

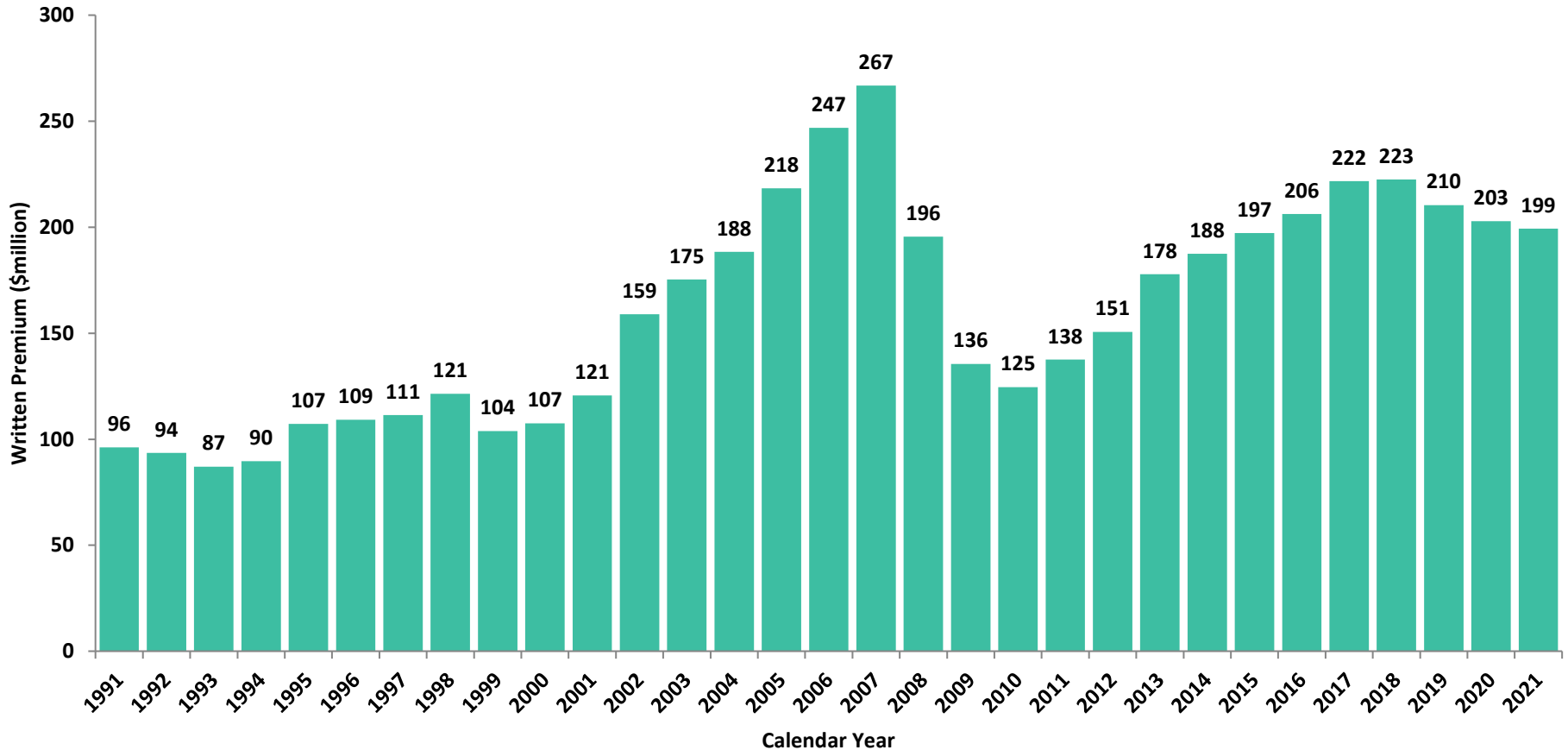


STATE OF THE LINE REPORT

2022

Delaware Workers Compensation Insurance Market Results

Delaware Direct Written Premium

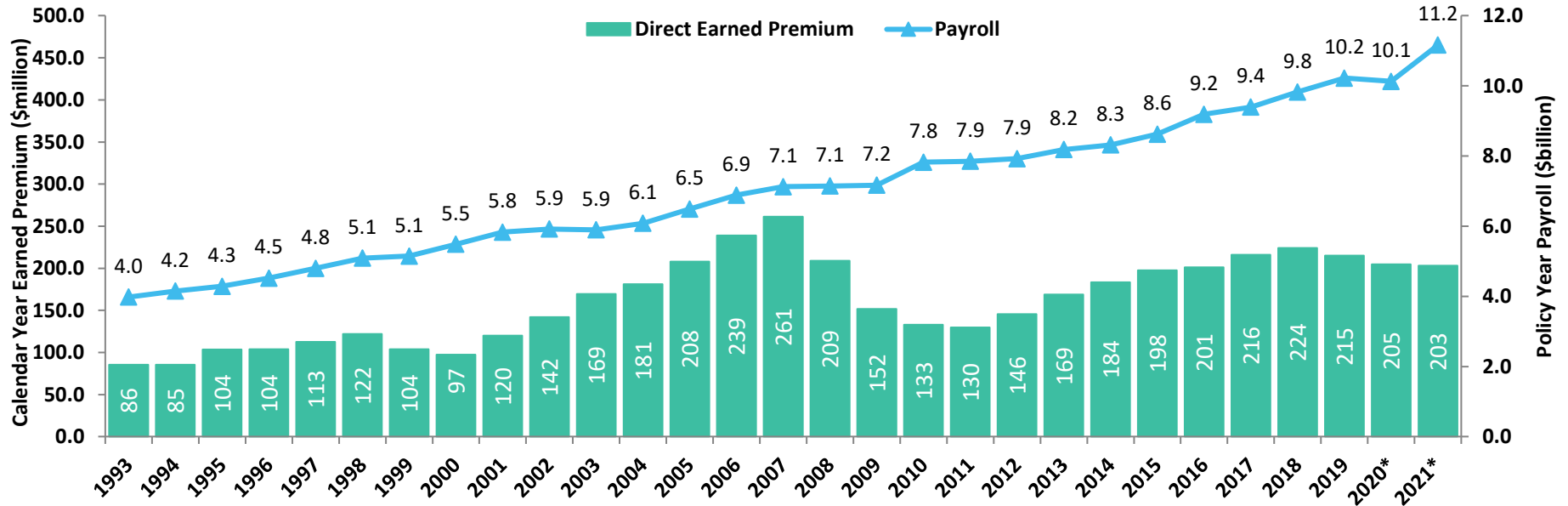


The level of written premium has fluctuated over the 31 years shown. Written Premium has increased each year since 2010 followed by decreases in 2019 and the following years. The observed drops in 2019 to 2021 are driven by rate reductions and the COVID-19 pandemic and associated shutdowns.

Source:

A.M. Best, Inc.: Best's State/Line Report

Delaware Earned Premium and Payroll History



Earned Premium has experienced fluctuations over the period shown. Meanwhile, Payroll has almost tripled over the same time period.

Sources:

Premium: A.M. Best, Inc.: Best’s State/Line Report; Calendar Year Basis

Payroll: Unit Statistical Data; DCRB Financial Data Calls as of 12/31/2021, adjusted to an “effective” level to reflect deductible discounts; Policy Year Basis.

* Payroll for Policy Years 2020 and 2021 is projected using the Statewide Average Weekly Wage.

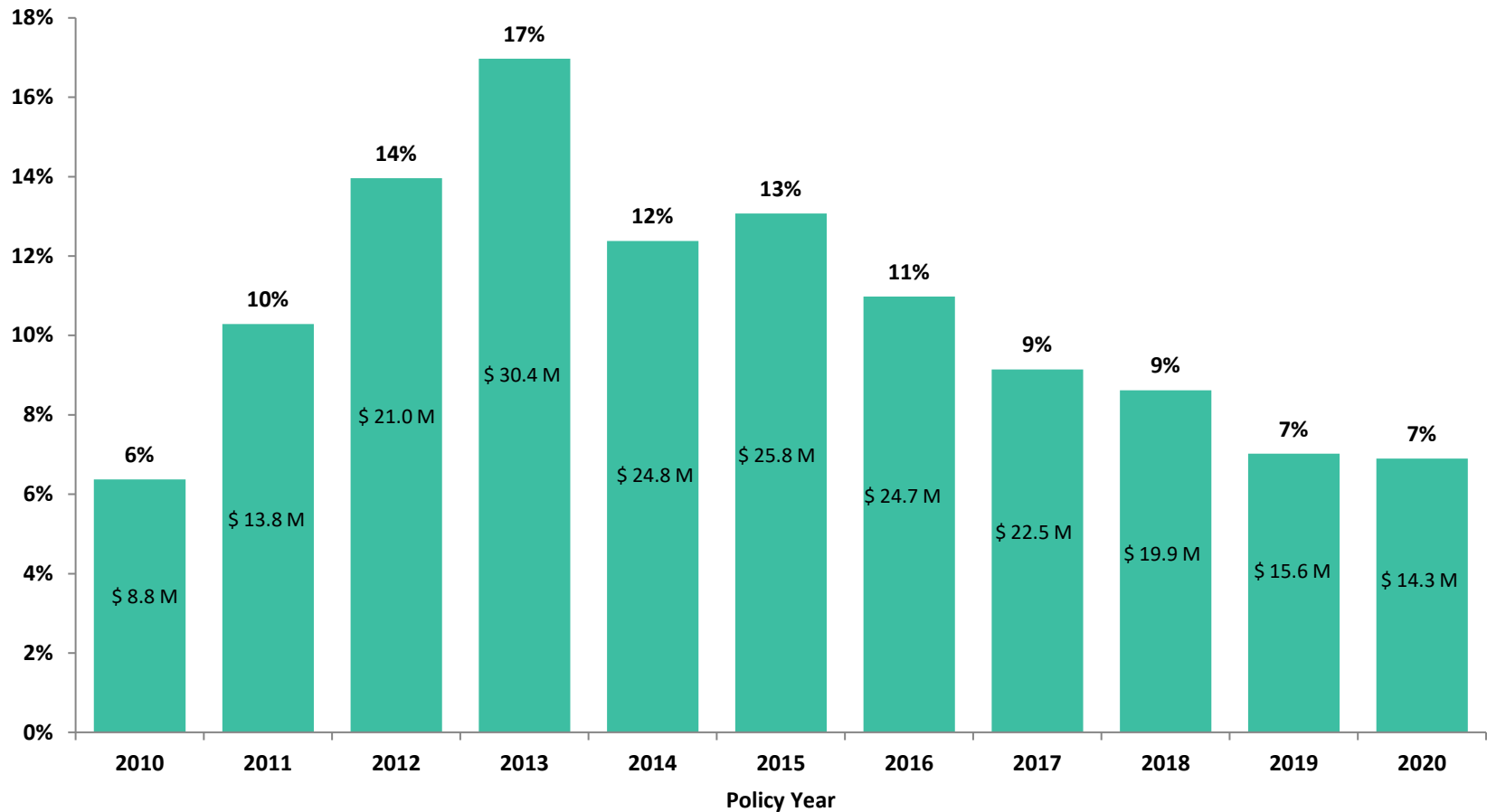
Delaware Nonfarm Employment



Nonfarm employment data is a critical economic indicator to gauge the overall health of the economy and its workforce.

Source:
US Bureau of Labor Statistics data through 12/2022

Delaware Residual Market Share

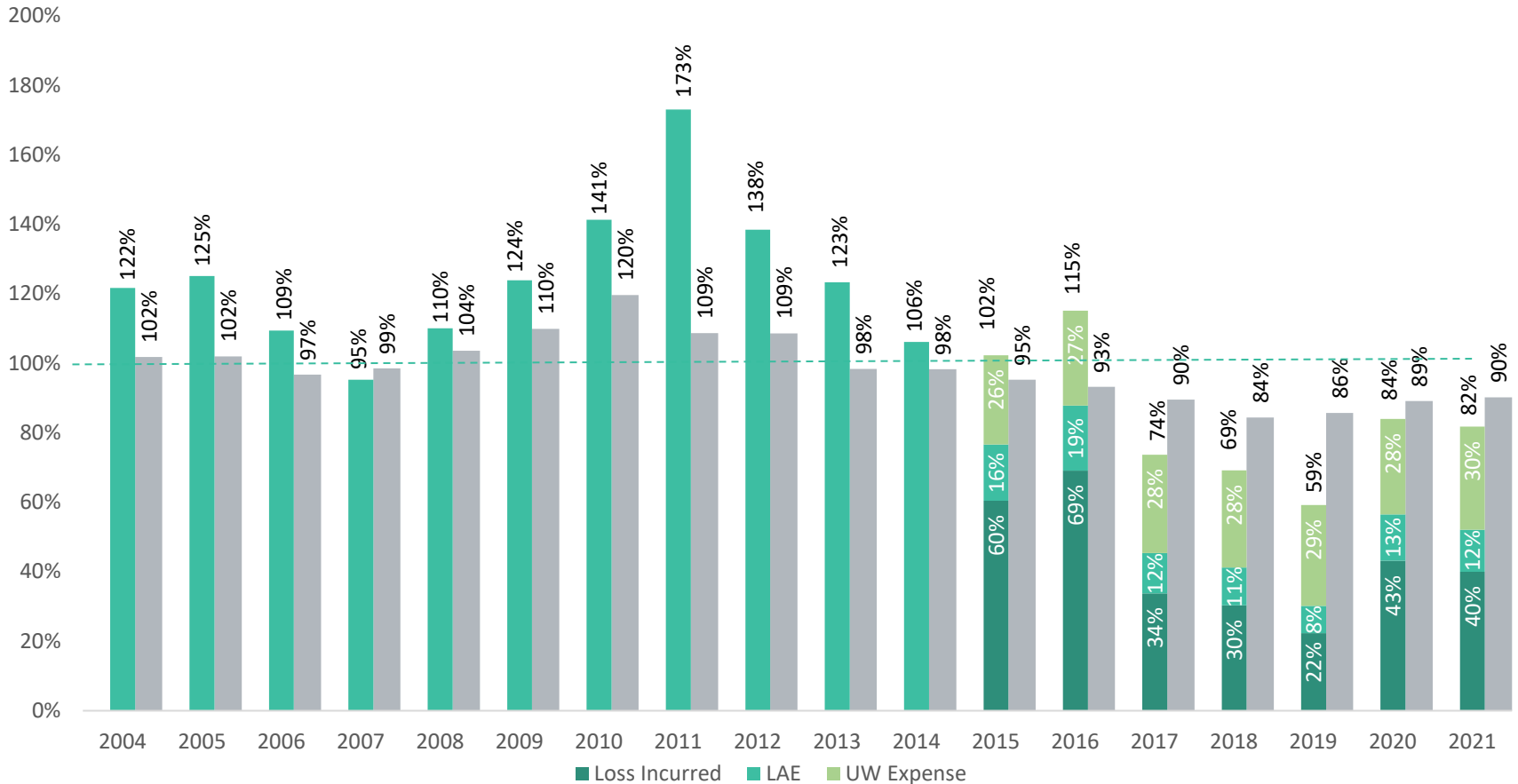


The residual market share is an indicator of the health of a state's Workers Compensation system. The residual market share in Delaware grew rapidly from 2010 to 2013 but has consistently dropped since then.

Source:

DCRB Financial Data Calls as of 12/31/2021

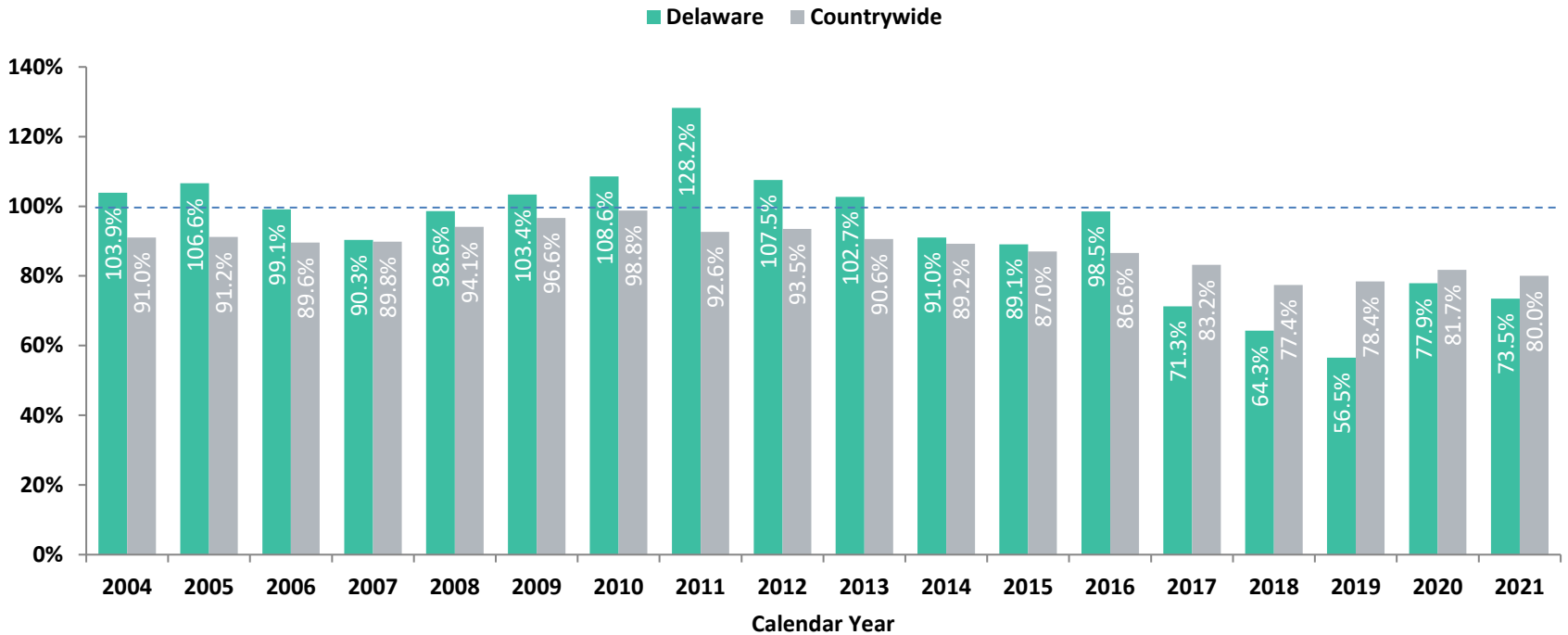
Combined Ratios Delaware and Countrywide



The Combined Ratio is the sum of the loss, LAE and underwriting expense ratios to premium, and does not include income from investments.

Source:
2022 NAIC Profitability by Line by State in 2021

After-tax Operating Ratios Delaware and Countrywide

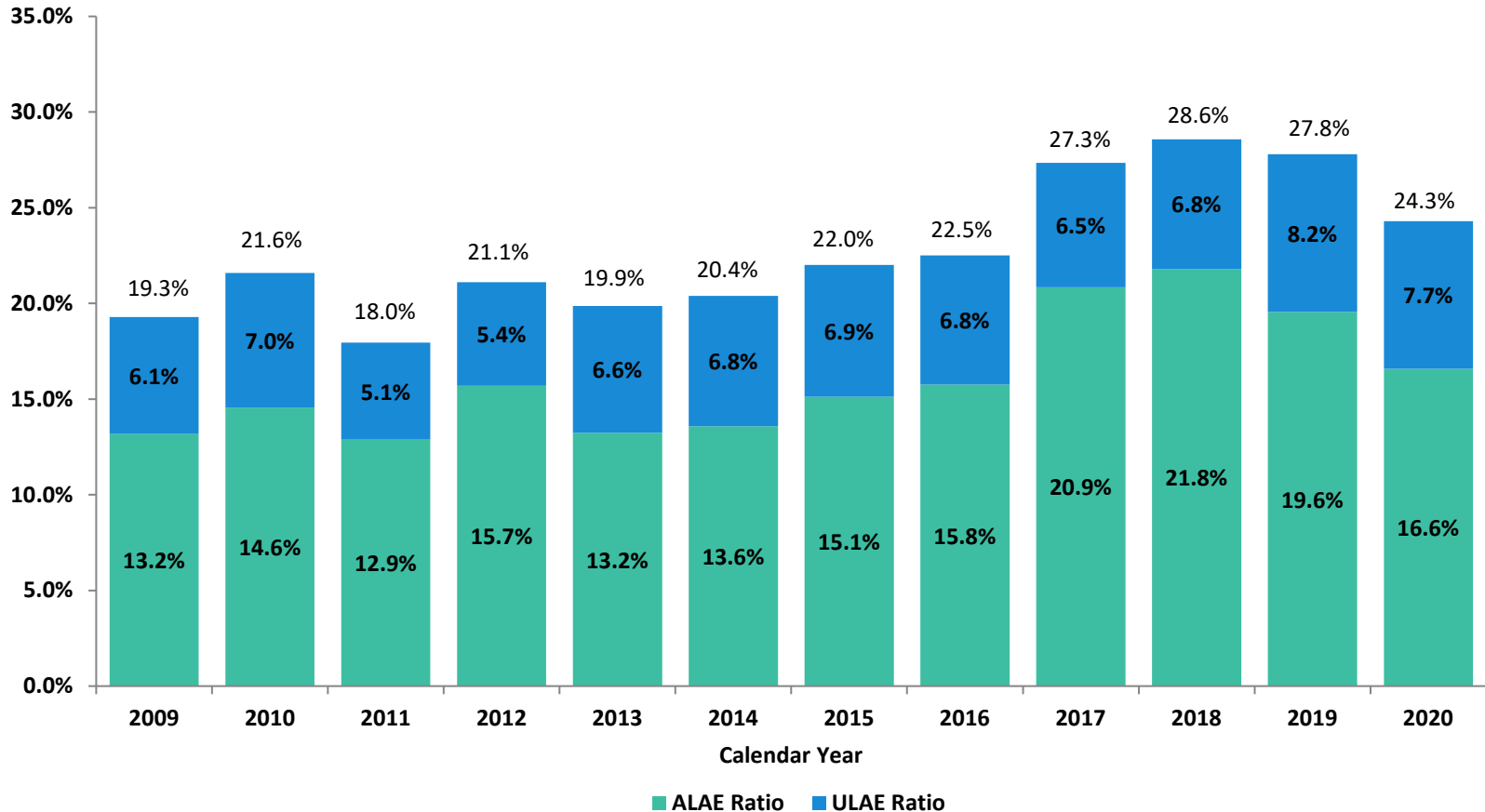


The After-tax Operating Ratio is the Combined Ratio less the Investment Gain on Insurance Transactions and a reduction for Federal Tax on Insurance Transactions. An operating ratio of less than 100 indicates an overall operating profit.

Source:

2022 NAIC Profitability by Line by State in 2021

Delaware ALAE and ULAE Ratios



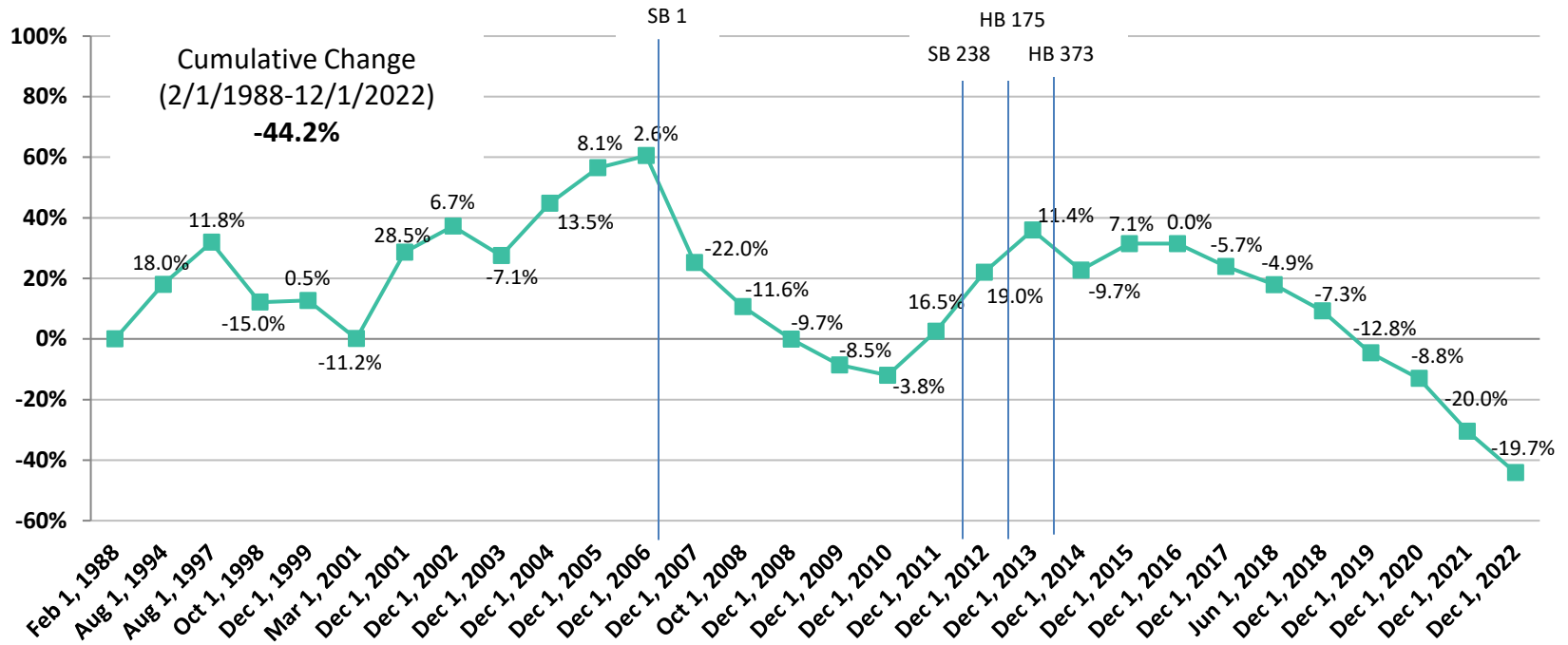
Loss adjustment expense (LAE) is the expense associated with investigating and settling claims. LAE is the total of the allocated loss adjustment expense (ALAE) and the unallocated loss adjustment expense (ULAE). LAE ratios to loss increased from 2013 to 2018, followed by a decline in 2019 and 2020. ALAE is the portion of LAE that can be assigned or allocated to specific claims. Over the years shown, ALAE ratios have ranged from 12.9% to 21.8%. The remainder is called ULAE and these ratios have ranged from 5.1% to 8.2%.

Source:

DCRB Financial Data Calls as of 12/31/2021

Loss Costs and Market Pricing

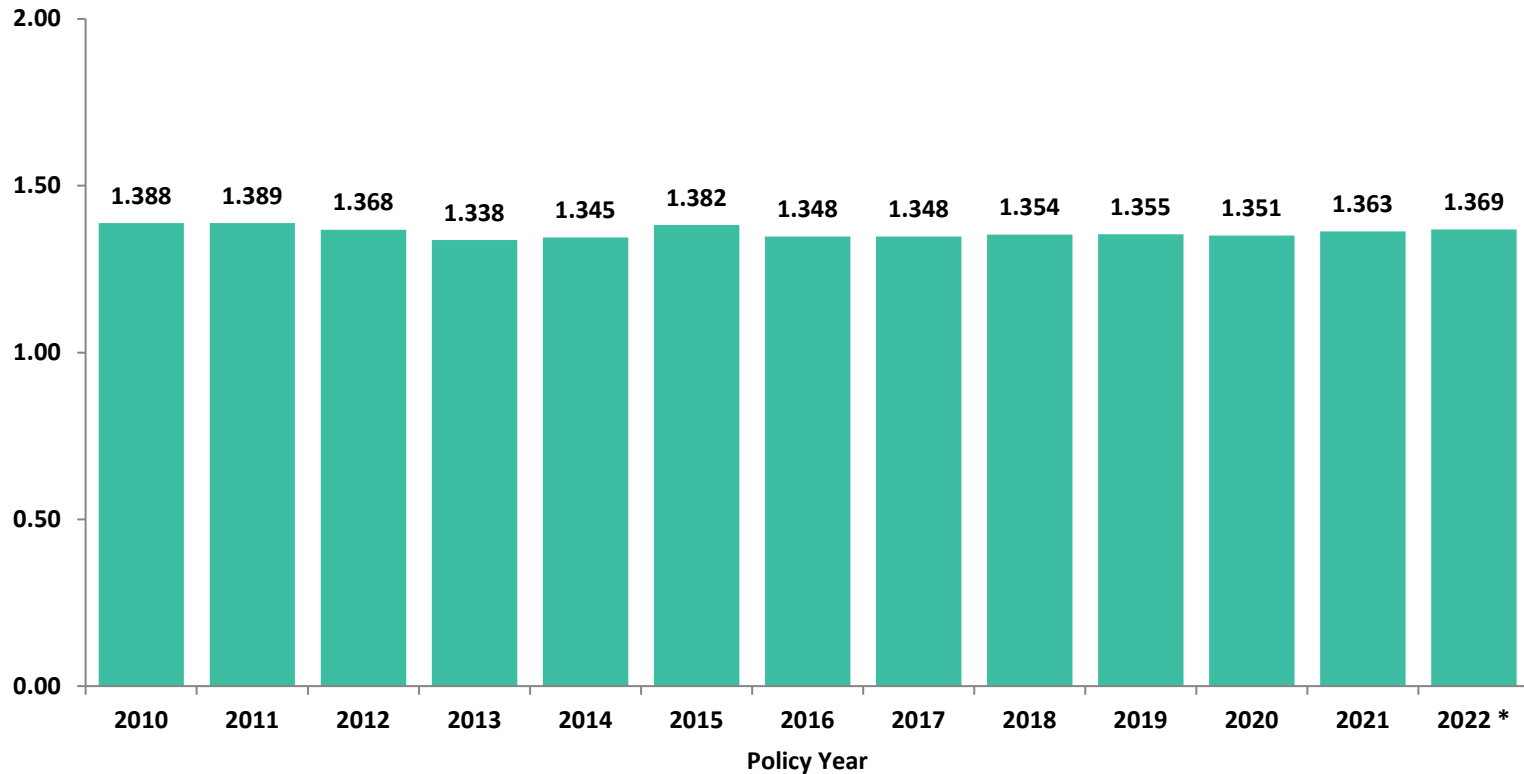
Delaware Approved Rate Change History



Significant Milestones:

- Senate Bill 1 of January 2007 - Requires fee schedule and treatment guidelines; established Health Care Advisory Panel and data collection requirement.
- Senate Bill 238 of August 2012 - Facilitates hospital and ambulatory surgery center compliance with the medical treatment expense cost savings measures required by the Workers Compensation Health Care Payment System. This addressed lack of compliance with anchor dates and prescribed Consumer Price Index indices.
- Senate Bill 175 of June 2013 - Expands the responsibilities and resources of the Data Collection Committee; implements a number of changes to Delaware's medical cost control provisions for workers compensation recipients, including a two-year inflation freeze on fees; inclusion of many procedures on the state's current medical fee schedule which were previously exempted, and new cost control provisions for pharmaceuticals, drug testing, and anesthesia.
- House Bill 373 of July 2014 – Requires revisions to the medical fee schedule to achieve savings in aggregate medical expenses of 20 percent of 2014 expenses by January 31, 2015, 25 percent of 2014 expenses by January 31, 2016 and 33 percent of 2014 expenses by January 31, 2017.

Delaware Average Loss Cost Multiplier

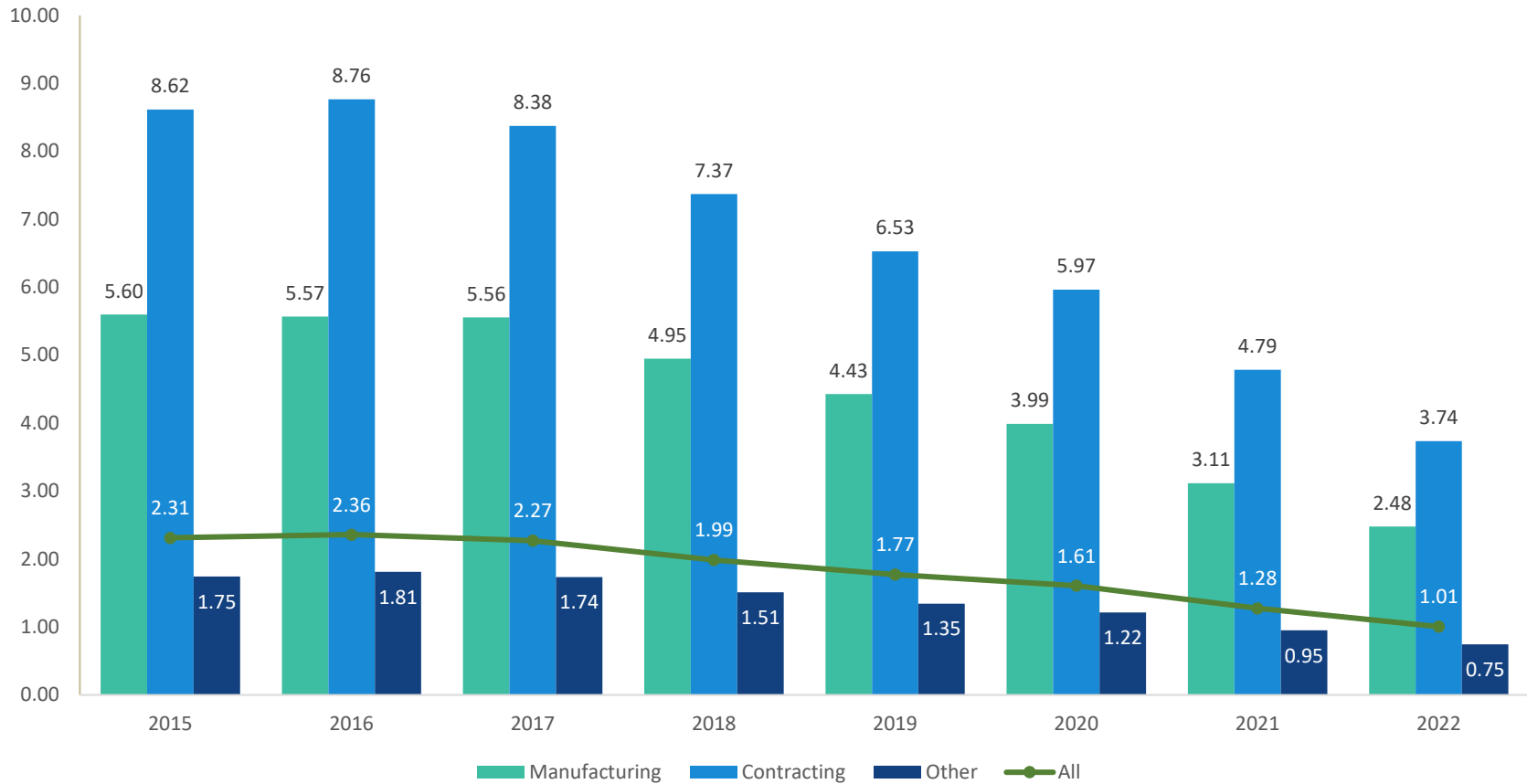


The Average Loss Cost Multiplier (LCM) is the ratio of Total Carrier Manual Premium to Total Loss Costs at DCRB Level, as reported to the DCRB. It represents the average LCM, weighted by loss costs. Carriers must file their LCMs with the Insurance Department to convert DCRB loss costs, which are comprised of loss and loss adjustment expense, into manual rates, including underwriting expenses, a provision for profit and contingencies, and any deviation to reflect differences in loss experience.

* Preliminary

Source:
DCRB Market Profile Reports

Delaware Average Residual Market Rate



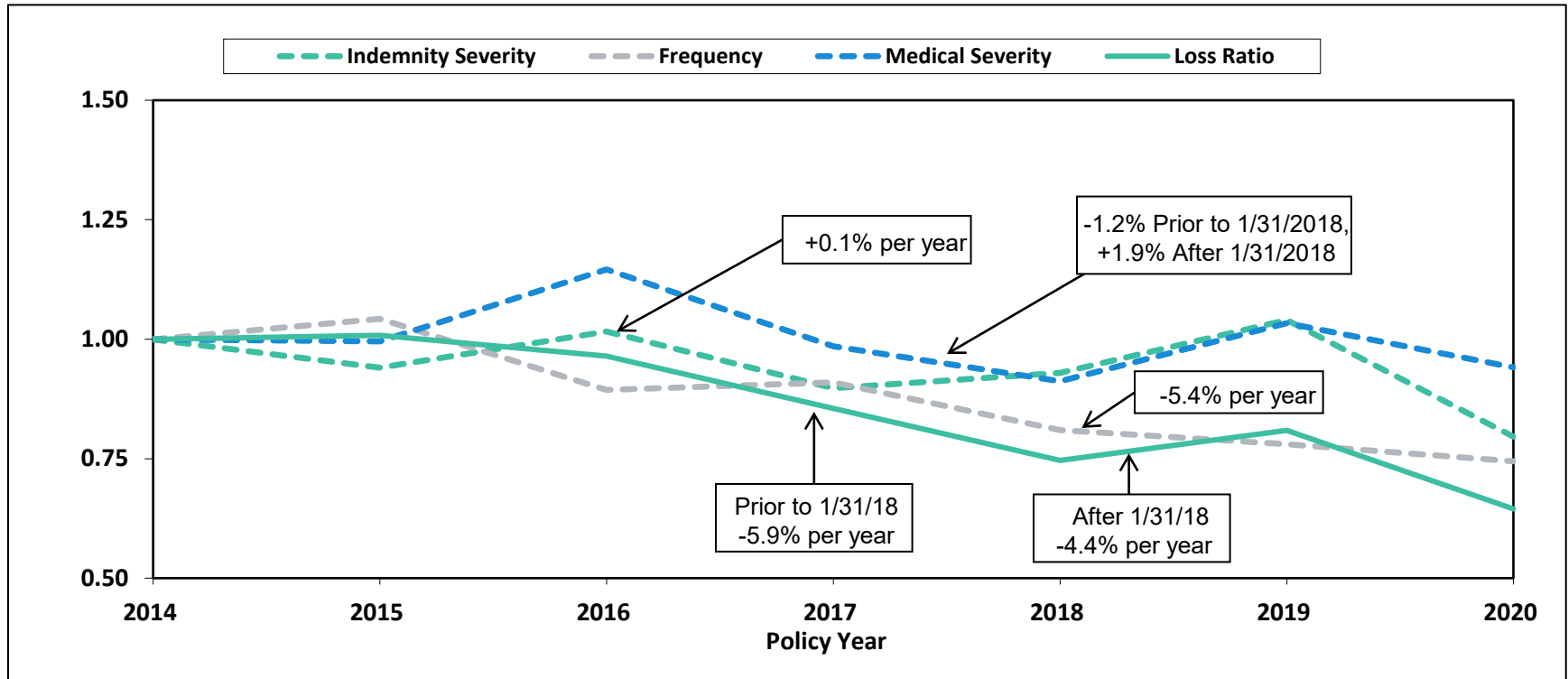
Overall average rates have generally decreased from 2015 to 2022.

Source:
2015 - 2022 DCRB Rate Revisions

Claim Frequency and Severity Trends

Delaware Loss Components

Frequency, Indemnity Severity, Medical Severity



Selected frequency and severity trends which considers COVID-19 impacts not yet contained in the above historical data:

Indemnity: +0.1% (2014-2019)

Medical: Prior to 1/31/2018: -1.2% (2014-2020)

From 1/31/2018 and later: +1.9% (Average of the historical indemnity severity trend of +0.5% (2011-2020) and CPI-U trend of +3.2% (2017-2022))

Frequency: -5.4% (2014-2020)

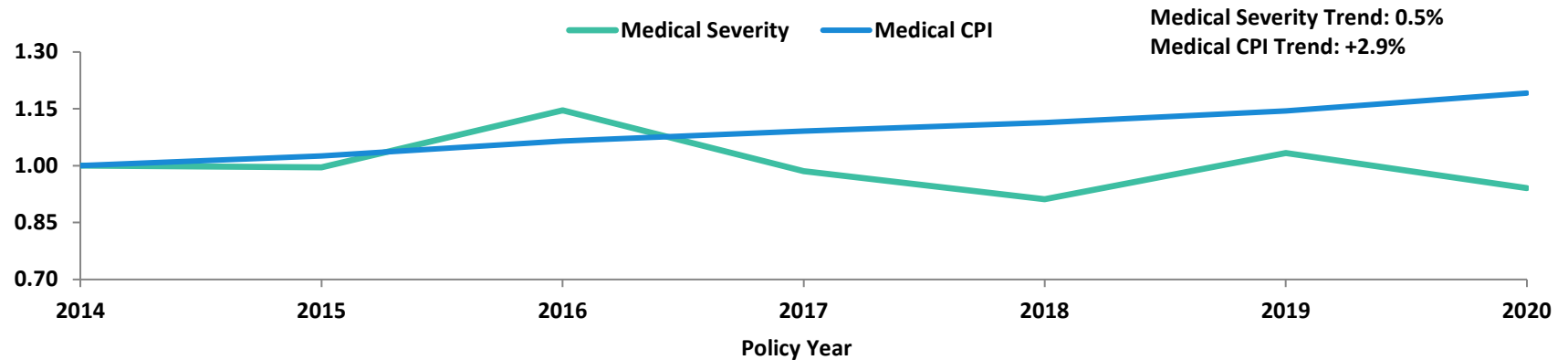
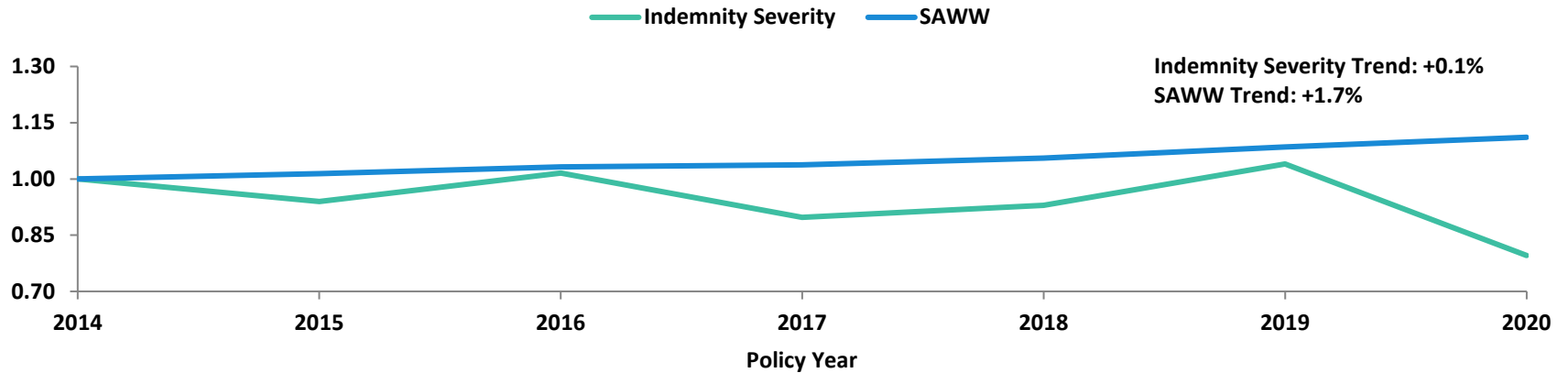
The combined impact of Frequency, Indemnity Severity, and Medical Severity Trends is a Loss Ratio Trend of -4.4% for the recent period after 1/31/2018.

Source:

DCRB 2022 Rate Revision

Indexed to 1.00 at Policy Year 2014

Delaware Severity Compared to Selected Indices

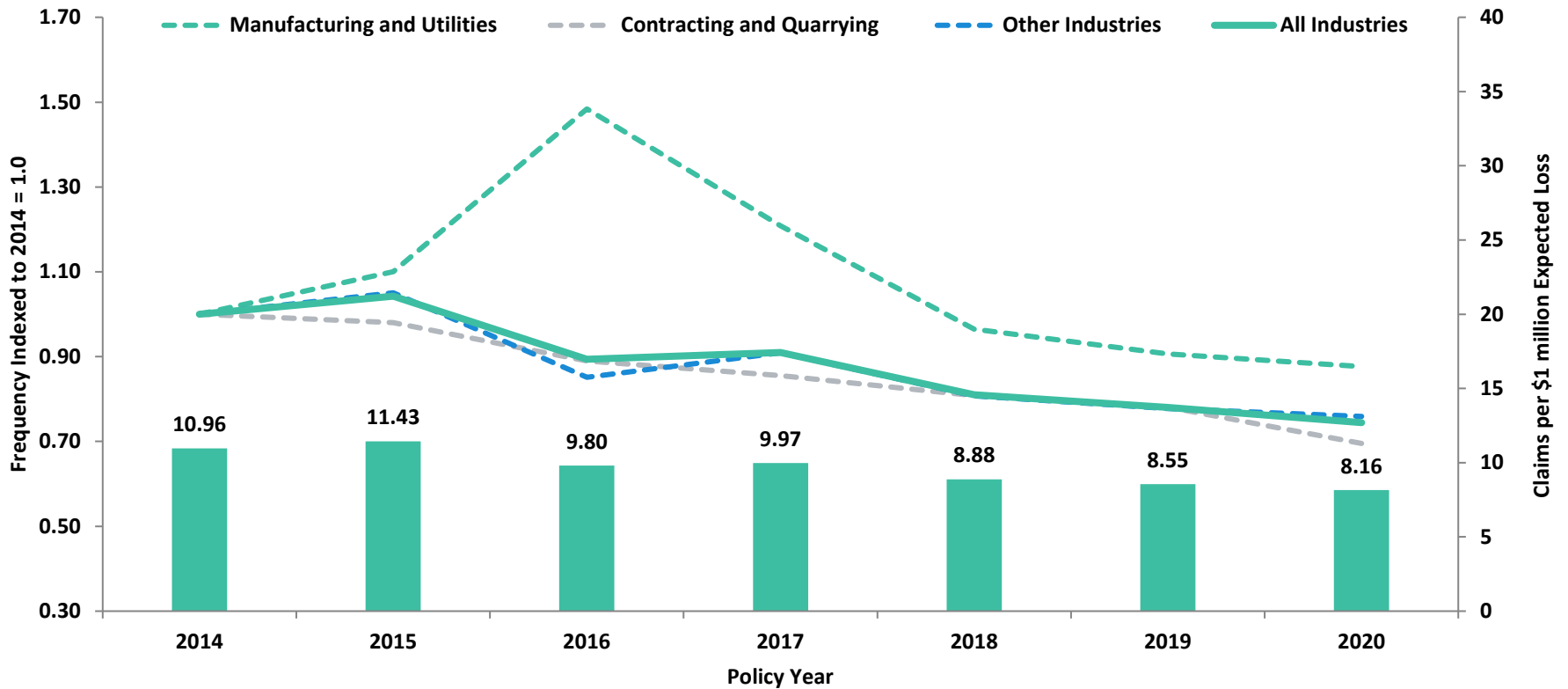


Changes in indemnity severity appear to be lower than the changes in the state's average weekly wage. The Medical Consumer Price Index (CPI) has generally increased at a faster rate than the Medical Severity trend.

Sources:

- DCRB 2022 Rate Revision
- DE Department of Labor
- US Bureau of Labor Statistics
- Indexed to 1.00 at Policy Year 2014

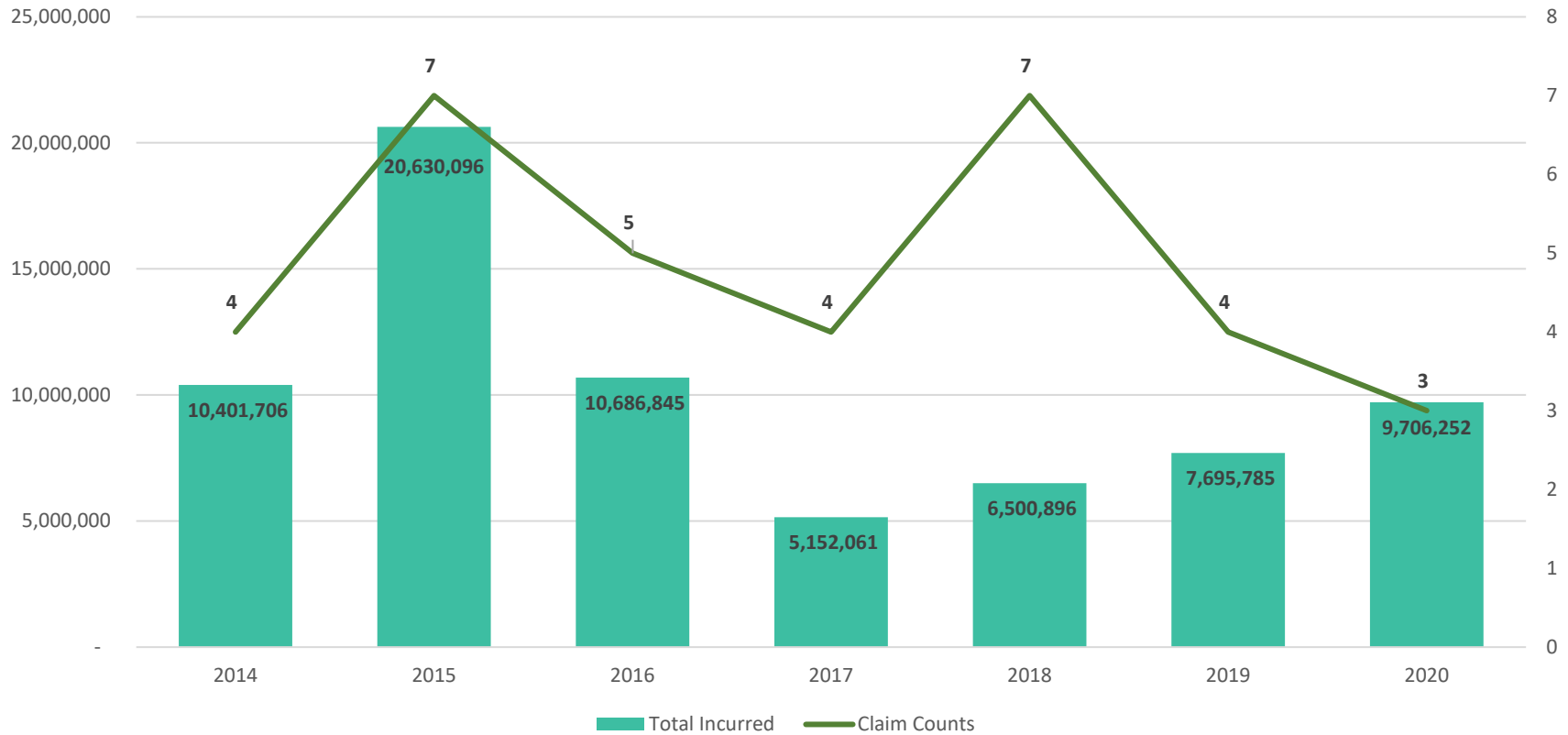
Claim Frequency Trend in Total and by Industry Group



Notes: Excludes large deductible business
 Claim frequency is measured by the number of ultimate claims per \$1 million of expected losses.
 Decreasing frequency contributes to reductions in statewide loss cost levels.

Source:
 DCRB 2022 Rate Revision

Delaware Large Claims in Excess of \$500,000 at 1st Report



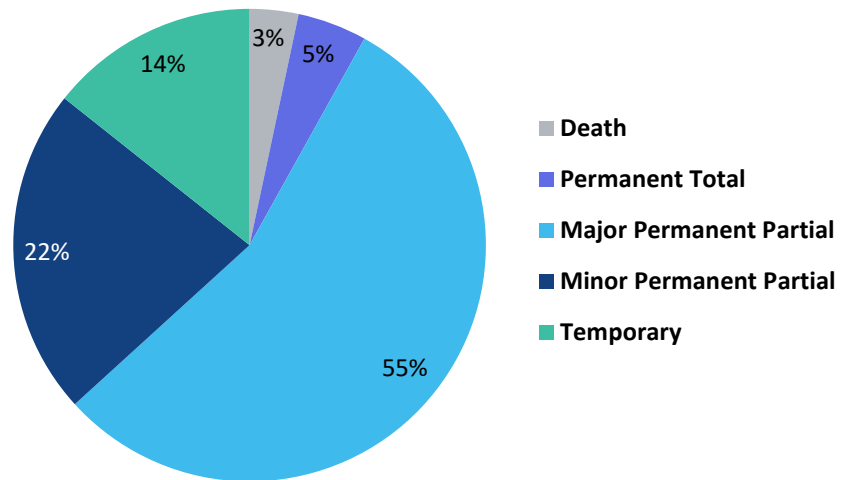
High-dollar workers compensation claims are infrequent, but the cost of these claims has a significant impact on workers compensation costs. The chart shows the number of large claims with losses in excess of \$500,000 in total incurred losses for Policy Years 2014 through 2020.

Source:
DCRB Financial Data Call #4

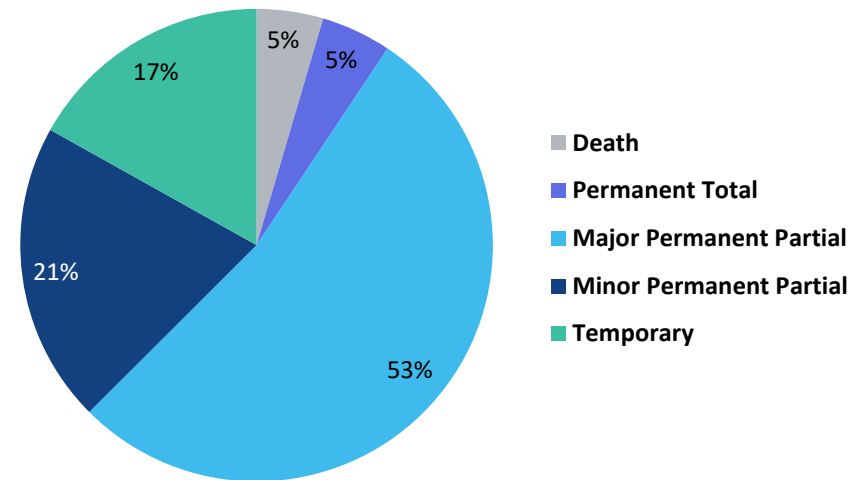
Distributions of the Delaware Workers Compensation System

Indemnity Benefits by Type of Injury

5 Policy Year Average (2011-2015)



5 Policy Year Average (2015-2019)



Comparing these two time periods, the portion of indemnity benefits has generally been stable.

Based on losses developed to ultimate values.

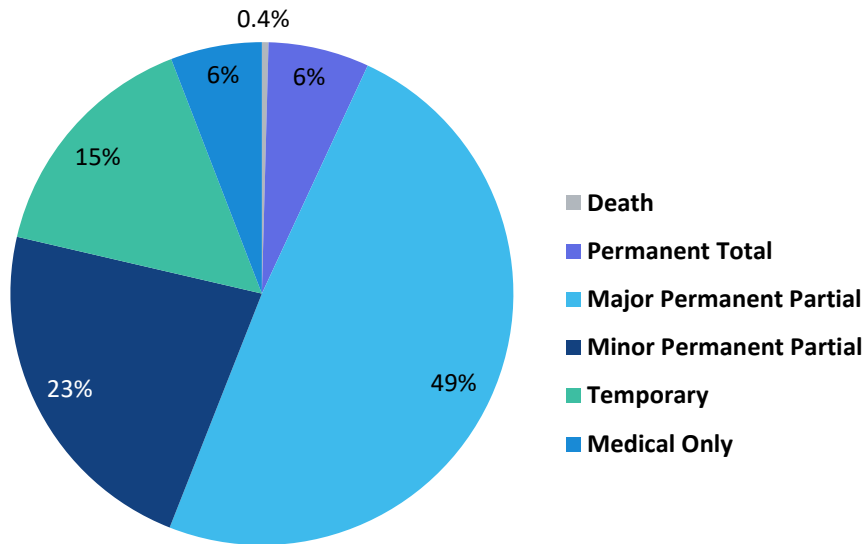
Sources:

2011-2015: Delaware 2018 Rate Revision

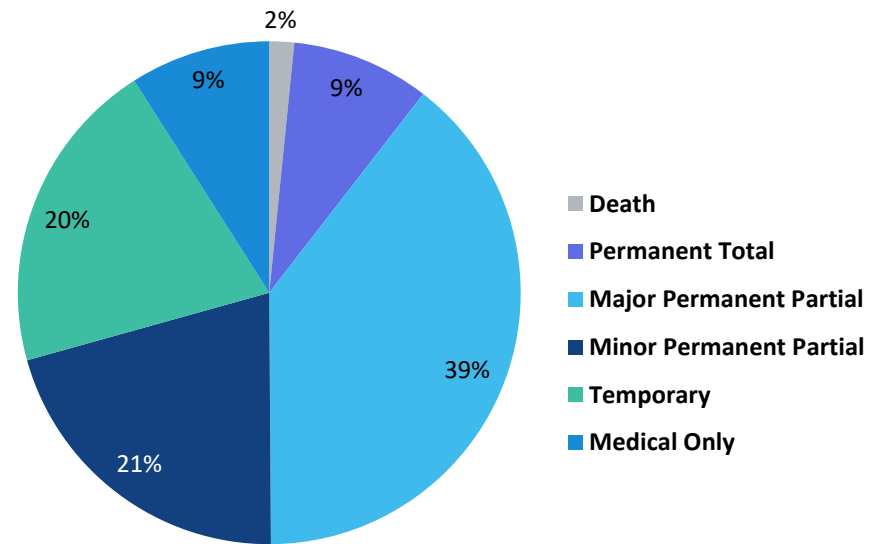
2015-2019: Delaware 2022 Rate Revision

Medical Benefits by Type of Injury

5 Policy Year Average (2011-2015)



5 Policy Year Average (2015-2019)



Comparing these two time periods, the portion of medical benefits attributable to Major Permanent Partial injuries decreased by 10 percentage points, while the portion attributable to Temporary Total increased by 5 percentage points. The other types of injury exhibited smaller changes.

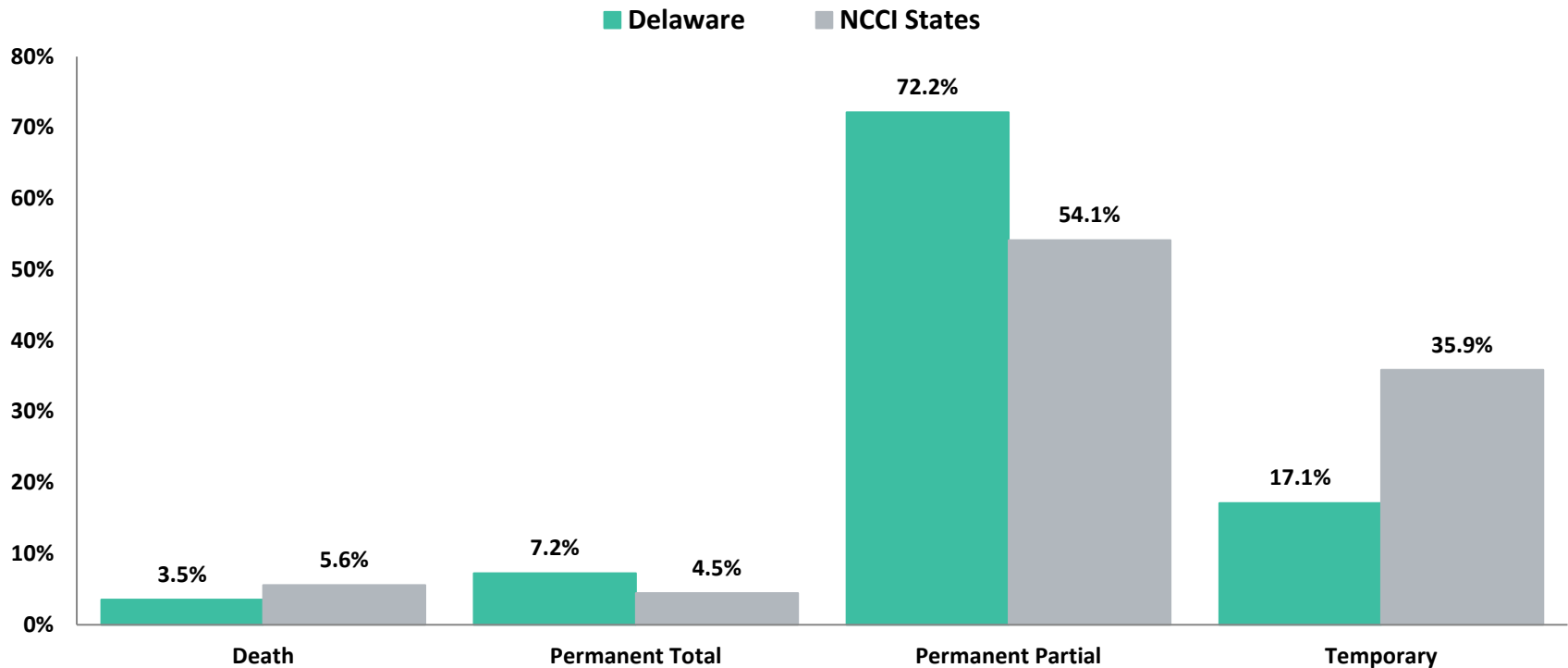
Based on losses developed to ultimate value.

Sources:

2011-2015: Delaware 2018 Rate Revision

2015-2019: Delaware 2022 Rate Revision

Ultimate Indemnity Benefits by Type of Injury



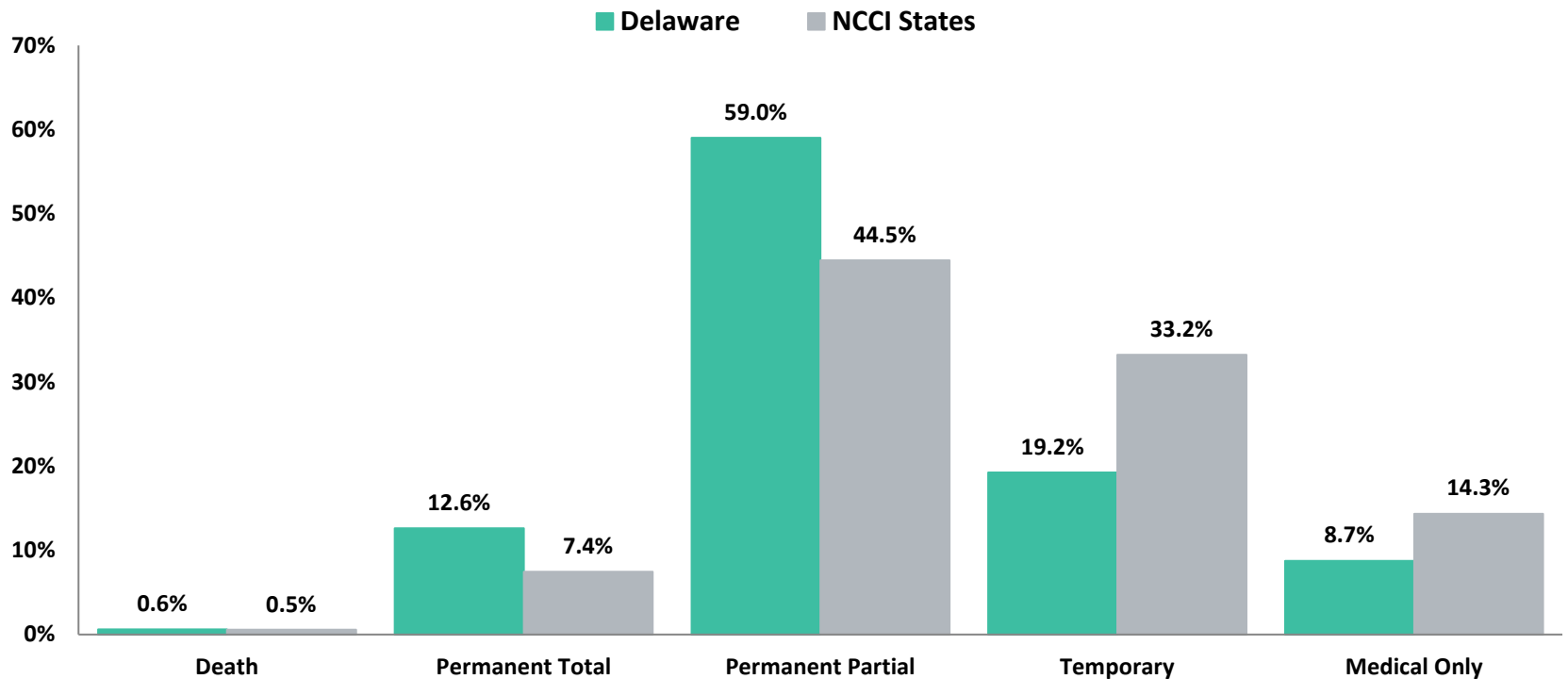
Delaware has a higher percentage of Permanent Partial benefits and a lower percentage of Temporary benefits in comparison to the NCCI states.

Sources:

DCRB 2022 Rate Revision

NCCI States: 2022 Annual Statistical Bulletin

Ultimate Medical Benefits by Type of Injury



The largest component of medical costs is payments for Permanent Partial injuries. When compared to NCCI states, Delaware has higher percentages of medical costs for Death, Permanent Total, and Permanent Partial.

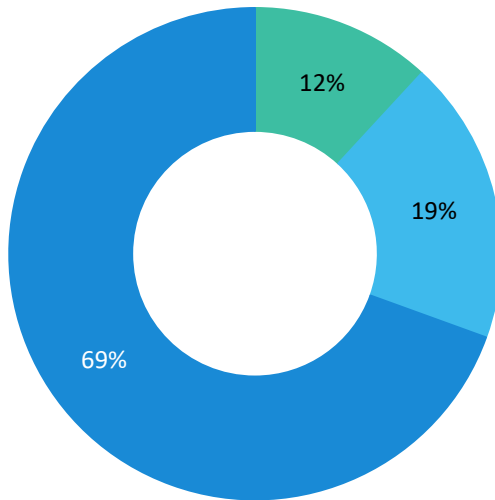
Sources:

DCRB 2022 Rate Revision

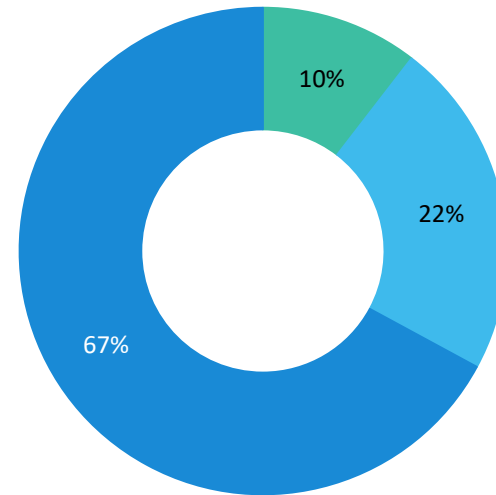
NCCI States: 2022 Annual Statistical Bulletin

Premium and Loss by Industry Group

Standard Premium



Reported Losses



 Manufacturing

 Contracting

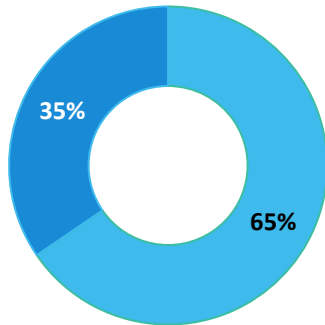
 Other

Source:
DCRB 2022 Rate Revision, Policy Year 2019

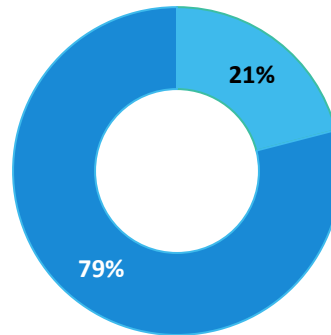
Premium and Loss by Industry Group

Standard Premium

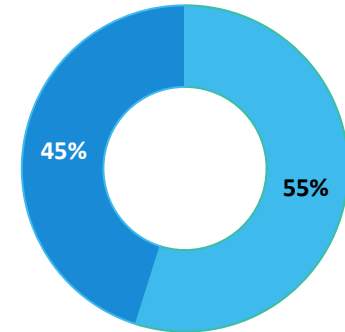
Manufacturing



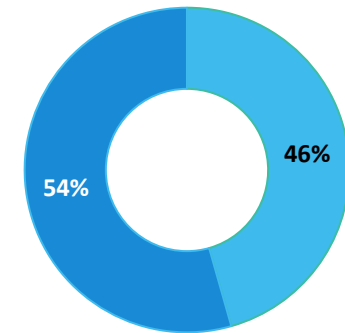
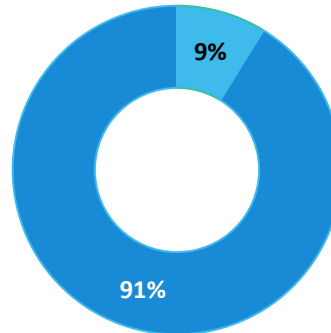
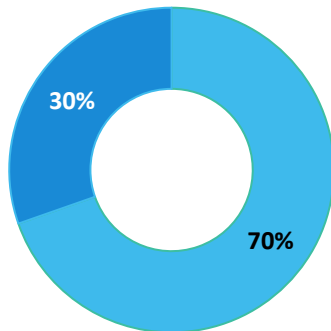
Contracting



Other



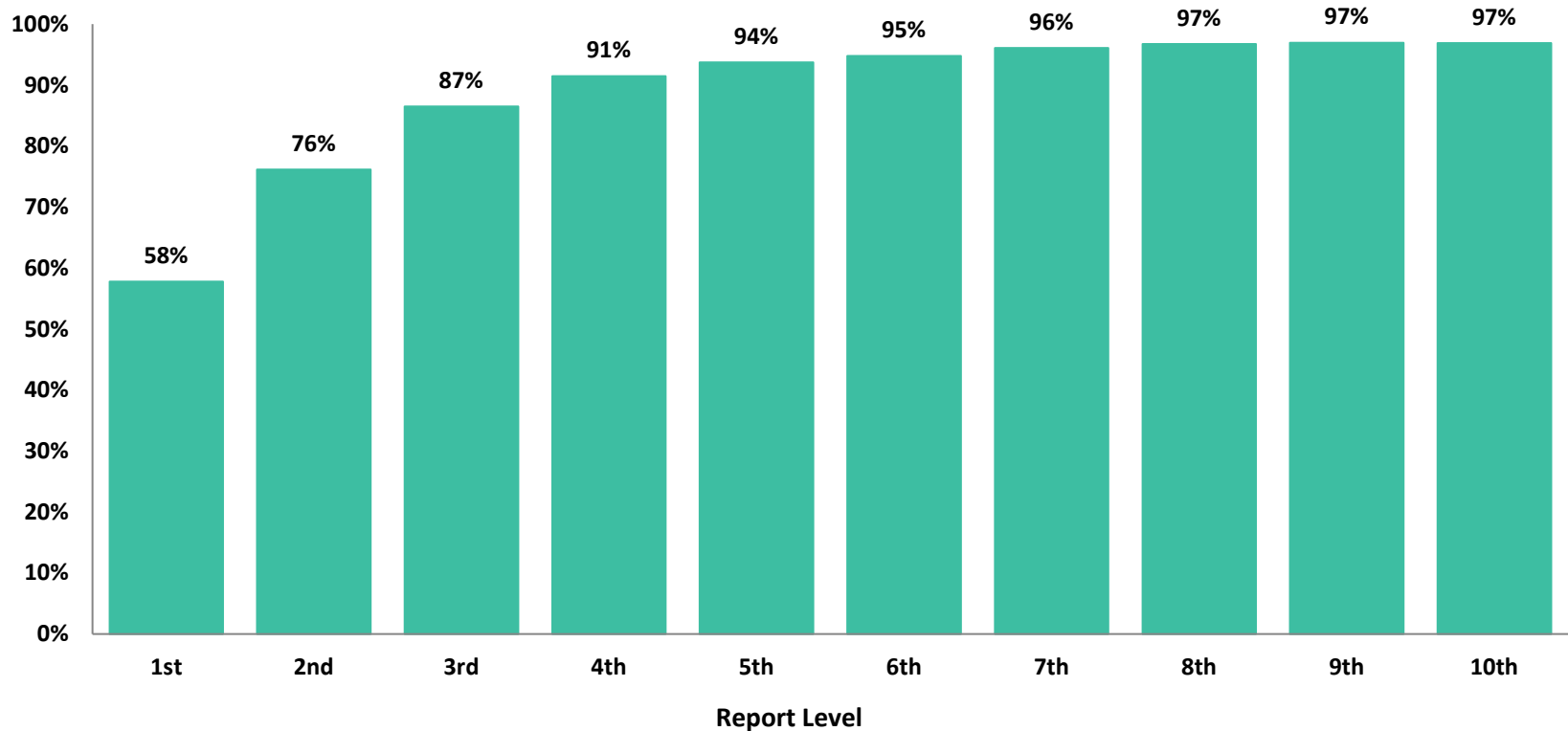
Reported Losses



 Excluding Deductible Policies  Deductible Policies

Measures of Claim Reporting and Case Reserve Changes

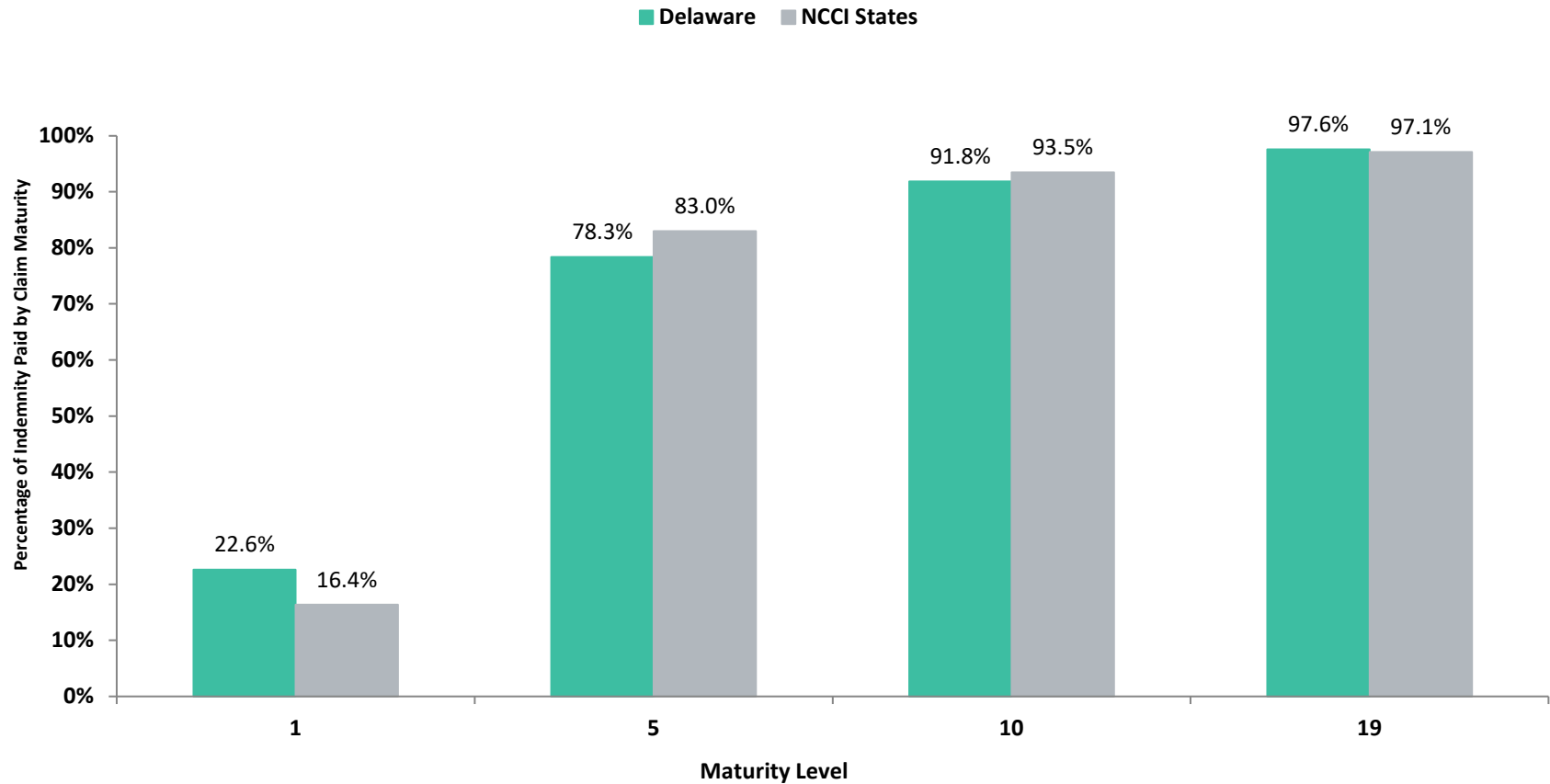
Portion of Reported Indemnity Claims Closed



The rate at which claims are settled and closed impacts the ultimate claim costs. The chart shows the percentage of indemnity claims that are closed at each report level. Approximately 6% of indemnity claims remain open at 5th report.

Source:
DCRB 2022 Rate Revision

Portion of Ultimate Indemnity Loss Paid by Claim Maturity

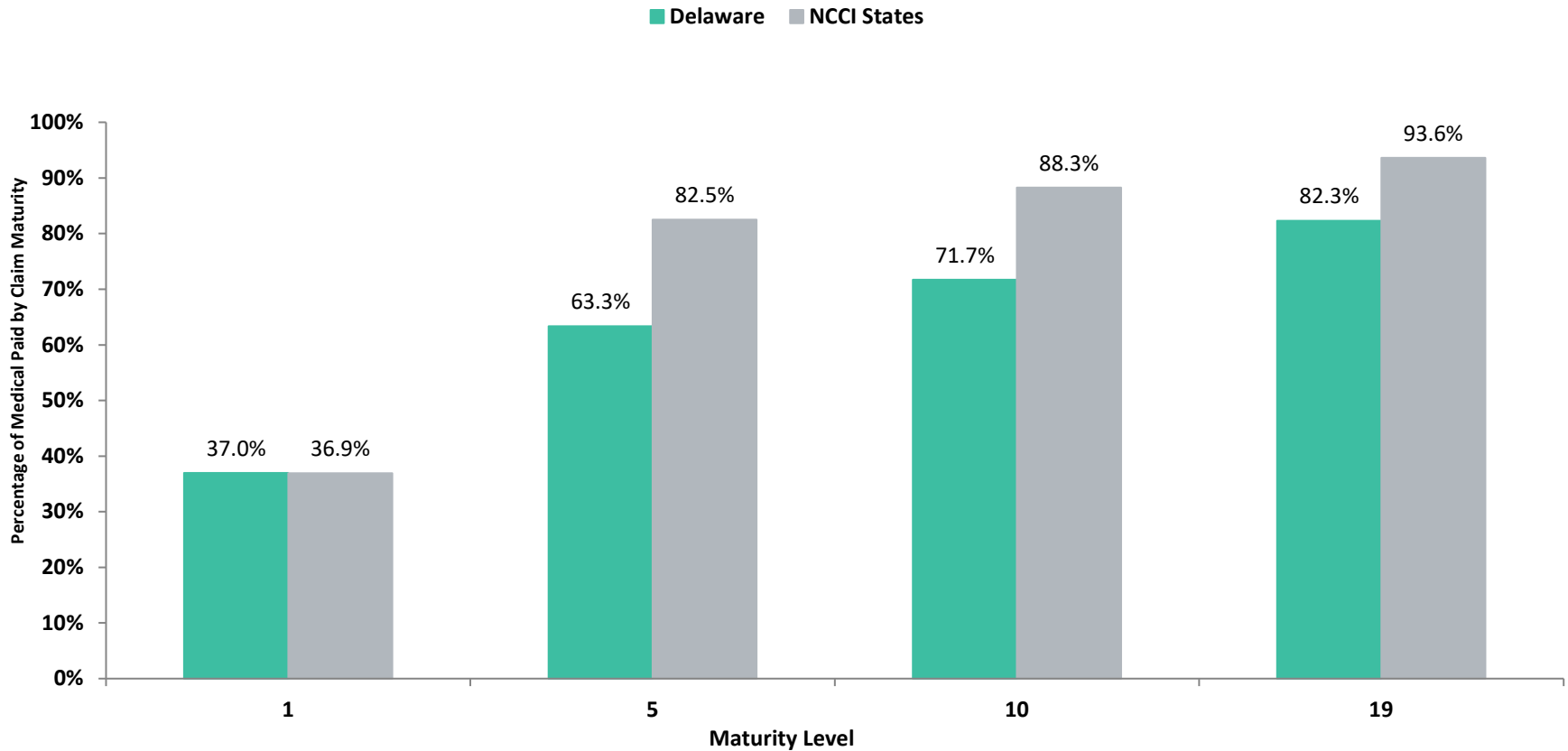


Sources:

DCRB 2022 Rate Revision, on a Policy Year basis

NCCI States: April, 2023. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Medical Loss Paid by Claim Maturity

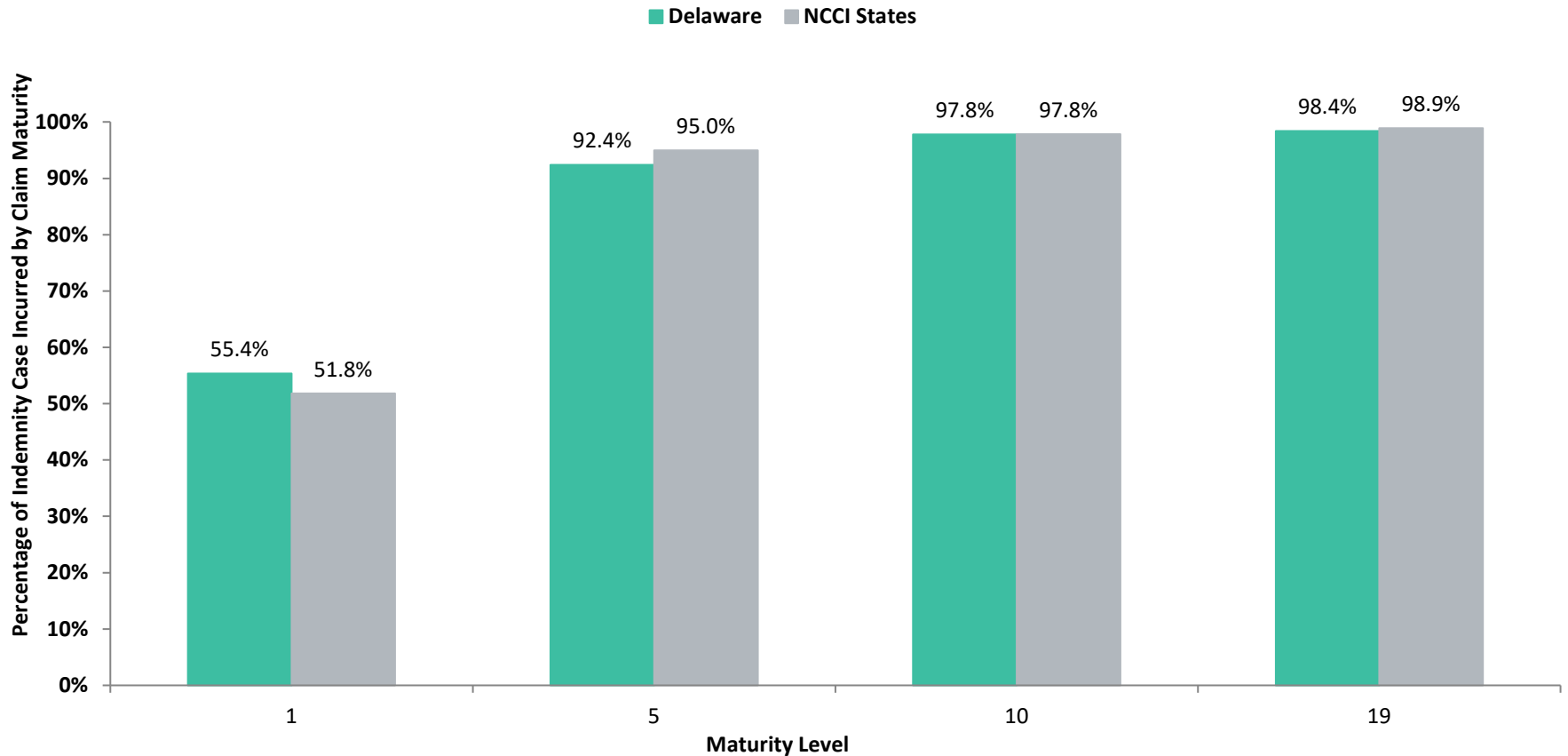


Sources:

DCRB 2022 Rate Revision, on a Policy Year basis

NCCI States: April, 2023. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Indemnity Case Incurred by Claim Maturity

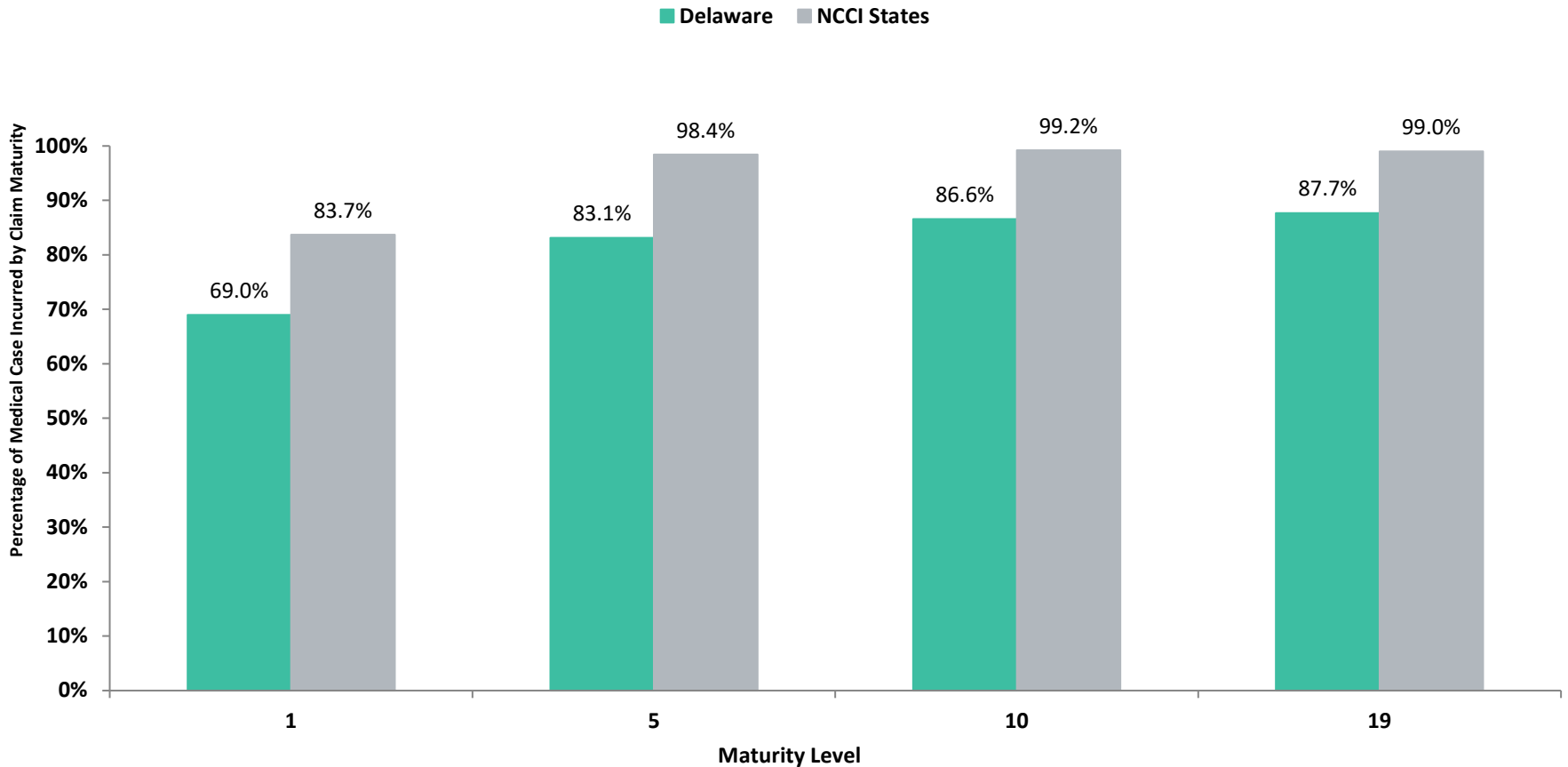


Sources:

DCRB 2022 Rate Revision, on a Policy Year basis

NCCI States: April, 2023. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Medical Case Incurred by Claim Maturity

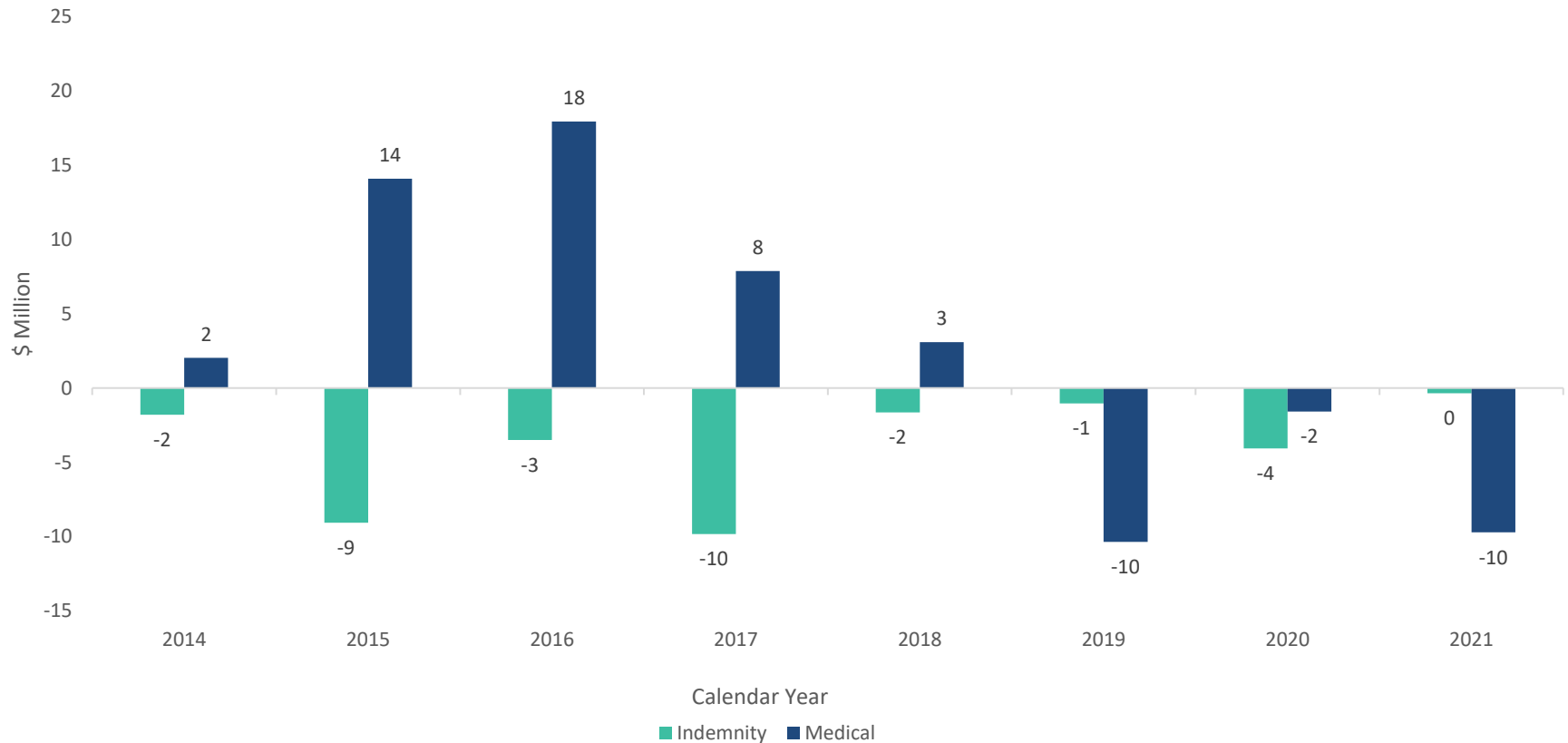


Sources:

DCRB 2022 Rate Revision, on a Policy Year basis

NCCI States: April, 2023. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Delaware Case Reserve Changes



Case reserves are defined as the sum of the values assigned to specific known claims as of the evaluation date.

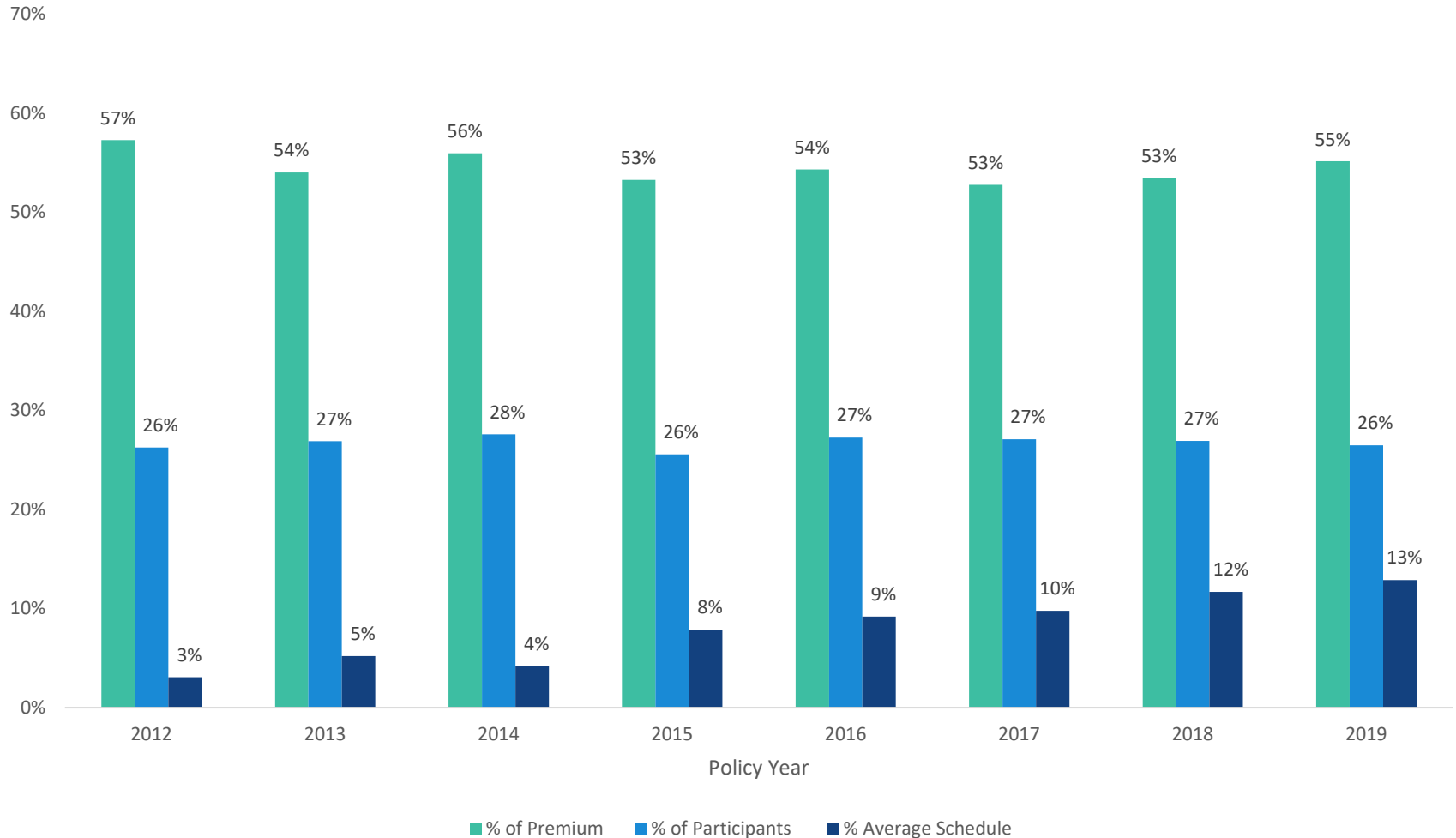
Since House Bill 373 took effect in 2015 to reduce medical fees by 33% by January 31, 2017, the change in medical case reserves has sharply decreased from the highest level in 2016.

Sources:

DCRB Financial Data Calls

Premium Adjustment Programs

Delaware Schedule Rating Plan

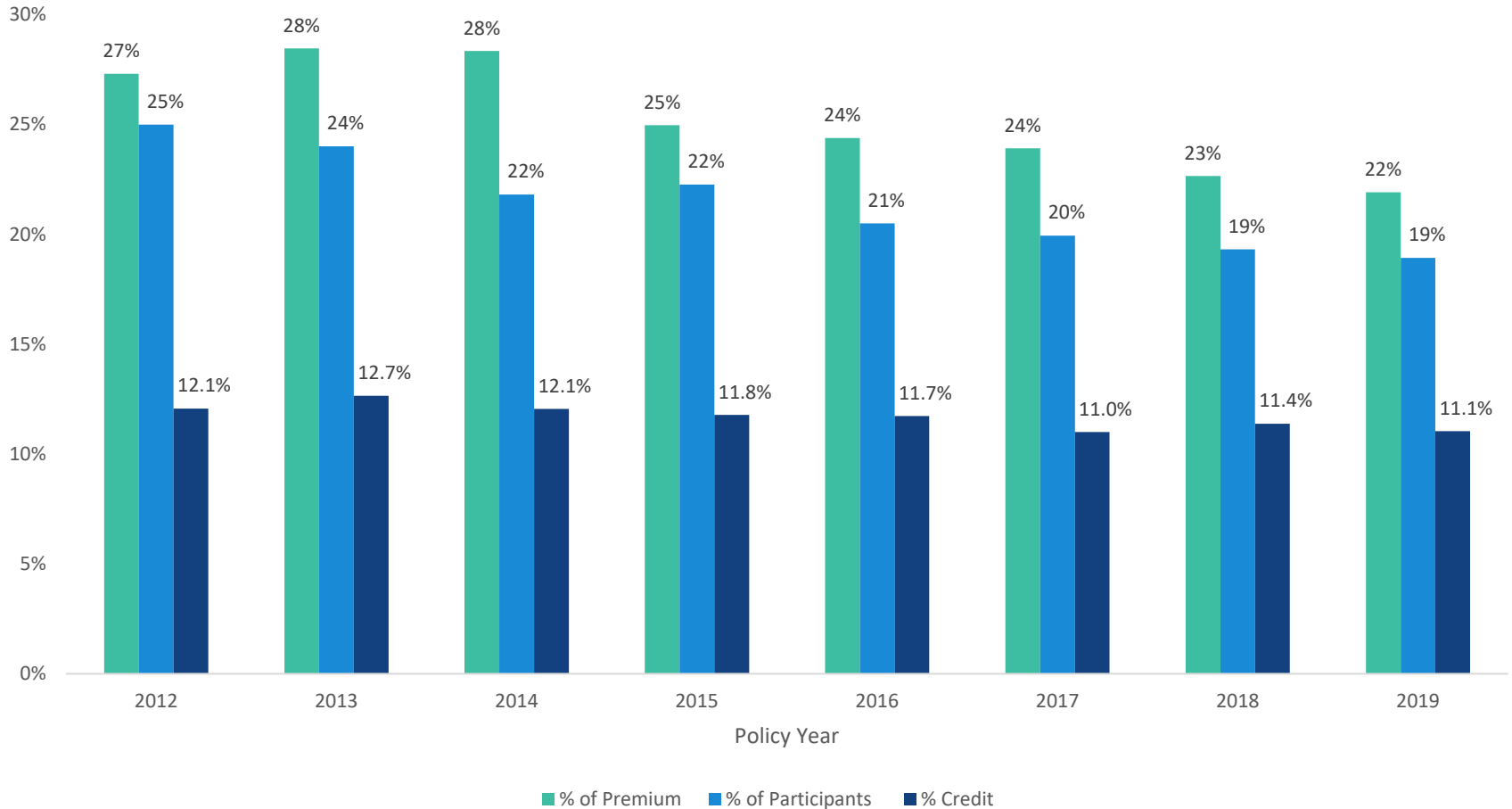


From 2012 to 2019, approximately 55% of eligible total standard premium was subject to schedule rating and the number of policies subject to schedule rating has been stable. Since 2014, the overall average schedule rating credit has been increasing and is at 13% in 2019.

Sources:

DCRB Unit Statistical Data

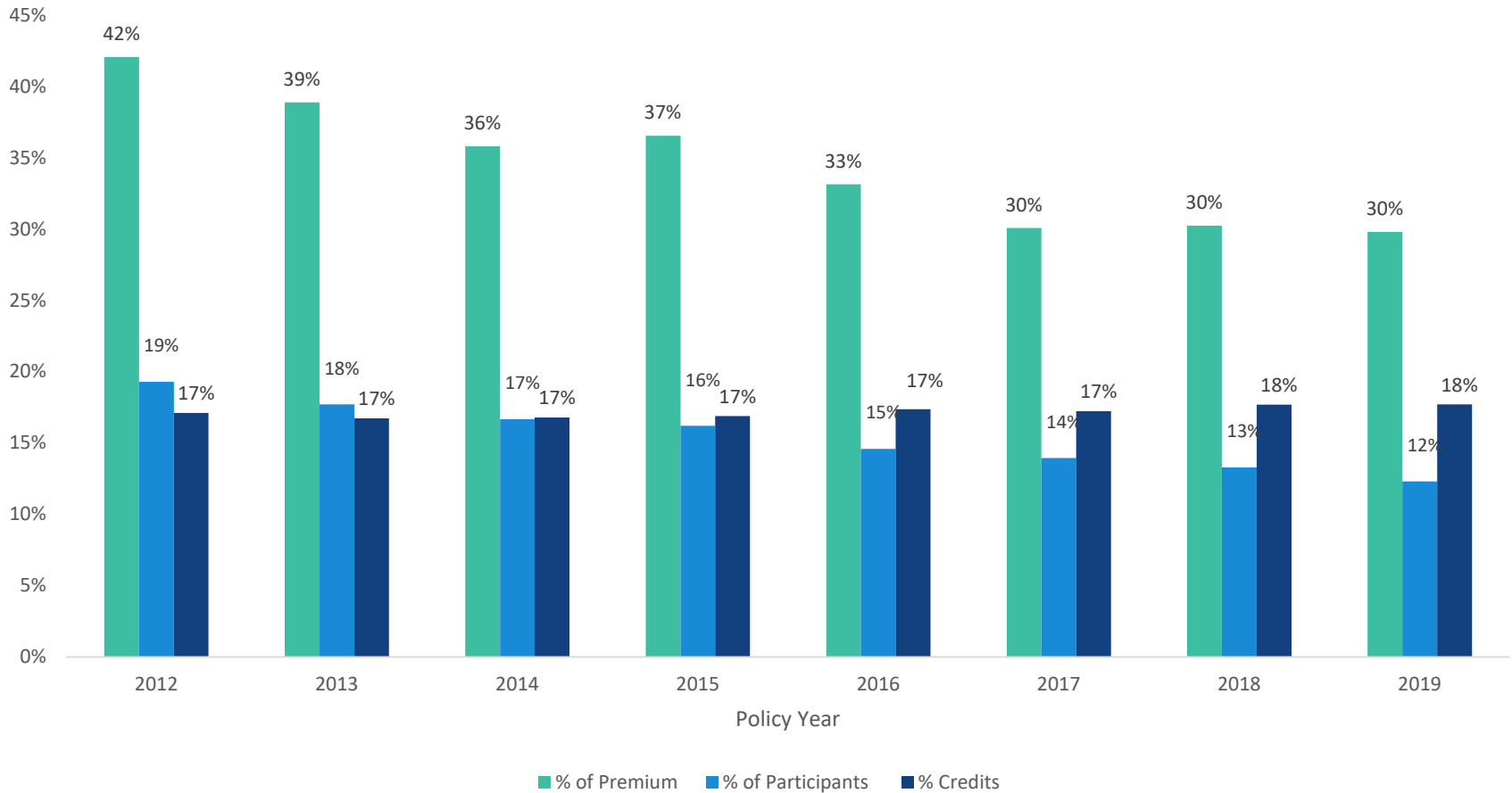
Delaware Workplace Safety Program



From 2012 to 2019, the percentage of risks participating has generally decreased. During 2019, 19% of eligible risks representing 22% of eligible premiums participated in the program. The average credit provided to participating employers has been approximately 11% in recent years.

Sources:
DCRB Unit Statistical Data

Delaware Construction Classification Premium Adjustment Program



During Policy Year 2019, the premium for participating risks represented 30% of total premium on eligible risks, and only 12% of eligible risks participated in the program. Both the proportion of eligible risks participating and the percentage of premium for participating risks have generally declined since 2012. The average program credits given to participating risks have also declined slightly during the period.

Sources:
DCRB Unit Statistical Data



Trusted • Essential • Objective

The DCRB is the licensed rating organization for workers compensation business in the state of Delaware and has served in that role since 1917. The DCRB is a non-profit, private corporation supported by members comprised of all insurers licensed to underwrite workers compensation insurance in Delaware. The DCRB makes annual rating value filings with the Delaware Department of Insurance and, subject to review and approval by the Department of Insurance, the DCRB maintains uniform classification and experience rating plans as well as rules and parameters associated with various other mandatory and optional pricing programs. For more information about the DCRB, contact us at:

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Philadelphia, PA 19103

(215) 568-2371

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