

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 2006 to 2008 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
2006	320,065,044	336,344,723	0.9516
2007	323,260,015	346,152,799	0.9339
2008	243,191,278	280,637,651	0.8666
TOTAL	886,516,337	963,135,173	0.9204
SELECTED			0.8666
MANUFACTURING AND UTILITIES			
2006	44,327,797	44,512,693	0.9958
2007	47,818,945	50,307,929	0.9505
2008	33,211,419	38,217,810	0.8690
TOTAL	125,358,161	133,038,432	0.9423
SELECTED			0.8690
CONTRACTING AND QUARRYING			
2006	74,328,367	72,935,247	1.0191
2007	69,314,210	69,380,916	0.9990
2008	51,066,168	53,279,365	0.9585
TOTAL	194,708,745	195,595,528	0.9955
SELECTED			0.9585
OTHER INDUSTRIES			
2006	201,408,880	218,896,783	0.9201
2007	206,126,860	226,463,954	0.9102
2008	158,913,691	189,140,476	0.8402
TOTAL	566,449,431	634,501,213	0.8927
SELECTED			0.8402

* Excludes classifications and coverages not subject to experience rating.

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>							
2007	0.9903	1.0000	1.7357	1.4361	1.2322	3.0416	0.3288
2008	1.0024	1.0000	2.0624	1.4361	1.1689	3.4704	0.2882
2009	1.0032	1.0000	2.7223	1.4361	1.1093	4.3507	0.2298
<u>Contracting and Quarrying</u>							
2007	0.9903	1.0000	1.7633	1.5840	1.2322	3.4082	0.2934
2008	1.0024	1.0000	2.1484	1.5840	1.1689	3.9874	0.2508
2009	1.0032	1.0000	2.9847	1.5840	1.1093	5.2613	0.1901
<u>Other Industries</u>							
2007	0.9903	1.0000	1.7737	1.3885	1.2322	3.0052	0.3328
2008	1.0024	1.0000	2.1192	1.3885	1.1689	3.4478	0.2900
2009	1.0032	1.0000	2.7640	1.3885	1.1093	4.2709	0.2341

** Permissible Loss Ratio = 0.6051
 Selected Collectible Premium Ratios
 Manufacturing = 0.8690
 Contracting = 0.9585
 All Other = 0.8402

Experience Rating Plan Parameters

(1)	Eligibility Point = (3,161 = 1 yr Prem) 3 yr =	\$9,483
(2)	Permissible Loss Ratio =	0.6574 (a)
(3)	Expected Losses needed to achieve 5% credibility (1)*(2) = \$9,483*0.6574 =	\$6,234
(4)	Max Value : $\frac{0.25 * \$6,234}{0.05} =$	\$31,170
(5)	K-Value a) If (3) is assigned 5% credibility, then $K = \frac{E(1-c)}{c} = \frac{\$6,234 * (1-.05)}{.05} =$	\$118,446
(6)	.055 Credibility Interval - the .0525 left endpoint corresponds to $E = \frac{(K * C)}{(1-C)} = \frac{118,446 * .0525}{.9475} =$	\$6,563
(7)	Right endpoint for .05 credibility interval =	\$6,562
(8)	Self rating point = 25 * average serious claim = 25 * 276,071 =	\$6,901,775
	6% of (8) rounded to the nearest \$1,000 =	414,000
	Selected =	414,000

(a) Standard LR / CPR = Manual LR
0.6051/0.9204 = 0.6574