

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—2021 to 2022

Private Carriers

Line of Business	2021 (\$B)	2022p (\$B)	% Change From 2021
Personal Auto	252.9	267.9	
Homeowners	103.4	113.8	
Other Liability (Incl. Product Liability)	89.1	99.4	
Commercial Auto	46.6	51.6	
Commercial Multi-Peril	43.7	48.4	
Fire & Allied Lines (Incl. Earthquake)	41.9	47.2	
Workers Compensation	38.2	42.5	11.2
All Other Lines	95.1	100.3	
Total P&C Industry	710.9	771.0	8.4

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 Written Premium Growth—2019 to 2022

Private Carriers

Line of Business	2019 (\$B)	2022p (\$B)	% Change From 2019
Personal Auto	247.7	267.9	
Homeowners	92.3	113.8	
Other Liability (Incl. Product Liability)	64.4	99.4	
Commercial Auto	38.9	51.6	
Commercial Multi-Peril	38.9	48.4	
Fire & Allied Lines (Incl. Earthquake)	32.3	47.2	
Workers Compensation	42.0	42.5	1.1
All Other Lines	77.6	100.3	
Total P&C Industry	634.0	771.0	21.6

p Preliminary

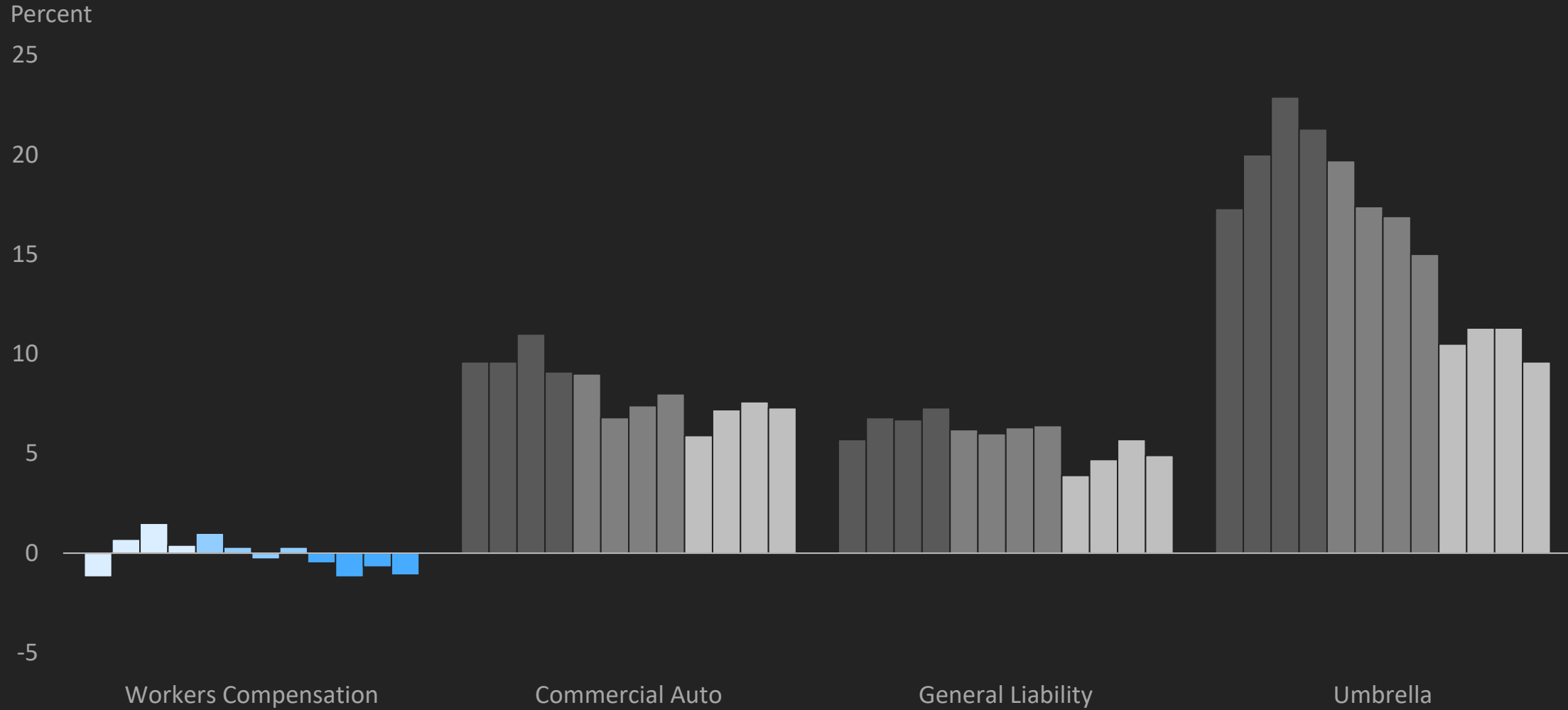
Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers

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Quarterly Average Premium Changes by Line of Business

Q1 2020–Q4 2022



Sources: The Council of Insurance Agents & Brokers: Q4 P/C Market Index Surveys (2020–2022)

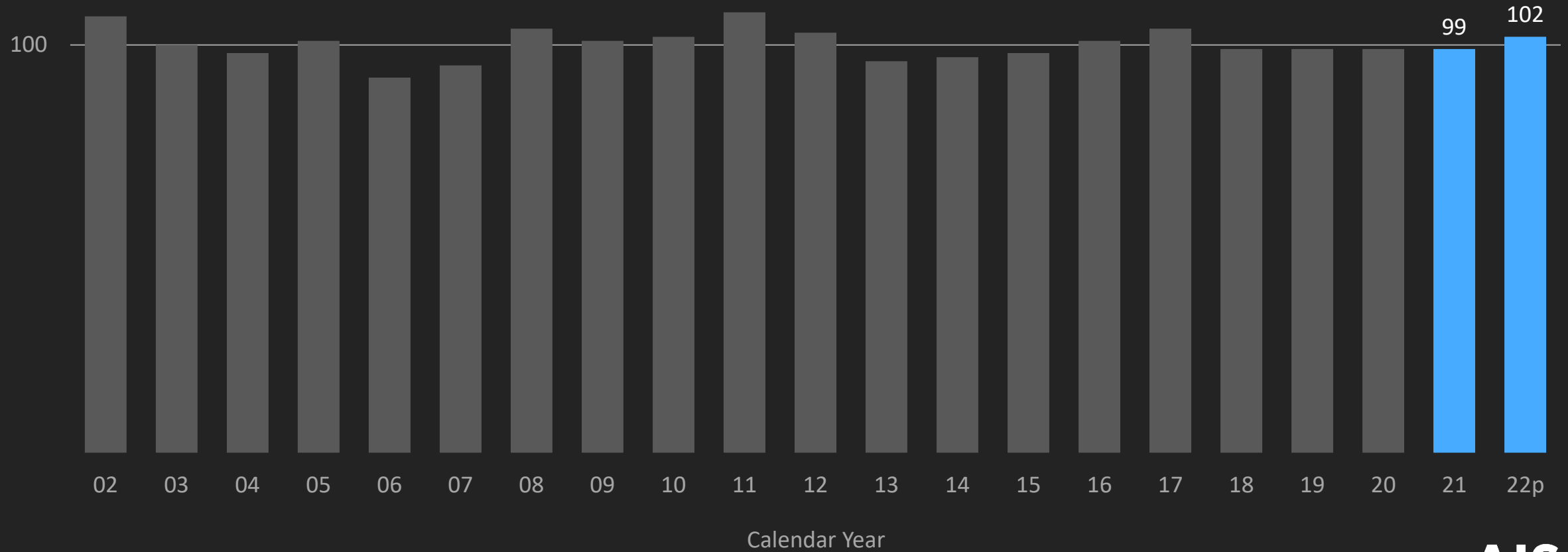
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P&C Industry Net Combined Ratio

Private Carriers

Percent



p Preliminary

Sources: 2002–2008 and 2013–2022p 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	2021 (%)	2022p (%)	Difference From 2021
Personal Auto	101	112	
Homeowners	104	104	
Other Liability (Incl. Product Liability)	97	96	
Commercial Auto	99	105	
Commercial Multi-Peril	106	106	
Fire & Allied Lines (Incl. Earthquake)	99	96	
Workers Compensation	87	84	-3
All Other Lines	92	87	
Total P&C Industry	99	102	3

p Preliminary

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

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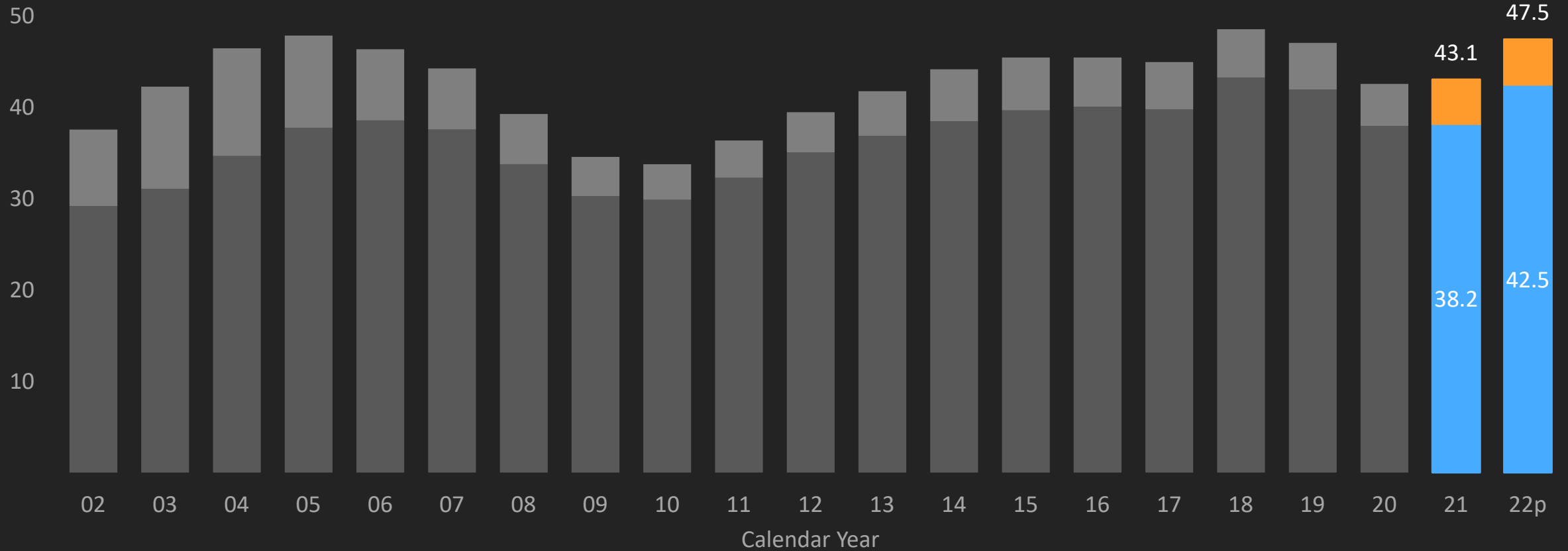
Workers Compensation (WC) Premium



WC Net Written Premium

Private Carriers and State Funds

\$ Billions



p Preliminary

Source: NAIC's Annual Statement data

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

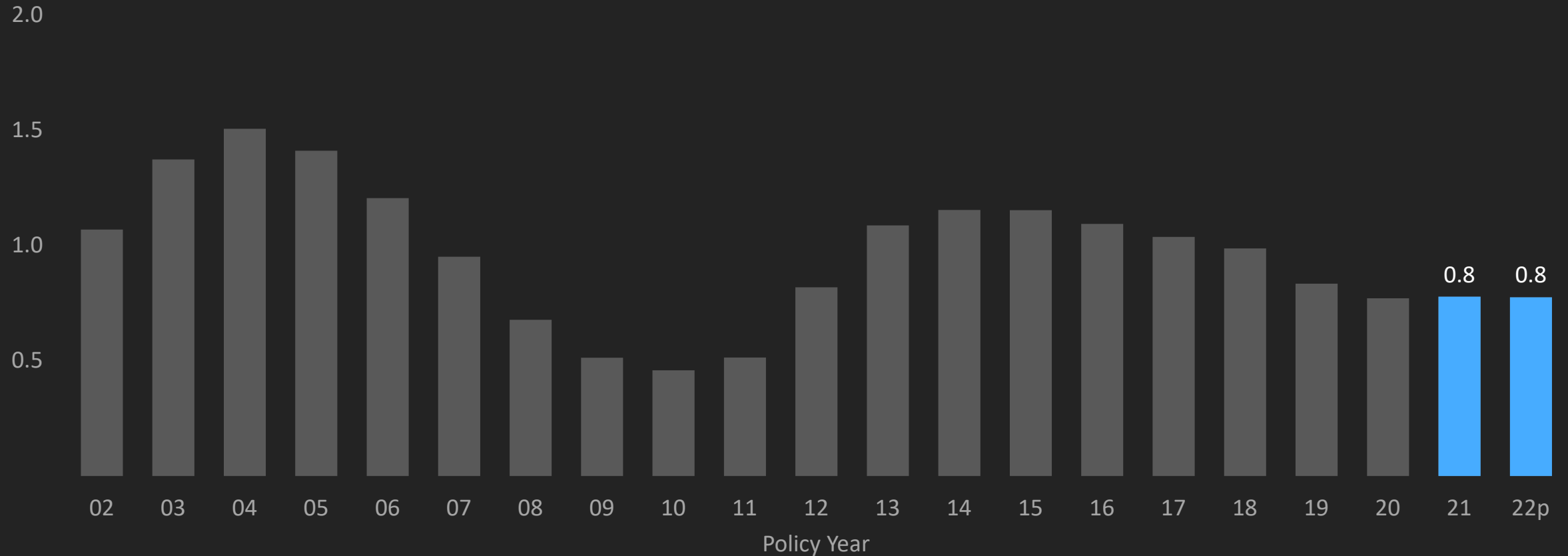
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WC Residual Market Premium

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 12/31/2022

Tennessee Reinsurance Mechanism premium is not included

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WC Residual Market Share

NCCI-Serviced WC Residual Market Pools

Percent

20

15

10

5

02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22p

Calendar Year

6.2

6

p Preliminary

Source: NCCI's *Residual Market Management Summary*

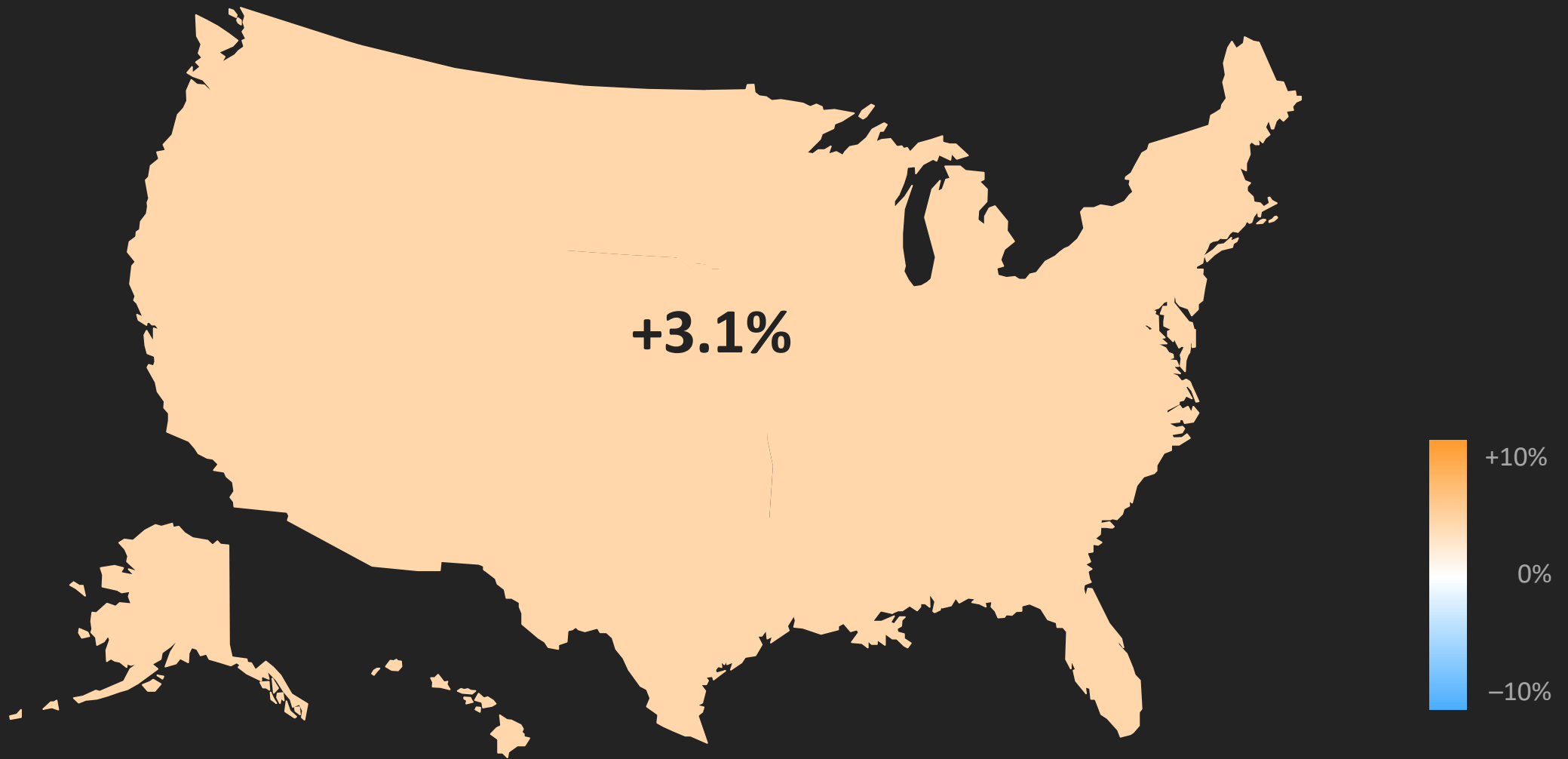
Includes Pool and direct assignment data for all NCCI-serviced WC Residual Market Pool states

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WC Direct Written Premium Change—2019 to 2022

Private Carriers



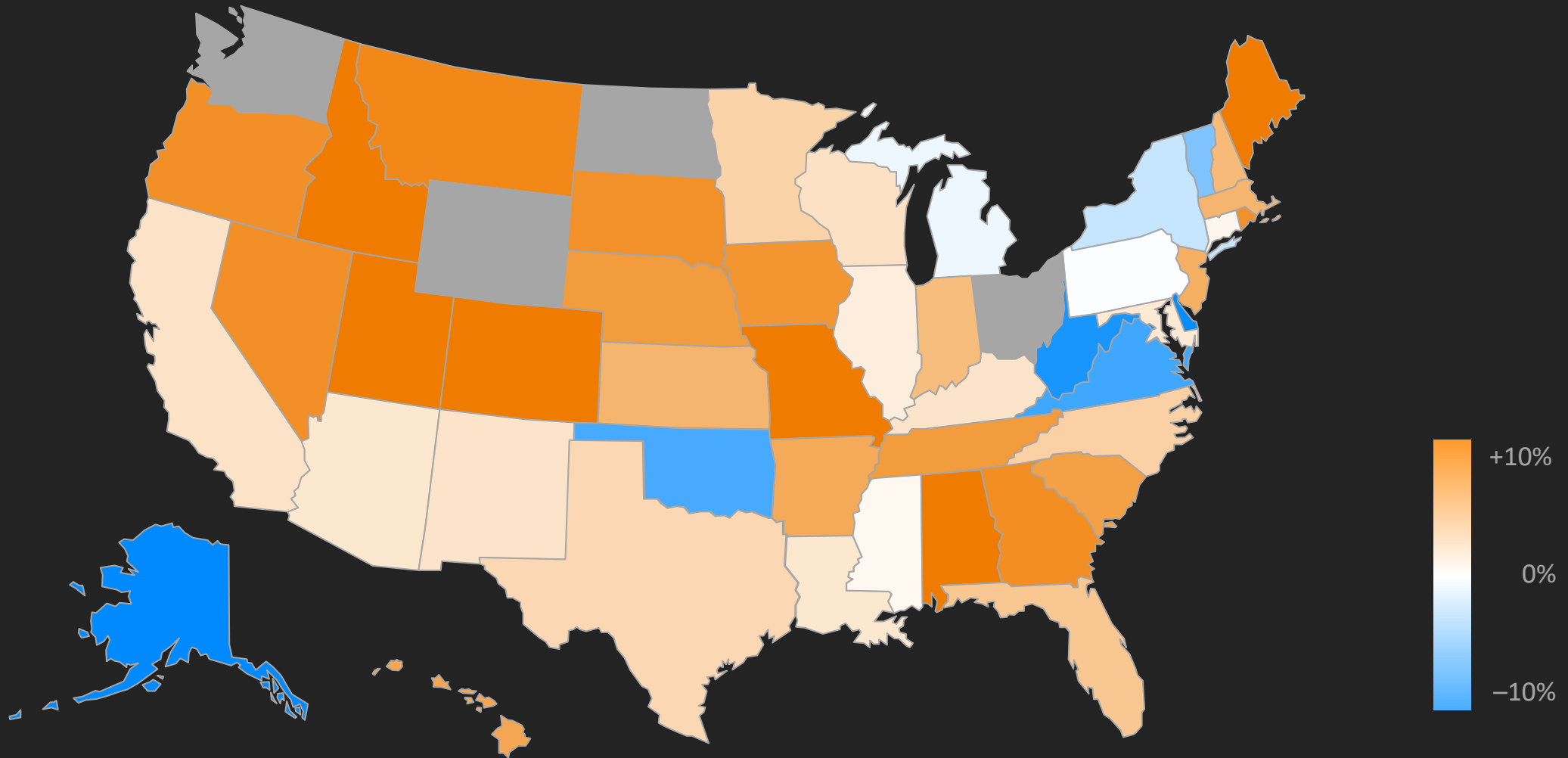
Sources: 2019 and 2022 NAIC's Annual Statement Statutory Page 14

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WC Direct Written Premium Change—2019 to 2022

Private Carriers



Sources: 2019 and 2022 NAIC's Annual Statement Statutory Page 14

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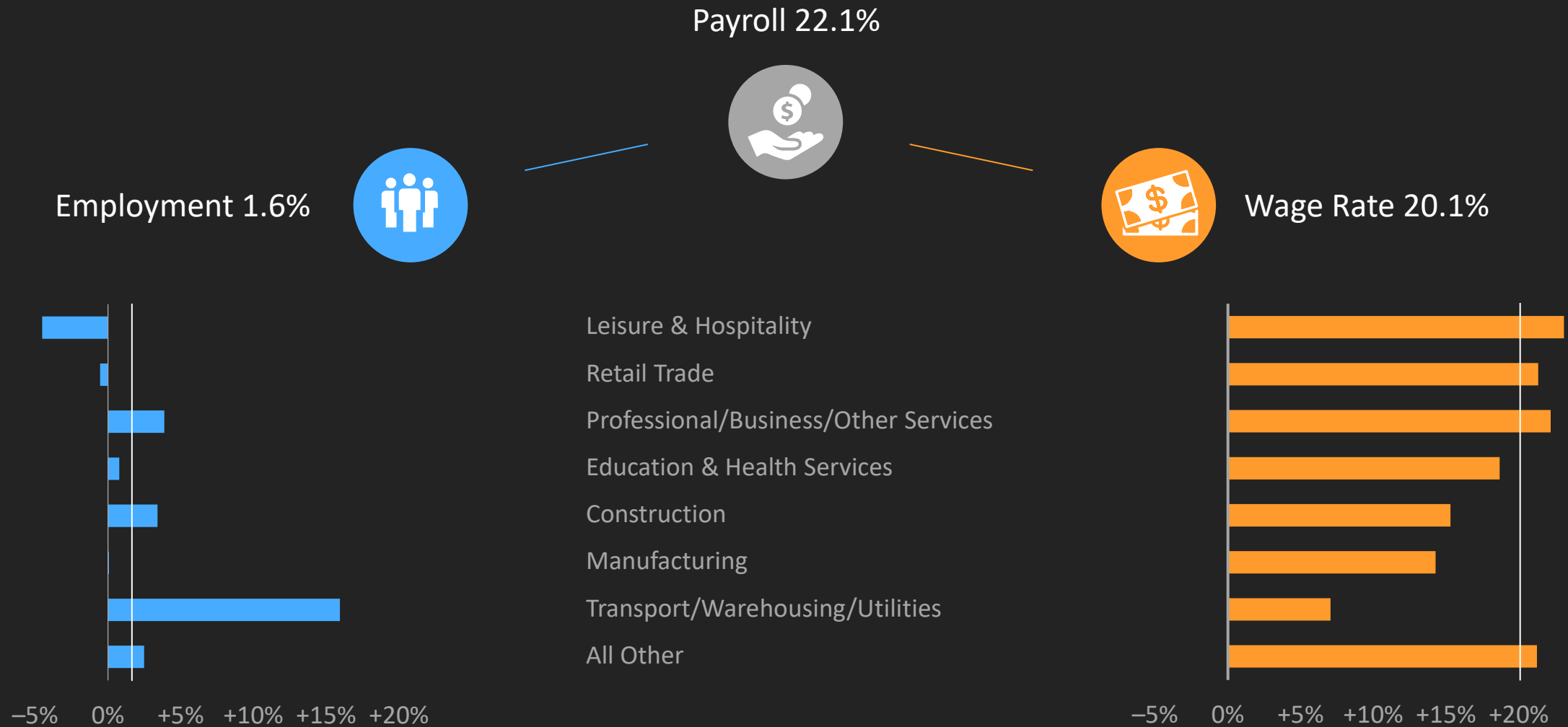
Changes in Payroll by Component—2021 to 2022



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

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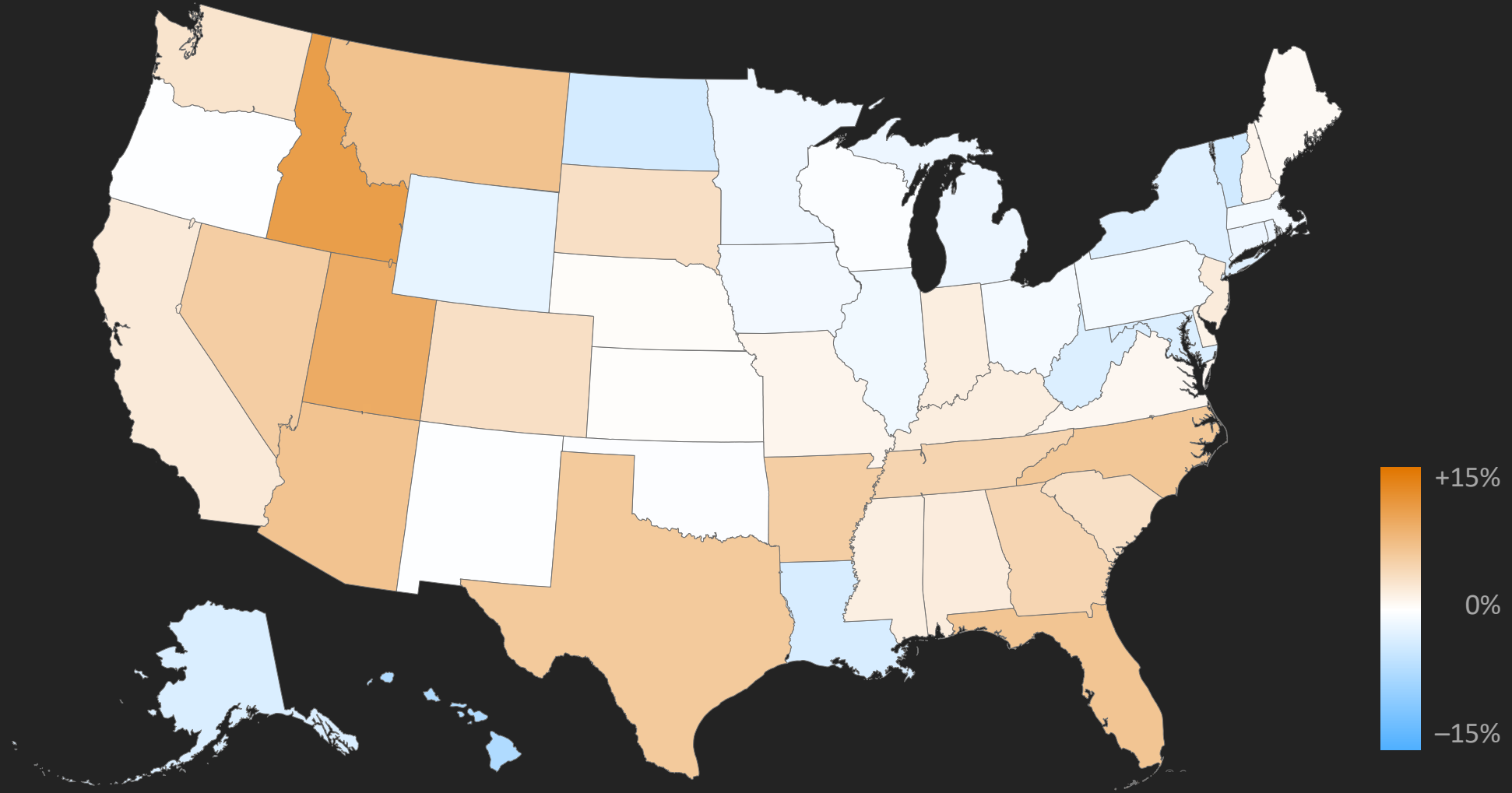
Changes in Payroll by Component—2019 to 2022



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

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Changes in Employment for Private Industry—2019 to 2022

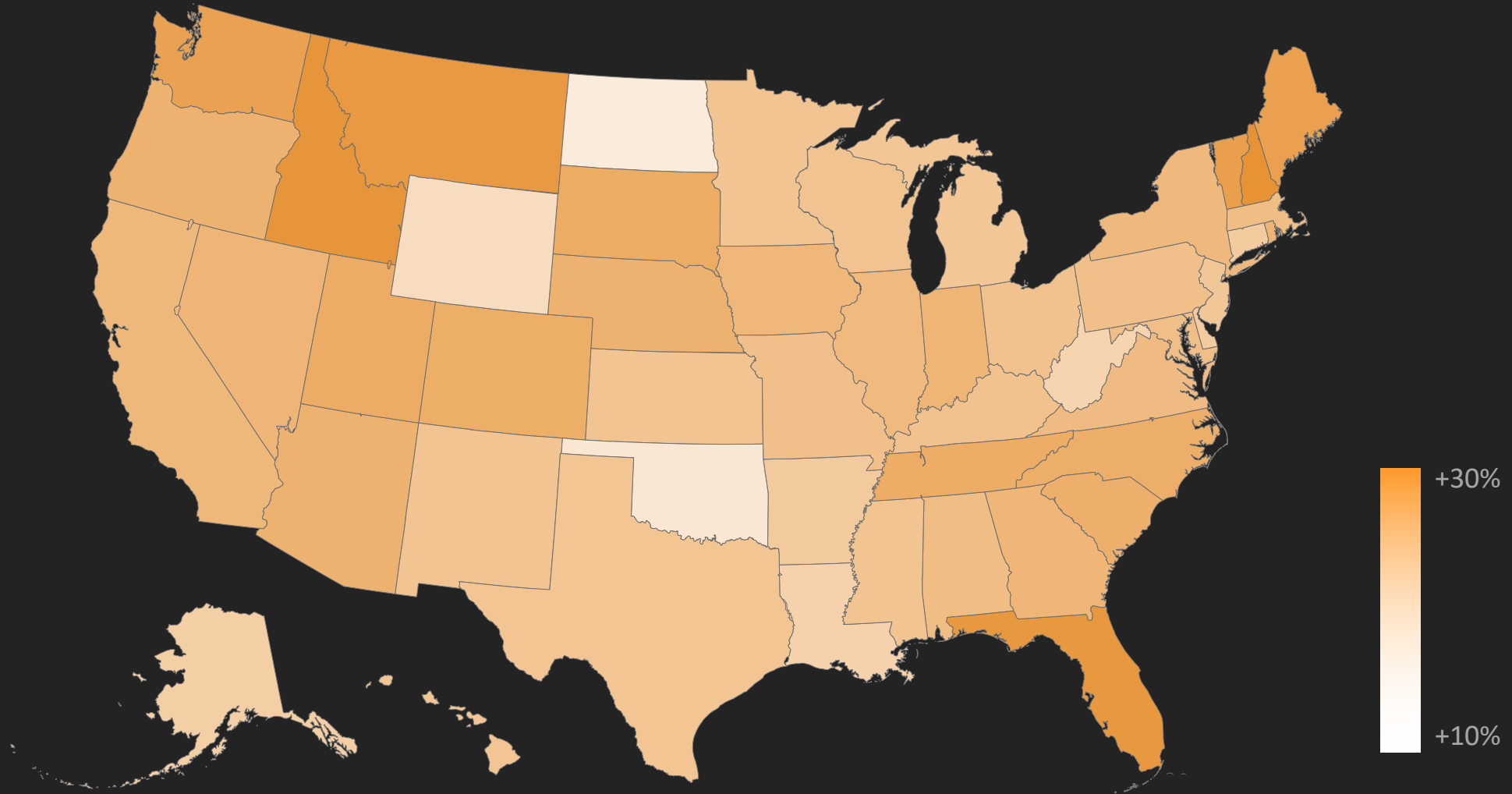


Sources: US Bureau of Labor Statistics; US Bureau of Economic Analysis; NCCI

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Changes in Wage Rate for Private Industry—2019 to 2022



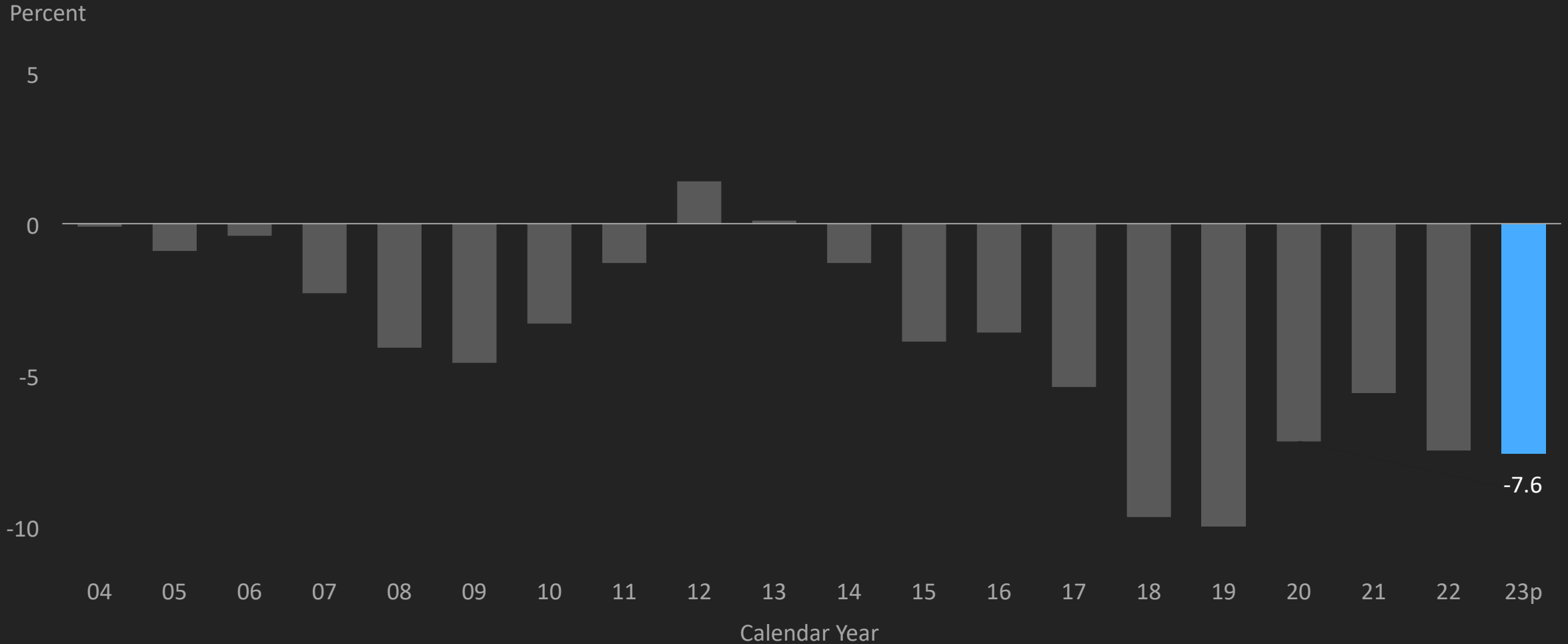
Sources: US Bureau of Labor Statistics; US Bureau of Economic Analysis; NCCI

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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 5/5/2023

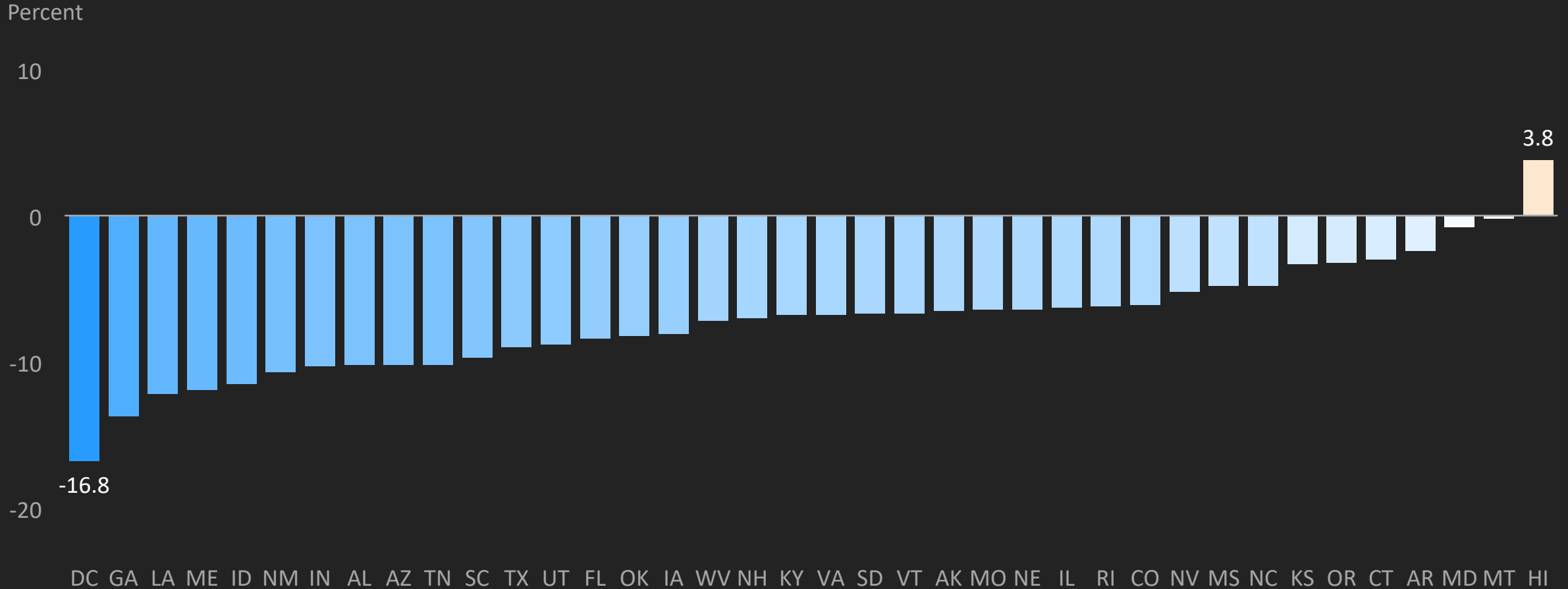
IN and NC are filed in cooperation with state rating bureaus

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Most Recent Changes in Bureau Premium Level

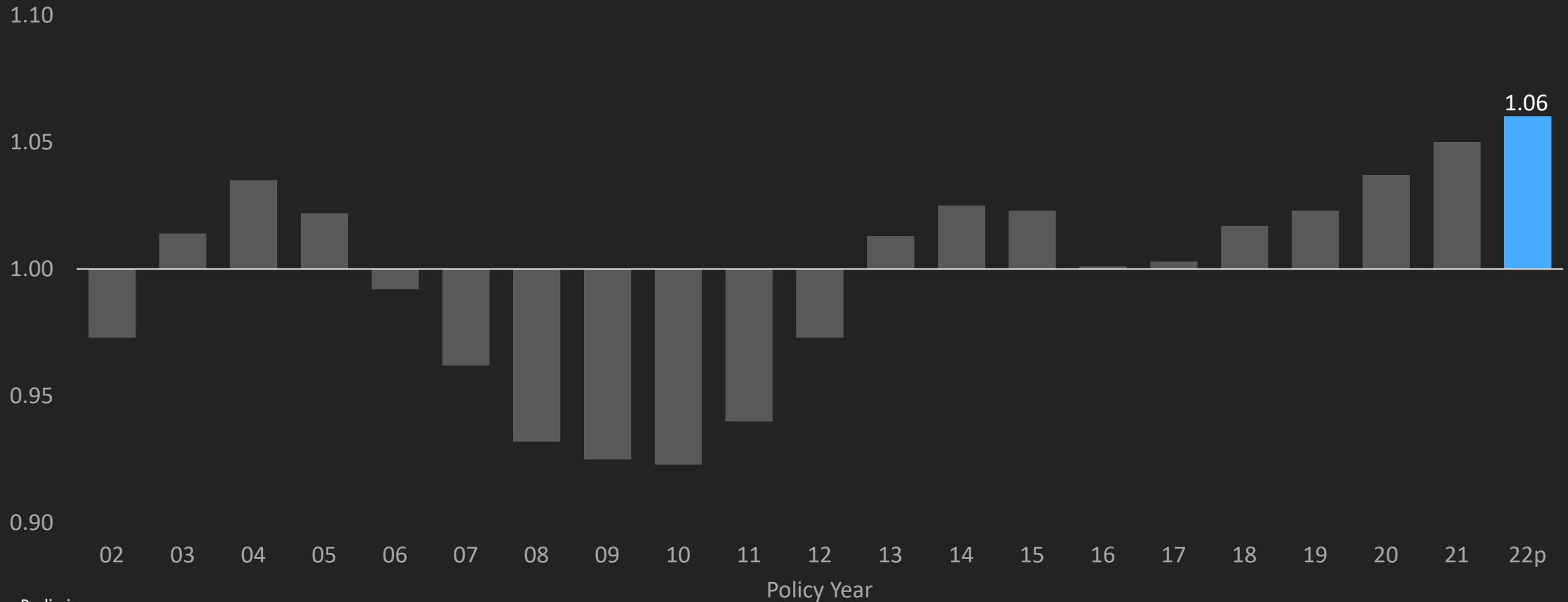
Voluntary Market, Excludes Law-Only Filings



Premium level changes in advisory rates, loss costs, and rating values, as of 5/5/2023, as filed by the applicable rating organization, relative to those previously approved
IN and NC are filed in cooperation with state rating bureaus

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, excluding TX

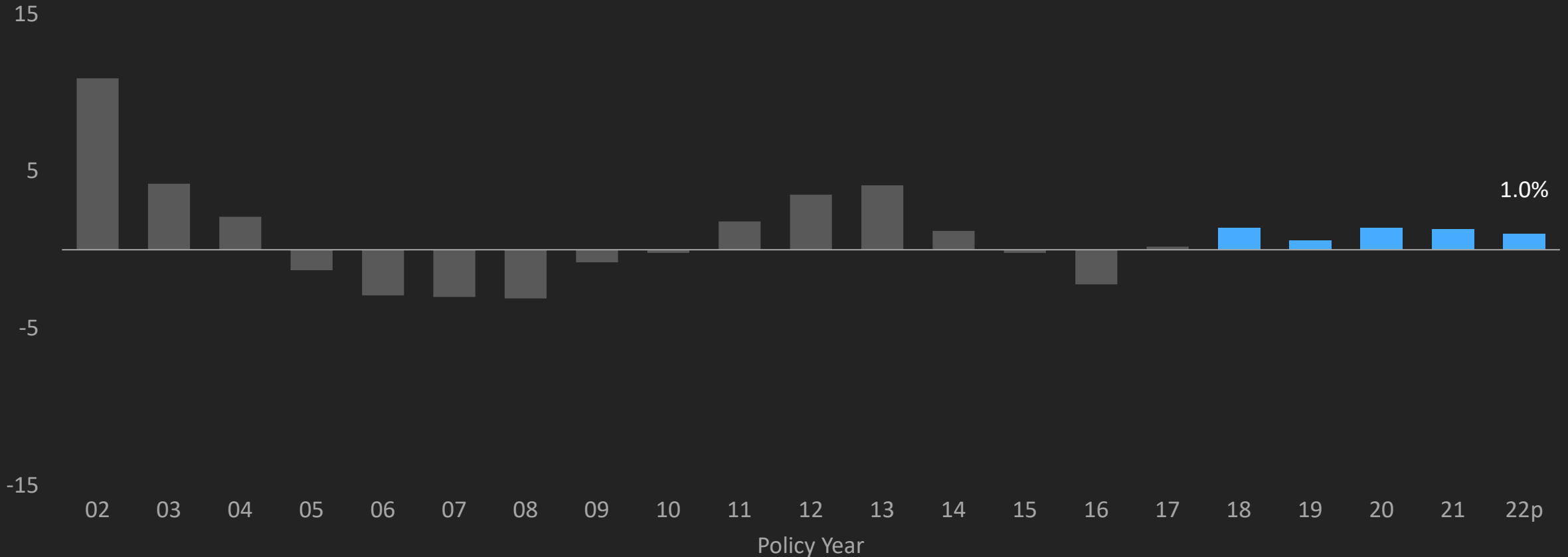
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Change in Combined Impact of Schedule Rating, Dividends, and Rate/Loss Cost Departure

Private Carriers—NCCI States

Percent



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, excluding TX

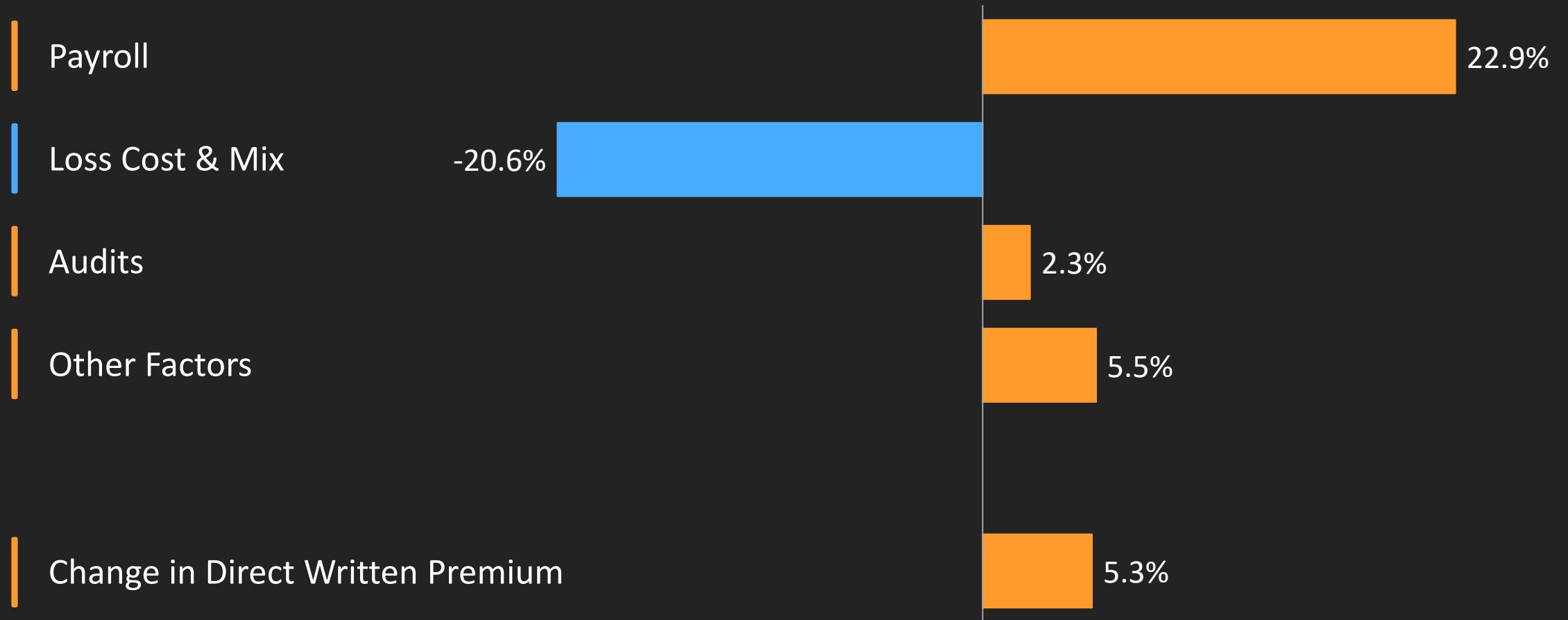
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WC Direct Written Premium Change by Component

Private Carriers—NCCI States

2019 vs. 2022



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

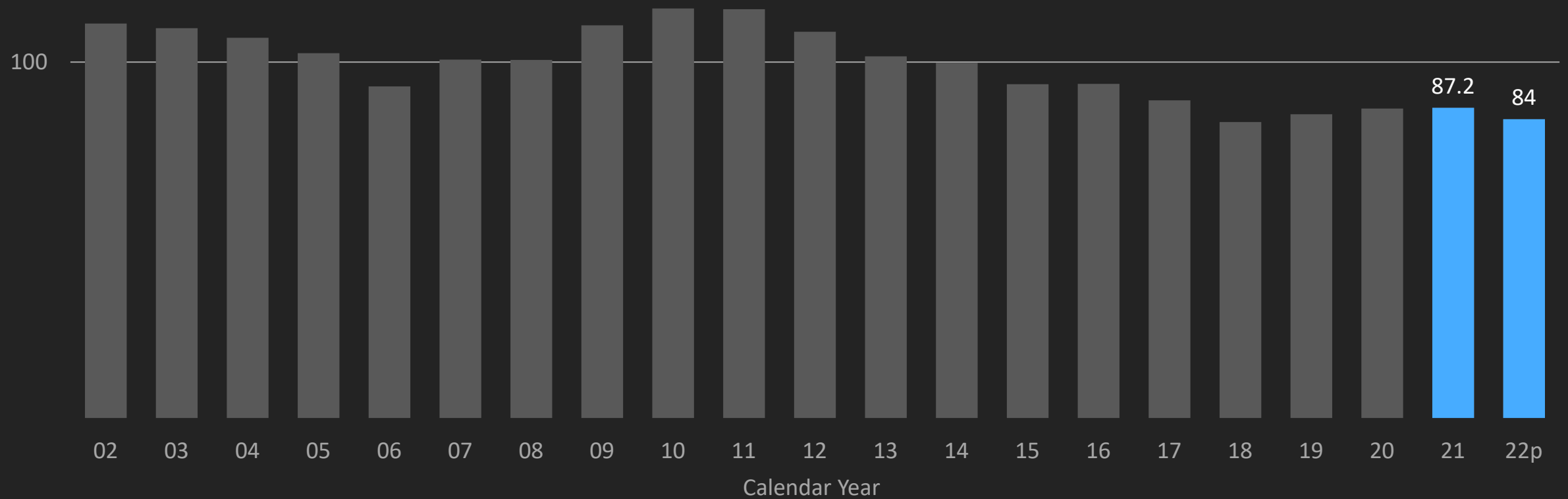
Workers Compensation Results



WC Net Combined Ratio

Private Carriers

Percent



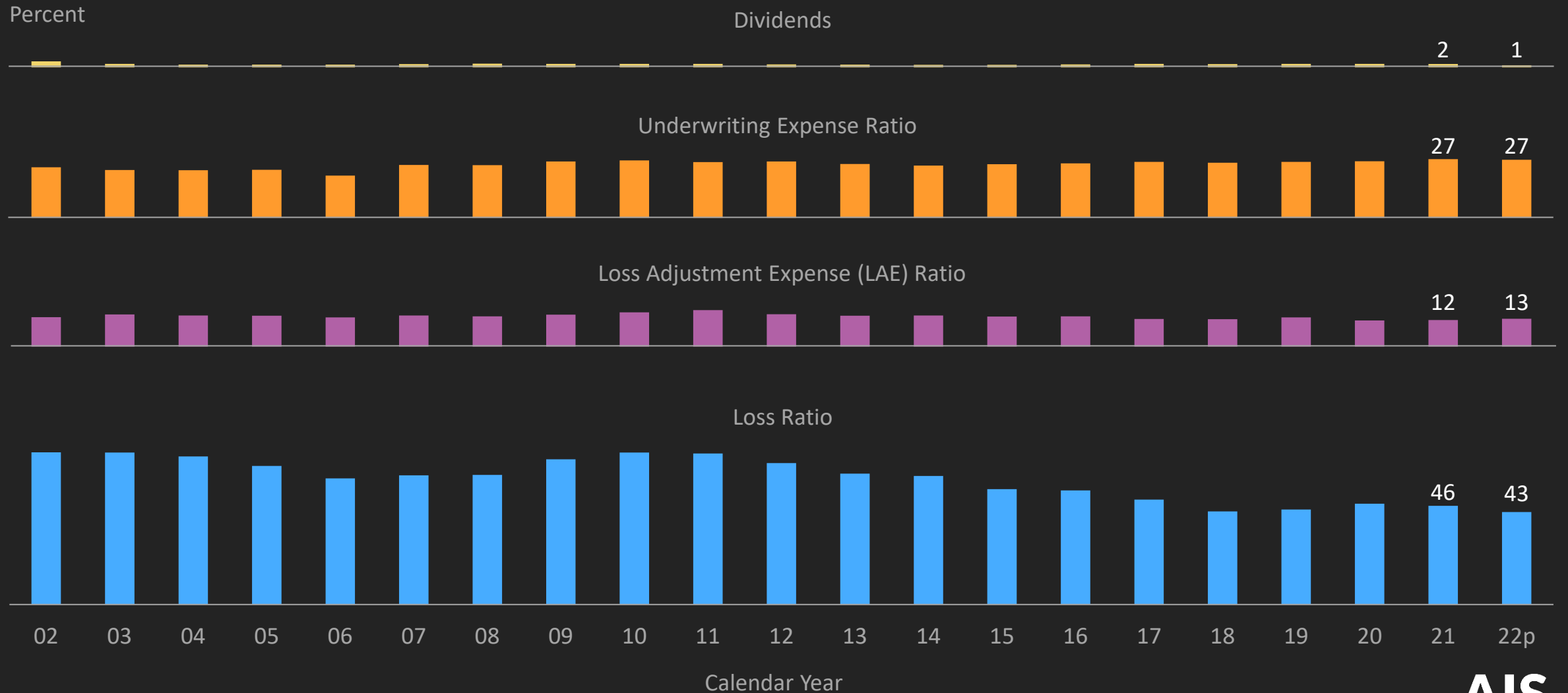
p Preliminary
Source: NAIC's Annual Statement data

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WC Net Combined Ratio by Component

Private Carriers



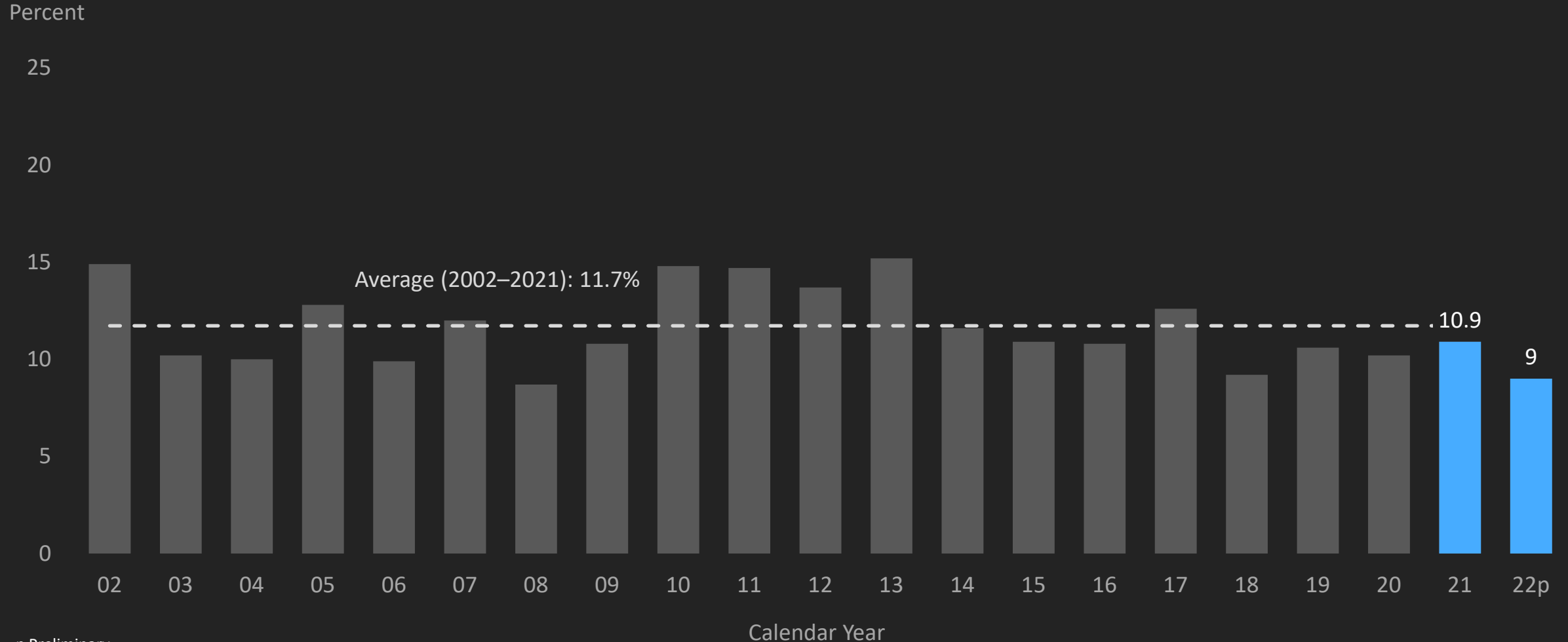
p Preliminary
Source: NAIC's Annual Statement data

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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

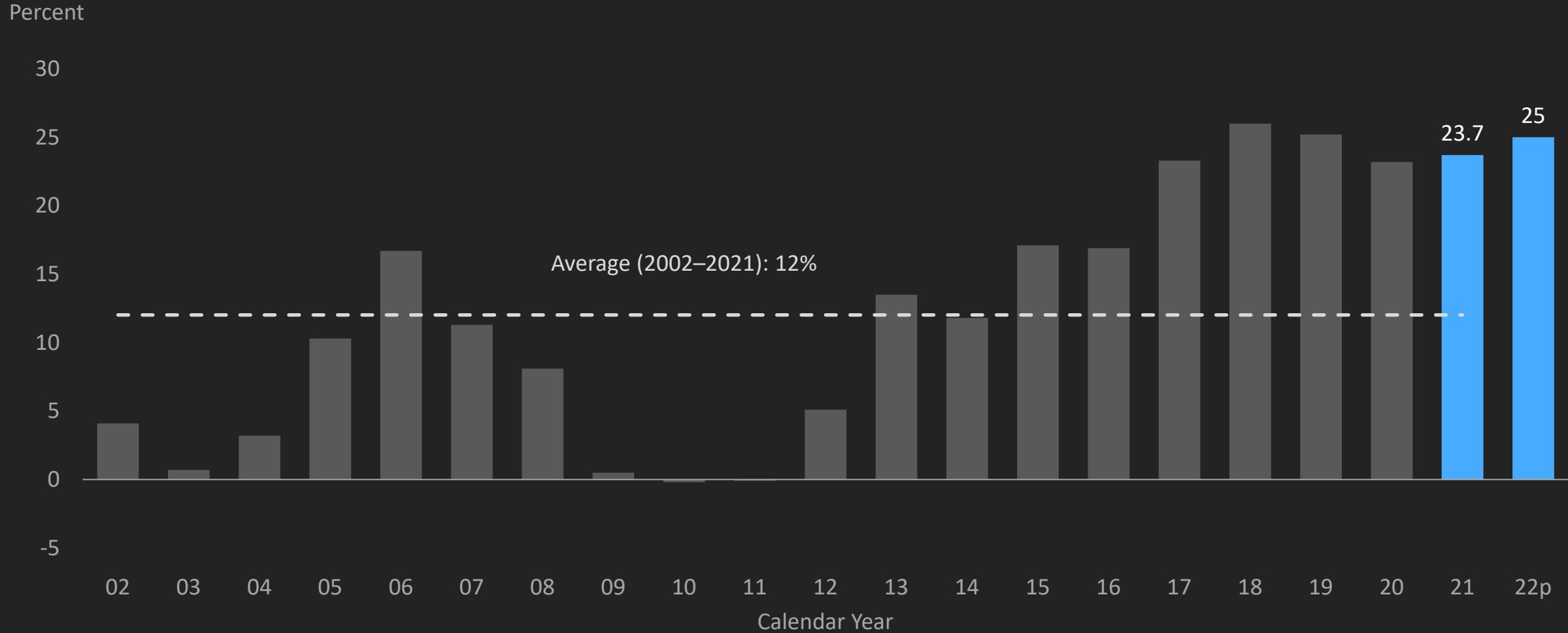
2013 is adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring; unadjusted value is 19.4

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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

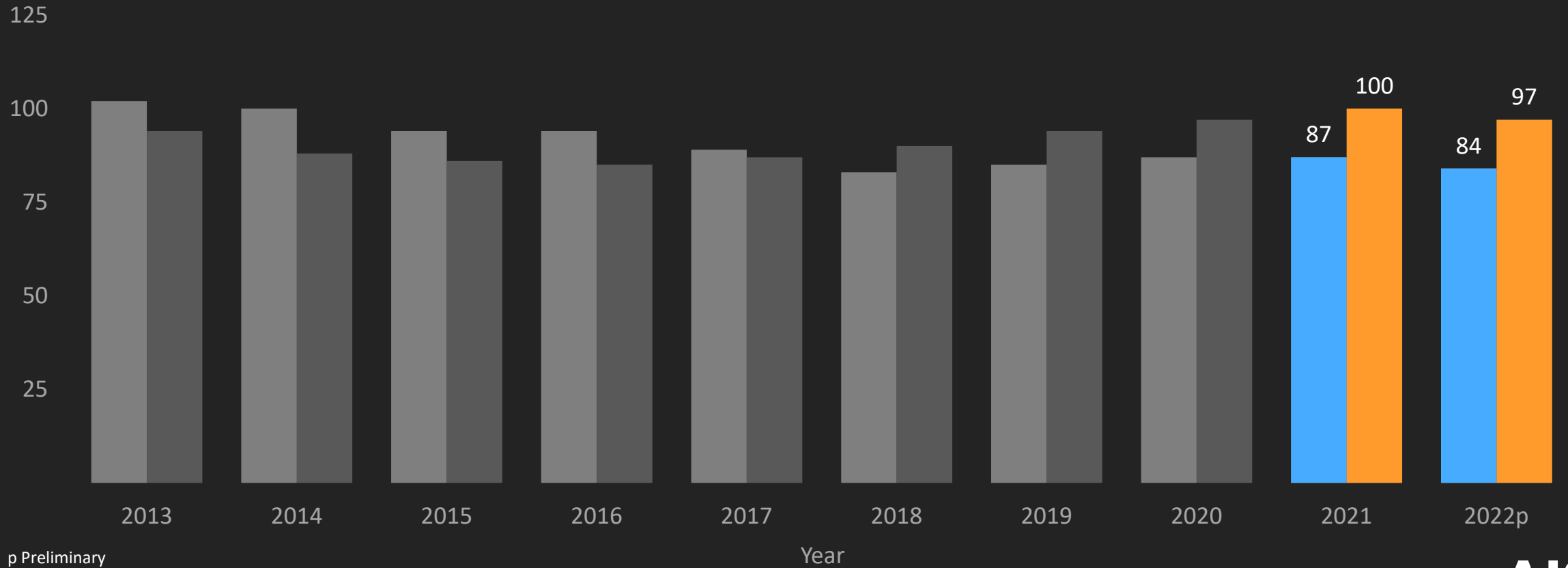
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WC Net Combined Ratios— Calendar Year vs. Accident Year As Reported

Private Carriers

Percent



p Preliminary

Source: NAIC's Annual Statement data

Accident Year information is reported as of 12/31/2022

Includes dividends to policyholders

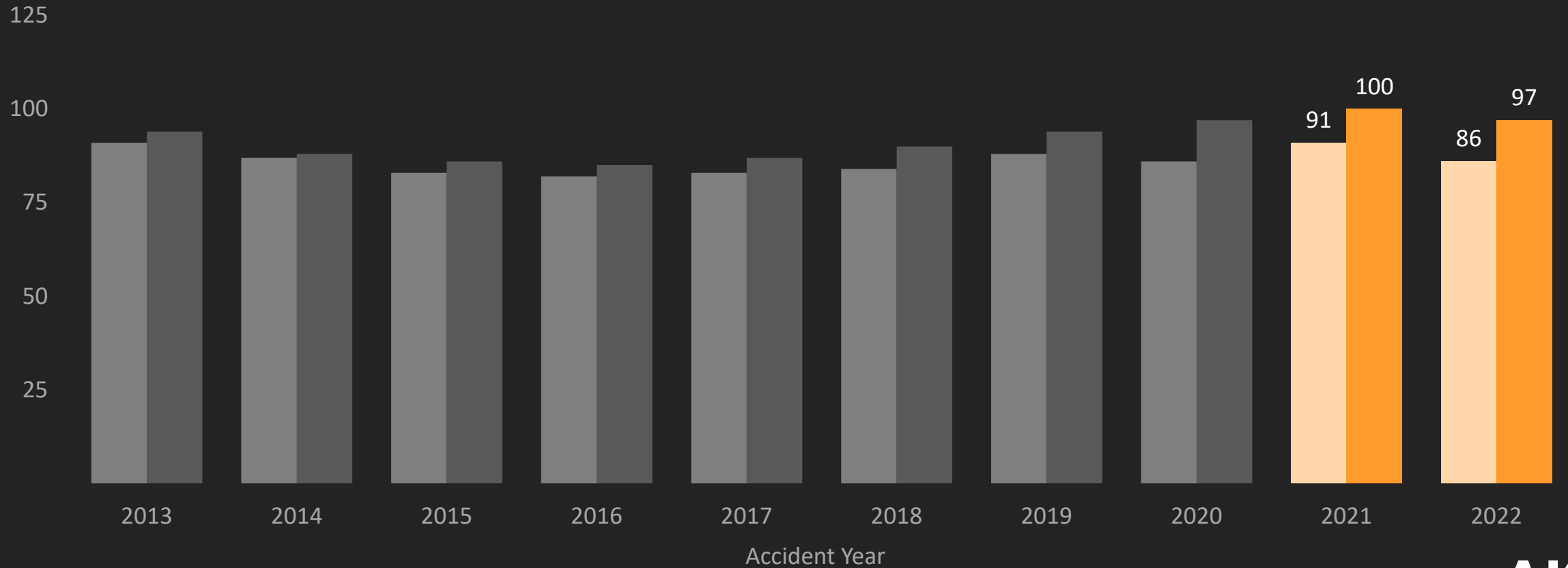
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WC Net Combined Ratios— NCCI's Accident Year Selections vs. As Reported

Private Carriers

Percent

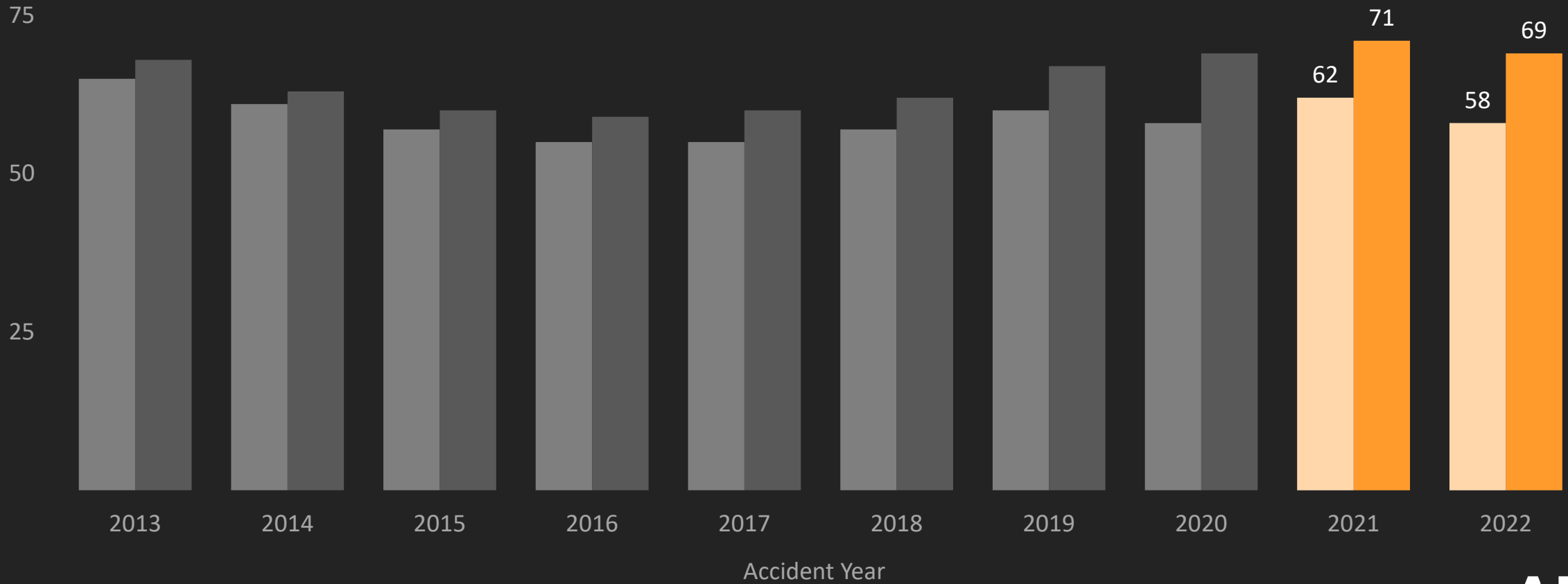


Sources: NCCI Selections: NCCI's analysis based on NAIC's Annual Statement data
As Reported: NAIC's Annual Statement Schedule P—Part 1D data as of 12/31/2022

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

Private Carriers

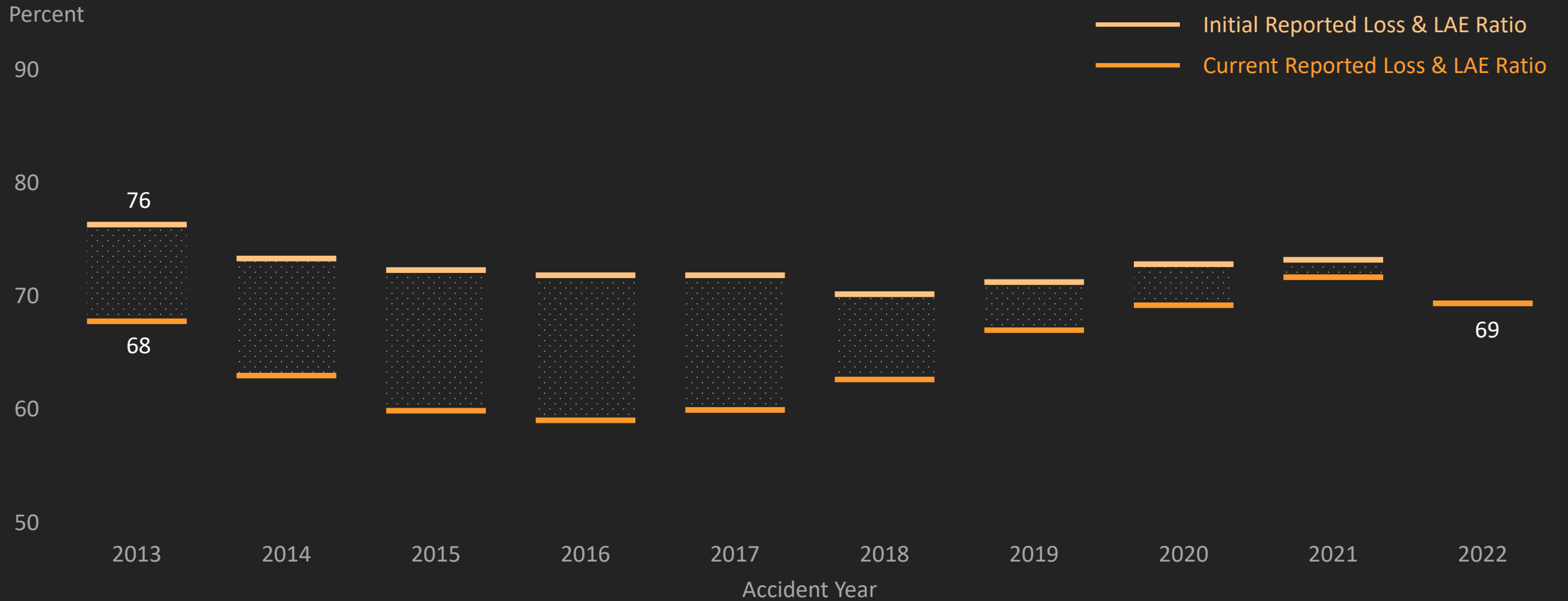
Percent



Sources: NCCI Selections: NCCI's analysis based on NAIC's Annual Statement data
As Reported: NAIC's Annual Statement Schedule P—Part 1D data as of 12/31/2022
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

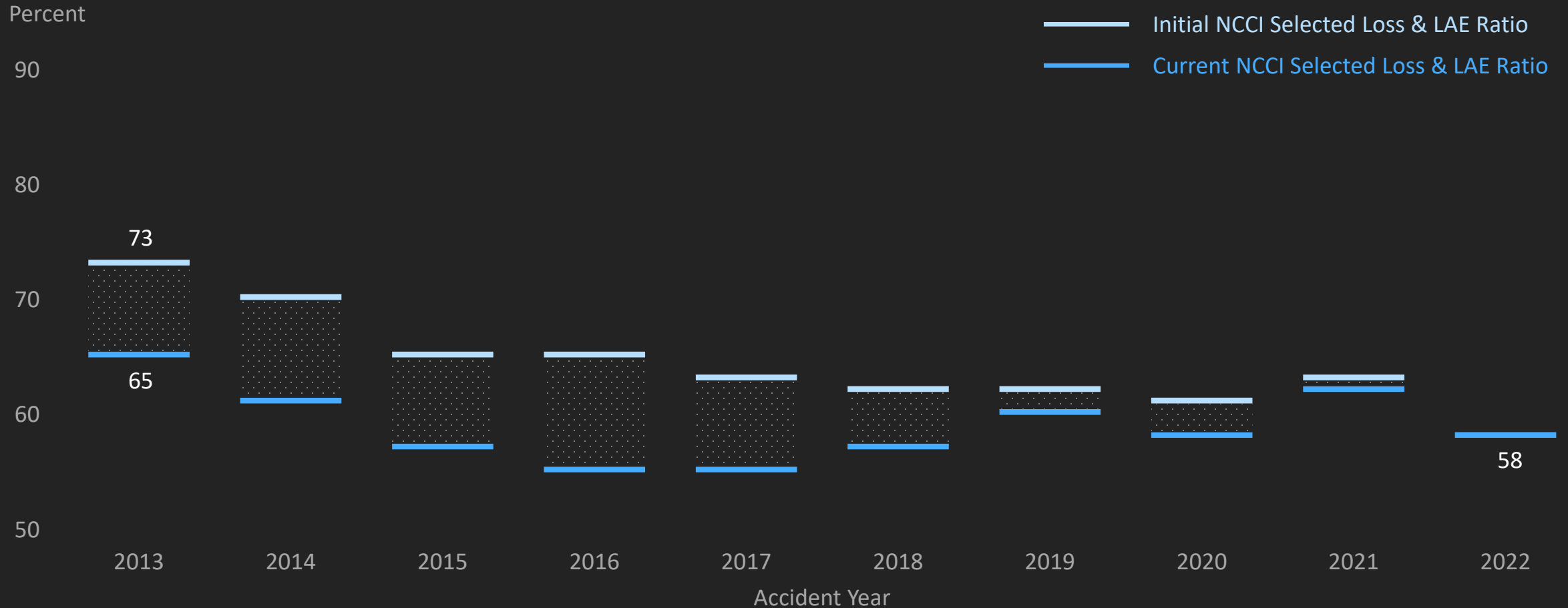
Private Carriers



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

Emergence of NCCI Selected WC Net Loss and LAE Ratios

Private Carriers



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

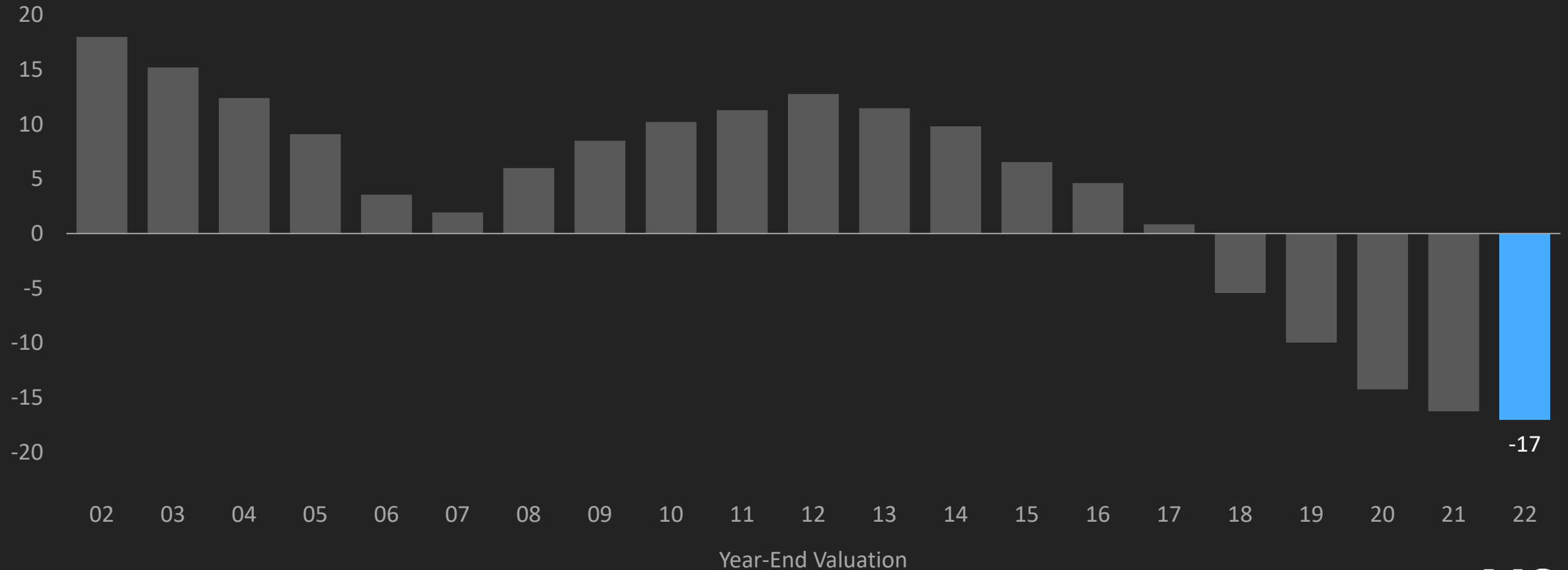
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WC Net Loss and LAE Reserve Adequacy

Private Carriers

\$ Billions



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

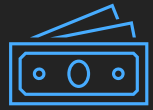
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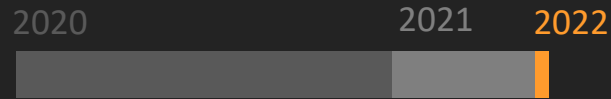
Ratemaking and COVID-19



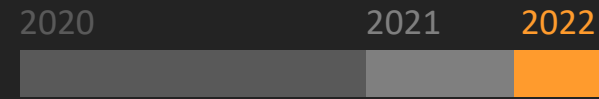
The Direct Impact of COVID-19—Accident Years 2020–2022



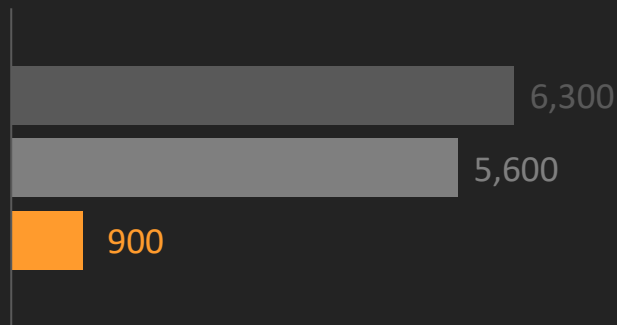
\$628M in losses



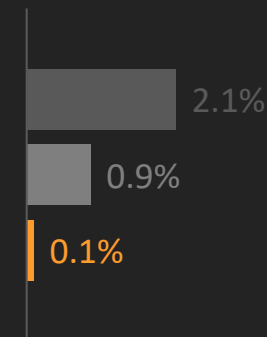
118,000 claims



\$5,300 average severity



1% of total losses

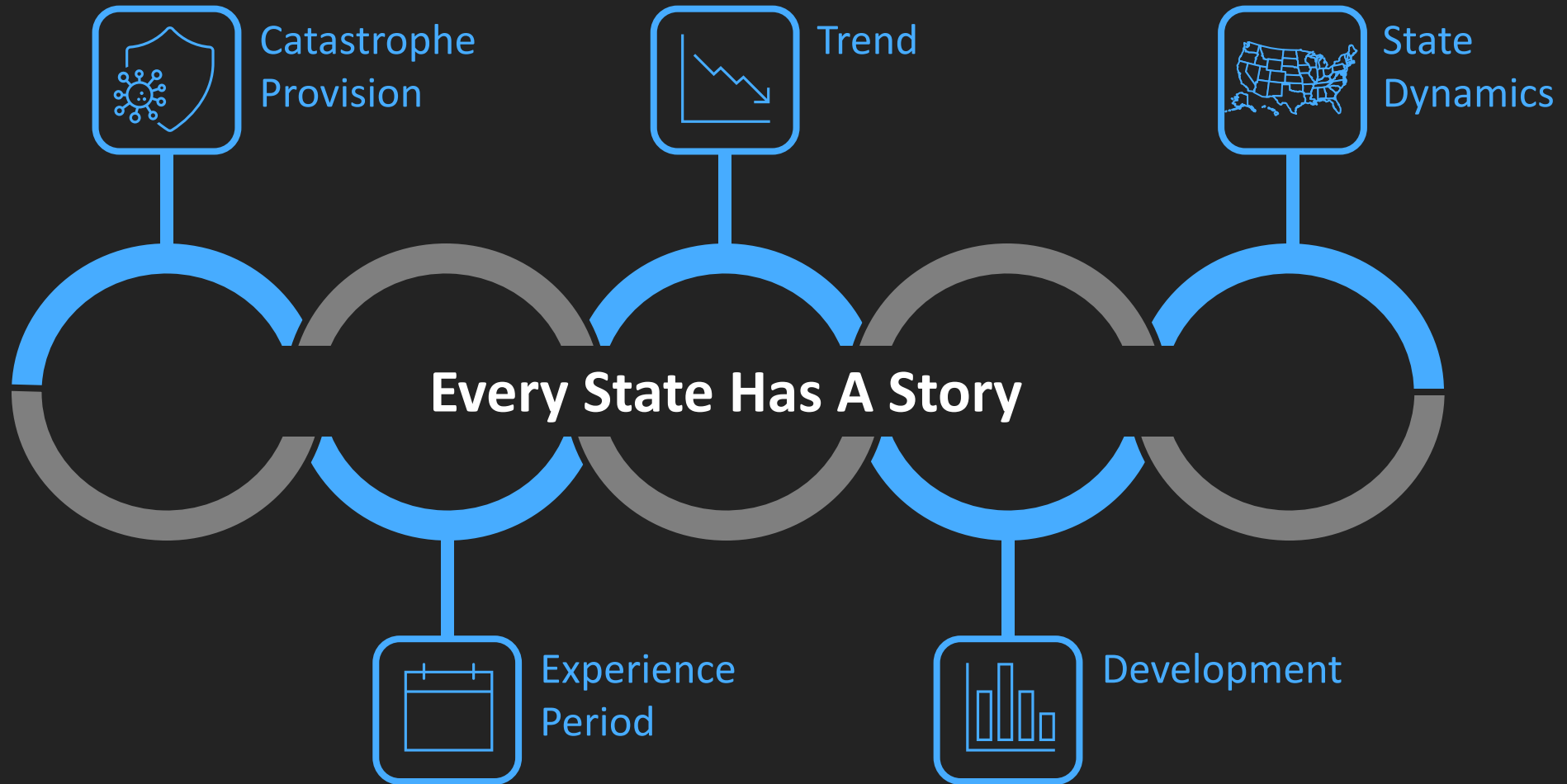


Source: NCCI's Financial Call data evaluated as of 12/31/2022

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Considerations in Ratemaking



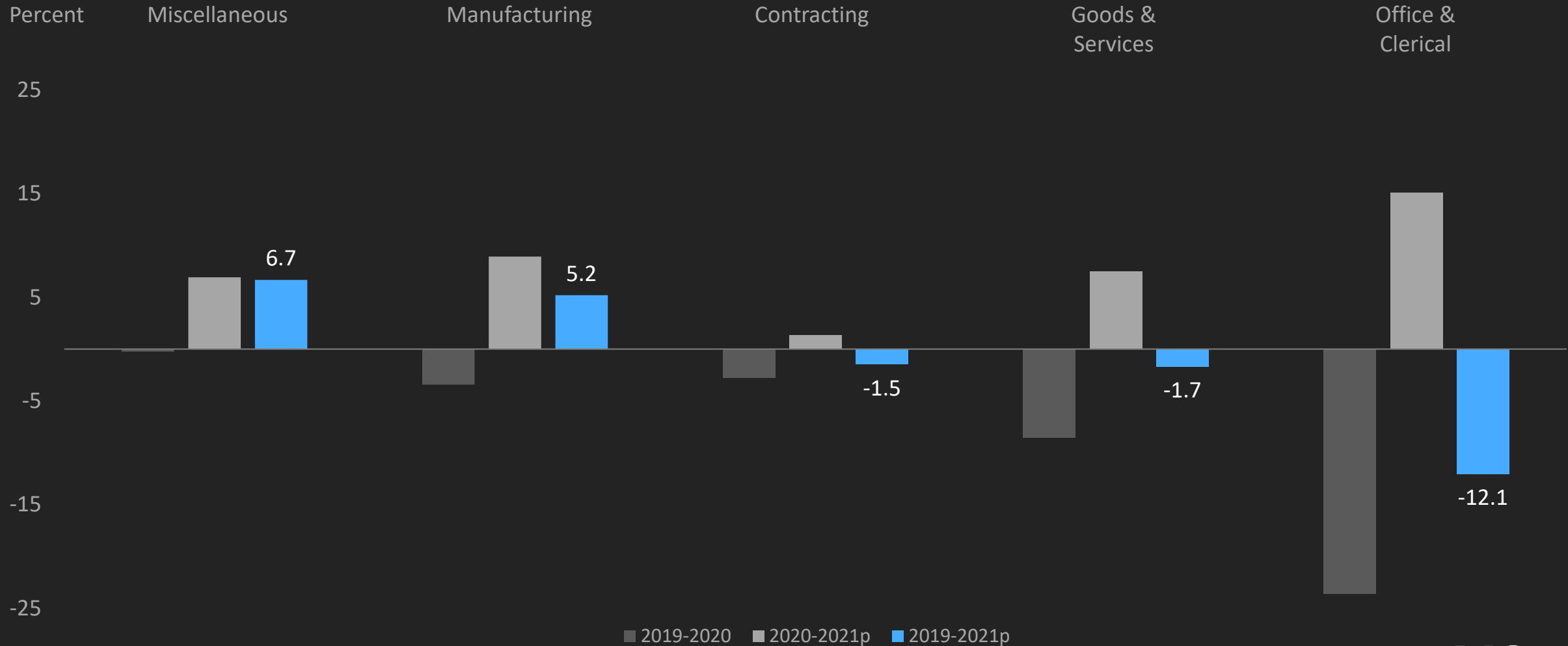
Workers Compensation Loss Drivers

January February March April May June July August September October November December



WC Lost-Time Claim Frequency by Industry Group

Change in Claims per \$1M Pure Premium, [Accident Years 2019–2021p](#), Private Carriers and State Funds—NCCI States

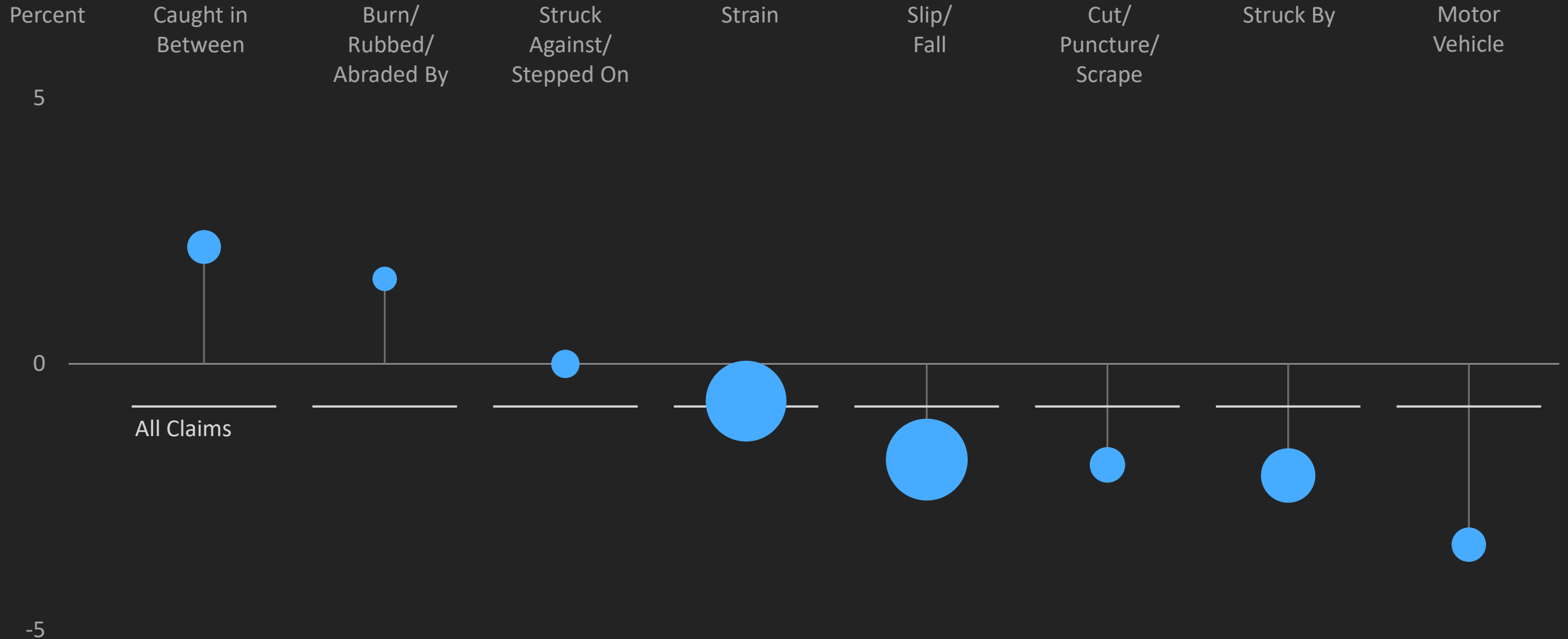


p Preliminary

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

WC Lost-Time Claim Frequency by Cause of Injury

Change in Frequency, Accident Years 2019–2021^p, Private Carriers and State Funds—NCCI States



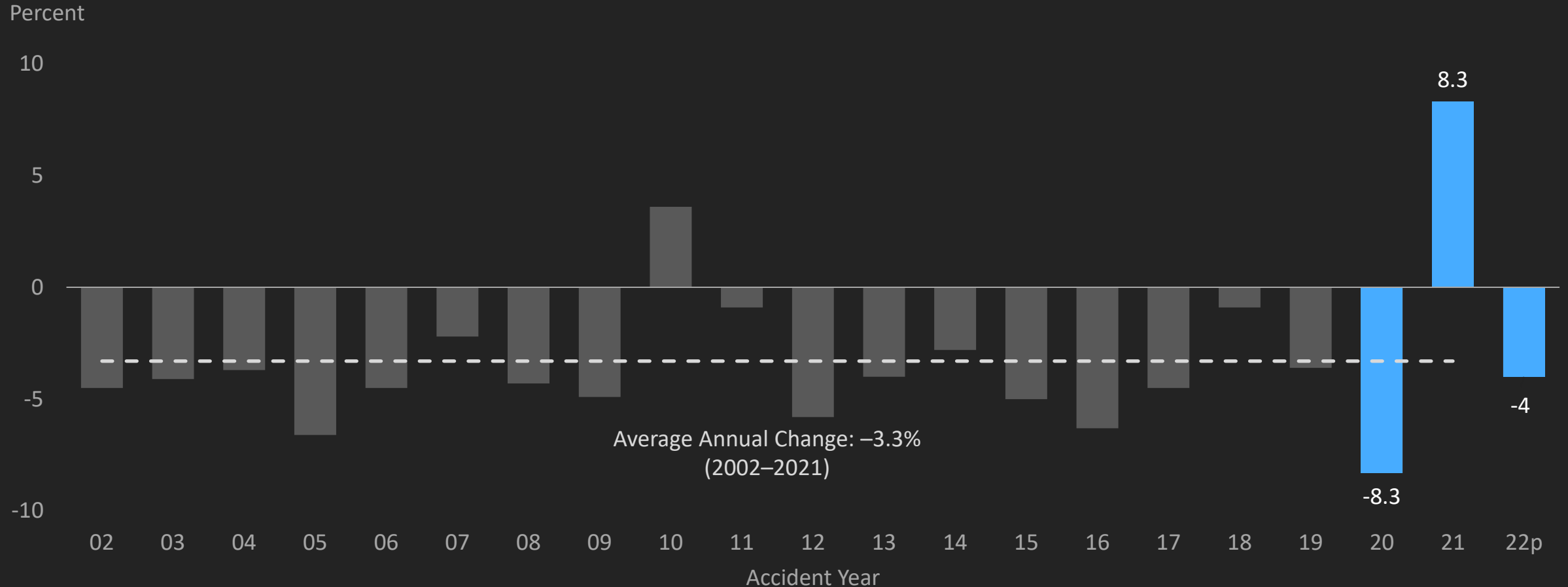
^p Preliminary

Source: Based on NCCI's Statistical Plan data at first report; frequency measured as lost-time claims per \$1M pure premium (adjusted to current wage and voluntary pure premium level), severity measured as total indemnity and medical paid plus case cost per lost-time claim, 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, Excludes COVID-19 Claims



2010–2011 and 2019–2022 are adjusted to reflect the impact of changes in audit activity

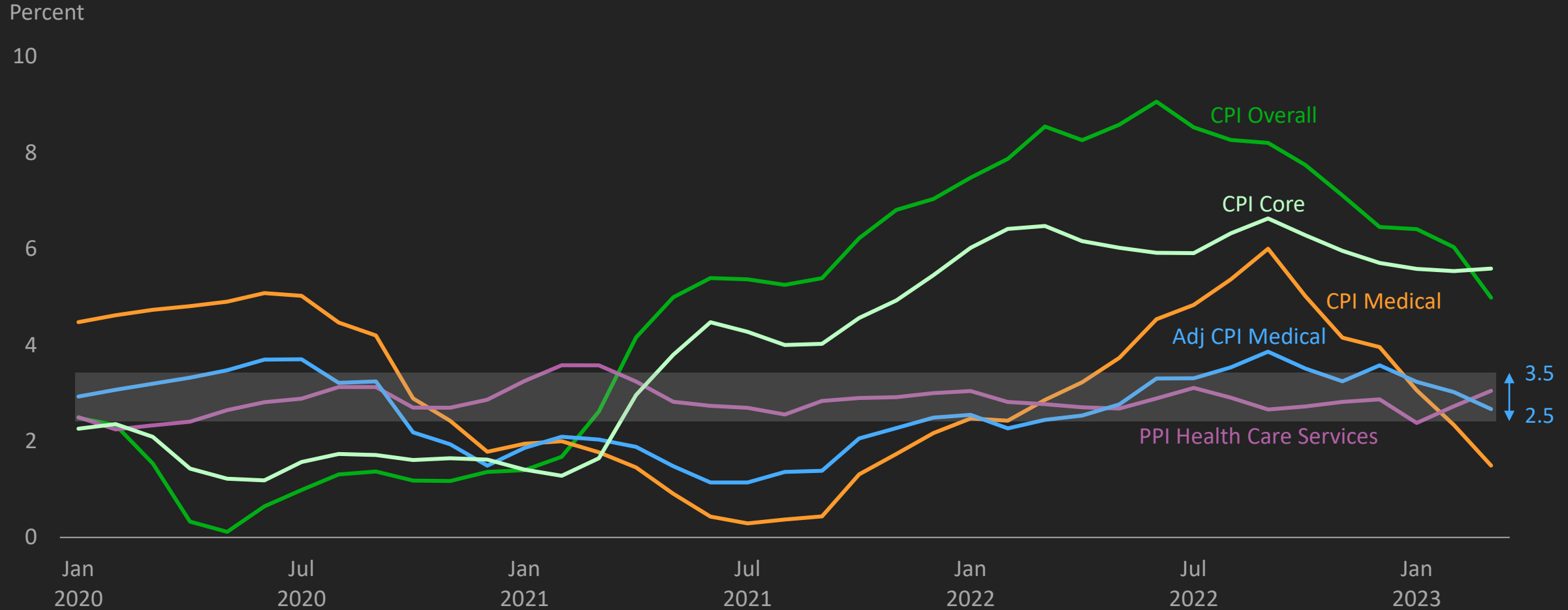
p Preliminary, based on data valued as of 12/31/2022; excludes COVID-19 claims

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 12/31/2021

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

Inflationary Measures

2020–2022

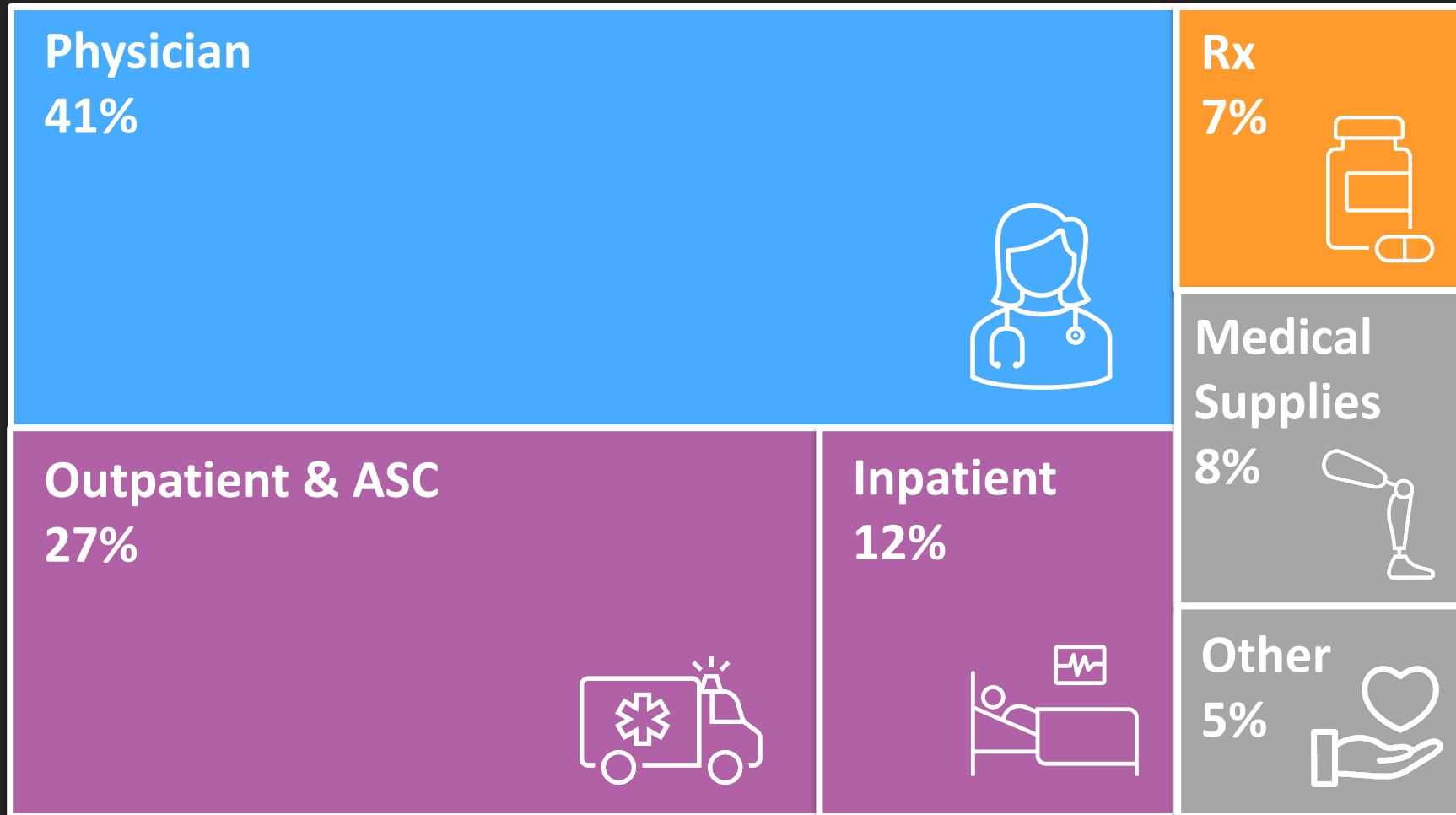


Source: US Bureau of Labor Statistics
Consumer Price Index (CPI)
Producer Price Index (PPI)

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Medical Cost Distribution—Service Year 2021

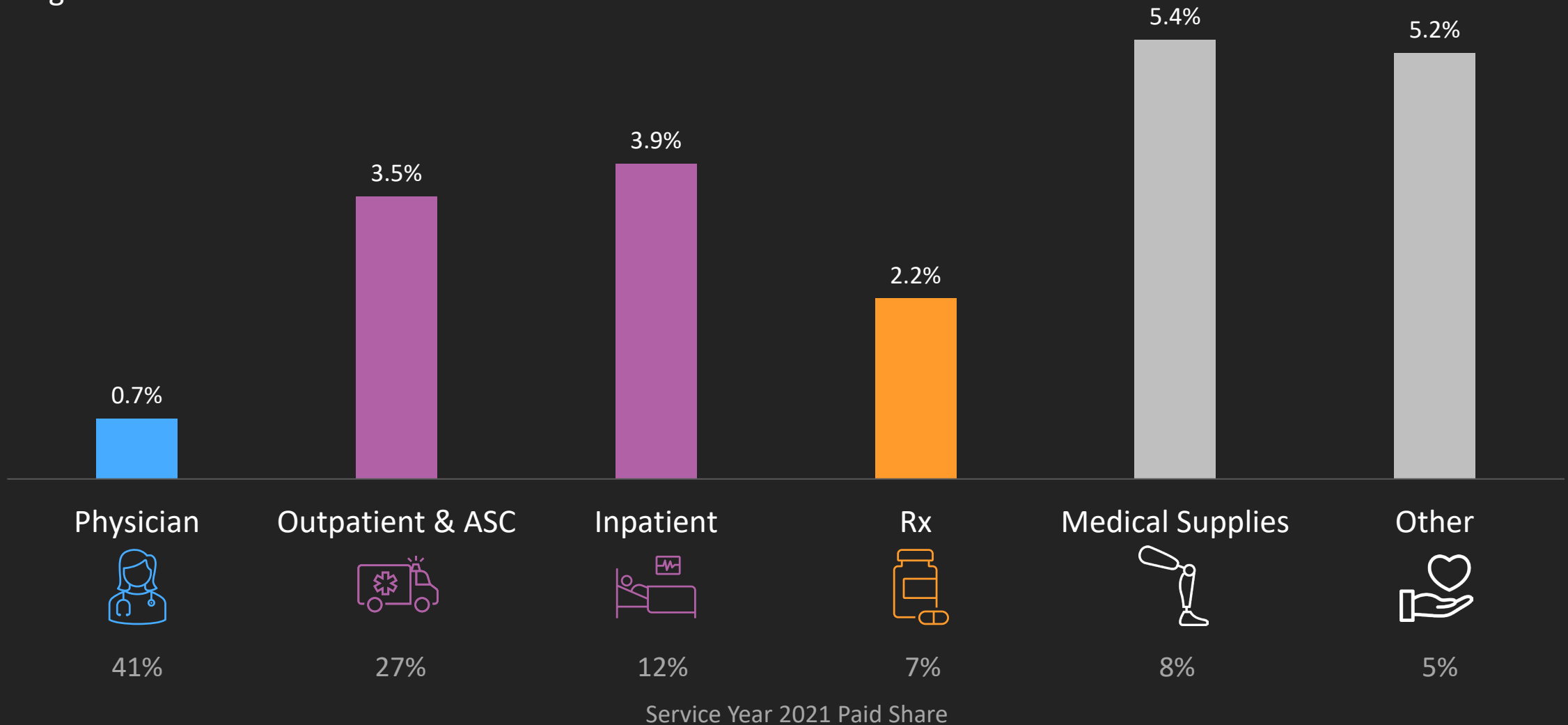


Source: NCCI's Medical Call data

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Medical Price Pressure by Medical Cost Category

Change between 2021 and 2022



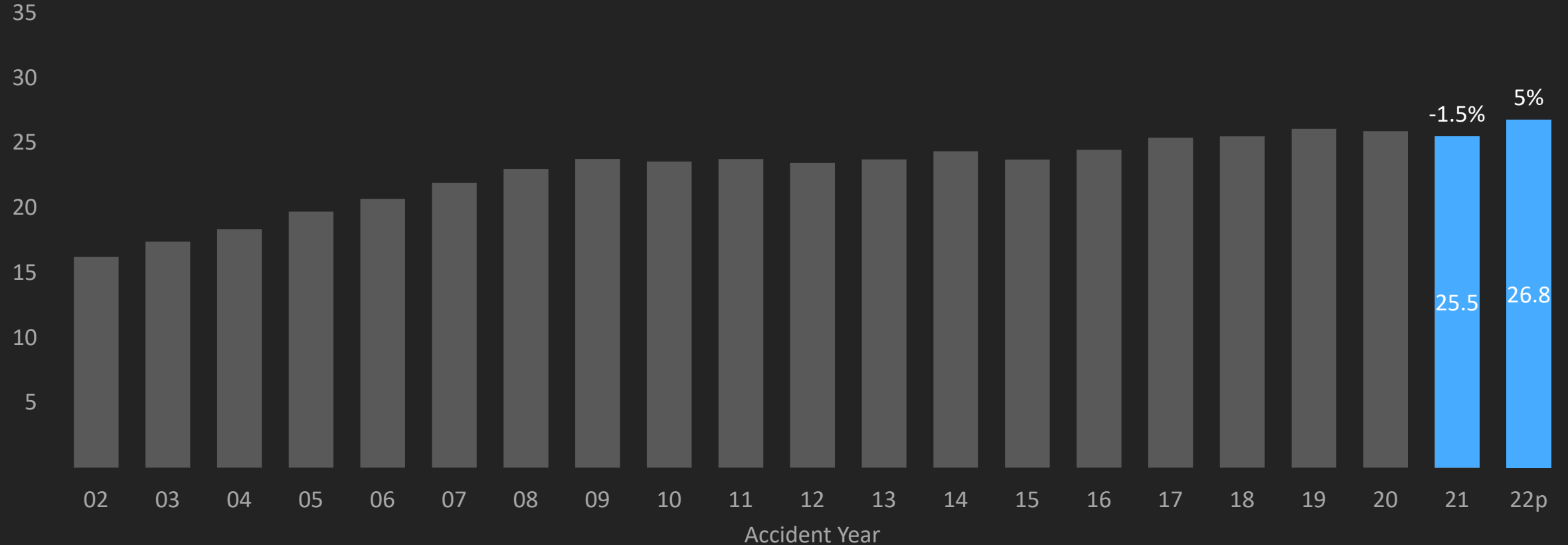
Sources: US Bureau of Labor Statistics and NCCI's Medical Call data

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WC Average Medical Lost-Time Claim Severity

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

Severity
(\$ Thousands)



p Preliminary, based on data valued as of 12/31/2022; excludes COVID-19 claims

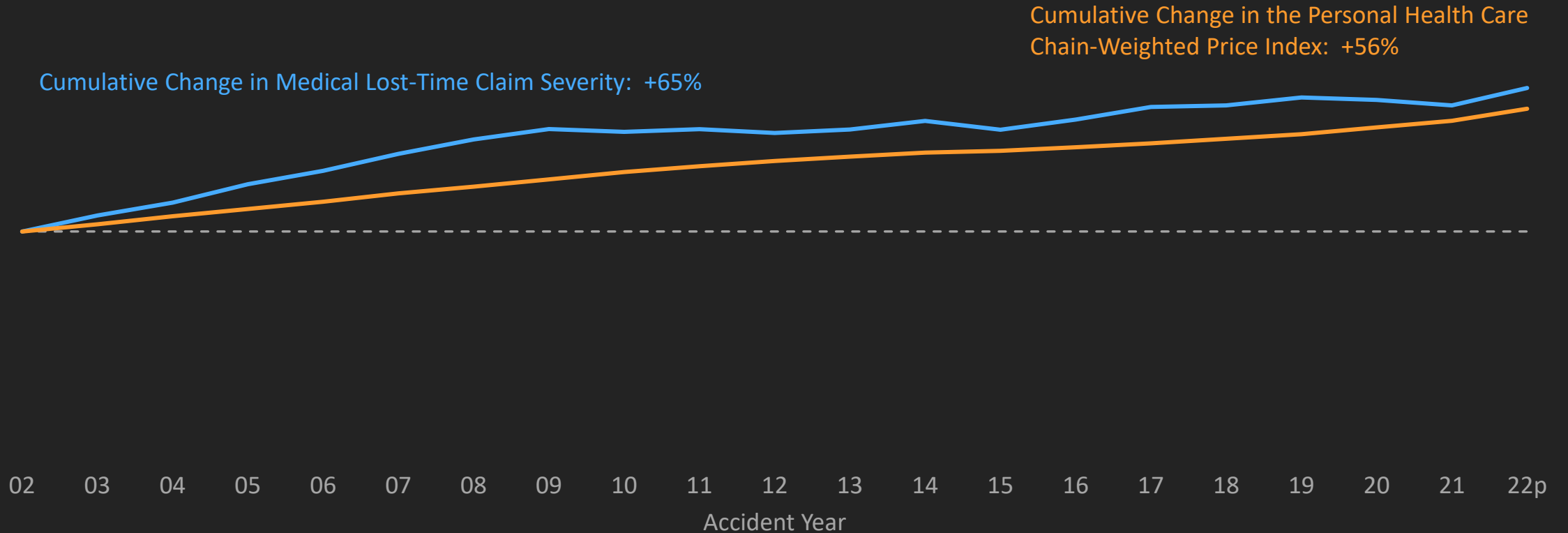
Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2021

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 2007, and WV is excluded through 2011

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 12/31/2022; excludes COVID-19 claims

Sources: Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2021

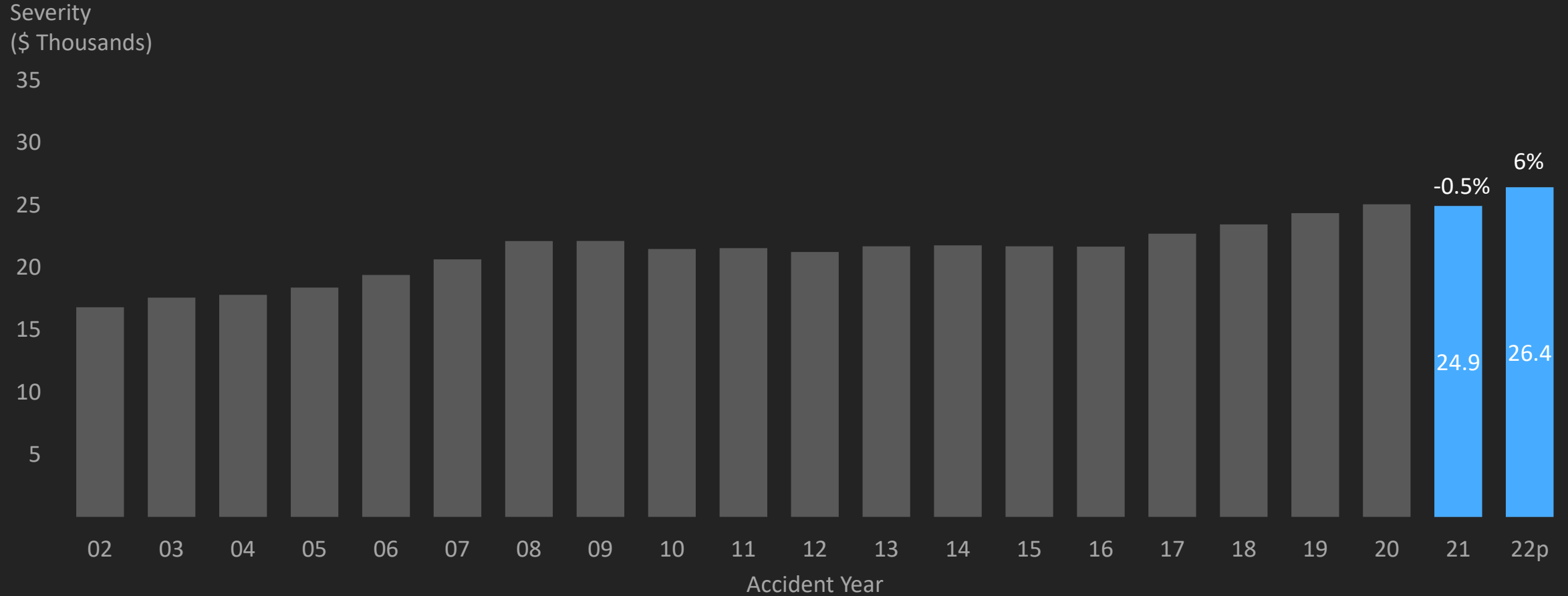
Values displayed reflect the methodology underlying the most recent rate/loss cost filing

Includes all states where NCCI provides ratemaking services; NV is excluded through 2003, TX is excluded through 2007, and WV is excluded through 2011

PHC Chain-Weighted Price Index: 2002–2022 Centers for Medicare & Medicaid Services (CMS)

WC Average Indemnity Claim Severity

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



p Preliminary, based on data valued as of 12/31/2022; excludes COVID-19 claims

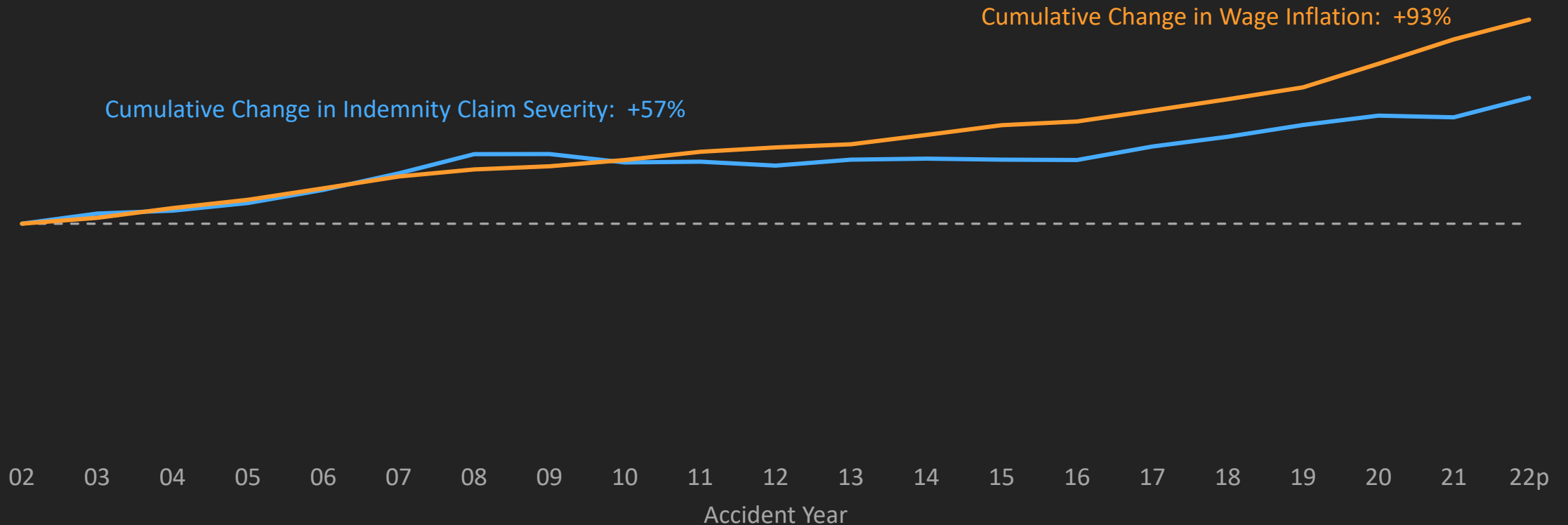
Source: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2021

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 2007, and WV is excluded through 2011

WC Average Indemnity Claim Severity

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



p Preliminary, based on data valued as of 12/31/2022; excludes COVID-19 claims

Sources: US Average Weekly Wage: 2002–2007 and 2012–2019 Quarterly Census of Employment and Wages (QCEW), US Bureau of Labor Statistics (BLS); 2008–2011 and 2020–2021 NCCI and QCEW; 2022p NCCI and Moody's Analytics

Severity: NCCI's Financial Call data, developed to ultimate, excludes high-deductible policies; based on data through 12/31/2021

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 2007, and WV is excluded through 2011

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2022 Workers Compensation Insights

Net written premium increased by **11%**

Reported combined ratios:

CY 2022
84%

AY 2022
97%

\$17B
reserve
redundancy

Claim frequency decreased by **4%**

Excluding COVID-19 claims:

Indemnity severity increased by **6%**

Medical severity increased by **5%**

Q&A With the Experts

Live session after break

Contact Us

stateoftheline@ncci.com

Resources on ncci.com

[State of the Line Report](#)

[State of the Line Guide](#)

[COVID-19 Resource Center](#)