

TEXAS

STATE ADVISORY RESOURCES

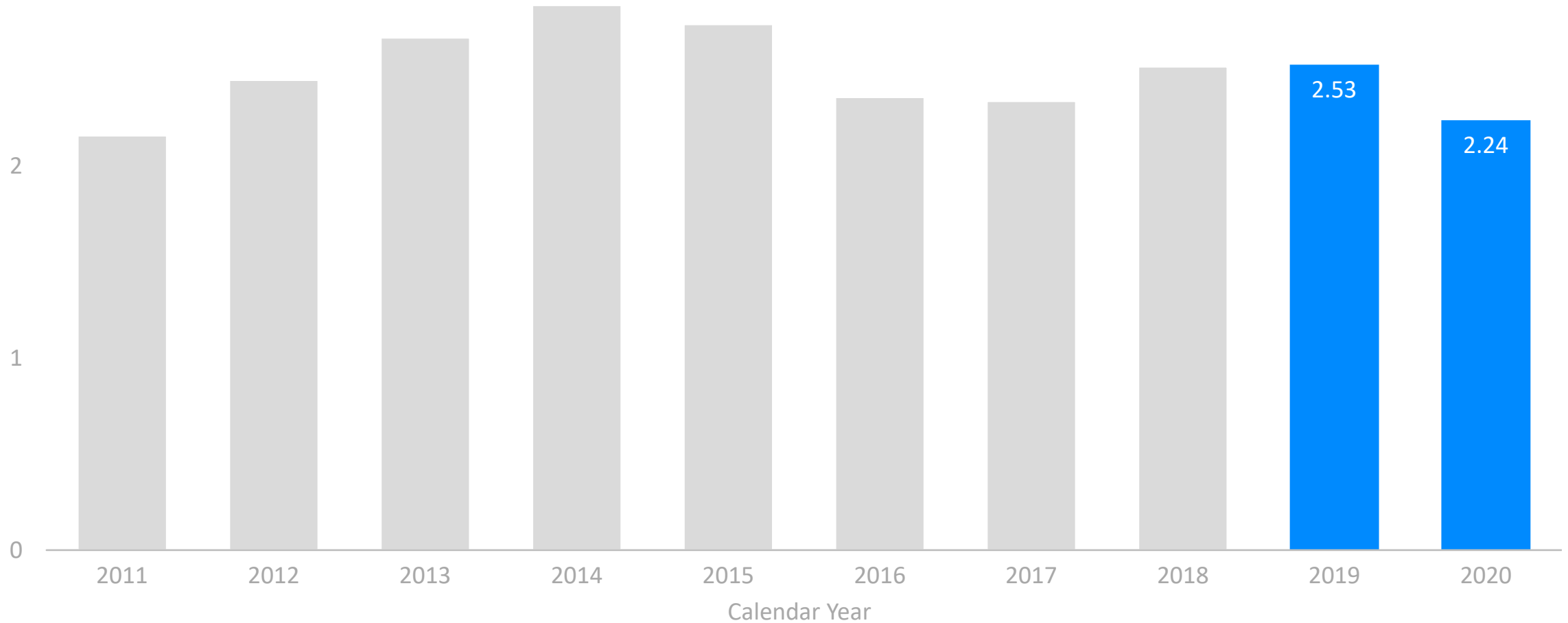
Texas Workers Compensation System Overview
January 2022

Texas Workers Compensation System— An Overview

- Written premium volume decreased in the latest year
- Accident year combined ratios continue to be favorable
- Lost-time claim frequency continues its long-term decline
- Indemnity and medical costs increased moderately

Texas Premium Volume

Direct Written Premium in \$ Billions



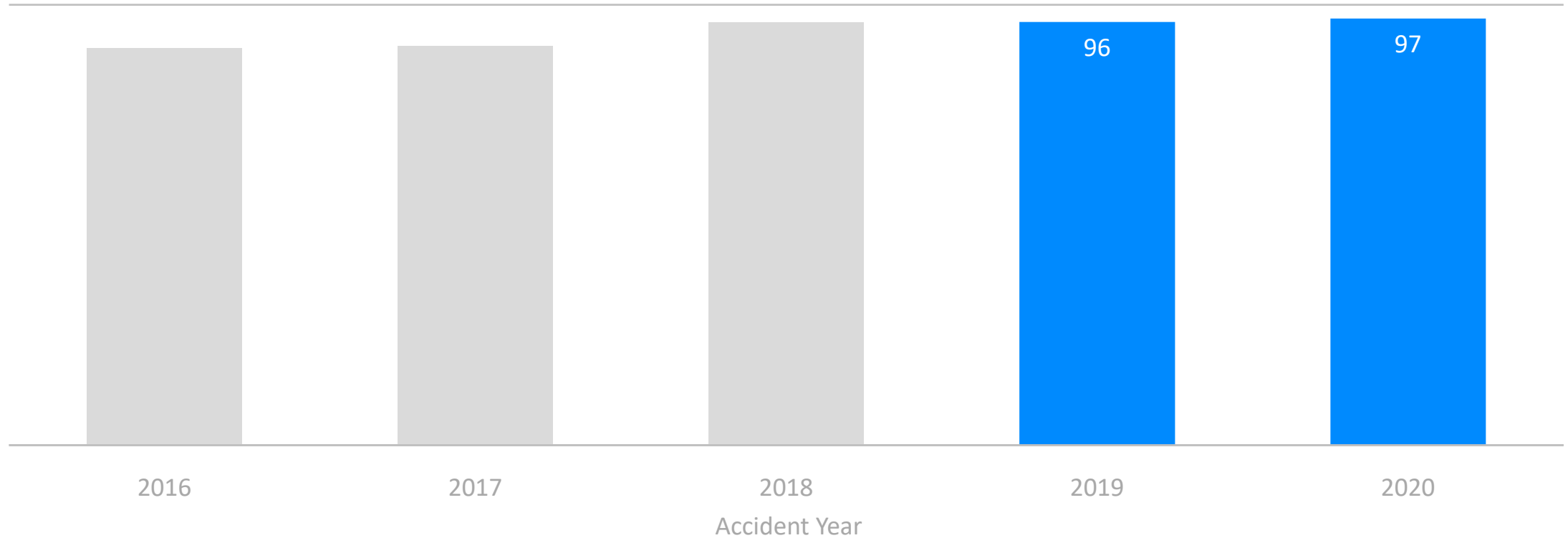
Source: NAIC's Annual Statement data.



Texas Combined Ratios

Percent

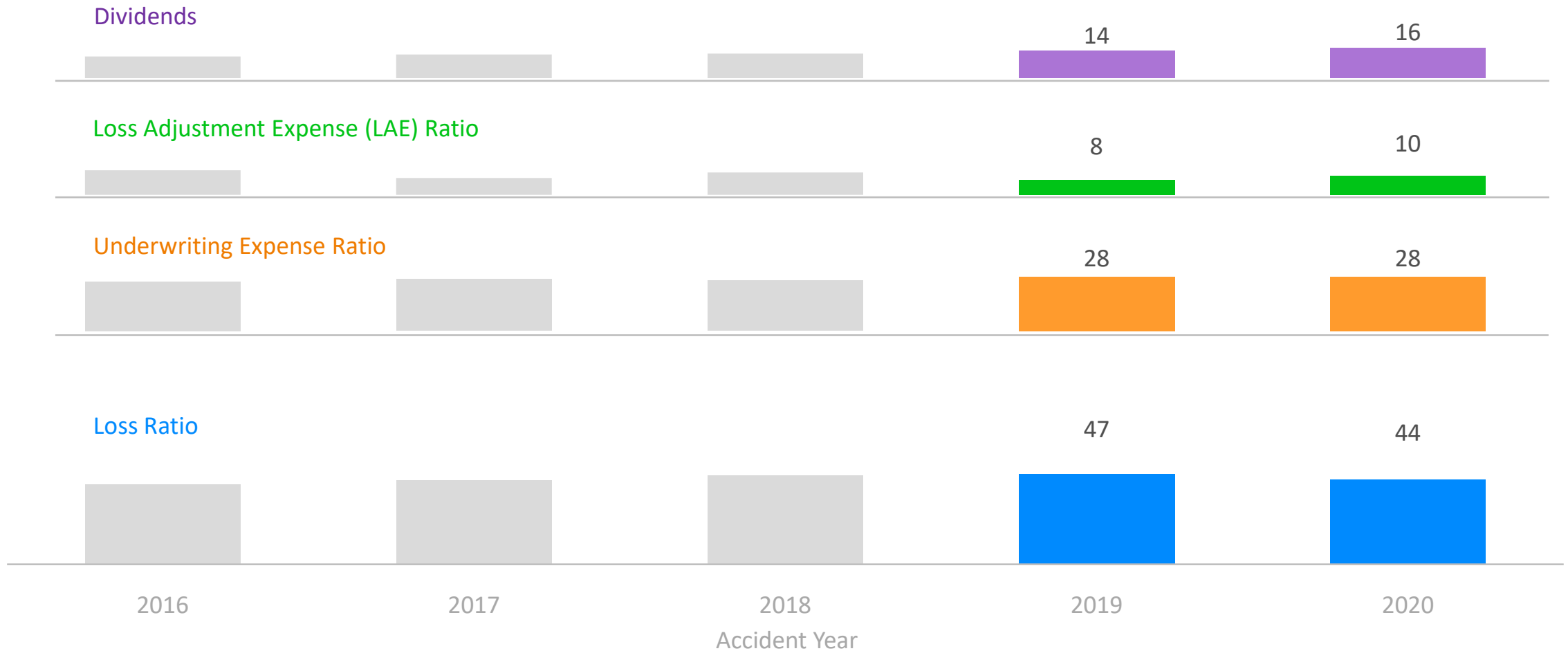
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Sources: NCCI's financial data through 12/31/2020 and NAIC's Annual Statement data.

Texas Combined Ratios by Component

Percent

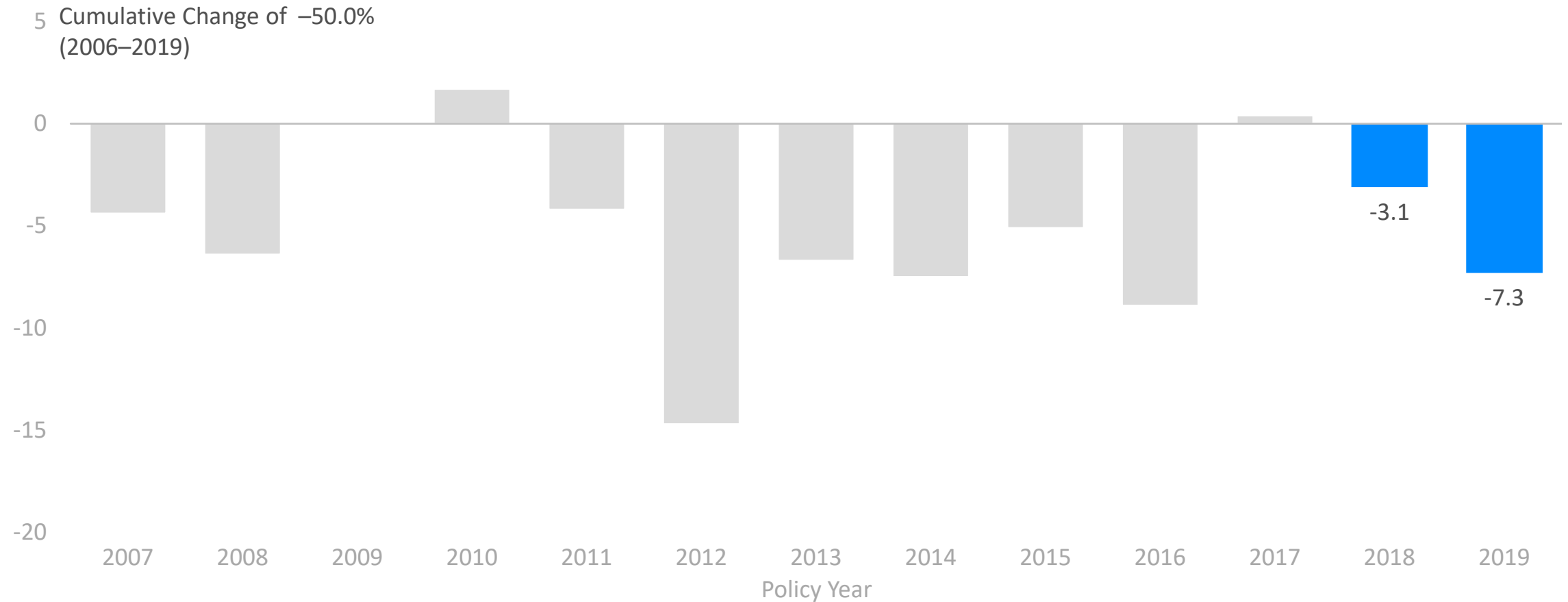


Sources: NCCI's financial data through 12/31/2020 and NAIC's Annual Statement data.



Texas Change in Claim Frequency

Percent Change in Lost-Time Claims, per \$ Million of On-Leveled Premium

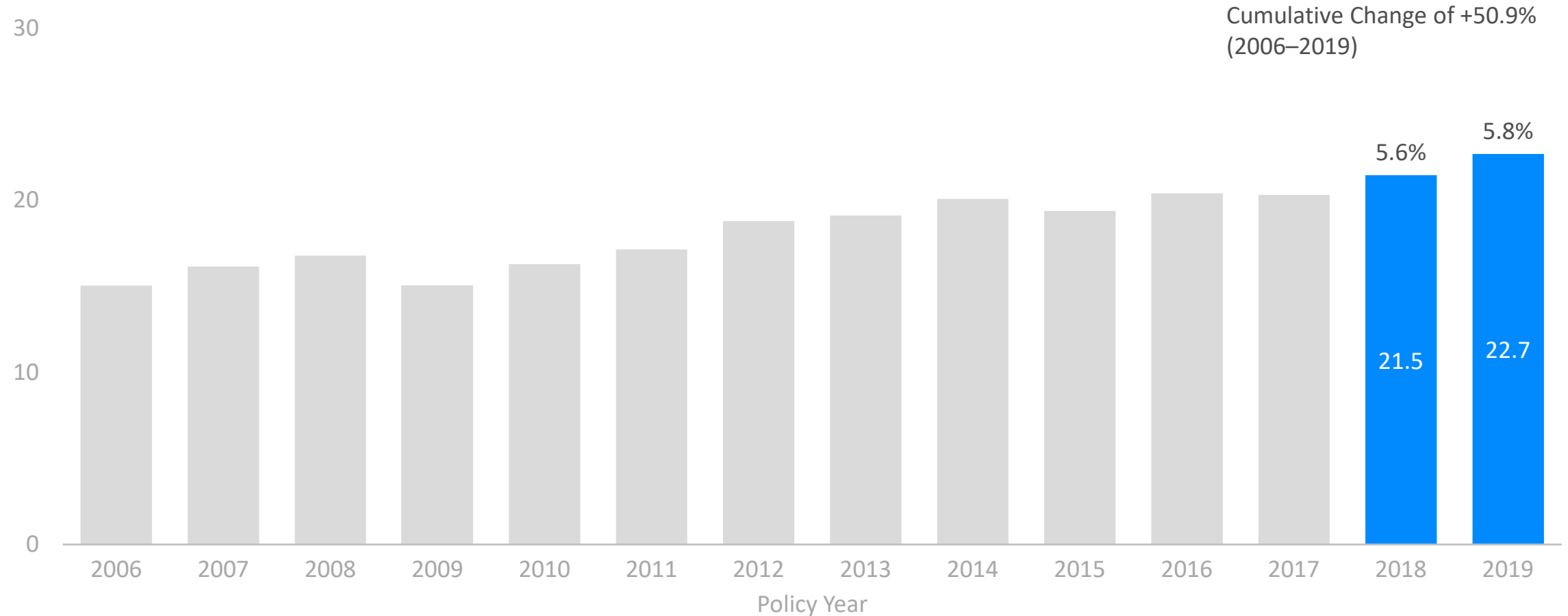


Based on NCCI's financial data through 12/31/2020, on-leveled, and developed to ultimate, with premium adjusted to common wage level.



Texas Average Indemnity Claim Severity

Lost-Time Claim Severity in \$ Thousands

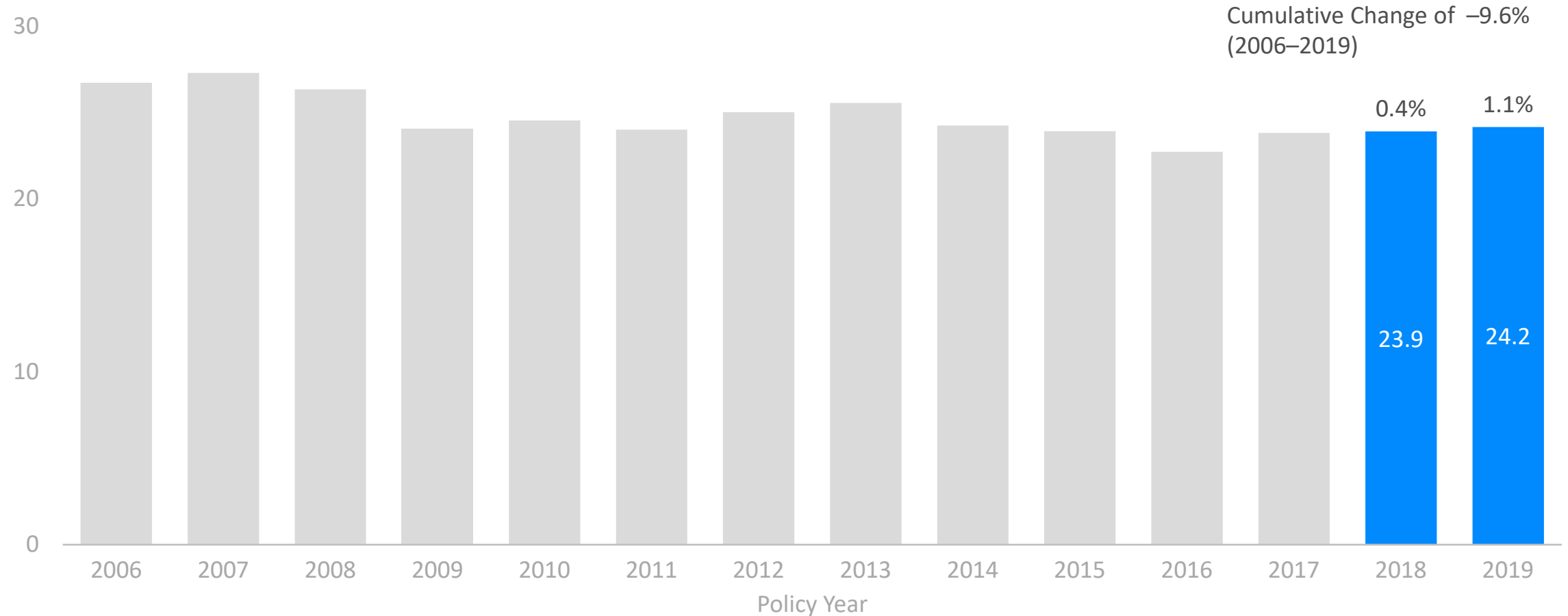


Based on NCCI's financial data through 12/31/2020, on-leveled, and developed to ultimate.



Texas Average Medical Claim Severity

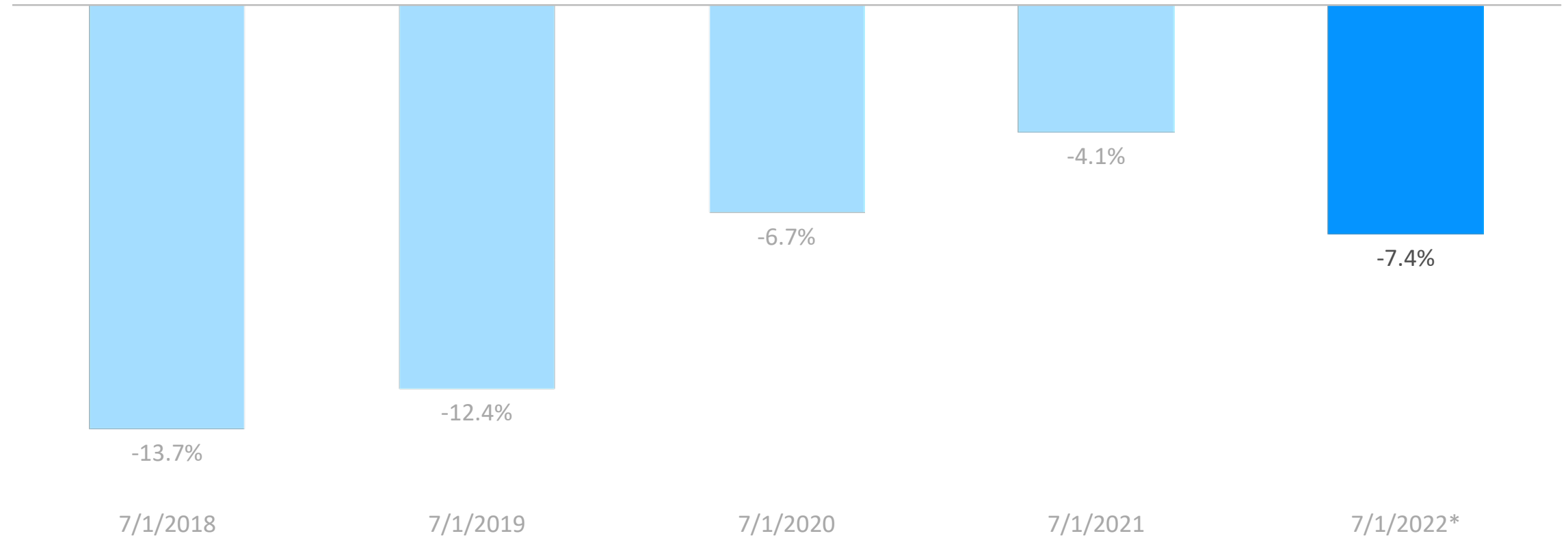
Lost-Time Claim Severity in \$ Thousands



Based on NCCI's financial data through 12/31/2020, on-leveled, and developed to ultimate.
Note that medical-only losses are included in the numerator.

Texas Filing Activity

Voluntary Loss Cost Changes



*Pending.

Texas July 1, 2022 Loss Cost Filing

Change in Experience & Trend:	−9.2%
Change in Benefits:	+2.0%
Change in All Other:	+0.0%
<hr/>	
Overall Loss Cost Level Change:	−7.4%

Texas July 1, 2022 Loss Cost Filing

Average Changes by Industry Group



Texas Economic Drivers



Logistics



Manufacturing



Energy & Resources

Source: Moody's Analytics, Précis® U.S. State, Idaho, September 2021.

Texas Economic Assets and Challenges

■ Assets

- Expanding population sustains consumer-driven industries
- Established infrastructure and location strengthen trade opportunities

■ Challenges

- Exposure to economic issues in Mexico
- Energy industry volatility can magnify business cycle changes

Source: Moody's Analytics, Précis® U.S. State, Idaho, September 2021.

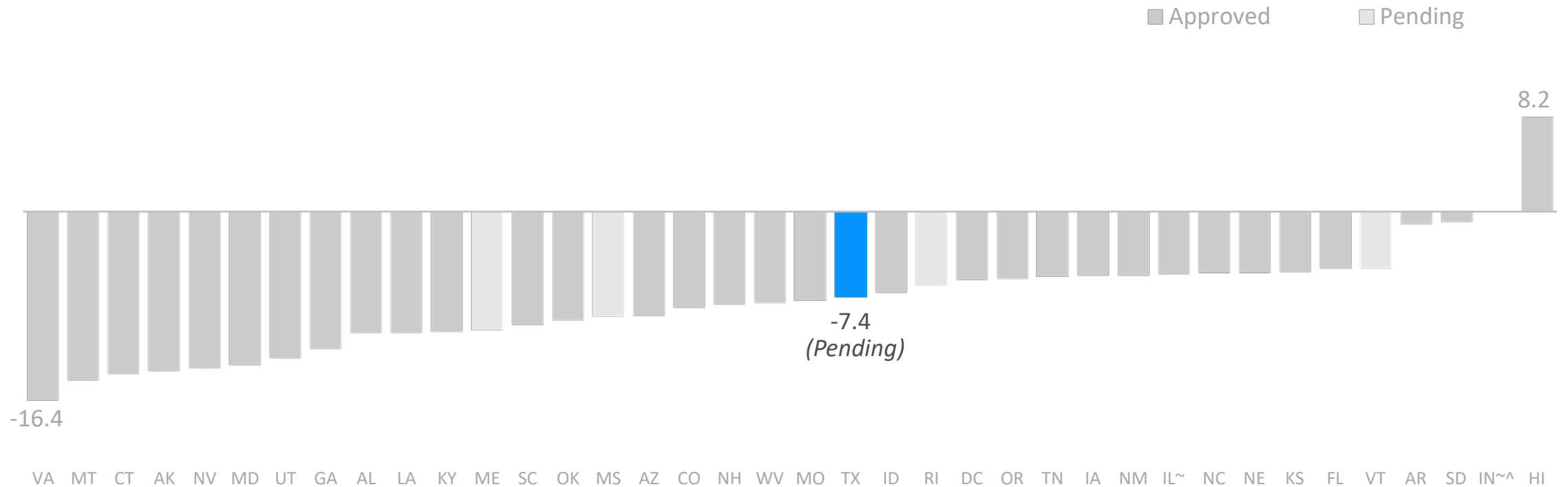
Texas Business Cycle Status



Source: Moody's Analytics, Précis® U.S. State, Idaho, September 2021.

Current NCCI Voluntary Market Loss Cost/Rate Level Changes

Excludes Law-Only Filings



~Value shown is a rate level change; the IL and IN loss cost level changes are -7.4% and -2.7%, respectively.

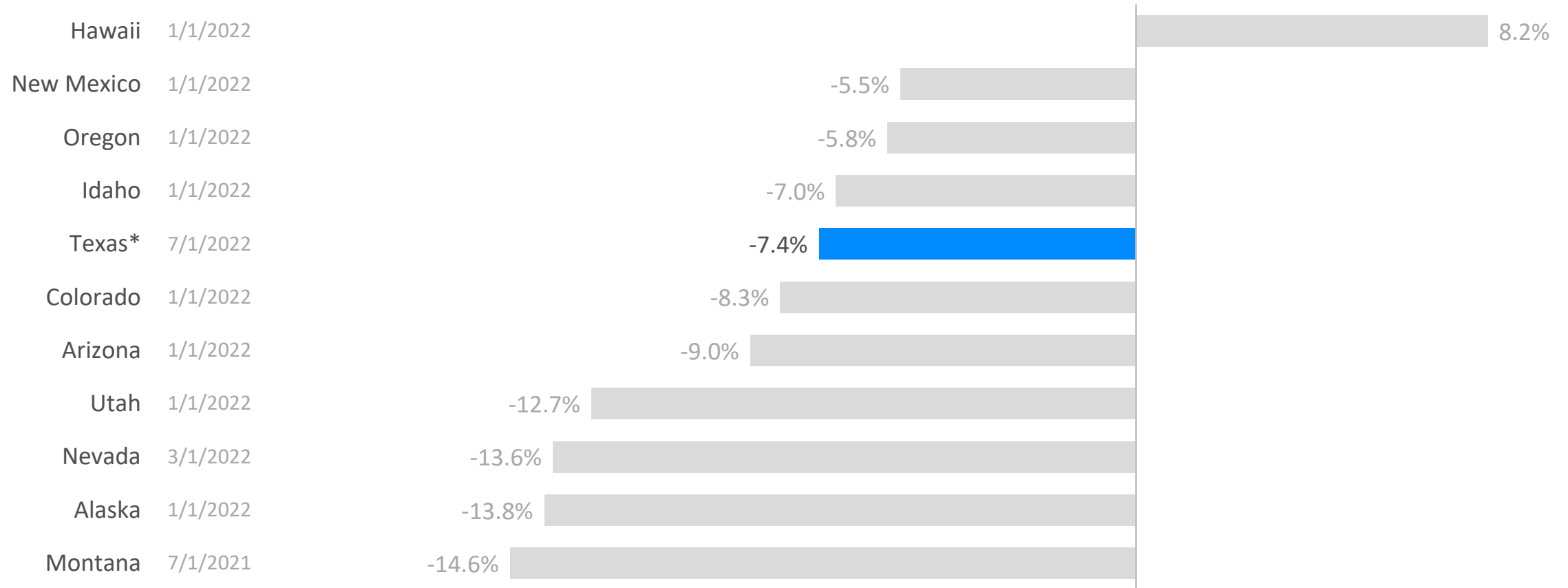
^IN approved a flat (0.0%) rate level change.

Reflects the most recent experience filing in each jurisdiction as of 1/7/2022.

Due to the timing of the individual loss cost/rate filings, the figures shown may include changes from prior filing seasons.

Current Voluntary Market Loss Cost/Rate Changes

Western States



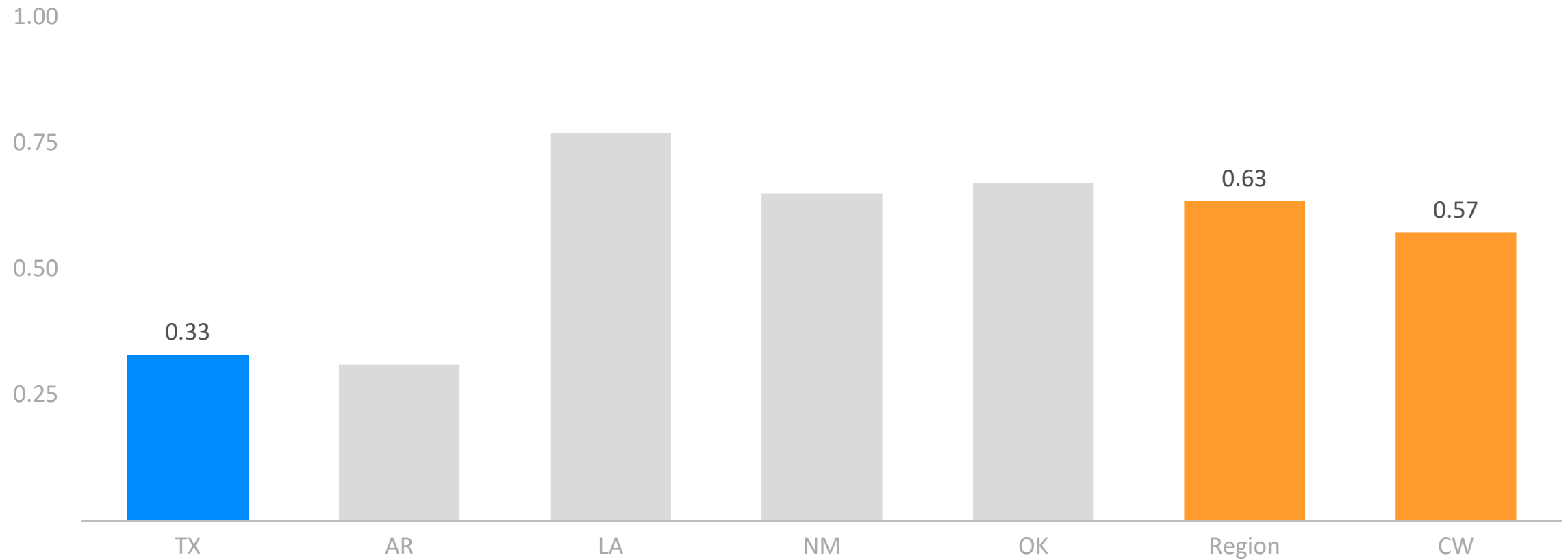
*Pending

Reflects the most recent experience filing in each jurisdiction as of 1/7/2022.

Due to the timing of the individual loss cost/rate filings, the figures shown may include changes from prior filing seasons.

Average Voluntary Pure Loss Costs

Using Texas Payroll Distribution



Based on approved rates and loss costs in various jurisdictions from filings using data valued as of 12/31/2019.



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