

DELAWARE COMPENSATION RATING BUREAU, INC.

ACTUARIAL COMMITTEE

**Summary of Material for Modification of Experience
December 1, 2005 Residual Market Rate and Voluntary Market Loss Cost Revision**

As Filed

DELAWARE 2005 RESIDUAL MARKET RATE AND VOLUNTARY MARKET LOSS COST FILING

PROPOSED EFFECTIVE DATE - DECEMBER 1, 2005

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EXHIBIT I

INDICATED CHANGE IN RATE LEVEL

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(1a) Policy Year 2000 Loss and Loss Adjustment Expense Ratio	0.3397	0.4289	0.7686
(1b) Policy Year 2001 Loss and Loss Adjustment Expense Ratio	0.2751	0.3657	0.6408
(1c) Policy Year 2002 Loss and Loss Adjustment Expense Ratio	0.2786	0.3841	0.6627
(1d) Policy Year 2003 Loss and Loss Adjustment Expense Ratio	0.2759	0.3898	0.6657
(1e) Average (Midpoint = 7/1/2002)	0.2923	0.3921	0.6844
(2a) Policy Year 2000 Loss and LAE Ratio Trended to 12/1/2006	0.3433	0.4731	
(2b) Policy Year 2001 Loss and LAE Ratio Trended to 12/1/2006	0.2775	0.3967	
(2c) Policy Year 2002 Loss and LAE Ratio Trended to 12/1/2006	0.2806	0.4098	
(2d) Policy Year 2003 Loss and LAE Ratio Trended to 12/1/2006	0.2773	0.4091	
(2e) Average at 12/1/2006	0.2947	0.4222	0.7169
(3a) Excess Loss Factor at \$1,600,000			0.0954
(3b) Provision for Excess Loss (4a)-(2e)			0.0756
(4a) Total Trended Loss and LAE Ratio (2e)/(1.0-(3a))	0.3062	0.4863	0.7925
(4b) Percentage of Total	38.6%	61.4%	
(5) Permissible Loss and Loss Adjustment Ratio			0.7229
(6) Indicated Change in Rates (4a) / (5)			1.0963
(7) Estimated Effect of the 7/1/06 Benefit Change			1.0054
(8) Change in Residual Market Rate Level (6) * (7)			1.1022
(9) Change in Voluntary Market Loss Costs (8) * [0.7479 / 0.7552]			1.0915

CHANGES IN MANUAL PREMIUM LEVEL BY INDUSTRY GROUP

	Mfg.	Cont.	Other	Total
(10) Current Collectible Premium Ratio	1.1388	1.1212	1.0596	
(11) Proposed Collectible Premium Ratio	1.1134	1.1205	1.0706	
(12) Change in Collectible Premium Ratio (11) / (10)	0.9777	0.9994	1.0104	1.0025
(13) Change in Residual Market Manual Rate Level (8) * (12)	1.0776	1.1015	1.1137	1.1050
(14) Change in Voluntary Market Manual Loss Cost Level (9) * (12)	1.0672	1.0908	1.1029	1.0943
(15) Current Offset for Residual Market Surcharge				0.9783
(16) Proposed Offset for Residual Market Surcharge				0.9738
(17) Adjusted Change in Voluntary Market Manual Loss Cost Level (14) * (16)/(15)	1.0623	1.0858	1.0978	1.0893

EXHIBIT II
EXPENSE LOADING

	<u>Current %</u>	<u>Proposed %</u>
LOSS AND LOSS ADJUSTMENT EXPENSE		
Losses	64.54	64.65
Loss Adjustment Expense	8.37	7.64 a
Loss & Loss Adjustment	72.91	72.29
UNDERWRITING EXPENSES		
Commission	7.13	7.50
Other Acquisition	2.29	2.42
General Expenses	3.12	3.00
Premium Discount	10.58	10.81
State Premium Tax	2.00	2.00
Other State Tax	0.32	0.32
Uncollectible Premium	1.00	1.00
Administrative Assessment	2.61	2.50 b
Workers Compensation Fund	4.00	2.00
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	-5.96	-3.84
Underwriting Expense Total	27.09	27.71

a - As ratio to loss, Loss Adjustment Expense = 0.1182

b - As ratio to loss, Administrative Assessment = 0.0387

RESIDUAL MARKET MINIMUM PREMIUM:

It is proposed that the Minimum Premium formula be revised from $(200 * \text{Rate}) + \text{Expense Constant}$ to

$$(210 * \text{Rate}) + \text{Expense Constant}$$

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of \$3250.

It is proposed to use a multiplier of 105.00 in the Minimum Premium formula for the Farm Classes, (0006, 0016, 0034, 0036, 0083).

RESIDUAL MARKET EXPENSE CONSTANT:

It is proposed that the Expense Constant be increased from \$240 to \$250.

EXHIBIT III

INTERNAL RATE OF RETURN ANALYSIS STATE OF DELAWARE - 2005 TABLE I: INPUTS, ASSUMPTIONS & OUTPUTS

Section 1: Inputs & Assumptions		
(1)	Commissions *	7.50
(2)	Other Expenses	5.74
(2A)	Other Acquisitions *	2.42
(2B)	General Expenses *	3.00
(2C)	Other Tax **	0.32
(3)	State Premium Taxes & Uncollectible Premium	
(3A)	Tax1 - Premium Tax **	2.00
(3B)	Uncollectible Premium **	1.00
(3C)	Tax3 - Workers Compensation Fund **	2.00
(4)	Premium Discount ***	10.81
(5)	Deviations	0.00
(6)	Dividends to Policyholders	0.00
(7)	Premium Written	1,000,000
Investment Income		
(8A)	Pre-Tax Return on Assets	5.40
(8B)	Investment Income Tax Rate	1.27
(8C)	Post-Tax Return on Assets	4.13
(10)	Reserve to Surplus Ratio	2.73
(11)	Internal Rate of Return (Cost of Capital)	10.28
* Applies to standard premium at Bureau level (before premium discount)		
** Applies to net premium at company level (after deviations and premium discounts)		
*** Applies to standard premium at company level (after deviations)		

Section 2: Outputs		
(1)	Loss Ratio - including loss adjustment expense & loss based assessments	74.79
(2)	Profit & Contingencies	-3.84

EXHIBIT IV - 1

POLICY YEAR LOSS RATIO 2003*

(1) Standard Earned Premium Reported (Table I)			127,398,109
(2) Factor to 12/1/04 Rate Level (Exhibit V-1)			1.3333
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0124
(4) Expense Constant Removal Factor			0.9976
(5) DCCPAP On-Level Factor			0.9983
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			171,261,802
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	8,664,931	21,532,931	30,197,862
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	4.6158	2.5481	
(10) Ultimate Incurred Losses (8) * (9)	39,995,589	54,868,061	94,863,650
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	21,328,178	30,296,618	51,624,796
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	2.0488	2.2951	
(13) Ultimate Incurred Losses (11) * (12)	43,697,171	69,533,768	113,230,939
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	41,846,380	62,200,915	104,047,295
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	579,607	2,495,184	3,074,791
(16) Projected Ultimate Limited Losses (14) - (15)	41,266,773	59,705,731	100,972,504
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.0240	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	47,251,974	66,762,948	114,014,922
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2759	0.3898	0.6657
(21) Normalized Claim Frequency (Exhibit VII-3)	0.5245	0.5245	
(22) Severity Ratio** (20)/(21)	0.5260	0.7432	1.2692

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 2

POLICY YEAR LOSS RATIO 2002*

(1) Standard Earned Premium Reported (Table I)			113,831,879
(2) Factor to 12/1/04 Rate Level (Exhibit V-1)			1.4214
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0024
(4) Expense Constant Removal Factor			0.9976
(5) DCCPAP On-Level Factor			0.9983
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			161,524,641
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	16,494,087	26,307,413	42,801,500
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	2.3834	1.8636	
(10) Ultimate Incurred Losses (8) * (9)	39,312,007	49,026,495	88,338,502
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	26,873,079	33,624,895	60,497,974
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.5004	1.9668	
(13) Ultimate Incurred Losses (11) * (12)	40,320,368	66,133,443	106,453,811
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	39,816,188	57,579,969	97,396,157
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	1,462,803	2,101,074	3,563,877
(16) Projected Ultimate Limited Losses (14) - (15)	38,353,385	55,478,895	93,832,280
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.0494	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	45,005,361	62,036,500	107,041,861
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2786	0.3841	0.6627
(21) Normalized Claim Frequency (Exhibit VII-3)	0.5370	0.5370	
(22) Severity Ratio** (20)/(21)	0.5188	0.7153	1.2341

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 3

POLICY YEAR LOSS RATIO 2001*

(1) Standard Earned Premium Reported (Table I)			92,232,862
(2) Factor to 12/1/04 Rate Level (Exhibit V-1)			1.6999
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0022
(4) Expense Constant Removal Factor			0.9982
(5) DCCPAP On-Level Factor			0.9956
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			156,158,601
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	19,805,565	26,393,817	46,199,382
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.7173	1.6518	
(10) Ultimate Incurred Losses (8) * (9)	34,012,097	43,597,307	77,609,404
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	29,166,996	33,789,860	62,956,856
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2966	1.7663	
(13) Ultimate Incurred Losses (11) * (12)	37,817,927	59,683,030	97,500,957
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	35,915,012	51,640,169	87,555,181
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	128,037	573,989	702,026
(16) Projected Ultimate Limited Losses (14) - (15)	35,786,975	51,066,180	86,853,155
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.0736	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	42,962,246	57,102,202	100,064,448
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2751	0.3657	0.6408
(21) Normalized Claim Frequency (Exhibit VII-3)	0.5240	0.5240	
(22) Severity Ratio** (20)/(21)	0.5250	0.6979	1.2229

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 4

POLICY YEAR LOSS RATIO 2000*

(1) Standard Earned Premium Reported (Table I)			86,182,732
(2) Factor to 12/1/04 Rate Level (Exhibit V-1)			1.6148
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0001
(4) Expense Constant Removal Factor			0.9988
(5) DCCPAP On-Level Factor			0.9929
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			138,027,769
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	25,416,138	29,644,329	55,060,467
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.4607	1.5366	
(10) Ultimate Incurred Losses (8) * (9)	37,125,353	45,551,476	82,676,829
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	33,130,171	38,015,499	71,145,670
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1947	1.6263	
(13) Ultimate Incurred Losses (11) * (12)	39,580,615	61,824,606	101,405,221
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	38,352,984	53,688,041	92,041,025
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	200,249	747,596	947,845
(16) Projected Ultimate Limited Losses (14) - (15)	38,152,735	52,940,445	91,093,180
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.0991	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	46,890,231	59,198,006	106,088,237
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3397	0.4289	0.7686
(21) Normalized Claim Frequency (Exhibit VII-3)	0.6044	0.6044	
(22) Severity Ratio** (20)/(21)	0.5620	0.7096	1.2716

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 5

POLICY YEAR LOSS RATIO 1999*

(1) Standard Earned Premium Reported (Table I)			83,511,955
(2) Factor to 12/1/04 Rate Level (Exhibit V-1)			1.6377
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0004
(4) Expense Constant Removal Factor			0.9989
(5) DCCPAP On-Level Factor			0.9959
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			136,111,377
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	23,832,889	28,882,407	52,715,296
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.3330	1.4609	
(10) Ultimate Incurred Losses (8) * (9)	31,769,241	42,194,308	73,963,549
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	28,283,935	33,300,217	61,584,152
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1361	1.5220	
(13) Ultimate Incurred Losses (11) * (12)	32,133,379	50,682,930	82,816,309
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	31,951,310	46,438,619	78,389,929
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	233,178	576,215	809,393
(16) Projected Ultimate Limited Losses (14) - (15)	31,718,132	45,862,404	77,580,536
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.1269	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	39,968,005	51,283,340	91,251,345
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2936	0.3768	0.6704
(21) Normalized Claim Frequency (Exhibit VII-3)	0.6644	0.6644	
(22) Severity Ratio** (20)/(21)	0.4419	0.5671	1.0090

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 6

POLICY YEAR LOSS RATIO 1998*

(1) Standard Earned Premium Reported (Table I)			89,959,327
(2) Factor to 12/1/04 Rate Level (Exhibit V-2)			1.4213
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9986
(5) DCCPAP On-Level Factor			1.0001
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			127,692,957
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	19,975,475	25,519,321	45,494,796
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2588	1.4069	
(10) Ultimate Incurred Losses (8) * (9)	25,145,128	35,903,133	61,048,261
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	22,831,275	29,288,881	52,120,156
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0993	1.4415	
(13) Ultimate Incurred Losses (11) * (12)	25,098,421	42,219,922	67,318,343
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	25,121,775	39,061,528	64,183,303
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	156,760	348,998	505,758
(16) Projected Ultimate Limited Losses (14) - (15)	24,965,015	38,712,530	63,677,545
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.1539	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	32,212,134	43,288,351	75,500,485
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2523	0.3390	0.5913
(21) Normalized Claim Frequency (Exhibit VII-3)	0.6895	0.6895	
(22) Severity Ratio** (20)/(21)	0.3659	0.4917	0.8576

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 7

POLICY YEAR LOSS RATIO 1997*

(1) Standard Earned Premium Reported (Table I)			83,195,542
(2) Factor to 12/1/04 Rate Level (Exhibit V-2)			1.5400
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9979
(5) DCCPAP On-Level Factor			1.0081
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			128,887,682
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	21,181,735	24,879,145	46,060,880
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2111	1.3663	
(10) Ultimate Incurred Losses (8) * (9)	25,653,199	33,992,376	59,645,575
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	25,667,067	29,820,099	55,487,166
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0748	1.3775	
(13) Ultimate Incurred Losses (11) * (12)	27,586,964	41,077,186	68,664,150
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	26,620,082	37,534,781	64,154,863
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	243,131	784,324	1,027,455
(16) Projected Ultimate Limited Losses (14) - (15)	26,376,951	36,750,457	63,127,408
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.1793	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	34,783,108	41,094,361	75,877,469
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2699	0.3188	0.5887
(21) Normalized Claim Frequency (Exhibit VII-3)	0.7532	0.7532	
(22) Severity Ratio** (20)/(21)	0.3583	0.4233	0.7816

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 8

POLICY YEAR LOSS RATIO 1996*

(1) Standard Earned Premium Reported (Table I)			80,008,766
(2) Factor to 12/1/04 Rate Level (Exhibit V-2)			1.6185
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9973
(5) DCCPAP On-Level Factor			1.0131
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			130,836,347
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	24,412,883	26,041,052	50,453,935
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1780	1.3345	
(10) Ultimate Incurred Losses (8) * (9)	28,758,376	34,751,784	63,510,160
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	26,878,104	30,722,686	57,600,790
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0576	1.3258	
(13) Ultimate Incurred Losses (11) * (12)	28,426,283	40,732,137	69,158,420
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	28,592,330	37,741,961	66,334,291
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	59,342	203,998	263,340
(16) Projected Ultimate Limited Losses (14) - (15)	28,532,988	37,537,963	66,070,951
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.2024	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	38,363,278	41,974,950	80,338,228
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2932	0.3208	0.6140
(21) Normalized Claim Frequency (Exhibit VII-3)	0.8268	0.8268	
(22) Severity Ratio** (20)/(21)	0.3546	0.3880	0.7426

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 9

POLICY YEAR LOSS RATIO 1995*

(1) Standard Earned Premium Reported (Table I)			74,392,224
(2) Factor to 12/1/04 Rate Level (Exhibit V-2)			1.6140
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9971
(5) DCCPAP On-Level Factor			1.0112
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			121,061,723
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	21,626,400	23,961,389	45,587,789
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1537	1.3089	
(10) Ultimate Incurred Losses (8) * (9)	24,950,378	31,363,062	56,313,440
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	23,082,163	27,328,518	50,410,681
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0449	1.2836	
(13) Ultimate Incurred Losses (11) * (12)	24,118,552	35,078,886	59,197,438
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	24,534,465	33,220,974	57,755,439
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	260,790	629,089	889,879
(16) Projected Ultimate Limited Losses (14) - (15)	24,273,675	32,591,885	56,865,560
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.2267	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	33,296,101	36,444,246	69,740,347
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2750	0.3010	0.5760
(21) Normalized Claim Frequency (Exhibit VII-3)	0.8779	0.8779	
(22) Severity Ratio** (20)/(21)	0.3132	0.3429	0.6561

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 10

POLICY YEAR LOSS RATIO 1994*

(1) Standard Earned Premium Reported (Table I)			78,696,683
(2) Factor to 12/1/04 Rate Level (Exhibit V-2)			1.4866
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9942
(5) DCCPAP On-Level Factor			1.0129
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			117,812,368
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	20,355,528	21,549,662	41,905,190
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1349	1.2872	
(10) Ultimate Incurred Losses (8) * (9)	23,101,489	27,738,725	50,840,214
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	21,453,987	25,068,350	46,522,337
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0352	1.2488	
(13) Ultimate Incurred Losses (11) * (12)	22,209,167	31,305,355	53,514,522
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	22,655,328	29,522,040	52,177,368
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	170,500	374,358	544,858
(16) Projected Ultimate Limited Losses (14) - (15)	22,484,828	29,147,682	51,632,510
(17) Factor to 6/6/05 Benefit Level (Exhibit V-3)	1.2470	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1182	1.1182	
(19) Adjusted Losses (16) * (17) * (18)	31,352,741	32,592,938	63,945,679
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2661	0.2767	0.5428
(21) Normalized Claim Frequency (Exhibit VII-3)	0.8737	0.8737	
(22) Severity Ratio** (20)/(21)	0.3046	0.3167	0.6213

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT V - 1
POLICY YEARS 1999-2003
PREMIUM ON-LEVEL FACTORS

POLICY YEAR		(1) RATE CHANGE DATE	(2) RATE CHANGE	(3) CUM. INDEX OF COL (2)	(4) PORTION OF YEAR ON-LEVEL	(5) PRODUCT (3) * (4)	FACTOR TO ADJUST TO 12/1/04 RATE LEVEL	
2003	VOL	12/01/02	BASE	0.7318 *	0.7052	0.5161	1.3333	
		12/01/03	0.9328	0.6826	0.0596	0.0407		
		12/01/04	1.1620	0.7932	-----	-----		
					0.7648	0.5568		
	RM	12/01/02	BASE	1.0000	1.0000	0.2223		0.2223
		12/01/03	0.9291	0.9291	0.0129	0.0120		
		12/01/04	1.1353	1.0548	-----	-----		
					0.2352	0.2343		
	TOTAL					0.7911		
	2002	VOL	12/01/01	BASE	0.7352 **	0.7324		0.5385
12/01/02			1.0618	0.7806	0.0697	0.0544		
12/01/03			1.0839	0.8461	-----	-----		
to 12/1/04					0.8021	0.5929		
RM		12/01/01	BASE	1.0000	1.0000	0.1856	0.1856	
		12/01/02	1.0667	1.0667	0.0123	0.0131		
		12/01/03	1.0548	1.1252	-----	-----		
		to 12/1/04			0.1979	0.1987		
TOTAL						0.7916		
2001		VOL	12/01/99	BASE	0.7849 ***	0.2048	0.1607	1.6999
	3/01/01		0.9079	0.7126	0.6280	0.4475		
	12/01/01		1.1780	0.8394	0.0730	0.0613		
	12/01/02		1.1509	0.9661	-----	-----		
	to 12/1/04			0.9058	0.6695			
	RM	12/01/99	BASE	1.0000	1.0000	0.0114	0.0114	
		3/01/01	0.8885	0.8885	0.0781	0.0694		
		12/01/01	1.2850	1.1417	0.0047	0.0054		
		12/01/02	1.1252	1.2846	-----	-----		
	to 12/1/04			0.0942	0.0862			
TOTAL					0.7557			
2000	VOL	12/01/99	BASE	0.7849 ***	0.9506	0.7461	1.6148	
		3/01/01	0.9079	0.7126	-----	-----		
		12/01/01	1.3558	0.9661	-----	-----		
		to 12/1/04			0.9506	0.7461		
	RM	12/01/99	BASE	1.0000	1.0000	0.0494		0.0494
		3/01/01	0.8885	0.8885	-----	-----		
		12/01/01	1.4458	1.2846	-----	-----		
		to 12/1/04			0.0494	0.0494		
	TOTAL					0.7955		
	1999	VOL	10/01/98	BASE	0.7821 ****	0.9082		0.7103
12/01/99			1.0086	0.7888	0.0653	0.0515		
3/01/01			1.2309	0.9709	-----	-----		
to 12/1/04					0.9735	0.7618		
RM		10/01/98	BASE	1.0000	1.0000	0.0256	0.0256	
		12/01/99	1.0050	1.0050	0.0009	0.0009		
		3/01/01	1.2846	1.2910	-----	-----		
		to 12/1/04			0.0265	0.0265		
TOTAL						0.7883		

* Loss, LAE and LBA portion of 12/1/02 rate.
** Loss & LAE and LBA portion of 12/1/01 rate.
*** Loss & LAE and LBA portion of 12/1/99 rate.
**** Loss & LAE and LBA portion of 10/1/98 rate.

EXHIBIT V - 2
POLICY YEARS 1994 - 1998
PREMIUM ON-LEVEL FACTORS

POLICY YEAR		(1) RATE CHANGE DATE	(2) RATE CHANGE	(3) CUM. INDEX OF COL (2)	(4) PORTION OF YEAR ON-LEVEL	(5) PRODUCT (3) * (4)	FACTOR TO ADJUST TO 12/1/04 RATE LEVEL	
1998	VOL	8/01/97	BASE	0.7818 *	0.7905	0.6180		
		10/01/98	0.8503	0.6648	0.1615	0.1074		
		12/01/99 to 12/1/04	1.2415	0.8253	----- 0.9520	----- 0.7254		
	RM	8/01/97	BASE	1.0000	0.0390	0.0390		
		10/01/98	0.8500	0.8500	0.0090	0.0077		
		12/01/99 to 12/1/04	1.2910	1.0974	----- 0.0480	----- 0.0467		
	TOTAL						0.7721	1.4213
	1997	VOL	8/01/94	BASE	0.7143 **	0.5678	0.4056	
			8/01/97	1.2236	0.8740	0.3532	0.3087	
			10/01/98 to 12/1/04	1.0556	0.9226	----- 0.9210	----- 0.7143	
RM		8/01/94	BASE	1.0000	0.0510	0.0510		
		8/01/97	1.1179	1.1179	0.0280	0.0313		
		10/01/98 to 12/1/04	1.0974	1.2268	----- 0.0790	----- 0.0823		
TOTAL						0.7966	1.5400	
1996		VOL	8/01/94	BASE	0.7143 **	0.8470	0.6050	
			8/01/97	1.2917	0.9227	----- 0.8470	----- 0.6050	
			to 12/1/04					
	RM	8/01/94	BASE	1.0000	0.1530	0.1530		
		8/01/97 to 12/1/04	1.2268	1.2268	----- 0.1530	----- 0.1530		
TOTAL						0.7580	1.6185	
1995	VOL	8/01/94	BASE	0.7143 **	0.8397	0.5998		
		8/01/97	1.2917	0.9227	----- 0.8397	----- 0.5998		
		to 12/1/04						
	RM	8/01/94	BASE	1.0000	0.1603	0.1603		
		8/01/97 to 12/1/04	1.2268	1.2268	----- 0.1603	----- 0.1603		
TOTAL						0.7601	1.6140	
1994	VOL	2/01/88	BASE	0.6970 ***	0.0000	0.0000		
		8/01/94	1.2094	0.8430	0.2423	0.2043		
		8/01/97	1.2917	1.0889	----- 0.2423	----- 0.2043		
		to 12/1/04						
	RM	2/01/88	BASE	1.0000	0.6920	0.6920		
		8/01/94	1.1800	1.1800	0.0657	0.0775		
		8/01/97	1.2268	1.4476	----- 0.7577	----- 0.7695		
		to 12/1/04						
TOTAL						0.9738	1.4866	

* Loss, LAE and LBA portion of 8/1/97 rate.
** Loss & LAE and LBA portion of 8/1/94 rate.
*** Loss & LAE and LBA portion of 2/1/88 rate.

EXHIBIT V - 3
POLICY YEARS 1994 - 2003
INDEMNITY LOSS ON-LEVEL FACTORS

<u>POLICY YEAR</u>	<u>(1) LAW AMENDMENT DATE</u>	<u>(2) BENEFIT CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 6/6/05 BENEFIT LEVEL</u>
2003	6/14/02	BASE	1.0000	0.0915	0.0915	1.0240
	6/04/03	1.0284	1.0284	0.7235	0.7440	
	5/21/04	1.0094	1.0381	0.1850	0.1920	
	6/06/05	1.0136	1.0522	----- 1.0000	----- 1.0275	
2002	6/20/01	BASE	1.0000	0.1038	0.1038	1.0494
	6/14/02	1.0207	1.0207	0.7325	0.7477	
	6/04/03	1.0284	1.0497	0.1637	0.1718	
	5/21/04	1.0231	1.0739	----- 1.0000	----- 1.0233	
	TO 6/06/05					
2001	6/12/00	BASE	1.0000	0.1115	0.1115	1.0736
	6/20/01	1.0242	1.0242	0.7403	0.7582	
	6/14/02	1.0207	1.0454	0.1482	0.1549	
	6/04/03	1.0522	1.1000	----- 1.0000	----- 1.0246	
	TO 6/06/05					
2000	6/15/99	BASE	1.0000	0.1013	0.1013	1.0991
	6/12/00	1.0260	1.0260	0.7594	0.7791	
	6/20/01	1.0242	1.0508	0.1393	0.1464	
	6/14/02	1.0740	1.1286	----- 1.0000	----- 1.0268	
	TO 6/06/05					
1999	6/11/98	BASE	1.0000	0.1050	0.1050	1.1269
	6/15/99	1.0237	1.0237	0.7437	0.7613	
	6/12/00	1.0260	1.0503	0.1513	0.1589	
	6/20/01	1.1000	1.1553	----- 1.0000	----- 1.0252	
	TO 6/06/05					
1998	6/18/97	BASE	1.0000	0.1000	0.1000	1.1539
	6/11/98	1.0221	1.0221	0.7533	0.7699	
	6/15/99	1.0237	1.0463	0.1467	0.1535	
	6/12/00	1.1286	1.1809	----- 1.0000	----- 1.0234	
	TO 6/06/05					
1997	6/03/96	BASE	1.0000	0.1089	0.1089	1.1793
	6/18/97	1.0193	1.0193	0.7383	0.7525	
	6/11/98	1.0221	1.0418	0.1528	0.1592	
	6/15/99	1.1553	1.2036	----- 1.0000	----- 1.0206	
	TO 6/06/05					
1996	6/15/95	BASE	1.0000	0.0868	0.0868	1.2024
	6/03/96	1.0212	1.0212	0.7665	0.7827	
	6/18/97	1.0193	1.0409	0.1467	0.1527	
	6/11/98	1.1808	1.2291	----- 1.0000	----- 1.0222	
	TO 6/06/05					
1995	6/14/94	BASE	1.0000	0.1050	0.1050	1.2267
	6/15/95	1.0157	1.0157	0.7249	0.7363	
	6/03/96	1.0212	1.0372	0.1701	0.1764	
	6/18/97	1.2036	1.2484	----- 1.0000	----- 1.0177	
	TO 6/06/05					
1994	7/01/93	BASE	1.0000	0.1050	0.1050	1.2470
	6/14/94	1.0111	1.0111	0.7483	0.7566	
	6/15/95	1.0157	1.0270	0.1467	0.1507	
	6/03/96	1.2291	1.2623	----- 1.0000	----- 1.0123	
	TO 6/06/05					

EXHIBIT VI - 1

DEVELOPMENT FACTORS

PREMIUM

<u>Reports in Ratio</u>	<u>Calendar Years 03-04</u>	<u>Calendar Years 02-03</u>	<u>Calendar Years 01-02</u>	<u>Calendar Years 00-01</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>
2nd to 1st	0.9914	1.0179	1.0073	1.0235	1.0100	1.0124
3rd to 2nd	0.9953	1.0031	1.0004	1.0020	1.0002	1.0024
4th to 3rd	0.9985	1.0000	1.0032	1.0065	1.0021	1.0022
5th to 4th	0.9956	1.0049	0.9936	1.0046	0.9997	1.0001
6th to 5th	1.0035	1.0004	0.9967	1.0009	1.0004	1.0004
7th to 6th	0.9999	1.0002	0.9993	1.0007	1.0000	1.0000
8th to 7th	0.9999	1.0001	0.9996	1.0003	1.0000	1.0000
9th to 8th	1.0002	1.0004	0.9997	1.0000	1.0000 *	1.0000
10th to 9th	1.0000	1.0000	1.0000	1.0009	1.0000 *	1.0000
11th to 10th	1.0001	1.0012	1.0003	1.0003	1.0000 *	1.0000
12th to 11th	1.0000	1.0003	1.0000	1.0001	1.0000 *	1.0000
13th to 12th	1.0001	1.0000	1.0001	0.9994	1.0000 *	1.0000
14th to 13th	1.0000	1.0000	1.0000	1.0000	1.0000 *	1.0000
15th to 14th	1.0000	1.0000	1.0000	1.0007	1.0000 *	1.0000
16th to 15th	1.0000	1.0000	1.0000	0.9998	1.0000 *	1.0000
17th to 16th	1.0000	1.0000	1.0000	0.9951	1.0000 *	1.0000
18th to 17th	1.0000	1.0000	1.0000	0.9956	1.0000 *	1.0000
19th to 18th	1.0000	1.0000	1.0000	0.9996	1.0000 *	1.0000
20th to 19th	1.0000	1.0001	1.0000	1.0000	1.0000 *	1.0000
Beyond 20th	0.9722	1.0046	1.0000	1.0018	1.0000 *	1.0000

* Selected

EXHIBIT VI - 2

DEVELOPMENT FACTORS

**INDEMNITY LOSSES
PAID METHOD - LIMITED LOSS BASIS**

Reports in Ratio		Calendar Years <u>03-04</u>	Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	a	1.9616	2.0449	1.9410	1.7987	1.9366	1.9366	4.6158
3rd to 2nd	a	1.4171	1.3738	1.4009	1.3587	1.3876	1.3879	2.3834
4th to 3rd	a	1.2447	1.1785	1.1256	1.1638	1.1782	1.1757	1.7173
5th to 4th	a	1.0956	1.1027	1.0691	1.0889	1.0891	1.0958	1.4607
6th to 5th	a	1.0538	1.0944	1.0869	1.0316	1.0667	1.0589	1.3330
7th to 6th	a	1.0549	1.0313	1.0299	1.0229	1.0348	1.0394	1.2588
8th to 7th	a	1.0275	1.0186	1.0334	1.0401	1.0299	1.0281	1.2111
9th to 8th	a	1.0149	1.0302	1.0153	1.0194	1.0200	1.0211	1.1780
10th to 9th	a	1.0089	1.0257	1.0095	1.0155	1.0149	1.0165	1.1537
11th to 10th	a	1.0240	1.0026	1.0117	1.0072	1.0114	1.0134	1.1349
12th to 11th	a	1.0256	1.0223	1.0044	1.0138	1.0165	1.0113	1.1199
13th to 12th	a	1.0062	1.0181	1.0144	1.0084	1.0118	1.0098	1.1074
14th to 13th	a	1.0078	1.0033	1.0162	1.0052	1.0081	1.0087	1.0967
15th to 14th	a	1.0046	1.0046	1.0058	1.0084	1.0059	1.0079	1.0872
16th to 15th	a	1.0081	1.0108	1.0084	1.0049	1.0081	1.0073	1.0787
17th to 16th	a	1.0080	1.0046	1.0029	1.0021	1.0044	1.0068	1.0709
18th to 17th	a	1.0098	1.0080	1.0040	1.0072	1.0073	1.0065	1.0636
19th to 18th	a	0.9961	1.0145	1.0130	1.0086	1.0081	1.0063	1.0568
20th to 19th	b	1.0288	1.0582	1.0275	1.0903	1.0512	1.0512	1.0501
Beyond 20th	c	0.9550	0.9761	0.9780	1.0867	0.9990	0.9990	0.9990

INCURRED METHOD

Reports in Ratio		Calendar Years <u>03-04</u>	Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	c	1.3002	1.4369	1.4229	1.2942	1.3636	1.3655	2.0488
3rd to 2nd	c	1.1974	1.1400	1.2368	1.0950	1.1673	1.1572	1.5004
4th to 3rd	c	1.1196	1.0765	1.0670	1.0313	1.0736	1.0853	1.2966
5th to 4th	c	1.0761	1.0794	1.0236	1.0117	1.0477	1.0516	1.1947
6th to 5th	c	1.0362	1.1036	1.0207	1.0062	1.0417	1.0334	1.1361
7th to 6th	c	1.0831	1.0108	1.0247	1.0100	1.0322	1.0228	1.0993
8th to 7th	c	1.0102	1.0091	1.0001	0.9968	1.0041	1.0163	1.0748
9th to 8th	c	1.0093	0.9907	1.0136	1.0049	1.0046	1.0121	1.0576
10th to 9th	c	1.0167	1.0203	1.0099	0.9991	1.0115	1.0094	1.0449
11th to 10th	c	1.0152	0.9916	1.0065	1.0291	1.0106	1.0075	1.0352
12th to 11th	c	1.0076	1.0125	1.0114	1.0124	1.0110	1.0062	1.0275
13th to 12th	c	1.0058	1.0203	1.0183	0.9999	1.0111	1.0052	1.0212
14th to 13th	c	1.0128	0.9867	1.0022	0.9974	0.9998	1.0044	1.0159
15th to 14th	c	1.0031	1.0053	1.0008	1.0056	1.0037	1.0037	1.0114
16th to 15th	c	0.9964	1.0015	0.9930	1.0180	1.0022	1.0030	1.0077
17th to 16th	c	1.0042	1.0037	0.9898	1.0179	1.0039	1.0024	1.0047
18th to 17th	c	0.9940	1.0036	0.9943	1.0091	1.0003	1.0018	1.0023
19th to 18th	c	1.0134	1.0037	0.9894	0.9931	0.9999	1.0011	1.0005
20th to 19th	c	1.0047	0.9970	0.9921	1.0075	1.0003	1.0004	0.9994
Beyond 20th	c	0.9550	0.9761	0.9780	1.0867	0.9990	0.9990	0.9990

- a** From Table I-D
- b** 19th (Paid - Table I-D) to 20th (Incurred - Table 1-B)
- c** From Table I-B

EXHIBIT VI - 3

**FITTED DEVELOPMENT FACTORS
INDEMNITY LOSSES**

Paid Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.9366	0.9366	0.9366	1.9366
3rd to 2nd	1.3876	0.3876	0.3879	1.3879
4th to 3rd	1.1782	0.1782	0.1757	1.1757
5th to 4th	1.0891	0.0891	0.0958	1.0958
6th to 5th	1.0667	0.0667	0.0589	1.0589
7th to 6th	1.0348	0.0348	0.0394	1.0394
8th to 7th	1.0299	0.0299	0.0281	1.0281
9th to 8th	1.0200	0.0200	0.0211	1.0211
10th to 9th	1.0149	0.0149	0.0165	1.0165
11th to 10th	1.0114	0.0114	0.0134	1.0134
12th to 11th	1.0165	0.0165	0.0113	1.0113
13th to 12th	1.0118	0.0118	0.0098	1.0098
14th to 13th	1.0081	0.0081	0.0087	1.0087
15th to 14th	1.0059	0.0059	0.0079	1.0079
16th to 15th	1.0081	0.0081	0.0073	1.0073
17th to 16th	1.0044	0.0044	0.0068	1.0068
18th to 17th	1.0073	0.0073	0.0065	1.0065
19th to 18th	1.0081	0.0081	0.0063	1.0063
20th to 19th *	1.0512	0.0512	0.0512	1.0512

$Y = a+b/x+c/x^2+d/x^3+e/x^4$

a = 0.009169 b = -0.173139 c = 2.186234 d = -0.214355 e = -0.871314

* Paid-Incurred 4 year average

Incurred Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.3636	0.3636	0.3655	1.3655
3rd to 2nd	1.1673	0.1673	0.1572	1.1572
4th to 3rd	1.0736	0.0736	0.0853	1.0853
5th to 4th	1.0477	0.0477	0.0516	1.0516
6th to 5th	1.0417	0.0417	0.0334	1.0334
7th to 6th	1.0322	0.0322	0.0228	1.0228
8th to 7th	1.0041	0.0041	0.0163	1.0163
9th to 8th	1.0046	0.0046	0.0121	1.0121
10th to 9th	1.0115	0.0115	0.0094	1.0094
11th to 10th	1.0106	0.0106	0.0075	1.0075
12th to 11th	1.0110	0.0110	0.0062	1.0062
13th to 12th	1.0111	0.0111	0.0052	1.0052
14th to 13th	0.9998	-0.0002	0.0044	1.0044
15th to 14th	1.0037	0.0037	0.0037	1.0037
16th to 15th	1.0022	0.0022	0.0030	1.0030
17th to 16th	1.0039	0.0039	0.0024	1.0024
18th to 17th	1.0003	0.0003	0.0018	1.0018
19th to 18th	0.9999	-0.0001	0.0011	1.0011
20th to 19th	1.0003	0.0003	0.0004	1.0004
Beyond 20th +	0.9990	-0.0010	-0.0010	0.9990

$Y = a+b*\log(x)+c*\log(x)^2+d*\log(x)^3$

a = 0.365454 b = -0.392049 c = 0.144770 d = -0.018248

+ Selected four year average

EXHIBIT VI - 4

DEVELOPMENT FACTORS

**MEDICAL LOSSES
PAID METHOD - LIMITED LOSS BASIS**

Reports in Ratio		Calendar Years <u>03-04</u>	Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	a	1.3110	1.3828	1.4266	1.3483	1.3672	1.3673	2.5481
3rd to 2nd	a	1.1390	1.1707	1.1122	1.0945	1.1291	1.1282	1.8636
4th to 3rd	a	1.0964	1.0775	1.0634	1.0574	1.0737	1.0750	1.6518
5th to 4th	a	1.0460	1.0525	1.0587	1.0399	1.0493	1.0518	1.5366
6th to 5th	a	1.0477	1.0544	1.0422	1.0230	1.0418	1.0384	1.4609
7th to 6th	a	1.0436	1.0286	1.0240	1.0288	1.0313	1.0297	1.4069
8th to 7th	a	1.0180	1.0349	1.0347	1.0175	1.0263	1.0238	1.3663
9th to 8th	a	1.0159	1.0178	1.0046	1.0208	1.0148	1.0196	1.3345
10th to 9th	a	1.0162	1.0138	1.0240	1.0097	1.0159	1.0168	1.3089
11th to 10th	a	1.0191	1.0212	1.0158	1.0088	1.0162	1.0148	1.2872
12th to 11th	a	1.0187	1.0092	1.0106	1.0088	1.0118	1.0135	1.2685
13th to 12th	a	1.0123	1.0075	1.0166	1.0092	1.0114	1.0125	1.2516
14th to 13th	a	1.0153	1.0121	1.0147	1.0107	1.0132	1.0117	1.2361
15th to 14th	a	1.0134	1.0202	1.0085	1.0084	1.0126	1.0111	1.2218
16th to 15th	a	1.0080	1.0191	1.0102	1.0030	1.0101	1.0105	1.2084
17th to 16th	a	1.0121	1.0121	1.0067	1.0101	1.0103	1.0099	1.1959
18th to 17th	a	1.0080	1.0132	1.0090	1.0102	1.0101	1.0091	1.1841
19th to 18th	a	1.0013	1.0158	1.0099	1.0028	1.0075	1.0081	1.1735
20th to 19th	b	1.0613	1.0614	1.0327	0.8552	1.0027	1.0518	1.1640
Beyond 20th	c	1.1073	1.1039	1.2146	1.0009	1.1067	1.1067	1.1067

INCURRED METHOD

Reports in Ratio		Calendar Years <u>03-04</u>	Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	c	1.1148	1.1600	1.2303	1.1537	1.1647	1.1669	2.2951
3rd to 2nd	c	1.2048	1.1509	1.0809	1.0479	1.1211	1.1135	1.9668
4th to 3rd	c	1.1765	1.0721	1.0422	1.0548	1.0864	1.0861	1.7663
5th to 4th	c	1.0828	1.0413	1.0541	1.0408	1.0548	1.0685	1.6263
6th to 5th	c	1.0621	1.1211	1.0651	1.0284	1.0692	1.0559	1.5220
7th to 6th	c	1.0585	1.0331	1.0312	1.0421	1.0412	1.0464	1.4415
8th to 7th	c	1.0218	1.0640	1.0372	1.0136	1.0342	1.0390	1.3775
9th to 8th	c	1.0440	1.0170	1.0171	1.0252	1.0258	1.0329	1.3258
10th to 9th	c	1.0944	1.0525	1.0148	1.0089	1.0427	1.0279	1.2836
11th to 10th	c	1.0048	1.0276	1.0202	1.0049	1.0144	1.0237	1.2488
12th to 11th	c	1.0170	1.0169	1.0221	1.0132	1.0173	1.0202	1.2199
13th to 12th	c	1.0315	1.0394	1.0181	1.0079	1.0242	1.0171	1.1957
14th to 13th	c	1.0349	1.0130	1.0097	1.0086	1.0166	1.0144	1.1756
15th to 14th	c	1.0357	1.0331	1.0089	0.9985	1.0191	1.0121	1.1589
16th to 15th	c	1.0021	1.0174	1.0068	1.0033	1.0074	1.0101	1.1451
17th to 16th	c	1.0159	1.0155	0.9915	1.0070	1.0075	1.0082	1.1336
18th to 17th	c	1.0037	1.0088	0.9975	1.0059	1.0040	1.0067	1.1244
19th to 18th	c	1.0292	1.0220	1.0153	1.0003	1.0167	1.0052	1.1169
20th to 19th	c	1.0239	1.0000	1.0040	0.9381	0.9915	1.0040	1.1111
Beyond 20th	c	1.1073	1.1039	1.2146	1.0009	1.1067	1.1067	1.1067

- a** From Table I-E
- b** 19th (Paid - Table I-E) to 20th (Incurred - Table 1-C)
- c** From Table I-C

EXHIBIT VI - 5

FITTED DEVELOPMENT FACTORS

MEDICAL LOSSES

Paid Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.3672	0.3672	0.3673	1.3673
3rd to 2nd	1.1291	0.1291	0.1282	1.1282
4th to 3rd	1.0737	0.0737	0.0750	1.0750
5th to 4th	1.0493	0.0493	0.0518	1.0518
6th to 5th	1.0418	0.0418	0.0384	1.0384
7th to 6th	1.0313	0.0313	0.0297	1.0297
8th to 7th	1.0263	0.0263	0.0238	1.0238
9th to 8th	1.0148	0.0148	0.0196	1.0196
10th to 9th	1.0159	0.0159	0.0168	1.0168
11th to 10th	1.0162	0.0162	0.0148	1.0148
12th to 11th	1.0118	0.0118	0.0135	1.0135
13th to 12th	1.0114	0.0114	0.0125	1.0125
14th to 13th	1.0132	0.0132	0.0117	1.0117
15th to 14th	1.0126	0.0126	0.0111	1.0111
16th to 15th	1.0101	0.0101	0.0105	1.0105
17th to 16th	1.0103	0.0103	0.0099	1.0099
18th to 17th	1.0101	0.0101	0.0091	1.0091
19th to 18th	1.0075	0.0075	0.0081	1.0081
20th to 19th *	1.0027	0.0027	0.0518	1.0518

$Y = a+b*\log(x)+c*\log(x)^2+d*\log(x)^3+e*\log(x)^4+f*\log(x)^5$

$a = 0.367288 \quad b = -0.592437 \quad c = 0.499652 \quad d = -0.247573 \quad e = 0.065073 \quad f = -0.006863$

* Paid-Incurred 3 year average

Incurred Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.1647	0.1647	0.1669	1.1669
3rd to 2nd	1.1211	0.1211	0.1135	1.1135
4th to 3rd	1.0864	0.0864	0.0861	1.0861
5th to 4th	1.0548	0.0548	0.0685	1.0685
6th to 5th	1.0692	0.0692	0.0559	1.0559
7th to 6th	1.0412	0.0412	0.0464	1.0464
8th to 7th	1.0342	0.0342	0.0390	1.0390
9th to 8th	1.0258	0.0258	0.0329	1.0329
10th to 9th	1.0427	0.0427	0.0279	1.0279
11th to 10th	1.0144	0.0144	0.0237	1.0237
12th to 11th	1.0173	0.0173	0.0202	1.0202
13th to 12th	1.0242	0.0242	0.0171	1.0171
14th to 13th	1.0166	0.0166	0.0144	1.0144
15th to 14th	1.0191	0.0191	0.0121	1.0121
16th to 15th	1.0074	0.0074	0.0101	1.0101
17th to 16th	1.0075	0.0075	0.0082	1.0082
18th to 17th	1.0040	0.0040	0.0067	1.0067
19th to 18th	1.0167	0.0167	0.0052	1.0052
20th to 19th	0.9915	-0.0085	0.0040	1.0040
Beyond 20th +	1.1067	0.1067	0.1067	1.1067

$Y = a+b*\log(x)+c*\log(x)^2+d*\log(x)^3$

$a = 0.166850 \quad b = -0.082211 \quad c = 0.007197 \quad d = 0.000657$

+ Selected four year average

EXHIBIT VII - 1

DETERMINATION OF TREND

INDEMNITY

Policy Year	1998	1999	2000	2001	2002	2003
Actual Loss Ratio	0.2523	0.2936	0.3397	0.2751	0.2786	0.2759
Normalized Frequency	0.6895	0.6644	0.6044	0.5240	0.5370	0.5245
Severity Loss Ratio	0.3659	0.4419	0.5620	0.5250	0.5188	0.5260
x	1	2	3	4	5	6
y	0.3659	0.4419	0.5620	0.5250	0.5188	0.5260

6 Point Exponential Regression: $y = 0.388154 * 1.065724 ^ x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 12/1/05 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2000	0.4698	0.6847	1.4574	0.6935
2001	0.5007	0.6847	1.3675	0.7377
2002	0.5336	0.6847	1.2832	0.7848
2003	0.5687	0.6847	1.2040	0.8349

Trended Loss Ratio

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2000	0.3397	1.0107	0.3433
2001	0.2751	1.0088	0.2775
2002	0.2786	1.0071	0.2806
2003	0.2759	1.0052	0.2773

See Exhibit VII-3 for column (4).

EXHIBIT VII - 2

DETERMINATION OF TREND

MEDICAL

Policy Year	1998	1999	2000	2001	2002	2003
Actual Loss Ratio	0.3390	0.3768	0.4289	0.3657	0.3841	0.3898
Normalized Frequency	0.6895	0.6644	0.6044	0.5240	0.5370	0.5245
Severity Loss Ratio	0.4917	0.5671	0.7096	0.6979	0.7153	0.7432
x	1	2	3	4	5	6
y	0.4917	0.5671	0.7096	0.6979	0.7153	0.7432

6 Point Exponential Regression: $y = 0.491730 * 1.081597 ^ x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 12/1/05 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2000	0.6222	0.9897	1.5906	0.6934
2001	0.6730	0.9897	1.4706	0.7377
2002	0.7279	0.9897	1.3597	0.7848
2003	0.7873	0.9897	1.2571	0.8349

Trended Loss Ratio

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2000	0.4289	1.1029	0.4731
2001	0.3657	1.0849	0.3967
2002	0.3841	1.0671	0.4098
2003	0.3898	1.0496	0.4091

See Exhibit VII-3 for column (4).

EXHIBIT VII - 3

DETERMINATION OF TREND

Claim Frequency

Policy Year Frequency per \$1 million of Expected Losses
{1 = PY 1991, 13 = PY 2003}

Policy Year	Claim Frequency	Normalized Frequency
1991	19.16	1.0000
1992	18.61	0.9713
1993	19.50	1.0178
1994	16.74	0.8737
1995	16.82	0.8779
1996	15.84	0.8268
1997	14.43	0.7532
1998	13.21	0.6895
1999	12.73	0.6644
2000	11.58	0.6044
2001	10.04	0.5240
2002	10.29	0.5370
2003	10.05	0.5245

Policy Year	1998	1999	2000	2001	2002	2003
x	1	2	3	4	5	6
y	0.6895	0.6644	0.6044	0.5240	0.5370	0.5245

6 Point Exponential Regression: $y = 0.727590 * 0.940447 ^ x$

SELECTED FREQUENCY TREND FACTOR

-6.0%

Policy Year	Frequency Trend Factor (1)	# of years to 12/1/05 (2)	Frequency Trend to 12/1/05 (3) = (1)^(2)
2000	0.9400	5.9167	0.6935
2001	0.9400	4.9167	0.7377
2002	0.9400	3.9167	0.7848
2003	0.9400	2.9167	0.8349

TABLE I - LIMITED

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

ACCUMULATED STANDARD EARNED PREMIUM

Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year	Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior to 1981	266,896,641	266,971,328	1.0003	Prior to 1982	308,291,121	308,291,117	1.0000
1981	41,341,656	41,341,656	1.0000	1982	44,298,786	44,298,786	1.0000
1982	44,341,318	44,323,564	0.9996	1983	42,380,633	42,380,745	1.0000
1983	42,594,113	42,407,360	0.9956	1984	47,341,780	47,341,861	1.0000
1984	47,576,763	47,343,944	0.9951	1985	62,147,470	62,147,520	1.0000
1985	62,160,113	62,149,067	0.9998	1986	75,235,076	75,235,076	1.0000
1986	75,181,383	75,236,038	1.0007	1987	87,852,814	87,852,814	1.0000
1987	87,855,640	87,853,091	1.0000	1988	100,458,044	100,458,041	1.0000
1988	100,517,315	100,458,044	0.9994	1989	106,845,046	106,854,366	1.0001
1989	106,845,618	106,851,239	1.0001	1990	102,100,148	102,101,477	1.0000
1990	102,080,570	102,110,337	1.0003	1991	98,584,313	98,613,393	1.0003
1991	98,541,966	98,634,655	1.0009	1992	91,046,713	91,045,713	1.0000
1992	91,058,870	91,058,829	1.0000	1993	91,501,356	91,471,356	0.9997
1993	91,524,837	91,554,502	1.0003	1994	87,881,417	87,847,227	0.9996
1994	88,050,059	88,111,505	1.0007	1995	82,667,375	82,611,428	0.9993
1995	82,744,926	82,822,266	1.0009	1996	88,472,633	88,182,831	0.9967
1996	88,594,105	89,002,012	1.0046	1997	90,944,711	90,360,212	0.9936
1997	92,056,119	92,658,879	1.0065	1998	97,576,839	97,892,797	1.0032
1998	98,565,747	98,764,279	1.0020	1999	90,812,083	90,846,469	1.0004
1999	89,796,729	91,906,601	1.0235	2000	95,584,452	96,278,996	1.0073
2000	51,427,053	96,804,903	1.8824	2001	51,432,499	96,408,018	1.8745
2001		51,802,160		2002		62,397,069	

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	311,160,379	311,335,193	1.0006	Prior to 1984	336,927,251	335,781,900	0.9966
1983	37,749,109	37,753,054	1.0001	1984	41,263,490	41,263,355	1.0000
1984	41,640,573	41,640,713	1.0000	1985	54,837,691	54,837,691	1.0000
1985	56,276,385	56,276,369	1.0000	1986	66,238,726	66,238,726	1.0000
1986	66,378,970	66,375,653	1.0000	1987	77,277,342	77,277,341	1.0000
1987	77,380,900	77,380,893	1.0000	1988	86,432,611	86,432,611	1.0000
1988	88,543,072	88,543,070	1.0000	1989	92,124,704	92,125,296	1.0000
1989	92,451,120	92,455,179	1.0000	1990	86,660,098	86,658,687	1.0000
1990	87,268,459	87,268,482	1.0000	1991	84,685,142	84,693,870	1.0001
1991	87,792,408	87,822,828	1.0003	1992	80,631,347	80,630,065	1.0000
1992	79,178,551	79,277,109	1.0012	1993	81,158,268	81,163,012	1.0001
1993	80,327,146	80,330,088	1.0000	1994	78,694,392	78,696,683	1.0000
1994	76,598,577	76,632,814	1.0004	1995	74,380,294	74,392,224	1.0002
1995	74,345,816	74,349,790	1.0001	1996	80,018,055	80,008,766	0.9999
1996	80,443,563	80,456,855	1.0002	1997	83,200,020	83,195,542	0.9999
1997	85,075,053	85,107,650	1.0004	1998	89,647,160	89,959,327	1.0035
1998	91,523,141	91,967,699	1.0049	1999	83,879,317	83,511,955	0.9956
1999	85,368,392	85,364,709	1.0000	2000	86,310,977	86,182,732	0.9985
2000	90,342,013	90,622,724	1.0031	2001	92,665,047	92,232,862	0.9953
2001	92,270,184	93,920,885	1.0179	2002	114,822,441	113,831,879	0.9914
2002	61,735,269	114,297,539	1.8514	2003	67,132,084	127,398,109	1.8977
2003		65,099,476		2004		73,366,832	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

TABLE I - A - Individual Losses Limited to \$1,600,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year	Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior to 1981	172,958,721	174,178,158	1.0071	Prior to 1982	199,397,205	200,803,982	1.0071
1981	20,774,847	20,459,596	0.9848	1982	23,823,533	23,732,646	0.9962
1982	23,952,492	23,845,907	0.9956	1983	28,767,580	28,723,583	0.9985
1983	28,540,240	28,767,650	1.0080	1984	29,987,014	29,855,226	0.9956
1984	29,625,734	30,027,273	1.0136	1985	38,353,051	37,989,905	0.9905
1985	37,904,184	38,353,051	1.0118	1986	41,959,645	41,899,004	0.9986
1986	41,846,930	41,959,645	1.0027	1987	49,604,009	49,815,678	1.0043
1987	49,497,444	49,604,009	1.0022	1988	47,676,829	47,938,449	1.0055
1988	47,517,242	47,676,829	1.0034	1989	56,093,781	57,115,590	1.0182
1989	55,388,700	56,093,781	1.0127	1990	58,944,047	59,909,686	1.0164
1990	57,921,187	58,944,047	1.0177	1991	57,914,606	58,676,898	1.0132
1991	57,697,354	57,918,914	1.0038	1992	55,428,070	56,114,067	1.0124
1992	54,824,078	55,649,032	1.0150	1993	55,889,686	56,745,915	1.0153
1993	55,607,817	55,895,524	1.0052	1994	49,102,763	50,007,781	1.0184
1994	47,949,295	49,179,927	1.0257	1995	50,180,249	51,589,945	1.0281
1995	49,374,197	50,245,133	1.0176	1996	57,006,897	59,473,090	1.0433
1996	55,906,867	57,378,268	1.0263	1997	48,247,582	50,155,275	1.0395
1997	47,885,492	49,966,504	1.0435	1998	50,344,602	53,010,946	1.0530
1998	47,894,541	51,144,620	1.0679	1999	50,634,036	58,140,680	1.1483
1999	42,992,807	52,055,942	1.2108	2000	46,387,007	61,124,189	1.3177
2000	16,405,746	47,402,089	2.8894	2001	16,794,439	42,929,722	2.5562
2001		16,874,495		2002		20,331,414	

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	186,520,165	187,111,914	1.0032	Prior to 1984	204,515,574	204,959,689	1.0022
1983	26,113,152	26,064,057	0.9981	1984	25,667,670	25,988,898	1.0125
1984	25,749,608	26,038,219	1.0112	1985	33,567,898	34,237,065	1.0199
1985	33,427,879	33,622,326	1.0058	1986	37,782,393	37,705,179	0.9980
1986	37,321,269	37,635,868	1.0084	1987	43,941,839	44,353,231	1.0094
1987	43,212,131	43,579,948	1.0085	1988	41,733,129	41,688,302	0.9989
1988	40,981,011	41,697,910	1.0175	1989	46,158,159	47,003,380	1.0183
1989	46,722,539	46,669,866	0.9989	1990	48,038,127	49,164,450	1.0234
1990	48,383,936	49,803,465	1.0293	1991	49,362,427	50,277,674	1.0185
1991	50,886,644	51,631,963	1.0146	1992	48,660,951	49,268,733	1.0125
1992	47,439,447	47,921,401	1.0102	1993	53,142,021	53,666,145	1.0099
1993	48,764,549	50,529,947	1.0362	1994	44,007,150	46,522,337	1.0572
1994	41,483,363	41,645,815	1.0039	1995	49,046,397	50,410,681	1.0278
1995	46,313,865	48,042,449	1.0373	1996	56,661,422	57,588,264	1.0164
1996	53,765,078	54,963,049	1.0223	1997	51,859,789	55,475,846	1.0697
1997	46,810,173	52,101,103	1.1130	1998	49,574,575	52,082,101	1.0506
1998	47,964,813	50,765,685	1.0584	1999	57,016,112	61,561,033	1.0797
1999	54,569,283	58,614,967	1.0741	2000	61,901,790	71,144,880	1.1493
2000	56,932,048	65,223,526	1.1456	2001	52,394,478	62,946,326	1.2014
2001	40,930,964	52,233,632	1.2761	2002	50,849,391	60,521,401	1.1902
2002	20,327,105	50,598,168	2.4892	2003	20,669,600	51,615,553	2.4972
2003		20,117,168		2004		19,188,832	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - B - Individual Losses Limited to \$1,600,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year	Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior to 1981	113,312,034	114,525,588	1.0107	Prior to 1982	131,039,662	130,695,319	0.9974
1981	13,994,926	14,099,212	1.0075	1982	15,665,125	15,541,732	0.9921
1982	15,786,822	15,677,816	0.9931	1983	18,643,783	18,445,362	0.9894
1983	18,476,155	18,643,783	1.0091	1984	17,990,883	17,889,159	0.9943
1984	17,691,212	18,008,748	1.0179	1985	22,345,516	22,118,066	0.9898
1985	21,949,436	22,345,516	1.0180	1986	25,115,319	24,939,739	0.9930
1986	24,976,603	25,115,319	1.0056	1987	28,498,515	28,522,334	1.0008
1987	28,571,787	28,498,515	0.9974	1988	26,908,446	26,968,785	1.0022
1988	26,910,766	26,908,446	0.9999	1989	30,908,602	31,475,302	1.0183
1989	30,530,470	30,908,602	1.0124	1990	31,477,805	31,836,801	1.0114
1990	30,588,616	31,477,805	1.0291	1991	29,859,785	30,054,160	1.0065
1991	29,886,010	29,860,551	0.9991	1992	27,319,873	27,589,290	1.0099
1992	27,378,506	27,512,555	1.0049	1993	27,761,226	28,137,686	1.0136
1993	27,853,145	27,762,660	0.9968	1994	24,800,814	24,802,407	1.0001
1994	24,574,385	24,820,645	1.0100	1995	24,044,711	24,639,653	1.0247
1995	23,913,576	24,061,611	1.0062	1996	28,040,130	28,619,167	1.0207
1996	27,853,882	28,180,165	1.0117	1997	23,031,026	23,575,701	1.0236
1997	23,115,214	23,839,383	1.0313	1998	21,864,960	23,329,494	1.0670
1998	20,314,235	22,244,238	1.0950	1999	21,879,874	27,061,167	1.2368
1999	17,482,148	22,624,961	1.2942	2000	21,051,211	29,954,748	1.4229
2000	6,725,728	21,491,156	3.1954	2001	6,083,494	18,029,241	2.9636
2001		6,115,704		2002		7,459,112	

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	122,269,749	121,872,941	0.9968	Prior to 1984	133,302,918	132,620,909	0.9949
1983	16,596,930	16,547,749	0.9970	1984	15,172,595	15,243,261	1.0047
1984	15,201,917	15,258,536	1.0037	1985	19,653,745	19,916,577	1.0134
1985	19,309,978	19,380,222	1.0036	1986	22,527,572	22,393,180	0.9940
1986	22,247,072	22,328,354	1.0037	1987	24,694,470	24,799,394	1.0042
1987	24,237,431	24,274,979	1.0015	1988	23,189,763	23,105,725	0.9964
1988	22,950,923	23,071,622	1.0053	1989	24,602,135	24,678,275	1.0031
1989	25,070,671	24,736,200	0.9867	1990	24,884,872	25,203,658	1.0128
1990	25,468,147	25,984,089	1.0203	1991	24,857,615	25,000,742	1.0058
1991	26,007,699	26,331,637	1.0125	1992	23,217,048	23,392,591	1.0076
1992	22,944,548	22,751,129	0.9916	1993	25,994,509	26,389,639	1.0152
1993	24,738,808	25,241,872	1.0203	1994	21,100,676	21,453,987	1.0167
1994	20,615,759	20,423,769	0.9907	1995	22,870,302	23,082,163	1.0093
1995	22,489,513	22,694,216	1.0091	1996	26,593,845	26,865,578	1.0102
1996	26,012,214	26,292,193	1.0108	1997	23,686,475	25,655,747	1.0831
1997	21,701,708	23,951,026	1.1036	1998	21,997,900	22,793,220	1.0362
1998	21,482,214	23,188,190	1.0794	1999	26,261,678	28,260,816	1.0761
1999	25,254,778	27,187,003	1.0765	2000	29,590,223	33,129,381	1.1196
2000	27,482,072	31,328,622	1.1400	2001	24,348,971	29,156,466	1.1974
2001	17,167,785	24,669,053	1.4369	2002	20,686,847	26,896,506	1.3002
2002	7,510,119	21,097,466	2.8092	2003	7,593,258	21,318,935	2.8076
2003		7,302,456		2004		7,315,961	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - C - Individual Losses Limited to \$1,600,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

MEDICAL INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year	Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior to 1981	59,646,687	59,652,570	1.0001	Prior to 1982	68,357,543	70,108,663	1.0256
1981	6,779,921	6,360,384	0.9381	1982	8,158,408	8,190,914	1.0040
1982	8,165,670	8,168,091	1.0003	1983	10,123,797	10,278,221	1.0153
1983	10,064,085	10,123,867	1.0059	1984	11,996,131	11,966,067	0.9975
1984	11,934,522	12,018,525	1.0070	1985	16,007,535	15,871,839	0.9915
1985	15,954,748	16,007,535	1.0033	1986	16,844,326	16,959,265	1.0068
1986	16,870,327	16,844,326	0.9985	1987	21,105,494	21,293,344	1.0089
1987	20,925,657	21,105,494	1.0086	1988	20,768,383	20,969,664	1.0097
1988	20,606,476	20,768,383	1.0079	1989	25,185,179	25,640,288	1.0181
1989	24,858,230	25,185,179	1.0132	1990	27,466,242	28,072,885	1.0221
1990	27,332,571	27,466,242	1.0049	1991	28,054,821	28,622,738	1.0202
1991	27,811,344	28,058,363	1.0089	1992	28,108,197	28,524,777	1.0148
1992	27,445,572	28,136,477	1.0252	1993	28,128,460	28,608,229	1.0171
1993	27,754,672	28,132,864	1.0136	1994	24,301,949	25,205,374	1.0372
1994	23,374,910	24,359,282	1.0421	1995	26,135,538	26,950,292	1.0312
1995	25,460,621	26,183,522	1.0284	1996	28,966,767	30,853,923	1.0651
1996	28,052,985	29,198,103	1.0408	1997	25,216,556	26,579,574	1.0541
1997	24,770,278	26,127,121	1.0548	1998	28,479,642	29,681,452	1.0422
1998	27,580,306	28,900,382	1.0479	1999	28,754,162	31,079,513	1.0809
1999	25,510,659	29,430,981	1.1537	2000	25,335,796	31,169,441	1.2303
2000	9,680,018	25,910,933	2.6767	2001	10,710,945	24,900,481	2.3248
2001		10,758,791		2002		12,872,302	

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	64,250,416	65,238,973	1.0154	Prior to 1984	71,212,656	72,338,780	1.0158
1983	9,516,222	9,516,308	1.0000	1984	10,495,075	10,745,637	1.0239
1984	10,547,691	10,779,683	1.0220	1985	13,914,153	14,320,488	1.0292
1985	14,117,901	14,242,104	1.0088	1986	15,254,821	15,311,999	1.0037
1986	15,074,197	15,307,514	1.0155	1987	19,247,369	19,553,837	1.0159
1987	18,974,700	19,304,969	1.0174	1988	18,543,366	18,582,577	1.0021
1988	18,030,088	18,626,288	1.0331	1989	21,556,024	22,325,105	1.0357
1989	21,651,868	21,933,666	1.0130	1990	23,153,255	23,960,792	1.0349
1990	22,915,789	23,819,376	1.0394	1991	24,504,812	25,276,932	1.0315
1991	24,878,945	25,300,326	1.0169	1992	25,443,903	25,876,142	1.0170
1992	24,494,899	25,170,272	1.0276	1993	27,147,512	27,276,506	1.0048
1993	24,025,741	25,288,075	1.0525	1994	22,906,474	25,068,350	1.0944
1994	20,867,604	21,222,046	1.0170	1995	26,176,095	27,328,518	1.0440
1995	23,824,352	25,348,233	1.0640	1996	30,067,577	30,722,686	1.0218
1996	27,752,864	28,670,856	1.0331	1997	28,173,314	29,820,099	1.0585
1997	25,108,465	28,150,077	1.1211	1998	27,576,675	29,288,881	1.0621
1998	26,482,599	27,577,495	1.0413	1999	30,754,434	33,300,217	1.0828
1999	29,314,505	31,427,964	1.0721	2000	32,311,567	38,015,499	1.1765
2000	29,449,976	33,894,904	1.1509	2001	28,045,507	33,789,860	1.2048
2001	23,763,179	27,564,579	1.1600	2002	30,162,544	33,624,895	1.1148
2002	12,816,986	29,500,702	2.3017	2003	13,076,342	30,296,618	2.3169
2003		12,814,712		2004		11,872,871	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - D - Individual Losses Limited to \$1,600,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY PAID LOSSES

Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year	Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior to 1981	108,484,016	109,014,710	1.0049	Prior to 1982	123,216,108	123,847,867	1.0051
1981	12,931,680	13,056,451	1.0096	1982	15,125,963	15,189,632	1.0042
1982	15,009,004	15,138,654	1.0086	1983	17,261,939	17,486,000	1.0130
1983	17,139,315	17,261,939	1.0072	1984	17,000,494	17,068,405	1.0040
1984	16,983,237	17,018,359	1.0021	1985	21,849,296	21,912,588	1.0029
1985	21,741,926	21,849,296	1.0049	1986	22,993,717	23,185,719	1.0084
1986	22,802,317	22,993,717	1.0084	1987	27,193,625	27,350,834	1.0058
1987	27,053,858	27,193,625	1.0052	1988	25,290,601	25,700,447	1.0162
1988	25,080,368	25,290,601	1.0084	1989	29,678,143	30,104,988	1.0144
1989	29,275,248	29,678,143	1.0138	1990	29,996,874	30,129,499	1.0044
1990	29,783,090	29,996,874	1.0072	1991	28,066,024	28,395,537	1.0117
1991	27,637,500	28,066,790	1.0155	1992	25,788,656	26,033,059	1.0095
1992	25,486,553	25,981,338	1.0194	1993	25,580,819	25,971,491	1.0153
1993	24,595,940	25,582,253	1.0401	1994	22,085,710	22,823,924	1.0334
1994	21,610,092	22,105,541	1.0229	1995	22,157,986	22,820,144	1.0299
1995	21,494,799	22,174,886	1.0316	1996	23,193,805	25,208,637	1.0869
1996	21,425,748	23,330,263	1.0889	1997	18,825,440	20,126,235	1.0691
1997	16,678,022	19,409,973	1.1638	1998	17,490,933	19,687,683	1.1256
1998	13,079,960	17,771,456	1.3587	1999	14,583,449	20,429,524	1.4009
1999	8,355,950	15,030,232	1.7987	2000	8,605,892	16,704,333	1.9410
2000	2,135,330	8,925,470	4.1799	2001	1,583,990	7,182,811	4.5346
2001		1,589,000		2002		1,752,120	

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	116,231,357	116,895,876	1.0057	Prior to 1984	127,656,939	128,218,327	1.0044
1983	15,637,568	15,708,762	1.0046	1984	14,816,056	14,799,543	0.9989
1984	14,688,461	14,901,997	1.0145	1985	19,625,102	19,549,082	0.9961
1985	19,176,720	19,330,028	1.0080	1986	20,771,041	20,974,431	1.0098
1986	20,485,257	20,579,552	1.0046	1987	24,021,328	24,212,893	1.0080
1987	23,389,279	23,640,739	1.0108	1988	21,948,443	22,125,853	1.0081
1988	21,729,290	21,830,302	1.0046	1989	23,965,244	24,075,147	1.0046
1989	24,266,330	24,347,239	1.0033	1990	23,935,584	24,121,920	1.0078
1990	24,649,985	25,096,927	1.0181	1991	23,646,359	23,793,315	1.0062
1991	24,586,633	25,133,710	1.0223	1992	22,219,216	22,788,195	1.0256
1992	21,943,666	22,001,142	1.0026	1993	24,054,047	24,631,917	1.0240
1993	22,717,279	23,301,410	1.0257	1994	20,176,380	20,355,528	1.0089
1994	18,954,144	19,526,570	1.0302	1995	21,308,845	21,626,400	1.0149
1995	20,714,344	21,099,241	1.0186	1996	23,759,448	24,412,883	1.0275
1996	22,746,465	23,458,447	1.0313	1997	20,078,819	21,181,735	1.0549
1997	18,719,055	20,486,452	1.0944	1998	18,955,256	19,975,475	1.0538
1998	18,056,171	19,910,208	1.1027	1999	21,753,395	23,832,889	1.0956
1999	19,119,194	22,531,208	1.1785	2000	20,420,107	25,416,138	1.2447
2000	15,418,147	21,181,507	1.3738	2001	13,975,898	19,805,565	1.4171
2001	6,862,783	14,033,988	2.0449	2002	8,408,339	16,494,087	1.9616
2002	1,763,162	8,667,651	4.9160	2003	1,971,997	8,664,931	4.3940
2003		1,944,856		2004		1,803,123	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - E - Individual Losses Limited to \$1,600,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

MEDICAL PAID LOSSES

Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year	Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior to 1981	57,213,714	57,451,808	1.0042	Prior to 1982	65,257,608	65,690,546	1.0066
1981	7,437,718	7,496,003	1.0078	1982	7,931,199	7,955,518	1.0031
1982	7,918,481	7,940,882	1.0028	1983	9,621,639	9,716,524	1.0099
1983	9,524,219	9,621,709	1.0102	1984	11,547,051	11,651,156	1.0090
1984	11,453,729	11,569,445	1.0101	1985	15,527,440	15,630,853	1.0067
1985	15,480,549	15,527,440	1.0030	1986	16,202,336	16,367,022	1.0102
1986	16,067,297	16,202,336	1.0084	1987	19,803,059	19,970,882	1.0085
1987	19,592,630	19,803,059	1.0107	1988	20,336,333	20,635,950	1.0147
1988	20,151,768	20,336,333	1.0092	1989	24,142,874	24,544,197	1.0166
1989	23,932,280	24,142,874	1.0088	1990	26,386,636	26,667,264	1.0106
1990	26,157,187	26,386,636	1.0088	1991	26,662,539	27,083,339	1.0158
1991	26,409,499	26,666,081	1.0097	1992	26,816,249	27,461,025	1.0240
1992	26,298,204	26,844,529	1.0208	1993	26,558,332	26,681,125	1.0046
1993	26,106,963	26,562,736	1.0175	1994	22,701,305	23,488,719	1.0347
1994	22,121,544	22,758,638	1.0288	1995	24,108,392	24,686,210	1.0240
1995	23,612,242	24,156,376	1.0230	1996	25,739,372	26,826,621	1.0422
1996	24,957,499	25,953,825	1.0399	1997	22,736,273	24,070,997	1.0587
1997	22,260,314	23,538,319	1.0574	1998	24,229,741	25,766,805	1.0634
1998	22,500,679	24,627,349	1.0945	1999	24,771,823	27,551,109	1.1122
1999	18,827,233	25,385,412	1.3483	2000	17,794,695	25,386,188	1.4266
2000	3,763,713	18,278,866	4.8566	2001	4,314,063	17,297,586	4.0096
2001		4,339,585		2002		4,602,674	

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	60,816,982	61,440,384	1.0103	Prior to 1984	66,939,208	67,523,206	1.0087
1983	8,965,856	9,046,900	1.0090	1984	10,124,770	10,175,778	1.0050
1984	10,247,479	10,409,378	1.0158	1985	13,824,845	13,843,295	1.0013
1985	13,967,586	14,151,952	1.0132	1986	14,660,735	14,778,611	1.0080
1986	14,486,480	14,661,478	1.0121	1987	17,982,077	18,200,295	1.0121
1987	17,677,355	18,015,092	1.0191	1988	18,002,144	18,146,254	1.0080
1988	17,727,636	18,085,066	1.0202	1989	20,526,060	20,801,821	1.0134
1989	20,752,958	21,004,513	1.0121	1990	21,642,574	21,973,756	1.0153
1990	22,016,496	22,181,213	1.0075	1991	23,083,236	23,367,474	1.0123
1991	23,570,251	23,787,034	1.0092	1992	24,114,883	24,565,258	1.0187
1992	23,567,911	24,067,538	1.0212	1993	24,434,987	24,901,656	1.0191
1993	22,605,192	22,917,867	1.0138	1994	21,205,472	21,549,662	1.0162
1994	19,582,027	19,930,505	1.0178	1995	23,585,868	23,961,389	1.0159
1995	22,345,296	23,124,588	1.0349	1996	25,580,401	26,041,052	1.0180
1996	24,145,591	24,836,337	1.0286	1997	23,839,333	24,879,145	1.0436
1997	22,723,684	23,958,770	1.0544	1998	24,358,507	25,519,321	1.0477
1998	23,512,925	24,747,940	1.0525	1999	27,611,575	28,882,407	1.0460
1999	26,203,364	28,234,595	1.0775	2000	27,038,405	29,644,329	1.0964
2000	24,180,491	28,307,273	1.1707	2001	23,172,656	26,393,817	1.1390
2001	16,550,424	22,886,167	1.3828	2002	20,067,307	26,307,413	1.3110
2002	4,580,306	20,013,062	4.3694	2003	6,067,758	21,532,931	3.5487
2003		6,000,377		2004		5,106,738	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

EXHIBIT VIII
DELAWARE COMPENSATION RATING BUREAU, INC.
RATE AND LOSS COST FORMULAE

The experience used for classification relativities for the December 1, 2005 revision will include all available risks. It is proposed that catastrophes be limited in accordance with the procedure previously employed in other Bureau filings. The experience period will be five (5) years for all classifications regardless of whether a classification might meet the full credibility requirements with less than five years of data. Credibility will be based on reported payrolls for classifications using payroll as the exposure base. For non-payroll classifications, expected losses will be used as the basis for credibility. Thus, two credibility tables will be prepared for use in the December 1, 2005 filing. The values for these respective tables will be established such that the credibilities assigned to a payroll-based classification having the same portion of total statewide expected losses and payrolls attributable to its experience using each table would be equal. All occupational disease losses will be included in the exhibit of classification experience, with the total amount of such losses by type of injury being shown on a separate line on the classification rate worksheets.

Most classifications are subject to standard procedures as described below. However, circumstances will sometimes require that some classifications' rating procedure be modified to recognize situations where the normal rating process would not be appropriate. Such classifications, and the manner in which their rates or loss costs have been derived, are separately identified within the filing material.

The calculation of assigned risk classification rates will be made in accordance with the following procedure:

- (1) Determine the pure premiums underlying present Manual Residual Market Rates by category (serious, non-serious, medical only and total) for each classification.
- (2) Adjust the present pure premiums by category (serious, non-serious, medical-only and total) to the December 1, 2005 on-rate-level to obtain present on-rate-level pure premiums.
- (3) Determine Expected Losses (serious, non-serious, medical-only and total) for each classification by multiplying the exposures from the experience period by the pure premiums underlying present Manual Rates.
- (4) Determine the indicated pure premiums (serious, non-serious, medical-only and total) from the exposures and losses from the experience period.
- (5) Test the indicated total pure premiums by multiplying the exposures of the latest three years for each classification and obtaining the total Actual Losses for all classifications combined.
- (6) Calculate Expected Losses by multiplying the present pure premiums by the exposures from the last three years for each classification and by the overall average rate change.
- (7) Obtain correction factors by category of loss (serious, non-serious and medical-only) by dividing the Expected Losses derived in (6) by the Actual Losses derived in (5).
- (8) Multiply the indicated (pre-test) pure premiums from (4) times the correction factors derived in (7) to obtain indicated (post-test) pure premiums.

RATE AND LOSS COST FORMULAE (continued)

- (9) Determine “formula” pure premiums from (2) and (8) above for each type of loss (serious, non-serious and medical-only), with credibility for each category of loss corresponding to either the amount of reported payroll (for all classifications in which payroll is the exposure base) or to the amount of Expected Losses (for all “non-payroll” classifications). Credibility weights will be taken from exhibits appearing in the Class Book. The complement of credibility is in each case to be assigned to the present on December 1, 2005 level pure premiums for each category of loss.
- (10) Select proposed total pure premiums for each classification, using the middle value from the total pure premiums derived in (2), (8) and (9) above. If the proposed pure premium selected on this basis is different from the formula pure premium derived in (9) above, partial pure premiums are to be allocated between categories (serious, non-serious and medical-only) in the same proportion as the partial pure premiums comprising the formula pure premium.
- (11) Test the proposed total pure premiums selected in (10) by multiplying by the exposures of the three latest years for each classification and obtaining the total Expected Losses for all classifications combined.
- (12) Obtain a correction factor by dividing the Expected Losses derived in (6) above by the Expected Losses derived in (11) above.
- (13) Calculate the “composite pure premium multipliers” for each industry group as the product of the following items:
 - (a) The pure premium correction factor determined in (12) above.
 - (b) The proposed experience rating plan off-balance factor (Collectible Premium Ratio).
 - (c) The inverse of the permissible loss and loss adjustment ratio.
 - (d) The estimated effect of the July 1, 2006 benefit change.
- (14) Apply the composite pure premium multiplier obtained in (13) above to the proposed total pure premiums to obtain Manual Rates.
- (15) Test to assure that the maximum departure of the Manual Rates derived in (14) above from current Manual Rates is in accordance with the following parameters:

Maximum Change in Rates:
Upward: The industry group average change plus 25% rounded to the nearest 1%.
Downward: The industry group average change minus 25% rounded to the nearest 1%.
- (16) Manual rates are to be rounded to the nearest \$.01.
- (17) Test the Manual Rates derived in (16) above to determine if balance has been achieved within 0.0005 of the indicated change in rate level by industry group. If such balance has not been achieved, calculate the necessary correction factor to adjust the composite pure premium multipliers derived in (13) above to achieve the necessary balance. Perform steps (14) through (17) iteratively until the desired balance is achieved.

RATE AND LOSS COST FORMULAE (continued)

Non-reviewed Classifications

- (18) For classifications with insufficient credibility (non-reviewed classifications), an alternative calculation is used to derive indicated rates.

Insufficient credibility is defined as having five-year payroll of less than that necessary to achieve 5% credibility for the non-serious component of pure premium. For non-payroll based classifications, expected losses replace payrolls.

For these non-reviewed classes, the indicated rate is calculated as follows:

- a) An average loss cost using Pennsylvania loss cost values and the Delaware distribution of business by class is calculated.
- b) Classification relativities are then calculated that relate the Pennsylvania loss cost by classification to the average overall loss cost calculated in (a) above.
- c) Indicated average loss costs are calculated by class by multiplying the relativities in (b) above times the average Delaware loss cost value for all classes combined times the average manual change in rates times the indicated composite pure premium multiplier.
- d) A second indicated rate is calculated by applying the average manual change in rates by industry group to the current Delaware rate for the class.
- e) A final indicated rate, subject to capping and balancing criteria previously described, is calculated by applying one-third weight to (c) above plus two-thirds weight to (d) above.

Loss Costs

The calculation of non assigned risk classification loss costs will be made in accordance with the following procedure:

- (19) Multiply the proposed assigned risk Manual Rates by classification by the permissible loss, loss adjustment expense and loss based assessment ratio.

EXHIBIT IX

COLLECTIBLE PREMIUM RATIOS *

Manual Years 2000 to 2002 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
2000	169,300,908	152,431,085	1.1107
2001	173,588,848	161,242,570	1.0766
2002	199,703,695	184,952,843	1.0798
TOTAL	542,593,451	498,626,498	1.0882
MANUFACTURING AND UTILITIES			
2000	28,780,827	24,669,622	1.1667
2001	30,032,763	27,413,548	1.0955
2002	33,191,476	30,551,997	1.0864
TOTAL	92,005,066	82,635,167	1.1134
CONTRACTING AND QUARRYING			
2000	38,195,818	33,356,100	1.1451
2001	38,135,094	34,534,177	1.1043
2002	40,962,067	36,788,606	1.1134
TOTAL	117,292,979	104,678,883	1.1205
OTHER INDUSTRIES			
2000	102,324,263	94,405,363	1.0839
2001	105,420,991	99,294,845	1.0617
2002	125,550,152	117,612,240	1.0675
TOTAL	333,295,406	311,312,448	1.0706

* Excludes classifications and coverages not subject to experience rating.

EXHIBIT X

EXPECTED LOSS RATE FACTORS

CALCULATION OF EXPECTED LOSS RATE FACTORS

Policy Year Beginning 12/1	Average Law Multiplier	Adjustment Factor	Loss Ratio Development Factor	Expense Allowance ** 1 / (PLR/CPR)	Trend Factor	Product (2) * (3) * (4) * (5) * (6)	Expected Loss Rate Factor 1.0 / (7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Manufacturing and Utilities</u>							
2001	1.0213	1.0000	1.6713	1.7222	1.4377	4.2263	0.2366
2002	1.0135	1.0000	1.9649	1.7222	1.3106	4.4949	0.2225
2003	1.0098	1.0000	2.4489	1.7222	1.1961	5.0940	0.1963
<u>Contracting and Quarrying</u>							
2001	1.0213	1.0000	1.7248	1.7332	1.4377	4.3894	0.2278
2002	1.0135	1.0000	2.0012	1.7332	1.3106	4.6072	0.2171
2003	1.0098	1.0000	2.6779	1.7332	1.1961	5.6059	0.1784
<u>Other Industries</u>							
2001	1.0213	1.0000	1.6356	1.6560	1.4377	3.9770	0.2514
2002	1.0135	1.0000	1.8695	1.6560	1.3106	4.1123	0.2432
2003	1.0098	1.0000	2.4362	1.6560	1.1961	4.8728	0.2052

** Permissible Loss Ratio = 0.6465
 Selected Collectible Premium Ratios
 Manufacturing = 1.1134
 Contracting = 1.1205
 All Other = 1.0706

Indicated Manual Rate Level
 MFG 1.0776
 Cont 1.1015
 Other 1.1137

EXHIBIT XI

**CALCULATION OF TAX MULTIPLIER FOR USE IN RETROSPECTIVE RATING PLANS
(O/T U.S.L. & H.W. Act Coverages)**

Expense Provisions for O/T U.S.L. & H.W. Classes

Losses	64.65
Loss Adjustment Expense	7.64
Loss & Loss Adjustment	72.29
Premium Discount	10.81
Acquisition	9.92
General Expenses	3.00
Profit and Contingencies	(3.84)
Taxes	2.32
Uncollectible Premium	1.00
Workers' Compensation Fund	2.00
Administrative Assessment	2.50
	27.71

If

- T = Tax multiplier
- E = Expense provision in rates (General, Acquisition, and Profit), less premium discount
- L = Loss provision in rates
- C = Loss conversion factor
- B = Assessments made on premiums
- A = Assessments made on losses (adjusted so as not to collect profit and general expense dollars on the extra premium generated by the assessments)

Using average discount (Schedule Y) this yields:

$$E = (0.0173) = \frac{ACQ}{0.0992} + \frac{GEN}{0.0300} + \frac{PROFIT}{(0.0384)} - \frac{PREM DISC}{0.1081}$$

$$A = 0.0403 = 0.0387 \times \frac{1 - 0.0173 - 0.0532}{1 - 0.0202 - 0.0532}$$

Then

$$T = \frac{E + L(1 + C + A)}{E + L(1 + C)} \times \frac{1}{1 - B - S}$$

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0175$$

$$T = \frac{-0.0173 + 0.6465(1 + 0.1182 + 0.0403)}{-0.0173 + 0.6465(1 + 0.1182)} \times \frac{1}{1 - 0.0532 - 0.0175} = 1.1158$$

EXHIBIT XII

DELAWARE RETROSPECTIVE DEVELOPMENT FACTORS *

Retrospective development factors for first, second and third adjustments are calculated below. They are intended for use in retrospective plans with no loss limitation and applicable to the expected loss portion of premium.

First Adjustment	RDF =	0.6069
Second Adjustment	RDF =	0.4790
Third Adjustment	RDF =	0.3997

For those companies using retrospective development factors with loss limitations, the following formula may be used.

$$\text{RDF(LIM)} = (1.0 - \text{ELF}) \times \text{RDF}$$

RDF(LIM) = Retrospective Development Factors at limited basis
ELF = Excess Loss (Pure Premium) Factors exclusive of allocated loss adjustment expenses for given Hazard Group and Loss Limitation
RDF = Retrospective Development Factors without Loss Limitation

For Example:

$$\text{\$25,000 limit Hazard Group II ELF} = 0.6490$$

$$\text{First Adjustment RDF} = (1 - 0.6490) \times 0.6069 = 0.2130$$

* The use of retrospective development factors is optional.