

**Pennsylvania Compensation Rating Bureau**  
Trends in Experience – April 1, 2004 Loss Cost Filing

Questionnaire for Leading Carrier Groups

In preparation for the April 1, 2004 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 25 carrier groups, collectively representing over 64 percent of the Pennsylvania workers compensation market in 2002.

Responses were received from 17 of those carrier groups. 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.

**Pennsylvania Compensation Rating Bureau**  
Trends in Experience – April 1, 2004 Loss Cost Filing

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, 2003 Loss Cost Filing reflected an annual effective rate of decline in claim frequency of 6.3 percent. The April 1, 2004 filing will consider the most recent available data and develop appropriate projections for ongoing 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 1998 to date?**

RESPONSE SUMMARY

Consistent or predominantly declining claim frequency – 13  
Flat or mixed claim frequency - 2  
Increasing claim frequency - 2  
No response - 1

**To what do you attribute the changes you have seen?**

RESPONSE SUMMARY

Safety initiatives and/or incentives - 9  
Economic conditions - 5  
Features of their book(s) of business written - 4  
No response - 4

**What do you expect claim frequency data for the period from 2002 through 2005 will show when that experience becomes available?**

RESPONSE SUMMARY

Further declines in claim frequency - 7  
Flat claim frequency - 7  
Increasing claim frequency - 3  
No response - 3

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

RESPONSE SUMMARY

Economic conditions - 6  
Safety initiatives and/or incentives - 4  
Features of their book(s) of business - 2  
Aging of the workforce - 1  
Business process efficiencies - 1  
No specific reason to anticipate changes in recent trends - 1  
No response - 2

2. Bureau data from the April 1, 2003 Loss Cost Filing showed a significant increase in indemnity claim severity trends as compared to the experience underlying previous filings, measuring indemnity severity trend at approximately +8.1 percent per year.

Last year, our data also indicated that indemnity claims were being closed somewhat more quickly in recent periods than had previously been the case. Thus, in combination, our data was suggesting that the average indemnity claim was increasing faster than wages (and thus faster than benefit levels) at the same time that average claim duration was declining.

**What has your company seen in terms of changes in indemnity claim severity over the period from 1998 to date?**

RESPONSE SUMMARY

Increasing indemnity claim severities - 12  
Flat indemnity severities - 2  
Declining indemnity severities - 1  
No response - 2

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

RESPONSE SUMMARY

Features of the benefit administration system - 12  
Wage and/or benefit levels - 4  
Issues arising from or contributing to litigation - 3  
Effects of loss prevention services - 2  
Expanding medical utilization - 1  
Economic conditions - 1  
No response - 3

**What do you expect indemnity claim severity data for the period from 2002 through 2005 will show when that experience becomes available?**

RESPONSE SUMMARY

Further increases in indemnity claim severity - 14  
Increases but at reduced rates than in the recent past - 1  
No response - 2

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

RESPONSE SUMMARY

Features of the benefit administration system - 8  
Economic conditions - 5  
Wage and/or benefit levels - 3  
Issues arising from or contributing to litigation - 3  
Expanding utilization - 2  
No specific reason to anticipate changes in recent trends - 1  
No response - 4

3. Bureau data from the April 1, 2003 Loss Cost Filing showed a medical claim severity trend of +8.6 percent per year.

**What has your company seen in terms of changes in medical claim severity over the period from 1998 to date?**

RESPONSE SUMMARY

Increasing indemnity claim severities - 16  
No response - 1

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

RESPONSE SUMMARY

Features of the benefit administration system - 6  
Expanding medical utilization - 6  
Medical price inflation - 4  
Insufficiency of available medical cost containment tools - 1  
Increasing life expectancies of claimants - 1  
Economic conditions - 1  
Issues arising from or contributing to litigation - 1  
No response - 4

**What do you expect medical claim severity data for the period from 2002 through 2005 will show when that experience becomes available?**

RESPONSE SUMMARY

Further increases in medical claim severity – 14  
Increases but at reduced rates than in the recent past - 1  
No response - 2

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

RESPONSE SUMMARY

Features of the benefit administration system - 6  
Expanding utilization - 6  
Medical malpractice issues - 4  
Technological expansion of medical treatment options - 3  
Issues arising from or contributing to litigation - 2  
Price inflation for medical services - 2  
No specific reason to anticipate changes in recent trends - 1  
No response - 4

4. What considerations NOT mentioned in your responses to the above questions do you think will be significant drivers of loss cost experience in Pennsylvania from 2002 through 2005?

RESPONSE SUMMARY

Economic conditions - 4  
Features of the benefit administration system - 3  
Issues arising from or contributing to litigation - 1  
Potential legislative initiatives - 1  
Factors related to drug utilization and costs - 1  
No response - 8

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

RESPONSE SUMMARY

Increase system costs - 6  
Enhance system controls - 1  
Shift cost to workers compensation from other health care and/or benefit systems - 1  
No response - 9