



Pennsylvania Compensation Rating Bureau

The Widener Building • 6th Floor

One South Penn Square • Philadelphia, PA 19107-3577 • (215) 568-2371 • FAX (215) 564-4328

January 31, 2001

Page 1 of 14

PENNSYLVANIA AND DELAWARE
CALL FOR EXPERIENCE #8

NET (AS WRITTEN) LARGE DEDUCTIBLE POLICY YEAR CALL FOR COMPENSATION
EXPERIENCE BY STATE VALUED AS OF DECEMBER 31, 2000 - DUE MARCH 15, 2001

In accordance with the approved statistical program you are hereby requested to file with the Bureau on or before March 15, 2001, your compensation experience for large deductible policies on a **net** basis valued as of December 31, 2000.

To qualify as a Large Deductible program, the deductible amount per claim or accident cannot be less than \$100,000. All programs with less than \$100,000 should be reported on the standard Policy Year Call on a gross basis.

Data collected in the **Net (As Written)** Large Deductible Policy Year Call includes earned premiums and incurred losses generated by the application of large deductible coverage on a **net** basis (**after** the large deductible credit). Large deductible experience is also collected on a **gross** basis (**prior to** large deductible credits) in Call #9.

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 2001 retains the oldest data year 1990 and includes the current year 2000, thus requiring the collection of a total of 10 full underwriting years of data to be reported in 2001. Note that Policy Year 2000, valued as of December 31, 2000, is an incomplete policy year and is not counted as one of the 20 years.

Please note:

Employer Assessments - Effective October 1, 1999, a program was approved in Pennsylvania which removed certain loss based assessments (Administrative Fund, Subsequent Injury Fund and Supersedeas Fund) from loss costs and treated them as separate employer assessments. These employer assessments are collected by the carriers but are not included as premiums and therefore should not be included in the Financial Calls or Page 15 of the Annual Statement.

Language has also been included to address the handling of Employer Assessments for the period of July 1, 1998 to September 30, 1999. While these employer assessments were not considered premium and so were not reportable on Page 15, they were included in Pennsylvania loss costs and included in Standard Earned Premium in the Financial Calls.

Carriers should be aware that transactions attributable to the policy period of July 1, 1998 to September 30, 1999 may be recorded in Calendar Year 2000. Carriers should be mindful of such situations and handle them appropriately.

Included is a copy of the reporting form for the required information. Since a separate form is required for each state, carriers are asked to reproduce these forms and to provide the appropriate state name and state code on each form.

For Pennsylvania carriers only, please note that the data used to complete this call, as well as Calls for Experience #1 and #9, must be consistent and comparable to the data used to complete the Pennsylvania Special Schedule "W". Also note that a member of your company is required to sign a form attesting to the comparability and consistency of these reports. This form is located in Call for Experience #5, page 8.

Pennsylvania Designated Statistical Reporting Levels have been updated to reflect loss cost changes effective April 1, 2000. Delaware Designated Statistical Reporting Levels are also shown although unchanged during 2000.

A transmittal letter is included and must be completed and returned with the submission or resubmission of any call.

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

A. **GENERAL INSTRUCTIONS:**

1. **Group Report**

Carrier name and the NAIC five-digit carrier code must be shown on the reporting form. If this is a group reporting, each carrier writing compensation must be listed individually on the reporting form. List only the names and carrier codes of those carriers which have **direct business** during at least one of the policy years for which data is required in a given state. Carriers are requested to submit the Policy Year Call on the same basis (i.e., group report or individual company report) as the Delaware Calendar Year Call for Experience #2. This will facilitate reconciliation of carrier data.

2. **State**

List both the name of the state and the state code number on each state's reporting form. Only one state per reporting sheet is allowed.

3. **Designated Statistical Reporting Level**

The Designated Statistical Reporting Level is the Standard Earned Premium that would have been developed if carrier business was 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.

During 1993, Pennsylvania Act 44 was passed providing for a loss cost system of pricing Pennsylvania Workers' Compensation insurance. Thus, the Designated Statistical Reporting Level for Policy Year 1993 is split between Bureau rates and loss costs as indicated in the following table. For policy years 1992 and earlier the Designated Statistical Reporting Levels will continue to reflect historical Bureau rate levels.

Delaware loss costs became effective August 1, 1994, for voluntary business. Residual market rates also became effective August 1, 1994. Therefore, for voluntary business, the Designated Statistical Reporting Level for Policy Year 1994 is split between Bureau rates and loss costs. Similarly, for the residual market, the Designated Statistical Reporting Level for Policy Year 1994 is split between Bureau rates and Bureau residual market rates as indicated in the following table. 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, 1994, 1995, 1996, 1997, 1998, 1999 and 2000****PENNSYLVANIA**

Policy Effective Date	DSR Level
1/1/93 - 11/30/93	12/1/92 Bureau Rates
12/1/93 - 11/30/95	12/1/93 Bureau Loss Costs
12/1/95 - 1/31/97	12/1/95 Bureau Loss Costs
2/1/97 - 3/31/98	2/1/97 Bureau Loss Costs
4/1/98 - 3/31/99	4/1/98 Bureau Loss Costs
4/1/99 - 9/30/99	4/1/99 Bureau Loss Costs
10/1/99 - 3/31/00	10/1/99 Bureau Loss Costs
4/1/00 - 12/31/00	4/1/00 Bureau Loss Costs

DELAWARE

VOLUNTARY	
1/1/93 - 7/31/94	7/1/90 Bureau Rates
8/1/94 - 7/31/97	8/1/94 Bureau Loss Costs
8/1/97 - 9/30/98	8/1/97 Bureau Loss Costs
10/1/98 - 6/30/99	10/1/98 Bureau Loss Costs
7/1/99 - 11/30/99	7/1/99 Bureau Loss Costs
12/1/99 - 12/31/00	12/1/99 Bureau Loss Costs
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 - 12/31/00	12/1/99 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 and should be reported separately on Call #3 - "F" Classification Policy Year Call.

4. **Accumulated Standard Earned Premium at Bureau Designated Statistical Reporting Level**

You are required to report Accumulated Standard Earned Premium generated by the application of large deductible coverage on a **net** basis (**after** premium deductible credits) 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, 2000, 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. Experience Rating Plan Adjustments
2. Expense Constants
3. Loss Constants
4. Construction Classification Premium Adjustment Program (PA & DE)
5. Delaware Workplace Safety Program (policies with effective dates prior to 7/1/99)
6. Premium Credits for Large Deductible Coverage
7. Assigned Risk rating programs, surcharges, etc.

Note: For policies effective 7/1/98 through 9/30/99, Pennsylvania Employer Assessments were included as a part of Bureau loss costs and Bureau Designated Statistical Reporting Levels. Therefore, Employer Assessments for that period are included in Standard Earned Premiums at Bureau and Company Levels. For policies effective 10/1/99 and later, there was no provision for Employer Assessments in Bureau loss costs and those assessments should be excluded from Standard Earned Premiums at Bureau and Company Levels.

but prior to the application of:

1. Deviations from Bureau Designated Statistical Reporting Levels
2. Retrospective Rating Plan Adjustments
3. Other Individual Risk Rating Plan Adjustments (e.g., Schedule Rating)
4. Premium Discounts
5. Payment of Policyholder Dividends
6. Premium Credits for Pennsylvania Certified Safety Committee Credit Program
7. Delaware Workplace Safety Program (policies with effective dates on or after 7/1/99)
8. Merit Rating Plan (Pennsylvania and Delaware)

Note: For policies effective 7/1/98 through 9/30/99, Pennsylvania Employer Assessments were included as a part of Bureau loss costs and Bureau Designated Statistical Reporting Levels. Therefore, Employer Assessments for that period are included in Standard Earned Premiums at Bureau and Company Levels. For policies effective 10/1/99 and later, there was no provision for Employer Assessments in Bureau loss costs and those assessments should be excluded from Standard Earned Premiums at Bureau and Company Levels.

For every policy year where Standard Earned Premium at DSR Level is reported, Standard Earned Premium at Company Level must be reported as well.

5. Standard Earned Premium at Company Level

The earned premium on all risks after the application of:

1. Deviations from Bureau Designated Statistical Reporting Levels
2. Experience Rating Plan Adjustments
3. Expense Constants
4. Loss Constants
5. Construction Classification Premium Adjustment Program (PA & DE)
6. Delaware Workplace Safety Program (policies with effective dates prior to 7/1/99)
7. Premium Credits for Large Deductible Coverage
8. Assigned Risk rating programs, surcharges, etc.

Note: For policies effective 7/1/98 through 9/30/99, Pennsylvania Employer Assessments were included as a part of Bureau loss costs and Bureau Designated Statistical Reporting Levels. Therefore, Employer Assessments for that period are included in Standard Earned Premiums at Bureau and Company Levels. For policies effective 10/1/99 and later, there was no provision for Employer Assessments in Bureau loss costs and those assessments should be excluded from Standard Earned Premiums at Bureau and Company Levels.

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 Pennsylvania Certified Safety Committee Credit Program
6. Delaware Workplace Safety Program (policies with effective dates on or after 7/1/99)
7. Merit Rating Plan (Pennsylvania and Delaware)

Note: For policies effective 7/1/98 through 9/30/99, Pennsylvania Employer Assessments were included as a part of Bureau loss costs and Bureau Designated Statistical Reporting Levels. Therefore, Employer Assessments for that period are included in Standard Earned Premiums at Bureau and Company Levels. For policies effective 10/1/99 and later, there was no provision for Employer Assessments in Bureau loss costs and those assessments should be excluded from Standard Earned Premiums at Bureau and Company Levels.

6. Carriers Writing in Competitive Rating States

Carriers must enter the Standard Earned Premium figures at the Bureau Designated Statistical Reporting Level in the appropriate columns on the form. Refer to the Designated Reporting Level Section for appropriate definitions.

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

For State Funds and other carriers writing at deviations from Bureau Designated Statistical Reporting levels in non-competitive rating states, the Standard Earned Premiums must be adjusted to Bureau Designated Statistical Reporting level and reported in the column labeled "Standard Earned Premium at Bureau Designated Stat. Reporting Level." The Standard Earned Premium at the carrier level must be reported in the column labeled "Standard Earned Premium Company Level."

Carriers that do not deviate from Bureau rates must enter their Standard Earned Premium in the column labeled "Standard Earned Premium at Bureau Designated Stat. Reporting Level" and must enter the same figure in the column labeled "Standard Earned Premium at Company Level."

8. **Accumulated Net Earned Premium**

You are required to report the accumulated net earned premium (**after** the application of deductible premium credits) 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, 2000, 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 premium adjustments, merit rating premium adjustments, premium credits for Pennsylvania Certified Safety Committee Credit Program, premium credits for the Delaware Workplace Safety Program and large deductible premium adjustments. The Pennsylvania Employer Assessments are not considered premium and should be excluded for all policies effective on or after July 1, 1998.

9. **Accumulated Incurred Losses**

You are required to report accumulated total incurred losses (i.e., from date of inception through December 31, 2000) on a **net** basis (**after** the deductible reimbursement). 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 the Outstanding Excluding IBNR Page 3 Reporting Form, these carriers should respond "Yes" to the question in Note A.

Those carriers who report bulk reserves in the Outstanding Excluding IBNR category should respond "No" to the question in Note A of the Outstanding Excluding IBNR Page 3 Reporting Form. These carriers should have data reported in both the case reserves and bulk reserves.

10. **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 an outstanding reserve exists) must be reported on a mandatory basis for policy years 1990 and subsequent.

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 was 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 developed.

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

Counts for claims with incurred amounts below the deductible amount should be excluded.

For PENNSYLVANIA CARRIERS ONLY, the incurred indemnity claim count reported on Call for Experience #8 should reconcile with Schedule “W”, Part D-1 incurred claims for appropriate policy years.

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.

For PENNSYLVANIA CARRIERS ONLY, the closed indemnity claim count reported on Call for Experience #8 should reconcile with Schedule “W”, Part D-1 claims closed with payment for the appropriate policy years.

c. Open (Outstanding) Indemnity Claim Count

This includes those indemnity claims for which outstanding 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 payment is reopened in the year and remains open at the valuation date, then the open indemnity claim count should be increased.

For PENNSYLVANIA CARRIERS ONLY, separate reporting of open and closed claims is required for policy years 1990 and subsequent since this data is consistent with and available in Schedule “W”.

For DELAWARE CARRIERS ONLY, separate reporting of open and closed claims is required for policy years 1993 and subsequent. (Those carriers who are in a position to do so are requested to report the open and/or closed indemnity claim counts for as many policy years prior to 1993 as possible.)

Please note that if a carrier is able to capture open indemnity claims then you may be able to report closed indemnity claims from the total indemnity claims. This can be done by subtracting the open indemnity claims from the total indemnity claims.

d. **Paid Losses on Closed Claims**

Report the accumulated losses paid on claims included in the Closed (Paid) Claim Count. Once again, note if a carrier is able to capture incurred (paid plus outstanding) losses on open indemnity claims then they may be able to report indemnity losses on closed claims. This can be done by subtracting the incurred (paid plus outstanding) losses on open indemnity claims from the total indemnity losses.

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

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

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 as well as coverages included in Call #1.

11. **Allocated Loss Adjustment Expense**

FOR PENNSYLVANIA CARRIERS ONLY, the reporting of Allocated Loss Adjustment Expense in this call is not required. Columns (23) through (26) should be left blank for Pennsylvania reporting.

For DELAWARE CARRIERS ONLY, 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 as well as coverages included in Call #1.

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.

12. 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 returned to the Bureau with no direct premium writings to report checked off and a No Experience to Report verification form submitted so the Bureau can positively verify those carriers who will not be submitting data for this call. In instances where for one or more, but not all, of the 1990-2000 Policy Years the carrier(s) failed to have experience in a given state, indicate "NO EXPERIENCE" across the appropriate Policy Year line(s) on that state.

13. Complete Submission

A complete call submission per state must include a transmittal letter and all five pages. These pages include data pages 1 - 4 inclusive and the questionnaire page 5.

14. Questionnaire

The questionnaire on page 5 of this call attempts to point out any reporting methods of your company that may be unusual or that may assist the Bureau to edit your data more effectively.

15. Signature Requirement

The name of the person responsible for the completion and accuracy of this call is required on each state's reporting form.

FOR PENNSYLVANIA CARRIERS ONLY, PLEASE NOTE THAT THE DATA USED TO COMPLETE THIS CALL, AS WELL AS CALLS FOR EXPERIENCE #1 AND #9, MUST BE CONSISTENT AND COMPARABLE TO THE DATA USED TO COMPLETE THE SCHEDULE "W". ALSO NOTE THAT A MEMBER OF YOUR COMPANY IS REQUIRED TO SIGN A FORM

ATTESTING TO THE COMPARABILITY AND CONSISTENCY OF THESE REPORTS. THIS FORM IS LOCATED IN CALL FOR EXPERIENCE #5, PAGE 8.

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

Please report amounts of premiums and losses in WHOLE DOLLARS ONLY. Count fifty cents and over as an extra dollar, and reject the cents if less than fifty. Please show negative amounts enclosed within parentheses so that they may be handled properly in punching and tabulating operations.

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**

Coal Mine experience MUST BE EXCLUDED. Note that in Pennsylvania, this exclusion applies to ALL Coal Mine Experience, not just underground coal mines.

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 Projects Rating Plan MUST BE EXCLUDED. Experience incurred on a Defense Base should be included unless written under the National Defense Projects Rating Plan.

5. **Reinsurance**

No deductions shall be made from premiums 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 should be DIRECT BUSINESS ONLY.

6. **Assigned Risk**

Experience for assigned risk policies must be INCLUDED. Assigned risk policies must be reported at the level of approved assigned risk rates.

7. **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 combined with the traumatic experience under the State Compensation Act, and the total of such combined experience shall be reported.

8. **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.

Commencing with the Policy Year Call valued as of December 31, 1986, the Outstanding Excluding IBNR category has been further refined to capture case reserves and bulk reserves.

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.

9. **Reopened Cases**

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

10. **Reserves for Specific Contingencies**

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

11. **Other Voluntary Reserves**

Exclude voluntary reserves other than those mentioned above.

12. **Expenses**

Exclude all expenses, allocated or unallocated, except allocated Employers Liability loss adjustment expense from losses. Allocated loss adjustment expense is to be separately reported (Delaware only).

13. **Assessments and Special Compensation Funds**

The inclusion of assessments and other compensation special funds as incurred losses in this Policy Year Call follow the same instructions that apply in reporting of experience under the Bureau's Workers Compensation Unit Statistical Plan Manual. Specifically, where the compensation law states that, in connection with

a certain type of injury, a specified amount shall be paid into special funds (e.g., a Workers' Compensation Fund), and that such amounts are in addition to the compensation payable to the injured worker or his dependents, then the combined total amount shall be reported as incurred indemnity losses. Examples are (1) payments in no dependent death claims, and (2) a specified percentage of the permanent partial award. However, any special payments to the states which are assessed on total premium writings, total losses paid or incurred, or total indemnity losses paid or incurred instead of on a per-claim basis shall not be reported as losses to the Rating Bureau. In other words, special funds or assessments are reported as incurred losses only when the assessment is levied on certain types of injuries.

Please note that the date for reporting this data is on or before March 15, 2001. 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.