



COMPENSATION RATING AND INSPECTION BUREAU

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November 16, 2011

STATISTICAL CIRCULAR #114

To all Bureau Members and Subscribers:

Re: Statistical Plan Changes

The Commissioner of Banking and Insurance has approved amendments to the New Jersey Statistical Plan, which is found in Part Three, Section 13 of the New Jersey Workers Compensation and Employers Liability Insurance Manual (Manual).

The following editorial changes become effective January 1, 2012:

- Amend Manual Rule **3:13-22** to eliminate the reference to “Illustrations.” Manual illustrations are being relocated to the new web-based Unit Statistical Reporting Guidebook, which will be discussed in greater detail in an upcoming Advisory Bulletin.
- Amend Manual Rule **3:13-61** to clarify the wording and footnotes for the sample Subrogation Calculation. The term “Cash Recovery” is outdated.

Changes to Manual rules are shown in *italics* and **bold** in the attached **Exhibit**.

Frederick A. Huber
Executive Director

FAH:lb
Att.

EXHIBIT

Amend 3:13-22 and 61 as follows:

PRESENT

22. Exposures—Payroll Rated Risks. Exposures reported shall be audited payrolls, even on minimum premium policies, except in the following cases:

- (a) Instances where an audit is impracticable. Reports of this type shall always be accompanied by an explanation.
- (b) Instances where by reason of circumstances beyond the carrier's control, final audit has not been made up to the time of filing report. In such cases, exposure reported shall include audited payroll for periods audited, and estimated payroll for unaudited periods, and shall be the payroll on which the premium reported is based. The report shall be replaced by a final audit without further request, as soon as audited payrolls are available.
- (c) On policies where the rates or the experience modification have been changed subsequent to the inception date of the policy because of change of anniversary date or any other reason, exposure affected shall be appropriately separated as of the effective date of the change.
- (d) On policies or unit reports where no exposure has developed. In such cases the New Jersey governing class and its manual rate from the policy Information Page shall be shown.

(See Illustrations 1 and 2)

Note: Report all exposures to the nearest dollar, counting fifty cents and over as an extra dollar.

AMENDED

22. Exposures—Payroll Rated Risks. Exposures reported shall be audited payrolls, even on minimum premium policies, except in the following cases:

- (a) Instances where an audit is impracticable. Reports of this type shall always be accompanied by an explanation.
- (b) Instances where by reason of circumstances beyond the carrier's control, final audit has not been made up to the time of filing report. In such cases, exposure reported shall include audited payroll for periods audited, and estimated payroll for unaudited periods, and shall be the payroll on which the premium reported is based. The report shall be replaced by a final audit without further request, as soon as audited payrolls are available.
- (c) On policies where the rates or the experience modification have been changed subsequent to the inception date of the policy because of change of anniversary date or any other reason, exposure affected shall be appropriately separated as of the effective date of the change.
- (e) On policies or unit reports where no exposure has developed. In such cases the New Jersey governing class and its manual rate from the policy Information Page shall be shown.

ELIMINATED

Note: Report all exposures to the nearest dollar, counting fifty cents and over as an extra dollar.

EXHIBIT (Cont'd)

PRESENT

61. Subrogation. A recovery action in which losses incurred by a carrier due to the injury of an employee are reimbursed either in part or in whole by a third party. For all claims where recovery is obtained include each claim at a figure equal to the net liability incurred; provided, however, that where the entire cost of any claim is recovered, the claim shall not be reported. When a subrogation recovery is received by the carrier subsequent to the first reporting of the claim, a correction report must be filed reducing the incurred cost on the claim by the amount of the subrogation recovery received.

The net liability incurred shall be determined by deducting from the gross incurred cost, prior to recovery, the amount recovered (and/or credit actually allowed against unpaid amounts) through subrogation less any claim expense incurred in obtaining such recovery. The net liability incurred shall be apportioned to indemnity and medical in the same proportion as the gross incurred cost. See below:

SUBROGATION CALCULATION

			Percent		
	Total	Indemnity	of Total	Medical	Percent of Total
Gross Incurred Costs*	\$15,140	\$12,613	83%	\$ 2,527	17%
Subrogation Received					
Cash Recovery**	\$3,785				
Future Credit***	\$9,625				
Gross Recovery	\$13,410				
Claim Expense	\$295				
Net Recovery	\$13,115				
Net Cost****	\$2,025	\$1,681		\$344	

* Value of the claim had there been no recovery.
 ** Cash Recovery should include the actual gross cash received.
 *** Future credits are the credits against outstanding payments that would otherwise have had to be made if there were no subrogation recovery. This credit cannot exceed the amount of the outstanding payments.
 **** The division of the net cost between indemnity and medical is to be shown on the accompanying Unit Report.

AMENDED

61. Subrogation. A recovery action in which losses incurred by a carrier due to the injury of an employee are reimbursed either in part or in whole by a third party. For all claims where recovery is obtained include each claim at a figure equal to the net liability incurred; provided, however, that where the entire cost of any claim is recovered, the claim shall not be reported. When a subrogation recovery is received by the carrier subsequent to the first reporting of the claim, a correction report must be filed reducing the incurred cost on the claim by the amount of the subrogation recovery received.

The net liability incurred shall be determined by deducting from the gross incurred cost, prior to recovery, the amount recovered (and/or credit actually allowed against unpaid amounts) through subrogation less any claim expense incurred in obtaining such recovery. The net liability incurred shall be apportioned to indemnity and medical in the same proportion as the gross incurred cost. See below:

SAMPLE SUBROGATION CALCULATION

			Percent		
	Total	Indemnity	of Total	Medical	Percent of Total
Gross Incurred Costs*	\$15,140	\$12,613	83%	\$ 2,527	17%
Subrogation Received					
<i>Recovery Amount</i>	\$3,785				
Future Credit**	\$9,625				
Gross Recovery	\$13,410				
Claim Expense	\$295				
Net Recovery	\$13,115				
Net Cost***	\$2,025	\$1,681		\$344	

* Value of the claim had there been no recovery.
ELIMINATED
 ** Future credits are the credits against outstanding payments that would otherwise have had to be made if there were no subrogation recovery. This credit cannot exceed the amount of the outstanding payments.
 *** The division of the net cost between indemnity and medical is to be shown on the accompanying Unit Report.