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## Statistical Plan—2008 Edition

### Part 4—Loss and Expense Information

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Effective 01 Oct 2014 12:00:01

#### D. Expenses Excluded From Losses

(Exceptions: [OR](#))

Medical or legal expenses incurred for the benefit of the carrier must be treated as loss adjustment expense, and are to be excluded from the claims paid loss and incurred loss amounts.

##### 1. Allocated Loss Adjustment Expense (ALAE)

###### a. ALAE Paid Amount

(Exceptions: [FL](#), [OR](#), [TX](#))

Report the whole dollar amount of Allocated Loss Adjustment Expense (ALAE) that has been allocated and paid for each claim as of the loss valuation date. Employers Liability ALAE and claimant attorney fees are excluded from ALAE Paid Amount and must be included in the indemnity loss. ALAE encompasses the following costs to a carrier, which can be directly allocated to a particular claim:

- (1) Fees of attorneys or other authorized representatives (other than claimant attorney fees) where permitted for legal services, whether by outside vendors or staff representatives.
- (2) Court, Alternate Dispute Resolution, and other specific items of expense such as:
  - Medical examinations of a claimant to determine the extent of the carrier's liability, degree of permanency, or length of disability
  - Expert medical or other testimony
  - Autopsy
  - Witnesses and summonses
  - Copies of documents such as birth and death certificates, and medical treatment records
  - Arbitration fees
  - Surveillance
  - Appeal bond costs and appeal filing fees
- (3) Medical cost containment expenses incurred with respect to a particular claim, whether by an outside vendor or done internally by a staff representative for the purpose of controlling losses, to ensure that only reasonable and necessary costs of services are paid. The expenses include:

- Bill-auditing expenses for any medical or vocational services rendered, including hospital bills (inpatient or outpatient), nursing home bills, physician bills, chiropractic bills, medical equipment charges, pharmacy charges, physical therapy bills, and medical or vocational rehabilitation vendor bills
  - Hospital and other treatment utilization reviews, including precertification/preadmission, and concurrent or retrospective reviews
  - Preferred provider network/organization expenses
  - Medical fee review panel expenses
- (4) Expenses that are not defined as losses and are directly related to and directly allocated to the handling of a particular claim for services that are required to be performed by statute or regulation.

### **b. ALAE Incurred Amount (Optional)**

Report the whole dollar amount of ALAE Paid and reserved for this claim as of the loss valuation date. Employers Liability ALAE and claimant attorney fees are excluded from ALAE Incurred and must be included in the indemnity loss.

## **2. Unallocated Loss Adjustment Expense (ULAE)**

### **(Additional Rules: [TX](#))**

Unallocated Loss Adjustment Expense (ULAE) is also excluded from incurred losses, paid losses, and ALAE. ULAE includes, but is not limited to:

- Carrier employees' salaries, overhead, and traveling expenses that are considered loss adjustment expenses and are not incurred while doing activities listed as allocated expenses.
- Fees paid to independent claims professionals or attorneys hired to perform the function of claim investigation normally performed by claim adjusters. Fees are paid for developing and investigating a claim so that a determination can be made of the cause or extent of responsibility for the injury or disease, including evaluation and settlement of covered claims.

## **3. Other Expenses**

Expenses, any general allowances for contingencies and any supplemental nonstatutory benefits not otherwise provided for in this Plan must be excluded from the amount of losses. Reserves in excess of the amount shown on the final settlement receipt must not be included in the amount of losses reported under this Plan. At the completion of all payments, losses may only include settlement amounts filed with the Industrial Commission or other body having jurisdiction over workers compensation claims.

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**NOTICE:** Although the *formatting* of this online manual, including any state exceptions, may differ from the hard copy, the *content* is identical.

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