

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 2009 - 2013

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	22,135,965	33,675,833	152.1	1,936,937	12,011,473	620.1	20,199,028	21,664,360	107.3	5.779
1,001-2,000	22,721,035	23,699,801	104.3	3,481,653	3,797,301	109.1	19,239,382	19,902,500	103.4	1.055
2,001-3,000	18,525,523	20,348,157	109.8	2,379,302	3,221,859	135.4	16,146,221	17,126,298	106.1	1.276
3,001-4,000	16,101,407	18,874,425	117.2	1,666,182	3,658,984	219.6	14,435,225	15,215,441	105.4	2.083
4,001-5,000	14,611,173	21,461,574	146.9	1,516,980	4,526,688	298.4	13,094,193	16,934,886	129.3	2.308
5,001-7,500	31,603,223	48,240,663	152.6	2,892,785	5,291,655	182.9	28,710,438	42,949,008	149.6	1.223
7,501-10,000	25,817,475	31,685,481	122.7	2,185,324	3,926,954	179.7	23,632,151	27,758,527	117.5	1.529
10,001-12,500	22,746,765	21,861,701	96.1	1,681,575	2,774,171	165.0	21,065,190	19,087,530	90.6	1.821
12,501-15,000	19,262,943	23,450,809	121.7	1,650,014	2,786,144	168.9	17,612,929	20,664,665	117.3	1.440
15,001-20,000	31,756,920	34,774,105	109.5	2,294,640	2,577,021	112.3	29,462,280	32,197,084	109.3	1.027
20,001-25,000	26,768,602	33,441,284	124.9	2,031,660	2,178,381	107.2	24,736,942	31,262,903	126.4	0.848
25,001-50,000	96,970,976	127,593,216	131.6	7,053,241	18,203,679	258.1	89,917,735	109,389,537	121.7	2.121
50,001-75,000	69,673,631	82,366,003	118.2	4,875,078	6,412,445	131.5	64,798,553	75,953,558	117.2	1.122
75,001-100,000	48,841,149	58,493,840	119.8	3,588,141	6,252,582	174.3	45,253,008	52,241,258	115.4	1.510
100,001-200,000	128,448,718	115,642,759	90.0	4,362,735	5,713,825	131.0	124,085,983	109,928,934	88.6	1.479
200,001-300,000	69,223,371	66,375,388	95.9	3,232,547	3,111,515	96.3	65,990,824	63,263,873	95.9	1.004
300,001-400,000	58,417,201	53,801,238	92.1	337,536	1,133,132	335.7	58,079,665	52,668,106	90.7	3.701
400,001-500,000	28,795,321	18,672,984	64.8	0	0	0.0	28,795,321	18,672,984	64.8	0.000
500,001-1,000,000	115,486,257	86,781,274	75.1	1,408,379	1,999,456	142.0	114,077,878	84,781,818	74.3	1.911
1,000,001 & higher	193,478,236	162,968,516	84.2	9,271,634	24,267,440	261.7	184,206,602	138,701,076	75.3	3.475
TOTALS	1,061,385,891	1,084,209,051	102.2	57,846,343	113,844,705	196.8	1,003,539,548	970,364,346	96.7	2.035

* Premium calculated based on DCRB voluntary market loss cost level.

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2009 - 2013

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
2009	223,499,784	207,046,572	92.6	7,579,509	10,415,814	137.4	215,920,275	196,630,758	91.1
2010	197,207,339	229,072,092	116.2	7,777,697	20,371,635	261.9	189,429,642	208,700,457	110.2
2011	199,600,086	220,472,283	110.5	10,317,453	22,205,413	215.2	189,282,633	198,266,870	104.7
2012	207,305,013	192,852,043	93.0	13,670,596	24,419,990	178.6	193,634,417	168,432,053	87.0
2013	233,773,669	234,766,061	100.4	18,501,088	36,431,853	196.9	215,272,581	198,334,208	92.1
TOTALS	1,061,385,891	1,084,209,051	102.2	57,846,343	113,844,705	196.8	1,003,539,548	970,364,346	96.7

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2009	1.508
2010	2.377
2011	2.055
2012	2.053
2013	2.138
TOTAL 2009 - 2013	2.035

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0849	(4) D I P LOSS RATIO	196.8
(2) AVERAGE SURCHARGE	0.102	(5) VOLUNTARY MKT LOSS RATIO	96.7
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9905	(6) D I P SURCHARGE FACTOR	1.102
		(7) L R D [(4) / (5)] / (6)	1.85

* Premium calculated based on DCRB voluntary market loss cost level.

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/15

Residual Market Share excluding Large Deductible

Policy	(1)	(2)	(3) = (1)-(2)	(4)	(5) = (3)*(4)	(6) = (2)+(5)	(7) = (2)/(6)
<u>Year</u>	<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>
2006	205,807,627	43,428,594	162,379,033	1.3750	223,271,170	266,699,764	0.1628
2007	199,095,495	26,881,061	172,214,434	1.4008	241,237,979	268,119,040	0.1003
2008	150,768,923	16,835,706	133,933,217	1.3339	178,653,518	195,489,224	0.0861
2009	118,831,219	10,040,618	108,790,601	1.3403	145,812,043	155,852,661	0.0644
2010	106,250,975	8,750,242	97,500,733	1.3258	129,266,472	138,016,714	0.0634
2011	105,800,923	13,822,894	91,978,029	1.3114	120,619,987	134,442,881	0.1028
2012	114,950,114	20,964,940	93,985,174	1.3735	129,088,636	150,053,576	0.1397
2013	135,405,061	30,598,573	104,806,488	1.4243	149,275,881	179,874,454	0.1701
2014	146,510,057	24,570,220	121,939,837	1.3977	170,435,310	195,005,530	0.1260
2015	79,175,652	12,199,221	66,976,431	1.4327	95,957,133	108,156,354	0.1128

Residual Market Share including Large Deductible (net basis)

Policy	(8)	(9) = (8)*(4)	(10) = (6)+(9)	(11) = (2)/(10)
<u>Year</u>	<u>Call #8</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
2006	28,351,369	38,983,132	305,682,896	0.1421
2007	42,749,789	59,883,904	328,002,944	0.0820
2008	38,141,869	50,877,439	246,366,663	0.0683
2009	31,554,091	42,291,948	198,144,609	0.0507
2010	27,172,631	36,025,474	174,042,188	0.0503
2011	29,284,286	38,403,413	172,846,294	0.0800
2012	31,094,661	42,708,517	192,762,093	0.1088
2013	38,100,005	54,265,837	234,140,291	0.1307
2014	41,816,877	58,447,449	253,452,979	0.0969
2015	24,830,858	35,575,170	143,731,524	0.0849

**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 2014</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	437	5,922,123	18.24%	29.05%
2 Risks with Debit Mod (> 1.0)	193	9,068,563	8.06%	44.48%
3 Total - Rated Risks	630	14,990,686	26.29%	73.53%
4 Non-Rated Risks	1,766	5,395,879	73.71%	26.47%
5 Total - All Assigned Risks	2,396	20,386,565	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	5,922,123	0.000	26.35%
2 Risks with Debit Mod (> 1.0)	11,156,178	0.230	49.64%
3 Total - Rated Risks	17,078,301	0.139	75.99%
4 Non-Rated Risks	5,395,879	0.000	24.01%
5 Total - All Assigned Risks	22,474,180	0.102	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	0.0849
2	VMS	Voluntary Market Share (1 - ARMS)	0.9151
3	LRD	Loss Ratio Differential	1.85
4	PLR	Permissible Loss Ratio	0.5650
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.85 * 0.0849 + \text{VLR} * 0.9151 = 0.565$$

$$\text{VLR} = 0.527$$

$$\text{ARLR} = 1.85 * \text{VLR} = 0.975$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.448$$

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

$$= (0.8) * (44.8\%) * (0.0849 / 0.9151)$$

$$= (0.8) * (44.8\%) * (0.0928)$$

$$= 3.33\%$$