

2021

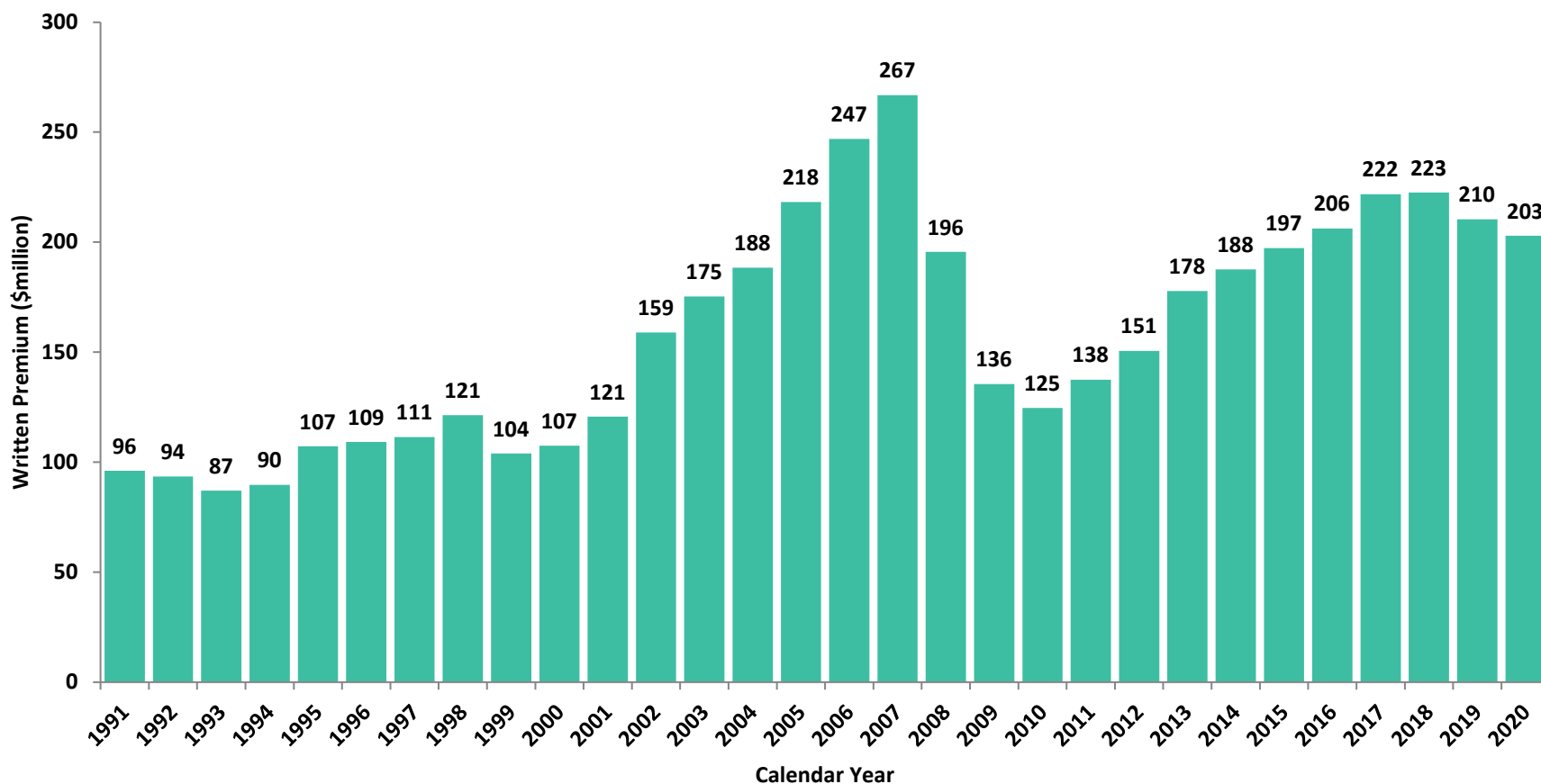
# STATE OF THE LINE REPORT

**DCRB**  
**DELAWARE**  
Compensation Rating Bureau, Inc



# Delaware Workers Compensation Insurance Market Results

# Delaware Direct Written Premium

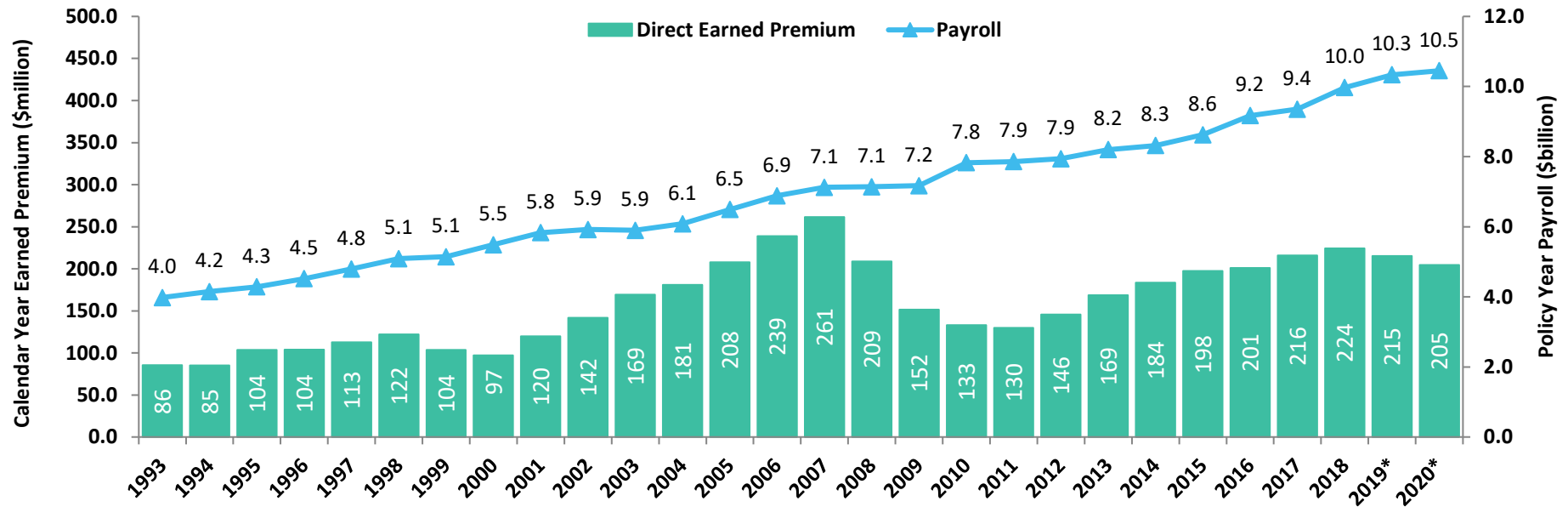


The level of written premium has fluctuated over the 30 years shown. Written Premium has increased each year since 2010 followed by decreases in 2019 and 2020.

Source:

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

# Delaware Earned Premium and Payroll History



Earned Premium has risen and fallen over the 28 years shown. Payroll has more than doubled over the same time period.

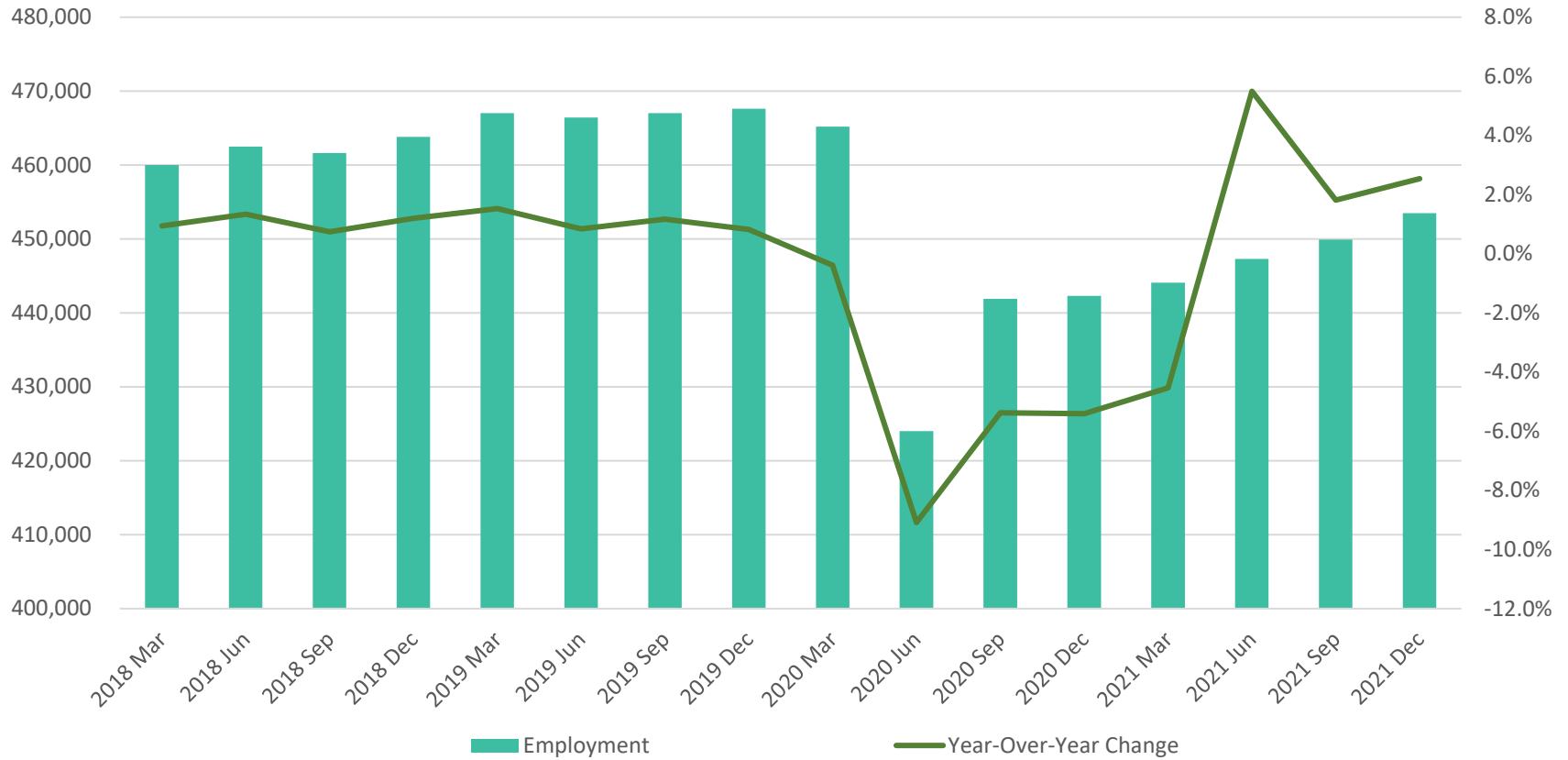
## Sources:

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

Payroll: Unit Statistical Data; DCRB Financial Data Calls as of 12/31/2020, adjusted to an "effective" level to reflect deductible discounts; Policy Year Basis.

\* Payroll for Policy Years 2019 and 2020 is projected using the Statewide Average Weekly Wage.

# Delaware Nonfarm Employment

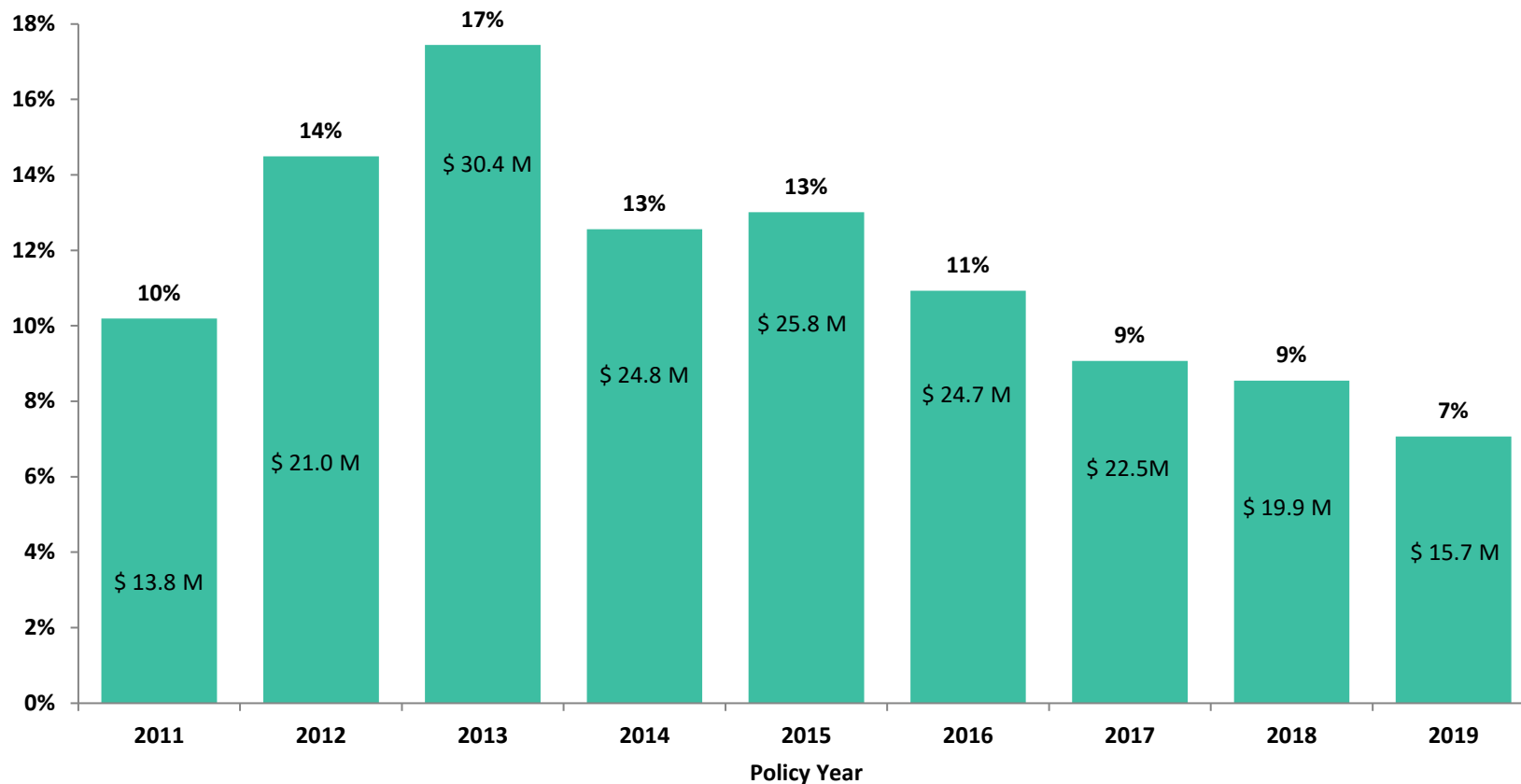


Nonfarm employment data is a critical economic indicator to gauge the overall health of the economy and its workforce.

Source:

US Bureau of Labor Statistics data through 12/2021

# Delaware Residual Market Share

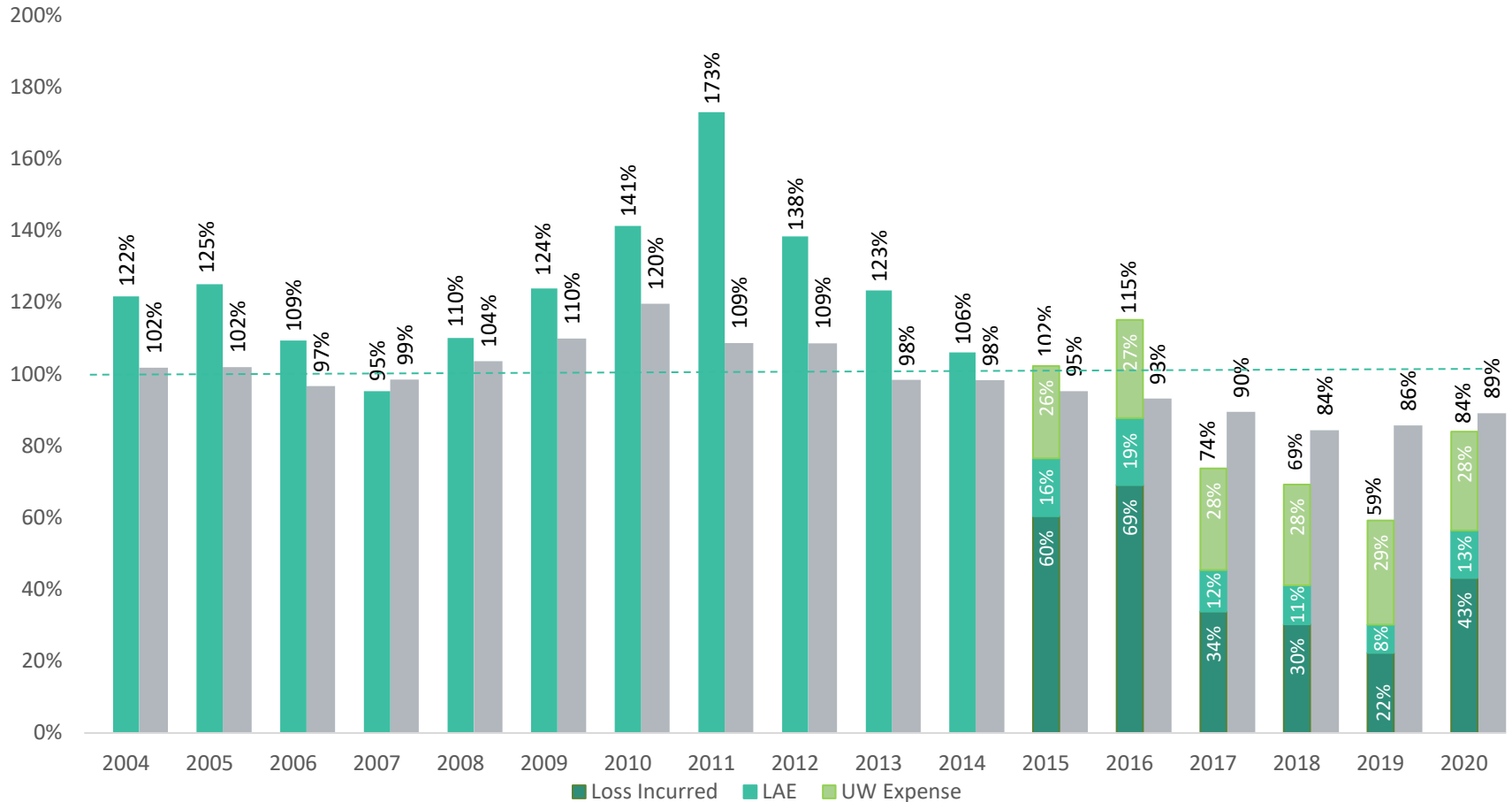


The residual market share is an indicator of the health of a state's Workers Compensation system. The residual market share in Delaware grew rapidly from 2011 to 2013 but has consistently dropped since then.

Source:

DCRB Financial Data Calls as of 12/31/2020

# Combined Ratios Delaware and Countrywide

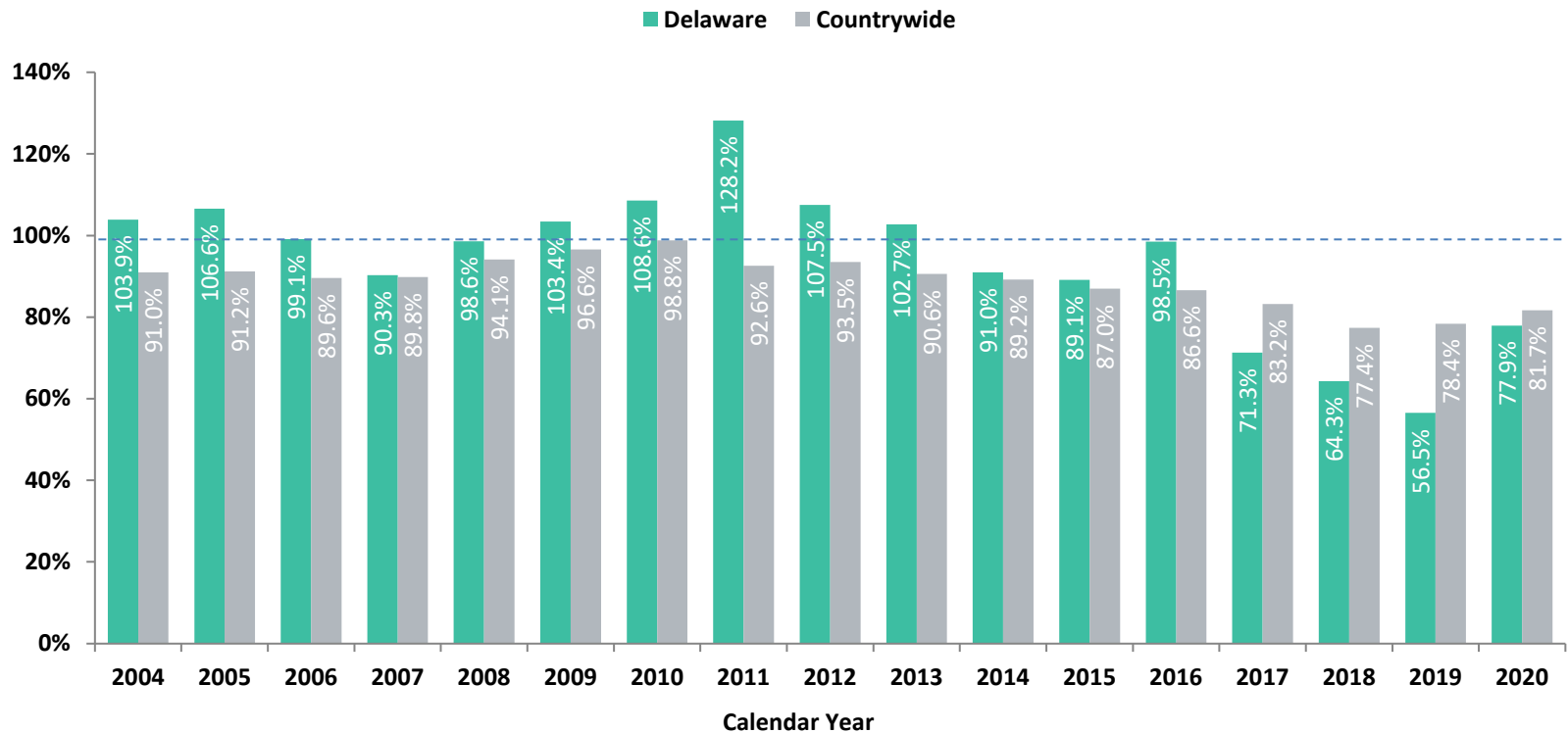


The Combined Ratio is the sum of the loss, LAE and underwriting expense ratios to premium, and does not include income from investments.

Source:

2021 NAIC Profitability by Line by State in 2020

# After-tax Operating Ratios Delaware and Countrywide



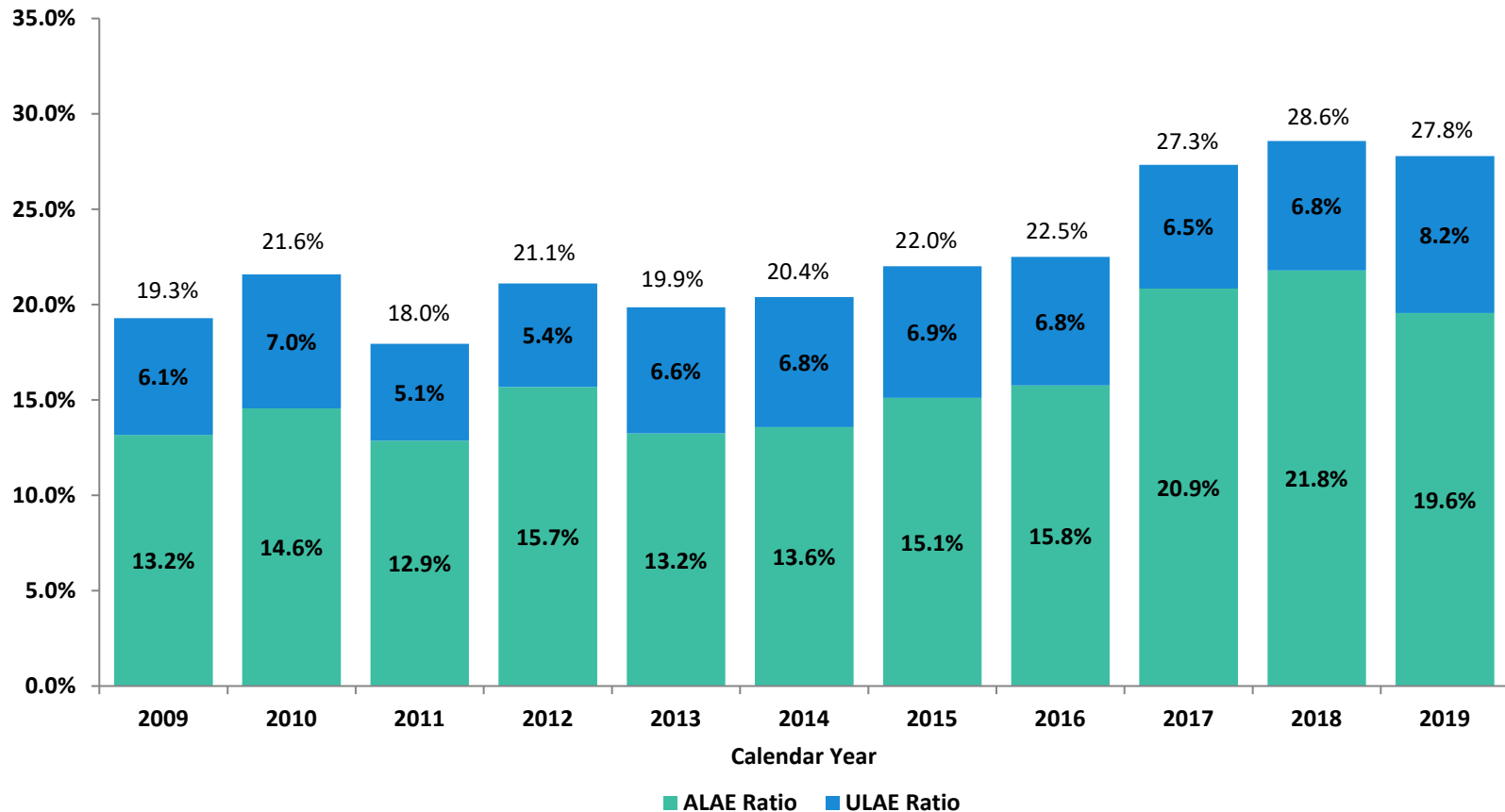
The After-tax Operating Ratio is the Combined Ratio less the Investment Gain on Insurance Transactions and a reduction for Federal Tax on Insurance Transactions. An operating ratio of less than 100 indicates an overall operating profit.

Source:

2021 NAIC Profitability by Line by State in 2020



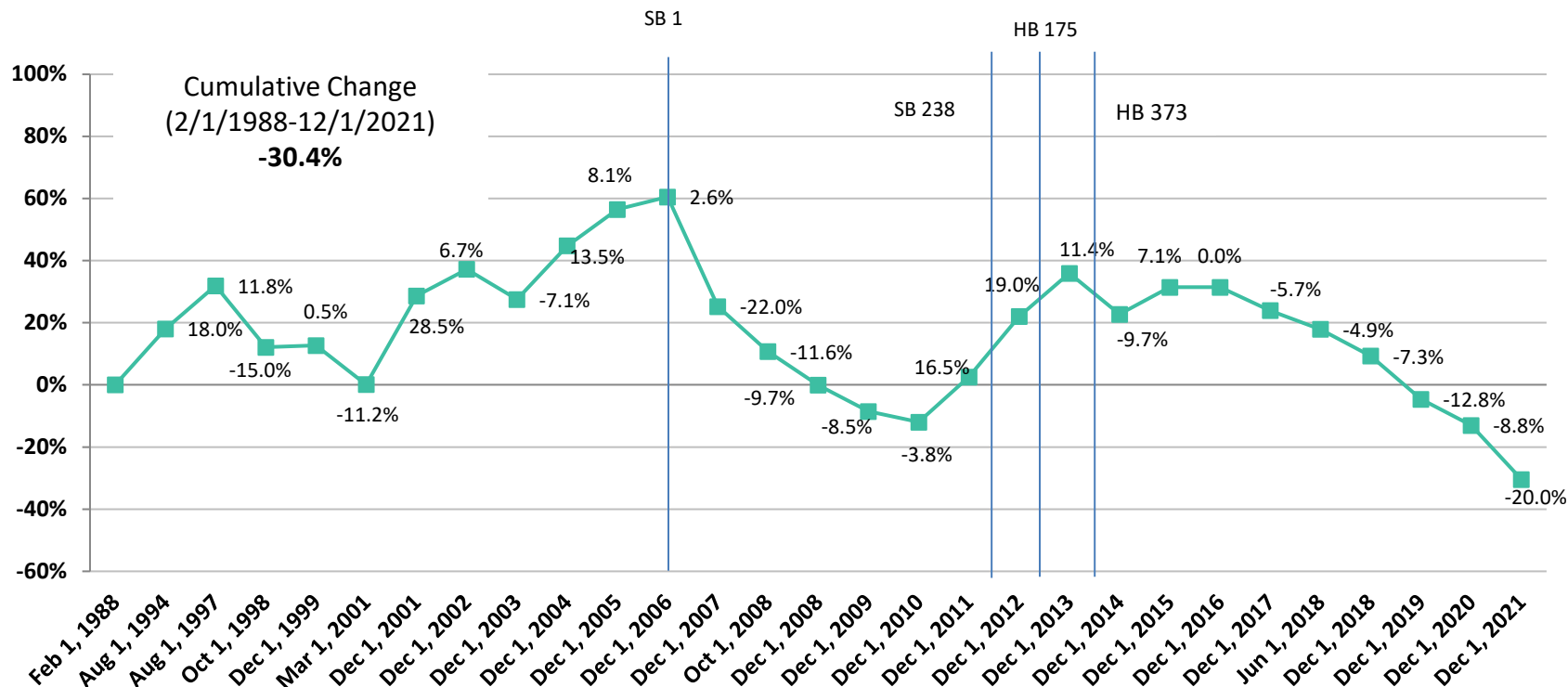
# Delaware ALAE and ULAE Ratios



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 have increased since 2013, with a slight decrease in 2019. 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%.

# Loss Costs and Market-wide Pricing

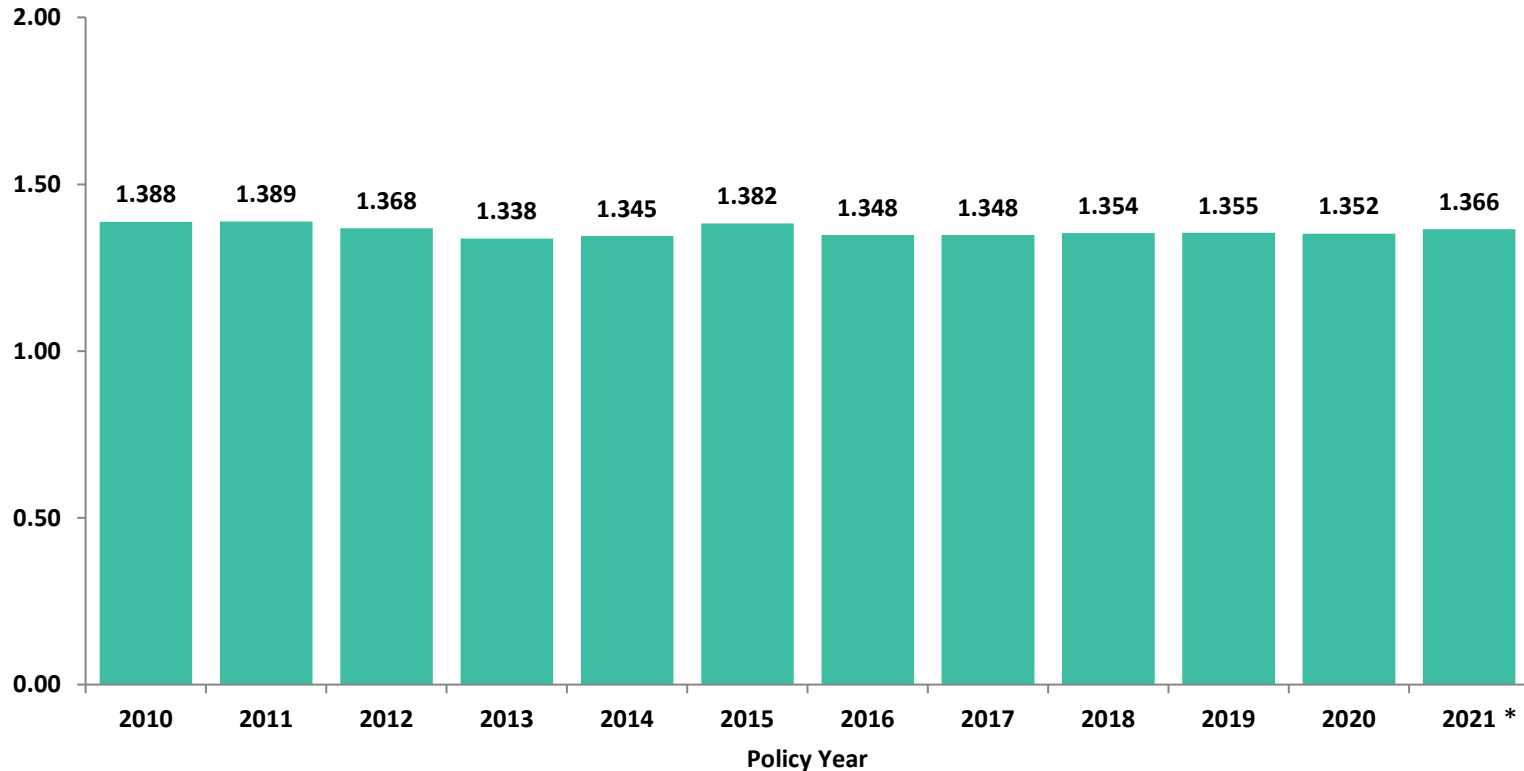
# Delaware Approved Rate Change History



## Significant Milestones:

- Senate Bill 1 of 2007 – Requires fee schedule and treatment guidelines; established Health Care Advisory Panel and data collection requirement.
- Senate Bill 238 of 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 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 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

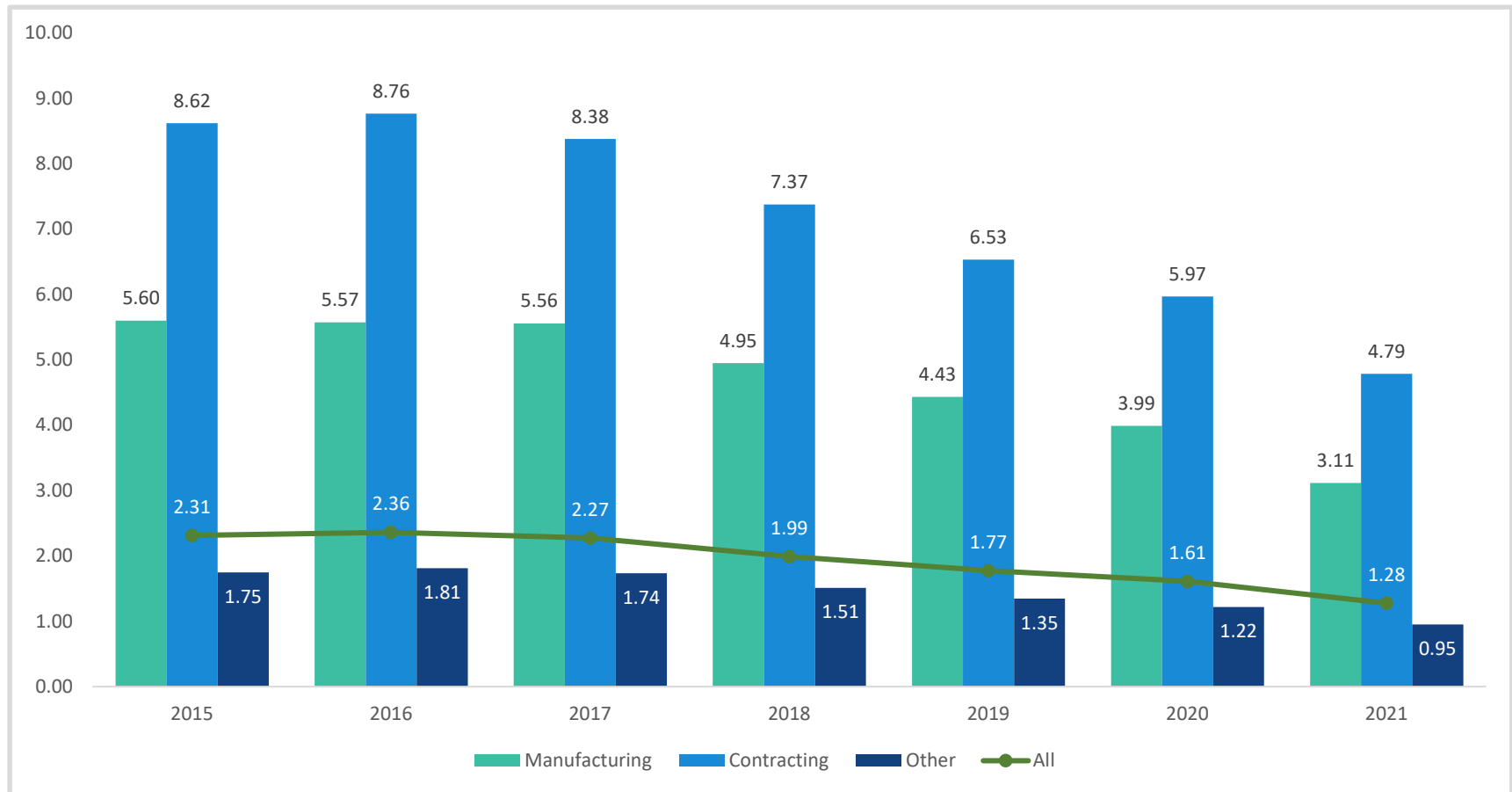


The Average Loss Cost Multiplier (LCM) is the ratio of Total Carrier Manual Premium to Total Loss Costs at DCRB Level, as reported to the DCRB. It represents the average LCM, weighted by loss costs. Carriers must file their LCMs with the Insurance Department to convert DCRB loss costs, which are comprised 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 2021.

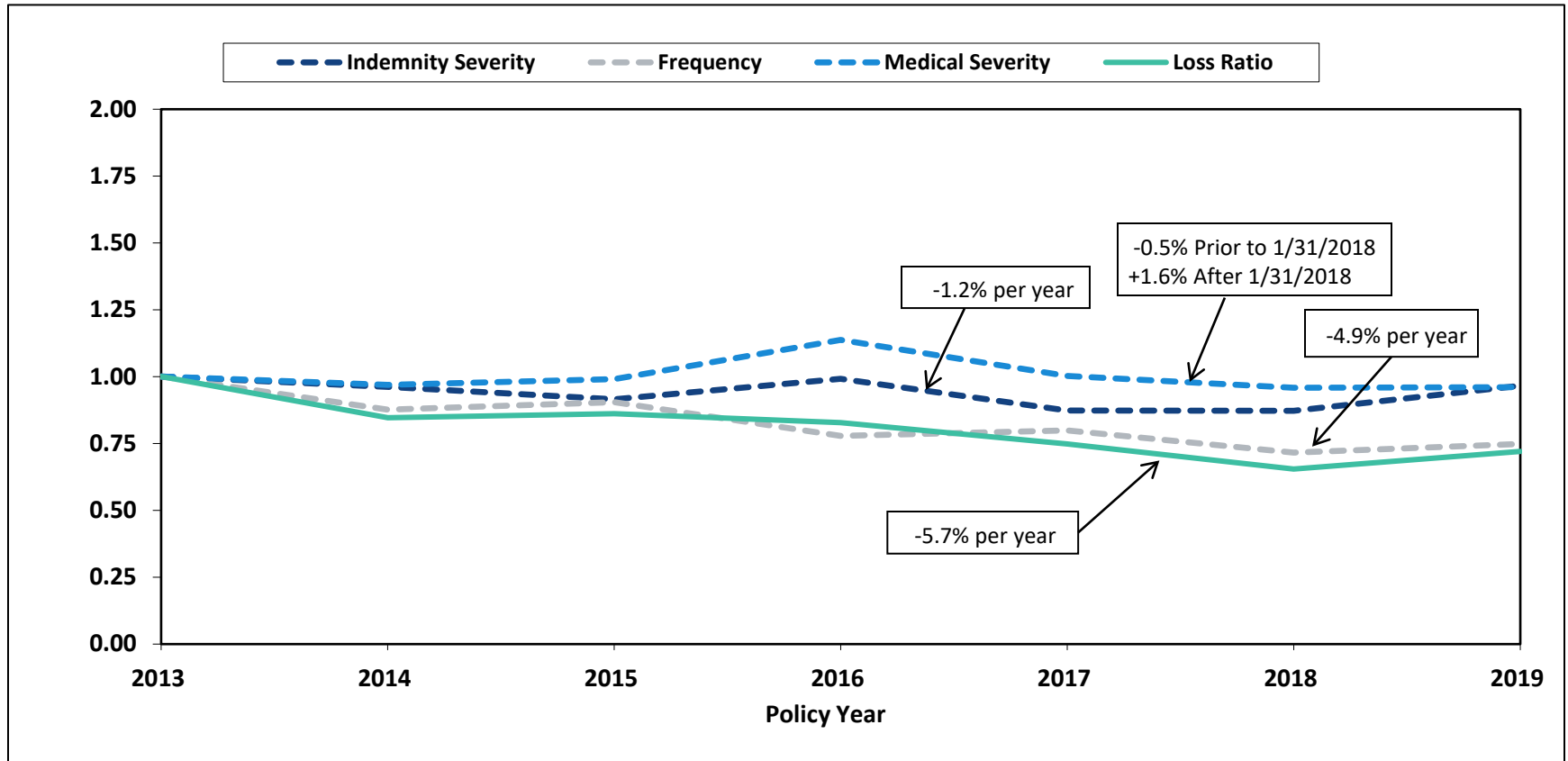
Source:

2015 - 2021 DCRB Rate Revisions

# Claim Frequency and Severity Trends

# Delaware Loss Components

## Frequency, Indemnity Severity, Medical Severity

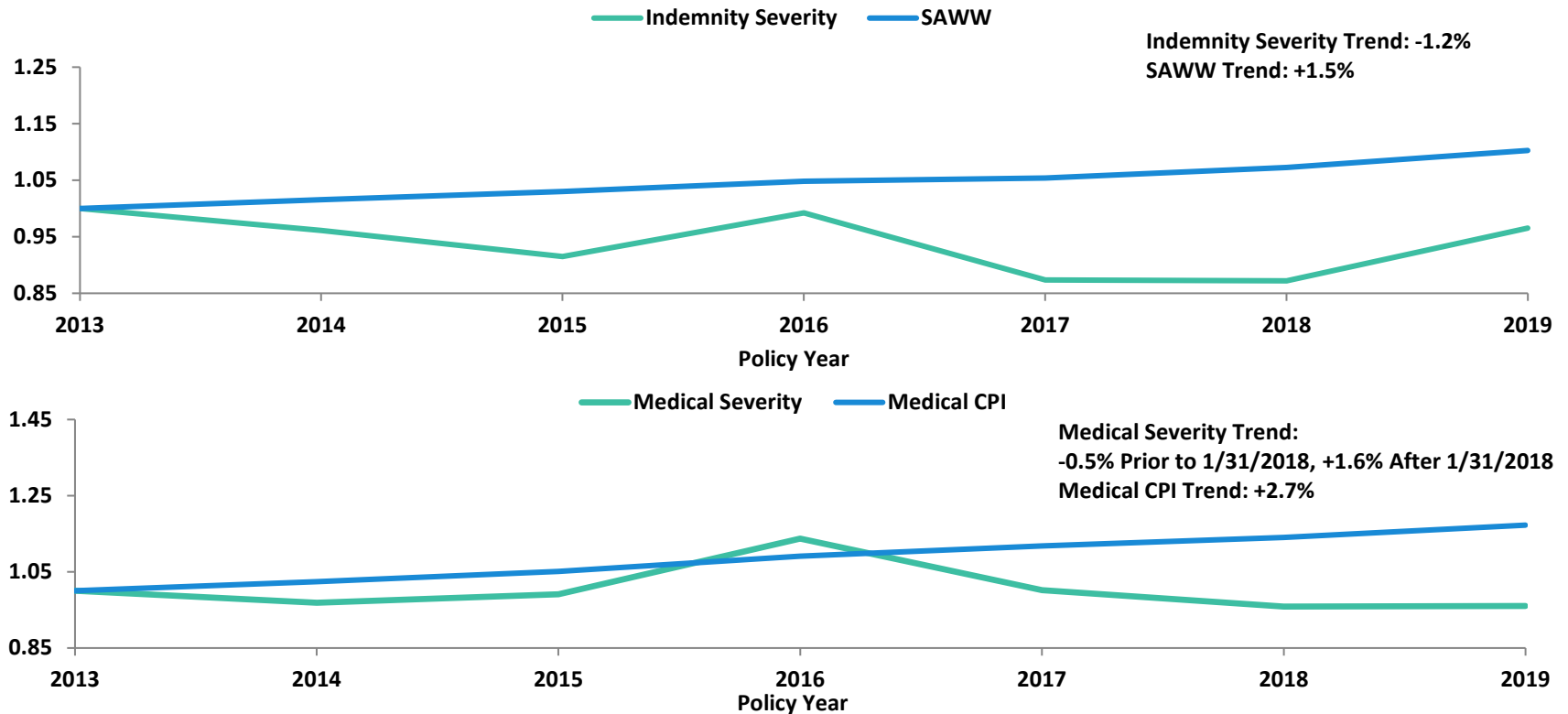


The combined impact of Frequency, Indemnity Severity, and Medical Severity Trends is a Loss Ratio Trend of -5.7%.

Indexed to 1.00 at Policy Year 2013

Source:  
DCRB 2021 Rate Revision

# 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.

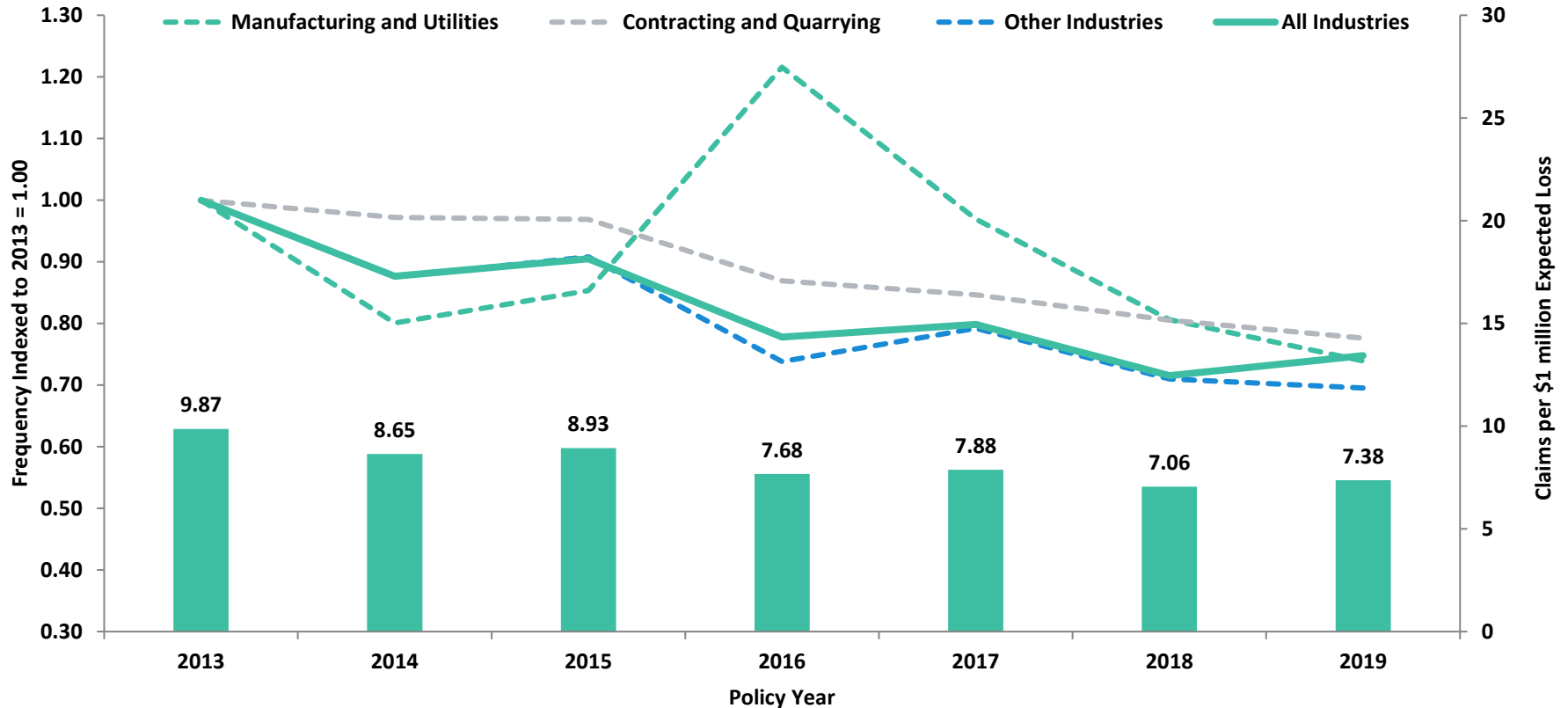
Indexed to 1.00 at Policy Year 2013

## Sources:

DCRB 2021 Rate Revision  
DE Department of Labor  
US Bureau of Labor Statistics



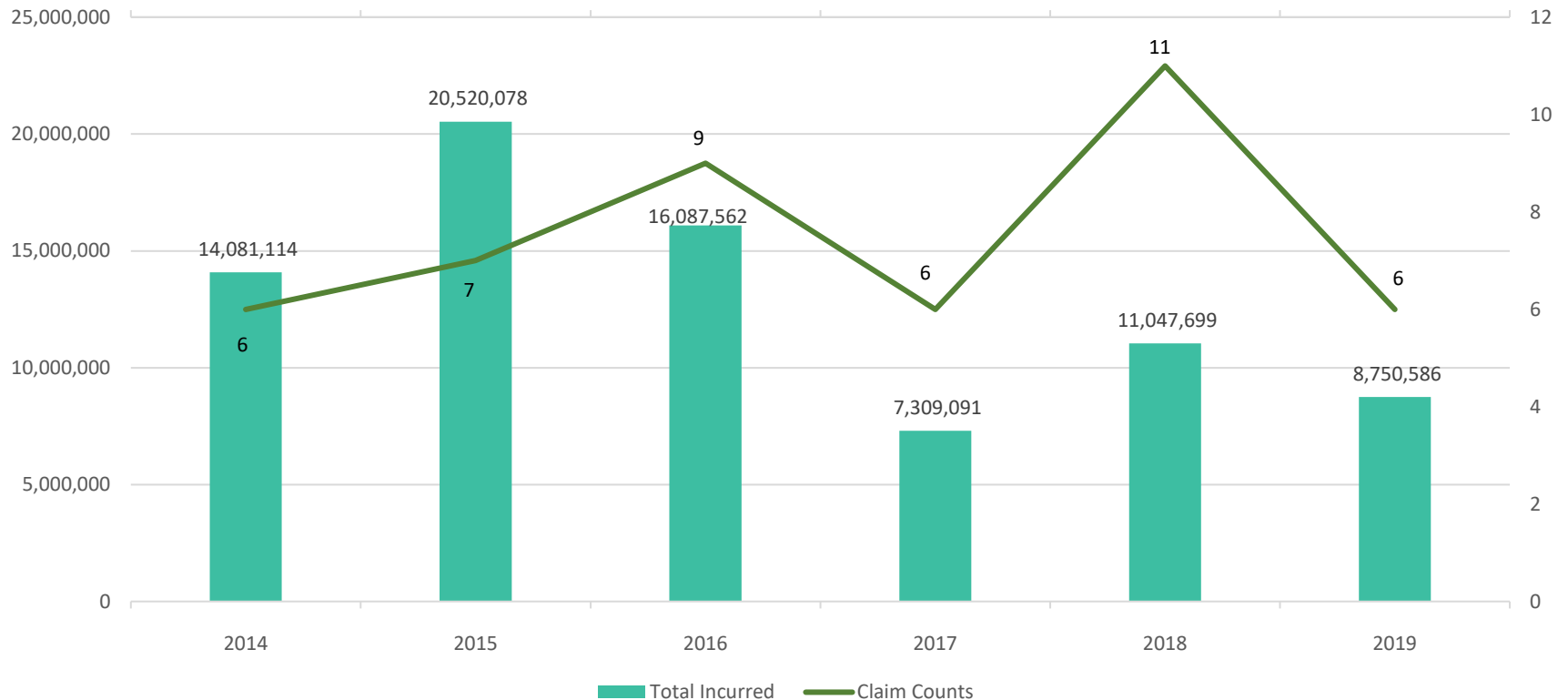
# Claim Frequency Trend in Total and by Industry Group



Notes: Excludes large deductible business  
 Claim frequency is measured by the number of ultimate claims per \$1 million of expected losses.  
 Decreasing frequency contributes to reductions in statewide loss cost levels.  
 Indexed to 1.00 at Policy Year 2013

Source:  
 DCRB 2021 Rate Revision

# Delaware Large Claims in Excess of \$500,000 at 1<sup>st</sup> Report



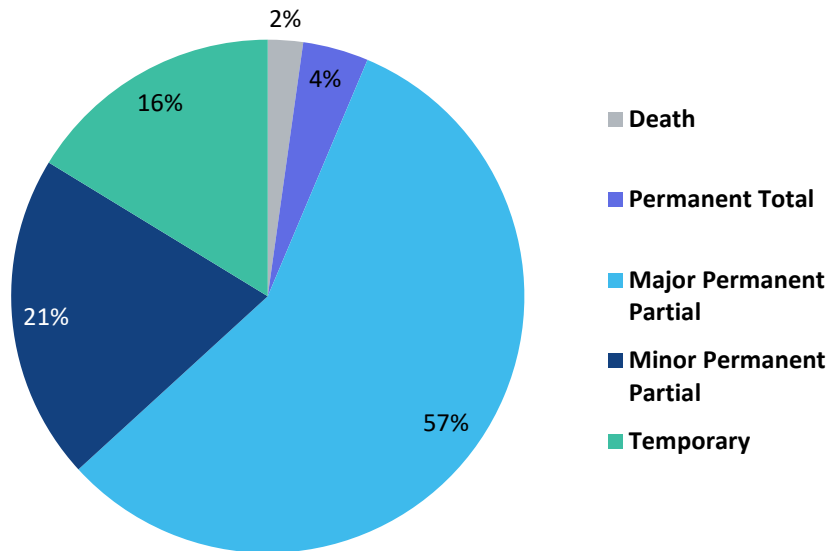
High-dollar workers compensation claims are infrequent, but the cost of these claims has a significant impact on workers compensation costs. The chart shows the number of large claims with losses in excess of \$500,000 in total incurred losses for Policy Years 2014 through 2019.

Source:  
DCRB Financial Data Call #4

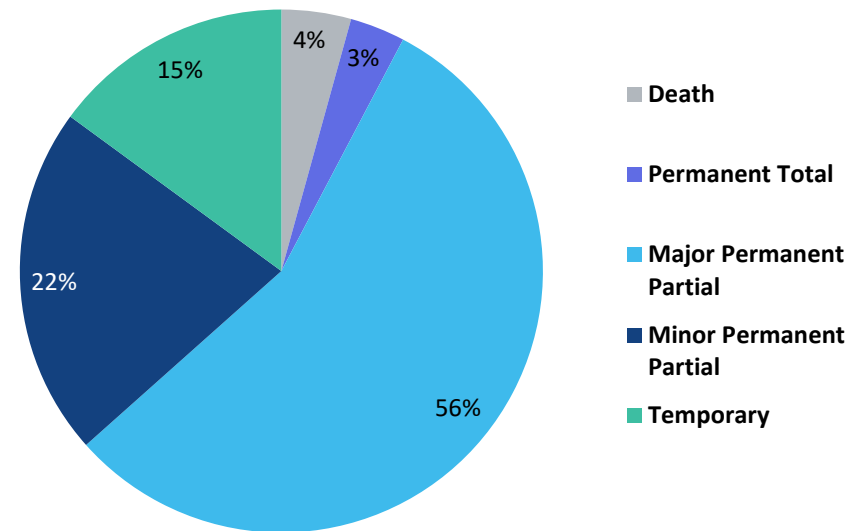
# Distributions of the Delaware Workers Compensation System

# Indemnity Benefits by Type of Injury

5 Policy Year Average (2010-2014)



5 Policy Year Average (2014-2018)



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

Based on losses developed to ultimate values.

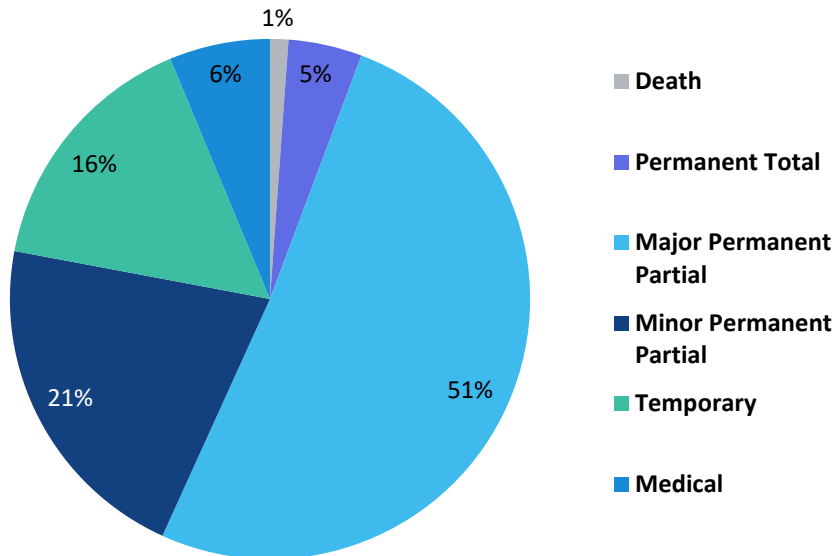
Sources:

2010-2014: Delaware 2017 Rate Revision

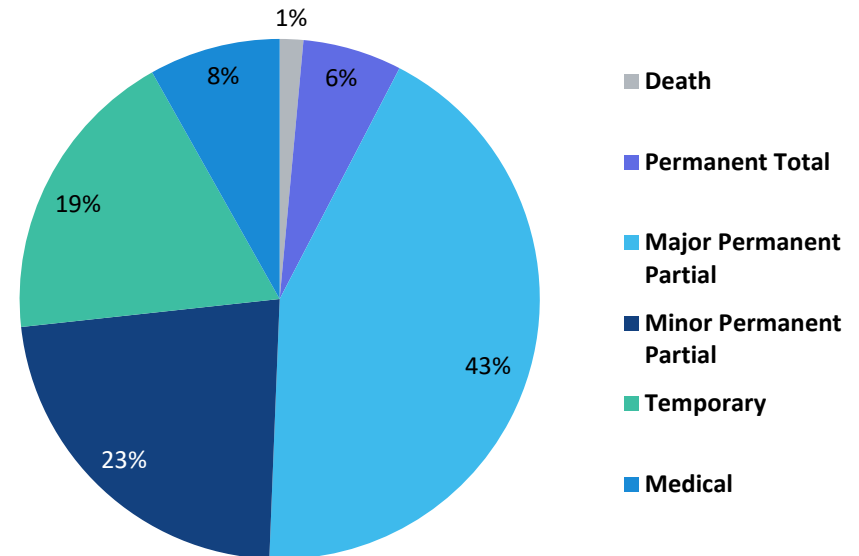
2014-2018: Delaware 2021 Rate Revision

# Medical Benefits by Type of Injury

5 Policy Year Average (2010-2014)



5 Policy Year Average (2014-2018)



Comparing these two time periods, the portion of medical benefits attributable to Major Permanent Partial injuries decreased by 8 percentage points, while the portion attributable to Temporary Total and Medical-Only injuries increased by 3 and 2 percentage points, respectively. The other types of injury exhibited smaller changes.

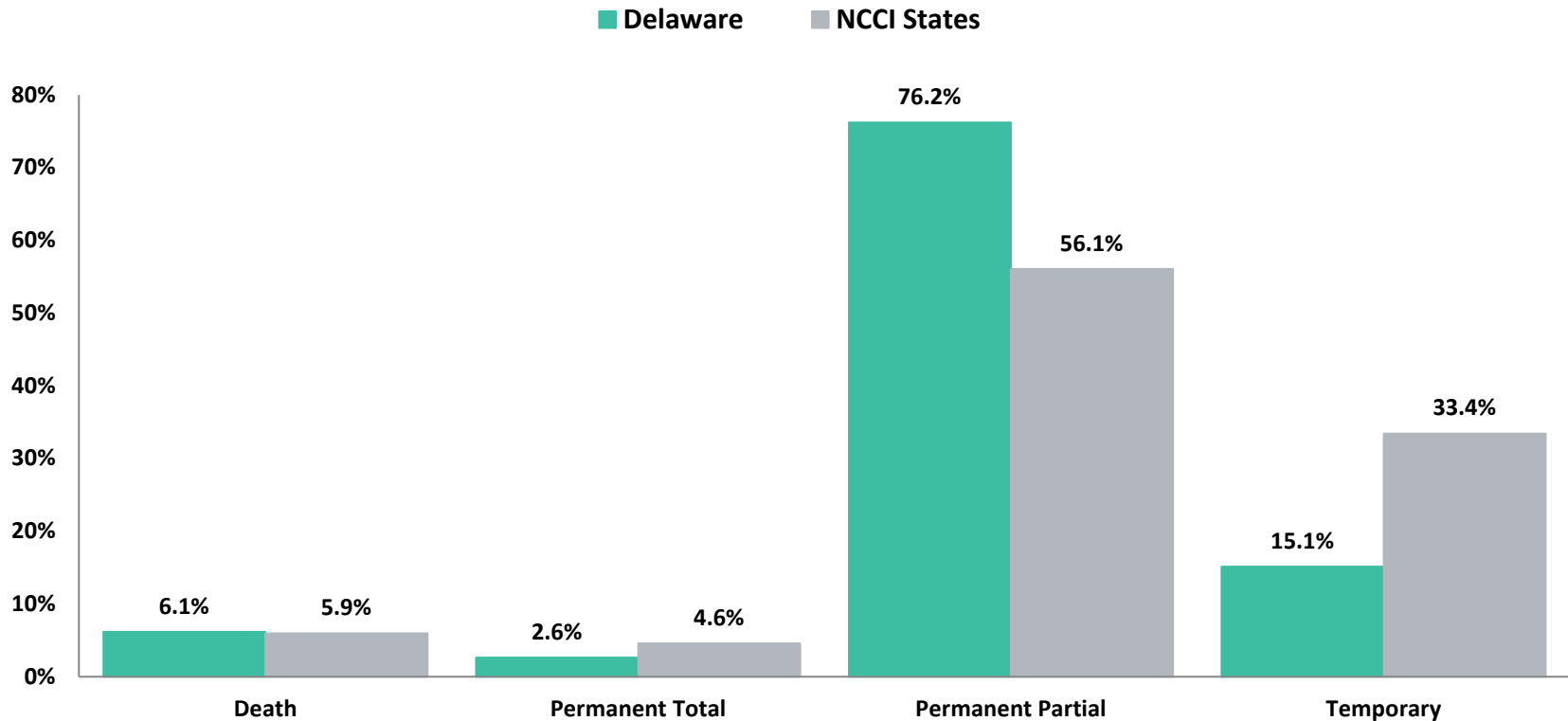
Based on losses developed to ultimate value.

Sources:

2010-2014: Delaware 2017 Rate Revision

2014-2018: Delaware 2021 Rate Revision

# Ultimate Indemnity Benefits by Type of Injury



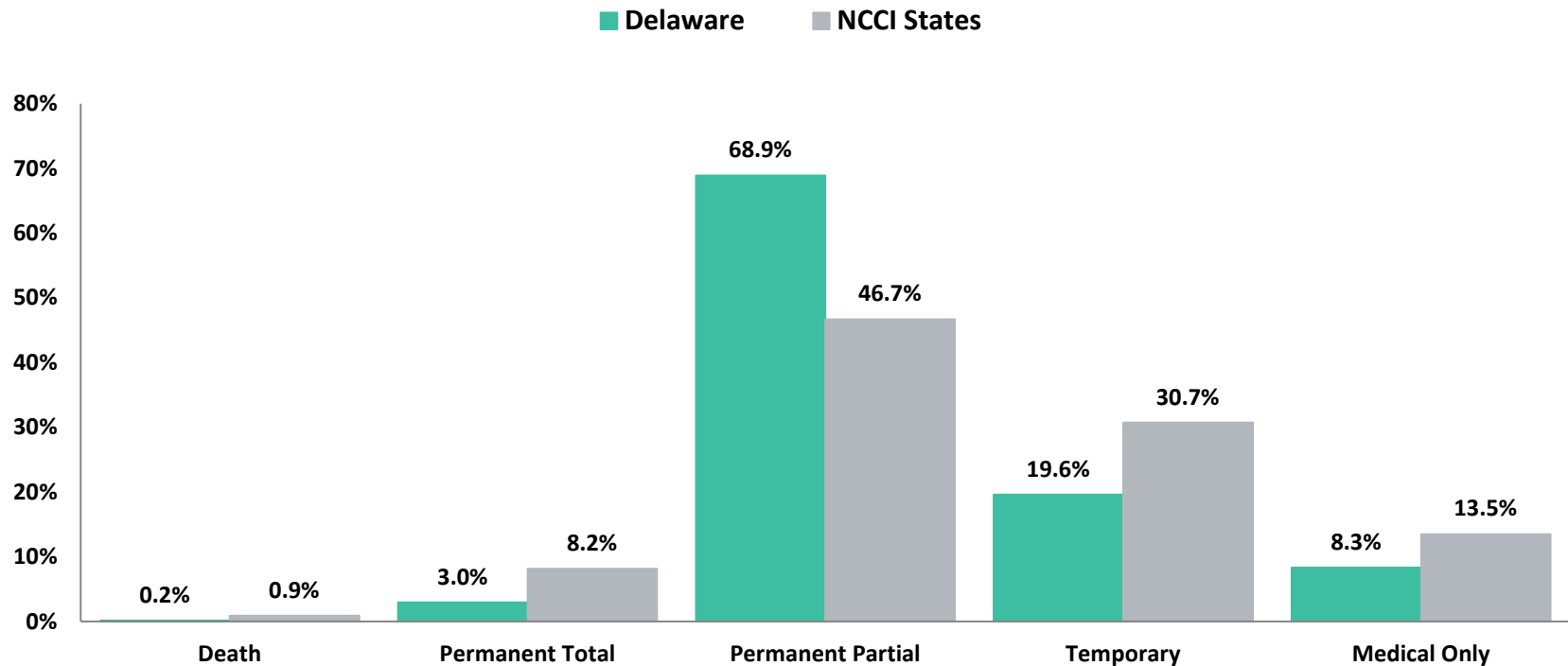
Delaware has a higher percentage of Permanent Partial benefits and a lower percentage of Temporary benefits in comparison to the NCCI states.

Sources:

DCRB 2021 Rate Revision

NCCI States: 2021 Annual Statistical Bulletin

# Ultimate Medical Benefits by Type of Injury



The largest component of medical costs is payments for Permanent Partial injuries. The NCCI states have higher percentages of medical costs compared to Delaware for the other types of injury.

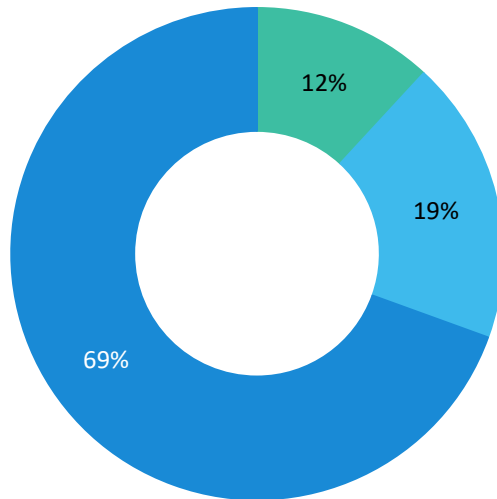
## Sources:

DCRB 2021 Rate Revision

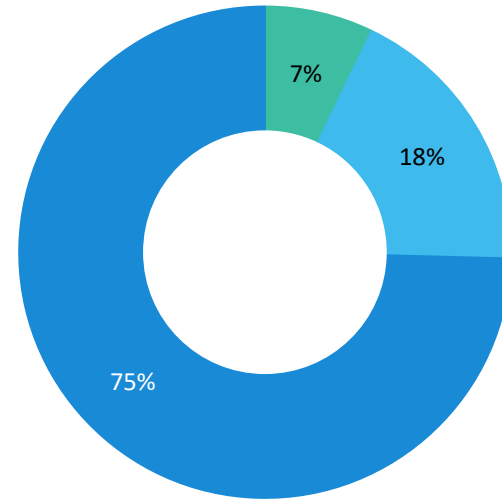
NCCI States: 2021 Annual Statistical Bulletin

# Premium and Loss by Industry Group

Standard Premium



Reported Losses



Manufacturing

Contracting

Other

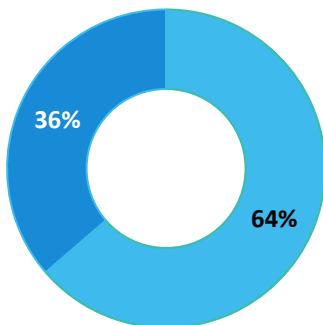
Source:  
DCRB 2021 Rate Revision, Policy Year 2018



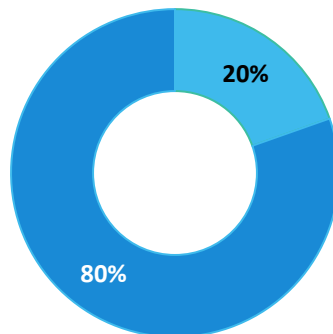
# Premium and Loss by Industry Group

## Standard Premium

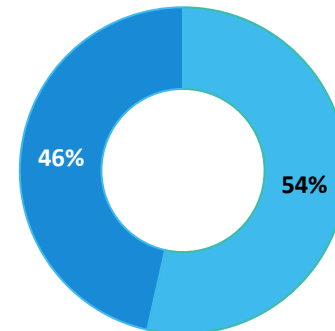
Manufacturing



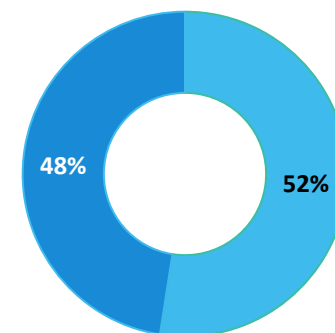
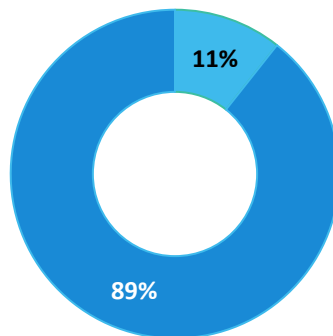
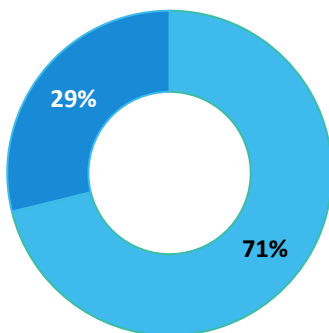
Contracting



Other



## Reported Losses



Excluding Deductible Policies



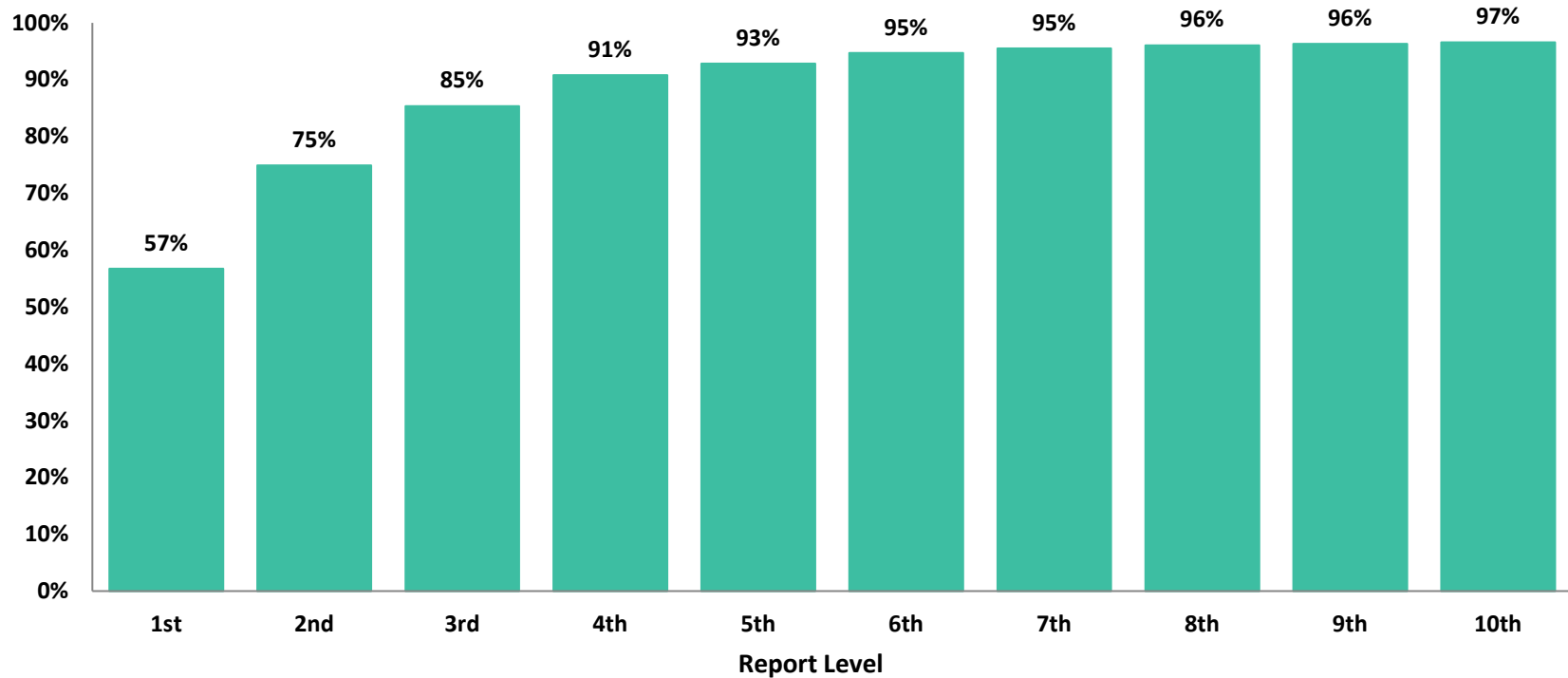
Deductible Policies

Source:

DCRB 2021 Rate Revision, Policy Year 2018

# Measures of Claim Reporting and Case Reserve Changes

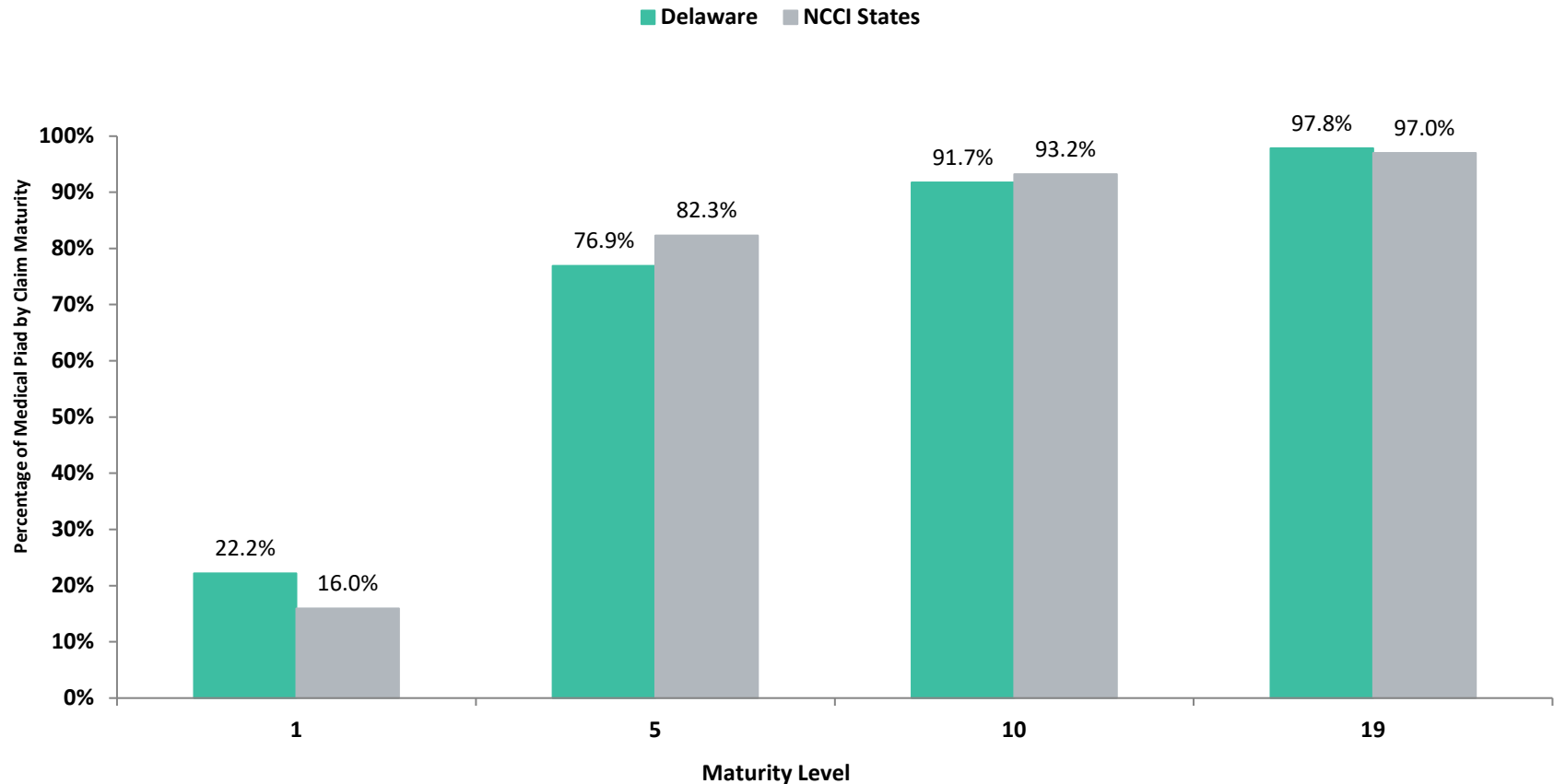
# Portion of Reported Indemnity Claims Closed



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 7% of indemnity claims remain open at 5<sup>th</sup> report.

Source:  
DCRB 2021 Rate Revision

# Portion of Ultimate Indemnity Loss Paid by Claim Maturity

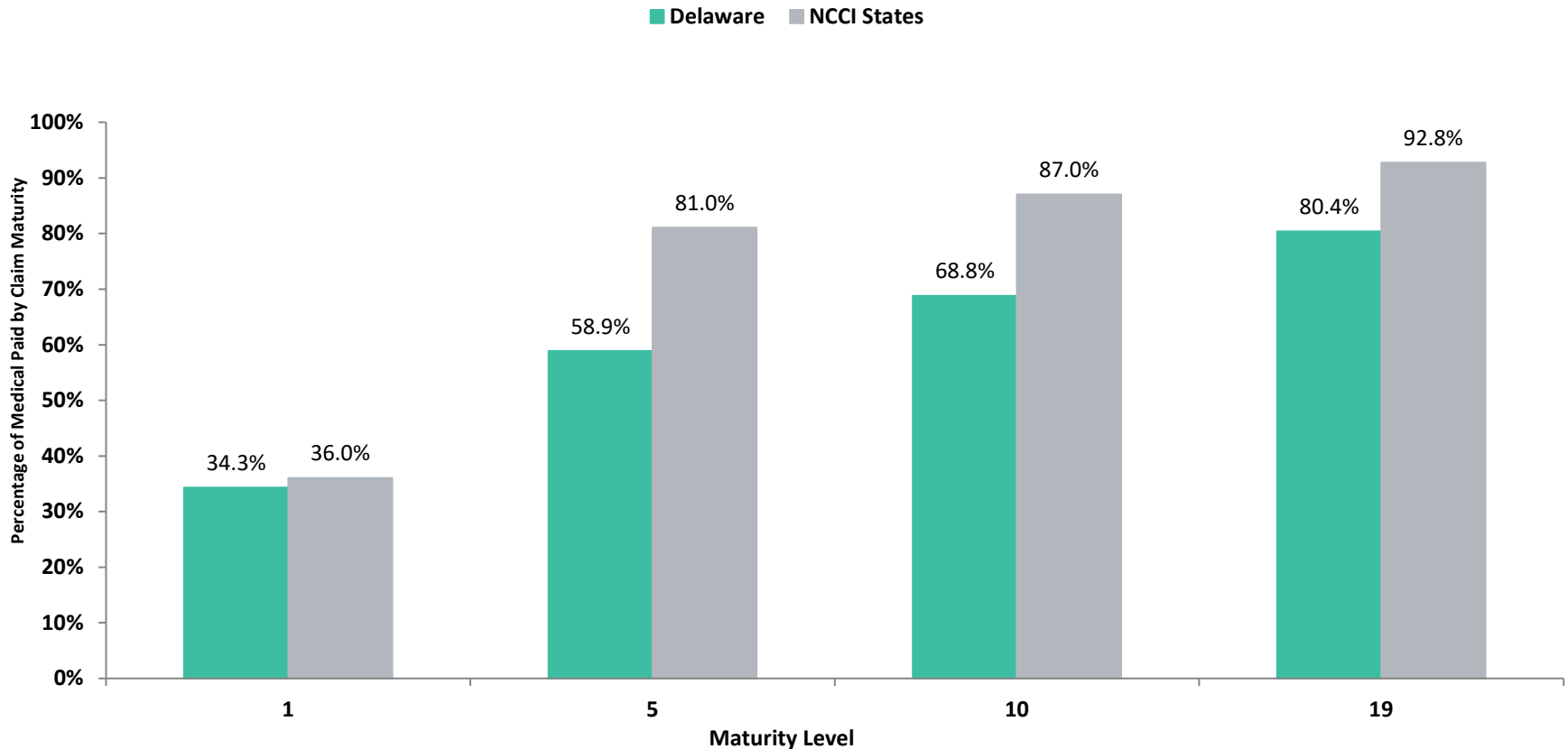


## Sources:

DCRB 2021 Rate Revision, on a Policy Year basis

NCCI States: April, 2022. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

# Portion of Ultimate Medical Loss Paid by Claim Maturity

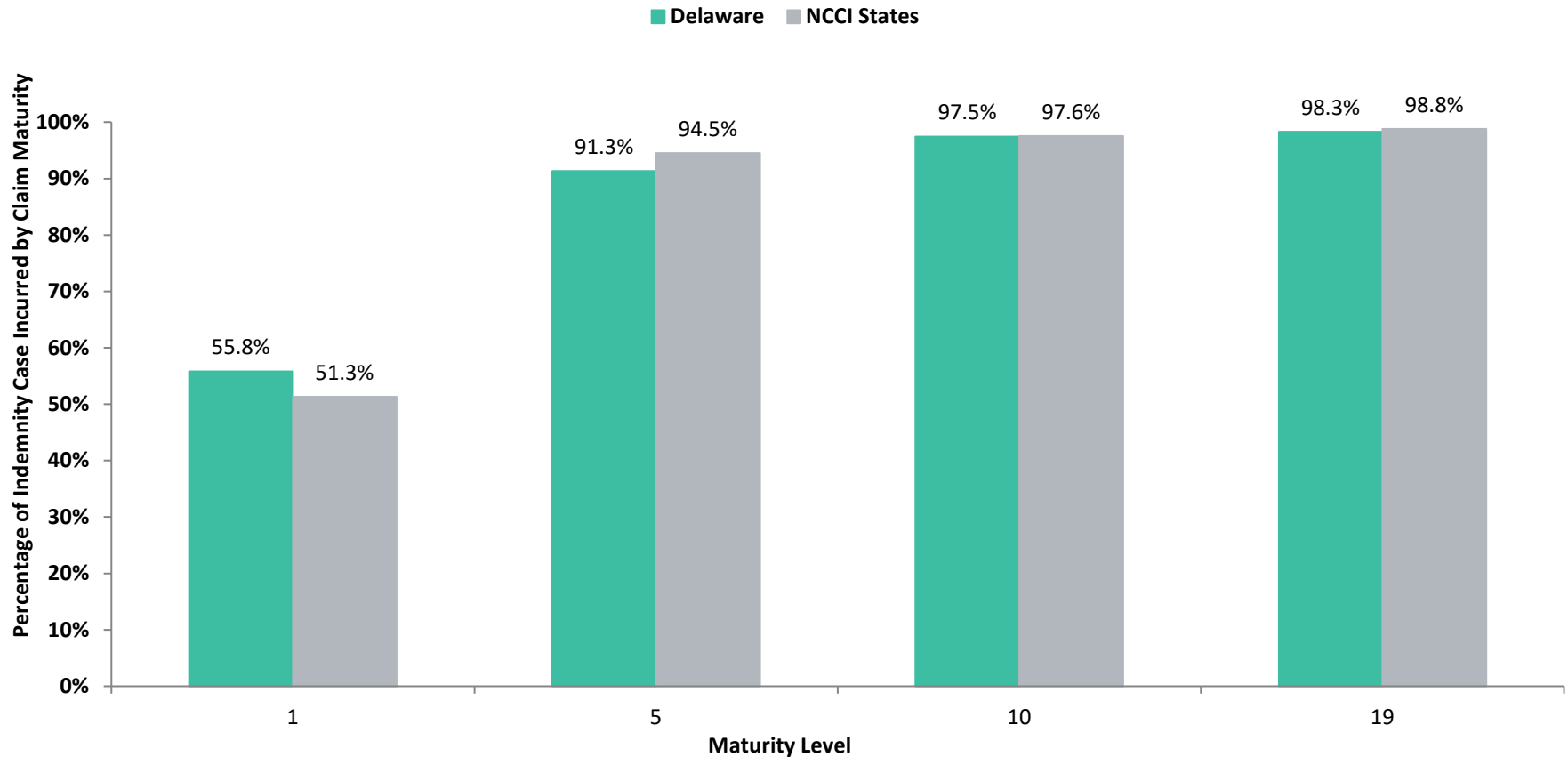


## Sources:

DCRB 2021 Rate Revision, on a Policy Year basis

NCCI States: April, 2022. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

# Portion of Ultimate Indemnity Case Incurred by Claim Maturity

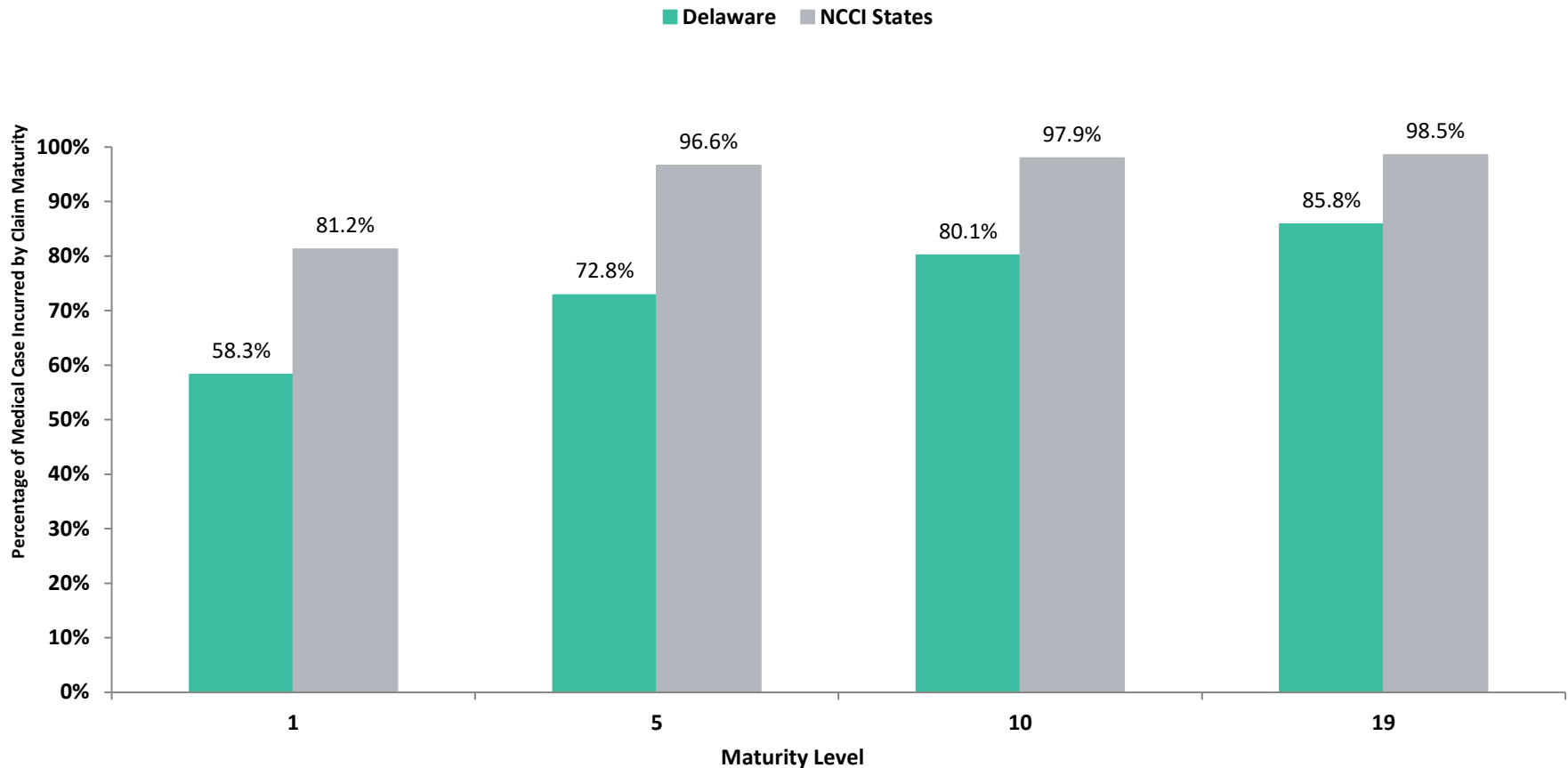


## Sources:

DCRB 2021 Rate Revision, on a Policy Year basis

NCCI States: April, 2022. Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

# Portion of Ultimate Medical Case Incurred by Claim Maturity

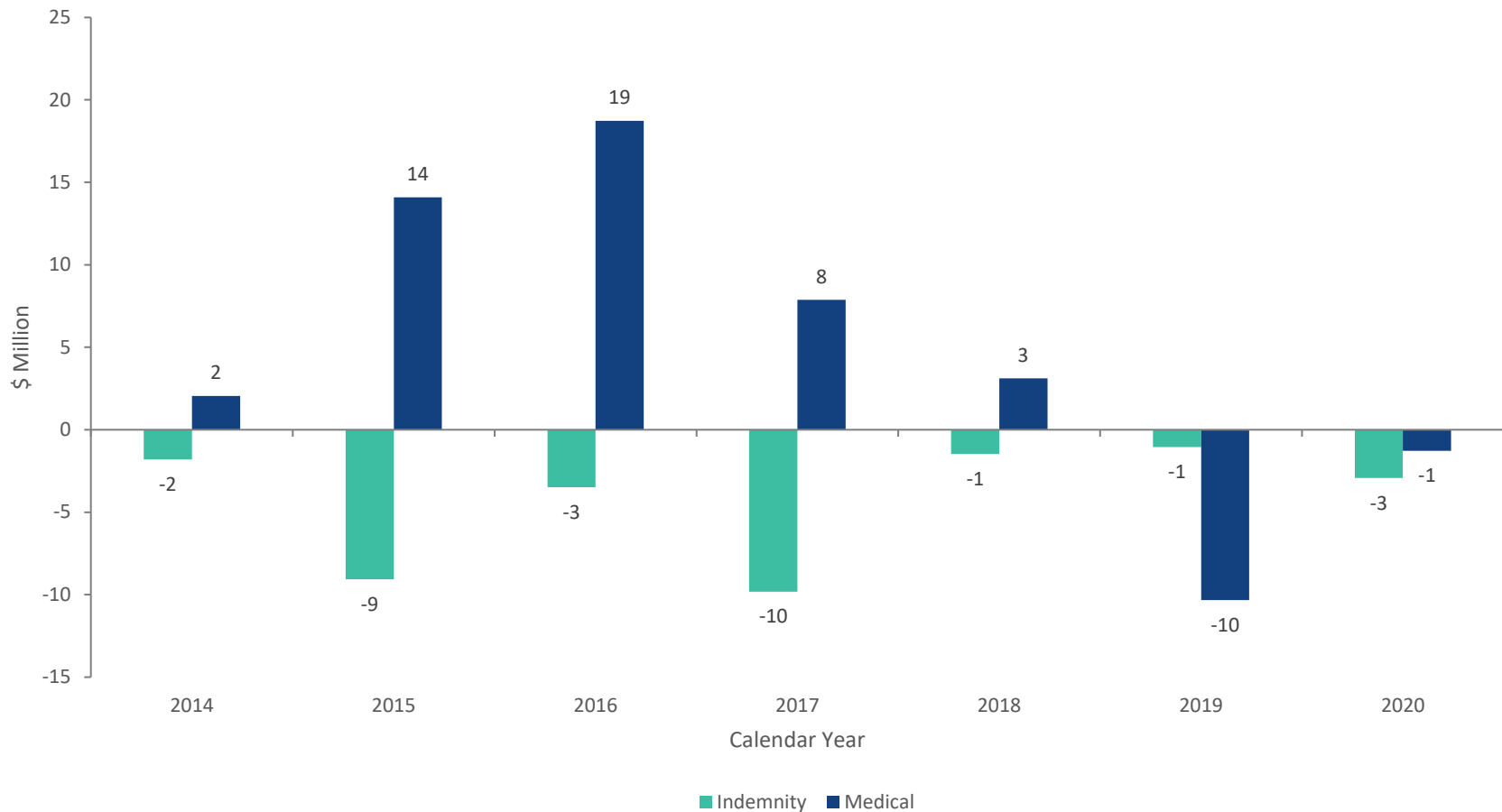


## Sources:

DCRB 2021 Rate Revision, on a Policy Year basis

NCCI States: April, 2022. 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 expenses 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