# Appendix K – CAR Claim Department File Review Process
# Section 2. Commercial Policies

This section incorporates the selection of the sample, review procedures, and criteria to conduct these examinations following the guidelines in the NAIC Market Conduct Examiners Handbook Chapter VIII G. Claims.

## Introduction

Rule 10 of the CAR Rules of Operation requires CAR to conduct periodic audits of Servicing Carriers' claims including policies reinsured in the Plan and voluntarily written as specified in G.L. c.175 §113H. To satisfy this rule CAR conducts claim examinations to evaluate the effectiveness of their claim handling in meeting industry best practices as well as their compliance with the Performance Standards and NAIC Standards. Procedures for the examination are based on the NAIC Market Conduct Examiners Handbook Chapter VIII – Claims and are further defined in the Manual of Administrative Procedures (MAP) Chapter IV - Claims. The Servicing Carrier Questionnaire and internal documentation including, but not limited to, claim manuals, reserving and claim settlement procedures, and internal audits will be reviewed at the onset of the examination. The reviews are conducted using a systems application that has been built specifically for the purpose of evaluating claim handling practices and compliance with the Performance Standards.

The **CAR Claims Review System** is accessed through the CAR Intranet. After establishing the criteria for the types of claims to be reviewed, the System **downloads** selected claims from the CAR mainframe. The mainframe contains all loss records reported by the Servicing Carriers to CAR.

Once the downloaded loss information has been received into the Claim System, the sample is selected following the guidelines of the NAIC Market Conduct Examiners Handbook - Chapter V Sampling. The size of the sample is dependent on the volume of loss records reported by the Servicing Carrier. In order to evaluate the success of the Commercial Limited Servicing Carrier Program the sample of ceded claims will be larger than that of the voluntary claims.

A random sample of claims will be selected and statistical testing will be performed to determine if there is any statistically significant difference in the handling of voluntary and ceded claims by the Servicing Carrier. If CAR determines that the company is in non-compliance with the Voluntary/Ceded Standard a penalty will be assessed.

**File request letters** are generated by the Claims System to the selected Servicing Carriers complete with a list of files that are required for review. Once the designated files are received they are **logged into** the Claims System and statistical information residing in CAR's Loss Files relevant to the claims selected is imported to an application called **Claim Review**. This information tells the examiner if the claims are ceded or voluntary, if the claims are from a personal policy or a commercial policy, the policy number, and the claim number. This information appears on every Claim Form thus eliminating the need for data entry by the examiners.

In the **Claim Review** a Claims Examiner selects a loss, locates the associated physical claim file, and completes an on-line worksheet titled **Claim Review Form**.

After all of the files have been reviewed and the information has been entered, the Claims System generates three reports titled **Summary of Review**, **Salvage Report**, and **ICPIP Report.**

Each **Summary of Review** contains information imported from the examiners' worksheets on compliance rates, average reporting time, average storage costs, and type of loss breakdowns. Also provided is text to assist the examiners in summarizing these findings. The reviews also contain extensive commentary related to claim handling practices.

The **Salvage Report** is on a spreadsheet and provides data on costs associated with total losses as well as averages for length of storage, cost of storage, and towing costs. All of the data on this worksheet is downloaded from the Claim Form prepared by the examiners. This avoids duplicate entry of information by the examiners.

The **ICPIP Report (**Insurance Claim Payment Intercept Program) is a spreadsheet that contains data downloaded from the Claim Form. This report lists all liability claims that are eligible to have been reported by the Servicing Carriers to the Department of Revenue. Massachusetts General Law Chapter 175, section 24D requires that all third party settlements exceeding $500 must be reported to the Department of Revenue for the purpose of resolving child support liens. This report indicates whether or not the necessary inquiries were made and the overall compliance rate of the Servicing Carrier with this law. The results are submitted to the Department of Revenue by the CAR Claim Department after a review of the report by the Servicing Carrier. As was the case in the Summary of Review and Salvage Report the download of information eliminates duplicate entry.

As mentioned previously, once all of the data is assembled in each of the reports the examiners add their comments to the Summary of Review. These comments are on areas that require some degree of subjectivity such as the overall quality of claim handling and specific areas that may be in need of attention.

The Summary of Review, Total Loss Report, ICPIP Report and the examiners' worksheets, all of which are produced by the Claims Review System, are posted on CAR's website on the Reports page and an email sent to the Servicing Carrier notifying them that the report is available for viewing. This is a secure application requiring a sign-on and password. A cover letter accompanies these reports summarizing the results and identifying areas of non-compliance or substandard claim handling. In all cases a written response from the Servicing Carrier is requested.

The compliance status of the Commercial Limited Servicing Carriers will be reported annually to the Claims Advisory Committee, Commercial Lines Committee, and the Division of Insurance.

## Definitions

Contact: Under the PIP and BI Standards Contact must be either in person or by telephone call. If the injured party cannot be reached on this initial contact a letter or email may be sent as a follow-up.

IME (Independent Medical Examination): A physical examination of the injured party to document the injury and provide an opinion on whether the treatment is reasonable, necessary, and appropriate for the injury sustained. Cut off dates may be established.

Major Non-compliance: A carrier is not in compliance with the Standards in one or more areas and claim handling is affected and overpayments may be occurring as a result.

Medical Audit: Peer reviews of some or all of a claimant's medical bills and/or records by doctors, nurses, or other medical professionals.

Minor Non-compliance: A carrier is not in compliance with the standards in one or more areas but the quality of claim handling is unaffected and no overpayments result from this situation. Neither a warning nor penalty will result from a finding of minor non-compliance.

MBR (Medical Bill Review): A review of medical bills using a computerized/expert system, PPO, or provider of the same medical discipline as the provider bills being reviewed. Bills are checked for reasonableness of cost and modality. Duplication of treatments or unnecessary modalities are eliminated and not paid.

SIU: Special Investigations may be performed by SIU personnel or other personnel trained to handle suspicious claims using activity checks, surveillance, accident reconstruction, statements or examinations under oath. Special investigations also include third party expert analysis of documents associated with suspicious claims. Liability investigations are not considered to be special investigations.

Type 1 Penalty: A Type 1 penalty is assessed when a carrier remains in non-compliance in the review subsequent to being warned but has improved its claim handling practices significantly.

Type 2 Penalty: A Type 2 penalty is assessed when a carrier fails to improve its claim handling practices in the review subsequent to being warned for non-compliance.