

Delaware Compensation Rating Bureau, Inc.



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VIA HAND DELIVERY

August 11, 2015

To: W. Harding (Hardy) Drane, Jr.
Deputy Insurance Commissioner
Delaware Insurance Department

From: William V. Taylor 

Subject: Notice of Delaware Compensation Rating Bureau, Inc.'s (DCRB's)
Intention to Make a Residual Market Rate and Voluntary Market Loss
Cost Filing

Pursuant to regulations adopted in 2013 by the Insurance Department pertaining to filings by the advisory organization related to rates or prospective loss costs, this will advise the Insurance Commissioner of the DCRB's intention to make a residual market rate and voluntary market loss cost filing to be effective December 1, 2015, and to submit such filing to the Insurance Commissioner on August 31, 2015.

The December 1, 2015 residual market rate and voluntary market loss cost filing will be submitted pursuant to provisions of House Bill 241 (HB241), workers compensation insurance legislation enacted in 1993.

Preparation of annual rating value proposals such as the December 1, 2015 residual market rate and voluntary market loss cost filing involves the collection, editing and summarization of extensive bodies of historical data, the planning and execution of a broad variety of actuarial analyses required to ascertain the probable results of workers compensation insurance business previously written in Delaware and to project anticipated results for future coverage in this line of business and state. Since 2008 the preparation of these filings has also entailed increasing amounts of work devoted to the evaluation of the impacts of recently-enacted workers compensation legislation in Delaware.

For the December 1, 2015 DCRB filing, the following previous legislative changes had to be reviewed and evaluated:

- Senate Bill 1 of 2007
- Senate Bill 238 of 2012
- House Bill 175 of 2013
- House Bill 373 of 2014

Within the evaluation of House Bill 373 of 2014, the DCRB has recently dedicated significant time and effort to an analysis of the January 31, 2015 medical fee schedule in Delaware. That fee schedule is the first (and largest) of three mandated annual reductions in medical fees which are critical to the accomplishment of the overall intent of House Bill 373, which is a cumulative reduction of 33 percent from 2014 medical expenditures by January 31, 2017.

Because of the extent and variable nature of the analysis required to produce and support proposals such as the DCRB's December 1, 2015 residual market rate and voluntary market loss cost filing, a date at which such a proposal will be finished is not susceptible to advance determination. It is only at this time that the DCRB has been able to determine a date by which its work on the December 1, 2015 filing is likely to be completed. Because the DCRB desires to provide as much notice as possible to employers and insurers of approved rating values that will apply to policies effective December 1, 2015 and later, we have elected to provide this notice for your consideration. Strict adherence to the 45-day requirement under Insurance Department regulations would require that we withhold our filing until September 25, 2015, a step seemingly not in the best interests of the regulator, the DCRB or the workers compensation insurance marketplace.

The DCRB looks forward to working with the Insurance Department, the Ratepayer Advocate and other interested parties toward a constructive, objective and expeditious review of the December 1, 2015 filing.