

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 2015 - 2019

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	22,753,788	9,328,458	41.0	1,745,704	631,635	36.2	21,008,084	8,696,823	41.4	0.874
1,001-2,000	23,821,198	12,565,206	52.7	4,594,250	5,022,269	109.3	19,226,948	7,542,937	39.2	2.788
2,001-3,000	19,720,397	8,760,883	44.4	2,694,576	2,929,091	108.7	17,025,821	5,831,792	34.3	3.169
3,001-4,000	18,785,382	11,501,643	61.2	2,578,615	5,520,960	214.1	16,206,767	5,980,683	36.9	5.802
4,001-5,000	18,106,086	11,740,872	64.8	2,419,975	3,483,602	144.0	15,686,111	8,257,270	52.6	2.738
5,001-7,500	39,319,193	23,199,689	59.0	4,941,280	3,241,834	65.6	34,377,913	19,957,855	58.1	1.129
7,501-10,000	32,639,271	17,472,288	53.5	3,625,524	2,947,079	81.3	29,013,747	14,525,209	50.1	1.623
10,001-12,500	27,995,539	15,869,898	56.7	3,341,477	3,506,914	105.0	24,654,062	12,362,984	50.1	2.096
12,501-15,000	24,836,598	20,322,768	81.8	2,491,294	1,440,340	57.8	22,345,304	18,882,428	84.5	0.684
15,001-20,000	41,223,870	20,792,573	50.4	3,969,460	4,573,134	115.2	37,254,410	16,219,439	43.5	2.648
20,001-25,000	36,854,998	21,775,895	59.1	3,621,866	3,076,349	84.9	33,233,132	18,699,546	56.3	1.508
25,001-50,000	128,863,725	84,387,300	65.5	10,297,859	12,002,542	116.6	118,565,866	72,384,758	61.1	1.908
50,001-75,000	83,350,489	40,897,535	49.1	4,397,531	1,117,499	25.4	78,952,958	39,780,036	50.4	0.504
75,001-100,000	68,659,422	31,320,617	45.6	3,051,809	1,599,840	52.4	65,607,613	29,720,777	45.3	1.157
100,001-200,000	188,962,726	102,398,188	54.2	7,251,912	5,615,760	77.4	181,710,814	96,782,428	53.3	1.452
200,001-300,000	119,142,263	72,782,742	61.1	5,508,557	2,498,564	45.4	113,633,706	70,284,178	61.9	0.733
300,001-400,000	81,417,202	40,041,970	49.2	1,689,536	467,971	27.7	79,727,666	39,573,999	49.6	0.558
400,001-500,000	55,580,161	22,494,900	40.5	889,611	188,435	21.2	54,690,550	22,306,465	40.8	0.520
500,001-1,000,000	145,912,494	64,643,349	44.3	1,388,060	697,023	50.2	144,524,434	63,946,326	44.2	1.136
1,000,001 & higher	319,412,812	144,018,064	45.1	0	0	N/A	319,412,812	144,018,064	45.1	N/A
TOTALS	1,497,357,614	776,314,838	51.8	70,498,896	60,560,841	85.9	1,426,858,718	715,753,997	50.2	1.711

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

DELAWARE INSURANCE PLAN EXPERIENCE  
Manual Years 2015 - 2019

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
2015	258,562,671	155,818,799	60.3	16,406,736	19,565,864	119.3	242,155,935	136,252,935	56.3
2016	295,997,257	167,397,989	56.6	16,321,479	13,698,199	83.9	279,675,778	153,699,790	55.0
2017	319,873,495	155,499,284	48.6	14,330,963	8,332,228	58.1	305,542,532	147,167,056	48.2
2018	315,361,563	145,781,627	46.2	13,013,578	10,350,025	79.5	302,347,985	135,431,602	44.8
2019	307,562,628	151,817,139	49.4	10,426,140	8,614,525	82.6	297,136,488	143,202,614	48.2
TOTALS	1,497,357,614	776,314,838	51.8	70,498,896	60,560,841	85.9	1,426,858,718	715,753,997	50.2

MANUAL YEAR	INDICATED DIFFERENCE FACTOR DIP/(SW-DIP)
2015	2.119
2016	1.525
2017	1.205
2018	1.775
2019	1.714
TOTAL 2015 - 2019	1.711

INDICATED MANUAL LOSS COST OFFSET

LOSS RATIO DIFFERENTIAL (for page 19.5)

(1) D I P MARKET SHARE	0.0380	(4) D I P LOSS RATIO	85.9
(2) AVERAGE SURCHARGE	0.068	(5) VOLUNTARY MKT LOSS RATIO	50.2
(3) MANUAL LOSS COST OFFSET APPLICABLE TO VOLUNTARY MARKET RISKS [ 1 - (1)*{1+(2)} ] / [ 1 - (1) ]	0.9973	(6) D I P SURCHARGE FACTOR	1.068
		(7) L R D [ (4) / (5) ] / (6)	1.60

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

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

Policy Year Accumulated Standard Earned Premium @ 12/31/21

**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) VM @ RM <u>DSR Level</u>	(6) = (2)+(5) <u>Total @ DSR</u>	(7) = (2)/( 6) <u>Ratio</u>
2012	115,069,977	20,965,707	94,104,270	1.3735	129,252,215	150,217,922	0.1396
2013	134,921,960	30,426,385	104,495,575	1.4242	148,822,598	179,248,983	0.1697
2014	147,786,894	24,765,457	123,021,437	1.4242	175,207,131	199,972,588	0.1238
2015	145,741,955	25,828,084	119,913,871	1.4327	171,800,603	197,628,687	0.1307
2016	165,328,692	24,730,939	140,597,753	1.4259	200,478,336	225,209,275	0.1098
2017	178,219,269	22,529,591	155,689,678	1.4383	223,928,464	246,458,055	0.0914
2018	176,485,322	19,878,481	156,606,841	1.3462	210,824,129	230,702,610	0.0862
2019	168,559,225	15,593,150	152,966,075	1.3493	206,397,125	221,990,275	0.0702
2020	155,960,071	14,269,404	141,690,667	1.3590	192,557,616	206,827,020	0.0690
2021	81,110,569	5,456,543	75,654,026	1.3986	105,809,721	111,266,264	0.0490

**Residual Market Share including Large Deductible (net basis)**

Policy Year	(8) <u>Call #8</u>	(9) = (8)*(4) VM @ RM <u>DSR Level</u>	(10) = (6)+(9) <u>Total @ DSR</u>	(11) = (2)/(10) <u>Ratio</u>
2012	31,205,725	42,861,063	193,078,985	0.1086
2013	37,924,883	54,012,618	233,261,601	0.1304
2014	39,091,363	55,673,919	255,646,507	0.0969
2015	41,397,713	59,310,503	256,939,190	0.1005
2016	45,131,893	64,353,566	289,562,841	0.0854
2017	46,748,017	67,237,673	313,695,728	0.0718
2018	43,667,371	58,785,015	289,487,625	0.0687
2019	45,133,103	60,898,096	282,888,371	0.0551
2020	43,182,989	58,685,682	265,512,702	0.0537
2021	23,188,491	32,431,424	143,697,688	0.0380

**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 2020</u>	<u>% Total Count</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( $\leq 1.0$ )	309	4,915,360	26.78%	48.36%
2 Risks with Debit Mod ( $> 1.0$ )	86	3,403,268	7.45%	33.48%
3 Total - Rated Risks	395	8,318,628	34.23%	81.84%
4 Non-Rated Risks	759	1,845,938	65.77%	18.16%
5 Total - All Assigned Risks	1,154	10,164,566	100.00%	100.00%

	<u>Surcharged Premium</u>	<u>Average Surcharge</u>	<u>% Total Premium</u>
1 Risks with Credit Mod ( $\leq 1.0$ )	4,915,360	0.000	45.26%
2 Risks with Debit Mod ( $> 1.0$ )	4,099,044	0.204	37.74%
3 Total - Rated Risks	9,014,404	0.084	83.00%
4 Non-Rated Risks	1,845,938	0.000	17.00%
5 Total - All Assigned Risks	10,860,342	0.068	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	0.0380
2	VMS	Voluntary Market Share (1 - ARMS)	0.9620
3	LRD	Loss Ratio Differential	1.60
4	PLR	Permissible Loss Ratio	0.5687
5	ARLR	Assigned Risk Loss Ratio	
6	VLR	Voluntary Loss Ratio	
7	S	Subsidy	

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

$$\text{VLR} * 1.6 * 0.038 + \text{VLR} * 0.962 = 0.5687$$

$$\text{VLR} = 0.556$$

$$\text{ARLR} = 1.6 * \text{VLR} = 0.8896$$

$$\text{DIFF} = \text{ARLR} - \text{VLR} = 0.3336$$

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

$$= (0.8) * (33.36\%) * (0.038 / 0.962)$$

$$= (0.8) * (33.36\%) * (0.0395)$$

$$= 1.05\%$$