

WCRIBMA TEST AUDIT PROGRAM

I: PURPOSE

The Workers' Compensation Rating and Inspection Bureau of Massachusetts (WCRIBMA) conducts a test audit program as authorized in Article IV of the WCRIBMA's Constitution. This is a continuous program, with all policies with MA listed in 3.A of the policy being subject to a test audit. The purposes of the Test Audit Program are as follows:

- A. To monitor the accuracy of the audits of the member carriers; to verify that classifications, rates, rating plans and other rating values are accurately applied; and to further ensure that the rules contained in the Massachusetts Workers Compensation & Employers Liability Insurance Manual (MA Manual) have been applied correctly.
- B. To assure that statistical data reported to the WCRIBMA is consistent with the business operations of insured risks and to ensure that proper information is reported on the unit statistical reports used for the calculation of rates and individual experience rating modification factors.
- C. To serve as an educational resource for member carriers and improve audit proficiency through the evaluation of a carrier's auditing practices.
- D. To establish minimum auditing standards and to develop a program for monitoring carrier performance toward the achievement of established standards.
- E. To maintain incentives for member carriers to meet or exceed established quantitative performance standards.

II: SELECTION OF RISKS FOR TEST AUDIT PROGRAM

The Test Audit Program is administered and applied on a carrier group basis. For purposes of the Program, a carrier group is a group of carriers who report their Annual Statements with a common NAIC Group Code.

Each carrier or carrier group has a predetermined quota for policies to be audited, which is established on a yearly basis. This quota is based upon a formula that encompasses the total number of policies written and the amount of premium written by the carrier in Massachusetts. The quota is adjusted based upon a review of the carrier's last four-quarter audit results. The quota will increase if the carrier's results are worse than the industry as a whole or decrease if the results are better than the industry. Unless the carrier's quota is increased as a result of performance, the number of risks selected for each participating carrier shall not exceed 25 policies per quarter. Carriers will be notified on a monthly basis of the policies selected and are required to respond to the request within 30 days. All carriers participating in the Test Audit Program will have risks randomly selected for test audits. The criteria for these selections are set forth below:

- A. Policies selected will be across all industry groups and are not subject to a minimum or maximum annual policy premium.
- B. Policies that are eligible to be selected will have a risk factor (See Exhibit 1) calculated for them. In filling the carrier's monthly quota, priority will be given in the selection process to those policies that have the highest calculated risk factor.

- C. Policies are eligible for test audit selection if the first report level unit statistical report (USR) is submitted to the WCRIBMA within 22 months of policy inception. Policies are only eligible for selection if the USR indicates that the policy does not have estimated exposures.
- D. On or about the 1st of each month, the WCRIBMA will provide the carrier a list of policies (Monthly Selection List) selected for test audit. The Monthly Selection List will indicate the WCRIBMA’s combo group number and coverage ID, carrier name, policyholder name, policy number, policy issuing office (if available), and policy effective date. Policies will be selected for test audit purposes based on the following chart.

Test Audit Selection Date	Policy Expiration Dates	Carrier Notice Date	Test Audit Selection Date	Policy Expiration Dates	Carrier Notice Date
Jan 1	Mar 1 - 31	Feb 1	Jul 1	Sept 1 - 30	Aug 1
Feb 1	Apr 1 - 30	Mar 1	Aug 1	Oct 1 - 31	Sep 1
Mar 1	May 1 - 31	Apr 1	Sep 1	Nov 1 - 30	Oct 1
Apr 1	Jun 1 - 30	May 1	Oct 1	Dec 1 - 31	Nov 1
May 1	Jul 1 - 31	Jun 1	Nov 1	Jan 1 - 31	Dec 1
Jun 1	Aug 1 - 31	Jul 1	Dec 1	Feb 1 - 29	Jan 1

- E. The following types of risks will not be subject to test audit:
 1. Test audit has been completed within the last 5 years.
 2. Selected policy has been cancelled flat.
 3. Temporary staffing contractor.
 4. Part of a wrap-up and/or OCIP.
 5. Cancelled mid-term with no current coverage.
 6. Per Capita classifications.
- F. Test auditing of selected risks on an “informational only” basis may be undertaken at any time at the discretion of the WCRIBMA. The results of these special test audits will not appear on the summary reports of test audit results.

III: Providing Requested Materials:

Carriers are required to designate a primary individual to act as the carrier contact (Program Coordinator) to which all subsequent correspondence related to the Test Audit Program will be distributed. A carrier shall immediately notify the WCRIBMA, by sending an email to the WCRIBMA’s Test Audit Department at testaudit@wcribma.org, of any change in the Program Coordinator or their contact information. Any resulting delays from a carrier’s failure to so notify the WCRIBMA will not relieve the carrier of any of its obligations under the Test Audit Program. The carrier, within 30 days following the release of the Monthly Selection List, shall electronically submit the following audit materials:

- A. A copy of the auditor's worksheets (including summaries, notes, and documentation pertinent to proper completion of audit), employer's payroll statement, premium invoice and all other pertinent information which the carrier would like to present to the WCRIBMA with respect to the selected risks.

The WCRIBMA requires copies of original carrier audits for test audit comparison purposes and does not accept revised audits initiated after the test audit notification date.¹

- B. A copy of the claims data (loss run). For each compensable injury reported on the USR to the WCRIBMA, the following information must be included: name of the claimant, date of injury, standard classification assigned to the claim, claim file number, a brief description of what the employee was doing when the accident occurred and date the claim was reported to the carrier. If no claims are reported during the policy period, this should be explicitly stated in the information provided by the carrier.

The WCRIBMA will charge a \$200 fine to the carrier for each test audit selection for which the required material is not received within 30 days following the release of the Monthly Selection List. The submission of required test audit materials will not be considered received until all required materials are provided to the WCRIBMA. Waivers of fines may be granted at the WCRIBMA's sole discretion upon a demonstrated showing of good cause provided an application for waiver is received within 30 days of release of the Monthly Selection List.

IV: TEST AUDIT STANDARDS

The Test Audit Program recognizes performance standards applicable to individual test audits and to overall results for each participating carrier, as follows:

- A. A test audit "Reportable Difference" will be found under the following conditions:
 - 1. A test audit which produces a difference in premium when compared to the carrier's audit for the risk and policy period in question if BOTH of the following two measures of the difference are met:
 - a. The difference in premiums is greater than \$500.
 - b. The difference in premiums expressed as a percent of the carrier's earned premium is greater than 2.0 percent.

¹ Absent this policy, some carrier procedures could apply uniquely and selectively to policies/audits selected for test audit. Such circumstances would be contrary to the purposes of the Test Audit Program, i.e., the Test Audit Program operates on the premise that the policies/audits selected at random will be representative of a carrier's normal processing procedures, thus providing an unbiased sample of the quality of each carrier's collective data reported to the WCRIBMA for statistical purposes. Allowing revisitation and possible revision of policies/audits after those policies/audits were known to have been selected as test audits would invalidate this key assumption of the program. The Test Audit Program assumes that, by the time a test audit selection list is provided to the carrier, the auditing (including review) and billing processes for those policies will have been completed. While any review and analysis done in the normal course of business prior to the notification of test audit selection is obviously appropriate and acceptable, any review and/or "re-working" of audits or the changing of a self-audit to a physical audit after a policy has been designated as a test audit selection is clearly problematic. In the absence of specific written documentation that a revised audit was precipitated by factors and events independent of the test audit designation and preceding the test audit notification date, the WCRIBMA will not accept revised audits for test audit comparison purposes.

2. More than 10% of the claims are misclassified. The WCRIBMA will review all reported compensable claims up to but not exceeding 20. If there are more than 20 claims, the WCRIBMA will review the 20 largest in terms of total incurred loss. **Exception:** If 10 or less claims are reviewed, there must be at least 2 claims that are found to be misclassified to result in a Reportable Difference.
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- B. If the sum of the carrier's Reportable Differences expressed as a percentage of total test audits completed is below 20.0 percent, the carrier will have met program standards. If the sum of the carrier's Reportable Differences expressed as a percentage of total test audits completed is 20.0 percent or higher, the carrier will receive an Unsatisfactory Performance rating based on a minimum of 25 test audits. If the four-quarter summary does not include at least 25 audits, the carrier's rating shall be "Unsatisfactory" if more than 5 test audits develop Reportable Differences.
 - C. Carriers that do not meet program standards for any four consecutive calendar quarters in the aggregate shall be required to submit an Action Plan, as set forth in Section VIII.
 - D. When factual differences arise between the carrier's audit and the WCRIBMA's test audit, those facts supported by a preponderance of the available credible evidence shall be used for purposes of test audit. Signed statements from insureds pertaining to corporate officers' duties may be considered but shall not be determinative as to the duties or classification of those corporate officers. In the event that specific contradictory facts are equally supported by information in the carrier and the WCRIBMA test audits, respectively, the WCRIBMA shall accept the carrier's facts for purposes of the test audit.
 - E. In cases where a carrier auditor identifies the need for a new classification(s) for a risk, a written request from the carrier for authorization thereof must be received by the WCRIBMA prior to the notice to the carrier of test audit selection by the WCRIBMA (see Section II. D.). The carrier's request must be submitted via email to the WCRIBMA's Classification Department via email to classification@wcribma.org. If such a request is not received prior to the notice to the carrier of test audit selection by the WCRIBMA, any difference attributable to the unauthorized classifications must be included in the WCRIBMA's determination of any Reportable Difference on the policy in question.
 - F. In cases where a carrier has been unable to gain access to the insured's records and has documented those efforts in its submission of information to the WCRIBMA, the test audit selection may be eligible for rescission. The documentation must be submitted at the time of the carrier's response to the WCRIBMA's request for audit worksheets.

Upon receipt and review of the documentation submitted, the test audit will be evaluated for rescission.

- G. For purposes of the Test Audit Program, the following test audits shall not be entered into the carrier's quarterly results, regardless of whether findings of the test audit review would otherwise indicate a compatible audit or a Reportable Difference.
 - Special audits performed by the WCRIBMA on an "information-only" basis that fall outside the parameters of the Test Audit Program.
 - Carrier final premium billings that were based upon estimates in situations such as if the insured was uncooperative in complying with carrier requests for a payroll statement or refused the carrier access to conduct a physical audit. In these cases, the carrier is required to provide documentation to the WCRIBMA to show that the carrier made a reasonable effort to obtain an audit.

- H. Carriers with 25 or more test audits having less than 10.0 percent of their test-audited policies developing Reportable Differences for a period of four consecutive quarters in the aggregate may be excused, (at the option of the carrier, from participation in the Test Audit Program for the ensuing four consecutive calendar quarters. Those qualifying carriers who wish to exercise this option must do so within 10 days from the date the quarterly statistics are posted, as described in Section VI. F. The decision to withdraw must be submitted in writing and sent via email to the WCRIBMA's Test Audit Department at testaudit@wcribma.org for review and approval.

EXCEPTIONS:

- Carriers in the Action Plan review process, as defined in Section VIII.
 - Carriers who have unresolved and disputed differences which would, if retained as differences, materially impact qualification.
- I. Test audits are completed using the pay date rather than the week-ending date because this method conforms to IRS standards and policy language. Carriers are allowed a 16-day variance from the policy period. In instances where the carrier cannot adhere to the 16-day variance because of lack of cooperation on the insured's part, the carrier must document the reasons within their audit file. In such cases, the WCRIBMA test audit period will be reconciled to the carrier audit period.

V: DISPOSITION OF TEST AUDITS

- A. The WCRIBMA will provide notice to the carrier of the disposition of each policy selected for test audit as follows:
1. In those instances where a test audit was not performed by the WCRIBMA within 90 days of the receipt of the carrier's audit materials, causing the selection to be rescinded, the WCRIBMA will so advise the carrier and will provide the reason(s) for rescinding the audit.
 2. For test audits which do not develop a Reportable Difference, the Program Coordinator will be notified by email of the name of the insured, the policy number and the fact that the test audit was closed without change from the original audit.
 3. For test audits which do develop a Reportable Difference, the Program Coordinator will be notified via email that a Reportable Difference has been found. Such notice will include copies of the WCRIBMA's test audit work papers, an explanation of the source(s) for the difference, and the effect of such difference on premium for the risk.
- B. Differences will be considered confirmed if the carrier chooses to agree with the test audit difference or if any of the following events occur:
1. The carrier fails to respond to the notice of Reportable Difference within the time frames set forth in Section VI.
 2. The carrier does not file a timely appeal to the Test Audit Committee of a Reportable Difference subsequent to the WCRIBMA affirming the test audit as a difference in reply to a carrier's response contesting the difference.

3. The Test Audit Committee renders a decision sustaining the test audit as a Reportable Difference.

C. After confirmation as defined above, each Reportable Difference will be subject to the following final disposition:

1. Return Premiums

If the results of the test audit produce a return premium to the insured, the carrier is required to:

- a. Prepare a revised premium adjustment statement returning the appropriate premiums to the insured.
- b. Prepare a revised USR reflecting the results of the test audit and forward that USR to the WCRIBMA's Data Operations Department within 60 days. If a corrected USR is not submitted within 60 days of issuance of the WCRIBMA's test audit report, the carrier will incur a monthly fine of \$500 until an acceptable corrected USR is received.

2. Additional Premiums

If the results of the test audit produce an additional premium, the carrier:

- a. Is not permitted to bill the additional premium on the test audited policy. For the outstanding policy, changes in authorized classifications shall be deferred until the next renewal, effective at least 60 days after notice has been given to the employer. Issues of allocation of payrolls between or within authorized classifications for the outstanding policy shall be governed by applicable MA Manual rules.
- b. Prepare a revised USR reflecting the results of the test audit and forward that USR to the WCRIBMA within 60 days. If a corrected USR is not submitted within 60 days of issuance of the WCRIBMA's test audit report, the carrier will incur a monthly fine of \$500 until an acceptable corrected USR is received.

3. Classification Changes

If a test audit results in a classification change, which is being postponed due to adverse premium impact, the carrier will still be cited for a Reportable Difference on that test audit if the magnitude of the change would qualify as a Reportable Difference but for such postponement. See Section IV. E. for more information regarding timing standards to submit classification changes.

D. Revised Unit Statistical Reports for Test Audits Not Producing Reportable Differences

If a claim or claims have been discovered by test audit to have been misclassified or if, in the sole opinion of the WCRIBMA, a significant amount of payroll should be reclassified to conform to a test audit, even though the resulting premium difference is not found to be a Reportable Difference under the Test Audit Program, the carrier will be required to prepare a revised USR reflecting the results of the test audit and submit that USR to the WCRIBMA. If a corrected USR is not submitted within 60 days of issuance of the WCRIBMA's request, the carrier will incur a monthly fine of \$500 until an acceptable corrected USR is received.

VI: PROCEDURES FOR EXCHANGE OF INFORMATION ON TEST AUDITED RISKS

- A. When the WCRIBMA finds a Reportable Difference on a test audit, the Program Coordinator will be notified in writing that such difference has been identified and the basis for the difference. This notice will be accompanied by copies of the WCRIBMA's test audit work papers and will advise the carrier that a written response to the WCRIBMA either accepting the difference or setting forth all information which the carrier wishes the WCRIBMA to consider towards making the audit compatible, must be received by the WCRIBMA within 45 days of the date of the WCRIBMA's notice of a Reportable Difference. If such a response is not received, the test audit in question will become a Reportable Difference without further appeal rights for the carrier.
- B. A carrier may request a single extension of time for their response to the initial test audit difference notification from the WCRIBMA. Such requests must be in writing and sent via email to the WCRIBMA's Test Audit Department at testaudit@wcribma.org. Request for extension must be received by the WCRIBMA's Test Audit Department no later than 45 days from the date of the WCRIBMA's notice of a difference. The extension will establish a date 75 days from the date of the WCRIBMA's notice of a difference by which the carrier's final response must be received by the WCRIBMA. No extensions will be granted for worksheet submissions or subsequent correspondence between the carrier and the WCRIBMA after the initial test audit difference notification. This extended date will be binding on the carrier. If a response is not received at the WCRIBMA by the specified date, the test audit in question will become a reportable difference without further appeal rights for the carrier.
- C. The WCRIBMA will acknowledge receipt of all requests for extensions of time and responses to notice of test audit differences in writing to the Program Coordinator. It is the responsibility of the carrier to notify the WCRIBMA in any case where this acknowledgment is not received by the carrier within 10 days of the date of the carrier's response or request for extension. Failure to so notify the WCRIBMA will forfeit the carrier's rights to an extension of time and/or further appeal of the difference on the test audit in question.
- D. In no event will results of test audits be entered into the carrier's quarterly test audit reports sooner than 45 days after the date of the WCRIBMA's notice of a difference in order to provide adequate time for correspondence between the WCRIBMA and the carriers.
- E. The WCRIBMA must reply to all responses from carriers which present information in support of the carrier's original audit within 30 days of receipt of the response. If the WCRIBMA does not so respond, the test audit in question shall be considered as compatible for purposes of the Test Audit Program.
- F. After the close of each calendar quarter, the WCRIBMA will prepare and post a summary statistical report of the carrier's test audit results for the last quarter and the most recent available four consecutive quarters. Once a carrier's test audit statistical results are posted they are final.

VII: APPEALS PROCEDURES

The Test Audit Program will provide for carrier appeals of WCRIBMA findings in qualifying cases, as defined in and subject to the Appeals Procedures as follows:

- A. If, after receipt of the WCRIBMA's final decision, a carrier is aggrieved by the WCRIBMA's position, the carrier may request a review of the audit decision before the Test Audit Committee. This request must be in writing and sent via email to the WCRIBMA's Test Audit Department at testaudit@wcribma.org, must be received by the WCRIBMA's Test Audit Department within 30 days of the date on the WCRIBMA's reply correspondence and must clearly state all basis for the appeal. Results of test audits on which timely

appeals are made will not be entered into the carrier's quarterly test audit reports until the appeal is decided.

- B. Test audit appeals will be heard at the next scheduled Test Audit Committee meeting which allows at least 30 days advance notice to be given to the Committee and to the appealing carrier.
- C. Detailed information of each test audit to be appealed before the Test Audit Committee will be provided by the WCRIBMA to the Committee prior to the meeting date at which the appeal will be heard.
- D. If a test audit appeal is presented by a carrier also represented on the Test Audit Committee, that member of the Committee may not participate in the Committee's discussion or vote on the appeal.
- E. The Test Audit Committee will review all materials presented by the carrier and the WCRIBMA in regard to each appeal and will hear testimony from both the carrier and WCRIBMA staff at the appeals hearing. As a part of hearing such testimony, the Committee may ask questions of the parties as needed for purposes of understanding the test audit in question. After receiving testimony, the Committee shall convene in executive session to discuss the appeal and shall reach a decision by majority vote of those members present and eligible to vote. If a vote on an appeal results in a tie, then the carrier prevails in its appeal.

Attendance at the executive session shall be limited to members of the Test Audit Committee and WCRIBMA legal counsel. The Chairperson shall preside over the executive session for procedural purposes and shall maintain a record of the discussion. WCRIBMA legal counsel shall advise the Committee with respect to antitrust matters. The decision of the Committee shall be communicated to the appellant in writing by the WCRIBMA within 10 days of the appeal hearing.

- F. Decisions of the Test Audit Committee will be final and binding on both the carrier and the WCRIBMA.
- G. Summary discussions of each test audit appeal taken before the Test Audit Committee will be prepared by WCRIBMA staff and published as Test Audit Bulletins.

VIII: ACTION PLANS

Any carrier with a Reportable Difference ratio of 20 percent or above for a four consecutive quarter measurement period will be required to submit a written action plan (Action Plan) within 30 days of notification of an Unsatisfactory Performance rating. Such Action Plan must describe in detail the measures that the carrier will take to bring the carrier in compliance with the Satisfactory Performance ratio standard of the Test Audit Program. The Action Plan must include a comprehensive analysis of the problems the carrier understands to be the basis for its substandard test audit performance, as well as the specific steps the carrier will be taking to remedy these problems. A representative of the carrier will be required to meet with the WCRIBMA President or his/her designated representative to discuss the carrier's Action Plan. Any carrier subject to an Action Plan will have additional policies selected for audit beyond their established quota.

The primary goal of the Action Plan process is the achievement and subsequent maintenance of a Satisfactory Performance rating.

At the conclusion of each quarter during the Action Plan process, the carrier's Program Coordinator will be notified via e-mail as to the results of its performance. Standard results during this stage are defined as a less-than-20-percent difference ratio cumulatively for the available four-quarters covered under the carrier's Action Plan.

A carrier with substandard results at the end of Quarter 4 of the Action Plan will be required to appear before the Test Audit Subcommittee to report on the status of its Action Plan, discuss reasons for its failure to date and describe additional efforts to be applied in the continuing attempt to remedy the carrier's substandard test audit performance. The carrier will also be subject to the Incentive Program as set forth in section IX.

Only after the carrier achieves a Satisfactory Performance rating in accordance with the time frame specified in the Action Plan, and such performance is sustained for four consecutive quarters, will the carrier see their number of test audit selections returned to a normal level. However, the carrier will continue to be subject to the Test Audit Program. If the carrier's results receive an Unsatisfactory Performance rating following the four-quarter period, the carrier will again be subject to the procedures outlined in Section IX.

Any carrier who meets with the Test Audit Subcommittee will be advised that continued failure to meet the minimum standard for audit proficiency may result in the carrier being reported to the WCRIBMA's Governing Committee for further action. The Governing Committee may impose additional fines or report the carrier to the Division of Insurance. The WCRIBMA President will inform the carrier of any action taken by the Governing Committee.

IX: INCENTIVE PROGRAM

As a means of encouraging participating carriers to meet or exceed established standards, incentive charges will be assessed by the WCRIBMA in accordance with the following procedures:

Carriers whose Reportable Difference percentage over the four consecutive calendar quarters covered under the carrier's Action Plan, in the aggregate does not meet a Satisfactory Performance rating will be subject to payment of an incentive charge.

The following further specifies this method:

- An error ratio of less than 20% is deemed as meeting requirements
- An error ratio of 20% up to 29.99% will require an incentive charge of \$5,000
- An error ratio of 30% up to 39.99% will require an incentive charge of \$12,500
- An error ratio of 40% or above will require an incentive charge of \$25,000

Carriers who continuously fail to meet the minimum standard of below a 20 percent difference ratio beyond four consecutive quarters during the implementation of their Action Plan will be subject to a graded schedule of surcharges to otherwise applicable base incentive charges. The surcharge schedule is set forth below:

No. of Consecutive Four-Quarter Periods with Difference Ratios in Excess of Program Standards	Surcharge Factor
5	1.25
6	1.50
7	1.75
8 or more	2.00

X: SPECIAL AUDITS

- A. At the initiative of WCRIBMA management, selected employers may be audited by WCRIBMA staff for purposes of information gathering and research.
- B. The results of audits specifically requested by WCRIBMA management for purposes other than the random sampling of carrier audits done under the Test Audit Program shall not be included in any portions or aspects of the Test Audit Program.

XI: TEST AUDIT BULLETINS

The WCRIBMA will utilize Test Audit Bulletins as a means of disseminating educational information regarding the Test Audit Program to its members. These bulletins can be found on the WCRIBMA website. Subject matter to be published in Test Audit Bulletins includes the following:

- A. Summaries of test audit appeal cases heard before the Test Audit Subcommittee. These summaries will present on an anonymous basis the facts and circumstances underlying each appeal, the decision of the Test Audit Subcommittee and a synopsis of the Subcommittee's reasoning in arriving at each decision.
- B. General descriptions of actual cases or questions encountered by WCRIBMA staff which appear to be of interest and illustrate applications of various audit procedures or MA Manual rules.
- C. Communications from the Test Audit Subcommittee to WCRIBMA members, as directed by the Subcommittee.
- D. Other items of an educational or informational nature pertaining to the Test Audit Program.

MA Test Audit Risk Factor Requirements

Test Audit Selection Validations

Check for the following Risk Factor conditions on all test audit eligible risks (Combo IDs):

1. **Extreme Experience Mod Factors:** Set to Y if current rating effective date has a mod factor [*less than .80*] or [*greater than 1.20*]. Create Bureau Attribute to change the two extreme values. (**Source:** Combo ID's Rating History)
2. **Problem carriers:** Set to Y if the Carrier ID of the current policy data in any Coverage ID is in the new problem carrier lookup table. Create a lookup table where DCO can add/delete Carrier IDs. (**Source:** Current Policy Data)
3. **Problem Classification Codes:** - Set to Y if any of the class codes reported on the current policy in any Coverage ID is in the new problem classification codes lookup table. Create a lookup table where DCO can add/delete classification codes. (**Source:** Current Policy Data)
4. **Problem Industry Codes:** Set to Y if any of the class codes reported on the current policy in any Coverage ID is part of an Industry Code in the new Problem Industry Codes lookup table. Create a lookup table where DCO can add/delete industry codes. (**Source:** Current Policy Data)
5. **Frequent Carrier Change:** Set to Y if any Coverage ID has policy data with [*3 or more*] Carrier IDs within the last 5-years. Create bureau attribute to change the number of Carrier IDs. (**Source:** Policy Data)
6. **High Claim Amounts:** Set to Y if the latest unit stat (USR) in any Coverage ID has a claim (loss data) with an amount (incurred indemnity + incurred medical) [*over \$50,000*]. Create bureau attribute to change the claim amount threshold. (**Source:** Unit Stat data)
7. **Injury Type Code:** Set to Y if the latest unit stat (USR) in any Coverage ID has a claim (loss data) with an Injury Type Code of 01 – Death or 02 – permanent total disability. (**Source:** Unit Stat data)
8. **High Basic Class Codes:** Set to Y if the current policy in any Coverage ID contain [*3 or more*] active basic classification codes excluding stat codes (Stat Code? = Y) and Standard Exception Classifications (Governing Class Priority = 3 – Standard Exceptions). Create bureau attribute to change the active basic class code threshold. (**Source:** Policy Data & Class Table)
9. **High Total Premium:** Set to Y if the current policy in any Coverage ID has a total manual premium of \$20,000 or more. Create bureau attribute to change the Total Premium threshold. (**Source:** Calculated Manual Premium of Policy Data)

10. **Governing Class Change:** Set to Y if the current policy has a different governing class code than the prior policy. (**Source:** Governing Class of Policy Data)
11. **8810 Governing Class:** Set to Y if the current policy of any Coverage ID has class code 8810 – Clerical Office Employees with the largest amount of payroll compared to other reported basic classifications excluding stat codes (Stat Code? = Y) and other Standard Exception Classifications (Governing Class Priority = 3 – Standard Exceptions. (**Source:** Policy Data)

Notes:

1. Each risk factor will have a point grading system from 01 to 10 which can be configurable in a lookup table. Initially, all the risk factors are defaulted to 10.
2. Total the number to Risk Factor points that failed (Y) the Risk Factor Condition check and append the risk factor points total to the new Risk Factor data element (3 numeric chars) in the test audit Record of the Combo ID.