

DELAWARE COMPENSATION RATING BUREAU, INC.

ACTUARIAL COMMITTEE

**Summary of Material for Modification of Experience
December 1, 2007 Residual Market Rate and Voluntary Market Loss Cost Revision**

As Filed

DELAWARE 2007 RESIDUAL MARKET RATE AND VOLUNTARY MARKET LOSS COST FILING

PROPOSED EFFECTIVE DATE - DECEMBER 1, 2007

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EXHIBIT I

INDICATED CHANGE IN RATE LEVEL

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

CHANGES IN MANUAL PREMIUM LEVEL BY INDUSTRY GROUP

	Mfg.	Cont.	Other	Total
(10) Current Collectible Premium Ratio	1.0979	1.1053	1.0489	
(11) Proposed Collectible Premium Ratio	1.1079	1.0761	1.0108	
(12) Change in Collectible Premium Ratio (11) / (10)	1.0091	0.9736	0.9637	0.9727
(13) Change in Residual Market Manual Rate Level (8) * (12)	0.8145	0.7859	0.7779	0.7852
(14) Change in Voluntary Market Manual Loss Cost Level (9) * (12)	0.8520	0.8220	0.8137	0.8213
(15) Current Offset for Residual Market Surcharge				0.9764
(16) Proposed Offset for Residual Market Surcharge				0.9832
(17) Adjusted Change in Voluntary Market Manual Loss Cost Level (14) * (16)/(15)	0.8579	0.8277	0.8194	0.8270

EXHIBIT II

EXPENSE LOADING

	<u>Current %</u>	<u>Proposed %</u>
LOSS AND LOSS ADJUSTMENT EXPENSE		
Losses	63.32	66.35
Loss Adjustment Expense	7.19	7.41 a
Loss & Loss Adjustment	70.51	73.76
UNDERWRITING EXPENSES		
Commission	7.49	7.39
Other Acquisition	2.81	2.57
General Expenses	3.35	3.06
Premium Discount	11.05	8.89
State Premium Tax	2.00	2.00
Other State Tax	0.32	0.33
Uncollectible Premium	1.00	1.25
Administrative Assessment	2.41	2.51 b
Workers Compensation Fund	3.00	2.00
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	-3.94	-3.76
Underwriting Expense Total	29.49	26.24

a - As ratio to loss, Loss Adjustment Expense = 0.1117

b - As ratio to loss, Administrative Assessment = 0.0379

RESIDUAL MARKET MINIMUM PREMIUM:

It is proposed that the Minimum Premium formula be revised from $(220 * \text{Rate}) + \text{Expense Constant}$ to

$$(230 * \text{Rate}) + \text{Expense Constant}$$

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of \$3550.
It is proposed to use a multiplier of 115.00 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 \$260 to \$270.

EXHIBIT III

INTERNAL RATE OF RETURN ANALYSIS STATE OF DELAWARE - 2007 TABLE I: INPUTS, ASSUMPTIONS & OUTPUTS

Section 1: Inputs & Assumptions		
(1)	Commissions *	7.39
(2)	Other Expenses	5.96
(2A)	Other Acquisitions *	2.57
(2B)	General Expenses *	3.06
(2C)	Other Tax **	0.33
(3)	State Premium Taxes & Uncollectible Premium	
(3A)	Tax1 - Premium Tax **	2.00
(3B)	Uncollectible Premium **	1.25
(3C)	Tax3 - Workers Compensation Fund **	2.00
(4)	Premium Discount ***	8.89
(5)	Deviations	0.00
(6)	Dividends to Policyholders	0.00
(7)	Premium Written	1,000,000
Investment Income		
(8A)	Pre-Tax Return on Assets	6.36
(8B)	Investment Income Tax Rate	1.51
(8C)	Post-Tax Return on Assets	4.85
(10)	Reserve to Surplus Ratio	2.56
(11)	Internal Rate of Return (Cost of Capital)	11.92
* Applies to standard premium at Bureau level (before premium discount)		
** Applies to net premium at company level (after deviations and premium discounts)		
*** Applies to standard premium at company level (after deviations)		

Section 2: Outputs		
(1)	Loss Ratio - including loss adjustment expense & loss based assessments	76.27
(2)	Profit & Contingencies	-3.76

EXHIBIT IV - 1

POLICY YEAR LOSS RATIO 2005*

(1) Standard Earned Premium Reported (Table I)			165,830,173
(2) Factor to 12/1/06 Rate Level (Exhibit V-1)			1.3543
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0006
(4) Expense Constant Removal Factor			0.9965
(5) DCCPAP On-Level Factor			1.0000
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			223,932,039
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	7,787,558	23,724,021	31,511,579
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	4.7958	2.4709	
(10) Ultimate Incurred Losses (8) * (9)	37,347,571	58,619,683	95,967,254
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	21,302,023	33,533,581	54,835,604
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.9986	1.9130	
(13) Ultimate Incurred Losses (11) * (12)	42,574,223	64,149,740	106,723,963
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	39,960,897	61,384,712	101,345,609
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.0482	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117	
(17) Adjusted Losses (14) * (15) * (16)	46,565,792	68,241,384	114,807,176
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2079	0.3047	0.5126
(19) Normalized Claim Frequency (Exhibit VII-3)	0.3904	0.3904	
(20) Severity Ratio** (18)/(19)	0.5325	0.7805	1.3130

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 2

POLICY YEAR LOSS RATIO 2004*

(1) Standard Earned Premium Reported (Table I)			140,748,403
(2) Factor to 12/1/06 Rate Level (Exhibit V-1)			1.5396
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			0.9966
(4) Expense Constant Removal Factor			0.9962
(5) DCCPAP On-Level Factor			1.0000
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			215,138,828
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	16,442,278	31,995,601	48,437,879
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	2.3976	1.8448	
(10) Ultimate Incurred Losses (8) * (9)	39,422,006	59,025,485	98,447,491
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	28,699,104	39,851,854	68,550,958
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.4885	1.6349	
(13) Ultimate Incurred Losses (11) * (12)	42,718,616	65,153,796	107,872,412
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	41,070,311	62,089,641	103,159,952
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.0630	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117	
(17) Adjusted Losses (14) * (15) * (16)	48,534,310	69,025,054	117,559,364
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2256	0.3208	0.5464
(19) Normalized Claim Frequency (Exhibit VII-3)	0.4384	0.4384	
(20) Severity Ratio** (18)/(19)	0.5146	0.7318	1.2464

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 3

POLICY YEAR LOSS RATIO 2003*

(1) Standard Earned Premium Reported (Table I)			125,356,859
(2) Factor to 12/1/06 Rate Level (Exhibit V-1)			1.4798
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			0.9984
(4) Expense Constant Removal Factor			0.9965
(5) DCCPAP On-Level Factor			1.0010
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			184,742,611
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	22,674,458	33,647,935	56,322,393
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.7239	1.5969	
(10) Ultimate Incurred Losses (8) * (9)	39,088,498	53,732,387	92,820,885
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	32,237,797	40,800,962	73,038,759
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2958	1.4911	
(13) Ultimate Incurred Losses (11) * (12)	41,773,737	60,838,314	102,612,051
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	40,431,118	57,285,351	97,716,469
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.0756	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117	
(17) Adjusted Losses (14) * (15) * (16)	48,345,288	63,684,125	112,029,413
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2617	0.3447	0.6064
(19) Normalized Claim Frequency (Exhibit VII-3)	0.4994	0.4994	
(20) Severity Ratio** (18)/(19)	0.5240	0.6902	1.2142

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 4

POLICY YEAR LOSS RATIO 2002*

(1) Standard Earned Premium Reported (Table I)				112,642,442
(2) Factor to 12/1/06 Rate Level (Exhibit V-1)				1.5782
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)				0.9997
(4) Expense Constant Removal Factor				0.9976
(5) DCCPAP On-Level Factor				0.9982
(6) Residual Market Offset Factor				1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)				176,973,318
Losses - Paid-to-20th Method				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
(8) Paid Losses Reported (Table I-D & I-E)	25,375,350	33,045,416		58,420,766
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.4576	1.4703		
(10) Ultimate Incurred Losses (8) * (9)	36,987,110	48,586,675		85,573,785
Losses - Incurred Method				
(11) Incurred Losses Reported (Table I-B & I-C)	33,584,647	41,428,757		75,013,404
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1933	1.3872		
(13) Ultimate Incurred Losses (11) * (12)	40,076,559	57,469,972		97,546,531
Losses - Average of Incurred and Paid-to-20th				
(14) Ultimate Incurred Losses ((10) + (13))/2	38,531,835	53,028,324		91,560,159
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.1023	1.0000		
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117		
(17) Adjusted Losses (14) * (15) * (16)	47,217,948	58,951,588		106,169,536
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2668	0.3331		0.5999
(19) Normalized Claim Frequency (Exhibit VII-3)	0.5214	0.5214		
(20) Severity Ratio** (18)/(19)	0.5117	0.6389		1.1506

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 5

POLICY YEAR LOSS RATIO 2001*

(1) Standard Earned Premium Reported (Table I)				91,552,530
(2) Factor to 12/1/06 Rate Level (Exhibit V-1)				1.8844
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)				1.0010
(4) Expense Constant Removal Factor				0.9982
(5) DCCPAP On-Level Factor				0.9956
(6) Residual Market Offset Factor				1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)				171,624,773
Losses - Paid-to-20th Method				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
(8) Paid Losses Reported (Table I-D & I-E)	25,862,606	29,536,486		55,399,092
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.3195	1.3875		
(10) Ultimate Incurred Losses (8) * (9)	34,125,709	40,981,874		75,107,583
Losses - Incurred Method				
(11) Incurred Losses Reported (Table I-B & I-C)	31,285,046	37,800,537		69,085,583
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1303	1.3089		
(13) Ultimate Incurred Losses (11) * (12)	35,361,487	49,477,123		84,838,610
Losses - Average of Incurred and Paid-to-20th				
(14) Ultimate Incurred Losses ((10) + (13))/2	34,743,598	45,229,499		79,973,097
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.1276	1.0000		
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117		
(17) Adjusted Losses (14) * (15) * (16)	43,552,939	50,281,634		93,834,573
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2538	0.2930		0.5468
(19) Normalized Claim Frequency (Exhibit VII-3)	0.5158	0.5158		
(20) Severity Ratio** (18)/(19)	0.4921	0.5680		1.0601

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 6

POLICY YEAR LOSS RATIO 2000*

(1) Standard Earned Premium Reported (Table I)			87,450,749
(2) Factor to 12/1/06 Rate Level (Exhibit V-2)			1.7921
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0002
(4) Expense Constant Removal Factor			0.9988
(5) DCCPAP On-Level Factor			0.9929
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			155,452,127
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	31,693,922	35,309,648	67,003,570
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2358	1.3267	
(10) Ultimate Incurred Losses (8) * (9)	39,167,349	46,845,310	86,012,659
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	37,191,275	46,004,270	83,195,545
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0885	1.2491	
(13) Ultimate Incurred Losses (11) * (12)	40,482,703	57,463,934	97,946,637
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	39,825,026	52,154,622	91,979,648
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.1544	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117	
(17) Adjusted Losses (14) * (15) * (16)	51,109,307	57,980,293	109,089,600
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.3288	0.3730	0.7018
(19) Normalized Claim Frequency (Exhibit VII-3)	0.5915	0.5915	
(20) Severity Ratio** (18)/(19)	0.5559	0.6306	1.1865

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 7

POLICY YEAR LOSS RATIO 1999*

(1) Standard Earned Premium Reported (Table I)			80,533,721
(2) Factor to 12/1/06 Rate Level (Exhibit V-2)			1.8157
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0001
(4) Expense Constant Removal Factor			0.9989
(5) DCCPAP On-Level Factor			0.9959
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			145,479,913
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	25,770,985	30,707,603	56,478,588
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1801	1.2794	
(10) Ultimate Incurred Losses (8) * (9)	30,412,339	39,287,307	69,699,646
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	28,503,417	35,620,034	64,123,451
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0595	1.2027	
(13) Ultimate Incurred Losses (11) * (12)	30,199,370	42,840,215	73,039,585
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	30,305,855	41,063,761	71,369,616
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.1836	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117	
(17) Adjusted Losses (14) * (15) * (16)	39,876,690	45,650,583	85,527,273
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2741	0.3138	0.5879
(19) Normalized Claim Frequency (Exhibit VII-3)	0.6519	0.6519	
(20) Severity Ratio** (18)/(19)	0.4205	0.4814	0.9019

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 8

POLICY YEAR LOSS RATIO 1998*

(1) Standard Earned Premium Reported (Table I)			87,645,842
(2) Factor to 12/1/06 Rate Level (Exhibit V-2)			1.5760
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9986
(5) DCCPAP On-Level Factor			1.0001
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			137,950,259
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	21,015,840	25,414,526	46,430,366
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1405	1.2412	
(10) Ultimate Incurred Losses (8) * (9)	23,968,566	31,544,510	55,513,076
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	23,474,353	29,884,149	53,358,502
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0387	1.1661	
(13) Ultimate Incurred Losses (11) * (12)	24,382,810	34,847,906	59,230,716
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	24,175,688	33,196,208	57,371,896
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.2118	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117	
(17) Adjusted Losses (14) * (15) * (16)	32,568,473	36,904,224	69,472,697
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2361	0.2675	0.5036
(19) Normalized Claim Frequency (Exhibit VII-3)	0.6768	0.6768	
(20) Severity Ratio** (18)/(19)	0.3488	0.3952	0.7440

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 9

POLICY YEAR LOSS RATIO 1997*

(1) Standard Earned Premium Reported (Table I)			80,991,242
(2) Factor to 12/1/06 Rate Level (Exhibit V-2)			1.7076
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9979
(5) DCCPAP On-Level Factor			1.0081
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			139,128,096
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	23,259,059	25,586,761	48,845,820
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1111	1.2097	
(10) Ultimate Incurred Losses (8) * (9)	25,843,140	30,952,305	56,795,445
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	26,151,101	28,390,006	54,541,107
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0237	1.1369	
(13) Ultimate Incurred Losses (11) * (12)	26,770,882	32,276,598	59,047,480
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	26,307,011	31,614,452	57,921,463
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.2386	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117	
(17) Adjusted Losses (14) * (15) * (16)	36,223,481	35,145,786	71,369,267
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2604	0.2526	0.5130
(19) Normalized Claim Frequency (Exhibit VII-3)	0.7395	0.7395	
(20) Severity Ratio** (18)/(19)	0.3521	0.3416	0.6937

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 10

POLICY YEAR LOSS RATIO 1996*

(1) Standard Earned Premium Reported (Table I)			77,311,008
(2) Factor to 12/1/06 Rate Level (Exhibit V-2)			1.7945
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9973
(5) DCCPAP On-Level Factor			1.0131
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			140,172,537
Losses - Paid-to-20th Method	Indemnity	Medical	Total
(8) Paid Losses Reported (Table I-D & I-E)	24,078,724	25,751,517	49,830,241
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0886	1.1833	
(10) Ultimate Incurred Losses (8) * (9)	26,212,099	30,471,770	56,683,869
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	26,299,099	30,668,397	56,967,496
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0125	1.1133	
(13) Ultimate Incurred Losses (11) * (12)	26,627,838	34,143,126	60,770,964
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	26,419,969	32,307,448	58,727,417
(15) Factor to 6/7/07 Benefit Level (Exhibit V-3)	1.2629	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1117	1.1117	
(17) Adjusted Losses (14) * (15) * (16)	37,092,736	35,916,190	73,008,926
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2646	0.2562	0.5208
(19) Normalized Claim Frequency (Exhibit VII-3)	0.8113	0.8113	
(20) Severity Ratio** (18)/(19)	0.3261	0.3158	0.6419

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT V - 1
POLICY YEARS 2001-2005
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>		<u>(1) RATE CHANGE DATE</u>	<u>(2) RATE CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 12/1/06 RATE LEVEL</u>	
2005	VOL	12/01/04	BASE	0.7552 *	0.6993	0.5281		
		12/01/05	1.0710	0.8088	0.0599	0.0484		
		12/01/06	1.0000	0.8088	-----	-----		
					0.7592	0.5765		
	RM	12/01/04	BASE	1.0000	1.0000	0.2239	0.2239	
		12/01/05	1.0810	1.0810	0.0169	0.0183		
		12/01/06	1.0257	1.1088	-----	-----		
					0.2408	0.2422		
						0.8187	1.3543	
	2004	VOL	12/01/03	BASE	0.7347 **	0.6642	0.4880	
12/01/04			1.1670	0.8574	0.0623	0.0534		
12/01/05			1.0710	0.9183	-----	-----		
to 12/1/06					0.7265	0.5414		
RM		12/01/03	BASE	1.0000	1.0000	0.2534	0.2534	
		12/01/04	1.1353	1.1353	0.0201	0.0228		
		12/01/05	1.1088	1.2588	-----	-----		
		to 12/1/06			0.2735	0.2762		
		TOTAL				0.8176	1.5396	
2003		VOL	12/01/02	BASE	0.7318 ***	0.7078	0.5180	
	12/01/03		0.9328	0.6826	0.0585	0.0399		
	12/01/04		1.2499	0.8532	-----	-----		
	to 12/1/06				0.7663	0.5579		
	RM	12/01/02	BASE	1.0000	1.0000	0.2164	0.2164	
		12/01/03	0.9291	0.9291	0.0173	0.0161		
		12/01/04	1.2588	1.1696	-----	-----		
		to 12/1/06			0.2337	0.2325		
		TOTAL				0.7904	1.4798	
	2002	VOL	12/01/01	BASE	0.7352 ****	0.7353	0.5406	
12/01/02			1.0618	0.7806	0.0710	0.0554		
12/01/03			1.1659	0.9101	-----	-----		
to 12/1/06					0.8063	0.5960		
RM		12/01/01	BASE	1.0000	1.0000	0.1821	0.1821	
		12/01/02	1.0667	1.0667	0.0116	0.0124		
		12/01/03	1.1696	1.2476	-----	-----		
		to 12/1/06			0.1937	0.1945		
		TOTAL				0.7905	1.5782	
2001		VOL	12/01/99	BASE	0.7849 *****	0.2031	0.1594	
	3/01/01		0.9079	0.7126	0.6282	0.4477		
	12/01/01		1.1780	0.8394	0.0735	0.0617		
	12/01/02		1.2379	1.0391	-----	-----		
	to 12/1/06			0.9048	0.6688			
	RM	12/01/99	BASE	1.0000	1.0000	0.0114	0.0114	
		3/01/01	0.8885	0.8885	0.0791	0.0703		
		12/01/01	1.2850	1.1417	0.0047	0.0054		
		12/01/02	1.2476	1.4244	-----	-----		
	to 12/1/06			0.0952	0.0871			
	TOTAL				0.7559	1.8844		

* Loss, LAE and LBA portion of 12/1/04 rate.
 ** Loss, LAE and LBA portion of 12/1/03 rate.
 *** Loss & LAE and LBA portion of 12/1/02 rate.
 **** Loss & LAE and LBA portion of 12/1/01 rate.
 ***** Loss & LAE and LBA portion of 12/1/99 rate.

EXHIBIT V - 2
POLICY YEARS 1996 - 2000
PREMIUM ON-LEVEL FACTORS

<u>POLICY YEAR</u>		<u>(1) RATE CHANGE DATE</u>	<u>(2) RATE CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>		<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 12/1/06 RATE LEVEL</u>
2000	VOL	12/01/99	BASE	0.7849	*	0.9541	0.7489	
		3/01/01	0.9079	0.7126				
		12/01/01 to 12/1/06	1.4583	1.0392		----- 0.9541	----- 0.7489	
	RM	12/01/99	BASE	1.0000		0.0459	0.0459	
		3/01/01	0.8885	0.8885				
		12/01/01 to 12/1/06	1.6031	1.4244		----- 0.0459	----- 0.0459	
TOTAL							0.7948	1.7921
1999	VOL	10/01/98	BASE	0.7821	**	0.9079	0.7101	
		12/01/99	1.0086	0.7888		0.0653	0.0515	
		3/01/01 to 12/1/06	1.3240	1.0444		----- 0.9732	----- 0.7616	
	RM	10/01/98	BASE	1.0000		0.0260	0.0260	
		12/01/99	1.0050	1.0050		0.0008	0.0008	
		3/01/01 to 12/1/06	1.4244	1.4315		----- 0.0268	----- 0.0268	
TOTAL							0.7884	1.8157
1998	VOL	8/01/97	BASE	0.7818	***	0.7905	0.6180	
		10/01/98	0.8503	0.6648		0.1615	0.1074	
		12/01/99 to 12/1/06	1.3353	0.8877		----- 0.9520	----- 0.7254	
	RM	8/01/97	BASE	1.0000		0.0390	0.0390	
		10/01/98	0.8500	0.8500		0.0090	0.0077	
		12/01/99 to 12/1/06	1.4315	1.2168		----- 0.0480	----- 0.0467	
TOTAL							0.7721	1.5760
1997	VOL	8/01/94	BASE	0.7143	****	0.5678	0.4056	
		8/01/97	1.2236	0.8740		0.3532	0.3087	
		10/01/98 to 12/1/06	1.1354	0.9923		----- 0.9210	----- 0.7143	
	RM	8/01/94	BASE	1.0000		0.0510	0.0510	
		8/01/97	1.1179	1.1179		0.0280	0.0313	
		10/01/98 to 12/1/06	1.2168	1.3603		----- 0.0790	----- 0.0823	
TOTAL							0.7966	1.7076
1996	VOL	8/01/94	BASE	0.7143	****	0.8470	0.6050	
		8/01/97	1.3893	0.9924		----- 0.8470	----- 0.6050	
		to 12/1/06						
	RM	8/01/94	BASE	1.0000		0.1530	0.1530	
		8/01/97	1.3602	1.3602		----- 0.1530	----- 0.1530	
		to 12/1/06						
TOTAL							0.7580	1.7945

* Loss & LAE and LBA portion of 12/1/99 rate.
** Loss, LAE and LBA portion of 10/1/98 rate.
*** Loss, LAE and LBA portion of 8/1/97 rate.
**** Loss, LAE and LBA portion of 8/1/94 rate.

EXHIBIT V - 3
POLICY YEARS 1996 - 2005
INDEMNITY LOSS ON-LEVEL FACTORS

<u>POLICY YEAR</u>	<u>(1) LAW AMENDMENT DATE</u>	<u>(2) BENEFIT CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 6/7/07 BENEFIT LEVEL</u>
2005	5/21/04	BASE	1.0000	0.0939	0.0939	1.0482
	6/06/05	1.0136	1.0136	0.7471	0.7573	
	6/07/06	1.0200	1.0339	0.1590	0.1644	
	6/07/07	1.0297	1.0646	----- 1.0000	----- 1.0156	
2004	6/04/03	BASE	1.0000	0.0767	0.0767	1.0630
	5/21/04	1.0094	1.0094	0.7627	0.7699	
	6/06/05	1.0136	1.0231	0.1606	0.1643	
	6/07/06	1.0503	1.0746	----- 1.0000	----- 1.0109	
	TO 6/07/07					
2003	6/14/02	BASE	1.0000	0.0915	0.0915	1.0756
	6/04/03	1.0284	1.0284	0.7235	0.7440	
	5/21/04	1.0094	1.0381	0.1850	0.1920	
	6/06/05	1.0646	1.1052	----- 1.0000	----- 1.0275	
	TO 6/07/07					
2002	6/20/01	BASE	1.0000	0.1038	0.1038	1.1023
	6/14/02	1.0207	1.0207	0.7325	0.7477	
	6/04/03	1.0284	1.0497	0.1637	0.1718	
	5/21/04	1.0746	1.1280	----- 1.0000	----- 1.0233	
	TO 6/07/07					
2001	6/12/00	BASE	1.0000	0.1115	0.1115	1.1276
	6/20/01	1.0242	1.0242	0.7403	0.7582	
	6/14/02	1.0207	1.0454	0.1482	0.1549	
	6/04/03	1.1051	1.1553	----- 1.0000	----- 1.0246	
	TO 6/07/07					
2000	6/15/99	BASE	1.0000	0.1013	0.1013	1.1544
	6/12/00	1.0260	1.0260	0.7594	0.7791	
	6/20/01	1.0242	1.0508	0.1393	0.1464	
	6/14/02	1.1280	1.1853	----- 1.0000	----- 1.0268	
	TO 6/07/07					
1999	6/11/98	BASE	1.0000	0.1050	0.1050	1.1836
	6/15/99	1.0237	1.0237	0.7437	0.7613	
	6/12/00	1.0260	1.0503	0.1513	0.1589	
	6/20/01	1.1553	1.2134	----- 1.0000	----- 1.0252	
	TO 6/07/07					
1998	6/18/97	BASE	1.0000	0.1000	0.1000	1.2118
	6/11/98	1.0221	1.0221	0.7533	0.7699	
	6/15/99	1.0237	1.0463	0.1467	0.1535	
	6/12/00	1.1853	1.2402	----- 1.0000	----- 1.0234	
	TO 6/07/07					
1997	6/03/96	BASE	1.0000	0.1089	0.1089	1.2386
	6/18/97	1.0193	1.0193	0.7383	0.7525	
	6/11/98	1.0221	1.0418	0.1528	0.1592	
	6/15/99	1.2134	1.2641	----- 1.0000	----- 1.0206	
	TO 6/07/07					
1996	6/15/95	BASE	1.0000	0.0868	0.0868	1.2629
	6/03/96	1.0212	1.0212	0.7665	0.7827	
	6/18/97	1.0193	1.0409	0.1467	0.1527	
	6/11/98	1.2402	1.2909	----- 1.0000	----- 1.0222	
	TO 6/07/07					

EXHIBIT VI - 1

DEVELOPMENT FACTORS

PREMIUM

<u>Reports in Ratio</u>	<u>Calendar Years 05-06</u>	<u>Calendar Years 04-05</u>	<u>Calendar Years 03-04</u>	<u>Calendar Years 02-03</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>
2nd to 1st	1.0054	0.9988	0.9912	1.0204	1.0040	1.0006
3rd to 2nd	0.9998	0.9957	0.9943	1.0029	0.9982	0.9966
4th to 3rd	0.9992	0.9974	0.9982	1.0001	0.9987	0.9984
5th to 4th	1.0001	0.9971	0.9942	1.0035	0.9987	0.9997
6th to 5th	1.0013	0.9980	1.0034	1.0005	1.0008	1.0010
7th to 6th	1.0007	0.9997	0.9999	1.0002	1.0001	1.0002
8th to 7th	1.0002	1.0000	0.9999	1.0001	1.0001	1.0001
9th to 8th	0.9997	1.0000	1.0002	1.0004	1.0000 *	1.0000
10th to 9th	0.9999	1.0000	1.0000	1.0000	1.0000 *	1.0000
11th to 10th	1.0000	1.0000	1.0001	1.0012	1.0000 *	1.0000
12th to 11th	1.0001	0.9999	1.0000	1.0003	1.0000 *	1.0000
13th to 12th	0.9995	1.0000	1.0001	1.0000	1.0000 *	1.0000
14th to 13th	0.9938	1.0002	1.0000	1.0000	1.0000 *	1.0000
15th to 14th	0.9988	1.0021	1.0000	1.0000	1.0000 *	1.0000
16th to 15th	1.0072	1.0000	1.0000	1.0000	1.0000 *	1.0000
17th to 16th	1.0043	1.0000	1.0000	1.0000	1.0000 *	1.0000
18th to 17th	0.9991	1.0000	1.0000	1.0000	1.0000 *	1.0000
19th to 18th	1.0000	1.0000	1.0000	1.0000	1.0000 *	1.0000
20th to 19th	0.9997	1.0000	1.0000	1.0001	1.0000 *	1.0000
Beyond 20th	1.0008	1.0000	0.9725	1.0043	1.0000 *	1.0000

* Selected

EXHIBIT VI - 2

DEVELOPMENT FACTORS

**INDEMNITY LOSSES
PAID METHOD - LIMITED LOSS BASIS**

<u>Reports in Ratio</u>		<u>Calendar Years 05-06</u>	<u>Calendar Years 04-05</u>	<u>Calendar Years 03-04</u>	<u>Calendar Years 02-03</u>	<u>Unweighted Average</u>	<u>Fitted Value</u>	<u>Cumulative Average</u>
2nd to 1st	a	2.1763	1.8433	1.9233	2.0577	2.0002	2.0002	4.7958
3rd to 2nd	a	1.4455	1.3465	1.4010	1.3716	1.3912	1.3908	2.3976
4th to 3rd	a	1.1293	1.1656	1.2531	1.1771	1.1813	1.1827	1.7239
5th to 4th	a	1.1169	1.1060	1.0858	1.0947	1.1009	1.1047	1.4576
6th to 5th	a	1.0928	1.0629	1.0610	1.1017	1.0796	1.0677	1.3195
7th to 6th	a	1.0432	1.0438	1.0499	1.0308	1.0419	1.0472	1.2358
8th to 7th	a	1.0319	1.0624	1.0259	1.0207	1.0352	1.0347	1.1801
9th to 8th	a	1.0490	1.0164	1.0156	1.0371	1.0295	1.0265	1.1405
10th to 9th	a	1.0123	1.0159	1.0028	1.0242	1.0138	1.0207	1.1111
11th to 10th	a	1.0142	1.0164	1.0247	1.0049	1.0151	1.0165	1.0886
12th to 11th	a	1.0014	1.0192	1.0152	1.0205	1.0141	1.0134	1.0709
13th to 12th	a	1.0167	1.0089	1.0061	1.0171	1.0122	1.0109	1.0567
14th to 13th	a	1.0027	1.0091	1.0077	1.0040	1.0059	1.0090	1.0453
15th to 14th	a	1.0047	1.0101	1.0078	1.0052	1.0070	1.0074	1.0360
16th to 15th	a	1.0123	1.0034	1.0082	1.0084	1.0081	1.0061	1.0284
17th to 16th	a	1.0017	1.0113	1.0060	1.0026	1.0054	1.0051	1.0222
18th to 17th	a	1.0060	1.0027	1.0057	1.0076	1.0055	1.0042	1.0170
19th to 18th	a	0.9998	1.0095	0.9962	1.0139	1.0049	1.0034	1.0127
20th to 19th	b	1.0323	1.0266	1.0247	1.0283	1.0280	1.0280	1.0093
Beyond 20th	c	1.0136	0.9916	0.9681	0.9538	0.9818	0.9818	0.9818

INCURRED METHOD

<u>Reports in Ratio</u>		<u>Calendar Years 05-06</u>	<u>Calendar Years 04-05</u>	<u>Calendar Years 03-04</u>	<u>Calendar Years 02-03</u>	<u>Unweighted Average</u>	<u>Fitted Value</u>	<u>Cumulative Average</u>
2nd to 1st	c	1.3317	1.3005	1.2978	1.4377	1.3419	1.3427	1.9986
3rd to 2nd	c	1.1511	1.1412	1.1866	1.1405	1.1549	1.1487	1.4885
4th to 3rd	c	1.0704	1.0339	1.1185	1.0750	1.0745	1.0859	1.2958
5th to 4th	c	1.0268	1.0541	1.0780	1.0743	1.0583	1.0557	1.1933
6th to 5th	c	1.0258	1.0055	1.0401	1.0898	1.0403	1.0384	1.1303
7th to 6th	c	1.0213	1.0176	1.0586	1.0121	1.0274	1.0274	1.0885
8th to 7th	c	1.0366	1.0857	1.0067	1.0256	1.0387	1.0200	1.0595
9th to 8th	c	0.9932	1.0251	1.0038	0.9812	1.0008	1.0147	1.0387
10th to 9th	c	1.0124	0.9904	0.9998	1.0202	1.0057	1.0110	1.0237
11th to 10th	c	0.9953	1.0029	1.0129	0.9903	1.0004	1.0082	1.0125
12th to 11th	c	0.9974	1.0183	1.0120	1.0174	1.0113	1.0061	1.0043
13th to 12th	c	1.0088	1.0050	1.0081	1.0163	1.0096	1.0046	0.9982
14th to 13th	c	0.9951	0.9950	1.0128	0.9913	0.9986	1.0034	0.9936
15th to 14th	c	1.0024	0.9972	1.0004	1.0302	1.0076	1.0025	0.9903
16th to 15th	c	1.0052	1.0118	0.9982	0.9987	1.0035	1.0019	0.9878
17th to 16th	c	0.9910	1.0030	1.0031	1.0017	0.9997	1.0014	0.9859
18th to 17th	c	1.0062	0.9991	1.0002	1.0034	1.0022	1.0011	0.9846
19th to 18th	c	1.0008	0.9961	0.9989	0.9999	0.9989	1.0009	0.9835
20th to 19th	c	1.0000	1.0010	1.0040	0.9980	1.0008	1.0008	0.9826
Beyond 20th	c	1.0136	0.9916	0.9681	0.9538	0.9818	0.9818	0.9818

- a From Table I-D
- b 19th (Paid - Table I-D) to 20th (Incurred - Table 1-B)
- c From Table I-B

EXHIBIT VI - 3

**FITTED DEVELOPMENT FACTORS
INDEMNITY LOSSES**

Paid Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	2.0002	1.0002	1.0002	2.0002
3rd to 2nd	1.3912	0.3912	0.3908	1.3908
4th to 3rd	1.1813	0.1813	0.1827	1.1827
5th to 4th	1.1009	0.1009	0.1047	1.1047
6th to 5th	1.0796	0.0796	0.0677	1.0677
7th to 6th	1.0419	0.0419	0.0472	1.0472
8th to 7th	1.0352	0.0352	0.0347	1.0347
9th to 8th	1.0295	0.0295	0.0265	1.0265
10th to 9th	1.0138	0.0138	0.0207	1.0207
11th to 10th	1.0151	0.0151	0.0165	1.0165
12th to 11th	1.0141	0.0141	0.0134	1.0134
13th to 12th	1.0122	0.0122	0.0109	1.0109
14th to 13th	1.0059	0.0059	0.0090	1.0090
15th to 14th	1.0070	0.0070	0.0074	1.0074
16th to 15th	1.0081	0.0081	0.0061	1.0061
17th to 16th	1.0054	0.0054	0.0051	1.0051
18th to 17th	1.0055	0.0055	0.0042	1.0042
19th to 18th	1.0049	0.0049	0.0034	1.0034
20th to 19th *	1.0280	0.0280	0.0280	1.0280

$Y = a+b/x+c/x^2+d/x^3+e/x^4$

a = -0.005123 b = 0.078397 c = 1.305255 d = 0.864526 e = -1.242846

* Paid-Incurred 4 year average

Incurred Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.3419	0.3419	0.3427	1.3427
3rd to 2nd	1.1549	0.1549	0.1487	1.1487
4th to 3rd	1.0745	0.0745	0.0859	1.0859
5th to 4th	1.0583	0.0583	0.0557	1.0557
6th to 5th	1.0403	0.0403	0.0384	1.0384
7th to 6th	1.0274	0.0274	0.0274	1.0274
8th to 7th	1.0387	0.0387	0.0200	1.0200
9th to 8th	1.0008	0.0008	0.0147	1.0147
10th to 9th	1.0057	0.0057	0.0110	1.0110
11th to 10th	1.0004	0.0004	0.0082	1.0082
12th to 11th	1.0113	0.0113	0.0061	1.0061
13th to 12th	1.0096	0.0096	0.0046	1.0046
14th to 13th	0.9986	-0.0014	0.0034	1.0034
15th to 14th	1.0076	0.0076	0.0025	1.0025
16th to 15th	1.0035	0.0035	0.0019	1.0019
17th to 16th	0.9997	-0.0003	0.0014	1.0014
18th to 17th	1.0022	0.0022	0.0011	1.0011
19th to 18th	0.9989	-0.0011	0.0009	1.0009
20th to 19th	1.0008	0.0008	0.0008	1.0008
Beyond 20th +	0.9818	-0.0182	-0.0182	0.9818

$Y = a+b*\log(x)^2+c/x$

a = -0.048403 b = 0.003299 c = 0.391054

+ Selected four year average

EXHIBIT VI - 4

DEVELOPMENT FACTORS

**MEDICAL LOSSES
PAID METHOD - LIMITED LOSS BASIS**

Reports in Ratio	Calendar Years <u>05-06</u>	Calendar Years <u>04-05</u>	Calendar Years <u>03-04</u>	Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	a	1.3334	1.3340	1.3081	1.3821		1.3394	1.3394	2.4709
3rd to 2nd	a	1.1557	1.1573	1.1432	1.1696		1.1565	1.1552	1.8448
4th to 3rd	a	1.0832	1.0593	1.0931	1.0771		1.0782	1.0861	1.5969
5th to 4th	a	1.0725	1.0992	1.0470	1.0497		1.0671	1.0597	1.4703
6th to 5th	a	1.0609	1.0538	1.0494	1.0539		1.0545	1.0458	1.3875
7th to 6th	a	1.0415	1.0293	1.0405	1.0265		1.0345	1.0370	1.3267
8th to 7th	a	1.0245	1.0275	1.0164	1.0352		1.0259	1.0308	1.2794
9th to 8th	a	1.0375	1.0242	1.0164	1.0148		1.0232	1.0260	1.2412
10th to 9th	a	1.0312	1.0190	1.0080	1.0146		1.0182	1.0223	1.2097
11th to 10th	a	1.0325	1.0156	1.0196	1.0184		1.0215	1.0193	1.1833
12th to 11th	a	1.0266	1.0153	1.0153	1.0113		1.0171	1.0168	1.1609
13th to 12th	a	1.0134	1.0072	1.0141	1.0073		1.0105	1.0146	1.1417
14th to 13th	a	1.0080	1.0098	1.0149	1.0113		1.0110	1.0128	1.1253
15th to 14th	a	1.0234	1.0115	1.0106	1.0197		1.0163	1.0112	1.1111
16th to 15th	a	1.0194	1.0111	1.0063	1.0151		1.0130	1.0098	1.0988
17th to 16th	a	1.0091	1.0067	1.0071	1.0069		1.0075	1.0086	1.0881
18th to 17th	a	1.0025	1.0150	1.0044	1.0126		1.0086	1.0075	1.0788
19th to 18th	a	1.0060	1.0035	1.0012	1.0164		1.0068	1.0065	1.0708
20th to 19th	b	1.0366	1.0387	1.0441	1.0346		1.0385	1.0385	1.0639
Beyond 20th+	c	1.0268	1.0451	1.0806	1.0720	1.0248	1.0011	1.0245	1.0245

INCURRED METHOD

Reports in Ratio	Calendar Years <u>05-06</u>	Calendar Years <u>04-05</u>	Calendar Years <u>03-04</u>	Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Unweighted Average+	Fitted Value	Cumulative Average
2nd to 1st	c	1.1075	1.1931	1.1298	1.1601	1.2264	1.1548	1.1705	1.9130
3rd to 2nd	c	1.1261	1.1340	1.2057	1.1501	1.0835	1.0485	1.0980	1.6349
4th to 3rd	c	1.0928	1.0648	1.1620	1.0719	1.0387	1.0550	1.0628	1.4911
5th to 4th	c	1.0696	1.1193	1.0850	1.0381	1.0532	1.0408	1.0707	1.3872
6th to 5th	c	1.0604	1.0490	1.0649	1.1046	1.0642	1.0274	1.0503	1.3089
7th to 6th	c	1.0501	1.0564	1.0442	1.0321	1.0275	1.0366	1.0427	1.2491
8th to 7th	c	1.0380	1.0206	1.0149	1.0551	1.0263	1.0097	1.0237	1.2027
9th to 8th	c	0.9914	1.0521	1.0397	1.0163	1.0371	1.0256	1.0266	1.1661
10th to 9th	c	1.0349	1.0167	1.0659	1.0526	1.0173	1.0106	1.0199	1.1369
11th to 10th	c	1.0103	1.0313	1.0021	1.0194	1.0254	1.0036	1.0177	1.1133
12th to 11th	c	1.0046	1.0405	1.0229	1.0178	1.0158	1.0091	1.0175	1.0940
13th to 12th	c	1.0159	0.9932	1.0375	1.0345	1.0118	1.0072	1.0070	1.0783
14th to 13th	c	1.0128	1.0053	1.0360	1.0121	1.0059	1.0124	1.0091	1.0654
15th to 14th	c	1.0172	0.9981	1.0215	1.0258	1.0087	1.0024	1.0066	1.0548
16th to 15th	c	1.0206	1.0101	1.0030	1.0165	1.0037	1.0039	1.0096	1.0462
17th to 16th	c	1.0166	1.0006	1.0119	1.0110	1.0045	1.0071	1.0072	1.0393
18th to 17th	c	1.0135	1.0036	1.0028	1.0064	1.0034	0.9965	1.0043	1.0338
19th to 18th	c	0.9984	1.0101	1.0127	1.0162	1.0107	1.0050	1.0061	1.0296
20th to 19th	c	1.0030	1.0014	1.0179	1.0046	1.0028	0.9897	0.9992	1.0265
Beyond 20th	c	1.0268	1.0451	1.0806	1.0720	1.0248	1.0011	1.0245	1.0245

- a From Table I-E
- b 19th (Paid - Table I-E) to 20th (Incurred - Table 1-C)
- c From Table I-C
- + Average of 00-01, 01-02, 04-05 and 05-06

EXHIBIT VI - 5

FITTED DEVELOPMENT FACTORS

MEDICAL LOSSES

Paid Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.3394	0.3394	0.3394	1.3394
3rd to 2nd	1.1565	0.1565	0.1552	1.1552
4th to 3rd	1.0782	0.0782	0.0861	1.0861
5th to 4th	1.0671	0.0671	0.0597	1.0597
6th to 5th	1.0545	0.0545	0.0458	1.0458
7th to 6th	1.0345	0.0345	0.0370	1.0370
8th to 7th	1.0259	0.0259	0.0308	1.0308
9th to 8th	1.0232	0.0232	0.0260	1.0260
10th to 9th	1.0182	0.0182	0.0223	1.0223
11th to 10th	1.0215	0.0215	0.0193	1.0193
12th to 11th	1.0171	0.0171	0.0168	1.0168
13th to 12th	1.0105	0.0105	0.0146	1.0146
14th to 13th	1.0110	0.0110	0.0128	1.0128
15th to 14th	1.0163	0.0163	0.0112	1.0112
16th to 15th	1.0130	0.0130	0.0098	1.0098
17th to 16th	1.0075	0.0075	0.0086	1.0086
18th to 17th	1.0086	0.0086	0.0075	1.0075
19th to 18th	1.0068	0.0068	0.0065	1.0065
20th to 19th *	1.0385	0.0385	0.0385	1.0385

$Y = a+b/x+c/x^2+d/x^3+e/x^4$

$a = -0.011985 \quad b = 0.368008 \quad c = -.735686 \quad d = 1.954200 \quad e = -1.235114$

* Paid-Incurred 4 year average

Incurred Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.1705	0.1705	0.1701	1.1701
3rd to 2nd	1.0980	0.0980	0.0964	1.0964
4th to 3rd	1.0628	0.0628	0.0749	1.0749
5th to 4th	1.0707	0.0707	0.0598	1.0598
6th to 5th	1.0503	0.0503	0.0479	1.0479
7th to 6th	1.0427	0.0427	0.0386	1.0386
8th to 7th	1.0237	0.0236	0.0314	1.0314
9th to 8th	1.0266	0.0265	0.0257	1.0257
10th to 9th	1.0199	0.0199	0.0212	1.0212
11th to 10th	1.0177	0.0177	0.0176	1.0176
12th to 11th	1.0175	0.0175	0.0146	1.0146
13th to 12th	1.0070	0.0070	0.0121	1.0121
14th to 13th	1.0091	0.0091	0.0100	1.0100
15th to 14th	1.0066	0.0066	0.0082	1.0082
16th to 15th	1.0096	0.0096	0.0067	1.0067
17th to 16th	1.0072	0.0072	0.0053	1.0053
18th to 17th	1.0043	0.0043	0.0041	1.0041
19th to 18th	1.0061	0.0060	0.0030	1.0030
20th to 19th	0.9992	-0.0008	0.0020	1.0020
Beyond 20th +	1.0245	0.0244	0.0244	1.0245

$Y = a+b/x+c*\exp(-x)$

$a = -0.015274 \quad b = 0.328883 \quad c = -0.390210$

+ Average of 00-01, 01-02, 04-05 and 05-06

EXHIBIT VII - 1

DETERMINATION OF TREND

INDEMNITY

Policy Year	2001	2002	2003	2004	2005
Actual Loss Ratio	0.2538	0.2668	0.2617	0.2256	0.2079
Normalized Frequency	0.5158	0.5214	0.4994	0.4384	0.3904
Severity Loss Ratio	0.4921	0.5117	0.5240	0.5146	0.5325
x	1	2	3	4	5
y	0.4921	0.5117	0.5240	0.5146	0.5325

5 Point Exponential Regression: $y = 0.490164 * 1.016480 ^ x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 12/1/08 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2002	0.5065	0.5579	1.1015	0.6509
2003	0.5148	0.5579	1.0837	0.6999
2004	0.5233	0.5579	1.0661	0.7526
2005	0.5319	0.5579	1.0488	0.8092

Trended Loss Ratio

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2002	0.2668	0.7170	0.1913
2003	0.2617	0.7585	0.1985
2004	0.2256	0.8023	0.1810
2005	0.2079	0.8487	0.1764

See Exhibit VII-3 for column (4).

EXHIBIT VII - 2

DETERMINATION OF TREND

MEDICAL

Policy Year	2001	2002	2003	2004	2005
Actual Loss Ratio	0.2930	0.3331	0.3447	0.3208	0.3047
Normalized Frequency	0.5158	0.5214	0.4994	0.4384	0.3904
Severity Loss Ratio	0.5680	0.6389	0.6902	0.7318	0.7805
x	1	2	3	4	5
y	0.5680	0.6389	0.6902	0.7318	0.7805

5 Point Exponential Regression: $y = 0.537776 * 1.080192 ^ x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 12/1/08 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2002	0.6275	0.9904	1.5784	0.6509
2003	0.6778	0.9904	1.4612	0.6999
2004	0.7322	0.9904	1.3527	0.7526
2005	0.7909	0.9904	1.2523	0.8092

Trended Loss Ratio

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2002	0.3331	1.0274	0.3422
2003	0.3447	1.0227	0.3525
2004	0.3208	1.0180	0.3266
2005	0.3047	1.0134	0.3088

See Exhibit VII-3 for column (4).

EXHIBIT VII - 3

DETERMINATION OF TREND

Claim Frequency

Policy Year Frequency per \$1 million of Expected Losses
{1 = PY 1993, 13 = PY 2005}

Policy Year	Claim Frequency	Normalized Frequency
1993	17.70	1.0000
1994	15.21	0.8593
1995	15.27	0.8627
1996	14.36	0.8113
1997	13.09	0.7395
1998	11.98	0.6768
1999	11.54	0.6519
2000	10.47	0.5915
2001	9.13	0.5158
2002	9.23	0.5214
2003	8.84	0.4994
2004	7.76	0.4384
2005	6.91	0.3904

Policy Year	2001	2002	2003	2004	2005
x	1	2	3	4	5
y	0.5158	0.5214	0.4994	0.4384	0.3904

5 Point Exponential Regression: $y = 0.585422 * 0.929556 ^ x$

SELECTED FREQUENCY TREND FACTOR

-7.0%

Policy Year	Frequency Trend Factor (1)	# of years to 12/1/08 (2)	Frequency Trend to 12/1/08 (3) = (1)^(2)
2001	0.9300	5.9167	0.6509
2002	0.9300	4.9167	0.6999
2003	0.9300	3.9167	0.7526
2004	0.9300	2.9167	0.8092

TABLE I - LIMITED

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

ACCUMULATED STANDARD EARNED PREMIUM

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	330,276,255	330,451,069	1.0005	Prior to 1984	345,802,829	344,657,478	0.9967
1983	40,349,317	40,353,262	1.0001	1984	41,676,205	41,676,070	1.0000
1984	44,183,905	44,184,045	1.0000	1985	55,822,104	55,822,104	1.0000
1985	59,801,047	59,801,031	1.0000	1986	66,209,998	66,209,998	1.0000
1986	70,302,286	70,298,969	1.0000	1987	76,555,162	76,555,161	1.0000
1987	81,538,827	81,538,820	1.0000	1988	92,299,777	92,299,135	1.0000
1988	99,395,866	99,395,864	1.0000	1989	97,460,913	97,461,505	1.0000
1989	104,969,727	104,973,786	1.0000	1990	85,110,911	85,109,500	1.0000
1990	92,829,352	92,829,375	1.0000	1991	86,210,356	86,219,084	1.0001
1991	94,365,271	94,395,691	1.0003	1992	78,255,565	78,254,283	1.0000
1992	83,654,860	83,753,418	1.0012	1993	79,860,765	79,865,509	1.0001
1993	84,959,746	84,962,688	1.0000	1994	76,190,720	76,193,011	1.0000
1994	80,216,300	80,250,537	1.0004	1995	76,024,554	76,036,484	1.0002
1995	79,183,806	79,188,130	1.0001	1996	79,962,377	79,953,089	0.9999
1996	83,200,012	83,213,774	1.0002	1997	83,392,380	83,387,902	0.9999
1997	87,584,498	87,626,809	1.0005	1998	88,723,451	89,028,759	1.0034
1998	93,198,536	93,527,685	1.0035	1999	82,032,513	81,559,212	0.9942
1999	86,700,216	86,709,902	1.0001	2000	90,030,337	89,864,096	0.9982
2000	94,892,214	95,171,560	1.0029	2001	93,521,814	92,988,725	0.9943
2001	95,697,384	97,651,340	1.0204	2002	116,780,532	115,751,627	0.9912
2002	64,355,095	118,747,862	1.8452	2003	67,633,669	129,488,542	1.9146
2003		68,123,859		2004		73,232,385	

Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year	Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year
Prior to 1985	386,584,985	386,584,985	1.0000	Prior to 1986	424,616,164	424,667,648	1.0001
1985	55,807,919	55,807,919	1.0000	1986	63,043,365	63,023,266	0.9997
1986	66,222,041	66,222,041	1.0000	1987	72,849,658	72,850,618	1.0000
1987	76,656,888	76,656,888	1.0000	1988	82,834,799	82,763,862	0.9991
1988	92,367,974	92,367,974	1.0000	1989	86,244,219	86,613,192	1.0043
1989	97,576,635	97,577,146	1.0000	1990	80,785,047	81,364,979	1.0072
1990	85,243,382	85,420,105	1.0021	1991	81,640,947	81,541,085	0.9988
1991	86,399,545	86,419,774	1.0002	1992	74,756,947	74,291,455	0.9938
1992	78,394,713	78,392,991	1.0000	1993	76,272,328	76,233,153	0.9995
1993	80,192,133	80,187,236	0.9999	1994	72,891,978	72,896,285	1.0001
1994	76,389,572	76,390,309	1.0000	1995	71,316,117	71,313,956	1.0000
1995	76,053,723	76,050,917	1.0000	1996	77,317,991	77,311,008	0.9999
1996	80,071,959	80,073,548	1.0000	1997	81,017,671	80,991,242	0.9997
1997	83,457,815	83,459,470	1.0000	1998	87,627,541	87,645,842	1.0002
1998	89,074,530	89,050,783	0.9997	1999	80,474,716	80,533,721	1.0007
1999	81,687,481	81,527,186	0.9980	2000	87,335,759	87,450,749	1.0013
2000	89,927,552	89,664,838	0.9971	2001	91,547,743	91,552,530	1.0001
2001	93,342,916	93,098,124	0.9974	2002	112,730,287	112,642,442	0.9992
2002	115,801,563	115,305,526	0.9957	2003	125,376,048	125,356,859	0.9998
2003	129,509,510	129,353,946	0.9988	2004	139,999,401	140,748,403	1.0054
2004	73,369,152	144,419,589	1.9684	2005	86,592,308	165,830,173	1.9151
2005		90,663,961		2006		98,407,752	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

TABLE I - A - Individual Losses Limited to \$1,900,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	192,263,526	192,183,966	0.9996	Prior to 1984	202,581,160	202,939,084	1.0018
1983	26,809,467	26,821,131	1.0004	1984	25,228,987	25,473,619	1.0097
1984	26,349,627	26,519,660	1.0065	1985	34,122,810	34,286,585	1.0048
1985	36,415,586	36,587,006	1.0047	1986	37,095,388	37,141,712	1.0012
1986	39,111,078	39,326,104	1.0055	1987	45,238,858	45,552,787	1.0069
1987	47,602,453	47,903,576	1.0063	1988	45,279,563	45,294,358	1.0003
1988	46,772,049	48,093,791	1.0283	1989	46,068,497	46,535,120	1.0101
1989	51,783,004	51,820,097	1.0007	1990	48,308,941	49,445,486	1.0235
1990	53,018,915	54,322,353	1.0246	1991	50,021,660	51,142,114	1.0224
1991	54,860,716	55,824,698	1.0176	1992	45,654,104	46,460,837	1.0177
1992	49,126,284	49,383,878	1.0052	1993	50,171,429	50,550,979	1.0076
1993	50,372,611	52,187,563	1.0360	1994	40,481,570	41,853,462	1.0339
1994	43,987,807	43,937,302	0.9989	1995	48,893,865	49,987,135	1.0224
1995	48,552,703	50,528,044	1.0407	1996	56,186,974	56,798,231	1.0109
1996	56,506,736	57,765,221	1.0223	1997	53,000,224	55,701,647	1.0510
1997	49,703,493	54,557,464	1.0977	1998	49,428,339	52,074,298	1.0535
1998	50,498,942	53,247,252	1.0544	1999	56,114,266	60,700,250	1.0817
1999	55,152,749	59,198,075	1.0733	2000	64,751,083	73,894,400	1.1412
2000	59,214,561	67,829,558	1.1455	2001	52,591,542	62,934,706	1.1967
2001	42,577,891	54,327,685	1.2760	2002	51,924,059	62,305,765	1.1999
2002	21,104,962	52,227,461	2.4747	2003	21,012,813	53,799,093	2.5603
2003		21,041,355		2004		23,140,791	

Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year	Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year
Prior to 1985	228,629,892	229,127,488	1.0022	Prior to 1986	250,345,688	250,995,820	1.0026
1985	34,087,281	34,127,892	1.0012	1986	34,153,529	34,196,104	1.0012
1986	36,975,414	37,042,850	1.0018	1987	40,758,865	40,747,762	0.9997
1987	45,553,995	45,601,583	1.0010	1988	38,588,871	38,952,787	1.0094
1988	45,339,275	45,426,583	1.0019	1989	41,434,757	41,567,710	1.0032
1989	46,862,869	47,379,802	1.0110	1990	45,279,093	45,855,527	1.0127
1990	49,734,605	49,616,286	0.9976	1991	47,519,034	47,986,518	1.0098
1991	51,293,476	51,298,732	1.0001	1992	44,378,805	44,571,736	1.0043
1992	46,560,604	46,505,610	0.9988	1993	50,226,533	50,848,139	1.0124
1993	50,766,481	52,250,262	1.0292	1994	40,559,835	40,611,042	1.0013
1994	42,266,796	43,023,768	1.0179	1995	47,160,230	47,320,289	1.0034
1995	49,989,020	50,199,590	1.0042	1996	55,610,156	56,967,496	1.0244
1996	57,058,504	59,285,729	1.0390	1997	54,966,730	54,541,107	0.9923
1997	55,715,337	58,572,903	1.0513	1998	51,434,971	53,358,502	1.0374
1998	52,261,970	54,290,303	1.0388	1999	61,830,910	64,123,451	1.0371
1999	60,749,520	62,509,528	1.0290	2000	79,639,752	83,195,545	1.0446
2000	73,908,751	80,463,848	1.0887	2001	65,809,336	69,085,583	1.0498
2001	63,303,695	66,488,812	1.0503	2002	69,286,149	75,013,404	1.0827
2002	62,284,056	70,834,785	1.1373	2003	64,236,141	73,038,759	1.1370
2003	53,808,576	66,612,289	1.2379	2004	57,535,060	68,550,958	1.1915
2004	23,211,709	58,891,270	2.5371	2005	18,783,671	54,835,604	2.9193
2005		19,925,677		2006		20,682,002	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - B - Individual Losses Limited to \$1,900,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	126,478,187	125,692,675	0.9938	Prior to 1984	131,936,671	131,461,903	0.9964
1983	16,998,728	16,965,105	0.9980	1984	14,896,507	14,955,782	1.0040
1984	15,701,660	15,699,714	0.9999	1985	19,533,116	19,511,149	0.9989
1985	20,876,887	20,948,379	1.0034	1986	21,866,217	21,870,188	1.0002
1986	23,184,401	23,223,941	1.0017	1987	25,623,713	25,703,451	1.0031
1987	27,220,858	27,184,981	0.9987	1988	24,891,730	24,846,364	0.9982
1988	25,673,291	26,449,784	1.0302	1989	24,878,086	24,888,473	1.0004
1989	28,379,590	28,133,211	0.9913	1990	25,955,028	26,285,970	1.0128
1990	28,849,926	29,319,206	1.0163	1991	25,660,031	25,867,964	1.0081
1991	28,361,066	28,853,553	1.0174	1992	21,878,198	22,140,862	1.0120
1992	23,869,130	23,637,582	0.9903	1993	25,250,286	25,577,114	1.0129
1993	25,701,845	26,220,260	1.0202	1994	19,596,398	19,591,992	0.9998
1994	21,891,047	21,480,035	0.9812	1995	23,625,679	23,716,432	1.0038
1995	23,778,782	24,387,929	1.0256	1996	27,290,173	27,471,668	1.0067
1996	27,645,031	27,978,399	1.0121	1997	24,809,139	26,264,035	1.0586
1997	23,390,562	25,491,885	1.0898	1998	22,623,032	23,529,912	1.0401
1998	22,755,566	24,447,356	1.0743	1999	25,961,356	27,985,803	1.0780
1999	25,549,882	27,467,280	1.0750	2000	30,994,509	34,667,821	1.1185
2000	28,529,337	32,538,990	1.1405	2001	24,861,991	29,502,104	1.1866
2001	17,776,390	25,556,554	1.4377	2002	21,673,332	28,128,226	1.2978
2002	7,785,776	21,749,493	2.7935	2003	7,650,070	22,467,143	2.9369
2003		7,658,570		2004		8,709,753	

Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year	Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year
Prior to 1985	146,353,674	146,191,232	0.9989	Prior to 1986	157,988,272	158,261,747	1.0017
1985	19,443,765	19,463,989	1.0010	1986	20,097,757	20,097,953	1.0000
1986	21,871,076	21,786,178	0.9961	1987	22,530,313	22,549,279	1.0008
1987	25,703,451	25,679,630	0.9991	1988	21,324,190	21,455,690	1.0062
1988	24,871,517	24,947,124	1.0030	1989	21,660,676	21,465,623	0.9910
1989	25,122,530	25,420,130	1.0118	1990	23,197,753	23,318,939	1.0052
1990	26,351,846	26,278,938	0.9972	1991	23,544,562	23,600,730	1.0024
1991	25,896,457	25,767,439	0.9950	1992	21,150,121	21,045,785	0.9951
1992	22,173,618	22,283,553	1.0050	1993	25,140,213	25,362,427	1.0088
1993	25,777,175	26,249,993	1.0183	1994	18,736,108	18,687,268	0.9974
1994	19,902,575	19,960,411	1.0029	1995	21,713,072	21,611,077	0.9953
1995	23,716,616	23,489,275	0.9904	1996	25,976,734	26,299,099	1.0124
1996	27,558,854	28,249,800	1.0251	1997	26,329,313	26,151,101	0.9932
1997	26,276,162	28,527,105	1.0857	1998	22,644,890	23,474,353	1.0366
1998	23,635,267	24,050,465	1.0176	1999	27,908,818	28,503,417	1.0213
1999	28,023,961	28,179,084	1.0055	2000	36,256,958	37,191,275	1.0258
2000	34,676,685	36,551,093	1.0541	2001	30,468,054	31,285,046	1.0268
2001	29,755,171	30,764,986	1.0339	2002	31,374,811	33,584,647	1.0704
2002	28,104,799	32,074,398	1.1412	2003	28,004,985	32,237,797	1.1511
2003	22,476,386	29,230,380	1.3005	2004	21,550,692	28,699,104	1.3317
2004	8,735,553	22,115,913	2.5317	2005	6,544,874	21,302,023	3.2548
2005		7,016,962		2006		8,030,162	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - C - Individual Losses Limited to \$1,900,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

MEDICAL INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year	As of	As of	Ratio to	Policy Year	As of	As of	Ratio to
Valued	12/31/02	12/31/03	Prior Year	Valued	12/31/03	12/31/04	Prior Year
Prior to 1983	65,785,339	66,491,291	1.0107	Prior to 1984	70,644,489	71,477,181	1.0118
1983	9,810,739	9,856,026	1.0046	1984	10,332,480	10,517,837	1.0179
1984	10,647,967	10,819,946	1.0162	1985	14,589,694	14,775,436	1.0127
1985	15,538,699	15,638,627	1.0064	1986	15,229,171	15,271,524	1.0028
1986	15,926,677	16,102,163	1.0110	1987	19,615,145	19,849,336	1.0119
1987	20,381,595	20,718,595	1.0165	1988	20,387,833	20,447,994	1.0030
1988	21,098,758	21,644,007	1.0258	1989	21,190,411	21,646,647	1.0215
1989	23,403,414	23,686,886	1.0121	1990	22,353,913	23,159,516	1.0360
1990	24,168,989	25,003,147	1.0345	1991	24,361,629	25,274,150	1.0375
1991	26,499,650	26,971,145	1.0178	1992	23,775,906	24,319,975	1.0229
1992	25,257,154	25,746,296	1.0194	1993	24,921,143	24,973,865	1.0021
1993	24,670,766	25,967,303	1.0526	1994	20,885,172	22,261,470	1.0659
1994	22,096,760	22,457,267	1.0163	1995	25,268,186	26,270,703	1.0397
1995	24,773,921	26,140,115	1.0551	1996	28,896,801	29,326,563	1.0149
1996	28,861,705	29,786,822	1.0321	1997	28,191,085	29,437,612	1.0442
1997	26,312,931	29,065,579	1.1046	1998	26,805,307	28,544,386	1.0649
1998	27,743,376	28,799,896	1.0381	1999	30,152,910	32,714,447	1.0850
1999	29,602,867	31,730,795	1.0719	2000	33,756,574	39,226,579	1.1620
2000	30,685,224	35,290,568	1.1501	2001	27,729,551	33,432,602	1.2057
2001	24,801,501	28,771,131	1.1601	2002	30,250,727	34,177,539	1.1298
2002	13,319,186	30,477,968	2.2883	2003	13,362,743	31,331,950	2.3447
2003		13,382,785		2004		14,431,038	

Policy Year	As of	As of	Ratio to	Policy Year	As of	As of	Ratio to
Valued	12/31/04	12/31/05	Prior Year	Valued	12/31/05	12/31/06	Prior Year
Prior to 1985	82,276,218	82,936,256	1.0080	Prior to 1986	92,357,416	92,734,073	1.0041
1985	14,643,516	14,663,903	1.0014	1986	14,055,772	14,098,151	1.0030
1986	15,104,338	15,256,672	1.0101	1987	18,228,552	18,198,483	0.9984
1987	19,850,544	19,921,953	1.0036	1988	17,264,681	17,497,097	1.0135
1988	20,467,758	20,479,459	1.0006	1989	19,774,081	20,102,087	1.0166
1989	21,740,339	21,959,672	1.0101	1990	22,081,340	22,536,588	1.0206
1990	23,382,759	23,337,348	0.9981	1991	23,974,472	24,385,788	1.0172
1991	25,397,019	25,531,293	1.0053	1992	23,228,684	23,525,951	1.0128
1992	24,386,986	24,222,057	0.9932	1993	25,086,320	25,485,712	1.0159
1993	24,989,306	26,000,269	1.0405	1994	21,823,727	21,923,774	1.0046
1994	22,364,221	23,063,357	1.0313	1995	25,447,158	25,709,212	1.0103
1995	26,272,404	26,710,315	1.0167	1996	29,633,422	30,668,397	1.0349
1996	29,499,650	31,035,929	1.0521	1997	28,637,417	28,390,006	0.9914
1997	29,439,175	30,045,798	1.0206	1998	28,790,081	29,884,149	1.0380
1998	28,626,703	30,239,838	1.0564	1999	33,922,092	35,620,034	1.0501
1999	32,725,559	34,330,444	1.0490	2000	43,382,794	46,004,270	1.0604
2000	39,232,066	43,912,755	1.1193	2001	35,341,282	37,800,537	1.0696
2001	33,548,524	35,723,826	1.0648	2002	37,911,338	41,428,757	1.0928
2002	34,179,257	38,760,387	1.1340	2003	36,231,156	40,800,962	1.1261
2003	31,332,190	37,381,909	1.1931	2004	35,984,368	39,851,854	1.1075
2004	14,476,156	36,775,357	2.5404	2005	12,238,797	33,533,581	2.7399
2005		12,908,715		2006		12,651,840	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - D - Individual Losses Limited to \$1,900,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY PAID LOSSES

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	120,872,601	121,483,803	1.0051	Prior to 1984	127,468,048	128,052,516	1.0046
1983	16,497,700	16,538,070	1.0024	1984	14,595,696	14,576,744	0.9987
1984	15,187,753	15,398,903	1.0139	1985	19,112,967	19,039,428	0.9962
1985	20,351,427	20,506,679	1.0076	1986	20,870,995	20,990,762	1.0057
1986	22,127,663	22,185,390	1.0026	1987	25,349,359	25,500,790	1.0060
1987	26,685,944	26,910,520	1.0084	1988	22,865,059	23,052,753	1.0082
1988	24,296,183	24,423,113	1.0052	1989	24,495,707	24,686,938	1.0078
1989	27,631,292	27,742,761	1.0040	1990	23,798,908	23,982,475	1.0077
1990	26,693,882	27,150,102	1.0171	1991	24,487,580	24,636,135	1.0061
1991	27,075,539	27,631,100	1.0205	1992	21,187,627	21,509,481	1.0152
1992	22,785,296	22,896,922	1.0049	1993	23,276,715	23,852,234	1.0247
1993	23,672,861	24,246,689	1.0242	1994	18,447,167	18,499,449	1.0028
1994	19,593,572	20,320,291	1.0371	1995	21,214,131	21,545,505	1.0156
1995	21,509,283	21,954,265	1.0207	1996	24,447,168	25,081,032	1.0259
1996	24,373,569	25,123,534	1.0308	1997	21,621,235	22,700,177	1.0499
1997	20,244,884	22,302,927	1.1017	1998	19,637,970	20,836,227	1.0610
1998	19,438,273	21,279,596	1.0947	1999	21,626,210	23,481,968	1.0858
1999	19,363,359	22,793,101	1.1771	2000	21,127,554	26,474,576	1.2531
2000	16,063,121	22,032,135	1.3716	2001	14,249,243	19,962,747	1.4010
2001	7,130,185	14,671,664	2.0577	2002	8,858,675	17,037,946	1.9233
2002	1,850,964	8,914,374	4.8161	2003	2,030,799	9,002,487	4.4330
2003		2,038,312		2004		1,938,227	

Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year	Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year
Prior to 1985	142,545,749	142,874,813	1.0023	Prior to 1986	154,352,306	154,971,336	1.0040
1985	18,958,968	19,014,868	1.0029	1986	19,469,657	19,550,500	1.0042
1986	20,959,326	21,158,078	1.0095	1987	22,421,835	22,418,253	0.9998
1987	25,500,790	25,569,875	1.0027	1988	20,576,832	20,700,475	1.0060
1988	23,066,910	23,328,150	1.0113	1989	21,413,997	21,450,465	1.0017
1989	24,907,216	24,991,979	1.0034	1990	22,485,600	22,761,394	1.0123
1990	24,043,706	24,287,557	1.0101	1991	22,788,984	22,895,340	1.0047
1991	24,652,689	24,878,083	1.0091	1992	20,597,790	20,653,660	1.0027
1992	21,540,050	21,731,195	1.0089	1993	23,429,295	23,820,277	1.0167
1993	24,037,447	24,498,304	1.0192	1994	18,093,504	18,118,831	1.0014
1994	18,810,032	19,118,198	1.0164	1995	20,845,964	21,142,290	1.0142
1995	21,545,689	21,888,615	1.0159	1996	23,786,458	24,078,724	1.0123
1996	25,137,234	25,549,270	1.0164	1997	22,172,780	23,259,059	1.0490
1997	22,700,984	24,117,390	1.0624	1998	20,365,436	21,015,840	1.0319
1998	20,845,581	21,759,575	1.0438	1999	24,704,885	25,770,985	1.0432
1999	23,497,007	24,975,151	1.0629	2000	29,002,425	31,693,922	1.0928
2000	26,482,650	29,291,050	1.1060	2001	23,154,821	25,862,606	1.1169
2001	20,110,675	23,440,201	1.1656	2002	22,470,740	25,375,350	1.1293
2002	17,037,946	22,940,785	1.3465	2003	15,686,308	22,674,458	1.4455
2003	9,002,487	16,593,908	1.8433	2004	7,555,009	16,442,278	2.1763
2004	1,939,948	7,808,865	4.0253	2005	1,801,577	7,787,558	4.3226
2005		1,916,351		2006		1,835,690	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - E - Individual Losses Limited to \$1,900,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

MEDICAL PAID LOSSES

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year	Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior to 1983	62,783,633	63,248,969	1.0074	Prior to 1984	67,274,792	67,751,242	1.0071
1983	9,526,746	9,593,052	1.0070	1984	10,073,138	10,120,951	1.0047
1984	10,390,451	10,560,604	1.0164	1985	14,232,573	14,250,023	1.0012
1985	15,035,025	15,229,728	1.0129	1986	14,851,080	14,916,328	1.0044
1986	15,615,642	15,724,071	1.0069	1987	18,548,382	18,679,373	1.0071
1987	19,318,707	19,610,155	1.0151	1988	19,995,792	20,121,265	1.0063
1988	20,842,213	21,251,966	1.0197	1989	20,772,955	20,992,355	1.0106
1989	22,839,895	23,097,966	1.0113	1990	21,034,881	21,349,246	1.0149
1990	23,353,878	23,524,481	1.0073	1991	22,874,009	23,197,442	1.0141
1991	25,101,530	25,385,411	1.0113	1992	22,829,138	23,179,347	1.0153
1992	24,312,058	24,758,271	1.0184	1993	22,783,673	23,229,801	1.0196
1993	23,486,357	23,829,833	1.0146	1994	19,615,105	19,772,506	1.0080
1994	20,802,623	21,111,080	1.0148	1995	23,077,718	23,455,762	1.0164
1995	23,008,025	23,817,627	1.0352	1996	25,229,069	25,642,155	1.0164
1996	25,425,574	26,100,170	1.0265	1997	24,330,468	25,316,801	1.0405
1997	23,915,499	25,203,525	1.0539	1998	24,285,275	25,483,968	1.0494
1998	24,937,346	26,177,675	1.0497	1999	27,082,670	28,356,185	1.0470
1999	26,480,656	28,522,936	1.0771	2000	28,132,548	30,753,081	1.0931
2000	25,203,554	29,477,867	1.1696	2001	22,971,720	26,260,424	1.1432
2001	17,274,711	23,876,020	1.3821	2002	20,652,121	27,015,541	1.3081
2002	4,895,142	20,837,864	4.2568	2003	6,290,935	22,586,113	3.5903
2003		6,302,261		2004		5,708,993	

Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year	Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year
Prior to 1985	77,992,879	78,596,130	1.0077	Prior to 1986	87,527,488	88,231,527	1.0080
1985	14,118,103	14,173,593	1.0039	1986	13,600,229	13,674,463	1.0055
1986	14,749,142	14,801,129	1.0035	1987	17,268,461	17,371,755	1.0060
1987	18,680,581	18,961,712	1.0150	1988	17,086,310	17,128,438	1.0025
1988	20,141,029	20,276,721	1.0067	1989	19,174,306	19,348,952	1.0091
1989	21,086,047	21,319,628	1.0111	1990	20,688,309	21,090,314	1.0194
1990	21,514,032	21,760,673	1.0115	1991	22,032,122	22,546,590	1.0234
1991	23,267,420	23,494,528	1.0098	1992	22,413,424	22,591,936	1.0080
1992	23,238,170	23,406,441	1.0072	1993	22,710,065	23,015,209	1.0134
1993	23,245,242	23,600,279	1.0153	1994	18,951,867	19,456,885	1.0266
1994	19,875,257	20,184,851	1.0156	1995	23,010,169	23,758,358	1.0325
1995	23,457,463	23,901,990	1.0190	1996	24,971,541	25,751,517	1.0312
1996	25,709,644	26,331,378	1.0242	1997	24,663,079	25,586,761	1.0375
1997	25,318,364	26,014,483	1.0275	1998	24,805,712	25,414,526	1.0245
1998	25,501,270	26,248,667	1.0293	1999	29,484,782	30,707,603	1.0415
1999	28,367,297	29,893,134	1.0538	2000	33,281,384	35,309,648	1.0609
2000	30,758,568	33,811,345	1.0992	2001	27,539,530	29,536,486	1.0725
2001	26,354,439	27,917,481	1.0593	2002	30,506,894	33,045,416	1.0832
2002	27,017,259	31,266,878	1.1573	2003	29,115,989	33,647,935	1.1557
2003	22,586,353	30,129,279	1.3340	2004	23,996,271	31,995,601	1.3334
2004	5,724,681	24,673,121	4.3100	2005	5,665,291	23,724,021	4.1876
2005		6,094,109		2006		5,693,239	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - C - Individual Losses Limited to \$1,900,000 *

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

MEDICAL INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year	Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior to 1981	57,820,038	57,881,336	1.0011	Prior to 1982	59,740,083	61,221,890	1.0248
1981	10,735,129	10,624,288	0.9897	1982	7,824,529	7,846,411	1.0028
1982	7,968,316	8,008,543	1.0050	1983	9,733,649	9,837,531	1.0107
1983	9,744,257	9,710,071	0.9965	1984	10,612,090	10,648,409	1.0034
1984	11,356,526	11,436,713	1.0071	1985	15,448,685	15,518,720	1.0045
1985	15,719,673	15,780,765	1.0039	1986	15,849,908	15,908,966	1.0037
1986	16,347,292	16,386,244	1.0024	1987	20,170,226	20,344,765	1.0087
1987	20,456,059	20,709,150	1.0124	1988	20,972,112	21,096,463	1.0059
1988	20,399,660	20,547,023	1.0072	1989	23,087,451	23,360,780	1.0118
1989	24,349,599	24,571,747	1.0091	1990	23,764,551	24,138,893	1.0158
1990	27,209,362	27,305,972	1.0036	1991	25,619,000	26,269,178	1.0254
1991	27,497,956	27,788,791	1.0106	1992	24,744,724	25,172,533	1.0173
1992	27,049,940	27,742,836	1.0256	1993	23,762,881	24,643,849	1.0371
1993	27,394,339	27,659,894	1.0097	1994	21,531,320	22,096,760	1.0263
1994	23,373,854	24,230,314	1.0366	1995	24,071,549	24,734,091	1.0275
1995	25,252,822	25,943,812	1.0274	1996	27,121,226	28,861,705	1.0642
1996	28,052,985	29,198,098	1.0408	1997	24,326,618	25,620,051	1.0532
1997	24,666,194	26,023,034	1.0550	1998	26,717,606	27,750,602	1.0387
1998	27,358,049	28,685,359	1.0485	1999	26,943,302	29,191,831	1.0835
1999	25,327,690	29,249,307	1.1548	2000	24,465,693	30,004,431	1.2264
2000	9,609,495	25,910,933	2.6964	2001	10,100,941	23,888,085	2.3649
2001		10,641,765		2002		13,044,412	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

EXHIBIT VIII
DELAWARE COMPENSATION RATING BUREAU, INC.
RATE AND LOSS COST FORMULAE

The experience used for classification relativities for the December 1, 2007 revision will include all available risks. It is proposed that catastrophes be limited in accordance with the procedure previously employed in other Bureau filings. The experience period will be five (5) years for all classifications regardless of whether a classification might meet the full credibility requirements with less than five years of data. Credibility will be based on reported payrolls for classifications using payroll as the exposure base. For non-payroll classifications, expected losses will be used as the basis for credibility. Thus, two credibility tables will be prepared for use in the December 1, 2007 filing. The values for these respective tables will be established such that the credibilities assigned to a payroll-based classification having the same portion of total statewide expected losses and payrolls attributable to its experience using each table would be equal. All occupational disease losses will be included in the exhibit of classification experience, with the total amount of such losses by type of injury being shown on a separate line on the classification rate worksheets.

Most classifications are subject to standard procedures as described below. However, circumstances will sometimes require that some classifications' rating procedure be modified to recognize situations where the normal rating process would not be appropriate. Such classifications, and the manner in which their rates or loss costs have been derived, are separately identified within the filing material.

The calculation of assigned risk classification rates will be made in accordance with the following procedure:

- (1) Determine the pure premiums underlying present Manual Residual Market Rates by category (serious, non-serious, medical only and total) for each classification.
- (2) Adjust the present pure premiums by category (serious, non-serious, medical-only and total) to the December 1, 2007 on-rate-level to obtain present on-rate-level pure premiums.
- (3) Determine Expected Losses (serious, non-serious, medical-only and total) for each classification by multiplying the exposures from the experience period by the pure premiums underlying present Manual Rates.
- (4) Determine the indicated pure premiums (serious, non-serious, medical-only and total) from the exposures and losses from the experience period.
- (5) Test the indicated total pure premiums by multiplying the exposures of the latest three years for each classification and obtaining the total Actual Losses for all classifications combined.
- (6) Calculate Expected Losses by multiplying the present pure premiums by the exposures from the last three years for each classification and by the overall average rate change.
- (7) Obtain correction factors by category of loss (serious, non-serious and medical-only) by dividing the Expected Losses derived in (6) by the Actual Losses derived in (5).
- (8) Multiply the indicated (pre-test) pure premiums from (4) times the correction factors derived in (7) to obtain indicated (post-test) pure premiums.

RATE AND LOSS COST FORMULAE (continued)

- (9) Determine “formula” pure premiums from (2) and (8) above for each type of loss (serious, non-serious and medical-only), with credibility for each category of loss corresponding to either the amount of reported payroll (for all classifications in which payroll is the exposure base) or to the amount of Expected Losses (for all “non-payroll” classifications). Credibility weights will be taken from exhibits appearing in the Class Book. The complement of credibility is in each case to be assigned to the present on December 1, 2007 level pure premiums for each category of loss.
- (10) Select proposed total pure premiums for each classification, using the middle value from the total pure premiums derived in (2), (8) and (9) above. If the proposed pure premium selected on this basis is different from the formula pure premium derived in (9) above, partial pure premiums are to be allocated between categories (serious, non-serious and medical-only) in the same proportion as the partial pure premiums comprising the formula pure premium.
- (11) Test the proposed total pure premiums selected in (10) by multiplying by the exposures of the three latest years for each classification and obtaining the total Expected Losses for all classifications combined.
- (12) Obtain a correction factor by dividing the Expected Losses derived in (6) above by the Expected Losses derived in (11) above.
- (13) Calculate the “composite pure premium multipliers” for each industry group as the product of the following items:
 - (a) The pure premium correction factor determined in (12) above.
 - (b) The proposed experience rating plan off-balance factor (Collectible Premium Ratio).
 - (c) The inverse of the permissible loss and loss adjustment ratio.
 - (d) The estimated effect of the July 1, 2008 benefit change.
- (14) Apply the composite pure premium multiplier obtained in (13) above to the proposed total pure premiums to obtain Manual Rates.
- (15) Test to assure that the maximum departure of the Manual Rates derived in (14) above from current Manual Rates is in accordance with the following parameters:

Maximum Change in Rates:
Upward: The industry group average change plus 25% rounded to the nearest 1%.
Downward: The industry group average change minus 25% rounded to the nearest 1%.
- (16) Manual rates are to be rounded to the nearest \$.01.
- (17) Test the Manual Rates derived in (16) above to determine if balance has been achieved within 0.0005 of the indicated change in rate level by industry group. If such balance has not been achieved, calculate the necessary correction factor to adjust the composite pure premium multipliers derived in (13) above to achieve the necessary balance. Perform steps (14) through (17) iteratively until the desired balance is achieved.

RATE AND LOSS COST FORMULAE (continued)

Non-reviewed Classifications

- (18) For classifications with insufficient credibility (non-reviewed classifications), an alternative calculation is used to derive indicated rates.

Insufficient credibility is defined as having five-year payroll of less than that necessary to achieve 5% credibility for the non-serious component of pure premium. For non-payroll based classifications, expected losses replace payrolls.

For these non-reviewed classes, the indicated rate is calculated as follows:

- a) An average loss cost using Pennsylvania loss cost values and the Delaware distribution of business by class is calculated.
- b) Classification relativities are then calculated that relate the Pennsylvania loss cost by classification to the average overall loss cost calculated in (a) above.
- c) Indicated average loss costs are calculated by class by multiplying the relativities in (b) above times the average Delaware loss cost value for all classes combined times the average manual change in rates times the indicated composite pure premium multiplier.
- d) A second indicated rate is calculated by applying the average manual change in rates by industry group to the current Delaware rate for the class.
- e) A final indicated rate, subject to capping and balancing criteria previously described, is calculated by applying one-third weight to (c) above plus two-thirds weight to (d) above.

Loss Costs

The calculation of non-assigned risk classification loss costs will be made in accordance with the following procedure:

- (19) Multiply the proposed assigned risk Manual Rates by classification by the permissible loss, loss adjustment expense and loss based assessment ratio.

EXHIBIT IX

COLLECTIBLE PREMIUM RATIOS*

Manual Years 2002 to 2004 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
2002	199,867,349	186,107,611	1.0739
2003	227,748,788	213,395,774	1.0673
2004	235,669,761	238,826,747	0.9868
TOTAL	663,285,898	638,330,132	1.0391
MANUFACTURING AND UTILITIES			
2002	33,156,829	30,419,958	1.0900
2003	37,057,431	32,289,647	1.1477
2004	35,243,644	32,477,739	1.0852
TOTAL	105,457,904	95,187,344	1.1079
CONTRACTING AND QUARRYING			
2002	41,256,955	36,971,728	1.1159
2003	49,684,647	45,107,678	1.1015
2004	54,698,322	53,262,374	1.0270
TOTAL	145,639,924	135,341,780	1.0761
OTHER INDUSTRIES			
2002	125,453,565	118,715,925	1.0568
2003	141,006,710	135,998,449	1.0368
2004	145,727,795	153,086,634	0.9519
TOTAL	412,188,070	407,801,008	1.0108

* Excludes classifications and coverages not subject to experience rating.

EXHIBIT X

EXPECTED LOSS RATE FACTORS

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>							
2003	1.0203	1.0000	1.9276	1.6698	1.3704	4.5005	0.2222
2004	1.0168	1.0000	2.2424	1.6698	1.2627	4.8074	0.2080
2005	1.0116	1.0000	2.9131	1.6698	1.1659	5.7371	0.1743
<u>Contracting and Quarrying</u>							
2003	1.0203	1.0000	2.0681	1.6219	1.3704	4.6900	0.2132
2004	1.0168	1.0000	2.3384	1.6219	1.2627	4.8694	0.2054
2005	1.0116	1.0000	3.0133	1.6219	1.1659	5.7642	0.1735
<u>Other Industries</u>							
2003	1.0203	1.0000	1.8567	1.5234	1.3704	3.9549	0.2529
2004	1.0168	1.0000	2.2081	1.5234	1.2627	4.3189	0.2315
2005	1.0116	1.0000	3.0054	1.5234	1.1659	5.3999	0.1852

** Permissible Loss Ratio = 0.6635
 Selected Collectible Premium Ratios
 Manufacturing = 1.1079
 Contracting = 1.0761
 All Other = 1.0108

EXHIBIT XI

**CALCULATION OF TAX MULTIPLIER FOR USE IN RETROSPECTIVE RATING PLANS
(O/T U.S.L. & H.W. Act Coverages)**

Expense Provisions for O/T U.S.L. & H.W. Classes

Losses	66.35
Loss Adjustment Expense	7.43
Loss & Loss Adjustment	73.78
Premium Discount	8.89
Acquisition	9.96
General Expenses	3.06
Profit and Contingencies	(3.76)
Taxes	2.33
Uncollectible Premium	1.25
Workers' Compensation Fund	2.00
Administrative Assessment	2.51
	26.24

If

- T = Tax multiplier
- E = Expense provision in rates (General, Acquisition, and Profit), less premium discount
- L = Loss provision in rates
- C = Loss conversion factor
- B = Assessments made on premiums
- A = Assessments made on losses (adjusted so as not to collect profit and general expense dollars on the extra premium generated by the assessments)

Using average discount (Schedule Y) this yields:

$$E = 0.0037 = \frac{ACQ}{0.0996} + \frac{GEN}{0.0306} + \frac{PROFIT}{(0.0376)} - \frac{PREM DISC}{0.0889}$$

$$A = 0.0389 = 0.0379 \times \frac{1 - 0.0037 - 0.0558}{1 - 0.0282 - 0.0558}$$

Then

$$T = \frac{E + L(1 + C + A)}{E + L(1 + C)} \times \frac{1}{1 - B - S}$$

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0101$$

$$T = \frac{0.0037 + 0.6635(1 + 0.1117 + 0.0389)}{0.0037 + 0.6635(1 + 0.1117)} \times \frac{1}{1 - 0.0558 - 0.0101} = 1.1078$$

EXHIBIT XII

DELAWARE RETROSPECTIVE DEVELOPMENT FACTORS *

Retrospective development factors for first, second and third adjustments are calculated below. They are intended for use in retrospective plans with no loss limitation and applicable to the expected loss portion of premium.

First Adjustment	RDF =	0.6662
Second Adjustment	RDF =	0.5530
Third Adjustment	RDF =	0.4795

For those companies using retrospective development factors with loss limitations, the following formula may be used.

$$\text{RDF(LIM)} = (1.0 - \text{ELF}) \times \text{RDF}$$

RDF(LIM) = Retrospective Development Factors at limited basis
ELF = Excess Loss (Pure Premium) Factors exclusive of allocated loss adjustment expenses for given Hazard Group and Loss Limitation
RDF = Retrospective Development Factors without Loss Limitation

For Example:

$$\text{\$25,000 limit Hazard Group II ELF} = 0.6930$$

$$\text{First Adjustment RDF} = (1 - 0.6930) * 0.6662 = 0.2045$$

* The use of retrospective development factors is optional.