

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 2012 - 2016

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	22,107,117	16,609,838	75.1	1,935,640	638,521	33.0	20,171,477	15,971,317	79.2	0.417
1,001-2,000	23,597,099	24,936,873	105.7	4,240,972	7,024,996	165.6	19,356,127	17,911,877	92.5	1.790
2,001-3,000	19,351,656	11,289,040	58.3	2,674,752	2,712,514	101.4	16,676,904	8,576,526	51.4	1.973
3,001-4,000	17,589,058	18,510,509	105.2	2,295,351	4,632,348	201.8	15,293,707	13,878,161	90.7	2.225
4,001-5,000	16,648,143	17,565,725	105.5	1,951,483	5,686,332	291.4	14,696,660	11,879,393	80.8	3.606
5,001-7,500	35,787,359	29,844,170	83.4	3,940,076	5,157,199	130.9	31,847,283	24,686,971	77.5	1.689
7,501-10,000	29,801,140	28,112,595	94.3	3,151,750	3,092,896	98.1	26,649,390	25,019,699	93.9	1.045
10,001-12,500	25,304,306	25,930,029	102.5	2,717,325	7,861,994	289.3	22,586,981	18,068,035	80.0	3.616
12,501-15,000	21,351,245	18,384,536	86.1	2,136,606	2,260,339	105.8	19,214,639	16,124,197	83.9	1.261
15,001-20,000	36,674,347	30,640,176	83.5	3,105,850	6,548,552	210.8	33,568,497	24,091,624	71.8	2.936
20,001-25,000	31,102,564	33,295,890	107.1	2,910,321	4,931,771	169.5	28,192,243	28,364,119	100.6	1.685
25,001-50,000	111,865,255	118,856,470	106.2	10,550,428	18,116,964	171.7	101,314,827	100,739,506	99.4	1.727
50,001-75,000	75,701,752	67,948,378	89.8	5,917,471	7,170,664	121.2	69,784,281	60,777,714	87.1	1.392
75,001-100,000	60,601,013	48,499,370	80.0	4,895,052	5,796,387	118.4	55,705,961	42,702,983	76.7	1.544
100,001-200,000	163,731,692	150,643,542	92.0	9,592,958	10,904,198	113.7	154,138,734	139,739,344	90.7	1.254
200,001-300,000	87,656,974	89,458,297	102.1	5,383,238	4,886,874	90.8	82,273,736	84,571,423	102.8	0.883
300,001-400,000	68,139,225	65,598,889	96.3	2,280,126	1,776,913	77.9	65,859,099	63,821,976	96.9	0.804
400,001-500,000	41,664,570	27,786,495	66.7	889,610	416,144	46.8	40,774,960	27,370,351	67.1	0.697
500,001-1,000,000	112,190,503	79,480,851	70.8	2,883,336	2,448,231	84.9	109,307,167	77,032,620	70.5	1.204
1,000,001 & higher	247,387,533	243,731,702	98.5	7,120,054	19,806,007	278.2	240,267,479	223,925,695	93.2	2.985
TOTALS	1,248,252,551	1,147,123,375	91.9	80,572,399	121,869,844	151.3	1,167,680,152	1,025,253,531	87.8	1.723

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

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2012 - 2016

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
2012	207,126,969	196,308,902	94.8	13,501,491	23,543,931	174.4	193,625,478	172,764,971	89.2
2013	232,660,743	221,952,905	95.4	18,293,394	28,090,521	153.6	214,367,349	193,862,384	90.4
2014	251,750,458	206,447,844	82.0	16,652,094	20,967,939	125.9	235,098,364	185,479,905	78.9
2015	260,223,787	231,746,866	89.1	17,010,656	30,210,823	177.6	243,213,131	201,536,043	82.9
2016	296,490,594	290,666,858	98.0	15,114,764	19,056,630	126.1	281,375,830	271,610,228	96.5
TOTALS	1,248,252,551	1,147,123,375	91.9	80,572,399	121,869,844	151.3	1,167,680,152	1,025,253,531	87.8

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2012	1.955
2013	1.699
2014	1.596
2015	2.142
2016	1.307
TOTAL 2012 - 2016	1.723

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0580	(4) D I P LOSS RATIO	151.3
(2) AVERAGE SURCHARGE	0.087	(5) VOLUNTARY MKT LOSS RATIO	87.8
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9946	(6) D I P SURCHARGE FACTOR	1.087
		(7) L R D [(4) / (5)] / (6)	1.59

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

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/18

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>
2009	119,127,305	10,040,618	109,086,687	1.3403	146,208,887	156,249,505	0.0643
2010	106,766,631	8,836,869	97,929,762	1.3258	129,835,278	138,672,147	0.0637
2011	106,498,278	13,826,290	92,671,988	1.3114	121,530,045	135,356,335	0.1021
2012	115,892,987	20,965,707	94,927,280	1.3735	130,382,619	151,348,326	0.1385
2013	136,078,619	30,487,416	105,591,203	1.4242	150,382,991	180,870,407	0.1686
2014	148,939,009	24,761,720	124,177,289	1.3974	173,525,344	198,287,064	0.1249
2015	148,098,475	25,808,839	122,289,636	1.4327	175,204,361	201,013,200	0.1284
2016	167,496,969	24,790,452	142,706,517	1.4259	203,485,223	228,275,675	0.1086
2017	177,988,990	22,388,041	155,600,949	1.4386	223,847,525	246,235,566	0.0909
2018	95,961,098	9,383,422	86,577,676	1.3443	116,386,370	125,769,792	0.0746

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>
2009	30,953,053	41,486,377	197,735,882	0.0508
2010	27,172,784	36,025,677	174,697,824	0.0506
2011	29,145,797	38,221,798	173,578,133	0.0797
2012	31,330,612	43,032,596	194,380,922	0.1079
2013	38,034,093	54,168,155	235,038,562	0.1297
2014	39,100,357	54,638,839	252,925,903	0.0979
2015	41,473,015	59,418,389	260,431,589	0.0991
2016	44,831,936	63,925,858	292,201,533	0.0848
2017	48,041,653	69,112,722	315,348,288	0.0710
2018	26,781,584	36,002,483	161,772,275	0.0580

**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 2017</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	463	6,644,161	22.54%	35.66%
2 Risks with Debit Mod (> 1.0)	167	6,706,876	8.13%	36.00%
3 Total - Rated Risks	630	13,351,037	30.67%	71.67%
4 Non-Rated Risks	1,424	5,278,378	69.33%	28.33%
5 Total - All Assigned Risks	2,054	18,629,415	100.00%	100.00%
		<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)		6,644,161	0.000	32.80%
2 Risks with Debit Mod (> 1.0)		8,335,960	0.243	41.15%
3 Total - Rated Risks		14,980,121	0.122	73.94%
4 Non-Rated Risks		5,278,378	0.000	26.06%
5 Total - All Assigned Risks		20,258,499	0.087	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	0.0580
2	VMS	Voluntary Market Share (1 - ARMS)	0.9420
3	LRD	Loss Ratio Differential	1.59
4	PLR	Permissible Loss Ratio	0.5750
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.59 * 0.058 + \text{VLR} * 0.942 = 0.575$$

$$\text{VLR} = 0.556$$

$$\text{ARLR} = 1.59 * \text{VLR} = 0.884$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.328$$

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

$$= (0.8) * (32.8\%) * (0.058 / 0.942)$$

$$= (0.8) * (32.8\%) * (0.0616)$$

$$= 1.62\%$$