

DELAWARE COMPENSATION RATING BUREAU, INC

Review of Experience Rating Plan Parameters

Page 20.1 contains Collectible Premium Ratios.

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

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

COLLECTIBLE PREMIUM RATIOS *

Manual Years 2005 to 2007 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
2005	292,143,521	293,734,969	0.9946
2006	318,843,146	333,494,291	0.9561
2007	322,602,939	341,963,463	0.9434
TOTAL	933,589,606	969,192,723	0.9633
MANUFACTURING AND UTILITIES			
2005	42,776,411	38,823,484	1.1018
2006	43,401,987	42,159,566	1.0295
2007	48,640,105	49,230,042	0.9880
TOTAL	134,818,503	130,213,092	1.0354
CONTRACTING AND QUARRYING			
2005	68,859,562	66,291,130	1.0387
2006	74,350,697	72,963,479	1.0190
2007	69,012,901	69,091,255	0.9989
TOTAL	212,223,160	208,345,864	1.0186
OTHER INDUSTRIES			
2005	180,507,548	188,620,355	0.9570
2006	201,090,462	218,371,246	0.9209
2007	204,949,933	223,642,166	0.9164
TOTAL	586,547,943	630,633,767	0.9301

* Excludes classifications and coverages not subject to experience rating.

CALCULATION OF EXPECTED LOSS RATE FACTORS

Policy Year Beginning 12/1	Average Law Multiplier	Adjustment Factor	Loss Ratio Development Factor	Expense Allowance 1 / (PLR/CPR)	Trend Factor	Product (2) * (3) * (4) * (5) * (6)	Expected Loss Rate Factor 1.0 / (7)	Factor to Reflect Approved Rate Levels *	Adjusted Expected LC Factors (8)*(9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<u>Manufacturing and Utilities</u>									
2006	0.9414	1.0000	1.7832	1.6058	1.1561	3.1165	0.3209	1.0087	0.3237
2007	0.9768	1.0000	2.0494	1.6058	1.1000	3.5360	0.2828	1.0087	0.2853
2008	0.9874	1.0000	2.7029	1.6058	1.0641	4.5603	0.2193	1.0087	0.2212
<u>Contracting and Quarrying</u>									
2006	0.9414	1.0000	1.8426	1.5797	1.1561	3.1679	0.3157	1.0088	0.3185
2007	0.9768	1.0000	2.1445	1.5797	1.1000	3.6400	0.2747	1.0088	0.2771
2008	0.9874	1.0000	2.7087	1.5797	1.0641	4.4958	0.2224	1.0088	0.2244
<u>Other Industries</u>									
2006	0.9414	1.0000	1.7697	1.4425	1.1561	2.7783	0.3599	1.0087	0.3630
2007	0.9768	1.0000	2.0932	1.4425	1.1000	3.2443	0.3082	1.0087	0.3109
2008	0.9874	1.0000	2.7602	1.4425	1.0641	4.1834	0.2390	1.0087	0.2411

* (12/1/10 Filed Indicated Change in Manual Rate Level) / (12/1/10 Approved indicated Change in Manual Rate level) by Industry Group, from Page

Experience Rating Plan Parameters

(1)	Eligibility Point = (3,161 = 1 yr Prem) 3 yr =	\$9,483
(2)	Permissible Loss Ratio =	0.6694 (a)
(3)	Expected Losses needed to achieve 5% credibility (1)*(2) = \$9,483*0.6694 =	\$6,348
(4)	Max Value : $\frac{0.25 * \$6,348}{0.05} =$	\$31,740
(5)	K-Value a) If (3) is assigned 5% credibility, then $K = \frac{E(1-c)}{c} = \frac{\$6,348 * (1-.05)}{.05} =$	\$120,612
(6)	.055 Credibility Interval - the .0525 left endpoint corresponds to $E = \frac{(K * C)}{(1-C)} = \frac{120,612 * .0525}{.9475} =$	\$6,683
(7)	Right endpoint for .05 credibility interval =	\$6,682
(8)	Self rating point = 25 * average serious claim = 25 * 274,391 =	\$6,859,775
	6% of (8) rounded to the nearest \$1,000 =	412,000
	Selected =	412,000

(a) Standard LR / CPR = Manual LR
0.6448/0.9633 = 0.6694