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# Residual Market Forum



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# Actuarial Perspective of the Residual Market

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NCCI

**Samantha McLeod,  
FCAS, MAAA**

Executive Director & Actuary  
NCCI



# State of Workers Compensation (WC)

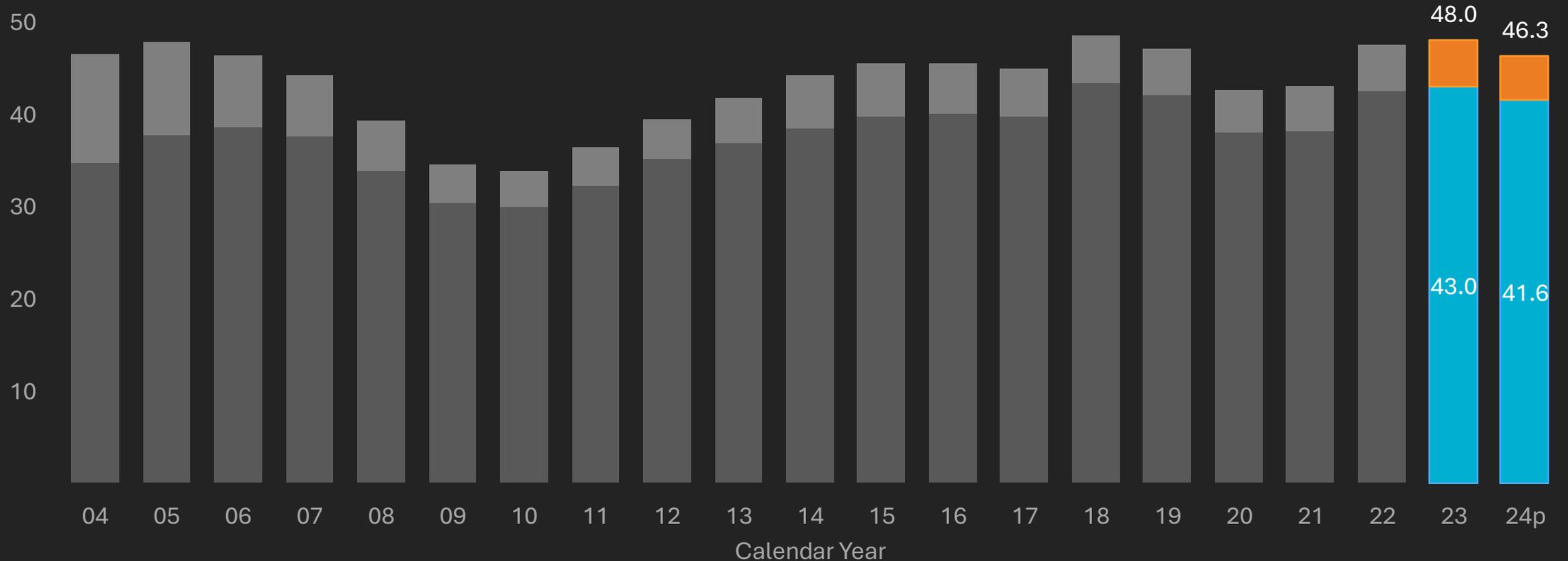


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# WC Net Written Premium

Private Carriers and State Funds

\$ Billions



p Preliminary

Source: NAIC's Annual Statement data

The following states are included in the respective calendar years in which they operate as state funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, and UT

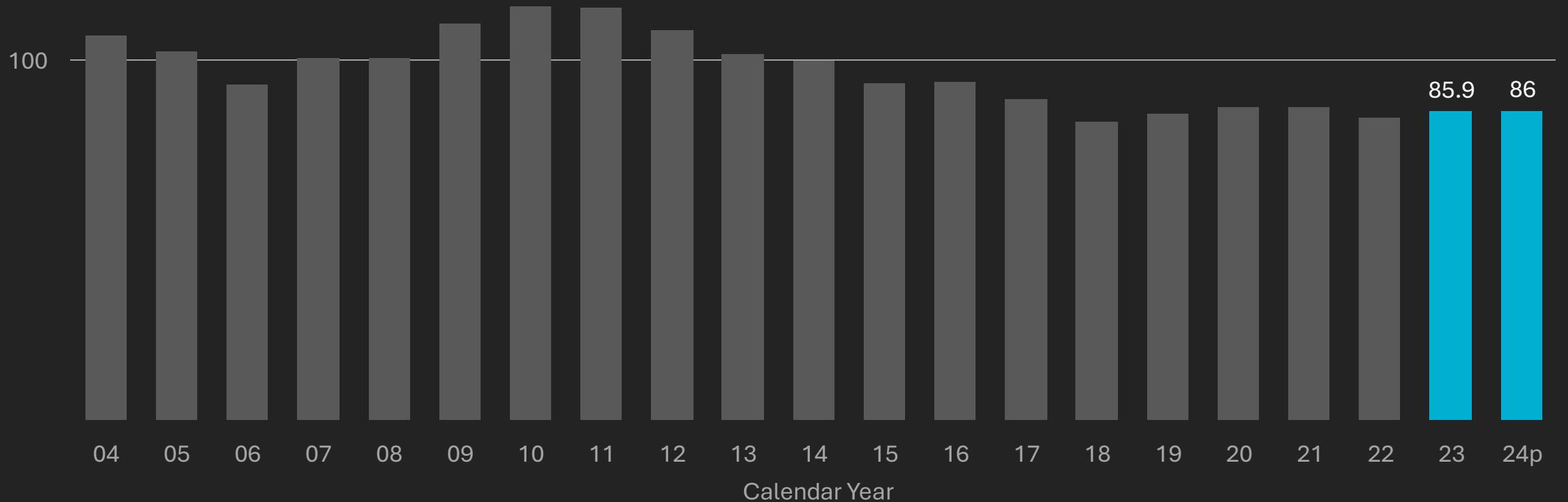
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# WC Net Combined Ratio

## Private Carriers

Percent



p Preliminary  
Source: NAIC's Annual Statement data

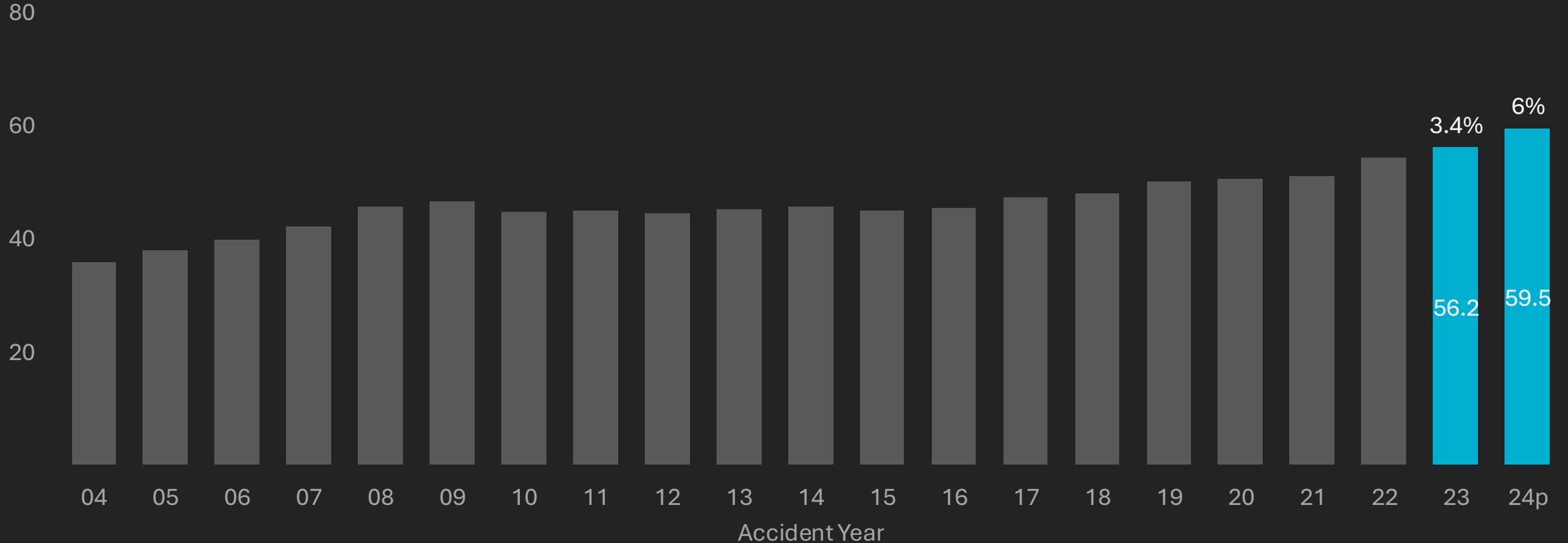
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# WC Average Total Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States

Severity  
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2024

Source: NCCI's Financial Call data, developed to ultimate, excludes large-deductible policies; based on data through 12/31/2023; excludes COVID-19 claims through 7/1/2023

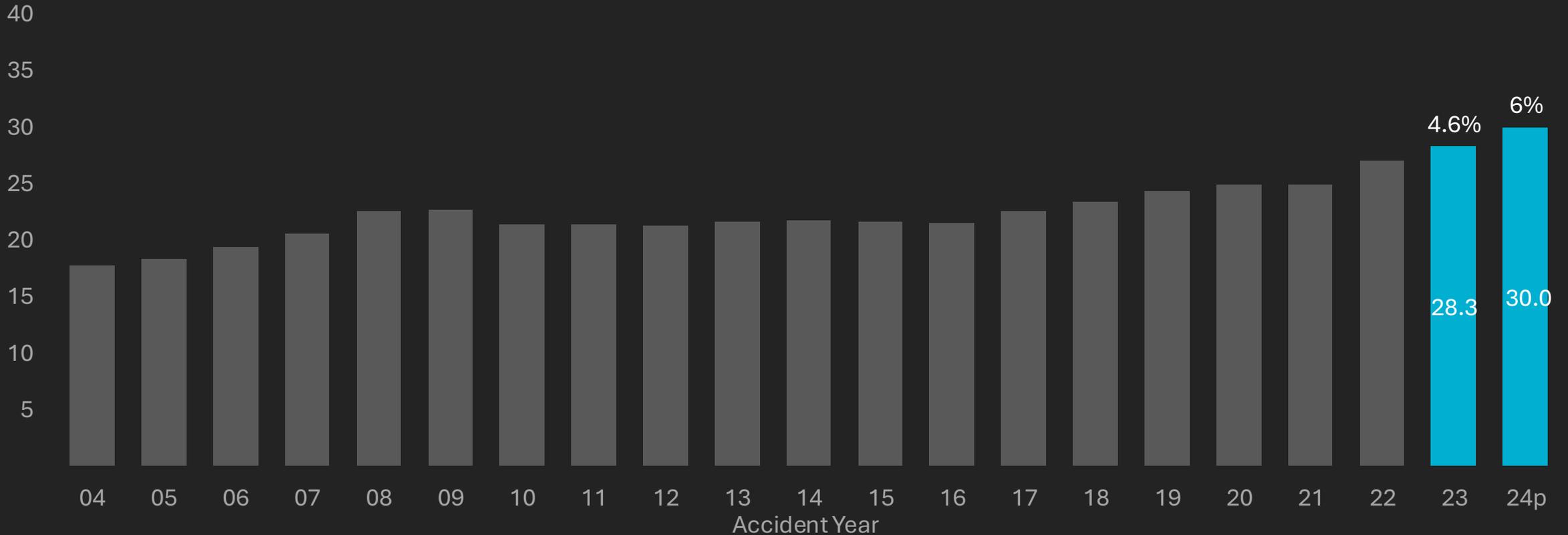
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services; TX is excluded through 2009, and WV is excluded through 2013

# WC Average Lost-Time Indemnity Claim Severity

Private Carriers and State Funds—NCCI States

Severity  
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2024

Source: NCCI's Financial Call data, developed to ultimate, excludes large-deductible policies; based on data through 12/31/2023; excludes COVID-19 claims through 7/1/2023

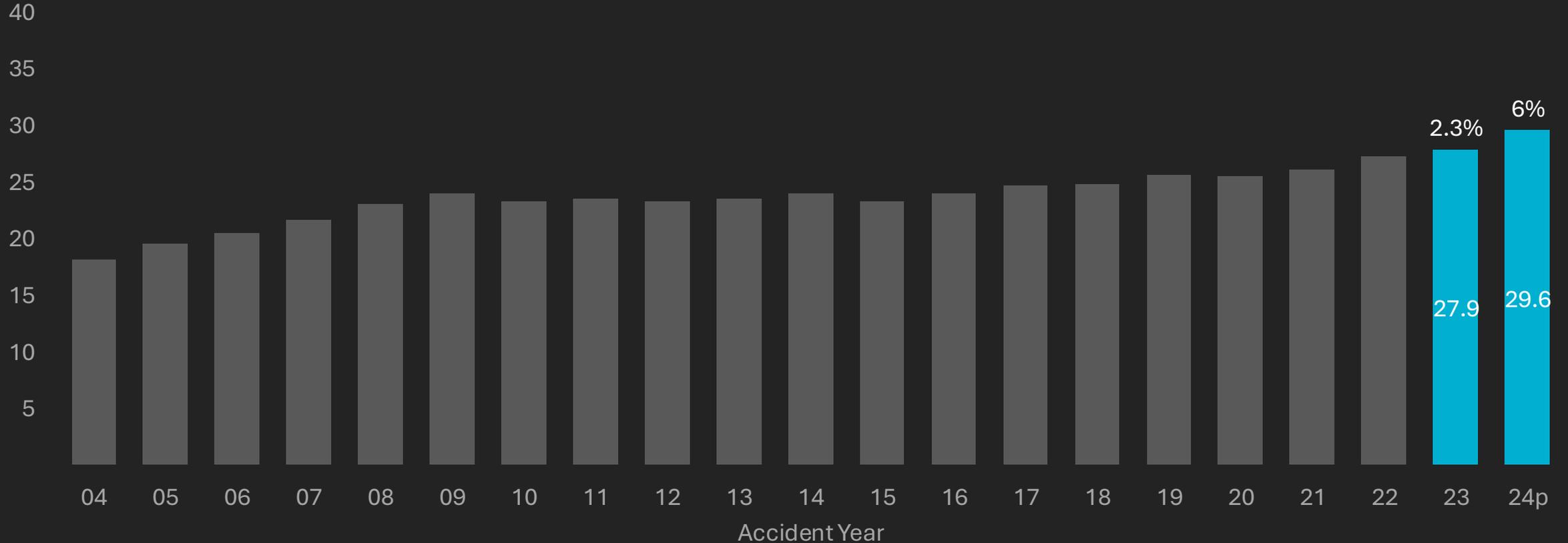
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services; TX is excluded through 2009, and WV is excluded through 2013

# WC Average Lost-Time Medical Claim Severity

Private Carriers and State Funds—NCCI States

Severity  
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2024

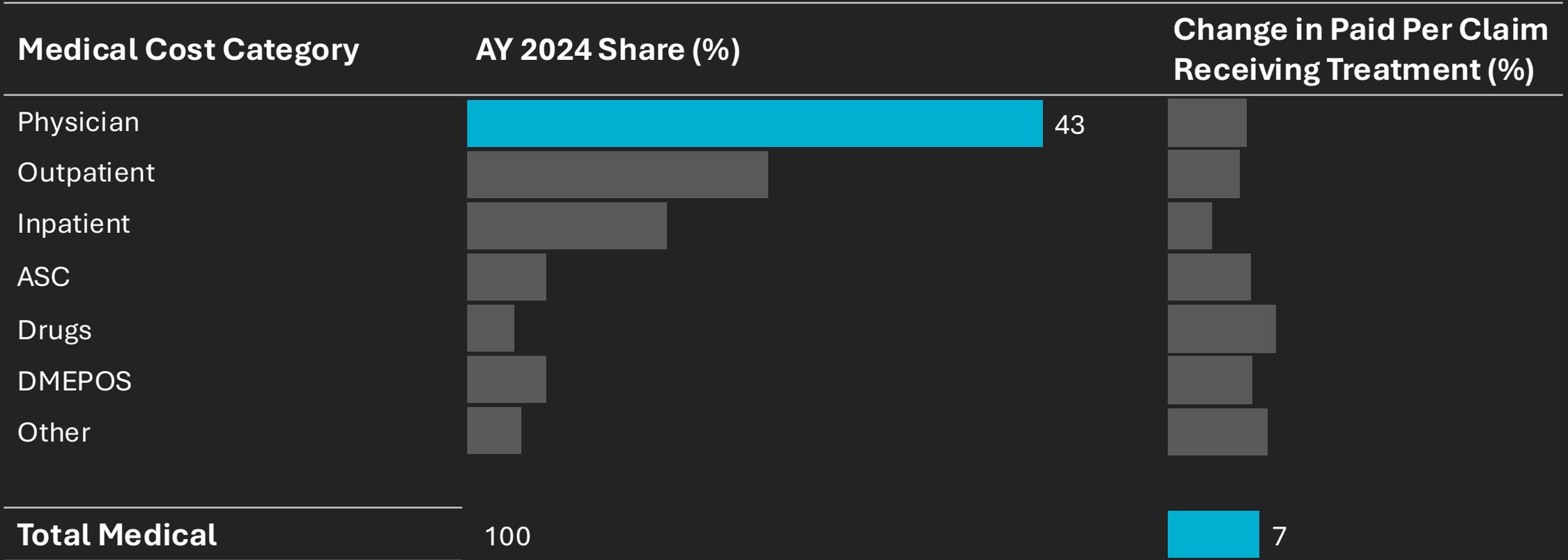
Source: NCCI's Financial Call data, developed to ultimate, excludes large-deductible policies; based on data through 12/31/2023; excludes COVID-19 claims through 7/1/2023

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

Includes all states where NCCI provides ratemaking services; TX is excluded through 2009, and WV is excluded through 2013

# Medical Paid Per Claim by Receiving Treatment

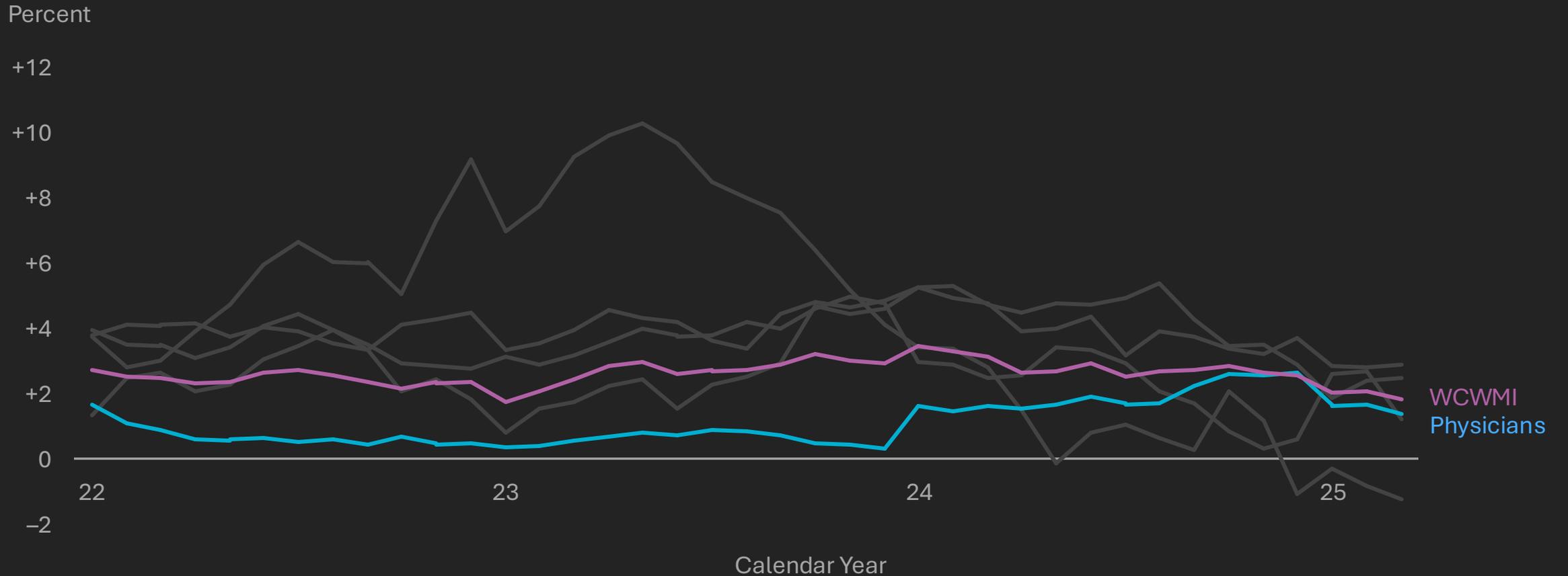
Year-Over-Year Change 2023–2024p, Early Look



p Preliminary, based on medical payments made in the same year in which the accident occurred and was reported to NCCI prior to 4/1 in the subsequent year  
Source: Based on NCCI's Medical Data Call  
Includes all states where NCCI provides ratemaking services

# Workers Compensation Weighted Medical Price Index (WCWMI) by Medical Cost Category

Year-Over-Year Percentage Change

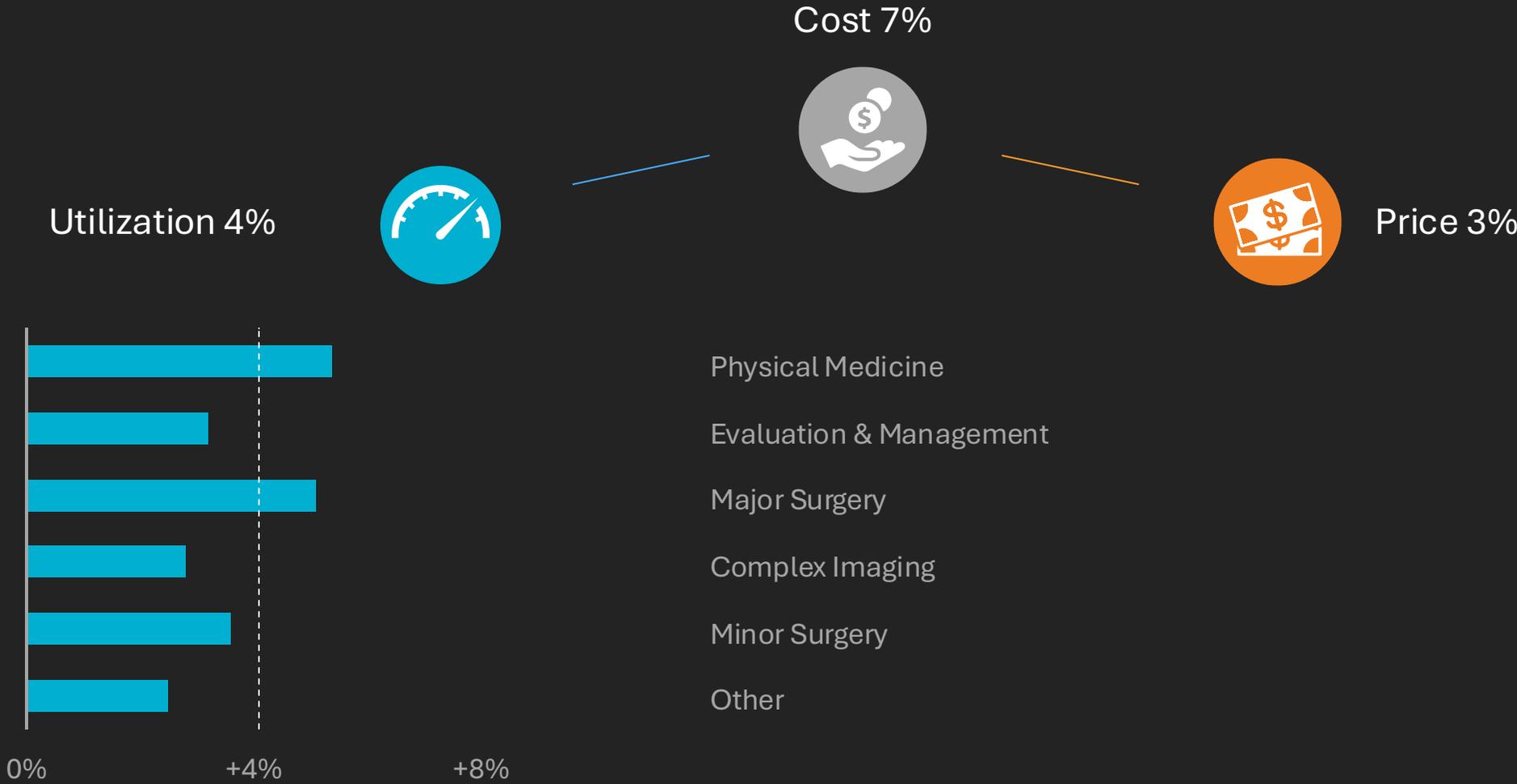


Sources: WC Weighted Medical Price Index: 2022–2025 US Bureau of Labor Statistics (BLS) and NCCI  
Medical Cost Categories: US Bureau of Labor Statistics (BLS)  
Component Weights: NCCI's Medical Data Call

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# Physician Paid Per Claim by Component

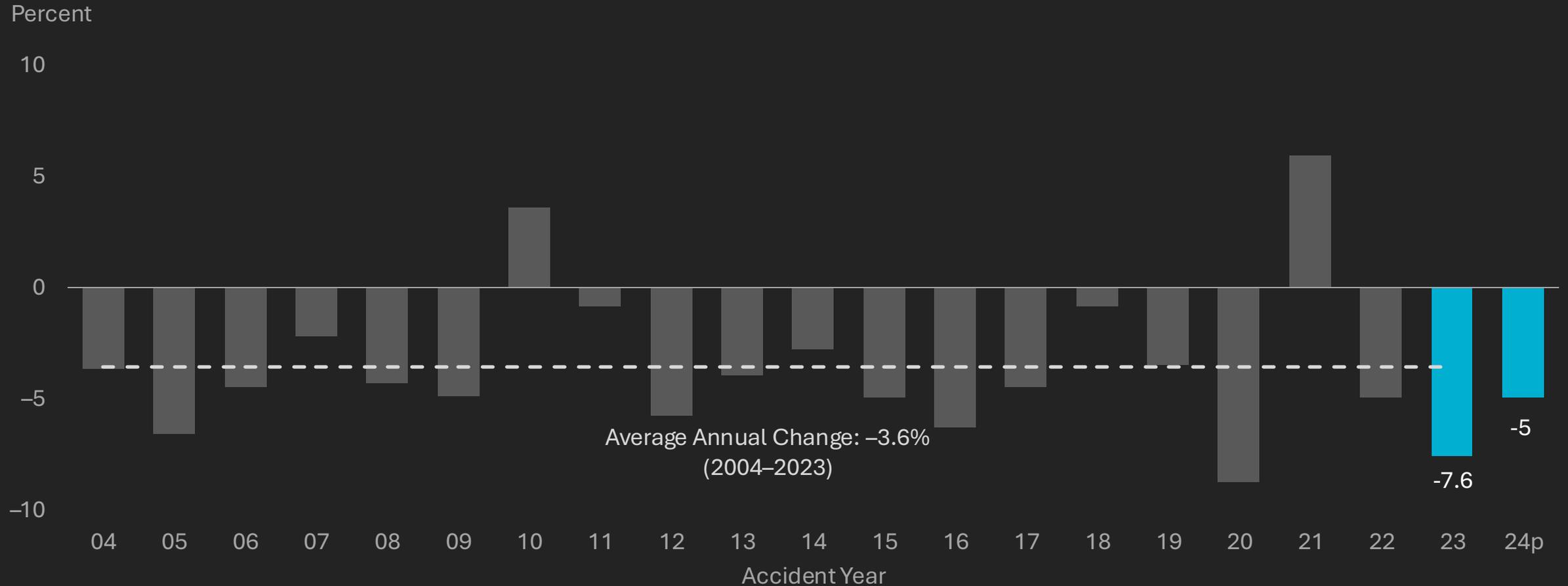
Year-Over-Year Change 2023–2024p, Early Look



p Preliminary, based on medical payments made in the same year in which the accident occurred and was reported to NCCI prior to 4/1 in the subsequent year  
Source: Based on NCCI's Medical Data Call  
Includes all states where NCCI provides ratemaking services

# WC Lost-Time Claim Frequency

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



2010–2011 and 2019–2023 are adjusted to reflect the impact of changes in audit activity

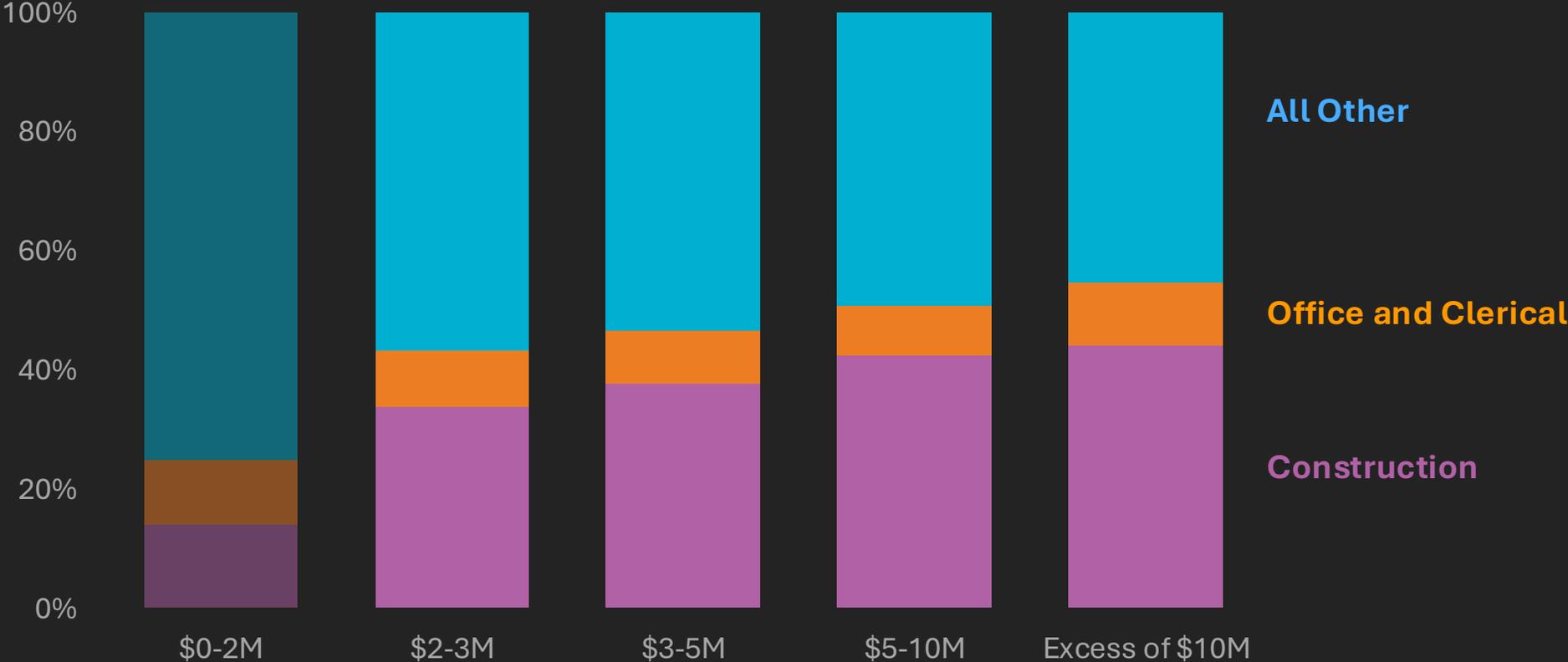
p Preliminary, based on data valued as of 12/31/2024

Source: NCCI's Financial Call data, developed to ultimate, premium adjusted to current wage and voluntary pure premium level, excludes large-deductible policies; based on data through 12/31/2023; excludes COVID-19 claims through 7/1/2023

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

# Share of Mega Claims by Industry Group

Accident Years 2001–2021



Source: Based on the Countrywide Mega Claims Accident Years 2001–2021 Report produced by multiple WC rating bureaus

# State of WC Overview

Premium is  
down  
slightly

Severity  
Increased

Combined  
ratio is  
consistent

Frequency  
Declined

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# State of the Residual Market Pool



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# State of the Pool Overview

Market  
Shares and  
Premium

Operating  
Results

Frequency  
and  
Severity

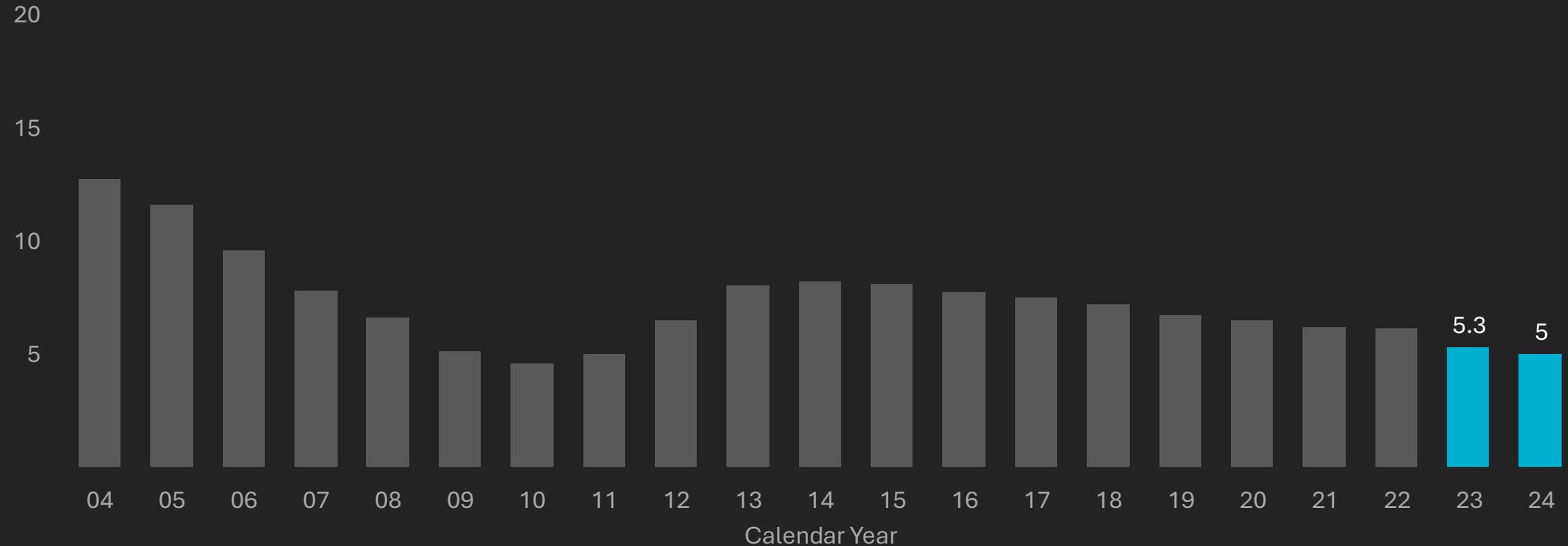
Reserves



# WC Residual Market Share

## NCCI-Serviced WC Residual Market Pools

Percent

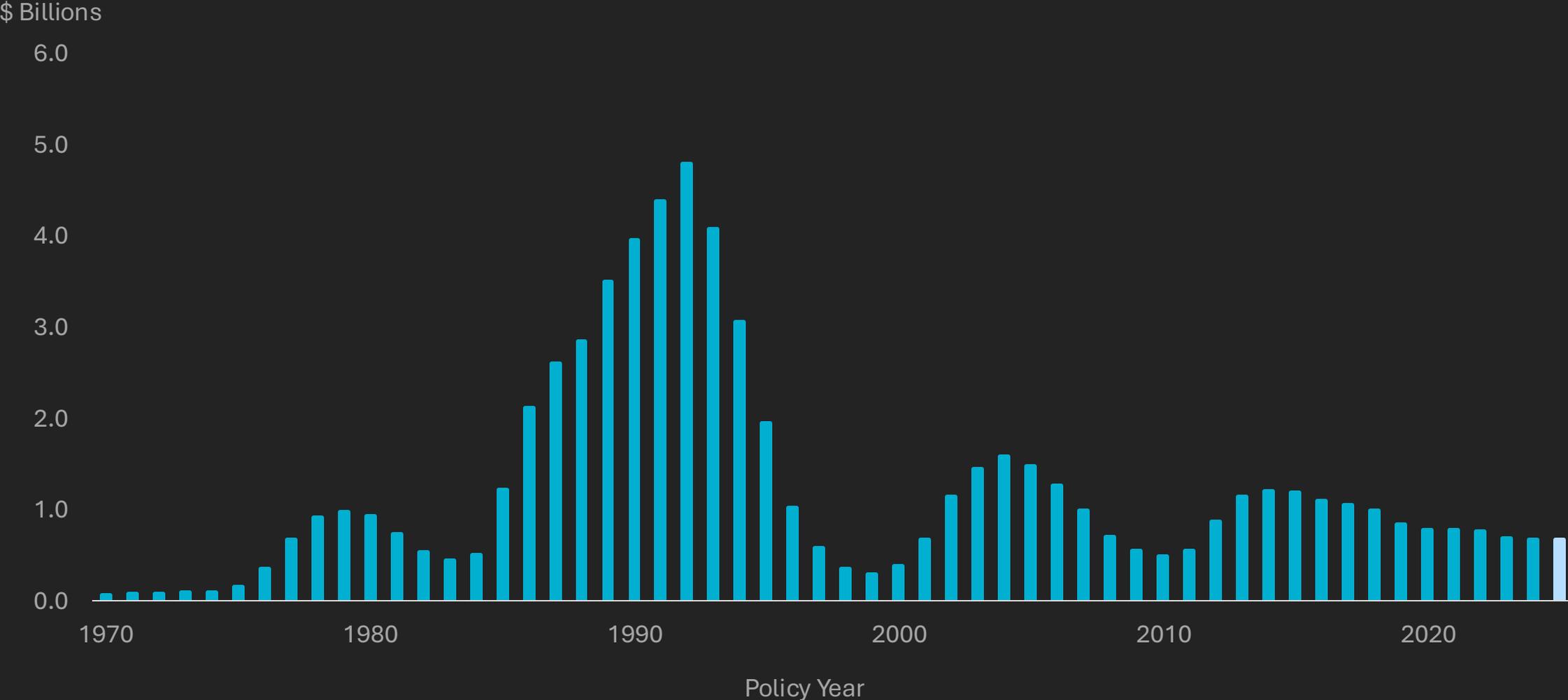


Source: NCCI's *Residual Market Management Summary 2024*  
Includes Pool Data and direct assignment data for all NCCI-serviced WC Residual Market Pool states

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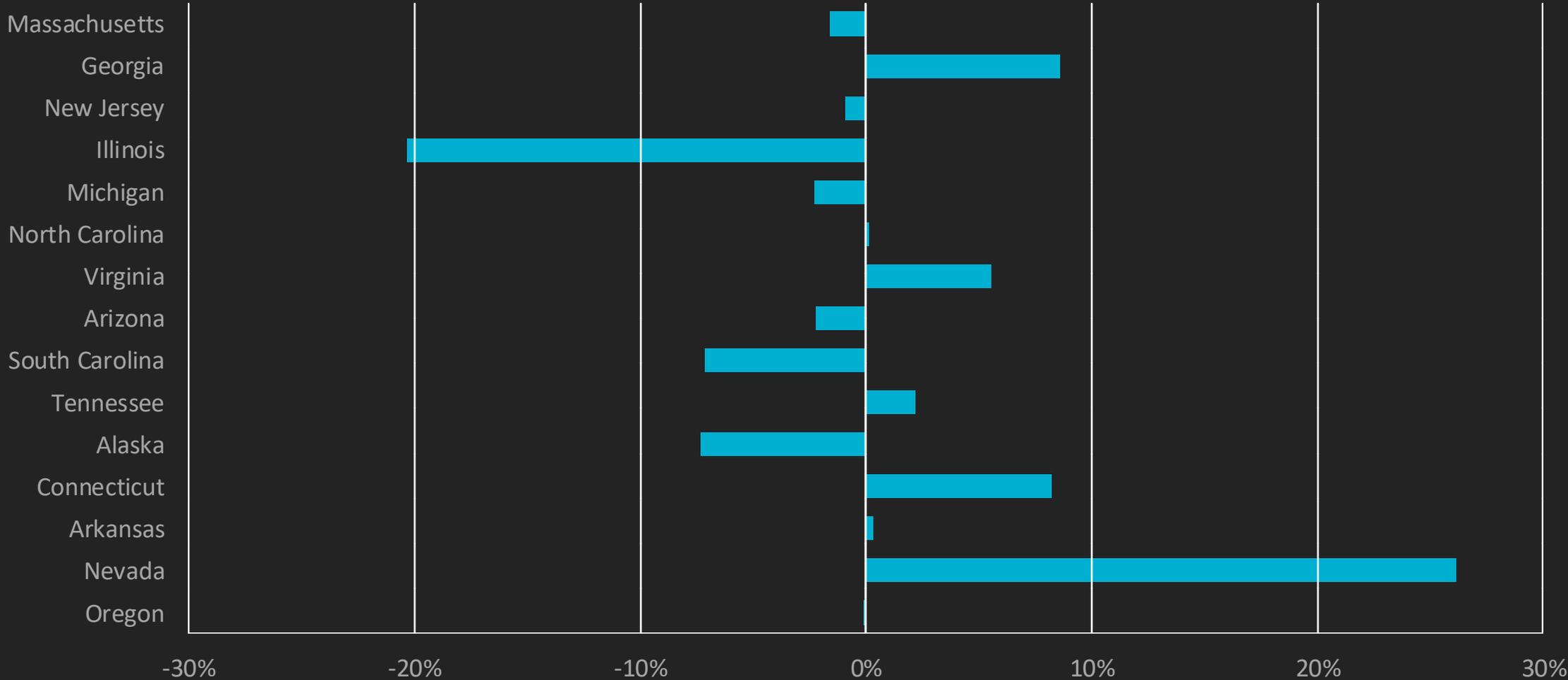
# Pool Premium Is Stable



Source: NCCI's Pool Data, based on data as of 9/30/2025  
Includes all states where NCCI provides Pool Administration services  
Note: Traumatic only

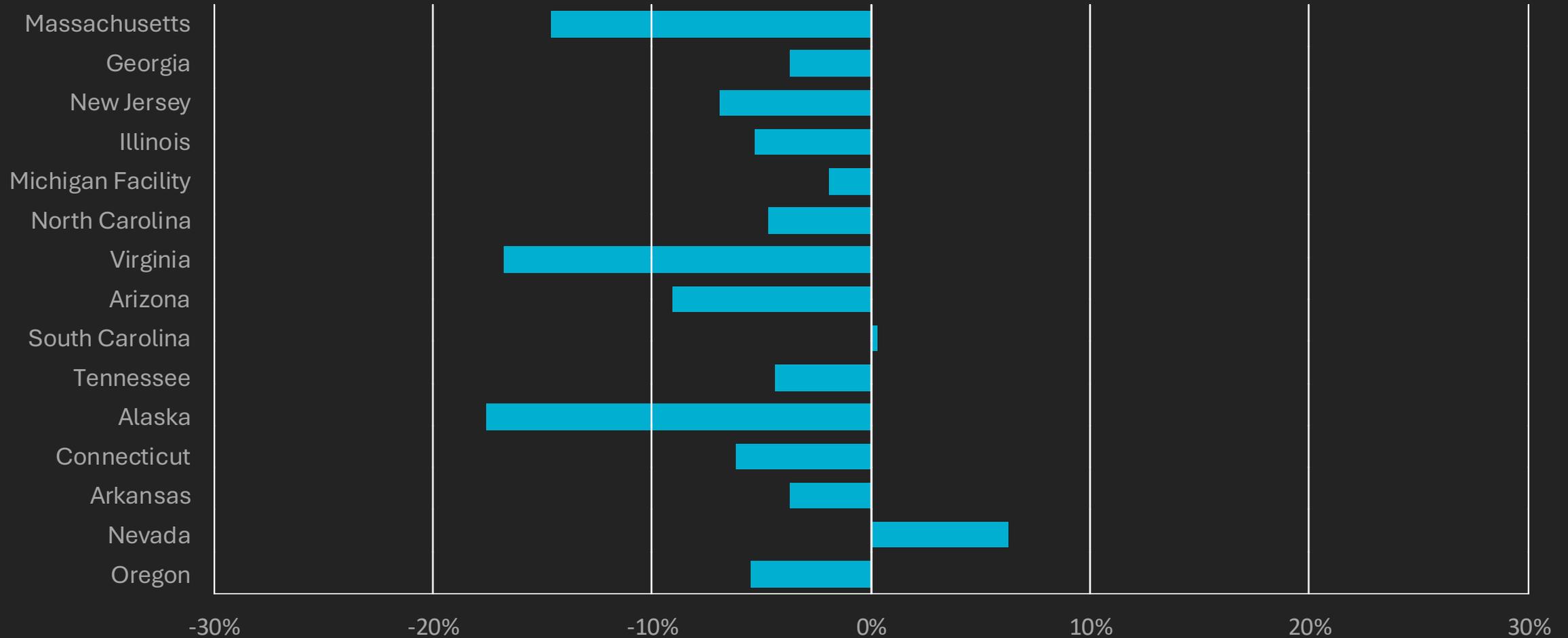
# Ultimate Premium Changes Are Offsetting

PY 2025 vs. PY 2024



Source: NCCI's Pool Data, based on data as of 9/30/2025  
Includes all states where NCCI provides Pool Administration services  
Note: Traumatic only

# Assigned Risk Rates Decreased in 2025



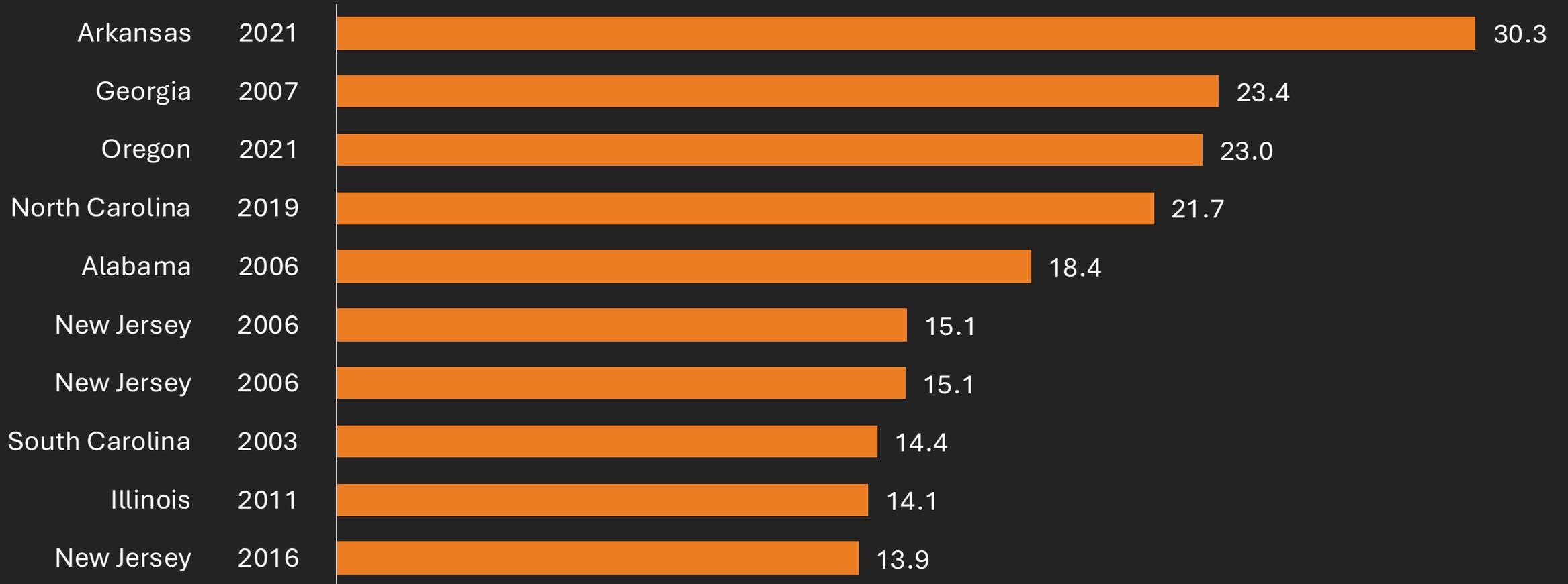
Source: Plan Administrators

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# Top 10 Large Losses

Policy Years 1993–2025



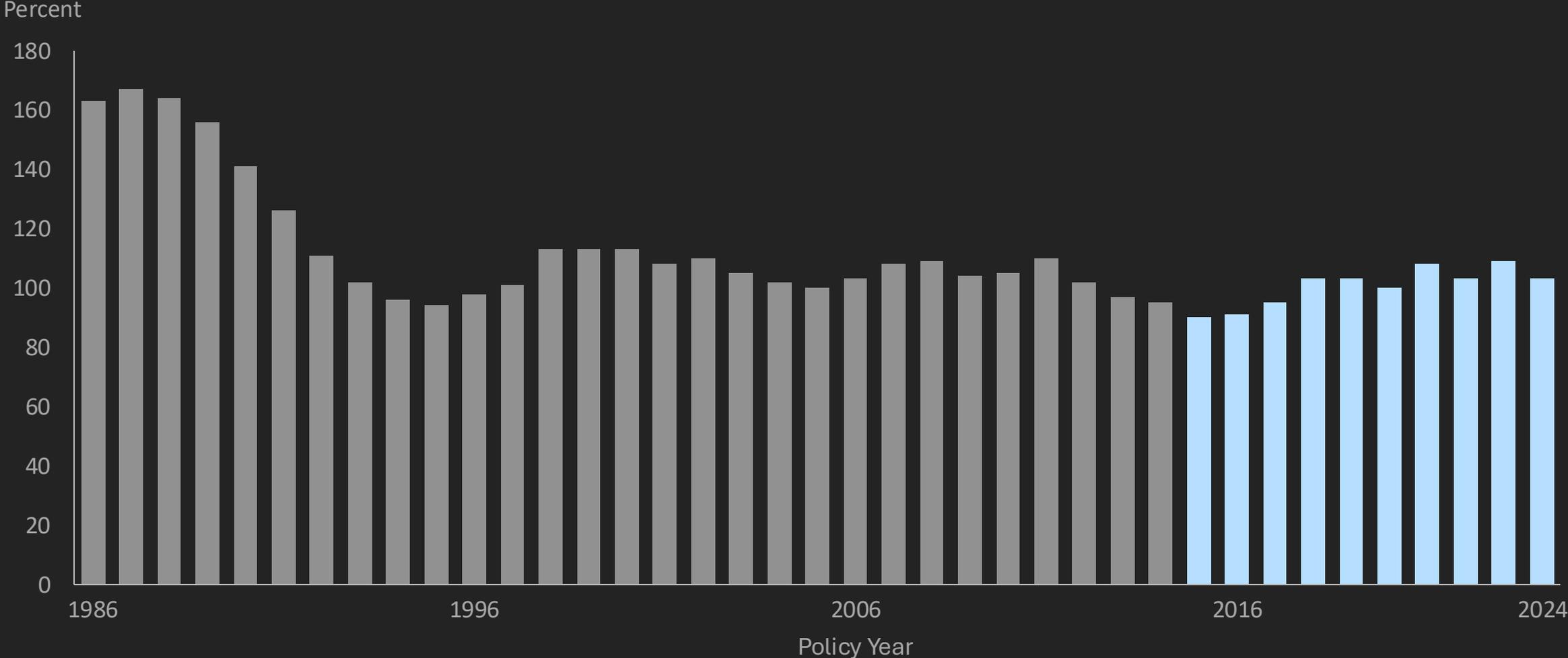
Source: NCCI's Pool Data, based on data as of 9/30/2025  
Traumatic only

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# Combined Ratios as of 9/30/2025

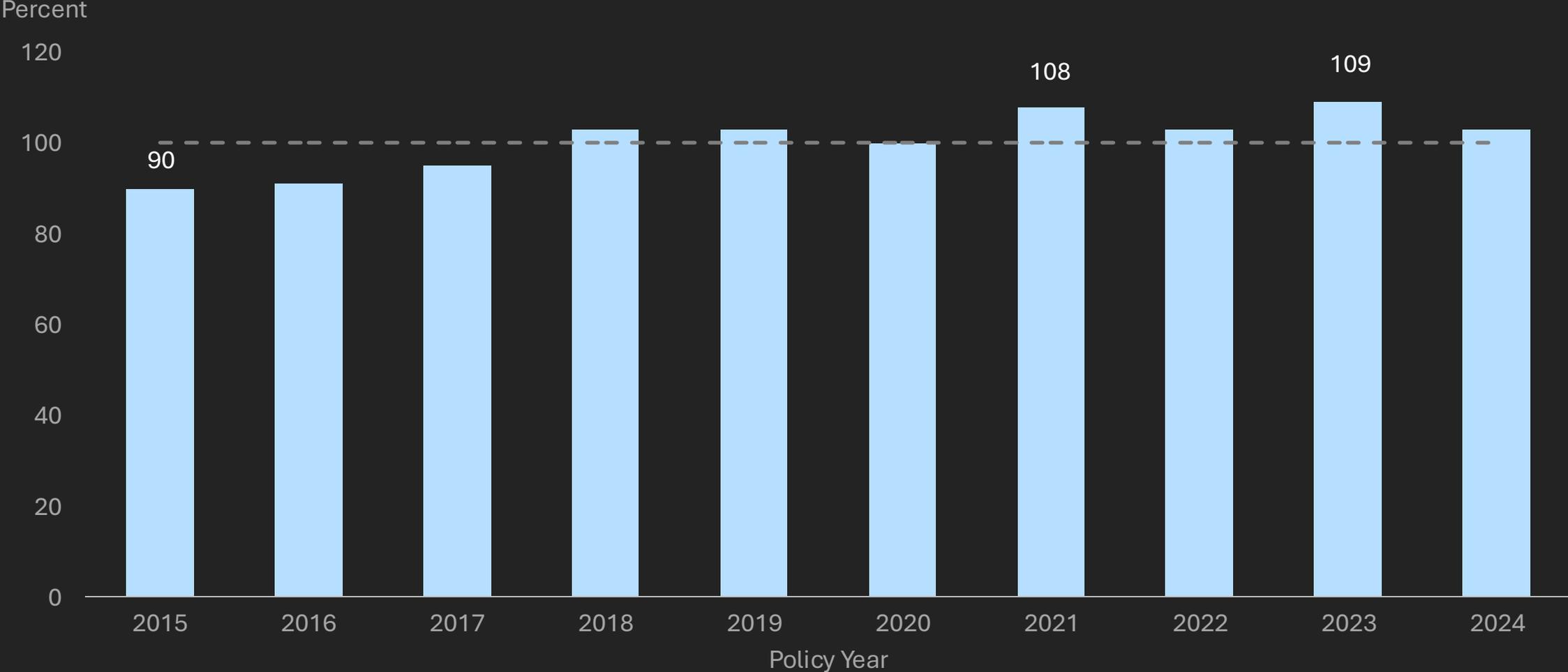
## NCCI-Serviced Workers Compensation Residual Market Pools



Source: NCCI's Pool Data, based on data as of 9/30/2025  
Policy Year 2024 is not yet complete  
Tennessee Reinsurance Mechanism experience is not included in the combined ratios above

# Combined Ratios as of 9/30/2025

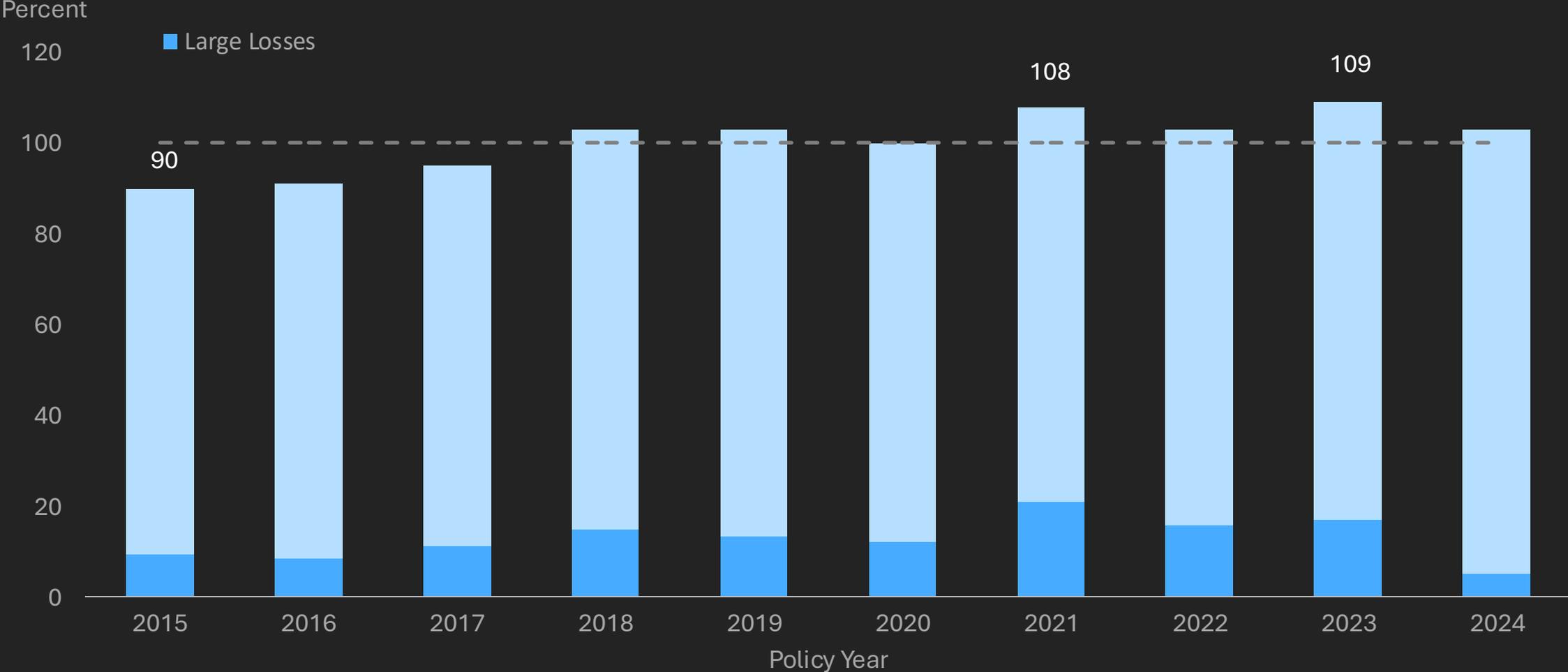
## NCCI-Serviced Workers Compensation Residual Market Pools



Source: NCCI's Pool Data, based on data as of 9/30/2025  
Policy Year 2024 is not yet complete  
Tennessee Reinsurance Mechanism experience is not included in the combined ratios above

# Combined Ratios as of 9/30/2025

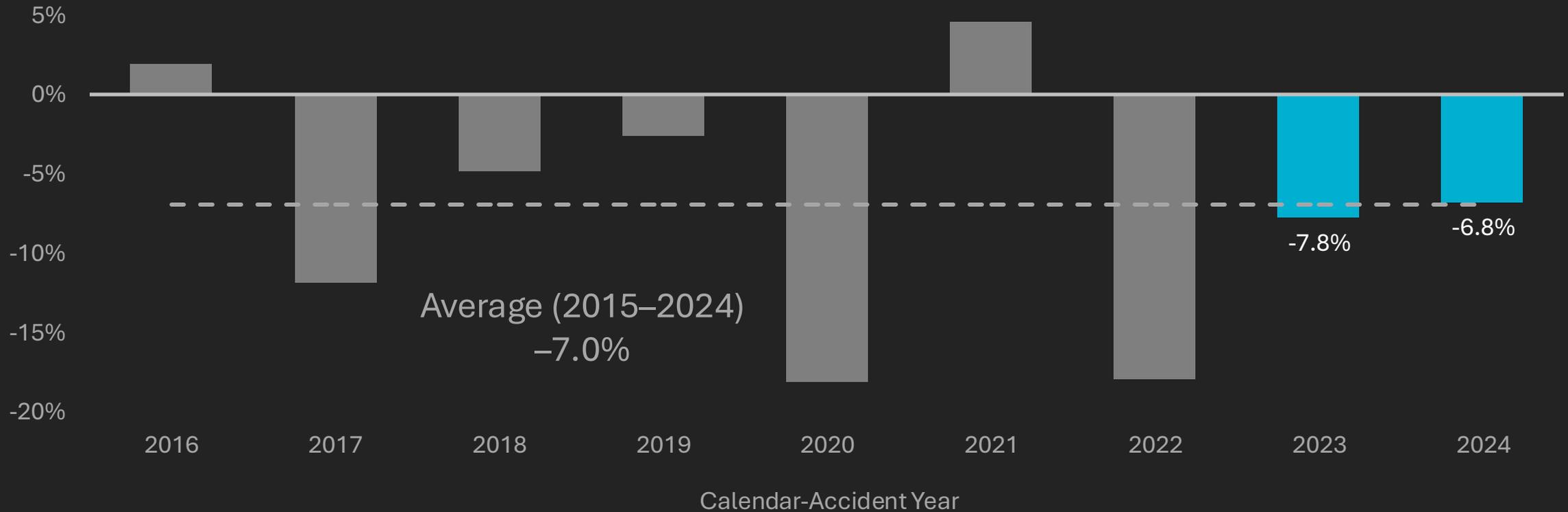
## NCCI-Serviced Workers Compensation Residual Market Pools



Source: NCCI's Pool Data, based on data as of 9/30/2025  
Policy Year 2024 is not yet complete  
Large Losses are claims greater than \$1 million  
Tennessee Reinsurance Mechanism experience is not included in the combined ratios above

# WC Lost-Time Claim Frequency

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

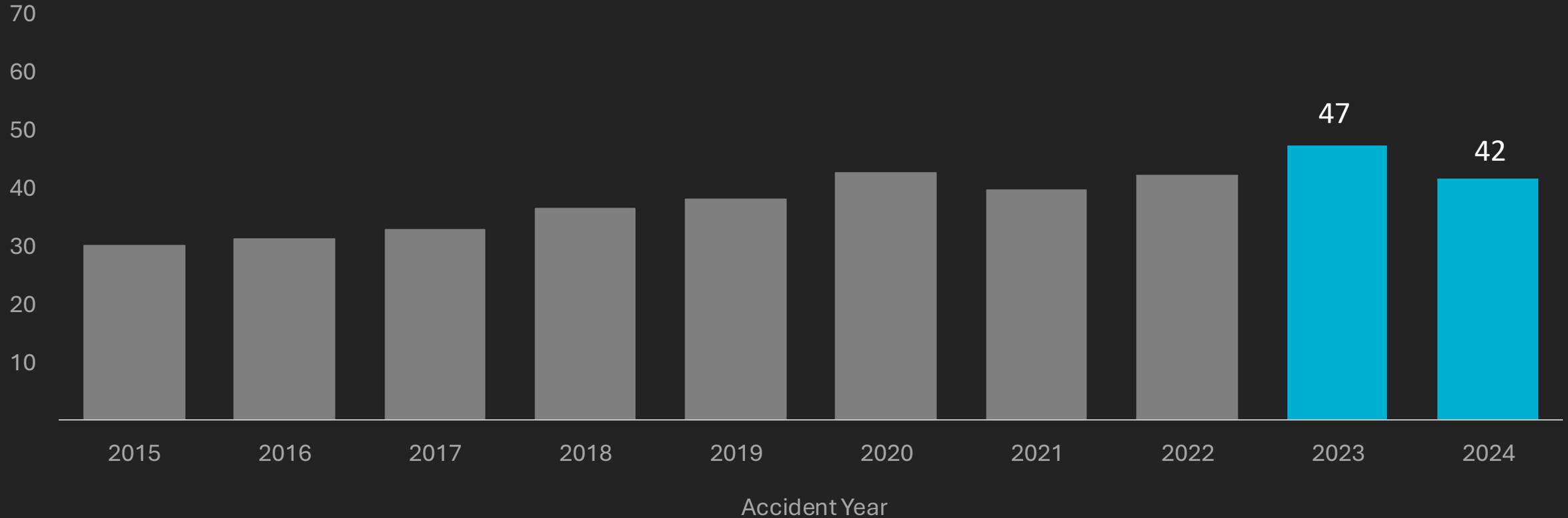


Source: NCCI's Pool Data, on-leveled, developed to ultimate; based on data through 12/31/2024  
Includes all states where NCCI provides Pool Administration services; Tennessee and Tennessee Reinsurance Mechanism experience is excluded for 2015 Traumatic only

# WC Average Indemnity Claim Severity

NCCI Pool States

\$ Thousands



Source: NCCI's Pool Data, developed to ultimate; based on data through 12/31/2024

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

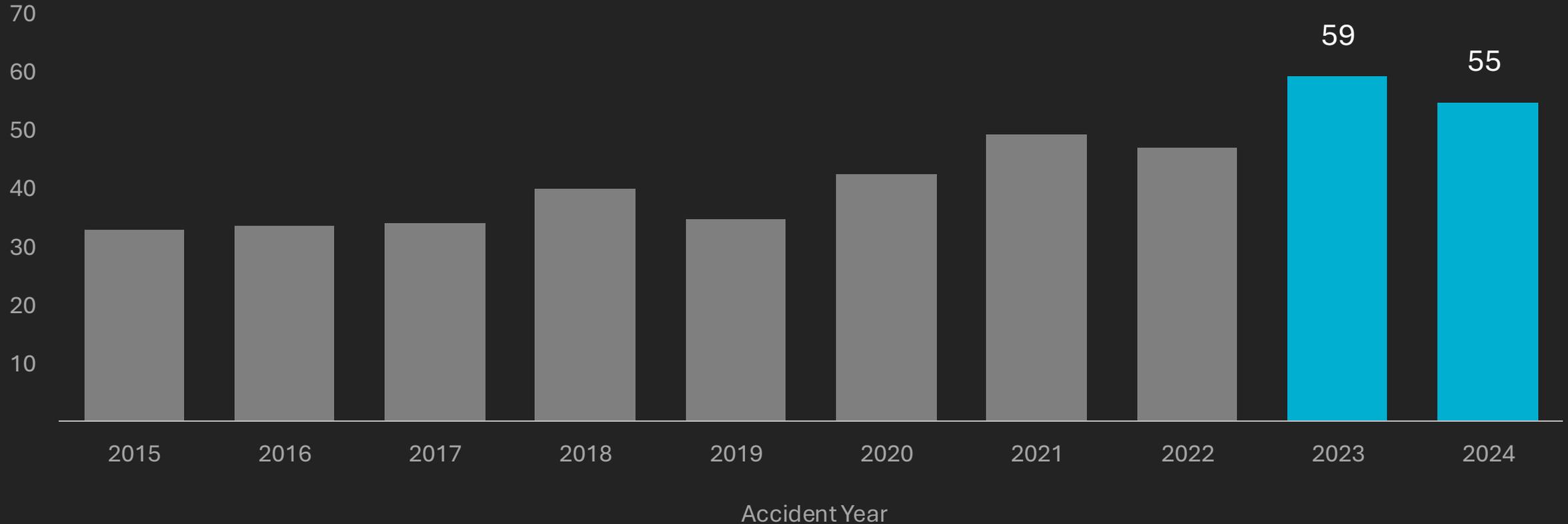
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# WC Average Medical Lost-Time Claim Severity

NCCI Pool States

\$ Thousands



Source: NCCI's Pool Data, developed to ultimate; based on data through 12/31/2024

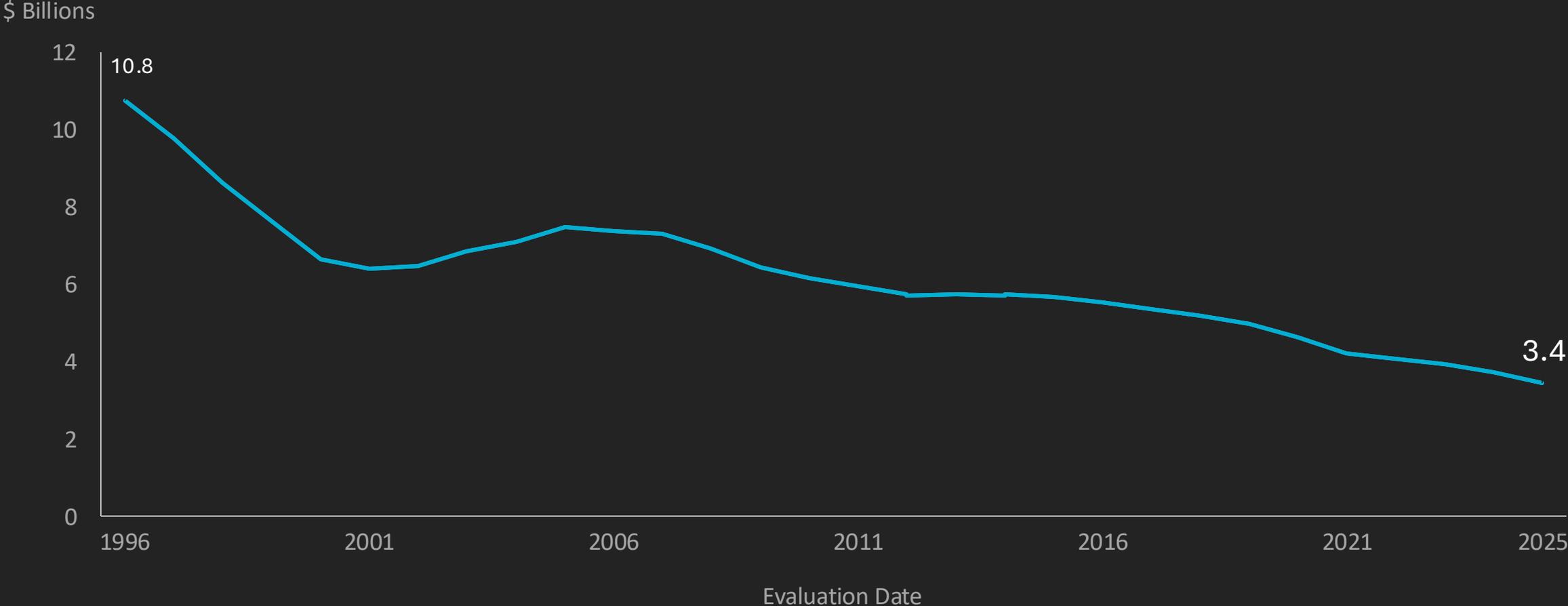
Includes all states where NCCI provides Pool Administration services; Tennessee and Tennessee Reinsurance Mechanism experience is excluded for 2015  
Traumatic only

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# History of Booked Loss Reserves at 9/30

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

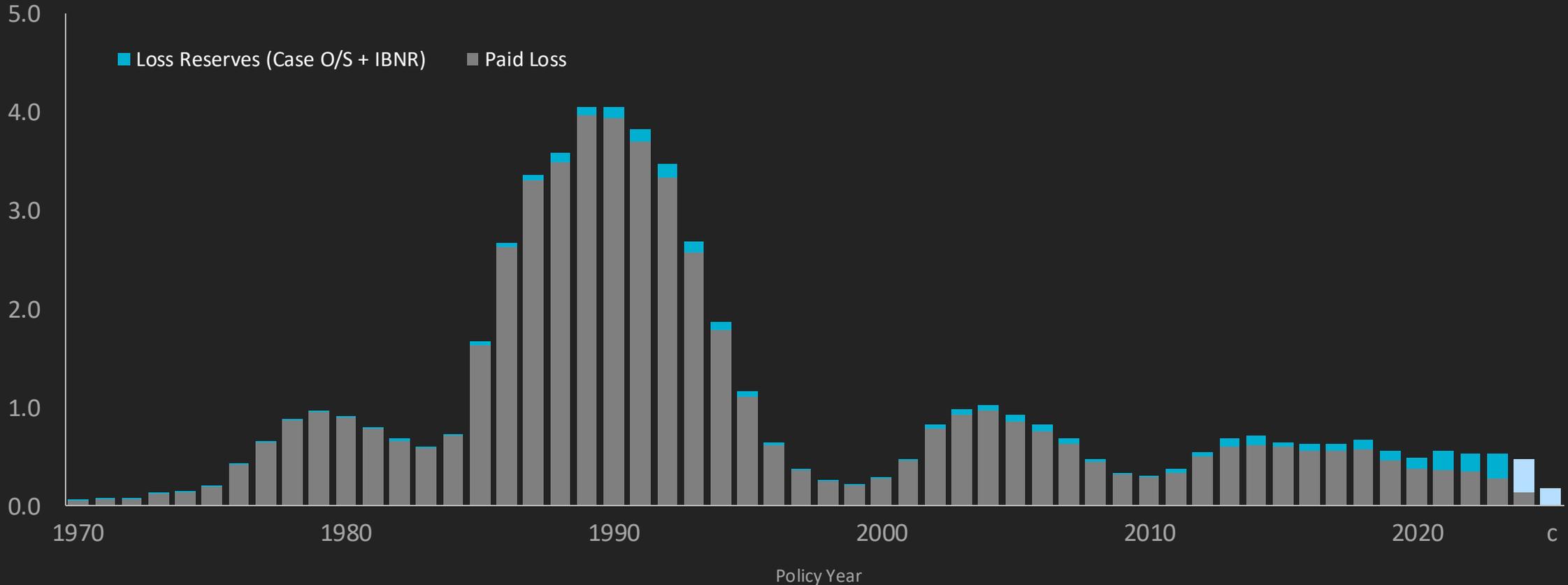


Source: NCCI's Pool Data, based on data through 9/30/2025 at 9/30 quarter end dates  
\*Incurred But Not Reported  
Loss reserves for the Tennessee Reinsurance Mechanism are included beginning with Third Quarter 2015

# Booked Ultimate Losses as of 9/30/2025

## NCCI-Serviced Workers Compensation Residual Market Pools

\$ Billions



Source: NCCI's Pool Data, based on data as of 9/30/2025  
Policy Years 2024 and 2025 are not fully earned

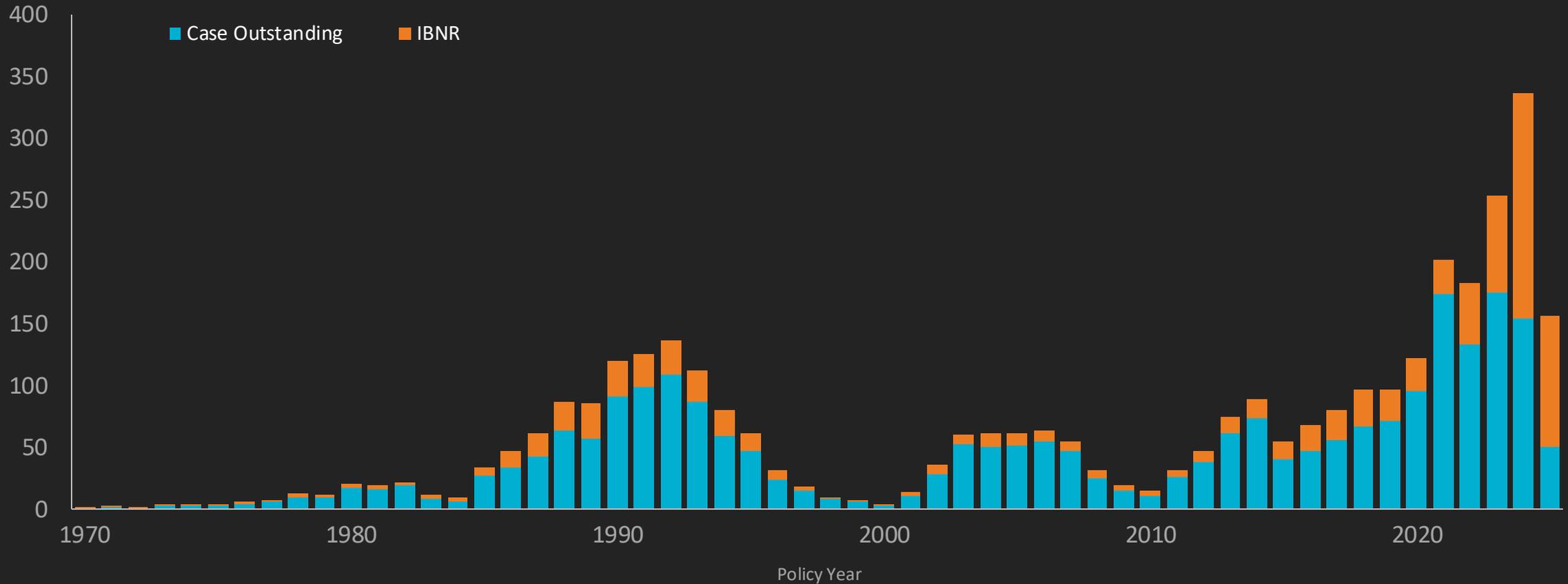
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# Booked Loss Reserves as of 9/30/2025

## NCCI-Serviced Workers Compensation Residual Market Pools

\$ Millions



Source: NCCI's Pool Data, based on data as of 9/30/2025  
Policy Years 2024 and 2025 are not fully earned

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# Pool Diagnostics and Research



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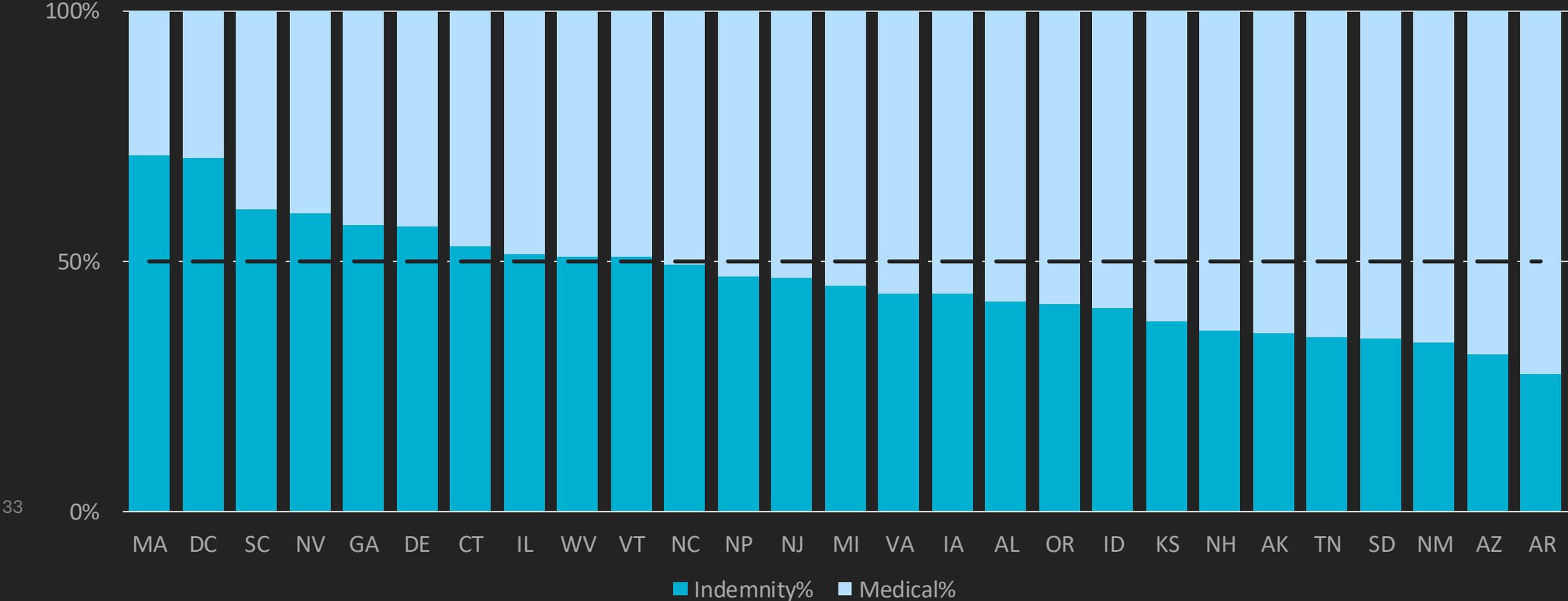
# Pool Diagnostics and Research Overview

Loss  
Development

Claim Counts

Coal Mine  
Occupational  
Disease (OD)

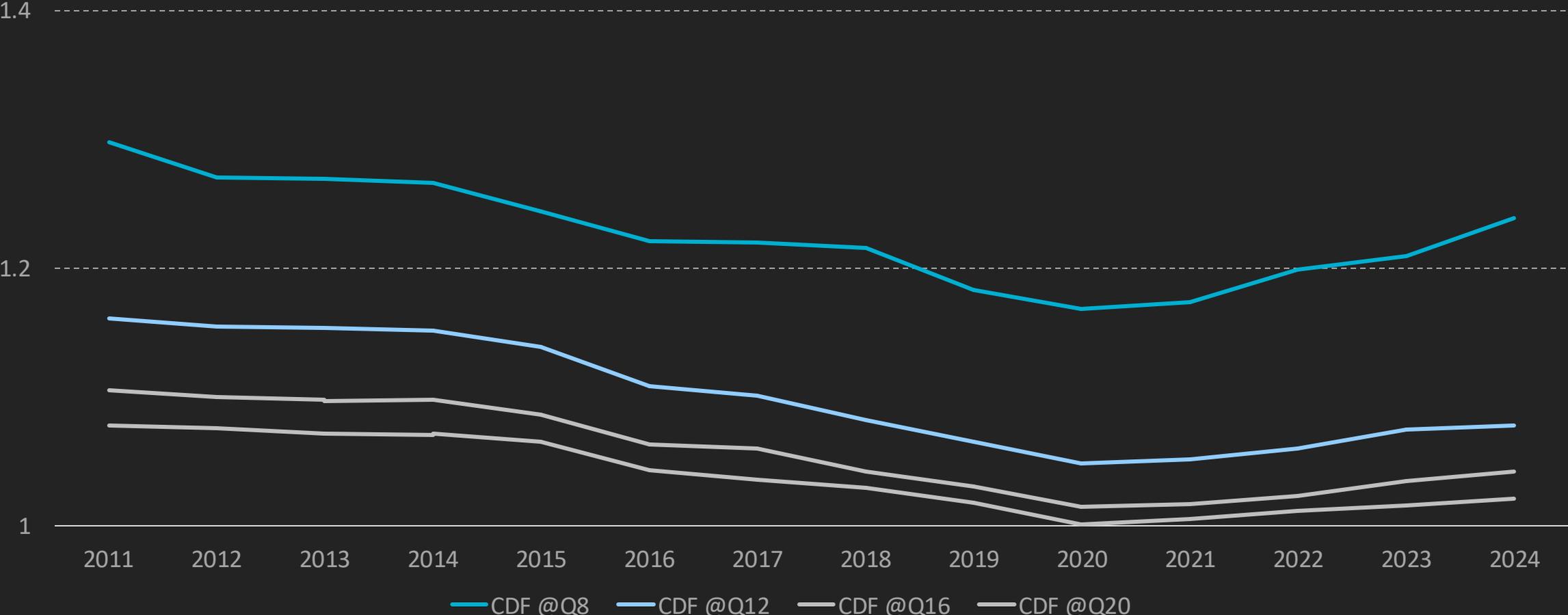
# Indemnity Medical Split by State



Source: NCCI's Pool Data, based on data as of 9/30/2025  
Traumatic only

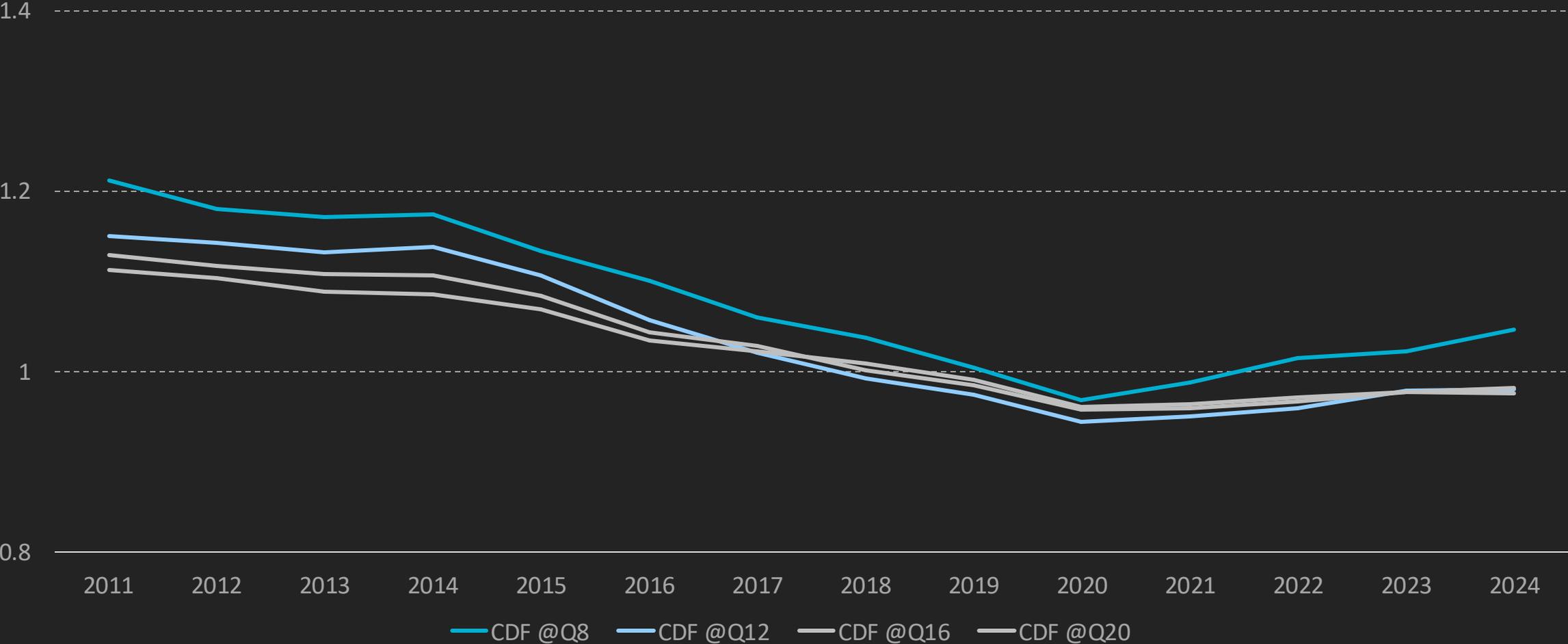
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# National Pool Total Development Increasing



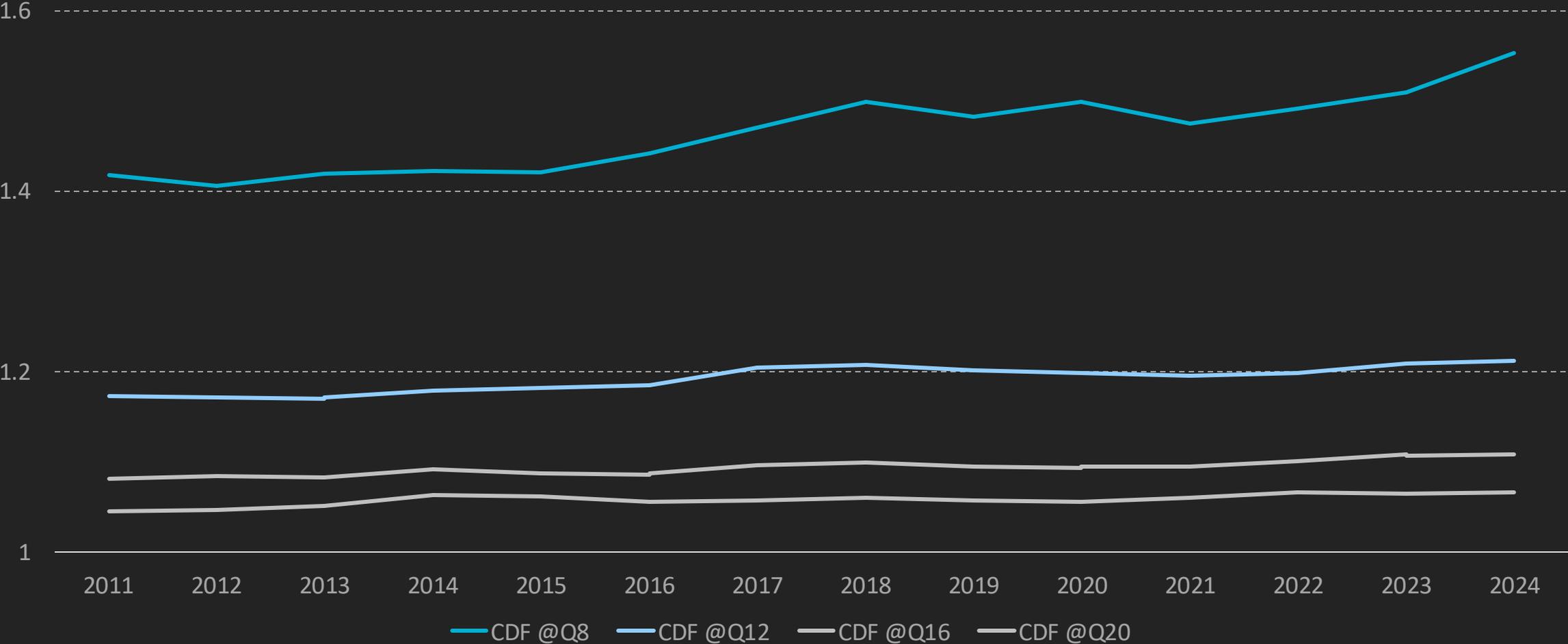
Source: NCCI's Pool Data, based on data through 9/30/2025 at 9/30 quarter end dates.  
Includes all states where NCCI provides Pool Administration services excluding MA, MI, and NM.  
Traumatic only based on 5-exhilo average.

# Development Mainly Driven by Medical Increases



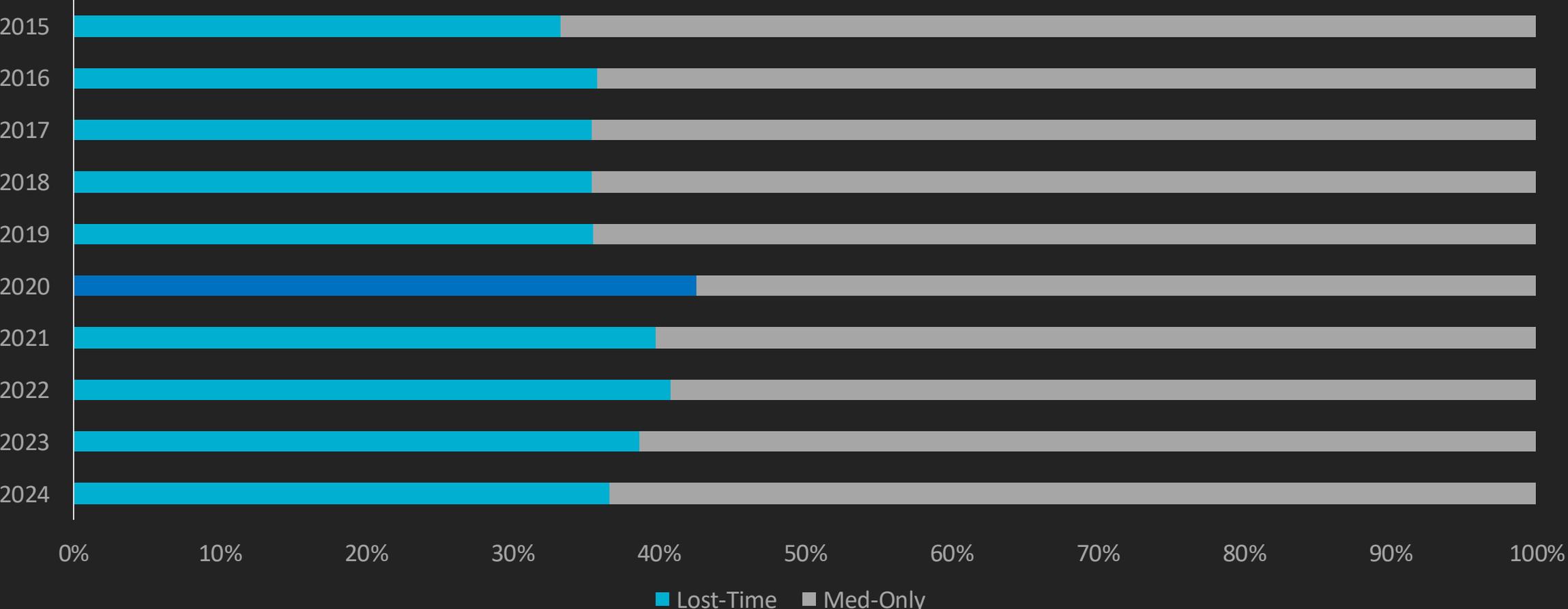
Source: NCCI's Pool Data, based on data through 9/30/2025 at 9/30 quarter end dates.  
Includes all states where NCCI provides Pool Administration services excluding MA, MI, and NM.  
Traumatic only based on 5-exhilo average.

# Indemnity Incurred Development Increasing Moderately



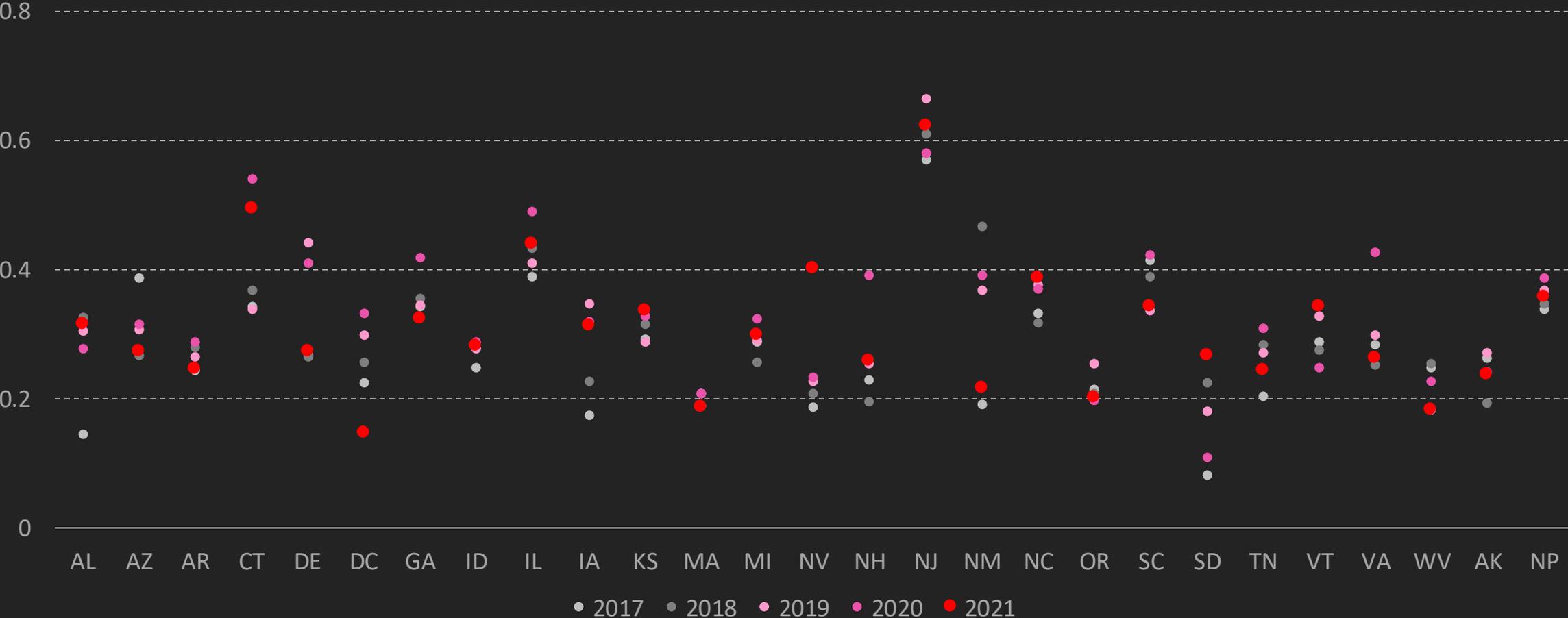
Source: NCCI's Pool Data, based on data through 9/30/2025 at 9/30 quarter end dates.  
Includes all states where NCCI provides Pool Administration services excluding MA, MI, and NM.  
Traumatic only based on 5-exhilo average.

# Lost-Time vs. Med-Only Claim Counts at Quarter Age 7



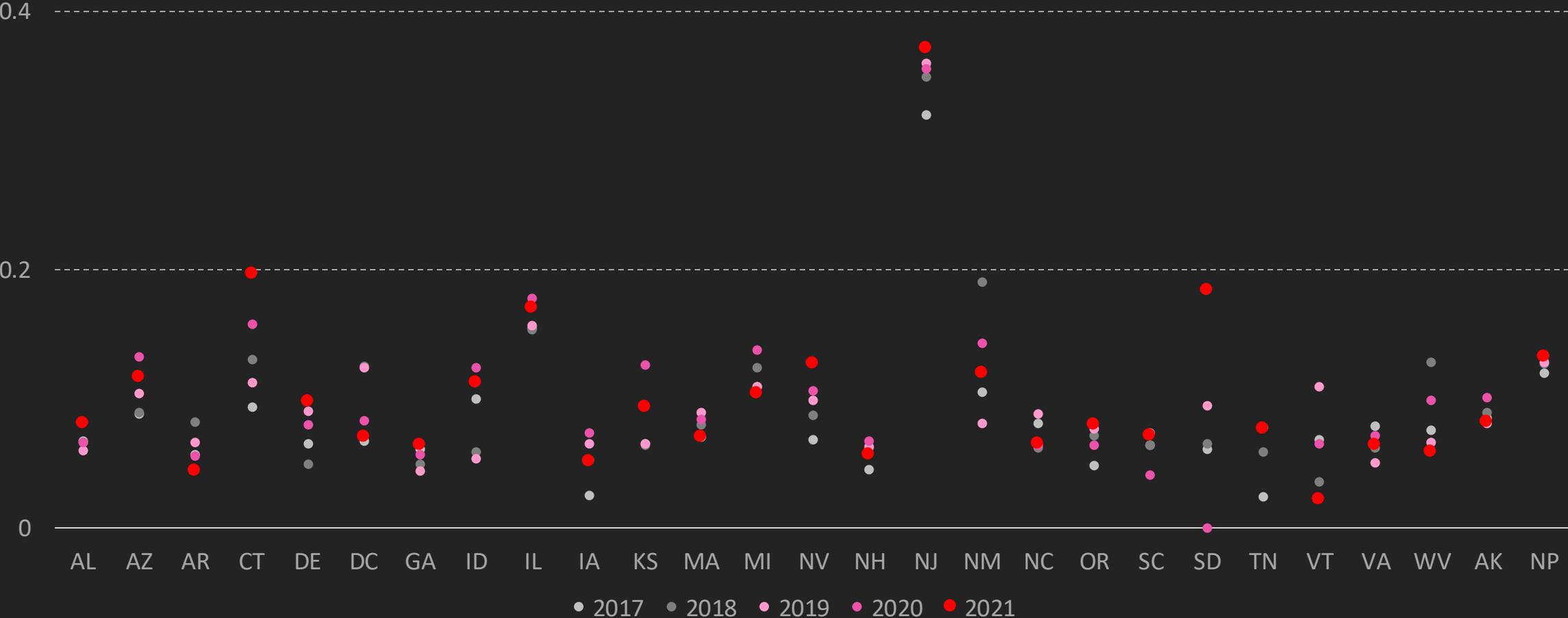
Source: NCCI's Pool Data, based on data as of 9/30/2025  
Note: Traumatic Only

# Open to Reported Accident Year Ratios at Quarter 8



Source: NCCI's Pool Data, based on data through 9/30/2025  
 Lost-time claim counts  
 Note: Traumatic Only

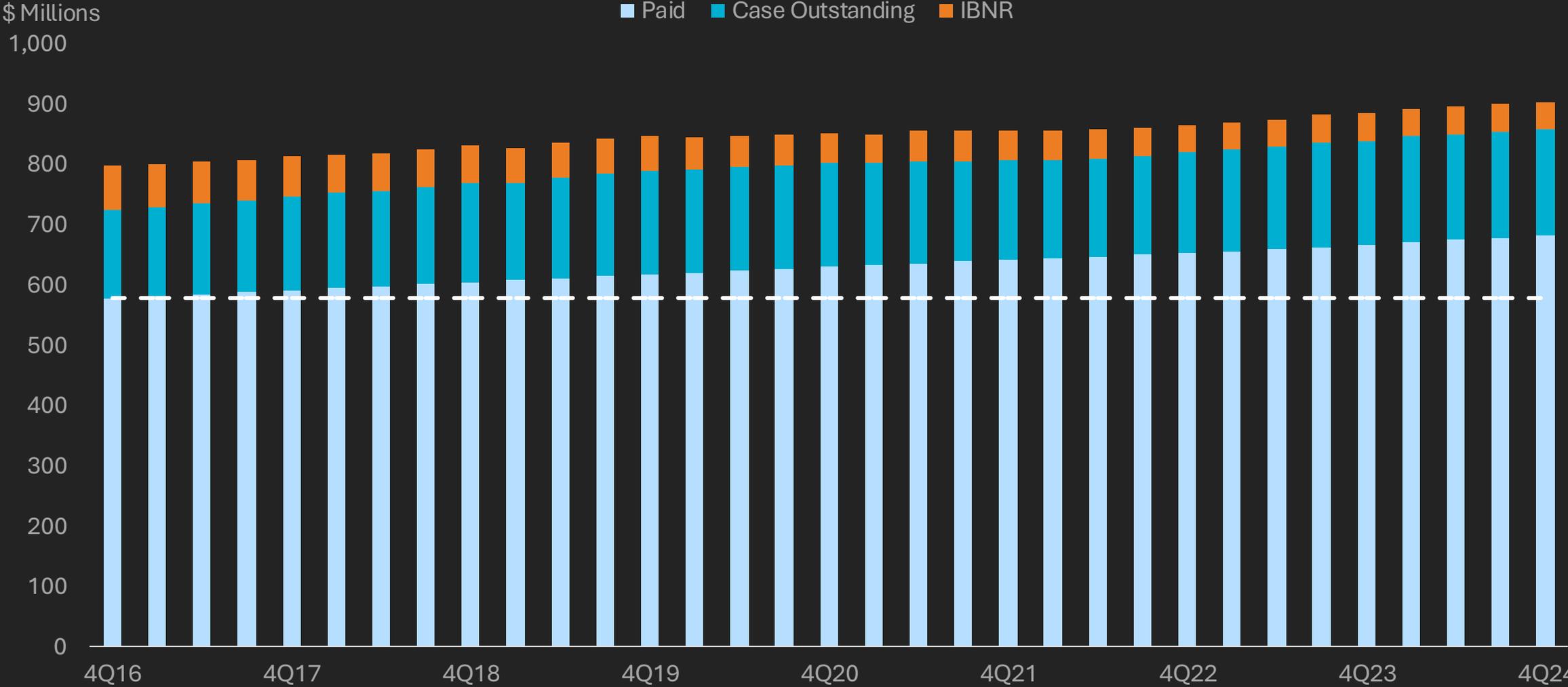
# Open to Reported Accident Year Ratios at Quarter 16



Source: NCCI's Pool Data, based on data through 9/30/2025  
 Lost-time claim counts  
 Note: Traumatic Only

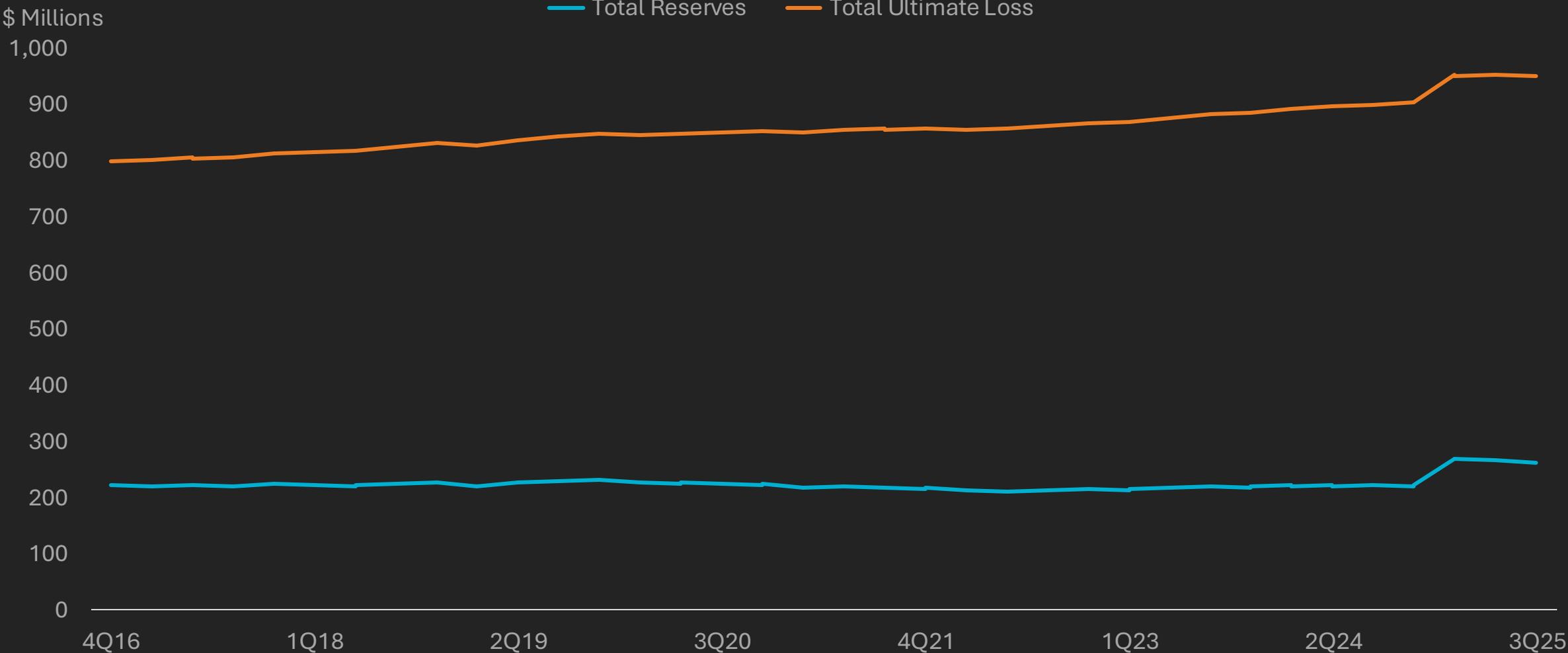
# Cumulative OD Ultimate Losses by Quarter Valuation

Policy Years 1970–2024



Source: NCCI's Pool Data, based on data through 12/31/2024  
Includes states where NCCI provides Pool Administration services; National Pool states only  
Coal Mine Black Lung only

# Change to OD Methodology



Source: NCCI's Pool Data, based on data through 9/30/2025  
Includes states where NCCI provides Pool Administration services; National Pool states only  
Coal Mine Black Lung only

# Key Takeaways

Premium  
is flat

Frequency  
continues to  
decrease while  
severity is  
fluctuating

Combined  
ratios are  
around 100

Development  
is increasing

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