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Memorandum

Date: **August 8, 2007**
To: **Christine Baker, Executive Officer, CHSWC**
Dave Bellusci, Senior VP & Chief Actuary, WCIRB
CC: **Ward Brooks, WCIRB**
From: **Frank Neuhauser**
Re: **Analysis of ratings under the new PD schedule, through June 30, 2007**

At the request of the Commission on Health and Safety and Workers' Compensation (CHSWC) and the Workers' Compensation Insurance Rating Bureau (WCRIB) I compare the average ratings under the 2005 PDRS to comparable groups of ratings under the pre-2005 PDRS. The comparison includes all ratings done under the 2005 PDRS through June 30, 2007. This includes 63,952 ratings under the new schedule.

Current estimates:

- Through June 30, 2007 there were 63,952 reports rated under the 2005 PDRS, excluding reports where no ratable impairment was found and a small number of cases rated under the new schedule had missing data, such as incomplete impairment category numbers. Incomplete reports were excluded from these analyses. I will examine these reports later to see if the problems can be corrected and the reports included.
- 29,580 of these ratings were "summary" ratings and are included in the primary estimate.
- 34,382 of the ratings were for "consults" where the comparison between the two schedules should be considered more carefully.

The data in this report were weighted to correct for the slightly less mature nature of claims under the new schedule. These data should reflect the ultimate average ratings.

Average ratings

- The average rating on Summary ratings was 11.94% compared to an average of 20.52% for a comparable group of claims under the pre-2005 PDRS. This represents a decline of 41.8% in the average rating
- The average rating for Consults was 19.73% compared to an average of 33.51 for a comparable group of cases rated under the pre-2005 PDRS, a decline of 41.1%.

Average Ratings (February 2007 estimate in parentheses)			
	2005 PDRS	**Pre-2005 PDRS**	**Difference**
Summary	**11.94% (11.95)**	**20.52% (20.50)**	**-41.8% (-41.7)**
Consults	**19.73% (19.72)**	**33.51% (33.50)**	**-41.1% (-41.1)**

Average PD award (February 2007 estimate in parentheses)			
	2005 PDRS	**Pre-2005 PDRS**	**Difference**
Summary	**$10,560 ($10,592)**	**$22,541 ($22,508)**	**-53.2% (-52.9)**
Consults	**$20,725 ($20,840)**	**$42,534 ($42,514)**	**-51.2% (-51.0)**

Apportionment

The extent of apportionment was evaluated for Summary rated claims. (Summary ratings are submitted to a judge to determine whether apportionment is appropriate. Consults are not submitted to a judge and apportionment is generally not considered by the DEU).

- 2,909 of 29,580 summary rated cases (9.8%) included apportionment.
- The average percent of the rating apportioned to other cases or causes was 40.1%, that is, on average, 59.9% was awarded in the current case when any apportionment was applied.
- The impact was to reduce the average rating on all cases by 4.9% (about 0.6 rating points).
- Apportionment reduced the average PD award by 5.8%.

Apportionment—Summary Ratings (February 2007 in parentheses)		
		% of all
Number of ratings	**29,580**	
Number with apportionment	**2,908**	**9.8%** **(9.7)**

Apportionment—Summary Ratings	
Average % apportioned to non-industrial	**40.1%** **(40.4)**
Percent impact on rating	**-4.9%** **(-4.9)**
Percent impact on PD award	**-5.8%** **(-5.8)**