Oregon Workers' Compensation Division

Oregon EDI Implementation Guide
For Proof of Coverage

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Contents

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Electronic Data Interchange (EDI)

The goal of Electronic Data Interchange (EDI) of workers' compensation data is the improved transmission of information from insurance carriers to state and federal workers' compensation regulatory agencies. EDI standards contribute to reduced administrative paperwork, improved accuracy, uniform reporting, and better overall monitoring of safety factors and payment data.

The International Association of Industrial Accident Boards and Commissions (IAIABC) has members, which include representatives of many state regulatory agencies responsible for administering workers' compensation systems. The <u>IAIABC EDI Implementation Guide for Proof of Coverage</u>, Release 2.1, details the processes and data elements for reporting proof of coverage in the Oregon workers' compensation environment.

How to Use this Guide

This guide is intended to provide state-specific information regarding Oregon's application of the <u>IAIABC EDI Implementation Guide for Proof of Coverage</u> Release 2.1 data standard for workers' compensation coverage reporting. It is intended to complement that resource, not to replace it.

Rules and Regulations

On July 1, 2009, Oregon began transitioning from requiring that insurers file a guaranty contract to a policy-based proof of coverage system. Electronic Data Interchange (EDI) reporting of proof of coverage is now mandatory for all insurers providing coverage in the state.

Guaranty Contracts versus Policies

In Oregon, a proof of coverage filing <u>effective before July 1, 2009,</u> was required to be in the form of a **guaranty contract**.

A guaranty contract remains in force until it is:

- Replaced by a proof of coverage filing for renewal or new coverage, which is effective on or after July 1, 2009 (OAR 436-050-0060);
- Cancelled by the insured employer with appropriate written notice (ORS 656.423, (2007)); or
- Cancelled by the insurer with appropriate written notice (ORS 656.427, (2007)).

Active guaranty contracts on file with the director will not serve as proof of coverage on or after July 1, 2010. OAR 436-050-0060(2).

Proof of coverage effective on or after July 1, 2009, is based on policy information rather than a guaranty contract. Liability under a policy continues until:

- The expiration of policy term;
- The coverage is cancelled before the expiration date of the policy as provided by ORS 656.423or 656.427;
- Another insurer files proof of coverage on behalf of the employer; or
- The employer becomes self-insured under ORS 656.430.

Guaranty contracts not cancelled or replaced with new policy coverage effective on or after July 1, 2009, will not serve as proof of coverage by the Oregon Workers' Compensation Division after July 1, 2010. After July 1, 2010, employers without a leasing arrangement, self-insurance certificate, or policy-based proof of coverage may be considered non-complying and subject to penalties.

EDI versus Paper Filing

After July 1, 2009, reporting proof of coverage via EDI is mandatory. Proof of coverage information reported and effective on or after July 1, 2009, will be policy-based and does not require a trading partner agreement to process via EDI.

Proof of coverage information reported via EDI on or after July 1, 2009, but effective prior to July 1, 2009, falls under the guaranty contract guidelines. A trading partner agreement is required to process these transactions via EDI. If no trading partner agreement is on file for the insurer, any EDI transactions will be rejected, and the guaranty contract information will need to be resubmitted via paper. Paper filings require specific approval by the division.

Filing Dates versus Transaction Effective Dates

It is extremely important to distinguish between filing dates and transaction effective[1] dates.

Filing dates capture when data is submitted to, and received by, the division. The division uses filing dates to regulate insurer timeliness of reporting.

Filing dates only apply to accepted transactions. Rejected transactions are not considered filed and do not satisfy proof of coverage requirements until they are corrected, resubmitted, and accepted by the division. When this acceptance occurs, the filing date is the date the corrected transaction is submitted, not the date of the original, rejected transaction. (Reacknowledged transactions, processed when the division mistakenly rejects an original transaction, are the exception. In this case the filing date of the original transaction is used to calculate timeliness.)

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[1] DN 0304 Transaction Set Type Effective Date per IAIABC EDI Implementation Guide for Proof of Coverage, Release 2.1

Example of filing date:

> An insurer has <u>30 days</u> to timely report new coverage. The insurer submits an EDI transaction for the coverage information on the <u>28th day</u>. The transaction is rejected because of technical errors. The insurer corrects the errors and resubmits the information on the <u>35th day</u>. The corrected transaction is accepted. The filing date is the <u>35th day</u>, and is considered late.

Transaction effective dates establish when the activity being reported becomes effective, regardless of when it is actually reported. **Transaction effective dates are important because the effective date of coverage determines whether the transaction applies to a guaranty contract or a policy-based proof of coverage.**

For establishing document transactions with effective dates **before July 1, 2009**, the transactions will create guaranty contracts. The effective date for binders and new policy establishing documents is the <u>coverage effective date</u> identified in the transaction. For all other establishing document transactions, the effective date is the <u>transaction effective date</u>.

For establishing document transactions with effective dates on or <u>after July 1, 2009</u>, the transactions will create policy-based proof of coverage. The effective date for binders and new policy establishing documents is the <u>policy effective date</u>. For all other establishing document transactions, the effective date is the <u>transaction effective date</u>.

How to Meet Filing Requirements

To meet the timely filing requirements for an establishing document, the insurer (or third party vendor) must submit the transaction via EDI within 30 days of the effective date of the establishing document. The transaction will only satisfy the proof of coverage requirement if the transaction is accepted and a <u>transaction accepted</u> acknowledgement is returned to the reporter.

If the insurer is terminating a guaranty contract or cancelling a policy prior to the end date of the policy, the insurer must submit the transaction within 10 days of the effective date of the termination or cancellation to be considered timely. As with the establishing documents, the transaction will only satisfy the proof of coverage requirement if the transaction is accepted and a transaction accepted acknowledgement is returned to the reporter.

If an insurer submits a transaction and receives a <u>transaction rejected</u> acknowledgement, the insurer <u>has not</u> met the filing requirements. OAR 436-162-0320(6).

If an insurer corrects a rejected transaction, resubmits it, and a transaction accepted acknowledgement is received, the proof of coverage filing requirement has been satisfied. If the date of the accepted transaction is within the 30-day or 10-day timely reporting time frames, the filing is considered to be timely. If the transaction accepted acknowledgement is after the 30-day or 10-day reporting requirement, the filing is considered late.

Division Processing and Production Schedules

The Oregon Workers' Compensation Division processes EDI files and sends acknowledgements on a daily basis. Accepted transactions are credited with the date of receipt by the department as the filing date for timeliness of reporting. Insurers are responsible for obtaining acknowledgements directly from their vendor, if used, and for making corrections to rejected transactions and resubmitting them. Duplicate transactions should not be resubmitted. Only accepted transactions satisfy the insurer's proof of coverage obligation, so the rejected transaction must be corrected, resubmitted, and accepted within the designated time frames in order to meet timeliness requirements.

For example, if an insurer reports a renewal 28 days after the effective date of the policy, but the renewal transaction is rejected for a data error, the insurer only has two days remaining to correct and resubmit the transaction and still be considered timely. Within this two-day window, the insurer must:

- retrieve the acknowledgement from the vendor, if used,
- identify the rejected transaction,
- determine the cause of the rejection,
- correct the data error,
- resubmit the rejected transaction, and
- retrieve the new acknowledgement from the vendor, if used, to verify the transaction was accepted.

The division recommends insurers review and correct their rejected transactions as soon as possible, leaving enough time to resolve issues and resubmit the transaction within the appropriate filing time frames.

In addition to issues with timeliness, failure to correct rejected files in a timely manner can also create significant issues regarding sequencing, which may cause subsequent transactions to be rejected.

Sequencing

The EDI reporting process requires that all proof of coverage events be reported and processed in the order in which they occur. Failure to report events in the correct order creates sequencing errors, which may lead to rejected transactions. If the rejected transactions are not corrected and resubmitted in a timely manner, additional rejected transactions may occur, and untimely reporting may be subject to penalties.

For example, in order to process a non-renewal of a policy, at the time the non-renewal transaction is received the policy cannot already be in a cancelled[2] status. In this circumstance the non-renewal transaction would be rejected as out of sequence. To correct the sequencing issue, the insurer would need to reinstate the policy and then resubmit the non-renewal transaction.

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[2] This includes cancellation, non-renewal, and delete jurisdiction transactions.

Another example is an insurer who does not report all covered employer locations for a policy, either at the inception of the policy, or as locations are subsequently added to it. The insurer later reports a change of information such as correction of the address for one of the employer locations that was not reported. With no record of that location to match against, the transaction will be rejected.

Correction and Resubmission of Rejected Transactions

Because an accurate history of each policy or guaranty contract event is so important, insurers must review, correct, and resubmit their rejected transactions in a timely manner. (Rejections for duplicate transactions shouldn't be resubmitted.)

It is the insurer's responsibility to obtain rejected transactions from their vendor, if used, and to correct errors. The correction process might include submitting missing proof of coverage documentation to update the policies or guaranty contract histories so the current transaction will be in proper sequence.

If the rejected transaction isn't corrected, resubmitted, and accepted within the statutory time frame for reporting, the proof of coverage filing may be considered to be late. An insurer's obligation to file proof of coverage is not satisfied unless the director acknowledges acceptance of the transaction. OAR 436-162-0320(6).

If the transaction isn't corrected before the next event is reported for that policy or guaranty contract, the subsequent reporting events could be rejected as out of sequence.

File History

Because policy history is important to the sequencing of proof of coverage events, historical policy information will be used to enable the processing of EDI renewals, endorsements, changes, cancellations, rewrite/reissues, nonrenewals, and reinstatements, which may require a historical reference to avoid rejections due to sequencing errors. **This historical information will not be used to establish coverage**.

Worker Leasing Notices

Before July 1, 2009, policies for professional employee organizations (PEO), also called worker leasing companies were not accepted by the division via EDI. The division began accepting policies for PEOs via EDI on July 1, 2009. **The policy filing for the PEO does not eliminate the PEO's requirement to file worker leasing notices for each client under OAR 436-050-0410. OAR 436-162-0310(7).**

The PEO policy information must be reported by the insurer. The insurer must also report <u>all</u> covered locations on the policy. If the PEO policy submitted by the insurer includes the PEO's list of clients, this information does not establish proof of coverage for the clients. **The clients' proof of coverage is established by the worker leasing notice filed by the PEO, not by the policy information**.

Wrap-up Policies

Prior to July 1, 2009, wrap-up policies were not accepted via EDI. Wrap-up policies effective on or after July 1, 2009, are now accepted via EDI. OAR 436-162-0310(8).

Wrap-up policies must be approved by the Insurance Division of the Oregon Department of Consumer and Business Services before the policy information is reported via EDI.

How to End Guaranty Contract Liability

An active guaranty contract on file with the director on or after July 1, 2009, meets the Oregon proof of coverage requirement until it is replaced by a proof of coverage filing for renewal or new coverage effective on or after July 1, 2009, or until specifically terminated under ORS 656.423 (2007) or 656.427 (2007). Active guaranty contracts on file with the director will not serve as proof of coverage on or after July 1, 2010. OAR 436-050-0060(2).

The filing of establishing documents for an insured, with the same or new insurer, with effective dates on or after July 1, 2009, will end a prior guaranty contract. Establishing documents include binders, new policies, renew policies, rewrite/reissue policies, reinstatements, add employer/locations (with a unique employer FEIN not previously reported), and add jurisdictions. **The establishing document transaction must be accepted by the division to meet filing requirements.**

Guaranty contracts can be specifically terminated under ORS 656.423 (2007) or ORS 656.427 (2007).Terminating transactions include cancellations, nonrenewals, and delete jurisdictions. These transactions require specific written notices to the employer by the insurer within designated time frames in order for the termination to become effective (see specifics below). Delete location transactions do not meet the requirements for termination of guaranty contracts effective prior to July 1, 2009. The following minimum notification time frames apply:

1. When an employer submits written cancellation of coverage to the insurer, the employer must give the insurer at least 30 days written notice of the cancellation. The employer may cancel coverage effective less than 30 days after the written notice by obtaining other coverage or by becoming a self-insured employer. In these instances, the cancellation is effective upon the effective date of the new coverage or date of certification as a self-insured employer.

2. An insurer must provide a minimum of 45 days written notice of termination to the employer before the termination of a guaranty contract becomes effective. The effective date of the termination is specified in the notice to the employer and the termination transaction reported to the division.

3. If the termination of a guaranty contract is based on the insurer's decision not to offer insurance to employers with a specific premium category, the insurer must provide a minimum of 90 days written notice to the employer. The effective date of the termination is specified in the notice to the employer and the termination transaction reported to the division.

4. If the termination of a guaranty contract is based on non-payment of premium, the insurer must provide at least 10 days written notice to the employer. The effective date of the termination is specified in the notice to the employer and the termination transaction reported to the division.

Notice to the director is required within 10 calendar days after the transaction effective date for all types of terminations. In all instances, the terminating transaction must be accepted by the division to fulfill reporting requirements and end an insurer's liability.

The same time frames apply to cancelling a workers' compensation policy as a guaranty contract. The same minimum notification time frames to the employer are in effect, as well as the same reporting requirements to the division.

Filing Notice with the Director of Guaranty Contract Cancellation

Notice to the director of cancellation of a guaranty contract can be filed separately, or to provide the director notice of cancellation of multiple guaranty contracts at one time, insurers may submit a spreadsheet identifying the guaranty contracts to be cancelled. (This does not relieve the insurer of its obligation to provide appropriate notices to employers regarding the cancellation of their guaranty contracts.)

Trading Partner Agreements

The reporting of proof of coverage information via EDI is mandatory as of July 1, 2009. A trading partner agreement is required for proof of coverage transactions that modify (without adding new coverage) or terminate existing guaranty contracts, as well as transactions that establish new coverage with effective dates before July 1, 2009. (These create new guaranty contracts, even if reported on or after July 1, 2009.) A trading partner agreement is not necessary for reporting policies that have effective dates on or after July 1, 2009.

Separate trading partner agreements must be submitted by each affiliated insurer (unique FEIN) within an insurance group who intends to file guaranty contact proof of coverage data via EDI in Oregon. Separate insurance companies operating within a common group cannot be covered under one agreement.

The trading partner agreement documents the agreement that the department will create, modify, or terminate guaranty contracts based on EDI transactions submitted by the insurer (or vendor). It also satisfies the legal requirement that all guaranty contracts be signed by the insurer. ORS 656.419 and OAR 436-050-0060.

If coverage with an effective date before July 1, 2009, is reported via EDI on or after July 1, 2009, and there is no trading partner agreement on file with the division, the transaction will be rejected with code 116 (transaction not approved for production). The insurer will have to obtain permission from the division to re-submit the rejected transaction in a paper filing.

Form 4821: Oregon Proof of Coverage EDI Insurer Profile

The Oregon Workers' Compensation Division requires completion of Form 4821, "Oregon EDI Insurer Profile," for every insurer reporting proof of coverage transactions via EDI in Oregon. Information on the insurer profile should be kept up to date, and the division should be notified of any changes in vendor, business contacts, or technical contacts.

The EDI insurer profile forms can be found at:

http://www.cbs.state.or.us/wcd/operations/edi/policypoc.html

Completed forms should be sent to the WCD EDI Coordinator:
      Fax: 503-947-7514
      E-mail: edinews.wcd@state.or.us
      Mail: Workers' Compensation Division
               350 Winter St. NE
               PO Box 14480
               Salem, OR 97309-0405

Vendors

If not choosing to report directly, all insurers must be signed up with a vendor, either the National Council on Compensation Insurance, Inc. (NCCI) or Insurance Services Organization, Inc. (ISO).

> **https://www.ncci.com/nccimain/pages/default.aspx**
> **http://www.iso.com/**

If an insurer wishes to change vendors, the insurer must submit a revised insurer profile showing the new third party vendor name and FEIN at least five business days before submitting EDI data using that vendor. Notification of a new vendor must come from the insurer, rather than from the vendor, and must authorize the vendor to submit transactions for the insurer.

FAQs

1) How do I know I've met my timely filing requirements?

You know you have successfully reported your proof of coverage addition, modification, or cancellation transaction when you receive an accepted transaction acknowledgement from the division.

The timeliness of the filing is determined by comparing the date the accepted transaction was submitted to the division to the effective date of the transaction. If the transaction was originally rejected, and subsequently corrected and resubmitted, the submission date of the corrected transaction is the date used to calculate timeliness of reporting, not the date on the first rejected transaction. An exception to this is a reacknowledgement transaction. This is a transaction that is initially rejected by the division, but is subsequently determined to have been sufficient to pass our edits. Reacknowledgements credit the reporter with the date the filing was initially submitted.

2) How do I know if I need to report via EDI?

As of July 1, 2009, all insurers must report proof of coverage via EDI. There may be limited instances when paper filing of specific documents becomes necessary, but these are rare exceptions and will be at the discretion of the director.

3) After July 1, 2009, how do I report changes to guaranty contracts via EDI?

Insurers that signed a trading partner agreement specifically authorizing the department to process guaranty contract transactions via EDI, can submit changes electronically. An insurer without the proper trading partner agreement must submit all changes to guaranty contracts on paper after July 1, 2009.

4) Do I have to use a vendor?

Any insurer may choose to report proof of coverage directly to the department. However, if the insurer chooses to do so, it must use the IAIABC format, Release 2.1 and go through testing procedures with the department before it can submit proof of coverage directly. Otherwise, insurers are required to use a vendor to submit proof of coverage filings via EDI. In order to avoid the risk of duplicate reporting, an insurer can only have one vendor reporting on their behalf at a time.

5) Are NCCI and ISO the only vendors?

NCCI and ISO are the only vendors currently approved to report proof of coverage filings on behalf of insurers in Oregon.

6) Has anything changed regarding reporting proof of coverage for wrap-up policies?

Yes, on and after July 1, 2009, proof of coverage for wrap-up projects must be reported via EDI, just like all other proof of coverage filings. **Wrap-up policies must be approved by the Insurance Division of the Oregon Department of Consumer and Business Services <u>before</u> the policy information is reported via EDI.**

7) Oregon has not accepted EDI for worker leasing policies since 2003. Has that changed?

Yes, as of July 1, 2009, proof of coverage for professional employee organization (PEO) policies must be reported via EDI. However, an EDI policy filing for a PEO does not eliminate the PEO's requirement to file worker leasing notices under OAR 436-050-0410.

If clients are listed on the PEO policy reported by the insurer, this does not establish proof of coverage for the clients. The clients' proof of coverage is established by the worker leasing notice filed by the PEO.

8) Why are you investigating my employer for non-compliance when their policy information is posted on the NCCI website?

Policy information posted on the NCCI website is insufficient to document proof of coverage in Oregon. Policy information must be reported to, and accepted by, the Oregon Workers' Compensation Division in order to satisfy proof of coverage requirements.

For EDI transactions the proof of coverage requirement is not satisfied until a transaction accepted acknowledgement is returned to the insurer from the division. This confirms the filing has been received and accepted.

9) What written records regarding proof of coverage do I have to keep in Oregon?

OAR 436-050-0120 describes the requirement for maintaining written records in Oregon relating to proof of coverage information. This includes:

- Written records of each workers' compensation insurance policy and related endorsements, reinstatements, or cancellations issued as required under the Workers' Compensation Law;

- Written records of premiums due and premiums collected by the insurer from its insured employers as a result of coverage issued under the Workers' Compensation Law; and

- Written records that segregate and show specifically for each employer the amounts due from the employer and all such money collected and paid by the

insurer for premiums for insurance coverage, premium assessments, and any other moneys due the director or required to be remitted to the director.

These records must be made available to the Workers' Compensation Division upon request.

10) Can I submit a guaranty contract via EDI after July 1, 2009? If yes, how do I submit it?

You may submit a guaranty contract via EDI **only if the effective date of the establishing document is before July 1, 2009, and you have completed a trading partner agreement**. If the effective date of the establishing document is on or after July 1, 2009, you are reporting a policy not a guaranty contract.

11) What happens if I receive an acknowledgement with a transaction rejection?

If the transaction was rejected, except as a duplicate, it has not satisfied Oregon proof of coverage requirements and must be corrected and resubmitted. You must identify why the transaction was rejected, make the appropriate corrections, and resubmit the corrected transaction.

Failure to correct and resubmit transactions in a timely manner may cause subsequent transactions to be rejected due to sequencing errors. For example, if a cancellation of a policy is rejected and a subsequent transaction reinstating the policy is submitted before the cancellation transaction is corrected and resubmitted, the reinstatement transaction will be rejected due to being out of sequence. (The policy can't be reinstated if there is no record of the cancellation.)

Also remember, the timeliness of reporting is determined using the date the accepted transaction was submitted, not the date the original rejected transaction was submitted. If the rejected transaction isn't corrected and resubmitted during the timely reporting period, it will be considered to be reported late.

12) How can I verify coverage?

The Oregon Workers' Compensation Division maintains a website that allows you to verify whether proof of coverage reporting has been accepted by the department. That web page can be reached at:

http://www4.cbs.state.or.us/ex/wcd/cov/

13) What is the difference between a guaranty contract and a policy?

Liability exposure under a guaranty contract does not end with the associated policy's expiration date. Liability under the guaranty contract continues until it is replaced by a proof of coverage filing for renewal or new coverage effective on or after July 1, 2009, or until the guaranty contract is specifically terminated by the employer or insurer.

Liability exposure due to a policy begins with either the policy or transaction effective date and ends with the policy expiration date or cancellation effective date.

Proof of coverage in Oregon effective before July 1, 2009, was based on guaranty contracts (with the exception of professional employee organization clients and self-insured employers). As of July 1, 2009, Oregon has a policy-based proof of coverage requirement.

Guaranty contracts that have not been cancelled or replaced with new policy coverage effective on or after July 1, 2009, will not be considered proof of coverage by the Oregon Workers' Compensation Division as of July 1, 2010. Thereafter employers without policy-based proof of coverage may be considered non-complying and subject to penalties.

14) I've been filing EDI since 2003. What's different after July 1, 2009?

EDI filing of proof of coverage is now mandatory for all insurers. You do not have the option of submitting any paper filings unless specifically authorized by the division.

Your proof of coverage filings have previously been in the form of guaranty contracts. Now your filings for new coverage effective on or after July 1, 2009, will be accepted as policies. The transition from guaranty contract to policy-based proof of coverage took place over the course of a year, and guaranty contracts that were not replaced with policies or cancelled as of July 1, 2010, will no longer be considered proof of coverage by the division.

15) What is the difference between a new policy filed on June 30, 2009, versus a new policy filed on July 1, 2009?

The policy filed on June 30, 2009, with an effective date before July 1, 2009, creates a guaranty contract, and satisfies proof of coverage requirements until July 1, 2010. The guaranty contract remains in effect until replaced by a new proof of coverage filing or terminated by the insurer. The policy filed on July 1, 2009, with an effective date on or after July 1, 2009, does not create a guaranty contract, but does fulfill the proof of coverage reporting requirements. Liability ends at the policy expiration date, or at an earlier date if cancelled by the insurer or the employer.

16) What do I have to do on July 1, 2010, to end my liability under active guaranty contracts?

After a one-year transition period, effective July 1, 2010, guaranty contracts no longer satisfy the requirement to provide proof of coverage. All proof of coverage must now be in policy form.

The director will not unilaterally terminate any active guaranty contracts remaining on file after July 1, 2010. Since the division no longer recognizes guaranty contracts as proof of coverage, insurers need to determine how to address any remaining active guaranty contracts.

17) What is an establishing document?

An establishing document creates coverage via a policy or guaranty contract, depending on the effective date of the coverage. Examples of establishing document transactions include binders, new policies, renew policies, rewrite/reissue policies, reinstatements, add locations, add employers, or add jurisdictions. (Reinstatement and rewrite/reissue transaction types must follow a cancellation transaction.)

A renew policy, add location, or add employer transaction will only establish a guaranty contract if the data elements have not previously been transmitted, the employer FEIN is not a duplicate, and coverage for that unique employer FEIN has not been previously established by the reporting carrier.

A reinstatement transaction will only establish a new guaranty contract if there is a lapse in coverage and the requirements of ORS 656.419 and OAR 436-160-0350 are otherwise met.

The establishing document transaction must be <u>accepted</u> by the division to meet filing requirements.

Element Requirement Table

See OAR 436-162-0310 and Appendix A:
http://www.cbs.state.or.us/wcd/policy/rules/docconv_21365/162_10058.pdf

Edit Matrix

Go to: **http://www.cbs.state.or.us/wcd/operations/edi/matrix.pdf**