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# RESIDUAL MARKET FORUM

## 2022

February 10, 2022



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# STATE OF WORKERS COMPENSATION— AN ACTUARIAL PERSPECTIVE

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Director and Actuary, NCCI

# Overview

Declining  
premium  
volume

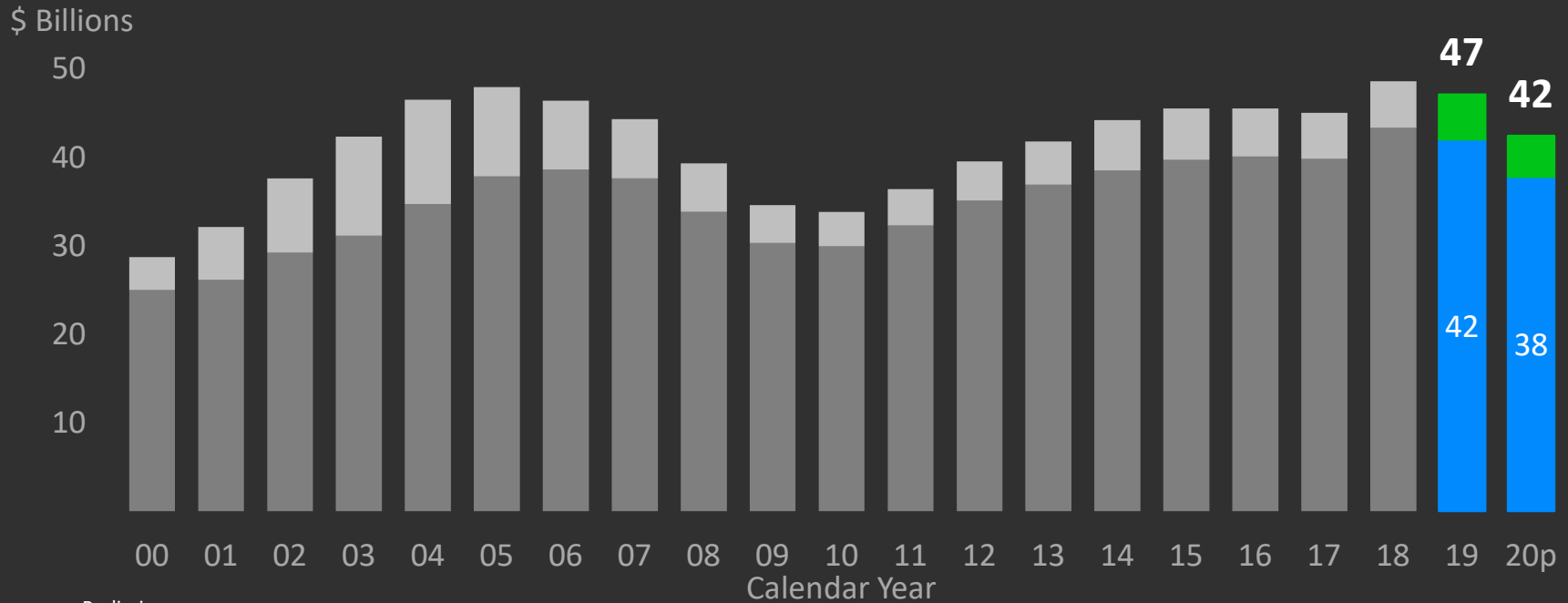
Operating  
results are  
favorable

Residual market  
share remains  
low

Combined ratios  
in Pool are also  
favorable

# Workers Compensation (WC) Net Written Premium

Private Carriers and State Funds



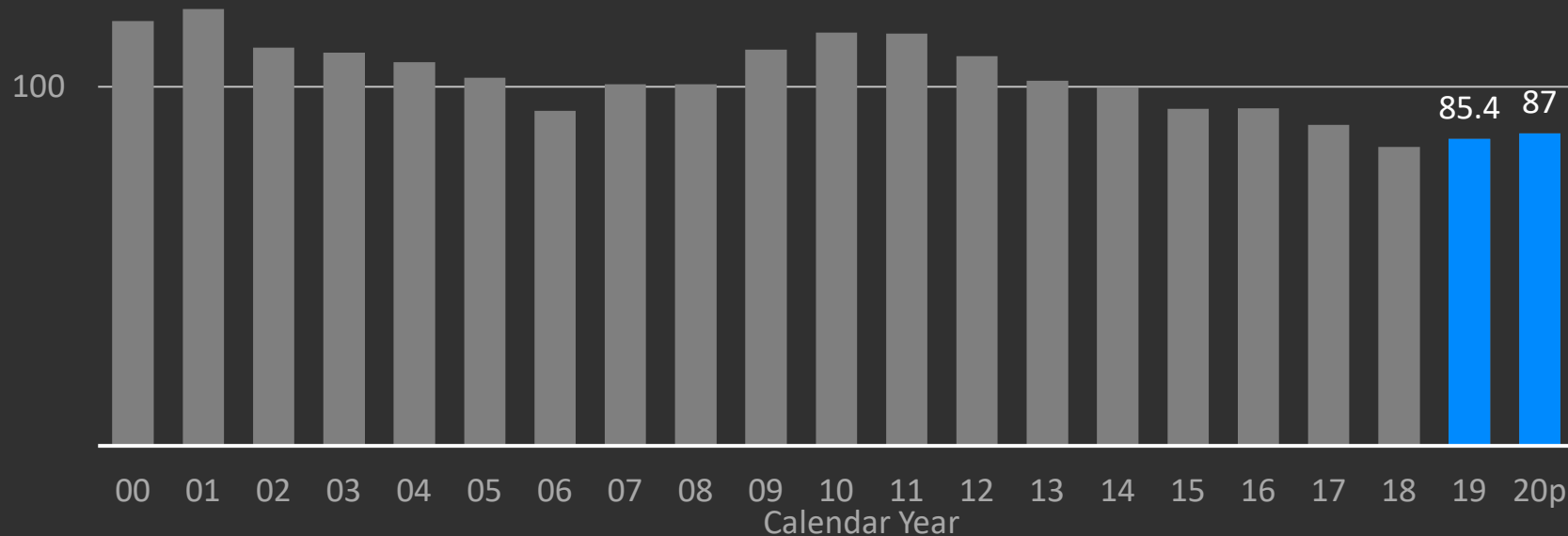
p Preliminary

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 Net Combined Ratio

Private Carriers

Percent



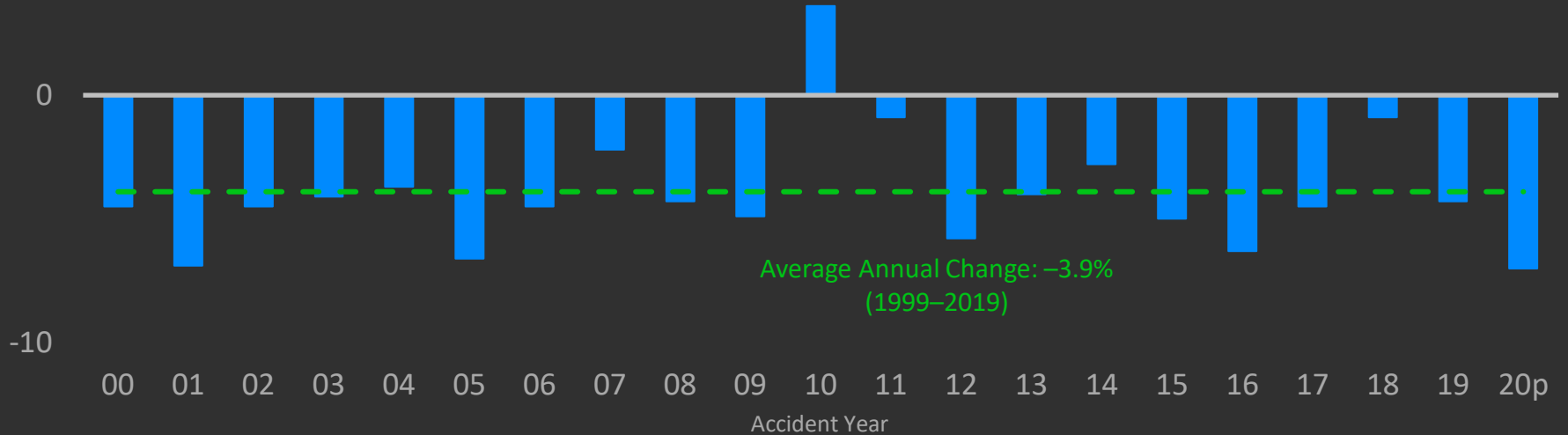
p Preliminary

Source: NAIC's Annual Statement data

# WC Lost-Time Claim Frequency—Decline Continues

Cumulative Change in Claims per \$1M Pure Premium, Private Carriers and State Funds—NCCI States

Percent



2010 and 2011 adjusted primarily for significant changes in audit activity

p Preliminary, based on data valued as of 12/31/2020

Source: NCCI's Financial Call data, developed to ultimate, with premium adjusted to current wage and voluntary pure premium level; excludes high-deductible policies; based on data through 12/31/2019

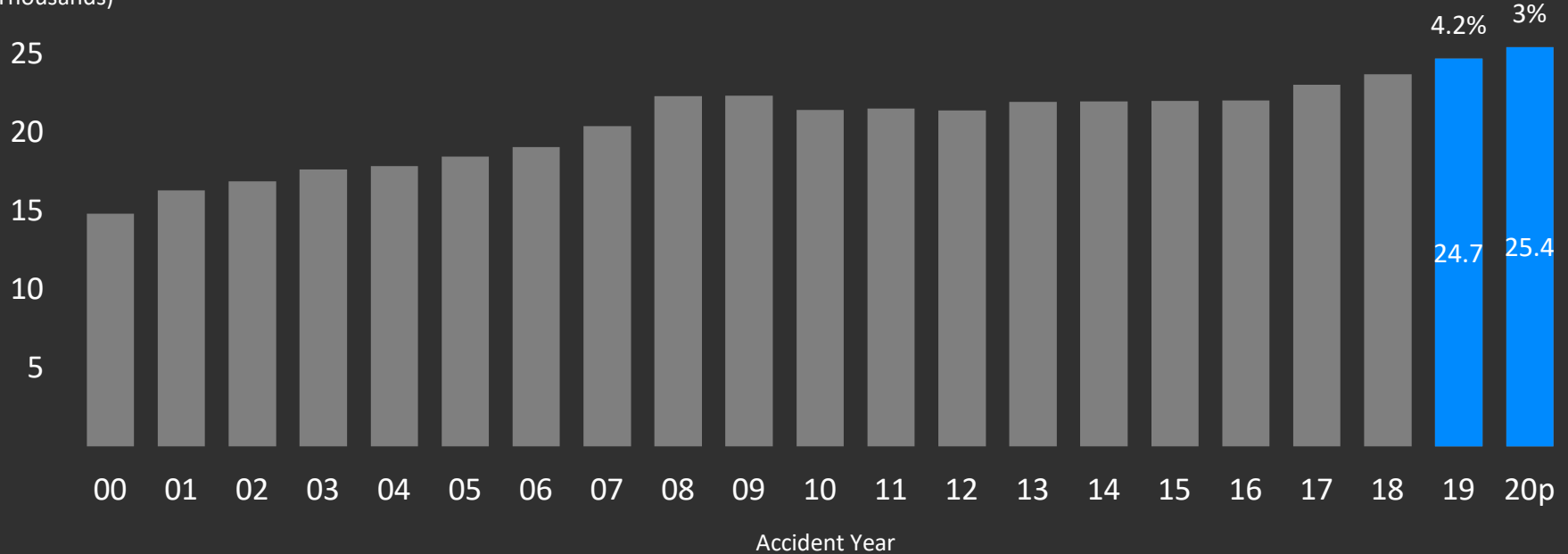
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services; NV is excluded through 2001, TX is excluded through 2006, and WV is excluded through 2011

# WC Average Indemnity Claim Severity—Stable

Private Carriers and State Funds—NCCI States

Severity  
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2020

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2018.

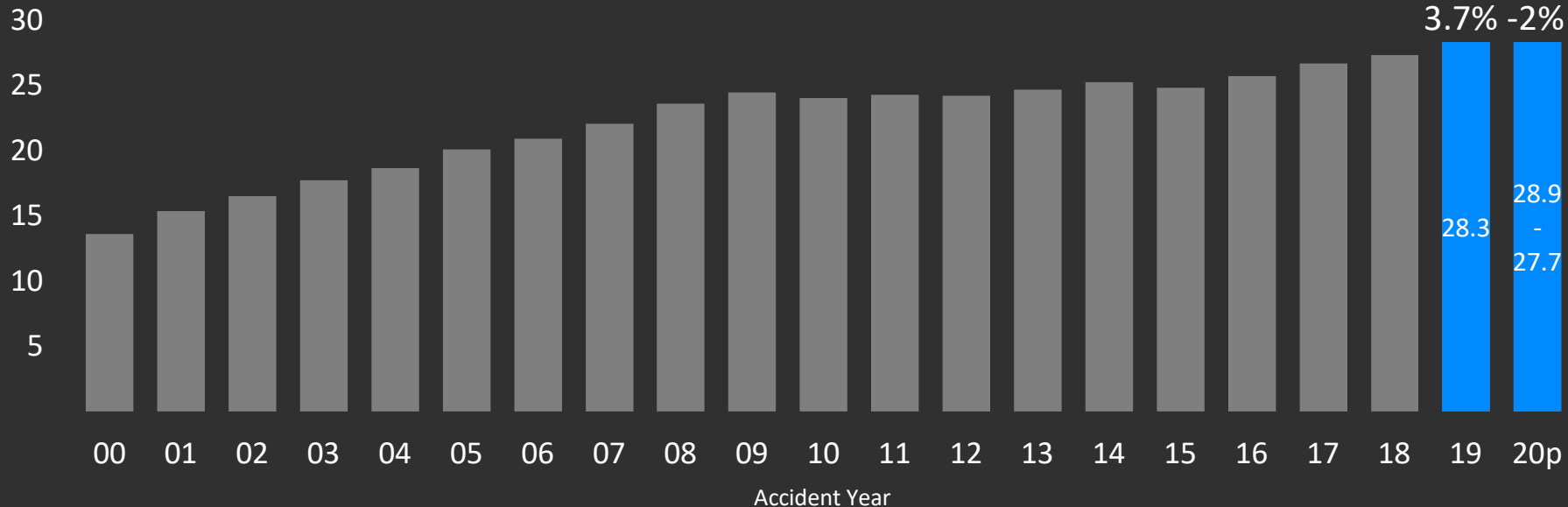
Values displayed reflect the methodology underlying the most recent rate/loss cost filing.

Includes all states where NCCI provides ratemaking services; WV is excluded prior to 2008; NV and TX are excluded prior to 2004.

# WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States

Severity  
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2020.

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2018

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

Includes all states where NCCI provides ratemaking services; WV is excluded prior to 2008; NV and TX are excluded prior to 2004



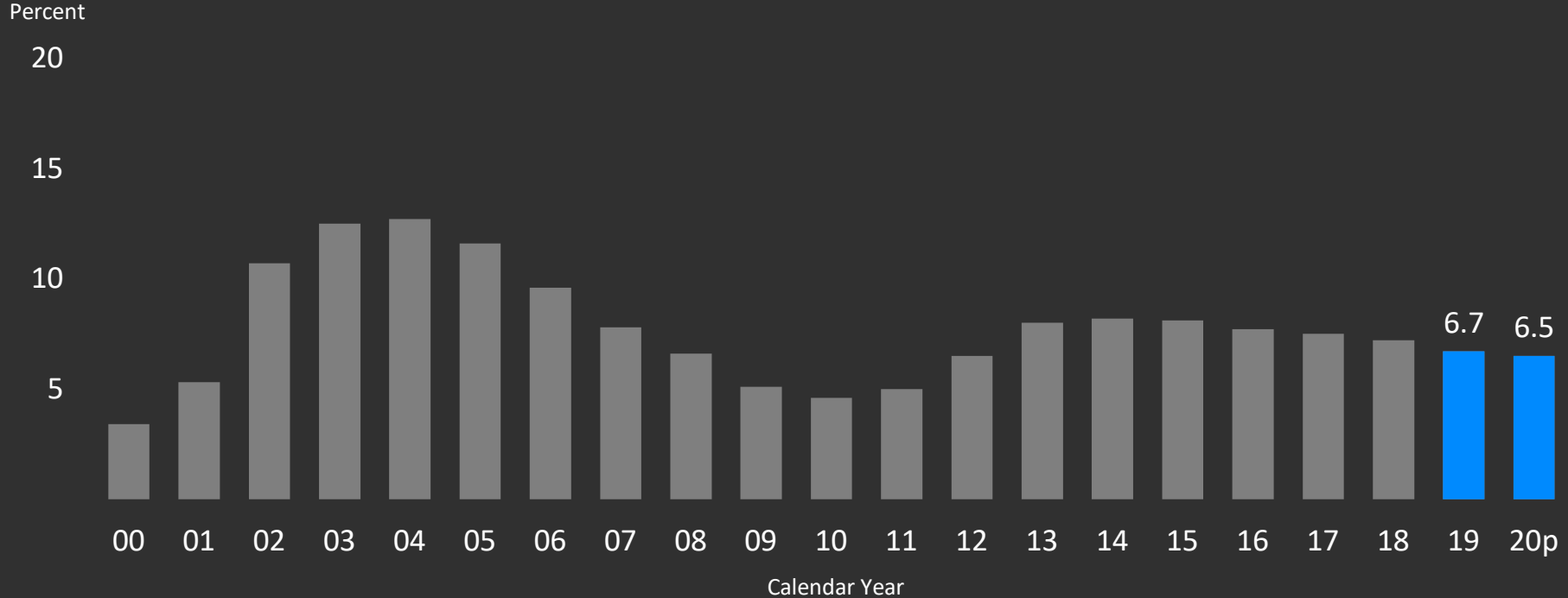


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# POOL DATA HIGHLIGHTS

# WC Residual Market Share

## NCCI-Serviced WC Residual Market Pool States

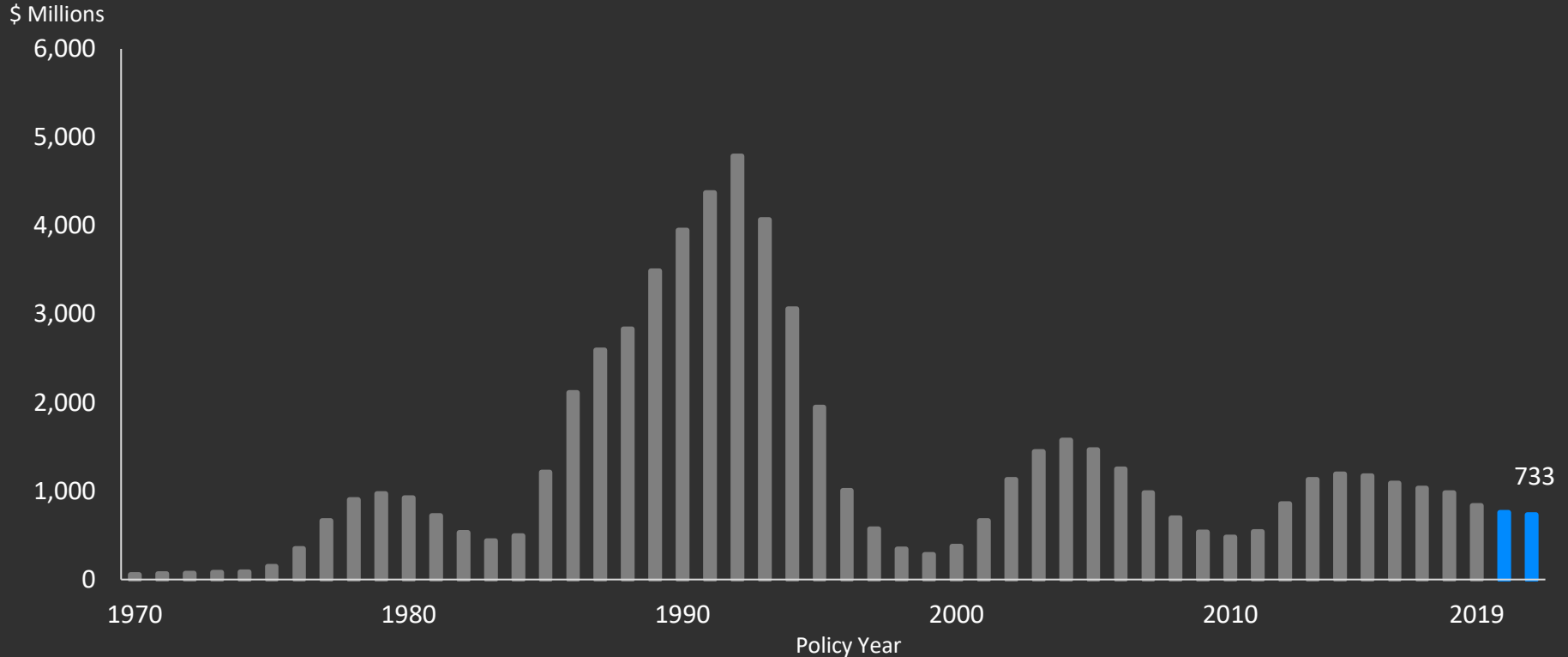


p Preliminary

Source: NCCI's *Residual Market Management Summary*.

Includes Pool and direct assignment data for all NCCI-serviced WC Residual Market Pool states.

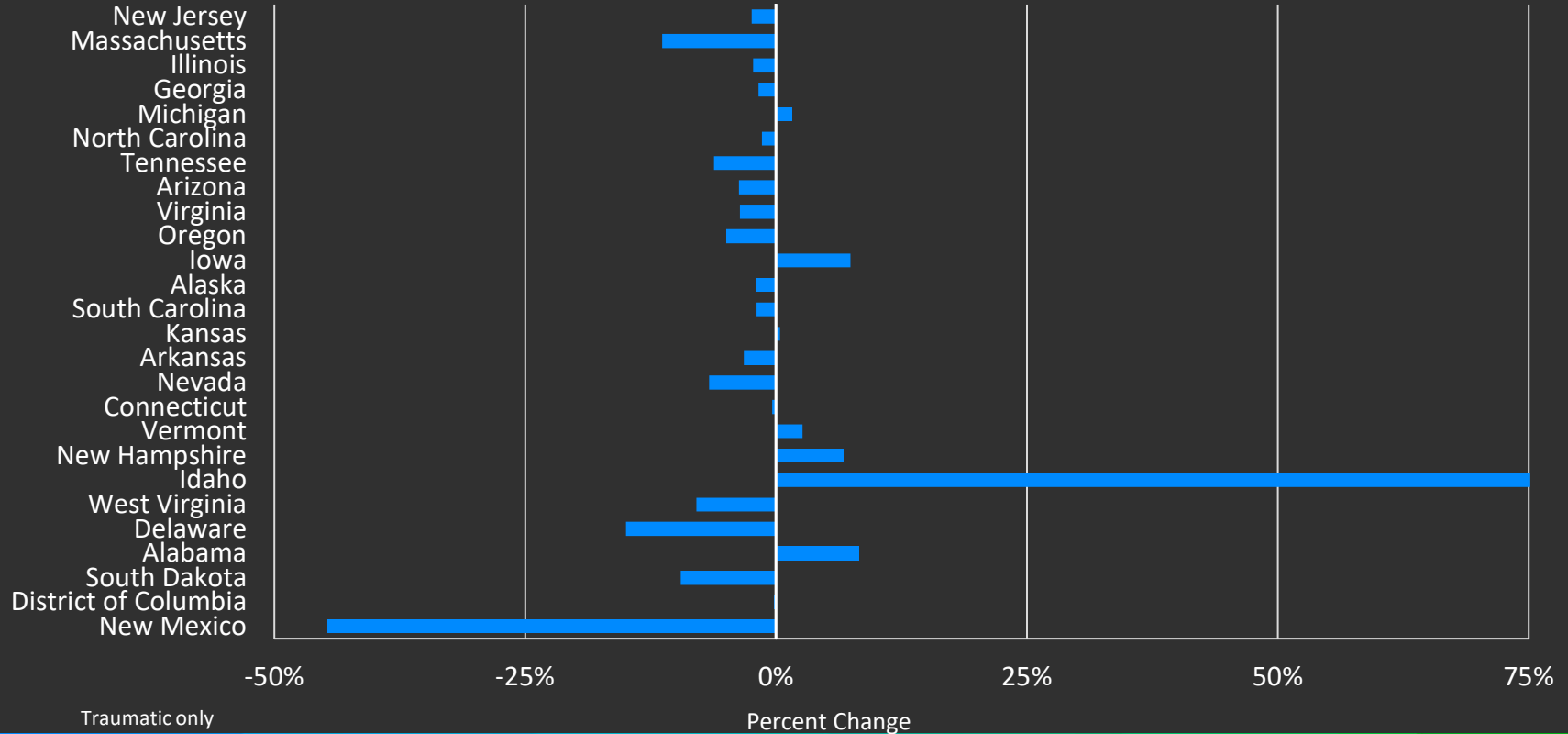
# All Pools Ultimate Net Written Premium as of 9/30/2021



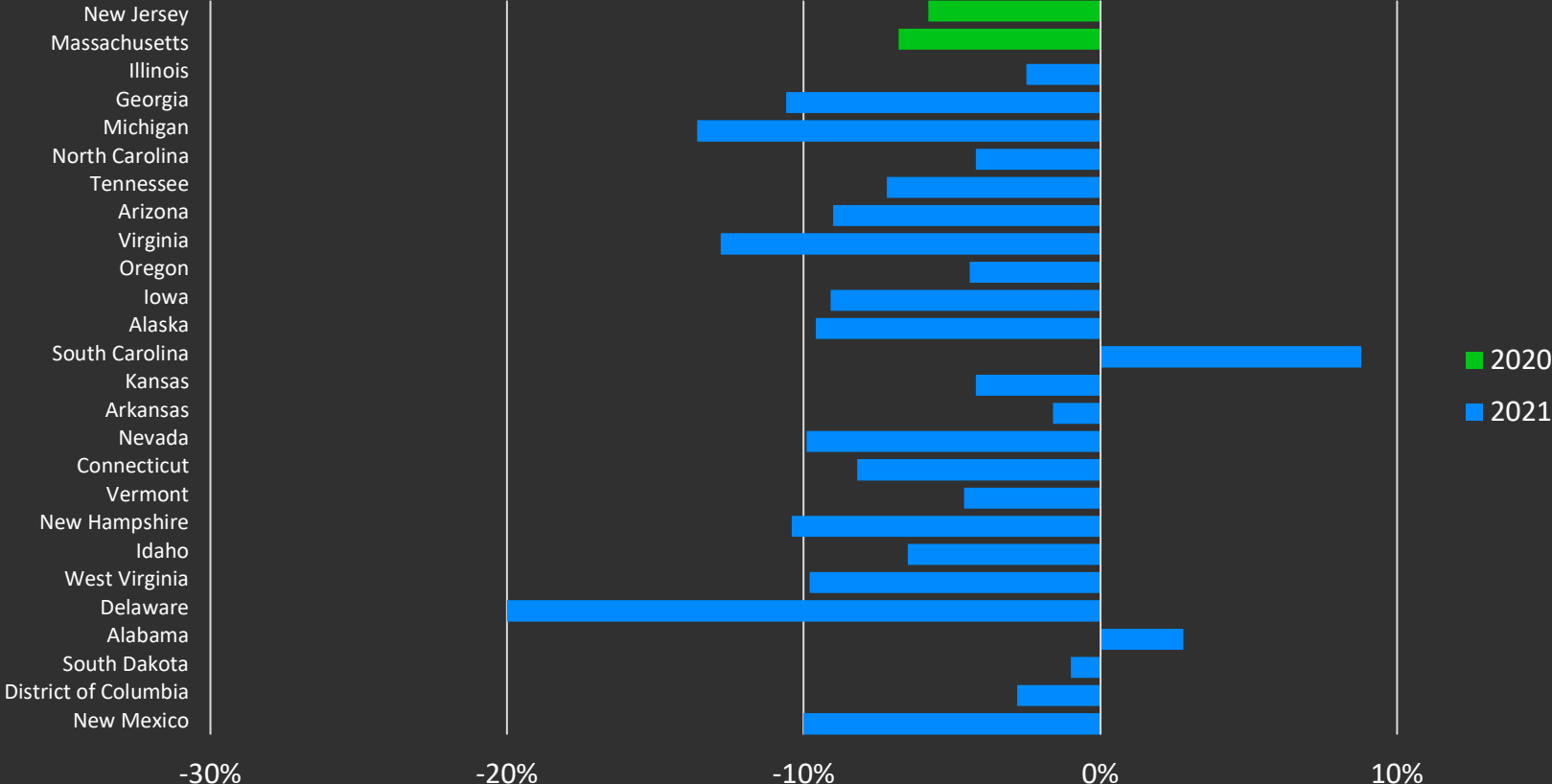
Traumatic only

# Ultimate Premium Is Decreasing for Most States

PY 2020 vs. PY 2021



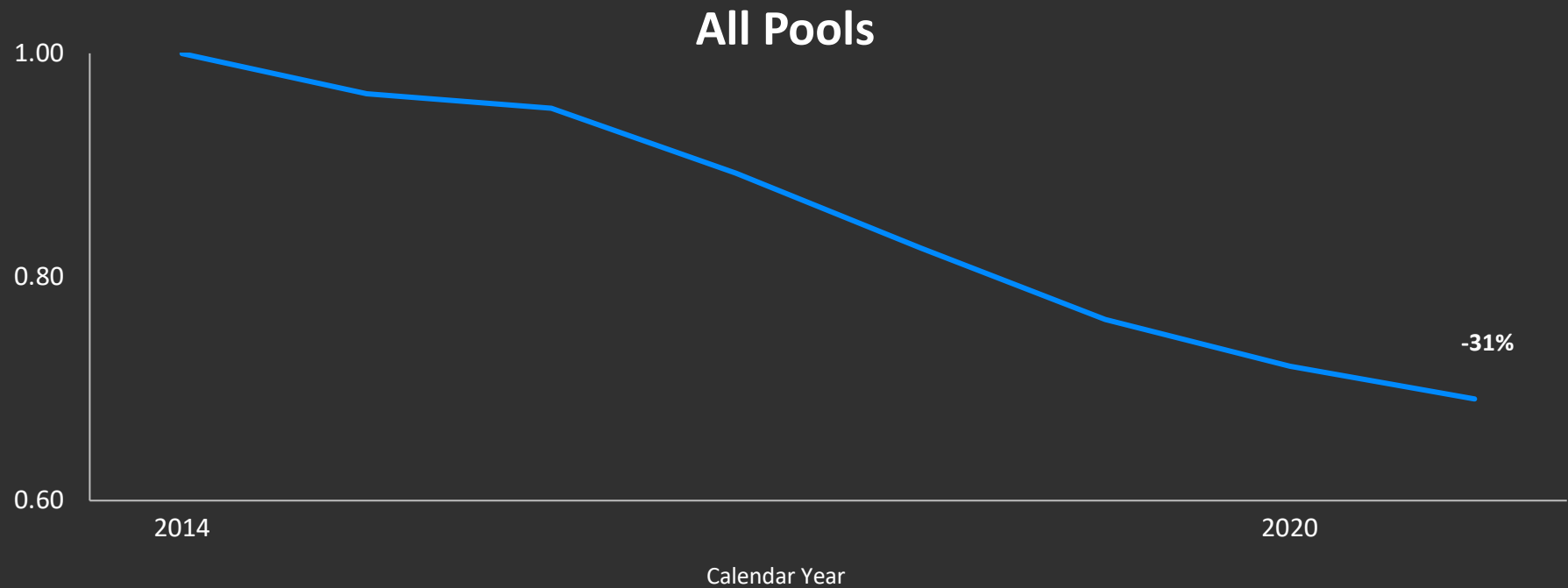
# Assigned Risk Rates Continued to Decrease in Recent Filings



\*MA, MI, NJ, and DE are premium level changes provided by the applicable Plan Administrator.



# Cumulative Premium Level Changes Since 2014



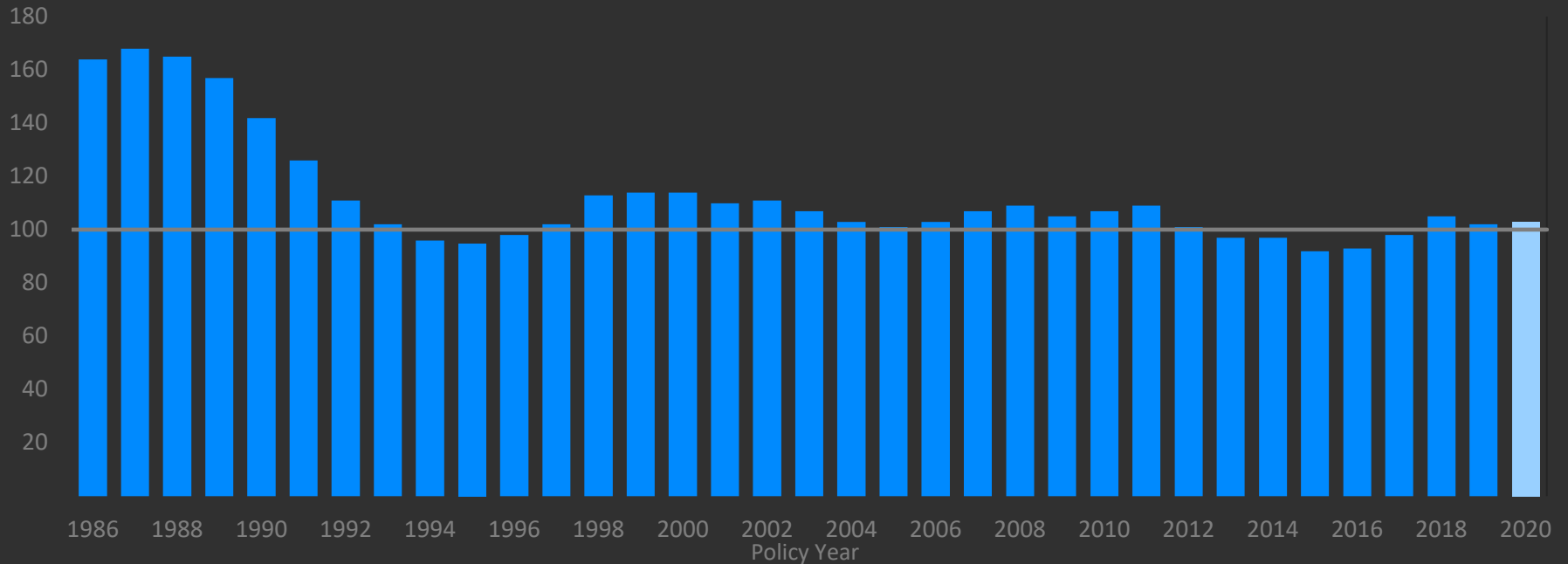
\*MA, MI, NJ, and DE are premium level changes provided by the applicable Plan Administrator



# Combined Ratios as of 9/30/2021

NCCI-Serviced Workers Compensation Residual Market Pools

Percent



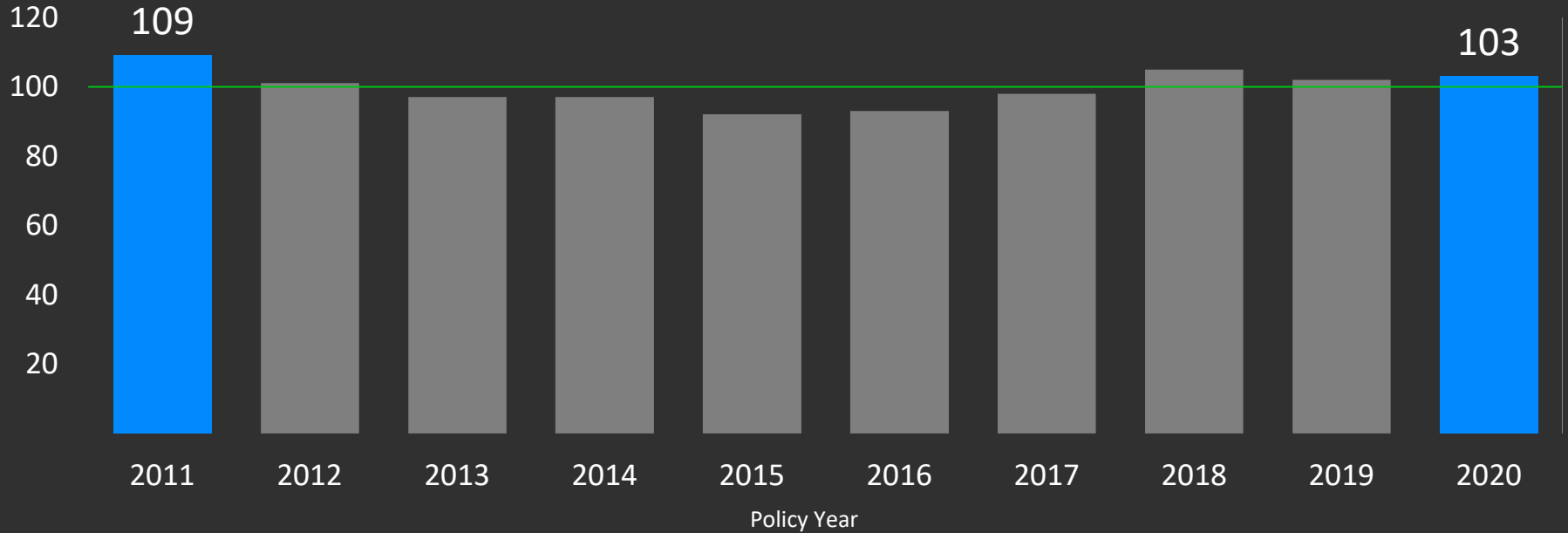
Policy Year 2020 is not yet complete.

Tennessee Reinsurance Mechanism experience is not included in the combined ratios above.

# Combined Ratios as of 9/30/2021

NCCI-Serviced Workers Compensation Residual Market Pools

Percent



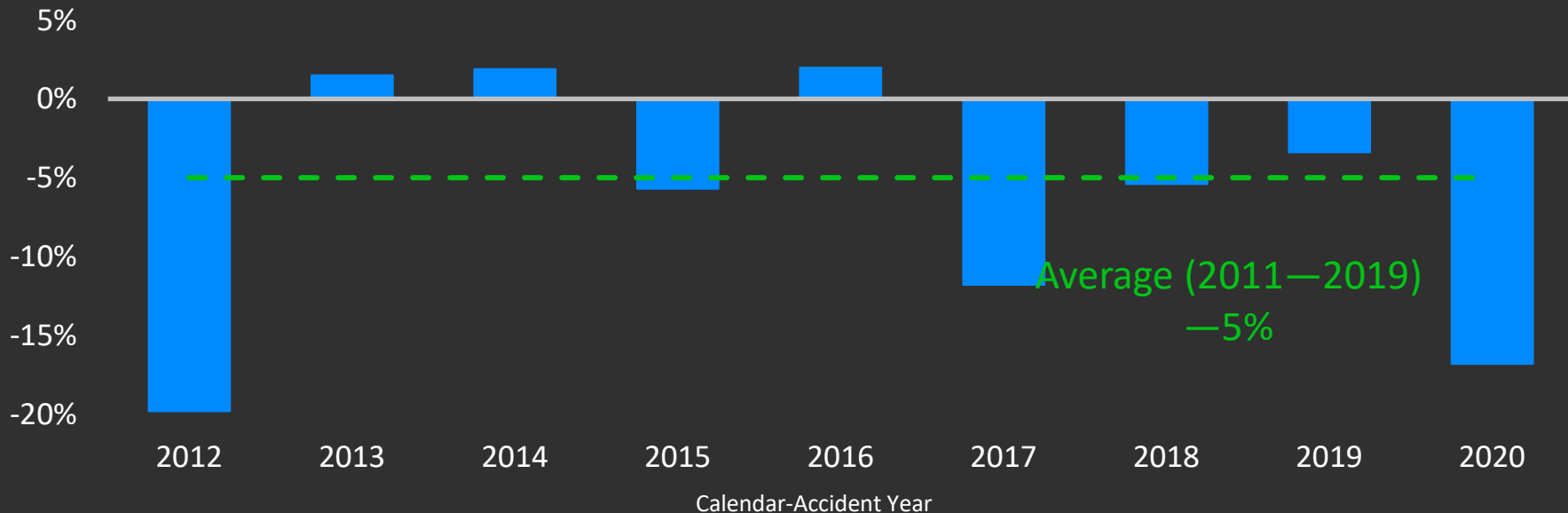
Policy Year 2020 is not yet complete.

Tennessee Reinsurance Mechanism experience is not included in the combined ratios above.



# WC Lost-Time Claim Frequency—Decline Continues

Claims per \$1M Pure Premium—NCCI Pool States



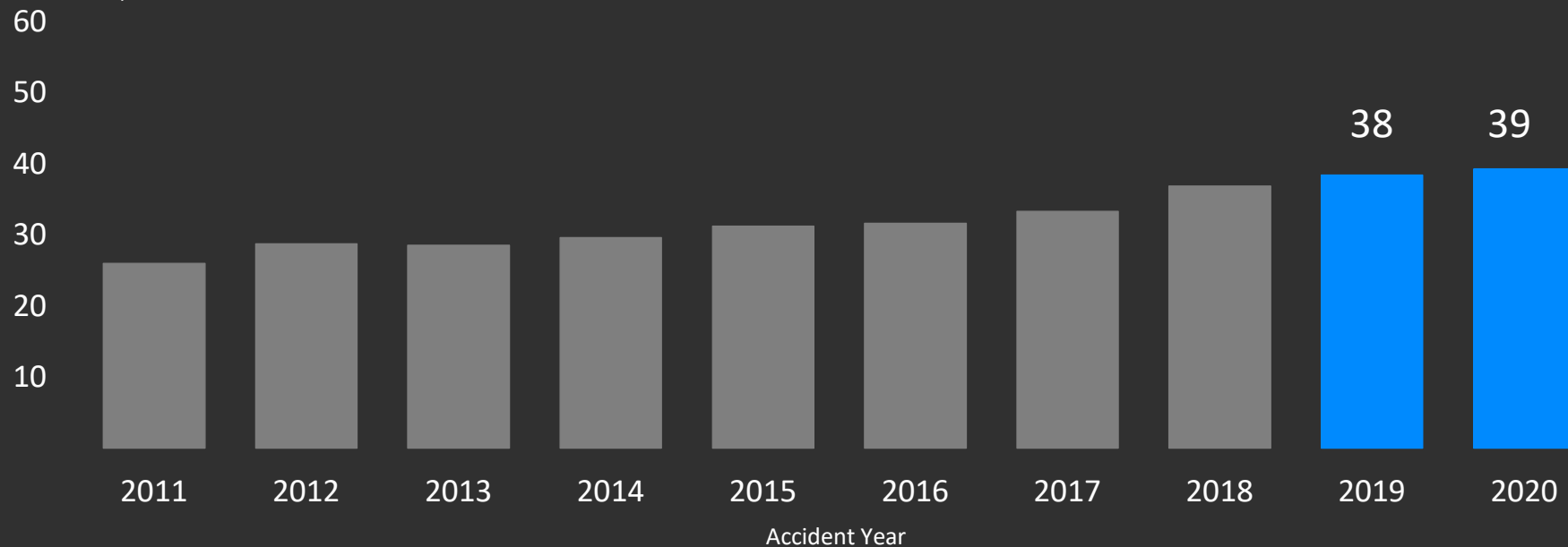
Source: NCCI's Pool data, on-leveled, developed to ultimate; based on data through 12/31/2020.

Includes all states where NCCI provides Pool Administration services; Tennessee and Tennessee Reinsurance Mechanism experience is excluded for 2011—2015. Traumatic only

# WC Average Indemnity Claim Severity

NCCI Pool States

Severity  
(\$ Thousands)



Source: NCCI's Pool data, developed to ultimate; based on data through 12/31/2020.

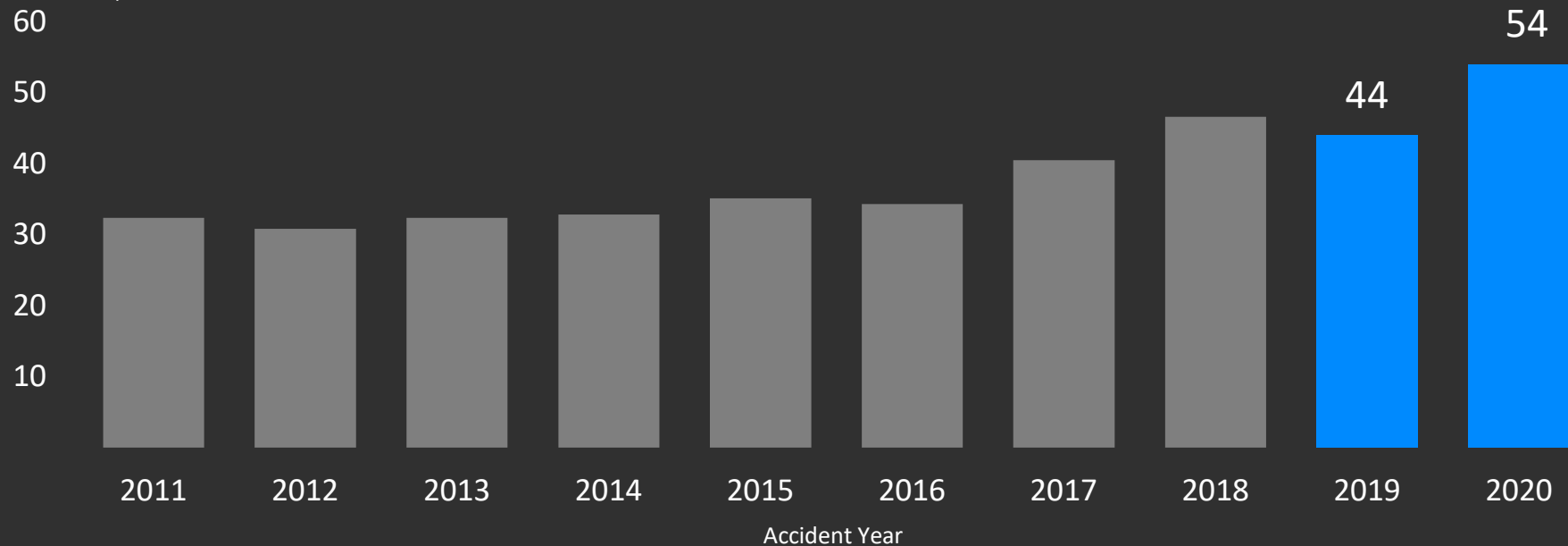
Includes all states where NCCI provides Pool Administration services; Tennessee and Tennessee Reinsurance Mechanism experience is excluded for 2011—2015.

Traumatic only

# WC Average Medical Lost-Time Claim Severity

NCCI Pool States

Severity  
(\$ Thousands)



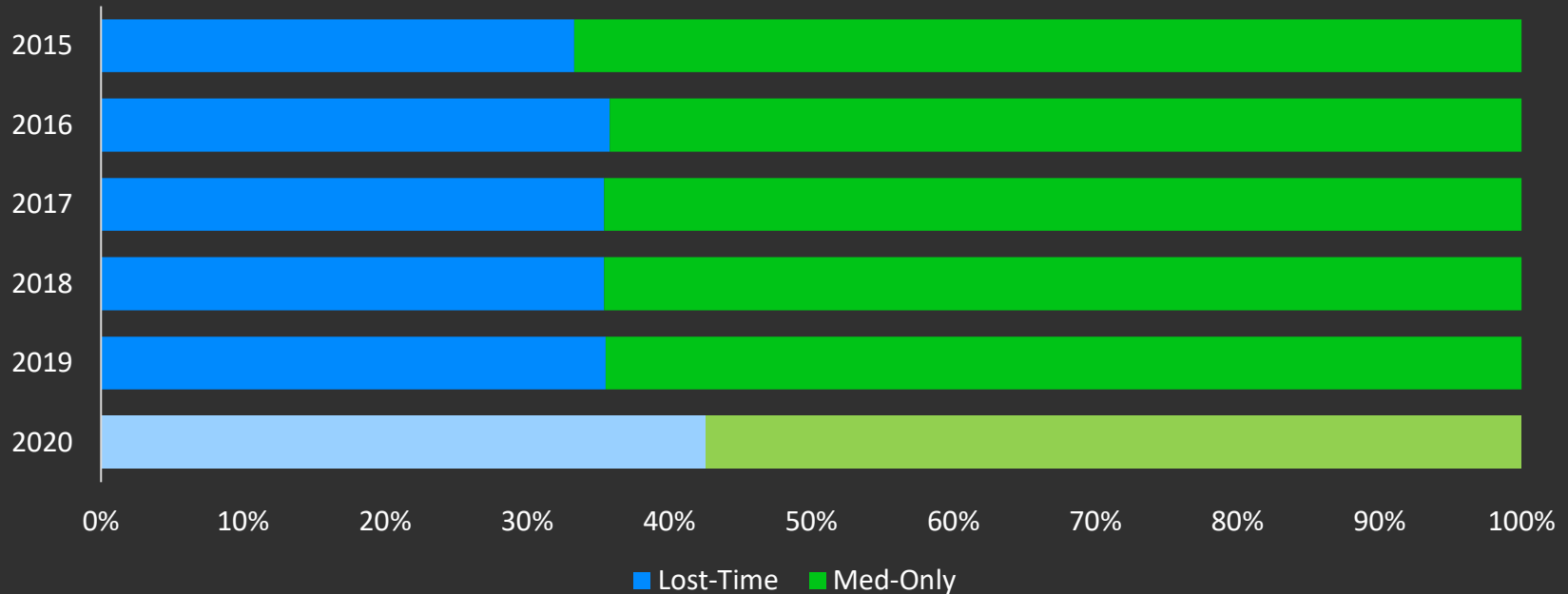
Source: NCCI's Pool data, developed to ultimate; based on data through 12/31/2020.

Includes all states where NCCI provides Pool Administration services; Tennessee and Tennessee Reinsurance Mechanism experience is excluded for 2011—2015.

Traumatic only

# Lost-Time vs. Medical-Only Claim Counts

## Age Quarter 7



Source: NCCI's Pool data, developed to ultimate; based on data through 12/31/2020.

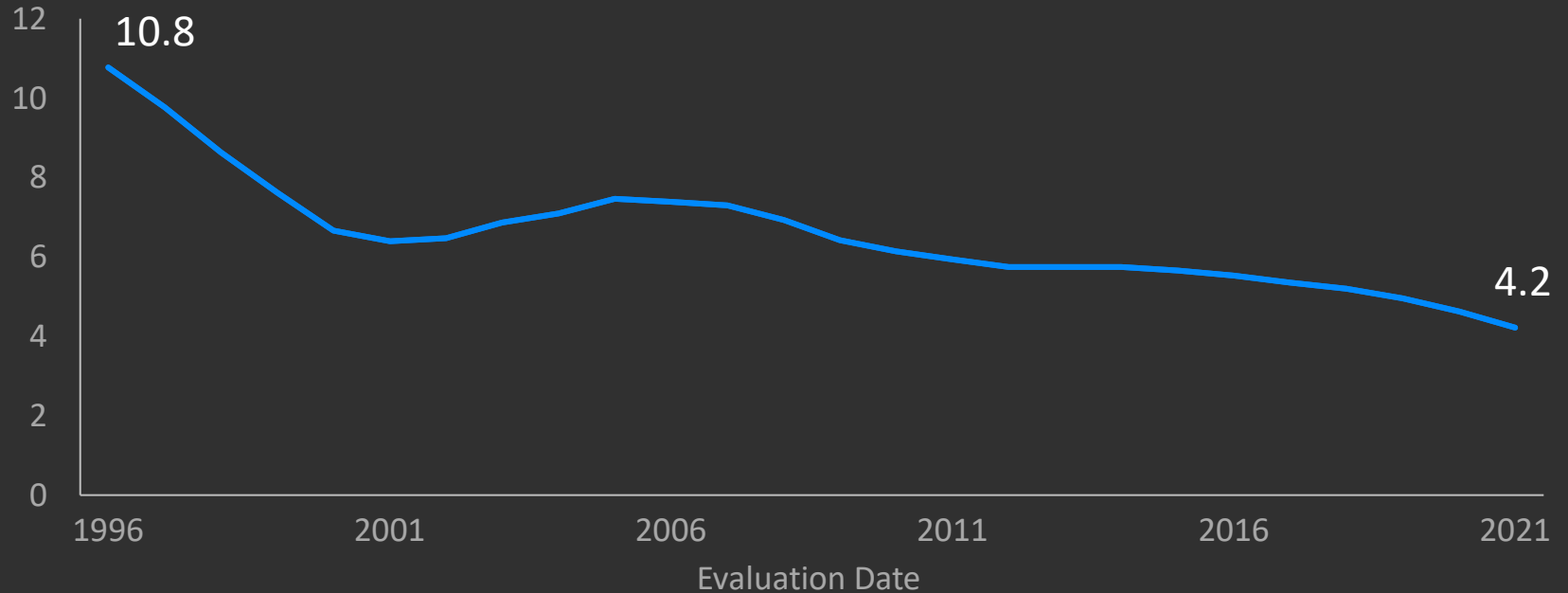
Includes all states where NCCI provides Pool Administration services; Tennessee Reinsurance Mechanism experience is excluded for 2015.

Traumatic only

# History of Booked Loss Reserves at 9/30

NCCI-Serviced Workers Compensation Residual Market Pools  
Loss Reserves (Case Outstanding + IBNR\*)

\$ Billions



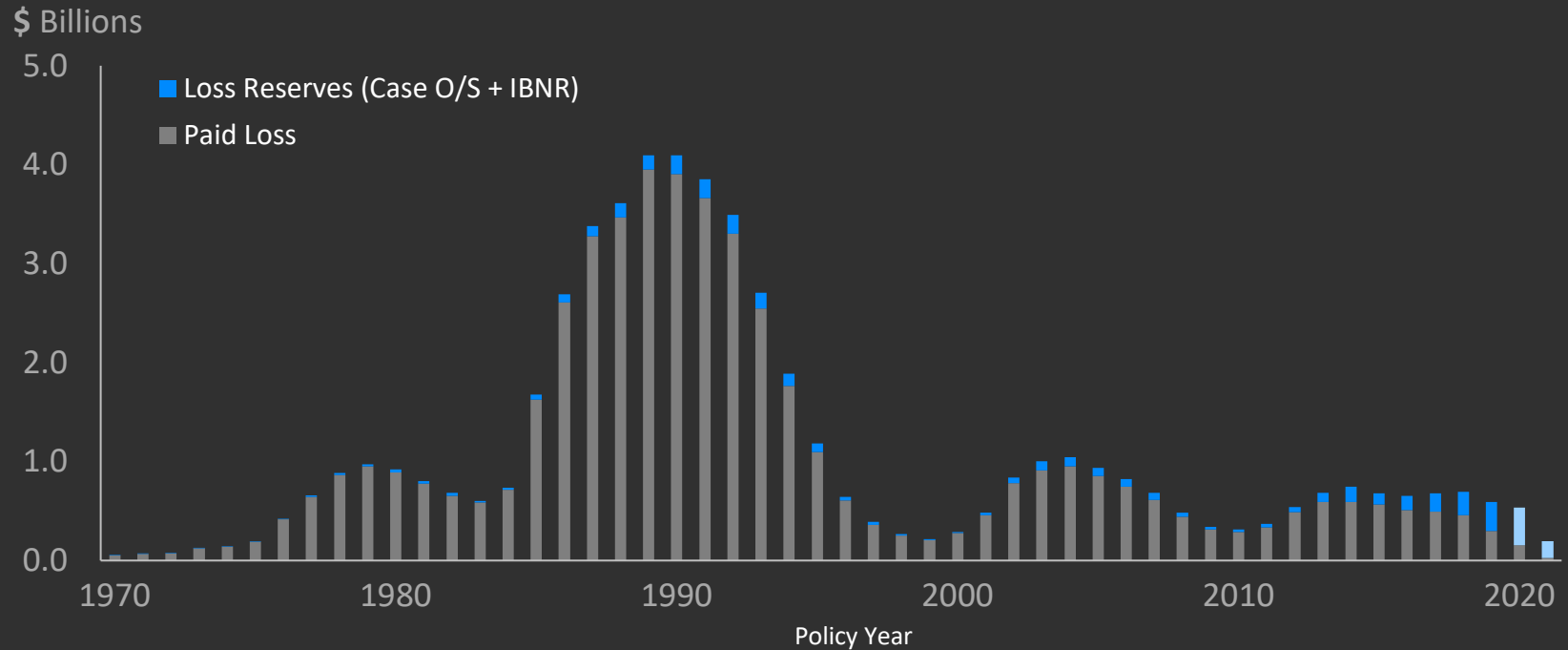
\*Incurred But Not Reported

Loss reserves for the Tennessee Reinsurance Mechanism are included beginning with Third Quarter 2015



# Booked Ultimate Losses as of 9/30/2021

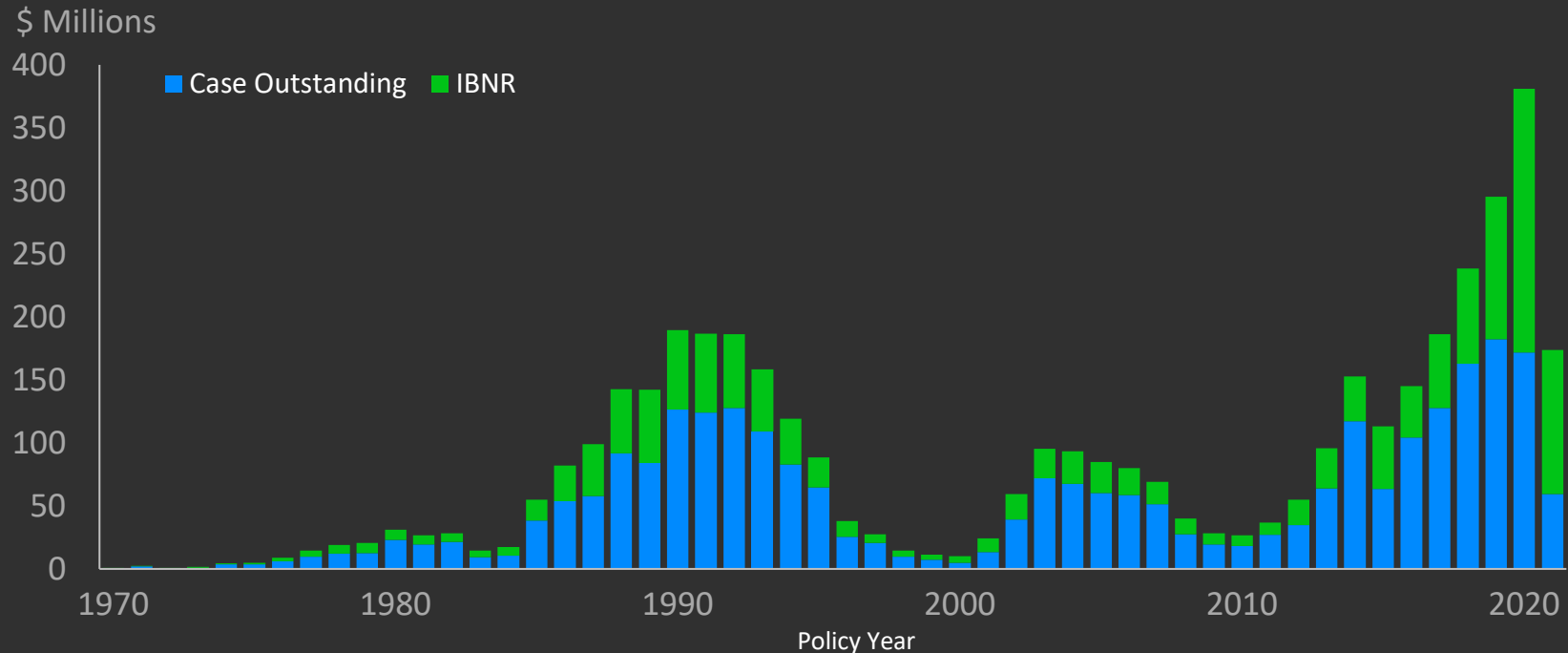
## NCCI-Serviced Workers Compensation Residual Market Pools



Policy Years 2020 and 2021 are not fully earned

# Booked Loss Reserves as of 9/30/2021

## NCCI-Serviced Workers Compensation Residual Market Pools



Policy Years 2020 and 2021 are not fully earned

# Summary

Declining premium volume

Operating results are favorable

Residual market share remains low

Combined ratios in Pool are also favorable