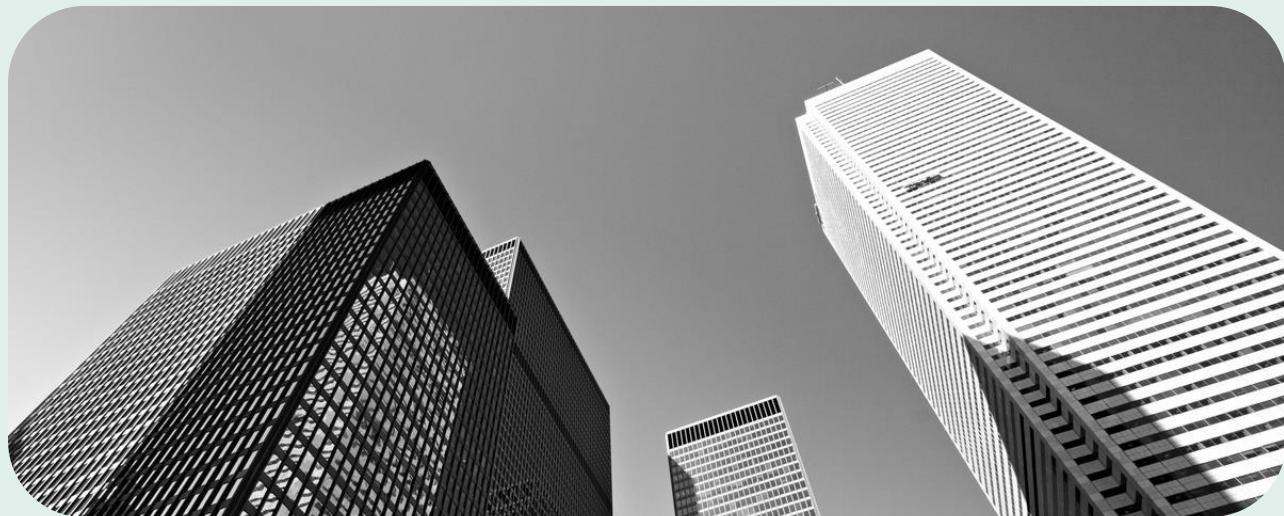


State of the Line



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An overview of
Delaware's
workers compensation system



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Delaware Workers
Compensation
Insurance Market
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Loss Costs &
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Claim Frequency &
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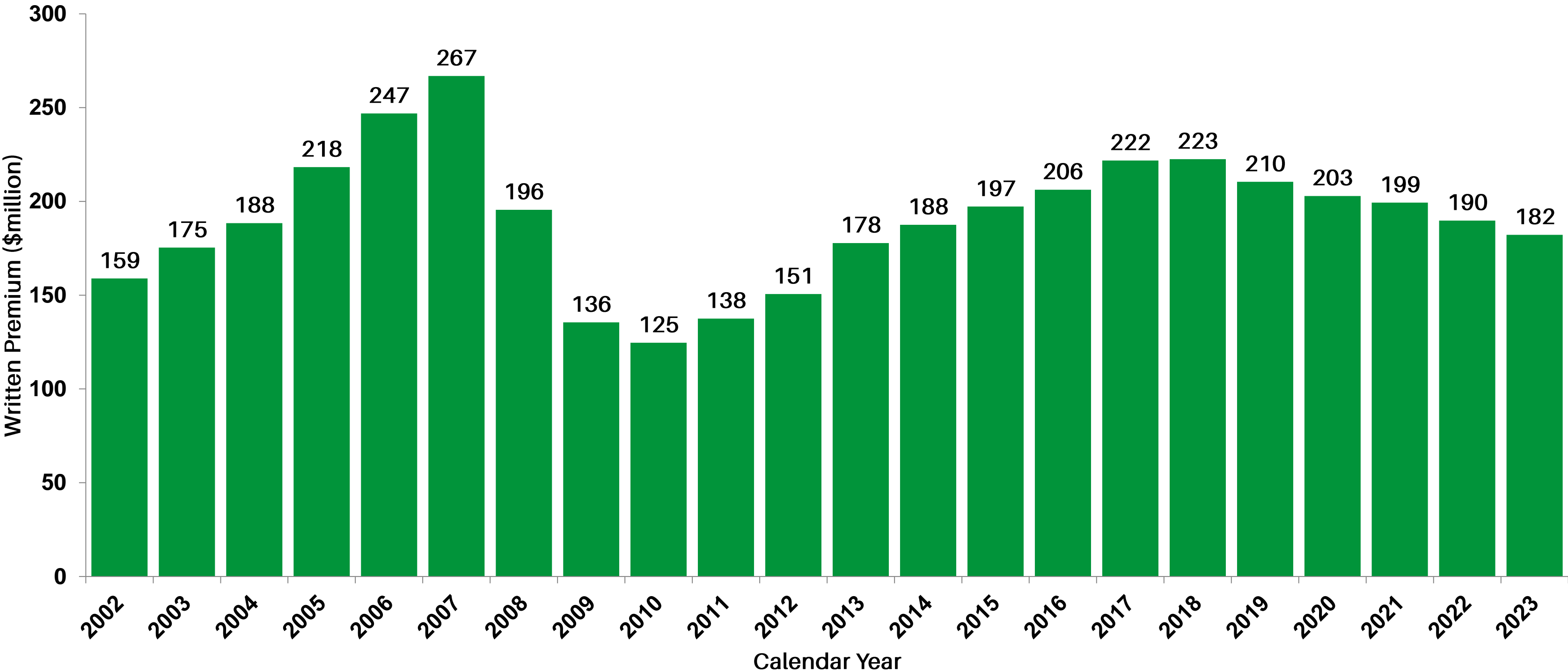
Distributions of the
Delaware Workers
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Measures of Claim
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Premium Adjustment
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Delaware Direct Written Premium

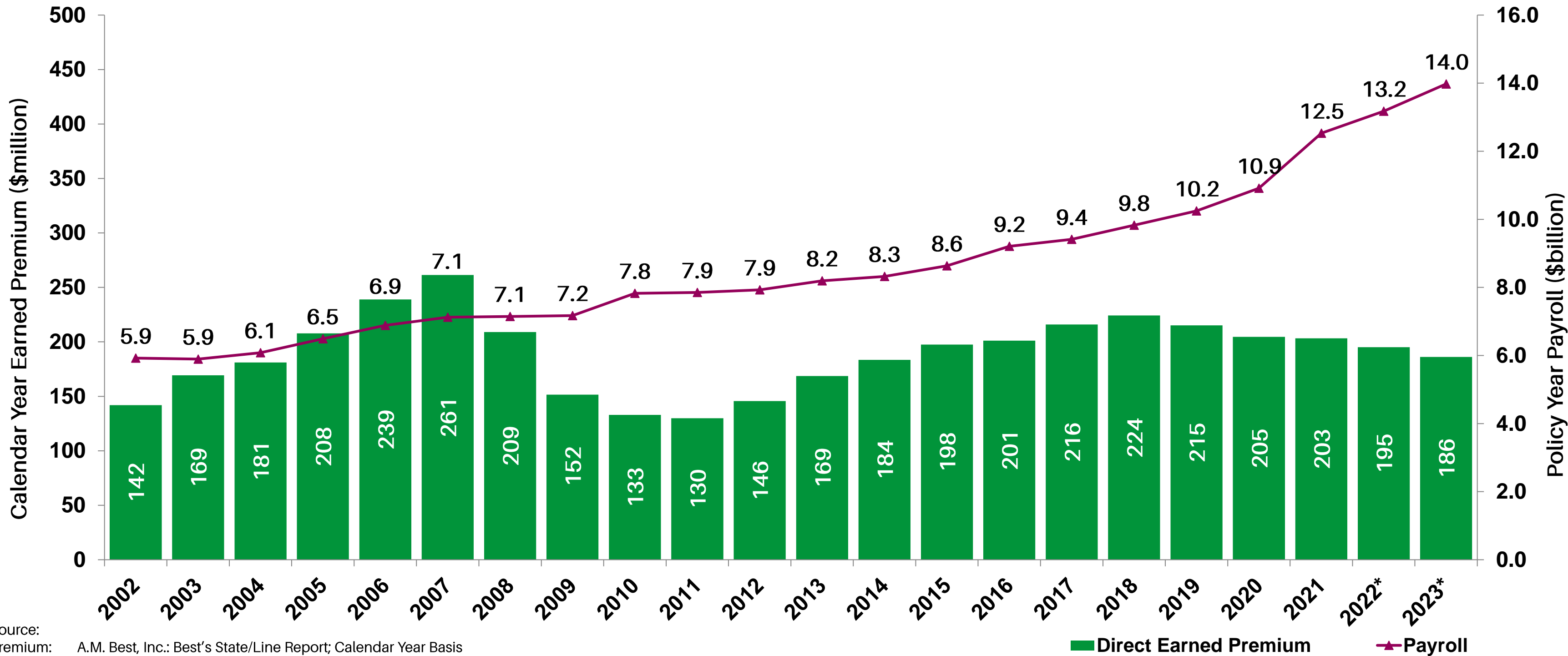
The level of written premium has fluctuated over the period shown. Written Premium has increased each year since 2010 followed by decreases in 2019 and subsequent years. The observed decreases in recent years are driven by significant rate reductions.



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

Delaware Earned Premium and Payroll History

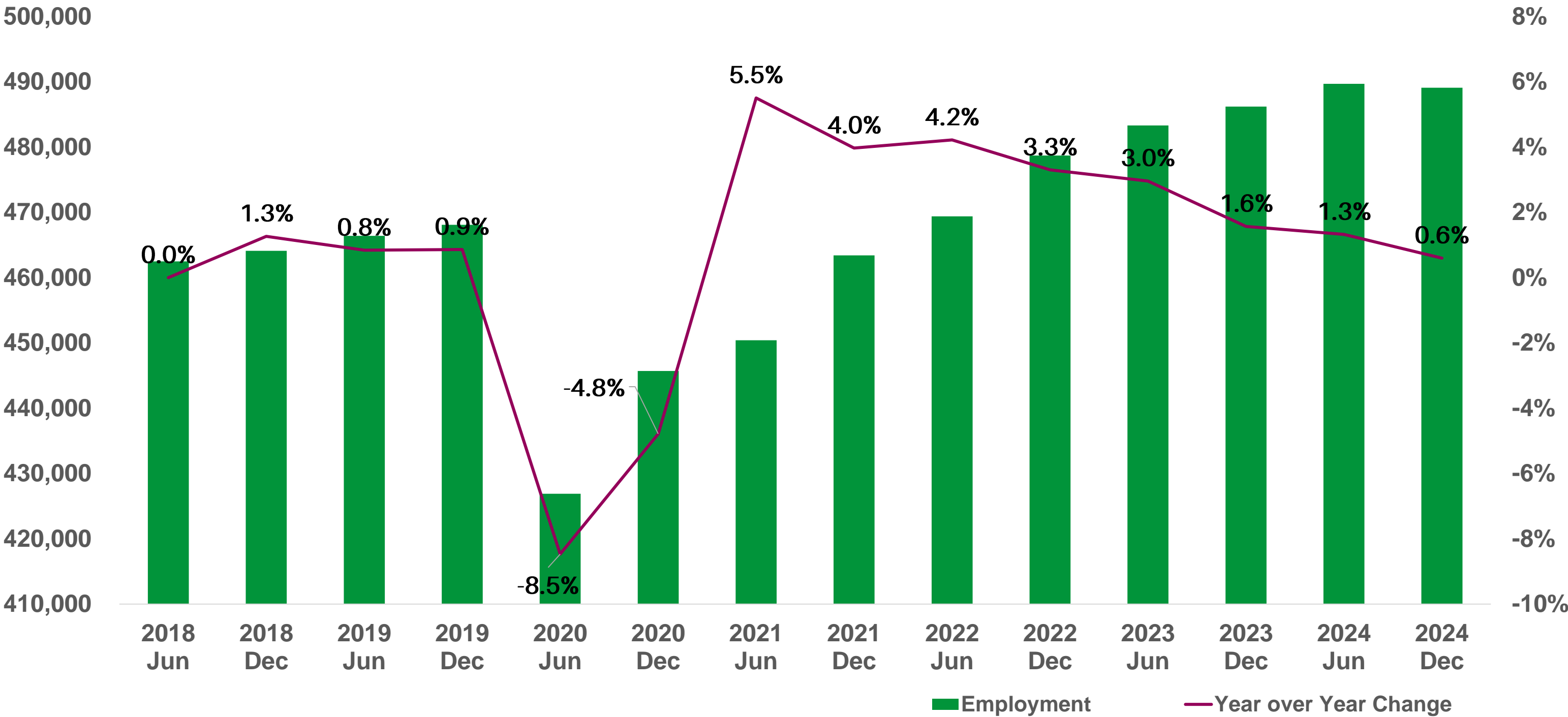
Payroll has more than doubled over the period shown, while premiums have been much steadier. Increases in wages and rate reductions have generally balanced each other out, minimizing any significant trend in premiums, with larger premium reductions driving the declines in recent years.



Source: A.M. Best, Inc.: Best's State/Line Report; Calendar Year Basis
Premium: Unit Statistical Data; DCRB Financial Data Calls as of 12/31/2022, adjusted to an "effective" level to reflect deductible discounts; Policy Year Basis.
Payroll: * Payroll for Policy Years 2021 and 2022 is projected using the Statewide Average Weekly Wage.

Delaware Nonfarm Employment

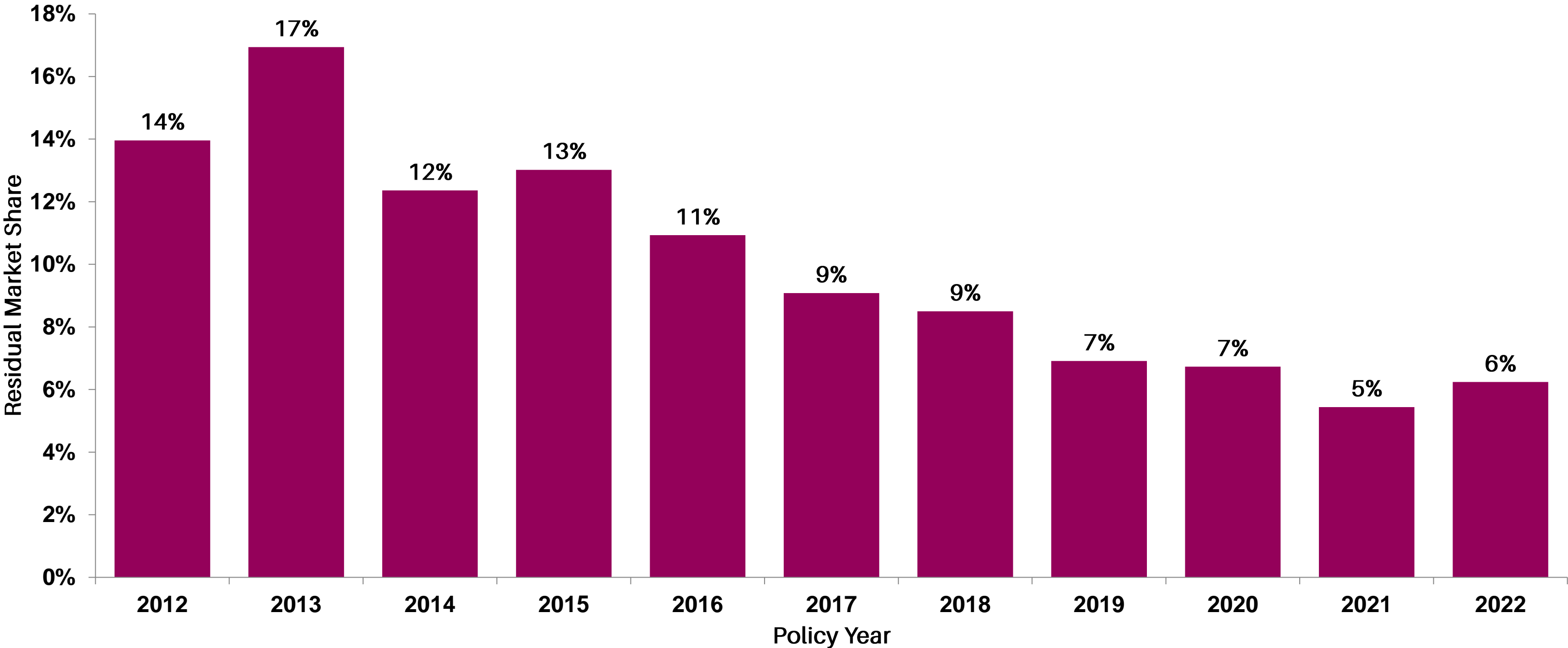
Nonfarm employment data is a critical economic indicator to gauge the overall health of the economy and its workforce. Nonfarm employment is now comfortably above pre-pandemic levels.



Source: BLS Data through 12/2024

Delaware Residual Market Share

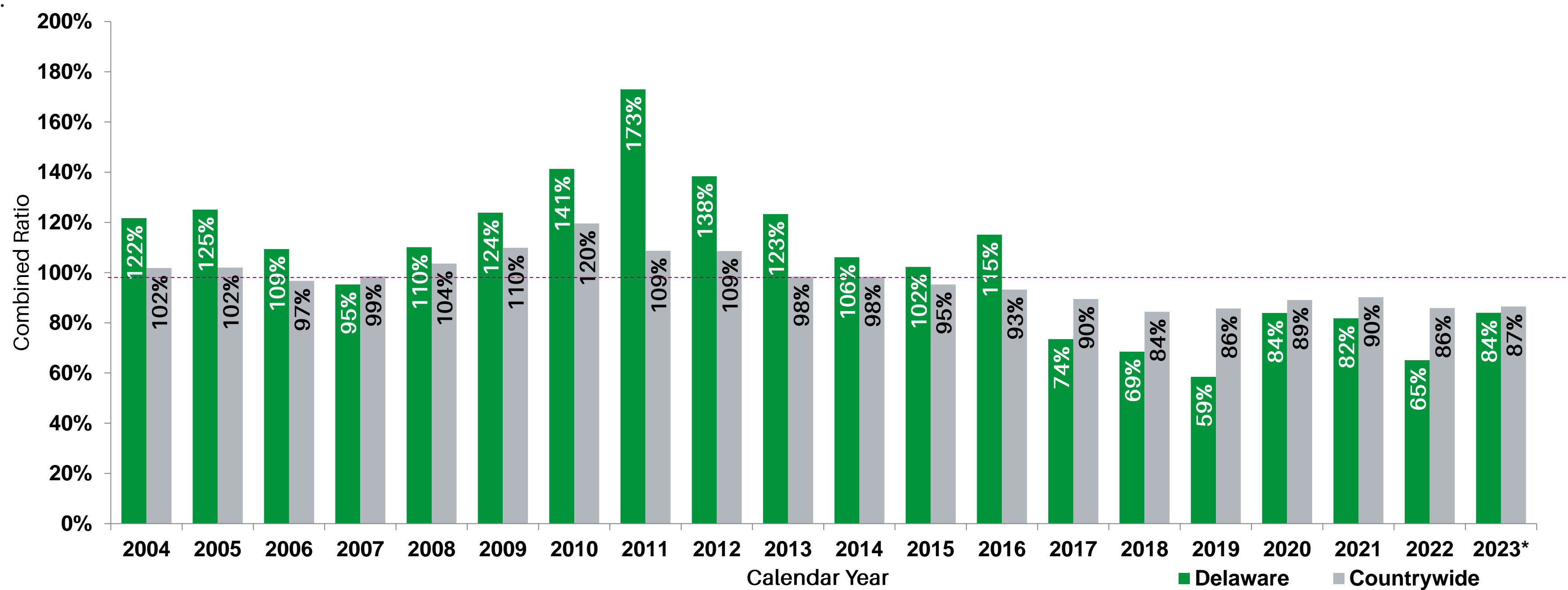
The residual market share is an indicator of the health of a state's Workers Compensation system. The recent decline is due to rate reductions positively affecting the capacity of the voluntary market. The lowest year, 2021, was further impacted by the pandemic.



Source: DCRB Financial Data Calls as of 12/31/2023

Combined Ratios Delaware and Countrywide

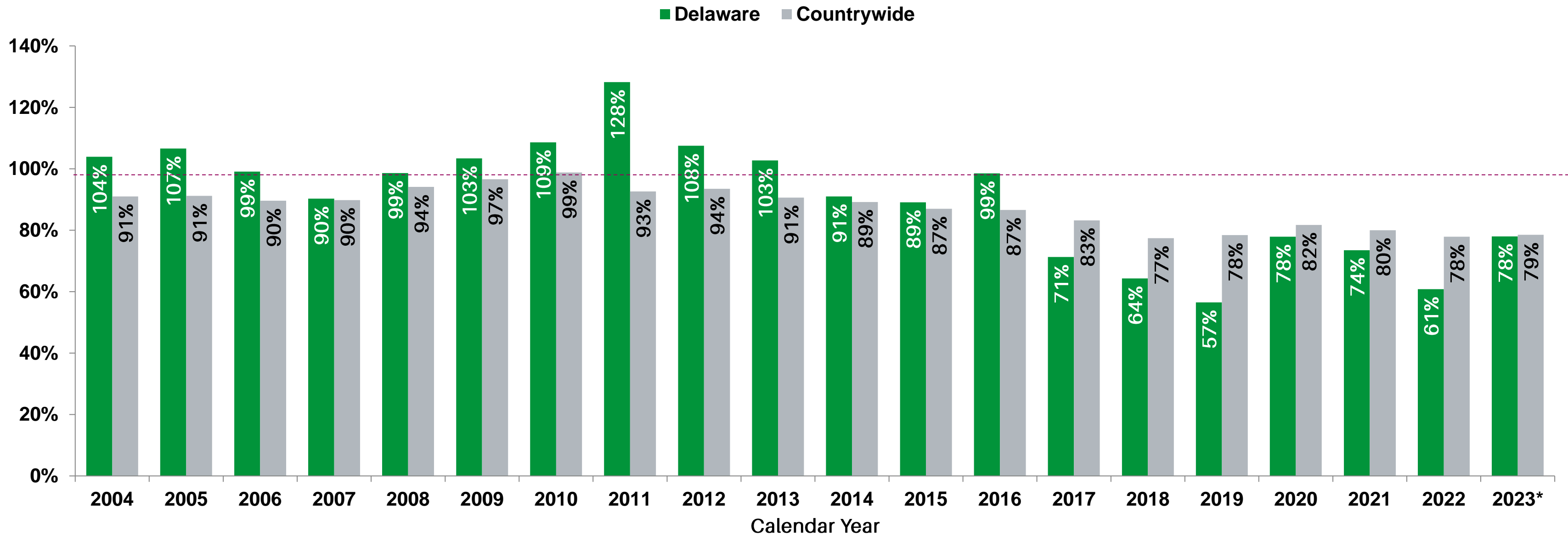
The Combined Ratio is the sum of the loss, LAE and underwriting expense ratios to premium, and does not include income from investments. While somewhat volatile, the combined ratios have been below historical levels since the significant reforms were implemented between 2012 and 2017.



Source:
NAIC Profitability by Line by State (For Calendar Years 2022 and earlier)
* 2023 estimated using S&P, historical averages, and other available sources

After-tax Operating Ratios Delaware and Countrywide

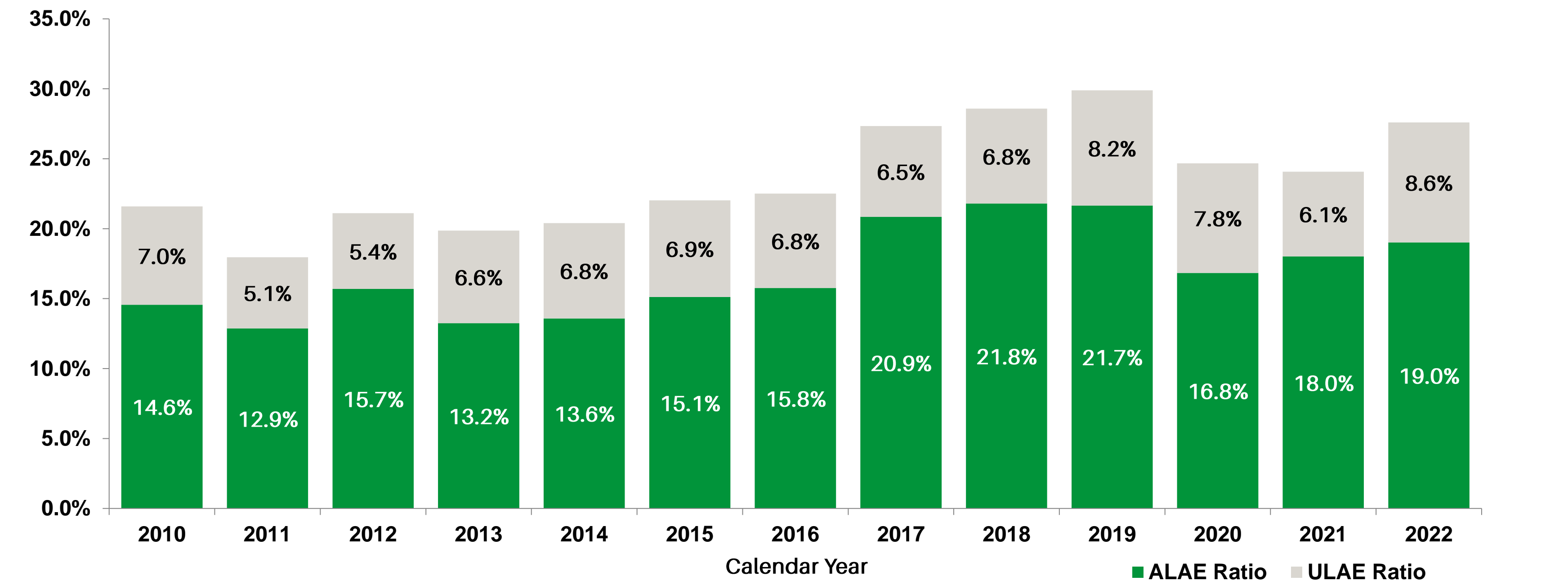
The After-tax Operating Ratio is the Combined Ratio less the Investment Gain on Insurance Transactions and a reduction for Federal Tax on Insurance Transactions. An operating ratio of less than 100 indicates an overall operating profit.



Source:
NAIC Profitability by Line by State (For Calendar Years 2022 and earlier)
* 2023 estimated using S&P, historical averages, and other available sources

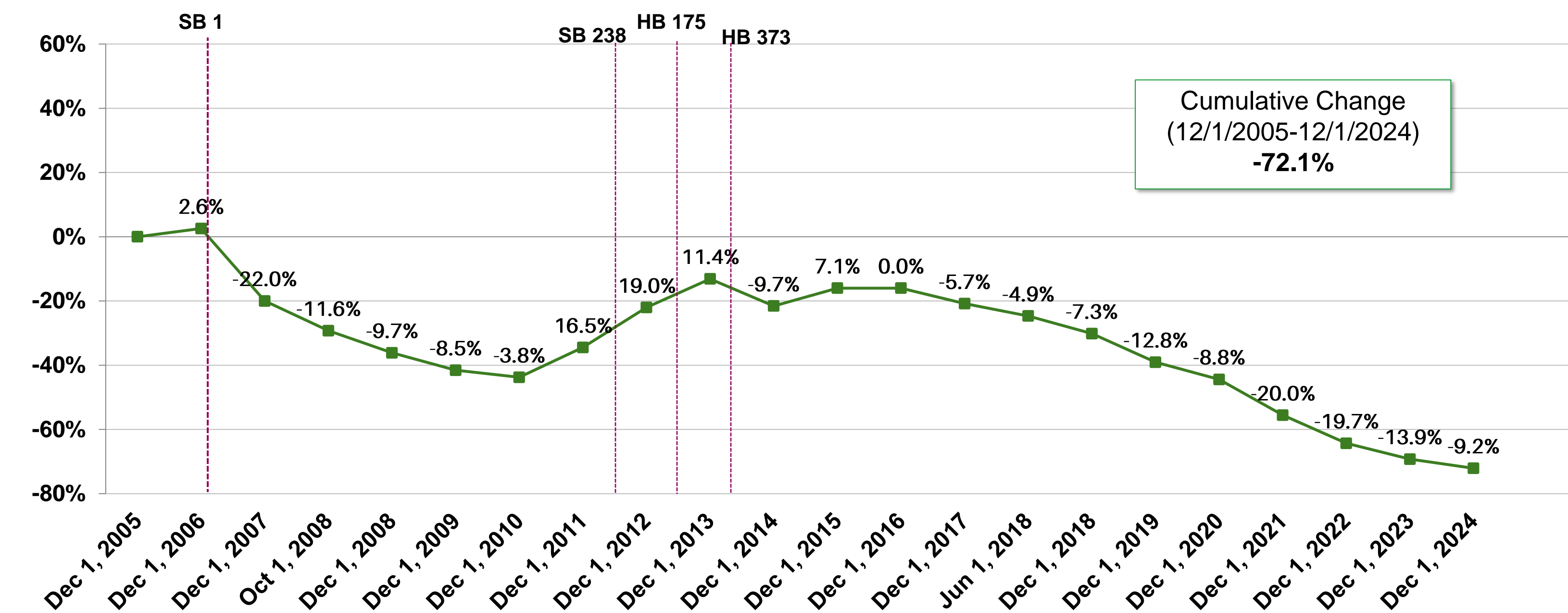
Delaware ALAE and ULAE Ratios

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). ALAE is the portion of LAE that can be assigned or allocated to specific claims.



Source: DCRB Financial Data Calls as of 12/31/2023

Delaware Approved Rate Change History

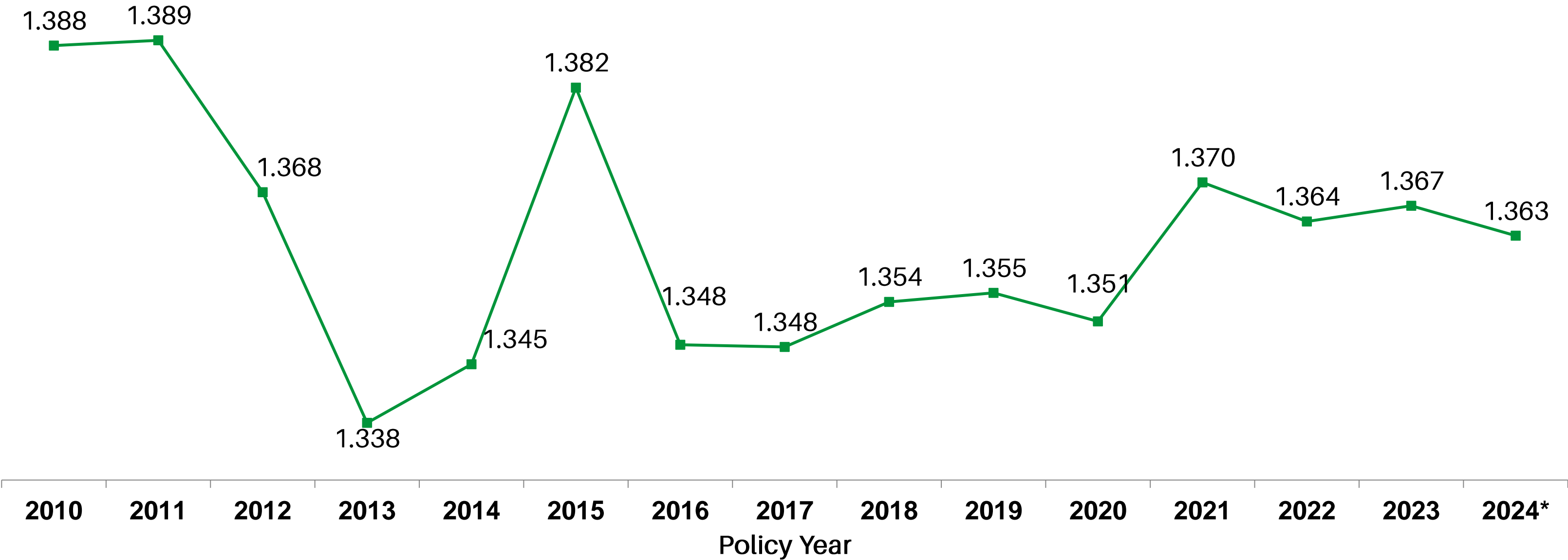


Significant Legislation:

- 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% of 2014 expenses by January 31, 2015, 25% of 2014 expenses by January 31, 2016 and 33% of 2014 expenses by January 31, 2017.

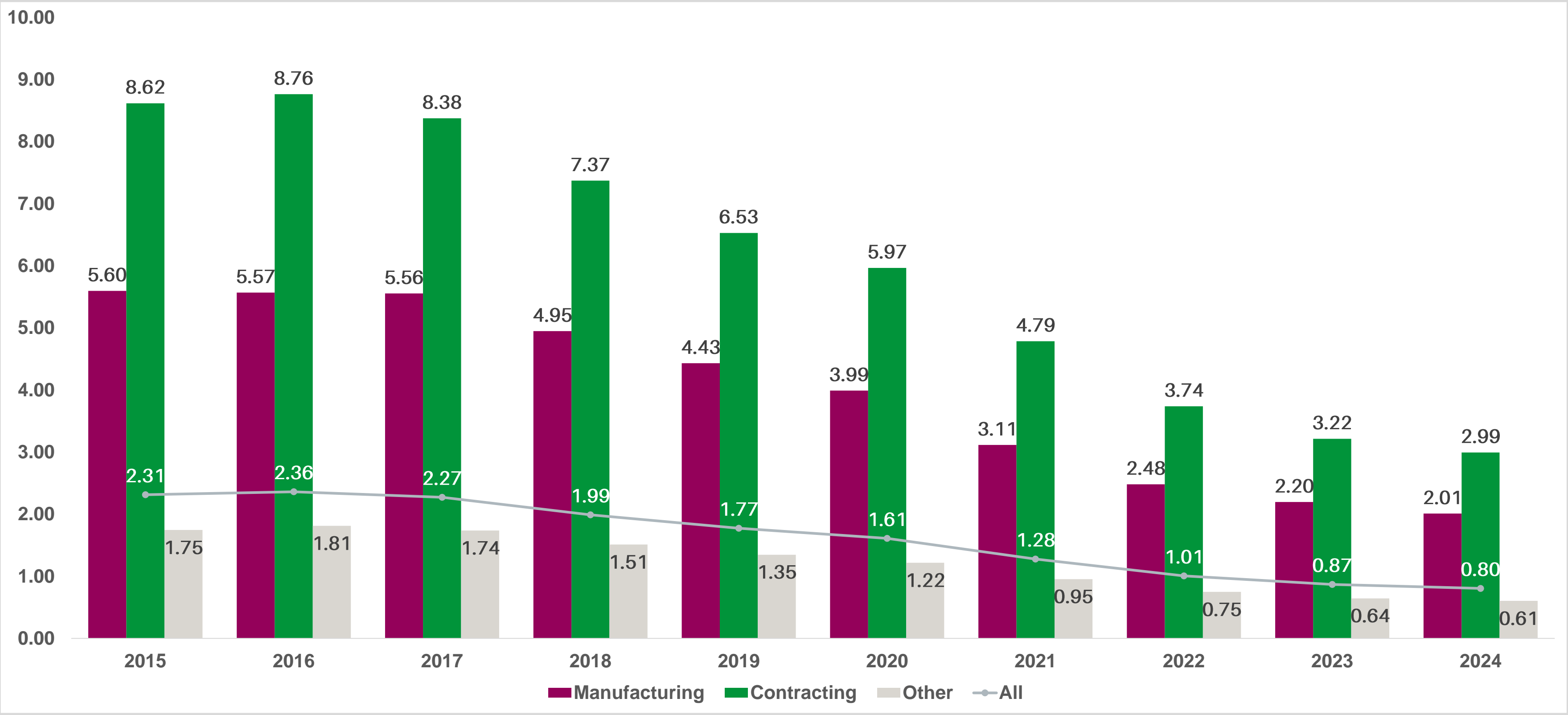
Delaware Average Loss Cost Multiplier

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.



Source: DCRB Market Profile Reports
* Preliminary

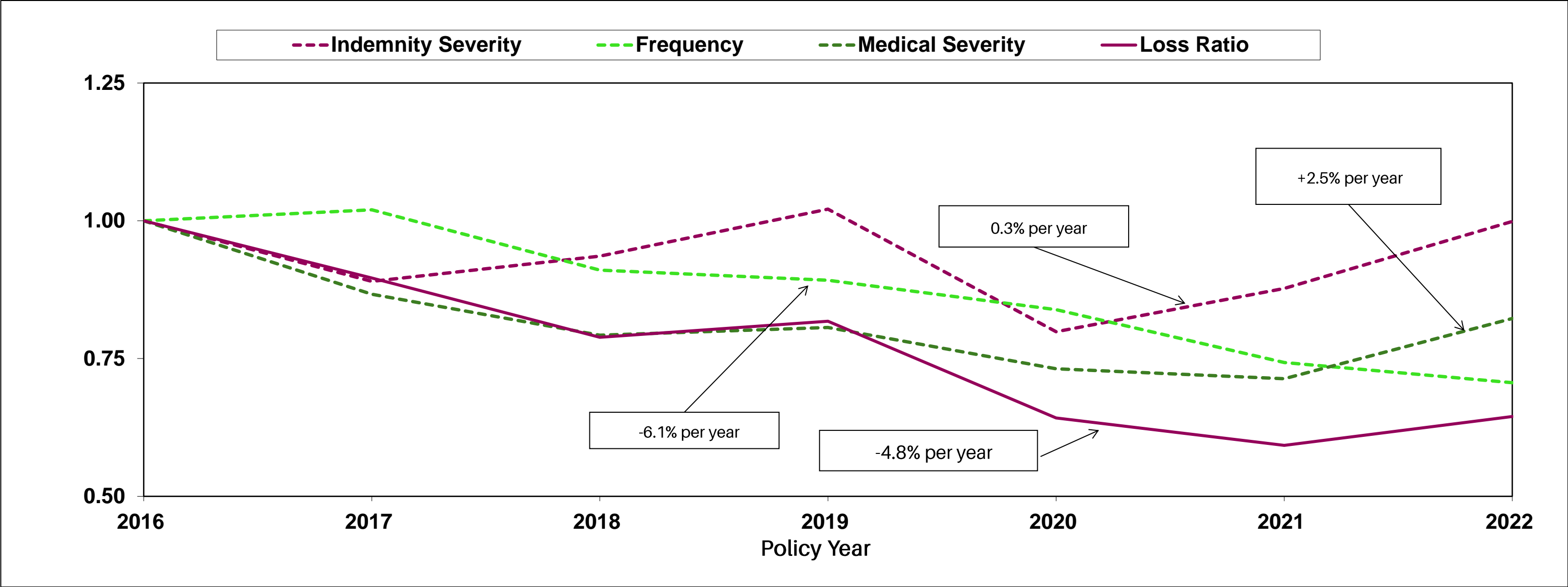
Delaware Average Residual Market Rate by Industry Group



Source: Annual DCRB Rate Revision

Delaware Loss Components

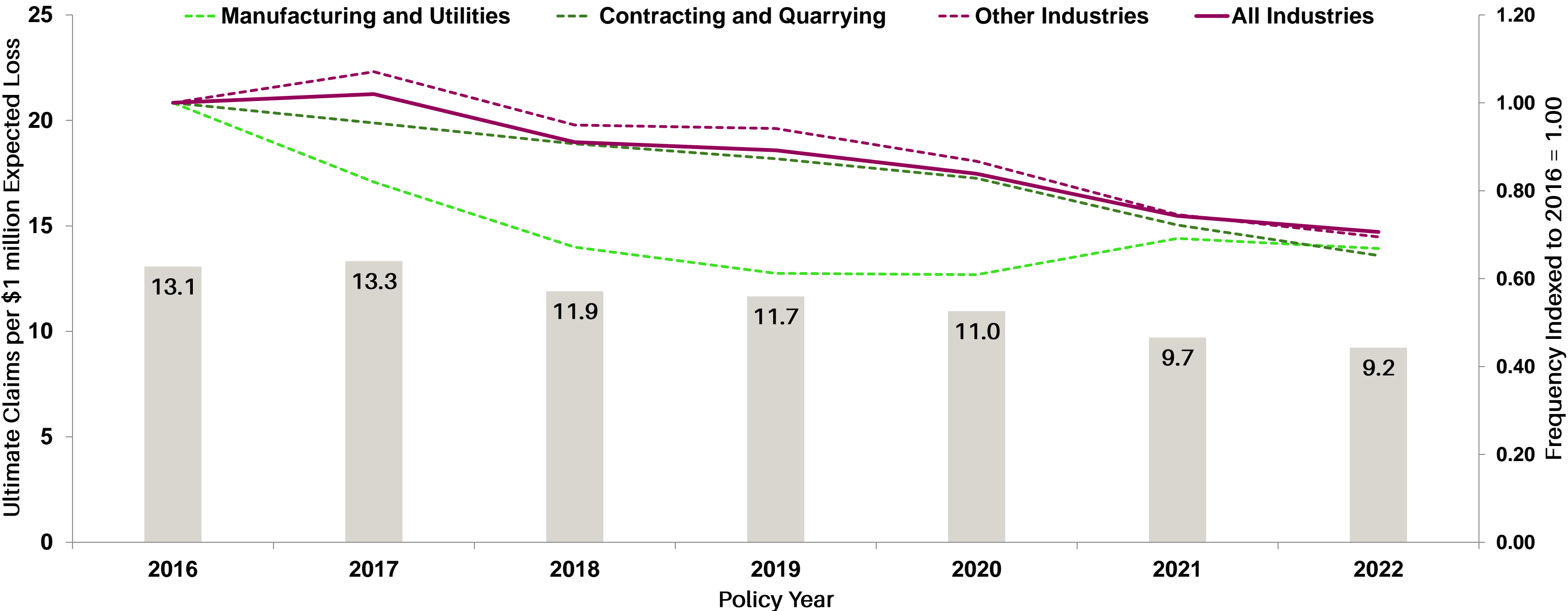
Frequency | Indemnity Severity | Medical Severity



Selected frequency and severity trends consider COVID-19 impacts not yet contained in the above historical data:
Indemnity: +0.3%
Medical: +2.5% - Average of the historical medical severity trend of +0.4% (2019-2022) and the indicated CPI-U trend of 4.7% (2019-2024)
Frequency: -6.1% (2016-2022)
The combined impact of Frequency, Indemnity Severity, and Medical Severity Trends is a Loss Ratio Trend of -4.8%.

Source: DCRB 2024 Rate Revision
Indexed to 1.00 at Policy Year 2016

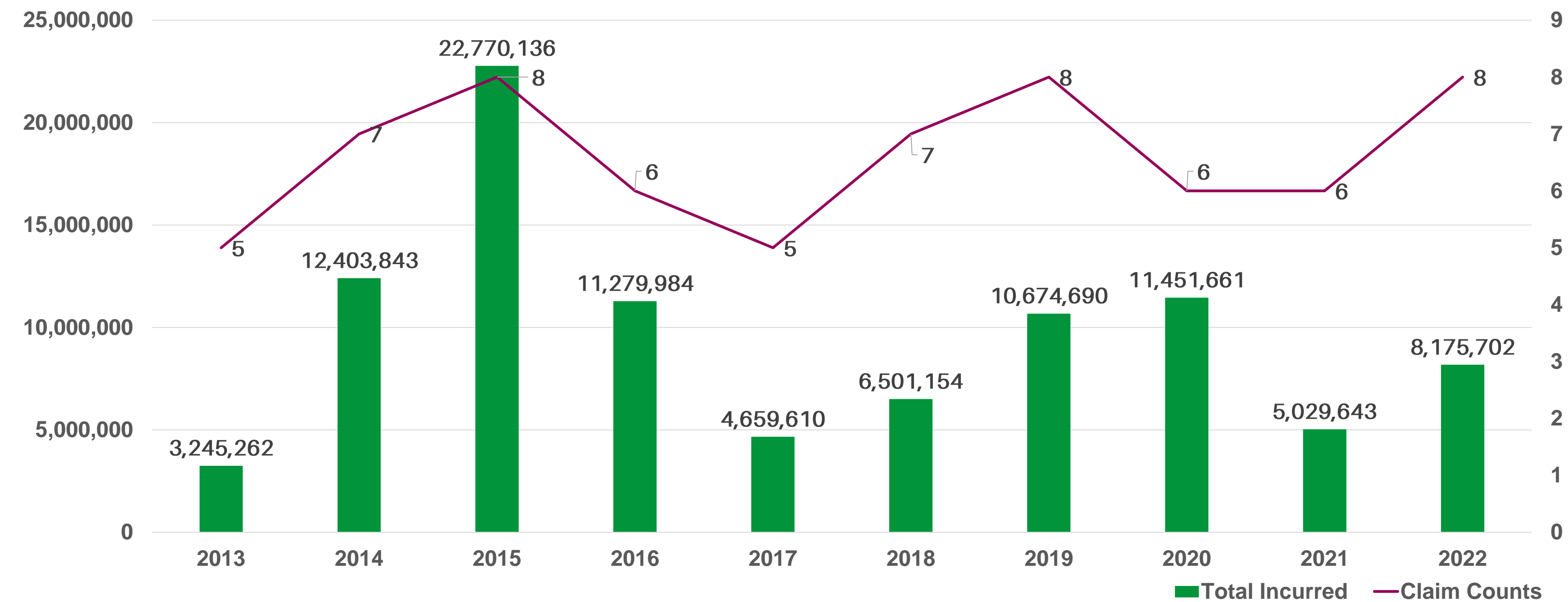
Claim Frequency Trend in Total and by Industry Group



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

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

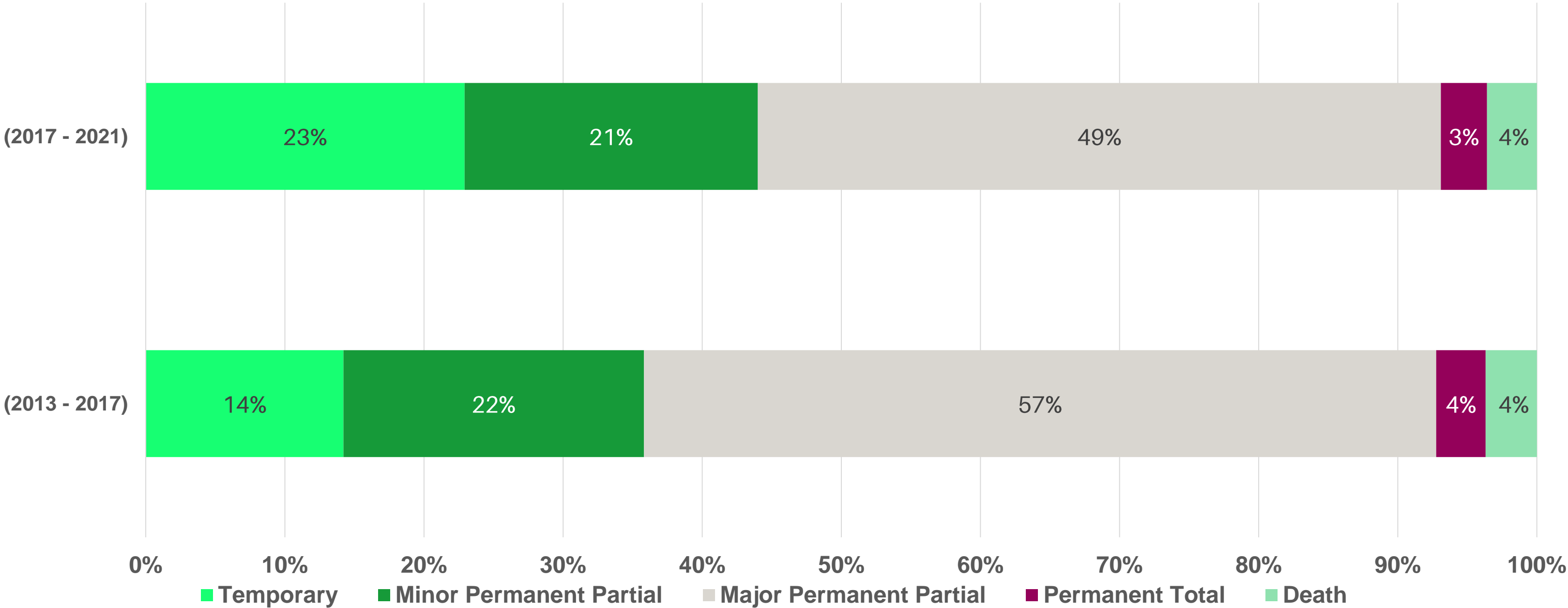
High-dollar workers compensation claims are infrequent, but the cost of these claims has a significant impact on workers compensation costs. The number of large claims with losses in excess of \$500,000 have averaged 6 claims and \$9.5 million over the period.



Source: DCRB Financial Data Call #4

Indemnity Benefits by Type of Injury

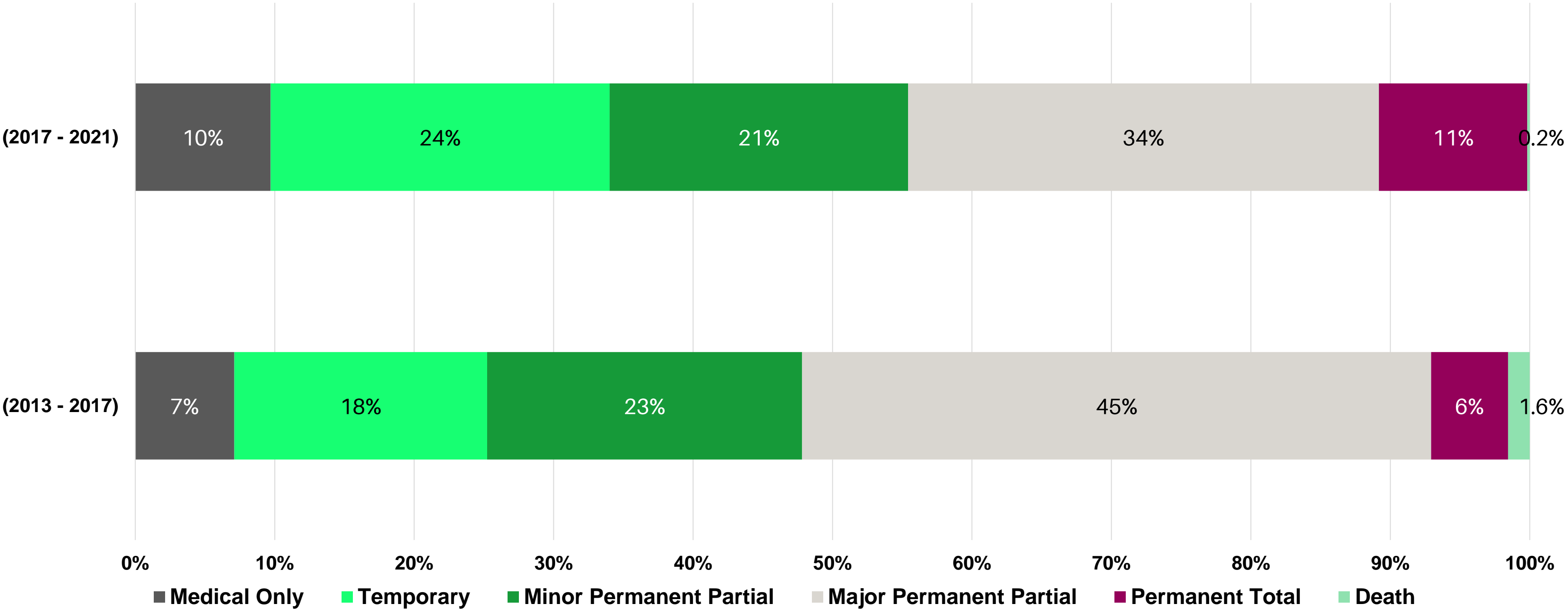
For these two periods, the portion of indemnity benefits attributable to Major Permanent Partial injuries decreased by 8 percentage points, while the portion attributable to Temporary Total injuries increased by 9 percentage points. The other types of injury exhibited smaller changes.



Source:
2013-2017: Delaware 2020 Rate Revision
2017-2021: Delaware 2024 Rate Revision
* Percentages are based on losses developed to ultimate values.

Medical Benefits by Type of Injury

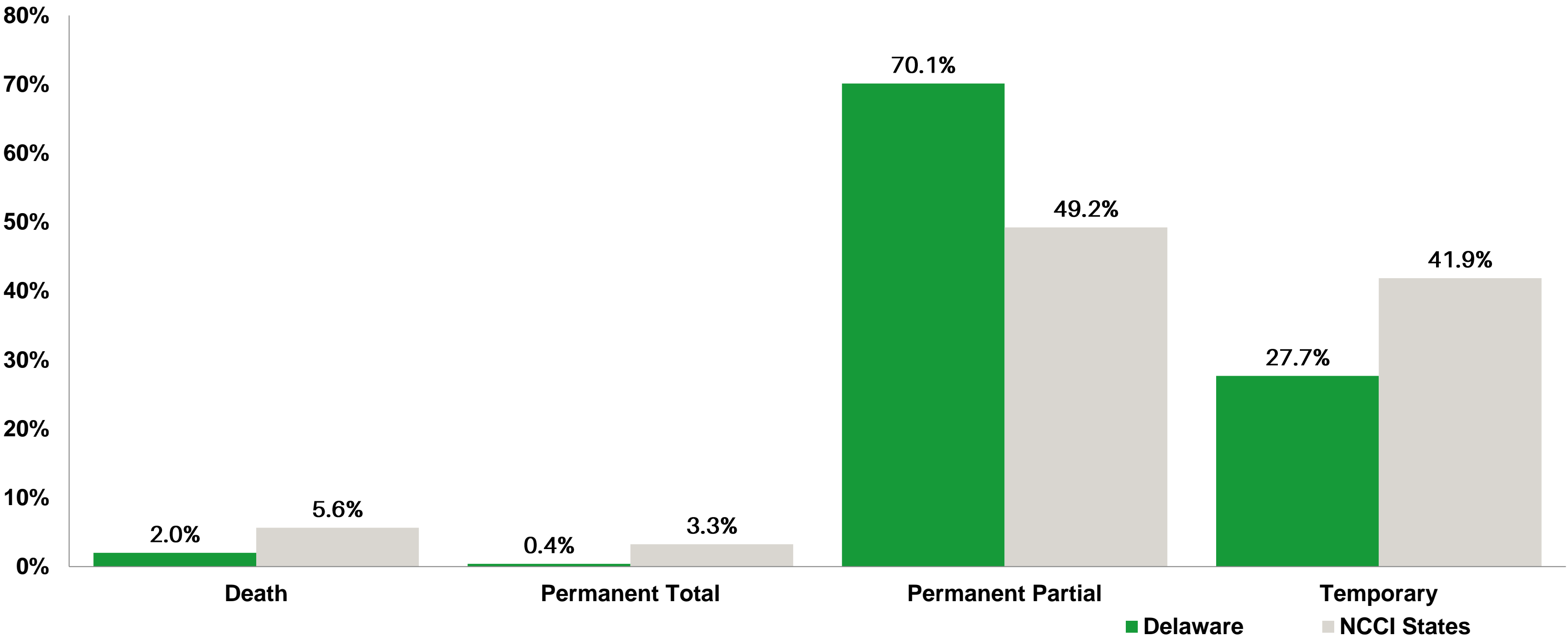
Comparing these two time periods, the portion of medical benefits attributable to Major Permanent Partial injuries decreased by 11 percentage points, while the portion attributable to Temporary Total increased by 6 percentage points. The other types of injury exhibited smaller changes.



Source:
2013-2017: Delaware 2020 Rate Revision
2017-2021: Delaware 2024 Rate Revision
* Percentages are based on losses developed to ultimate values.

Ultimate Indemnity Benefits by Type of Injury

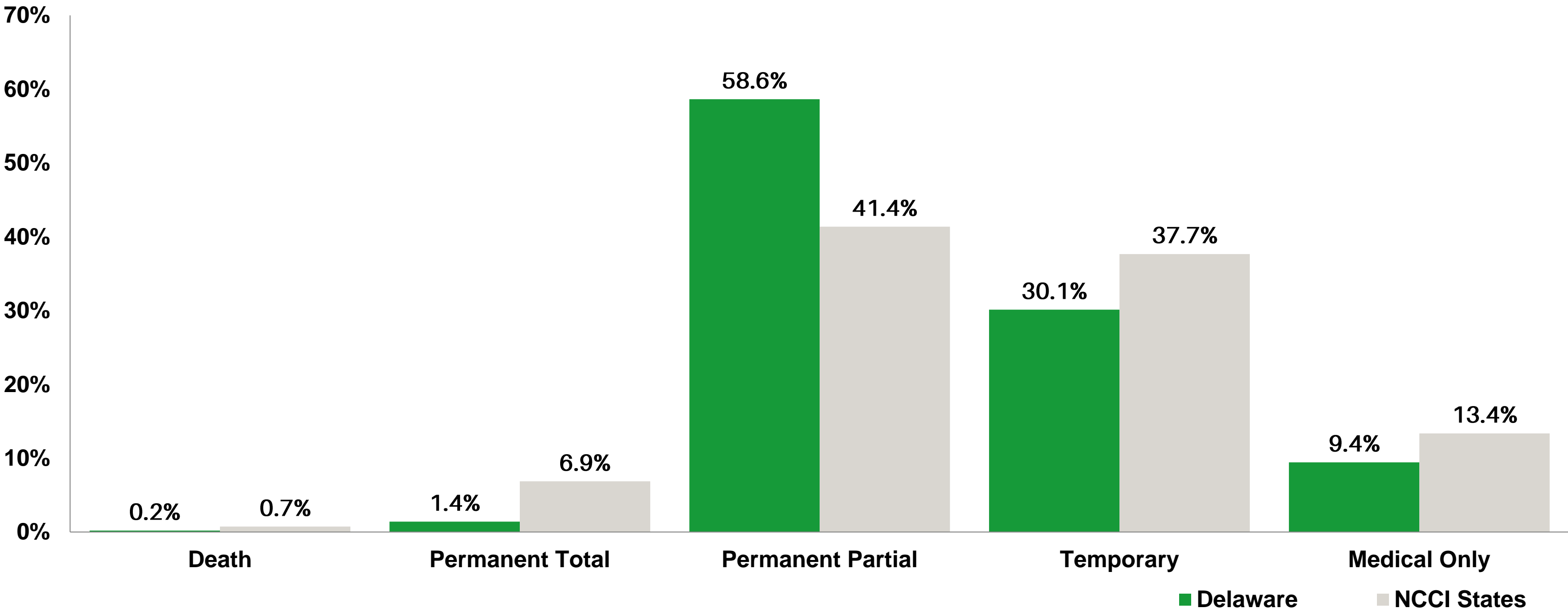
Delaware has a higher percentage of Permanent Partial benefits and a lower percentage of Temporary benefits in comparison to the NCCI states. The higher share of benefits in permanent partial can be attributed to Delaware being a wage loss state.



Source: DCRB 2024 Rate Revision
NCCI States: 2024 Annual Statistical Bulletin

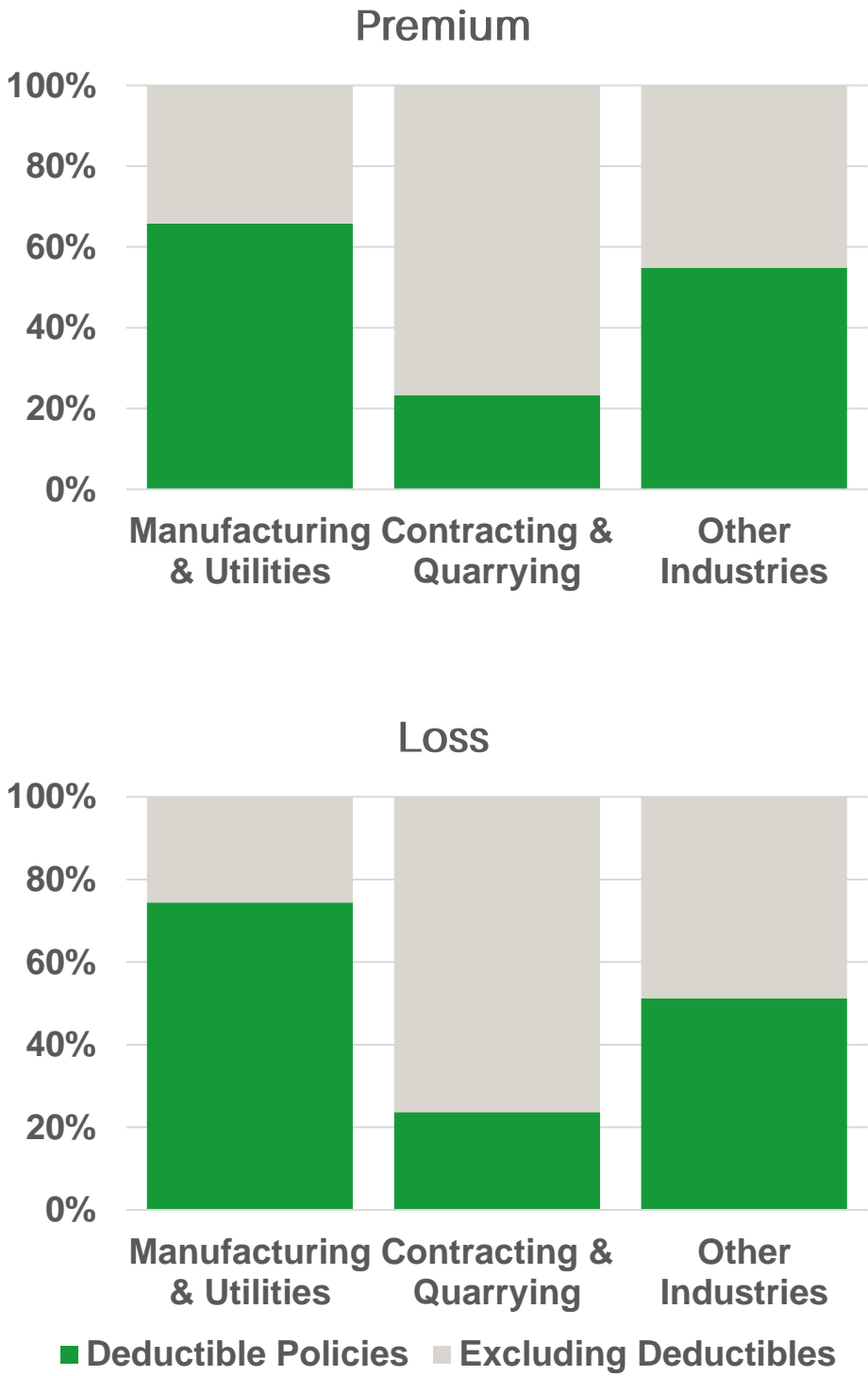
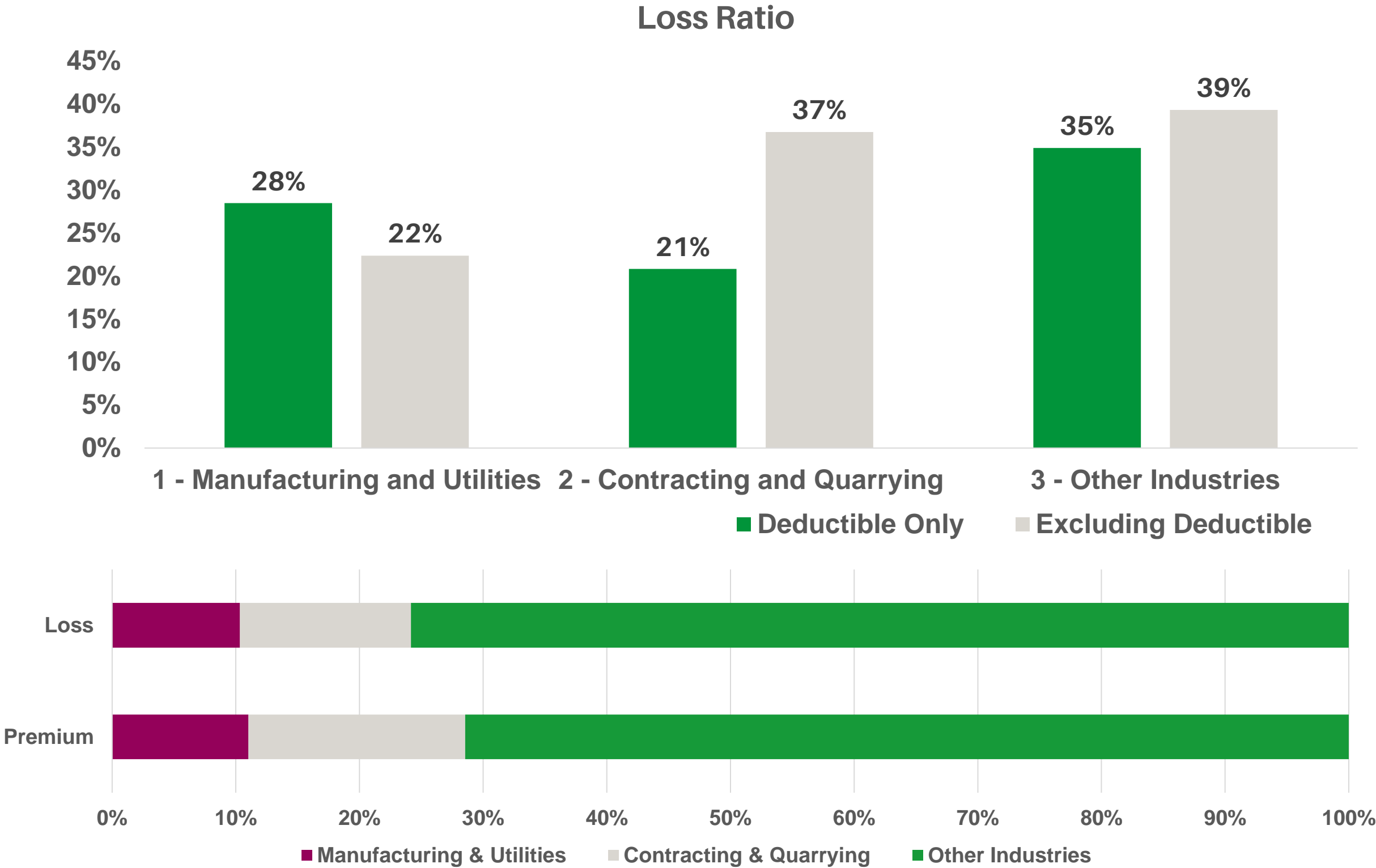
Ultimate Medical Benefits by Type of Injury

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.



Source: DCRB 2024 Rate Revision
NCCI States: 2024 Annual Statistical Bulletin

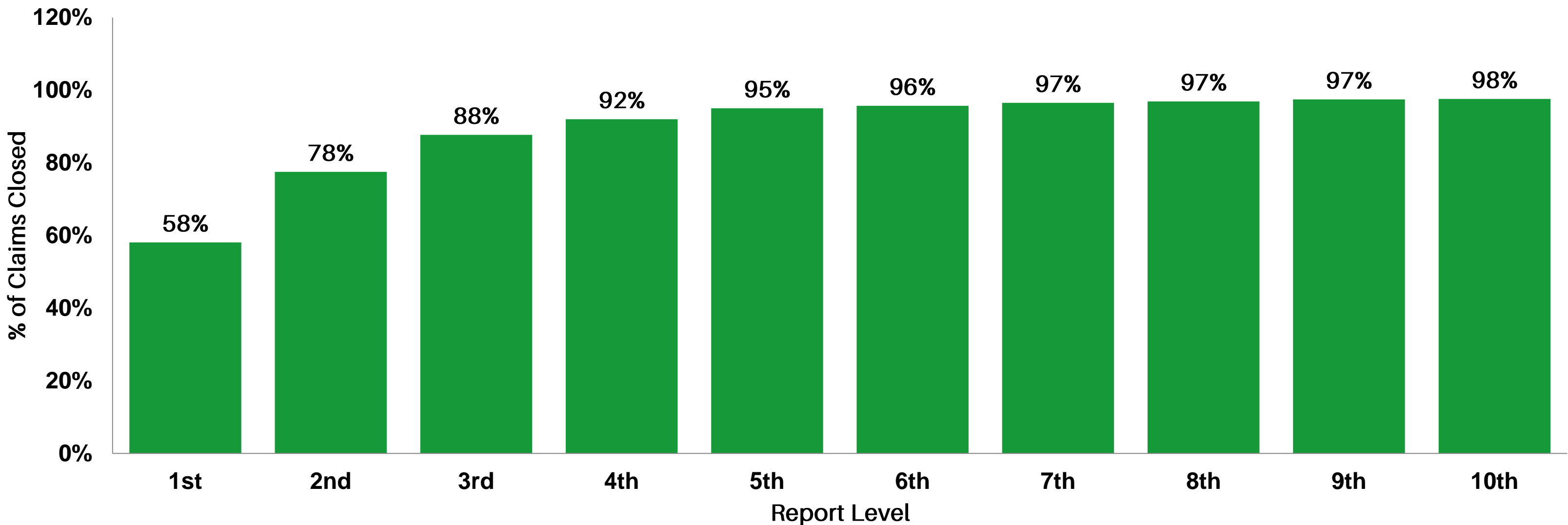
Loss Ratios by Industry Group



Source: DCRB 2024 Rate Revision, Policy Year 2021

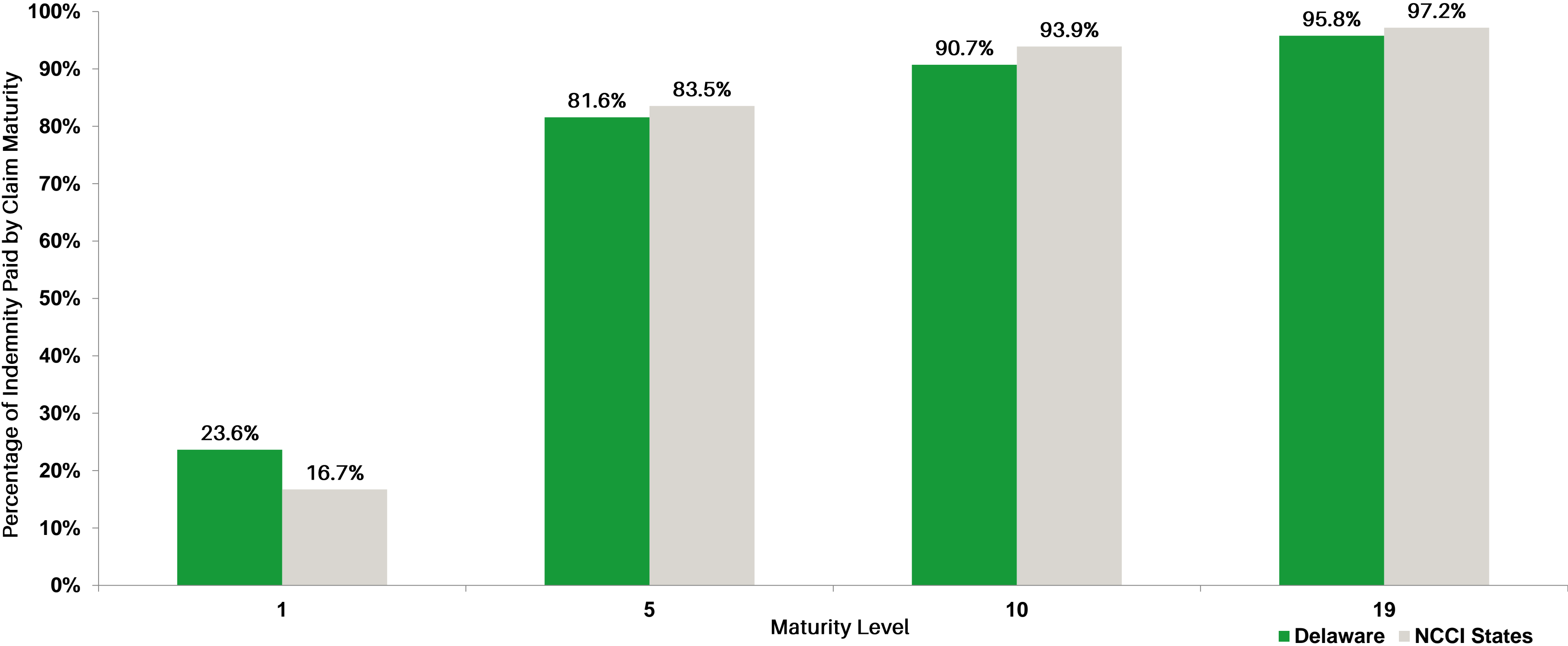
Portion of Reported Indemnity Claims Closed

The rate at which claims are settled impacts the ultimate claim costs. The percentage of indemnity claims that are closed at each report level indicates that approximately 5% of these claims remain open at 5th report.



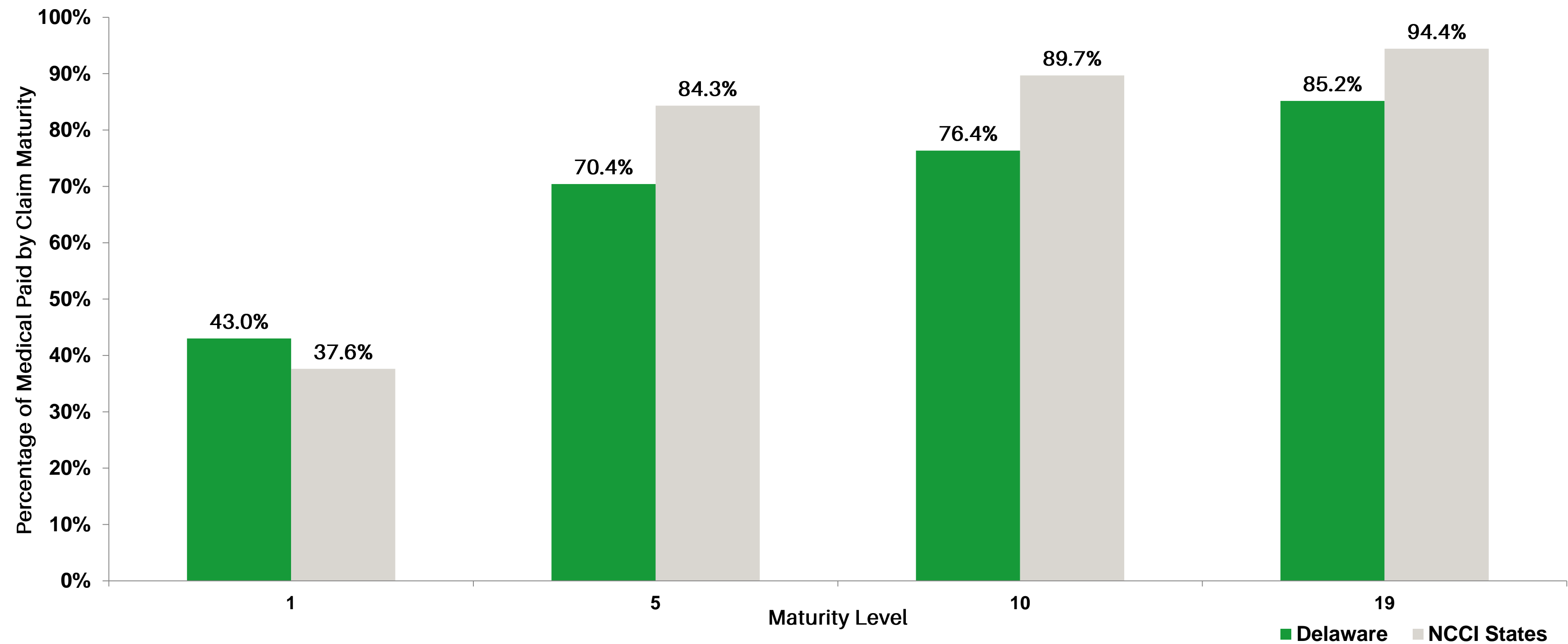
Source: DCRB 2024 Rate Revision

Portion of Ultimate Indemnity Loss Paid by Claim Maturity



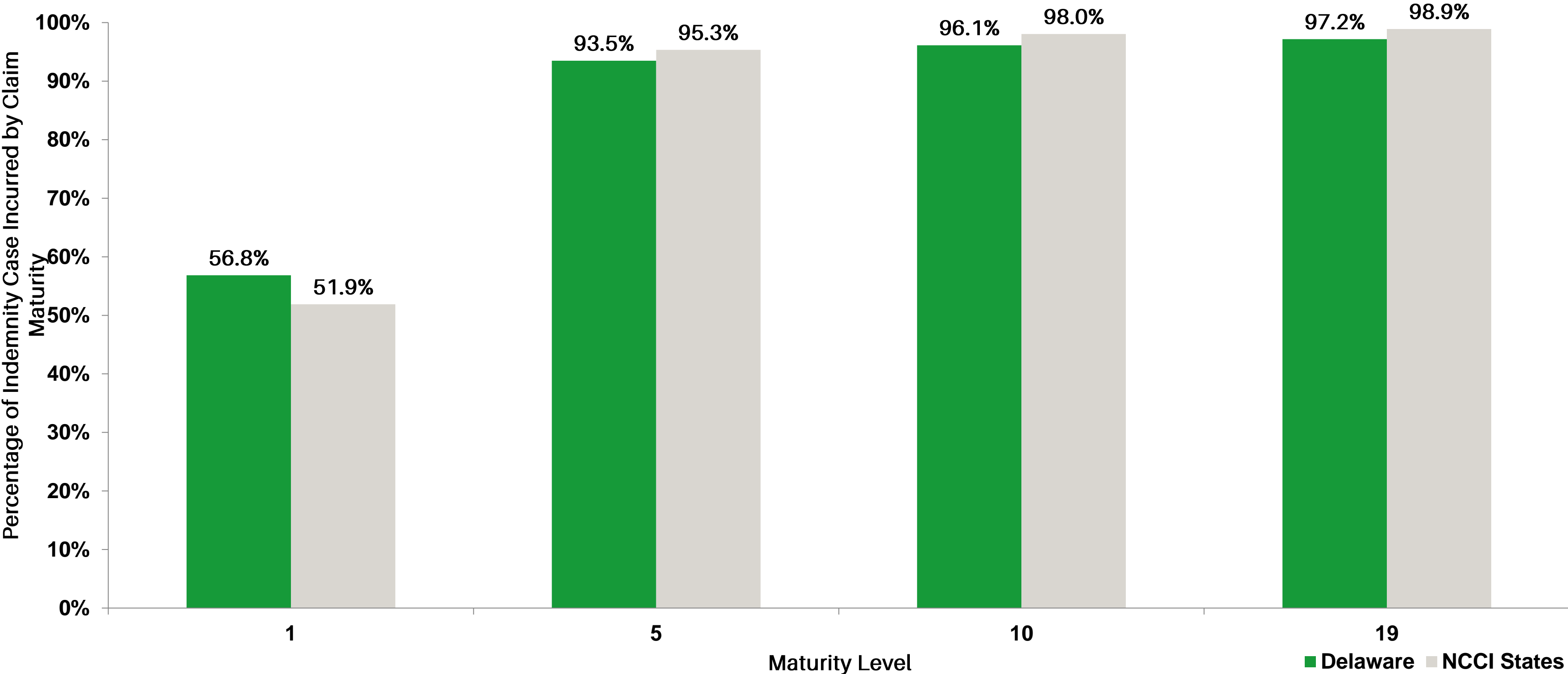
Source: DCRB 2024 Rate Revision, on a Policy Year basis
NCCI States: April, 2025. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Medical Loss Paid by Claim Maturity



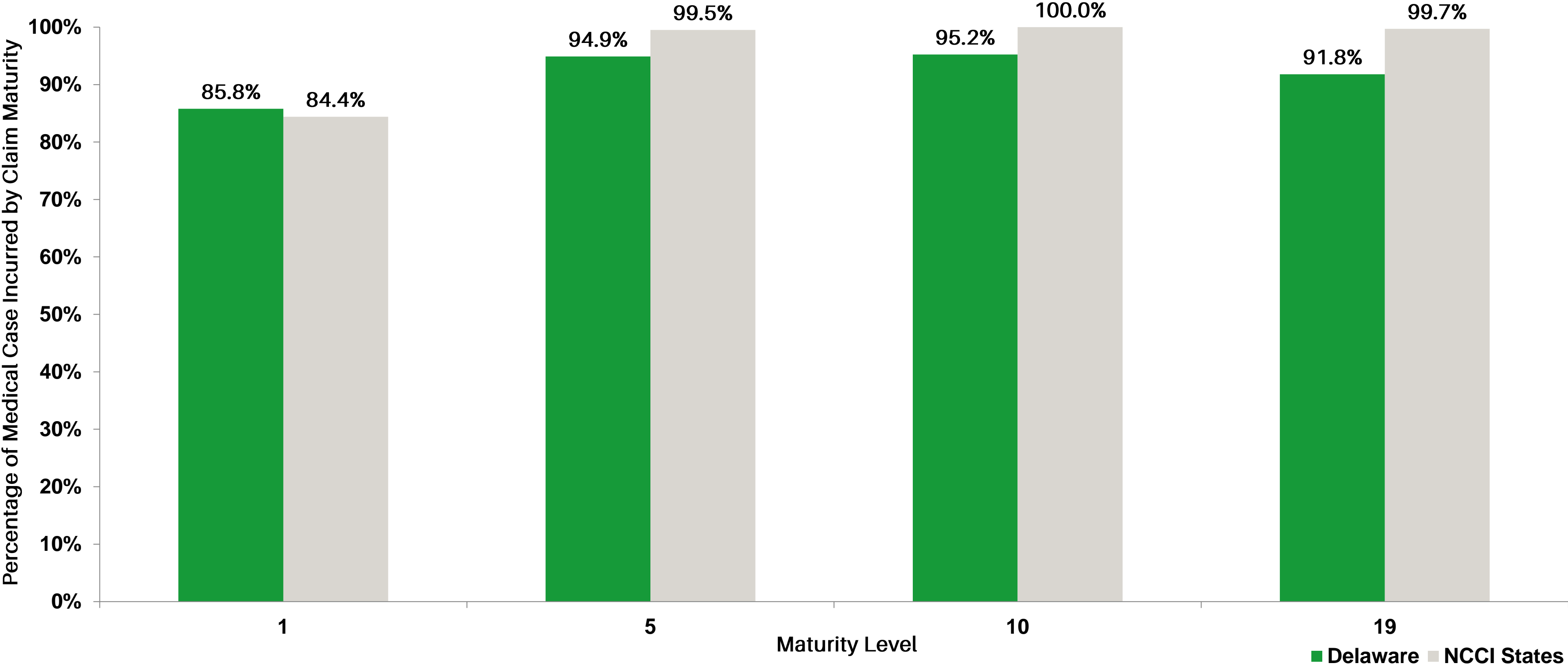
Source: DCRB 2024 Rate Revision, on a Policy Year basis
NCCI States: April, 2025. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Indemnity Case Incurred by Claim Maturity



Source: DCRB 2024 Rate Revision, on a Policy Year basis
NCCI States: April, 2025. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

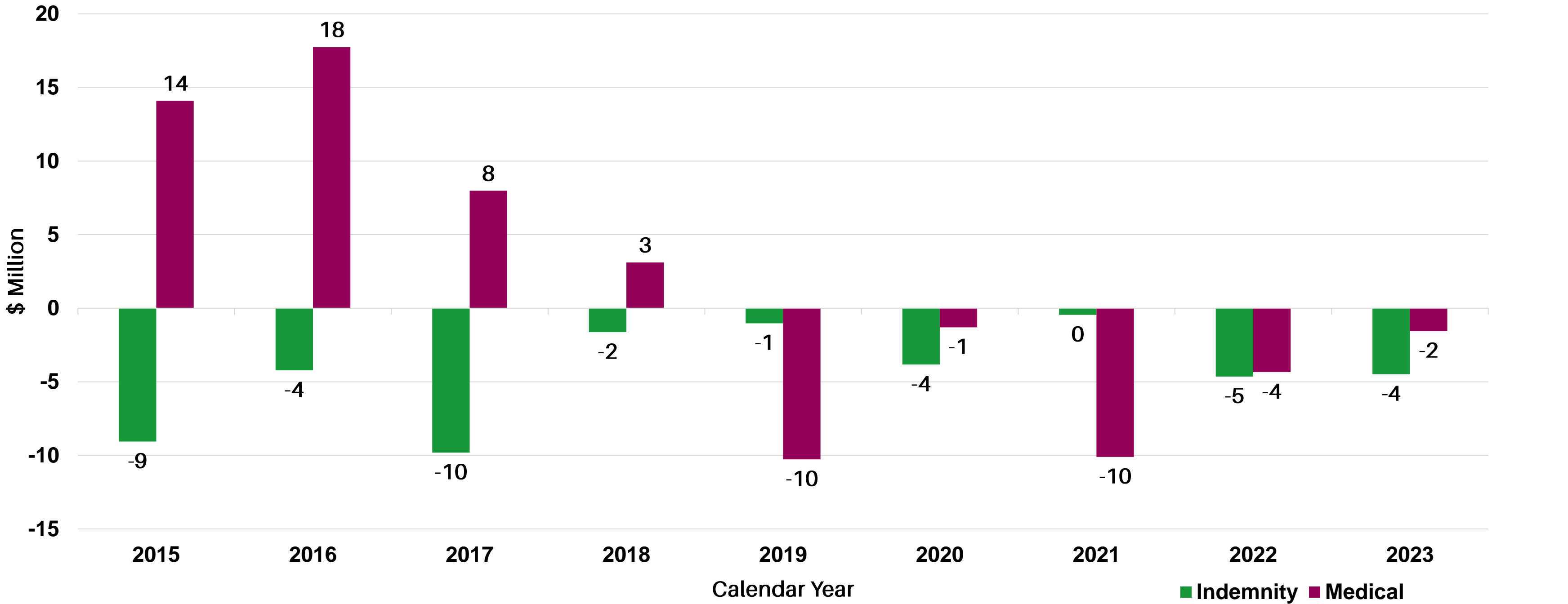
Portion of Ultimate Medical Case Incurred by Claim Maturity



Source: DCRB 2024 Rate Revision, on a Policy Year basis
NCCI States: April, 2025. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Delaware Case Reserve Changes

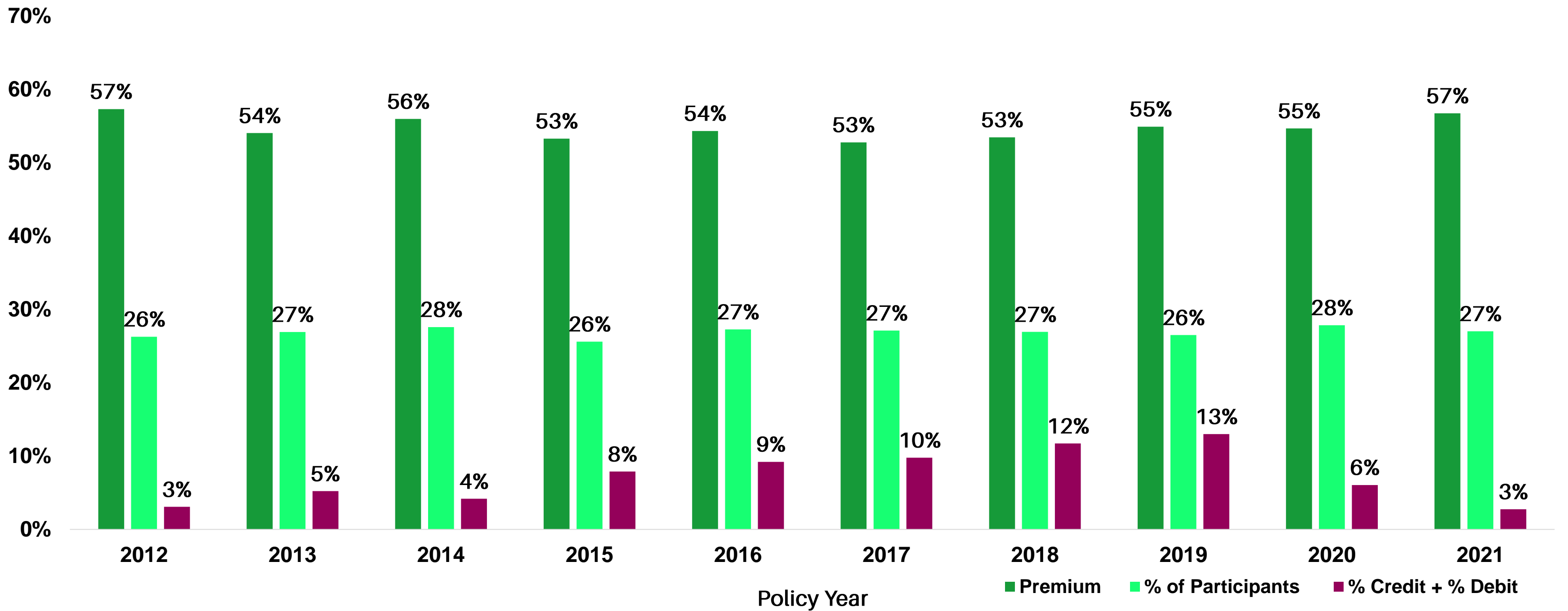
Case reserves are defined as the sum of the values assigned to specific known claims as of the evaluation date. Since House Bill 373 took effect in 2015 to reduce medical fees by 33% by January 31, 2017, the change in medical case reserves has sharply decreased from the highest level in 2016.



Source: DCRB Financial Calls

Delaware Schedule Rating Plan

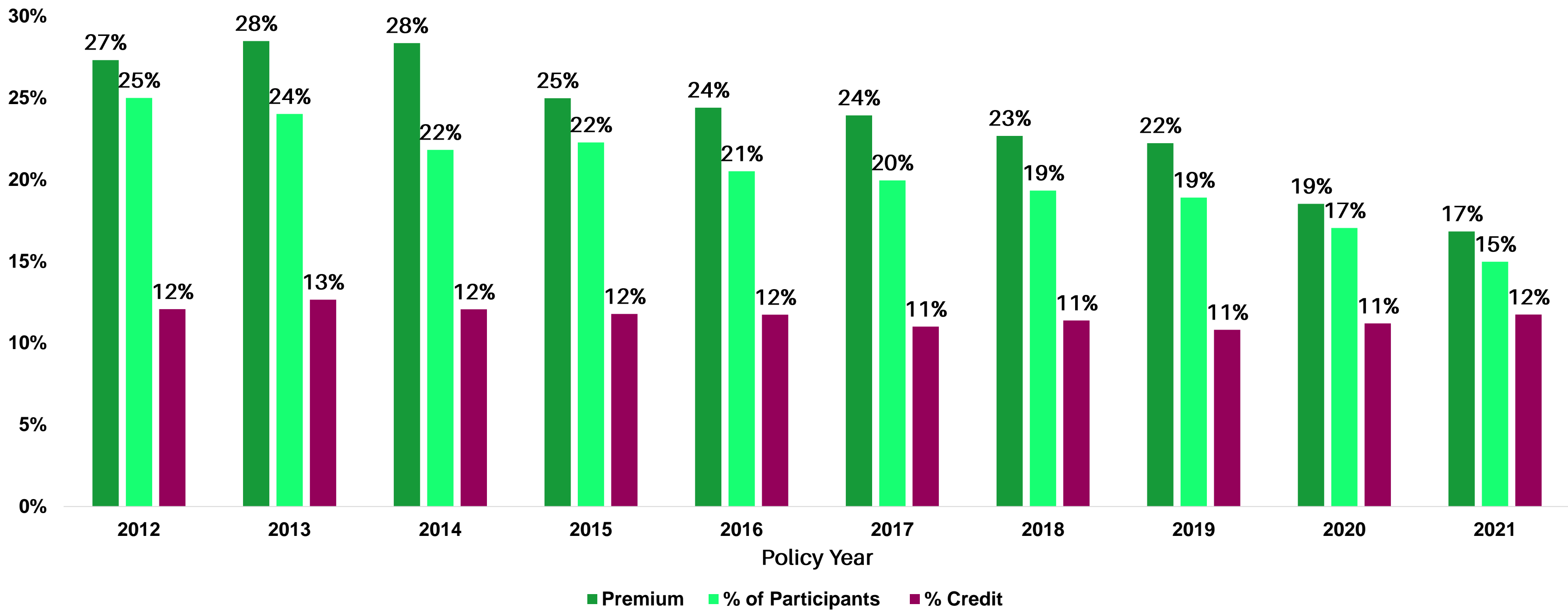
Approximately 57% of eligible total standard premium was subject to schedule rating and the number of policies subject to schedule rating has been increasing since 2017. The overall average schedule rating credit has been between 3% and 13%.



Source: DCRB Unit Statistical Data

Delaware Workplace Safety Program

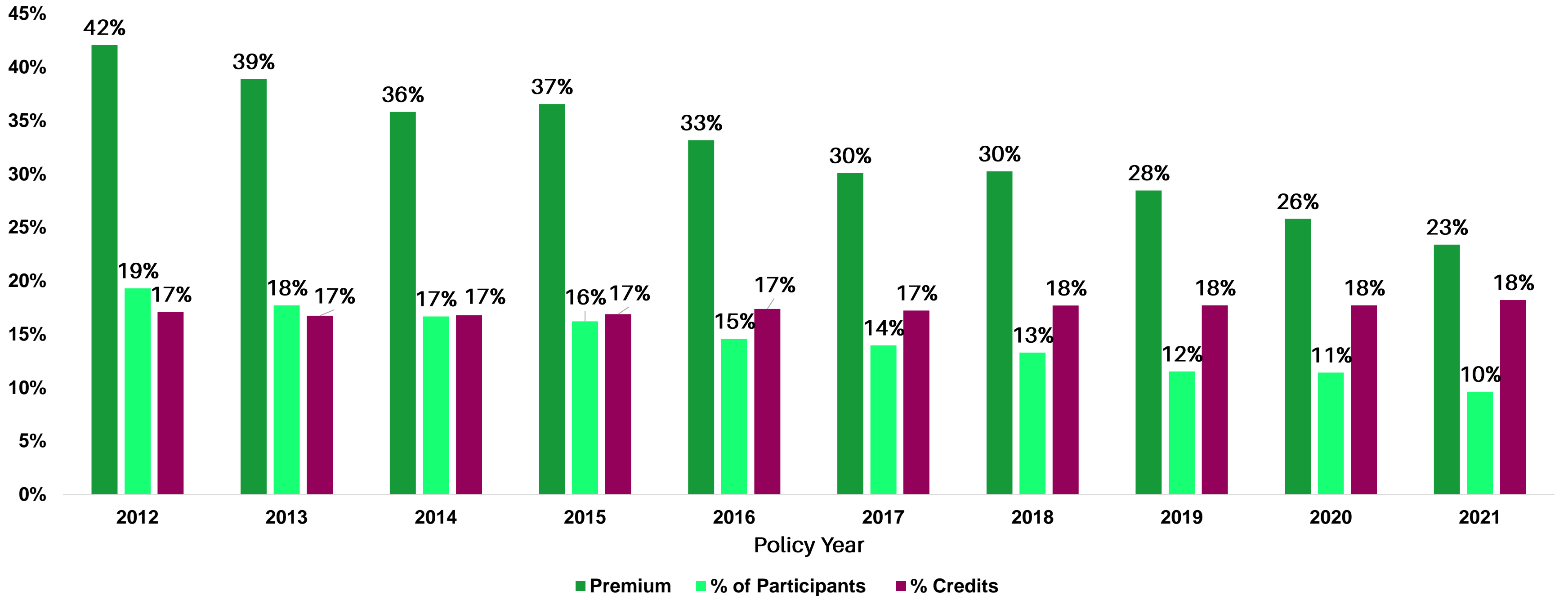
The percentage of risks participating has generally decreased. 15% of eligible risks representing 17% of eligible premiums participated in the program. The average credit provided to participating employers has been approximately 11% in recent years.



Source: DCRB Unit Statistical Data

Delaware Construction Classification Premium Adjustment Program

The premium for participating risks represented 23% of total premium on eligible risks, and only 10% 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. The average program credits given to participating risks have increased slightly during the period.

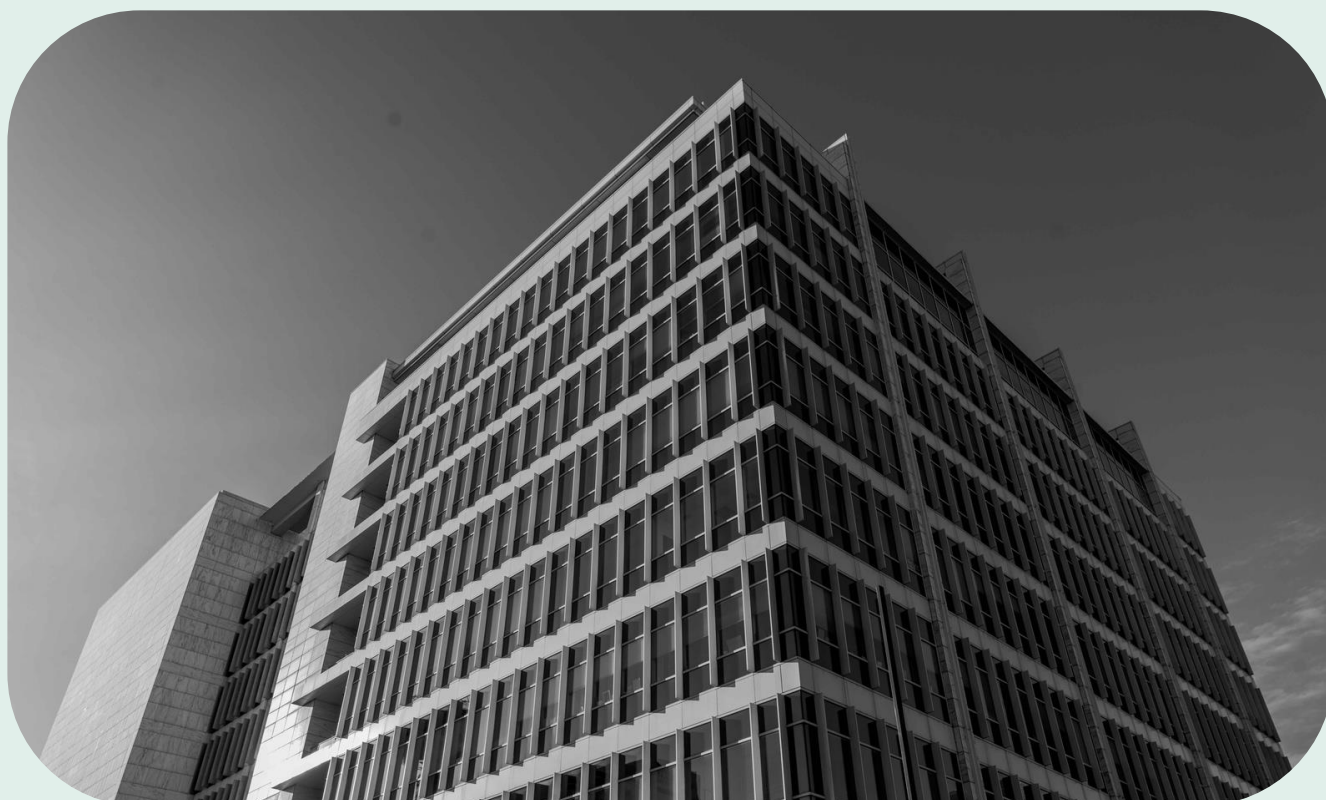


Source: DCRB Unit Statistical Data



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Founded in 1917, the Delaware Compensation Rating Bureau, Inc. (DCRB) is a nonprofit data collection organization serving as a trusted, essential, and objective resource that supports a healthy workers' compensation system for Delaware. DCRB provides data-driven products and services that anticipate and respond to marketplace conditions and identify emerging trends, including accurate and valuable statistical and actuarially-based information, marketplace knowledge, and rating plans. DCRB also conducts innovative research, provides educational services, and engages in outreach that delivers knowledge to empower actionable decisions.



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