

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.

COLLECTIBLE PREMIUM RATIOS *

Manual Years 2002 to 2004 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
2002	199,867,349	186,107,611	1.0739
2003	227,748,788	213,395,774	1.0673
2004	235,669,761	238,826,747	0.9868
TOTAL	663,285,898	638,330,132	1.0391
MANUFACTURING AND UTILITIES			
2002	33,156,829	30,419,958	1.0900
2003	37,057,431	32,289,647	1.1477
2004	35,243,644	32,477,739	1.0852
TOTAL	105,457,904	95,187,344	1.1079
CONTRACTING AND QUARRYING			
2002	41,256,955	36,971,728	1.1159
2003	49,684,647	45,107,678	1.1015
2004	54,698,322	53,262,374	1.0270
TOTAL	145,639,924	135,341,780	1.0761
OTHER INDUSTRIES			
2002	125,453,565	118,715,925	1.0568
2003	141,006,710	135,998,449	1.0368
2004	145,727,795	153,086,634	0.9519
TOTAL	412,188,070	407,801,008	1.0108

* Excludes classifications and coverages not subject to experience rating.

CALCULATION OF EXPECTED LOSS RATE FACTOR

Policy Year Beginning 12/1	Average Law Multiplier	Adjustment Factor	Loss Ratio Development Factor	Expense Allowance 1 / (PLR/CPR)	Trend Factor	Product (2) * (3) * (4) * (5) * (6)	Expected Loss Rate Factor 1.0 / (7)	Factor to Reflect Approved Rate Levels (9)	Adjusted Expected LC Factors (8)*(9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<u>Manufacturing and Utilities</u>									
2003	1.0203	1.0000	1.9276	1.6698	1.3704	4.5005	0.2222	1.0348	0.2299
2004	1.0168	1.0000	2.2424	1.6698	1.2627	4.8074	0.2080	1.0348	0.2152
2005	1.0116	1.0000	2.9131	1.6698	1.1659	5.7371	0.1743	1.0348	0.1804
<u>Contracting and Quarrying</u>									
2003	1.0203	1.0000	2.0681	1.6219	1.3704	4.6900	0.2132	1.0349	0.2206
2004	1.0168	1.0000	2.3384	1.6219	1.2627	4.8694	0.2054	1.0349	0.2126
2005	1.0116	1.0000	3.0133	1.6219	1.1659	5.7642	0.1735	1.0349	0.1796
<u>Other Industries</u>									
2003	1.0203	1.0000	1.8567	1.5234	1.3704	3.9549	0.2529	1.0349	0.2617
2004	1.0168	1.0000	2.2081	1.5234	1.2627	4.3189	0.2315	1.0349	0.2396
2005	1.0116	1.0000	3.0054	1.5234	1.1659	5.3999	0.1852	1.0349	0.1917

Experience Rating Plan Parameters

(1)	Eligibility Point = (3,161 = 1 yr Prem) 3 yr =	\$9,483
(2)	Permissible Loss Ratio =	0.6385 (a)
(3)	Expected Losses needed to achieve 5% credibility (1)*(2) = \$9,483*0.6385 =	\$6,055
(4)	Max Value : $\frac{0.25 * \$6,055}{0.05} =$	\$30,275
(5)	K-Value a) If (3) is assigned 5% credibility, then $K = \frac{E(1-c)}{c} = \frac{\$6,055 * (1-.05)}{.05} =$	\$115,045
(6)	.055 Credibility Interval - the .0525 left endpoint corresponds to $E = \frac{(K * C)}{(1-C)} = \frac{115,045 * .0525}{.9475} =$	\$6,375
(7)	Right endpoint for .05 credibility interval =	\$6,374
(8)	Self rating point = 25 * average serious claim = 25 * 306,775 =	\$7,669,375
	6% of (8) rounded to the nearest \$1,000 =	460,000
	Selected =	460,000

(a) Standard LR / CPR = Manual LR
0.6635/1.0391 = 0.6385