

**2011
ANNUAL
REPORT**

**DELAWARE
COMPENSATION
RATING
BUREAU, INC.**



DELAWARE COMPENSATION RATING BUREAU, INC.

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ANNUAL REPORT 2011

Submitted to the Membership of the
Delaware Compensation Rating Bureau, Inc.
by Timothy L. Wisecarver, President

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PRESIDENT'S MESSAGE

The following narrative reflects key issues, activities and accomplishments for the DCRB and its members during 2011.

The DCRB prepared its annual residual market rate and voluntary market loss cost filing with a proposed effective date of December 1, 2011 and submitted that filing to the Delaware Insurance Department on August 12, 2011. That filing was reviewed by two actuarial firms retained by the Insurance Department and was the subject of a hearing conducted on October 21, 2011. Based on negotiations involving the DCRB, Insurance Department and both of the Department's actuarial consultants, an amended filing was prepared and submitted on October 28, 2011. The amended filing was approved and announced to members by DCRB circular on November 18, 2011.

The DCRB's original December 1, 2011 filing proposed overall average increases of 22.30 percent in residual market rates and 16.81 percent in voluntary market loss costs. The amended filing approved by the Department of Insurance provided for overall average increases of 16.5 percent in residual market rates and 11.3 percent in voluntary market loss costs.

The original and amended filings discussed above were subject to the reductions required under the Chancery Court decision rendered in 2009 with respect to the 2008, 2009, 2010 and 2011 rating value filings in Delaware.

The DCRB continues to explore and attempt to engage the Delaware Insurance Department in steps that would expedite the adjudication of annual rating value filings and support more timely release of approved rating value to the industry, benefitting employers and insurers alike.

On March 24, 2011 the DCRB submitted a filing of proposed changes to classification procedure and Manual rules (Bureau Filing No. 1103), proposing an effective date of August 1, 2011. That filing was approved as submitted and announced to the membership by circular on April 28, 2011.

Bureau Filing No. 1103 reflected ongoing classification studies work on a variety of fronts. Such studies completed during the year resulted in proposed housekeeping revisions to Manual language and to substantive revisions in classification procedure for the following classifications:

Code 817 Bus (Excluding School Bus) Operation (amended to specifically exclude paratransit operations and to specifically include shuttle service by specialist contractors)

Code 828 This new classification, Paratransit Service, was also established under Bureau Filing No. 1103 to apply to employers providing transportation services to the elderly, physically handicapped or otherwise disabled individuals who cannot take public transportation. Such individuals may be transported to doctor's appointments, places of employment, stores, social venues or other destinations as needed.

The above changes, housekeeping and other clarifying revisions were ultimately adopted effective August 1, 2011, later than the customary June 1 effective date, to provide more lead time to the marketplace in implementing the changes once announced.

The DCRB continues to enhance its ability to provide and exchange information with key constituencies electronically. Almost 95 percent of policies, endorsements, cancellations and reinstatements were submitted to the DCRB electronically in 2011, and virtually all unit statistical reports (excluding Individual Case Reports) were provided electronically. Experience rating and merit rating worksheets continue to be transmitted electronically to all DCRB members.

The DCRB continued collection of Medical Data Call information during 2011. This enterprise is intended to benefit the industry by providing increased detail pertaining to the treatment of workers compensation injuries using a standard protocol across jurisdictions. The DCRB's endeavors in this area are benefitted by continuing close cooperation and communication with the National Council on Compensation Insurance, Inc. (NCCI). For the first five quarters (transactions received for the Third Quarter 2010 through the Third Quarter 2011) the DCRB collected 689,165 records accounting for \$89,294,171 in paid medical benefits. Ongoing initiatives related to this effort are focused on data quality, analytics and tools.

The DCRB continues to aspire to the highest possible levels of service to its members, those members' insureds, regulators, legislators, other governmental offices and the workers of Delaware covered under the Workers Compensation Act.

Some additional specific areas of DCRB activity during 2011 are highlighted following:

DCRB INFORMATIONAL INITIATIVES

The DCRB continued to provide the insurance industry with educational programs in 2011. Subjects addressed in these seminars range from basic programs describing DCRB operations and functions to more advanced and detailed classes covering specific topics such as the Test Audit Program, unit statistical reporting, and workers compensation rating plans.

BUDGET AND ASSESSMENT EXPERIENCE

Expenditures for the Year 2011 were adversely impacted by costs of defending a classification appeal before the Delaware Insurance Department and substantially exceeded the DCRB's budget plan. Quarterly assessments were imposed throughout the year consistent with the 2011 Budget. The actual revenue and expenditures, together with an accounting for premium volumes and indicated sharing of expenses between the PCRB and DCRB, will be incorporated into the Adjustment of Assessment calculation in mid-2012 after final member premiums become available.

DATA COLLECTION ISSUES

Collection of timely, accurate and complete statistical information remains a key issue for the DCRB and its members. In 2011 existing programs and incentives applicable to the reporting and collection of financial and unit statistical data, as well as the monitoring of carrier audits, continued to be actively monitored and managed by DCRB staff. An overview of 2011 data collection program experience follows:

Financial Data – Financial Data Incentive Program (FDIP) charges for 2010 Calls reported in 2011 were approximately \$17,000. During 2011 the DCRB continued to use and improve upon its Financial Data Reporting Application (FDRA) to collect the 2010 Calls that were subject to the Financial Data Incentive Program. The FDRA used in 2011 included ALL Financial Calls collected in 2011. This internet-based application allows reporting entities to view results of applying prior to submission of entered data and will expedite the exchange of criticisms and corrected data, if needed. The FDRA helps to accelerate availability of financial data and to mitigate incentive charges previously encountered by carriers experiencing difficulty in successfully passing edits applicable to the DCRB's Financial Call.

Unit Statistical Plan Fines - Despite most members' successful compliance with reporting requirements for the Unit Statistical Plan, substantial incentive charges were again incurred in 2011 (approximately \$208,000). Comparable 2010 charges were approximately \$181,000.

A portion of the Unit Statistical Plan incentive charges incurred in 2011 was again attributable to a small number of carriers in various stages of supervision, rehabilitation and/or liquidation by various Insurance Departments. As a consequence, approximately \$181,000 of the Unit Statistical Plan incentive charges incurred for the year proved uncollectible.

Medical Data Call – The DCRB encountered opportunities during 2011 to apply information gleaned from the Medical Data Call to issues of interest to the Health Care Advisory Panel, which continued to monitor and improve the health care payment system in Delaware. Subjects that were raised during the year included ambulatory service center charges and treatment guidelines. The DCRB continues to endeavor to assist the Health Care Advisory Panel and other interested parties while preserving the proprietary and confidential aspects of data submitted under the Medical Data Call.

Test Audit Program – The four-quarter difference ratio adjusted for carriers opting out of the program was 13.1 for 2011 compared to 14.0 for 2010.

Across the spectrum of our endeavors, the DCRB continues to enjoy the support and counsel of our membership, the fraternity of other similarly-situated organizations across the country through the auspices of the Workers Compensation Insurance Organizations, and the dedication, expertise and productivity of our valued employees. These resources have allowed the DCRB to attain continuing successes and accomplishments for the workers compensation market in the State of Delaware. I am privileged and honored to serve our membership, be associated with our counterpart rating organizations through the WCIO, and to partner with our staff in their ongoing efforts to support an effective, efficient and equitable Delaware workers compensation market.

Timothy L. Wisecarver
President

COMMITTEE ACTIVITIES

The various committees of the DCRB met two times in the course of 2011, participated in four teleconferences and responded to four e-mail votes/advisories.

GOVERNING BOARD

The Governing Board has general charge and management of the affairs of the DCRB. The Governing Board had one meeting, participated in three teleconferences and responded to two e-mail votes during 2011.

<u>Members</u>	<u>Term Expiring</u>
American Home Assurance Company	2014
Delaware Chamber of Commerce	2013
Insurance Company Of North America (Vice Chair)	2013
Liberty Mutual Insurance Company	2012
PMA Insurance Company	2012
Selective Insurance Company	2014
Travelers Property & Casualty Company (Chair)	2013

CLASSIFICATION & RATING COMMITTEE

The Classification & Rating Committee is responsible for review and evaluation of the efficacy and equity of the underwriting, classification and rating procedures, as well as the administration of these rules in its role as the technical committee designed to hear the appeals of parties aggrieved by decisions of the DCRB staff. The Classification & Rating Committee reviews the recommendations of DCRB staff relative to loss cost filings, classification and underwriting rules. The Committee met once jointly with the Actuarial Committee and responded to two e-mail advisories during 2011.

<u>Members</u>	<u>Term Expiring</u>
Associated Builders & Contractors	2013
Crum & Forster Insurance Company	2013
Harleysville Mutual Insurance Company	2012
Insurance Company Of North America	2014
Liberty Mutual Insurance Company	2013
National Federation of Independent Business	2012
PMA Insurance Company	2012
Travelers Property and Casualty Company	2014

ACTUARIAL COMMITTEE

The Actuarial Committee is responsible for reviewing all matters which might affect recommended rate and/or loss cost levels and plays an integral part in recommending data and analytical techniques incorporated into DCRB rating value filings. The Committee met once jointly with the Classification & Rating Committee during 2011.

<u>Members</u>	<u>Term Expiring</u>
American Home Assurance Company	2012
Amguard Insurance Company	2014
Harleysville Mutual Insurance Company	2013
Liberty Mutual Insurance Company	2012
PMA Insurance Company	2014
Travelers Property & Casualty Company	2013

NOMINATING COMMITTEE

Prior to each Annual Meeting of the DCRB the Nominating Committee proposes a slate of candidates selected from the nominations made by all DCRB members and other eligible organizations for the vacancies on the Governing Board and its Committees after the Nominating Committee has reviewed a compilation of all nomination ballots received. The Nominating Committee conducted one teleconference in 2011.

<u>Members</u>	<u>Term Expiring</u>
Liberty Mutual Insurance Company	2013
PMA Insurance Company	2014
Zenith Insurance Company	2012

OPERATIONAL REPORTS

CLASSIFICATION

The classification function monitors and authorizes classifications for employers to make certain that the rating value(s) applied reflects the exposure(s) present in each business enterprise. The unit is also responsible for maintaining a continuous effort to update the classification system, responding to requests for analysis of classifications from employers, trade associations and the industry and reviewing individual case reports for proper classification assignments to verify that losses are being included in the correct classification. In 2011 the Classification Department responded to 348 outside inquiries.

FIELD SURVEY PROGRAM

In order to assure that operations of employers are properly classified the DCRB devotes a significant portion of its resources to on-site surveys of employer facilities. A DCRB field representative will visit the employer's place of business, interview the employer or another appropriate representative and observe the operations being conducted. A written report is prepared for review by a DCRB classification analyst, after which the insurer will be notified of the DCRB classification assignment and, if required, directed to correct erroneous assignments. During 2011 the DCRB issued 207 surveys.

POLICY EXAMINATION (POLICY REPORTING)

An important activity of policy reporting is the capture of policy coverage data. As the records repository for proof of insurance, this area maintains records of all insured Delaware employers through an alphabetical index system. This function provides information for claims adjudication and enforcement of statutory coverage requirements to the Delaware Department of Labor.

Each year the policy reporting area typically processes over 87,000 documents consisting of policies, endorsements, and cancellation and reinstatement notices. As part of the review process, carrier representatives send inquiries to DCRB members when probable errors in the reported information are detected. During 2011, policy reporting examined 87,131 documents for proper application of experience modification, merit rating adjustments, carrier rating values, employer classifications, anniversary rating dates, duplicate coverage and proper use of approved forms. The policy reporting area continues its commitment to the accurate and timely collection of data.

EXPERIENCE RATING (RATING RULES)

Experience rating is an important element of the workers compensation pricing mechanism and adjusts the manual premium for eligible employers to reflect their previous loss experience. The basic objectives of experience rating are to distribute the cost of workers compensation equitably among the employers assigned to an industry classification and to provide a direct financial incentive for employers to reduce work-related accidents and control the costs of accidents that do occur.

The rating rules area's responsibilities include timely issuance of experience rating modifications and merit rating adjustments and implementation and explanation of experience rating rules, including investigating and administering changes in ownership, entity status, and determining which entities may contribute data to a risk's rating. Staff within this unit has full knowledge of the Delaware Experience Rating Plan. The rating rules area continues to maintain a qualified staff of individuals providing professional assistance pertaining to experience rating rules and procedures.

Timely issuance of experience ratings remains a DCRB objective. Overall departmental production in all areas increases yearly.

MERIT RATING PROGRAM

The Delaware Merit Rating Program was implemented on July 1, 1999. This plan grants premium discounts or assesses premium surcharges to most employers who do not qualify under the uniform Experience Rating Plan, based on the number of lost-time claims they have incurred.

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM

The Delaware Construction Classification Premium Adjustment Program (DCCPAP) was implemented on July 1, 1990. During 2011, the DCRB mailed approximately 1,859 applications to employers. Of that number, 323 applications were returned to the DCRB for processing and approval. The majority of the credits applied for 2011 fell within the 11 to 20 percent range.

DELAWARE WORKPLACE SAFETY PROGRAM

The Workplace Safety Program was implemented on February 1, 1989. This program offers five to 19 percent credits to eligible employers that pass a workplace safety inspection(s). The Department of Insurance authorized 1,523 employers to receive such credit in 2011.

DELAWARE INSURANCE PLAN (DIP)

The DIP is an assigned risk program providing those employers unable to secure coverage in the voluntary market with a means of insuring their operations through a designated carrier, as required under the state workers compensation act. The DCRB received and processed 579 employer applications in 2011.

The Delaware Insurance Plan Depopulation Listing helps to facilitate the potential placement of employers currently insured through the Delaware Insurance Plan in the voluntary market.

During 2011, 117 employers previously insured through the DIP secured voluntary market insurance coverage.

UNIT STATISTICAL REPORTING

The unit statistical reporting system is the central mechanism used to collect policy experience for use in ratemaking and calculation of experience modifications for individual employers. The DCRB utilizes the most sophisticated data processing techniques along with a complement of statistical technicians to review the data for accuracy and completeness.

The DCRB has a system control over the submission of required unit statistical reports under an automated data quality system. This includes monitoring unit data for accuracy, advising carriers of units and individual case reports not received and issuing criticism letters when warranted. The quality control section continues to monitor all serious claims. Questionable injury codes and indemnity and medical amounts reported on individual case reports are analyzed. Also, class codes are compared to occupations to check the accuracy of class assignments.

Data quality review programs are continually being updated and expanded to make the processing of unit statistical report information more efficient. These programs have consistently produced an accurate and sophisticated individual risk data base, allowing the DCRB to adopt significant and unique improvements in data collection and analytical techniques for ratemaking.

The DCRB now requires the submission of statistical reports via electronic transmission; however, paper copy reports continue to be processed. During 2011, the DCRB processed 24,942 unit statistical reports.

DCRB MEMBERSHIP

As of December 31, 2011 there were 309 members in the DCRB. During the year, ten carriers joined and two withdrew. The new members are as follows:

American Select Insurance Company
Berkshire Hathaway Homestate Insurance Company
Frank Winston Crum Insurance, Inc.
HDI-Gerling America Insurance Company
National Casualty Company
North Pointe Insurance Company
RLI Insurance Company
SUNZ Insurance Company
Tri-State Insurance Company of Minnesota
Westfield National Insurance Company

The following companies withdrew:

Liberty Insurance Underwriters, Inc.
Westchester Fire Insurance Company
(merged into ACE Indemnity Insurance Company)

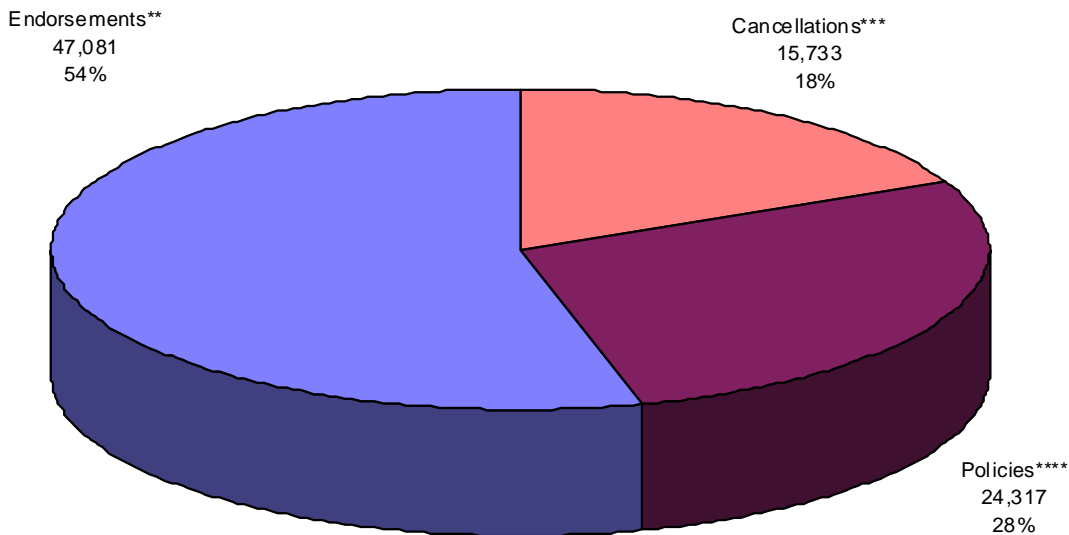
The following carrier name change was noted:

FROM	ACE Indemnity Insurance Company
TO	Westchester Fire Insurance Company
FROM	American Hardware Mutual Insurance Company
TO	Motorists Commercial Mutual Insurance Company
FROM	Chrysler Insurance Company
TO	CorePointe Insurance Company
FROM	Delos Insurance Company
TO	Imperium Insurance Company

DELAWARE
TOTAL POLICIES, ENDORSEMENTS AND CANCELLATIONS/REINSTATEMENTS PROCESSED
JANUARY 1, 2011 TO DECEMBER 31, 2011

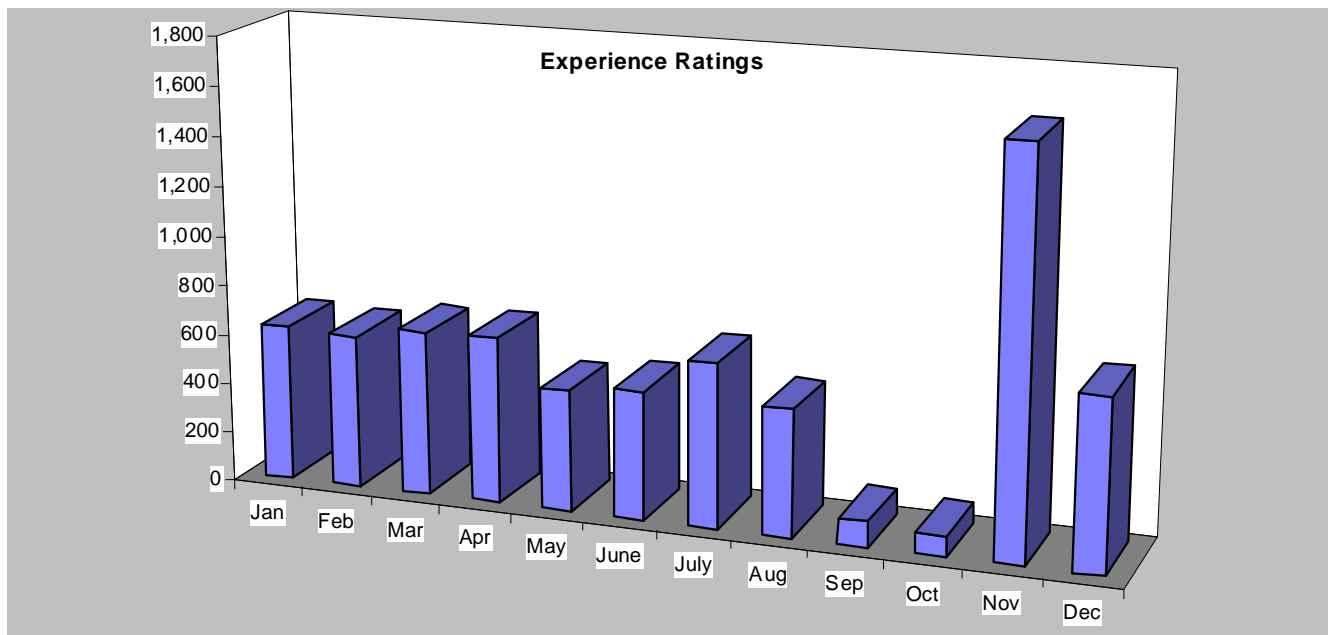
Month of Process (1)	One-Year			Three-Year	
	Policies* (2)	Endorsements** (3)	Cancellations*** (4)	Fixed Rate (5)	Annual Anniversary (6)
Total	24,296	47,081	15,733	9	12
January	2,166	3,527	1,325	0	0
February	1,921	5,171	1,236	0	0
March	2,542	4,671	1,396	0	0
April	2,097	3,941	1,214	0	1
May	1,984	3,771	1,131	0	0
June	1,902	3,497	1,230	0	1
July	2,239	3,823	1,452	0	0
August	1,930	3,815	1,259	9	9
September	1,835	3,550	1,414	0	1
October	1,861	3,631	1,327	0	0
November	1,814	3,127	1,224	0	0
December	2,005	4,557	1,525	0	0

- * Policy documents received, including not taken, duplicate coverage, replacements, etc.
- ** Separately filed endorsements
- *** Includes reinstatements
- **** Total of one year and fixed rate/annual 3 year policies



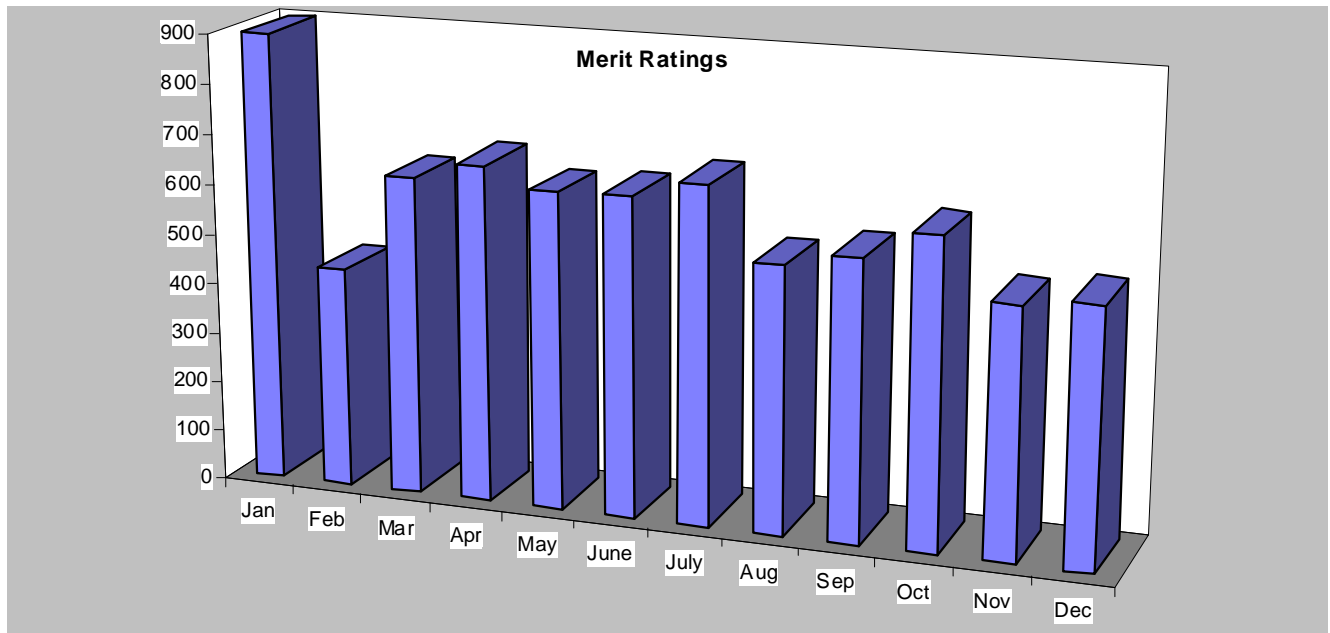
DELAWARE
EXPERIENCE RATINGS - JANUARY 1, 2011 TO DECEMBER 31, 2011

<u>Month of Issuance</u>	<u>Total Ratings</u>	<u>Percentage</u>
January	624	8.65
February	615	8.52
March	661	9.16
April	667	9.24
May	489	6.78
June	515	7.14
July	660	9.15
August	508	7.04
September	105	1.45
October	83	1.15
November	1,601	22.19
December	688	9.53
TOTALS	7,216	100.00

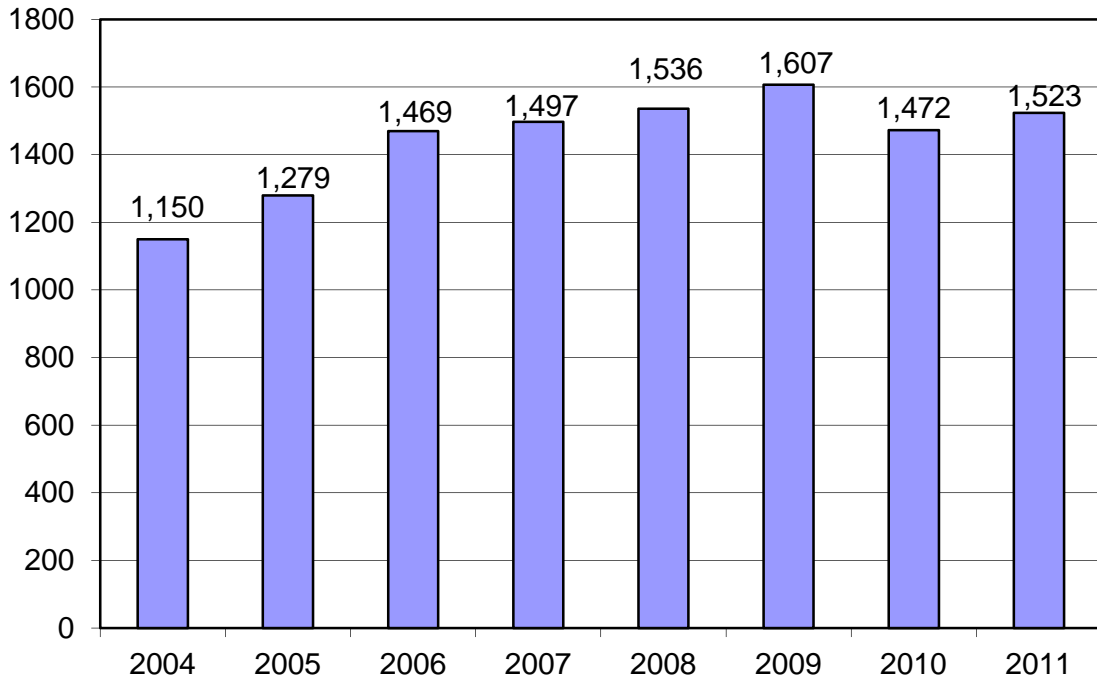


DELAWARE
MERIT RATINGS - JANUARY 1, 2011 TO DECEMBER 31, 2011

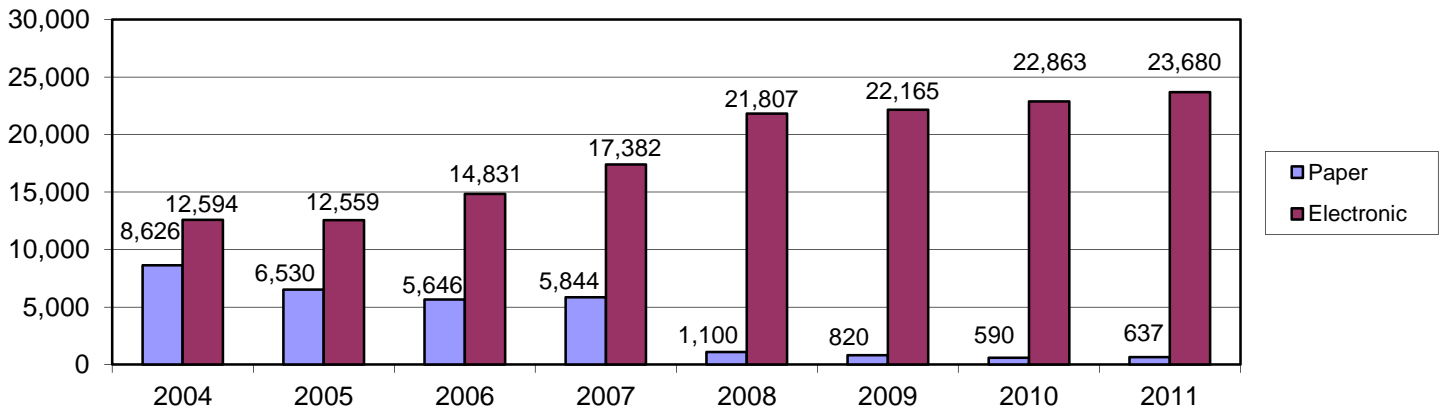
<u>Effective Month</u>	<u>Total Ratings</u>	<u>Percentage</u>
January	897	12.33
February	439	6.03
March	635	8.73
April	670	9.21
May	631	8.67
June	635	8.73
July	668	9.18
August	528	7.26
September	556	7.64
October	611	8.39
November	496	6.82
December	510	7.01
TOTALS	7,276	100.00



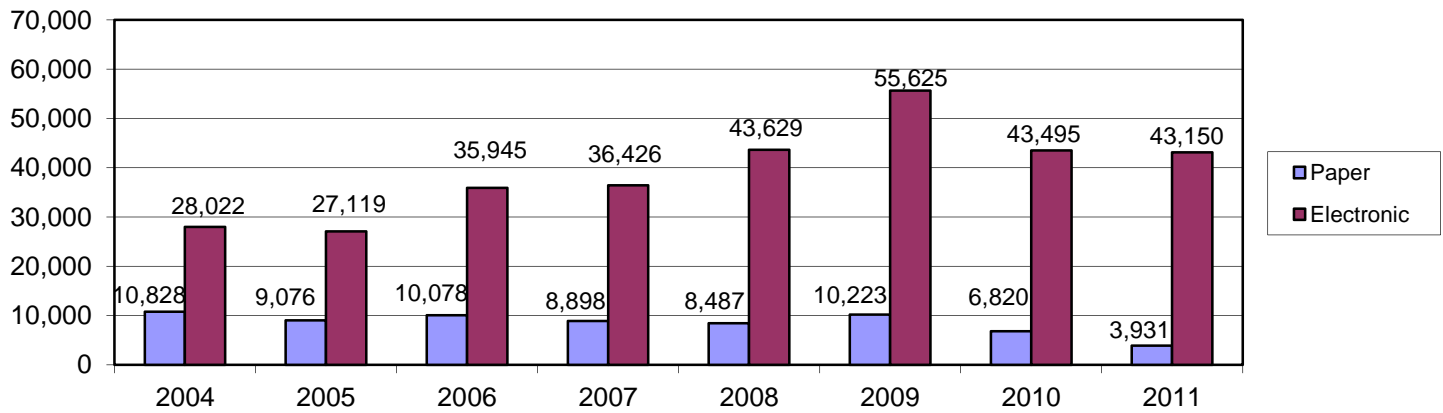
Delaware Workplace Safety Credit Program Number of Employers Receiving Credits by Year



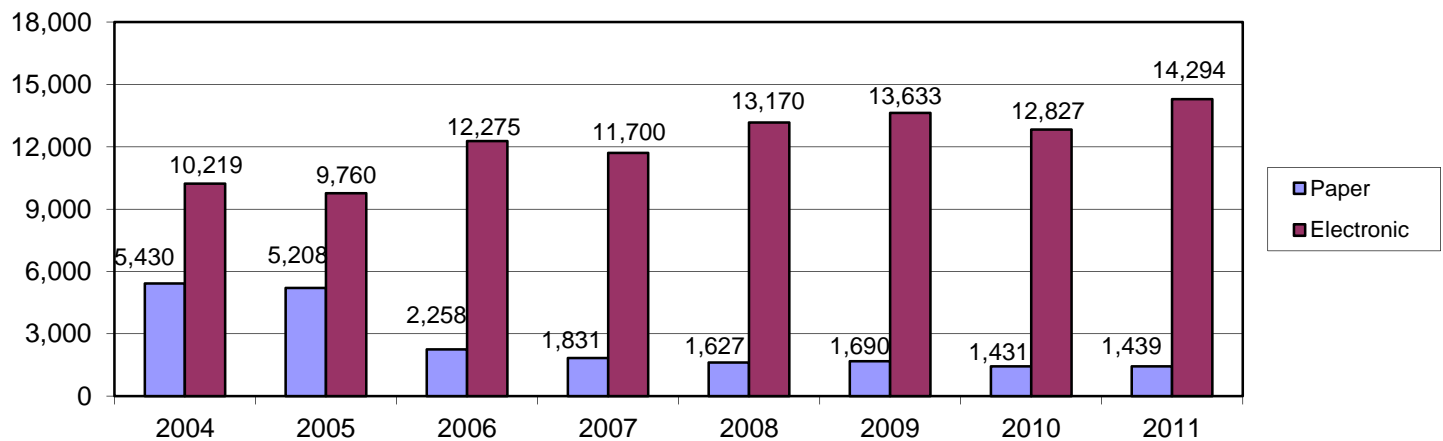
Delaware Policies Processed



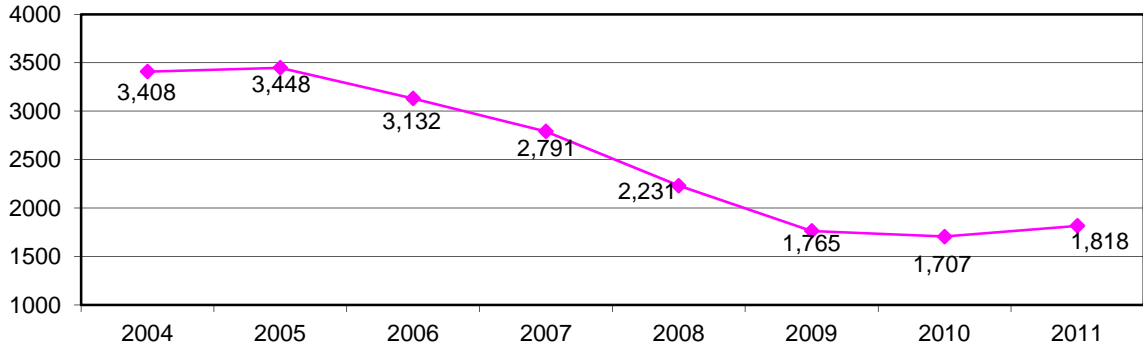
Delaware Endorsements Processed



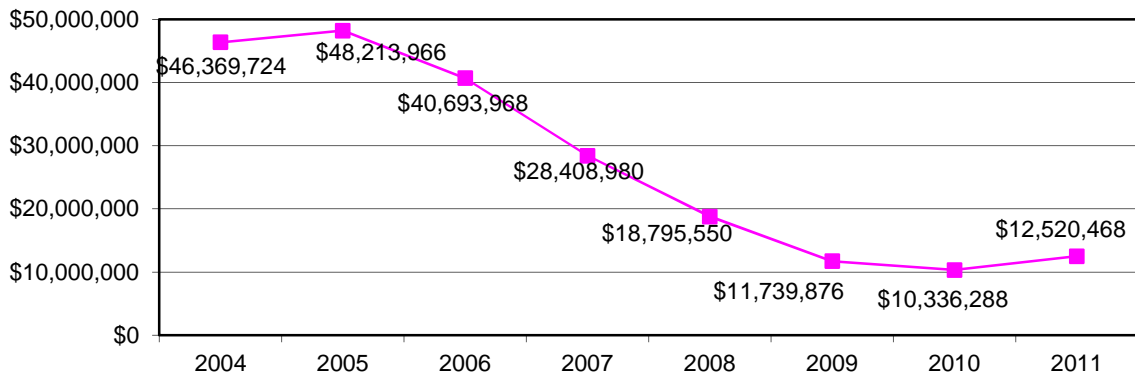
Delaware Cancellations/Reinstatements Processed



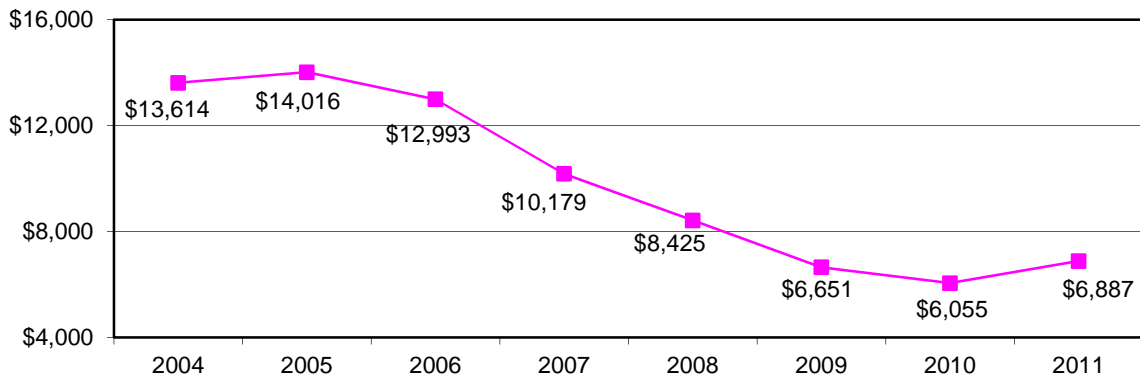
Assigned Risk Participants Per Year



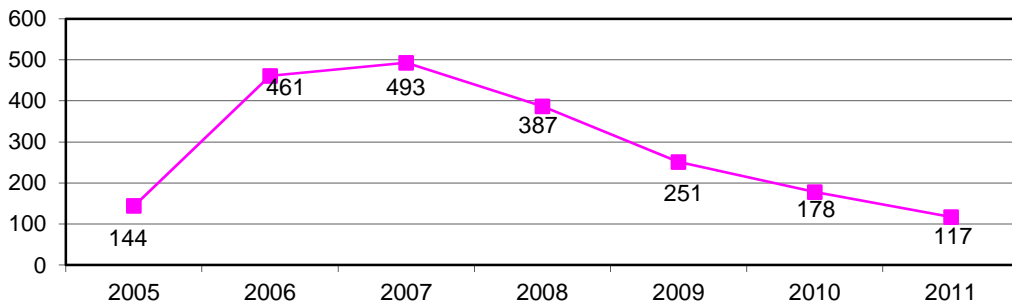
Assigned Risk Premium Per Year



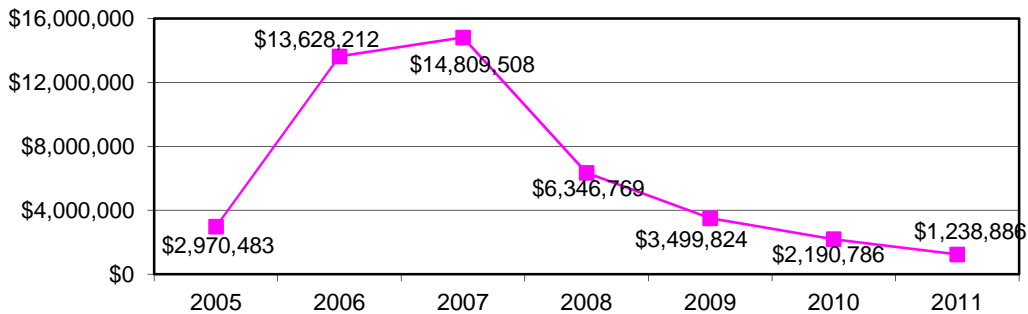
Average Assigned Risk Premium Per Year



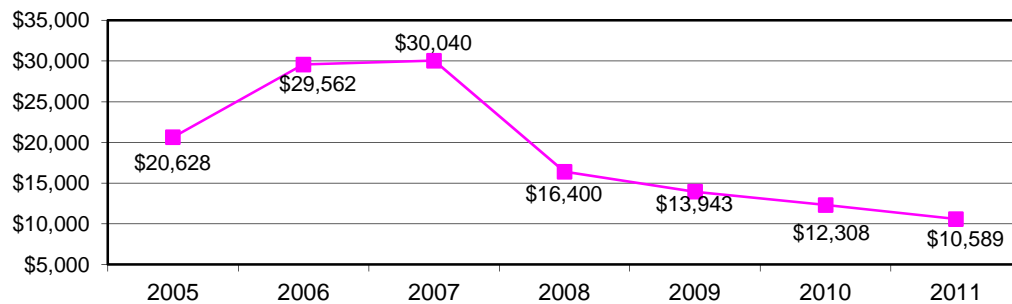
**Prior Year Delaware Insurance Plan Risks
Obtaining Voluntary Market Coverage**



**Delaware Insurance Plan Depopulation
Prior Year Premium for Risks Obtaining Voluntary Market Coverage**



**Delaware Insurance Plan Depopulation
Prior Year Average Premium For Risks Obtaining Voluntary Market Coverage**



DELAWARE RECEIPTS BY POLICY YEAR AND TYPE OF REPORT

Electronic Media

Type of Report	Total Report	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
First	21,084	0	0	1	0	0	3	4	12	10,990	10,058	16
Second	1,071	0	0	1	2	0	1	4	576	487	0	0
Third	795	0	0	1	1	0	2	417	374	0	0	0
Fourth	544	0	0	2	2	3	273	264	0	0	0	0
Fifth	416	0	0	1	2	213	200	0	0	0	0	0
Sixth	295	1	0	1	151	142	0	0	0	0	0	0
Seventh	279	1	0	116	162	0	0	0	0	0	0	0
Eighth	228	1	108	119	0	0	0	0	0	0	0	0
Ninth	160	72	88	0	0	0	0	0	0	0	0	0
Tenth	70	70	0	0	0	0	0	0	0	0	0	0
Total	24,942	145	196	242	320	358	479	689	962	11,477	10,058	16

Hard Copy

Type of Report	Total Report	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
First	0	0	0	0	0	0	0	0	0	0	0	0
Second	0	0	0	0	0	0	0	0	0	0	0	0
Third	0	0	0	0	0	0	0	0	0	0	0	0
Fourth	0	0	0	0	0	0	0	0	0	0	0	0
Fifth	0	0	0	0	0	0	0	0	0	0	0	0
Sixth	0	0	0	0	0	0	0	0	0	0	0	0
Seventh	0	0	0	0	0	0	0	0	0	0	0	0
Eighth	0	0	0	0	0	0	0	0	0	0	0	0
Ninth	0	0	0	0	0	0	0	0	0	0	0	0
Tenth	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0