark Simcock (DC); Experience Rating Subgroup chaired by Sarah McNair-Grove (AK). Members for each subgroup were obtained from the working group.

Recommendations Addressed

Over the course of the next 22 months (from June 2002 through March 2004) the working group and its two subgroups considered the recommendations and proposed action plans. The NCCI generally proposed the action plans for resolving the recommendations, since the majority of the recommendations directly involved its intervention for resolution. While a few executive session meetings and conference calls were arranged, by far the majority of meetings and conference calls held by the working group were open and consisted of both regulators and interested parties attending. Many of the conference calls included web-based demonstrations. Among the most active interested parties, in addition to the regular participation of NCCI representatives, were the following: Dave Kenepp (Liberty Mutual Insurance Company), Gary Knoble (The Hartford Insurance Company), Lauri Ducharme (Kemper Insurance), and Jaye Fraser (Savings Association Insurance Fund).

ACTION PLANS

The action plans adopted for each of the 26 examination recommendations will be explained by presenting in chart form below the item number, recommendation, action, and status/date of working group adoption. It should also be recalled that while the examination presented 26 broadly expressed recommendations, the tracker had broken these down into the 48 recommendations as found in the chart.

Status of recommendations, earlier presented under “NCCI OVERSIGHT WORKING GROUP: CD—ROM and Recommendation Tracker,” is repeated below as a quick reference for interpreting the charts Status/Date column:
Open (O1 = Not Started, O2 = In Progress, RO1 = Regulator Not Started, RO2 = Regulator In Progress)

Completed (C1 = Closed, C2 = Ongoing, C3 = No Action Required, RC1 = Regulator Closed, RC2 = Regulator Ongoing, RC3 = Regulator No Action Required.

In some instances, due to their length, the recommendation and/or action plan were abbreviated in this executive summary from that found in the examination report, tracker, or minutes. The reader may, therefore, wish to refer to these sources should greater detail be desired.

The following recommendations/action plans were determined to warrant further explanation than the chart would allow and therefore will be described in greater detail: DQ5B/ER3B, DQ6A—C and the five regulator only recommendations.

<table>
<thead>
<tr>
<th>Item</th>
<th>Recommendation</th>
<th>Action Adopted</th>
<th>Status/Date</th>
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</thead>
<tbody>
<tr>
<td>DQA</td>
<td>NCCI should reactivate the penalty system and enforce the fines levied against carriers under the penalty system.</td>
<td>The Data Quality Incentive Program and the Web-based Data Quality Incentive System were implemented by NCCI in 2002.</td>
<td>C1 09/09/02</td>
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<tr>
<td>DQ1B</td>
<td>NCCI should provide periodic evidence to the regulators that the penalty program is effective in obtaining timely and quality data from carriers.</td>
<td>NCCI implemented enhancements to the Data Quality Incentive Program in July 2004. This program will be subject to periodic follow-up at the request of the NAIC.</td>
<td>C2 10/28/02</td>
</tr>
<tr>
<td>DQ1C</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>C2 12/06/03</td>
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<tr>
<td>DQ1D</td>
<td>NCCI should require correction or replacement information for unit reports pending correction.</td>
<td>NCCI has in place an automatic follow-up process for units with priority errors. Additionally, NCCI has an outbound call program to monitor carrier performance. Further, correction report examples are contained in the NCCI Unit Report Quality User’s Guide.</td>
<td>C1 09/09/02</td>
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<td>DQ2</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>C2 12/06/03</td>
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<tr>
<td>DQ3</td>
<td>NCCI Internal Audit Department should include comprehensive and targeted data quality audits in their annual audit plan.</td>
<td>The NCCI Internal Audit Plan includes data quality audits on unit reports, policies, and experience ratings. NCCI’s Internal Audit Department is to continue performing data quality focused audits as part of their annual audit plan.</td>
<td>C1 09/13/03</td>
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<td>DQ4</td>
<td>New procedures should be developed by NCCI to improve the performance measurement of trending, profiling and advanced analytical procedures of URS, experience rating and other related data so as to better identify anomalies, outliers or differences in the data by risk, by classification, by carrier, etc.</td>
<td>NCCI developed the following three new data quality reports to monitor data reporting trends and anomalies: Summary Error Rates Report; Field Outliers Report; Ratios Report. NCCI is to continue to follow-up and address emerging data reporting issues and to enhance and develop new trending reports as needed.</td>
<td>C2 06/21/03</td>
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<tr>
<td>DQ5A</td>
<td>NCCI should provide training and education on the carrier report card process and criteria used for the benefit of the various state regulators and for their evaluation of its adequacy.</td>
<td>NCCI initiated in January 2003 the Carrier Data Quality Report (Report Card) education program to contact state regulators and educate them on the process and information included in the report. All interested state regulators were added to the Report Card distribution. NCCI is to continue its education program on an as-needed basis and whenever the program changes in the future.</td>
<td>C2 03/08/03</td>
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<td>DQ5B</td>
<td>See the DQ5B/ER3B section of the executive summary.</td>
<td>See the DQ5B/ER3B section of the executive summary.</td>
<td>C2 09/13/03</td>
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<tr>
<td>DQ5C</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>C1 12/06/03</td>
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<tr>
<td>DQ5D</td>
<td>NCCI should evaluate the significant increase in the number of carriers receiving unsatisfactory grades in the report card process in light of suspension of the fining program for policies effective on or after Jan. 1, 1996 and immediately institute corrective action plans for those companies who were identified as having performed unsatisfactorily in 2001.</td>
<td>In order to be most effective in achieving a high percentage of data on time, the NCCI Outbound Contact Program (effective 2001) focuses on contacting carriers with the highest volumes of expected data that is trending towards past due receipt on a monthly basis, regardless of their report card performance. The NCCI Data Quality Incentive Program (DQIP) provides incentives for timely reporting. NCCI is also to provide ongoing monitoring as part of the DQIP.</td>
<td>C2 03/08/03</td>
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<td>DQ6A</td>
<td>See the DQ6A—C section of the executive summary.</td>
<td>See the DQ6A—C section of the executive summary.</td>
<td>C2 12/06/03</td>
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<td>DQ6B</td>
<td>See the DQ6A—C section of the executive summary.</td>
<td>See the DQ6A—C section of the executive summary.</td>
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<td>DQ6C</td>
<td>See the DQ6A—C section of the executive summary.</td>
<td>See the DQ6A—C section of the executive summary.</td>
<td>C2 12/06/03</td>
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<td>DQ7</td>
<td>NCCI should evaluate the errors noted during the carrier site visits and address each type of error to determine whether additional actions should be developed (e.g., carrier audits). Additional communications to carriers and training should also be considered.</td>
<td>It was determined that final error counts were within the error tolerances established for the examination report. Since the examination, NCCI has implemented new online tools that allow carriers to view, verify, correct and submit data to improve the quality and timeliness of data. Additionally, NCCI is contacting carriers (via proactive outbound calls) that have data reporting problems and offering customary and specialized training.</td>
<td>C2 03/08/03</td>
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<tr>
<td>DQ8</td>
<td>NCCI should evaluate the errors noted during the employer site visits and address each type of error to determine whether additional actions should be taken (e.g., additional employer test audits, additional analytical and detection procedures and tools).</td>
<td>Since the examination, NCCI filed a revision to the Basic Manual for Workers Compensation and Employers Liability Insurance and created a User’s Guide to simplify and clarify the determination of premium and assignment of classifications. As part of the Test Audit process, NCCI is to proactively request any corrective action to be submitted via the unit statistical correction reports.</td>
<td>C1 03/08/03</td>
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<td>DQ9</td>
<td>NCCI needs to implement a process to ensure corrections are made to the audited data based upon the results of the physical inspections.</td>
<td>Data providers are required to submit a correction report as soon as the final audit is completed. The NCCI has satisfied this recommendation by publishing its rules, requirements, instructions, and examples for reporting estimated and audited exposure information; specific editing; communications; training; and the Data Quality Incentive Program.</td>
<td>C1 03/08/03</td>
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<td>DQ10</td>
<td>Periodic review of all critical data elements in both the PICS and URS systems should be performed in order to identify discrepancies and to ensure consistency and accuracy of the data.</td>
<td>NCCI migrated the data in its PICS (Policy) and URS (Unit Statistical) Legacy systems to an integrated database (IDB) by September 2002, which became the single data source for Policy and Unit Statistical data. NCCI established reconciliation and control processes to identify discrepancies and to ensure consistency and accuracy of data.</td>
<td>C1 03/08/03</td>
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<td>UR1A</td>
<td>The examiners recommend that NCCI develop and implement a program to ensure that unit reports with estimated exposures are corrected with audited exposures in a timely manner.</td>
<td>The NCCI Data Quality Incentive Program includes evaluation of carrier performance concerning the timeliness of audited exposure amounts on first unit reports. The NCCI also implemented new editing to prompt carriers to report a correction report.</td>
<td>C1 09/09/02</td>
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<tr>
<td>UR1B</td>
<td>Penalties should be imposed for each unit report and for each month that estimated exposures remain in the system.</td>
<td>Under the NCCI Data Quality Incentive Program carriers receive a 10% debit adjustment to their data management fees if more than 10% of their first report units are not audited by the end of the 22nd month. The NCCI provided industry communications on the Data Quality Incentive Program.</td>
<td>C1 09/09/02</td>
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<tr>
<td>UR1C</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>C2 12/06/03</td>
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<td>UR2A</td>
<td>A monitoring system should be developed to review and analyze what the extent of estimated exposures are in its unit report database for rated and non-experience rated risks, for the carriers with a high percentage of units that have estimated exposures and for the impact of correcting estimated exposures.</td>
<td>The Data Quality Incentive Program, implemented in January 2002, provides monthly statistics by carrier and in total on the percentage of unit reports with estimated exposure. The new Data Quality Monitoring Report has provided the recommended elements for analysis and remediation. The Outbound Contact Program contacts carriers that exceed estimated exposure thresholds. NCC is to continue to evaluate the impact of estimated exposures (industry-wide and by carrier) and address with identified carriers reporting issues.</td>
<td>C2 03/08/03</td>
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<tr>
<td>UR2B</td>
<td>NCCI should analyze changes between the estimated and audited exposures by carrier and in total to identify trends in under and over reporting of exposures. NCCI should utilize its database(s) for performing both exposure and premium comparisons and for detecting unusual variations.</td>
<td>Three new tests look for carrier patterns that could identify inaccurate reporting of audited amounts. These tests include: the proportion of exposure records with trailing 0’s; the proportion that match the risk’s exposure from the prior policy period; and the proportion that matches the policy. Furthermore, NCCI is in the process of implementing new estimated exposure analytical reports and is to contact carriers with unusual volumes to resolve reporting issues.</td>
<td>C2 06/21/03</td>
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<td>UR2C</td>
<td>NCCI should follow-up with carriers that have a high percentage of unit reports with estimated exposures, based upon total exposure and premiums, to identify and resolve systemic issues.</td>
<td>The Data Quality Incentive Program (DQIP) has an accompanying outbound call program. Carriers are contacted on a monthly basis when they approach or exceed the DQIP estimated exposure criteria. In February 2003 the NCCI developed an enhanced quarterly tracking program that is based on unit volume, premium and exposure, and will be used to augment the current outbound call program. NCCI is to continue monitoring companies with a high proportion of late audits and address reporting issues that are identified.</td>
<td>C2 03/08/03</td>
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<td>UR2D</td>
<td>Estimated exposure issues need to be addressed in the revised fining program in order to provide additional financial incentives to carriers.</td>
<td>The Data Quality Incentive Program (DQIP) applies a 10% debit incentive for the timeliness of audited exposure amounts on 1st unit reports. NCCI provides industry communication and training on the DQIP.</td>
<td>C1 09/09/02</td>
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<td>UR3</td>
<td>It is recommended that NCCI re-communicate the requirements that have been established as it relates to the timely receipt of first reports.</td>
<td>NCCI has utilized several methods of communicating to carriers the various requirements for timely reporting of units. These include circulars and manual releases, which are also accessible at <a href="http://www.ncci.com">www.ncci.com</a>.</td>
<td>C1 09/09/02</td>
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<td>UR4A</td>
<td>The examiners recommend that a record retention requirement (for carriers) specific to workers compensation data reported to NCCI be developed. The issue of data retention related to merger and acquisition activity should be specifically addressed.</td>
<td>NCCI developed guidelines modeled from the NAIC Market Conduct Examiners Handbook for all carriers to follow regarding—format of records; location and retrieval for files; disaster recovery procedures; third party and vendor responsibility. Additionally, it was agreed that all carriers should retain claim files and accompanying records for a period not less than nine years.</td>
<td>C2 06/21/03</td>
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<tr>
<td>UR4B</td>
<td>The NCCI record retention and record retrieval policies and procedures should be reviewed and enhanced to ensure that appropriate audit trails exist to support its processes.</td>
<td>NCCI utilizes data retention programs to ensure that all historical data is retained and stored. At the request of the working group, documentation of these NCCI policies and procedures was provided by exhibit.</td>
<td>C1 03/08/03</td>
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<tr>
<td>UR5</td>
<td>It is recommended that NCCI review the current process for data entry of information from carriers in order to determine if enhancements to the system are necessary.</td>
<td>NCCI currently receives greater than 99% of its unit statistical data electronically. The NCCI focus has been on reduction of hard copy by providing flexible tools and solutions to customers to make data reporting convenient, accessible, and cost-effective. NCCI has also been improving the keying vendor process by adding daily audits, edit and validation routines, and timeliness controls.</td>
<td>C2 09/09/02</td>
</tr>
<tr>
<td>UR6</td>
<td>The NCCI should review and enhance their procedures to ensure that the receipt date entered into the URS system agrees with the date from the information provided by the carrier.</td>
<td>The NCCI Data Center is responsible for the processing of all unit statistical data. The NCCI Job Submit Processing Instructions include cataloging each data submission by assigning key information to each submission. Additionally, the NCCI automatically calculates Received Date of unit statistical data based on the Processed Date (current date).</td>
<td>C1 03/08/03</td>
</tr>
<tr>
<td>UR7</td>
<td>It is recommended that NCCI develop and hence implement procedures to monitor default edit reports and to confirm whether the data provider has submitted a correction report or a replacement report to NCCI for data that was in error and defaulted by NCCI.</td>
<td>Carriers were notified by NCCI of all defaults in their error reports and advised in the reporting manuals to send a correction if NCCI default value was not correct. With the implementation of the new data collection system and edits, NCCI has reduced the number of default edits.</td>
<td>C1 03/08/03</td>
</tr>
<tr>
<td>ER1A</td>
<td>The NCCI should modify its procedures and/or also provide additional clarification in the Experience Rating Plan Manual rules regarding the extension of the experience rating period and the inclusion of short-term policies, or amend the Plan to conform with its practices and to allow for consideration of the concerns of regulators.</td>
<td>NCCI has rewritten its Experience Rating Plan Manual, which included the rule governing the experience period. A user’s guide containing various examples helps clarify the experience period used in a rating and addresses policy periods with varying length.</td>
<td>C1 06/21/03</td>
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<td>Item</td>
<td>Recommendation</td>
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<tr>
<td>ER1B</td>
<td>The Experience Rating Plan Manual should be redrafted to consider concerns of the state regulators and to also provide clarification and specificity as to how the NCCI should prepare experience ratings.</td>
<td>NCCI rewrote its entire Experience Rating Plan Manual. The primary objectives of the rewrite was to support any examination recommendations, make the manual more website usable, simplify manual rules, use plain language and additionally develop a complementary user’s guide.</td>
<td>C2 09/13/03</td>
</tr>
<tr>
<td>ER2A</td>
<td>NCCI should ensure that the required ownership/combination document (ERM-14) is obtained. NCCI should then determine the appropriateness of the change and the NCCI Ruling Letter should be prepared to document the decisions that were made.</td>
<td>The working group made suggestions to rule language. NCCI agreed to implement the suggestions and update Rule 3F. NCCI also reaffirmed that the ruling letter is now mailed to all stakeholders.</td>
<td>C2 12/07/02</td>
</tr>
<tr>
<td>ER2B</td>
<td>The NCCI Ruling Letter should be mailed to all stakeholders such as the submitter, the current carrier, insured or any carrier who has to apply a modification that would be affected by the ownership change.</td>
<td>NCCI added the insured to the ownership ruling letter. Initially this was a manual process, but was automated by Spring 2003.</td>
<td>C1 06/21/03</td>
</tr>
<tr>
<td>ER2C</td>
<td>Procedures should be developed by NCCI to strengthen the documentation trail for ERM-14 and comparable documents, as well as for the NCCI Ruling Letter and other notification documentation.</td>
<td>The NCCI ERM-14 retention schedule was increased from five to seven years and enhancements were implemented.</td>
<td>C1 12/07/02</td>
</tr>
<tr>
<td>ER3A</td>
<td>The examiners recommend that the carrier responsible for the missing data be formally notified of the situation and the impact on the insured’s eligibility for experience rating.</td>
<td>NCCI developed additional worksheet verbiage to reference the current letter that accompanies the rating worksheet (hardcopy and electronic). This letter identifies the specific missing unit statistical data that is needed to complete the rating. NCCI further enhanced, as appropriate, experience rating worksheet verbiage to indicate “contingent rating incomplete data.”</td>
<td>C1 03/08/03</td>
</tr>
<tr>
<td>ER3B</td>
<td>See the DQ5B/ER3B section of the executive summary.</td>
<td>See the DQ5B/ER3B section of the executive summary.</td>
<td>C2 09/13/03</td>
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<td>Item</td>
<td>Recommendation</td>
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<tr>
<td>ER3C</td>
<td>The examiners also recommend that missing data expected to be received not be reflected as $0 in the eligibility determination.</td>
<td>NCCI provided new documentation and discussed why the current practice of using $0 for missing data to determine experience rating premium eligibility remains the optimal solution for the industry. The NCCI current procedure of using $0 instead of an estimated premium amount for missing data were shown to never result in publication of an experience modification factor that could later be withdrawn.</td>
<td>C3 03/08/03</td>
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<tr>
<td>ER4A</td>
<td>NCCI should ensure that only correct experience modifications are released by implementing a more thorough review of data on experience ratings.</td>
<td>NCCI provided new documentation and discussed the Experience Rating Quality Program that was rolled out in December 2002. Results were shared, showing accuracy ratings exceeding expectations (i.e., 95%–97%).</td>
<td>C2 06/21/03</td>
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<tr>
<td>ER4B</td>
<td>NCCI should evaluate its review and analyst training procedures to ensure that they are adequate to limit the occurrence of manual errors and to ensure that the appropriate policies are included in the experience rating.</td>
<td>Enhancements were made to the NCCI experience rating training materials, resulting in the Experience Rating Procedures Manual Project, which was completed in April 2003.</td>
<td>C1 06/21/03</td>
</tr>
<tr>
<td>ER5A</td>
<td>NCCI should implement a written policy establishing a required timeframe for the production and availability or release of experience ratings once the expected/complete data is available.</td>
<td>The working group agreed that NCCI should continue with its Anniversary Rating Date experience rating production focus.</td>
<td>C2 12/07/02</td>
</tr>
<tr>
<td>ER5B</td>
<td>Substantial increases should be made to the NCCI experience rating percentage performance goals.</td>
<td>The NCCI provided experience rating production statistics that demonstrated the achievement of customer production goals. The NCCI production goals for year-end 2002 and six months averages for 2003 exceeded expectations.</td>
<td>C2 12/7/02</td>
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<td>Item</td>
<td>Recommendation</td>
<td>Action Adopted</td>
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<tr>
<td>ER6A</td>
<td>NCCI should implement new procedures to ensure the correct establishment of Anniversary Rating Dates (ARDs). NCCI should ensure that the ARD selection is consistent with the expectations of the participating states.</td>
<td>The rewritten Experience Rating Plan rules and User’s Guide clarify this issue. The NCCI experience rating system now automatically creates the next ARD for a risk when that ARD is a date change from the current ARD. The ARD system also was modified so that the edit will not be automatically bypassed for ARDs created by the NCCI experience rating staff. Procedures were additionally changed to require management review of any risk prior to setting the edit bypass.</td>
<td>C1 09/13/03</td>
</tr>
<tr>
<td>ER6B</td>
<td>Periodically the NCCI should perform internal audits of experience rating “bypasses” or overrides of automated edits to assess that the edits and controls are operating effectively.</td>
<td>The NCCI experience rating internal audit began February 2003 and was completed July 2003. Audit results were summarized to the working group. All audit components received the highest internal audit rating “Good”).</td>
<td>C2 06/21/03</td>
</tr>
<tr>
<td>ER7</td>
<td>NCCI should implement more effective procedures to identify non-experience rated risks that qualify for experience rating.</td>
<td>NCCI provided new documentation on the automatic experience rating for newly qualified businesses.</td>
<td>C2 03/08/03</td>
</tr>
<tr>
<td>ER8</td>
<td>NCCI should ensure that the published rate tables are accurate and approved by the states. Internal procedures should be developed to ensure that the published manuals agree to what is in the system and state approved information is included in the manuals.</td>
<td>The working group discussed the new NCCI processes used to ensure that rate tables are accurate in NCCI systems and in the published pages. This includes a read-through of the rate pages with the values entered in the experience rating system. If any discrepancies are found in the published manual pages and the system, they are to be verified and corrected where necessary.</td>
<td>C1 06/21/03</td>
</tr>
<tr>
<td>ER9</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>See the ‘Regulator Only’ section of the executive summary.</td>
<td>C3 02/10/04</td>
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</table>

**DQ5B/ER3B Recommendations and Action Plans**

**DQ5B Recommendation**

If a carrier is identified with an unsatisfactory grade, NCCI should immediately notify the domiciliary regulator, unless the regulator elects not to be notified.

**ER3B Recommendation**

NCCI should report chronic problem carriers to the domiciliary regulator for assistance in obtaining the missing information.
DQ5B/ER3B Action Plan

These two closely aligned recommendations were reviewed together by the working group. The examination report recommended that NCCI immediately notify the domiciliary regulator. NCCI, however, responded to this statement in the following way: “The design of the workers’ compensation system is such that unit statistical data is reported and monitored by exposure state. This is also how the data is organized and used for experience ratings. Therefore, the regulator that is impacted by a carrier whose premium/exposure and loss information is not reported properly may not be the domiciliary state.” The working group agreed that the regulators in states with improperly reported data should be notified.

In order to meet the intent of these two recommendations for timely regulator notification of data reporting problems, NCCI developed a new two-part State Compliance Report made up of the State Quarterly Compliance Summary Report and the Regulator Experience Rating Exception Report.

The State Quarterly Compliance Summary Report provides summary performance statistics for all carriers combined for the specific state as compared to countrywide. This report is based on units received by NCCI and the availability of these units for use in NCCI products, including experience ratings. The performance statistics are consistent with the NCCI Data Quality Incentive Program, which is applied to carriers reporting unit statistical data to NCCI.

The Regulator Experience Rating Exception Report focuses on those individual carriers who are deemed problematic by not reporting experience rated unit statistical data in a timely and/or accurate manner. This report includes experience rated units that are not available, due to lateness or quality, by the rating effective month. The Regulator Experience Rating Exception Report provides information to the regulator in the state in which the premium/exposure and loss dollars occur and where the carrier is having issues reporting that data. This allows the affected state regulator to address the issues with the carrier.

The working group agreed to the status of C2 for both DQ5B and ER3B on Sept. 13, 2003. NCCI provided Web-based training to state regulators in May and July 2004. NCCI implemented the new state regulator reports in July 2004.

DQ6A—C Recommendations and Action Plans

DQ6A Recommendation

The examination team recommends that NCCI establish an audit program to provide countrywide coverage of all carriers to ensure that carriers are following the statistical plan rules and the prescribed policies and procedures of NCCI where applicable. The program should include the identification and scheduling of targeted or problem carrier audits. A review of the cost/benefit of performing audits of randomly selected carriers should also be considered. NCCI should also develop criteria to determine when a particular carrier would be subjected to audit (e.g., unsatisfactory grades on the NCCI Carrier Data Quality Report; carriers who have a poor response rate to corrections).

DQ6B Recommendation
The examination team recommends that the proposed audit program be subjected to regulatory review prior to implementation by NCCI.

**DQ6C Recommendation**

The examination team also suggests that the carrier audit program be funded by the reactivated penalty system.

**DQ6A—C Action Plan**

Again, these recommendations were so closely aligned that they were reviewed together. The NCCI began preliminary discussions regarding DQ6A, DQ6B, and DQ6C with an industry advisory group, seeking to better understand the role of audits within the context of a comprehensive program to ensure industry data quality.

NCCI reviewed with the working group its data quality processes currently in place, discussing how they cumulatively enhance unit statistical data quality. Current NCCI data quality programs, tools and processes were described: Data Reporting Standards, Rules and Training; Unit Report Control Program; Carrier Pre-Editing Processes; DCA Unit Report Tools; NCCI Unit Editing; Follow-Up Programs for Timeliness and Quality Issues; Data Quality Monitoring Test; Incentive Programs; and State Compliance Report. Many of these programs were in place at the time of the August 2001 Multi-State Examination of the NCCI, but some were developed as a direct result of the examination. NCCI explained that these data quality programs have been tiered, in descending order, to focus on specific aspects of reporting performance.

NCCI proposed a new procedure, titled the “Remediation Program,” that would include regulator involvement on an as-needed basis. The Remediation Program was designed to leverage the currently established data quality programs to focus attention on those carriers that demonstrate ongoing, systemic data reporting issues. The Remediation Program was added as the final NCCI data quality program developed as a result of the multi-state examination.

The Remediation Program includes two levels: Level 1—NCCI/Carrier Escalation and Remediation, and Level 2—Regulator/NCCI Remediation and Monitoring. Level 1 is to be triggered when a significant data-reporting problem is identified through NCCI’s various data quality programs, related research, or dialog with the affected carriers. Following carrier identification, NCCI Corporate Data Quality will contact the carrier to initiate discussion on these issues. During this meeting NCCI will review the Level 1 process that will follow (a) Investigation and Remediation Plan Development and (b) Remediation Plan Implementation.

NCCI expects that the great majority of carriers will be successful in achieving data reporting improvement at Level 1. Carriers requiring escalation to Level 2 are those that fall within one of the following categories:

- Carriers that are found unwilling to cooperate with NCCI’s remediation efforts.
- Carriers that have been unsuccessful in meeting their Remediation Plan schedules.
Carriers that are experiencing data issues that significantly impact NCCI’s state advisory role. While these carriers may be successfully moving forward to meet data reporting standards, the regulator(s) needs to be informed of the severe nature of the issues and of the advisory impact in their state.

In Level 2 NCCI will initiate dialogue with the affected state regulator(s) to provide the current resolution status of the carrier, discuss the data quality impact in their state, and determine the appropriate course of action. The regulator may decide on different levels of participation, based on the severity of carrier issues, level of carrier cooperation and success in achieving the resolution schedule. At some point, the regulator may decide to take some form of regulatory action. NCCI has stated that it will be available to consult with the regulator as to what actions may be appropriate to the situation—which could include penalties or fines and/or the scheduling of targeted audits or state examinations. The NCCI Data Quality Incentive Program, based on overall reporting performance, principally funds the data quality follow-up and remediation activities.

The NCCI concluded—with eventual concurrence by a majority of working group members—that the remediation program did not have to include a physical audit component due to the following expressed reasoning:

- The physical audit likely would only confirm what is already suspected, but would add cost and delay the start of the remediation program.
- Regarding random physical audits, the “hit” ratio (i.e., detecting a previously undetected problem) would be very low.
- The remediation program does not preclude the option of a physical audit when the regulator determines that it is necessary.


Regulator Only Recommendations and Action Plans

While the working group considered the ‘regulator only’ recommendations throughout the oversight process, it was determined that action plans on these recommendations should generally wait until the other recommendations in the examination were resolved. It was therefore believed that at least partial resolution of the ‘regulator only’ recommendations would occur once the examination oversight reached greater fruition. For this reason, the five recommendations discussed below were closed during the period of Dec. 6, 2003 to March 4, 2004.

DQ1C Recommendation

State regulators should consider a penalty system for carriers with late and poor quality reporting practices. States should consider non-monetary penalties such as licensing actions, targeted examination activities or the public notification of problem carriers.

DQ1C Action Plan
Based on the development of the NCCI State Compliance Reports, the working group agreed to the status of C2 for DQ1C on Dec. 6, 2003. Rather than recommend a uniform response, regulators can use the information in these reports to determine the appropriate penalty based on the individual regulator’s state laws.

The State Compliance Reports encompass two reports for regulators: a quarterly summary report of overall state performance and a monthly exception report that identifies carriers with significant lateness or quality issues impacting experience rating. The two compliance reports are briefly described in more detail below:

State Quarterly Compliance Summary Report—

This report provides summary performance statistics from the NCCI Data Quality Incentive Program, including the percentage of unit reports that are available early, the percentage that are not available four months after the due date, and the percentage not audited at the end of the 22nd month. The report will include the following:

- Regulator state percentages vs. countrywide percentages of units that are available, not available and not audited.
- Separate statistics for experience rated units and all units
- Annual statistics, including the five most recent incentive periods (rolling four quarters)
- Counts of total units received

Regulator Experience Rating Exception Report—

This report provides monthly performance statistics at a carrier level on an exception basis. It will include carriers who are significantly late in submitting or correcting unit reports that are needed for ratings, and where the number of late units exceed the minimums for escalation. The report will cover three rating months, and will only include units that were not available at least four months past due and that are still unavailable as of the monthly run date. With the focus on experience rating, it includes first and third unit reports for rated risks.

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**DQ2 Recommendation**

States should consider ways to hold NCCI accountable for meeting the data quality and experience rating standards approved and expected by the states.

**DQ2 Action Plan**

Based on the development of the NCCI State Compliance Reports, the working group agreed to the status of C2 for DQ2 on Dec. 6, 2003. Individual state regulators can use the information in the State Compliance Reports to assist them in determining whether or not NCCI is meeting the standards approved for and expected by their state.

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**DQ5C Recommendation**

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Consideration by the regulatory oversight group should be given to exploring the legality and benefits of making carrier grades publicly available.

**DQ5C Action Plan**

The working group considered the legal implications of making carrier Report Card results publicly available, both from the perspective of the NAIC and the NCCI. There were many concerns expressed and open issues identified.

During a November 2003 conference call the working group weighed the pros and cons of public disclosure of carrier grades and decided to wait on this recommendation until the impact of the NCCI Carrier Audit Program and the effect of the NCCI Remediation Program had been assessed.

During the working group meeting on Dec. 6, 2003 a motion was made that this recommendation was best responded to on a state-by-state basis. The motion carried and the status became C1 for DQ5C.

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**UR1C Recommendation**

Regulators should consider a penalty system on carriers for not performing premium audits and/or for not reporting audited exposures on a timely basis.

**UR1C Action Plan**

During the NAIC 2003 Winter National Meeting the working group agreed to change the status of UR1C from RO2 to C2 (Completed – Ongoing).

The working group agreed during its Feb. 10, 2004 conference call to bring before the task force for consideration the below UR1C Implementation Statement with four caveats to establish procedures:

The NCCI Oversight Working Group recommends that the NAIC conduct regularly scheduled meetings with the NCCI over the next few years to monitor the success of the Carrier Audit Program in reducing late and poor quality reporting practices among carriers. In the meetings, the NCCI would be expected to provide a detailed report on carriers who were placed in Level 1 of the Remediation Program and the degree of improvement those carriers have since demonstrated in reporting practices. The NCCI would also provide a report on carriers who escalate to Level 2 of the Remediation Program, including any penalties imposed on those carriers, as well as any participation from regulators in the remediation effort.

1. During the NAIC 2005 Spring National Meeting the NCCI will first report to the Workers’ Compensation (C) Task Force, in executive session, the status of its Carrier Audit Program in reducing late and poor quality reporting practices among carriers.

2. The NCCI is to make the report to the task force executive session annually (and/or occurring on an “as needed” basis) beginning with the March 2005 NAIC National Meeting and continuing annually during forthcoming NAIC Spring National Meetings.

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3. In providing updates on the NCCI Carrier Audit Program, the NCCI will be providing data from several of its sources, including the Data Quality Incentive Program, the State Compliance Report, and the Remediation Program.

4. Upon evaluating this information, the task force would decide if any further actions (e.g., target carrier audits) should be planned as follow-up to these findings.

The task force unanimously adopted the UR1C Implementation Statement with these procedures during the NAIC 2004 Spring National Meeting.

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ER9 Recommendation

States should consider re-addressing the circumstances in which the user of contingent ratings is acceptable and whether this process creates the appropriate incentive for carriers to provide complete and timely data. NCCI, together with the states, should evaluate the impact of the use of contingent ratings on carriers.

ER9 Action Plan

The 2001 Multi-State Examination of the NCCI developed a random sample of 184 experience rating worksheets, noting that six ratings were produced as contingent with no evidence of a complete rating being subsequently generated through the date of the review. NCCI indicated during the examination that due to the non-submission of unit reports by carriers, the six contingent ratings remained contingent. The examination team noted that many states accept the use of contingent ratings and that based on 2001 information, contingent ratings represent approximately 6—7% of ratings released.

In April 2002 the NCCI completed a five-year contingent modification analysis. All experience ratings produced by state with anniversary rating dates between 1998 and 2002 were used in the analysis. The majority of total contingent ratings for the five-year period—57.5%—produced final experience modifications resulting in a decrease. However, 24.8% produced an increase in the final experience rating and 17.8% produced no change in the experience rating during this same period.

Nov. 17, 2003 the working group drafted a letter to the NCCI with questions about contingent ratings. NCCI responded to the questions observing that based on the five-year average of contingent ratings issued from 1998—2002, 5% were never revised. These ratings remained contingent, NCCI said, due to the unavailability of unit statistical data needed to complete the ratings. However, NCCI continued, the preliminary figures for 2003 (4.2%) illustrate the downward trend in the percent of ratings that are contingent due to implemented improvements to drive more complete data submissions. NCCI mentioned the following three monitoring programs to identify unit statistical data required for experience rating: Unit Report Control Programs; Data Quality Incentive Program; and the State Compliance Reports Program. It was also suggested by the NCCI that contingent rating enables contractors to initially bid on jobs more effectively, as the application of no modifications would greatly affect the bidding process.
The working group concluded, during its Feb. 10, 2004 conference call, that there appeared to be no compelling reason to disallow contingent rating for states that wished to accept this procedure. During this conference call the working agreed to the status of C3 for ER9.

**NCCI ONGOING REPORTING OBLIGATIONS**

The following is paraphrased from the NCCI paper titled “Multi-State Examination of NCCI: NCCI Oversight Working Group—Final Report, dated July 2004” (i.e., NCCI July 2004 Report), which spanned in summary form decisions made regarding tracker recommendations.

NCCI will first report to the Workers’ Compensation (C) Task Force (in executive session) at the NAIC 2005 Spring National Meeting.

Follow-up reporting will occur annually in conjunction with future NAIC Spring National Meetings.

State regulators may utilize updates from NCCI to determine if further action (e.g., target carrier audits) would be appropriate.

NCCI will also provide follow-up on the programs as appropriate and other exam recommendations that have a Closed-Ongoing (C2) status.

*Data Quality Programs*

NCCI will provide an update on the effectiveness of data quality programs, including the Data Quality Remediation Program, the Data Quality Incentive Program, and the annual Report Card and State Compliance Reports. (Recommendations: DQ1B, DQ1C, DQ2, DQ5A, DQ5B/ER3B, DQ5D, and DQ6A—C).

*Data Quality Trending and Analysis*

NCCI will provide an update on the effectiveness of data quality analytical reporting tools, such as the Summary Error Rates Report and Field Outlier Report and Ratios Report. (Recommendations: DQ4 and DQ7).

*Audited and Estimated Exposure*

NCCI will provide an update on the impact of estimated exposure reporting practices by the industry. This will include how the data quality programs have affected audited/estimated exposure reporting. (Recommendations: UR1C, UR2A, UR2B, and UR2C).

*Experience Rating Standards/Processes*

NCCI will provide an update on any revisions to experience rating standards, systems, and processes, as well as updated statistics. (Recommendations: ER4A, ER5A, ER5B, ER6B, and ER7.)
ADOPTION OF THE EXECUTIVE SUMMARY

During the NAIC 2004 Spring National Meeting, the working group reported to the task force that all the recommendations of the August 2001 Multi-State Examination of the NCCI had been closed with action plans prescribed as agreed upon by the working group and the NCCI.

The last official act of the working group was the presentation of the executive summary for consideration of adoption by the task force. During the NAIC 2004 Summer National Meeting the working group informed the task force that drafting had begun on development of the executive summary. During the NAIC 2004 Fall National Meeting the task force learned that the drafting of the executive summary continued, as the working group had recently received for consideration the NCCI July 2004 Report (referenced in the previous section).

The working group reviewed a Nov. 3, 2004 draft executive summary during its Nov. 18, 2004 executive session conference call. This revision contained changes based on working group suggestions to an earlier draft and information gleaned from the NCCI July 2004 Report. The draft was adopted, with agreement to incorporate a few additional edits, during that conference call.

The Workers’ Compensation (C) Task Force adopted the executive summary Dec. 6, 2004 and the Property and Casualty Insurance (C) Committee adopted it on Dec. 7, 2004. On March 13, 2005, as part of the consent agenda, the NAIC Executive Committee and Plenary adopted the executive summary.