South Carolina State Advisory Forum

- The Future@Work® Video
- Countrywide and South Carolina Labor Markets
- Countrywide Workers Compensation System
- South Carolina’s Workers Compensation System
- Kids’ Chance of South Carolina
- The Data Connection Video
- Legislative Issues
- Opioids and Workers Compensation
- Residual Market: Countywide and South Carolina
STATE ADVISORY FORUMS 2018

The Future@Work® Video
Countrywide and South Carolina Labor Markets
### National Economic Highlights and Their Impact on Workers Compensation

<table>
<thead>
<tr>
<th>National Economic Indicator</th>
<th>Potential Impact on the Workers Compensation Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private employment growth continues to be near 2%</td>
<td>Continuing payroll and premium growth</td>
</tr>
<tr>
<td>Wage growth is increasing and expected to accelerate</td>
<td>Upward pressure on payroll and premium growth as well as indemnity severity</td>
</tr>
<tr>
<td>Medical inflation is forecast to rise</td>
<td>Increases in medical costs per claim</td>
</tr>
<tr>
<td>Short-term and long-term interest rates have increased</td>
<td>Investment yields will increase across the spectrum of bond maturities</td>
</tr>
</tbody>
</table>
Change in Private Employment

Private Employment Growth Is About Average

Percent

0 2 4 6

South Carolina  United States

Year-over-year percentage change; employment is for Total Private Industry
Frequency of observation: quarterly; 2015 Q2–2018 Q2
Sources: US Bureau of Labor Statistics, Moody’s Analytics, and NCCI
Change in Average Weekly Wages
Wage Growth Is Below the National Average

Percent

<table>
<thead>
<tr>
<th>Year</th>
<th>South Carolina</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Q2</td>
<td>+1.8</td>
<td>+0.6</td>
</tr>
<tr>
<td>2017 Q2</td>
<td>+3.8</td>
<td>+3.1</td>
</tr>
<tr>
<td>2018 Q2</td>
<td>+2.6</td>
<td>+3.4</td>
</tr>
</tbody>
</table>

Year-over-year percentage change; wages are for Total Private Industry
Frequency of observation: quarterly; 2015 Q2–2018 Q2
Sources: US Bureau of Labor Statistics, Bureau of Economic Analysis, Moody’s Analytics, and NCCI
Private Industry Payroll Growth Decomposition

Payroll Growth Is Below the National Average

<table>
<thead>
<tr>
<th>Percent</th>
<th>South Carolina</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>+2.6</td>
<td>+5.4</td>
</tr>
<tr>
<td>4</td>
<td>+2.0</td>
<td>+4.6</td>
</tr>
<tr>
<td>2</td>
<td>+1.9</td>
<td>+3.4</td>
</tr>
</tbody>
</table>

AWW = Average Weekly Wage
2018 Q2 year-over-year percentage change
Sources: US Bureau of Labor Statistics, Bureau of Economic Analysis, Moody's Analytics, and NCCI
## Change in Employment by Sector

Employment Increased in Most Sectors in the Past Year

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>Year-Over-Year Percent Change, 2018 Q2</th>
<th>Sector Size</th>
<th>% Share</th>
<th>1-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade, transportation, and utilities</td>
<td>SC +2.4/US +1.1</td>
<td>405,900</td>
<td>19</td>
<td>+9,600</td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td>SC +3.5/US +1.7</td>
<td>261,400</td>
<td>12</td>
<td>+8,800</td>
</tr>
<tr>
<td>Education and health services</td>
<td>SC +2.9/US +1.9</td>
<td>252,600</td>
<td>12</td>
<td>+7,100</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>SC +1.7/US +2.1</td>
<td>244,000</td>
<td>11</td>
<td>+3,900</td>
</tr>
<tr>
<td>Other services</td>
<td>SC +4.3/US +1.7</td>
<td>82,700</td>
<td>4</td>
<td>+3,400</td>
</tr>
<tr>
<td>Government</td>
<td>SC +0.9/US +0.1</td>
<td>367,900</td>
<td>17</td>
<td>+3,200</td>
</tr>
<tr>
<td>Professional and business services</td>
<td>SC +1.1/US +2.6</td>
<td>279,500</td>
<td>13</td>
<td>+3,100</td>
</tr>
<tr>
<td>Information</td>
<td>SC +0.7/US −1.0</td>
<td>27,700</td>
<td>1</td>
<td>+200</td>
</tr>
<tr>
<td>Financial activities</td>
<td>SC −0.2/US +1.5</td>
<td>101,600</td>
<td>5</td>
<td>−200</td>
</tr>
<tr>
<td>Construction</td>
<td>SC −2.3/US +4.0</td>
<td>99,500</td>
<td>5</td>
<td>−2,300</td>
</tr>
</tbody>
</table>

Employment numbers are rounded to the nearest hundred

Year-over-year percentage change; frequency of observation: quarterly; 2018 Q2

Sources: US Bureau of Labor Statistics, Moody’s Analytics, and NCCI
South Carolina’s Payroll Growth Decomposition by Sector

Employment Growth + AWW Growth ≈ Payroll Growth

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment Growth</th>
<th>AWW Growth</th>
<th>Payroll Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-5% 0 +5% +10%</td>
<td>-5% 0 +5% +10%</td>
<td>-5% 0 +5% +10%</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade, transportation, and utilities</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Professional and business services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
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<tr>
<td>Education and health services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AWW = Average Weekly Wage
2018 Q2 year-over-year percentage change; sectors are in descending order by the volume of state payroll amounts
Sources: US Bureau of Labor Statistics, Bureau of Economic Analysis, Moody’s Analytics, and NCCI
Headline Unemployment Rate
The Unemployment Rate Is Below the National Rate

Percent

US: 3.7
SC: 3.3

0 1 2 3 4 5

Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep

2017 2018

Headline Unemployment Rate, seasonally adjusted
Frequency of observation: monthly; latest available data point: Sep 2018
South Carolina’s Labor Market

- The state unemployment rate is below the US rate
- Payroll increased in South Carolina from gains in wages and employment
  - Private sector payrolls are largest in the Trade, Transportation, and Utilities, Professional and Business Services, and Manufacturing sectors
  - Payroll increased fastest in Professional and Business Services
- Employment growth is comparable to the US rate
  - Employment expanded across most economic sectors
  - Trade, Transportation, and Utilities added the most jobs
Countrywide Workers Compensation System
Countrywide Workers Compensation (WC)—An Overview

- Premium decreased slightly in the most recent year
- The combined ratio continues to show favorable results
- Frequency declined again at the latest point
- Medical and indemnity severity increased modestly
WC Net Written Premium

Private Carriers and State Funds

$ Billions

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.
WC Direct Written Premium (DWP) Change by Component

Private Carriers—NCCI States

Change in Direct Written Premium: 0.0%

2017 vs. 2016

- Payroll: +4.4%
- Loss Cost and Mix: -4.2%
- Carrier Discounting: +0.4%
- Other Factors: -0.4%

Sources: DWP Change: NAIC’s Annual Statement Statutory Page 14 for all states where NCCI provides ratemaking services
Components: NCCI’s Policy data
Increases in Payroll Continue to Drive Changes in Premium
Forecast Change 2016–2017

Sources: Moody’s Analytics and NCCI
WC Approved Changes in Bureau Premium Level
Weighted by Effective Date—NCCI States

Percent

Calendar Year

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

Values reflect changes in average premium levels between years, based on approved changes in advisory rates, loss costs, assigned risk rates, and rating values. IN and NC are filed in cooperation with state rating bureaus.

Source: NAIC’s Annual Statement Statutory Page 14

p Preliminary
WC Impact of Discounting on Premium
Private Carriers—NCCI States

Percent

Policy Year

97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17p

-25 -15 -5 5 0.5

p Preliminary
Sources: NAIC's Annual Statement Statutory Page 14 and NCCI's Financial Call data
Rate/loss cost departure reflects carrier departure from NCCI's rate level, which excludes a profit and contingency provision and expense constant
Based on data for all states where NCCI provides ratemaking services, excluding TX
WC Combined Ratio—Underwriting Gain Achieved

Private Carriers

Percent

Calendar Year

Source: NAIC's Annual Statement data
WC Combined Ratio by Component

Private Carriers

Dividends

Underwriting Expense Ratio

Loss Adjustment Expense (LAE) Ratio

Loss Ratio

Source: NAIC’s Annual Statement data
WC Net Combined Ratios—Calendar Year vs. Accident Year as Reported

Private Carriers

Source: NAIC’s Annual Statement data
Accident Year information is reported as of 12/31/2017
Includes dividends to policyholders
WC Lost-Time Claim Frequency
Claims per $1M Pure Premium, Private Carriers and State Funds—NCCI States

Percent

Average Annual Change: −3.7%
(1997–2016)

Accident Year

2010 and 2011 adjusted primarily for significant changes in audit activity
p Preliminary based on data valued as of 12/31/2017
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 12/31/2016
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; WV is excluded through 2011
WC Average Indemnity Claim Severity
Private Carriers and State Funds—NCCI States

Severity ($ Thousands)

25
20
15
10
5

97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17p

Accident Year

p Preliminary based on data valued as of 12/31/2017
Source: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2016
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; WV is excluded through 2007
Relative Growth Rates—Indemnity Severity vs. Wage Inflation
Private Carriers and State Funds—NCCI States

Changes in indemnity claim severity **outpaced** changes in wage inflation by **1.9% per year**, on average

Indemnity claim severity and wages grew at a **similar rate**

---

**Notes:**
- Preliminary based on data valued as of 12/31/2017
- Sources: Severity: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2016
- Values displayed reflect the methodology underlying the most recent rate/loss cost filing
- Includes all states where NCCI provides ratemaking services; WV is excluded through 2007

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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>97</td>
<td>10.0</td>
</tr>
<tr>
<td>98</td>
<td>10.5</td>
</tr>
<tr>
<td>99</td>
<td>11.0</td>
</tr>
<tr>
<td>00</td>
<td>11.5</td>
</tr>
<tr>
<td>01</td>
<td>12.0</td>
</tr>
<tr>
<td>02</td>
<td>12.5</td>
</tr>
<tr>
<td>03</td>
<td>13.0</td>
</tr>
<tr>
<td>04</td>
<td>13.5</td>
</tr>
<tr>
<td>05</td>
<td>14.0</td>
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<td>06</td>
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<td>15</td>
<td>19.0</td>
</tr>
<tr>
<td>16</td>
<td>19.5</td>
</tr>
<tr>
<td>17p</td>
<td>20.0</td>
</tr>
</tbody>
</table>

P Preliminary based on data valued as of 12/31/2017
Source: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2016
Values displayed reflect the methodology underlying the most recent rate/loss cost filing
Includes all states where NCCI provides ratemaking services; WV is excluded through 2007
Relative Growth Rates—Medical Severity vs. Price Inflation
Private Carriers and State Funds—NCCI States

Medical lost-time claim severity grew approximately **4.5%** per year faster than medical care prices.

Change in Medical lost-time claim severity and medical care prices tracked one another.

**Sources:**
- Severity: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2016
- Values displayed reflect the methodology underlying the most recent rate/loss cost filing
- Includes all states where NCCI provides ratemaking services; WV is excluded through 2007
- Personal Health Care (PHC) Chain-Weighted Price Index: Centers for Medicare & Medicaid Services

**Preliminary based on data valued as of 12/31/2017**
South Carolina’s Workers Compensation System
South Carolina Workers Compensation System—An Overview

- Written premium volume has continued to increase
- Combined ratios have improved in recent years
- Lost-time claim frequency has continued to decline over the recent past
South Carolina WC Premium Volume

Direct Written Premium in $ Millions

Source: NAIC's Annual Statement data
South Carolina Combined Ratios

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>NCCI's financial data through 12/31/2017 and NAIC's Annual Statement data</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Impact of Discounting on WC Premium in South Carolina

Based on data through 12/31/2017

p Preliminary
South Carolina Lost-Time Claim Frequency

Based on NCCI’s financial data through 12/31/2017, on-leveled and developed to ultimate, premium adjusted to common wage level
South Carolina Average Indemnity Claim Severity

Lost-Time Claim Severity in $ Thousands

Based on NCCI's financial data through 12/31/2017, on-leveled and developed to ultimate
South Carolina Average Medical Claim Severity
Lost-Time Claim Severity in $ Thousands

Based on NCCI’s financial data through 12/31/2017, on-leveled and developed to ultimate
South Carolina Filing Activity
Voluntary Loss Cost Level Changes

2015: 1.9%
2016: 2.5%
2017: No filing
2018: -7.0%
2019*: -9.2%

*Pending
## South Carolina April 1, 2019 Loss Cost Filing

<table>
<thead>
<tr>
<th>Proposed Overall Average Loss Cost Level Change: $-9.2%$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in Experience:</strong> $-8.3%$</td>
</tr>
<tr>
<td><strong>Change in Trend:</strong> $-1.7%$</td>
</tr>
<tr>
<td><strong>Change in Benefits:</strong> $0.8%$</td>
</tr>
<tr>
<td><strong>Change in Other:</strong> $-0.1%$</td>
</tr>
</tbody>
</table>
South Carolina April 1, 2019 Filing—
Average Changes by Industry Group

Proposed Overall Average Loss Cost Level Change: −9.2%

Manufacturing: -7.4%
Contracting: -11.3%
Office & Clerical: -12.0%
Goods & Services: -9.5%
Miscellaneous: -6.8%
Reflects the most recent experience filing in each jurisdiction
Due to the timing of the individual loss cost/rate filings, the figures shown may include changes from prior filing seasons
Harry Gregory

Kids’ Chance of South Carolina
PO Box 2957
Georgetown, SC 29442-2957
angie@kidschancesc.org
Legislative Issues
Legislative Overview for 2018

As of September 30, 2018:

- NCCI has tracked approximately 844 state and federal workers compensation-related bills
- 474 of the bills are in NCCI states
- 94 bills have been enacted (includes all jurisdictions and federal)
2018 Workers Compensation Legislative Activity

States Not in Session
0–10 Bills Introduced
11–20 Bills Introduced
21–30 Bills Introduced
More Than 30 Bills Introduced
Top Five WC Legislative Trends in 2018
Number of Bills by Category

- Definition of Employee: 67
- Compliance: 68
- Reimbursement/Fee Schedules: 91
- Court/Legal Issues: 97
- First Responders: 111
NCCI’s Engagement at the Federal Level

NCCI works with Congress and federal agencies to educate and inform federal public policymakers on the impact of legislative and regulatory issues on the state-based workers compensation system.
NCCI’s Engagement at the Federal Level (cont’d)

NCCI provides information and insights to several federal agencies, including:

- US Department of Labor (USDOL)
- National Institute for Occupational Safety and Health (NIOSH)
- Government Accountability Office (GAO)
- US Department of the Treasury
Federal Insurance Office—Report on TRIP Effectiveness

Key findings:

- The Terrorism Risk Insurance Program (TRIP) is effective in making terrorism risk insurance available and affordable.
- TRIP has not had the effect of discouraging or impeding property/casualty insurance.
- TRIP serves as an important backstop for workers compensation insurance.
Opioids and Workers Compensation
What Is a Prescription Opioid?

- Prescription opioids are a class of drugs used to treat moderate to severe pain, particularly chronic, intractable pain.
- Prescription opioids include oxycodone (OxyContin®), hydrocodone (Vicodin®), and morphine.
- Opioids bind to and activate opioid receptors on cells in the brain and body.
  - Pain signals are blocked, and large amounts of dopamine are released.
  - Misuse of opioids can slow down breathing, which can lead to death.
Background

According to the US Department of Health and Human Services (HHS), in 2016:

- **11.5** million Americans misused prescription opioids
- **2.1** million reported an opioid disorder
- **116** died every day from an opioid-related overdose

According to the Centers for Disease Control and Prevention (CDC), in 2016:

- **40%** of opioid overdose deaths involved a prescription opioid
- The number of overdose deaths involving prescription opioids was **five times higher** than in 1999
- The US prescribing rate for opioids was **61** prescriptions per **100** persons
Impact on Workers Compensation

- According to NCCI’s data, injured workers who were prescribed at least one prescription in 2016 received three times as many opioid prescriptions as the overall US opioid prescribing rate.

- Workers compensation is directly impacted because injured workers are often prescribed opioids for pain.
Opioids Are a Significant Share of WC Prescription Drug (Rx) Costs

Two in five Rx claims received an opioid in Service Year (SY) 2016

Costs

The average cost of an opioid Rx claim is four times that of a nonopioid Rx claim

Spend

One in four dollars spent for prescription drugs in workers compensation is for opioids

Source: NCCI’s Medical Data Call, Service Year 2016; states included are AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MI, MN, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, and WI
How Did We Get Here?

Physicians interviewed by NCCI pointed to four key factors that led to the rise in opioid prescribing and consumption:
State Regulators’ Perspective

State regulators interviewed by NCCI shared that tools in the fight against the opioid epidemic include:
In 2018, a large majority of states considered prescription drug legislation or regulatory changes, including:

- Drug formularies
- Limitation on physician dispensing and repackaged drugs
- PDMPs
- Prescription drug fee schedules

Federal:
- New Initiative to Stop Opioid Abuse and Reduce Drug Supply and Demand
- CDC Guidelines provide recommendations for prescribing opioid pain medication
- Legislation—Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act
Claims professionals interviewed by NCCI said that there are four key elements that are critical for successfully managing claims involving opioids:

- **Early identification** of addiction risk
- **Rigorous monitoring** throughout the life of the claim
- **Regulatory support** for managing prescribing practices
- **Healthcare literacy** and a team approach to pain management
Find It on ncci.com/Insights
NCCI’s Residual Market Services

- As of January 2018, NCCI provides Plan Administration services in the following states:
  - AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, KS, MS, NH, NM, NV, OR, SC, SD, TN, VA, VT, and WV
  - Other Plan Services: DE, IN, and NC

- As of January 2018, NCCI provides Pool Administration services in the following states:
  - National Pool: AK, AL, AR, AZ, CT, DC, DE, GA, IA, ID, IL, KS, NC, NH, NJ, NV, OR, SC, SD, TN, VA, VT, and WV
  - New Mexico Pool
  - Tennessee Reinsurance Mechanism

- Financial and Actuarial Services: MA and MI
## Assigned Risk Plan Market Share by State

### As of 12/31/2017

<table>
<thead>
<tr>
<th>State</th>
<th>Total Policy Count</th>
<th>Total Premium</th>
<th>Market Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>7,468</td>
<td>$33,684,821</td>
<td></td>
</tr>
<tr>
<td>Vermont</td>
<td>3,838</td>
<td>17,986,224</td>
<td></td>
</tr>
<tr>
<td>Arkansas</td>
<td>6,803</td>
<td>23,076,982</td>
<td></td>
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<tr>
<td>Tennessee</td>
<td>12,978</td>
<td>62,849,355</td>
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<tr>
<td>Kansas</td>
<td>9,001</td>
<td>27,805,502</td>
<td></td>
</tr>
<tr>
<td>New Hampshire</td>
<td>4,944</td>
<td>17,508,396</td>
<td></td>
</tr>
<tr>
<td>Nevada</td>
<td>5,248</td>
<td>21,588,506</td>
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</tr>
<tr>
<td>Virginia</td>
<td>16,276</td>
<td>61,167,550</td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td>13,729</td>
<td>34,603,981</td>
<td></td>
</tr>
<tr>
<td>West Virginia</td>
<td>2,386</td>
<td>15,555,676</td>
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<tr>
<td>Oregon</td>
<td>9,058</td>
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<tr>
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<td>Iowa</td>
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<td>Illinois</td>
<td>34,268</td>
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<td>Mississippi</td>
<td>2,592</td>
<td>14,790,560</td>
<td></td>
</tr>
<tr>
<td>New Mexico</td>
<td>1,926</td>
<td>7,319,441</td>
<td></td>
</tr>
<tr>
<td>District of Columbia</td>
<td>1,119</td>
<td>6,167,660</td>
<td></td>
</tr>
<tr>
<td>Alabama</td>
<td>1,634</td>
<td>8,458,783</td>
<td></td>
</tr>
<tr>
<td>Idaho</td>
<td>929</td>
<td>2,473,969</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>183,532</strong></td>
<td><strong>$678,642,171</strong></td>
<td><strong>6.0</strong></td>
</tr>
</tbody>
</table>

Policy count and premium data are on a policy year basis as reported to NCCI, for policies effective from January 1, 2017, to December 31, 2017, including prorated cancellations, with all policies’ premium associated to the dominant state. Market share percentage is from NCCI’s 2017 *Residual Market Management Summary*
South Carolina Residual Market Plan Premium
As of 12/31/2017

Premium data is on a policy year basis as reported to NCCI, for policies effective from January 1, 2017, to December 31, 2017, including prorated cancellations, with all policies’ premium associated to the dominant state.
South Carolina Residual Market Share
Plan Premium as a Percentage of Direct Written Premium

Dataset:

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Share Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5.6%</td>
</tr>
<tr>
<td>2014</td>
<td>5.8%</td>
</tr>
<tr>
<td>2015</td>
<td>5.5%</td>
</tr>
<tr>
<td>2016</td>
<td>6.4%</td>
</tr>
<tr>
<td>2017</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Calendar Year

Market share percentage is from NCCI’s 2017 Residual Market Management Summary
South Carolina Residual Market Plan Policy Counts

As of 12/31/2017

Policy count data is on a policy year basis as reported to NCCI, for policies effective from January 1, 2017, to December 31, 2017, including prorated cancellations, with all policies’ premium associated to the dominant state.
## South Carolina Residual Market Premium by Size of Risk

### As of 12/31/2017

<table>
<thead>
<tr>
<th>Size of Risk</th>
<th>2016 ($ Millions)</th>
<th>2017 ($ Millions)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 0 – 2,499</td>
<td>10.26</td>
<td>11.60</td>
<td>13.1</td>
</tr>
<tr>
<td>$ 2,500 – 4,999</td>
<td>3.70</td>
<td>4.06</td>
<td>9.6</td>
</tr>
<tr>
<td>$ 5,000 – 9,999</td>
<td>4.20</td>
<td>4.94</td>
<td>17.6</td>
</tr>
<tr>
<td>$ 10,000 – 49,999</td>
<td>8.85</td>
<td>9.63</td>
<td>8.8</td>
</tr>
<tr>
<td>$ 50,000 – 99,999</td>
<td>2.27</td>
<td>2.18</td>
<td>-3.8</td>
</tr>
<tr>
<td>$ 100,000 and Over</td>
<td>3.25</td>
<td>2.20</td>
<td>-32.2</td>
</tr>
<tr>
<td>Total</td>
<td>32.52</td>
<td>34.60</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Premium data is on a policy year basis as reported to NCCI, for policies effective from January 1, 2016, to December 31, 2016, and policies effective from January 1, 2017, to December 31, 2017, including prorated cancellations, with all policies’ premium associated to the dominant state. Change is calculated based upon the premium data.
## South Carolina Residual Market Policy Counts

### As of 12/31/2017

<table>
<thead>
<tr>
<th>Premium Range</th>
<th>Policy Counts</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 0 – 2,499</td>
<td>11,317</td>
</tr>
<tr>
<td>$ 2,500 – 4,999</td>
<td>1,131</td>
</tr>
<tr>
<td>$ 5,000 – 9,999</td>
<td>711</td>
</tr>
<tr>
<td>$ 10,000 – 19,999</td>
<td>359</td>
</tr>
<tr>
<td>$ 20,000 – 49,999</td>
<td>160</td>
</tr>
<tr>
<td>$ 50,000 – 99,999</td>
<td>35</td>
</tr>
<tr>
<td>$ 100,000 – 199,999</td>
<td>14</td>
</tr>
<tr>
<td>$ 200,000 and Over</td>
<td>2</td>
</tr>
</tbody>
</table>

Policy count and premium data are on a policy year basis as reported to NCCI, for policies effective from January 1, 2017, to December 31, 2017, including prorated cancellations, with all policies’ premium associated to the dominant state. Percent of policies, percent of premium, and average policy size are calculations from the policy count and premium data.
Residual Market Summary

- National
  - Stable residual market share
  - Manageable operating results
  - Residual market premium declined slightly in 2017
  - High levels of customer service satisfaction

- State
  - Increased premium volume
  - Stable residual market share

Please visit ncci.com for additional state and countrywide information.
Total Benefit Costs in South Carolina

South Carolina
Indemnity: 56%
Medical: 44%

Region
Indemnity: 46%
Medical: 54%

Countrywide
Indemnity: 42%
Medical: 58%

Regional states are AL, GA, NC, and TN
Based on NCCI’s financial data through 12/31/2017
South Carolina Indemnity and Medical Loss Ratios

Based on NCCI’s financial data through 12/31/2017 at current benefit level and developed to ultimate

Policy Year


Indemnity

Medical
South Carolina Claim Frequency
Per Million of On-Leveled Premium

Based on NCCI’s financial data through 12/31/2017, adjusted to a common wage level
South Carolina Average Indemnity Claim Severity

Average Indemnity Claim Severity in $ Thousands

Based on NCCI’s financial data through 12/31/2017 for lost-time claims at current benefit level and developed to ultimate

Adjustment to Common Wage Level
Actual


Policy Year

41.7
29.2
35.0
South Carolina Average Medical Claim Severity

Average Medical Claim Severity in $ Thousands

Based on NCCI’s financial data through 12/31/2017 for lost-time claims at current benefit level and developed to ultimate

Policy Year

32.2

22.6

27.4
South Carolina Average Claim Frequency
Frequency per 100,000 Workers—All Claims

<table>
<thead>
<tr>
<th>State</th>
<th>Lost-Time</th>
<th>Medical Only</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SC</td>
<td>830</td>
<td>1,945</td>
<td>2,775</td>
</tr>
<tr>
<td>AL</td>
<td></td>
<td></td>
<td>3,020</td>
</tr>
<tr>
<td>GA</td>
<td></td>
<td></td>
<td>2,801</td>
</tr>
<tr>
<td>NC</td>
<td></td>
<td></td>
<td>2,603</td>
</tr>
<tr>
<td>TN</td>
<td></td>
<td></td>
<td>3,564</td>
</tr>
<tr>
<td>Reg</td>
<td></td>
<td></td>
<td>2,927</td>
</tr>
<tr>
<td>CW</td>
<td></td>
<td></td>
<td>3,076</td>
</tr>
</tbody>
</table>

Based on NCCI’s *Statistical Plan* data
Average Indemnity Claim Severity in the Region
Lost-Time Claim Severity in $ Thousands

Based on NCCI’s financial data
Average Medical Claim Severity in the Region

Lost-Time Claim Severity in $ Thousands

Based on NCCI’s financial data
South Carolina Distribution of Claims by Injury Type

Regional states are AL, GA, NC, and TN
Based on NCCI’s Statistical Plan data for jurisdiction/claim type combinations for which three or more cases exist
South Carolina Indemnity Loss Distribution by Injury Type

Regional states are AL, GA, NC, and TN
Based on NCCI's *Statistical Plan* data for jurisdiction/claim type combinations for which three or more cases exist.

<table>
<thead>
<tr>
<th>Injury Type</th>
<th>South Carolina</th>
<th>Region</th>
<th>Countrywide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Total</td>
<td>36%</td>
<td>43%</td>
<td>33%</td>
</tr>
<tr>
<td>Permanent Partial</td>
<td>60%</td>
<td>52%</td>
<td>56%</td>
</tr>
<tr>
<td>Permanent Total</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Fatal</td>
<td>2%</td>
<td>3%</td>
<td>6%</td>
</tr>
</tbody>
</table>
South Carolina Medical Loss Distribution by Injury Type

<table>
<thead>
<tr>
<th>Injury Type</th>
<th>South Carolina</th>
<th>Region</th>
<th>Countrywide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Total</td>
<td>35%</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>Permanent Partial</td>
<td>54%</td>
<td>45%</td>
<td>48%</td>
</tr>
<tr>
<td>Permanent Total</td>
<td>5%</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Medical Only</td>
<td>6%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Fatal</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Regional states are AL, GA, NC, and TN
Based on NCCI’s Statistical Plan data for jurisdiction/claim type combinations for which three or more cases exist
Glossary

- **Assigned Risk Adjustment Program (ARAP)**—An assigned risk market program that surcharges residual market risks based on the magnitude of their experience rating modification.

- **Calendar Year (CY)**—Experience of earned premium and loss transactions occurring within the calendar year beginning January 1, irrespective of the contractual dates of the policies to which the transactions relate and the dates of the accidents.

- **Calendar-Accident Year (AY)**—The accumulation of loss data on all accidents with the date of occurrence falling within a given calendar year. The premium figure is the same as that used in calendar year experience.

- **Claim Frequency**—The number of claims per unit of exposure; for example, the number of claims per million dollars of premium or per 100 workers.
Glossary

- **Claim Severity**—The average cost of a claim. Severity is calculated by dividing total losses by the total number of claims.

- **Combined Ratio**—The sum of the (1) loss ratio, (2) expense ratio, and (3) dividend ratio for a given time period.

- **Detailed Claim Information (DCI)**—An NCCI Call that collects detailed information on an individual workers compensation lost-time claim basis, such as type of injury, whether or not an attorney was involved, and the timing of the claim’s report to the carrier.

- **Direct Written Premium (DWP)**—The gross premium income adjusted for additional or return premiums, but excluding any reinsurance premiums.
Glossary

- **Indemnity Benefits**—Payments by an insurance company to cover an injured worker’s time lost from work. These benefits are also referred to as “wage replacement” benefits.

- **Loss Ratio**—The ratio of losses to premium for a given time period.

- **Lost-Time (LT) Claims**—Claims resulting in indemnity benefits (and usually medical benefits) being paid to or on behalf of the injured worker for time lost from work.

- **Medical-Only Claims**—Claims resulting in only medical benefits being paid on behalf of an injured worker.

- **Net Written Premium (NWP)**—The gross premium income adjusted for additional or return premiums and including any additions for reinsurance assumed and any deductions for reinsurance ceded.
Glossary

- **Permanent Partial (PP)**—A disability that is permanent but does not involve a total inability to work. The specific definition and associated workers compensation benefits are defined by statute and vary by jurisdiction.

- **Policy Year (PY)**—The year of the effective date of the policy. Policy year financial results summarize experience for all policies with effective dates in a given calendar year period.

- **Schedule Rating**—A debit and credit plan that recognizes variations in the hazard-causing features of an individual risk.

- **Take-Out Credit Program**—An assigned risk program that encourages carriers to write current residual market risks in the competitive voluntary marketplace.

- **Temporary Total (TT)**—A disability that totally disables a worker for a temporary period of time.
NCCI’s Workers Compensation Resources

- **Financial Aggregate Calls**
  - Used for aggregate ratemaking

- **Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)**
  - Used for class ratemaking

- **Detailed Claim Information**
  - In-depth sample of lost-time claims

- **Policy Data**
  - Policy declaration page information
Financial Aggregate Calls

- Collected Annually
  - Policy and calendar-accident year basis
  - Statewide and assigned risk data

- Premiums, Losses, and Claim Counts
  - Evaluated as of December 31

- Purpose
  - Basis for overall aggregate rate indication
  - Research
Policy Year Financial Aggregate Data

Policy Expiration Date

1/1/2015  1/1/2016  12/31/2016  1/1/2019  12/31/2019

Policy Effective Date

Policy Year 2015  Policy Year 2016  Policy Year 2019
Calendar-Accident Year Financial Aggregate Data

<table>
<thead>
<tr>
<th>Calendar-Accident Year 2016</th>
<th>Calendar-Accident Year 2017</th>
<th>Calendar-Accident Year 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2016</td>
<td>1/1/2017</td>
<td>1/1/2020</td>
</tr>
<tr>
<td>12/31/2017</td>
<td></td>
<td>12/31/2020</td>
</tr>
</tbody>
</table>

Policy Effective Date

Policy Expiration Date
Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan) Data

- Experience by Policy Detail
  - Exposure, premium, and experience rating modifications
  - Individual claims by injury type

- Purposes
  - Classification relativities
  - Experience Rating Plan
  - Research
Valuation of Statistical Plan Data

Policy Effective

1st Report Valuation

18 Months

2nd Report Valuation

30 Months

3rd Report Valuation

42 Months

4th Report Valuation

54 Months

5th Report Valuation

66 Months