

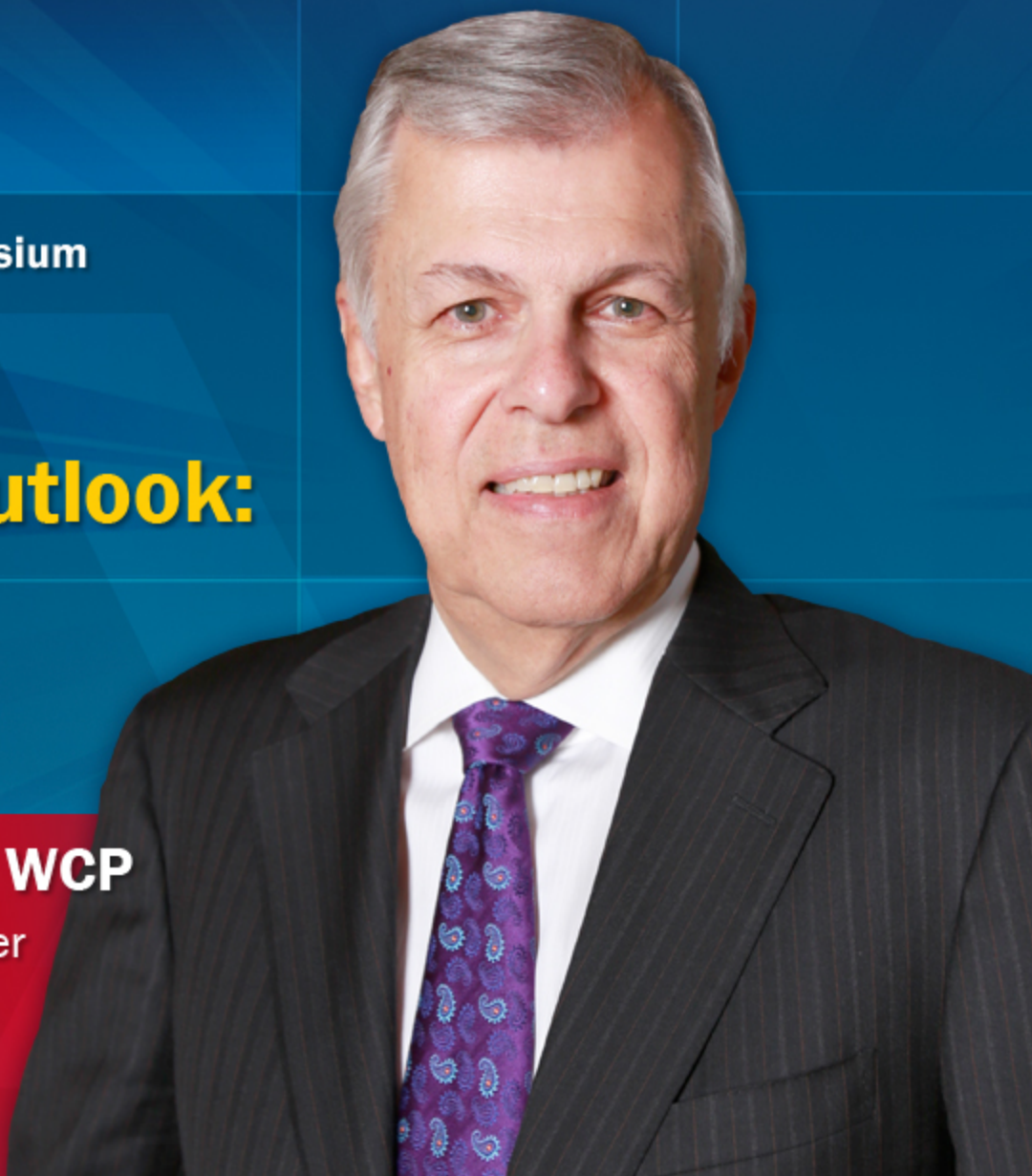


NCCI's 2015 Annual Issues Symposium

Workers Comp Outlook: Indicators, Issues, and Industry Success

Stephen J. Klingel, CPCU, WCP

President and Chief Executive Officer
NCCI





2015 Annual Issues Symposium

OPENING REMARKS

**Stephen J. Klingel, CPCU, WCP
President and Chief Executive Officer
NCCI**

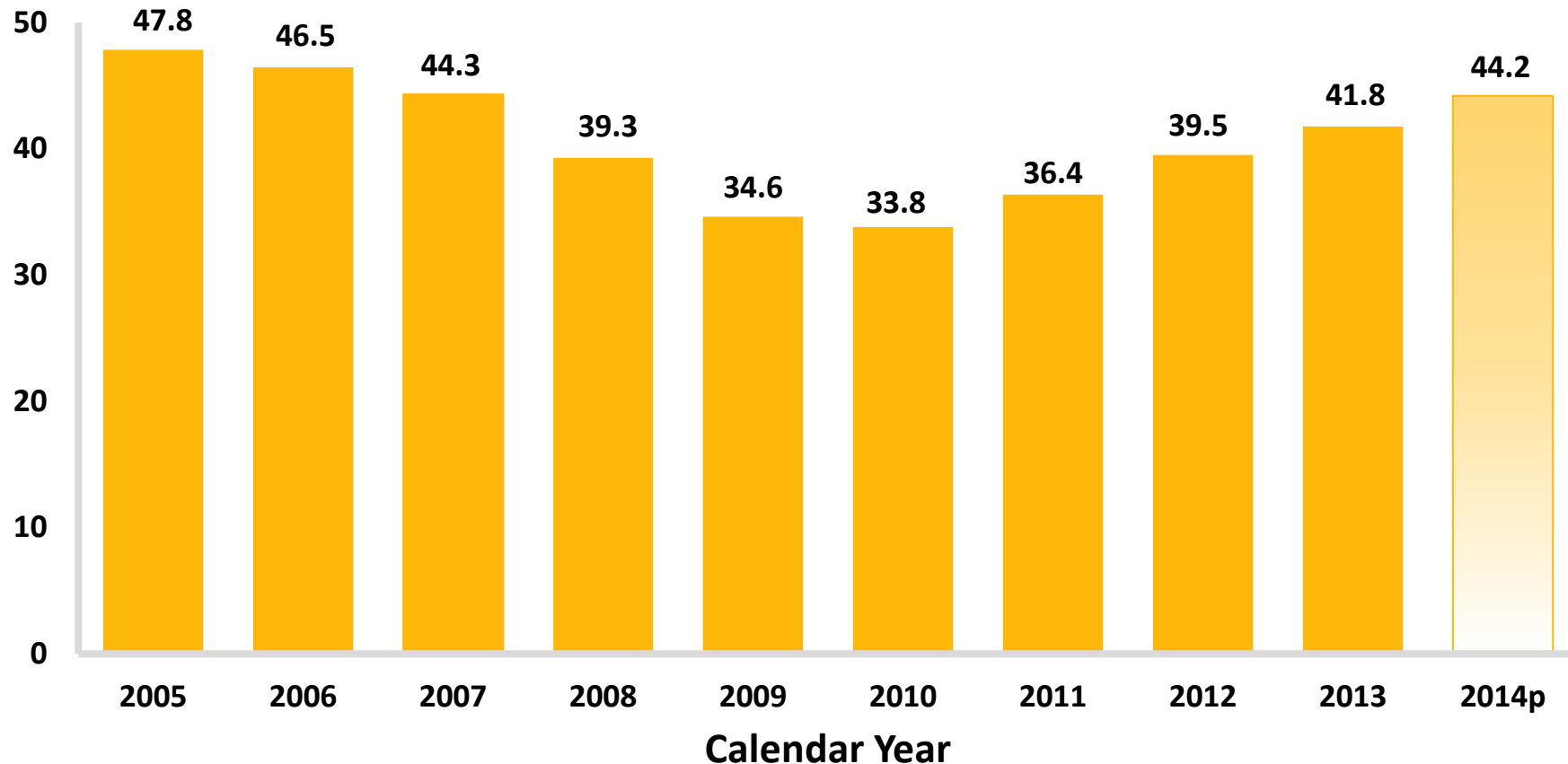


My Agenda

- Top Line Numbers
- Flash Forward
 - ✓ Economy
 - ✓ Evolving Workplace
 - ✓ Basic Principles Under Attack
- Defining the Market Condition

Workers Compensation Total Market Net Written Premium

\$ Billions



p Preliminary

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

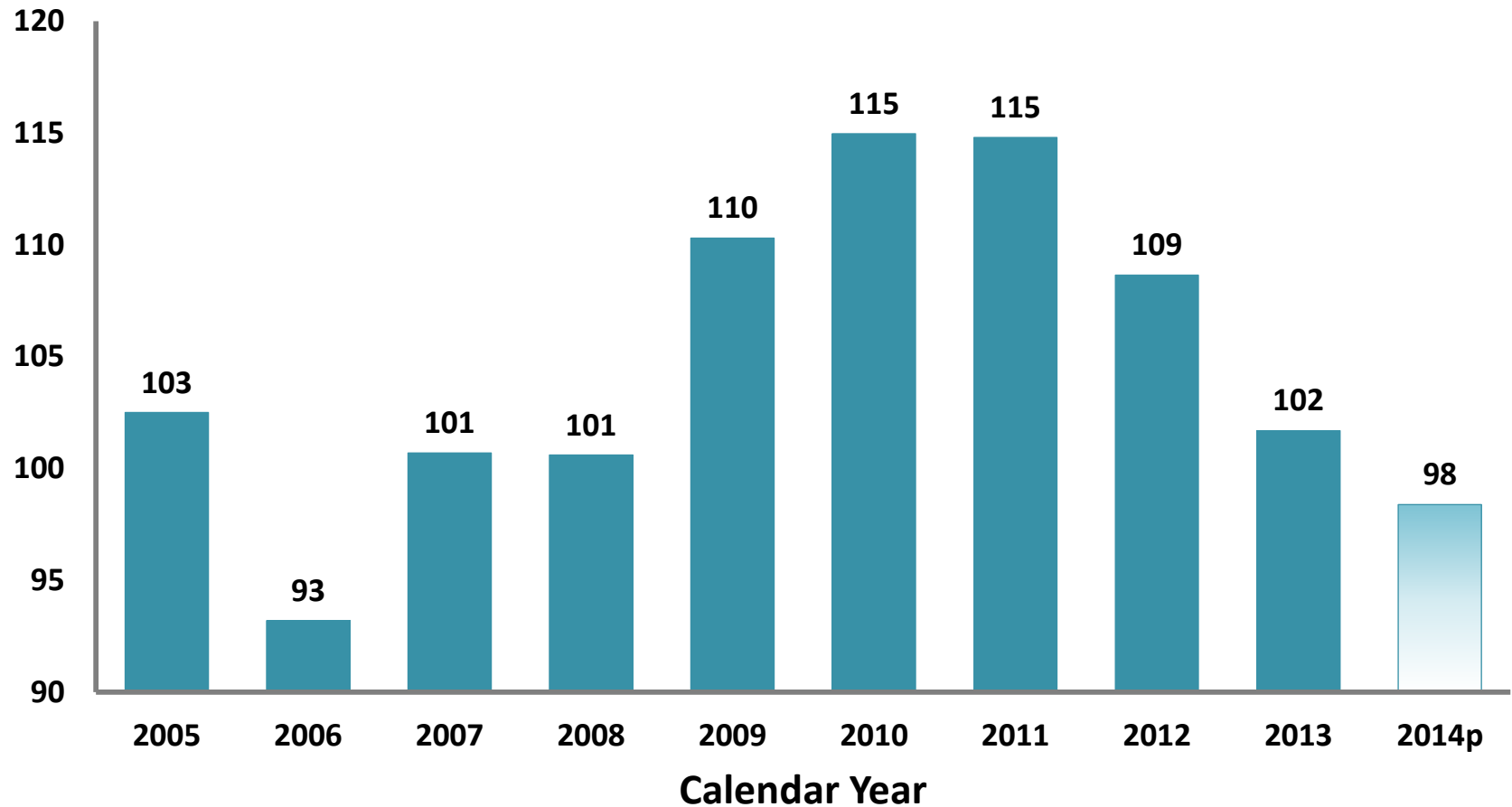
Source: Annual Statement data

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Workers Compensation Underwriting Results Improved Again

Percent

Combined Ratio



p Preliminary

Includes private carrier data

Source: Annual Statement data

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Top Line Industry Numbers

- Premium **>5%**
- Combined Ratio **98%**
- Claims Frequency **Decreased**

Flash Forward—Issues on the Horizon

- ✓ Economy
- ✓ Evolving Workplace
- ✓ Basic Principles Under Attack

The Economic Outlook

- Many Positive Signs
 - Employment increasing
 - Stock market recovered
 - Low inflation
- Strong Dollar May be a Concern

What to Watch For

- Continued Volatility
- Focus on the Fed
 - Real inflationary pressure?
 - Rate increases beginning when?



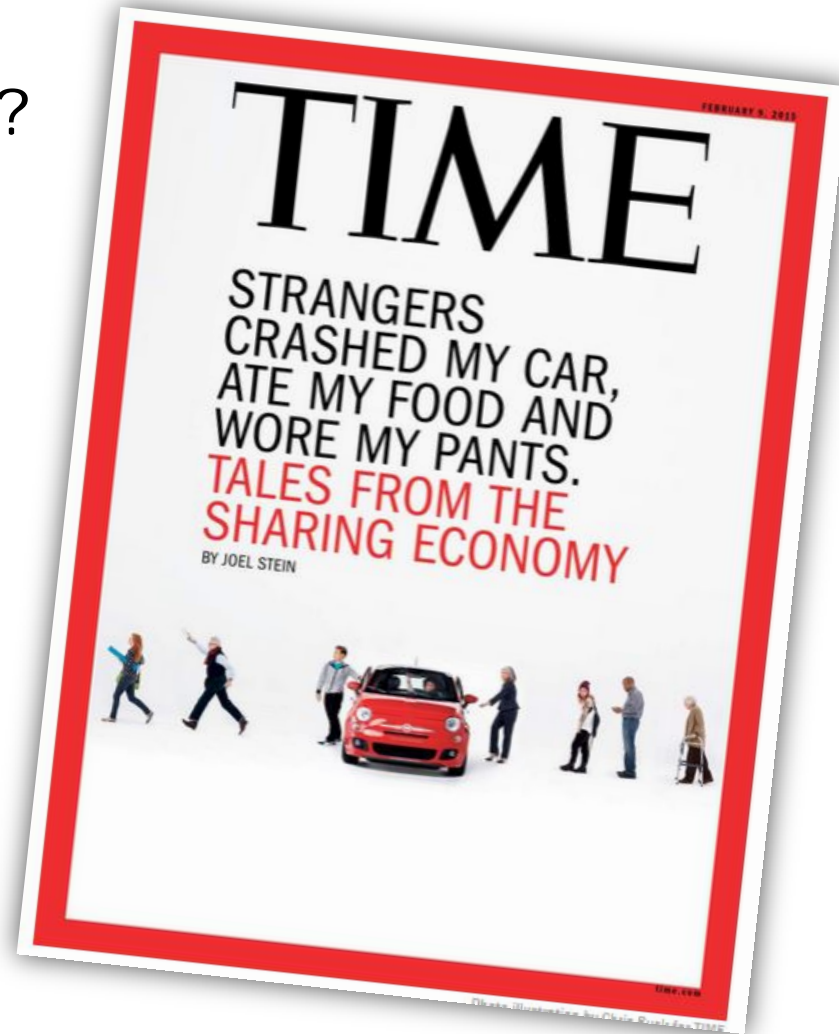
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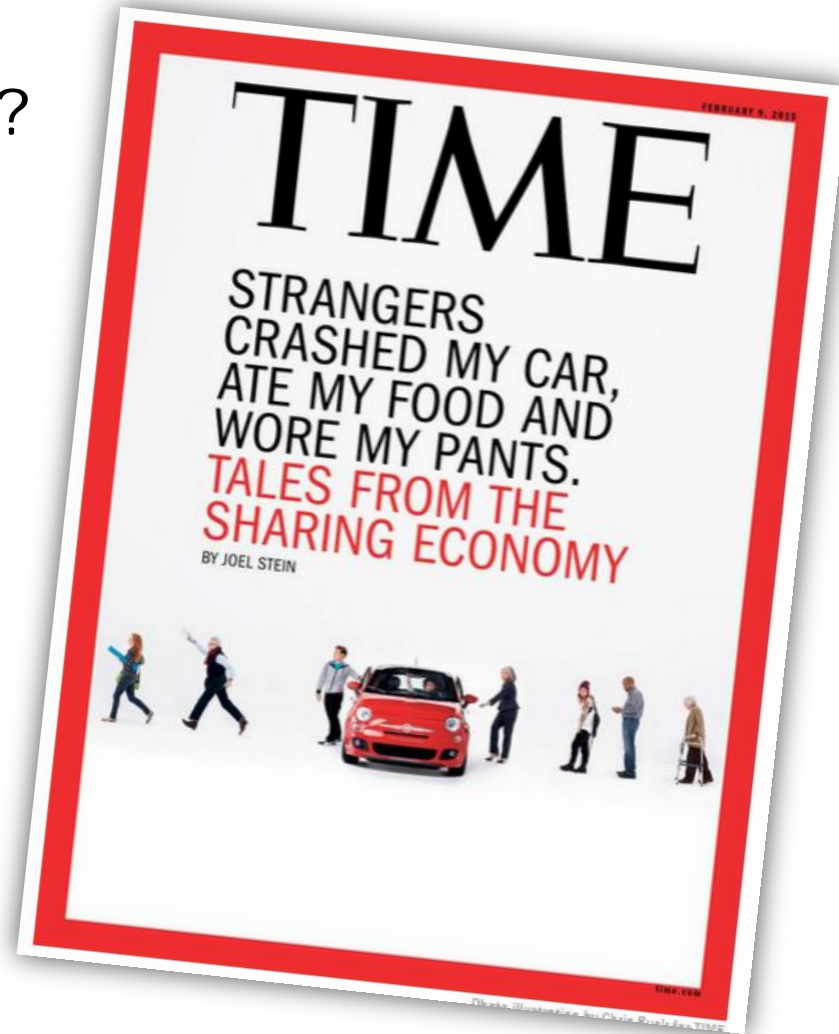
It's an Evolving Workforce (and Workplace)

- Who's an Employee?
- Mobile Workspaces
- What's Next?



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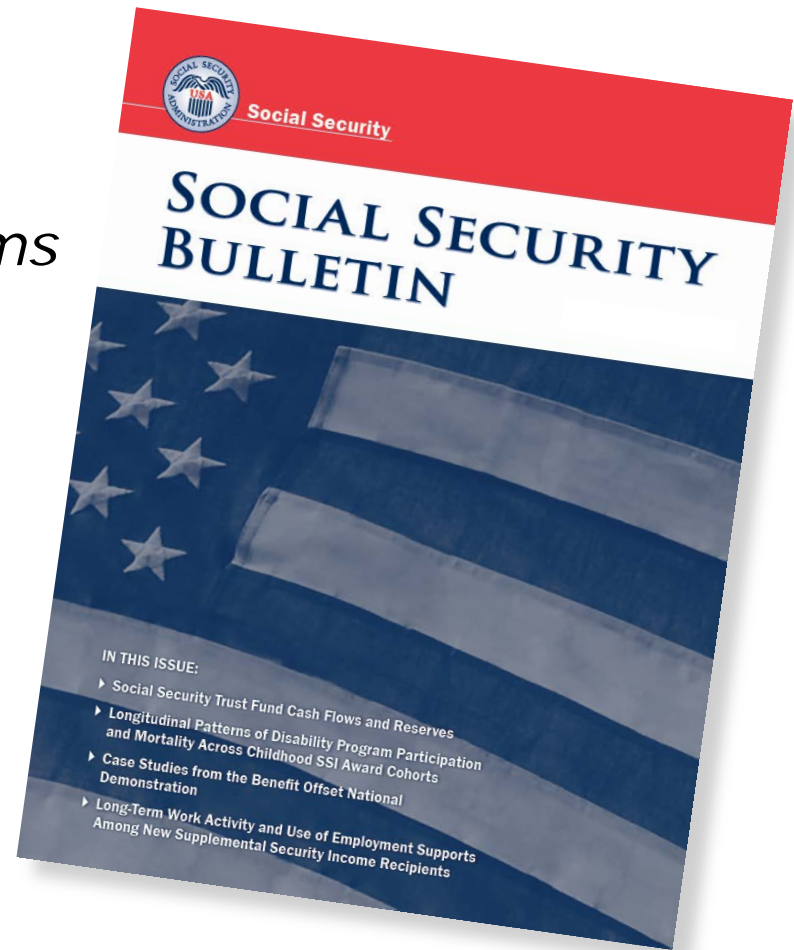
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- Who's an Employee?
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Fundamental Principle of Workers Comp

"The basic principle underlying workers' compensation programs was that benefits would be provided to injured workers without regard to fault and, in return, employers would face limited liability."



Ann Clayton, *Social Security Bulletin*, Vol. 65, No. 4, 2003/2004

AIS
Annual Issues Symposium
2015

Basic Principles Under Fire

- Press Reports
- OSHA Report
- Court Cases
 - Florida—*Padgett v. State of Florida*
 - Florida—*Westphal v. The City of St. Petersburg*
 - Oklahoma—*Duck v. Morgan Tire & Auto, LLC*

Current Responses

- Plenty of industry pundits have defended the workers comp system over the past few months
- The court cases may not stand
- Comp has worked well for more than 100 years
- What's the problem?

Perception Can Turn to Action Quickly

- Legislative Responses
- Call for National Action
- Will We Learn from Past Lessons?



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Defining the Market Condition

- Top Line Numbers Look Solid
- Economic Recovery Continuing (Albeit Slowly)
- Workplaces are Changing Rapidly
- Benefit Challenges on the Rise



Calm...

*but **Turbulence** ahead*

Turbulence Ahead

- System Under Attack From All Sides
- Continuing Challenges to Exclusive Remedy
- Benefit Increases Without Rate Increases?
- New National Commission on Workers Comp?
- Rapidly Evolving Workforce/Workplace

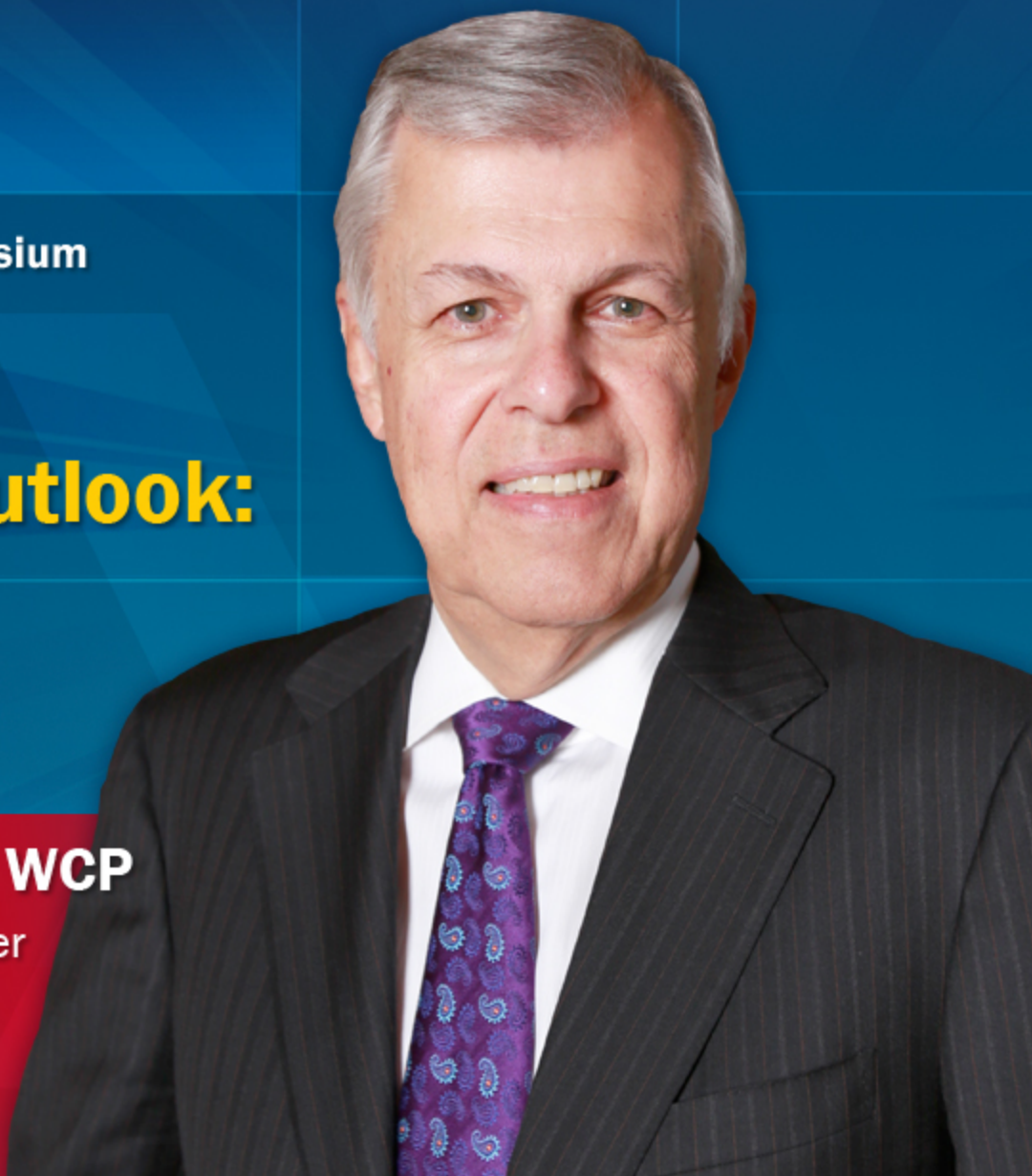


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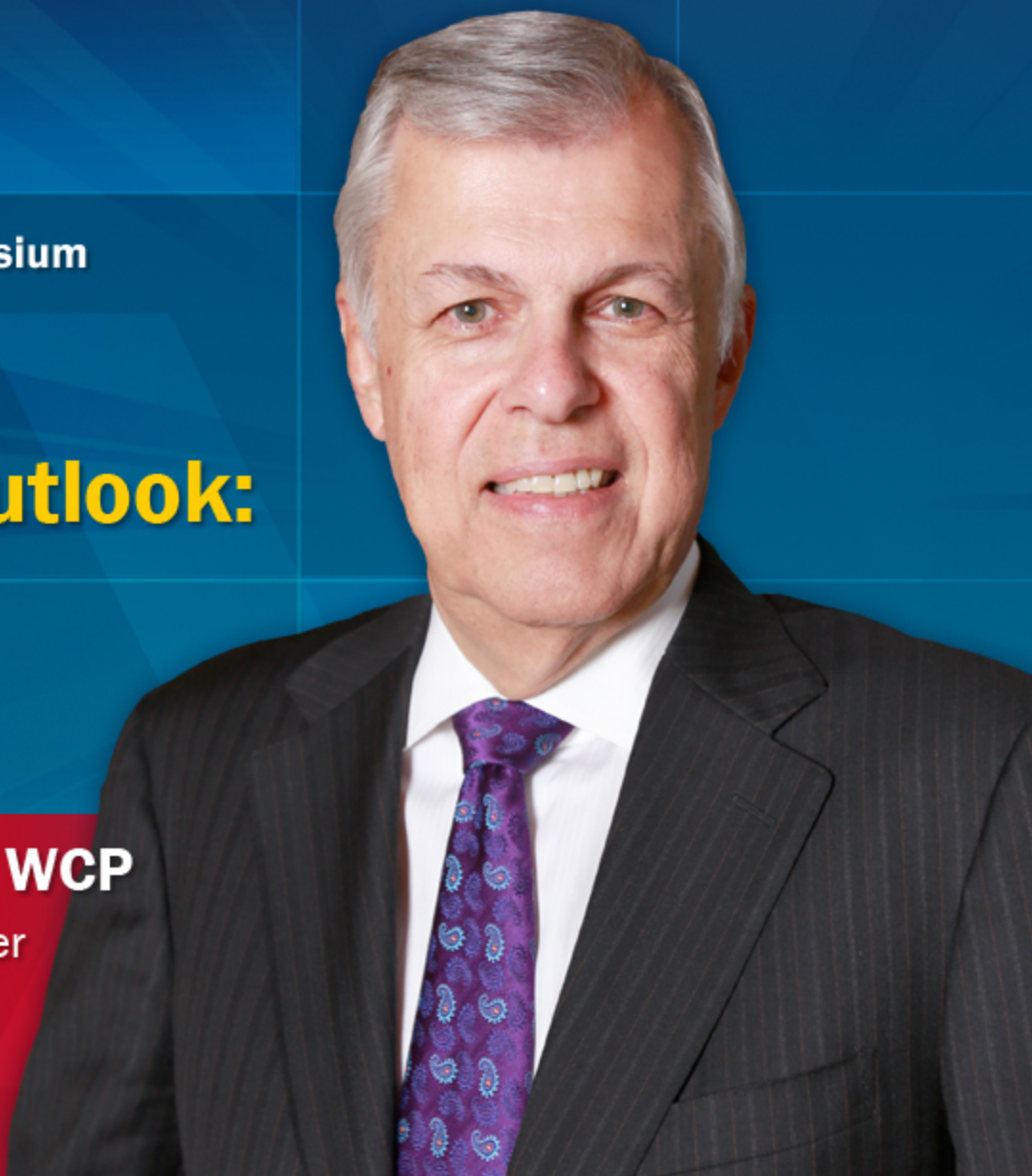


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