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Annual Issues Symposium 2021

# STRONGER TOGETHER

State of the Line Report

**AISAIS**  
2021 VIRTUAL

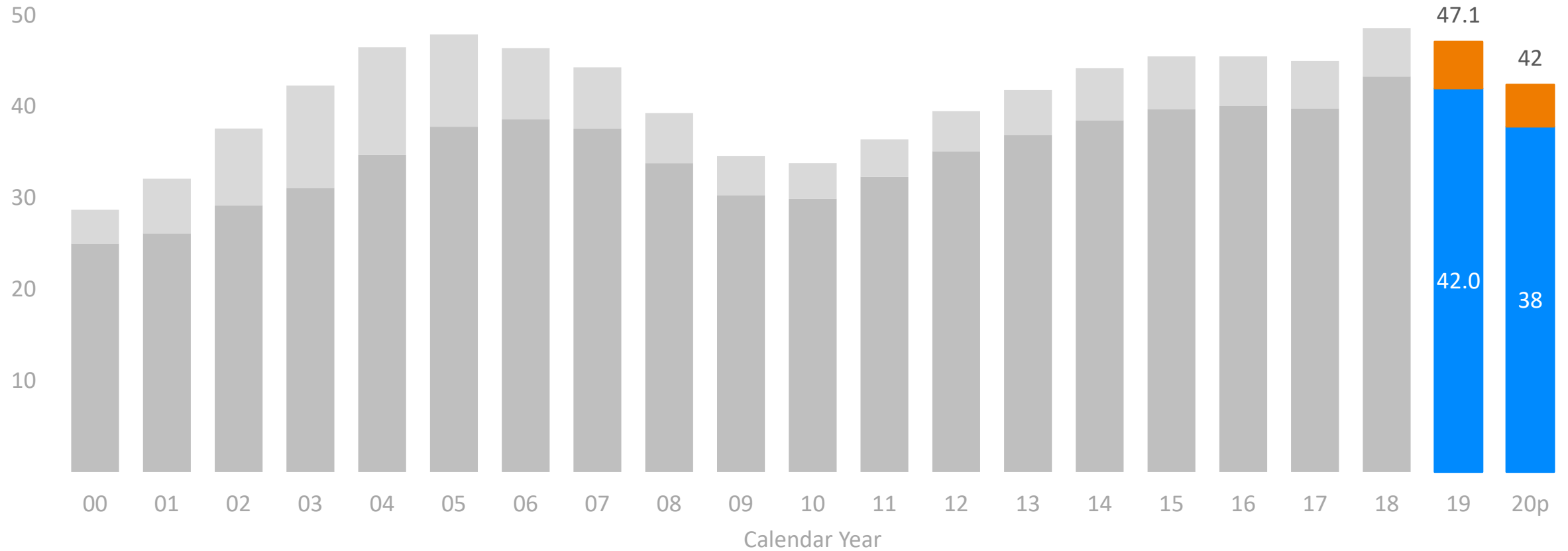


# Workers Compensation (WC) Premium

# WC Net Written Premium

Private Carriers and State Funds

\$ Billions



p Preliminary

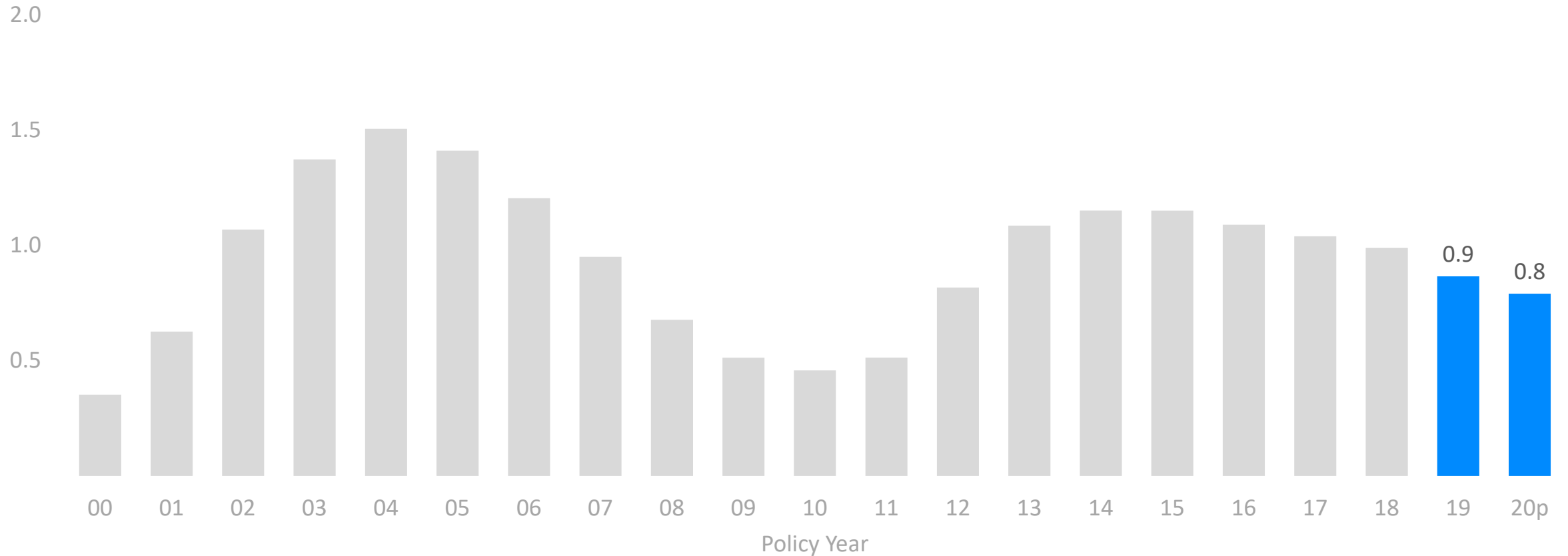
Source: NAIC's Annual Statement data; includes state insurance fund data for the following states: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, and UT  
Each calendar year total for state funds includes all funds operating as a state fund in that year

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# WC Residual Market Premium

## NCCI-Serviced WC Residual Market Pools

\$ Billions



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 12/31/2020

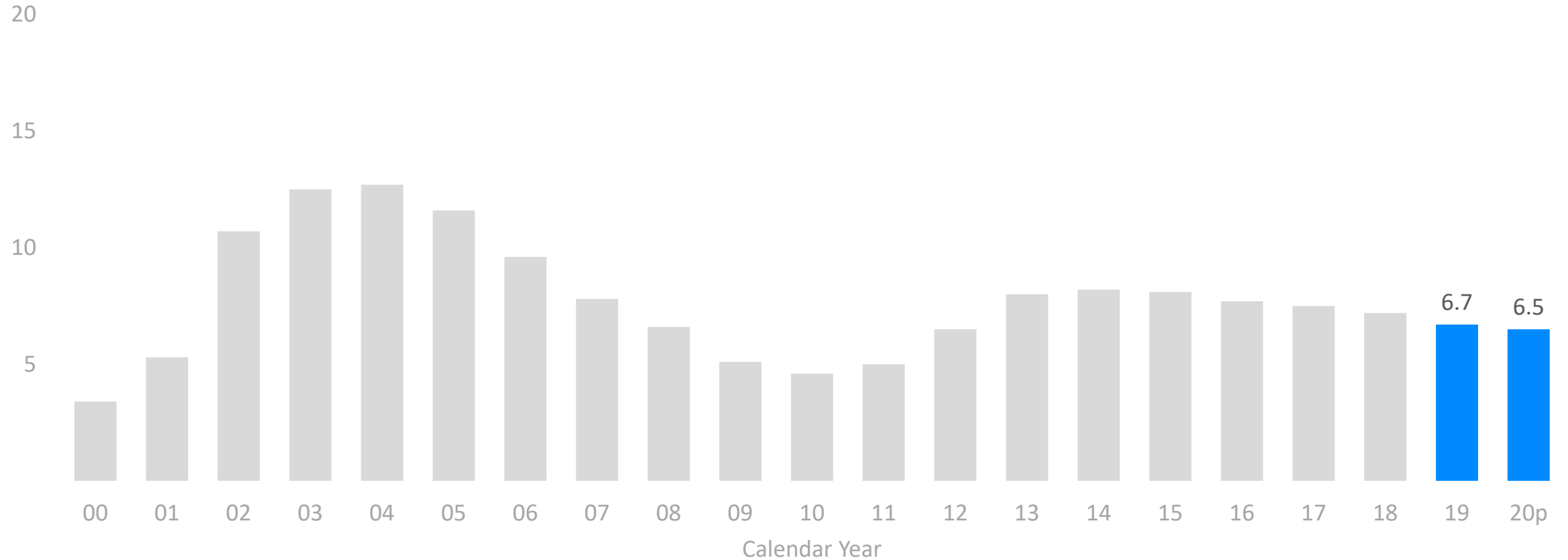
Tennessee Reinsurance Mechanism premium is not included

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# WC Residual Market Share

## NCCI-Serviced WC Residual Market Pools

Percent



p Preliminary

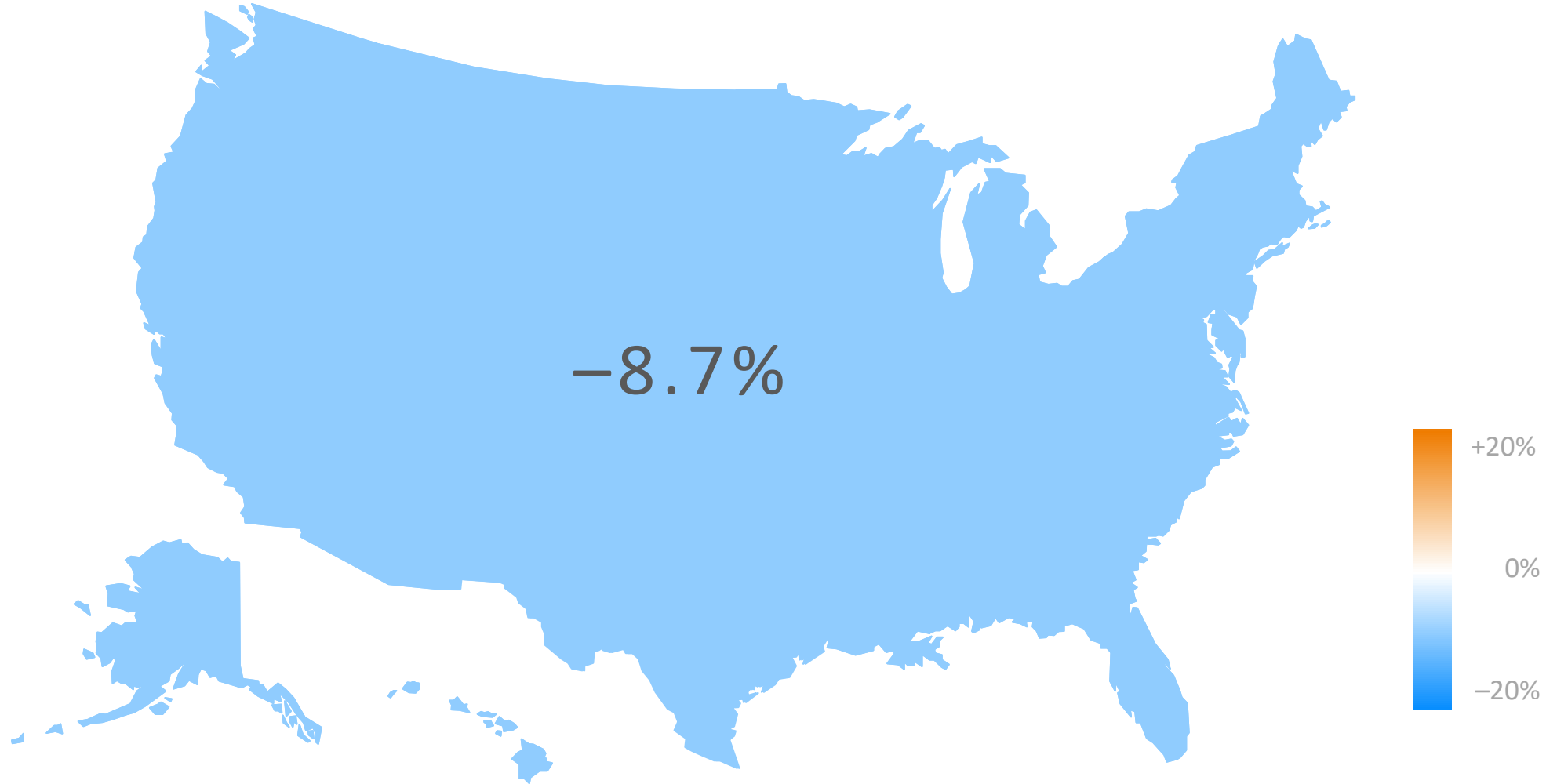
Source: NCCI's *Residual Market Management Summary*

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

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# WC Direct Written Premium Change—2020

Private Carriers

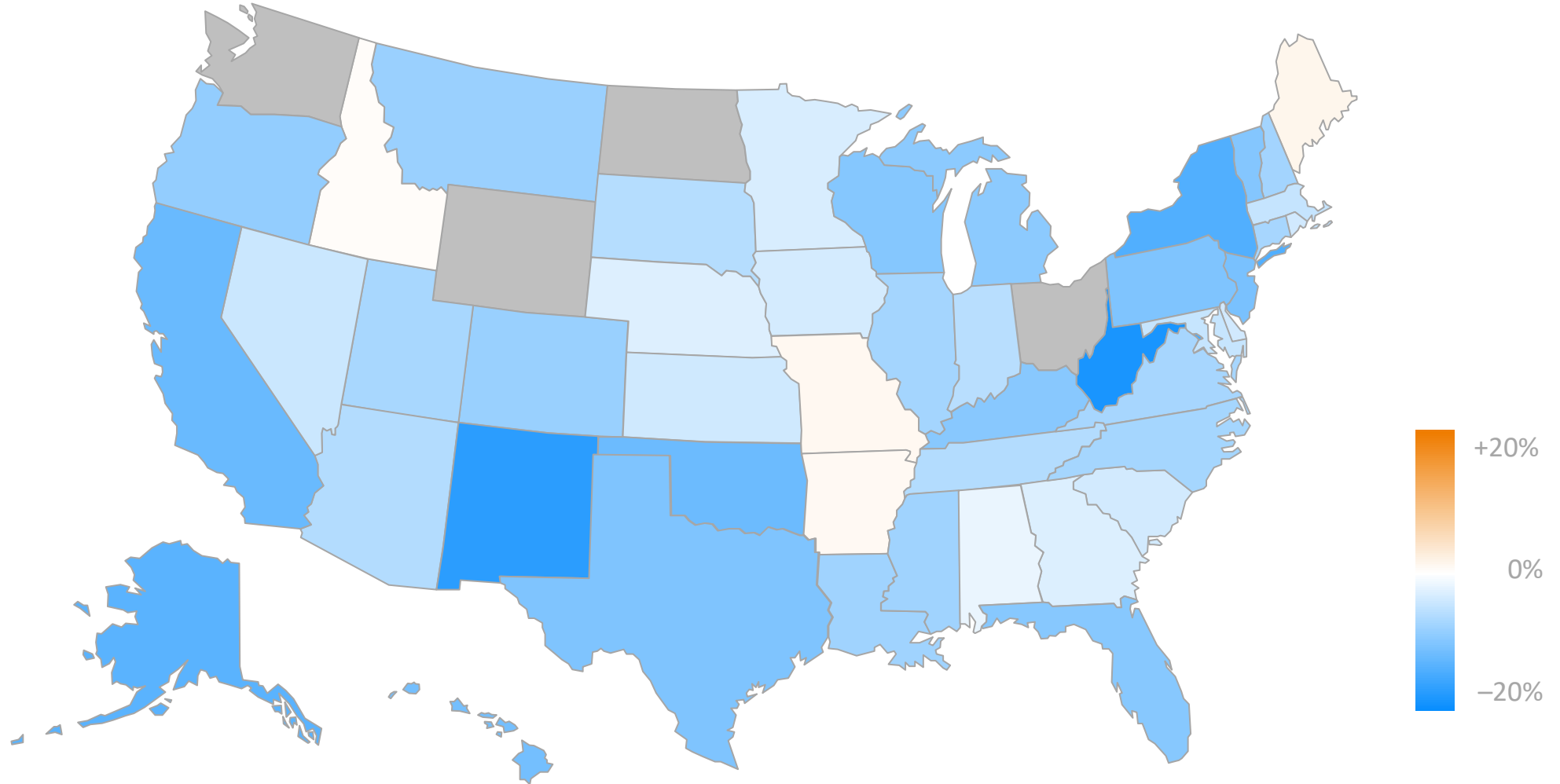


Source: 2019 and 2020 NAIC's Annual Statement Statutory Page 14

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# WC Direct Written Premium Change—2020

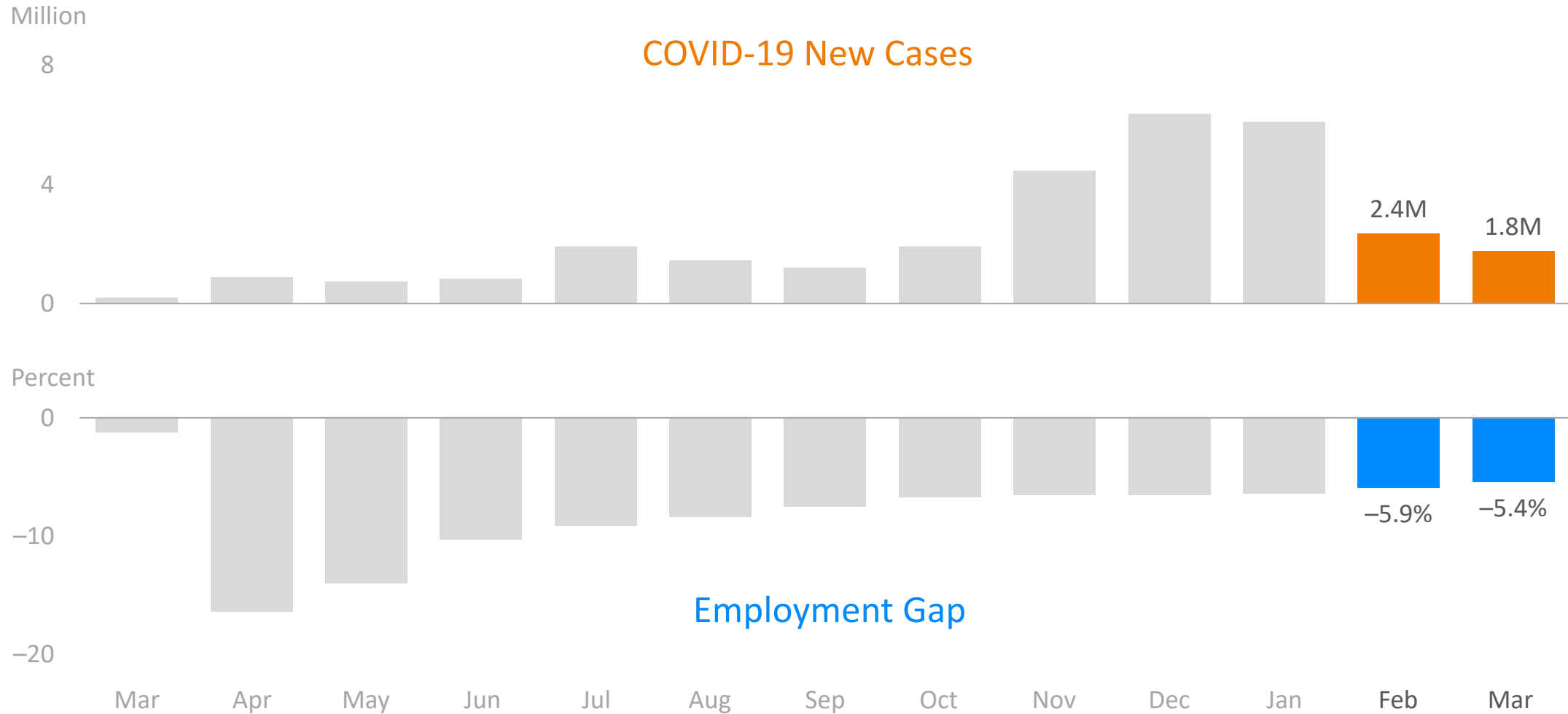
Private Carriers



Source: 2019 and 2020 NAIC's Annual Statement Statutory Page 14

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# US Employment Gap and New COVID-19 Cases



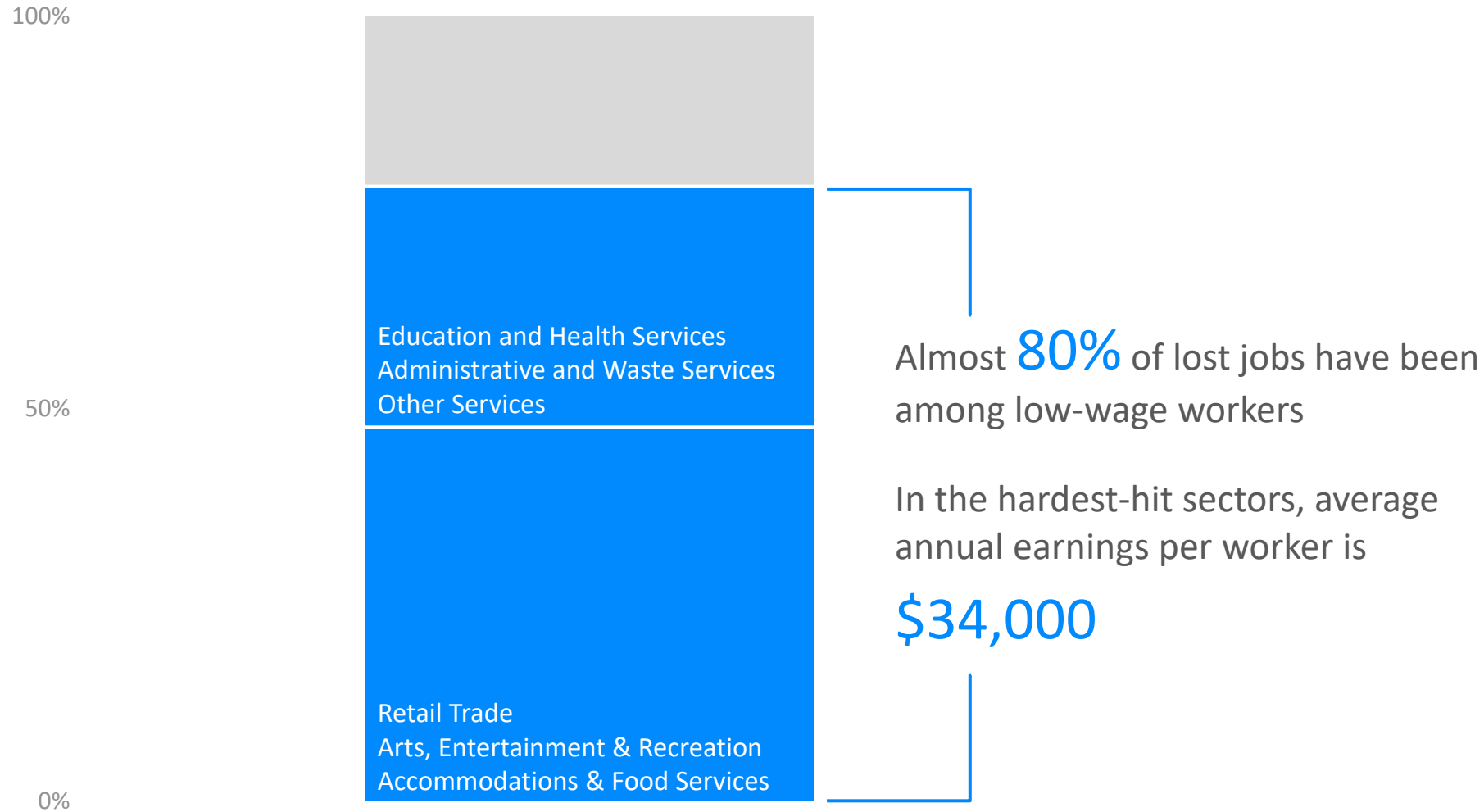
Sources: Centers for Disease Control and Prevention, US Bureau of Labor Statistics, and NCCI

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# COVID-19 Job Losses Were Concentrated Among Low-Wage Earners

February 2021

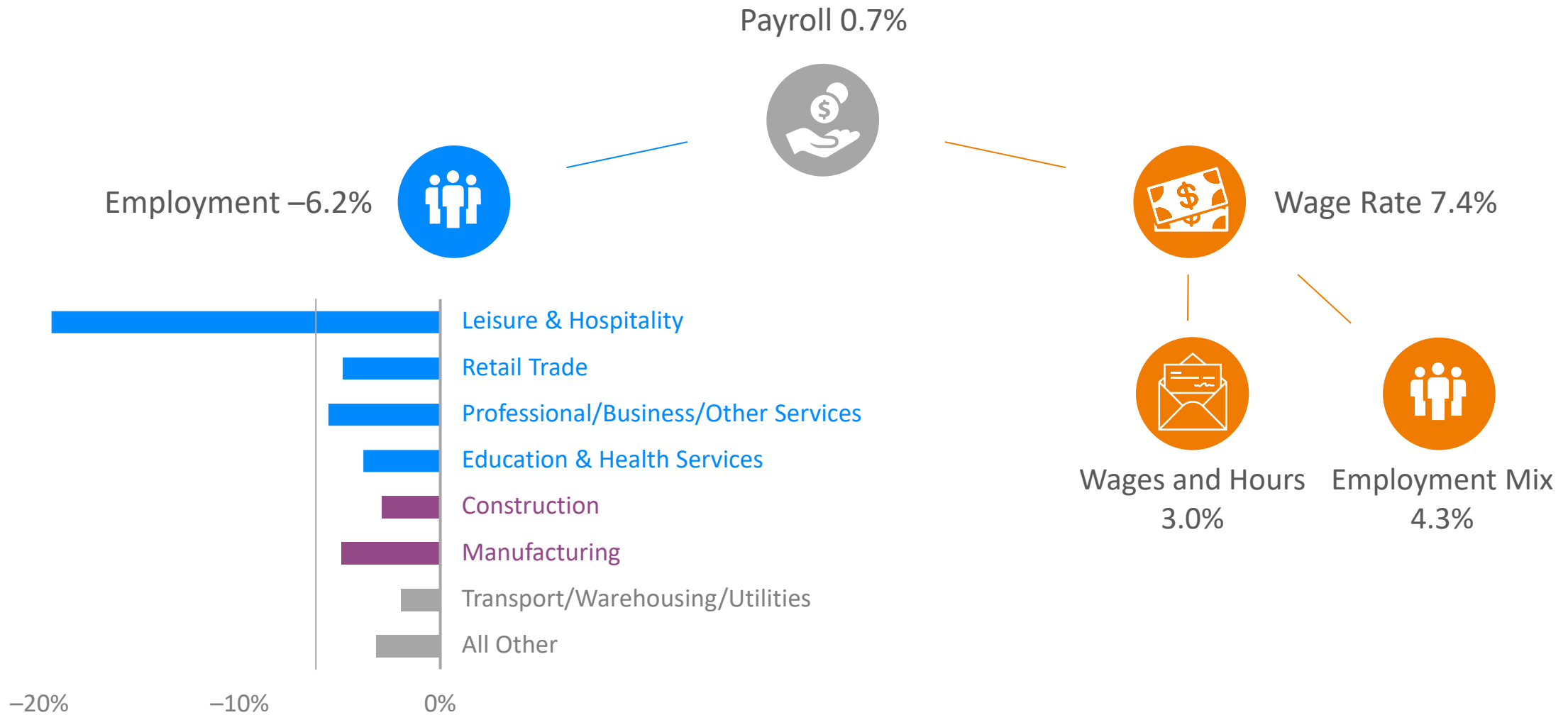


Sources: US Bureau of Labor Statistics and NCCI

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# Payroll Change Includes Offsetting Employment and Wage Effects

Forecast Change 2019–2020

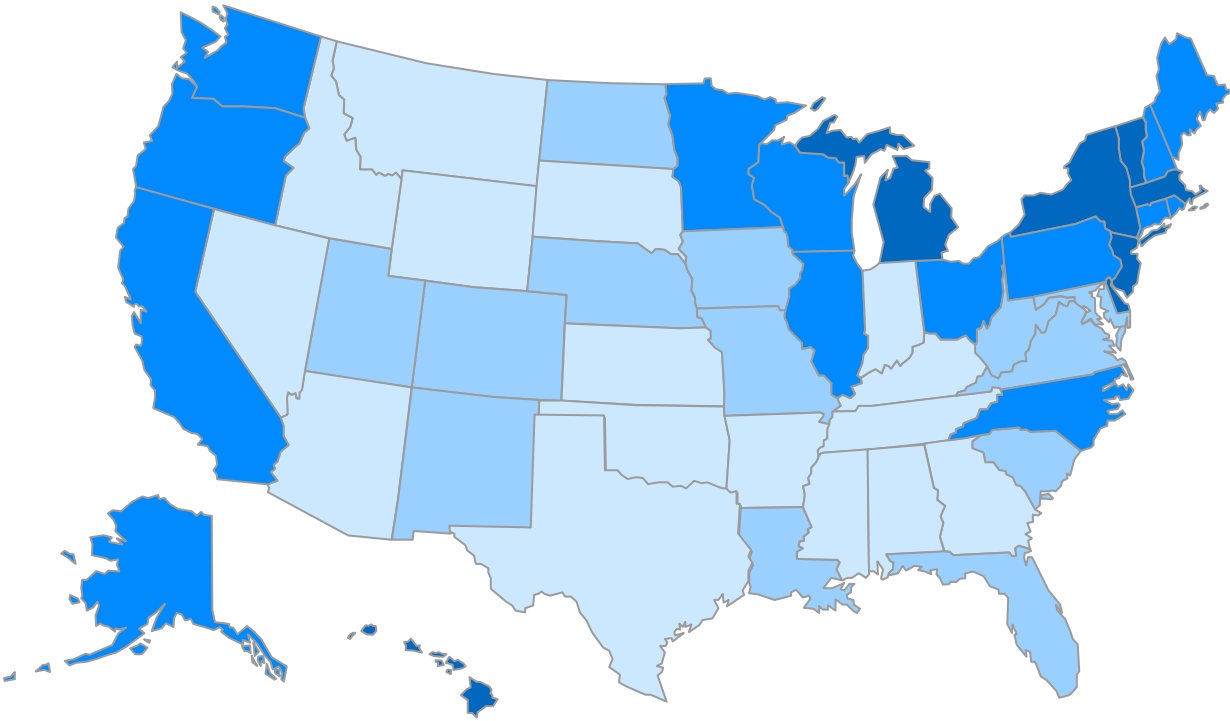
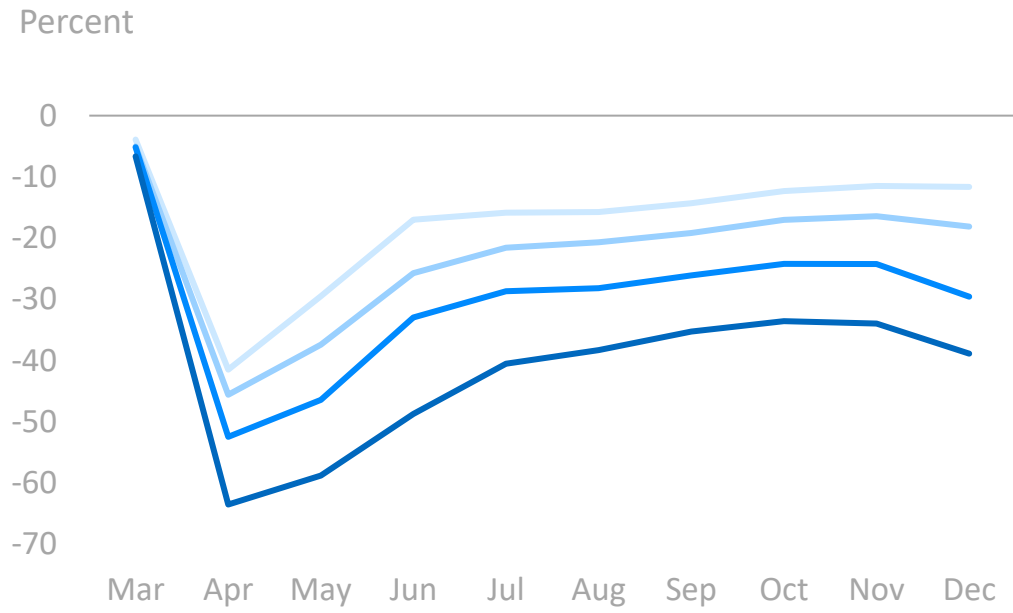


Sources: Moody's Analytics and NCCI

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# Job Losses—Leisure and Hospitality

Employment Gap by State Group, March–December 2020

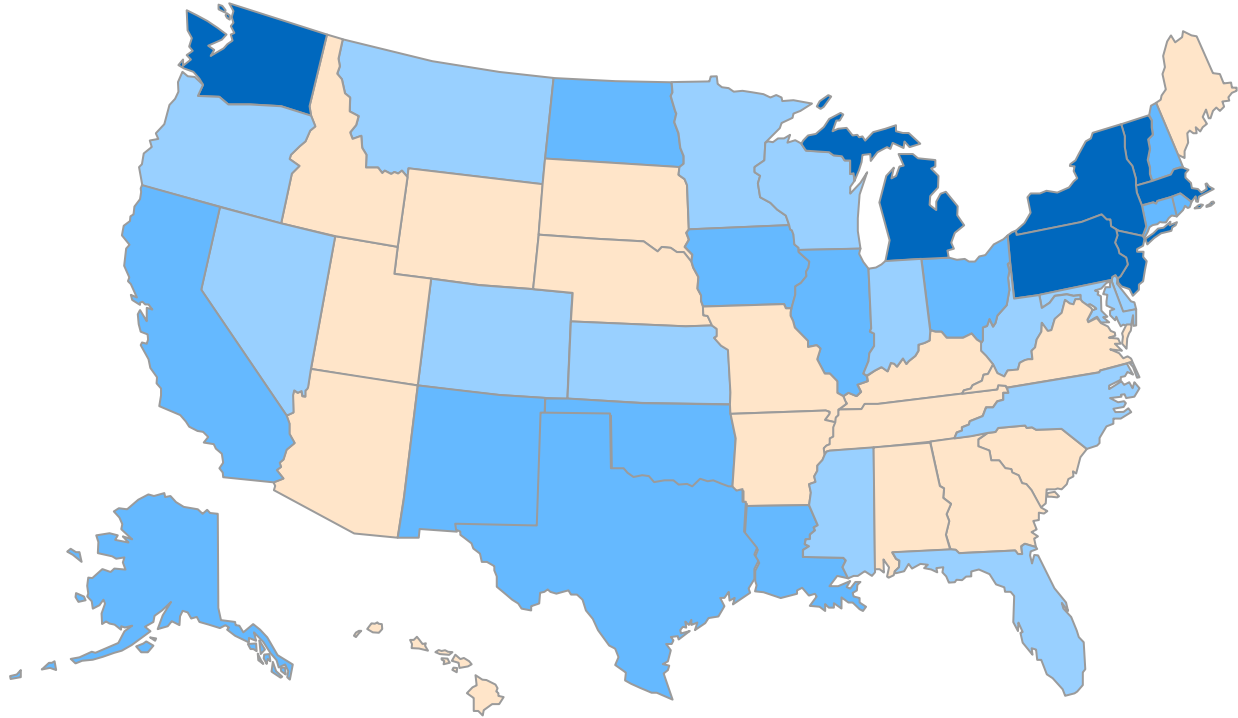
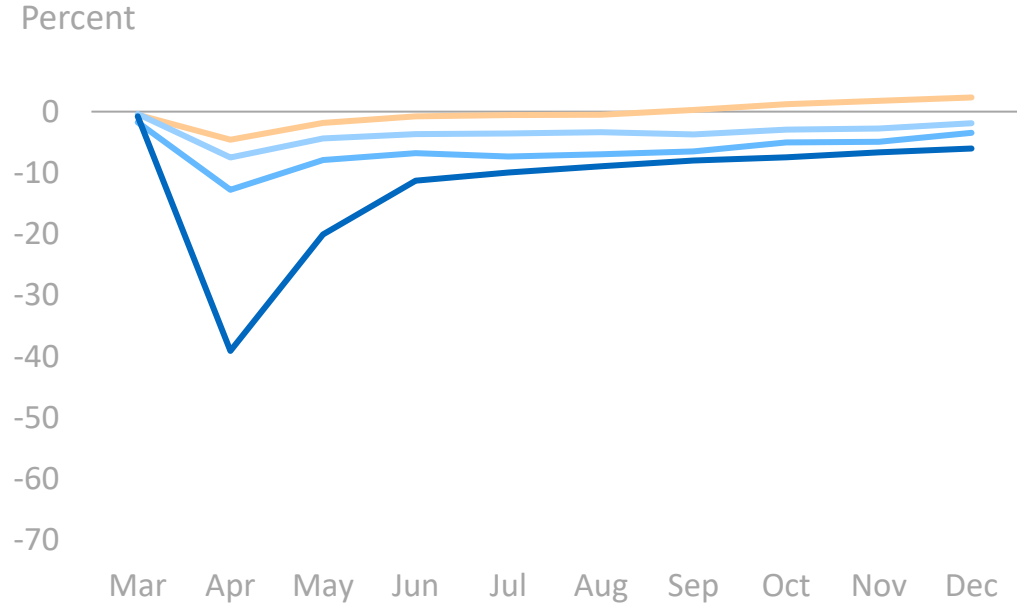


Sources: US Bureau of Labor Statistics and NCCI  
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# Job Losses—Construction

Employment Gap by State Group, March–December 2020



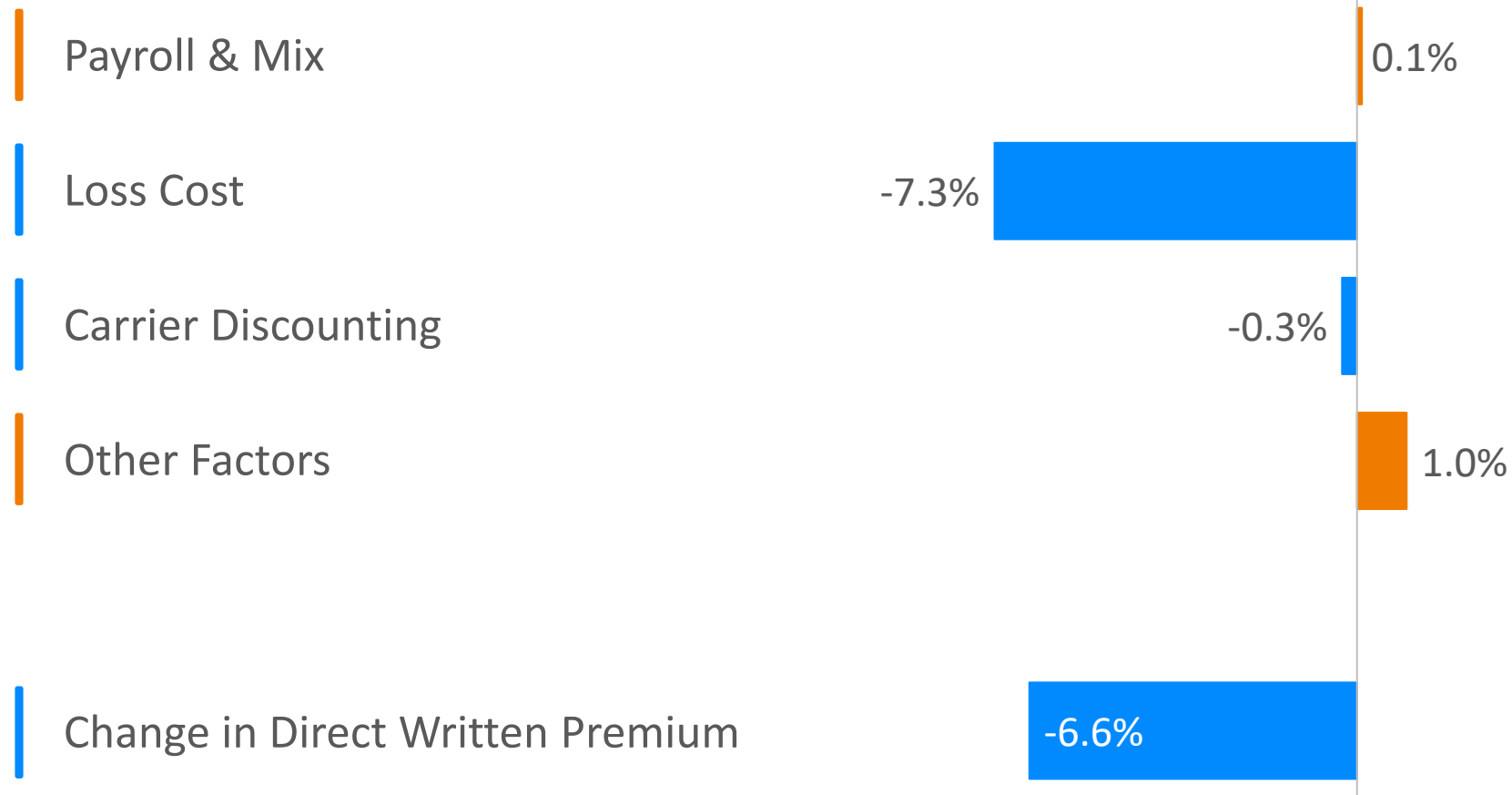
Sources: US Bureau of Labor Statistics and NCCI

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# WC Direct Written Premium Change by Component

Private Carriers—NCCI States

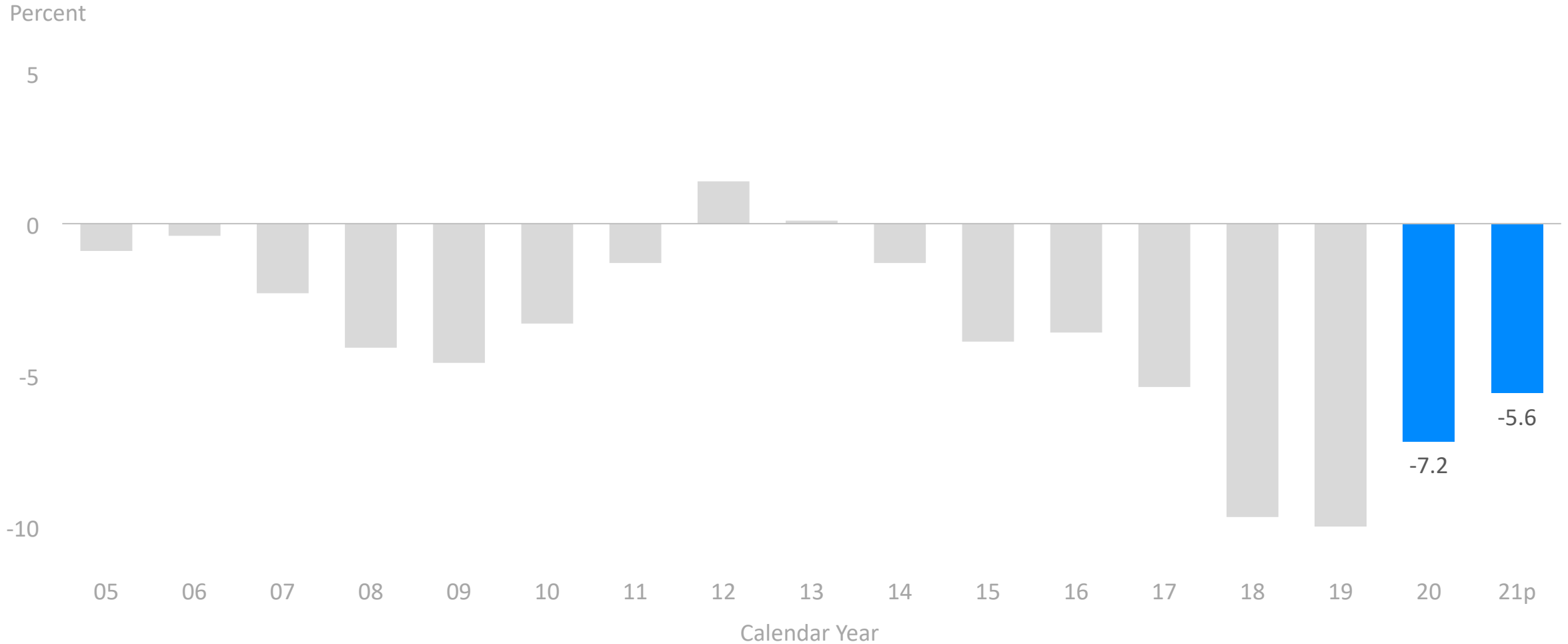
2019 vs. 2020



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

# WC Approved Changes in Bureau Premium Level

Weighted by Effective Date—NCCI States



p Preliminary

Source: NAIC's Annual Statement Statutory Page 14

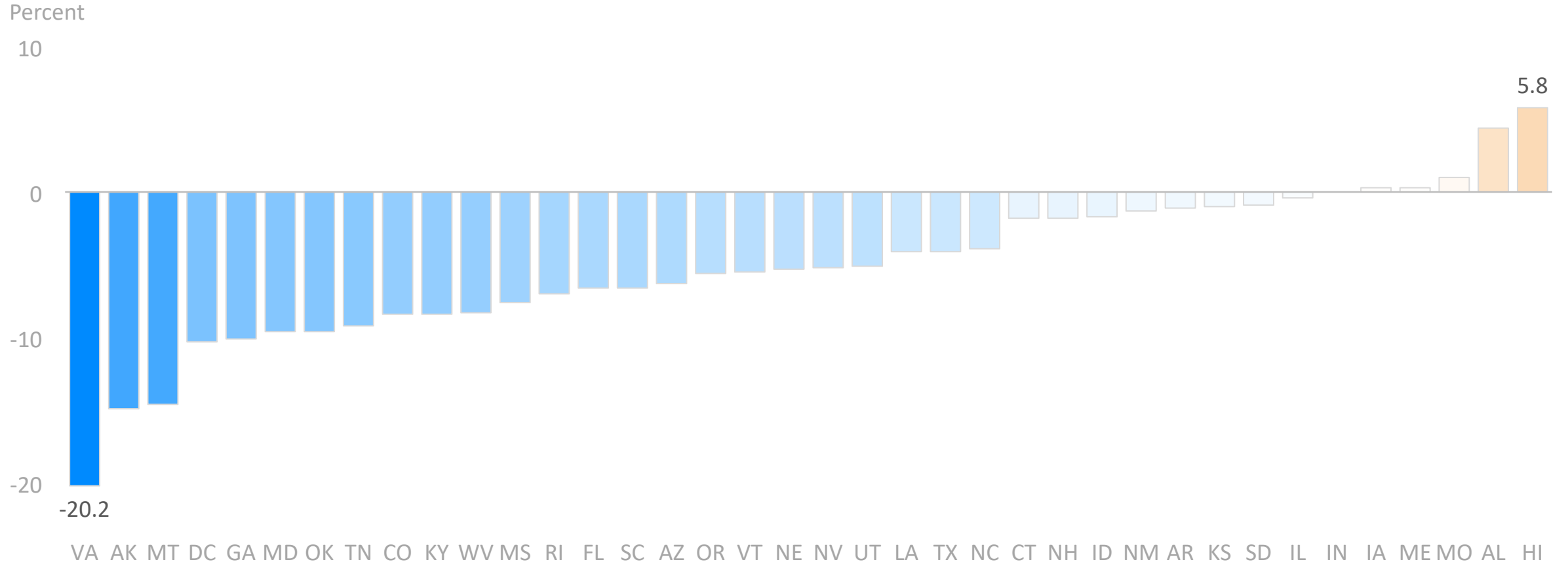
Values reflect changes in average premium levels between years, based on approved changes in advisory rates, loss costs, assigned risk rates, and rating values, as of 4/30/2021

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 4/30/2021, as filed by the applicable rating organization, relative to those previously approved  
IN and NC are filed in cooperation with state rating bureaus

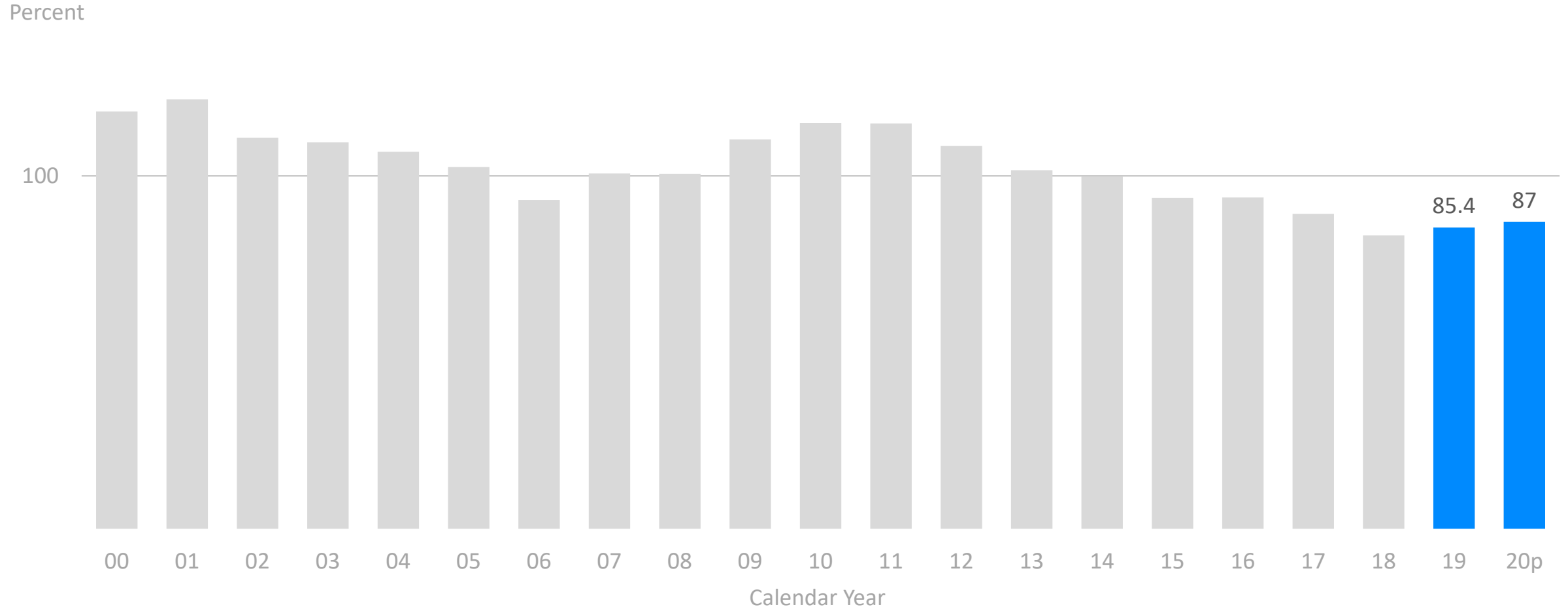


# Workers Compensation Results



# WC Net Combined Ratio

Private Carriers

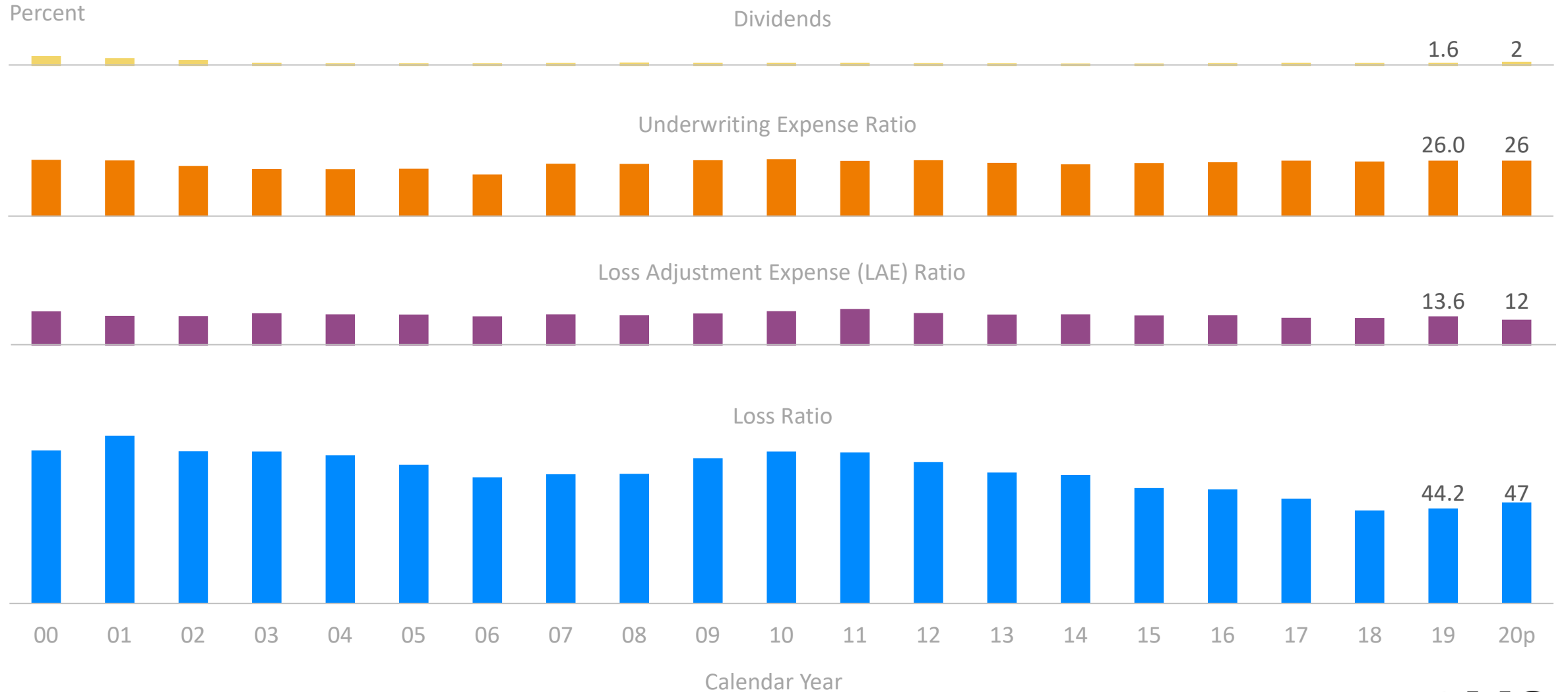


p Preliminary  
Source: NAIC's Annual Statement data

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# WC Net Combined Ratio by Component

## Private Carriers

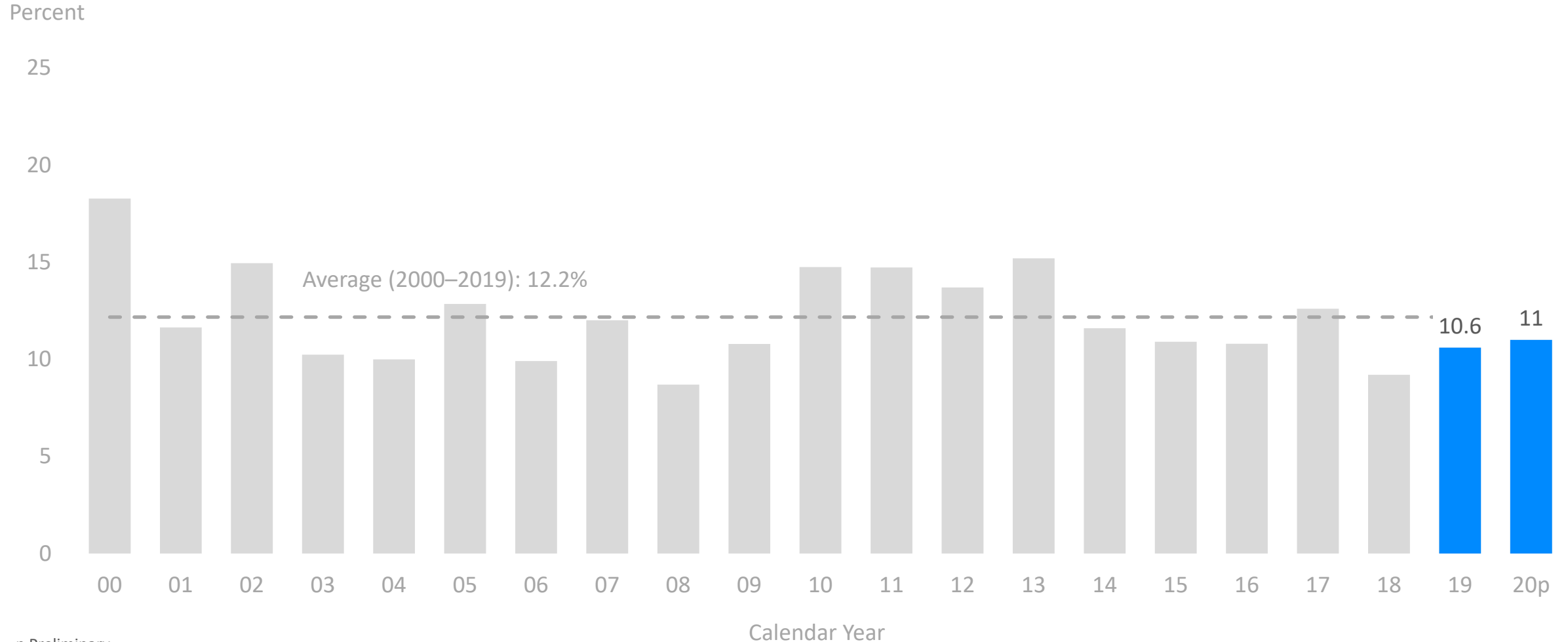


p Preliminary  
Source: NAIC's Annual Statement data

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# WC Investment Gain on Insurance Transactions

Ratio to Net Earned Premium, Private Carriers



p Preliminary

Source: NAIC's Annual Statement data

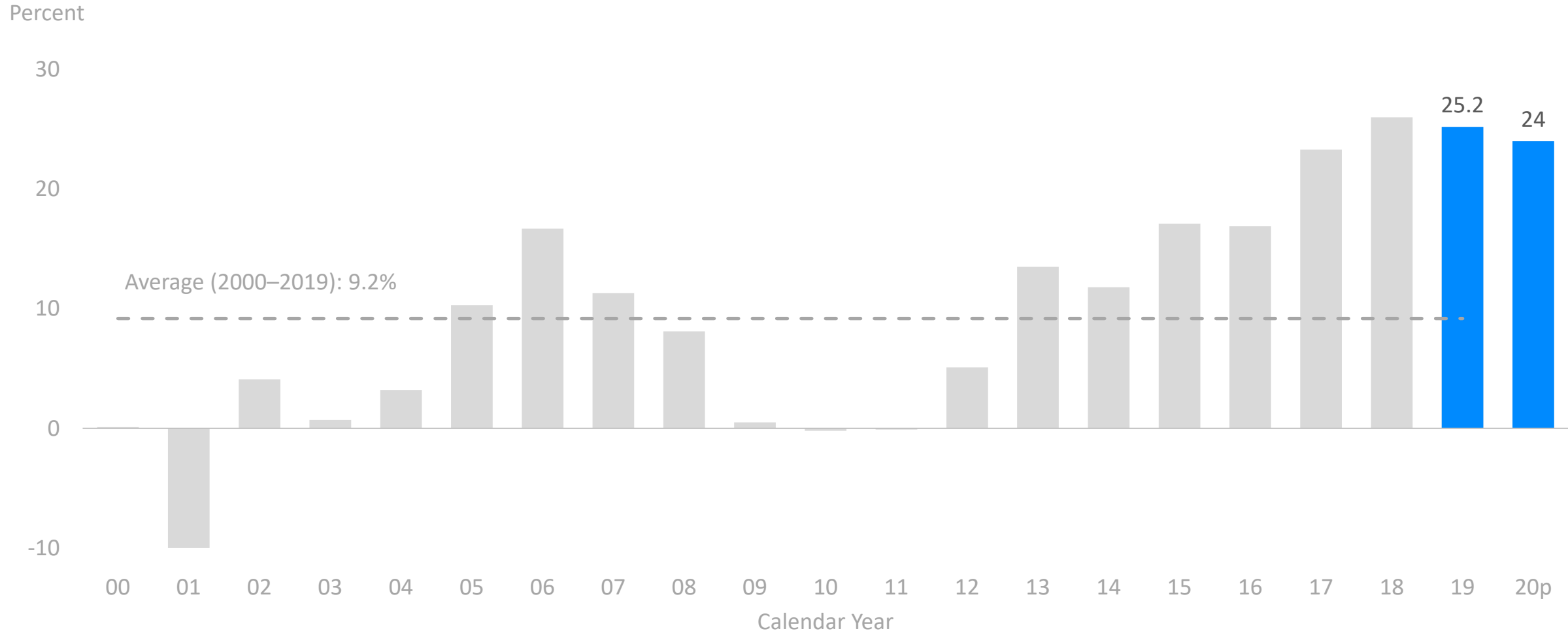
Investment Gain on Insurance Transactions includes Other Income

2013 is adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring; unadjusted value is 19.4

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# WC Pretax Operating Gain

## Private Carriers



p Preliminary

Source: NAIC's Annual Statement data

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

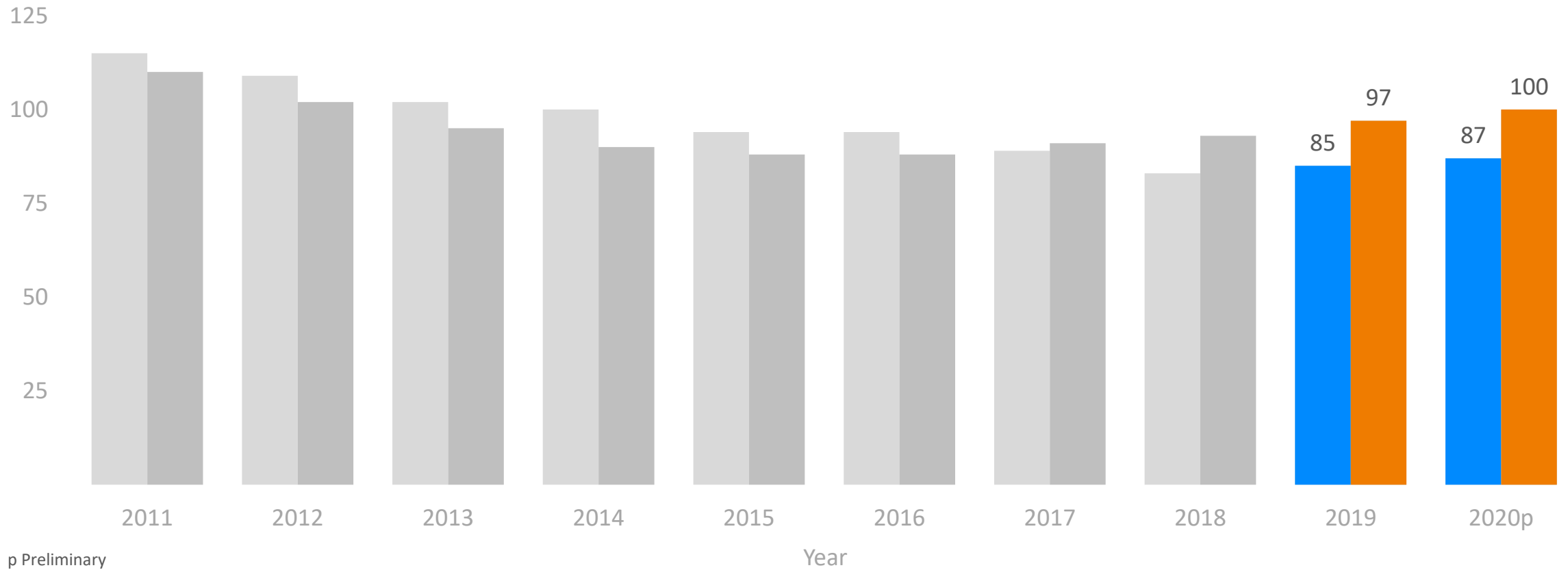
2013 is adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring; unadjusted value is 17.7

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# WC Net Combined Ratios— Calendar Year vs. Accident Year As Reported

Private Carriers

Percent



p Preliminary

Source: NAIC's Annual Statement data

Accident Year information is reported as of 12/31/2020

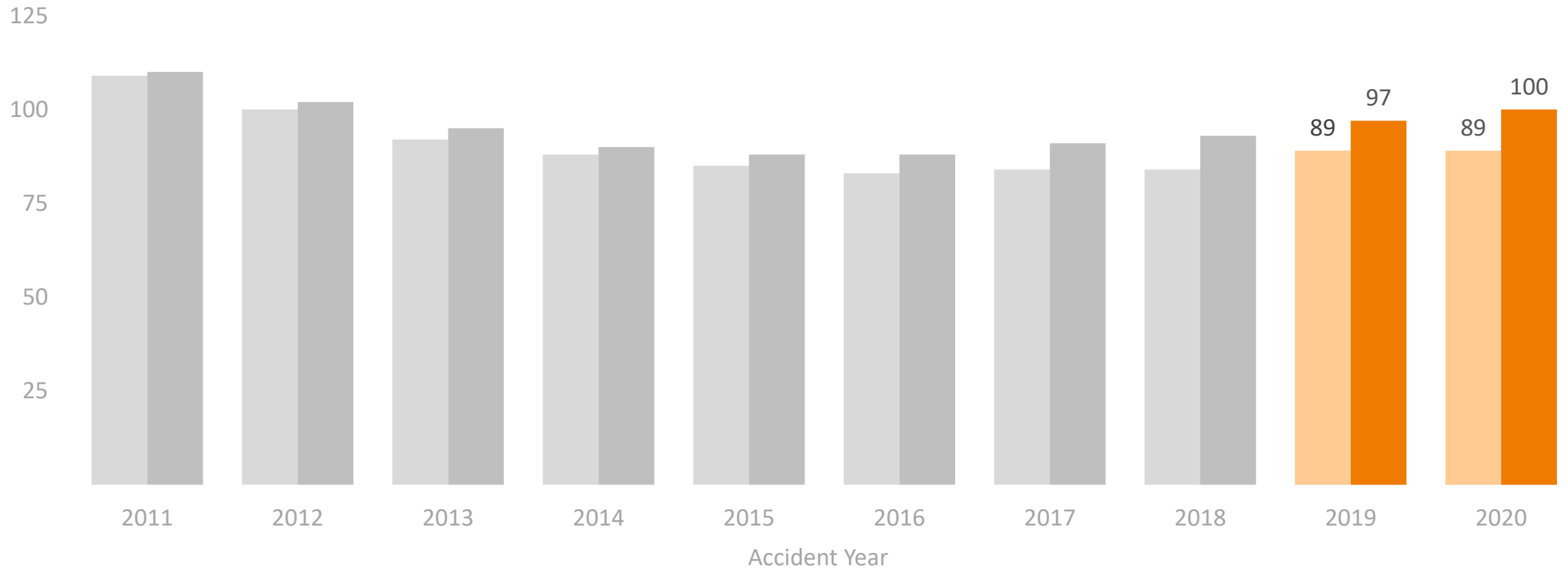
Includes dividends to policyholders

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# WC Net Combined Ratios— NCCI's Accident Year **Selections** vs. **As Reported**

Private Carriers

Percent



Sources: As Reported: NAIC's Annual Statement Schedule P—Part 1D data as of 12/31/2020  
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

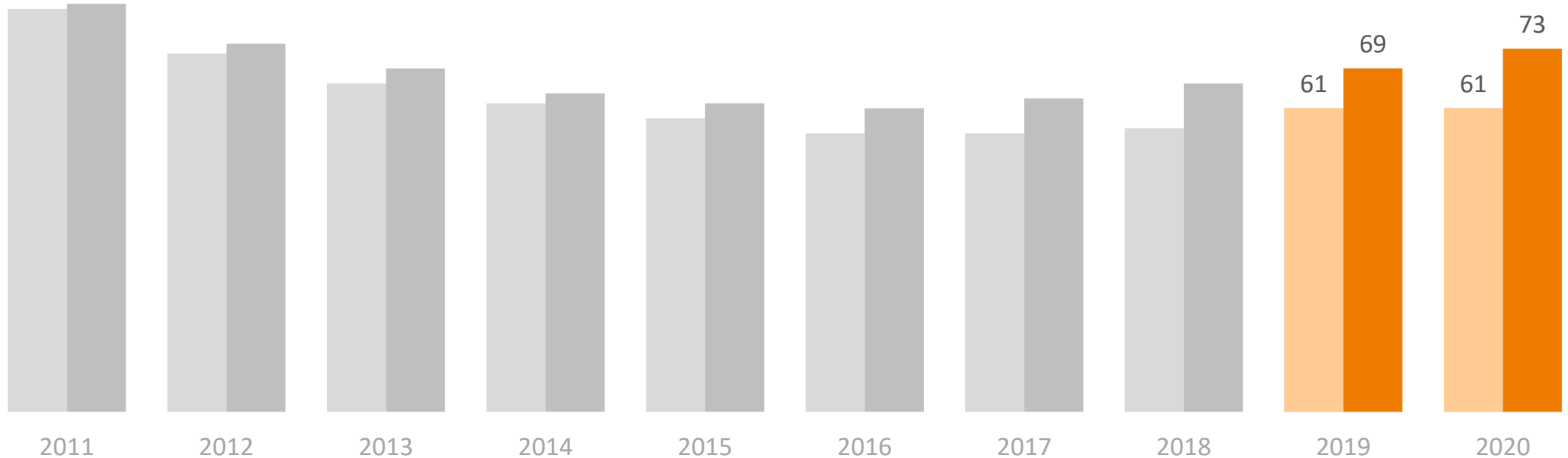
Percent

100

75

50

25



Accident Year

Sources: As Reported: NAIC's Annual Statement Schedule P—Part 1D data as of 12/31/2020

NCCI Selections: NCCI's analysis based on NAIC's Annual Statement data

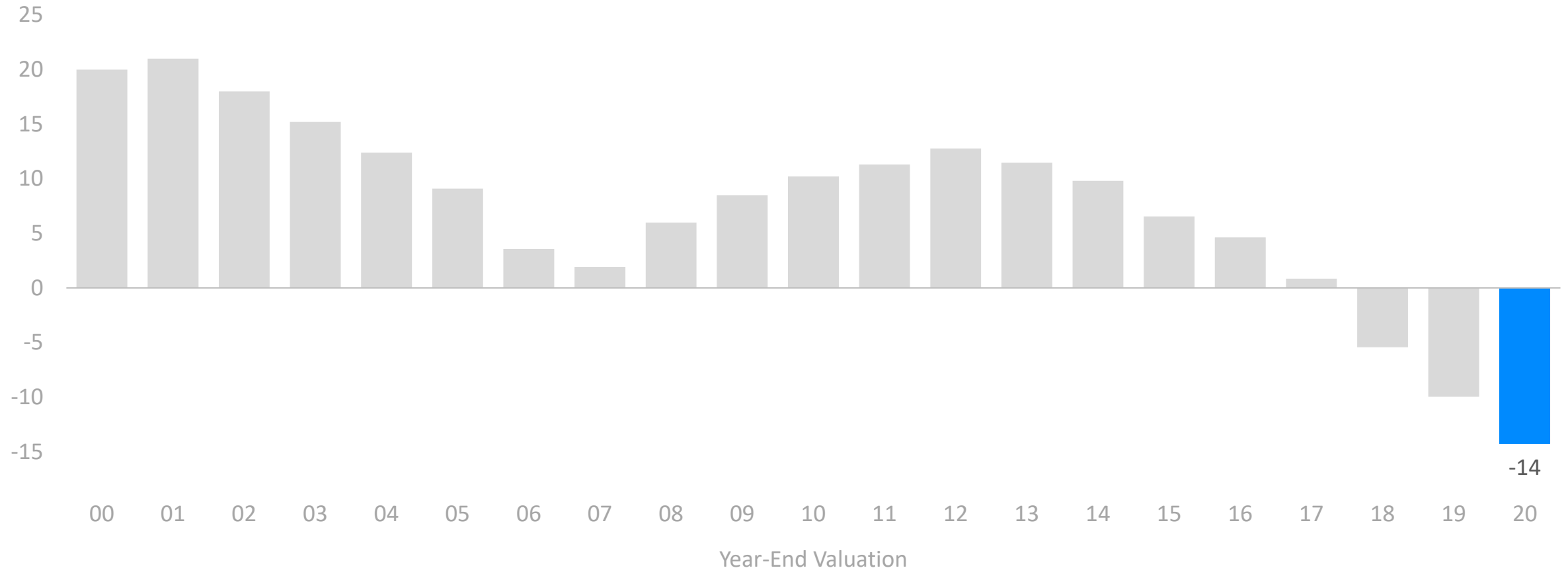
As Reported Loss and LAE ratios are net of tabular reserve discounts and gross of nontabular reserve discounts

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# WC Net Loss and LAE Reserve Adequacy

## Private Carriers

\$ Billions

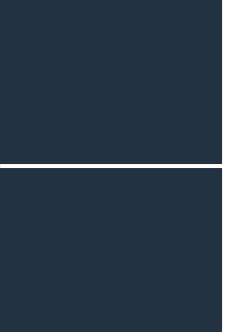


Source: NCCI's analysis based on NAIC's Annual Statement data  
Considers all reserve discounts as deficiencies

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# Property & Casualty (P&C) Industry Results

# P&C Industry Net Written Premium Growth

## Private Carriers

Line of Business	2019 (\$B)	2020p (\$B)	% Change From 2019
Personal Auto	247.7	243.5	
Homeowners	92.3	96.1	
Other Liability (Incl. Product Liability)	64.4	72.9	
Commercial Multi Peril	38.9	40.7	
Commercial Auto	38.9	39.8	
<b>Workers Compensation</b>	<b>42.0</b>	<b>37.8</b>	<b>-10.0</b>
Fire & Allied Lines (Incl. Earthquake)	32.3	35.5	
All Other Lines	77.6	82.3	
<b>Total P&amp;C Industry</b>	<b>634.0</b>	<b>648.9</b>	<b>2.3</b>

p 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

Q1 2018–Q4 2020

Percent

25

20

15

10

5

0

-5

Workers Compensation

Commercial Auto

General Liability

Umbrella

Sources: The Council of Insurance Agents & Brokers: Q4 P/C Market Index Surveys (2018–2020)

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# P&C Industry Net Combined Ratio

## Private Carriers

Line of Business	2019 (%)	2020p (%)	Difference From 2019
Personal Auto	99	93	-6
Homeowners	99	107	+8
Other Liability (Incl. Product Liability)	106	105	-1
Commercial Multi Peril	105	110	+5
Commercial Auto	109	102	-7
<b>Workers Compensation</b>	<b>85</b>	<b>87</b>	<b>+2</b>
Fire & Allied Lines (Incl. Earthquake)	98	103	+5
All Other Lines	92	97	+5
<b>Total P&amp;C Industry</b>	<b>99</b>	<b>98</b>	<b>-1</b>

p Preliminary

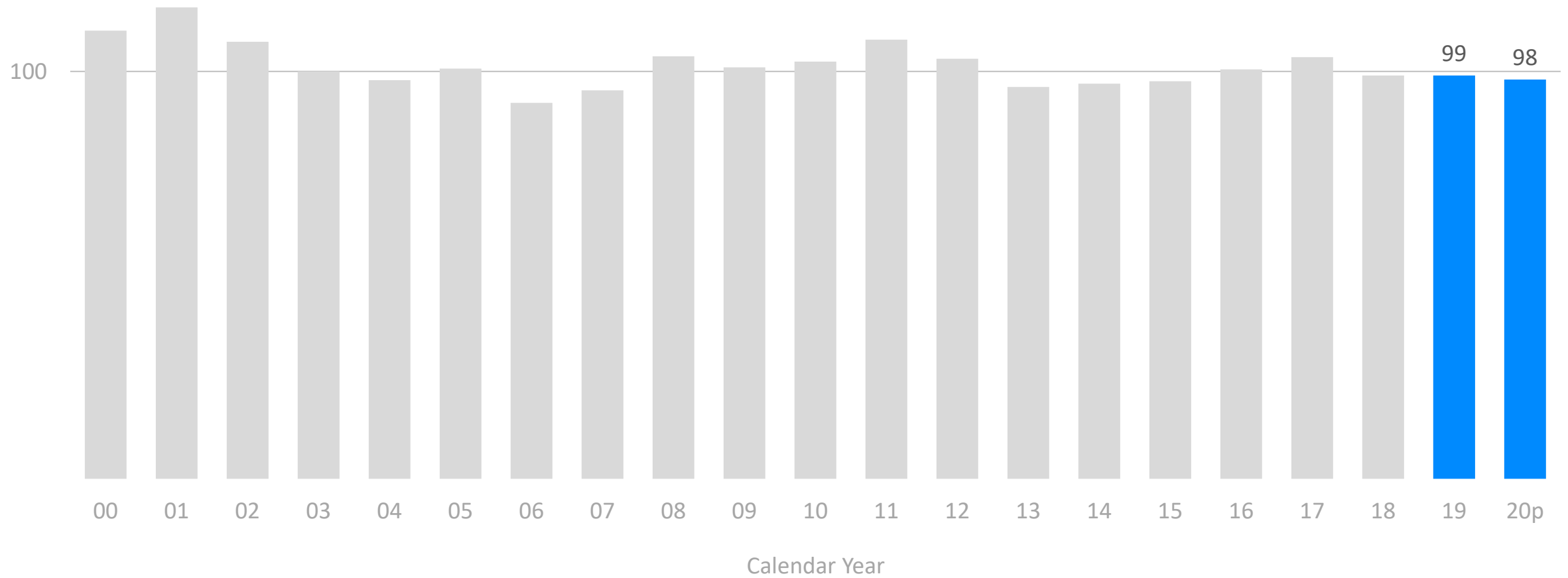
Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers

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# P&C Industry Net Combined Ratio

Private Carriers

Percent



p Preliminary

Sources: 2000–2008 and 2013–2020p NAIC’s Annual Statement data and 2009–2012 ISO

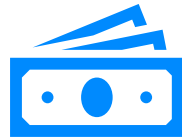
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# COVID-19 Losses

# What Our Data Tells Us About COVID-19 Losses

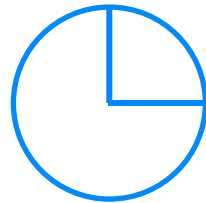
**\$260M** in losses



**45,000** claims



**75%** of claims are lost-time

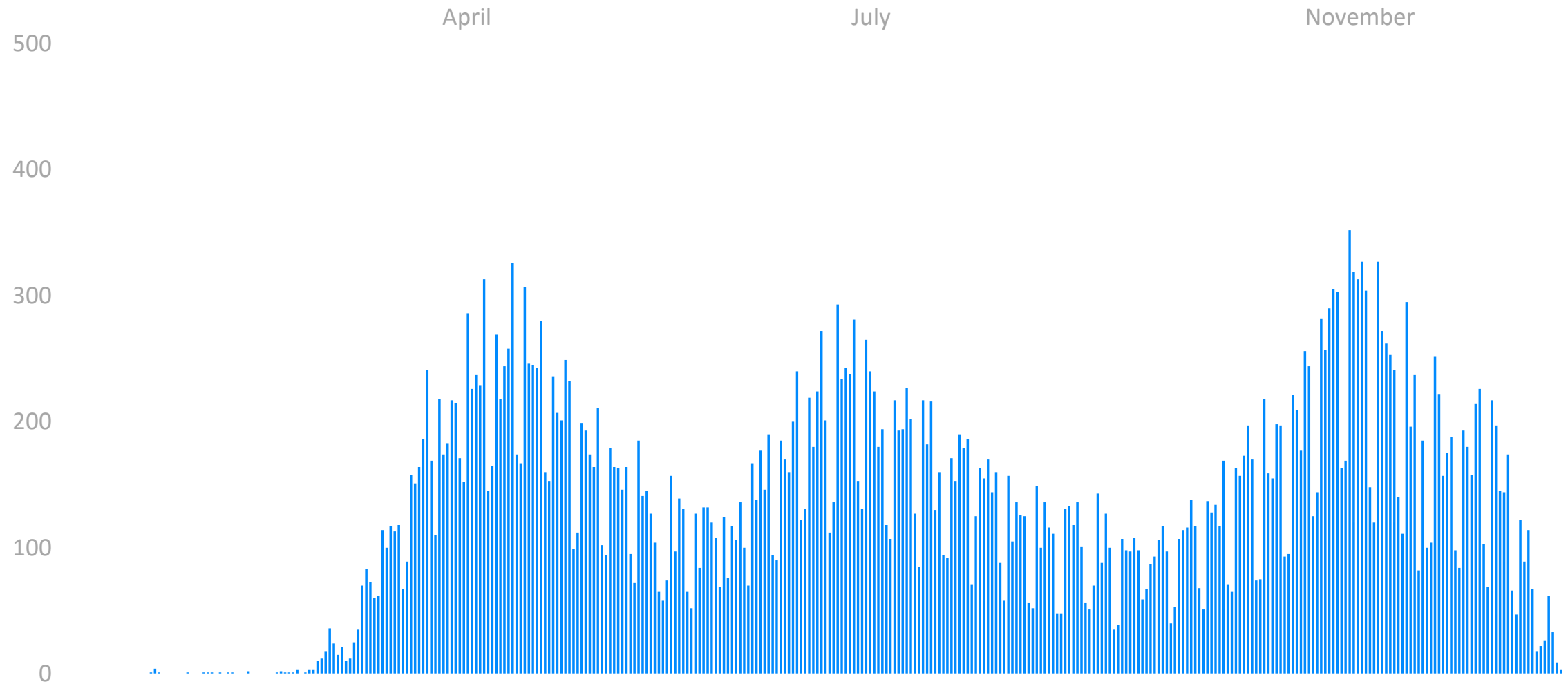


**\$6,000** average severity



# Reported COVID-19 WC Claim Count Surges Remained Consistent

Private Carriers and State Funds



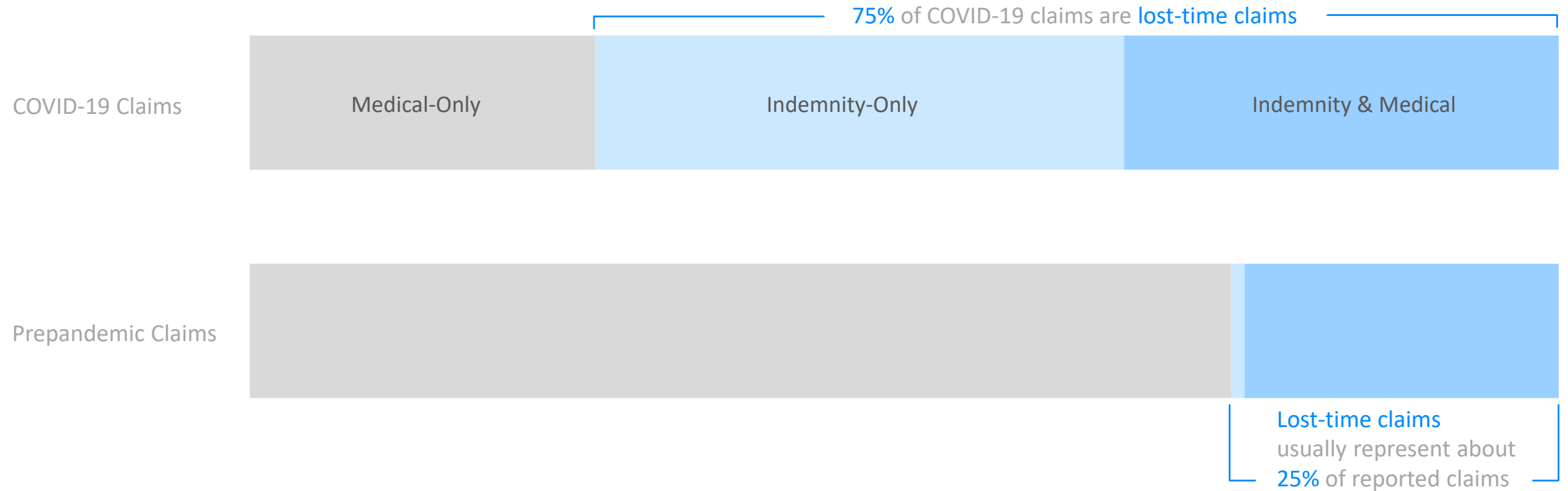
Source: NCCI's Financial Call data through 12/31/2020

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# Majority of COVID-19 Claims Are Lost-Time Claims

Private Carriers and State Funds

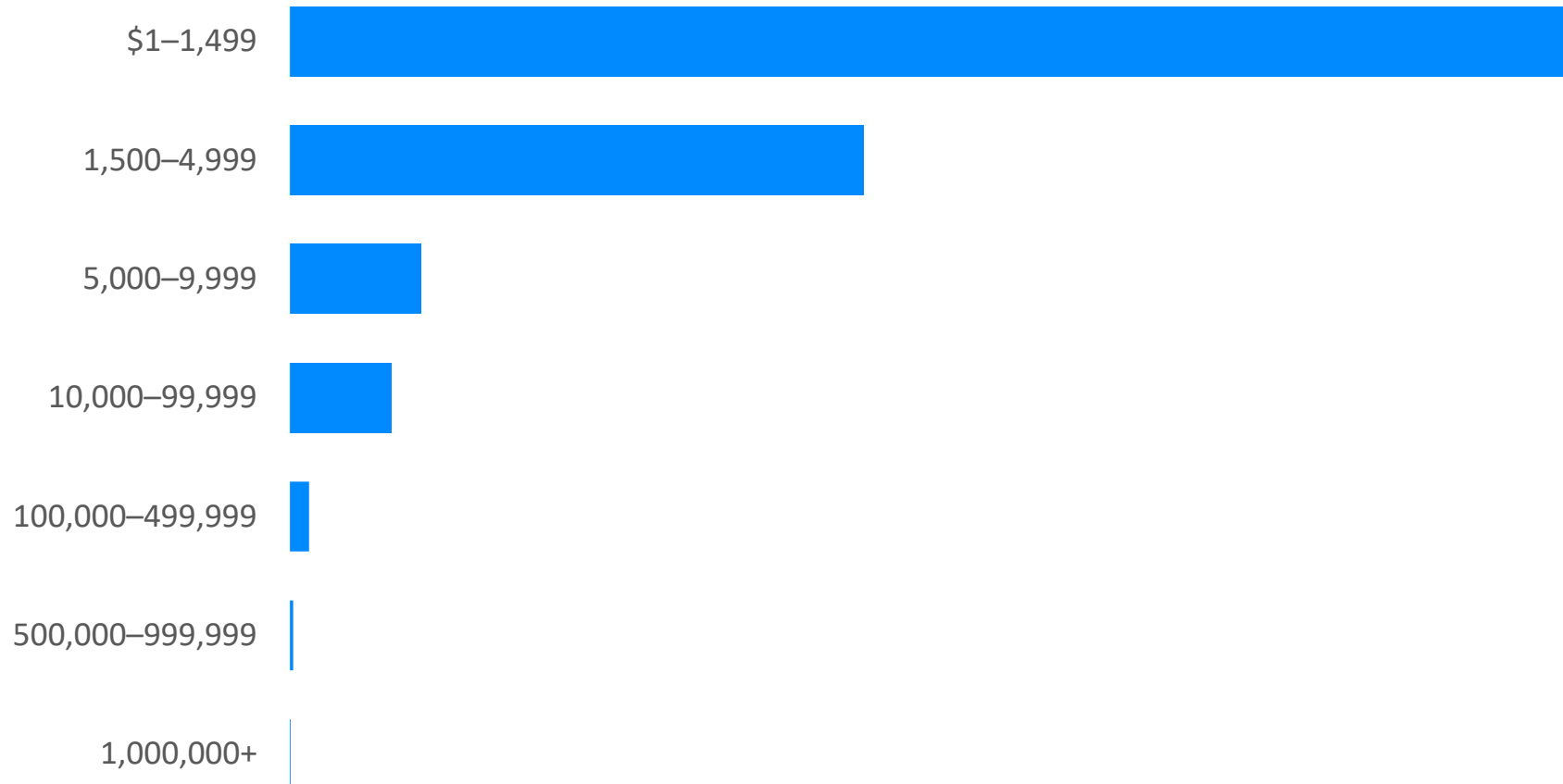


Sources: COVID-19 Claims: NCCI's Financial Call data through 12/31/2020  
Prepandemic Claims: NCCI's *Statistical Plan* for Policy Year 2018

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# COVID-19 Claims by Size of Loss

Private Carriers and State Funds



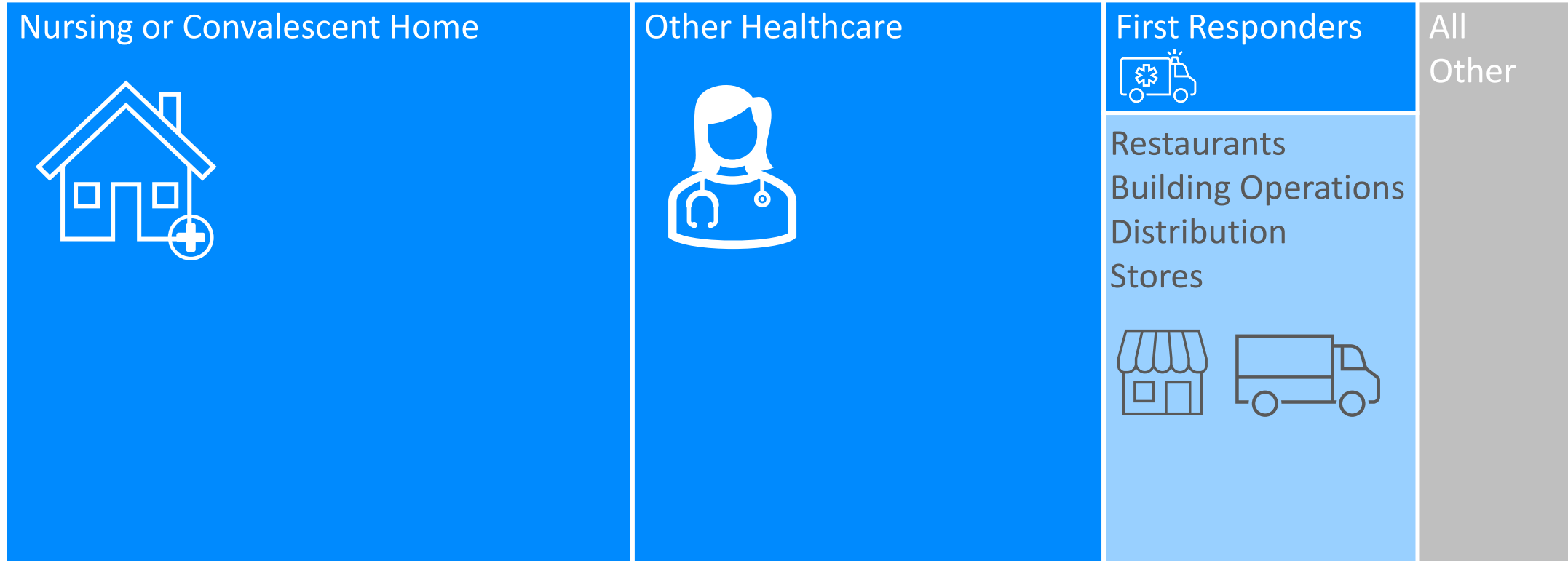
Source: NCCI's Financial Call data through 12/31/2020  
Indemnity and Medical Paid+Case Losses

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# Distribution of COVID-19 Claims by Industry

Private Carriers and State Funds

Healthcare and First Responders accounted for almost 75% of all COVID-19 claims



Sources: NCCI's Financial Call data through 12/31/2020 and NCCI's Policy data

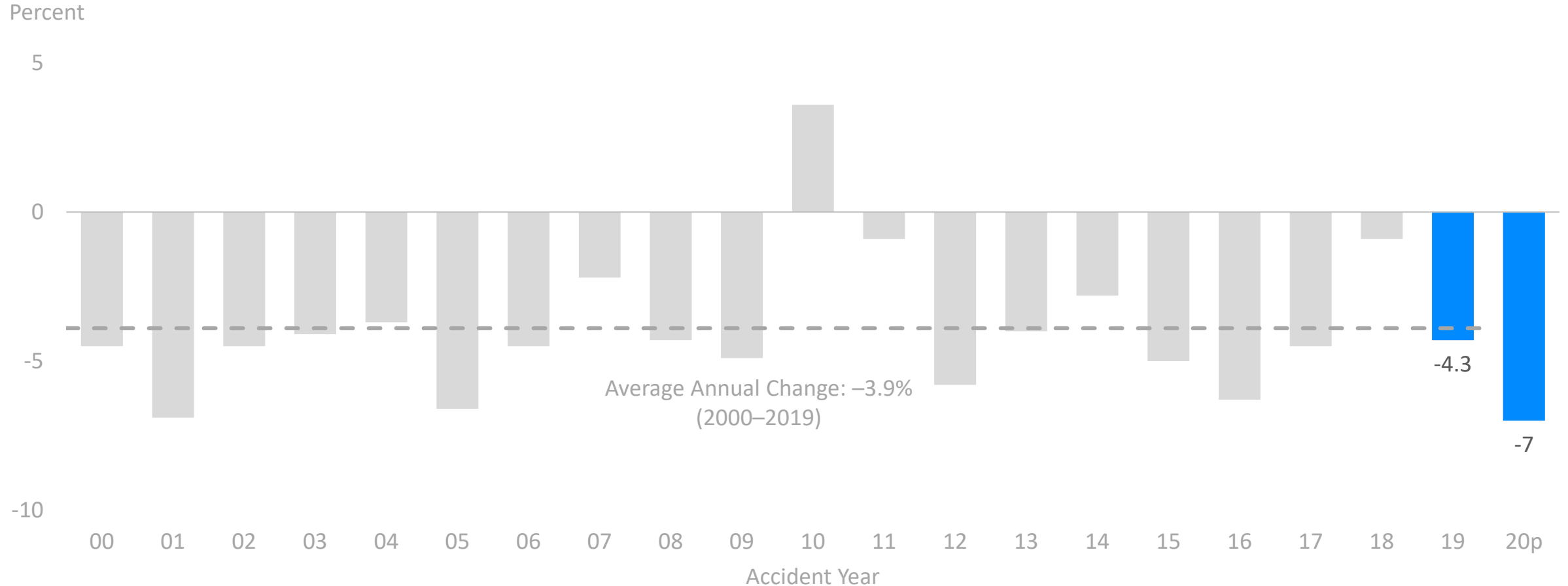
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# Workers Compensation Loss Drivers

# 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 12/31/2020; excludes COVID-19 claims

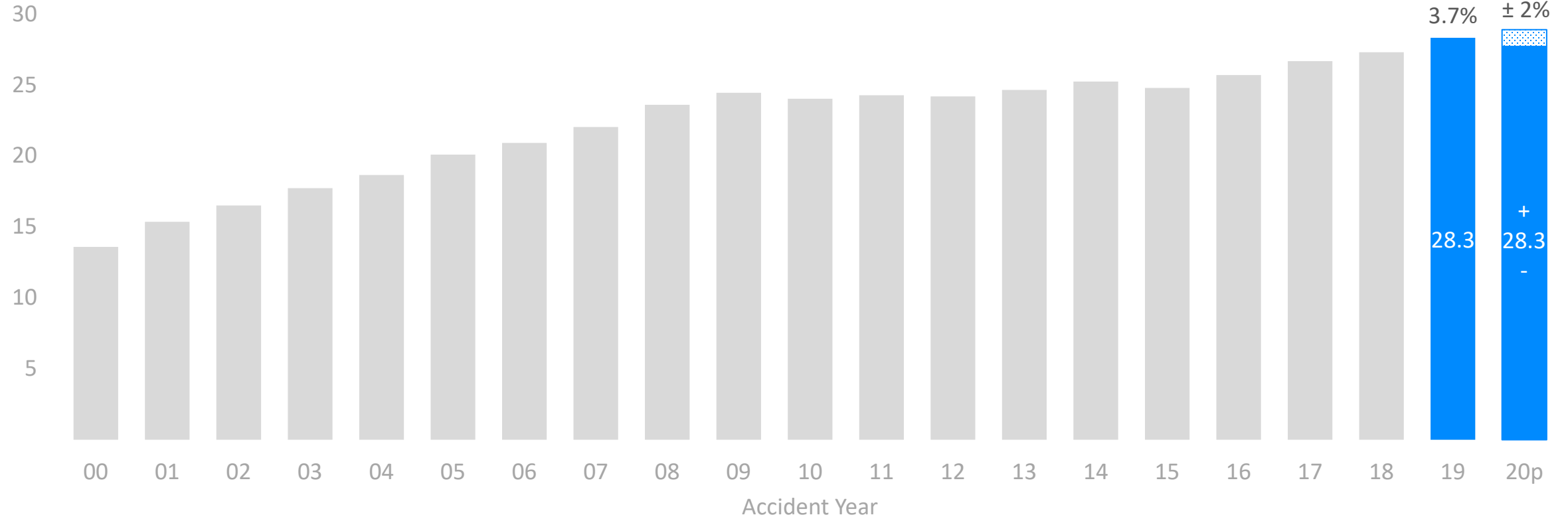
Source: NCCI's Financial Call data, developed to ultimate, premium adjusted to current wage and voluntary pure premium level, excludes high-deductible policies; based on data through 12/31/2019

Includes all states where NCCI provides ratemaking services; NV is excluded through 2001, TX is excluded through 2006, and WV is excluded through 2011

# WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States

Severity  
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2020; excludes COVID-19 claims

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2019

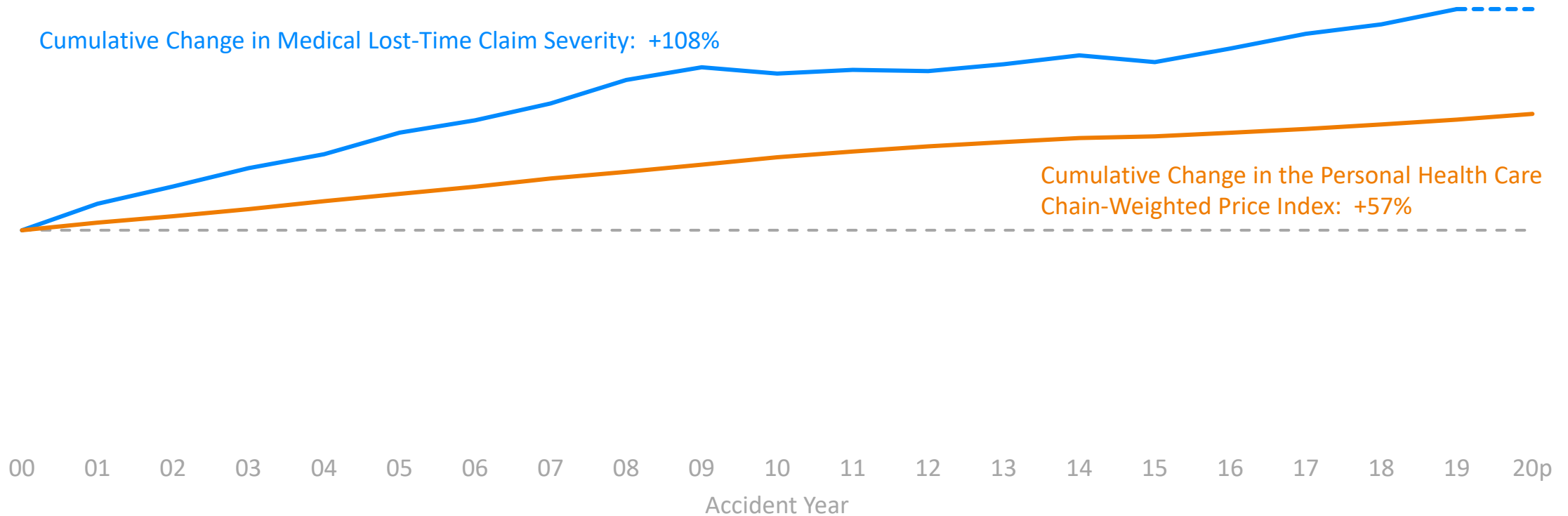
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services, WV is excluded prior to 2010, TX is excluded prior to 2006, and NV is excluded prior to 2004

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# WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2020; excludes COVID-19 claims

Sources: Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2019

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

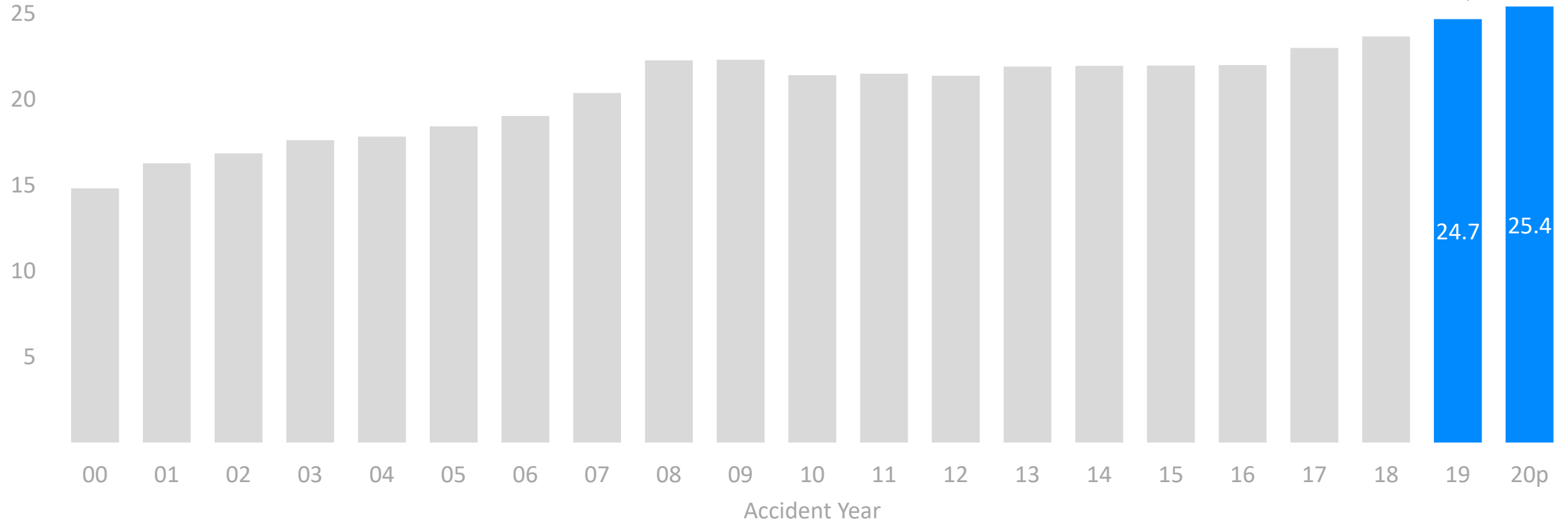
Includes all states where NCCI provides ratemaking services, WV is excluded prior to 2010, TX is excluded prior to 2006, and NV is excluded prior to 2004

PHC Chain-Weighted Price Index: Centers for Medicare & Medicaid Services

# WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States

Severity  
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2020; excludes COVID-19 claims

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2019

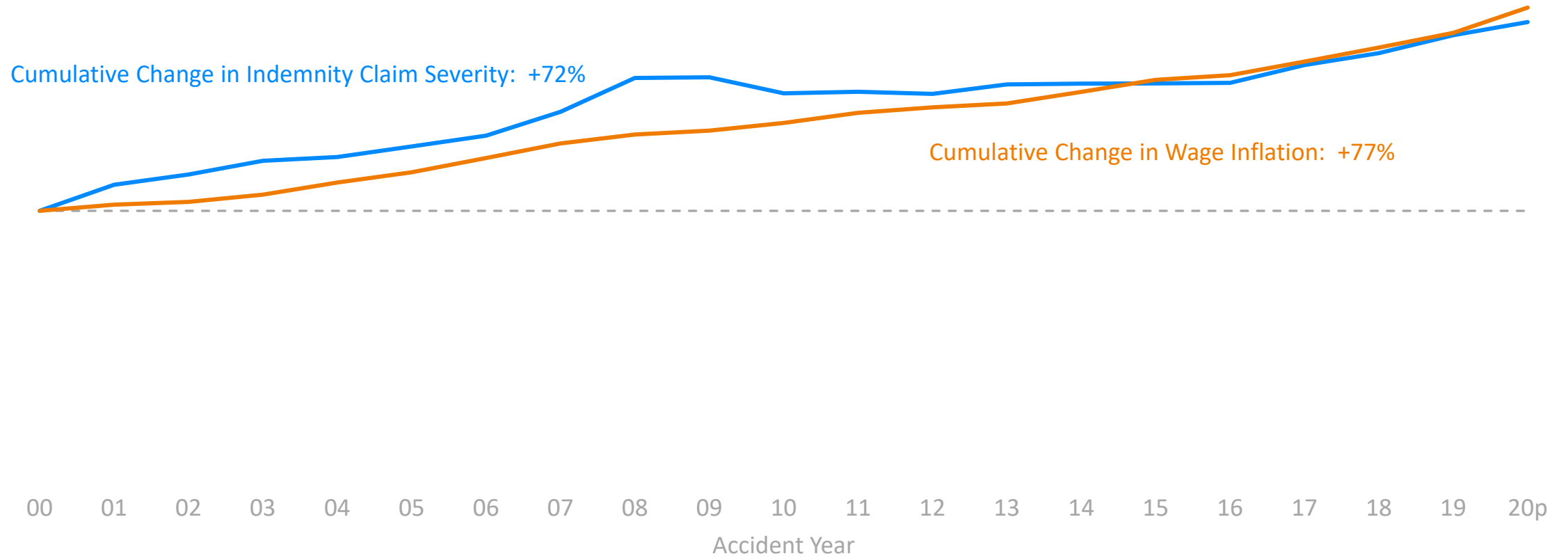
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services, WV is excluded prior to 2010, TX is excluded prior to 2006, and NV is excluded prior to 2004



# WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2020; excludes COVID-19 claims

Sources: US Average Weekly Wage: 2000–2007 and 2012–2019 Quarterly Census of Employment and Wages, US Bureau of Labor Statistics; 2008–2011 NCCI; and 2020p NCCI and Moody's Analytics

Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2019

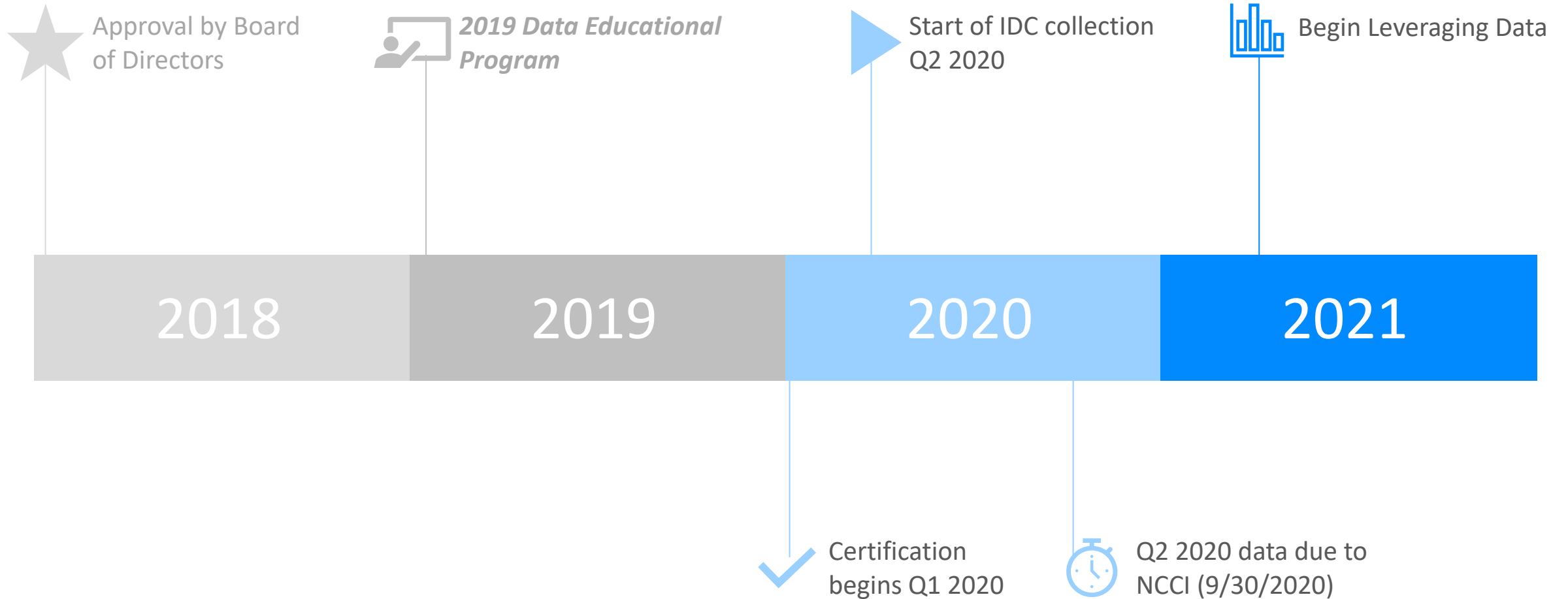
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services, WV is excluded prior to 2010, TX is excluded prior to 2006, and NV is excluded prior to 2004



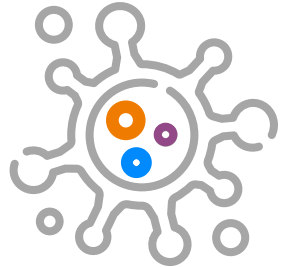
# Legislative Landscape

# Indemnity Data Call (IDC) Pathway



# Indemnity Data Call

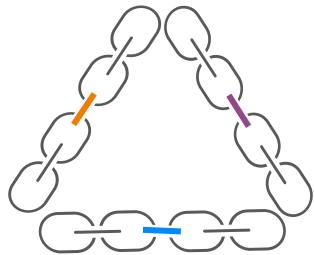
Uses to Date



## Information on COVID-19 Claims

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- Provides an early glimpse into COVID-19 claim characteristics
- Supplies insight on presumption legislation related to quarantine claims



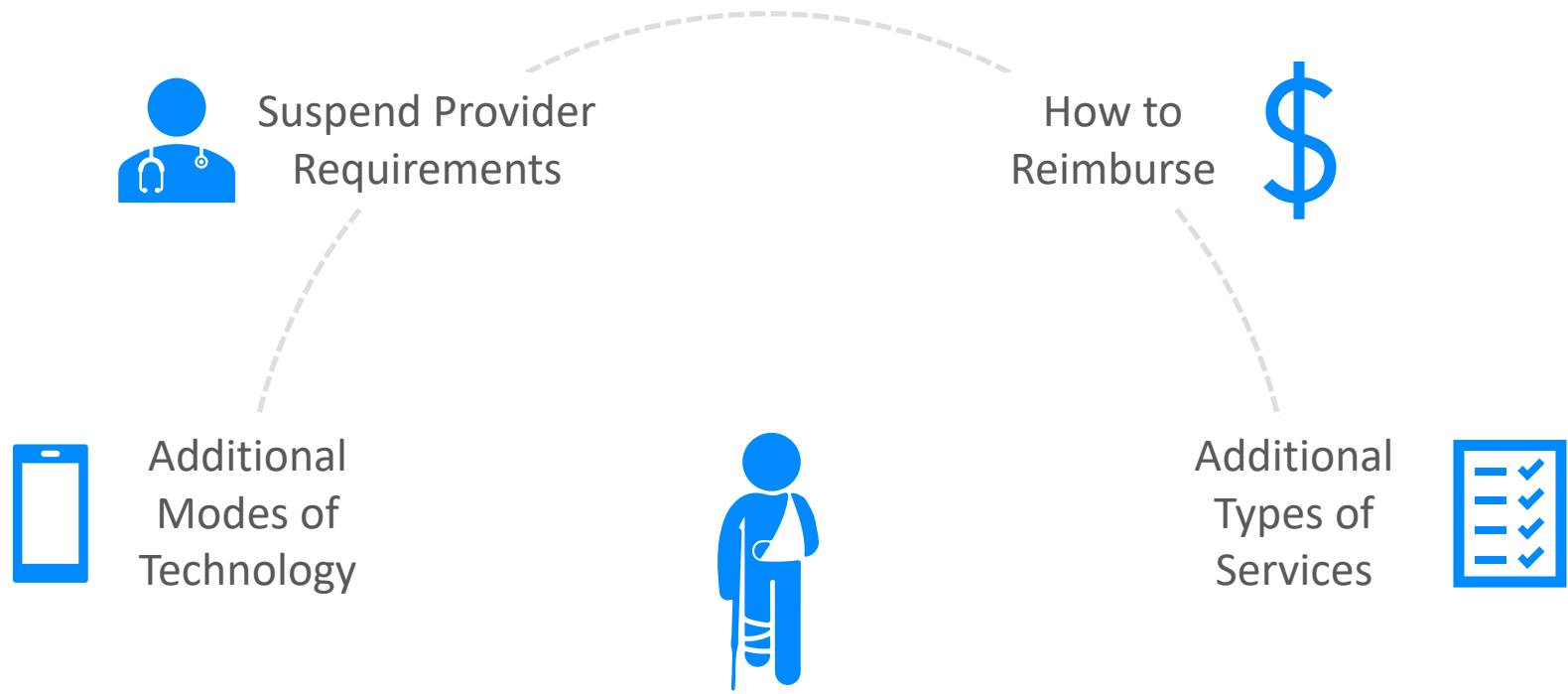
## Data Linking

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Enhances the quality and depth of the information we collect by linking with:

- Medical Data Call
- Unit Statistical Plan
- Financial Data Call—Call #31

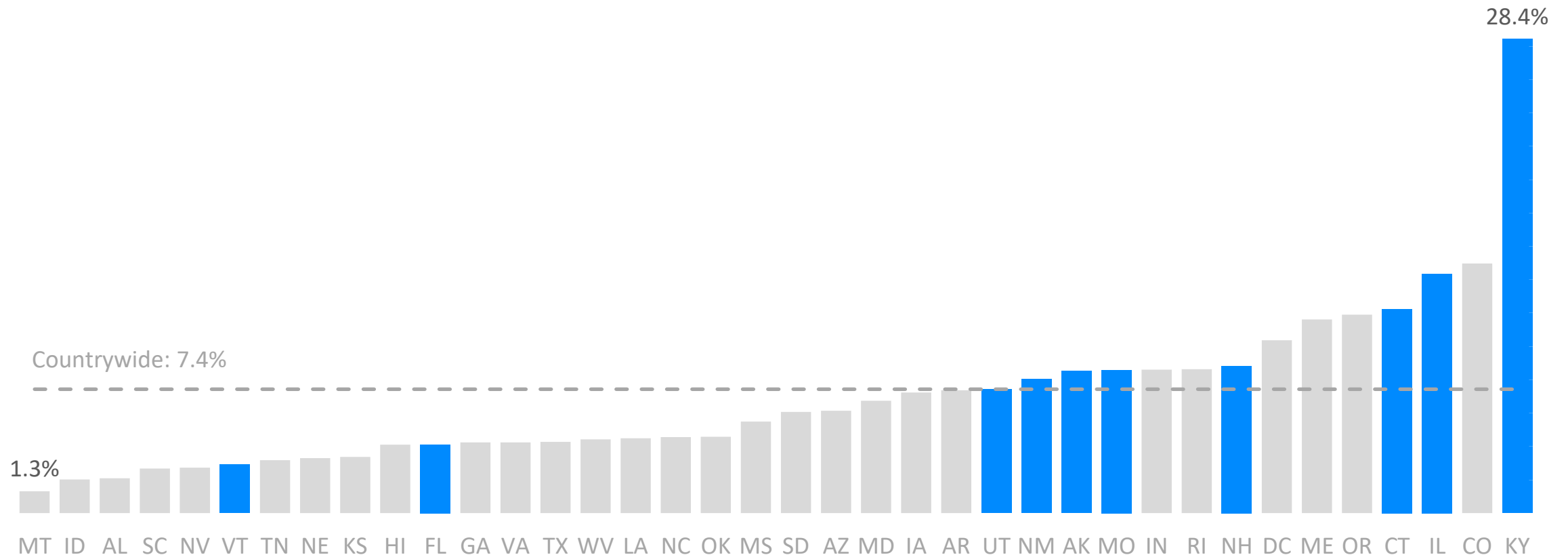
# Telemedicine Legislative Actions Summary





# COVID-19 Claim Counts to Total Claim Counts—Accident Year 2020

States [Implementing Presumptions in 2020](#)

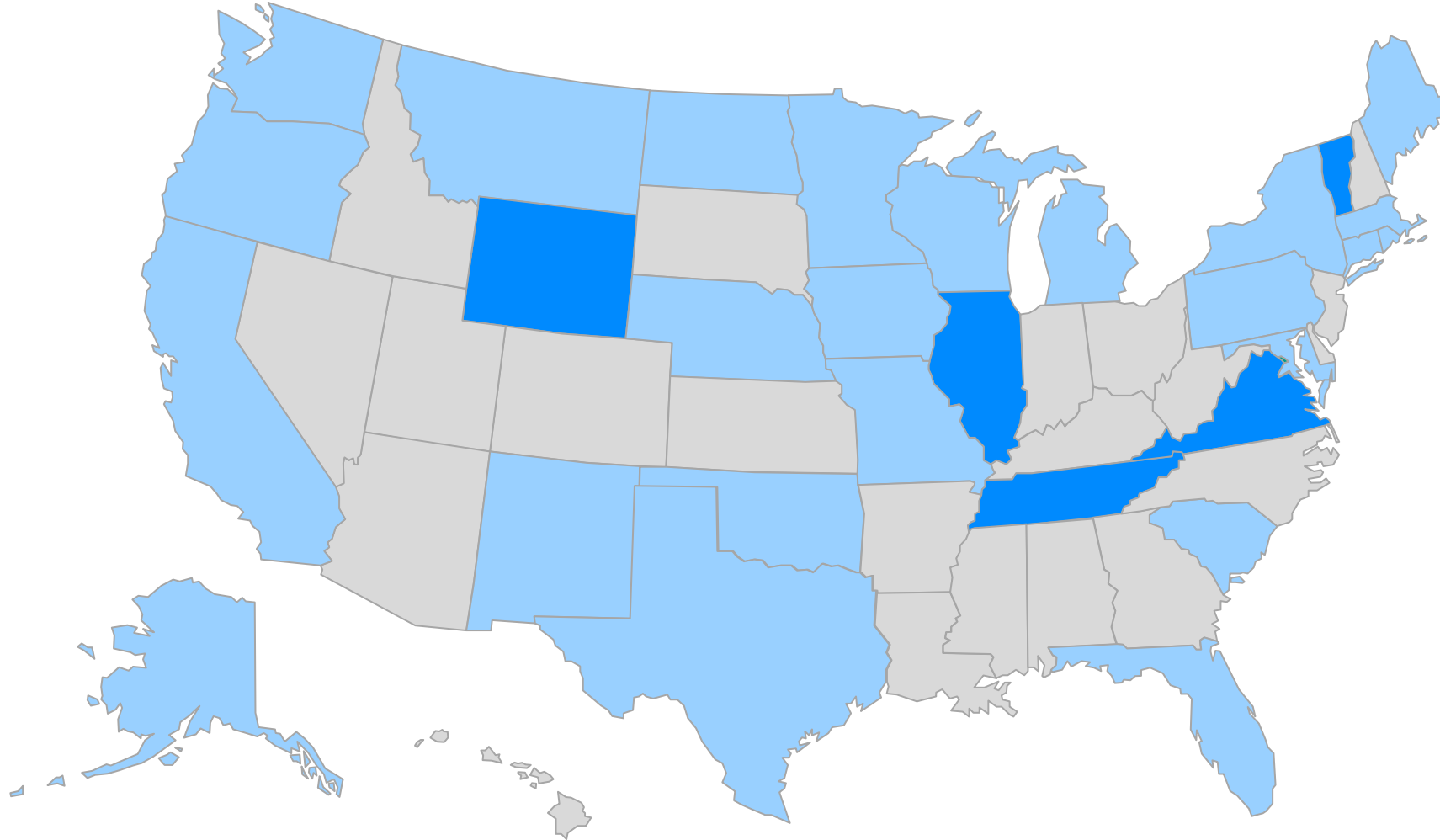


Source: NCCI's Financial Call data through 12/31/2020  
Lost-time claims; large deductibles are excluded

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# COVID-19 State Presumption Actions—2021

States That Have **Enacted** or **Proposed** Legislative Changes



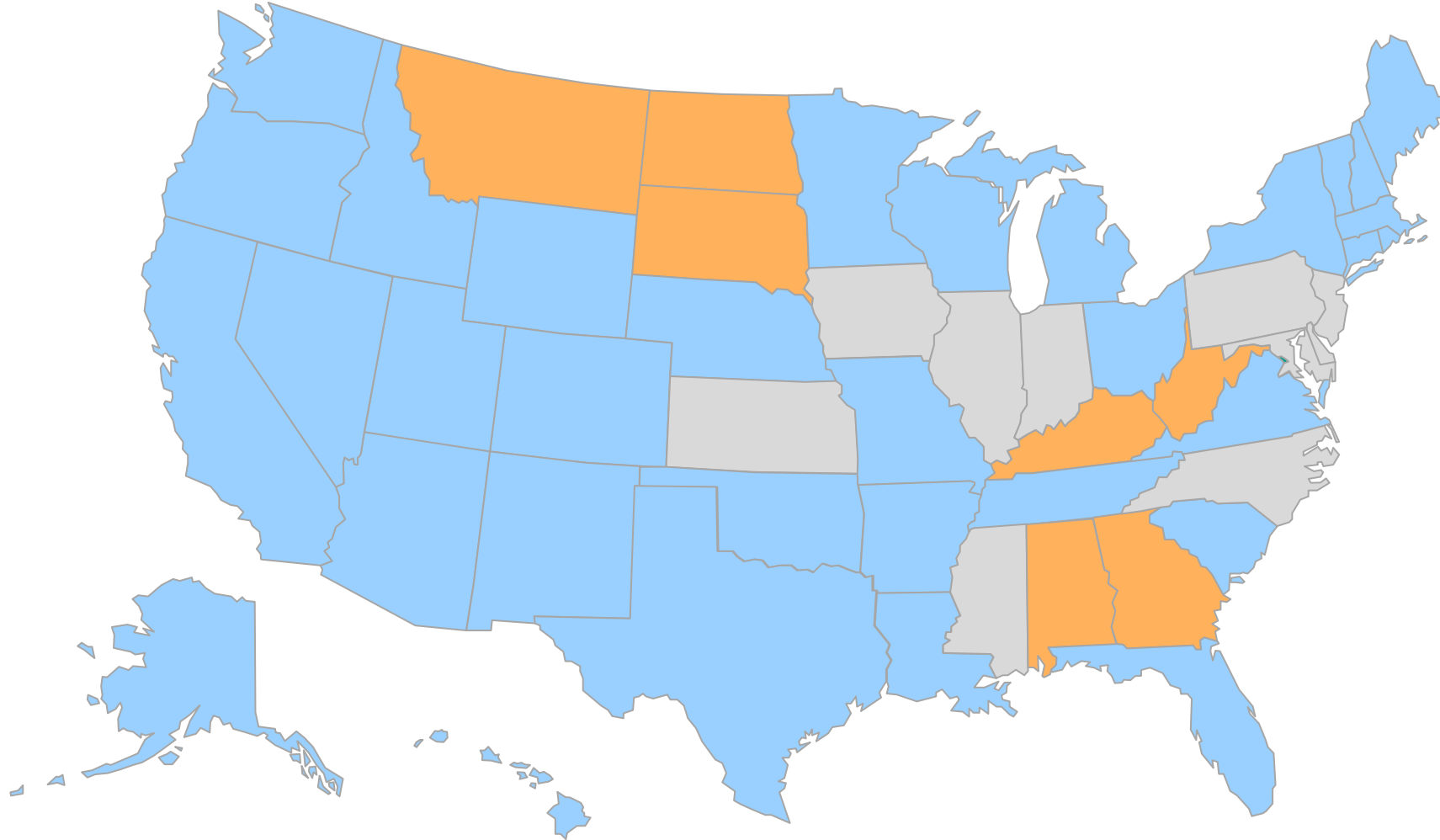
Includes actions that are more general than COVID-19 (e.g., presumption for infectious or contagious diseases)

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# Mental-Mental Injuries and Workers Compensation

States That **Exclude Coverage**, **Specify Coverage**,<sup>1</sup> or Are Silent on Coverage<sup>2</sup> in Statutes



<sup>1</sup>The extent of such coverage varies across jurisdictions

<sup>2</sup>Subject to existing case law

# Where Will PTSD/CTSD\* Coverage Come From?

## Wellness Program



## Group Health Insurance



## Workers Comp



\*PTSD—Posttraumatic Stress Disorder/CTSD—Continuous Traumatic Stress Disorder

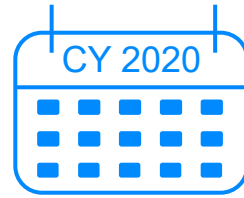
# 2020 Workers Compensation Highlights



Net written premium decreased by

10%

Reported combined ratios:



87%



100%



\$14B

reserve redundancy

Excluding COVID-19 claims:



Claim frequency declined by

7%

Indemnity severity increased 3%

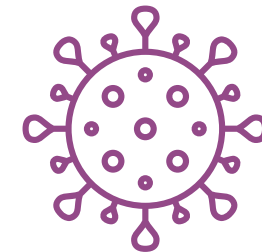


Medical severity expected to change within -2% to +2%



\$260M

reported COVID-19 losses



# Looking Ahead in 2021: Keep an Eye on These Topics



Future COVID-19 **Variants/Surges**



**Premium Recovery** for WC



Impact of **Vaccines**



**Permanent Disability**



Retroactive **Presumptions**



**Loss Development**

Is 2020 purely an anomaly or will there be lasting effects?

## Resources on **ncci.com**

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**State of the Line Report**

*State of the Line Guide*

COVID-19 Resource Center