

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 2007 - 2011

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	19,955,977	39,581,202	198.3	1,914,004	16,603,535	867.5	18,041,973	22,977,667	127.4	6.809
1,001-2,000	22,585,936	25,708,244	113.8	3,436,906	4,413,953	128.4	19,149,030	21,294,291	111.2	1.155
2,001-3,000	19,621,247	31,720,390	161.7	3,166,090	4,330,367	136.8	16,455,157	27,390,023	166.5	0.822
3,001-4,000	17,121,741	19,064,990	111.3	2,391,466	3,327,450	139.1	14,730,275	15,737,540	106.8	1.302
4,001-5,000	15,064,446	19,015,150	126.2	1,834,465	2,041,129	111.3	13,229,981	16,974,021	128.3	0.867
5,001-7,500	33,250,539	45,557,827	137.0	3,743,668	3,412,243	91.1	29,506,871	42,145,584	142.8	0.638
7,501-10,000	28,093,925	36,101,250	128.5	2,721,552	3,811,603	140.1	25,372,373	32,289,647	127.3	1.101
10,001-12,500	24,808,150	19,236,844	77.5	2,271,055	2,081,022	91.6	22,537,095	17,155,822	76.1	1.204
12,501-15,000	21,523,039	28,133,198	130.7	2,085,874	1,571,626	75.3	19,437,165	26,561,572	136.7	0.551
15,001-20,000	37,531,320	43,085,417	114.8	2,914,324	2,930,492	100.6	34,616,996	40,154,925	116.0	0.867
20,001-25,000	30,577,185	33,364,039	109.1	2,634,746	1,472,389	55.9	27,942,439	31,891,650	114.1	0.490
25,001-50,000	109,388,853	131,799,430	120.5	8,507,323	20,324,090	238.9	100,881,530	111,475,340	110.5	2.162
50,001-75,000	81,719,060	95,242,531	116.5	5,317,110	5,739,504	107.9	76,401,950	89,503,027	117.1	0.921
75,001-100,000	57,254,774	59,540,738	104.0	4,677,718	4,410,445	94.3	52,577,056	55,130,293	104.9	0.899
100,001-200,000	155,207,373	154,154,715	99.3	4,555,699	8,576,666	188.3	150,651,674	145,578,049	96.6	1.949
200,001-300,000	79,645,317	68,689,381	86.2	1,625,703	1,990,180	122.4	78,019,614	66,699,201	85.5	1.432
300,001-400,000	67,991,476	54,233,655	79.8	652,924	480,410	73.6	67,338,552	53,753,245	79.8	0.922
400,001-500,000	41,946,366	22,605,562	53.9	0	0	0.0	41,946,366	22,605,562	53.9	0.000
500,001-1,000,000	153,317,954	108,069,834	70.5	1,408,379	2,381,245	169.1	151,909,575	105,688,589	69.6	2.430
1,000,001 & higher	256,364,134	160,814,018	62.7	2,151,580	3,461,016	160.9	254,212,554	157,353,002	61.9	2.599
TOTALS	1,272,968,812	1,195,718,415	93.9	58,010,586	93,359,365	160.9	1,214,958,226	1,102,359,050	90.7	1.774

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

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2007 - 2011

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
2007	360,881,894	234,616,515	65.0	19,449,418	14,688,074	75.5	341,432,476	219,928,441	64.4
2008	292,004,586	214,837,672	73.6	12,903,815	11,711,687	90.8	279,100,771	203,125,985	72.8
2009	223,464,417	228,622,245	102.3	7,573,185	9,582,278	126.5	215,891,232	219,039,967	101.5
2010	196,802,111	252,916,256	128.5	7,770,990	25,822,136	332.3	189,031,121	227,094,120	120.1
2011	199,815,804	264,725,727	132.5	10,313,178	31,555,190	306.0	189,502,626	233,170,537	123.0
TOTALS	1,272,968,812	1,195,718,415	93.9	58,010,586	93,359,365	160.9	1,214,958,226	1,102,359,050	90.7

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2007	1.172
2008	1.247
2009	1.246
2010	2.767
2011	2.488
TOTAL 2007 - 2011	1.774

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSUB)

(1) D I P MARKET SHARE	0.1305	(4) D I P LOSS RATIO	160.9
(2) AVERAGE SURCHARGE	0.111	(5) VOLUNTARY MKT LOSS RATIO	90.7
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9833	(6) D I P SURCHARGE FACTOR	1.111
		(7) L R D [(4) / (5)] / (6)	1.60

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

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/13

Residual Market Share excluding Large Deductible

Policy Year	(1) Call #1	(2) Call #12	(3) = (1) - (2) Difference	(4) LCM	(5) = (3) * (4) VM @ RM DSR Level	(6) = (2)+(5) Total @ DSR	(7) = (2) / (6) Ratio
2004	153,099,622	48,297,295	104,802,327	1.3770	144,312,804	192,610,099	0.2508
2005	187,917,990	52,306,581	135,611,409	1.3551	183,767,020	236,073,601	0.2216
2006	207,377,156	43,418,825	163,958,331	1.3750	225,442,705	268,861,530	0.1615
2007	200,022,628	26,881,062	173,141,566	1.4008	242,536,706	269,417,768	0.0998
2008	151,168,530	16,836,988	134,331,542	1.3339	179,184,844	196,021,832	0.0859
2009	118,442,410	10,043,692	108,398,718	1.3403	145,286,802	155,330,494	0.0647
2010	106,377,308	8,737,658	97,639,650	1.3258	129,450,648	138,188,306	0.0632
2011	106,797,038	13,827,507	92,969,531	1.3114	121,920,243	135,747,750	0.1019
2012	115,082,916	21,004,334	94,078,582	1.3725	129,122,854	150,127,188	0.1399
2013	70,231,433	15,977,401	54,254,032	1.4240	77,257,742	93,235,143	0.1714

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) Call #8	(9) = (8) * (4) VM @ RM DSR Level	(10) = (6) + (9) Total @ DSR	(11) = (2) / (10) Ratio
2004	20,620,672	28,394,665	221,004,764	0.2185
2005	22,599,650	30,624,786	266,698,387	0.1961
2006	29,405,387	40,432,407	309,293,937	0.1404
2007	42,812,317	59,971,494	329,389,262	0.0816
2008	38,083,888	50,800,098	246,821,930	0.0682
2009	31,671,509	42,449,324	197,779,818	0.0508
2010	26,929,954	35,703,733	173,892,039	0.0502
2011	29,183,479	38,271,214	174,018,964	0.0795
2012	30,444,437	41,784,990	191,912,178	0.1094
2013	20,524,690	29,227,159	122,462,302	0.1305

**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 2012</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	316	3,645,179	15.78%	23.24%
2 Risks with Debit Mod (> 1.0)	178	7,983,727	8.89%	50.90%
3 Total - Rated Risks	494	11,628,906	24.66%	74.14%
4 Non-Rated Risks	1,509	4,055,376	75.34%	25.86%
5 Total - All Assigned Risks	2,003	15,684,282	100.00%	100.00%
		<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)		3,645,179	0.000	20.92%
2 Risks with Debit Mod (> 1.0)		9,724,597	0.218	55.81%
3 Total - Rated Risks		13,369,776	0.150	76.73%
4 Non-Rated Risks		4,055,376	0.000	23.27%
5 Total - All Assigned Risks		17,425,152	0.111	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	0.1305
2	VMS	Voluntary Market Share (1 - ARMS)	0.8695
3	LRD	Loss Ratio Differential	1.60
4	PLR	Permissible Loss Ratio	0.5708
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.6 * 0.1305 + \text{VLR} * 0.8695 = 0.5708$$

$$\text{VLR} = 0.5294$$

$$\text{ARLR} = 1.6 * \text{VLR} = 0.847$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.3176$$

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

$$= (0.8) * (31.76\%) * (0.1305 / 0.8695)$$

$$= (0.8) * (31.76\%) * (0.1501)$$

$$= 3.81\%$$