Pennsylvania Compensation Rating Bureau
The Widener Building • 6th Floor
One South Penn Square • Philadelphia, PA 19107-3577 • (215) 568-2371 • FAX (215) 564-4328

PENNSYLVANIA AND DELAWARE
CALL FOR EXPERIENCE #3

"F" CLASSIFICATION POLICY YEAR CALL FOR COMPENSATION EXPERIENCE BY STATE VALUED AS OF DECEMBER 31, 2001 – DUE APRIL 15, 2002

In accordance with the approved statistical program you are hereby requested to file with the Bureau on or before April 15, 2002, your compensation experience by policy year valued as of December 31, 2001. Note that this Call differs from Call for Experience #1 in that you are being requested to provide data from the "F" classifications only, developed through December 31, 2001.

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, losses are to be reported on a gross basis inclusive of the employer paid loss amount.

Note: Call #3 is to be reported on the appropriate forms and submitted to the Bureau in hard copy format as has been done in previous years. Call #3 is <u>not</u> supported by the Financial Data Reporting Application (FDRA) nor is it subject to the Financial Data Incentive Program (FDIP).

This Call will collect underwriting experience for 20 full policy years (1981 - 2000) and for the incomplete policy year 2001 valued as of December 31, 2001. Experience for all policy years prior to 1981 should be accumulated and shown on Line (A) "Prior to 1981" of the Call. Note that experience for policy year 1980 and policy years "Prior to 1980" was shown separately as of December 31, 2000 and experience for those lines must be combined for proper reporting of data as of December 31, 2001.

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.

If a carrier is not able to report "F" Classification Experience on a classification-by-classification basis, it is permissible to report the total experience on risks when the "F" Classification is a governing classification. If this procedure is used when reporting data under this Call, both the premium and incurred losses must be reported on a risk total basis. The reporting of risk total premium and individual classification losses is not permitted.

Pennsylvania Designated Statistical Reporting levels reflect rate changes effective December 1, 2000. Delaware Designated Statistical Reporting reflect rate changes effective December 1, 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 five-digit NAIC 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 "F" classification DIRECT business during at least one of the policy years for which data is required in a given state.

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 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.

In PENNSYLVANIA, the United States Longshore and Harbor Workers' Coverages ("F" Class) were not affected by the passage of Pennsylvania Act 44. Therefore, the Designated Statistical Reporting Level for Policy Years 1993 and later should reference the Bureau rates as indicated in the table which follows. For Policy Years 1992 and earlier the Designated Statistical Reporting Levels will continue to reflect historical Bureau rate levels.

In DELAWARE, Designated Statistical Reporting level for Policy Years 1993 and later is as indicated in the table which follows. For Policy Years 1993 and earlier the Designated Statistical Reporting Levels will continue to reflect historical Bureau rate levels.

Designated Statistical Reporting Level U S L & H* Business

Policy Years 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000 and 2001

PENNSYLVANIA

Policy Effective Date	DSR Level
1/1/93 - 4/30/97 5/1/97 - 11/30/00 12/1/00 - 12/31/01	1/1/93 Bureau Rates 5/1/97 Bureau Rates 12/1/00 Bureau Rates

DELAWARE

Policy Effective Date	DSR Level
1/1/93 - 6/30/97 7/1/97 - 11/30/00 12/1/00 - 12/31/01	1/1/93 Bureau Rates 7/1/97 Bureau Rates 12/1/00 Bureau Rates

*U S L & H - United States Longshore and Harbor Workers Act Coverages. U S L & H data should be excluded from Call #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**

As in last year's Call, 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 "F" classification Standard Earned Premium since policy inception through December 31, 2001 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 "F" classification 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. Assigned Risk rating programs, surcharges, etc.

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 Small Deductible Coverage
7. Premium Credits for Pennsylvania Certified Safety Committee Credit Program
8. Delaware Workplace Safety Program (policies with effective dates on or after 7/1/99)
9. Merit Rating Plan (Pennsylvania and Delaware)

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. Assigned Risk rating programs, surcharges, etc.

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. 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)

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**

As in last year's Call, 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 "F" classification net earned premium since policy inception through December 31, 2001 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 "F" classification 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 small deductible coverage, premium credits for Pennsylvania Certified Safety Committee Credit Program and premium credits for the Delaware Workplace Safety Program.

9. **Accumulated Incurred Losses**

As in previous "F" Classification Policy Year Calls, you are required to report accumulated total incurred losses (i.e., from date of inception through December 31, 2001). 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 and outstanding reserve exists) must be reported on a mandatory basis for policy years 1981 and subsequent. (Those carriers who are in a position to do so are requested to report the incurred indemnity claim count for as many policy years prior to 1981 as possible.)

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.

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 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.

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

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., "F" Classification only reported on a direct basis, excluding coal mines, excess policies, national defense projects and large deductibles, as well as coverages included on 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 "F" classification 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 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 1981-2001 Policy Years in a given state, indicate "NO "F" CLASSIFICATION 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. **Reconciliation Requirement**

The data reported on page 1 of this Call, line Z, columns (1), (3) and (7) must reconcile with Call for Experience #1, page 6, item (5).

16. **Signature Requirement**

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

17. **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 is the ONLY data to be included.

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. **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.

8. **Reopened Cases**

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

9. **Reserves for Specific Contingencies**

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

10. **Other Voluntary Reserves**

Exclude voluntary reserves other than those mentioned above.

11. **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).

12. **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 Second Injury 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.

13. **Small Deductible Programs**

A small deductible policy is defined as a policy with a deductible amount less than $100,000. Losses are to be reported on a gross basis inclusive of the employer paid loss amount.

14. **Large Deductible Programs**

A large deductible policy is defined as a policy with a deductible amount greater than or equal to $100,000. Experience for large deductible policies MUST BE EXCLUDED.

Please note that the due date for reporting this data is on or before April 15, 2002. 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.