

DELAWARE COMPENSATION RATING BUREAU, INC.

Expense Loading

This exhibit presents expense components and the resulting permissible loss and loss adjustment expense ratio. Underwriting profit is computed through an internal rate of return model.

EXPENSE LOADING

	<u>Current %</u>	<u>Proposed %</u>
LOSS AND LOSS ADJUSTMENT EXPENSE		
Losses	64.65	63.32
Loss Adjustment Expense	7.64	7.19 a
Loss & Loss Adjustment	72.29	70.51
UNDERWRITING EXPENSES		
Commission	7.50	7.49
Other Acquisition	2.42	2.81
General Expenses	3.00	3.35
Premium Discount	10.81	11.05
State Premium Tax	2.00	2.00
Other State Tax	0.32	0.32
Uncollectible Premium	1.00	1.00
Administrative Assessment	2.50	2.41 b
Workers Compensation Fund	2.00	3.00
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	-3.84	-3.94
Underwriting Expense Total	27.71	29.49

a - As ratio to loss, Loss Adjustment Expense = 0.1135

b - As ratio to loss, Administrative Assessment = 0.0381

RESIDUAL MARKET MINIMUM PREMIUM:

It is proposed that the Minimum Premium formula be revised from $(210 * \text{Rate}) + \text{Expense Constant}$ to

$$(220 * \text{Rate}) + \text{Expense Constant}$$

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of \$3450.
It is proposed to use a multiplier of 110.00 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 \$250 to \$260.