

DELAWARE COMPENSATION RATING BUREAU, INC

Review of Experience Rating Plan Parameters

Page 20.1 contains Collectible Premium Ratios.

Page 20.2 contains Expected Loss Cost Factors. They are applied to residual market rates by classification to produce Table A (Expected Loss Factors) which are the basis for the calculation of Expected Losses.

Page 20.3 contains the derivation of various factors (i.e. maximum single loss size, self rating point) that are used to produce Table B.

**EXHIBIT IX**

**COLLECTIBLE PREMIUM RATIOS \***

Manual Years 1999 to 2001 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
<b>ALL INDUSTRIES</b>			
1999	161,265,407	149,738,636	1.0770
2000	171,487,377	154,761,382	1.1081
2001	173,351,763	161,517,612	1.0733
<b>TOTAL</b>	<b>506,104,547</b>	<b>466,017,630</b>	<b>1.0860</b>
<b>MANUFACTURING AND UTILITIES</b>			
1999	28,881,909	24,979,274	1.1562
2000	29,288,607	25,153,291	1.1644
2001	29,213,366	26,601,803	1.0982
<b>TOTAL</b>	<b>87,383,882</b>	<b>76,734,368</b>	<b>1.1388</b>
<b>CONTRACTING AND QUARRYING</b>			
1999	36,847,589	32,736,447	1.1256
2000	38,636,985	33,774,432	1.1440
2001	38,257,011	34,936,840	1.0950
<b>TOTAL</b>	<b>113,741,585</b>	<b>101,447,719</b>	<b>1.1212</b>
<b>OTHER INDUSTRIES</b>			
1999	95,535,909	92,022,915	1.0382
2000	103,561,785	95,833,659	1.0806
2001	105,881,386	99,978,969	1.0590
<b>TOTAL</b>	<b>304,979,080</b>	<b>287,835,543</b>	<b>1.0596</b>

\* Excludes classifications and coverages not subject to experience rating.

**CALCULATION OF EXPECTED LOSS RATE FACTORS**

<b>Policy Year Beginning 12/1 (1)</b>	<b>Average Law Multiplier (2)</b>	<b>Adjustment Factor (3)</b>	<b>Loss Ratio Development Factor (4)</b>	<b>Expense Allowance 1 / (PLR/CPR) (5)</b>	<b>Trend Factor (6)</b>	<b>Product (2) * (3) * (4) * (5) * (6) (7)</b>	<b>Expected Loss Rate Factor 1.0 / (7) (8)</b>
<b><u>Manufacturing and Utilities</u></b>							
2000	1.0305	1.0000	1.4351	1.7645	1.3995	3.6519	0.2738
2001	1.0209	1.0000	1.5945	1.7645	1.2864	3.6949	0.2706
2002	1.0103	1.0000	2.0646	1.7645	1.1826	4.3526	0.2297
<b><u>Contracting and Quarrying</u></b>							
2000	1.0305	1.0000	1.4566	1.7372	1.3995	3.6493	0.2740
2001	1.0209	1.0000	1.6935	1.7372	1.2864	3.8636	0.2588
2002	1.0103	1.0000	2.1958	1.7372	1.1826	4.5575	0.2194
<b><u>Other Industries</u></b>							
2000	1.0305	1.0000	1.4313	1.6418	1.3995	3.3890	0.2951
2001	1.0209	1.0000	1.6206	1.6418	1.2864	3.4943	0.2862
2002	1.0103	1.0000	1.9859	1.6418	1.1826	3.8955	0.2567

### Experience Rating Plan Parameters

(1)	Eligibility Point = (3,161 = 1 yr Prem)      3 yr =	\$9,483
(2)	Permissible Loss Ratio =	0.5943 (a)
(3)	Expected Losses needed to achieve 5% credibility (1)*(2) = \$9,483*0.5943 =	\$5,636
(4)	Max Value : $\frac{0.25 * \$5,636}{0.05} =$	\$28,180
(5)	K-Value a) If (3) is assigned 5% credibility, then $K = \frac{E(1-c)}{c} = \frac{\$5,636 * (1-.05)}{.05} =$	\$107,084
(6)	.055 Credibility Interval - the .0525 left endpoint corresponds to $E = \frac{(K * C)}{(1-C)} = \frac{107,084 * .0525}{.9475} =$	\$5,933
(7)	Right endpoint for .05 credibility interval =	\$5,932
(8)	Self rating point = 25 * average serious claim #  = 25 * 228,606 =	\$5,715,150
	6% of (8) rounded to the nearest \$1,000 =	343,000
	Selected =	343,000

(a) Standard LR / CPR = Manual LR  
 $0.6454/1.0860 = 0.5943$