

Telecommunications Manual

CHAPTER XVII – AVERAGE COST PER CLAIM SYSTEM

A. GENERAL INFORMATION

The Average Cost Per Claim system creates and maintains the Average Cost Per Claim summarized database, (AVS). It is run concurrently with the Allocated Expense System, on a monthly basis beginning with accident year 1995. That is, CAR updates the AVS database once per month (usually the second week of each month).

This system is designed to expand the information available relative to average claim costs. Companies are now able to browse their average costs in various ways. The results for your company and the Industry are available by subline and accident year through several different report types.

| <u>REPORT TYPE</u> | <u>REPORT NAME</u> |
|--------------------|--|
| 1 | Private Passenger - Ceded |
| 2 | Private Passenger - Voluntary |
| 3 | Private Passenger - Ceded/Voluntary |
| 4 | Commercial - Ceded |
| 5 | Commercial - Voluntary |
| 6 | Commercial - Ceded/Voluntary |
| 7 | Private Passenger /Commercial - Ceded |
| 8 | Private Passenger/Commercial- Voluntary |
| 9 | Private Passenger/Commercial - Ceded/Voluntary |

Each report type includes the following calculations:

Average Allocated Expense derived by dividing the Allocated Expense amount by the claim count for a specific loss type.

Total Net Loss amount that equals the sum of the Indemnity amount, Allocated amount, Salvage amount and Subrogation amount for a specific loss type.

Average Claim Cost is derived by dividing the Total Net Loss amount by the Claim Count for a specified loss type.

Average Salvage amount is calculated by dividing the Salvage amount by the Salvage count.

Percent Recovery to Paid (Salvage) is derived by dividing the Salvage amount by the Indemnity amount.

Average Subrogation amount is calculated by dividing the Subrogation amount by the Subrogation count.

Percent Recovery to paid (Subrogation) is derived by dividing the Subrogation amount by the Indemnity amount.

CHAPTER XVII – AVERAGE COST PER CLAIM SYSTEM

A. GENERAL INFORMATION (CONTINUED)

The AVS is created utilizing an excess cap for claims under Bodily Injury, Uninsured Motorist and Underinsured Motorist that are paid as indemnity.

For security purposes, you will only be able to view your company's information and the industry averages for each line of coverage.

If you encounter any problems, please notify your data analyst.

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B. ACCESSING THE AVERAGE COST PER CLAIM SYSTEM

To access the Average Cost per Claim System from the TE100- TELECOMMUNICATIONS MAIN MENU (exhibit XVII-B-1),

- 1) **Select PF7 or tab to the option field, type "07", and hit ENTER.**

Exhibit XVII-B-1

| | | |
|----------------------------------|--|------------|
| TE100SB | COMMONWEALTH AUTOMOBILE REINSURERS | 11/01/2006 |
| TEMENUSA | TELECOMMUNICATIONS | 11:53:47 |
| C.A.R. ACCOUNTING | PF2 OR 02 | |
| SESSION SYSTEM | PF3 OR 03 | |
| STATISTICAL SYSTEM | PF4 OR 04 | |
| PRODUCER CODE SYSTEM | PF5 OR 05 | |
| TAXI INDEX SYSTEM | PF6 OR 06 | |
| AUDIT & CLAIMS SYSTEM | PF7 OR 07 | |
| EXPERIENCE RATING SYSTEM | PF8 OR 08 | |
| TERMINATE C.A.R. SESSION | PF12 OR 12 | |
| | : : | |
| | DEPRESS PFKEY OR ENTER PROCESSING OPTION | |

The TE170MN- C.A.R. AUDIT CLAIMS SYSTEM appears (exhibit XVII-B-2).

Exhibit XVII-B-2

| | | |
|-------------------------------|------------------------------------|--------------------------|
| TE170 | COMMONWEALTH AUTOMOBILE REINSURERS | 11/01/06 |
| | C.A.R. AUDIT CLAIMS SYSTEM | 09:20:36 |
| | COMPANY NUMBER <u>999</u> | |
| CAR POLICY HISTORIES | PF2 OR 02 | |
| SPECIAL INVESTIGATIVE UNIT | PF3 OR 03 | |
| ALLOCATED EXPENSE SYSTEM | PF4 OR 04 | |
| REINSURANCE AUDIT ACCESS | PF5 OR 05 | |
| AVERAGE COST PER CLAIM | PF6 OR 06 | |
| | : : | |
| PF1/01 - HELP | | PF12/12 - RETURN TO MENU |

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B. ACCESSING THE AVERAGE COST PER CLAIM SYSTEM (CONTINUED)

To access CAR's Average Cost Per Claim System from this screen,

- 1) **Select PF6 or tab to the option field, type "06", and hit ENTER.**

The AV100SA – AVERAGE COST PER CLAIM SYSTEM screen (exhibit XVII-B-3) appears.

Exhibit XVII-B-3

```
AV100SA          COMMONWEALTH AUTOMOBILE REINSURERS      11/01/2006
AV100MN          AVERAGE COST PER CLAIM                15:36:13
                  MAIN MENU

                HELP .....PF1  OR 01
                BROWSE .....PF3  OR 03
                MESSAGE.....PF4  OR 04
                UPDATE MESSAGE.....PF5  OR 05
                TERMINATE SESSION.....PF12 OR 12

                  :  __  :
```

Enter the value in the processing option field or the appropriate PF key as follows:

- PF1/01 This function key provides help throughout all the on-line screens.
- PF3/03 Allows the user to browse average costs by accident year for private passenger and commercial business, for voluntary and ceded business either separately or in combination. The corresponding industry results are also available. See section C for specific information.
- PF4/04 Allows the user to access the Average Cost Per Claim message board which displays information specific to the Average Cost Per Claim system posted by CAR staff. See section D for specific information.
- PF5/05 For CAR use only; companies will not have access to this function.
- PF12/12 Returns to the Main Menu (TE100).

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C. **BROWSING THE AVERAGE COST PER CLAIM REPORTS**

The Average Cost Per Claim for your company can be browsed by subline and accident year through several different report types. The Industry averages can also be browsed by the same report types. To browse the Average Cost Per Claim reports from the AV100 - AVERAGE COST PER CLAIM MENU (exhibit XVII-C-1),

Exhibit XVII-C-1

```

AV100SA          COMMONWEALTH AUTOMOBILE REINSURERS      11/01/2006
AV100MN          AVERAGE COST PER CLAIM                 15:36:13
                  MAIN MENU

                HELP .....PF1  OR 01

                BROWSE .....PF3  OR 03

                MESSAGE.....PF4  OR 04

                UPDATE MESSAGE.....PF5  OR 05

                TERMINATE SESSION.....PF12 OR 12

                : __ :
    
```

1) Press PF3 or tab to the option field, type "03" and hit ENTER.

The AV600SA – AVERAGE COST PER CLAIM REPORT SELECTION MENU (exhibit XVII-C-2) appears.

Exhibit XVII-C-2

```

AV600SA          COMMONWEALTH AUTOMOBILE REINSURERS      17:35:52
AV600PR          AVERAGE COST PER CLAIM                 11/01/06
                  REPORT SELECTION MENU

CO # 999 ENTER 1 ACCIDENT YEAR OR 'ALL' AND AN X TO SELECT ONE REPORT

                ACCIDENT YEAR(YYYY): 2005

                RPT  X  ==DESCRIPTION==

                1   X  PP    - CED
                2   -   PP    - VOL
                3   -   PP    - CED/VOL
                4   -   COM   - CED
                5   -   COM   - VOL
                6   -   COM   - CED/VOL
                7   -   PP/COM - CED
                8   -   PP/COM - VOL
                9   -   PP/COM - CED/VOL

                PF3/3  DISPLAY REPORT      : __ :      PF12/12 - EXIT ACTION
    
```

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C. BROWSING THE AVERAGE COST PER CLAIM REPORTS (CONTINUED)

To select a report type,

- 1) Input an accident year or ALL
- 2) Tab to the desired report type
- 3) Mark it with an "X"
- 4) Select PF3 or type "03" in the option field and hit ENTER.

If there are no records for a company the message "NO RECORDS FOUND FOR THIS COMPANY/YEAR" appears.

The selected report screen will appear. As an example, report type #2 is displayed. This report shows private passenger voluntary average costs per claim for a specified accident year (exhibit XVII-C-3).

Exhibit XVII-C-3

| | | | | | | |
|---|------------------------------------|-------------------------------|----------|----------------|--------------|----------------------------|
| AV650SA | COMMONWEALTH AUTOMOBILE REINSURERS | | | | 11/01/2006 | |
| AV650PR | PRIVATE PASSENGER VOLUNTARY | | | | 15:40:42 | |
| REPORT #: | 02 | AVERAGE COST PER CLAIM REPORT | | | | |
| CHANGE REPORT # ABOVE FOR NEW REPORT | | | | | | |
| COMPANY: | 999 ANY INSURANCE COMPANY | | | ACCIDENT YEAR: | 2005 | |
| TYPE | CLAIM | INDEM | ALLOC | AVG ALLOC | TOTAL NET | AVERAGE |
| LOSS | COUNT | AMT | AMT | EXPENSE | LOSS AMOUNT | CLAIM COST |
| BI | 1100 | 12411441 | 1875203 | 1705 | 14277444 | 12979 |
| PD | 799 | 1931099 | 25119 | 31 | 1953660 | 2445 |
| OTC | 34 | 83353 | 2644 | 78 | 85997 | 2529 |
| COL | 1382 | 4224296 | 5885 | 4 | 1026932 | 743 |
| MP | 183 | 702703 | 5556 | 30 | 708259 | 3870 |
| UM | 115 | 1006029 | 59777 | 520 | 1063481 | 9248 |
| UDM | 27 | 518505 | 76163 | 2821 | 594668 | 22025 |
| PIP | 2510 | 8714314 | 246901 | 98 | 3960761 | 1578 |
| PL | 0 | 0 | 0 | 0 | 0 | 0 |
| AO | 399 | 181909 | 0 | 0 | 57210 | 143 |
| TOT | 6549 | 29773649 | 2297248 | 351 | 23728412 | 3623 |
| *=NOTE=* BI, UM, UDM CLAIMS THAT ARE PAID AS INDEMNITY AND ARE GREATER THAN 100,000 ARE NOT INCLUDED IN THIS REPORT | | | | | | |
| PF1/1 | HELP | PF5/5 | PG RIGHT | PF8/8 | PAGE FORWARD | |
| PF3/3 | NEW RPT | PF7/7 | PG BACK | : | PF9/9 | VIEW INDUSTRY PF12/12 EXIT |

To display a different report for the same accident year,

- 1) Type over the current report number with the number of the desired report,
- 2) Press PF3 or tab to the option field, type "03" and hit ENTER.

To display the corresponding Industry report,

- 1) Press PF9 or tab to the option field, type "09" and hit ENTER.

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C. BROWSING THE AVERAGE COST PER CLAIM REPORTS (CONTINUED)

- Use PF9 as a toggle between the Industry and company results.
- Each report is displayed in two parts. The Salvage and Subrogation records are displayed on the right side of the report. Use PF5/5 to PAGE TO THE RIGHT and PF6/6 to PAGE TO THE LEFT to browse the two pieces of the report.
- Use the PF8/8 to SCROLL FORWARD and PF7/07 to SCROLL BACKWARD to view the other report types for the specified accident year.

The field definitions for the AV650SA are-

| FIELD | POSSIBLE VALUES/DESCRIPTION |
|-----------------------|--|
| LOSS TYPE | BI - Bodily Injury PD - Property Damage OTC – Other Than Collision COL – Collisiion MP - Medical Payments UM - Uninsured Motorist UDM – Underinsured Motorist PIP - No Fault PL – Pollution Liability AO - All Other Than Collision |
| CLAIM COUNT | The number derived by using the claims that only have indemnity payments under a type of loss on a particular claim number and date of loss. |
| INDEM AMT | The amount paid under a specific type of loss. |
| ALLOC AMT | The out of pocket investigative expenses paid under a particular type of loss. |
| AVG ALLOC EXPENSE | The sum of allocated expenses divided by the claim count. |
| TOTAL NET LOSS AMOUNT | The sum of indemnity payments plus allocated expenses plus the salvage and subrogation recoveries for a particular loss type. |
| AVERAGE CLAIM COST | The total net loss amount divided by the claim count for a particular type of loss. |
| SALVAGE COUNT | The number of claims with indemnity payments for a particular type of loss with a salvage recovery. |
| SALVAGE AMOUNT | The amount of salvage recoveries received under a particular type of loss. |
| AVERAGE SALVAGE | The sum of the salvage amount divided by the salvage count under a particular type of loss. |
| % RECOV TO PD | The percentage of salvage amount recovered to the indemnity paid under a particular type of loss. |
| SUBRO COUNT | The number of claims with indemnity payments for a particular type of loss with a subrogation recovery. |
| SUBRO AMOUNT | The amount of subrogation received under a type of loss. |
| AVG SUBRO | The sum of subrogation amount divided by the subrogation count under a particular type of loss. |
| % RECOV TO PD | The percentage of subrogation amount recovered to the indemnity paid under a specific type of loss. |

CHAPTER XVII – AVERAGE COST PER CLAIM SYSTEM

C. BROWSING THE AVERAGE COST PER CLAIM REPORTS (CONTINUED)

To exit back to the main menu,

- 1) Select PF12 or tab to the option field, type "12", and hit ENTER.

D. AVERAGE COST PER CLAIM MESSAGE BOARD

The message board is used by CAR to post information that is specific to the Average Cost Per Claim system. To access the Average Cost Per Claim Message Board from the AV100 - AVERAGE COST PER CLAIM MENU (exhibit XVII-D-1),

Exhibit XVII-D-1

```
AV100SA          COMMONWEALTH AUTOMOBILE REINSURERS      11/01/2006
AV100MN          AVERAGE COST PER CLAIM              15:36:13
                  MAIN MENU

                  HELP .....PF1  OR 01
                  BROWSE .....PF3  OR 03
                  MESSAGE.....PF4  OR 04
                  UPDATE MESSAGE.....PF5  OR 05
                  TERMINATE SESSION.....PF12 OR 12

                  : __ :
```


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D. AVERAGE COST PER CLAIM MESSAGE BOARD (CONTINUED)

- 1) Select PF4 or tab to the option field, type "04", and hit ENTER.

The AV200SA- AVERAGE COST PER CLAIM SYSTEM MESSAGE BOARD appears (exhibit XVII-D-2).

Exhibit XVII-D-2

```
AV200SA          COMMONWEALTH AUTOMOBILE REINSURERS          11/01/2006
AV200PR          AVERAGE COST PER CLAIM SYSTEM             10:26:18
                  MESSAGE BOARD
                  UPDATED: 11/01/2006

LAST AVERAGE COST PER CLAIM RUN: 11/09/2006   NEXT SCHEDULED RUN: 12/10/2006

*****
* WELCOME TO THE AVERAGE COST PER CLAIM SYSTEM.          *
*                                                         *
*                                                         *
*                                                         *
*                                                         *
*                                                         *
*                                                         *
*                                                         *
*                                                         *
*                                                         *
*****

ENTER PFKEY/OPTION
      :  _  :          PF12/12 - EXIT MESSAGE BOARD
```

To exit back to the main menu,

- 1) Select PF12 or tab to the option field, type "12", and hit ENTER.