

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 2001 - 2005

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	16,547,644	23,028,671	139.2	1,992,713	4,352,486	218.4	14,554,931	18,676,185	128.3	1.702
1,001-2,000	19,762,544	17,694,812	89.5	3,774,030	3,349,798	88.8	15,988,514	14,345,014	89.7	0.990
2,001-3,000	18,206,295	19,792,358	108.7	3,781,852	5,365,473	141.9	14,424,443	14,426,885	100.0	1.419
3,001-4,000	15,901,675	17,308,769	108.8	2,692,056	4,250,295	157.9	13,209,619	13,058,474	98.9	1.597
4,001-5,000	14,753,973	14,405,007	97.6	2,413,157	2,534,090	105.0	12,340,816	11,870,917	96.2	1.091
5,001-7,500	33,511,716	42,102,589	125.6	5,394,047	7,660,979	142.0	28,117,669	34,441,610	122.5	1.159
7,501-10,000	29,725,400	53,488,084	179.9	5,156,863	7,978,664	154.7	24,568,537	45,509,420	185.2	0.835
10,001-12,500	25,919,996	26,638,355	102.8	4,091,928	4,868,222	119.0	21,828,068	21,770,133	99.7	1.194
12,501-15,000	23,632,819	24,887,209	105.3	3,371,376	4,523,939	134.2	20,261,443	20,363,270	100.5	1.335
15,001-20,000	39,309,180	34,267,933	87.2	6,371,799	5,359,098	84.1	32,937,381	28,908,835	87.8	0.958
20,001-25,000	32,789,902	33,408,442	101.9	5,607,932	5,495,368	98.0	27,181,970	27,913,074	102.7	0.954
25,001-50,000	120,614,381	146,279,247	121.3	19,793,775	32,551,289	164.5	100,820,606	113,727,958	112.8	1.458
50,001-75,000	83,857,143	85,813,260	102.3	11,114,892	13,856,451	124.7	72,742,251	71,956,809	98.9	1.261
75,001-100,000	60,815,540	70,126,399	115.3	8,118,269	10,365,180	127.7	52,697,271	59,761,219	113.4	1.126
100,001-200,000	155,154,974	151,194,385	97.4	22,230,518	21,794,304	98.0	132,924,456	129,400,081	97.3	1.007
200,001-300,000	84,202,722	83,259,003	98.9	11,920,654	8,103,516	68.0	72,282,068	75,155,487	104.0	0.654
300,001-400,000	53,793,949	50,203,178	93.3	4,839,404	4,479,251	92.6	48,954,545	45,723,927	93.4	0.991
400,001-500,000	47,275,685	49,468,117	104.6	844,342	59,786	7.1	46,431,343	49,408,331	106.4	0.067
500,001-1,000,000	129,209,298	132,522,543	102.6	2,547,826	7,129,347	279.8	126,661,472	125,393,196	99.0	2.826
1,000,001 & higher	135,606,512	96,935,359	71.5	1,680,726	1,616,432	96.2	133,925,786	95,318,927	71.2	1.351
TOTALS	1,140,591,348	1,172,823,720	102.8	127,738,159	155,693,968	121.9	1,012,853,189	1,017,129,752	100.4	1.214

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

DELAWARE INSURANCE PLAN EXPERIENCE  
Manual Years 2001 - 2005

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
2001	168,874,153	194,136,675	115.0	8,164,591	10,969,116	134.3	160,709,562	183,167,559	114.0
2002	194,923,320	226,302,747	116.1	21,122,075	26,052,918	123.3	173,801,245	200,249,829	115.2
2003	225,383,882	228,796,635	101.5	26,753,494	32,948,843	123.2	198,630,388	195,847,792	98.6
2004	250,874,507	254,587,352	101.5	33,480,304	44,126,831	131.8	217,394,203	210,460,521	96.8
2005	300,535,486	269,000,311	89.5	38,217,695	41,596,260	108.8	262,317,791	227,404,051	86.7
TOTALS	1,140,591,348	1,172,823,720	102.8	127,738,159	155,693,968	121.9	1,012,853,189	1,017,129,752	100.4

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2001	1.178
2002	1.070
2003	1.249
2004	1.362
2005	1.255
TOTAL 2001 - 2005	1.214

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.0748	(4) D I P LOSS RATIO	121.9
(2) AVERAGE SURCHARGE	0.093	(5) VOLUNTARY MKT LOSS RATIO	100.4
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [ 1 - (1)*{1+(2)} ] / [ 1 - (1) ]	0.9925	(6) D I P SURCHARGE FACTOR	1.093
		(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 @ 12/31/07

Residual Market Share excluding Large Deductible

Policy Year	(1)	(2)	(3) = (1) - (2)	(4)	(5) = (3) * (4)	(6) = (2)+(5)	(7) = (2) / ( 6)
	<u>Call #1</u>	<u>Call #12</u>	<u>Difference</u>	<u>LCM</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
1998	107,847,215	5,427,614	102,419,601	1.3079	133,954,596	139,382,210	0.0389
1999	99,019,775	3,058,364	95,961,411	1.2887	123,665,470	126,723,834	0.0241
2000	104,315,408	5,555,180	98,760,228	1.2796	126,373,588	131,928,768	0.0421
2001	103,320,562	10,892,643	92,427,919	1.2635	116,782,676	127,675,319	0.0853
2002	122,971,106	29,434,299	93,536,807	1.3624	127,434,546	156,868,845	0.1876
2003	135,066,910	38,318,011	96,748,899	1.3728	132,816,889	171,134,900	0.2239
2004	151,834,860	48,299,820	103,535,040	1.3772	142,588,457	190,888,277	0.2530
2005	185,964,679	52,473,027	133,491,652	1.3550	180,881,188	233,354,215	0.2249
2006	206,920,321	43,315,454	163,604,867	1.3753	225,005,774	268,321,228	0.1614
2007	110,261,616	13,999,806	96,261,810	1.3995	134,718,403	148,718,209	0.0941

Residual Market Share including Large Deductible (net basis)

Policy Year	(8)	(9) = (8) * (4)	(10) = (6) + (9)	(11) = (2) / (10)
	<u>Call #8</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
1998	11,629,204	15,209,836	154,592,046	0.0351
1999	8,743,991	11,268,381	137,992,215	0.0222
2000	9,703,183	12,416,193	144,344,961	0.0385
2001	13,871,608	17,526,777	145,202,096	0.0750
2002	16,001,920	21,801,016	178,669,861	0.1647
2003	16,905,821	23,208,311	194,343,211	0.1972
2004	20,568,231	28,326,568	219,214,845	0.2203
2005	22,162,479	30,030,159	263,384,374	0.1992
2006	26,572,356	36,544,961	304,866,189	0.1421
2007	27,437,070	38,398,179	187,116,388	0.0748

**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 2006</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	820	13,722,129	27.22%	34.76%
2 Risks with Debit Mod ( > 1.0)	336	17,568,881	11.15%	44.50%
3 Total - Rated Risks	1,156	31,291,010	38.37%	79.26%
4 Non-Rated Risks	1,857	8,186,268	61.63%	20.74%
5 Total - All Assigned Risks	3,013	39,477,278	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	13,722,129	0.000	31.81%
2 Risks with Debit Mod ( > 1.0)	21,234,501	0.209	49.22%
3 Total - Rated Risks	34,956,630	0.117	81.03%
4 Non-Rated Risks	8,186,268	0.000	18.97%
5 Total - All Assigned Risks	43,142,898	0.093	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	0.0748
2	VMS	Voluntary Market Share (1 - ARMS)	0.9252
3	LRD	Loss Ratio Differential	1.11
4	PLR	Permissible Loss Ratio	0.6430
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.11 * 0.0748 + \text{VLR} * 0.9252 = 0.643$$

$$\text{VLR} = 0.6378$$

$$\text{ARLR} = 1.11 * \text{VLR} = 0.708$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.0702$$

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

$$= (0.8) * (7.02\%) * (0.0748 / 0.9252)$$

$$= (0.8) * (7.02\%) * (0.0808)$$

$$= 0.45\%$$