



HOUSE OF REPRESENTATIVES
STATE OF DELAWARE
LEGISLATIVE HALL
DOVER, DELAWARE 19901

December 5, 2012

Delaware Department of Insurance
Rhonda West, Regulatory Specialist
841 Silver Lake Boulevard
Dover, DE 19904

Ms. West:

The Delaware Department of Insurance (DOI) is currently considering a rate hike request by the Delaware Compensation Rating Bureau (DCRB) to increase Workers' Compensation Insurance rates by approximately 40 percent. We urge the department to reject this proposal.

The Delaware Compensation Rating Bureau's (DCRB) August filing requested a 38.3 percent increase in the rates charged to voluntary (regular) market customers. Even more troubling, the DCRB maintains that Workers' Comp rates for those clients unable to obtain coverage in the voluntary market (the residual market) should be hiked by 43.5 percent.

We consider these requests to be exorbitant. Two independent actuarial analyses of the DCRB request, performed at the request of the DOI, support our opinion.

In reviewing the DCRB filing, INS Consultants determined that Workers' Comp rates in the voluntary market should increase 23.5 percent and residual market rates should go up by 28.1 percent. These findings are 38.6 percent and 35.4 percent lower than the hikes sought by the DCRB for the voluntary and residual markets, respectively.

The differences were even starker in the report delivered by AIS Risk Consultants. Their analysis indicated that voluntary market rates should increase by just 18 percent – 53 percent less than the rating bureau's request. AIS' suggested rate hike for the residual market was about 23 percent – a little more than half the 43.5 percent increase the DCRB believes is needed.

We cannot stress strongly enough the negative impact and dire consequences that approving the DCRB's rate hike request would have on our state's business community.

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The owners of numerous businesses throughout the state have contacted us to express their unease at the proposed hike. The comments of Carrie Leishman, executive director of the Delaware Restaurant Association, are typical of the concerns we have heard from employers: "Companies, including the hundreds of restaurants I represent in Delaware, will either have to make the hard decision to ... not fill positions or, worse yet, lay off employees."

It strikes us as ironic that employers are required to carry Workers' Compensation Insurance to safeguard their employees, but that the DCRB rate request will endanger the continued employment of many Delawareans and even threaten the continued viability of some enterprises.

We acknowledge that rates need to be set at adequate levels to cover losses and expenses, account for unforeseen contingencies, and ensure the integrity of the insurers. We also realize that the affordability of insurance is not a factor in the rate-setting process, although given the mandated nature of the coverage, we respectfully suggest that some consideration to this vital aspect should be paid.

Using the same data, the DCRB and the two consulting actuaries produced three differing analyses. The previously-cited INS Consultants' and AIS Risk Consultants' reports contained similar suggestions, with the DCRB recommendations being the outlier.

Given these facts, we believe the DOI should give great weight to the consultants' reports and adopt new rates that both treat employers fairly and maintain the integrity of Workers' Compensation Insurance in Delaware.

Sincerely,

State Representatives

Jeff Spiegelman
Deborah Hudson
Steve Smyk
Michael Ramone
Joe Miro
William Outten
Jack Peterman
Don Blakey
Dave Wilson
Harvey Kenton
Ruth Briggs King
Ron Gray
Danny Short
Tim Dukes

cc: Insurance Commissioner Karen Weldin Stewart