

DELAWARE COMPENSATION RATING BUREAU, INC.

Small Deductible Program

The attached exhibits review the impact of deductibles on loss costs and residual market manual rates. Staff has proposed nominal changes to the loss elimination ratios and premium credit factors currently in effect.

2025 DELAWARE DEDUCTIBLE STUDY

Proposed Effective Date 12/1/25

Deduct. Level	Effect of Deductible on Losses	Selected	Loss Elimination Ratio	Current Loss Elimination Ratio
		(12)	(13)	(14)
500	0.9802	0.980	0.020	0.021
1,000	0.9662	0.965	0.035	0.036
1,500	0.9553	0.954	0.046	0.047
2,000	0.9461	0.944	0.056	0.057
2,500	0.9381	0.935	0.065	0.066
3,000	0.9309	0.928	0.072	0.074
3,500	0.9243	0.921	0.079	0.081
4,000	0.9183	0.915	0.085	0.087
4,500	0.9127	0.909	0.091	0.093
5,000	0.9075	0.903	0.097	0.099

Deduct. Level	Effect of Deductible on Man.Rate	Selected	Premium Credit	Current Premium Credit
		(15)	(16)	(17)
500	0.9858	0.986	0.014	0.015
1,000	0.9758	0.975	0.025	0.026
1,500	0.9680	0.967	0.033	0.034
2,000	0.9614	0.960	0.040	0.041
2,500	0.9557	0.953	0.047	0.048
3,000	0.9505	0.948	0.052	0.053
3,500	0.9458	0.943	0.057	0.058
4,000	0.9415	0.939	0.061	0.063
4,500	0.9375	0.935	0.065	0.067
5,000	0.9337	0.931	0.069	0.071

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Loss Range		Total Incurred Losses (1)	Adj Factor (2) a	Adj Factor (3) b	Adjusted Losses (1)*(2)*(3) (4)
0 -	499	2,923,093	1.000	0.9996	2,921,924
500 -	999	4,125,826	0.995	0.9996	4,103,555
1,000 -	1,499	3,461,354	0.990	0.9996	3,425,370
1,500 -	1,999	3,052,995	0.985	0.9996	3,005,997
2,000 -	2,499	2,786,727	0.980	0.9996	2,729,900
2,500 -	2,999	2,388,109	0.975	0.9996	2,327,475
3,000 -	3,499	2,246,906	0.970	0.9996	2,178,627
3,500 -	3,999	2,286,805	0.965	0.9996	2,205,884
4,000 -	4,499	2,130,968	0.960	0.9996	2,044,911
4,500 -	4,999	1,977,423	0.955	0.9996	1,887,684
5,000 -	& UP	322,947,708	0.950	0.9996	306,677,602

Deduct. Level (5)	# Claims ≥ Deduct Level (6)	Adj Losses < Deduct. Level (7) c	[(2)*(3)* (5)*(6)] (8)	Adj Tot Ded Collected (7)+(8) (9)
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500	22,062	2,921,924	10,971,455	13,893,379
1,000	16,303	7,025,479	16,133,514	23,158,993
1,500	13,495	10,450,849	19,930,887	30,381,736
2,000	11,733	13,456,846	22,987,481	36,444,327
2,500	10,482	16,186,746	25,539,655	41,726,401
3,000	9,611	18,514,221	27,956,823	46,471,044
3,500	8,919	20,692,848	30,111,873	50,804,721
4,000	8,307	22,898,732	31,886,120	54,784,852
4,500	7,805	24,943,643	33,528,571	58,472,214
5,000	7,388	26,831,327	35,078,963	61,910,290

Deduct. Level (5)	Effect of Deductible on Losses (10) d	Effect of Deductible on Manual Rate (11) e
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500	0.9802	0.9858
1,000	0.9662	0.9758
1,500	0.9553	0.9680
2,000	0.9461	0.9614
2,500	0.9381	0.9557
3,000	0.9309	0.9505
3,500	0.9243	0.9458
4,000	0.9183	0.9415
4,500	0.9127	0.9375
5,000	0.9075	0.9337

2025 DELAWARE DEDUCTIBLE STUDY

- a Adjustment factor for the amount of the deductible which will actually be reimbursed to the insurer by the insured.
- b Adjustment factor to put deductibles on a per occurrence basis instead of a per claim basis = 0.9996
- c Downward accumulation of Column (4).
- d Effect of deductible on Losses

$$= [A/B - \text{Col}(9) + P * C * \text{Col}(3)] / (A/B)$$

A = Total incurred indemnity on death claims plus total incurred medical on all claims = sum of Column (4) = 333,508,929

B = Death indemnity losses plus all medical losses as a % of all losses = 0.505
Per Table II 2025 , Sect C

1.All Losses	679,788,886
2.Death Indem (00)	176,933
3.All Medical (00)	3,254,427
4.[((2)+(3))/(1)] * 100	0.505

C = # of death indemnity claims plus # of claims with some medical portion = 33,632

P = Processing expense per claim = 25.00
- e Effect of deductible on Manual Rate

$$= [(\text{Column (10)} * \text{permissible loss ratio}) + \text{fixed expenses}] / (1 - \text{variable expenses})$$

Fixed expenses = LAE + General + Admin = 0.2298

Variable expenses = Acquisition + P&C + Prem Tax + Workers' Comp. Fund + Misc. Tax + Prem Discount + Uncollectible Premium = 0.1902

Permissible Loss Ratio = 0.5800