

DELAWARE COMPENSATION RATING BUREAU, INC.

Delaware Insurance Plan

The following pages present a review of the experience for the Delaware Insurance Plan.

Page 19.1 compares the reported loss ratio for a five-year period of the assigned risk and voluntary markets by the premium size range. The second page shows similar detail but by year rather than premium size.

The bottom portion of page 19.2 also shows the calculation of a manual rate offset for a residual market surcharge program applicable to rated Residual Market risks with debit experience modification factors. It is contemplated that these risks would be subject to a surcharge ranging from 0 to +50%, with a maximum set at the value of the modification factor less unity, and that the surcharge would be calculated by multiplying 50% times the complement of the risk's experience rating credibility. The offset is applicable to voluntary market risks.

The residual market share calculation is given on page 19.3.

Page 19.4 contains the calculation of the average surcharge based on the above methodology.

The assigned risk subsidy is derived as shown on page 19.5.

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2000 - 2004

SIZE OF STANDARD PREMIUM	STATEWIDE			DIP			STATEWIDE - DIP			INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
	TOTAL PREMIUM*	TOTAL LOSS	LOSS RATIO	TOTAL PREMIUM*	TOTAL LOSS	LOSS RATIO	TOTAL PREMIUM*	TOTAL LOSS	LOSS RATIO	
1-1,000	17,159,313	23,679,207	138.0	1,728,763	3,016,285	174.5	15,430,550	20,662,922	133.9	1.303
1,001-2,000	19,278,827	22,509,024	116.8	3,014,297	4,625,007	153.4	16,264,530	17,884,017	110.0	1.395
2,001-3,000	17,415,152	21,003,986	120.6	2,779,735	4,661,329	167.7	14,635,417	16,342,657	111.7	1.501
3,001-4,000	15,198,998	17,942,002	118.0	1,968,963	3,874,193	196.8	13,230,035	14,067,809	106.3	1.851
4,001-5,000	14,670,974	14,665,036	100.0	1,829,430	1,946,896	106.4	12,841,544	12,718,140	99.0	1.075
5,001-7,500	31,666,543	53,957,663	170.4	4,009,176	6,668,089	166.3	27,657,367	47,289,574	171.0	0.973
7,501-10,000	27,403,480	64,916,725	236.9	3,691,273	8,559,069	231.9	23,712,207	56,357,656	237.7	0.976
10,001-12,500	24,277,278	26,821,376	110.5	2,793,296	3,195,266	114.4	21,483,982	23,626,110	110.0	1.040
12,501-15,000	21,351,162	27,569,338	129.1	2,740,712	4,387,198	160.1	18,610,450	23,182,140	124.6	1.285
15,001-20,000	35,681,499	34,347,313	96.3	4,744,110	4,468,462	94.2	30,937,389	29,878,851	96.6	0.975
20,001-25,000	30,431,025	37,985,122	124.8	4,133,149	4,945,932	119.7	26,297,876	33,039,190	125.6	0.953
25,001-50,000	110,803,393	156,666,650	141.4	14,630,282	32,185,737	220.0	96,173,111	124,480,913	129.4	1.700
50,001-75,000	73,466,937	83,275,505	113.4	8,165,785	9,470,597	116.0	65,301,152	73,804,908	113.0	1.027
75,001-100,000	52,798,943	63,881,399	121.0	5,949,755	7,187,436	120.8	46,849,188	56,693,963	121.0	0.998
100,001-200,000	134,114,416	155,522,412	116.0	15,871,952	18,697,758	117.8	118,242,464	136,824,654	115.7	1.018
200,001-300,000	71,521,091	82,591,547	115.5	8,141,717	5,944,907	73.0	63,379,374	76,646,640	120.9	0.604
300,001-400,000	42,288,277	43,039,203	101.8	3,057,457	2,919,640	95.5	39,230,820	40,119,563	102.3	0.934
400,001-500,000	38,826,523	47,496,063	122.3	844,342	69,944	8.3	37,982,181	47,426,119	124.9	0.066
500,001-1,000,000	113,487,650	131,086,585	115.5	1,459,012	3,464,134	237.4	112,028,638	127,622,451	113.9	2.084
1,000,001 & higher	97,014,609	72,399,515	74.6	1,680,726	2,122,053	126.3	95,333,883	70,277,462	73.7	1.714
TOTALS	988,856,090	1,181,355,671	119.5	93,233,932	132,409,932	142.0	895,622,158	1,048,945,739	117.1	1.213

* Premium calculated based on Bureau voluntary market loss cost level.

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2000 - 2004

MANUAL YEAR	STATEWIDE			DIP			STATEWIDE - DIP		
	STANDARD PREMIUM WITH CONSTANTS *	DEVELOPED INCURRED LOSS	LOSS RATIO	STANDARD PREMIUM WITH CONSTANTS *	DEVELOPED INCURRED LOSS	LOSS RATIO	STANDARD PREMIUM WITH CONSTANTS *	DEVELOPED INCURRED LOSS	LOSS RATIO
2000	158,906,973	204,379,822	128.6	4,207,617	7,488,505	178.0	154,699,356	196,891,317	127.3
2001	167,061,914	205,750,686	123.2	8,051,789	13,108,492	162.8	159,010,125	192,642,194	121.2
2002	192,248,092	254,117,888	132.2	21,028,093	29,045,103	138.1	171,219,999	225,072,785	131.5
2003	222,517,593	239,388,969	107.6	26,632,162	35,320,324	132.6	195,885,431	204,068,645	104.2
2004	248,121,518	277,718,306	111.9	33,314,271	47,447,508	142.4	214,807,247	230,270,798	107.2
TOTALS	988,856,090	1,181,355,671	119.5	93,233,932	132,409,932	142.0	895,622,158	1,048,945,739	117.1

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2000	1.398
2001	1.343
2002	1.050
2003	1.273
2004	1.328
TOTAL 2000 - 2004	1.213

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.1492	(4) D I P LOSS RATIO	142.0
(2) AVERAGE SURCHARGE	0.096	(5) VOLUNTARY MKT LOSS RATIO	117.1
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*(1+(2))] / [1 - (1)]	0.9832	(6) D I P SURCHARGE FACTOR	1.096
		(7) L R D [(4) / (5)] / (6)	1.11

* Premium calculated based on Bureau voluntary market loss cost level.

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/06

Residual Market Share excluding Large Deductible

Policy Year	(1) <u>Call #1</u>	(2) <u>Call #12</u>	(3) = (1) - (2) <u>Difference</u>	(4) <u>LCM</u>	(5) = (3) * (4) <u>VM @ RM DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2) / (6) <u>Ratio</u>
1997	98,925,669	7,856,811	91,068,858	1.3703	124,791,656	132,648,467	0.0592
1998	107,861,265	4,966,823	102,894,442	1.3081	134,596,220	139,563,043	0.0356
1999	99,030,646	3,058,364	95,972,282	1.2886	123,669,883	126,728,247	0.0241
2000	104,328,664	5,555,180	98,773,484	1.2796	126,390,550	131,945,730	0.0421
2001	103,605,522	10,892,643	92,712,879	1.2656	117,337,420	128,230,063	0.0849
2002	122,908,619	29,434,299	93,474,320	1.3625	127,358,761	156,793,060	0.1877
2003	135,098,364	38,354,018	96,744,346	1.3728	132,810,638	171,164,656	0.2241
2004	151,971,688	48,306,696	103,664,992	1.3769	142,736,327	191,043,023	0.2529
2005	183,386,800	51,766,144	131,620,656	1.3552	178,372,313	230,138,457	0.2249
2006	110,524,285	24,710,303	85,813,982	1.3757	118,054,295	142,764,598	0.1731

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) <u>Call #8</u>	(9) = (8) * (4) <u>VM @ RM DSR Level</u>	(10) = (6) + (9) <u>Total @ DSR</u>	(11) = (2) / (10) <u>Ratio</u>
1997	10,987,919	15,056,745	147,705,212	0.0532
1998	11,630,259	15,213,542	154,776,585	0.0321
1999	8,745,663	11,269,661	137,997,908	0.0222
2000	9,714,809	12,431,070	144,376,800	0.0385
2001	13,890,005	17,579,190	145,809,253	0.0747
2002	15,909,840	21,677,157	178,470,217	0.1649
2003	16,745,222	22,987,841	194,152,497	0.1975
2004	20,525,102	28,261,013	219,304,036	0.2203
2005	21,700,492	29,408,507	259,546,964	0.1994
2006	16,576,380	22,804,126	165,568,724	0.1492

**DELAWARE COMPENSATION RATING BUREAU, INC.
DELAWARE INSURANCE PLAN**

**CALCULATION OF AVERAGE SURCHARGE
0.50 * (1 - C), max = Mod Factor Less Unity**

	<u>Risk Count</u>	<u>Premium 2005</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	867	16,544,735	26.37%	36.07%
2 Risks with Debit Mod (> 1.0)	396	20,773,857	12.04%	45.29%
3 Total - Rated Risks	1,263	37,318,592	38.41%	81.35%
4 Non-Rated Risks	2,025	8,553,996	61.59%	18.65%
5 Total - All Assigned Risks	3,288	45,872,588	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	16,544,735	0.000	32.92%
2 Risks with Debit Mod (> 1.0)	25,162,662	0.211	50.06%
3 Total - Rated Risks	41,707,397	0.118	82.98%
4 Non-Rated Risks	8,553,996	0.000	17.02%
5 Total - All Assigned Risks	50,261,393	0.096	100.00%

Surcharge = 50% * (1 - cred), not exceeding the modification factor less unity and applies to risks with debit modification factors.

DELAWARE INSURANCE PLAN
ASSIGNED RISK SUBSIDY

Calculation of residual market subsidy multiplier to be added to Retro Rating Plan tax multiplier.

1	ARMS	Delaware Insurance Plan Market Share	0.1492
2	VMS	Voluntary Market Share (1 - ARMS)	0.8508
3	LRD	Loss Ratio Differential	1.11
4	PLR	Permissible Loss Ratio	0.6635
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

$$\text{ARLR} * \text{ARMS} + \text{VLR} * \text{VMS} = \text{PLR}$$

$$\text{VLR} * 1.11 * 0.1492 + \text{VLR} * 0.8508 = 0.6635$$

$$\text{VLR} = 0.6528$$

$$\text{ARLR} = 1.11 * \text{VLR} = 0.7246$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.0718$$

$$S = (0.8) * (\text{ARLR} - \text{VLR}) * (\text{ARMS} / \text{VMS})$$

$$= (0.8) * (7.18\%) * (0.1492 / 0.8508)$$

$$= (0.8) * (7.18\%) * (0.1754)$$

$$= 1.01\%$$