

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 2010 - 2014

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	22,249,154	26,830,241	120.6	1,968,309	7,979,870	405.4	20,280,845	18,850,371	92.9	4.364
1,001-2,000	23,098,372	26,783,875	116.0	3,763,845	9,297,961	247.0	19,334,527	17,485,914	90.4	2.732
2,001-3,000	18,902,557	17,510,165	92.6	2,481,958	3,346,663	134.8	16,420,599	14,163,502	86.3	1.562
3,001-4,000	16,576,332	21,498,436	129.7	1,868,558	4,201,414	224.8	14,707,774	17,297,022	117.6	1.912
4,001-5,000	15,193,115	18,154,190	119.5	1,655,664	3,750,346	226.5	13,537,451	14,403,844	106.4	2.129
5,001-7,500	32,793,833	43,001,854	131.1	3,183,500	4,120,556	129.4	29,610,333	38,881,298	131.3	0.986
7,501-10,000	27,154,563	30,323,086	111.7	2,536,605	3,771,987	148.7	24,617,958	26,551,099	107.9	1.378
10,001-12,500	23,582,627	18,621,406	79.0	2,010,145	3,571,535	177.7	21,572,482	15,049,871	69.8	2.546
12,501-15,000	19,736,224	24,891,534	126.1	1,730,540	2,314,388	133.7	18,005,684	22,577,146	125.4	1.066
15,001-20,000	33,313,199	37,042,341	111.2	2,540,762	5,136,837	202.2	30,772,437	31,905,504	103.7	1.950
20,001-25,000	27,742,120	35,025,133	126.3	2,209,039	2,404,083	108.8	25,533,081	32,621,050	127.8	0.851
25,001-50,000	100,656,389	118,169,617	117.4	7,883,887	15,894,030	201.6	92,772,502	102,275,587	110.2	1.829
50,001-75,000	72,166,642	88,174,959	122.2	5,794,974	9,245,114	159.5	66,371,668	78,929,845	118.9	1.341
75,001-100,000	51,539,354	53,895,624	104.6	3,967,539	4,985,104	125.6	47,571,815	48,910,520	102.8	1.222
100,001-200,000	139,264,833	124,537,555	89.4	6,671,627	7,551,186	113.2	132,593,206	116,986,369	88.2	1.283
200,001-300,000	74,925,115	67,372,233	89.9	3,524,231	3,293,329	93.4	71,400,884	64,078,904	89.7	1.041
300,001-400,000	58,124,728	62,144,910	106.9	648,154	944,222	145.7	57,476,574	61,200,688	106.5	1.368
400,001-500,000	32,398,165	27,833,250	85.9	0	0	0.0	32,398,165	27,833,250	85.9	0.000
500,001-1,000,000	109,238,982	83,273,284	76.2	2,916,206	2,734,851	93.8	106,322,776	80,538,433	75.7	1.239
1,000,001 & higher	193,444,320	162,295,407	83.9	9,271,634	23,570,077	254.2	184,172,686	138,725,330	75.3	3.376
TOTALS	1,092,100,624	1,087,379,100	99.6	66,627,177	118,113,553	177.3	1,025,473,447	969,265,547	94.5	1.876

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

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2010 - 2014

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
2010	197,399,767	224,794,741	113.9	7,785,150	17,995,570	231.2	189,614,617	206,799,171	109.1
2011	200,057,806	217,601,564	108.8	10,317,085	19,227,648	186.4	189,740,721	198,373,916	104.5
2012	207,757,130	194,961,748	93.8	13,565,541	25,557,303	188.4	194,191,589	169,404,445	87.2
2013	234,155,428	224,164,082	95.7	18,321,999	30,980,082	169.1	215,833,429	193,184,000	89.5
2014	252,730,493	225,856,965	89.4	16,637,402	24,352,950	146.4	236,093,091	201,504,015	85.3
TOTALS	1,092,100,624	1,087,379,100	99.6	66,627,177	118,113,553	177.3	1,025,473,447	969,265,547	94.5

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2010	2.119
2011	1.784
2012	2.161
2013	1.889
2014	1.716
TOTAL 2010 - 2014	1.876

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0738	(4) D I P LOSS RATIO	177.3
(2) AVERAGE SURCHARGE	0.092	(5) VOLUNTARY MKT LOSS RATIO	94.5
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9927	(6) D I P SURCHARGE FACTOR	1.092
		(7) L R D [(4) / (5)] / (6)	1.72

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

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/16

Residual Market Share excluding Large Deductible

Policy Year	(1) <u>Call #1</u>	(2) <u>Call #12</u>	(3) = (1)-(2) <u>Difference</u>	(4) <u>LCM</u>	(5) = (3)*(4) <u>VM @ RM</u> <u>DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2)/(6) <u>Ratio</u>
2007	200,021,469	26,881,061	173,140,408	1.4008	242,535,084	269,416,145	0.0998
2008	151,172,480	16,835,706	134,336,774	1.3339	179,191,823	196,027,529	0.0859
2009	119,113,296	10,040,618	109,072,678	1.3403	146,190,110	156,230,728	0.0643
2010	106,675,436	8,752,054	97,923,382	1.3258	129,826,820	138,578,874	0.0632
2011	106,489,016	13,822,925	92,666,091	1.3114	121,522,312	135,345,237	0.1021
2012	115,705,744	20,965,707	94,740,037	1.3735	130,125,441	151,091,148	0.1388
2013	136,023,219	30,458,969	105,564,250	1.4243	150,355,161	180,814,130	0.1685
2014	149,156,953	24,764,957	124,391,996	1.3973	173,812,936	198,577,893	0.1247
2015	147,371,079	25,620,964	121,750,115	1.4328	174,443,565	200,064,529	0.1281
2016	88,215,578	11,629,904	76,585,674	1.4258	109,195,854	120,825,758	0.0963

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) <u>Call #8</u>	(9) = (8)*(4) <u>VM @ RM</u> <u>DSR Level</u>	(10) = (6)+(9) <u>Total @ DSR</u>	(11) = (2)/(10) <u>Ratio</u>
2007	42,796,062	59,948,724	329,364,869	0.0816
2008	38,152,323	50,891,384	246,918,913	0.0682
2009	31,547,739	42,283,435	198,514,163	0.0506
2010	27,143,355	35,986,660	174,565,534	0.0501
2011	29,054,709	38,102,345	173,447,582	0.0797
2012	31,265,017	42,942,501	194,033,649	0.1081
2013	38,082,835	54,241,382	235,055,512	0.1296
2014	39,819,522	55,639,818	254,217,711	0.0974
2015	41,503,644	59,466,421	259,530,950	0.0987
2016	25,822,825	36,818,184	157,643,942	0.0738

**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 2015</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	474	7,132,952	19.78%	32.29%
2 Risks with Debit Mod (> 1.0)	205	9,312,178	8.56%	42.16%
3 Total - Rated Risks	679	16,445,130	28.34%	74.45%
4 Non-Rated Risks	1,717	5,644,269	71.66%	25.55%
5 Total - All Assigned Risks	2,396	22,089,399	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	7,132,952	0.000	29.58%
2 Risks with Debit Mod (> 1.0)	11,335,426	0.217	47.01%
3 Total - Rated Risks	18,468,378	0.123	76.59%
4 Non-Rated Risks	5,644,269	0.000	23.41%
5 Total - All Assigned Risks	24,112,647	0.092	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	0.0738
2	VMS	Voluntary Market Share (1 - ARMS)	0.9262
3	LRD	Loss Ratio Differential	1.72
4	PLR	Permissible Loss Ratio	0.5838
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.72 * 0.0738 + \text{VLR} * 0.9262 = 0.5838$$

$$\text{VLR} = 0.5544$$

$$\text{ARLR} = 1.72 * \text{VLR} = 0.9536$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.3992$$

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

$$= (0.8) * (39.92\%) * (0.0738 / 0.9262)$$

$$= (0.8) * (39.92\%) * (0.0797)$$

$$= 2.55\%$$