The State of the Commercial P/C Insurance Industry:
The Challenging Emergence from COVID

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P/C Insurance Overview & Outlook: Outline

- P/C Financial Overview & Outlook Amid the COVID-19 Pandemic
- COVID-19 Update
- CAT Loss Update
  - Focus on the Midwest
- Technology Risks
- Investment Market Issues: Volatility Rules, Low Interest Rates are Back
- The Economy, Insurance and COVID-19: Overview & Outlook
- Workers Comp Overview
- Summary and Q&A

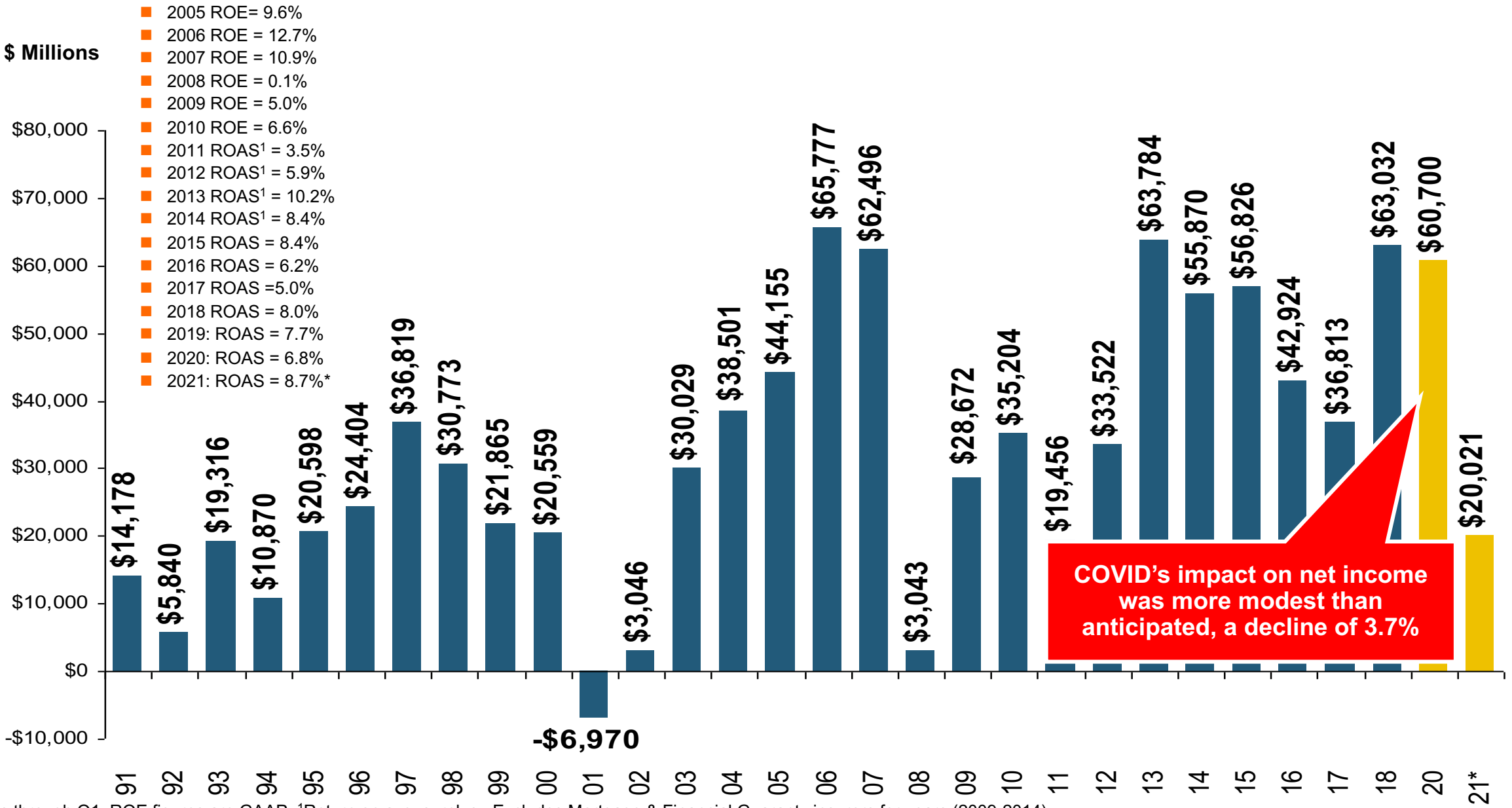
P/C Insurance Industry: Financial Overview Amid the COVID-19 Pandemic

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

Industry Remains Strong

3

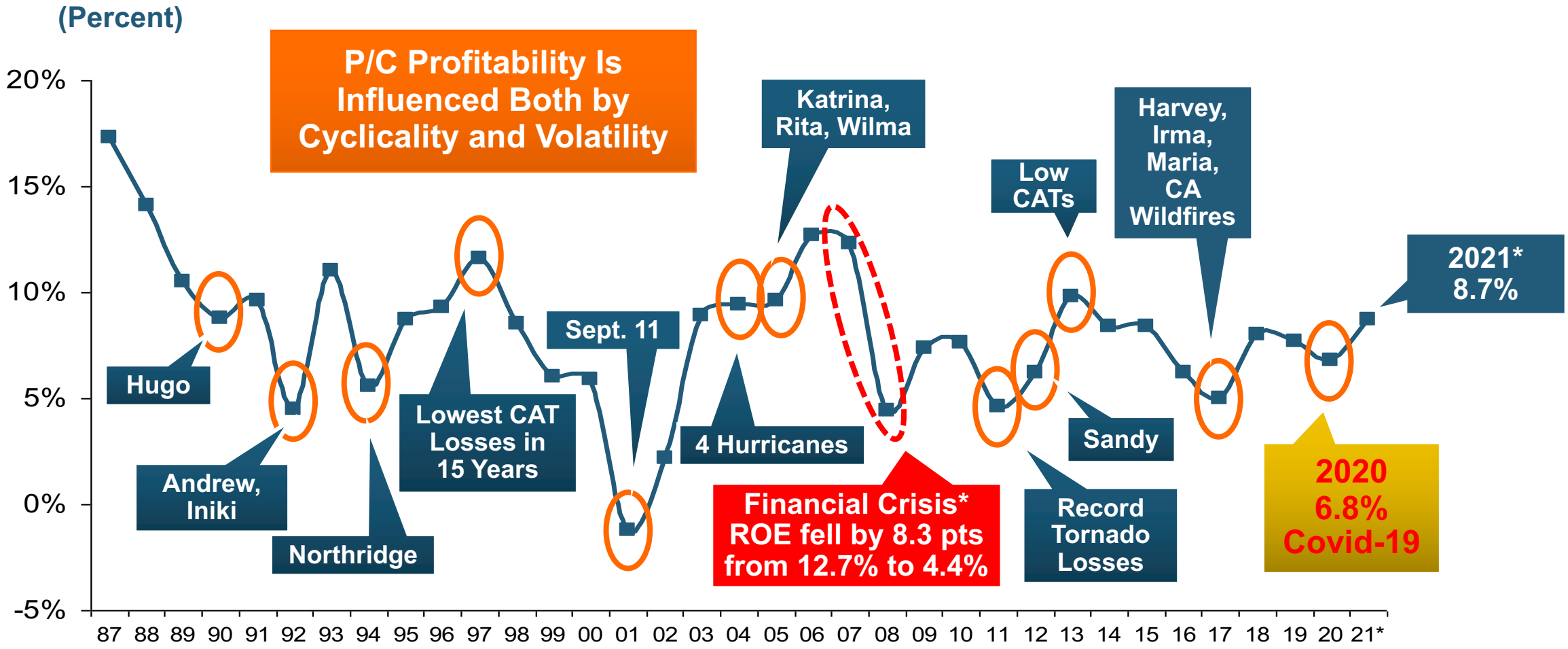
P/C Industry Net Income After Taxes, 1991–2021:Q1*



*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*



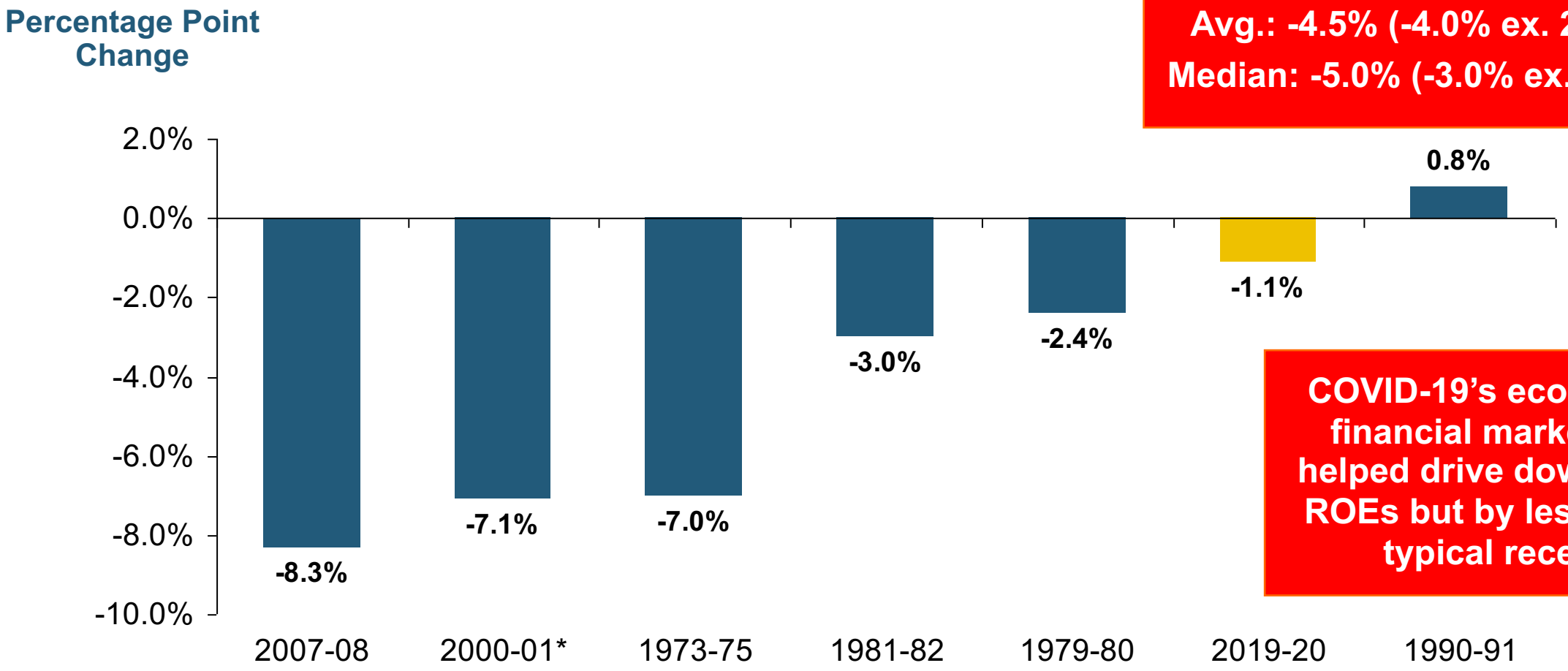
*Excludes Mortgage & Financial Guarantee in 2008 – 2014. 2021 figure is Q1 actual of 8.7%.
Sources: ISO, *Fortune*; USC RUM Center.

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)



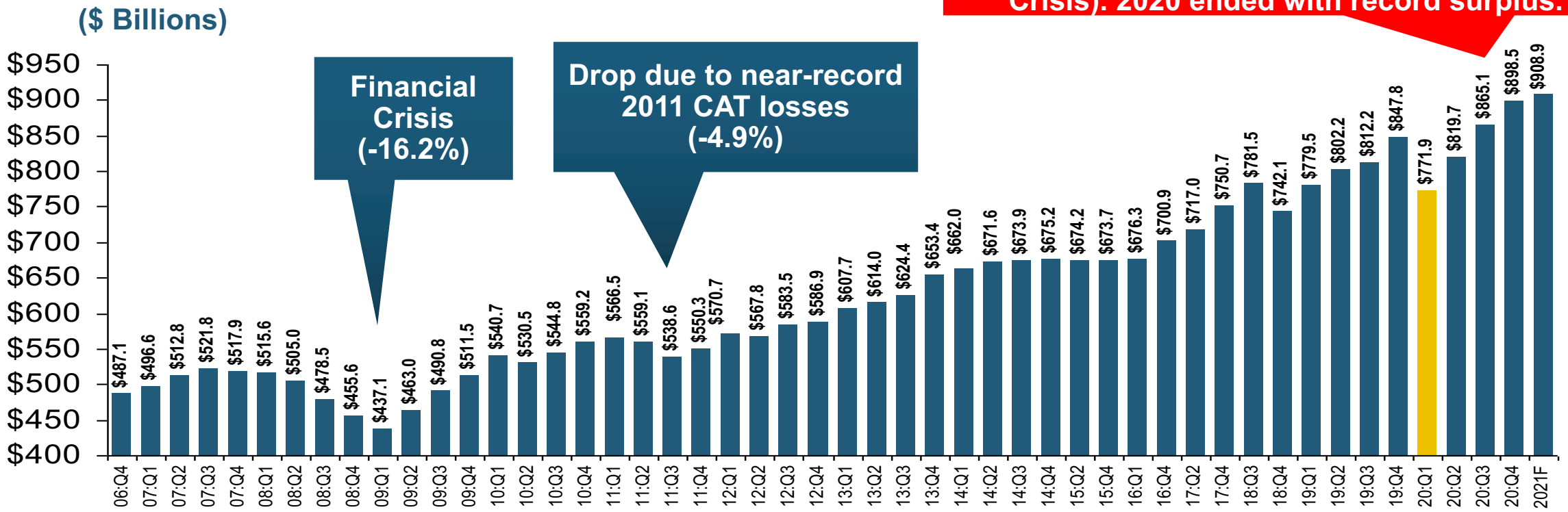
COVID-19's economic and financial market impact helped drive down industry ROEs but by less than in a typical recession

*2000-2001 decline impacted by 9/11 losses.

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.

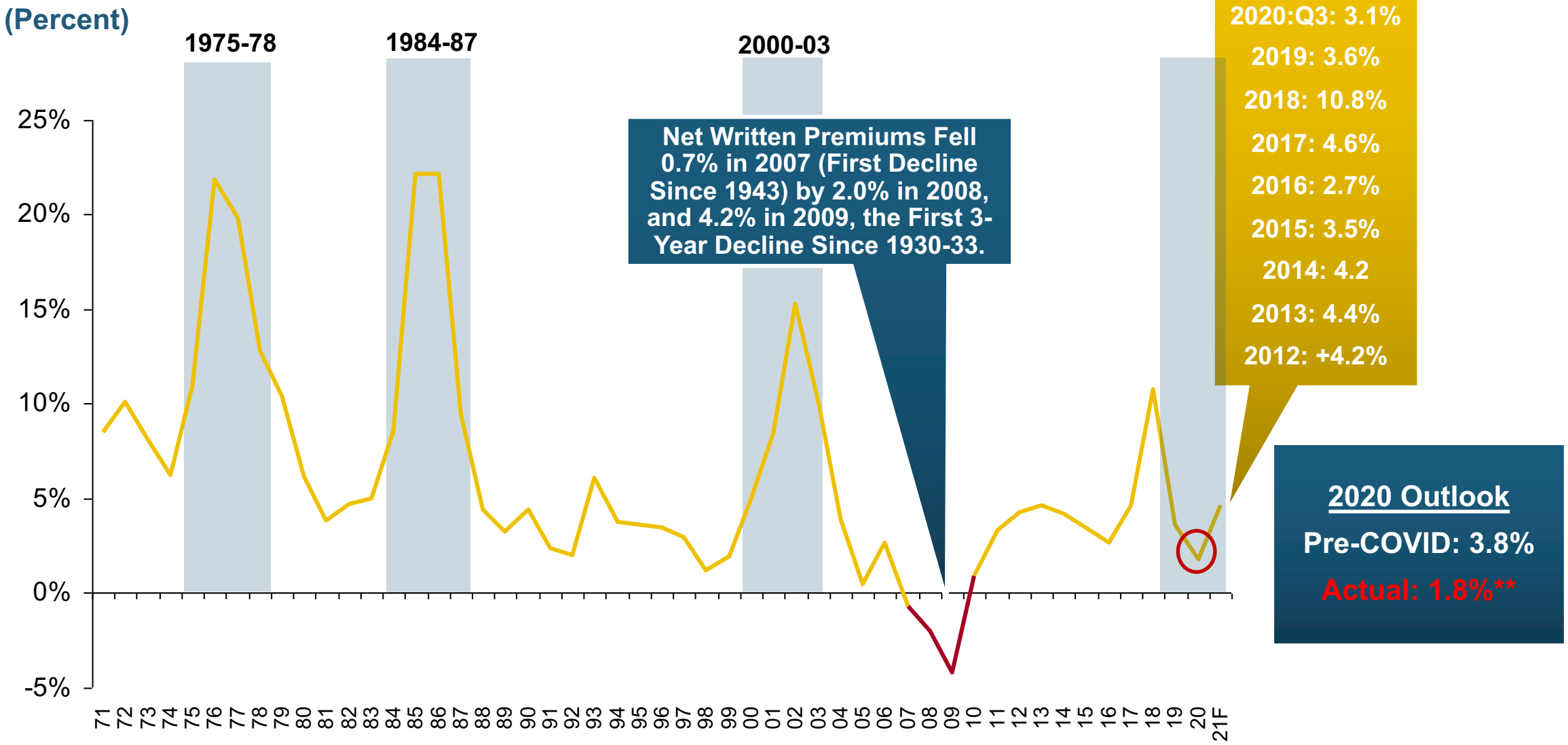


2010: Q1 data includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business.

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.

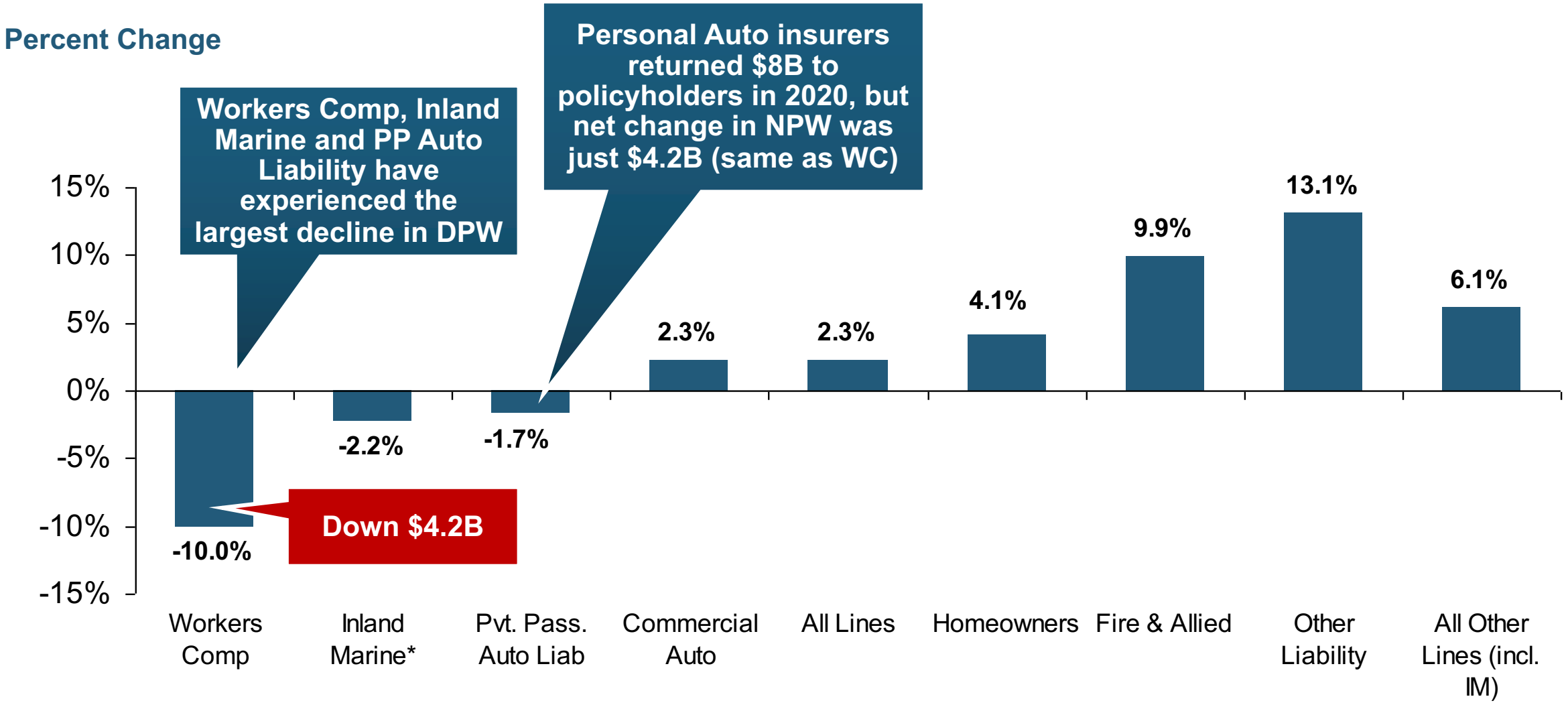
Sources: ISO, A.M .Best; Risk and Uncertainty Management Center, University of South Carolina.

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



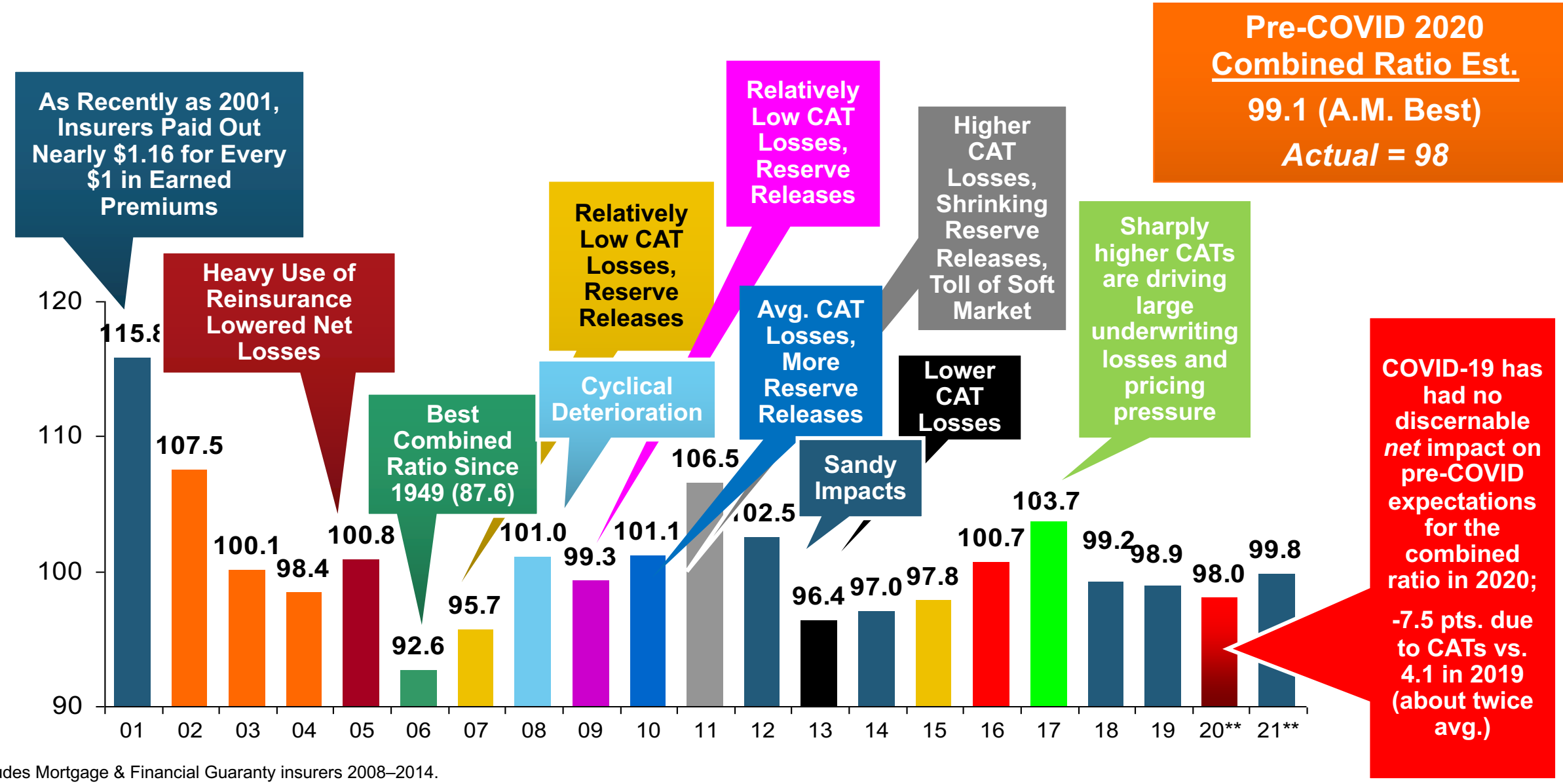
* **Pre/Post-COVID-19 forecast from A.M. Best Review & Preview (Feb. 2020, 2021). NOTE: Shaded areas denote "hard market" periods
Sources: A.M. Best (1971-2013, 2021F), ISO (2014-19); Risk & Uncertainty Management Center, Univ. of South Carolina

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



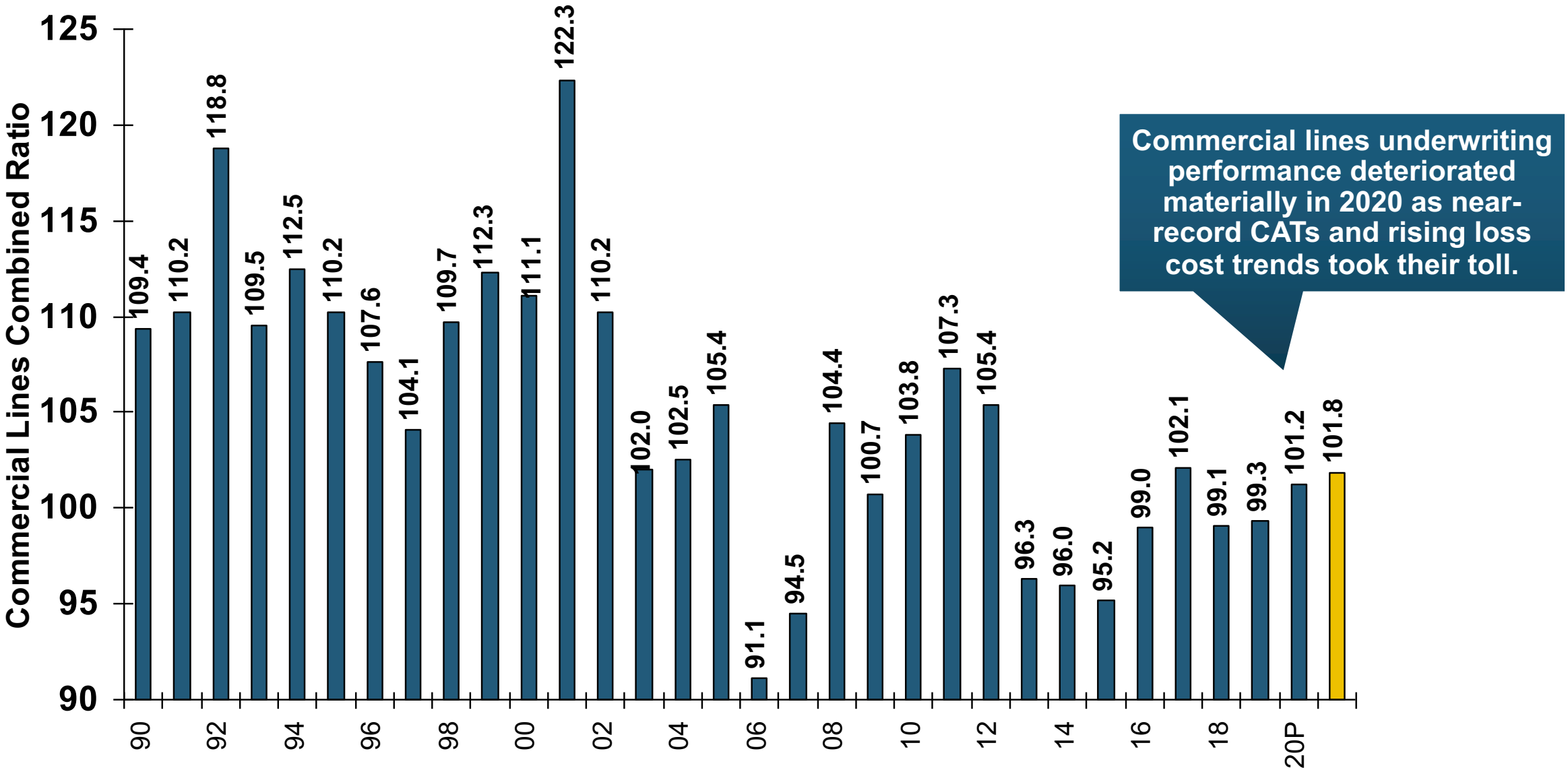
*Inland Marine figure is DPW though first 9-months of 2020 (A.M. Best).
Sources: NAIC Annual Statement data, NCCI; Risk and Uncertainty Management Center, Univ. of South Carolina.

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*

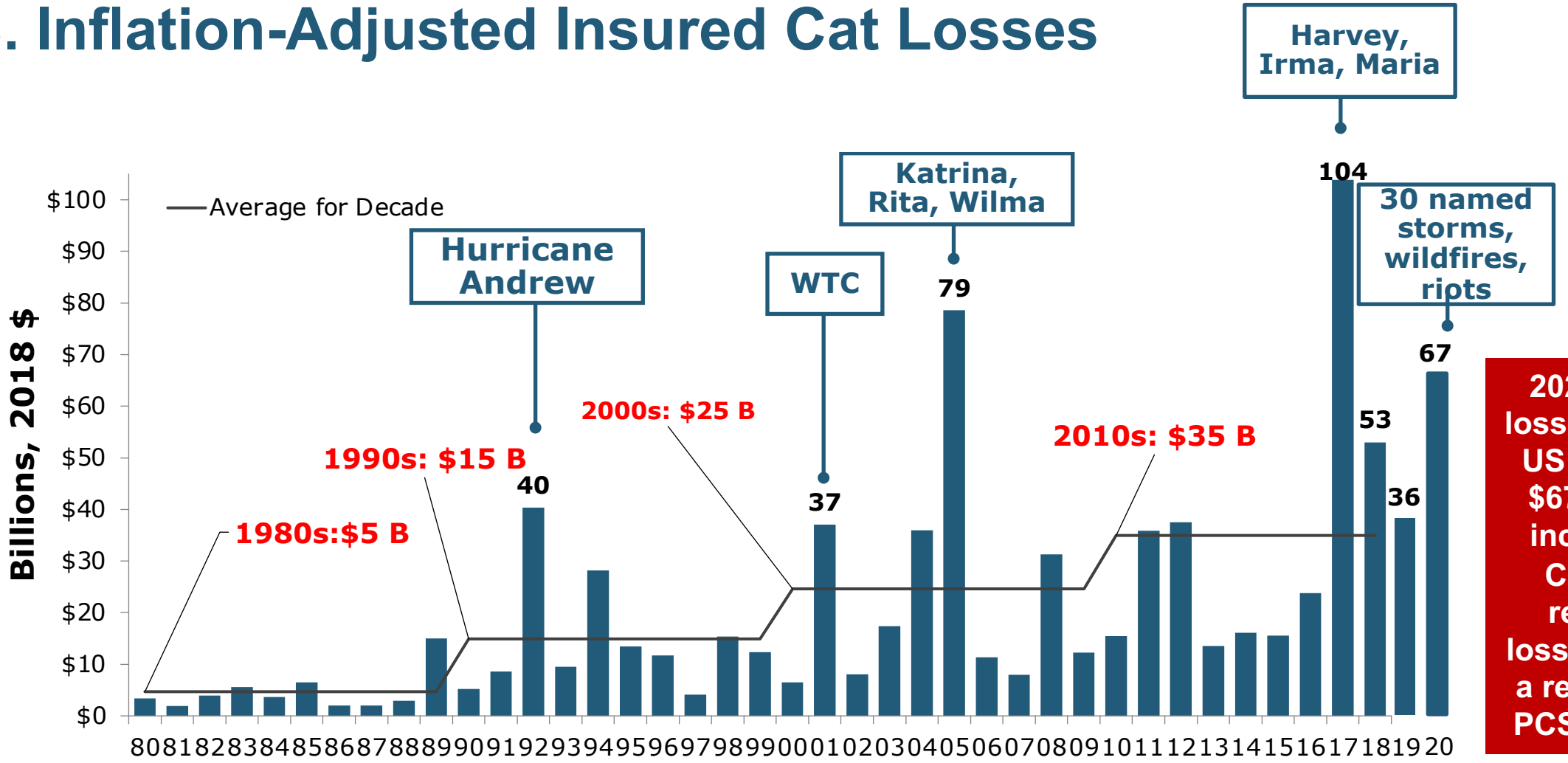
The 2020s Are Off to an Ominous Beginning

2021 Is Another Year for the Record Books

Demand Surge from Heavy CAT Activity 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 ~$25B+ for Ida in Q3 + billions for other events

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 is Hurricane Ida in August: $25B (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.

2020-21 YTD Catastrophe Highlights: Midwest Focus

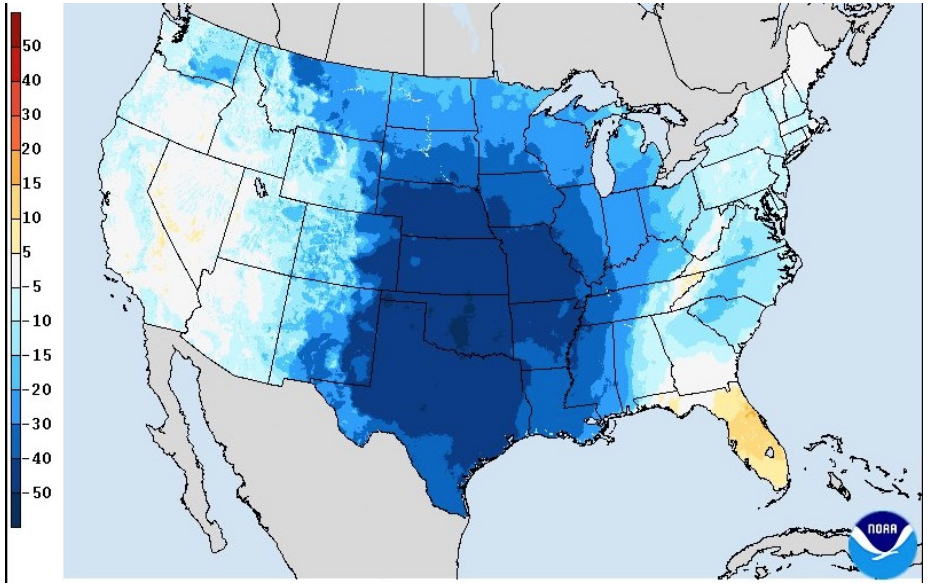
- **Largest event since start of 2020 was August 2020 Derecho**
  - **100 mph winds from SD to OH, with IA, IL, MN, IN and OH most affected**
  - **15 tornadoes in northeast IL, including Chicago metro area**
  - **Millions of acres of agricultural losses**
  - **$8.3B in insured losses ($11.5B economic losses); Among Top 3 costliest CAT losses in Midwest since 1980**
- **There were 7 other events with economic losses > $1B in 2020, all related to convective storm activity (severe thunderstorm, tornado, hail, etc.)**
- **Severe cold event in Feb. 2021: TX most impacted, but some Midwest losses**
- **Drought in upper Midwest began in 2nd half of 2020 and is ongoing**

Sources: NOAA; Aon; USC Center for Risk and Uncertainty Management.

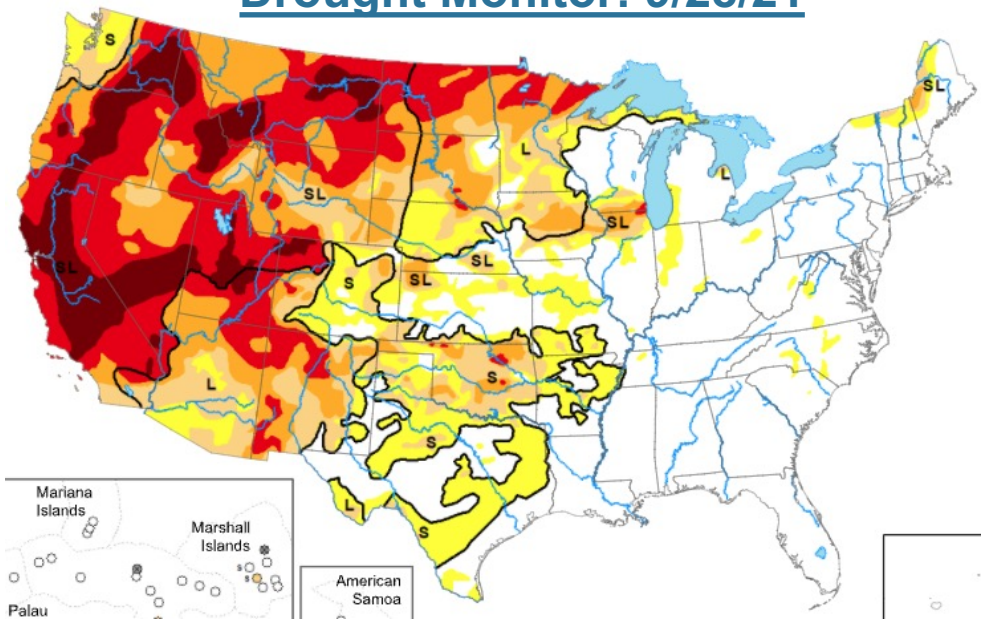
2021 YTD Catastrophe Highlights: Temperature Extremes

- **Hurricane Ida came ashore on Aug. 29 in Louisiana with 150 mph winds (CAT4)**
  - **Largest CAT of 2021, but no Midwest impacts**
- **February 2021: Record/near record cold in lower and western Midwest**
- **Throughout 2021 (and beginning in mid-2020) drought in upper Midwest**
  - **Has caused billions in economic losses to agriculture**

Maximum Temperature Anomoly: 2/15/21



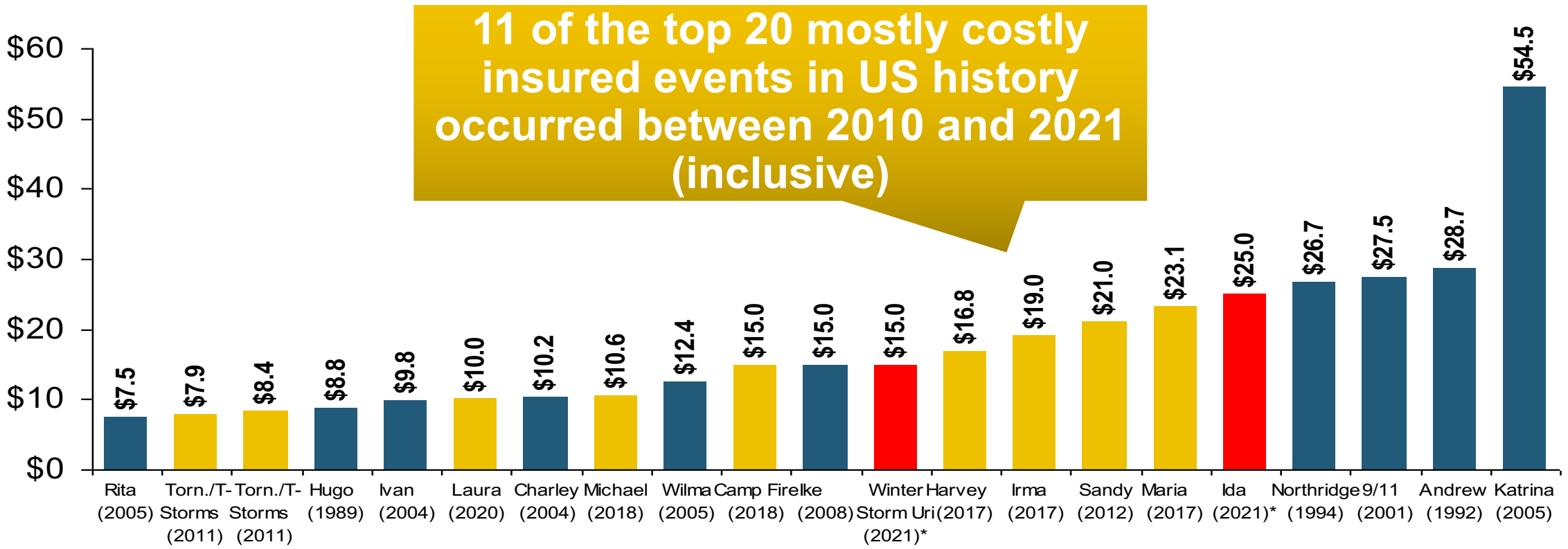
Drought Monitor: 9/28/21



Sources: National Weather Service; Droughtmonitor.unl.edu; USC Center for Risk and Uncertainty Management.

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

(Insured Losses, 2020 Dollars, $ Billions)



17 of the 20 Most Expensive Insurance Events in US History Have Occurred Since 2004

*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.

COVID Is Not Over!
But How Have Actual Results Differed from Expectations?

A Review of Early Predictions of COVID's Impact on Insurers

US P/C Results Have Generally Been Better than Anticipated

Potential Impacts of COVID-19 on *Written Premium* in 2020, by Key Line

Line	Estimated Premium Impact
Workers Compensation	12.5% to 25% reduction in premium written in 2020 ***(equates to $5.9B to $11.75B DWP)***
Business Interruption & Contingency	7% to 13% reduction in premium volume (US & UK)
General Liability*	$1.5B to $6.3B premium reduction in US
Personal Auto	~$10B in refunds, rebates (equates to ~4% of DWP)
Personal Travel Insurance	29% to 78% reduction in premium written (US & UK)
Personal/Comm. Motor	~10% reduction in US; 0% to 11% reduction in UK
Marine/Aviation/Transport	$0.7B-$1.5B (US); $0.6 - $1.2B (UK)

APRIL/MAY 2020 ESTIMATES

*Includes nursing home professional liability.

Source: Derived from Willis Towers Watson, *Scenario Analysis of COVID-19 Pandemic* (Fig.11, 14), May 2020. and other sources; Risk and Uncertainty Management Center, University of South Carolina.

Potential Impacts of COVID-19 on *LOSSES* in 2020, by Key Line

Line	Estimated Loss Impact
Workers Compensation	$0.2B - $92B ***(depends on severity of pandemic and "presumption" determination)***
Business Interruption & Contingency	$2B - $22B (US); $1.1B - $13.9B (UK)
General Liability*	$0.7B to $27B loss across US & Bermuda markets
Personal/Comm. Motor	$26B - $57B reduction in personal auto and $4.2B - $9.4B commercial (US); $1 - $7B overall reduction in UK
Mortgage	$0 - $1.7B loss across US & Bermuda markets
D&O	$0.6 - $4.0 loss across US & Bermuda markets
Marine/Aviation/Transport	$0.3B-$1.3B reduction (US); $0.6 - $1.1B (UK)

APRIL/MAY 2020 ESTIMATES

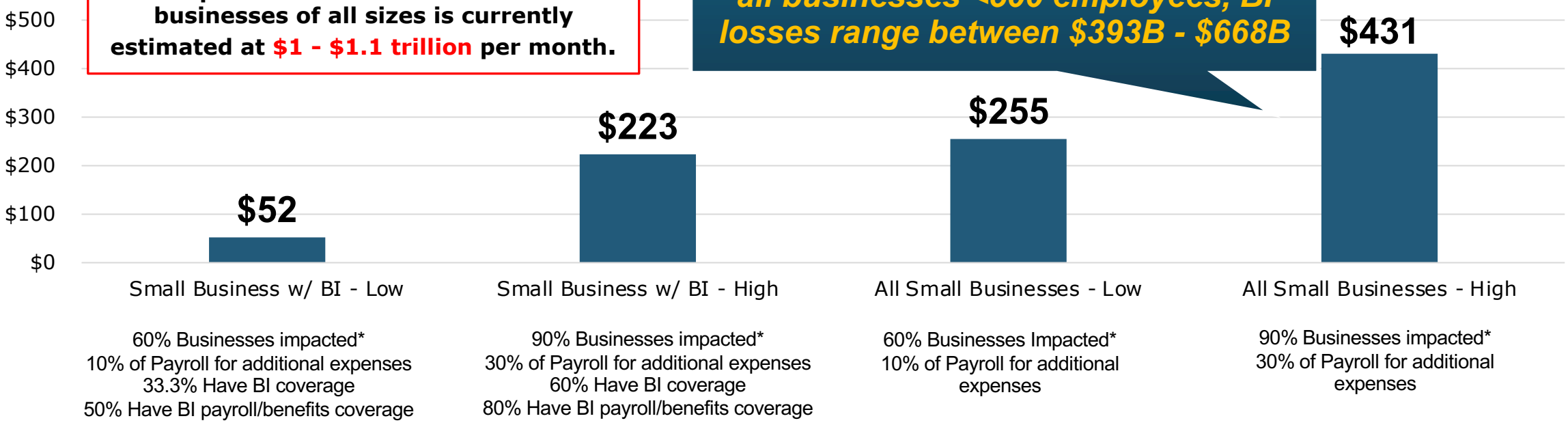
*Includes nursing home professional liability.

Source: Derived from Willis Towers Watson, *Scenario Analysis of COVID-19 Pandemic* (Fig.11, 14), May 2020. and other sources; Risk and Uncertainty Management Center, University of South Carolina.

Estimated Monthly U.S. Business Interruption Coronavirus Losses for Small Business—Potential Range (<100 Employees; $Bill)

The potential for such losses for all businesses of all sizes is currently estimated at $1 - $1.1 trillion per month.

Monthly BI losses for small business vary widely depending on underlying assumptions but expansive legislation would result in higher estimates; *For all businesses <500 employees, BI losses range between $393B - $668B*

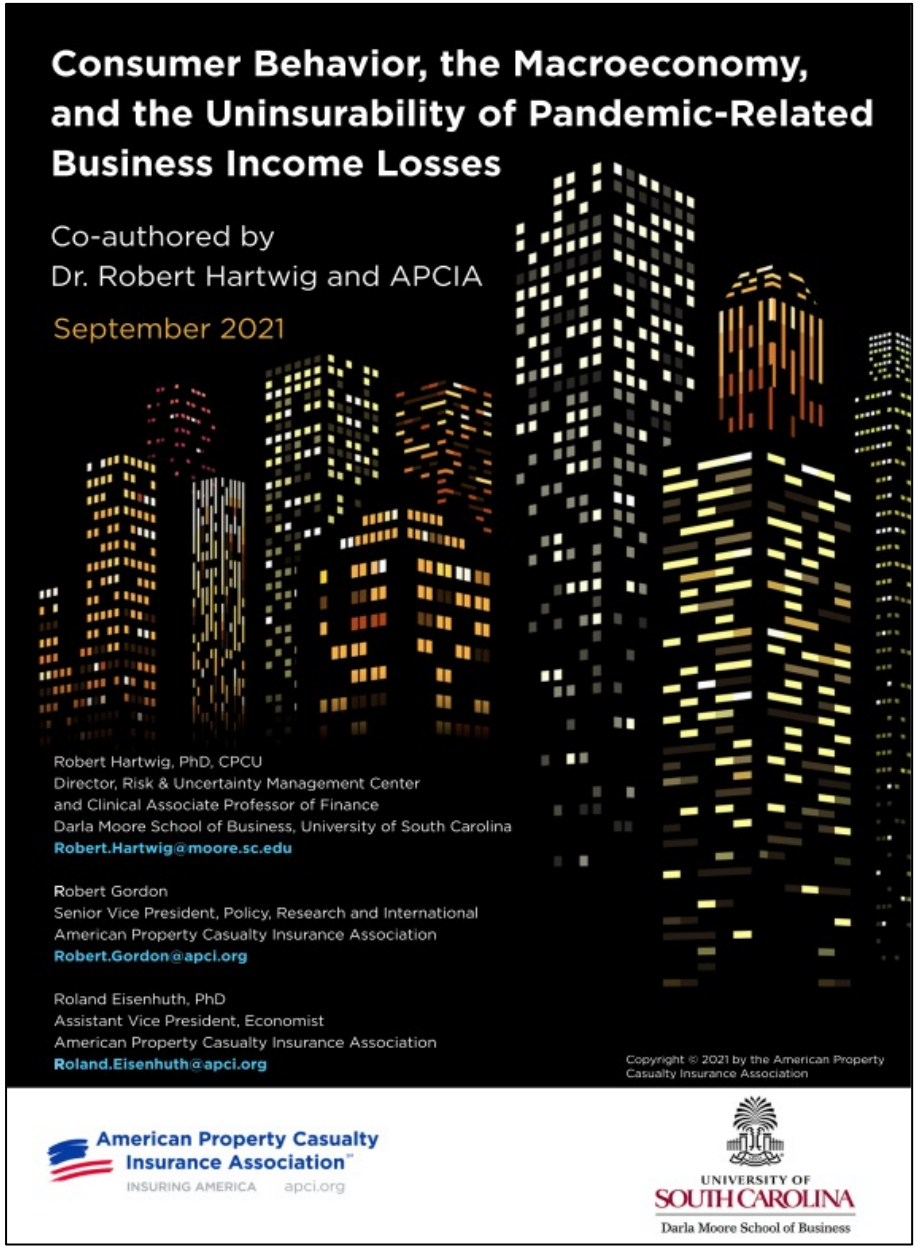


* Businesses impacted: Proportion of businesses completely or substantially closed related to coronavirus
Assumptions: Losses if standard insurance policy exclusions for viruses/pandemics are voided and physical loss/damage requirement is stricken; three main coverages - profit lost, payroll/benefits, additional expenses; average annual $2m revenue and 7% profit margin; non-wage benefits of small businesses are 25% less than that for average US businesses

Source: APCIA, April 2020.

Paper on Macroeconomic Shifts Driving Much of BI Loss during COVID

- Research shows that much of the BI loss during COVID arose from uninsurable shifts in consumer spending patterns and a collapse in aggregate demand
  - Both are macroeconomic phenomenon and are not now nor have they ever been insurable
  - Insurers have asserted and courts agree that COVID does not result in physical damage to property
- Macroeconomic stabilization policy is properly the domain of government



Download at: https://www.uscriskcenter.com/wp-content/uploads/2021/09/Macroeconomic_Pandemic_whitepaper_HartwigAPCIA-FINAL.pdf

Reasons Why P/C Insurance Worst-Case COVID Scenarios Failed to Materialize (*So Far*)

- Economic Recovery Proceeding More Quickly than Anticipated
- Rapid Financial Market Recovery (*and then some…*)
- Massive Government Stimulus and Accommodative Fed Policy
- Worst-Case Epidemiological Outcome Avoided
- Record Pace of Vaccine Development
- Employers Did a Reasonably Good Job Protecting Workers from Exposure
- Many States Did Not Repeat Spring 2020 Lockdowns
- Litigation Outcomes Generally Favor Insurers
- WC Presumption Expansions Did Not Lead to Explosion in Claims
- Offsetting Exposure Reductions in Many Lines

COVID-19 Litigation Update

Court Decisions Have Largely Favored Insurers, but Concerns Remain

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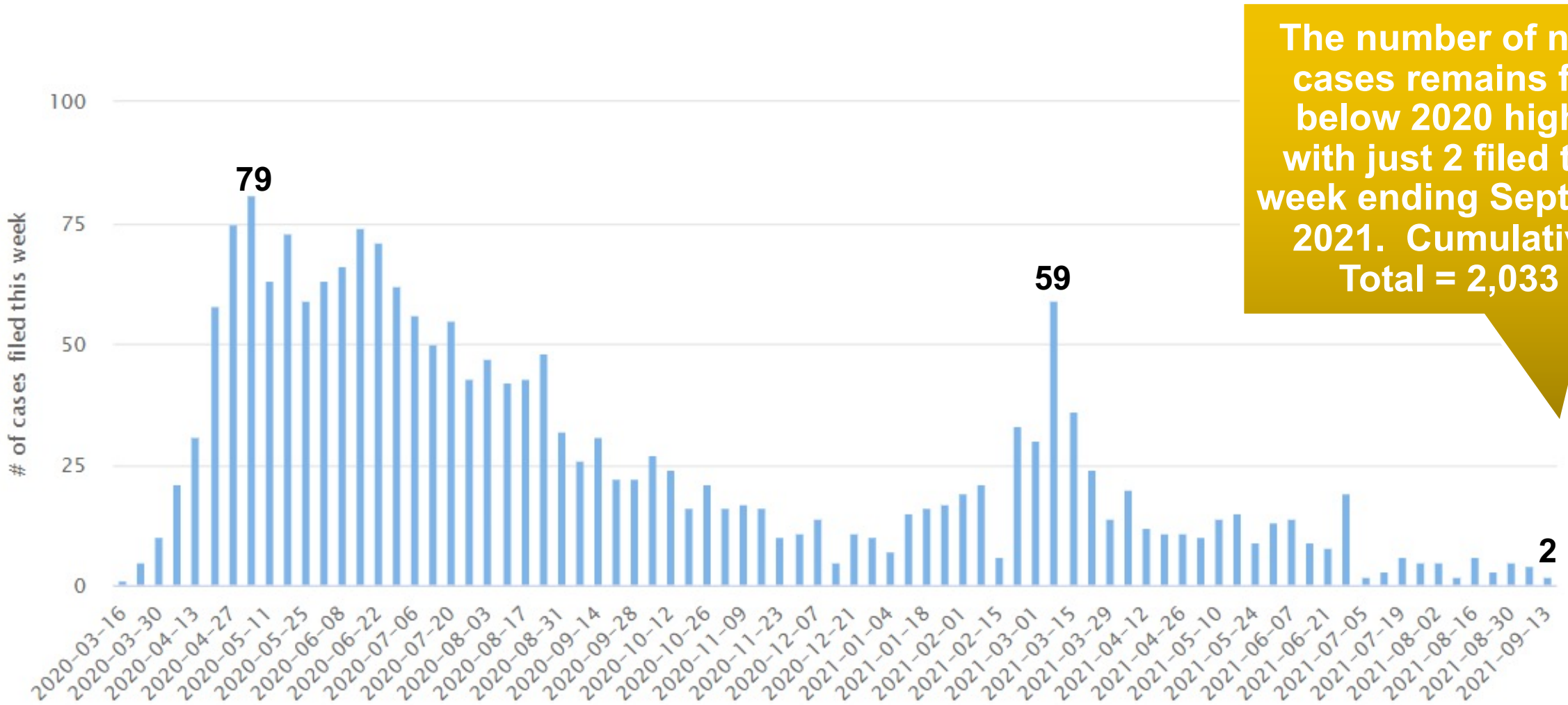
Weekly Number of COVID-Related Lawsuits Filed:

(Weeks Ending Mar. 16, 2020 to Sept. 13, 2021) [Latest Available]

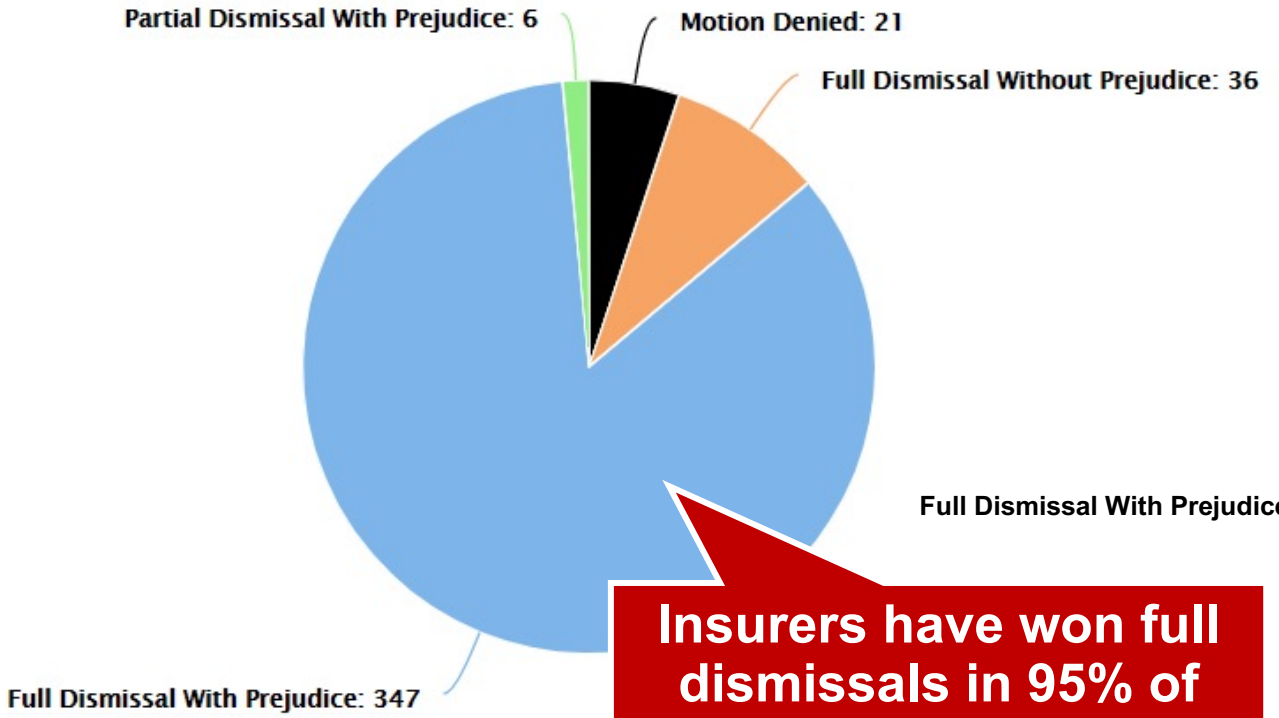


The number of new cases remains far below 2020 highs with just 2 filed the week ending Sept. 13, 2021. Cumulative Total = 2,033

Source: Covid Coverage Litigation Tracker, University of Pennsylvania School of Law. Accessed 9/27/21 at: https://cclt.law.upenn.edu

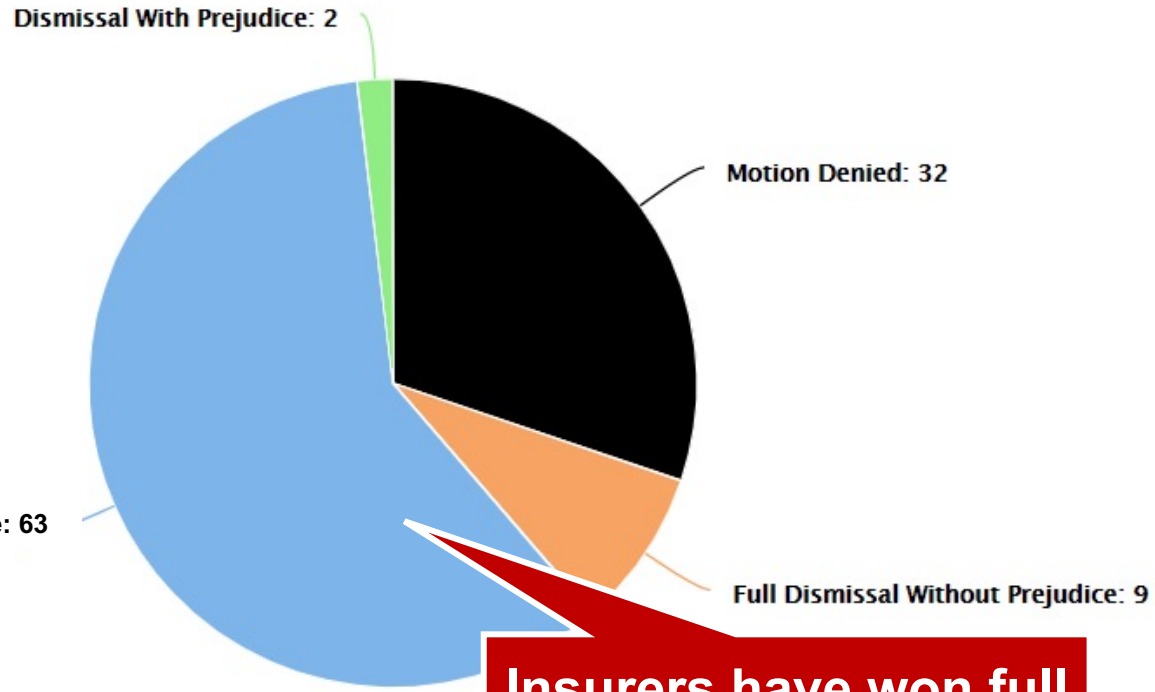
COVID Litigation: Merits Rulings on Motions to Dismiss: Federal vs. State Courts *(Total through July 26, 2021) [Latest Available]*

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

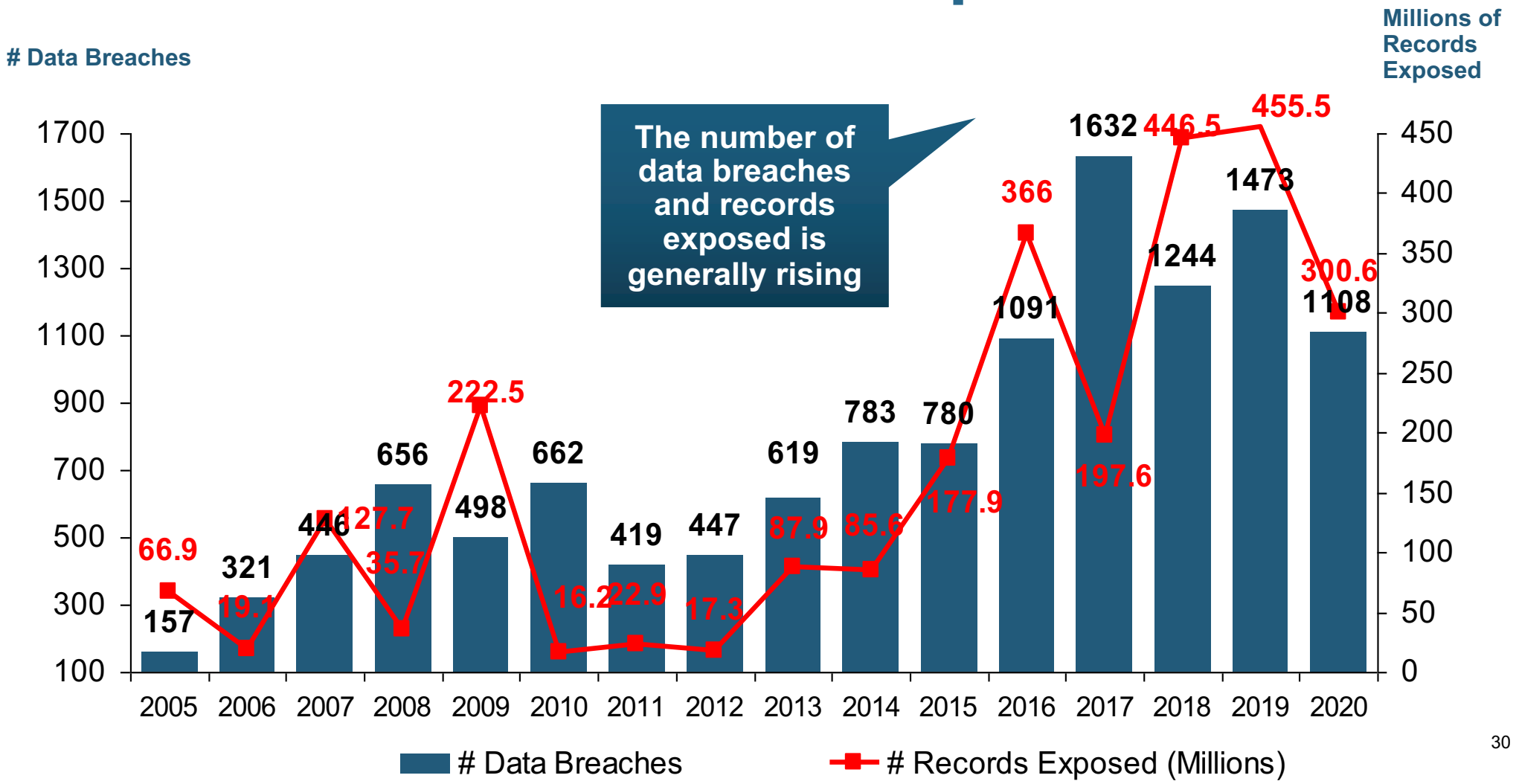
Source: Covid Coverage Litigation Tracker, University of Pennsylvania School of Law. Accessed 9/1/21 at: https://cclt.law.upenn.edu

Technology Risks

Large Attacks Leading to an Overdue Hardening of the Cyber Insurance Market

Huge Advances in Biotech

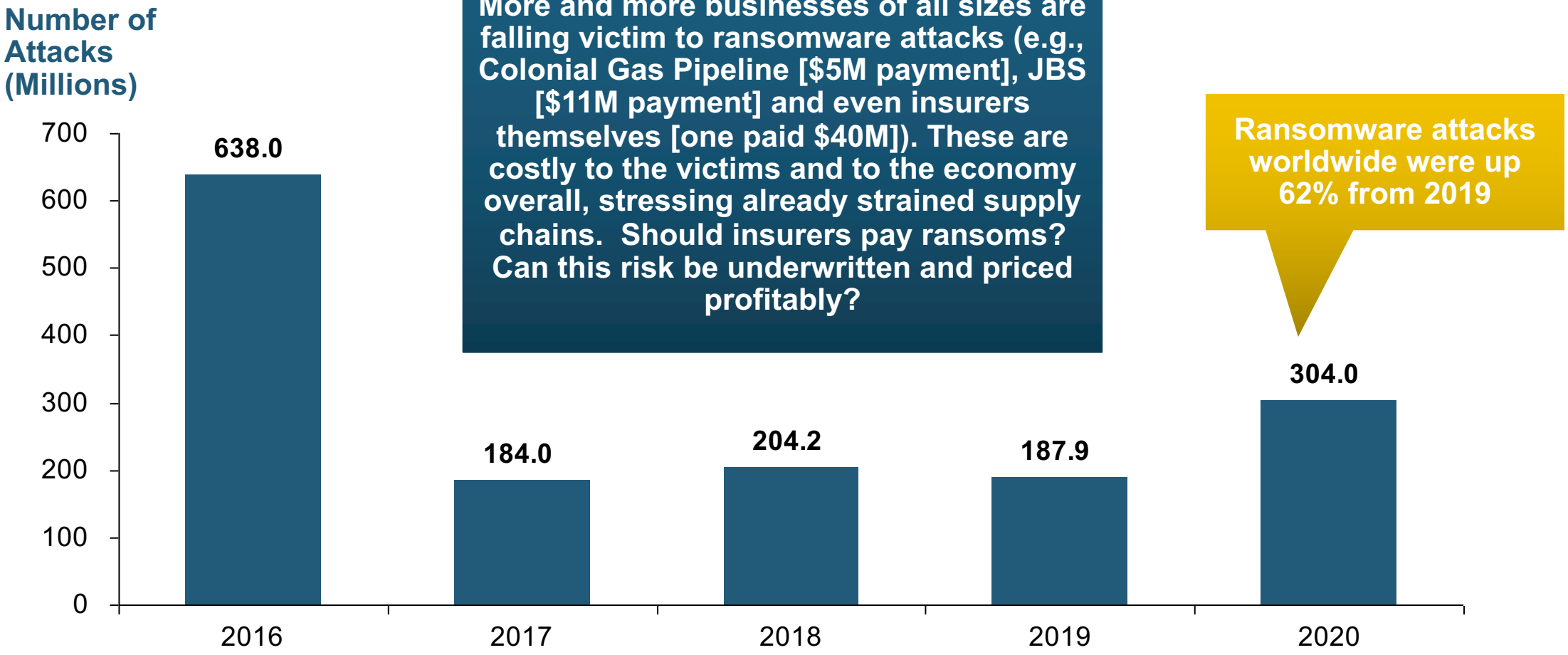
Data Breaches 2005-2020*, by Number of Breaches and Records Exposed



*Through Dec. 2020.
Source: Identity Theft Resource Center.

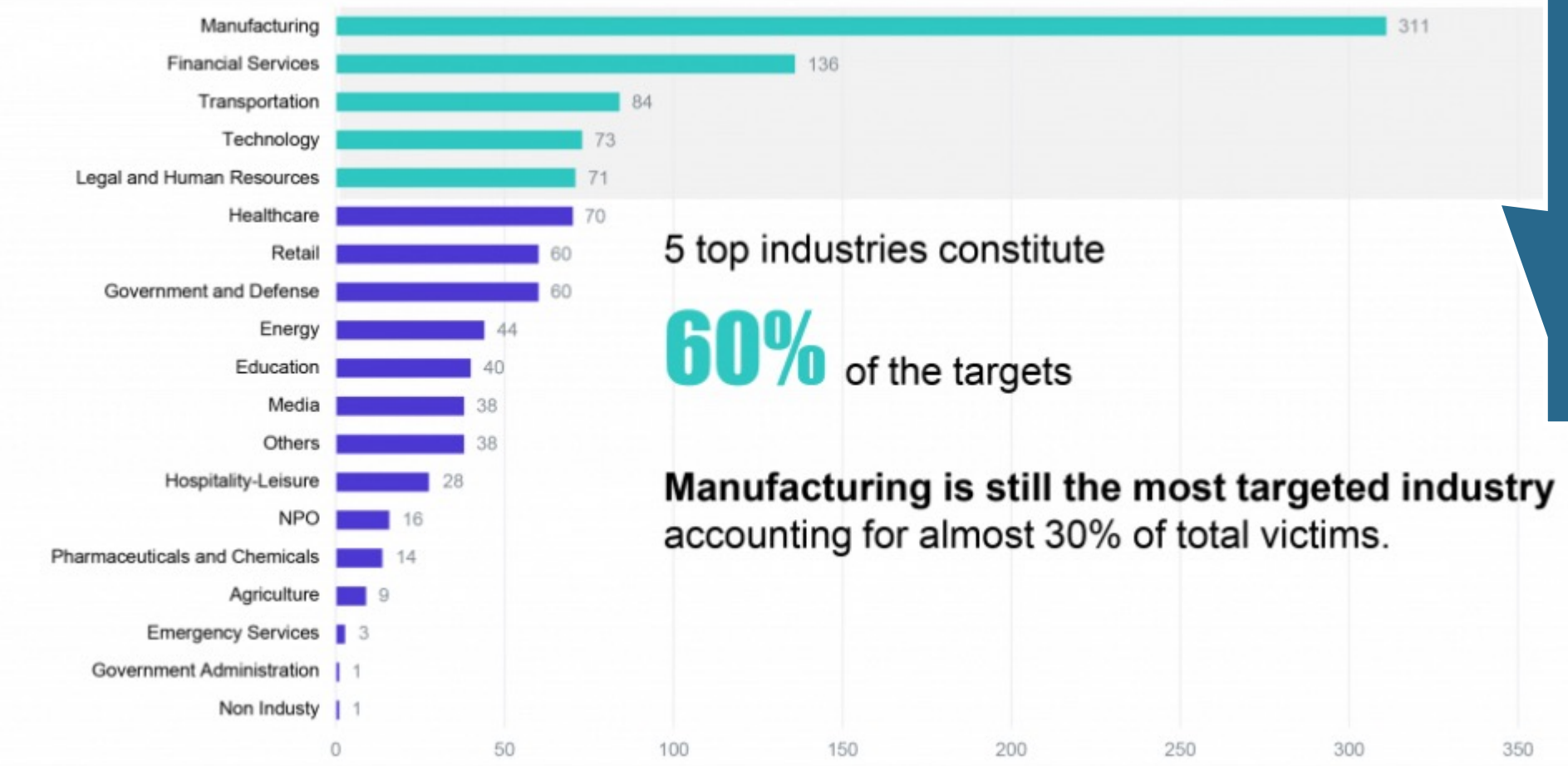
Number of Ransomware Attacks Worldwide: 2016-2020 (Millions)

More and more businesses of all sizes are falling victim to ransomware attacks (e.g., Colonial Gas Pipeline [$5M payment], JBS [$11M payment] and even insurers themselves [one paid $40M]). These are costly to the victims and to the economy overall, stressing already strained supply chains. Should insurers pay ransoms? Can this risk be underwritten and priced profitably?



Source: Statista from SonicWall Capture Labs; USC Center for Risk and Uncertainty Management.

Ransomware Attacks: Most Targeted Industries
First Half 2021



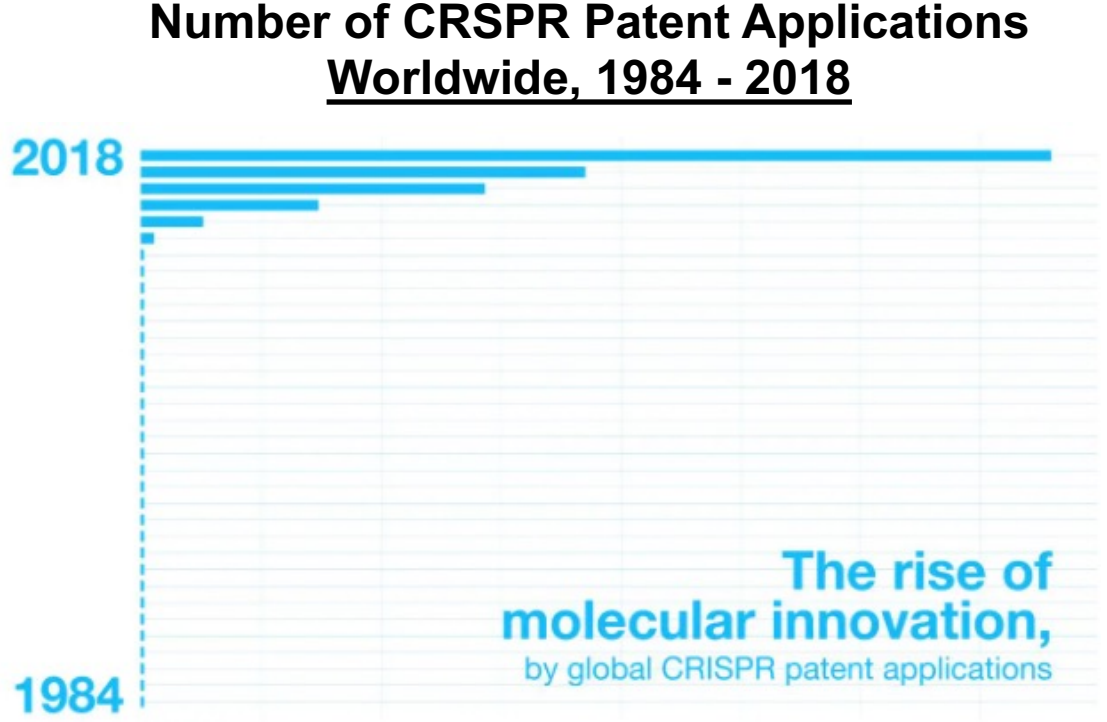
Although the May 2021 Colonial Pipeline ransomware attack was the most disruptive of 2021, manufacturers are the most frequen target.

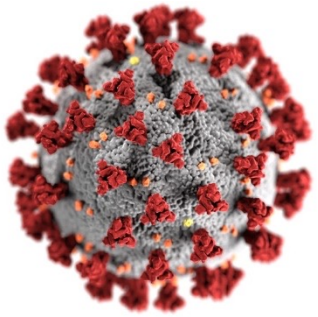
Colonial paid a $4.4M ransom.

Sources: Cognyte.com accessed 10/5/21 at: https://www.cognyte.com/blog/ransomware_2021/ ; Risk and Uncertainty Management Center, University of South Carolina.

Biotechnology and Life Sciences: Leading Advances in 2021

- **CRSPR:** Genomic editing, Cell and therapies
- **Vaccines:** Rapid development led to huge advances in vaccines, esp. mRNA
- **Digitalization, Interconnectivity:** Leading to an acceleration of innovation





INVESTMENTS:
THE NEW REALITY

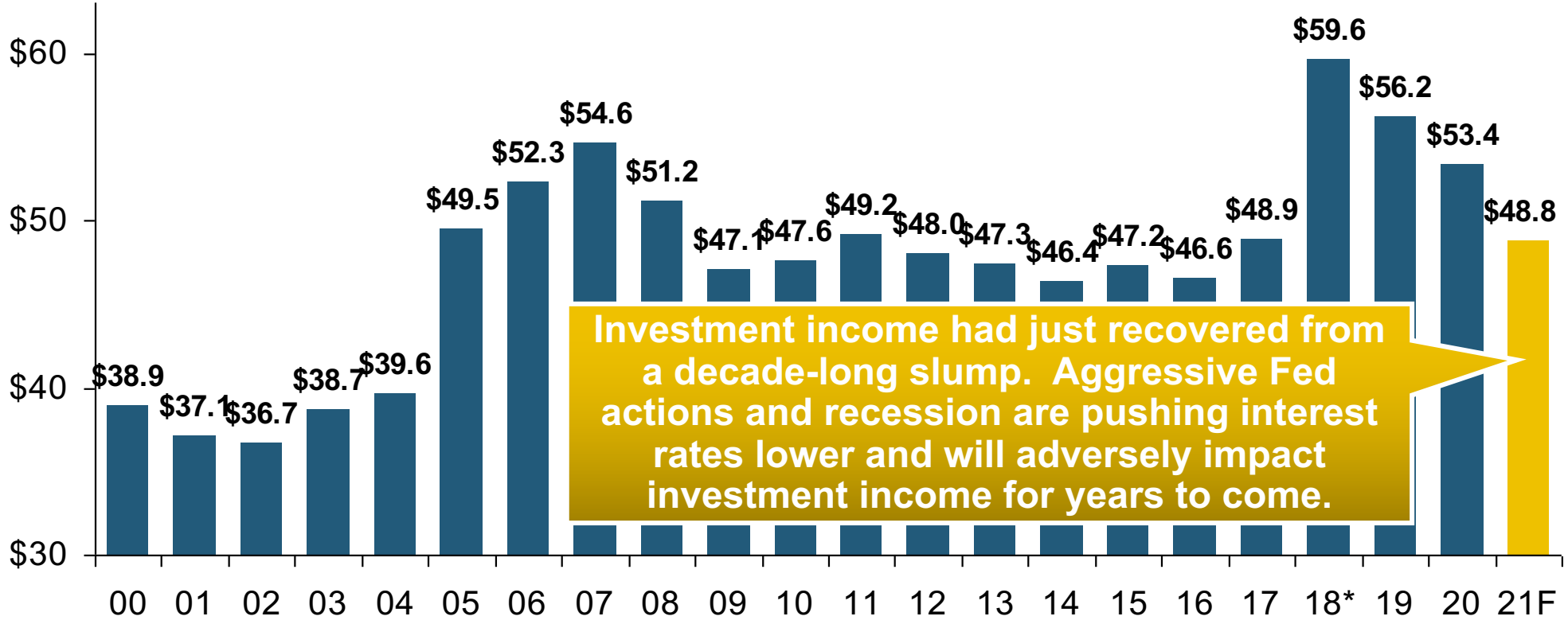
Investment Performance Is a Key Driver of Insurer Profitability

Aggressive Rate Cuts Will Adversely Impact Invest Insurer Earnings

Financial Crisis *Déjà Vu*?

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

($ Billions)

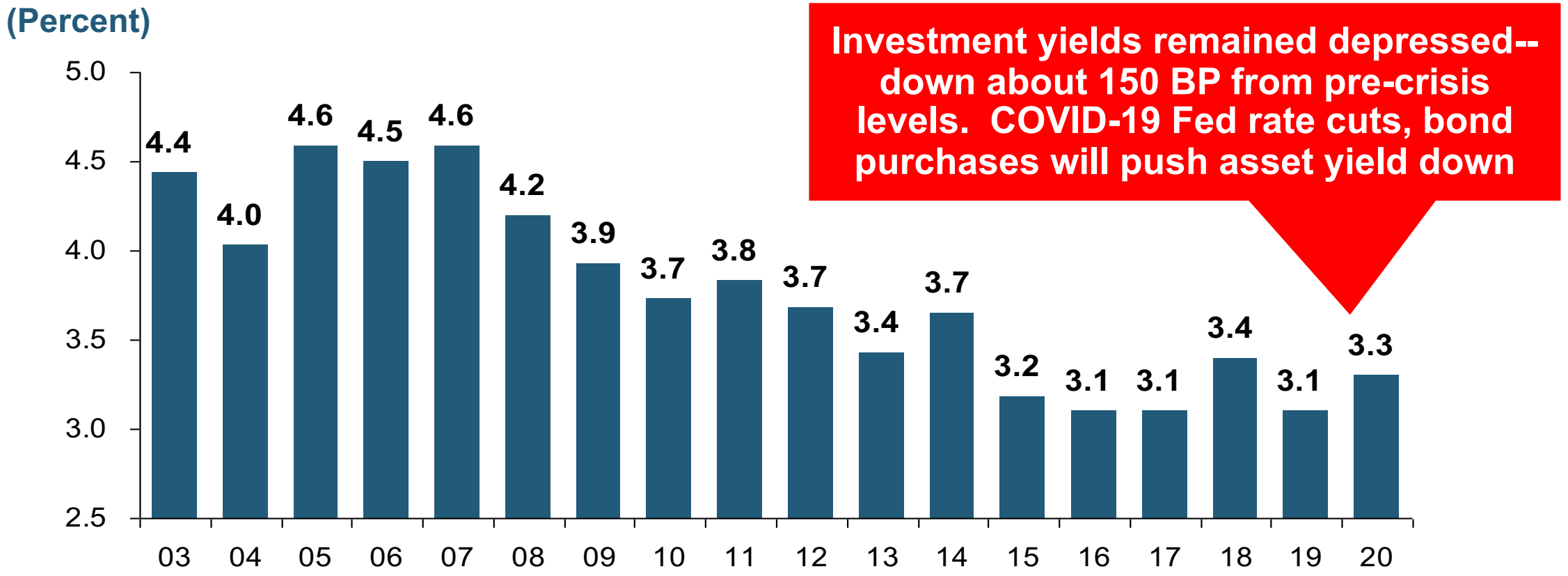


Due to persistently low interest rates, investment income remained below pre-crisis levels for a decade. Lower interest rates post-COVID will drive investment income down once again.

*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



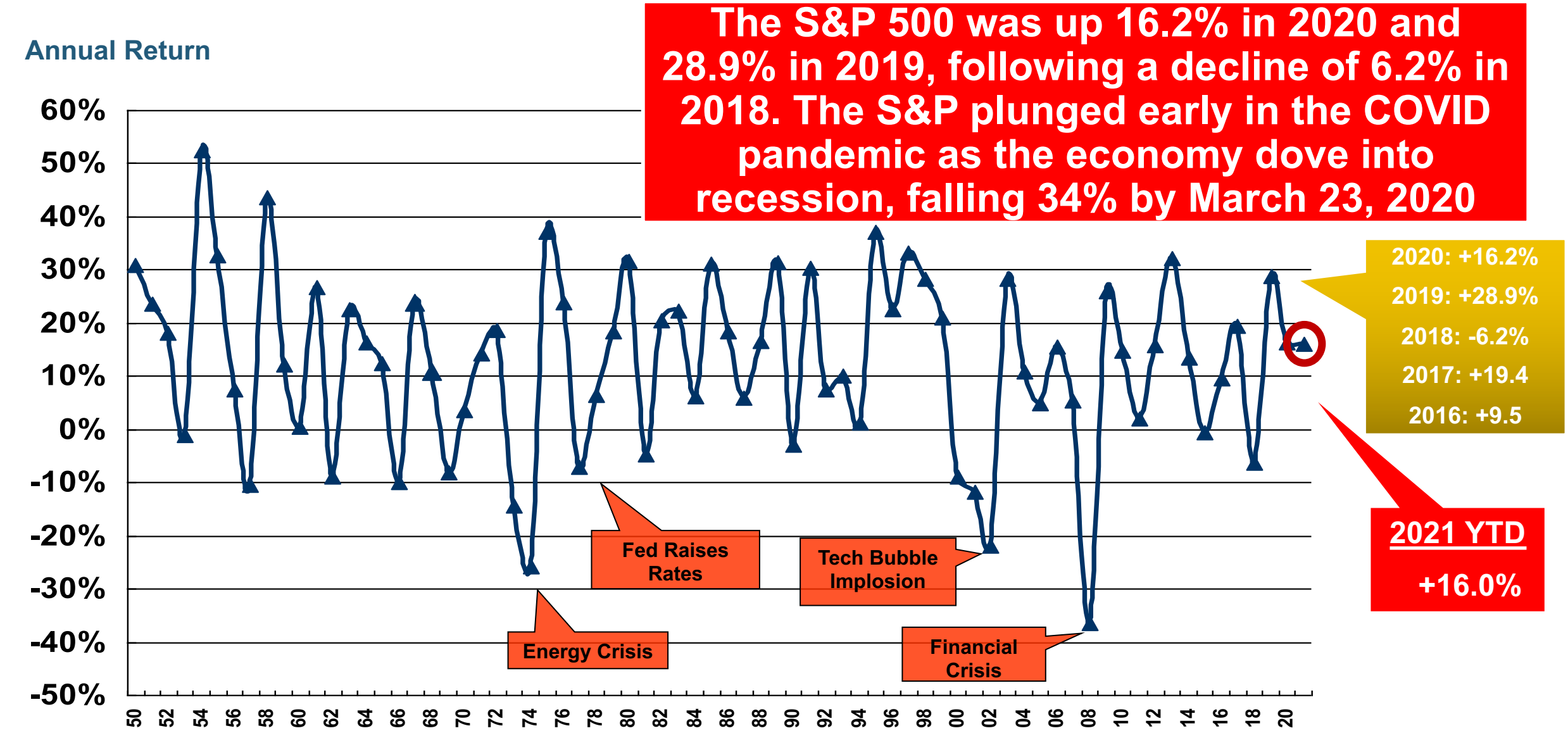
Investment yields remained depressed--down about 150 BP from pre-crisis levels. COVID-19 Fed rate cuts, bond purchases will push asset yield down

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*



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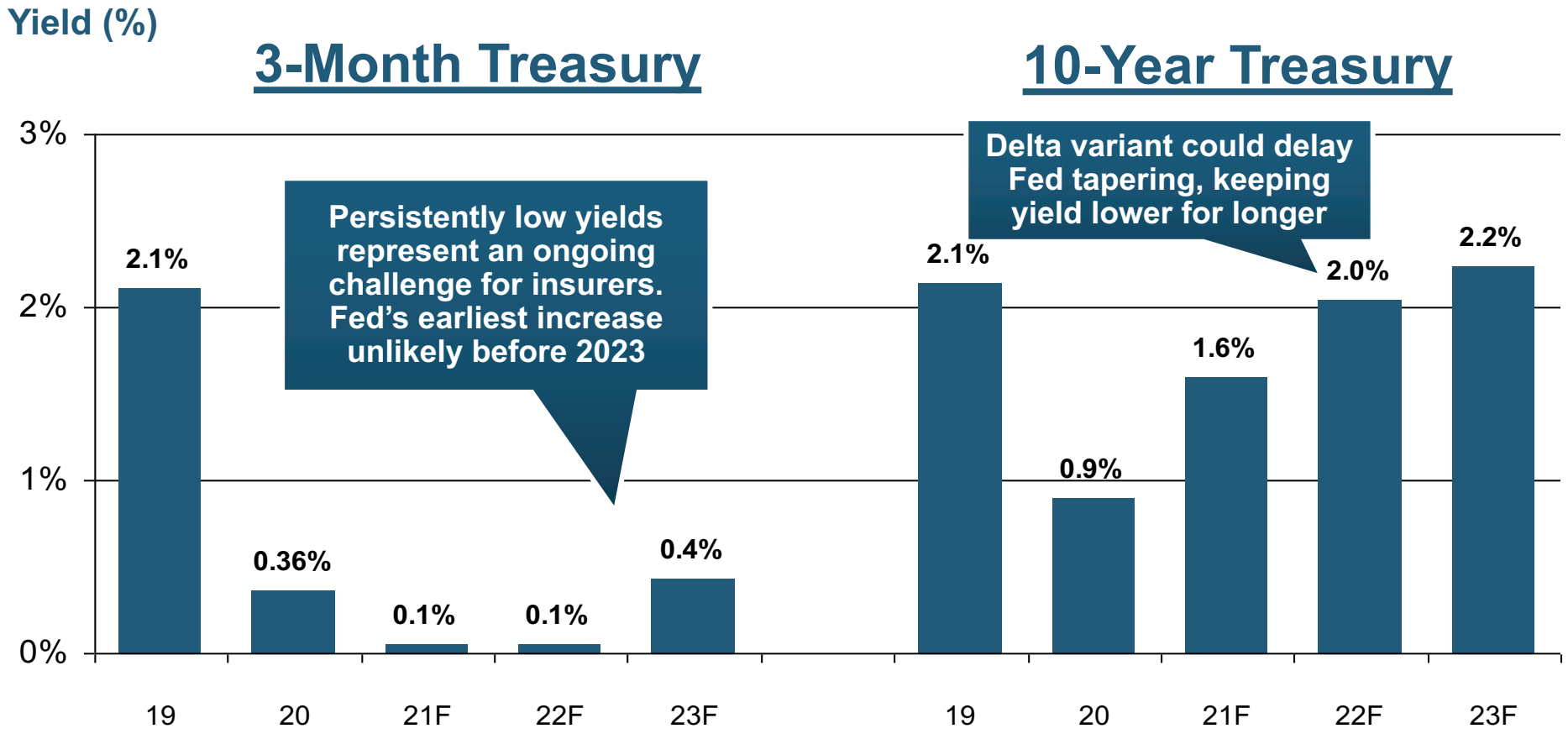
*Through Oct. 5, 2021.
Source: NYU Stern School of Business: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html; Center for Risk and Uncertainty Management, University of South Carolina

Interest Rate Forecasts: 2019 – 2023F



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

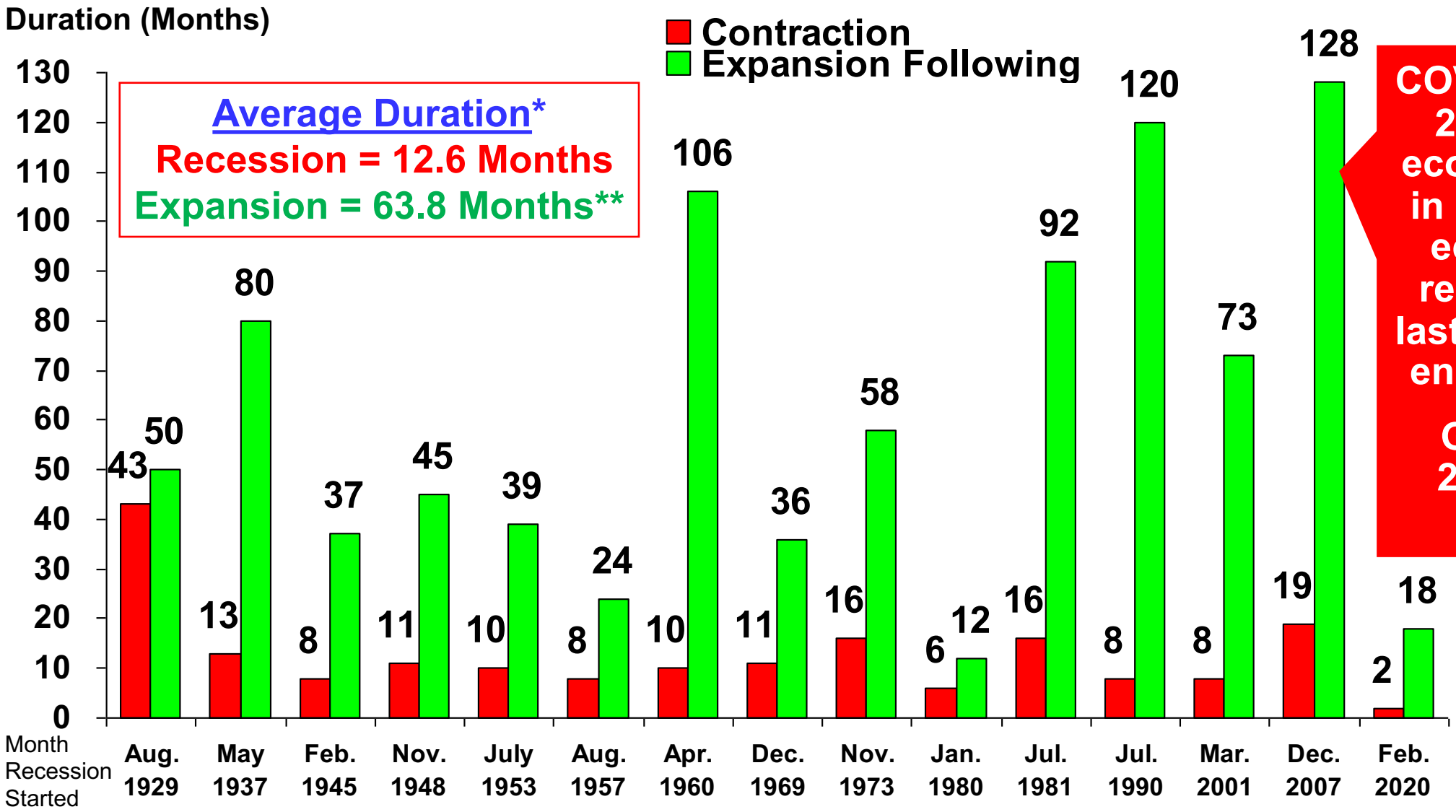
Sources: Wells Fargo Securities (9/21); Risk and Uncertainty Management Center, University of South Carolina.

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*



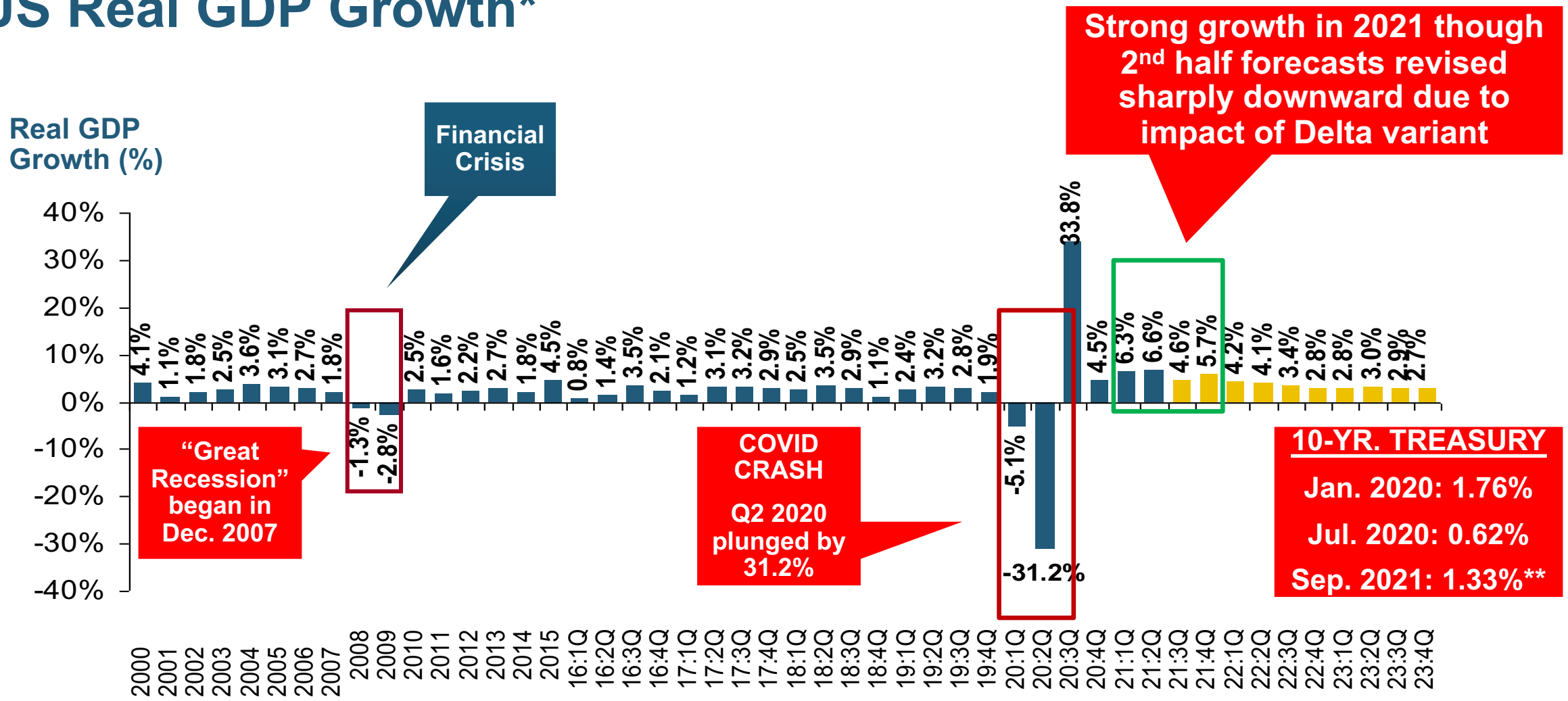
COVID ended (in Feb. 2020) the longest economic expansion in US history recent economic. COVID recession officially lasted only 2 months, ending in April 2020

GDP reached Q4 2019 levels in Q1 2021

*As of Oct. 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*

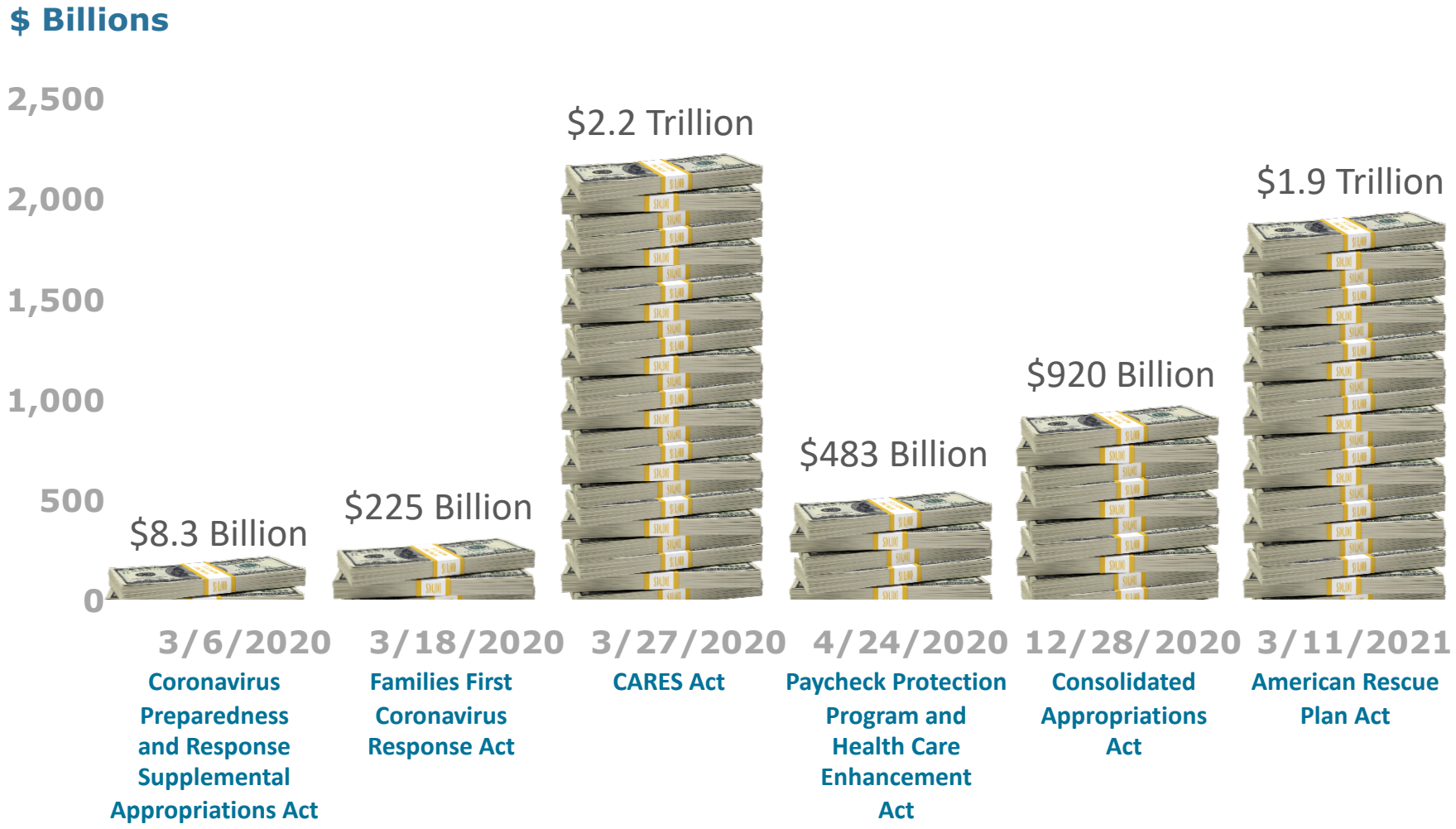


GDP Recovered to Q4 2019 Level in Q1 2021. Demand for Insurance Will Increase Materially in H2 2021—Particularly in Economically Sensitive Commercially Lines Such as WC

* Estimates/Forecasts from Wells Fargo Securities. **As of Sept. 15, 2021.

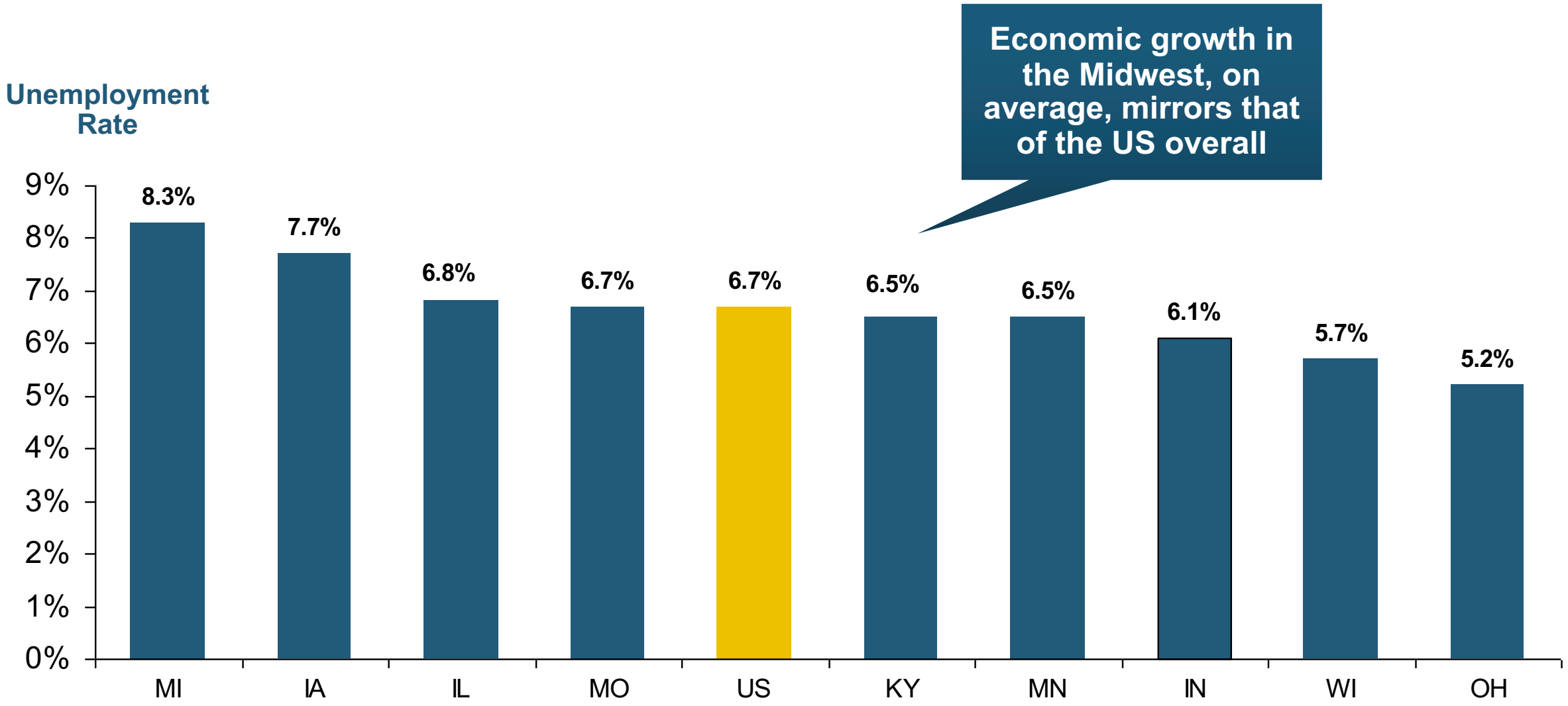
Source: US Department of Commerce, Wells Fargo Securities 9/21; Center for Risk and Uncertainty Management, University of South Carolina.

COVID-19 Stimulus Plans



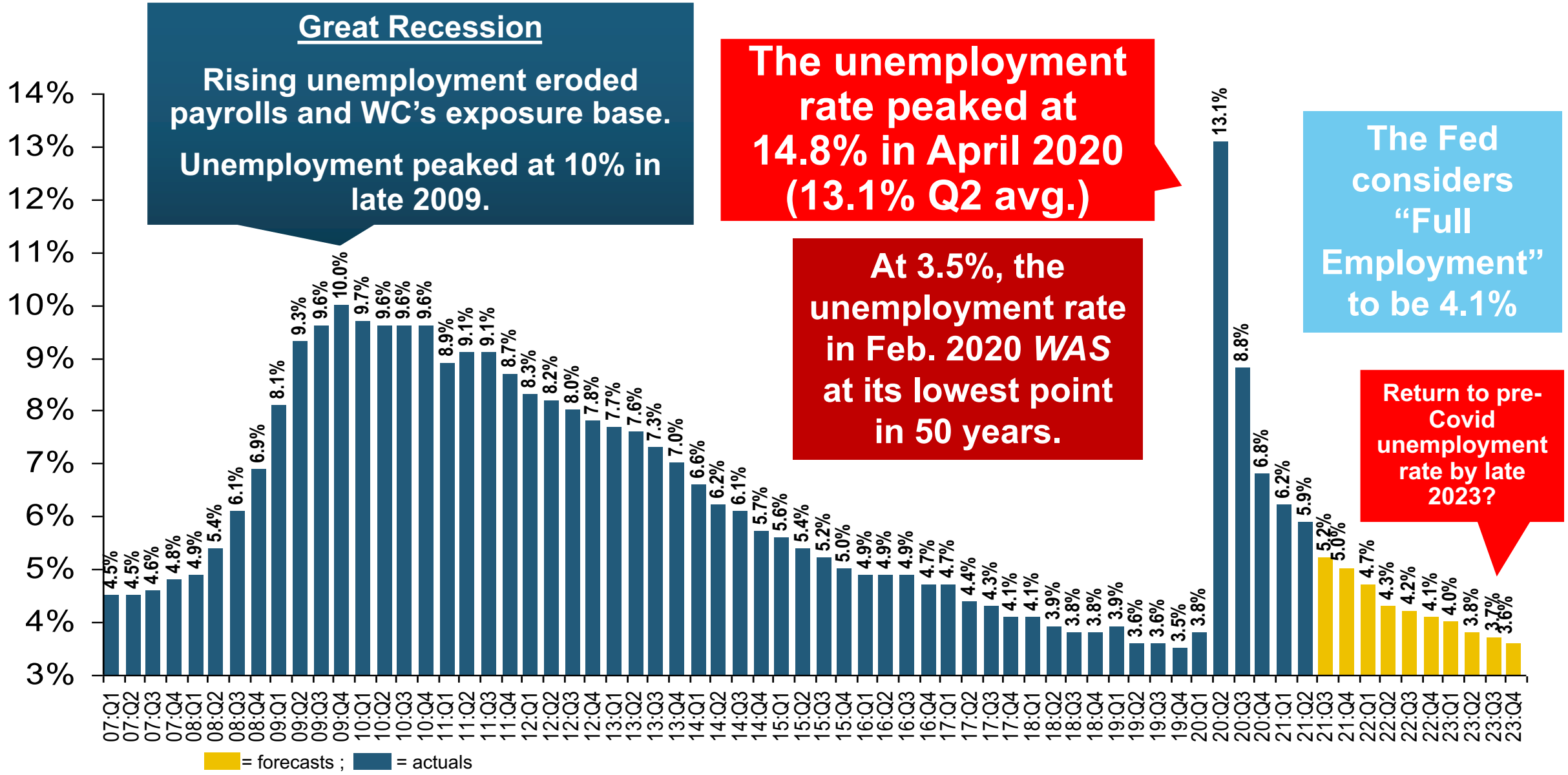
To date, Congress has passed 6 COVID-19 relief bills, providing as much as $5.7 trillion in assistance

Gross State Product Growth Rates for Midwest States:
Annualized Rate, 2021:Q1 – 2021:Q2



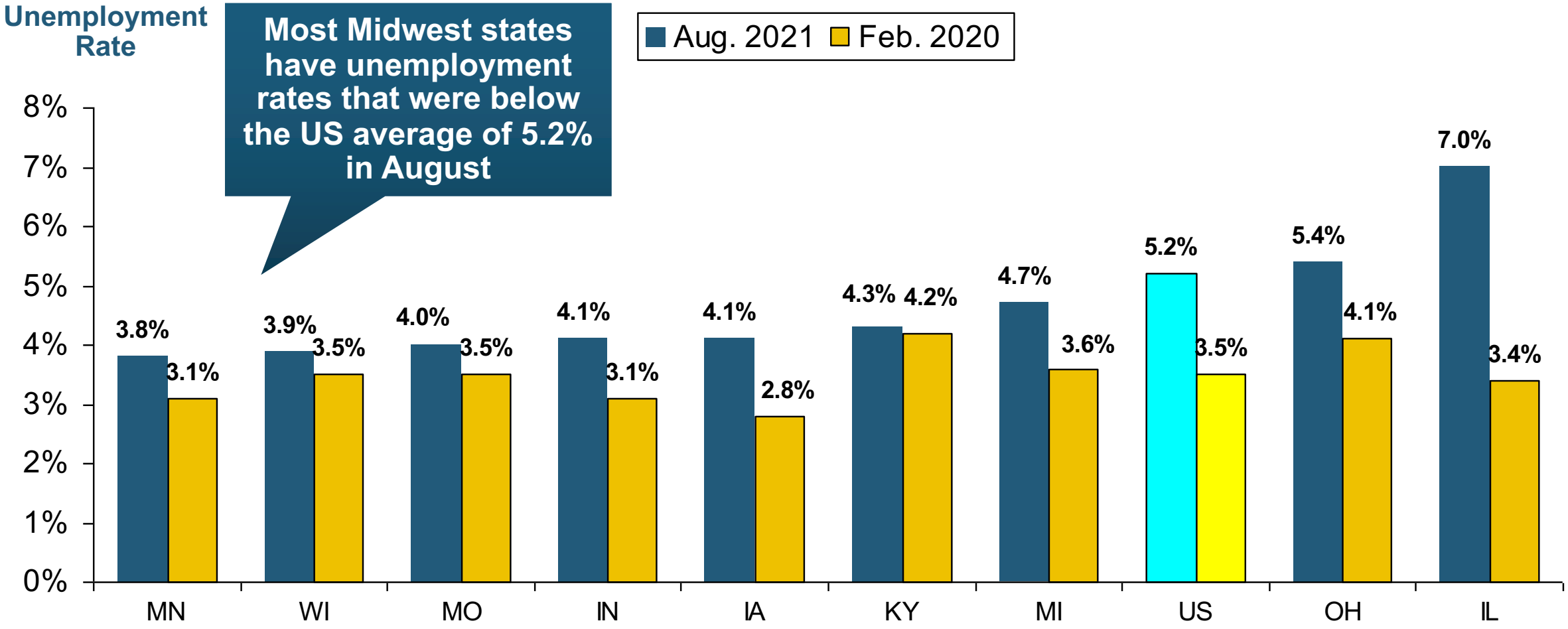
Source: U.S. Bureau of Economic Analysis; Risk and Uncertainty Management Center, Univ. of South Carolina.

US Unemployment Rate Forecast: 2007:Q1–2023:Q4



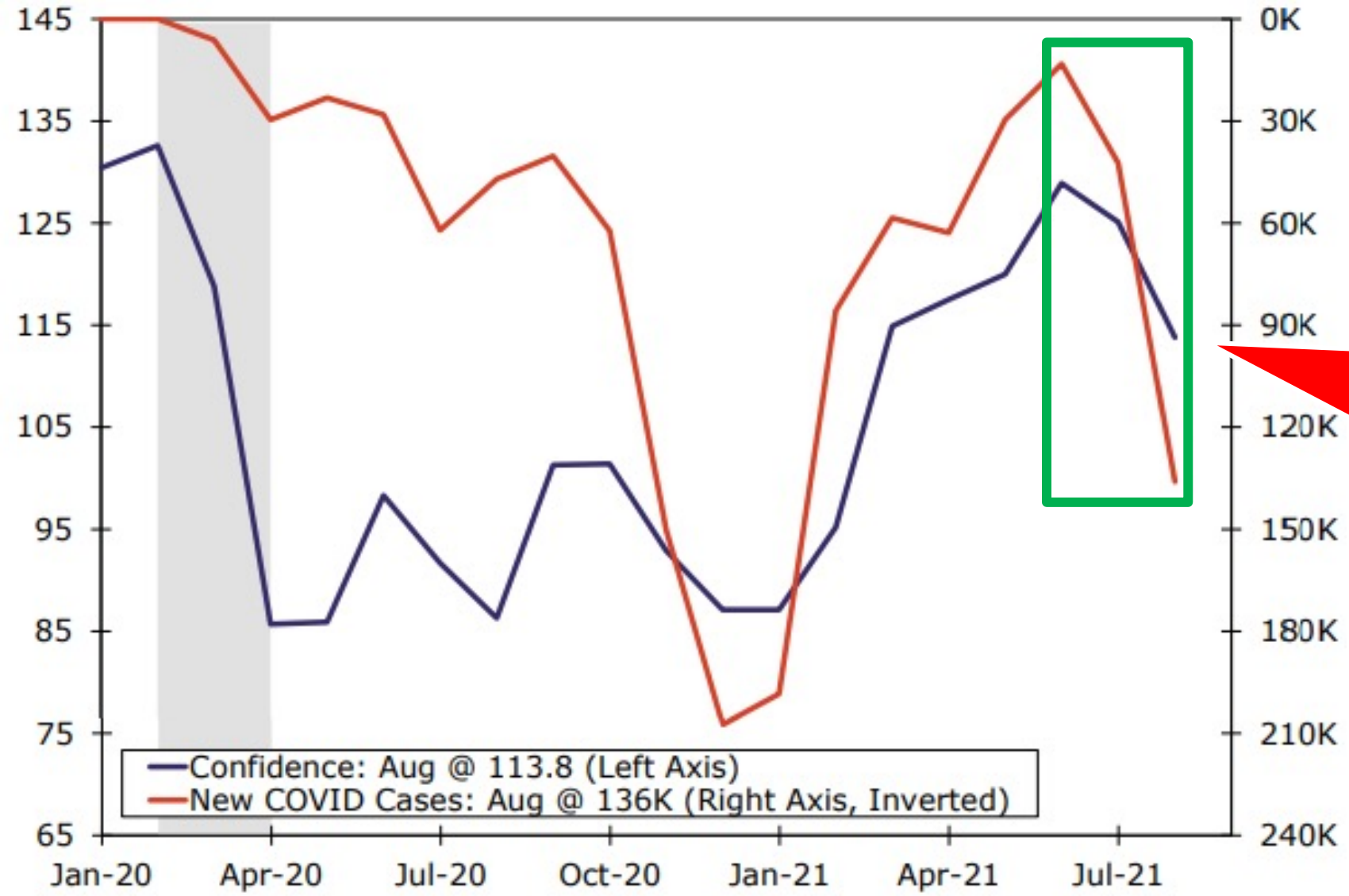
Sources: US Bureau of Labor Statistics; Wells Fargo Securities (9/21 edition); Risk and Uncertainty Management Center, University of South Carolina.

Unemployment Rates for Midwest States: Pre-COVID vs. Most Recent (August 2021)



Source: U.S. Bureau of Labor Statistics; Risk and Uncertainty Management Center, Univ. of South Carolina.

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

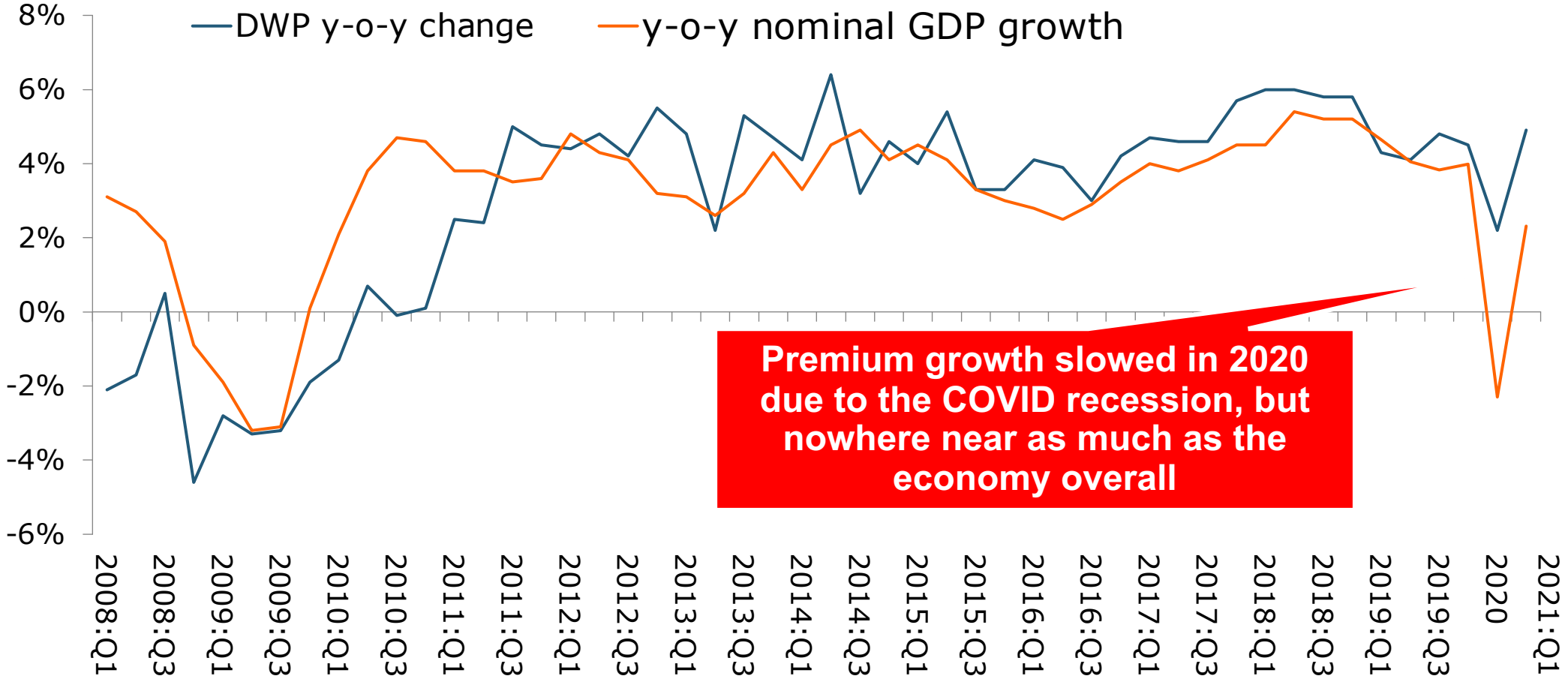


The surge in cases from the COVID Delta variant, along with inflation and geopolitical concerns pushed Consumer confidence down sharply in recent months

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

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%)

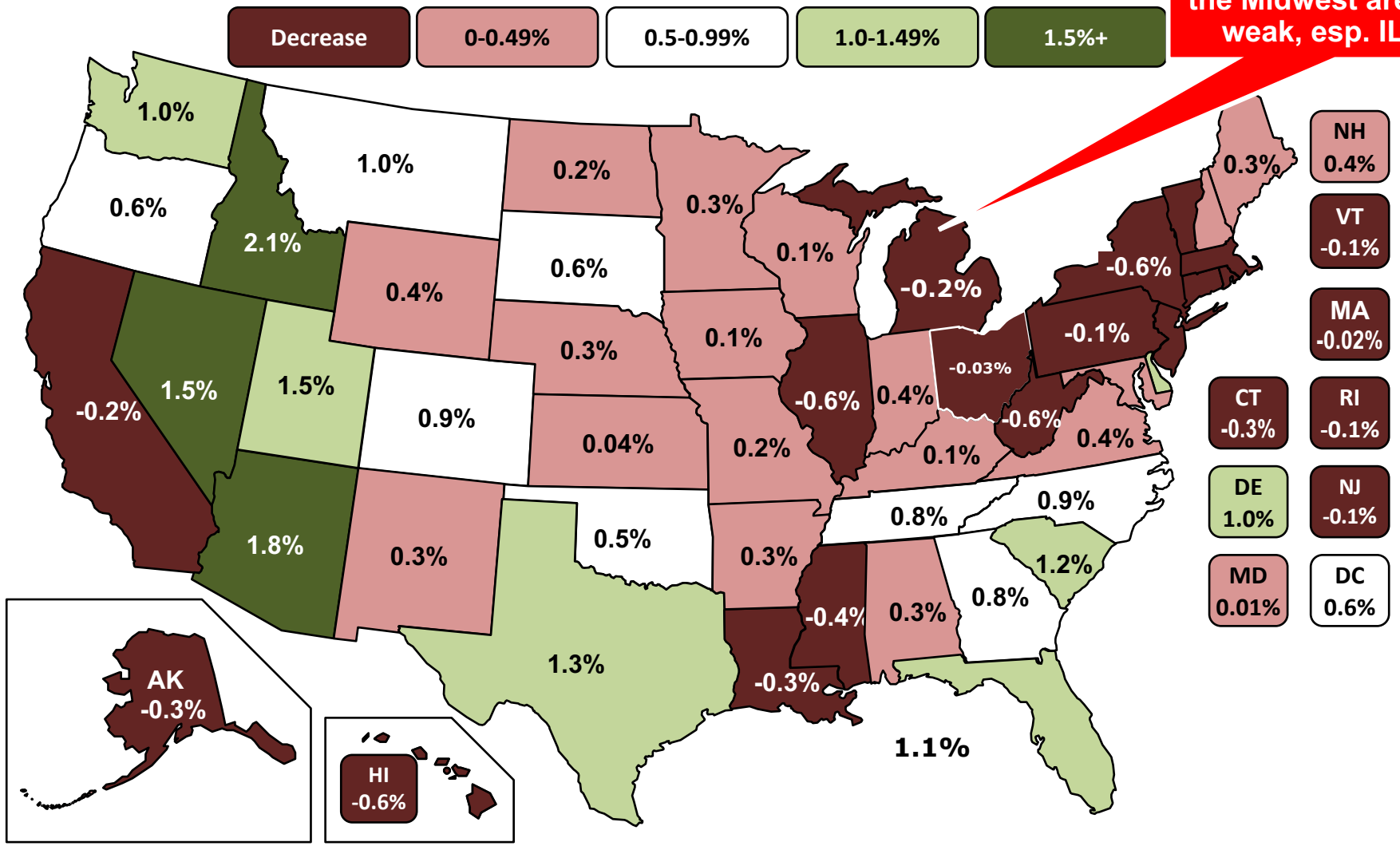
Population growth is a driver of growth insurance demand and insurable exposure. Demographic trends in the Midwest are generally weak, esp. IL, MI, OH

Top 5

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

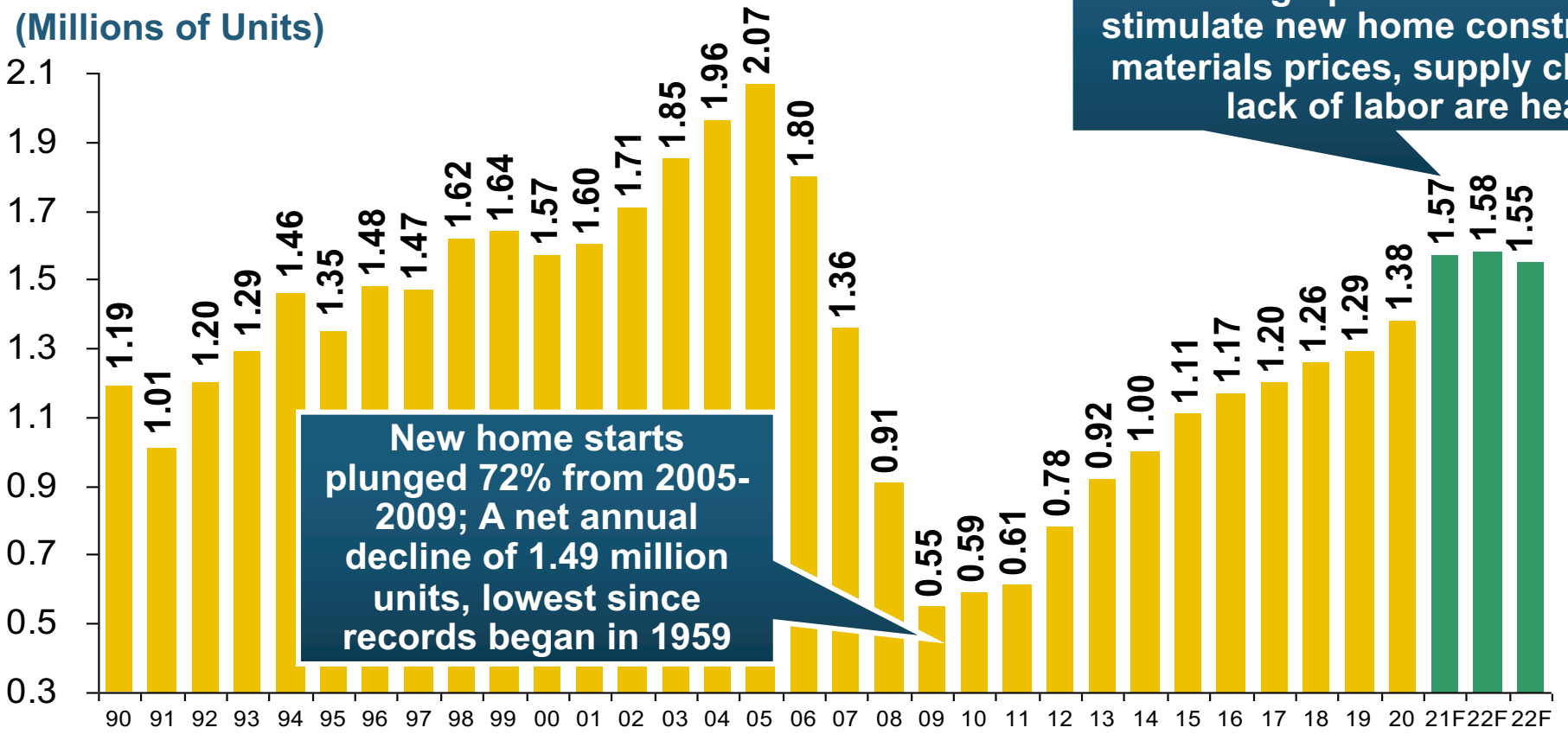
Bottom 5

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

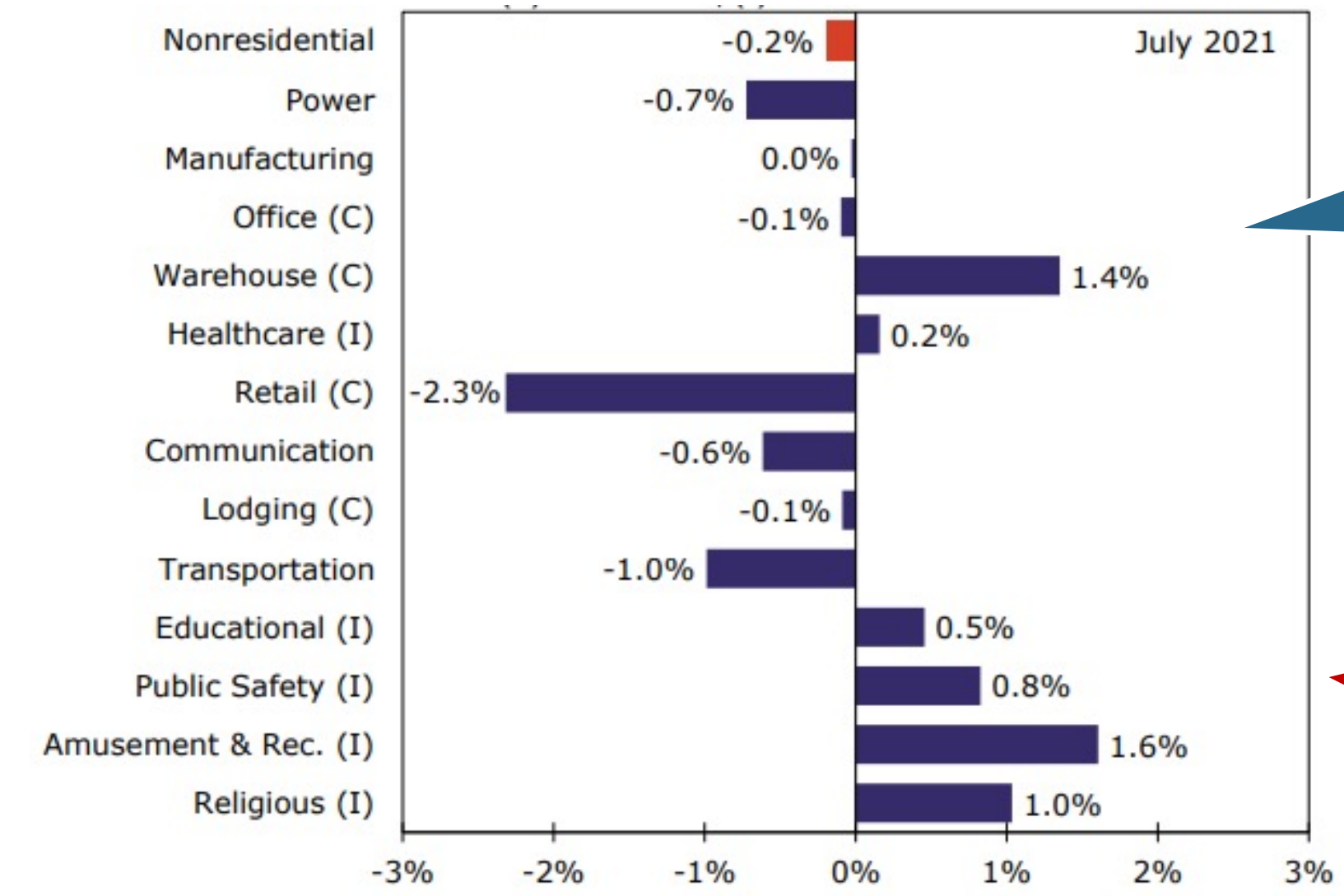
New Private Housing Starts, 1990-2023F



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 (9/21 for 2021-23); 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.

Inflationary Pressures Impacting Insurers

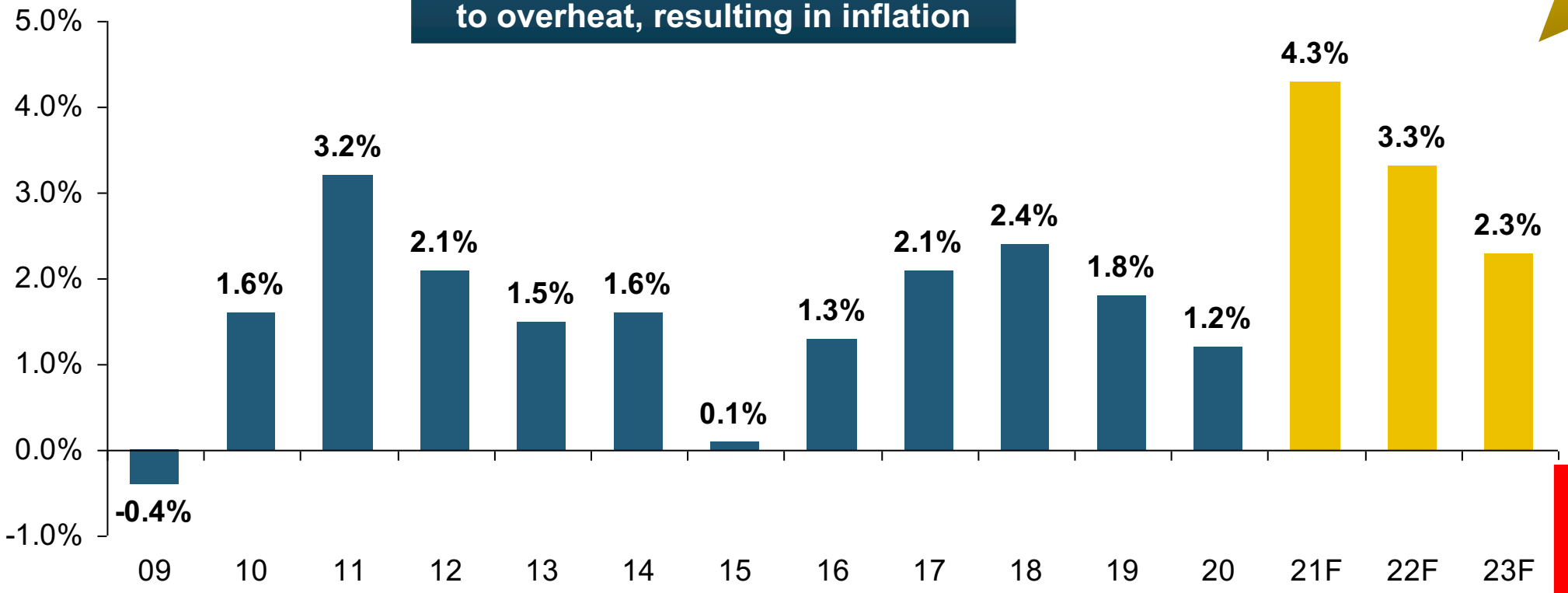
Claim Inflation Is Here Today

Rate and Reserve Adequacy Are Concerns if Current Inflationary Trends Persist

U.S. Inflation Rate: 2009-2023F*

There's a great deal of concern that trillions of dollars of stimulus plus the post-COVID recovery, supply chain disruptions and labor shortages are causing 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

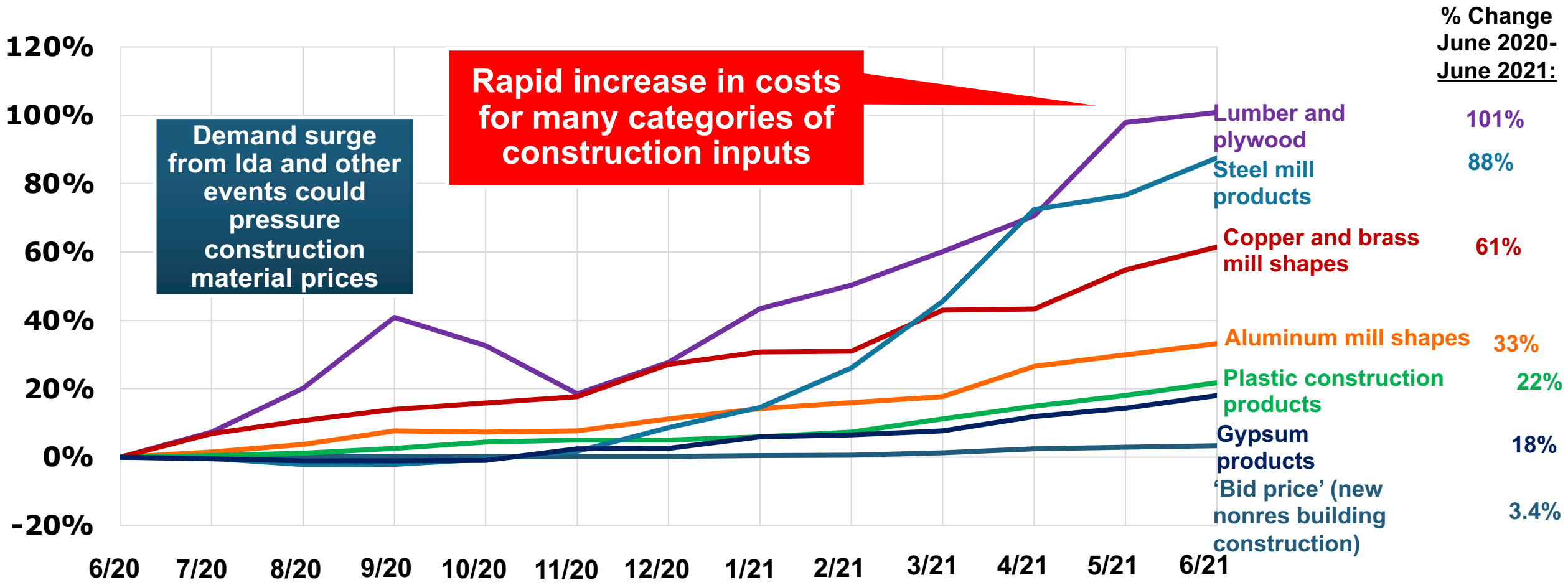
Reserve Inadequacy

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

Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (9/21); USC Center for Risk and Uncertainty Management.

PPIs for Construction and Selected Inputs

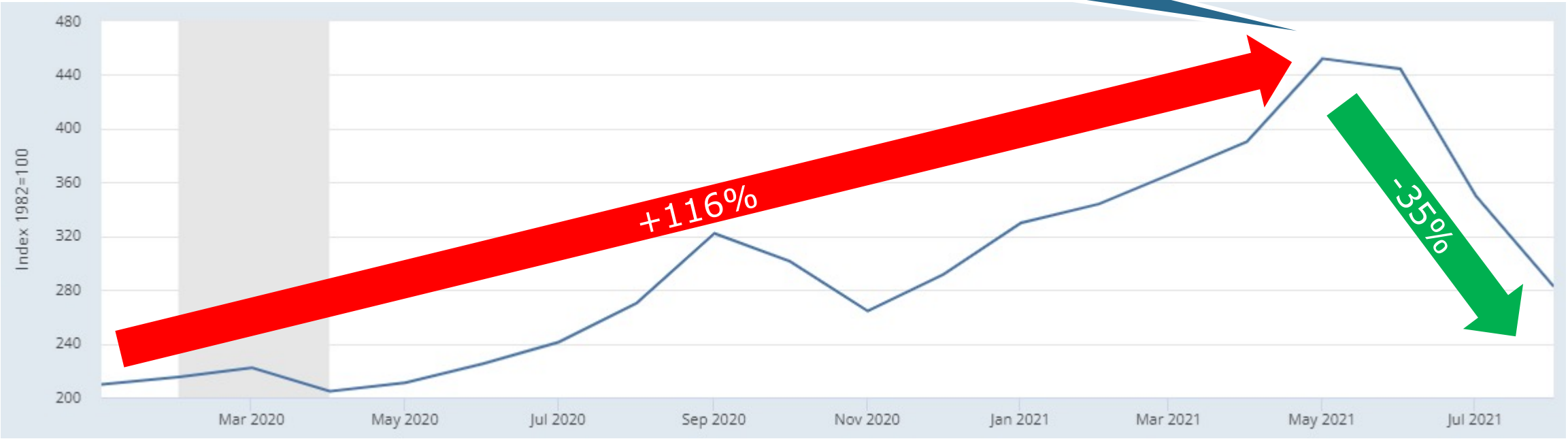
Cumulative change in PPIs, June 2020 -June 2021 (not seasonally adj.)



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

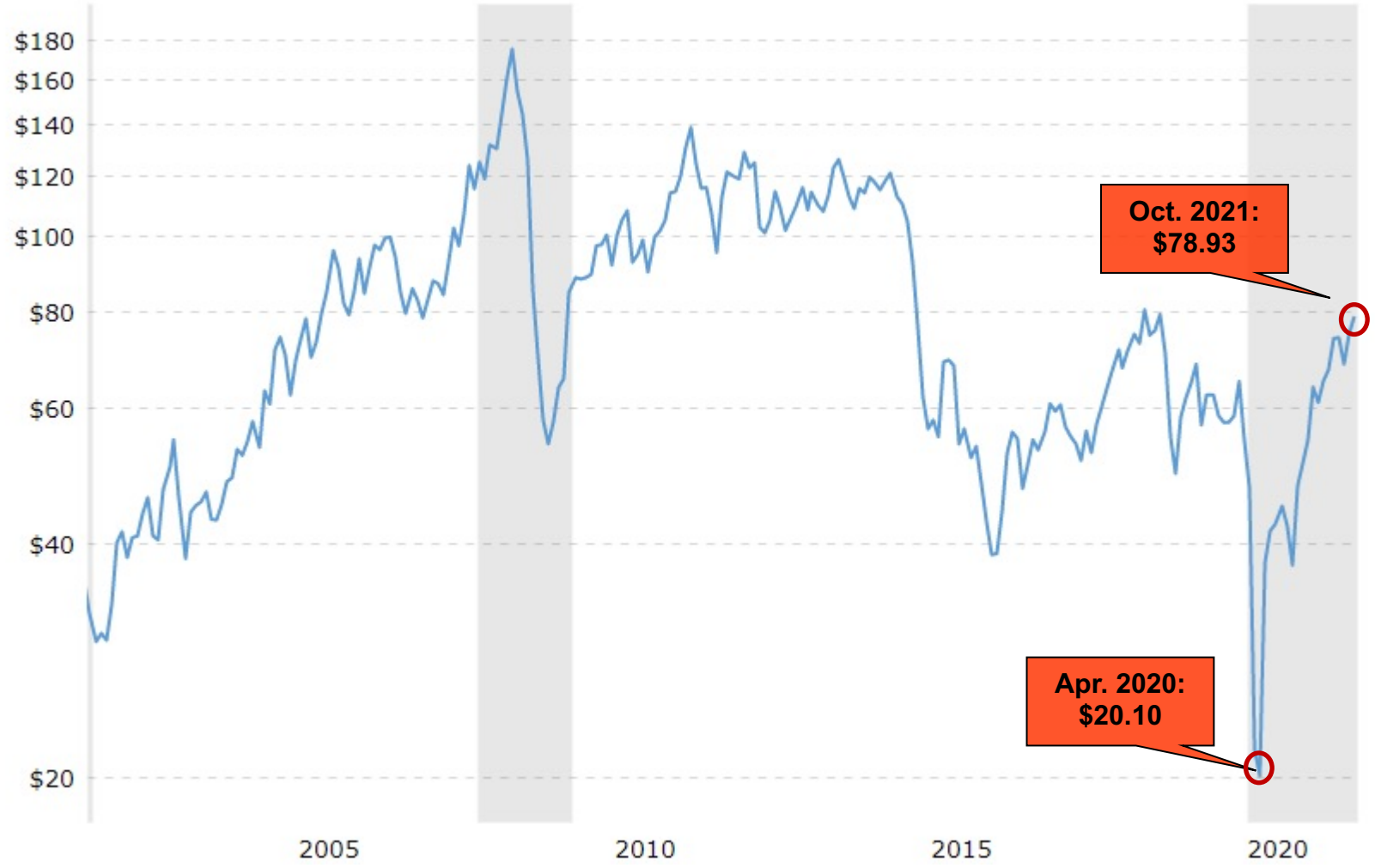
Producer Price Index: Lumber and Wood Products, Jan. 2020 – Aug. 2021

Lumber & Wood Product prices surged during the pandemic, peaking in mid-2021 and remain 35% above pre-COVID levels



Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

Crude Oil Prices: Price per Barrel, Oct. 2001 – Oct. 2021



Crude is nearing $80/bbl—almost quadruple its pandemic low—causing market panic and fueling inflation fears. But this is a price level we've experienced many times before—most recently in 2018—a period of economic growth and falling unemployment

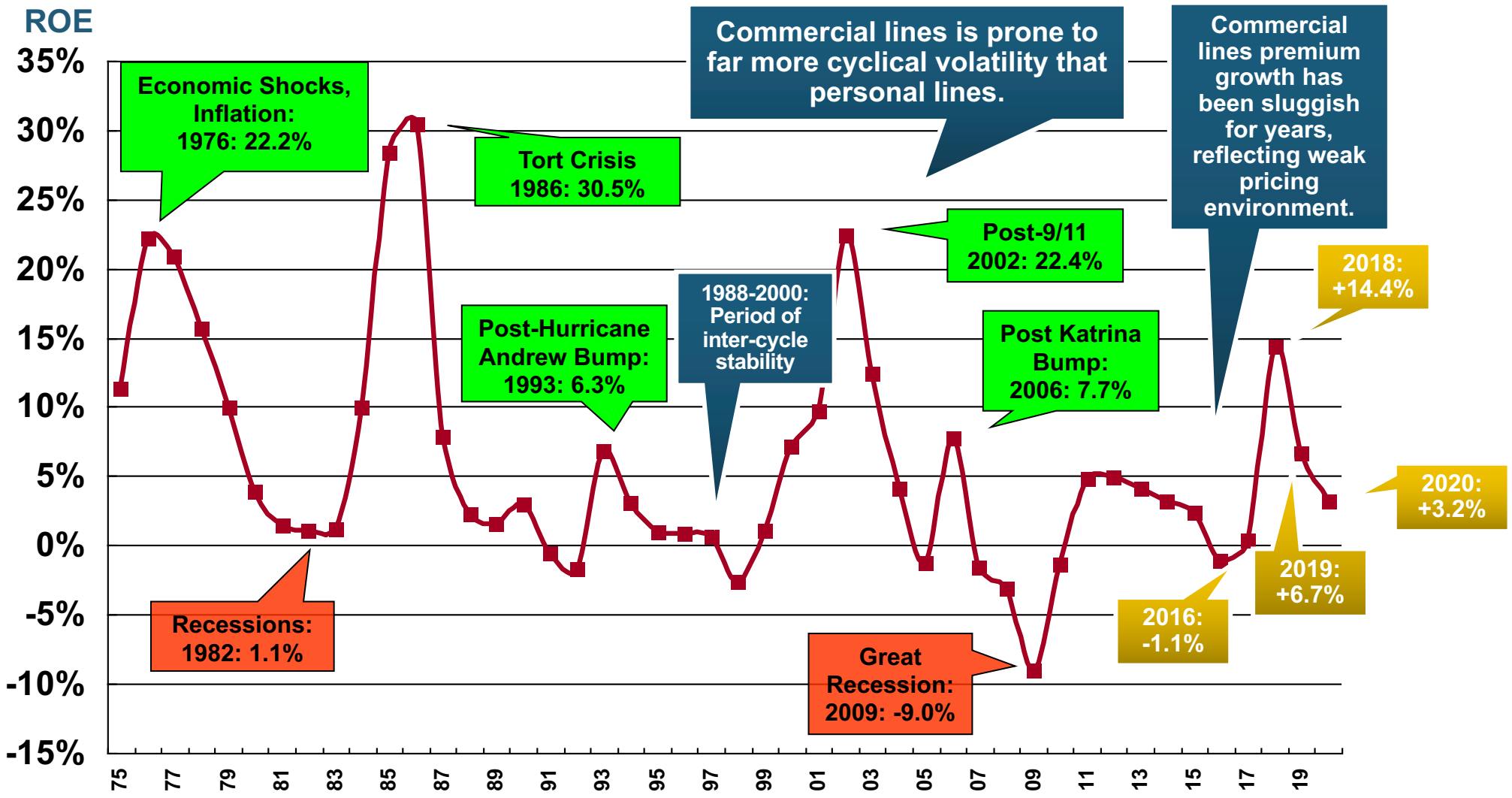
Sources: Macrotrends.net accessed 10/5/21 at: https://www.macrotrends.net/1369/crude-oil-price-history-chart; Risk and Uncertainty Management Center, University of South Carolina.

Commercial Lines Growth, Underwriting Performance & Pricing Cyclicality

Pricing Pressures Remain

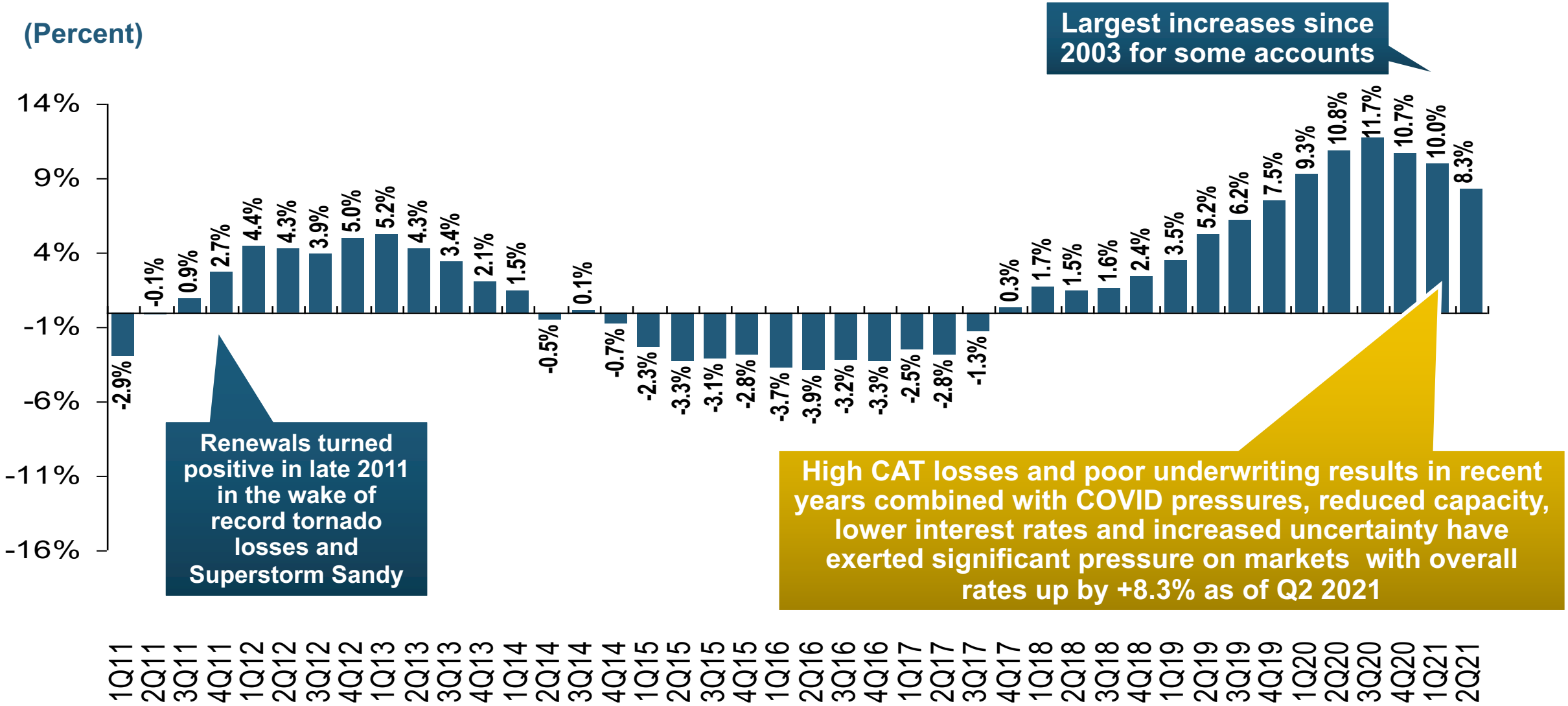
56

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*

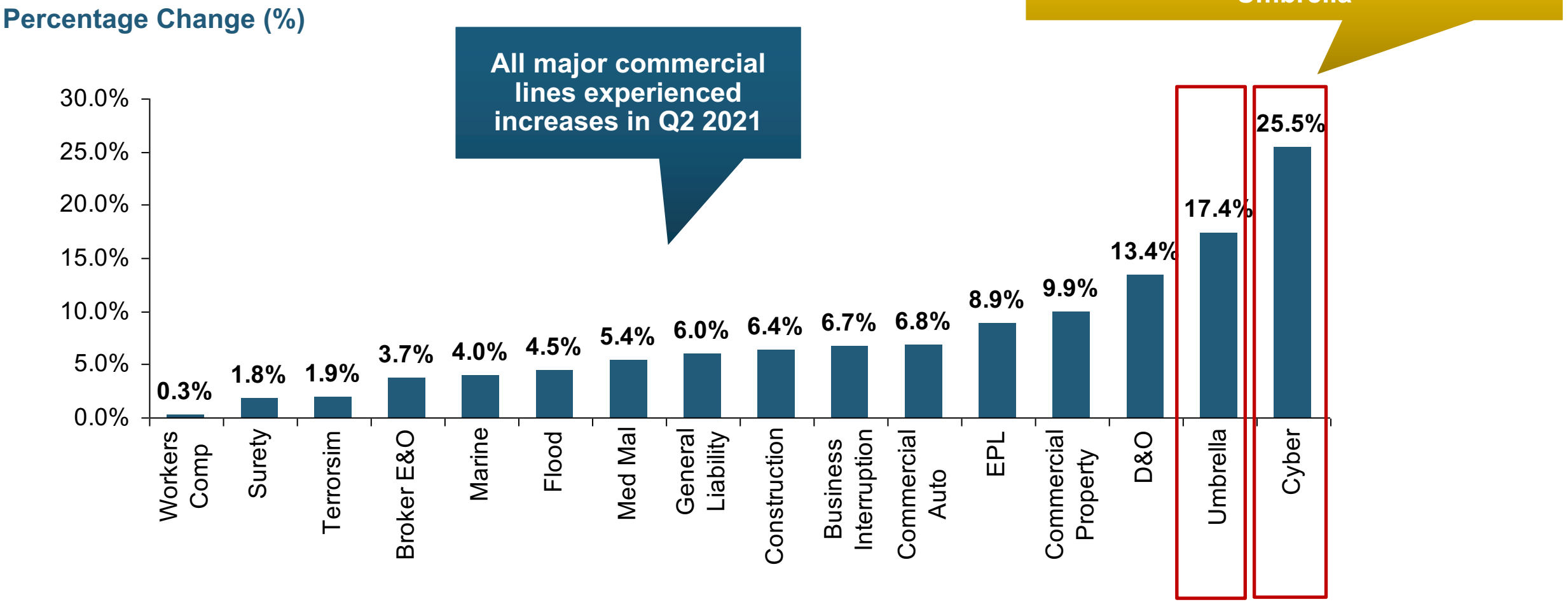


*Latest available.
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.

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

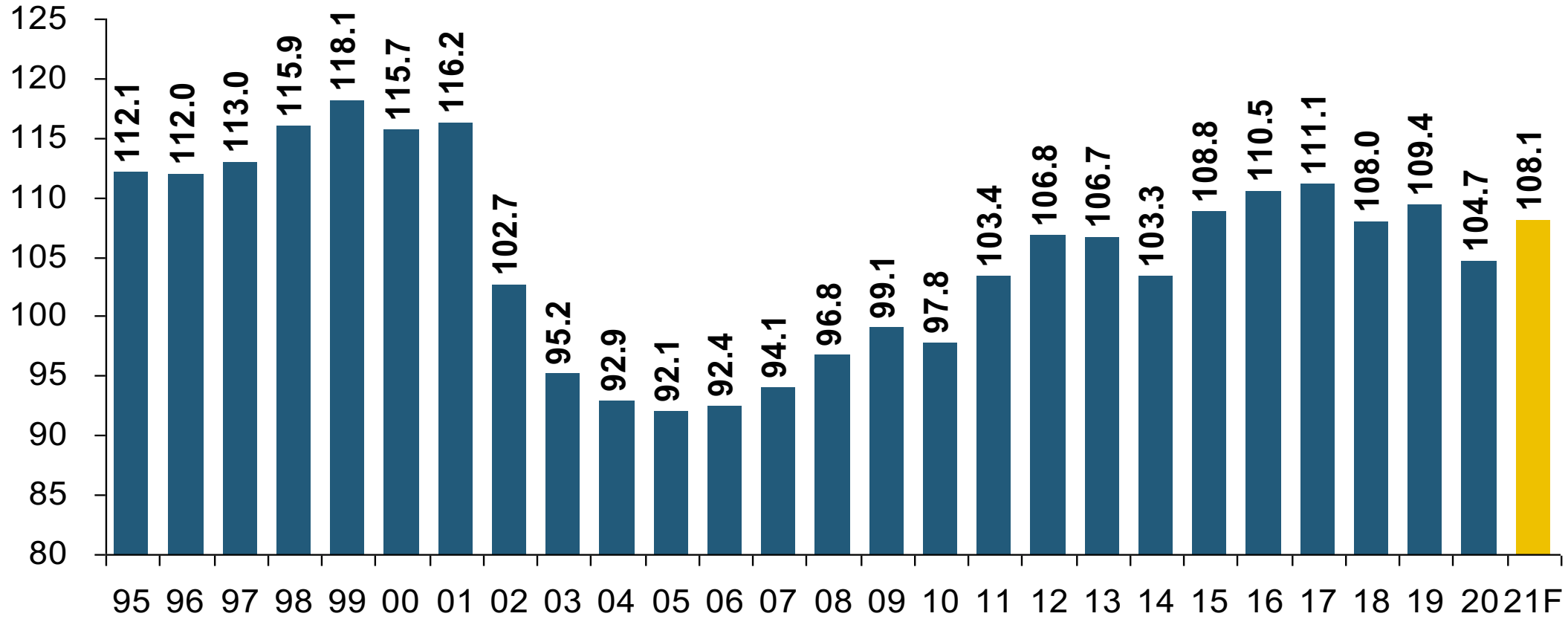
All major commercial lines experienced increases in Q2 2021



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.

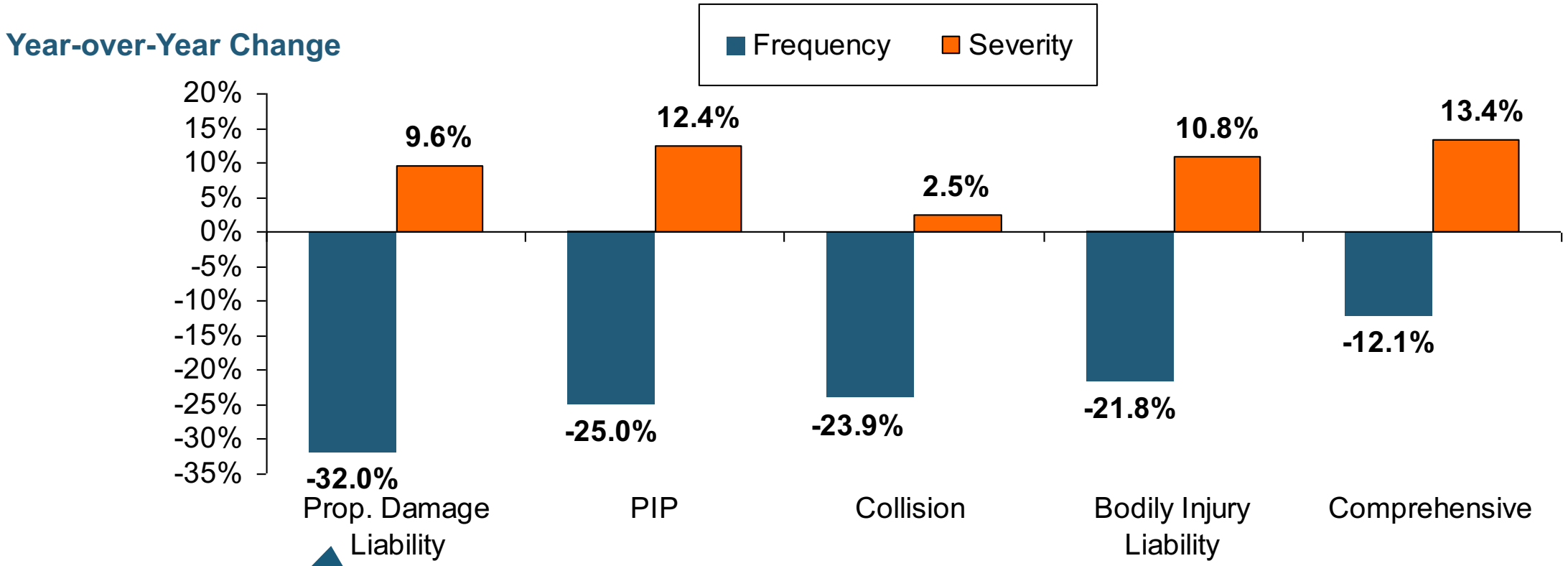
Commercial Auto Combined Ratio: 1993–2021F



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.

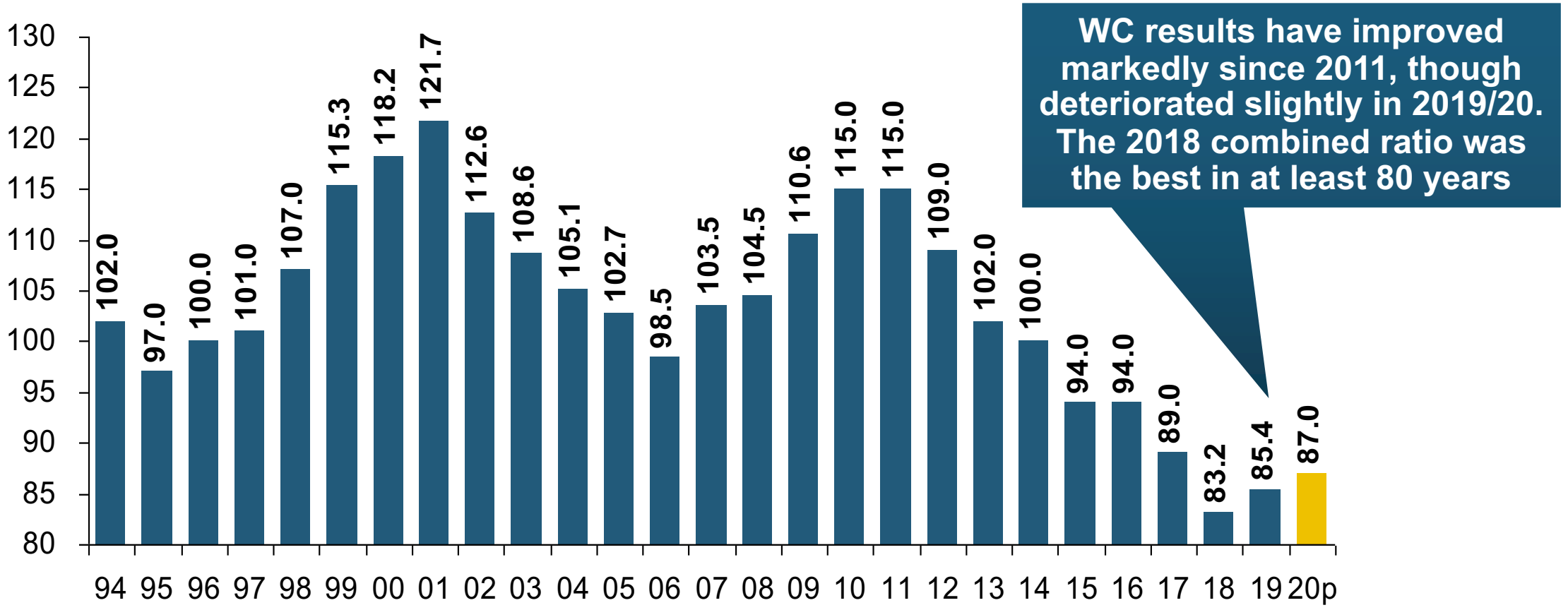
Workers Compensation Update

Significant Improvement Over the Past Decade

Long-Term Affects of COVID Uncertain

62

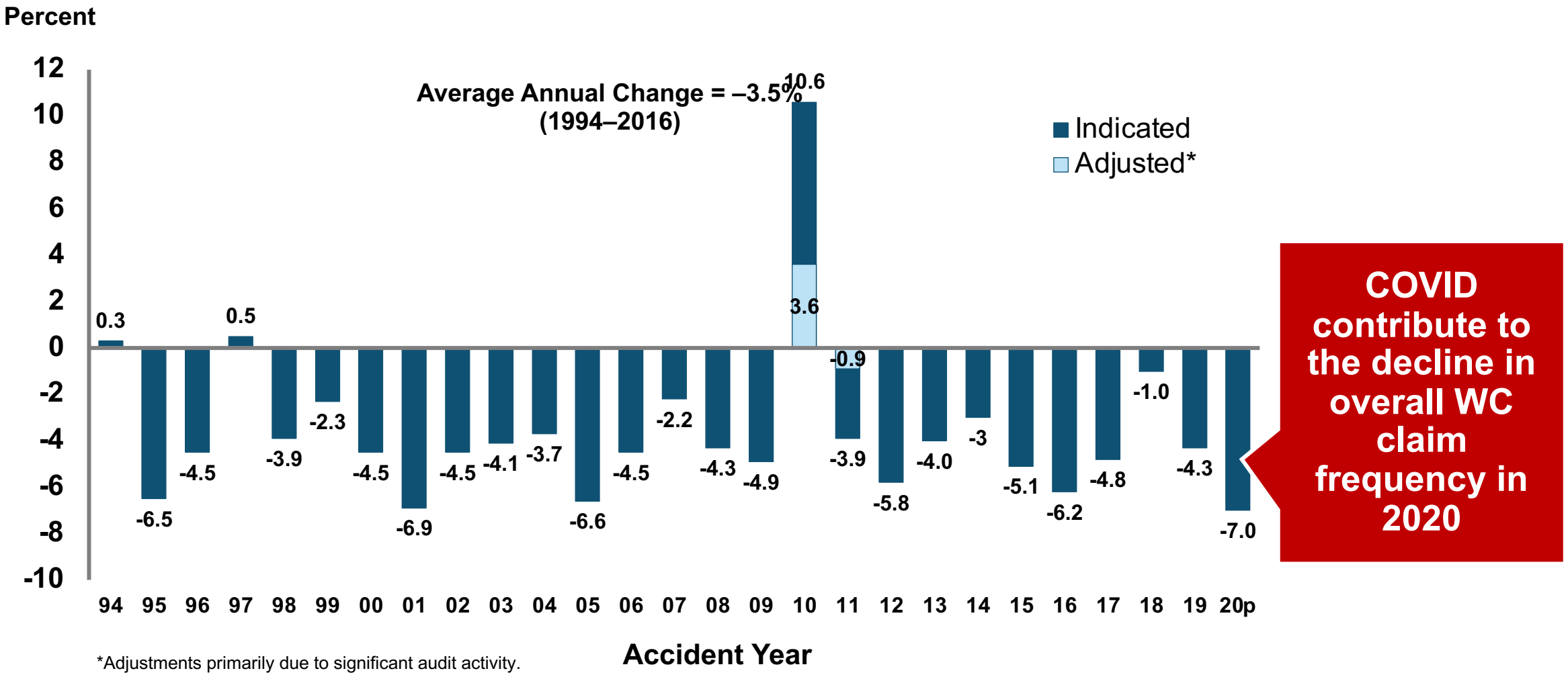
Workers Compensation Combined Ratio: 1994–2020P



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..

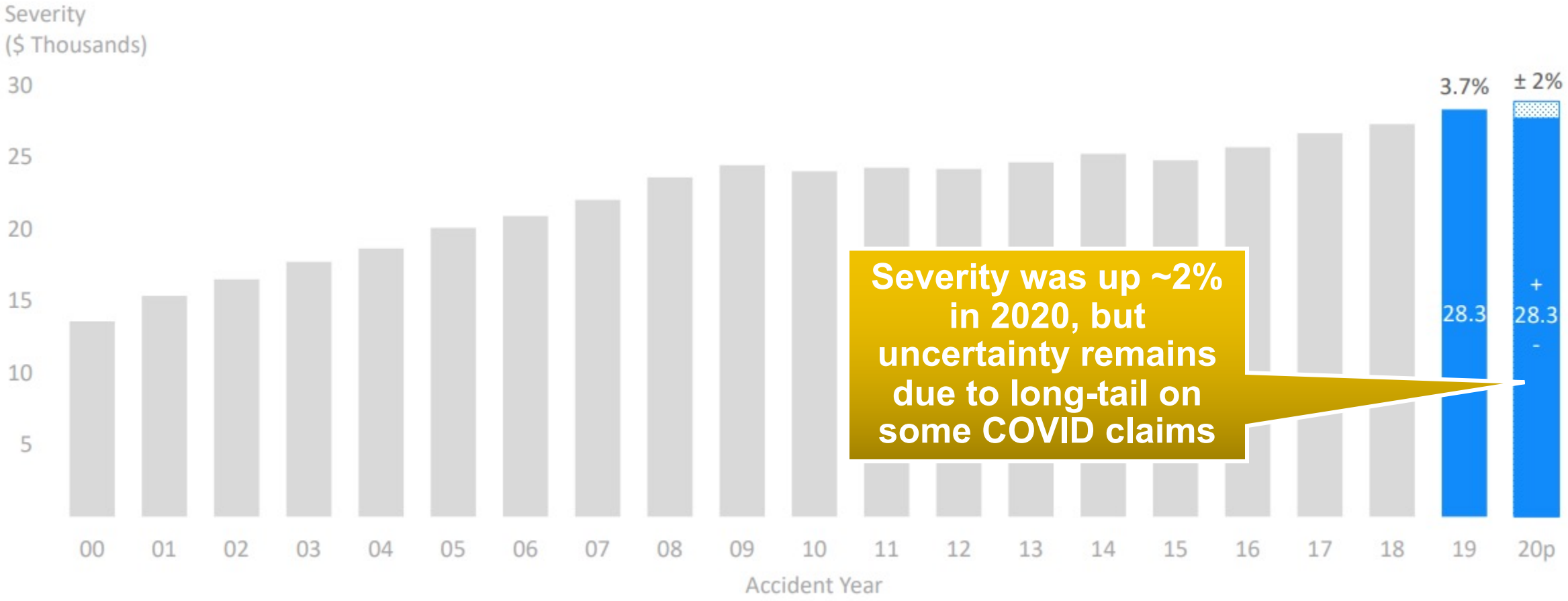
Workers Compensation Lost-Time Claim Frequency Declined Again in 2020



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

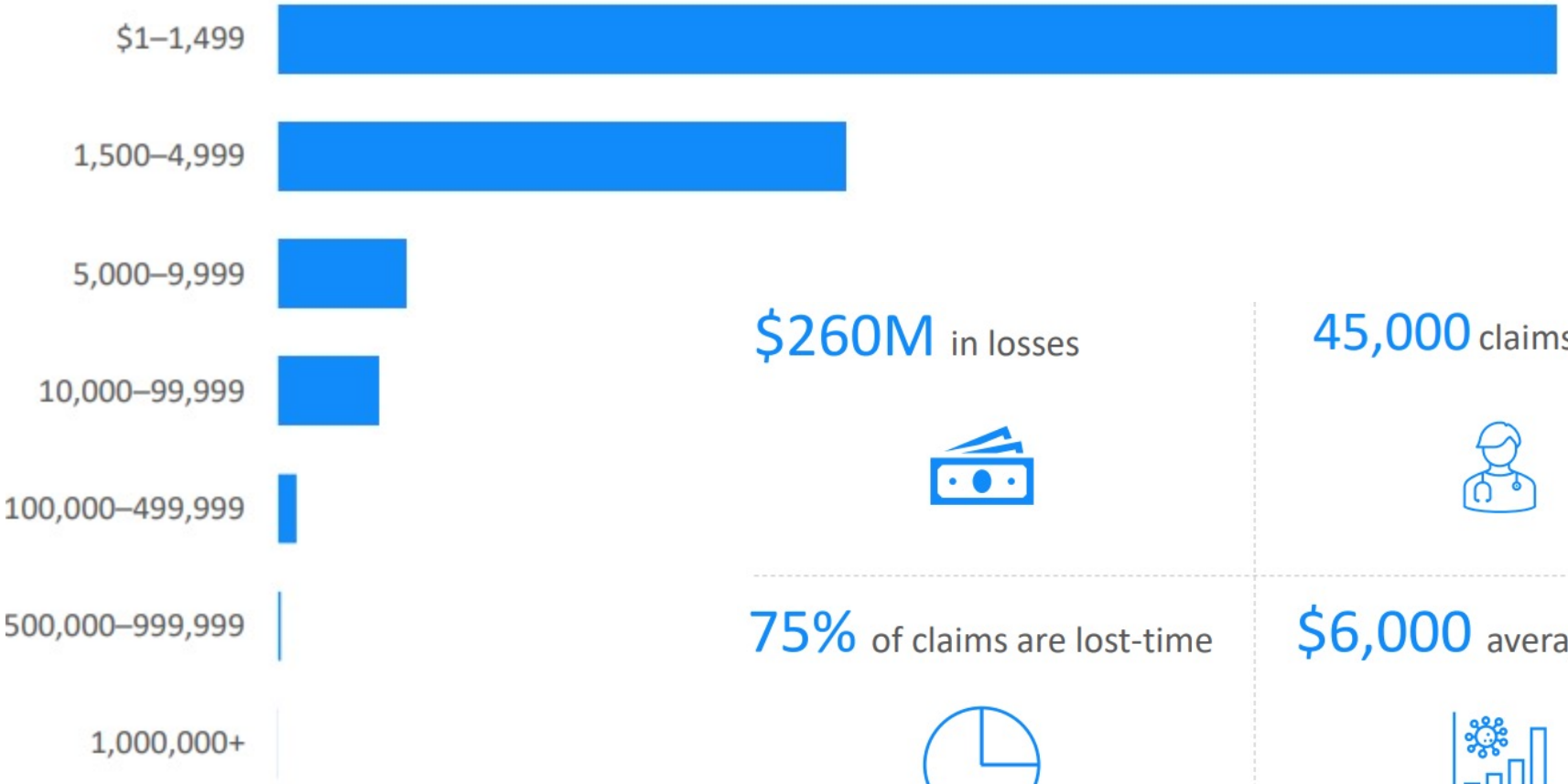
*Adjustments primarily due to significant audit activity.
2020p: Preliminary based on data valued as of 12/31/2020.
Source: NCCI Financial Call data, developed to ultimate and adjusted to current wage an voluntary loss cost level; Excludes high deductible policies; 1994-2020: Based on data through 12/31/20. 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

NCCI estimates total COVID WC costs through the end of the pandemic at ~$500M for the 38 states in which they serve. For all 50 states plus self-insureds, the number is likely closer to $1 billion or more

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

75% of claims were among healthcare workers and first responders

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

SUMMARY

- The P/C Insurance Industry Remains Strong, Stable, Sound and Secure
- Worst-Case COVID-19 Scenarios Have, So Far, Been Averted
- Covid Variants, Snarled Supply Chains Are Slowing the Economic Recovery, though a Second Recession Is Unlikely
  - Most P/C Exposures Restored to Pre-Pandemic Levels by mid-2022
- Asset Price Volatility Will Persist and Low Interest Rates Will Pressure Investment Earnings for Years
- Inflation Surge is Transient, but Will Linger Through 2022
- Many Loss Cost Challenges—Inflation, Supply Chain and Social Inflation Issues

UNIVERSITY OF
SOUTH CAROLINA
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