

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 2013 - 2017

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	22,135,219	14,230,757	64.3	1,887,680	605,946	32.1	20,247,539	13,624,811	67.3	0.477
1,001-2,000	23,633,687	21,184,844	89.6	4,386,715	7,025,909	160.2	19,246,972	14,158,935	73.6	2.177
2,001-3,000	19,591,780	11,368,164	58.0	2,761,629	4,046,312	146.5	16,830,151	7,321,852	43.5	3.368
3,001-4,000	18,027,000	14,491,155	80.4	2,421,963	4,572,039	188.8	15,605,037	9,919,116	63.6	2.969
4,001-5,000	17,546,995	15,061,677	85.8	2,172,317	4,124,890	189.9	15,374,678	10,936,787	71.1	2.671
5,001-7,500	37,373,261	25,339,560	67.8	4,295,409	3,385,176	78.8	33,077,852	21,954,384	66.4	1.187
7,501-10,000	31,284,965	22,519,758	72.0	3,450,556	1,766,108	51.2	27,834,409	20,753,650	74.6	0.686
10,001-12,500	26,735,013	24,381,222	91.2	2,982,733	5,401,849	181.1	23,752,280	18,979,373	79.9	2.267
12,501-15,000	22,651,119	18,531,964	81.8	2,163,004	2,082,198	96.3	20,488,115	16,449,766	80.3	1.199
15,001-20,000	39,582,092	28,167,704	71.2	3,584,548	6,589,188	183.8	35,997,544	21,578,516	59.9	3.068
20,001-25,000	33,863,365	35,131,936	103.7	3,298,199	5,511,581	167.1	30,565,166	29,620,355	96.9	1.724
25,001-50,000	118,471,530	108,500,429	91.6	11,012,001	16,421,608	149.1	107,459,529	92,078,821	85.7	1.740
50,001-75,000	80,148,624	58,991,800	73.6	5,436,684	5,079,412	93.4	74,711,940	53,912,388	72.2	1.294
75,001-100,000	64,753,737	40,616,019	62.7	4,357,376	3,435,645	78.8	60,396,361	37,180,374	61.6	1.279
100,001-200,000	178,732,268	134,212,017	75.1	10,713,019	10,653,539	99.4	168,019,249	123,558,478	73.5	1.352
200,001-300,000	100,070,178	85,394,537	85.3	5,605,931	5,021,066	89.6	94,464,247	80,373,471	85.1	1.053
300,001-400,000	75,346,402	63,659,059	84.5	2,630,401	1,441,224	54.8	72,716,001	62,217,835	85.6	0.640
400,001-500,000	43,763,787	24,970,470	57.1	889,610	323,626	36.4	42,874,177	24,646,844	57.5	0.633
500,001-1,000,000	124,515,102	80,463,652	64.6	2,883,363	1,754,638	60.9	121,631,739	78,709,014	64.7	0.941
1,000,001 & higher	277,905,170	191,201,967	68.8	3,741,051	9,709,137	259.5	274,164,119	181,492,830	66.2	3.920
TOTALS	1,356,131,294	1,018,418,691	75.1	80,674,189	98,951,091	122.7	1,275,457,105	919,467,600	72.1	1.702

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

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2013 - 2017

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
2013	232,703,380	205,340,823	88.2	18,272,246	25,124,892	137.5	214,431,134	180,215,931	84.0
2014	251,345,143	189,363,555	75.3	16,623,686	18,175,834	109.3	234,721,457	171,187,721	72.9
2015	258,216,798	197,855,744	76.6	16,878,145	26,597,801	157.6	241,338,653	171,257,943	71.0
2016	294,783,880	218,457,483	74.1	15,006,885	16,423,768	109.4	279,776,995	202,033,715	72.2
2017	319,082,093	207,401,086	65.0	13,893,227	12,628,796	90.9	305,188,866	194,772,290	63.8
TOTALS	1,356,131,294	1,018,418,691	75.1	80,674,189	98,951,091	122.7	1,275,457,105	919,467,600	72.1

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2013	1.637
2014	1.499
2015	2.220
2016	1.515
2017	1.425
TOTAL 2013 - 2017	1.702

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0478	(4) D I P LOSS RATIO	122.7
(2) AVERAGE SURCHARGE	0.086	(5) VOLUNTARY MKT LOSS RATIO	72.1
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9957	(6) D I P SURCHARGE FACTOR	1.086
		(7) L R D [(4) / (5)] / (6)	1.57

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

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/19

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) VM @ RM <u>DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2)/(6) <u>Ratio</u>
2010	106,776,471	8,836,869	97,939,602	1.3258	129,848,324	138,685,193	0.0637
2011	106,517,513	13,826,290	92,691,223	1.3114	121,555,270	135,381,560	0.1021
2012	115,902,350	20,965,707	94,936,643	1.3735	130,395,479	151,361,186	0.1385
2013	135,978,907	30,426,385	105,552,522	1.4242	150,327,902	180,754,287	0.1683
2014	148,987,654	24,765,457	124,222,197	1.3974	173,588,098	198,353,555	0.1249
2015	148,202,092	25,891,120	122,310,972	1.4327	175,234,930	201,126,050	0.1287
2016	166,747,348	24,740,801	142,006,547	1.4259	202,487,135	227,227,936	0.1089
2017	179,428,420	22,458,203	156,970,217	1.4382	225,754,566	248,212,769	0.0905
2018	175,030,099	19,439,249	155,590,850	1.3453	209,316,371	228,755,620	0.0850
2019	93,016,506	7,512,442	85,504,064	1.3493	115,370,634	122,883,076	0.0611

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) <u>Call #8</u>	(9) = (8)*(4) VM @ RM <u>DSR Level</u>	(10) = (6)+(9) <u>Total @ DSR</u>	(11) = (2)/(10) <u>Ratio</u>
2010	27,172,784	36,025,677	174,710,870	0.0506
2011	29,145,799	38,221,801	173,603,361	0.0796
2012	31,330,183	43,032,006	194,393,192	0.1079
2013	38,029,074	54,161,007	234,915,294	0.1295
2014	39,077,098	54,606,337	252,959,892	0.0979
2015	41,598,685	59,598,436	260,724,486	0.0993
2016	45,385,291	64,714,886	291,942,822	0.0847
2017	41,238,957	59,309,868	307,522,637	0.0730
2018	48,135,724	64,756,989	293,512,609	0.0662
2019	25,503,791	34,412,265	157,295,341	0.0478

**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 2018</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (≤ 1.0)	422	5,189,092	21.22%	31.69%
2 Risks with Debit Mod (> 1.0)	155	5,957,200	7.79%	36.38%
3 Total - Rated Risks	577	11,146,292	29.01%	68.07%
4 Non-Rated Risks	1,412	5,228,042	70.99%	31.93%
5 Total - All Assigned Risks	1,989	16,374,334	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (≤ 1.0)	5,189,092	0.000	29.19%
2 Risks with Debit Mod (> 1.0)	7,361,772	0.236	41.41%
3 Total - Rated Risks	12,550,864	0.126	70.59%
4 Non-Rated Risks	5,228,042	0.000	29.41%
5 Total - All Assigned Risks	17,778,906	0.086	100.00%

Surcharge = $50\% * (1 - \text{cred})$, 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	0.0478
2	VMS	Voluntary Market Share (1 - ARMS)	0.9522
3	LRD	Loss Ratio Differential	1.57
4	PLR	Permissible Loss Ratio	0.5443
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.57 * 0.0478 + \text{VLR} * 0.9522 = 0.5443$$

$$\text{VLR} = 0.5299$$

$$\text{ARLR} = 1.57 * \text{VLR} = 0.8319$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.302$$

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

$$= (0.8) * (30.2\%) * (0.0478 / 0.9522)$$

$$= (0.8) * (30.2\%) * (0.0502)$$

$$= 1.21\%$$