

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 2011 - 2015

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	22,356,015	25,091,854	112.2	1,982,916	7,249,689	365.6	20,373,099	17,842,165	87.6	4.174
1,001-2,000	23,486,298	26,590,899	113.2	4,135,831	10,287,150	248.7	19,350,467	16,303,749	84.3	2.950
2,001-3,000	19,043,700	14,630,356	76.8	2,520,531	2,524,963	100.2	16,523,169	12,105,393	73.3	1.367
3,001-4,000	17,009,586	19,866,857	116.8	2,104,048	4,726,113	224.6	14,905,538	15,140,744	101.6	2.211
4,001-5,000	15,645,463	18,354,750	117.3	1,747,211	4,248,133	243.1	13,898,252	14,106,617	101.5	2.395
5,001-7,500	34,142,260	36,209,829	106.1	3,582,858	4,929,344	137.6	30,559,402	31,280,485	102.4	1.344
7,501-10,000	28,303,413	30,619,903	108.2	2,868,657	3,306,517	115.3	25,434,756	27,313,386	107.4	1.074
10,001-12,500	24,162,378	20,553,875	85.1	2,315,378	4,726,417	204.1	21,847,000	15,827,458	72.4	2.819
12,501-15,000	20,324,768	21,795,326	107.2	1,884,810	2,682,871	142.3	18,439,958	19,112,455	103.6	1.374
15,001-20,000	34,596,049	37,072,179	107.2	2,726,531	3,815,107	139.9	31,869,518	33,257,072	104.4	1.340
20,001-25,000	29,482,517	35,255,018	119.6	2,523,992	4,352,015	172.4	26,958,525	30,903,003	114.6	1.504
25,001-50,000	104,935,635	132,577,344	126.3	9,561,921	27,687,121	289.6	95,373,714	104,890,223	110.0	2.633
50,001-75,000	73,090,842	82,711,060	113.2	6,065,137	10,357,015	170.8	67,025,705	72,354,045	107.9	1.583
75,001-100,000	55,268,656	51,126,410	92.5	4,612,460	5,547,762	120.3	50,656,196	45,578,648	90.0	1.337
100,001-200,000	153,312,092	150,907,164	98.4	8,248,975	10,497,269	127.3	145,063,117	140,409,895	96.8	1.315
200,001-300,000	79,492,704	78,217,710	98.4	5,037,647	4,927,858	97.8	74,455,057	73,289,852	98.4	0.994
300,001-400,000	61,486,636	63,393,799	103.1	1,276,824	987,923	77.4	60,209,812	62,405,876	103.6	0.747
400,001-500,000	33,311,971	23,268,963	69.9	889,610	367,541	41.3	32,422,361	22,901,422	70.6	0.585
500,001-1,000,000	108,676,960	77,151,993	71.0	2,757,396	2,368,638	85.9	105,919,564	74,783,355	70.6	1.217
1,000,001 & higher	217,996,688	176,191,569	80.8	9,271,634	22,698,618	244.8	208,725,054	153,492,951	73.5	3.331
TOTALS	1,156,124,631	1,121,586,858	97.0	76,114,367	138,288,064	181.7	1,080,010,264	983,298,794	91.0	1.997

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

DELAWARE INSURANCE PLAN EXPERIENCE  
Manual Years 2011 - 2015

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
2011	199,878,565	218,264,932	109.2	10,324,888	19,172,875	185.7	189,553,677	199,092,057	105.0
2012	207,677,183	196,562,699	94.6	13,553,232	24,192,480	178.5	194,123,951	172,370,219	88.8
2013	233,675,605	227,302,797	97.3	18,317,144	29,607,241	161.6	215,358,461	197,695,556	91.8
2014	252,798,904	215,744,455	85.3	16,716,120	23,243,497	139.0	236,082,784	192,500,958	81.5
2015	262,094,374	263,711,975	100.6	17,202,983	42,071,971	244.6	244,891,391	221,640,004	90.5
TOTALS	1,156,124,631	1,121,586,858	97.0	76,114,367	138,288,064	181.7	1,080,010,264	983,298,794	91.0

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2011	1.769
2012	2.010
2013	1.760
2014	1.706
2015	2.703
TOTAL 2011 - 2015	1.997

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0636	(4) D I P LOSS RATIO	181.7
(2) AVERAGE SURCHARGE	0.085	(5) VOLUNTARY MKT LOSS RATIO	91.0
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [ 1 - (1)*{1+(2)} ] / [ 1 - (1) ]	0.9942	(6) D I P SURCHARGE FACTOR	1.085
		(7) L R D [ (4) / (5) ] / (6)	1.84

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

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

Policy Year Accumulated Standard Earned Premium @ 12/31/17

**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>
2008	151,116,668	16,835,706	134,280,962	1.3339	179,117,375	195,953,081	0.0859
2009	119,111,548	10,040,618	109,070,930	1.3403	146,187,767	156,228,385	0.0643
2010	106,668,127	8,752,054	97,916,073	1.3258	129,817,130	138,569,184	0.0632
2011	106,486,886	13,822,925	92,663,961	1.3114	121,519,518	135,342,443	0.1021
2012	115,853,319	20,965,707	94,887,612	1.3735	130,328,135	151,293,842	0.1386
2013	136,243,045	30,457,147	105,785,898	1.4243	150,670,855	181,128,002	0.1682
2014	148,925,380	24,728,536	124,196,844	1.3974	173,552,670	198,281,206	0.1247
2015	148,305,623	25,798,328	122,507,295	1.4327	175,516,202	201,314,530	0.1281
2016	166,106,718	24,743,418	141,363,300	1.4260	201,584,066	226,327,484	0.1093
2017	94,347,392	10,800,914	83,546,478	1.4382	120,156,545	130,957,459	0.0825

**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>
2008	38,261,622	51,037,178	246,990,259	0.0682
2009	31,030,639	41,590,365	197,818,750	0.0508
2010	27,211,642	36,077,195	174,646,379	0.0501
2011	29,146,287	38,222,441	173,564,884	0.0796
2012	31,303,877	42,995,875	194,289,717	0.1079
2013	38,167,241	54,361,601	235,489,603	0.1293
2014	39,182,710	54,753,919	253,035,125	0.0977
2015	41,768,586	59,841,853	261,156,383	0.0988
2016	46,289,414	66,008,704	292,336,188	0.0846
2017	26,947,880	38,756,441	169,713,900	0.0636

**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 2016</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	411	6,016,704	20.89%	33.57%
2 Risks with Debit Mod ( > 1.0)	179	6,714,343	9.10%	37.47%
3 Total - Rated Risks	590	12,731,047	29.99%	71.04%
4 Non-Rated Risks	1,377	5,189,187	70.01%	28.96%
5 Total - All Assigned Risks	1,967	17,920,234	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	6,016,704	0.000	30.94%
2 Risks with Debit Mod ( > 1.0)	8,241,052	0.227	42.38%
3 Total - Rated Risks	14,257,756	0.120	73.32%
4 Non-Rated Risks	5,189,187	0.000	26.68%
5 Total - All Assigned Risks	19,446,943	0.085	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	0.0636
2	VMS	Voluntary Market Share (1 - ARMS)	0.9364
3	LRD	Loss Ratio Differential	1.84
4	PLR	Permissible Loss Ratio	0.5890
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.84 * 0.0636 + \text{VLR} * 0.9364 = 0.589$$

$$\text{VLR} = 0.5591$$

$$\text{ARLR} = 1.84 * \text{VLR} = 1.0287$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.4696$$

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

$$= (0.8) * (46.96\%) * (0.0636 / 0.9364)$$

$$= (0.8) * (46.96\%) * (0.0679)$$

$$= 2.55\%$$