

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 nominal changes to the loss elimination ratios and premium credit factors currently in effect.

2020 DELAWARE DEDUCTIBLE STUDY

Proposed Effective Date 12/1/20

Deduct. Level	Effect of Deductible on Losses	Selected	Loss Elimination Ratio	Current Loss Elimination Ratio
		(12)	(13)	(14)
500	0.9838	0.985	0.015	0.015
1,000	0.9705	0.972	0.028	0.027
1,500	0.9596	0.962	0.038	0.037
2,000	0.9503	0.953	0.047	0.046
2,500	0.9421	0.945	0.055	0.054
3,000	0.9348	0.939	0.061	0.060
3,500	0.9281	0.932	0.068	0.066
4,000	0.9219	0.926	0.074	0.072
4,500	0.9162	0.921	0.079	0.077
5,000	0.9109	0.916	0.084	0.082

Deduct. Level	Effect of Deductible on Man.Rate	Selected	Premium Credit	Current Premium Credit
		(15)	(16)	(17)
500	0.9882	0.989	0.011	0.011
1,000	0.9785	0.980	0.020	0.020
1,500	0.9706	0.972	0.028	0.028
2,000	0.9638	0.966	0.034	0.034
2,500	0.9578	0.960	0.040	0.040
3,000	0.9525	0.956	0.044	0.045
3,500	0.9476	0.950	0.050	0.049
4,000	0.9431	0.946	0.054	0.054
4,500	0.9389	0.942	0.058	0.057
5,000	0.9351	0.939	0.061	0.061

2020 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	1,952,964	1.000	0.9996	1,952,183
500 -	999	4,952,515	0.995	0.9996	4,925,781
1,000 -	1,499	4,632,344	0.990	0.9996	4,584,186
1,500 -	1,999	4,503,799	0.985	0.9996	4,434,468
2,000 -	2,499	4,351,040	0.980	0.9996	4,262,314
2,500 -	2,999	4,069,274	0.975	0.9996	3,965,955
3,000 -	3,499	3,663,918	0.970	0.9996	3,552,579
3,500 -	3,999	3,494,337	0.965	0.9996	3,370,686
4,000 -	4,499	3,407,573	0.960	0.9996	3,269,962
4,500 -	4,999	3,106,730	0.955	0.9996	2,965,740
5,000 -	& UP	750,628,762	0.950	0.9996	712,812,085

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	32,244	1,952,183	16,034,973	17,987,156
1,000	25,401	6,877,964	25,136,931	32,014,895
1,500	21,647	11,462,150	31,970,649	43,432,799
2,000	19,051	15,896,618	37,325,024	53,221,642
2,500	17,106	20,158,932	41,679,197	61,838,129
3,000	15,622	24,124,887	45,441,836	69,566,723
3,500	14,491	27,677,466	48,923,775	76,601,241
4,000	13,558	31,048,152	52,041,895	83,090,047
4,500	12,755	34,318,114	54,792,687	89,110,801
5,000	12,101	37,283,854	57,456,758	94,740,612

Deduct. Level (5)	Effect of Deductible on Losses (10) d	Effect of Deductible on Manual Rate (11) e
500	0.9838	0.9882
1,000	0.9705	0.9785
1,500	0.9596	0.9706
2,000	0.9503	0.9638
2,500	0.9421	0.9578
3,000	0.9348	0.9525
3,500	0.9281	0.9476
4,000	0.9219	0.9431
4,500	0.9162	0.9389
5,000	0.9109	0.9351

2020 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

$$= [A/B - \text{Col}(9) + P * C * \text{Col}(3)] / (A/B)$$

A = Total incurred indemnity on death claims plus total incurred medical on all claims =
sum of Column (4) = 750,095,939

B = Death indemnity losses plus all medical losses as a % of all losses = 0.713
Per Table II 2020 , Sect C

1.All Losses	1,108,357,260
2.Death Indem (00)	137,124
3.All Medical (00)	7,760,150
4.[((2)+(3))/(1)] * 100	0.713

C = # of death indemnity claims plus # of claims with some medical portion = 38,951

P = Processing expense per claim = 25.00
- e Effect of deductible on Manual Rate

$$= [(\text{Column (10)} * \text{permissible loss ratio}) + \text{fixed expenses}] / (1 - \text{variable expenses})$$

Fixed expenses = LAE + General + Admin
= 0.2027

Variable expenses = Acquisition + P&C + Prem Tax + Workers' Comp. Fund + Misc. Tax + Prem Discount + Uncollectible Premium = 0.2530

Permissible Loss Ratio = 0.5443