

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.

2023 DELAWARE DEDUCTIBLE STUDY

Proposed Effective Date 12/1/23

Deduct. Level	Effect of Deductible on Losses	Selected	Loss Elimination Ratio	Current Loss Elimination Ratio
			(13)	(14)
		(12)		
500	0.9793	0.981	0.019	0.018
1,000	0.9642	0.966	0.034	0.032
1,500	0.9525	0.955	0.045	0.043
2,000	0.9427	0.945	0.055	0.052
2,500	0.9341	0.937	0.063	0.061
3,000	0.9264	0.929	0.071	0.068
3,500	0.9195	0.922	0.078	0.075
4,000	0.9130	0.916	0.084	0.081
4,500	0.9070	0.910	0.090	0.087
5,000	0.9015	0.904	0.096	0.092

Deduct. Level	Effect of Deductible on Man.Rate	Selected	Premium Credit	Current Premium Credit
			(16)	(17)
		(15)		
500	0.9848	0.986	0.014	0.013
1,000	0.9738	0.975	0.025	0.023
1,500	0.9652	0.967	0.033	0.031
2,000	0.9580	0.960	0.040	0.038
2,500	0.9517	0.954	0.046	0.045
3,000	0.9461	0.948	0.052	0.050
3,500	0.9410	0.943	0.057	0.055
4,000	0.9363	0.938	0.062	0.059
4,500	0.9319	0.934	0.066	0.064
5,000	0.9278	0.930	0.070	0.067

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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	3,030,766	1.000	0.9996	3,029,554
500 - 999	4,503,187	0.995	0.9996	4,478,879
1,000 - 1,499	4,008,934	0.990	0.9996	3,967,257
1,500 - 1,999	3,517,925	0.985	0.9996	3,463,770
2,000 - 2,499	3,164,978	0.980	0.9996	3,100,438
2,500 - 2,999	2,808,771	0.975	0.9996	2,737,456
3,000 - 3,499	2,598,709	0.970	0.9996	2,519,739
3,500 - 3,999	2,368,565	0.965	0.9996	2,284,751
4,000 - 4,499	2,235,721	0.960	0.9996	2,145,434
4,500 - 4,999	2,314,103	0.955	0.9996	2,209,084
5,000 - & UP	391,096,601	0.950	0.9996	371,393,154

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)
500	24,817	3,029,554	12,341,519	15,371,073
1,000	18,561	7,508,433	18,368,040	25,876,473
1,500	15,297	11,475,690	22,592,277	34,067,967
2,000	13,264	14,939,460	25,987,041	40,926,501
2,500	11,849	18,039,898	28,870,385	46,910,283
3,000	10,823	20,777,354	31,482,332	52,259,686
3,500	10,020	23,297,093	33,829,013	57,126,106
4,000	9,388	25,581,844	36,035,500	61,617,344
4,500	8,861	27,727,278	38,064,915	65,792,193
5,000	8,372	29,936,362	39,751,093	69,687,455

Deduct. Level (5)	Effect of Deductible on Losses (10) d	Effect of Deductible on Manual Rate (11) e
500	0.9793	0.9848
1,000	0.9642	0.9738
1,500	0.9525	0.9652
2,000	0.9427	0.9580
2,500	0.9341	0.9517
3,000	0.9264	0.9461
3,500	0.9195	0.9410
4,000	0.9130	0.9363
4,500	0.9070	0.9319
5,000	0.9015	0.9278

2023 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

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

A = Total incurred indemnity on death claims plus total incurred medical on all claims =	
sum of Column (4) =	401,329,516
B = Death indemnity losses plus all medical losses as a % of all losses =	0.575
Per Table II 2022 , Sect C	
1.All Losses	684,352,287
2.Death Indem (00)	147,594
3.All Medical (00)	3,789,281
4.[((2)+(3))/(1)] * 100	0.575
C = # of death indemnity claims plus # of claims with some medical portion =	36,430
P = Processing expense per claim =	25.00
- e Effect of deductible on Manual Rate

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

Fixed expenses = LAE + General + Admin	
=	0.2174
Variable expenses = Acquisition + P&C + Prem Tax + Workers' Comp. Fund + Misc. Tax + Prem Discount + Uncollectible Premium =	0.1870
Permissible Loss Ratio =	0.5956