



Overview of Tennessee's Workers' Compensation Market Conditions and Environment

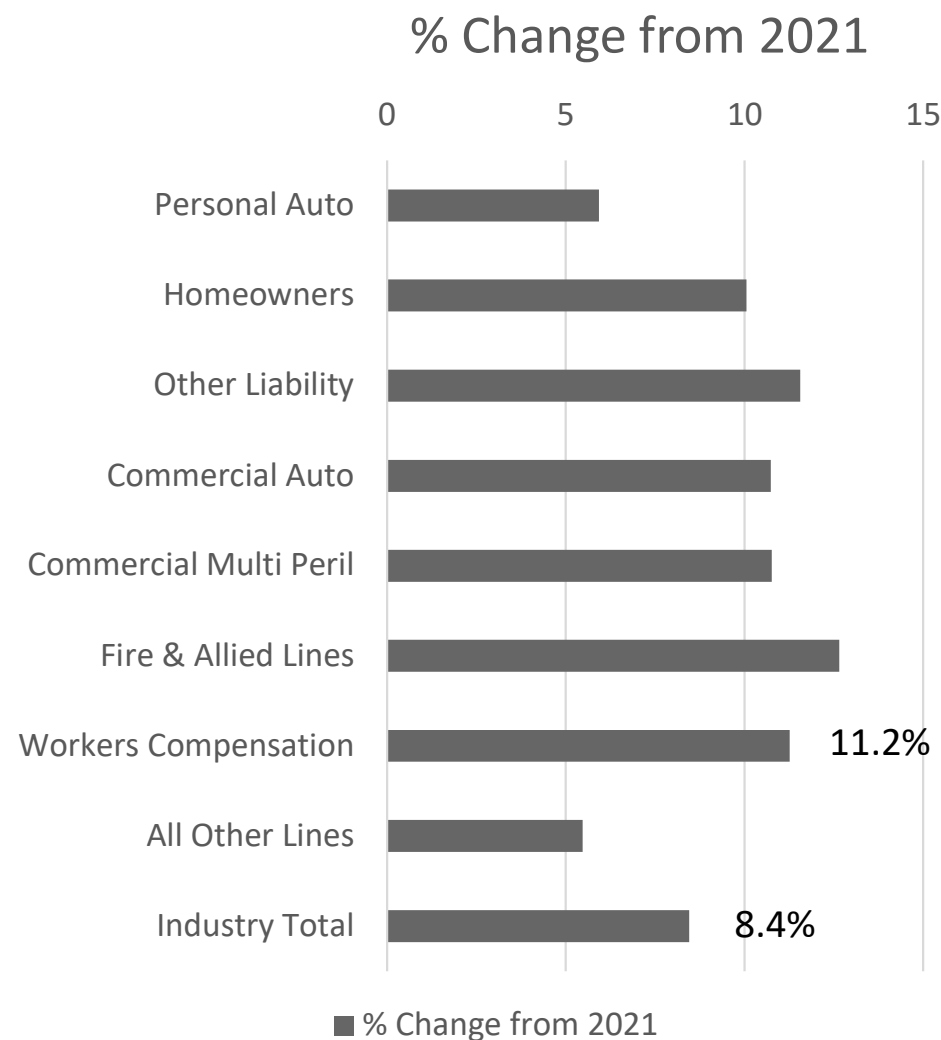
Advisory Council on Workers' Compensation

National Picture



Property and Casualty Net Written Premium Growth from 2021 to 2022

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



Sources: NCCI - 2023 State of the Line - P&C Industry Net Written Premium Growth 2021 to 2022 (used with permission); NAIC Annual Statement Data

Property and Casualty Underwriting Results

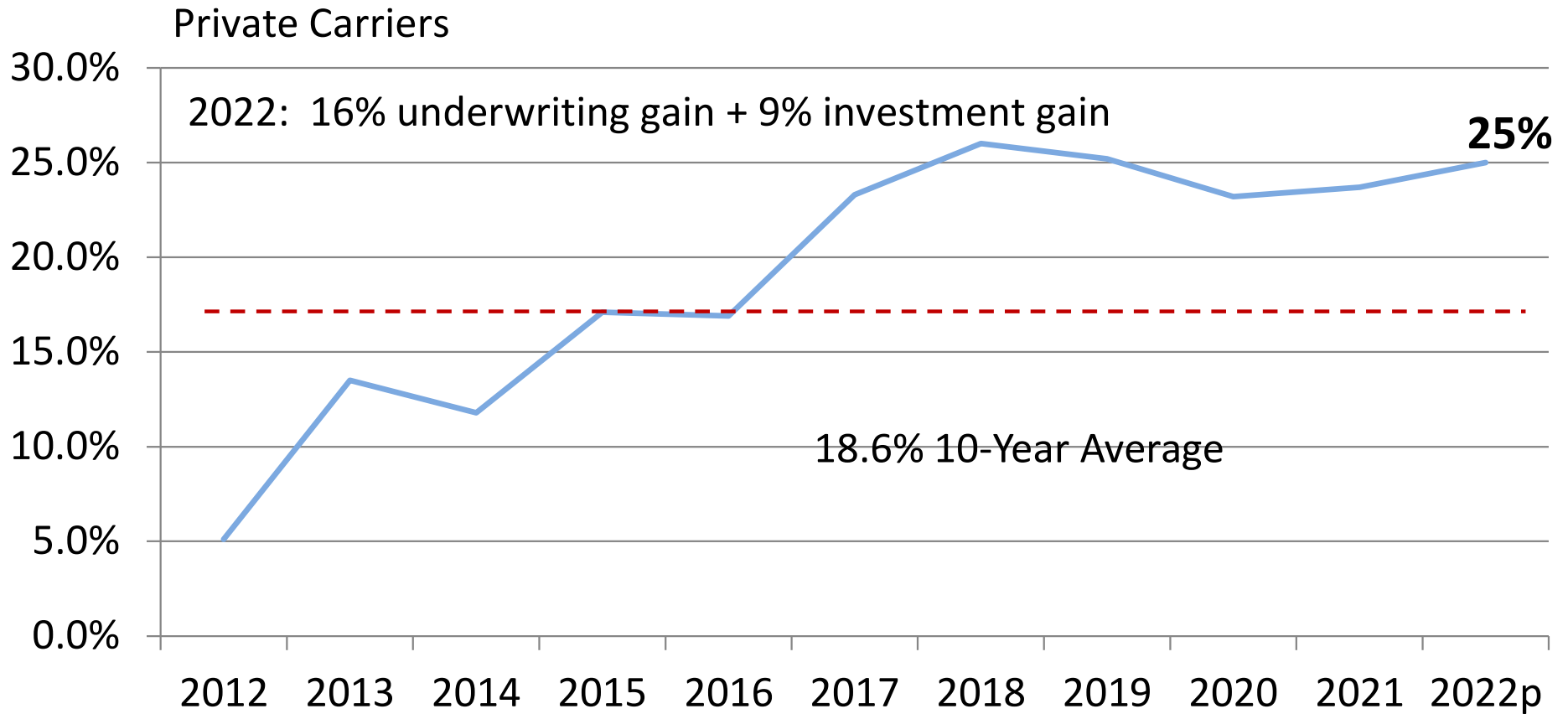
- Combined Ratio = Expense Ratio + Loss & LAE Ratio; results <100 equates to an underwriting profit

Net Calendar Year Combined Ratio – Private Carriers

Line of Business	2021	2022 preliminary
Personal Auto	101%	112%
Homeowners	104%	104%
Com. Multi Peril	106%	106%
Com. Auto	99%	105%
Workers' Comp	87%	84%
Total P&C Industry	99%	102%

Sources: NCCI – 2023 State of the Line – P&C Industry Net Combined Ratio for Private Carriers (used with permission); NAIC Annual Statement Data

Pretax Operating Gain Results



Sources: NAIC Annual Statement Data; NCCI – 2023 State of the Line Guide – WC Pretax Operating Gain (used with permission); 2022 is preliminary

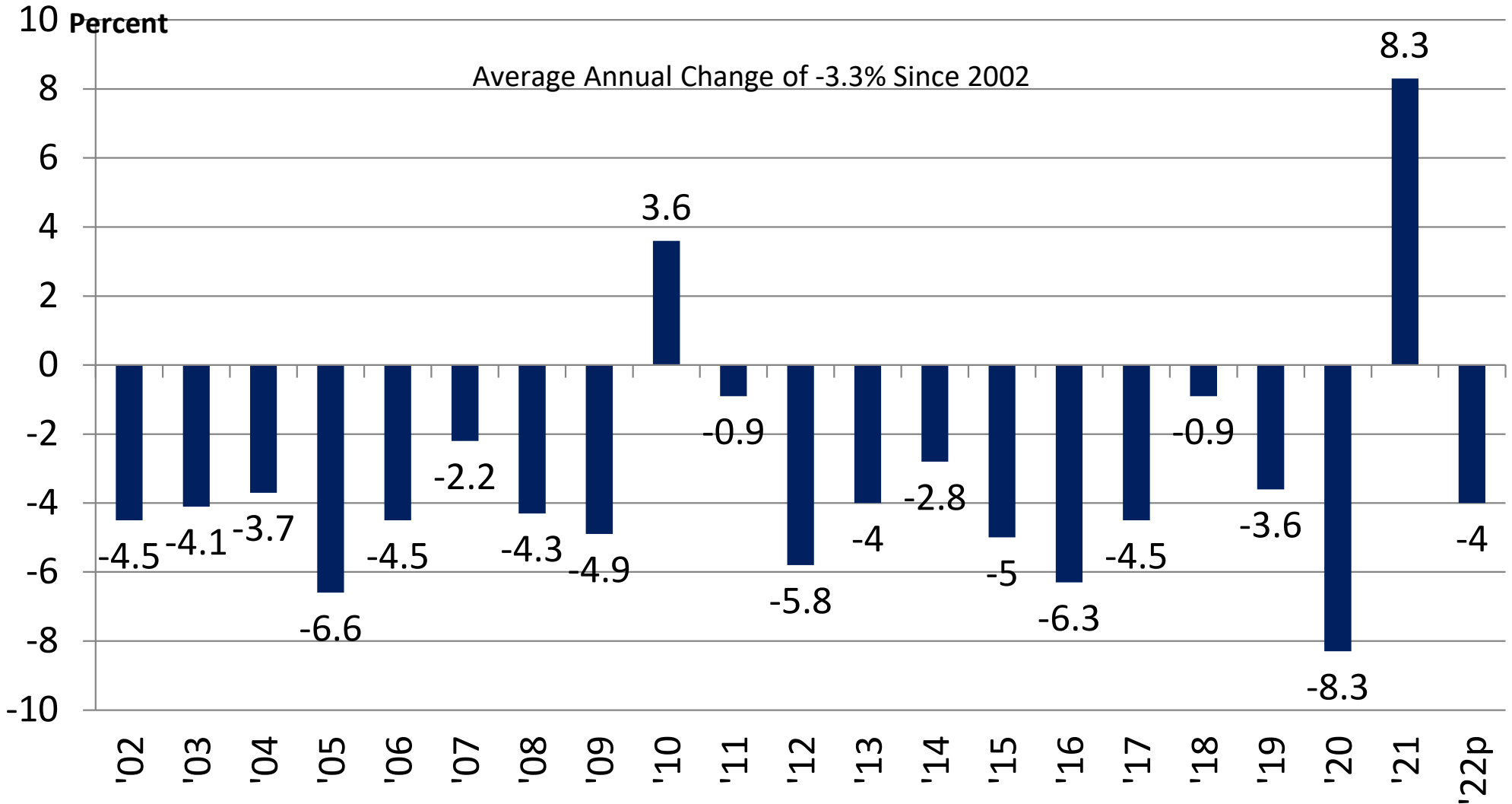
Severity

- Severity for both indemnity claims and medical claims rose in 2022.
- Average indemnity claim severity for 2022 is projected to be about 6% higher than 2021.
- Indemnity severity has historically tracked closely with changes to average weekly wages. We are starting to see indemnity severity trending upwards to keep up with an increase in wage growth occurring since 2019.
- Average medical lost-time severity for 2022 is projected to increase by about 5% which continues to closely track growth in medical care price inflation.
- While severity has risen, it is expected to be a manageable increase.

Source: NCCI – 2023 State of the Line – Average Medical Lost-Time Claim Severity and Average Indemnity Lost-Time Claim Severity (used with permission)

Workers Compensation Lost-Time Claim Frequency in 2022

(change in claims per \$1M in pure premium - excluding COVID-19 claims)



Source: NCCI – 2023 State of the Line – Lost-Time Claim Frequency (used with permission); 2022 is Preliminary

Workers Compensation Lost-Time Claim Frequency

- For accident year 2022, preliminary loss time claims frequency is projected to decrease by 4% compared to 2021. This is a larger decrease than the long-term average change of -3.3%.
- The frequency change is projected to decrease by 4% with COVID-19 lost-time claims factored in for this time period.
- Estimated 7% decrease in claim frequency projected for accident year 2022 with an overall decrease of 5% from accident years 2019 through 2022.

Source: NCCI – 2023 State of the Line Report, State of the Line Guide – Lost-Time Claim Frequency (used with permission)

National Impact of COVID-19 Losses for Accident Years 2020 – 2022

- \$628M in losses
- 118,000 claims
- 1% of total losses
- \$5,300 average severity
- While exposures are still present, incurred losses, claim counts, and average severity have decreased significantly.

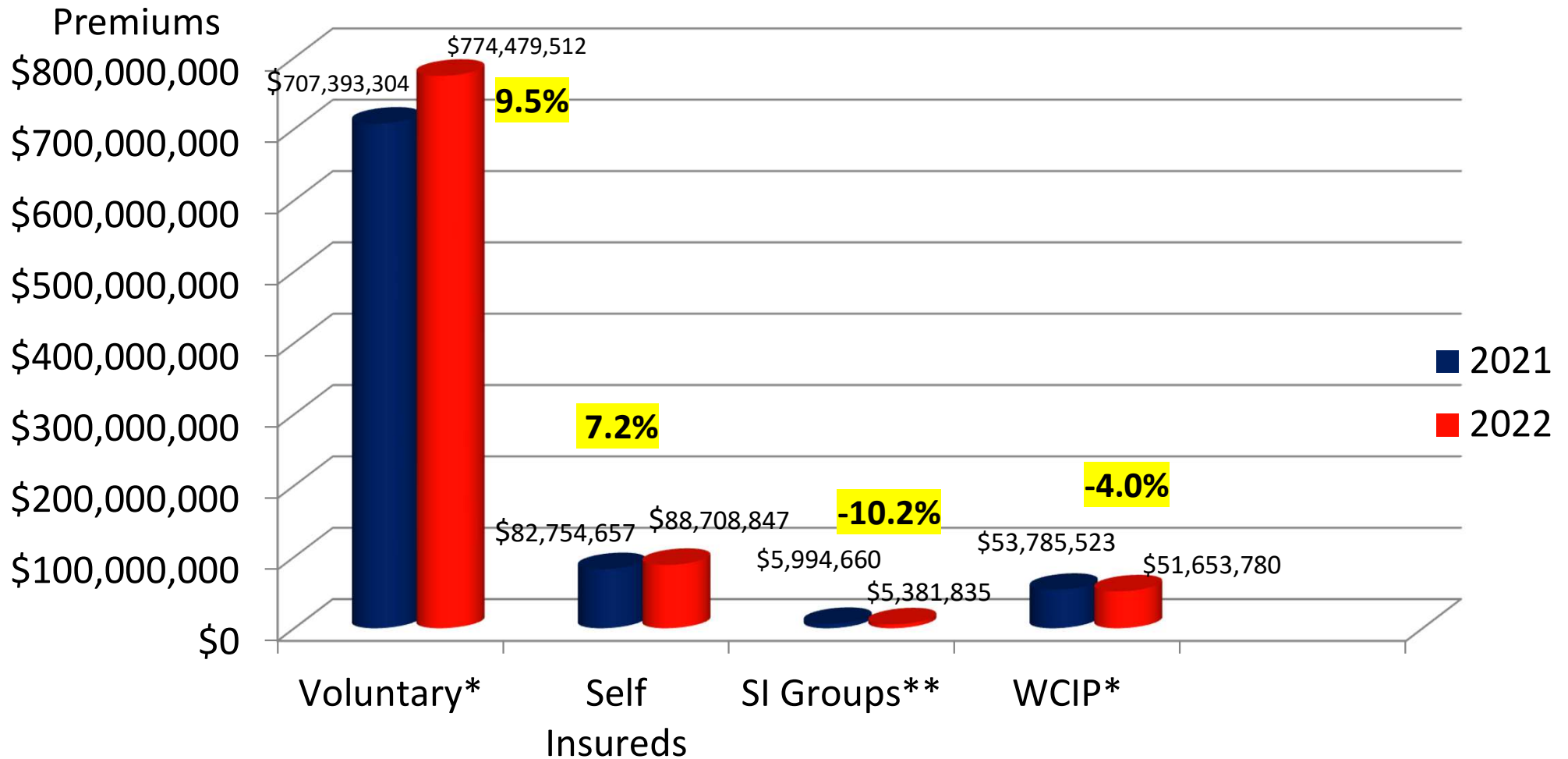
Source: NCCI – 2023 State of the Line – Direct Impact of COVID-19 (used with permission)

Note: all figures are approximate

Tennessee Specific



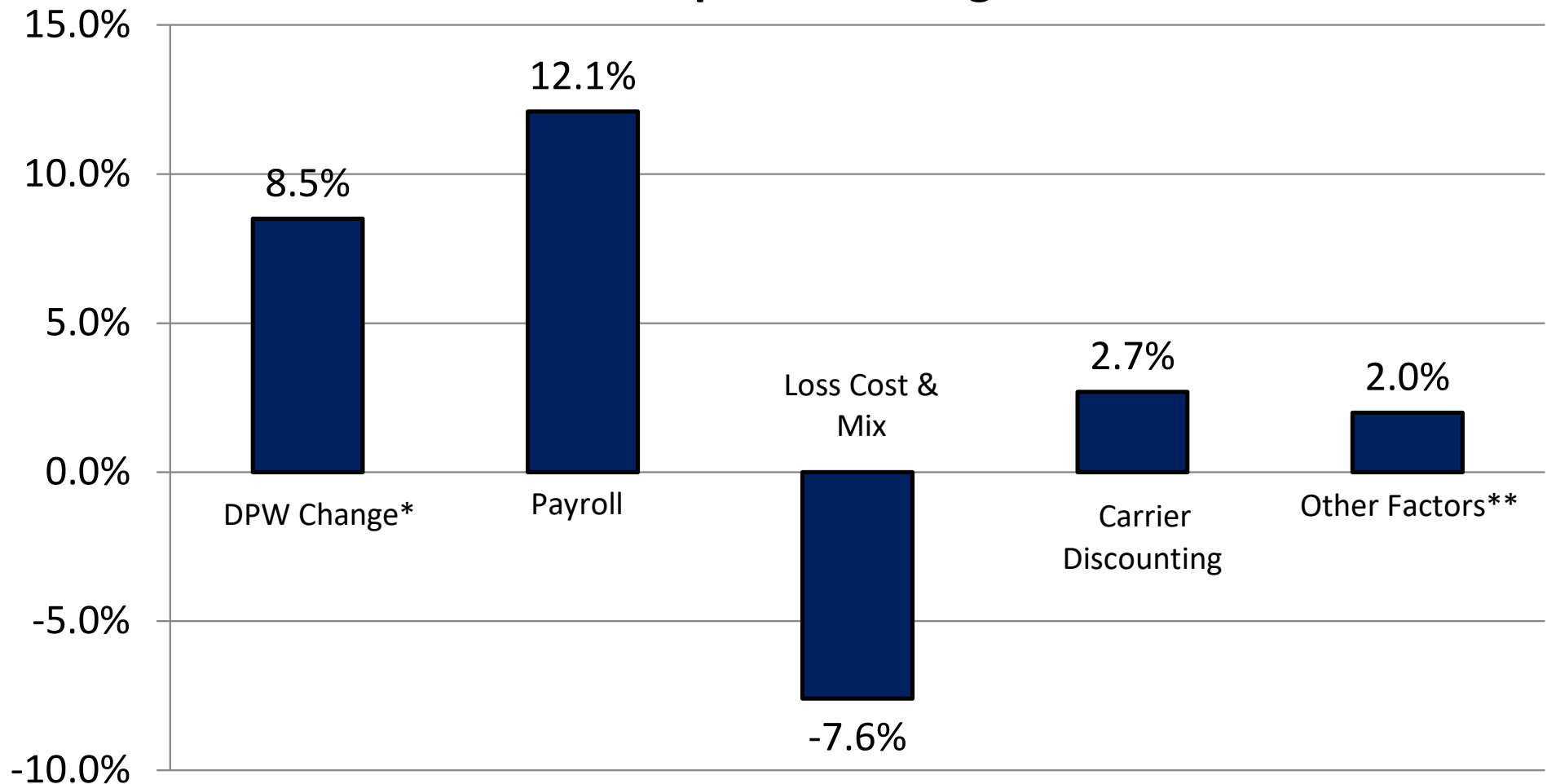
2021 and 2022 WC Market Segment



*Source: NCCI – 2022 Residual Market Management Summary Report, Exhibit O (used with permission) 2022 is preliminary
 **Excluding government sponsored groups; Individual Self-Insureds are on an equivalent premium basis; Group premiums are estimated.

Breakdown of Tennessee 2021 Direct Premium Written Change

Component Change



*Source: NCCI – 2022 Residual Market Management Summary Report, Exhibit O (used with permission) 2022 is preliminary

** includes change in deductible, changes in experience modifications, as well as impact of premium audits

Impact of COVID-19 Losses in Tennessee for Accident Year 2022

- No claims reported over \$100,000
- \$85,286 losses - down from \$7,822,960 in 2021*
- 339 claims - down from 1,150 claims in 2021**
- \$252 average severity - down from \$6,803 in 2021***

*Size of loss determined by total indemnity + medical paid+case

**include lost-time, med-only and DCCE-only claims; \$0 claims excluded

***Avg severity is p+c losses/claim counts

Note: data includes Large Deductible policies

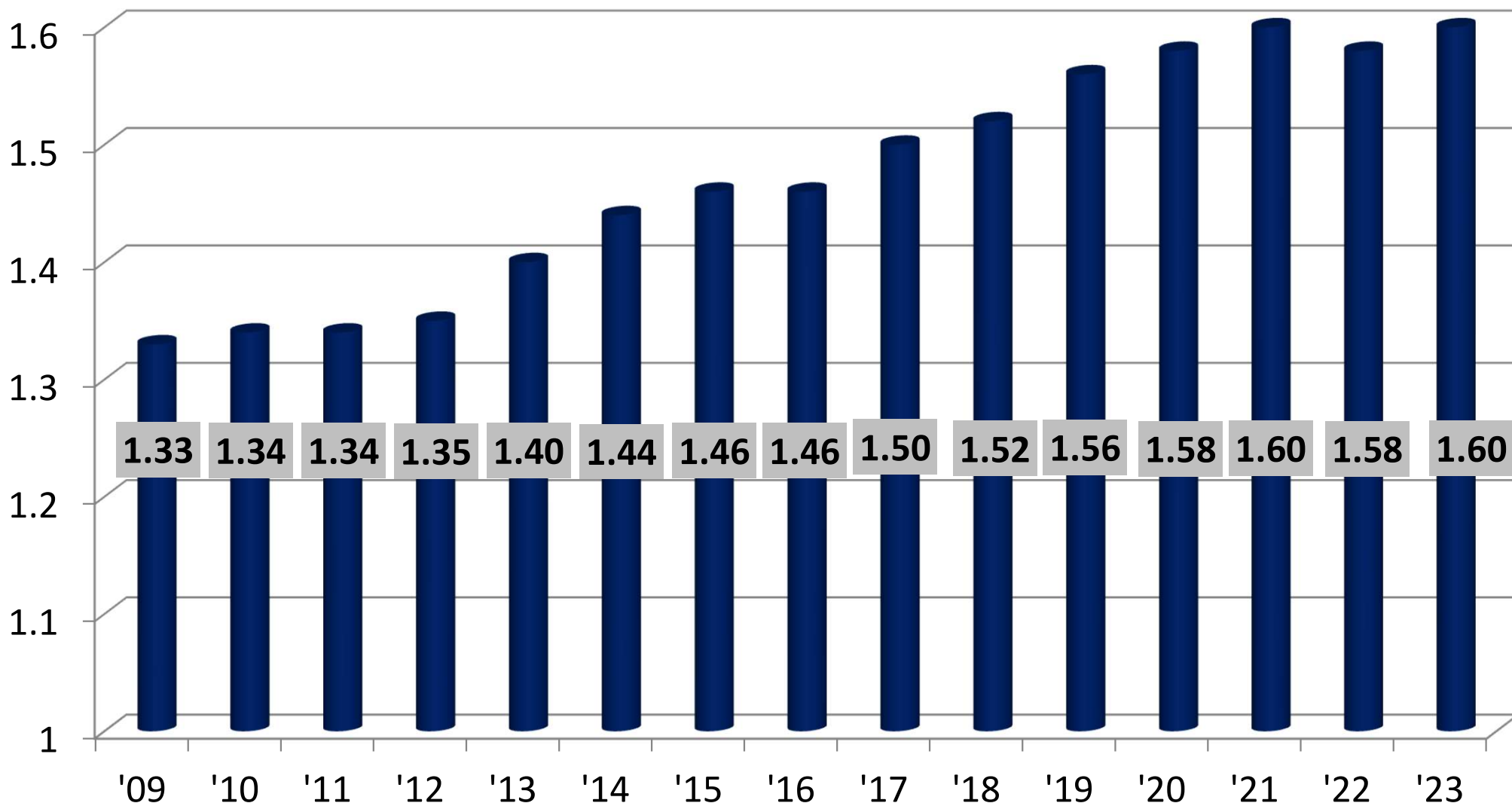
Source: NCCI – 2022 Financial Call Submissions through 8/16/2023 (used with permission)

Loss Cost Filing & Final Approvals – Past 10 Years

Year Filing Made	NCCI Filed Rate	Advisory Council Recommendation	C&I Approved Rate	Effective Date
2013	-8.4%	-6.95%	-6.95%	3/01/14
2013	-5.9%	-5.9%	-5.9%	7/01/14
2014	-9.6%	-6.5%	-8.2%	3/01/15
2015	-0.9%	-1.2%	-0.9%	3/01/16
2016	-2.7%	-2.7%	-2.7%	8/28/16
2016	-12.8%	-12.8%	-12.8%	3/01/17
2017	-12.6%	-12.6%	-12.6%	3/01/18
2018	-19.0%	-14.0%	-19.0%	3/01/19
2019	-8.2% net*	-4.0%	-7.1%	3/01/20
2020	-9.2%	-8.4%	-9.2%	3/01/21
2021	-5.6%	-5.6%	-5.6%	3/01/22
2022	-10.2	-7.6	-10.2	3/01/23

*2019 filing was amended to include a med fee change of +1.5% resulting in net final filed value of -8.2%

Tennessee Voluntary Market Weighted Average Loss Cost Multipliers

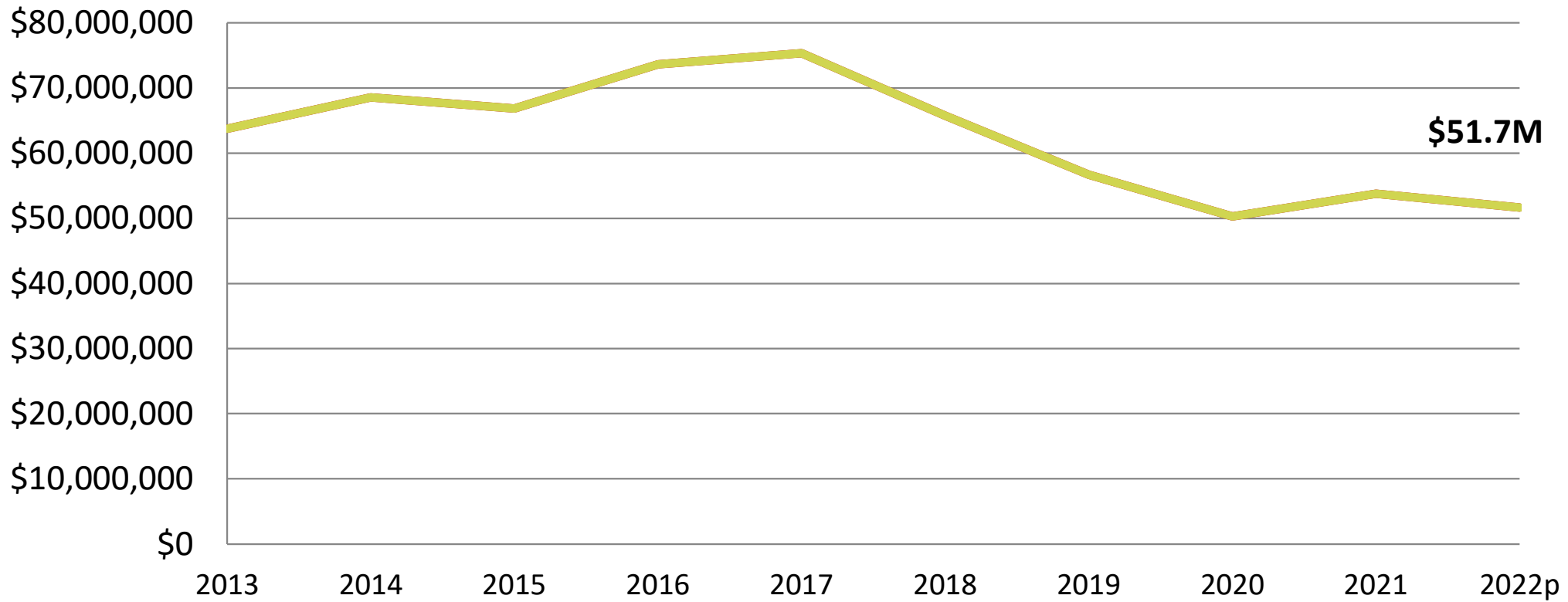


Multipliers are based on prior year premium "weighted average" market shares

Tennessee Workers' Compensation Insurance Plan (WCIP)

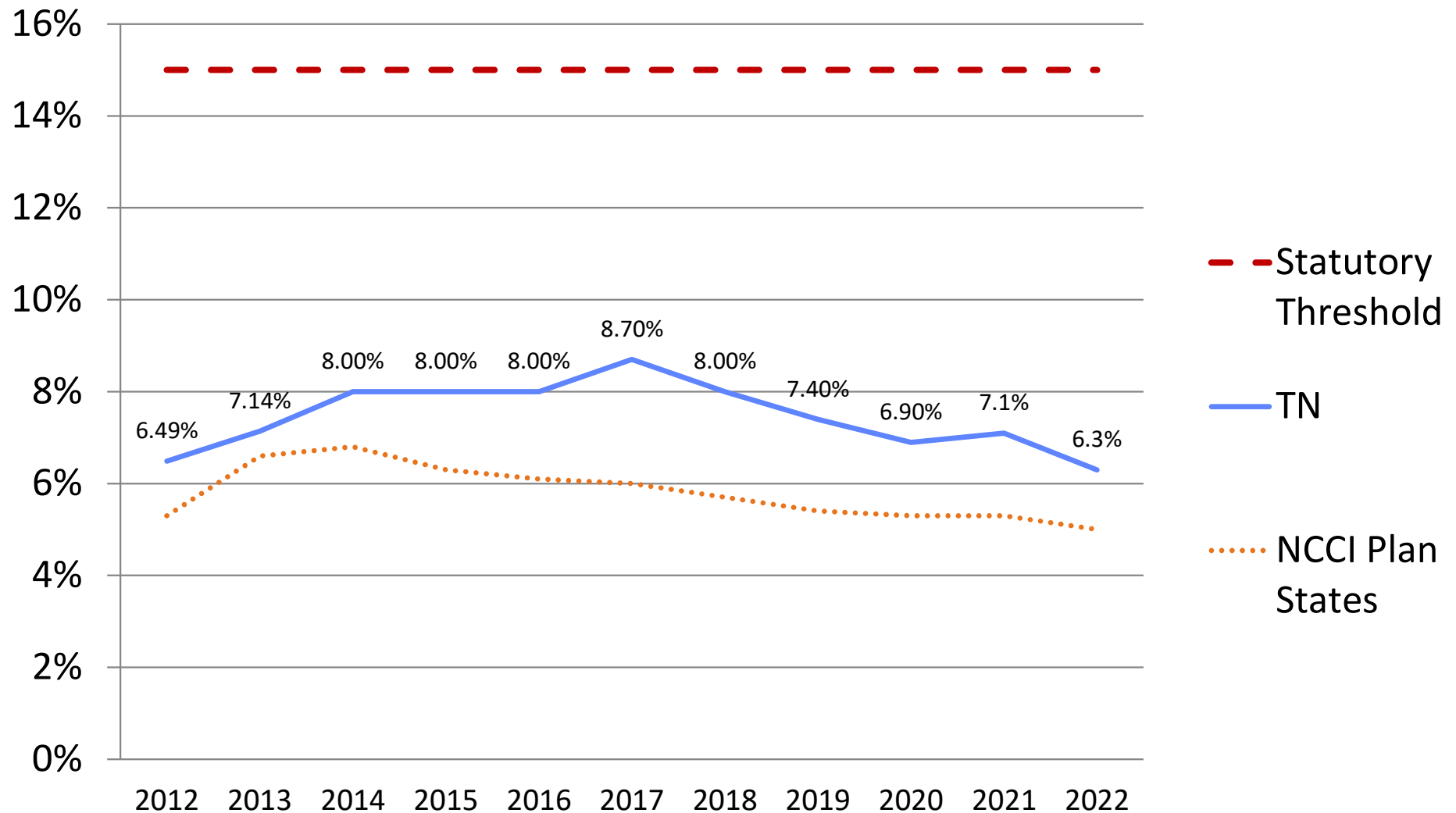


WCIP Premium History



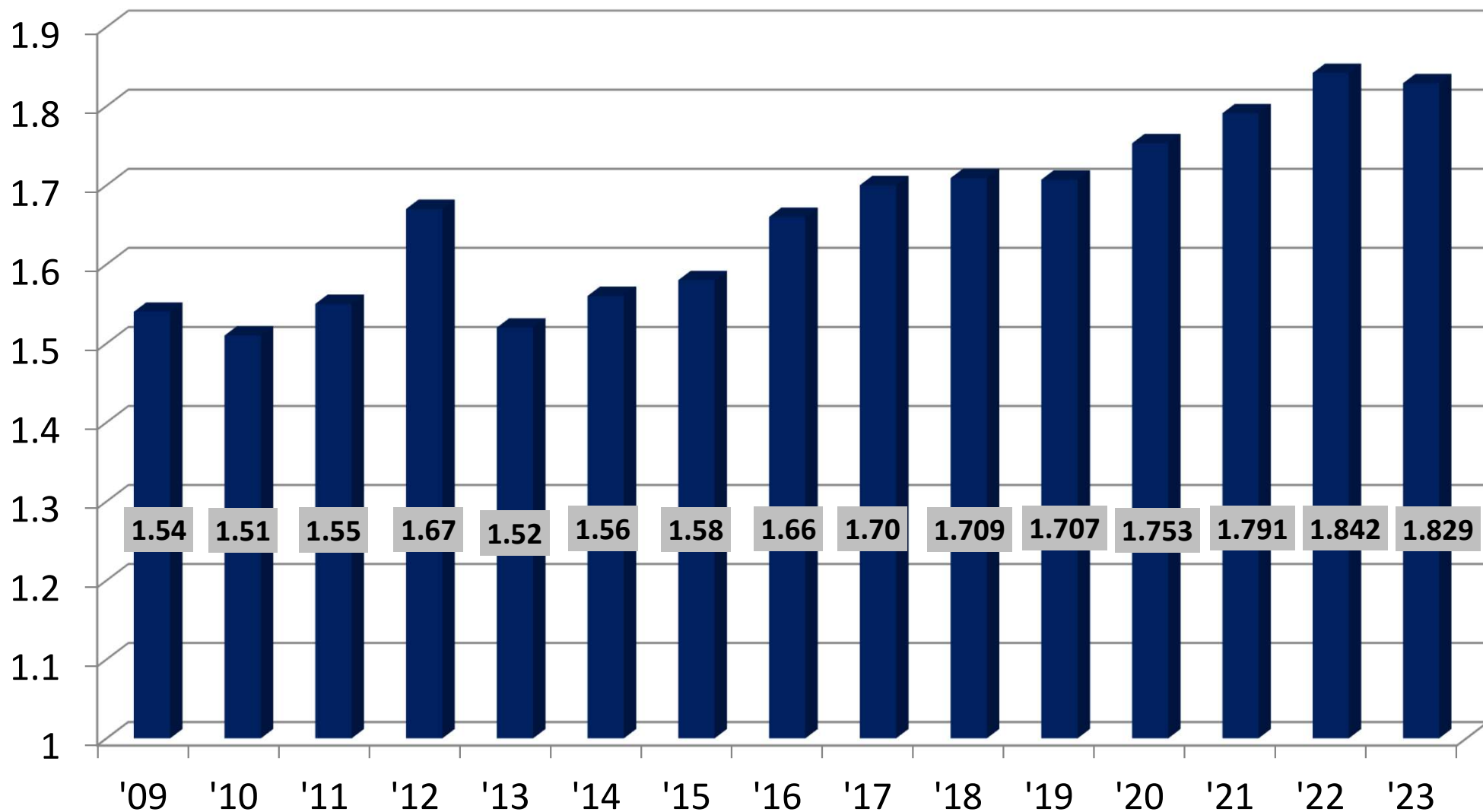
• Source: NCCI – 2022 Residual Market Management Summary Report, Exhibit O (used with permission) 2022 is preliminary

Tennessee's Residual Market Share vs. NCCI Pool- and Plan-Administered States Market Share



Source: NCCI – 2022 Residual Market Management Summary Report, Residual Market Share, Exhibit D and Exhibit P (used with permission)

Tennessee WC Assigned Risk LCM History



Currently One Active Self-Insured Group

Self Insured Groups:

Tennessee Automotive Association

Insolvencies

- Individual carrier data included in this section includes insolvencies of over \$1M in total losses.



There were no new insolvencies
in 2022.

No assessments were required.



Department of Commerce and Insurance

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