



October 18, 2018

**DCRB CIRCULAR NO. 958**

To All Members of the DCRB:

Re: **APPROVAL OF AMENDED DCRB FILING NO. 1803**  
**WORKERS COMPENSATION RESIDUAL MARKET RATES**  
**AND VOLUNTARY MARKET LOSS COSTS**  
**EFFECTIVE DECEMBER 1, 2018 (with exception)**

**NOTE: THIS CONTAINS PROVISIONS REGARDING CARRIER RATE FILINGS.  
CARRIER ACTION IS REQUIRED AND DUE BY DECEMBER 14, 2018.**

On October 15, 2018, Delaware Insurance Commissioner Trinidad Navarro approved the DCRB Amended Filing No. 1803, with overall changes of -7.29 percent in residual market rates and -10.00 percent in voluntary market loss costs, effective on a new and renewal basis on December 1, 2018.

DCRB's originally submitted Filing No. 1803, proposed overall changes of -7.23 percent in residual market rates and -9.94 percent in voluntary market loss costs. The Delaware Department of Insurance (the Department) performed an extensive review of DCRB Filing No. 1803, including independent reviews of the filing by two actuarial consulting firms. The Ratepayer Advocate, appointed by the Workers Compensation Oversight Panel in accordance with Delaware legislation, also reviewed the filing and retained a third independent actuary. In discussions between the Department, the Ratepayer Advocate and the DCRB, it was agreed that the DCRB would submit an amended filing requesting average changes of -7.29 percent in residual market rates and -10.00 percent in voluntary market loss costs.

**THE FOLLOWING BOLD TEXT DESCRIBES SPECIFIC CARRIER ACTIONS  
APPLICABLE TO DCRB FILING NO. 1803.**

***For carrier adoptions of DCRB Amended Filing No. 1803 without changes to loss cost multipliers or any other pricing feature(s), the Department advises that it will accept abbreviated filings submitted with the applicable filing fee (\$100) through the SERFF system.***

***These abbreviated filings must include the following language in the General Information section of the SERFF forms:***

***"The company is adopting the DCRB's revised loss costs as approved under DCRB Amended Filing No. 1803 with no change to the company's current Loss Cost Multiplier of \_\_\_\_\_ or other rating values. The effective date of this adoption is \_\_\_\_\_, consistent with the calendar date of our adoption of DCRB Filing No. 1701."***

***The loss cost multiplier required to be inserted in the first blank of the above language is the loss cost multiplier shown on the first page of the most recent FORMS AND RATES BULLETIN 14***

**INCORPORATED that the carrier has filed with the Department. The date to be entered in the second blank is one year after the effective date upon which the carrier adopted the DCRB's December 1, 2017 filing.**

**Filings made in conformance with all of the above provisions will be given expedited handling at the Department and will not be subject to review by the Department's independent actuarial firm.**

**If a carrier wishes to change any loss cost multiplier(s) and/or any other pricing features effective with its adoption of DCRB Amended Filing No. 1803, or if the carrier elects not to follow the abbreviated filing procedures set forth above, then the carrier must file an amended (or re-file their existing) Insurer Adoption of DCRB Workers' Compensation Loss Costs form with the Department in order to adopt the revised loss costs on a new and renewal basis on or after December 1, 2018.**

**Carrier rate filings, regardless of whether or not they are made using the abbreviated filing procedure, must be made within 60 days of the date of the Commissioner's approval of DCRB Amended Filing No. 1803, or by December 14, 2018. Carriers are encouraged to make every effort to expedite the preparation and submission of their adoption filings in order to establish revised rates in the market as soon as reasonably possible.**

**A copy of the Department's "FORMS AND RATES BULLETIN 14 INCORPORATED" with forms applicable to these filings is attached for member reference and use.**

**Consistent with the provisions of Title 18, Chapter 26, Section 2610 (d) of the Delaware Code, if insurer filings do not propose any rate(s) lower than the loss costs (by classification) included in the amended DCRB Filing No. 1803, then proposed insurer rates may be implemented immediately after filing.**

The following table indicates the final approved overall average changes in rating values:

Rating Value(s)	Approved Overall Average Change
Residual Market Rates – Collectible	-7.29%
Residual Market Rates – Manual	-8.20%
Voluntary Market Loss Costs – Collectible	-10.00%
Voluntary Market Loss Costs – Manual (After Surcharge Offset)	-10.75%

The approved residual market rates and voluntary market loss costs share common loss provisions based on the same loss development and trend analyses applied to statewide Delaware experience. The differences between residual market rate changes and voluntary market loss cost changes result from revisions in expense provisions based on recent indications, as compared to currently-approved values, as well as effects of the compromise adjudication of the filing.

Three implied loss cost multipliers are shown below. The first is based on current rates and loss costs. The second is the implied loss cost multiplier based on the rates and loss costs in the approved Filing No. 1803. The third reflects the nominal reduction in voluntary market loss costs due to the effects of the Delaware Insurance Plan surcharge program.

Implied Loss Cost Multipliers	
Underlying the Current Values	1.3019
Underlying the Approved Values in Filing No. 1803	1.3410
Underlying the Approved Values, Reflecting the DIP Surcharge Program	1.3488

A comparison of residual market expense provisions underlying the current and approved rates follows. This is presented for informational purposes, to show the latest analysis of expenses.

<b>RESIDUAL MARKET RATES</b>		
Expense Profiles		
	Current Percentage	Approved Percentage
<b>LOSS AND LOSS ADJUSTMENT EXPENSE</b>		
Losses	61.36	58.90
Loss Adjustment Expense	12.81	12.80 a
Loss & LAE Total	74.17	71.70
<b>UNDERWRITING EXPENSES</b>		
Commission	5.38	5.46
Other Acquisition	2.39	2.35
General Expense	3.26	3.50
Premium Discount	8.38	8.64
State Premium Tax	2.00	2.00
Other State Tax	0.33	0.33
Uncollectible Premium	1.10	1.45
Administrative Assessment	2.64	2.87 b
Workers Compensation Fund	3.00	2.00
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	-2.65	-0.30
Underwriting Expense Total	25.83	28.30
a – As a ratio to loss, the Loss Adjustment Expense ratio = 0.2174		
b – As a ratio to loss, the Administrative Assessment ratio = 0.0487		

Several components of the filing were approved as filed effective December 1, 2018. In particular, each of the following components of the filing was approved as originally presented:

- Continuation of the existing DIP surcharge program
- DCCPAP qualifying wage table **effective June 1, 2019**
- Residual market expense constant
- Residual market minimum premium formula
- Excess loss factors
- Excess loss premium factors
- Retrospective rating
- Small Deductible Program
- Workplace Safety Program
- Merit Rating Plan

**REVISIONS TO RATING VALUES**

The rates, loss costs, expected loss factors by classification, and other rating values, consistent with the Insurance Commissioner’s approval of DCRB Amended Filing No. 1803, are available in two Excel files in the “Rating Values” section of the DCRB’s website. The values can also be found in the several exhibits of Filing No. 1803 in the “Filings” section of the website.

DCRB Circular No. 958  
October 18, 2018  
Page 4

Complete Manual pages consistent with the Insurance Commissioner's approval of DCRB Amended Filing No. 1803 will be available on the DCRB website ([www.dcrb.com](http://www.dcrb.com)) as soon as possible. Separate filings that will also be effective on December 1, 2018 have been previously announced in Circulars 954, 955 and 957, which are also available on the DCRB website.

Any questions concerning this circular may be addressed to Ken Creighton, Chief Actuary, at Extension 4924 or [kcreighton@dcrb.com](mailto:kcreighton@dcrb.com), Peter Yoon, Director of Actuarial Research, at Extension 4483 or [pyoon@dcrb.com](mailto:pyoon@dcrb.com) or to me at Extension 4413 or [wtaylor@dcrb.com](mailto:wtaylor@dcrb.com).

William V. Taylor  
President

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Attachments  
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FORMS AND RATES BULLETIN 14 INCORPORATED

Submission Date: \_\_\_\_\_

DCRB Reference Filing No.: \_\_\_\_\_

Applicable to policies effective on and after: \_\_\_\_\_

INSURER NAME: \_\_\_\_\_

INSURER NAIC NO.: \_\_\_\_\_ INDICATED MULTIPLIER: \_\_\_\_\_

The above insurer hereby declares that it is a member or subscriber of the Delaware Compensation Rating Bureau ("DCRB"). The insurer hereby files to be deemed to have independently submitted as its own filing the prospective loss costs in the captioned reference filing.

The insurer's rates will be the combination of the DCRB loss costs approved by the Delaware Insurance Department and the company's indicated multiplier, as shown above, along with any expense contract, premium discount table, size-of-premium expense table for retrospective rating plans, and minimum premium formula specified in the company's attached manual exception pages.

The indicated multiplier, along with any expense constant, premium discount table and the minimum premium formula filed, represent a rate level increase \_\_\_\_\_ or decrease \_\_\_\_\_ of \_\_\_\_\_% and a premium level increase \_\_\_\_\_ or decrease \_\_\_\_\_ of \_\_\_\_\_%.

The indicated multiplier and the attached exception pages apply only to the DCRB reference filing indicated above. The insurer understands that this will necessitate the submission of a new adoption form and exception pages prior to the effective date of any future loss costs reference filing.

**SUMMARY OF SUPPORTING INFORMATION  
WORKERS' COMPENSATION LOSS COST MULTIPLIER**

Insurer: \_\_\_\_\_ NAIC No.: \_\_\_\_\_  
 DCRB Reference Filing No.: \_\_\_\_\_  
 Effective Date of Multiplier: \_\_\_\_\_

Development of Expected Loss Ratio (Expressed as a percent of standard premium at company rate):

AVERAGE	
A.	Commission _____ %
B.	Other Acquisition _____ %
C.	General Expense _____ %
D.	Taxes, Licenses and Fees _____ %
E.	Underwriting Profit & Contingencies _____ %
F.	Residual Market Costs _____ %
G.	Premium Discount _____ %
H.	Insurance Fund Assessment (Second Injury Fund) _____ %
I.	Dividend Provision (Participating Plan) _____ %
J.	Other (Explain) _____ %
K.	Total _____ %
Expected Loss Ratio (100%-K) _____ %	

Actual Incurred Expense Ratios for three (3) most recent available years. (Commission and General Expense expressed as a percent of written premium at company rates. Other components expressed as percents of standard earned premium at company rates).

	CY _____	CY _____	CY _____	AVERAGE
A.	Commission _____	_____	_____	_____
B.	Other Acquisition _____	_____	_____	_____
C.	General Expense _____	_____	_____	_____
D.	Taxes, Licenses & Fees _____	_____	_____	_____
E.	Underwriting Profit & Contingencies _____	_____	_____	_____
F.	Residual Market Costs _____	_____	_____	_____
G.	Premium Discount _____	_____	_____	_____
H.	Insurance Fund Assessment (Second Injury Fund) _____	_____	_____	_____
I.	Dividend Provision (Participating Plan) _____	_____	_____	_____
J.	Other (Explain) _____	_____	_____	_____
K.	Total _____	_____	_____	_____

Indicated Company Loss Cost Multiplier: \_\_\_\_\_

Example: Assume Loss and Loss Adjustment Ratio is 0.650.  
 Loss Cost Multiplier with no deviation is  $1.0/0.650 = 1.5385$ .  
 Loss Cost Multiplier with 15% downward deviation is  $0.85/0.650 = 1.3077$ .  
 Loss Cost Multiplier with 15% upward deviation is  $1.15/0.650 = 1.7692$ .

COMPLETED BY: \_\_\_\_\_ TELEPHONE NO.: \_\_\_\_\_

NOTE: If an insurer wishes to make any modifications to the loss costs led by DCRB (other than the application of a multiplier to represent the insurer's expenses, profit and contingencies), the resulting rates will be considered to be independent rates, and shall be subject to the 30 day review provision of Title 18 Del. C., Section 2610.

**CHECK ALL THAT APPLY:**

**Manual exception pages attached for:**

\_\_\_\_\_ **Minimum Premium Formula**

\_\_\_\_\_ **Expense Constant**

\_\_\_\_\_ **Discount Table**

\_\_\_\_\_ **Retro Expense Table**

**REVISED LOSS COST MULTIPLIER CALCULATION  
SPREADSHEET TO BE INCORPORATED WITH  
BULLETIN 14**

Workers' Compensation Insurance  
Loss Cost Multiplier  
General Instructions

Commissions, premium tax and other state tax provisions are to reflect the ratio of commissions paid, premium tax paid and other state tax paid to company manual premium.

Other acquisition and general expense are to reflect the ratio of other acquisition expense paid and general expense paid to company standard earned premium. Standard earned premium is to reflect adjustment for expense constant premium schedule rating premium.

Dividend Provision (Participating Plan)

Loss cost multipliers for use with participating policies shall contain a provision for policyholder dividends. Policyholder dividends shall reflect the ratio of policyholder dividends paid to company standard earned premium adjusted to reflect expense constant premium and schedule rating premium.

Standard earned premium shall be adjusted reflecting an assumed underlying expense constant equal to the most recently filed expense constant by Delaware Compensation Rating Bureau.

Deviations

Deviation from indicated manual rates shall reflect adjusted company losses compared to Delaware Compensation Rating Bureau to the extent credible. Losses shall be provided separately for indemnity and medical coverages. Losses may be either calendar year losses with all IBNR or policy year incurred losses developed to ultimate settlement. If the company elects to submit policy year loss data, it is required to provide underlying loss development triangles for indemnity and medical coverages separately.

Insurance Fund Assessment (Second Injury Fund)

Insurance Fund Assessment to be used with revised rates will be provided by Delaware Compensation Rating Bureau in its circular letter detailing changes to loss costs and other rating elements.



Administrative Assessment

Administration Assessment will continue to be built into voluntary market loss costs.

Expense Exhibits identified as (I) or (II) shall be completed and underlying supporting data shall accompany the company loss cost multiplier filing. Multipliers shall be filed reflecting most recent expense data, with each Delaware Compensation Rating Bureau loss cost revision. Failure to provide complete expense exhibits and provide underlying support shall result in disapproval of the proposed company filing and company(s) will be filed by reference for residual market rates and rating elements. All reference filings of this type shall remain in effect until the next subsequent Delaware Compensation Rating Bureau revision of loss costs.

**NOTES:** (1) Commissions, premium tax, license and fees are to be calculated as a percentage of company manual premium. Other acquisition and general administrative expense are to be calculated as a percentage of standard earned premium and standard earned premium is required to be adjusted to reflect schedule rating and expense constant.

(2) Insurers having previously filed and are currently using rating tiers within the same company or have company rate differentials in effect may continue to use them until further notice.