

DELAWARE COMPENSATION RATING BUREAU, INC.

**Summary of Material for Modification of Experience
December 1, 2004 Residual Market Rate and Voluntary Market Loss Cost Revision**

As Filed

DELAWARE 2003 RESIDUAL MARKET RATE AND VOLUNTARY MARKET LOSS COST FILING

PROPOSED EFFECTIVE DATE - DECEMBER 1, 2004

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EXHIBIT I

INDICATED CHANGE IN RATE LEVEL

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(1a) Policy Year 1999 Loss and Loss Adjustment Expense Ratio	0.3344	0.3994	0.7338
(1b) Policy Year 2000 Loss and Loss Adjustment Expense Ratio	0.3782	0.4390	0.8172
(1c) Policy Year 2001 Loss and Loss Adjustment Expense Ratio	0.2982	0.3663	0.6645
(1d) Policy Year 2002 Loss and Loss Adjustment Expense Ratio	0.3207	0.4027	0.7234
(1e) Average (Midpoint = 7/1/2001)	0.3329	0.4019	0.7348
(2a) Policy Year 1999 Loss and LAE Ratio Trended to 12/1/2005	0.3227	0.4469	
(2b) Policy Year 2000 Loss and LAE Ratio Trended to 12/1/2005	0.3671	0.4820	
(2c) Policy Year 2001 Loss and LAE Ratio Trended to 12/1/2005	0.2912	0.3946	
(2d) Policy Year 2002 Loss and LAE Ratio Trended to 12/1/2005	0.3151	0.4256	
(2e) Average at 12/1/2005	0.3240	0.4373	0.7613
(3a) Excess Loss Factor at \$1,500,000			0.0757
(3b) Provision for Excess Loss (4a)-(2e)			0.0624
(4a) Total Trended Loss and LAE Ratio (2e)/(1.0-(3a))	0.3113	0.5124	0.8237
(4b) Percentage of Total	37.8%	62.2%	
(5) Permissible Loss and Loss Adjustment Ratio			0.7291
(6) Indicated Change in Rates (4a) / (5)			1.1297
(7) Estimated Effect of the 7/1/05 Benefit Change			1.0050
(8) Change in Residual Market Rate Level (6) * (7)			1.1353
(9) Change in Voluntary Market Loss Costs (8) * [0.7552 / 0.7347]			1.1670

CHANGES IN MANUAL PREMIUM LEVEL BY INDUSTRY GROUP

	Mfg.	Cont.	Other	Total
(10) Current Collectible Premium Ratio	1.1699	1.1257	1.0532	
(11) Proposed Collectible Premium Ratio	1.1388	1.1212	1.0596	
(12) Change in Collectible Premium Ratio (11) / (10)	0.9734	0.9960	1.0061	0.9978
(13) Change in Residual Market Manual Rate Level (8) * (12)	1.1051	1.1308	1.1422	1.1328
(14) Change in Voluntary Market Manual Loss Cost Level (9) * (12)	1.1360	1.1623	1.1741	1.1644
(15) Offset for Residual Market Surcharge				0.9783
(16) Adjusted Change in Voluntary Market Manual Loss Cost Level (14) * (15)	1.1113	1.1371	1.1486	1.1391

EXHIBIT II
EXPENSE LOADING

	<u>Current %</u>	<u>Proposed %</u>
LOSS AND LOSS ADJUSTMENT EXPENSE		
Losses	61.21	64.54
Loss Adjustment Expense	9.54	8.37 ^a
Loss & Loss Adjustment	70.75	72.91
UNDERWRITING EXPENSES		
Commission	6.94	7.13
Other Acquisition	2.03	2.29
General Expenses	3.83	3.12
Premium Discount	10.42	10.58
State Premium Tax	2.00	2.00
Other State Tax	0.38	0.32
Uncollectible Premium	N/A	1.00
Administrative Assessment	2.72	2.61 ^b
Workers Compensation Fund	4.50	4.00
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	-3.57	-5.96
Underwriting Expense Total	29.25	27.09

a - As ratio to loss, Loss Adjustment Expense = 0.1296

b - As ratio to loss, Administrative Assessment = 0.0404

RESIDUAL MARKET MINIMUM PREMIUM:

It is proposed that the Minimum Premium formula be revised from $(195 * \text{Rate}) + \text{Expense Constant}$ to

$$(200 * \text{Rate}) + \text{Expense Constant}$$

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of \$3150. It is proposed to use a multiplier of 100.00 in the Minimum Premium formula for the Farm Classes, (0006, 0016, 0034, 0036, 0083).

RESIDUAL MARKET EXPENSE CONSTANT:

It is proposed that the Expense Constant be increased from \$235 to \$240.

EXHIBIT III

INTERNAL RATE OF RETURN ANALYSIS
STATE OF DELAWARE - 2004
TABLE I: INPUTS, ASSUMPTIONS & OUTPUTS

Section 1: Inputs & Assumptions		
(1) Commissions *		7.13
(2) Other Expenses		5.73
(2A)	Other Acquisitions *	2.29
(2B)	General Expenses *	3.12
(2C)	Other Tax **	0.32
(3) State Premium Taxes & Uncollectible Premium		
(3A)	Tax1 - Premium Tax **	2.00
(3B)	Uncollectible Premium **	1.00
(3C)	Tax3 - Workers Compensation Fund **	4.00
(4) Premium Discount ***		10.58
(5) Deviations		0.00
(6) Dividends to Policyholders		0.00
(7) Premium Written		1,000,000
Investment Income		
(8A)	Pre-Tax Return on Assets	5.28
(8B)	Investment Income Tax Rate	1.19
(8C)	Post-Tax Return on Assets	4.09
(10) Reserve to Surplus Ratio		2.81
(11) Internal Rate of Return (Cost of Capital)		8.95
* Applies to standard premium at Bureau level (before premium discount)		
** Applies to net premium at company level (after deviations and premium discounts)		
*** Applies to standard premium at company level (after deviations)		

Section 2: Outputs	
(1) Loss Ratio - including loss adjustment expense & loss based assessments	75.52
(2) Profit & Contingencies	-5.96

EXHIBIT IV - 1

POLICY YEAR LOSS RATIO 2002*

(1) Standard Earned Premium Reported (Table I)			118,307,831
(2) Factor to 12/1/03 Rate Level (Exhibit V-1)			1.2373
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0261
(4) Expense Constant Removal Factor			0.9984
(5) DCCPAP On-Level Factor			0.9948
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			149,182,727
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	9,184,128	20,501,194	29,685,322
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	4.4079	2.5295	
(10) Ultimate Incurred Losses (8) * (9)	40,482,718	51,857,770	92,340,488
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	21,904,095	30,677,809	52,581,904
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.9776	1.9850	
(13) Ultimate Incurred Losses (11) * (12)	43,317,538	60,895,451	104,212,989
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	41,900,128	56,376,611	98,276,739
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	995,910	3,187,954	4,183,864
(16) Projected Ultimate Limited Losses (14) - (15)	40,904,218	53,188,657	94,092,875
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.0355	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	47,845,697	60,081,907	107,927,604
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3207	0.4027	0.7234
(21) Normalized Claim Frequency (Exhibit VII-3)	0.5108	0.5108	
(22) Severity Ratio** (20)/(21)	0.6278	0.7884	1.4162

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 2

POLICY YEAR LOSS RATIO 2001*

(1) Standard Earned Premium Reported (Table I)			100,402,161
(2) Factor to 12/1/03 Rate Level (Exhibit V-1)			1.4949
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0058
(4) Expense Constant Removal Factor			0.9981
(5) DCCPAP On-Level Factor			0.9948
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			149,891,383
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	15,249,093	24,856,774	40,105,867
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	2.3208	1.8413	
(10) Ultimate Incurred Losses (8) * (9)	35,390,095	45,768,778	81,158,873
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	26,836,935	30,310,175	57,147,110
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.4654	1.6970	
(13) Ultimate Incurred Losses (11) * (12)	39,326,845	51,436,367	90,763,212
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	37,358,470	48,602,573	85,961,043
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	-	-	-
(16) Projected Ultimate Limited Losses (14) - (15)	37,358,470	48,602,573	85,961,043
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.0591	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	44,694,155	54,901,466	99,595,621
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.2982	0.3663	0.6645
(21) Normalized Claim Frequency (Exhibit VII-3)	0.5063	0.5063	
(22) Severity Ratio** (20)/(21)	0.5890	0.7235	1.3125

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 3

POLICY YEAR LOSS RATIO 2000*

(1) Standard Earned Premium Reported (Table I)			96,984,424
(2) Factor to 12/1/03 Rate Level (Exhibit V-1)			1.4206
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0028
(4) Expense Constant Removal Factor			0.9987
(5) DCCPAP On-Level Factor			0.9929
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			137,002,561
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	23,448,672	30,290,019	53,738,691
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.6949	1.6348	
(10) Ultimate Incurred Losses (8) * (9)	39,743,154	49,518,123	89,261,277
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	35,062,031	36,740,071	71,802,102
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2856	1.5572	
(13) Ultimate Incurred Losses (11) * (12)	45,075,747	57,211,639	102,287,386
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	42,409,451	53,364,881	95,774,332
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	106,185	126,472	232,657
(16) Projected Ultimate Limited Losses (14) - (15)	42,303,266	53,238,409	95,541,675
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.0843	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	51,814,110	60,138,107	111,952,217
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3782	0.4390	0.8172
(21) Normalized Claim Frequency (Exhibit VII-3)	0.5870	0.5870	
(22) Severity Ratio** (20)/(21)	0.6443	0.7479	1.3922

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 4

POLICY YEAR LOSS RATIO 1999*

(1) Standard Earned Premium Reported (Table I)			91,298,512
(2) Factor to 12/1/03 Rate Level (Exhibit V-1)			1.4415
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			0.9999
(4) Expense Constant Removal Factor			0.9988
(5) DCCPAP On-Level Factor			0.9959
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			130,896,845
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	24,017,481	29,526,568	53,544,049
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.4623	1.5298	
(10) Ultimate Incurred Losses (8) * (9)	35,120,762	45,169,744	80,290,506
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	29,029,225	32,789,374	61,818,599
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1989	1.4672	
(13) Ultimate Incurred Losses (11) * (12)	34,803,138	48,108,570	82,911,708
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	34,961,950	46,639,157	81,601,107
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	112,496	361,244	473,740
(16) Projected Ultimate Limited Losses (14) - (15)	34,849,454	46,277,913	81,127,367
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.1118	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	43,767,056	52,275,531	96,042,587
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3344	0.3994	0.7338
(21) Normalized Claim Frequency (Exhibit VII-3)	0.6444	0.6444	
(22) Severity Ratio** (20)/(21)	0.5189	0.6198	1.1387

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 5

POLICY YEAR LOSS RATIO 1998*

(1) Standard Earned Premium Reported (Table I)			99,175,777
(2) Factor to 12/1/03 Rate Level (Exhibit V-2)			1.2516
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			0.9994
(4) Expense Constant Removal Factor			0.9986
(5) DCCPAP On-Level Factor			1.0001
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			123,892,638
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	22,160,287	27,410,906	49,571,193
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.3457	1.4637	
(10) Ultimate Incurred Losses (8) * (9)	29,821,098	40,121,343	69,942,441
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	25,528,998	30,709,075	56,238,073
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1497	1.4014	
(13) Ultimate Incurred Losses (11) * (12)	29,350,689	43,035,698	72,386,387
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	29,585,894	41,578,521	71,164,415
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	200,711	415,937	616,648
(16) Projected Ultimate Limited Losses (14) - (15)	29,385,183	41,162,584	70,547,767
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.1384	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	37,787,483	46,497,255	84,284,738
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3050	0.3753	0.6803
(21) Normalized Claim Frequency (Exhibit VII-3)	0.6664	0.6664	
(22) Severity Ratio** (20)/(21)	0.4577	0.5632	1.0209

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 6

POLICY YEAR LOSS RATIO 1997*

(1) Standard Earned Premium Reported (Table I)			92,452,957
(2) Factor to 12/1/03 Rate Level (Exhibit V-2)			1.3565
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0001
(4) Expense Constant Removal Factor			0.9979
(5) DCCPAP On-Level Factor			1.0081
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			126,175,394
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	23,398,874	26,560,423	49,959,297
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2762	1.4166	
(10) Ultimate Incurred Losses (8) * (9)	29,861,643	37,625,495	67,487,138
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	27,212,780	31,136,832	58,349,612
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1185	1.3494	
(13) Ultimate Incurred Losses (11) * (12)	30,437,494	42,016,041	72,453,535
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	30,149,569	39,820,768	69,970,337
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	213,377	724,448	937,825
(16) Projected Ultimate Limited Losses (14) - (15)	29,936,192	39,096,320	69,032,512
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.1634	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	39,341,444	44,163,203	83,504,647
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3118	0.3500	0.6618
(21) Normalized Claim Frequency (Exhibit VII-3)	0.7323	0.7323	
(22) Severity Ratio** (20)/(21)	0.4258	0.4779	0.9037

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 7

POLICY YEAR LOSS RATIO 1996*

(1) Standard Earned Premium Reported (Table I)			87,766,561
(2) Factor to 12/1/03 Rate Level (Exhibit V-2)			1.4256
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9973
(5) DCCPAP On-Level Factor			1.0131
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			126,416,832
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	26,939,876	28,089,363	55,029,239
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2297	1.3807	
(10) Ultimate Incurred Losses (8) * (9)	33,127,966	38,782,983	71,910,949
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	30,282,234	32,667,923	62,950,157
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0968	1.3067	
(13) Ultimate Incurred Losses (11) * (12)	33,213,554	42,687,175	75,900,729
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	33,170,760	40,735,079	73,905,839
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	-	-	-
(16) Projected Ultimate Limited Losses (14) - (15)	33,170,760	40,735,079	73,905,839
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.1863	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	44,450,294	46,014,345	90,464,639
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3516	0.3640	0.7156
(21) Normalized Claim Frequency (Exhibit VII-3)	0.8036	0.8036	
(22) Severity Ratio** (20)/(21)	0.4375	0.4530	0.8905

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 8

POLICY YEAR LOSS RATIO 1995*

(1) Standard Earned Premium Reported (Table I)			84,707,356
(2) Factor to 12/1/03 Rate Level (Exhibit V-2)			1.4217
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9971
(5) DCCPAP On-Level Factor			1.0112
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			121,424,093
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	22,980,746	24,949,685	47,930,431
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1962	1.3518	
(10) Ultimate Incurred Losses (8) * (9)	27,489,568	33,726,984	61,216,552
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	25,731,871	27,679,965	53,411,836
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0804	1.2705	
(13) Ultimate Incurred Losses (11) * (12)	27,800,713	35,167,396	62,968,109
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	27,645,141	34,447,190	62,092,331
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	230,152	512,919	743,071
(16) Projected Ultimate Limited Losses (14) - (15)	27,414,989	33,934,271	61,349,260
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.2103	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	37,480,536	38,332,153	75,812,689
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3087	0.3157	0.6244
(21) Normalized Claim Frequency (Exhibit VII-3)	0.8520	0.8520	
(22) Severity Ratio** (20)/(21)	0.3623	0.3705	0.7328

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 9

POLICY YEAR LOSS RATIO 1994*

(1) Standard Earned Premium Reported (Table I)			87,916,614
(2) Factor to 12/1/03 Rate Level (Exhibit V-2)			1.3094
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9942
(5) DCCPAP On-Level Factor			1.0129
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			115,926,739
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	23,519,935	24,074,804	47,594,739
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1708	1.3277	
(10) Ultimate Incurred Losses (8) * (9)	27,537,140	31,964,117	59,501,257
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	25,462,104	25,981,995	51,444,099
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0672	1.2394	
(13) Ultimate Incurred Losses (11) * (12)	27,173,157	32,202,085	59,375,242
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	27,355,149	32,083,101	59,438,250
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	118,518	244,447	362,965
(16) Projected Ultimate Limited Losses (14) - (15)	27,236,631	31,838,654	59,075,285
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.2302	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	37,848,946	35,964,944	73,813,890
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3265	0.3102	0.6367
(21) Normalized Claim Frequency (Exhibit VII-3)	0.8489	0.8489	
(22) Severity Ratio** (20)/(21)	0.3846	0.3654	0.7500

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT IV - 10

POLICY YEAR LOSS RATIO 1993*

(1) Standard Earned Premium Reported (Table I)			90,547,755
(2) Factor to 12/1/03 Rate Level (Exhibit V-2)			1.2751
(3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
(4) Expense Constant Removal Factor			0.9914
(5) DCCPAP On-Level Factor			1.0144
(6) Residual Market Offset Factor			1.0000
(7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			116,112,797
Losses - Paid-to-20th Method	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	25,663,439	26,272,879	51,936,318
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1506	1.3069	
(10) Ultimate Incurred Losses (8) * (9)	29,528,353	34,336,026	63,864,379
Losses - Incurred Method			
(11) Incurred Losses Reported (Table I-B & I-C)	27,686,822	28,988,044	56,674,866
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0561	1.2125	
(13) Ultimate Incurred Losses (11) * (12)	29,240,053	35,148,003	64,388,056
Losses - Average of Incurred and Paid-to-20th			
(14) Ultimate Incurred Losses ((10) + (13))/2	29,384,203	34,742,015	64,126,218
(15) Reduction to Limit Ultimate Incurred Losses to Reflect Per Claim Loss Limitations	194,249	387,970	582,219
(16) Projected Ultimate Limited Losses (14) - (15)	29,189,954	34,354,045	63,543,999
(17) Factor to 5/21/04 Benefit Level (Exhibit V-3)	1.2459	1.0000	
(18) Factor to Include Loss Adjustment Expense	1.1296	1.1296	
(19) Adjusted Losses (16) * (17) * (18)	41,081,026	38,806,329	79,887,355
(20) Policy Year Loss and Loss Adjustment Expense Ratio (19) / (7)	0.3538	0.3342	0.6880
(21) Normalized Claim Frequency (Exhibit VII-3)	0.9879	0.9879	
(22) Severity Ratio** (20)/(21)	0.3581	0.3383	0.6964

* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

** Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

EXHIBIT V - 1
POLICY YEARS 1999-2002
PREMIUM ON-LEVEL FACTORS

POLICY YEAR		(1) RATE CHANGE DATE	(2) RATE CHANGE	(3) CUM. INDEX OF COL (2)		(4) PORTION OF YEAR ON-LEVEL	(5) PRODUCT (3) * (4)	FACTOR TO ADJUST TO 12/1/03 RATE LEVEL	
2002	VOL	12/01/01	BASE	0.7352	*	0.7022	0.5163		
		12/01/02	1.0618	0.7806		0.0623	0.0486		
		12/01/03	0.9328	0.7281		-----	-----		
						0.7645	0.5649		
	RM	12/01/01	BASE	1.0000			0.2258	0.2258	
		12/01/02	1.0667	1.0667			0.0097	0.0103	
12/01/03		0.9291	0.9911		-----	-----			
					0.2355	0.2361			
	TOTAL					0.8010	1.2373		
2001	VOL	12/01/99	BASE	0.7849	**	0.2038	0.1600		
		3/01/01	0.9079	0.7126		0.6220	0.4432		
		12/01/01	1.1780	0.8394		0.0747	0.0627		
		12/01/02	0.9904	0.8313		-----	-----		
		to 12/1/03				0.9005	0.6659		
	RM	12/01/99	BASE	1.0000			0.0120	0.0120	
		3/01/01	0.8885	0.8885			0.0827	0.0735	
		12/01/01	1.2850	1.1417			0.0048	0.0055	
		12/01/02	0.9911	1.1315		-----	-----		
		to 12/1/03				0.0995	0.0910		
	TOTAL					0.7569	1.4949		
2000	VOL	12/01/99	BASE	0.7849	**	0.9460	0.7425		
		3/01/01	0.9079	0.7126					
		12/01/01	1.1667	0.8314		-----	-----		
		to 12/1/03				0.9460	0.7425		
	RM	12/01/99	BASE	1.0000			0.0540	0.0540	
		3/01/01	0.8885	0.8885					
		12/01/01	1.2735	1.1315		-----	-----		
		to 12/1/03				0.0540	0.0540		
		TOTAL					0.7965	1.4206	
	1999	VOL	10/01/98	BASE	0.7821	***	0.9057	0.7083	
12/01/99			1.0086	0.7888		0.0651	0.0514		
3/01/01			1.0593	0.8356		-----	-----		
to 12/1/03						0.9708	0.7597		
RM		10/01/98	BASE	1.0000			0.0283	0.0283	
		12/01/99	1.0050	1.0050			0.0009	0.0009	
		3/01/01	1.1315	1.1372		-----	-----		
		to 12/1/03				0.0292	0.0292		
	TOTAL					0.7889	1.4415		

* Loss, LAE and LBA portion of 12/1/01 rate.
** Loss & LAE and LBA portion of 12/1/99 rate.
*** Loss & LAE and LBA portion of 12/1/98 rate.

EXHIBIT V - 2
POLICY YEARS 1993 - 1998
PREMIUM ON-LEVEL FACTORS

POLICY YEAR		(1) RATE CHANGE DATE	(2) RATE CHANGE	(3) CUM. INDEX OF COL (2)		(4) PORTION OF YEAR ON-LEVEL	(5) PRODUCT (3) * (4)	FACTOR TO ADJUST TO 12/1/03 RATE LEVEL
1998	VOL	8/01/97	BASE	0.7818	*	0.7874	0.6156	
		10/01/98	0.8503	0.6648		0.1629	0.1083	
		12/01/99 to 12/1/03	1.0684	0.7103		----- 0.9503	----- 0.7239	
	RM	8/01/97	BASE	1.0000		0.0412	0.0412	
		10/01/98	0.8500	0.8500		0.0085	0.0072	
		12/01/99 to 12/1/03	1.1372	0.9666		----- 0.0497	----- 0.0484	
TOTAL							0.7723	1.2516
1997	VOL	8/01/94	BASE	0.7143	**	0.5678	0.4056	
		8/01/97	1.2236	0.8740		0.3532	0.3087	
		10/01/98 to 12/1/03	0.9085	0.7940		----- 0.9210	----- 0.7143	
	RM	8/01/94	BASE	1.0000		0.0510	0.0510	
		8/01/97	1.1179	1.1179		0.0280	0.0313	
		10/01/98 to 12/1/03	0.9666	1.0806		----- 0.0790	----- 0.0823	
TOTAL							0.7966	1.3565
1996	VOL	8/01/94	BASE	0.7143	**	0.8470	0.6050	
		8/01/97	1.1116	0.7940		----- 0.8470	----- 0.6050	
		to 12/1/03						
	RM	8/01/94	BASE	1.0000		0.1530	0.1530	
		8/01/97	1.0806	1.0806		----- 0.1530	----- 0.1530	
		to 12/1/03						
TOTAL							0.7580	1.4256
1995	VOL	8/01/94	BASE	0.7143	**	0.8397	0.5998	
		8/01/97	1.1116	0.7940		----- 0.8397	----- 0.5998	
		to 12/1/03						
	RM	8/01/94	BASE	1.0000		0.1603	0.1603	
		8/01/97	1.0806	1.0806		----- 0.1603	----- 0.1603	
		to 12/1/03						
TOTAL							0.7601	1.4217
1994	VOL	2/01/88	BASE	0.6970	***	0.0000	0.0000	
		8/01/94	1.2094	0.8430		0.2423	0.2043	
		8/01/97 to 12/1/03	1.1116	0.9371		----- 0.2423	----- 0.2043	
	RM	2/01/88	BASE	1.0000		0.6920	0.6920	
		8/01/94	1.1800	1.1800		0.0657	0.0775	
		8/01/97 to 12/1/03	1.0806	1.2751		----- 0.7577	----- 0.7695	
TOTAL							0.9738	1.3094
1993		2/01/88	BASE	1.0000		1.0000	1.0000	
		8/01/94	1.2751	1.2751		----- 1.0000	----- 1.0000	
		to 12/1/03						1.2751

* Loss, LAE and LBA portion of 8/1/97 rate.
** Loss & LAE and LBA portion of 8/1/94 rate.
*** Loss & LAE and LBA portion of 2/1/88 rate.

EXHIBIT V - 3
POLICY YEARS 1993 - 2002
INDEMNITY LOSS ON-LEVEL FACTORS

POLICY YEAR	(1) LAW AMENDMENT DATE	(2) BENEFIT CHANGE	(3) CUM. INDEX OF COL (2)	(4) PORTION OF YEAR ON-LEVEL	(5) PRODUCT (3) * (4)	FACTOR TO ADJUST TO 5/21/04 BENEFIT LEVEL
2002	6/20/01	BASE	1.0000	0.1038	0.1038	1.0355
	6/14/02	1.0207	1.0207	0.7325	0.7477	
	6/04/03	1.0284	1.0497	0.1637	0.1718	
	5/21/04	1.0094	1.0596	----- 1.0000	----- 1.0233	
2001	6/12/00	BASE	1.0000	0.1115	0.1115	1.0591
	6/20/01	1.0242	1.0242	0.7403	0.7582	
	6/14/02	1.0207	1.0454	0.1482	0.1549	
	6/04/03	1.0381	1.0852	----- 1.0000	----- 1.0246	
	TO 5/21/04					
2000	6/15/99	BASE	1.0000	0.1013	0.1013	1.0843
	6/12/00	1.0260	1.0260	0.7594	0.7791	
	6/20/01	1.0242	1.0508	0.1393	0.1464	
	6/14/02	1.0596	1.1134	----- 1.0000	----- 1.0268	
	TO 5/21/04					
1999	6/11/98	BASE	1.0000	0.1050	0.1050	1.1118
	6/15/99	1.0237	1.0237	0.7437	0.7613	
	6/12/00	1.0260	1.0503	0.1513	0.1589	
	6/20/01	1.0852	1.1398	----- 1.0000	----- 1.0252	
	TO 5/21/04					
1998	6/18/97	BASE	1.0000	0.1000	0.1000	1.1384
	6/11/98	1.0221	1.0221	0.7533	0.7699	
	6/15/99	1.0237	1.0463	0.1467	0.1535	
	6/12/00	1.1134	1.1650	----- 1.0000	----- 1.0234	
	TO 5/21/04					
1997	6/03/96	BASE	1.0000	0.1089	0.1089	1.1634
	6/18/97	1.0193	1.0193	0.7383	0.7525	
	6/11/98	1.0221	1.0418	0.1528	0.1592	
	6/15/99	1.1398	1.1874	----- 1.0000	----- 1.0206	
	TO 5/21/04					
1996	6/15/95	BASE	1.0000	0.0868	0.0868	1.1863
	6/03/96	1.0212	1.0212	0.7665	0.7827	
	6/18/97	1.0193	1.0409	0.1467	0.1527	
	6/11/98	1.1650	1.2126	----- 1.0000	----- 1.0222	
	TO 5/21/04					
1995	6/14/94	BASE	1.0000	0.1050	0.1050	1.2103
	6/15/95	1.0157	1.0157	0.7249	0.7363	
	6/03/96	1.0212	1.0372	0.1701	0.1764	
	6/18/97	1.1875	1.2317	----- 1.0000	----- 1.0177	
	TO 5/21/04					
1994	7/01/93	BASE	1.0000	0.1050	0.1050	1.2302
	6/14/94	1.0111	1.0111	0.7483	0.7566	
	6/15/95	1.0157	1.0270	0.1467	0.1507	
	6/03/96	1.2126	1.2453	----- 1.0000	----- 1.0123	
	TO 5/21/04					
1993	7/01/92	BASE	1.0000	0.1250	0.1250	1.2459
	7/01/93	1.0163	1.0163	0.7283	0.7402	
	6/14/94	1.0111	1.0276	0.1467	0.1507	
	6/15/95	1.2317	1.2657	----- 1.0000	----- 1.0159	
	TO 5/21/04					

EXHIBIT VI - 1

DEVELOPMENT FACTORS

PREMIUM

<u>Reports in Ratio</u>	<u>Calendar Years 02-03</u>	<u>Calendar Years 01-02</u>	<u>Calendar Years 00-01</u>	<u>Calendar Years 99-00</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>
2nd to 1st	1.0263	1.0088	1.0246	1.0210	1.0202	1.0261
3rd to 2nd	0.9975	1.0011	1.0019	1.0113	1.0030	1.0058
4th to 3rd	0.9995	1.0030	1.0063	1.0026	1.0029	1.0028
5th to 4th	1.0047	0.9938	1.0043	0.9991	1.0005	0.9999
6th to 5th	1.0003	0.9968	1.0009	0.9991	0.9993	0.9994
7th to 6th	1.0002	0.9994	1.0007	0.9999	1.0001	1.0001
8th to 7th	1.0001	0.9996	1.0003	1.0000	1.0000	1.0000
9th to 8th	1.0004	0.9997	1.0000	1.0041	1.0000 *	1.0000
10th to 9th	1.0000	1.0000	1.0009	0.9954	1.0000 *	1.0000
11th to 10th	1.0011	1.0003	1.0003	1.0000	1.0000 *	1.0000
12th to 11th	1.0003	1.0000	1.0001	1.0000	1.0000 *	1.0000
13th to 12th	1.0019	1.0001	0.9995	1.0000	1.0000 *	1.0000
14th to 13th	1.0000	1.0000	1.0000	1.0000	1.0000 *	1.0000
15th to 14th	1.0024	1.0000	1.0007	1.0000	1.0000 *	1.0000
16th to 15th	1.0009	1.0000	0.9998	1.0000	1.0000 *	1.0000
17th to 16th	1.0041	1.0000	0.9953	1.0000	1.0000 *	1.0000
18th to 17th	0.9904	1.0000	0.9958	1.0000	1.0000 *	1.0000
19th to 18th	0.9991	1.0000	0.9996	1.0000	1.0000 *	1.0000
20th to 19th	0.9978	1.0000	1.0000	1.0000	1.0000 *	1.0000
Beyond 20th	1.0022	1.0000	1.0018	1.0000	1.0000 *	1.0000

* Selected

EXHIBIT VI - 2

DEVELOPMENT FACTORS

**INDEMNITY LOSSES
PAID METHOD**

Reports in Ratio		Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Calendar Years <u>99-00</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	a	2.0690	1.9410	1.7946	1.7927	1.8993	1.8993	4.4079
3rd to 2nd	a	1.3800	1.3980	1.3288	1.3736	1.3701	1.3693	2.3208
4th to 3rd	a	1.1787	1.1176	1.1592	1.1673	1.1557	1.1591	1.6949
5th to 4th	a	1.0941	1.0681	1.0934	1.0851	1.0852	1.0866	1.4623
6th to 5th	a	1.0953	1.0905	1.0325	1.0435	1.0655	1.0545	1.3457
7th to 6th	a	1.0301	1.0328	1.0232	1.0513	1.0344	1.0378	1.2762
8th to 7th	a	1.0198	1.0394	1.0389	1.0169	1.0288	1.0280	1.2297
9th to 8th	a	1.0327	1.0147	1.0187	1.0202	1.0216	1.0217	1.1962
10th to 9th	a	1.0239	1.0091	1.0145	1.0150	1.0156	1.0175	1.1708
11th to 10th	a	1.0048	1.0112	1.0091	1.0184	1.0109	1.0145	1.1506
12th to 11th	a	1.0202	1.0044	1.0133	1.0053	1.0108	1.0123	1.1342
13th to 12th	a	1.0050	1.0134	1.0081	1.0064	1.0082	1.0106	1.1204
14th to 13th	a	1.0039	1.0162	1.0046	1.0176	1.0106	1.0093	1.1087
15th to 14th	a	1.0056	1.0052	1.0078	1.0101	1.0072	1.0083	1.0984
16th to 15th	a	1.0093	1.0078	1.0046	1.0090	1.0077	1.0074	1.0894
17th to 16th	a	1.0041	1.0033	1.0020	1.0134	1.0057	1.0067	1.0814
18th to 17th	a	1.0065	1.0038	1.0067	1.0091	1.0065	1.0061	1.0742
19th to 18th	a	1.0123	1.0122	1.0088	1.0084	1.0104	1.0056	1.0677
20th to 19th	b	1.0505	1.0338	1.0901	1.0369	1.0528	1.0528	1.0617
Beyond 20th	c	0.9710	0.9836	1.0790	1.0005	1.0085	1.0085	1.0085

INCURRED METHOD

Reports in Ratio		Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Calendar Years <u>99-00</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	c	1.4640	1.4228	1.2893	1.2113	1.3469	1.3495	1.9776
3rd to 2nd	c	1.1547	1.2354	1.0768	1.1487	1.1539	1.1399	1.4654
4th to 3rd	c	1.0755	1.0620	1.0304	1.0651	1.0583	1.0723	1.2856
5th to 4th	c	1.0727	1.0227	1.0128	1.0221	1.0326	1.0428	1.1989
6th to 5th	c	1.0934	1.0246	1.0138	1.0368	1.0422	1.0279	1.1497
7th to 6th	c	1.0167	1.0311	1.0096	1.0187	1.0190	1.0198	1.1185
8th to 7th	c	1.0300	1.0025	0.9970	1.0470	1.0191	1.0152	1.0968
9th to 8th	c	0.9933	1.0130	1.0047	1.0141	1.0063	1.0123	1.0804
10th to 9th	c	1.0222	1.0095	0.9995	1.0030	1.0086	1.0105	1.0672
11th to 10th	c	0.9928	1.0057	1.0272	1.0063	1.0080	1.0092	1.0561
12th to 11th	c	1.0113	1.0110	1.0172	1.0014	1.0102	1.0081	1.0465
13th to 12th	c	1.0344	1.0232	0.9995	0.9993	1.0141	1.0072	1.0381
14th to 13th	c	0.9719	1.0103	0.9977	1.0116	0.9979	1.0062	1.0307
15th to 14th	c	1.0496	1.0008	1.0052	0.9863	1.0105	1.0052	1.0243
16th to 15th	c	0.9997	0.9935	1.0174	1.0048	1.0039	1.0040	1.0190
17th to 16th	c	1.0060	0.9895	1.0170	1.0029	1.0039	1.0028	1.0150
18th to 17th	c	1.0027	0.9946	1.0086	1.0076	1.0034	1.0014	1.0121
19th to 18th	c	1.0035	0.9899	0.9935	1.0035	0.9976	1.0012	1.0107
20th to 19th	c	0.9982	0.9926	1.0032	0.9908	0.9962	1.0010	1.0095
Beyond 20th	c	0.9710	0.9836	1.0790	1.0005	1.0085	1.0085	1.0085

- a** From Table I-D
- b** 19th (Paid - Table I-D) to 20th (Incurred - Table 1-B)
- c** From Table I-B

EXHIBIT VI - 3

**FITTED DEVELOPMENT FACTORS
INDEMNITY LOSSES**

Paid Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.8993	0.8993	0.8993	1.8993
3rd to 2nd	1.3701	0.3701	0.3693	1.3693
4th to 3rd	1.1557	0.1557	0.1591	1.1591
5th to 4th	1.0852	0.0852	0.0866	1.0866
6th to 5th	1.0655	0.0655	0.0545	1.0545
7th to 6th	1.0344	0.0344	0.0378	1.0378
8th to 7th	1.0288	0.0288	0.0280	1.0280
9th to 8th	1.0216	0.0216	0.0217	1.0217
10th to 9th	1.0156	0.0156	0.0175	1.0175
11th to 10th	1.0109	0.0109	0.0145	1.0145
12th to 11th	1.0108	0.0108	0.0123	1.0123
13th to 12th	1.0082	0.0082	0.0106	1.0106
14th to 13th	1.0106	0.0106	0.0093	1.0093
15th to 14th	1.0072	0.0072	0.0083	1.0083
16th to 15th	1.0077	0.0077	0.0074	1.0074
17th to 16th	1.0057	0.0057	0.0067	1.0067
18th to 17th	1.0065	0.0065	0.0061	1.0061
19th to 18th	1.0104	0.0104	0.0056	1.0056
20th to 19th *	1.0528	0.0528	0.0528	1.0528

$Y = a+b/x+c/x^2+d/x^3+e/x^4$

$a = 0.000183 \quad b = 0.053424 \quad c = 0.659238 \quad d = 2.655458 \quad e = -2.468987$

* Paid-Incurred 4 year average

Incurred Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.3469	0.3469	0.3495	1.3495
3rd to 2nd	1.1539	0.1539	0.1399	1.1399
4th to 3rd	1.0583	0.0583	0.0723	1.0723
5th to 4th	1.0326	0.0326	0.0428	1.0428
6th to 5th	1.0422	0.0422	0.0279	1.0279
7th to 6th	1.0190	0.0190	0.0198	1.0198
8th to 7th	1.0191	0.0191	0.0152	1.0152
9th to 8th	1.0063	0.0063	0.0123	1.0123
10th to 9th	1.0086	0.0086	0.0105	1.0105
11th to 10th	1.0080	0.0080	0.0092	1.0092
12th to 11th	1.0102	0.0102	0.0081	1.0081
13th to 12th	1.0141	0.0141	0.0072	1.0072
14th to 13th	0.9979	-0.0021	0.0062	1.0062
15th to 14th	1.0105	0.0105	0.0052	1.0052
16th to 15th	1.0039	0.0039	0.0040	1.0040
17th to 16th	1.0039	0.0039	0.0028	1.0028
18th to 17th	1.0034	0.0034	0.0014	1.0014
19th to 18th	0.9976	-0.0024	0.0012	1.0012
20th to 19th	0.9962	-0.0038	0.0010	1.0010
Beyond 20th +	1.0085	0.0085	0.0085	1.0085

$Y = a+b*\log(x)+c*\log(x)^2+d*\log(x)^3$

$a = 0.349486 \quad b = -0.405644 \quad c = 0.164802 \quad d = -0.022937$

+ Selected four year average

EXHIBIT VI - 4

DEVELOPMENT FACTORS

**MEDICAL LOSSES
PAID METHOD**

Reports in Ratio		Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Calendar Years <u>99-00</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	a	1.4021	1.4250	1.3440	1.3233	1.3736	1.3738	2.5295
3rd to 2nd	a	1.1765	1.1111	1.0901	1.1376	1.1288	1.1263	1.8413
4th to 3rd	a	1.0758	1.0606	1.0549	1.0564	1.0619	1.0686	1.6348
5th to 4th	a	1.0592	1.0585	1.0415	1.0344	1.0484	1.0452	1.5298
6th to 5th	a	1.0534	1.0464	1.0213	1.0182	1.0348	1.0332	1.4637
7th to 6th	a	1.0318	1.0217	1.0282	1.0211	1.0257	1.0260	1.4166
8th to 7th	a	1.0371	1.0335	1.0162	1.0258	1.0282	1.0214	1.3807
9th to 8th	a	1.0182	1.0050	1.0200	1.0109	1.0135	1.0182	1.3518
10th to 9th	a	1.0156	1.0231	1.0093	1.0154	1.0159	1.0159	1.3277
11th to 10th	a	1.0197	1.0151	1.0080	1.0090	1.0130	1.0141	1.3069
12th to 11th	a	1.0105	1.0102	1.0088	1.0078	1.0093	1.0128	1.2887
13th to 12th	a	1.0044	1.0175	1.0099	1.0064	1.0096	1.0117	1.2724
14th to 13th	a	1.0134	1.0176	1.0099	1.0121	1.0133	1.0109	1.2577
15th to 14th	a	1.0196	1.0078	1.0080	1.0069	1.0106	1.0102	1.2441
16th to 15th	a	1.0166	1.0098	1.0028	1.0057	1.0087	1.0097	1.2316
17th to 16th	a	1.0108	1.0062	1.0103	1.0054	1.0082	1.0092	1.2197
18th to 17th	a	1.0090	1.0094	1.0096	1.0047	1.0082	1.0088	1.2086
19th to 18th	a	1.0152	1.0092	1.0026	1.0154	1.0106	1.0085	1.1981
20th to 19th	b	1.0440	1.0318	1.2289	1.0495	1.0886	1.0886	1.1880
Beyond 20th	c	1.1080	1.2027	1.0000	1.0543	1.0913	1.0913	1.0913

INCURRED METHOD

Reports in Ratio		Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Calendar Years <u>00-01</u>	Calendar Years <u>99-00</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	c	1.1993	1.2288	1.1507	1.1012	1.1700	1.1697	1.9850
3rd to 2nd	c	1.1669	1.0801	1.0437	1.0834	1.0935	1.0898	1.6970
4th to 3rd	c	1.0687	1.0404	1.0512	1.0367	1.0493	1.0613	1.5572
5th to 4th	c	1.0402	1.0537	1.0423	1.0320	1.0421	1.0470	1.4672
6th to 5th	c	1.1189	1.0667	1.0281	1.0143	1.0570	1.0385	1.4014
7th to 6th	c	1.0454	1.0292	1.0412	1.0214	1.0343	1.0327	1.3494
8th to 7th	c	1.0571	1.0350	1.0122	1.0296	1.0335	1.0285	1.3067
9th to 8th	c	1.0208	1.0170	1.0242	1.0050	1.0168	1.0251	1.2705
10th to 9th	c	1.0510	1.0142	1.0090	1.0234	1.0244	1.0222	1.2394
11th to 10th	c	1.0298	1.0189	1.0031	1.0009	1.0132	1.0197	1.2125
12th to 11th	c	1.0099	1.0213	1.0151	1.0082	1.0136	1.0175	1.1890
13th to 12th	c	1.0259	1.0163	1.0115	1.0145	1.0171	1.0154	1.1686
14th to 13th	c	1.0219	1.0110	1.0079	1.0161	1.0142	1.0133	1.1509
15th to 14th	c	1.0296	1.0082	0.9987	1.0104	1.0117	1.0114	1.1358
16th to 15th	c	1.0142	1.0067	1.0034	1.0097	1.0085	1.0095	1.1230
17th to 16th	c	1.0139	0.9910	1.0073	1.0153	1.0069	1.0076	1.1124
18th to 17th	c	1.0058	0.9984	1.0056	1.0017	1.0029	1.0057	1.1040
19th to 18th	c	1.0238	1.0143	1.0003	1.0076	1.0115	1.0039	1.0977
20th to 19th	c	1.0000	1.0037	0.9905	1.0068	1.0003	1.0020	1.0935
Beyond 20th	c	1.1080	1.2027	1.0000	1.0543	1.0913	1.0913	1.0913

- a** From Table I-D
- b** 19th (Paid - Table I-D) to 20th (Incurred - Table 1-B)
- c** From Table I-B

EXHIBIT VI - 5

FITTED DEVELOPMENT FACTORS

MEDICAL LOSSES

Paid Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.3736	0.3736	0.3738	1.3738
3rd to 2nd	1.1288	0.1288	0.1263	1.1263
4th to 3rd	1.0619	0.0619	0.0686	1.0686
5th to 4th	1.0484	0.0484	0.0452	1.0452
6th to 5th	1.0348	0.0348	0.0332	1.0332
7th to 6th	1.0257	0.0257	0.0260	1.0260
8th to 7th	1.0282	0.0282	0.0214	1.0214
9th to 8th	1.0135	0.0135	0.0182	1.0182
10th to 9th	1.0159	0.0159	0.0159	1.0159
11th to 10th	1.0130	0.0130	0.0141	1.0141
12th to 11th	1.0093	0.0093	0.0128	1.0128
13th to 12th	1.0096	0.0096	0.0117	1.0117
14th to 13th	1.0133	0.0133	0.0109	1.0109
15th to 14th	1.0106	0.0106	0.0102	1.0102
16th to 15th	1.0087	0.0087	0.0097	1.0097
17th to 16th	1.0082	0.0082	0.0092	1.0092
18th to 17th	1.0082	0.0082	0.0088	1.0088
19th to 18th	1.0106	0.0106	0.0085	1.0085
20th to 19th *	1.0886	0.0886	0.0886	1.0886

$Y = a \cdot b^x \cdot x^c$

$a = 0.352714 \quad b = 1.059732 \quad c = -1.649403$

* Paid-Incurred 4 year average

Incurred Development

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.1700	0.1700	0.1697	1.1697
3rd to 2nd	1.0935	0.0935	0.0898	1.0898
4th to 3rd	1.0493	0.0493	0.0613	1.0613
5th to 4th	1.0421	0.0421	0.0470	1.0470
6th to 5th	1.0570	0.0570	0.0385	1.0385
7th to 6th	1.0343	0.0343	0.0327	1.0327
8th to 7th	1.0335	0.0335	0.0285	1.0285
9th to 8th	1.0168	0.0168	0.0251	1.0251
10th to 9th	1.0244	0.0244	0.0222	1.0222
11th to 10th	1.0132	0.0132	0.0197	1.0197
12th to 11th	1.0136	0.0136	0.0175	1.0175
13th to 12th	1.0171	0.0171	0.0154	1.0154
14th to 13th	1.0142	0.0142	0.0133	1.0133
15th to 14th	1.0117	0.0117	0.0114	1.0114
16th to 15th	1.0085	0.0085	0.0095	1.0095
17th to 16th	1.0069	0.0069	0.0076	1.0076
18th to 17th	1.0029	0.0029	0.0057	1.0057
19th to 18th	1.0115	0.0115	0.0039	1.0039
20th to 19th	1.0003	0.0003	0.0020	1.0020
Beyond 20th +	1.0913	0.0913	0.0913	1.0913

$Y = a + b \cdot \log(x) + c \cdot \log(x)^2 + d \cdot \log(x)^3$

$a = 0.169725 \quad b = -0.149992 \quad c = 0.055701 \quad d = -0.008185$

+ Selected four year average

EXHIBIT VII - 1

DETERMINATION OF TREND

INDEMNITY

Policy Year	1996	1997	1998	1999	2000	2001	2002
Actual Loss Ratio	0.3516	0.3118	0.3050	0.3344	0.3782	0.2982	0.3207
Normalized Frequency	0.8036	0.7323	0.6664	0.6444	0.5870	0.5063	0.5108
Severity Loss Ratio	0.4375	0.4258	0.4577	0.5189	0.6443	0.5890	0.6278
x	1	2	3	4	5	6	7
y	0.4375	0.4258	0.4577	0.5189	0.6443	0.5890	0.6278

7 Point Exponential Regression: $y = 0.388025 * 1.076895 ^ x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 12/1/04 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
1999	0.4846	0.7512	1.5501	0.6225
2000	0.5219	0.7512	1.4394	0.6744
2001	0.5620	0.7512	1.3367	0.7306
2002	0.6052	0.7512	1.2412	0.7916

Trended Loss Ratio

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
1999	0.3344	0.9649	0.3227
2000	0.3782	0.9707	0.3671
2001	0.2982	0.9766	0.2912
2002	0.3207	0.9825	0.3151

See Exhibit VII-3 for column (4).

EXHIBIT VII - 2

DETERMINATION OF TREND

MEDICAL

Policy Year	1996	1997	1998	1999	2000	2001	2002
Actual Loss Ratio	0.3640	0.3500	0.3753	0.3994	0.4390	0.3663	0.4027
Normalized Frequency	0.8036	0.7323	0.6664	0.6444	0.5870	0.5063	0.5108
Severity Loss Ratio	0.4530	0.4779	0.5632	0.6198	0.7479	0.7235	0.7884
x	1	2	3	4	5	6	7
y	0.4530	0.4779	0.5632	0.6198	0.7479	0.7235	0.7884

7 Point Exponential Regression: $y = 0.41183 * 1.104199 ^ x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 12/1/04 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
1999	0.5545	0.9967	1.7975	0.6225
2000	0.6122	0.9967	1.6281	0.6744
2001	0.6760	0.9967	1.4744	0.7306
2002	0.7465	0.9967	1.3352	0.7916

Trended Loss Ratio

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
1999	0.3994	1.1189	0.4469
2000	0.4390	1.0980	0.4820
2001	0.3663	1.0772	0.3946
2002	0.4027	1.0569	0.4256

See Exhibit VII-3 for column (4).

EXHIBIT VII - 3

DETERMINATION OF TREND

Claim Frequency

Policy Year Frequency per \$1 million of Expected Losses
{1 = PY 1990, 13 = PY 2002}

Policy Year	Claim Frequency	Normalized Frequency
1990	22.31	1.0000
1991	21.62	0.9691
1992	21.02	0.9422
1993	22.04	0.9879
1994	18.94	0.8489
1995	19.01	0.8520
1996	17.93	0.8036
1997	16.34	0.7323
1998	14.87	0.6664
1999	14.38	0.6444
2000	13.10	0.5870
2001	11.30	0.5063
2002	11.40	0.5108

Policy Year	1996	1997	1998	1999	2000	2001	2002
x	1	2	3	4	5	6	7
y	0.8036	0.7323	0.6664	0.6444	0.5870	0.5063	0.5108

7 Point Exponential Regression: $y = 0.862395 * 0.923632 ^ x$

SELECTED FREQUENCY TREND FACTOR

-7.7%

Policy Year	Frequency Trend Factor (1)	# of years to 12/1/04 (2)	Frequency Trend to 12/1/04 (3) = (1)^(2)
1999	0.9230	5.9167	0.6225
2000	0.9230	4.9167	0.6744
2001	0.9230	3.9167	0.7306
2002	0.9230	2.9167	0.7916

TABLE I - LIMITED

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

ACCUMULATED STANDARD EARNED PREMIUM

Policy Year Valued	As of 12/31/99	As of 12/31/00	Ratio to Prior Year	Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year
Prior to 1980	234,278,178	234,278,178	1.0000	Prior to 1981	274,486,556	274,561,243	1.0003
1980	46,480,473	46,480,553	1.0000	1981	42,618,265	42,618,265	1.0000
1981	44,165,942	44,165,942	1.0000	1982	46,733,852	46,716,098	0.9996
1982	48,728,611	48,728,611	1.0000	1983	44,137,498	43,950,745	0.9958
1983	45,595,348	45,595,323	1.0000	1984	49,609,280	49,376,461	0.9953
1984	50,794,480	50,794,480	1.0000	1985	65,450,663	65,439,617	0.9998
1985	65,821,297	65,821,297	1.0000	1986	78,546,526	78,601,181	1.0007
1986	79,293,437	79,293,437	1.0000	1987	91,846,334	91,843,785	1.0000
1987	92,207,608	92,207,996	1.0000	1988	110,262,658	110,203,387	0.9995
1988	111,595,771	111,595,222	1.0000	1989	118,350,625	118,357,050	1.0001
1989	119,520,871	119,521,136	1.0000	1990	107,258,071	107,290,063	1.0003
1990	108,883,259	108,381,913	0.9954	1991	103,626,038	103,718,727	1.0009
1991	105,362,128	105,797,140	1.0041	1992	94,767,774	94,767,733	1.0000
1992	95,202,591	95,198,330	1.0000	1993	95,581,984	95,611,649	1.0003
1993	96,165,637	96,151,568	0.9999	1994	92,191,084	92,252,530	1.0007
1994	92,368,264	92,285,108	0.9991	1995	88,934,378	89,011,718	1.0009
1995	89,043,327	88,964,351	0.9991	1996	92,402,914	92,803,451	1.0043
1996	92,192,105	92,435,967	1.0026	1997	95,729,290	96,330,668	1.0063
1997	94,282,637	95,345,386	1.0113	1998	101,465,347	101,662,871	1.0019
1998	99,425,949	101,517,282	1.0210	1999	90,516,612	92,739,181	1.0246
1999	50,156,924	90,536,755	1.8051	2000	51,709,308	97,581,063	1.8871
2000		51,697,633		2001		52,742,593	

Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year	Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year
Prior to 1982	317,157,645	317,157,641	1.0000	Prior to 1983	330,594,538	330,684,497	1.0003
1982	46,691,320	46,691,320	1.0000	1983	40,747,658	40,659,275	0.9978
1983	43,924,018	43,924,130	1.0000	1984	45,453,571	45,411,267	0.9991
1984	49,374,297	49,374,378	1.0000	1985	61,104,255	60,517,859	0.9904
1985	65,438,020	65,438,070	1.0000	1986	71,971,832	72,268,931	1.0041
1986	78,600,219	78,600,219	1.0000	1987	84,607,034	84,680,614	1.0009
1987	91,843,508	91,843,508	1.0000	1988	101,720,648	101,961,858	1.0024
1988	110,203,387	110,203,384	1.0000	1989	110,666,036	110,669,294	1.0000
1989	118,350,857	118,360,177	1.0001	1990	98,621,965	98,813,581	1.0019
1990	107,279,874	107,281,203	1.0000	1991	98,212,203	98,242,623	1.0003
1991	103,668,385	103,697,465	1.0003	1992	90,432,012	90,530,570	1.0011
1992	94,755,617	94,754,617	1.0000	1993	90,544,813	90,547,755	1.0000
1993	95,558,503	95,528,503	0.9997	1994	87,882,377	87,916,614	1.0004
1994	91,616,895	91,582,705	0.9996	1995	84,703,033	84,707,356	1.0001
1995	88,856,827	88,800,880	0.9994	1996	87,752,798	87,766,561	1.0002
1996	92,274,072	91,981,336	0.9968	1997	92,428,379	92,452,957	1.0003
1997	94,209,844	93,625,345	0.9938	1998	98,713,041	99,175,777	1.0047
1998	100,475,431	100,777,589	1.0030	1999	91,342,873	91,298,512	0.9995
1999	91,644,663	91,749,709	1.0011	2000	97,229,182	96,984,424	0.9975
2000	96,360,612	97,207,452	1.0088	2001	97,824,559	100,402,161	1.0263
2001	52,372,932	98,225,143	1.8755	2002	63,310,488	118,307,831	1.8687
2002		63,439,635		2003		67,299,063	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

TABLE I - A - Individual Losses Limited

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/99	As of 12/31/00	Ratio to Prior Year	Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year
Prior to 1980	162,099,825	162,466,905	1.0023	Prior to 1981	176,579,059	177,815,493	1.0070
1980	18,644,234	18,578,739	0.9965	1981	27,376,840	27,314,825	0.9977
1981	28,039,923	28,186,615	1.0052	1982	25,516,989	25,410,019	0.9958
1982	26,187,566	26,332,778	1.0055	1983	30,316,500	30,543,912	1.0075
1983	30,691,845	30,914,801	1.0073	1984	31,253,940	31,663,577	1.0131
1984	31,411,923	31,625,357	1.0068	1985	40,638,181	41,103,942	1.0115
1985	40,905,668	40,758,777	0.9964	1986	44,751,369	44,867,202	1.0026
1986	44,504,500	45,099,733	1.0134	1987	54,343,766	54,450,331	1.0020
1987	54,438,232	54,741,796	1.0056	1988	53,544,023	53,802,838	1.0048
1988	52,977,147	53,208,890	1.0044	1989	60,627,653	61,614,105	1.0163
1989	61,162,368	61,401,126	1.0039	1990	59,919,481	60,866,647	1.0158
1990	60,213,018	60,967,033	1.0125	1991	60,864,392	61,108,523	1.0040
1991	61,657,381	62,256,456	1.0097	1992	56,876,677	57,701,631	1.0145
1992	54,971,191	57,072,900	1.0382	1993	57,421,517	57,686,273	1.0046
1993	56,300,080	57,427,276	1.0200	1994	51,099,719	52,368,652	1.0248
1994	49,797,953	51,084,147	1.0258	1995	51,047,319	52,124,404	1.0211
1995	49,705,531	51,054,634	1.0271	1996	59,156,208	60,777,626	1.0274
1996	56,326,221	59,189,166	1.0508	1997	51,017,421	53,112,985	1.0411
1997	45,541,393	50,746,567	1.1143	1998	50,589,988	53,520,362	1.0579
1998	44,153,482	50,604,803	1.1461	1999	43,440,617	52,430,960	1.2070
1999	19,547,595	43,426,923	2.2216	2000	16,435,166	47,553,320	2.8934
2000		16,437,111		2001		17,191,853	

Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year	Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year
Prior to 1982	205,060,839	206,553,248	1.0073	Prior to 1983	198,616,148	199,162,768	1.0028
1982	25,387,645	25,296,758	0.9964	1983	27,543,760	27,511,337	0.9988
1983	30,543,842	30,499,844	0.9986	1984	28,593,633	28,931,848	1.0118
1984	31,623,318	31,501,883	0.9962	1985	37,577,059	37,727,004	1.0040
1985	41,103,942	40,699,070	0.9902	1986	41,683,688	42,066,606	1.0092
1986	44,867,202	44,812,122	0.9988	1987	50,555,666	50,850,294	1.0058
1987	54,450,331	54,662,000	1.0039	1988	49,112,036	51,105,802	1.0406
1988	53,802,838	54,373,099	1.0106	1989	57,921,778	57,578,915	0.9941
1989	61,614,105	62,856,897	1.0202	1990	54,611,175	56,269,932	1.0304
1990	60,866,647	61,827,031	1.0158	1991	57,225,378	57,832,635	1.0106
1991	61,104,215	61,840,959	1.0121	1992	53,706,434	54,341,061	1.0118
1992	57,480,669	58,165,420	1.0119	1993	54,667,492	56,674,866	1.0367
1993	57,680,435	58,545,215	1.0150	1994	51,085,118	51,444,099	1.0070
1994	52,181,769	53,143,401	1.0184	1995	51,168,302	53,411,836	1.0438
1995	52,059,520	53,629,477	1.0302	1996	61,033,800	62,950,157	1.0314
1996	60,406,255	63,167,494	1.0457	1997	52,717,145	58,349,612	1.1068
1997	51,125,350	53,107,184	1.0388	1998	53,319,983	56,238,073	1.0547
1998	52,720,344	55,349,162	1.0499	1999	57,672,681	61,818,599	1.0719
1999	51,009,054	58,509,473	1.1470	2000	61,851,251	71,802,102	1.1609
2000	46,538,238	61,276,392	1.3167	2001	43,605,315	57,147,110	1.3106
2001	17,111,797	43,839,292	2.5619	2002	20,448,778	52,581,904	2.5714
2002		20,648,818		2003		20,761,623	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

TABLE I - B - Individual Losses Limited

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/99	As of 12/31/00	Ratio to Prior Year	Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year
Prior to 1980	106,719,459	106,725,277	1.0001	Prior to 1981	115,694,383	116,930,750	1.0107
1980	11,990,931	11,880,182	0.9908	1981	15,657,221	15,706,653	1.0032
1981	16,189,310	16,246,245	1.0035	1982	16,798,642	16,689,251	0.9935
1982	17,232,963	17,363,252	1.0076	1983	19,568,726	19,736,355	1.0086
1983	19,910,955	19,969,348	1.0029	1984	18,713,587	19,031,123	1.0170
1984	18,801,969	18,892,623	1.0048	1985	23,369,679	23,776,502	1.0174
1985	23,756,908	23,431,679	0.9863	1986	26,681,401	26,820,117	1.0052
1986	26,564,027	26,870,858	1.0116	1987	31,722,419	31,649,147	0.9977
1987	31,997,107	31,974,544	0.9993	1988	29,831,835	29,817,953	0.9995
1988	29,537,528	29,578,006	1.0014	1989	33,765,041	34,344,569	1.0172
1989	33,948,890	34,163,656	1.0063	1990	31,629,553	32,489,635	1.0272
1990	32,120,848	32,217,815	1.0030	1991	31,837,741	31,821,262	0.9995
1991	32,099,422	32,550,498	1.0141	1992	28,361,129	28,495,178	1.0047
1992	27,203,590	28,482,395	1.0470	1993	28,790,896	28,705,850	0.9970
1993	28,227,057	28,754,519	1.0187	1994	26,459,458	26,713,412	1.0096
1994	25,501,056	26,438,940	1.0368	1995	25,030,745	25,377,405	1.0138
1995	24,495,780	25,038,003	1.0221	1996	29,871,100	30,253,837	1.0128
1996	28,076,494	29,904,058	1.0651	1997	24,878,089	25,635,169	1.0304
1997	21,531,335	24,733,558	1.1487	1998	21,791,923	23,464,845	1.0768
1998	17,992,234	21,794,845	1.2113	1999	17,633,628	22,734,220	1.2893
1999	7,870,995	17,621,207	2.2388	2000	6,737,264	21,513,961	3.1933
2000		6,739,209		2001		6,221,811	

Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year	Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year
Prior to 1982	134,721,737	134,448,392	0.9980	Prior to 1983	129,945,581	129,432,308	0.9961
1982	16,676,560	16,553,166	0.9926	1983	17,726,911	17,694,909	0.9982
1983	19,736,355	19,537,934	0.9899	1984	16,846,364	16,904,975	1.0035
1984	19,013,258	18,911,534	0.9946	1985	21,858,846	21,917,564	1.0027
1985	23,776,502	23,527,447	0.9895	1986	24,716,474	24,863,647	1.0060
1986	26,820,117	26,644,537	0.9935	1987	29,242,761	29,234,011	0.9997
1987	31,649,147	31,672,966	1.0008	1988	27,025,083	28,366,114	1.0496
1988	29,817,953	30,124,875	1.0103	1989	32,249,653	31,344,642	0.9719
1989	34,344,569	35,142,064	1.0232	1990	28,699,536	29,686,515	1.0344
1990	32,489,635	32,846,126	1.0110	1991	29,303,303	29,633,306	1.0113
1991	31,820,496	32,002,714	1.0057	1992	26,099,489	25,910,740	0.9928
1992	28,302,496	28,571,913	1.0095	1993	27,086,321	27,686,822	1.0222
1993	28,704,416	29,076,556	1.0130	1994	25,632,967	25,462,104	0.9933
1994	26,643,787	26,710,798	1.0025	1995	24,983,435	25,731,871	1.0300
1995	25,360,505	26,150,260	1.0311	1996	29,784,170	30,282,234	1.0167
1996	30,113,802	30,854,683	1.0246	1997	24,889,350	27,212,780	1.0934
1997	24,685,916	25,246,864	1.0227	1998	23,797,961	25,528,998	1.0727
1998	23,085,567	24,517,575	1.0620	1999	26,990,908	29,029,225	1.0755
1999	21,989,133	27,164,542	1.2354	2000	30,364,999	35,062,031	1.1547
2000	21,074,016	29,985,060	1.4228	2001	18,331,383	26,836,935	1.4640
2001	6,189,601	18,402,873	2.9732	2002	7,510,160	21,904,095	2.9166
2002		7,579,137		2003		7,618,128	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

TABLE I - C - Individual Losses Limited

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

MEDICAL INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/99	As of 12/31/00	Ratio to Prior Year	Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year
Prior to 1980	55,380,366	55,741,628	1.0065	Prior to 1981	60,884,676	60,884,743	1.0000
1980	6,653,303	6,698,557	1.0068	1981	11,719,619	11,608,172	0.9905
1981	11,850,613	11,940,370	1.0076	1982	8,718,347	8,720,768	1.0003
1982	8,954,603	8,969,526	1.0017	1983	10,747,774	10,807,557	1.0056
1983	10,780,890	10,945,453	1.0153	1984	12,540,353	12,632,454	1.0073
1984	12,609,954	12,732,734	1.0097	1985	17,268,502	17,327,440	1.0034
1985	17,148,760	17,327,098	1.0104	1986	18,069,968	18,047,085	0.9987
1986	17,940,473	18,228,875	1.0161	1987	22,621,347	22,801,184	1.0079
1987	22,441,125	22,767,252	1.0145	1988	23,712,188	23,984,885	1.0115
1988	23,439,619	23,630,884	1.0082	1989	26,862,612	27,269,536	1.0151
1989	27,213,478	27,237,470	1.0009	1990	28,289,928	28,377,012	1.0031
1990	28,092,170	28,749,218	1.0234	1991	29,026,651	29,287,261	1.0090
1991	29,557,959	29,705,958	1.0050	1992	28,515,548	29,206,453	1.0242
1992	27,767,601	28,590,505	1.0296	1993	28,630,621	28,980,423	1.0122
1993	28,073,023	28,672,757	1.0214	1994	24,640,261	25,655,240	1.0412
1994	24,296,897	24,645,207	1.0143	1995	26,016,574	26,746,999	1.0281
1995	25,209,751	26,016,631	1.0320	1996	29,285,108	30,523,789	1.0423
1996	28,249,727	29,285,108	1.0367	1997	26,139,332	27,477,816	1.0512
1997	24,010,058	26,013,009	1.0834	1998	28,798,065	30,055,517	1.0437
1998	26,161,248	28,809,958	1.1012	1999	25,806,989	29,696,740	1.1507
1999	11,676,600	25,805,716	2.2100	2000	9,697,902	26,039,359	2.6851
2000		9,697,902		2001		10,970,042	

Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year	Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year
Prior to 1982	70,339,102	72,104,856	1.0251	Prior to 1983	68,670,567	69,730,460	1.0154
1982	8,711,085	8,743,592	1.0037	1983	9,816,849	9,816,428	1.0000
1983	10,807,487	10,961,910	1.0143	1984	11,747,269	12,026,873	1.0238
1984	12,610,060	12,590,349	0.9984	1985	15,718,213	15,809,440	1.0058
1985	17,327,440	17,171,623	0.9910	1986	16,967,214	17,202,959	1.0139
1986	18,047,085	18,167,585	1.0067	1987	21,312,905	21,616,283	1.0142
1987	22,801,184	22,989,034	1.0082	1988	22,086,953	22,739,688	1.0296
1988	23,984,885	24,248,224	1.0110	1989	25,672,125	26,234,273	1.0219
1989	27,269,536	27,714,833	1.0163	1990	25,911,639	26,583,417	1.0259
1990	28,377,012	28,980,905	1.0213	1991	27,922,075	28,199,329	1.0099
1991	29,283,719	29,838,245	1.0189	1992	27,606,945	28,430,321	1.0298
1992	29,178,173	29,593,507	1.0142	1993	27,581,171	28,988,044	1.0510
1993	28,976,019	29,468,659	1.0170	1994	25,452,151	25,981,995	1.0208
1994	25,537,982	26,432,603	1.0350	1995	26,184,867	27,679,965	1.0571
1995	26,699,015	27,479,217	1.0292	1996	31,249,630	32,667,923	1.0454
1996	30,292,453	32,312,811	1.0667	1997	27,827,795	31,136,832	1.1189
1997	26,439,434	27,860,320	1.0537	1998	29,522,022	30,709,075	1.0402
1998	29,634,777	30,831,587	1.0404	1999	30,681,773	32,789,374	1.0687
1999	29,019,921	31,344,931	1.0801	2000	31,486,252	36,740,071	1.1669
2000	25,464,222	31,291,332	1.2288	2001	25,273,932	30,310,175	1.1993
2001	10,922,196	25,436,419	2.3289	2002	12,938,618	30,677,809	2.3710
2002		13,069,681		2003		13,143,495	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

TABLE I - D - Individual Losses Limited

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY PAID LOSSES

Policy Year Valued	As of 12/31/99	As of 12/31/00	Ratio to Prior Year	Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year
Prior to 1980	101,341,000	101,961,852	1.0061	Prior to 1981	110,854,705	111,390,640	1.0048
1980	11,457,924	11,577,116	1.0104	1981	14,408,945	14,487,227	1.0054
1981	14,895,091	15,020,662	1.0084	1982	15,884,534	16,024,195	1.0088
1982	16,299,221	16,446,913	1.0091	1983	18,231,887	18,354,511	1.0067
1983	18,380,236	18,627,053	1.0134	1984	18,005,612	18,040,734	1.0020
1984	18,037,319	18,199,477	1.0090	1985	23,138,307	23,245,611	1.0046
1985	22,957,442	23,190,393	1.0101	1986	24,507,115	24,698,515	1.0078
1986	24,293,484	24,719,836	1.0176	1987	30,204,490	30,344,257	1.0046
1987	30,253,466	30,447,225	1.0064	1988	27,696,533	27,921,057	1.0081
1988	27,391,980	27,536,637	1.0053	1989	32,313,629	32,744,526	1.0133
1989	32,121,580	32,712,243	1.0184	1990	30,631,359	30,910,761	1.0091
1990	30,745,123	31,207,367	1.0150	1991	29,578,064	30,007,309	1.0145
1991	29,641,660	30,241,215	1.0202	1992	26,459,152	26,953,937	1.0187
1992	26,077,292	26,517,518	1.0169	1993	25,529,248	26,521,123	1.0389
1993	24,293,280	25,540,457	1.0513	1994	22,279,980	22,796,803	1.0232
1994	21,354,486	22,282,378	1.0435	1995	22,203,657	22,925,619	1.0325
1995	20,461,672	22,203,657	1.0851	1996	22,872,190	25,008,651	1.0934
1996	19,593,374	22,872,190	1.1673	1997	18,081,801	20,961,140	1.1592
1997	13,063,510	17,944,550	1.3736	1998	14,268,041	18,959,537	1.3288
1998	7,960,404	14,270,963	1.7927	1999	8,432,786	15,133,598	1.7946
1999	2,241,687	8,430,589	3.7608	2000	2,143,202	8,940,418	4.1715
2000		2,143,202		2001		1,643,117	

Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year	Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year
Prior to 1982	126,870,020	127,514,265	1.0051	Prior to 1983	123,502,278	124,245,255	1.0060
1982	16,011,504	16,085,182	1.0046	1983	16,844,876	16,893,362	1.0029
1983	18,354,511	18,578,572	1.0122	1984	16,416,871	16,618,547	1.0123
1984	18,022,869	18,090,780	1.0038	1985	21,725,589	21,867,372	1.0065
1985	23,245,611	23,321,967	1.0033	1986	22,994,872	23,089,636	1.0041
1986	24,698,515	24,890,517	1.0078	1987	28,210,819	28,474,006	1.0093
1987	30,344,257	30,501,466	1.0052	1988	25,331,778	25,472,871	1.0056
1988	27,921,057	28,374,183	1.0162	1989	30,540,846	30,659,986	1.0039
1989	32,744,526	33,183,463	1.0134	1990	27,680,998	27,819,687	1.0050
1990	30,910,761	31,046,277	1.0044	1991	27,665,809	28,224,240	1.0202
1991	30,006,543	30,344,089	1.0112	1992	24,743,056	24,862,819	1.0048
1992	26,761,255	27,005,658	1.0091	1993	25,064,758	25,663,439	1.0239
1993	26,519,689	26,910,361	1.0147	1994	22,774,552	23,519,935	1.0327
1994	22,727,178	23,622,210	1.0394	1995	22,535,075	22,980,746	1.0198
1995	22,908,719	23,659,011	1.0328	1996	26,152,630	26,939,876	1.0301
1996	24,872,193	27,122,321	1.0905	1997	21,362,664	23,398,874	1.0953
1997	20,235,711	21,614,305	1.0681	1998	20,254,428	22,160,287	1.0941
1998	18,679,014	20,875,764	1.1176	1999	20,375,736	24,017,481	1.1787
1999	14,686,815	20,532,899	1.3980	2000	16,991,472	23,448,672	1.3800
2000	8,620,840	16,732,861	1.9410	2001	7,370,252	15,249,093	2.0690
2001	1,638,107	7,354,736	4.4898	2002	1,788,768	9,184,128	5.1343
2002		1,799,195		2003		1,998,201	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

TABLE I - E - Individual Losses Limited

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

MEDICAL PAID LOSSES

Policy Year Valued	As of 12/31/99	As of 12/31/00	Ratio to Prior Year	Policy Year Valued	As of 12/31/00	As of 12/31/01	Ratio to Prior Year
Prior to 1980	53,121,367	53,423,953	1.0057	Prior to 1981	58,446,869	58,684,685	1.0041
1980	6,382,847	6,461,962	1.0124	1981	9,446,160	9,612,832	1.0176
1981	9,519,925	9,666,911	1.0154	1982	8,461,159	8,483,559	1.0026
1982	8,657,908	8,698,529	1.0047	1983	10,207,908	10,305,399	1.0096
1983	10,349,739	10,405,587	1.0054	1984	12,059,560	12,183,374	1.0103
1984	12,175,515	12,244,534	1.0057	1985	16,777,878	16,824,792	1.0028
1985	16,721,238	16,836,474	1.0069	1986	17,266,938	17,405,095	1.0080
1986	17,218,159	17,425,845	1.0121	1987	21,288,320	21,498,749	1.0099
1987	21,297,048	21,434,225	1.0064	1988	23,240,034	23,471,117	1.0099
1988	23,021,326	23,202,025	1.0078	1989	25,907,404	26,134,878	1.0088
1989	26,037,289	26,272,728	1.0090	1990	27,080,025	27,297,406	1.0080
1990	27,121,523	27,539,315	1.0154	1991	27,624,306	27,881,588	1.0093
1991	27,874,794	28,179,995	1.0109	1992	27,344,180	27,890,505	1.0200
1992	26,729,556	27,419,136	1.0258	1993	26,972,867	27,410,295	1.0162
1993	26,457,299	27,015,003	1.0211	1994	23,284,584	23,940,387	1.0282
1994	22,874,208	23,289,530	1.0182	1995	24,168,175	24,681,957	1.0213
1995	23,365,290	24,168,175	1.0344	1996	26,144,686	27,229,505	1.0415
1996	24,749,297	26,144,686	1.0564	1997	23,556,088	24,848,759	1.0549
1997	20,598,614	23,432,265	1.1376	1998	23,647,980	25,777,484	1.0901
1998	17,878,909	23,659,873	1.3233	1999	19,083,953	25,648,983	1.3440
1999	5,520,799	19,083,011	3.4566	2000	3,771,593	18,383,410	4.8742
2000		3,771,593		2001		4,451,800	

Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year	Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year
Prior to 1982	67,235,885	67,672,262	1.0065	Prior to 1983	65,161,884	65,814,064	1.0100
1982	8,473,876	8,498,196	1.0029	1983	9,403,018	9,469,656	1.0071
1983	10,305,329	10,400,213	1.0092	1984	11,447,057	11,621,244	1.0152
1984	12,160,980	12,275,438	1.0094	1985	15,603,837	15,744,303	1.0090
1985	16,824,792	16,928,576	1.0062	1986	16,374,971	16,552,311	1.0108
1986	17,405,095	17,575,342	1.0098	1987	20,170,467	20,504,981	1.0166
1987	21,498,749	21,666,572	1.0078	1988	21,759,866	22,186,460	1.0196
1988	23,471,117	23,885,248	1.0176	1989	24,581,632	24,910,698	1.0134
1989	26,134,878	26,592,240	1.0175	1990	24,772,323	24,881,498	1.0044
1990	27,297,406	27,575,284	1.0102	1991	26,388,335	26,665,270	1.0105
1991	27,878,046	28,298,846	1.0151	1992	26,536,467	27,060,044	1.0197
1992	27,862,225	28,505,755	1.0231	1993	25,868,074	26,272,879	1.0156
1993	27,405,891	27,541,555	1.0050	1994	23,645,264	24,074,804	1.0182
1994	23,823,129	24,620,072	1.0335	1995	24,057,003	24,949,685	1.0371
1995	24,633,973	25,169,597	1.0217	1996	27,223,343	28,089,363	1.0318
1996	27,015,052	28,268,034	1.0464	1997	25,214,060	26,560,423	1.0534
1997	23,918,896	25,319,118	1.0585	1998	25,878,355	27,410,906	1.0592
1998	25,379,876	26,916,940	1.0606	1999	27,447,256	29,526,568	1.0758
1999	25,035,394	27,816,527	1.1111	2000	25,746,320	30,290,019	1.1765
2000	17,899,239	25,506,683	1.4250	2001	17,727,650	24,856,774	1.4021
2001	4,426,278	17,693,489	3.9974	2002	4,672,575	20,501,194	4.3876
2002		4,726,994		2003		6,103,353	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

EXHIBIT VIII
DELAWARE COMPENSATION RATING BUREAU, INC.
RATE AND LOSS COST FORMULAE

The experience used for classification relativities for the December 1, 2004 revision will include all available risks. It is proposed that catastrophes be limited in accordance with the procedure previously employed in other Bureau filings. The experience period will be five (5) years for all classifications regardless of whether a classification might meet the full credibility requirements with less than five years of data. Credibility will be based on reported payrolls for classifications using payroll as the exposure base. For non-payroll classifications, expected losses will be used as the basis for credibility. Thus, two credibility tables will be prepared for use in the December 1, 2004 filing. The values for these respective tables will be established such that the credibilities assigned to a payroll-based classification having the same portion of total statewide expected losses and payrolls attributable to its experience using each table would be equal. All occupational disease losses will be included in the exhibit of classification experience, with the total amount of such losses by type of injury being shown on a separate line on the classification rate worksheets.

Most classifications are subject to standard procedures as described below. However, circumstances will sometimes require that some classifications' rating procedure be modified to recognize situations where the normal rating process would not be appropriate. Such classifications, and the manner in which their rates or loss costs have been derived, are separately identified within the filing material.

The calculation of assigned risk classification rates will be made in accordance with the following procedure:

- (1) Determine the pure premiums underlying present Manual Residual Market Rates by category (serious, non-serious, medical only and total) for each classification.
- (2) Adjust the present pure premiums by category (serious, non-serious, medical-only and total) to the December 1, 2004 on-rate-level to obtain present on-rate-level pure premiums.
- (3) Determine Expected Losses (serious, non-serious, medical-only and total) for each classification by multiplying the exposures from the experience period by the pure premiums underlying present Manual Rates.
- (4) Determine the indicated pure premiums (serious, non-serious, medical-only and total) from the exposures and losses from the experience period.
- (5) Test the indicated total pure premiums by multiplying the exposures of the latest three years for each classification and obtaining the total Actual Losses for all classifications combined.
- (6) Calculate Expected Losses by multiplying the present pure premiums by the exposures from the last three years for each classification and by the overall average rate change.
- (7) Obtain correction factors by category of loss (serious, non-serious and medical-only) by dividing the Expected Losses derived in (6) by the Actual Losses derived in (5).
- (8) Multiply the indicated (pre-test) pure premiums from (4) times the correction factors derived in (7) to obtain indicated (post-test) pure premiums.

RATE AND LOSS COST FORMULAE (continued)

- (9) Determine “formula” pure premiums from (2) and (8) above for each type of loss (serious, non-serious and medical-only), with credibility for each category of loss corresponding to either the amount of reported payroll (for all classifications in which payroll is the exposure base) or to the amount of Expected Losses (for all “non-payroll” classifications). Credibility weights will be taken from exhibits appearing in the Class Book. The complement of credibility is in each case to be assigned to the present on December 1, 2004 level pure premiums for each category of loss.
- (10) Select proposed total pure premiums for each classification, using the middle value from the total pure premiums derived in (2), (8) and (9) above. If the proposed pure premium selected on this basis is different from the formula pure premium derived in (9) above, partial pure premiums are to be allocated between categories (serious, non-serious and medical-only) in the same proportion as the partial pure premiums comprising the formula pure premium.
- (11) Test the proposed total pure premiums selected in (10) by multiplying by the exposures of the three latest years for each classification and obtaining the total Expected Losses for all classifications combined.
- (12) Obtain a correction factor by dividing the Expected Losses derived in (6) above by the Expected Losses derived in (11) above.
- (13) Calculate the “composite pure premium multipliers” for each industry group as the product of the following items:
 - (a) The pure premium correction factor determined in (12) above.
 - (b) The proposed experience rating plan off-balance factor (Collectible Premium Ratio).
 - (c) The inverse of the permissible loss and loss adjustment ratio.
 - (d) The estimated effect of the July 1, 2005 benefit change.
- (14) Apply the composite pure premium multiplier obtained in (13) above to the proposed total pure premiums to obtain Manual Rates.
- (15) Test to assure that the maximum departure of the Manual Rates derived in (14) above from current Manual Rates is in accordance with the following parameters:

Maximum Change in Rates:
Upward: The industry group average change plus 25% rounded to the nearest 1%.
Downward: The industry group average change minus 25% rounded to the nearest 1%.
- (16) Manual rates are to be rounded to the nearest \$.01.
- (17) Test the Manual Rates derived in (16) above to determine if balance has been achieved within 0.0010 of the indicated change in rate level by industry group. If such balance has not been achieved, calculate the necessary correction factor to adjust the composite pure premium multipliers derived in (13) above to achieve the necessary balance. Perform steps (14) through (17) iteratively until the desired balance is achieved.

RATE AND LOSS COST FORMULAE (continued)

Non-reviewed Classifications

- (18) For classifications with insufficient credibility (non-reviewed classifications), an alternative calculation is used to derive indicated rates.

Insufficient credibility is defined as having five-year payroll of less than that necessary to achieve 5% credibility for the non-serious component of pure premium. For non-payroll based classifications, expected losses replace payrolls.

For these non-reviewed classes, the indicated rate is calculated as follows:

- a) An average loss cost using Pennsylvania loss cost values and the Delaware distribution of business by class is calculated.
- b) Classification relativities are then calculated that relate the Pennsylvania loss cost by classification to the average overall loss cost calculated in (a) above.
- c) Indicated average loss costs are calculated by class by multiplying the relativities in (b) above times the average Delaware loss cost value for all classes combined times the average manual change in rates times the indicated composite pure premium multiplier.
- d) A second indicated rate is calculated by applying the average manual change in rates by industry group to the current Delaware rate for the class.
- e) A final indicated rate, subject to capping and balancing criteria previously described, is calculated by applying one-third weight to (c) above plus two-thirds weight to (d) above.

Loss Costs

The calculation of non assigned risk classification loss costs will be made in accordance with the following procedure:

- (19) Multiply the proposed assigned risk Manual Rates by classification by the permissible loss, loss adjustment expense and loss based assessment ratio.

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)
ALL INDUSTRIES			
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
TOTAL	506,104,547	466,017,630	1.0860
MANUFACTURING AND UTILITIES			
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
TOTAL	87,383,882	76,734,368	1.1388
CONTRACTING AND QUARRYING			
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
TOTAL	113,741,585	101,447,719	1.1212
OTHER INDUSTRIES			
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
TOTAL	304,979,080	287,835,543	1.0596

* Excludes classifications and coverages not subject to experience rating.

EXHIBIT X

EXPECTED LOSS RATE FACTORS

CALCULATION OF EXPECTED LOSS RATE FACTORS

Policy Year Beginning 12/1 (1)	Average Law Multiplier (2)	Adjustment Factor (3)	Loss Ratio Development Factor (4)	Expense Allowance * 1 / (PLR/CPR) (5)	Trend Factor (6)	Product (2) * (3) * (4) * (5) * (6) (7)	Expected Loss Rate Factor 1.0 / (7) (8)
<u>Manufacturing and Utilities</u>							
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
<u>Contracting and Quarrying</u>							
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
<u>Other Industries</u>							
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

*	Permissible Loss Ratio =	0.6454	Indicated Manual Rate Level
	Selected Collectible Premium Ratios		MFG 1.1051
	Manufacturing =	1.1388	Cont 1.1308
	Contracting =	1.1212	Other 1.1422
	All Other =	1.0596	

EXHIBIT XI

**CALCULATION OF TAX MULTIPLIER FOR USE IN RETROSPECTIVE RATING PLANS
(O/T U.S.L. & H.W. Act Coverages)**

Expense Provisions for O/T U.S.L. & H.W. Classes

Losses	64.54
Loss Adjustment Expense	<u>8.37</u>
Loss & Loss Adjustment	72.91
Premium Discount	10.58
Acquisition	9.42
General Expenses	3.12
Profit and Contingencies	(5.96)
Taxes	2.32
Uncollectible Premium	1.00
Workers' Compensation Fund	4.00
Administrative Assessment	<u>2.61</u>
	27.09

If

- T = Tax multiplier
- E = Expense provision in rates (General, Acquisition, and Profit), less premium discount
- L = Loss provision in rates
- C = Loss conversion factor
- B = Assessments made on premiums
- A = Assessments made on losses (adjusted so as not to collect profit and general expense dollars on the extra premium generated by the assessments)

Using average discount (Schedule Y) this yields:

$$E = (0.0400) = \frac{ACQ}{0.0942} + \frac{GEN}{0.0312} + \frac{PROFIT}{(0.0596)} - \frac{PREM DISC}{0.1058}$$

$$A = 0.0429 = 0.0404 \times \frac{1 - 0.0400 - 0.0732}{1 - 0.0168 - 0.0732}$$

Then

$$T = \frac{E + L(1 + C + A)}{E + L(1 + C)} \times \frac{1}{1 - B - S}$$

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0156$$

$$T = \frac{-0.0400 + 0.6454(1 + 0.1296 + 0.0429)}{-0.0400 + 0.6454(1 + 0.1296)} \times \frac{1}{1 - 0.0732 - 0.0156} = 1.1416$$

EXHIBIT XII

DELAWARE RETROSPECTIVE DEVELOPMENT FACTORS *

Retrospective development factors for first, second and third adjustments are calculated below. They are intended for use in retrospective plans with no loss limitation and applicable to the expected loss portion of premium.

First Adjustment	RDF =	0.5246
Second Adjustment	RDF =	0.3914
Third Adjustment	RDF =	0.3504

For those companies using retrospective development factors with loss limitations, the following formula may be used.

$$\text{RDF(LIM)} = (1.0 - \text{ELF}) \times \text{RDF}$$

RDF(LIM) = Retrospective Development Factors at limited basis
ELF = Excess Loss (Pure Premium) Factors exclusive of allocated loss adjustment expenses for given Hazard Group and Loss Limitation
RDF = Retrospective Development Factors without Loss Limitation

For Example:

$$\text{\$25,000 limit Hazard Group II ELF} = 0.5950$$

$$\text{First Adjustment RDF} = (1 - 0.5950) \times 0.5246 = 0.2125$$

* The use of retrospective development factors is optional.