

DELAWARE COMPENSATION RATING BUREAU, INC.

Indicated Residual Market Rate Change

Page 1 presents the overall indicated changes in rates and loss costs.

Derivation of the indemnity and medical trend factors and trended loss ratios shown on page 1 is presented on pages 2 through 4.

Page 5 shows the derivation of overall frequency trend factors for each of the latest four policy years.

**INDICATED CHANGE IN RATE LEVEL**

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
<b>(1a)</b> Policy Year 2019 Loss and Loss Adjustment Expense Ratio	0.5548	0.4157	0.9705
<b>(1b)</b> Policy Year 2020 Loss and Loss Adjustment Expense Ratio	0.4079	0.3544	0.7623
<b>(1c)</b> Policy Year 2021 Loss and Loss Adjustment Expense Ratio	0.3969	0.3063	0.7032
<b>(1d)</b> Policy Year 2022 Loss and Loss Adjustment Expense Ratio	0.4296	0.3358	0.7654
<b>(1e)</b> Weighted Average (2019 - 40%; 2020 - 10%; 2021 - 10%; 2022 - 40%)	0.4742	0.3667	0.8409
<b>(2a)</b> Policy Year 2019 Loss and LAE Ratio Trended to 12/1/2025	0.3889	0.3320	0.7209
<b>(2b)</b> Policy Year 2020 Loss and LAE Ratio Trended to 12/1/2025	0.3036	0.2940	0.5976
<b>(2c)</b> Policy Year 2021 Loss and LAE Ratio Trended to 12/1/2025	0.3137	0.2640	0.5777
<b>(2d)</b> Policy Year 2022 Loss and LAE Ratio Trended to 12/1/2025	0.3605	0.3006	0.6611
<b>(2e)</b> Weighted Average (2019 - 40%; 2020 - 10%; 2021 - 10%; 2022 - 40%)	0.3615	0.3088	<b>0.6703</b>
<b>(3a)</b> Excess Loss Factor at \$1,885,210 (Post-Legislative Basis)			0.0579
<b>(3b)</b> Provision for Excess Loss (4a) - (2e)			0.0412
<b>(4a)</b> Total Trended Loss and LAE Ratio (2e) / (1.0 - (3a))	0.3726	0.3389	0.7115
<b>(4b)</b> Percentage of Total	52.37%	47.63%	
<b>(5)</b> Permissible Loss and Loss Adjustment Ratio			0.7489
<b>(6)</b> Indicated Change in Rates (4a) / (5)			0.9501
<b>(7)</b> Estimated Effect of the 7/1/25 Benefit Change			1.0017
<b>(8)</b> Indicated Change in Residual Market Rate Level (6) * (7)			0.9517 <b>-4.83%</b>
<b>(9)</b> Indicated Change in Voluntary Market Loss Costs (8) / Change in Average LCMs [1.2599 / 1.2711] LCM = (1 / Loss, LAE and Administrative Assessment Ratio)			0.9602 <b>-3.98%</b>
	<b>Mfg.</b>	<b>Cont.</b>	<b>Other</b>
			<b>Total</b>
<b>(10)</b> Current Collectible Premium Ratio	1.0719	1.0180	0.8827
<b>(11)</b> Proposed Collectible Premium Ratio	1.0970	1.0371	0.9147
<b>(12)</b> Change in Collectible Premium Ratio (11) / (10)	1.0234	1.0188	1.0363
			1.0311
<b>(13)</b> Change in Residual Market Manual Rate Level (8) * (12)	0.9740	0.9696	0.9862
			0.9813
<b>(14)</b> Change in Voluntary Market Manual Loss Cost Level (9) * (12)	0.9827	0.9783	0.9951
			0.9901
<b>(15)</b> Current Offset for Residual Market Surcharge			0.9970
<b>(16)</b> Proposed Offset for Residual Market Surcharge			0.9987
<b>(17)</b> Adjusted Change in Voluntary Market Manual Loss Cost Level (14) * (16) / (15)	0.9844	0.9800	0.9968
			0.9918

**DETERMINATION OF TREND**

**INDEMNITY**

Policy Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actual Loss Ratio	0.7818	0.8335	0.7005	0.6687	0.6090	0.5528	0.5190	0.5548	0.4079	0.3969	0.4296
Normalized Frequency	1.0000	1.0155	0.8763	0.9108	0.7775	0.7930	0.7079	0.6936	0.6520	0.5776	0.5491
Severity Loss Ratio	0.7818	0.8208	0.7994	0.7342	0.7833	0.6971	0.7331	0.7998	0.6256	0.6871	0.7824
<b>x</b>	1	2	3	4	5	6	7	8	9	10	11
<b>y</b>	0.7818	0.8208	0.7994	0.7342	0.7833	0.6971	0.7331	0.7998	0.6256	0.6871	0.7824

Trend Selection	Severity Loss Ratio Trend (excluding 2020 & 2021)	Severity Loss Ratio Trend (including all years)
4 pt	2.1%	0.3%
6 pt	0.9%	0.4%
8 pt	-0.3%	-0.5%

Selected Annual Trend Factor = 0.3% (y = 0.701406 \* 1.002782 ^ x)

Policy Year	Annual Trend Factor (1)	Trend Period # Years to 12/1/24 (2)	Severity Trend Factor (3) = (1)^(2)	Frequency Trend Factor (4) *
2019	1.0028	5.9167	1.0166	0.6895
2020	1.0028	4.9167	1.0138	0.7342
2021	1.0028	3.9167	1.0109	0.7818
2022	1.0028	2.9167	1.0081	0.8325

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5)*(6)
2019	0.5548	0.7009	0.3889
2020	0.4079	0.7443	0.3036
2021	0.3969	0.7903	0.3137
2022	0.4296	0.8392	0.3605
Average			0.3417

\* See Page 5 for column (4).

**DETERMINATION OF TREND**

**MEDICAL**

Policy Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actual Loss Ratio	0.6131	0.6988	0.5882	0.5912	0.5779	0.5108	0.4170	0.4157	0.3544	0.3063	0.3358
Normalized Frequency	1.0000	1.0155	0.8763	0.9108	0.7775	0.7930	0.7079	0.6936	0.6520	0.5776	0.5491
Severity Loss Ratio	0.6131	0.6882	0.6713	0.6491	0.7433	0.6442	0.5891	0.5993	0.5436	0.5303	0.6116
<b>x</b>	1	2	3	4	5	6	7	8	9	10	11
<b>y</b>	0.6131	0.6882	0.6713	0.6491	0.7433	0.6442	0.5891	0.5993	0.5436	0.5303	0.6116

Trend Selection	Severity Loss Ratio Trend (excluding 2020 & 2021)	Severity Loss Ratio Trend (including all years)	CPI-U Trend
4 pt	-0.5%	<b>0.4%</b>	5.1%
6 pt	-1.9%	-1.9%	<b>4.7%</b>
8 pt	-1.7%	-3.0%	3.8%

4 Point Exponential Regression = 0.4% (y = 0.550874 \* 1.003624 ^ x)  
 CPI-U 6 Point Exponential Regression = 4.7% \*  
**Selected Annual Trend Factor = 2.5%**

Policy Year	Annual Severity Trend Factor (1)	Trend Period # of Years to 12/1/24 (2)	Severity Trend Factor (3) = (1) ^ (2)	Frequency Trend Factor (4) **
2019	1.0252	5.9167	1.1584	0.6895
2020	1.0252	4.9167	1.1300	0.7342
2021	1.0252	3.9167	1.1023	0.7818
2022	1.0252	2.9167	1.0752	0.8325

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3) * (4)	Trended Loss Ratio (7) = (5) * (6)
2019	0.4157	0.7987	0.3320
2020	0.3544	0.8296	0.2940
2021	0.3063	0.8618	0.2640
2022	0.3358	0.8951	0.3006
Average			0.2977

\* See page 4

\*\* See Page 5 for column (4).

**CPI for All Urban Consumers (CPI-U)  
12-Month Percent Change and Trends**

Years: 2010 to 2024

Year <sup>2</sup>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	2.1	2.2	2.4	2.5	2.8	2.9	2.9	2.7	2.3	2.5	2.2	1.9
2019	1.6	1.5	1.9	2.0	1.8	1.6	1.8	1.7	1.7	1.8	2.1	2.3
2020	2.5	2.3	1.5	0.3	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4
2021	1.4	1.7	2.6	4.2	5.0	5.4	5.4	5.3	5.4	6.2	6.8	7.0
2022	7.5	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5
2023	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4
2024 <sup>1</sup>	3.1	3.2	3.5	3.4	3.3	3.3	3.2	3.2	3.2	3.1	3.1	3.1

Year	12 Mon Rolling <sup>3</sup> CPI-U	CPI-U Index	Period	CPI-U Exp Fit Trend	Notes
2010	1.6	1.016	2010-2017	1.5%	1. Values in blue were assumed to be the same as the latest value available.
2011	3.0	1.047	2010-2024	2.4%	
2012	2.2	1.070	2015-2024	3.3%	
2013	1.5	1.086	2016-2024	3.5%	2. CPI-U was not used as the basis for the DE Medical Fee Schedule until 1/31/2018.
2014	1.7	1.105	2017-2024	3.8%	3. Rolling year average is December of prior year to November of the current year.
2015	0.1	1.106			
2016	1.2	1.119			
2017	2.1	1.142			
2018	2.5	1.171			
2019	1.8	1.191	2018-2024	4.2%	
2020	1.3	1.207	<b>2019-2024</b>	<b>4.7%</b>	
2021	4.2	1.258	2020-2024	5.2%	
2022	8.1	1.360	2021-2024	5.1%	
2023	4.4	1.419	2022-2024	3.8%	
2024	3.3	1.465			

## DETERMINATION OF TREND

### CLAIM FREQUENCY

Policy Year Frequency per \$1 million of Expected Losses

Policy Year	Claim Frequency	Normalized Frequency
2012	16.81	1.0000
2013	17.07	1.0155
2014	14.73	0.8763
2015	15.31	0.9108
2016	13.07	0.7775
2017	13.33	0.7930
2018	11.90	0.7079
2019	11.66	0.6936
2020	10.96	0.6520
2021	9.71	0.5776
2022	9.23	0.5491

Policy Year	2016	2017	2018	2019	2020	2021	2022
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.7775	0.7930	0.7079	0.6936	0.6520	0.5776	0.5491

Trend Selection	Frequency Trend
3 pt	-8.2%
5 pt	-6.7%
7 pt	<b>-6.1%</b>
10 pt	-6.2%

Selected Annual Trend: -6.1% ( $y = 0.865477 * 0.939091 ^ x$ )

Policy Year	Annual Trend Factor (1)	# of Years to 12/1/24 (2)	Frequency Trend Factor (3) = (1)^(2)
2019	0.9391	5.9167	0.6895
2020	0.9391	4.9167	0.7342
2021	0.9391	3.9167	0.7818
2022	0.9391	2.9167	0.8325