

## Worker's Compensation Insurance Letter

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<b>Replaces</b>	None



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**To:** Insurance Carrier and Self Insured Employer Claims Handling Offices  
**From:** Judy Norman-Nunnery, Division Administrator  
**Subject:** Timeliness of First Indemnity Payments

**Purpose:** Inform insurers of the criteria used in measuring the promptness of first indemnity payments.

**Background:** The Insurers' Focus Group, at its November 14<sup>th</sup> meeting, requested that the Worker's Compensation Division (WCD) review the impact that disputed and litigated claims had on the performance of promptness of first indemnity payments using the standard authorized in by DWD 80.02(3)(a), Wis. Adm. Code.

After researching the issue, the WCD shared the requested data with the Insurers' Workgroup. The data showed that disputed and litigated claims had a very minimal impact on promptness of first payment performance. As a result, the Insurers' Workgroup and the WCD agreed that no recommendations should be made for changes to the administrative rule or to the performance standard to exclude disputed and litigated claims.

However, after further discussion, the Insurers' Workgroup requested that the WCD provide a more detailed explanation of how it measures the promptness of first payments via an insurance letter and on its web site for Claims Handling Performance Reports.

**Content:** The following information details the administrative standard and the methodology used in determining the promptness percentage of first indemnity payments.

### **Compliance Requirement:**

DWD 80.02(3)(a), Wis. Adm. Code, establishes a promptness standard of 80% or more for all first indemnity payments. To meet the standard, first payments must be mailed to the injured employee within 14 days or less following the date of injury or the last day worked after the injury before the first day of compensable lost time.

With 80% as the minimum, the standard allows for unavoidable delays resulting from legitimate litigation requests or claim investigations, and delays in notification of the injury from the employee to the employer. The standard was developed and set at 80% with consideration to these and other reasons for delayed payments made that were beyond the insurer's reasonable control. The WCD commends insurers for exploring ways to reduce these delays in an effort to move as far above the 80% standard as possible.

**Source of Indicator Data:**

- ✓ Temporary total disability (TTD) benefits payments are used to measure timeliness of first indemnity payments.
- ✓ "Salary Continued" payments are always considered TTD and, when made, are always considered as a prompt payment.
- ✓ First TTD payments made as a result of an order from a legal hearing or stipulation are included in the timeliness measurement.
- ✓ Payments made as a result of a compromise agreement are **not** included in the assessment of timeliness of first indemnity payments.
- ✓ All other types of payments, including permanent partial disability (PPD) and temporary partial disability (TPD) are **excluded** from the timeliness measurement.

**Computation Methodology:**

For most claims, promptness of the first indemnity payment is measured by computing the number of days from the day following the date of injury or last day of work, whichever is later, to the day the first indemnity payment is made. For instance, if the injury occurred on December 1, the indemnity payment should be made by December 15 in order to be considered timely.

In cases in which the first period of lost time is 3 days or less, followed by a period of intervening work that is followed by another period of lost time, computation begins with the last day worked which triggered eligibility for payment for the first period of lost time. For example, an injury happened on December 1 but the worker was on the job December 3-6 and subsequently was not able to work from December 7-10; then, a first indemnity payment made by December 20 would be timely.

The Claims Handling Performance Reports web site has been revised to include this detailed explanation.

As a reminder, the Claims Handling Performance Reports, published quarterly, provides summary information and individual claim detail to insurers for purposes of self-monitoring the status of late first indemnity payments.

The WCD closely monitors progress of insurers in meeting or exceeding the 80% timeliness standard. The WCD considers the standard for making timely first indemnity payments a critical component of the workers' compensation system and will require corrective action from insurers who consistently do not meet the standard.

**Action Requested:** Instruct claims administrators on the administrative requirement, standard and methodology for calculating the promptness of first indemnity payments.

Monitor first indemnity payment and other performance standards by using the Claims Handling Performance Reports on the WCD web site at this address:

<http://www.dwd.state.wi.us./wc/perfreports.htm>

If you have any questions about the measurement or reported performance, please contact Diane Rodenberg at (608) 267-6890 or e-mail her at: **Rodend@dwd.state.wi.us**

**Enclosures:** None

**References:** None