

DELAWARE COMPENSATION RATING BUREAU, INC.

Expense Loading

This exhibit presents expense components and the resulting permissible loss and loss adjustment expense ratio. Underwriting profit is computed through an internal rate of return model.

## EXPENSE LOADING

	<u>Current %</u>	<u>Proposed %</u>
<b>LOSS AND LOSS ADJUSTMENT EXPENSE</b>		
Losses	64.28	64.48
Loss Adjustment Expense	8.87	9.92 a
Loss & Loss Adjustment	73.15	74.40
<b>UNDERWRITING EXPENSES</b>		
Commission	6.53	5.76
Other Acquisition	2.88	2.85
General Expenses	2.97	3.03
Premium Discount	8.33	8.25
State Premium Tax	2.00	2.00
Other State Tax	0.39	0.38
Uncollectible Premium	3.00	2.50
Administrative Assessment	2.59	2.48 b
Workers Compensation Fund	2.00	3.00
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	-3.84	-4.65
Underwriting Expense Total	26.85	25.60

a - As ratio to loss, Loss Adjustment Expense = 0.1538

b - As ratio to loss, Administrative Assessment = 0.0385

### **RESIDUAL MARKET MINIMUM PREMIUM:**

It is proposed that the Minimum Premium formula remain at

$$(235 * \text{Rate}) + \text{Expense Constant}$$

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of \$2000. It is proposed to use a multiplier of 117.50 in the Minimum Premium formula for the Farm Classes, (0006, 0016, 0034, 0036, 0083).

### **RESIDUAL MARKET EXPENSE CONSTANT:**

It is proposed that the expense constant decrease from \$265 to \$260.