

DELAWARE COMPENSATION RATING BUREAU, INC.

Indicated Residual Market Rate Change

This exhibit shows the indicated change in overall rate level for the Delaware residual market rate and loss cost revision.

**INDICATED CHANGE IN RATE LEVEL**

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

**CHANGES IN MANUAL PREMIUM LEVEL BY INDUSTRY GROUP**

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