

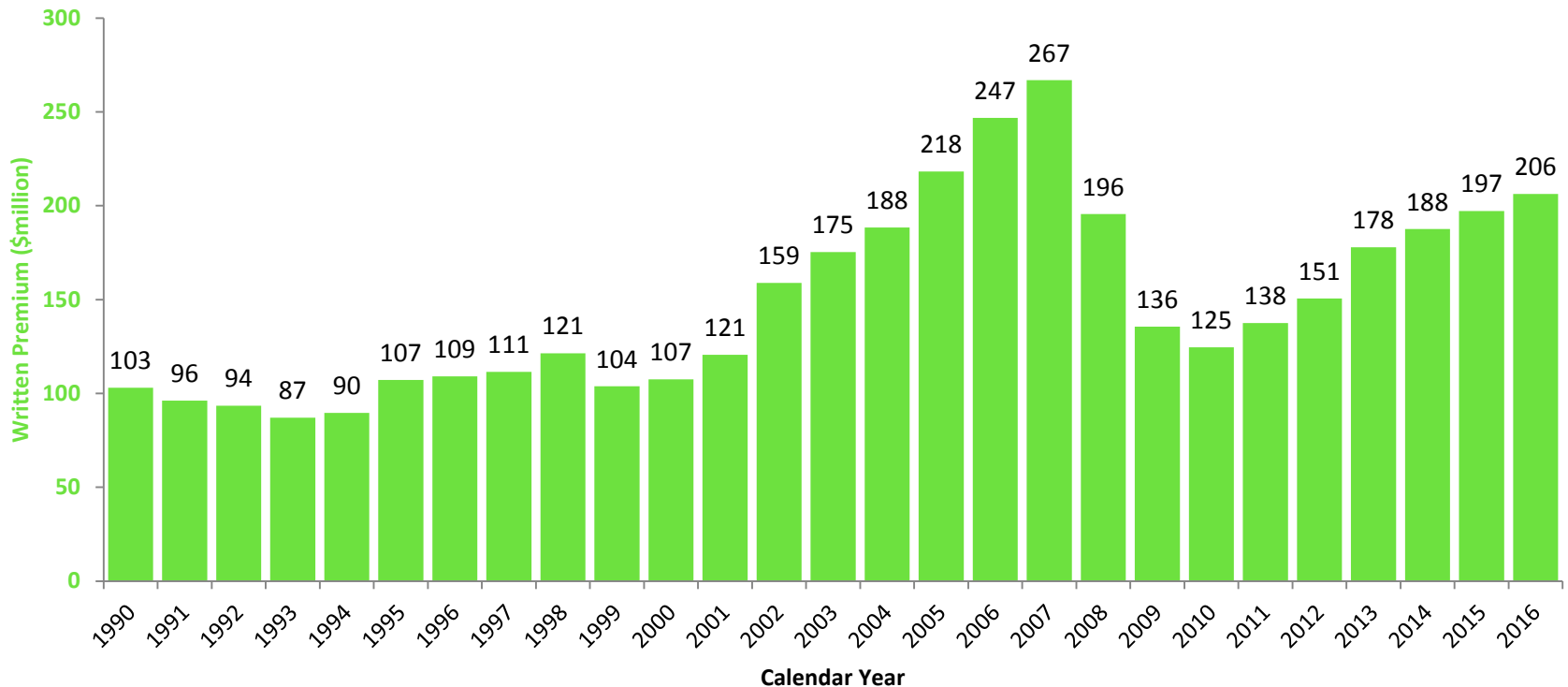
# STATE of the LINE REPORT

# 2017

Delaware Compensation Rating Bureau, Inc.

# Delaware Workers Compensation Insurance Market Results

# Delaware Direct Written Premium

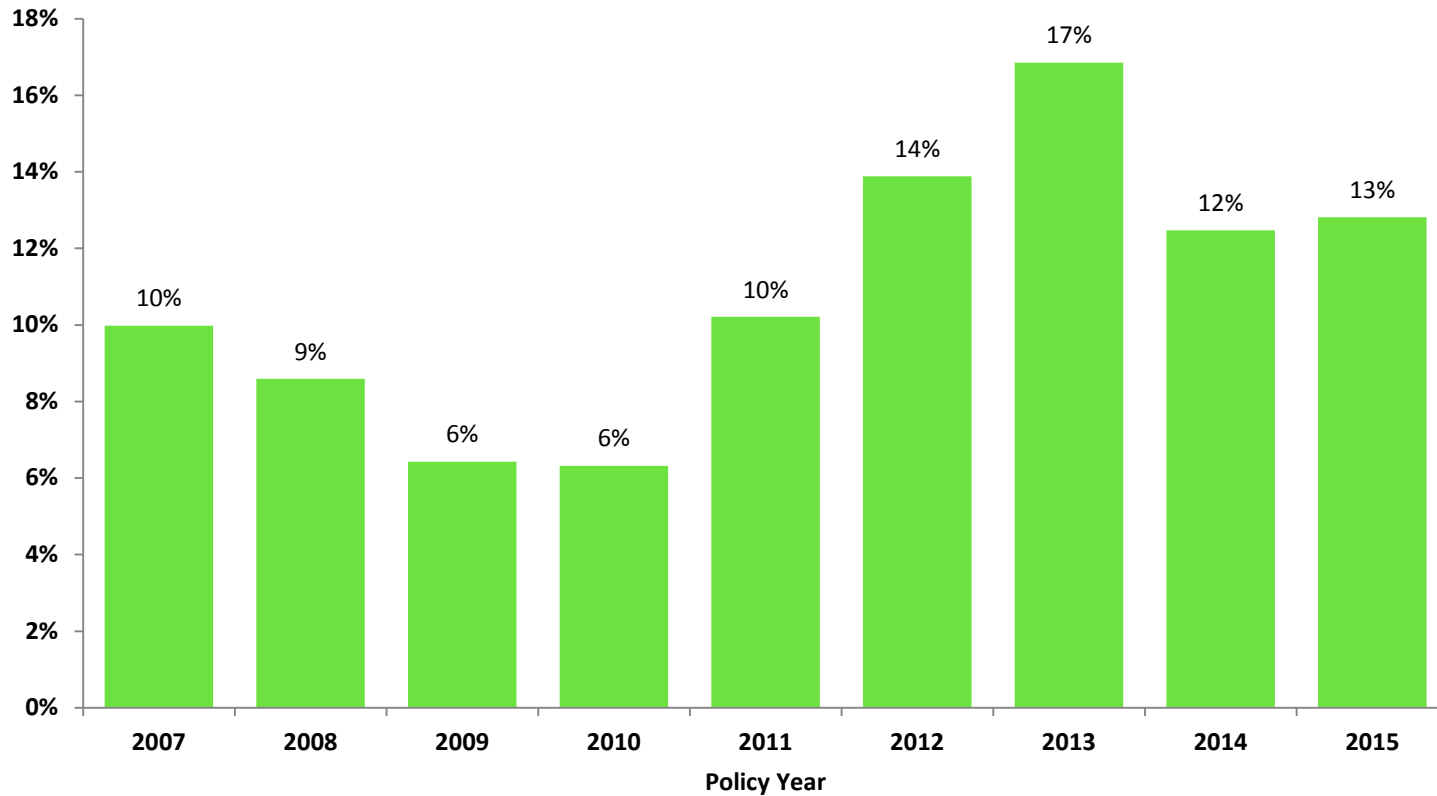


The level of written premium has fluctuated over the 27 years shown. Since 2010, it has increased each year.

Source:

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

# Delaware Residual Market Share

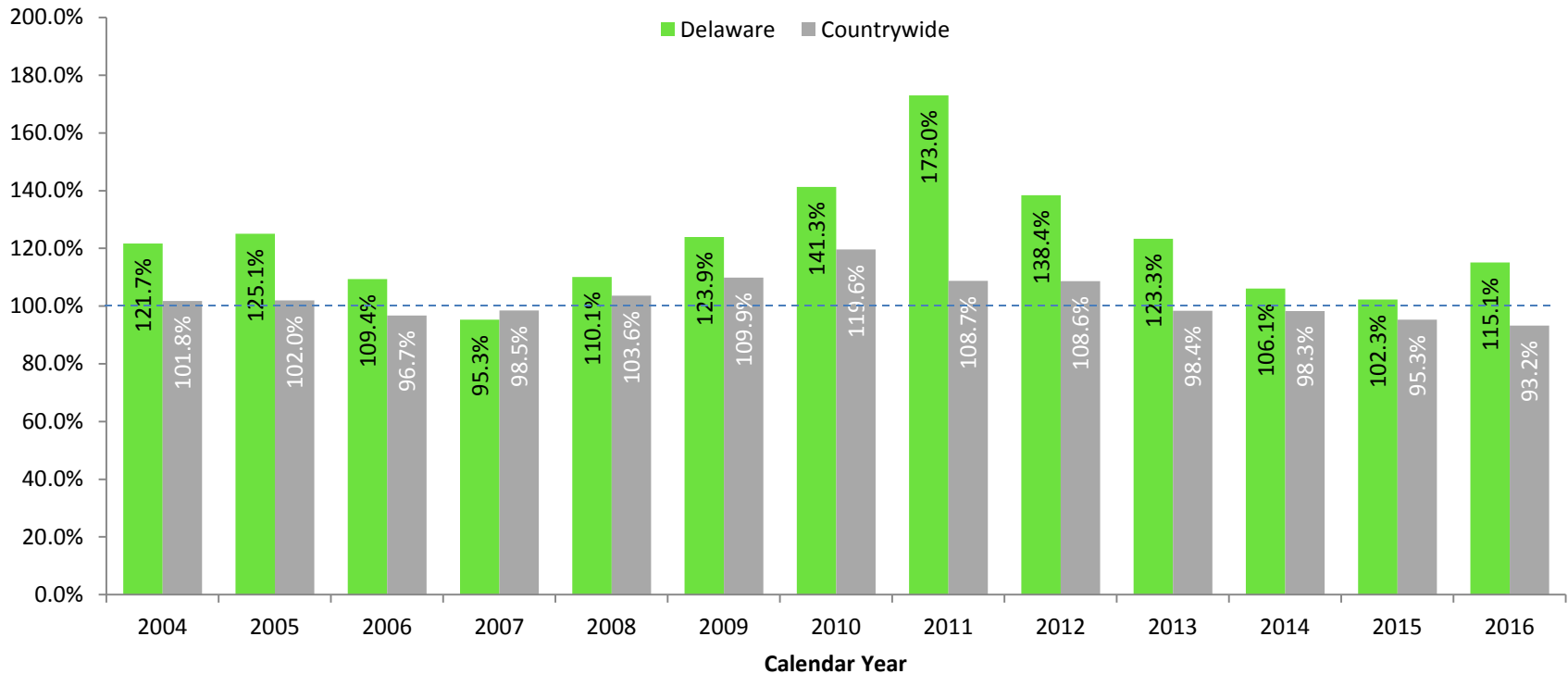


The residual market share is an indicator of the health of a state's Workers Comp system. The residual market share in Delaware grew rapidly from 2010 to 2013, but has since dropped to 12% in 2014 and 13% in 2015.

Source:

Delaware Financial Call data as of 12/31/2016

# Combined Ratios Delaware and Countrywide

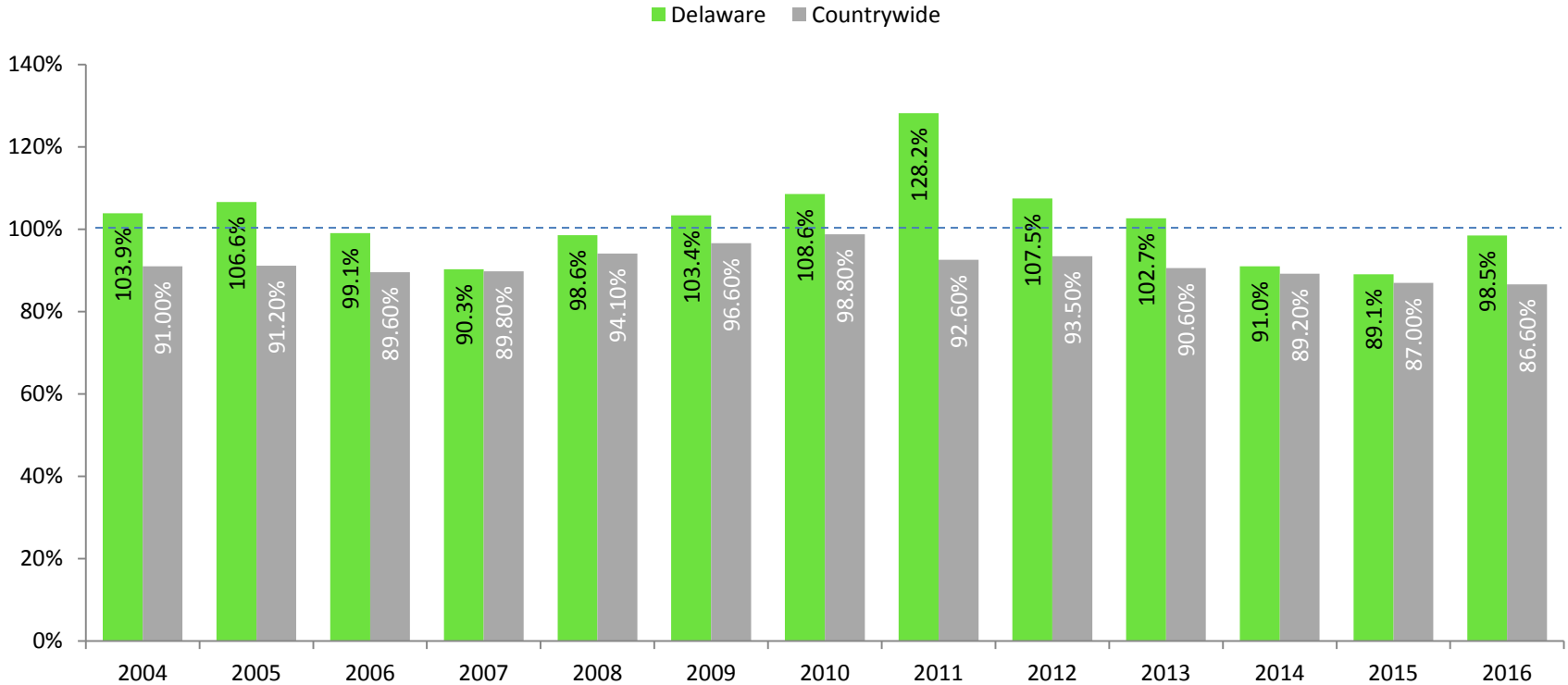


The Combined Ratio is the sum of the loss, LAE and underwriting expense ratios to premium, and does not include income from investments. A combined ratio of less than 100 indicates an overall underwriting profit.

Source:

2017 NAIC Profitability by Line by State in 2016

# After-tax Operating Ratios Delaware and Countrywide



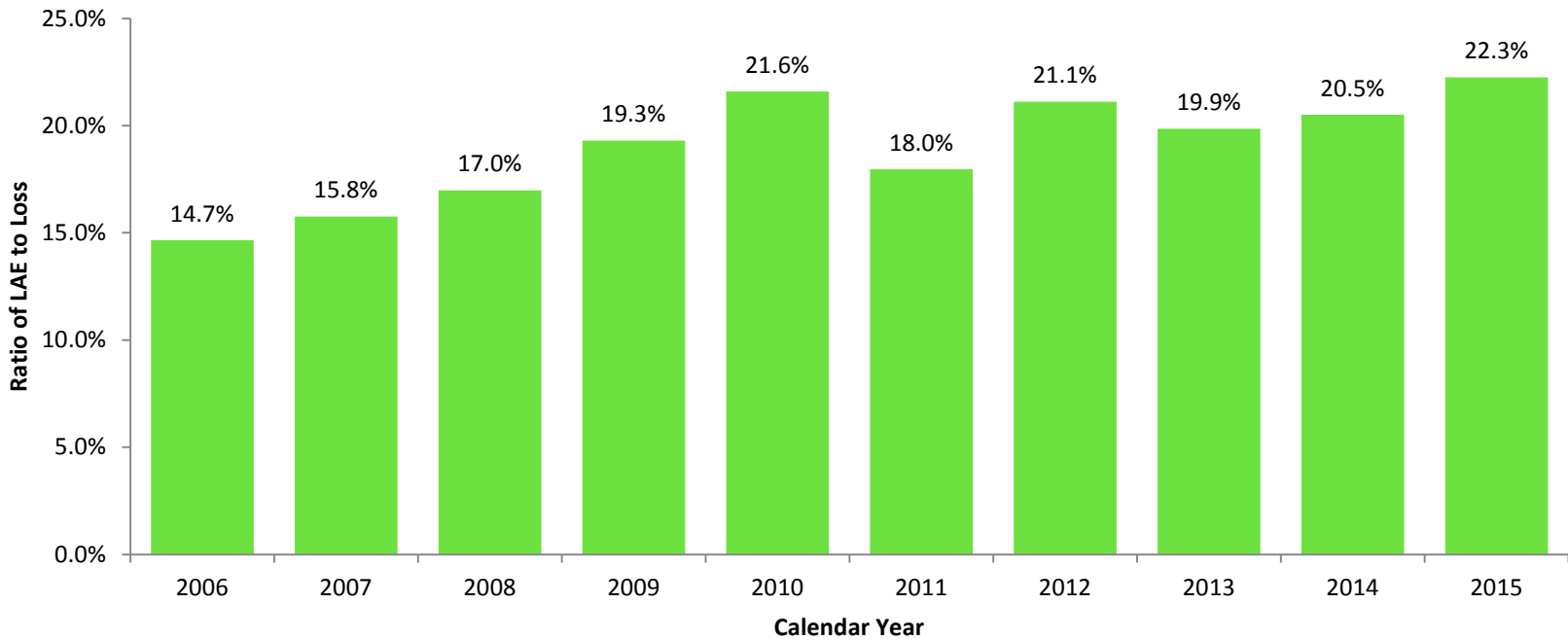
The After-tax Operating Ratio is the sum of the Combined Ratio, Investment Gain on Insurance Transactions and a reduction for Federal Tax on Insurance Transactions. An operating ratio of less than 100 indicates an overall operating profit.

Source:

2017 NAIC Profitability by Line by State in 2016

# Loss Costs and Market-wide Pricing

# Delaware Loss Adjustment Expense Ratios



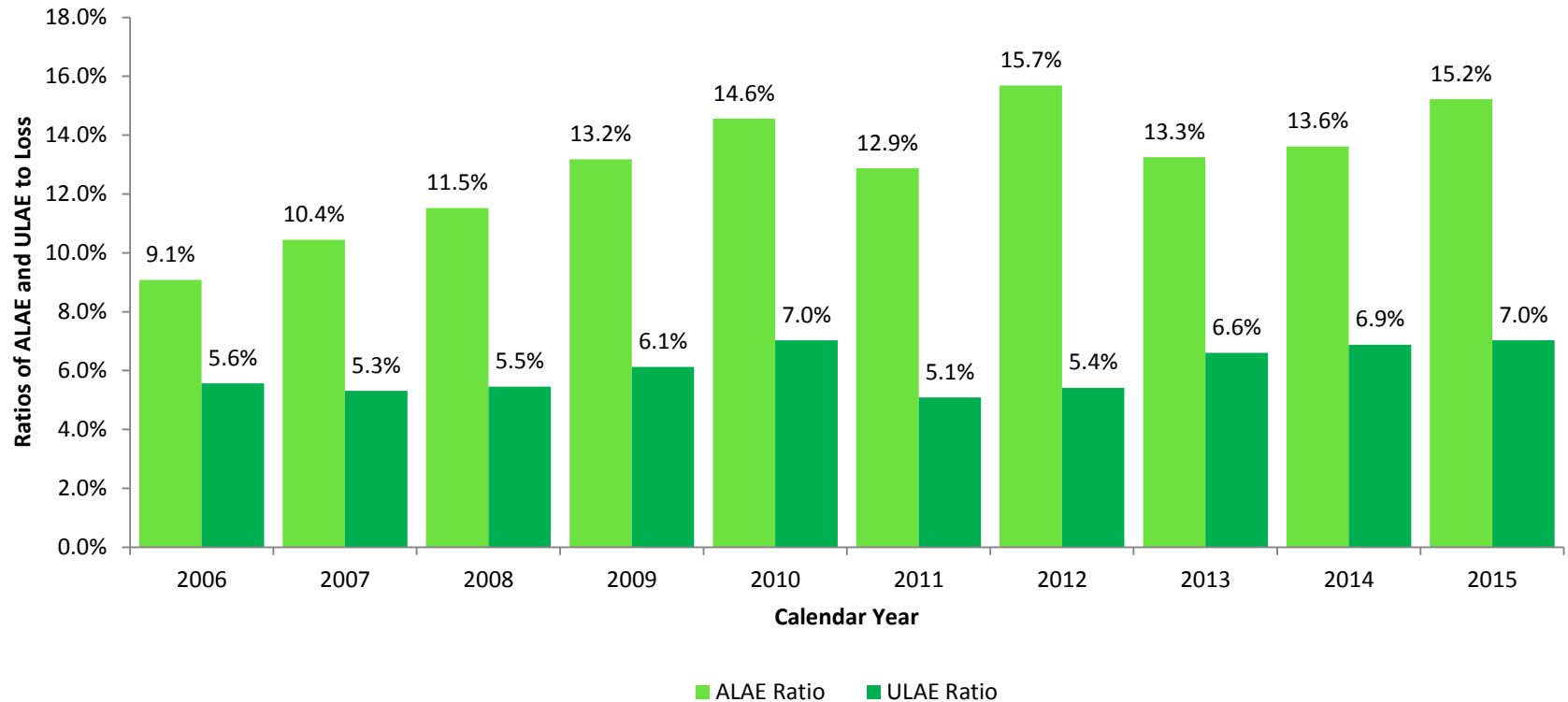
Loss adjustment expense (LAE) is expense associated with investigating and settling claims. LAE ratios to loss have increased since 2011.

Source:

DCRB Financial Data Call as of 12/31/2016



# Delaware ALAE and ULAE Ratios

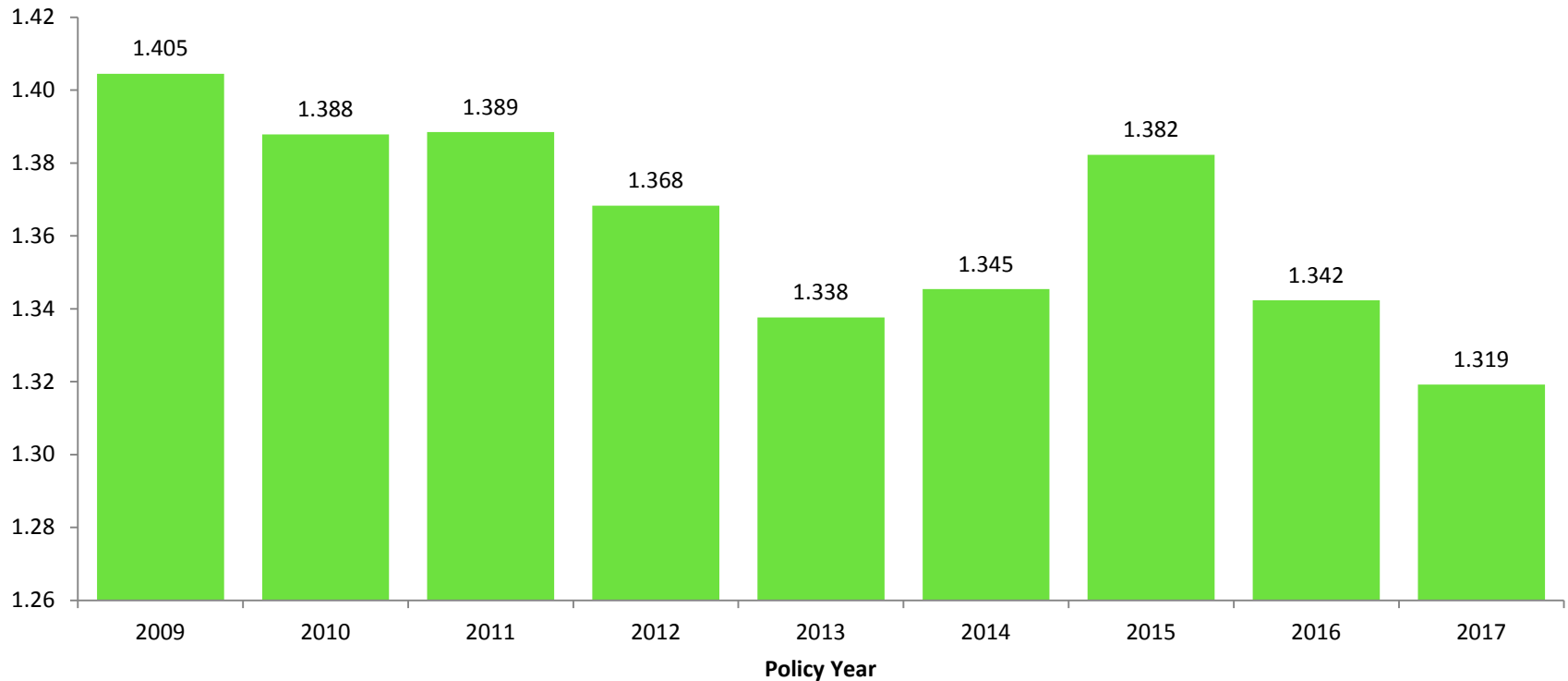


The portion of loss adjustment expense that can be assigned or allocated to specific claims is called allocated loss adjustment expense (ALAE), while the remainder is called unallocated adjustment expense (ULAE). Over the years shown, ALAE ratios have risen from below 10% to more than 15%, while ULAE ratios have increased slightly.

Source:

DCRB Financial Data Call as of 12/31/2016

# Delaware Average Loss Cost Multiplier



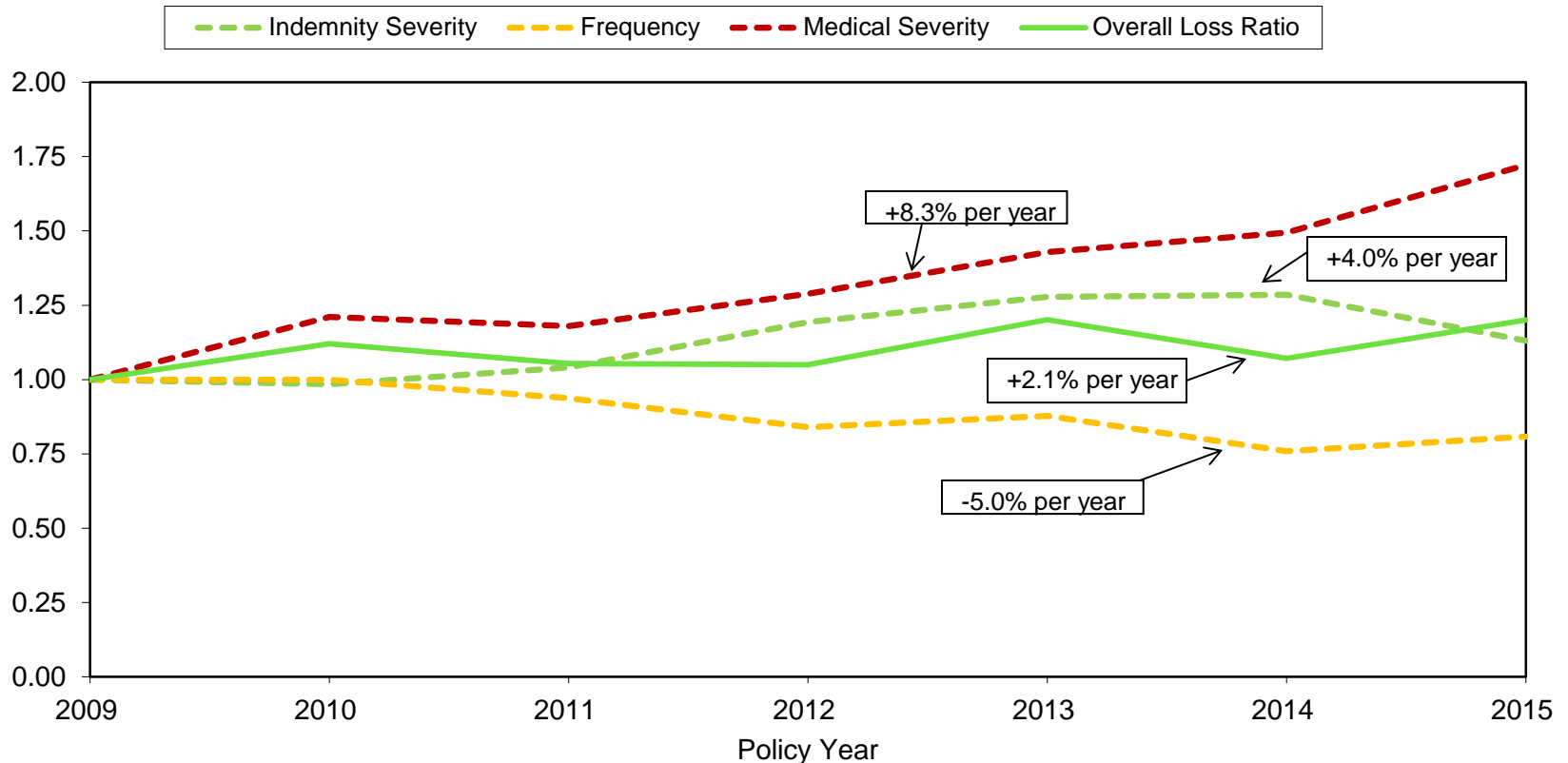
The Average Loss Cost Multiplier is the ratio of Total Carrier Manual Premium to Total Loss Costs at DCRB Level, as reported to the DCRB. It represents the average loss cost multiplier (LCM), weighted by loss costs. Carriers must file their LCMs with the Insurance Department to convert DCRB loss costs,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

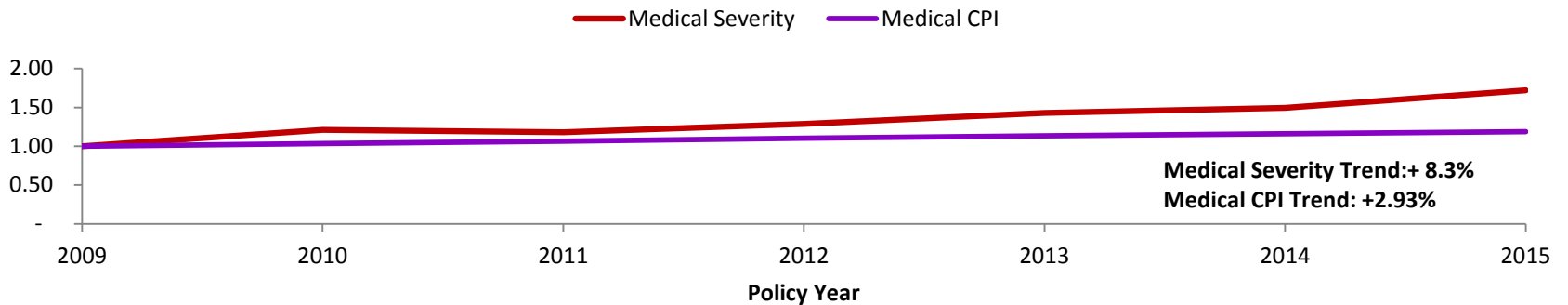
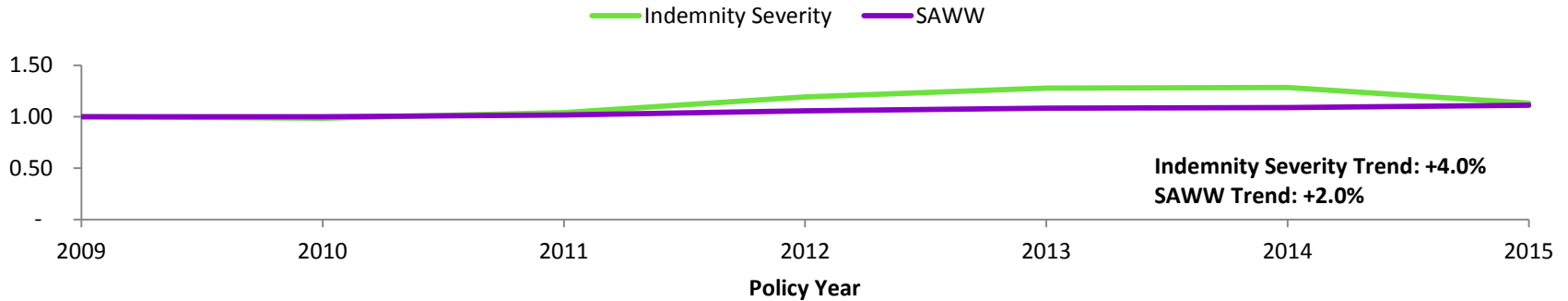


The combined impact of Frequency Trend, -5.0%, Indemnity Severity Trend, +4.0%, and Medical Severity Trend, +8.3%, is a Loss Ratio Trend of +2.1%.

Indexed to 1.00 at Policy Year 2009

Source:  
DCRB 2017 Rate Revision

# Delaware Severity and Broad Cost Indices



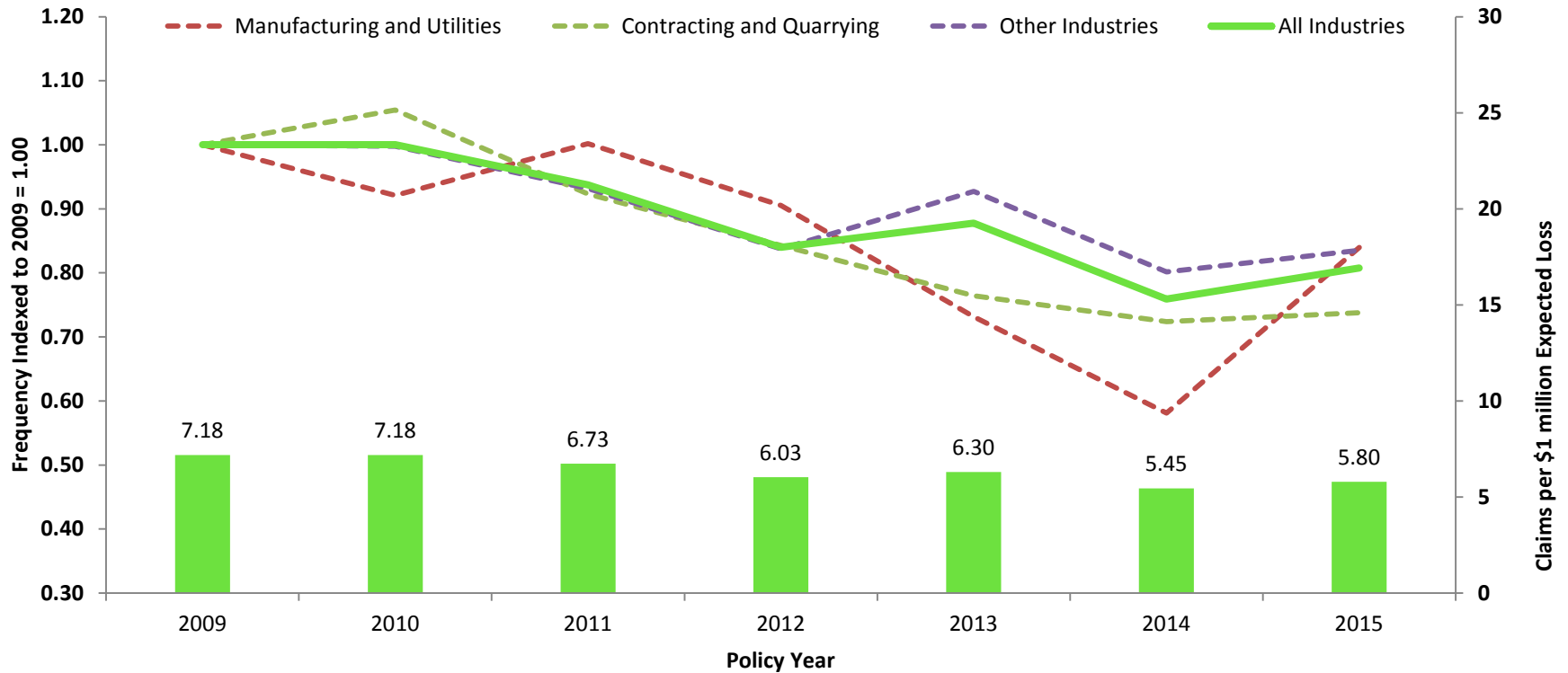
Changes in indemnity severity appear to be somewhat consistent with the changes to the state's average weekly wage. Medical severity has increased at a faster rate than the Medical Consumer Price Index.

Indexed to 1.00 at Policy Year 2009

Sources:

- DCRB 2017 Rate Revision
- DE Department of Labor
- US Bureau of Labor Statistics

# Claim Frequency Trend in Total and by Industry Group



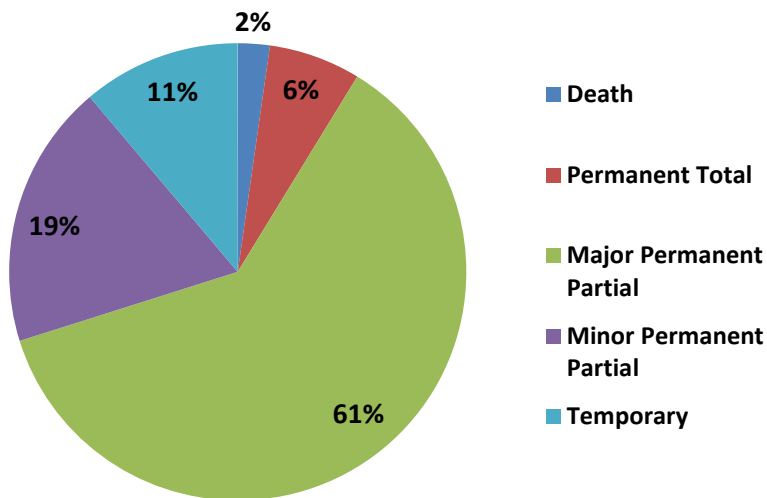
Notes: Excludes large deductible business  
 Claim frequency is measured by the number of claims at first report level per \$1 million of expected losses.  
 Decreasing frequency contributes to reductions in statewide loss cost levels.  
 Indexed to 1.00 at Policy Year 2009.

Source:  
 DCRB 2017 Rate Revision

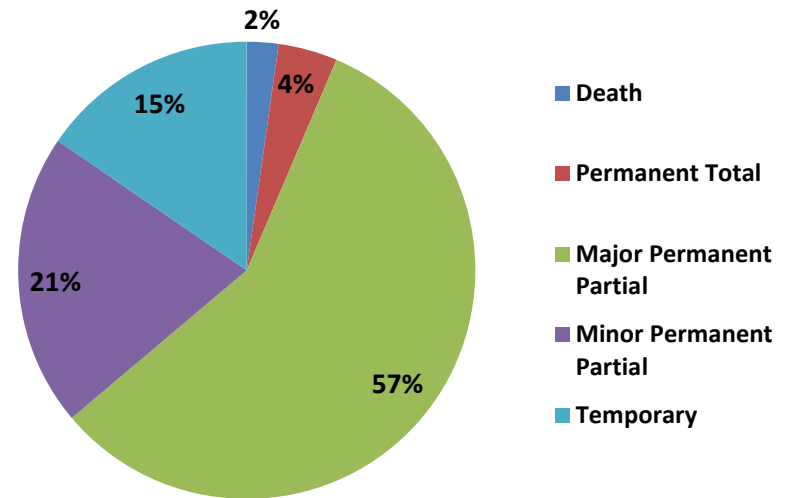
# Cost Distributions among Claims

# Indemnity Benefits by Type of Injury

5 Policy Year Average (2006-2010)



5 Policy Year Average (2010-2014)



Over these time periods, the portion of indemnity benefits attributable to Permanent Total and Major Permanent Partial injuries decreased by 2 and 4 percentage points, respectively, while the portion attributable to Minor Permanent Partial and Temporary injuries increased by 2 and 4 percentage points, respectively.

Based on losses developed to ultimate values.

Sources:

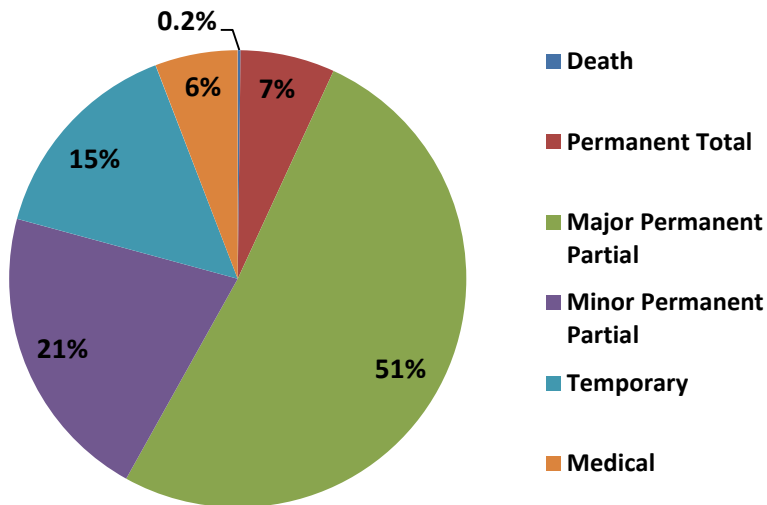
2006-2010: Delaware 2013 Rate Revision

2010-2014: Delaware 2017 Rate Revision

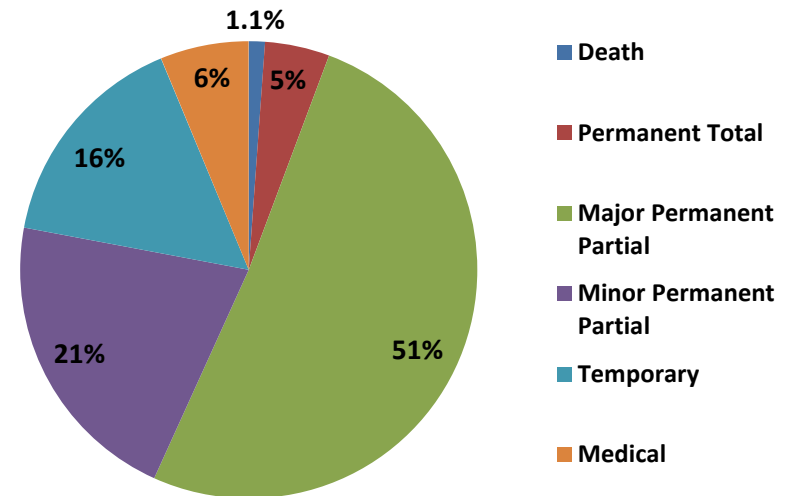


# Medical Benefits by Type of Injury

5 Policy Year Average (2006-2010)



5 Policy Year Average (2010-2014)



Over these time periods, the portion of medical benefits attributable to Permanent Total injuries decreased by 2 percentage points; the portion attributable to Death and Temporary injuries increased by 1 percentage point each; the portion attributable to Major Permanent Partial, Minor Permanent Partial and Medical Only claims remained the same.

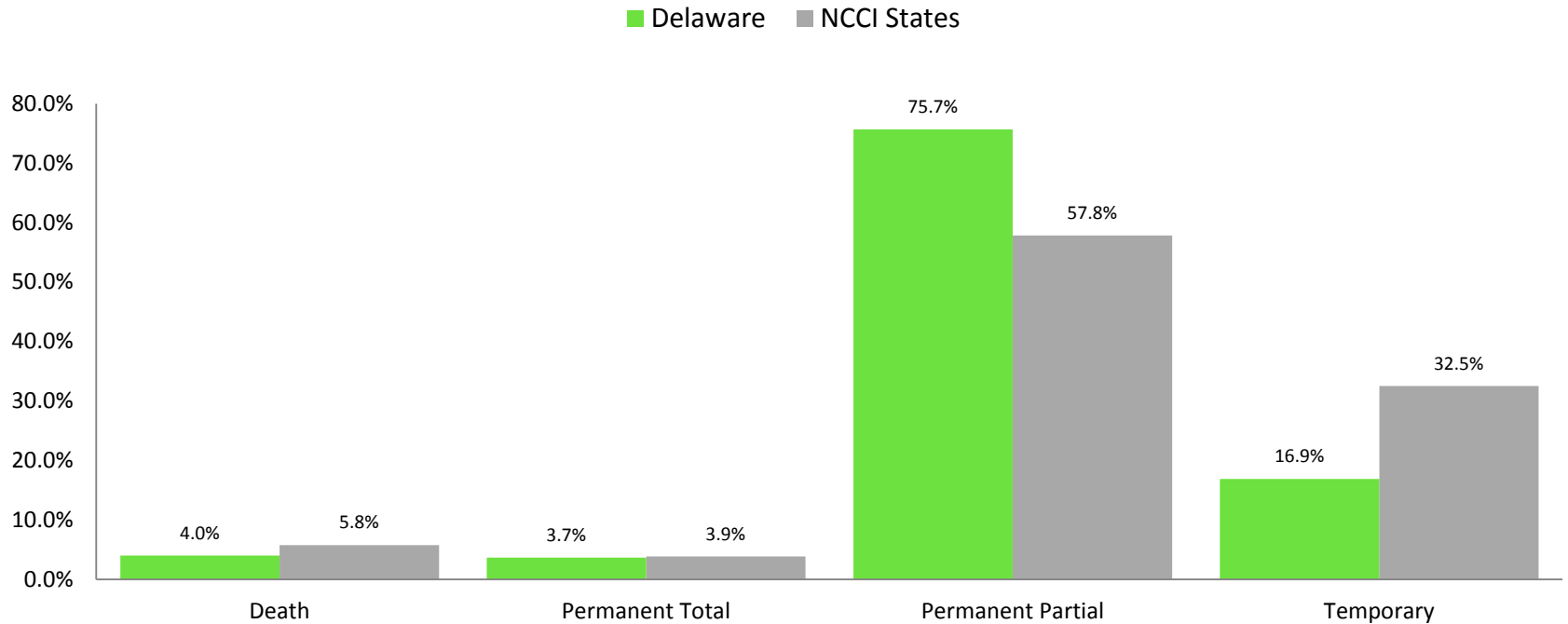
Based on losses developed to ultimate value.

Sources:

2006-2010: Delaware 2013 Rate Revision

2010-2014: Delaware 2017 Rate Revision

# Ultimate Indemnity Benefits by Type of Injury



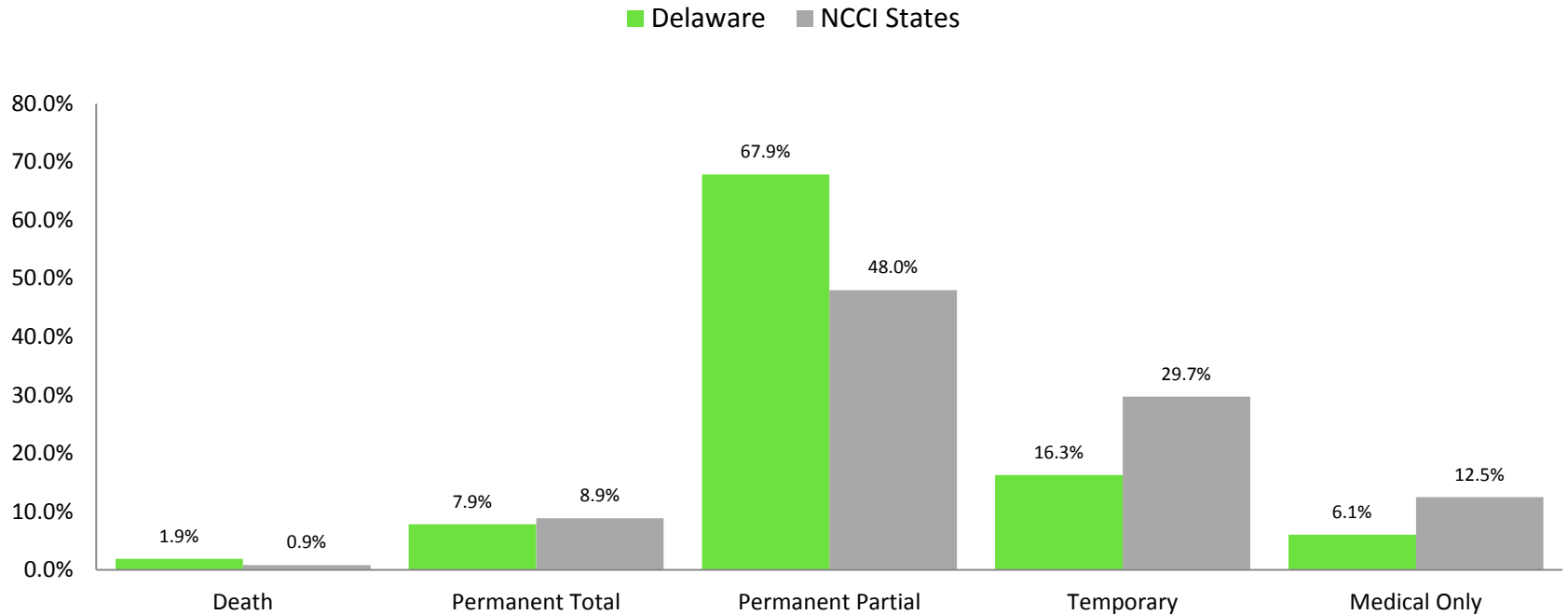
Delaware has a higher percentage of Permanent Partial benefits and a lower percentage of Temporary benefits in comparison to the NCCI states.

Sources:

DCRB 2017 Loss Cost Revision

NCCI States: March, 2018, Annual Statistical Bulletin, Interim Exhibits

# 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 Permanent Total, Temporary and Medical only losses while Delaware has higher percentages of Death and Permanent Partial claims.

Sources:

DCRB 2017 Rate Revision

NCCI States: March , 2018, Annual Statistical Bulletin, Interim Exhibits

# Distribution of Incurred Losses

## Average Cost per Claim

Hazard Group	Industry Group		
	Manufacturing and Utilities	Contracting and Utilities	Other Industries
A	0	0	21,537
B	37,366	0	28,949
C	32,552	0	30,894
D	38,545	28,927	33,250
E	66,391	53,239	35,909
F	32,029	55,833	48,837
G	21,653	114,693	62,732

## Claim Count Distribution

Hazard Group	Industry Group		
	Manufacturing and Utilities	Contracting and Utilities	Other Industries
A	0.00%	0.00%	9.04%
B	1.09%	0.00%	11.35%
C	3.13%	0.00%	26.26%
D	1.51%	0.34%	10.56%
E	1.39%	8.49%	13.86%
F	0.20%	10.18%	1.30%
G	0.02%	1.27%	0.01%

The average cost per claim is the total of indemnity and medical incurred loss, excluding medical only claims, divided by the number of lost time claims.

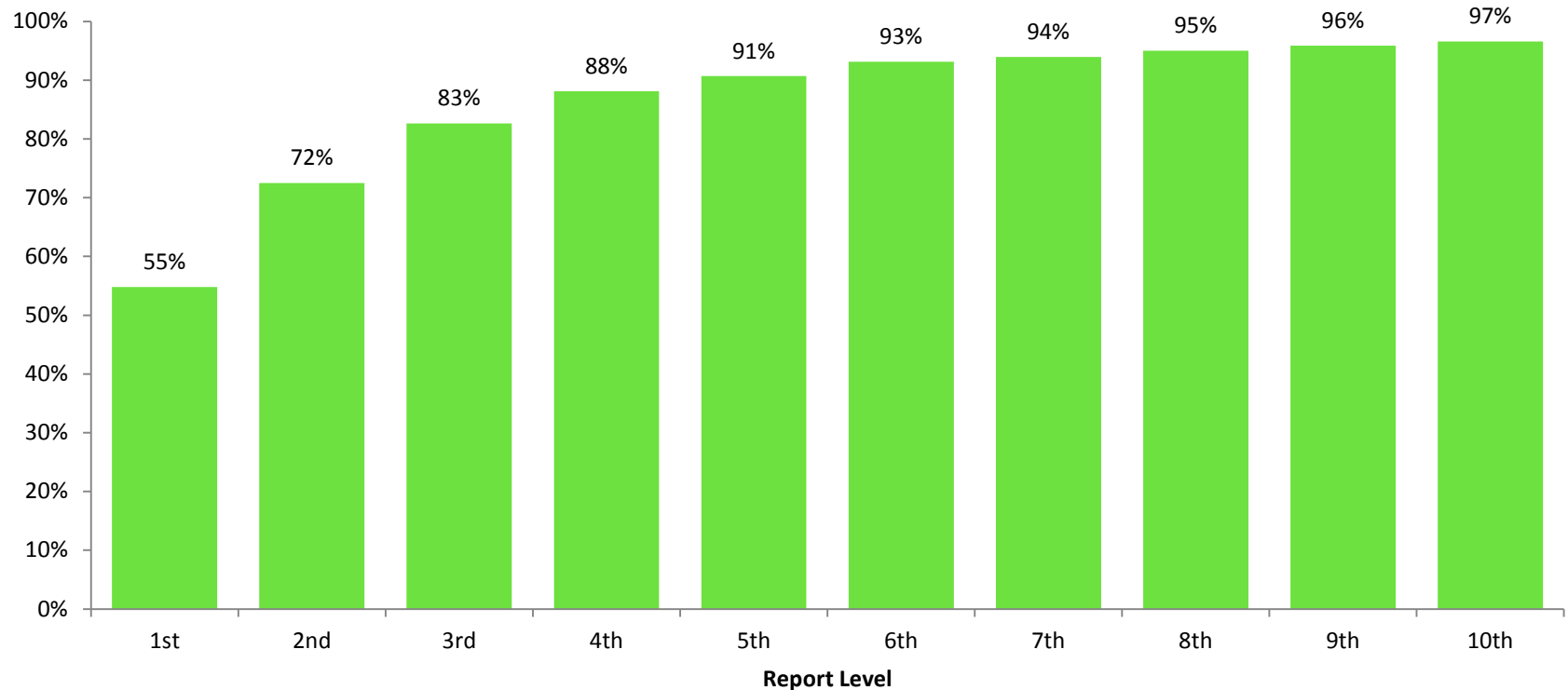
The claim cost distribution is the portion of total loss in each hazard group and industry group combination. The sum of the percentages in all 21 cells is 100%.

Source:

DCRB 2017 Rate Revision, Indemnity claims in Policy Year 2014

# Measures of Claim Reporting

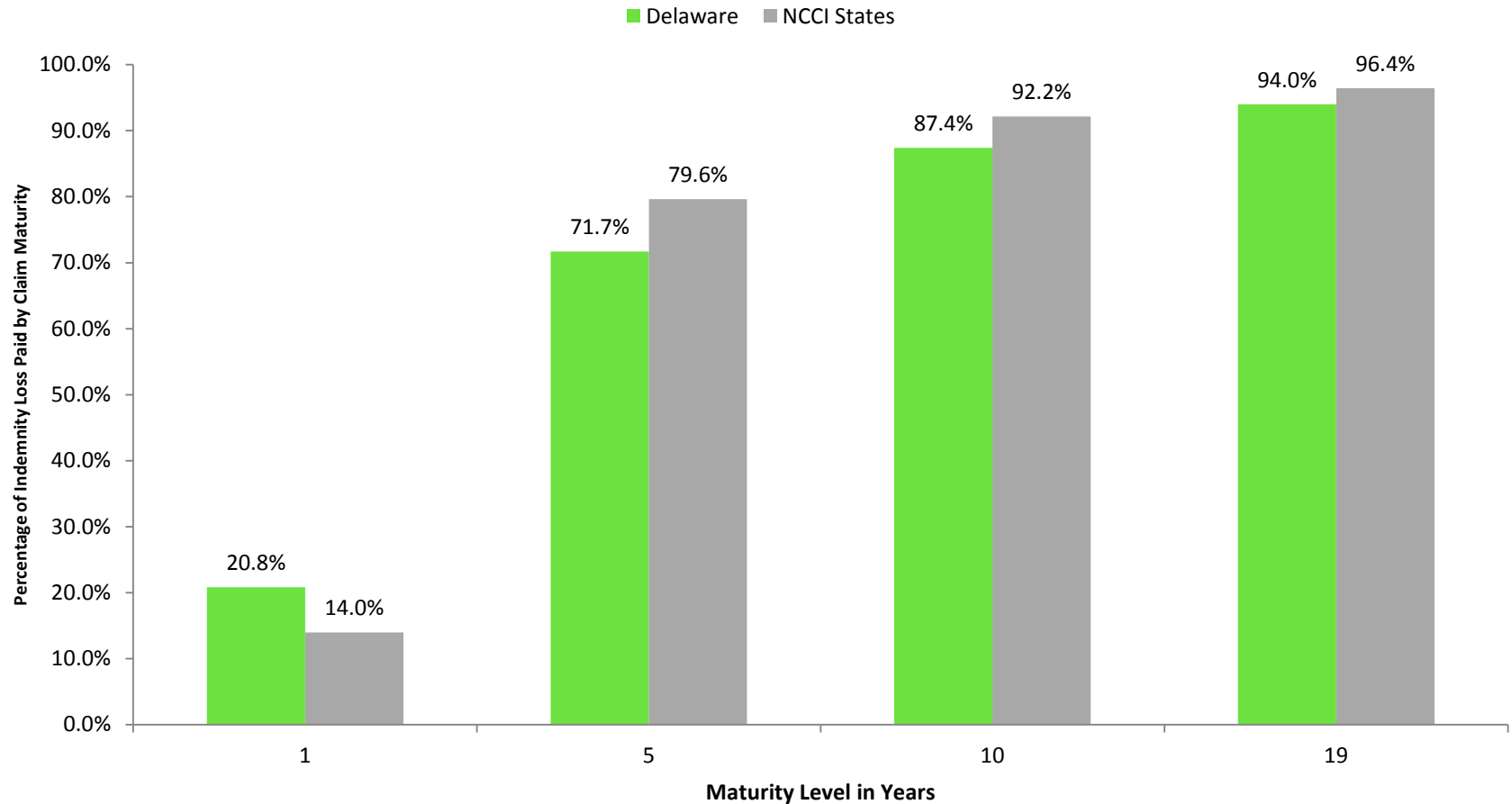
# Portion of Reported Indemnity Claims Closed



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 5<sup>th</sup> report.

Source:  
DCRB 2017 Rate Revision

# Portion of Ultimate Indemnity Loss Paid by Claim Maturity

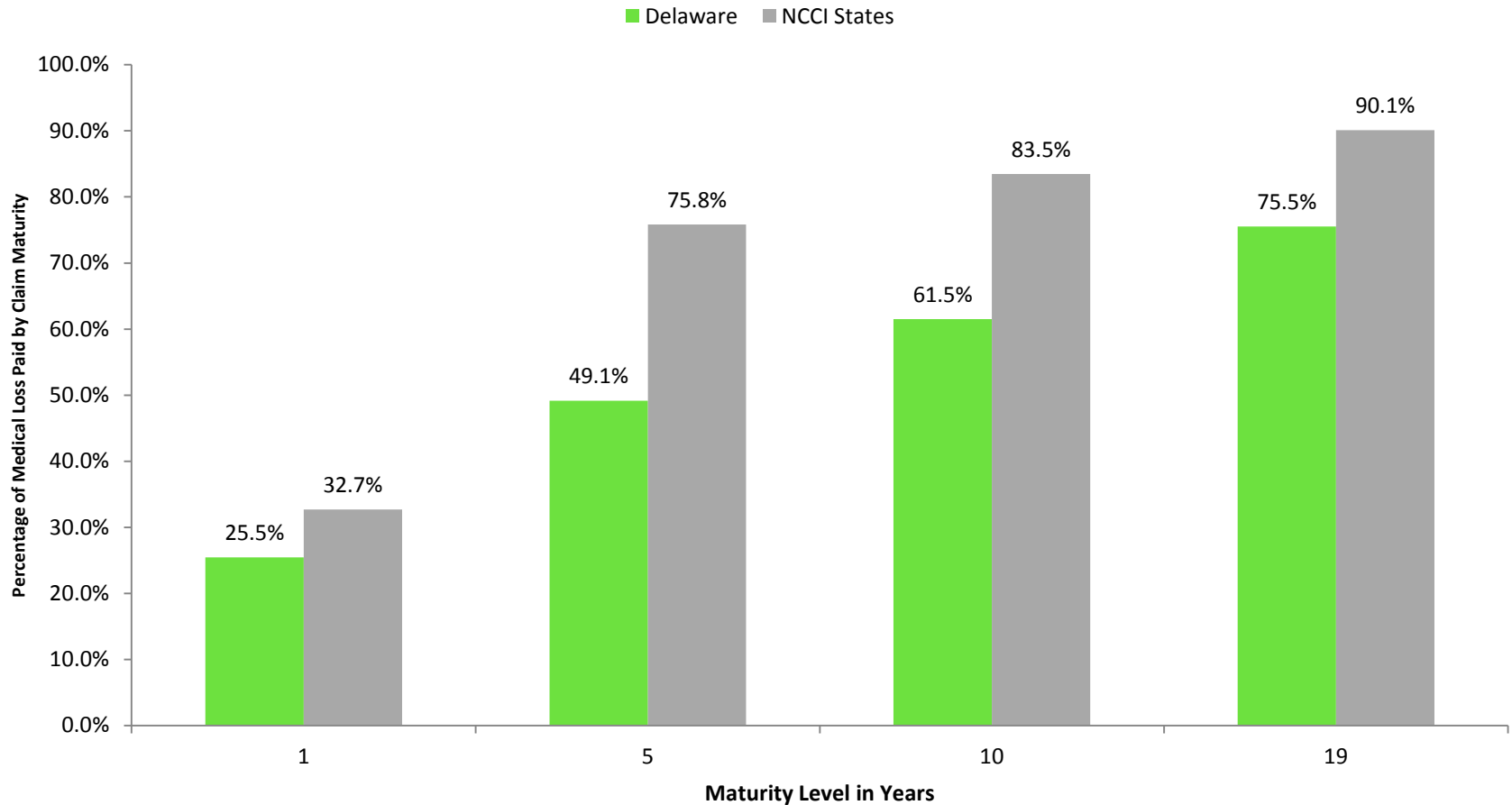


Sources:

DCRB 2017 Rate Revision, on a Policy Year basis

NCCI States: March, 2018, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

# Portion of Ultimate Medical Loss Paid by Claim Maturity



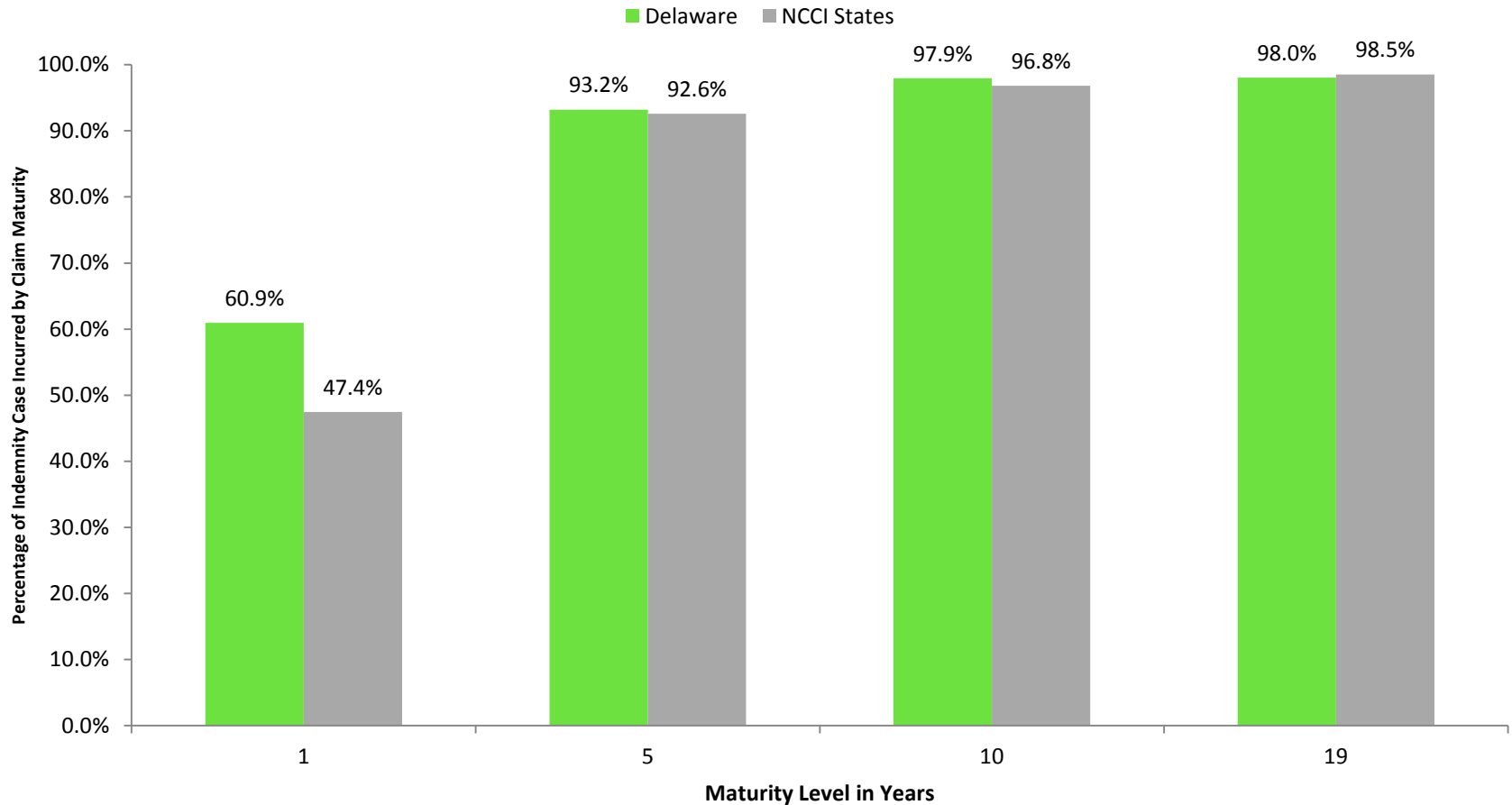
Sources:

DCRB 2017 Rate Revision, on a Policy Year basis

NCCI States: March, 2018, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis



# Portion of Ultimate Indemnity Case Incurred by Claim Maturity

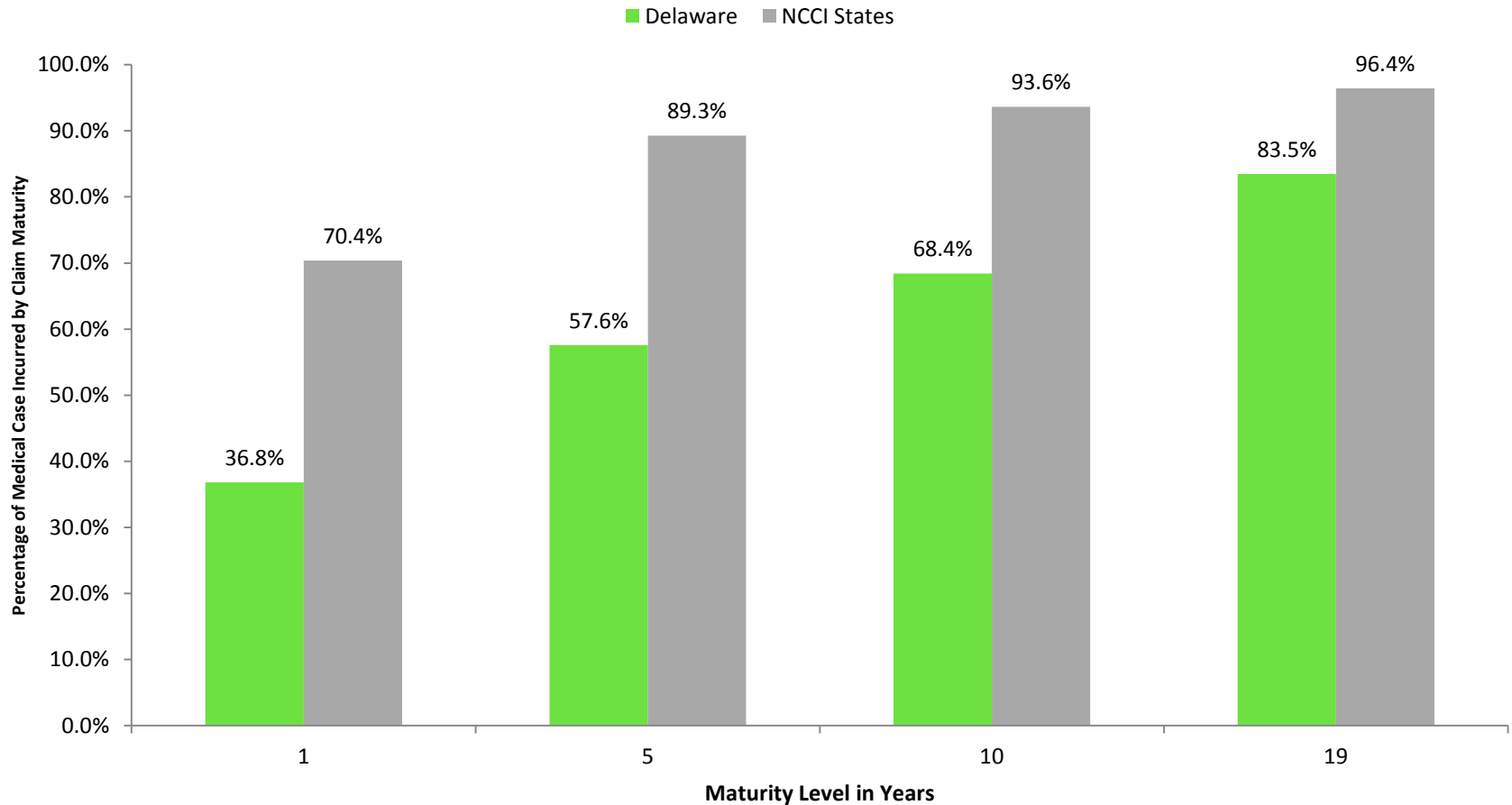


Sources:

DCRB 2017 Rate Revision, on a Policy Year basis

NCCI States: March, 2018, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

# Portion of Ultimate Medical Case Incurred by Claim Maturity



Sources:

DCRB 2017 Rate Revision, on a Policy Year basis

NCCI States: March, 2018, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis