

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 2016 - 2020

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	23,460,204	8,324,022	35.5	1,667,026	979,296	58.7	21,793,178	7,344,726	33.7	1.742
1,001-2,000	23,686,821	10,144,304	42.8	4,400,359	4,475,100	101.7	19,286,462	5,669,204	29.4	3.459
2,001-3,000	19,744,006	8,390,456	42.5	2,610,216	2,313,990	88.7	17,133,790	6,076,466	35.5	2.499
3,001-4,000	18,721,553	11,177,778	59.7	2,369,338	4,744,522	200.2	16,352,215	6,433,256	39.3	5.094
4,001-5,000	18,164,718	21,839,450	120.2	2,492,233	2,360,299	94.7	15,672,485	19,479,151	124.3	0.762
5,001-7,500	39,977,266	36,904,691	92.3	4,969,135	3,050,375	61.4	35,008,131	33,854,316	96.7	0.635
7,501-10,000	32,942,589	15,618,645	47.4	3,482,400	1,542,328	44.3	29,460,189	14,076,317	47.8	0.927
10,001-12,500	28,444,065	14,159,331	49.8	3,120,596	2,637,428	84.5	25,323,469	11,521,903	45.5	1.857
12,501-15,000	25,193,977	16,407,107	65.1	2,350,341	724,674	30.8	22,843,636	15,682,433	68.7	0.448
15,001-20,000	41,630,068	17,279,772	41.5	3,906,515	4,127,812	105.7	37,723,553	13,151,960	34.9	3.029
20,001-25,000	36,076,555	18,772,787	52.0	3,310,913	2,331,810	70.4	32,765,642	16,440,977	50.2	1.402
25,001-50,000	130,806,246	62,502,389	47.8	9,270,516	5,132,824	55.4	121,535,730	57,369,565	47.2	1.174
50,001-75,000	85,190,620	37,675,227	44.2	3,730,985	786,409	21.1	81,459,635	36,888,818	45.3	0.466
75,001-100,000	68,205,994	28,718,417	42.1	2,417,023	1,233,392	51.0	65,788,971	27,485,025	41.8	1.220
100,001-200,000	188,074,798	86,154,773	45.8	6,075,014	2,715,613	44.7	181,999,784	83,439,160	45.8	0.976
200,001-300,000	121,563,722	62,286,778	51.2	3,761,157	987,794	26.3	117,802,565	61,298,984	52.0	0.506
300,001-400,000	87,036,466	33,938,768	39.0	1,702,550	484,362	28.4	85,333,916	33,454,406	39.2	0.724
400,001-500,000	63,324,072	24,087,843	38.0	409,233	21,103	5.2	62,914,839	24,066,740	38.3	0.136
500,001-1,000,000	152,233,574	59,401,701	39.0	1,388,060	523,940	37.7	150,845,514	58,877,761	39.0	0.967
1,000,001 & higher	334,235,705	136,253,467	40.8	0	0	N/A	334,235,705	136,253,467	40.8	N/A
TOTALS	1,538,713,019	710,037,706	46.1	63,433,610	41,173,071	64.9	1,475,279,409	668,864,635	45.3	1.433

\* Premium calculated based on DCRB voluntary market loss cost level.

DELAWARE INSURANCE PLAN EXPERIENCE  
Manual Years 2016 - 2020

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
2016	296,784,752	156,163,866	52.6	16,319,839	13,301,405	81.5	280,464,913	142,862,461	50.9
2017	321,093,951	144,319,778	44.9	14,330,177	7,790,594	54.4	306,763,774	136,529,184	44.5
2018	316,905,407	128,729,054	40.6	13,012,747	8,635,239	66.4	303,892,660	120,093,815	39.5
2019	309,120,790	152,567,713	49.4	10,391,263	6,810,815	65.5	298,729,527	145,756,898	48.8
2020	294,808,119	128,257,295	43.5	9,379,584	4,635,018	49.4	285,428,535	123,622,277	43.3
TOTALS	1,538,713,019	710,037,706	46.1	63,433,610	41,173,071	64.9	1,475,279,409	668,864,635	45.3

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2016	1.601
2017	1.222
2018	1.681
2019	1.342
2020	1.141
TOTAL 2016 - 2020	1.433

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0450	(4) D I P LOSS RATIO	64.9
(2) AVERAGE SURCHARGE	0.064	(5) VOLUNTARY MKT LOSS RATIO	45.3
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [ 1 - (1)*{1+(2)} ] / [ 1 - (1) ]	0.9970	(6) D I P SURCHARGE FACTOR	1.064
		(7) L R D [ (4) / (5) ] / (6)	1.35

\* Premium calculated based on DCRB voluntary market loss cost level.

**RESIDUAL MARKET SHARE (using financial data)**

Policy Year Accumulated Standard Earned Premium @ 12/31/22

Residual Market Share excluding Large Deductible

Policy Year	(1) <u>Call #1</u>	(2) <u>Call #12</u>	(3) = (1)-(2) <u>Difference</u>	(4) <u>LCM</u>	(5) = (3)*(4) <u>VM @ RM DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2)/(6) <u>Ratio</u>
2013	135,164,760	30,426,050	104,738,710	1.4242	149,168,871	179,594,921	0.1694
2014	148,066,822	24,765,457	123,301,365	1.4242	175,605,804	200,371,261	0.1236
2015	146,167,459	25,825,485	120,341,974	1.4327	172,413,946	198,239,431	0.1303
2016	165,800,888	24,730,413	141,070,475	1.4259	201,152,390	225,882,803	0.1095
2017	179,041,118	22,529,378	156,511,740	1.4383	225,110,836	247,640,214	0.0910
2018	177,409,840	19,872,245	157,537,595	1.3462	212,077,110	231,949,355	0.0857
2019	169,047,278	15,453,245	153,594,033	1.3493	207,244,429	222,697,674	0.0694
2020	157,975,629	14,113,520	143,862,109	1.3593	195,551,765	209,665,285	0.0673
2021	147,703,493	11,414,141	136,289,352	1.3987	190,627,917	202,042,058	0.0565
2022	69,800,102	5,601,532	64,198,570	1.4090	90,455,785	96,057,317	0.0583

Residual Market Share including Large Deductible (net basis)

Policy Year	(8) <u>Call #8</u>	(9) = (8)*(4) <u>VM @ RM DSR Level</u>	(10) = (6)+(9) <u>Total @ DSR</u>	(11) = (2)/(10) <u>Ratio</u>
2013	37,955,156	54,055,733	233,650,654	0.1302
2014	39,091,320	55,673,858	256,045,119	0.0967
2015	41,397,130	59,309,668	257,549,099	0.1003
2016	45,354,229	64,670,595	290,553,398	0.0851
2017	46,748,115	67,237,814	314,878,028	0.0715
2018	43,701,624	58,831,126	290,780,481	0.0683
2019	44,103,516	59,508,874	282,206,548	0.0548
2020	44,539,876	60,543,053	270,208,338	0.0522
2021	40,380,385	56,480,044	258,522,102	0.0442
2022	20,147,296	28,387,540	124,444,857	0.0450

**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 2021</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	199	2,758,133	24.72%	41.81%
2 Risks with Debit Mod ( > 1.0)	61	1,698,923	7.58%	25.76%
3 Total - Rated Risks	260	4,457,056	32.30%	67.57%
4 Non-Rated Risks	545	2,139,272	67.70%	32.43%
5 Total - All Assigned Risks	805	6,596,328	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( <= 1.0)	2,758,133	0.000	39.32%
2 Risks with Debit Mod ( > 1.0)	2,117,929	0.247	30.19%
3 Total - Rated Risks	4,876,062	0.094	69.51%
4 Non-Rated Risks	2,139,272	0.000	30.49%
5 Total - All Assigned Risks	7,015,334	0.064	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	0.0450
2	VMS	Voluntary Market Share (1 - ARMS)	0.9550
3	LRD	Loss Ratio Differential	1.35
4	PLR	Permissible Loss Ratio	0.5956
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.35 * 0.045 + \text{VLR} * 0.955 = 0.5956$$

$$\text{VLR} = 0.5863$$

$$\text{ARLR} = 1.35 * \text{VLR} = 0.7915$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.2052$$

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

$$= (0.8) * (20.52\%) * (0.045 / 0.955)$$

$$= (0.8) * (20.52\%) * (0.0471)$$

$$= 0.77\%$$