

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 2002 - 2006

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	15,846,217	16,332,246	103.1	2,164,606	4,088,646	188.9	13,681,611	12,243,600	89.5	2.111
1,001-2,000	20,590,117	16,866,789	81.9	4,336,600	3,460,981	79.8	16,253,517	13,405,808	82.5	0.967
2,001-3,000	19,049,727	15,622,136	82.0	4,571,357	5,125,379	112.1	14,478,370	10,496,757	72.5	1.546
3,001-4,000	16,550,587	15,666,831	94.7	3,315,296	3,937,544	118.8	13,235,291	11,729,287	88.6	1.341
4,001-5,000	15,454,267	12,899,193	83.5	3,009,055	2,823,059	93.8	12,445,212	10,076,134	81.0	1.158
5,001-7,500	35,323,515	36,576,774	103.5	6,601,554	8,433,616	127.8	28,721,961	28,143,158	98.0	1.304
7,501-10,000	31,837,483	54,983,851	172.7	6,252,676	9,025,200	144.3	25,584,807	45,958,651	179.6	0.803
10,001-12,500	28,138,671	22,737,995	80.8	4,755,211	4,746,326	99.8	23,383,460	17,991,669	76.9	1.298
12,501-15,000	25,480,548	20,702,726	81.2	4,147,365	4,290,256	103.4	21,333,183	16,412,470	76.9	1.345
15,001-20,000	43,471,263	35,338,761	81.3	7,744,474	9,148,787	118.1	35,726,789	26,189,974	73.3	1.611
20,001-25,000	36,524,182	28,667,368	78.5	6,968,094	5,181,715	74.4	29,556,088	23,485,653	79.5	0.936
25,001-50,000	132,554,001	132,364,650	99.9	22,745,750	27,534,583	121.1	109,808,251	104,830,067	95.5	1.268
50,001-75,000	94,652,995	81,101,203	85.7	13,428,612	18,728,666	139.5	81,224,383	62,372,537	76.8	1.816
75,001-100,000	70,515,982	63,415,955	89.9	10,306,059	9,371,474	90.9	60,209,923	54,044,481	89.8	1.012
100,001-200,000	176,218,741	147,954,761	84.0	23,984,580	18,032,230	75.2	152,234,161	129,922,531	85.3	0.882
200,001-300,000	97,339,365	72,695,729	74.7	13,258,823	7,241,071	54.6	84,080,542	65,454,658	77.8	0.702
300,001-400,000	64,381,730	54,113,630	84.1	6,263,979	5,212,896	83.2	58,117,751	48,900,734	84.1	0.989
400,001-500,000	49,923,550	46,017,001	92.2	1,682,718	1,053,363	62.6	48,240,832	44,963,638	93.2	0.672
500,001-1,000,000	152,156,999	121,010,362	79.5	3,907,733	6,781,655	173.5	148,249,266	114,228,707	77.1	2.250
1,000,001 & higher	194,954,582	125,888,014	64.6	1,680,726	1,401,594	83.4	193,273,856	124,486,420	64.4	1.295
TOTALS	1,320,964,522	1,120,955,975	84.9	151,125,268	155,619,041	103.0	1,169,839,254	965,336,934	82.5	1.248

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

DELAWARE INSURANCE PLAN EXPERIENCE
Manual Years 2002 - 2006

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
2002	195,350,701	207,201,353	106.1	21,179,615	24,863,531	117.4	174,171,086	182,337,822	104.7
2003	226,391,717	208,923,593	92.3	26,837,383	30,475,318	113.6	199,554,334	178,448,275	89.4
2004	251,727,378	234,326,840	93.1	33,480,693	40,023,585	119.5	218,246,685	194,303,255	89.0
2005	304,266,640	239,087,988	78.6	38,271,770	33,432,488	87.4	265,994,870	205,655,500	77.3
2006	343,228,086	231,416,201	67.4	31,355,807	26,824,119	85.5	311,872,279	204,592,082	65.6
TOTALS	1,320,964,522	1,120,955,975	84.9	151,125,268	155,619,041	103.0	1,169,839,254	965,336,934	82.5

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2002	1.121
2003	1.271
2004	1.343
2005	1.131
2006	1.303
TOTAL 2002 - 2006	1.248

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for DARSKSUB)

(1) D I P MARKET SHARE	0.0649	(4) D I P LOSS RATIO	103.0
(2) AVERAGE SURCHARGE	0.077	(5) VOLUNTARY MKT LOSS RATIO	82.5
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [1 - (1)*{1+(2)}] / [1 - (1)]	0.9947	(6) D I P SURCHARGE FACTOR	1.077
		(7) L R D [(4) / (5)] / (6)	1.16

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

RESIDUAL MARKET SHARE (using financial data)

Policy Year Accumulated Standard Earned Premium @ 12/31/08

Residual Market Share excluding Large Deductible

Policy Year	(1)	(2)	(3) = (1) - (2)	(4)	(5) = (3) * (4)	(6) = (2)+(5)	(7) = (2) / (6)
	<u>Call #1</u>	<u>Call #12</u>	<u>Difference</u>	<u>LCM</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
1999	99,007,949	3,058,364	95,949,585	1.2888	123,659,825	126,718,189	0.0241
2000	104,211,771	5,555,180	98,656,591	1.2796	126,240,974	131,796,154	0.0421
2001	101,748,560	10,892,616	90,855,944	1.2625	114,705,629	125,598,245	0.0867
2002	123,043,758	29,434,299	93,609,459	1.3623	127,524,166	156,958,465	0.1875
2003	135,179,022	38,318,487	96,860,535	1.3727	132,960,456	171,278,943	0.2237
2004	151,656,723	48,301,365	103,355,358	1.3774	142,361,670	190,663,035	0.2533
2005	185,692,123	52,398,493	133,293,630	1.3548	180,586,210	232,984,703	0.2249
2006	204,555,666	43,548,025	161,007,641	1.3750	221,385,506	264,933,531	0.1644
2007	199,363,537	27,248,346	172,115,191	1.4001	240,978,479	268,226,825	0.1016
2008	95,367,977	10,287,939	85,080,038	1.3340	113,496,771	123,784,710	0.0831

Residual Market Share including Large Deductible (net basis)

Policy Year	(8)	(9) = (8) * (4)	(10) = (6) + (9)	(11) = (2) / (10)
	<u>Call #8</u>	<u>VM @ RM DSR Level</u>	<u>Total @ DSR</u>	<u>Ratio</u>
1999	8,760,142	11,290,071	138,008,260	0.0222
2000	9,723,652	12,442,385	144,238,539	0.0385
2001	13,852,968	17,489,372	143,087,617	0.0761
2002	16,022,110	21,826,920	178,785,385	0.1646
2003	17,001,771	23,338,331	194,617,274	0.1969
2004	20,652,908	28,447,315	219,110,350	0.2204
2005	22,366,423	30,302,030	263,286,733	0.1990
2006	27,898,196	38,360,020	303,293,551	0.1436
2007	45,202,643	63,288,220	331,515,045	0.0822
2008	25,981,052	34,658,723	158,443,433	0.0649

**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 2007</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	580	10,355,884	22.21%	38.81%
2 Risks with Debit Mod (> 1.0)	228	8,927,007	8.73%	33.46%
3 Total - Rated Risks	808	19,282,891	30.95%	72.27%
4 Non-Rated Risks	1,803	7,400,439	69.05%	27.73%
5 Total - All Assigned Risks	2,611	26,683,330	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod (<= 1.0)	10,355,884	0.000	36.03%
2 Risks with Debit Mod (> 1.0)	10,986,169	0.231	38.22%
3 Total - Rated Risks	21,342,053	0.107	74.25%
4 Non-Rated Risks	7,400,439	0.000	25.75%
5 Total - All Assigned Risks	28,742,492	0.077	100.00%

Surcharge = 50% * (1 - 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	0.0649
2	VMS	Voluntary Market Share (1 - ARMS)	0.9351
3	LRD	Loss Ratio Differential	1.16
4	PLR	Permissible Loss Ratio	0.6428
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.16 * 0.0649 + \text{VLR} * 0.9351 = 0.6428$$

$$\text{VLR} = 0.6362$$

$$\text{ARLR} = 1.16 * \text{VLR} = 0.738$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.1018$$

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

$$= (0.8) * (10.18\%) * (0.0649 / 0.9351)$$

$$= (0.8) * (10.18\%) * (0.0694)$$

$$= 0.57\%$$