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Delaware Compensation Rating Bureau, Inc.
Trends in Experience – December 1, 2003 Loss Cost Filing

Questionnaire for Leading Carrier Groups

In preparing its December 1, 2003 Loss Cost Filing, the Bureau presented a series of questions for carrier consideration and response. This questionnaire was distributed to the twenty-five largest insurer groups in terms of 2001 Delaware market share. The questions presented were intended to provide qualitative supplements to the Bureau's analysis and review of available experience data for the December 1, 2003 filing.

Fourteen carrier groups submitted responses to the Bureau's questionnaire. In the following pages the questions posed to the carrier groups are stated, and some simple and general collective summations of the responses received by the Bureau are presented. Because some respondents made multiple observations with regard to some questions, the total number of responses tabulated under specific question parts may add up to a number greater than fourteen.

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Trends in Experience – December 1, 2003 Loss Cost Filing

Questionnaire for Leading Carrier Groups

1. Bureau data from previous filings has shown substantial and persistent downward trends in claim frequency. The trends in question have been measured comparing indemnity claims to on-level expected losses, so that medical-only losses are excluded from the data, and shifts in employment between classifications and/or industry groups are recognized in the frequency calculations over time.

The December 1, 2002 Loss Cost Filing reflected an annual effective rate of decline in claim frequency of 6.4 percent. The December 1, 2003 filing will consider the most recent available data and develop appropriate projections for ingoing claim frequency changes through the mid-point of the proposed schedule of loss costs.

What has your group observed with respect to claim frequency in the period from 1998 to date?

RESPONSE SUMMARY

Declines - eight
Early declines with more recent flattening of claim frequencies - two
Flat claim frequencies - two
Declining frequency with a recent upturn - one
No response - one

To what do you attribute the changes you have seen?

RESPONSE SUMMARY

Emphasis on safety programs and/or incentives such as premium credits -eight
Changes in the book of business underwritten by their company or companies - four
Economic conditions - three
No response - two

What do you expect claim frequency data for the period from 2002 through 2005 will show when that experience becomes available?

RESPONSE SUMMARY

Flat or leveling off – seven
Decreases in claim frequency - five
Increase - four
No response – two

What factors do you think will cause the claim frequency experience you anticipate, and why?

RESPONSE SUMMARY

Economic conditions - six
Safety programs and/or premium incentives - five
Safety programs and incentives with less effect than in the past - two
Books of business underwritten - two
No response - three

2. Bureau data from the December 1, 2002 Loss Cost Filing showed an increasing trend in indemnity claim severity, measured at approximately +6.3 percent per year.

What has your company seen in terms of changes in indemnity claim severity over the period from 1998 to date?

RESPONSE SUMMARY

Increases - eleven
Flat - one
Decreasing - one
No response - one

What factors do you find notable in terms of either controlling or increasing indemnity claim severity over this period of time?

RESPONSE SUMMARY

Various administrative processes, precedents or requirements - seven
Changes in the book of business underwritten - four
Wage and benefit levels - three
Litigation - one
Economic conditions - one
No response - four

What do you expect indemnity claim severity data for the period from 2002 through 2005 will show when that experience becomes available?

RESPONSE SUMMARY

Increases - eleven
Flat - one
Declines - one
No response - one

What factor(s) do you think will be most important in contributing to the indemnity claim severity changes that you foresee, and why?

RESPONSE SUMMARY

Economic conditions - seven
Administrative processes, precedents or requirements - five
Wage and benefit levels - three
No response - five

3. Bureau data from the December 1, 2002 Loss Cost Filing showed a medical claim severity trend of +9.3 percent per year.

What has your company seen in terms of changes in medical claim severity over the period from 1998 to date?

RESPONSE SUMMARY

Increasing - thirteen
No response - one

What factors do you find notable in terms of either controlling or increasing medical claim severity over this period of time?

RESPONSE SUMMARY

Increasing medical utilization - seven
Medical price inflation - five
Lack of an applicable fee schedule - three
Administrative processes, precedents or requirements - two
Economic conditions - one
Book of business underwritten - one
No response - three

What do you expect medical claim severity data for the period from 2002 through 2005 will show when that experience becomes available?

RESPONSE SUMMARY

Increases - twelve
Declines - one
No response - one

What factor(s) do you think will be most important in contributing to the medical claim severity changes that you foresee, and why?

RESPONSE SUMMARY

Increasing medical utilization - six
Continued medical price inflation - four
Lack of an applicable fee schedule - three
Medical malpractice concerns and related issues - two
No response - four

4. What considerations NOT mentioned in your responses to the above questions do you think will be significant drivers of loss cost experience in Delaware from 2002 through 2005?

RESPONSE SUMMARY

Economic conditions - two
Volume and/or precedential affect of litigation - two
No response - eleven

How do you think each of these factors will affect loss costs?

RESPONSE SUMMARY

Existing administrative features of the Delaware system present potential disincentives to negotiation and settlement of claims by the claimant bar - one
Increase future costs - one
No response - twelve

5. Although the Bureau does not propose, advocate or oppose public policy initiatives on behalf of its members, Bureau staff does from time-to-time attend public policy debates as an informational resource. In that capacity, it is helpful for us to be aware of desirable features and/or concerns regarding the existing Delaware workers compensation system from the standpoint of our members. Further, we may occasionally have opportunities to convey our members' ideas about aspects of this system that could be amended to improve its operation.

What feature(s) of the Delaware workers compensation system do you think would be particularly appropriate and/or helpful subjects for possible legislative review and revision, toward the objectives of making Delaware's workers compensation system more equitable, affordable and/or predictable? Please include a brief description of the issue, citation of statutory section and/or case law precedent pertaining to the area of interest and your suggestion(s) for change.

RESPONSE SUMMARY

Establishment of a medical fee schedule - seven

Enhanced and/or more formal provisions supporting utilization review - four

Changes that would eliminate or control "stacking" of permanency awards - two

Expanded authority for the full and final settlement of claims - two

Single respondents mentioned each of the following system provisions in response to this question:

- Simplification of the wage calculation process as a basis for determining indemnity benefit rates
- Elimination or reduction in the acceptance of worsening of conditions as a basis for reopening claims for additional benefits
- Disallowance of "normal" surgical scarring as a basis for disfigurement awards
- Establishing a prohibition against reimbursement of mileage allowance for claimants to visit medical providers within some specified distance from their place of residence
- Disallowing awards of attorney fees payable by the employer or insurer in cases where there had been a reasonable basis for contesting the claim or award in dispute

No response - seven.