

Delaware Compensation Rating Bureau, Inc.



United Plaza Building • Suite 1500
30 South 17th Street
Philadelphia, PA 19103-4007
(302) 654-1435 (215) 568-2371
FAX (215) 564-4328
www.dcrb.com

August 27, 2009

VIA OVERNIGHT DELIVERY

The Honorable Karen Weldin-Stewart, CIR-ML
Insurance Commissioner
Department of Insurance
State of Delaware
841 Silver Lake Boulevard
Dover, DE 19904-2465

Attention: Gene Reed

RE: Amendment to Bureau Filing No. 0807
Workers Compensation Residual Market Rate and Voluntary Market Loss Cost Filing
Proposed Effective December 1, 2008

Dear Commissioner Weldin-Stewart:

On behalf of the members of the Delaware Compensation Rating Bureau, Inc. (DCRB), I am filing herewith proposed revisions to:

- Delaware's Residual Market Plan for workers compensation insurance
- Loss costs and related rating values for use in the voluntary workers compensation insurance market in Delaware

These revisions are proposed to be **effective** on a new and renewal basis for workers compensation insurance policies with normal anniversary rating dates on or after 12:01 a.m., **December 1, 2008**.

But for the values presented as revisions from the original and February 25, 2009 revision to Filing No. 0807 in the enclosures with this letter, all other components of Bureau Filing No. 0807, as amended on February 25, 2009, are incorporated herein by reference.

This amended filing is made to comply with the Chancery Court's Memorandum Opinion and Order of July 24, 2009 (Opinion and Order) in the matter of DCRB Filing No. 0807. In affirming the prior Insurance Commissioner's Decision and Order pertaining to DCRB Filing No. 0807, the Opinion and Order mandates reduction of residual market rates and voluntary market loss costs over a period of four years beginning December 1, 2008 in the cumulative amount of 23 percent of December 1, 2008 rate levels as a means of transferring savings on claims predating the implementation of medical cost containment provisions of Senate Bill 1 from insurers to employers.

The Opinion and Order's mandate poses serious and abiding conflicts for the DCRB in terms of its statutory responsibilities and for DCRB staff in terms of professional Standards of Practice applicable to the promulgation of insurance rates. Accordingly, the DCRB hereby advises your office as follows:

- ***The rating values submitted herewith do not comply with applicable Standards of Practice of the Casualty Actuarial Society (CAS), in part because they are not expected to be adequate to provide for the cost of providing insurance during the policy period to which they will apply. In addition to Principle 1 of the CAS Statement of Principles Regarding Ratemaking, the prospective adequacy of such rating values is required under the Delaware Code (T. 18., §2604(a)).***
- ***The rating values submitted herewith are also not limited to prospective loss costs as defined and required by T. 18., §2610(b)(1) of the Delaware Code, and as specified in the first sentence of the Principles Section of the CAS Statement of Principles Regarding Ratemaking.***

Materials provided in support of this filing are enclosed as described below:

- Exhibit 41 - Revised Manual pages showing DCRB rating values effective December 1, 2008.
- Exhibit 42 - Dollar-and-cent reductions to existing residual market rates and voluntary market loss costs, and whole dollar amounts of reductions to residual market minimum premiums, by classification, calculated to comply with the **six percent** reductions required under the Court of Chancery Opinion and Order. These six percent reductions are/will be applicable to the DCRB's 2008, 2009 and 2010 filings.
- Exhibit 43 - Dollar-and-cent reductions to existing residual market rates and voluntary market loss costs, and whole dollar amounts of reductions to residual market minimum premiums, by classification, calculated to comply with a **five percent** reduction under the Court of Chancery Opinion and Order. These five percent reductions will apply to the DCRB's 2011 filing.
- Exhibit 44 – Voluntary market loss cost reductions based on selected exemption levels (20%, 40%, 60% and 80%) applied to the **six percent** reductions required under the

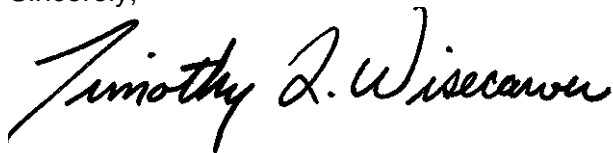
Court of Chancery's Opinion and Order. These reductions would apply for carriers qualifying for those specified levels of exemption from provisions of the Court of Chancery's Opinion and Order for the DCRB's 2008, 2009 and 2010 filings.

- Exhibit 45 – Voluntary market loss cost reductions based on selected exemption levels (20%, 40%, 60% and 80%) applied to the ***five percent*** reductions required under the Court of Chancery's Opinion and Order. These reductions would apply for carriers qualifying for those specified levels of exemption from provisions of the Court of Chancery's Opinion and Order for the DCRB's 2011 filing.
- Exhibit 46 - Percentage changes from existing residual market rates and voluntary market loss costs by classification based on the filed rating values presented herewith. The percentage changes calculated vary somewhat from -6.00 percent due (only) to the effects of rounding.
- The following completed Property & Casualty Filing Forms:
 - Filing Fee Form
 - State Specific Requirements
 - Property & Casualty Transmittal Document
 - Property & Casualty Rate / Rule Filing Schedule

Upon the Department of Insurance's approval of this filing the DCRB will proceed to notify its member carriers of filing requirements and procedures applicable to the adoption, amendment or other action pertaining to the implementation of this DCRB filing. As previously agreed, the DCRB is separately providing a draft of our Circular announcement to the Department of Insurance, and we will hold release of that Circular for three business days after its delivery to the Department. As drafted, our Circular contemplates that this filing will have been approved prior to the release of the Circular.

Should your office have any questions about this filing or its supporting materials, please contact me.

Sincerely,



Timothy L. Wisecarver
President

TLW
Enclosures