

DELAWARE COMPENSATION RATING BUREAU, INC

Review of Experience Rating Plan Parameters

Page 20.1 contains Collectible Premium Ratios.

Page 20.2 contains Expected Loss Cost Factors. They are applied to residual market rates by classification to produce Table A (Expected Loss Factors) which are the basis for the calculation of Expected Losses.

Page 20.3 contains the derivation of various factors (i.e. maximum single loss size, self rating point) that are used to produce Table B.

EXHIBIT IX

COLLECTIBLE PREMIUM RATIOS \*

Manual Years 1998 to 2000 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
1998	176,938,899	163,044,166	1.0852
1999	162,055,906	150,879,230	1.0741
2000	170,887,386	154,178,338	1.1084
<b>TOTAL</b>	<b>509,882,191</b>	<b>468,101,734</b>	<b>1.0893</b>
MANUFACTURING AND UTILITIES			
1998	36,362,382	30,418,819	1.1954
1999	29,884,175	26,074,343	1.1461
2000	29,309,053	25,185,139	1.1637
<b>TOTAL</b>	<b>95,555,610</b>	<b>81,678,301</b>	<b>1.1699</b>
CONTRACTING AND QUARRYING			
1998	38,679,719	34,904,467	1.1082
1999	37,096,349	32,942,215	1.1261
2000	38,341,039	33,526,221	1.1436
<b>TOTAL</b>	<b>114,117,107</b>	<b>101,372,903</b>	<b>1.1257</b>
OTHER INDUSTRIES			
1998	101,896,798	97,720,880	1.0427
1999	95,075,382	91,862,672	1.0350
2000	103,237,294	95,466,978	1.0814
<b>TOTAL</b>	<b>300,209,474</b>	<b>285,050,530</b>	<b>1.0532</b>

\* Excludes classifications and coverages not subject to experience rating.

**CALCULATION OF EXPECTED LOSS RATE FACTORS**

<b>Policy Year Beginning 12/1 (1)</b>	<b>Average Law Multiplier (2)</b>	<b>Adjustment Factor (3)</b>	<b>Loss Ratio Development Factor (4)</b>	<b>Expense Allowance 1 / (PLR/CPR) (5)</b>	<b>Trend Factor (6)</b>	<b>Product (2) * (3) * (4) * (5) * (6) (7)</b>	<b>Expected Loss Rate Factor 1.0 / (7) (8)</b>
<b><u>Manufacture and Utilities</u></b>							
1999	1.0373	1.0000	1.4091	1.9113	1.2590	3.5172	0.2843
2000	1.0264	1.0000	1.6325	1.9113	1.1882	3.8053	0.2628
2001	1.0166	1.0000	1.7515	1.9113	1.1216	3.8170	0.2620
<b><u>Contracting and Quarrying</u></b>							
1999	1.0373	1.0000	1.4105	1.8391	1.2590	3.3877	0.2952
2000	1.0264	1.0000	1.5777	1.8391	1.1882	3.5386	0.2826
2001	1.0166	1.0000	1.8402	1.8391	1.1216	3.8589	0.2591
<b><u>Other Industries</u></b>							
1999	1.0373	1.0000	1.3495	1.7206	1.2590	3.0324	0.3298
2000	1.0264	1.0000	1.4787	1.7206	1.1882	3.1029	0.3223
2001	1.0166	1.0000	1.8091	1.7206	1.1216	3.5492	0.2818

### Experience Rating Plan Parameters

- |     |   |             |
|-----|---|-------------|
| (1) | Eligibility Point = (3,161 = 1 yr Prem)      3 yr =   | \$9,483     |
| (2) | Permissible Loss Ratio =  | 0.5619 (a)  |
| (3) | Expected Losses needed to achieve 5% credibility<br>(1)*(2) = \$9,483*0.5619 =  | \$5,328     |
| (4) | Max Value : $\frac{0.25 * \$5,328}{0.05} =$   | \$26,640    |
| (5) | K-Value<br>a) If (3) is assigned 5% credibility, then<br>$K = \frac{E(1-c)}{c} = \frac{\$5,328 * (1-.05)}{.05} =$                   | \$101,232   |
| (6) | .055 Credibility Interval - the .0525 left endpoint<br>corresponds to $E = \frac{(K * C)}{(1-C)} = \frac{101,232 * .0525}{.9475} =$ | \$5,609     |
| (7) | Right endpoint for .05 credibility interval =   | \$5,608     |
| (8) | Self rating point = 25 * average serious claim<br><br>= 25 * 212,862 =  | \$5,321,550 |
|     | 6% of (8) rounded to the nearest \$1,000 =  | 319,000     |
|     | Selected =  | 319,000     |

(a) Standard LR / CPR = Manual LR  
0.6121/1.0893= 0.5619