

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 2004 - 2008

SIZE OF STANDARD PREMIUM	STATEWIDE			DIP			STATEWIDE - DIP			INDICATED DIFFERENCE 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	16,161,459	15,827,457	97.9	2,177,275	2,530,487	116.2	13,984,184	13,296,970	95.1	1.222
1,001-2,000	22,068,497	20,812,439	94.3	4,416,266	2,616,767	59.3	17,652,231	18,195,672	103.1	0.575
2,001-3,000	20,629,985	18,586,912	90.1	5,070,471	4,991,685	98.4	15,559,514	13,595,227	87.4	1.126
3,001-4,000	18,030,041	18,710,223	103.8	3,787,755	3,301,334	87.2	14,242,286	15,408,889	108.2	0.806
4,001-5,000	16,061,063	13,851,755	86.2	3,233,295	2,872,234	88.8	12,827,768	10,979,521	85.6	1.037
5,001-7,500	36,772,030	34,478,568	93.8	6,830,455	6,127,578	89.7	29,941,575	28,350,990	94.7	0.947
7,501-10,000	33,855,937	43,584,676	128.7	6,010,627	7,290,203	121.3	27,845,310	36,294,473	130.3	0.931
10,001-12,500	29,295,602	22,214,894	75.8	4,933,410	5,881,888	119.2	24,362,192	16,333,006	67.0	1.779
12,501-15,000	26,449,715	25,687,480	97.1	4,258,768	3,687,664	86.6	22,190,947	21,999,816	99.1	0.874
15,001-20,000	46,847,303	36,576,608	78.1	7,058,883	6,884,273	97.5	39,788,420	29,692,335	74.6	1.307
20,001-25,000	37,525,132	29,854,843	79.6	6,408,989	4,430,784	69.1	31,116,143	25,424,059	81.7	0.846
25,001-50,000	138,081,245	138,130,133	100.0	20,650,390	19,568,910	94.8	117,430,855	118,561,223	101.0	0.939
50,001-75,000	100,515,915	86,702,934	86.3	12,663,565	14,747,769	116.5	87,852,350	71,955,165	81.9	1.422
75,001-100,000	79,509,382	63,622,061	80.0	10,569,063	8,428,551	79.7	68,940,319	55,193,510	80.1	0.995
100,001-200,000	202,771,778	169,600,573	83.6	18,950,908	21,262,385	112.2	183,820,870	148,338,188	80.7	1.390
200,001-300,000	102,766,681	67,224,816	65.4	10,423,919	6,907,257	66.3	92,342,762	60,317,559	65.3	1.015
300,001-400,000	82,976,463	59,768,304	72.0	5,590,588	3,669,848	65.6	77,385,875	56,098,456	72.5	0.905
400,001-500,000	58,964,194	39,359,932	66.8	838,376	1,011,077	120.6	58,125,818	38,348,855	66.0	1.827
500,001-1,000,000	181,425,477	127,216,186	70.1	2,448,721	2,957,642	120.8	178,976,756	124,258,544	69.4	1.741
1,000,001 & higher	306,755,384	170,340,386	55.5	0	0	N/A	306,755,384	170,340,386	55.5	N/A
TOTALS	1,557,463,283	1,202,151,180	77.2	136,321,724	129,168,336	94.8	1,421,141,559	1,072,982,844	75.5	1.256

\* Premium calculated based on Bureau voluntary market loss cost level.

DELAWARE INSURANCE PLAN EXPERIENCE  
Manual Years 2004 - 2008

MANUAL YEAR	STATEWIDE			DIP			STATEWIDE - DIP		
	STANDARD PREMIUM WITH CONSTANTS *	DEVELOPED INCURRED LOSS	LOSS RATIO	STANDARD PREMIUM WITH CONSTANTS *	DEVELOPED INCURRED LOSS	LOSS RATIO	STANDARD PREMIUM WITH CONSTANTS *	DEVELOPED INCURRED LOSS	LOSS RATIO
2004	252,227,937	240,635,275	95.4	33,432,503	40,563,977	121.3	218,795,434	200,071,298	91.4
2005	306,170,134	253,841,826	82.9	38,446,625	33,781,686	87.9	267,723,509	220,060,140	82.2
2006	348,429,140	219,163,519	62.9	31,964,391	23,944,490	74.9	316,464,749	195,219,029	61.7
2007	358,998,223	259,432,589	72.3	19,539,885	19,839,017	101.5	339,458,338	239,593,572	70.6
2008	291,637,849	229,077,971	78.5	12,938,320	11,039,166	85.3	278,699,529	218,038,805	78.2
TOTALS	1,557,463,283	1,202,151,180	77.2	136,321,724	129,168,336	94.8	1,421,141,559	1,072,982,844	75.5

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2004	1.327
2005	1.069
2006	1.214
2007	1.438
2008	1.091
TOTAL 2004 - 2008	1.256

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.0488	(4) D I P LOSS RATIO	94.8
(2) AVERAGE SURCHARGE	0.088	(5) VOLUNTARY MKT LOSS RATIO	75.5
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [ 1 - (1)*(1+(2)) ] / [ 1 - (1) ]	0.9955	(6) D I P SURCHARGE FACTOR	1.088
		(7) L R D [ (4) / (5) ] / (6)	1.15

\* Premium calculated based on Bureau voluntary market loss cost level.

**RESIDUAL MARKET SHARE (using financial data)**

Policy Year Accumulated Standard Earned Premium @ 12/31/10

**Residual Market Share excluding Large Deductible**

Policy Year	(1)	(2)	(3) = (1) - (2)	(4)	(5) = (3) * (4)	(6) = (2)+(5)	(7) = (2) / (6)
	<u>Call #1</u>	<u>Call #12</u>	<u>Difference</u>	<u>LCM</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
2001	102,623,368	10,892,616	91,730,752	1.2627	115,828,421	126,721,037	0.0860
2002	123,230,587	29,434,566	93,796,021	1.3622	127,768,940	157,203,506	0.1872
2003	135,648,547	38,315,907	97,332,640	1.3727	133,608,515	171,924,422	0.2229
2004	152,977,067	48,299,665	104,677,402	1.3776	144,203,589	192,503,254	0.2509
2005	187,881,599	52,313,970	135,567,629	1.3547	183,653,467	235,967,437	0.2217
2006	207,400,520	43,417,394	163,983,126	1.3748	225,444,002	268,861,396	0.1615
2007	200,212,861	26,874,547	173,338,314	1.4005	242,760,309	269,634,856	0.0997
2008	150,964,691	16,904,688	134,060,003	1.3339	178,822,638	195,727,326	0.0864
2009	117,457,261	10,135,513	107,321,748	1.3407	143,886,268	154,021,781	0.0658
2010	56,839,907	4,653,283	52,186,624	1.3262	69,209,901	73,863,184	0.0630

**Residual Market Share including Large Deductible (net basis)**

Policy Year	(8)	(9) = (8) * (4)	(10) = (6) + (9)	(11) = (2) / (10)
	<u>Call #8</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
2001	13,876,272	17,521,569	144,242,606	0.0755
2002	16,033,936	21,841,428	179,044,934	0.1644
2003	17,018,070	23,360,705	195,285,127	0.1962
2004	20,679,724	28,488,388	220,991,642	0.2186
2005	22,395,657	30,339,397	266,306,834	0.1964
2006	28,457,014	39,122,703	307,984,099	0.1410
2007	43,090,933	60,348,852	329,983,708	0.0814
2008	36,708,814	48,965,887	244,693,213	0.0691
2009	35,881,298	48,106,056	202,127,837	0.0501
2010	16,271,529	21,579,302	95,442,486	0.0488

**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 2008</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	271	3,822,340	15.85%	34.00%
2 Risks with Debit Mod ( > 1.0)	132	4,427,715	7.72%	39.39%
3 Total - Rated Risks	403	8,250,055	23.57%	73.39%
4 Non-Rated Risks	1,307	2,991,995	76.43%	26.61%
5 Total - All Assigned Risks	1,710	11,242,050	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	3,822,340	0.000	31.24%
2 Risks with Debit Mod ( > 1.0)	5,421,900	0.225	44.31%
3 Total - Rated Risks	9,244,240	0.121	75.55%
4 Non-Rated Risks	2,991,995	0.000	24.45%
5 Total - All Assigned Risks	12,236,235	0.088	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	0.0488
2	VMS	Voluntary Market Share (1 - ARMS)	0.9512
3	LRD	Loss Ratio Differential	1.15
4	PLR	Permissible Loss Ratio	0.6051
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.15 * 0.0488 + \text{VLR} * 0.9512 = 0.6051$$

$$\text{VLR} = 0.6007$$

$$\text{ARLR} = 1.15 * \text{VLR} = 0.6908$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.0901$$

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

$$= (0.8) * (9.01\%) * (0.0488 / 0.9512)$$

$$= (0.8) * (9.01\%) * (0.0513)$$

$$= 0.37\%$$