



NCCI Presentation to Advisory Council on Workers' Compensation

October 4, 2016

Ann Marie Smith, FCAS, MAAA
Director and Actuary
ann_marie_smith@NCCI.com
(561) 893-3781

Overview

- Experience in the two most recent policy years, 2013 and 2014, is favorable
- Average ultimate development factors show improvement
- Continued decreases in claim frequency result in lower indemnity and medical trend factor selections
- Estimates of countrywide loss adjustment expense have stabilized

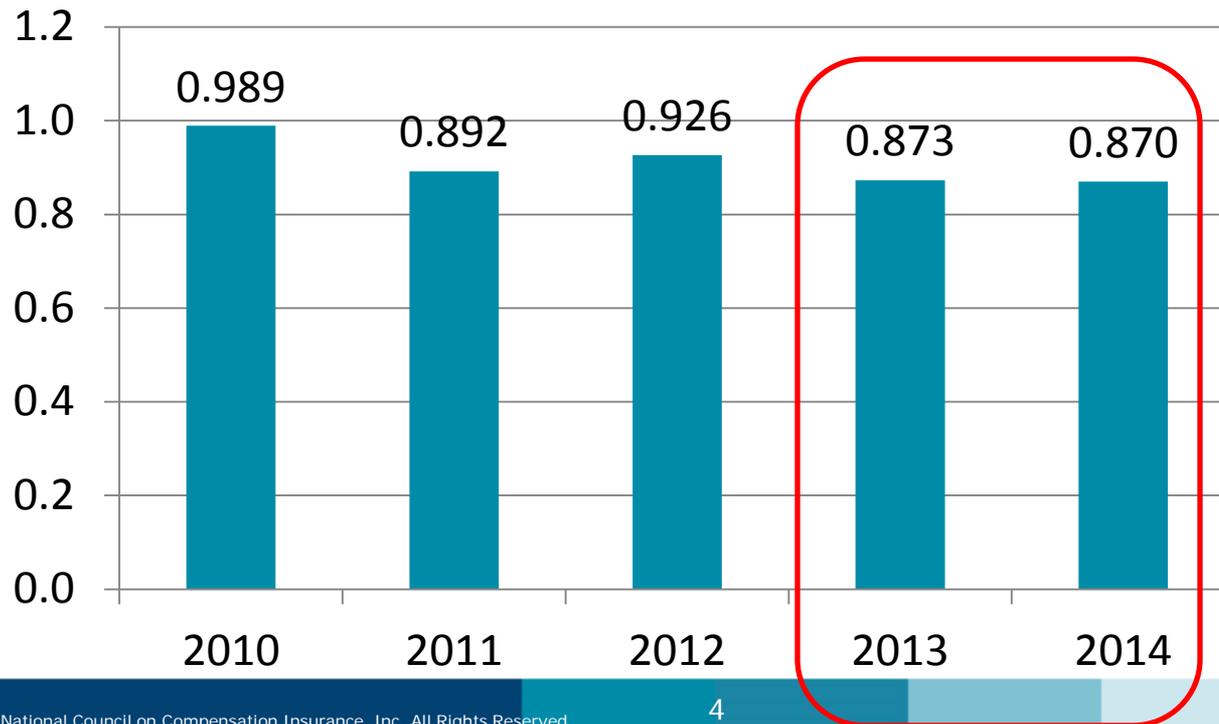
Tennessee Voluntary Loss Cost Filing Proposed Effective March 1, 2017

Component	Impact
Change in Experience	-8.1%
Change in Development	-1.9%
Change in Trend	-3.8%
Change in Benefits	+0.4%
Change in Loss Adjustment Expense	+0.3%
Offset due to Change in Minimum Premium Parameters	-0.2%
Overall Average Loss Cost Level Change	-12.8%

Experience

- The overall indication is based on an average of the latest two policy years, where the losses reflect an average of paid and paid + case

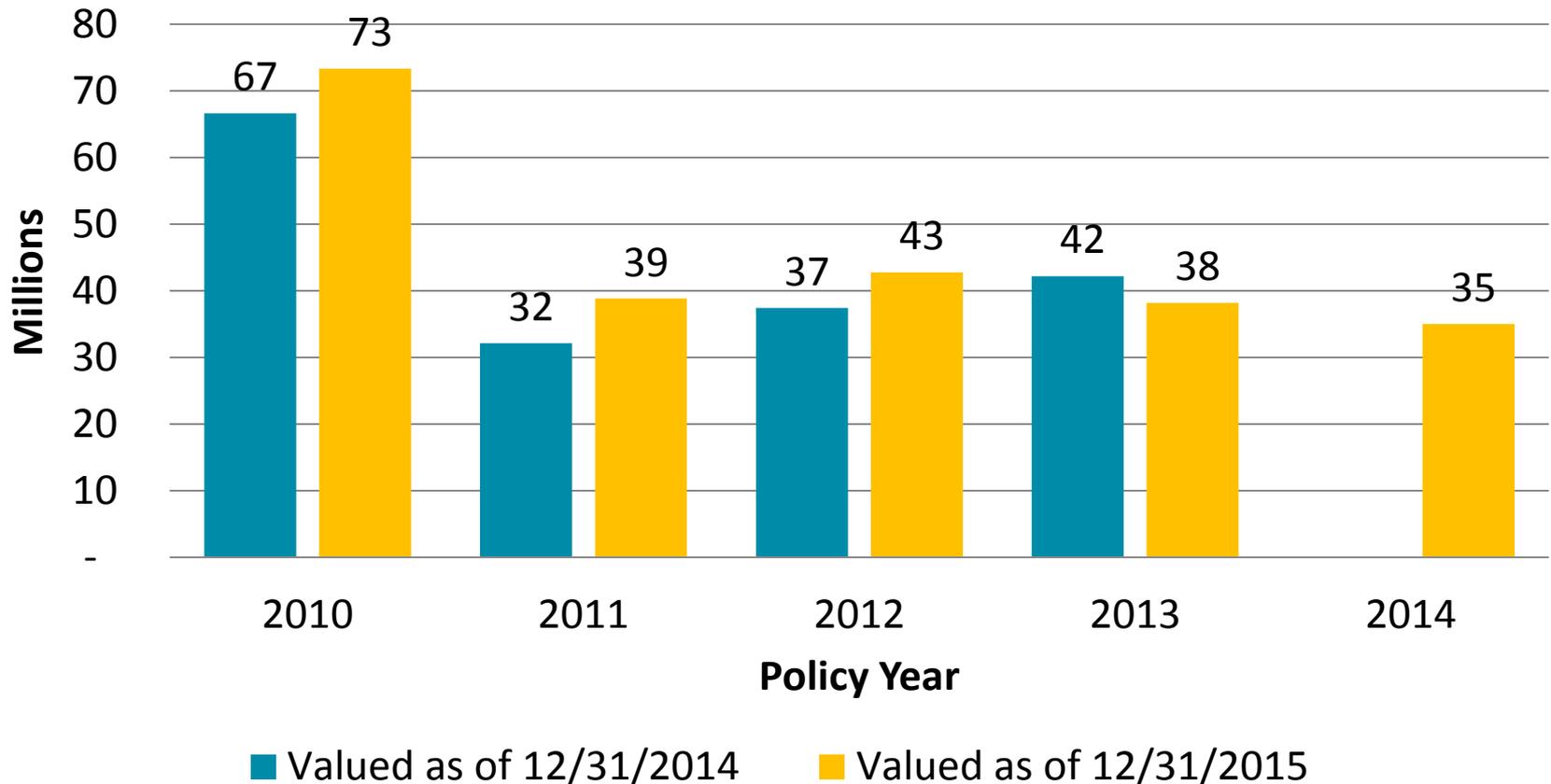
Indications by Policy Year



Large Loss Activity

Current Valuation and Prior Valuation

Total Paid + Case Losses for Claims over \$500K

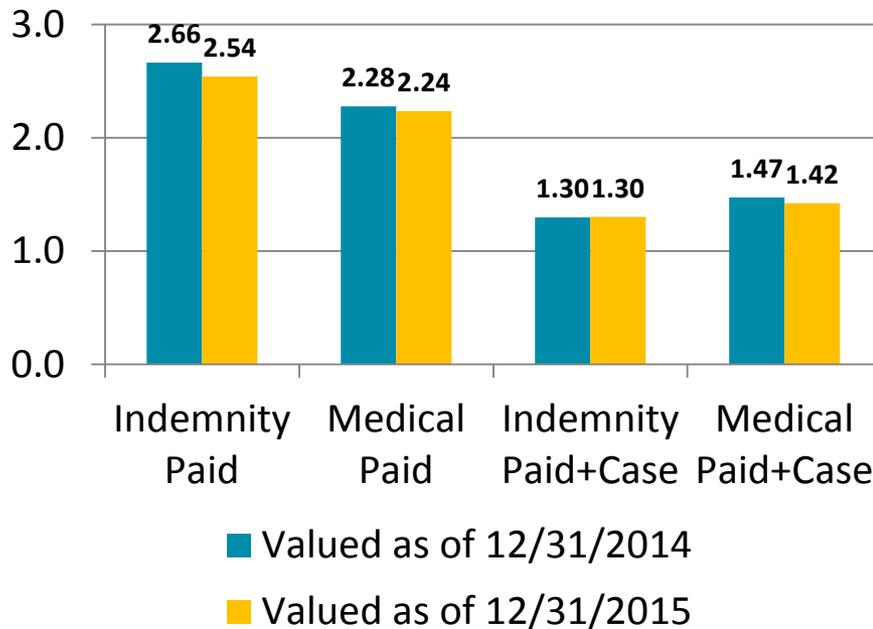


Based on NCCI's financial data

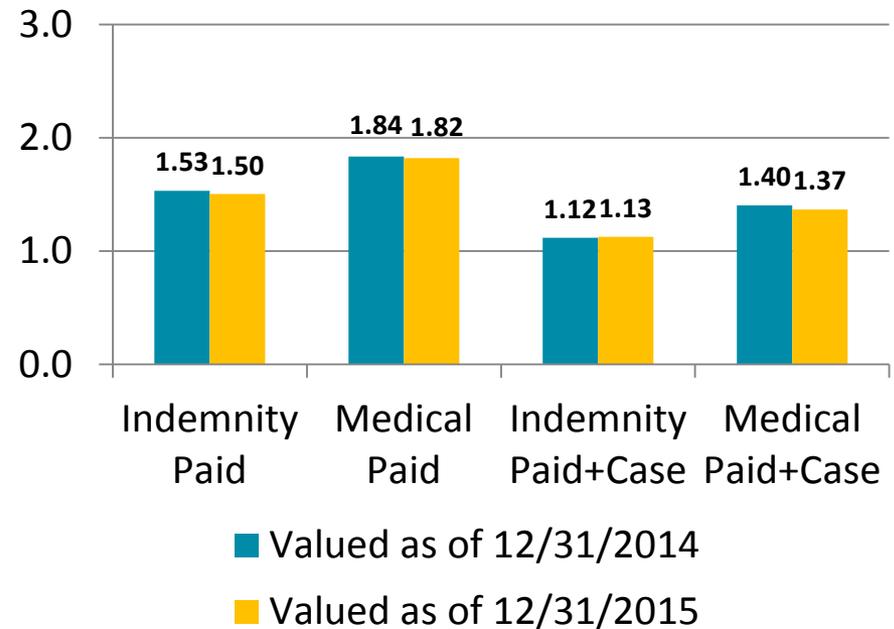


Development

Loss Development Factor 1st Report to Ultimate



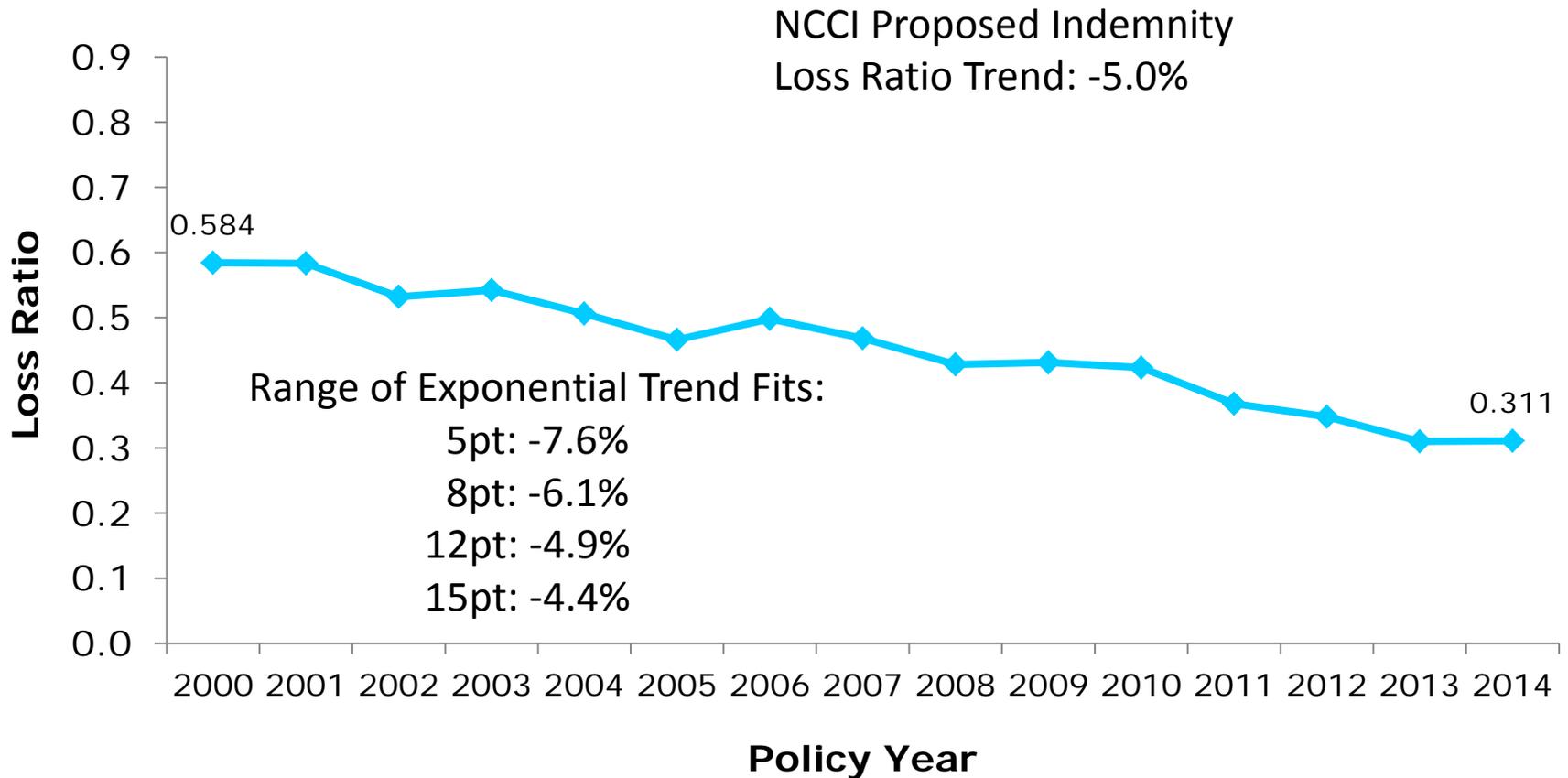
Loss Development Factor 2nd Report to Ultimate



- Paid development reflects a two-year average
- Paid+case development reflects a five-year average
 - Exception: Medical 1st to 2nd link ratio average valued as of 12/31/2015 excludes the highest and lowest values

Tennessee's Indemnity Loss Ratios

Based on Average of Paid and Paid + Case Losses

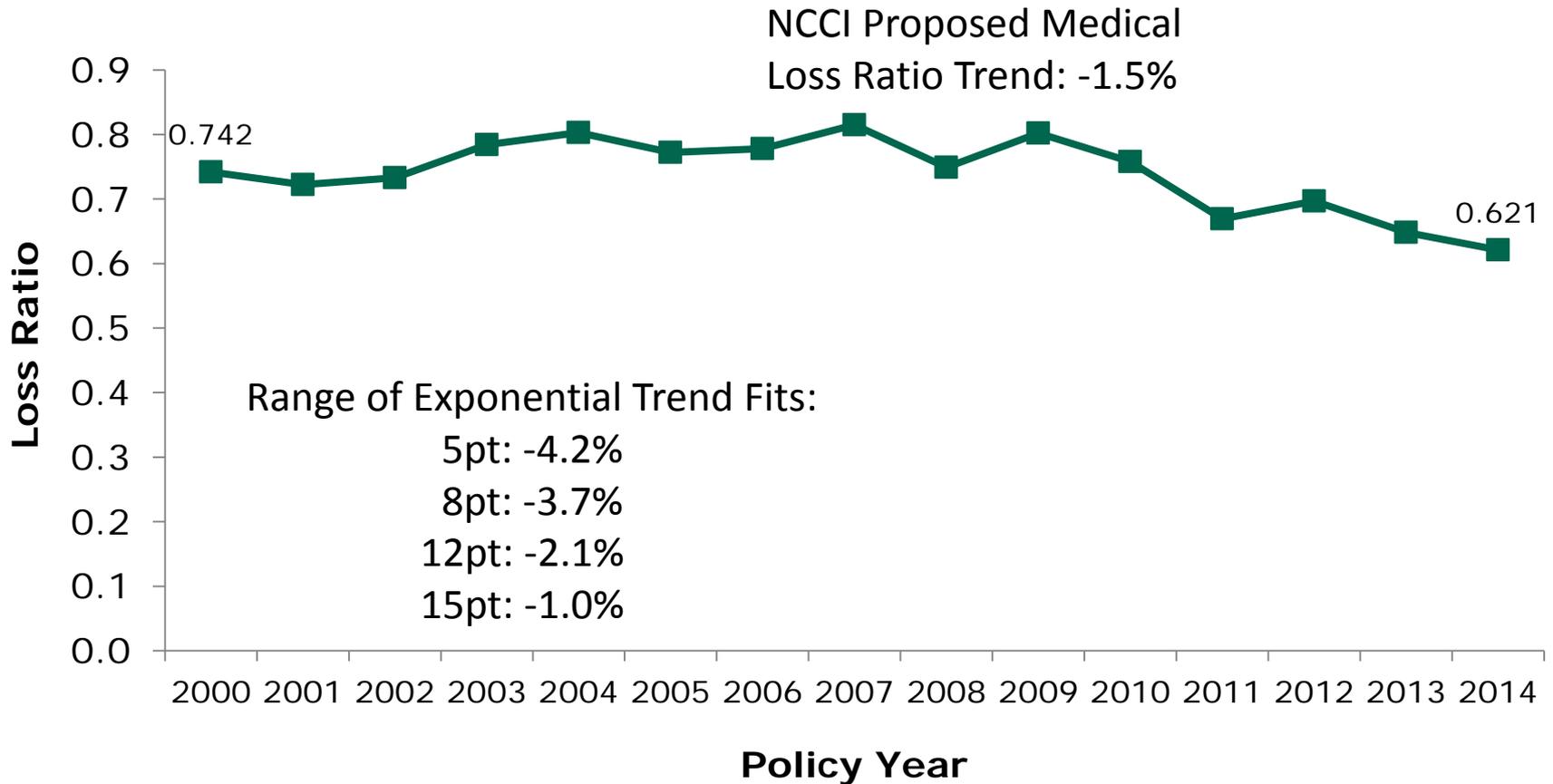


Based on NCCI's financial data at current benefit level and developed to ultimate



Tennessee's Medical Loss Ratios

Based on Average of Paid and Paid + Case Losses



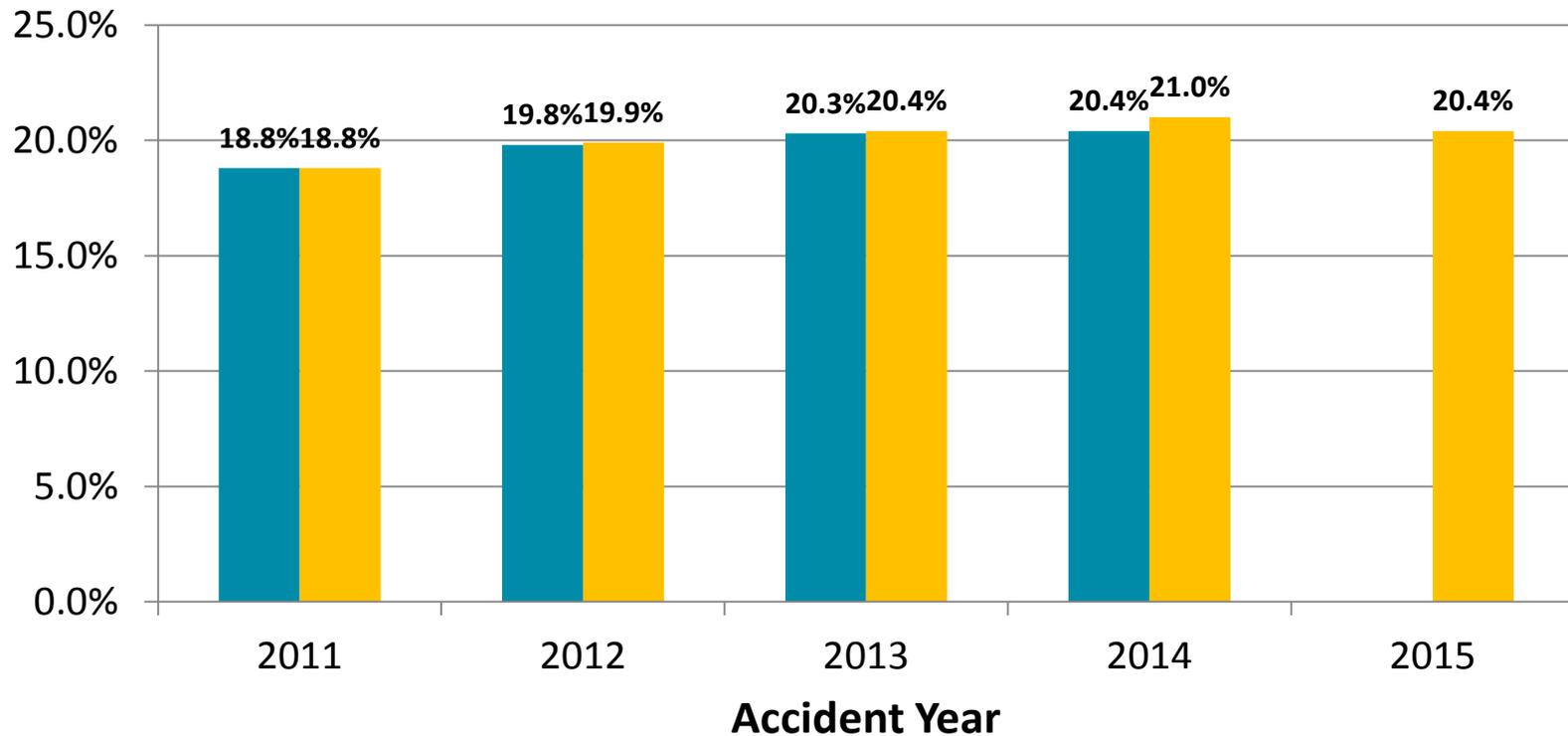
Based on NCCI's financial data at current benefit level and developed to ultimate



Countrywide Loss Adjustment Expense (LAE)

- Projected LAE provisions are stable compared to the prior valuation

Countrywide LAE



■ Valued as of 12/31/2014 ■ Valued as of 12/31/2015



Derivation of the Tennessee LAE Provision

- Countrywide LAE based on the most recent three accident years:



- Tennessee DCCE based on a relativity of Paid DCCE to Paid Loss ratios:

$$\text{Relativity} = \frac{\text{TN Paid DCCE to TN Paid Loss}}{\text{CW Paid DCCE to CW Paid Loss}} = \frac{11.9\%}{12.4\%} = 0.960$$

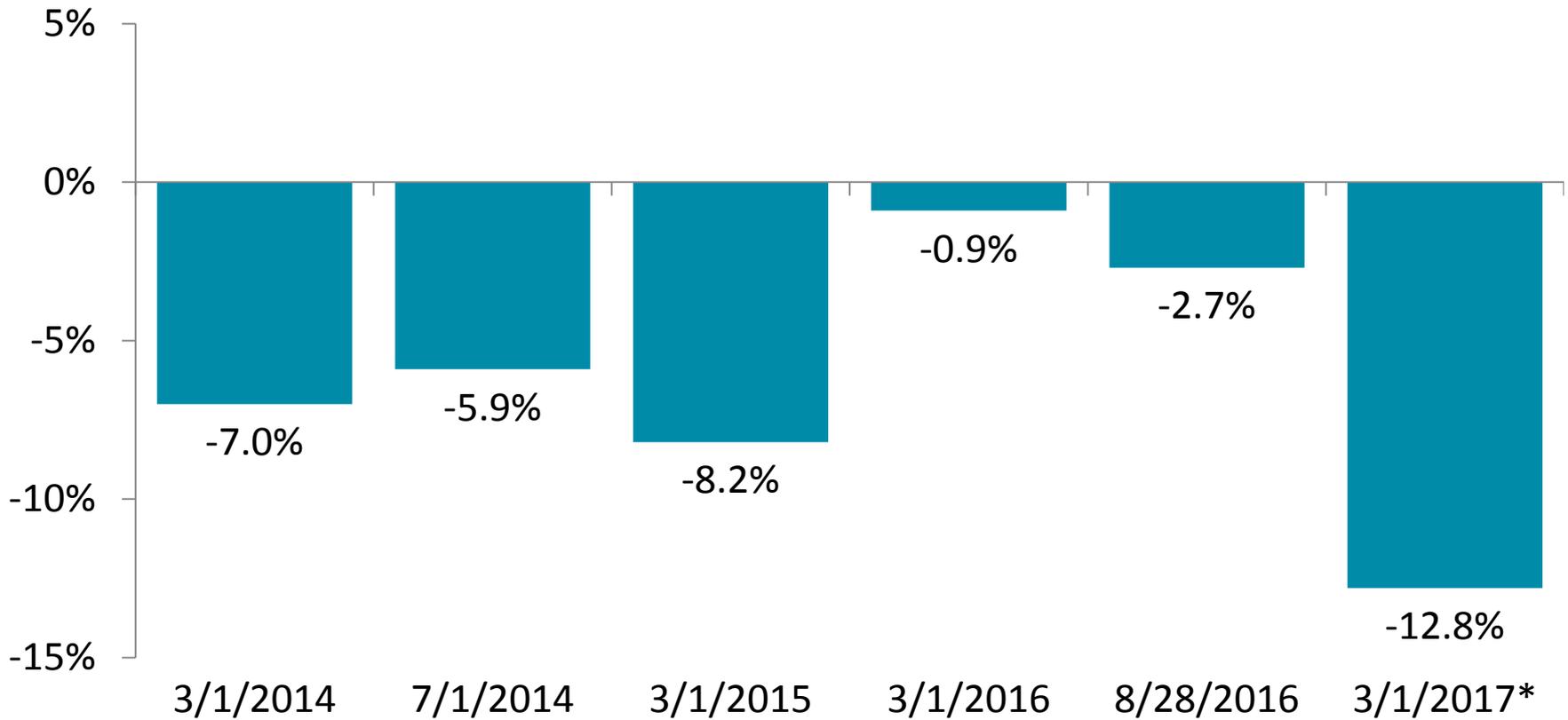
$$\text{TN DCCE} = 0.960 \times 13.2\% = 12.7\%$$

- Tennessee LAE provision:



Tennessee's Filing Activity

Voluntary Loss Cost Changes



*Pending Approval



Questions?

