

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 2005 - 2009

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	17,077,925	19,240,068	112.7	2,009,317	2,136,098	106.3	15,068,608	17,103,970	113.5	0.937
1,001-2,000	22,492,705	24,255,666	107.8	4,053,247	3,890,557	96.0	18,439,458	20,365,109	110.4	0.870
2,001-3,000	20,425,340	18,552,943	90.8	4,540,272	4,641,575	102.2	15,885,068	13,911,368	87.6	1.167
3,001-4,000	18,080,959	18,234,285	100.8	3,448,341	2,261,448	65.6	14,632,618	15,972,837	109.2	0.601
4,001-5,000	15,695,205	15,528,413	98.9	2,757,722	3,585,327	130.0	12,937,483	11,943,086	92.3	1.408
5,001-7,500	35,793,872	35,100,778	98.1	5,920,529	6,855,232	115.8	29,873,343	28,245,546	94.6	1.224
7,501-10,000	32,712,534	36,226,991	110.7	4,934,626	6,510,006	131.9	27,777,908	29,716,985	107.0	1.233
10,001-12,500	28,251,087	23,100,576	81.8	4,152,526	4,210,667	101.4	24,098,561	18,889,909	78.4	1.293
12,501-15,000	25,338,929	20,775,453	82.0	3,607,934	1,137,684	31.5	21,730,995	19,637,769	90.4	0.348
15,001-20,000	44,972,293	34,583,465	76.9	5,977,646	3,464,380	58.0	38,994,647	31,119,085	79.8	0.727
20,001-25,000	35,922,289	34,825,891	96.9	5,299,797	3,555,566	67.1	30,622,492	31,270,325	102.1	0.657
25,001-50,000	130,125,003	127,495,704	98.0	16,674,789	11,085,348	66.5	113,450,214	116,410,356	102.6	0.648
50,001-75,000	98,701,843	87,396,266	88.5	9,873,549	10,331,979	104.6	88,828,294	77,064,287	86.8	1.205
75,001-100,000	75,557,751	63,858,686	84.5	9,283,104	8,490,300	91.5	66,274,647	55,368,386	83.5	1.096
100,001-200,000	195,905,775	185,929,911	94.9	13,833,389	15,798,191	114.2	182,072,386	170,131,720	93.4	1.223
200,001-300,000	96,143,334	60,443,055	62.9	6,455,929	3,481,734	53.9	89,687,405	56,961,321	63.5	0.849
300,001-400,000	85,274,301	68,168,112	79.9	4,221,332	2,357,297	55.8	81,052,969	65,810,815	81.2	0.687
400,001-500,000	57,935,988	39,743,595	68.6	838,376	1,408,425	168.0	57,097,612	38,335,170	67.1	2.504
500,001-1,000,000	178,131,846	117,962,550	66.2	2,448,721	2,705,399	110.5	175,683,125	115,257,151	65.6	1.684
1,000,001 & higher	310,345,486	174,614,145	56.3	0	0	N/A	310,345,486	174,614,145	56.3	N/A
TOTALS	1,524,884,465	1,206,036,553	79.1	110,331,146	97,907,213	88.7	1,414,553,319	1,108,129,340	78.3	1.133

* Premium calculated based on Bureau voluntary market loss cost level.

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2005 - 2009

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
2005	305,951,455	253,744,225	82.9	38,408,574	33,696,601	87.7	267,542,881	220,047,624	82.2
2006	348,486,945	220,331,820	63.2	31,913,492	23,091,375	72.4	316,573,453	197,240,445	62.3
2007	359,586,430	256,795,460	71.4	19,499,847	18,818,459	96.5	340,086,583	237,977,001	70.0
2008	289,917,266	234,163,917	80.8	12,913,301	11,585,086	89.7	277,003,965	222,578,831	80.4
2009	220,942,369	241,001,131	109.1	7,595,932	10,715,692	141.1	213,346,437	230,285,439	107.9
TOTALS	1,524,884,465	1,206,036,553	79.1	110,331,146	97,907,213	88.7	1,414,553,319	1,108,129,340	78.3

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2005	1.067
2006	1.162
2007	1.379
2008	1.116
2009	1.308
TOTAL 2005 - 2009	1.133

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.0729	(4) D I P LOSS RATIO	88.7
(2) AVERAGE SURCHARGE	0.115	(5) VOLUNTARY MKT LOSS RATIO	78.3
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9910	(6) D I P SURCHARGE FACTOR	1.115
		(7) L R D [(4) / (5)] / (6)	1.02

* Premium calculated based on Bureau voluntary market loss cost level.

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/11

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 DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2) / (6) <u>Ratio</u>
2002	123,380,503	29,434,566	93,945,937	1.3624	127,991,945	157,426,511	0.1870
2003	135,666,681	38,315,907	97,350,774	1.3728	133,643,143	171,959,050	0.2228
2004	153,059,032	48,297,295	104,761,737	1.3770	144,256,912	192,554,207	0.2508
2005	187,871,459	52,305,820	135,565,639	1.3551	183,704,997	236,010,817	0.2216
2006	207,500,943	43,418,204	164,082,739	1.3756	225,712,216	269,130,420	0.1613
2007	200,207,025	26,873,746	173,333,279	1.3989	242,475,924	269,349,670	0.0998
2008	151,426,404	16,838,633	134,587,771	1.3341	179,553,545	196,392,178	0.0857
2009	117,973,584	10,014,396	107,959,188	1.3404	144,708,496	154,722,892	0.0647
2010	106,572,596	8,634,880	97,937,716	1.3257	129,836,030	138,470,910	0.0624
2011	56,358,732	6,730,352	49,628,380	1.3115	65,087,620	71,817,972	0.0937

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) <u>Call #8</u>	(9) = (8) * (4) <u>VM @ RM DSR Level</u>	(10) = (6) + (9) <u>Total @ DSR</u>	(11) = (2) / (10) <u>Ratio</u>
2002	16,033,376	21,843,871	179,270,382	0.1642
2003	17,023,310	23,369,600	195,328,650	0.1962
2004	20,622,890	28,397,720	220,951,927	0.2186
2005	22,568,275	30,582,269	266,593,086	0.1962
2006	30,158,468	41,485,989	310,616,409	0.1398
2007	42,382,743	59,289,219	328,638,889	0.0818
2008	36,763,728	49,046,490	245,438,668	0.0686
2009	31,475,232	42,189,401	196,912,293	0.0509
2010	27,001,883	35,796,396	174,267,306	0.0495
2011	15,632,560	20,502,102	92,320,074	0.0729

**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 2010</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	212	3,154,329	13.13%	31.38%
2 Risks with Debit Mod (> 1.0)	122	4,322,430	7.55%	43.00%
3 Total - Rated Risks	334	7,476,759	20.68%	74.38%
4 Non-Rated Risks	1,281	2,574,803	79.32%	25.62%
5 Total - All Assigned Risks	1,615	10,051,562	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	3,154,329	0.000	28.14%
2 Risks with Debit Mod (> 1.0)	5,479,278	0.268	48.89%
3 Total - Rated Risks	8,633,607	0.155	77.03%
4 Non-Rated Risks	2,574,803	0.000	22.97%
5 Total - All Assigned Risks	11,208,410	0.115	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	0.0729
2	VMS	Voluntary Market Share (1 - ARMS)	0.9271
3	LRD	Loss Ratio Differential	1.02
4	PLR	Permissible Loss Ratio	0.5723
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.02 * 0.0729 + \text{VLR} * 0.9271 = 0.5723$$

$$\text{VLR} = 0.5714$$

$$\text{ARLR} = 1.02 * \text{VLR} = 0.5828$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.0114$$

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

$$= (0.8) * (1.14\%) * (0.0729 / 0.9271)$$

$$= (0.8) * (1.14\%) * (0.0786)$$

$$= 0.07\%$$