



June 11, 2004

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Item U-1374 – Reporting of Fraudulent Claim Code

The Bureau has adopted and the North Carolina Commissioner of Insurance has approved changes which will be reflected in the *North Carolina Statistical Plan Manual* to amend rules related to reporting of the Fraudulent Claim Code.

The attached Filing Memorandum describes changes which have been approved to become effective May 10, 2004, applicable to new and renewal business.

Additionally, please reference the changes that have been documented in the electronic version of the North Carolina Statistical Plan Manual found on the North Carolina Rate Bureau web site at [http://www.ncrb.org/ncrb/workers_comp_services/forms/NCRB Stat Plan Manual.pdf](http://www.ncrb.org/ncrb/workers_comp_services/forms/NCRB_Stat_Plan_Manual.pdf).

Sincerely,

Sue Taylor

Director of Workers Compensation

ST:dg

C-04-3

FILING MEMORANDUM

ITEM U-1374—REPORTING OF FRAUDULENT CLAIM CODE

(To be effective 12:01 a.m. on May 10, 2004, applicable to new and renewal business only.)

PURPOSE

The purpose of this filing is to amend rules related to reporting of the Fraudulent Claim Code as they appear in *Unit Report Expansion (URE) Workers Compensation Statistical Plan*.

BACKGROUND

Item U-1368—URE Workers Compensation Statistical Plan Revision established the instructions for reporting the Fraudulent Claim Code. These instructions are listed in Part 4, Items 16, 20, and 30 and in Part 7, Item 19 of *URE Workers Compensation Statistical Plan*.

In order to ensure that the Fraudulent Claim Code is reported correctly, it is necessary to clarify the reporting instructions.

PROPOSAL

Update the reporting instructions for the Fraudulent Claim Code in *URE Workers Compensation Statistical Plan* by removing the word "Optional" from this data element's description and changing Fraud Indicator to the correct name of this field, Fraudulent Claim Code.

IMPACT

This item should have no impact on current premium levels, but will facilitate accurate ratemaking and experience rating. The revised instructions will remove the ambiguity that currently exists for reporting the Fraudulent Claim Code.

IMPLEMENTATION

The attached Exhibit 1 includes the proposed new reporting instructions for the Fraudulent Claim Code in *URE Workers Compensation Statistical Plan*.

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EXHIBIT I
PART 4
LOSS DATA

16. FRAUD AMOUNT

When reporting a claim where all of the claim cost is deemed fraudulent, report all loss components (e.g., medical costs, indemnity costs, etc.) apportioned as existed in the gross loss unless a more accurate split can be determined. The Type of Recovery code must be reported. When reporting the Type of Recovery on a partially or fully fraudulent claim, use the Type of Recovery code for Subrogation only (Third Party). When the Subrogation only (Third Party) code is used for indicating fraud recovery, the ~~fraud indicator field~~ **Fraudulent Claim Code field** must be populated with the applicable Partially Fraudulent or Fully Fraudulent code appropriate to the determination under the applicable state law. Please refer to Item 30 of this part and Part 7—Coding Specifications for the relevant Type of Recovery and Fraud codes.

20. LOSS CONDITION CODE

- c. **Type of Recovery** (also refer to Items 11 and 15 in this section regarding recoveries from state Second Injury Funds and other third parties)

(03) Subrogation Only (Third Party)

A recovery due to subrogation that occurs when the carrier has received reimbursements from an entity other than the employer, with legal liability due to circumstances for the injury. When a recovery is received from a finding of fraud in accordance with the applicable state law, this code is used in combination with the ~~Fraud Indicator~~ **Fraudulent Claim Code** coded for a partially or fully fraudulent recovery. See Fraud, Item 16 of this part and Part 7—Coding Specifications, Fraudulent Claim Code.

30. FRAUDULENT CLAIM (CODE) (Optional)

Report the code that identifies the involvement of fraud in a claim. Specific fraudulent claim coding instructions are located in Item 16 of this part and also in Part 7—Coding Specifications, Fraudulent Claim (Code) of this Plan.

- (00) Not Fraudulent—The claim does not involve fraud
- (01) Partially Fraudulent—A portion of the claim cost is deemed invalid, unnecessary or excessive in accordance with the law of the jurisdiction state, if applicable.
- (02) Fully Fraudulent—A claim where all claim costs were found to have arisen from a falsely reported injury in accordance with the law of the jurisdiction state, if applicable.

EXHIBIT I

PART 7

CODING SPECIFICATIONS

19. FRAUDULENT CLAIM (CODE) (Optional)

This code identifies the involvement of fraud in a claim.

Code	Description
00	Not Fraudulent
01	Partially Fraudulent
02	Fully Fraudulent