

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 2003 - 2007

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	15,685,012	15,433,301	98.4	2,230,032	3,408,215	152.8	13,454,980	12,025,086	89.4	1.709
1,001-2,000	21,428,032	17,265,734	80.6	4,597,743	3,430,160	74.6	16,830,289	13,835,574	82.2	0.908
2,001-3,000	20,094,754	17,059,469	84.9	5,141,196	5,891,786	114.6	14,953,558	11,167,683	74.7	1.534
3,001-4,000	17,381,931	15,363,885	88.4	3,814,859	3,514,672	92.1	13,567,072	11,849,213	87.3	1.055
4,001-5,000	15,966,981	12,027,499	75.3	3,289,841	2,560,931	77.8	12,677,140	9,466,568	74.7	1.041
5,001-7,500	36,597,904	37,882,463	103.5	7,152,670	8,196,474	114.6	29,445,234	29,685,989	100.8	1.137
7,501-10,000	33,477,064	47,787,631	142.7	6,445,831	9,250,160	143.5	27,031,233	38,537,471	142.6	1.006
10,001-12,500	29,687,752	24,416,960	82.2	5,096,820	6,988,278	137.1	24,590,932	17,428,682	70.9	1.934
12,501-15,000	26,417,427	22,583,667	85.5	4,459,104	2,322,349	52.1	21,958,323	20,261,318	92.3	0.564
15,001-20,000	46,090,736	36,054,345	78.2	7,844,374	8,515,589	108.6	38,246,362	27,538,756	72.0	1.508
20,001-25,000	38,356,790	31,565,240	82.3	7,081,801	4,880,262	68.9	31,274,989	26,684,978	85.3	0.808
25,001-50,000	139,400,353	137,908,233	98.9	23,167,726	26,012,443	112.3	116,232,627	111,895,790	96.3	1.166
50,001-75,000	102,010,983	87,362,696	85.6	13,860,014	17,548,098	126.6	88,150,969	69,814,598	79.2	1.598
75,001-100,000	77,306,023	63,430,012	82.1	10,719,399	9,636,714	89.9	66,586,624	53,793,298	80.8	1.113
100,001-200,000	195,062,274	177,638,361	91.1	22,667,338	26,874,691	118.6	172,394,936	150,763,670	87.5	1.355
200,001-300,000	106,340,502	82,126,328	77.2	12,693,290	10,537,931	83.0	93,647,212	71,588,397	76.4	1.086
300,001-400,000	74,780,322	51,216,814	68.5	5,971,185	4,107,328	68.8	68,809,137	47,109,486	68.5	1.004
400,001-500,000	54,632,813	43,628,773	79.9	1,265,669	1,051,310	83.1	53,367,144	42,577,463	79.8	1.041
500,001-1,000,000	174,152,775	134,131,043	77.0	2,955,305	4,941,130	167.2	171,197,470	129,189,913	75.5	2.215
1,000,001 & higher	256,847,948	151,589,992	59.0	0	0	N/A	256,847,948	151,589,992	59.0	N/A
TOTALS	1,481,718,376	1,206,472,446	81.4	150,454,197	159,668,521	106.1	1,331,264,179	1,046,803,925	78.6	1.350

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

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2003 - 2007

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
2003	226,084,575	221,830,050	98.1	26,851,700	33,742,327	125.7	199,232,875	188,087,723	94.4
2004	251,194,265	242,955,876	96.7	33,475,073	40,217,351	120.1	217,719,192	202,738,525	93.1
2005	304,495,047	252,113,746	82.8	38,533,785	34,821,012	90.4	265,961,262	217,292,734	81.7
2006	345,412,792	236,397,853	68.4	32,018,166	26,529,845	82.9	313,394,626	209,868,008	67.0
2007	354,531,697	253,174,921	71.4	19,575,473	24,357,986	124.4	334,956,224	228,816,935	68.3
TOTALS	1,481,718,376	1,206,472,446	81.4	150,454,197	159,668,521	106.1	1,331,264,179	1,046,803,925	78.6

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2003	1.332
2004	1.290
2005	1.106
2006	1.237
2007	1.821
TOTAL 2003 - 2007	1.350

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.0475	(4) D I P LOSS RATIO	106.1
(2) AVERAGE SURCHARGE	0.093	(5) VOLUNTARY MKT LOSS RATIO	78.6
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9954	(6) D I P SURCHARGE FACTOR	1.093
		(7) L R D [(4) / (5)] / (6)	1.24

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

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/09

Residual Market Share excluding Large Deductible

Policy Year	(1) Call #1	(2) Call #12	(3) = (1) - (2) Difference	(4) LCM	(5) = (3) * (4) VM @ RM DSR Level	(6) = (2)+(5) Total @ DSR	(7) = (2) / (6) Ratio
2000	104,380,809	5,555,180	98,825,629	1.2796	126,457,275	132,012,455	0.0421
2001	102,732,949	10,892,616	91,840,333	1.2618	115,884,132	126,776,748	0.0859
2002	123,231,729	29,434,566	93,797,163	1.3622	127,770,495	157,205,061	0.1872
2003	135,651,779	38,315,569	97,336,210	1.3727	133,613,415	171,928,984	0.2229
2004	153,363,898	48,299,665	105,064,233	1.3777	144,746,994	193,046,659	0.2502
2005	187,831,618	52,311,867	135,519,751	1.3546	183,575,055	235,886,922	0.2218
2006	206,681,451	43,418,062	163,263,389	1.3748	224,454,507	267,872,569	0.1621
2007	202,905,642	26,862,589	176,043,053	1.4007	246,583,504	273,446,093	0.0982
2008	156,639,936	17,509,360	139,130,576	1.3339	185,586,275	203,095,635	0.0862
2009	71,252,641	6,102,501	65,150,140	1.3407	87,346,793	93,449,294	0.0653

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) Call #8	(9) = (8) * (4) VM @ RM DSR Level	(10) = (6) + (9) Total @ DSR	(11) = (2) / (10) Ratio
2000	9,739,186	12,462,262	144,474,717	0.0385
2001	13,876,505	17,509,374	144,286,122	0.0755
2002	16,034,369	21,842,017	179,047,078	0.1644
2003	17,002,246	23,338,983	195,267,967	0.1962
2004	20,624,936	28,414,974	221,461,633	0.2181
2005	22,744,124	30,809,190	266,696,112	0.1961
2006	27,774,858	38,184,875	306,057,444	0.1419
2007	44,822,339	62,782,650	336,228,743	0.0799
2008	40,699,892	54,289,586	257,385,221	0.0680
2009	26,044,908	34,918,408	128,367,702	0.0475

**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 2008</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	392	6,401,980	18.60%	35.95%
2 Risks with Debit Mod (> 1.0)	148	6,521,638	7.02%	36.62%
3 Total - Rated Risks	540	12,923,618	25.63%	72.56%
4 Non-Rated Risks	1,567	4,886,557	74.37%	27.44%
5 Total - All Assigned Risks	2,107	17,810,175	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	6,401,980	0.000	32.89%
2 Risks with Debit Mod (> 1.0)	8,175,892	0.254	42.00%
3 Total - Rated Risks	14,577,872	0.128	74.89%
4 Non-Rated Risks	4,886,557	0.000	25.11%
5 Total - All Assigned Risks	19,464,429	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	0.0475
2	VMS	Voluntary Market Share (1 - ARMS)	0.9525
3	LRD	Loss Ratio Differential	1.24
4	PLR	Permissible Loss Ratio	0.6448
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.24 * 0.0475 + \text{VLR} * 0.9525 = 0.6448$$

$$\text{VLR} = 0.6375$$

$$\text{ARLR} = 1.24 * \text{VLR} = 0.7905$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.153$$

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

$$= (0.8) * (15.3\%) * (0.0475 / 0.9525)$$

$$= (0.8) * (15.3\%) * (0.0499)$$

$$= 0.61\%$$