



Oregon

Theodore R. Kulongoski, Governor

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July 31, 2008

To: All authorized Oregon insurers

Subject: 2008 insurer actions necessary for compliance with new proof of coverage law

Industry Notice

Starting July 1, 2009, Oregon will have a new proof of coverage system for workers' compensation insurance. Every company that writes workers' compensation insurance in Oregon must comply with the new law. The new system requires electronic data interchange (EDI) reporting. This means insurers must send policy-based coverage information electronically starting July 1, 2009.

To ensure a smooth transition, insurers must take certain actions in 2008 to prepare for the new reporting system. The Department of Consumer and Business Services has prepared a transition plan providing background and detailing the required actions. The plan is included with this notice. It is also available on the division's Web site at <http://www.cbs.state.or.us/wcd/communications/sb559.html>.

By Dec. 31, 2008, insurers must:

- Designate a vendor or state intention to direct report. This applies *only* to insurers that do not currently send the department guaranty contract information by EDI.
- Sign a trading partner agreement effective July 1, 2009, to send guaranty contract information electronically. This applies *only* to insurers that do not currently send guaranty contract information by EDI.
- Prepare to send two years of historical policy data information to the department (due in early 2009).
- Initiate the EDI testing process if direct reporting or using a vendor that is not yet approved by the department.

The transition plan also outlines the department's compliance expectations during the transition from guaranty contracts to policy-based proof of coverage.

The administrative rules process to implement the new law has started. The department will hold a public hearing on proposed rules on Aug. 21, 2008. Proposed rules are on the division's Web site at <http://www.cbs.state.or.us/wcd/communications/sb559.html>.

If you have questions, contact Cara Filsinger, Worker's Compensation Division project manager, at 503-947-7582 or cara.l.filsinger@state.or.us.

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Distribution: PD8002



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Senate Bill 559 Implementation Transition Planning Guide

July 31, 2008

Background

The Oregon Legislature created the guaranty contract in 1965 as the way employers and insurers provide proof of workers' compensation coverage to the Department of Consumer and Business Services. When an employer buys a workers' compensation insurance policy, the insurer must file a paper guaranty contract with the department. This secondary contract states the insurer assumes the employer's liability for payment of compensation to injured workers.

Senate Bill 559, passed by the 2007 Legislature, removes the requirement for insurers to file a guaranty contract and instead requires the filing of policy-based proof-of-coverage information. The bill changed the focus of coverage, reporting, and regulatory actions to link with the insurance policy. The new law takes effect July 1, 2009. Rules to implement the new law have been proposed. See the proposed rules at <http://www.cbs.state.or.us/wcd/communications/sb559.html>.

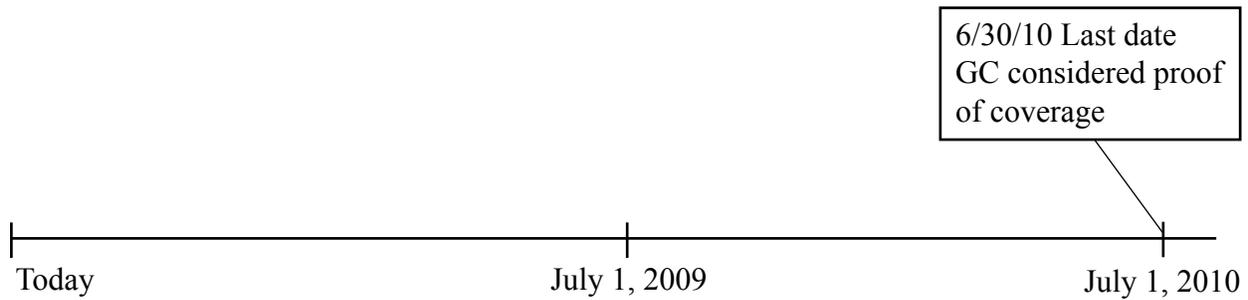
This plan outlines key areas that insurers need to know to ensure a smooth transition. **Insurers must take specific actions before the July 1, 2009, implementation date.** These items are highlighted in the text below.

Transition period – July 1, 2009, to June 30, 2010

The law changes apply to proof of coverage sent on or after July 1, 2009, for new or renewed policies effective on or after July 1, 2009. Recognizing that each insurer has a unique renewal schedule the department has developed a one-year plan to transition from guaranty contract proof of coverage to policy proof of coverage.

The department will use an existing guaranty contract as proof of coverage between July 1, 2009, and July 1, 2010. This will allow insurers to report renewal policy information that reflects the actual policy period. Renewal policy information reported for an employer during that period will replace an existing guaranty contract. If the employer gets new coverage during the one-year transition period, the new policy information will replace the guaranty contract on file.

Effective July 1, 2010, the department will not use guaranty contracts for proof-of-coverage purposes. The department will provide a list of guaranty contracts not replaced by new or renewed policy coverage so the insurer can determine actions for any remaining guaranty contracts.



Existing GC on file (may or may not have renewal info on file)	GC= Proof of Coverage until replaced by policy filing at new/renewal
New policy effective before 7/1/09 = file GC (within 30 days of policy effective date)	GC= Proof of Coverage until replaced by policy filing at new/renewal
New or renewed policy effective on or after 7/1/09 = file EDI policy information (within 30 days of policy effective date)	

Electronic data interchange reporting

Electronic reporting of new policy-based information will be mandatory. We call this system electronic data interchange or “EDI.”

The department will use the International Association of Industrial Accident Boards and Commission (IAIABC) standard data elements as the foundation for the electronic reporting system. The administrative rules outline the required and optional data elements (see proposed OAR 436-160).

Insurers can either contract with a vendor to report on their behalf or develop their own reporting system. If choosing the vendor option, insurers should sign up by Dec. 31, 2008, to ensure the vendor has enough time to prepare the insurer’s data for EDI processes starting July 1, 2009.

Some insurers already report guaranty contract information by EDI. These insurers have signed a trading partner agreement with the department that converts an electronic transaction into a guaranty contract. Because there are some guaranty contract transactions that will happen after July 1, 2009, the department will retain these agreements for the near future. The system will sort electronic transactions based on the effective date of the policy:

- For policies effective before July 1, 2009, transactions will create or modify a guaranty contract, provided there is a signed trading partner agreement on file with the department.
- For policies effective on or after July 1, 2009, transactions will create or modify a policy proof of coverage.

Note: Electronic guaranty contract reporting after July 1, 2009

Insurers not currently sending guaranty contract information through EDI need to make a decision before Jan. 1, 2009. Insurers not signed up to send EDI transactions for guaranty contracts by Dec. 31, 2008, will be required to continue sending paper forms for new guaranty contracts and endorsements to guaranty contracts for policies effective before June 30, 2009. This does not apply to insurers that already send guaranty contracts electronically.

To send guaranty contract information electronically on and after July 1, 2009, insurers must sign a trading partner agreement by Dec. 31, 2008. If no trading partner agreement is on file, insurers will have to continue sending paper forms for guaranty contract information after July 1, 2009.

This does not affect guaranty contract information sent during 2008 and before July 1, 2009 – insurers will continue to send this information on paper.

To discuss your options, please contact the Workers' Compensation Division's EDI coordinator, 503-947-7626, or see the Web site at <http://www.cbs.state.or.us/wcd/communications/sb559.html>.

Insurer profile - designation of vendor or direct-reporting

For insurers that have *not* signed a trading partner agreement to send guaranty contracts via EDI, the department needs to know whether the insurers will designate a vendor or direct-report. The department also needs information about technical and business contacts. Insurers that already use an authorized vendor (NCCI or ISO) do not need to complete a new insurer profile.

Insurers should complete EDI profiles by Dec. 31, 2008. The “Oregon EDI Insurer Profile” (Form 4821) is available on the department's Web site, <http://www.cbs.state.or.us/wcd/communications/sb559.html>.

Historic policy data file requirements

EDI reporting expects transactions to arrive in a particular sequence. For example, a cancellation cannot be sent before a transaction that establishes the policy. Therefore, the EDI system rejects transactions that do not come in the expected order. Much of the current information on file with the department is based on guaranty contracts and not policies. This means the department does not have a record of each active policy or its recent transaction history.

The EDI system will reject the majority of transactions sent after July 1, 2009, if the department does not have accurate historic policy information to coordinate the system with the “real” policy world.

We know from experience implementing electronic reporting for guaranty contracts that gathering historic policy data ahead of time substantially reduces initial reporting problems. Our largest vendor, NCCI, as well as the IAIABC, recommends insurers provide two years of policy history data. In addition to making sure our system has an accurate history of recent policy transactions, the historic file will also make sure there is information to match up with endorsement transactions created by the various audit schedules used by insurers.

To that end, **every insurer needs to submit two years of historical policy data.** The historic file should contain all transactions for all policies in effect at any time between July 1, 2007, and June 30, 2009, regardless of the policy's current status (active or cancelled).

Either the insurer or vendor can provide the historic file to the department. Vendors have indicated they will provide the two-year historic file on behalf of an insurer that registers with the vendor by Dec. 31, 2008.

The historic policy file should be submitted in two parts:

Deadline 1: Feb. 10, 2009 (all transactions for policies in effect between July 1, 2007, and Jan. 31, 2009, regardless of the policy's current status).

Deadline 2: July 6, 2009 (all transactions for policies in effect between Feb. 1, 2009, and June 30, 2009, regardless of the policy's current status).

Appendix A provides technical details about the format and how to submit historic policy information files to the department.

The department will not use the historical policy information submitted by insurers or vendors to update existing guaranty contract data, create new guaranty contracts, or terminate existing guaranty contracts. Insurers must continue to file or make changes to guaranty contracts as required by current law and rules. The proposed administrative rules detail how electronic transactions affect guaranty contracts after July 1, 2009.

EDI testing schedule and criteria

Currently, NCCI and ISO are the only two vendors approved to send electronic data to the department. Any other third-party vendor or direct-reporting insurer must complete EDI testing and obtain department approval in order to submit EDI transactions starting July 1, 2009. Testing will start March 2009. New reporters should review the testing schedule in Appendix B and plan accordingly.

Compliance expectations during transition period

The department expects all insurers to comply with the new reporting requirements starting July 1, 2009. To ensure a smooth transition, the department will focus on resolving any reporting issues and may suspend quarterly proof-of-coverage penalties during the last two quarters of 2009. Penalties for failure to respond to department requests for information on pending coverage issues will continue as usual. The department has set the following schedule for quarterly penalty assessments for proof of coverage reporting in 2009.

Quarterly penalty assessment for timely filing of guaranty contracts/proof of coverage information	
January – March 2009 (First quarter)	Status quo penalties on guaranty contract filings
April – June 2009 (Second quarter)	Status quo penalties on guaranty contract filings
July – September 2009 (Third quarter)	Proof-of-coverage penalties suspended
October – December 2009 (Fourth quarter)	Proof-of-coverage penalties suspended
January 2010 and forward	Based on evaluations of the performance data during the last two quarters of 2009, penalties may resume for proof of coverage filings for both timely filing of coverage and timely filing of cancellation notices.

The department will not use the two-year historical policy information submitted on Feb. 10, 2009, and July 6, 2009, to verify, issue, or change penalties relating to guaranty contract liability for coverage effective before July 1, 2009. The department will base penalties and liability for coverage on the guaranty contract information provided in paper or electronic form before July 1, 2009.

Appendix A – Historic Policy Data File Requirements

Background

EDI reporting expects transactions to arrive in a particular sequence. For example, a cancellation cannot be sent before a transaction that establishes the policy. Therefore, the EDI system rejects transactions that do not come in the expected order. Much of the current information on file with the department is based on guaranty contracts and not policies. This means the department does not have a record of each active policy or its recent transaction history.

What kind of policy data?

All insurers need to submit two years of historical policy data. The historic file should contain all transactions for all policies in effect at any time between July 1, 2007, and June 30, 2009, regardless of the policy's current status (active or cancelled). This is to ensure the department's system contains an accurate sequence of transactions, including:

- Binder
- New policy
- Policy renewal
- Endorsement
- Cancellation
- Non-renewal
- Reinstatement
- Rewrite or reissue

The historic policy file should include all transactions reported to NCCI through WCPOLS (Workers Compensation Policy Reporting Specifications).

What is the data format?

The department uses standard data elements from the IAIABC as defined in OAR 436-160-0310 (Appendix A). A copy of the required and optional data elements is on the next page.

Who submits the file?

Either the insurer or vendor can provide the historic file to the department. Vendors have indicated they will provide the two-year historic for an insurer that registers with the vendor by Dec. 31, 2008.

When is the file due?

The historic policy file should be submitted in two parts:

Deadline 1: Feb. 10, 2009 (all transactions for policies in effect between July 1, 2007, and Jan. 31, 2009, regardless of the policy's current status).

Deadline 2: July 6, 2009 (all transactions for policies in effect between Feb. 1, 2009, and June 30, 2009, regardless of the policy's current status).

Where is the file sent?

Vendors and insurers should contact the department to obtain the file transfer protocol (FTP) server, upload, and download directory information.

Questions?

Contact the Workers' Compensation Division's EDI coordinator at 503-947-7626 or visit the division's Web site at <http://www.cbs.state.or.us/wcd/communications/sb559.html>.

Proposed OAR 436-160-0310 (Appendix A) – July 2008

Data element	Data Element Number	Establishing document transactions	Endorsement	Cancellation or Nonrenewal by Insurer	Cancellation or Nonrenewal by Insured	Reinstatement
INSURED RECORD						
Transaction Set ID	DN001	M	M	M	M	M
Record Sequence Number	DN107	M	M	M	M	M
Transaction Set Purpose Code	DN300	M	M	M	M	M
Jurisdiction Designee Received Date	DN302	M	M	M	M	M
Transaction Set Type Code	DN002	M	M	M	M	M
Transaction Reason Code	DN303	M	M	M	M	M
Transaction Set Type Effective Date	DN304	M	M	M	M	M
Insurer FEIN	DN006	M	M	M	M	M
Insurer Name	DN007	M	O	O	O	O
Issuing Office Name	DN305	O	O	O	O	O
Issuing Office Address Line 1	DN306	O	O	O	O	O
Issuing Office Address Line 2	DN307	O	O	O	O	O
Issuing Office City	DN308	O	O	O	O	O
Issuing Office State	DN309	O	O	O	O	O
Issuing Office Postal Code	DN310	O	O	O	O	O
Issuing Agency Name	DN311	O	O	O	O	O
Issuing Agency City	DN312	O	O	O	O	O
Issuing Agency State	DN313	O	O	O	O	O
Insured FEIN	DN314	M	M	M	M	M
Insured Name	DN017	M	M	M	M	M
Insured Address Line 1	DN315	M	O	O	O	O
Insured Address Line 2	DN316	O	O	O	O	O
Insured City	DN317	M	O	O	O	O
Insured State	DN318	M	O	O	O	O
Insured Postal Code	DN319	M	O	O	O	O
Insured Telephone Number	DN320	O	O	O	O	O
Business Market	DN321	M	M	M	O	O
Wrap-Up Indicator	DN322	M	M	M	O	O
Insured Legal Status	DN323	M	O	O	O	O
Employee Leasing Policy Identification	DN333	M	O	O	O	O
Policy Number	DN028	M	M	M	M	M
Policy Effective Date	DN029	M	M	M	O	M
Policy Expiration Date	DN030	M	M	M	O	O
Prior Policy Number	DN324	C	O	O	O	O
Assignment Date	DN325	O	O	O	O	O
Jurisdiction	DN004	M	M	M	M	M
Governing Class	DN326	M	O	O	O	O
Total Payroll	DN327	O	O	O	O	O
Number of Employers	DN328	C	C	C	C	C
Number of Employers Expanded	DN336	C	C	C	C	C
EMPLOYER RECORD						
Transaction Set ID	DN001	M	M	M		
Record Sequence Number	DN107	M	M	M		
Employer FEIN	DN016	M	M	M		
Employer UI Code	DN329	O	O	O		
Employer Name	DN018	M	M	O		
Employer Address Line 1	DN019	M	O	O		
Employer Address Line 2	DN020	O	O	O		
Employer City	DN021	M	O	O		
Employer State	DN022	M	O	O		
Employer Postal Code	DN023	M	O	O		
Industry Code	DN025	O	O	O		
Number of Employees	DN330	O	O	O		
Employer Notification Date	DN331	O	O	O		

Appendix B - EDI Testing Criteria

Who must perform testing?

NCCI and ISO are the only two vendors currently approved to send electronic data to the department. This testing process applies to any other third-party vendor or direct-reporting insurer. Testing and department approval must be obtained before July 1, 2009, to submit EDI transactions starting July 1, 2009.

When will testing occur?

Testing starts in March 2009. Reporters must follow all testing procedures and obtain department authorization *before* July 1, 2009, to start sending proof of coverage through EDI starting July 1, 2009.

Whom do I contact to conduct testing?

Contact the Workers' Compensation Division's EDI coordinator at 503-947-7626 or visit the division's Web site at <http://www.cbs.state.or.us/wcd/communications/sb559.html>.

Detailed testing procedures

These testing steps apply to all new vendors and direct-reporting insurers. Additional technical information is available in the Oregon EDI Implementation Guide for Proof of Coverage, available on the department Web site listed above.

Stage 1: File Transfer Protocol Communication Testing

The first stage is to establish an EDI reporting relationship and make sure that vendors and direct-report insurers can successfully send and get data from the department.

1. Vendors and direct-report insurers must first provide the department the document "EDI Insurer Profile" indicating their key contact information. This document is required before the department will start the next testing steps. To get the form, visit the Workers' Compensation Division at <http://wcd.oregon.gov/>, and click on "Electronic Data – EDI" link on the lower left-hand side of the page.
2. The vendor and direct-report insurers must arrange to submit a test file via Secure File Transfer Protocol (SFTP) to the department to assess the functionality of the transmission. Contact the EDI coordinator to schedule a test file submission date and to get server, upload, and download directory information. The steps for this test are:
 - A. The vendor and direct-report insurer must send a sample test file using the correct IAIABC formats that the department's proof-of-coverage EDI program can process. The test file must contain at least 10 proof-of-coverage transactions. The test may be "mock data" or actual proof-of-coverage data from current or past transmission periods. The department will discard all data submitted as part of the FTP test after the test phase is complete.
 - B. The department will send a "mock" IAIABC proof-of-coverage EDI acknowledgement transaction (AKP) to indicate the successful delivery of the FTP test transaction.
 - C. The test file must pass technical validation edits. The department may request subsequent test transmissions in order to resolve any errors. This test will be determined successful when:

- Transmissions are sent without errors in the header or trailer records,
- Transmissions are sent without transaction-level technical errors, and
- Vendors and direct-report insurers can receive and process automated IAIABC proof-of-coverage EDI acknowledgement transactions.

3. The department will notify vendors and direct-report insurers in writing when they are approved to start the next stage of testing.

Stage Two: Proof-of-Coverage EDI File Content Test

The second stage of testing determines whether vendors and direct-report insurers can send correctly formatted and structured EDI files. This stage includes submission of the required two-year historical policy information file. Vendors not approved by July 1, 2009, may not submit data for any Oregon insurer until the testing process is completed. Direct-report insurers that do not have department authorization must use an approved vendor until the department approves them to submit EDI transactions.

1. Vendors and direct-report insurers must send a proof-of-coverage EDI test transmission to demonstrate that each required triplicate code can be sent in the correct format and the department's proof-of-coverage program can process the transactions. The steps for this test are:

- A. Vendors and direct-report insurers should send at least three separate transmissions containing a minimum of three records for each Oregon-valid triplicate code included in the IAIABC EDI Implementation Guide. Only one test file should be sent per day.
- B. Data transmitted during this test must be actual proof-of-coverage data from current or past transmission periods. The department will discard all data submitted as part of the FTP file content test after the test phase is complete.
- C. The department will send an IAIABC proof-of-coverage EDI acknowledgement transaction to account for the processing outcome of each transaction contained on the transmission (e.g., accepted or rejected). If there are rejected transactions, vendors and direct-report insurers should reconcile and correct errors in their source data system to avoid repeating the same filing errors once approved for EDI production (that is, full EDI transmission).
- D. The department may request additional proof-of-coverage EDI test transmissions to confirm that vendors and direct-report insurers can send each triplicate code in the correct format.

2. To obtain approval for this test phase, vendors and direct-report insurers must achieve 90 percent accuracy for proof-of-coverage transactions sent for at least three transmissions during the test. This means 90 percent of the required triplicate codes must have been accepted or acknowledged (or less than 10 percent of filings rejected).

3. Vendors and direct-report insurers must submit the required two-year historical policy information file for all existing policies before the department will approve them for EDI production. For more details about the historic file, please see Appendix A.

4. The department will notify the vendor and direct-report insurer in writing when they are approved to move into “production” – that is, to start sending all transactions electronically. The notification will include an effective date (no earlier than July 1, 2009).

Stage Three: EDI Proof-of-coverage Production

During this stage, vendors and direct-report insurers send proof-of-coverage information via EDI.

1. Once a vendor or direct-report insurer starts sending information via EDI, it must stop sending the equivalent paper forms to the department. The only exception is for insurers that do not have a trading partner agreement for guaranty contracts on file as of Dec. 31, 2008. These insurers must send guaranty contracts and related endorsements on paper.

2. The department will send an EDI acknowledgement transaction in response to each transmission. The acknowledgement will state whether a record is accepted without errors (transaction accepted or TA) or rejected (transaction rejected or TR).

3. A vendor or direct-report insurer must immediately fix and re-send any records rejected by the department for all filings that are required under Oregon law and administrative rule. The vendor or direct-report insurer must also fix all verified data errors for each rejected EDI acknowledgement transaction.

4. Accounts acquired after the vendor or direct-report insurer has been approved for production are not subject to the testing requirements, but must be included in production filings at the time of acquisition. The department may require a new historical file for the acquired accounts to ensure that federal employer identification numbers (FEINs) and policy numbers match the department’s records.

5. Vendors or direct-report insurers may not submit more than one transmission per day to the department, unless the parties agree to a different schedule. The department will send no more than one acknowledgement file per day unless agreed to by both parties.