



The Source You Trust

# State of the Line Report

**Donna Glenn, FCAS, MAAA**

Chief Actuary

NCCI



# Property & Casualty (P&C) Industry Results



# P&C Industry Net Written Premium Growth

## Private Carriers

Line of Business	2020 (\$B)	2021p (\$B)	% Change From 2020
Personal Auto	243.3	252.8	
Homeowners	96.2	103.4	
Other Liability (Incl. Product Liability)	73.5	88.4	
Commercial Auto	39.9	46.0	
Commercial Multi-Peril	40.9	43.5	
Fire & Allied Lines (Incl. Earthquake)	35.7	41.8	
Workers Compensation	38.0	38.3	0.7
All Other Lines	82.4	94.1	
<b>Total P&amp;C Industry</b>	<b>650.1</b>	<b>708.2</b>	<b>8.9</b>

p Preliminary

Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers

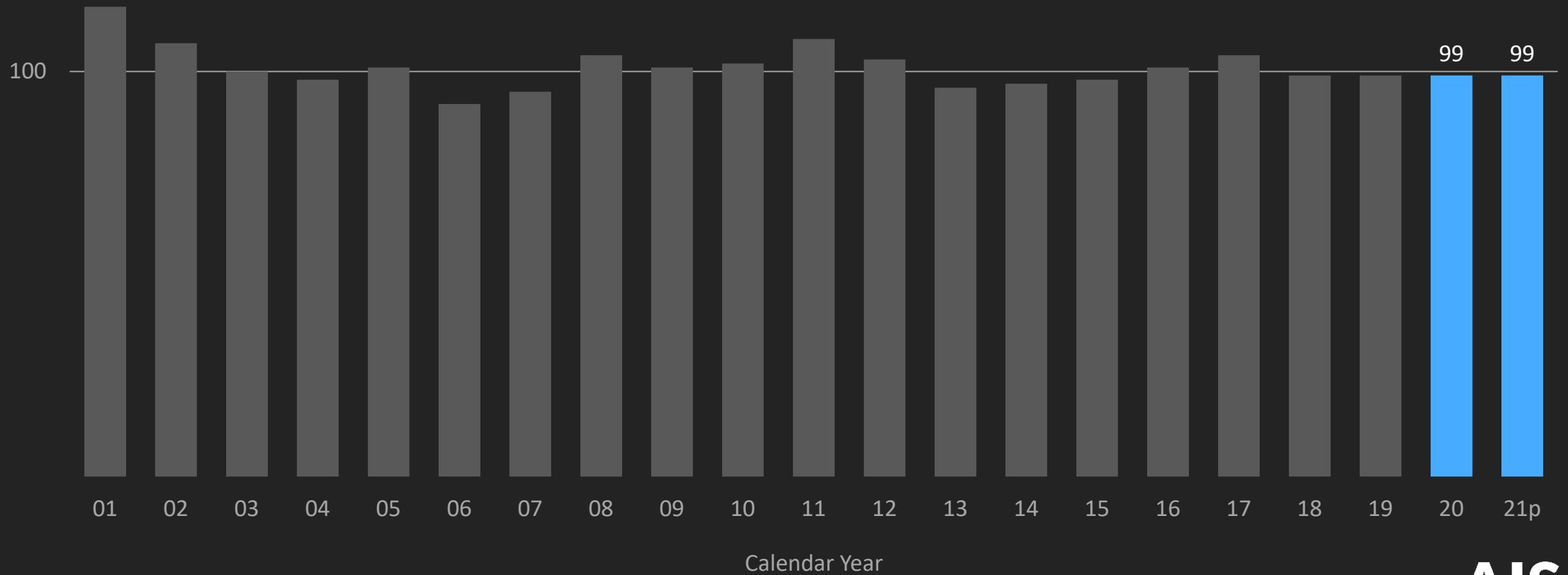
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# P&C Industry Net Combined Ratio

Private Carriers

Percent



p Preliminary

Sources: 2001–2008 and 2013–2021p NAIC's Annual Statement data; 2009–2012 Insurance Services Office (ISO)

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# P&C Industry Net Combined Ratio

## Private Carriers

Line of Business	2020 (%)	2021p (%)	Difference From 2020
Personal Auto	93	101	8
Homeowners	107	104	-3
Other Liability (Incl. Product Liability)	105	97	-8
Commercial Auto	102	99	-3
Commercial Multi-Peril	110	106	-4
Fire & Allied Lines (Incl. Earthquake)	103	99	-4
Workers Compensation	87	87	0
All Other Lines	98	92	-6
<b>Total P&amp;C Industry</b>	<b>99</b>	<b>99</b>	<b>0</b>

p Preliminary

Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers

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# Today's Workers Compensation Environment

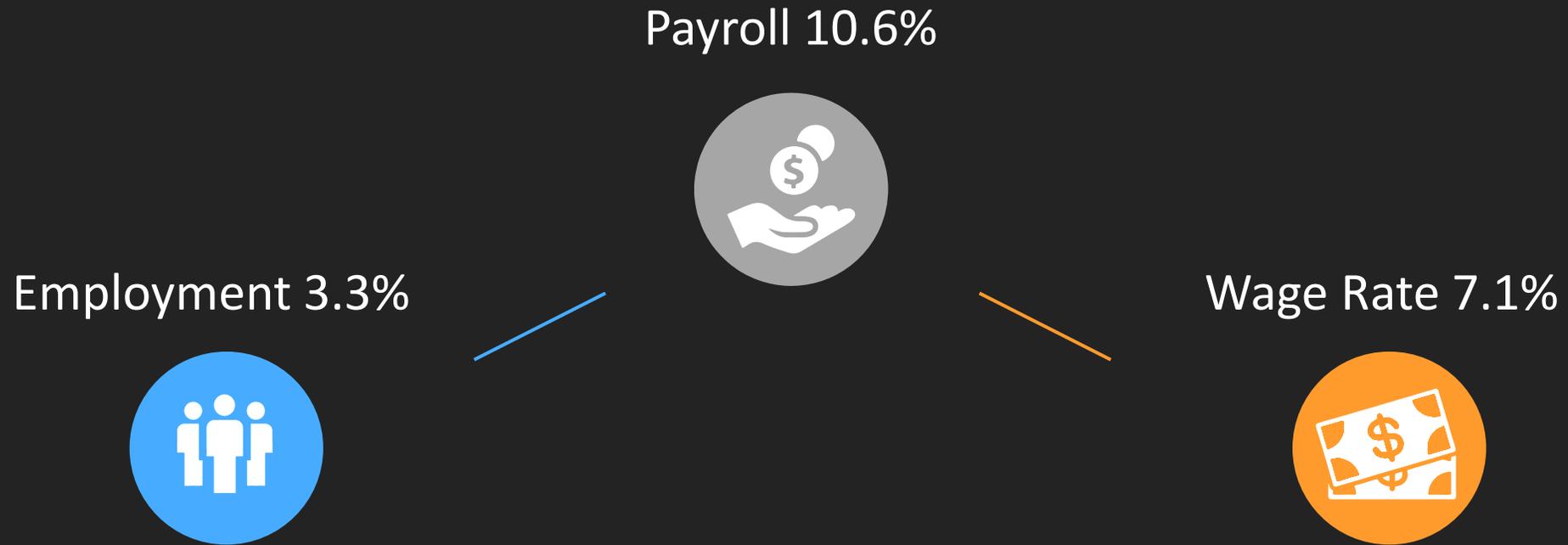


# Economic Environment



# Workplace Environment

Changes in Payroll by Component 2020–2021



Sources: US Bureau of Labor Statistics; US Bureau of Economic Analysis; NCCI

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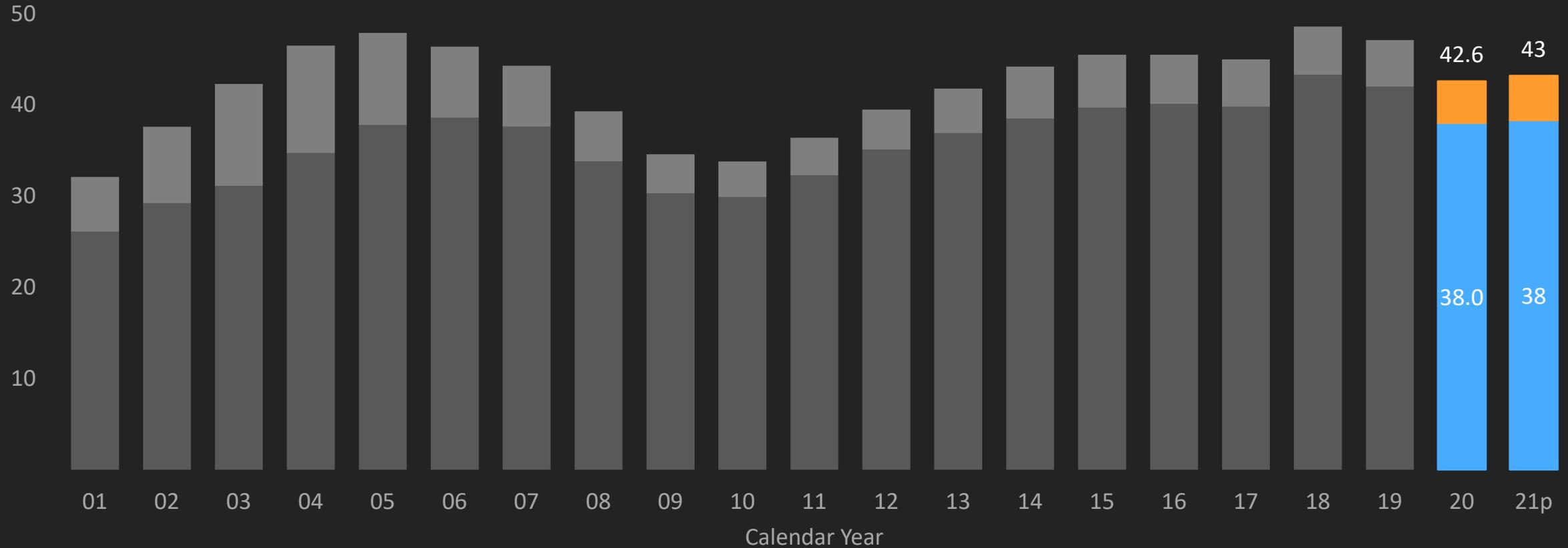
# Workers Compensation (WC) Premium



# 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

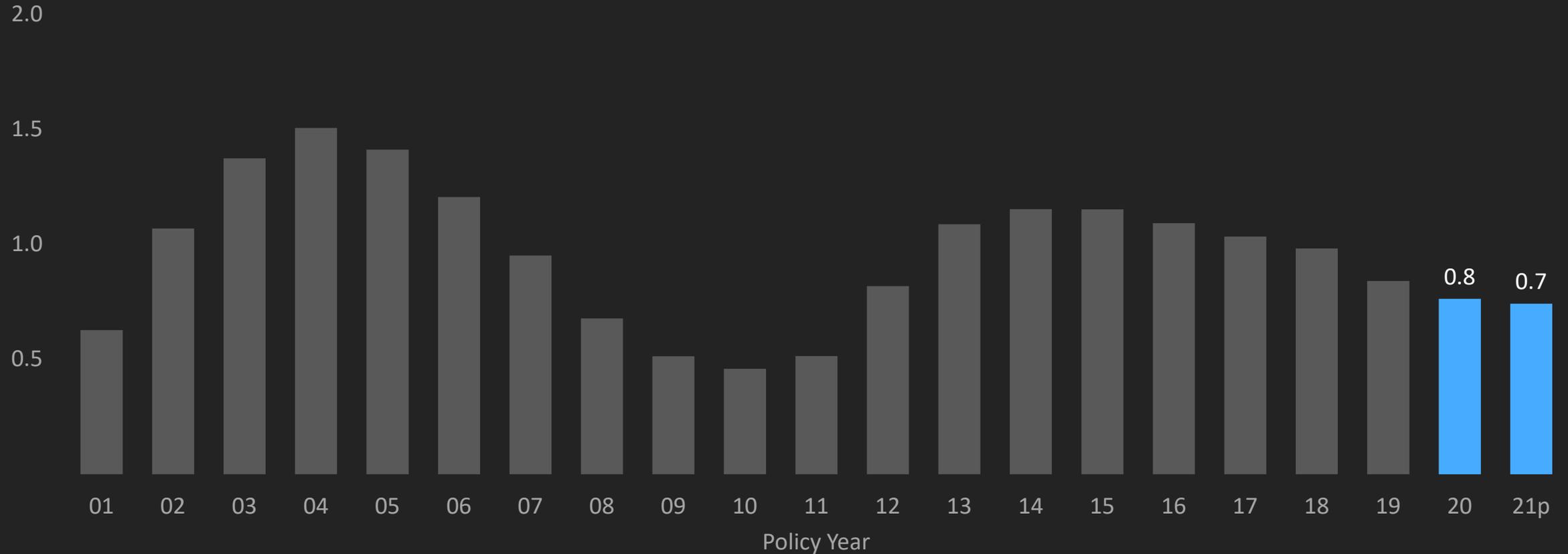
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# WC Residual Market Premium

## 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 12/31/2021

Tennessee Reinsurance Mechanism premium is not included

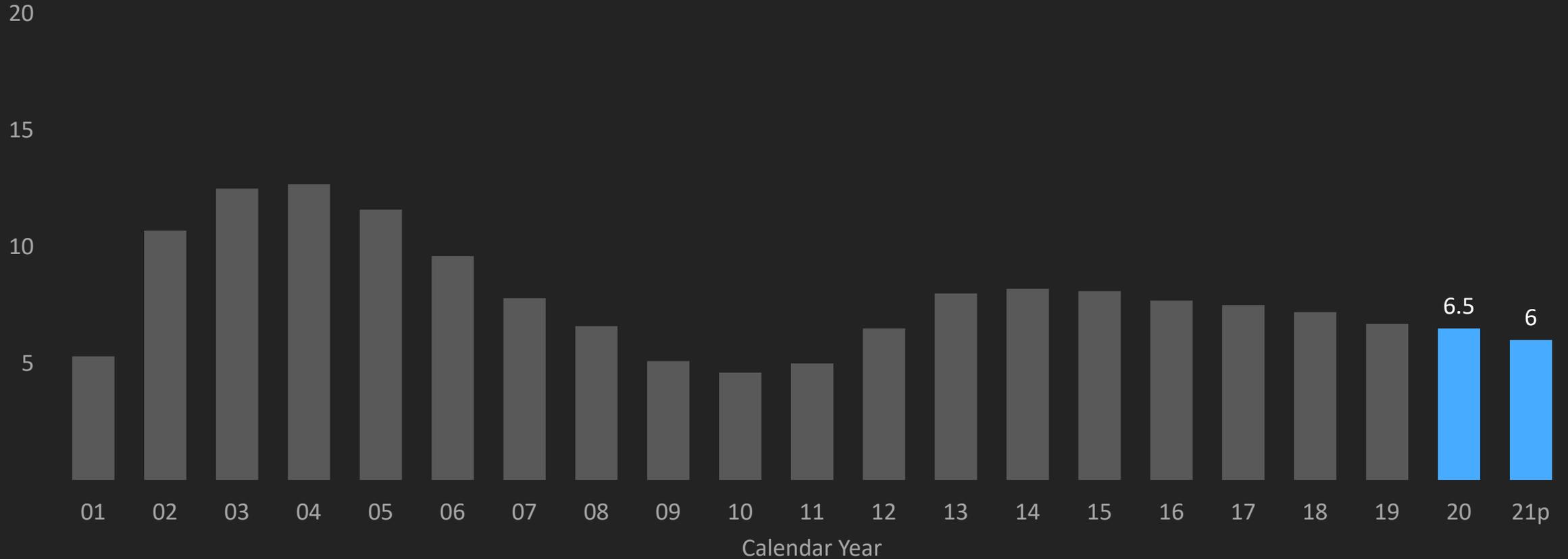
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# WC Residual Market Share

## NCCI-Serviced WC Residual Market Pools

Percent



p Preliminary

Source: NCCI's *Residual Market Management Summary*

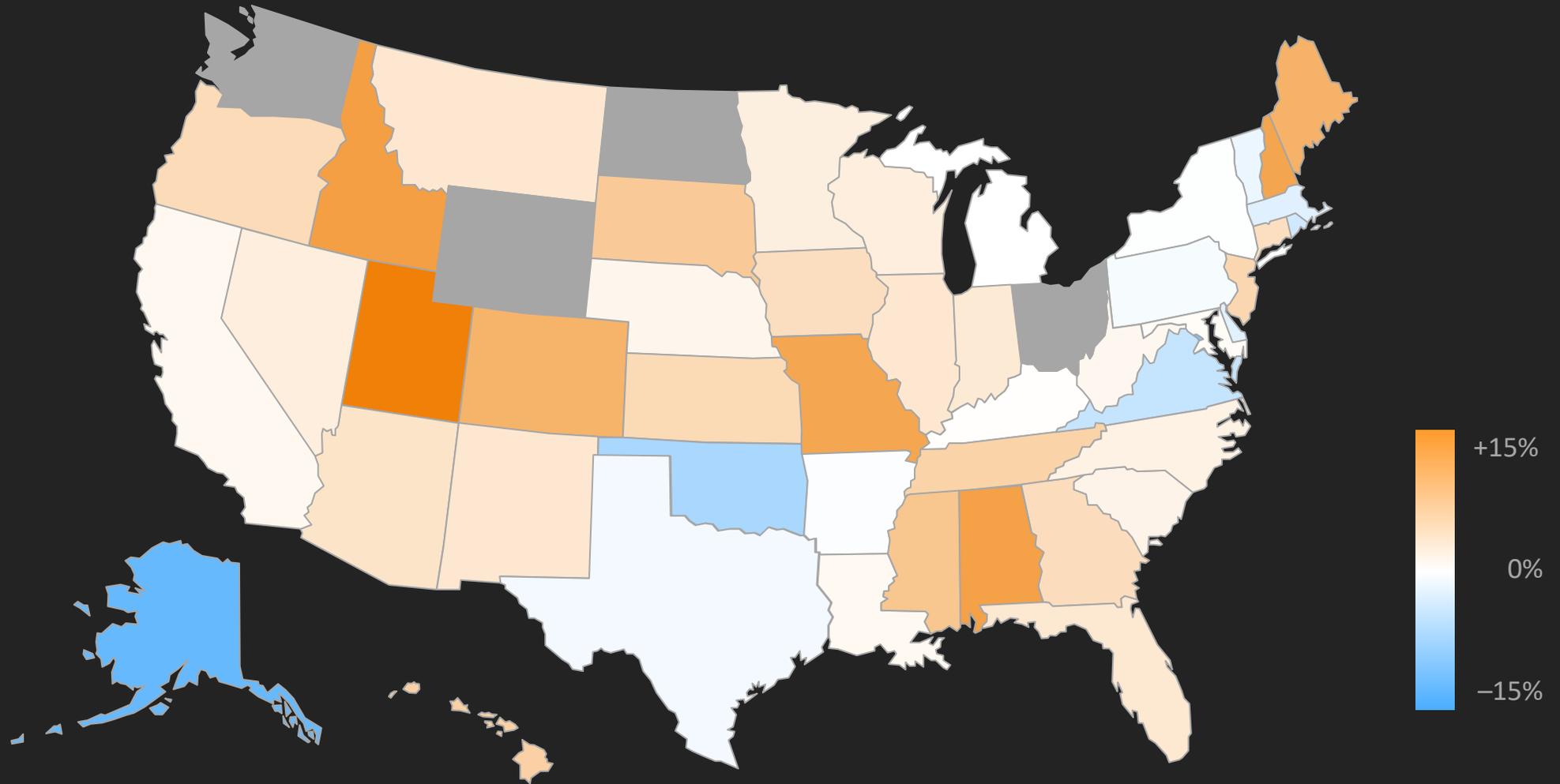
Includes Pool and direct assignment data for all NCCI-serviced WC Residual Market Pool states

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# WC Direct Written Premium Change—2021

Private Carriers



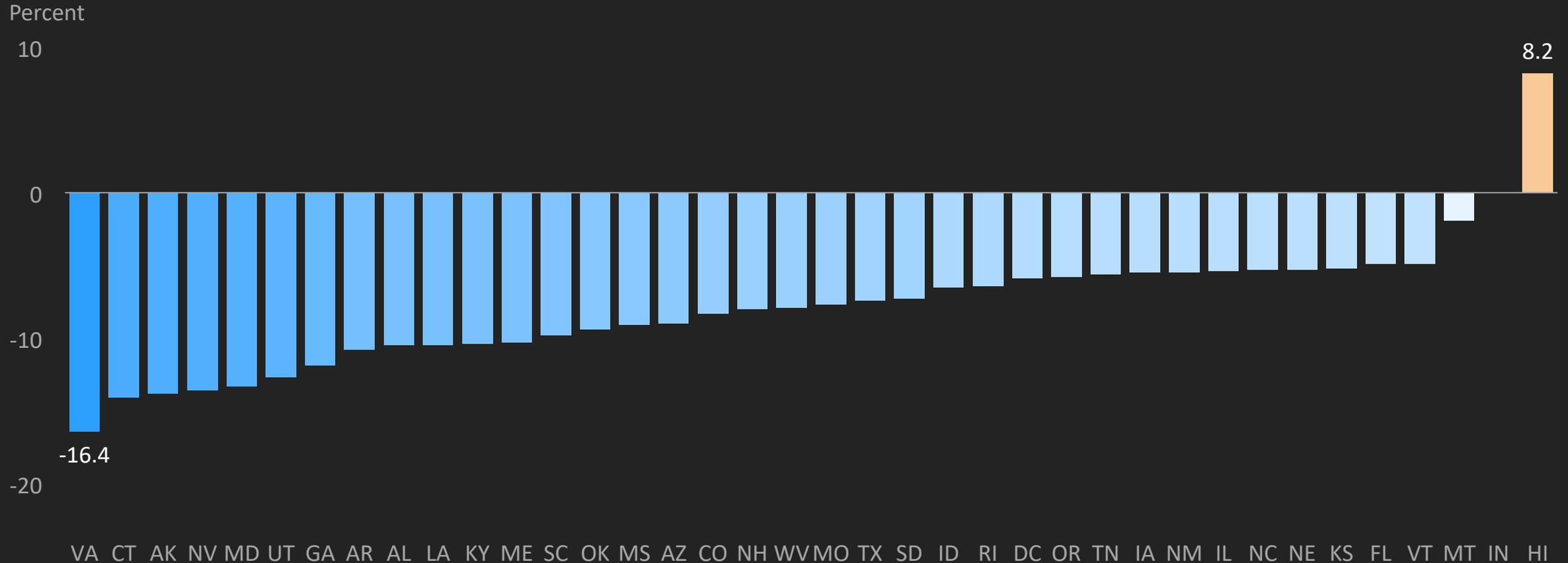
Source: 2020 and 2021 NAIC's Annual Statement Statutory Page 14

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# Most Recent Changes in Bureau Premium Level

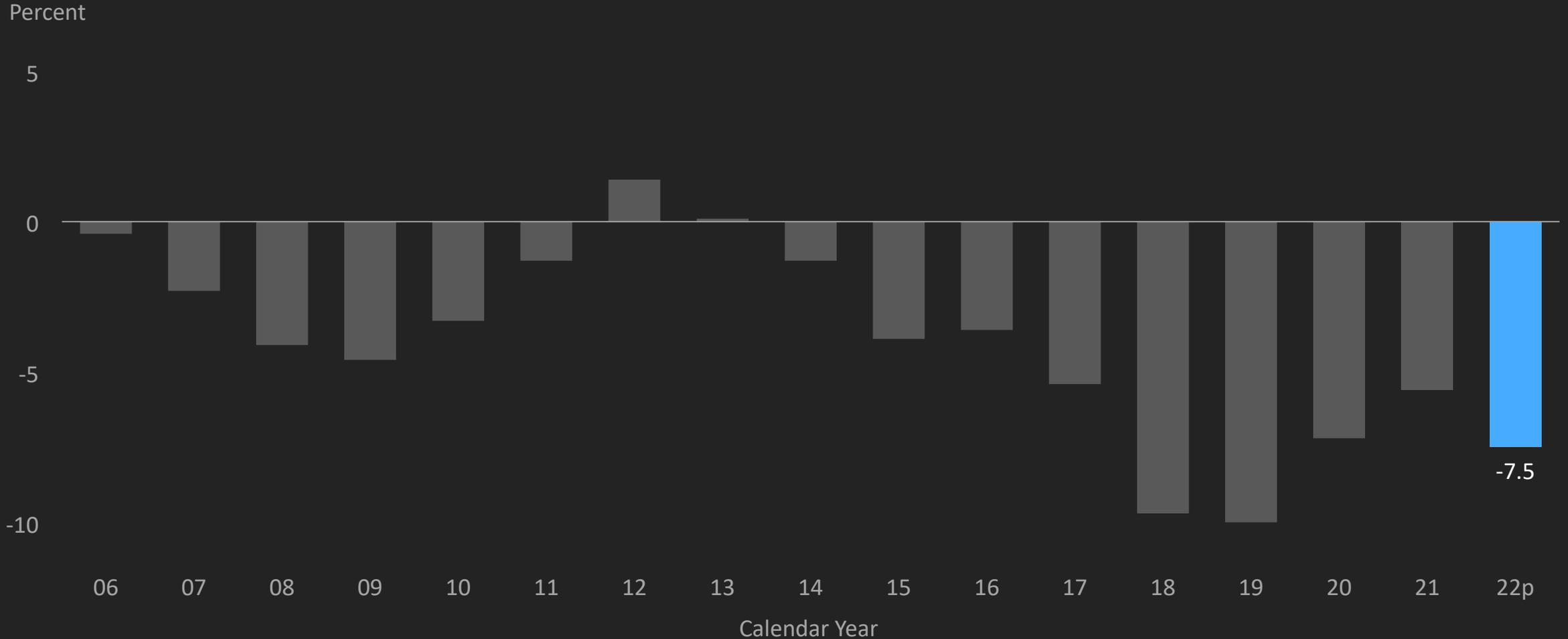
Voluntary Market, Excludes Law-Only Filings



Premium level changes in advisory rates, loss costs, and rating values, as of 5/6/2022, as filed by the applicable rating organization, relative to those previously approved  
IN and NC are filed in cooperation with state rating bureaus

# 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 5/6/2022

IN and NC are filed in cooperation with state rating bureaus

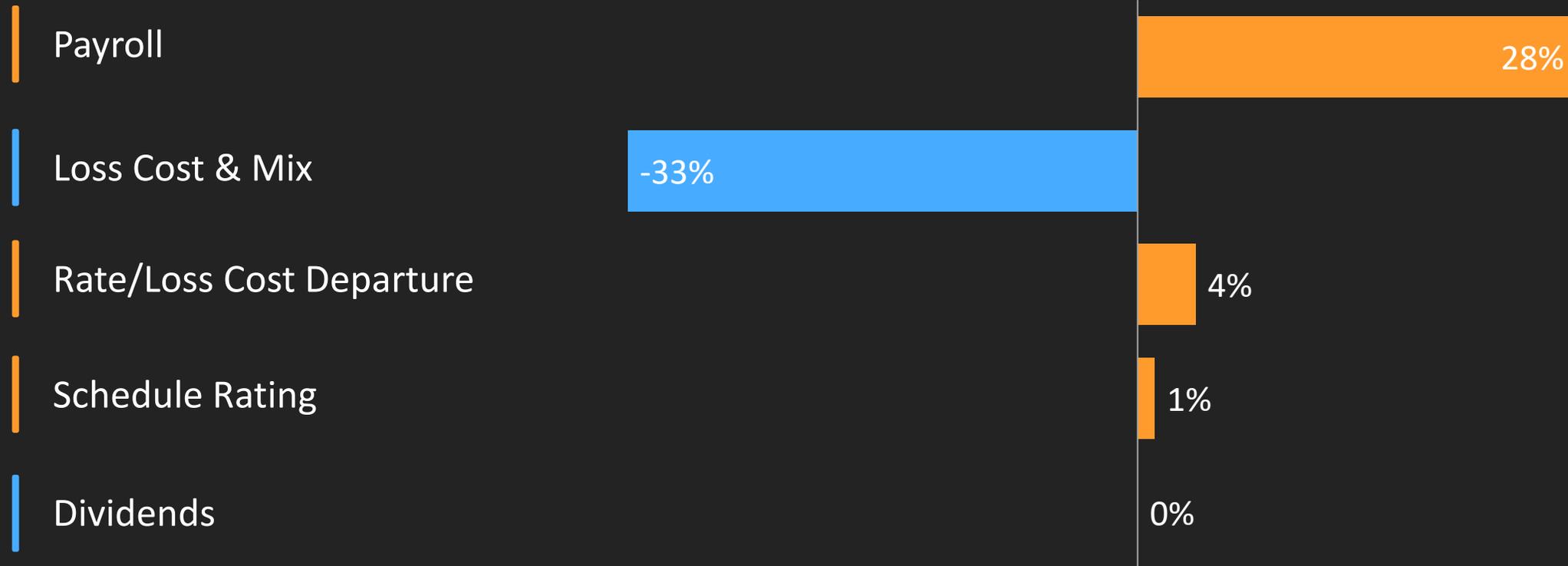
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# WC Impact on Premium by Component

Private Carriers—NCCI States

2016 vs. 2021



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

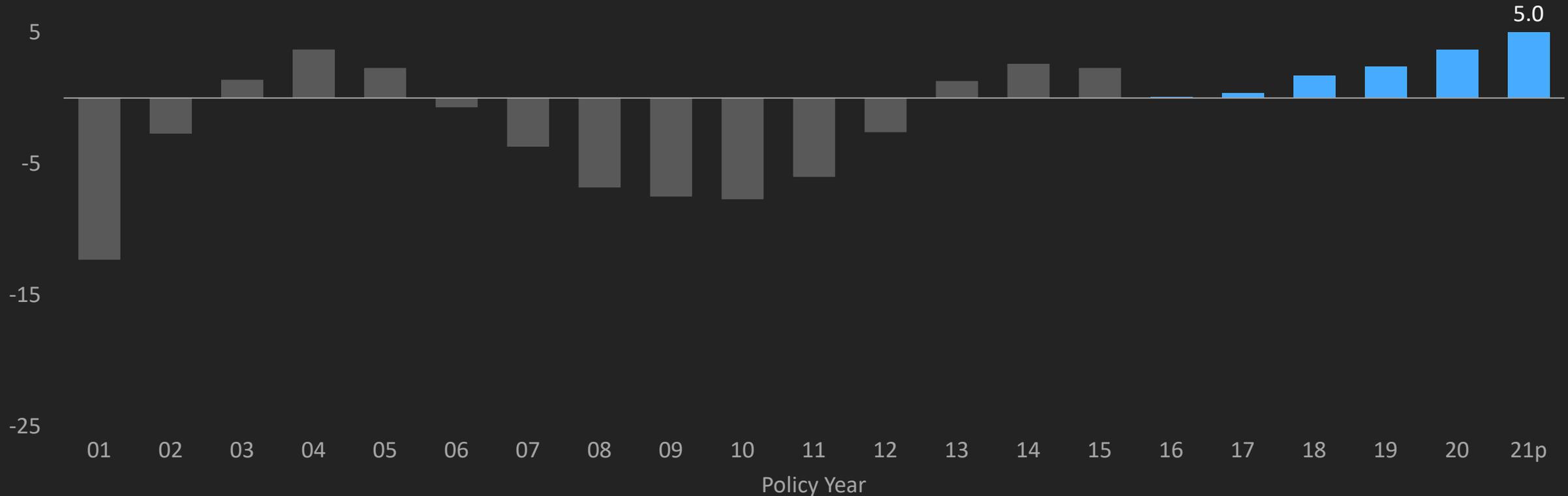
Rate/loss cost departure reflects carrier departure from NCCI rate level, which excludes a profit and contingency provision and expense constant

Based on data for all states where NCCI provides ratemaking services; rate/loss cost departure, schedule rating, and dividends exclude TX

# 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 an expense constant

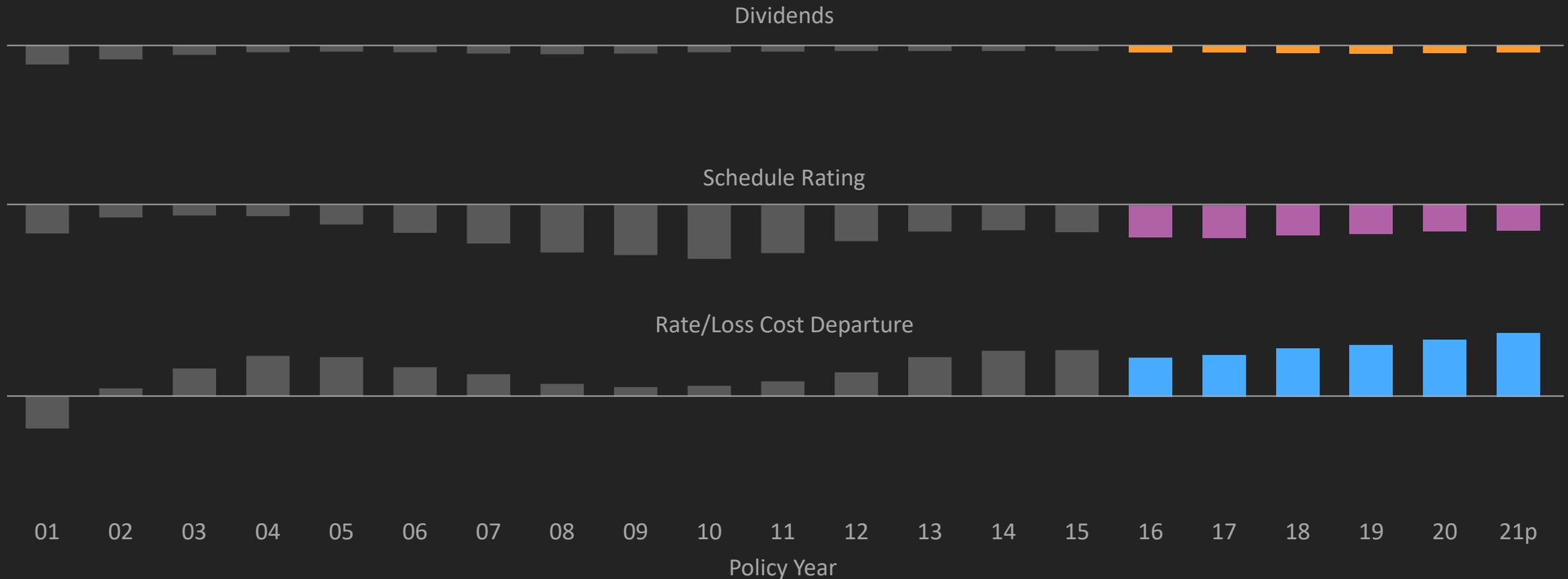
Based on data for all states where NCCI provides ratemaking services, excluding TX

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# WC Impact of Discounting on Premium by Component

Private Carriers—NCCI States



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 an expense constant

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

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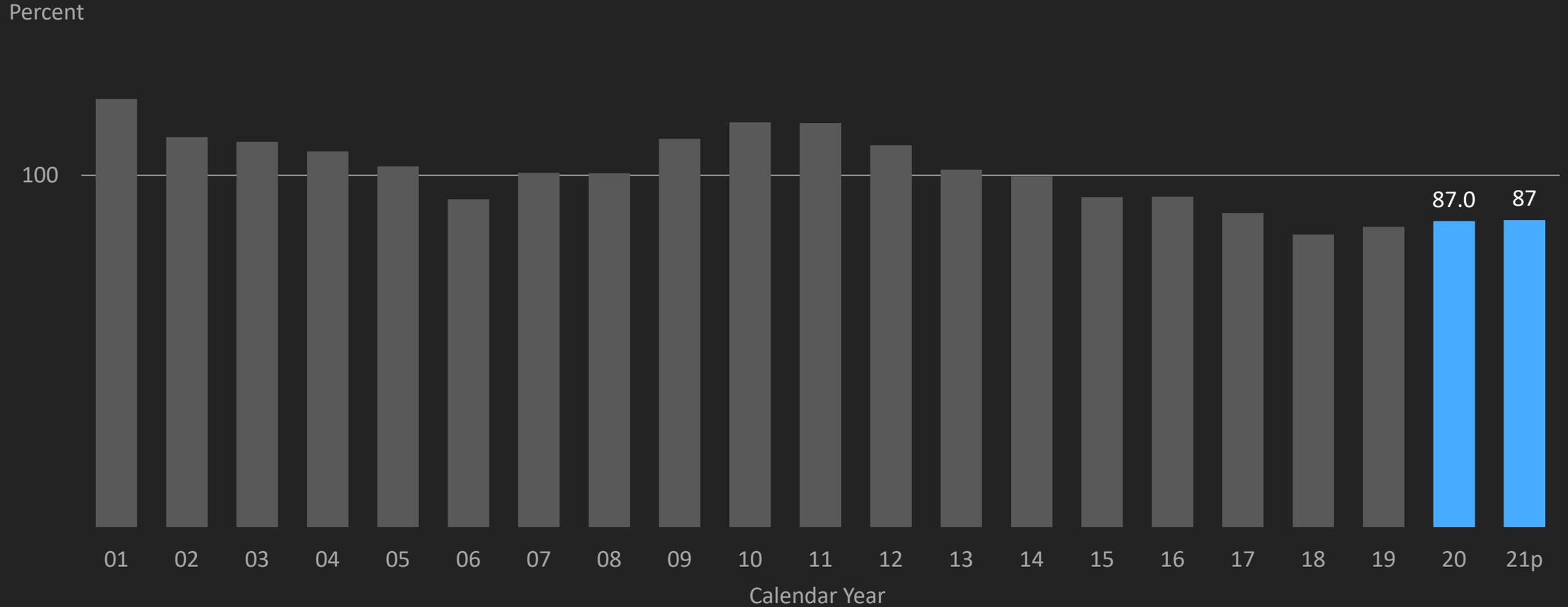
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# Workers Compensation Results



# WC Net Combined Ratio

Private Carriers



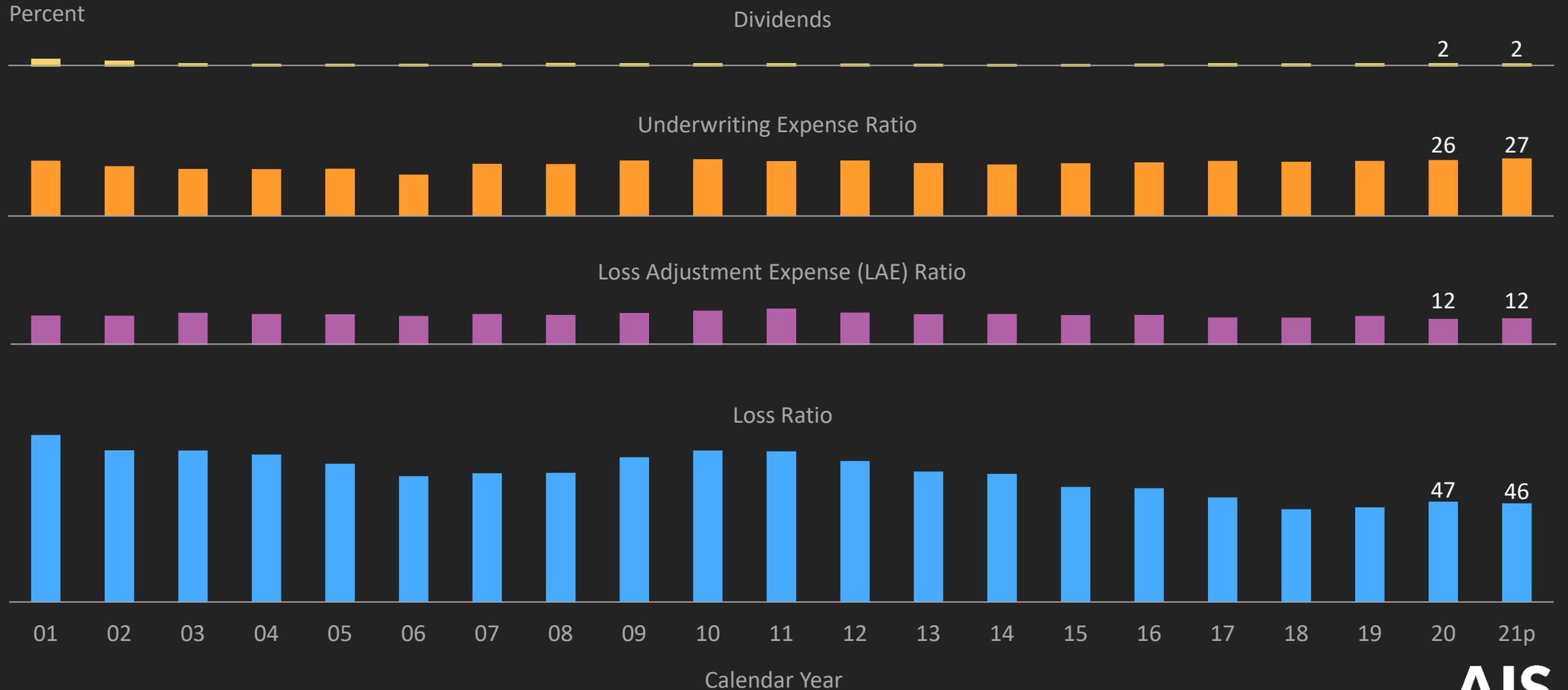
p Preliminary  
Source: NAIC's Annual Statement data

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# WC Net Combined Ratio by Component

## Private Carriers



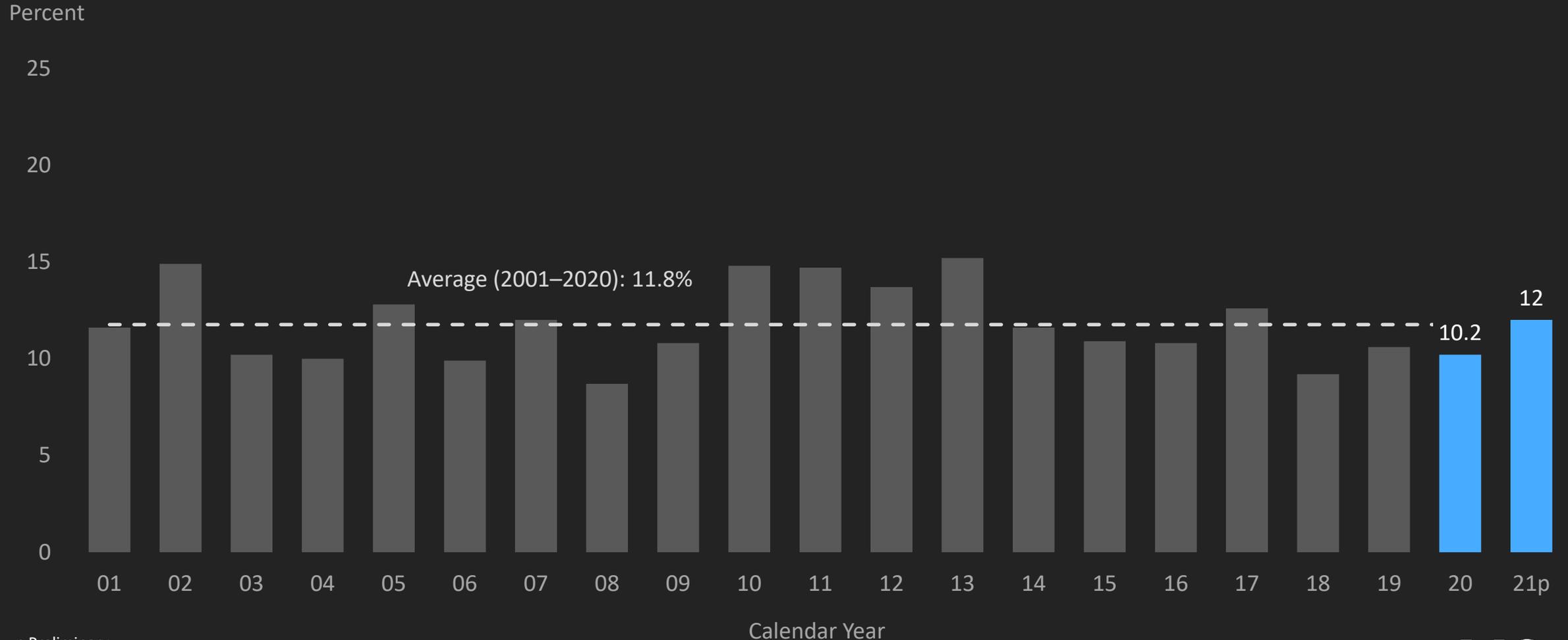
p Preliminary  
Source: NAIC's Annual Statement data

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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

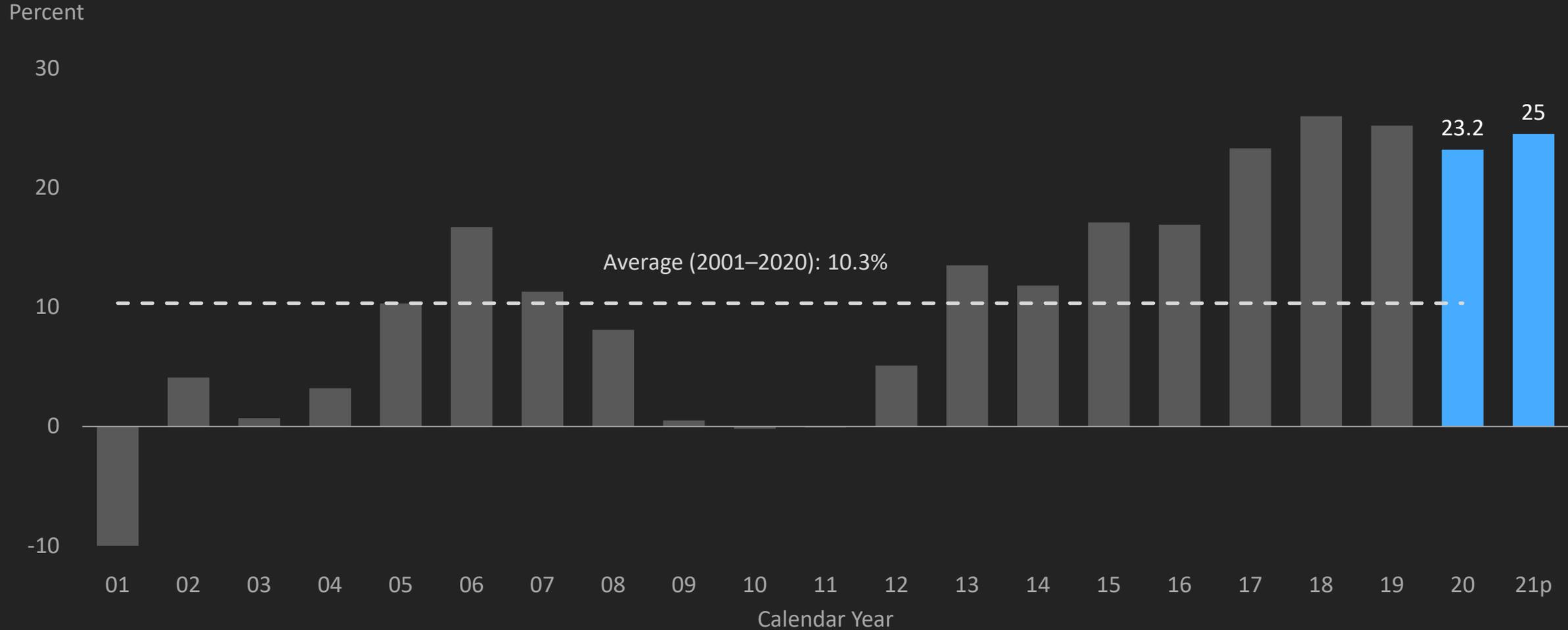
2013 is adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring; unadjusted value is 19.4

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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

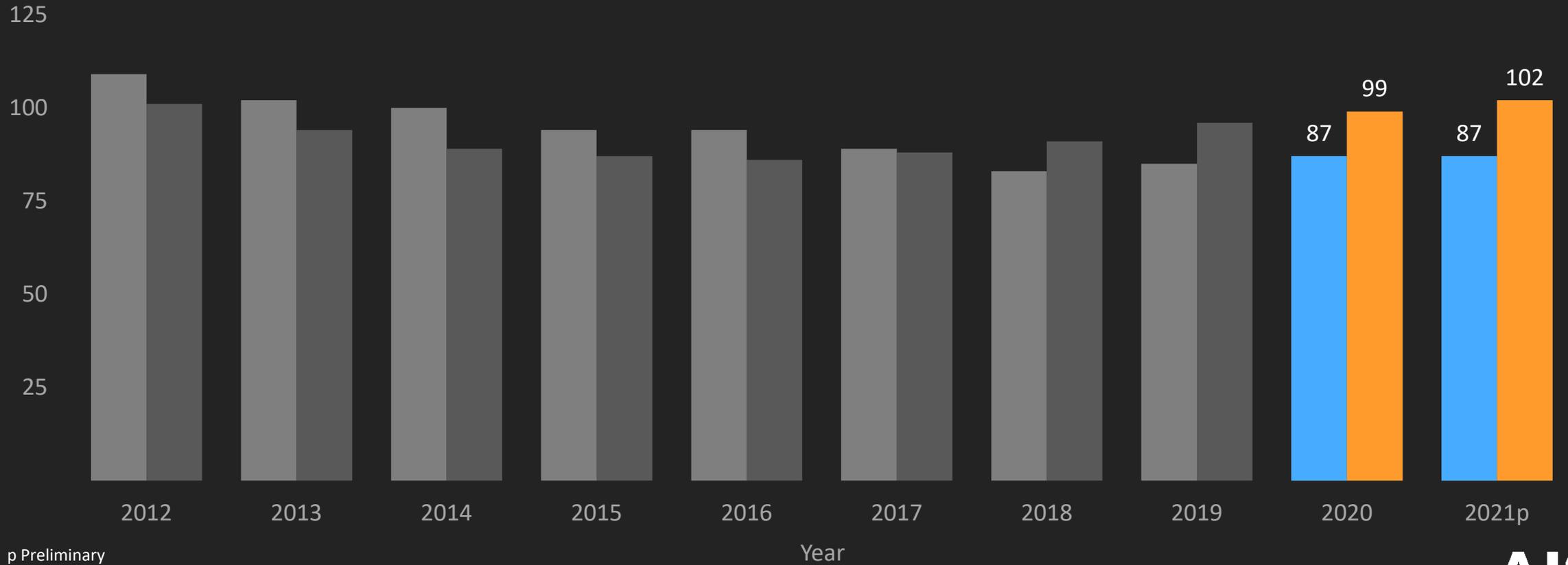
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# WC Net Combined Ratios— Calendar Year vs. Accident Year As Reported

Private Carriers

Percent



p Preliminary

Source: NAIC's Annual Statement data

Accident Year information is reported as of 12/31/2021

Includes dividends to policyholders

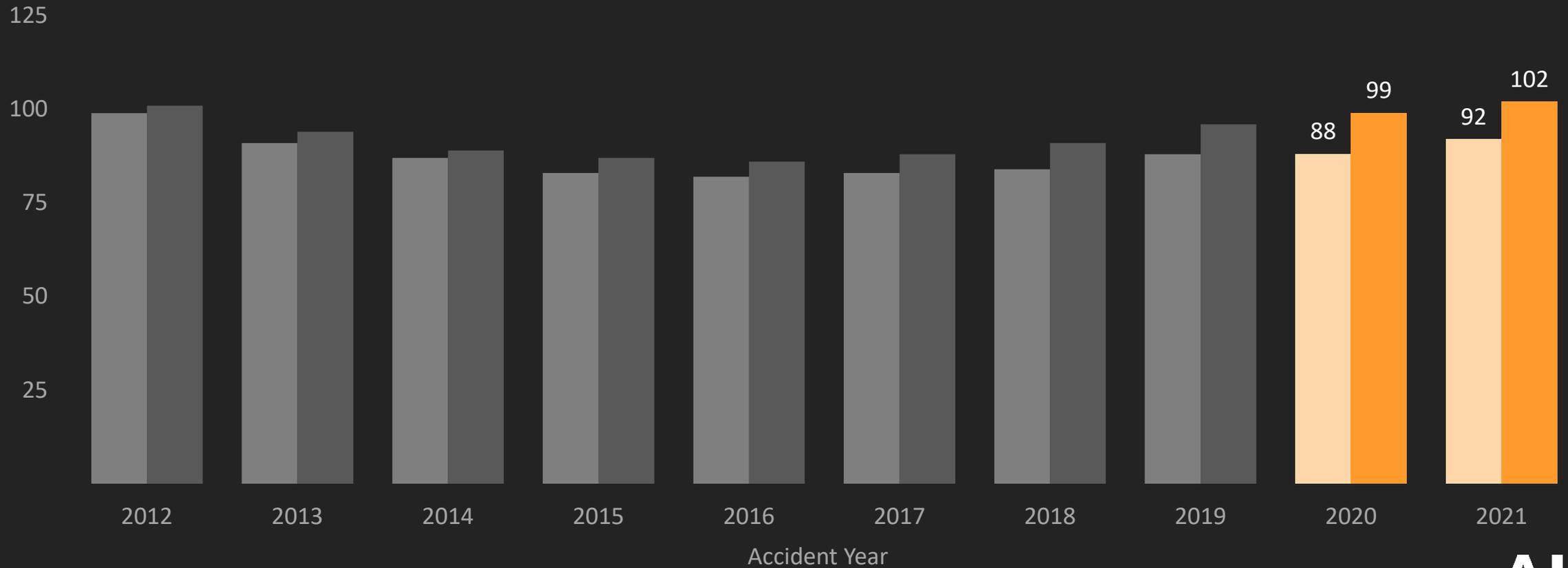
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# WC Net Combined Ratios— NCCI's Accident Year Selections vs. As Reported

Private Carriers

Percent



Sources: As Reported: NAIC's Annual Statement Schedule P—Part 1D data as of 12/31/2021  
NCCI Selections: NCCI's analysis based on NAIC's Annual Statement data

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# WC Net Loss and LAE Ratios— NCCI's Accident Year Selections vs. As Reported

Private Carriers

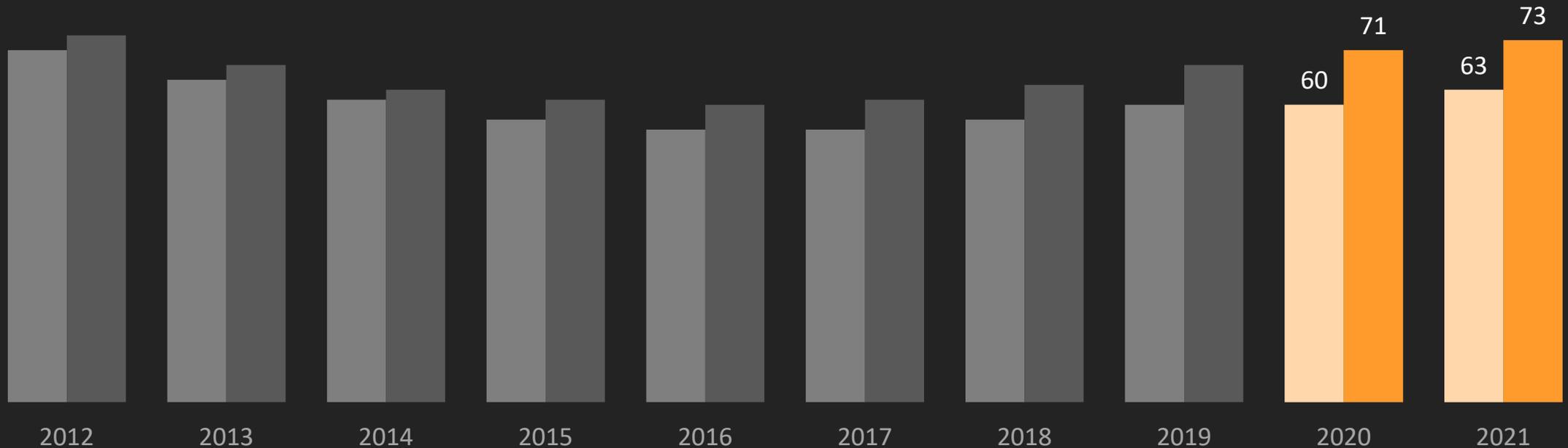
Percent

100

75

50

25



Accident Year

Sources: As Reported: NAIC's Annual Statement Schedule P—Part 1D data as of 12/31/2021

NCCI Selections: NCCI's analysis based on NAIC's Annual Statement data

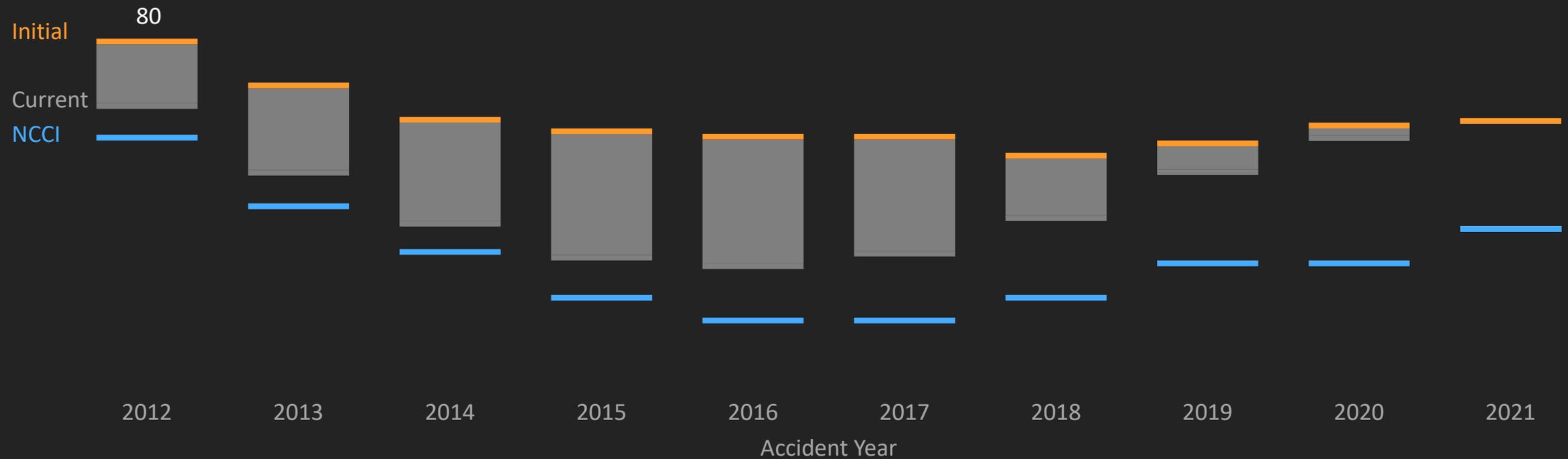
As Reported Loss and LAE ratios are net of tabular reserve discounts and gross of nontabular reserve discounts

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# Emergence of Reported WC Net Loss and LAE Ratios

Private Carriers



Source: NAIC's Annual Statement Schedule P—Part 1D data at year-end valuations  
As Reported Loss and LAE ratios are net of tabular reserve discounts and gross of nontabular reserve discounts

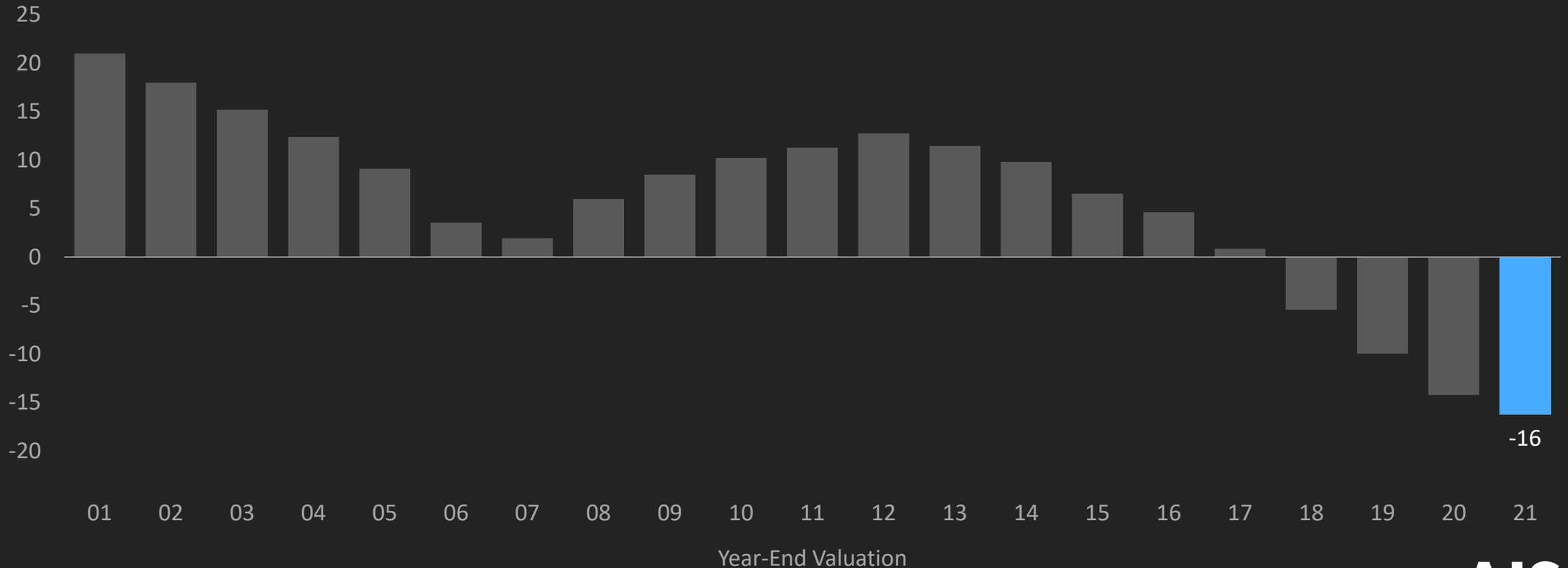
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# WC Net Loss and LAE Reserve Adequacy

## Private Carriers

\$ Billions

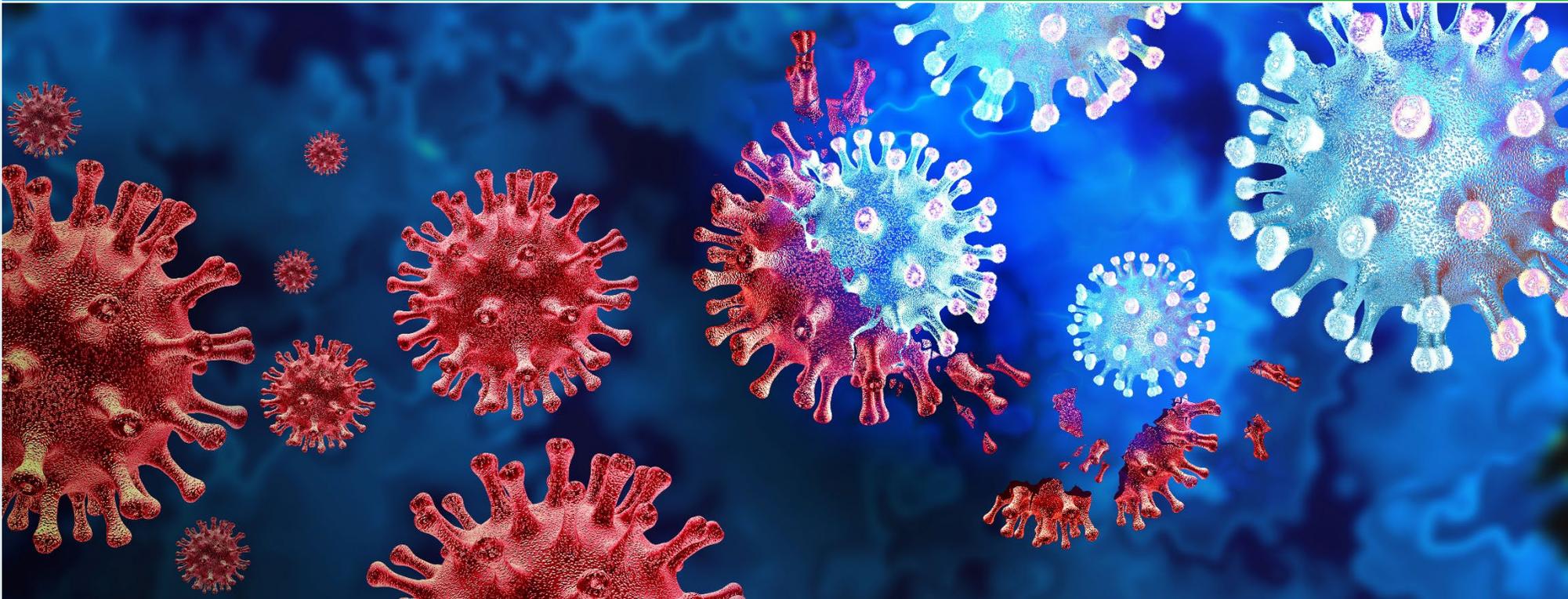


Source: NCCI's analysis based on NAIC's Annual Statement data  
Considers all reserve discounts as deficiencies

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# COVID-19



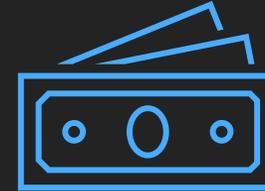
# Direct Impact of COVID-19—Accident Years 2020 & 2021

Private Carriers and State Funds—NCCI States

≈60,000 claims



≈\$500M in losses

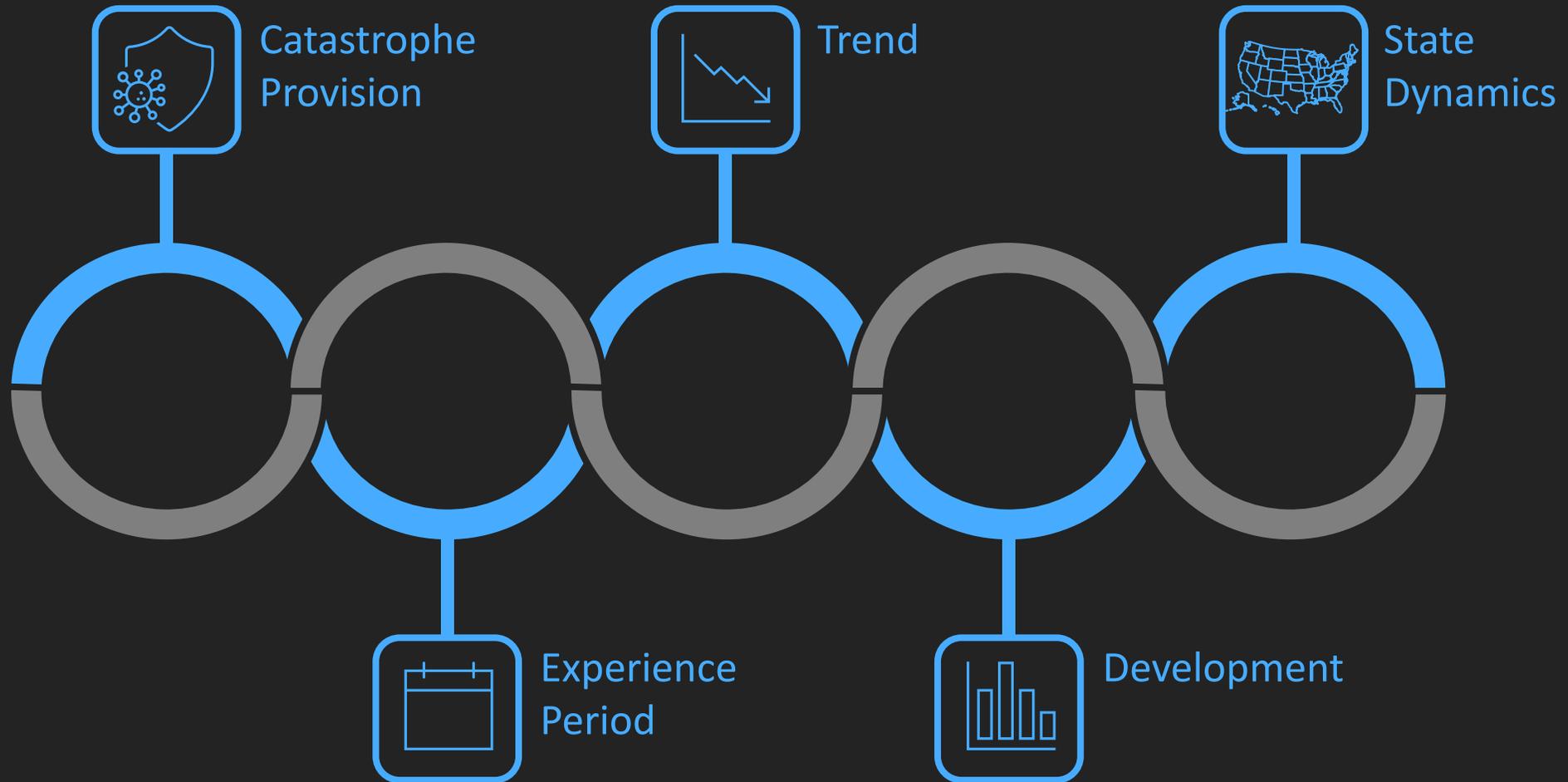


Source: NCCI's Financial Call data through 12/31/2021, excludes expense-only claims

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# Considerations in Ratemaking

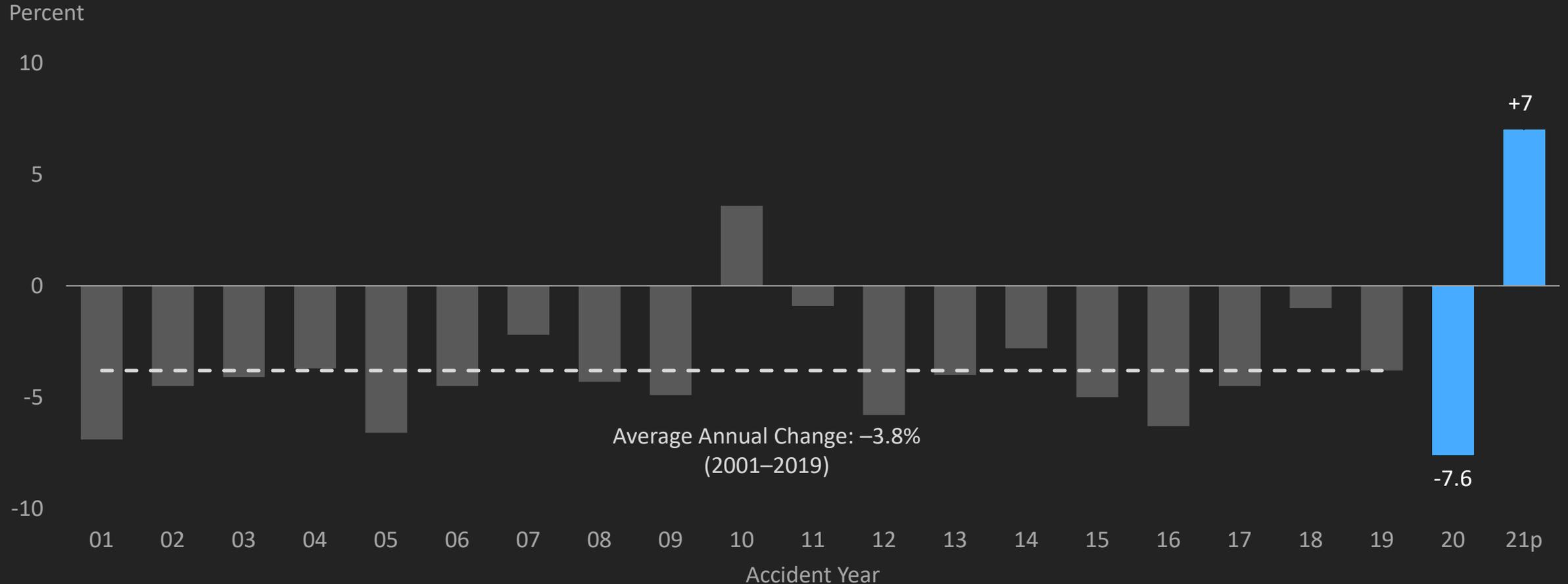


# Workers Compensation Loss Drivers



# WC Lost-Time Claim Frequency

Change in Claims per \$1M Pure Premium, Private Carriers and State Funds—NCCI States, Excludes COVID-19 Claims



2010–2011 and 2019–2021 have been adjusted to reflect the impact of changes in audit activity

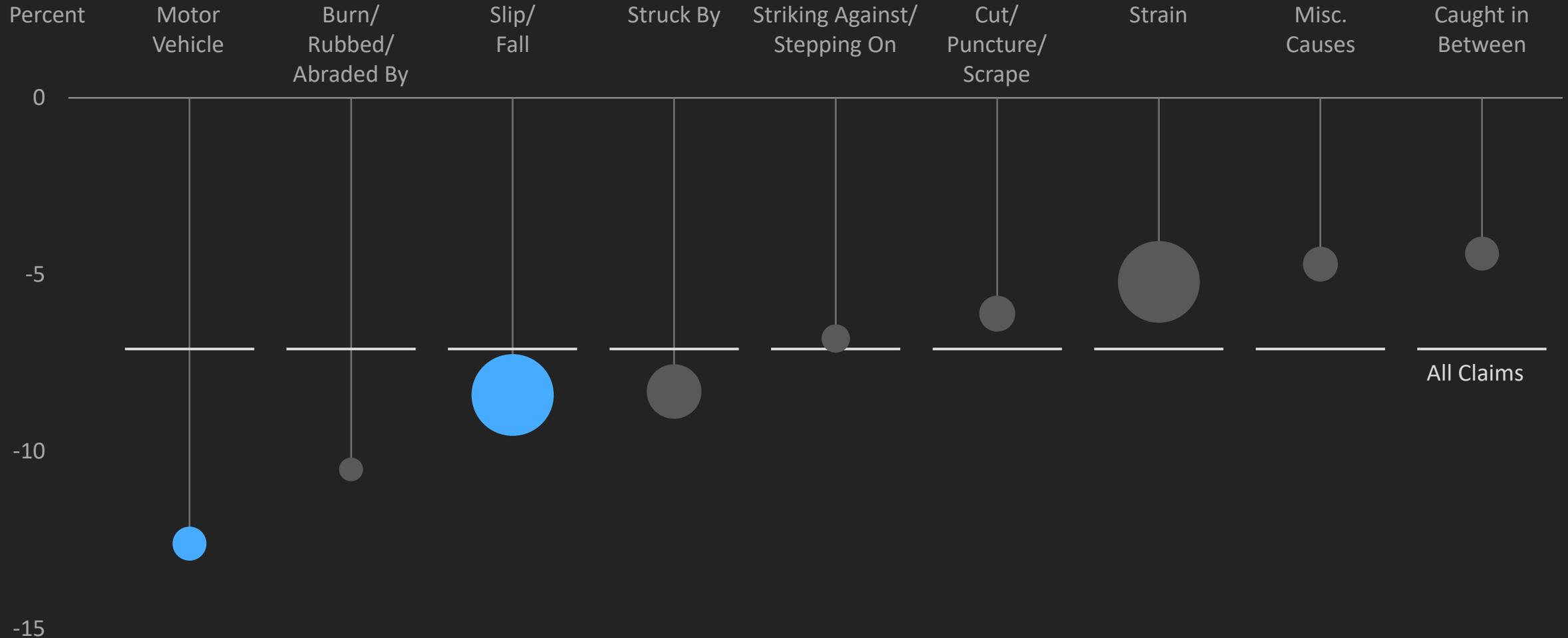
p Preliminary, based on data valued as of 12/31/2021; excludes COVID-19 claims

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 12/31/2020

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 Lost-Time Claim Frequency by Cause of Injury

Change in Claims per \$1M Pure Premium, Accident Year 2019–2020p, Private Carriers and State Funds—NCCI States



p Preliminary

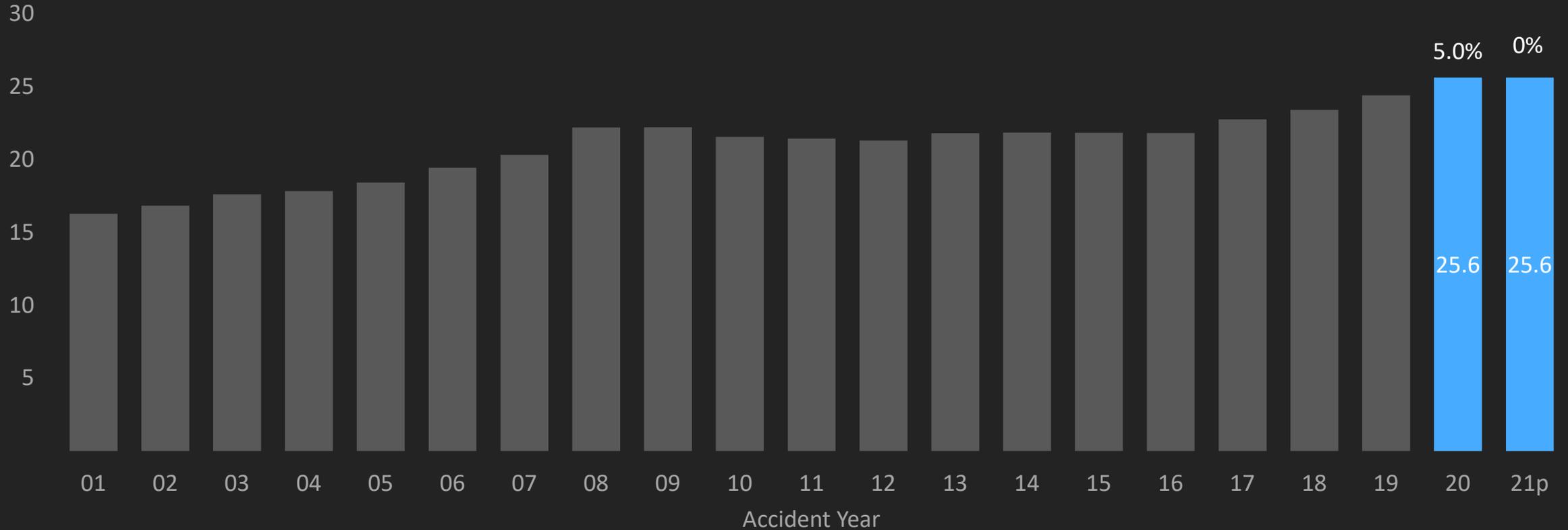
Source: Based on NCCI's Statistical Plan data at first report, premium adjusted to current wage and voluntary pure premium level, excludes high-deductible policies and COVID-19 claims. Includes all states where NCCI provides ratemaking services.

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# WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States, Excludes COVID-19 Claims

Severity  
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2021; excludes COVID-19 claims

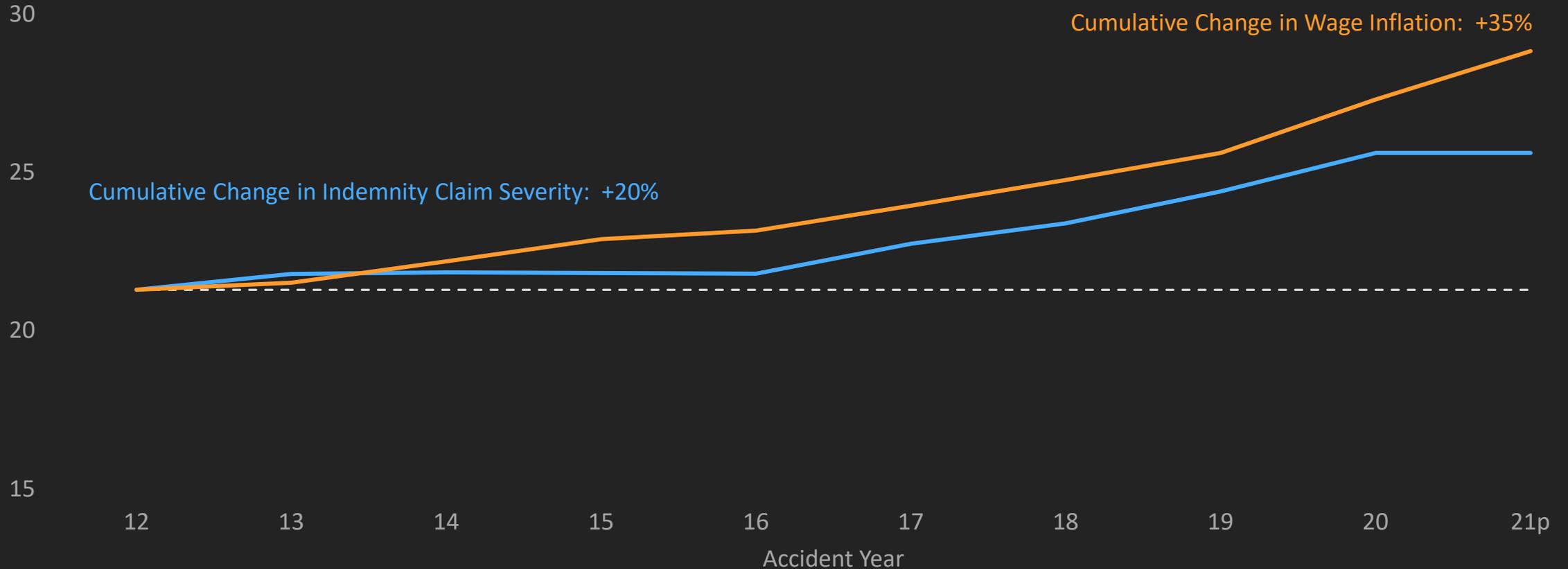
Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2020

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 2003, TX is excluded through 2006, and WV is excluded through 2010

# WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States, Excludes COVID-19 Claims



p Preliminary, based on data valued as of 12/31/2021; excludes COVID-19 claims

Sources: US Average Weekly Wage: 2012–2019 Quarterly Census of Employment and Wages (QCEW); 2020 NCCI and QCEW; 2021p NCCI and Moody's Analytics

Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2020

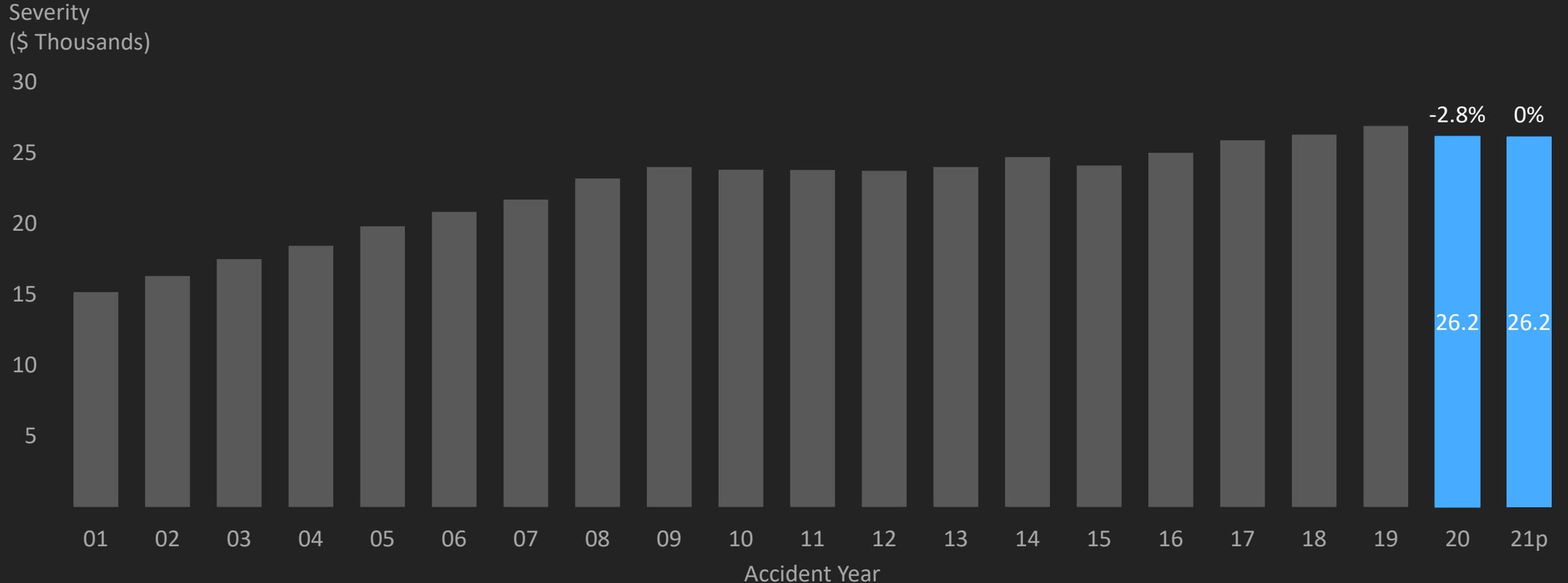
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services

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# WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States, Excludes COVID-19 Claims



p Preliminary, based on data valued as of 12/31/2021; excludes COVID-19 claims

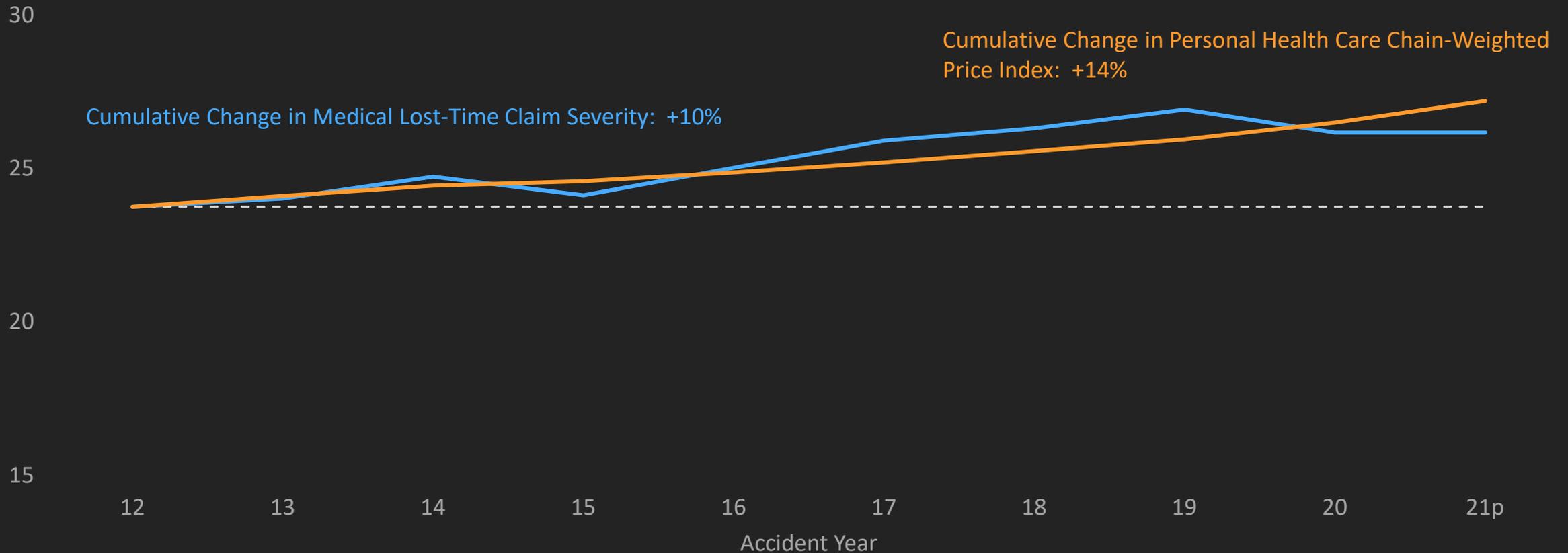
Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2020

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 2003, TX is excluded through 2006, and WV is excluded through 2010

# WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States, Excludes COVID-19 Claims



p Preliminary, based on data valued as of 12/31/2021; excludes COVID-19 claims

Sources: Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2020

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

Includes all states where NCCI provides ratemaking services

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

# 2021 Workers Compensation Insights

Net written premium increased by **1%**



Reported combined ratios:

CY 2021  
**87%**

AY 2021  
**102%**



**\$16B**  
reserve redundancy



Excluding COVID-19 claims:

Claim frequency declined by **1%** since 2019

Indemnity and medical severity changes remain moderate



**≈\$500M**

reported COVID-19 losses since 2020



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## Q&A With the Experts

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Live session after break

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[stateoftheline@ncci.com](mailto:stateoftheline@ncci.com)

## Resources on **ncci.com**

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*State of the Line Guide*

COVID-19 Resource Center