

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 2002 Loss and Loss Adjustment Expense Ratio	0.2668	0.3331	0.5999
<b>(1b)</b> Policy Year 2003 Loss and Loss Adjustment Expense Ratio	0.2617	0.3447	0.6064
<b>(1c)</b> Policy Year 2004 Loss and Loss Adjustment Expense Ratio	0.2256	0.3208	0.5464
<b>(1d)</b> Policy Year 2005 Loss and Loss Adjustment Expense Ratio	0.2079	0.3047	0.5126
<b>(1e)</b> Average (Midpoint = 7/1/2004)	0.2405	0.3258	0.5663
<b>(2a)</b> Policy Year 2002 Loss and LAE Ratio Trended to 12/1/2008	0.1913	0.3422	
<b>(2b)</b> Policy Year 2003 Loss and LAE Ratio Trended to 12/1/2008	0.1985	0.3525	
<b>(2c)</b> Policy Year 2004 Loss and LAE Ratio Trended to 12/1/2008	0.1810	0.3266	
<b>(2d)</b> Policy Year 2005 Loss and LAE Ratio Trended to 12/1/2008	0.1764	0.3088	
<b>(2e)</b> Average at 12/1/2008	0.1868	0.3325	0.5193
<b>(3a)</b> Excess Loss Factor at \$1,900,000			0.1242
<b>(3b)</b> Provision for Excess Loss (4a)-(2e)			0.0736
<b>(4a)</b> Total Trended Loss and LAE Ratio (2e)/(1.0-(3a))	0.1986	0.3943	0.5929
<b>(4b)</b> Percentage of Total	33.5%	66.5%	
<b>(5)</b> Permissible Loss and Loss Adjustment Ratio			0.7376
<b>(6)</b> Indicated Change in Rates (4a) / (5)			0.8038
<b>(7)</b> Estimated Effect of the 7/1/08 Benefit Change			1.0042
<b>(8)</b> Indicated Change in Residual Market Rate Level (6) * (7)			0.8072
<b>(8a)</b> Factor to Adjust for Compromise With Insurance Department			0.9663
<b>(8b)</b> Change in Residual Market Rate Level to Reflect Compromise (8) * (8a)			0.7800
<b>(9)</b> Indicated Change in Voluntary Market Loss Costs (8) * [0.7627 / 0.7292]			0.8443
<b>(9a)</b> Factor to Adjust for Compromise With Insurance Department			0.9742
<b>(9b)</b> Change in Voluntary Market Loss Costs to Reflect Compromise (9) * (9a)			0.8225

## 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	1.0979	1.1053	1.0489	
<b>(11)</b> Proposed Collectible Premium Ratio	1.1079	1.0761	1.0108	
<b>(12)</b> Change in Collectible Premium Ratio (11) / (10)	1.0091	0.9736	0.9637	0.9728
<b>(13)</b> Change in Residual Market Manual Rate Level (8b) * (12)	0.7871	0.7594	0.7517	0.7588
<b>(14)</b> Change in Voluntary Market Manual Loss Cost Level (9b) * (12)	0.8300	0.8008	0.7926	0.8001
<b>(15)</b> Current Offset for Residual Market Surcharge				0.9764
<b>(16)</b> Proposed Offset for Residual Market Surcharge				0.9832
<b>(17)</b> Adjusted Change in Voluntary Market Manual Loss Cost Level (14) * (16)/(15)	0.8358	0.8064	0.7981	0.8057