

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 2008 - 2012

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	21,312,468	33,213,322	155.8	1,921,706	12,103,301	629.8	19,390,762	21,110,021	108.9	5.783
1,001-2,000	22,563,745	23,542,674	104.3	3,374,386	3,691,066	109.4	19,189,359	19,851,608	103.5	1.057
2,001-3,000	18,933,021	25,179,856	133.0	2,569,606	5,247,246	204.2	16,363,415	19,932,610	121.8	1.677
3,001-4,000	16,471,424	20,122,417	122.2	1,851,702	4,021,345	217.2	14,619,722	16,101,072	110.1	1.973
4,001-5,000	14,525,229	18,736,780	129.0	1,544,236	2,924,611	189.4	12,980,993	15,812,169	121.8	1.555
5,001-7,500	31,821,069	45,834,731	144.0	3,008,409	3,775,666	125.5	28,812,660	42,059,065	146.0	0.860
7,501-10,000	26,250,881	33,099,720	126.1	2,230,701	3,922,903	175.9	24,020,180	29,176,817	121.5	1.448
10,001-12,500	22,857,841	19,874,505	86.9	1,864,645	2,675,815	143.5	20,993,196	17,198,690	81.9	1.752
12,501-15,000	19,814,264	25,223,640	127.3	1,729,416	1,759,602	101.7	18,084,848	23,464,038	129.7	0.784
15,001-20,000	33,667,455	37,992,018	112.8	2,134,511	2,412,351	113.0	31,532,944	35,579,667	112.8	1.002
20,001-25,000	27,951,759	28,695,043	102.7	1,987,229	1,200,115	60.4	25,964,530	27,494,928	105.9	0.570
25,001-50,000	99,250,383	125,983,861	126.9	6,767,328	17,279,428	255.3	92,483,055	108,704,433	117.5	2.173
50,001-75,000	72,367,099	84,181,183	116.3	4,786,391	6,356,054	132.8	67,580,708	77,825,129	115.2	1.153
75,001-100,000	50,583,091	58,719,657	116.1	3,877,678	5,742,341	148.1	46,705,413	52,977,316	113.4	1.306
100,001-200,000	133,105,078	126,237,433	94.8	3,310,479	2,838,848	85.8	129,794,599	123,398,585	95.1	0.902
200,001-300,000	73,342,020	62,620,966	85.4	1,756,214	1,412,057	80.4	71,585,806	61,208,909	85.5	0.940
300,001-400,000	58,485,774	48,901,754	83.6	652,924	434,325	66.5	57,832,850	48,467,429	83.8	0.794
400,001-500,000	33,673,262	17,553,612	52.1	0	0	0.0	33,673,262	17,553,612	52.1	0.000
500,001-1,000,000	128,813,256	96,796,264	75.1	1,408,379	2,358,765	167.5	127,404,877	94,437,499	74.1	2.260
1,000,001 & higher	218,331,285	142,361,031	65.2	5,530,583	10,412,388	188.3	212,800,702	131,948,643	62.0	3.037
TOTALS	1,124,120,404	1,074,870,467	95.6	52,306,523	90,568,227	173.1	1,071,813,881	984,302,240	91.8	1.886

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

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2008 - 2012

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
2008	291,641,789	200,352,378	68.7	12,911,489	11,055,748	85.6	278,730,300	189,296,630	67.9
2009	223,322,573	215,938,030	96.7	7,580,734	9,212,108	121.5	215,741,839	206,725,922	95.8
2010	196,513,506	227,540,029	115.8	7,779,227	21,966,999	282.4	188,734,279	205,573,030	108.9
2011	199,370,256	227,565,145	114.1	10,322,022	23,200,066	224.8	189,048,234	204,365,079	108.1
2012	213,272,280	203,474,885	95.4	13,713,051	25,133,306	183.3	199,559,229	178,341,579	89.4
TOTALS	1,124,120,404	1,074,870,467	95.6	52,306,523	90,568,227	173.1	1,071,813,881	984,302,240	91.8

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2008	1.261
2009	1.268
2010	2.593
2011	2.080
2012	2.050
TOTAL 2008 - 2012	1.886

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0932	(4) D I P LOSS RATIO	173.1
(2) AVERAGE SURCHARGE	0.114	(5) VOLUNTARY MKT LOSS RATIO	91.8
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9883	(6) D I P SURCHARGE FACTOR	1.114
		(7) L R D [(4) / (5)] / (6)	1.69

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

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/14

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 DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2)/(6) <u>Ratio</u>
2005	187,916,305	52,306,581	135,609,724	1.3551	183,764,737	236,071,318	0.2216
2006	207,384,952	43,428,594	163,956,358	1.3750	225,439,992	268,868,586	0.1615
2007	200,019,803	26,881,061	173,138,742	1.4008	242,532,750	269,413,811	0.0998
2008	151,165,101	16,837,235	134,327,866	1.3339	179,179,940	196,017,175	0.0859
2009	118,435,279	10,040,385	108,394,894	1.3403	145,281,676	155,322,061	0.0646
2010	106,472,996	8,750,329	97,722,667	1.3258	129,560,712	138,311,041	0.0633
2011	106,692,746	13,823,909	92,868,837	1.3114	121,788,193	135,612,102	0.1019
2012	115,293,649	20,855,190	94,438,459	1.3733	129,692,336	150,547,526	0.1385
2013	134,793,202	29,714,043	105,079,159	1.4235	149,580,183	179,294,226	0.1657
2014	78,161,114	12,618,527	65,542,587	1.3986	91,667,862	104,286,389	0.1210

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) <u>Call #8</u>	(9) = (8)*(4) <u>VM @ RM DSR Level</u>	(10) = (6)+(9) <u>Total @ DSR</u>	(11) = (2)/(10) <u>Ratio</u>
2005	22,584,706	30,604,535	266,675,853	0.1961
2006	28,524,724	39,221,496	308,090,082	0.1410
2007	42,752,431	59,887,605	329,301,416	0.0816
2008	38,142,889	50,878,800	246,895,975	0.0682
2009	31,550,902	42,287,674	197,609,735	0.0508
2010	26,952,919	35,734,180	174,045,221	0.0503
2011	28,926,317	37,933,972	173,546,074	0.0797
2012	31,136,499	42,759,754	193,307,280	0.1079
2013	35,132,416	50,010,994	229,305,220	0.1296
2014	22,261,997	31,135,629	135,422,018	0.0932

**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 2013</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	397	5,441,976	17.40%	21.32%
2 Risks with Debit Mod (> 1.0)	220	12,128,129	9.64%	47.52%
3 Total - Rated Risks	617	17,570,105	27.04%	68.84%
4 Non-Rated Risks	1,665	7,953,305	72.96%	31.16%
5 Total - All Assigned Risks	2,282	25,523,410	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	5,441,976	0.000	19.15%
2 Risks with Debit Mod (> 1.0)	15,025,493	0.239	52.87%
3 Total - Rated Risks	20,467,469	0.165	72.02%
4 Non-Rated Risks	7,953,305	0.000	27.98%
5 Total - All Assigned Risks	28,420,774	0.114	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	0.0932
2	VMS	Voluntary Market Share (1 - ARMS)	0.9068
3	LRD	Loss Ratio Differential	1.69
4	PLR	Permissible Loss Ratio	0.5734
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.69 * 0.0932 + \text{VLR} * 0.9068 = 0.5734$$

$$\text{VLR} = 0.5388$$

$$\text{ARLR} = 1.69 * \text{VLR} = 0.9106$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.3718$$

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

$$= (0.8) * (37.18\%) * (0.0932 / 0.9068)$$

$$= (0.8) * (37.18\%) * (0.1028)$$

$$= 3.06\%$$