



Subrogation Reporting

In accordance with the **Statistical Plan**, subrogation refers to the carrier seeking recovery from an entity other than the employer, with legal liability due to circumstances of the injury. A payment to the carrier seeking to lower the loss amount is not permitted within the subrogation rule unless it is directly associated with a legal liability due to the circumstance of the claim.

In Oregon, subrogation is based on the carrier’s anticipation of the recovery, which is to be reflected in reducing the loss amounts. The rule does not allow retroactive adjustment of subrogation recoveries through correction reports. If a claim has already been reported and subsequent is identified for subrogation, the loss adjustment is to occur on the next unit report level.

For all states excluding Oregon, when a subrogation recovery is received by the carrier between the 1st and 5th unit reports, correction report(s) are required to reduce the loss to reflect the subrogation recovery. Correction reports are required only for prior reports that reflected an amount higher than the net incurred loss.

If a recovery is paid to the carrier as of the 6th report due date or subsequent, correction report are not reported, as the revised loss is reported at the next report level.

The following is an example of a claim that was reported to NCCI, and as of the 3rd report it remains open:

1 st Report	2 nd Report	3 rd Report
Incurred Loss	Incurred Loss	Incurred Loss
\$10,000	\$25,000	\$50,000

Subsequent to the 3rd report, but before the 4th report a subrogation recovery was received by the carrier in the amount of \$35,000. Since the carrier was pursuing this subrogation recovery, they also incurred \$5,000 in subrogation recovery expenses. The information needed determine the Net Incurred Loss and calculation is as follows:

- Most recently reported Incurred Loss = \$50,000
- Subrogation Recovery = \$35,000
- Subrogation Expenses = \$5,000

$$\$50,000 - (\$35,000 - \$5,000) = \$20,000 \text{ (Net Incurred Loss)}$$

Based on this claim and subrogation reporting rules, correction reports are required for the 3rd and 2nd report, but not the 1st, as the previously reported \$10,000 was already lower than the Net Incurred Loss of \$20,000. In addition to reducing the losses on the appropriate report levels, it is also required to report the appropriate Type of Recovery—Loss Condition Code. There are two possible code values, as follows:

- **Subrogation Only (Code 03)**— A recovery due to subrogation that occurs when the carrier has received reimbursements from an entity other than the employer, with legal liability due to circumstances for the injury.
- **Subrogation with Second Injury Fund (Code 04)**—A subrogation with a second injury fund that occurs when the carrier receives reimbursement from both a second injury fund and a third party.

The following displays the reporting example, applying correction reports to the 3rd and 2nd units (but not the 1st), along with reporting the appropriate Type of Recovery—Loss Condition Code.

1 st Report	2 nd Report Correction	3 rd Report Correction
Incurred Loss	Revised Incurred Loss	Revised Incurred Loss
\$10,000	\$20,000	\$20,000
	Type of Recovery Loss Condition Code 03 or 04	Type of Recovery Loss Condition Code 03 or 04