

DELAWARE COMPENSATION RATING BUREAU, INC.

Indicated Residual Market Rate Change

This exhibit shows the indicated change in overall rate level for the Delaware residual market rate and loss cost revision.

### INDICATED CHANGE IN RATE LEVEL

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
<b>(1a)</b> Policy Year 2004 Loss and Loss Adjustment Expense Ratio	0.3608	0.5694	0.9302
<b>(1b)</b> Policy Year 2005 Loss and Loss Adjustment Expense Ratio	0.3263	0.5314	0.8577
<b>(1c)</b> Policy Year 2006 Loss and Loss Adjustment Expense Ratio	0.2983	0.4925	0.7908
<b>(1d)</b> Policy Year 2007 Loss and Loss Adjustment Expense Ratio	0.2955	0.5017	0.7972
<b>(1e)</b> Average (Midpoint = 7/1/2006)	0.3202	0.5238	0.8440
<b>(2a)</b> Policy Year 2004 Loss and LAE Ratio Trended to 12/1/2010	0.2280	0.5087	
<b>(2b)</b> Policy Year 2005 Loss and LAE Ratio Trended to 12/1/2010	0.2228	0.4839	
<b>(2c)</b> Policy Year 2006 Loss and LAE Ratio Trended to 12/1/2010	0.2201	0.4570	
<b>(2d)</b> Policy Year 2007 Loss and LAE Ratio Trended to 12/1/2010	0.2356	0.4746	
<b>(2e)</b> Average at 12/1/2010	0.2266	0.4811	0.7077
<b>(3a)</b> Senate Bill 1 Adjustment	1.0000	0.8260	
<b>(3b)</b> Average Trended Loss and LAE Ratio Post-SB1 (2e)*(3a)	0.2266	0.3974	0.6240
<b>(4a)</b> Excess Loss Factor at \$1,979,331 (Post-SB1 Basis) *			0.0932
<b>(4b)</b> Provision for Excess Loss (5a)-(3b)			0.0641
<b>(5a)</b> Total Trended Loss and LAE Ratio (3b)/(1.0-(4a))	0.2340	0.4541	0.6881
<b>(5b)</b> Percentage of Total	34.0%	66.0%	
<b>(6)</b> Permissible Loss and Loss Adjustment Ratio			0.7315
<b>(7)</b> Indicated Change in Rates (5a) / (6)			0.9407
<b>(8)</b> Estimated Effect of the 7/1/10 Benefit Change			0.9992
<b>(9)</b> Indicated Change in Residual Market Rate Level (7) * (8)			0.9399
<b>(10)</b> Indicated Change in Voluntary Market Loss Costs (9) * [0.7574 / 0.7511]			0.9478

### CHANGES IN MANUAL PREMIUM LEVEL BY INDUSTRY GROUP

	<b>Mfg.</b>	<b>Cont.</b>	<b>Other</b>	<b>Total</b>
<b>(11)</b> Current Collectible Premium Ratio	1.1038	1.0532	0.9782	
<b>(12)</b> Proposed Collectible Premium Ratio	1.0835	1.0278	0.9394	
<b>(13)</b> Change in Collectible Premium Ratio (12) / (11)	0.9816	0.9759	0.9603	0.9673
<b>(14)</b> Change in Residual Market Manual Rate Level (9) * (13)	0.9226	0.9172	0.9026	0.9092
<b>(15)</b> Change in Voluntary Market Manual Loss Cost Level (10) * (13)	0.9304	0.9250	0.9102	0.9168
<b>(16)</b> Current Offset for Residual Market Surcharge				0.9925
<b>(17)</b> Proposed Offset for Residual Market Surcharge				0.9947
<b>(18)</b> Adjusted Change in Voluntary Market Manual Loss Cost Level (15) * (17)/(16)	0.9325	0.9271	0.9122	0.9188

\* \$2,370,000 on a pre-Senate Bill 1 basis.