



# Workers Compensation State of the Line Report

Jeff Eddinger, FCAS, MAAA  
Senior Division Executive

July 15, 2021

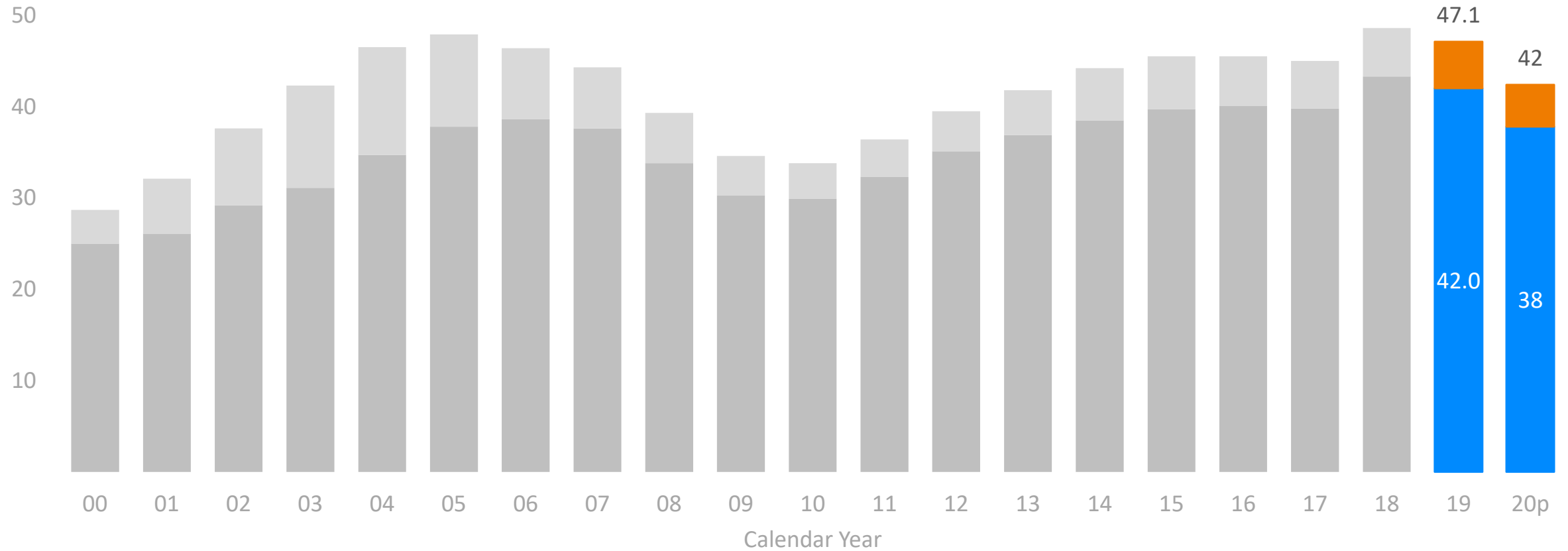


# Workers Compensation Premium

# WC Net Written Premium

Private Carriers and State Funds

\$ Billions



p Preliminary

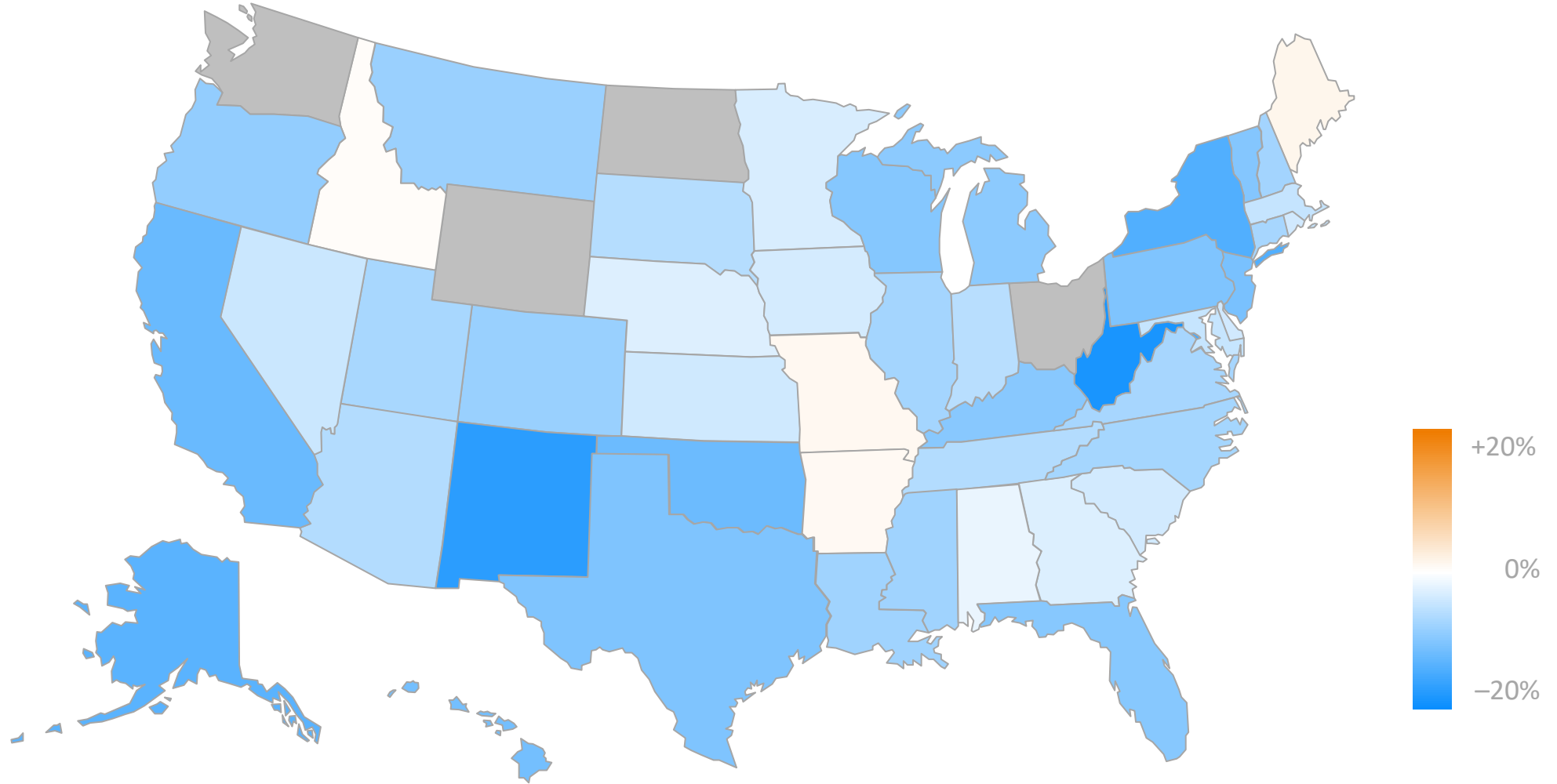
Source: NAIC's Annual Statement data; includes state insurance fund data for the following states: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, and UT  
Each calendar year total for state funds includes all funds operating as a state fund in that year

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# WC Direct Written Premium Change—2020

Private Carriers



Source: 2019 and 2020 NAIC's Annual Statement Statutory Page 14

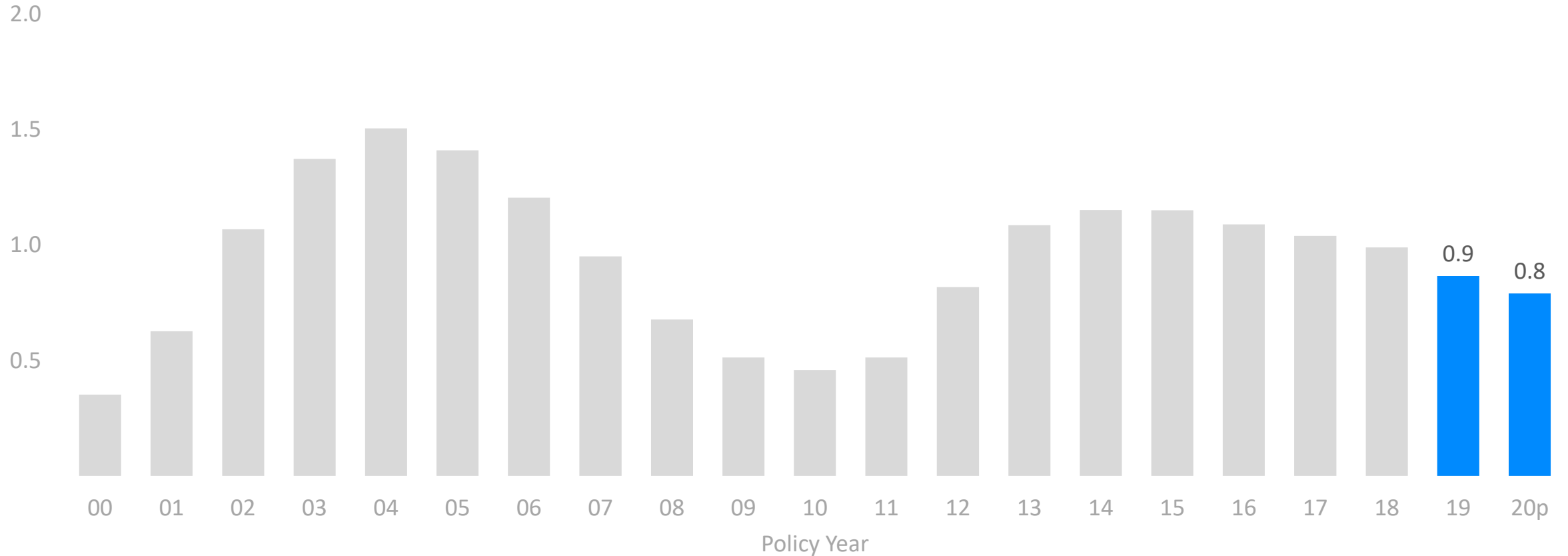
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# WC Residual Market Premium

## NCCI-Serviced WC Residual Market Pools

\$ Billions



p Preliminary, incomplete policy year projected to ultimate

Source: NCCI's **Residual Market Quarterly Results**

Includes Pool data for all NCCI-serviced WC Residual Market Pool states, valued as of 12/31/2020

Tennessee Reinsurance Mechanism premium is not included

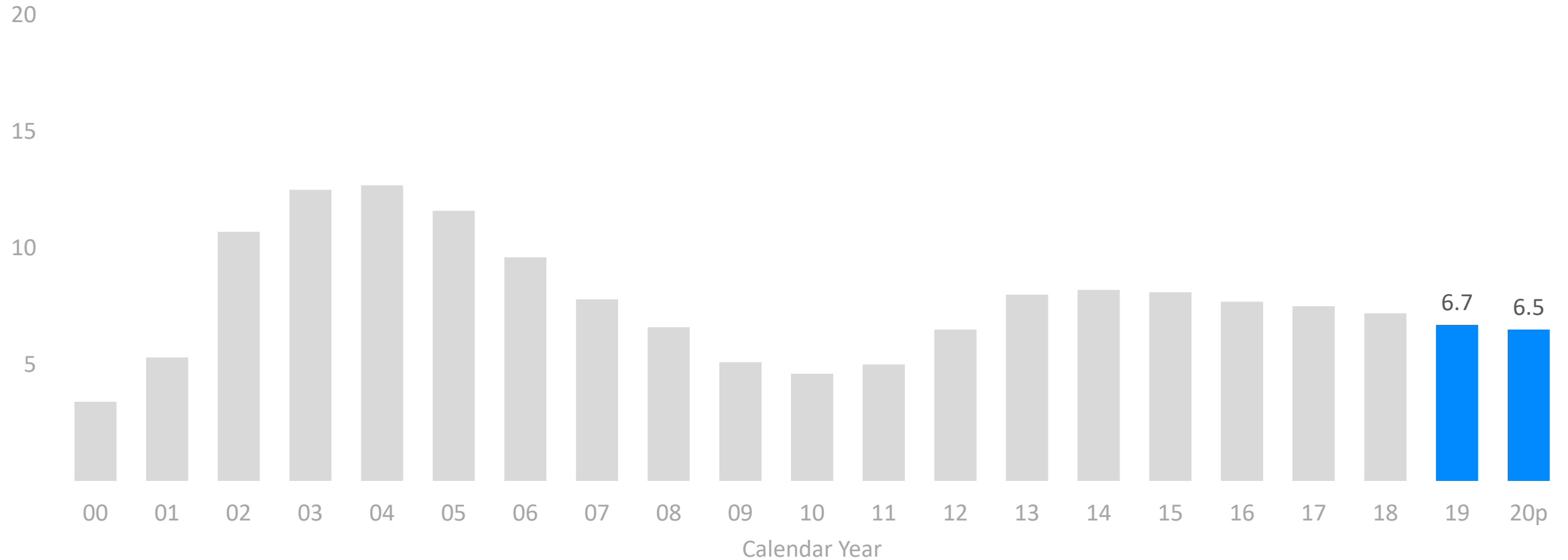
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# WC Residual Market Share

## NCCI-Serviced WC Residual Market Pools

Percent



p Preliminary

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

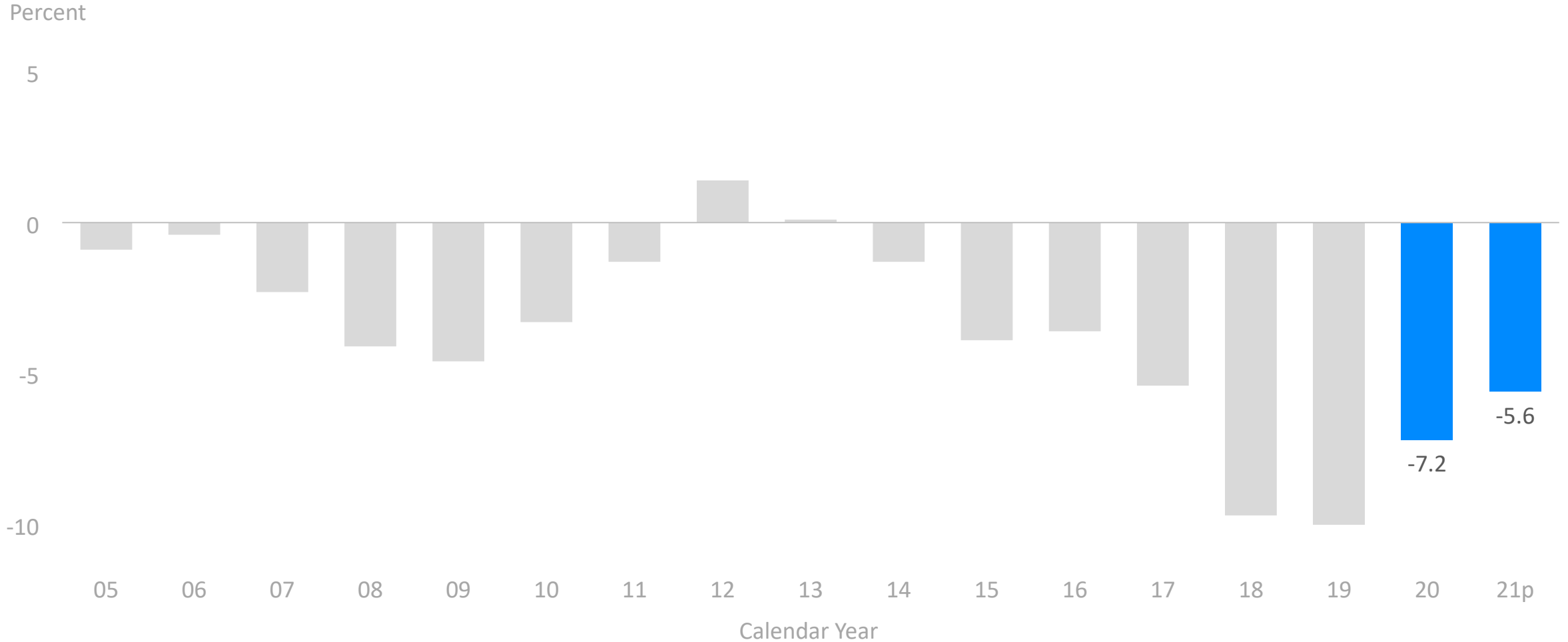
Includes Pool and direct assignment data for all NCCI-serviced WC Residual Market Pool states

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# WC Approved Changes in Bureau Premium Level

Weighted by Effective Date—NCCI States



p Preliminary

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 4/30/2021

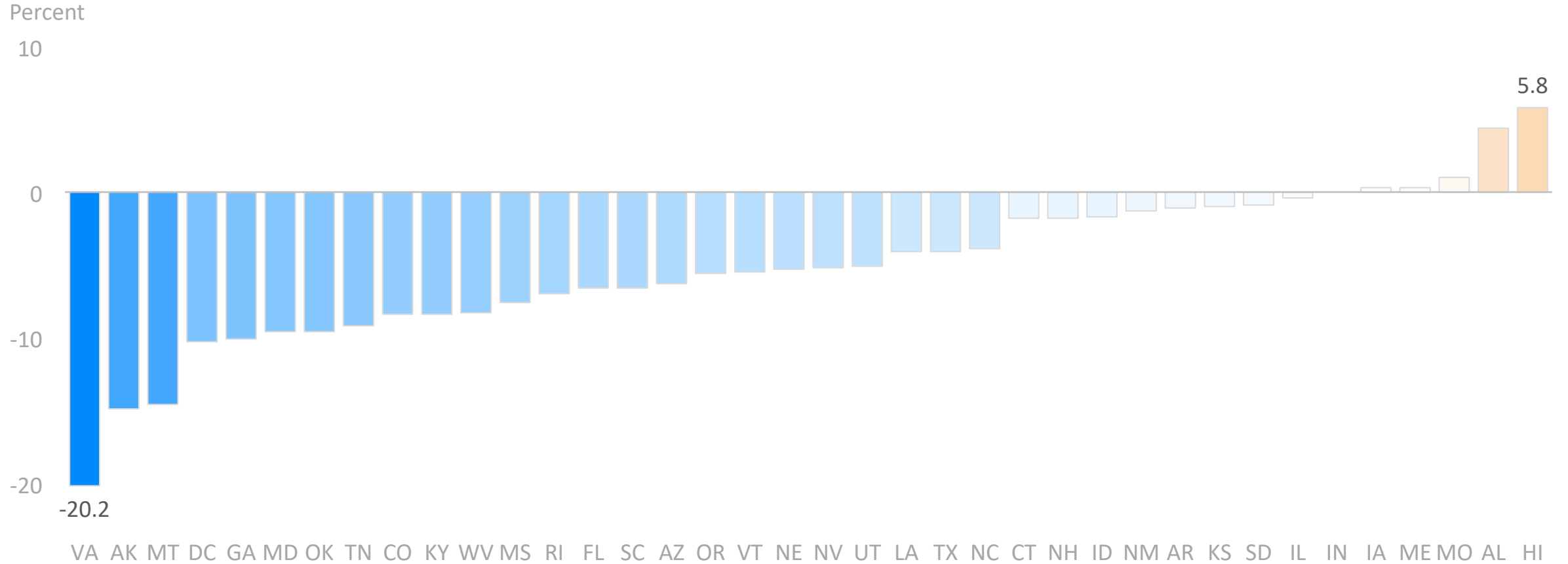
IN and NC are filed in cooperation with state rating bureaus

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# Most Recent Changes in Bureau Premium Level

Voluntary Market, Excludes Law-Only Filings



Premium level changes in advisory rates, loss costs, and rating values, as of 4/30/2021, as filed by the applicable rating organization, relative to those previously approved  
IN and NC are filed in cooperation with state rating bureaus



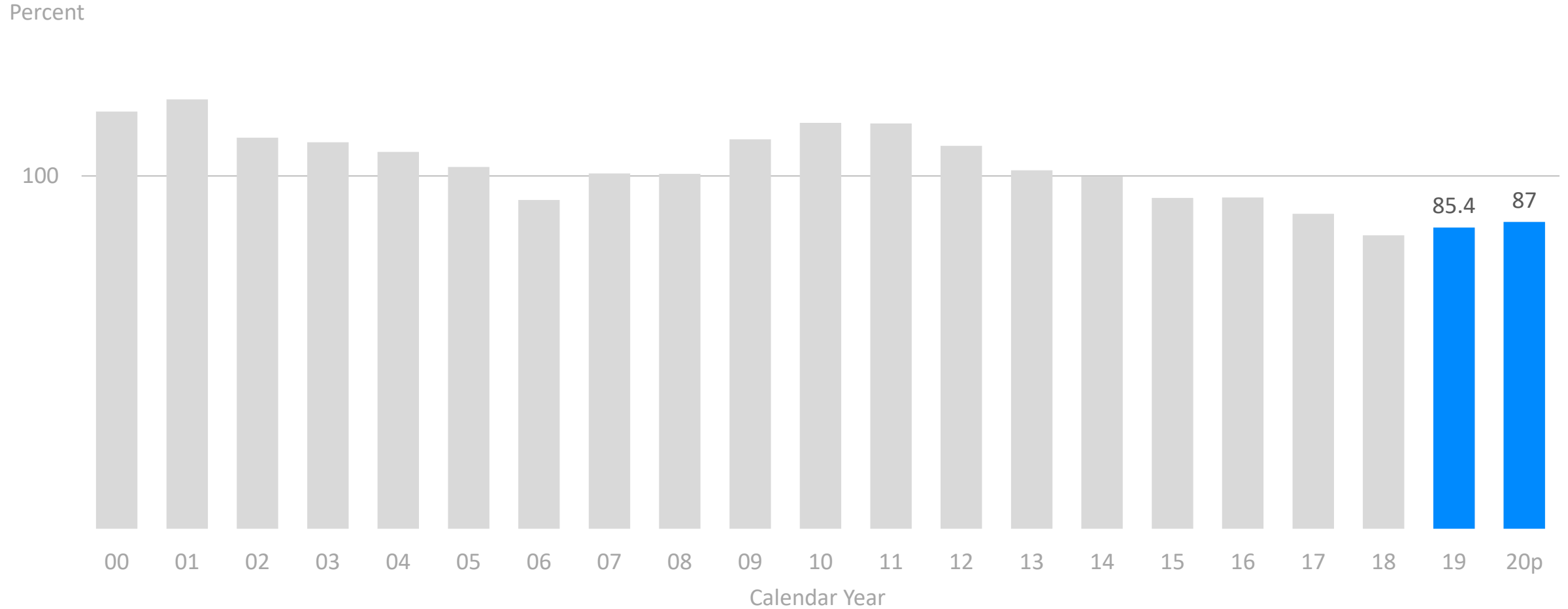




# Workers Compensation Results

# WC Net Combined Ratio

## Private Carriers



p Preliminary  
Source: NAIC's Annual Statement data

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# WC Net Combined Ratio by Component

## Private Carriers



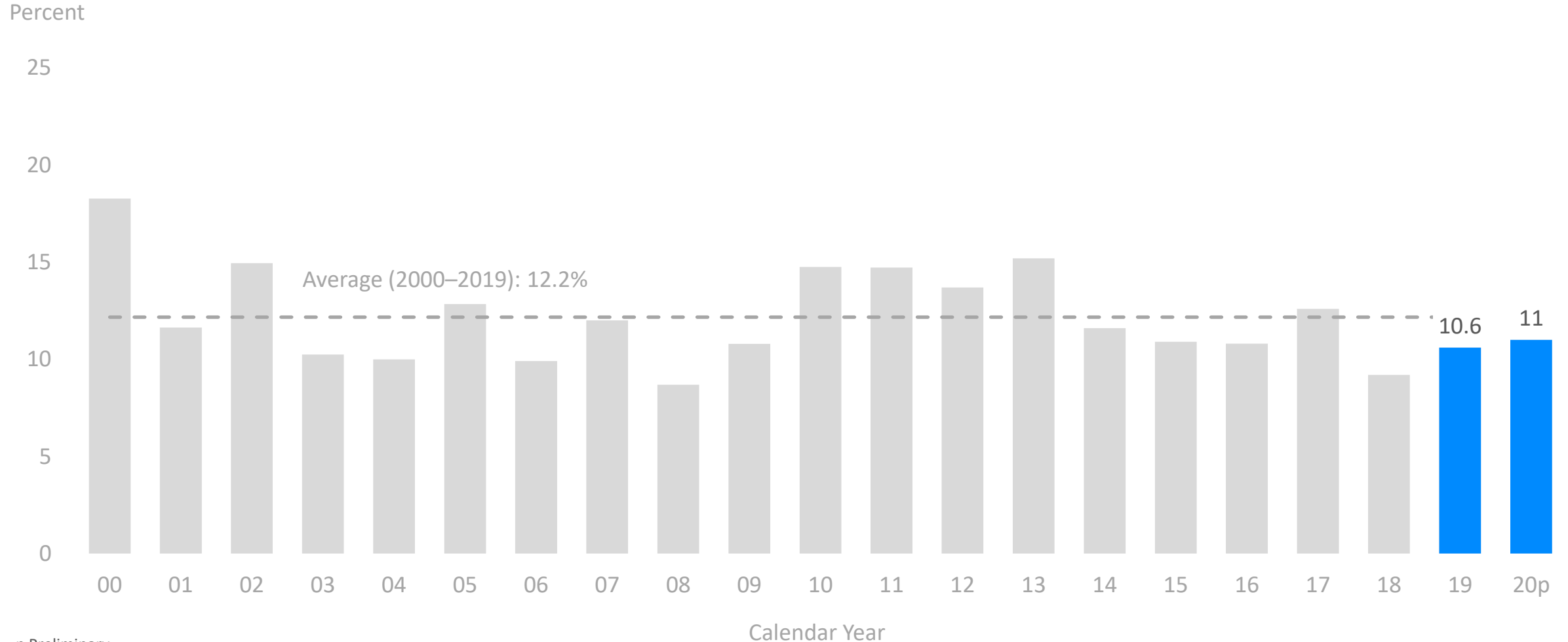
p Preliminary  
Source: NAIC's Annual Statement data

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# WC Investment Gain on Insurance Transactions

Ratio to Net Earned Premium, Private Carriers



p Preliminary

Source: NAIC's Annual Statement data

Investment Gain on Insurance Transactions includes Other Income

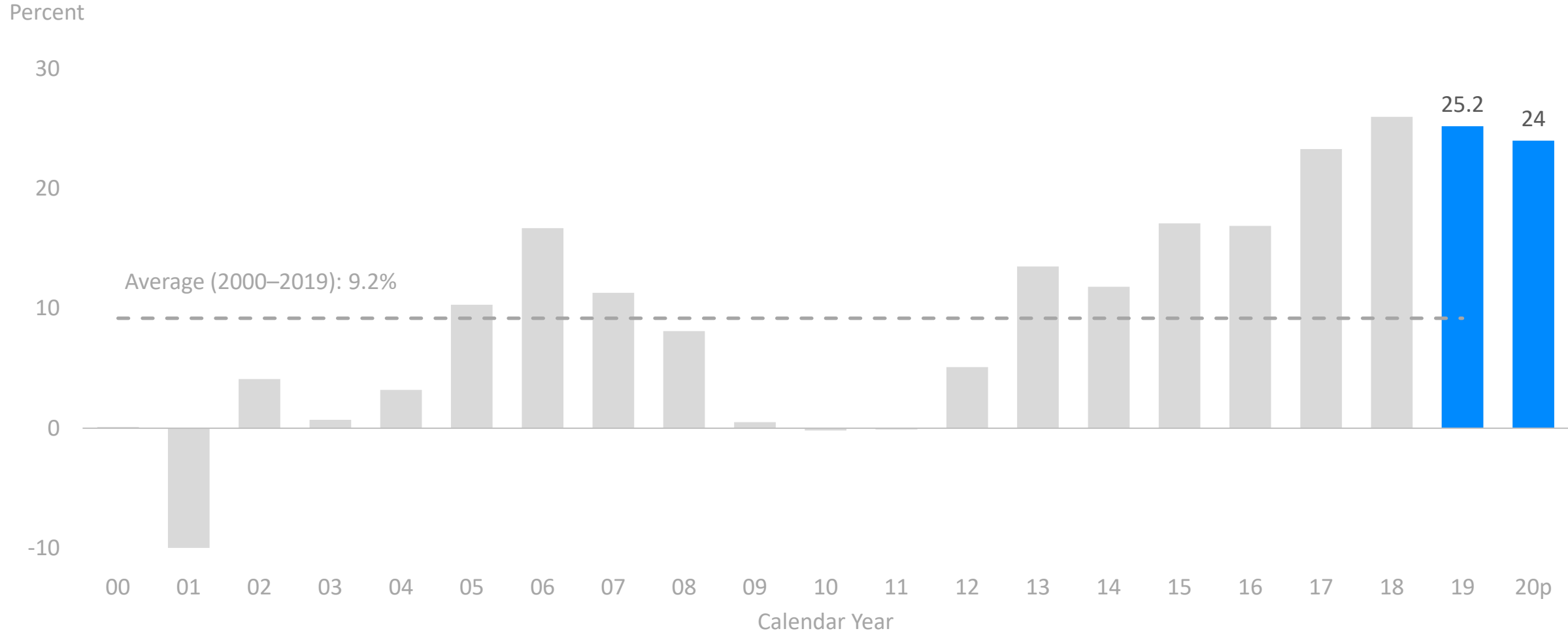
2013 is adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring; unadjusted value is 19.4

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# WC Pretax Operating Gain

## Private Carriers



p Preliminary

Source: NAIC's Annual Statement data

Operating Gain equals 1.00 minus (Combined Ratio less Investment Gain on Insurance Transactions and Other Income)

2013 is adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring; unadjusted value is 17.7

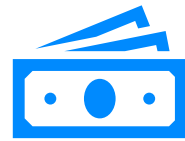




# COVID-19 Claims

# What Our Data Tells Us About COVID-19 Losses

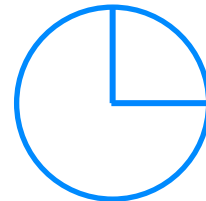
**\$260M** in losses



**45,000** claims



**75%** of claims are lost-time

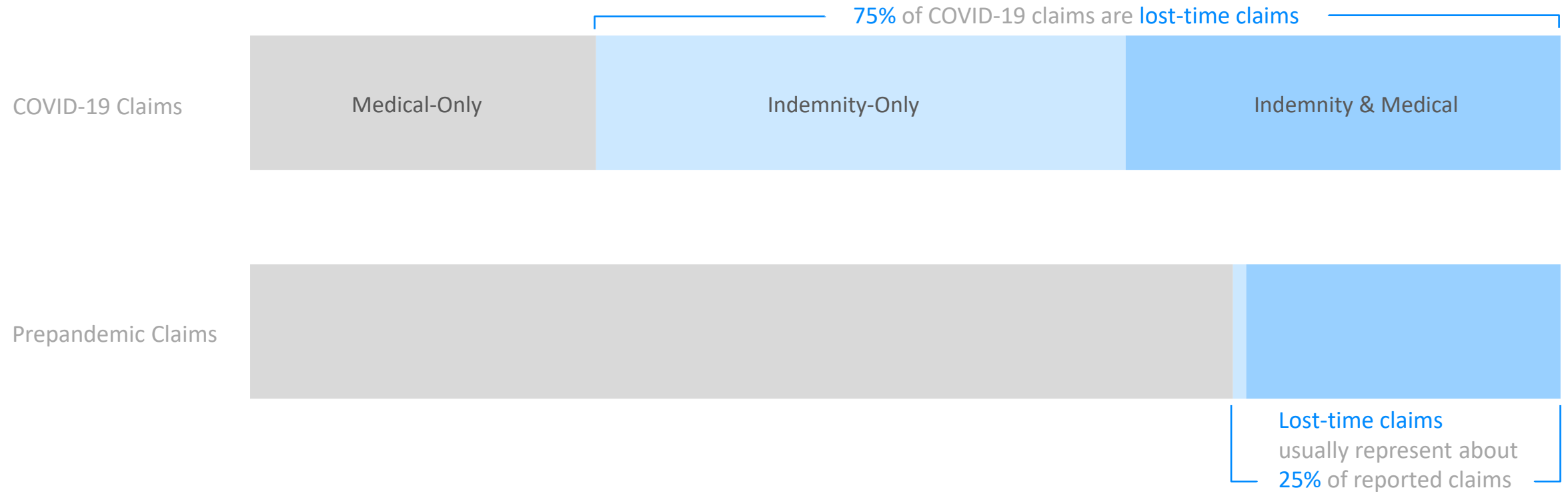


**\$6,000** average severity



# Majority of COVID-19 Claims Are Lost-Time Claims

Private Carriers and State Funds



Sources: COVID-19 Claims: NCCI's Financial Call data through 12/31/2020  
Prepandemic Claims: NCCI's *Statistical Plan* for Policy Year 2018

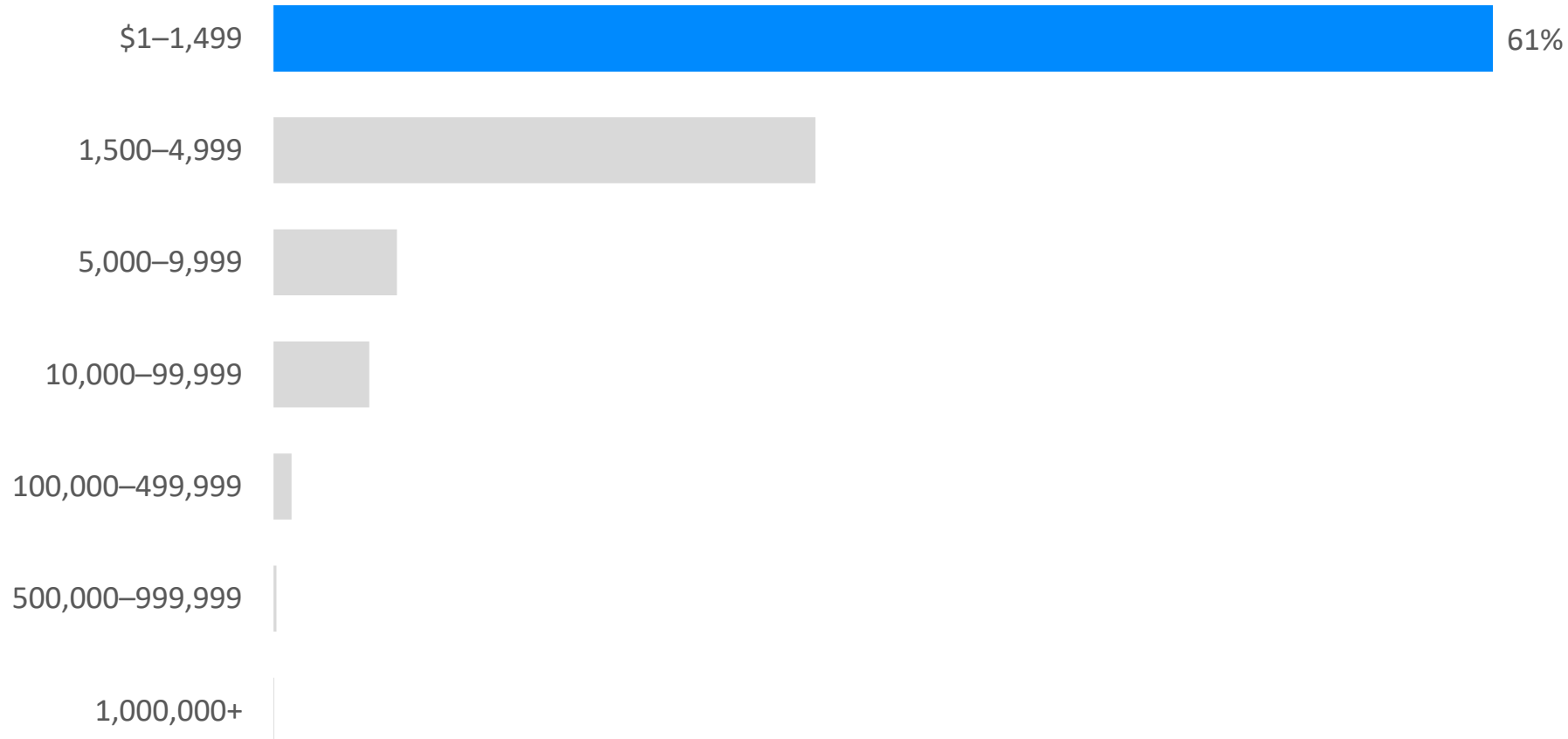
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# COVID-19 Claims by Size of Loss

Private Carriers and State Funds



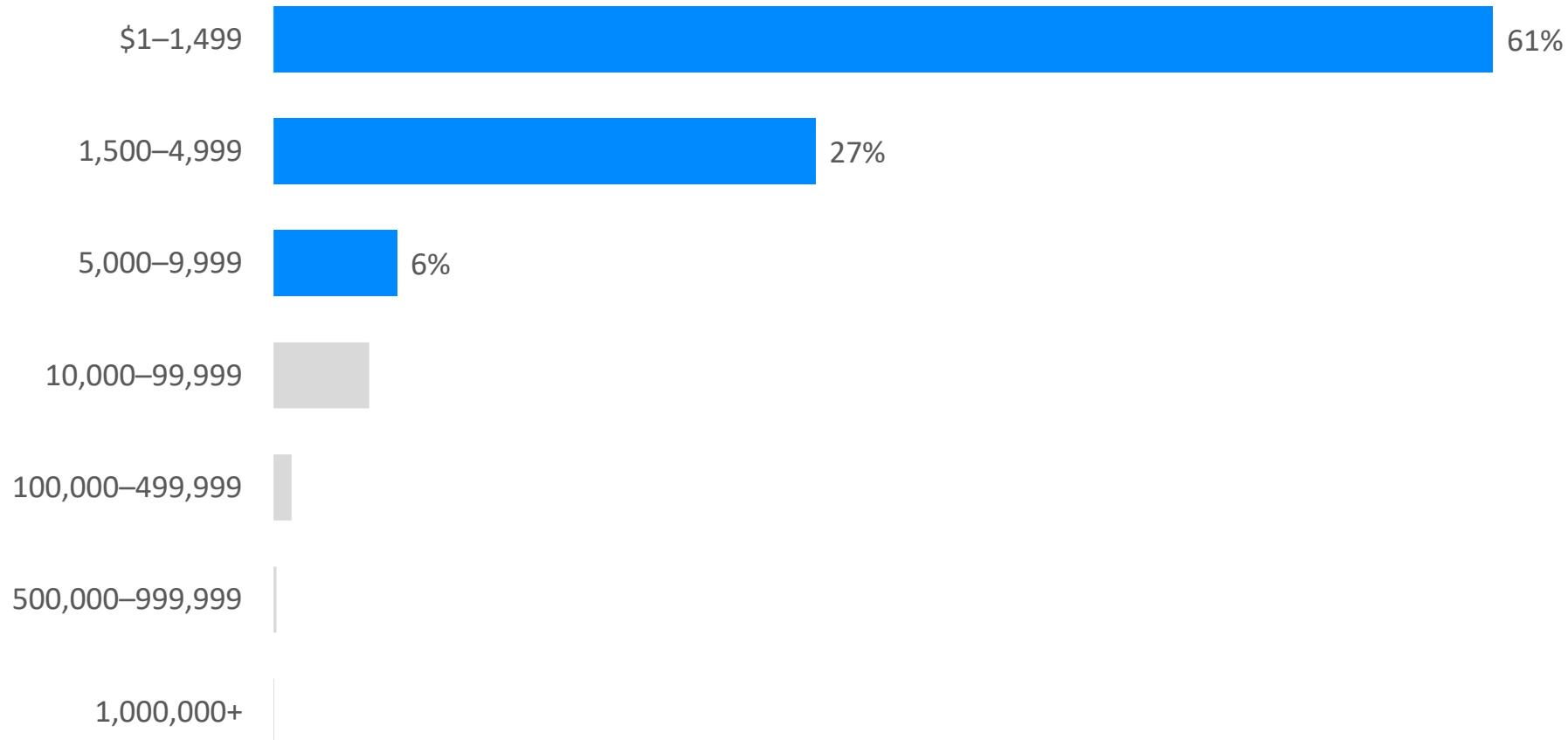
Source: NCCI's Financial Call data through 12/31/2020  
Indemnity and Medical Paid+Case Losses

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# COVID-19 Claims by Size of Loss

Private Carriers and State Funds



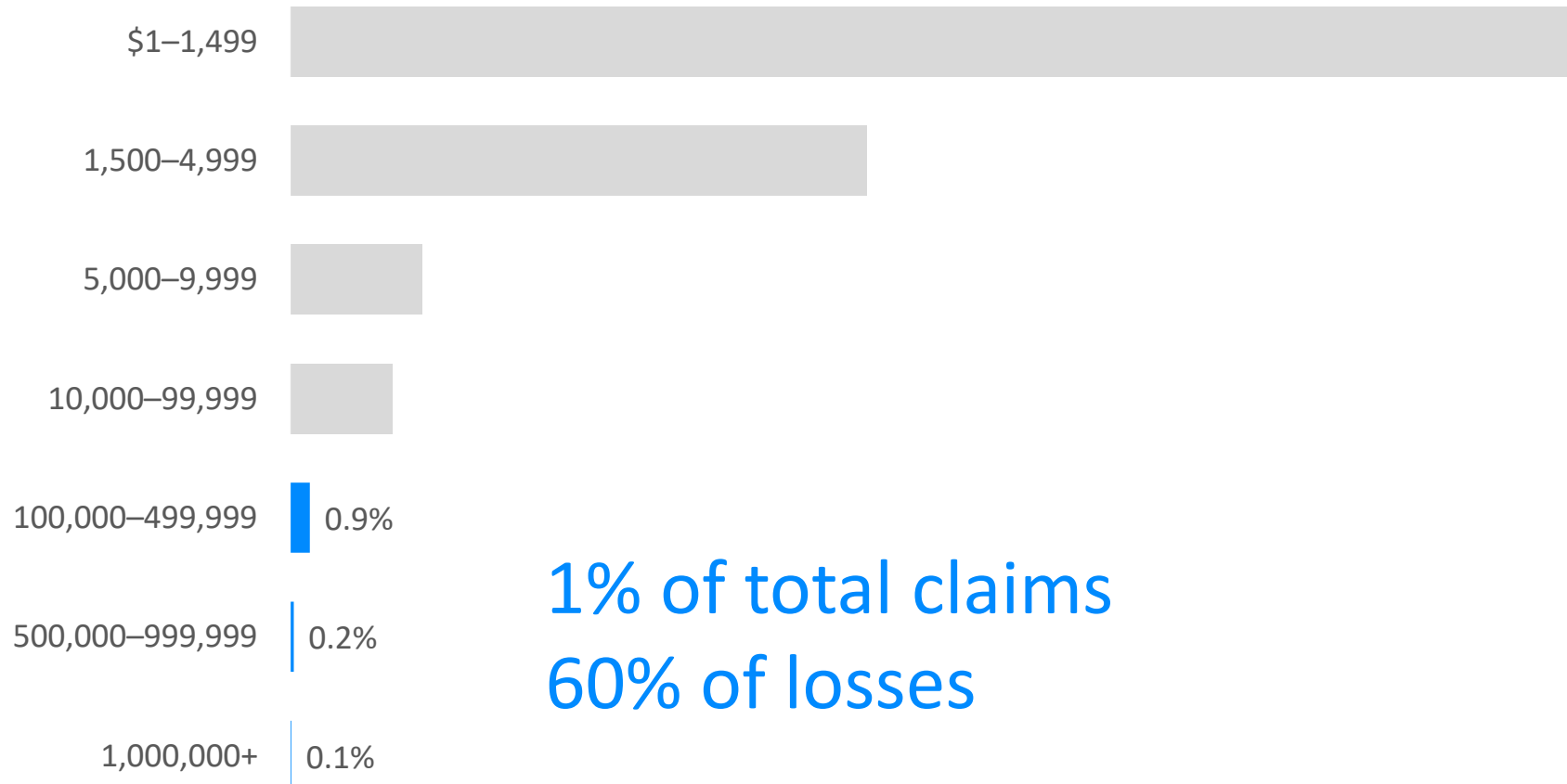
Source: NCCI's Financial Call data through 12/31/2020  
Indemnity and Medical Paid+Case Losses

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# COVID-19 Claims by Size of Loss

Private Carriers and State Funds



Source: NCCI's Financial Call data through 12/31/2020  
Indemnity and Medical Paid+Case Losses

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# Distribution of COVID-19 Claims by Industry

Private Carriers and State Funds

Healthcare and First Responders accounted for almost 75% of all COVID-19 claims

Nursing or Convalescent Home



Other Healthcare



First Responders



Sources: NCCI's Financial Call data through 12/31/2020 and NCCI's Policy data

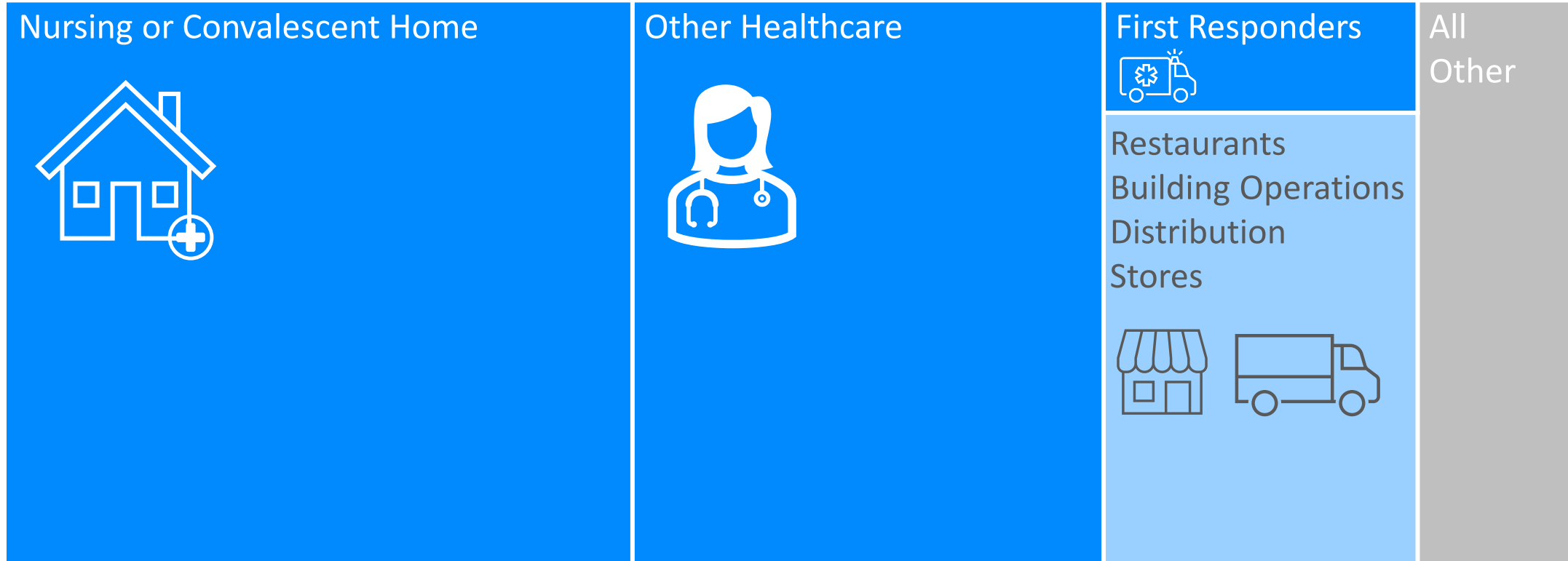
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Private Carriers and State Funds

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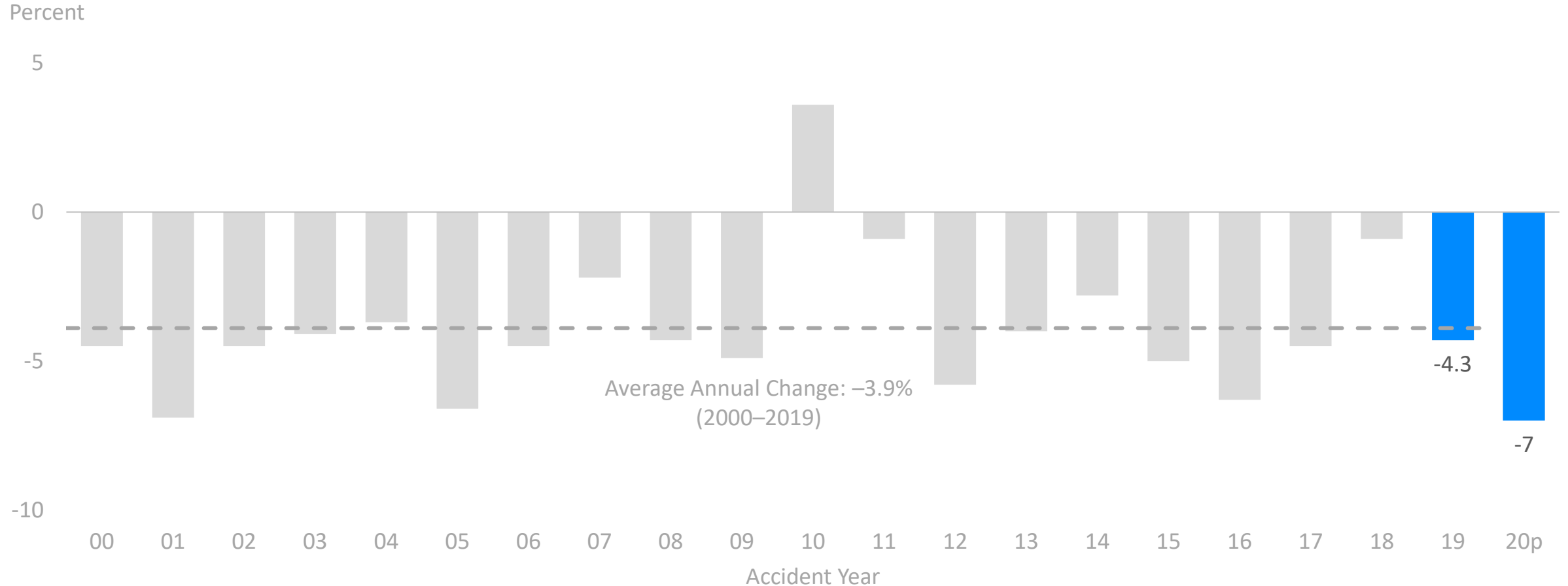




# Workers Compensation Loss Drivers

# WC Lost-Time Claim Frequency

Change in 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 12/31/2020; excludes COVID-19 claims

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 12/31/2019

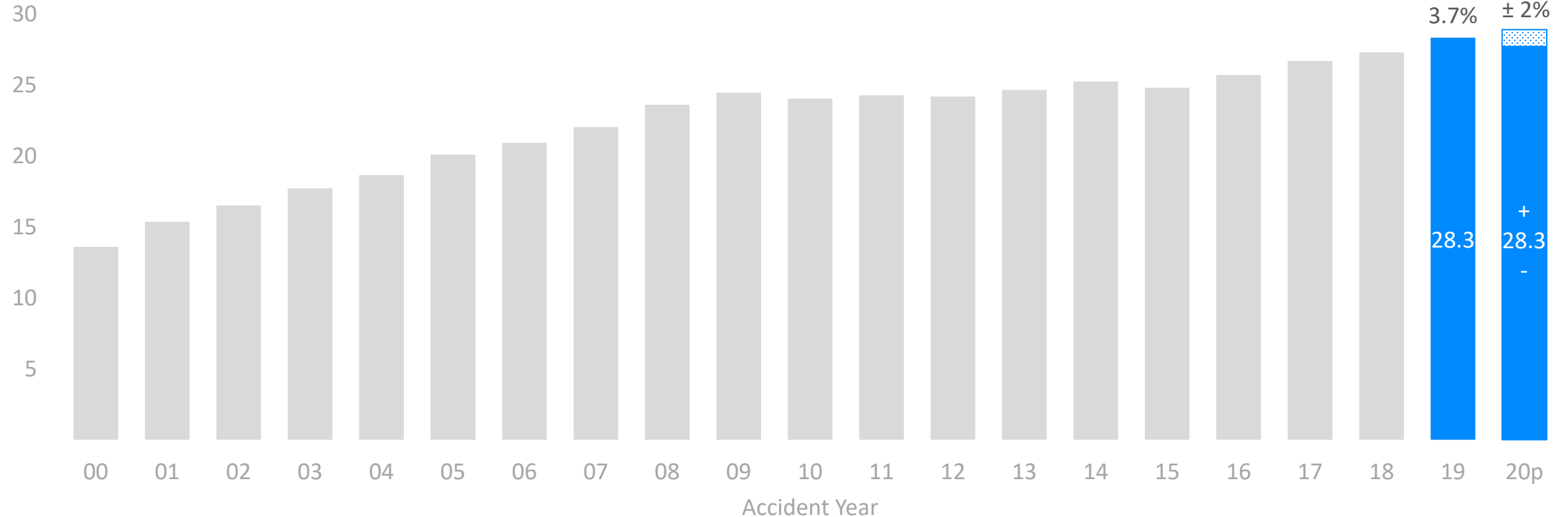
Includes all states where NCCI provides ratemaking services; NV is excluded through 2001, TX is excluded through 2006, and WV is excluded through 2011



# WC Average 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; excludes COVID-19 claims

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2019

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

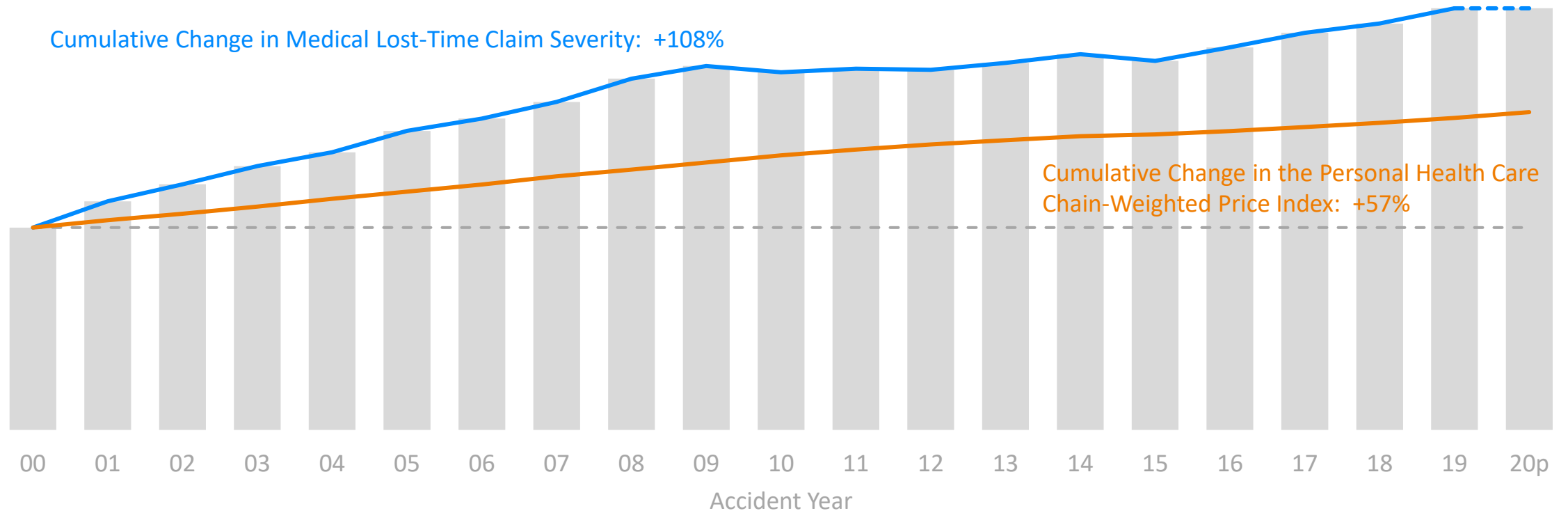
Includes all states where NCCI provides ratemaking services, WV is excluded prior to 2010, TX is excluded prior to 2006, and NV is excluded prior to 2004





# WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2020; excludes COVID-19 claims

Sources: Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2019

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

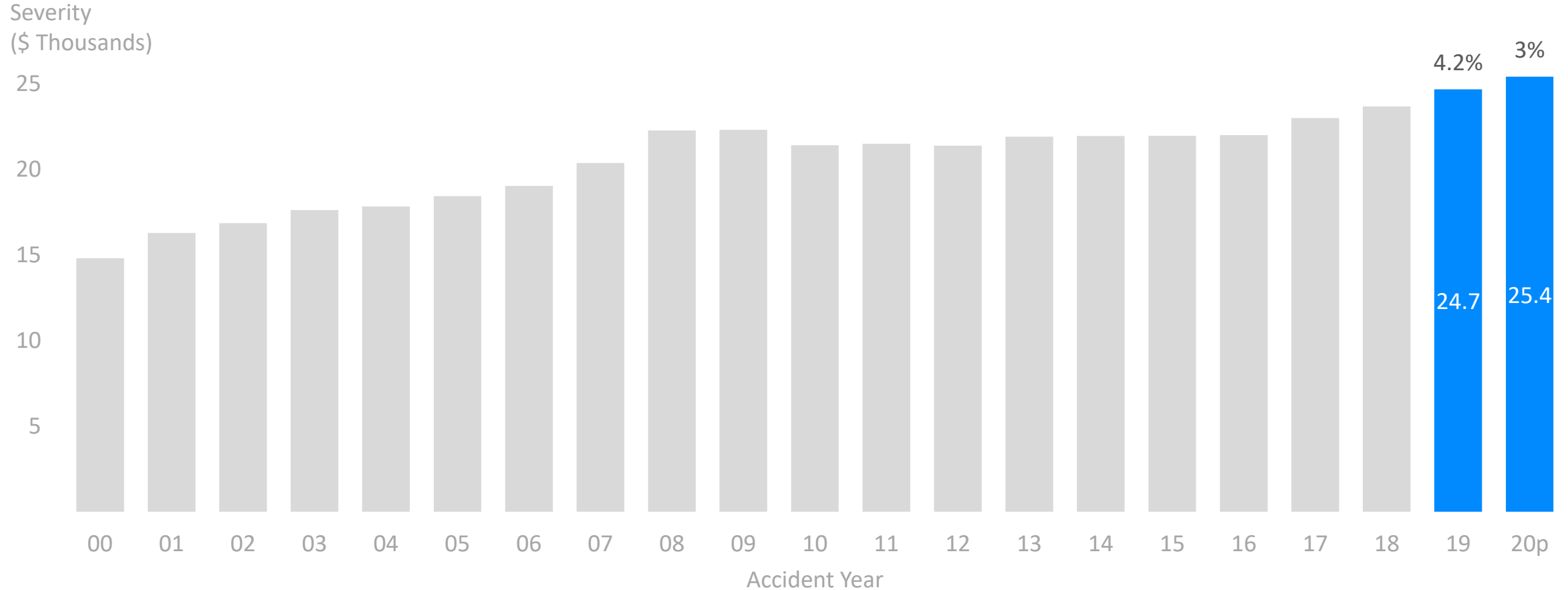
Includes all states where NCCI provides ratemaking services, WV is excluded prior to 2010, TX is excluded prior to 2006, and NV is excluded prior to 2004

PHC Chain-Weighted Price Index: Centers for Medicare & Medicaid Services



# WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2020; excludes COVID-19 claims

Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2019

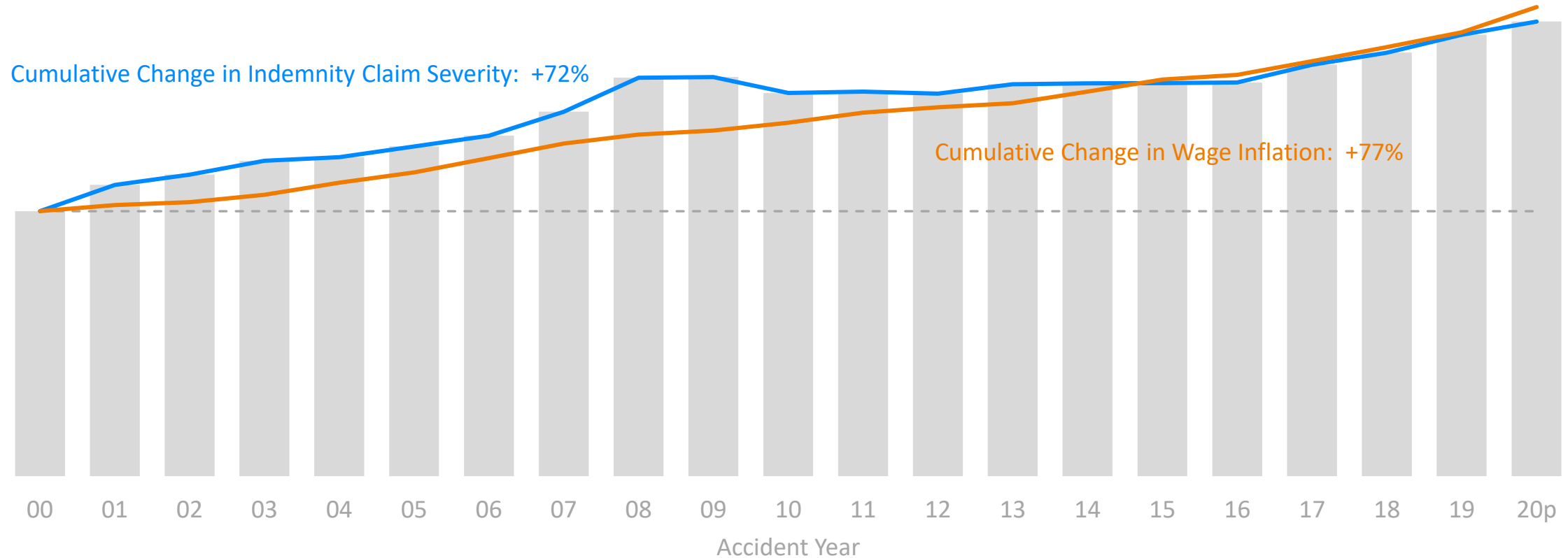
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services, WV is excluded prior to 2010, TX is excluded prior to 2006, and NV is excluded prior to 2004



# WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2020; excludes COVID-19 claims

Sources: US Average Weekly Wage: 2000–2007 and 2012–2019 Quarterly Census of Employment and Wages, US Bureau of Labor Statistics; 2008–2011 NCCI; and 2020p NCCI and Moody's Analytics

Severity: NCCI's Financial Call data, developed to ultimate, 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, WV is excluded prior to 2010, TX is excluded prior to 2006, and NV is excluded prior to 2004



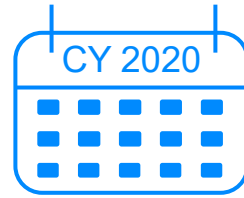
# 2020 Workers Compensation Highlights



Net written premium decreased by

10%

Reported combined ratios:



87%



100%



\$14B

reserve redundancy

Excluding COVID-19 claims:



Claim frequency declined by

7%

Indemnity severity increased 3%

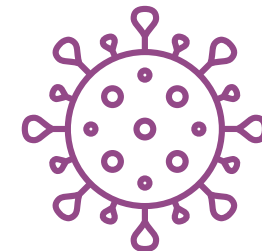


Medical severity expected to change within -2% to +2%



\$260M

reported COVID-19 losses



# Looking Ahead in 2021: Keep an Eye on These Topics



Future COVID-19 **Variants/Surges**



**Premium Recovery** for WC



Impact of **Vaccines**



**Permanent Disability**



Retroactive **Presumptions**



**Loss Development**

Is 2020 purely an anomaly or will there be lasting effects?



# Questions?