

DELAWARE COMPENSATION RATING BUREAU, INC

Review of Experience Rating Plan Parameters

Page 20.1 contains Collectible Premium Ratios.

Page 20.2 contains Expected Loss Cost Factors. They are applied to residual market rates by classification to produce Table A, Expected Loss Factors, which are the basis for the calculation of Expected Losses.

Page 20.3 contains the derivation of various factors, i.e., maximum single loss size, self-rating point, that are used to produce Table B.

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.

CALCULATION OF EXPECTED LOSS RATE FACTORS

Policy Year Beginning 12/1 (1)	Average Law Multiplier (2)	Adjustment Factor (3)	Loss Ratio Development Factor (4)	Expense Allowance 1 / (PLR/CPR) (5)	Trend Factor (6)	Product (2) * (3) * (4) *(5) * (6) (7)	Expected Loss Rate Factor 1.0 / (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

Experience Rating Plan Parameters

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|-----|---|--|
| (1) | Eligibility Point = (3,161 = 1 yr Prem) 3 yr = | \$9,483 |
| (2) | Permissible Loss Ratio = | 0.5941 (a) |
| (3) | Expected Losses needed to achieve 5% credibility
(1)*(2) = \$9,483*0.5941 = | \$5,634 |
| (4) | Max Value : $\frac{0.25 * \$5,634}{0.05} =$ | \$28,170 |
| (5) | K-Value
a) If (3) is assigned 5% credibility, then
$K = \frac{E(1-c)}{c} = \frac{\$5,634 * (1-.05)}{.05} =$ | \$107,046 |
| (6) | .055 Credibility Interval - the .0525 left endpoint
corresponds to $E = \frac{(K * C)}{(1-C)} =$ | $\frac{107,046 * .0525}{.9475} =$
\$5,931 |
| (7) | Right endpoint for .05 credibility interval = | \$5,930 |
| (8) | Self rating point = 25 * average serious claim #

= 25 * 255,819 = | \$6,395,475 |
| | 6% of (8) rounded to the nearest \$1,000 = | 384,000 |
| | Selected = | 384,000 |

(a) Standard LR / CPR = Manual LR
0.6465/1.0882 = 0.5941