

# FINANCIAL CALL REPORTING PACKAGE VALUED AS OF DECEMBER 31, 2008

## INTRODUCTION

- A. This package contains the instructions specific to the Financial Call Reporting Package, valued as of 12-31-2008.
- B. This call package has been made available to all CAOM member carriers writing workers compensation insurance in the State of Michigan.
- C. The call package is intended to conform to existing industry forms and instructions. Should any questions exist, please contact CAOM directly.
- D. The following chart lists the data calls required by CAOM, and their due dates.
- E. CAOM utilizes an Internet-based financial call reporting tool called MIFDRA (Michigan Financial Data Reporting Application) to assist our membership in filing of annual financial call data.

| Data Call # | Description of Data Calls           | Due Date |
|-------------|-------------------------------------|----------|
| 3           | Policy Year                         | April 1  |
| 3A          | Assigned Risk Policy Year           | April 1  |
| 5           | Accident Year                       | April 1  |
| 5A          | Assigned Risk Accident Year         | April 1  |
| 8           | Reconciliation Report               | April 1  |
| 19          | Countrywide Loss Adjustment Expense | May 1    |

## GENERAL INSTRUCTIONS

- A. Call for Year End Aggregate Financial Data

Every insurance company licensed to write the business of workers compensation insurance within the State of Michigan shall file with The Compensation Advisory Organization of Michigan, 17197 N Laurel Park Drive, Suite 311, Livonia, MI 48152 complete year-end aggregate financial data in accordance with the instructions contained herein.

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Insurance carriers who cease writing workers compensation experience are required to continue reporting until their calendar year premium or incurred losses do not exceed \$100,000.

**B. Carrier Group**

The aggregate financial data may be reported on a group basis. The data for companies controlling, controlled by or under common control with other companies may be added together and reported.

**C. MIFDRA**

All financial calls must be submitted using the MIFDRA, which will be available via a link on the CAOM's website [www.caom.com](http://www.caom.com). The MIFDRA can be utilized to enter or import call data, edit, correct and submit all financial call data required by CAOM. Carriers are encouraged to read the entire MIFDRA Carrier User's Guide and Reporting Instructions before using the MIFDRA. The Guide can be accessed through the Help link from the left margin menu of any page of the MIFDRA.

The NCCI carrier or group code as well as the carrier or group name must be predominantly displayed on all transmittal forms, associated emails, or other correspondence regarding these calls.

**D. Accumulated Aggregate Totals**

In each of the policy year calls that require totals by policy or accident year these values are accumulated aggregate totals. In the case of premium amounts, it is the summation of all premium collected and any subsequent adjustments to premium since the inception of each policy. In the case of paid losses, it is the summation of all loss payments and recoveries since the first report of the claims.

**E. Calendar Year Totals**

Some of the calls require calendar year totals. Calendar year totals are the sum of changes in accounting balances for a particular year.

Most of the aggregate calls, for both policy and accident year, calculate calendar year totals by subtracting the prior year aggregate totals from the current year aggregate totals.

**F. Current Plus Twenty-Two**

Policy year calls require twenty-two plus current years of reporting. Years before the current plus twenty-two are combined and reported on the first line (Line A).

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The current year is the year that ended with the valuation date. The twenty-two years are the twenty-two years that preceded the current year. For example, with the data calls valued as of 12/31/2008, the current year is 2008. The twenty-two years are 1986 through 2007. Policy years prior to 1986 are added together and reported on the first line. Accident year calls require twenty-one plus current years of reporting.

G. Questionnaire

Some calls contain a questionnaire. The questions are intended to give the data reporter an opportunity to respond to anomalies prior to submission. All questions must be fully answered to avoid additional inquiry. Unanswered questions will result in a phone call or memo from CAOM staff.

H. Instructions

Please read all instructions carefully before completing any of the forms.

I. Whole Dollar Reporting

All amounts and counts must be reported in whole numbers or dollars.

J. Direct Business

These calls require the reporting of direct business only. Do not report reinsurance assumed or make adjustments for business that has been reinsured.

K. Excess and National Defense Experience

With the exception of the Reconciliation Report and the Countrywide Loss Adjustment Expense Data Call, experience from either excess policies or National Defense projects are not included in any of the data elements required in these data calls.

L. Prior Totals

Values as of 12/31 prior year (Line Y) must match exactly to what is on Line X of the call filed last year. If the values have changed, resubmit the prior year's call using MIFDRA. See the MIFDRA Carrier User's Guide for instructions.

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M. CAOM Contact

All questions and requests for additional information on these calls should be directed to:

Jon Heikkinen  
Phone: (734) 462-9600 ext. 225  
Fax: (734) 462-9721  
Email: [jheikkinen@caom.com](mailto:jheikkinen@caom.com)

All completed calls for Experience must be submitted through Michigan's Financial Data Reporting Application (MIFDRA):

N. Data Provider Contact

The Designated Contact Person Form should be used to update your company's Contact Person currently on file with CAOM. It is essential that all designated contact information for your organization is current and accurate.

## **REPORTING INSTRUCTIONS**

**Policy Year Call** - The call for all Michigan standard workers compensation experience totaled for each policy year. Call # 3

- a) The total aggregate direct premiums, losses, and claim counts are summarized and reported by policy year (see pages 7-10 for definitions).
- b) Premium and losses are required for twenty-two policy years plus the current year.
- c) Claim Counts are required for policy effective years 1985 and subsequent.
- d) All years prior to the twenty-two plus current are combined and reported on the first line.
- e) Open and Closed Claim Counts are required for policy effective years 1993 and subsequent. Direct Defense and Cost Containment Expense (formerly Allocated Loss Adjustment Expenses) are required for policy effective years 1994 and subsequent.
- f) Exclude experience developed under large deductible policies (deductible amount \$100,000 or greater). Experience for all other (small) deductible programs should be reported on a gross of deductible basis.
- g) Exclude F-Classification, Maritime and other FELA Classifications, Reinsurance Assumed, Coal Mine, Excess, National Defense Project (premium written under the National Defense Projects Rating Plan), and Occupational Disease Act experience. Also exclude Catastrophe and Terrorism Provision premium.
- h) Include assigned risk policy experience written on a direct basis. Report data at the level of approved assigned risk rates including the impact of other assigned

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risk programs, such as ARAP, surcharges, etc. Include direct assignment business.

- i) IBNR is not required for the policy year call - Columns (f), (m), (n) and (y).
- j) The Policy Year Call is due each April 1.

**Assigned Risk Policy Year Call** - The call for all Michigan assigned risk workers compensation experience totaled for each policy year. Call # 3A

- a) This call is used in conjunction with the policy year call to develop “voluntary business only”, therefore data reported on this call must be consistent with the assigned risk data reported on the policy year call.
- b) The Assigned Risk Policy Year Call is due each April 1.

**Accident Year Data Call** - The call for all Michigan standard workers compensation claim and loss experience totaled for each calendar-accident year. Call #5

- a) The total aggregate direct losses and claim counts for all Michigan standard workers compensation policies are summarized and reported by accident year.
- b) Losses are required for twenty-one plus the current accident year.
- c) Accident years prior to the twenty-one years plus current year are combined and reported on the first line of each call.
- d) Claim Counts are required for accident years 1986 and subsequent.
- e) Open and Closed Claim Counts are required for accident years 1993 and subsequent. Direct Defense and Cost Containment Expense (Formerly Allocated Loss Adjustment Expenses) are required for accident years 1994 and subsequent.
- f) Exclude experience developed under large deductible policies (deductible amount \$100,000 or greater). Experience for all other (small) deductible programs should be reported on a gross of deductible basis.
- g) Exclude F-Classification, Maritime and other FELA Classifications, Reinsurance Assumed, Coal Mine, Excess, National Defense Project (premium written under the National Defense Projects Rating Plan), and Occupational Disease Act experience. Also exclude Catastrophe and Terrorism Provision premium.
- h) Include assigned risk policy experience written on a direct basis. Report data at the level of approved assigned risk rates including the impact of other assigned risk programs, such as ARAP, surcharges, etc. Include direct assignment business.
- i) The accident year data is due each April 1.

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**Assigned Risk Accident Year Call** - The call for all Michigan assigned risk workers compensation experience totaled for each calendar-accident year. Call # 5A

- a) This call is used in conjunction with the accident year call to develop “voluntary business only”, therefore data reported on this call must be consistent with the assigned risk data reported on the accident year call.
- b) The Assigned Risk Accident Year Call is due each April 1.

**Reconciliation Report** - The report that guarantees the completeness of the data reported on the various data calls by comparing the net earned premium and incurred losses reported on those calls to Statutory Page 14 Data (Exhibit of Premiums and Losses) of the Annual Statement. Call #8

- a) Include F-Classification, Maritime and other FELA Classifications, Coal Mine, Excess, Deductibles, and National Defense Project experience.
- b) Include Catastrophe and Terrorism Provision premium.
- c) Submit the reconciliation report on same carrier or carrier group basis as the data calls.
- d) The reconciliation report is due each April 1.

**Countrywide Loss Adjustment Expense** - The call for a report of the accumulated accident year loss adjustment expense information associated with writing workers compensation experience. Call #19

- a) The loss adjustment expense should be reported in the same manner as the accident year call.
- b) This call is similar to Schedule P, Part 1D of your Annual Statement, except that this call should be on a direct basis.
- c) Losses are required for nine accident years plus the current year.
- d) All years prior to the nine accident years plus current are combined and reported on the first line.
- e) Unlike the other calls, the data provided on page 1 of this call should include experience developed under large deductible policies (deductible amount \$100,000 or greater). This experience should be reported on a net of deductible basis. Page 2 of this call should include only experience developed under large deductible policies on a net of deductible basis.
- f) The Countrywide Loss Adjustment Expense call is due each May 1.
- g) Answer question 6 on the page 2 Questionnaire even if the carrier does not offer large deductibles.

## **DEFINITIONS**

The definitions are organized by the type of data call that they appear on, followed by the individual premium data elements, then by loss data elements for each data call. The definitions in this section are as follows:

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- Definitions Common to all Data Calls
- Definitions Common to all Policy Year Calls
- Definitions Common to all Accident Year Calls
- Definitions Common to all Policy and Accident Year Calls
- Definitions Common to all Policy and Accident Year Calls and the Expense Call
- Definitions Specific to the Expense Call

Definitions Common to all Data Calls

- Calendar Year - The particular year (January 1 – December 31) for which changes in accounting balances are calculated. Calculated changes in accounting balances during the valuation year (Year ending) to be reported as Current Calendar Year.
- Standard Earned Premium at DSR Level – The accumulated premium (assigned risk business) or **pure premium** (voluntary business) resulting from standard procedures.

After the application of:

Experience Rating (using company-specific rating plans)  
Expense/Loss Constants (assigned risk business only)  
Contracting classification premium adjustment program  
Managed Care Credit  
Merit Rating Plan adjustments  
Workplace safety program credits

But prior to the application of:

Deviations from DSR pure premiums  
Expense/Loss Constants (voluntary business only)  
Retrospective Rating Adjustments  
Schedule rating adjustments  
Premium Discount  
Policyholder Dividends  
Premium credits for small deductible coverage  
LSRP Rating Plan adjustments  
Catastrophe and Terrorism Provision premium

- Standard Earned Premium at Company Rate Level – The accumulated premium resulting from standard rating procedures. For assigned risk policies, this column will be the same as standard earned premium at DSR level.

After the application of:

Experience Rating (using company-specific rating plans)

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Deviations from DSR pure premiums  
Expense/Loss Constant (including carrier-charged constants)  
Contracting classification premium adjustment program  
Managed Care Credit  
Merit Rating Plan adjustments  
Workplace safety program credits

But prior to the application of:

Retrospective rating adjustments  
Schedule rating adjustments  
Premium discount  
Policyholder dividends  
Premium credits for small deductible coverage  
LSRP Rating Plan adjustments  
Catastrophe and Terrorism Provision premium

- Net Earned Premium – Premium net of all premium adjustments, surcharges, and credits.

All Parts of Standard Premium plus:

Premium discount  
Retrospective rating adjustments  
Expense modification program  
Schedule rating premium adjustments  
Premium credits for small deductible coverage

Does not include:

Policyholder Dividends  
Catastrophe and Terrorism Provision premium

Definitions Common to all Policy Year Calls

- Policy Year - The year (January 1 – December 31) in which a policy becomes effective. The premium and loss transactions for all policies that became effective in a given year are to be reported on the line showing that particular year in the policy year field.

Definitions Common to All Accident Year Calls

- Accident Year - The year (January 1 - December 31) in which a loss event occurred. The loss transactions for all loss events that occurred in a given year are to be reported on the line showing that particular year in the accident year field.

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Definitions Common to All Policy and Accident Year Calls

- Incurred Indemnity Claim Count - The number of claims for which an indemnity payment has been made and/or an outstanding reserve exists.
- Indemnity Losses - Losses incurred due to a work related injury that are benefits due to lost wages, vocational rehabilitation, claimant's attorney fees, burial expenses, sums designated for specific injuries, employer liability losses, and employer liability expenses.
- Medical Losses - The losses incurred for the medical treatment of an employee injured in a work-related accident.
- Paid Losses - The benefits paid to the injured worker, claimant's attorney, medical provider, or beneficiary due to a work-related injury.
- Case Reserves - The sum total of individual reserves established for specific known claims.
- Bulk Reserves - The aggregate outstanding reserves established for general case reserve inadequacy, supplemental case reserves, cases that may reopen, or other reserves not associated with specific claims.
- IBNR - Incurred But Not Reported - A reserve for cases that are not currently in the claim files but may eventually develop.
- Total Incurred Losses - Sum of the Indemnity and Medical Paid, Case, Bulk, and IBNR Losses.

Definitions Common to All Policy and Accident Year Calls and the Expense Call

- DCC - Direct Defense and Cost Containment Expense (Formerly Allocated Loss Adjustment Expense) – Direct Defense and Cost Containment Expense is the cost of claim adjustment services including defense, litigation, and medical cost containment. Effective 1/1/98 the NAIC adopted a new definition for ALAE. For policy and accident year 1998 and subsequent the new NAIC definition must be used for all data calls. If the new NAIC definition was implemented on a calendar year basis then policy and accident years 1994-1998 must be reported using the new definition for transactions after 1/1/1998. If the new NAIC definition was implemented on an accident year basis then policy years 1994-1997 and accident years 1994-1998 must be reported using the old definition.

Definitions Specific to the Expense Call

- AO - Adjusting and Other Expense (formerly Unallocated Loss Adjustment Expenses) – Adjusting and Other Expense are those expenses other than allocated

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expenses, which include fees of adjusters and settling agents, loss adjustment expenses for participation in voluntary and involuntary market pools if reported by calendar year, attorney fees incurred in the determination of coverage, including litigation between the insurer and the policyholder; and fees or salaries for appraisers, private investigators, hearing representatives, re-inspectors and fraud investigators, if working in the capacity of an adjuster.