



Actuarial Perspective of the Residual Market

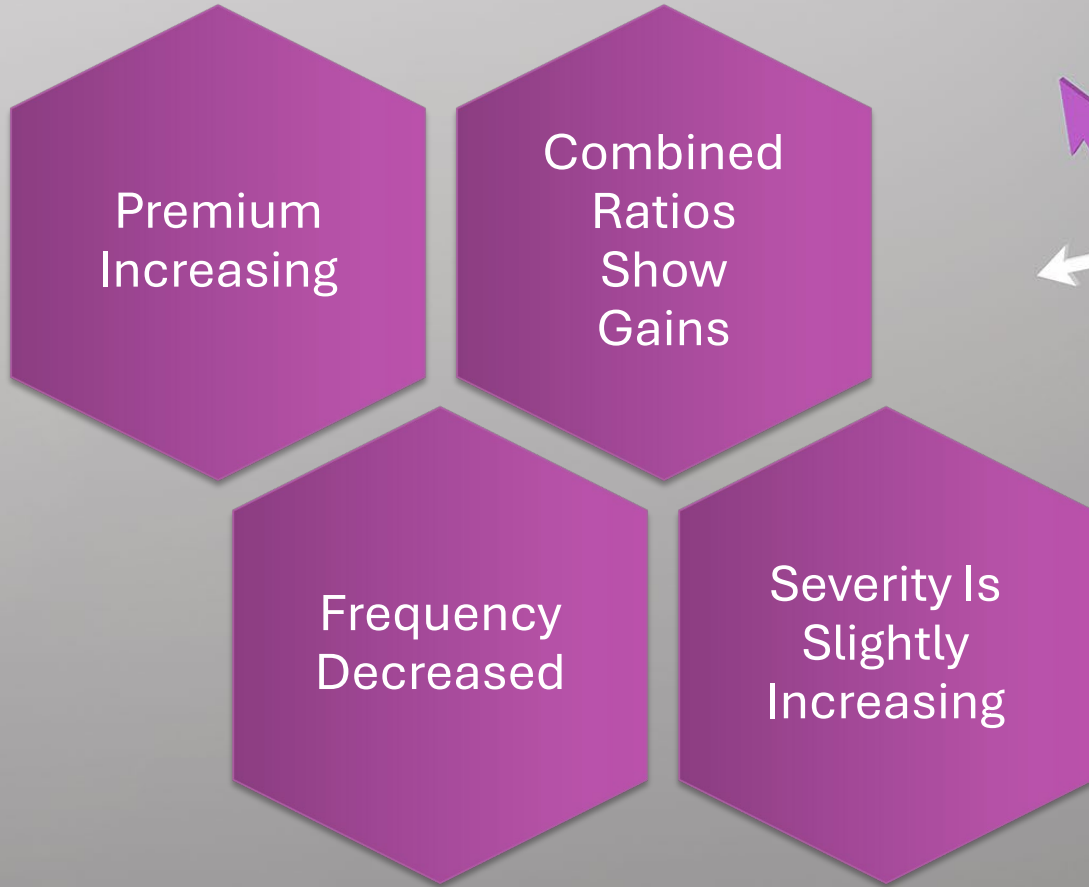
Samantha McLeod, FCAS, MAAA

Executive Director and Actuary, Actuarial &
Economic Services
NCCI



State of Workers Compensation (WC)

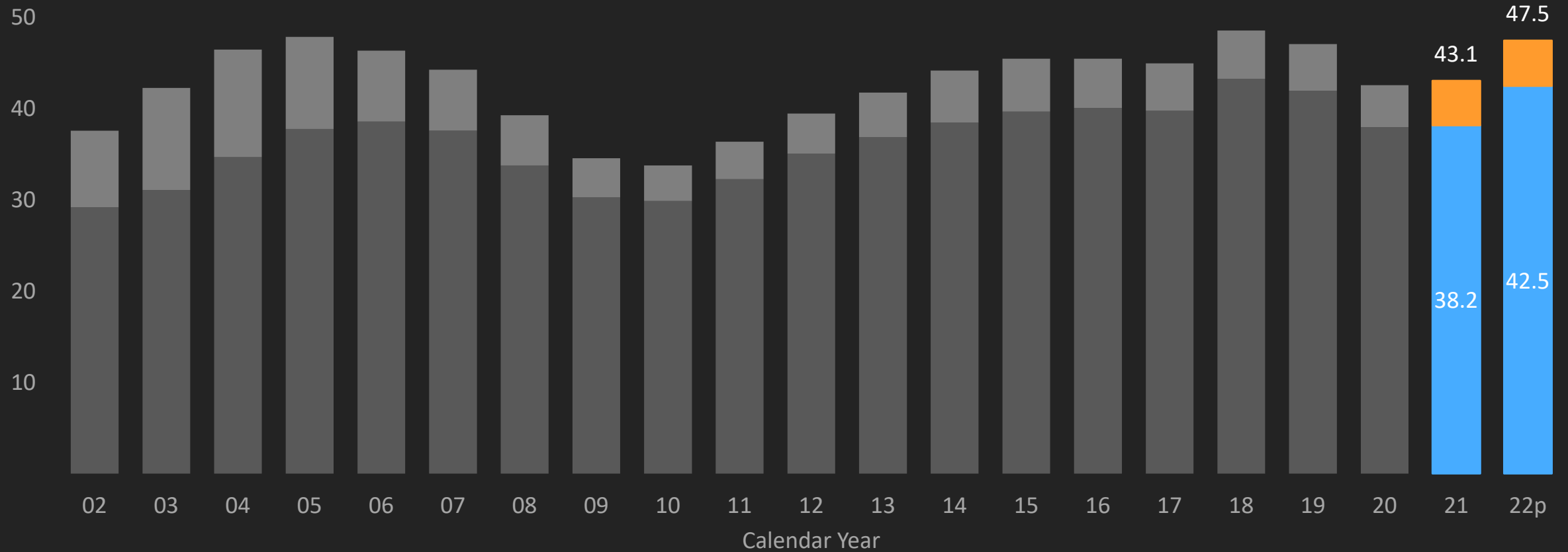
WC Overview



WC Net Written Premium

Private Carriers and State Funds

\$ Billions



p Preliminary.

Source: NAIC's Annual Statement data.

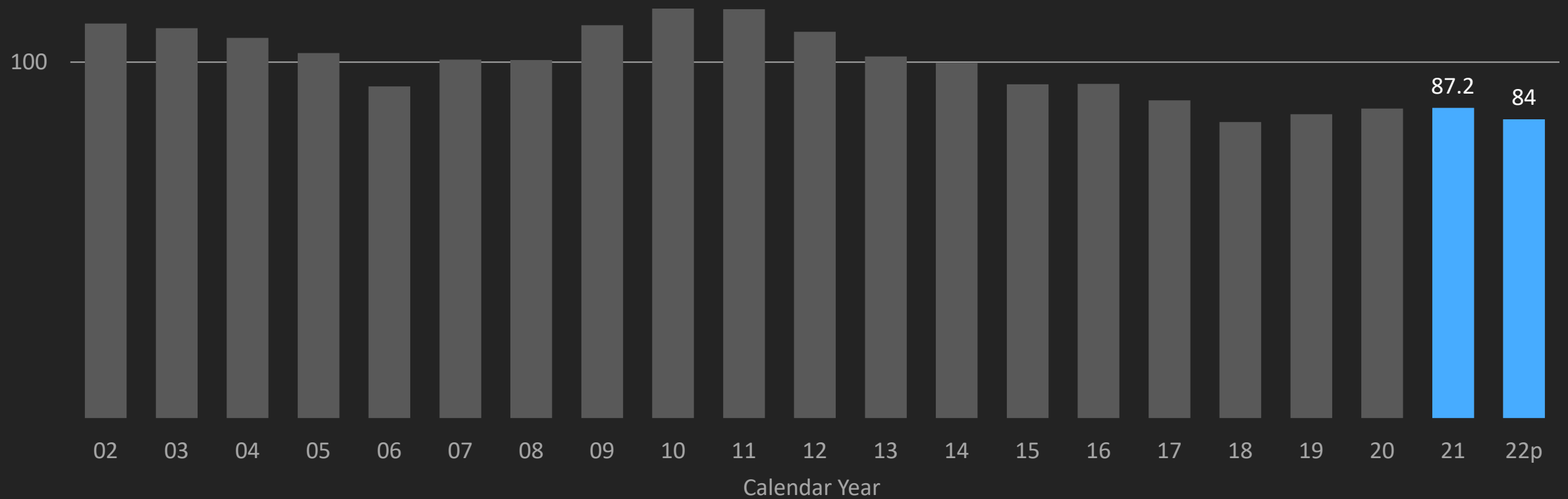
The following states are included in the respective calendar years in which they operate as state funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, and UT.

RMF
2024

WC Net Combined Ratio

Private Carriers

Percent



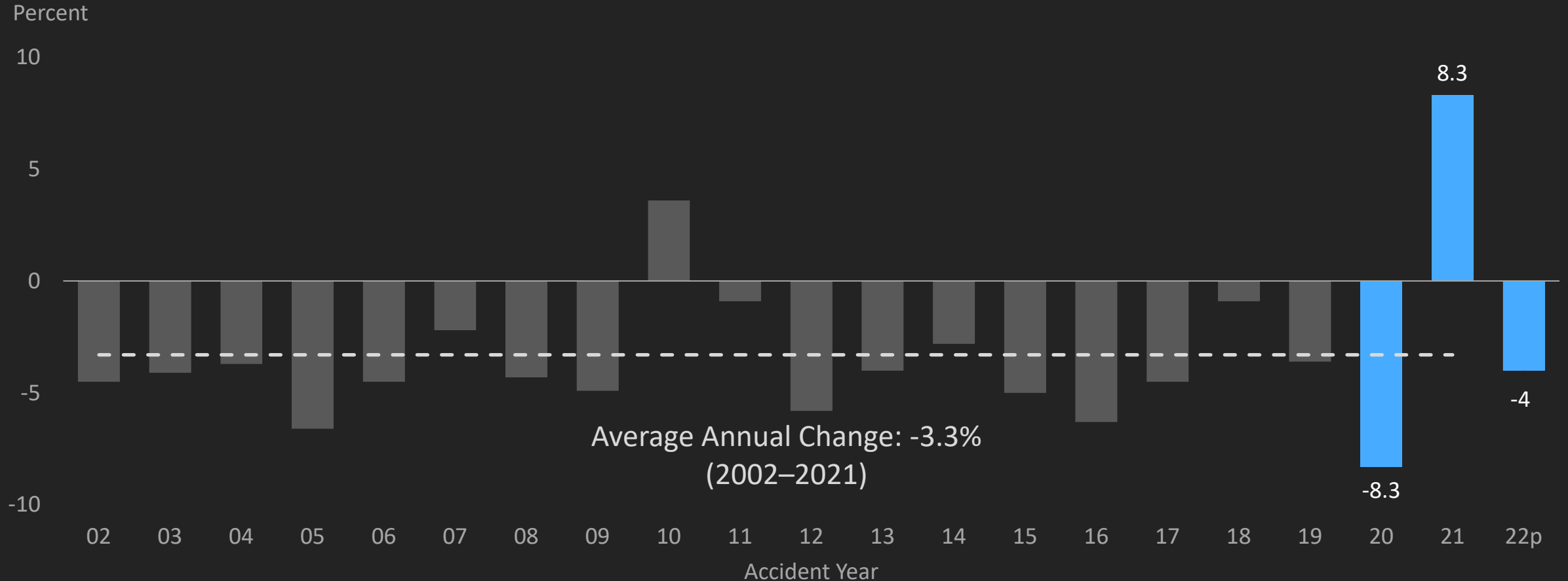
p Preliminary.
Source: NAIC's Annual Statement data.

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RMF
2024

WC Lost-Time Claim Frequency

Change in Claims per \$1M Pure Premium, Private Carriers and State Funds—NCCI States, Excludes COVID-19 Claims



2010–2011 and 2019–2022 have been adjusted to reflect the impact of changes in audit activity.

p Preliminary, based on data valued as of 12/31/2022; excludes COVID-19 claims.

Source: NCCI's Financial Call data, developed to ultimate, premium adjusted to current wage and voluntary pure premium level, excludes high-deductible policies; based on data through 12/31/2021.

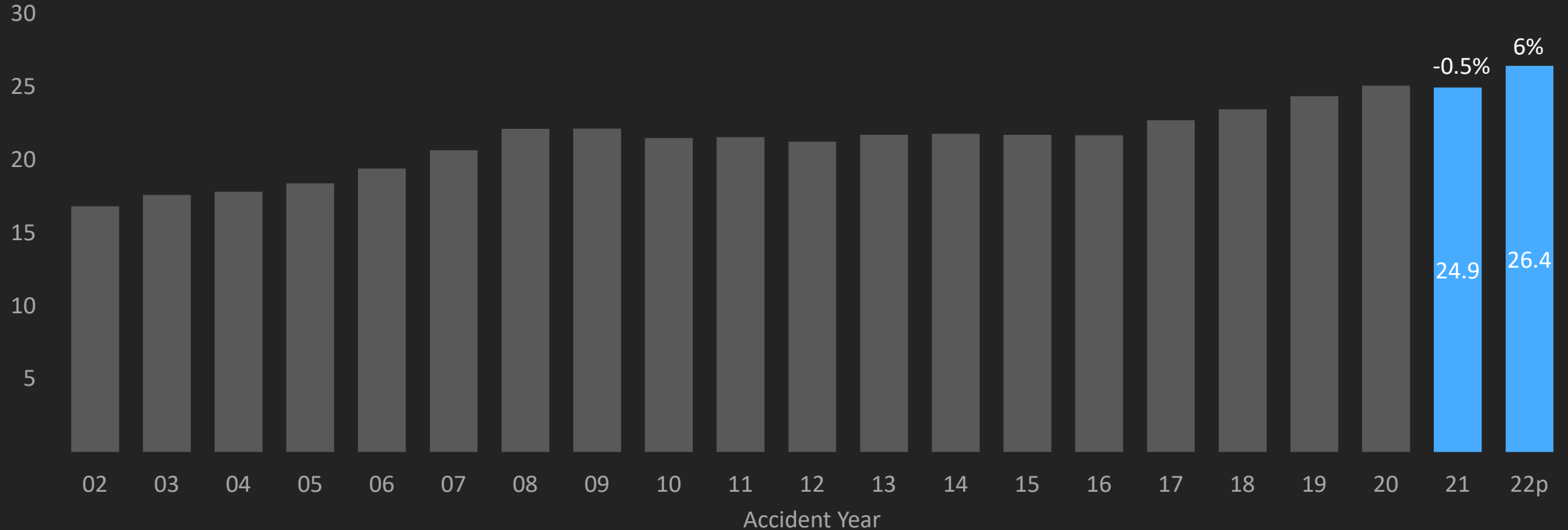
Includes all states where NCCI provides ratemaking services; TX is excluded through 2006, and WV is excluded through 2011.

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2024

WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States, Excludes COVID-19 Claims

\$ Thousands



p Preliminary, based on data valued as of 12/31/2022; excludes COVID-19 claims.

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2021.

Values displayed reflect the methodology underlying the most recent rate/loss cost filing.

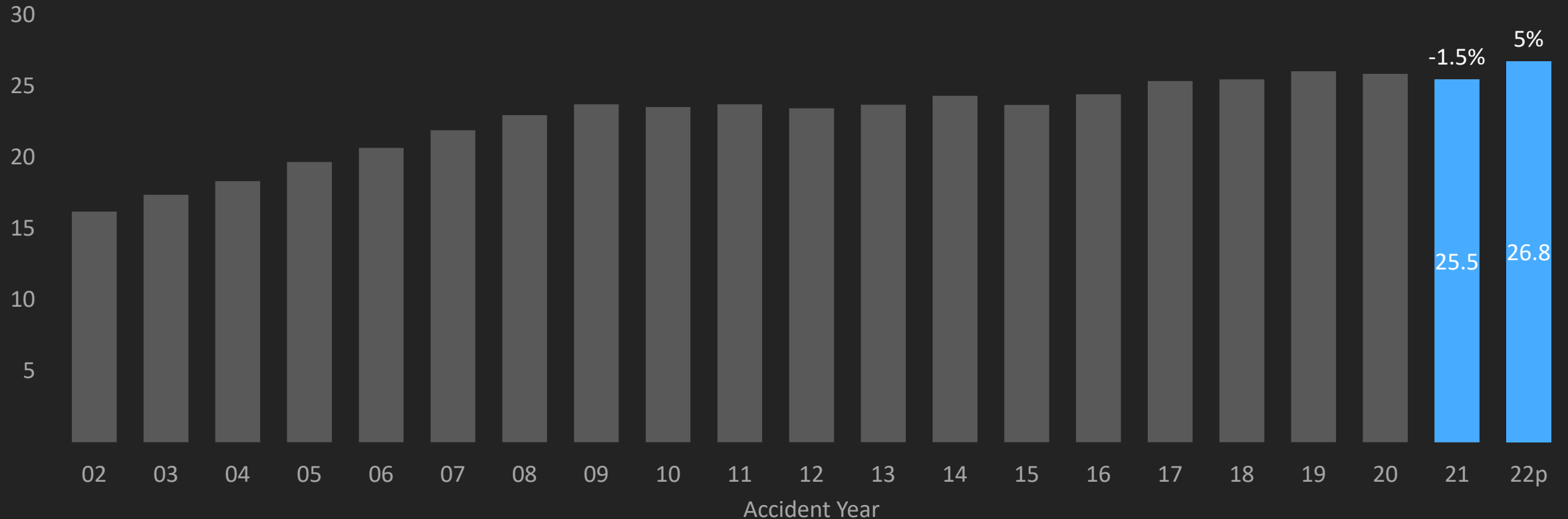
Includes all states where NCCI provides ratemaking services; NV is excluded through 2003, TX is excluded through 2007, and WV is excluded through 2011.

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2024

WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States, Excludes COVID-19 Claims

\$ Thousands



p Preliminary, based on data valued as of 12/31/2022; excludes COVID-19 claims.

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2021.

Values displayed reflect the methodology underlying the most recent rate/loss cost filing.

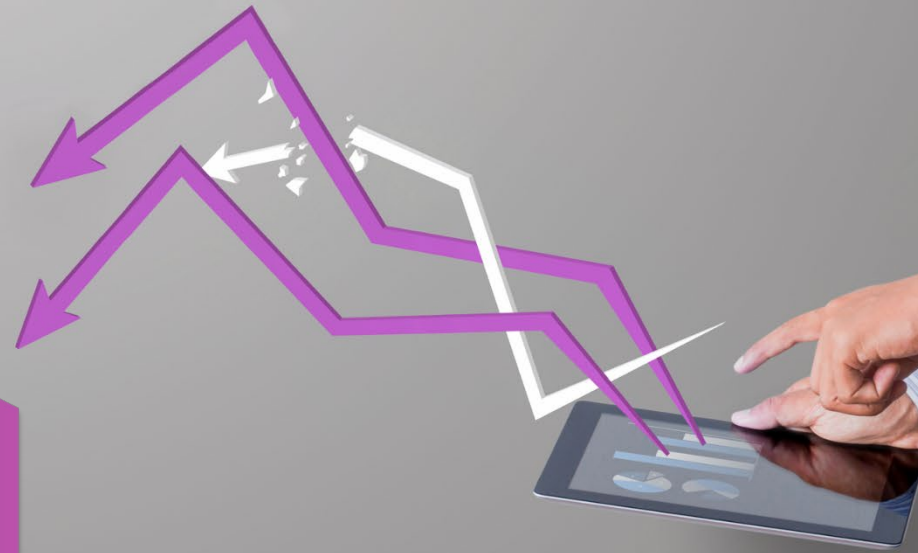
Includes all states where NCCI provides ratemaking services; NV is excluded through 2003, TX is excluded through 2007, and WV is excluded through 2011.

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2024

A group of business professionals in a meeting, overlaid with a purple gradient. The image shows several people in business attire engaged in conversation. The text "Residual Market Overview" is centered over the image in a white, sans-serif font.

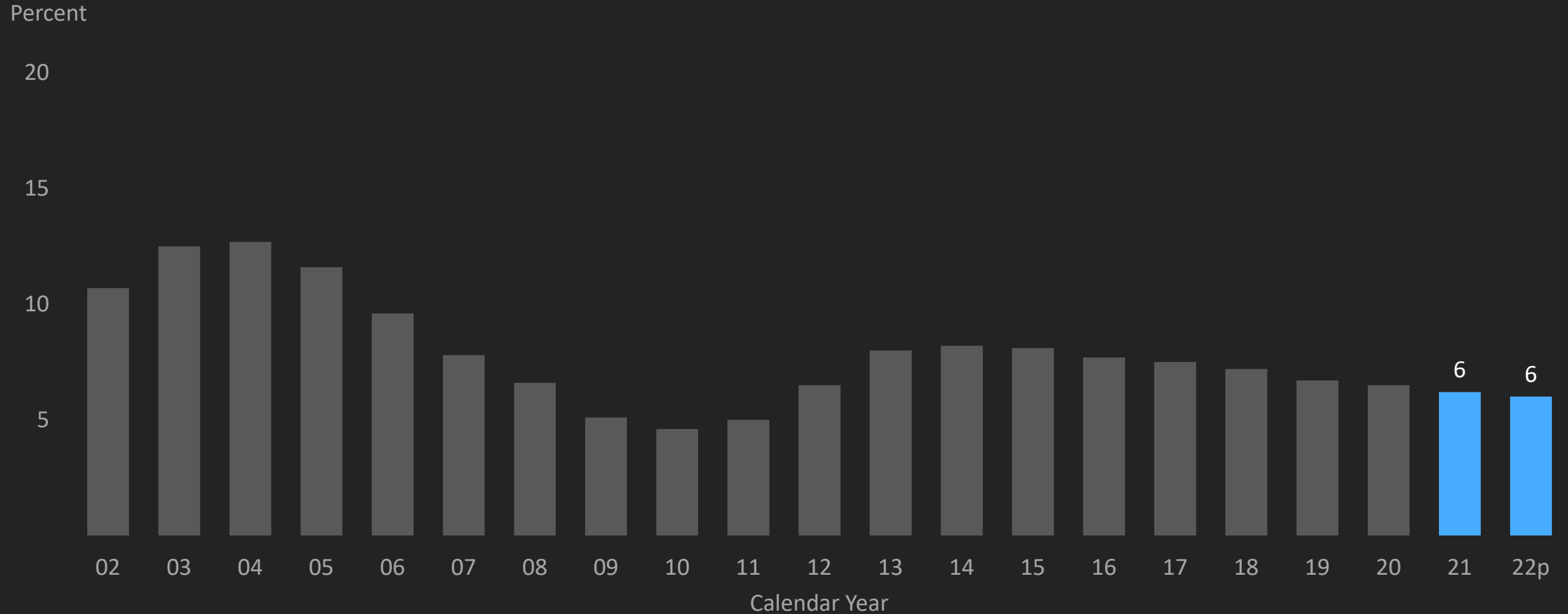
Residual Market Overview

Residual Market Overview



WC Residual Market Share

NCCI-Serviced WC Residual Market Pools



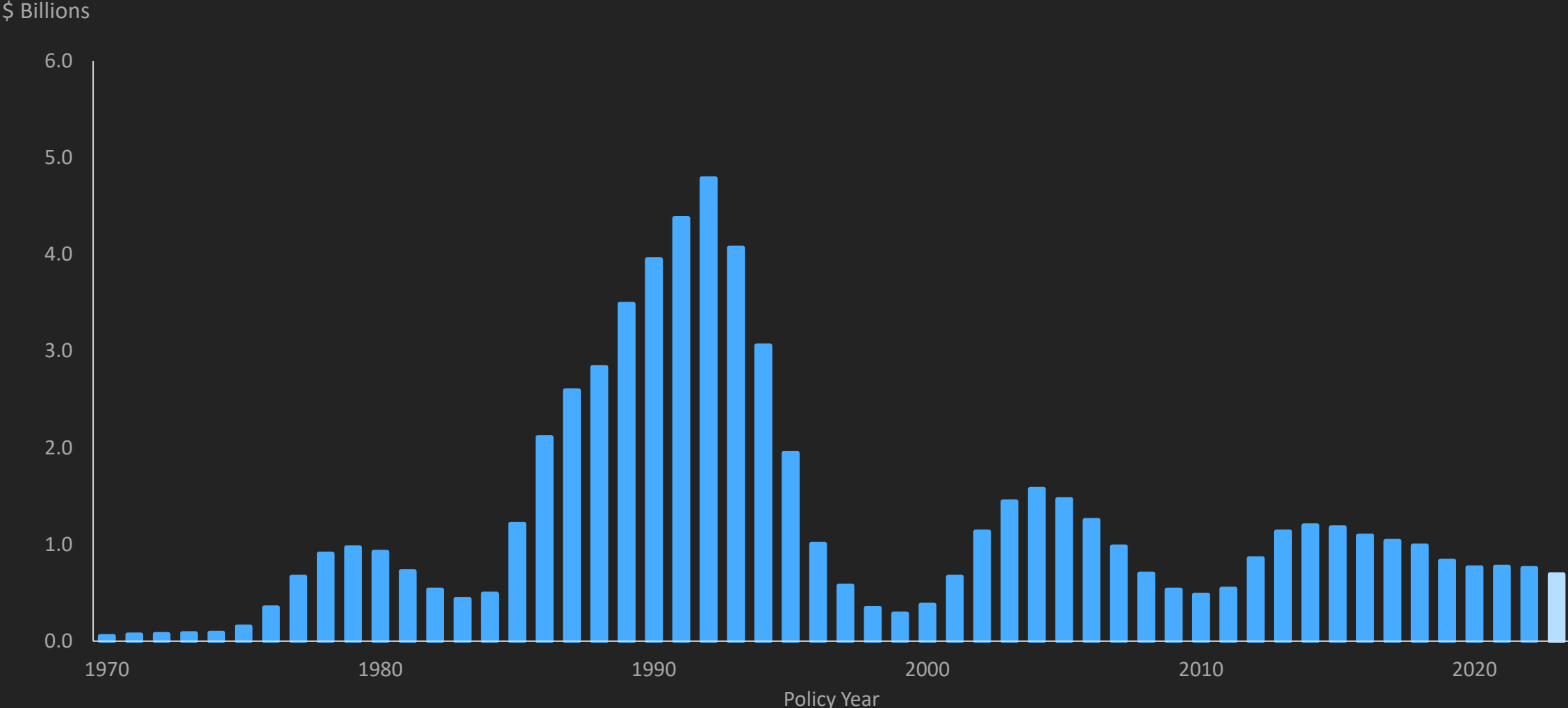
p Preliminary.

Source: NCCI's *Residual Market Management Summary*.

Includes Pool and direct assignment data for all NCCI-serviced WC Residual Market Pool states.

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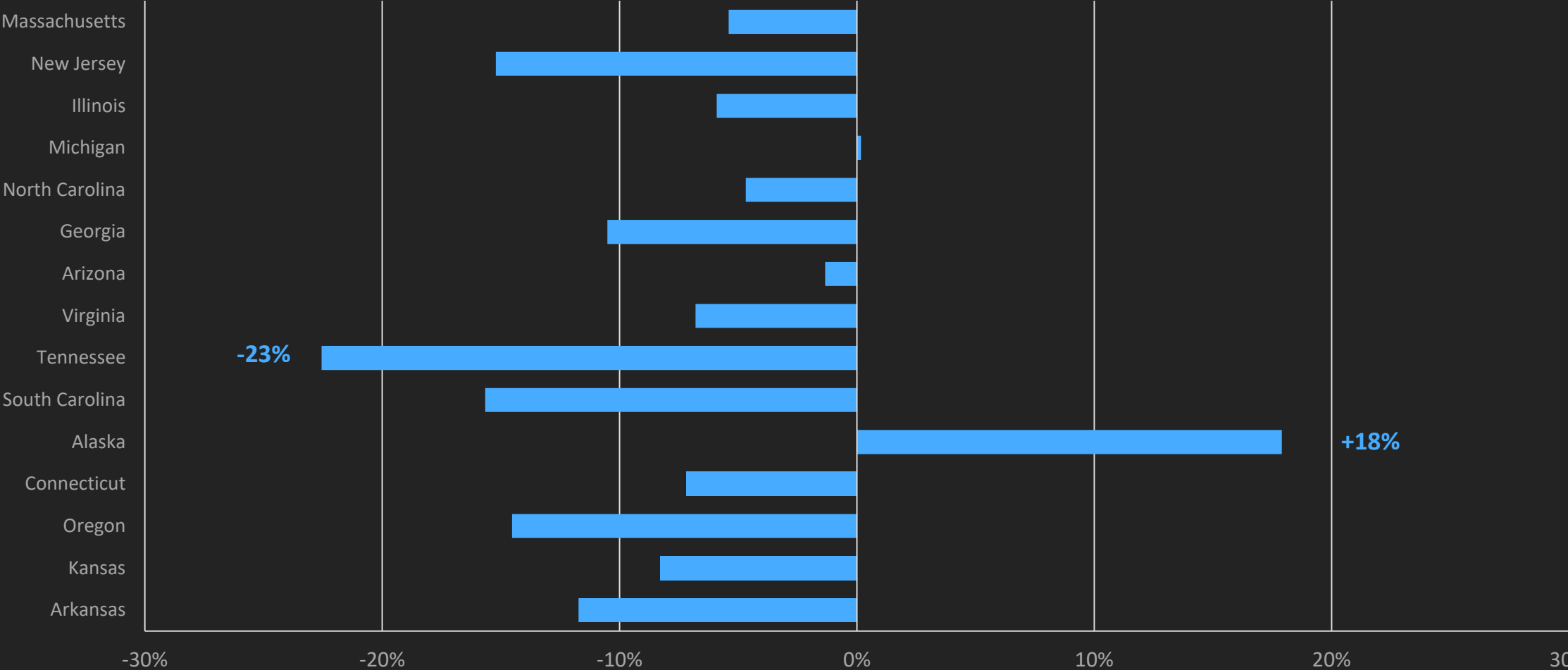
Pool Premium Is Stabilizing



Includes all states where NCCI provides Pool Administration services.
Note: Traumatic Only.

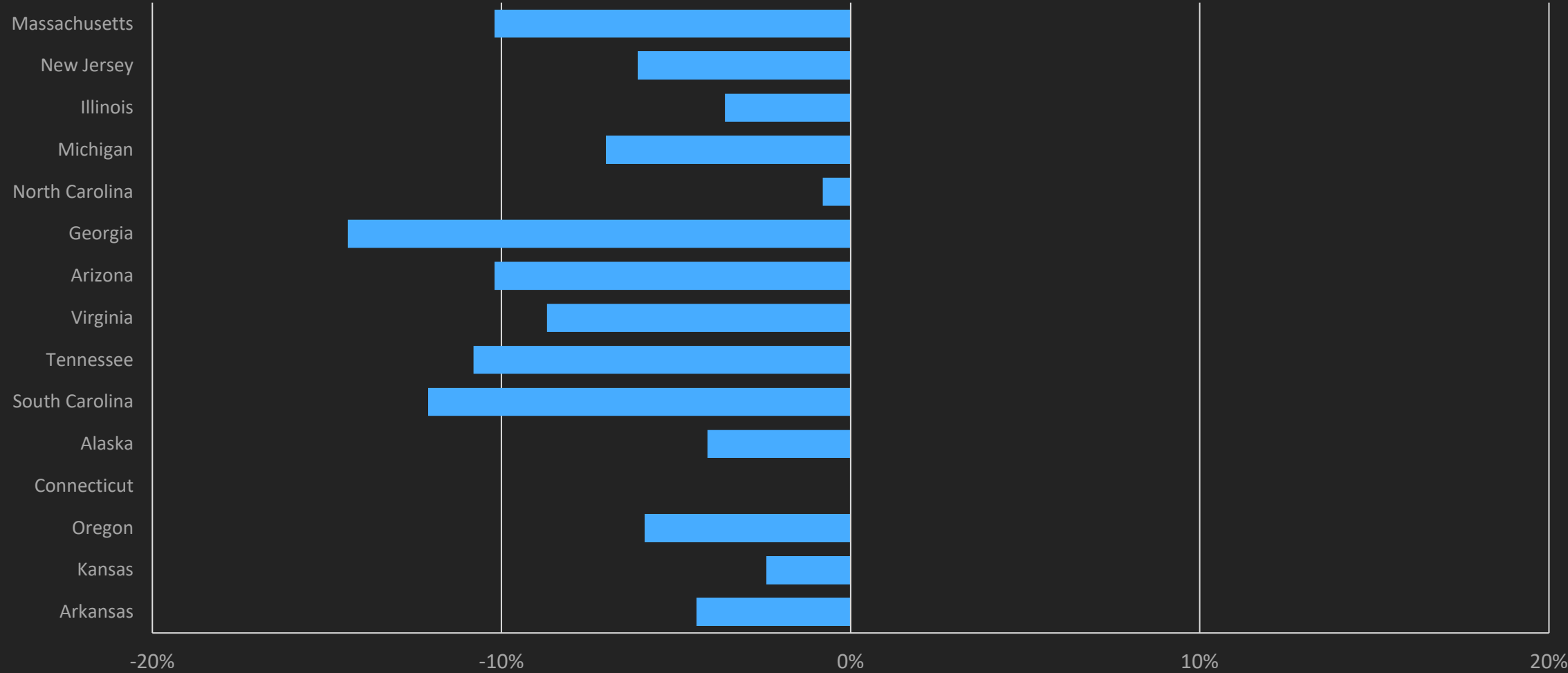
Ultimate Premium Lower Compared to Prior Year

PY 2023 vs. PY 2022



Source: NCCI's Pool Data, developed to ultimate; based on data through 9/30/2023. Includes largest 15 states by premium volume where NCCI provides Pool Administration services.

Assigned Risk Rates Decreased in 2023

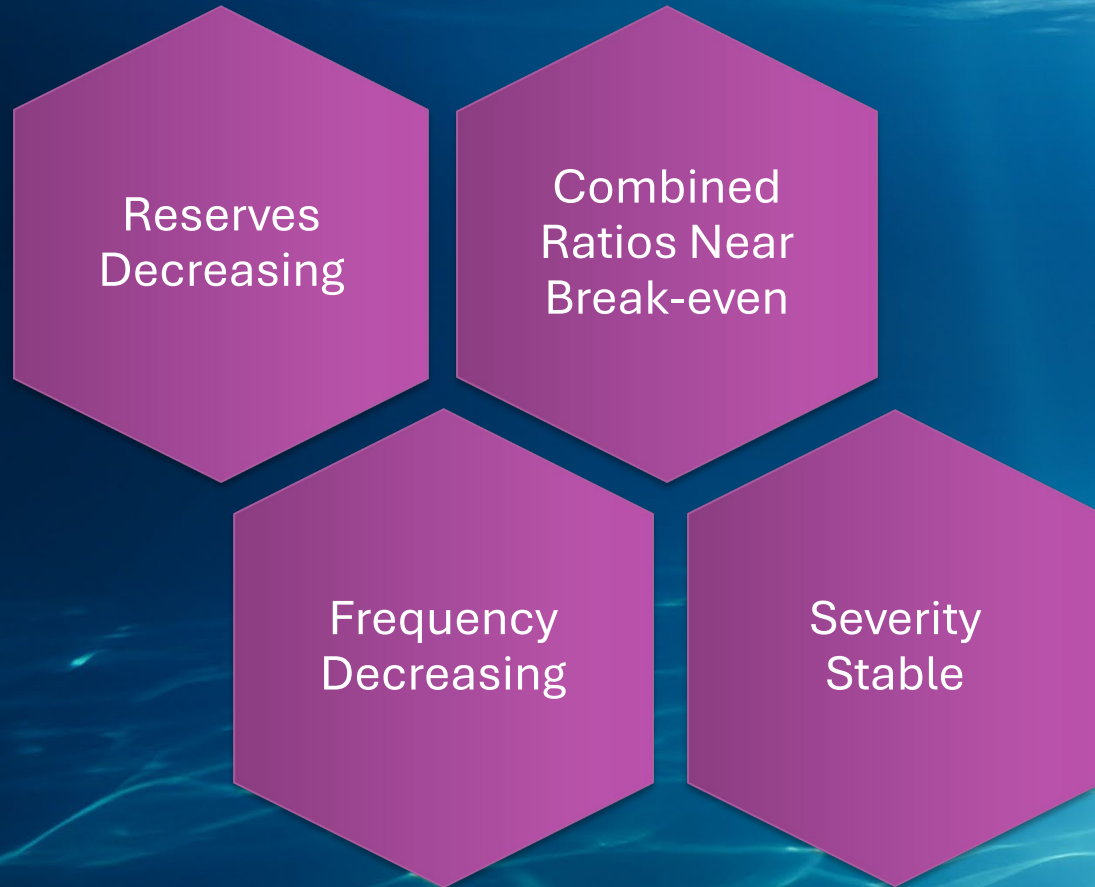


*NJ, MA, and MI are premium level changes provided by the applicable Plan Administrator.

Pool Results

A group of business professionals in a meeting room, overlaid with a purple gradient. The scene shows several people in business attire engaged in conversation. In the foreground, a woman with curly hair is talking to a woman with her back to the camera. To their right, a man in a suit is talking to another man. In the background, more people are visible, some holding papers, suggesting a collaborative work environment. The overall image has a soft, professional feel with a consistent purple overlay.

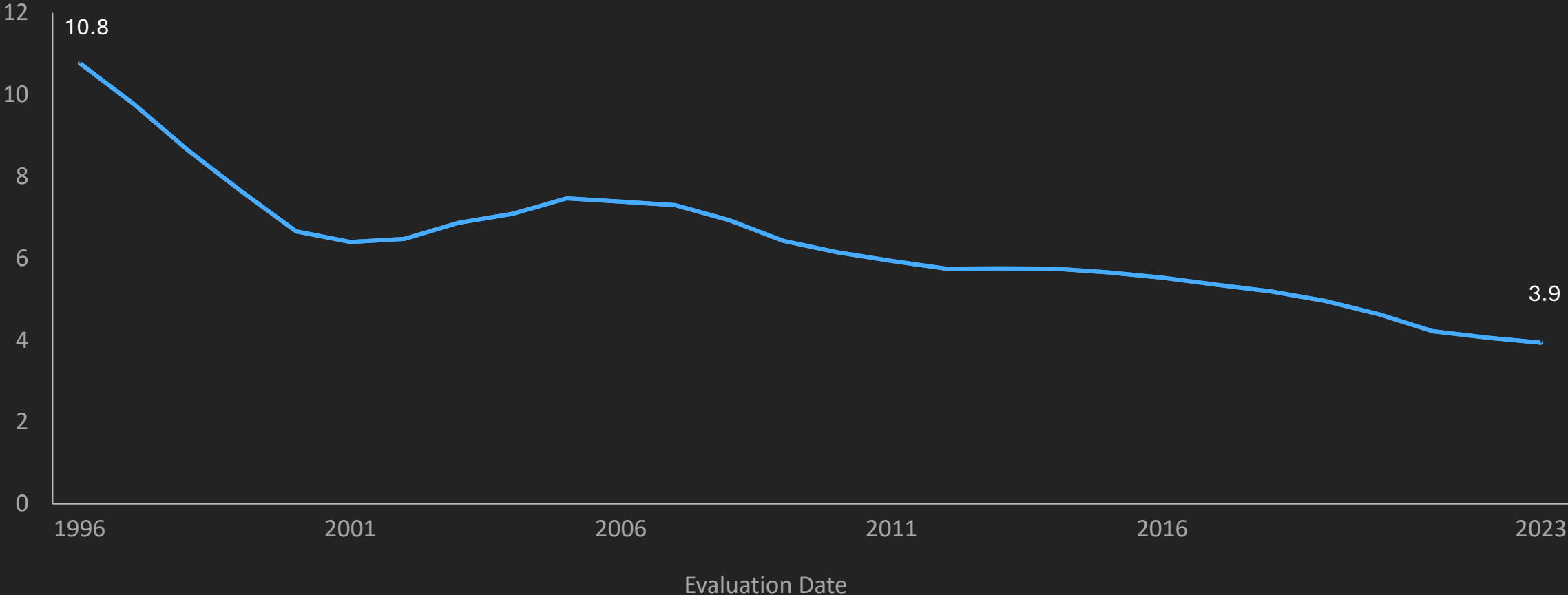
Pool Results Overview



History of Booked Loss Reserves at 9/30

NCCI-Serviced Workers Compensation Residual Market Pools
Loss Reserves (Case Outstanding + IBNR*)

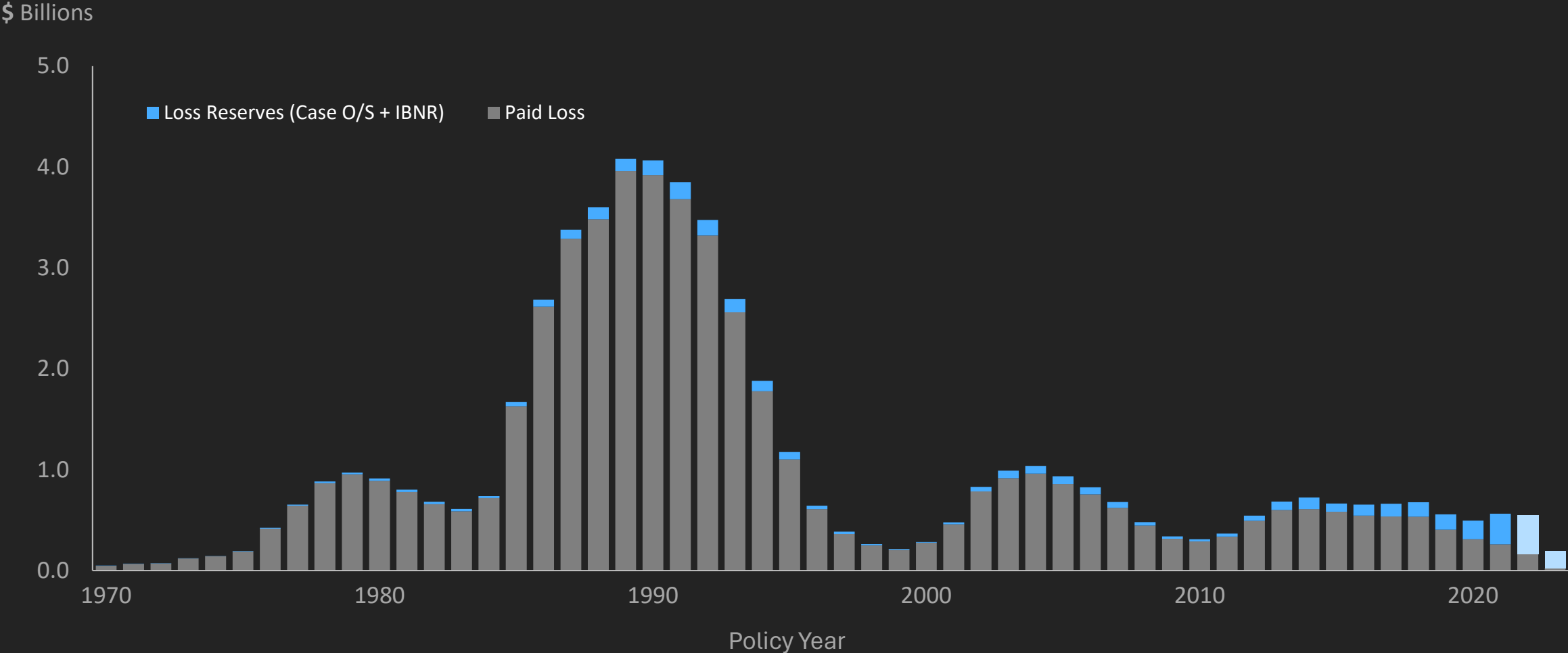
\$ Billions



*Incurred But Not Reported.
Loss reserves for the Tennessee Reinsurance Mechanism are included beginning with Third Quarter 2015.

Booked Ultimate Losses as of 9/30/2023

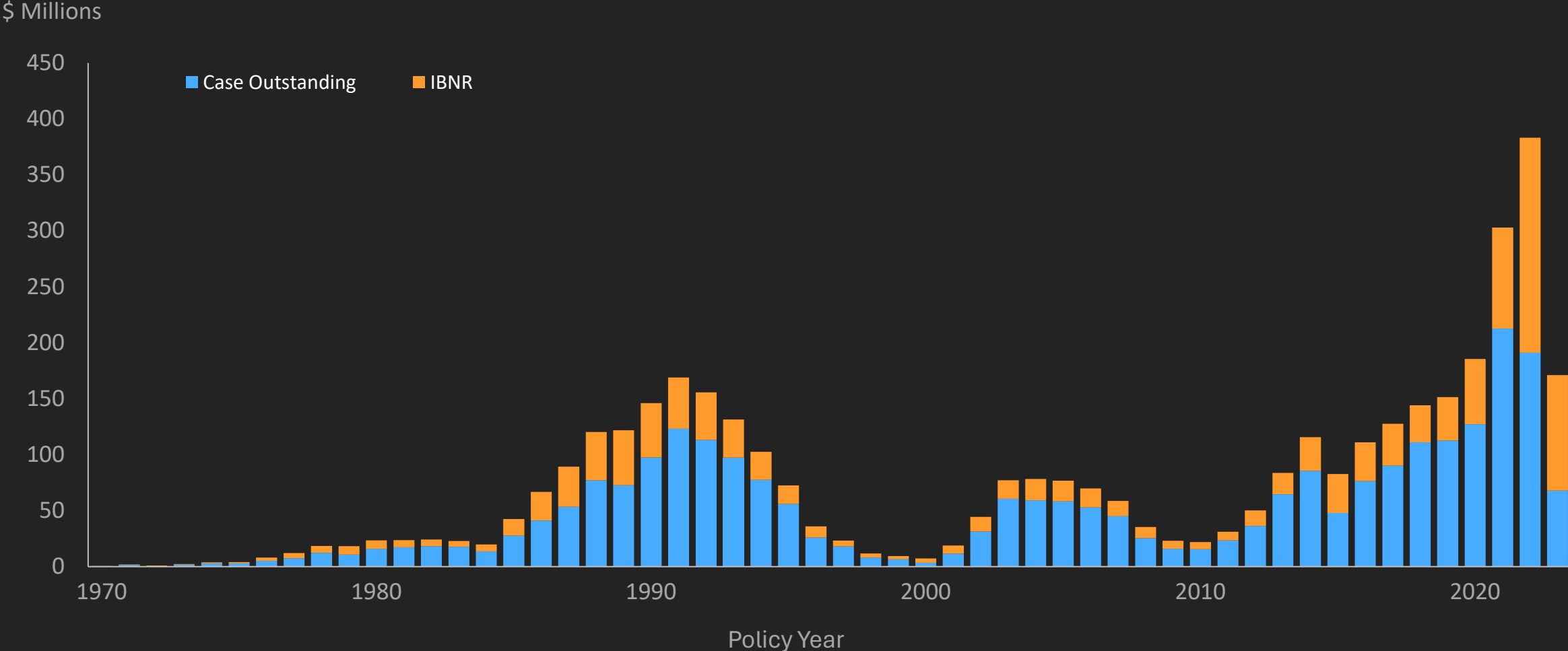
NCCI-Serviced Workers Compensation Residual Market Pools



Policy Years 2022 and 2023 are not fully earned.

Booked Loss Reserves as of 9/30/2023

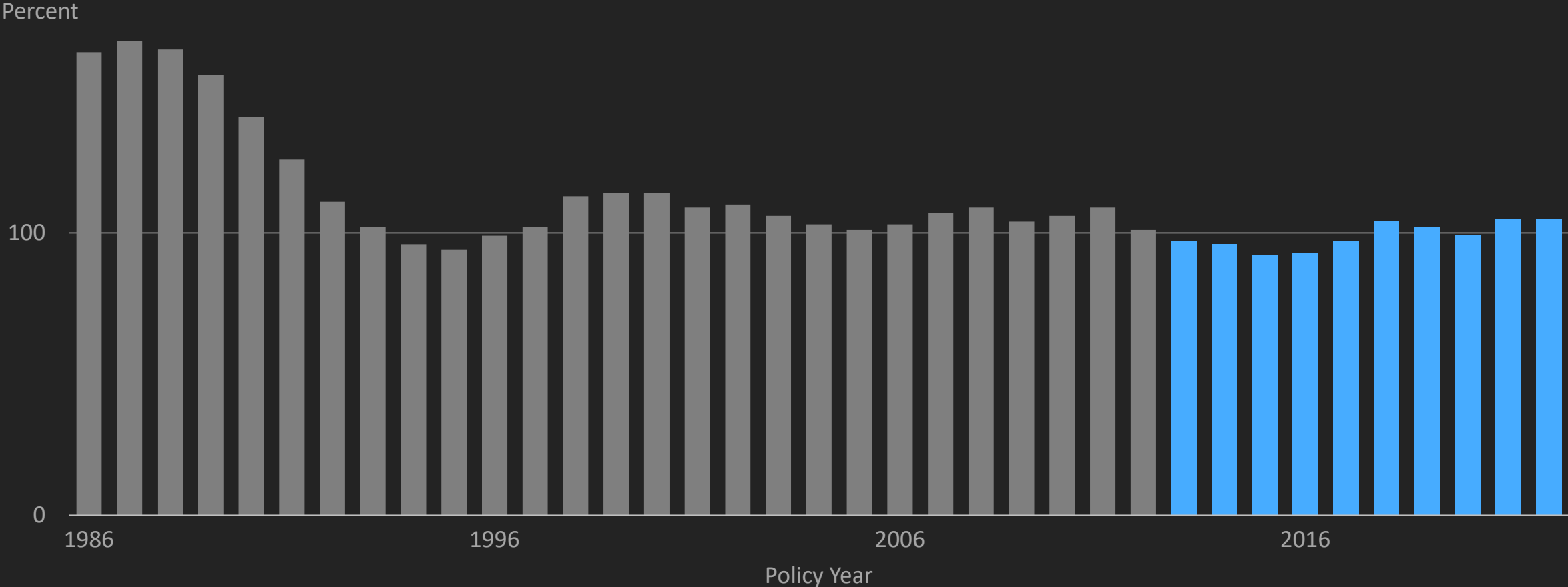
NCCI-Serviced Workers Compensation Residual Market Pools



Policy Years 2022 and 2023 are not fully earned.

Combined Ratios as of 9/30/2023

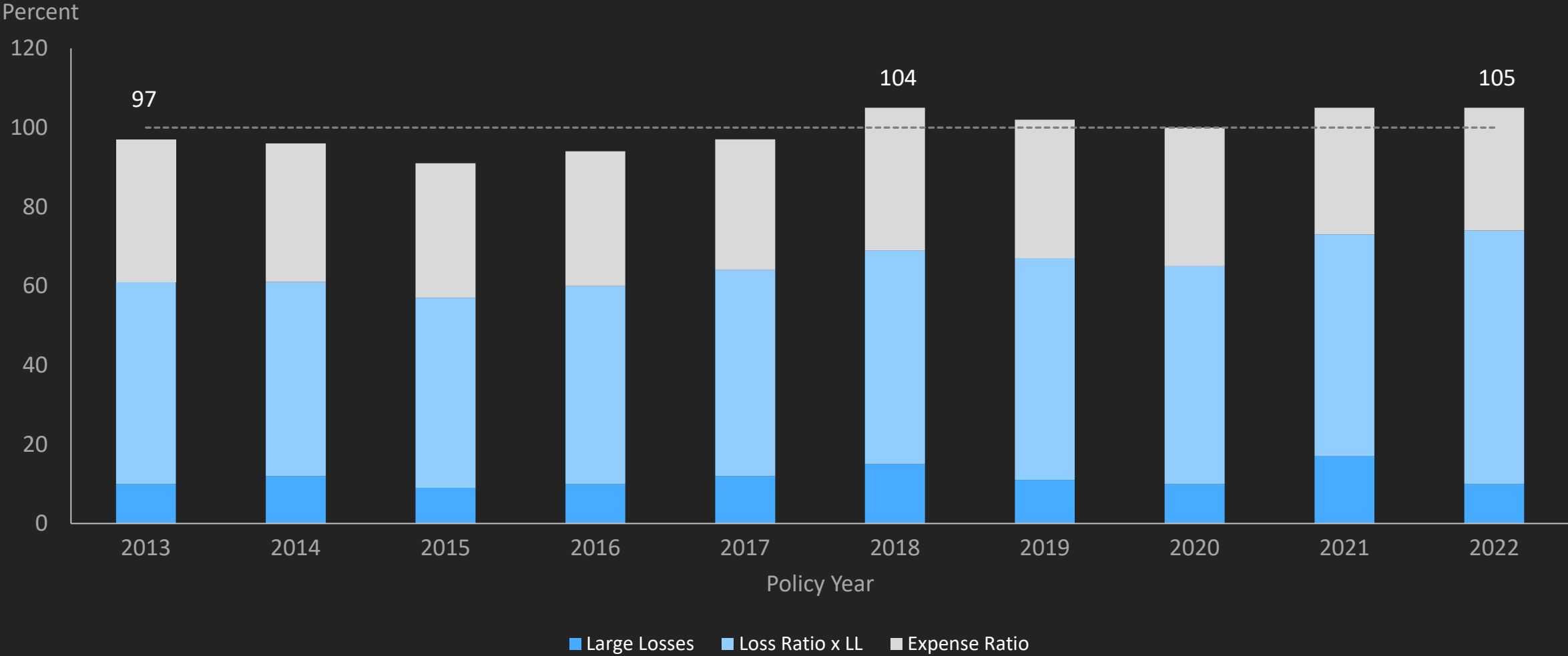
NCCI-Serviced Workers Compensation Residual Market Pools



Policy Year 2022 is not yet complete.
Tennessee Reinsurance Mechanism experience is not included in the combined ratios above.

Combined Ratios as of 9/30/2023

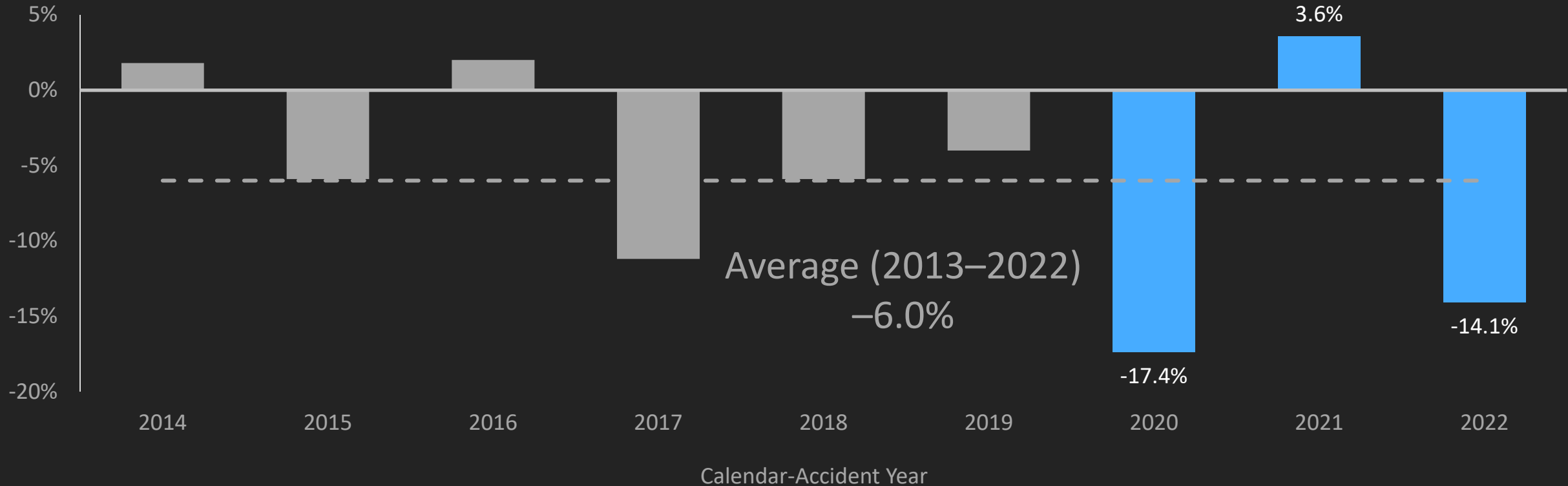
NCCI-Serviced Workers Compensation Residual Market Pools



Policy Year 2022 is not yet complete.
 Large Losses are claims greater than \$1 million
 Tennessee Reinsurance Mechanism experience is not included in the combined ratios above.

WC Lost-Time Claim Frequency

Claims per \$1M Pure Premium—NCCI Pool States



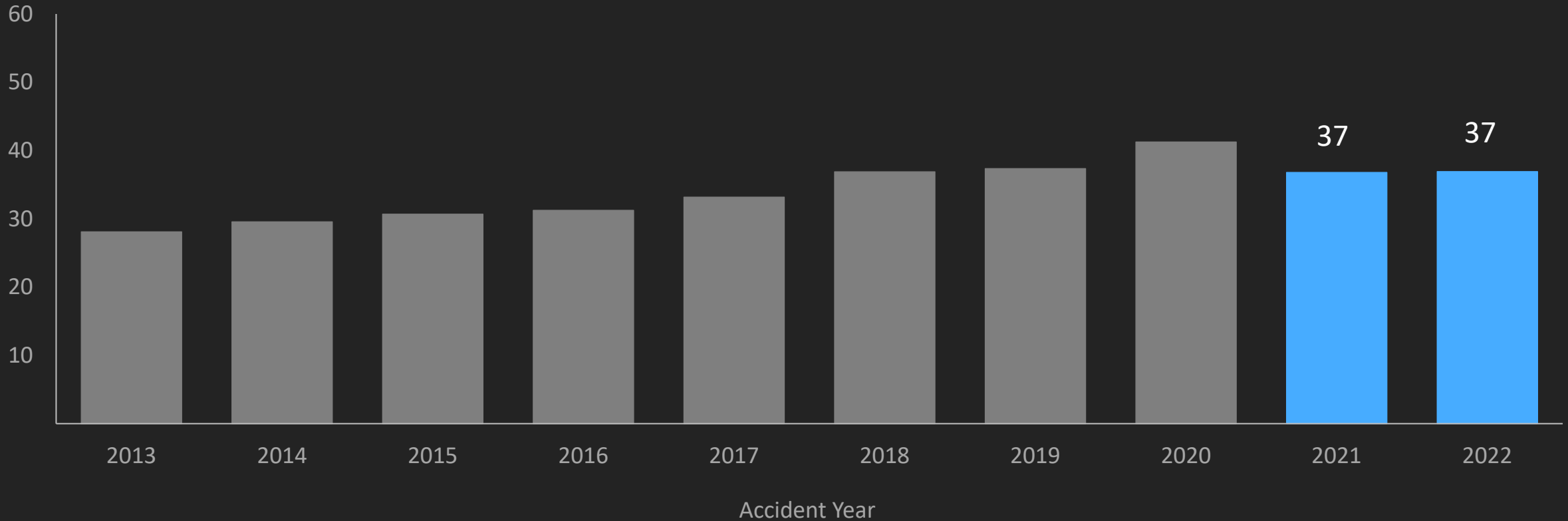
Source: NCCI's Pool Data, on-leveled, developed to ultimate; based on data through 12/31/2022.

Includes all states where NCCI provides Pool Administration services; Tennessee and Tennessee Reinsurance Mechanism experience is excluded for 2013–2015. Traumatic only.

WC Average Indemnity Claim Severity

NCCI Pool States

\$ Thousands



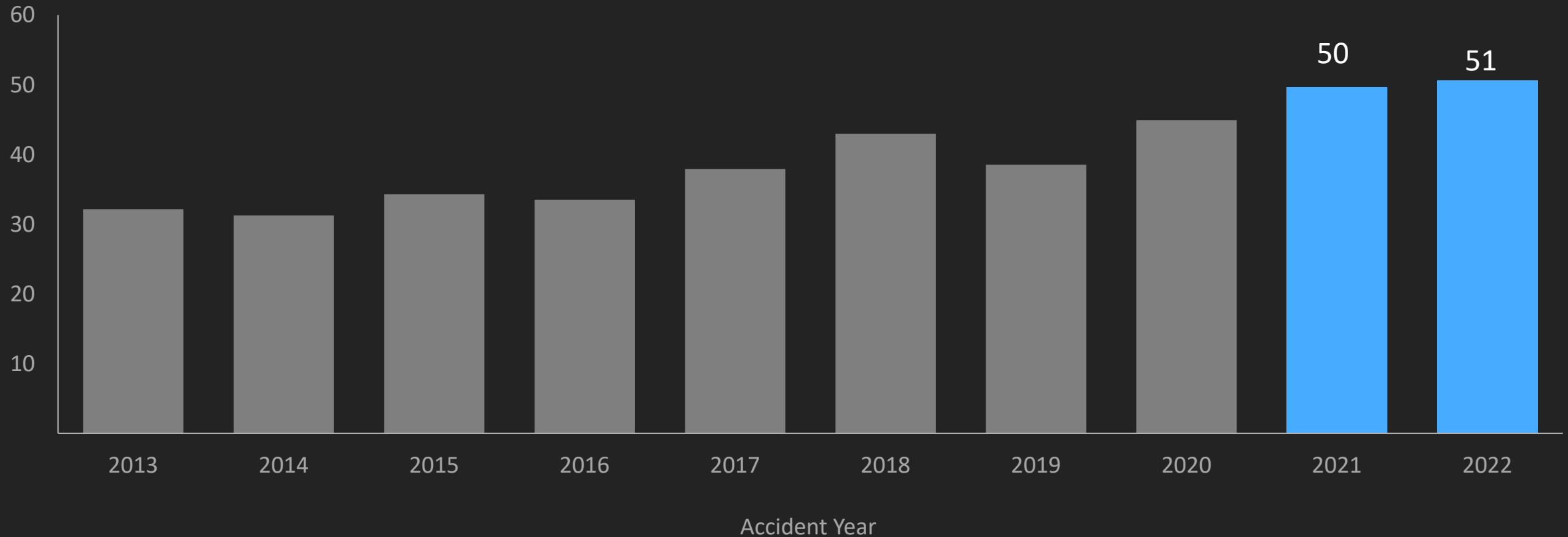
Source: NCCI's Pool Data, developed to ultimate; based on data through 12/31/2022.

Includes all states where NCCI provides Pool Administration services; Tennessee and Tennessee Reinsurance Mechanism experience is excluded for 2013–2015. Traumatic only.

WC Average Medical Lost-Time Claim Severity

NCCI Pool States

\$ Thousands



Source: NCCI's Pool Data, developed to ultimate; based on data through 12/31/2022.

Includes all states where NCCI provides Pool Administration services; Tennessee and Tennessee Reinsurance Mechanism experience is excluded for 2013–2015.

Traumatic only.

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Pool Reserving Highlights

Pool Reserving Highlights Overview

Loss
Development
Has Changed
Over Time

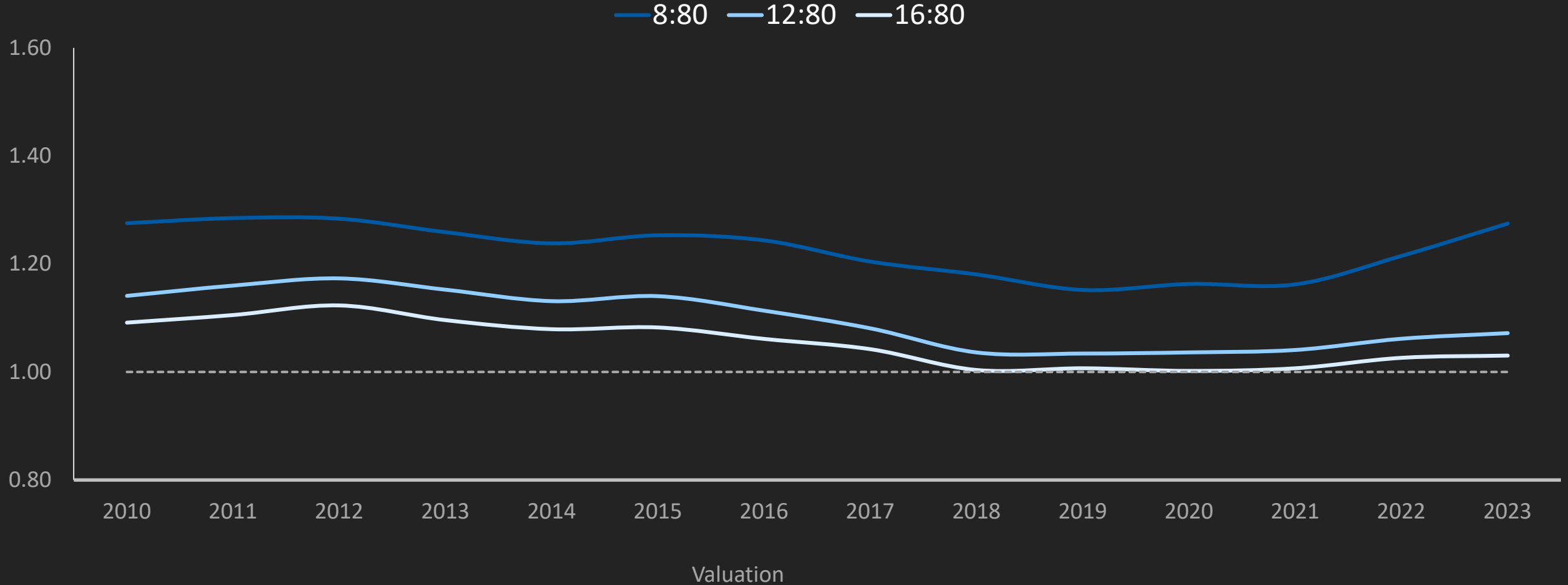
Claim
Reporting
and Closure
Shifted as
Well

Black Lung
Remains
Small
Portion of
Reserves

Recent
Research
Has Been
Updated

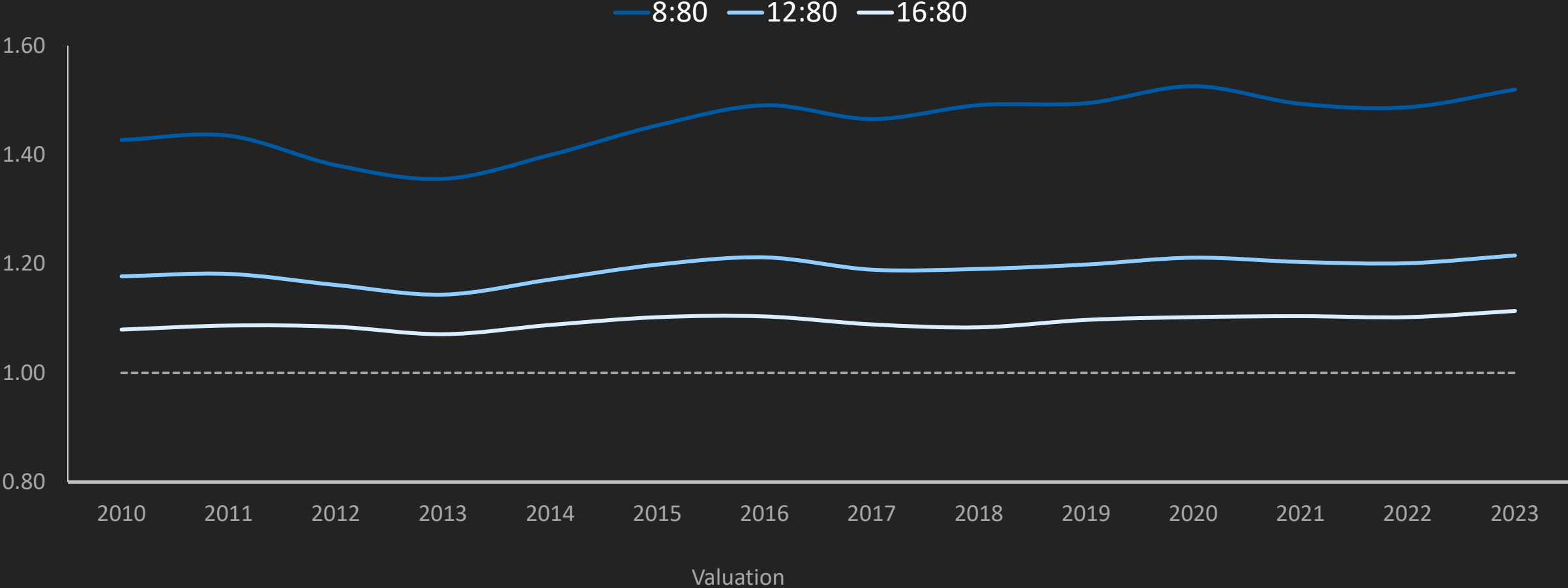
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Total Loss Development Pattern Has Declined



Source: NCCI's Pool Data, based on data through 9/30/2023 at 9/30 quarter end dates.
Includes all states where NCCI provides Pool Administration services excluding MA, MI, and NM.
Traumatic only based on 3-year average.

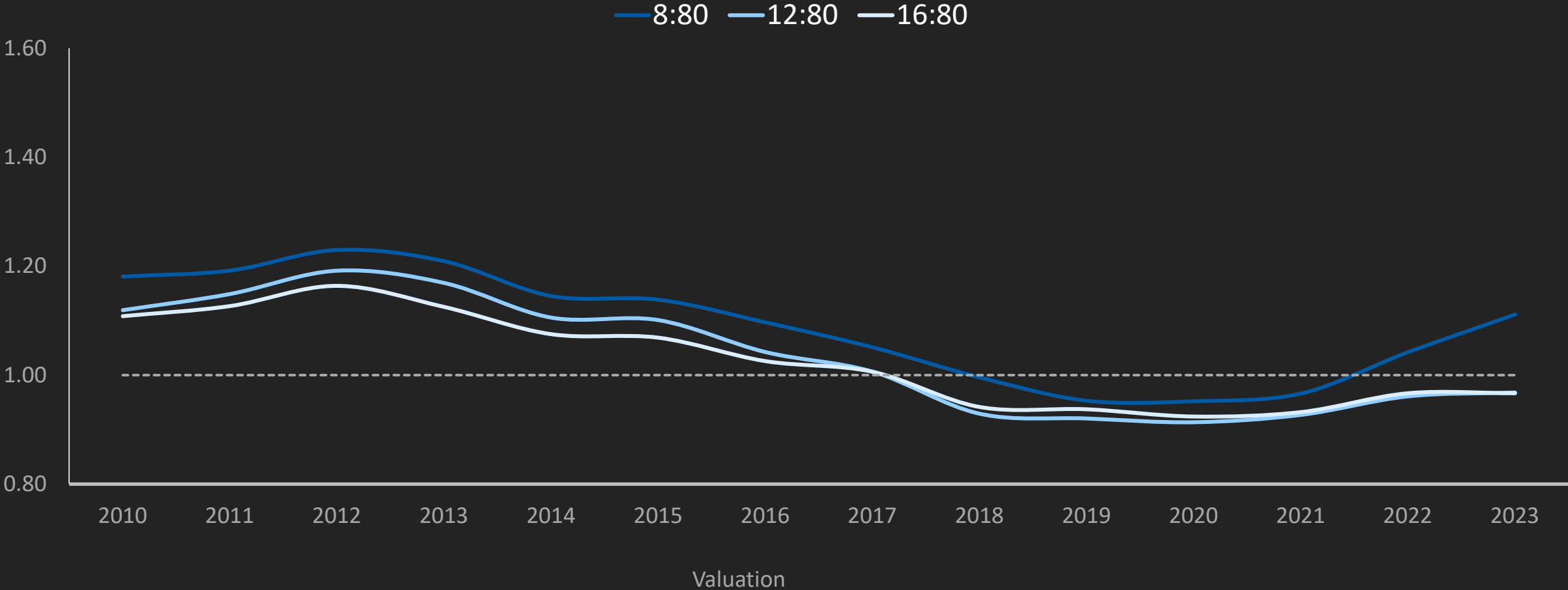
Indemnity Loss Development Has Been Stable



Source: NCCI's Pool Data, based on data through 9/30/2023 at 9/30 quarter end dates.
Includes all states where NCCI provides Pool Administration services excluding MA, MI, and NM.
Traumatic only based on 3-year average.



Medical Loss Development Has Been Negative

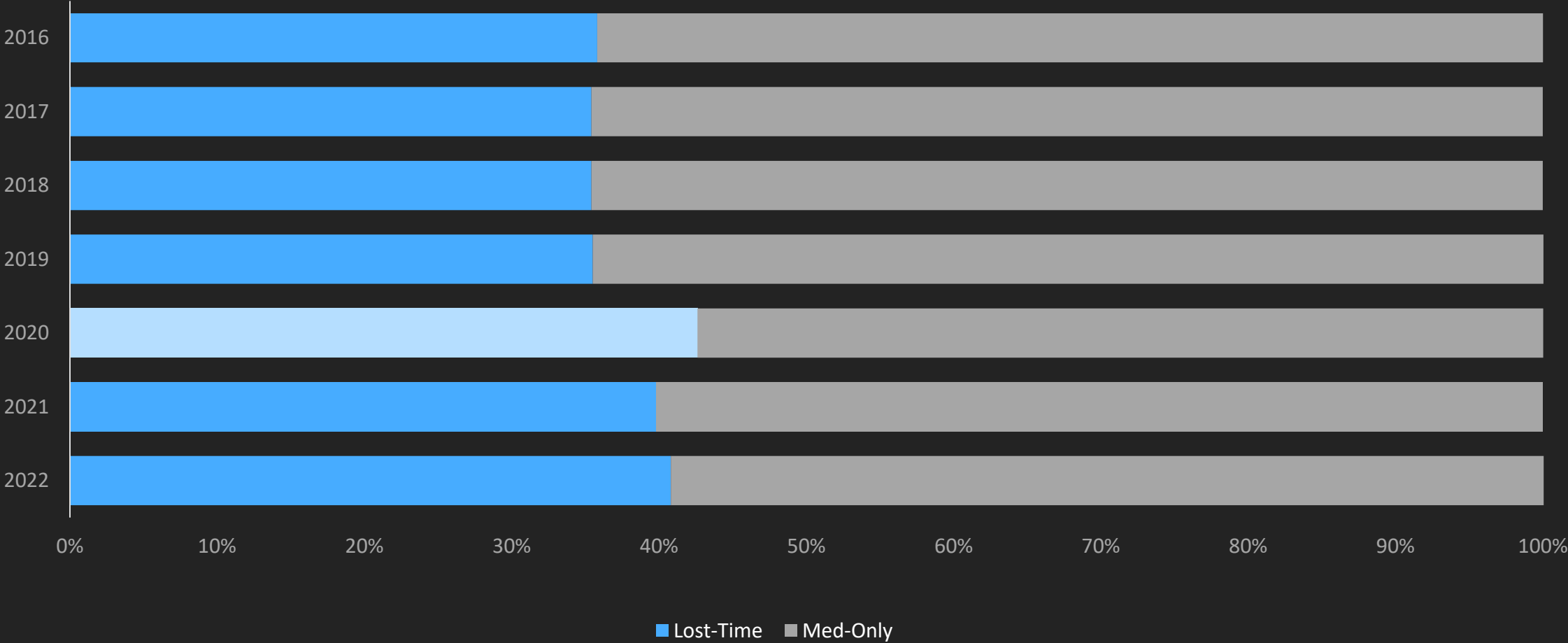


Source: NCCI's Pool Data, based on data through 9/30/2023 at 9/30 quarter end dates.
Includes all states where NCCI provides Pool Administration services excluding MA, MI, and NM.
Traumatic only based on 3-year average.



Lost-Time vs. Medical-Only Claim Counts

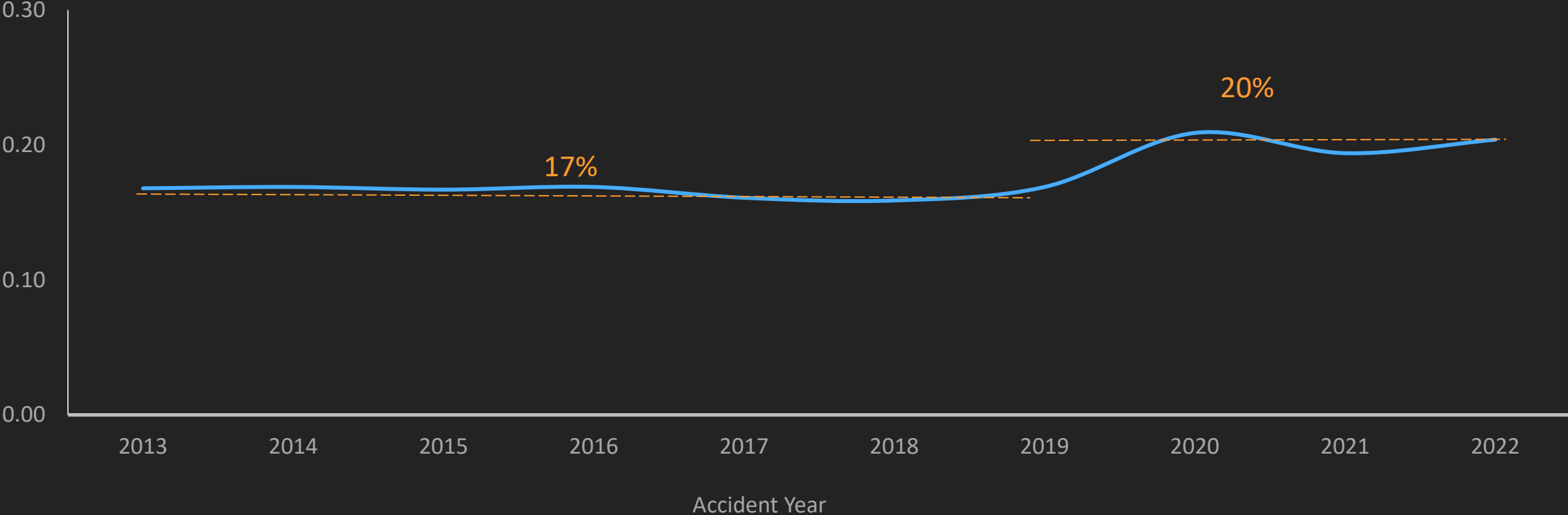
Age Quarter 7



Source: NCCI's Pool Data, based on data through 9/30/2023.
Includes all states where NCCI provides Pool Administration services.
Traumatic only.

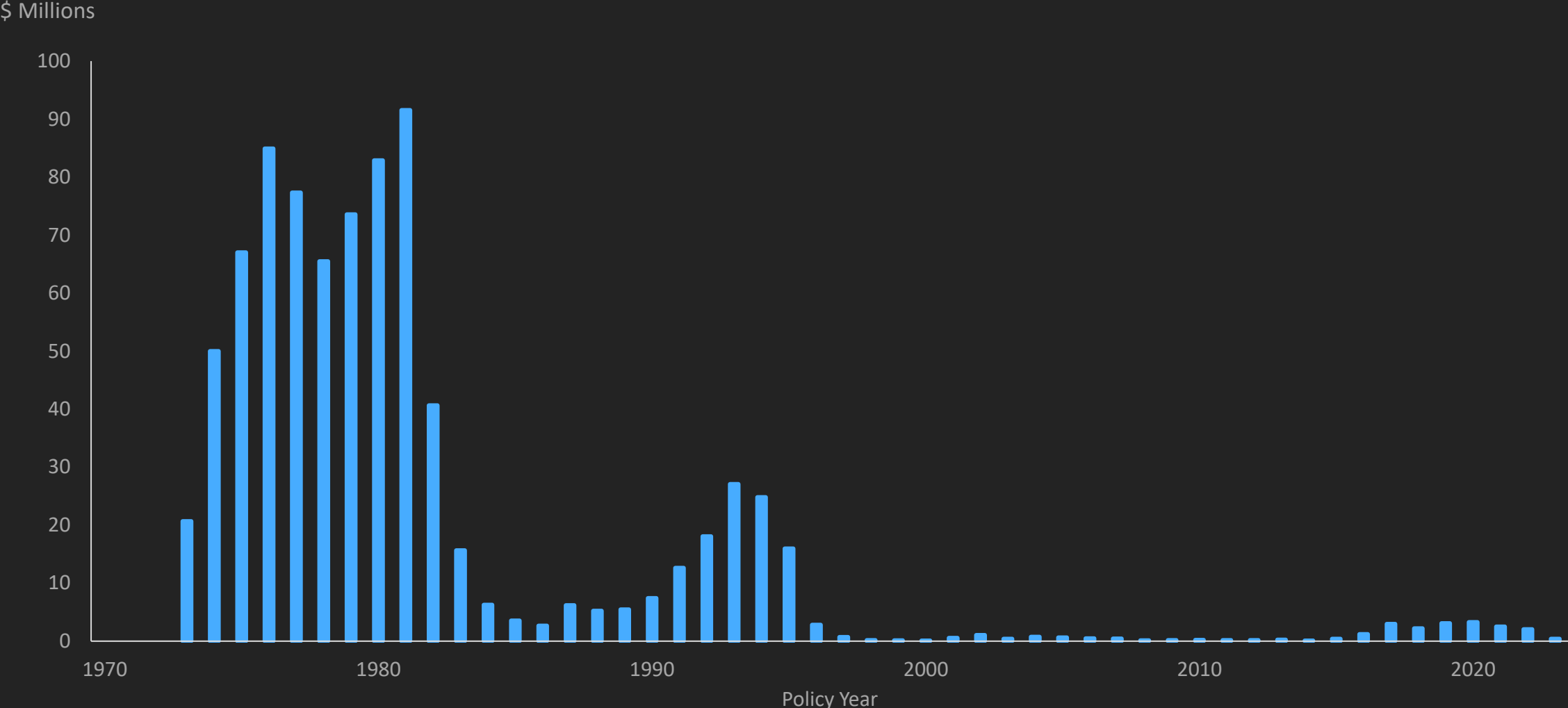
Claim Count Diagnostics

Open to reported slightly increasing at quarter 7



Source: NCCI's Pool Data, based on data through 9/30/2023.
Includes all states where NCCI provides Pool Administration services.
Traumatic only.

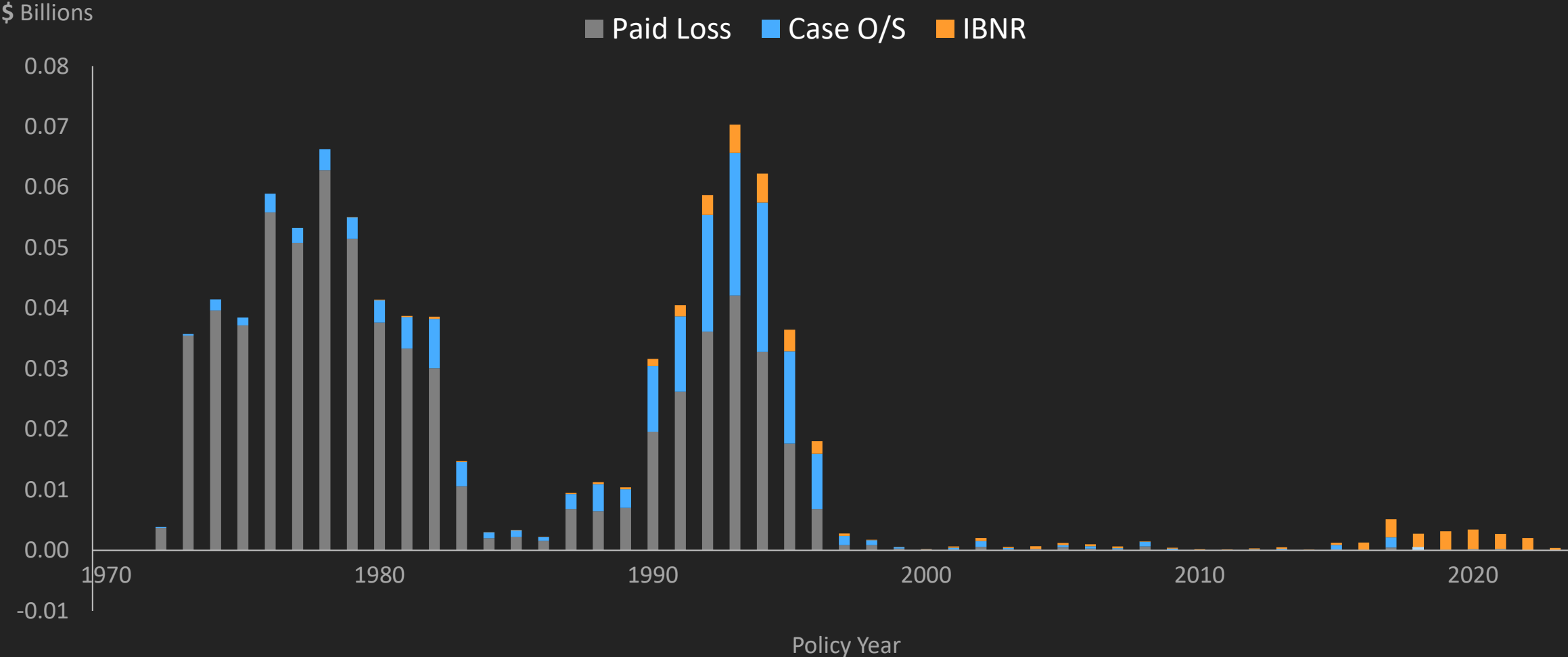
Occupational Disease (OD) Premium Largest in '70s and '80s



Source: NCCI's Pool Data, based on data through 9/30/2023.
Includes all states where NCCI provides Pool Administration services
Coal Mine Black Lung Occupational Disease (OD) only.

OD Ultimate Losses as of 9/30/2023

NCCI-Serviced Workers Compensation Residual Market Pools

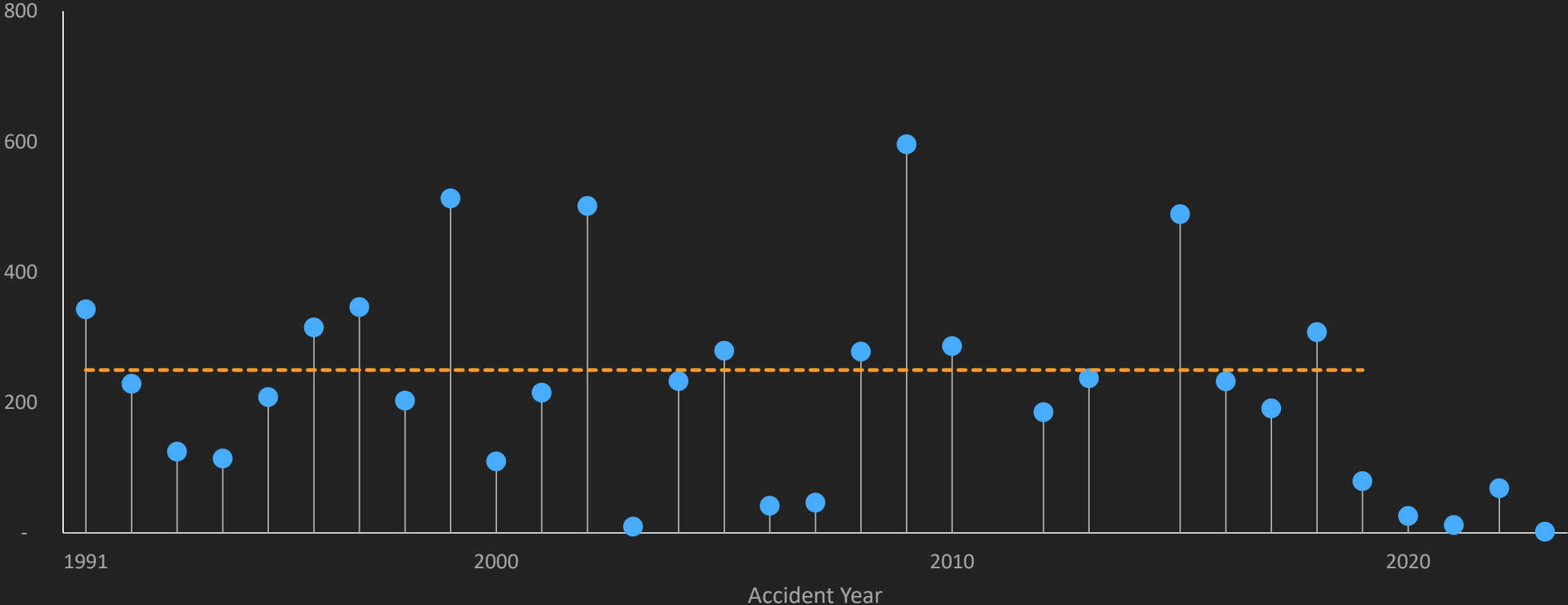


Source: NCCI's Pool Data, based on data through 9/30/2023.
Includes all states where NCCI provides Pool Administration services
Policy Years 2022 and 2023 are not fully earned

Reported OD Claim Severity as of 9/30/2023

NCCI-Serviced Workers Compensation Residual Market Pools

\$ Thousands



Source: NCCI's Pool Data, based on data through 9/30/2023.
Includes all states where NCCI provides Pool Administration services.

Recent Research

Credibility Complement Groups

- Alternative groups by state
- Measured against current all-state group
- Conclusion: maintain current group

Updated Discounting Methodology

- Discounting indemnity portion of pension claims
- Used payout pattern based on 2007 Life Table
- Updated pension percentage by state

Zero IBNR for 1970 – 1999

- IBNR calculated by a default methodology on Policy Years over 10 years old
- Some policy years have no activity for a decade
- Removed IBNR for years that are “closed” out

Key Takeaways

Premium
Stable

Reserves
Decreased

Market
Share Small
&
Manageable

Combined
Ratios Near
Break-even