



March 10, 2005

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DELAWARE
CALL FOR EXPERIENCE #12

DELAWARE ASSIGNED RISK POLICY YEAR CALL VALUED AS OF DECEMBER 31, 2004 -
DUE APRIL 15, 2005

In accordance with the approved statistical program you are hereby requested to file with the Bureau on or before April 15, 2005 your Delaware compensation experience by policy year valued as of December 31, 2004. **Data reported in this Call is subject to the Financial Data Incentive Program (FDIP) and must be submitted on the Financial Data Reporting Application (FDRA).**

The data reported in this Call should exclude experience developed under large deductible policies (deductible amount of \$100,000 or more per claim or per accident). For small deductible policies (deductible amount less than 100,000), losses are to be reported on a gross basis inclusive of the employer paid loss amount.

This Call continues the phased-in expansion of the Policy Year Call to ultimately collect 20 full underwriting years of data. This Policy Year Call to be reported in 2005 retains the oldest data year 1994 and includes the current year 2004, thus requiring the collection of a total of 10 full underwriting years of data to be reported in 2005. Note that Policy Year 2004, valued as of December 31, 2004, is an incomplete policy year and is not counted as one of the 10 years.

As of August 1, 1994, Loss Costs in the state of Delaware became effective for voluntary business. Consequently, this Call will be used to develop assigned risk experience and also will be used along with the standard Policy Year Call #1 to develop "voluntary business only" experience. The data submitted on this Call should also be consistent with the assigned risk experience reported on the Policy Year Call #1.

All questions should be directed to the Actuarial Department at (215) 568-2371.

A. GENERAL INSTRUCTIONS:

1. Group Report

This Call reports this information by individual member or by group as was established on the Designation of Contact Person form.

2. Designated Statistical Reporting Level

The Designated Statistical Reporting Level is the Standard Earned Premium that would have been developed if carrier business had been written at Bureau rates, pure premiums or loss costs, as applicable.

Standard Earned Premium at the Company Level must be adjusted to the Standard Earned Premium at the Designated Statistical Reporting Level by referencing the designated statistical reporting rates or loss costs set forth by the Bureau. For policy years 1993 and earlier the Designated Statistical Reporting Levels will continue to reflect historical Bureau rate levels.

Designated Statistical Reporting Level Other than U S L & H* Business

Policy Years 1993 and Later

Policy Effective Date	DSR Level
RESIDUAL MARKET	
1/1/93 - 7/31/94	7/1/90 Bureau Rates
8/1/94 - 7/31/97	8/1/94 Bureau Residual Market Rates
8/1/97 - 9/30/98	8/1/97 Bureau Residual Market Rates
10/1/98 - 6/30/99	10/1/98 Bureau Residual Market Rates
7/1/99 - 11/30/99	7/1/99 Bureau Residual Market Rates
12/1/99 - 2/28/01	12/1/99 Bureau Residual Market Rates
3/1/01 - 11/30/01	3/1/01 Bureau Residual Market Rates
12/1/01 - 11/30/02	12/1/01 Bureau Residual Market Rates
12/1/02 - 11/30/03	12/1/02 Bureau Residual Market Rates
12/1/03 - 11/30/04	12/1/03 Bureau Residual Market Rates
12/1/04 - 12/31/04	12/1/04 Bureau Residual Market Rates

*U S L & H - United States Longshore and Harbor Workers Act Coverages.
 U S L & H data should be excluded from Calls #1, #8 and #9.

3. Accumulated Standard Earned Premium at Bureau Designated Statistical Reporting Level

You are required to report Accumulated Standard Earned Premium for each of the indicated policy years. Specifically, for any given policy year you are to report the entire Standard Earned Premium since policy inception through December 31, 2004, for those policies becoming effective during the policy year being reported.

For each policy year indicated, the Accumulated Standard Earned Premium at Bureau Designated Statistical Reporting Level shall be the accumulated earned premium for that particular policy year resulting from standard rating procedures after the application of:

1. Assigned Risk rating programs, surcharges, etc.
2. Experience Rating Plan Adjustments
3. Expense Constants (as published by the DCRB and applicable to Residual Market (business only)*
*Note: There are no loss constants in effect for Delaware Residual Market business.
4. Delaware Construction Classification Premium Adjustment Program
5. Delaware Workplace Safety Program (policies with effective dates prior to 7/1/99)

but prior to the application of:

1. Retrospective Rating Plan Adjustments
2. Other Individual Risk Rating Plan Adjustments (e.g., Schedule Rating)
3. Premium Discounts
4. Payment of Policyholder Dividends
5. Premium Credits for Small Deductible Coverage
6. Delaware Workplace Safety Program (policies with effective dates on or after 7/1/99)
7. Merit Rating Plan
8. Terrorism Risk Insurance Act (TRIA) premium as coded under statistical classification 9740

4. **Standard Earned Premium at Company Level**

For every policy year where Standard Earned Premium at DSR Level is reported, Standard Earned Premium at Company Level must be reported as well and will be equal to Standard Earned Premium at Bureau level.

5. **Carriers Writing in Competitive Rating States**

Not applicable to Assigned Risk Policy Year Call.

6. **Carriers Writing at Deviations from Bureau Rates in Administered Pricing States**

Not applicable to Assigned Risk Policy Year Call.

7. **Accumulated Net Earned Premium**

You are required to report the accumulated net earned premium on a direct basis for each of the indicated policy years. Specifically, for any given policy year you are to report the entire net earned premium since policy inception through

December 31, 2004 for those policies becoming effective during the policy year being reported. Note that in accumulated data there can be no negative entries.

For each policy year indicated, the accumulated net earned premium shall be the accumulated actual earned premium on all risks prior to the payment of policyholder dividends but after application of the following: retrospective rating plan adjustments, premium discounts, deviations from Bureau rates, schedule rating adjustments, premium credits for small deductible coverage, merit rating premium adjustments and premium credits for the Delaware Workplace Safety Program. Terrorism Risk Insurance Act premiums (Statistical Classification 9740) should be excluded from Call #12.

8. **Accumulated Incurred Losses**

As in previous Policy Year Calls, you are required to report accumulated total incurred losses (i.e., from date of inception through December 31, 2004). The call further requires that accumulated total incurred losses be split into the following components: accumulated indemnity losses (separately for Paid, Outstanding Excluding IBNR - Case and Bulk, and IBNR) and accumulated medical losses (separately for Paid, Outstanding Excluding IBNR - Case and Bulk, and IBNR). The reporting of these components of incurred losses is mandatory for all carriers. Please note that for line Z only, under Outstanding Excluding IBNR and IBNR, the calendar year change should be reported rather than the accumulated total.

The Outstanding Excluding IBNR category is designed to capture case reserves and bulk reserves. For the purposes of this Call, the following working definitions may be used by carriers:

Case Reserves - Those outstanding reserves established for specific known cases which would be reported in an aggregate amount to reflect the total case reserve for the company.

Bulk Reserves - Those outstanding reserves for general case reserve inadequacy, supplemental case reserves, cases that may reopen, or other reserves which are not associated with specific claims.

The goal of this reporting is to clearly isolate case reserves without impacting the carrier methodology of reporting IBNR. Carriers should not alter the mix of data which has historically been allocated to IBNR, since doing so would adversely impact the Bureau's development of IBNR data.

For this reason, carriers who have reported bulk reserves in IBNR should continue to do so. On Page 3 of the Reporting Form, these carriers should check "Yes" to the interrogatory regarding bulk reserves.

Those carriers who report bulk reserves in the Outstanding Excluding IBNR category should check "No" to the interrogatory regarding bulk reserves on Page 3 of the Reporting Form. These carriers should have data reported in both the

case reserves and bulk reserves.

9. **Claim Count Information**

a. Incurred Indemnity Claim Count

The incurred indemnity claim count (i.e., the accumulated number of claims for which an indemnity payment has been made and/or and outstanding reserve exists) must be reported on a mandatory basis for policy years 1994 and later. The incurred indemnity claim should exclude claims that start out with an indemnity reserve, but were resolved as medical only claims or closed without payment. If a claim which as been originally thought to include indemnity losses turns out to be a medical only claim, the incurred indemnity claim count should be reduced at the time of discovery.

The incurred indemnity claim count should include claims that start out as medical only, but were resolved as indemnity at future valuations. If a medical only claim develops indemnity, then the indemnity claim count should be increased at the time the indemnity is developed.

If indemnity claims are reopened, they should not be added to the incurred indemnity claim count.

b. Closed (Paid) Indemnity Claim Count

This count includes those claims which are paid in full with no existing reserves. Claims that are reopened for which a case reserve exists at the valuation date should be removed from this category.

Report the accumulated number of paid and closed indemnity claims. Claims included in this count should contain indemnity or a combination of indemnity and medical.

1. Include claims that start out as medical only claims but were resolved as indemnity at future valuations.
2. Exclude indemnity claims that are resolved as medical only claims and claims closed without payment.

c. Open (Outstanding) Indemnity Claim Count

This includes those indemnity claims for which outstanding indemnity case reserves exist regardless of whether or not any payments have been made on those claims.

Report the total number of open indemnity claims which have outstanding reserves at year end. Claims with both indemnity payments and outstanding indemnity are also counted in this column.

If a claim previously closed with indemnity payments reopened in the year and remains open at the valuation date, then the open indemnity claim count should be increased.

Separate reporting of open and closed claims is required for policy year 1994 and subsequent.

d. **Paid Losses on Closed Claims**

Report the accumulated losses paid on claims included in the Closed (Paid) Claim Count.

If a claim previously closed with payment is reopened in the year and remains open at valuation date, then the losses paid on the claim should be excluded from the Paid Losses on Closed Claims.

All of the information reported relating to indemnity claim counts should be reported consistently with incurred losses; i.e., on a direct basis excluding "F" classifications, underground coal mines, excess policies, national defense projects and large deductibles.

In addition, losses paid on closed medical-only claims should be included in the medical losses.

10. **Allocated Loss Adjustment Expense**

Starting in 1995 (data valued as of December 31, 1994), the reporting of Allocated Loss Adjustment Expenses, is mandatory for policy years 1994 and subsequent. Starting with policy year 1994, the reporting of Paid, Case and Bulk + IBNR (columns (23) through (26)) is mandatory.

Note that the Allocated Loss Adjustment Expenses reported should be consistent with the incurred losses; i.e., reported on a direct basis excluding "F" classifications, coal mines, excess policies, national defense projects and large deductibles.

Allocated Loss Adjustment Expense Definition

Effective January 1, 1998 the NAIC developed a new definition for Allocated Loss Adjustment Expense. For the reporting of policy years 1998 and subsequent, the new NAIC definition should be used.

For Policy Years 1994 through 1997 allocated loss adjustment expense should be reported according to the definition approved in filing No. 94-01. Delaware Bureau Circular 678 announced the approval of Delaware reference filing No. 94-01 which included Attachment (14)[Filing Item U-1292], establishing a definition of allocated loss adjustment expense.

For Policy Years 1993 and prior, allocated loss adjustment expense should be reported according to the old definition of allocated loss adjustment expense.

11. **No Experience**

State reports should not be submitted for any state in which the carrier(s) has (have) never had experience. In this case, Acknowledgment Forms should be completed and submitted through the FDRA on or before the required due date so the Bureau can positively confirm the status of those carriers who will not be submitting data for this Call. In instances where the carrier(s) failed to have experience in one or more, but not all, of the Prior to 1994 - 2004 Policy Years in a given state, enter zeroes across the appropriate Policy Year line(s) for that state.

12. **Complete Submission**

A complete Call submission per state consists of entering data on pages 1 - 4 and submitting the Call through the FDRA.

13. **Questionnaire**

The questionnaire page has been eliminated. Questions previously addressed on this page have been integrated into the internet application on page 3 of Call #12.

14. **Rounding Procedure and Reporting of Credits**

Please report amounts of premiums and losses in **WHOLE DOLLARS ONLY**. The FDRA will not allow cents to be entered onto the form. If the values are not entered as whole dollars, the application will automatically count fifty cents and over as an extra dollar, and reject the cents if less than fifty. Negative amounts must have a negative sign in front of the number being entered.

B. SPECIFIC INSTRUCTIONS:

1. **“F” Classifications**

Experience of the “F” Classifications for policies effective January 1, 1974, and thereafter **MUST BE EXCLUDED**.

2. **Coal Mine Experience**

Underground Coal Mine experience **MUST BE EXCLUDED**.

3. **Excess Policies**

Experience on excess policies **MUST BE EXCLUDED**.

4. **National Defense Projects**

Experience on National Defense Projects written under either the old Comprehensive Rating Plan or the new National Defense Rating Plan **MUST BE EXCLUDED**. Experience incurred on a Defense Base should be included unless written under the National Defense Projects Rating Plan.

5. **Terrorism Risk Insurance Act (TRIA)**

All premiums collected in connection with the Terrorism Risk Insurance Act (Statistical Classification 9740) **MUST BE EXCLUDED**. Qualifying losses under TRIA should be included.

6. **Reinsurance**

No deductions shall be made from premium and losses for or on account of reinsurance ceded. Premiums and losses arising from reinsurance received by the reporting company shall be excluded from the experience. Experience reported should be **DIRECT BUSINESS ONLY**.

7. **Direct Assignments**

All assigned risk experience written by direct assignment carriers should be **INCLUDED**.

8. **Experience Incurred Under Occupational Disease Act**

Experience incurred under any Occupational Disease Act which is separate and distinct from the Compensation Act for the state shall be excluded from this report.

9. **IBNR**

Losses reported by state should include an appropriate reserve for incurred but not reported cases. The IBNR reserve must be reported separately for indemnity and medical.

This reporting clearly isolates case reserves without impacting the carrier methodology of reporting IBNR. Carriers should not alter the mix of data which has historically been allocated to IBNR, since doing so would adversely impact the Bureau development of IBNR data.

For this reason, carriers who have reported bulk reserves in IBNR should continue to do so. On the Outstanding Excluding IBNR Page 3 Reporting Form, these carriers should respond "Yes" to the question on page 3.

10. **Reopened Cases**

Include an appropriate loss reserve for reopened cases in the IBNR reserve.

11. **Reserves for Specific Contingencies**

Include medical and other loss reserves to meet specific contingencies in the IBNR reserve.

12. **Other Voluntary Reserves**

Exclude voluntary reserves other than those mentioned above.

Please note that the due date for reporting this data is on or before April 15, 2005. It is urged that every effort be made to comply with this reporting date, as a delay in receiving this data will seriously hamper the Bureau in its preparation of filings.