P/C Insurance Market Overview & Outlook
Focus on Construction Markets

Greensboro, NC
September 8, 2021

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P/C Insurance Overview & Outlook: Outline

- P/C Financial Overview & Outlook Amid the COVID-19 Pandemic
- CAT Loss Update
- Investment Market Issues: Volatility Rules, Low Interest Rates are Back
- The Economy, Insurance and COVID-19: Overview & Outlook
- Construction Sector Focus
  - Growth
  - Employment
  - Inflationary Pressures
- Workers Comp Overview
- COVID Litigation Update
- Summary and Q&A

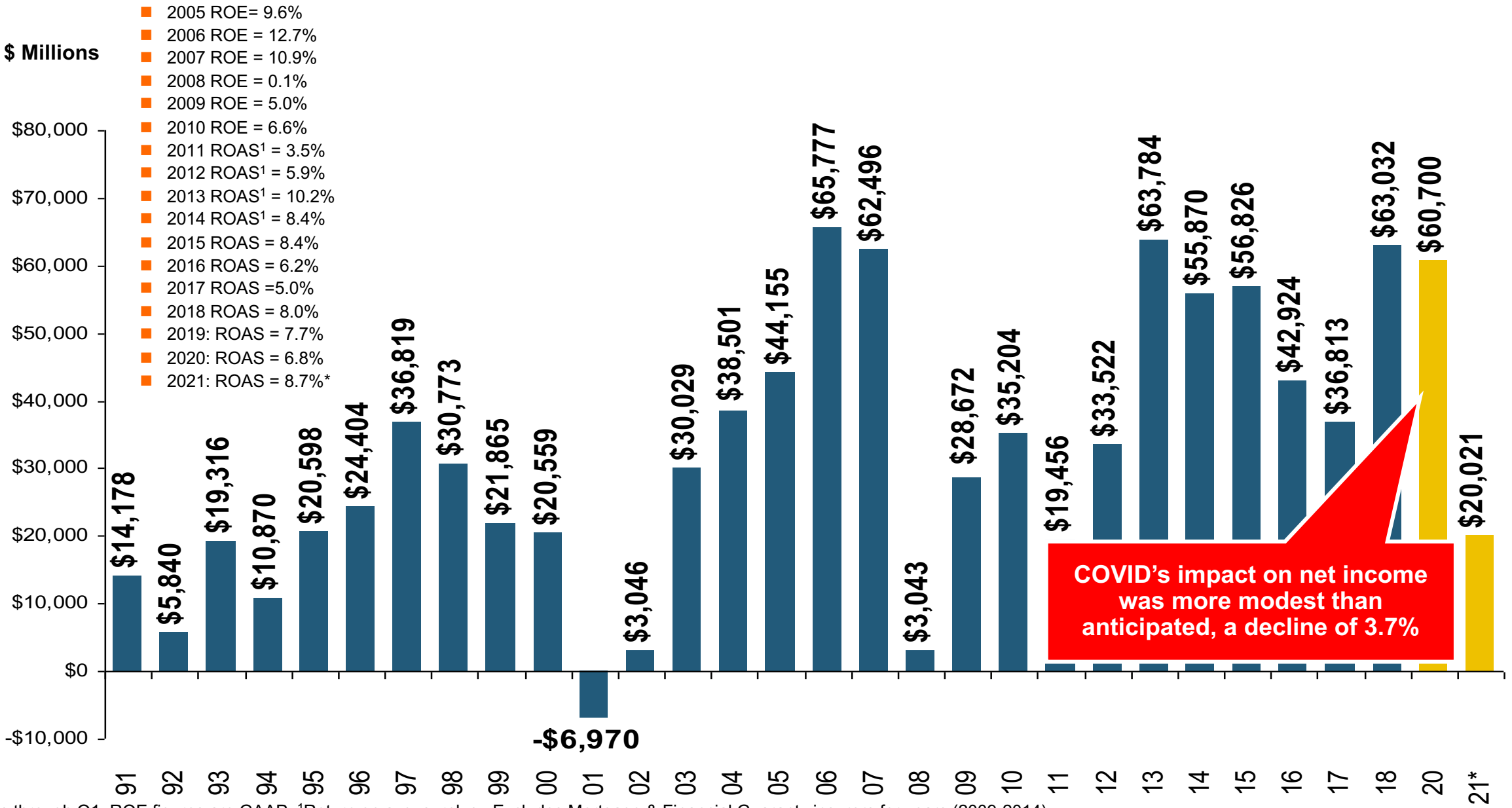
P/C Insurance Industry: Financial Overview Amid the COVID-19 Pandemic

The P/C Insurance Industry Entered the COVID-19 Pandemic from a Position of Financial Strength

Industry Remains Strong

3

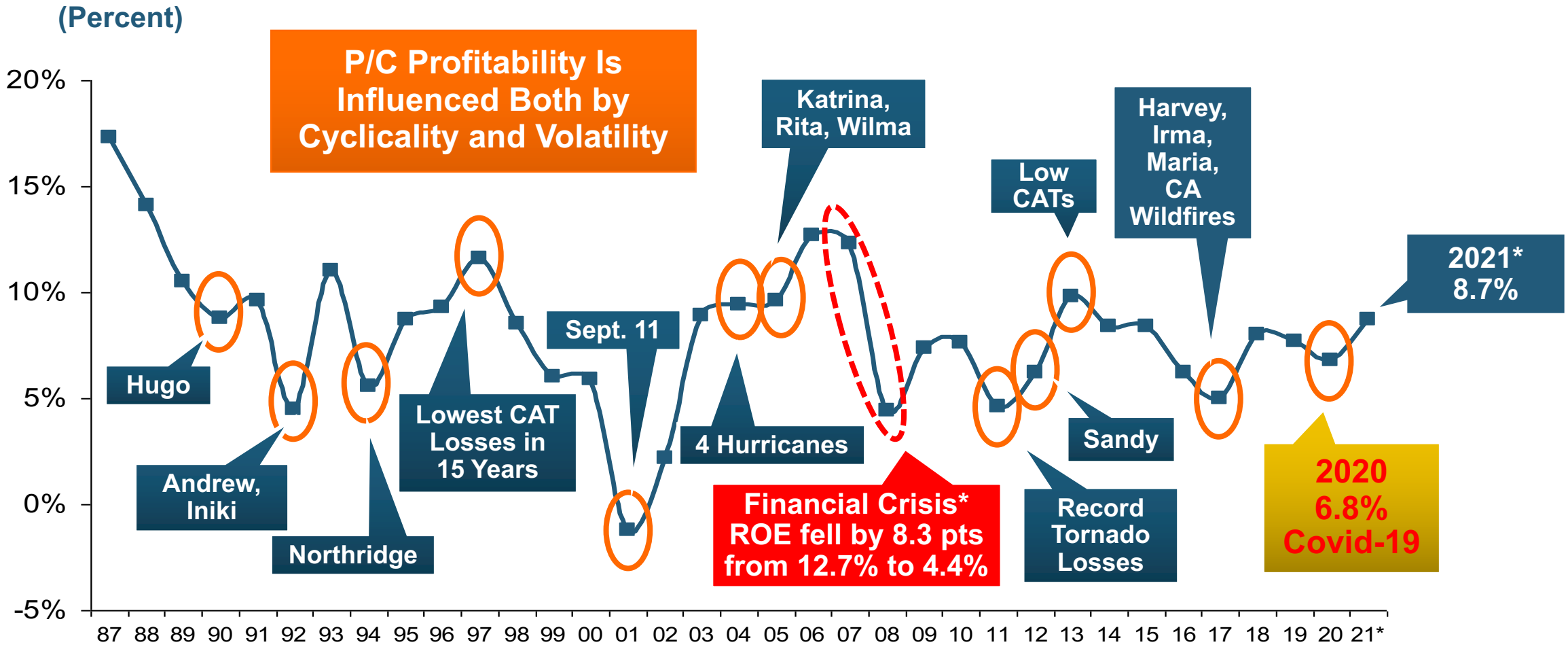
P/C Industry Net Income After Taxes, 1991–2021:Q1*



*2021 is through Q1. ROE figures are GAAP; [1]Return on avg. surplus. Excludes Mortgage & Financial Guaranty insurers for years (2009-2014).

Sources: A.M. Best, ISO.

ROE: Property/Casualty Insurance by Major Event, 1987–2021:Q1*



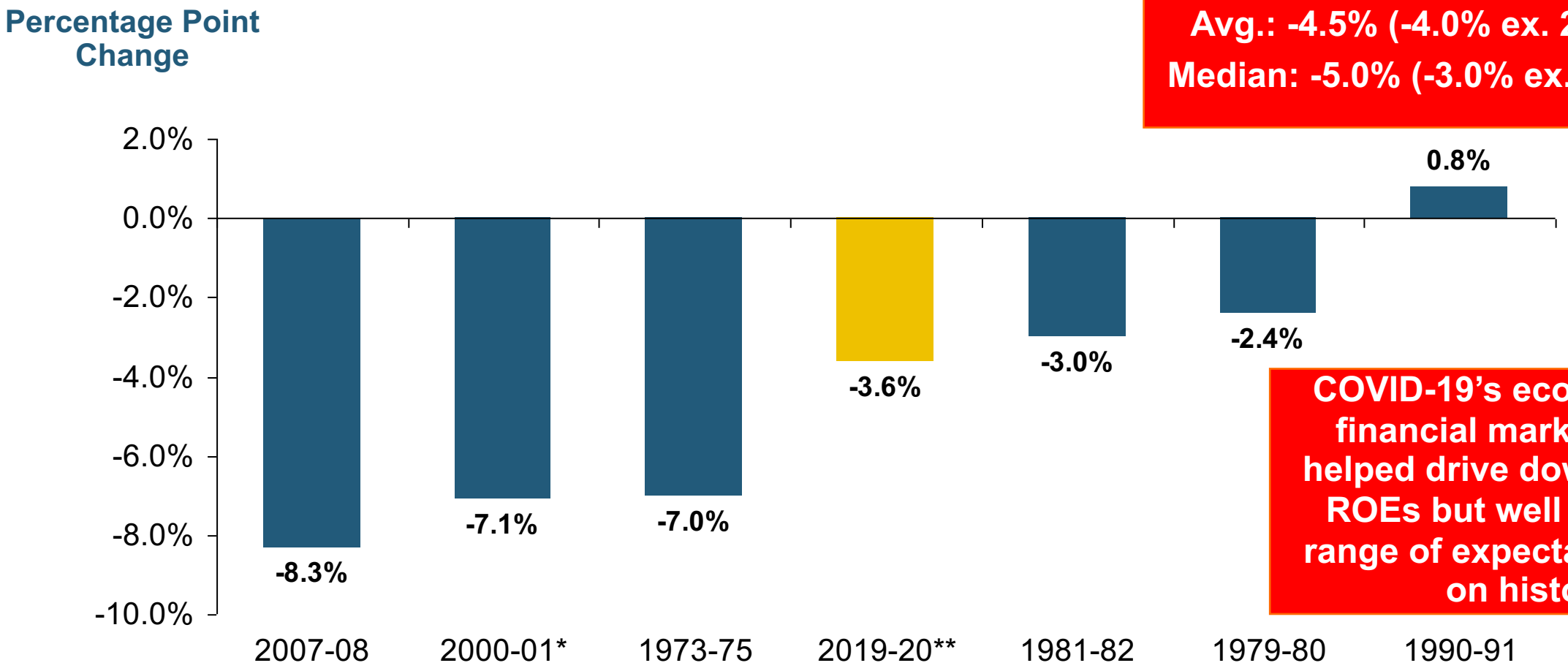
*Excludes Mortgage & Financial Guarantee in 2008 – 2014. 2021 figure is Q1 actual of 8.7%.
Sources: ISO, *Fortune*; USC RUM Center.

Percentage Point Change in P/C ROEs During Past Economic Downturns: 1971 - Present

Change in P/C ROE During Past Economic Downturns (pre-Covid)

Avg.: -4.5% (-4.0% ex. 2000-01)

Median: -5.0% (-3.0% ex. 2000-01)



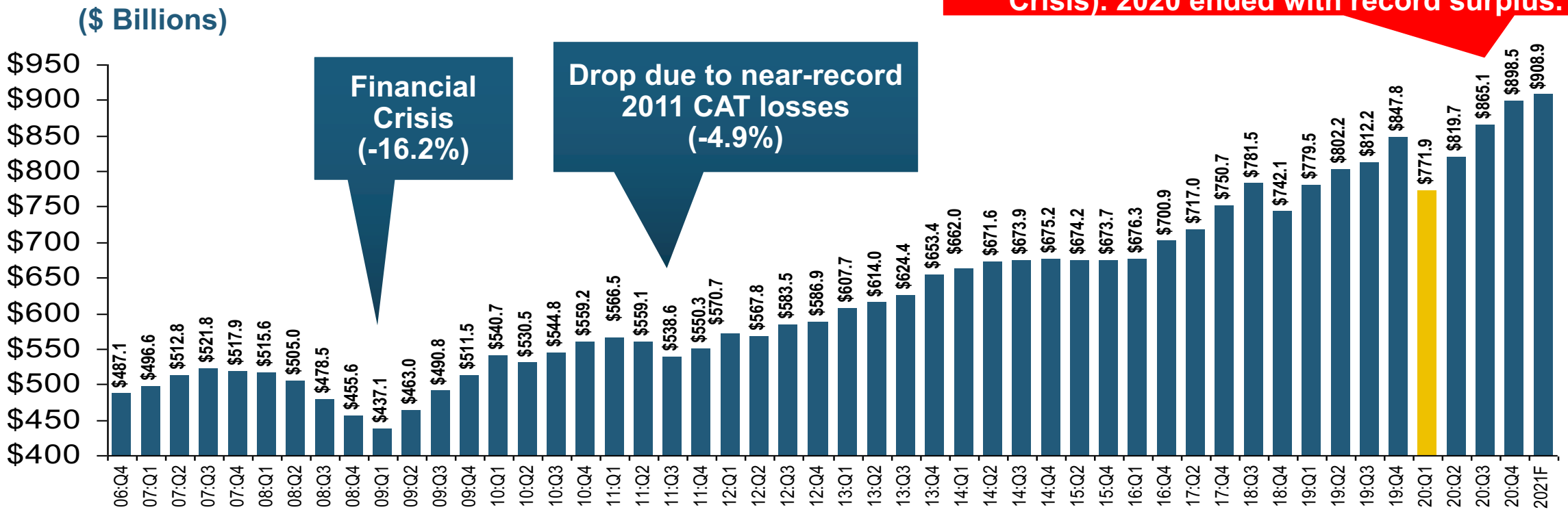
COVID-19's economic and financial market impact helped drive down industry ROEs but well within the range of expectation based on history

*2000-2001 decline impacted by 9/11 losses.
**As of Q3 2020 vs. annualized Q3 2019 figure

Source: USC Center for Risk and Uncertainty Management.

Policyholder Surplus (Capacity), 2006:Q4–2020:Q4E and 2021F

The P/C insurance industry entered the COVID-19 pandemic from a position of strength and was able to withstand the 9.0% surplus decline in Q1 2020 (far less than during the Financial Crisis). 2020 ended with record surplus.

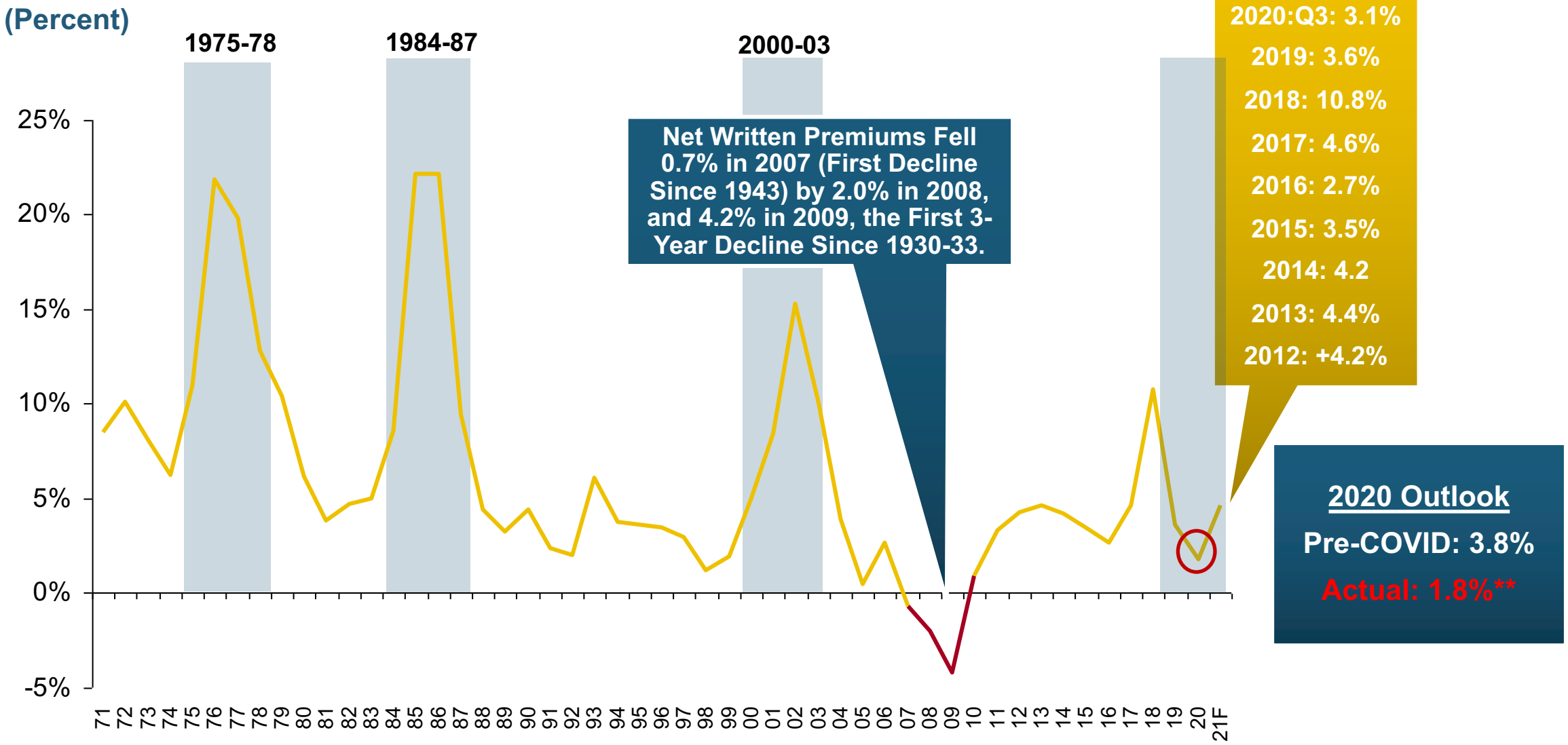


2010: Q1 data includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business.

Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

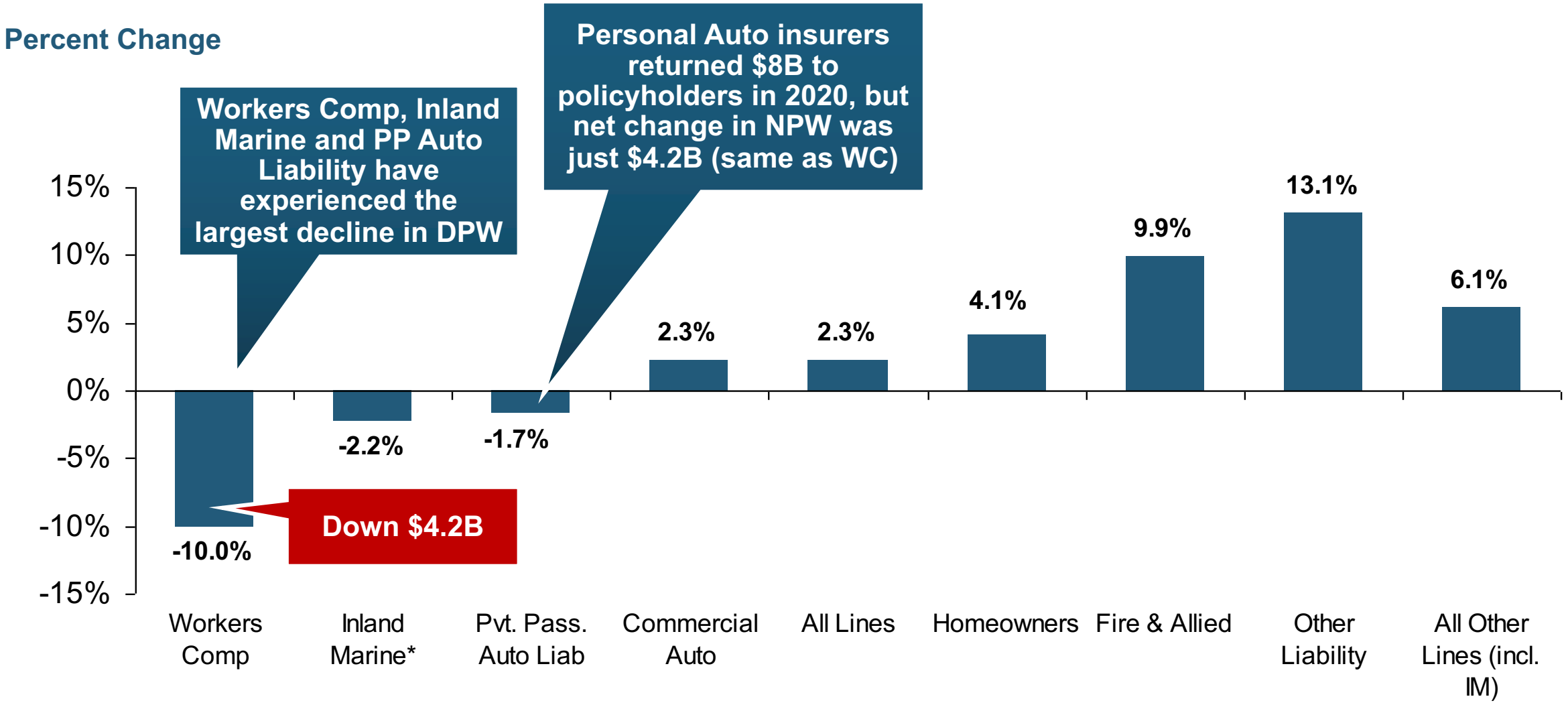
Sources: ISO, A.M .Best; Risk and Uncertainty Management Center, University of South Carolina.

Net Premium Growth (All P/C Lines): Annual Change, 1971–2021F



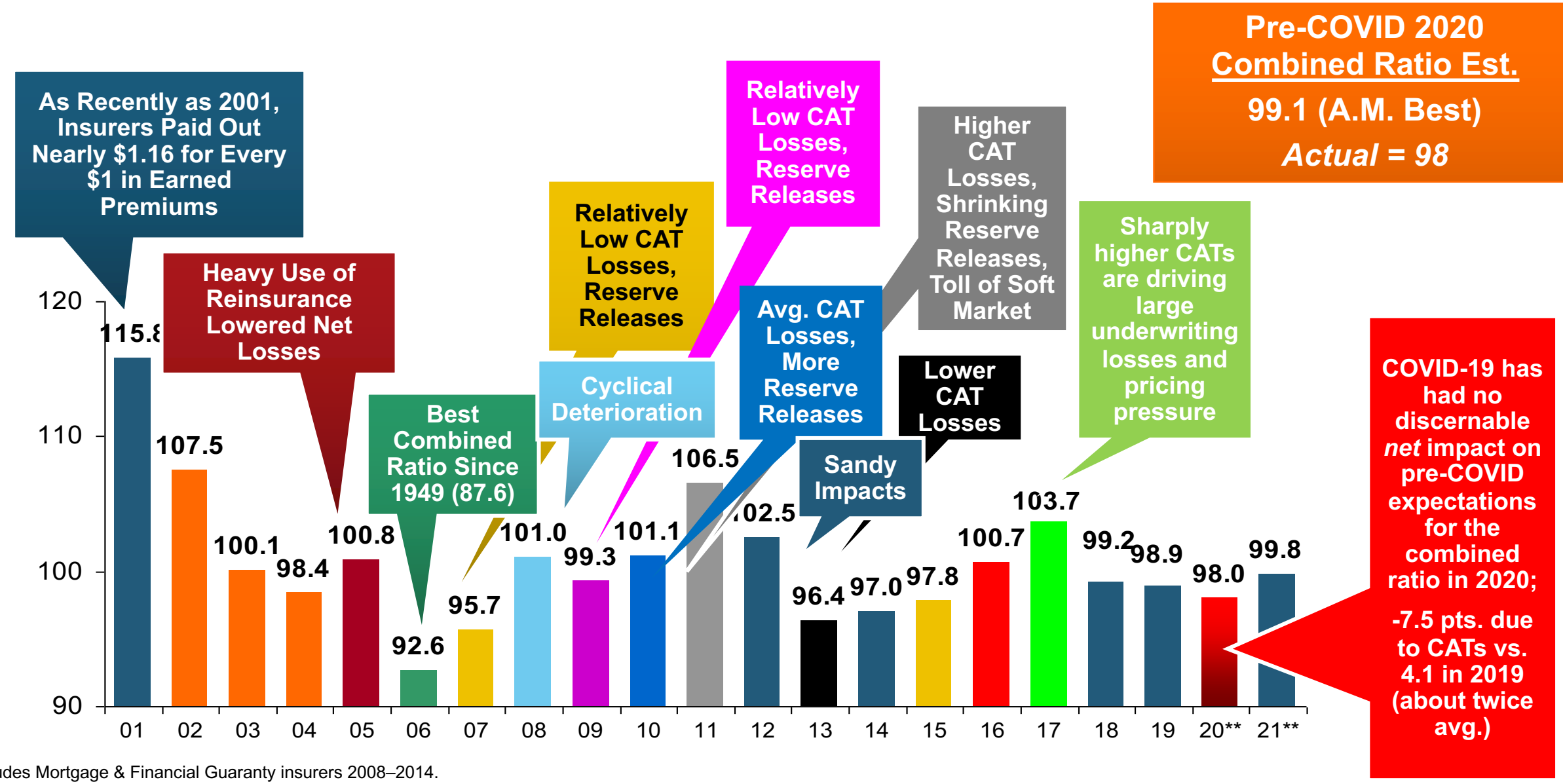
* **Pre/Post-COVID-19 forecast from A.M. Best Review & Preview (Feb. 2020, 2021). NOTE: Shaded areas denote "hard market" periods
Sources: A.M. Best (1971-2013, 2021F), ISO (2014-19); Risk & Uncertainty Management Center, Univ. of South Carolina

COVID's Impact on NPW Growth for Largest P/C Lines: 2020



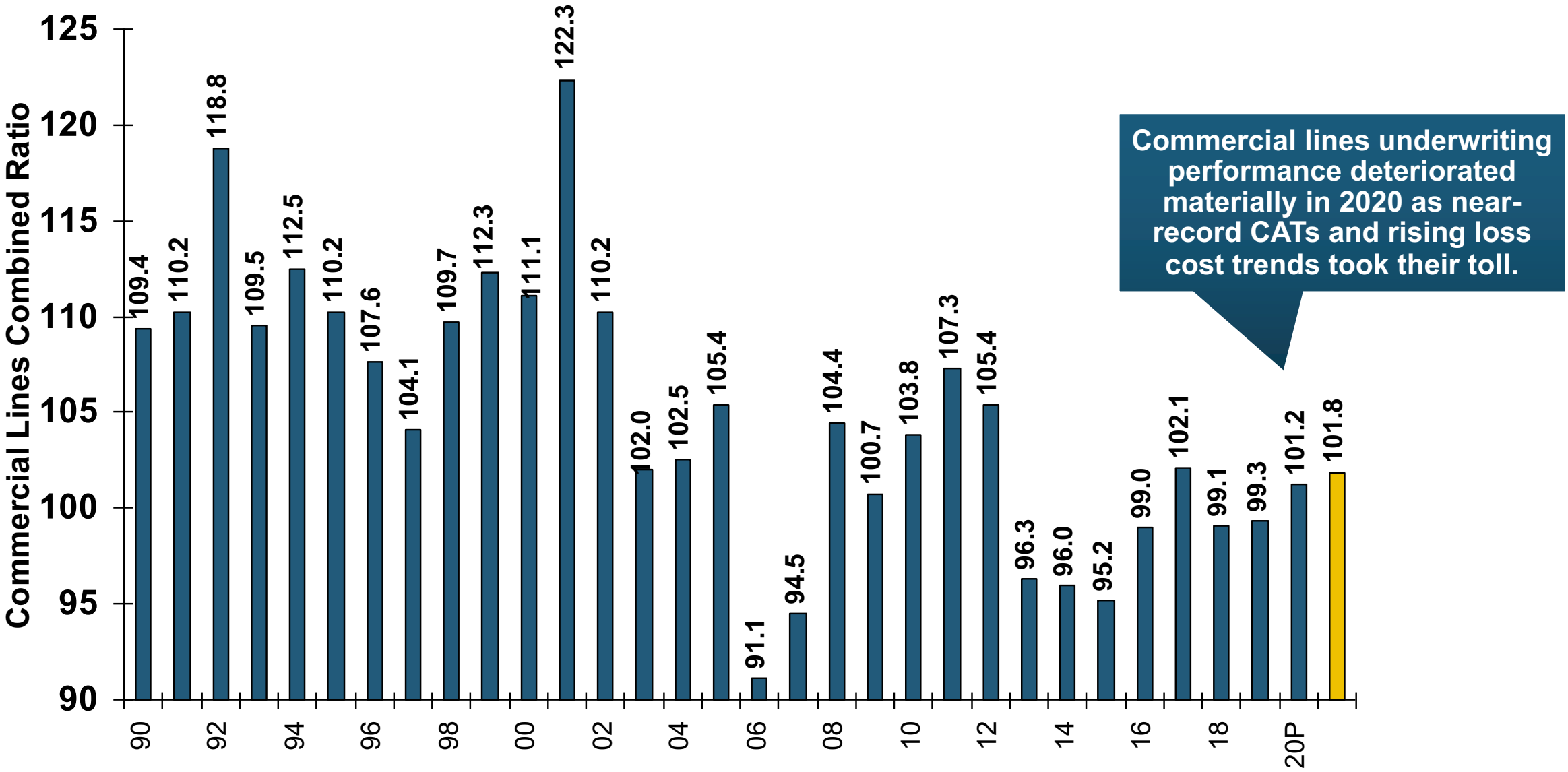
*Inland Marine figure is DPW though first 9-months of 2020 (A.M. Best).
Sources: NAIC Annual Statement data, NCCI; Risk and Uncertainty Management Center, Univ. of South Carolina.

P/C Insurance Industry Combined Ratio, 2001–2021F**



*Excludes Mortgage & Financial Guaranty insurers 2008–2014.
**2021 forecast from A.M. Best Review and Preview (Feb. 2021).
Sources: A.M. Best, ISO (2014-2019).

Commercial Lines Combined Ratio, 1990-2021F*



*2007-2012 figures exclude mortgage and financial guaranty segments.
Source: A.M. Best (1990-2021F). Risk and Uncertainty Management Center.

Catastrophe Loss Update: *Major Driver of Rate Pressure*

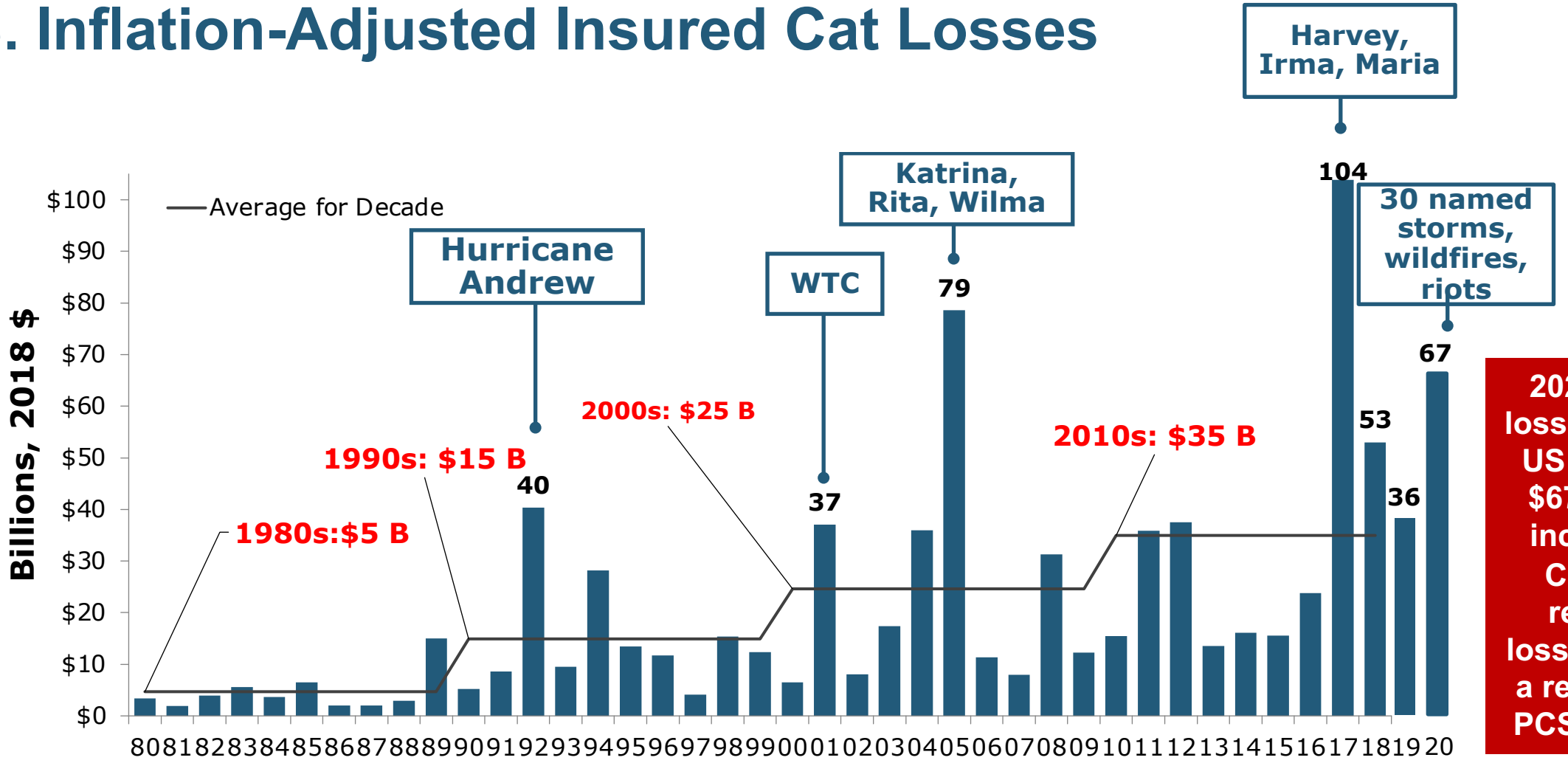
The 2020s Are Off to an Ominous Beginning

Outlook for 2021 Hurricane Season Suggests Above-Average Activity

Demand Surge from Hurricane Ida and Other CATs Will Intensify Cost Pressures for Building Materials and Labor

12

U.S. Inflation-Adjusted Insured Cat Losses



2020 CAT losses in the US totaled $67B (not including COVID-related losses) from a record 71 PCS events

Average Insured Loss per Year for 1980-2020 is $22.2 Billion

2021 is off to an ominous start with ~$30B in estimated insured losses through H1 and another ~20B for Ida in Q3

Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020 figure from Munich Re; Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

2021 YTD Catastrophe Highlights

- **$30B in insured US nat CAT losses in H1—(2nd highest since $40B in 2011)**
- **Largest insured loss was Hurricane Ida in August: $20B (est.) followed by the Texas Freeze in February: $15B in claims**
- **6 addition events in March - June with insured losses > $1B**

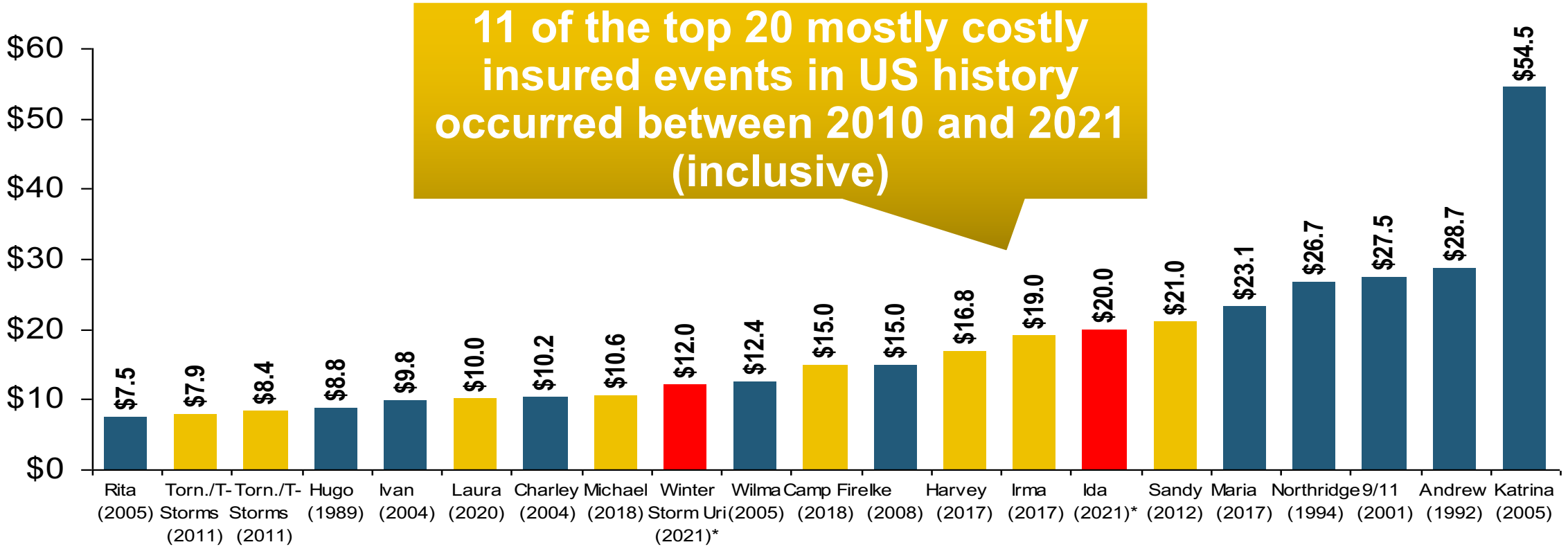
Date	Event	Location	Deaths	Insured Loss (USD)
February 12-20	Polar Vortex / Extended Freeze	United States	217	15 billion
June 17-25	Severe Weather	Western & Central Europe	7	3.4 billion
February 13	Fukushima Earthquake	Japan	1	2.5 billion
April 27 – May 2	Severe Weather	United States	0	2.5 billion
March 24-26	Severe Weather	United States	6	1.3 billion
April 15-16	Severe Weather	United States	0	1.1 billion
June 17-21	Severe Weather	United States	1	1.1 billion
June 24-July 1	Severe Weather	United States	2	1.1 billion
June 28-30	Severe Weather	Central Europe	1	1.1 billion
March 27-29	Severe Weather	United States	8	1.0 billion

7 of the 10 costliest insured events in 1H 2021 were in the US. The US accounted for 71% ($30B) of the $42B in global insured 1H CAT losses

Sources: Aon, *Global Catastrophe Recap*, First Half 2021, accessed at: http://thoughtleadership.aon.com/Documents/20212107_analytics-if-1H-global-recap.pdf; USC Center for Risk and Uncertainty Management adjustments to 2020 dollars using the CPI.

Top 21 Most Costly Disasters in U.S. History—Katrina Still Ranks #1

(Insured Losses, 2020 Dollars, $ Billions)



*Estimated (in 2021 dollars)

Sources: PCS, RMS, Aon, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2020 dollars using the CPI.

INVESTMENTS:
THE NEW REALITY

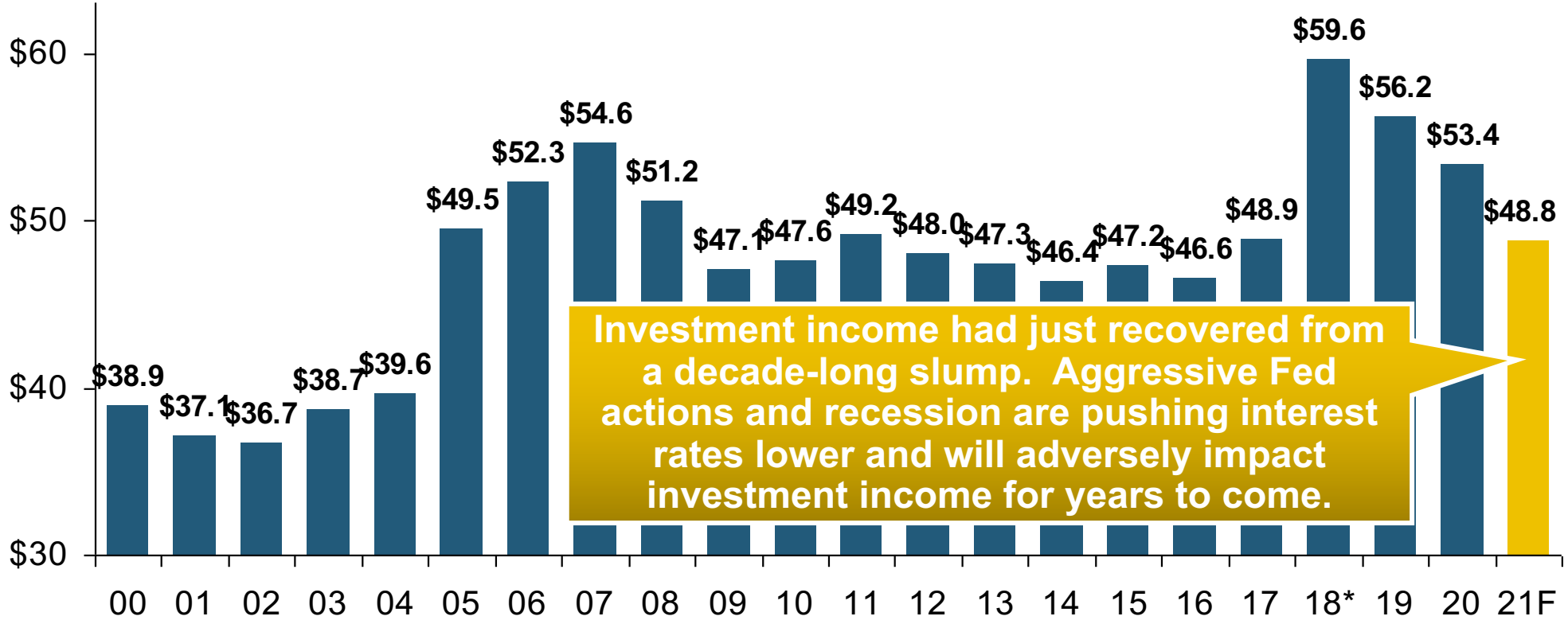
Investment Performance Is a Key Driver of Insurer Profitability

Aggressive Rate Cuts Will Adversely Impact Invest Insurer Earnings

Financial Crisis *Déjà Vu*?

Property/Casualty Insurance Industry Investment Income: 2000–2021F

($ Billions)

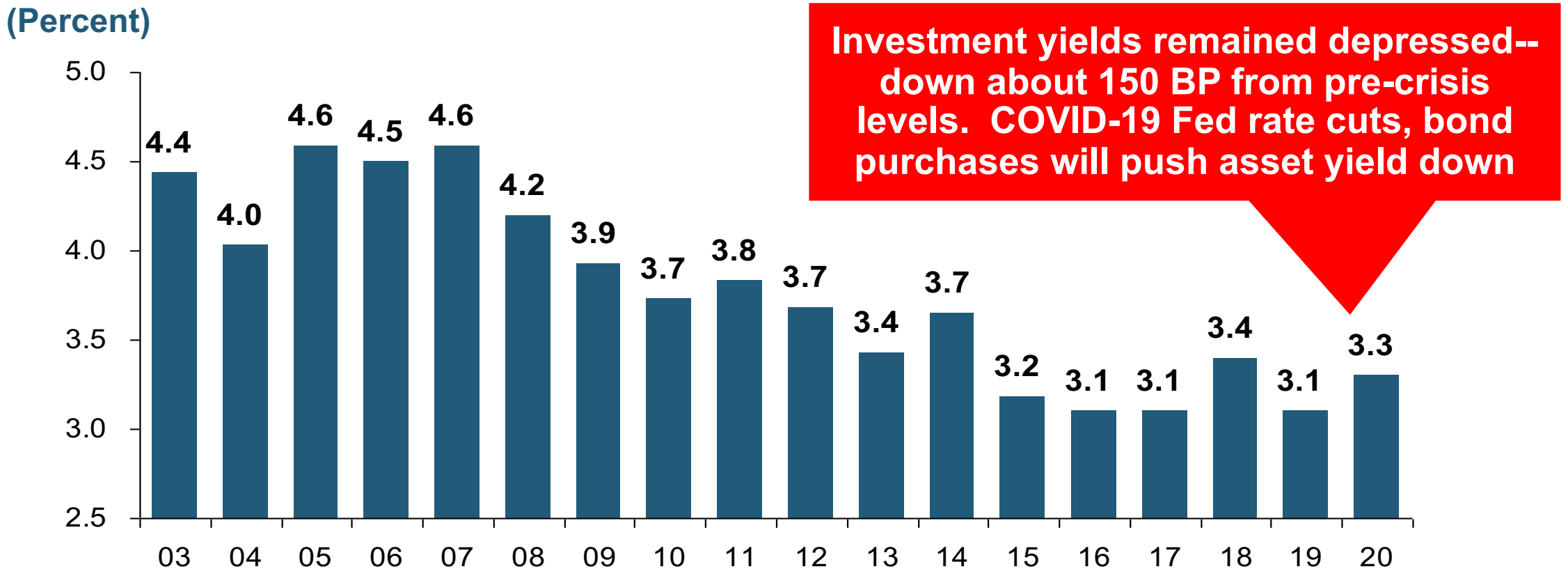


Due to persistently low interest rates, investment income remained below pre-crisis levels for a decade. Lower interest rates post-COVID will drive investment income down once again.

*2021 figure is YTD Q1 actual figure of $12.189B. 2018-19 figures are distorted by provisions of the TCJA of 2017. Increase reflects such items as dividends from foreign subsidiaries.

[1] Investment gains consist primarily of interest and stock dividends. Sources: ISO; University of South Carolina, Center for Risk and Uncertainty Management.

Net Investment Yield on Property/Casualty Insurance Invested Assets, 2007–2020



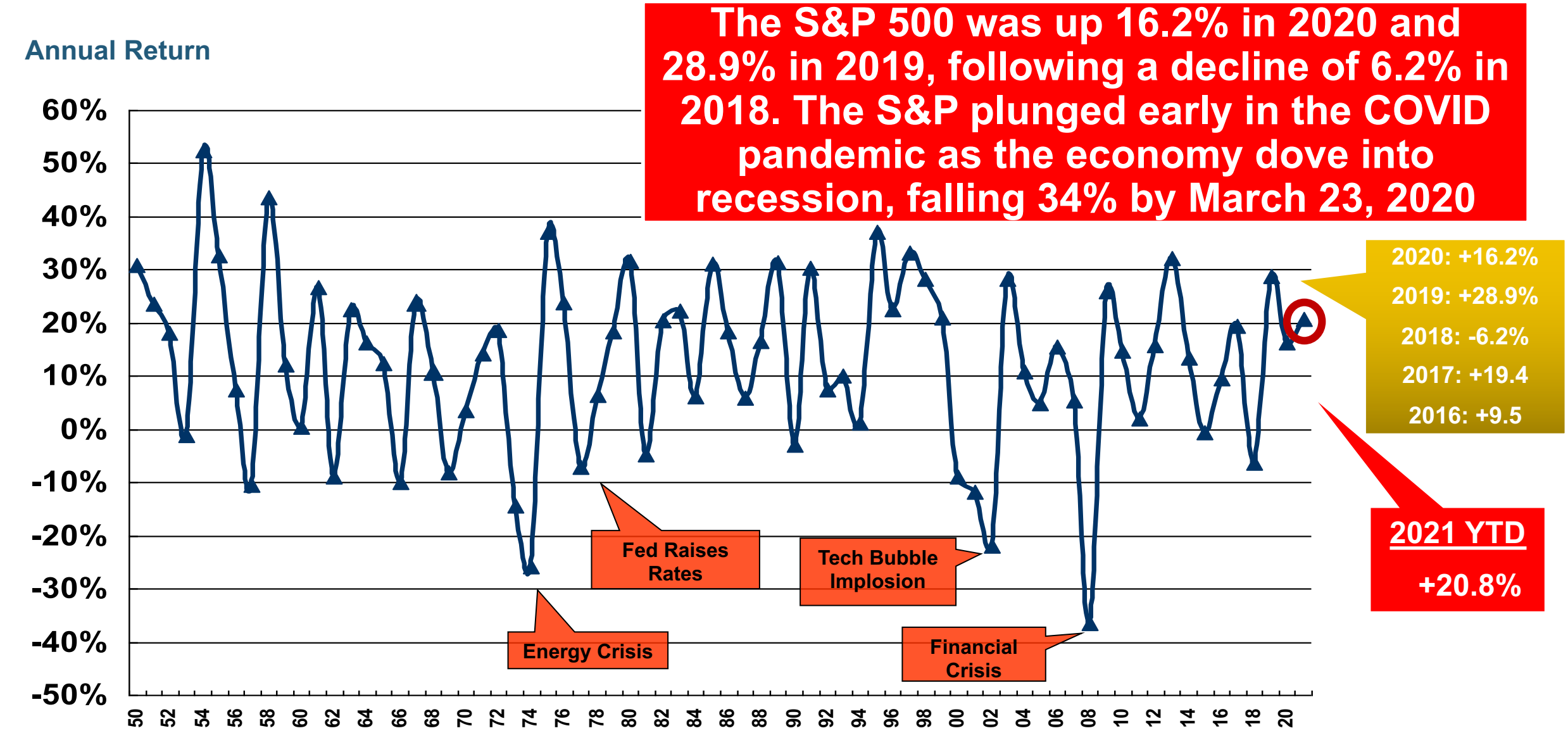
Investment yields remained depressed--down about 150 BP from pre-crisis levels. COVID-19 Fed rate cuts, bond purchases will push asset yield down

The yield on invested assets remains low relative to pre-crisis yields. Fed rate increases beginning in late 2015 through 2018 halted the slide in yields, but rate cuts in 2019/2020 will preclude future gains

Average: 1960-2019 = 4.9%
Low: 2.8% (1961)
High: 8.2% (1984/85)

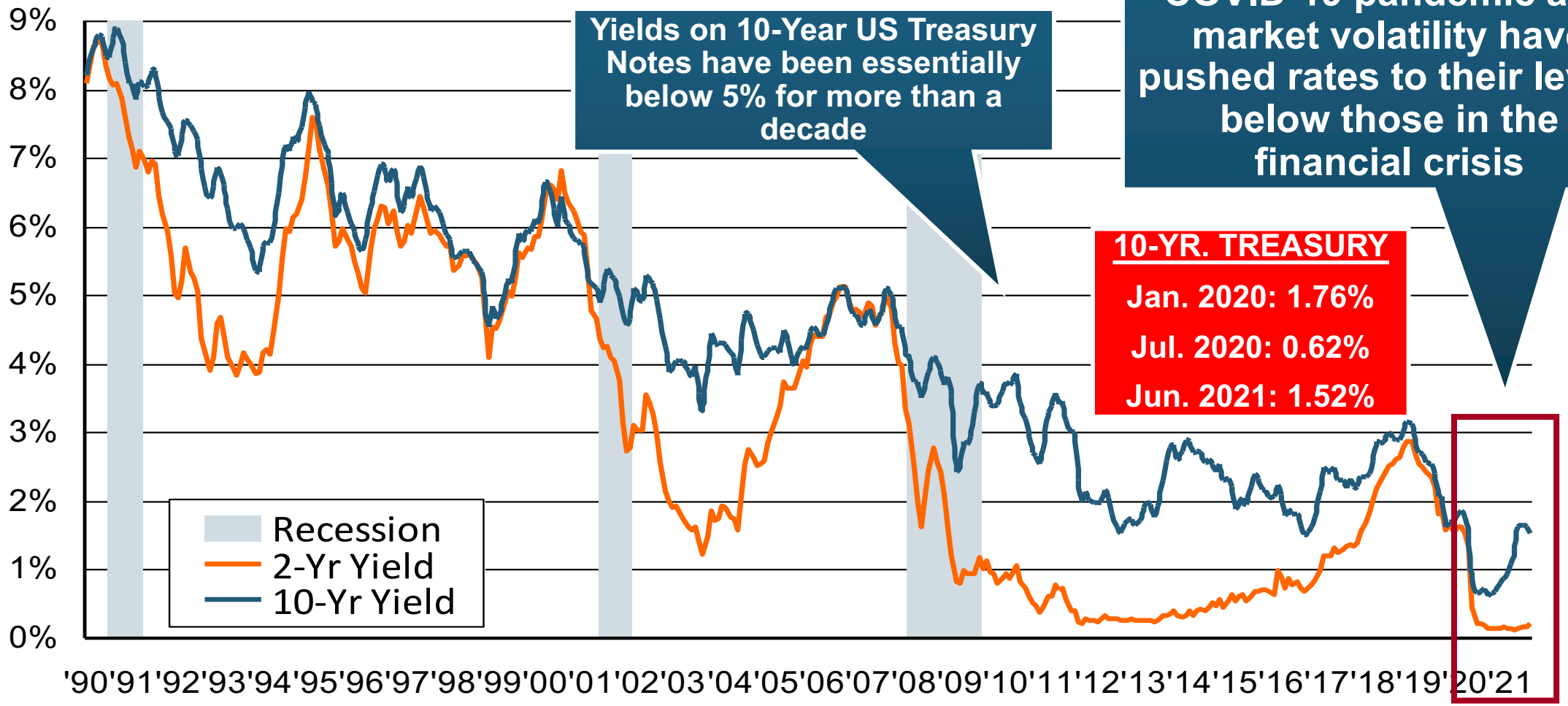
Sources: NAIC data, sourced from S&P Global Market Intelligence; 2017-19 figures are from ISO. 2020 is from the APCIA. Risk and Uncertainty Management Center, Univ. of South Carolina.

S&P 500 Index Returns, 1950–2021*



,
*Through Sept. 2, 2021.
Source: NYU Stern School of Business: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html; Center for Risk and Uncertainty Management, University of South Carolina

US Treasury Security Yields: A Long Downward Trend, 1990–2021*

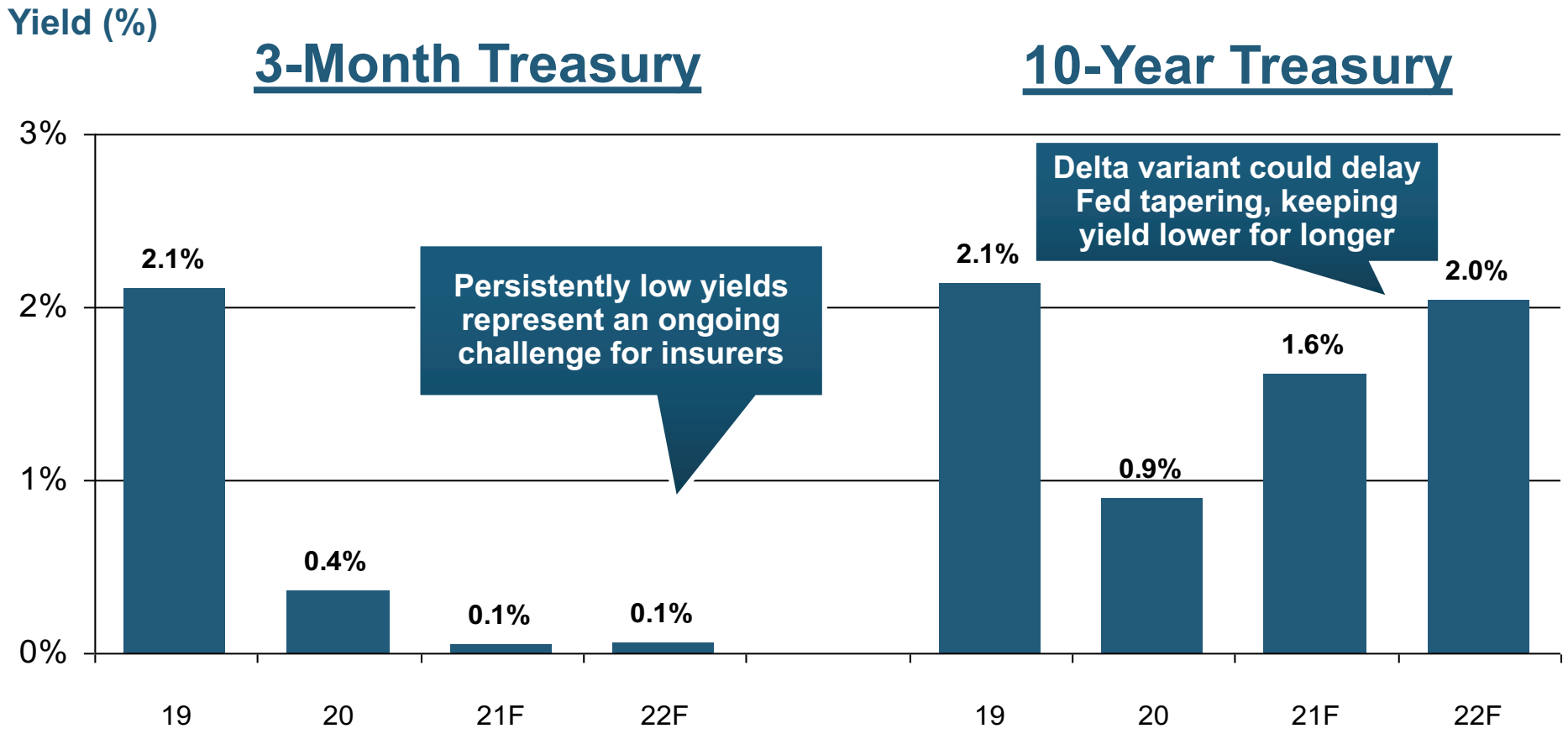


Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for many years to come.

*Monthly, constant maturity, nominal rates, through Jun. 2021.

Sources: Federal Reserve Bank at http://www.federalreserve.gov/releases/h15/data.htm. National Bureau of Economic Research (recession dates); Risk and Uncertainty Management Center, University of South Carolina.

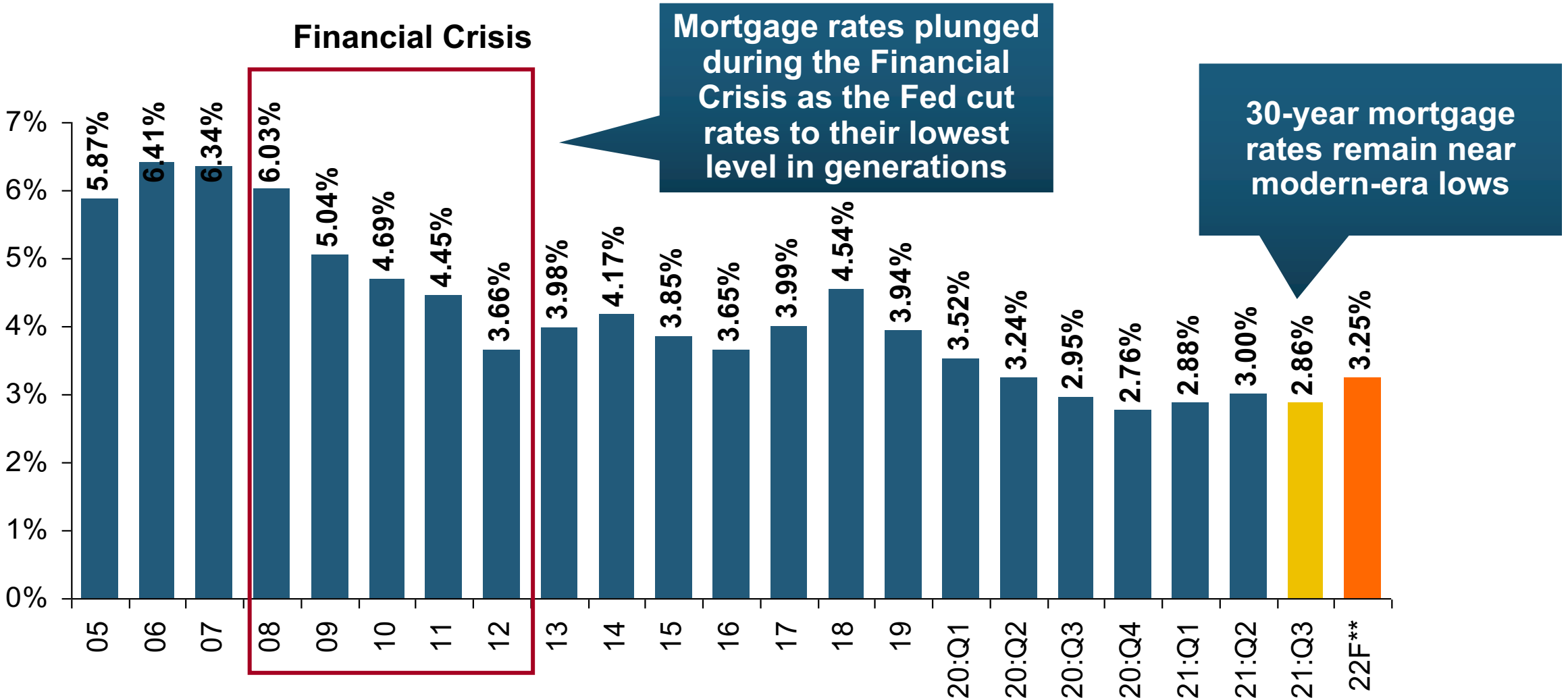
Interest Rate Forecasts: 2019 – 2022F



Short-term rates remain severely depressed with little change expected through 2023 (based on current Fed messaging). Longer-term yields are expected to drift up a bit as the Fed initiates tapering as well modestly higher inflationary expectations

Sources: Wells Fargo Securities (8/21); Risk and Uncertainty Management Center, University of South Carolina.

30-Year Mortgage Interest Rates: 2005 – 2021:Q3* and 2022F



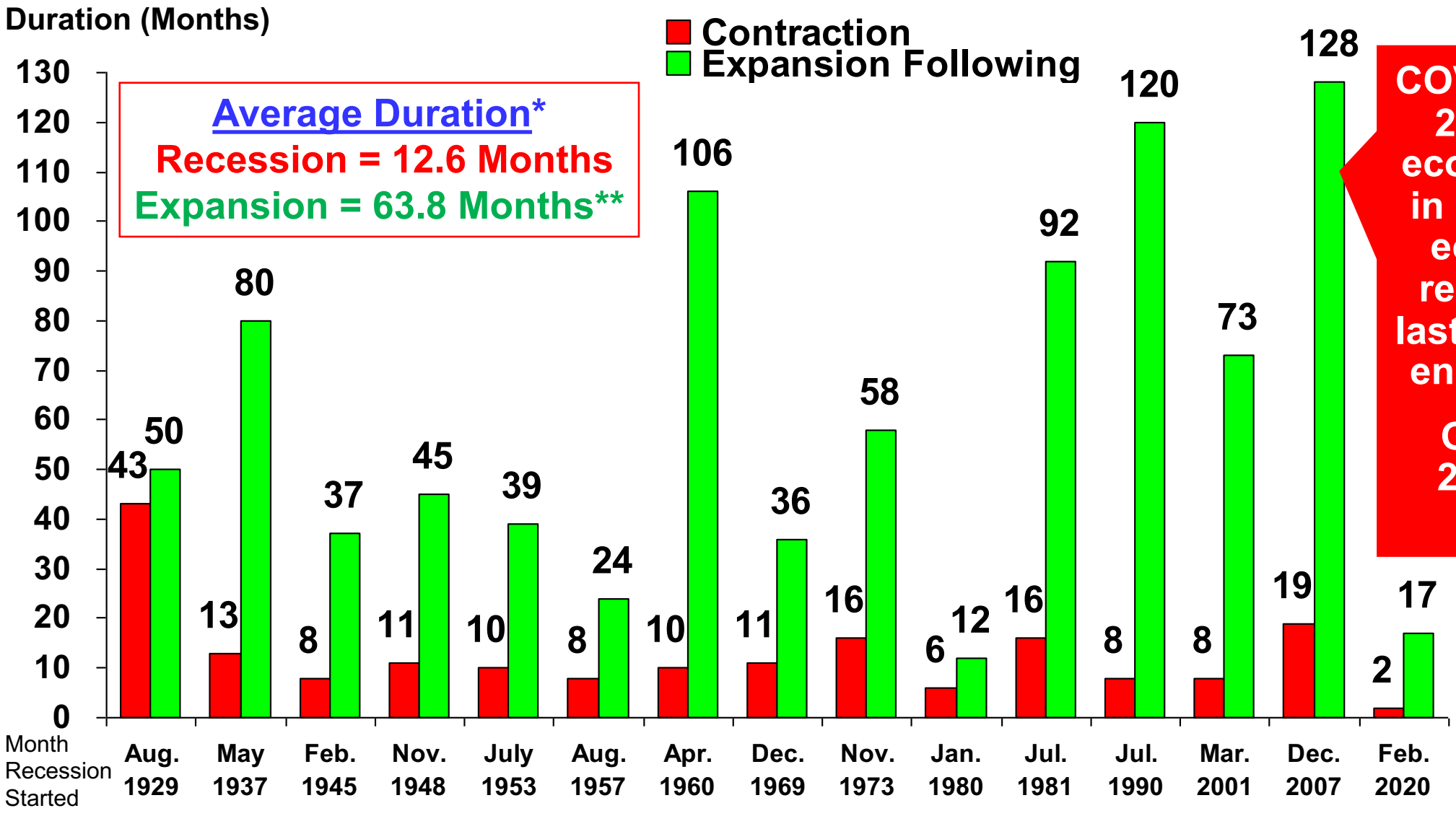
*Q3 data through Sept. 3, 2021. **Forecast from Wells Fargo Securities (8/21) for "Conventional Mortgages"
Source: Freddie Mac from Federal Reserve Bank of St. Louis at https://fred.stlouisfed.org/series/MORTGAGE30US;
University of South Carolina, Risk and Uncertainty Management Center.

THE ECONOMY

The Strength of the Economy Has Always Influenced Growth in Insurers' Exposure Base Across Most Lines—Including During the COVID-19 Pandemic

The Links Between the Economy and the P/C Insurance Industry Are Strengthening

Length of US Business Cycles, 1929-Present*



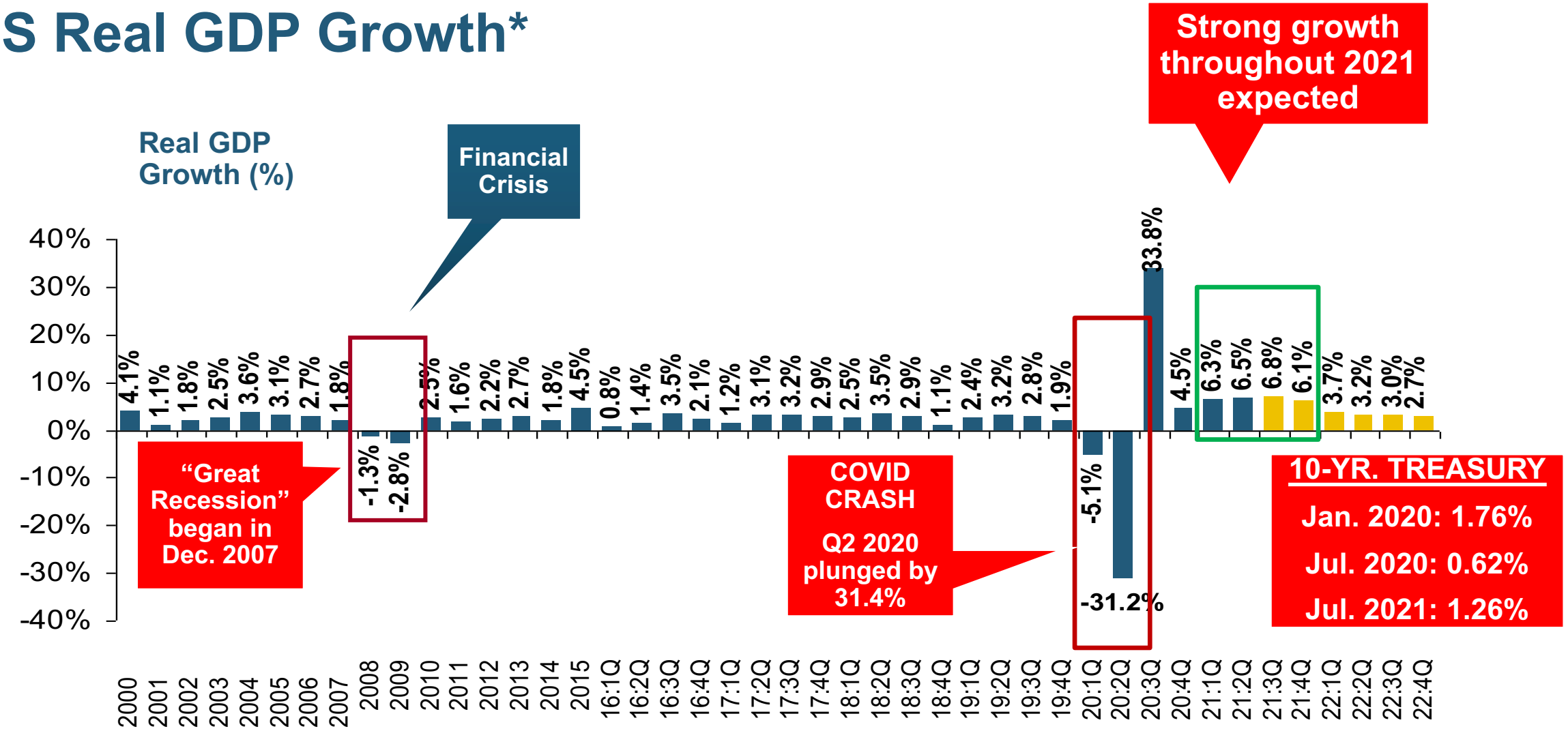
COVID ended (in Feb. 2020) the longest economic expansion in US history recent economic. COVID recession officially lasted only 2 months, ending in April 2020

GDP reached Q4 2019 levels in Q1 2021

*As of Sept. 2021. **Excludes current expansion which began in May 2020.

Sources: National Bureau of Economic Research; Risk and Uncertainty Management Center, University of South Carolina.

US Real GDP Growth*

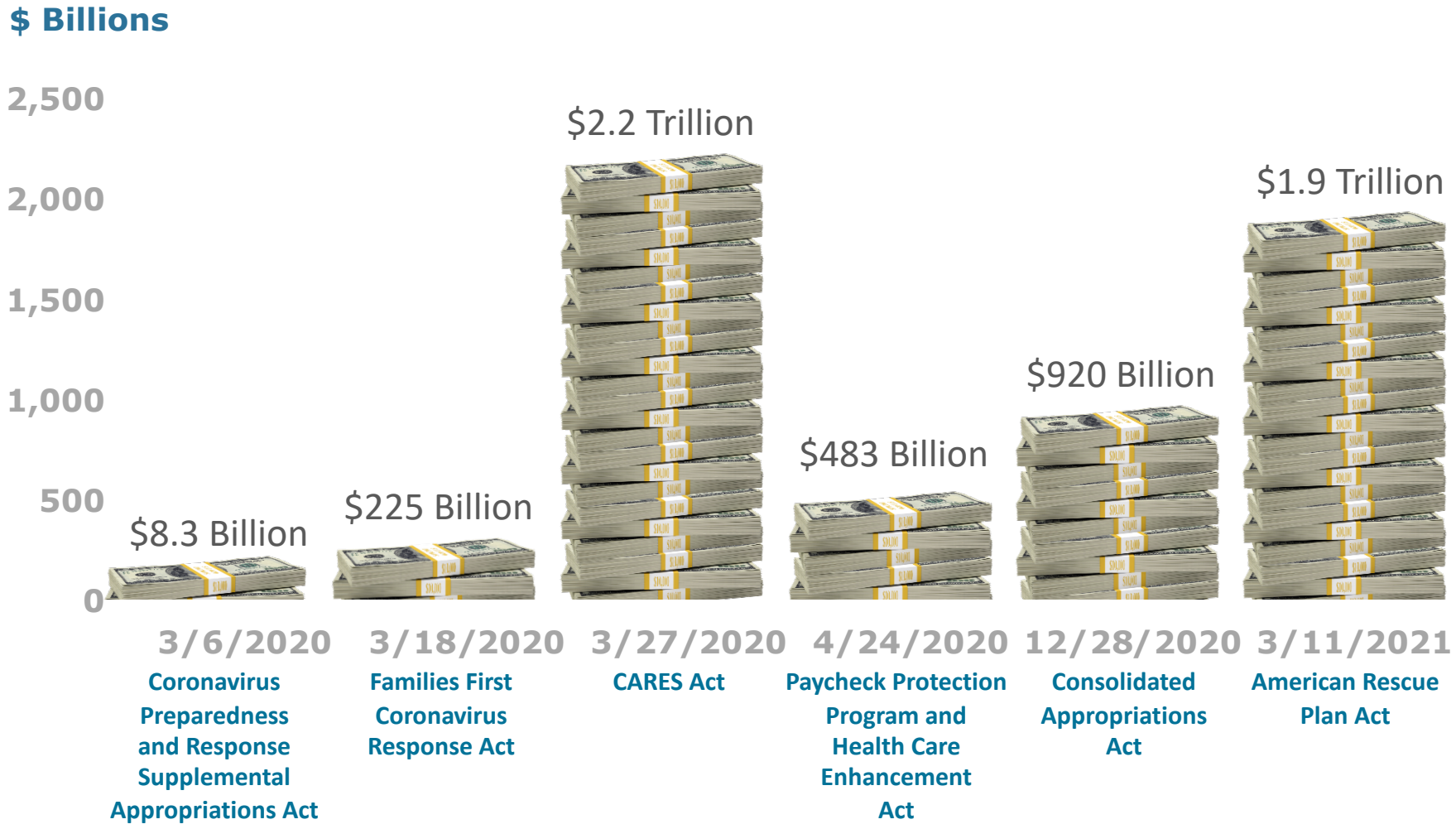


GDP Recovered to Q4 2019 Level in Q1 2021. Demand for Insurance Will Increase Materially in H2 2021—Particularly in Economically Sensitive Commercially Lines Such as WC

* Estimates/Forecasts from Wells Fargo Securities.

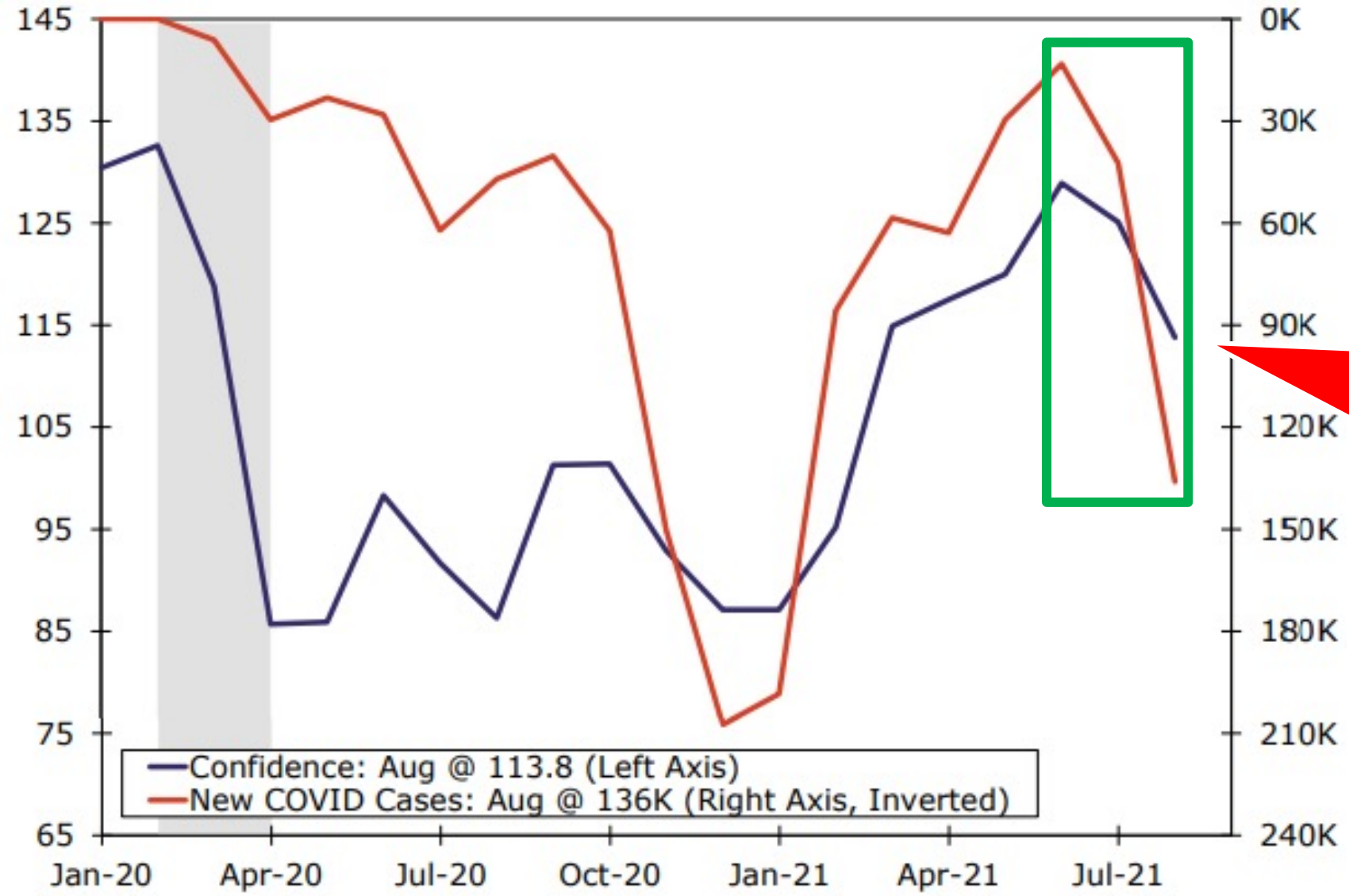
Source: US Department of Commerce, Wells Fargo Securities 8/21; Center for Risk and Uncertainty Management, University of South Carolina.

COVID-19 Stimulus Plans



To date, Congress has passed 6 COVID-19 relief bills, providing as much as $5.7 trillion in assistance

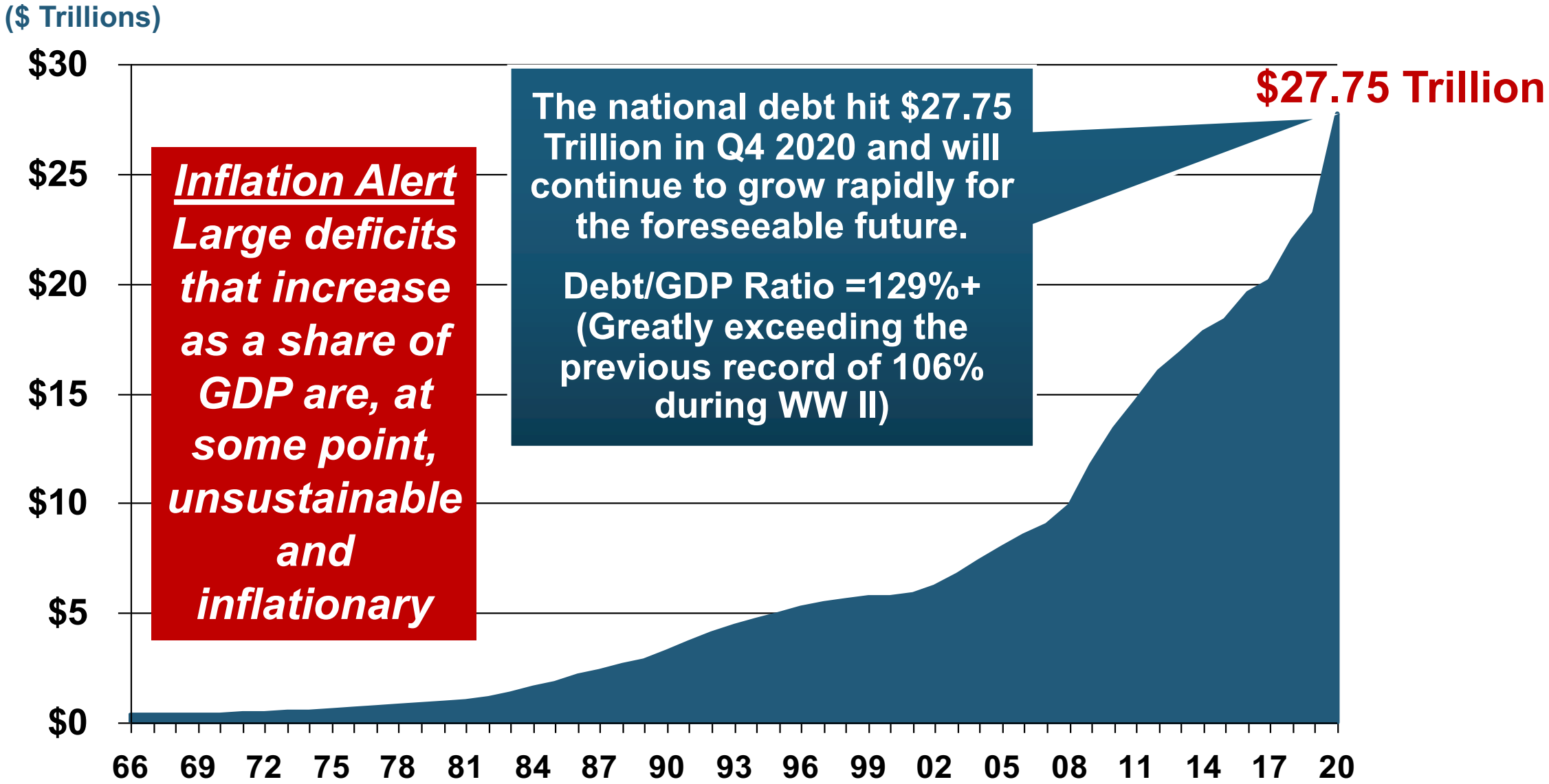
Consumer Confidence vs. COVID Cases, Jan. 2020 – Aug. 2021



The surge in cases from the COVID Delta variant, along with inflation and geopolitical concerns pushed Consumer confidence down sharply in recent months

Source: The Conference Board, Bloomberg, Wells Fargo Securities; University of South Carolina Risk and Uncertainty Management Center.

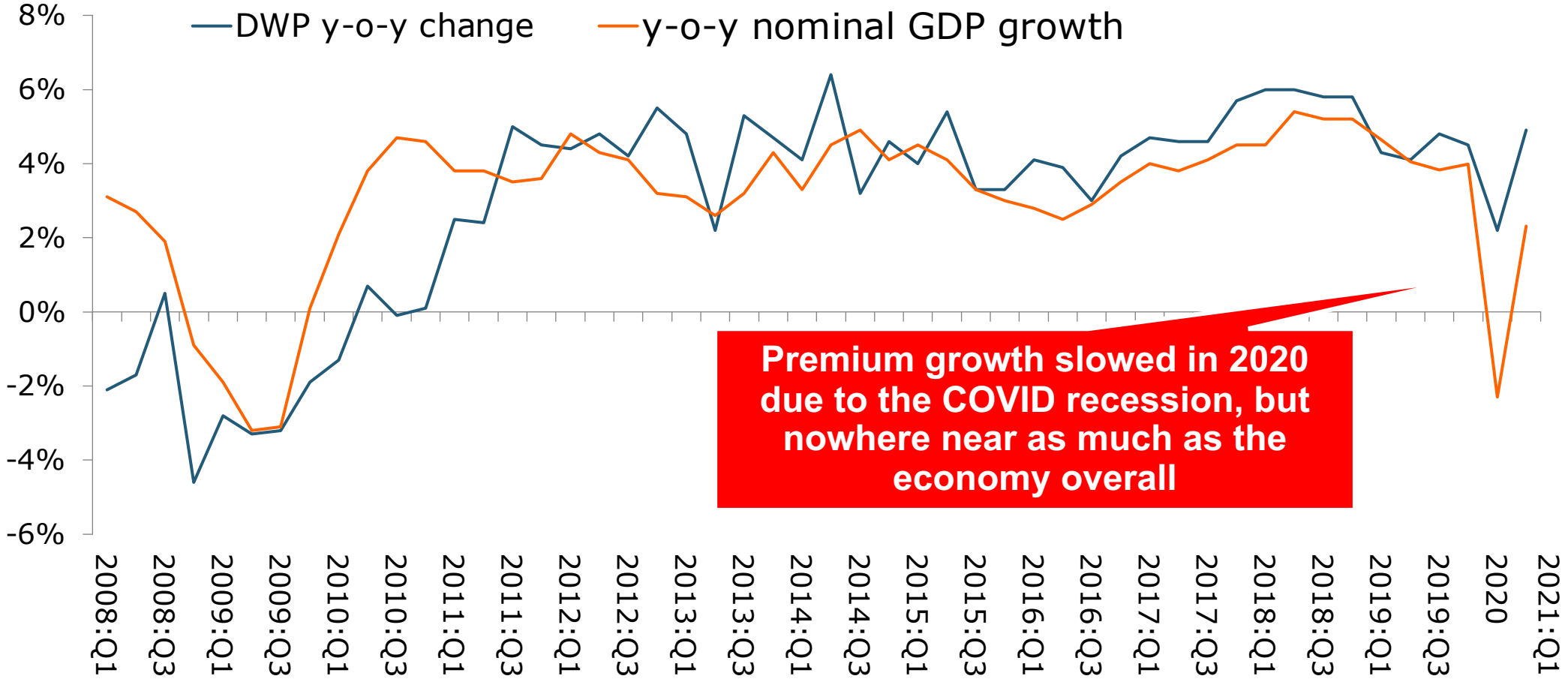
U.S. National Debt, 1966–2020: Q4



Source: Congressional Budget Office; Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/GFDEGDQ188S

The Economy Drives P/C Insurance Industry Premiums: 2006:Q1–2021:Q1*

Direct Premium Growth (All P/C Lines) vs. Nominal GDP: Quarterly Y-o-Y Pct. Change



Direct written premiums track nominal GDP fairly tightly over time, suggesting the P/C insurance industry's growth prospects inextricably linked to economic performance.

*2020 figure is annual.

Sources: SNL Financial; U.S. Commerce Dept., Bureau of Economic Analysis; ISO; I.I.I.; Risk and Uncertainty Management Center, University of South Carolina.

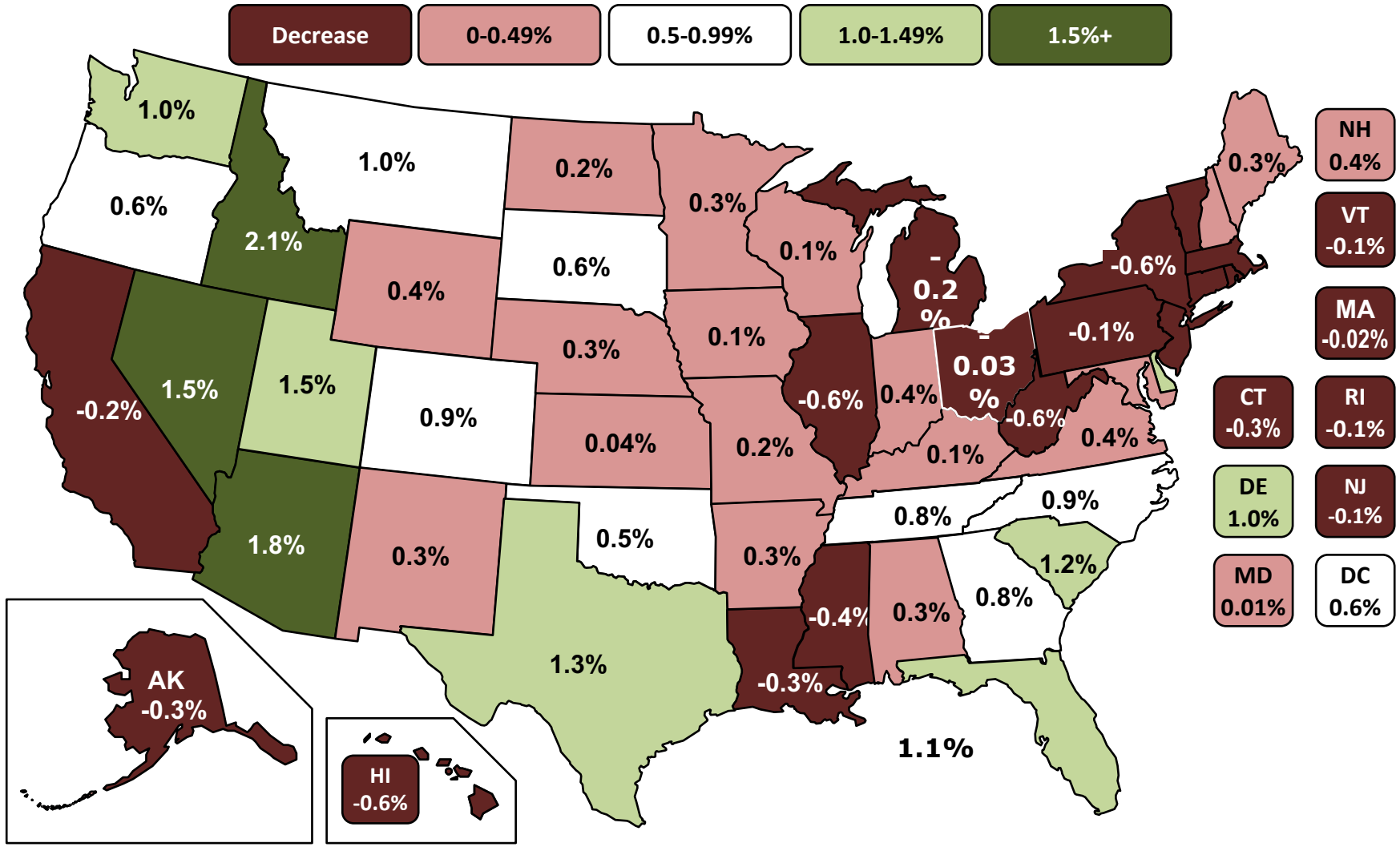
Population change by state, July 2019–July 2020 (U.S.: 0.35%)

Top 5

ID	2.1%
AZ	1.8%
NV	1.5%
UT	1.5%
TX	1.3%

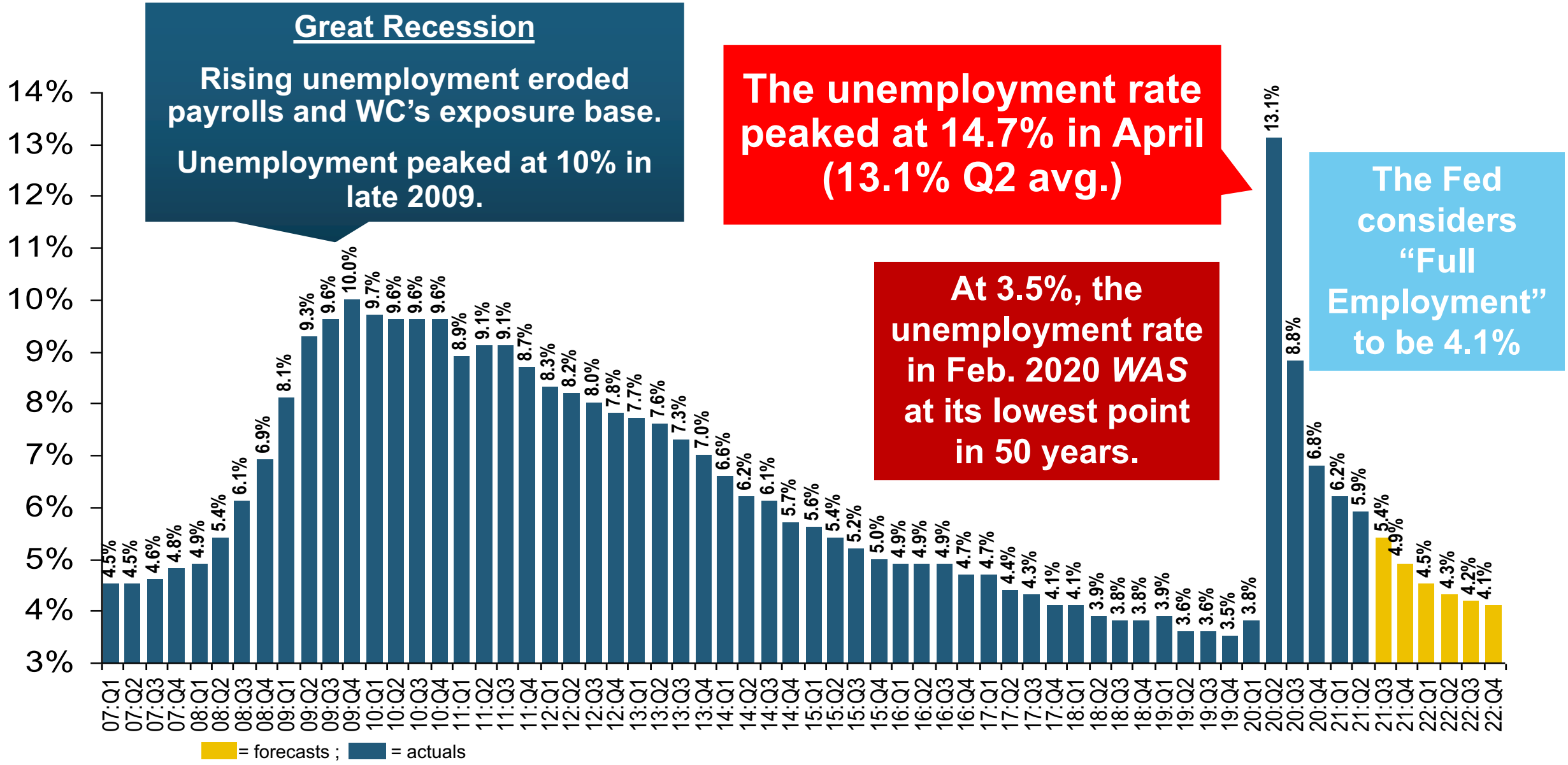
Bottom 5

NY	-0.6%
IL	-0.6%
HI	-0.6%
WV	-0.6%
MS	-0.4%



Source: Associated General Contractors from U.S. Census Bureau, Dec. 2020 estimates, www.census.gov/popest

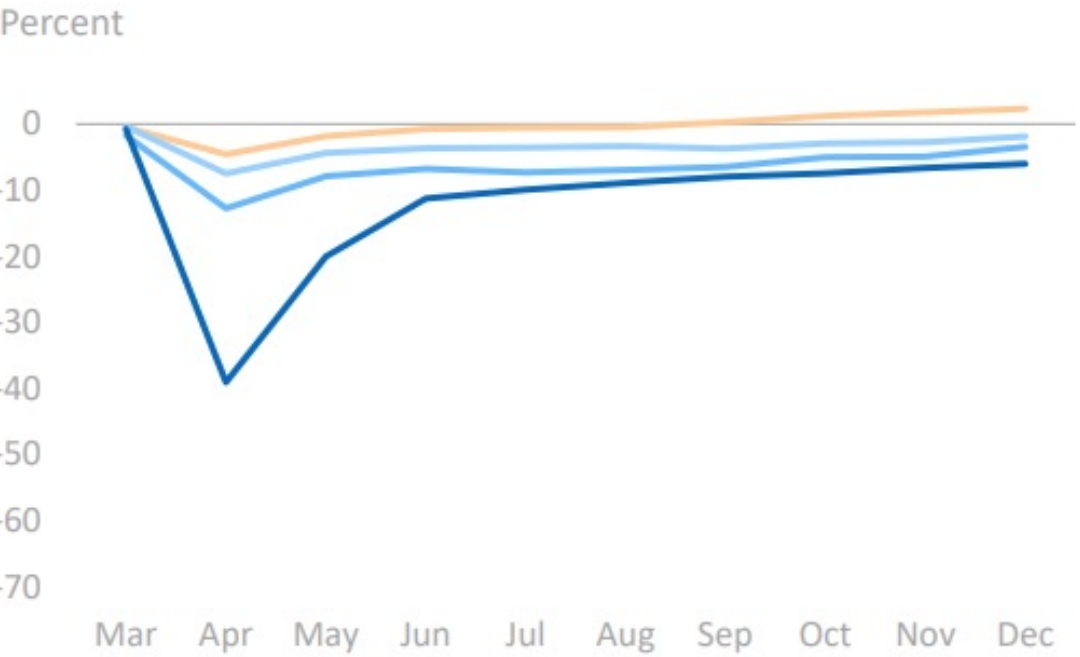
US Unemployment Rate Forecast: 2007:Q1–2022:Q4



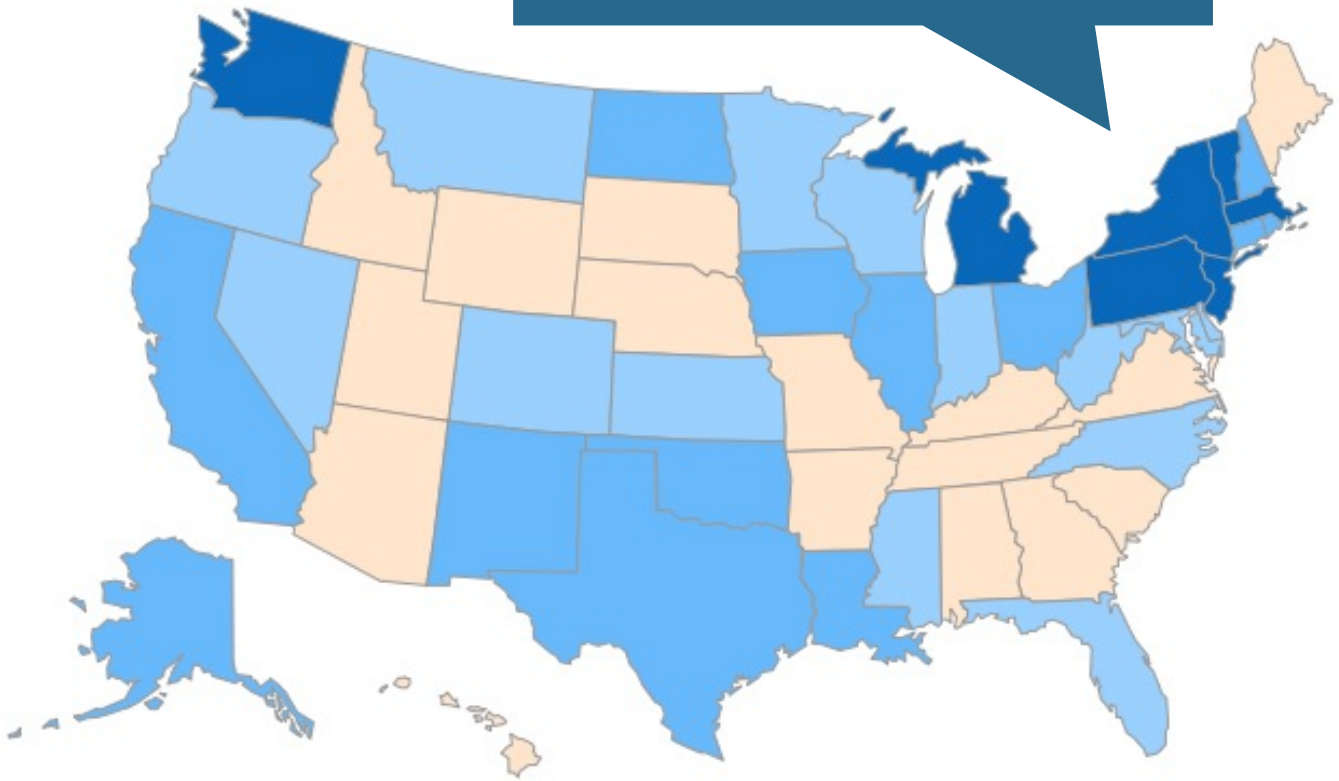
Sources: US Bureau of Labor Statistics; Wells Fargo Securities (8/21 edition); Risk and Uncertainty Management Center, University of South Carolina.

Job Losses—Construction

Employment Gap by State, March – Dec. 2020



There was significant variability in the impact of COVID on construction employment across the US in 2020

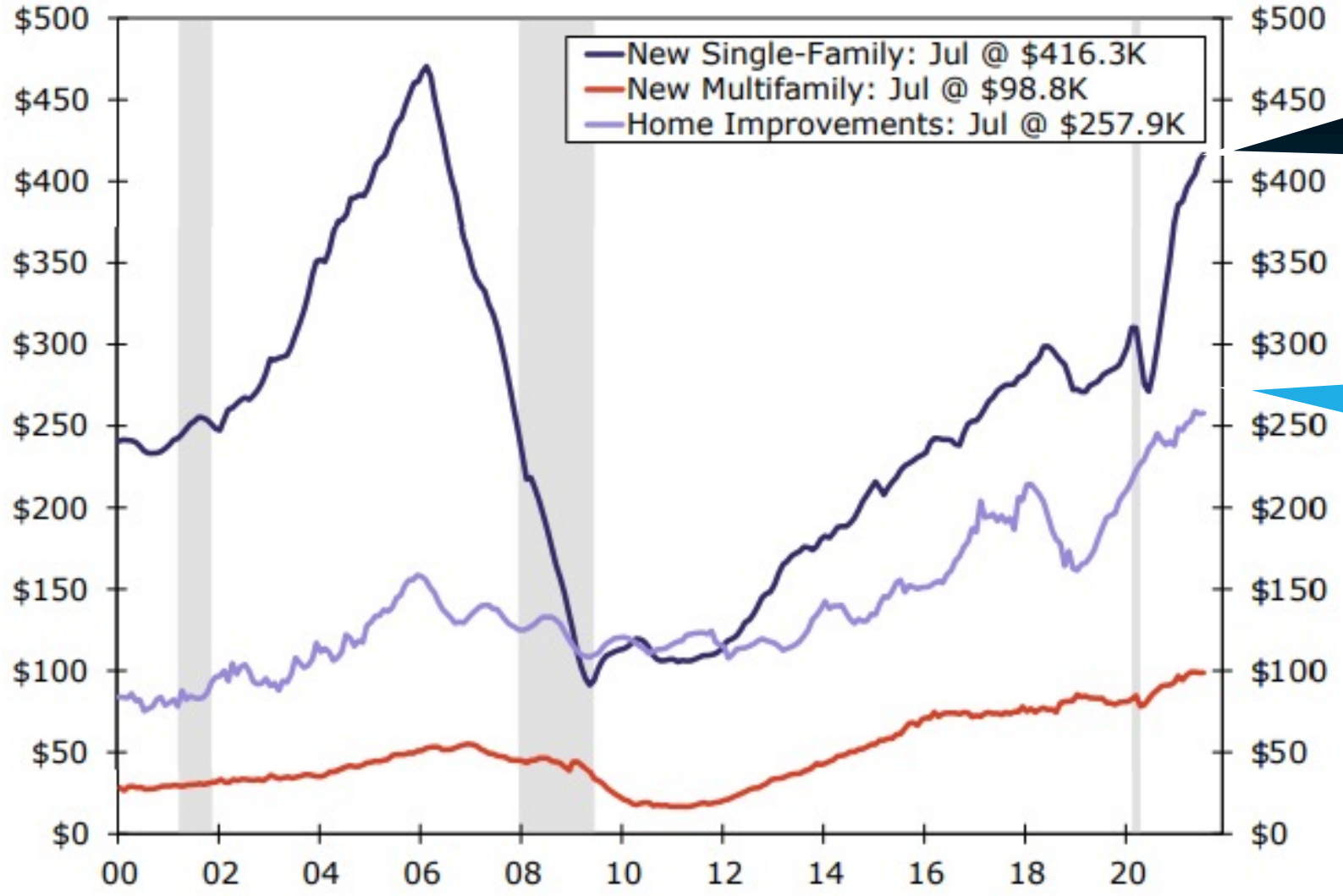


Sources: NCCI 2021 State of the Line (May 2021) and US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

Construction Sector Outlook

Residential Construction Remains Strong but Labor Shortages, Supply Chain Disruptions and Cost Pressures Are Concerns

Private Residential Construction, Jan. 2000 – Jul. 2021*
($ Billions, Seasonally Adjusted Annual Rate)



The value of New Single Family home construction—which hit $416B in July—will likely reach pre-financial crisis highs in 2022

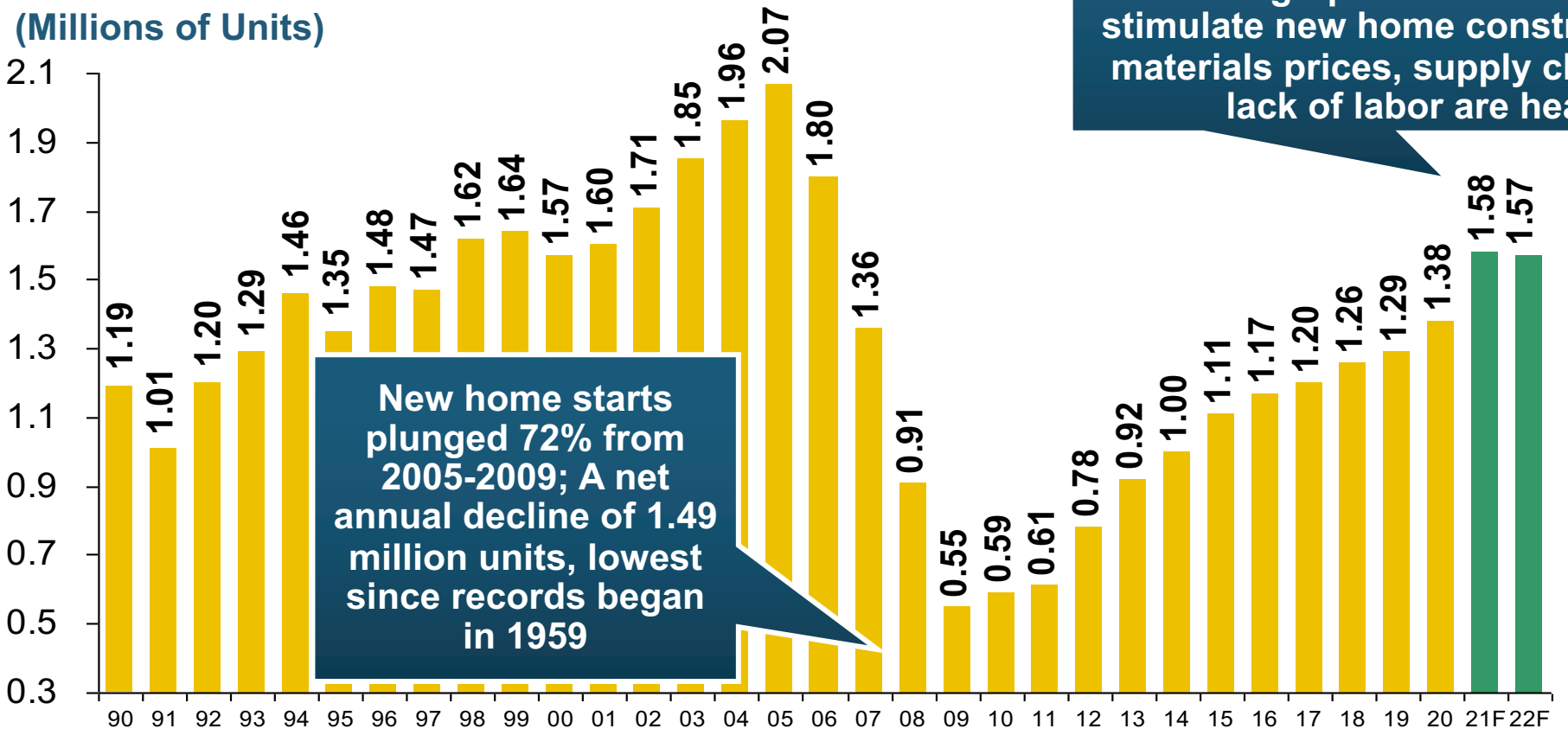
Home improvement spending—at $258B—in July is far above its pre-financial crisis peak of ~$150B

Multifamily construction spending—at $99B—in July is about double its pre-financial crisis peak of ~$50B

*Latest available.

Sources: US Department of Commerce; Wells Fargo Securities (9/21); Risk and Uncertainty Management Center, University of South Carolina.

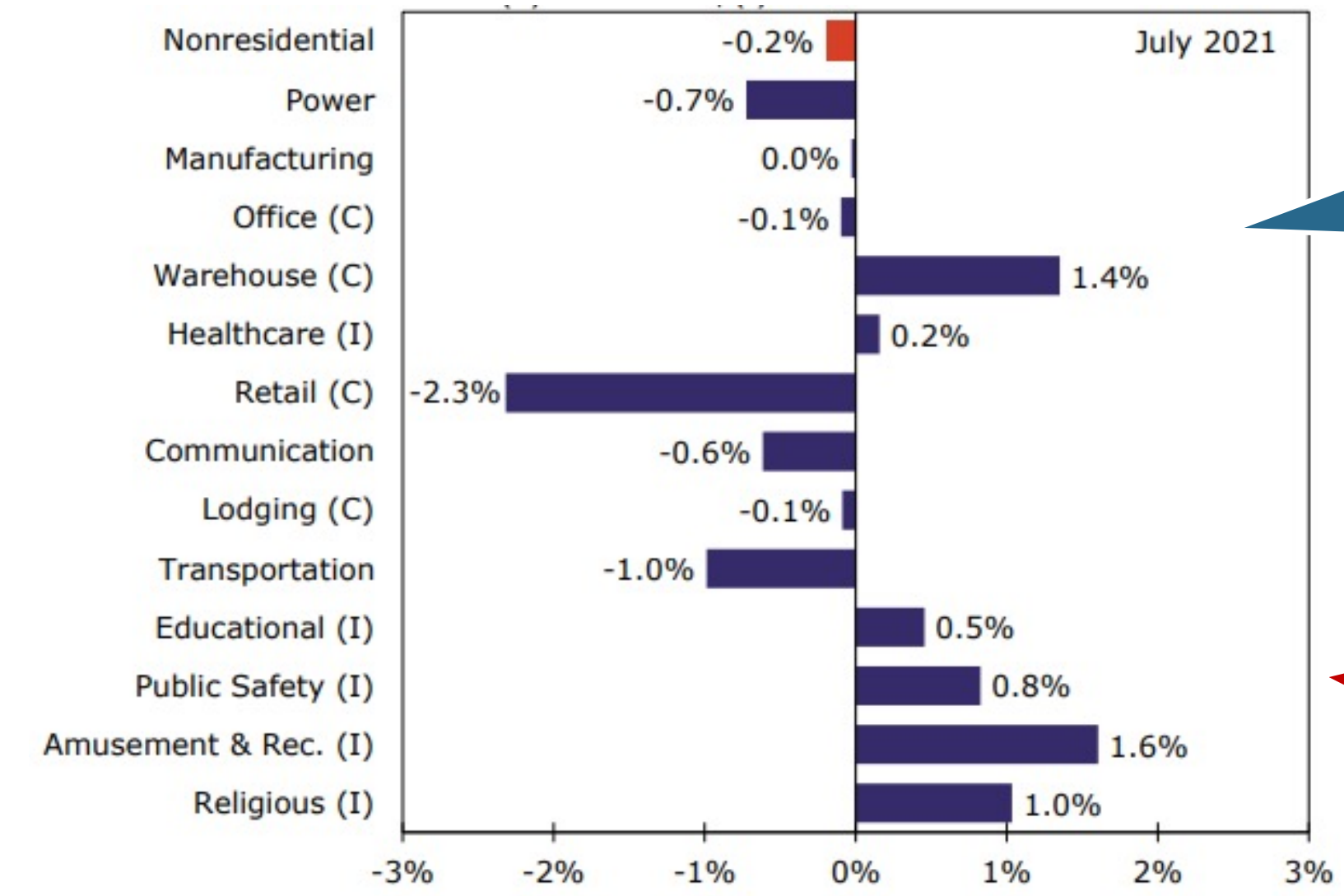
New Private Housing Starts, 1990-2022F



Insurers Are Continue to See Meaningful Exposure Growth in the Homeowners Line as well as Lines Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Wells Fargo Securities (8/21 for 2021-22); Univ. of South Carolina, Center for Risk and Uncertainty Management..

Private Nonresidential Construction Put in Place,
Jan. 2000 – Jul. 2021* (Month-over-Month Percent Change, Seasonally Adj.)



With the exception of warehousing, private nonresidential construction is generally falling

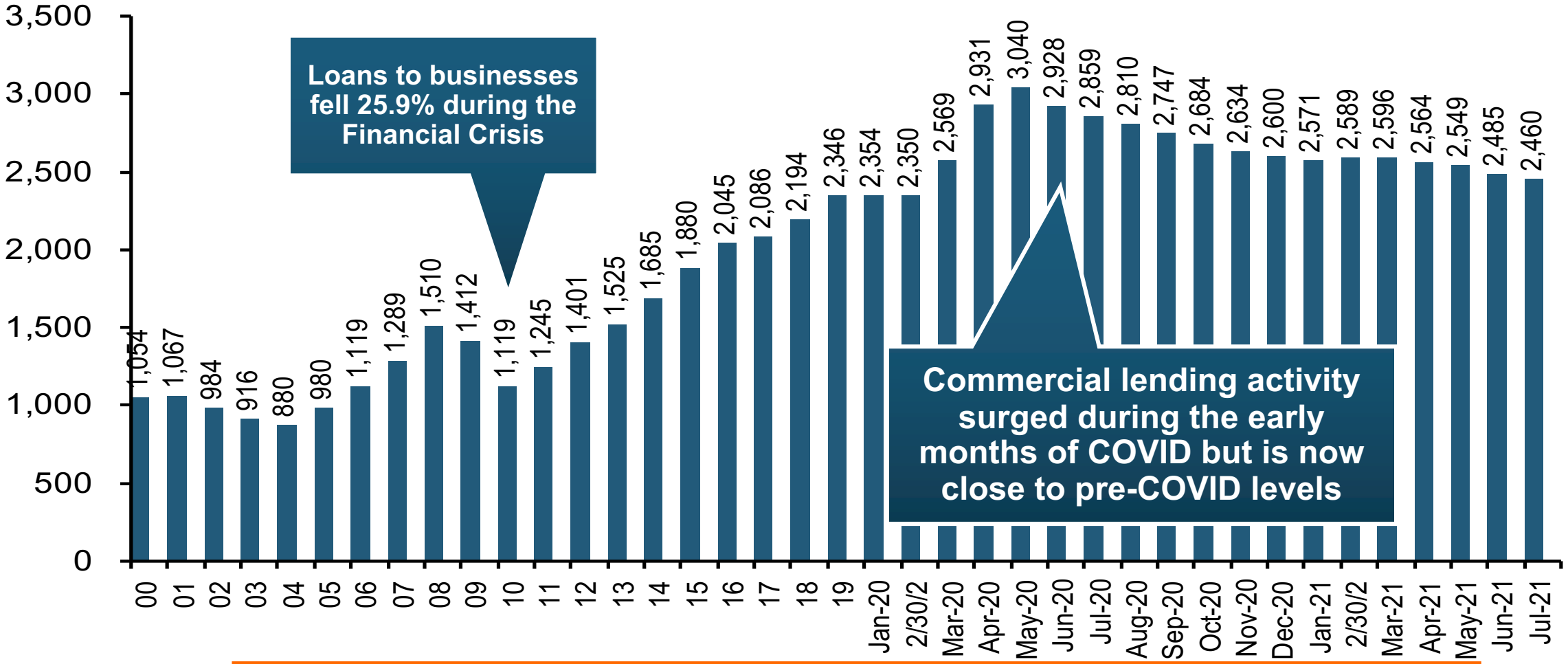
Insitutional spending led the way in terms of construction spending in July

*Latest available. C = Commercial, I = Institutional.

Sources: US Department of Commerce; Wells Fargo Securities (9/21); Risk and Uncertainty Management Center, University of South Carolina.

Commercial & Industrial Loans Outstanding, All Commercial Banks, 2000 – July 2021

($Billions)

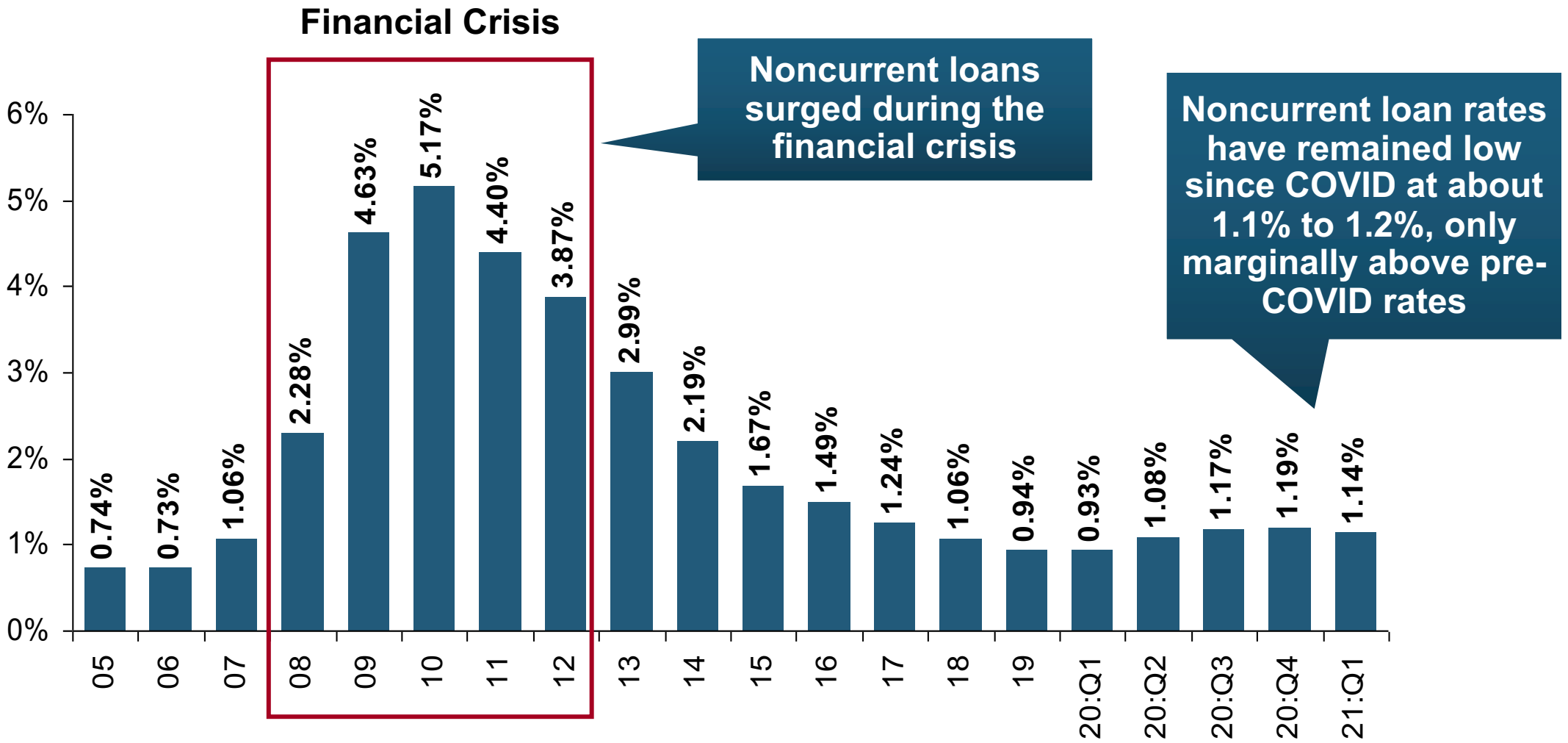


Commercial lending activity remains strong, though it has been steadily declining

*Seasonally adjusted.

Sources: Board of Governors of the Federal Reserve System from Federal Reserve Bank of St. Louis at: https://fred.stlouisfed.org/series/BUSLOANS#0; University of South Carolina Risk and Uncertainty Management Center.

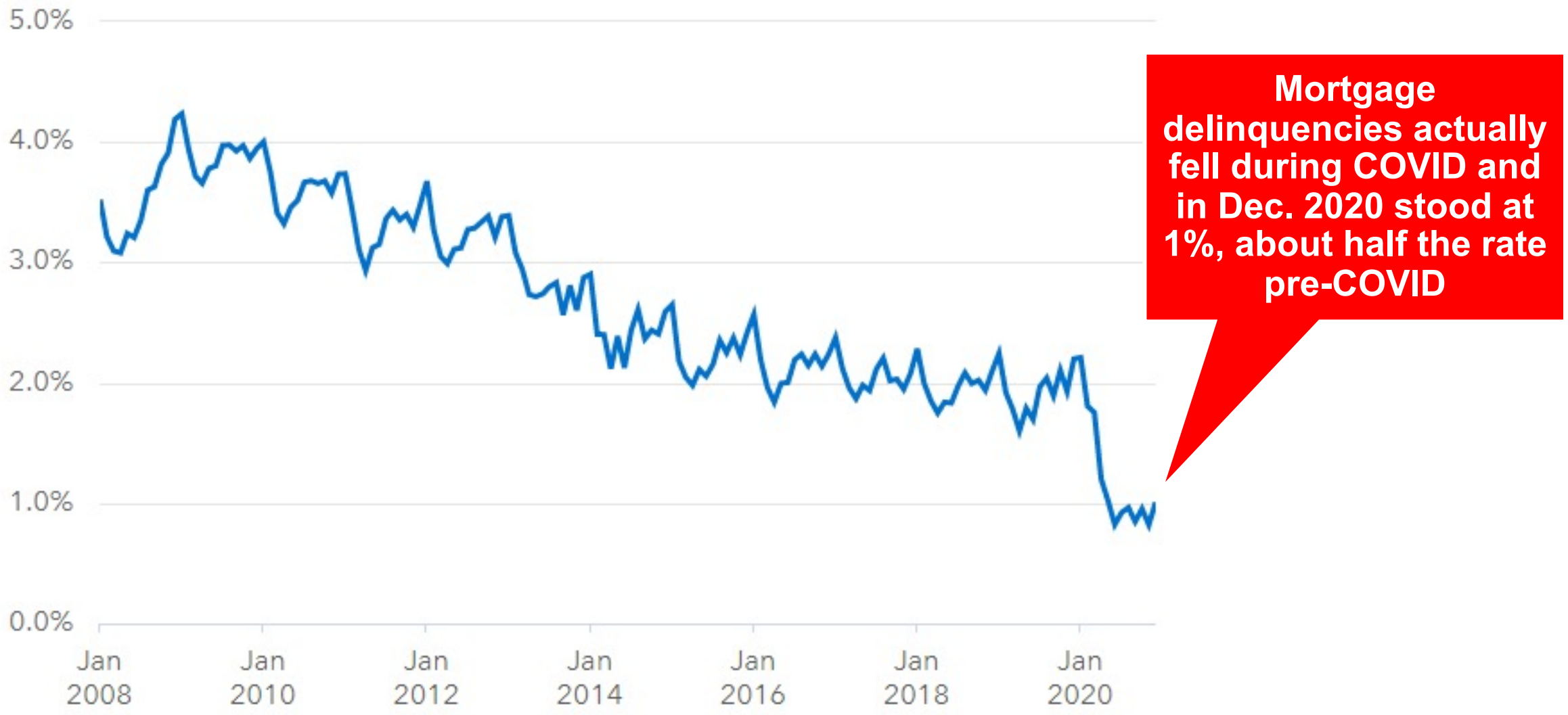
Noncurrent Loans and Leases at FDIC-Insured Banks, 2005 – 2021:Q1



Non-current loans (those past due 90 days or more or in nonaccrual status) are up only marginally since COVID

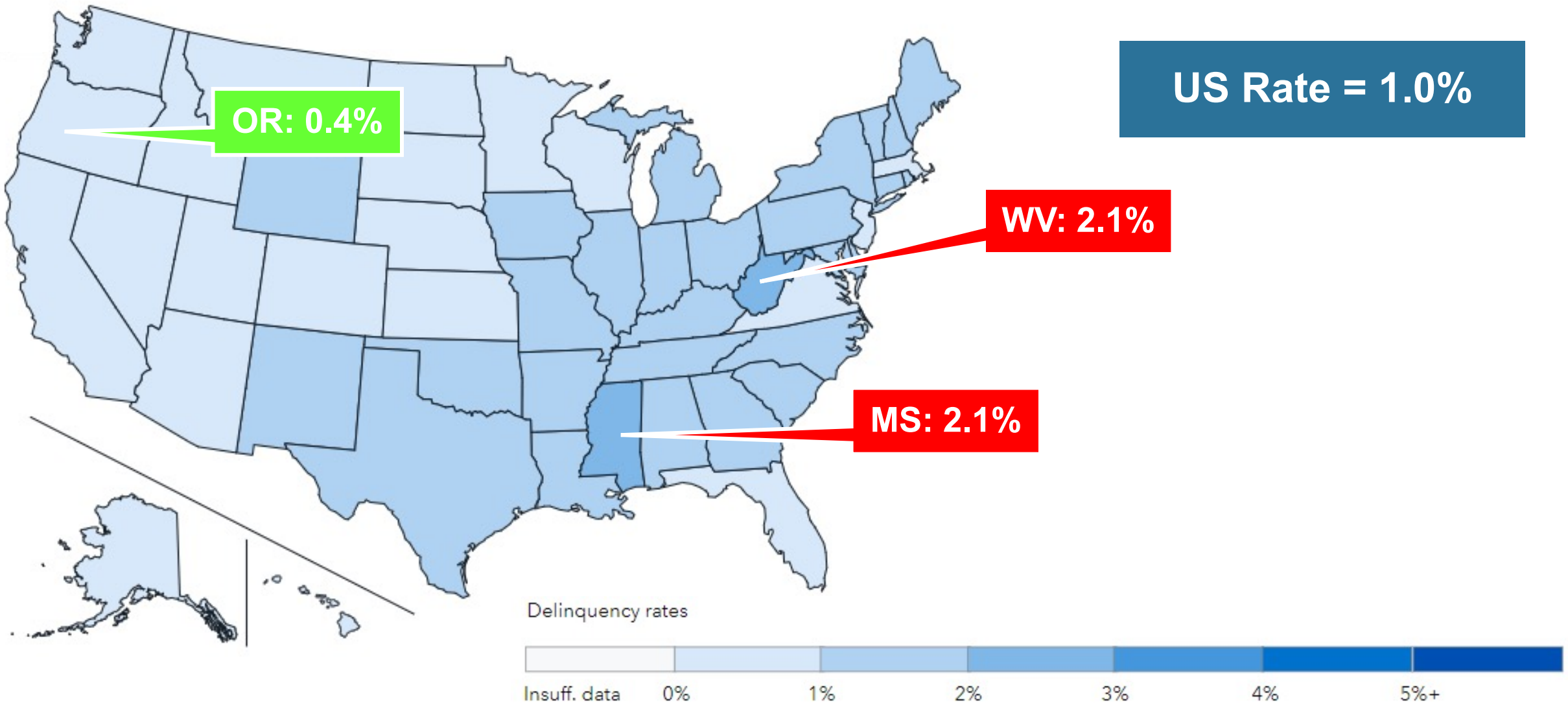
Source: FDIC from Federal Reserve Bank of St. Louis at https://fred.stlouisfed.org/series/QBPLNTLNNCUR#0;
University of South Carolina, Risk and Uncertainty Management Center.

Percentage of Mortgages 30-89 Days Delinquent, Jan. 2008 – Dec. 2020



Source: Consumer Financial Protection Bureau, Accessed 9/6/21 at: https://www.consumerfinance.gov/data-research/mortgage-performance-trends/mortgages-30-89-days-delinquent/#mp-line-chart-container; University of South Carolina, Risk and Uncertainty Management Center.

Percentage of Mortgages 30-89 Days Delinquent, Dec. 2020

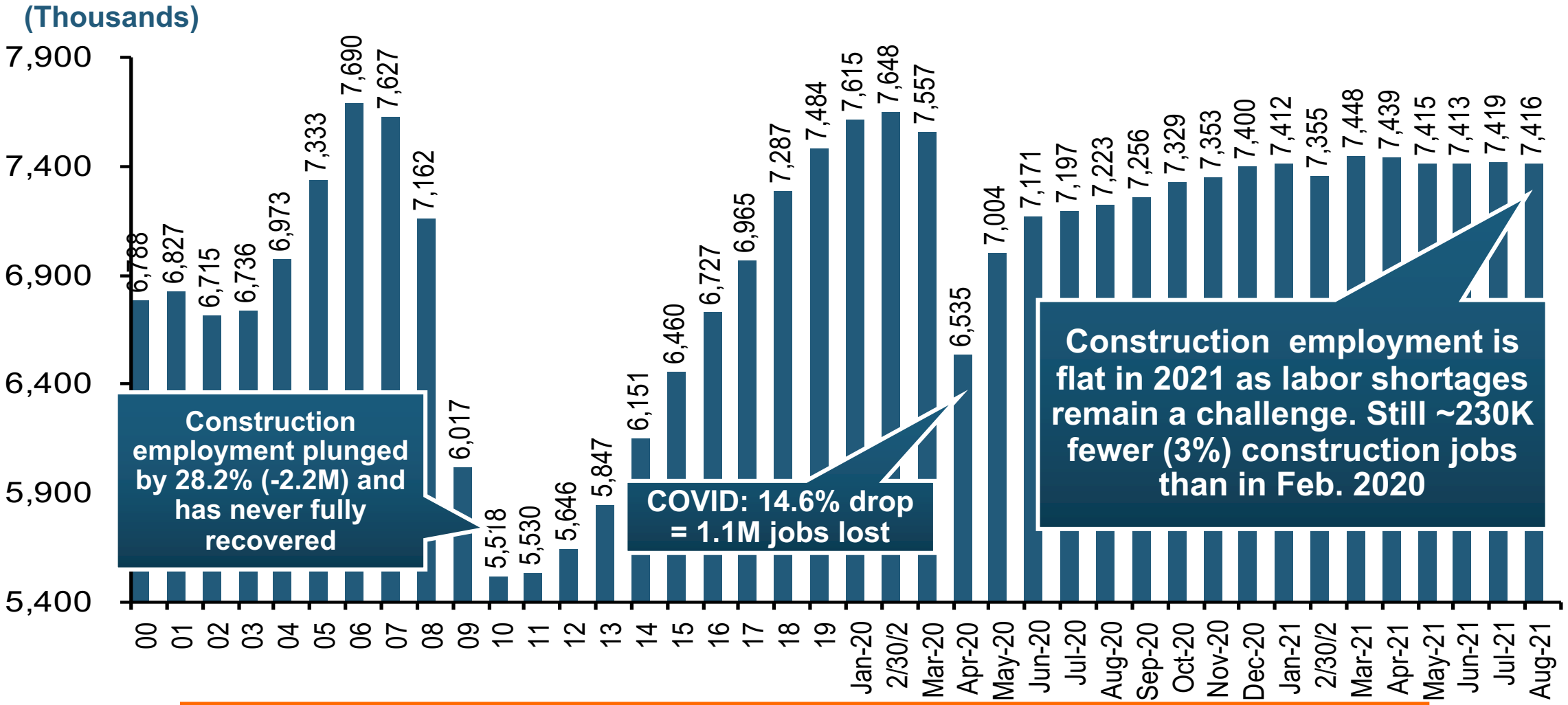


Source: Consumer Financial Protection Bureau, Accessed 9/6/21 at: https://www.consumerfinance.gov/data-research/mortgage-performance-trends/mortgages-30-89-days-delinquent/#mp-line-chart-container

Construction Employment

Construction Labor Market Is Tight

Construction Employment, 2000—Aug. 2021*

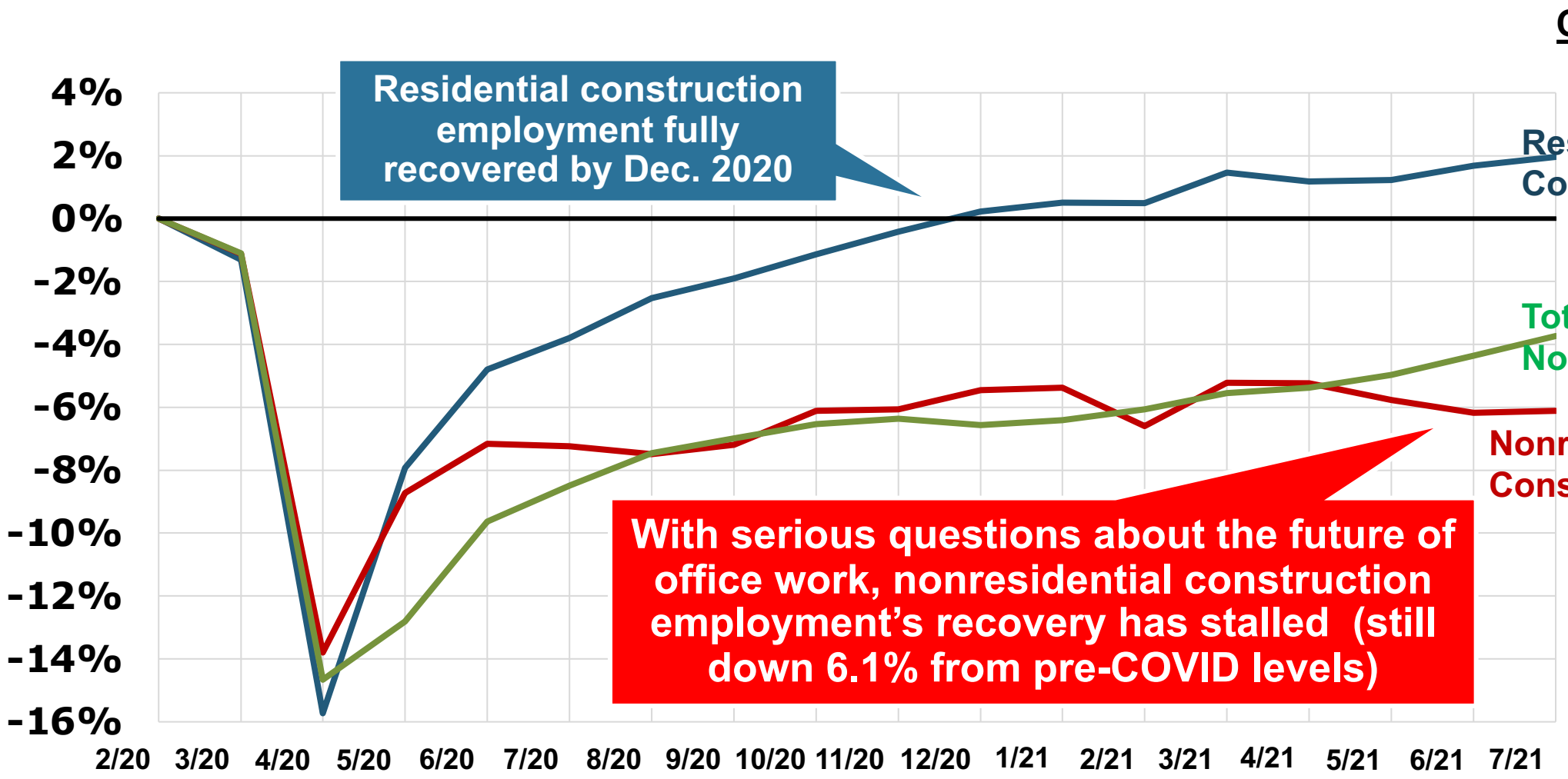


Construction employment is stuck due to widespread labor shortages

*Seasonally adjusted.

Sources: US Bureau of Labor Statistics at http://data.bls.gov; University of South Carolina Risk and Uncertainty Management Center.

Total Nonfarm & Construction Employment, Feb. 2020-July 2021 (Cumulative Change, Seasonally Adjusted)



Change to 7/21 from:	2/20	7/20
Residential Construction	2.0%	6.0%
Total Nonfarm	-3.7%	5.2%
Nonresidential Construction	-6.1%	1.2%

Source: Associated General Contractors from BLS current employment statistics, https://www.bls.gov/ces/.

State Construction Employment Change, Feb. 2020-June 2021

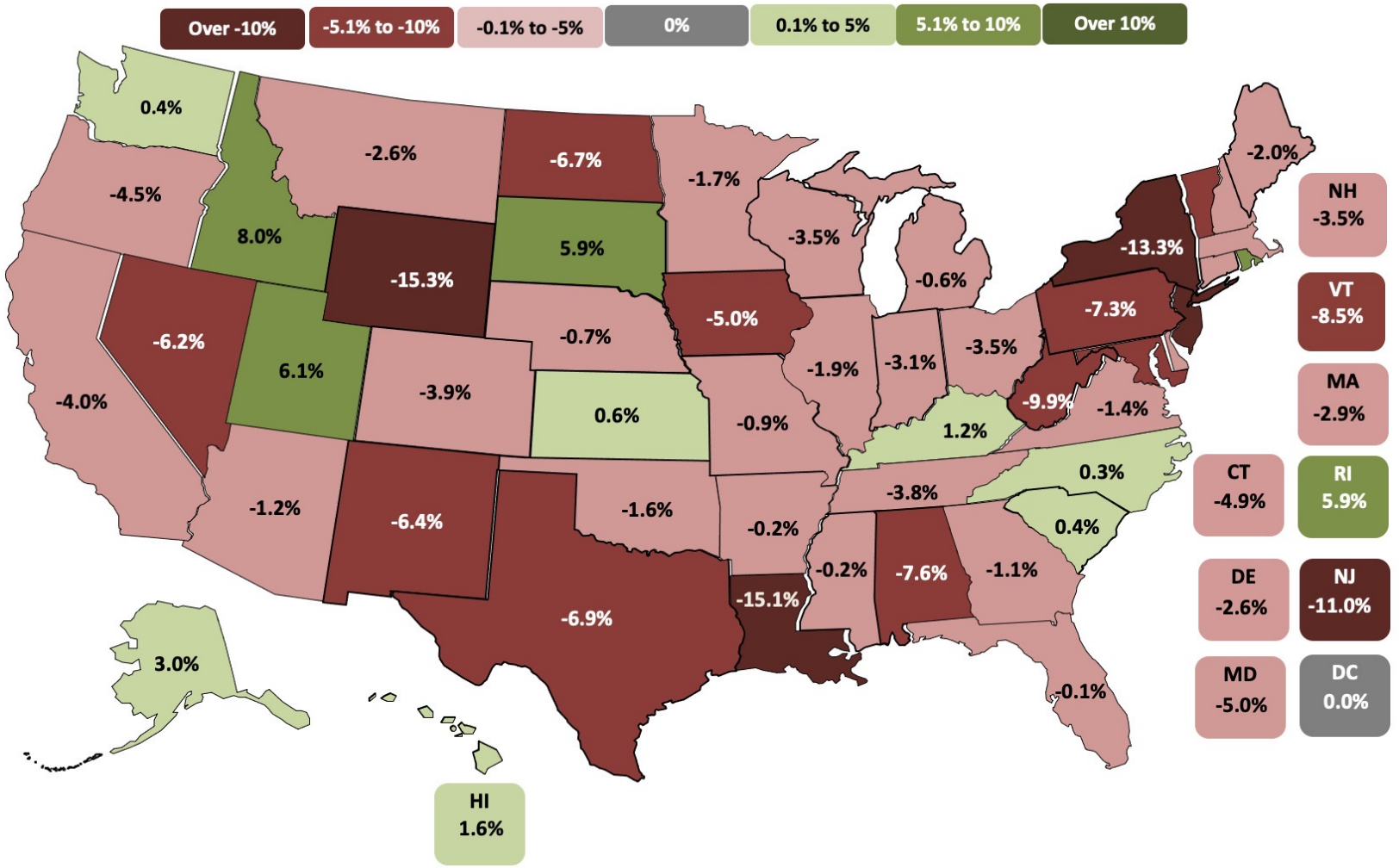
11 states up, 39 states down and DC flat (U.S.: -3.1%)

Top 5

Idaho	8.0%
Utah	6.1%
Rhode Island	5.9%
South Dakota	5.9%
Alaska	3.0%

Bottom 5

Wyoming	-15.3%
Louisiana	-15.1%
New York	-13.3%
New Jersey	-11.0%
West Virginia	-9.9%



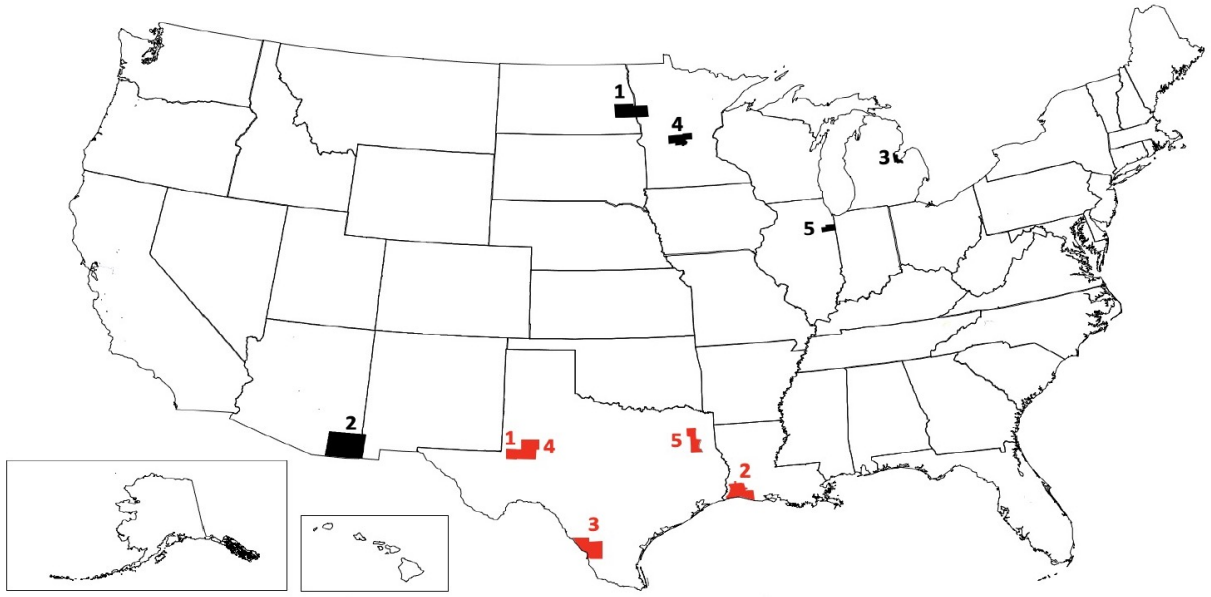
Note: Shading based on unrounded numbers

Source: Associated General Contractors from BLS state and area employment, www.bls.gov/sae

Metro Construction Employment Change, Feb. 2020-June 2021

257 metros **up**, 21 metros **unchanged**, 80 metros **down** **(U.S.: 4.3%)**

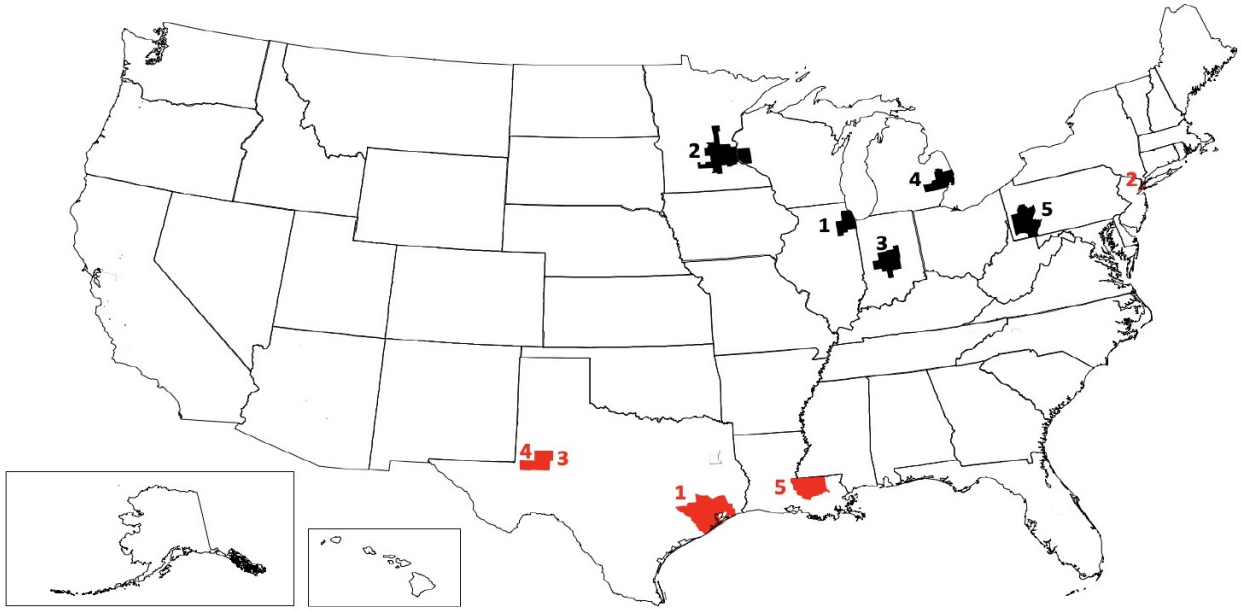
Metro Areas with Largest Percent Changes in Construction Employment, February 2020–June 2021



Top 5 Areas	16-month % gain
1 Fargo, ND-MN	50%
2 Sierra Vista-Douglas, AZ	48%
3 Bay City, MI	45%
4 St. Cloud, MN	39%
5 Kankakee, IL	36%

Bottom 5 Areas	16-month % loss
1 Odessa, TX	-38%
2 Lake Charles, LA	-34%
3 Laredo, TX	-25%
4 Midland, TX	-24%
5 Longview, TX	-22%

Metro Areas with Largest Construction Employment Changes, February 2020–June 2021



Top 5 Areas	16-month gain
1 Chicago-Naperville-Arlington Heights, IL Div.	14,300
2 Minneapolis-St. Paul-Bloomington, MN-WI	13,800
3 Indianapolis-Carmel-Anderson, IN	10,700
4 Warren-Troy-Farmington Hills, MI Div.	9,300
5 Pittsburgh, PA	7,600

Bottom 5 Areas	16-month loss
1 Houston-The Woodlands-Sugar Land, TX	-33,400
2 New York City, NY	-22,000
3 Midland, TX	-9,300
4 Odessa, TX	-7,900
5 Baton Rouge, LA	-7,700

Note: Shading based on unrounded numbers

Source: Assciated General Contractors from BLS state and area employment, www.bls.gov/sae

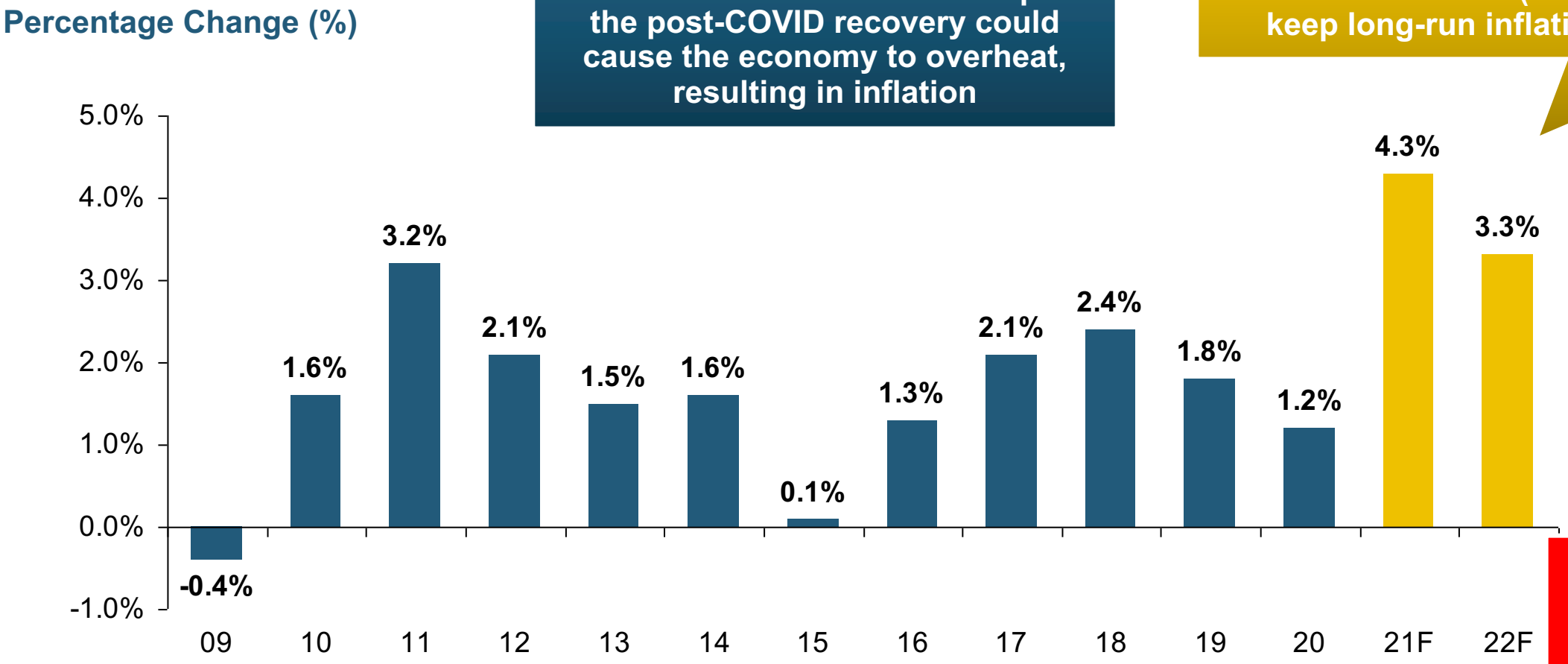
Construction Sector Inflationary Pressures Impacting Insurers

Rate and Reserve Adequacy Are Concerns if Current Inflationary Trends Persist

U.S. Inflation Rate: 2009-2022F*

There's a great deal of concern that trillions of dollars of stimulus plus the post-COVID recovery could cause the economy to overheat, resulting in inflation

Inflation accelerated sharply in 2021—though should decelerate in 2022 and beyond—making the case for a Fed rate hike more remote (Fed is looking to keep long-run inflation rate ~2%)



Insurer Concerns About Inflation

Rate Inadequacy

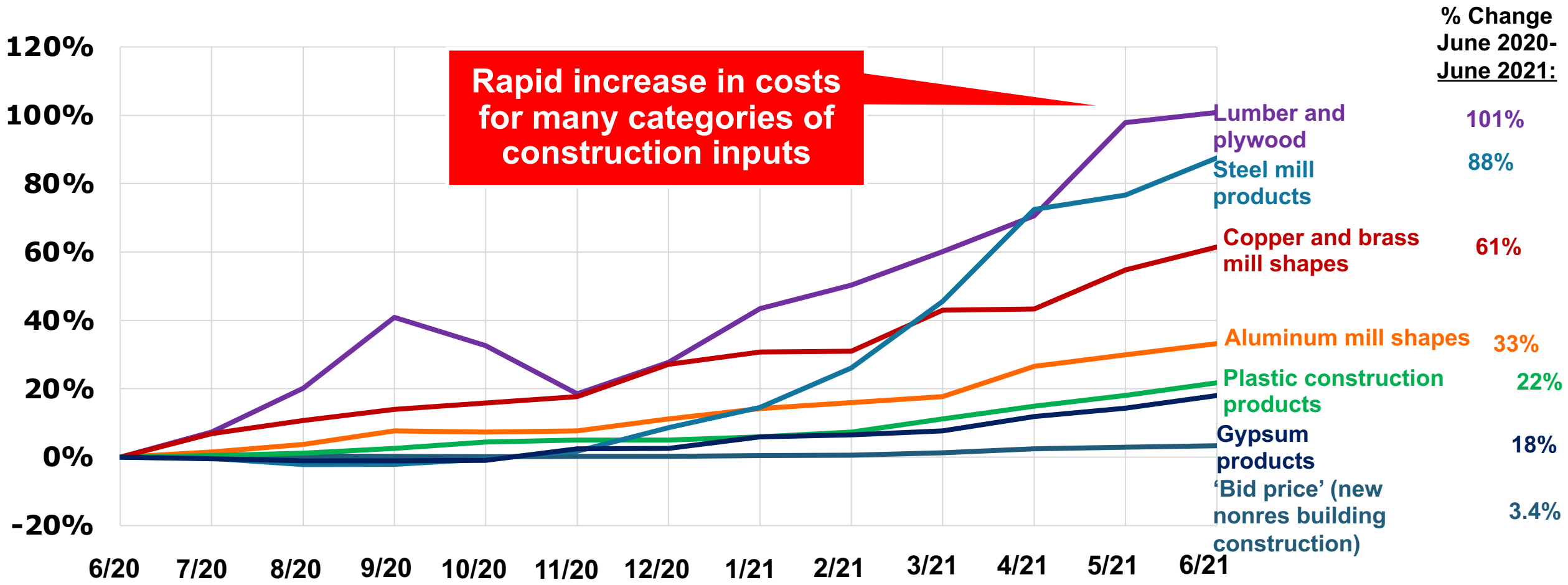
Reserve Inadequacy

*Annual change in Consumer Price Index for All Urban Consumers (CPI-U).

Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (8/21); USC Center for Risk and Uncertainty Management.

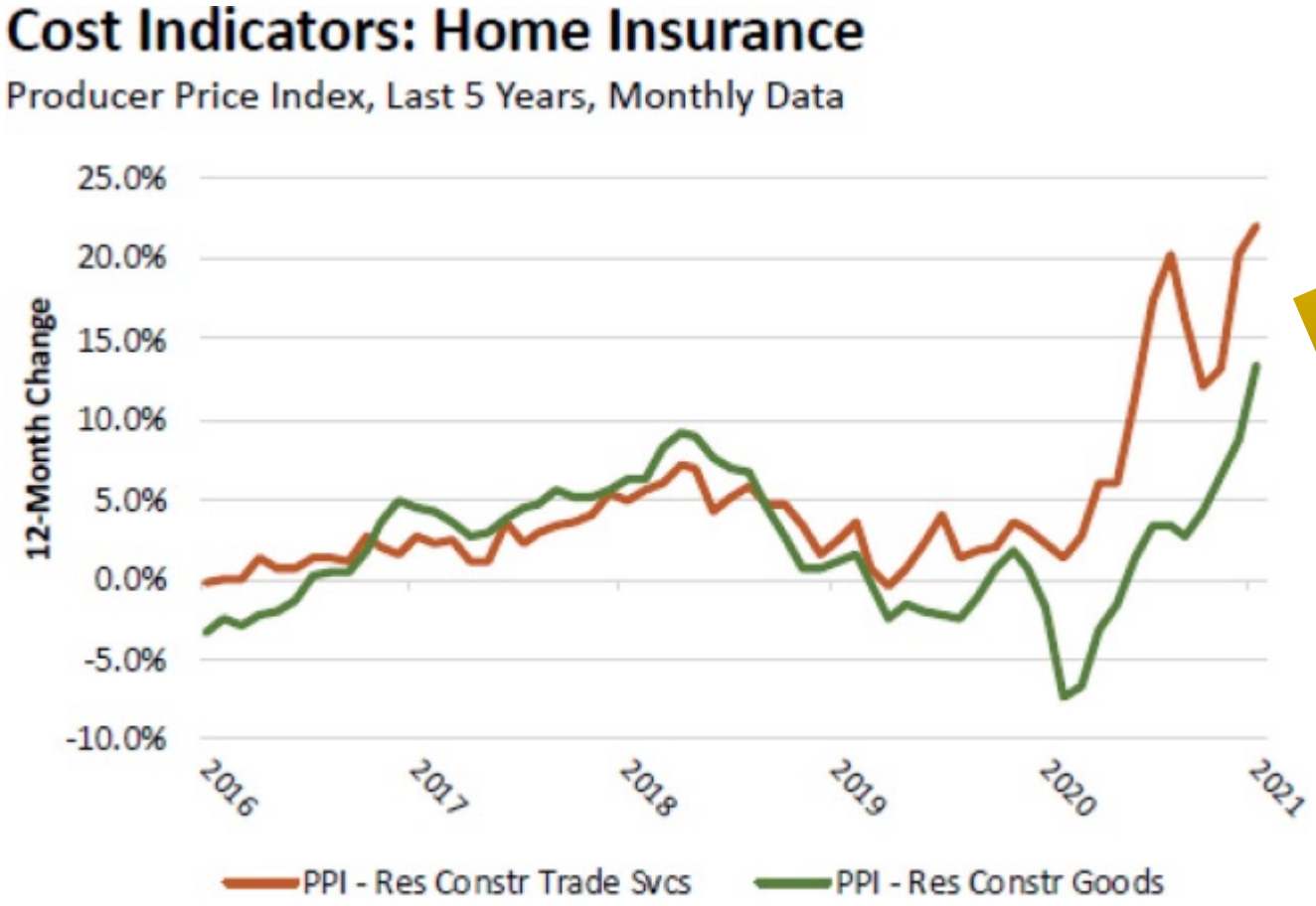
PPIs for Construction and Selected Inputs

Cumulative change in PPIs, June 2020 -June 2021 (not seasonally adj.)

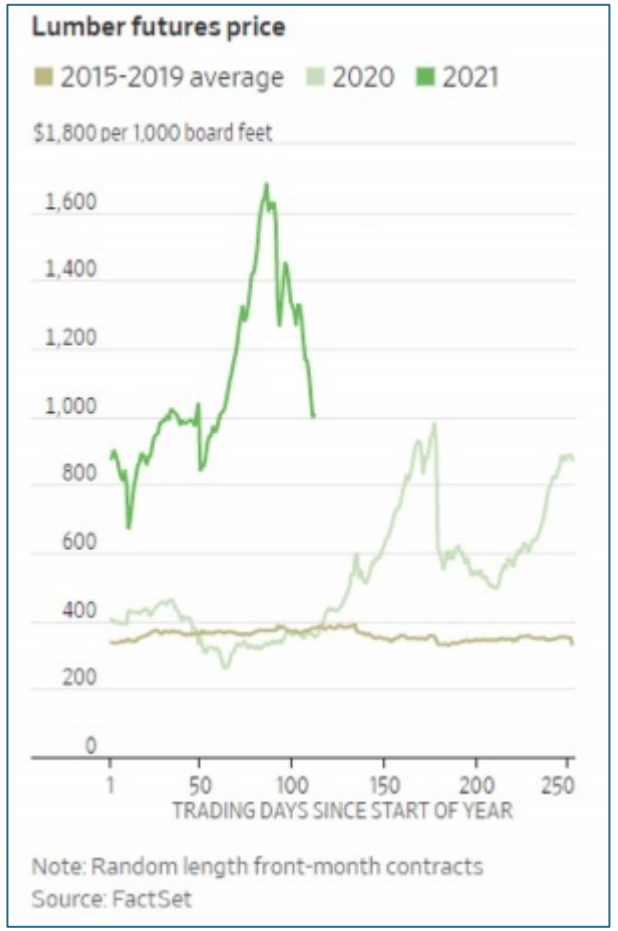


Source: Associated General Contractors from Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

Cost Drivers in Home Insurance: Residential Construction Goods and Services *(Monthly Data)**

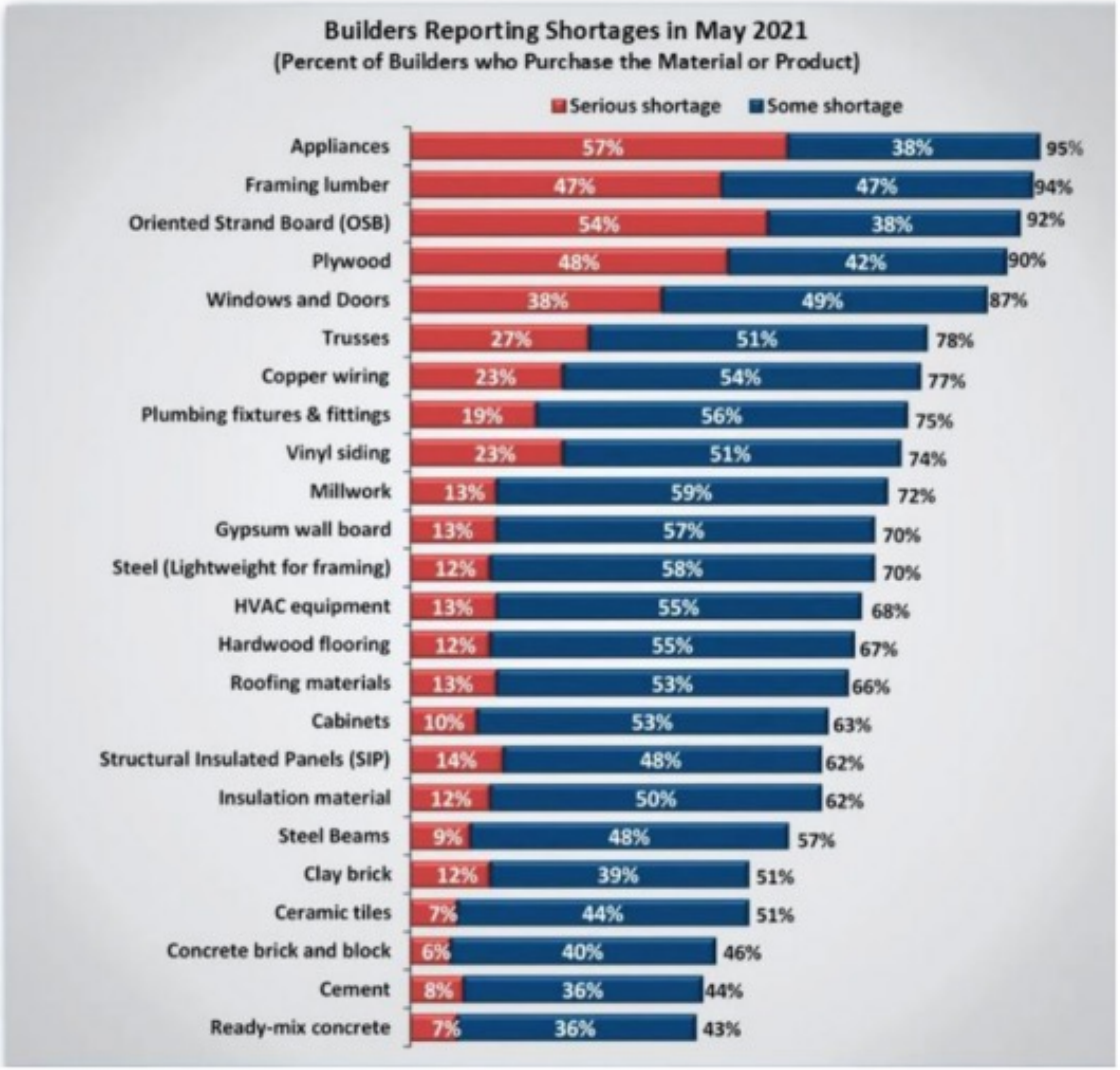


Prices for homebuilding materials (esp. lumber) and labor soared in 2020-21, pressuring HO insurers



*As of April 29, 2021.
Source: US Bureau of Labor Statistics; APCIA.

Cost Drivers in Home Insurance: Residential Construction Materials and Components*



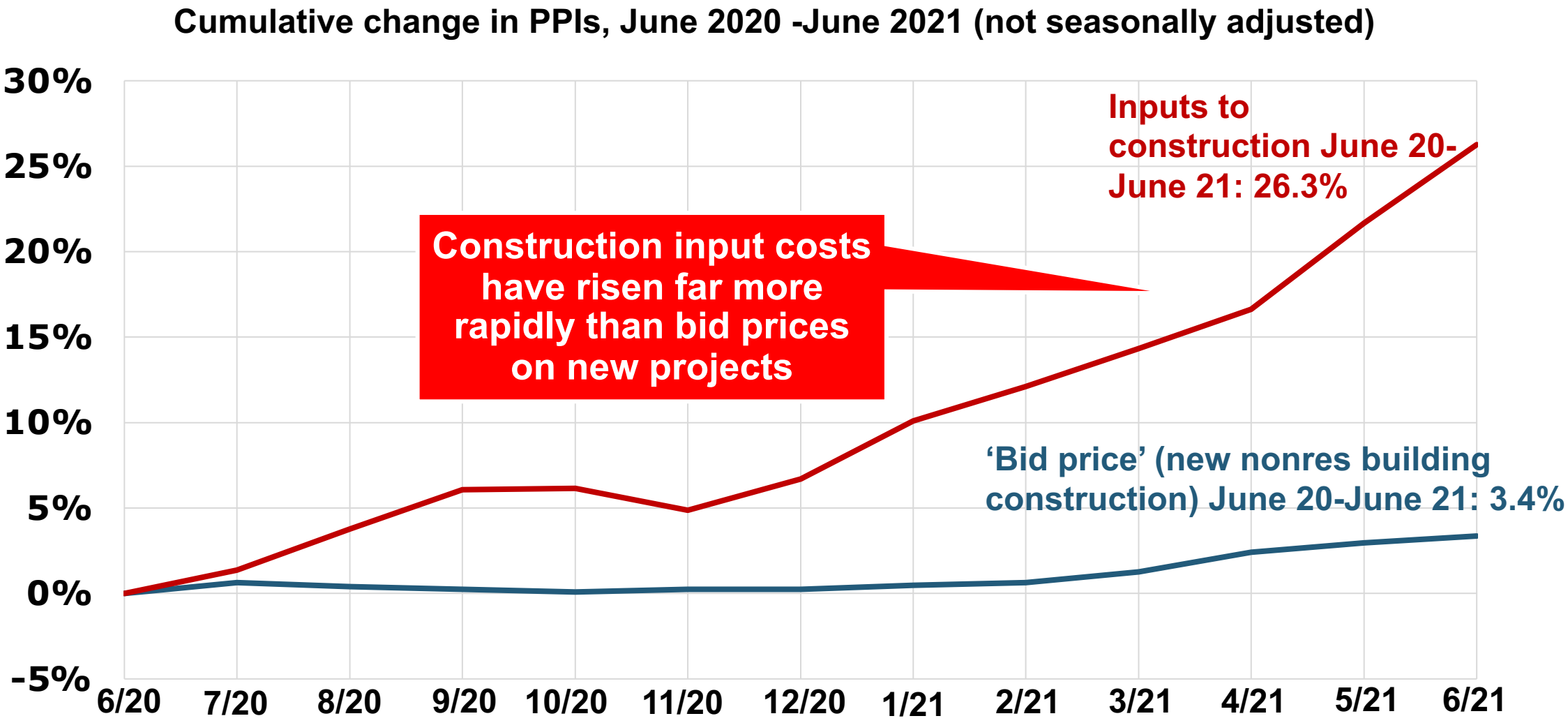
Builders Reporting Shortages (Serious or Some) of Materials: May 2021 vs. June 2020

	Jun-20	May-21	Difference
Oriented strand board (OSB)	9%	92%	+83%
Plywood	9%	90%	+81%
Framing lumber	15%	94%	+79%
Copper wiring	7%	77%	+70%
Trusses	13%	78%	+65%
Gypsum wall board	8%	70%	+62%
Vinyl siding	14%	74%	+60%
Hvac equipment	11%	68%	+57%
Steel (lightweight for framing)	13%	70%	+57%
Roofing materials	10%	66%	+56%
Plumbing fixtures & fittings	21%	75%	+54%
Insulation material	10%	62%	+52%
Structural insulated panels (SIPs)	10%	62%	+52%
Windows and doors	35%	87%	+52%
Hardwood flooring	15%	67%	+52%
Steel beams	12%	57%	+45%
Millwork	27%	72%	+45%
Clay brick	9%	51%	+42%
Cement	6%	44%	+38%
Concrete brick and block	9%	46%	+37%
Ready-mix concrete	7%	43%	+36%
Cabinets	29%	63%	+34%
Ceramic tiles	24%	51%	+27%

Lumber prices soared to record levels in May 2021. By July, the PPI for lumber was down 25% from its May high.

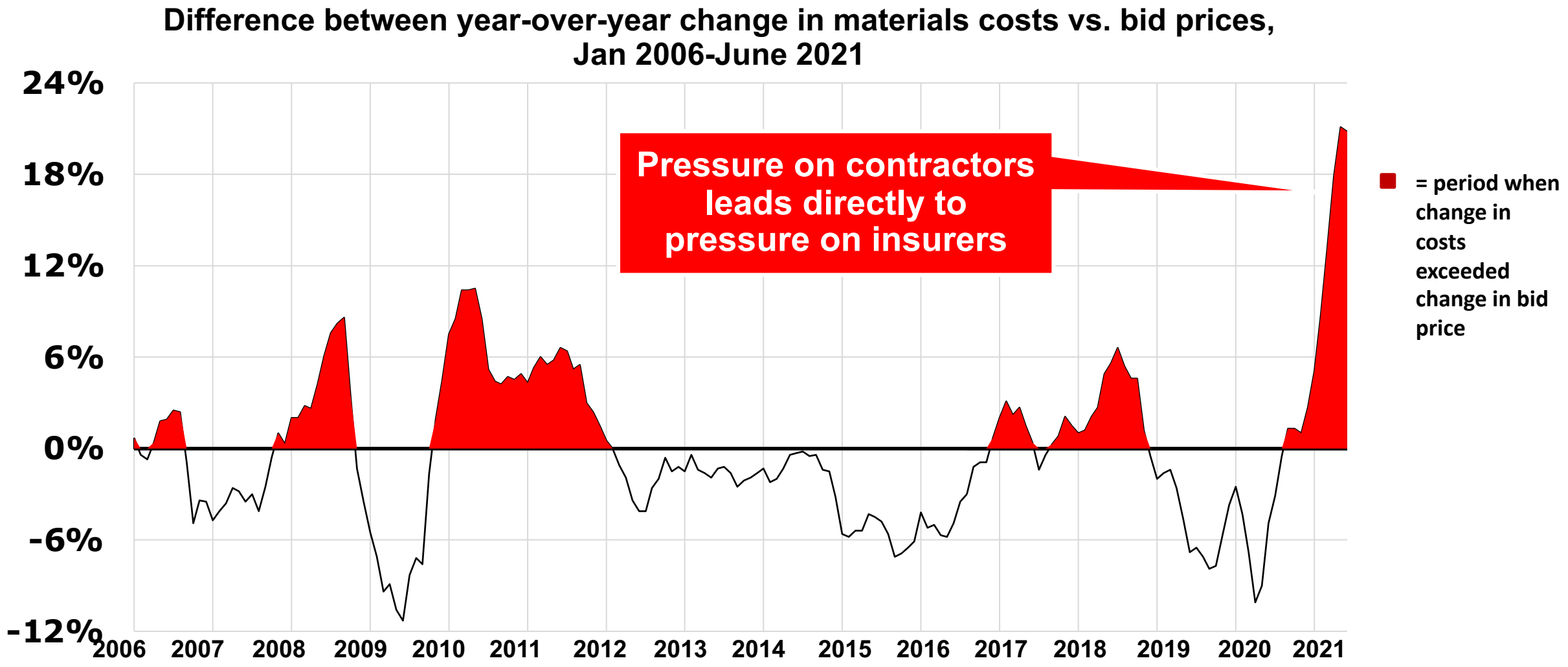
Source: APCIA from: https://www.cnbc.com/2021/06/13/home-depot-contracted-its-own-container-ship-to-avoid-shipping-delays.html
https://www.cnbc.com/2021/04/30/soaring-lumber-prices-add-36000-to-the-cost-of-a-new-home.html
https://eyeonhousing.org/2021/05/record-numbers-of-builders-report-material-shortages/

Construction Input and 'Bid Price' Producer Price Indexes (PPIs)



Source: Associated General Contractors from Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

Cost Squeeze on Contractors (& Insurers) May Last 2+ Years



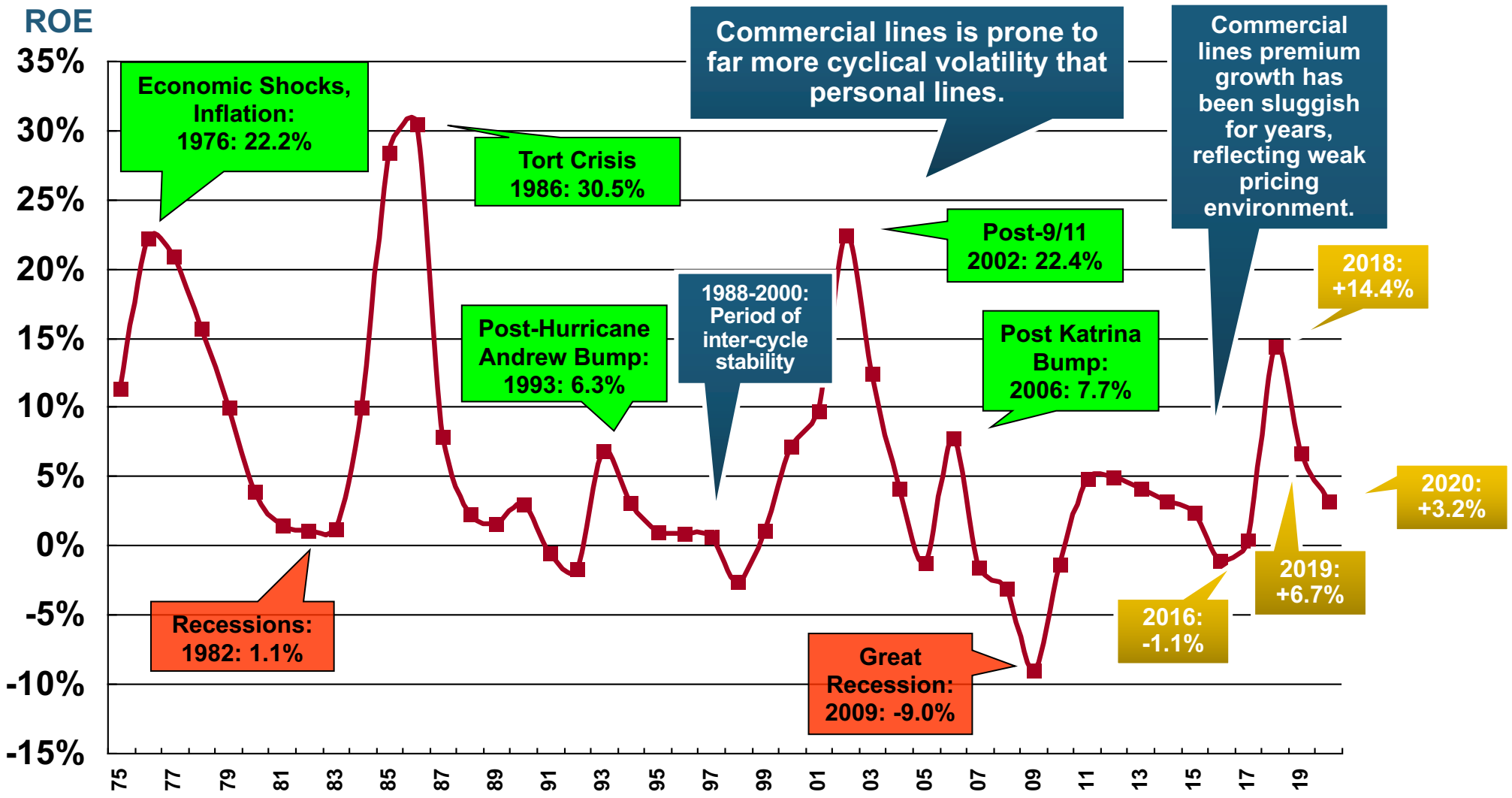
Source: Associated General Contractors from Bureau of Labor Statistics, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs) and new warehouse construction (bid prices)

Commercial Lines Growth, Underwriting Performance & Pricing Cyclicality

Pricing Pressures Remain

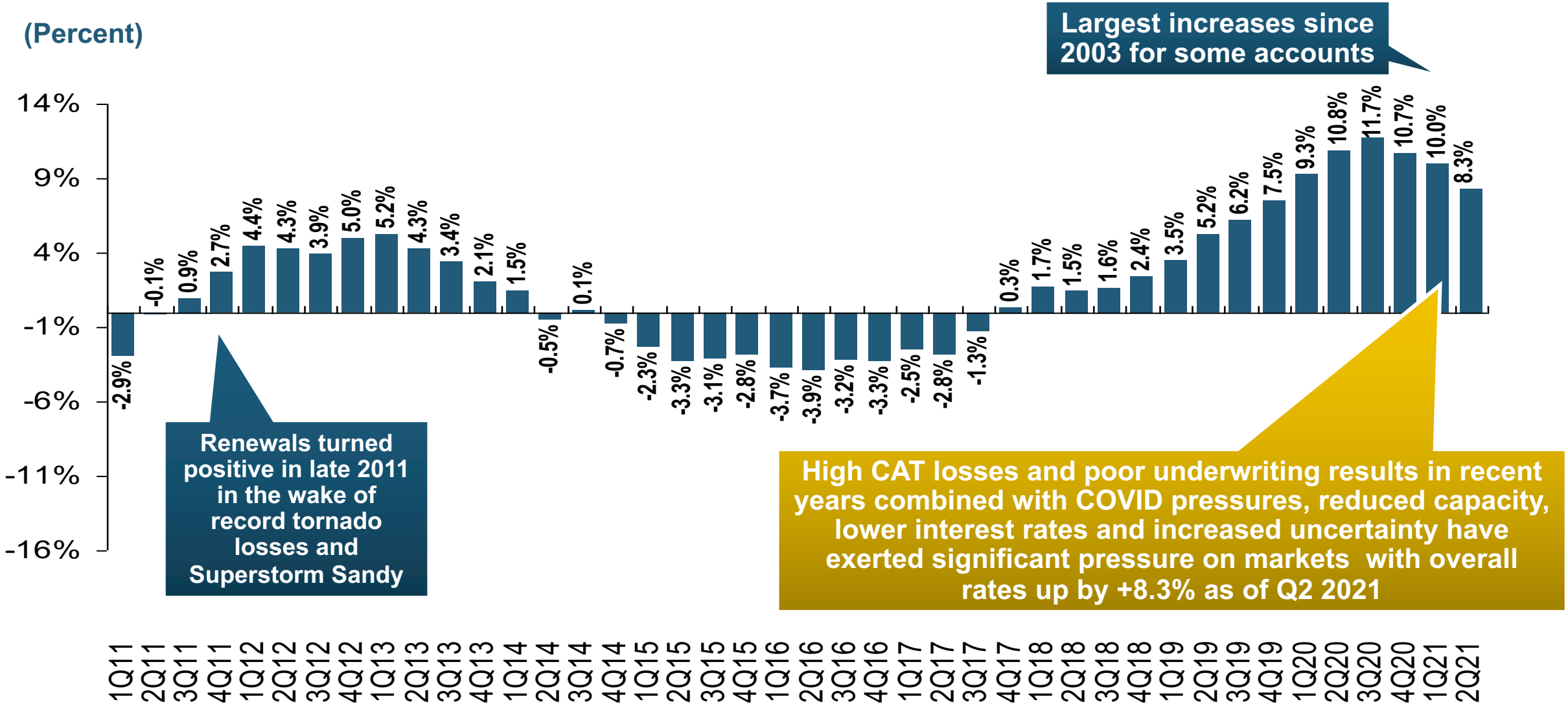
54

Commercial Lines NPW Premium Growth: 1975 – 2020E



Note: Data include state funds beginning in 1998.
Source: A.M. Best; Insurance Information Institute; Univ. of South Carolina Center for Risk and Uncertainty Management, ISO.

CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2021:Q2*

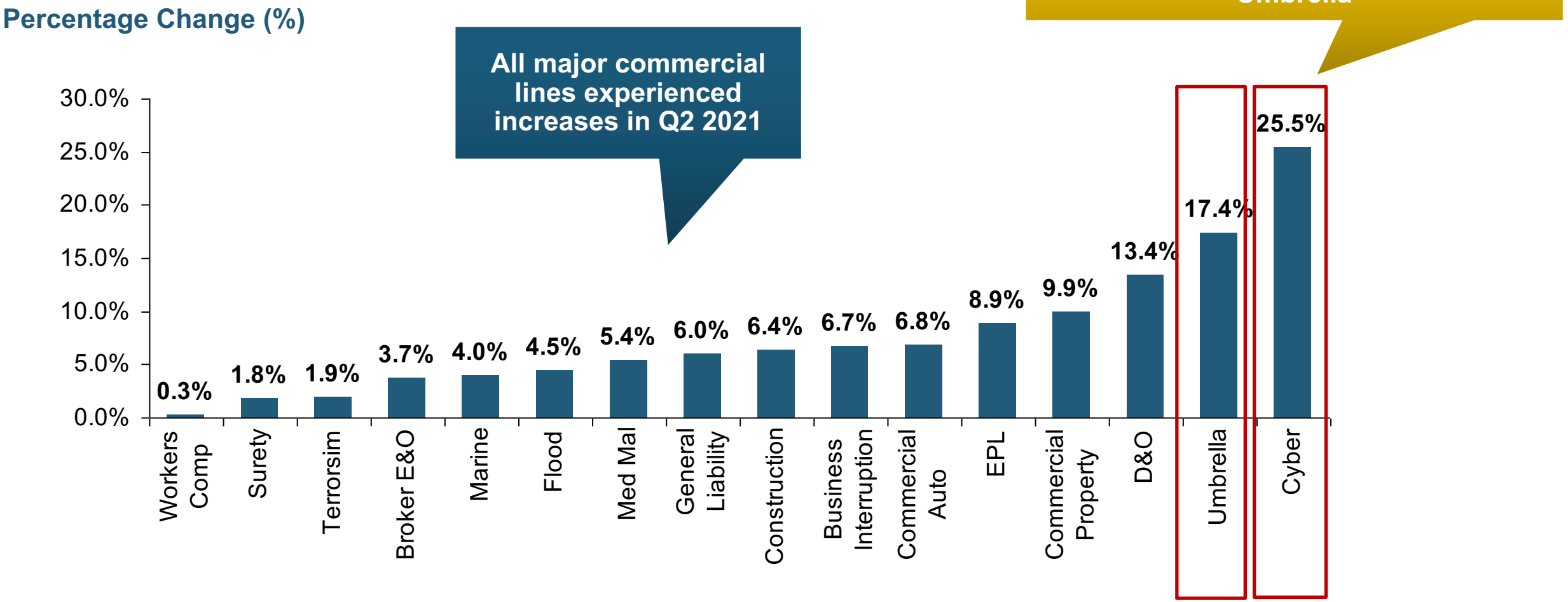


*Latest available.
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Change in Commercial Rate Renewals, by Line: 2021:Q2

Cyber is seeing record increase, in response to major breaches in 2020 and 2021, overtaking Commercial Umbrella

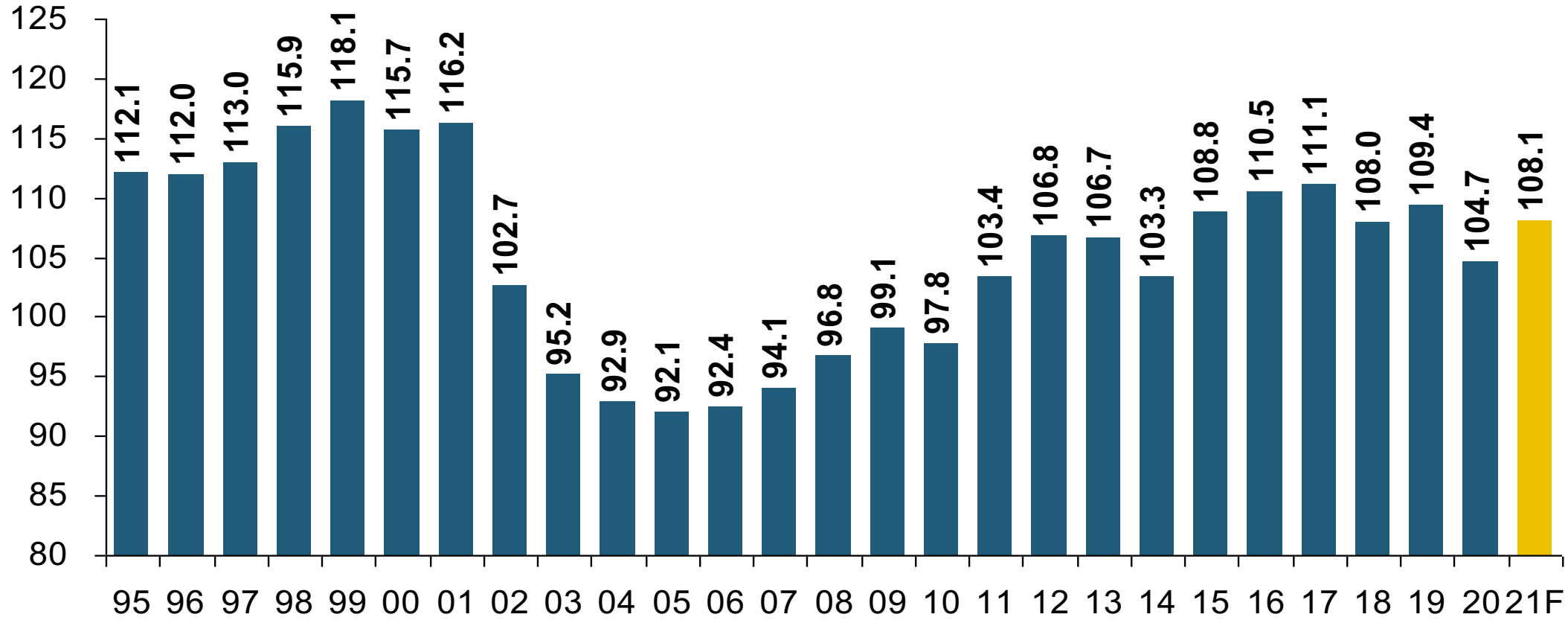
All major commercial lines experienced increases in Q2 2021



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

Source: Council of Insurance Agents and Brokers; USC Center for Risk and Uncertainty Management.

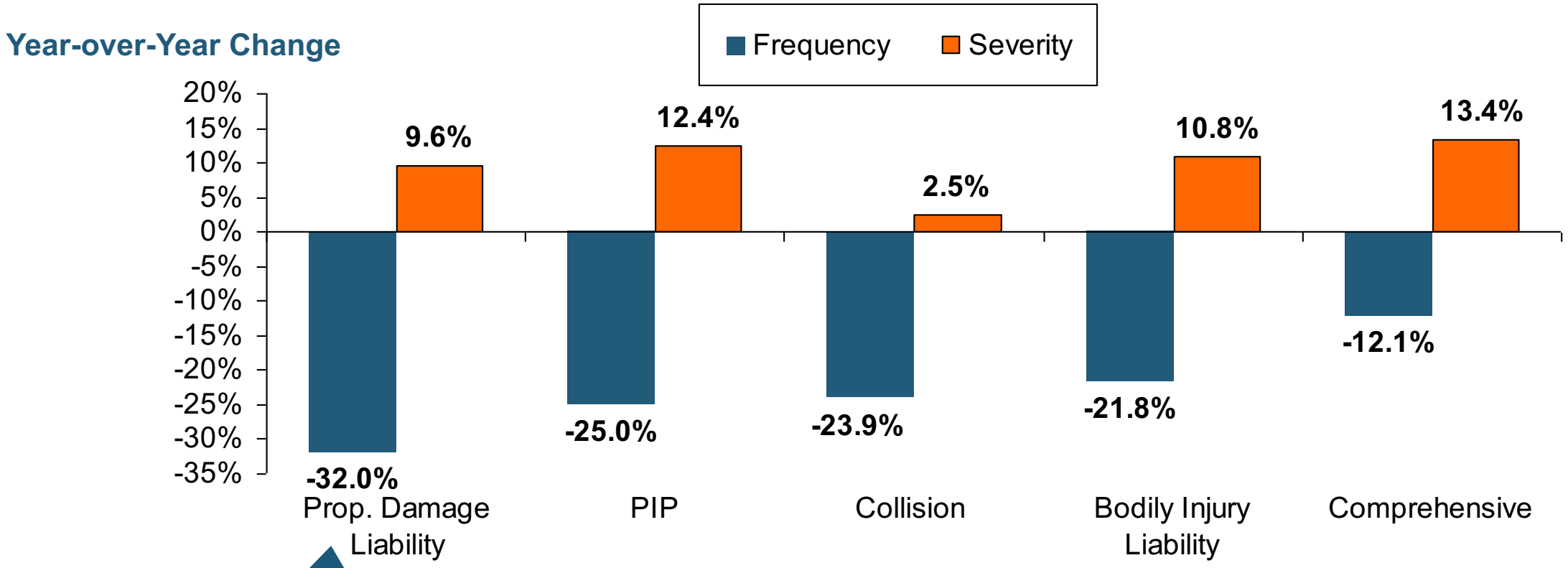
Commercial Auto Combined Ratio: 1993–2021F



Commercial Auto Results Are Challenged as Rate Gains Have Yet to Fully Offset Adverse Frequency and Severity Trends; 2020 Improvement Driven in Part by Reduced Claim Frequency During COVID-19 Pandemic

Sources: A.M. Best (1990-2021F); Center for Risk and Uncertainty Management, University of South Carolina.

US Personal Auto Claim Frequency Trends Significantly Impacted by COVID but Severities Rise: 12 Months Ending Q1 2021 vs. 12 Months ending Q1 2020



PD Liability claims plunged by nearly 1/3

Auto Claims Fell Sharply During the Pandemic, though Claim Severities Rose Materially

Source: ISO/PCI *Fast Track* data for Q1 2021; Risk and Uncertainty Management Center, Univ. of South Carolina.

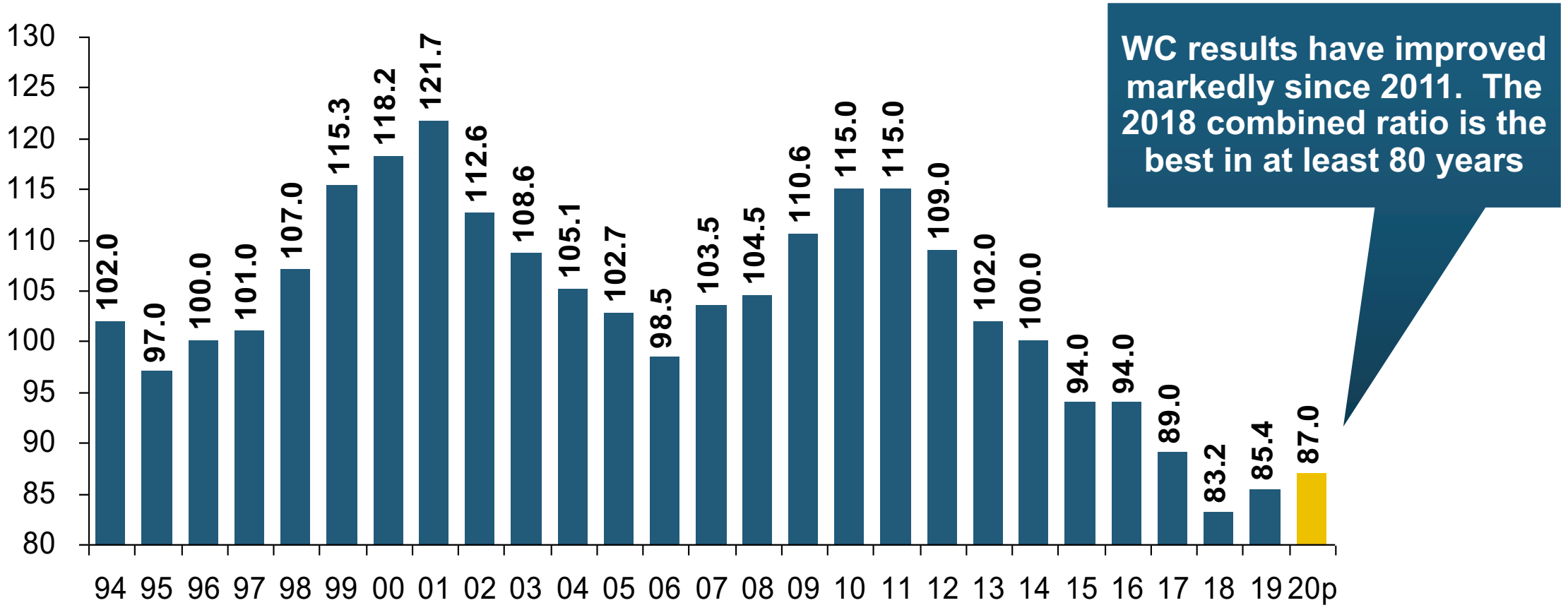
Workers Compensation Update

Significant Improvement Over the Past Decade

Long-Term Affects of COVID Uncertain

61

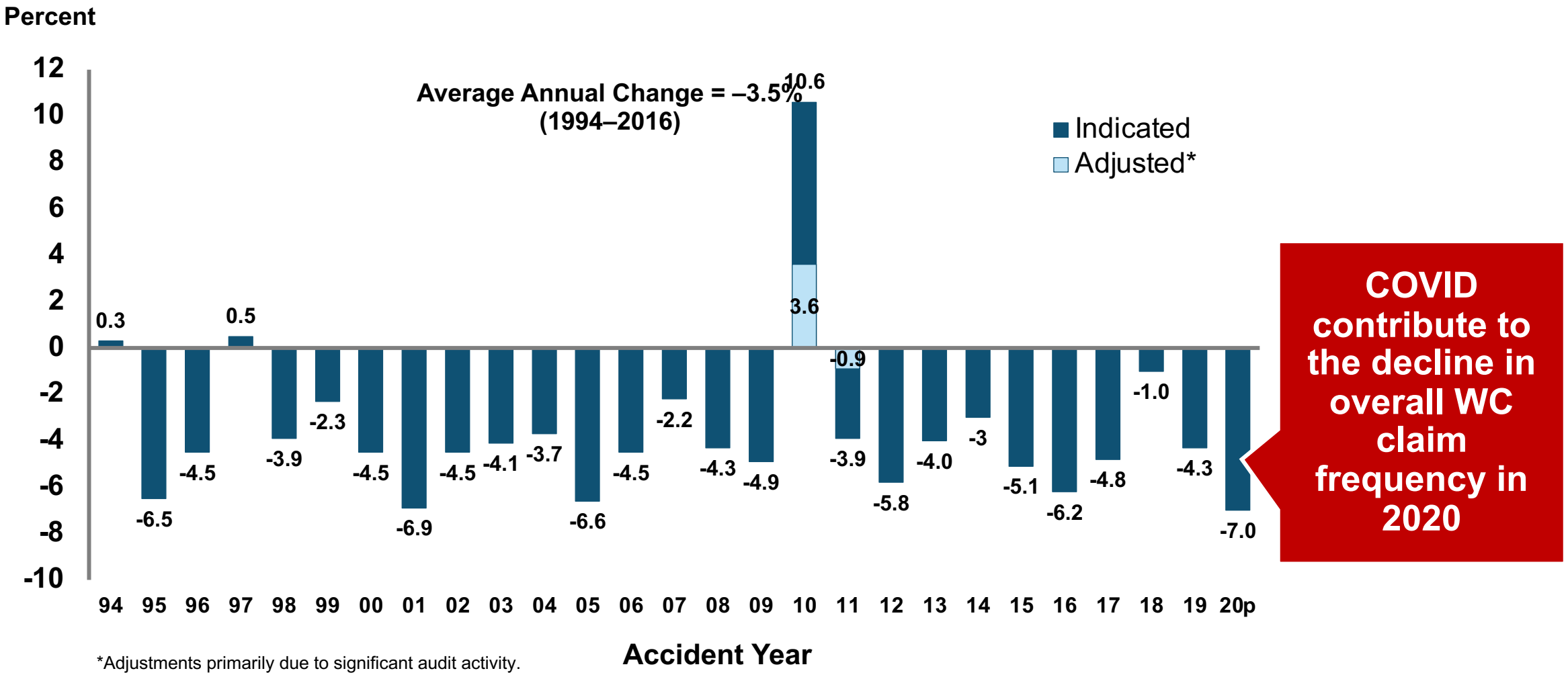
Workers Compensation Combined Ratio: 1994–2020P



Workers Comp Results Improved Substantially Over the Past Decade with COVID (So Far) Having Only Modest Impacts on Underwriting Performance

Sources: A.M. Best (1994-2009); NCCI (2010-2020P) and are for private carriers only..

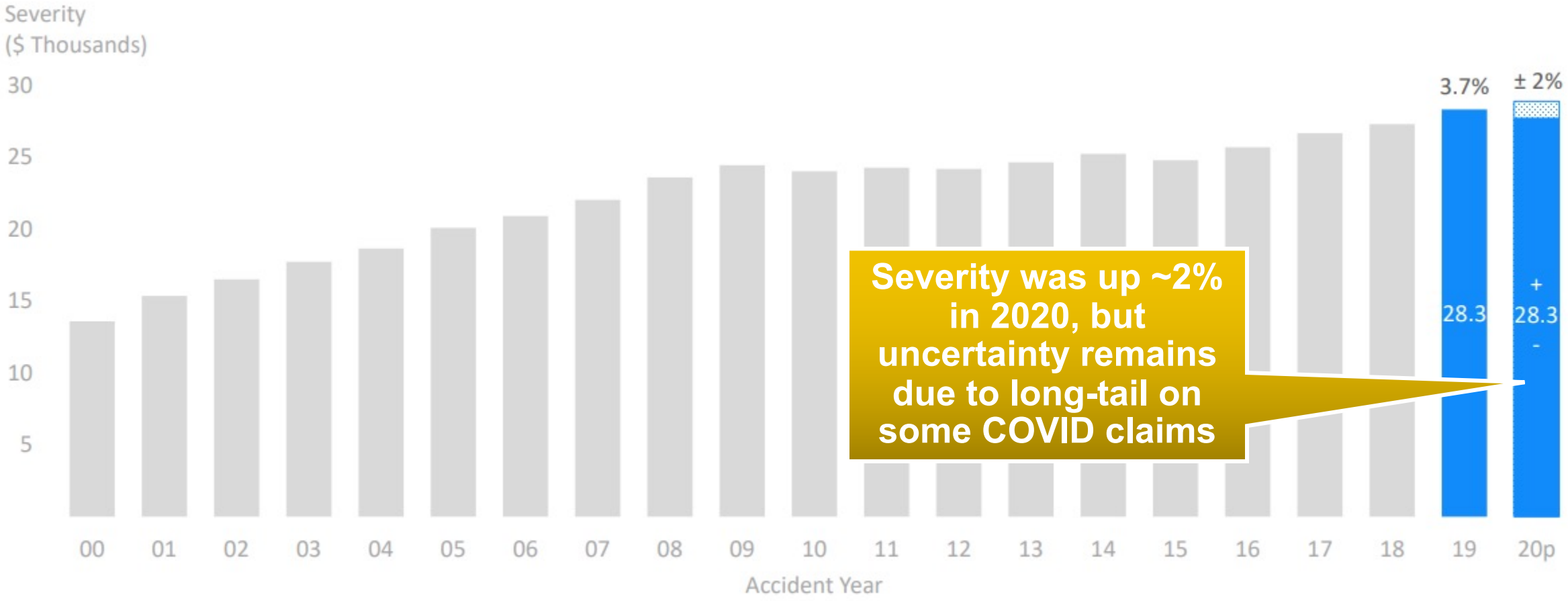
Workers Compensation Lost-Time Claim Frequency Declined Again in 2020



COVID contribute to the decline in overall WC claim frequency in 2020

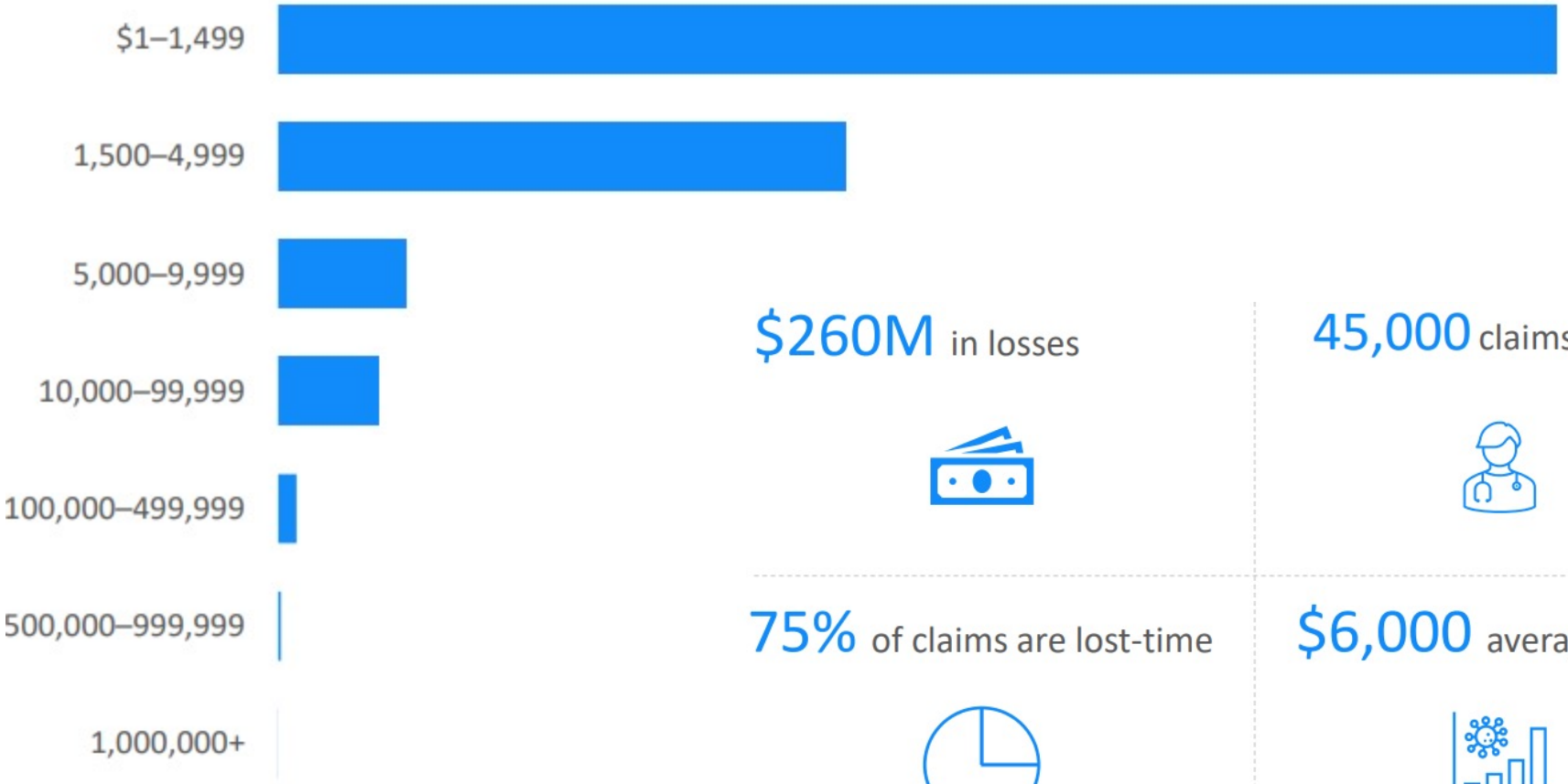
*Adjustments primarily due to significant audit activity.
2020p: Preliminary based on data valued as of 12/31/2020.
Source: NCCI Financial Call data, developed to ultimate and adjusted to current wage an voluntary loss cost level; Excludes high deductible policies; 1994-2020: Based on data through 12/31/20. Data for all states where NCCI provides ratemaking services, excluding WV.
Frequency is the number of lost-time claims per $1M pure premium at current wage and voluntary loss cost level

Workers Comp Average Medical Lost-Time Claim Severity:
(Private Carriers and State Funds—NCCI States)



2020p: Preliminary based on data valued as of 12/31/2020.
Source: NCCI Financial Call data, developed to ultimate and adjusted to current wage an voluntary loss cost level; Excludes high deductible policies; 1994-2020: Based on data through 12/31/20. Data for all states where NCCI provides ratemaking services, excluding WV prior to 2010, TX prior to 2006 and NV prior to 2004.
Frequency is the number of lost-time claims per $1M pure premium at current wage and voluntary loss cost level

COVID WC Claims: NCCI Data Should Modest Impacts



$260M in losses

45,000 claims

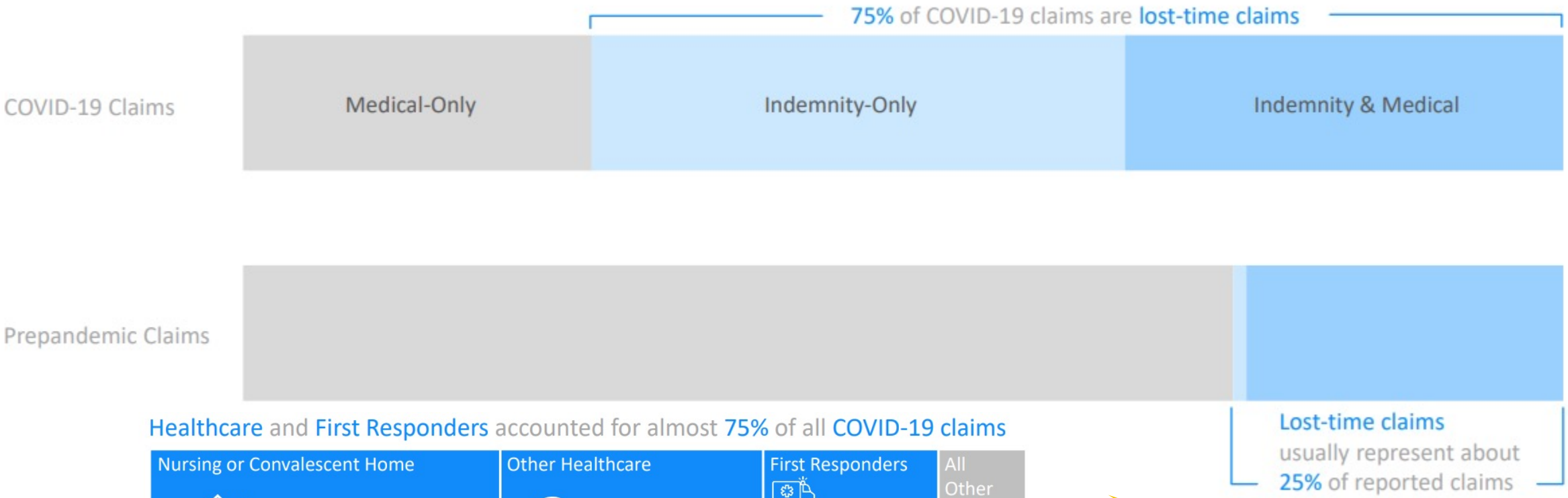
75% of claims are lost-time

$6,000 average severity

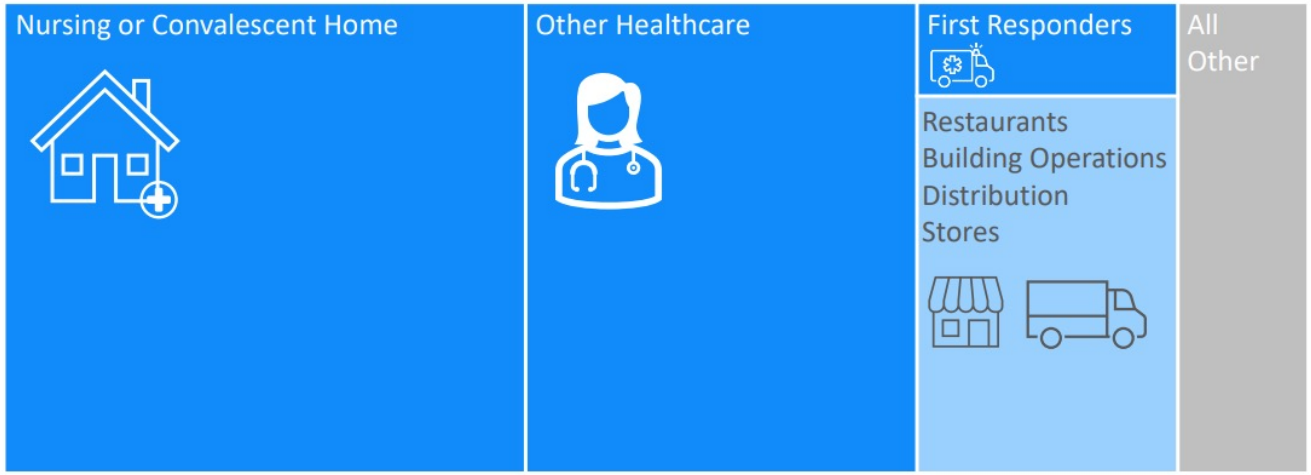
Most claims were low severity, with average severity = $6,000 in 2020

Source: NCCI Financial Call through 12/31/20. Indemnity and Medical Paid+Case Losses

COVID WC Claim Distribution



Healthcare and First Responders accounted for almost 75% of all COVID-19 claims



Most claims WC COVID claims were lost-time and originating with healthcare workers and first responsers

Source: NCCI Financial Call through 12/31/20. Indemnity and Medical Paid+Case Losses

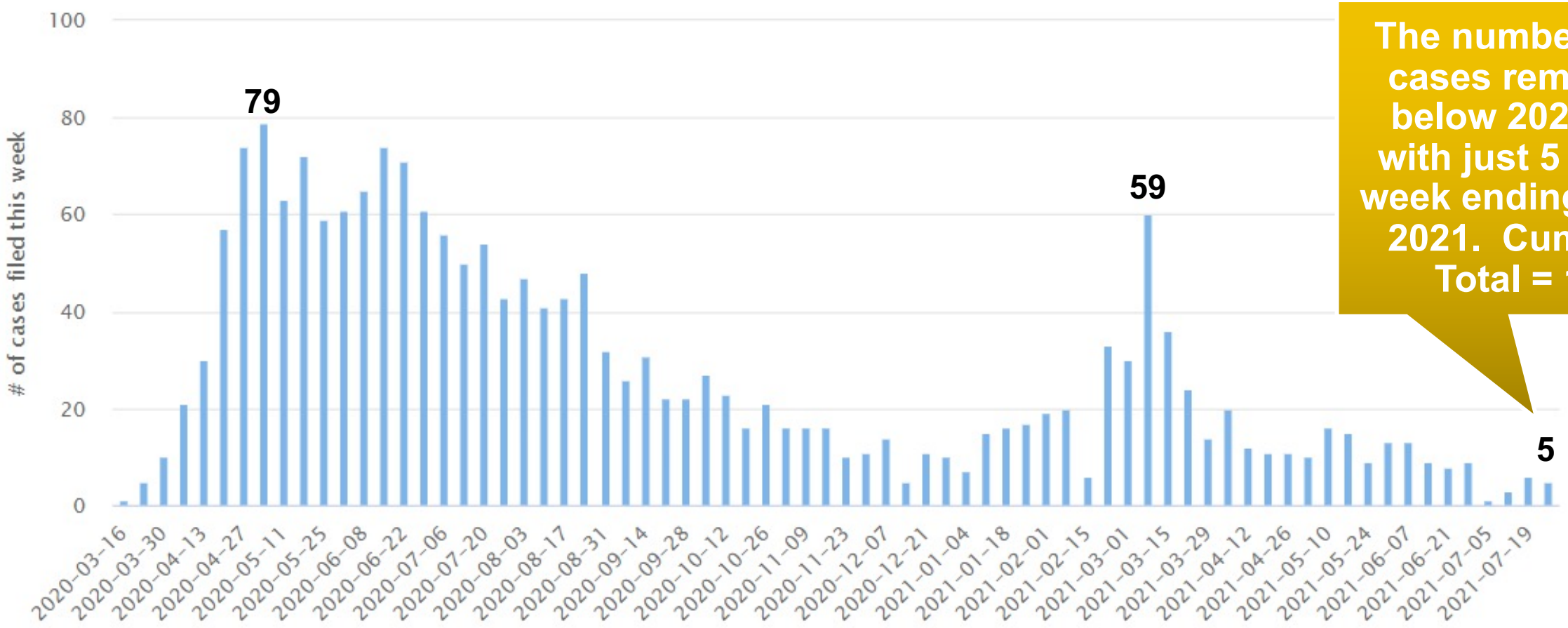
COVID-19 Litigation Update

Court Decisions Have Largely Favored Insurers, but Concerns Remain

67

Weekly Number of COVID-Related Lawsuits Filed:

(Weeks Ending Mar. 16, 2020 to Jul. 26, 2021) [Latest Available]

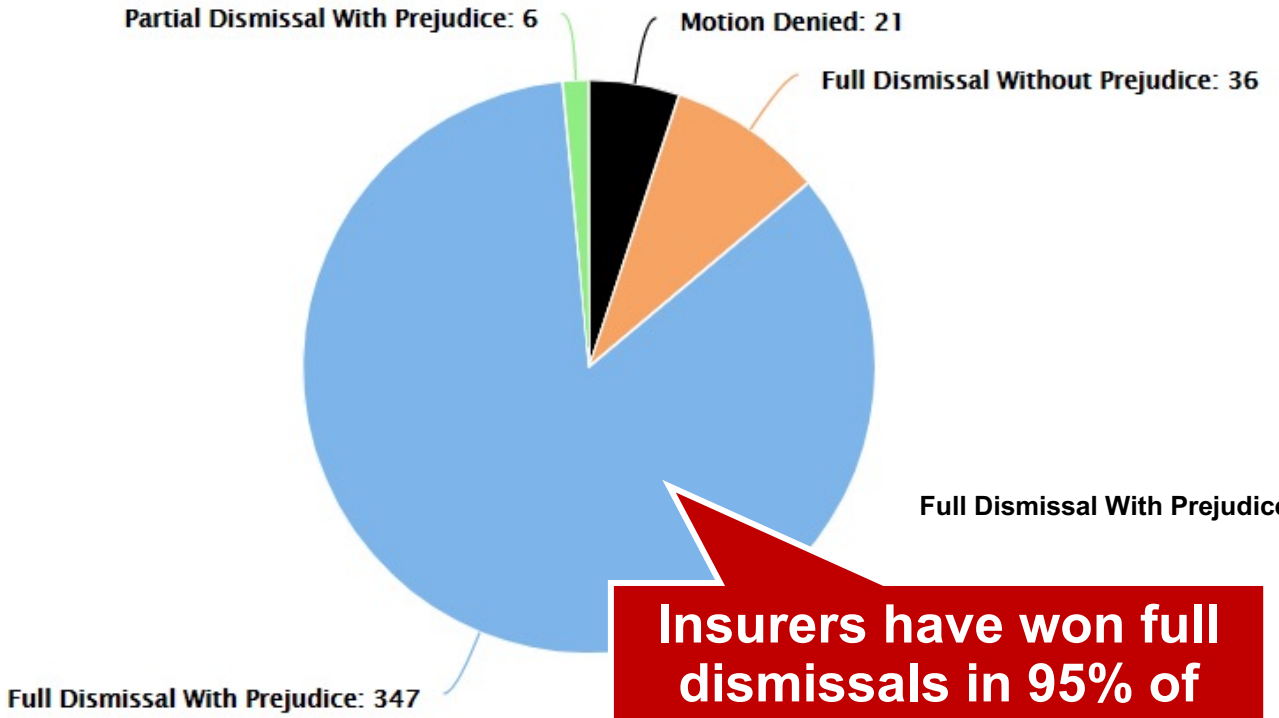


The number of new cases remains far below 2020 highs with just 5 filed the week ending July 26, 2021. Cumulative Total = 1,972

Source: Covid Coverage Litigation Tracker, University of Pennsylvania School of Law. Accessed 9/1/21 at: https://cclt.law.upenn.edu

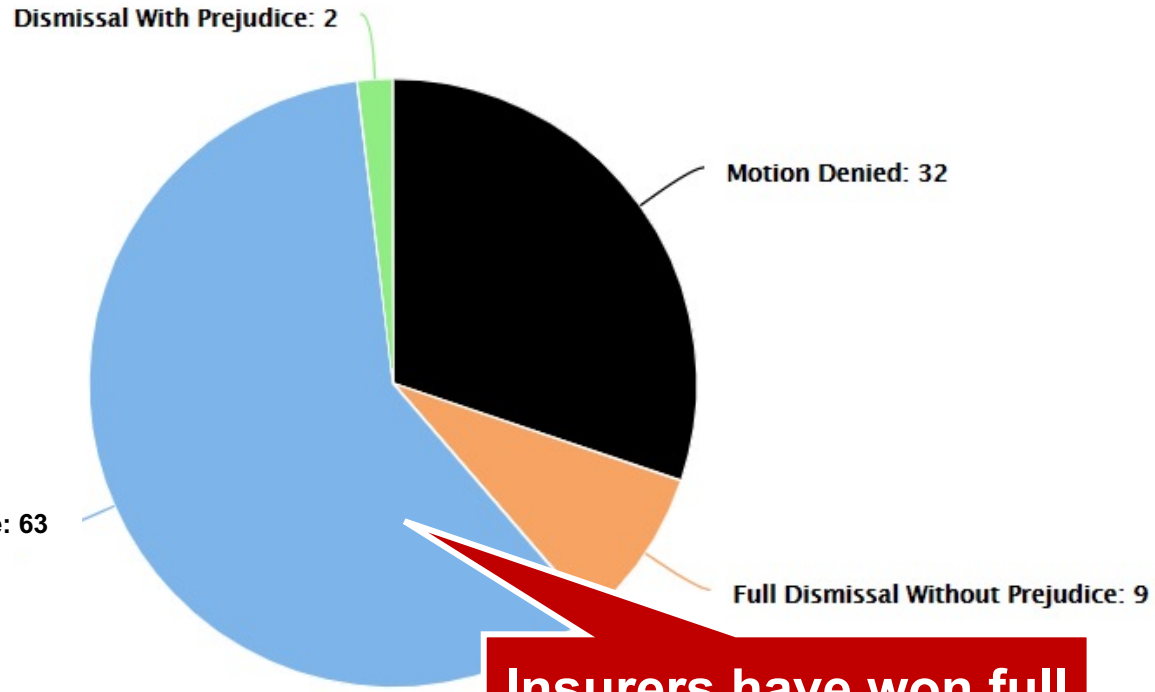
COVID Litigation: Merits Rulings on Motions to Dismiss: Federal vs. State Courts *(Total through July 26, 2021) [Latest Available]*

Federal Courts



Insurers have won full dismissals in 95% of federal court cases involving Covid

State Courts



Insurers have won full dismissals in 70% of state court cases involving Covid

Source: Covid Coverage Litigation Tracker, University of Pennsylvania School of Law. Accessed 9/1/21 at: https://cclt.law.upenn.edu

SUMMARY

- The P/C Insurance Industry Remains Strong, Stable, Sound and Secure
- Worst-Case COVID-19 Scenarios Have, So Far, Been Averted
- An Anticipated Acceleration in the Economic Recovery in the Second Half of 2021 Should Help Restore Most P/C Exposures to Pre-Pandemic Levels by early-2022 or sooner
- Asset Price Volatility Will Persist and Low Interest Rates Will Pressure Investment Earnings for Years
- Many Loss Cost Challenges—Inflation, Supply Chain and Social Inflation Issues

UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Thank you for your time and your attention!

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