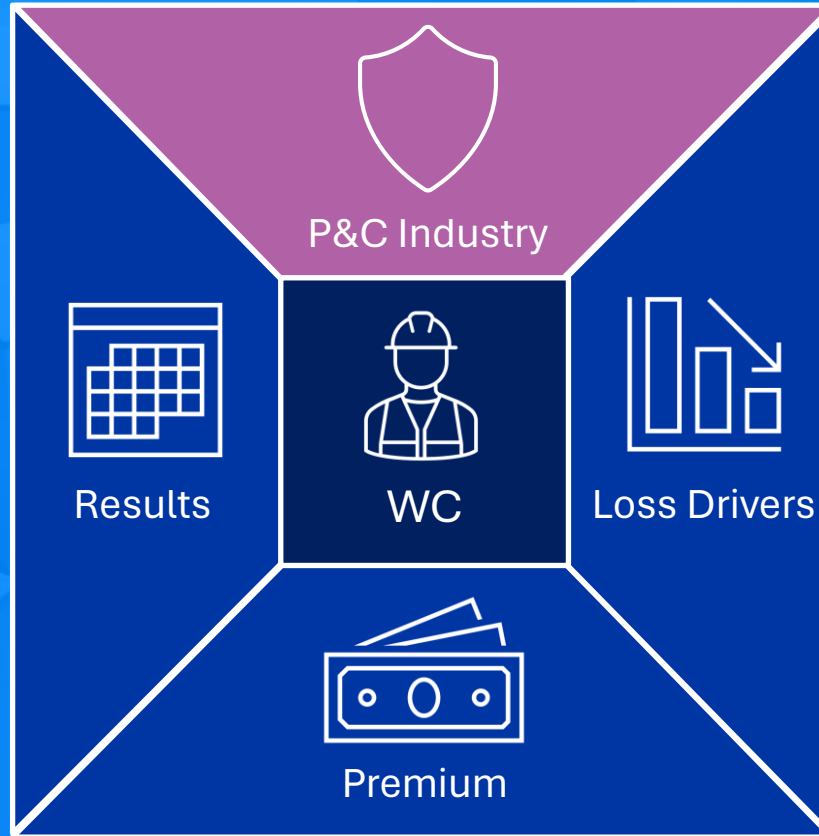


State of the Line Report

Donna Glenn, FCAS, MAAA

Chief Actuary
NCCI





Property & Casualty (P&C) Industry Net Written Premium Growth

Private Carriers

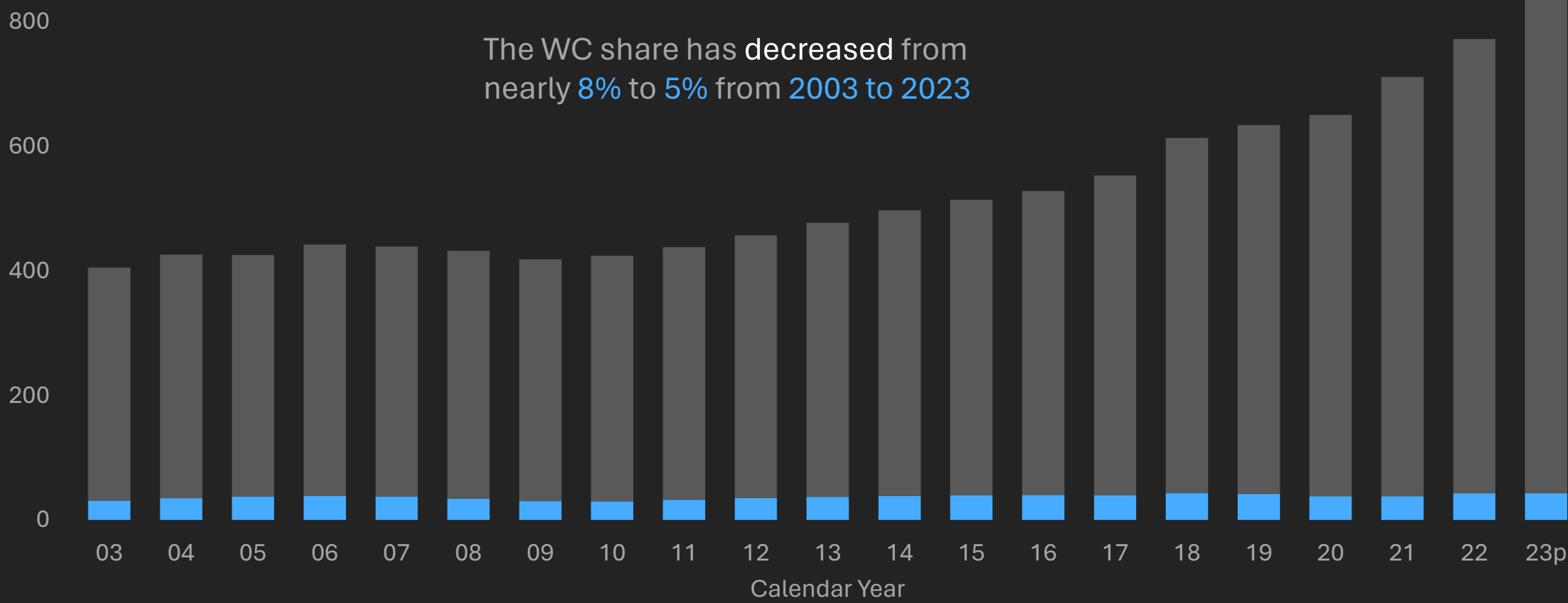
Line of Business	2022 (\$B)	2023p (\$B)	% Change From 2022
Personal Auto	268.0	306.5	
Homeowners	113.9	127.9	
Other Liability (Incl. Product Liability)	99.4	100.9	
Commercial Auto	51.7	55.7	
Commercial Multi-Peril	48.4	54.6	
Fire & Allied Lines (Incl. Earthquake)	47.2	56.0	
Workers Compensation (WC)	42.5	43.0	1.0
All Other Lines	100.5	107.1	
Total P&C Industry	771.7	851.7	10.4

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

WC Share of Total P&C Industry Net Written Premium

Private Carriers

\$ Billions

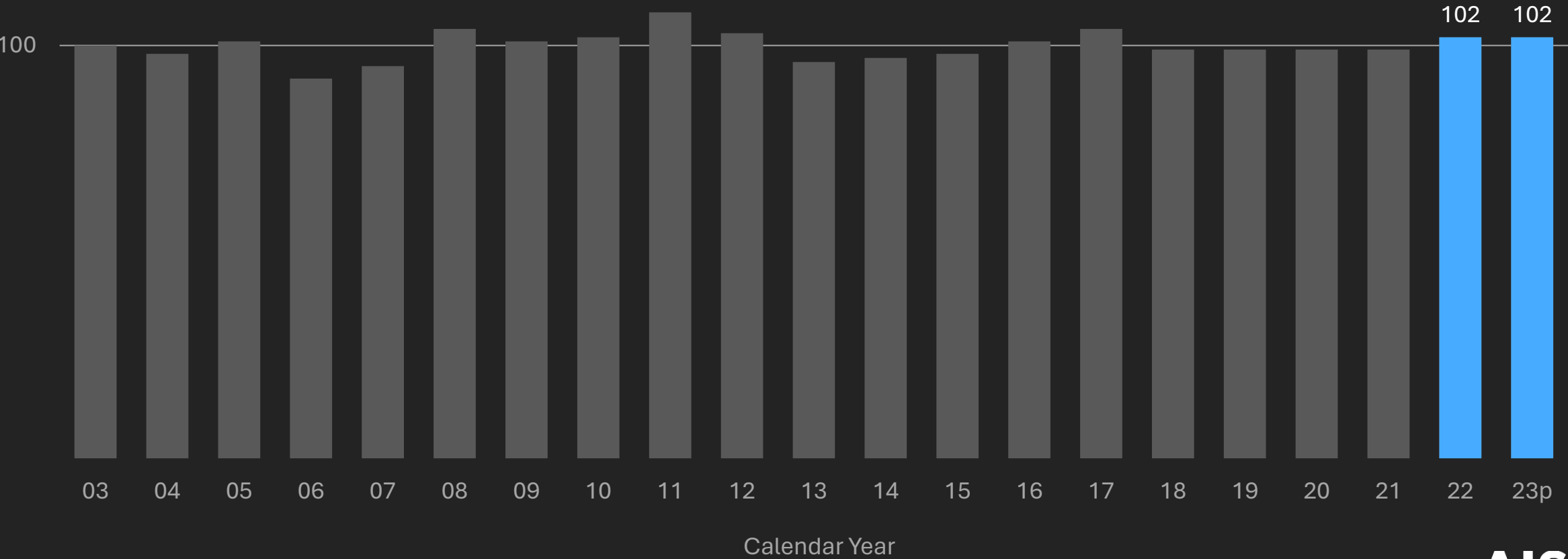


p Preliminary
Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers

P&C Industry Net Combined Ratio

Private Carriers

Percent



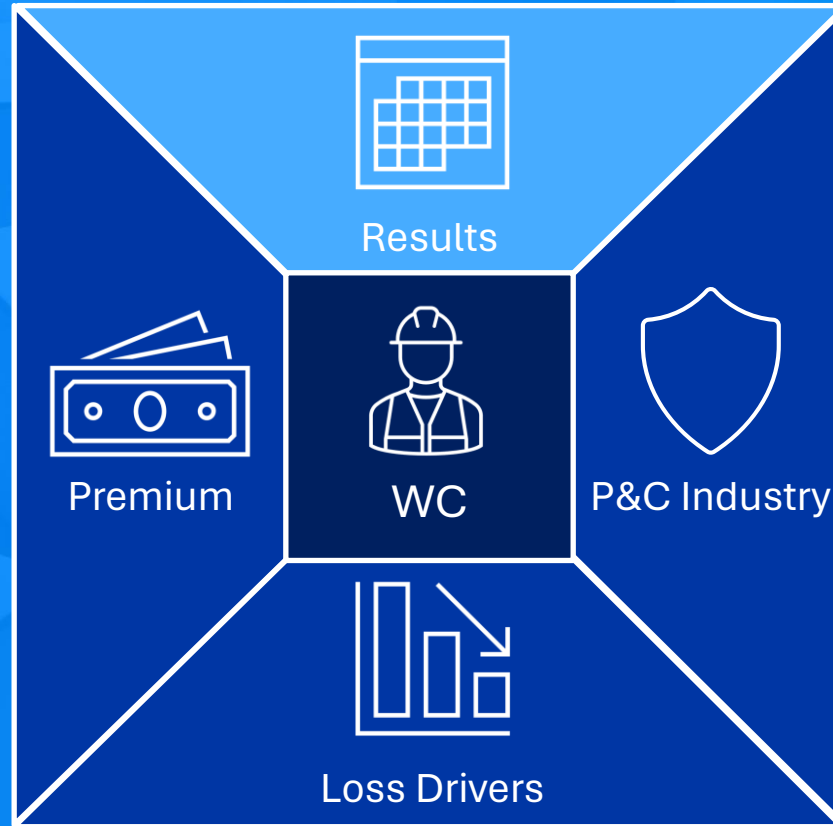
p Preliminary
Sources: 2003–2008 and 2013–2023p NAIC’s Annual Statement data; 2009–2012 Insurance Services Office (ISO)

P&C Industry Net Combined Ratio

Private Carriers

Line of Business	2022 (%)	2023p (%)	Difference From 2022	
Personal Auto	112	105		
Homeowners	104	111		
Other Liability (Incl. Product Liability)	96	100		
Commercial Auto	105	109		
Commercial Multi-Peril	106	107		
Fire & Allied Lines (Incl. Earthquake)	96	93		
Workers Compensation	84	86		2
All Other Lines	87	87		
Total P&C Industry	102	102		0

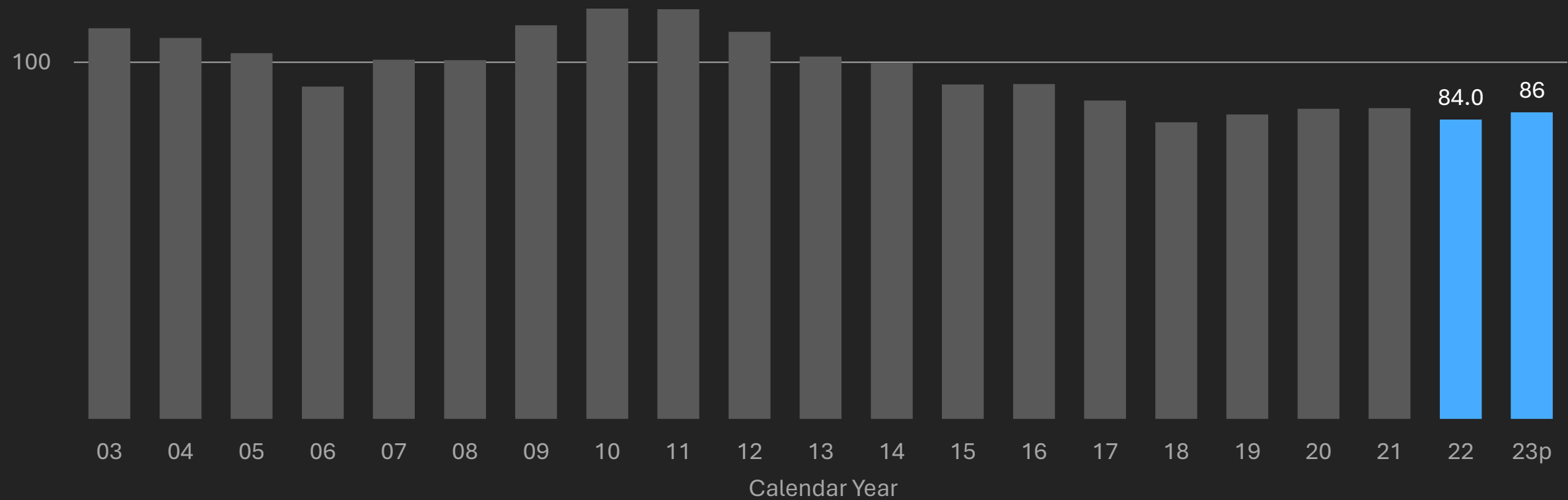
p Preliminary
Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers



WC Net Combined Ratio

Private Carriers

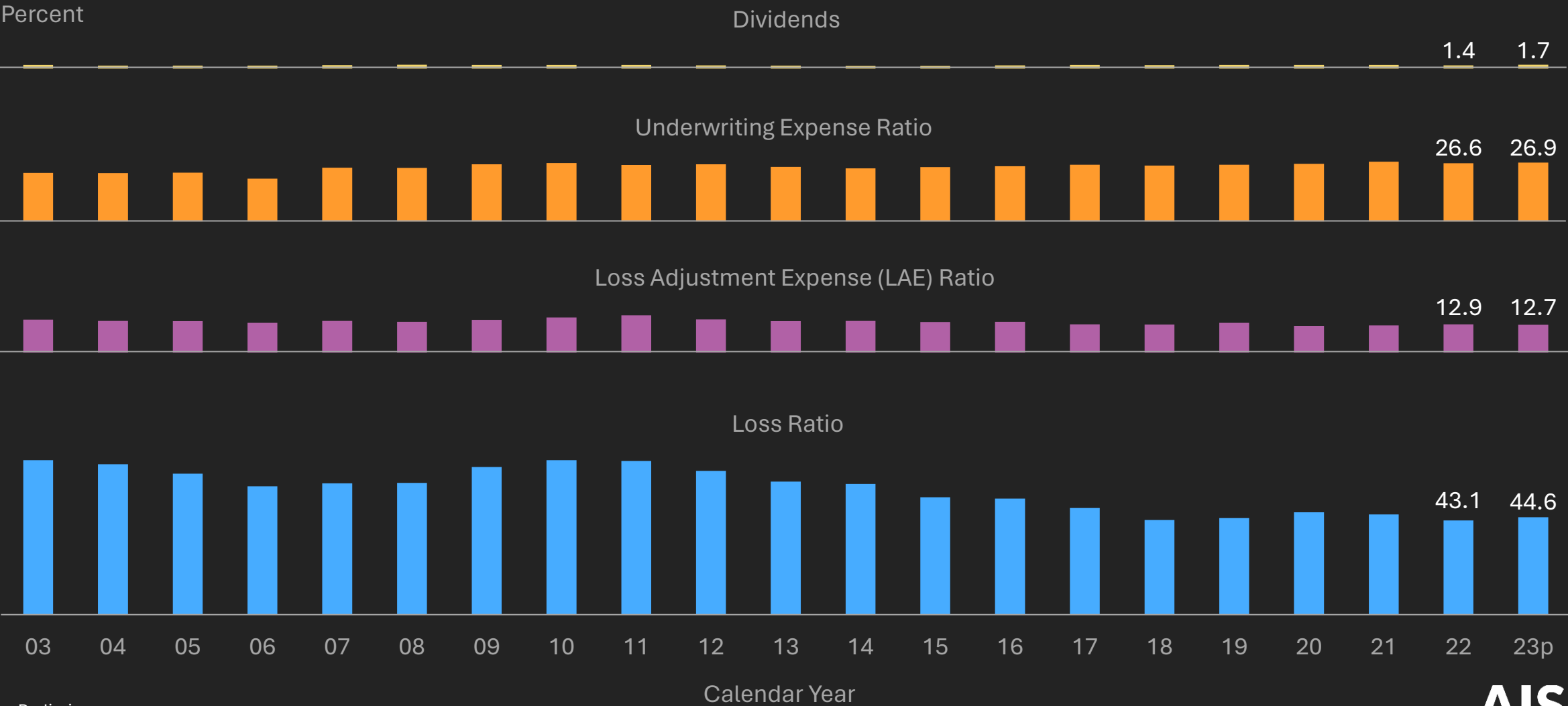
Percent



p Preliminary
Source: NAIC's Annual Statement data

WC Net Combined Ratio by Component

Private Carriers

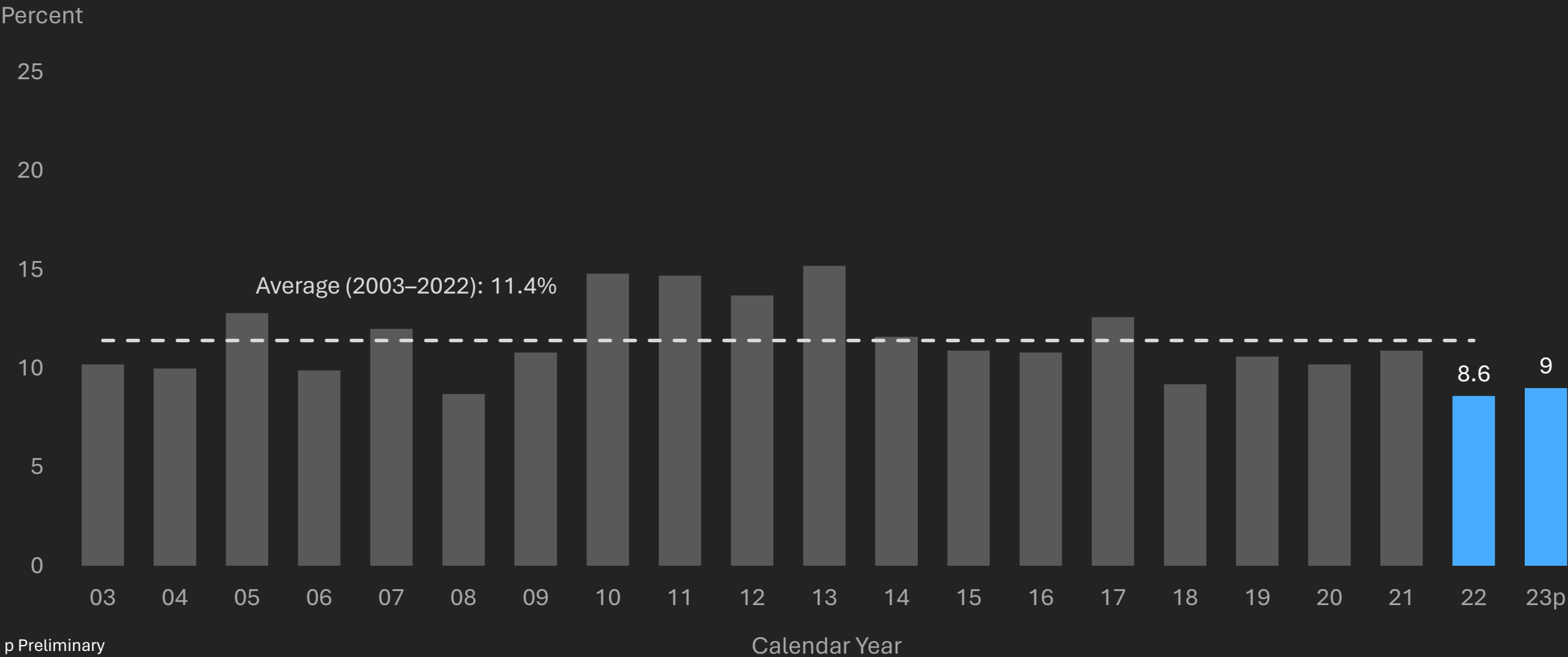


p Preliminary
Source: NAIC's Annual Statement data

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WC Investment Gain on Insurance Transactions

Ratio to Net Earned Premium, Private Carriers



p Preliminary

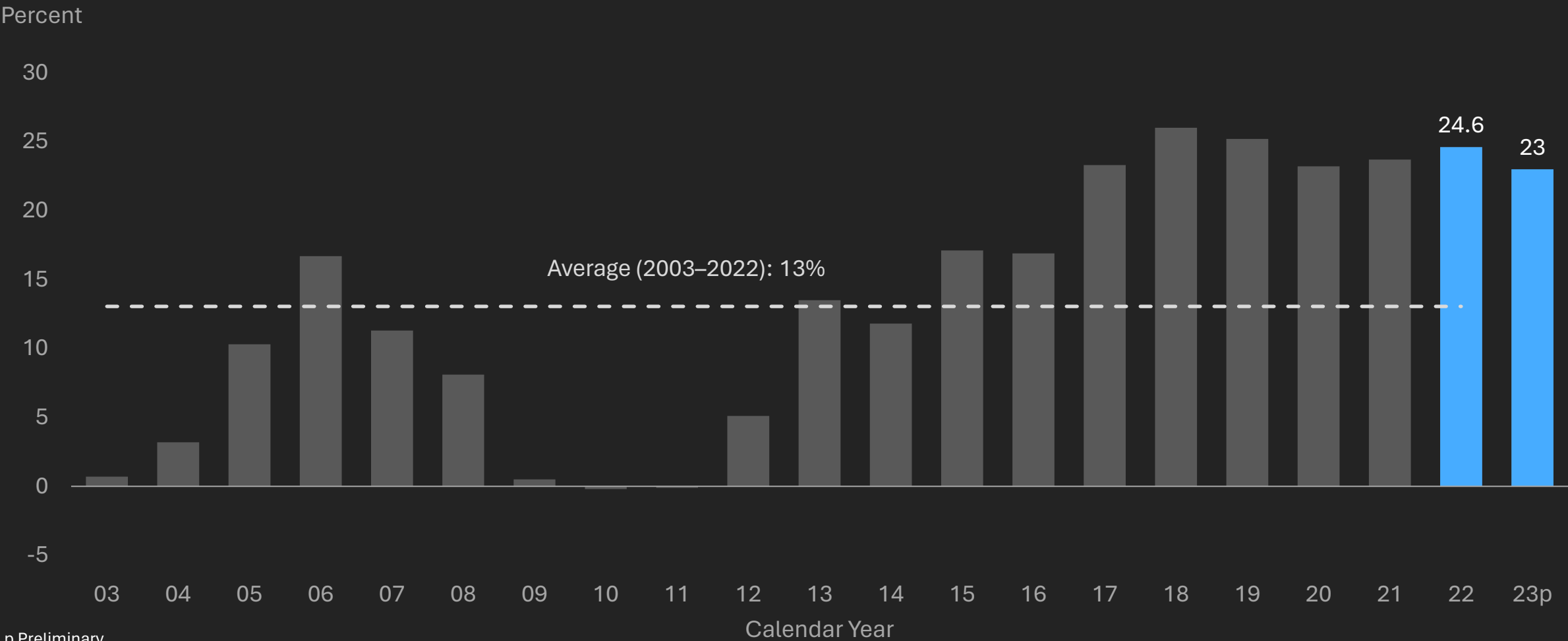
Source: NAIC's Annual Statement data

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

WC Pretax Operating Gain

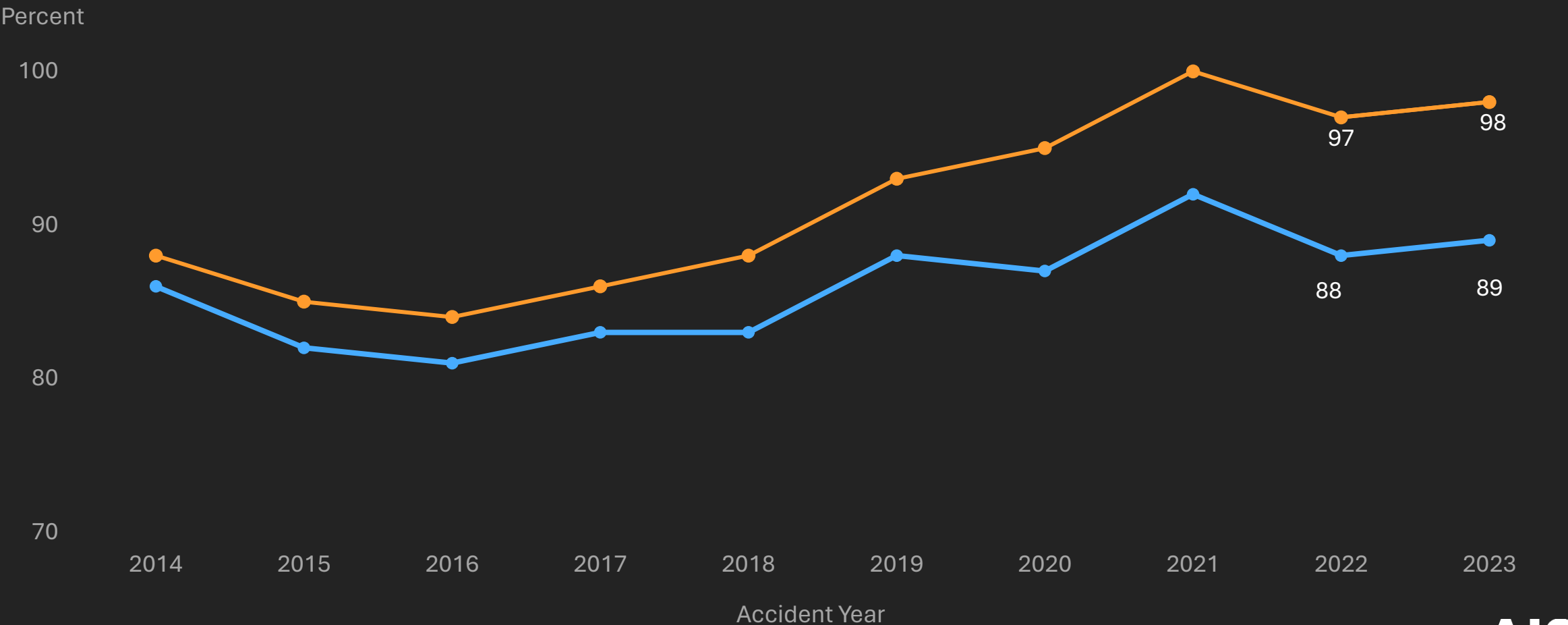
Private Carriers



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

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

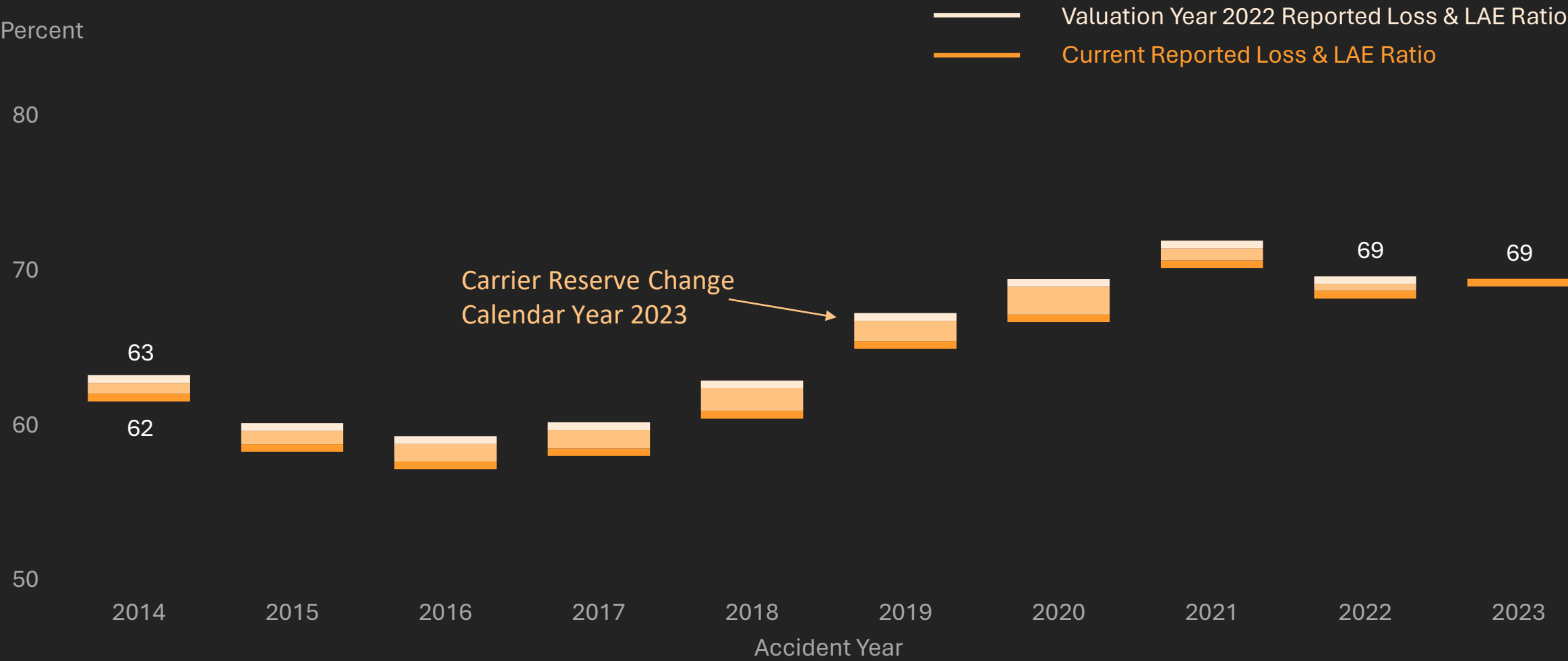
Private Carriers



Sources: As Reported: NAIC's Annual Statement Schedule P—Part 1D data as of 12/31/2023
NCCI Selections: NCCI's analysis based on NAIC's Annual Statement data

Emergence of Reported WC Net Loss and LAE Ratios

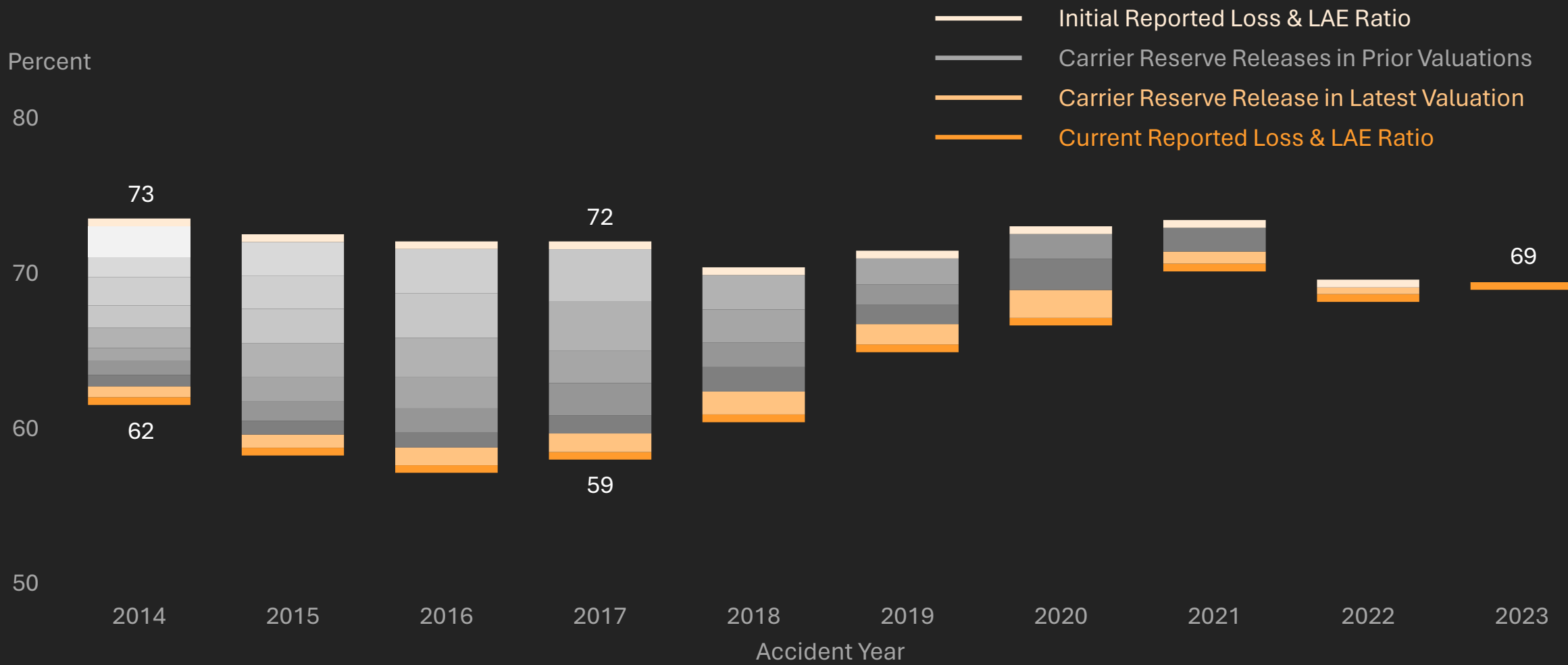
Private Carriers



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

Emergence of Reported WC Net Loss and LAE Ratios

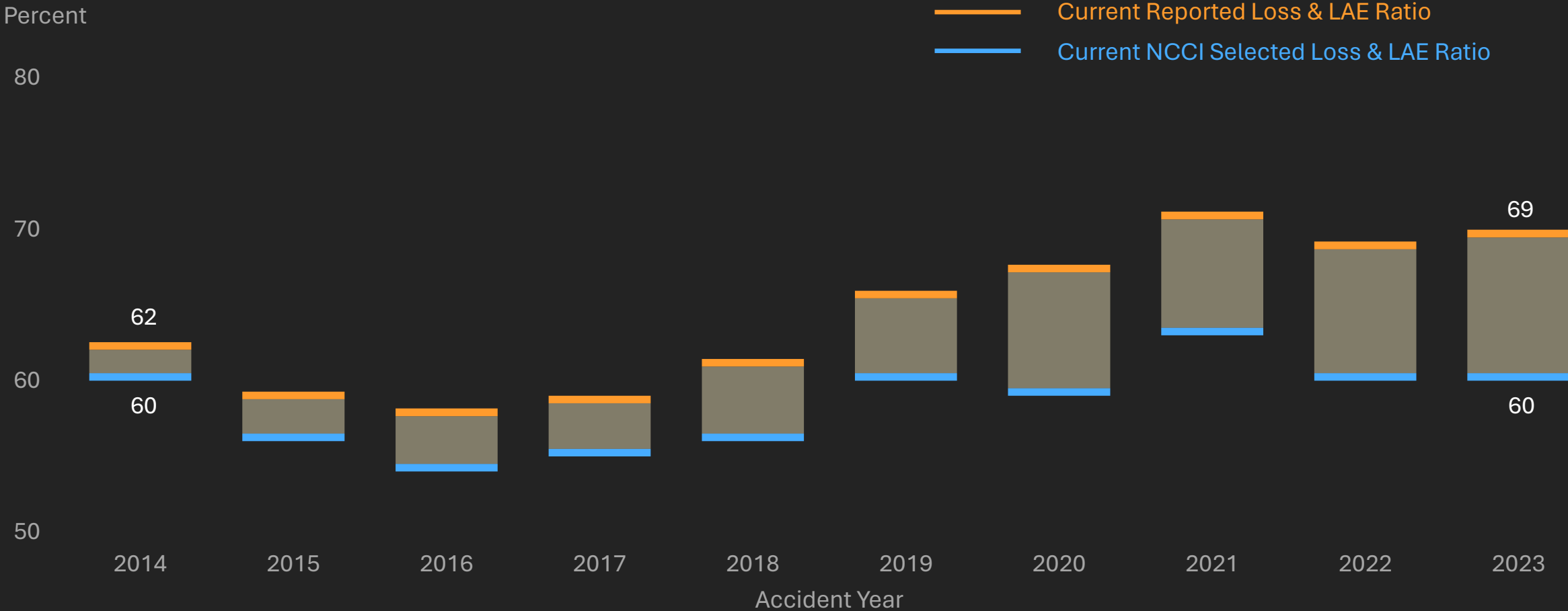
Private Carriers



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

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

Private Carriers

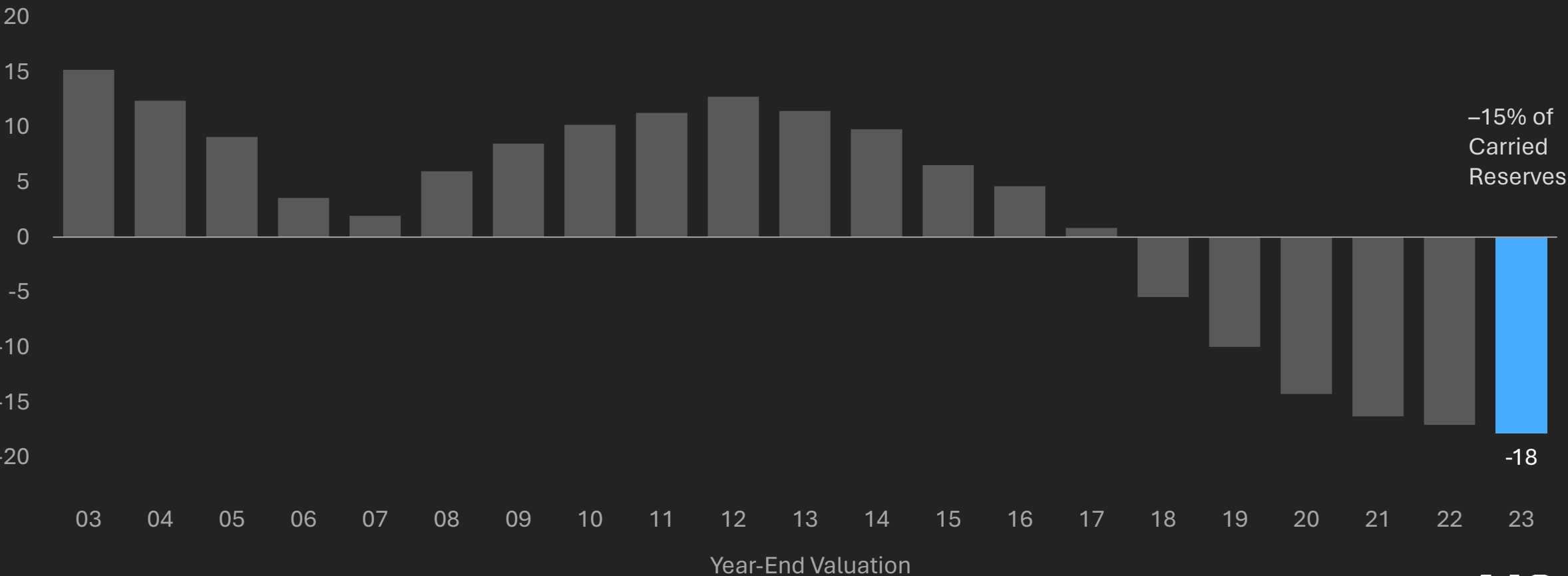


Sources: As Reported: NAIC's Annual Statement Schedule P—Part 1D data as of 12/31/2023
NCCI Selections: NCCI's analysis based on NAIC's Annual Statement data
As Reported Loss and LAE ratios are net of tabular reserve discounts and gross of nontabular reserve discounts

WC Net Loss and LAE Reserve Adequacy

Private Carriers

\$ Billions

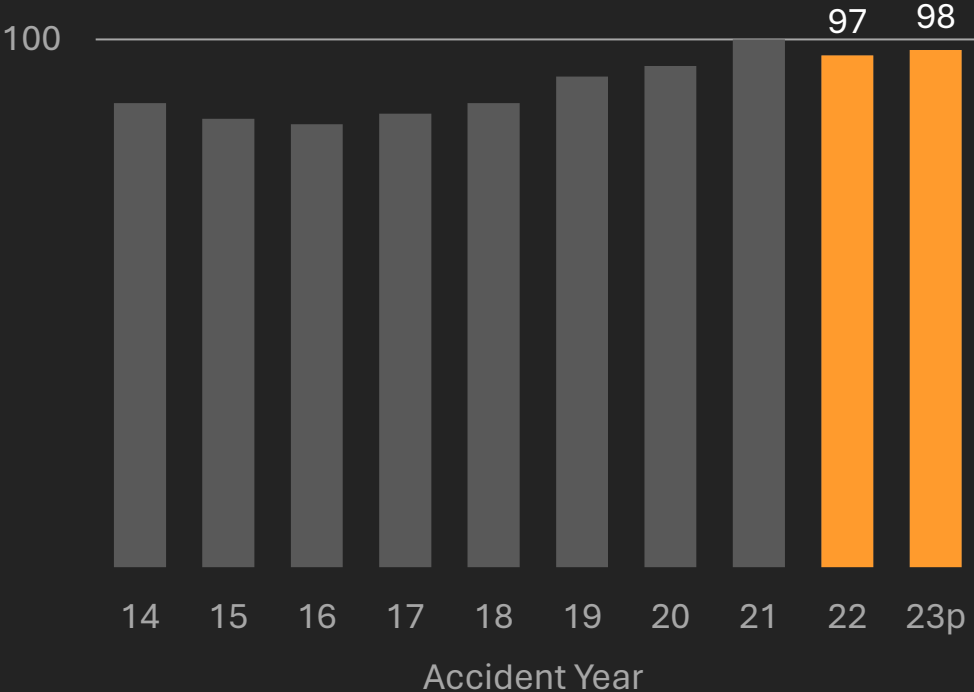
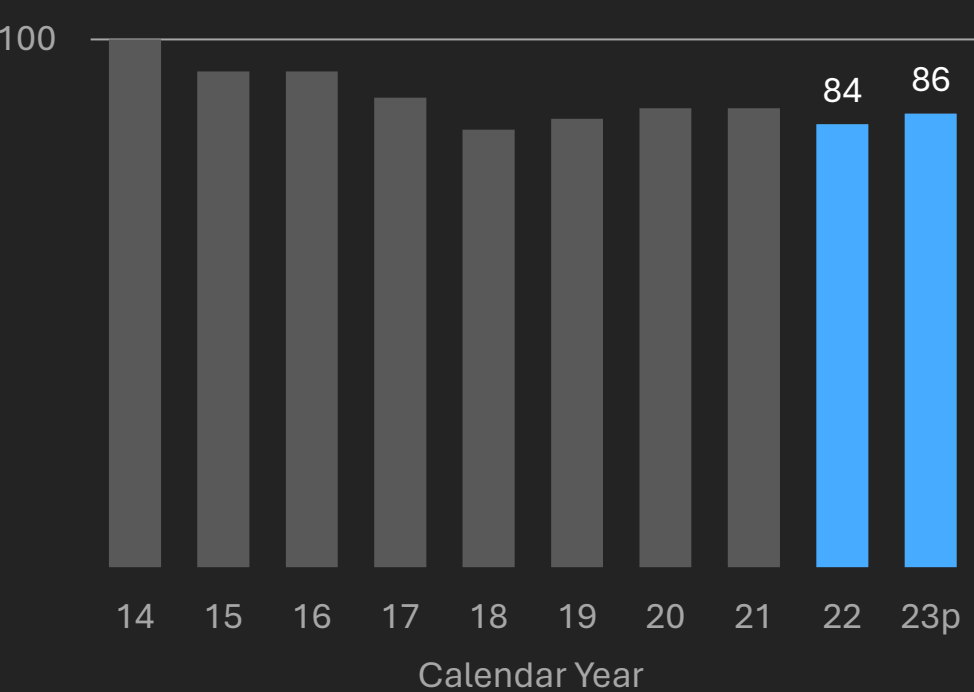


Source: NCCI's analysis based on NAIC's Annual Statement data
Adequacy values above consider all reserve discounts as deficiencies

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

Private Carriers

Percent

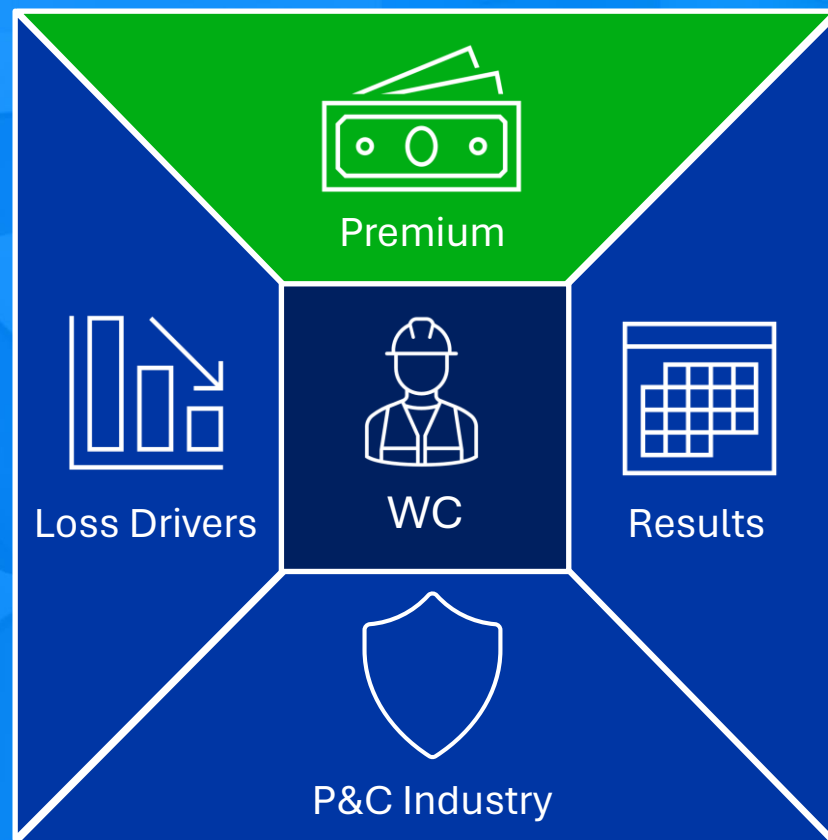


p Preliminary
Source: NAIC's Annual Statement data
Accident Year information is reported as of 12/31/2023
Includes dividends to policyholders



Another profitable year for WC:

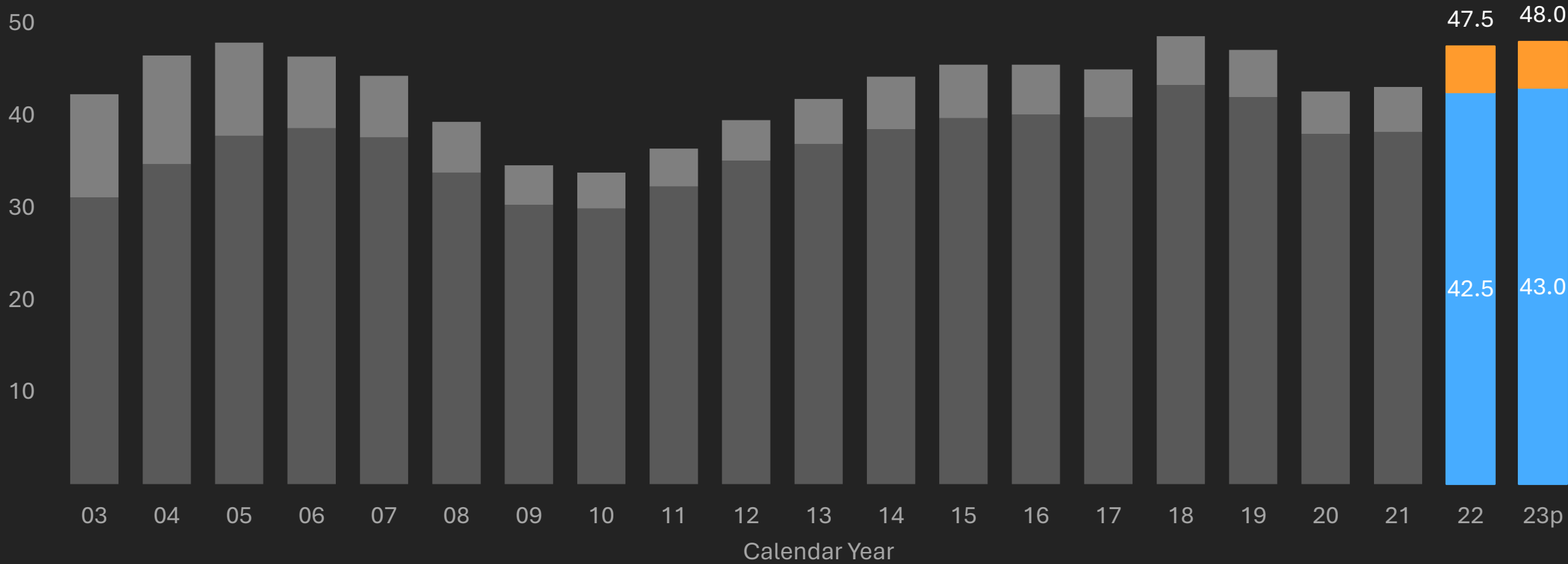
- A decade of underwriting profits
- Seventh year of operating gains above 20%
- Strong reserve position with a redundancy of \$18B



WC Net Written Premium

Private Carriers and State Funds

\$ Billions

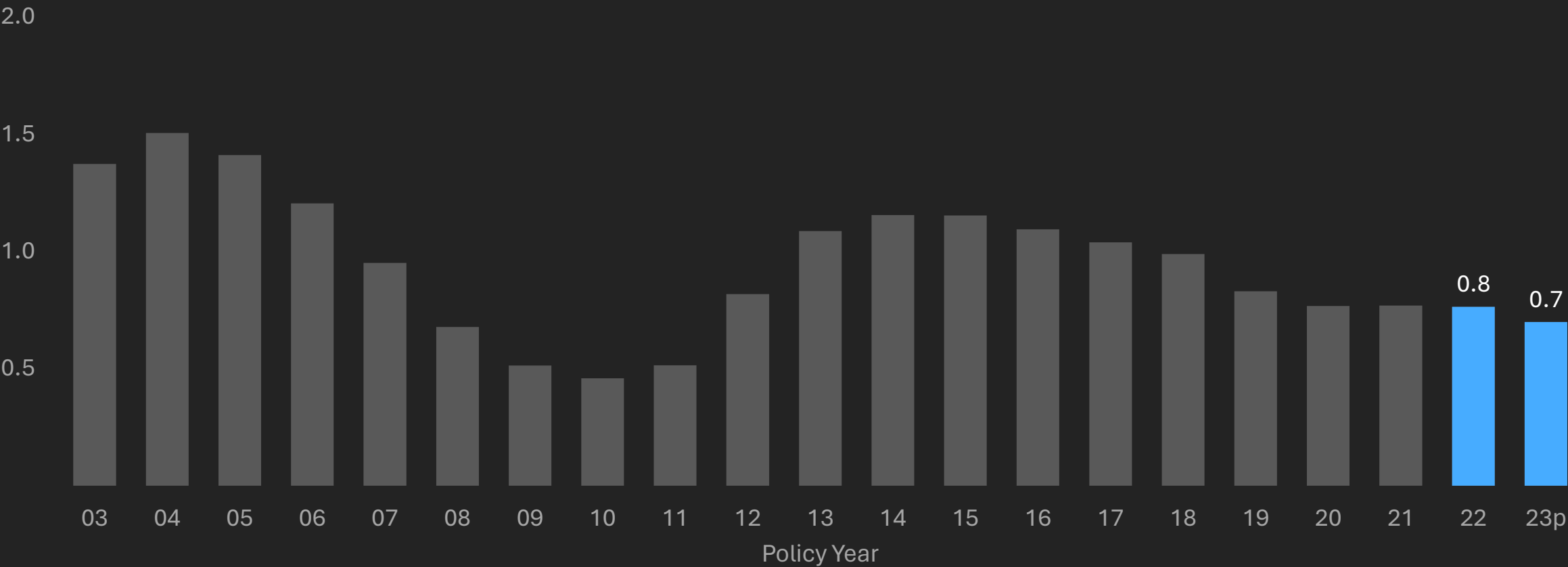


p Preliminary
Source: NAIC's Annual Statement data
The following states are included in the respective calendar years in which they operate as state funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, and UT

WC Residual Market Premium

NCCI-Serviced WC Residual Market Pools

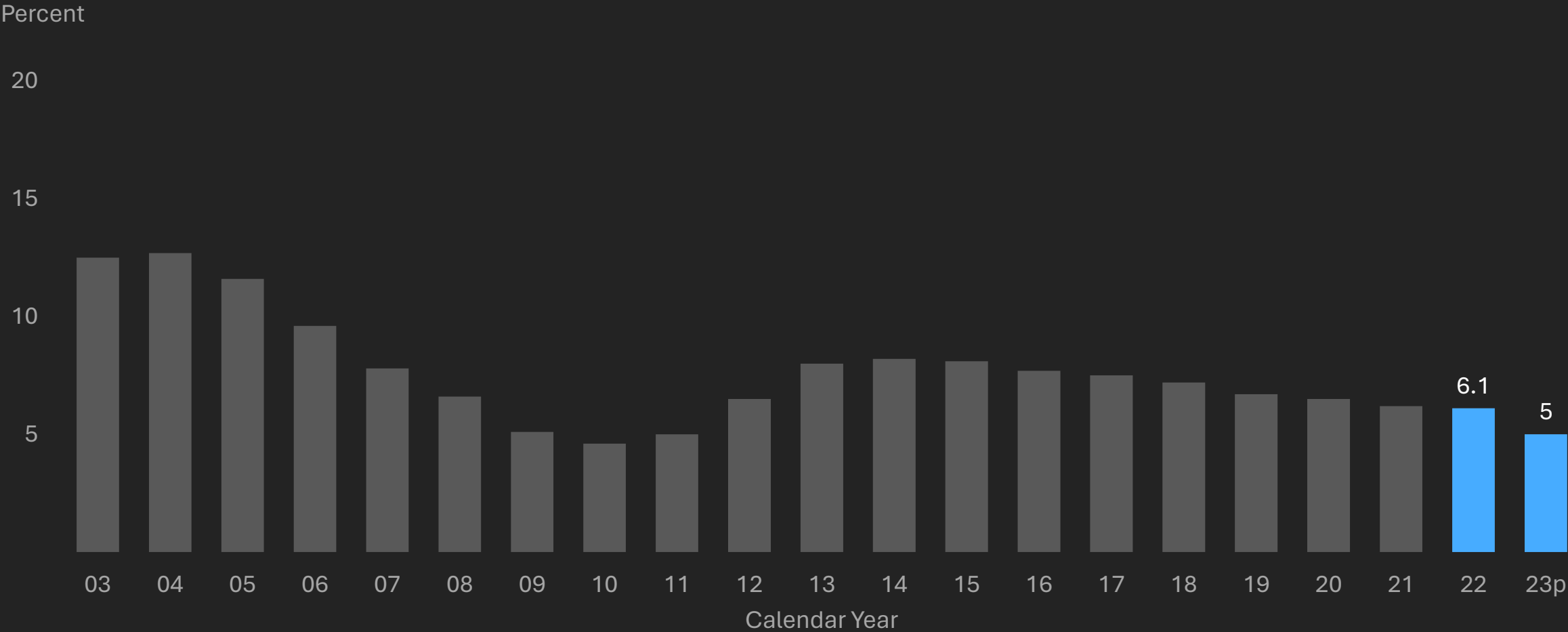
\$ Billions



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 12/31/2023
Tennessee Reinsurance Mechanism premium is not included

WC Residual Market Share

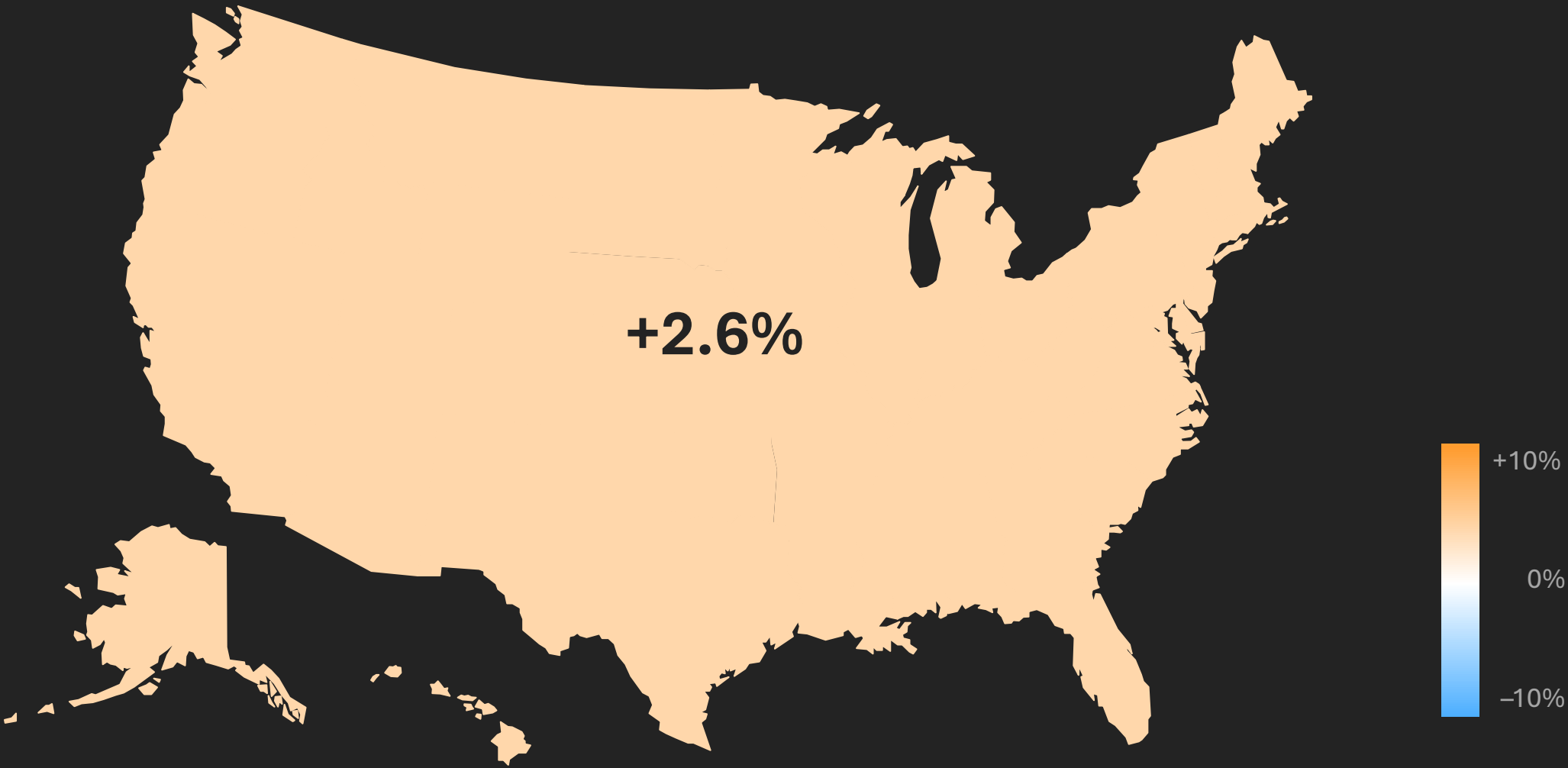
NCCI-Serviced WC Residual Market Pools



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

WC Direct Written Premium Change—2022 to 2023

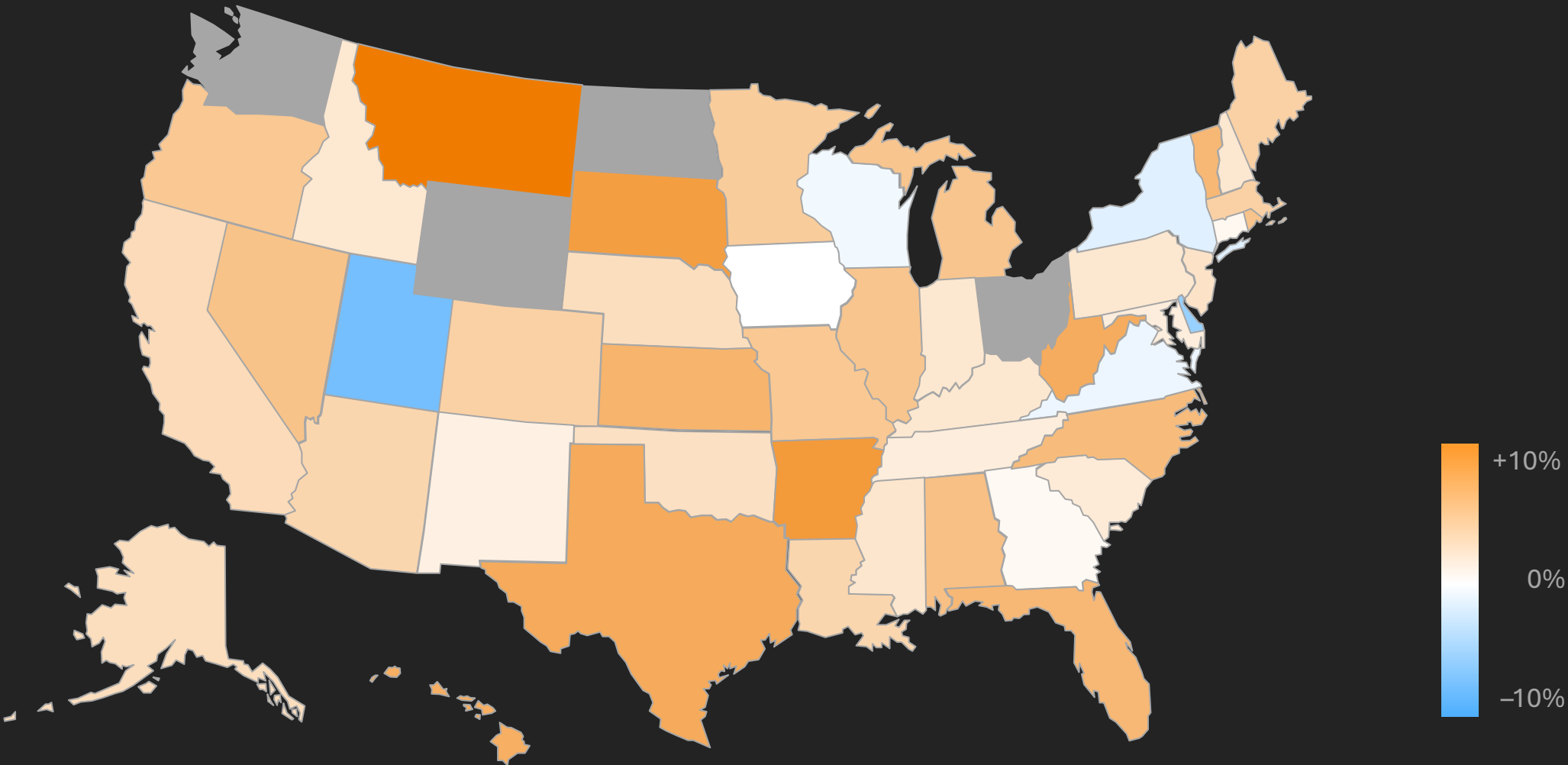
Private Carriers



Sources: 2022 and 2023 NAIC's Annual Statement Statutory Page 14

WC Direct Written Premium Change—2022 to 2023

Private Carriers



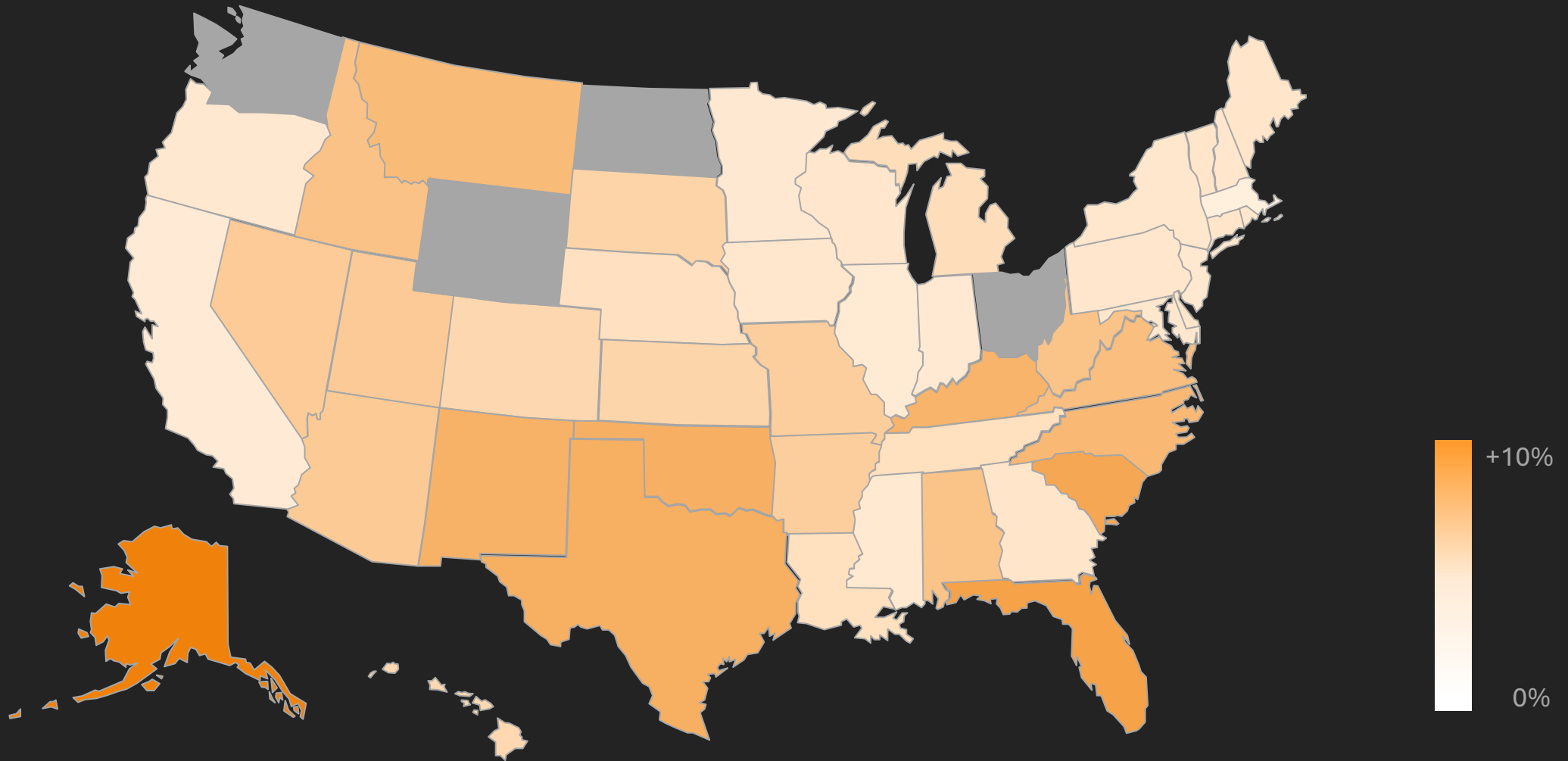
Sources: 2022 and 2023 NAIC's Annual Statement Statutory Page 14

Changes in Payroll by Component—2022 to 2023



Sources: US Bureau of Labor Statistics (BLS); US Bureau of Economic Analysis (BEA); NCCI

Payroll Growth—2022 to 2023



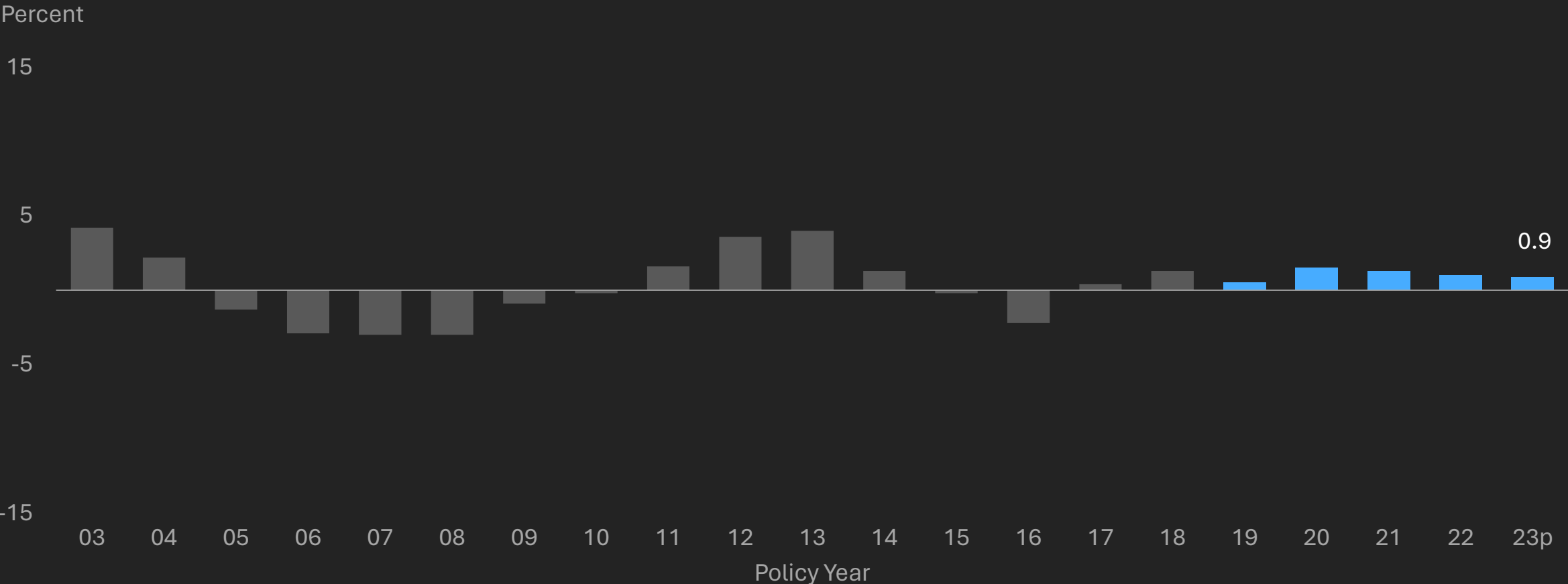
Sources: US Bureau of Economic Analysis; NCCI

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Change in Combined Impact of Schedule Rating, Dividends, and Rate/Loss Cost Departure

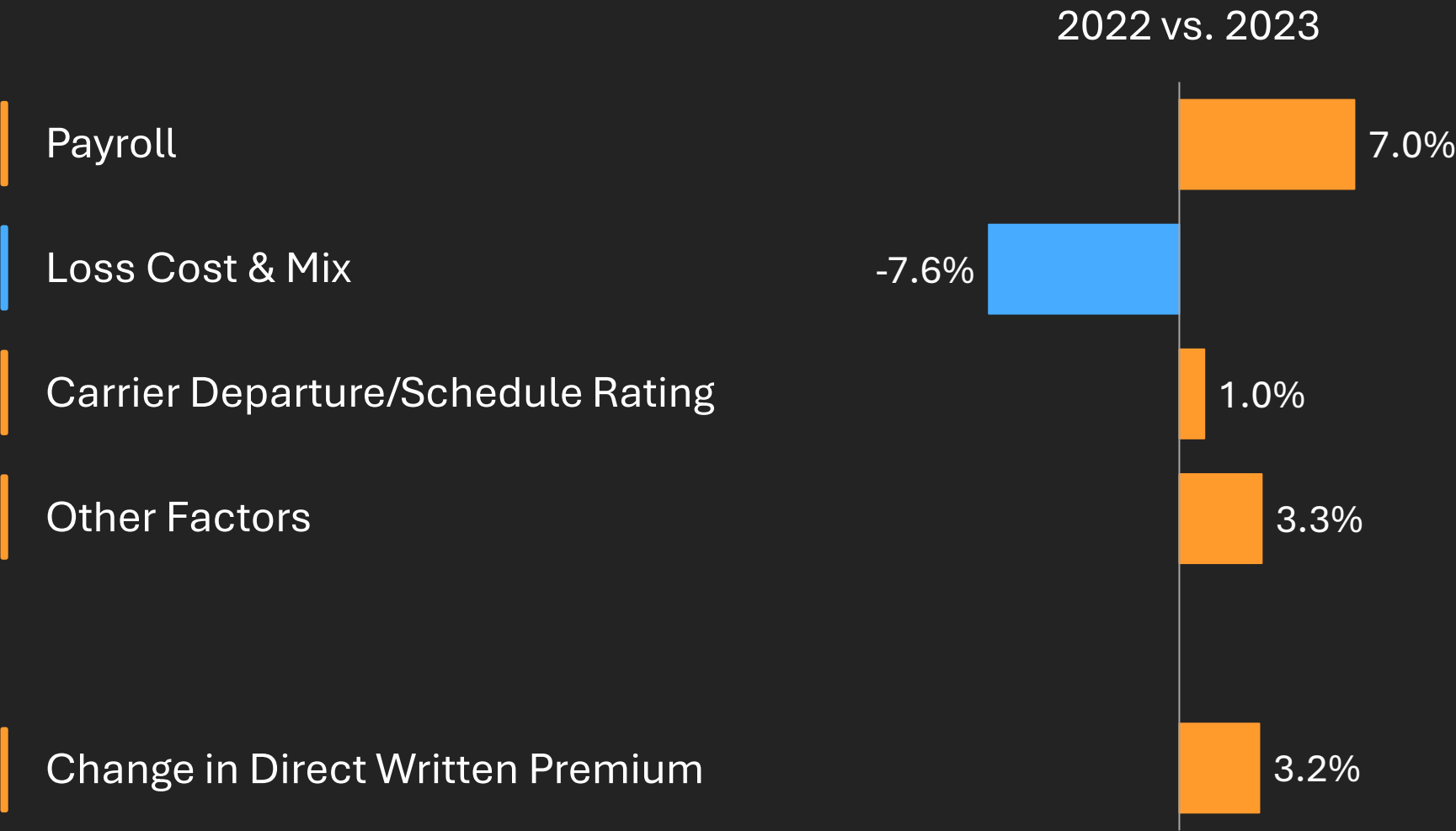
Private Carriers—NCCI States



p Preliminary
Sources: NAIC's Annual Statement Statutory Page 14 and NCCI's Financial Call data
Reflects the impact of carrier dividends, schedule rating, and departure from NCCI rate/loss costs
Based on data for all states where NCCI provides ratemaking services

WC Direct Written Premium Change by Component

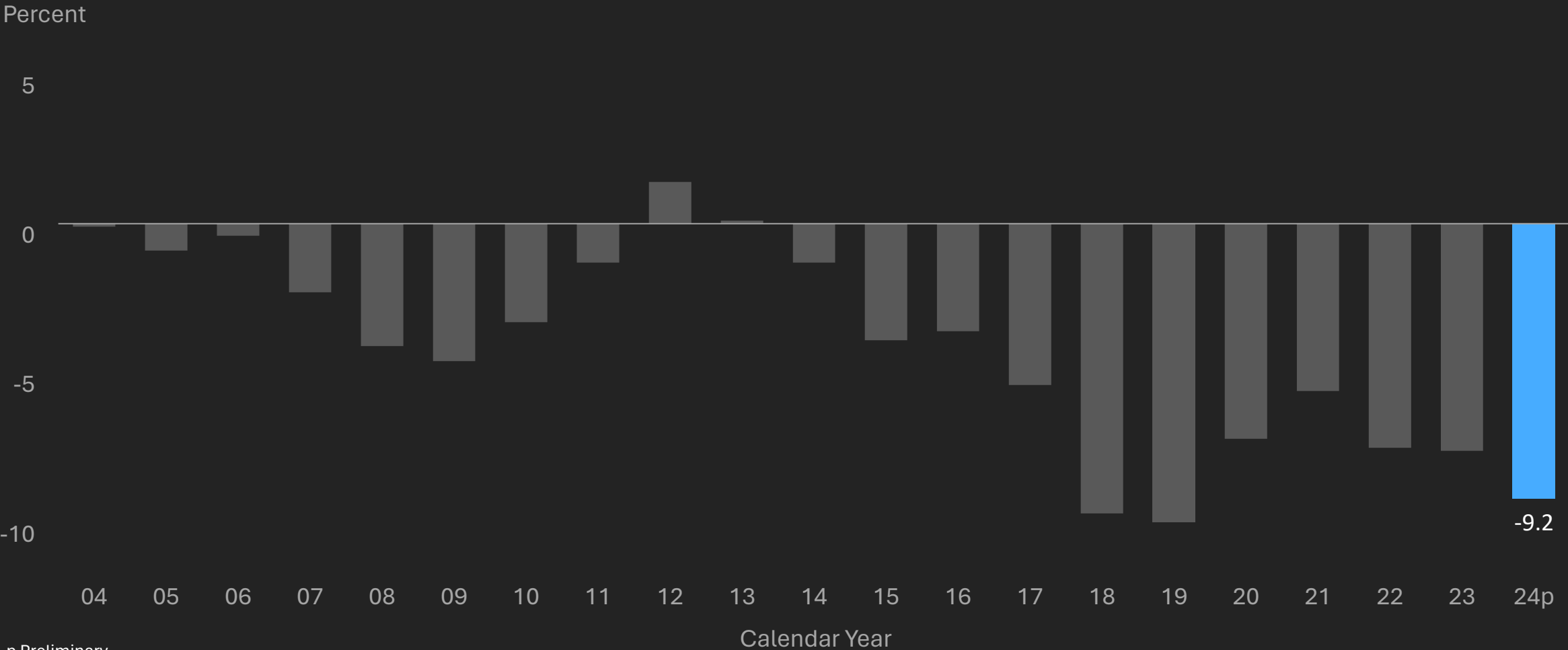
Private Carriers—NCCI States



Sources: Direct Written Premium 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

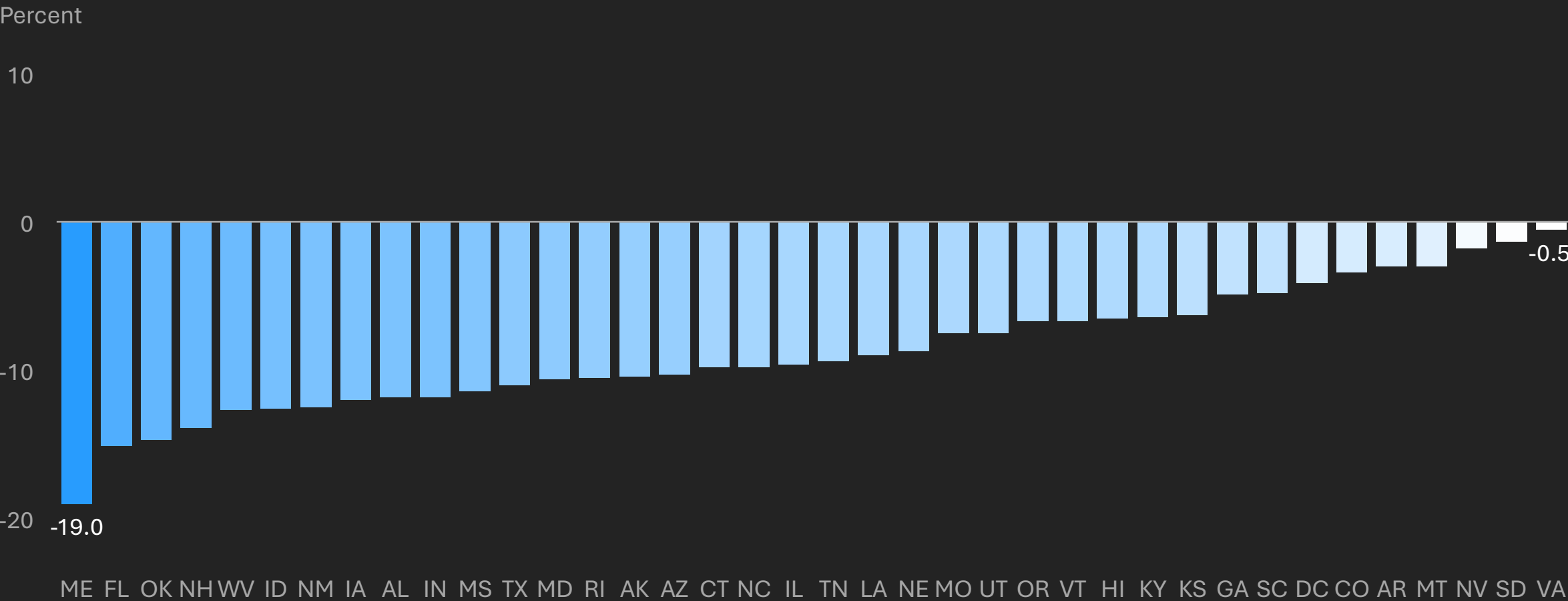
Weighted by Effective Date—NCCI States



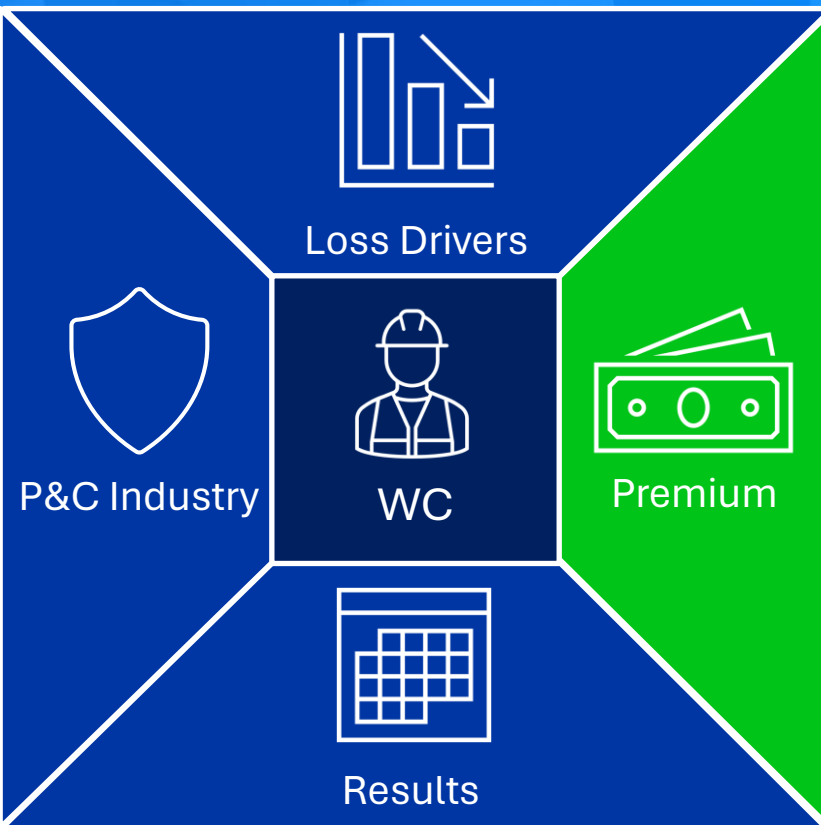
p Preliminary
Sources: NCCI; weights are based on NAIC’s Annual Statement Statutory Page 14
Values reflect changes in average premium levels between years, based on approved changes in advisory rates, loss costs, assigned risk rates, and rating values, as of 5/10/2024
IN and NC are filed in cooperation with state rating bureaus

Most Recent Changes in Bureau Premium Level

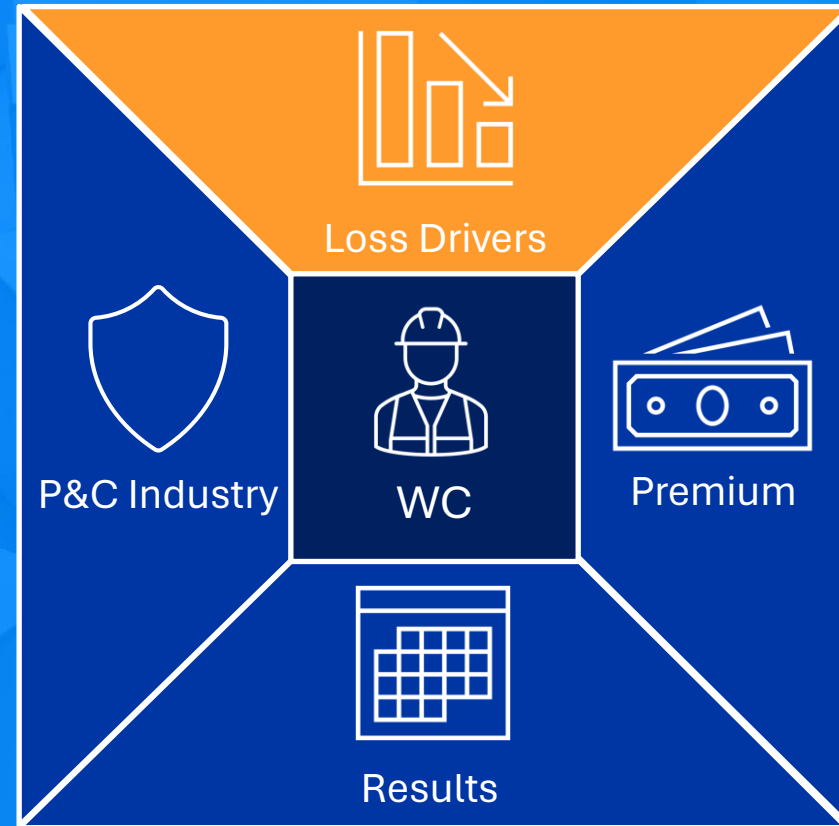
Voluntary Market, Excludes Law-Only Filings



Premium level changes in advisory rates, loss costs, and rating values, as of 5/10/2024, as filed by the applicable rating organization, relative to those previously approved
IN and NC are filed in cooperation with state rating bureaus

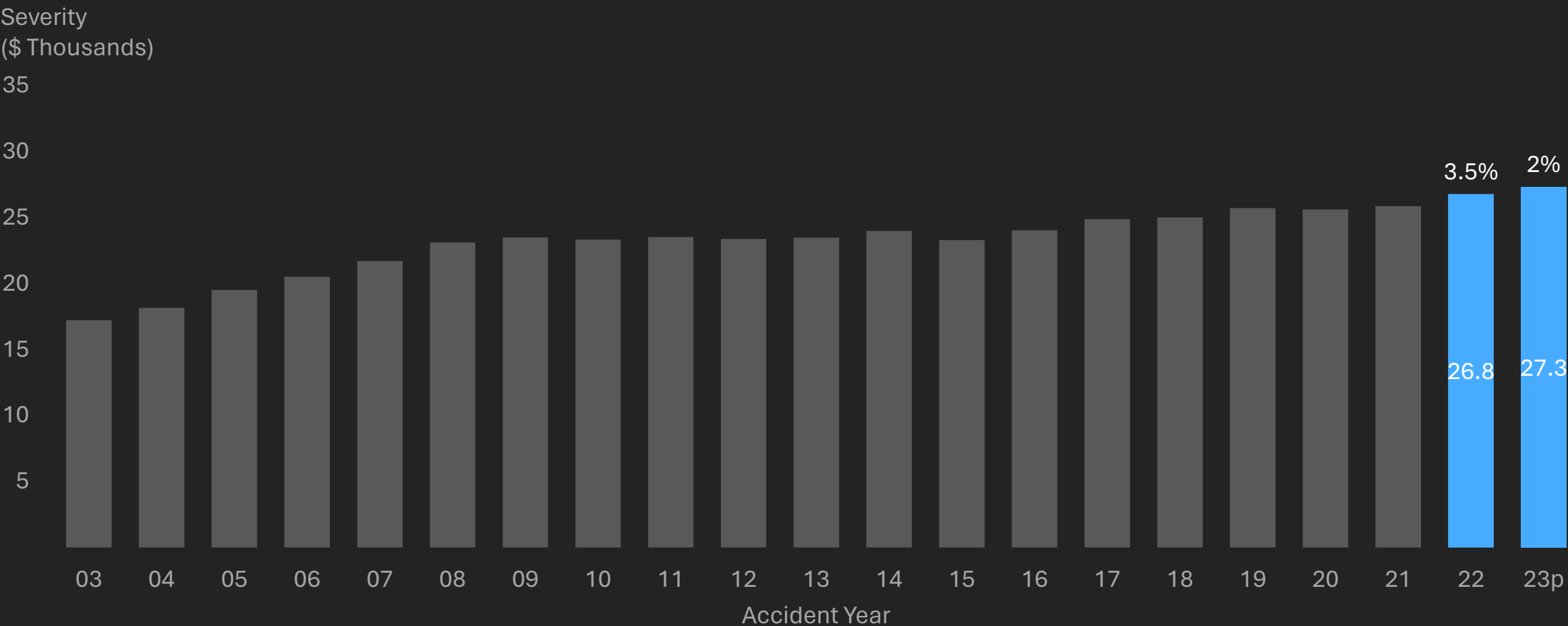


- Net written premium increased by 1%
- Residual market remains manageable
- Payroll increased by 6% between 2022 and 2023, driven by increases in both employment and wages
- All NCCI states continue to approve decreases in bureau premium level in their latest filing



WC Average Medical Lost-Time Claim Severity

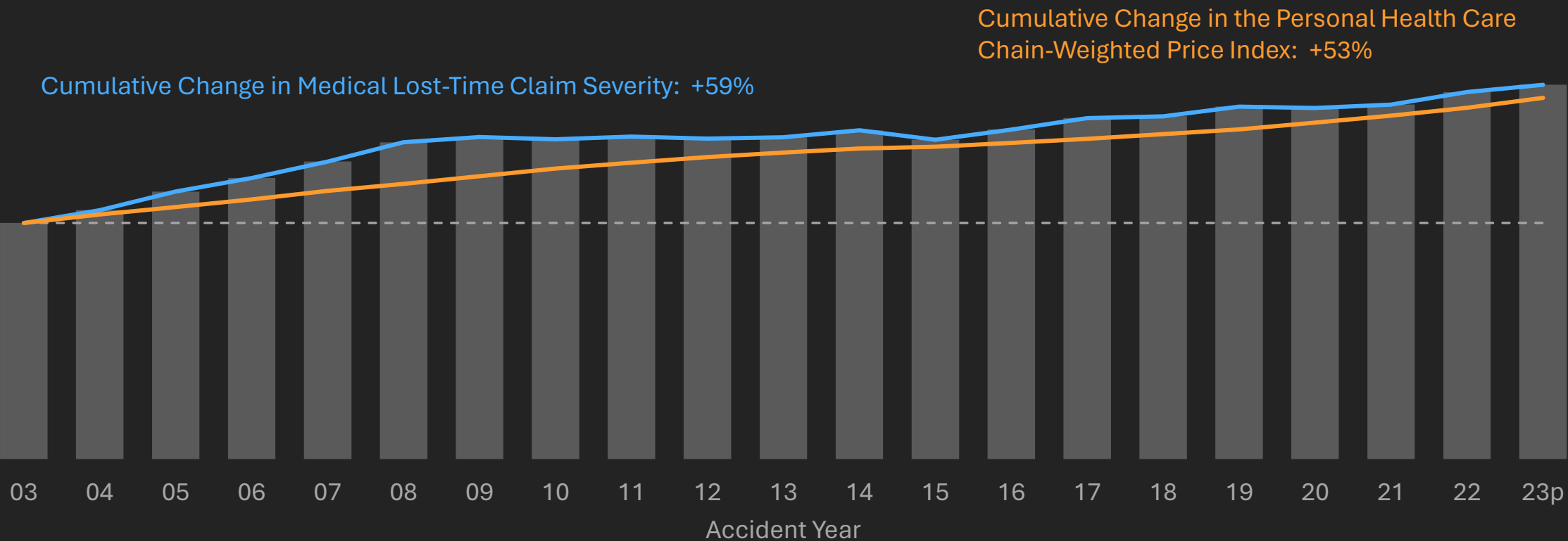
Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2022; excludes COVID-19 claims
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 2008, and WV is excluded through 2012

WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023

Sources: Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2022; excludes COVID-19 claims

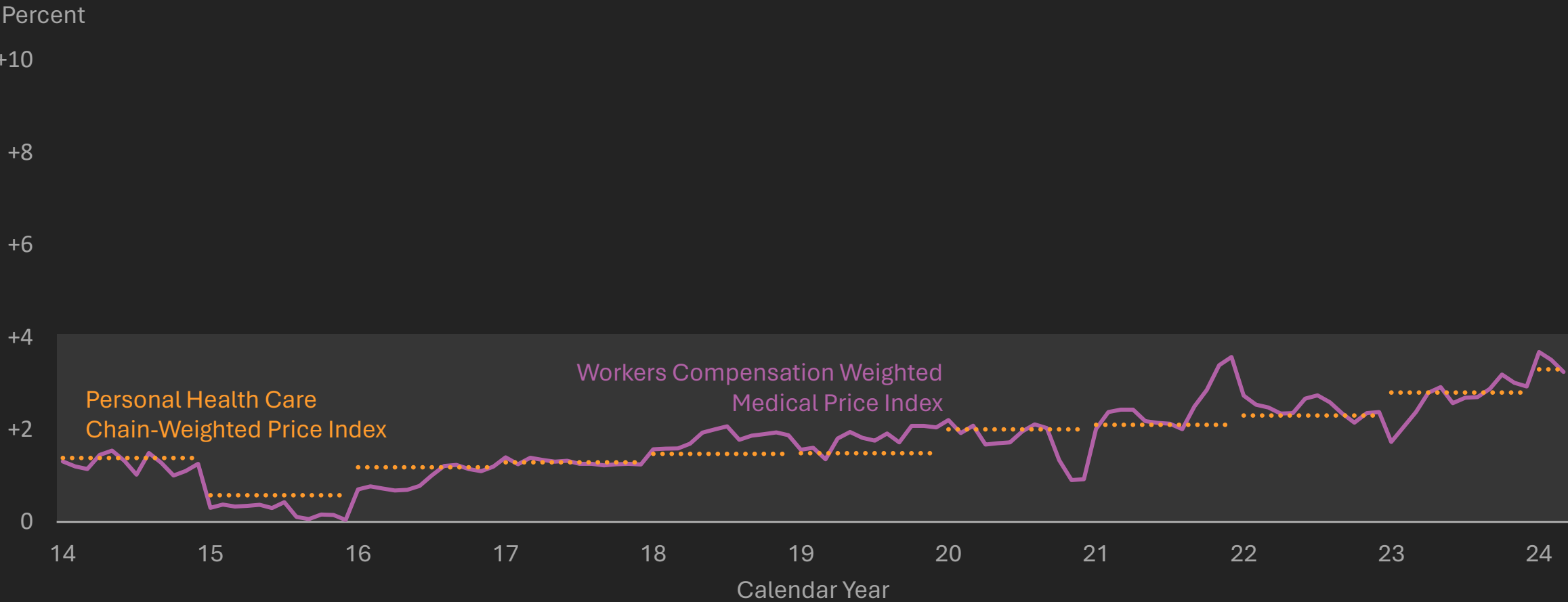
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services; NV is excluded through 2003, TX is excluded through 2008, and WV is excluded through 2012

PHC Chain-Weighted Price Index: 2003–2023p Centers for Medicare & Medicaid Services (CMS)

Workers Compensation Weighted Medical Price Index (WCWMI)

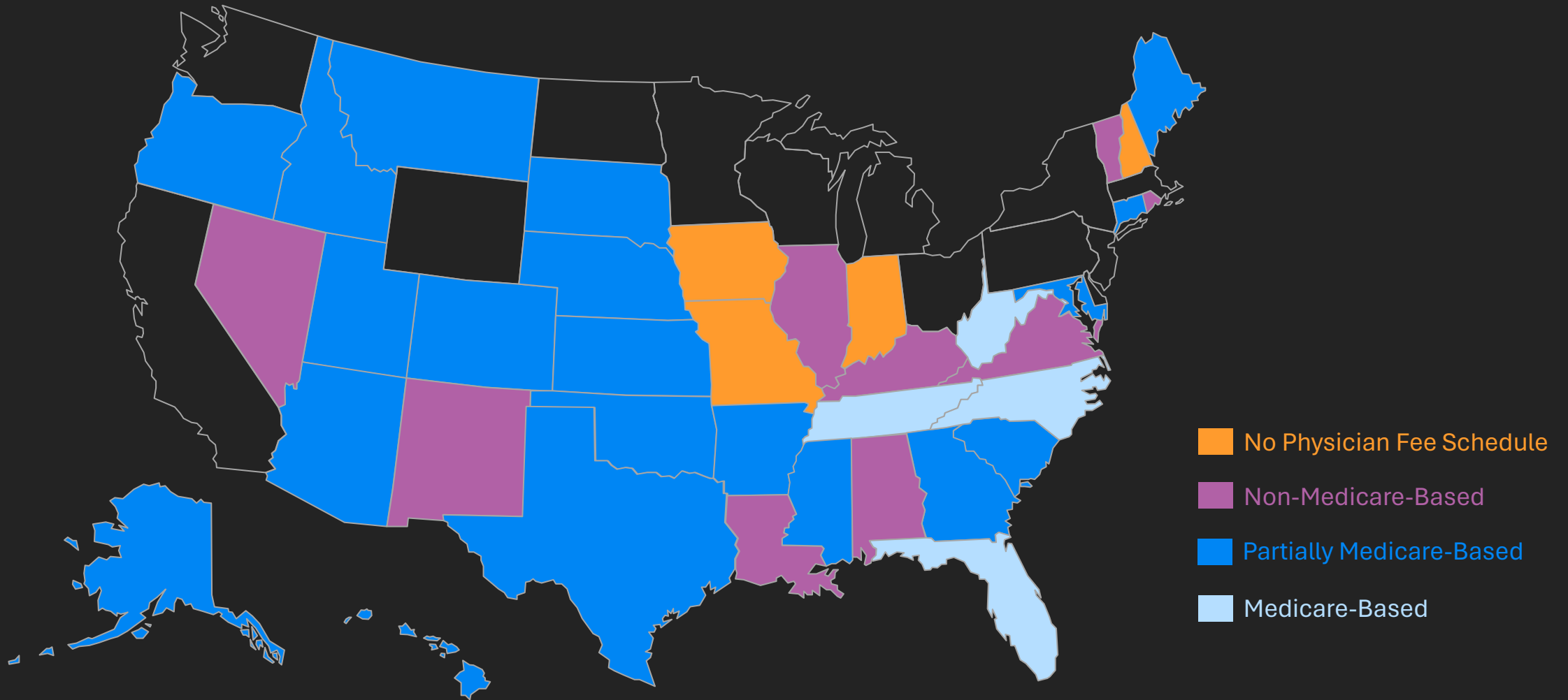
Year-Over-Year Percent Change



Sources: WC Weighted Medical Price Index: 2014–2024 US Bureau of Labor Statistics and NCCI
PHC Chain-Weighted Price Index: 2014–2022, 2023 & 2024 projected; Centers for Medicare & Medicaid Services (CMS)

Physician Medical Fee Schedule Groups

As of 2023

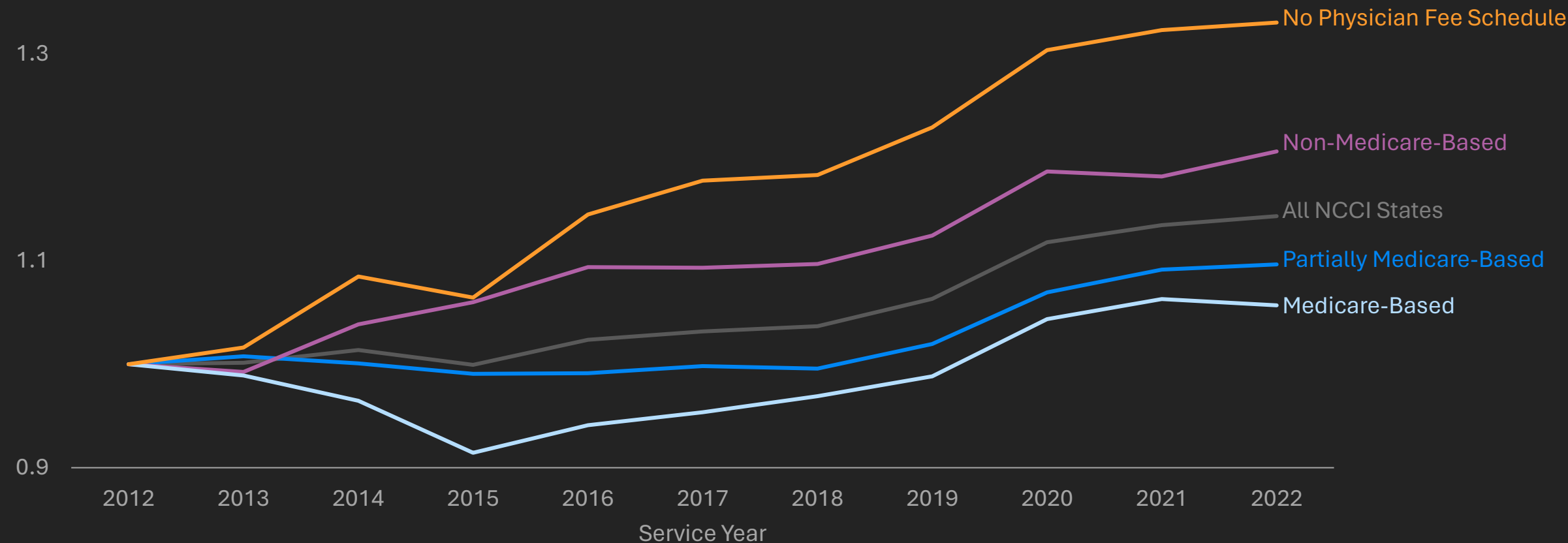


Source: NCCI 2024 *Annual Statistical Bulletin* Exhibit 7

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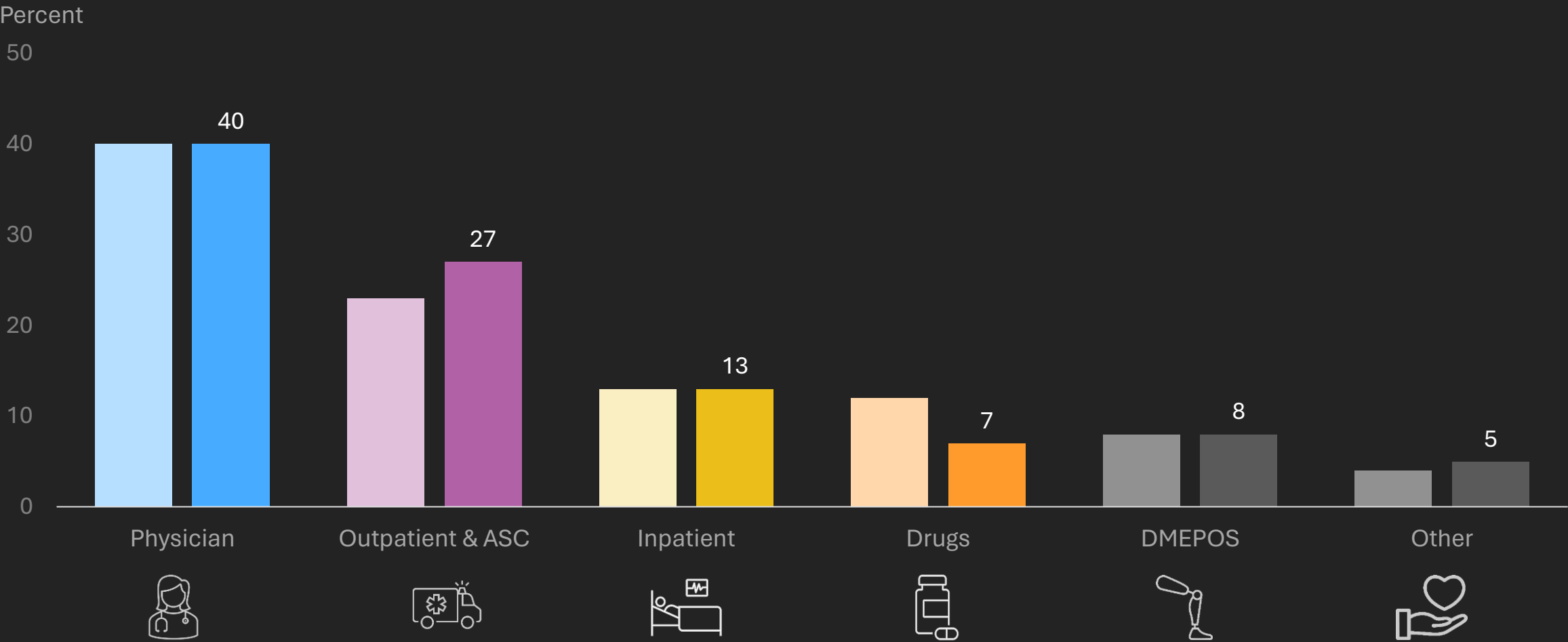
Cumulative Changes in Physician Cost per Active Claim



Source: Based on NCCI's Medical Data Call
Medicare-Based Fee Schedule includes DC, FL, NC, TN, and WV
Partially Medicare-Based Fee Schedule includes AK, AR, CO, CT, GA, HI, ID, KS, MD, ME, MS, MT, NE, OK, OR, SC, SD, and UT
All NCCI States includes AK, AL, AR, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, and WV
Non-Medicare-Based Fee Schedule includes AL, IL, KY, LA, NM, NV, RI, and VT
No Physician Fee Schedule includes IA, IN, MO, and NH
Note: States are grouped based on fee schedule structures that have remained the same between Service Years 2012 and 2022; states with significant changes to fee schedule structure or incomplete data between 2012 and 2022 are excluded

Medical Cost Category Shares

Service Year 2012 Compared to 2022



Source: NCCI's Medical Data Call
Includes all states where NCCI provides ratemaking services; TX is excluded through Service Year 2019

WC Medical Share of Losses Over Time

Private Carriers and State Funds—NCCI States

Percent

100

50

0

03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23p

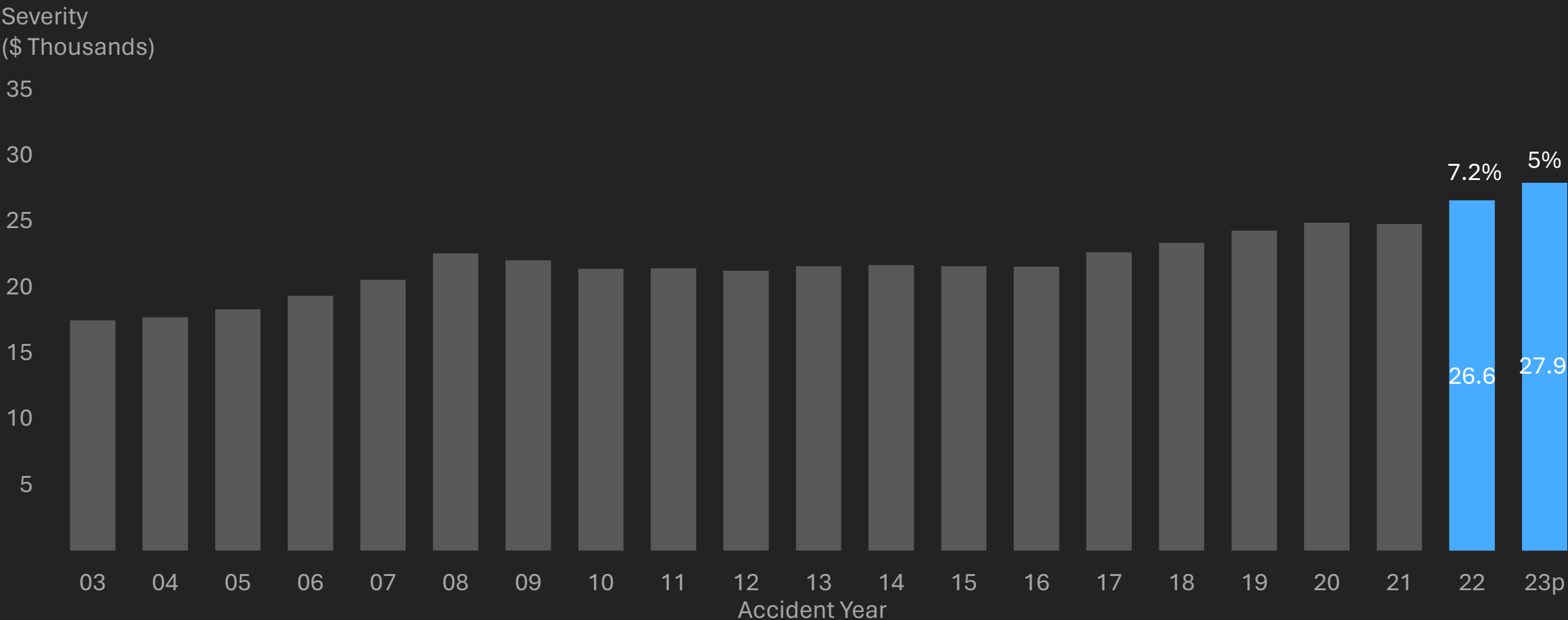
Accident Year

A majority of costs each year are for **medical benefits**

p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2022; excludes COVID-19 claims
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 2008, and WV is excluded through 2012

WC Average Indemnity Claim Severity

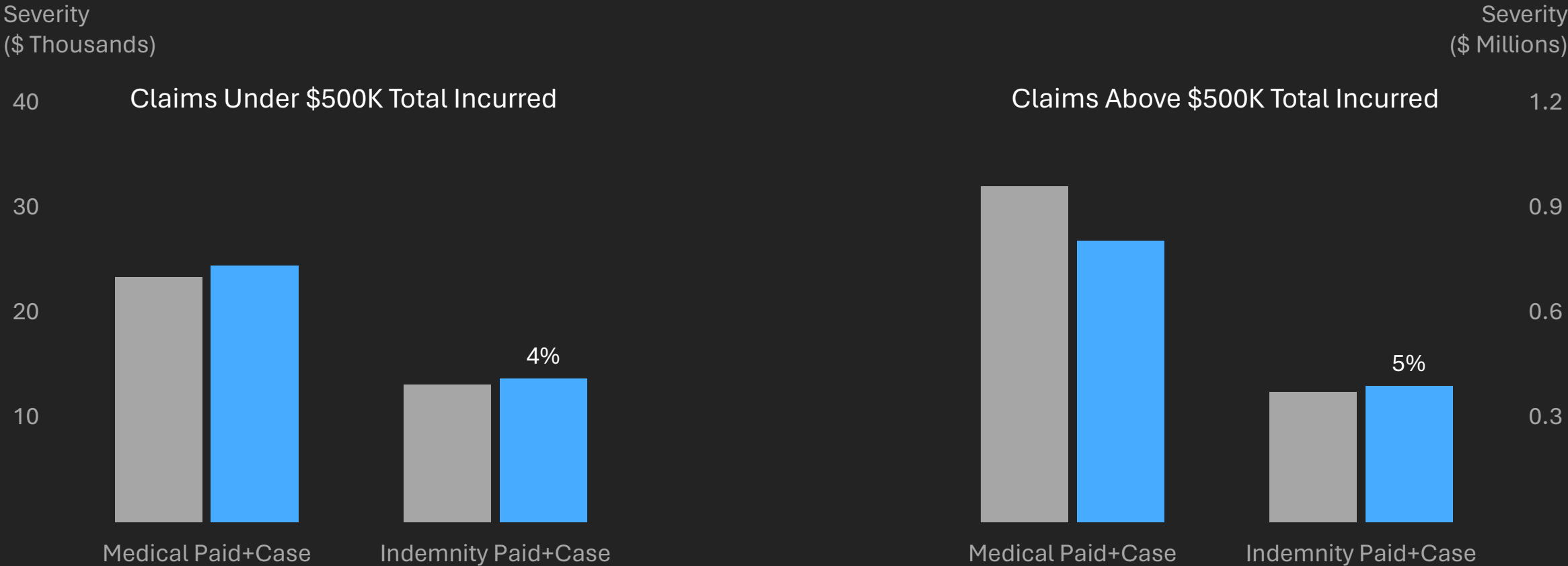
Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2022; excludes COVID-19 claims
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 2008, and WV is excluded through 2012

WC Average Severity at 1st Report by Size of Claim

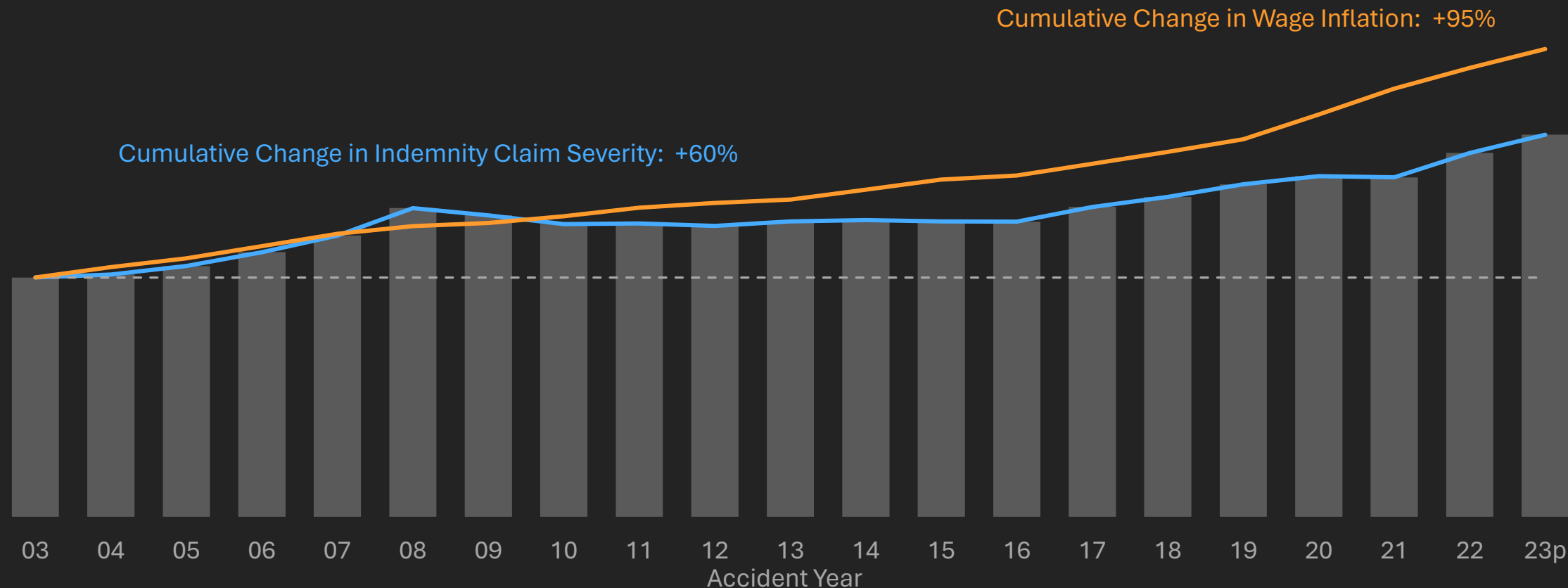
Accident Years 2022–2023p, Private Carriers and State Funds—NCCI States



p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
Source: NCCI's Financial Call data, 1st report, excludes high-deductible policies; based on data valued as of 12/31/2022; excludes COVID-19 claims
Includes all states where NCCI provides ratemaking services

WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States



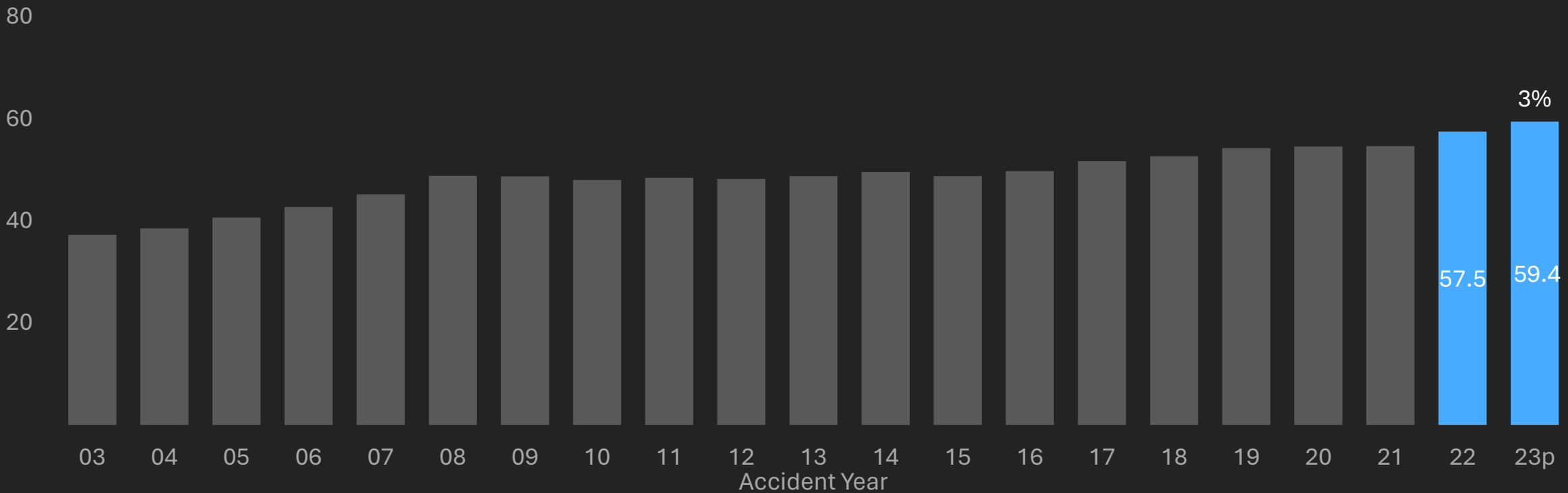
p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
Sources: US Average Weekly Wage: 2003–2007, 2012–2019, and 2022 Quarterly Census of Employment and Wages (QCEW) and US Bureau of Labor Statistics (BLS);
2008–2011 and 2020–2021 NCCI and QCEW; 2023p BLS, US Bureau of Economic Analysis (BEA), and NCCI
Severity: NCCI’s Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2022; excludes COVID-19 claims
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 2008, and WV is excluded through 2012



WC Average Total Claim Severity

Private Carriers and State Funds—NCCI States

Severity
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2022; excludes COVID-19 claims
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 2008, and WV is excluded through 2012

WC Average Total Wage-Adjusted Claim Severity

Private Carriers and State Funds—NCCI States

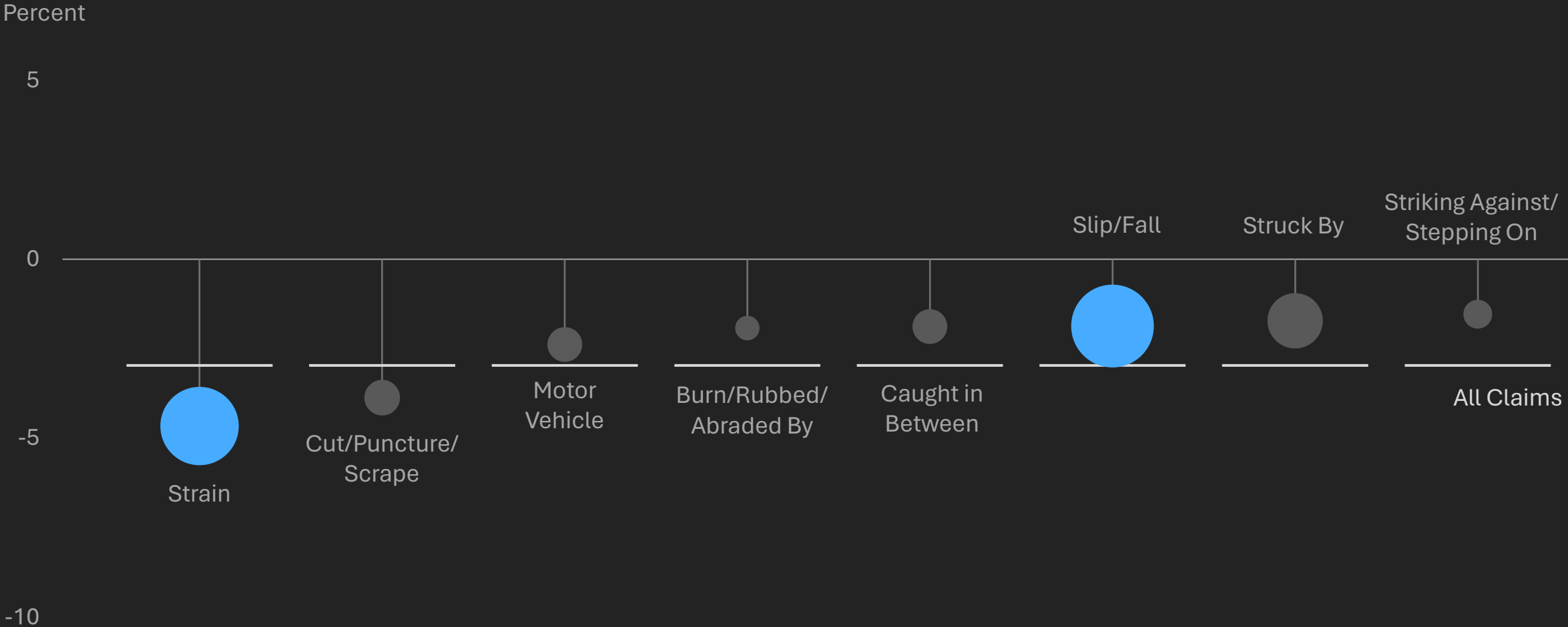
Severity
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
Sources: US Average Weekly Wage: 2003–2007, 2012–2019, and 2022 Quarterly Census of Employment and Wages (QCEW) and US Bureau of Labor Statistics (BLS);
2008–2011 and 2020–2021 NCCI and QCEW; 2023p BLS, US Bureau of Economic Analysis (BEA), and NCCI
Severity: NCCI’s Financial Call data, developed to ultimate, adjusted to current wage level, excludes high-deductible policies; based on data through 12/31/2022;
excludes COVID-19 claims
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 2008, and WV is excluded through 2012

WC Lost-Time Claim Frequency by Cause of Injury

Average Annual Change in Claims per \$1M Pure Premium, Accident Years 2015–2022p
Private Carriers and State Funds—NCCI States

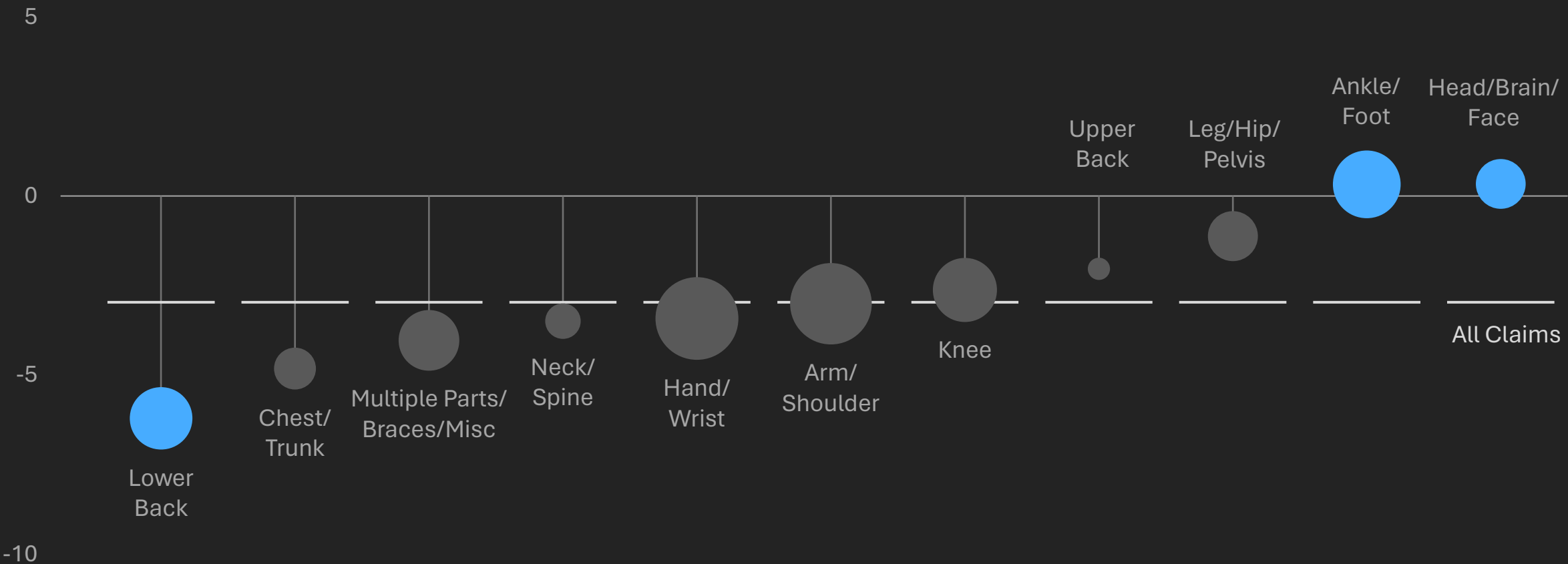


p Preliminary
Based on NCCI's Statistical Plan data at 1st report, premium adjusted to current wage and voluntary pure premium level, excludes high-deductible policies and COVID-19 claims
Includes all states where NCCI provides ratemaking services

WC Lost-Time Claim Frequency by Part of Body

Average Annual Change in Claims per \$1M Pure Premium, Accident Years 2015–2022p
Private Carriers and State Funds—NCCI States

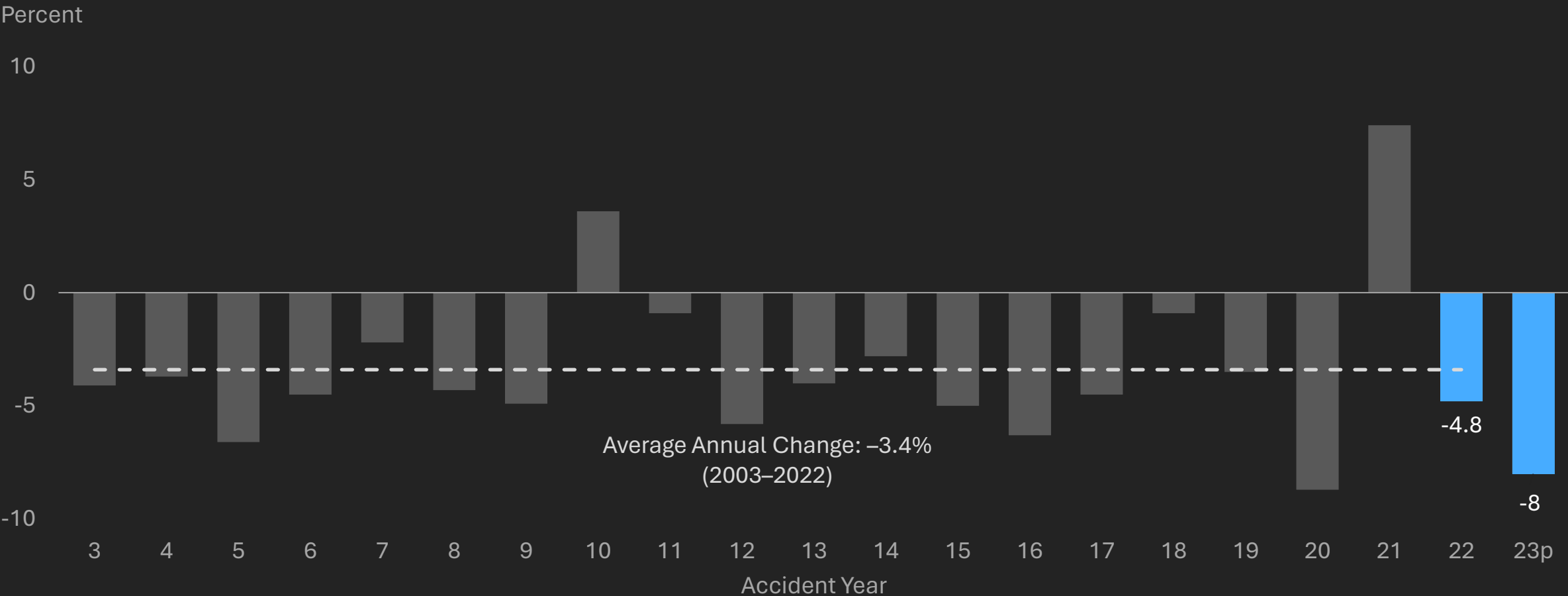
Percent



p Preliminary
Based on NCCI's Statistical Plan data at 1st 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

WC Lost-Time Claim Frequency

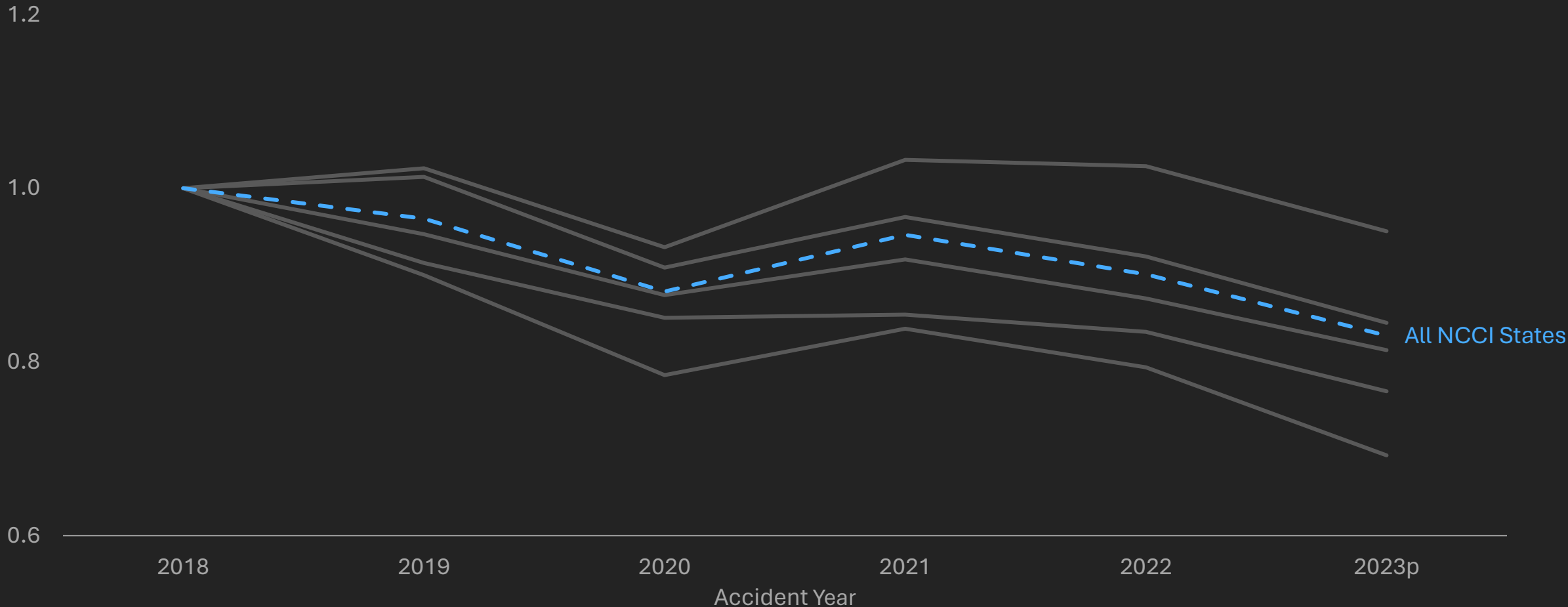
Change in Claims per \$1M Pure Premium, Private Carriers and State Funds—NCCI States



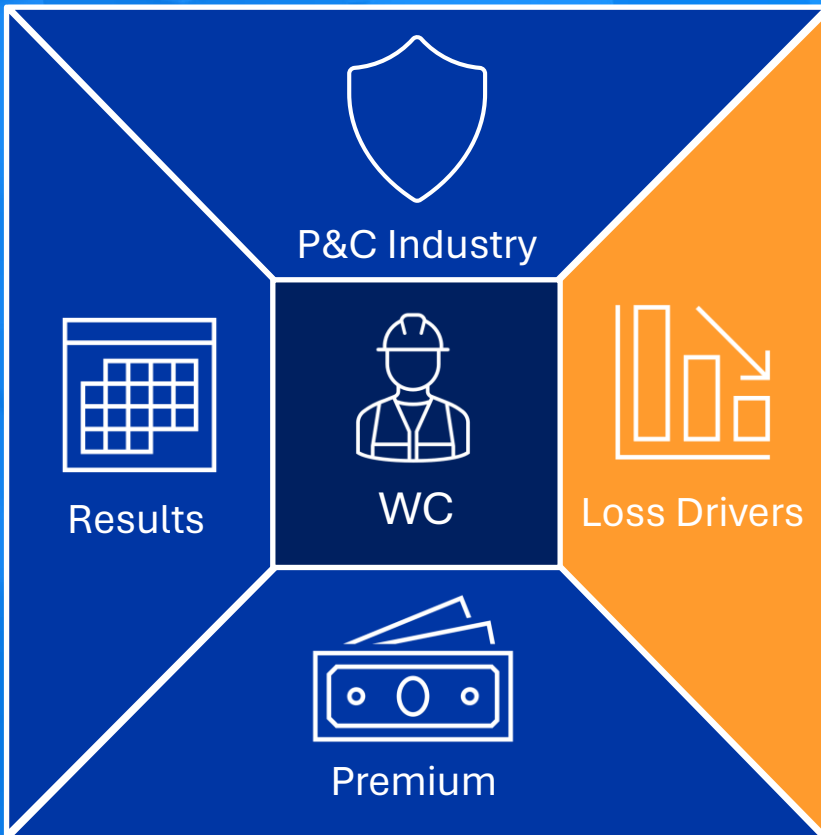
2010–2011 and 2019–2022 are adjusted to reflect the impact of changes in audit activity
p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
Source: NCCI’s Financial Call data, developed to ultimate, premium adjusted to current wage and voluntary pure premium level, excludes high-deductible policies;
based on data through 12/31/2022; excludes COVID-19 claims
Includes all states where NCCI provides ratemaking services; TX is excluded through 2006 and WV is excluded through 2011

Cumulative Changes in WC Lost-Time Claim Frequency

By State



2019–2022 are adjusted to reflect the impact of changes in audit activity
p Preliminary, based on data valued as of 12/31/2023; excludes COVID-19 claims through 7/1/2023
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 12/31/2022; excludes COVID-19 claims
Includes all states where NCCI provides ratemaking services



- Total severity is increasing by about 3%
 - Medical severity increase of 2%
 - Indemnity increases of 5%
- Frequency is decreasing by 8%, more than two times the size of the long-term average

2023 Workers Compensation Insights

Lowest combined ratio
compared to other lines



P&C Industry

5% share of the P&C Industry
net written premium

2023 reported combined ratios:

CY 86% AY 98%



Results

\$18 billion
reserve redundancy

1% increase in
net written premium



Premium

Payroll change components:

2.3% Employment **3.9%** Wage Rate

Wage-adjusted changes:

-8%
Claim frequency



Loss Drivers

Unadjusted severity changes:

2% Medical **5%** Indemnity

State of the Line Dialogue

Live session after break

Contact Us

stateoftheline@ncci.com

Resources on ncci.com

State of the Line Report

State of the Line Guide