

DELAWARE COMPENSATION RATING BUREAU, INC. (DCRB)

ANALYSIS OF EXPERIENCE UNDER THE DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP)

The DCCPAP program responds to wage differentials within the construction industry, providing a program of premium credits to higher-wage employers. These credits are offset by loadings applied to construction classifications reflecting the portion of employers participating in the program and the average premium credit obtained by those participating businesses, thus maintaining the required premium level in each classification. The table of qualifying wages applicable to the DCCPAP is regularly amended based on actual changes to statewide average wage levels. Such filings are subject to review and approval by the Insurance Department; with the most recent update effective June 1, 2011.

The DCRB has compiled and reviewed aggregate statistical data for the above-referenced program. This data covers Policy Years 1994 (Exhibit I) through 2008 (Exhibit XV). Also shown is the total of those years (Exhibit XVI).

Exhibits I through XVI each present 16 statistics (described in the Appendix below) separately for each of the following three groups of policies:

1. Construction classification experience for policies eligible for participation in the DCCPAP during the indicated 12-month experience period (Column (1)). Policies including construction classifications may also include other classifications outside the construction (or 600) series. Experience for such non-construction classifications is excluded from Exhibits I through XVI.
2. Construction classification experience for policies eligible for and participating in the DCCPAP during the indicated 12-month experience period (Column (2)).
3. Construction classification experience for policies eligible for but not participating in the DCCPAP during the indicated 12-month experience period (Column (3)).

The following summary observations are based on a review of the attached Exhibits I through XVI:

- Indicated DCCPAP credits vary considerably from year-to-year, ranging from an indicated credit of 60.2 percent for 2002 to an indicated debit of 74.2 percent in 2005. For four of the fifteen years shown, 1995, 1998, 2002 and 2003, the indicated credit exceeded the actual credit given. For ten of the fifteen years shown, reported experience indicates a debit or surcharge adjustment for DCCPAP participating risks. For the period 1994 through 2008 in total, a debit of 5.5 percent was indicated for DCCPAP participating risks.
- Results in Delaware are highly volatile and sensitive to the incidence of large claims. For example, while participants had a favorable loss ratio of 46.5 percent in policy year 2002 at first report, non-participants had an atypical 101.1 percent loss ratio, which included three large losses totaling \$11.2 million. Excluding those three losses, the loss ratio for non-participants would have been 41.7 percent, slightly lower than that of the participants. Similarly, for three of the fifteen Policy Years shown, 2004, 2005 and 2008,

participants had unfavorable loss ratios due to large losses. For each of those three Policy Years, eliminating the large losses would have reduced the loss ratio for participating risks by at least one-third.

- For Policy Year 2008, 17.4 percent of eligible risks participated in the DCCPAP program. The portion of eligible risks participating was relatively stable from 1998 through 2004 but has declined each year since then. Policy Year 2008 represents the lowest level of participation during the period covered by the study. The premium for participating risks represented 39.4 percent of total premium on eligible risks in 2008, down from the 41.5 percent shown in 2007. The percentage of premium for participating risks tends to fluctuate from year-to-year within the range of approximately 40 to 48 percent.
- Average DCCPAP credits given to participating risks have been in the 13 to 18 percent range during the period 1994 through 2008 and have averaged 14.7 percent, 20.1 percentage points higher than the indicated debit for the same period.
- Claim frequency had been consistently better for participating DCCPAP risks than for non-participating risks for policy years 1994 through 2003; however, starting with policy year 2004, just the opposite has been true.
- Claim severity has varied over the years. It has been higher for participating DCCPAP risks than for non-participating risks in eleven of the fifteen years shown, with the extent of those observed differences varying significantly from year-to-year.
- The fact that the indicated DCCPAP credits for participating employers may be smaller in a given year than those actually granted does not necessarily mean that the employers in question should have paid higher workers' compensation premium than they, in fact, did. The comparisons done in Exhibits I through XVI are based on DCRB loss costs only. Actual workers' compensation premium paid by both participating and non-participating employers in those years were affected by many pricing parameters, programs and considerations not reflected in those loss costs. Such additional pricing factors would include, but not be limited to, individual insurers' respective loss cost multipliers, schedule rating credits_or debits, dividend plans, retrospective rating plans and sub-classifications.

APPENDIX

Described below are the 16 statistics used in the DCCPAP analysis shown in the attached Exhibits I through XVI:

- (1) Number of Policies: The number of policies issued to the groups of employers variously described in each column of Exhibits I through XVI. Note that some Delaware employers may not have a workers' compensation policy (i.e., self-insureds or those not subject to mandatory coverage), and some insured employers may change insurers and, thus, may have different policies in effect during a given year(s).
- (2) Standard Premium: This is premium at Bureau loss cost level, absent both the tabular DCCPAP credit and the adjustment to experience modifications made where applicable for those policies. The current DCCPAP load on manual rates is omitted from this calculation.
- (3) Average Premium: Computed by dividing total standard premium by the number of policies reported.
- (4) DCCPAP Net Credits: These are the total premium credits given under DCCPAP to participating employers included in each column of Exhibits I through XVI.
- (5) Net Premium: The standard premium less any applicable DCCPAP credits. For non-participating employers, net premium and standard premium are equal because no DCCPAP credits were applied.
- (6) Number of Indemnity Claims: The number of indemnity claims reported on the policies variously described in each column of Exhibits I through XVI. Indemnity claims are cases involving some wage loss or other form of benefit payable to the worker or their dependents in addition to any applicable treatment costs.
- (7) Number of Total Claims: The total number of claims reported on the policies variously described in each column of Exhibits I through XVI. These counts include indemnity claims as well as medical-only claims, those cases involving only payment of medical treatment costs.
- (8) Indemnity Claim Frequency: The number of indemnity claims reported per \$1,000 of standard premiums in each group of policies presented in Exhibits I through XVI.
- (9) Total Claim Frequency: The number of total claims reported per \$1,000 of standard premium in each group of policies presented in Exhibits I through XVI. Total claim frequency is shown bold-faced and underlined, as this statistic is one of the key bases of comparison between employer groups used in the DCRB's review of the DCCPAP.

- (10) Incurred Losses: The reported dollar value of losses incurred on the various groups of policies presented on Exhibits I through XVI for indemnity and medical-only claims.
- (11) Average Claim: Total incurred losses divided by the total number of claims. Average claim amounts are shown bold-faced and underlined, as this statistic is another of the key bases of comparison between employer groups used in the DCRB's review of the DCCPAP.
- (12) Loss Ratio: The total incurred losses divided by the net premium for each group of policies presented on Exhibits I through XVI. Loss ratios are shown bold-faced and underlined, as this statistic is the third key basis of comparison between employer groups used in the DCRB's review of the DCCPAP.

The last four experience statistics are computed only for Column (2) in each exhibit, which is the only column exclusively comprised of participants in the DCCPAP. These statistics are described below:

- (13) Net Premium to Balance DCCPAP and Non-DCCPAP Loss Ratios: This is the amount of net premium which would produce the same loss ratio for the DCCPAP participants studied in each exhibit's Column (2) as was reported for all non-participating employers.
- (14) Indicated DCCPAP Credits to Balance: This is the difference between standard premium for the DCCPAP participants studied in each exhibit's Column (2) and the balancing net premium computed in Item (13).
- (15) Average DCCPAP Credit Factor: This is the average ratio of DCCPAP credits actually granted to standard premium for the DCCPAP participants studied in each exhibit's Column (2). This average DCCPAP credit is shown bold-faced and underlined, as this statistic is a key measure of the operation of the DCCPAP.
- (16) Indicated DCCPAP Credit Factor: This is the average DCCPAP credit ratio that would have resulted in the balancing DCCPAP credits computed in Item (14). This indicated DPCCPAP credit is shown bold-faced and underlined, as this statistic is a key measure of the operation of the DCCPAP, especially for purposes of comparison to the actual average DCCPAP credit shown in Item (15).

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/94 - 12/31/94)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|--|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,075 | 750 | 2,325 |
| (2) Standard Premium | \$28,705,088 | \$12,906,750 | \$15,798,338 |
| (3) Average Premium (2)/(1) | \$9,335 | \$17,209 | \$6,795 |
| (4) DCCPAP Net Credits | \$1,923,427 | \$1,923,427 | \$0 |
| (5) Net Premium (2) - (4) | \$26,781,661 | \$10,983,323 | \$15,798,338 |
| (6) # of Indemnity Claims | 562 | 254 | 308 |
| (7) # of Total Claims | 1,876 | 831 | 1,045 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0196 | 0.0197 | 0.0195 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0654</u> | <u>0.0644</u> | <u>0.0661</u> |
| (10) Incurred Losses | \$10,226,787 | \$5,113,529 | \$5,113,258 |
| (11) Average Claim (10)/(7) | <u>\$5,451</u> | <u>\$6,153</u> | <u>\$4,893</u> |
| (12) Loss Ratio (10)/(5) | <u>38.2%</u> | <u>46.6%</u> | <u>32.4%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LR: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$15,797,002 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$2,890,252 | |
| (15) Average DCCPAP Credit Factor (4)/(2) | | <u>0.1490</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.2239</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/95 - 12/31/95)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,228 | 845 | 2,383 |
| (2) Standard Premium | \$26,828,270 | \$12,288,513 | \$14,539,757 |
| (3) Average Premium (2)/(1) | \$8,311 | \$14,543 | \$6,101 |
| (4) DCCPAP Net Credits | \$1,805,209 | \$1,805,209 | \$0 |
| (5) Net Premium (2) - (4) | \$25,023,061 | \$10,483,304 | \$14,539,757 |
| (6) # of Indemnity Claims | 636 | 281 | 355 |
| (7) # of Total Claims | 1,896 | 823 | 1,073 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0237 | 0.0229 | 0.0244 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0707</u> | <u>0.0670</u> | <u>0.0738</u> |
| (10) Incurred Losses | \$13,359,967 | \$4,940,626 | \$8,419,341 |
| (11) Average Claim (10)/(7) | <u>\$7,046</u> | <u>\$6,003</u> | <u>\$7,847</u> |
| (12) Loss Ratio (10)/(5) | <u>53.4%</u> | <u>47.1%</u> | <u>57.9%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$8,527,869 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | \$3,760,644 | |
| (15) Average DCCPAP Credit Factor (4)/(2) | | <u>0.1469</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>0.3060</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (PCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/96 - 12/31/96)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,265 | 891 | 2,374 |
| (2) Standard Premium | \$30,845,511 | \$14,713,140 | \$16,132,371 |
| (3) Average Premium (2)/(1) | \$9,447 | \$16,513 | \$6,795 |
| (4) DCCPAP Net Credits | \$2,435,317 | \$2,435,317 | \$0 |
| (5) Net Premium (2) - (4) | \$28,410,194 | \$12,277,823 | \$16,132,371 |
| (6) # of Indemnity Claims | 706 | 337 | 369 |
| (7) # of Total Claims | 2,058 | 949 | 1,109 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0229 | 0.0229 | 0.0229 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0667</u> | <u>0.0645</u> | <u>0.0687</u> |
| (10) Incurred Losses | \$13,731,244 | \$7,330,483 | \$6,400,761 |
| (11) Average Claim (10)/(7) | <u>\$6,672</u> | <u>\$7,724</u> | <u>\$5,772</u> |
| (12) Loss Ratio (10)/(5) | <u>48.3%</u> | <u>59.7%</u> | <u>39.7%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$18,463,124 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$3,749,984 | |
| (15) Average DCCPAP Credit Factor (4)/(2) | | <u>0.1655</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.2549</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/97 - 12/31/97)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,286 | 868 | 2,418 |
| (2) Standard Premium | \$30,012,638 | \$14,529,798 | \$15,482,840 |
| (3) Average Premium (2)/(1) | \$9,133 | \$16,739 | \$6,403 |
| (4) DCCPAP Net Credits | \$2,418,195 | \$2,418,195 | \$0 |
| (5) Net Premium (2) - (4) | \$27,594,443 | \$12,111,603 | \$15,482,840 |
| (6) # of Indemnity Claims | 551 | 247 | 304 |
| (7) # of Total Claims | 1,750 | 793 | 957 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0184 | 0.0170 | 0.0196 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0583</u> | <u>0.0546</u> | <u>0.0618</u> |
| (10) Incurred Losses | \$12,856,011 | \$6,409,019 | \$6,446,992 |
| (11) Average Claim (10)/(7) | <u>\$7,346</u> | <u>\$8,082</u> | <u>\$6,737</u> |
| (12) Loss Ratio (10)/(5) | <u>46.6%</u> | <u>52.9%</u> | <u>41.6%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$15,401,534 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$871,736 | |
| (15) Average DCCPAP Credit Factor (4)/(2) | | <u>0.1664</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.0600</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/98 - 12/31/98)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,324 | 760 | 2,564 |
| (2) Standard Premium | \$32,895,515 | \$16,077,983 | \$16,817,532 |
| (3) Average Premium (2)/(1) | \$9,896 | \$21,155 | \$6,559 |
| (4) DCCPAP Net Credits | \$2,377,197 | \$2,377,197 | \$0 |
| (5) Net Premium (2) - (4) | \$30,518,318 | \$13,700,786 | \$16,817,532 |
| (6) # of Indemnity Claims | 569 | 245 | 324 |
| (7) # of Total Claims | 1,726 | 792 | 934 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0173 | 0.0152 | 0.0193 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0525</u> | <u>0.0493</u> | <u>0.0555</u> |
| (10) Incurred Losses | \$12,505,824 | \$4,834,482 | \$7,671,342 |
| (11) Average Claim (10)/(7) | <u>\$7,246</u> | <u>\$6,104</u> | <u>\$8,213</u> |
| (12) Loss Ratio (10)/(5) | <u>41.0%</u> | <u>35.3%</u> | <u>45.6%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$10,606,091 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | \$5,471,892 | |
| (15) Average DCCPAP Credit Factor (4)/(2) | | <u>0.1479</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>0.3403</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/99 - 12/31/99)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,396 | 764 | 2,632 |
| (2) Standard Premium | \$31,097,475 | \$12,927,621 | \$18,169,854 |
| (3) Average Premium (2)/(1) | \$9,157 | \$16,921 | \$6,903 |
| (4) DCCPAP Net Credits | \$1,799,906 | \$1,799,906 | \$0 |
| (5) Net Premium (2) - (4) | \$29,297,569 | \$11,127,715 | \$18,169,854 |
| (6) # of Indemnity Claims | 576 | 230 | 346 |
| (7) # of Total Claims | 1,720 | 692 | 1,028 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0185 | 0.0178 | 0.0190 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0553</u> | <u>0.0535</u> | <u>0.0566</u> |
| (10) Incurred Losses | \$14,543,525 | \$6,479,070 | \$8,064,455 |
| (11) Average Claim (10)/(7) | <u>\$8,456</u> | <u>\$9,363</u> | <u>\$7,845</u> |
| (12) Loss Ratio (10)/(5) | <u>49.6%</u> | <u>58.2%</u> | <u>44.4%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$14,586,329 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$1,658,708 | |
| (15) Average DCCPAP Credit Factor (4)/(2) | | <u>0.1392</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.1283</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/00 - 12/31/00)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,474 | 800 | 2,674 |
| (2) Standard Premium | \$31,597,190 | \$14,182,945 | \$17,414,245 |
| (3) Average Premium (2)/(1) | \$9,095 | \$17,729 | \$6,512 |
| (4) DCCPAP Net Credits | \$2,011,566 | \$2,011,566 | \$0 |
| (5) Net Premium (2) - (4) | \$29,585,624 | \$12,171,379 | \$17,414,245 |
| (6) # of Indemnity Claims | 557 | 226 | 331 |
| (7) # of Total Claims | 1,704 | 657 | 1,047 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0176 | 0.0159 | 0.0190 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0539</u> | <u>0.0463</u> | <u>0.0601</u> |
| (10) Incurred Losses | \$15,200,030 | \$6,906,998 | \$8,293,032 |
| (11) Average Claim (10)/(7) | <u>\$8,920</u> | <u>\$10,513</u> | <u>\$7,921</u> |
| (12) Loss Ratio (10)/(5) | <u>51.4%</u> | <u>56.7%</u> | <u>47.6%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$14,498,260 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$315,315 | |
| (15) Average DCCPAP Credit Factor (4)/(2) | | <u>0.1418</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.0222</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/01 - 12/31/01)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,360 | 721 | 2,639 |
| (2) Standard Premium | \$32,133,580 | \$13,931,427 | \$18,202,153 |
| (3) Average Premium (2)/(1) | \$9,564 | \$19,322 | \$6,897 |
| (4) DCCPAP Net Credits | \$2,016,839 | \$2,016,839 | \$0 |
| (5) Net Premium (2) - (4) | \$30,116,741 | \$11,914,588 | \$18,202,153 |
| (6) # of Indemnity Claims | 553 | 227 | 326 |
| (7) # of Total Claims | 1,602 | 655 | 947 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0172 | 0.0163 | 0.0179 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0499</u> | <u>0.0470</u> | <u>0.0520</u> |
| (10) Incurred Losses | \$16,368,381 | \$7,043,223 | \$9,325,158 |
| (11) Average Claim (10)/(7) | <u>\$10,217</u> | <u>\$10,753</u> | <u>\$9,847</u> |
| (12) Loss Ratio (10)/(5) | <u>54.3%</u> | <u>59.1%</u> | <u>51.2%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$13,752,972 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | \$178,455 | |
| (15) Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1448</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>0.0128</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/02 - 12/31/02)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,331 | 747 | 2,584 |
| (2) Standard Premium | \$34,480,377 | \$15,673,789 | \$18,806,588 |
| (3) Average Premium (2)/(1) | \$10,351 | \$20,982 | \$7,278 |
| (4) DCCPAP Net Credits | \$2,106,815 | \$2,106,815 | \$0 |
| (5) Net Premium (2) - (4) | \$32,373,562 | \$13,566,974 | \$18,806,588 |
| (6) # of Indemnity Claims | 520 | 209 | 311 |
| (7) # of Total Claims | 1,438 | 612 | 826 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0151 | 0.0133 | 0.0165 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0417</u> | <u>0.0390</u> | <u>0.0439</u> |
| (10) Incurred Losses | \$25,326,600 | \$6,311,483 | \$19,015,117 |
| (11) Average Claim (10)/(7) | <u>\$17,612</u> | <u>\$10,313</u> | <u>\$23,021</u> |
| (12) Loss Ratio (10)/(5) | <u>78.2%</u> | <u>46.5%</u> | <u>101.1%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$6,240,003 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | \$9,433,786 | |
| (15) Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1344</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>0.6019</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/03 - 12/31/03)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,525 | 783 | 2,742 |
| (2) Standard Premium | \$42,596,946 | \$20,259,524 | \$22,337,422 |
| (3) Average Premium (2)/(1) | \$12,084 | \$25,874 | \$8,146 |
| (4) DCCPAP Net Credits | \$2,674,801 | \$2,674,801 | \$0 |
| (5) Net Premium (2) - (4) | \$39,922,145 | \$17,584,723 | \$22,337,422 |
| (6) # of Indemnity Claims | 524 | 204 | 320 |
| (7) # of Total Claims | 1,392 | 598 | 794 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0123 | 0.0101 | 0.0143 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0327</u> | <u>0.0295</u> | <u>0.0355</u> |
| (10) Incurred Losses | \$20,563,474 | \$7,655,467 | \$12,908,007 |
| (11) Average Claim (10)/(7) | <u>\$14,773</u> | <u>\$12,802</u> | <u>\$16,257</u> |
| (12) Loss Ratio (10)/(5) | <u>51.5%</u> | <u>43.5%</u> | <u>57.8%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$13,234,177 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | \$7,025,347 | |
| (15) Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1320</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>0.3468</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/04 - 12/31/04)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,585 | 797 | 2,788 |
| (2) Standard Premium | \$50,051,147 | \$21,541,559 | \$28,509,588 |
| (3) Average Premium (2)/(1) | \$13,961 | \$27,028 | \$10,226 |
| (4) DCCPAP Net Credits | \$2,919,050 | \$2,919,050 | \$0 |
| (5) Net Premium (2) - (4) | \$47,132,097 | \$18,622,509 | \$28,509,588 |
| (6) # of Indemnity Claims | 517 | 220 | 297 |
| (7) # of Total Claims | 1,356 | 643 | 713 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0103 | 0.0102 | 0.0104 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0271</u> | <u>0.0298</u> | <u>0.0250</u> |
| (10) Incurred Losses | \$23,219,498 | \$11,859,312 | \$11,360,186 |
| (11) Average Claim (10)/(7) | <u>\$17,124</u> | <u>\$18,444</u> | <u>\$15,933</u> |
| (12) Loss Ratio (10)/(5) | <u>49.3%</u> | <u>63.7%</u> | <u>39.8%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$29,805,372 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$8,263,813 | |
| (15) Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1355</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.3836</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/05 - 12/31/05)

Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,650 | 735 | 2,915 |
| (2) Standard Premium | \$63,180,349 | \$24,834,708 | \$38,345,641 |
| (3) Average Premium (2)/(1) | \$17,310 | \$33,789 | \$13,155 |
| (4) DCCPAP Net Credits | \$3,487,131 | \$3,487,131 | \$0 |
| (5) Net Premium (2) - (4) | \$59,693,218 | \$21,347,577 | \$38,345,641 |
| (6) # of Indemnity Claims | 484 | 220 | 264 |
| (7) # of Total Claims | 1,307 | 600 | 707 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0077 | 0.0089 | 0.0069 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0207</u> | <u>0.0242</u> | <u>0.0184</u> |
| (10) Incurred Losses | \$24,962,141 | \$13,235,023 | \$11,727,118 |
| (11) Average Claim (10)/(7) | <u>\$19,099</u> | <u>\$22,058</u> | <u>\$16,587</u> |
| (12) Loss Ratio (10)/(5) | <u>41.8%</u> | <u>62.0%</u> | <u>30.6%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$43,253,261 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$18,418,553 | |
| (15) Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1404</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.7416</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/06 - 12/31/06)

Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 3,702 | 721 | 2,981 |
| (2) Standard Premium | \$69,508,734 | \$26,960,399 | \$42,548,335 |
| (3) Average Premium (2)/(1) | \$18,776 | \$37,393 | \$14,273 |
| (4) DCCPAP Net Credits | \$3,804,548 | \$3,804,548 | \$0 |
| (5) Net Premium (2) - (4) | \$65,704,186 | \$23,155,851 | \$42,548,335 |
| (6) # of Indemnity Claims | 428 | 182 | 246 |
| (7) # of Total Claims | 1,228 | 530 | 698 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0062 | 0.0068 | 0.0058 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0177</u> | <u>0.0197</u> | <u>0.0164</u> |
| (10) Incurred Losses | \$18,167,027 | \$8,081,608 | \$10,085,419 |
| (11) Average Claim (10)/(7) | <u>\$14,794</u> | <u>\$15,248</u> | <u>\$14,449</u> |
| (12) Loss Ratio (10)/(5) | <u>27.6%</u> | <u>34.9%</u> | <u>23.7%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$34,098,700 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$7,138,301 | |
| (15) Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1411</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.2648</u> | |

**DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/07 - 12/31/07)**

Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | Statistic | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|------|--|------------------------------|---|-------------------------------|
| (1) | Number of Policies | 3,586 | 670 | 2,916 |
| (2) | Standard Premium | \$65,252,934 | \$27,088,872 | \$38,164,062 |
| (3) | Average Premium (2)/(1) | \$18,197 | \$40,431 | \$13,088 |
| (4) | DCCPAP Net Credits | \$3,954,097 | \$3,954,097 | \$0 |
| (5) | Net Premium (2) - (4) | \$61,298,837 | \$23,134,775 | \$38,164,062 |
| (6) | # of Indemnity Claims | 370 | 167 | 203 |
| (7) | # of Total Claims | 1,060 | 497 | 563 |
| (8) | Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0057 | 0.0062 | 0.0053 |
| (9) | Total Claim Frequency (7)/{(2)/1,000} | <u>0.0162</u> | <u>0.0183</u> | <u>0.0148</u> |
| (10) | Incurred Losses | \$17,583,284 | \$8,532,563 | \$9,050,721 |
| (11) | Average Claim (10)/(7) | <u>\$16,588</u> | <u>\$17,168</u> | <u>\$16,076</u> |
| (12) | Loss Ratio (10)/(5) | <u>28.7%</u> | <u>36.9%</u> | <u>23.7%</u> |
| (13) | Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$36,019,966 | |
| (14) | Indicated DCCPAP Credits to Balance (2)-(13) | | -\$8,931,094 | |
| (15) | Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1460</u> | |
| (16) | Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.3297</u> | |

DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (1/1/08 - 12/31/08)
Excludes Experience for Non-Construction Classifications on DCCPAP Policies

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| Statistic | | | |
| (1) Number of Policies | 3,517 | 612 | 2,905 |
| (2) Standard Premium | \$48,972,735 | \$19,294,613 | \$29,678,122 |
| (3) Average Premium (2)/(1) | \$13,925 | \$31,527 | \$10,216 |
| (4) DCCPAP Net Credits | \$3,472,551 | \$3,472,551 | \$0 |
| (5) Net Premium (2) - (4) | \$45,500,184 | \$15,822,062 | \$29,678,122 |
| (6) # of Indemnity Claims | 294 | 101 | 193 |
| (7) # of Total Claims | 844 | 351 | 493 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0060 | 0.0052 | 0.0065 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0172</u> | <u>0.0182</u> | <u>0.0166</u> |
| (10) Incurred Losses | \$18,922,660 | \$9,912,706 | \$9,009,954 |
| (11) Average Claim (10)/(7) | <u>\$22,420</u> | <u>\$28,241</u> | <u>\$18,276</u> |
| (12) Loss Ratio (10)/(5) | <u>41.6%</u> | <u>62.7%</u> | <u>30.4%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$32,633,003 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$13,338,390 | |
| (15) Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1800</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.6913</u> | |

**DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM (DCCPAP) ANALYSIS
DCCPAP CREDIT (Sum of Policy Years 1994 Through 2008)**

| | (1) Total All Policies | (2) DCCPAP Participating Policies | (3) Non-DCCPAP Policies |
|---|------------------------------|---|-------------------------------|
| (1) Number of Policies | 51,304 | 11,464 | 39,840 |
| (2) Standard Premium | \$618,158,489 | \$267,211,641 | \$350,946,848 |
| (3) Average Premium (2)/(1) | \$12,049 | \$23,309 | \$8,809 |
| (4) DCCPAP Net Credits | \$39,206,649 | \$39,206,649 | \$0 |
| (5) Net Premium (2) - (4) | \$578,951,840 | \$228,004,992 | \$350,946,848 |
| (6) # of Indemnity Claims | 7,847 | 3,350 | 4,497 |
| (7) # of Total Claims | 22,957 | 10,023 | 12,934 |
| (8) Indemnity Claim Frequency (6)/{(2)/1,000} | 0.0127 | 0.0125 | 0.0128 |
| (9) Total Claim Frequency (7)/{(2)/1,000} | <u>0.0371</u> | <u>0.0375</u> | <u>0.0369</u> |
| (10) Incurred Losses | \$257,536,453 | \$114,645,592 | \$142,890,861 |
| (11) Average Claim (10)/(7) | <u>\$11,218</u> | <u>\$11,438</u> | <u>\$11,048</u> |
| (12) Loss Ratio (10)/(5) | <u>44.5%</u> | <u>50.3%</u> | <u>40.7%</u> |
| (13) Net Premium to Balance DCCPAP & Non-DCCPAP LRs: Col(2)Line(5)*Col(2)Line(12)/Col(3)Line(12) | | \$281,785,039 | |
| (14) Indicated DCCPAP Credits to Balance (2)-(13) | | -\$14,573,398 | |
| (15) Average DPCCPAP Credit Factor (4)/(2) | | <u>0.1467</u> | |
| (16) Indicated DCCPAP Credit Factor (14)/(2) | | <u>-0.0545</u> | |