

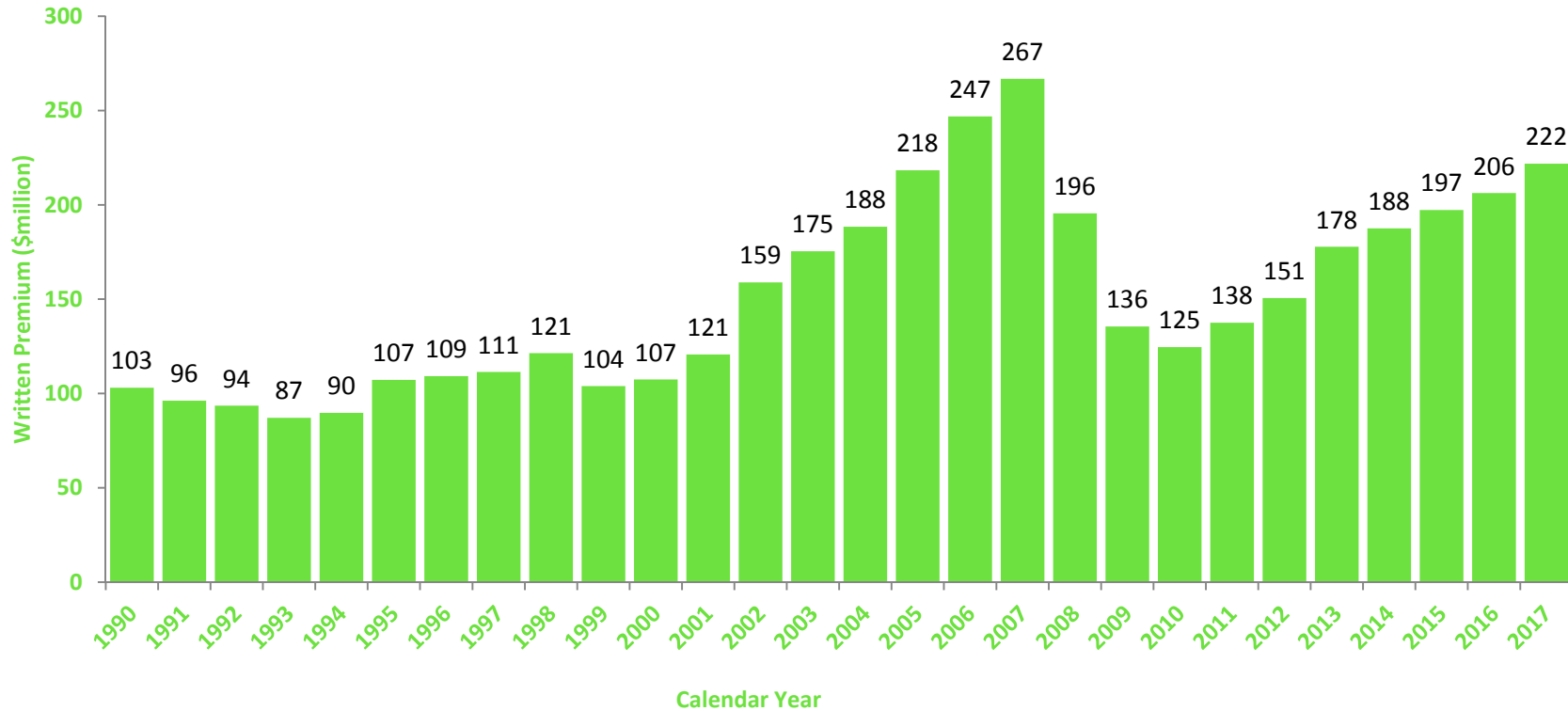
DELAWARE COMPENSATION RATING BUREAU, INC.



STATE OF THE LINE
REPORT
2018

Delaware Workers Compensation Insurance Market Results

Delaware Direct Written Premium

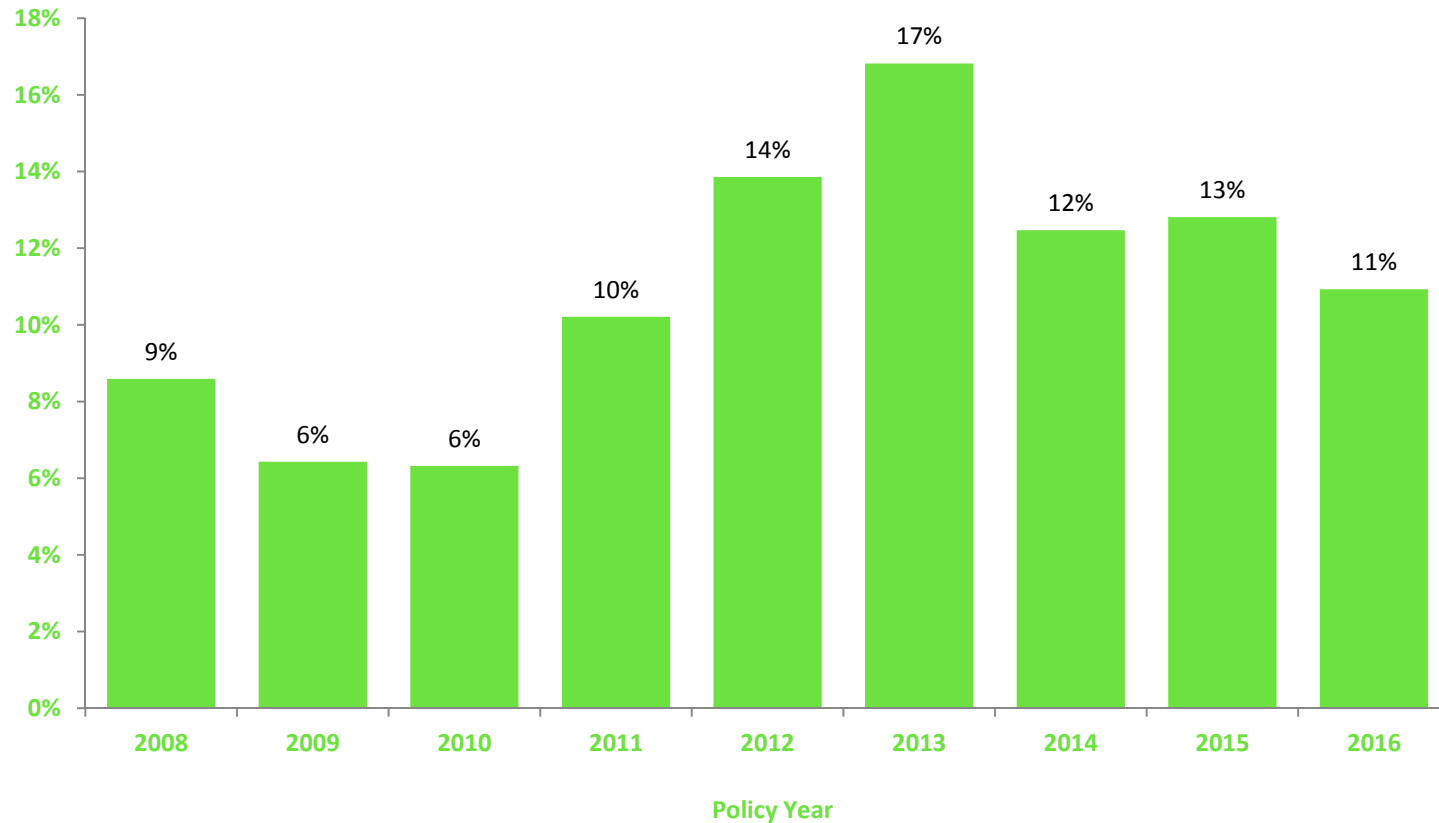


The level of written premium has fluctuated over the 28 years shown. Written Premium has increased each year since 2010.

Source:

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

Delaware Residual Market Share

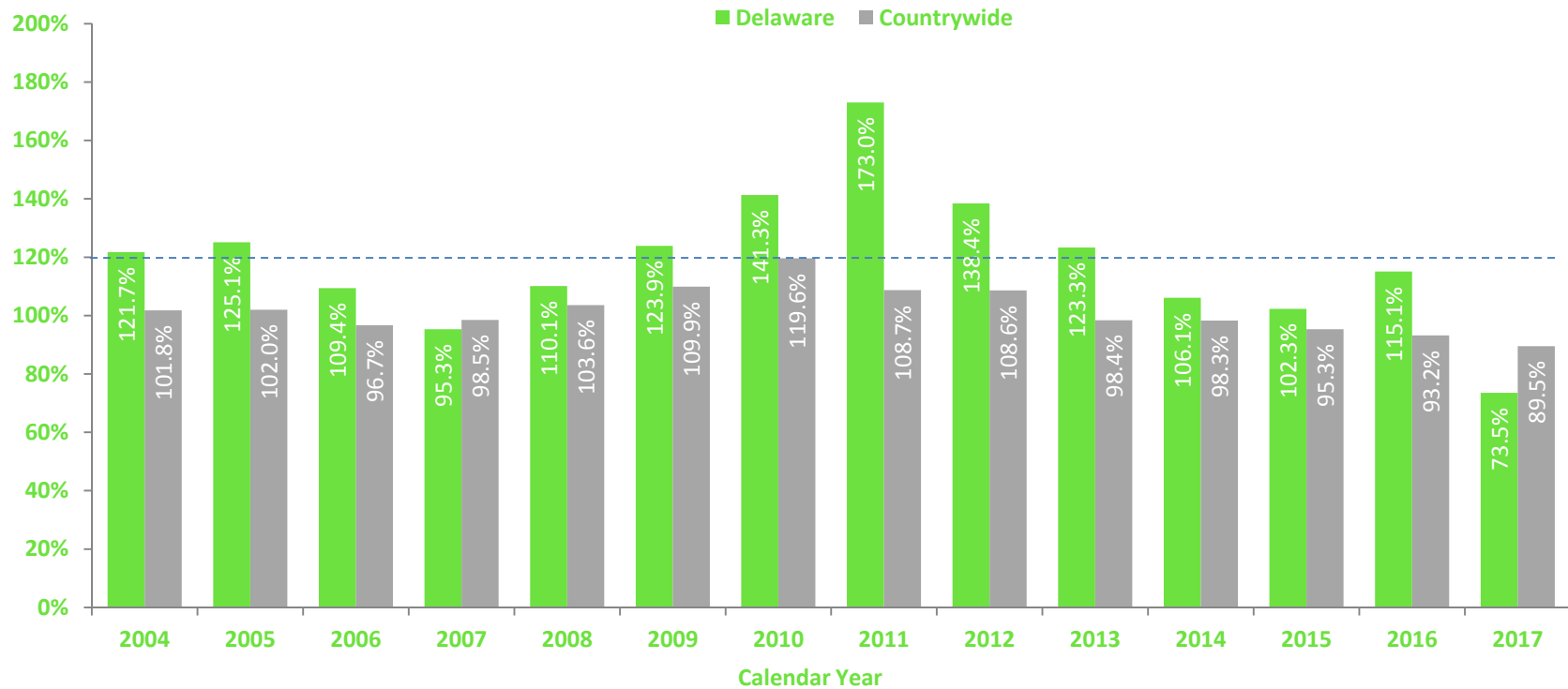


The residual market share is an indicator of the health of a state's Workers Compensation system. The residual market share in Delaware grew rapidly from 2010 to 2013, but has since dropped to 13% in 2015 and 11% in 2016.

Source:

Delaware Financial Call data as of 12/31/2017

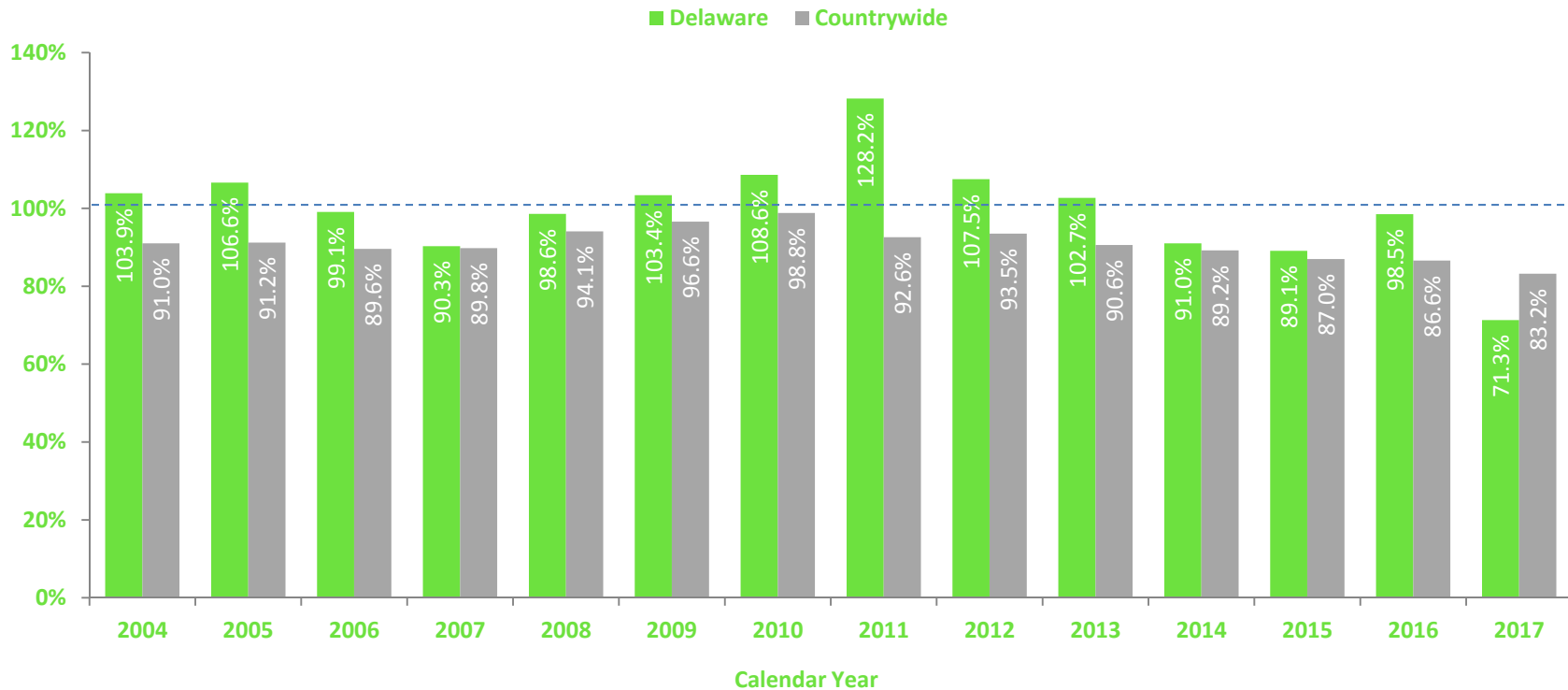
Combined Ratios Delaware and Countrywide



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

Source:
2018 NAIC Profitability by Line by State in 2017

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:

2018 NAIC Profitability by Line by State in 2017

Loss Costs and Market-wide Pricing

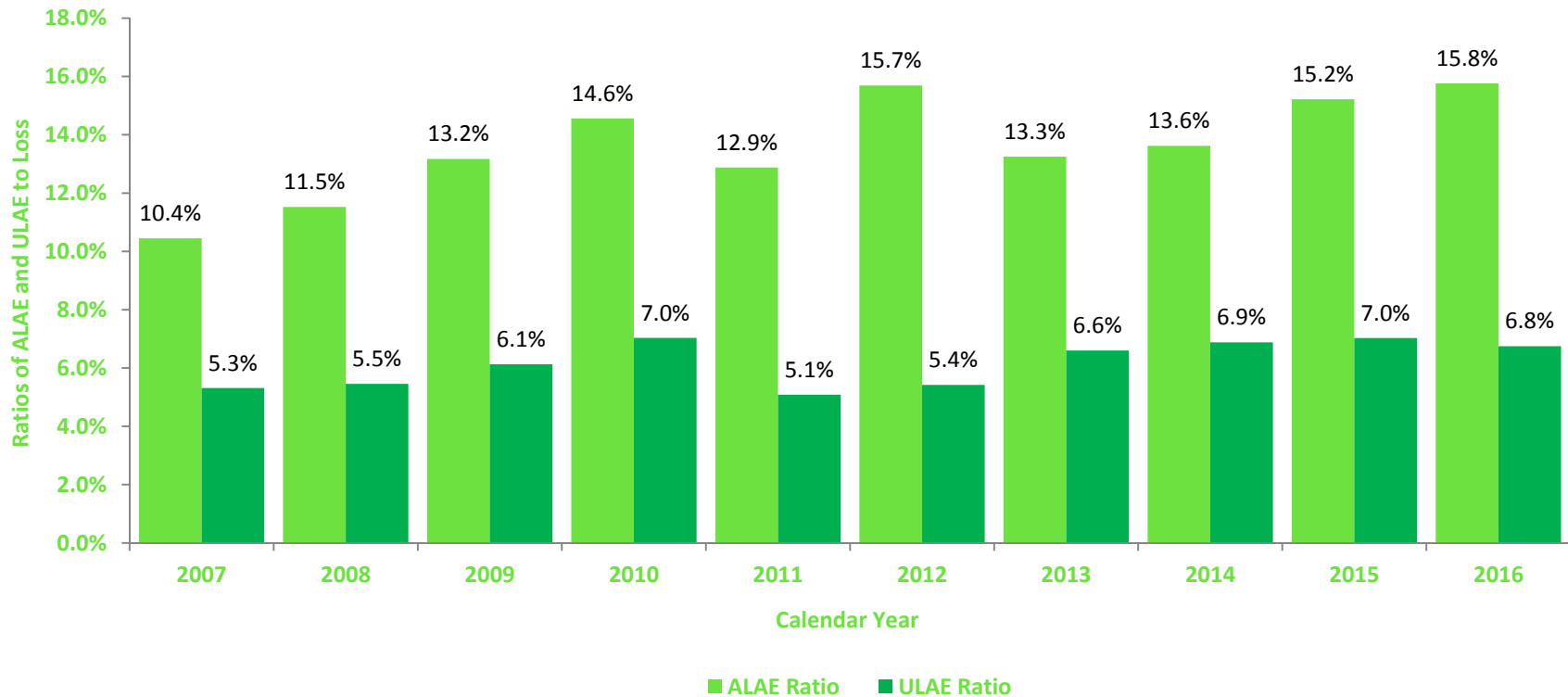
Delaware Loss Adjustment Expense Ratios



Loss adjustment expense (LAE) is expense associated with investigating and settling claims. LAE ratios to loss have increased since 2013.

Source:
DCRB Financial Data Call as of 12/31/2017

Delaware ALAE and ULAE Ratios

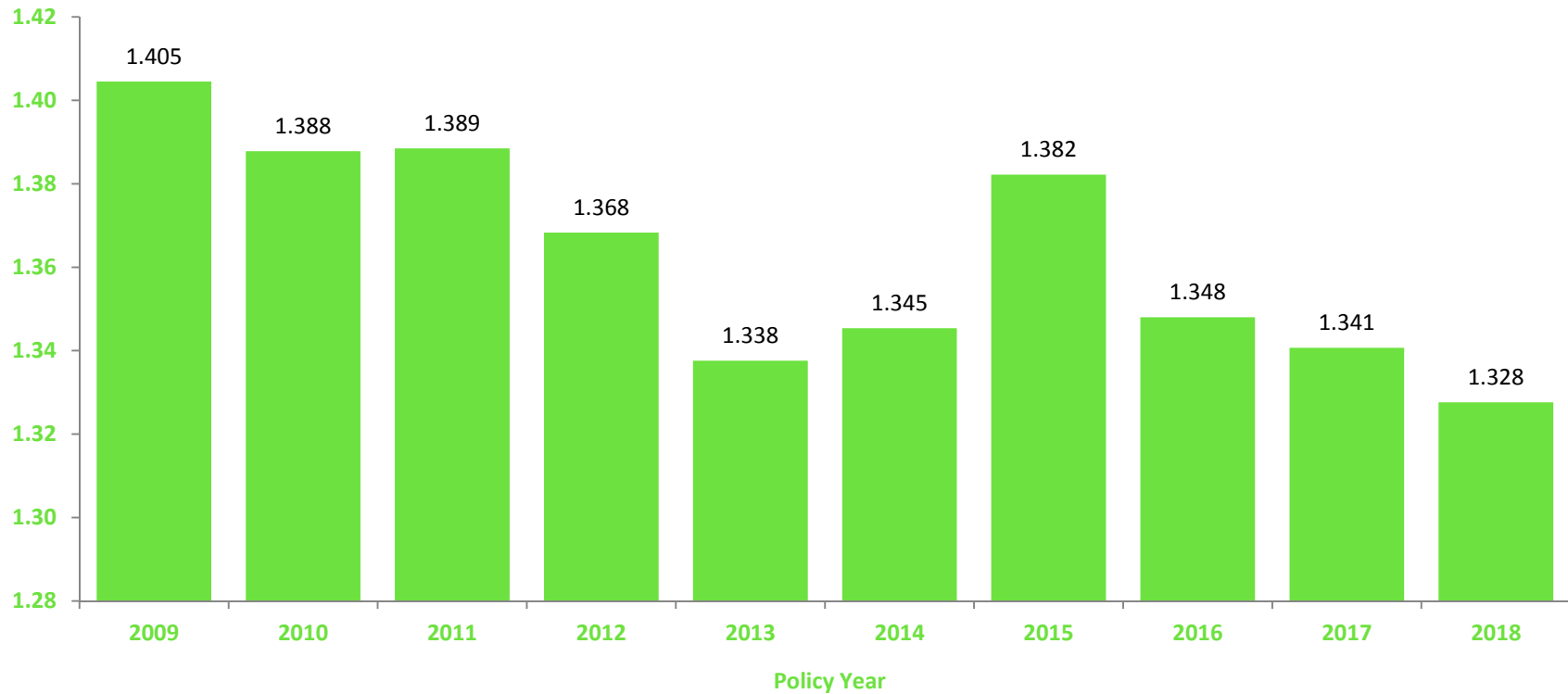


The portion of loss adjustment expense that can be assigned or allocated to specific claims is called allocated loss adjustment expense (ALAE), while the remainder is called unallocated adjustment expense (ULAE). Over the years shown, ALAE ratios have risen from below 10% to nearly 16%, while ULAE ratios have ranged from 5.1% to 7.0%.

Source:

DCRB Financial Data Call as of 12/31/2017

Delaware Average Loss Cost Multiplier

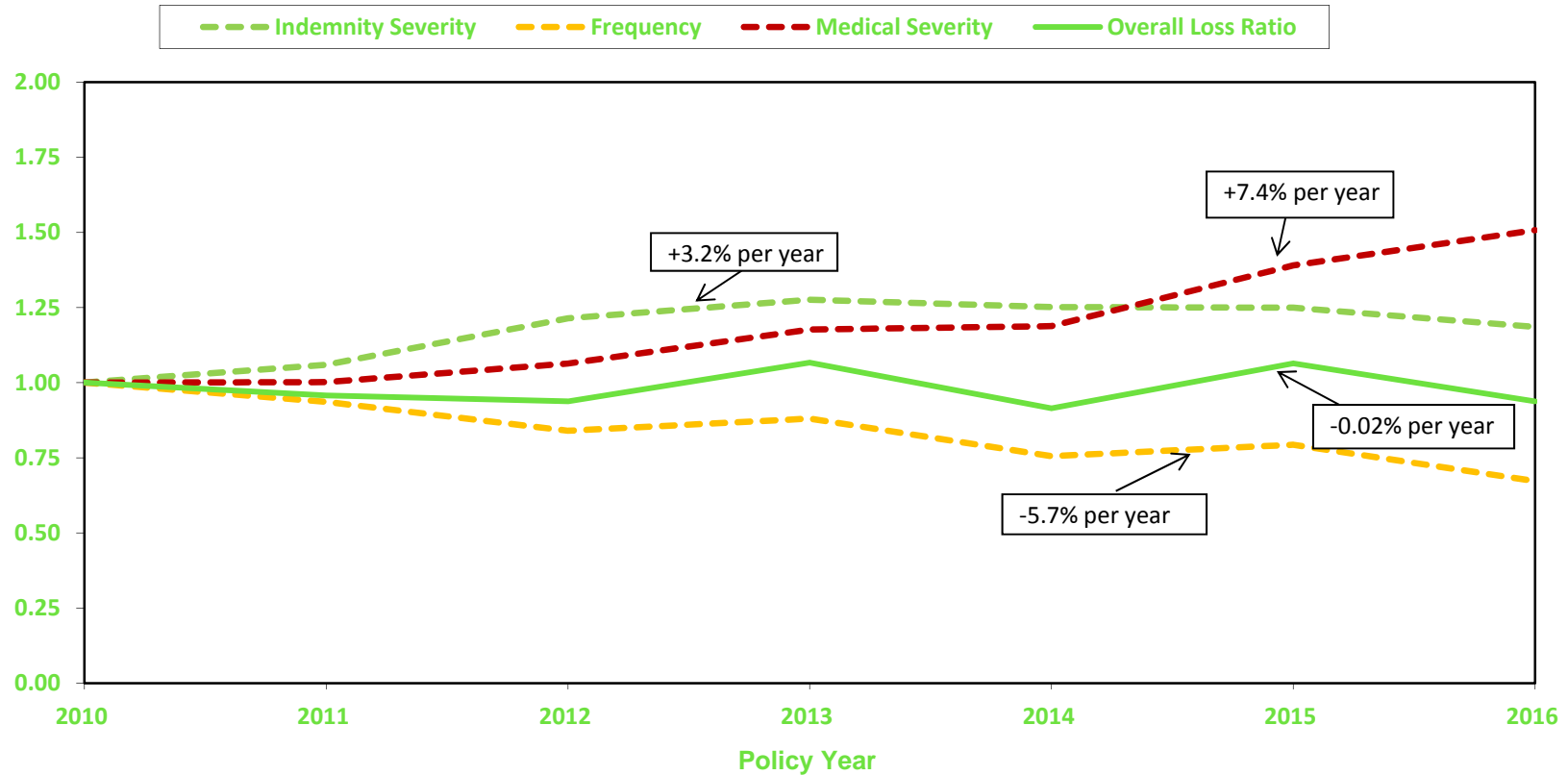


The Average Loss Cost Multiplier is the ratio of Total Carrier Manual Premium to Total Loss Costs at DCRB Level, as reported to the DCRB. It represents the average loss cost multiplier (LCM), weighted by loss costs. Carriers must file their LCMs with the Insurance Department to convert DCRB loss costs, 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.

Source:
DCRB Market Profile Report

Claim Frequency and Severity Trends

Delaware Loss Components Frequency, Indemnity Severity, Medical Severity

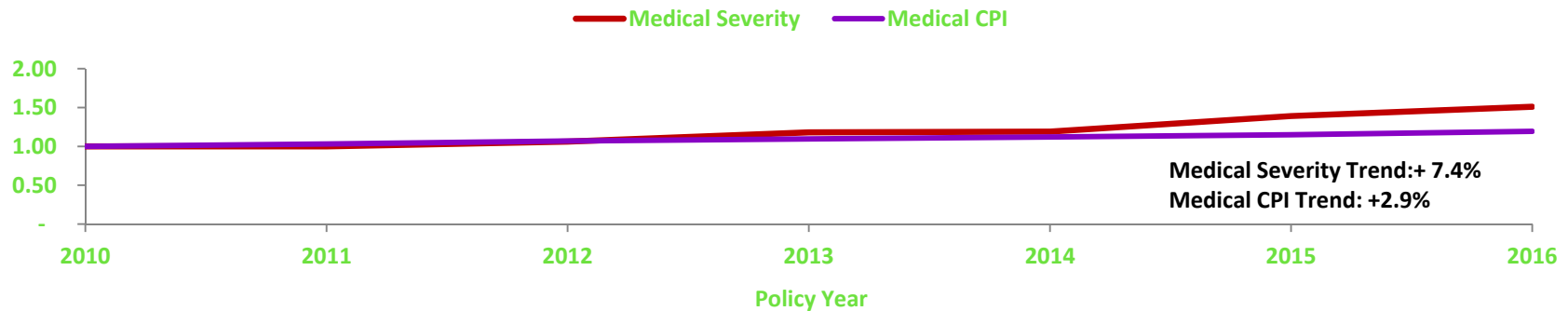
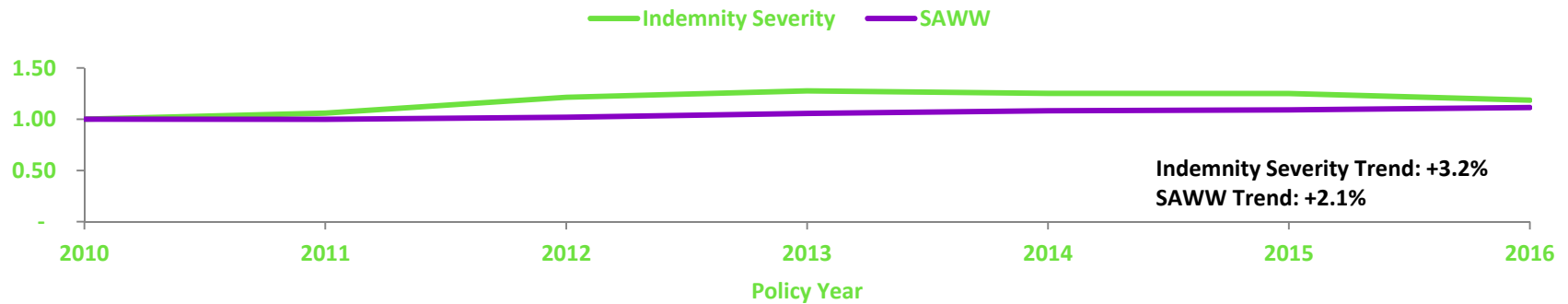


The combined impact of Frequency Trend, -5.7%, Indemnity Severity Trend, +3.2%, and Medical Severity Trend, +7.4%, is a Loss Ratio Trend of -0.02%.

Indexed to 1.00 at Policy Year 2010

Source:
DCRB 2018 Rate Revision

Delaware Severity and Broad Cost Indices



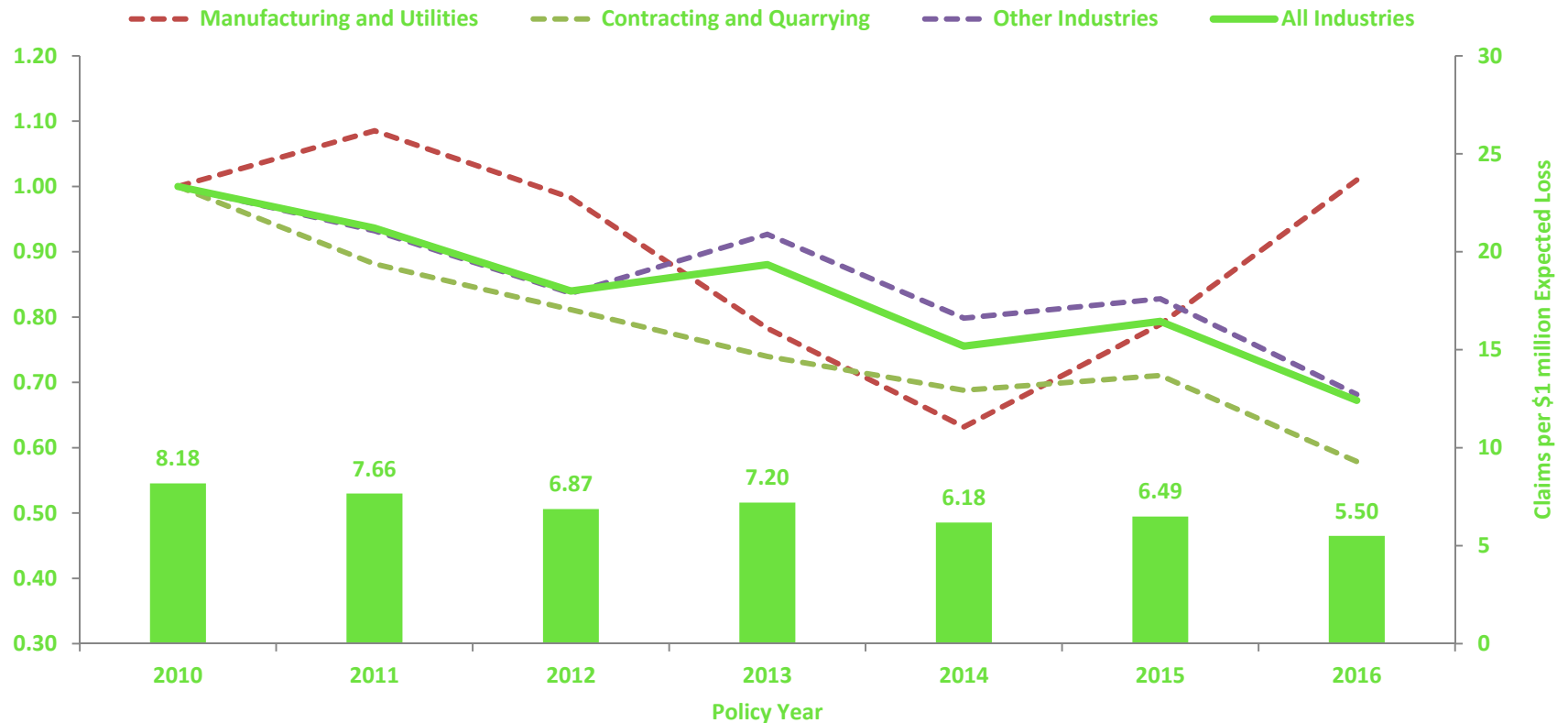
Changes in indemnity severity appear to be higher than the changes in the state's average weekly wage. Medical severity has generally increased at a faster rate than the Medical Consumer Price Index.

Indexed to 1.00 at Policy Year 2010

Sources:

- DCRB 2018 Rate Revision
- DE Department of Labor
- US Bureau of Labor Statistics

Claim Frequency Trend in Total and by Industry Group



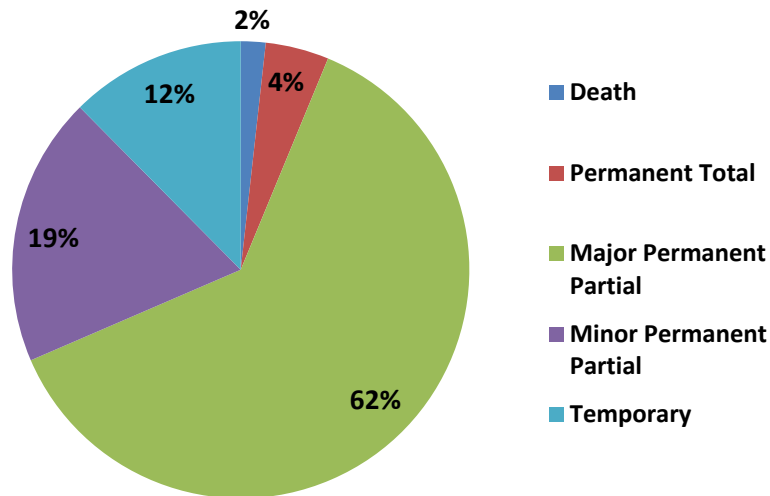
Notes: Excludes large deductible business
 Claim frequency is measured by the number of claims at first report level per \$1 million of expected losses.
 Decreasing frequency contributes to reductions in statewide loss cost levels.
 Indexed to 1.00 at Policy Year 2010

Source:
 DCRB 2018 Rate Revision

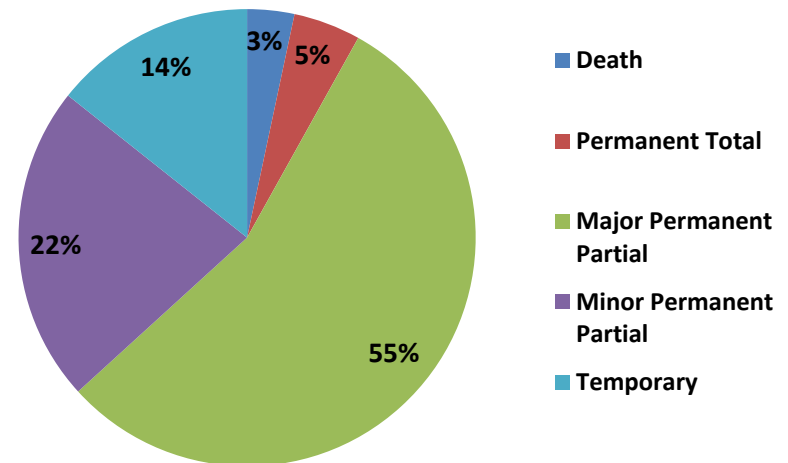
Distributions of the Delaware Workers Compensation System

Indemnity Benefits by Type of Injury

5 Policy Year Average (2007-2011)



5 Policy Year Average (2011-2015)



Over these time periods, the portion of indemnity benefits attributable to Major Permanent Partial injuries decreased by 7 percentage points, respectively, while the portion attributable to Death, Permanent Total, Minor Permanent Partial and Temporary injuries increased nominally.

Based on losses developed to ultimate values.

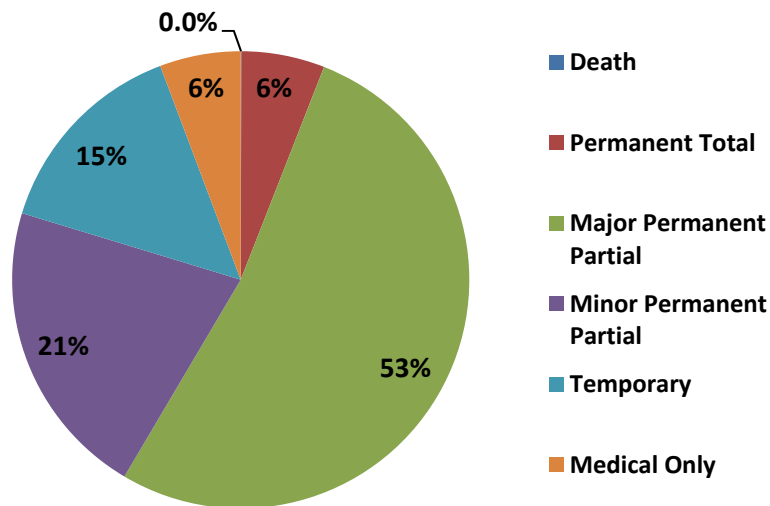
Sources:

2007-2011: Delaware 2014 Rate Revision

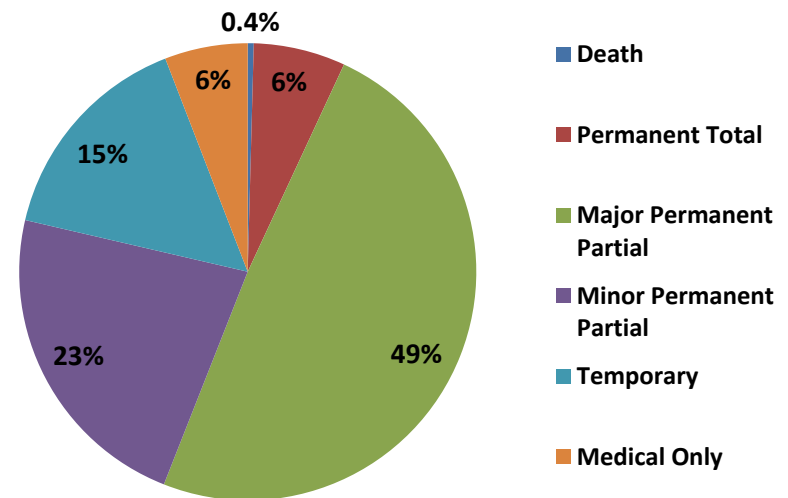
2011-2015: Delaware 2018 Rate Revision

Medical Benefits by Type of Injury

5 Policy Year Average (2007-2011)



5 Policy Year Average (2011-2015)



Over these time periods, the portion of medical benefits attributable to Major Permanent Partial injuries decreased by 4 percentage points. The portion attributable to Minor Permanent Partial injuries increased by 2 percentage points.

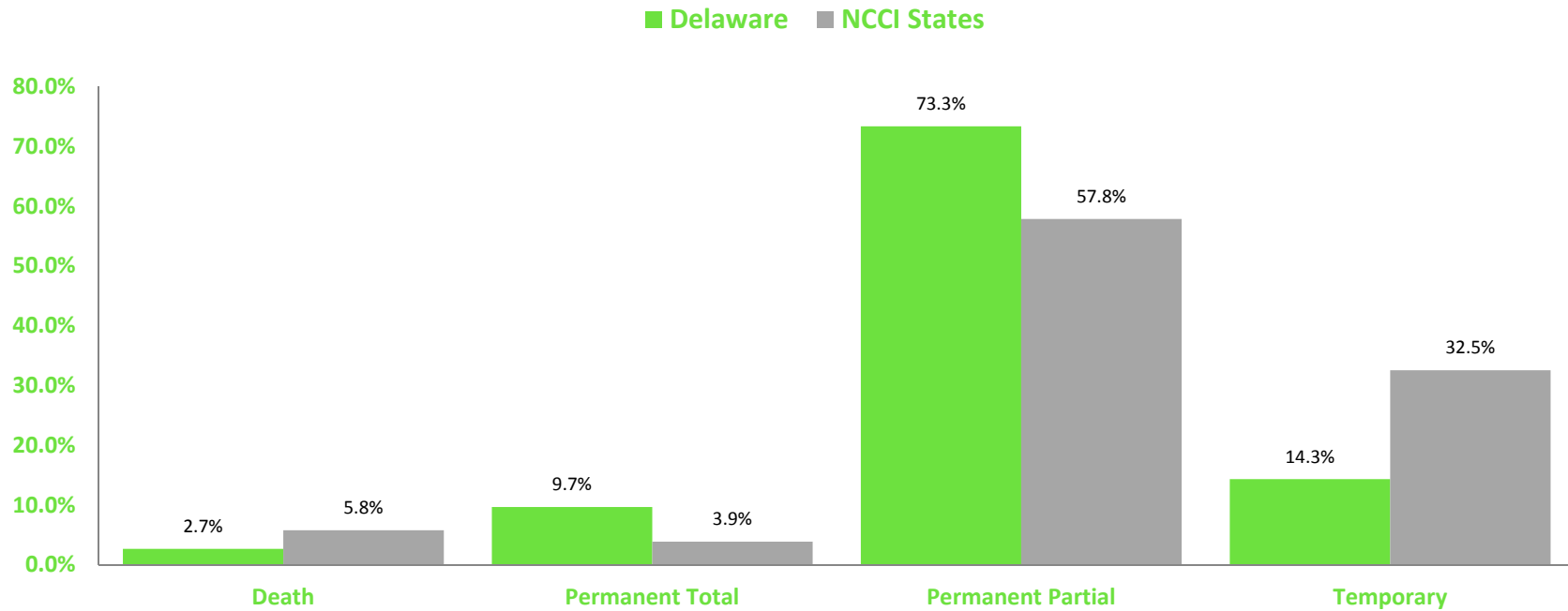
Based on losses developed to ultimate value.

Sources:

2007-2011: Delaware 2014 Rate Revision

2011-2015: Delaware 2018 Rate Revision

Ultimate Indemnity Benefits by Type of Injury



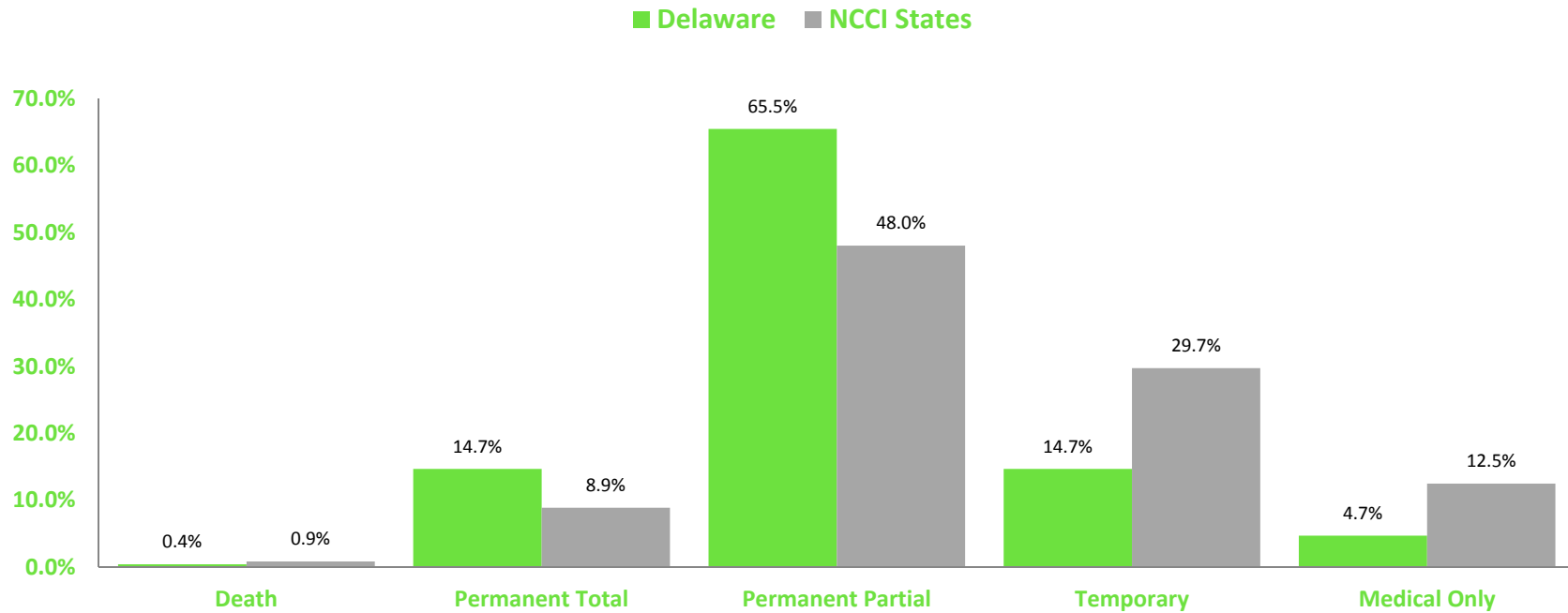
Delaware has a higher percentage of Permanent Partial benefits and a lower percentage of Temporary benefits in comparison to the NCCI states.

Sources:

DCRB 2018 Loss Cost Revision

NCCI States: March , 2018, Annual Statistical Bulletin

Ultimate Medical Benefits by Type of Injury



The largest component of medical costs is payments for Permanent Partial (approximately two thirds of total medical costs). The NCCI States have a higher percentage of Death, Temporary and Medical Only losses while Delaware has higher percentages of Permanent Total and Permanent Partial claims.

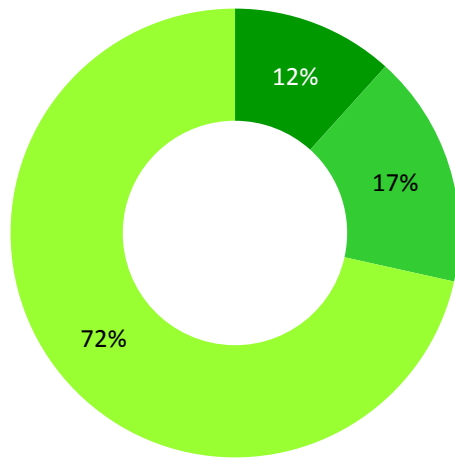
Sources:

DCRB 2018 Rate Revision

NCCI States: March , 2018, Annual Statistical Bulletin

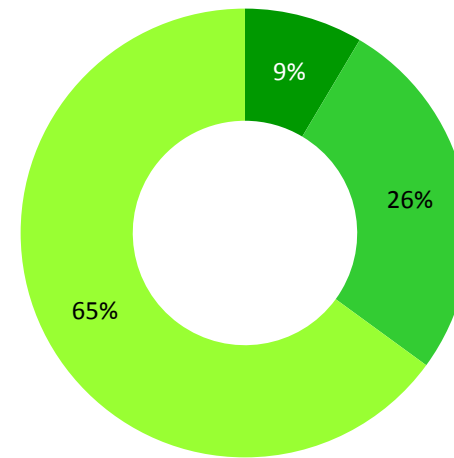
Premium and Loss by Industry Group

Standard Premium



1 - Manufacturing

Reported Losses



2 - Contracting

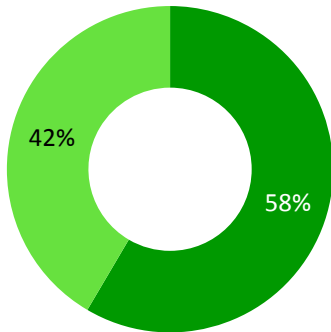
3 - Other

Source:
DCRB 2018 Loss Cost Revision, Policy Year 2015

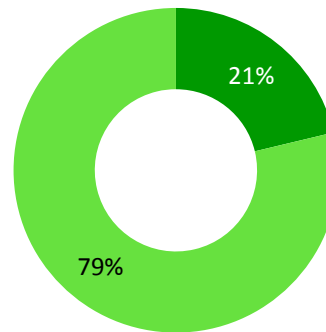
Premium and Loss by Industry Group

Standard Premium

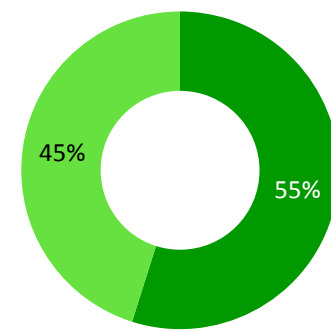
Manufacturing



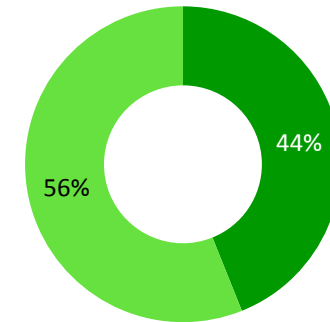
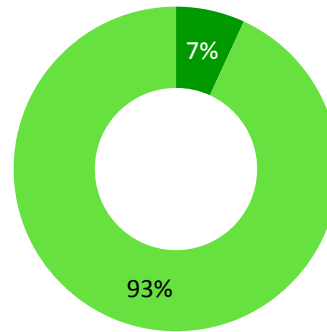
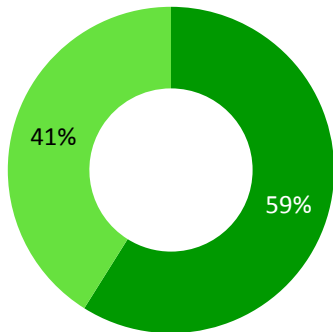
Contracting



Other



Reported Losses

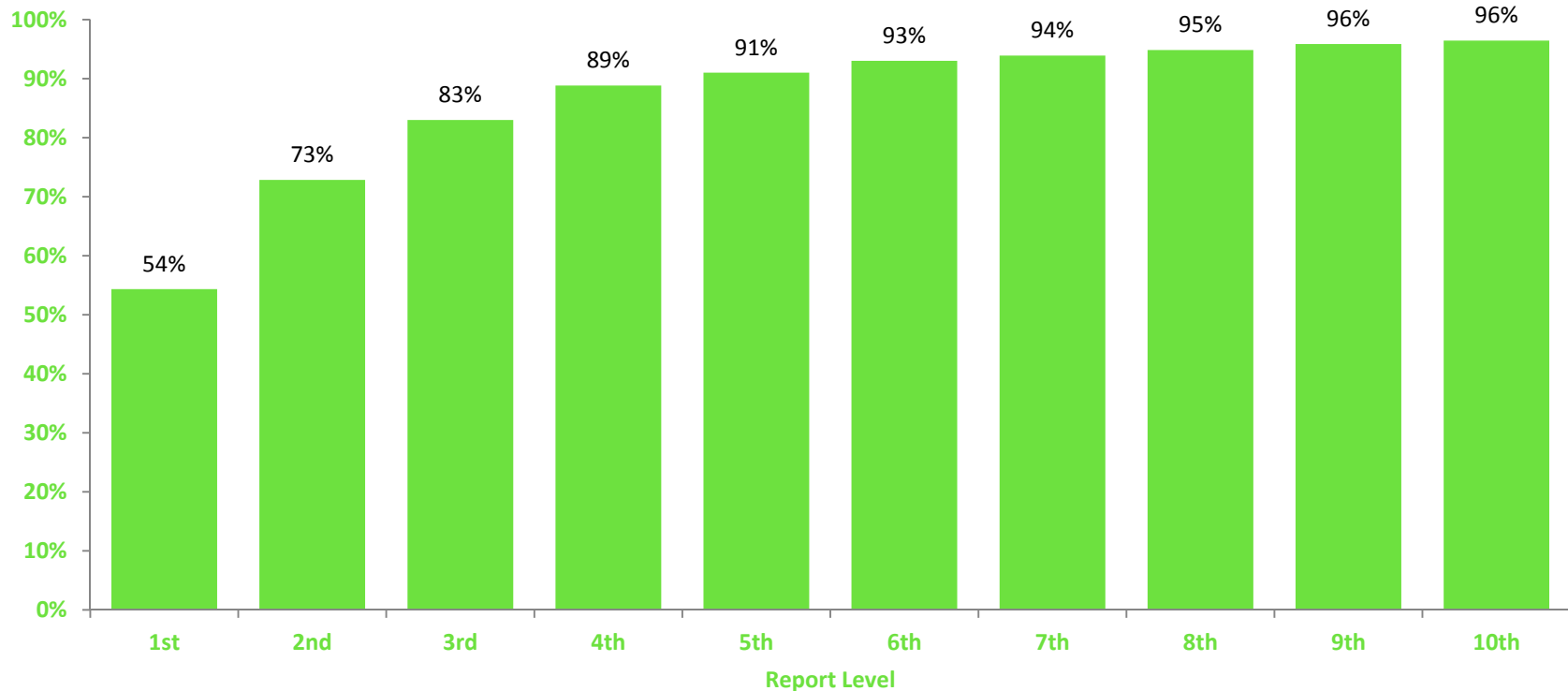


 Excluding Deductible Policies  Deductible Policies

Source:
DCRB 2018 Loss Cost Revision, Policy Year 2015

Measures of Claim Reporting

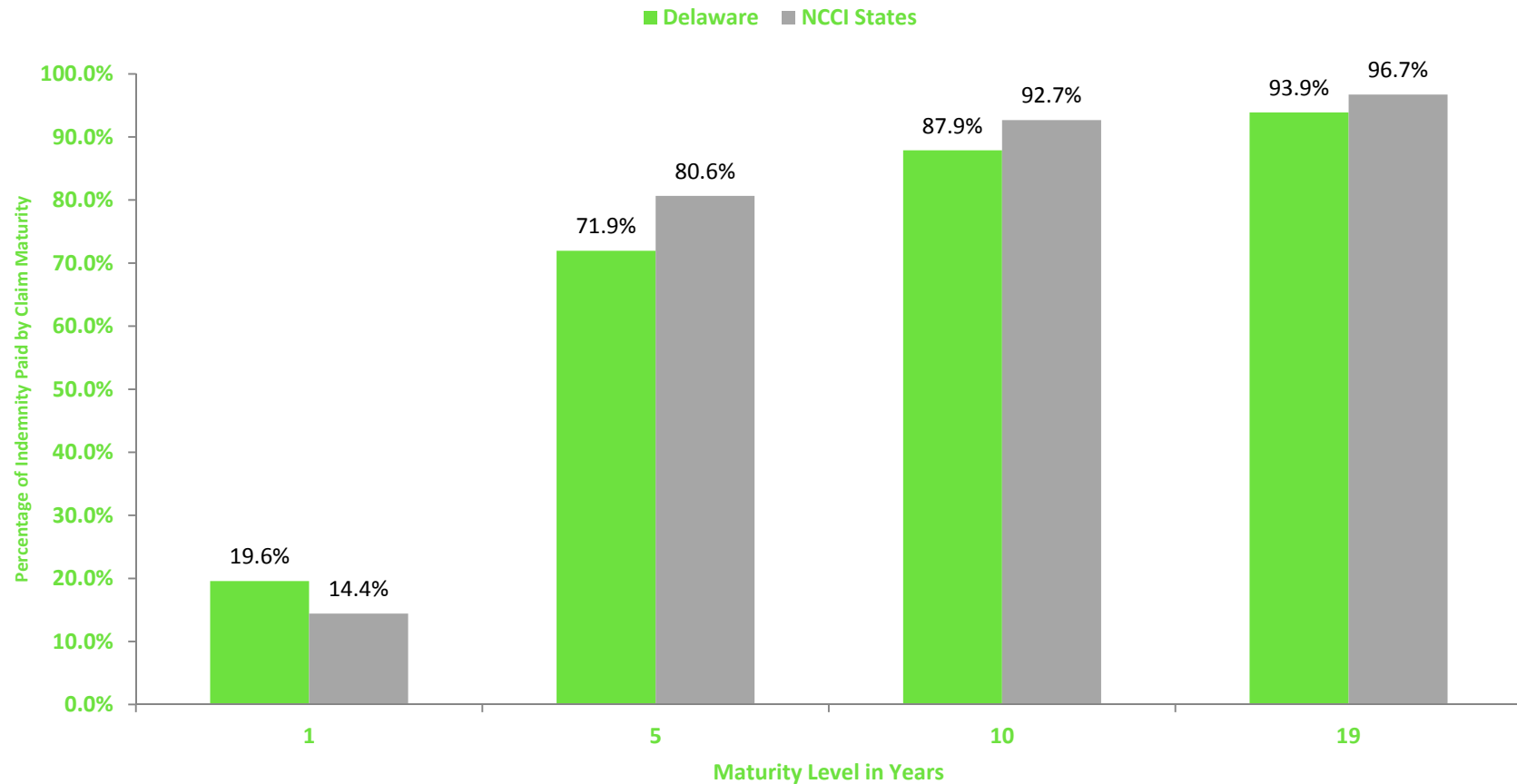
Portion of Reported Indemnity Claims Closed



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 9% of indemnity claims remain open in Delaware at 5th report.

Source:
DCRB 2018 Rate Revision

Portion of Ultimate Indemnity Loss Paid by Claim Maturity

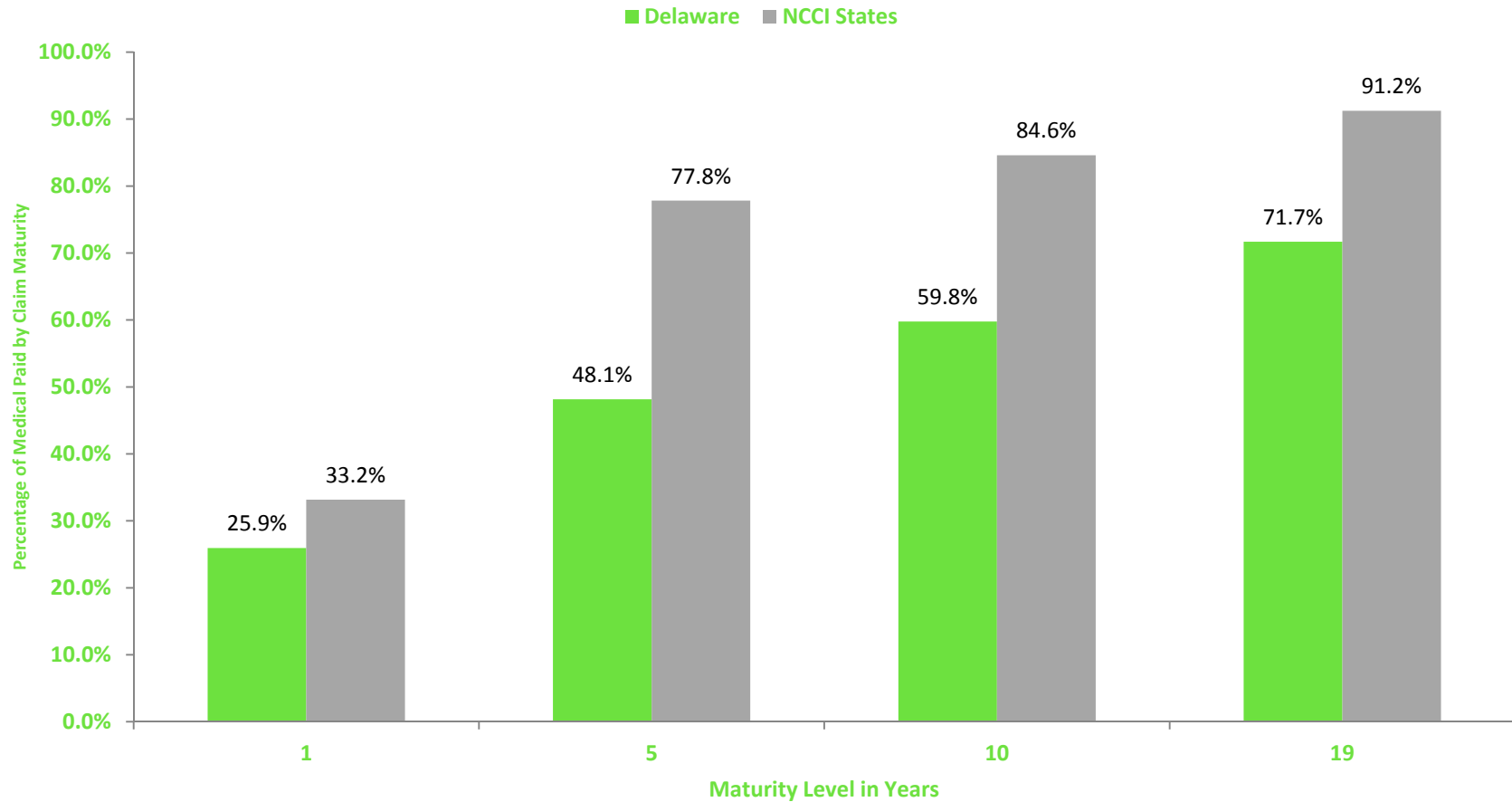


Sources:

DCRB 2018 Rate Revision, on a Policy Year basis

NCCI States: April, 2019. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Medical Loss Paid by Claim Maturity

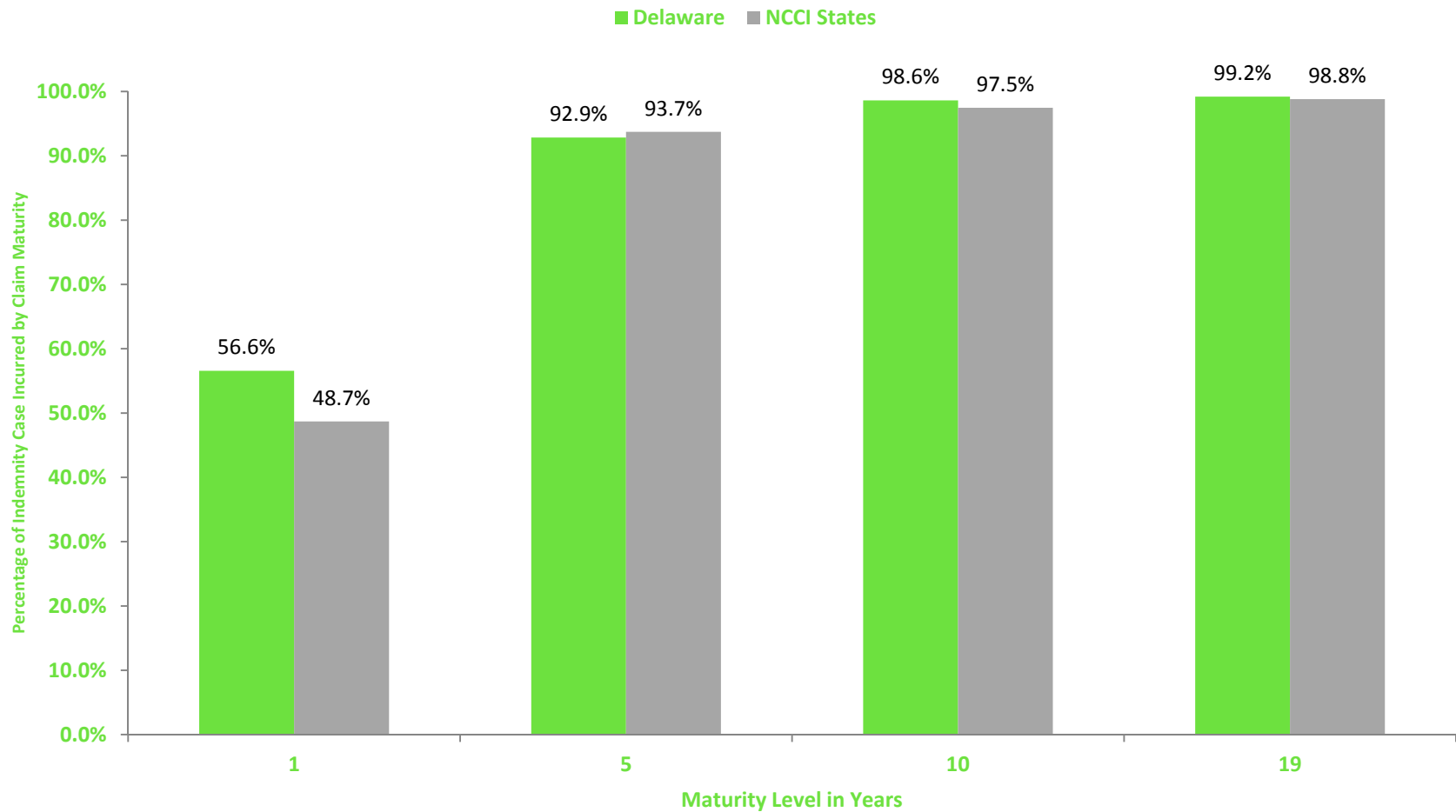


Sources:

DCRB 2018 Rate Revision, on a Policy Year basis

NCCI States: April, 2019. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Indemnity Case Incurred by Claim Maturity

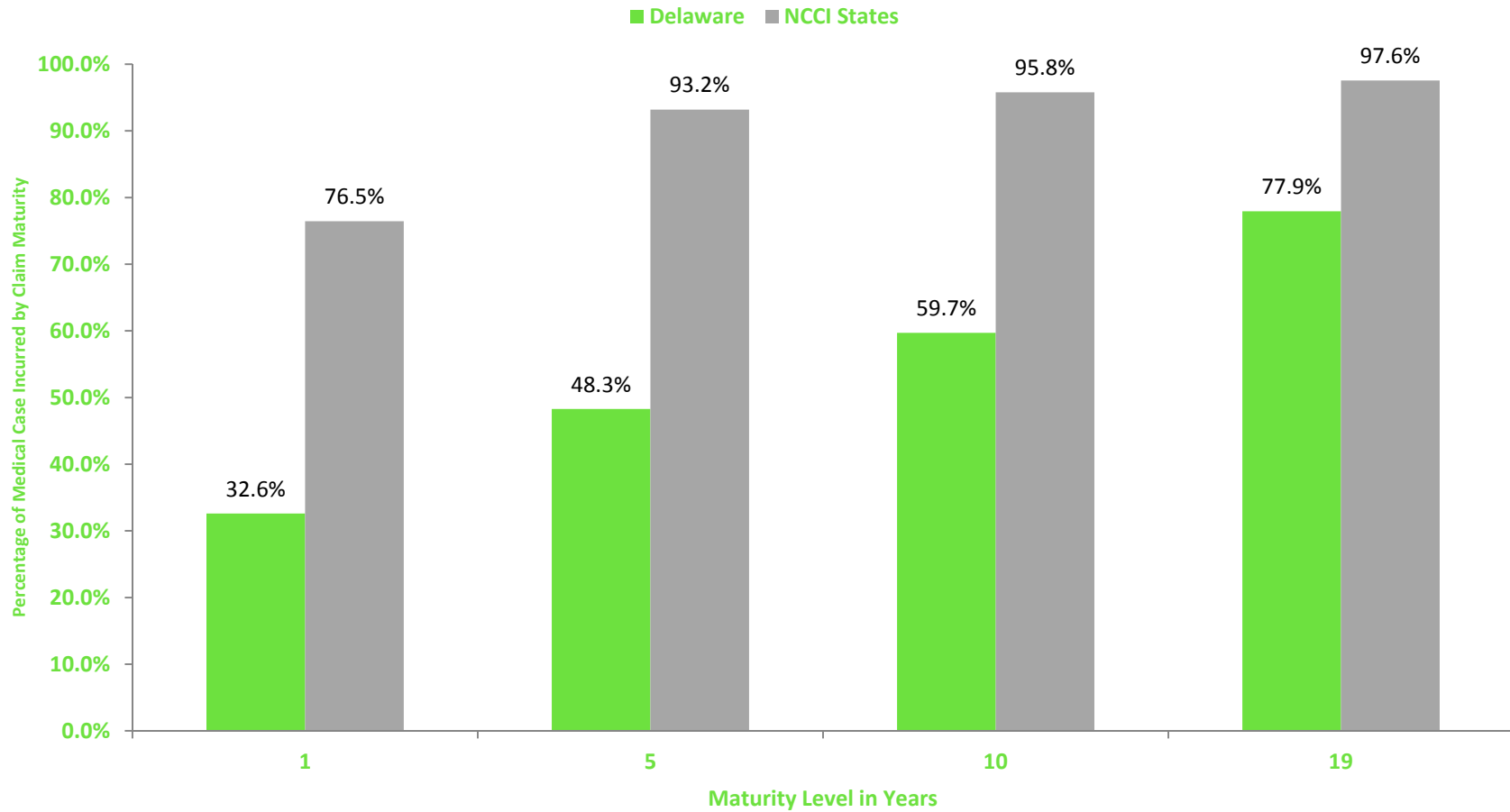


Sources:

DCRB 2018 Rate Revision, on a Policy Year basis

NCCI States: April, 2019. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Medical Case Incurred by Claim Maturity



Sources:

DCRB 2018 Rate Revision, on a Policy Year basis

NCCI States: April, 2019. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis