

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 1999 - 2003

SIZE OF STANDARD PREMIUM	STATEWIDE			DIP			STATEWIDE - DIP			INDICATED SURCHARGE FACTOR DIP/(SW-DIP)
	TOTAL PREMIUM	TOTAL LOSS	LOSS RATIO	TOTAL PREMIUM	TOTAL LOSS	LOSS RATIO	TOTAL PREMIUM	TOTAL LOSS	LOSS RATIO	
1-1,000	17,376,723	11,265,372	64.8	1,367,102	1,221,327	89.3	16,009,621	10,044,045	62.7	1.424
1,001-2,000	18,783,756	12,150,609	64.7	2,225,220	2,612,027	117.4	16,558,536	9,538,582	57.6	2.038
2,001-3,000	16,553,310	10,367,563	62.6	1,808,454	1,190,866	65.8	14,744,856	9,176,697	62.2	1.058
3,001-4,000	14,651,361	8,299,185	56.6	1,391,363	810,574	58.3	13,259,998	7,488,611	56.5	1.032
4,001-5,000	14,240,336	8,096,872	56.9	1,204,632	731,110	60.7	13,035,704	7,365,762	56.5	1.074
5,001-7,500	29,930,274	24,961,196	83.4	2,812,516	2,559,428	91.0	27,117,758	22,401,768	82.6	1.102
7,501-10,000	25,413,784	23,044,222	90.7	2,412,233	4,368,300	181.1	23,001,551	18,675,922	81.2	2.230
10,001-12,500	22,499,477	12,072,091	53.7	1,834,327	893,740	48.7	20,665,150	11,178,351	54.1	0.900
12,501-15,000	19,287,904	11,647,844	60.4	1,924,257	1,625,805	84.5	17,363,647	10,022,039	57.7	1.464
15,001-20,000	32,713,473	18,240,114	55.8	3,260,241	1,282,616	39.3	29,453,232	16,957,498	57.6	0.682
20,001-25,000	28,517,097	18,840,661	66.1	2,558,140	1,948,245	76.2	25,958,957	16,892,416	65.1	1.171
25,001-50,000	99,658,411	62,531,648	62.7	9,647,954	8,748,771	90.7	90,010,457	53,782,877	59.8	1.517
50,001-75,000	69,142,379	42,374,433	61.3	4,999,625	3,225,369	64.5	64,142,754	39,149,064	61.0	1.057
75,001-100,000	49,426,298	32,779,643	66.3	3,735,832	2,320,448	62.1	45,690,466	30,459,195	66.7	0.931
100,001-200,000	121,656,102	70,804,948	58.2	10,446,736	5,331,078	51.0	111,209,366	65,473,870	58.9	0.866
200,001-300,000	63,944,805	39,042,476	61.1	4,117,384	1,018,350	24.7	59,827,421	38,024,126	63.6	0.388
300,001-400,000	37,496,088	20,583,242	54.9	2,366,010	1,085,845	45.9	35,130,078	19,497,397	55.5	0.827
400,001-500,000	35,136,472	22,859,791	65.1	844,342	36,820	4.4	34,292,130	22,822,971	66.6	0.066
500,001-1,000,000	100,519,438	59,780,865	59.5	1,485,443	1,031,682	69.5	99,033,995	58,749,183	59.3	1.172
1,000,001 & higher	65,186,196	25,441,569	39.0	1,680,726	1,089,659	64.8	63,505,470	24,351,910	38.3	1.692
TOTALS	882,133,684	535,184,344	60.7	62,122,537	43,132,060	69.4	820,011,147	492,052,284	60.0	1.157

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 1999 - 2003

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
1999	145,488,631	101,451,742	69.7	2,012,575	2,713,230	134.8	143,476,056	98,738,512	68.8
2000	157,493,099	119,557,036	75.9	4,176,448	4,996,583	119.6	153,316,651	114,560,453	74.7
2001	166,631,842	114,442,482	68.7	8,020,095	7,419,224	92.5	158,611,747	107,023,258	67.5
2002	192,051,974	118,075,108	61.5	20,985,887	15,621,344	74.4	171,066,087	102,453,764	59.9
2003	220,468,138	81,423,721	36.9	26,927,532	12,381,679	46.0	193,540,606	69,042,042	35.7
TOTALS	882,133,684	534,950,089	60.6	62,122,537	43,132,060	69.4	820,011,147	491,818,029	60.0

MANUAL YEAR	MARKET SHARE DIP/SW	INDICATED SURCHARGE FACTOR DIP/(SW-DIP)
1999	0.014	1.959
2000	0.027	1.601
2001	0.048	1.370
2002	0.109	1.242
2003	0.122	1.289
TOTAL 1999 - 2003	0.070	1.157

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.2039	(4) D I P LOSS RATIO	69.4
(2) AVERAGE SURCHARGE	0.092	(5) VOLUNTARY MKT LOSS RATIO	60.0
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9764	(6) D I P SURCHARGE FACTOR	1.092
		(7) L R D [(4) / (5)] / (6)	1.06

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/05

Residual Market Share excluding Large Deductible

Policy Year	(1) <u>Call #1</u>	(2) <u>Call #12</u>	(3) = (1) - (2) <u>Difference</u>	(4) <u>LCM</u>	(5) = (3) * (4) VM @ RM <u>DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2) / (6) <u>Ratio</u>
1997	99,045,040	8,452,331	90,592,709	1.3711	124,211,663	132,663,994	0.0637
1998	107,879,322	5,427,614	102,451,708	1.3083	134,037,570	139,465,184	0.0389
1999	98,925,477	3,058,364	95,867,113	1.2887	123,543,949	126,602,313	0.0242
2000	104,085,842	5,555,497	98,530,345	1.2796	126,079,429	131,634,926	0.0422
2001	103,504,312	10,892,643	92,611,669	1.2650	117,153,761	128,046,404	0.0851
2002	122,885,482	29,507,806	93,377,676	1.3624	127,217,746	156,725,552	0.1883
2003	135,060,212	38,351,240	96,708,972	1.3728	132,762,077	171,113,317	0.2241
2004	150,898,090	48,229,339	102,668,751	1.3771	141,385,137	189,614,476	0.2544
2005	93,815,596	27,719,895	66,095,701	1.3551	89,566,284	117,286,179	0.2363

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) <u>Call #8</u>	(9) = (8) * (4) VM @ RM <u>DSR Level</u>	(10) = (6) + (9) <u>Total @ DSR</u>	(11) = (2) / (10) <u>Ratio</u>
1997	10,955,562	15,021,171	147,685,165	0.0572
1998	11,639,293	15,227,687	154,692,871	0.0351
1999	8,550,092	11,018,504	137,620,817	0.0222
2000	10,833,348	13,862,352	145,497,278	0.0382
2001	17,388,249	21,996,135	150,042,539	0.0726
2002	18,197,053	24,791,665	181,517,217	0.1626
2003	18,362,350	25,207,834	196,321,151	0.1953
2004	21,999,760	30,295,869	219,910,345	0.2193
2005	13,782,883	18,677,185	135,963,364	0.2039

**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 2004</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	742	14,344,327	23.23%	33.90%
2 Risks with Debit Mod (> 1.0)	396	20,672,418	12.40%	48.86%
3 Total - Rated Risks	1,138	35,016,745	35.63%	82.76%
4 Non-Rated Risks	2,056	7,292,906	64.37%	17.24%
5 Total - All Assigned Risks	3,194	42,309,651	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	14,344,327	0.000	31.05%
2 Risks with Debit Mod (> 1.0)	24,564,715	0.188	53.17%
3 Total - Rated Risks	38,909,042	0.111	84.22%
4 Non-Rated Risks	7,292,906	0.000	15.78%
5 Total - All Assigned Risks	46,201,948	0.092	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	0.2039
2	VMS	Voluntary Market Share (1 - ARMS)	0.7961
3	LRD	Loss Ratio Differential	1.06
4	PLR	Permissible Loss Ratio	0.6332
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.06 * 0.2039 + \text{VLR} * 0.7961 = 0.6332$$

$$\text{VLR} = 0.6256$$

$$\text{ARLR} = 1.06 * \text{VLR} = 0.6631$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.0375$$

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

$$= (0.8) * (3.75\%) * (0.2039 / 0.7961)$$

$$= (0.8) * (3.75\%) * (0.2561)$$

$$= 0.77\%$$