



Pennsylvania Compensation Rating Bureau

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Pennsylvania Compensation Rating Bureau

Trends in Experience – April 1, 2008 Loss Cost Filing

Summary of Responses Received to Questionnaire for Leading Carrier Groups

In preparation for the April 1, 2008 Loss Cost Filing the PCRB developed and distributed a series of questions to larger carrier groups. The questions were intended to solicit information more current than that available from routine data collection resources, such as financial data and unit statistical reports, and/or to elicit carrier insights into possible causes for observed features of the available experience data.

The survey questions were sent to a total of 32 carrier groups, collectively representing approximately 90 percent of the Pennsylvania workers compensation market in 2006. Responses were received from 19 of those carrier groups, representing approximately 62 percent of the 2006 Pennsylvania market. The responses obtained from the returned surveys are summarized in the attached pages, which replicate the form and sequence of the questions asked for purposes of providing context for the summaries shown. Because some surveys included multiple responses to specific questions, the numbers of responses counted in these summaries may exceed the number of responding carrier groups.



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Questionnaire for Leading Carrier Groups

In each of the past several years the Bureau has distributed a series of questions to larger carrier groups as part of its work in developing supporting information for annual loss cost filings. In each of the last five years (2002 - 2006), the Bureau distributed limited sets of questions focused on some key issues identified in its preliminary review of available experience data underlying the April 1, 2003 - April 1, 2007 Loss Cost Filings. Those questions were distributed electronically, and carriers were asked to reply via e-mail. Any member(s) inclined to also discuss their responses with Bureau staff were encouraged to so indicate in their response.

The Bureau's work toward the April 1, 2008 Loss Cost Filing is presently in the stages of data collection and assembly, so that we cannot pose survey questions in the context of specific findings or trends emerging from our analysis of aggregate data. In the interest of giving carriers more time to prepare and submit their responses and in hopes that the Bureau will, in turn, be able to design, apply and/or interpret various aspects of our analysis based on carrier input to this survey, we are distributing our survey questions for the April 1, 2008 filing at this time.

We have made our best effort to direct this questionnaire to a company representative who can knowledgeably complete it. In the event you know someone else in your company who would be better suited for that purpose, please forward the questionnaire to them and advise us who you sent it to, as well as providing an e-mail address for that individual.

It is again imperative that responses be returned promptly and in any event not later than Friday, July 13, 2007. Replies should be sent to BOTH of the following e-mail addresses:

twisecarver@pcrb.com

mdoyle@pcrb.com

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Questionnaire for Leading Carrier Groups

1. Bureau data from previous filings has shown substantial and persistent downward trends in claim frequency. The trends in question have been measured comparing indemnity claims to on-level expected losses, so that medical-only losses are excluded from the data, and shifts in employment between classifications and/or industry groups are recognized in the frequency calculations over time.

The April 1, 2007 Loss Cost Filing reflected an annual effective rate of decline in claim frequency of 6.1 percent. The April 1, 2008 filing will consider the most recent available data and develop appropriate projections for ingoing claim frequency changes through the mid-point of the proposed schedule of loss costs.

What has your group observed with respect to claim frequency in the period from 2002 to date?

Declining – 10
Flat or mixed – 7
No response – 3
Increasing – 1

To what do you attribute the changes you have seen?

Safety initiatives & improved workplace conditions – 11
Book of business being underwritten – 8
Technology and productivity advances – 5
No response – 3
Economic conditions – 2
Aging workforce – 2
Anti-fraud programs – 1
Workers compensation market conditions – 1
Utilization – 1
Use of less experienced workers – 1

What do you expect claim frequency data for the period from 2006 through 2009 will show when that experience becomes available?

Declining – 7
Declining at a decelerating rate – 5
No response – 5
Flat – 3
Increasing – 2

What factors do you think will cause the claim frequency experience you anticipate and why?

Safety initiatives & improved workplace conditions – 6

Book of business being underwritten – 6

No response – 5

Maturation of previously applied programs - 4

Technology and productivity advances – 3

Aging workforce – 2

Anti-fraud programs – 1

Cost shifting to workers compensation – 1

Economic conditions – 1

Workers compensation market conditions – 1

Use of less experienced workers – 1

2. Bureau data from the April 1, 2007 Loss Cost Filing showed an indemnity severity trend at approximately +5.9 percent per year.

What has your company seen in terms of changes in indemnity claim severity over the period from 2002 to date?

Increasing – 14

No response – 3

Decreasing – 1

Fluctuating – 1

What factors do you find notable in terms of either controlling or increasing indemnity claim severity over this period of time?

Benefit administration system and/or programs – 6

Medicare Set Aside issues – 5

Wages & benefit levels – 5

Book of business underwritten – 4

No response – 4

Aging workforce – 4

Economic conditions – 3

Litigation volumes and/or delays – 3

Claim frequency improvement focused on smaller cases – 2

Safety initiatives & improved workplace conditions – 2

Limited available data for review – 1

Concurrent availability of Social Security, Medicare and/or workers compensation benefits – 1

What do you expect indemnity claim severity data for the period from 2006 through 2009 will show when that experience becomes available?

Increasing – 9
No response – 4
Decreasing – 3
Moderating increases - 2
Flat – 2

What factor(s) do you think will be most important in contributing to the indemnity claim severity changes that you foresee, and why?

Wages & benefit levels – 7
Benefit administration system and/or programs – 7
Economic conditions – 5
Aging workforce – 5
Litigation volumes and/or delays – 4
No response - 4
Medicare Set Aside issues – 3
Book of business written – 2
Safety initiatives & improved workplace conditions – 2
Increasing worker (claimant) longevity – 1

3. Bureau data from the April 1, 2007 Loss Cost Filing showed a medical claim severity trend of +7.3 percent per year.

What has your company seen in terms of changes in medical claim severity over the period from 2002 to date?

Increasing – 15
Fluctuating - 2
Decreasing - 1
No response - 1

What factors do you find notable in terms of either controlling or increasing medical claim severity over this period of time?

General medical price inflation – 8
General medical service utilization – 7
Pharmaceutical price and/or utilization changes – 5
Technological expansion of available medical goods and services – 5
Benefit administration system and/or programs – 5
Utilization Review process & appellate decisions – 4
No response – 3
Fee schedule – 2
Directed choice of medical service provider – 2
Aging workforce – 2
Medicare Set Aside issues - 2
Book of business written – 1
Cost shifting to workers compensation -1
Increasing worker (claimant) longevity – 1
Limited available data – 1
Medical Malpractice overlays to workers compensation practice – 1

What do you expect medical claim severity data for the period from 2006 through 2009 will show when that experience becomes available?

Increasing – 14
No response - 4
Decreasing - 1

What factor(s) do you think will be most important in contributing to the medical claim severity changes that you foresee, and why?

General medical service utilization – 9
Pharmaceutical price and/or utilization changes – 9
General medical price inflation – 5
Technological expansion of available medical goods and services – 3
No response – 3
Utilization Review process & appellate decisions – 2
Aging workforce – 2
Fee schedule – 2
Limitations on period of directed choice of medical service provider – 2
Book of business written – 2
Benefit administration system and/or programs – 1
Cost shifting to workers compensation -1
Increasing worker (claimant) longevity – 1
Medical Malpractice overlays to workers compensation practice – 1
Medicare Set Aside issues - 1
Changes in severity of injuries incurred – 1

4. Our carrier surveys performed in support of previous filings found that the allocation of compromise and release settlements between indemnity and medical losses had been skewed to varying extents over time toward indemnity benefits. Coupled with the large and growing volume of compromise and release settlements being implemented in Pennsylvania, accounting practices that might default entirely to indemnity loss or limit medical loss allocations to near-term and relatively certain payments could serve to inflate apparent indemnity trends and deflate apparent medical trends. To help us understand and consider implications of our trend work for the April 1, 2008 filing, we pose the following questions:

How does your company presently determine and report amounts attributable to indemnity and medical loss, respectively, when compromise and release settlements are paid?

Apportioned to indemnity & medical on merits of each case – 7
Most settlements paid as indemnity – 7
All settlements paid as indemnity – 2
No response – 2
Some settlements still paid as indemnity – 1

Have your practices in this respect changed in any material fashion since 2002?

No – 15
Yes – 3
No response – 1

If so, please describe the nature of your practices before the change(s), and the timing and nature of changes that have been made.

Not applicable – 15
Began total or substantial apportionment within the period – 2
No response – 2

5. What considerations, if any, NOT mentioned in your responses to the above questions do you think will be significant drivers of loss cost experience in Pennsylvania from 2006 through 2009? In particular, significant case law decisions and precedents and/or trends in administrative findings or proceedings that your company finds important in either controlling costs or making it more difficult to manage cases in Pennsylvania would be of interest.

No response – 7
Case law precedents – 5
Increasing weakness of Labor Market Survey processes – 3
Mediation processes – 3
Utilization – 2
Wages & benefit levels – 1
Changes in severity of injuries incurred – 1
Medicare Set Aside issues – 1
Benefit administration system and/or programs – 1

How do you think each of these factors will affect loss costs?

Increasing system costs – 12

No response – 7

Reducing system costs – 3

Speeding up administrative processes – 2

6. H.B. 2738 (Act 147 of 2006) established an Uninsured Employers' Guarantee Fund, granted cost-of-living increases in indemnity benefits for older cases and provided for a variety of administrative changes to the Pennsylvania workers compensation system. Those administrative changes include the following:

- Established a "resolution courts" in each judicial district for the sole purpose of providing a vehicle for expedited handling of compromise and release agreements
- Prescribed procedures for the establishment and adherence to mandatory trial schedules at the first hearing in contested claims
- Established a Code of Ethics for Workers' Compensation Appeal Board members
- Required assignment of at least two opinion writers to each member of the Workers' Compensation Appeal Board
- Limited the portion of petitions from any county that may be assigned to any one workers' compensation judge
- Prescribed limits on attorney fees in uncontested compromise and release agreements

What feature(s) of H. B. 2738 do you feel will have significant impacts on the Pennsylvania workers compensation system?

Resolution courts – 7

Mandatory trial schedules – 7

No response – 7

Limited assignments of cases within a county to any single WC judge – 3

Mandatory mediation – 2

Uninsured Employers Guaranty Fund – 2

Code of Ethics – 1

Increased number of opinion writers – 1

Cost of living increases for selected claimants – 1

Please describe the impacts that you foresee for the features identified in response to the question above, including your expectation about the time frame over which those impacts will become evident in claim and/or loss statistics reported for Pennsylvania workers compensation business.

Speeding up decisions – 7
No response – 5
Reduce benefit costs – 3
Reduce legal expenses – 2
Allow more accurate reserving – 2
Add assessment costs to the system – 1
Increase system costs – 1
Limit/reduce attorney involvement in the system – 1
Expedite compromise & release settlements – 1
Change flows of data within and about the system – 1

While the Bureau may develop broad summaries of these responses and make them available to participants in public policy discussions in Pennsylvania, we will not disclose individual responses or attributions of such ideas without advance specific authorization of the responding carrier(s).

Thank you for providing your responses to these questions. Please provide the following identifying information with your reply:

Carrier Group Name:
Contact Person's Name:
Contact Person's Title:
Contact Person's Telephone Number:
Contact Person's Preferred E-mail Address: