<table>
<thead>
<tr>
<th><strong>Personal Lines</strong></th>
<th><strong>Commercial Lines</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Favorable experience in personal auto has resulted in premium credits</td>
<td>The policy language debate on business interruption considers the existence of coverage</td>
</tr>
<tr>
<td>Homeowners has benefited from a relatively mild natural catastrophe season</td>
<td>Potential responsibility for businesses to mitigate the spread of COVID-19 may fall under general liability or directors and officers</td>
</tr>
<tr>
<td></td>
<td>As the line most sensitive to economic cycles, workers compensation may see more widespread impacts</td>
</tr>
</tbody>
</table>
COVID-19 Resource Center
- Frequently Asked Questions
- Real-time COVID-19 legislative activity
  Quarterly Economics Briefing series

COVID-19 and Workers Compensation: Modeling Potential Impacts
- White paper that evaluates potential WC system impacts from COVID-19
  Hypothetical Scenarios Tool
Workers Compensation (WC) Results
WC Combined Ratio—Underwriting Gain Achieved

Private Carriers

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>100</td>
</tr>
<tr>
<td>2000</td>
<td>100</td>
</tr>
<tr>
<td>2001</td>
<td>83.2</td>
</tr>
<tr>
<td>2002</td>
<td>100</td>
</tr>
<tr>
<td>2003</td>
<td>100</td>
</tr>
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<td>2004</td>
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<td>2016</td>
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</tr>
<tr>
<td>2017</td>
<td>100</td>
</tr>
<tr>
<td>2018</td>
<td>85</td>
</tr>
<tr>
<td>2019p</td>
<td>83.2</td>
</tr>
</tbody>
</table>

P Preliminary
Source: NAIC's Annual Statement data

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WC Combined Ratio by Component

Private Carriers

Loss Ratio

Loss Adjustment Expense (LAE) Ratio

Underwriting Expense Ratio

Dividends

Calendar Year

Percent

99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19p

Calendar Year

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p Preliminary

Source: NAIC’s Annual Statement data
WC Investment Gain on Insurance Transactions
Ratio to Net Earned Premium, Private Carriers

Average (1999–2018): 12.6%

Calendar Year


0 5 10 15 20 25

p Preliminary
Source: NAIC’s Annual Statement data
Investment Gain on Insurance Transactions includes Other Income
2013 is adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring; unadjusted value is 19.4
WC Pretax Operating Gain

Private Carriers

Operating Gain equals 1.00 minus (Combined Ratio less Investment Gain on Insurance Transactions and Other Income)

2013 is adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring; unadjusted value is 17.7

Average (1999–2018): 8.1%
## WC Net Combined Ratios—

**Calendar Year vs. Accident Year As Reported**

**Private Carriers**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>110</td>
</tr>
<tr>
<td>2011</td>
<td>115</td>
</tr>
<tr>
<td>2012</td>
<td>105</td>
</tr>
<tr>
<td>2013</td>
<td>110</td>
</tr>
<tr>
<td>2014</td>
<td>115</td>
</tr>
<tr>
<td>2015</td>
<td>110</td>
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<tr>
<td>2016</td>
<td>115</td>
</tr>
<tr>
<td>2017</td>
<td>110</td>
</tr>
<tr>
<td>2018</td>
<td>83</td>
</tr>
<tr>
<td>2019</td>
<td>95</td>
</tr>
<tr>
<td>2019p</td>
<td>99</td>
</tr>
</tbody>
</table>

*p Preliminary

Source: NAIC’s Annual Statement data

Accident Year information is reported as of 12/31/2019
Includes dividends to policyholders

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WC Net Combined Ratios—
NCCI’s Accident Year Selections vs. As Reported

Private Carriers

Sources: As Reported: NAIC’s Annual Statement Schedule P—Part 1D data as of 12/31/2019
NCCI Selections: NCCI’s analysis based on NAIC’s Annual Statement data

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WC Net Loss and LAE Ratios—NCCI’s Accident Year Selections vs. As Reported

Private Carriers

Percent

Accident Year


Sources: As Reported: NAIC’s Annual Statement Schedule P—Part 1D data as of 12/31/2019
NCCI Selections: NCCI’s analysis based on NAIC’s Annual Statement data
As Reported Loss and LAE ratios are net of tabular reserve discounts and gross of nontabular reserve discounts

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WC Net Loss and LAE Reserve Adequacy

Private Carriers

$ Billions

2019 Tabular Discount Is $3.9 Billion

Source: NCCI’s analysis based on NAIC’s Annual Statement data
Considers all reserve discounts as deficiencies

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Property & Casualty (P&C) Industry Results
### P&C Industry Net Written Premium Growth

**Private Carriers**

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2018 ($B)</th>
<th>2019p ($B)</th>
<th>% Change From 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Auto</td>
<td>240.9</td>
<td>247.2</td>
<td>-2.9</td>
</tr>
<tr>
<td>Homeowners</td>
<td>88.3</td>
<td>92.1</td>
<td></td>
</tr>
<tr>
<td>Other Liability (Incl. Product Liability)</td>
<td>62.4</td>
<td>64.3</td>
<td></td>
</tr>
<tr>
<td><strong>Workers Compensation</strong></td>
<td>43.3</td>
<td>42.0</td>
<td>-2.9</td>
</tr>
<tr>
<td>Commercial Auto</td>
<td>35.8</td>
<td>38.7</td>
<td></td>
</tr>
<tr>
<td>Commercial Multiple Peril</td>
<td>37.5</td>
<td>38.6</td>
<td></td>
</tr>
<tr>
<td>Fire &amp; Allied Lines (Incl. EQ)</td>
<td>30.2</td>
<td>32.1</td>
<td></td>
</tr>
<tr>
<td>All Other Lines</td>
<td>74.3</td>
<td>77.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total P&amp;C Industry</strong></td>
<td><strong>612.6</strong></td>
<td><strong>632.4</strong></td>
<td><strong>3.2</strong></td>
</tr>
</tbody>
</table>

- Preliminary

Source: NAIC’s Annual Statement data for individual carriers prior to consolidation of affiliated carriers

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Quarterly Average Premium Changes by Line of Business
1Q 2018–4Q 2019

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### P&C Industry Net Combined Ratio

#### Private Carriers

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2018 (%)</th>
<th>2019p (%)</th>
<th>Difference From 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Auto</td>
<td>98</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>Homeowners</td>
<td>104</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>Other Liability (Incl. Product Liability)</td>
<td>101</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td><strong>Workers Compensation</strong></td>
<td>83</td>
<td>85</td>
<td><strong>2</strong></td>
</tr>
<tr>
<td>Commercial Auto</td>
<td>108</td>
<td>109</td>
<td></td>
</tr>
<tr>
<td>Commercial Multiple Peril</td>
<td>107</td>
<td>105</td>
<td></td>
</tr>
<tr>
<td>Fire &amp; Allied Lines (Incl. EQ)</td>
<td>109</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td>All Other Lines</td>
<td>92</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td><strong>Total P&amp;C Industry</strong></td>
<td><strong>99</strong></td>
<td><strong>99</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

*p Preliminary
Source: NAIC’s Annual Statement data for individual carriers prior to consolidation of affiliated carriers

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P&C Industry Net Combined Ratio

Private Carriers

Calendar Year

Percent

<table>
<thead>
<tr>
<th>Year</th>
<th>99</th>
<th>00</th>
<th>01</th>
<th>02</th>
<th>03</th>
<th>04</th>
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<th>13</th>
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<th>16</th>
<th>17</th>
<th>18</th>
<th>19p</th>
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<tbody>
<tr>
<td>1999</td>
<td></td>
<td>99</td>
<td>00</td>
<td>01</td>
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<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
</tbody>
</table>

p Preliminary

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Workers Compensation Premium
WC Net Written Premium
Private Carriers and State Funds

Source: NAIC’s Annual Statement data; 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

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WC Residual Market Premium

NCCI-Serviced WC Residual Market Pools

$ Billions

Policy Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>99</td>
<td>0.15</td>
</tr>
<tr>
<td>00</td>
<td>0.20</td>
</tr>
<tr>
<td>01</td>
<td>0.25</td>
</tr>
<tr>
<td>02</td>
<td>0.30</td>
</tr>
<tr>
<td>03</td>
<td>0.35</td>
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<tr>
<td>04</td>
<td>0.40</td>
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<td>05</td>
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<td>06</td>
<td>0.50</td>
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<td>07</td>
<td>0.55</td>
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<td>08</td>
<td>0.60</td>
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<td>09</td>
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<td>10</td>
<td>0.70</td>
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<td>11</td>
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</tr>
<tr>
<td>12</td>
<td>0.80</td>
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<tr>
<td>13</td>
<td>0.85</td>
</tr>
<tr>
<td>14</td>
<td>0.90</td>
</tr>
<tr>
<td>15</td>
<td>0.95</td>
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<td>16</td>
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<td>17</td>
<td>1.05</td>
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<tr>
<td>18</td>
<td>1.10</td>
</tr>
<tr>
<td>19p</td>
<td>0.19</td>
</tr>
</tbody>
</table>

P Preliminary, incomplete policy year projected to ultimate
Source: NCCI’s Residual Market Quarterly Results
Includes Pool data for all NCCI-serviced WC Residual Market Pool states, valued as of 12/31/2019
Tennessee Reinsurance Mechanism premium is not included

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WC Residual Market Share
NCCI-Serviced WC Residual Market Pools

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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WC Direct Written Premium Change—2019

Private Carriers

Source: 2018 and 2019 NAIC’s Annual Statement Statutory Page 14

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WC Direct Written Premium Change—2019

Private Carriers

Source: 2018 and 2019 NAIC's Annual Statement Statutory Page 14

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WC Direct Written Premium Change by Component

Private Carriers—NCCI States

<table>
<thead>
<tr>
<th>Component</th>
<th>2018 vs. 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>5.5%</td>
</tr>
<tr>
<td>Loss Cost and Mix</td>
<td>-9.3%</td>
</tr>
<tr>
<td>Carrier Discounting</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Other Factors</td>
<td>3.3%</td>
</tr>
<tr>
<td>Change in Direct Written Premium</td>
<td>-1.3%</td>
</tr>
</tbody>
</table>

Sources: Direct Written Premium Change: NAIC’s Annual Statement Statutory Page 14 for all states where NCCI provides ratemaking services
Components: NCCI’s Policy data

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Changes in Payroll by Component
Forecast Change 2018–2019

Payroll 5.3%

Wage Rate 3.7%

Employment 1.5%

Professional & Business Services
Trade, Transportation, & Utilities
Education & Health Services
Manufacturing
Financial Activities
Construction
Leisure & Hospitality
All Other

Sources: Moody’s Analytics and NCCI
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WC Approved Changes in Bureau Premium Level

Weighted by Effective Date—NCCI States

Percent

Calendar Year

p Preliminary
Source: NAIC’s Annual Statement Statutory Page 14
Values reflect changes in average premium levels between years, based on approved changes in advisory rates, loss costs, assigned risk rates, and rating values, as of 5/8/2020
IN and NC are filed in cooperation with state rating bureaus

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Most Recent Changes in Bureau Premium Level
Voluntary Market, Excludes Law-Only Filings

Premium level changes in advisory rates, loss costs, and rating values, as of 5/8/2020, as filed by the applicable rating organization, relative to those previously approved. IN and NC are filed in cooperation with state rating bureaus.

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Workers Compensation Loss Drivers
WC Lost-Time Claim Frequency
Change in Claims per $1M Pure Premium, Private Carriers and State Funds—NCCI States

2010 and 2011 adjusted primarily for significant changes in audit activity
P Preliminary, based on data valued as of 12/31/2019
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 12/31/2018
Includes all states where NCCI provides ratemaking services; NV is excluded prior to 2002, TX is excluded prior to 2007, and WV is excluded prior to 2012

Average Annual Change: −3.8%
(1999–2018)
WC Lost-Time Claim Frequency by Nature of Injury
Average Annual Change 2013–2018, Private Carriers and State Funds—NCCI States

The size of the circle represents the number of lost-time claims in each nature-of-injury group.
The value of the frequency change is at the center of the circle.
Sources: NCCI’s Statistical Plan data, undeveloped lost-time claims at first report per $1M earned premium at current wage and NCCI pure loss cost level; excludes large deductible policies included all states where NCCI provides ratemaking services.

%  

-10 -5 0

Occupational Disease/Cumulative Injuries  
Sprain  
Strain  
Infection/Inflammation  
Laceration/Puncture/Rupture  
Amputation/Severance  
Concussion/Contusion  
Fracture/Crushing/Dislocation  
Burn/Shock  
Multiple Injuries  
Other Traumatic Injuries

All Claims: -3.8%

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WC Lost-Time Claim Frequency by Part of Body

Average Annual Change 2013–2018, Private Carriers and State Funds—NCCI States

The size of the circle represents the number of lost-time claims in each part-of-body group. The value of the frequency change is at the center of the circle.

Sources: NCCI’s Statistical Plan data, undeveloped lost-time claims at first report per $1M earned premium at current wage and NCCI pure loss cost level; excludes large deductible policies. Includes all states where NCCI provides ratemaking services.

Percent

-10

Back  Chest/Trunk  Knee  Multiple Parts/Braces/Misc.  Hand/Wrist  Neck/Spine  Arm/Shoulder  Leg/Pelvis/Hip  Ankle/Foot  Head/Brain/Face

All Claims: -3.8%

-7.4

+1.0
Cumulative Change in Claim Frequency

Motor Vehicle Accidents vs. All Claims

Since 2011, smartphone ownership grew from 20% to 80%
WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States

Severity
($ Thousands)

Accident Year

99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19p

24.3 25.3 3.4% 4%

p Preliminary, based on data valued as of 12/31/2019
Source: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2018
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; NV is excluded prior to 2004, TX is excluded prior to 2005, and WV is excluded prior to 2009

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WC Average Indemnity Claim Severity
Private Carriers and State Funds—NCCI States

Cumulative Change in Indemnity Claim Severity: +85%
Cumulative Change in Wage Inflation: +78%

Accident Year

99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19p

Sources:
Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2018.
Values displayed reflect the methodology underlying the most recent rate/loss cost filing.
Includes all states where NCCI provides ratemaking services; NV is excluded prior to 2004, TX is excluded prior to 2005, and WV is excluded prior to 2009.

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WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States

Severity
($ Thousands)

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Severity</th>
</tr>
</thead>
<tbody>
<tr>
<td>99</td>
<td>10</td>
</tr>
<tr>
<td>00</td>
<td>15</td>
</tr>
<tr>
<td>01</td>
<td>20</td>
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<td>03</td>
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<td>90</td>
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<tr>
<td>16</td>
<td>95</td>
</tr>
<tr>
<td>17</td>
<td>100</td>
</tr>
</tbody>
</table>

2.5% 28.6 29.5
3% 18p 19p

Preliminary, based on data valued as of 12/31/2019
Source: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2018
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; NV is excluded prior to 2004, TX is excluded prior to 2005, and WV is excluded prior to 2009

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WC Average Medical Lost-Time Claim Severity
Private Carriers and State Funds—NCCI States

Cumulative Change in Medical Lost-Time Claim Severity: +130%
Cumulative Change in the Personal Health Care Chain-Weighted Price Index: +59%

p Preliminary, based on data valued as of 12/31/2019
Sources: Severity: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2018
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; NV is excluded prior to 2004, TX is excluded prior to 2005, and WV is excluded prior to 2009
PHC Chain-Weighted Price Index: Centers for Medicare & Medicaid Services

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Uncertainty Ahead
COVID-19 and Employment

Leisure, Hospitality, and Travel
Many shut down by government mandate or saw traffic drop to near zero

Durable and Discretionary Goods
Cancelled or deferred orders have impacted a wide range of products

Professional Services
Telecommuting may help to maintain current employment with a reduced risk of COVID-19 exposure

Healthcare for Urgent Needs
Demand surged for urgent medical service and supplies

Groceries and Direct Delivery
Demand and online sales skyrocketed, resulting in temporary new hires

Reduction in Jobs | Jobs Maintained | Increase in Jobs
COVID-19 and Premium

Exposure Decline
Recent changes in unemployment and fewer hours worked have reduced payroll.

Small businesses may be especially impacted.

Audit vs. Mid-Term Adjustments
Mid-term endorsement activity capturing changes in exposure is likely to impact premium in the short term.

Otherwise, negative audits after policy expiration are expected.

Timing Flexibility
Some carriers have suspended the cancellation of policies and penalties for late premium payments.

Downward Pressure
Neutral
COVID-19 and Claim Frequency

Claim Reporting
Possible deferral of claim reporting may result in reduced injury frequency

Elevated Unemployment
In addition to those who have lost their jobs, employed individuals may be reluctant to file claims

Changes in Exposure
Increased telecommuting reduces driving and may result in fewer motor vehicle accidents

However, remote working environments may increase ergonomic injuries

Occupational Disease
Recent legislation clarifies coverage for first responders and healthcare workers

Compensability Expansion
Potential for employees in other “essential” occupations

Downward Pressure

Upward Pressure
COVID-19 and Claim Severity

Telehealth
*Increased use may reduce severities*

Return-to-Work
*May take longer due to deferred treatment, and some jobs will remain furloughed*

Return-to-work and light-duty programs may be used less often while WC benefits continue

Medical Care
*Deferral* of hospital treatments and physical therapy may *increase claim duration*

Claims Handling
*Potential for reduced efficiencies* and impacts to claim adjustment costs

Downward Pressure

Upward Pressure
What Could a COVID-19 Claim Look Like?

- **Indemnity**
  - Minimal time away from work
  - Significant time away from work

- **Medical**
  - Mild symptoms with low medical costs
  - Short-term hospital stay
  - Long-term hospital stay
  - Need for rehabilitation

- **Mental-Mental**
  - OTC/Rx Medication
  - Require therapy session(s)
  - Long-term impairment
Workers Compensation Summary

Year-End Observations

• **Favorable** combined ratios continue
• **Strong** reserve position
• Average loss costs and rates **declined** for the seventh consecutive year
• Frequency **declined**, consistent with the long-term average
• Indemnity and medical severity **moderately increased**

Uncertainty Ahead

• Overall, employment is **down** significantly with **mixed impacts** by industry
• Premium is expected to **decline** with reduced employment and hours
• Broad compensability actions could have **severe impacts**
• Several factors may exert **upward or downward** pressure on frequency and severity
Meet the Experts

Virtual session later today

Contact Us

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State of the Line Report

State of the Line Guide

COVID-19 Resource Center