

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.

2022 DELAWARE DEDUCTIBLE STUDY

Proposed Effective Date 12/1/22

Deduct. Level	Effect of Deductible on Losses	Selected	Loss Elimination Ratio	Current Loss Elimination Ratio
		(12)	(13)	(14)
500	0.9799	0.982	0.018	0.017
1,000	0.9652	0.968	0.032	0.030
1,500	0.9536	0.957	0.043	0.041
2,000	0.9440	0.948	0.052	0.050
2,500	0.9356	0.939	0.061	0.058
3,000	0.9281	0.932	0.068	0.065
3,500	0.9213	0.925	0.075	0.072
4,000	0.9150	0.919	0.081	0.078
4,500	0.9092	0.913	0.087	0.083
5,000	0.9038	0.908	0.092	0.089

Deduct. Level	Effect of Deductible on Man.Rate	Selected	Premium Credit	Current Premium Credit
		(15)	(16)	(17)
500	0.9853	0.987	0.013	0.012
1,000	0.9746	0.977	0.023	0.022
1,500	0.9661	0.969	0.031	0.030
2,000	0.9591	0.962	0.038	0.036
2,500	0.9529	0.955	0.045	0.042
3,000	0.9474	0.950	0.050	0.047
3,500	0.9425	0.945	0.055	0.052
4,000	0.9379	0.941	0.059	0.057
4,500	0.9336	0.936	0.064	0.060
5,000	0.9297	0.933	0.067	0.065

2022 DELAWARE DEDUCTIBLE STUDY

Loss Range		Total Incurred Losses (1)	Adj Factor (2) a	Adj Factor (3) b	Adjusted Losses (1)*(2)*(3) (4)
0 -	499	3,112,466	1.000	0.9996	3,111,221
500 -	999	4,586,063	0.995	0.9996	4,561,307
1,000 -	1,499	4,344,771	0.990	0.9996	4,299,603
1,500 -	1,999	3,834,545	0.985	0.9996	3,775,516
2,000 -	2,499	3,446,682	0.980	0.9996	3,376,397
2,500 -	2,999	3,195,511	0.975	0.9996	3,114,377
3,000 -	3,499	2,692,270	0.970	0.9996	2,610,457
3,500 -	3,999	2,601,278	0.965	0.9996	2,509,229
4,000 -	4,499	2,372,638	0.960	0.9996	2,276,821
4,500 -	4,999	2,328,067	0.955	0.9996	2,222,415
5,000 -	& UP	414,559,675	0.950	0.9996	393,674,159

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	26,271	3,111,221	13,064,595	16,175,816
1,000	19,901	7,672,528	19,694,109	27,366,637
1,500	16,364	11,972,131	24,168,139	36,140,270
2,000	14,143	15,747,647	27,709,192	43,456,839
2,500	12,599	19,124,044	30,697,778	49,821,822
3,000	11,433	22,238,421	33,256,722	55,495,143
3,500	10,603	24,848,878	35,797,308	60,646,186
4,000	9,908	27,358,107	38,031,501	65,389,608
4,500	9,347	29,634,928	40,152,665	69,787,593
5,000	8,856	31,857,343	42,049,174	73,906,517

Deduct. Level (5)	Effect of Deductible on Losses (10) d	Effect of Deductible on Manual Rate (11) e
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500	0.9799	0.9853
1,000	0.9652	0.9746
1,500	0.9536	0.9661
2,000	0.9440	0.9591
2,500	0.9356	0.9529
3,000	0.9281	0.9474
3,500	0.9213	0.9425
4,000	0.9150	0.9379
4,500	0.9092	0.9336
5,000	0.9038	0.9297

2022 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
= $[A/B - \text{Col}(9) + P \cdot C \cdot \text{Col}(3)] / (A/B)$

A = Total incurred indemnity on death claims plus
total incurred medical on all claims =
sum of Column (4) = 425,531,502

B = Death indemnity losses plus all medical losses
as a % of all losses = 0.561
Per Table II 2022 , Sect C
1.All Losses 791,667,232
2.Death Indem (00) 186,548
3.All Medical (00) 4,257,051
4. $[(2)+(3))/(1)] \cdot 100$ 0.561

C = # of death indemnity claims plus # of claims with
some medical portion = 37,991

P = Processing expense per claim = 25.00

- e Effect of deductible on Manual Rate
= $[(\text{Column (10)} \cdot \text{permissible loss ratio}) + \text{fixed expenses}] /$
 $(1 - \text{variable expenses})$

Fixed expenses = LAE + General + Admin
= 0.2094

Variable expenses = Acquisition + P&C + Prem Tax
+ Workers' Comp. Fund + Misc. Tax + Prem Discount
+ Uncollectible Premium = 0.2219

Permissible Loss Ratio = 0.5687