

DELAWARE COMPENSATION RATING BUREAU, INC.

Small Deductible Program

The attached exhibits review the impact of deductibles on loss costs and residual market manual rates. Staff has proposed slight decreases to the loss elimination ratios and premium credit factors currently in effect.

**2013 DELAWARE DEDUCTIBLE STUDY**

**Proposed Effective Date 12/1/13**

Deduct. Level	Effect of Deductible on Losses	Selected	Loss Elimination Ratio	Current Loss Elimination Ratio
		(12)	(13)	(14)
500	0.9882	0.985	0.015	0.015
1,000	0.9772	0.975	0.025	0.030
1,500	0.9678	0.965	0.035	0.040
2,000	0.9597	0.955	0.045	0.050
2,500	0.9526	0.945	0.055	0.060
3,000	0.9463	0.940	0.060	0.065
3,500	0.9406	0.935	0.065	0.075
4,000	0.9354	0.930	0.070	0.080
4,500	0.9306	0.925	0.075	0.085
5,000	0.9261	0.920	0.080	0.090

Deduct. Level	Effect of Deductible on Man.Rate	Selected	Premium Credit	Current Premium Credit
		(15)	(16)	(17)
500	0.9909	0.990	0.010	0.010
1,000	0.9823	0.980	0.020	0.020
1,500	0.9750	0.970	0.030	0.030
2,000	0.9688	0.965	0.035	0.040
2,500	0.9632	0.960	0.040	0.045
3,000	0.9584	0.955	0.045	0.050
3,500	0.9539	0.950	0.050	0.055
4,000	0.9499	0.945	0.055	0.060
4,500	0.9462	0.940	0.060	0.065
5,000	0.9427	0.935	0.065	0.070

**2013 DELAWARE DEDUCTIBLE STUDY**

Loss Range		Total Incurred Losses (1)	Adj Factor (2) a	Adj Factor (3) b	Adjusted Losses (1)*(2)*(3) (4)
0 -	499	989,807	1.000	0.9996	989,411
500 -	999	4,173,658	0.995	0.9996	4,151,129
1,000 -	1,499	5,767,287	0.990	0.9996	5,707,330
1,500 -	1,999	6,606,517	0.985	0.9996	6,504,816
2,000 -	2,499	6,679,298	0.980	0.9996	6,543,094
2,500 -	2,999	6,121,868	0.975	0.9996	5,966,434
3,000 -	3,499	5,748,204	0.970	0.9996	5,573,528
3,500 -	3,999	5,430,910	0.965	0.9996	5,238,732
4,000 -	4,499	5,070,460	0.960	0.9996	4,865,695
4,500 -	4,999	4,739,970	0.955	0.9996	4,524,861
5,000 -	& UP	1,266,041,583	0.950	0.9996	1,202,258,408

Deduct. Level (5)	# Claims >= Deduct Level (6)	Adj Losses < Deduct. Level (7) c	[(2)*(3)* (5)*(6)] (8)	Adj Tot Ded Collected (7)+(8) (9)
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500	41,134	989,411	20,455,979	21,445,390
1,000	35,509	5,140,540	35,139,848	40,280,388
1,500	30,878	10,847,870	45,603,996	56,451,866
2,000	27,085	17,352,686	53,065,365	70,418,051
2,500	24,111	23,895,780	58,747,054	82,642,834
3,000	21,876	29,862,214	63,633,696	93,495,910
3,500	20,101	35,435,742	67,863,971	103,299,713
4,000	18,651	40,674,474	71,591,192	112,265,666
4,500	17,456	45,540,169	74,987,153	120,527,322
5,000	16,457	50,065,030	78,139,482	128,204,512

Deduct. Level (5)	Effect of Deductible on Losses (10) d	Effect of Deductible on Manual Rate (11) e
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500	0.9882	0.9909
1,000	0.9772	0.9823
1,500	0.9678	0.9750
2,000	0.9597	0.9688
2,500	0.9526	0.9632
3,000	0.9463	0.9584
3,500	0.9406	0.9539
4,000	0.9354	0.9499
4,500	0.9306	0.9462
5,000	0.9261	0.9427

**2013 DELAWARE DEDUCTIBLE STUDY**

- a Adjustment factor for the amount of the deductible which will actually be reimbursed to the insurer by the insured.
- b Adjustment factor to put deductibles on a per occurrence basis instead of a per claim basis = 0.9996
- c Downward accumulation of Column (4).
- d Effect of deductible on Losses  
= [ A/B - Col(9) + P\*C\*Col(3) ] /(A/B)

A = Total incurred indemnity on death claims plus total incurred medical on all claims =

sum of Column (4) = 1,252,323,438

B = Death indemnity losses plus all medical losses as a % of all losses = 0.728

Per Table II 2013 , Sect C

1.All Losses 1,819,054,761

2.Death Indem (00) 94,994

3.All Medical (00) 13,140,799

4.[((2)+(3))/(1)] 0.728

\*100

C = # of death indemnity claims plus # of claims with some medical portion = 44,834

P = Processing expense per claim = 25.00

- e Effect of deductible on Manual Rate  
= [(Column (10) \* permissible loss ratio) + fixed expenses] / ( 1 - variable expenses )

Fixed expenses = LAE + General + Admin

= 0.1696

Variable expenses = Acquisition + P&C + Prem Tax

+ Workers' Comp. Fund + Misc. Tax + Prem Discount

+ Uncollectible Premium = 0.2450

Permissible Loss Ratio = 0.5854