



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU**

February 20, 2008

CIRCULAR LETTER NO. 2083

**To All Members and Subscribers of the Bureau:
Attention Statistical Data Reporters**

**REVISIONS TO THE MASSACHUSETTS WORKERS' COMPENSATION
STATISTICAL PLAN- PART I**

The Massachusetts Division of Insurance (DOI) recently approved revisions to the Data Quality Incentive (DQI) Program pertaining to unit statistical reports (USRs). The changes are as follows:

- Begin timeliness fines on the first day of the 21st month, eliminating the Delinquent status by moving directly to the Delinquent and Fined status.
- Clarify that USRs without corresponding policy information are fined when the data is overdue.
- Add Disciplinary Fines for USRs that are not available for annual summary.
- Direct the appeals of unresolved fine issues to the DOI.
- Remedial changes which
 - Update timeliness examples to a more recent year.
 - Eliminate reference to hard copy reporting, because hard copy is no longer accepted.
 - Eliminate the reference to error reports in DQI program, because they were discontinued in 2005.

The change to fine missing and rejected USRs as of the 21st month will be implemented for data at all USR levels valued July 2009 and due at the Bureau September 2009. Please note that the change will also include any data that was due prior to September 2009, but not received by September 30, 2009.

The Disciplinary Fines will be implemented for data at all USR levels valued January 2007 through December 2007 and due at the Bureau March 2007 through February 2008.

The proposed change to the appeals process will be effective immediately.

Attached for your review are:

- The Commissioner's approval letter
- The filing memorandum
- Part I, Section XI of the Massachusetts Statistical Plan

The revised pages for Part I, Section XI will be posted on the web site with the distribution of this circular.

Please contact the undersigned as lkaravelis@wcribma.org or Debby Dohl at ddohl@wcribma.org with any questions.

LEAH S. KARVELIS
DATA OPERATIONS MANAGER



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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COMMISSIONER OF INSURANCE

January 23 2008

Ellen F. Keefe, CPCU
General Counsel
Workers' Compensation Rating and
Inspection Bureau of Massachusetts
101 Arch Street, 5th Floor
Boston, MA 02110

**RE: REVISIONS TO THE MASSACHUSETTS WORKERS'
COMPENSATION STATISTICAL PLAN PART I – DATA QUALITY
INCENTIVE PROGRAM**

Dear Ms. Keefe:

I am writing you to indicate the Division's approval of your December 17, 2007 filing for revisions to the Data Quality Incentive Program. These changes should further encourage companies to make accurate and timely data filings to the WCRIB under the Division's Statistical Plan.

The proposed change to the fines for missing and/or rejected Unit Statistical Reports shall, as requested, become effective for data at all levels valued July 2009 that are due at the Bureau September 2009. The newly proposed Disciplinary Fines shall, as requested, be implemented for data at all Unit Statistical Report levels valued January 2007 through December 2007 that are due at the Bureau March 2007 through February 2008. The proposed change to the process for hearing Appeals of fines assessed under this program shall take effect immediately.

Thank you for your submission.

Sincerely,

Kevin P. Beagan
Deputy Commissioner and
Director, State Rating Bureau



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU**

December 17, 2007

The Honorable Nonnie Burnes
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
One South Station
Boston, MA 02110-2208

**RE: Revisions to the Massachusetts Workers' Compensation Statistical
Plan – Part I**

Dear Commissioner Burnes:

Enclosed for your review and approval are revisions to Part I of the Massachusetts Workers' Compensation Statistical Plan, Section XI Data Quality Incentive Program.

The proposed revisions:

- Begin timeliness fines on the first day of the 21st month, eliminating the Delinquent status by moving directly to the Delinquent and Fined status.
- Clarify that Unit Statistical Reports (USRs) without corresponding policy information are fined when the data is overdue.
- Add Disciplinary Fines for USRs that are not available for annual summary.
- Direct the appeals of unresolved fine issues to the Division of Insurance
- Remedial changes which
 - Update timeliness examples to a more recent year.
 - Eliminate reference to hard copy reporting, because hard copy is no longer accepted.
 - Eliminate reference to error reports in DQI program, because they were discontinued in 2005.

Enclosed are brief descriptions of the proposed changes and proposed revised pages to the Statistical Plan. The proposed changes are shown in red, bold, italic, Times New Roman font and the elimination of text is indicated by strikes through the text.

THE WORKERS' COMPENSATION RATING & INSPECTION BUREAU OF MASSACHUSETTS

101 ARCH STREET 5TH FLOOR, BOSTON, MASSACHUSETTS 02110-1103

(617) 439-9030, FAX (617) 439-6055, www.wcribma.org

Thank you for your attention to this matter. Please contact Leah Karvelis at 617-646-7518 with any questions regarding this filing.

Sincerely,

Ellen F. Keefe, CPCU
General Counsel

cc: Kevin Beagan, Director, SRB
Walter Horn, PhD, SRB
Caleb Huntington, SRB
Paul F. Meagher, President, WCRIB
Robert McCarthy, Vice President, Actuary, WCRIB
Sheila Annis, Vice President, Data Operations, WCRIB
Leah Karvelis, Manager, Data Operations, WCRIB

PROPOSED REVISIONS TO THE MASSACHUSETTS WORKERS' COMPENSATION STATISTICAL PLAN

December 17, 2007

Revised Part I, Section XI – Data Quality Incentive (DQI) Program

Proposal

Add additional incentives to the Data Quality Incentive Program with the following changes to the program:

- Begin timeliness fines on the first day of the 21st month by moving directly to the Delinquent and Fined status
- Clarify that Unit Statistical Reports (USRs) without corresponding policy information are fined when the data is overdue
- Add Disciplinary Fines for USRs that are not available for annual summary
- Direct the appeals of unresolved fine issues to the Division of Insurance
- A few remedial changes which are
 - Update timeliness examples to a more recent year
 - Eliminate reference to hard copy reporting, because hard copy is no longer accepted
 - Eliminate reference to error reports in DQI Program, because they were discontinued in 2005.

Background

The DQI Program was implemented for policies effective on and after January 1, 2000 and data reported to the Bureau beginning in September of 2001. Since then, the program has undergone changes that helped to strengthen the program and have been effective in data quality improvement. The proposed changes will further strengthen the program by providing additional incentives for carriers to report data on a timely basis and to review data for issues that negatively impact data quality before their data is submitted to the Bureau.

Change in Timeframe

The Delinquent status was necessary when the program was new and when there were only hard copy reports to share information between the Bureau and the carriers. Since inception of the DQI program, web applications and nightly electronic error reports were implemented and made available to carriers, in order to assist the carriers with managing their data reporting obligations.

The Unit Statistical Tracking System (USTS), implemented May 24, 2004, provides carriers with listings of policies for which USRs have not been received, as well as a list of USRs that have been rejected. Manage USR, implemented June 15, 2005, provides carriers with internet access to copies of the USRs that are in the Bureau's database, as well as access to updated error reports. Policy View, implemented May 16, 2007,

PROPOSED REVISIONS TO THE MASSACHUSETTS WORKERS' COMPENSATION STATISTICAL PLAN

provides detail about policy status and policy data received by the Bureau. USTS, Manage USR and Policy View are updated nightly. Nightly electronic error reports, implemented September 25, 2006, eliminate mail delivery lag periods associated with hard copy and the potential for hard copy reports to be lost.

Because information to assist in managing data is more readily available through the Web applications and nightly reports, the additional time needed to research problems is no longer necessary. Therefore any USRs not submitted and accepted when due, will be subject to fines on the first day of the 21st month.

Units Without Corresponding Policy Report

Currently, USRs for which there is no corresponding policy are rejected. Such USRs are subject to fines for the missing policy at the 22nd month from the USR's policy effective date. USRs that are rejected due to missing policy information continue to be subject to the same timeliness criteria as other USRs that have not been successfully submitted to the Bureau. Therefore, USRs rejected due to missing policy information are subject to fine if the USR is not accepted or otherwise resolved, before the 21st month from the policy effective date.

Disciplinary Fines

We are proposing a new disciplinary fine for missing, rejected and filtered USRs.

This disciplinary fine is in addition to the other fines in the Data Quality Incentive Program that are applied to delinquent and rejected USRs.

Appeals

Appeals of fines, that have not been satisfactorily resolved through discussions or correspondence between the carrier and the Bureau, will be directed to the Commissioner of Insurance instead of to the Bureau's Appeals Subcommittee. This avoids the potential for discussions about a given carrier's data with representatives from other carriers that participate on the Appeals Subcommittee.

Implementation

The proposed change to fine for missing and rejected USRs as of the 21st month will be implemented for data at all USR levels valued July 2009 and due at the Bureau September 2009.

The proposed Disciplinary Fines will be implemented for data at all USR levels valued January 2007 through December 2007 and due at the Bureau March 2007 through February 2008.

The proposed change to the Appeals process will be effective, immediately, upon approval.

**MASSACHUSETTS WORKERS' COMPENSATION
STATISTICAL PLAN**

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DATA QUALITY INCENTIVE PROGRAM
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A. Introduction

The Data Quality Incentive Program was developed in response to an order of the Commissioner of Insurance to ensure that unit statistical data is reported promptly and accurately as required by this Plan. A committee of Bureau staff and several carrier representatives worked to modify other jurisdictions' existing plans to suit the needs of Massachusetts.

The Data Quality Incentive Program does not apply to workers' compensation self-insurance groups. Please note that a separate Data Quality Incentive Program applies to aggregate financial reporting, Part II Section V of this Plan.

B. Accuracy of Unit Statistical Data

~~The DQI Program will no longer contain error reports.~~ Edit failures that are sufficient to prevent accurate experience rating or inclusion in the unit statistical data summary will not be accepted by the Bureau. Notification that data has failed edits and reason for failure is available the day following the processing of the submission. The rejected data will be subject to timeliness fines if applicable. (See Timeliness of Unit Statistical Data below)

The data submitting carrier must provide documentation and a written explanation to the Statistical Data Services Supervisor if the Bureau has indicated a unit correction is needed, but the carrier records support the unit data as filed.

The Bureau will advise carriers annually by circular letter of those edits that will cause unit statistical reports to be rejected.

C. Timeliness of Coverage Data

Units without Corresponding Policy Reports

Unit statistical data, for which there is no corresponding, previously submitted policy in the Bureau's Policy Database will be rejected by the Bureau. A data provider's failure to submit the appropriate policy and coverage data prior to submission of the unit statistical report (USR) will delay promulgation of the experience rating modification.

~~Beginning thirty (30) calendar days after posting notice that the USR was rejected due to missing corresponding policy information, the rejected USR will be fined each month until the policy information is successfully submitted and the USR is accepted or the rejected USR is otherwise resolved.~~

Unit reports that are rejected due to missing policy information are subject to fine if the policy information is not successfully submitted and the unit report is not accepted, or not otherwise resolved, before the 21st month from the policy effective date.

The fine will be based on the risk's rating status. A rated risk is determined by the presence of a merit class code or modification factor other than zero or one on the USR. Rated risks will be fined \$100 per month for 12 consecutive months, and non-rated risks

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will be fined \$50 per month for 12 consecutive months. The fines then increase to \$200 per month thereafter for rated risks and \$100 per month thereafter for non-rated risks.

Only missing policy and coverage data that prevents the acceptance of unit statistical reports will be subject to fines through the Unit Statistical Data Quality Incentive Program.

Timeliness Example: A unit report corresponding to a policy effective any day during January, 2007, is rejected due to missing policy information. If the policy is not successfully submitted and the unit report is not accepted or not otherwise resolved by the end of the 20th month following the policy effective date, the carrier will incur the first fine in the 21st month, October, 2008, and will be fined each subsequent month until resolution.

D. Timeliness of Unit Statistical Data

The timeliness of unit statistical reporting is measured in relation to the corresponding policy's effective date, so reporting and penalty determinations will be based on the number of months past the policy effective date of the unit. "Postings" as used in this section may be made through web-based postings, ~~hard copy reports~~ or electronic files. The posting shall include policy data corresponding to the unit report. Posted information includes policy number, policy effective date, end of coverage date, carrier code, and exposure state.

1. Unit Reports -- Pre-delinquent

A "pre-delinquent" unit report is a unit report that is less than 18 months past the end of the month in which the corresponding policy became effective. The report is called "pre-delinquent" because it is an expected report that is not yet due. The Bureau will notify the carriers by posting corresponding policy data for pre-delinquent unit reports upon receipt of the policy data. Carriers have the option to review the pre-delinquent postings at any time during the period from policy issuance to first valuation of the losses. Carriers can minimize the risk of fines by reviewing their pre-delinquent unit reports to ensure that the policy number, policy effective date, end of coverage date, and carrier codes are accurate. If a policy or coverage transaction corresponding to a pre-delinquent unit report is absent from the Bureau's Policy Database the carrier may submit the corresponding policy or coverage information to the Bureau.

There will be no obligation for carriers to respond to the pre-delinquent unit report status. However, the appropriate response and corrective action may prevent an overdue unit report and fines. Coverage verification issues can be corrected only with the appropriate coverage transactions.

The Bureau will notify the carrier if the corrective action did not resolve the unit report issue.

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Timeliness Example: If a policy in the Bureau's policy database has an effective date of any day in January ~~2003~~ *2007*, then the Bureau posts the corresponding pre-delinquent unit report data as the policy data is processed by the Bureau.

2. Unit Reports -- Due

A "due" unit report is a unit report that is between 18 and 20 months past the end of the month in which the corresponding policy became effective. The report is called "due" because it is valued and reported during this 18 to 20 month period past the end of the month in which the corresponding policy became effective.

~~There will be no obligation for carriers to respond to the due unit report status.~~

Timeliness Example: If a policy in the Bureau's policy database has an effective date of any day in January ~~2003~~ *2007*, then the Bureau posts the corresponding due unit report data in July ~~2004~~ *2008*.

3. ~~Unit Reports -- Delinquent~~

~~A "delinquent" unit report is a unit report that has not been successfully submitted to the Bureau and is more than 20 months past the end of the month in which the corresponding policy became effective. During the 21st month from the policy effective date the Bureau will post notice to carriers of delinquent unit report status. Carriers must respond to the delinquent unit report postings within 30 calendar days or be subject to fines. It is possible for policies to be reported so late that the units are not identified as delinquent at the 21st month and therefore the corresponding units are posted as delinquent unit reports in a month more than 21 months after the policy effective date. For example, if a policy is entered into the Bureau's policy database during the 25th month after the policy effective date a corresponding delinquent unit report would be posted in the 26th month after the effective date.~~

~~The appropriate response and corrective action by the carrier may resolve the delinquent unit report situation and prevent fines. The Bureau will notify the carrier if the corrective action did not resolve the delinquent unit report issue.~~

~~It is possible for a unit report to make its initial posting under delinquent status, with no prior posting under pre-delinquent or due status. The unit report status for policies received after the 20th month will appear as delinquent but not as pre-delinquent. Similarly, if between the 18th and 21st months the unit report's link data was changed, the unit report may be posted right away as due with no prior pre-delinquent postings.~~

~~Timeliness Example: A unit report corresponding to a policy effective any day during January 2003, but that has not been successfully submitted to the Bureau, is posted with delinquent status in October, 2004~~

3. Unit Reports –Delinquent and Subject to Fine

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Thirty (30) calendar days after posting notice of delinquent unit report status the unit will be considered “delinquent and subject to fine”. Unit reports that remain delinquent are subject to fine each 30 days after their initial posting as delinquent and subject to fine. *A “delinquent and subject to fine” unit report is a unit report that has not been successfully submitted to the Bureau and is more than 20 months past the end of the month in which the corresponding policy became effective.* Delinquent USRs will be fined *in the 21st month and* each month *thereafter*, until the unit report is successfully submitted or the delinquent and subject to fine status is otherwise resolved.

Thirty (30) calendar days after posting notice of delinquent unit report status the unit will be considered Delinquent and Subject to Fine. The fine will be based on the risk's rating status. A rated risk is a risk that has had any type of rating at any time within the three years prior to the policy effective date of the missing unit report. A rating could be intrastate, merit or experience rated, or an interstate rating. Rated risks will be fined \$100 per month for 12 consecutive months, and non-rated risks will be fined \$50 per month for 12 consecutive months. The fines then increase to \$200 per month thereafter for rated risks and \$100 per month thereafter for non rated risks.

It is possible for a unit report to make its initial posting under delinquent status, with no prior posting under pre-delinquent or due status. The unit report status for policies received after the 20th month will appear as delinquent.

Please note that corrective action following notification that the unit report is subject to a fine may prevent additional penalties but will not eliminate the penalty charge already incurred.

If corrective action was taken based on a prior fine or overdue notification and the carrier was not notified of a problem with the correction, the carrier should contact the Bureau in accordance with the appeals process outlined in Section E.

Timeliness Example: A unit report corresponding to a policy effective any day during January, ~~2003~~ *2007*, but that has not been successfully submitted to the Bureau, is posted with ~~delinquent status in October, 2004~~ *due status in July, 2008*. If the ~~unit report~~ *USR* is not successfully submitted or other resolution reached, or corrective action is not received ~~in 30 days~~ *by the end of the 20th month*, the carrier will incur the first fine *in the 21st month*, ~~in November 2004~~ *October, 2008*, and will be fined each subsequent month until resolution.

4. Disciplinary Fines

A series of disciplinary fines will be issued in correlation to the Annual Summary review (also referred to as ABACUS). Any data which is missing, rejected, or filtered from the Summary will be excluded from ABACUS and the data reconciliation process. Carrier groups will be subject to fines on data that remains missing, rejected, or filtered as of June 30th of that review year and each month thereafter until the acceptable threshold is met.

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Any data which remains missing, rejected, or filtered will count against the overall data expected to be included in ABACUS for that carrier group. Carrier groups, who have more than 10 unit reports and more than 1% of their overall data excluded from ABACUS, will be fined each month until they reach the 1% or less than 10 unit report threshold. A carrier group will be subject to a disciplinary fine of \$500 per unit report with a maximum cap of \$50,000 fined each month.

Example: If a carrier group has 10,000 units expected to be included in ABACUS, and 200 units, or 2%, are either missing, rejected or filtered, the carrier would be fined each month until 100 or fewer units are missing, rejected or filtered.

a. Implementation of Disciplinary Fines

Disciplinary Fines will be implemented for data that is not available for Annual Summary as of 6/30/08, which includes policies effective 1/1/99 through 6/30/06, Report levels 8 through 1 respectively, valued 1/2007 through 12/2007 and due at the Bureau 3/2007 through 2/2008. These fines will continue through the end of each review year and will be effective each review year.

E. Appeal of Penalties Levied under the Data Quality Incentive Program (effective immediately)

~~If an item appears on a fine report that in the opinion of the carrier should not be subject to a fine, the carrier may appeal with a written explanation to the attention of the Statistical Data Services Department.~~

~~Copies of all pertinent written communications and a brief explanation of the circumstances should be provided in all written requests to waive fines.~~

If the carrier or carrier group is subject to a fine, which in the opinion of the carrier is inappropriate, the carrier group is encouraged to work with the staff of the Statistical Data Services Department to address such issues. Carrier groups may also submit a written appeal to the Statistical Data Services Department at the following address:

*Statistical Data Services Department
WCRIBMA
101 Arch Street, 5th Floor
Boston, MA 02110*

The written appeal must be submitted by an officer or senior manager of the carrier group within twenty (20) business days of the Invoice Date on the invoice for the particular fine(s) at issue. The appeal should include copies of the relevant invoice(s), all pertinent written communications and detailed statements that describe why the carrier thinks the fine(s) is inappropriate. The Bureau will provide the carrier with its written decision on the carrier's appeal within twenty (20) business days of its receipt of the appeal.

~~Examples of situations where fines may be waived are as follows:~~

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- ~~1. The carrier corrected the situation prior to distribution of the fine report.~~
- ~~2. The Bureau has assigned the fine to the wrong carrier.~~
- ~~3. The Bureau failed to post notice of the unit report status.~~
- ~~4. The carrier cannot provide or correct statistical data due to circumstances beyond their control such as fire or natural disaster.~~

~~If the carrier is not satisfied with the results of the appeal to the Bureau, it may make a written request to put the appeal before the Bureau's Governing Committee Appeals Subcommittee. In such cases, Bureau staff will schedule a review at the next meeting of Appeals Subcommittee.~~

If the carrier group is not satisfied with the Bureau's decision, it may appeal to the Commissioner of Insurance. Such an appeal shall be filed within thirty (30) days of the carrier group's receipt of the Bureau's written decision. The carrier should provide the Bureau with a copy of any appeal submitted to the Commissioner of Insurance.

*The Honorable Nonnie Burnes
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
One South Station
Boston, MA 02110-2208*