

DELAWARE COMPENSATION RATING BUREAU, INC.

Small Deductible Program

The attached exhibits review the impact of deductibles on loss costs and residual market manual rates. Staff has proposed small increases to the loss elimination ratios and premium credit factors currently in effect.

2019 DELAWARE DEDUCTIBLE STUDY

Proposed Effective Date 12/1/19

Deduct. Level	Effect of Deductible on Losses	Selected	Loss Elimination Ratio	Current Loss Elimination Ratio
		(12)	(13)	(14)
500	0.9849	0.985	0.015	0.014
1,000	0.9722	0.973	0.027	0.026
1,500	0.9619	0.963	0.037	0.036
2,000	0.9531	0.954	0.046	0.044
2,500	0.9453	0.946	0.054	0.051
3,000	0.9383	0.940	0.060	0.057
3,500	0.9320	0.934	0.066	0.063
4,000	0.9261	0.928	0.072	0.068
4,500	0.9207	0.923	0.077	0.073
5,000	0.9156	0.918	0.082	0.078

Deduct. Level	Effect of Deductible on Man.Rate	Selected	Premium Credit	Current Premium Credit
		(15)	(16)	(17)
500	0.9888	0.989	0.011	0.011
1,000	0.9793	0.980	0.020	0.020
1,500	0.9716	0.972	0.028	0.027
2,000	0.9651	0.966	0.034	0.033
2,500	0.9593	0.960	0.040	0.038
3,000	0.9541	0.955	0.045	0.043
3,500	0.9494	0.951	0.049	0.048
4,000	0.9450	0.946	0.054	0.051
4,500	0.9410	0.943	0.057	0.055
5,000	0.9372	0.939	0.061	0.059

2019 DELAWARE DEDUCTIBLE STUDY

Loss Range	Total Incurred Losses (1)	Adj Factor (2) a	Adj Factor (3) b	Adjusted Losses (1)*(2)*(3) (4)
0 - 499	1,836,536	1.000	0.9996	1,835,801
500 - 999	4,842,730	0.995	0.9996	4,816,589
1,000 - 1,499	4,659,894	0.990	0.9996	4,611,450
1,500 - 1,999	4,596,571	0.985	0.9996	4,525,811
2,000 - 2,499	4,386,697	0.980	0.9996	4,297,243
2,500 - 2,999	4,071,448	0.975	0.9996	3,968,074
3,000 - 3,499	3,775,408	0.970	0.9996	3,660,681
3,500 - 3,999	3,440,971	0.965	0.9996	3,319,209
4,000 - 4,499	3,338,002	0.960	0.9996	3,203,200
4,500 - 4,999	3,087,398	0.955	0.9996	2,947,286
5,000 - & UP	796,026,140	0.950	0.9996	755,922,343

Deduct. Level (5)	# Claims >= Deduct Level (6)	Adj Losses < Deduct. Level (7) c	[(2)*(3)* (5)*(6)] (8)	Adj Tot Ded Collected (7)+(8) (9)
500	32,378	1,835,801	16,101,612	17,937,413
1,000	25,734	6,652,390	25,466,469	32,118,859
1,500	21,932	11,263,840	32,391,568	43,655,408
2,000	19,285	15,789,651	37,783,481	53,573,132
2,500	17,328	20,086,894	42,220,105	62,306,999
3,000	15,840	24,054,968	46,075,962	70,130,930
3,500	14,676	27,715,649	49,548,363	77,264,012
4,000	13,756	31,034,858	52,801,911	83,836,769
4,500	12,968	34,238,058	55,707,688	89,945,746
5,000	12,318	37,185,344	58,487,096	95,672,440

Deduct. Level (5)	Effect of Deductible on Losses (10) d	Effect of Deductible on Manual Rate (11) e
500	0.9849	0.9888
1,000	0.9722	0.9793
1,500	0.9619	0.9716
2,000	0.9531	0.9651
2,500	0.9453	0.9593
3,000	0.9383	0.9541
3,500	0.9320	0.9494
4,000	0.9261	0.9450
4,500	0.9207	0.9410
5,000	0.9156	0.9372

2019 DELAWARE DEDUCTIBLE STUDY

- a Adjustment factor for the amount of the deductible which will actually be reimbursed to the insurer by the insured.
- b Adjustment factor to put deductibles on a per occurrence basis instead of a per claim basis = 0.9996
- c Downward accumulation of Column (4).
- d Effect of deductible on Losses

$$= [A/B - \text{Col}(9) + P * C * \text{Col}(3)] / (A/B)$$

A = Total incurred indemnity on death claims plus total incurred medical on all claims =	
sum of Column (4) =	793,107,687
B = Death indemnity losses plus all medical losses as a % of all losses =	0.707
Per Table II 2019 , Sect C	
1.All Losses	1,184,092,497
2.Death Indem (00)	213,614
3.All Medical (00)	8,156,785
4.[((2)+(3))/(1)] * 100	0.707
C = # of death indemnity claims plus # of claims with some medical portion =	38,651
P = Processing expense per claim =	25.00
- e Effect of deductible on Manual Rate

$$= [(\text{Column (10)} * \text{permissible loss ratio}) + \text{fixed expenses}] / (1 - \text{variable expenses})$$

Fixed expenses = LAE + General + Admin	
=	0.1977
Variable expenses = Acquisition + P&C + Prem Tax + Workers' Comp. Fund + Misc. Tax + Prem Discount + Uncollectible Premium =	0.2273
Permissible Loss Ratio =	0.5750