

Delaware Compensation Rating Bureau, Inc.



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October 9, 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. 0903
Workers Compensation Residual Market Rate and Voluntary Market Loss Cost Filing
Proposed Effective December 1, 2009

Dear Commissioner Weldin-Stewart:

On behalf of the members of the Delaware Compensation Rating Bureau, Inc. (DCRB), I am filing herewith revisions to residual market rates and voluntary market loss costs. This filing amends and supersedes our original submission of Bureau Filing No. 0903.

Prior to the impact of the Chancery Court's Memorandum Opinion and Order of July 24, 2009 (hereafter, the Opinion and Order), the schedules of rating values presented herewith reflect overall average reductions of 8.49 percent in residual market rates and 7.72 percent in voluntary market loss costs. These changes, which differ from Bureau Filing No. 0903's original proposals (overall average reductions of 6.01 percent in residual market rates and 5.22 percent in voluntary market loss costs), were arrived at in settlement discussions between the DCRB and the Department of Insurance.

The Opinion and Order requires reduction of indicated December 1, 2009 rates and loss costs by 6.0 percent of December 1, 2008 rates and loss costs. In concert with the negotiated reductions in rating values noted above, these further reductions represent 6.7 percent of otherwise applicable December 1, 2009 residual market rates and voluntary market loss costs. Thus, recognizing the impact of the Opinion and Order on both December 1, 2008 and December 1, 2009 rating values, this filing will result in overall average reductions of 9.17 percent in residual market rates and 8.40 percent in voluntary market loss costs, effective on a new and renewal basis as of December 1, 2009.

But for the values presented herewith as being additions to or revisions from the original form of Bureau Filing No. 0903, all other components of Bureau Filing No. 0903, as originally filed, are incorporated herein by reference.

The exhibits submitted with this amendment to Bureau Filing No. 0903 reflect serial adjustments to rating values arising from two separate considerations, as outlined below:

1) Adjustments to account for a compromise between the DCRB and the Department of Insurance concerning the rating value changes indicated by an analysis of the most current available experience

The following exhibits, reflecting revisions to originally filed documents, are included in support of the December 1, 2009 rate and loss cost levels arrived at in negotiations between the DCRB and the Department of Insurance.

- Summary of Material for Modification of Experience (Brown Book)
- Class Book
- Exhibit 12 - Indicated Change in Residual Market Rates and Voluntary Market Loss Costs
- Exhibit 20 - Review of Experience Rating Plan Parameters
- Exhibit 27 – Manual Rates, Loss Costs and Expected Loss Rates
- Exhibit 28 – Index and Supporting Classification Exhibits
- Exhibit 30 – Distribution of Residual Market Changes
- Exhibit 31a – Summary of Indicated and Proposed Residual Market Rates by Class Code
- Exhibit 31b - Summary of Indicated and Proposed Residual Market Rates by Percentage Change

2) Adjustments required by the Opinion and Order

The following new exhibits are included in support of the DCRB's compliance with the reductions mandated by the Opinion and Order.

- Exhibit 41 - Revised Manual pages showing proposed DCRB rating values effective December 1, 2009.
- 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 Opinion and Order for 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 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 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 Opinion and Order. These reductions would apply for carriers qualifying for those specified levels of exemption from provisions of the Opinion and Order for the DCRB’s 2011 filing.
- Exhibit 46 - Percentage changes from the December 1, 2009 compromise residual market rates and voluntary market loss costs by classification reflected in the final proposed December 1, 2009 rating values in this filing. These reductions are the result of the Opinion and Order and average 6.7 percent of the December 1, 2009 compromise values.
- Exhibit 47 - Percentage changes from current residual market rates and voluntary market loss costs by classification. Here, both the current and proposed rating values reflect effects of the Opinion and Order.

The values presented in Exhibits 42, 43, 44 and 45 were previously filed and approved as part of amended Bureau Filings No. 0807 and No. 0901. Those reductions apply to or are pertinent to this filing as well and are posted on the DCRB’s website.

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)).***

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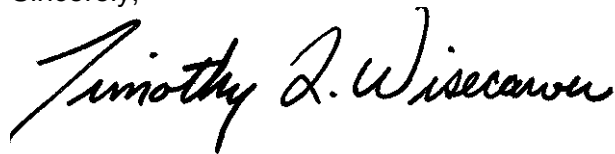
- ***The rating values submitted herewith are also not limited to prospective loss costs as defined and required by T. 18., §2610(b)(1) of the Delaware Code and as specified in the first sentence of the Principles Section of the CAS Statement of Principles Regarding Ratemaking.***

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

- The following completed Property & Casualty Filing Forms:
 - Filing Fee Form
 - State Specific Requirements
 - Property & Casualty Transmittal Document
 - Property & Casualty Rate / Rule Filing Schedule

The DCRB looks forward to a prompt approval of this amendment to Bureau Filing No. 0903 and will be happy to answer any questions that you or your staff may have about this matter.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. Wisecarver". The signature is written in a cursive, flowing style.

Timothy L. Wisecarver
President

TLW
Enclosures