

DELAWARE COMPENSATION RATING BUREAU, INC.
F-CLASS FILING

Expense Loading

This exhibit details the development of the permissible loss and loss adjustment expense ratio. Underwriting profit is computed through an internal rate of return model.

Results of the DCRB's analysis of the minimum premium formula and expense constant are shown at the bottom of the exhibit.

EXPENSE LOADING

	<u>Current %</u>	<u>Proposed %</u>
LOSS AND LOSS ADJUSTMENT EXPENSE		
Losses	56.35	57.56
Loss Adjustment Expense	13.25	15.48 a
Loss & Loss Adjustment	69.60	73.04
UNDERWRITING EXPENSES		
Commission	5.45	4.83
Other Acquisition	2.04	1.57
General Expenses	2.84	2.48
Premium Discount	8.59	8.38
State Premium Tax	2.00	2.00
Other State Tax	0.32	0.30
Uncollectible Premium	2.30	2.62
Federal Assessment	4.17	4.27 b
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	2.69	0.51
Underwriting Expense Total	30.40	26.96

a - As ratio to loss, Loss Adjustment Expense = 0.2689

b - As ratio to loss, Federal Assessment = 0.0742

MINIMUM PREMIUM:

It is proposed that the Minimum Premium formula be increased from $(280 * \text{Rate}) + \text{Expense Constant}$ to

$$(310 * \text{Rate}) + \text{Expense Constant}$$

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of \$3,000.

EXPENSE CONSTANT:

It is proposed that the Expense Constant be increased from \$320 to \$345.