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Section I

Executive Summary

Executive Summary

Travelers is pleased to provide a proposal for continuation of our role as the contract carrier providing services to the employers of the Nebraska Workers' Compensation Insurance Assigned Risk Plan (Nebraska WCIP). Over its history, Travelers has serviced the Nebraska WCIP for more than 30 years and has provided insurance products to the voluntary market for much longer than that. We are the largest writer of workers compensation insurance in the State of Nebraska with a 12.78% premium market share in 2017 of which approximately 34% represents assigned risk business. Travelers has developed a national expertise in managing assigned risk business. With nearly 50 years of experience, Travelers is currently contracted to provide assigned risk services in 27 states and in the District of Columbia. As the largest provider of workers compensation assigned risk service in the country, Travelers has a demonstrated record of leading the industry in innovative approaches to this business. Premium audit, risk control and claim services are provided by Travelers employees who service both assigned risk and voluntary policies. Travelers dedicated Residual Markets Division utilizes policy processing tools and computer systems structured to allow system programming and work processes to ensure consistent and timely service standards. Our size and scale of the services that we provide enables us to make significant investments in the business.

Travelers is a financially strong Property Casualty insurer with total net written premiums of \$26.22 billion in 2017. Travelers has an aggregate reported policyholders' surplus of \$19.86 billion and is highly diversified in its product writings. Travelers Property Casualty Company of America, in which this business will be written, maintains a financial strength rating of A++ (Superior) from AM Best. Although Travelers is a national insurance carrier, we do have a local commitment and presence in the State of Nebraska with a field office and a new state of the art Data Center both located in Omaha, Nebraska.

Travelers was selected as the sole workers compensation assigned risk carrier for Nebraska in 2000. In that process, we made a commitment to the Nebraska employer and agent community to handle the insurance needs of all employers that were in good faith eligible for workers compensation coverage in an expeditious, responsive, and cost-effective manner. Our bid proposal constituted a promise to provide capacity to this market for a minimum of three (3) years. Travelers has maintained its commitment to the State by continuing to provide a consistently high level of service while keeping loss ratios reasonable and the assigned risk market financially viable. Our ability to adapt to the various business cycles is one of our strengths. Travelers, working in partnership with the Nebraska Department of Insurance, has been able to fulfill its commitment of providing market capacity and exemplary service to its customers for almost eighteen years.

Travelers maintains a team of professional who are particularly knowledgeable in the Nebraska workers compensation marketplace. Our Nebraska assigned risk business is managed in our St. Louis, Missouri field office by our Assistant Operations Manager and a team of four Underwriters dedicated to handling Nebraska assigned risk business, many of whom have underwritten this program since it began at Travelers. We also have a temporary employment and employee leasing specialist dedicated to handling Nebraska assigned risk policies with these exposures.

Travelers administers claims for the Nebraska residual market out of its Overland Park, Kansas claim office. These individuals service Nebraska Workers' Compensation claims for both our voluntary and our residual market Workers Compensation insureds, using the same Best Practices and the same impressive array of tools.

With this bid proposal, Travelers renews its commitment to Nebraska employers and producers for a minimum of the next 3 years (or up to 5 years by mutual agreement with the Nebraska Department). While

this proposal does invoke the potential of a "subsidy" from the voluntary market, we have designed it in such a way that a subsidy would only occur as a result of an extreme and unusual event involving catastrophic Workers Compensation losses. While our preference would have been to involve no subsidy whatsoever, the use of such a mechanism for catastrophic events is necessary given the "take all comers" nature of this market. We know that the structure outlined in this proposal is one that we can maintain over the minimum 3 year contract period. In spite of the proposed subsidy provision, Travelers still bears the majority of the financial risk of insuring this business.

We at Travelers look forward to the opportunity of remaining the residual market carrier in Nebraska. We are confident that we can continue to build on the experience that has allowed us to not only successfully underwrite this program, but to be the exclusive residual market carrier under an almost identical program in Missouri for over 20 years. Our approach to residual market business fits well with the intent and design of this program because we have always been focused on providing value-added services designed to yield the lowest, and most equitable, total costs. This approach, we believe, allows for the most healthy and sustainable market possible.

Enhancements to our operation since our last bid proposal include: MyTravelers® providing an enhanced claim experience for injured employees, Travelers patented ConciergeCLAIM® Nurse program which places a Travelers nurse case manager in select local medical clinics to assist the injured employee with the claim process and help them return to work, Travelers Early Severity Predictor model predicts the likelihood of an injured employee developing chronic pain and reduce the need for opioids, enhanced Premium Audit customer portal launched in 2017, extended phone hours for billing questions now available from 7am – 8pm EST, Travelers new Safety Committee Acknowledgement form developed jointly with the Nebraska Department of Insurance, Travelers updated Limited Other States Benefit Endorsement, and effective for January 1, 2019 - Travelers renewal quote follow up letter.

Section II

Proposed Services

1. PLAN OF OPERATION

As the incumbent service provider, Travelers has successfully serviced the Nebraska Workers' Compensation Insurance Plan (hereinafter, Nebraska WCIP) for nearly 18 years. Our culture of providing first class customer service has not changed and we have maintained our focus on "ease of doing business" through the use of new technologies and products in support of Nebraska employers, producers, and injured employees. The following outlines Travelers' proposed service standards for administering the Nebraska WCIP.

A. Agent Instructions

Travelers' Agent Instructions currently reside on the Nebraska Department of Insurance website in an electronic format. Travelers is responsible for maintaining the document and communicating any changes to the Department of Insurance, as appropriate. The Agent Instructions are a series of documents posted to the Department's website which provide producers and employers with the information they need to apply to the Nebraska WCIP and include detail of the application process and requirements, a contact list for Nebraska Assigned Risk personnel, policy pricing information, notice of required safety committees, payment schedule options, instruction for Travelers Quick Quote access, and other pertinent information. Travelers will continue to utilize the ACORD 130 and 133 application forms and continue to offer the same premium installment pay plans. The Application Instructions that are currently posted on the Department's website are also available on the ACORD website to allow easy access by producers or employers. Travelers online Quick Quote tool is available for producers to use to quote a policy for prospective insureds. Travelers commits to continuing to partner with the Department of Insurance to communicate all required updates to the Agent Instructions.

B. Annual Meeting with Agents

Travelers is committed to a partnership with Nebraska producers and value the opportunity to discuss/provide updates regarding the current state of the Nebraska WCIP with the producer community. Throughout our history servicing the Nebraska WCIP, we have forged a strong working relationship with producers throughout the state. In the past, we have coordinated periodic Agent Advisory meetings and believe we have made clear our commitment to work closely with producers and their clients. Travelers is prepared to continue with our Agent Advisory meetings and commits to holding an annual open meeting in Nebraska, or as required by the Director on Insurance, with representatives of agents' associations and the Department of Insurance. Travelers commits to hold the first such meeting between October 22nd and November 30th 2018. We look forward to participating at the level desired by the Director of Insurance and the producer community.

Travelers will also continue to work with the agents' associations to distribute relevant Nebraska WCIP information. We will continue to work with both the Nebraska Independent Insurance Agents Association and the Nebraska Professional Insurance Agents Association to publish informational releases in their respective trade publications and on their website as appropriate.

C. Policy Binding, Issuance, and Servicing Procedures

If Travelers is appointed as the contract carrier and sole service provider, there would be no need for a transition plan and the new contract term will commence seamlessly for the insured and producer communities. Policyholders who remain in good faith eligible with a policy effective on

January 1, 2019 and subsequent will receive a renewal quote and will not need to reapply for coverage.

Travelers will continue using an integrated approach to managing the Nebraska WCIP. Travelers will fulfill the role of Contract Carrier in administering the Plan and in providing insurance for employers in the Nebraska WCIP. We will continue to partner with the Department in meeting our Nebraska WCIP goals. In order to have a successful partnership, each partner needs to be kept abreast of important issues. Whenever we encounter a situation or dispute that we believe might ultimately end up at the Department, we will continue to alert the Department staff in advance so that they will be prepared should an employer or producer contact them on an issue. We have been successful with this process in the past and feel that it helps streamline communication. We will also continue to work with the Department to develop any necessary press releases and bulletins that address residual market issues, initiatives or procedures for policyholders and producers.

Underwriting services that we provide to the Nebraska WCIP are managed out of our St. Louis, Missouri Field office. The St. Louis Residual Market Field Office was established to exclusively handle workers' compensation residual market business and is well experience in handling the Nebraska WCIP as they have provided this service for the past almost 18 years. In addition to servicing Nebraska WCIP business, this office also provides residual market services in six other states including services for the Missouri Alternative Residual Market, now in its 23rd contract term. During the past eighteen years, Travelers has assembled and developed a team of professionals who are dedicated to handling Nebraska WCIP business. These individuals understand the specific nuances of the residual market and are already accustomed to addressing the informational needs of producers, employers, and claimants. They also function as the primary point of contact for Nebraska customers in terms of coordinating other services such as billing, loss control and premium audit activities. Our overall coordinated account level approach to handling this business provides the greatest likelihood that there will be uniformity and consistency in our approach and provides greater assurance that customer needs are identified and addressed appropriately.

All staff that handle Nebraska WCIP business are acutely attuned to the needs of the customer, whether it be the insured, injured employee, producer or the Insurance Department. We will continue to use our Assistant Operations Manager and Account Manager Underwriters from our St. Louis office who are already familiar with providing contract carrier service and acting as the sole provider for Nebraska's residual market. These individuals employ Business Integrity Underwriting methodology (formerly Forensic Underwriting) to ensure that accurate premiums are charged on the policies they are assigned. This team includes an expert in temporary employment and employee leasing accounts dedicated to handling policies that carry those exposures. We already have an infrastructure and local presence in Nebraska to handle risk control and premium audits.

In the event of an emergency office closing affecting our Nebraska Account Manager Underwriters, Travelers is able to continue providing back-up service to Nebraska insureds through our other Residual Market Field Office located in Orlando, Florida. This location is staffed with experienced Account Manager Underwriters who can provide back-up service until the Nebraska underwriting team can return to their office. In the event of an office closure in St. Louis due to inclement weather or other unusual circumstances, the phone system allows calls to be easily transferred to the Orlando office and allows all time zones to be covered from any Travelers Residual Market location so that customer needs can continue to be serviced without any disruption. This back-up mechanism is enhanced by our paperless environment. Account Manager Underwriters in Orlando are able to access the electronic files of the Nebraska insureds in real-time in order to provide continued processing of Nebraska business and adherence to

service standards. Procedural documents, reference charts, decision trees, checklists and underwriting modules for Nebraska are all available online through Travelers Residual Market Underwriting Information Center to the Account Manager Underwriters in Orlando should they need to back-up the Nebraska team.

As a long-time residual market servicing carrier in Nebraska, we have the experience and knowledge of Nebraska specific laws, statutes, and programs to continue handling this business with the highest quality of service.

***** If not specified, all time periods are calendar days *****

1. Policy Binding

Employers and Producers will be able to apply for coverage directly to Travelers via email, fax or by mail using a standard ACORD 130 Workers Compensation Application and ACORD 133 Assigned Risk Section. The application will be accepted and coverage will be bound within one (1) business day provided that we are in receipt of a completed application that contains the timely declination of voluntary coverage, the appropriate deposit premium, the Safety Committee Acknowledgement of Requirements form, and validation that there are no outstanding undisputed premium balances. If the deposit premium is not received with the application, to retain the effective date, the employer must remit the deposit premium within five (5) days of receipt of the emailed/faxed application.

If reappointed as the contract carrier, Travelers will maintain the existing Plan requirements and Eligibility Provisions as currently approved by the Nebraska Department of Insurance. When employers apply for coverage or pay renewal deposits to the Nebraska WCIP, they will be presumed to be making application in good faith. With respect to outstanding premium obligations, we verify the insured's eligibility for coverage by checking our historical records to determine if any premium is owed on a prior Travelers policy. With Travelers' many years of servicing the Nebraska WCIP, we have access to cross-reference Travelers' residual market database with the new applicant's entity/business name as well as the names of the business owners' to determine whether or not there is any relationship between the new business and a prior Travelers policy.

We will communicate any questions about eligibility for coverage or information missing from the application that is required for binding within one (1) business day. We will contact the producer and/or employer to explain what is needed to remedy the eligibility issue or missing information so that coverage can be bound. The producer or employer will have five (5) business days to resolve and resubmit the required documentation in order to retain the original effective date. When the required documentation and deposits are received, we send notification to the applying party regarding biding confirmation.

All documents related to the application process (application, correspondence, policy related documentation, etc.) are immediately imaged and directed to the appropriate staff for handling.

Once all application requirements are met, the producer and employer will be mailed a Welcome Letter within one (1) business day from receipt of the completed new business application being received. Travelers' Welcome Letter is especially important to our Nebraska WCIP customers as it contains everything the producer and employer need to contact Travelers to report claims or to ask questions regarding coverage should the need arise between the binder date and the time the policy is issued. The Welcome Letter:

- Indicates coverage is bound and provides the effective date and policy number;
- Indicates that the binder is proof of coverage until cancelled or the policy is issued;
- Reminds the employer that coverage may yet be available from the voluntary market;
- Provides the Underwriting contact information;
- Provides information on where and how to file claims;
- Outlines the employer's rights and obligations;
- Indicates the availability of safety and other risk control services;
- Indicates the availability of state-certified managed care services;
- Informs that the actual policy will be issued within twenty (20) days of the binder date.

2. **Issuance of Policies**

We believe that our approach to administering residual market business is the best model for handling this challenging insurance market. Not only are Travelers systems already operationally linked by design, but also the channels of communication amongst the various key contacts that touch the business are seamless and natural. The importance of being able to examine issues across the whole account are important in terms of providing better service and being able to investigate/address emerging issues that might affect the Nebraska residual market. We believe that our existing package of underwriting, audit, loss prevention, claims administration and special investigations services have proven themselves effective over time.

The way in which a service provider handles a new business application is critical to the ongoing successful administration of that account. Travelers understands that opportunities lost during the early stages of application review and underwriting may quite never be recovered. Because of the critical nature of this state of policy administration, Travelers has developed new business review methods and processes for use in managing Nebraska WCIP business which include the following:

- Assign the account to an Account Manager Underwriter who specializes in Nebraska;
- Issue a "Welcome Letter" within one (1) business day of receipt of all application requirements;
- Intensive new business application review;
- Diligence in gathering additional information and determining eligibility;
- Intensive evaluation of potential misrepresentation, omission, or fraud;
- Determine whether or not the risk qualifies for experience rating;
- Collaborative Underwriting Review (CUR);
- Develop and maintain premium equity on every account;
- Develop specific strategy for large accounts;
- Communication between Account Manager Underwriters, Premium Audit, and Risk Control to relay new policy information;
- Internet research resources;
- Assignment of a Senior Account Manager Underwriters to oversee special rating programs such as Employee Leasing;
- Involvement of the Premium Fraud Special Investigations Unit (SIU) with challenging accounts related to leasing, contractor usage and premium/experience mod avoidance.

- a. Total Account Management – The Account Manager Underwriter’s Role**
Once coverage is bound, Travelers assigns each new Nebraska WCIP business application to an Account Manager Underwriter who is responsible for total account management throughout the life of the policy. The Account Manager Underwriter (hereinafter referred to as Underwriter) is a professional level employee who is fully trained and experienced in all aspects of managing residual market workers' compensation accounts: underwriting, rating, policy issuance, conducting claims analysis, administering billing and collection, and providing superior customer service. The Underwriters gain familiarity with the accounts they manage and are able to build a positive rapport with the producers and policyholders. Furthermore, the insured and producer can call on one person who knows the account and can answer all their questions. The Underwriter is also responsible for meeting all Nebraska service standards and interacts with Premium Audit, Risk Control and Claims Case Managers to coordinate all services on the policy.
- b. TravStation – Work Management Tool**
TravStation is Travelers’ proprietary online interactive system specifically designed to notify the Underwriter or work items to be completed on a policy. TravStation provides a means for the Underwriters to diary notes specific to an account and pend any necessary follow-up for key activities relating to policy administration, billing and collections. TravStation is programmed with each Underwriter’s specific accounts and automatically directs all incoming mail, new business, claim, audit, risk control, billing and underwriting communications directly to the appropriate Underwriter’s work station. TravStation is also programmed with the Nebraska WCIP service standards to ensure compliance with our service commitments and to ensure timely processing of all work. Each Underwriter can individually administer tasks and responsibilities related to policies via TravStation. Examples of tasks and responsibilities managed within TravStation include new business or renewal issuance, quote issuance, billing activity, payment processing, endorsements, preliminary or final audit follow-up needed, and loss prevention contact follow-up. TravStation automatically generates follow-up tasks for completion of preliminary and final audits and risk control to ensure timely compliance with our Nebraska WCIP service standards. Underwriting supervisors have oversight ability within TravStation to manage an underwriting team’s workload and monitor inventory date control of tasks to ensure timely processing of work.
- c. New Business Application Processing**
New business applications and binders are received by Travelers daily. The information from the application and binder such as insured and producer name, addresses and policy effective date, are imaged/scanned into Travelers system which then automatically establishes the policy number and assigns the account to the appropriate Nebraska Underwriter via TravStation. In addition, the deposit premium is automatically posted to the policyholder’s account for application after policy issuance.
- d. Business Integrity Underwriting**
Travelers Business Integrity Underwriting methodology (formerly known as Forensic Underwriting) includes the upfront analysis of a risk in order to determine

the correct exposure and accurate premium. This includes confirmation of correct use of class codes, accurate payroll distribution, the application of appropriate experience rating factors, suitable coverages, and reconciliation of claims activity to claims exposures if loss runs or the experience mod worksheet are received with the application. Additionally, we review the employer's actual losses, experience modification (if applicable) and number of years in business. We review whether the insured is eligible for certain applicable pricing programs such as Contracting Classification Premium Adjustment Program and/or Deductible Premium Reduction Percentage. We may call the producer of insured to obtain a more complete description of the business as well as confirm number of employees, use of subcontractors and operations in other states. We may also inquire about future plans for business growth to confirm accurate estimation of payroll.

Throughout the new business review process, we balance the need for underwriting information with the need to issue the policy expeditiously. We are committed to collecting the information needed to properly issue the policy as this ensures that each employer pays the appropriate premium commensurate with the exposure(s) on the policy.

Temporary employment or employee leasing accounts are routed to a temp/leasing underwriting specialist due to the typically extensive documentation that must be reviewed to properly evaluate and rate such exposures. The temp/leasing specialist is familiar with rules for handling temp/leasing policies in order to dialogue with producers and insureds engaged in this specialty industry to come to a complete understanding of the insured's clients, operations and payrolls. As client information, job descriptions and payrolls are updated throughout the life of the policy, the temp/leasing specialist meticulously reviews the information to validate the adequacy of the premium for the risk. Travelers has developed a specific underwriting module based on our extensive experience in handling temporary employment/leasing accounts that addresses all the intricacies involved with these types of risks. This specific module is used as a training tool and as a means of reference for underwriters who manage these risks.

Our Business Integrity Underwriting methodology includes the continuous analysis of a risk throughout the life of the policy to ensure accurate exposures and premiums. The Underwriter will review and analyze the account over the course of the policy term for any changes in scope and type of operation, completed audit and/or loss control surveys, reported claims, use of independent contractors, as well as all relevant correspondence from the insured, producers and others. In addition to these items, we review certificates of insurance that have been issued to third parties, either at the insured or producer's request. Our experience has shown that there is a correlation between the number of certificates issued and the size and scope of the insured's operation. The location of the certificate holder has led to information about exposures in other states.

While conducting a new business review, an Underwriter will perform a search on the internet to help obtain information about the insured or producer. By performing internet searches, there are a variety of websites which may provide information about an insured's operations, physical locations, number of employees, and more. Many of our insureds have a website for their business and by accessing the insured's website, we have been able to identify additional

officers of a corporation not listed on the application, additional locations, additional entities and a detailed description of their operations. Based on the information obtained through the Underwriters search, the Underwriter may contact the insured and/or the producer to verify the information and to discuss the possibility of additional exposures that may have been identified

e. *Evaluating Potential Misrepresentation, Omission or Fraud*

For our new business review process we evaluate the application for potential misrepresentation, omission or fraud. On the basis of our extensive experience as a residual market servicing carrier, we have developed a full array of potential fraud indicators. These include:

- Business name inconsistent with type of work being performed;
- Insured's business is depicted in initials;
- Requested coverage is inconsistent with operations;
- Minimum premium policy with addition of significant payroll;
- Number of employees, classification, and payroll figures are inconsistent;
- Reported revenue is inconsistent with the size of operation or the number of employees;
- Calculated employees' average wages are inconsistent with the industry average;
- Evidence that uninsured subcontractors are used to perform work but associated payrolls are not identified;
- Inconsistent information found on the internet.

In the event that misrepresentation, omission or fraud is detected, our Underwriters alert our Premium Fraud Special Investigations Unit.

f. *Determining Qualification for Experience Rating*

Another phase of the Nebraska new business review process is aimed at determining whether or not the risk qualifies for experience rating. We vigorously pursue connections between the applicant and other entities that may be experience rated and review prior claims history. We utilize the NCCI website to check on related FEIN numbers and Dun & Bradstreet services to develop lists of associated entities. When we suspect common ownership, we request verification by asking the insured to complete the ERM-14. By uncovering former names used by the insured or related entities with common ownership, we can evaluate the risk for the proper experience modification or premium owed to prior carriers.

Once eligibility has been established, the Underwriter will access the NCCI Website to get the proper experience rating factor. We order preliminary physical audits and/or risk control surveys as required, or when the Underwriter determines that it is necessary to further verify the exact exposure presented by the account. If the account requires more extensive investigation and analysis, the risk is referred to our Special Investigations Unit.

g. *Collaborative Underwriting Review (CUR)*

Travelers uses a process called a Collaborative Underwriting Review (CUR) involving Underwriting staff and, depending on the particular account, Premium Audit, Risk Control, Special Investigations and/or Claim may be consulted as needed to discuss risks with special challenges in order to develop a policy specific

strategy to reduce losses and underwrite the risk correctly. Underwriters and Auditors will also discuss risks frequently, sharing information to determine the appropriate class and exposure for the risk. Auditors may contact the Claim Case Manager if they have questions about the claim history and talk to the Risk Control Consultant regarding information on the loss control report, when necessary. Underwriters and Auditors partner with the Special Investigations Unit when premium fraud concerns are identified.

h. Premium Audit, Risk Control, and Claims Services on New Business

Our Underwriters use a Policy Issuance System that is integrated with the Premium Audit, Risk Control and Claims systems. For example, any preliminary audits or loss control surveys required by the Nebraska service standards are automatically requested via a direct link between the Policy Issuance and Premium Audit and/or Risk Control systems. In addition, discretionary preliminary physical audits or risk control surveys are ordered by the underwriter when new or conflicting information is identified on the policy through the underwriting process and are ordered via the policy issuance system.

Our Underwriters communicate directly with Premium Auditors, Risk Control Consultants and Claims Case Managers, in face-to-face conversations, by phone or by e-mail. The Underwriters may communicate problems, issues, or specific areas of concern, such as inconsistent payroll figures or class codes. In addition, our underwriting, premium audit and risk control systems all have electronic note facilities where the various disciplines can store information for one another to access in conjunction with each discipline's unique activity timeline. This ensures that valuable information is never lost but instead is shared and made available when it is most useful.

Our extensive, totally integrated communication network has several beneficial outcomes. These benefits include the development of endorsements and audits that properly reflect policy exposure, identifying potential candidates for additional loss control services, and ensuring the integrity of statistical data used by NCCI in rate development and promulgation of experience modifications.

i. Renewal Business & Mid-Term Underwriting Procedures

Underwriting the Renewal Quote and Renewal Quote & Renewal Policy

Travelers' believes that the renewal is just as critical as new business. Our approach allows assignment of an account to one Underwriter for all aspects of the management of the account. This is an invaluable approach in regard to accurate renewal of the account. The Underwriter promptly reviews any activity that has occurred on the account such as lost time claims, certificates of insurance, updated experience rating data and all requests for changes made by the producer or insured.

TravStation provides a mechanism to pend or diary issues that occur any time during the policy term that the Underwriter may wish to review before the renewal quote is issued. Even though one Underwriter handles all aspects of an account, this is done in a team environment with other Underwriters handling accounts in St. Louis. This not only allows for sharing of knowledge, but also ensures that the account will still receive excellent underwriting if an unexpected absence should occur.

Travelers receives experience modifications electronically directly from NCCI. The electronic feed ensures Underwriters have more timely and on-going access to ratings and worksheets, and it also reduces the risk of the experience rating being delayed in either the U.S. Mail or interoffice mail. By utilizing the latest available technologies and resources, like the NCCI Website and NCCI's electronic experience rating feeds, our Underwriters have the tools to get the proper experience rating factor applied to an employer's policy timely and accurately.

Because our underwriting is ongoing throughout the policy term, Travelers uses an *automatic quote issuance system* that generates the renewal quote based on current policy information including any plan changes. Experience modification information is updated as soon as it is received and held by the system to be applied to the quote. The rates and rating factors used by the automated quote issuance system are electronically managed ensuring the renewal quotes are accurately issued 70 days prior to the expiration of the current policy. If the system is unable to issue the renewal quote, it feeds a message to TravStation prompting the Underwriter to intervene. A copy of the quote is sent to the insured and producer. Included in the quote are rating details, the required deposit premium and due date for payment. We also include our 1-800 customer service telephone number to allow the insured or producer easy access to the Underwriter. Effective for January 1, 2019 Travelers will implement a new process in an effort to ensure timely payment of the renewal and to avoid lapses in coverage. If the renewal payment is not received by the fourteenth day prior to the requested due date of the renewal payment, a follow up letter will be sent to the insured and producer to remind them of the pending policy expiration and payment due date. Once payment is received a renewal policy will be issued within twenty (20) business days.

We also make the required statutory advanced notice of termination with the Nebraska Department of Insurance at this time in the event that the employer does not elect to act on our offer of renewal coverage. } WCC

Renewal payments are automatically posted to Travelers Direct Bill System (DBS), whether received online, by phone, or by mail to in our Lockbox or the office. Our system has the ability to recognize and flag receipt of insufficient deposit premiums for immediate notification to the Underwriter via TravStation. Automated notification of the deposit shortage allows for immediate contact with the insured or producer to quickly resolve the shortage. Deposit shortages are often satisfied while the Underwriter or billing representative has the customer or producer on the phone, using automated methods of electronic payment. The account manager will offer to accept payment over the phone through our Pay-by-Phone system or will advise the insured of Travelers online payment tool, Express Pay, and provide instruction for access at no additional charge to the insured.

During the renewal review process Underwriter conduct an underwriting review of all aspects of the account which includes verification of compliance with Plan eligibility rules, payroll, classification, all activity that has occurred on the account such as claims, audits, loss prevention surveys, certificates of insurance, updated experience rating data and all requests for changes made by the producer or insured. Any discrepancies regarding Plan eligibility will be documented and resolved prior to issuance. Each account must be current with regard to any installment, endorsement or audit premium balance on all prior policy terms or

commonly managed accounts. Due to our on-going underwriting process, most renewals do not require major adjustments in payrolls or classifications since we review potential changes in exposure with the insured or producer as soon as we become aware of them. In the event that any discrepancies are identified, additional information is obtained to resolve the issue and any necessary policy changes will be made. The insured or producer may be contacted by the Underwriter to discuss this information and talk about future plans for the business. These discussions also provide an opportunity for the Underwriter to answer the insured's or producer's questions regarding renewal. Our integrated systems alert the Underwriter if any balance is due or the insured has refused to allow an audit. In addition, the insured must have complied with all critical requests for underwriting information and have cooperated with loss control services. In the event that an insured is found to be ineligible for any reason, the employer will be provided with an opportunity to respond to or resolve the issue.

j. *Claims Analysis*

Underwriting a renewal policy provides the Underwriter an opportunity to review claim information at time of renewal. Travelers takes full advantage of this opportunity by incorporating an exhaustive claims review into our renewal underwriting process. Claim reviews are conducted by the underwriter on all lost time claims throughout the policy term; this ensures the proper class code is used for statistical reporting and for use in establishing class/rate relativity and experience rating.

The Underwriter looks for consistency between the "nature of injury" of these claims and the class codes appearing on the policy. The Underwriter also looks for other locations in Nebraska or out of state that may affect the policy premium or exposure. Information provided to the Claim Case Manager is available to the Underwriter through extensive online comments. The Underwriter may also call the Claim Case Manager to get further information. While this process occurs on an on-going basis throughout the life of the policy, the information is reviewed once again during the renewal process to absolutely ensure that the policy reflects the correct exposure.

In the event that a claims frequency problem is detected, the account is promptly referred to Risk Control. Our Risk Control Consultants may make serious or critical recommendations citing hazardous conditions that require action by the insured. In addition, the Risk Control survey is reviewed by our Underwriters to determine whether policy exposures need to be adjusted.

k. *Re-evaluating Potential Misrepresentation, Omission or Fraud*

During our new business underwriting process, we are able to validate certain aspects of potential misrepresentation, omission or fraud based on our underwriting expertise in the residual market. At renewal, we are able to expand that evaluation to include additional information collected throughout the policy term, such as:

- Number and type of claims reported are inconsistent with payroll/classification information;
- Claims locations are inconsistent with policy locations;
- Certificates issued exceed anticipated exposure;

- Certificates issued in states other than known exposure.

In the event that misrepresentation, omission or fraud is detected during the renewal underwriting review, our Underwriters alert our internal Premium Fraud Special Investigations Unit. Naturally, we do not wait until renewal to make such a referral should it be appropriate to do so earlier in the policy term. However, given the extensive integration of claims and other experiential data into our renewal underwriting process, such referrals can and do result at renewal.

l. Verifying Continued Eligibility

To verify a risk's continuing eligibility under the Nebraska WCIP, Travelers evaluates several criteria at the time of renewal. Each renewal account must be current with regard to any installment, endorsement or audit premium balance. In addition, the insured must have complied with all requests for underwriting information, as well as have been cooperative with all premium audit and loss control surveys.

Any risk that is actively in the cancellation process, including notification of intent to cancel, will not be considered for continued eligibility unless the situation for which the cancellation was initiated is rectified.

m. Mid-term Underwriting

Travelers' philosophy is that underwriting is a process that takes place on a continuing basis every day. We have several methods and practices (some of which have already been described in this proposal) that take place throughout the policy term to ensure that proper exposures are reflected on the account:

- Underwriting Modules
- Collaborative Underwriting Review (CUR)
- On-going Business Integrity Underwriting reviews
- Communication with Premium Audit and Risk Control business partners
- Claims Review and Claims Verification
- Premium Fraud Investigations

These methods and practices incorporate on-going qualitative review, continued interaction with business partners and account monitoring of critical elements such as audit, claims, and loss control data. The following is an explanation of each of these key activities.

n. Underwriting Modules

Our experience in managing residual market accounts for Nebraska, as well as nationally, has allowed us to develop a number of Underwriting Modules that support our efforts to collect adequate premium and to take appropriate loss control steps on accounts that we manage. These Modules were developed to enhance our standard underwriting procedures and provide guidance to our underwriters for handling high risk types of businesses and types of coverages that may be challenging to underwrite such as construction and trucking. The Modules include specific guidelines for when it may be appropriate to request additional information on a policy, such as client listings and copies of contracts. The Modules also provide guidance as to when it may be necessary to request additional audit and loss control services and, where appropriate, include a

decision-tree/flow chart for identifying the need for special coverages and class codes. Maintaining Nebraska specific underwriting guidelines is an on-going project along with the development of new modules.

o. Collaborative Underwriting Review Mid-term

The Collaborative Underwriting Review (CUR) described earlier as part of the new business underwriting process is also used mid-term to manage difficult accounts that emerge based on developing information. The Underwriter will CUR an account mid-term when the need for collaboration with various disciplines becomes apparent based on any new information revealed.

In addition to the above, underwriting and rating information, experience mod worksheets, relevant correspondence, Dun & Bradstreet Reports and information from statutes, Scope's & Underwriting Best Practices are reviewed to determine when a CUR is needed.

p. Communication with Business Partners

Underwriters maintain a strong relationship with our Premium Audit, Risk Control and Claims business partners. Dialogue between these groups is both continuous and reciprocal and promotes accumulation of comprehensive policy information. For example, Auditors and Risk Control Consultants will verify information uncovered by the Underwriter via on-site inspection of the insured's business. Similarly, the information uncovered by Auditors, Risk Control Consultants and Claims Case Managers is used by the Underwriter to update policy exposures. Even when our Auditors and Risk Control Consultants are in the field, Travelers' cell phones, voicemail, laptop computers and e-mail keep them in contact with the Underwriters from any location across the country.

Auditors review an account's losses before they complete an audit. They may talk to the Underwriter or Claim Case Manager about specific claims. Underwriters send e-mails to the Auditor to request that the Auditor confirm specific information identified during the Business Integrity Underwriting Review. After the audit has been performed, the auditor will notify the Underwriter of any pertinent changes or red flags. Risk Control Consultants review loss runs and address specific issues related to claim(s) when they complete the survey. Risk Control Consultants also have the payrolls and exposures when they complete a survey and inform the Underwriter about any discrepancies uncovered during the survey.

The Underwriter uses various underwriting tools, previously discussed, on accounts needing additional attention and coordination amongst business partners. These accounts are discussed at length, either informally or through the CUR process, and all business partners are made aware of their contribution to managing the account's loss ratio relativity. Underwriters have access to correspondence from auditors and risk control consultants to producers and insureds.

Finally, all Travelers employees who work with the Nebraska WCIP understand the mission and are accountable for meeting or exceeding our Nebraska service standards. To ensure this is consistent throughout the organization, employees' performance is evaluated against key performance criteria to ensure accuracy and timeliness.

q. *Claims Review Mid-term*

Underwriters review lost time claims reported to determine the correct classification code has been assigned in order to report the proper class code for statistical reporting. This is essential to providing correct information to NCCI for use in establishing class/rate relativity and experience rating on individual entities. In addition, the value provided to underwriting is immediate, since losses generated by exposures not contemplated on the policy can be expeditiously investigated.

Our Nebraska Underwriters have access to electronic claim files that include a description of what the employee was doing when injured. For example, we have found instances where the injured employee was working in construction and there were no construction classes on the policy. We can then call the insured or producer with the name of the injured employee, the date of the injury, the average weekly wage, and the description of what the injured employee was doing. This information is then used to make appropriate adjustments to the policy or provide an auditor with the information.

Catastrophic claims are reviewed by the Underwriter and management to address any underwriting issues on the account.

Our Underwriting Leads in Orlando and Home Office may use claim information and review frequency/severity reports to assist in monitoring loss ratios and determine if a non-mandatory risk control survey is needed. This ensures that non-mandatory surveys are ordered on accounts that have the most potential to benefit from Travelers risk control services and to help control losses on the policy. If a non-mandatory survey is requested by the Underwriter, our Risk Control Consultants evaluate the risk for their needs and share appropriate information about our Risk Control website and resources with the policyholder. As part of this visit, our Risk Control Consultant reviews the policyholder's accident trends with the insured. In addition, the Underwriter reviews the loss history to determine if reported losses are consistent with the exposure indicated on the policy. We have found that the number of employees filing claims may be in excess of the number of employees indicated on the application, or inconsistent with the payroll estimates. High loss ratios may trigger a CUR, or result in a request for Risk Control services.

r. *Claims Verification*

We are utilizing a Claims Coverage Verification Best Practice for Nebraska policies that requires the Claim Case Manager to contact the Underwriter when certain conditions occur. Proper analysis of a workers compensation claim requires an evaluation of the scope of coverage afforded under the policy and the compensability of the injury/condition. Careful review of both will ensure that we only pay those claim benefits we are obligated to pay under the insurance contract (policy) and to which the injured employee is entitled under statute. When these conditions occur, the Claim Case Manager and the Underwriter will discuss the claim to evaluate the scope of the coverage afforded under the policy and the compensability of the injury or condition. We believe the Claims Coverage Verification Best Practice, developed through extensive cooperation between our Legal, Underwriting, Audit, Risk Control, and Claims experts, is unique in the industry.

The Claims Coverage Verification Best Practice outlines the responsibilities for both Claim and Underwriting, to facilitate communication and streamline the process. The workflow is outlined, along with key contacts, phone numbers and steps for resolving disputes. Additionally, standards regarding service commitments and methods of communication are included to ensure timely exchanges of information to allow both areas to make the right decision within the shortest possible timeframes.

The Underwriter has the authority to determine coverage for a claim. They discuss coverage issues in detail with the Claims Case Manager. Once the question of coverage has been established, the Claims Case Manager determines compensability.

3. Servicing Procedures

a. Endorsement Processing

Insured requested endorsements will be reviewed and issued within twenty (20) days. The Underwriter is already familiar with the risk and can expeditiously process any request. The same level of underwriting is applied to requested endorsements as to new business applications and renewal policies. TravStation provides instant notification to the Underwriter when endorsement requests are received from insureds/producers. TravStation is programmed with the Nebraska service standard's timing requirements to ensure timely processing. When additional information is needed in order to process an endorsement, the Underwriter will either call or send a written request to the insured and producer outlining what is needed to process the endorsement. Once the required information is received, the endorsement is processed. In addition, if an endorsement cannot be honored, the insured and producer are advised of this in writing including the reason the request cannot be processed.

In addition to insured requested endorsements there are carrier initiated endorsements resulting from preliminary audits, final audits, loss control surveys, claims or when requested underwriting information is received. When final audits are completed, our policy issuance system automatically compares the class codes and exposures from the audit to the current coverage. If our system tolerance criteria is met, the current policy is automatically endorsed. If the criteria is not met, the Underwriter receives a TravStation task to review the audit results for endorsement. The underwriter reviews every preliminary audit to determine if an endorsement is required to align the estimated payrolls and class codes for policy term. Additional premium endorsements resulting from a preliminary or final audit are completed within 50 days of the audit completion date. The loss prevention survey includes a comprehensive narrative of the insured's operations and the number of employees at the location surveyed, all of which is compared to the policy by the Underwriter to identify any discrepancies that would require the policy to be endorsed. In some cases, the Underwriter will contact the insured and/or producer to discuss the discrepancies depending on the depth of the inconsistency. Regarding claim endorsements, the Underwriter receives phone calls from claims as well as TravStation tasks for all loss time claims. The Underwriter will review the facts around the claim, including prior claims made to the policy to determine if changes to the exposure/class codes are warranted. Responses to requests for underwriting information such as tax forms

or list of workers job duties and payrolls are reviewed by the Underwriter and determination made if the policy requires endorsement; if an endorsement is needed based on loss prevention, claims or underwriting information, the endorsement is completed within thirty (30) days of receipt/completion of the additional underwriting information.

b. *Certificates of Insurance*

Certificate of Insurance (COI) requests are received and imaged into our system creating a TravStation task for the processor to review the request. TravStation is automatically programmed to assign a processing due date of five (5) business days. If additional information is needed or if the COI cannot be issued, a letter is sent to advise the insured.

Producers are required to provide the servicing carrier with a copy of each producer-issued COI. When a producer issues a COI that contains errors or does not comply with the terms and conditions of the policy, the COI is reissued in the issuance system. If the error or inconsistency is coverage or address related, the insured and producer are notified by telephone or letter that the original COI is not valid and the COI has been reissued. Producer-issued COI's that do not contain errors and are consistent with the terms and conditions of the policy are input into our policy system to ensure notification of policy status, such as notices of cancellations or rescinds.

c. *Premium Billing*

The Travelers' Direct Billing System (DBS) is a comprehensive automated billing system used to administer all financial transactions related to Travelers residual market accounts. This system is integrated with our policy issuance system and is programmed to meet the billing requirements of the workers' compensation assigned risk market. It allows for consistent tracking of billing and payments, and promotes timely pursuit of unpaid accounts. Each bill includes contact information for the insured to contact the Underwriter with any questions about the billing determination. This integrated system also allows a single Underwriter to manage all the financial as well as underwriting transactions throughout the life of the account. As an added benefit, DBS has a Voice Response System, available 24/7, that allows payments to be made using a telephone keypad and provides access to current billing information including the minimum and total balance due, the date the last payment was received, and the reinstatement amount if an account is in cancellation for non-payment. Travelers online payment option called Express Pay allows for payments to be made 24/7. The insured is provided with the total and minimum premium amount due.

Billing statements for additional premium of \$100 or greater (excluding final billing) are mailed within fifteen (15) days of posting premium transactions on company records. The first bill will be due for an installment, additional premium, audit or other billing thirty (30) days from the date of the bill. If the payment is not received, and current coverage does not exist, the 2nd bill is released on day thirty (30) due within 15 days of the bill date. If the payment is not received and current coverage exists, cancellation procedures are initiated on day thirty (30) to be due within twenty (20) days of the notice date. To avoid cancellation, payment of the outstanding premium must be postmarked by the cancellation date. If payment is not postmarked by the cancellation date coverage will cease. The date

of cancellation will correspond with the notice of termination of coverage sent to the State Division of Workers' Compensation.

The Underwriter is notified through the TravStation, when a final audit billing goes unpaid. Travelers employs a receivable management process for accounts with significant final audit additional premiums designed to provide additional contact with the insured/producer during the audit billing cycle in an effort to minimize the number of accounts sent to collections.

d. *Non-payment of Premium*

In the event that premium due is unpaid, the billing system will automatically interface with the Policy Issuance system to initiate cancellation. This has proven effective as a collection tool, initiating appropriate notification and actions prescribed by state regulation. Mailing of appropriate notices, such as certificate cancellations, is facilitated by the online storage of a complete information file on each policy. Since the Underwriter has responsibility for the total account, they understand the premium charges that resulted in the billing, and can clearly explain the bill to the insured. The cancellation is automatically finalized if payment is not received.

Travelers employs a receivable management process for accounts with final audit additional premiums that is designed to provide additional contact between the Underwriter and the insured/producer during the audit billing cycle in an effort to minimize the number of accounts sent to collections. The Underwriter is notified through TravStation when a final audit billing goes unpaid. The insured is contacted once the final audit is billed to ensure the customer understands the billing. When necessary, a second contact is made thirty (30) days after the final audit first bill date if payment has not been received. The insured is reminded of the due date and the possibility of termination if the premium is not paid by the due date and we also ensure the customer understands the billing or answer any questions the insured may have. Making the call after the audit has been received and billed allows the insured time to review the information to determine if there are questions before receiving contact. The insured can make payment over the phone through our Pay-by-Phone system or via Travelers online payment tool, Express Pay, at no additional charge. It is our experience that these telephone calls have a positive impact on receiving timely payments and is an appreciated reminder to employers.

e. *Collection Procedures*

Once an account is uncollectible, it is referred to our Special Collections Unit and one of our approved collection agencies for continued collection. Travelers Special Collection analysts and our collection agency vendors are experienced with Nebraska WCIP rules, including the rules regarding disputed premium. As the account proceeds through the collection process, the Underwriter remains available to the Special Collection analysts to assist in any questions that may arise. Most insureds remit the money they owe without litigation, however, we will proceed with litigation if necessary. In fairness to other employers in the Plan, each insured should pay the premium they owe. Travelers refers all uncollectible accounts, regardless of dollar amount, to a second placement agency if it cannot be collected by the first placement facility, or it is not a good candidate for litigation.

Our Collection Analysts have an average of 11 years on the job, and are assigned by territory – the collector for Nebraska is well versed in the state’s rules and regulations. Coupled with the expertise of our vendor collection agencies, it is a successful partnership demonstrated by a strong collection ratio and successful litigation actions.

Our vendor collection agencies have access to multiple Travelers systems, including our Premium Audit, Underwriting and Collection Analyst Tracking systems. This access provides the most up to date information to ensure a positive collection result.

Controls used to monitor adherence to service standards include daily reports from our Collection Analyst Tracking System, as well as quarterly reviews of agency performance on a multitude of key performance indicators and financial reporting. We are committed to providing the vendors the tools they need to maximize performance, including coordinated systems enhancements, continued training for audit and underwriting questions, or support for accounts in litigation.

f. Compliance Teams

Travelers has extensive experience in the residual market, both nationally and as a service provider to the Nebraska WCIP. Because of our presence, we are able to attract and retain expert level quality assurance professionals, fully dedicated to handling residual market business. We have a Home Office based Compliance Team, located in Hartford, CT, responsible for interpreting the impact of changes in statute, regulation and plan rules and guidelines as established by legislative or regulatory bodies or the plan administrator. The Compliance Team in Hartford ensures proper dissemination of information and changes to the basic manual, state specific manuals, rate filings, item filings and bulletins. This team has direct access to our in-house legal counsel for consultation on interpreting and applying compliance data within the assigned risk market. In addition, it is our Compliance Team who works with the system programmers responsible for the implementation of changes and new programs. This total integration of Hartford’s Compliance, Legal and Systems areas affords our field Underwriters, Auditors, Risk Control Consultants and Claim Case Managers timely, accurate policy management support. Additionally, legal counsel is available for consultation with our Underwriters on a daily basis.

The Hartford based Compliance Team also performs internal audits of each Field Office, and specifically, Nebraska WCIP business.

In addition to the Hartford based Compliance Team, our Operational Effectiveness Unit located in the Orlando Field Office performs compliance monitoring, performance tracking and quality assurance work. This team compiles statistical information, completes random and selective file sampling, develops quarterly performance tracking reports and investigates exception items. The local staff includes a Nebraska specialist responsible for maintaining an electronic library of information specific to the underwriting and administration of Nebraska WCIP business including best practices and underwriting guides.

g. *Quality Assurance Program*

Travelers has designed a comprehensive *quality assurance program* to ensure that all key activities associated with Underwriting, Premium Audit, Risk Control and Claims services are properly monitored and that service standard commitments are met or exceeded. This comprehensive *quality assurance program* coordinates the management of several control and tracking systems within each discipline, and may include a combination of automated monitoring, automated control edits, ongoing means testing and control process evaluation, qualitative sampling, exception item investigation, and performance reporting and management. This program is designed to confirm that policies are issued accurately relative to premiums, fees and charges, as well as application of all appropriate endorsements and forms. Monthly quality reviews are conducted by our dedicated quality assurance specialists who examine randomly selected samples of processed work to ensure compliance with eligibility requirements of bid commitments and performance standards. In addition, monthly Underwriting quality reviews are also performed to ensure the exposures have been accurately identified using all available resources, including internet research. Management meets with each AMU monthly to review individual performance results and provide feedback to ensure continued success in performing our due diligence relative to compliance and underwriting.

With regard to new business, renewals and mid-term policy management, key activities are tracked daily, weekly, monthly and quarterly, depending upon the nature of the activity and external reporting requirements. Qualitative standards, such as proper application of experience modifications and adherence to established rating plans, are examined and guaranteed more effectively through other methods including random file review, monthly statistical sampling and operational audits.

The Hartford Compliance team performs internal audits of the Field Office's compliance and underwriting activity and reviews and certifies the results of the Field Office's Quality Assurance evaluations.

h. *Data Reporting*

Travelers will continue to file all policy and statistical data with NCCI, the licensed statistical agent for Nebraska. We presently file electronically and comply with all NCCI data requirements.

We will make data available to the Nebraska Department of Insurance as may be required, to facilitate the Department in tracking the status of the WCIP.

We can provide Management Information reports on any of the following; at the Department's request:

- Premium – Written and Earned
- Policy Count and Payroll by Classification with Totals
- Cancellations by Reason
- Audit Results
- Claims by Body Part, Nature of Injury and Nature of Accident
- Claims Paid vs. Incurred
- Claims Medical vs. Lost Time

- Loss Ratios
- Collections
- Number of Risk Control Inspections
- Nebraska Service Standard Compliance

i. *Dispute Arbitration*

We recognize that disputes occur with respect to coverage eligibility, premium, or any other area of policy administration. Our Account Management approach with one Account Manager Underwriter familiar with all aspects of the account, reduces the incidence of disputes that may arise. We recognize that the service we provide is critical to producers and employers and we strive to be “easy to do business with”. Each case is reviewed independently by Underwriting and the circumstances evaluated on its own merits. Depending on the issue the Compliance Units, Premium Audit, Risk Control, Claim, Collections, and/or our Special Investigations Unit may be asked to provide input to reach a resolution.

Our staff understands and is well versed on the Nebraska WCIP rules, issues of coverage, and pricing. Using this knowledge we are able to help educate the producer and policyholder early in the policy term which helps to minimize disputes. Our success in this area has been evident in Nebraska where in eighteen years we have had very few formal appeals.

We recognize that disputes may happen and also recognize our fiduciary responsibility to treat all insureds fairly. If any party chooses to file a formal dispute, we will work with the Department of Insurance as the dispute goes through the formal process. We will let the Department know about any issue that appears to be heading to a dispute as soon as we are aware of it.

4. *Premium Audit*

As one of the largest, most professional and technically advanced operations in the industry, Travelers Premium Audit's mission is to ensure that premium revenue is correctly identified and billed. The Travelers Premium Audit department aims to achieve a high level of professionalism while providing quality service to all our customers, state regulators, insureds, producers and business partners.

Travelers has an experienced team of audit professionals managing our Nebraska premium audits. Our Audit Manager has 12.5 years of experience in Premium Audit and maintains the APA designation. Our Nebraska Premium Auditor has 29 years of experience and maintains the APA and CPIA designations. Both Manager and Auditor are affiliated with the NSIPA and regional IAA organizations. Our commitment to continuing education is demonstrated by our substantial annual investment to develop and conduct training sessions designed to cultivate the development of both auditing and interpersonal skills. Our training programs are designed to hone auditors' skills in identifying accurate premium, their utilization of technology, and to ensure compliance with quality standards. Specific topics include specialized training for volatile industries, further development of advanced auditing techniques and actual case studies developed and designed to enhance audit quality. In addition, all auditors regularly attend Premium Audit Advisory Services (PAAS) training, premium fraud, and classification training.

All newly hired Premium Auditors attend a Premium Auditor's School at Travelers. In virtual and classroom settings the Auditors become familiar with workers compensation

rules, procedures, relative manuals and unique market requirements. They are professionally trained to investigate the appropriateness of classification codes and premium based elements through direct observation and by examining employer accounting information. During this time specialized fraud training is completed by the Special Investigations Unit so the new auditor is attuned to premium leakage and fraud. Audit Professionals handling policyholder report (ePHR and mail audits) and electronic audits will participate in a similar training program as the field auditors and will review audit technical questions, systems training, and ongoing training to identify any issues. Testing is completed for all personnel to evaluate their understanding of the workers compensation material once training is completed. Any testing issues are referred to their manager. Once local management is satisfied that the new Auditor has a thorough understanding of the process and expectations, they are assigned audits to complete. The independently completed audits are monitored and reviewed by management to ensure the quality of the completed audit. All new Premium Auditors are required to complete the two associate premium audit exams (APA91 and APA92) offered by the Insurance Institute of America within eighteen months of hire. All Auditors and Premium Audit Professionals have access to and regularly use online Premium Audit Advisory Services (PAAS) and NCCI SCOPE manuals and will continue to receive classification training and premium fraud training to stay well informed of changes and emerging issues that may affect the Nebraska WCIP.

To evaluate the quality of work completed, Premium Audit has an independently administered quality Review Program (QPR) which provides a comprehensive and consistent review of completed field audits, policy holder reports (ePHR and mail audits), electronic audits, vendor audits, audit dispute resolutions and customer service. The program was initially designed and developed by members of our Corporate Internal Audit staff to ensure that proper controls for quality measurement were identified and accurately measured. Quality is measured through monthly reviews conducted by our independent Quality Team and serve to benchmark Auditors, Analysts, Processors, Dispute Resolution Specialists, Vendors, Customer Service Representatives and management performance. Our Quality Team is required to perform a quality review of a set number of audits for each group, every month. The Quality Team is monitored to ensure that reviews are performed in accordance with the Quality Assurance plan and the Quality Team's performance reviews are tied to successfully carrying out the Quality Review Program. Each individual being evaluated as part of the Quality Review Program must achieve a "commendable" quality score based on the Quality Team's reviews. Key evaluation standards include:

- Timeliness of audit completion
- Adherence to best practices
- Appropriateness of classification codes
- Premium base elements

Management plays an important role in Quality Review and will physically accompany field auditors to observe and ensure compliance with standards of professionalism and quality assurance practices. Management is accountable for the aggregate of the scores their teams receive under the Quality Review Program and the results are utilized to evaluate and measure performance to identify training and development needs. Through teamwork with the Underwriting department, quality feedback is encouraged and helps cement a strong partnership. We encourage the Underwriters to surface any audits that they feel may not be of the highest quality. A process of management review immediately

occurs and necessary actions to resolve concerns and provide the necessary training take place.

In addition to holding the Premium Auditors to the highest standards for audit quality, all Premium Auditors must adhere to a published Code of Conduct outlining performance requirements deemed essential to achieving a high level of professionalism concurrent with providing quality service to our business partners and customers. The Code of Conduct demonstrates Travelers' commitment to both professionalism and providing quality service as it is important that a Premium Auditor reflect professionalism in appearance and attitude as often the Auditor is the only company employee an insured will have face-to-face interaction with during the term of their insurance policy. Travelers measures the satisfaction of our customers through Travelers own Voice of the Customer (VOC). VOC is administered via email to the audit contact to obtain customer feedback on their experience with our audit department, the Auditor, and Travelers overall. Our goal through VOC is to improve our customers' experience by providing a level of consistency and accuracy that exceeds the customers' needs and expectations.

Travelers' Auditors are equipped to handle the majority of our physical audits, however, to ensure that our desired level of service is maintained consistently, subcontractors/vendors may be utilized on an as needed basis to handle physical audits in remote locations or during peak times. While the extent of vendor usage is minimal, if vendors are used, their audits are considered in the same Quality Review Program as our employees to ensure a high quality audit is performed. In addition, we have tight controls around performance and compliance timeliness requirements.

Audit service selection is an automated process to ensure timeliness of audits and accurate assignment of audit type. Audit type is assigned by the system in accordance with the Nebraska WCIP and our own service selection best practices include: Preliminary audit, interim audit, final physical audit, electronic audit, and policy holder report (ePHR and mail audit). Procedures and controls are in place to ensure that the required system assignment is performed and completed accurately. Upon policy issuance, the Audit System receives a feed of all policy information and an initial evaluation of the policy is performed to determine if a preliminary or interim audit is required per the Nebraska WCIP. A second system evaluation occurs one month prior to policy expiration and evaluates the policy for a final audit where either a physical or a policyholder report audit will be requested. Interim audits are established at policy issuance by the Underwriter. Once an audit type is designated on an account, the audit is assigned to an Auditor with a system generated due date that complies with the Nebraska WCIP. Also, at this time, a letter is sent to the policyholder to inform them that they will soon be contacted and asked to complete their audit. The letter provides a contact phone number in the event the insured would like to be proactive and schedule/initiate the audit themselves.

Although the assignment of audit type is an automated process, our system provides the flexibility to change the method of the audit from both a policy perspective and a systems perspective based on individual recommendations of the Audit Manager and/or Underwriter.

When an audit request is received by the auditor or analyst, existing policy classifications are provided by the audit system to allow comparison of the existing codes on the policy to the description of operations obtained during the audit. Our auditors utilize a standardized template as the starting point for their audits that requires them to provide and explanation of the insured's operations and thoroughly document the exposures by class code. Built-in tolerance checks flag any audit results that exceed normal variance

thresholds. Underwriters are notified of completed audits by TravStation. If their review of the audit results indicates that an endorsement is necessary, such an endorsement will be made in accordance with Nebraska service standards.

Most of the Premium Auditors utilize Appointment Coordinators who facilitate the audit process. These Coordinators make appointments for the Premium Auditor to visit the insured's premises. During the appointment process, the Appointment Coordinators will review the appropriate records needed to complete the final audit. This reduces the Premium Auditor's administrative work and allows them to focus their efforts on conducting audits.

Premium Audit systems are integrated with all other Travelers' systems. Travelers communicates information among business partners primarily through our highly integrated systems as well as e-mail, voicemail, meetings, and teleconferences. Our systems and interaction among all disciplines demonstrates a superior level of communication and teamwork between our business partners. The communication between Premium Auditors and Underwriters is on-going and extensive. Dialogue between these professionals regarding policy exposures takes place before, during, and after the audit as needed. Our goal is to ensure efficient, effective, reciprocal and timely sharing of information between professionals handling the account. This guarantees that both Premium Auditors and Underwriters have the benefit of incorporating all available information into their respective practices. Underwriters and Auditors discuss risks frequently and share information to determine the appropriate class and exposure for the risk. Auditors will also contact the Claim Case Manager if they have questions about the claim history and will contact Risk Control regarding information on the loss control report. All Auditors are equipped with mobile phones to facilitate communication with the respective business partners when the Auditor is in the field.

The results of preliminary, interim or final audits are forwarded to the Underwriting department for immediate analysis. The Underwriter as the core of our "total account management approach", monitors audit results via TravStation to ensure that all issues raised are addressed by the auditor. The Underwriter assigned to the account will review the audit findings, comparing the results to current policy information and determine if any discrepancies exist. To facilitate this process, communication between Premium Auditors and Underwriters is constant and comprehensive. If there is a discrepancy, the Underwriter will contact the insured or producer directly to discuss the issue. Discrepancies can include material changes in payrolls, additions, deletions or changes in class codes, changes in the use of subcontractor or miscellaneous labor, and any other changes that may affect billable premium.

Premium Auditors are required to complete all physical audits within 75 days of expiration. Preliminary audits are required to be completed within 90 days of effective date. Timeliness is monitored closely through management reporting and is tied to the Premium Auditor's performance evaluation. Timeliness measurements are utilized to appraise the auditors and processing performance for promotions and/or salary increases for all types of audits performed.

Shortly after a new policy is issued, the insured receives a letter explaining the audit process and what records may be needed. The letter also directs the insured to our newly enhanced Premium Audit website www.travelers.com/audit to review additional information on the

audit process, helpful tips for recordkeeping, a “What You Can Expect” section as well as a Frequently Asked Questions section.

Travelers has made significant investments to enhance our digital capabilities which will be rolled out over multiple years. In 2017, enhancements made to our Premium Audit website to provide customers with much more self-service functionality including the ability to view audit status, securely upload audit information, and contact Travelers Premium Audit directly through the website.

As part of the audit process, the Auditor gathers critical financial and exposure information to identify additional exposures or operational changes not identified during the policy term. The Auditor validates risk classification, substantiates claim information and confirms that all entities are properly included on the audit. A thorough review is made of policy information, loss control reports, description of the insured's operation as well as a review of the claims/loss history in order to verify the employment status and classification of injured employees at the time of the injury. The Auditor is always alert for possible fraudulent activity and works closely with the Special Investigations Unit to stop premium leakage and outright fraud. The auditor's laptop workstation is the primary tool for providing a wide range of information for a thorough audit. The laptop and the associated network technology allow the auditor access to virtually all-pertinent information, including all policy information, schedules of classification, named insured and insured entities, 3A states, street addresses for multiple locations, estimated payroll, employer's liability limits, and inclusion/exclusion endorsements including names. The Auditor can make further inquiry in the claim system to see a more detailed view of the insured's claim history which is very useful in checking on the accuracy of the description of the business. The Auditor has access to PAAS classification guides, NCCI's Scopes Manuals and Basic Manuals. The Auditor can inquire to any Travelers' host system, including the online library that contains technical reference material, such as payroll minimums and maximums for corporate officers and partners, by state. Past loss control reports are accessed online. Further demonstrating Travelers' commitment to auditing excellence is our unique development of standard procedural manuals for auditors to utilize as a guide when auditing certain complex risks. These Best Practices help to assure a consistent auditing approach.

While interacting with the insured, the Premium Auditor further refines the description of the operations by interviewing the insured and/or touring the facilities or jobsite. Job classifications are verified by the type of work performed. The auditor may have an opportunity to observe the workers performing their duties. Payroll figures are gathered from the original source of records provided by the insured and these are verified to another source. Typically, payroll audits are verified to an insured's state unemployment tax reports or federal unemployment tax report. If these records are not available, a current general ledger prepared by the insured or the insured's accountant may be adequate for verification as well.

If possible, the Premium Auditor discusses audit findings with the insured before leaving the premises. The Premium Auditor will then complete the audit on their laptop workstation. Prior to transmitting summary data for re-rating, several edits are first performed. For example, a tolerance check identifies exposure variances. Any exceptions or unusual items found through the tolerance check are required to be investigated by the Premium Auditor. Travelers' experience reveals that quick identification of significant variances between initial and final premium significantly reduces premium collection

problems. All data collected on the worksheets is required to be transmitted daily. Discrepancies between audited results and any pre-audit activity are electronically communicated to Underwriting.

Dedicated functional units for analysts, processors, support and customer service staff handle all audits. Each functional unit is fully trained on Nebraska servicing standard requirements and is supported by sophisticated systems that automatically generate follow-up letters when necessary. Policyholder reports/Invitation Letters are computer generated and completed online through the ePHR® (Electronic Policyholder Report) where an invitation letter is sent to the insured at policy expiration to complete the policyholder report online through the Travelers' automated ePHR® tool. The tool has unique paths identified for workers compensation audits based on the type of business and tailors the report based on the business type. The tool allows the user to input their audit data directly into a secure web portal, print out a copy of the data and upload any supporting documentation directly. If the policyholder prefers, they will have the option to submit a paper policyholder report to submit their audit information. Upon our initial contact to the insured to complete an audit, if no response is received from the insured, a second request is generated and mailed approximately twenty (20) days after the initial request for the online policyholder report and thirty (30) days after the initial request if the insured request a paper policyholder report. The audit request letter sent to the insured requests the insured to provide copies of their payroll and tax reports when returning their automated ePHR® or policyholder report audits. Certificates of insurance are also requested for any non-employee labor. Once the policyholder report audit or ePHR® is received by Travelers, the assigned analyst reviews and completes data entry in the analyst worksheet in accordance with our Quality Assurance plan. The analyst worksheet recaps policy information (claims, endorsements, classification codes) and provides a mechanism for the analyst to summarize exposure. Procedures include a thorough review and comparison of the policy and prior audit information, loss information, added/deleted class codes and endorsements to the current automated ePHR® or policyholder report audit. Telephone calls are made to insureds where clarification of detail is necessary. If the policyholder report audit reflects a large deviation from the policy information, it is referred to the Underwriter and a physical audit may be ordered. The tool will automatically adjust owners and officers to applicable state minimums/maximms/flat amounts and calculates deductions for overtime. With a simple click of a button the data automatically feeds into our rate/quote/issue system which increases accuracy and efficiency.

The support team ensures that the policyholder report was properly completed, tax forms were received and support the audit exposures and the information reflects the business presented on the audit. If the policyholder report audit is not returned or backup information is incomplete, procedures for non-compliant insureds are initiated. Similar processes are in place for the Auditors to ensure that the necessary state and/or federal tax forms are obtained and accuracy of payrolls reported is ensured.

Post Audit Activity is initiated through daily electronic submission of the Premium Auditor's findings to the Premium Audit System. Results of all mail audits are input directly into our Premium Audit system. Internal system edits identify any exceptions or unusual items requiring investigation and controls are in place to ensure that completed audits for all policies are transmitted and processed. If the audit result varies more than an established tolerance, a special report is issued which may prompt review by management to ensure the accuracy of the audit. The tolerance report is forwarded to the Underwriter which highlights accounts where audit endorsements are likely required or collection issues

may arise. After the final audit information is received and the audit is rated, and an audit voucher is generated and distributed to the insured, producer and Internal Policy Management. An electronic feed of information is sent to the Billing and Collection Systems which generates an invoice or return premium check.

If the insured is non-compliant, and the audit cannot be completed and billed in the required time period, the Underwriter is notified. The insured and producer are informed that failure to comply with an audit makes the account ineligible for coverage in the Nebraska WCIP. If the account fails to comply, we initiate cancellation on current coverage.

Significant attention is devoted to responding to inquiries and resolving customer disputes promptly and accurately. All audit disputes are handled in a single dedicated audit dispute unit. This unit is fully trained on all requirements ensuring timely resolution of all audit disputes. Utilizing a single dedicated unit, fully trained on the Nebraska service standards ensures a focused approach to timely resolution of audit disputes. Our Dispute Resolution Specialists are responsible for initiating the investigation of disputes, providing supporting documentation and ensuring the timely resolution of audit disputes. The dispute resolution process is designed to focus on the main types of disputes which allow us the ability to better monitor and expedite the resolution process. Dispute Resolution Specialists act as a liaison between the insured, auditor, agent, Underwriter, and Special Collections to resolve disputes. They contact the insured when necessary and produce correspondence to communicate dispute resolution. If additional information is needed from the insured or the producer, the Dispute Resolution Specialist will send a detailed request to the appropriate parties. In the event that a re-audit is necessary, the Dispute Resolution Specialist will order on the Audit System. Our integrated audit system tracks disputes and generates monthly statistics that management reviews to validate that disputes are resolved timely in accordance with the Nebraska service standards.

Dispute Resolution Specialists and customer service representatives are available to assist in finalizing and processing audit transactions, thereby minimizing conflicts and delays. When the employer does not agree with our findings we may suggest to the employer that a re-audit be completed to clarify the information that was presented or obtained during the original audit. Further, more often, when a dispute arises as a result of a policyholder report audit, we suggest a physical audit be completed to clarify issues including the use of subcontractors or the application of overtime rules.

Premium Audit systems are integrated with all other Travelers' systems. Even with this advanced system, we are looking for new opportunities to improve our process, gain efficiencies, and provide superior customer service. All incoming mail and faxes, including policyholder reported audits and disputes, are scanned into our system to improve customer service and work efficiency. Our "Analyst Worksheet" provides automatic functionality for summarizing data entry for policyholder report audits, fee audits, or ePHR® Electronic Policyholder Report audits and improves accuracy and efficiency. It also allows automatic feeds to our issuance systems with the click of a button. In 2017 Travelers enhanced our ePHR® system. The ePHR® system allows policyholders to complete their policyholder reported Audits online. With ePHR® the policyholder will receive an ePHR® that tailors itself to their type of business and adjusts to answers that the policyholder provides. The ePHR® system allows the user to input their audit data directly into a secure web portal, print out a copy of the data, and submit any supporting documents directly. If the policyholder prefers they are still able to submit a paper policyholder report containing their audit information. A tool to automatically calculate officer

minimums/maximums and premium overtime calculations within our systems increases accuracy and efficiency. Full support for all Windows and Apple browsers, improved upload functionality and data copy functionality of the prior year interview to reduce data input for the ePHR® have also been implemented. These enhancements result in improved interfaces with internal systems to enhance information access and provide field staff with additional information necessary to perform audits.

5. Premium Fraud

Workers' compensation fraud has become such a systemic problem that many states have responded by enacting special legislation to combat fraud. Many of these states now require insurance companies to investigate and report suspected cases of fraud to the proper authorities. Travelers remains committed to helping the integrity of the Nebraska WCIP by dedicating the necessary resources to prevent premium fraud. For the past 25 years, Travelers has had a Special Investigations Unit (SIU) that is fully dedicated to investigating and handling assigned risk workers' compensation premium fraud matters, including the handling of the litigation process from start to finish. Travelers' focus on upfront underwriting means that the potential for substantial losses from premium fraud are minimized. Travelers strategy was, and still is, to identify and recover premium dollars in the most cost effective and efficient manner.

Travelers SIU received approximately 360 new cases nationally each year and on average, 21 cases annually are referred to state or federal authorities. In addition, Travelers SIU continues to work closely with state and federal authorities in prosecuting cases related to premium fraud. A recent example of SIU's work in Nebraska with state or federal authorities involved a multi-state staffing agency that consistently misclassified its payroll in an effort to pay significantly lower workers' compensation premiums. As a result of SIU's work with federal authorities, the owner of the staffing agency was indicted on federal fraud charges and sentenced to 57 months in prison. Additionally, SIU was successful in promptly recovering restitution of approximately \$500,000 which included just over \$100,000 in Nebraska premiums.

As part of Travelers anti-fraud plan, SIU conducts premium fraud seminars for our claim, underwriting and premium audit personnel. These seminars provide educational tools such as training videos and case studies in an effort to assist them in identifying potential cases of premium fraud.

We are proud of our results to prevent premium fraud in the state of Nebraska and we look forward to continuing our service to the NE WCIP and its assigned risk employers.

D. Evidence of Eligibility

If reappointed as the contract carrier, we will maintain the existing Nebraska WCIP requirement and Eligibility Provisions as currently approved by the Nebraska Department of Insurance. When employers make application or pay renewal deposits to the Nebraska WCIP they will be presumed to be making application in good faith.

Travelers will continue to utilize the standard ACORD 130 Worker's Compensation Application and ACORD 133 Assigned Risk Section to administer the Nebraska WCIP. The ACORD 133 application requires the applicant to certify that they:

- Have been denied coverage by at least two (2) insurers licensed to write workers' compensation coverage;
- Are not in default on paying workers compensation premiums;
- Have not failed to reimburse an insurer for amounts to be repaid pursuant to workers compensation insurance written on a policy with a deductible;
- Have not denied an insurer reasonable access to books and records necessary for a premium audit;
- Have not defrauded or attempted to defraud any insurer; and
- Have established a safety committee pursuant to Neb. Rev. Stat 48-443 to 48-445 and are compliant with those statutes.

Within one (1) business day of receipt of the properly completed application forms, including an employer's Safety Committee Acknowledgement form, Travelers will review and determine eligibility.

If there are questions concerning eligibility, we will immediately be in contact with the applicant to obtain additional or clarifying information. It is our goal to bind or deny coverage within one (1) business day of receipt of the application.

With respect to renewal policies, Travelers will evaluate several criteria for continued eligibility. Each renewal account must be current with regard to any installment, endorsement or audit premium balance. In addition, the insured must have complied with all requests for underwriting information and cooperated with all premium audit and loss control surveys.

E. Claims Administration

Travelers administers claims for the Nebraska WCIP out of its Upper Mid-west Claim Center in Overland Park, Kansas. This office services Nebraska Workers' Compensation claims for both our voluntary and assigned risk workers compensation insureds, using the same Best Practices and the same impressive array of tools.

Some of our core capabilities include the following:

- Fully automated computer system which integrates our claim and medical platforms;
- Automated medical triage predictive modeling process which focuses on early nurse intervention on the right claims and which received a U.S. Patent;
- Electronic medical bill scanning;
- Real-time claim alerts for critical claims, reserves, hearings, and changes in claim status;
- Integrated Pharmacy Benefit Management program with Heath-e Systems, which includes clinical alerts, pharmaceutical letter notices to prescribers and alerts on potential drug interactions;
- Independent Pharmacy Evaluation;
- Durable Medical Equipment (DME) program with preferred pricing and controls;
- An Early Severity Predictor (ESP) program, which endeavors to identify claims that could devolve into chronic pain before they do, so that the claim handler can attempt to direct the claim down a different, more appropriate path;
- Robust Preferred Provider Network (PPN) program, from which our clients are seeing increase in network utilization

1. Travelers' Claims Management Strategy

Travelers comprehensive Workers' Compensation loss cost reduction strategy controls the payout of claims through our advanced, integrated claims management system. We see three primary drivers of loss costs:

- Delays in reporting claims
- Attorney involvement, and
- Medical cost inflation

Our claim management model is uniquely designed to minimize these cost drivers.

Detailed in the following sections, this strategy combines an industry-leading early claim reporting program built around a nationwide telephone and electronic claim reporting system; a thorough investigation and management program designed to shorten disability periods and facilitate a timely return to work at full or modified duty; and a comprehensive medical management program which integrates an extensive managed care network, dedicated in-house medical professionals and cost containment systems.

a. Key Success Factors

Travelers has developed a set of *Best Practices* that reflect our comprehensive claim management strategy in four key areas: Early Intervention, Return to Work focus, Managed Care and Claim Resolution.

We support our staff and their performance by:

- Providing Case Manager and in-house nurses with the training, skill development, technical systems, and resources required to do their jobs properly
- Strengthening the pivotal role of the supervisor
- Maintaining a culture that encourages self-sufficiency and aggressive case management

Travelers has taken steps on a national and local level to ensure that all staff members have the training and skills necessary to meet our high quality standards. In addition to numerous local programs, our scale enables us to maintain a full time faculty which trains approximately 3,000 professionals per year. Our in-house nurses are trained at the same facility to ensure consistent focus and quality by all members of Travelers' staff. We also encourage and facilitate continuing education throughout their careers by reimbursing and recognizing staff for Workers' Compensation related course work and designations.

In addition to quality people, Travelers recognizes that to succeed in the ever-changing Workers' Compensation environment, our company must invest in and create the tools to support our specialized approach to claims management. Travelers has invested in state of the art technology designed specifically for Workers' Compensation case management. Two key systems that have grown from this philosophy are our *Claim Case Manager Workstation* and the *Medical Bill Management System*.

The Claim Case Manager workstation is a state of the art facility which was designed to reduce claim payout, enhance performance measurement through comprehensive data capture and management information facilities, and allows faster and broader

access to claim information. The web based platform provides the Case Manager with immediate, integrated access to claim notes, financial data, medical management resources, state regulations, estimate functions, fraud indicators and red flags, coverage, state forms, policy information, and much more. Other internal parties, such as Recovery Specialists and our Major Case Unit, can access the claim file, as needed, to obtain the relevant facts.

The Medical Bill Management (MBM) system is used to process, re-price, and audit all medical bills. *The system enhances the speed and accuracy of medical bill processing, resulting in the right amount being paid to the provider.* The MBM automatically:

- Adjusts bills to the appropriate fee schedule or reasonable and customary rate as appropriate;
- Adjusts bills to the applicable preferred provider CorVel network contract rate;
- Checks each line on every bill entered for duplicate billing and a flag is set for the Case Manager if it is a duplicate;
- Checks each injury/treatment code for discrepancies and inappropriate unbundling of services and flags the Case Manager if it is inappropriate and needs additional follow-up;
- Directs 20-25% of the bills to our Medical Bill Review Team consisting of medical bill professionals along with registered nurses who review hospital and physician bills related to surgical procedures, medical reports, ambulatory surgical centers, repackaged drugs, etc. who use both proprietary rules/edits software and their accumulated expertise to assure that only medically appropriate charges are considered for payment. We manage both the price and the utilization of medical services so that you pay only what is owed. In fact, this team manages over 850,000 medical bills every year, producing substantial appropriate bill reductions benefiting our customers. Charges processed through MBM are correlated by provider name, tax I.D., number and treatment type allowing additional monitoring of treatment and billing practices by provider or by treatment, not only on a claim by claim basis.

b. *TravComp*

Travelers TravComp® model integrates claim and medical management within a structure that focuses the right skills on each claim depending on the losses unique attributes. TravComp® significantly reduces the cost of lost-time claims and length of disability by claim differentiation, medical integration, and improved focus on investigative aspects of the claim. TravComp® ensures the proper level of resources are assigned to the file based upon the complexity and financial exposure of the claim. Also, TravComp® utilizes medical resources to assist in the management of medical care and expedite an earlier return to work on lost-time claims. TravComp® improves payout results through enhanced focus on compensability, coverage, and causality issues. The focus of TravComp® is early reporting, comprehensive investigation, early medical management intervention, which includes our predictive modeling capability, preferred provider network, medical cost containment, fraud investigation, and litigation management.

Specifically to assist the employers of Nebraska to achieve improved claim outcomes, Travelers is committed to actively engaging injured employees in their return-to-work planning. Studies have shown that, by keeping injured employees involved in the return-to-work process, employers can assist employees with recovery while building morale and minimizing lost time expense. Travelers is the first Workers' Compensation carrier to bring information directly to the injured employee in a clear and comprehensive format via the Internet.

Travelers introduced the industry's first injured employee website, www.myWCinfo.com. [myWCinfo.com](http://www.myWCinfo.com) was a key resource in helping support timely return-to-work and optimal claim outcomes by providing injured employees with information such as claim status and payments, answers to common questions about the workers compensation claim process, access to state workers compensation resources, and network and pharmacy information. In November 2017, Travelers offered an enhanced claim experience through our new MyTravelers® For Injured Employees digital portal. This secure, web-based experience expands on our industry-leading workers compensation claim handling model, TravComp®, and adds a new suite of digital capabilities to help injured employees navigate the workers compensation claim process. With increased consumer demands for more self-service tools, the new portal puts the injured employee at the center of the claim—proactively engaging and empowering them to take charge and manage their own return-to-work plan. The platform provides value to all injured employees regardless of claim complexity by engaging with them in a new and digitally interactive manner and complements Claim's strategic priority of developing right-touch capabilities for lower-severity claims. View the video below to learn more about how Eli is using MyTravelers® for Injured Employees to help easily navigate the workers compensation claim and return-to-work process.

http://travelers.http.internapcdn.net/travelers_vitalstream_com/Creative/CLAIM/17-CLAIM-1635-TravComp-Commercial/TravComp-Express-V092917.mp4

MyTravelers® For Injured Employees offers:

- A comprehensive orientation to the workers compensation claim process through our secure digital portal
- Customized content, tailored to injured employees' specific needs
- Fast and easy provider search
- Insight into what to expect and the workers compensation claim process.
- The convenience of accessing workers compensation tools and resources through smartphone, tablet or desktop
- Notifications of status updates and payment information
- Easy-to-understand information on payments, including lost wages, mileage reimbursement, and payments to medical providers
- Real-time electronic communication between injured employees and the Claim and Medical professional through a secure, dedicated channel
- Improved engagement through real-time, 24/7 access to information, allowing injured employees to assume a greater role in managing their own return-to-work treatment plan

Exhibit A provides information on Travelers Workers Compensation Claim Services and our Competitive Advantages across markets.

Our claims administration process also includes a framework to monitor and measure quality. The framework that has been established to ensure a quality work product is to provide each office with enough autonomy to meet the unique local demands, while providing them a base of support in system, training, and procedures to help ensure their success.

Claim management quality is continually monitored by claim Unit Managers, Associate Managers/Product Leads and Service Center Managers. Supervisors or unit managers review files on an ongoing basis and provide guidance to the Claim professional, as needed, throughout the life of the file. Unit Managers review new notices and provide written instructions based on claim complexity and skill level of the professional. The Unit Manager also monitors the Claim professional's management of their inventory to ensure that cases are investigated and resolved in a timely and cost-effective manner. In addition to our constant attention to return to work opportunities, we evaluate the current reserve adequacy, medical and disability management profiles, benefit status, litigation/defense status (if applicable), and completeness of any ongoing coverage and compensability evaluation. Each file carries documentation of these reviews, as well as the Supervisor's comments and recommendations. Any issues recognized during these reviews are discussed with the Claim professional and resolved immediately.

Supervisors randomly review a sample of their Claim professionals' file inventory each month and share the results with the Claim professional, in addition to file reviews at regular intervals. These additional random reviews cover the same issues as the regimented reviews. The quality of performance is noted and factored into Claim professionals' performance evaluations.

In addition to the field-based reviews described above, each month the field office conducts an extensive audit of randomly selected assigned risk files utilizing an online system monitored by home office claim personnel. Files for this review are selected by home office based on inventory age, reserves and complexity. Results of this audit are monitored by home office and regional management for quality trending and consistency. The results of these monthly office wide reviews factor into the field managers' performance evaluations.

Claim Quality Examiners perform regular monthly claim audits on claims from each office. These reviews, like those described above, evaluate the quality of file investigation, management, and resolution. Local field management actively participates in the review process, allowing a comparison of performance perception and expectation to be gained. The results of these reviews are shared. Based on the results, quality action plans are developed locally to continually improve our claim product.

Travelers offers Nebraska a winning combination as the largest Workers' Compensation provider in the country, with resources to continue investing in cost reduction initiatives and with knowledge of the special requirements of the state.

2. Procedures for Reporting Claims

Central to Travelers' claim management philosophy is the belief that early and aggressive intervention on all new claims will have a positive impact on length of disability and ultimately, claim payout. We work closely with our customers to encourage the timely recognition and

reporting of workplace incidents and provide a countrywide internet and 1-800 telephone claim reporting system. Every new and renewed policy mailed to a customer is accompanied by reporting policy information stuffers which makes it easy for the customer to remember how to report a claim. It also explains their statutory obligation to do so and, in addition, focuses on the important and positive impact timely reporting will have on the ultimate management of the claims.

Timely and accurate claim reporting allows for Early Intervention that will:

- Enhance our ability to make prompt contact with the injured employee
- Facilitate active case management which impacts payout and service
- Reduce unnecessary attorney involvement and/or litigation
- Provide for the timely delivery of benefits
- Preserve investigative opportunities that can affect compensability and/or offsets
- Enhance our ability to provide appropriate medical management
- Prevent the potential loss of policy or statutory defenses

In partnership with our insureds, Travelers has had remarkable success in promoting timely reporting. Currently, countrywide, 39% of all Workers' Compensation First Reports are received via telephone to the claim reporting center. The remaining 61%, received electronically, online or via mail or fax, are transmitted, upon receipt, by fax to the claim office. This assures immediate and consistent establishment of all claims, regardless of the method of receipt.

a. Reporting

Prompt reporting is the first step in aggressive resolution of a claim and quality claim service. Travelers has 4 internal reporting centers which are staffed by trained operators and are able to set up claims and take toll free calls 24 hours a day, seven days a week. They also have the ability to input faxed notices or notices received by the local claim office.

The operators collect the information required to complete the state mandated First Report of Injury appropriate to the location of loss, and pursue additional information while it's fresh in the callers mind to assist in the identification and evaluation of witnesses, initial medical providers and treatment, employment and wage history, policy and coverage information, and fraud indicators.

The entire reporting process takes an average of 14 minutes - from receipt of call to claim creation and hang-up. Annually, our centers receive more than 2.2 Million calls with an average call pick-up time of 37 seconds.

Travelers' claim reporting system not only provides the vehicle for rapid claim reporting, but also:

- Ensures that State-mandated electronic claim reporting requirements (EDI) are complied with. Travelers assumes the responsibility for the accuracy and timeliness of this function.
- Notifies the injured employee and employer automatically with an acknowledgment of Travelers receipt and establishment of the claim which identifies the claim number, assigned Claim Case Manager, and location managing the claim.
- Satisfies all OSHA report retention requirements with the Employer's acknowledgment form, further assisting our customer in the overall management of workplace incidents.

- Triggers an automatic referral of all new lost time claims to ISO for a search of past or current claim activity for the injured employee. ISO provides us with automatic updates anytime a new claim for the injured employee is added to their database during the first six (6) months and then we resent the claim to ISO every 180 days after that.
- Prompts Travelers' internal claim system to immediately cross reference with our own database to search for prior or existing claims with Travelers to avoid duplication or fraud.

Whether the claim is reported online or over the phone, as soon as the claim reporting process is completed, the claim has been established in the Travelers system and the customer is provided with the claim number. *100% of our claims are routed electronically from the claim reporting system directly to the appropriate claim office, automatically upon completion on the online reporting process or upon termination of the reporting call.*

Claims received more than 6 days after the first date of disability trigger an automated "late letter" to the Policyholder that emphasizes the importance of timely claim reporting and explains the functions of Travelers reporting system. This constantly reinforces the need for speed and commitment to timely reporting.

3. Investigation of Claims

a. *Claim Assignment*

Claims received and established by the claim reporting system are electronically transmitted to the appropriate claim office within minutes of completion of the reporting process, whether done online or over the phone. A proprietary in-house use of artificial intelligence allows the system, at the time of claim establishment, to automatically screen each newly established claim and, based on key elements, determine the complexity of the case by suggesting a loss designator indicating Lost Time, Medical Only or Undetermined.

Residual Market claims transmitted to the field office are directed to a Notice of Loss Coordinator and appear on an electronic "new claim roster", which is reviewed continuously throughout the day. Each new claim is sent to the "roster" and is first screened for obvious issues of compensability, coverage, fraud and financial offsets. Upon review, they will determine the appropriate CM or CB status and assign the claim to the appropriate case manager. If the system determines that medical intervention is needed, an automated referral is completed and sent. The claim is then assigned to the appropriate Case Manager and, if appropriate, Medical Case Manager. Claim receipt, establishment, and assignment to the Case Manager occurs within a 24 hour period, and frequently much quicker.

Depending on the severity of the claim, the complexity of the issues identified, and the suggested loss designator, the claim will be assigned to a Case Manager with experience and skill levels most appropriate to the claim's complexity and exposure. The levels range from those claims with medical only issues which are assigned to a Claim Analyst, to large losses which are immediately assigned to a Claim professional with experience handling large losses or catastrophic claims. This assignment process ensures that the Claim Handler assigned to each claim has the appropriate level of skill to handle the issues on that particular claim. It is also worth noting that those handling the most complex level of claims have a lower caseload to ensure they have time for the higher level of complexity.

b. Initial Contact

Within 24 hours of receipt, the claim receives its final designation as a Lost Time or Medical Only claim and, if designated a Lost Time claim, the Claim professional completes initial contact with the Policyholder and the injured employee. Within 24–48 hours contact is made with the treating physician, and witnesses, as appropriate. If a medical management nurse has been assigned, the nurse will make contact with the treating physician and reviewed the findings with the Case Manager.

c. Policy, Coverage and Compensability

The TravComp program has created a dedicated Investigative Claim Unit, or ICU, that specializes in gathering the information needed to make, and making, a compensability decision. The initial contact phase of the investigation, conducted by this unit, involves simultaneous but independent reviews of Policy, Coverage and Compensability. To ensure a thorough review of all Policy and Coverage issues, Claim Case Managers maintain close communication with the underwriting staff, as necessary, throughout the investigation stage. During the initial investigation period the Case Manager conducts a joint review of all policy and coverage issues with the Underwriter. The results of all policy and coverage evaluations are documented in the claim file. To ensure accuracy in the application of employment classification codes, the underwriter analyzes the policy classifications and makes the final determination of specific class code based on the described file review with the claim Case Manager.

During the initial communication with the Policyholder, injured employee, Physician and Witnesses, the Case Manager investigates and documents the nature and circumstances of the accident, employment type and duration, wage history, potential offsets (i.e. subrogation, Second Injury fund, apportionment, etc.), fraud indicators, physician's diagnosis/prognosis, treatment plans, nature and projected length of disability. The initial contact phase also provides the employer and employee an opportunity to voice questions and concerns and set the groundwork for an effective and comfortable working relationship with the assigned Case Manager.

If a question of compensability or fraud is suspected, Travelers may assign one of over 250 Special Investigators to track down the facts. These Investigators are located throughout the country and have extensive law enforcement experience and an unwavering commitment to paying those injured parties what we owe, and to rooting out fraud.

A Medical Case Manager [Nurse] will be assigned to many lost time claims. The Medical Case Manager works side-by-side with the claim handler to determine the potential for return to work and evaluates the medical components of the claim. The claim and medical workstations are linked electronically. The nurse and the Case manager are normally co-located and communicate through the system, which allows for everyone to have all the relevant facts on the claim at any given time. The nurse will make physician contact when needed, which is normally following each medical appointment while the injured employee is temporarily disabled.

Within 30 calendar days of the receipt of the initial Notice of Loss, the investigation of all identified issues will be substantially complete and the claim file documented with a clear action plan outlining ongoing issues and "next steps".

d. *Claim Coverage Verification*

We have developed a *Claims Coverage Verification* program that requires the Claim Case Manager to notify the Underwriter when certain conditions occur. The goal of this program is to limit payment to claims where coverage exists by statute, plan or voluntary election, and to properly endorse the policy in cases where the associated exposure is not already reflected on the policy.

The Claim Case Manager and the Underwriter work in tandem to identify and investigate suspicious claims or claims generated by exposures not contemplated on the policy. The Claim Case Manager communicates directly with the injured employee in order to gather as much information as possible, including the size and scope of the insured's operations, nature of the insured's business, as well as the number and types of clients the insured services.

At the same time, the Underwriter works with the insured and agent to verify the information being gathered via the claim process, citing possible discrepancies between this information and exposures on the policy. The Premium Auditor or Risk Control Engineer are also consulted to provide supplemental information or verify exposures through on-site inspection.

Risk Control Engineers or ergonomists are oftentimes notified whenever hazardous conditions are identified or investigation indicates a possible loss frequency problem. We partner with the insured and agent, discussing proposed safety programs and other recommended changes. We also provide information on additional loss control services available.

Similarly, Travelers Investigative Services, our Special Investigative Unit, is contacted when the claim review suggests potential premium fraud. The Unit works to verify cases of premium fraud through extensive investigative techniques, including surveillance, credit analysis, asset determination & evaluation, reviewing permits issued, tax/employment reports analysis, and review of pending litigation, judgments and law suit summaries.

After an exhaustive review of the facts surrounding each case, we may deny the claim, or add exposure or coverage to the policy, including class codes, payroll, locations, additional states, as well as exclusion or other endorsements.

4. *Establishment of Reserves*

By the 14th day, the exposure evaluation will be complete and Travelers Case Manager will have established the initial reserve. Supervisors review and approve all reserves that are in excess of the Case Manager's defined reserve authority levels. Authority levels are based on the position of the Case Manager and can be adjusted by the Supervisor based on their individual skills. Travelers state of the art claim management system supports these controls by automatically issuing a diary to the Supervisor if a reserve is calculated in excess of the Case Manager's authority. A reserve in excess of the Case Manager's reserve authority will not be accepted by the claim system without the Supervisor's approval. In addition to checking the validity of the estimate, it ensures that the claim is assigned to right claim handler for the issues it contains.

Reserve changes in excess of a claim offices' financial authority and claims involving potential lifetime benefits are calculated and set by the home office Workers Compensation Claim Department. Actuarial models, utilizing the appropriate life tables, calculate the reserve for all claims with lifetime exposures. Reserves set in this fashion are locked and cannot be altered by the field location without prior approval of the home office Major Case Unit.

Traveler's claim system maintains historical reserve data for all claims, by reserve category, which indicates the date and amount of reserve establishment, revisions, and removal for closure.

Initial and subsequent reserves are documented in the electronic claim file with a clearly documented rationale for the reserve levels by component (Indemnity, Medical and Expense). Any change in the claim profile that impacts the anticipated exposure requires a review and, if appropriate, modification of the reserve.

5. Offset Recognition

Offsets including subrogation, apportionment, Second Injury Fund and Social Security, are evaluated during the initial investigation period and throughout the life of the claim. Travelers pursues offsets aggressively and employs dedicated Workers' Compensation Recovery Specialists to assist the claim handler in the identification and pursuit of all opportunities. All claims with Offset potential are co-managed by the recovery specialists who provide technical assistance during the investigation of the claim, and manage the recovery aspects of the claim.

A home office unit dedicated solely to Offset Recoveries supports the field offices by doing specific file reviews, improving systems and procedures, and bringing technical resources to bear on more complex offset negotiations.

6. Settlement Strategy

Resolution of claim exposure through a timely and cost-effective settlement is pursued where circumstances warrant. All Travelers Case Managers are trained in the evaluation and negotiation of settlement opportunities. Structured settlements, designed to meet the long term needs of the injured employee and their dependents are used when warranted.

As with reserves and payments, all Case Managers have fixed settlement authority levels. Approval must be given by a Supervisor or Manager prior to negotiating or completing a settlement in excess of this authority limit.

7. Litigation Management

Effective claims management demands the highest quality legal counsel available. Travelers maintains staff defense counsel, and utilizes select external panel defense counsel specializing in Workers' Compensation, to assist our claim staff in the evaluation and pursuit of claim defense and denials. Our attorneys also conduct ongoing training for our claim staff on updates and changes to relevant statute and case law.

Staff counsel has direct access to the claim notes for up-to-the-minute information regarding the claim posture. Any referral to counsel is accompanied by a written outline of requested actions, opinions and follow-up. All defense counsel activity is documented and reported to the Case Manager in writing and summarized in the online claim notes.

8. Disability Management

Travelers believes that effective Disability Management combines early recognition and intervention in those cases that would benefit from Disability Management services with ongoing education of employers and physicians about the opportunities to provide a timely return to work through alternate employment, modified/transitional duties or vocational rehabilitation.

Education of employers includes highlighting the benefits of providing alternative employment, using network providers whenever possible and encouraging their continuing participation and partnership in the process.

Treating physicians and network providers are encouraged to work closely with the employer to explore modified duty/transitional work opportunities that fit not only the short and long term physical restrictions of the injured employee, but also their return to work philosophy and programs.

In addition to the partnership between the claim department, the physician and the employer, Travelers focuses on ensuring quality initial and follow-up contact with the injured employee in response to changes in their disability status. This begins the moment the claim is received in the claim office. At the same time the claim is assigned to a Case Manager, certain claims are electronically referred to determine if medical intervention by a nurse is necessary. Those claims with certain medical or disability issues will then be co-assigned to a nurse for review and coordination of medical and disability management issues. Because of this, Travelers greatly improves upon the speed and scope of medical intervention in Nebraska.

On claims where medical case management is appropriate, immediate referral for telephonic medical case management enables Travelers to rapidly begin the return to work planning process. Our nurses are trained in the art of reviewing the claim to determine how best to return the injured employee to work. Using sophisticated medical protocols and return to work guidelines, our nurses work with the injured employee, the treating physician, and the employer injured employee to reduce lost time days and, therefore, the employer's costs. This collaborative approach helps to ensure a timely and medically safe return to work for the injured employee.

9. Large Loss Notifications to the Strategic Claim Unit

Travelers is the largest writer of workers compensation and therefore manages a significant number of claims, a number of which are catastrophic in nature. We view ourselves as the leader in the industry with managing catastrophic injuries, complex diagnoses and large loss claims. Travelers Major Case Unit (MCU) is a dedicated group of highly experienced professionals who proactively partner with field Claim professionals to achieve best results and optimal outcomes for high exposure claims. Our MCU team averages over 25 years of experience in handling complex and challenging workers compensation claims.

Features of our Major Case Unit include:

- Major Case Unit head who provides leadership to the MCU team and facilitates communication with senior management
- Medical Directors for oversight and direction on complex medical issues and to answer questions related to occupational medicine
- Full time Attorneys for complex legal oversight and direction
- Ten Major Case Specialists (claim technical experts) highly experienced in the management of these claims
- Seven full-time Medical Major Case Specialists (catastrophic nurse) highly experienced in complex medical case management
- Three Directors highly experienced in leading teams to successfully achieve optimal outcomes
- Three Medicare Set-Aside Consultants who provide guidance in medical mitigation and complete accurate MSAs for CMS submission and approval
- Early intervention protocols which have proven to positively impact outcomes and costs

- Team approach with the local claim center professionals and nurse case managers who are close to the customer
- Involvement of Paradigm Management Services when appropriate

The MCU workflow is designed to have those claims that meet MCU criteria referred within 24 hours of notice of loss. MCU provides oversight in partnership with local claim handlers and field nurses. Coverage and compensability are thoroughly reviewed. The MCU nurse goal is to ensure each injured employee receives quality healthcare. MCU nurses determine and facilitate the appropriate onsite medical case management and utilization of the Centers of Excellence. Early and long term care needs, as well as psychosocial status, are also evaluated to best address each claim.

We define a catastrophic or severe claim as follows:

- Combined incurred value of greater than \$1M
- Spinal cord injury
- Head injured with loss of consciousness
- Burns requiring hospitalization
- Amputation of all 5 digits, or an entire arm, foot or leg
- Crushing or pinning injury
- De-gloving of an entire hand, arm, foot, or leg
- Fractures to more than a single hand, arm, foot, or leg
- Non-fatal stroke or heart attack
- Legal blindness in both eyes
- Aids or Hepatitis, with a positive test
- Multiple internal organ trauma

As part our initial MCU involvement, we have identified claim specific criteria (example CAT injury referred to Paradigm, denied claim with exposure equal to or greater than \$1,000,000) for which our MCU staff along with the local claim staff and/or Management discuss the case holistically in order to identify issues and develop strategic plans. Participants in these discussions can include the MCU leadership, the assigned MCS and MMCS, Claim Legal as well as the Medical Director. This allows us to deploy a coordinated effort both in the upfront investigation of the claim as well as the critical early stages of medical treatment for these injuries. We work collaboratively with a number of other partners, including our Investigative Services and Major Case Subrogation. This allows us to effectively manage all aspects of the claim seamlessly. In addition, as the injured employee progresses along their path to recovery, our MCU works with local claim team and our business partners to coordinate any durable medical equipment, home and vehicle modification needs. These combined efforts and resources enable us to set timely and accurate reserves on each file.

MCU remains involved beyond the initial stages to provide guidance and strategic direction in the management of catastrophic claims and large losses. This ongoing oversight includes:

- File quality reviews
- Ongoing reserve reviews and annual actuarial reserve diaries
- Limited and/or Comprehensive Medical Assessments to ensure the injured employee's medical status is stable
- Independent Pharmacy Evaluations and consultations with in-house Pharmacist to assist in managing chronic pain claims and claim with high pharmacy spend
- Use of analytics/predictive tools to identify and assist with managing complex claims

- Identification of new trends and form focus groups to assess, proactively mitigate exposures, and implement protocols to ensure quality healthcare
- Roundtable all new or existing claims exceeding incurred values of \$3M for the first time
- Ongoing roundtable of claims with significant exposure
- Re-engage Paradigm and other vendor resources for specialized assignments such as chronic wounds and chronic pain

10. Fraud Investigations

Travelers Investigative Services is one of the largest and most complete investigative units in the industry with nearly 300 trained experts and industry-leading technology to identify and investigate suspected fraudulent claim activity. 75% of our staff has law enforcement training and 96% of them are located in the field, dedicated to outside investigative work. Travelers Investigative Services (TIS) investigators enhance our capabilities to recognize fraud by conducting training and enhancing the systems and tools our Case Managers utilize, as well as perform investigations. We have comprehensive anti-fraud strategies and protocols that combat such things as pain management abuse, prescription narcotics fraud and abuse, and hospital bill fraud, to name just a few. The Case Manager is responsible for directing the objectives, cost, and duration of the investigation based on each claim.

Fraud detection begins at the earliest stages of the claim development process with the initial referral to ISO. During the initial phase of the investigation, the description of the incident as described by the employer, employee, physician, and witnesses are evaluated for consistency with the initial report of injury, medical records, and any additional records of injury such as police reports, employer accident records, or written statements.

At any time during the initial investigation phase or later during the life of the claim, the Claim professional may call upon Travelers-employed specialists in Medical and Disability Management, Engineering/Risk Control, Premium Audit and Underwriting. Travelers' comprehensive claim fraud prevention, recognition and pursuit strategy begins with a partnership between the Claim Department, Underwriters, Auditors, Risk Control, and the Travelers Investigative Services (TIS) unit.

This home office unit and their investigators in the field work directly with the Case Manager and Supervisor who are assigned to the claim. As soon as a claim is received it is evaluated for "Red Flags" commonly associated with claim fraud. These red flags may include:

- The injured employee is disgruntled or on the verge of termination
- The injured employee is a new employee
- The injured employee, although disabled, cannot be reached at home, or must return your call
- Accident details are vague or inconsistent
- The disability period is longer than expected or not substantiated by the medical record
- Existence of prior claims
- Late report of injury
- Unwitnessed accident
- Accident occurred on a Monday or in an area where the employee would normally not be working
- Missed or cancelled appointments
- Treatment with multiple physicians
- Injured employee inquires about settlement early in the life of the claim
- "Tips" received indicating active employment or activity inconsistent with the injury

- Post Office Box as primary mailing address
- The injured employee changes addresses frequently
- The only contact with the injured employee is through a friend or relative

Identification of one or more of these “Red Flags” may require a further review of the case with the claim Supervisor to determine what actions are appropriate to resolve the issue. If appropriate, Travelers Investigative Services is assigned to conduct surveillance or activity checks. The Travelers Investigation Services unit deploys surveillance and other tools designed to capture the fraudulent act in the best way possible to potentially dispute the claim. Rapid attention, intense investigation and determination coupled with highly trained law enforcement professionals enables Travelers to effectively fight fraud. The Case Manager is responsible for identifying and collecting any additional documentation required (i.e. police reports, additional wage information, etc.).

The initial phase of the investigation conducted by this unit, involves simultaneous but independent reviews of Policy, Coverage and Compensability. To assure a thorough review of all Policy and Coverage issues, claim Case Managers maintain close communication with the underwriting staff throughout the investigation stage. During the initial investigation period, the Case Manager in the field conducts a joint review of all policy and coverage issues with the Underwriter, analyzing, among other things, the employer/employee relationship (i.e. subcontractors, owners/officers, etc.), employment type (i.e. classification), loss and risk locations, accident date vs. active policy period, policy endorsements, and extra-territorial issues. The results of all policy and coverage evaluations are documented in the claim file. To assure accuracy in the application of employment classification codes, the underwriter analyzes the policy classifications and makes the final determination of specific class code based on the described file review with the claim Case Manager.

During the initial communication with the policyholder, injured employee, physician and witnesses if necessary, the Case Manager investigates and documents the nature and circumstances of the accident, employment type and duration, wage history, potential offsets (i.e. subrogation, Second Injury fund, apportionment, etc.), fraud indicators, physician’s diagnosis/prognosis, treatment plans, nature and projected length of disability. The initial contact phase also provides the employer and employee an opportunity to voice questions and concerns and to set the groundwork for an effective and comfortable working relationship with the assigned Case Manager.

TIS will conduct the investigation, either directly or with the assistance of local private investigative firms that have been certified by Travelers. If fraud is detected, Travelers pursues all available legal avenues to appropriately modify or discontinue benefits. Activity checks are performed annually on all claims where the activity of the injured employee could affect entitlement to benefits (i.e. death benefits or Permanent & Total Disability benefits).

In addition to claim by claim reviews, Travelers Investigative Services employs a wide variety of techniques to identify provider and claim fraud through in-house software programs designed to identify inappropriate treatment patterns across claims, across providers, and within certain geographic regions. These efforts have allowed us to identify and successfully recover moneys obtained inappropriately by third parties, which is an additional benefit of our policyholders.

11. Quality Assurance and Enhancements

The framework that has been established to ensure a quality work product is to provide each claim office with enough autonomy to meet the unique local demands while providing them a base of

support in systems, training, and procedures to help ensure their success. Each Manager is dedicated 100% to Workers' Compensation Claim and is not distracted by multiple lines of business to manage. Additionally, we coordinate our Workers' Compensation Business Plan Objectives at a Countrywide and local level, designing our Management Information and Performance Measures around those objectives.

Our objective is to provide a quality work product to our customers and our management information and performance measures are built around that objective.

Evaluation of claim performance is two tiered:

- Home Office Review
 - Examiners monitor service center's results and conduct file reviews every month
 - Functional Reviews by the Subrogation, Litigation, Structured Settlement, Investigative, and Large Loss Units on cases that have related issues
 - Financial Auditors who assist in the review of financial controls and cash management techniques
- Field Office Review
 - Supervisors review a representative sample of claim offices monthly
 - Supervisors continually review claim handler files as needed on open files

The marketplace differentiators of our program are:

- A consistent quality product in each office
- Our customers can rely on our expertise in managing their claims to a successful outcome and we regularly ask our customers how they feel about our claim quality

Our Claim Case Management system captures and reports all key performance information (e.g. 24 hour contact) at an individual Case Manager level and rolls it up to a unit, office, and national level for evaluation of key performance measures and provides trending information over time.

Both random sampling of claims and system generated management information is utilized to conduct the reviews. These reviews encompass all aspects of the claim, including Offset recovery, Medical Management, Litigation Management, etc.

In addition to file reviews, we continually monitor a number of other areas as well. Medical Bill Payments are subject to a number of system edits and are reviewed by Case Managers prior to payment. If an edit is engaged, the Case Manager evaluates whether or not the payment is valid. In addition, we run a number of automated reports to test for conditions that may indicate a duplicate payment and release these reports to the field office before the payment is issued. The Case Manager then has an opportunity to cancel the payment. If the payment is not identified as inappropriate and cancelled, it is paid. Payments are then subject to further automated reviews to identify if it was inappropriate. These payments are identified by home office and given to the field office to pursue the recovery locally, if necessary.

A separate Quality Assurance function exists to review the Medical Management performance of the nursing staff and managed care professionals. These reviews are coordinated with the Case Manager reviews to ensure an overall picture of how the claim was managed.

F. Loss Control Services

For over a century, Travelers has been an industry leader in delivering innovative risk assessments, recommendations, consultations, and safety training and education to help companies across a broad range and size of business and industry successfully address their risk control challenges.

The most important goal of our loss control survey process is to fully understand the policyholder's operations and reduce losses by tailoring our services, when necessary, to meet the policyholder's specific needs. Our Risk Control Consultant will review available loss history and operational classifications to verify correct class code on-site. When discrepancies are identified such as additional job classifications, these findings are communicated to the Account Manger Underwriter and the Premium Audit Department. In addition, a detailed loss analysis is performed to identify root causes and tailor service to the specific needs of the policyholder and Underwriter.

Loss control servicing is performed primarily by Travelers designated Residual Market Risk Control Consultant, who is located in Lincoln, NE.

We have 2 additional consultants who may perform surveys on occasion, and are based out of our Travelers' Nebraska field office located at 11516 Miracle Hills Dr., Suite #400. Omaha, NE 68154

Our local presence enables us to maintain a current understanding of issues and servicing needs for our Nebraska WCIP policyholders. We also have a Risk Control staff member responsible for monitoring any changes in the law and/or regulation that would affect the loss controls services we provide. Any changes are communicated to the Nebraska manager and staff.

1. Programs for Small Policyholders

We are able to provide a wide range of loss control services to a large number of Nebraska WCIP policyholders. The same services offered to larger employers are also available to small employers. Our approach is: *small employers' loss control needs are just as important to us as any other policyholder.* Therefore, we make available to small employers the same services offered to larger policyholders.

We provide loss control service and assistance to small policyholders in Nebraska in a number of ways:

- Underwriter and Consultant discretionary surveys
- Policyholder requests for loss prevention service
- Safety information from our Travelers Risk Control customer website, including:
- Industry focused safety resources
- Sample programs
- Self-assessments & Inspection checklists
- Task Manager
- MSDS Online
- Complimentary streaming safety videos

One of the services Travelers has developed is a Residual Market Webinar designed specifically for Nebraska WCIP policyholders, when there is sufficient interest. The content of the webinar helps to educate the insured on: the workers compensation line of business, the need for and methods of loss prevention and how to integrate loss prevention and injury management into their operations to reduce loss costs. Within the Risk Control portion of the presentation, we demonstrate our Risk Control website and some of the key content that is available to our policyholders to help

them manage their exposures. The webinar presenters include experts from Travelers Claim, Risk Control, and Underwriting departments. Policyholders have the ability to participate in the webinar on the scheduled day and time and also have the ability to access the recorded session at their convenience throughout the year should they or someone in their organization want to review or revisit the training materials that were discussed. This webinar series is available to all Nebraska WCIP policyholders, regardless of premium size.

2. Integrated Services

We have procedures in place that integrates risk control and claim in the injury management, cost containment and return to work process. We have found that by using our internal risk control resources and expertise in an integrated fashion, we can effectively provide the policyholder focused, field based services aimed at reducing claim payout and improve our overall customer service. The Risk Control Consultants' skills of job analysis and workstation modification complement our objectives to facilitate an early return to gainful employment. They can help address issues that prevent a successful return to work because of the employer's unwillingness, perceived inability or attitude toward transitional or modified duty. Their technical expertise also assists the claim department in their efforts to recover, through subrogation, any claim dollars from liable third parties.

On a case by case basis, the claim case manager has at their discretion the option to forward a request for technical assistance to the Risk Control department. If it is determined a Risk Control Consultant is the appropriate resource for addressing the issue related to the claim, a consultant is assigned to the claim file and begins discussions with the claim case manager. As a result of these discussions, a plan of action is established that could include having the consultant visit the policyholder. During a consultant visit they will review with a management representative the incident that resulted in the employee injury, gather information and discuss, where appropriate, return to work strategies.

3. Specialist Support

The Risk Control Consultants who will service Nebraska WCIP policyholders are supported by Specialists located in our Home Office and throughout the field who specialize in Construction Safety, Industrial Hygiene, Ergonomics, Fire Protection, Transportation Safety as well as Workers' Compensation Cost Containment.

Our Specialists provide consultation and training for our field staff and policyholders when additional expertise is needed. Policyholders can also request such services through the Risk Control Consultant.

4. Quality Control

Travelers internal Quality Assurance process includes a review of completed reports and survey confirmation letters (with feedback provided) for all staff who complete Nebraska RMD work. Also, we have established a Residual Market Liaison to coordinate any changes, revisions, and clarify expectations to our field office managers. These procedures are documented in our service instructions which are attached to each job. To monitor survey quality, all of our field staff are required to have co-surveys to evaluate how well they interact with the policyholder, and how well they identify exposures and solutions (recommendations) to help the policyholder. These co-surveys are performed by our field leadership. In addition, our field leadership tracks survey completion timeliness by region, office, and even down to the individual consultant level.

From a systems perspective, our Risk Control workstation "flags" jobs with fast approaching survey dates, and sends an automated email notice to the consultant and their manager, when the

survey date is approaching. This enables our staff to quickly identify high priority survey requests and respond to the needed due date.

In addition, Underwriters are responsible for reviewing every risk control survey that is produced. If any quality issues surface, they are immediately referred to our dedicated liaison who follows-up with the regional manager to ensure appropriate corrective action is taken.

5. Vendor Services

Travelers Risk Control Consultants are able to handle the vast majority of our loss control surveys for Nebraska policyholders; however, at times we may utilize a vendor to maintain desired service levels during periods of high volumes of work. While the extent of our vendor use is minimal, we have national and global relationships with two vendors, who are familiar with Nebraska, and have proven track records in servicing Residual Market policyholders. Our vendors include a 20+ year relationship with a nationally recognized provider of loss control services, and a newer relationship with an equally qualified vendor.

We hold our vendor services to high performance and quality standards, which include specific service requirements. All vendor reports are reviewed for quality by our Risk Control directors, and feedback provided as needed. We also track and monitor the timeliness of the vendor services.

In addition, Underwriters are responsible for reviewing every risk control survey that is performed by a vendor. If any quality issues surface, they are immediately referred to our dedicated liaison who follows-up with the regional manager and vendor to ensure appropriate corrective action is taken. Our Risk Control survey requesting system and Risk Control workstation both “flag” jobs with fast approaching survey dates. This enables us to quickly identify high priority survey requests that are assigned to a vendor.

a. Vendor/Subcontractor Qualifications

Our vendors each have a reputation as a quality loss prevention service provider and have been servicing commercial insurers and companies of all sizes. Their consultants are required to have a college degree and/or a minimum of five years of experience in insurance loss control or industrial safety and health at hire.

While they offer a wide range of loss control services, we would only use them to perform required loss control surveys. Any specialized service (such as industrial hygiene work) would be provided by our own risk control staff.

6. Confirmation of Employer Safety Committees

At the time of the survey for each policy eligible for loss control, the Loss Control Consultant will confirm the existence of a safety committee as required of employers under Chapter 44-3,158 of the Nebraska Revised Statutes. The Underwriter will be advised by the Consultant as to whether or not a safety committee exists so that appropriate action can be taken if needed.

7. Other Residual Market Risk Control Staff Support Features

The quality of the risk control service provided by our Consultants who will service Nebraska WCIP policyholders is further enhanced by:

- State-of-the-art industrial hygiene laboratory which is accredited by the American Industrial Hygiene Association (AIHA). We also participate in the National Institute of Standards and Technologies National Voluntary Laboratory Accreditation Program.

- Easy access to electronic data bases that provide the Risk Control Consultant with the most current safety standards, description of industry exposures and techniques to prevent losses. Every Nebraska WCIP survey job assigned includes a link to our online version of the Risk Control service instructions and further direction from their management and/or the Risk Control liaison assigned to Residual Market.
- Electronic online loss information that provides details on policyholder loss experience, including costs, causes and results. This system allows our Consultants quick access to claim detail and trending information.
- Individual laptop computers that are provided to all field Risk Control Consultants and Specialists so that they have quick access to the databases and loss information.
- A staff of experienced consultants for understanding leading edge safety technology and helping the field staff use it to effectively to reduce loss costs.
- A Risk Control staff member who is responsible for keeping abreast of changes in state and federal laws and regulations that impact the loss control services we provide. Managers are kept advised of upcoming changes so the staff can be ready to adjust loss control services to comply with those changes. An online information system also keeps the staff informed of laws and regulations, for all states, that affect loss control services.

8. Criteria for Determining Loss Control Service

Initial Surveys

All newly assigned policyholders will receive an initial loss control survey if their Nebraska premium at policy issuance is (1) over \$25,000 or (2) greater than \$5,000 with an experience modification factor of 1.40 or greater. This survey will be performed within the first 6 months of the policy period.

Renewal Surveys

Before each policy renewal, the Underwriter reviews the policy for survey eligibility for the upcoming policy period and verifies policy information pertinent to performing the next loss control survey.

A policyholder will receive a loss control survey if their Nebraska premium at renewal is (1) over \$25,000 or (2) greater than \$5,000 with an experience modification factor of 1.40 or greater.

9. Training and Education for Policyholders

The following represents some of the programs we have to train and educate Nebraska WCIP policyholders in safety and loss control.

- Travelers has developed a Residual Market Webinar specifically targeting WCIP policyholders. The materials have been designed to educate the insured on: the WC line of business, the need for and methods of loss prevention, and how to integrate loss prevention and injury management into their operations to reduce loss costs. The webinar presenters will include experts from Travelers Claim, Risk Control and Underwriting. This webinar series will be available to all Nebraska WCIP policyholders, regardless of premium size.
- Safety videos are available to all of our policyholders, regardless of premium size. They are available, upon request, from one of the most comprehensive safety film companies. A variety of safety-related materials are also available upon request.
- All Nebraska WCIP policyholders, regardless of premium size, are able to obtain additional safety-related information through Travelers Risk Control Customer Website: <http://www.riskcontrol.com>

- Policyholders are able to gain access to ongoing web-based safety seminars/webinars as well as review replays online. Risk Control will also hold structured seminars available to all Nebraska policyholders. These seminars are all participatory seminars designed to develop specific skills the attendees can quickly apply to their own business. Seminars include topics such as:
 - Post-Injury Management
 - Occupational Ergonomics
 - Practical Industrial Hygiene
 - Safety Improvement Process
 - Safety Management Systems
 - Transportation Safety
- Safety training programs are available as needed in such subjects as:
 - Safety Management Programs (i.e. Accident Investigation, Impact of Accidents, Job Safety and Hazard Analysis)
 - Industrial Hygiene Programs (i.e. Bloodborne Pathogens for First Aid Responders, Hearing Conservation, Hazard Communication)
 - General Safety Programs (i.e. Lockout/Tag-out, Slip/Trip, Fall Prevention)
 - Ergonomics (i.e. Back Injury Prevention, Office Ergonomics)
 - Transportation Safety (such as Driver Safety)
- Other Available training online:
 - Online Training – Features online presentations with audio, on topics such as fall protection, office ergonomics, post injury management, or safe driving.
 - Video Vignettes – short videos of common workplace exposures. This includes such thing as a 4 part series on “Construction Site Protection” and a 6 part series on “Crystalline Silica”.
 - Safety Symposium Video Library features video presentations on “Emerging Issues Impacting Workers Compensation”, “Data Driven Risk Management”, and “Wearable Technology”

As previously mentioned, Nebraska policyholders have access to the same safety videos and literature that are available to voluntary market insureds. Travelers Risk Control has contracted with one of the most comprehensive safety film companies for management. A variety of safety-related materials are also available upon request.

10. Notification of Loss Control Services

Consistent with our commitment to safety management and so that our loss control services can be made available at the earliest point in the policy period, all policyholders are notified, via an attachment to their policy, of safety information, available loss control services and information on local Risk Control offices. This attachment is also included with all renewal policies. The policy attachment also advises them of our Risk Control website (riskcontrol.com) where they can have immediate access to a wide range of safety-related tools and resources.

11. Policyholder Requests for Service

All policyholders are notified of the availability of risk control products and services initially with the Welcome Letter that is generated within one (1) business day of receipt of new business assignment and then with the policy paper for each policy issued. Travelers also utilizes the latest technology to bring loss control services to assigned risk employers. All policyholders receive instructions on how to access our secured Risk Control customer website accessed from our public website www.riskcontrol.com. With this access policyholders can obtain additional information

from us on various safety topics by directly downloading files, viewing recorded webinars, taking complimentary online courses as well as having the ability to access updates on current safety and regulatory issues.

If an employer requests a risk control survey on a policy that does not qualify based on the established performance standards, we will contact the policyholder within seven (7) days of the receipt of request and shall complete the survey within thirty (30) days from the date of contact.

12. Requests for Loss Records

Travelers will maintain and provide loss runs to the employer or producer of record within five (5) business days of the request to allow for analysis of accident causes and to assist the policyholder to identify accident trends.

13. Policyholder Evaluation

Once the survey has been completed the survey information is input into the loss control system. A task is automatically generated for the Underwriter in the work management tool, TravStation, providing notification the survey is completed and ready for review. The detailed survey provides the Underwriter additional insight and explanation about the nature of the business, types of jobs performed, as well as exposures to loss and controls the policyholder has implemented for those exposures. The survey information further confirms the business operations ensuring that the appropriate exposures have been identified and included on the policy.

Our sophisticated Claims Management System enables the risk control staff to identify policyholders with claim problems, analyze their losses and work with them to implement solutions. Also, for new policyholders, their loss activity prior to being assigned to us is evaluated during the initial survey to help the consultant focus on potentially uncontrolled exposures and whether or not to recommend additional levels of service during the policy year. Interaction and communication with Claim and Underwriting personnel help identify policyholders needing assistance.

The Underwriter continues to evaluate the risk throughout the policy term. As part of the normal Job Class Coding process of lost time and medical claims, the Underwriter is reviewing the insured's classifications, payrolls and loss experience as claims are reported which allows them to determine if additional risk control services are warranted.

14. Recommendations

Based on the review of losses, operations, actual or potential exposures, as well as an on-site survey, our Risk Control Consultants submit recommendations that, if implemented by the policyholder, will assist them in reducing the potential for future loss.

Letters confirming a loss control survey and including recommendations are sent to the policyholder and producer, within ten (10) days of the date of survey.

Our Risk Control Service Instructions are updated annually and give the Risk Control Consultants additional guidance in determining if recommendations being submitted should be considered as Critical.

Information reports are provided to management so that they can monitor the submission of recommendations made by their loss control staffs. They can determine not only if any recommendations were submitted but also whether or not any of the recommendations were Critical.

While special attention is focused on a policyholder's compliance with Critical recommendations, our Risk Control Consultants, as required in our service instructions, follow up on ALL recommendations for improvement, submitted to our policyholders, during the next scheduled loss control survey. If recommendations submitted during the prior survey have not been completed, they are resubmitted in the letter covering the current survey.

The Underwriter is kept informed of the policyholder's progress on all recommendations. If they fail to either comply or demonstrate intent to comply with Critical loss control recommendations, the Nebraska Department of Insurance is notified, and cancellation procedures are initiated in accordance with the Nebraska WCIP.

15. Review of Information

a. *Review of Claim information*

Policies are carefully monitored by the Underwriter for loss frequency and severity. Beyond the qualifying surveys for premium, experience mod or claim frequency/severity performance standards that may exist at the time the policy is effective, the Underwriter may also consider using non-mandatory loss control services or any other claim issues such as when a catastrophic claim occurs or when losses are noted that are outside the scope of the policyholder's business.

b. *Review of Underwriting Information*

Underwriting information obtained from Dun and Bradstreet research, tax forms, Articles of Incorporation, experience mods and advertising literature (websites, yellow pages, etc.) often reveal facts or additional exposures that are inconsistent with the policyholder's application/policy information. A non-mandatory loss control survey may be ordered by the Underwriter to assess the actual exposure so the policy can be accurately priced. During a routine survey, additional locations may also be identified and, depending on the nature of the exposure discovered, one or more of the additional locations may be surveyed as well.

c. *Review of Premium Audit Information*

When preliminary audit results (class codes, payroll or additional states) and Auditor observations (multiple or different business names shown on the policyholder's building and vehicles) are inconsistent with the application/policy information, the services of the Risk Control Consultant may be used to evaluate the true nature of the exposure being underwritten. Policies with increased exposures such as employee leasing, multiple coordinated policies, temporary agencies, trucking, construction, logging and federal coverages (USL&H, Coal Mines) may also be selected by the Underwriter for additional loss control activity.

d. *Review of Loss Control Information*

When a loss control survey has been performed, the Risk Control Consultant can identify policyholders with claim problems, analyze their losses and work with them to implement solutions. For new policyholders, loss activity prior to being assigned to us is evaluated during the initial survey. The claim review helps the Consultant focus on potentially uncontrolled exposures and determine whether or not to recommend additional levels of service during the policy year.

If a loss control survey has been performed, the Underwriter can use the information from that survey to identify policyholders who would benefit from specialized or more frequent loss control services such as industrial hygiene services, ergonomic services, or seminars that address a particular policyholder's unique needs. During a routine survey, additional locations may also be identified and, depending on the nature of the exposure discovered, one or more of the additional locations may be surveyed as well.

Sometimes the renewal policy premium falls below loss control minimum thresholds and does not qualify for a mandatory survey. However the loss control survey from the previous policy term may indicate Critical recommendations were made and/or other underwriting concerns continue to exist. In these cases, loss control services may be used for the renewal term as a follow-up measure.

e. Review by Account Manager Underwriter

Accounts identified by the Underwriter through extensive underwriting review as part of the Collaborative Underwriting Review, receive additional scrutiny and may require preliminary audits and additional loss control services above what is required by the performance standards to focus resources where they are most needed and will have the greatest impact.

The need for additional or discretionary loss control services is monitored by the Underwriter throughout the policy year based on claims, revised experience mods, or newly identified underwriting information.

The Underwriters are responsible for managing all of the policies assigned to them. As such, they are responsible for monitoring all aspects (claim, audit, loss control, etc.) for these policies. If they see a potential need to have a Risk Control Consultant visit a policyholder, even if the premium size is small, they will discuss the situation with Loss Control to determine what the best loss control service strategy would be for the policyholder. If a loss control survey is needed, the Underwriter would generate a survey request.

We have an online claim system that allows the Underwriter to compare both lost time and medical losses to current policy exposures so that every policy can be closely monitored for claim frequency and severity. The Underwriter reviews every lost time and medical claim so the proper classification can be assigned to the claim. This ensures the Underwriter's awareness of the exposure on the account throughout the policy term. The Underwriter uses this claim information and monitors the loss ratio on an ongoing basis, for all of the accounts they manage, to determine if they need to order a non-mandatory survey or to discuss the policyholder with the Risk Control Consultant.

Because all significant activity for a single account is reviewed by the Underwriter, the processing of midterm endorsements allows the Underwriter repeated opportunities to reconsider the need for loss control services if the exposures appear to change significantly during the policy term.

The Underwriter uses the loss control survey itself to identify policyholders who would benefit from specialized or more frequent loss control services such as industrial hygiene services, ergonomics services or custom seminars specifically designed to address a particular policyholder's unique needs.

The need for additional loss control services or corrective action is monitored by the Underwriter throughout the policy year using any one or a combination of systems and processing techniques such as those described above.

16. Uncooperative Policyholders

We have a system for monitoring the follow-up of a policyholder's compliance with Critical recommendations within the required 90 day period.

- Management receives a monthly report that tracks policyholders with Critical recommendations.
- The Risk Control Liaison automatically receives a copy of the survey confirmation letter and underwriting narrative risk assessment report for any policyholder where Critical recommendations are involved.

Travelers Risk Control system is designed to ensure we follow-up on policyholder compliance with Critical Recommendations within the performance standard timeframe. This includes a monthly report that tracks policyholders with Critical Recs. Our system has the ability to identify all policyholders with Critical Recs to ensure that a report is generated at a set point in time after the survey is completed where Critical Recs have been submitted. This report and the message which is generated is used as a reminder that a letter was sent to the policyholder involving Critical recs. This systems approach helps ensure that our follow-up process is performed in a timely manner. We follow up in writing with the insured / producer within 30 days and, again, within 60 days after the initial letter containing the Critical Recommendations is sent. The follow-up letter requests a written response from the insured as to the status of their compliance, or intent to comply, with all Critical Recommendations. If the insured does not indicate intent to comply or that compliance has been achieved, the underwriter then takes appropriate action.

If a Critical recommendation have been cited, the notification to the insured and producer contains language advising that failure to comply may result in cancellation. If a policyholder fails to comply with reasonable loss control requirements or recommendations, we notify the insured and producer of the intent to cancel coverage, and make the appropriate filings. Should the insured fail to rectify the situation within the timeframes allowed by Nebraska service standards, Travelers will process the final cancellation

When the Risk Control Consultant has been unable to arrange a loss control survey by telephone, a letter is sent to the policyholder, producer and Underwriter. Through this letter we require the policyholder to contact the Risk Control Consultant, to arrange for the loss control survey. If they do not respond, they are deemed to be uncooperative. Our Risk Control Resource center follows up with the Risk Control Consultant to determine if any response is received. If a policyholder fails to respond and the message is sent back indicating the lack of response, the Underwriter then takes the appropriate action with the policyholder. We also have a system in place for monitoring whether or not the policyholder has contacted us to allow access to perform the survey.

17. Claim/Loss Issues

Our online loss reporting and analysis system enables the Risk Control Consultant to identify policyholders with claim problems, analyze their losses and work with them to implement solutions. For new policyholders, loss activity prior to being assigned to us is evaluated during the initial survey if available. The claim review helps the consultant focus on potentially uncontrolled exposures and whether or not to recommend additional levels of service during the policy year.

Interaction and communication with Claim and Underwriting personnel help identify policyholders needing assistance beyond that provided during the required loss control survey. This may include surveys for policyholders who would not otherwise qualify for a mandatory survey.

18. Need for Additional Underwriting Information

Additional assistance from our Risk Control Consultants can be requested by Underwriters when their information indicates a discrepancy or question regarding the policyholder's operations, including potential fraud situations.

As an example, when the types of claims being filed by the policyholder do not match up with the classification codes indicated on the policy (such as injuries that are construction-related injuries when there are no construction-related class codes), the Underwriter may request a loss control survey, even if not otherwise required.

19. Survey Format

Our general format (Exhibit B) allows the flexibility needed to accommodate a wide range of business classes. The professional loss control expertise of our staff enables them to pass along loss control and underwriting information appropriate for that business class.

In addition, we have developed a supplement to the risk assessment that is meant to be used for any temporary help or employee leasing insureds, due to the unique nature of their operations. A sample of that supplement, which must always be accompanied by the risk assessment report is also included in this exhibit. Our general format allows the flexibility needed to accommodate a wide range of classes of business. The professional loss control expertise of our staff enables them to pass along loss control and underwriting information appropriate for that business class.

The format requires the Risk Control Consultant to comment on such loss control items as (a) evaluation of exposures to loss and their controls, (b) evaluation of loss control programs and activities, (c) loss analysis, as well as (d) new recommendations and the status of any previously submitted recommendations.

The format also requires the Consultant to provide the Underwriter with additional information such as (a) a description of operations, (b) job descriptions and numbers of employees in those positions, (c) sub-contracted operations and (d) other operations of the policyholder.

The same format will be used by our subcontractor if they perform loss control surveys for Nebraska WCIP policyholders. Subcontractors will only be used on a limited, short-term, basis.

20. Other Optional Programs and Services

As with all policyholders, we offer an optional Cost Containment Consulting Process, the CORRIDOR OF CARESM. This process has been used with policyholders who express a strong desire to reduce their losses. We have achieved dramatic results in reducing frequency of accidents, severity, and total claim payments. It is based on a truly collaborative process that requires strong management commitment to the concepts and significant involvement in the process for real success.

This process consists of five essential strategies:

- Immediate Injury Response
- Medical Provider Relationship
- Transitional Duty

- Case Management (from the insured)
- Performance Management

The process is implemented in four phases: (1) Discover: This first phase is a fact-finding phase where we evaluate the opportunities to develop and implement the process. (2) Design: The second phase is where we help the policyholder define and document expectations for all parties involved in the process. Concepts are introduced and policies, procedures and documentation are developed. (3) System Up: In the third phase we train managers and supervisors so they will be able to effectively carry out their responsibilities. (4) System Check: During the fourth phase, we review and monitor the location's progress in the process.

We have received very positive feedback from policyholders who have used this process. The fee for this service is not part of the insurance premium or service fee, but is discussed directly with the client, and billed separately.

G. Cost Control Services

1. Managed Care

The Travelers Property Casualty Company of America is a wholly owned subsidiary of Travelers that has a filed and approved managed care plan in the State of Nebraska.

Travelers' integrated claim and managed care program has been designed as a team of claim and managed care professionals focused on loss cost reduction through early intervention and active management from the time of injury through claim resolution. Managing disability is a complicated task, requiring the construction of a loss cost reduction system, focused on returning the injured employee to work during every phase of an injury.

Our managed disability process recognizes this by employing creative, integrated claim disability management systems and protocols throughout the life of a work related disability. Travelers managed care and disability, which is fully integrated with our TravComp claim process, ensures that appropriate and cost-effective medical care is provided.

The first step in managing disability is early intervention. Our state-of-the art claim reporting system is the entry point into Travelers' claim and information system. A benefit of our claim and managed care system is effective use of technology. We transfer claim information instantaneously to our claim and managed care professionals, which allows us to reduce time delays and therefore disability. Once the Travelers claim and medical management team is notified of a loss they immediately begin the process of claim and medical management. Our Telephonic Nurse Case Managers focus on lost time cases. In addition, special emphasis is applied to any case involving hospitalization, surgeries, physical therapy and chiropractic treatment, to ensure the appropriate amount of treatment is provided.

Regarding qualitative enhancements, our systems allow us to track the results of our team approach with specific emphasis on medical outcomes. To further enhance our capabilities, we invested in the development of a managed care disability management evaluation system. The system tracks provider compliance with PPO referral, case management recommendations and treatment patterns.

2. Early Intervention Programs

Travelers' early intervention program begins when a claim is reported using our industry leading claim reporting system. This system is the entry point into Travelers' claim and information

system. A key strength of our claim and managed care system is the effective use of technology, enabling us to reduce time delays and therefore better manage disability. Travelers' electronic first notice of loss system allows us to produce Nebraska' First Notice of Loss accurately, immediately, identify the employer's location online, code losses correctly and transfer the electronic notice information instantaneously to our claim and managed care professionals.

Our information-capture professionals collect all the relevant information pertaining to a claim and in real time transfer it to Travelers' case managers. Armed with quick and accurate information, on lost time claims our claim and managed care team contacts the injured employee, the employer, and the treating physician within 24 hours. The team determines the relevant facts of the case using investigative techniques and then *medical triage programs* determine the appropriate level of claim and medical service required to move the case to resolution with limited disability.

Issues related to compensability, second injury recoveries, or offsets are identified and dealt with immediately. Any suspicion of fraud is forwarded to our special investigative unit. Travelers Investigative Services, to aggressively pursue to resolution. With compensability issues resolved, the claim and managed care team develop a medical treatment plan designed to get the injured employee back to health and work as quickly as medically appropriate.

Our Nurses work with the injured employee, the medical provider, the employer and the claim handler to best understand the medical situation and how the injury may impact the individual's ability to perform the job. We believe that early medical intervention establishes a base line for managing disability through early return to work in either a modified and/or full duty position.

Integrating lost time and disability management is an art form requiring constant communication and teamwork between our claim handlers and telephonic nurse case managers. This communication is accomplished through co-location where possible, joint success measures and sharing of technology to enable effective and efficient communication.

Rapid deployment of Telephonic Nurse Case Management focused on return to work planning allows us to return the injured employee to productivity quicker than ever before. Our nurses use a sophisticated medical management system and return to work program to evaluate disability and develop creative ways to manage lost time through the appropriate use of modified and/or alternative duty work.

Supporting our nurses is a team of preferred provider network professionals, thoroughly trained in occupational medicine. Our network physicians frequently apply a sports medicine approach to limiting disability by getting the injured employee safely back to work as quickly as possible. In Nebraska, the network of dedicated medical professionals stands ready to reduce employers' loss costs through understanding their business, return to work opportunities and local job limitations.

It is also important to note that our preferred provider network includes 54 hospitals and 9,400 provider locations of record across the state of Nebraska. The doctors have been chosen for their knowledge and commitment to workers compensation and are contractually committed to working with all aspects of our medical management process.

In conjunction with our internal Telephonic Nurse Case Managers and PPN network we may refer cases in Nebraska to nurses who specialize in on-site case management. These trained medical professionals personally visit the injured party, treating physician and/or employer to

reduce disability through early return to work at the same or similar positions. On-site nurses are utilized when we believe a face-to-face meeting with the injured employee or with the treating physician will result in a better outcome. Coupling these medical professionals with a claim case manager demonstrates Travelers' commitment to managing disability through integrated claim handling.

Evaluating treatment patterns by diagnosis and individual physician facility is the ultimate objective of our qualitative approach. Robust data and analytics will enable us to select the best providers, with proven track records in reducing disability and days lost from work, and helping the injured employee to recovery from their injury. We continually strive to improve the quality of our information capture and analytic tools to increase our effectiveness and reduce loss costs.

In addition and including the processes outlined above, our early intervention philosophy includes the:

- Complete claim investigation
- Compensability determination
- Telephonic Disability Management
- Utilization Review for all hospitalization, surgical, etc.
- On-site disability case management for appropriate cases
- Vocational rehabilitation for appropriate cases
- Medical bill / hospital bill review to fee schedule, R&C, PPO, etc.
- Pharmacy network
- Durable medical equipment
- Catastrophic case management
- Utilization of robust analytics to identify claims needing additional review
- Leveraging the right resource on the right claims at the right time

3. Return to Work Program

Travelers deploys all components of our medical and return to work focus and resources throughout the life of the claim. Our initial evaluation determines the services employed. This includes a treatment plan, diagnosis review, return to work strategy, physician management plan and determination of need for catastrophic team assistance. Our claim professionals are measured on return to work effectiveness and are evaluated on how well we understood the medical situation in conjunction with the return to work opportunities with the employer.

Travelers' return to work program starts when a claim is reported. On lost time claims initial contact is made by the claim case manager within 24 hours of the claim notice. They contact the employee, employer and treating physician to determine the facts of the case, to investigate compensability and determine whether the injured employee has returned to work. If the employee has not returned to work or has restrictions precluding full duty work, the claim and medical team will use the telephonic nurse case manager to contact the medical provider and the employer to identify a medically appropriate return to work plan. Job descriptions and for the availability of light duty are explored with the employer. Focus is placed on identifying of the physical demands of the regular duty, pre-injury job and identifying opportunities that an employer has for making accommodations on a short and/or long term basis.

Our return to work programs are an important component of our integrated claim and disability management product. From the first notice, we evaluate the injury against objective return to work and medical criteria. The criteria are super-imposed upon the customer's work environment to create the best possible and medically appropriate return to work plan.

With the return to work plan developed, our team works with the treating physician to obtain a release to work status. We use creative return to work programs and innovative ideas to assist the physician in recognizing return to work possibilities. *Our nurses are measured on return to work effectiveness* and are evaluated on how well we understood the medical situation in conjunction with the return to work opportunity.

As outlined above, we deploy all components of our medical/return to work programs throughout the life of the claim. Our initial team evaluation determines which services are deployed. This includes a treatment plan, diagnosis review, return to work strategy, physician management plan and a determination on whether there is a need for catastrophic team assistance.

Most lost time cases involve telephonic disability management nurses. Claims demonstrating a need for on-site intervention are immediately referred to the on-site disability management professionals.

Travelers continues to look for ways to enhance the medical triaging and referral process based on case severity indicators. We look to route claims more efficiently and effectively to best optimize the skills of our professionals.

4. Medical Case Management

Since our entrance in the medical management field in 1981, Travelers has championed the standard of professional designations demanded to produce industry-leading results. All of our professionals working in the field hold a LPN, RN or CRC, CIRS or CCM. In addition, regional training programs are held on a quarterly basis on topics like the Family Leave Act, ADA, and Cumulative Trauma Syndrome. All of these programs qualify for CEU credits. To stay current, our professionals continually improve their skills through additional training and education. We encourage employee investment through lifetime education. Each nurse's caseload will vary depending on the types of cases/injuries being handled and the specific knowledge of the particular nurse.

Travelers' Medical Management Services personnel call on many resources to complete their jobs successfully. These resources range from physician advisors, medical directors, catastrophic case management experts, network experts, medical bill review specialists and protocol driven software. All are designed and coordinated to reduce the medical and indemnity costs at every stage in the life of a claim.

5. Medical Triaging Process

Our medical triaging process involves our claim and medical team *reviewing all lost time claims*, to determine the most cost effective and comprehensive strategy to guarantee rapid and medically appropriate return to work. Our team develops a return to work and medical treatment plan and strategy for each case. Based on the team developed treatment and return to work plan, our nurse determines when, where and how to deploy Telephonic Case Management, Utilization Review, On-Site Medical and Catastrophic Medical Case Management. While we employ a number of criteria for using medical case management, our first and foremost criteria is "does the case involve lost time?" Any lost time triggers rapid medical intervention to shorten its length and get the injured employee back to medically appropriate work.

The key to our triage process is our investment in automation. Immediate notice reporting, integrated claim and medical systems paired with effective medical case management criteria ensures that our triage process is effective and leads to exceptional claim outcomes.

6. Physical Rehabilitation Program

Travelers believes in selecting the right providers of physical rehabilitation to best manage injured employees to maximum medical improvement and return to work. We have developed relationships with leading Physical Therapy providers in the managed care plans to reduce customer costs.

Our local Travelers medical specialists, working with our claim professionals, select the best facilities for inclusion in our ancillary provider network.

Local involvement ensures knowledge of results and provides employers with assurances that Travelers is committed to recommending injured employees to the best facilities with proven return to work and medical outcomes.

7. Systems

Our claim process is supported by our industry leading claim system. This system is a leading edge claim and medical case manager workstation that is truly an integrated claim management system. Using advanced technology and analytics, the system employs state of the art hardware and software to further integrate system segments of claim reporting, management information, claim processing, reserving, medical bill management, referral, and both automated and manual forms and letters.

Our nurse case managers use the medical components of the system to manage medical. It contains reference material and guidelines regarding the appropriate treatment plan and expected length of disability for a given diagnosis. The system is essentially a medical library at our nurses' fingertips.

With our claim and medical professionals connected and working in the same system, simultaneously handling their areas of expertise, we achieve better claim outcomes. Further enhancing our program's effectiveness is the fact that we have access to all the information including reserve changes and rationale, case settlement strategy, claim, medical and legal notes, and all the information we need to reduce loss costs through the power of shared information.

8. Vocational Rehabilitation Programs

If it's not possible for the injured employee to return to work with the current employer, vocational rehabilitation is provided per State of Nebraska requirements.

With the customer's input, a vocational rehabilitation counselor is engaged to assist the injured employee return to gainful employment. Services may include:

- An evaluation of the return-to-work feasibility at 90 days post-injury.
- Selected vocational testing to determine the injured employee's aptitudes and interest levels.
- Counseling to establish realistic and feasible vocational goals.
- A labor market survey to research the local job market and identify appropriate positions for the injured employee.
- Job placement services to locate viable jobs and assist the injured employee in seeking job leads and scheduling interviews.

- Job-seeking skills training to assist the injured employee with interviewing, completing job applications, preparing resumes, etc.

9. Catastrophic Case Management

In our experience a small percentage of claims generate the bulk of the financial exposure. With this in mind, Travelers constructed a Major Case Unit comprised of specialized medical nurse and claim resources, concentrating only on cases with potential for high claim payout. These cases are referred to the unit by the claim and medical team. Early involvement in catastrophic cases enables Travelers to provide early medical management, investigate the case immediately, and begin appropriate benefits.

The Major Case team reviews the case for all pertinent medical issues and designs a treatment and life care plan, if appropriate, that best fits the unique circumstances of the case. All of the units' team members specialize in different areas of catastrophic case management enabling Travelers to bring excellent internal resources immediately to these personal and financially devastating cases. The Major Case Unit does not assume the handling of the claim, but rather they are involved concurrently with the local claim handler and nurse case manager, and provide an additional layer of oversight and technical expertise on these complicated and costly catastrophic claims.

10. Cost Savings Achieved from Return-to-Work and Vocational Rehabilitation

When analyzing savings from any workers' compensation program, it is difficult to determine exactly which component contributed, and to what extent. If each cost containment component was utilized individually, results would not equal that of a comprehensive program with all the necessary cost containment programs in place. With that said we can base our anticipated success ratio on programs that we have successfully implemented that take advantage of the many different cost containment programs. We have been able to reduce customers' workers' compensation losses with aggressive return to work and managed care programs.

11. Cost Containment

a. Utilization Management

The Telephonic Utilization and Case Management process is initiated by Travelers claim and medical management team. The first step in limiting disability is early intervention. Our robust claim reporting system is the entry point into Travelers' claim and information system. A key strength of our claim and managed care system is the effective use of technology, enabling us to reduce time delays and therefore days out of work. Once our claim and medical management team is notified of a loss they immediately begin the process of claim and medical management. Our Telephonic nurse case managers focus on lost time cases. In addition, special emphasis is applied to cases involving hospitalization, surgery, physical therapy and chiropractic treatment, to ensure the appropriate amount of treatment is provided. The prompt recognition of a new medical request is a priority for all claim staff and once a medical request is received, it is promptly directed to a Medical Case Manager.

The strength of the Travelers' claim operations is demonstrated through the active and continual communication between Claims and Medical Case Managers, and the shared electronic case management system. When a Medical Case Manager is active in a claim, immediate implementation of the Utilization Review process is initiated upon receipt of a medical request. If a Medical Case Manager is not assigned, the Claims Case Manager will generate a referral for medical assistance through the system.

Utilization Review activities are initiated immediately upon receipt of the medical referral. The Medical Case Manager ensures compliance of medical treatment requests with industry standard treatment protocols, facilitates timely referral to a physician advisor (when needed), provides timely resolution of the medical request for authorization in coordination with the Claims Case Manager and generates all necessary documentation.

The goals of the Utilization Management process are to:

- Ensure authorized treatment is consistent with treatment protocols and parameters (i.e. ODG, ACOEM, MTUS, MDA)
- Provide the claim case managers with a medical resource to determine the need for a particular service or treatment modality
- Determine appropriate levels of medical care
- Provide alternative medical care suggestions
- Establish a treatment plan to facilitate early return to work
- Build a database of medical information that can be used to analyze treatment patterns, medical providers, etc.

Because of the high incidence and cost of back injuries in workers' compensation, we manage the utilization of Chiropractic modalities using appropriate protocols and decision-making processes. In addition, we have developed a physical therapy component to meet the specific requirements of workers' compensation.

Travelers has implemented a program that supports our entire Telephonic Case Management program. Our claim platform has industry standard online medical protocols based on criteria that reflect the most efficient treatment practices and evidence-based medicine and has been widely accepted by medical groups and the managed care industry.

The system uses the following components:

- Clinical Guideline Tool (CGT) - These guidelines provide day-by-day treatment plans and are based on the CPT and ICD9 codes relevant to the ill/injured individual's condition and planned treatment. The CTG's provide the equivalent of medical, length of stay and outpatient procedure/treatment guidelines for uncomplicated medical and surgical admissions. They also include parameters for extending an admission and indications of when medical staff needs to be consulted.
- Internally developed Medical Position Statements – Over 300 internally developed position papers by Travelers Medical Directors.
- Jurisdictional Medical Treatment Guidelines – Online links to state-specific medical treatment guidelines.

b. Communication of UM Decisions/Interventions

Our Telephonic Nurse Case Managers work directly with our claim professionals, informing them of the outcome of any utilization review intervention. Any denials are communicated to the treating physician through a telephone conversation with our medical staff or a Physician Advisor, with a confirmation letter sent as follow up. All decisions are documented in our claim system and are available for immediate access

through our notes facility. Since both the claim and medical management teams share a system, all parties have access to these notes.

c. *Bill Review*

Travelers' Medical Bill Management (MBM) system is online. The bill review software has been integrated into our Workers' Compensation Claim Payment System since 1992.

Travelers reviews all medical bills on the basis of appropriateness, relatedness, fee schedule, discounts, and reasonable and customary rates. Our case managers approve bills using an online integrated system, which has streamlined the process of review, repricing, and approval to one day. Because our MBM system is online, we avoid paper shuffling, and minimize lost bills and delayed payments to doctors and facilities.

The system is designed to manage the various fee schedules from state to state, as well as the local guidelines for reasonable and customary repricing. This system honors any contractual fee arrangements as well. Additionally, the system detects treatments and diagnostic codes unrelated to workplace injuries.

While the final authority to pay medical bills still rests with the case manager and their judgment, our system provides an invaluable source of information crucial in allaying the costs of improper prescription or treatment plans.

d. *Bill Review Process*

Travelers' Medical Bill Management (MBM) system is an integrated program, self-contained in our overall claim management process. Bills are input, processed and paid without leaving our facilities, ensuring data numbers, rapid payment and repricing accuracy. Our MBM system contains a clinically oriented claim auditing feature that is designed to detect inappropriate billing practices. The system analyzes the relationship between procedure costs and/or diagnosis based on reasonable and customary or state fee schedule guidelines, procedure relatedness, medical necessity and appropriateness. The system also warns us when special actions such as pre-authorizations are required, and detects many different types of code manipulation practices, including:

- Medical visit type edits
- Mutually exclusive procedures
- Incidental procedures
- Single code edits: Assistant surgeon
- Pre/post-operative edits
- Bi-lateral procedures
- Clinical duplicate procedures

We continually enhance our detection capabilities by upgrading our state-of-the-art rules and clinical system edits. The services provided are:

- Hospital Bill Audit
- State Fee Schedule Re-pricing
- PPN repricing
- Duplicate Bill Recognition
- Adjustments

- Credits
- Re-submissions

12. Monitoring Medical Cost Containment Initiatives

Travelers has robust reporting capabilities which allow us insight into our key capabilities, including our managed care services, medical bill re-pricing and case management. Reports within the system support the measurement of savings and cost, network penetration, provider utilization, treatment effectiveness, type of injury analysis and case management return to work and lost cost outcomes. The case management and disability management information includes return to work activities/ results and treatment plan details. We are also able to analyze providers based on frequency of use and payout. We can analyze the effectiveness of treatments by diagnosis groupings based on loss costs and return to work rates. Since we capture all pieces of data, we are able to analyze the information in almost any manner imaginable.

13. Managed Care Organization

Travelers has an agreement with CorVel Corporation to access their Nebraska Workers' Compensation Medical Network. The Online Provider Directory and area maps can be accessed via <http://www.talispoint.com/travelers/ext/?lob=wc> for details on coverage of the network. The network consists of over 50 hospitals and over 9,900 providers including pharmacy locations of record throughout the state. In 2017, we realized savings of 12.2% below fee schedule, which amounted to a little over \$1.3 million. In Nebraska in 2017, 68% of the medical dollars spent went to network providers. The medical provider data is updated electronically semi-annually and loaded into our claim and medical case manager's workstations and our Travelers website. In this way, the Medical Network fits perfectly into our comprehensive, integrated managed care program. The cornerstone of Travelers' claim and managed care programs is our uncompromising belief that early intervention, expert claim management, extensive claim investigation, comprehensive medical management and the use of workers' compensation specific medical networks are the foundation pieces required to reduce customer loss costs.

Medical networks are constructed to treat workers' compensation-specific illnesses and injuries by providing quality medical care, using a sports medicine approach, combined with outstanding medical management to achieve early return to work at the lowest total cost.

Travelers is a recognized innovator and leader in workers' compensation managed care so it is important to note that we constantly invest in new products and services that further integrate managed care and cost containment programs into our loss cost reduction strategy. These capabilities and our commitment to the future enable us to control costs in Nebraska both today and in the future. With a strong workers' compensation oriented network, our medical disability management professionals are armed with the tools to begin the process of immediate return to work through our outstanding Medical Telephonic Case Management program.

Further augmenting our medical network program, Travelers deploys a statewide pharmacy management network specifically designed for workers' compensation that ensures the injured employee obtains the appropriate amount of medicine at a reasonable price. Travelers' uses Health-e Systems as our national Pharmacy Benefit Management provider.

- Health-e is deployed nationally to facilitate rapid procurement of necessary prescription medication to the injured employee at the retail pharmacy.
- WellDyneRX, the mail order/home delivery program is utilized to serve injured employees for long-term prescription medication needs.

To reduce overuse, mis-fills, early refills, drug interactions and payment for unrelated drugs, our system compares all drug requests against currently treating medications for dangerous interactions and early refills. Our pharmaceutical programs demonstrate our commitment to quality, cost effective medical care, saving Nebraska employers money at every step in the cost containment process, while at the same time, ensuring the injured employee gets the medical care they need to recover from their injuries.

a. *Identification, Selection and Credentialing Criteria for Providers*

Travelers has an agreement with CorVel Corporation to access its Nebraska Medical Network as part of its filed and approved managed care plan. This agreement has been in place since 1996. CorVel maintains all contracts with the medical providers in their network.

There are standards and procedures for all medical providers being considered for inclusion in the network. The provider submits a written application and then the applications are screened against a set of enrollment criteria. The enrollment criteria include:

- Must hold current license to practice medicine with no revocation, suspension, or limitation to practice medicine
- Must hold current BNDD/DEA license with no suspension, limitation, revocation or surrender within the past 10 years
- Must carry sufficient limits of professional liability coverage
- Review of malpractice history (if any)
- Hospital privileges
- No past revocation, suspension or limitation of hospital privileges
- No treatment of chemical dependency, substance abuse, or mental disorders within the past 10 years
- No past suspension from the Medicare or Medicaid programs
- No sanction or disciplinary action by hospital, medical society or regulatory body within the past 10 years
- No past felony convictions
- Board Eligible or Board Certified

There are certain criteria and standards by which hospitals are selected for the networks. All network hospitals must be duly licensed under appropriate state statute and, as applicable, accredited by the Joint Commission on Accreditation of Health Care Organizations (JCAHO) or certified by an appropriate state agency. A variety of contacts are made with local, state and national sources to address the reputation of the provider. Hospital contract provisions include:

- Agree to take appropriate action against any medical staff that violates medical staff by-laws.
- Agree to provide care to PPO members in the same manner it provides care to all other patients.
- Agree not to discriminate against PPO members in any manner.
- Immediately notify the network management company of any adverse actions which may affect hospital operations or the ability of the hospital to provide quality care to network members.

- A hospital contract can be terminated immediately if the health or welfare of patients is in jeopardy.
- Carry adequate liability insurance.
- Agree to cooperate with utilization review and/or utilization management

b. *Network Quality Assurance Program*

The goals and objectives of the provider Network Quality Assurance Program are to continually review the quality and performance of the providers participating in the Provider Networks and to ensure a level of care which meets professionally recognized standards.

Quality assessment is done to evaluate network providers against a set of indicators which have been shown to reflect quality of care. In addition to indicators which relate to network providers' professional licensure, certification, and accreditation, CorVel examines outcome, clinical and administrative indicators which have been identified and which correlate with the quality of care delivered by a provider. Travelers also collects national and state specific data and assesses trends and patterns of care by region and type of provider.

Additionally, Travelers monitors and investigates client and worker complaints and media reports regarding quality of care at network providers on a continuous basis. This information, as well as observations derived from CorVel's experience with network providers, is incorporated into the provider QA profile. These indicators serve as flags for potential quality of care problems. Further investigation is conducted by the quality assessment staff and appropriate action is taken depending on the frequency, nature, and severity of issues. Such action may include education of the provider to improve performance as well as removal of the provider from the network if the provider does not meet our program requirements.

c. *Provider Listing/Directory Updates*

Workers' Compensation managed care plan directories are available online are updated twice a month. A directory may be created which will include a listing of the CorVel network hospitals and outpatient care network provider. Searches for providers by specialty, location and driving directions are also available.

Travelers uses an online network search portal called TravReferral. TravReferral is updated twice a month and can be easily used to locate providers based on specialty, zip codes and distance from a customer location. In addition, it allows for the ability to print out provider panels and obtain driving directions.

Online access to our network is available via www.travelers.com or directly using this link here:

<http://www.talispoint.com/travelers/ext/?lob=wc>

We also have the ability to produce provider panel listings using a specific zip code. The panel listing will indicate the network hospitals and/or clinics within any radius of a given zip code.

14. Summary

Travelers proven success in workers' compensation claim management is the product of a philosophy and management strategy that fosters a seamless integration of people and systems who are dedicated to workers compensation. Dedicated field resources, supported by an equally specialized home office structure ensures that the needs of our customers will always receive our undivided attention.

These include:

- *A state-of-the-art claim reporting system that ensures timely and accurate collection of claim information coupled with the critical opportunity for early claim intervention.*
- *Immediate review and participation of medical management specialists from the very beginning of the claim management process.*
- *A thorough and timely investigation to ensure that only covered and compensable losses are accepted, and that issues such as claim and premium fraud, offsets and catastrophic loss are identified and addressed.*
- *A network of top quality medical providers who share Travelers' medical and disability management philosophy of providing the best possible care to ensure a timely and successful return to work while controlling costs.*
- *Medical and Claim Management systems designed specifically for workers' compensation that support fast, accurate collection and access to claim information and that support payout and expense management.*
- *The services of dedicated workers compensation claim staff, defense counsel, investigators, underwriters, auditors, risk control specialists, nurses, actuaries, home office staff and medical providers, all linked by an integrated claim system.*

H. Safety Committees Required

In 2016, Travelers worked with the Department of Insurance to develop a new Safety Committee Acknowledgement of Requirements form for employers to complete as part of the application process. This document provides a means for employers to certify that they have established a safety committee which meets the requirements of the applicable Nebraska law. The applicant is required to provide a completed Acknowledgement form to Travelers in order for coverage to be bound. This document has helped educate employers and their producers on the applicable Law and has streamlined the process for Travelers in confirming the existence of an employer's safety committee. Travelers Risk Control Consultants are responsible for confirming the existence of the employer's safety committee. If the risk control survey reveals that the policyholder does not have an operating safety committee, the Underwriter will initiate cancellation of the policy. However, if the policyholder, subsequent to the cancellation effective date, takes steps to come into compliance, coverage will be reinstated.

I. Premium Payment Plans

Travelers will continue the current payment plan options available to insureds in the Nebraska Workers Compensation Insurance Plan:

Payment Schedule Options

Estimated Annual Premium	Minimum Deposit	Payment Basis	Additional Payments
\$1 to \$10,000	100%	Annual	None
\$1 to \$10,000	75%	Semi-Annual	One
\$1 to \$10,000	40%	Quarterly	Three
\$10,001 and greater	25%	Monthly	Eleven

J. Payment of Commission

C Commission on Nebraska Workers Compensation Insurance Plan policies will be paid using the schedule below to Nebraska licensed producers. The basis for payment will be State Standard Premium (which excludes expense constant except on minimum premium policies).

First \$1,000:	8%
Next \$4,000:	5%
Next \$95,000:	3%
Over \$100,000:	2%

K. Size of Risk Discounts

The following size-of-risk discounts are applicable to Standard Premiums for Nebraska Workers Compensation Insurance Plan policies:

First \$5,000:	0.0%
Next \$95,000:	10.9%
Next \$400,000:	12.6%
Over \$500,000:	14.4%

2. AGENT INTERACTION

We recognize that producers offer insureds valuable service and that producers want to be kept informed on all aspects of the insured's coverage. We will continue to copy producers on all correspondence including all policy paper, endorsements and certificates, requests for additional underwriting information and especially on notices of intent to cancel. We also involve them in our Receivables Management Process if we can't reach the insured before an account is referred to our collection agency

Producers and insureds can receive loss history on request and we are always available to teleconference or meet with a producer to review losses. Through Travelers Small Comp Loss Run Program, policyholders automatically receive a loss run for open and closed claims at six months into the policy and then quarterly thereafter until six months after policy expiration. For two years after policy expiration, the policyholder will receive automated loss runs annually for any open claims.

3. CONTRACT TERM

Travelers bid is for a 3 year period, beginning with policies effective January 1, 2019, until December 31, 2021.

Extensions of up to 2 additional years to the above contract term would apply if mutually agreed upon between the Nebraska Department of Insurance and Travelers.

4. OTHER STATES COVERAGE (BENEFITS)

Effective February 1, 2017 Travelers implemented the Limited Other States Benefit Endorsement, previously known as the Nebraska Limited Other States Endorsement. Travelers saw a need to update this endorsement in an effort to provide clarity on the purpose and limitations of the endorsement. It is intended to clarify when benefits can and will be paid to their Nebraska employees who file claims for benefits in states other than Nebraska. Our Underwriters are also very experienced in dealing with this issue and can explain the issue to producers and insureds. If an insured has an out of state operation, we will direct the producer or insured to the Residual Market mechanism in that state, or determine if coverage is available in accordance with Nebraska law.

5. TERRORISM COVERAGE

Travelers acknowledges and understands that as contract carrier of the Nebraska WCIP, terrorism-related losses are not allowed to be excluded from workers' compensation coverage.

6. EMPLOYMENT PRACTICES

Travelers Drug-Free Workplace policy is currently filed with the State of Nebraska and required, will be made available upon request.

Section III

Pricing

1. CONTRACT PRICE and TERMS

Travelers Nebraska Workers' Compensation Insurance Assigned Risk Plan Proposal

Rates

- Under this bid proposal, Travelers would use a **Loss Cost Multiplier (LCM) of 2.500**
- All other rating factors filed by NCCI and approved previously for use in Nebraska would be adopted, including NCCI classification loss costs, experience rating, and miscellaneous rating values. Such rates and values will be modified concurrently with Department of Insurance approvals of future NCCI filings.
- Travelers proposes continuation of the existing commission and premium discount tables that are in use in the Nebraska Assigned Risk Plan, and as specified in the Solicitation for Proposal (SFP).
- We are proposing an **Expense Constant of \$240**
- The Minimum Premium formula to be used is as follows: **[250 x Loss Cost x LCM] + Expense Constant subject to a maximum amount of \$1,000.**

Contract Period

- Travelers bid is for a 3 year period, beginning with policies effective January 1, 2019.
- Extensions of up to 2 additional years to the above contract term would apply if mutually agreed upon between the Nebraska Department of Insurance and Travelers.

Voluntary Market Subsidy

This proposal by Travelers is an "on the risk" proposal by which Travelers will be responsible for all financial and service obligations enumerated in this proposal, on all business awarded under this SFP, at the premium/rate levels described, **subject to an annual policy year loss ratio retention listed below.**

As such, Travelers agrees to financially retain claim losses until the accumulation of all losses paid (including Allocated Loss Adjustment Expense, i.e. ALAE) divided by the accumulated premium collected for any given policy year is greater than the specified loss ratio retention contained in this proposal. Only in the unlikely event that the calculated loss ratio exceeds Travelers' loss ratio retention would a voluntary market subsidy be triggered that apportions losses to each voluntary insurer in proportion to its Annual Statement written premiums for Nebraska Workers' Compensation insurance for that specific calendar year. Please note that should an event, or series of events, significant enough occur as to trigger the voluntary subsidy we propose, Travelers will still retain a financial interest in the continuing experience of this book of business by virtue of our voluntary market participation in the excess pooling mechanism. For the most recently completed calendar year for which data is available (2017), we calculate Travelers voluntary market share to be 12.8%. Therefore, if Travelers loss ratio retention under this proposal is exceeded, and a voluntary subsidy is "triggered", Travelers would continue to be responsible for approximately 12.8% of any additional losses by virtue of its voluntary market share.

Travelers proposed annual policy year loss ratio retentions, as defined above, and subject to the policyholder rates specified above, are as follows:

Annual Policy Year Loss Ratio Retention: 120%

We believe that this proposed structure places Travelers very much "on the risk" for the business we would service in the Nebraska Assigned Risk Plan. At the proposed retention levels, if losses were to occur that required a voluntary market subsidy, Travelers will have already absorbed losses in excess of its collected premiums, as well as all other expenses associated with this business. Further, as noted above, Travelers

would continue to absorb losses in excess of its proposed loss ratio retention by virtue of our WC voluntary market share in Nebraska.

Note: In the event that the need for a voluntary market subsidy is triggered by aggregate policy year losses exceeding the loss ratio retention, Travelers will secure reinsurance subsidies from the Nebraska voluntary market only as Travelers has made qualifying payments "out-of-pocket."

Travelers has contractually retained the services of the National Council on Compensation Insurance (NCCI) to independently administer a voluntary subsidy if one were to develop under this arrangement. NCCI has agreed to continue to provide these services for the duration of this bid proposal.

Section IV

Requirement Exceptions

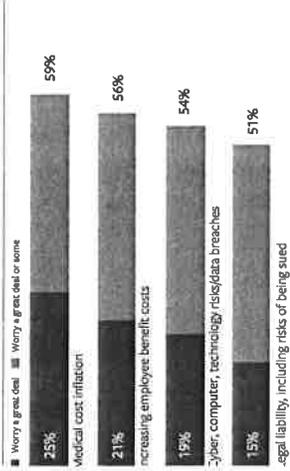
NONE

Section V

Exhibits

EVOLVING MARKETPLACE

TOP 4 CONCERNS REMAIN THOSE ASSOCIATED WITH MEDICAL, EMPLOYEE BENEFITS, CYBER RISKS AND LEGAL LIABILITY RISKS¹
2016 Travelers Risk Index | BUSINESS RISK

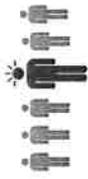


Medical is now valued at **63%** of a claim and is estimated to rise to **67%** by 2019²



Every day for the next 16 years, **10,000 Americans will turn 65³**

TODAY



1 in 6 people are Hispanic in the U.S.⁴



1/3 of the workforce is age 35 or under⁵

Did you know there is a strong correlation between using enhanced injured employee engagement tools and optimal claims outcomes?



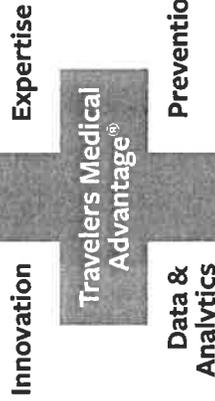
100 million + Americans suffer from chronic pain⁶

10% 65%

65% of our workers compensation claim costs come from 10% of our claims⁶

EVOLVING CLAIM AND RISK CONTROL MEDICAL MANAGEMENT CAPABILITIES TO HELP CONTROL YOUR TOTAL COST OF RISK

TravComp[®] Digital Tools for a modern workforce



- Data and Analytics
 - Predictive Models
 - Mobile Access
 - Secure messaging
- Enhanced injured employee experience through leading digital capabilities

Travelers Early Severity Predictor[®]
Over a decade of delivering powerful and precise predictive modeling capabilities



Up to **50% total savings** on WC claims that involve chronic pain⁷

ConciergeCLAIM[®]
Nurse

- PROVEN RESULTS**
- 35%** reduction in days out of work⁸
 - 86%** reduction in attorney representation⁸
 - 39%** reduction in days to closure⁸
 - 18%** reduction in overall claim costs⁸

Our SMART medical bill review and industry-first comprehensive Ancillary Benefits Management product deliver **\$162 million savings**, beyond the savings achieved by standard automated bill review processes.⁹

- 23%** reduction in attorney involvement¹⁰
- 24%** improvement in return-to work within 30 days over non-Cultural Advantage claims¹⁰
- 8%** reduction in overall claim costs¹⁰

TRAVELERS CULTURAL ADVANTAGE

Capabilities that enable us to connect

OPTIMAL CLAIM OUTCOMES

Travelers Workforce AdvantageSM

- > Develop and enhance safety culture
- > Find and secure the most qualified person
- > Educate and prepare employees through onboarding

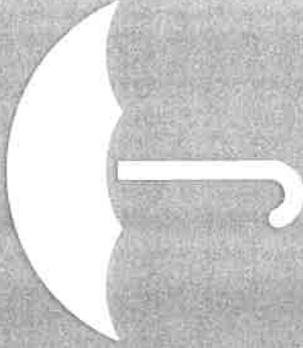


PROVEN RESULTS

Leading digital capabilities	↑	Enhanced injured employee experience and engagement through MyTravelers injured employee portal
Return-to-work	↑	66% of injured employees return to work within 30 days ¹¹
Medical savings	↑	Average 64 cents saved per every medical dollar billed ¹²
Medical network	↑	<ul style="list-style-type: none"> • Approximately 82% medical provider network penetration¹³ • 87% pharmacy network penetration¹⁴
Pharmacy	↑	<ul style="list-style-type: none"> • 63% overall cost reduction¹⁵ • 6% pharmacy spend vs. 11% for industry – 55% better than the industry¹⁵
Subrogation	↑	Recovery rates exceed the industry benchmark rates by approximately 18% ¹⁶
Sustained denial	↑	20% WC sustained denials ¹⁷
WC combined ratio	↑	Average 11 points lower than industry over past 5 years ¹⁸

Notes

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SOURCES

1. 2016 Travelers Risk Index
2. 69% - Travelers WC Claim Data, 2016; 67% - Insurance Information Institute
3. U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau (May 2010), "The Next Four Decades - The Older Population in the United States: 2010-2050"
4. U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau (May 2010), "The Next Four Decades - The Older Population in the United States: 2010-2050"
5. Institute of Medicine Report from the Committee on Advancing Palliative Research, Care and Education: The Urgent Need for Improving Palliative Care, Education and Research, The National Academies Press, 2011
6. 2016 Travelers Workers Compensation Claim Data
7. 2016 Travelers Workers Compensation Claim Data
8. Based on comparison of Travelers Conceive CLAIM Nurse claims to non-Conceive CLAIM Nurse claims for accident years 2013 to 2016
9. 2016 Claim data
10. Southern California claims, accident years 2014-2016, evaluated as 12 months
11. National Accounts 3-year average, 12 mo valuations, 2014-2016
12. All markets, three calendar year average, 2015-2017
13. Services paid in 2015-2017 evaluated as of 2018
14. Services paid in 2015-2017 evaluated as of 2018
15. NCCO Annual Issues Symposium 2017, State of the Line p.41
16. 2016 U.S. Workers Compensation Subrogation Benchmark Study conducted by the Ward Group
17. National Accounts 3-year average, 2015-2017
18. SNI, Financial 2011-2015, Workers Compensation Statutory Combined Ratio

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300 Windsor Street
Hartford, CT 06183

May 14, 2018

Ms. Debra Smith
President
XYZ Company
123 Main Street

Location Surveyed: 123 Main Street

State of Assignment:

Person Contacted: Debra Smith

Date of Survey: May 11, 2018

Coverages: Workers' Compensation

Producer: Haines Service

Job #: 000A-99ZL6Q

SAI #: 1568A3168

Writing Office: 893

Dear Ms. Smith:

This letter confirms my survey of XYZ Company. The purposes of the survey were to gain a better understanding of your operations and to discuss your loss prevention activities.

LOSS ANALYSIS

Loss analysis is a very important tool to help you identify some of the areas to focus your safety efforts. A thorough review of previous losses will allow you to determine the cause of accidents and make the necessary changes to prevent them in the future.

A review of the Travelers loss information since the previous assessment of May 26, 2017 indicated this facility had incurred five reported claims. One of these was a more serious incident where a piece of equipment was not properly locked and tagged out. You have addressed this by updating the program, retraining employees and continuing to monitor lockout tag out procedures. The other incidents were from striking objects, and repetitive motion injuries from handling and stacking product. These incidents have not incurred any lost time.

An item we discussed during the assessment was ensuring that supervisors thoroughly analyze an accident. The supervisors should be provided training on this process and the need to thoroughly identify the root causes leading up to the incident so multiple solutions can be developed. The company should thoroughly review each form after it has been received. The overall procedure ensures that the accident is analyzed in a timely fashion and as parts of the process, solutions are developed to prevent the recurrence of a similar incident. This is also a method to hold supervisors accountable for safety.

To assist in the accident analysis process, I suggested using one of our training webinars called **REACT Webinar: Accident Analysis**.

This training will provide those conducting the analysis of the accident information on how to approach employees, put the employees at ease to collect information, questioning procedures to obtain details and facts about the incident and how identify the root causes of the incident. Once root causes have been identified, multiple solutions should be developed based on the analysis process.

PRIOR RECOMMENDATION STATUS

<u>Rec #</u> 15-01	<u>Recommendation Topic</u> Hearing Conservation Program	<u>Status/Agreement</u> Resubmitted-working on
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As a result of this survey, the following recommendations are being submitted for your attention at this time.

PRIOR RECOMMENDATIONS STATUS

Recommendation #	Recommendation Title	Status
15-01	Hearing Conservation Program	ReSubmitted

RESUBMITTED RECOMMENDATIONS

15-01 Hearing Conservation Program

Employees' noise exposures reached/exceeded the OSHA action level of 85 DBA (50% noise dose). Additions to the Hearing Conservation Program should be added which incorporates the minimum requirements of the OSHA Occupational Noise Standard (29 CFR 1910.95). Items that need to be added to the present program should include:

- Obtaining baseline audiograms on all employees working in areas with noise exposures at or above 85 dBA based as an 8-hour time-weighted average. In addition, conducting annual audiograms on all employees that continue to work in areas with noise exposures at or above the 85 dBA action level.
- Providing annual training to employees in the Hearing Conservation Program. At a minimum, training should include the effects of noise exposure and the use, care and limitations of hearing protection.
- Maintaining records of audiograms, exposure monitoring, and training. Noise exposure monitoring records must be retained for at least 30 years and audiograms for the duration of employment plus 30 years.

NEW RECOMMENDATIONS

18-01 Strengthening the Existing Accident Analysis Program

The present accident investigation program needs to be strengthened. The program should include training to educate supervisors on how to properly complete an accident investigation form. They need to understand the importance of determining the multiple causes of an accident so the root causes can be identified. Through this process multiple solutions can be determined to prevent the recurrence of similar injuries.

RESOURCES

Below, I have identified resources to help you in your safety efforts. Where a reference to Advanced Search or the Education Center is noted, use your customer ID to log in to our website at travelers.com/riskcontrol. If you do not have a customer ID, take a moment to [register](#).

Title of Resource	Resource or Reference
Accident Ten Steps Process	 Accident Ten Steps Process.pdf
Prompt Claim Reporting	 Prompt Claim Reporting.pdf
Near Misses Pay Attention To Warning Signals	 Near Misses Pay Attention To Warnir

More than 1,000 resources are available on the Risk Control website to help you in your safety efforts.	
Check out our Safety Library for more resources.	Advanced Search
Check out our Training Center for more training resources.	Education and Training Center

Your Workers' Compensation insurance policy is serviced by Travelers. You can access the Travelers Risk Control website to obtain a wide variety of risk control and safety information. These Risk Control products are available to assist you in completing recommendations and to help you control your business' loss costs. Access the database by visiting:

www.riskcontrol.com

I appreciate the time and courtesy extended to me during my visit. If I can be of further assistance in any way, please feel free to contact me.

Sincerely,

Craig J. Riegel

Craig J. Riegel, CSP, ARM, ALCM
Senior Regional Risk Control Consultant
860-234-5678
CRIEGEL@Travelers.com

This report is based upon the information supplied by customer personnel and/or on the conditions and practices observed at the time of the visit. The report may not list all unsafe conditions and practices; others may exist. This report is not an endorsement of and it may not be used to endorse or promote any practices, procedures, or products. The survey activities or any recommendations in this report are designed to assist the customers named in the report in the management of their own safety activities and should not be construed as legal advice. The responsibility for making changes in the operations, procedures, or for implementing any recommendations is the customer's. All warranties are hereby disclaimed and no liabilities are assumed to any party for any damages that may arise from the use of or reliance upon information contained in this report. This report does not amend, or otherwise affect, the provisions or coverages of any insurance policy or bond issued, nor is it a representation that coverage does or does not exist for any particular claim or loss under any such policy or bond. Coverage depends on the facts and circumstances involved in the claim or loss, all applicable policy or bond provisions, and any applicable law.

SIC Code # 2421

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