

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 Bureau'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>
<b>LOSS AND LOSS ADJUSTMENT EXPENSE</b>		
Losses	54.53	57.00
Loss Adjustment Expense	6.76	8.77 a
Loss & Loss Adjustment	61.29	65.77
<b>UNDERWRITING EXPENSES</b>		
Commission	6.82	5.76
Other Acquisition	2.76	2.65
General Expenses	3.17	2.79
Premium Discount	8.33	8.25
State Premium Tax	2.00	2.00
Other State Tax	0.36	0.38
Uncollectible Premium	2.00	2.50
Federal Assessment	12.44	11.54 b
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	0.83	-1.64
Underwriting Expense Total	38.71	34.23

a - As ratio to loss, Loss Adjustment Expense = 0.1538

b - As ratio to loss, Federal Assessment = 0.2024

### **MINIMUM PREMIUM:**

It is proposed that the Minimum Premium formula remain at

$$(235 * \text{Rate}) + \text{Expense Constant}$$

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of \$3000.

### **EXPENSE CONSTANT:**

It is proposed that the Expense Constant be decreased from \$270 to \$260.