

DELAWARE COMPENSATION RATING BUREAU, INC.

Small Deductible Program

The attached exhibits review the impact of deductibles on loss costs and residual market manual rates. Staff has proposed slight decreases to the loss elimination ratios and premium credit factors currently in effect.

2013 DELAWARE DEDUCTIBLE STUDY

Proposed Effective Date 12/1/13

Deduct. Level	Effect of Deductible on Losses	Selected	Loss Elimination Ratio	Current Loss Elimination Ratio
		(12)	(13)	(14)
500	0.9883	0.985	0.015	0.015
1,000	0.9774	0.975	0.025	0.030
1,500	0.9681	0.965	0.035	0.040
2,000	0.9600	0.955	0.045	0.050
2,500	0.9529	0.945	0.055	0.060
3,000	0.9466	0.940	0.060	0.065
3,500	0.9409	0.935	0.065	0.075
4,000	0.9357	0.930	0.070	0.080
4,500	0.9309	0.925	0.075	0.085
5,000	0.9265	0.920	0.080	0.090

Deduct. Level	Effect of Deductible on Man.Rate	Selected	Premium Credit	Current Premium Credit
		(15)	(16)	(17)
500	0.9909	0.990	0.010	0.010
1,000	0.9825	0.980	0.020	0.020
1,500	0.9753	0.970	0.030	0.030
2,000	0.9690	0.965	0.035	0.040
2,500	0.9635	0.960	0.040	0.045
3,000	0.9586	0.955	0.045	0.050
3,500	0.9542	0.950	0.050	0.055
4,000	0.9501	0.945	0.055	0.060
4,500	0.9464	0.940	0.060	0.065
5,000	0.9430	0.935	0.065	0.070

2013 DELAWARE DEDUCTIBLE STUDY

Loss Range		Total Incurred Losses (1)	Adj Factor (2) a	Adj Factor (3) b	Adjusted Losses (1)*(2)*(3) (4)
0 -	499	949,728	1.000	0.9996	949,348
500 -	999	4,150,998	0.995	0.9996	4,128,591
1,000 -	1,499	5,730,109	0.990	0.9996	5,670,539
1,500 -	1,999	6,606,017	0.985	0.9996	6,504,324
2,000 -	2,499	6,619,692	0.980	0.9996	6,484,703
2,500 -	2,999	6,256,831	0.975	0.9996	6,097,970
3,000 -	3,499	5,798,249	0.970	0.9996	5,622,052
3,500 -	3,999	5,421,491	0.965	0.9996	5,229,646
4,000 -	4,499	5,111,966	0.960	0.9996	4,905,524
4,500 -	4,999	4,765,900	0.955	0.9996	4,549,614
5,000 -	& UP	1,282,175,750	0.950	0.9996	1,217,579,736

Deduct. Level (5)	# Claims ≥ Deduct Level (6)	Adj Losses < Deduct. Level (7) c	[(2)*(3)* (5)*(6)] (8)	Adj Tot Ded Collected (7)+(8) (9)
500	41,238	949,348	20,507,699	21,457,047
1,000	35,635	5,077,939	35,264,539	40,342,478
1,500	31,034	10,748,478	45,834,394	56,582,872
2,000	27,243	17,252,802	53,374,921	70,627,723
2,500	24,294	23,737,505	59,192,938	82,930,443
3,000	22,009	29,835,475	64,020,572	93,856,047
3,500	20,221	35,457,527	68,269,109	103,726,636
4,000	18,775	40,687,173	72,067,162	112,754,335
4,500	17,571	45,592,697	75,481,168	121,073,865
5,000	16,567	50,142,311	78,661,773	128,804,084

Deduct. Level (5)	Effect of Deductible on Losses (10) d	Effect of Deductible on Manual Rate (11) e
500	0.9883	0.9909
1,000	0.9774	0.9825
1,500	0.9681	0.9753
2,000	0.9600	0.9690
2,500	0.9529	0.9635
3,000	0.9466	0.9586
3,500	0.9409	0.9542
4,000	0.9357	0.9501
4,500	0.9309	0.9464
5,000	0.9265	0.9430

2013 DELAWARE DEDUCTIBLE STUDY

- a Adjustment factor for the amount of the deductible which will actually be reimbursed to the insurer by the insured.
- b Adjustment factor to put deductibles on a per occurrence basis instead of a per claim basis = 0.9996
- c Downward accumulation of Column (4).
- d Effect of deductible on Losses
= [A/B - Col(9) + P*C*Col(3)] /(A/B)

A = Total incurred indemnity on death claims plus
total incurred medical on all claims =

sum of Column (4) = 1,267,722,047

B = Death indemnity losses plus all medical losses
as a % of all losses = 0.730

Per Table II 2013 , Sect C

1.All Losses 1,835,284,464

2.Death Indem (00) 94,994

3.All Medical (00) 13,303,096

4.[((2)+(3))/(1)] 0.730

*100

C = # of death indemnity claims plus # of claims with
some medical portion = 44,834

P = Processing expense per claim = 25.00

- e Effect of deductible on Manual Rate
= [(Column (10) * permissible loss ratio) + fixed expenses] /
(1 - variable expenses)

Fixed expenses = LAE + General + Admin

= 0.1696

Variable expenses = Acquisition + P&C + Prem Tax

+ Workers' Comp. Fund + Misc. Tax + Prem Discount

+ Uncollectible Premium = 0.2450

Permissible Loss Ratio = 0.5854