

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.

COLLECTIBLE PREMIUM RATIOS *

Manual Years 2004 to 2006 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
2004	240,994,762	242,416,571	0.9941
2005	291,556,115	293,456,170	0.9935
2006	315,224,307	331,043,726	0.9522
TOTAL	847,775,184	866,916,467	0.9779
MANUFACTURING AND UTILITIES			
2004	36,187,411	32,387,922	1.1173
2005	42,465,542	38,328,567	1.1079
2006	44,322,895	42,778,237	1.0361
TOTAL	122,975,848	113,494,726	1.0835
CONTRACTING AND QUARRYING			
2004	54,889,510	53,483,232	1.0263
2005	68,840,227	66,279,271	1.0386
2006	74,103,861	72,724,770	1.0190
TOTAL	197,833,598	192,487,273	1.0278
OTHER INDUSTRIES			
2004	149,917,841	156,545,417	0.9577
2005	180,250,346	188,848,332	0.9545
2006	196,797,551	215,540,719	0.9130
TOTAL	526,965,738	560,934,468	0.9394

* Excludes classifications and coverages not subject to experience rating.

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>							
2005	0.9223	1.0000	1.7997	1.6856	1.1808	3.3037	0.3027
2006	0.9315	1.0000	1.9849	1.6856	1.1315	3.5264	0.2836
2007	0.9618	1.0000	2.5859	1.6856	1.0850	4.5486	0.2198
<u>Contracting and Quarrying</u>							
2005	0.9223	1.0000	1.8220	1.5989	1.1808	3.1726	0.3152
2006	0.9315	1.0000	2.1098	1.5989	1.1315	3.5555	0.2813
2007	0.9618	1.0000	2.7182	1.5989	1.0850	4.5354	0.2205
<u>Other Industries</u>							
2005	0.9223	1.0000	1.6979	1.4614	1.1808	2.7023	0.3701
2006	0.9315	1.0000	1.9363	1.4614	1.1315	2.9825	0.3353
2007	0.9618	1.0000	2.5937	1.4614	1.0850	3.9555	0.2528

Experience Rating Plan Parameters

(1)	Eligibility Point = (3,161 = 1 yr Prem) 3 yr =	\$9,483
(2)	Permissible Loss Ratio =	0.6573 (a)
(3)	Expected Losses needed to achieve 5% credibility (1)*(2) = \$9,483*0.6573 =	\$6,233
(4)	Max Value : $\frac{0.25 * \$6,233}{0.05} =$	\$31,165
(5)	K-Value a) If (3) is assigned 5% credibility, then $K = \frac{E(1-c)}{c} = \frac{\$6,233 * (1-.05)}{.05} =$	\$118,427
(6)	.055 Credibility Interval - the .0525 left endpoint corresponds to $E = \frac{(K * C)}{(1-C)} = \frac{118,427 * .0525}{.9475} =$	\$6,562
(7)	Right endpoint for .05 credibility interval =	\$6,561
(8)	Self rating point = 25 * average serious claim # = 25 * 283,611 =	\$7,090,275
	6% of (8) rounded to the nearest \$1,000 =	425,000
	Selected =	425,000

(a) Standard LR / CPR = Manual LR
0.6428/0.9779 = 0.6573