

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 2007 - 2011

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	19,955,977	39,818,667	199.5	1,914,004	16,721,358	873.6	18,041,973	23,097,309	128.0	6.825
1,001-2,000	22,585,936	25,849,762	114.5	3,436,906	4,440,734	129.2	19,149,030	21,409,028	111.8	1.156
2,001-3,000	19,621,247	31,887,928	162.5	3,166,090	4,353,643	137.5	16,455,157	27,534,285	167.3	0.822
3,001-4,000	17,121,741	19,172,924	112.0	2,391,466	3,344,975	139.9	14,730,275	15,827,949	107.5	1.301
4,001-5,000	15,064,446	19,115,338	126.9	1,834,465	2,051,428	111.8	13,229,981	17,063,910	129.0	0.867
5,001-7,500	33,250,539	45,820,068	137.8	3,743,668	3,429,478	91.6	29,506,871	42,390,590	143.7	0.637
7,501-10,000	28,093,925	36,300,638	129.2	2,721,552	3,833,362	140.9	25,372,373	32,467,276	128.0	1.101
10,001-12,500	24,808,150	19,337,589	77.9	2,271,055	2,089,979	92.0	22,537,095	17,247,610	76.5	1.203
12,501-15,000	21,523,039	28,274,962	131.4	2,085,874	1,578,955	75.7	19,437,165	26,696,007	137.3	0.551
15,001-20,000	37,531,320	43,321,016	115.4	2,914,324	2,945,213	101.1	34,616,996	40,375,803	116.6	0.867
20,001-25,000	30,577,185	33,526,652	109.6	2,634,746	1,479,560	56.2	27,942,439	32,047,092	114.7	0.490
25,001-50,000	109,388,853	132,523,629	121.1	8,507,323	20,457,363	240.5	100,881,530	112,066,266	111.1	2.165
50,001-75,000	81,719,060	95,756,752	117.2	5,317,110	5,769,690	108.5	76,401,950	89,987,062	117.8	0.921
75,001-100,000	57,254,774	59,860,047	104.6	4,677,718	4,432,792	94.8	52,577,056	55,427,255	105.4	0.899
100,001-200,000	155,207,373	154,997,383	99.9	4,555,699	8,628,386	189.4	150,651,674	146,368,997	97.2	1.949
200,001-300,000	79,645,317	69,057,321	86.7	1,625,703	2,000,569	123.1	78,019,614	67,056,752	85.9	1.433
300,001-400,000	67,991,476	54,509,756	80.2	652,924	481,928	73.8	67,338,552	54,027,828	80.2	0.920
400,001-500,000	41,946,366	22,716,369	54.2	0	0	0.0	41,946,366	22,716,369	54.2	0.000
500,001-1,000,000	153,317,954	108,632,354	70.9	1,408,379	2,390,052	169.7	151,909,575	106,242,302	69.9	2.428
1,000,001 & higher	256,364,134	161,652,007	63.1	2,151,580	3,476,027	161.6	254,212,554	158,175,980	62.2	2.598
TOTALS	1,272,968,812	1,202,131,162	94.4	58,010,586	93,905,492	161.9	1,214,958,226	1,108,225,670	91.2	1.775

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

DELAWARE INSURANCE PLAN EXPERIENCE  
Manual Years 2007 - 2011

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
2007	360,881,894	235,842,135	65.4	19,449,418	14,770,167	75.9	341,432,476	221,071,968	64.7
2008	292,004,586	215,928,047	73.9	12,903,815	11,774,164	91.2	279,100,771	204,153,883	73.1
2009	223,464,417	229,821,849	102.8	7,573,185	9,631,617	127.2	215,891,232	220,190,232	102.0
2010	196,802,111	254,335,067	129.2	7,770,990	25,984,479	334.4	189,031,121	228,350,588	120.8
2011	199,815,804	266,204,064	133.2	10,313,178	31,745,065	307.8	189,502,626	234,458,999	123.7
TOTALS	1,272,968,812	1,202,131,162	94.4	58,010,586	93,905,492	161.9	1,214,958,226	1,108,225,670	91.2

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2007	1.173
2008	1.248
2009	1.247
2010	2.768
2011	2.488
TOTAL 2007 - 2011	1.775

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.1305	(4) D I P LOSS RATIO	161.9
(2) AVERAGE SURCHARGE	0.111	(5) VOLUNTARY MKT LOSS RATIO	91.2
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [ 1 - (1)*{1+(2)} ] / [ 1 - (1) ]	0.9833	(6) D I P SURCHARGE FACTOR	1.111
		(7) L R D [ (4) / (5) ] / (6)	1.60

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

**RESIDUAL MARKET SHARE (using financial data)**

Policy Year Accumulated Standard Earned Premium @ 12/31/13

Residual Market Share excluding Large Deductible

Policy Year	(1) <u>Call #1</u>	(2) <u>Call #12</u>	(3) = (1) - (2) <u>Difference</u>	(4) <u>LCM</u>	(5) = (3) * (4) <u>VM @ RM</u> <u>DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2) / (6) <u>Ratio</u>
2004	153,099,622	48,297,295	104,802,327	1.3770	144,312,804	192,610,099	0.2508
2005	187,917,990	52,306,581	135,611,409	1.3551	183,767,020	236,073,601	0.2216
2006	207,377,156	43,418,825	163,958,331	1.3750	225,442,705	268,861,530	0.1615
2007	200,022,628	26,881,062	173,141,566	1.4008	242,536,706	269,417,768	0.0998
2008	151,168,530	16,836,988	134,331,542	1.3339	179,184,844	196,021,832	0.0859
2009	118,442,410	10,043,692	108,398,718	1.3403	145,286,802	155,330,494	0.0647
2010	106,377,308	8,737,658	97,639,650	1.3258	129,450,648	138,188,306	0.0632
2011	106,797,038	13,827,507	92,969,531	1.3114	121,920,243	135,747,750	0.1019
2012	115,082,916	21,004,334	94,078,582	1.3725	129,122,854	150,127,188	0.1399
2013	70,231,433	15,977,401	54,254,032	1.4240	77,257,742	93,235,143	0.1714

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) <u>Call #8</u>	(9) = (8) * (4) <u>VM @ RM</u> <u>DSR Level</u>	(10) = (6) + (9) <u>Total @ DSR</u>	(11) = (2) / (10) <u>Ratio</u>
2004	20,620,672	28,394,665	221,004,764	0.2185
2005	22,599,650	30,624,786	266,698,387	0.1961
2006	29,405,387	40,432,407	309,293,937	0.1404
2007	42,812,317	59,971,494	329,389,262	0.0816
2008	38,083,888	50,800,098	246,821,930	0.0682
2009	31,671,509	42,449,324	197,779,818	0.0508
2010	26,929,954	35,703,733	173,892,039	0.0502
2011	29,183,479	38,271,214	174,018,964	0.0795
2012	30,444,437	41,784,990	191,912,178	0.1094
2013	20,524,690	29,227,159	122,462,302	0.1305

**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 2012</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	316	3,645,179	15.78%	23.24%
2 Risks with Debit Mod ( > 1.0)	178	7,983,727	8.89%	50.90%
3 Total - Rated Risks	494	11,628,906	24.66%	74.14%
4 Non-Rated Risks	1,509	4,055,376	75.34%	25.86%
5 Total - All Assigned Risks	2,003	15,684,282	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	3,645,179	0.000	20.92%
2 Risks with Debit Mod ( > 1.0)	9,724,597	0.218	55.81%
3 Total - Rated Risks	13,369,776	0.150	76.73%
4 Non-Rated Risks	4,055,376	0.000	23.27%
5 Total - All Assigned Risks	17,425,152	0.111	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	0.1305
2	VMS	Voluntary Market Share (1 - ARMS)	0.8695
3	LRD	Loss Ratio Differential	1.60
4	PLR	Permissible Loss Ratio	0.5708
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.6 * 0.1305 + \text{VLR} * 0.8695 = 0.5708$$

$$\text{VLR} = 0.5294$$

$$\text{ARLR} = 1.6 * \text{VLR} = 0.847$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.3176$$

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

$$= (0.8) * (31.76\%) * (0.1305 / 0.8695)$$

$$= (0.8) * (31.76\%) * (0.1501)$$

$$= 3.81\%$$