



## Pennsylvania Compensation Rating Bureau

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### PENNSYLVANIA TEST AUDIT PROGRAM

#### BULLETIN #85

#### CLAIMS VERIFICATION

To improve the claims verification aspect of the test audit process, the Governing Board of the PCRB has approved the following changes to the Pennsylvania Test Audit Program. Specifically, in addition to requesting audit workpapers, the Bureau will now be asking for claims information (i.e., a loss run) relative to the same policy subject to test audit. Currently, the Bureau requires the carrier, at the time of test audit selection, to submit claims information (claimant's name) on the policy period prior to the test audit period.

The revised Test Audit Program language is as follow:

#### **IV: PROCEDURES FOR EXCHANGE OF INFORMATION ON TEST AUDIT RISKS**

D. Within 45 days from the date of mailing of any month's selection list, the following audit materials must be received by the Bureau from the carrier. A second request will be sent after 45 days on items not received. No additional requests will be sent.

3. ~~A completed claims history form (including claimant names) substantially similar to Exhibit II attached for each risk on which the Bureau provided a claims history list with the notice of selection for test audit~~ current loss run/list for the same policy period of the test audit must be provided. This list must include the claim number, date of claim, claimant's name, incurred loss amount and classification assigned for each claim. In the event there are no reported losses, the carrier must so advise the Bureau in writing.

NOTE: An acceptable response must provide a non-returnable copy of the auditor's worksheets and premium invoice (in the case of a physical audit) OR a non-returnable copy of the employer's payroll statement and premium invoice (in the case of a risk not physically audited) to the Bureau, as well as the applicable loss run OR the written acknowledgement that there were no losses.

Those test audits for which an acceptable response to the request(s) for carrier audit worksheets, premium invoice and loss run are not received by the Bureau on or before their respective Final Response Dates will be designated as "Failed Requests." (EXCEPTION: Failure to submit loss runs as defined above OR the written acknowledgement that there

were no losses will not be designated as a failed request until October 1, 2005.) Incentive charges in the amount of \$1,000 will be assessed per failed request for each carrier, regardless of whether or not the carrier is otherwise subject to incentive charges under the performance standards of the Test Audit Program, subject to the following limitations:....delivery.

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**X XI: CLAIMS HISTORY REVIEW**

~~For each test audit assignment a Claims History Report will be produced by the Bureau from the latest available unit statistical report for the selected risk. A sample Claims History Report is attached as Exhibit II. The Claims History Report provides claim number and classification code assigned to each loss by the carrier. The Claims History Report will be sent to the carrier with the notice of selections for test audit. a current loss run/list for the same policy period must also be provided. This list must include the following information for each claim: claim number, date of claim, claimant's name, incurred loss amount and the classification being assigned. In the event that a policy selected for test audit assignment has no reported losses when the carrier responds to the Bureau's request for audit workpapers, the carrier must so advise the Bureau in writing. The carrier is responsible for noting the claimants' names on the report and This information must be returned to the Bureau with the related audit information within 45 days of the mailing of the notice of selection for test audit and Claims History Report from the Bureau. Submission of loss run information will be voluntary until October 1, 2005. At that time, submission of this information will be mandatory.~~

~~Exhibit IV attached is a sample of the letter which will be used by the Bureau's Statistical Review Department to request corrected unit statistical reports for errors noted via test audit.~~

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Under this new procedure carriers will be required to submit a current loss run for each test audit policy. These loss runs should at a minimum include the information cited in Test Audit Program language. It is expected that these loss runs will be provided concurrently with the carrier's submission of audit workpapers. The request for audit workpapers will include specific language regarding the claims/loss run request. In the event there are no incurred losses of record at the time of the test audit selection, the carrier must acknowledge this fact in writing in conjunction with the submission of their audit workpapers.

Once fully phased in (see below), failure by the carrier to either submit claims information or acknowledge that there have been no claims filed within prescribed time standards will be considered a failed response subject to the failed response incentive charge. Partial carrier responses, i.e., submission of audit workpapers but not claims information, will be held in suspense until the final response date. At that time, if the claims information still has not been received, the test audit will be processed using the audit workpapers. However, as indicated above, this will be considered a failed response and will be subject to the failed response incentive charge.

A maximum of 25 claims will be verified for each policy subject to test audit. Claims information from the carrier must include the loss amount to allow for the targeting of larger claims when

more than 25 claims are listed on the carrier's loss run. Misclassification of claims will not be considered a difference for test audit statistical purposes.

**Consistent with the Governing Board's directions and in recognition of the difficulties a minority of carrier groups may have in compliance, this change in procedure will be implemented on a voluntary basis effective April 1, 2004. The requirement to provide the necessary loss run data on a mandatory basis will be deferred until October 1, 2005. The 18-month delay for mandatory compliance is intended to allow carrier groups who may need time to institute measures to conform with this new procedure a substantial window of opportunity for such work.**