



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

Advisory Council on Workers' Compensation

National Picture



Property & 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	2020	2021 preliminary
Personal Auto	93%	101%
Homeowners	107%	104%
Com. Multi Peril	110%	106%
Com. Auto	102%	99%
Workers' Comp	87%	87%
Total P&C Industry	99%	99%

Sources: NCCI for Workers Compensation – 2022 State of the Line (used with permission); Annual Statement Data for Total P/C Industry

National Impact of COVID-19 Losses

- \$500M in losses
- 60,000 claims
- 55% of COVID-19 claims are indemnity-only
- 90% are less than \$5K, with around 72% of COVID-19 claims under \$1,500

Source: NCCI – 2022 State of the Line (used with permission)

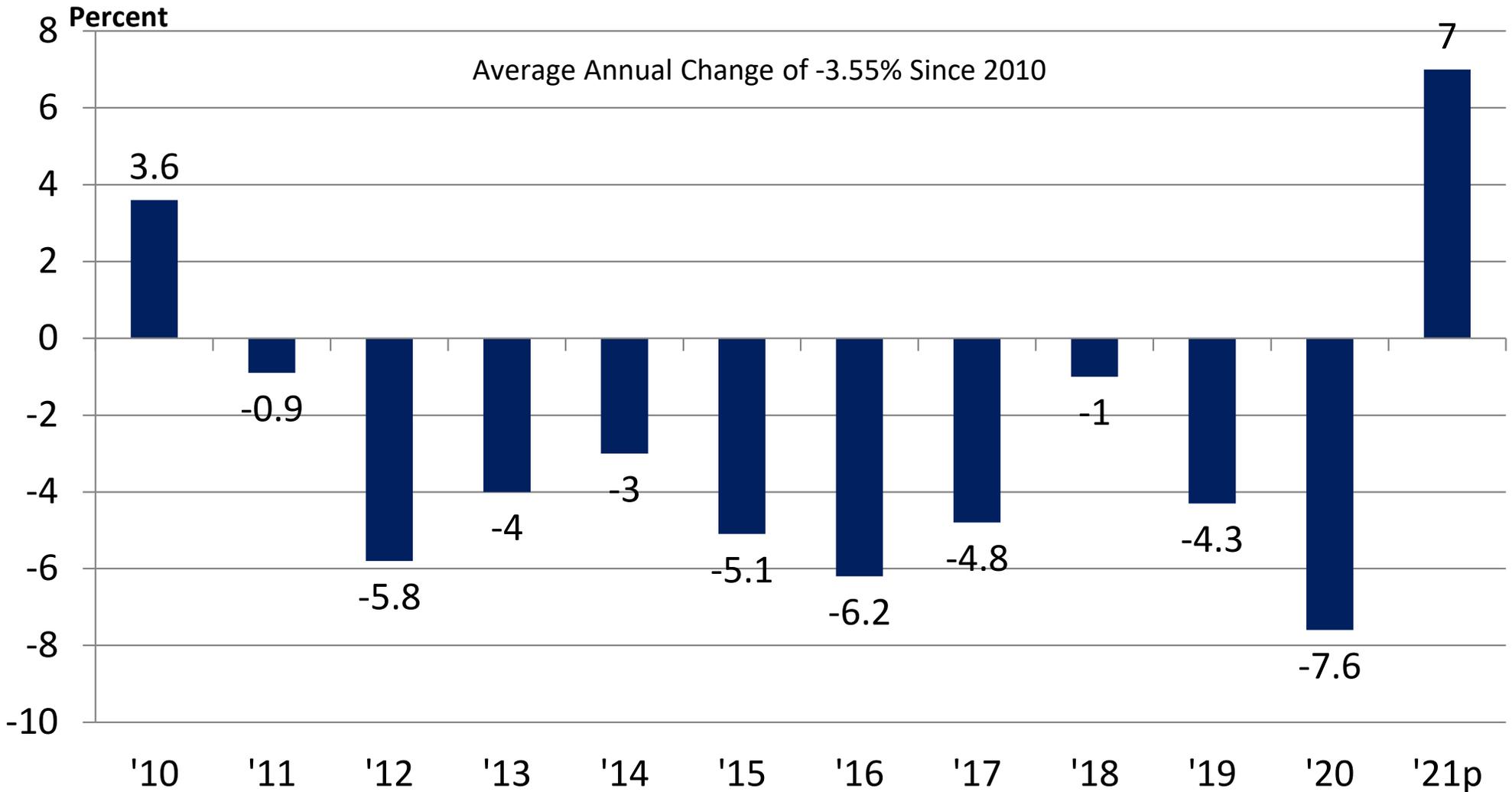
Note: all figures are approximate

Severity

- Indemnity claim severity 2020 to 2021 is projected to be about 3%
- Continues to track closely with changes to average weekly wages
- Medical lost-time severity is projected to remain the same in 2021, with an estimated severity change of about 1%
- Since 2012, changes in medical lost-time claim severity have closely tracked the growth in medical care price inflation, with pandemic-related impacts slowing the impact of severity growth in the past two years

Source: NCCI – 2022 State of the Line (used with permission)

WC Lost-Time Claim Frequency in 2021 (excluding COVID-19 claims)



Source: NCCI – 2022 State of the Line Guide (used with permission); 2021 is Preliminary

WC Lost-Time Claim Frequency

- This increase is likely due to pandemic-related shutdowns coming to an end in 2020 and employees returning to work in 2021
- The increase is not as steep when COVID-19 lost-time claims are factored in, with an average increase in lost-time frequency of 2% 2020 and 2021
- Claim frequency decline has still continued at approximately 1% over the past two years

Source: NCCI – 2022 State of the Line Report, State of the Line Guide (used with permission)

Slide 7

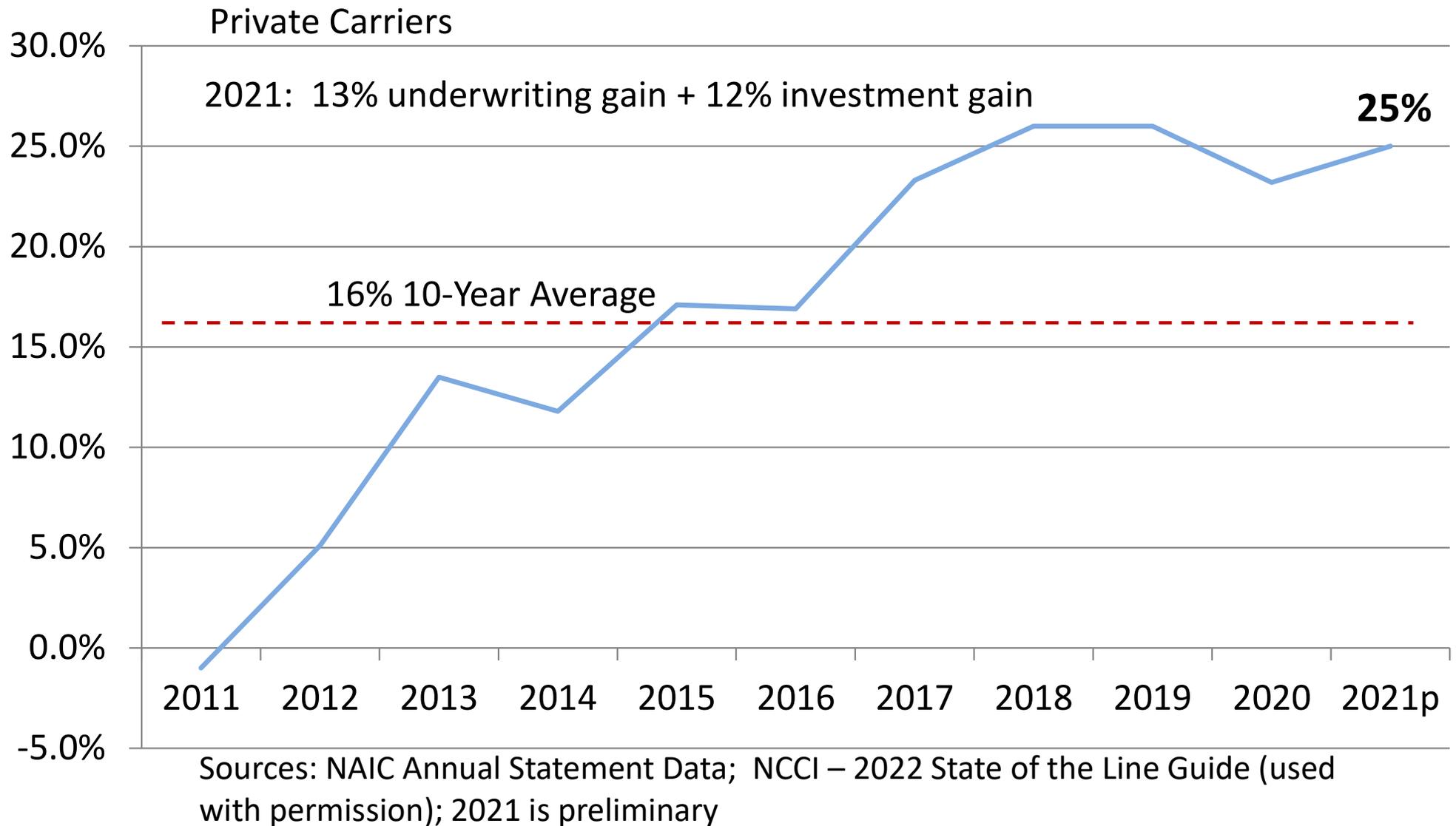
JTO

the 1% claim frequency decline = still a -0.06% difference from 2020 (-7.6%) to 2021 (+7.0%)

Jessica Thomas, 2022-07-29T16:11:53.905

Pretax Operating Gain Represents Stellar Results for the Past Four Years

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Slide 8

JTO

Per NCCI's State of the Line:

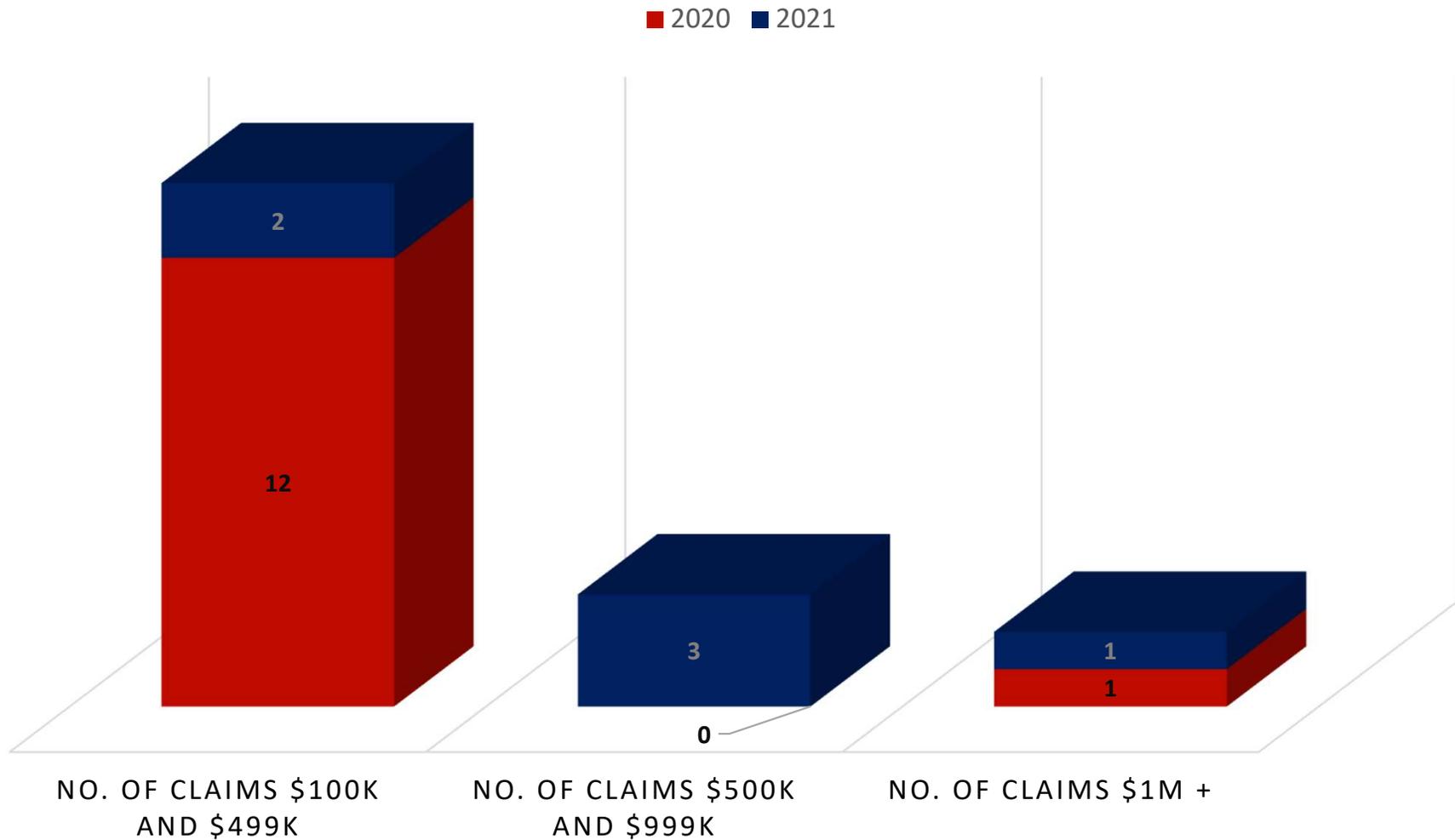
"This is the fifth straight year with results over 20%, which represents the most profitable period we've seen going back at least 30 years
Workers compensation results have been strong, with nearly a decade of operating gains"

Jessica Thomas, 2022-07-29T16:10:04.398

Tennessee Specific



Impact of COVID-19 Losses in Tennessee



- Claim counts include lost-time, med-only and DCCE-only
- Size of loss determined by total indem+medical paid+case

Impact of COVID-19 Losses in Tennessee for 2021

- \$4.6M in losses*
- 952 claims – down from 3,038 claims in 2020
- \$4,839 average severity** – up from \$2,221 in 2020

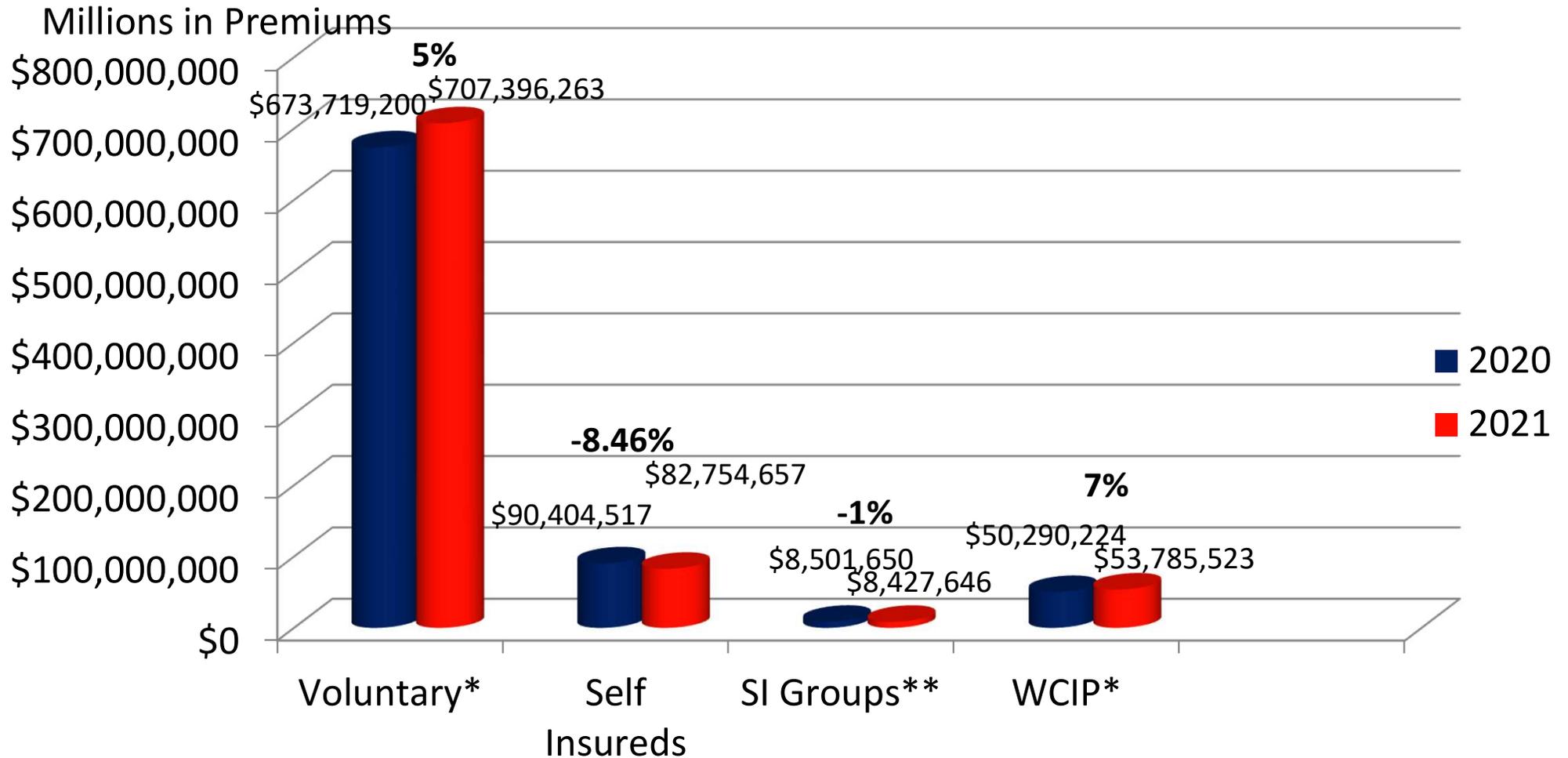
*Losses include indemnity & medical paid+case losses

**Avg severity is p+c losses/claims

Note: data includes Large Deductible policies

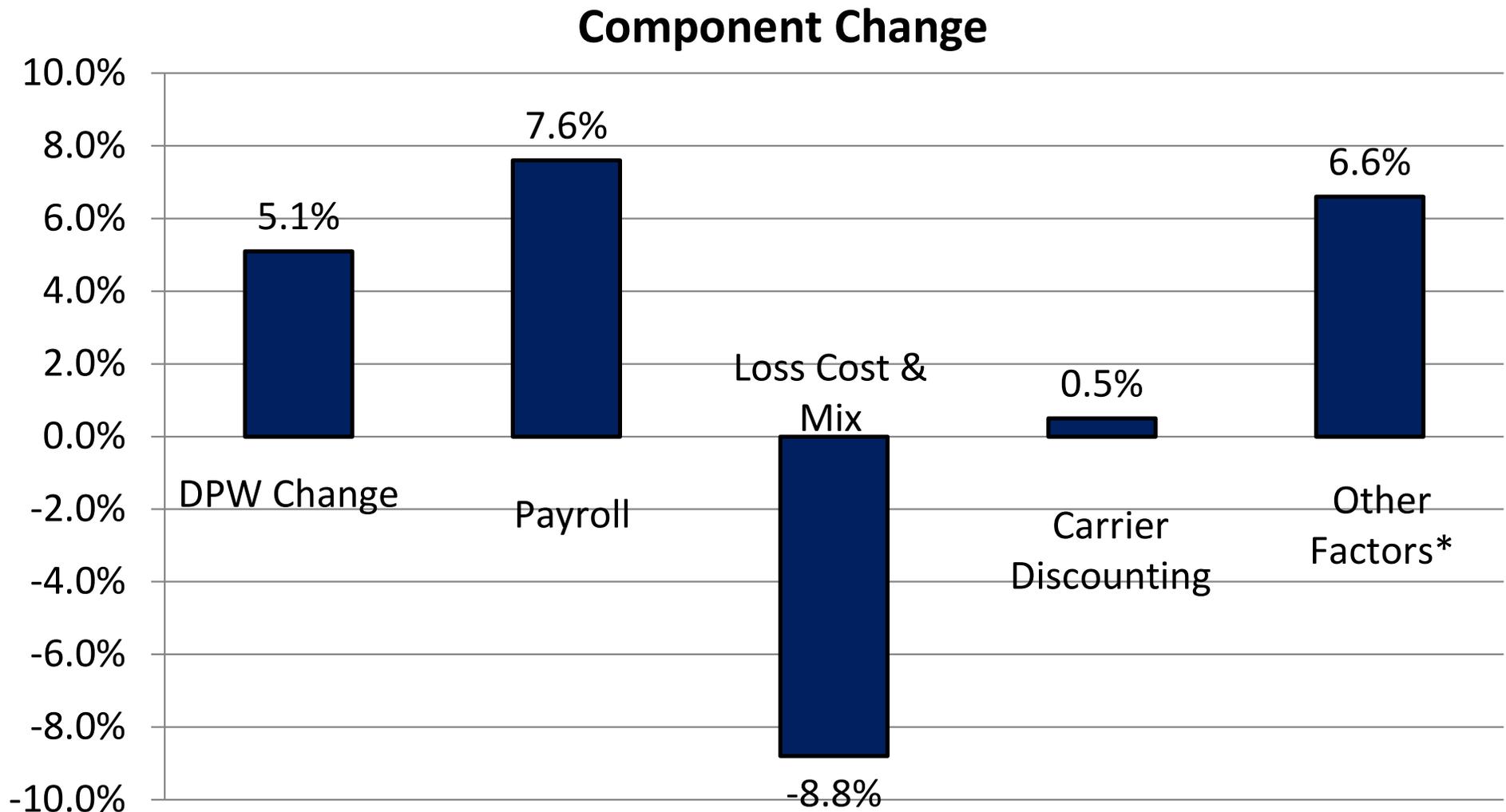
Source: NCCI – 2021 Financial Call Submissions (used with permission)

2020 and 2021 WC Market Segment



- *Source: NCCI – 2021 Residual Market Management Summary Report, Exhibit Q (used with permission)
- **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



Source: NCCI – (used with permission) - 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

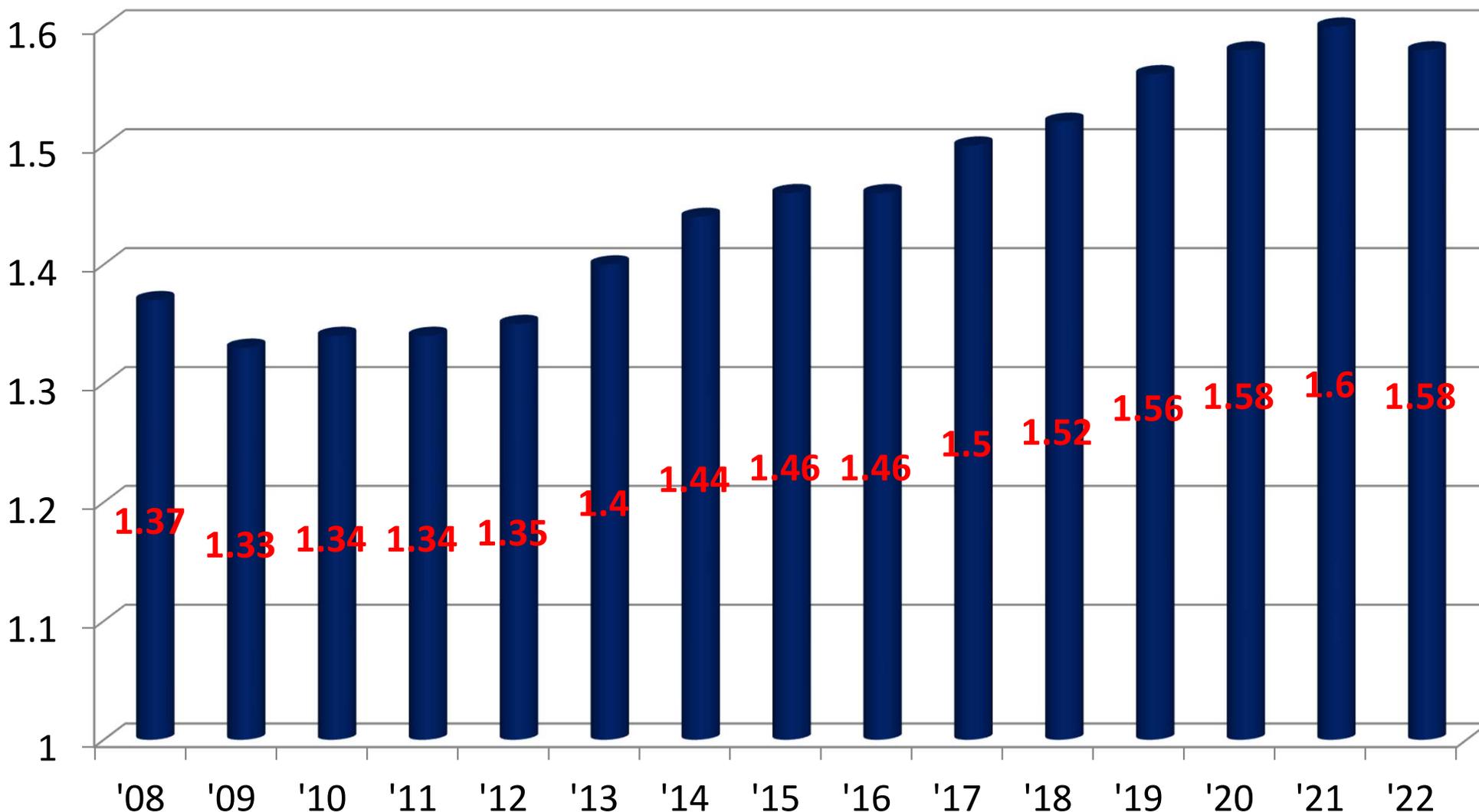
* includes change in deductible, changes in experience modifications, as well as impact of premium audits

Loss Cost Filing & Final Approvals – Past 10 Years

Year Filing Made	NCCI Filed Rate	Advisory Council Recommendation	C&I Approved Rate	Effective Date
2012	-5.1%	-5.1%	-5.1%	8/09/12
2012	2.3%	1.6%	2.3%	3/01/13
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%	3/01/2022

* 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

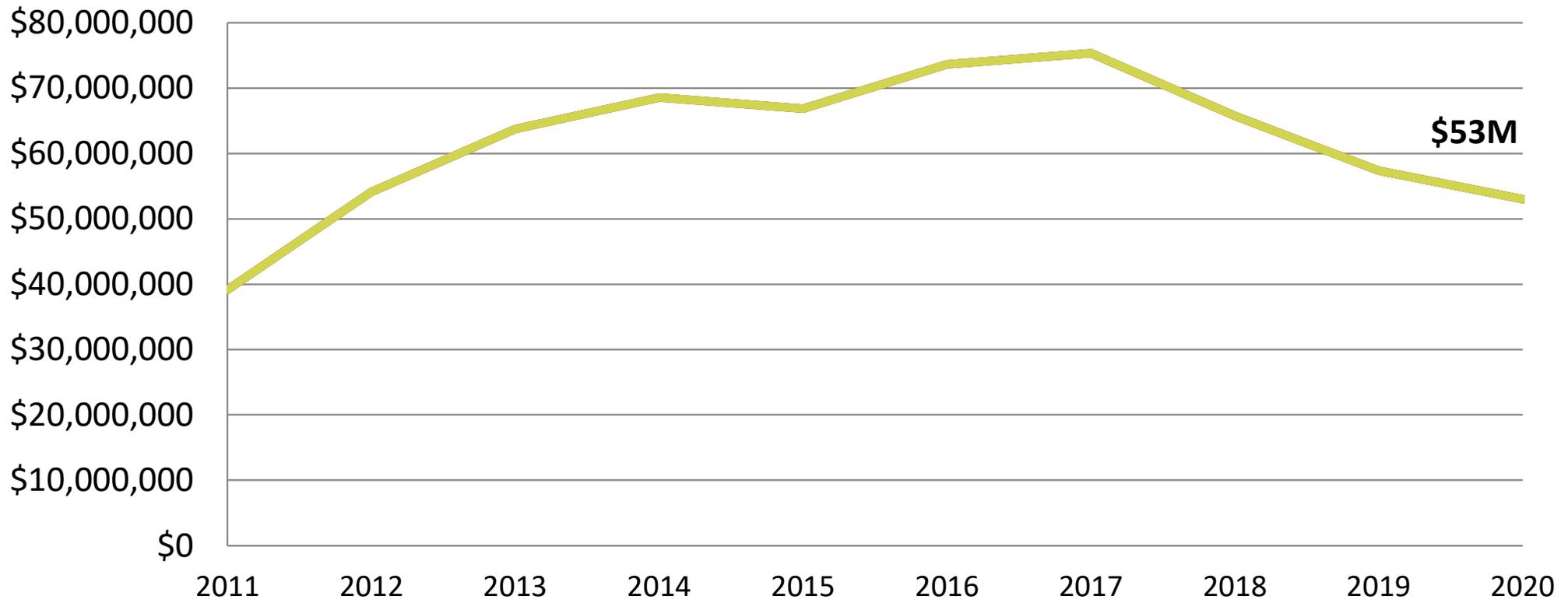


Multipliers are based on prior year premium "weighted average" market shares

Tennessee Workers' Compensation Insurance Plan (WCIP)

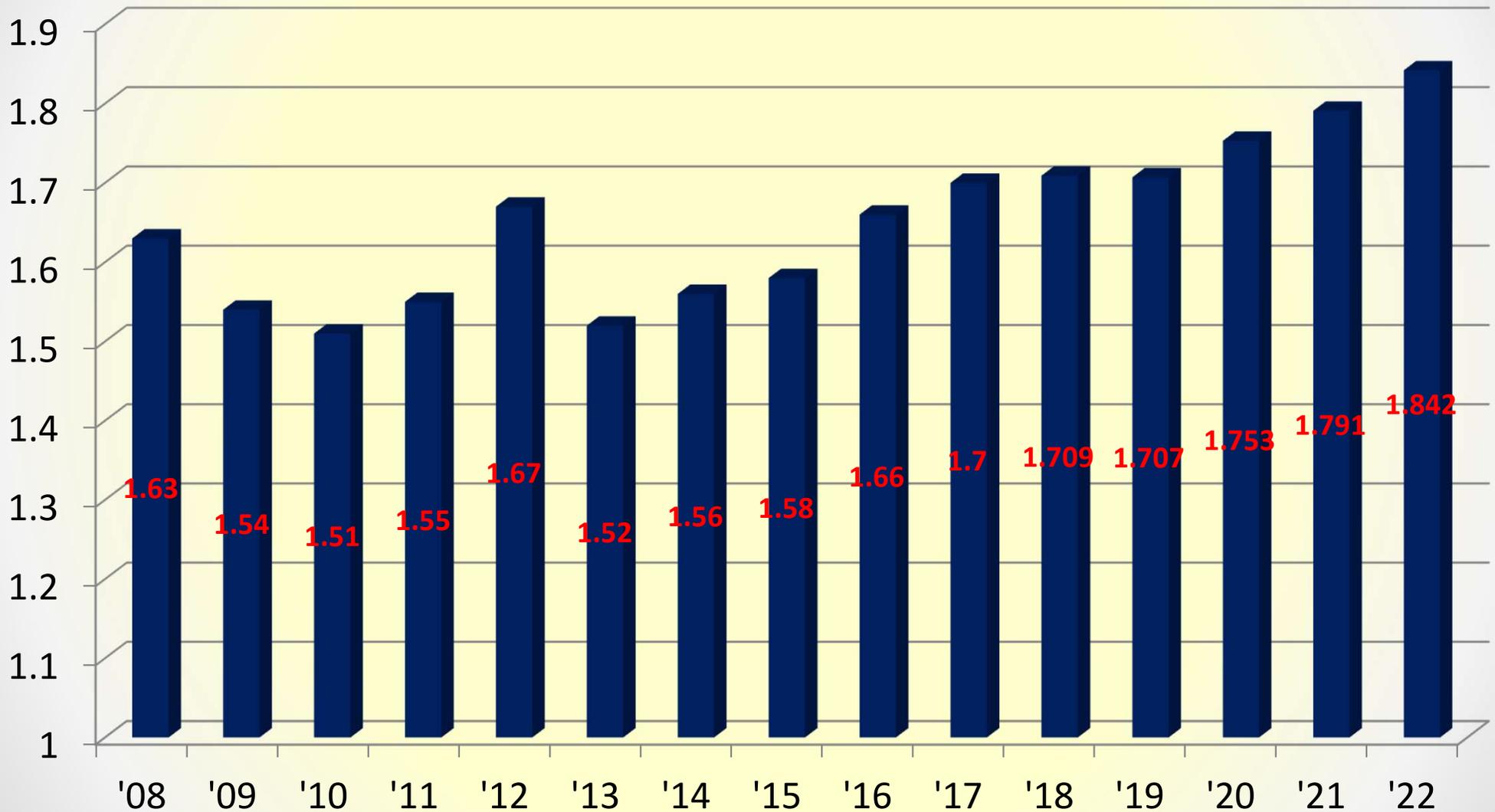


WCIP Premium History

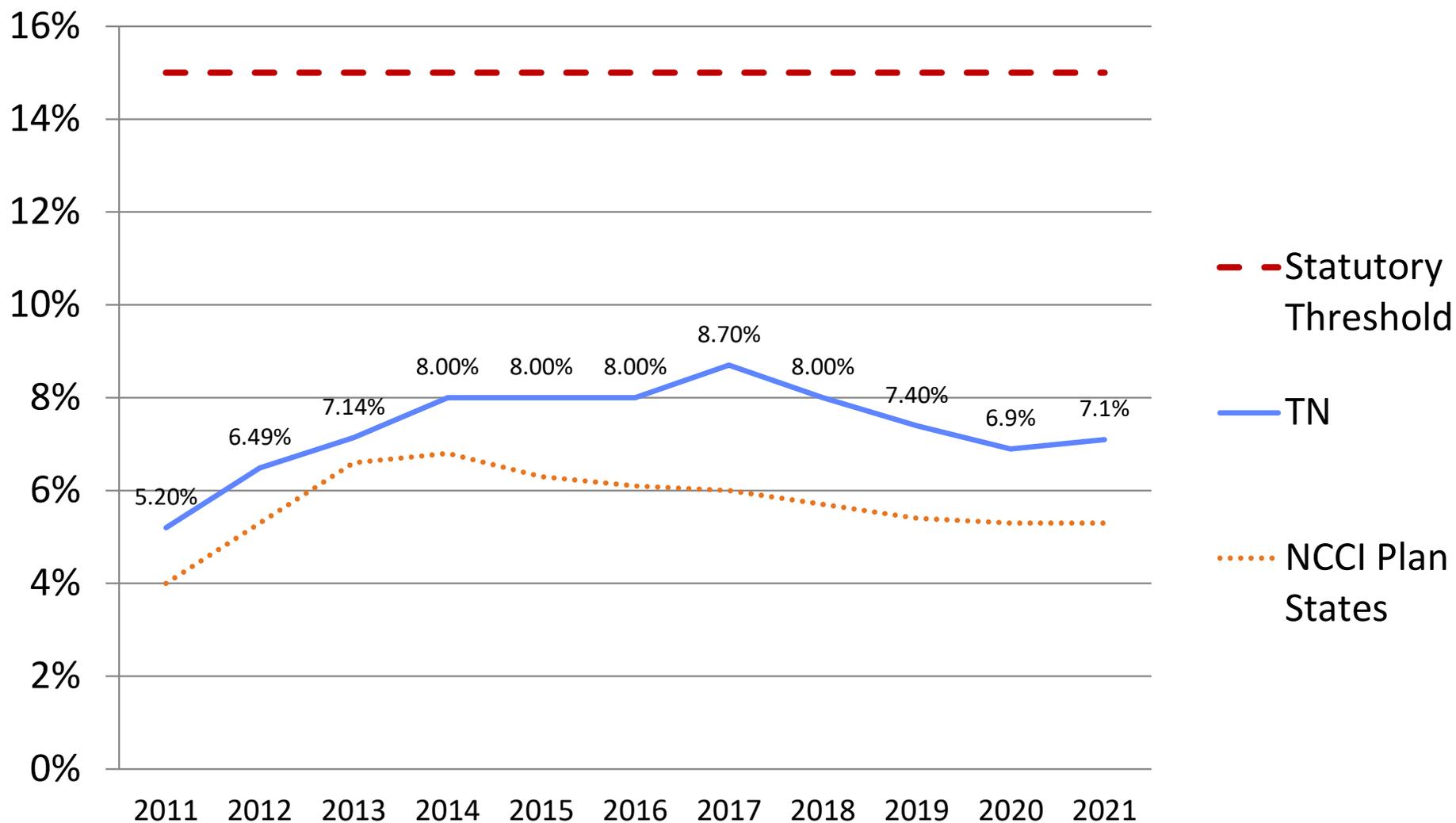


• Source: NCCI – 2021 Residual Market Management Summary Report, Exhibit Q (used with permission)

Tennessee WC Assigned Risk LCM History



Tennessee Assigned Risk Market Share vs. NCCI Plan States Market Shares - NAIC Direct Premium Written



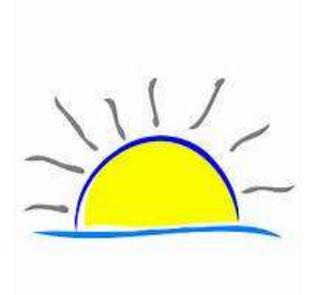
Source: NCCI – 2021 Residual Market Management Report , Residual Market Share (used with permission)

Tennessee Department of Commerce & Insurance

2021 Assigned Risk Depopulation Initiative

- ***Bright Horizons → Comp (Phase Two)***

- Transitioned from phase one which began in 2017
- Potentially impacts about 30% of plan premium
- Three-page customized report
 - Highlighting excessive premium from high mods and plan surcharges
 - Best practices aimed at reducing accident frequency and severity
- Aim is to motivate insureds to gain control over their loss experience and position themselves for the voluntary market



Currently Two Active Self-Insured Groups

Self Insured Groups

Tennessee Automotive Association

Tennessee Forestry Association

Insolvencies

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



There were no new insolvencies
in 2021

Assessment not required

Authorization



Department Authorization No. 355663