

Delaware Compensation Rating Bureau, Inc.



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Delaware Compensation Rating Bureau, Inc.
Trends in Experience – December 1, 2006 Loss Cost Filing

Questionnaire for Leading Carrier Groups

In preparing its December 1, 2006 residual market rate and voluntary market loss cost filing, the Bureau presented a series of questions for carrier consideration and response. This questionnaire was distributed to the 26 largest insurer groups in terms of 2004 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, 2006 filing.

Eleven 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 respect to some questions, the total number of responses tabulated under specific question parts may add up to a number greater than eleven.

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Questionnaire for Leading Carrier Groups

The Bureau's work toward the December 1, 2006 Loss Cost Filing is presently in the final stages of data collection and assembly. In order to supplement the quantitative information that we will ultimately have at our disposal for analysis with observations arising from our members' participation in the Delaware workers compensation system on an ongoing basis, we are presenting a series of questions here for carrier consideration and response. A similar survey effort was conducted in support of our December 1, 2005 filing last year.

We have made our best effort to direct this questionnaire to a company representative who can knowledgeably complete it. In the event you know someone else in your company who would be better suited for that purpose, please forward the questionnaire to them and advise us who you sent it to, as well as providing an e-mail address for that individual.

It is imperative that responses be returned promptly and, in any event, not later than Friday, June 30, 2006. Replies should be sent to BOTH the following e-mail addresses:

twisecarver@dcrb.com

mdoyle@dcrb.com

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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, 2005 Loss Cost Filing reflected an annual effective rate of decline in claim frequency of 6.0 percent. The December 1, 2006 filing will consider the most recent available data and develop appropriate projections for ongoing 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 2001 to date?

Declines – 6
Flat – 2
No response – 2
Increasing – 1

To what do you attribute the changes you have seen?

Safety initiatives – 6
Book of business written by respondent – 4
Workplace changes not focused on safety – 3
Economic conditions – 2
No response – 2
Antifraud initiatives – 1

What do you expect claim frequency data for the period from 2005 through 2008 will show when that experience becomes available?

Declining with flattening over time – 4
Declining – 3
Flat – 2
No response – 2

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

Maturation of previously applied initiatives – 3
Safety initiatives – 3
Book of business written by respondent - 3
No response – 2
Economic conditions – 2

2. Bureau data from the December 1, 2005 Loss Cost Filing showed an increasing trend in indemnity claim severity, measured at approximately +6.6 percent per year.

What has your company seen in terms of changes in indemnity claim severity over the period from 2001 to date?

Increasing – 5
No response – 4
Decreasing – 1
Flat – 1

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

Benefit administration and statutory provisions – 4
Litigation – 2
No response – 3
Economic conditions – 3
Utilization – 1
Loss control measures – 1
Book of business written by respondent – 1

What do you expect indemnity claim severity data for the period from 2005 through 2008 will show when that experience becomes available?

Increases – 7
No response – 3
Increasing at flattening rate – 1

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

Economic conditions – 4
Benefit administration – 3
Litigation – 2
No response – 2
Utilization – 1
Observed countrywide trends, absence of reasons to discount these for Delaware – 1
Continuation of prior trends – 1

3. Bureau data from the December 1, 2005 Loss Cost Filing showed a medical claim severity trend of +8.2 percent per year.

What has your company seen in terms of changes in medical claim severity over the period from 2001 to date?

Increases – 8
No response – 3

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

Price increases – 3

Utilization – 5

Absence of fee schedule & related cost containment tools – 4

Loss management/control initiatives – 2

Litigation – 1

No response – 1

What do you expect medical claim severity data for the period from 2005 through 2008 will show when that experience becomes available?

Increases – 9

No response – 2

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

Price increases – 4

Utilization – 4

Absence of fee schedule & related cost containment tools – 3

Book of business written by respondent – 1

No response – 2

Continuation of prior trends – 1

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 2005 through 2008?

No response – 8

Benefit administration – 1

Legislative changes – 1

Litigation – 1

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

No response – 8

Increase costs &/or expenses – 2

Decrease costs %/or expenses – 1

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 late 2005 and throughout early 2006, in fact, we have observed and/or participated in numerous discussions held by some working groups focused on the Delaware workers compensation system and changes that might be beneficial in that system. In that capacity, it is always 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, as we may have further 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 and your suggestion(s) for change. If you are aware of a specific citation(s) of statutory section and/or case law precedent pertaining to your suggested area(s) of concern, those would be helpful to us.

Medical fee schedule – 6

Employer Directed choice of medical provider – 6

Utilization review – 3

No response – 3

Huffman penalties – 2

Provide more./better/more effective vocational rehabilitation services – 2

Stacking of partial awards – 1

Attorney fee provisions and procedures – 1

Stop payment of benefits while petitions await hearing/decision – 1

Institute payment without prejudice – 1

Amend wage calculations for benefit determination – 1

Authorize compromise & release settlements – 1

Address disability awards being rendered for surgical scarring – 1

Control mileage reimbursements for travel in local area – 1

Allow copies of IAB forms as evidence (in lieu of original) in some instances – 1

Provide for coordinated care networks and discounts – 1

Tighten reopening rules for worsening o condition – 1

While the Bureau may develop broad summaries of these responses and make them available to participants in public policy discussions in Delaware, we will not disclose individual responses or attributions of such ideas without advance specific authorization of the responding carrier(s).

Thank you for providing your responses to these questions. Please provide the following identifying information with your reply:

Carrier Group Name:

Contact Person's Name:

Contact Person's Title:

Contact Person's Telephone Number:

Contact Person's Preferred E-mail Address: