

DELAWARE COMPENSATION RATING BUREAU, INC.

Indicated Residual Market Rate Change

Page 1 presents the overall indicated changes in rates and loss costs.

Derivation of the indemnity and medical trend factors and trended loss ratios shown on page 1 is presented on pages 2 through 4.

Page 5 shows the derivation of overall frequency trend factors for each of the latest four policy years.

**INDICATED CHANGE IN RATE LEVEL**

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(1a) Policy Year 2018 Loss and Loss Adjustment Expense Ratio	0.4395	0.3559	0.7954
(1b) Policy Year 2019 Loss and Loss Adjustment Expense Ratio	0.4608	0.3979	0.8587
(1c) Policy Year 2020 Loss and Loss Adjustment Expense Ratio	0.3432	0.3233	0.6665
(1d) Policy Year 2021 Loss and Loss Adjustment Expense Ratio	0.3241	0.3036	0.6277
(1e) Weighted Average (2018 - 40%; 2019 - 40%; 2020 - 10%; 2021 - 10%)	0.4269	0.3642	0.7911
(2a) Policy Year 2018 Loss and LAE Ratio Trended to 12/1/2024	0.3080	0.2892	0.5972
(2b) Policy Year 2019 Loss and LAE Ratio Trended to 12/1/2024	0.3430	0.3349	0.6779
(2c) Policy Year 2020 Loss and LAE Ratio Trended to 12/1/2024	0.2712	0.2819	0.5531
(2d) Policy Year 2021 Loss and LAE Ratio Trended to 12/1/2024	0.2720	0.2741	0.5461
(2e) Weighted Average (2018 - 40%; 2019 - 40%; 2020 - 10%; 2021 - 10%)	0.3147	0.3052	<b>0.6199</b>
(3a) Excess Loss Factor at \$1,841,760 (Post-Legislative Basis)			0.0619
(3b) Provision for Excess Loss (4a) - (2e)			0.0409
(4a) Total Trended Loss and LAE Ratio (2e) / (1.0 - (3a))	0.3245	0.3363	0.6608
(4b) Percentage of Total	49.11%	50.89%	
(5) Permissible Loss and Loss Adjustment Ratio			0.7528
(6) Indicated Change in Rates (4a) / (5)			0.8778
(7) Estimated Effect of the 7/1/24 Benefit Change			1.0119
(8) Indicated Change in Residual Market Rate Level (6) * (7)			0.8882
(8a) Factor to Adjust for Compromise With Insurance Department			0.96992
(8b) Change in Residual Market Rate Level to Reflect Compromise (8) * (8a)			0.8615
			<b>-13.85%</b>
(9) Indicated Change in Voluntary Market Loss Costs			0.9276
(9a) Factor to Adjust for Compromise With Insurance Department			0.96992
(9b) Change in Voluntary Market Loss Cost Level to Reflect Compromise (9) * (9a)			0.8997
(8) / Change in Average LCMs [1.2711 / 1.3275]			<b>-10.03%</b>
LCM = (1 / Loss, LAE and Administrative Assessment Ratio)			

	<b>Mfg.</b>	<b>Cont.</b>	<b>Other</b>	<b>Total</b>
(10) Current Collectible Premium Ratio	1.0600	1.0230	0.8886	
(11) Proposed Collectible Premium Ratio	1.0719	1.0180	0.8827	
(12) Change in Collectible Premium Ratio (11) / (10)	1.0112	0.9951	0.9934	0.9962
(13) Change in Residual Market Manual Rate Level (8) * (12)	0.8711	0.8573	0.8558	0.8582
(14) Change in Voluntary Market Manual Loss Cost Level (9) * (12)	0.9098	0.8953	0.8938	0.8963
(15) Current Offset for Residual Market Surcharge				0.9973
(16) Proposed Offset for Residual Market Surcharge				0.9970
(17) Adjusted Change in Voluntary Market Manual Loss Cost Level (14) * (16) / (15)	0.9095	0.8950	0.8935	0.8960

**DETERMINATION OF TREND**

**INDEMNITY**

Policy Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actual Loss Ratio	0.6322	0.6276	0.7048	0.5842	0.5655	0.5159	0.4585	0.4395	0.4608	0.3432	0.3241
Normalized Frequency	1.0000	0.9055	0.9246	0.7987	0.8306	0.7140	0.7245	0.6456	0.6433	0.6067	0.5447
Severity Loss Ratio	0.6322	0.6931	0.7623	0.7314	0.6808	0.7225	0.6329	0.6808	0.7163	0.5657	0.5950
<b>x</b>	1	2	3	4	5	6	7	8	9	10	11
<b>y</b>	0.6322	0.6931	0.7623	0.7314	0.6808	0.7225	0.6329	0.6808	0.7163	0.5657	0.5950

	Severity Loss Ratio Trend (excluding 2020 & 2021)	Severity Loss Ratio Trend (including 2020 & 2021)
Trend Selection		
4 pt	0.5%	-6.2%
5 pt	0.4%	-3.0%
7 pt	-1.4%	-2.7%
9 pt	<b>0.1%</b>	-2.8%

Selected Annual Trend Factor = 0.1% (y = 0.689920 \* 1.001026 ^ x)

Policy Year	Annual Trend Factor (1)	Trend Period # Years to 12/1/24 (2)	Severity Trend Factor (3) = (1)^(2)	Frequency Trend Factor (4) *
2018	1.0010	5.9167	1.0061	0.6966
2019	1.0010	4.9167	1.0051	0.7405
2020	1.0010	3.9167	1.0040	0.7872
2021	1.0010	2.9167	1.0030	0.8368

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)^(4)	Trended Loss Ratio (7) = (5)^(6)
2018	0.4395	0.7008	0.3080
2019	0.4608	0.7443	0.3430
2020	0.3432	0.7903	0.2712
2021	0.3241	0.8393	0.2720
Average			0.2986

\* See Page 12.5 for column (4).

**DETERMINATION OF TREND**

**MEDICAL**

Policy Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actual Loss Ratio	0.5567	0.5274	0.6094	0.5153	0.5257	0.5163	0.4349	0.3559	0.3979	0.3233	0.3036
Normalized Frequency	1.0000	0.9055	0.9246	0.7987	0.8306	0.7140	0.7245	0.6456	0.6433	0.6067	0.5447
Severity Loss Ratio	0.5567	0.5825	0.6591	0.6452	0.6329	0.7231	0.6003	0.5513	0.6186	0.5329	0.5574
<b>x</b>	1	2	3	4	5	6	7	8	9	10	11
<b>y</b>	0.5567	0.5825	0.6591	0.6452	0.6329	0.7231	0.6003	0.5513	0.6186	0.5329	0.5574

Trend Selection	Severity Loss Ratio Trend (excluding 2020 & 2021)	Severity Loss Ratio Trend (including 2020 & 2021)	CPI-U Trend
4 pt	-5.4%	-1.2%	6.1%
5 pt	-3.1%	-1.8%	<b>5.0%</b>
7 pt	-2.0%	-3.4%	3.7%
9 pt	<b>0.3%</b>	-2.6%	3.1%

9 Point Exponential Regression = 0.3% (y = 0.607425 \* 1.003066 ^ x)  
 CPI-U 5 Point Exponential Regression = 5.0% \*  
**Selected Annual Trend Factor = 2.6%**

Policy Year	Annual Severity Trend Factor (1)	Trend Period # of Years to 12/1/24 (2)	Severity Trend Factor (3) = (1) ^ (2)	Frequency Trend Factor (4) **
2018	1.0264	5.9167	1.1667	0.6966
2019	1.0264	4.9167	1.1367	0.7405
2020	1.0264	3.9167	1.1075	0.7872
2021	1.0264	2.9167	1.0790	0.8368

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3) * (4)	Trended Loss Ratio (7) = (5) * (6)
2018	0.3559	0.8127	0.2892
2019	0.3979	0.8417	0.3349
2020	0.3233	0.8718	0.2819
2021	0.3036	0.9029	0.2741
Average			0.2950

\* See page 12.4

\*\* See Page 12.5 for column (4).

**CPI for All Urban Consumers (CPI-U)**  
**12-Month Percent Change and Trends**

Years: 2010 to 2023

Year <sup>2</sup>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2010	2.6	2.1	2.3	2.2	2.0	1.1	1.2	1.1	1.1	1.2	1.1	1.5	1.6
2011	1.6	2.1	2.7	3.2	3.6	3.6	3.6	3.8	3.9	3.5	3.4	3.0	3.2
2012	2.9	2.9	2.7	2.3	1.7	1.7	1.4	1.7	2.0	2.2	1.8	1.7	2.1
2013	1.6	2.0	1.5	1.1	1.4	1.8	2.0	1.5	1.2	1.0	1.2	1.5	1.5
2014	1.6	1.1	1.5	2.0	2.1	2.1	2.0	1.7	1.7	1.7	1.3	0.8	1.6
2015	-0.1	0.0	-0.1	-0.2	0.0	0.1	0.2	0.2	0.0	0.2	0.5	0.7	0.1
2016	1.4	1.0	0.9	1.1	1.0	1.0	0.8	1.1	1.5	1.6	1.7	2.1	1.3
2017	2.5	2.7	2.4	2.2	1.9	1.6	1.7	1.9	2.2	2.0	2.2	2.1	2.1
2018	2.1	2.2	2.4	2.5	2.8	2.9	2.9	2.7	2.3	2.5	2.2	1.9	2.4
2019	1.6	1.5	1.9	2.0	1.8	1.6	1.8	1.7	1.7	1.8	2.1	2.3	1.8
2020	2.5	2.3	1.5	0.3	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.2
2021	1.4	1.7	2.6	4.2	5.0	5.4	5.4	5.3	5.4	6.2	6.8	7.0	4.7
2022	7.5	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5	8.0
2023 <sup>1</sup>	6.4	6.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9

Year	12 Mon Rolling <sup>3</sup> CPI-U		Period	CPI-U	Notes
	CPI-U	Index		Exp Fit Trend	
2010	1.6	1.016	2010-2017	1.5%	1. Values in blue were assumed to be the same as the latest value available. 2. CPI-U was not used as the basis for the DE Medical Fee Schedule until 1/31/2018. 3. Rolling year average is December of prior year to November of the current year.
2011	3.0	1.047	2010-2023	2.2%	
2012	2.2	1.070	2014-2023	2.8%	
2013	1.5	1.086	2015-2023	3.1%	
2014	1.7	1.105	2016-2023	3.4%	
2015	0.1	1.106	2017-2023	3.7%	
2016	1.2	1.119			
2017	2.1	1.142			
2018	2.5	1.171			
2019	1.8	1.191			
2020	1.3	1.207	2018-2023	4.2%	
2021	4.2	1.258	2019-2023	5.0%	
2022	8.1	1.360	2020-2023	6.1%	
2023	5.3	1.431	2021-2023	6.6%	

## DETERMINATION OF TREND

### CLAIM FREQUENCY

Policy Year Frequency per \$1 million of Expected Losses

Policy Year	Claim Frequency	Normalized Frequency
2011	17.24	1.0000
2012	15.61	0.9055
2013	15.94	0.9246
2014	13.77	0.7987
2015	14.32	0.8306
2016	12.31	0.7140
2017	12.49	0.7245
2018	11.13	0.6456
2019	11.09	0.6433
2020	10.46	0.6067
2021	9.39	0.5447

Policy Year	2015	2016	2017	2018	2019	2020	2021
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.8306	0.7140	0.7245	0.6456	0.6433	0.6067	0.5447

Trend Selection	Frequency Trend
3 pt	-8.0%
5 pt	-6.1%
7 pt	<b>-5.9%</b>
10 pt	-5.5%

Selected Annual Trend: -5.9% ( $y = 0.852130 * 0.940735 ^ x$ )

Policy Year	Annual Trend Factor (1)	# of Years to 12/1/24 (2)	Frequency Trend Factor (3) = (1)^(2)
2018	0.9407	5.9167	0.6966
2019	0.9407	4.9167	0.7405
2020	0.9407	3.9167	0.7872
2021	0.9407	2.9167	0.8368