

WCIRB Unit Statistical Data Quality Program

Effective July 2016

Notice

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I. Background and Purpose

Reliable statistical data is critical to the development of accurate classification pure premium rates and experience modifications. The *WCIRB Unit Statistical Data Quality Program* (Program) is intended to assist and encourage insurers in identifying and, as appropriate, modifying their data reporting procedures, thereby enhancing the timeliness, completeness and accuracy of their unit statistical report (USR) submissions to the WCIRB and minimizing any adverse impact of inaccurate or untimely submission of data on the overall quality of WCIRB data used for experience rating and ratemaking.

II. General Administration of the Program

A. Eligibility and Participation Requirements

1. This Program is administered on an insurer group basis. For purposes of the Program, an insurer group (hereinafter collectively referred to as “insurer”) is based on the ownership groups designated by the National Association of Insurance Commissioners (NAIC).¹
2. Insurers that write at least 100 policies and \$35 million² in total California written pure premium in the latest available calendar year³ will be subject to the Program.
3. An insurer that is subject to the Remedial Procedures detailed in Part IV, Section B will remain subject to the Program even if the insurer’s premium volume or policy count falls below the eligibility standards noted above.

Insurers participating in the Program are required to designate a primary authorized individual to act as the Program Coordinator to which all subsequent correspondence related to the Program will be distributed.

B. Insurer Results

Within thirty days from the end of each quarter, the WCIRB will publish for each participating insurer a report detailing the insurer’s results with respect to USRs submitted to the WCIRB during the quarter as well as during the latest four-quarter period. If an insurer’s results over a four-quarter period exceed the designated tolerance for one or more of the data quality measurements specified in Part III, the insurer’s results will be subject to further review and evaluation pursuant to the Administrative Procedures described in Part IV.

III. Data Quality Metrics

A. Timeliness

1. Submission Timeliness

The “Submission Timeliness” data quality metric measures an insurer’s success in submitting all original⁴ USRs on a timely basis as specified in the *California Workers’ Compensation Uniform Statistical Reporting Plan—1995* (USRP).⁵ Specifically, for each insurer, the percentage of USRs submitted three months or more after the due date is determined as follows for the time period under review:

$$\frac{\text{Number of original USRs received on or after 3 months after the Date Due as specified by the USRP}}{\text{Total number of all original USRs received}}$$

¹ In some instances, to reflect insurers’ business operations, insurers within a particular NAIC group may be grouped into separate subgroups for purposes of the Program.

² This amount is subject to change by the WCIRB president based on significant changes in the average statewide rate level.

³ Based on direct written premium at the advisory pure premium rate level as reported on the WCIRB call for quarterly experience. This pure premium is after the application of experience modifications but prior to the application of deductible credits.

⁴ An “original” USR refers to the first submission of the USR at a specific report level.

⁵ Pursuant to the USRP, first report level USRs are due in the WCIRB no later than twenty months after the inception date of the policy. Subsequent report level USRs are due every twelve months thereafter.

If this percentage for an insurer exceeds 5% over a four-quarter period ending September 30, 2017 or beyond, the insurer's results will be subject to further evaluation as described in Part IV, provided a minimum of twelve original USRs during the four-quarter period were submitted at least three months after the due date.

2. *Responsiveness to USR Work Items*

The "Responsiveness to USR Work Items" data quality metric measures an insurer's success in responding on a timely and accurate basis to the WCIRB's USR work items related to verifying the accuracy of data reported on USRs. Specifically, for each insurer, the responsiveness to USR work items percentage is determined as follows for the time period under review:

$$\frac{\text{Number of USR work items closed}^6 \text{ more than sixty days from issuance of the inquiry}^7}{\text{Total number of USR work items closed}}$$

Insurer results for this metric are advisory only and are not subject to evaluation under Part IV of the Program.

B. **Completeness and Accuracy**

1. *Large Policies with No Claims*

The "Large Policies with No Claims" data quality metric measures an insurer's success in ensuring that "large" USRs accurately include all incurred claims by looking at incoming large USRs wherein no claims are reported. Specifically, for each insurer, the percentage of large USRs with no claims is determined as follows for the time period under review:

$$\frac{\text{Number of original first report level USRs for large policies}^8 \text{ that are reported with no claims}}{\text{Total number of original first report level USRs for large policies}}$$

If the percentage of large policies with no claims exceeds 15% over a four-quarter period, the insurer's results will be subject to further evaluation as described in Part IV, provided a minimum of ten original first report level USRs for large policies were reported with no claims during the four-quarter period.

2. *Late Reported Claims*

The "Late Reported Claims" data quality metric measures an insurer's success in reporting all claims on a timely basis. As a measure of this, this metric looks at the volume of specific injury⁹ claims that are first reported to the WCIRB after the first report level USR.¹⁰ Specifically, for each insurer, the percentage of late reported claims is determined based on two components as defined below for the time period under review:

⁶ An inquiry is considered "closed" when WCIRB records reflect the work item as "closed" or "approved".

⁷ The date of issuance of the inquiry is the date the work item is generated by the WCIRB and the insurer is notified.

⁸ A "large policy" is defined as a policy with at least \$125,000 in modified pure premium (gross of deductible credits). Modified pure premium for a policy is determined based on applying the policy's experience modification(s) to the sum of the pure premiums generated by applying the California advisory pure premium rates for each classification to the payroll reported in that classification.

⁹ "Specific injury" claims are claims reported on USRs as trauma claims (not cumulative injury or occupational disease claims).

¹⁰ The USRP provides that the first USR is due 20 months from policy inception; each of the second through tenth level reports is due at subsequent twelve-month intervals on claims reported as open at the immediately prior report level.

Number of specific injury claims reported for the first time on second level USRs
 Total number of specific injury claims reported on first level USRs

Number of specific injury claims reported for the first time on third or subsequent level USRs
 Total number of specific injury claims reported on first level USRs

If the percentage of specific injury claims reported to the WCIRB for the first time on a second report level USR during the time period under review compared to those reported on the first report level USR for the same policy year exceeds 10% over a four-quarter period, the insurer will be subject to further evaluation as described in Part IV, provided a minimum of thirty claims were reported for the first time on second report level USRs during the four-quarter period.

If the percentage of specific injury claims reported to the WCIRB for the first time on a third or subsequent report level USR during the time period under review compared to those reported on the first report level USR for the same policy years exceeds 1.5% over a four-quarter period, the insurer will be subject to further evaluation as described in Part IV, provided a minimum of ten claims were reported for the first time on third and subsequent report level USRs during the four-quarter period.

3. *Edit Failures that Impact Experience Rating*

The “Edit Failures that Impact Experience Rating” data quality metric measures an insurer’s success in submitting USR data that is ready to be used in the promulgation of experience modifications. The metric measures the volume of USRs that contain one or more edit failures that must be resolved before the experience modifications using the data in those USRs can be published. Specifically, for each insurer, the percentage of USRs that contain one or more edit failures that impact experience rating is determined as follows for the time period under review:

Number of USRs received with one or more edit failures that impact experience rating
 Total number of USRs received

Effective with the four-quarter period ending September 30, 2017, an insurer’s results will be subject to further evaluation as described in Part IV, provided a minimum of twenty USRs contain one or more edit failures that impact experience rating during the four-quarter period and:

- a. For insurers with an average policyholder payroll size of at least \$750,000, the percentage of USRs with edit failures that impact experience rating exceeds 7% over a four-quarter period,
- b. For insurers with an average policyholder payroll size of less than \$750,000, the percentage of USRs with edit failures that impact experience rating exceeds 3% over a four-quarter period.

IV. Administrative Procedures

A. Review of Results

If an insurer’s results over a four-quarter period exceed the designated tolerance for one or more of the data quality measurements specified in Part III, it will be notified in writing by WCIRB staff within forty-five days following the end of the four-quarter period.

Within forty-five days of the aforementioned notice by the WCIRB, the insurer may submit a detailed written explanation regarding the results. If the insurer submits a detailed written explanation within forty-five days, the WCIRB president, or his/her designated representative, will review the detailed information and respond to the insurer within forty-five days of receipt of the insurer’s written explanation. If, following review of the insurer’s written explanation, the WCIRB determines that the insurer’s unit statistical data submissions during the four-quarter period exceeded the designated tolerance for one or more of the data quality measurements as a result of the insurer’s failure to submit complete, accurate or timely data, or if no detailed written explanation is submitted by the

insurer within forty-five days of the initial notice by the WCIRB, the insurer will be subject to the Remedial Procedures described in Section B.

B. Remedial Procedures

1. Stage 1: WCIRB Staff. The following actions shall be taken if, following review of the insurer's results as specified in Section A, the WCIRB president or his/her designated representative determines that the insurer's data quality performance was due to the failure to submit complete, accurate or timely data.
 - a. The insurer will be notified of the WCIRB's evaluation of the insurer's data quality performance, and a representative of the insurer will be required to meet with the WCIRB president or his/her designated representative to provide a detailed explanation of the remedial measures the insurer is taking to bring its performance within Program tolerances. Following the meeting, the insurer representative will submit a written remedial plan to the WCIRB president or his/her designated representative that describes:
 - i. The specific remedial measures to be undertaken by the insurer,
 - ii. The time frames in which the remedial measures will be implemented, and
 - iii. The date when the insurer expects its performance to meet Program tolerances.The insurer's remedial plan is subject to review by the WCIRB president or his/her designated representative.
 - b. The WCIRB will notify the insurer's senior management of the insurer's failure to achieve satisfactory data quality results and will advise of the following:
 - i. The time frame by which the Program tolerances must be met to avoid being cited to the Classification and Rating Committee for further administrative action as described in Stage 2.
 - ii. If the insurer does not make significant progress in meeting the Program tolerances in accordance with the time frames reflected in the remedial plan, the insurer will be cited to the Classification and Rating Committee for further administrative action as described in Stage 2.
 - iii. If significant progress is made in meeting the Program tolerances in accordance with the time frames reflected in the remedial plan, such performance must be sustained over eight consecutive quarters; otherwise, the insurer will be cited to the Classification and Rating Committee for further administrative action as described in Stage 2.
 - iv. If an insurer's performance meets the Program tolerances in accordance with the time frame specified in the remedial plan and such performance is sustained for eight consecutive quarters, the insurer will not be cited to the Classification and Rating Committee as described in Stage 2. However, the insurer will continue to be subject to the Program and, if following the eight-quarter period, results for one or more of the data quality measurements specified in Part III exceed one or more of the Program tolerances, the insurer's data quality performance will again be subject to review and evaluation pursuant to Part IV.
2. Stage 2: Classification and Rating Committee. If an insurer's results do not meet the Program's tolerances after completion of Stage 1 as described above, the insurer is subject to the following:
 - a. The WCIRB will cite the insurer to the Classification and Rating Committee for failure to meet the established Program tolerances.
 - b. Within 30 days of notification of citation to the Classification and Rating Committee, the insurer shall provide a new remedial plan that describes the following:

- i. The specific remedial measures to be undertaken by the insurer,
 - ii. The time frames in which the remedial measures will be implemented, and
 - iii. The date when the insurer expects its performance will meet Program tolerances.
- c. An officer of the insurer will be required to meet with the Classification and Rating Committee to explain why the company's remedial plan failed to achieve the desired results and to present the new remedial plan.
- d. The insurer's performance with respect to the data quality measurements listed in Part III and any other data quality concerns in other WCIRB data quality programs will be reported to the Classification and Rating Committee.
- e. Within sixty days of notification to the insurer that it has been cited to the Classification and Rating Committee, a fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium¹¹ at the time the insurer was notified that it had been cited to the Classification and Rating Committee pursuant to subparagraph a. above, subject to a minimum of \$5,000 and a maximum of \$50,000, will be imposed.
- f. The Classification and Rating Committee may recommend any additional lawful action it deems necessary, reasonable or appropriate to facilitate or encourage the insurer's implementation of adequate remedial measures, including citation to the Governing Committee.
- g. The WCIRB president or his/her designated representative will report the Classification and Rating Committee's findings and actions to the appropriate insurance company officer and advise of the following:
 - i. If the insurer does not make significant progress in meeting the Program tolerances in accordance with the time frames reflected in the remedial plan submitted to the Classification and Rating Committee, the insurer will be cited to the Governing Committee for further administrative action as described in Stage 3.
 - ii. If significant progress is made in meeting the Program tolerances in accordance with the time frames reflected in the remedial plan presented to the Classification and Rating Committee, such performance must be sustained over eight consecutive quarters; otherwise, the insurer will be cited to the Governing Committee for further administrative action as described in Stage 3.
 - iii. If significant progress is made in meeting the Program tolerances in accordance with the time frames reflected in the remedial plan presented to Classification and Rating Committee and such performance is sustained over eight consecutive quarters, the insurer will not be cited to the Governing Committee for further administrative action as described in Stage 3. However, the insurer will continue to be subject to the Program and, if following the eight-quarter period, results for one or more of the data quality measurements specified in Part III exceed the Program's designated tolerances, the insurer's performance will again be subject to review and evaluation pursuant to Part IV.
- 3. Stage 3: Governing Committee. If an insurer's results do not meet the Program's tolerances after completion of Stage 2 as described above, the insurer will be subject to the following:
 - a. The WCIRB will cite the insurer to the Governing Committee for failure to meet the established Program tolerances.
 - b. Within 30 days of notification of citation to the Governing Committee, the insurer shall provide a new remedial plan that describes the following:

¹¹ Complete calendar year (January 1 to December 31) direct written premium at the pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

- i. The specific remedial measures to be undertaken by the insurer,
 - ii. The time frames in which the remedial measures will be implemented, and
 - iii. The date when the insurer expects its performance will meet Program tolerances.
- c. A senior officer of the insurer will be required to meet with the Governing Committee to explain why the company's remedial plan failed to achieve the desired results and to present the new remedial plan.
- d. The insurer's performance with respect to the data quality measurements listed in Part III and any other data quality concerns in other WCIRB data quality programs will be reported to the Governing Committee.
- e. Within sixty days of notification to the insurer that it has been cited to the Governing Committee, a monthly fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium¹² at the time the insurer was notified that it had been cited to the Classification and Rating Committee pursuant to paragraph 2, *Stage 2: Classification and Rating Committee*, subparagraph a., subject to a minimum of \$5,000 and a maximum of \$50,000, will be imposed. The monthly fine will continue until such time as:
 - i. Enough data has been reported and evaluated subsequent to the meeting with the Governing Committee to produce a credible evaluation of the insurer's performance, and
 - ii. The insurer's performance meets Program tolerances.
- f. The Governing Committee may recommend any additional lawful action it deems necessary, reasonable or appropriate to facilitate or encourage the insurer's implementation of adequate remedial measures, including citation to the California Insurance Commissioner.
- g. The WCIRB president or his/her designated representative will report the Governing Committee's findings and actions to the appropriate insurance company officer and advise of the following:
 - i. If the insurer does not make significant progress in meeting Program tolerances in accordance with the time frames specified in the remedial plan submitted to the Governing Committee, the WCIRB president will, unless instructed otherwise by the Governing Committee, cite the insurer to the California Insurance Commissioner for consideration of further action, including but not limited to additional fines, penalties, and/or suspension of authority to transact workers' compensation insurance. The citation to the California Insurance Commissioner will include a report on the insurer's performance with respect to the Program and any other data quality concerns in other WCIRB data quality programs.
 - ii. If significant progress is made in meeting the Program tolerances in accordance with the time frames reflected in the remedial plan presented to the Governing Committee, such performance must be sustained over eight consecutive quarters; otherwise, the insurer will be cited to the California Insurance Commissioner unless the Governing Committee instructs the WCIRB president otherwise.
 - iii. If significant progress is made in meeting the Program tolerances in accordance with the time frame specified in the remedial plan presented to the Governing Committee and such performance is sustained over eight consecutive quarters, the insurer will not be cited to the California Insurance Commissioner. However, the insurer will continue to be subject to the Program and, if following the eight-quarter period, the insurer's results exceed the Program's designated tolerances for one or more of the

¹² Complete calendar year (January 1 to December 31) direct written premium at pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

data quality measurements specified in Part III, the insurer's performance will again be subject to review and evaluation pursuant to Part IV.

4. An insurer whose results are approaching Program tolerances may be requested to meet periodically or correspond with the WCIRB president or his/her designated representative for the purpose of outlining the remedial measures the insurer proposes to implement to improve performance.



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