

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 2014 - 2018

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	22,083,977	10,703,032	48.5	1,796,797	829,390	46.2	20,287,180	9,873,642	48.7	0.949
1,001-2,000	23,630,979	15,496,767	65.6	4,614,740	6,404,963	138.8	19,016,239	9,091,804	47.8	2.904
2,001-3,000	19,690,398	10,331,532	52.5	2,852,904	2,996,413	105.0	16,837,494	7,335,119	43.6	2.408
3,001-4,000	18,539,460	10,901,055	58.8	2,668,482	4,351,786	163.1	15,870,978	6,549,269	41.3	3.949
4,001-5,000	17,818,686	12,038,675	67.6	2,345,811	2,659,604	113.4	15,472,875	9,379,071	60.6	1.871
5,001-7,500	38,786,825	23,138,125	59.7	4,779,661	4,488,896	93.9	34,007,164	18,649,229	54.8	1.714
7,501-10,000	32,304,818	19,443,493	60.2	3,679,933	3,469,139	94.3	28,624,885	15,974,354	55.8	1.690
10,001-12,500	27,477,933	19,083,479	69.5	3,356,553	4,590,741	136.8	24,121,380	14,492,738	60.1	2.276
12,501-15,000	24,017,313	12,495,641	52.0	2,413,214	1,193,687	49.5	21,604,099	11,301,954	52.3	0.946
15,001-20,000	41,415,430	23,482,136	56.7	4,128,592	6,424,767	155.6	37,286,838	17,057,369	45.7	3.405
20,001-25,000	35,862,700	25,271,920	70.5	3,600,070	3,954,419	109.8	32,262,630	21,317,501	66.1	1.661
25,001-50,000	125,877,267	99,718,834	79.2	10,882,869	14,511,299	133.3	114,994,398	85,207,535	74.1	1.799
50,001-75,000	83,477,205	49,511,952	59.3	5,023,585	2,474,397	49.3	78,453,620	47,037,555	60.0	0.822
75,001-100,000	67,863,191	35,308,831	52.0	3,926,816	3,193,116	81.3	63,936,375	32,115,715	50.2	1.620
100,001-200,000	188,379,064	114,132,337	60.6	9,283,647	7,358,117	79.3	179,095,417	106,774,220	59.6	1.331
200,001-300,000	112,026,057	76,356,628	68.2	5,338,950	3,253,045	60.9	106,687,107	73,103,583	68.5	0.889
300,001-400,000	75,928,925	49,865,562	65.7	1,689,536	538,893	31.9	74,239,389	49,326,669	66.4	0.480
400,001-500,000	52,276,930	24,391,336	46.7	889,611	208,074	23.4	51,387,319	24,183,262	47.1	0.497
500,001-1,000,000	135,023,908	68,432,262	50.7	2,300,190	899,081	39.1	132,723,718	67,533,181	50.9	0.768
1,000,001 & higher	295,999,159	156,677,049	52.9	0	0	N/A	295,999,159	156,677,049	52.9	N/A
TOTALS	1,438,480,225	856,780,646	59.6	75,571,961	73,799,827	97.7	1,362,908,264	782,980,819	57.4	1.702

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

DELAWARE INSURANCE PLAN EXPERIENCE  
Manual Years 2014 - 2018

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
2014	250,946,816	172,518,839	68.7	15,589,454	15,842,930	101.6	235,357,362	156,675,909	66.6
2015	258,034,258	168,155,464	65.2	16,391,753	21,388,988	130.5	241,642,505	146,766,476	60.7
2016	294,657,091	183,467,621	62.3	16,240,187	13,088,327	80.6	278,416,904	170,379,294	61.2
2017	319,892,193	163,939,907	51.2	14,324,576	10,742,352	75.0	305,567,617	153,197,555	50.1
2018	314,949,867	168,698,815	53.6	13,025,991	12,737,230	97.8	301,923,876	155,961,585	51.7
TOTALS	1,438,480,225	856,780,646	59.6	75,571,961	73,799,827	97.7	1,362,908,264	782,980,819	57.4

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2014	1.526
2015	2.150
2016	1.317
2017	1.497
2018	1.892
TOTAL 2014 - 2018	1.702

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0465	(4) D I P LOSS RATIO	97.7
(2) AVERAGE SURCHARGE	0.071	(5) VOLUNTARY MKT LOSS RATIO	57.4
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [ 1 - (1)*{1+(2)} ] / [ 1 - (1) ]	0.9965	(6) D I P SURCHARGE FACTOR	1.071
		(7) L R D [ (4) / (5) ] / (6)	1.59

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

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

Policy Year Accumulated Standard Earned Premium @ 12/31/20

## 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>
2011	105,784,736	13,826,290	91,958,446	1.3258	121,918,508	135,744,798	0.1019
2012	115,282,269	20,965,707	94,316,562	1.3114	123,686,739	144,652,446	0.1449
2013	135,258,567	30,426,385	104,832,182	1.3735	143,987,002	174,413,387	0.1744
2014	148,108,664	24,765,457	123,343,207	1.3974	172,359,797	197,125,254	0.1256
2015	146,375,201	25,829,237	120,545,964	1.4327	172,706,203	198,535,440	0.1301
2016	166,092,414	24,724,496	141,367,918	1.4259	201,576,514	226,301,010	0.1093
2017	179,456,240	22,506,866	156,949,374	1.4383	225,740,285	248,247,151	0.0907
2018	177,761,592	19,880,295	157,881,297	1.3463	212,555,590	232,435,885	0.0855
2019	168,889,102	15,724,122	153,164,980	1.3493	206,665,508	222,389,630	0.0707
2020	85,832,360	6,938,861	78,893,499	1.3591	107,224,154	114,163,015	0.0608

## 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>
2011	29,014,873	38,467,919	174,212,717	0.0794
2012	31,204,368	40,921,408	185,573,854	0.1130
2013	37,924,883	52,089,827	226,503,214	0.1343
2014	39,091,363	54,626,271	251,751,525	0.0984
2015	41,467,765	59,410,867	257,946,307	0.1001
2016	45,331,814	64,638,634	290,939,644	0.0850
2017	46,622,740	67,057,487	315,304,638	0.0714
2018	43,547,080	58,627,434	291,063,319	0.0683
2019	45,481,599	61,368,322	283,757,952	0.0554
2020	25,905,000	35,207,486	149,370,501	0.0465

**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 2019</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	355	4,337,091	26.39%	42.08%
2 Risks with Debit Mod ( > 1.0)	118	3,887,447	8.77%	37.72%
3 Total - Rated Risks	473	8,224,538	35.17%	79.80%
4 Non-Rated Risks	872	2,081,268	64.83%	20.20%
5 Total - All Assigned Risks	1,345	10,305,806	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	4,337,091	0.000	39.29%
2 Risks with Debit Mod ( > 1.0)	4,619,317	0.188	41.85%
3 Total - Rated Risks	8,956,408	0.089	81.14%
4 Non-Rated Risks	2,081,268	0.000	18.86%
5 Total - All Assigned Risks	11,037,676	0.071	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	0.0465
2	VMS	Voluntary Market Share (1 - ARMS)	0.9535
3	LRD	Loss Ratio Differential	1.59
4	PLR	Permissible Loss Ratio	0.5326
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.59 * 0.0465 + \text{VLR} * 0.9535 = 0.5326$$

$$\text{VLR} = 0.5184$$

$$\text{ARLR} = 1.59 * \text{VLR} = 0.8243$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.3059$$

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

$$= (0.8) * (30.59\%) * (0.0465 / 0.9535)$$

$$= (0.8) * (30.59\%) * (0.0488)$$

$$= 1.19\%$$