



Workers Compensation Financial Results Update

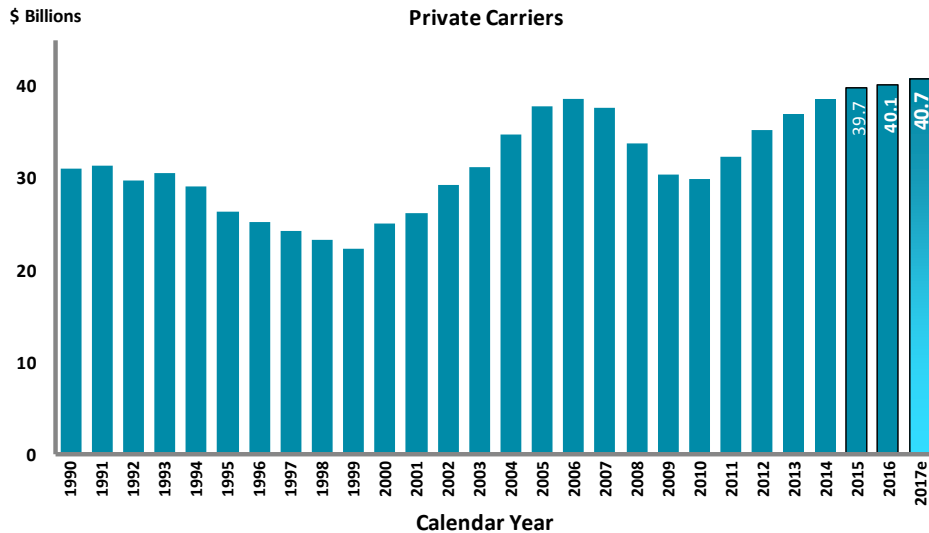
At its **Annual Issues Symposium (AIS)** held in May 2017, NCCI presented the **State of the Line**—a comprehensive report of financial results for the workers compensation (WC) line of business. The results presented at **AIS** reflected the most up-to-date data available at the time, including NCCI’s preliminary estimates for Calendar Year 2016. In this report, NCCI provides updated results for 2016, as well as preliminary estimates for Calendar Year 2017.

For Calendar Year 2016, NCCI estimated workers compensation premium volume net of reinsurance to be \$40.1 billion for private carriers; the updated data reported by the industry indicates no change to this preliminary estimate, marking the highest net written premium volume for private carriers on record.

NCCI has since evaluated the data reported as of midyear 2017 to provide a full-year estimate for written premium volume for Calendar Year 2017.

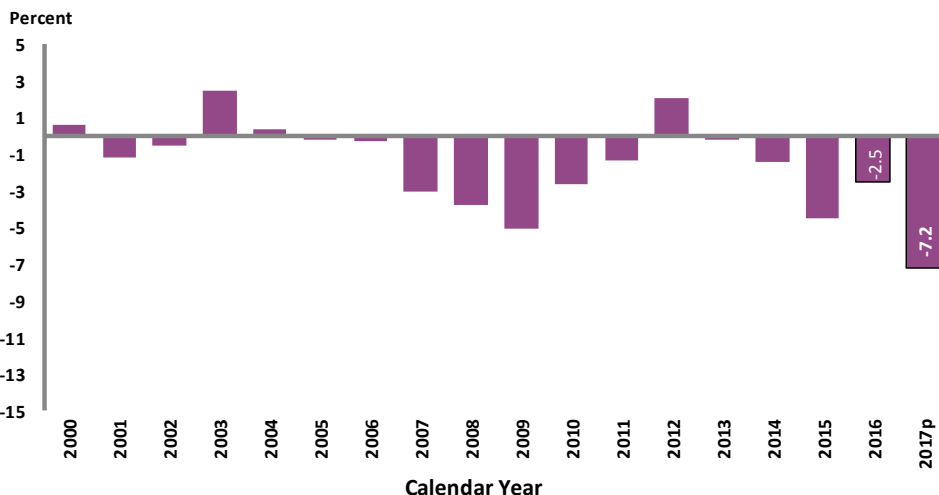
While still early and subject to revision, NCCI’s analysis indicates an increase in net written premium volume of 1.5% to \$40.7 billion for private carriers. Compared to the increase of 1.0% from 2015 to 2016, this estimate suggests a modest acceleration in premium growth and a new high-water mark for the workers compensation line. The 2017 estimate is based on private carrier-reported direct written premium and the historical relationship between direct and net written premium in recent years.

**Workers Compensation Net Written Premium
Continued Growth for 2017
Private Carriers**



2017e, NCCI estimate based on statutory data reported through 2nd Quarter 2017
Source: 1990–2016, Annual Statement data

**Workers Compensation Changes in Bureau Premium Level
By Effective Year for NCCI States**



p Preliminary
Bureau premium level changes reflect approved changes in advisory rates, loss costs, assigned risk rates, and rating values relative to those previously approved in NCCI states only
IN and NC are filed in cooperation with state rating bureau

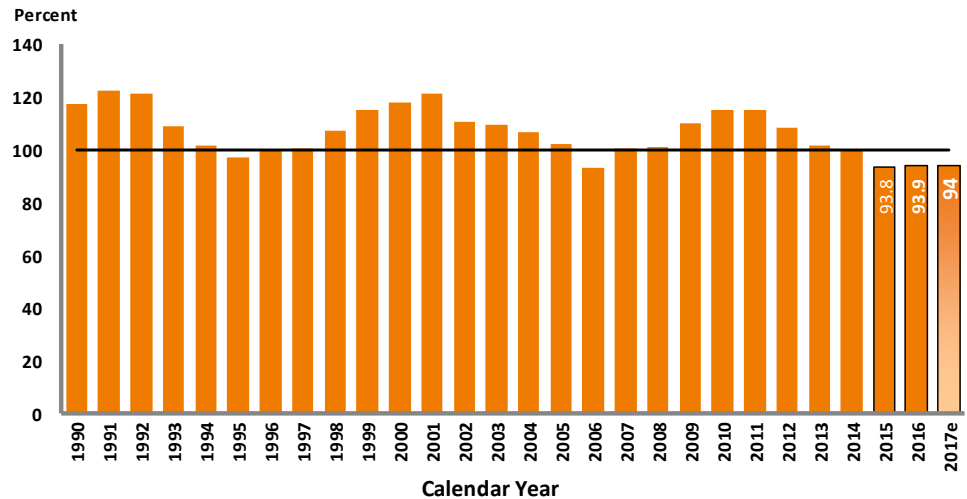
A major component of premium growth, changes in rates/loss costs reflect several factors that impact system costs, such as changes in the economy, cost containment initiatives, and reforms. Rates/loss costs have decreased by 7.2% in 2017, on average, in jurisdictions for which NCCI provides ratemaking services. The cumulative decrease since 2000 is more than 25%. This is primarily the result of improved experience driven by declines in lost-time claim frequency. The changes shown reflect both voluntary and assigned risk market approvals.



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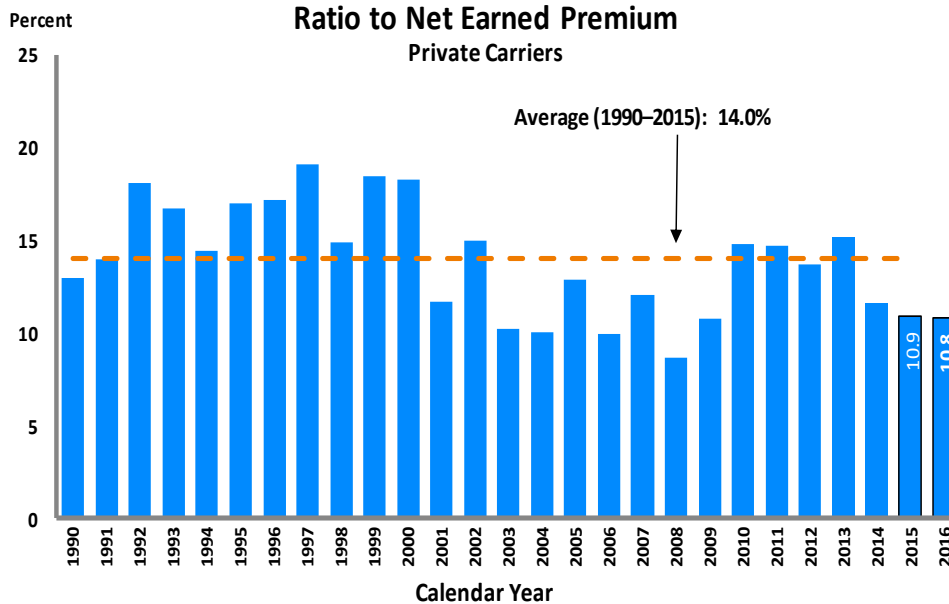
For Calendar Year 2016, NCCI estimated a workers compensation net combined ratio of approximately 94% for private carriers. The updated data reported by the industry indicates a 2016 combined ratio of 93.9% for private carriers, marking a third consecutive underwriting gain for the workers compensation line. After evaluating the data reported as of midyear 2017, NCCI estimates that the 2017 combined ratio will hold steady at approximately 94%, representing the third consecutive six-point underwriting gain for an industry that has posted combined ratios of less than 100% only three other times since 1990. The estimate for 2017 is based on private carrier direct calendar year incurred losses, direct earned premium, and historical net to direct ratios.

Workers Compensation Combined Ratio Underwriting Gain in 2017 Private Carriers



2017e, NCCI estimate based on statutory data reported through 2nd Quarter 2017
Source: 1990–2016, Annual Statement data

Workers Compensation Investment Gain on Insurance Transactions Ratio to Net Earned Premium Private Carriers



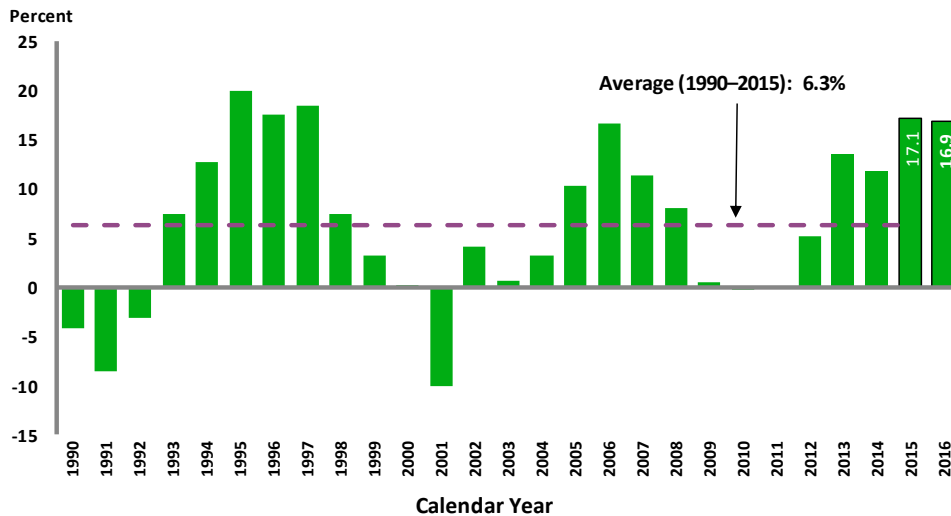
Source: Annual Statement data

The workers compensation investment gain on insurance transactions (IGIT) measures investment performance by comparing investment income allocated to the workers compensation line of business with the corresponding earned premium. The IGIT for Calendar Year 2016 was estimated to be approximately 12% of net earned premium at *AIS*. The updated data reported by the industry indicates a slightly lower ratio of 10.8%—the lowest result since 2008—and a decline of 0.9% from the 2015 value of 10.9%. In the three most recent years, results have fallen short of the 14% long-term average since 1990.



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**Workers Compensation Pretax Operating Gain
Private Carriers**



Source: Annual Statement Data
Operating Gain equals 1.00 minus (Combined Ratio less Investment Gain on Insurance Transactions and Other Income)

The pretax operating gain measures the overall financial performance of the workers compensation business, taking into account both underwriting income and investment income.

The investment gain of 10.8%—in combination with the favorable 2016 combined ratio—results in a workers compensation operating gain of 16.9%, which exceeds the observed 6.3% long-term average since 1990. This value, which is based on updated data reported by the industry, is slightly less than the preliminary estimate of approximately 18% shared at **AIS**.

NCCI will share its updated estimates for 2017 at **AIS 2018—The Future@Work**, scheduled for May 16–18, 2018.