

DELAWARE COMPENSATION RATING BUREAU, INC.

State and Hazard Group Relativities

The attached exhibit pages present an analysis of Delaware State and Hazard Group relativities.

The DCRB is proposing to expand the number of hazard groups from four (I – IV) to seven (A – G), consistent with the changes implemented in many other jurisdictions. The seven hazard groups can also be combined into the more traditional, although quite different, four hazard groups now designated by 1, 2, 3 and 4.

The exhibit shows the derivation of the December 1, 2009 proposed relativities. DCRB and NCCI average costs are shown by hazard group and in total. A credibility weight is calculated for each hazard group based on the number of claims. A credibility weighted average cost is then calculated and these average costs are related to the NCCI overall average cost to generate the indicated (and selected) relativities. An adjustment has been made to recognize the impact of Senate Bill 1 on Delaware average costs.

The bottom of the exhibit presents the approved December 1, 2008 relativities under the current hazard group definitions (I – IV).

**Derivation of State Hazard Group Relativities  
Delaware December 1, 2009 Filing**

Hazard Group	DCRB Ave Cost	Ratio to DCRB Total	Ratio to NCCI Total	NCCI Ave Cost	Ratio to NCCI Total	# Claims	Cred *	Cred Wtd Ave Cost **	Ratio to NCCI Total	Selected St & HG Relativity
A	55,035	1.578	1.043	33,011	1.738	1,010	0.081	31,285	1.834	1.834
B	67,440	1.288	0.851	44,215	1.298	2,417	0.125	42,642	1.346	1.346
C	80,396	1.080	0.714	49,899	1.150	5,221	0.184	50,799	1.129	1.129
D	82,796	1.049	0.693	55,494	1.034	1,464	0.097	52,344	1.096	1.096
E	87,339	0.994	0.657	64,458	0.890	3,116	0.142	61,308	0.936	0.936
F	150,141	0.578	0.382	79,499	0.722	1,664	0.104	78,604	0.730	0.730
G	132,585	0.655	0.433	105,328	0.545	253	0.040	94,719	0.606	0.606
	86,832		0.661	57,375		15,145	0.313	62,035		
	DCRB Ave Cost	Ratio to DCRB Total	Ratio to NCCI Total					Combined Cred Wtd Ave Cost	Ratio to NCCI Total	Selected St & HG Relativity
1	(A-B)	63,784	1.361	0.900				39,295	1.460	1.460
2	(C-D)	80,922	1.073	0.709				51,138	1.122	1.122
3	(E-F)	109,201	0.795	0.525				67,329	0.852	0.852
4	(G)	132,585	0.655	0.433				94,719	0.606	0.606

\* Credibility = [ # claims by TOI / 155,000 ]^0.5

\*\* DCRB Ave Cost \* Cred + NCCI Ave Cost \* (1-Cred) \* 0.8843

**Delaware December 1, 2008 Filing**

Current Definition	Approved Relativity
I	1.488
II	1.155
III	0.841
IV	0.602