

WCIRB Unit Statistical Data Quality Program

Effective January 2022

Notice

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Background and Purpose

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 from the 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 wrote at least 100 policies and \$35 million² in total California workers’ compensation 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, shall remain subject to the Program even if the insurer’s premium volume or policy count falls below the eligibility standards noted above.
4. Notwithstanding the above, the WCIRB reserves the right to include any insurer in the Program.

Insurers must designate a primary authorized individual to act as the Program Coordinator to receive all correspondence related to the Program. An insurer shall immediately notify the WCIRB of any change in the designated Program Coordinator or his/her contact information by emailing dataqualityprogram@wcirb.com. Failure to do so prevents an insurer from asserting that it did not receive written notifications related to the Program, including for purposes of waiving fines.

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. Unless otherwise specified, if an insurer’s results over a four-quarter period exceed the designated tolerance in the Appendix for one or more of the data quality measurements specified in Part III, the insurer’s results will be subject to remedial action pursuant to the Administrative Procedures described in Part IV, provided the established minimum volume during the four-quarter period is met.

III. Data Quality Metrics

Refer to the Appendix for the designated tolerance(s) and minimum volume(s) for each metric.

A. Timeliness

1. *Submission Timeliness – USRs*

The “Submission Timeliness – USRs” data quality metric measures an insurer’s success in submitting all original⁴ USRs on a timely basis as specified in the *California Workers’*

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 This standard is 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.

Data Quality Metrics

*Compensation Uniform Statistical Reporting Plan—1995 (USRP).*⁵ Specifically, for each insurer, the percentage of original USRs received after the month of the USR's due date is determined as follows for the time period under review:

$$\frac{\text{Number of original USRs received after the month of the USR's due date as specified by the USRP}}{\text{Total number of original USRs received}}$$

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 WCIRB USR work item inquiries related to verifying the accuracy of data reported on USRs. This metric looks at the volume of work items that remain unresolved for more than sixty days from issuance of the inquiry.⁶ Specifically, for each insurer, the responsiveness to USR work items percentage is determined as follows for the time period under review:

$$\frac{\text{Number of unresolved work items that have passed the sixty-day threshold}^7}{\text{Total of the number of resolved work items within the sixty-day threshold plus the number of unresolved work items that have passed the sixty-day threshold}}$$

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 reporting claims by identifying "large policies"⁸ for which one or more claims are expected, but no claims are reported. This metric includes two parts:

- a. *Policies with at least \$250,000 in modified pure premium and no reported claims on the original first report level USR:*

For each insurer, the percentage of large policies with no claims reported is determined as follows for the time period under review:

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

- b. *Policies with at least \$1,000,000 in modified pure premium and no reported claims on the original first report level USR:*

⁵ Pursuant to Part 4, Section I, Rule 3, of the USRP, first report level USRs are due to the WCIRB no later than 20 months after the inception date of the policy. Subsequent report level USRs are due every 12 months thereafter.

⁶ The date of issuance of the inquiry is the date the work item is generated by the WCIRB and the insurer is notified. This metric only considers the days a work item is assigned to the insurer and does not include the days a work item is pending with the WCIRB.

⁷ Work items unresolved within the sixty day period are not counted in the metric because their responsiveness under the metric has not yet been determined. Any work items resolved after the sixty-day threshold would have already been counted in the rolling four-quarter metric results used to evaluate insurers.

⁸ "Large Policies" are defined using 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 generated by applying the California advisory pure premium rates for each classification to the payroll reported in that classification.

Data Quality Metrics

For each large policy with at least \$1,000,000 in modified pure premium reported with no claims on the original first report level USR, acceptable documentation⁹ is required¹⁰ to verify that no claims exist for the policy term at the original first report level USR. An insurer will be subject to further evaluation as described in Part IV if either of the following occur:

- i. Acceptable documentation is not provided within thirty days from issuance of the work item;¹¹ or
- ii. The documentation indicates that claims occurred within the term of the policy, denoting a claim reporting deficiency.

2. *Specific Injury Claims Initially Reported After First Report Level*

The “Specific Injury Claims Initially Reported After First Report Level” data quality metric measures an insurer’s success in reporting claims on a timely basis. This metric evaluates the volume of specific injury¹² claims that are first reported to the WCIRB after the first report level USR.¹³ Specifically, for each insurer, the percentage of late reported specific injury claims is determined based on two components, with separate tolerances, as defined below for the time period under review:

$$\frac{\text{Number of specific injury claims reported for the first time on second level USRs}}{\text{Total number of specific injury claims reported on first level USRs}}$$

$$\frac{\text{Number of specific injury claims reported for the first time on third or subsequent level USRs}}{\text{Total number of specific injury claims reported on first level USRs}}$$

3. *USRs with Edit Failures That Impact Experience Rating*

The “USRs with 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:

$$\frac{\text{Number of USRs processed with one or more edit failures that impact experience rating}}{\text{Total number of USRs processed}}$$

This metric has two possible tolerances—depending on whether the insurer’s average policyholder payroll size is “large” or “small”. Refer to the Appendix for the designated tolerances.

⁹ Documentation acceptable to the WCIRB may include:

(a) Loss runs, corresponding with the policy term, from the system(s) of the source(s) administering the claims, indicating that no claims exist within the term of the policy; if claims were administered by one or more third party administrators (TPAs), the loss runs must originate from the system(s) of the TPA(s); or

(b) Written confirmation from a certified actuary or company officer from the source(s) administering the claims, certifying that no claims exist at first unit statistical report level for the policy; if claims were administered by one or more TPAs, the written confirmation must be from a certified actuary or company officer of the TPA. The written confirmation(s) must be provided on the company letterhead of the source(s) administering the claims.

¹⁰ A WCIRB Connect USR work item will be created to request the documentation.

¹¹ An extension of the deadline may be granted, provided the insurer requests an extension via the USR work item on or before the original deadline. All extensions are subject to written pre-approval by WCIRB staff on a case-by-case basis. If an approved extended deadline is not adhered to, the insurer will be subject to further evaluation as described in Part IV.

¹² “Specific injury” claims are claims reported on USRs as trauma claims (not cumulative injury or occupational disease claims).

¹³ 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 12-month intervals on claims reported as open at the immediately prior report level. (See footnote 5.)

Administrative Procedures

4. *USRs with Inaccurate Experience Modifications or Experience Modification Effective Dates Reported*

The “USRs with Inaccurate Experience Modifications or Experience Modification Effective Dates Reported” data quality metric measures an insurer’s success in ensuring that USR data reflects the correct experience modification information. The metric measures the volume of USRs that contain reported experience modification information that differs from the WCIRB published experience modification information. Specifically, for each insurer, the percentage of USRs containing reported experience modification information that differs from the WCIRB published experience modification information is determined as follows for the time period under review:

$$\frac{\text{Number of USRs}^{14} \text{ processed with reported experience modifications or experience modification effective dates differing from the published experience modification information}}{\text{Total number of USRs}^{15} \text{ processed for policies with published experience modifications}}$$

5. *USRs with Critical Preprocessing Edit Failures*

The “USRs with Critical Preprocessing Edit Failures” data quality metric measures an insurer’s success in submitting USR data that passes initial validations and is available for further processing and use by the WCIRB. Specifically, for each insurer, the percentage of USRs that are rejected as a result of one or more critical preprocessing edit failures¹⁶ is determined as follows for the time period under review:

$$\frac{\text{Number of USRs received with critical preprocessing edit failures}}{\text{Number of USRs received with critical, non-critical or no preprocessing edit failures}}$$

6. *USRs with Data Quality Edit Failures*

The “USRs with Data Quality Edit Failures” data quality metric measures an insurer’s success in submitting USR data without inaccuracies that may impact ratemaking. The metric measures the volume of USRs that contain one or more data quality edit failures. Specifically, for each insurer, the percentage of USRs that contain one or more data quality edit failures is determined as follows for the time period under review:

$$\frac{\text{Number of USRs processed with one or more data quality edit failures}}{\text{Total number of USRs processed}}$$

This metric has two categories—depending on whether the insurer’s average policyholder payroll size is “large” or “small”. (See Appendix.) Insurer results for both categories within this metric are advisory only. However, an insurer may be subject to remedial action as described in Part IV if deficiencies are identified.

IV. Administrative Procedures

A. Review of Results

Unless otherwise specified, 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 will be notified in writing by WCIRB staff within thirty days following the end of the four-quarter period.

Within thirty days of this notice, the insurer must submit either:

¹⁴ For policies with published experience modifications.

¹⁵ Original first report level USRs for policies with published experience modifications, and any corrections to first report level USRs (for policies with published experience modifications) where exposure is being updated.

¹⁶ <https://www.wcirb.com/data-reporting/unit-statistical-data/preprocessing-and-audit-validations>

Administrative Procedures

1. A detailed written explanation that includes sufficient documentation confirming that the data exceeding the designated tolerance is correct as reported and does not indicate a data and/or reporting deficiency, or
2. A remediation plan that describes the data and/or reporting deficiencies that caused the designated tolerance(s) to be exceeded, the actions the insurer has taken or will take to remedy the deficiencies, and the time frame by which the insurer expects all the deficiencies will be resolved and its performance will meet Program tolerances.

Insurers shall provide, at the request of the WCIRB, all relevant documents required to validate the accuracy and completeness of reported data. This includes, but is not limited to, loss runs, premium audit documentation and certifications attesting that no claims exist on a policy or policies.

The WCIRB president or his/her designated representative (hereafter collectively referred to as “the WCIRB”) will respond to the insurer within thirty days of receipt of the insurer’s written explanation or remediation plan.

The insurer will be subject to the Remedial Procedures described in Section B if any of the following occurs:

1. No detailed written explanation or remediation plan is submitted by the insurer within thirty days of the WCIRB’s initial notice.¹⁷
2. The WCIRB determines the insurer’s detailed written explanation does not provide sufficient documentation confirming that the data exceeding the designated tolerance is correct as reported.
3. The WCIRB determines that the insurer’s data and/or reporting deficiencies have not been resolved and its results continue to exceed the Program tolerances; or
4. Notwithstanding an insurer’s results under Part III of the Program, the WCIRB determines that an insurer has (1) systemic data and/or reporting deficiencies or (2) egregiously or persistently failed to timely, completely and satisfactorily respond to WCIRB requests for written explanation or documentation to validate the quality of reported data.

B. Remedial Procedures

1. Stage 1: WCIRB Staff. The following actions shall be taken when the WCIRB determines that the insurer must undergo Stage 1 remediation.
 - a. The WCIRB will notify the insurer that it is subject to Stage 1 remediation and determine the time frame by which all the deficiencies must be resolved and the Program tolerances must be met (Remediation Evaluation Period) to avoid being cited to the Classification and Rating Committee for further administrative action as described in Stage 2. The Remediation Evaluation Period shall encompass a minimum of two quarters and may be subsequently extended until enough data has been attained to produce a credible determination of whether all the deficiencies have been remediated.
 - i. If the insurer does not make significant progress in resolving all the deficiencies and meeting the Program tolerances during the Remediation Evaluation Period, the insurer will be cited to the Classification and Rating Committee for further administrative action as described in Stage 2.
 - ii. If significant progress is made in resolving all the deficiencies and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained over the subsequent four consecutive quarters (Remediation Monitoring Period); otherwise, the insurer will be cited to the Classification and Rating Committee for further administrative action as described in Stage 2.

¹⁷ An extension of the deadline may be granted, provided the insurer requests an extension on or before the original deadline. All extensions are subject to written pre-approval by WCIRB staff on a case-by-case basis.

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- iii. If significant progress is made in resolving all the deficiencies, results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the Classification and Rating Committee as described in Stage 2. If, following the Remediation Monitoring Period, (a) the insurer's results for one or more of the data quality metrics specified in Part III exceed one or more of the Program tolerances, data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part IV.
- 2. Stage 2: Classification and Rating Committee. If an insurer's results do not meet the Program's tolerances and all deficiencies are not resolved after completion of Stage 1 as described above, the insurer will be subject to the following:
 - a. The WCIRB will cite the insurer to the Classification and Rating Committee.
 - b. Within thirty days of notification of citation to the Classification and Rating Committee, the insurer shall provide a new remediation plan 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 by which the insurer expects all of its data and/or reporting deficiencies will be resolved and 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 insurer's remediation plan submitted in Stage 1 failed to achieve the desired results and to present the new remediation plan.
 - d. At the meeting of Classification and Rating Committee, the following actions shall be taken:
 - i. The insurer's performance with respect to the data quality metrics 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;
 - ii. A fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium¹⁸ 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; and
 - iii. A Remediation Evaluation Period will be established.
 - e. The Classification and Rating Committee may recommend any additional lawful administrative actions it deems necessary, reasonable or appropriate to facilitate or encourage the insurer's implementation of adequate remedial measures, including citation to the Governing Committee.
 - f. The WCIRB 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 resolving all the deficiencies and meeting the Program tolerances during the Remediation Evaluation Period, the insurer will be cited to the Governing Committee for further administration action as described in Stage 3.

¹⁸ 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.

Administrative Procedures

- ii. If significant progress is made in resolving all the deficiencies and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained through the Remediation Monitoring Period; 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 resolving all the deficiencies, results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the Governing Committee. If, following the Remediation Monitoring Period, (a) results for one or more of the data quality metrics specified in Part III exceed the Program's designated tolerances, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part IV.
- 3. Stage 3: Governing Committee. If an insurer's results do not meet the Program's tolerances and all deficiencies are not resolved 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.
 - b. Within thirty days of notification of citation to the Governing Committee, the insurer shall provide a new remediation plan 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 by which the insurer expects all of its deficiencies will be resolved and 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 insurer's remediation plan submitted in Stage 2 failed to achieve the desired results and to present the new remediation 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:
 - i. A Remediation Evaluation Period will be established; and
 - ii. A monthly fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium¹⁹ 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:
 - 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
 - The insurer's performance meets Program tolerances and resolves all the deficiencies.

¹⁹ 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.

Administrative Procedures

- f. The Governing Committee may recommend any additional lawful administrative 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 will report the Governing Committee's findings and actions to the appropriate insurance company senior officer and advise of the following:
 - i. If the insurer does not make significant progress in resolving all the deficiencies and meeting Program tolerances during the Remediation Evaluation Period, the WCIRB president will, unless instructed otherwise by the Governing Committee, cite the insurer to the California Insurance Commissioner for consideration of further remedial 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 this Program and any other data quality concerns in other WCIRB data quality programs.
 - ii. If significant progress is made in resolving all the deficiencies, and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained through the Remediation Monitoring Period; 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 resolving all the deficiencies, results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the California Insurance Commissioner. If, following the Remediation Monitoring Period, (a) the insurer's results exceed the Program's designated tolerances for one or more of the data quality metrics specified in Part III, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, 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 or that has data and/or reporting deficiencies may be requested to meet periodically or correspond with the WCIRB for the purpose of outlining the remedial measures the insurer proposes to implement to improve performance.

Appendix

Appendix

Metric Tolerances

Unless otherwise specified:

- The data quality metrics in this Program are measured against specified tolerances defined below. The WCIRB evaluates each metric's tolerance(s) from time to time, taking into consideration the distribution of statewide data.
- If an insurer exceeds a designated metric tolerance over a four-quarter period, the insurer's results will be subject to further evaluation as described in Part IV, provided the minimum volume for the metric is met during the four-quarter period.

Metric		Tolerance	Minimum Volume for Remediation
Timeliness			
1	Submission Timeliness – USRs	7%	20 delinquent original USRs
2	Responsiveness to USR Work Items	20%	25 unresolved USR work items that passed the sixty-day threshold
Completeness and Accuracy			
1	Large Policies with No Claims: Policies with at least \$250,000 in modified pure premium and no reported claims on original first report level USR <i>Note: All policies with at least \$1,000,000 in modified pure premium and no reported claims on original first report level USRs are subject to review as described in Part III.</i>	6%	5 original first report level USRs for large policies that are reported with no claims
2	Specific Injury Claims: Initially Reported on Report Level 2	4%	15 specific injury claims reported for the first time on Report Level 2
	Specific Injury Claims: Initially Reported on Report Levels 3-10	1%	5 specific injury claims reported for the first time on Report Levels 3-10
3	USRs with Edit Failures That Impact Experience Rating	5% for insurers with large average policyholder payroll size of at least \$1,250,000	20 USRs processed with one or more edit failures that impact experience rating

Appendix

Metric		Tolerance	Minimum Volume for Remediation
		2% for insurers with small average policyholder payroll size of less than \$1,250,000	10 USRs processed with one or more edit failures that impact experience rating
4	USRs with Inaccurate Experience Modifications or Experience Modification Effective Dates Reported	5%	10 USRs processed with reported experience modifications or experience modification effective dates differing from the published experience modification information
5	USRs with Critical Preprocessing Edit Failures	1%	5 USRs received with critical preprocessing edit failures
6	USRs with Data Quality Edit Failures	N/A (advisory) For insurers with large average policyholder payroll size of at least \$1,250,000	N/A Insurer results for this metric are advisory only. However, an insurer may be subject to remedial action as described in Part IV if deficiencies are identified
		N/A (advisory) For insurers with small average policyholder payroll size of less than \$1,250,000	N/A Insurer results for this metric are advisory only. However, an insurer may be subject to remedial action as described in Part IV if deficiencies are identified



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