



STATE ADVISORY FORUMS 2018

Virginia

August 1, 2018

David_Benedict@ncci.com
804-380-3005

Jay_Rosen@ncci.com
561-893-3062

Virginia State Advisory Forum

- The Future @Work™ (Video)
- Countrywide Workers Compensation System
- Virginia's Workers Compensation System
- Countrywide and Virginia Labor Markets
- The Data Connection (Video)
- Legislative Issues
- Kids' Chance
- Opioids and Workers Compensation
- Residual Market: Countrywide and Virginia



STATE ADVISORY FORUMS 2018

The Future@Work™ (Video)



STATE ADVISORY FORUMS 2018

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

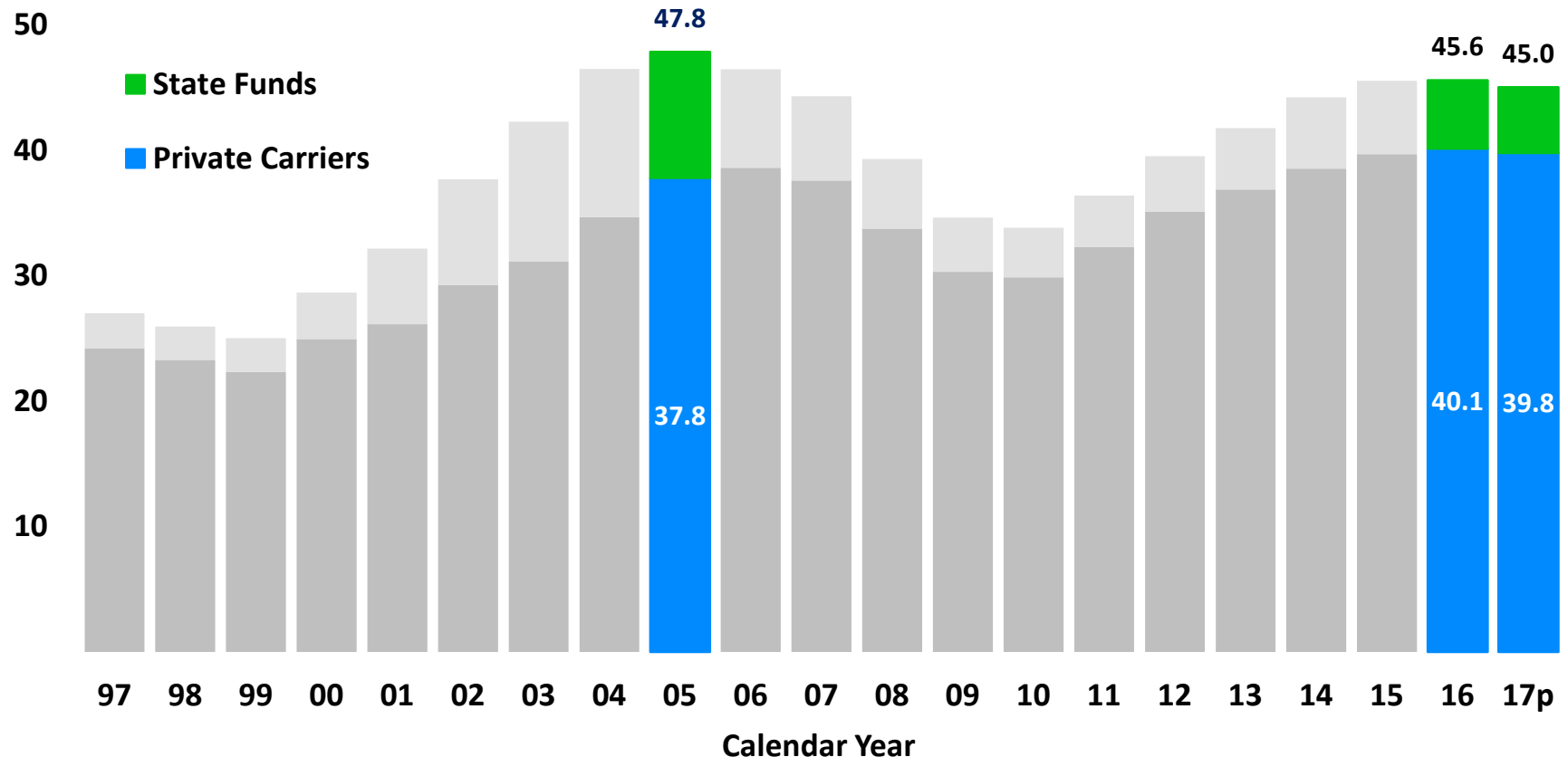


Medical and indemnity severity increased modestly

WC Net Written Premium

Private Carriers and State Funds

\$ Billions



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

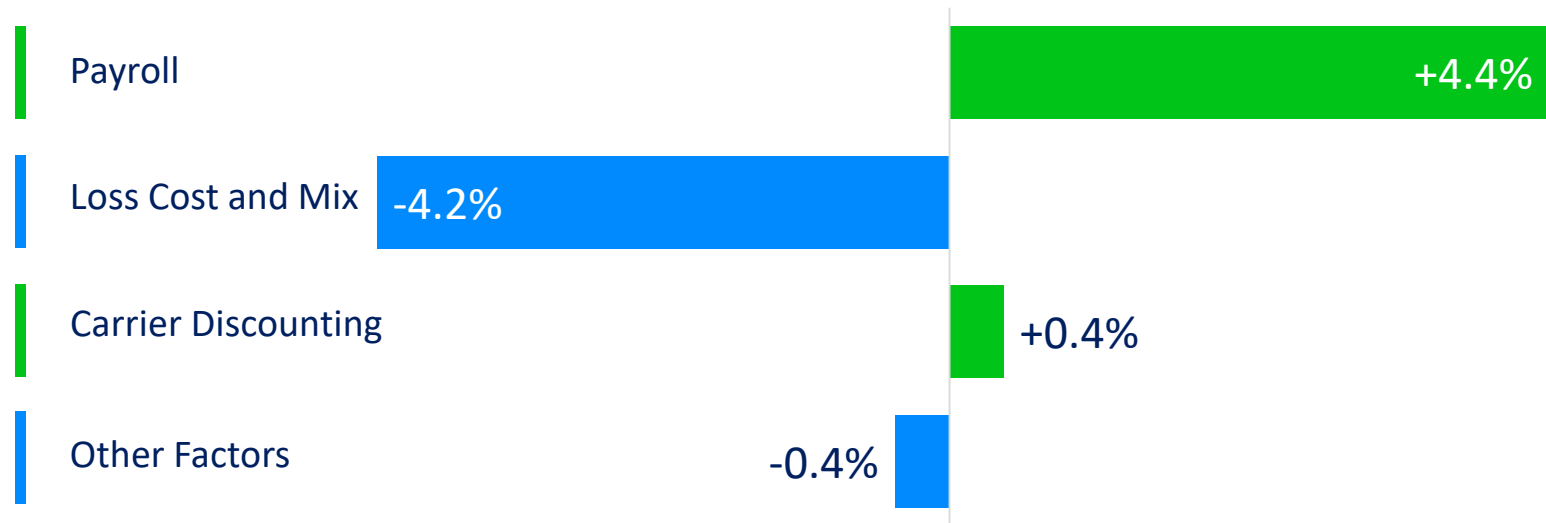
Each calendar year total for state funds includes all funds operating as a state fund in that year

WC Direct Written Premium (DWP) Change by Component

Private Carriers—NCCI States

Change in Direct Written Premium: 0.0%

2017 vs. 2016

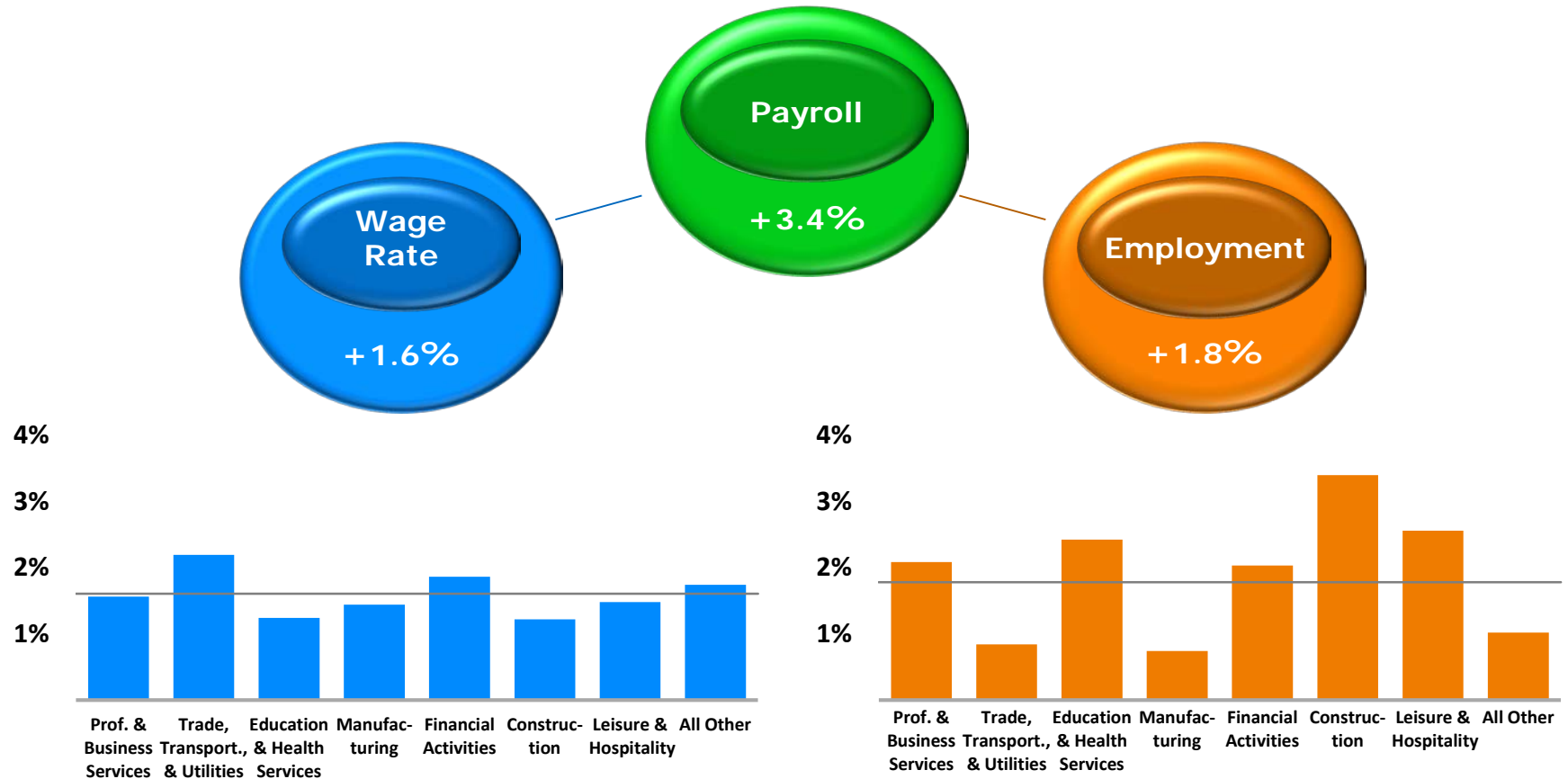


Sources: DWP Change: NAIC's Annual Statement Statutory Page 14 for all states where NCCI provides ratemaking services

Components: NCCI's Policy data

Increases in Payroll Continue to Drive Changes in Premium

Forecast Change 2016–2017

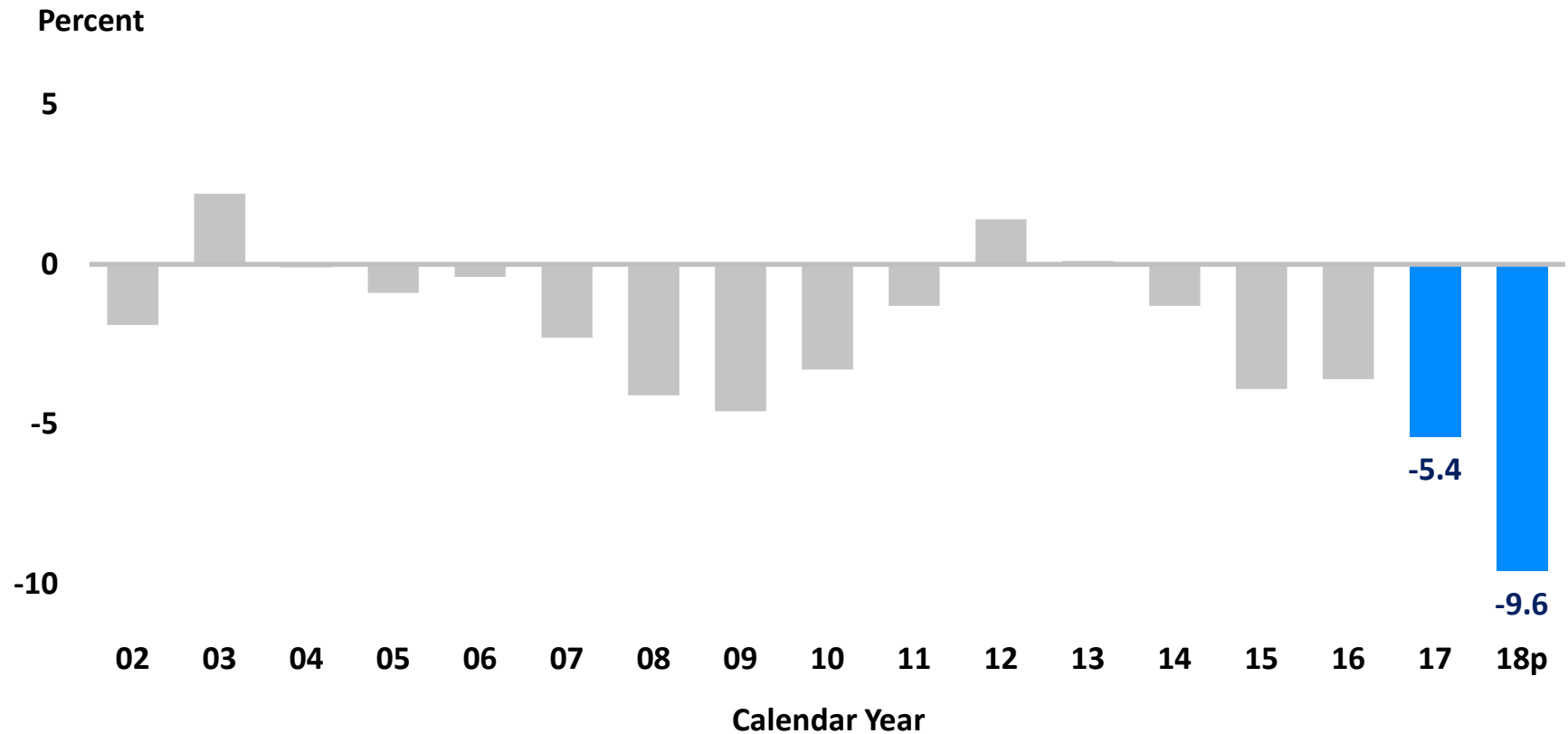


Sources: DWP Change: NAIC's Annual Statement Statutory Page 14 for all states where NCCI provides ratemaking services

Components: NCCI's Policy data

WC Approved Changes in Bureau Premium Level

Weighted by Effective Date—NCCI States



Source: NAIC's Annual Statement Statutory Page 14

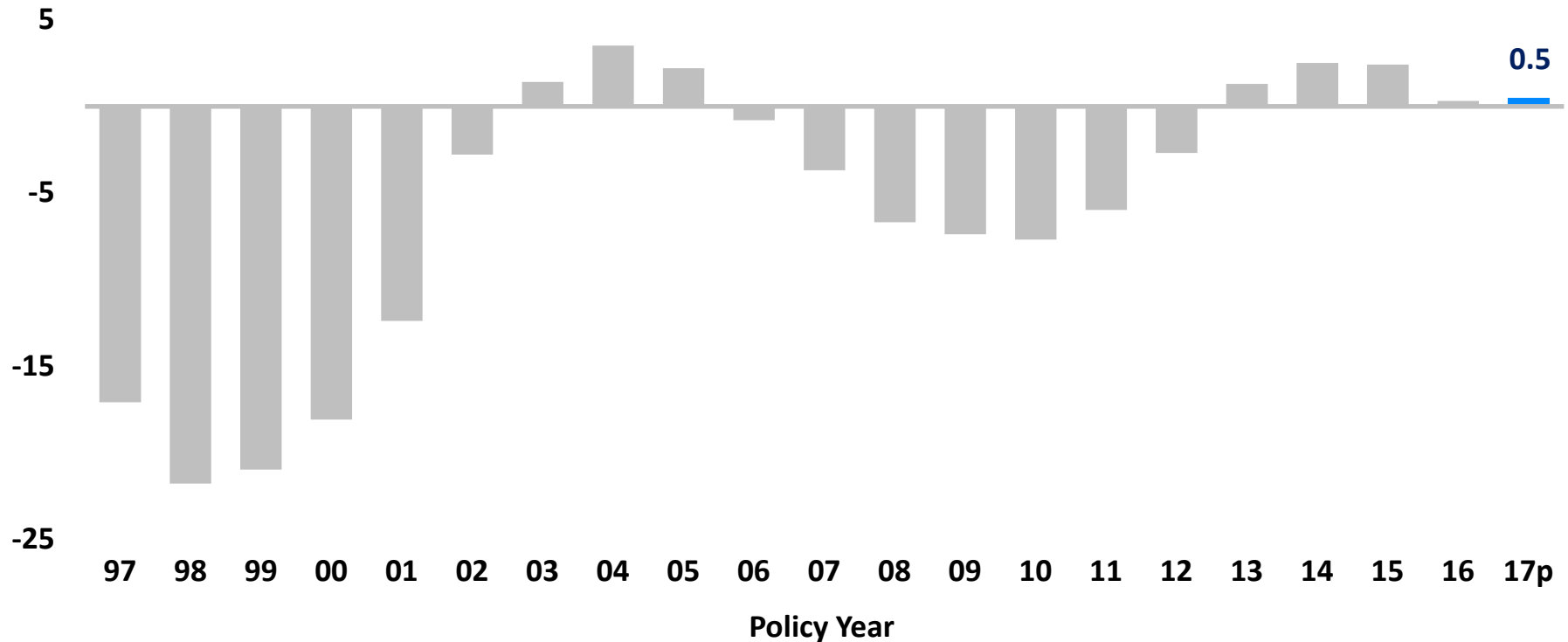
Values reflect changes in average premium levels between years, based on approved changes in advisory rates, loss costs, assigned risk rates, and rating values, as of 6/1/2018

IN and NC are filed in cooperation with state rating bureaus

WC Impact of Discounting on Premium

Private Carriers—NCCI States

Percent



p Preliminary

Sources: NAIC's Annual Statement Statutory Page 14 and NCCI's Financial Call data

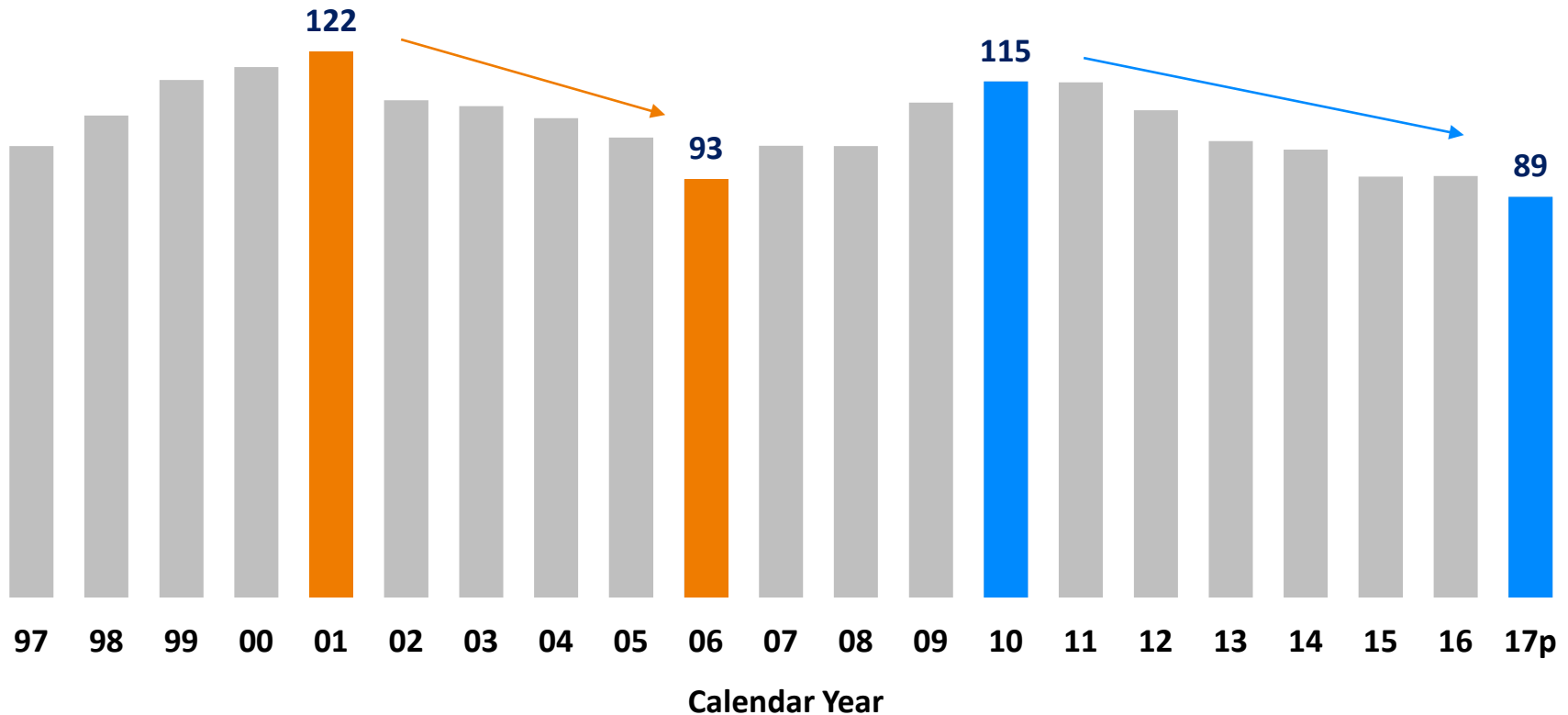
Rate/loss cost departure reflects carrier departure from NCCI rate level, which excludes a profit and contingency provision and expense constant

Based on data for all states where NCCI provides ratemaking services, excluding TX

WC Combined Ratio—Underwriting Gain Achieved

Private Carriers

Percent

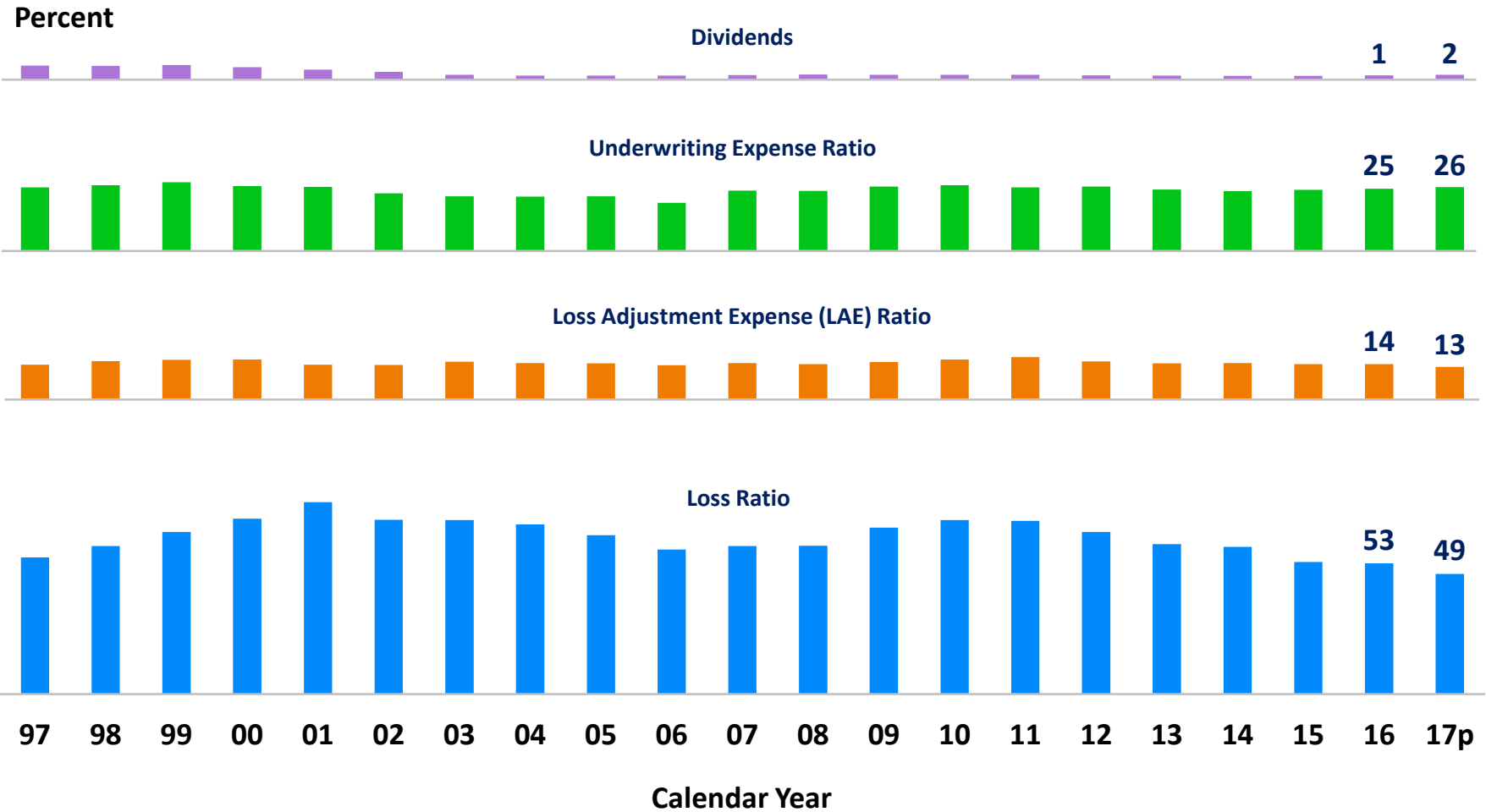


p Preliminary

Source: NAIC's Annual Statement data

WC Combined Ratio by Component

Private Carriers



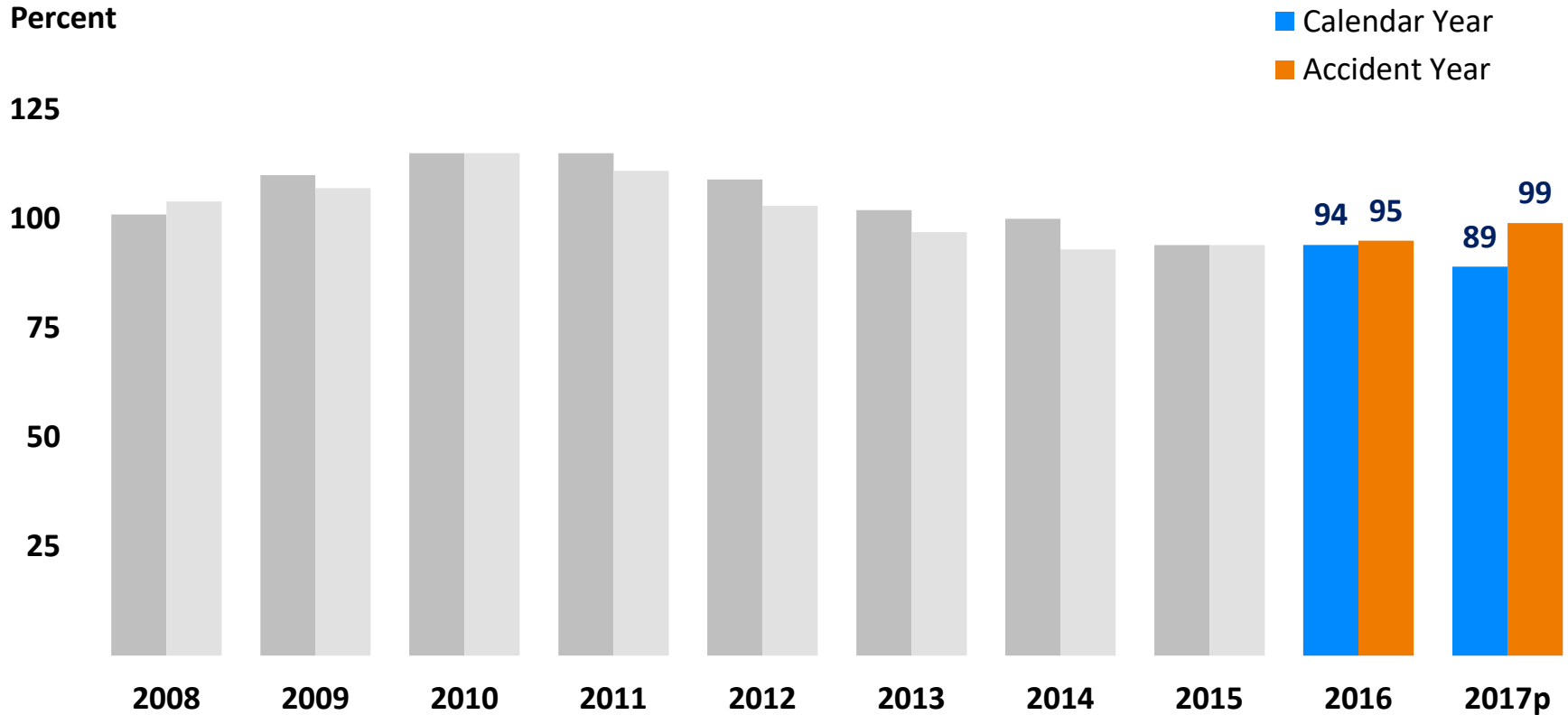
p Preliminary

Source: NAIC's Annual Statement data

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

Private Carriers

Percent



p Preliminary

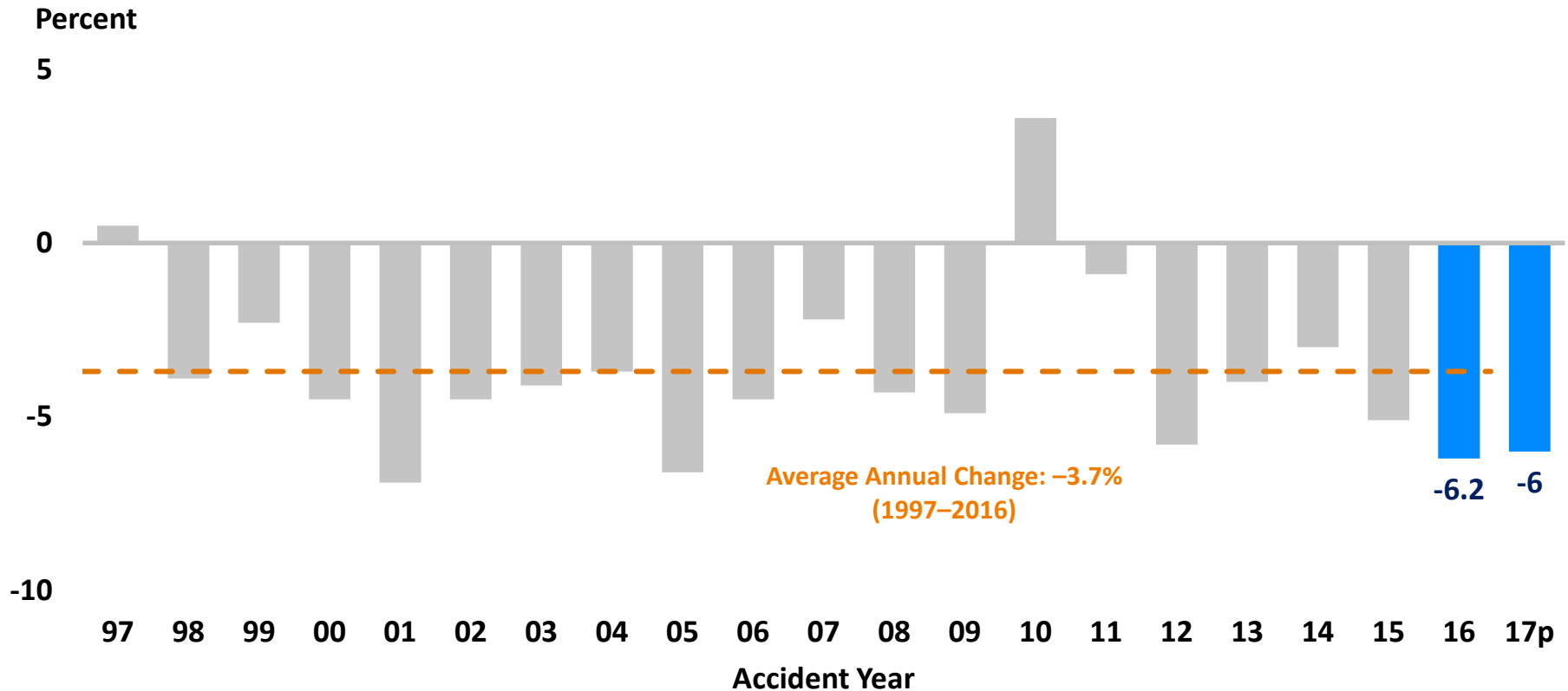
Source: NAIC's Annual Statement data

Accident Year information is reported as of 12/31/2017

Includes dividends to policyholders

WC Lost-Time Claim Frequency

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 12/31/2017

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

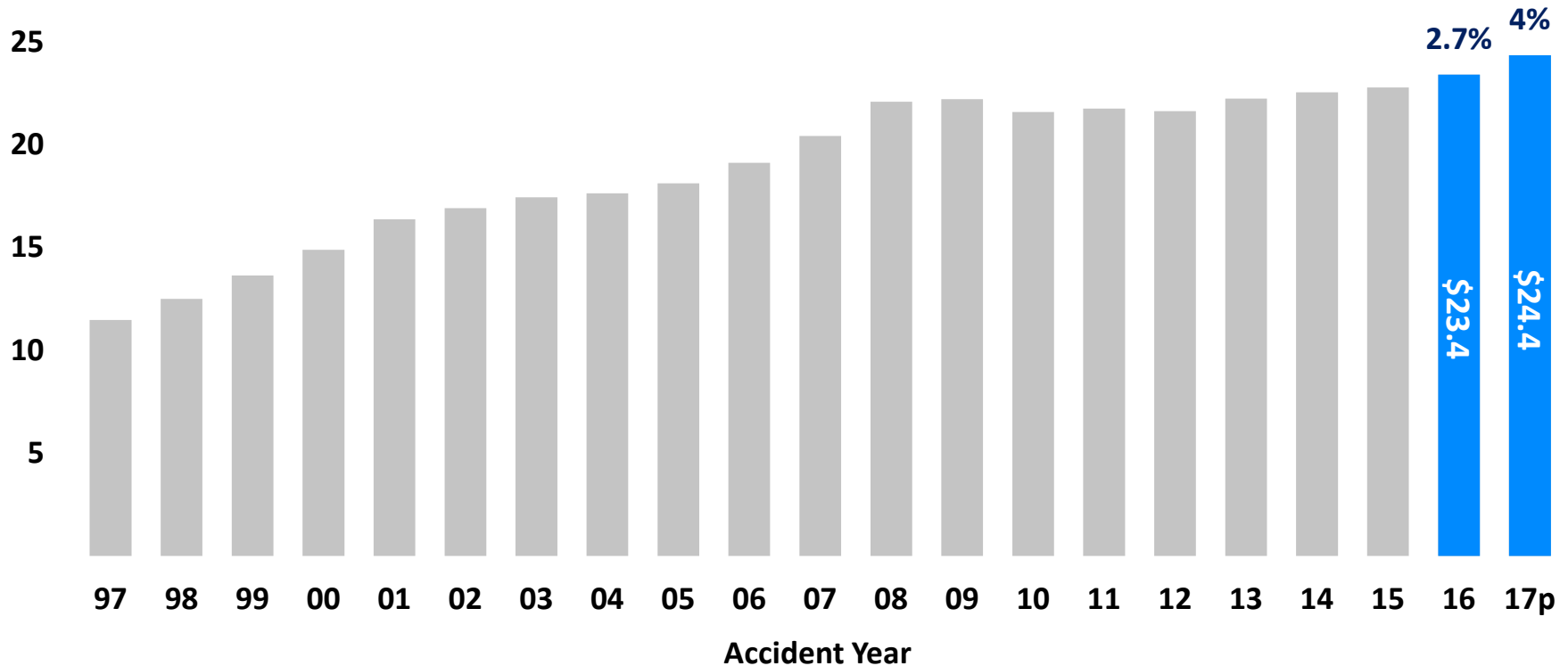
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

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)



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

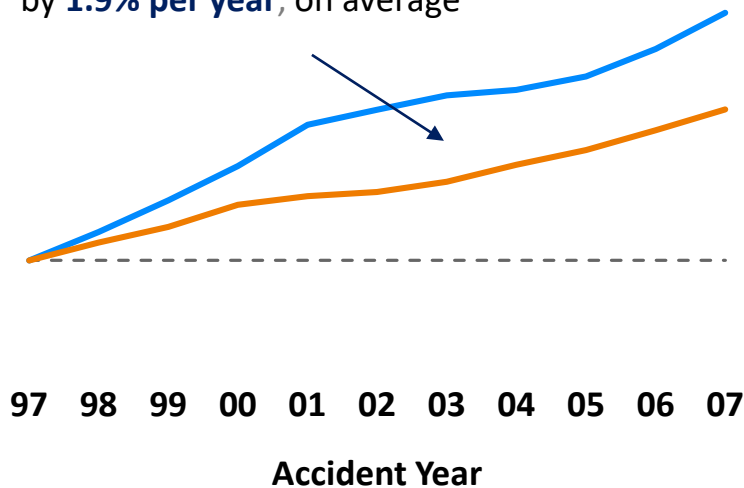
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services; WV is excluded through 2007

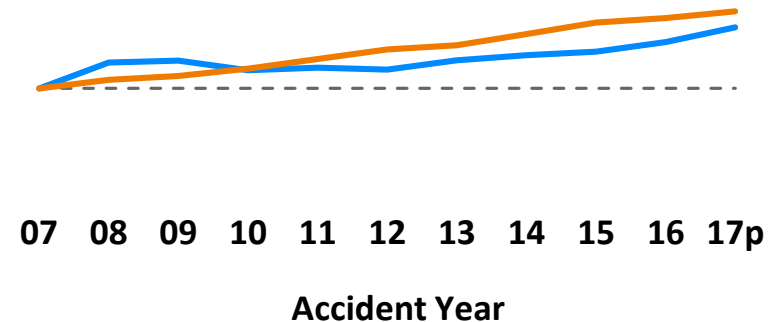
Relative Growth Rates— Indemnity Severity vs. Wage Inflation

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**



p 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

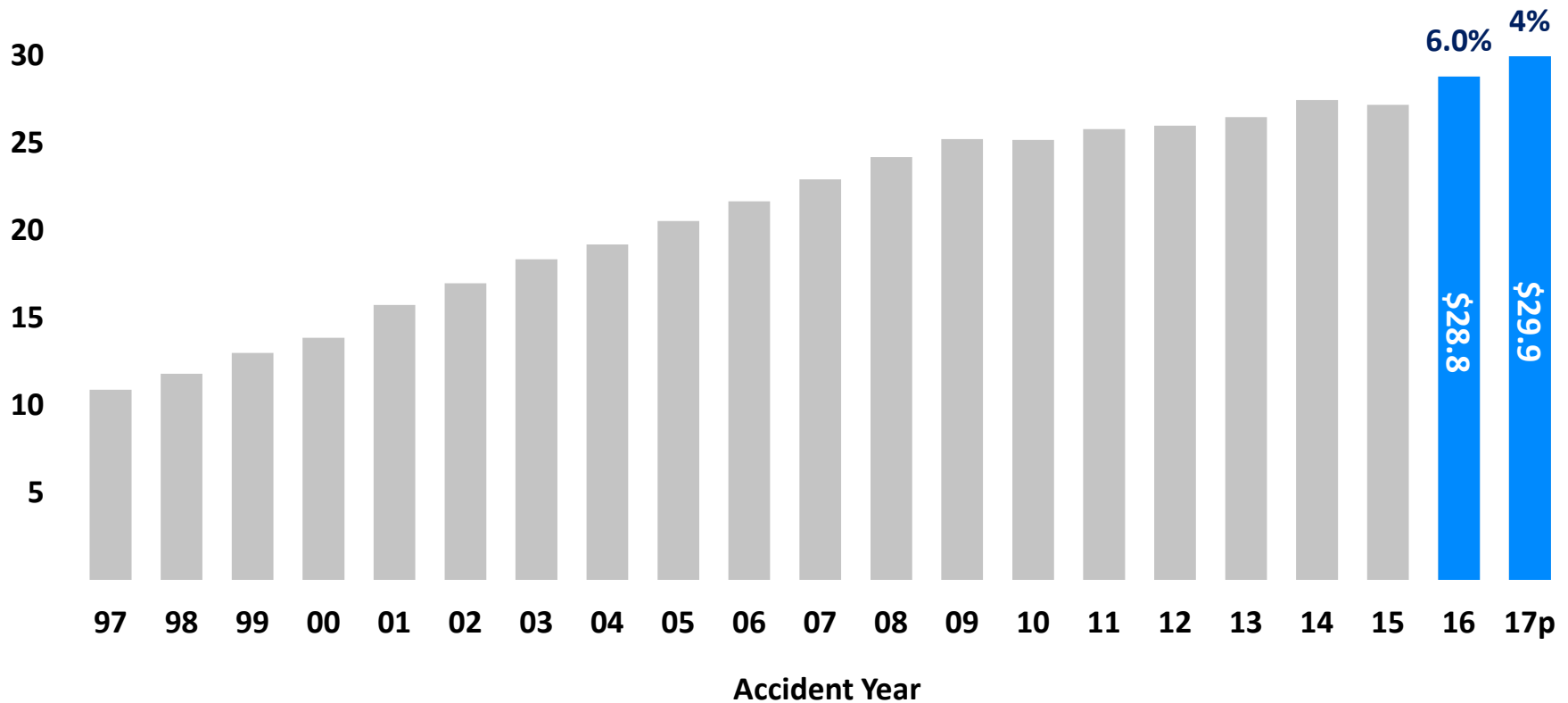
Includes all states where NCCI provides ratemaking services; WV is excluded through 2007

US Average Weekly Wage: 1995–2007 and 2012–2016, Quarterly Census of Employment and Wages; 2008–2011, NCCI; 2017p, NCCI and Moody's Analytics

WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States

Severity
(\$ Thousands)



p Preliminary based on data valued as of 12/31/2017

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2016

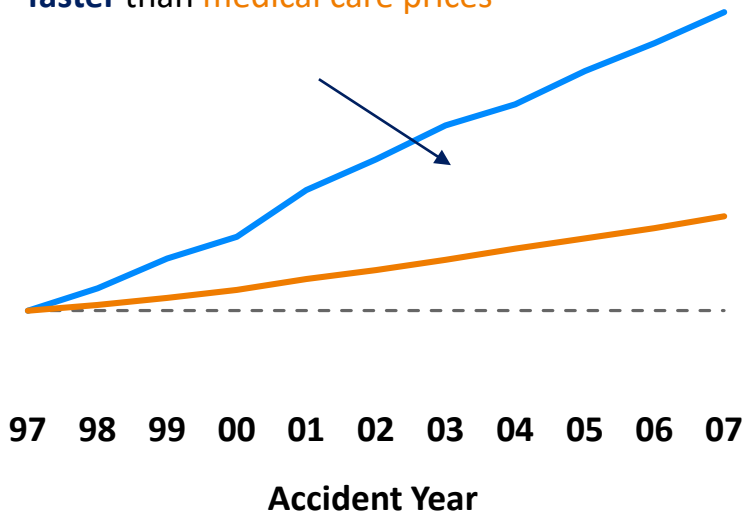
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services; WV is excluded through 2007

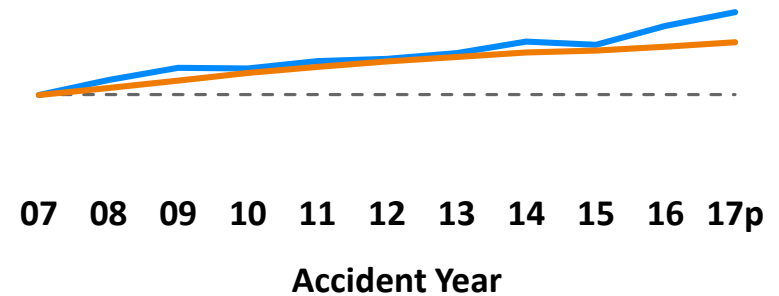
Relative Growth Rates— Medical Severity vs. Price Inflation

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



p 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

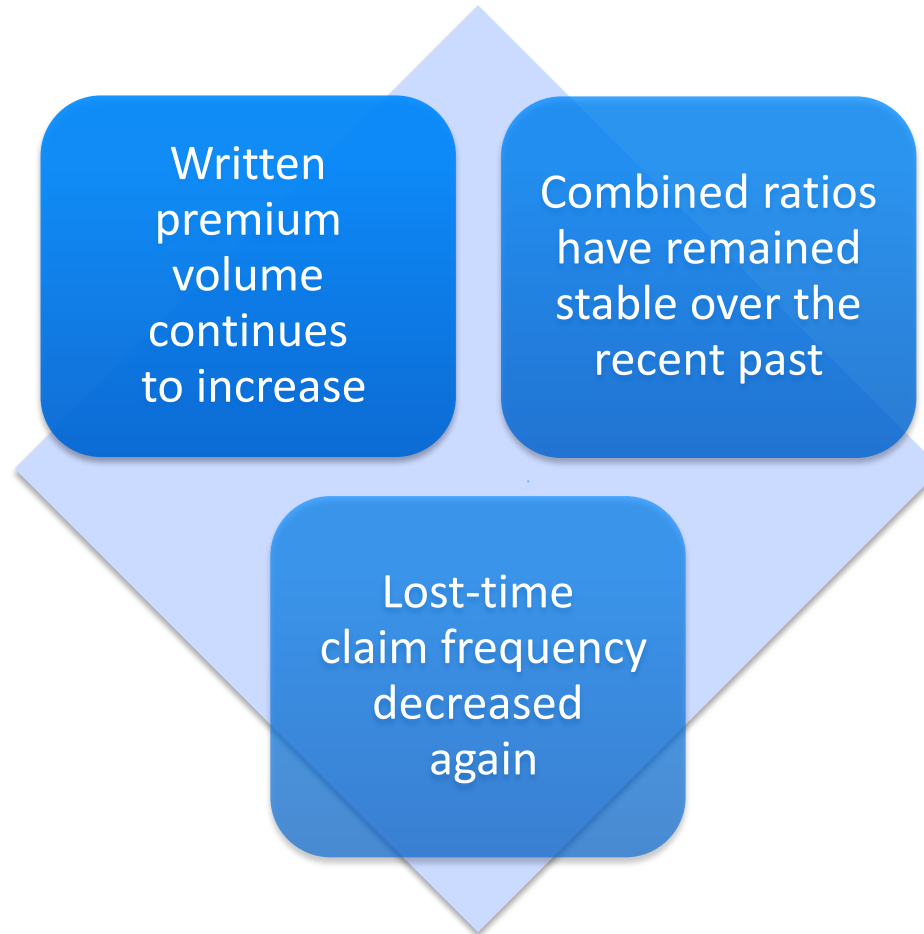
Personal Health Care (PHC) Chain-Weighted Price Index: Centers for Medicare & Medicaid Services



STATE ADVISORY FORUMS 2018

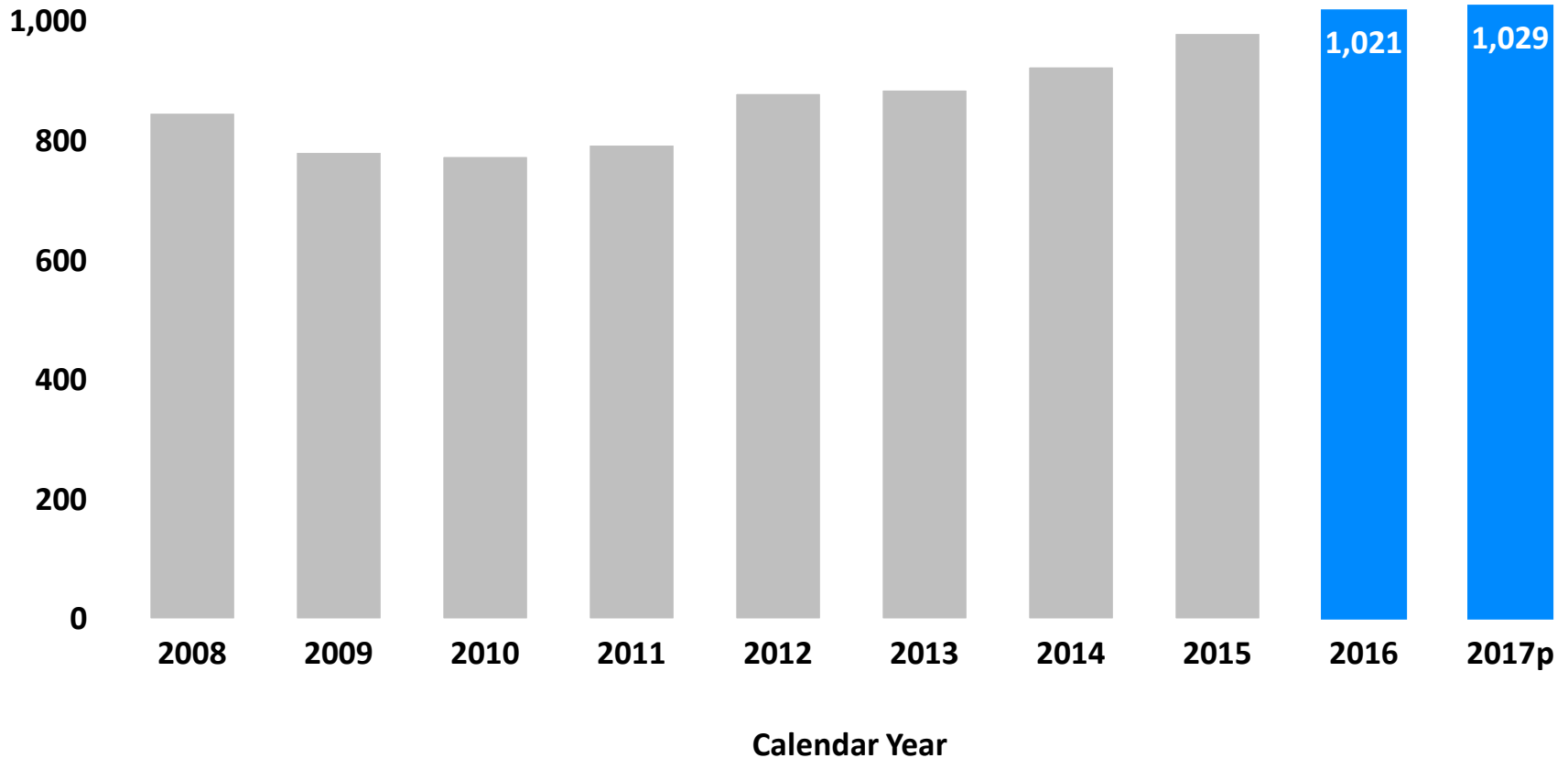
Virginia's Workers Compensation System

Virginia's Workers Compensation System— An Overview



Virginia WC Premium Volume

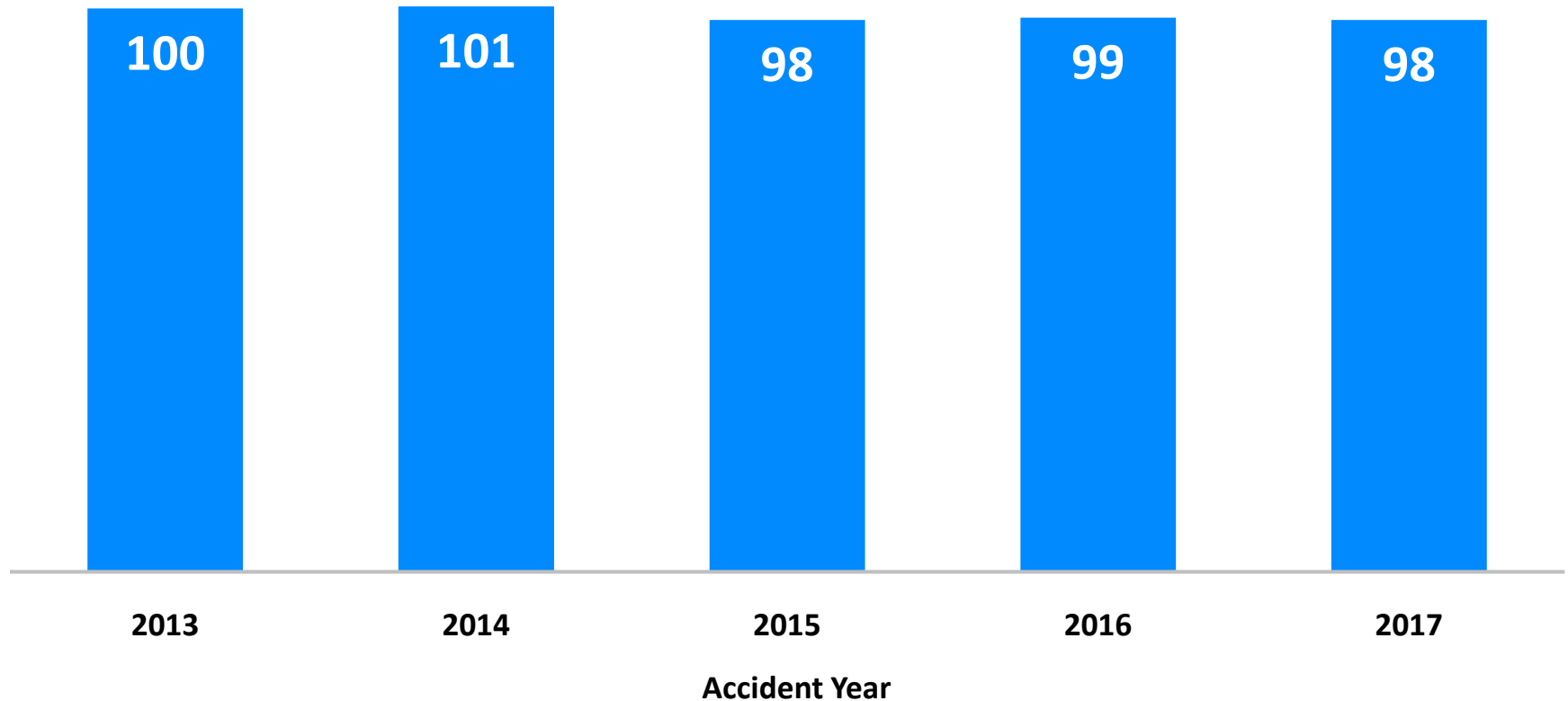
Direct Written Premium in \$ Millions



p Preliminary

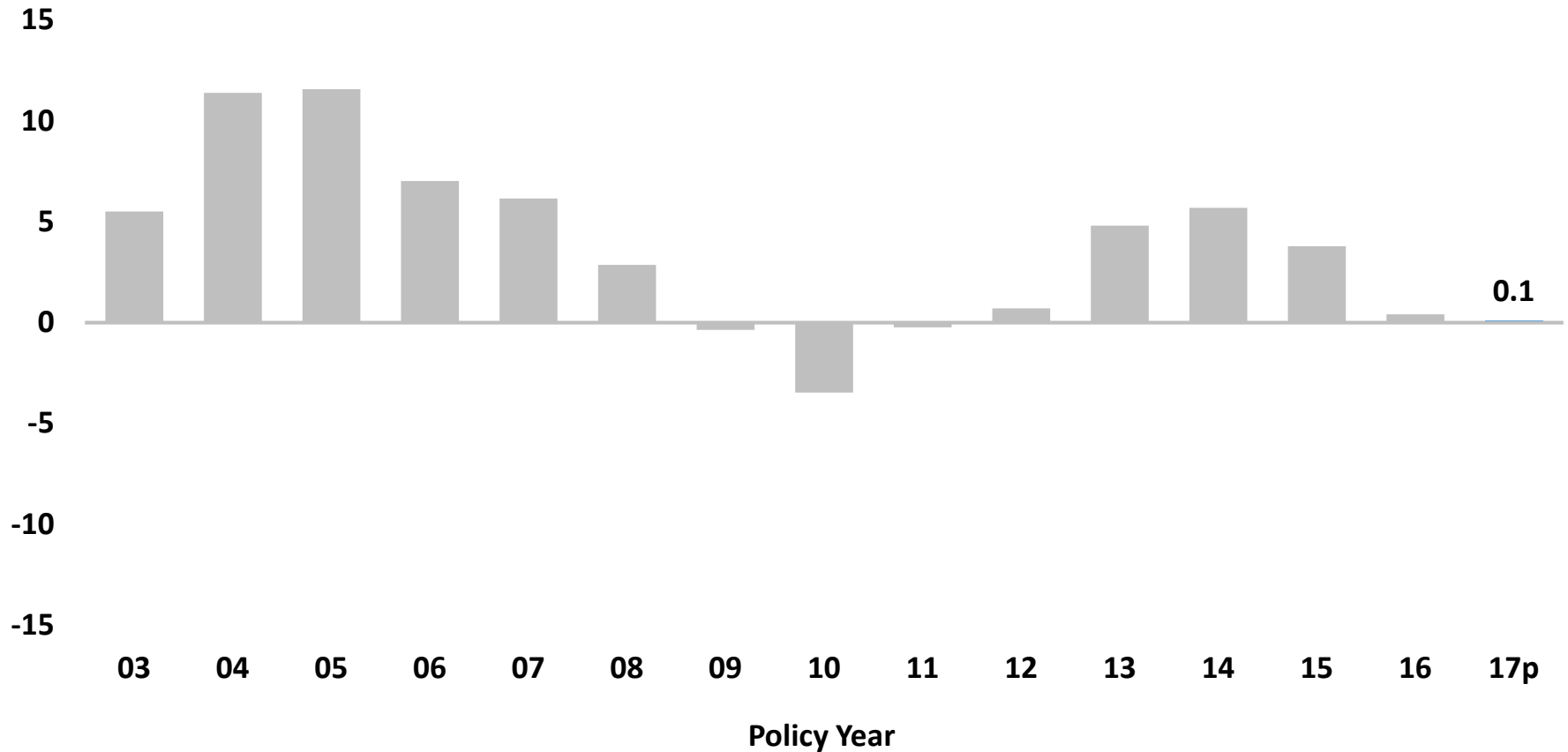
Source: NAIC's Annual Statement data

Virginia Accident Year Combined Ratios



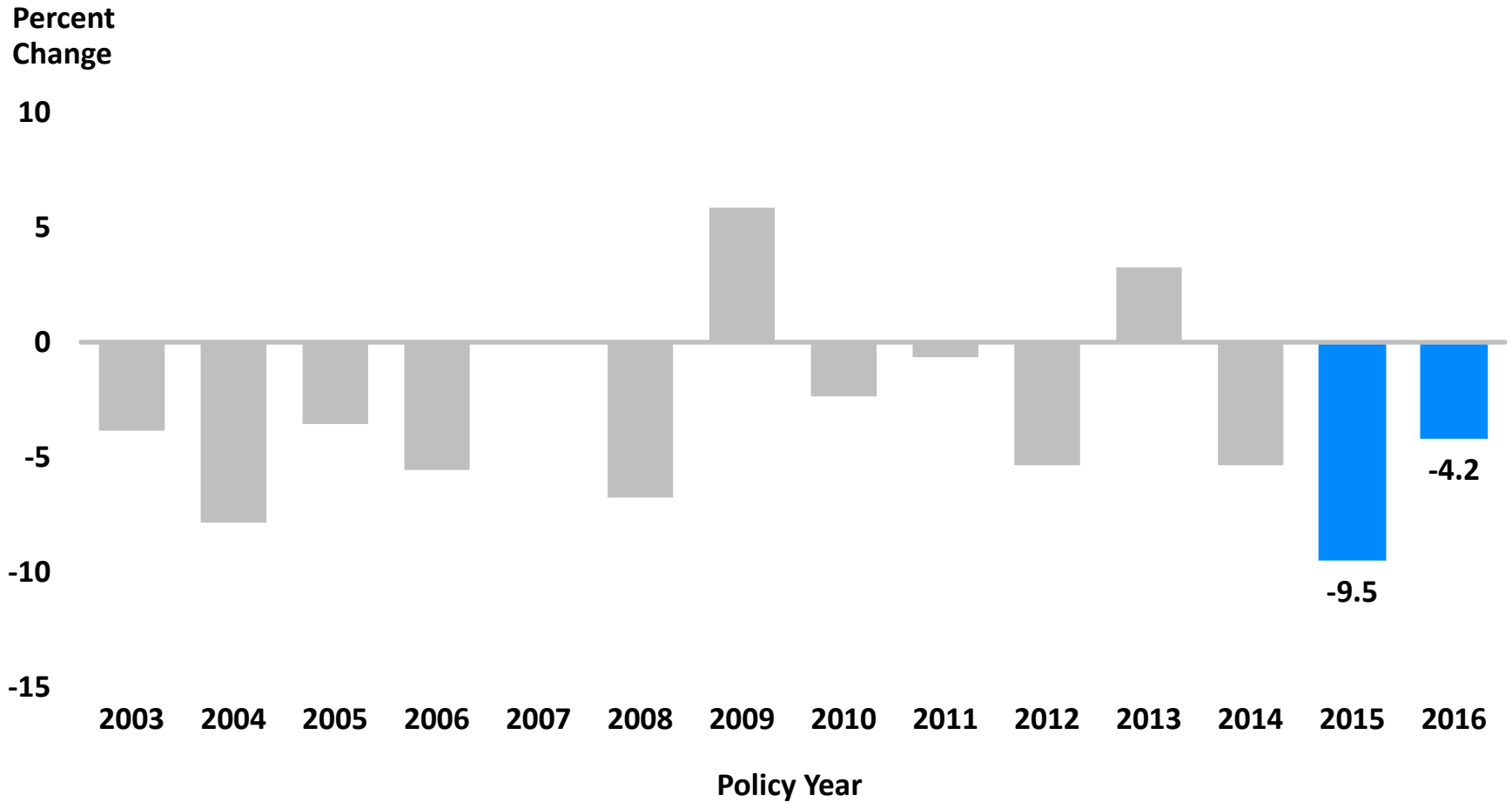
Sources: NCCI's financial data through 12/31/2017 and NAIC's Annual Statement data

Impact of Discounting on WC Premium in Virginia



p Preliminary
Based on data through 12/31/2017

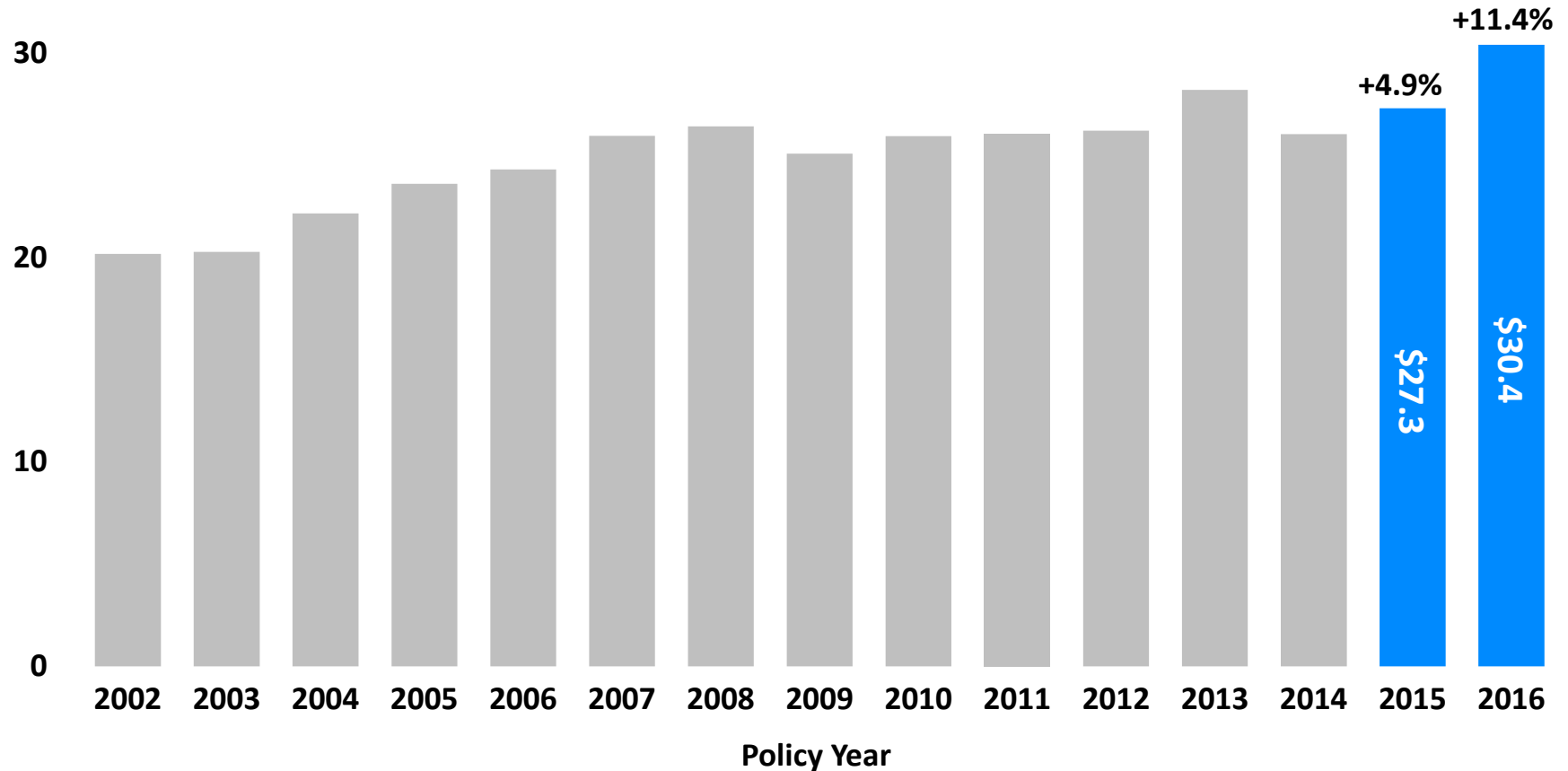
Virginia WC Lost-Time Claim Frequency



Based on NCCI's financial data through 12/31/2017, developed to ultimate, premium adjusted to common wage level

Virginia Average Indemnity Claim Severity

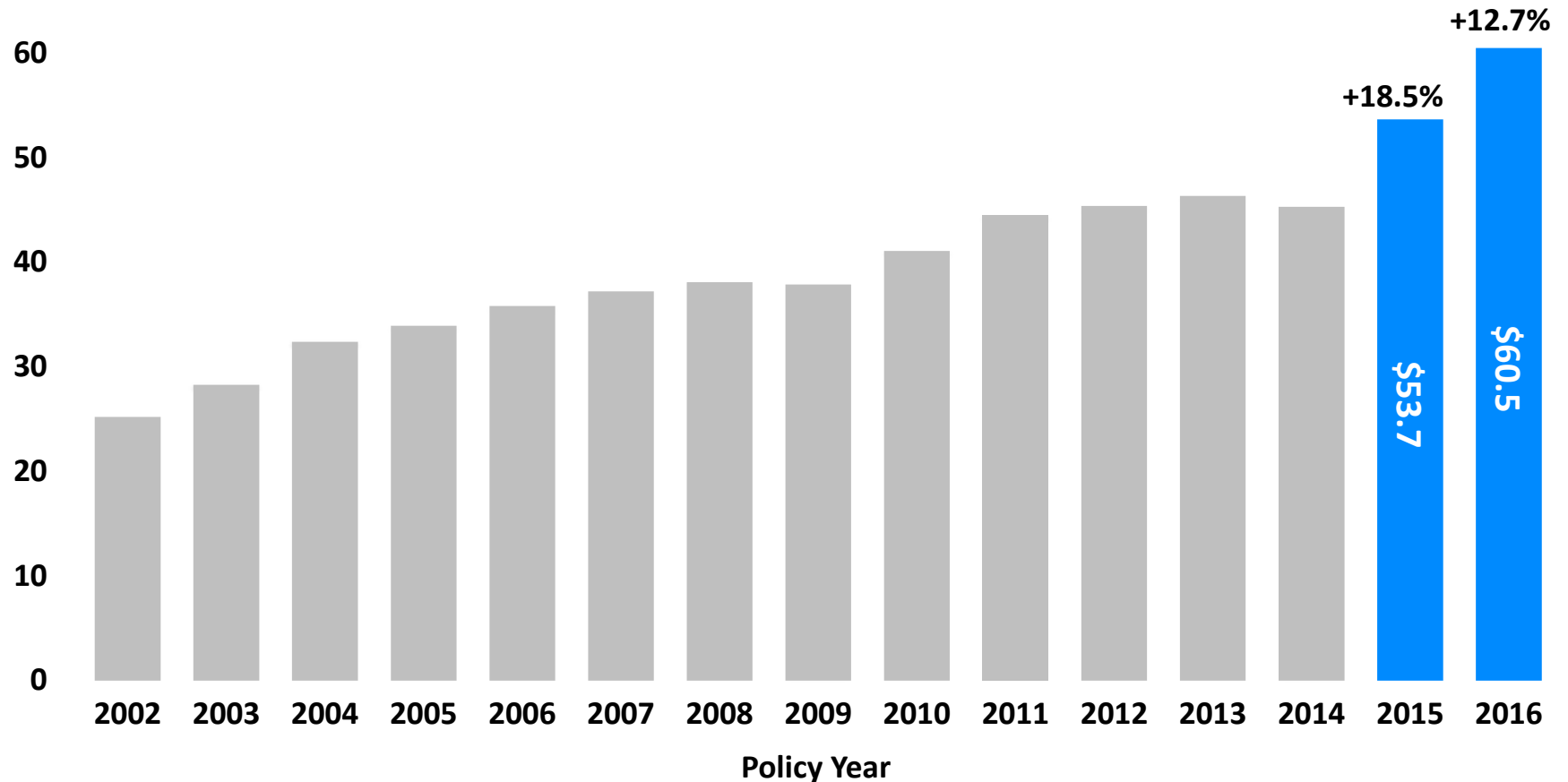
Lost-Time Claim Severity in \$ Thousands



Based on NCCI's financial data through 12/31/2017, on-leveled and developed to ultimate

Virginia Average Medical Claim Severity

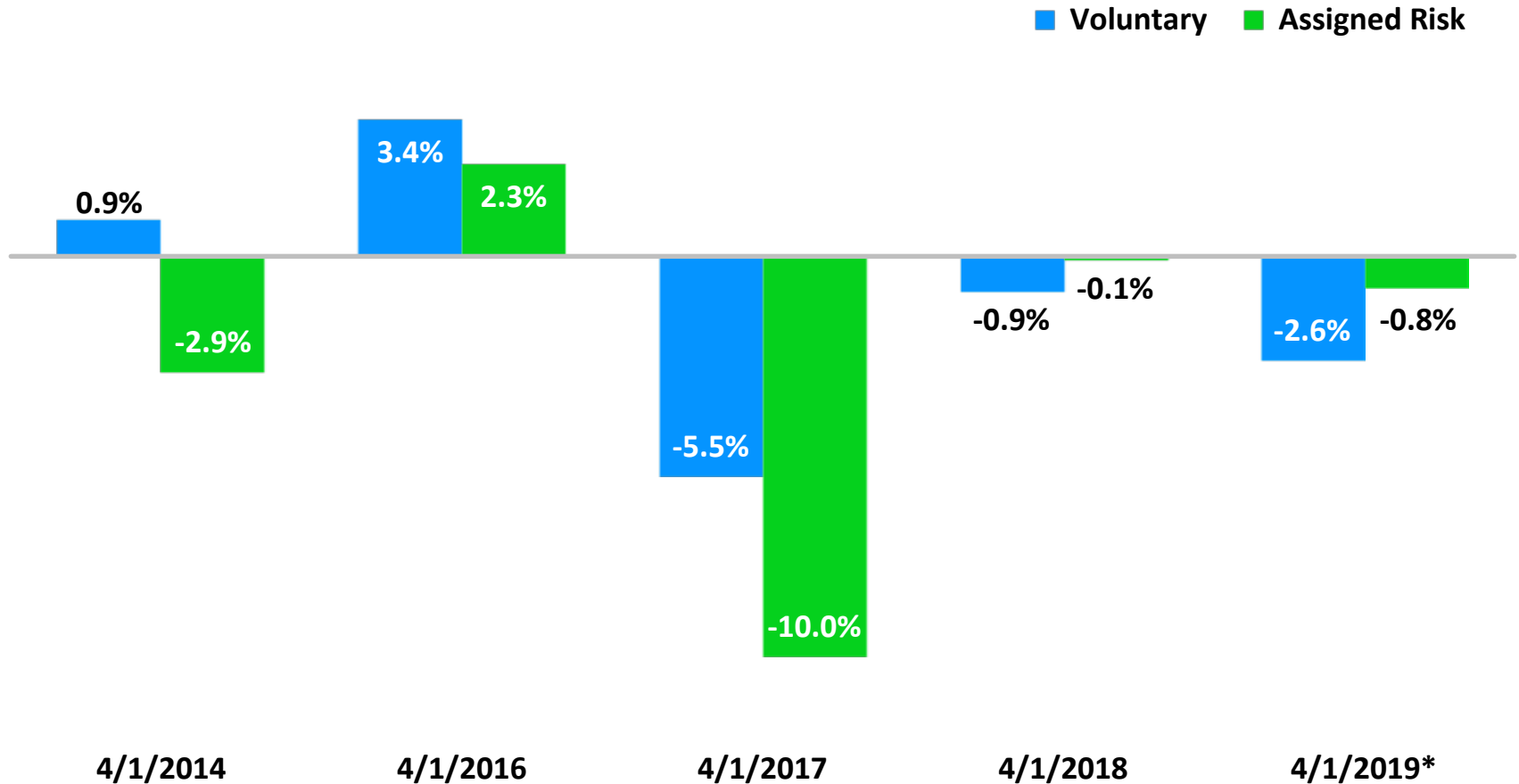
Lost-Time Claim Severity in \$ Thousands



Based on NCCI's financial data through 12/31/2017, on-leveled and developed to ultimate

Virginia Filing Activity

Voluntary Loss Cost and Assigned Risk Rate Changes



*Pending

Virginia April 1, 2019 Loss Cost Filing

**Overall Average Loss Cost Level Change:
-2.6%**

**Change in
Experience:
-2.0%**

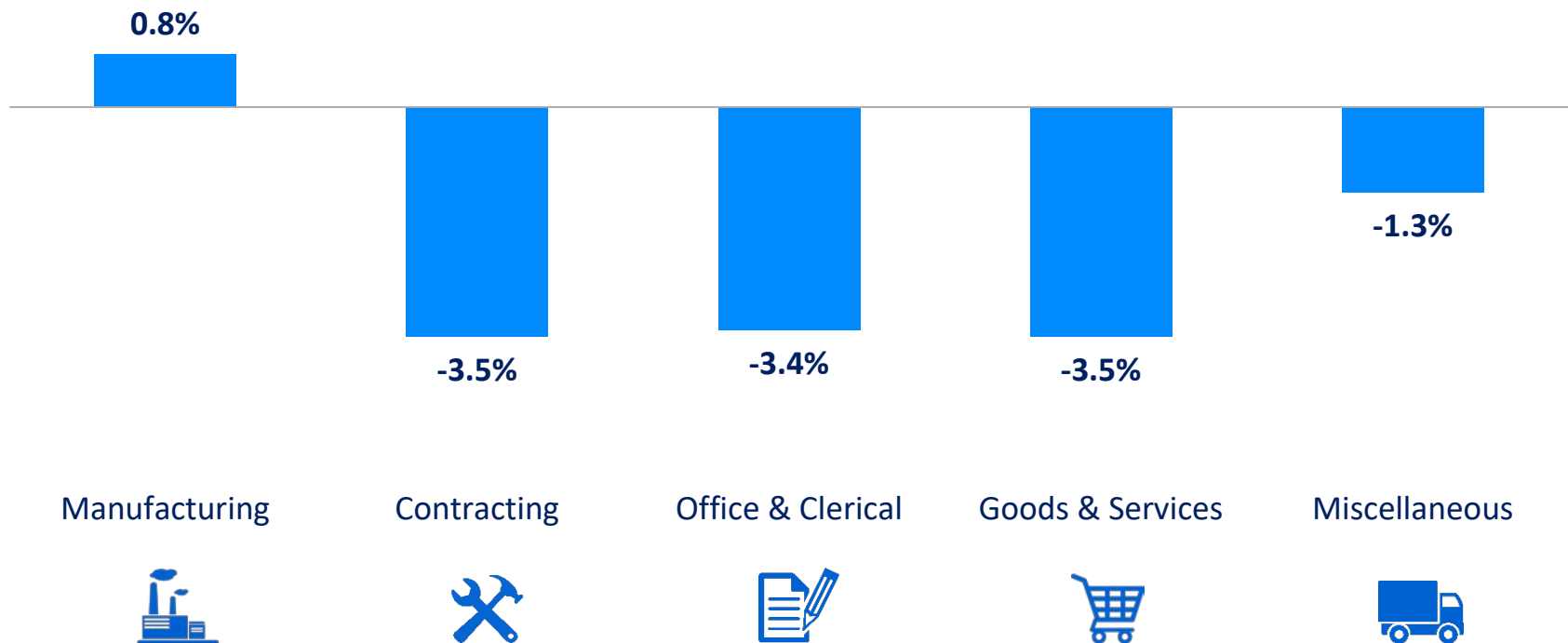
**Change in
Trend:
-0.5%**

**Change in
Benefits:
0.2%**

**Change in
All Other:
-0.3%**

Virginia April 1, 2019 Loss Cost Filing— Average Changes by Industry Group

Overall Average Loss Cost Level Change: -2.6%



Current NCCI Voluntary Market Loss Cost/Rate Level Changes

Excludes Law-Only Filings

Percent

10

5

0

-5

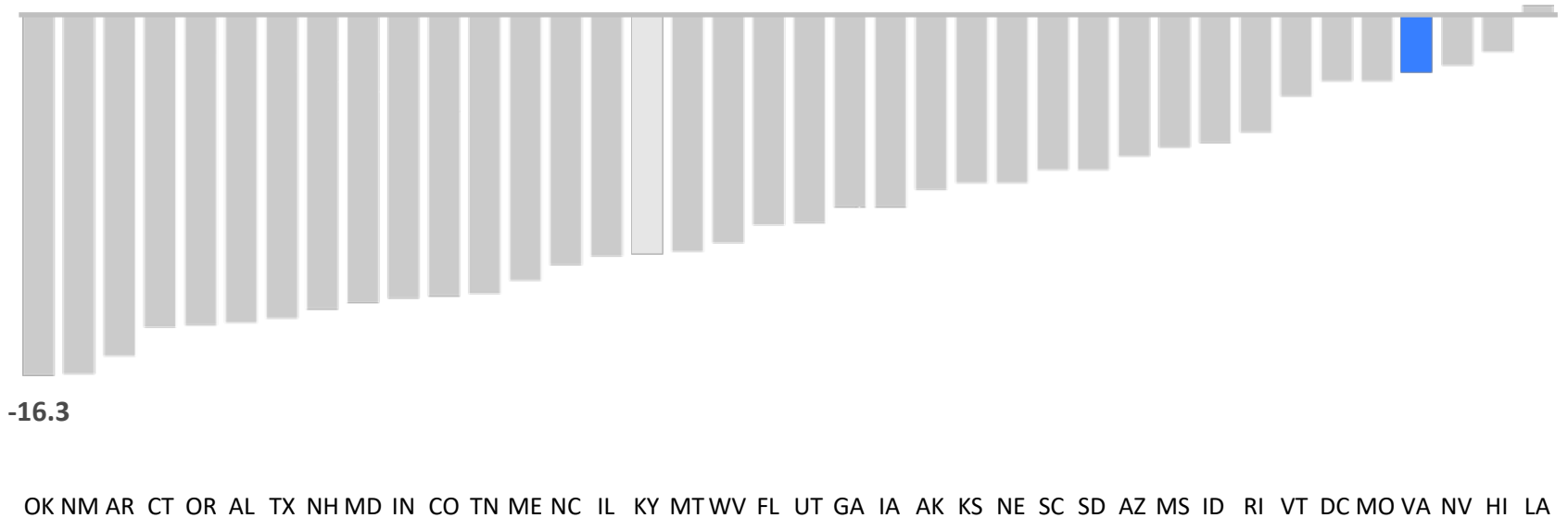
-10

-15

-20

■ Approved ■ Pending

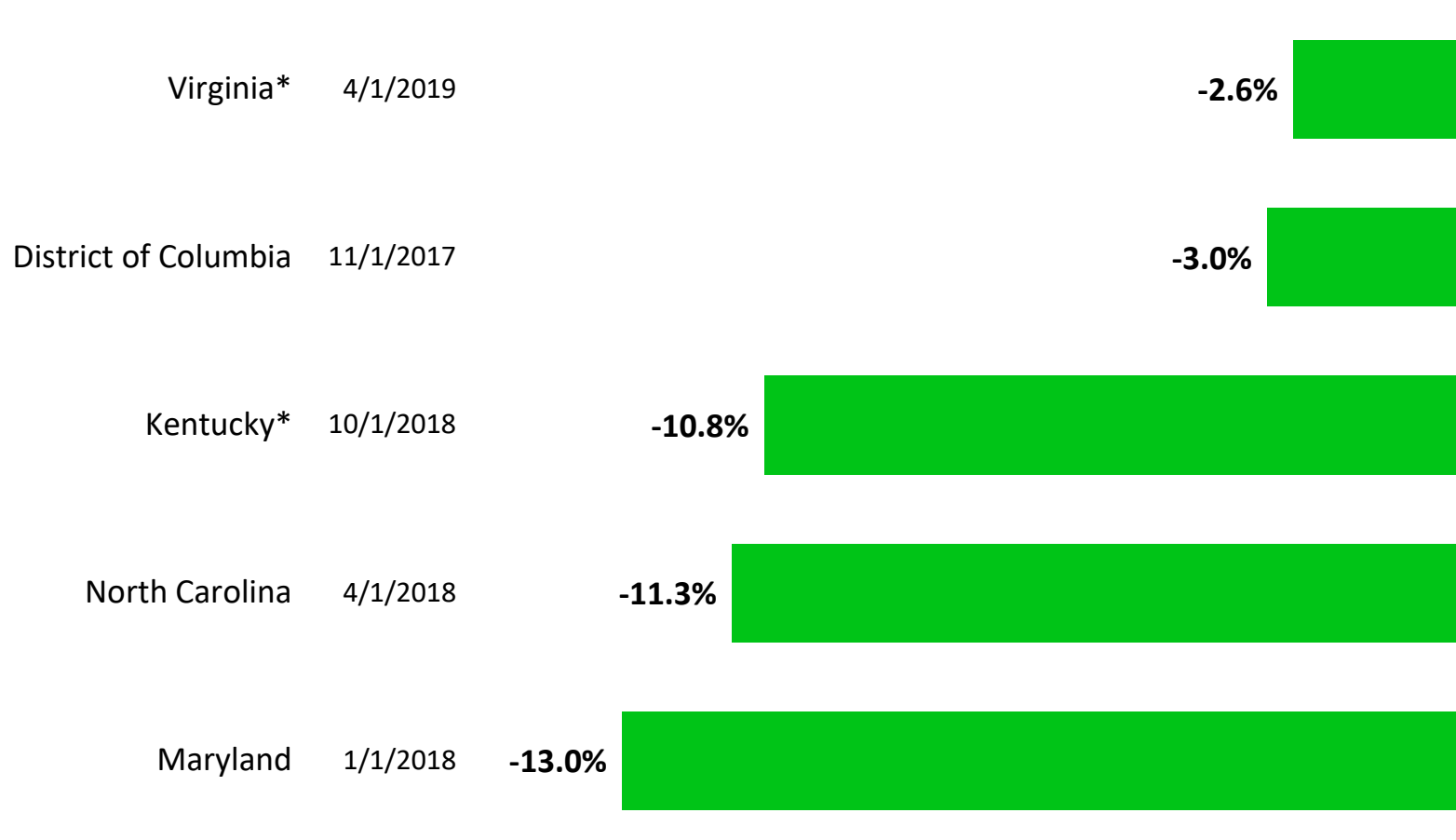
0.4



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

Current Voluntary Market Loss Cost Level Changes



*Pending



STATE ADVISORY FORUMS 2018

Countrywide and Virginia Labor Markets

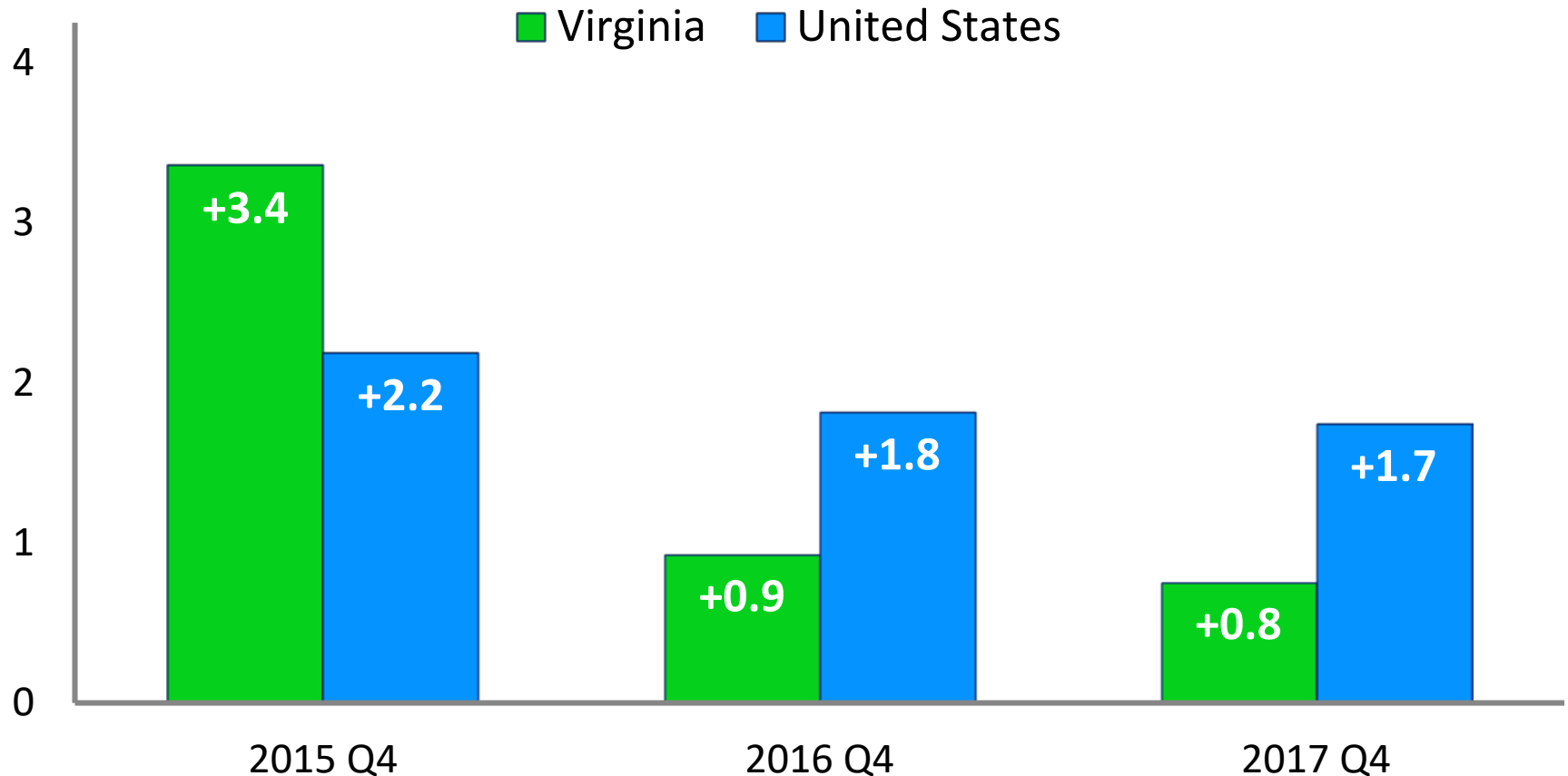
National Economic Highlights and Their Impact on Workers Compensation

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

Change in Private Employment

Private Employment Growth Is Below Average

Percent



Year-on-year percentage change; employment is for Total Private Industry

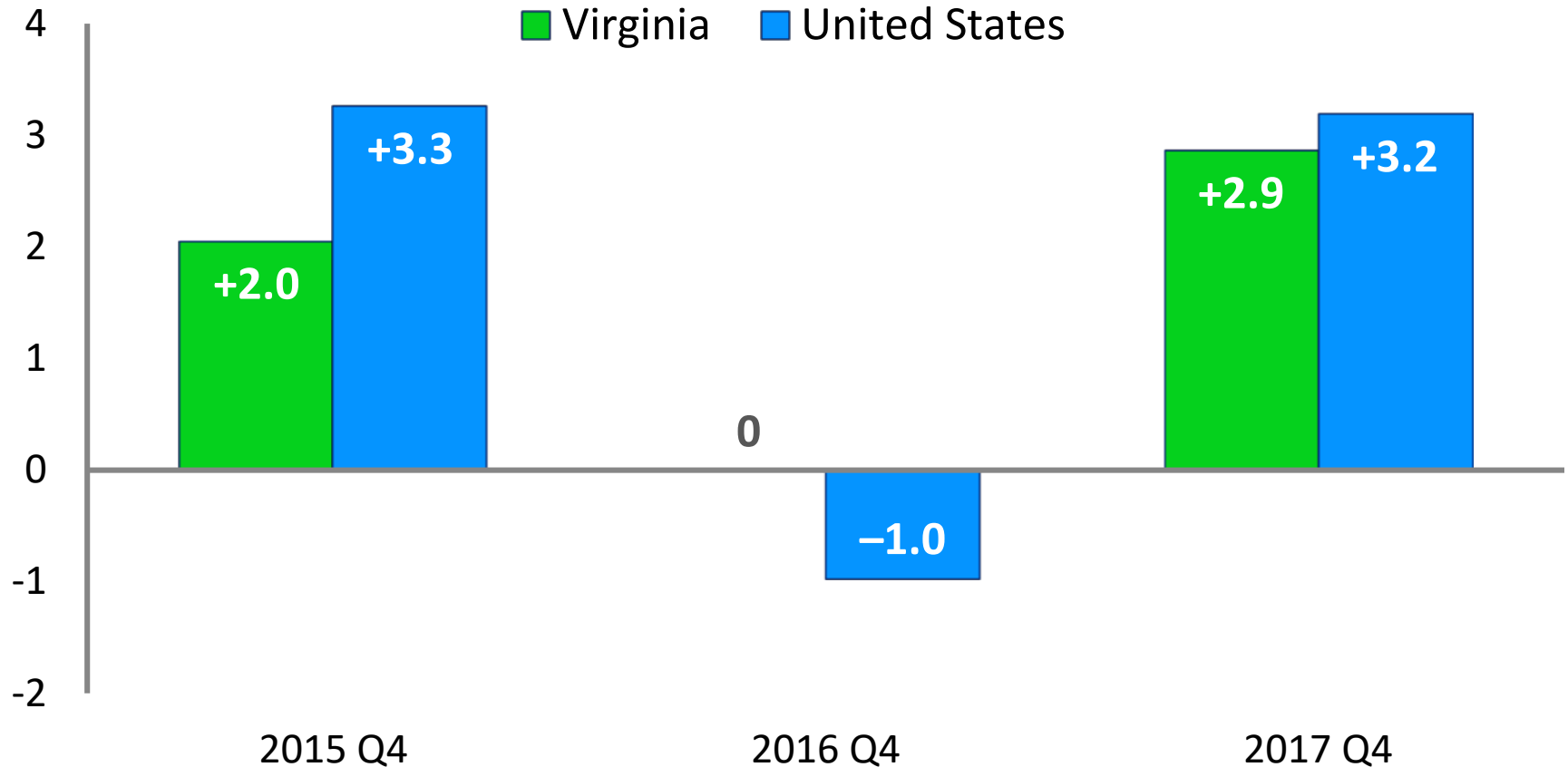
Frequency of observation: quarterly; 2014 Q4–2017 Q4

Sources: US Bureau of Labor Statistics, Moody's Analytics, and NCCI

Change in Average Weekly Wages

Wage Growth Is Below the Rest of the Nation

Percent



Year-on-year percentage change; wages are for Total Private Industry

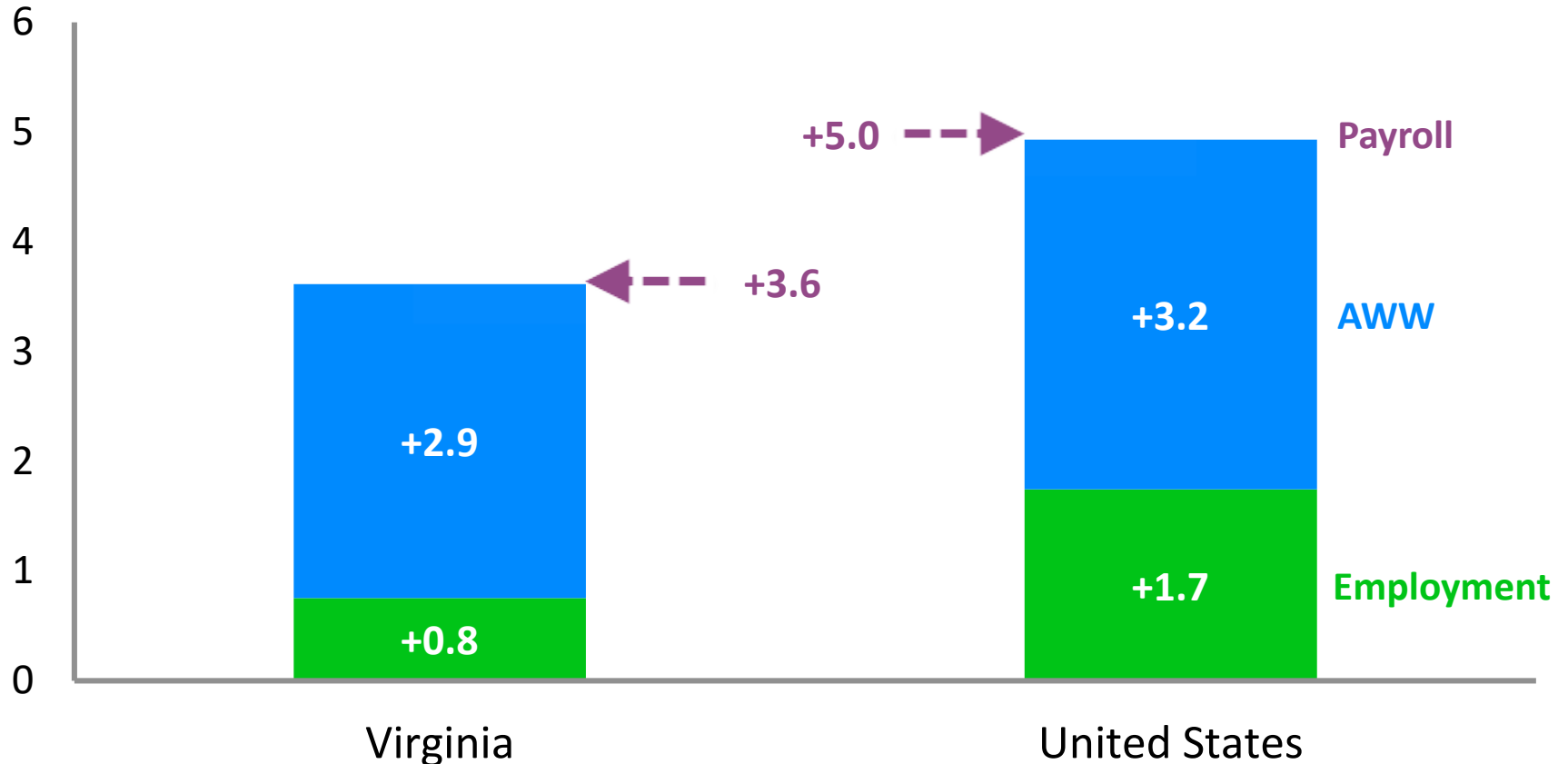
Frequency of observation: quarterly; 2014 Q4–2017 Q4

Sources: US Bureau of Labor Statistics, Bureau of Economic Analysis, Moody's Analytics, and NCCI

Private Industry Payroll Growth Decomposition

Payroll Growth Is Lower Than the Nation

Percent




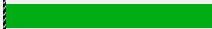



















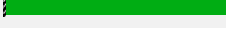
AWW = Average Weekly Wage

2017 Q4 year-on-year percentage change

Sources: US Bureau of Labor Statistics, Bureau of Economic Analysis, Moody's Analytics, and NCCI

Change in Employment by Sector

Employment in Most Sectors Has Increased in the Past Year

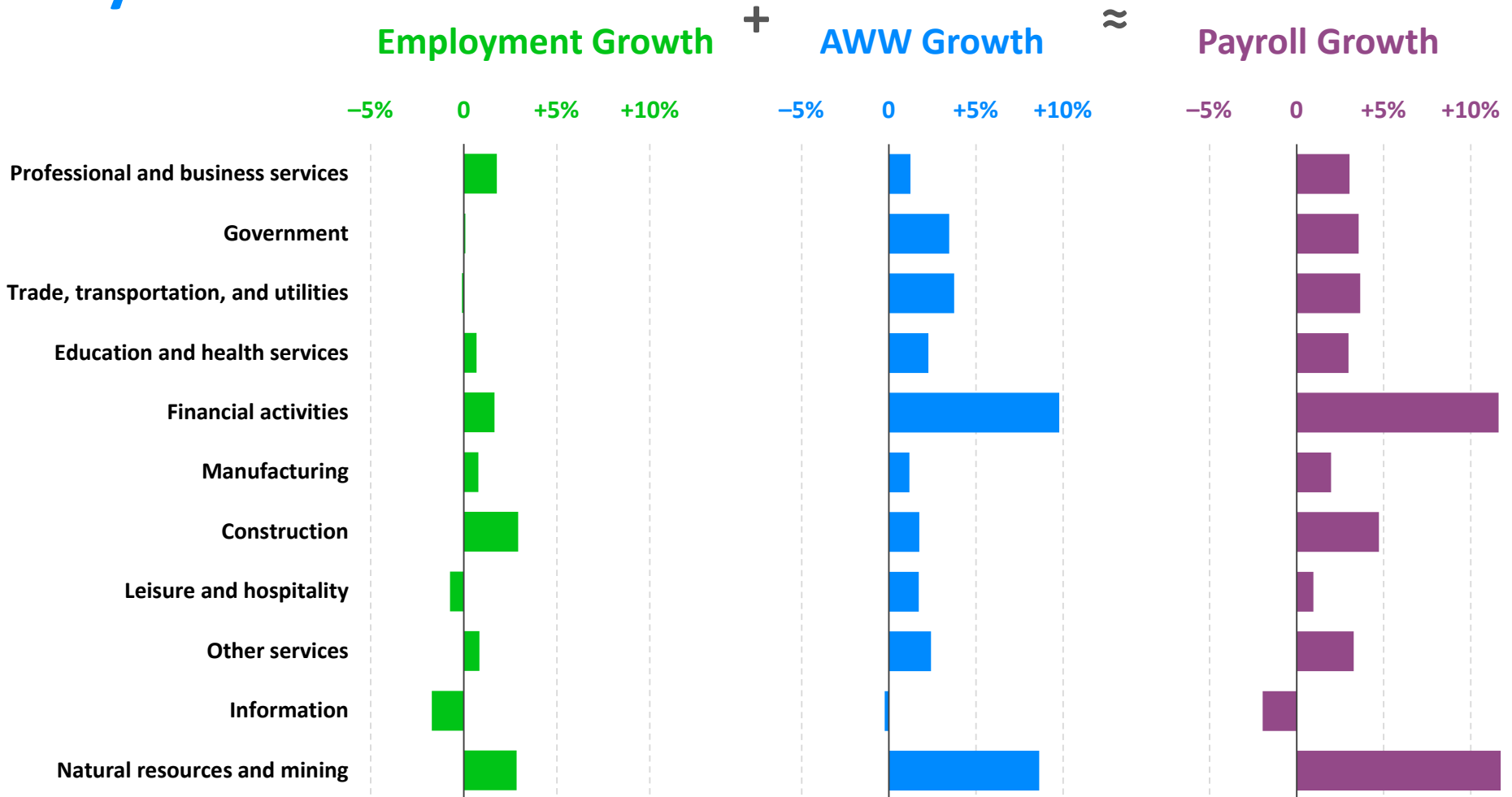
| Industrial Sector | Year-Over-Year Percent Change, 2017 Q4 | | | Sector Size | % Share | 1-Year Change |
|--------------------------------------|--|------|--|-------------|---------|---------------|
| Professional and business services | VA | +1.8 |  | 732,200 | 18 | +12,800 |
| | US | +2.2 |  | | | |
| Construction | VA | +2.9 |  | 196,100 | 5 | +5,600 |
| | US | +3.3 |  | | | |
| Education and health services | VA | +0.7 |  | 530,800 | 13 | +3,600 |
| | US | +2.1 |  | | | |
| Financial activities | VA | +1.6 |  | 206,000 | 5 | +3,400 |
| | US | +1.8 |  | | | |
| Manufacturing | VA | +0.8 |  | 234,800 | 6 | +1,900 |
| | US | +1.5 |  | | | |
| Other services | VA | +0.8 |  | 215,700 | 5 | +1,800 |
| | US | +1.7 |  | | | |
| Government | VA | +0.1 |  | 716,100 | 18 | +600 |
| | US | +0.1 |  | | | |
| Natural resources and mining | VA | +2.8 |  | 11,000 | 0 | +300 |
| | US | +5.4 |  | | | |
| Trade, transportation, and utilities | VA | -0.1 |  | 661,400 | 17 | -700 |
| | US | +0.7 |  | | | |
| Information | VA | -1.7 |  | 66,700 | 2 | -1,200 |
| | US | -1.3 |  | | | |
| Leisure and hospitality | VA | -0.7 |  | 399,600 | 10 | -3,000 |
| | US | +2.3 |  | | | |

Employment numbers are rounded to the nearest hundred

Year-on-year percentage change; frequency of observation: quarterly; 2017 Q4

Sources: US Bureau of Labor Statistics, Moody's Analytics, and NCCI

Virginia's Payroll Growth Decomposition by Sector



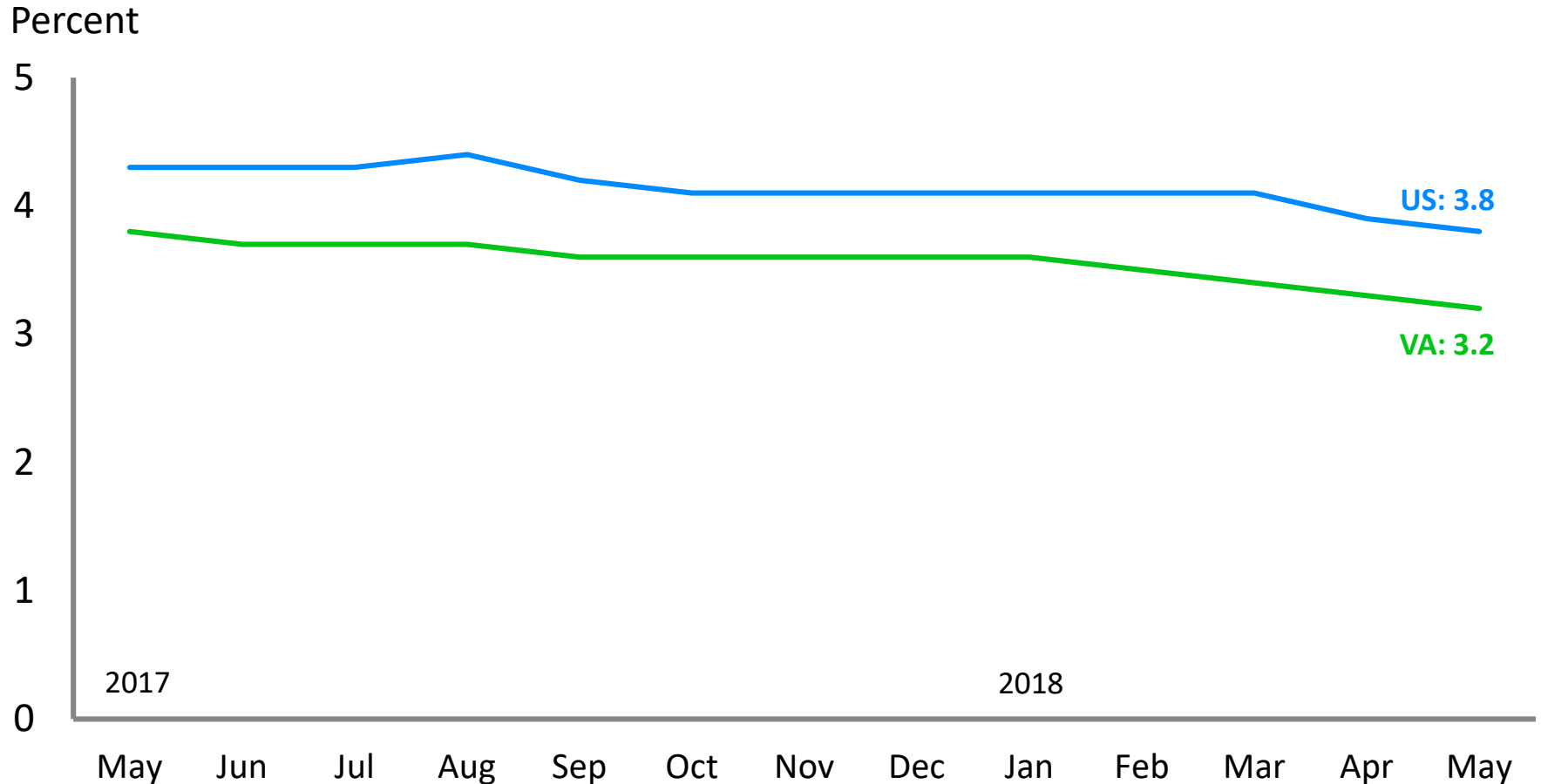
AWW = Average Weekly Wage

2017 Q4 year-on-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



Headline Unemployment Rate, seasonally adjusted
Frequency of observation: monthly; latest available data point: May 2018
Source: US Bureau of Labor Statistics (BLS), www.bls.gov

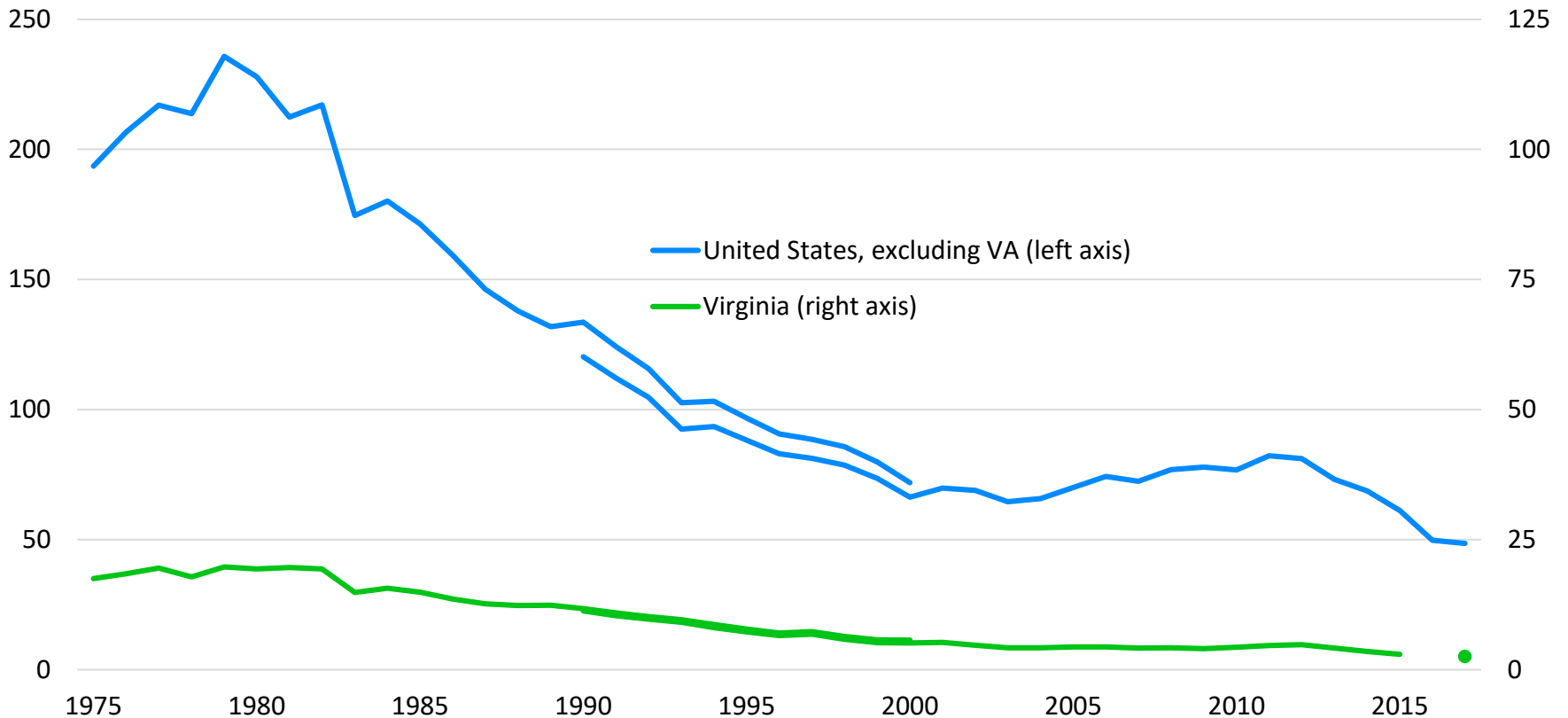
Virginia's Labor Market

- Virginia's unemployment rate is below the US rate
- Payroll increased in Virginia, primarily driven by increases in wages rather than employment
 - Sectors with the highest payroll levels made significant contributions to overall payroll growth
 - Both the Financial Activities and Natural Resources and Mining sectors had fast payroll growth
- Employment growth is below the US rate
 - Professional and Business Services is one of the largest sectors in the state and also added the most jobs
 - Virginia's employment growth generally lagged the US average across the economic sectors

Coal Mining Employment: Virginia

Employment Is Down Both Nationally and in Virginia

Coal Employment, Thousands



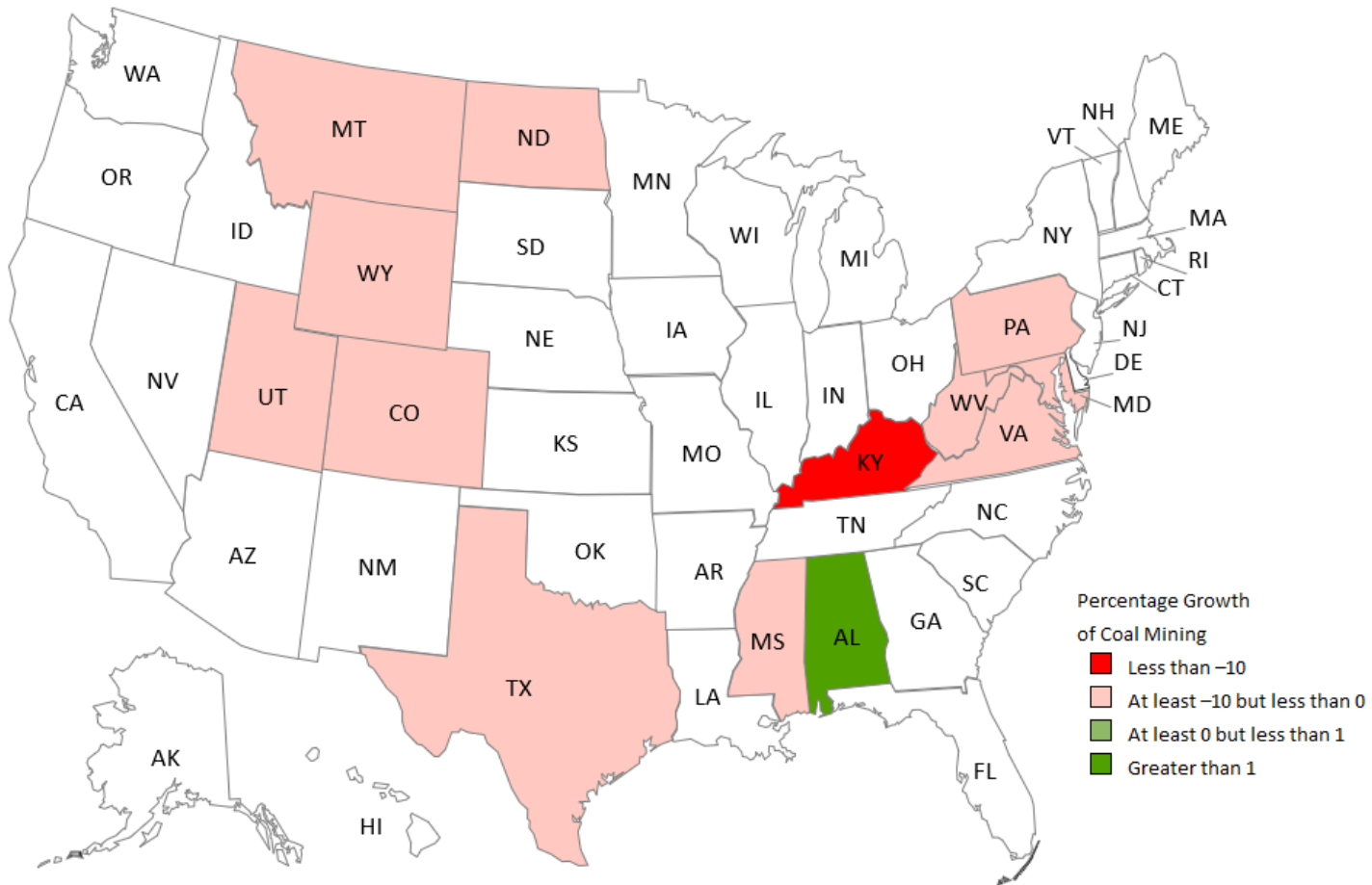
1975–2000: SIC-based; 1990–2000: SIC-based data reconstructed to NAICS; 2001–2017: NAICS-based

Frequency of observation: annual; latest available data point: 2017 (preliminary); annual data is not disclosed for Virginia in 2016

Sources: Moody's Economy.com; US Bureau of Labor Statistics, Quarterly Census of Employment and Wages, www.bls.gov/cew

Growth of Coal Mining Employment

Employment in Coal Mining Is Declining Throughout Much of the Country



Coal Mining is NAICS 2121 Coal Mining, all establishment sizes, private ownership

Average Annual Change in Coal Mining Employment: December 2017 (preliminary) over December 2015

Frequency of observation: monthly; states printed in white: no reported coal mining activity or employment data cannot be broken down to the level of coal mining due to disclosure restrictions

Source: US Bureau of Labor Statistics, Quarterly Census of Employment and Wages, www.bls.gov/cew



STATE ADVISORY FORUMS 2018

The Data Connection (Video)



STATE ADVISORY FORUMS 2018

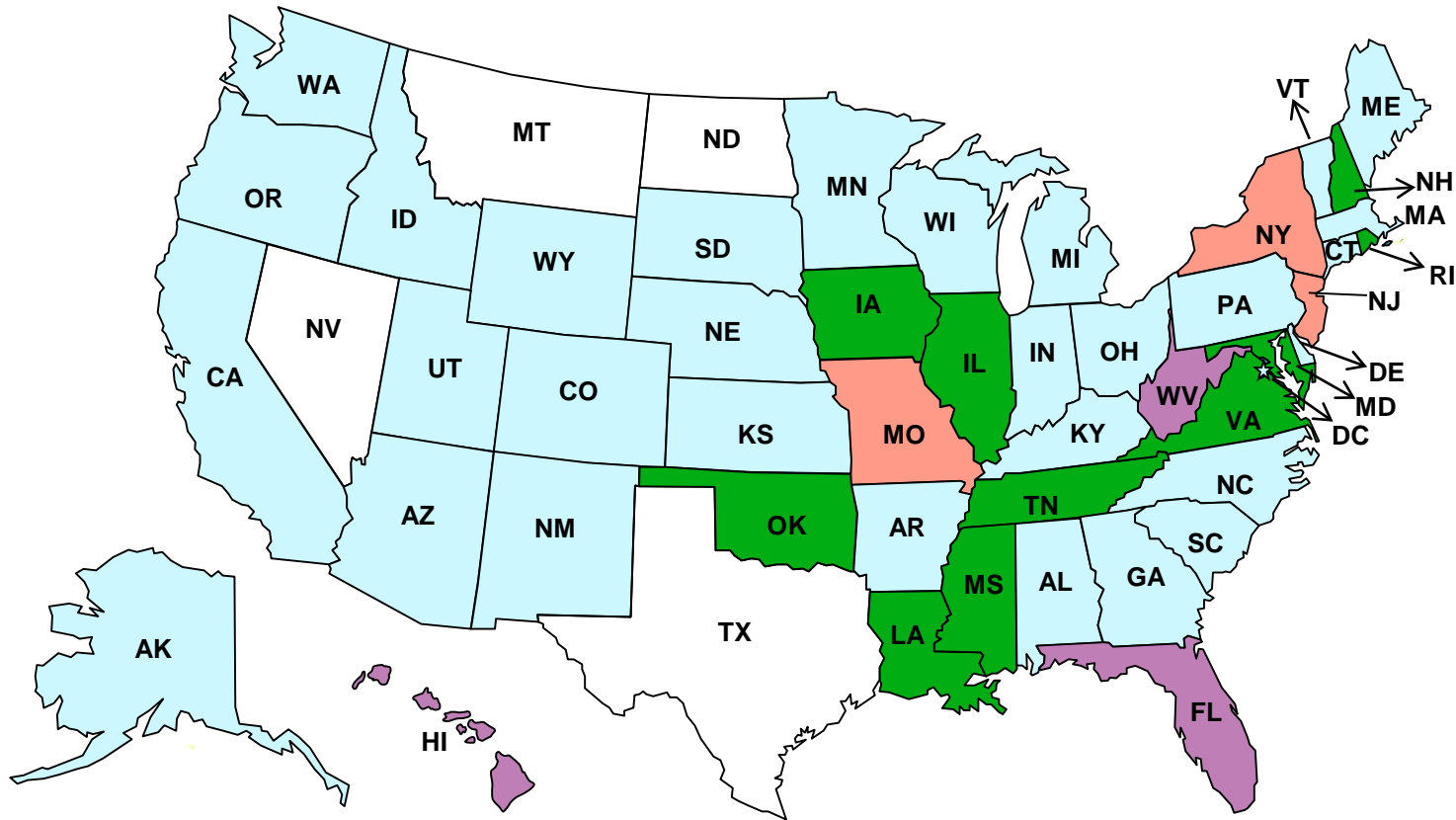
Legislative Issues

Legislative Overview for 2018

As of June 30, 2018:

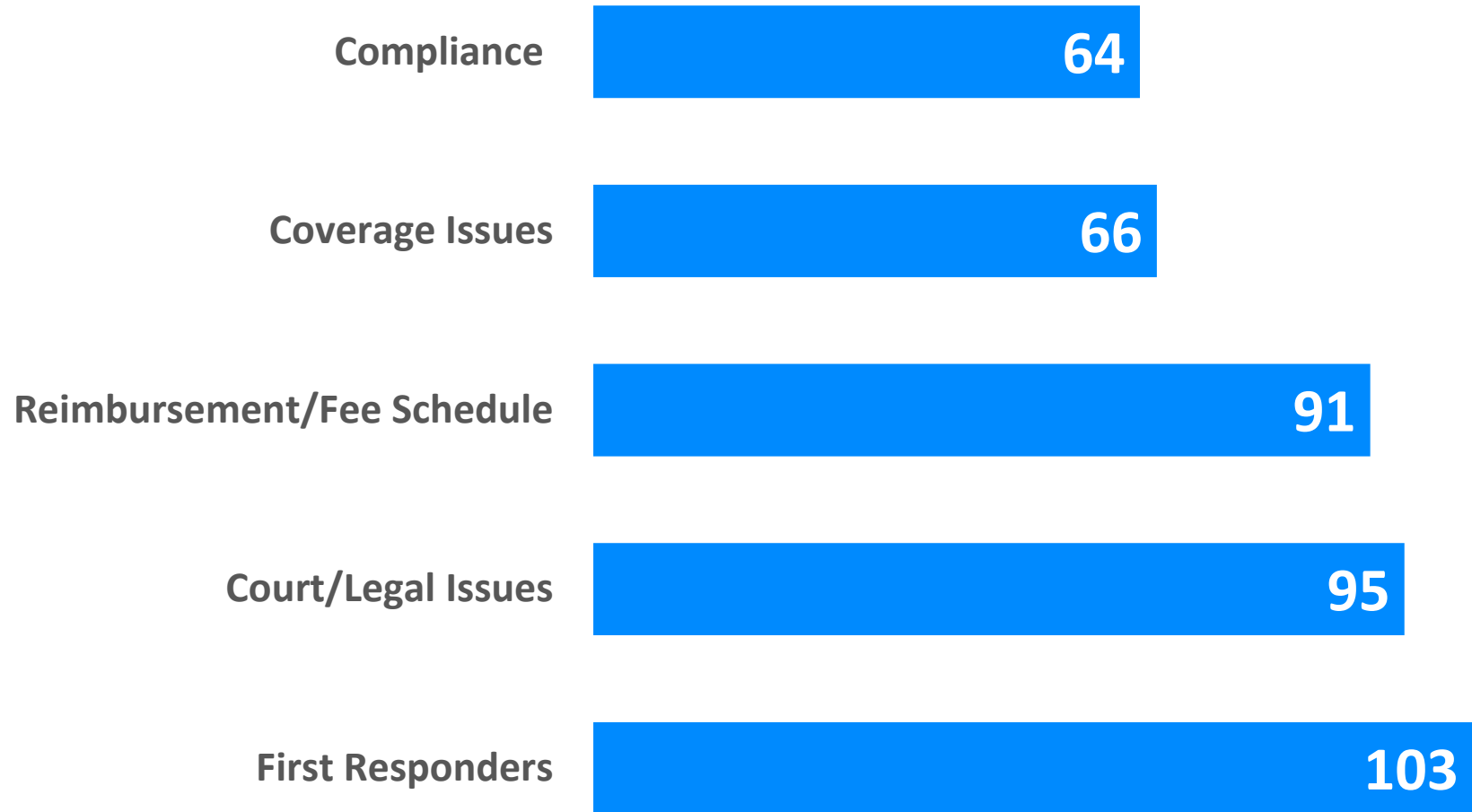
- NCCI has tracked approximately 814 state and federal workers compensation-related bills
- 462 of the bills are in NCCI states
- 76 bills have been enacted (includes all jurisdictions and federal)

2018 Workers Compensation Legislative Activity



Top Five WC Legislative Trends in 2018

Number of Bills by Category



NCCI's Engagement at the Federal Level

- NCCI works with Congress and federal agencies to educate and inform public policymakers on the impact of legislative and regulatory issues on the state-based workers compensation system
- 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 Emerging Issues

Regulation of Air Ambulance Services

Sen. Jon Tester (MT) introduced legislation to provide state authority

Federal Aviation Administration Reauthorization

Social Security Disability Insurance (SSDI) Reform

SSDI Solutions Initiative recommendations

Trump Administration SSDI Reverse Offset Proposal

Medicare Set-Aside (MSA) Reform

Legislation to be introduced to bring greater efficiency to the MSA process

Congressional Budget Office scoring

State Legislative Activity

2017 Legislative Session Resulted in No WC Bills Passing

HB 416—Prohibits an insurer or its agent or employee from conducting an audit, inspection, or other review at the insured employer's premises unless accompanied by and under the supervision of an employee of the Workers' Compensation Commission, or unless the employer consents.



STATE ADVISORY FORUMS 2018



Contact:

John Burke at 703-586-6304

Kids' Chance of Virginia
c/o BerkleyNet
9301 Innovation Drive, Suite 200
Manassas, VA 20110



STATE ADVISORY FORUMS 2018

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

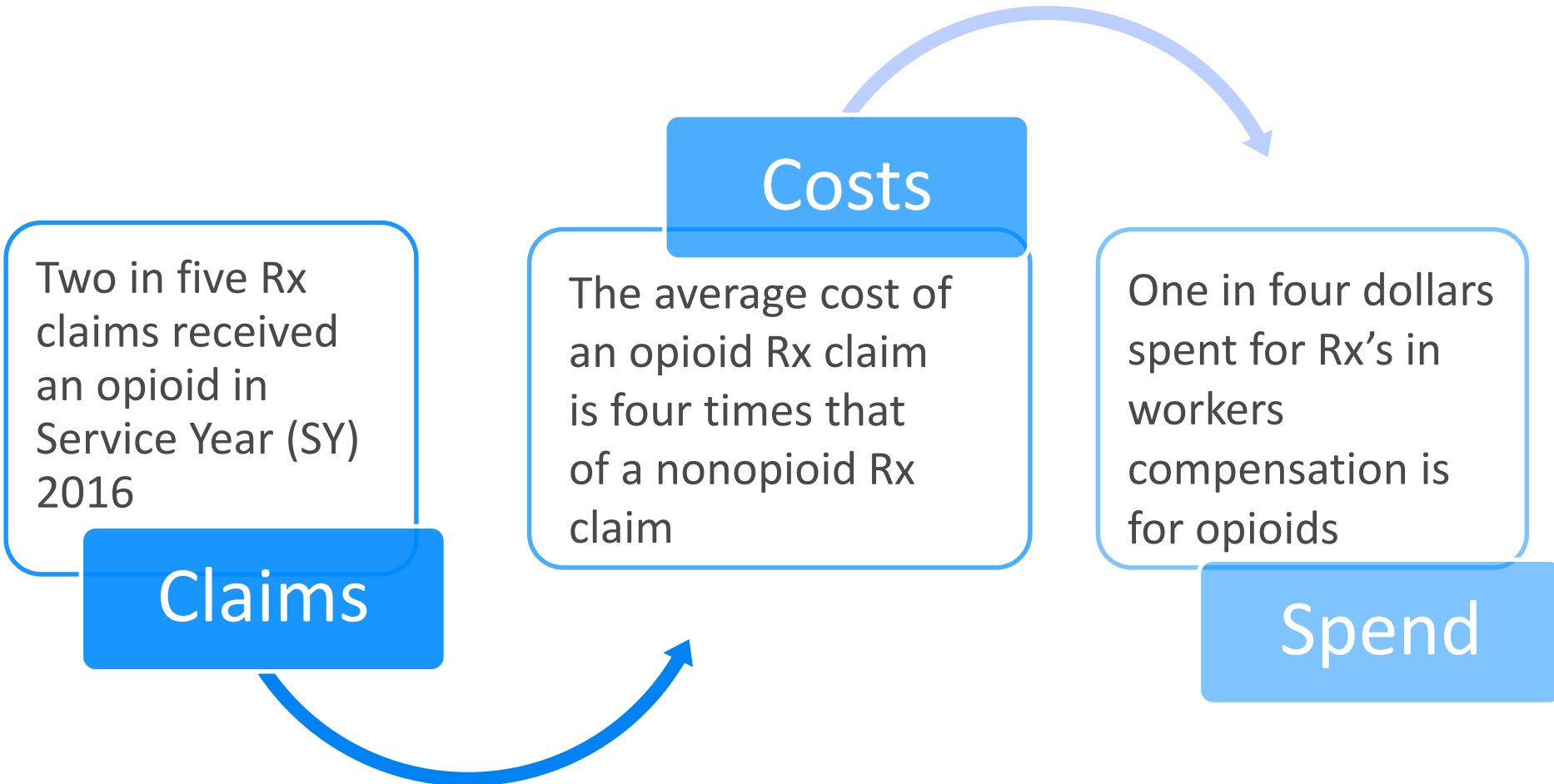


Impact on Workers Compensation

- 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 US opioid prescribing rate
- Workers compensation is directly impacted because injured workers are often prescribed opioids for pain



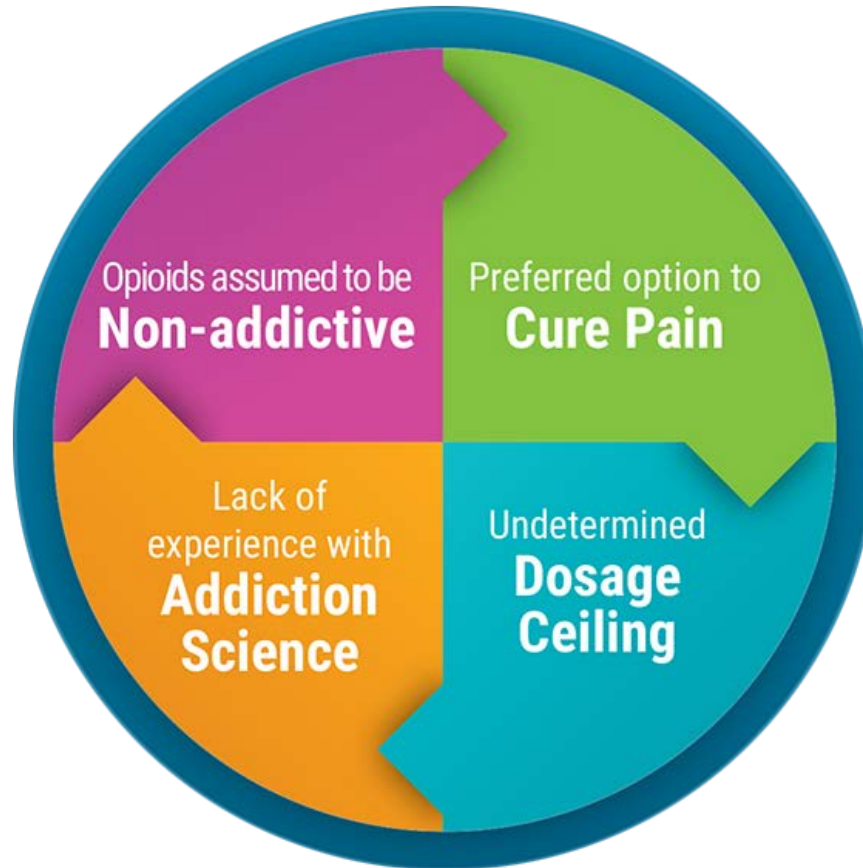
Opioids Are a Significant Share of WC Prescription Drug (Rx) Costs



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

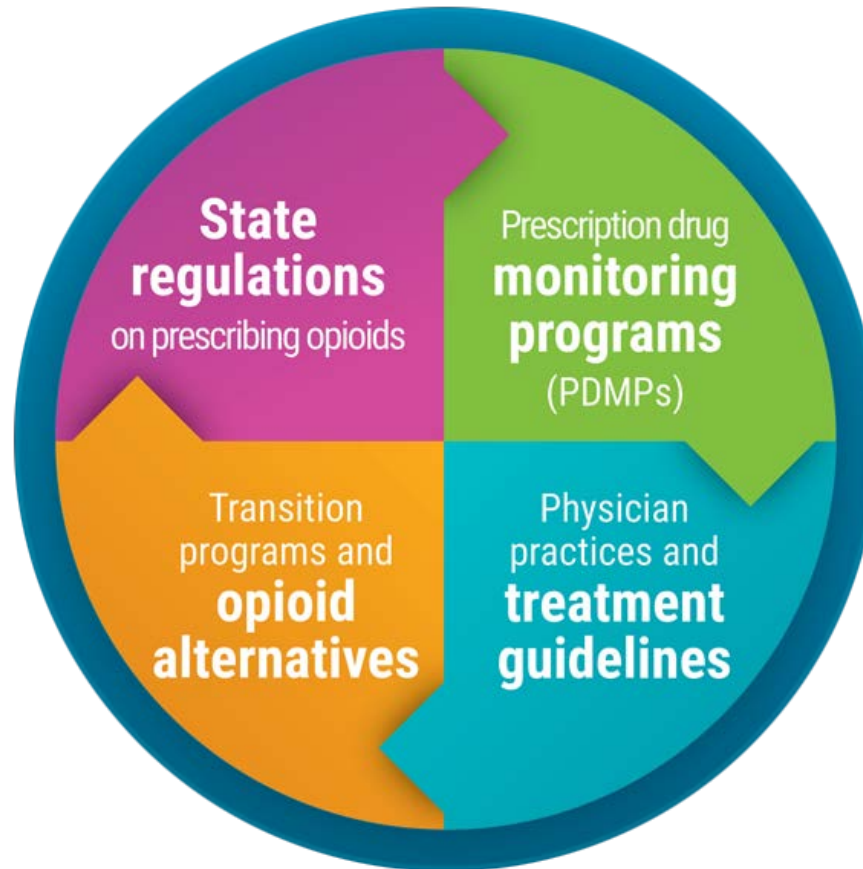
How Did We Get Here?

Physicians interviewed by NCCI point to four key factors that led to the rise in opioid prescribing and consumption:



State Regulator Perspective

State regulators interviewed by NCCI shared that tools in the fight against the opioid epidemic include:



Legislative and Regulatory Activity

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

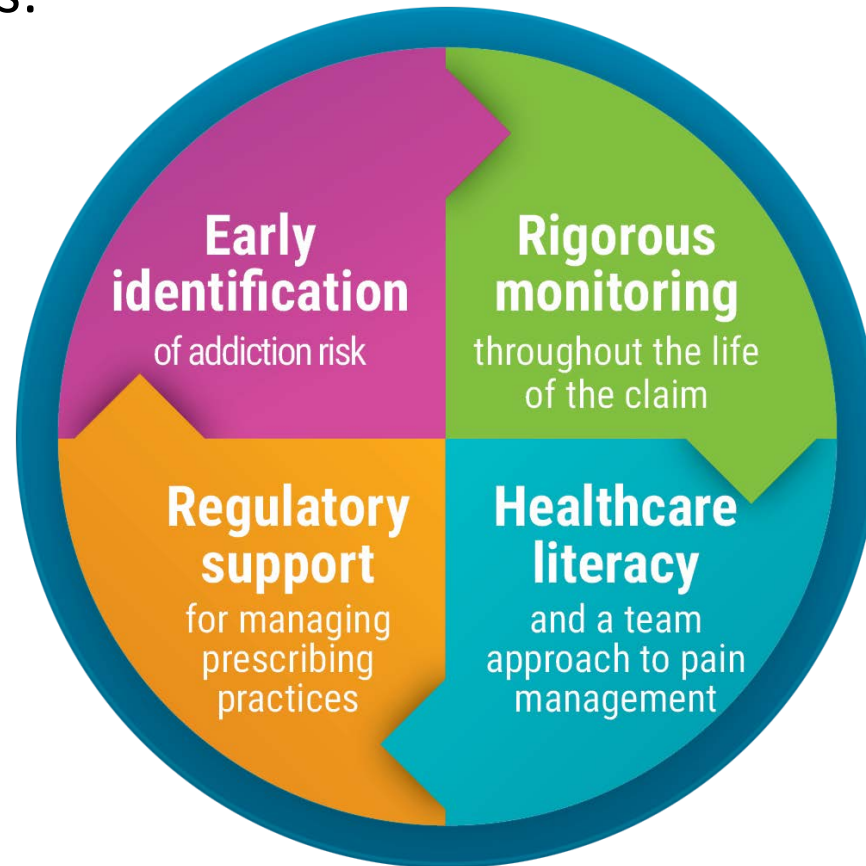


Federal:

- New Initiative to Stop Opioid Abuse and Reduce Drug Supply and Demand
- CDC Guidelines provide recommendations for prescribing opioid pain medication
- Proposed Legislation – Prescription Drug Monitoring Act of 2017

Claims Professionals Perspective

Claims professionals interviewed by NCCI say that there are four key elements that are critical for successfully managing claims involving opioids:





ON OPIOIDS



Workers Compensation Perspectives

Find it on ncci.com



STATE ADVISORY FORUMS 2018

Residual Market: Countrywide and Virginia

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 12/31/17

| State | Total Policy Count | Total Premium | Market Share % |
|----------------------|--------------------|----------------------|----------------|
| Alaska | 7,468 | \$ 33,684,821 | |
| Vermont | 3,838 | 17,986,224 | |
| Arkansas | 6,803 | 23,076,982 | |
| Tennessee | 12,978 | 62,849,355 | |
| Kansas | 9,001 | 27,805,502 | |
| New Hampshire | 4,944 | 17,508,396 | |
| Nevada | 5,248 | 21,588,506 | |
| Virginia | 16,276 | 61,167,550 | 7.2 |
| South Carolina | 13,729 | 34,603,981 | |
| West Virginia | 2,386 | 15,555,676 | |
| Oregon | 9,058 | 36,874,920 | |
| Georgia | 22,502 | 69,854,580 | |
| Connecticut | 15,031 | 44,999,559 | |
| Arizona | 5,951 | 39,668,103 | |
| South Dakota | 1,449 | 7,551,767 | |
| Iowa | 4,402 | 29,437,546 | |
| Illinois | 34,268 | 95,218,290 | |
| Mississippi | 2,592 | 14,790,560 | |
| New Mexico | 1,926 | 7,319,441 | |
| District of Columbia | 1,119 | 6,167,660 | |
| Alabama | 1,634 | 8,458,783 | |
| Idaho | 929 | 2,473,969 | |
| Total | 183,532 | \$678,642,171 | 6.0 |

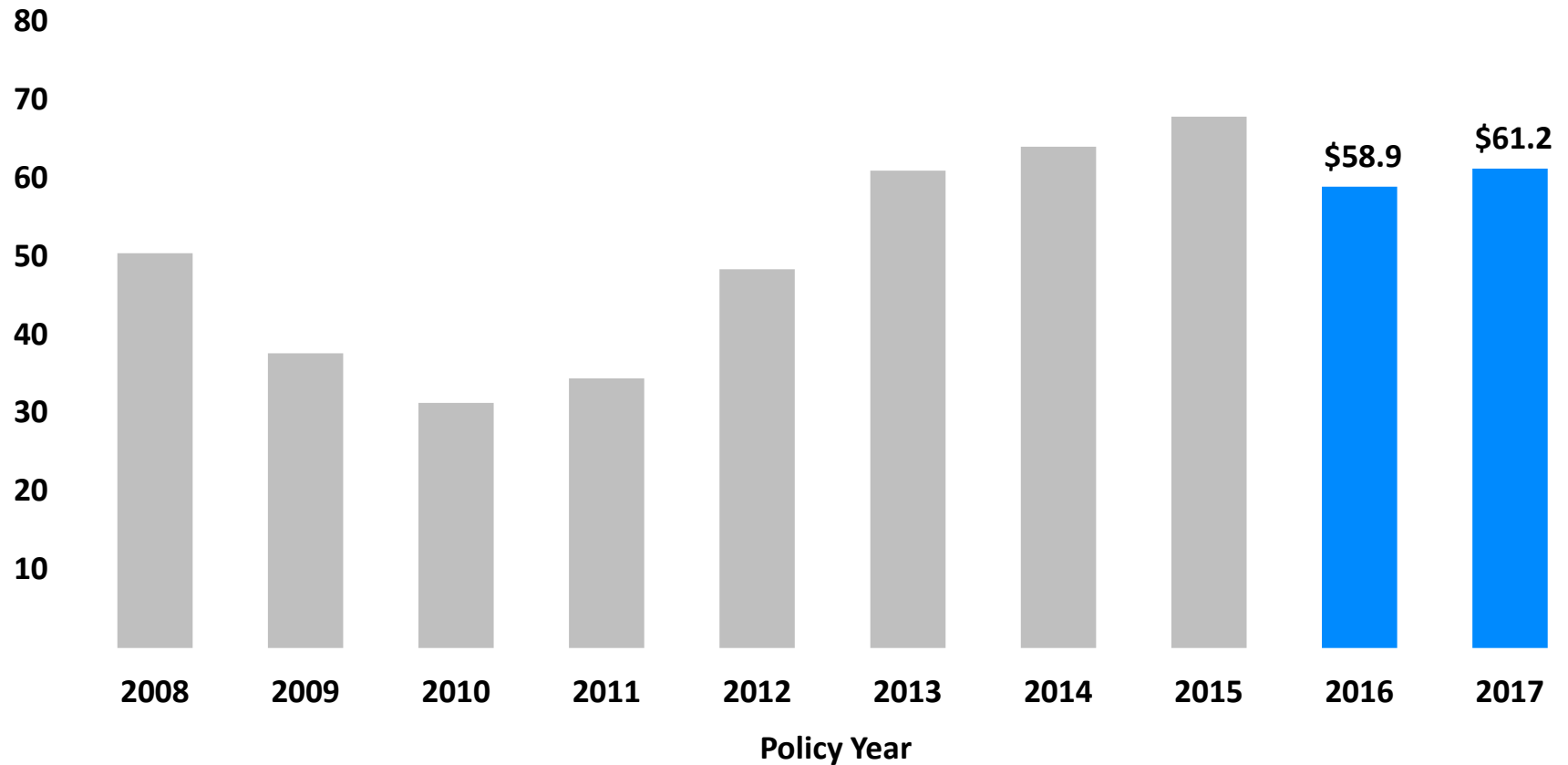
Policy count and premium data are on a policy year basis as reported to NCCI, for policies effective from January 1, 2017 to December 31, 2017, including prorated cancellations, with all policies' premium associated to the dominant state

Market share percentage is from NCCI's 2017 Residual Market Management Summary

Virginia Residual Market Plan Premium

As of 12/31/17

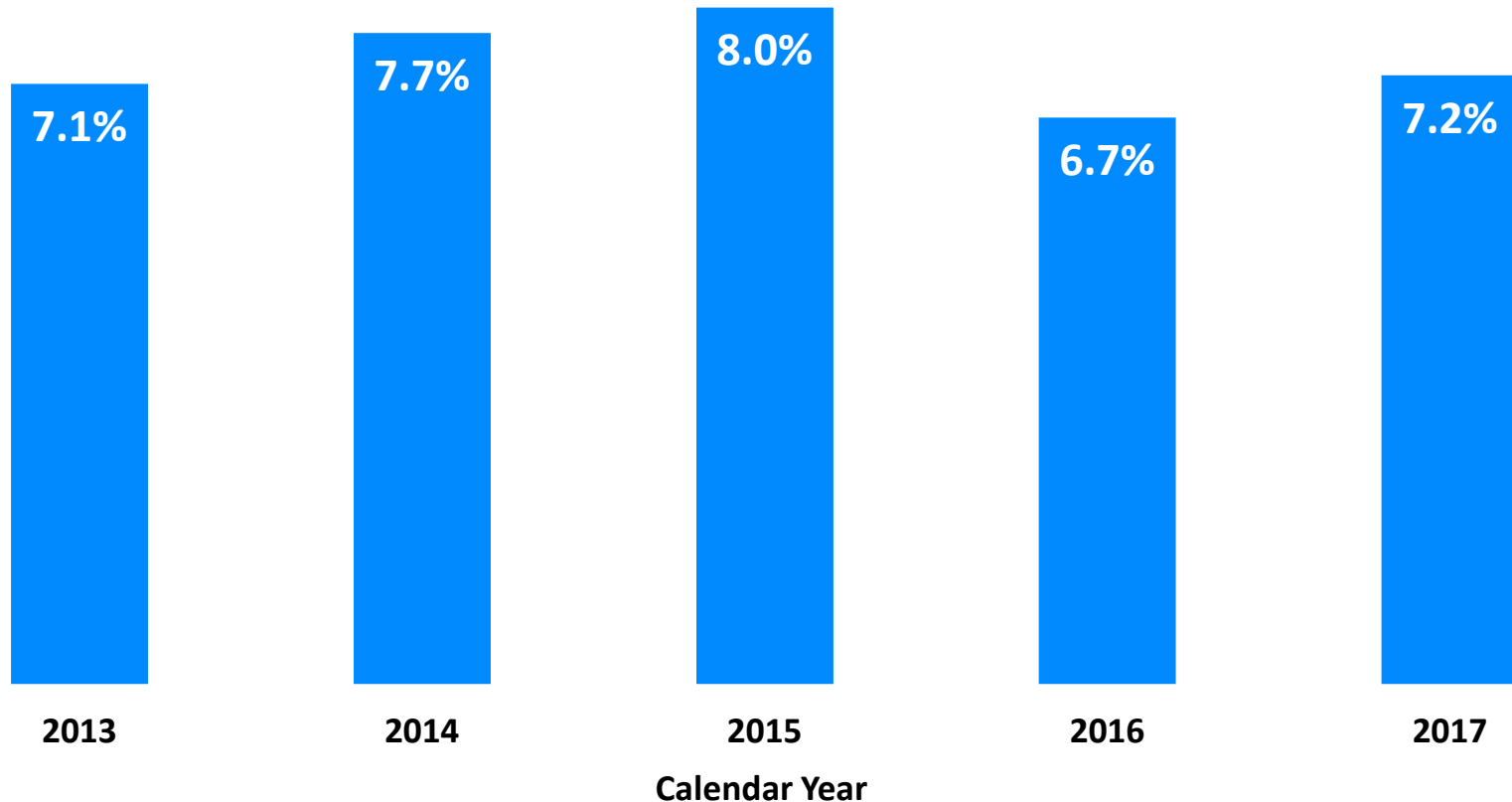
\$ Millions



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

Virginia Residual Market Share

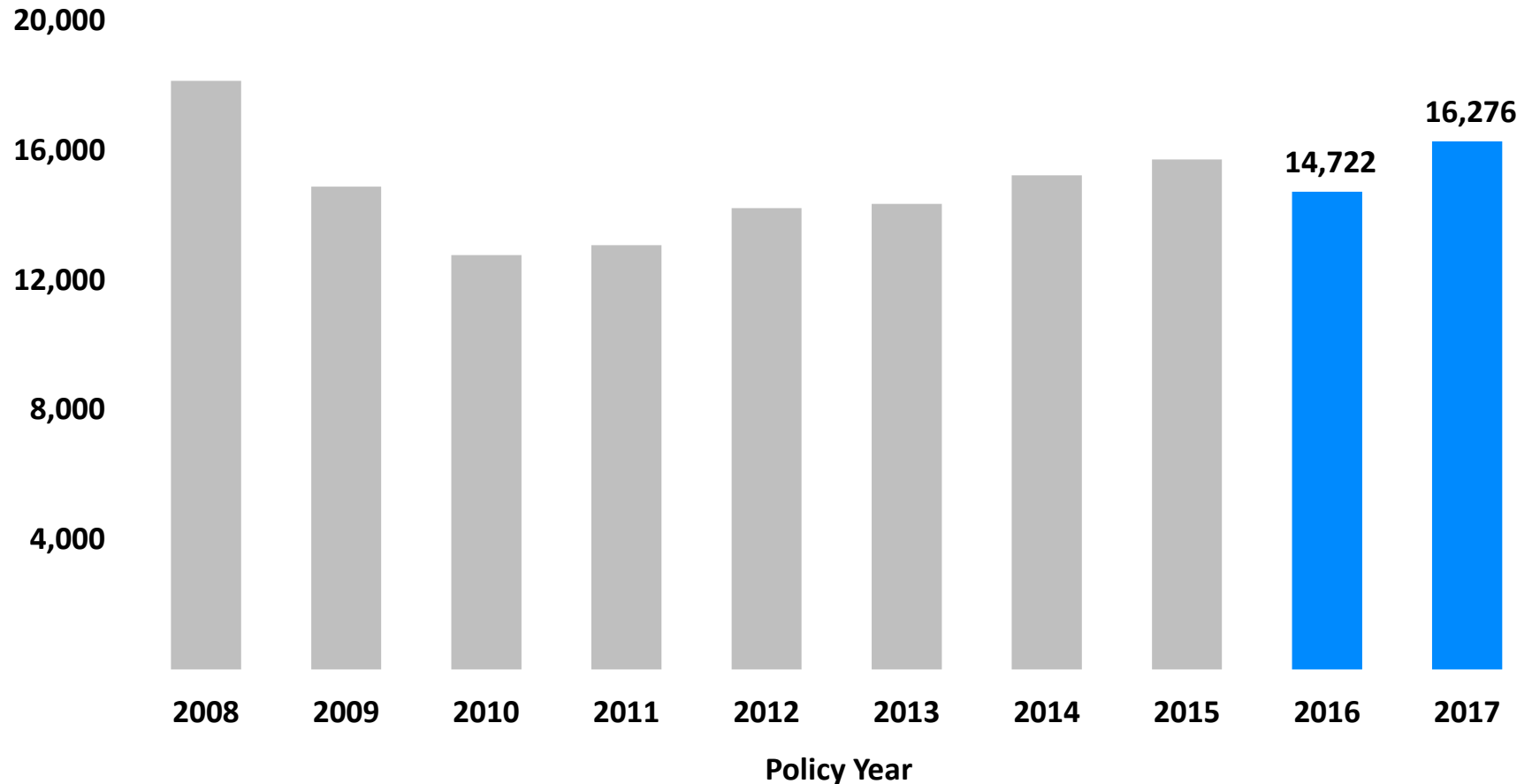
Plan Premium as a Percentage of Direct Written Premium



Market share percentage is from NCCI's 2017 Residual Market Management Summary

Virginia Residual Market Plan Policy Counts

As of 12/31/17



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

Virginia Residual Market Premium by Size of Risk

As of 12/31/17

| Size of Risk | Premium (\$Millions) | | % Change |
|---------------------|----------------------|-------------|------------|
| | 2016 | 2017 | |
| \$ 0 – 2,499 | 9.8 | 11.0 | 12.4 |
| \$ 2,500 – 4,999 | 7.0 | 7.8 | 11.2 |
| \$ 5,000 – 9,999 | 8.9 | 9.9 | 10.2 |
| \$ 10,000 – 49,999 | 18.9 | 19.9 | 4.9 |
| \$ 50,000 – 99,999 | 6.6 | 5.3 | -20.3 |
| \$ 100,000 and Over | 7.5 | 7.3 | -2.7 |
| Total | 58.9 | 61.2 | 3.9 |

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

Virginia Residual Market Policy Counts

As of 12/31/17

| Premium Range | Policy Counts |
|----------------------|---------------|
| \$ 0 – 2,499 | 11,516 |
| \$ 2,500 – 4,999 | 2,192 |
| \$ 5,000 – 9,999 | 1,403 |
| \$ 10,000 – 19,999 | 708 |
| \$ 20,000 – 49,999 | 341 |
| \$ 50,000 – 99,999 | 78 |
| \$ 100,000 – 199,999 | 30 |
| \$ 200,000 and Over | 8 |

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
 - Increase in premium volume
 - Stable residual market share
 - Self-funded operating results

Please visit **ncci.com** for additional state and countrywide information.



STATE ADVISORY FORUMS 2018

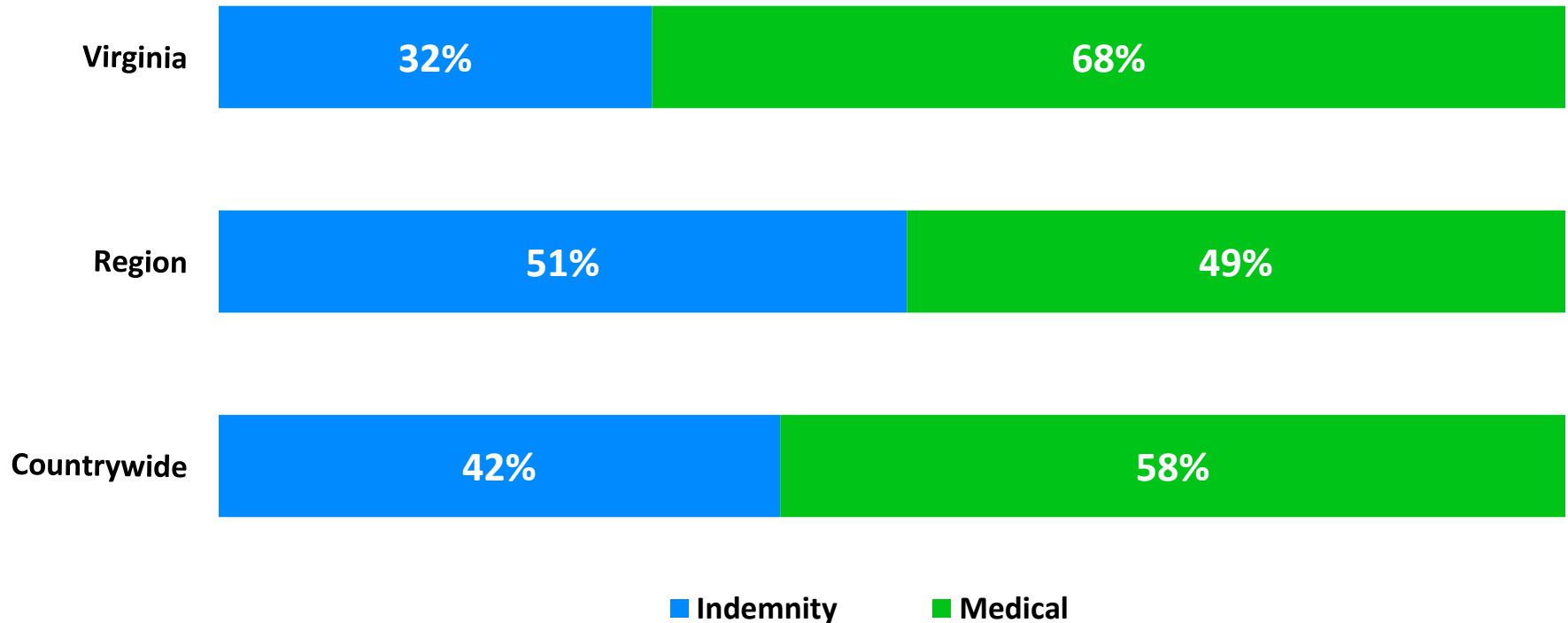
Closing Remarks



STATE ADVISORY FORUMS 2018

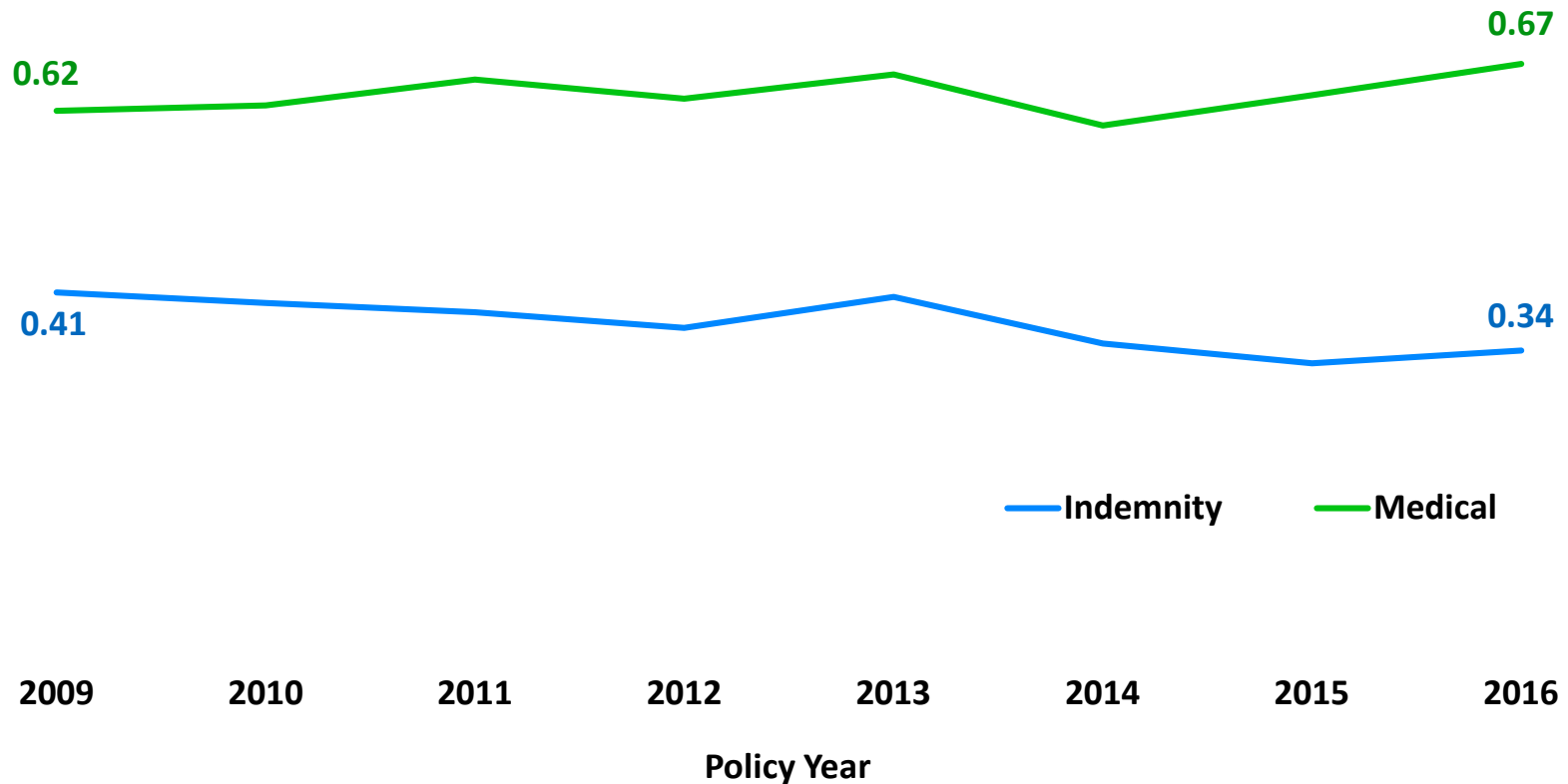
Supplemental Information

Total Benefit Costs in Virginia



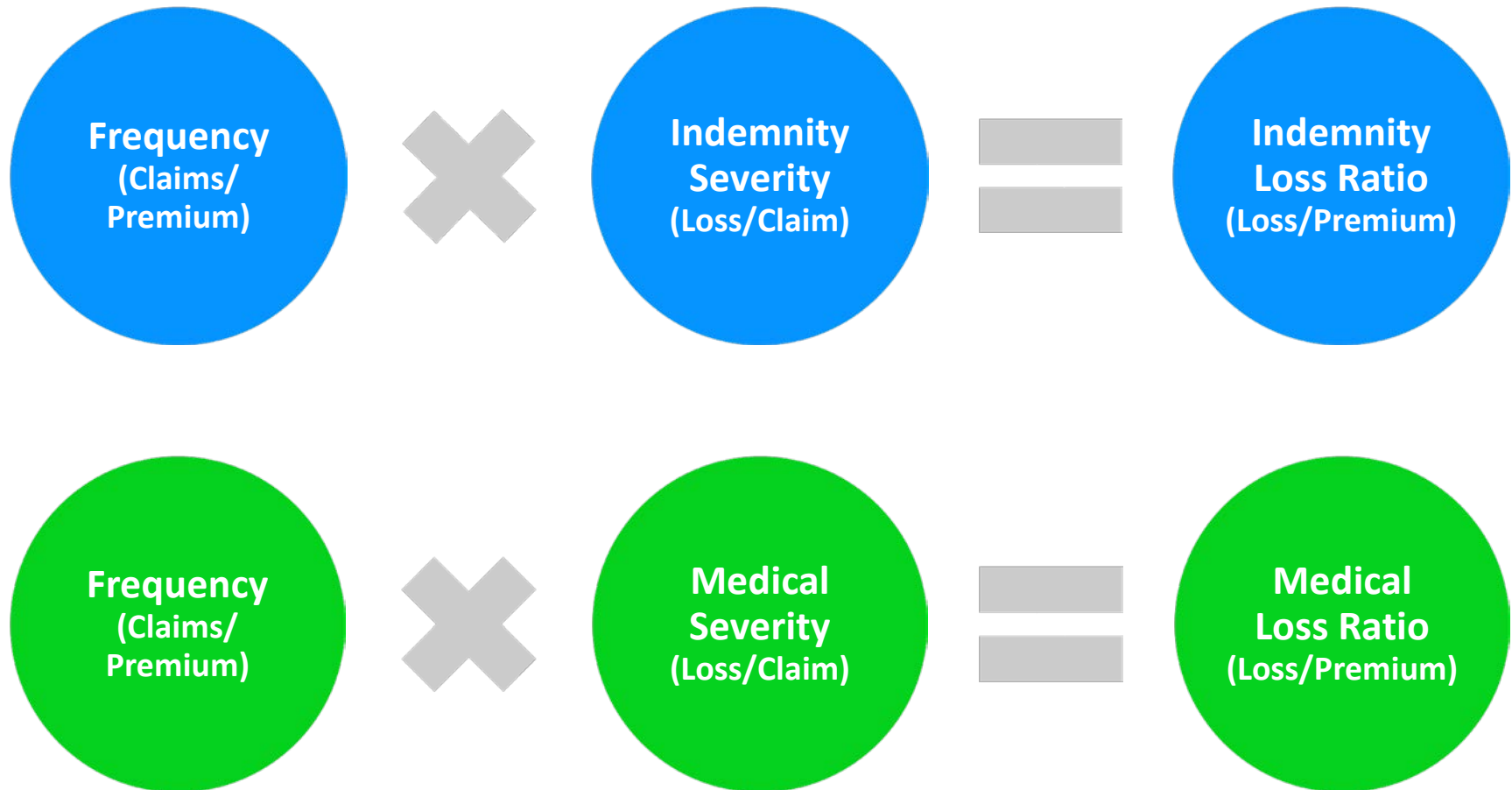
Regional states are DC, KY, MD, and NC
Based on NCCI's financial data through 12/31/2017

Virginia Indemnity and Medical Loss Ratios



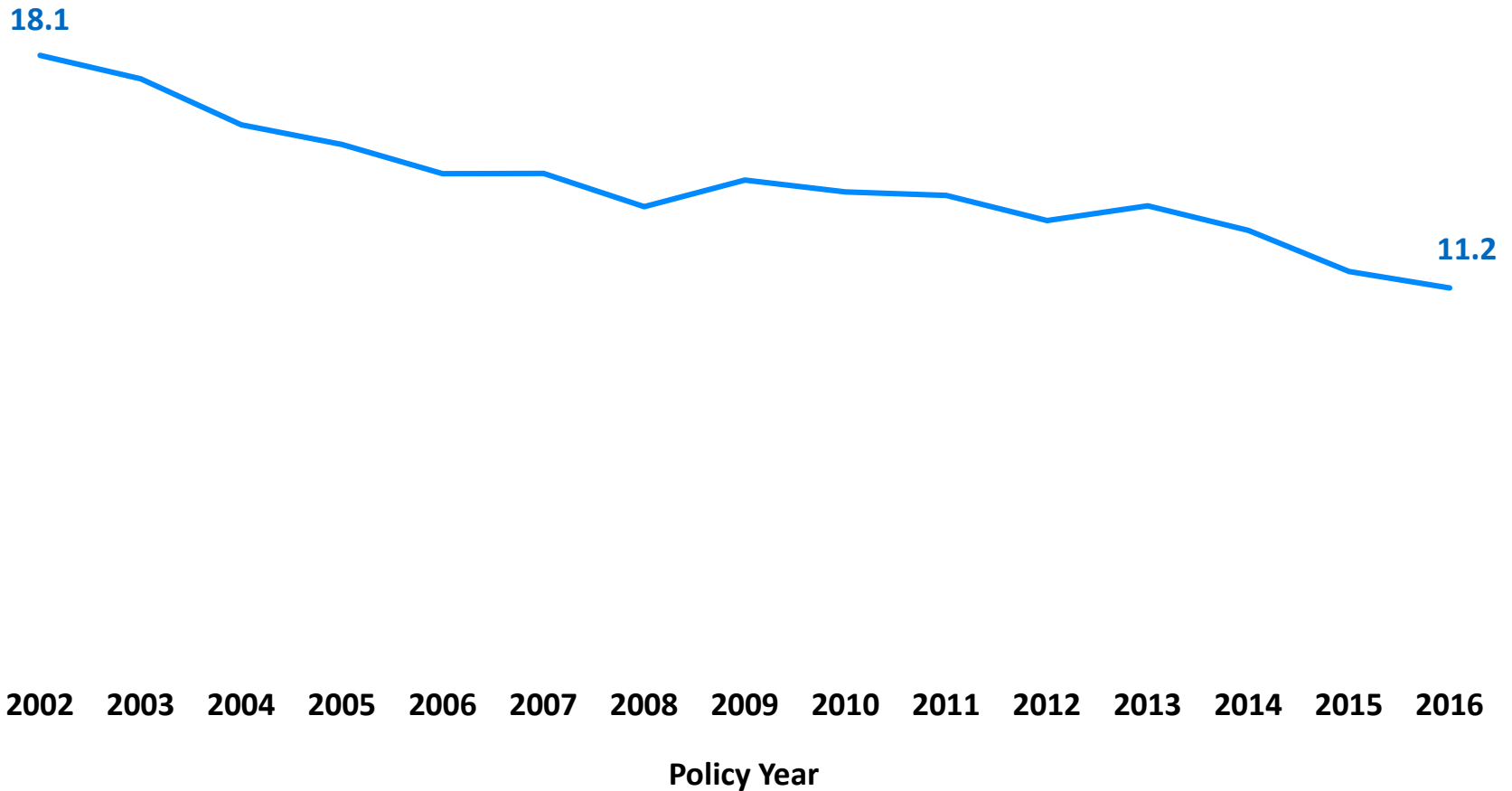
Based on NCCI's financial data through 12/31/2017 at current benefit level and developed to ultimate

What Drives Indemnity and Medical Loss Ratios?



Virginia Claim Frequency

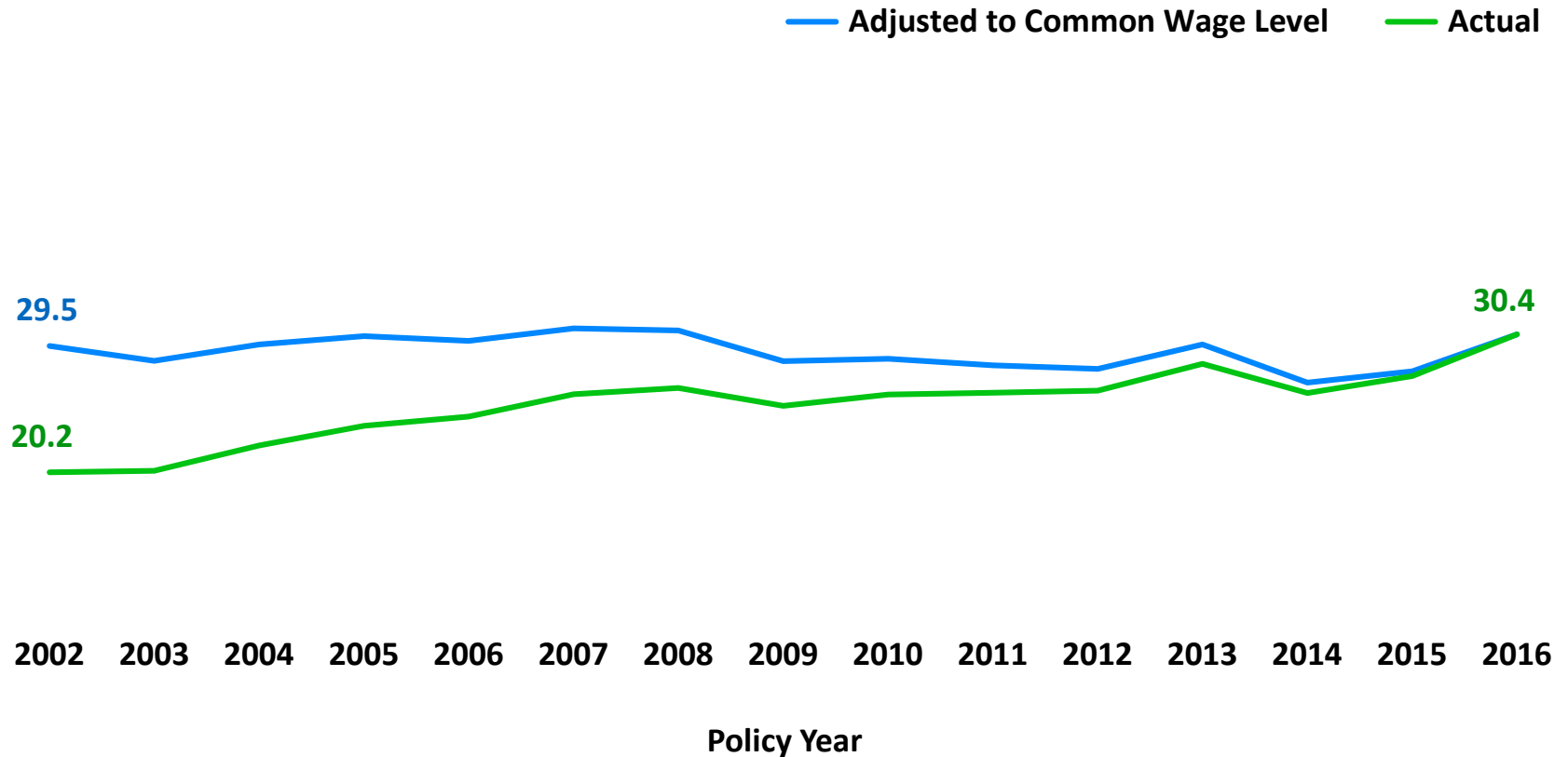
Per Million of On-Leveled Premium



Based on NCCI's financial data through 12/31/2017, adjusted to a common wage level

Virginia Average Indemnity Claim Severity

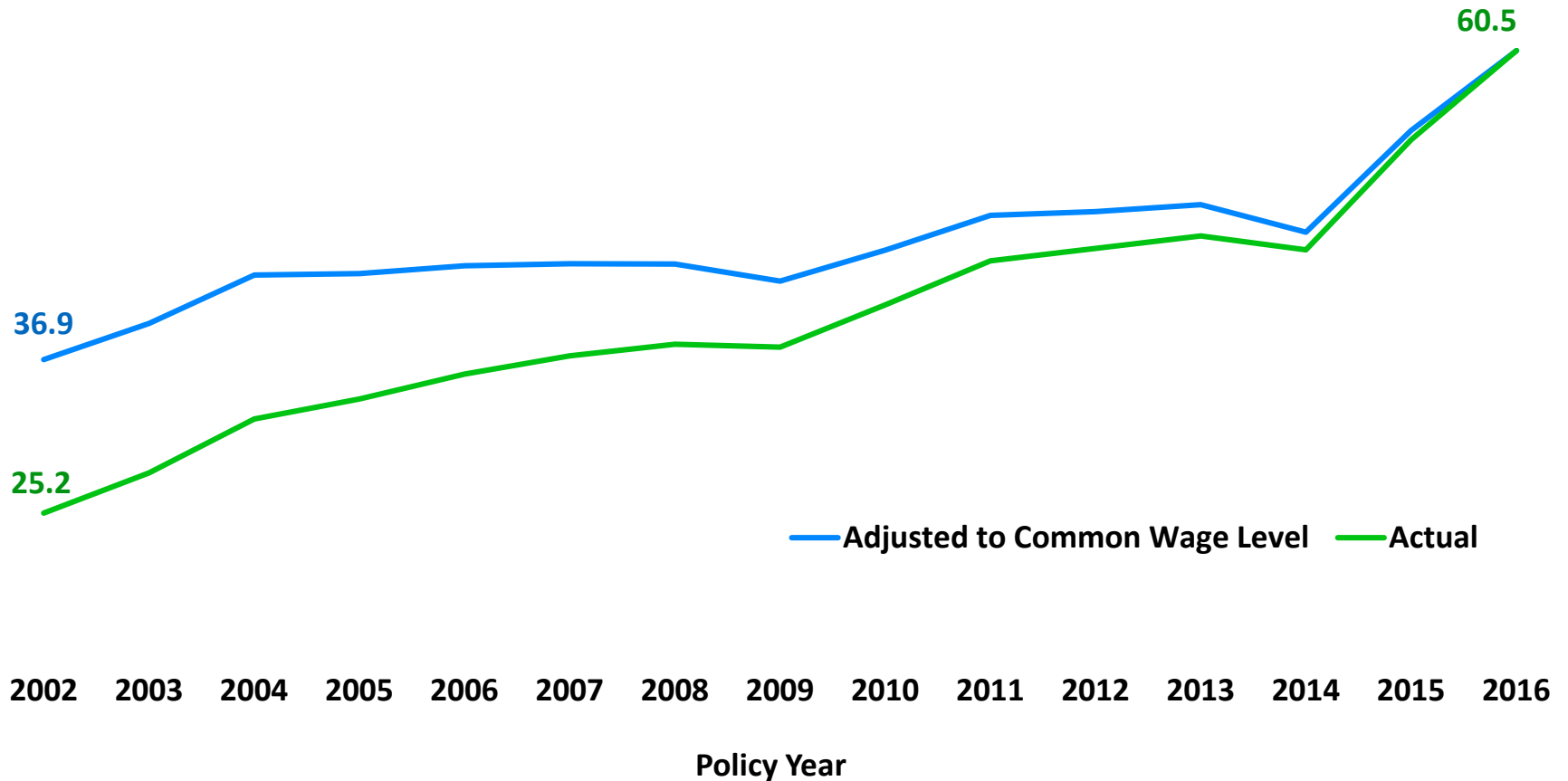
Average Indemnity Claim Severity in \$ Thousands



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

Virginia Average Medical Claim Severity

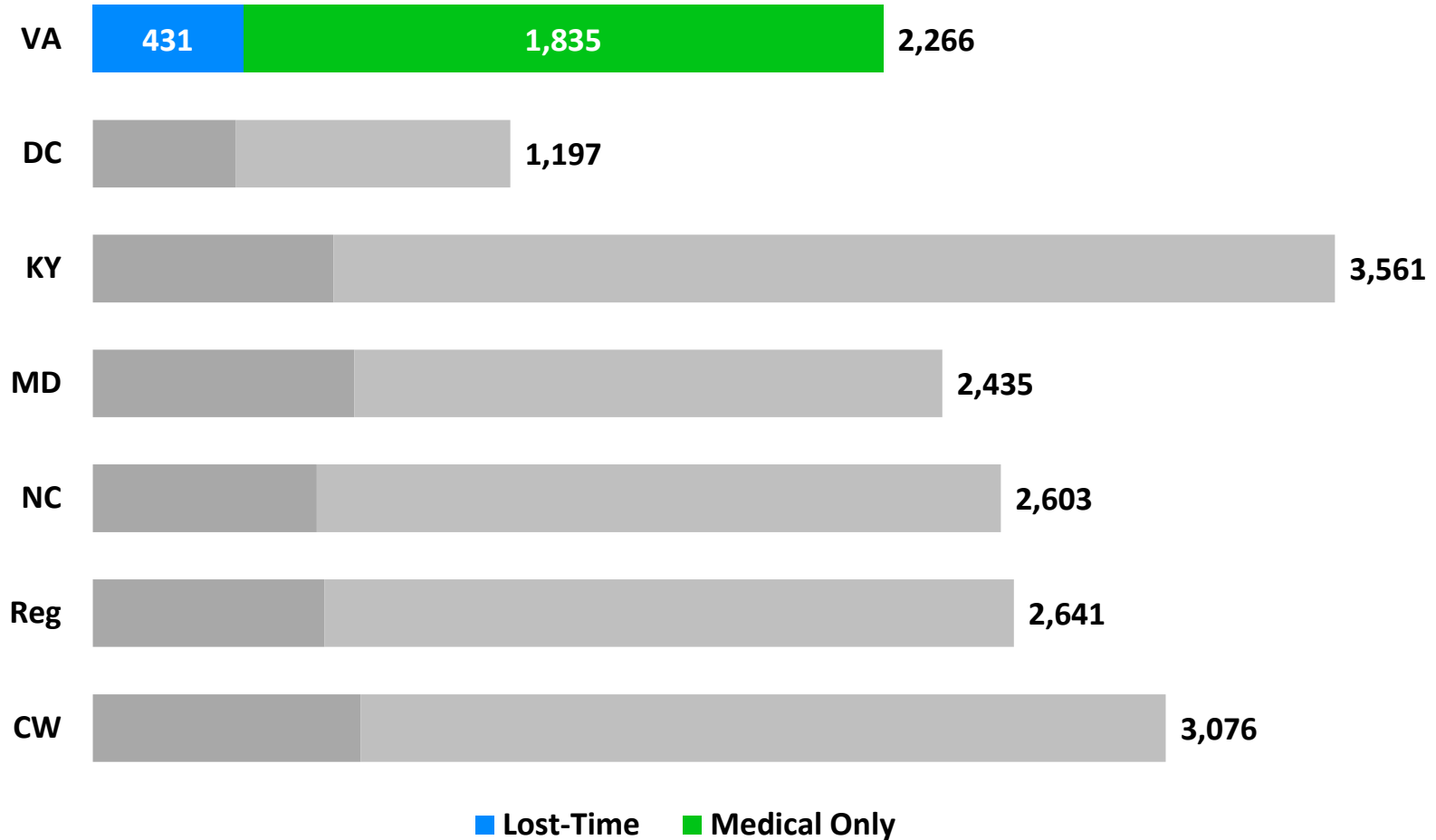
Average Medical Claim Severity in \$ Thousands



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

Virginia Average Claim Frequency

Frequency per 100,000 Workers—All Claims

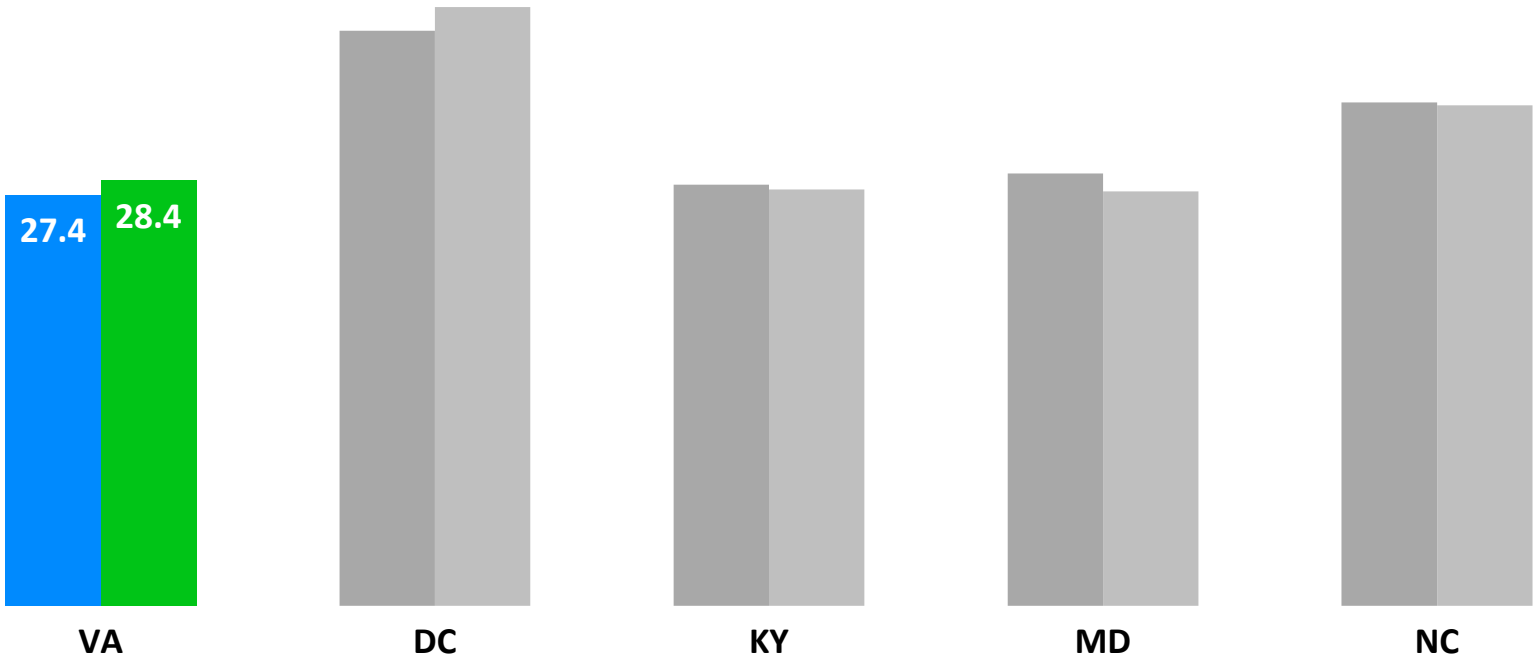


Based on NCCI's *Statistical Plan* data

Average Indemnity Claim Severity in the Region

Lost-Time Claim Severity in \$ Thousands

■ PY 2014 ■ PY 2015

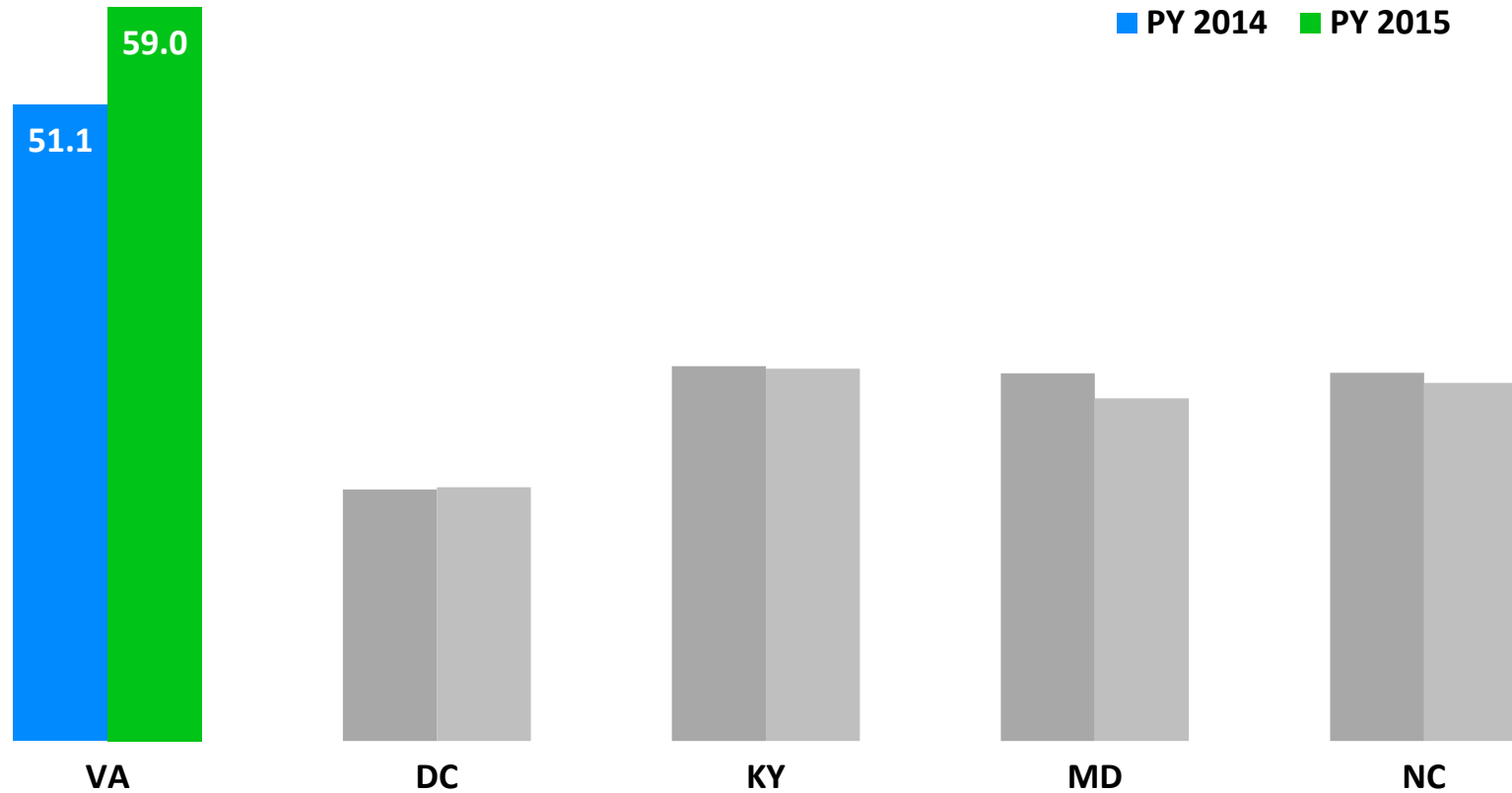


Based on NCCI's financial data



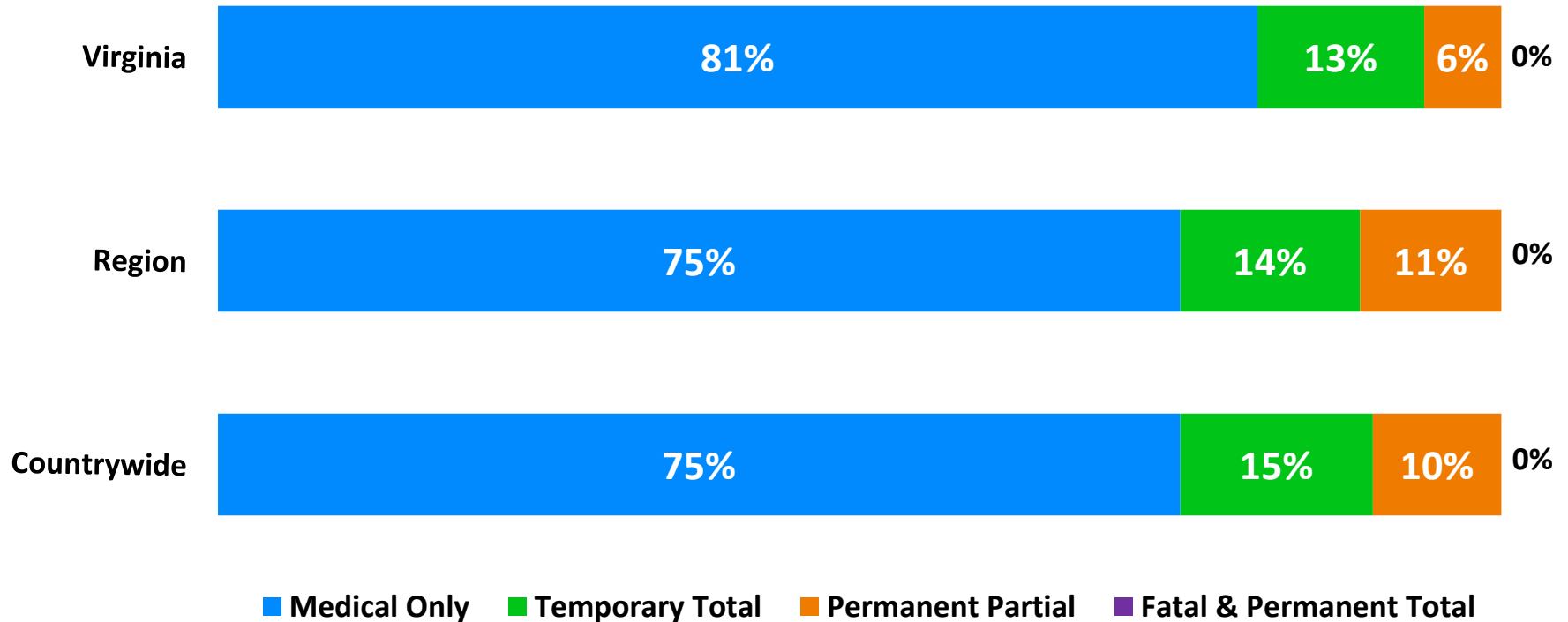
Average Medical Claim Severity in the Region

Lost-Time Claim Severity in \$ Thousands



Based on NCCI's financial data

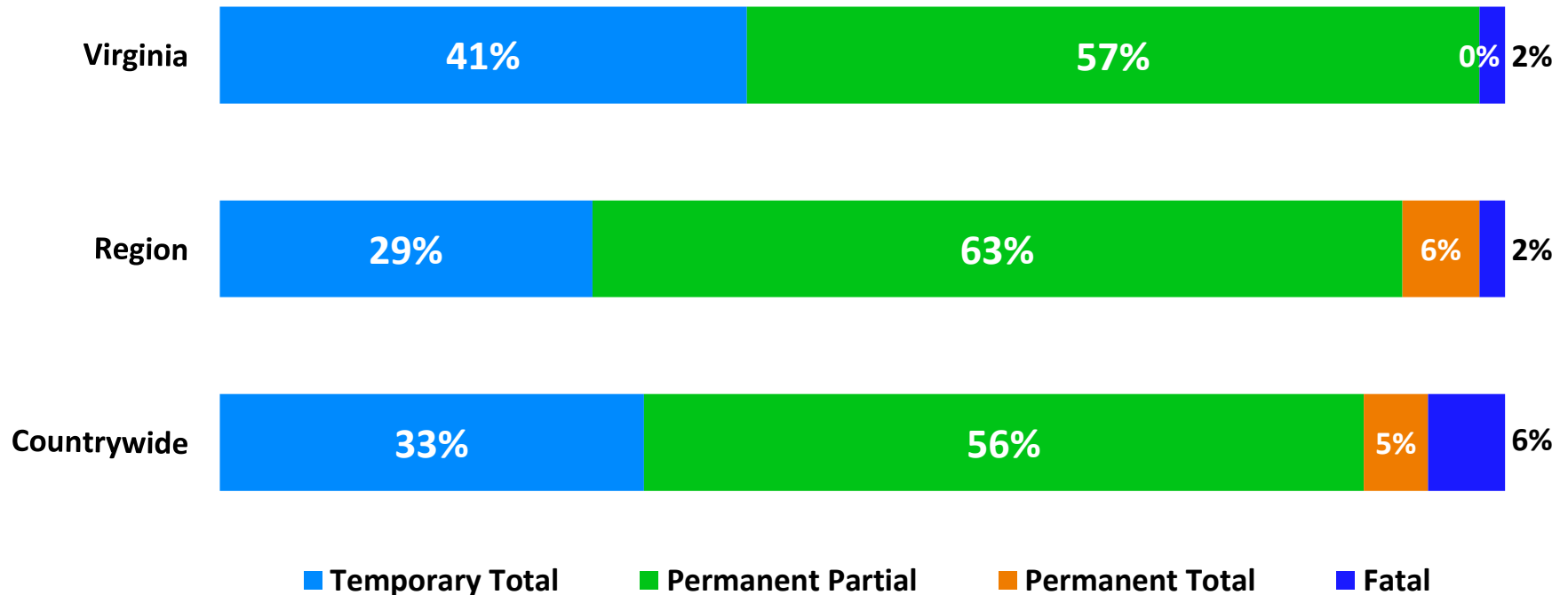
Virginia Distribution of Claims by Injury Type



Regional states are DC, KY, MD, and NC

Based on NCCI's **Statistical Plan** data for jurisdiction/claim type combinations for which three or more cases exist

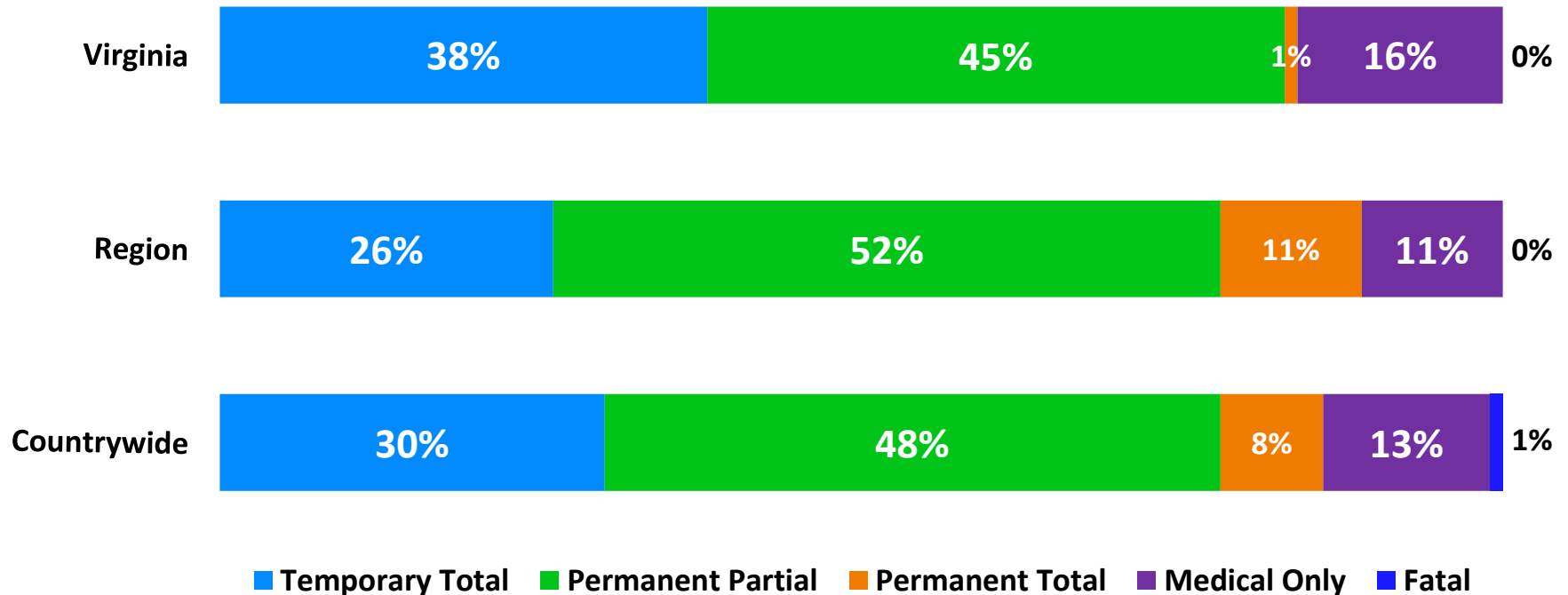
Virginia Indemnity Loss Distribution by Injury Type



Regional states are DC, KY, MD, and NC

Based on NCCI's **Statistical Plan** data for jurisdiction/claim type combinations for which three or more cases exist

Virginia Medical Loss Distribution by Injury Type



Regional states are DC, KY, MD, and NC

Based on NCCI's **Statistical Plan** data for jurisdiction/claim type combinations for which three or more cases exist



STATE ADVISORY FORUMS 2018

Glossary

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.



STATE ADVISORY FORUMS 2018

Appendix

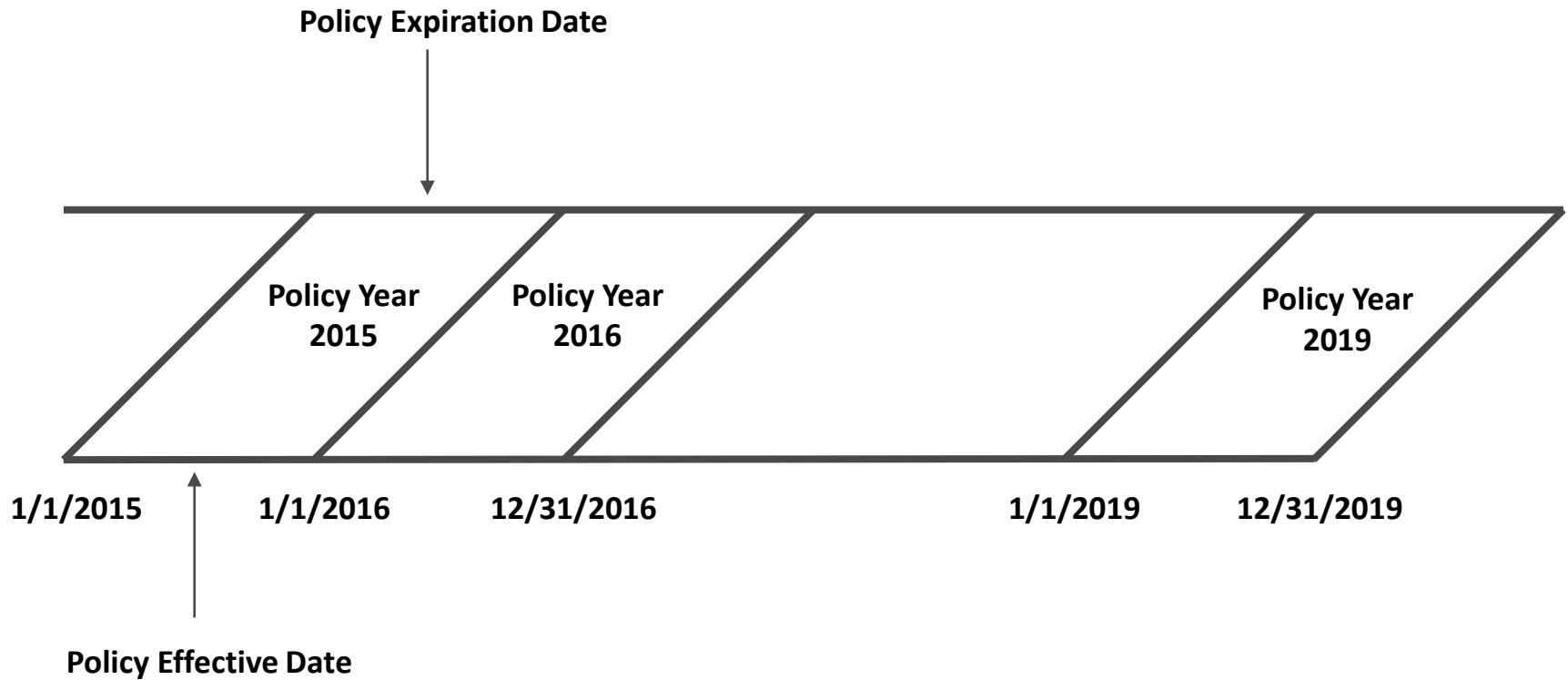
NCCI's Workers Compensation Resources

- 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

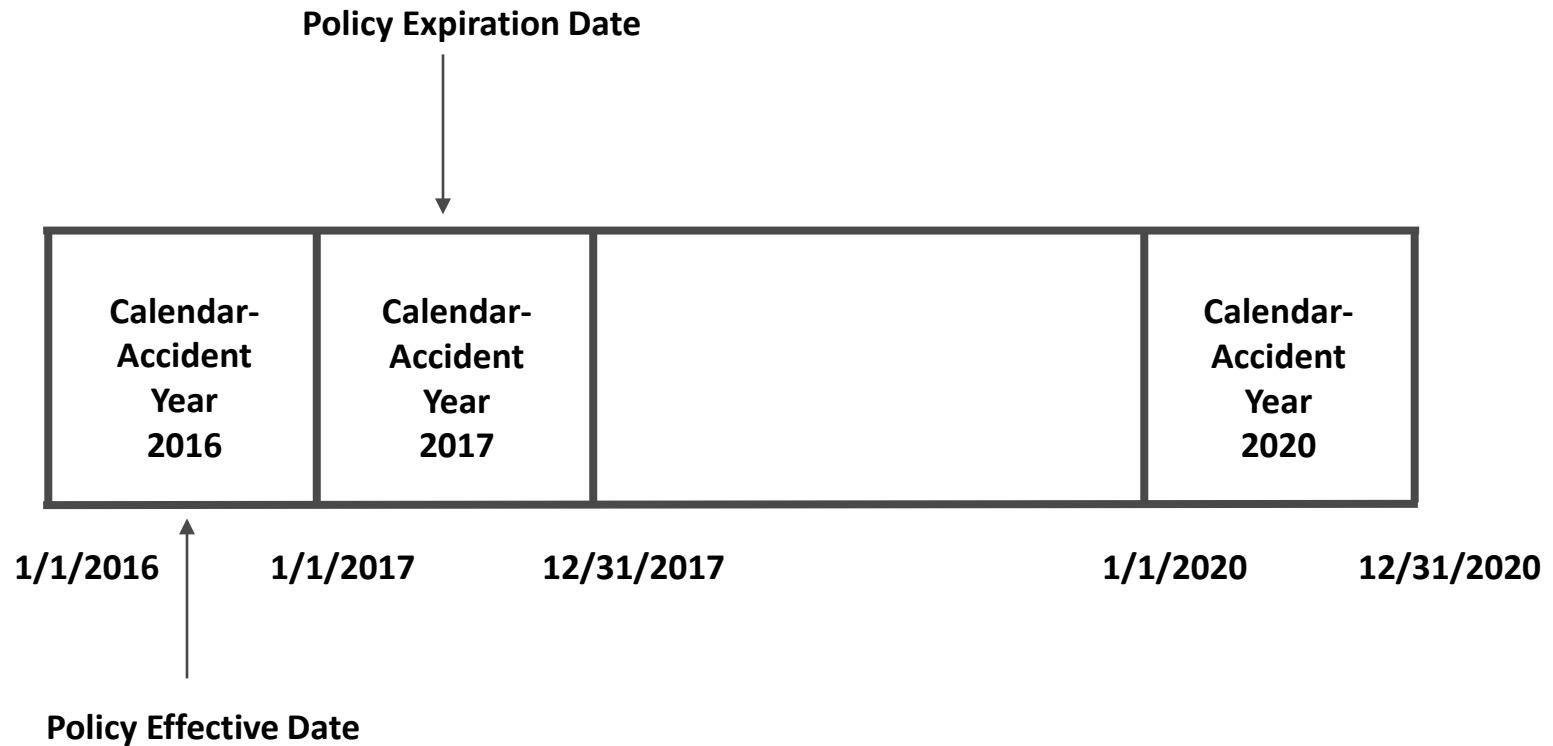
Financial Aggregate Calls

- 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



Calendar-Accident Year Financial Aggregate Data



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

