



Antitrust Notice

- **The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.**
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- **It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy.**



WC-H-2:

Workers Compensation— State of the Market

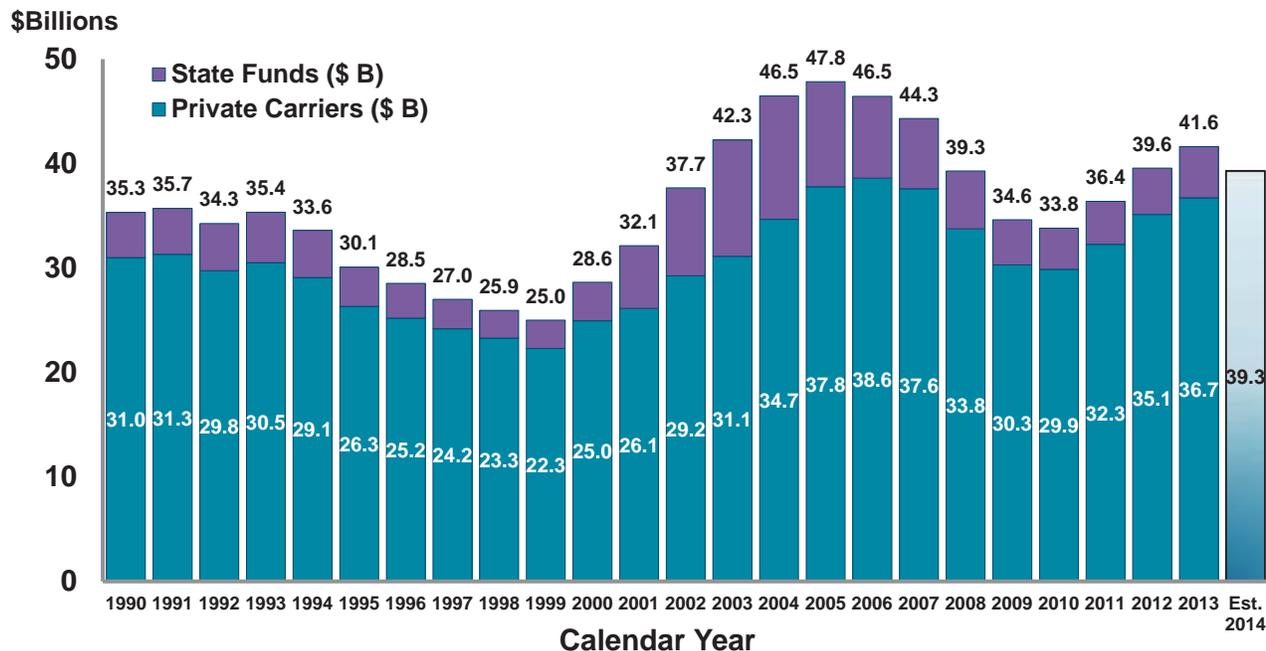
Jay Rosen, FCAS, MAAA
Director & Senior Actuary, NCCI

CAS RPM Seminar - Dallas, TX
March 10, 2015

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Countrywide Workers Compensation Premium— Continued Growth Expected for 2014

Net Written Premium

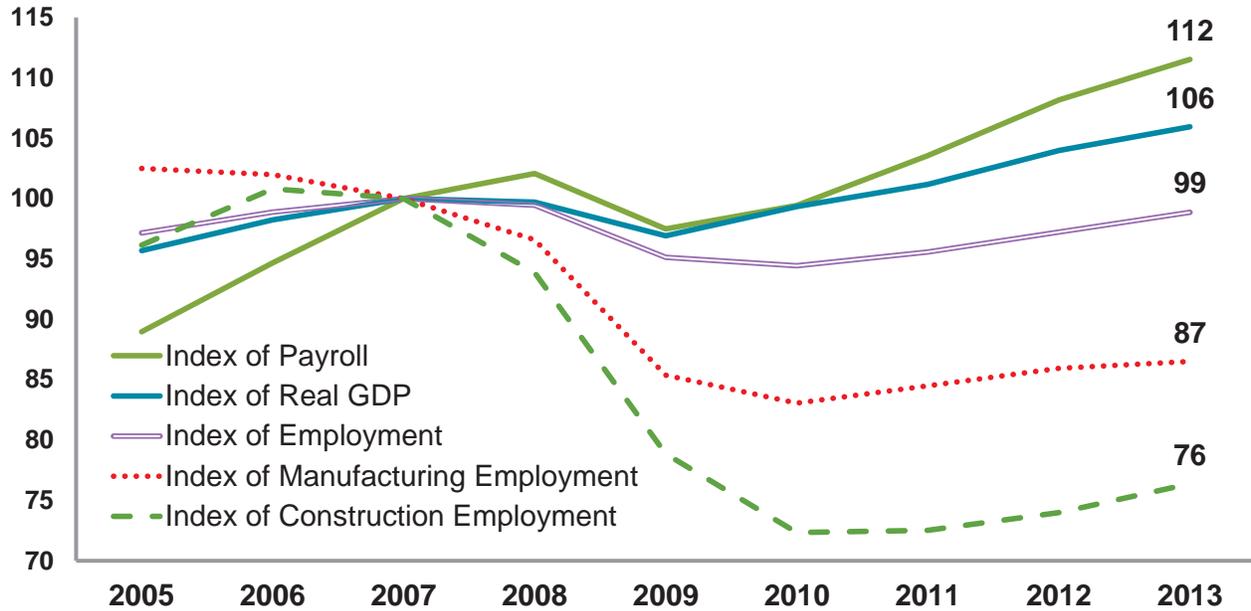


Includes state insurance fund data for the following states: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, and UT
Each calendar year total for state funds includes all funds operating as a state fund in that year
Sources: 1990–2013, Annual Statement data; 2014 Est., NCCI estimate based on statutory data reported as of 2nd Quarter 2014



Employment Nears Prerecession Levels

Index: 2007 = 100

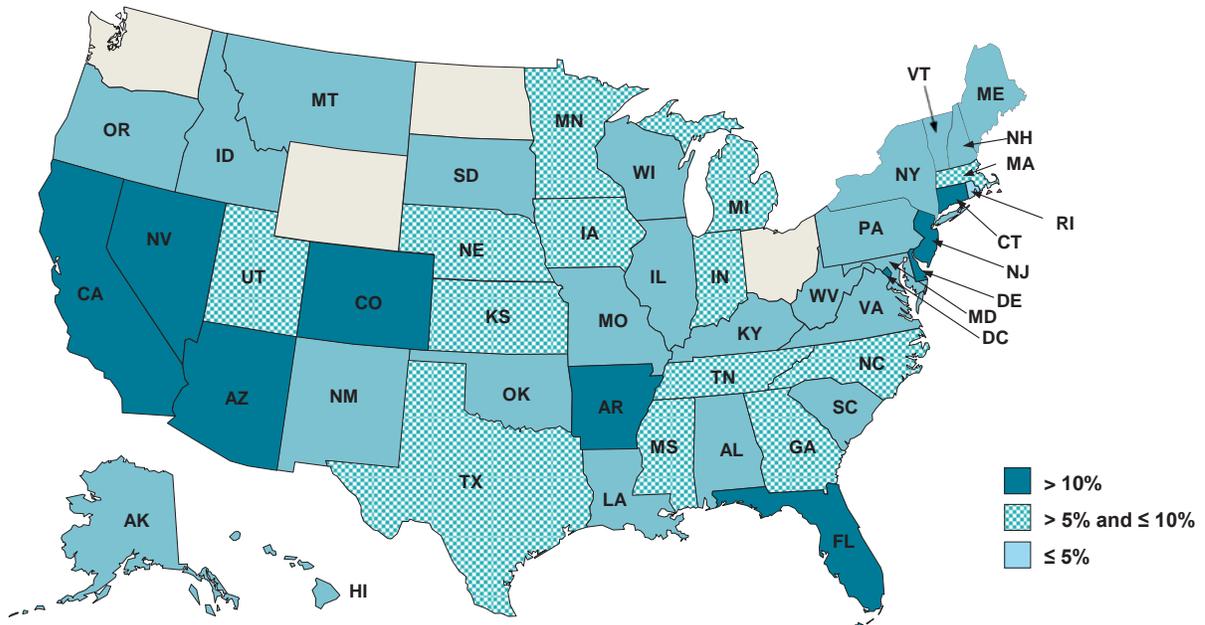


Source: Bureau of Labor Statistics (BLS); Bureau of Economic Analysis (BEA)



2013 Workers Compensation Direct Written Premium Growth by State

Private Carriers

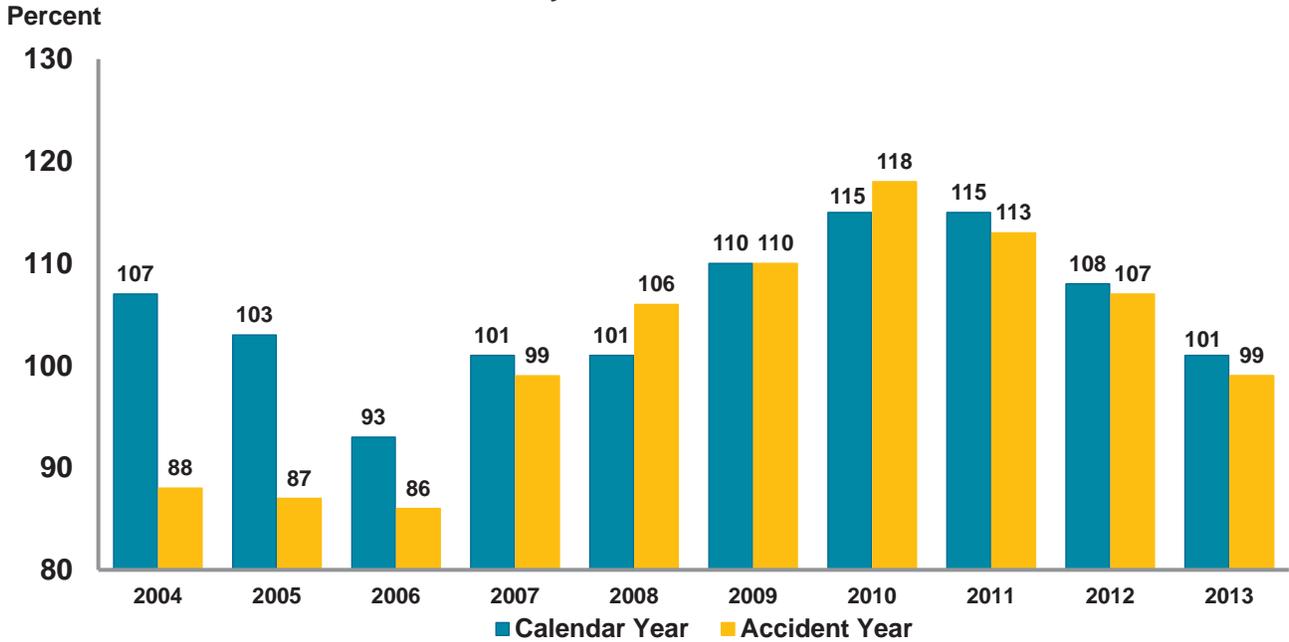


Source: 2013, 2012, Annual Statement Data (Exhibit of Premiums and Losses (Statutory Page 14))



Accident Year Net Combined Ratio

Workers Compensation Calendar Year vs. Ultimate Accident Year
Countrywide—Private Carriers

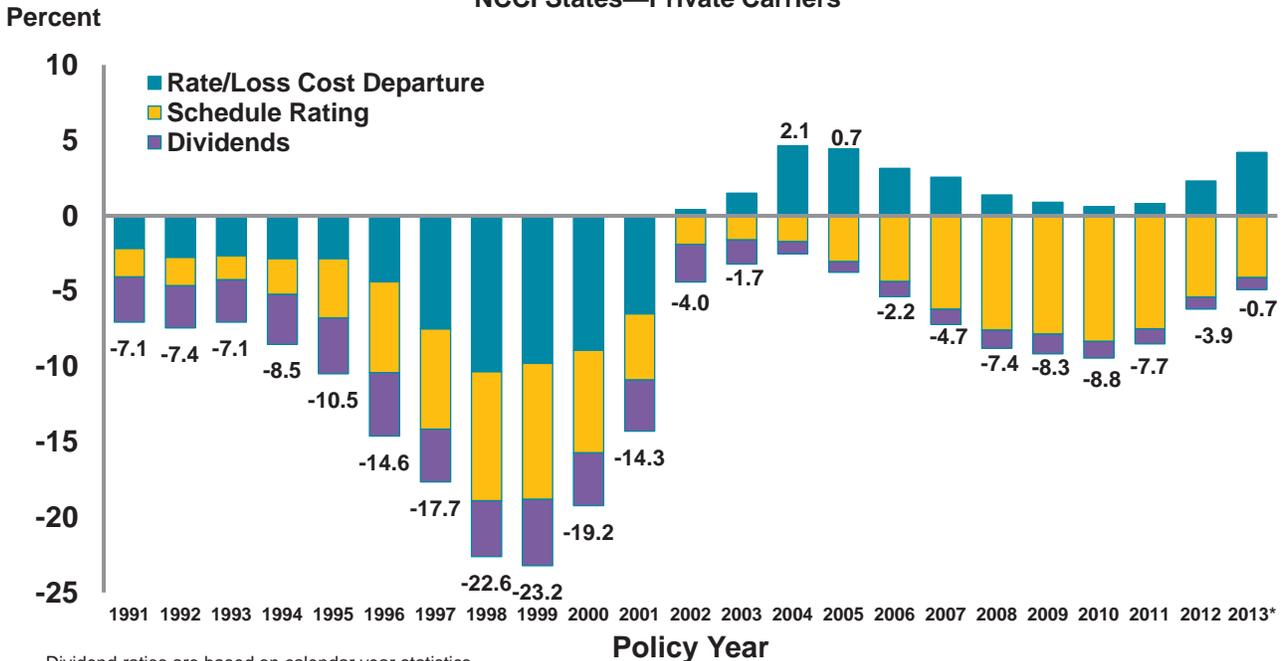


Accident Year data is evaluated as of 12/31/2013 and developed to ultimate
Source: Calendar Years 2004–2013, Annual Statement Data;
Projected Ultimate Accident Years 2003–2012, NCCI analysis based on Annual Statement Data



Countrywide Impact of Discounting on Workers Compensation Premium

NCCI States—Private Carriers



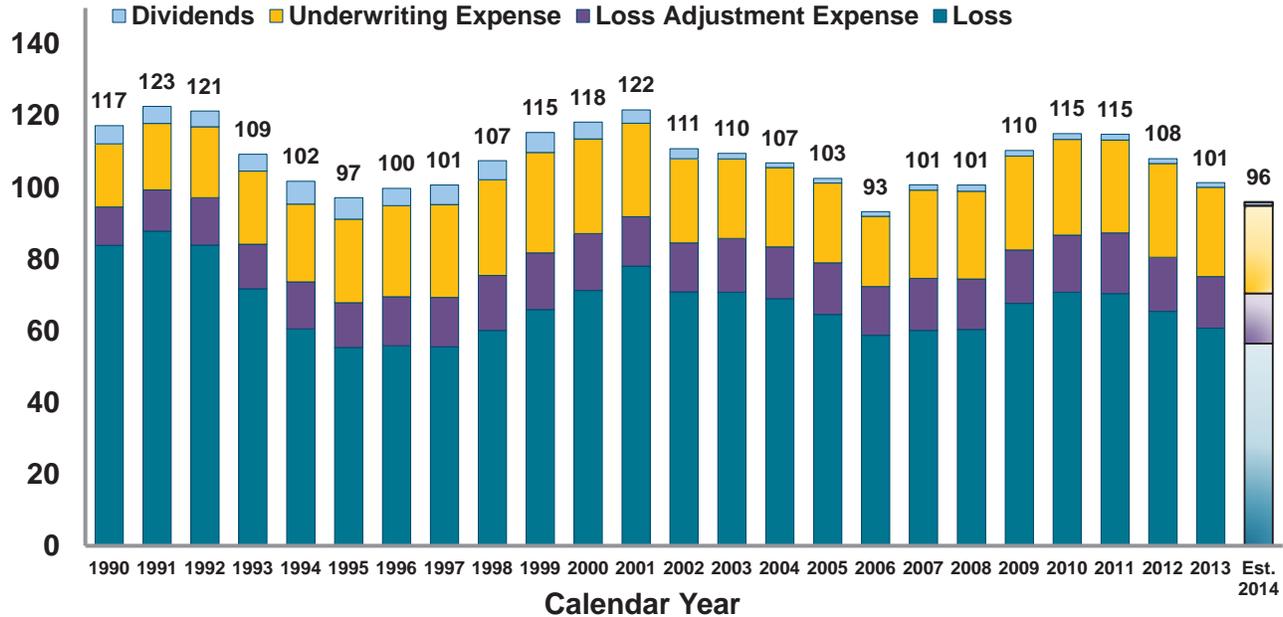
Dividend ratios are based on calendar year statistics
NCCI benchmark level does not include an underwriting contingency provision
Based on data through 12/31/2013 for the states where NCCI provides ratemaking services (excludes TX)
* 2013 is an incomplete policy year



Workers Compensation Combined Ratio— Further Improvement Expected for 2014

Countrywide—Private Carriers

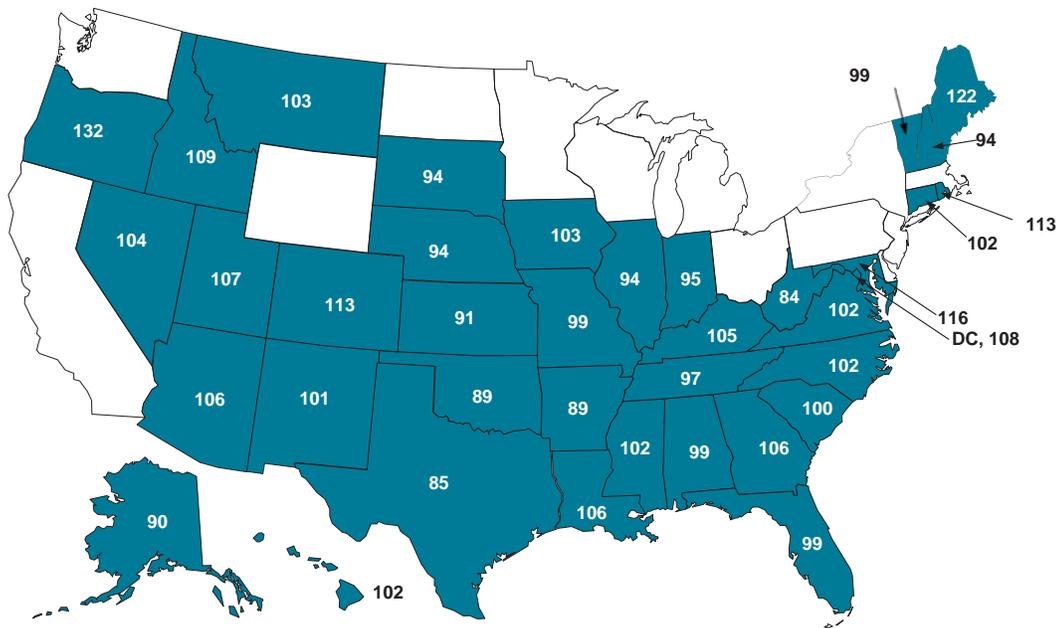
Percent



Source: 1990–2013, Annual Statement Data
2014 Est., NCCI estimate based on statutory data reported as of 2nd Quarter 2014



Accident Year 2013 Combined Ratios

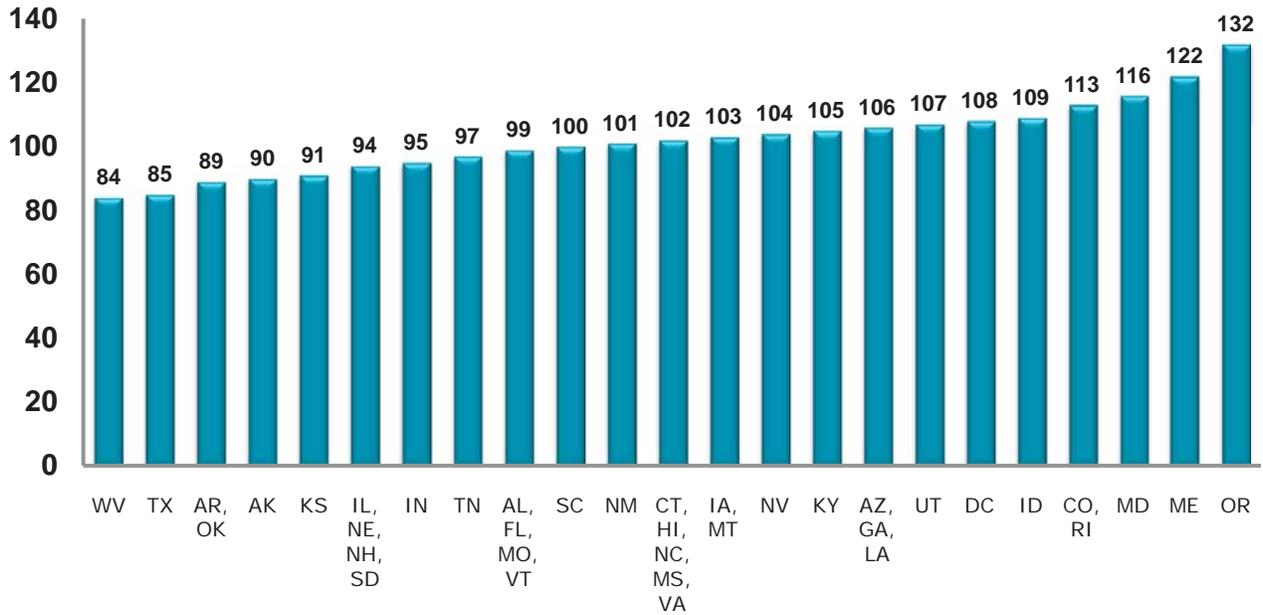


Data is evaluated as of 12/31/2013



Results Vary From State to State

Accident Year 2013 Combined Ratios

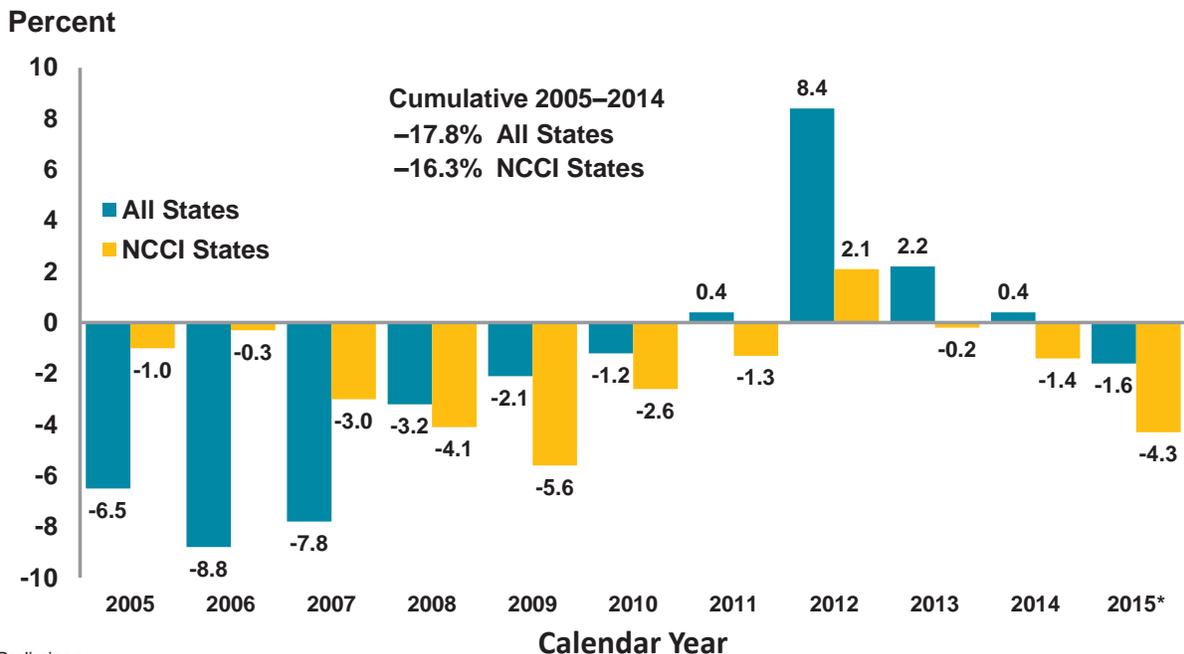


Data is evaluated as of 12/31/2013



Countrywide Average Approved Changes in Bureau Rates/Loss Costs

All States vs. NCCI States



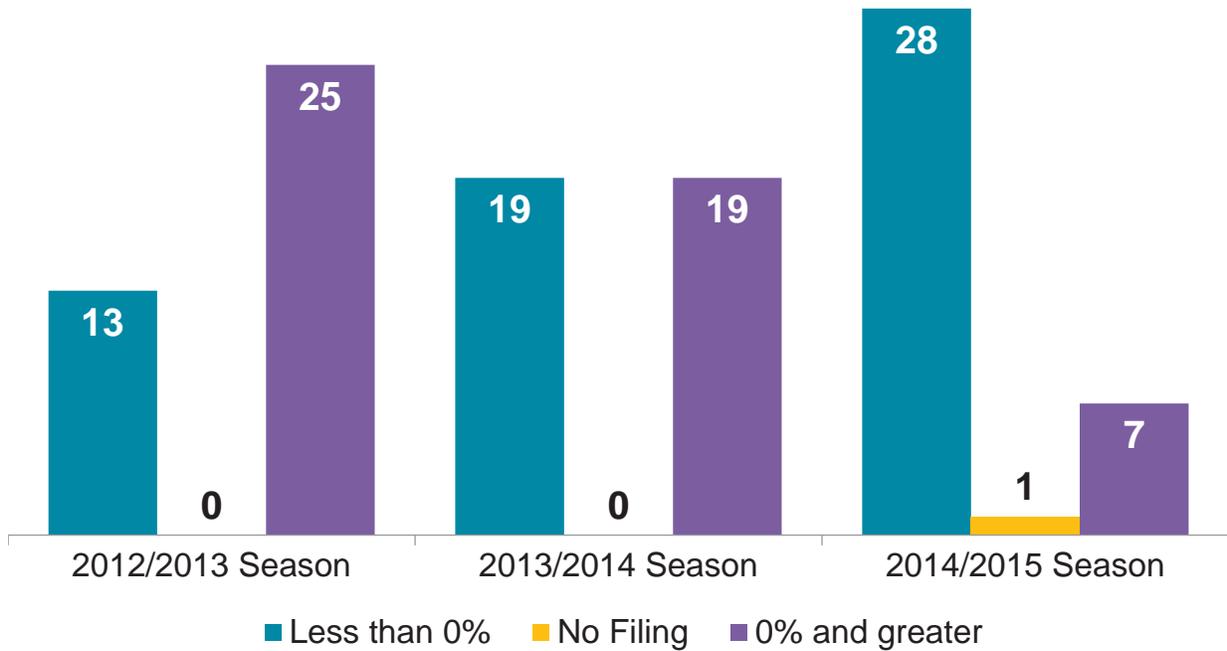
*Preliminary

Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization relative to the previously filed rates



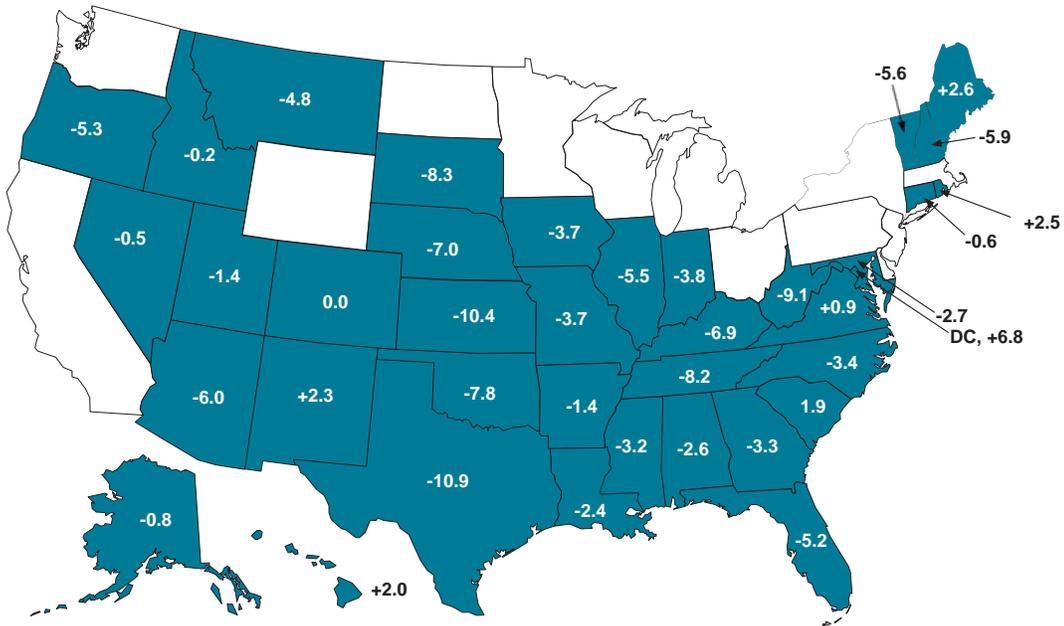
NCCI Voluntary Market Filing Activity

Number of State Loss Cost/Rate Filings by Filing Season

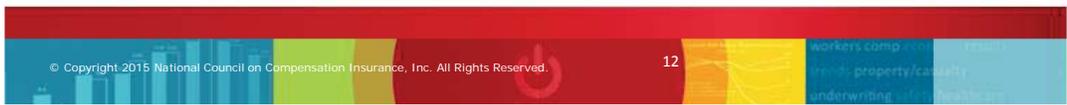


Current NCCI Voluntary Market Filed Rate/Loss Cost Changes

Excludes Law-Only Filings

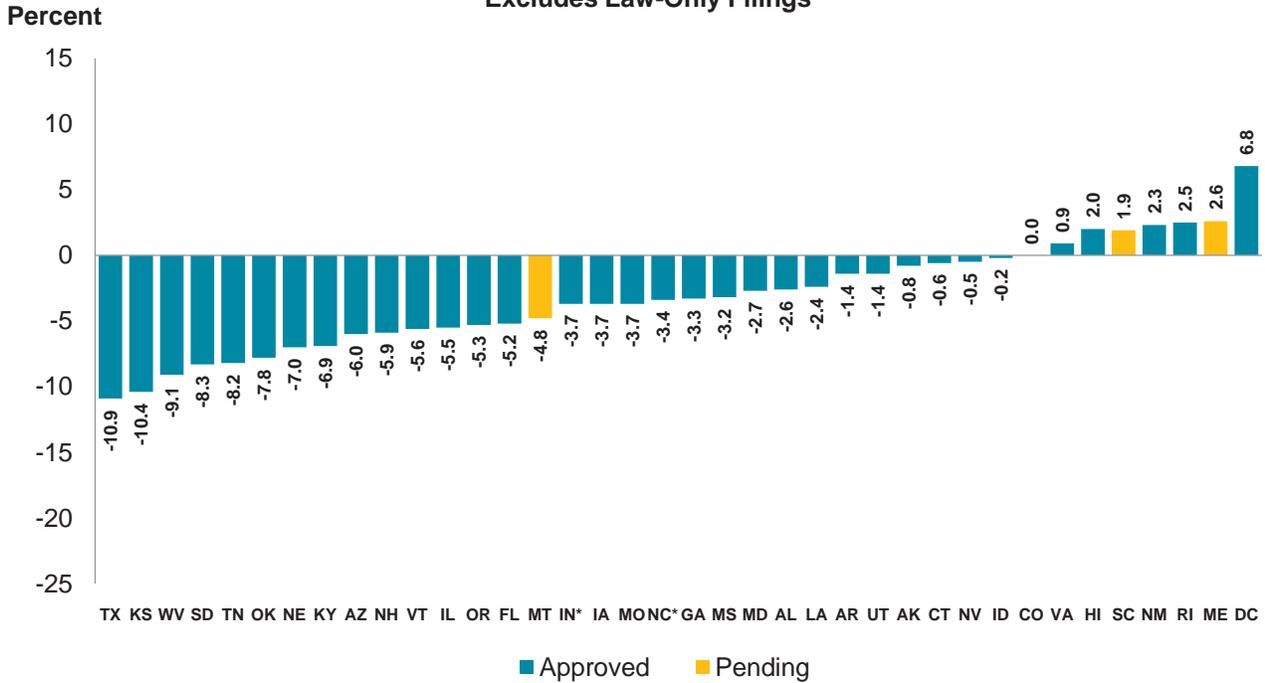


Reflects the most recent experience filing in each jurisdiction
IN and NC filed in cooperation with state rating bureau



Current NCCI Voluntary Market Filed Rate/Loss Cost Changes

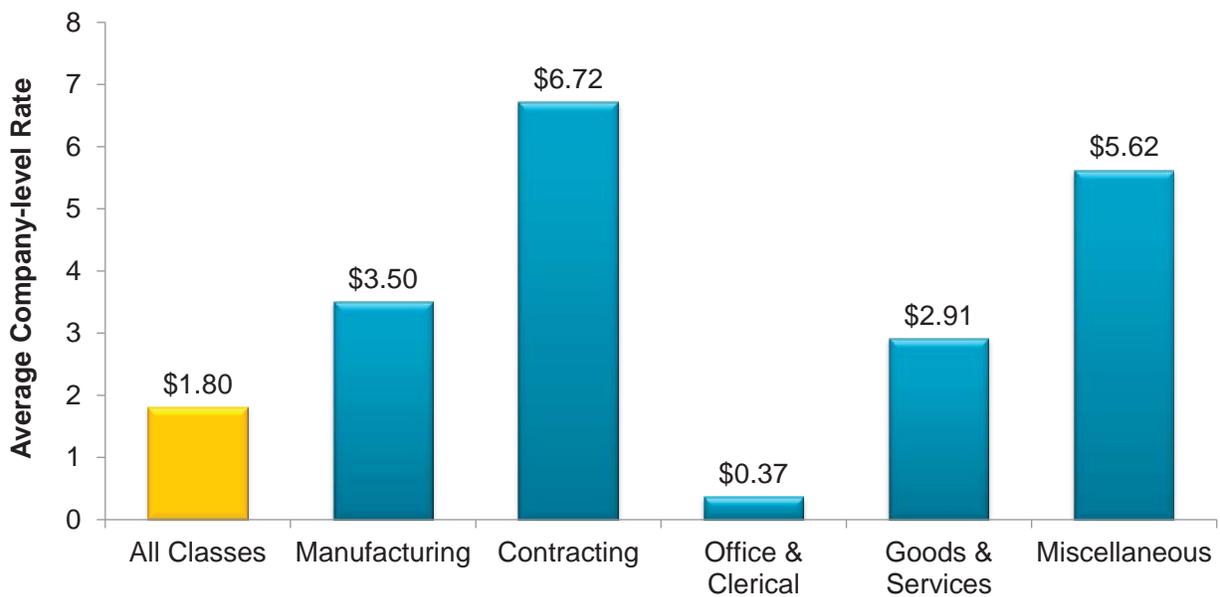
Excludes Law-Only Filings



Reflects the most recent experience filing in each jurisdiction
 *IN and NC filed in cooperation with state rating bureau



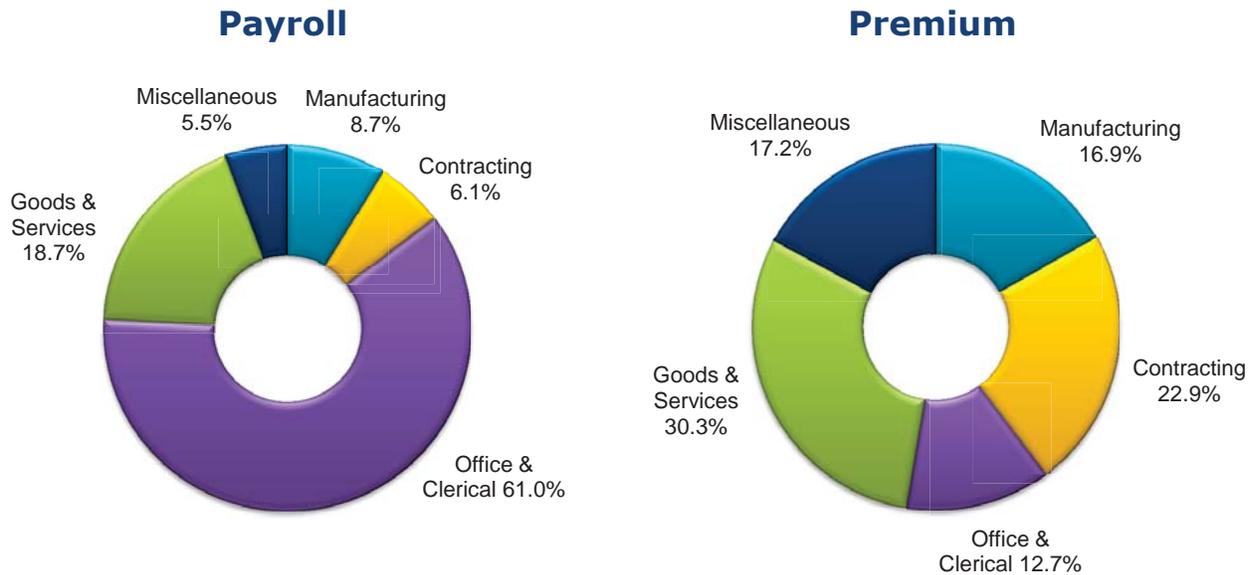
Countrywide Average Rates by Industry Group



Calculated from WCSP payroll and company-level premium data in NCCI states



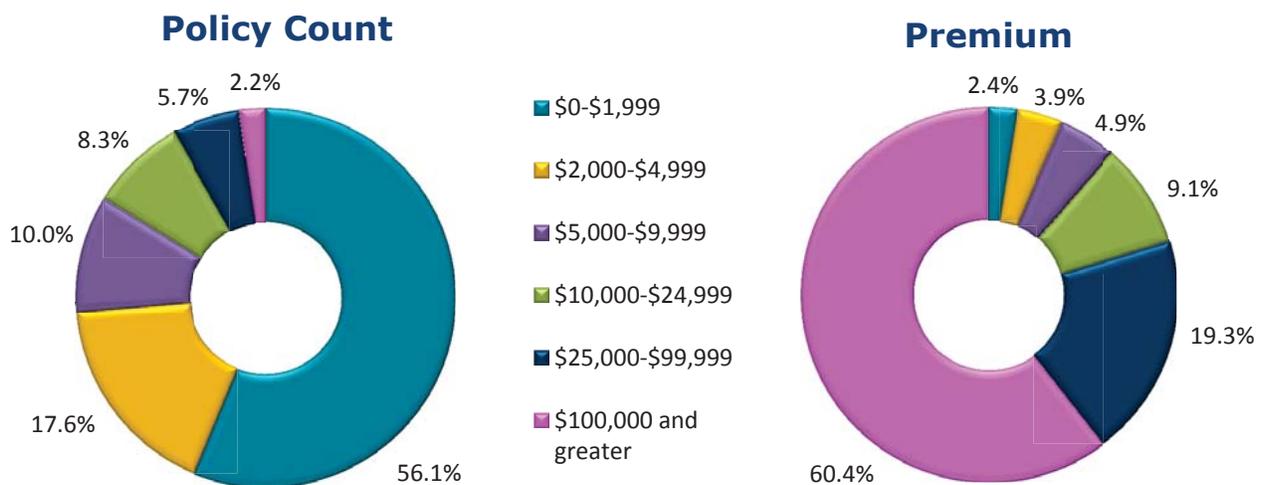
Countrywide Distribution of Payroll and Premium by Industry Group



Calculated from WCSP payroll and company-level premium data in NCCI states



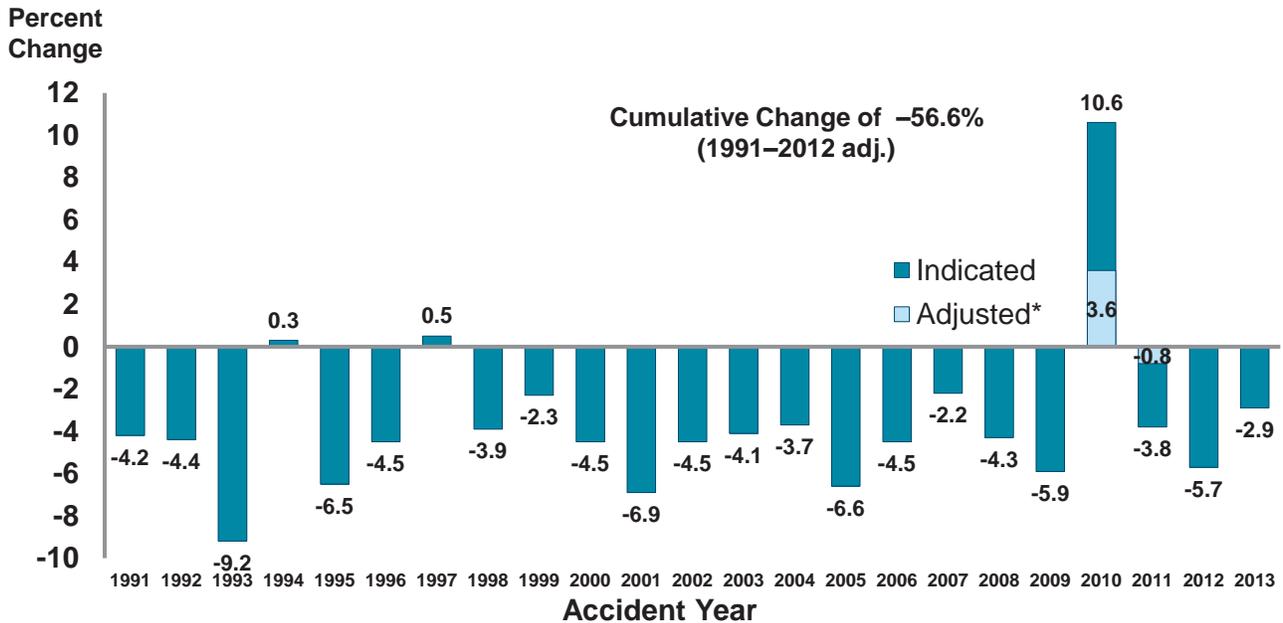
Countrywide Policy Size Comparison by Policy Count and Premium



Calculated from WCSP payroll and company-level premium data in NCCI states



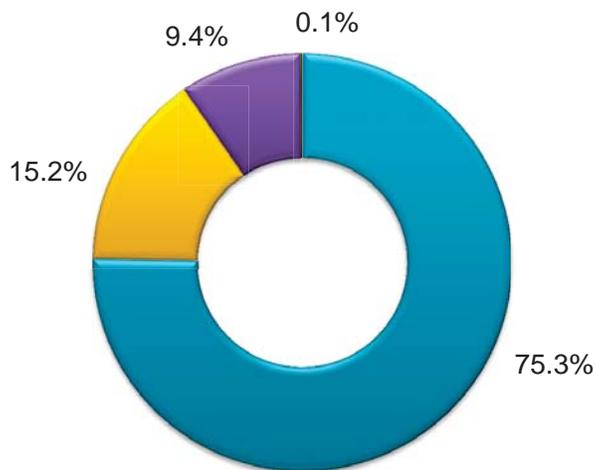
Workers Compensation Lost-Time Claim Frequency Resumes Historical Downtrend



*Adjustments primarily due to significant changes in audit activity
Based on data through 12/31/2013, developed to ultimate; excludes high deductible policies. Average frequency for the states where NCCI provides ratemaking services, excluding WV; including state funds. Frequency is the number of lost-time claims per \$1M pure premium at current wage and voluntary loss cost level



Countrywide Distribution of Claims by Injury Type



■ Medical Only ■ Temporary Total ■ Permanent Partial ■ Permanent Total/Fatal

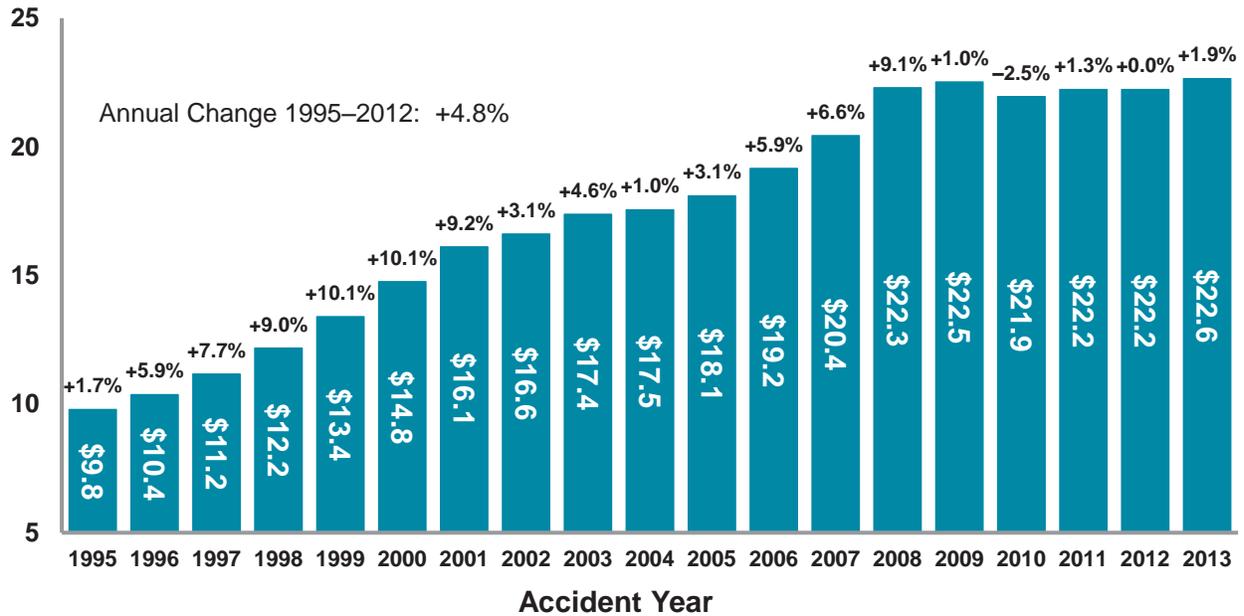
Based on NCCI's *Statistical Plan* data



Workers Compensation Indemnity Claim Severity Increased Slightly

Average Indemnity Cost per Lost-Time Claim

Indemnity Claim
Severity (000s)



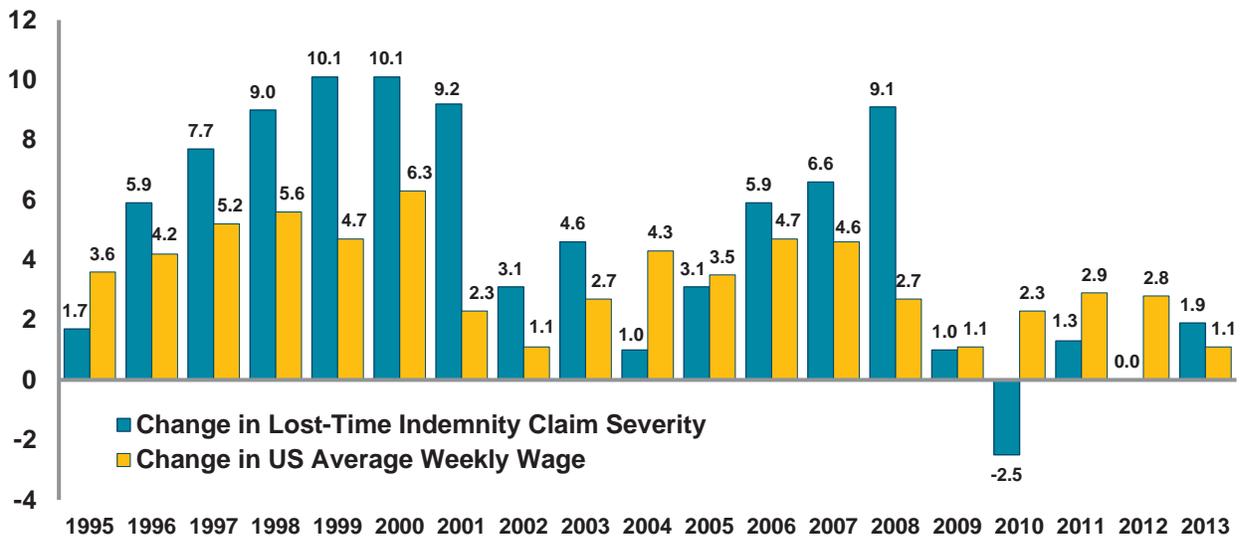
Based on data through 12/31/2013, developed to ultimate; excludes high deductible policies
Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV



Workers Compensation Change in Indemnity Claim Severity

Comparison to Change in Average Weekly Wage

Percent
Change

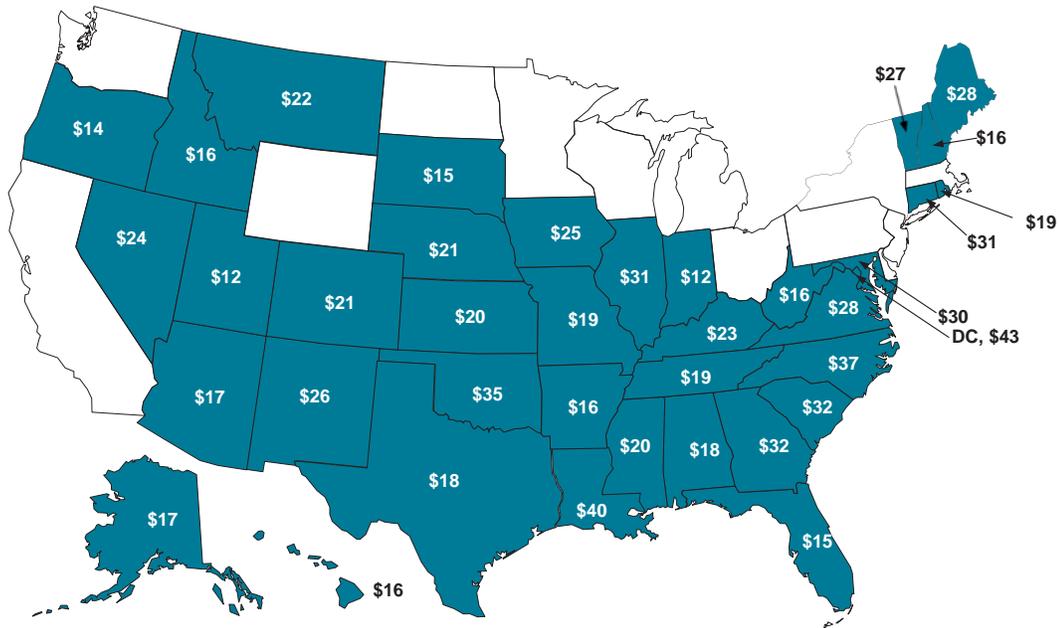


Change in lost-time indemnity claim severity: Based on data valued as of 12/31/2013, accident years developed to ultimate; excludes high deductible policies; Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV
Sources: US Average Weekly Wage 1995–2007: Quarterly Census of Employment and Wages; 2008–2010, NCCI; 2011–2013 Bureau of Labor Statistics (BLS)



Accident Year 2013 Indemnity Claim Severity (000s)

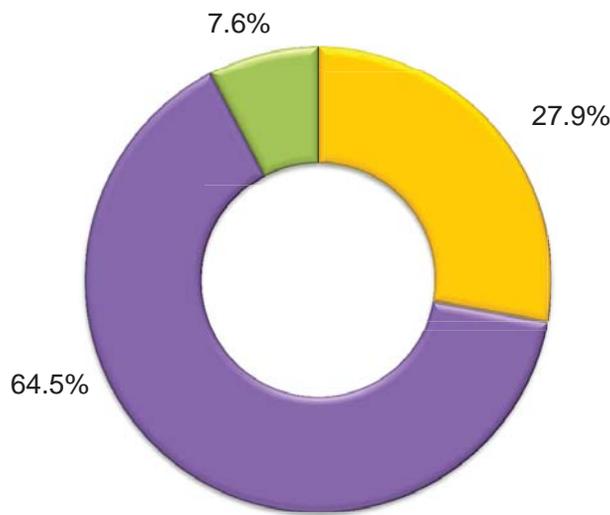
Average Indemnity Cost per Lost-Time Claim



Source: NCCI's Analysis of Frequency and Severity of Claims Across the Country as of 12/31/2013 on ncci.com
 Analysis is based on NCCI's financial data valued as of 12/31/2013, developed to ultimate; excludes high deductible policies; includes state funds
 Values displayed reflect methodology underlying most recent rate/loss cost filing



Countrywide Indemnity Loss Distribution by Injury Type



■ Temporary Total ■ Permanent Partial ■ Permanent Total/Fatal

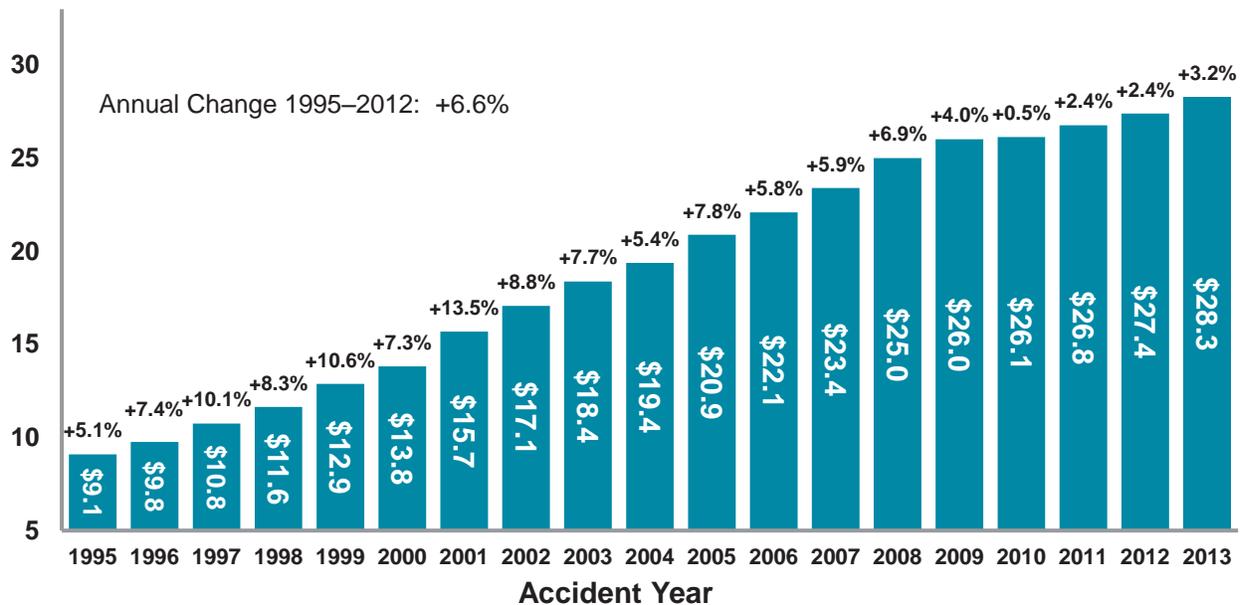
Based on NCCI's *Statistical Plan* data



Workers Compensation Medical Claim Severity Increased Moderately

Average Medical Cost per Lost-Time Claim

Medical Claim
Severity (000s)



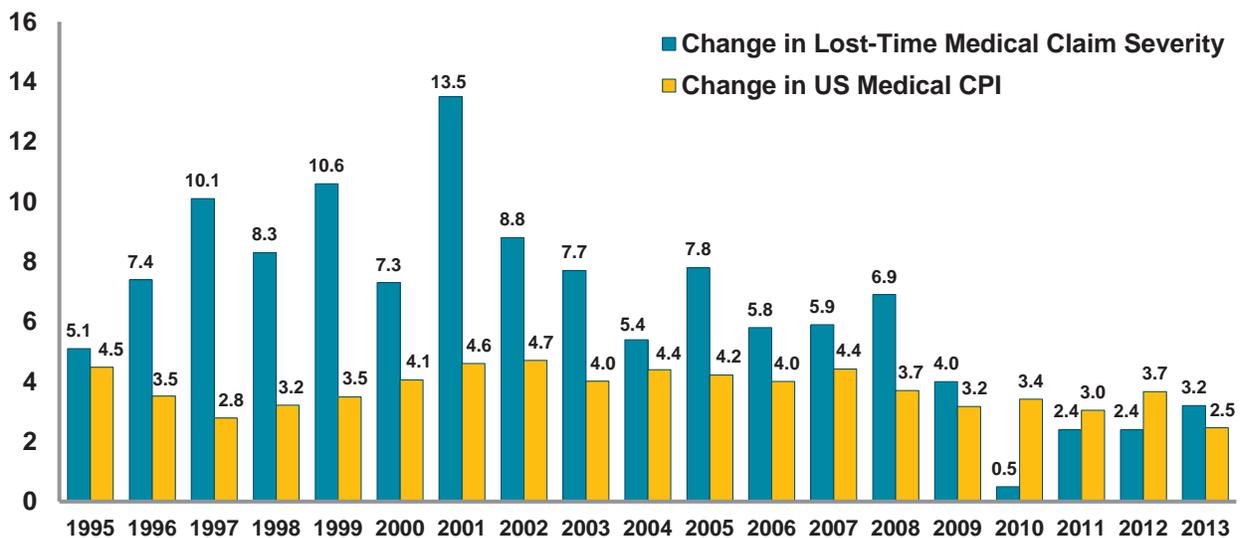
Based on data through 12/31/2013, developed to ultimate; excludes high deductible policies
Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV



Workers Compensation Change in Medical Severity

Comparison to Change in Medical Consumer Price Index (CPI)

Percent
Change

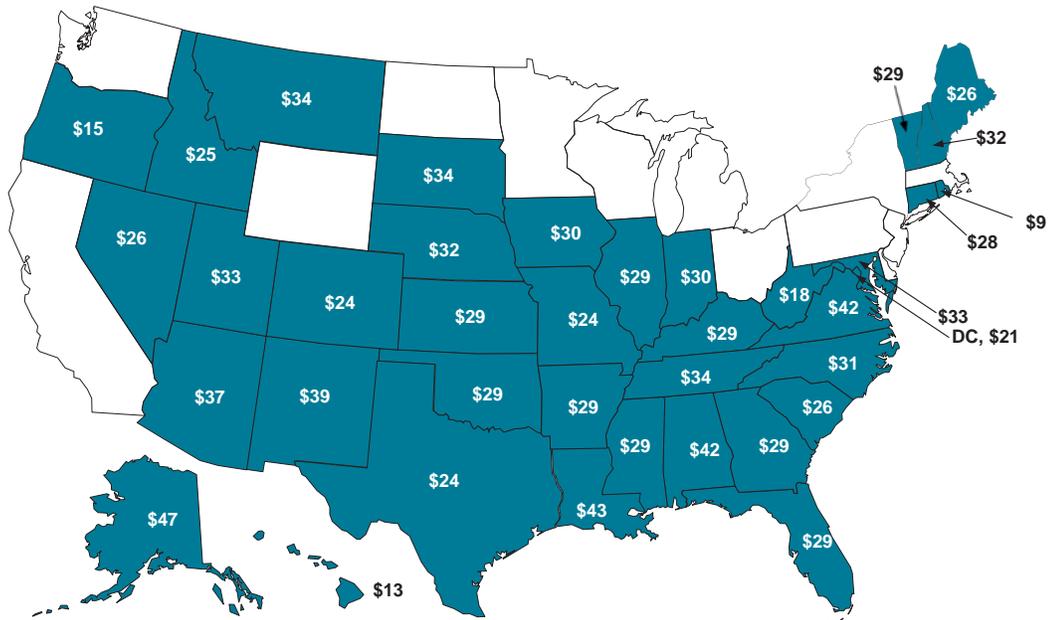


Change in lost-time medical claim severity: Based on data valued as of 12/31/2013, accident years developed to ultimate; excludes high deductible policies; Average severity for the states where NCCI provides ratemaking services, including state funds; excluding WV
Sources: US Medical CPI: US Bureau of Labor Statistics (BLS)



Accident Year 2013 Medical Claim Severity (000s)

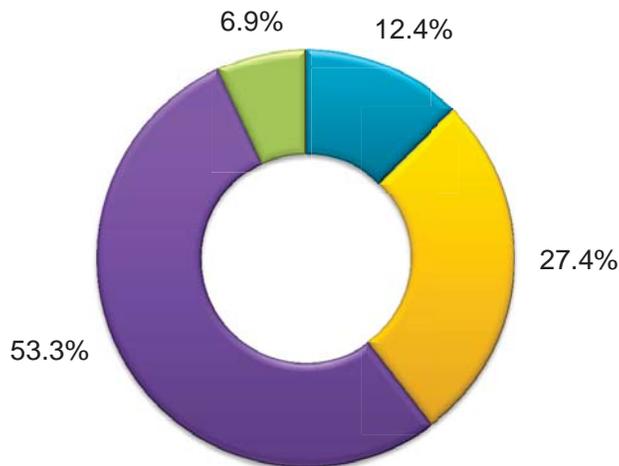
Average Medical Cost per Lost-Time Claim



Source: NCCI's Analysis of Frequency and Severity of Claims Across the Country as of 12/31/2013 on ncci.com
 Analysis is based on NCCI's financial data valued as of 12/31/2013 excluding medical only losses, developed to ultimate; excludes high deductible policies; includes state funds
 Values displayed reflect methodology underlying most recent rate/loss cost filing



Countrywide Medical Loss Distribution by Injury Type



■ Medical Only
 ■ Temporary Total
 ■ Permanent Partial
 ■ Permanent Total/Fatal

Based on NCCI's *Statistical Plan* data

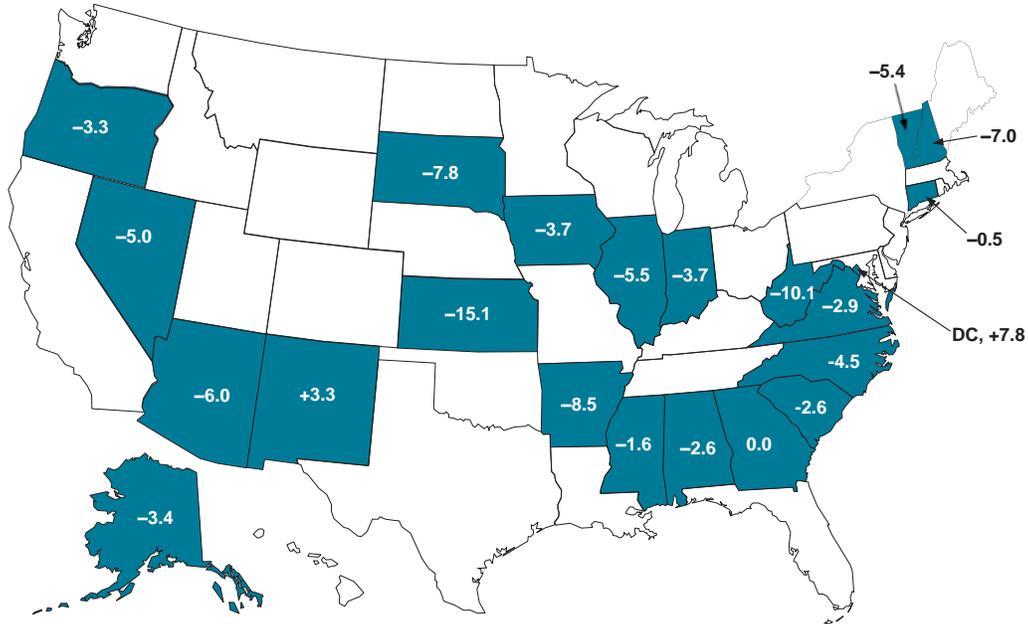


Assigned Risk Market



Current NCCI Assigned Risk Market Filed Rate Changes

Excludes Law-Only Filings

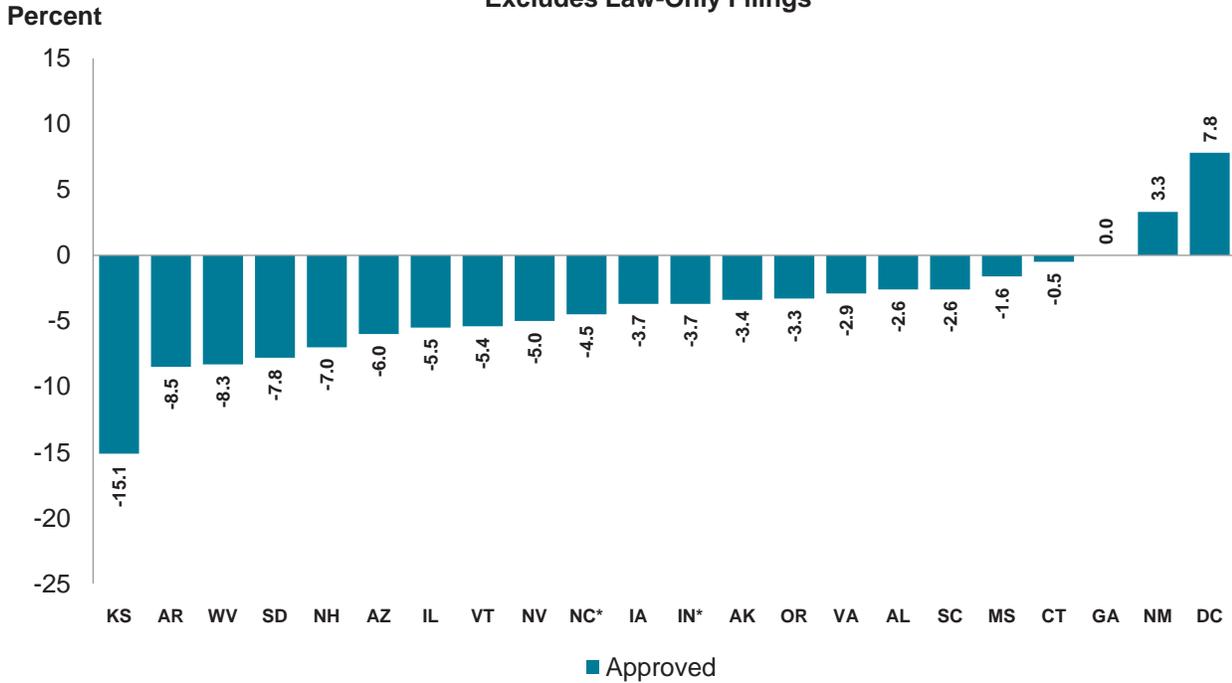


Reflects the most recent experience filing in each jurisdiction
IN and NC filed in cooperation with state rating bureau



Current NCCI Assigned Risk Market Filed Rate Changes

Excludes Law-Only Filings

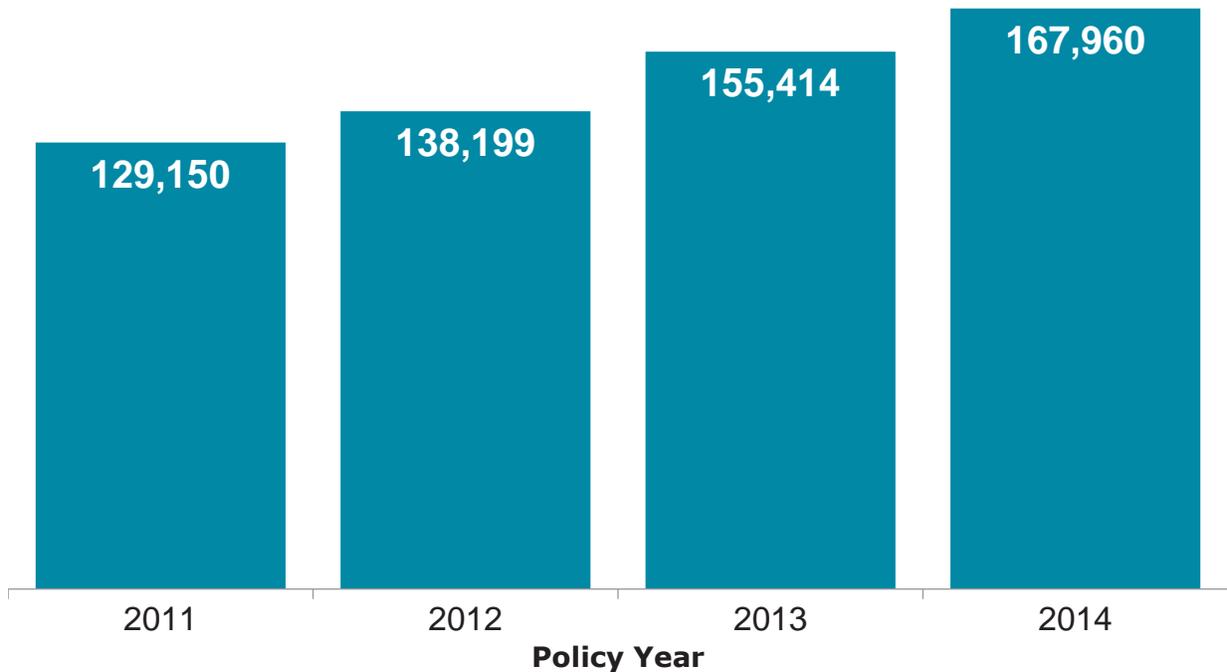


Reflects the most recent experience filing in each jurisdiction
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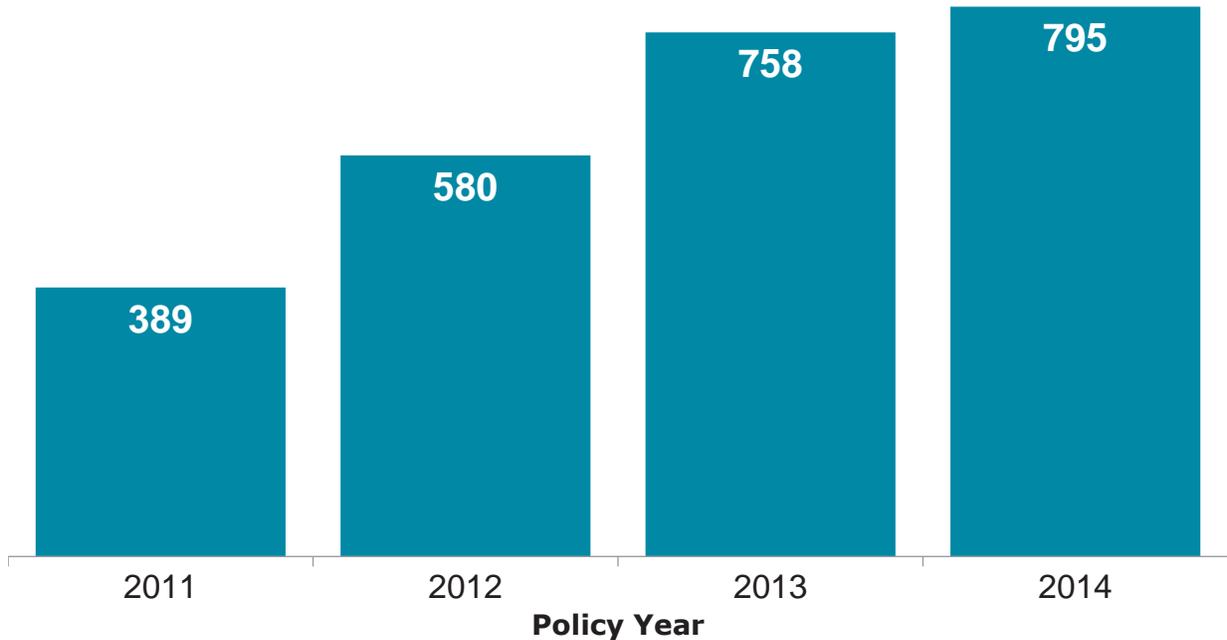
Countrywide Total Residual Market Plan Policy Count

Number of Policies



Countrywide Total Residual Market Plan Premium Volume

Premium in \$ Millions



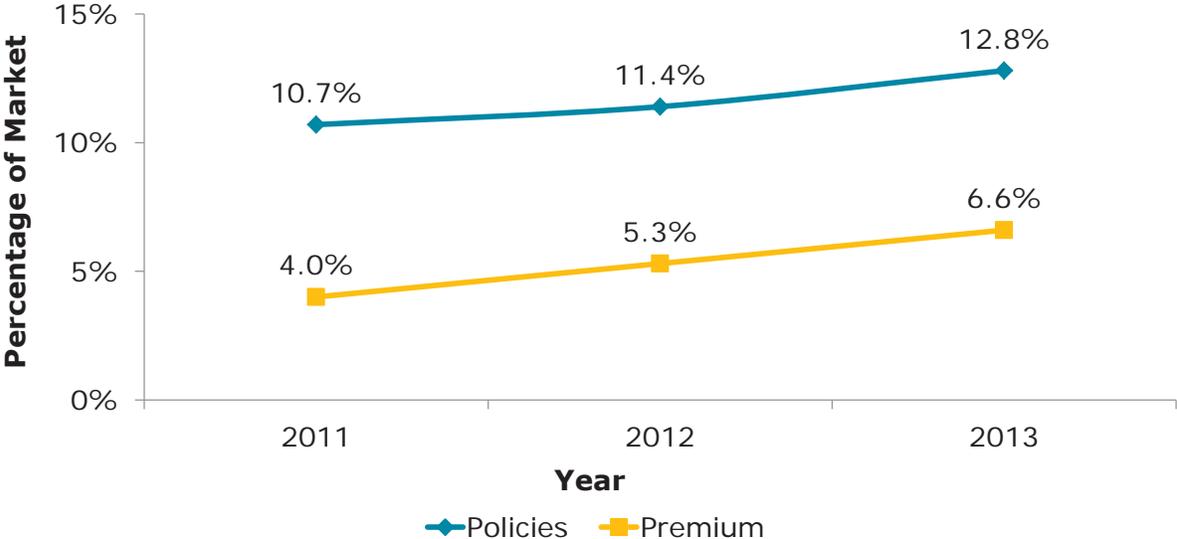
Countrywide Residual Market Plan 2013 vs. 2014 Total Policy Size Comparison

Premium Size	2013		2014	
	# of Policies	Premium (\$M)	# of Policies	Premium (\$M)
\$0–\$2,499	112,274	\$105	120,669	\$116
\$2,500–\$4,999	17,185	\$61	18,931	\$67
\$5,000–\$9,999	11,823	\$83	13,304	\$93
\$10,000–\$19,999	7,148	\$100	7,837	\$109
\$20,000–\$49,999	4,542	\$138	4,834	\$147
\$50,000–\$99,999	1,506	\$105	1,518	\$105
\$100,000–\$199,999	726	\$100	666	\$90
\$200,000 and greater	210	\$66	201	\$67
Total	155,414	\$758	167,960	\$795

Note: Totals may not match due to rounding



Countrywide Comparison of the Estimated Market Share for the Residual Market by Total Policy Count and Written Premium



Market share as a percentage of residual market total written premium/policies in force

