

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 1998 - 2002

SIZE OF STANDARD PREMIUM	STATEWIDE			DIP			STATEWIDE - DIP		
	TOTAL PREMIUM	TOTAL LOSS	LOSS RATIO	TOTAL PREMIUM	TOTAL LOSS	LOSS RATIO	TOTAL PREMIUM	TOTAL LOSS	LOSS RATIO
1-500	7,471,249	4,143,667	55.5	437,206	487,464	111.5	7,034,043	3,656,203	52.0
501-1000	10,054,198	6,766,736	67.3	784,537	549,714	70.1	9,269,661	6,217,022	67.1
1001-1500	9,454,096	4,630,120	49.0	817,548	1,285,512	157.2	8,636,548	3,344,608	38.7
1501-2000	8,799,007	7,240,733	82.3	783,025	1,258,371	160.7	8,015,982	5,982,362	74.6
2001-2500	8,399,737	5,501,951	65.5	641,120	325,203	50.7	7,758,617	5,176,748	66.7
2501-3000	7,441,750	2,474,062	33.2	557,273	125,311	22.5	6,884,477	2,348,751	34.1
3001-3500	7,275,088	4,856,331	66.8	519,437	352,093	67.8	6,755,651	4,504,238	66.7
3501-4000	6,985,811	4,077,507	58.4	482,851	112,269	23.3	6,502,960	3,965,238	61.0
4001-4500	7,216,039	3,875,444	53.7	430,877	438,393	101.7	6,785,162	3,437,051	50.7
4501-5000	6,792,774	4,431,858	65.2	411,119	232,775	56.6	6,381,655	4,199,083	65.8
5001 AND OVER	737,198,915	425,318,605	57.7	33,841,766	23,041,307	68.1	703,357,149	402,277,298	57.2
TOTALS	817,088,664	473,317,014	57.9	39,706,759	28,208,412	71.0	777,381,905	445,108,602	57.3

SIZE OF STANDARD PREMIUM	INDICATED SURCHARGE FACTOR DIP/(SW-DIP)
1-500	2.144
501-1000	1.045
1001-1500	4.062
1501-2000	2.154
2001-2500	0.760
2501-3000	0.660
3001-3500	1.016
3501-4000	0.382
4001-4500	2.006
4501-5000	0.860
5001 AND OVER	1.191
TOTALS	1.239

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 1998 - 2002

MANUAL YEAR	STATEWIDE			DIP			STATEWIDE - DIP		
	STANDARD PREMIUM WITH CONSTANTS	REPORTED INCURRED LOSS	LOSS RATIO	STANDARD PREMIUM WITH CONSTANTS	REPORTED INCURRED LOSS	LOSS RATIO	STANDARD PREMIUM WITH CONSTANTS	REPORTED INCURRED LOSS	LOSS RATIO
1998	157,360,645	83,493,119	53.1	4,531,622	1,900,047	41.9	152,829,023	81,593,072	53.4
1999	144,837,589	95,319,208	65.8	2,028,318	2,607,321	128.5	142,809,271	92,711,887	64.9
2000	157,138,888	106,879,777	68.0	4,197,097	3,975,051	94.7	152,941,791	102,904,726	67.3
2001	166,661,957	97,460,681	58.5	8,026,730	6,508,506	81.1	158,635,227	90,952,175	57.3
2002	191,089,585	90,164,229	47.2	20,922,992	13,217,487	63.2	170,166,593	76,946,742	45.2
TOTALS	817,088,664	473,317,014	57.9	39,706,759	28,208,412	71.0	777,381,905	445,108,602	57.3

MANUAL YEAR	MARKET SHARE DIP/SW	INDICATED SURCHARGE FACTOR DIP/(SW-DIP)
1998	0.029	0.785
1999	0.014	1.980
2000	0.027	1.407
2001	0.048	1.415
2002	0.109	1.398
TOTAL 1998 - 2002	0.049	1.239

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.2112	(4) D I P LOSS RATIO	71.0
(2) AVERAGE SURCHARGE	0.098	(5) VOLUNTARY MKT LOSS RATIO	57.3
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9738	(6) D I P SURCHARGE FACTOR	1.098
		(7) L R D [(4) / (5)] / (6)	1.13

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/04

Residual Market Share excluding Large Deductible

Policy	(1)	(2)	(3) = (1) - (2)	(4)	(5) = (3) * (4)	(6) = (2)+(5)	(7) = (2) / (6)
<u>Year</u>	<u>Call #1</u>	<u>Call #12</u>	<u>Difference</u>	<u>LCM</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
1996	95,292,428	15,057,308	80,235,120	1.4000	112,329,168	127,386,476	0.1182
1997	98,812,810	8,346,027	90,466,783	1.3707	124,002,819	132,348,846	0.0631
1998	109,286,481	5,427,512	103,858,969	1.3080	135,847,531	141,275,043	0.0384
1999	98,350,143	3,058,208	95,291,935	1.2886	122,793,187	125,851,395	0.0243
2000	102,668,182	5,555,605	97,112,577	1.2796	124,265,254	129,820,859	0.0428
2001	104,955,969	10,892,643	94,063,326	1.2656	119,046,545	129,939,188	0.0838
2002	123,980,212	30,030,524	93,949,688	1.3625	128,006,450	158,036,974	0.1900
2003	133,413,606	38,311,227	95,102,379	1.3729	130,566,056	168,877,283	0.2269
2004	74,535,710	23,188,083	51,347,627	1.3769	70,700,548	93,888,631	0.2470

Residual Market Share including Large Deductible (net basis)

Policy	(8)	(9) = (8) * (4)	(10) = (6) + (9)	(11) = (2) / (10)
<u>Year</u>	<u>Call #8</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
1996	9,879,099	13,830,739	141,217,215	0.1066
1997	11,478,877	15,734,097	148,082,943	0.0564
1998	13,018,110	17,027,688	158,302,731	0.0343
1999	8,920,642	11,495,139	137,346,534	0.0223
2000	11,560,783	14,793,178	144,614,037	0.0384
2001	16,553,439	20,950,032	150,889,220	0.0722
2002	19,591,923	26,693,995	184,730,969	0.1626
2003	21,256,686	29,183,304	198,060,587	0.1934
2004	11,564,121	15,922,638	109,811,269	0.2112

**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 2003</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	554	9,962,977	20.98%	33.08%
2 Risks with Debit Mod (> 1.0)	324	14,590,711	12.27%	48.44%
3 Total - Rated Risks	878	24,553,688	33.24%	81.52%
4 Non-Rated Risks	1,763	5,566,812	66.76%	18.48%
5 Total - All Assigned Risks	2,641	30,120,500	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	9,962,977	0.000	30.12%
2 Risks with Debit Mod (> 1.0)	17,543,823	0.202	53.04%
3 Total - Rated Risks	27,506,800	0.120	83.17%
4 Non-Rated Risks	5,566,812	0.000	16.83%
5 Total - All Assigned Risks	33,073,612	0.098	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	0.2112
2	VMS	Voluntary Market Share (1 - ARMS)	0.7888
3	LRD	Loss Ratio Differential	1.13
4	PLR	Permissible Loss Ratio	0.6465
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.13 * 0.2112 + \text{VLR} * 0.7888 = 0.6465$$

$$\text{VLR} = 0.6292$$

$$\text{ARLR} = 1.13 * \text{VLR} = 0.711$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.0818$$

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

$$= (0.8) * (8.18\%) * (0.2112 / 0.7888)$$

$$= (0.8) * (8.18\%) * (0.2677)$$

$$= 1.75\%$$