



Workers Compensation and the Economy

Trends, Challenges and Opportunities

Workers Compensation Education Conference
Orlando, FL
August 20, 2013

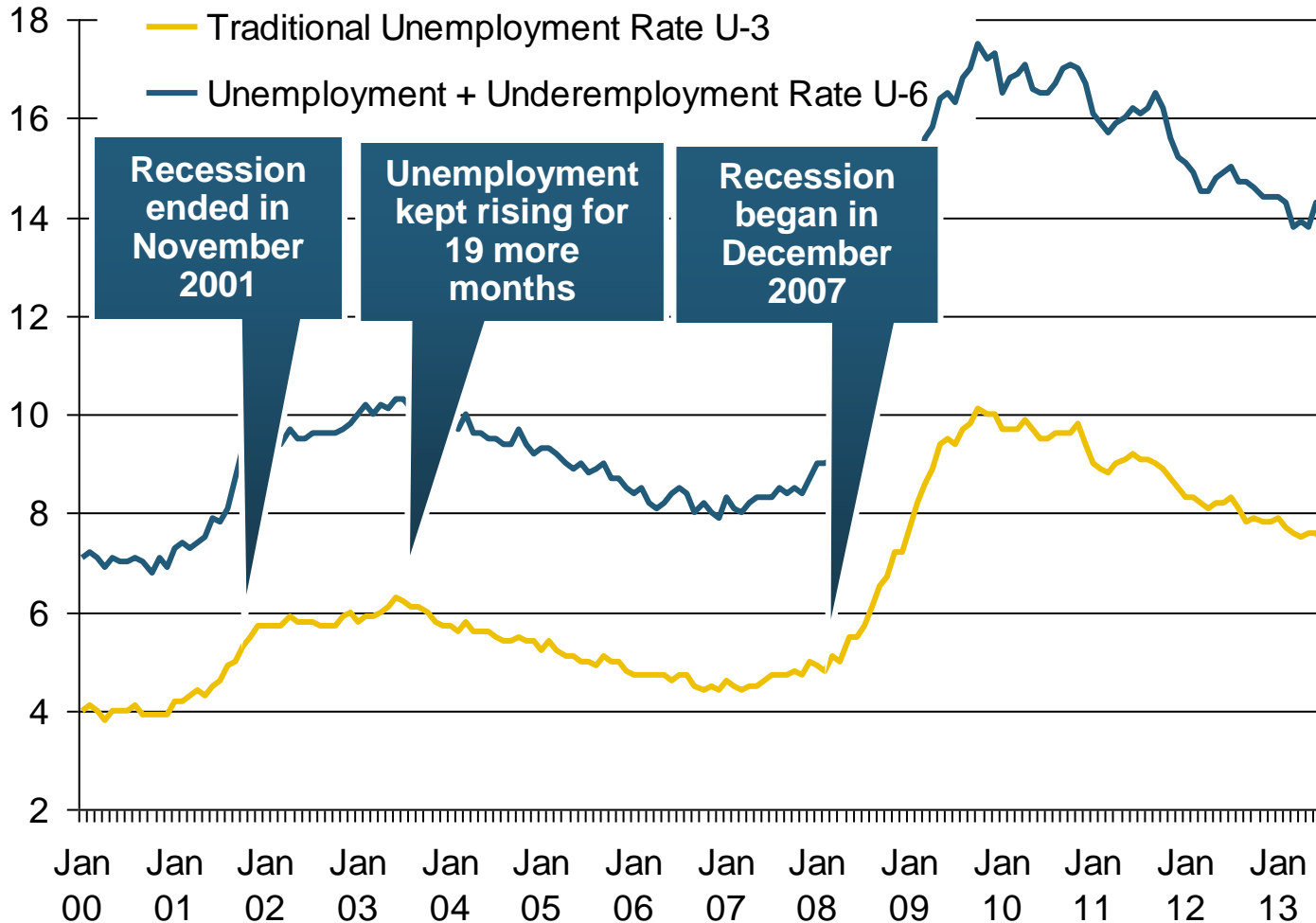
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Labor Market Trends

**Massive Job Losses Sapped Workers
Comp Exposure During the Great
Recession, But Trend Has Improving**

Unemployment and Underemployment Rates: Stubbornly High, But Falling

January 2000 through July 2013, Seasonally Adjusted (%)



U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 14.0% in July 2013

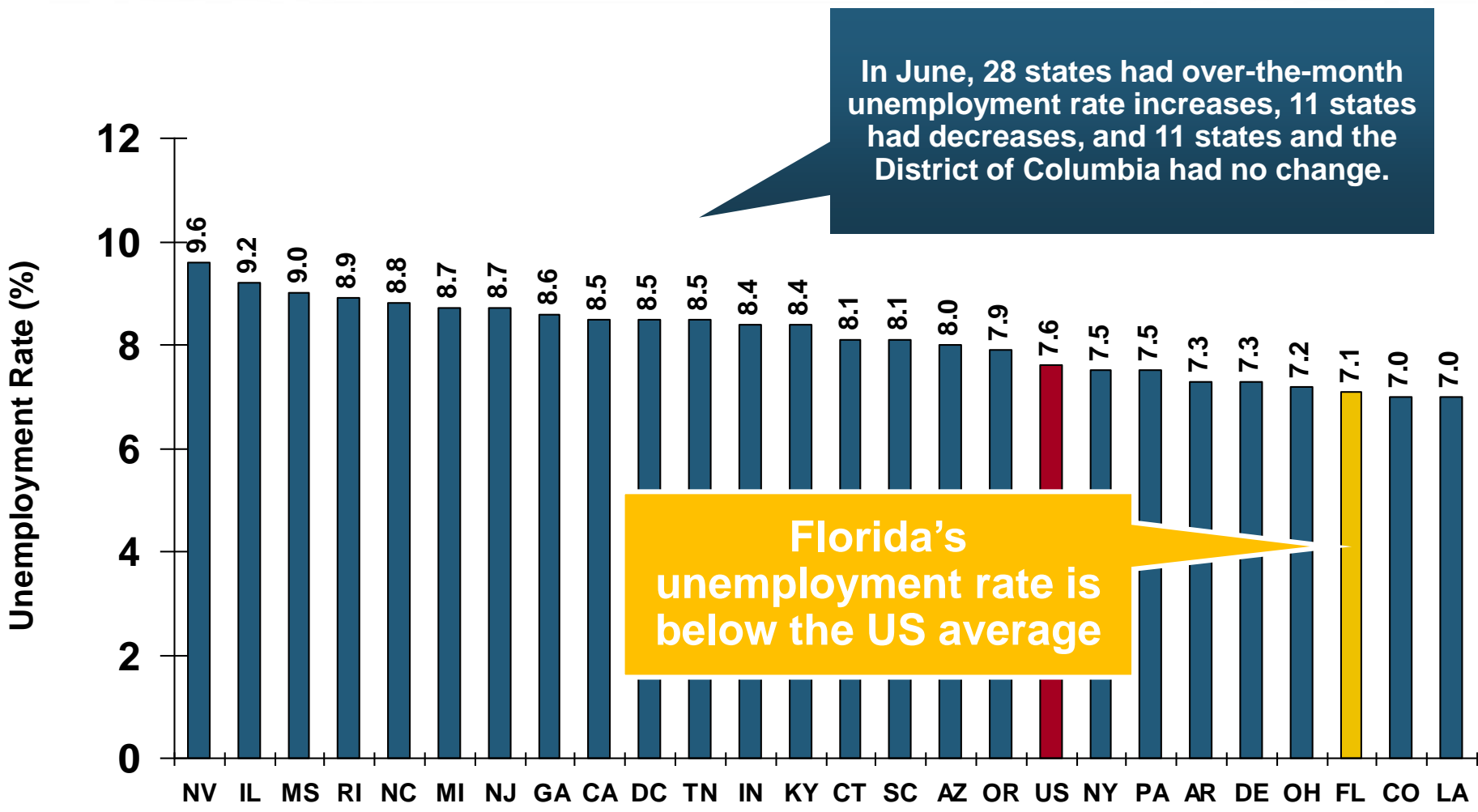
Unemployment stood at 7.4% in July 2013—its lowest level in more than 4 years.

Unemployment peaked at 10.1% in October 2009, highest monthly rate since 1983.

Peak rate in the last 30 years: 10.8% in November - December 1982

Stubbornly high unemployment and underemployment constrain overall economic growth, but the job market is now clearly improving

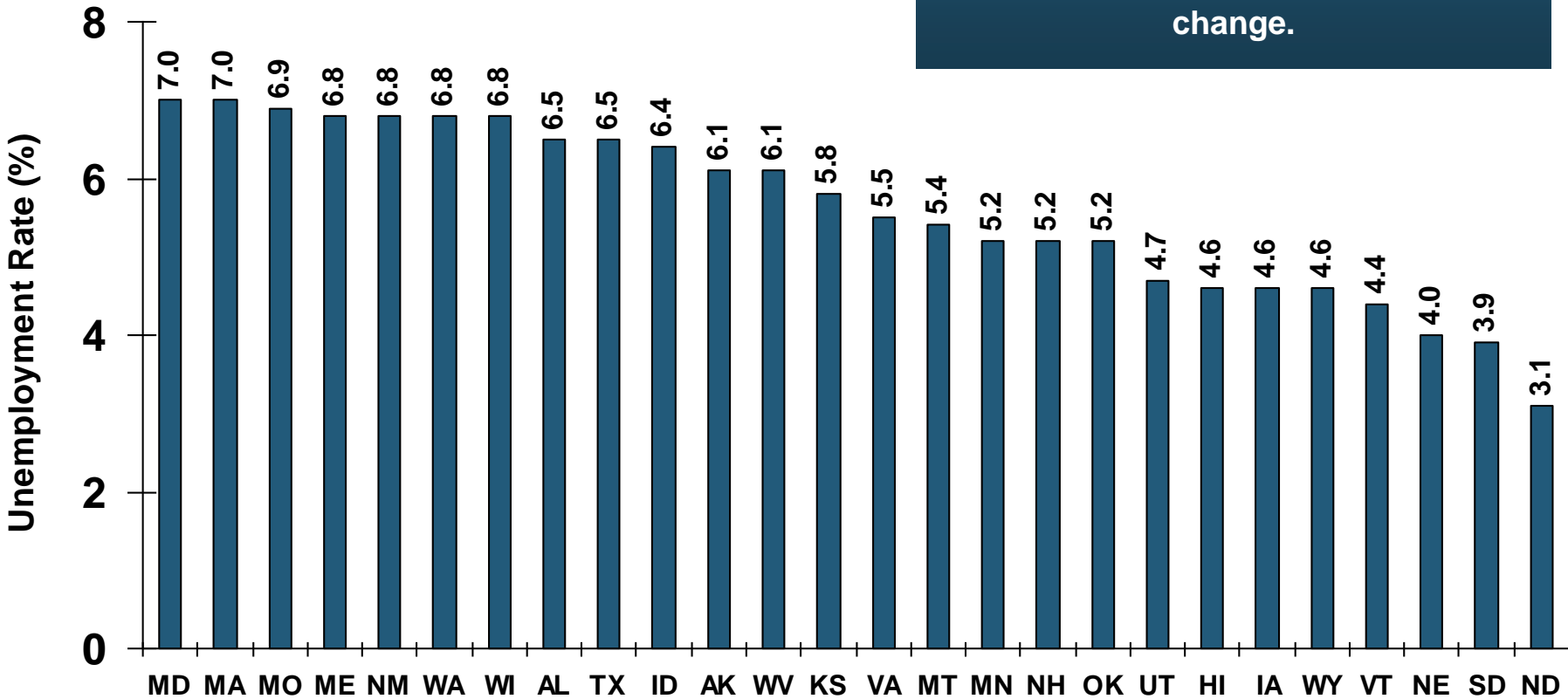
Unemployment Rates by State, June 2013: Highest 25 States*



*Provisional figures for June 2013, seasonally adjusted.
Sources: US Bureau of Labor Statistics; Insurance Information Institute.

Unemployment Rates by State, June 2013: Lowest 25 States*

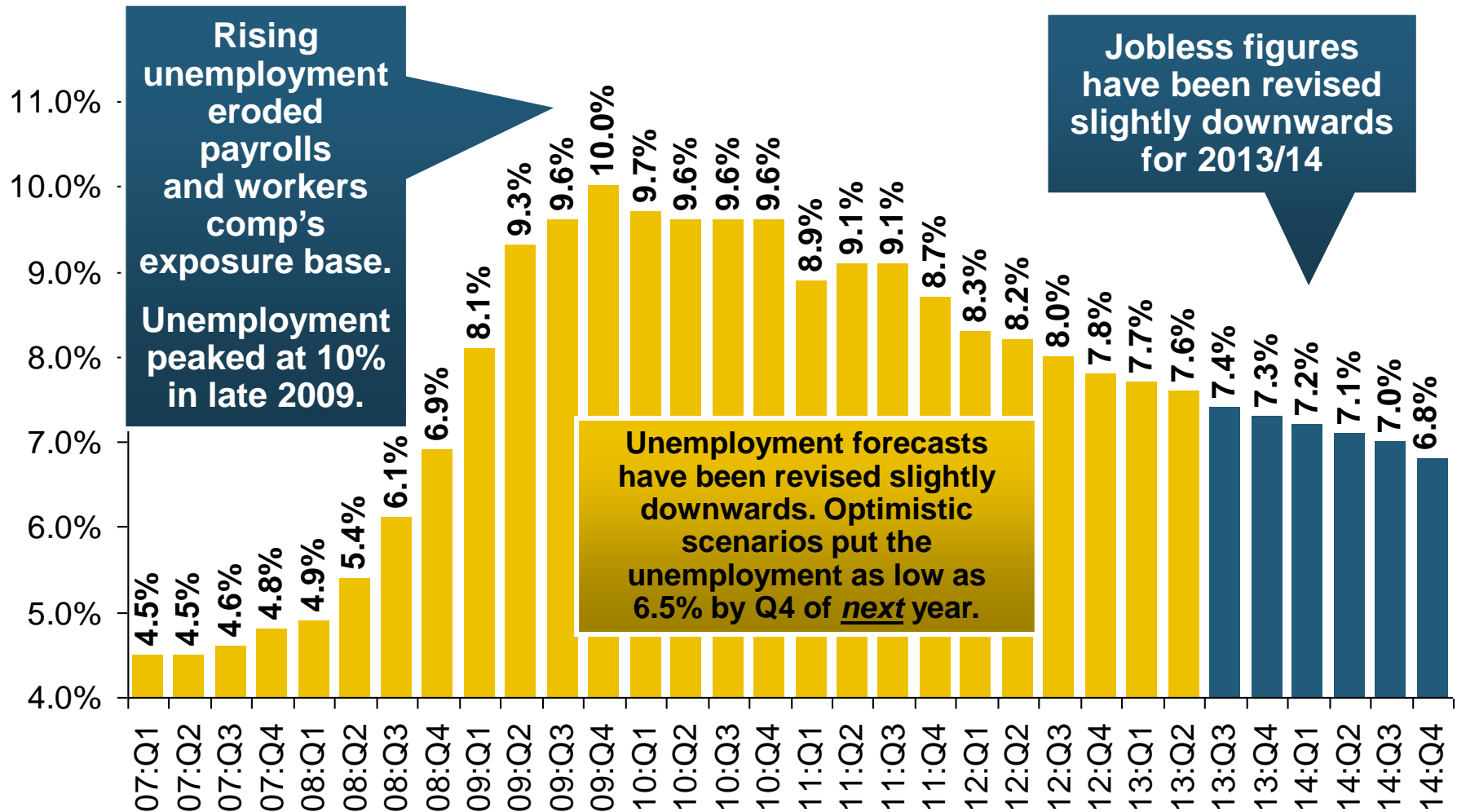
In June, 28 states had over-the-month unemployment rate increases, 11 states had decreases, and 11 states and the District of Columbia had no change.



*Provisional figures for June 2013, seasonally adjusted.
Sources: US Bureau of Labor Statistics; Insurance Information Institute.

US Unemployment Rate Forecast

2007:Q1 to 2014:Q4F*

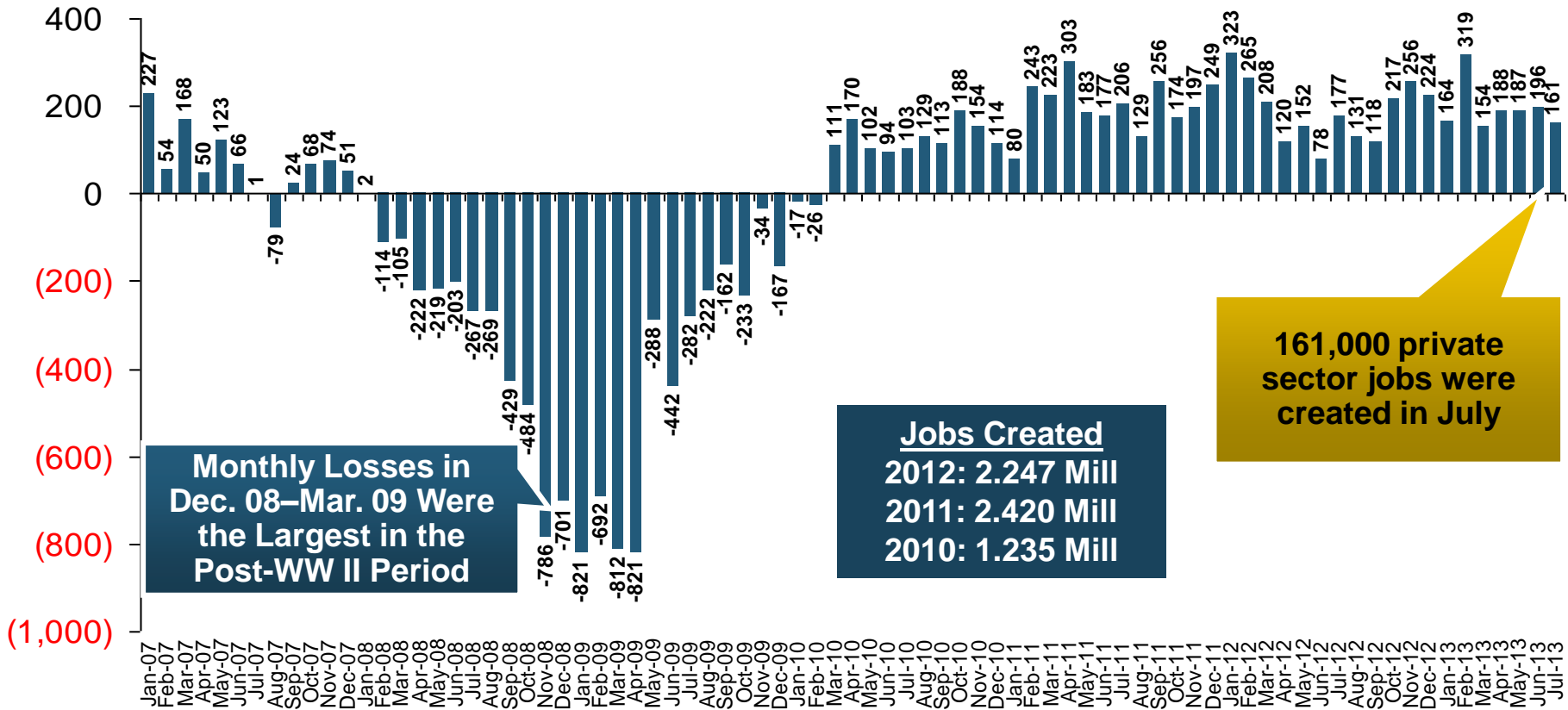


* ■ = actual; ■ = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (8/13 edition); Insurance Information Institute.

Monthly Change in Private Employment

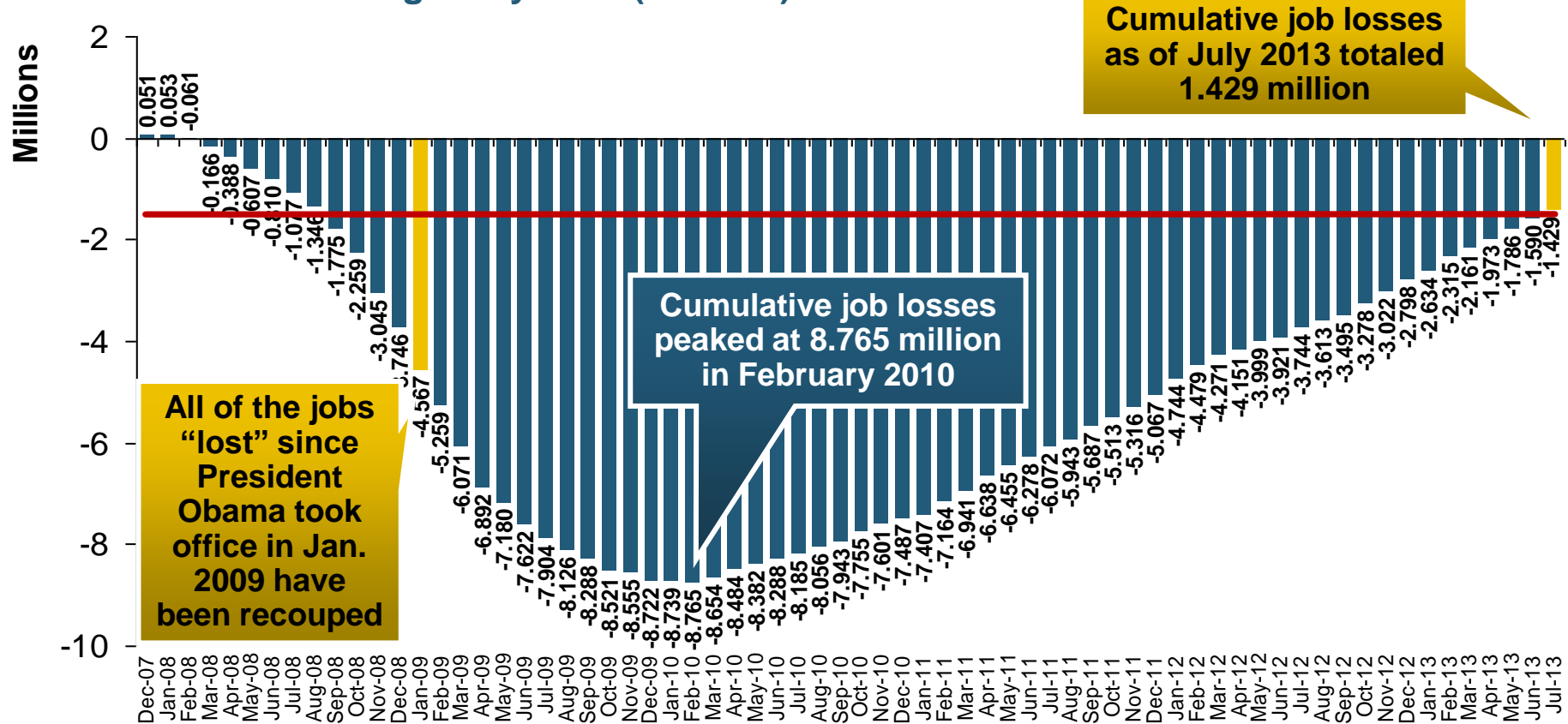
January 2007 through July 2013 (Thousands)



Private Employers Added 7.29 million Jobs Since Jan. 2010 After Having Shed 4.98 Million Jobs in 2009 and 3.80 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Cumulative Change in Private Employment: Dec. 2007—July 2013

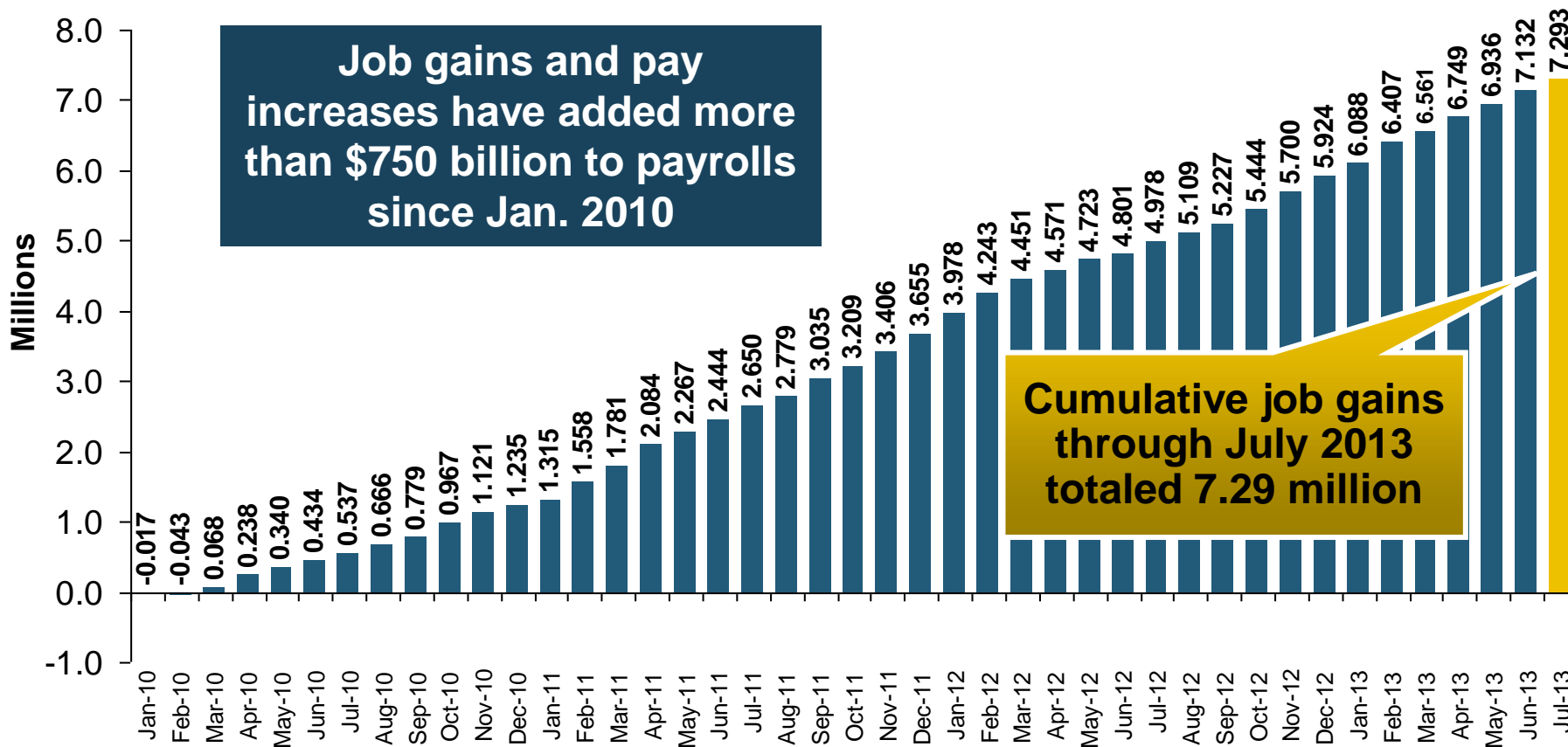
December 2007 through July 2013 (Millions)



Private Employers Added 7.29 million Jobs Since Jan. 2010 After Having Shed 4.98 Million Jobs in 2009 and 3.80 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Cumulative Change in Private Sector Employment: Jan. 2010—July 2013

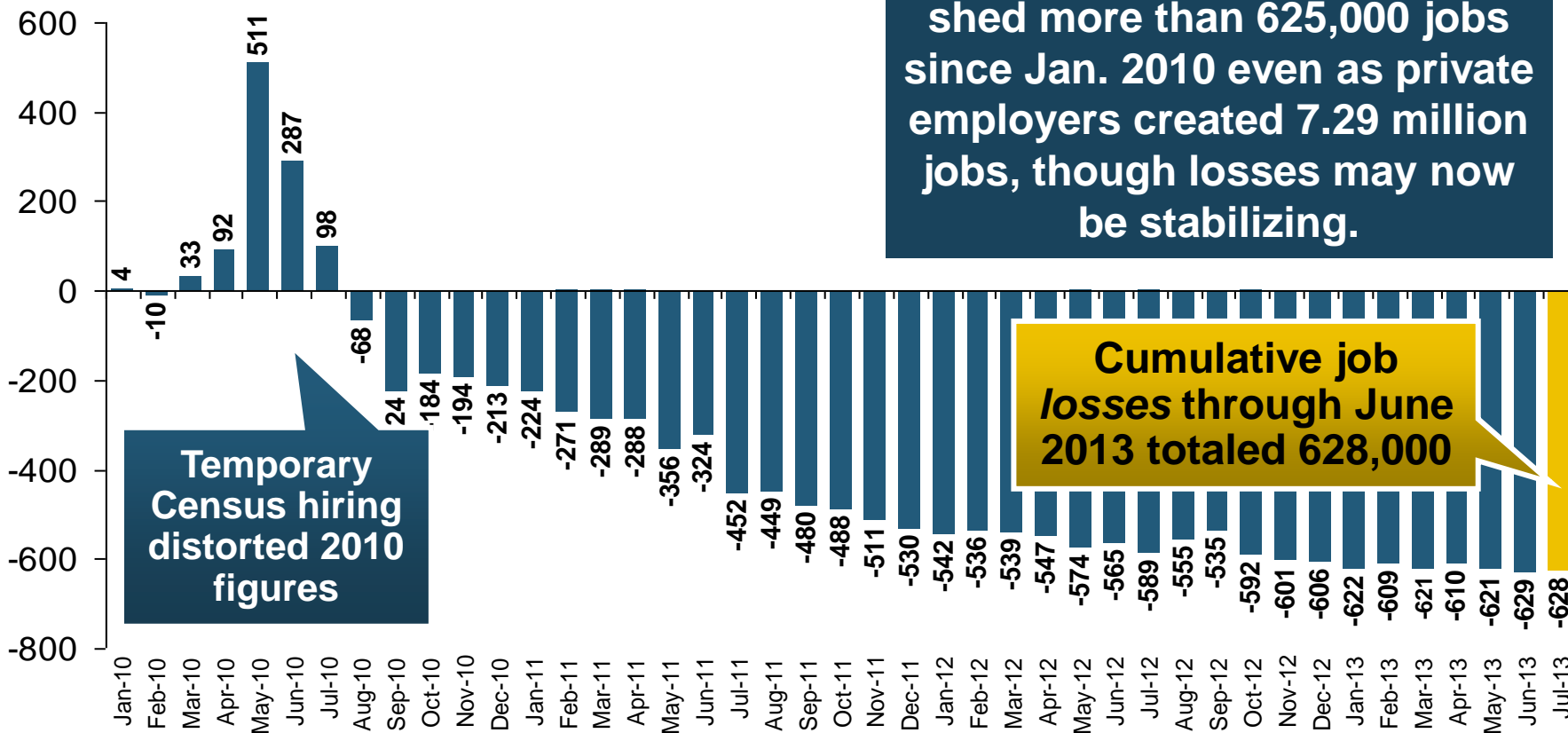
January 2010 through July 2013* (Millions)



Private Employers Added 7.29 million Jobs Since Jan. 2010 After Having Shed 4.98 Million Jobs in 2009 and 3.80 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Cumulative Change in Government Employment: Jan. 2010—July 2013

January 2010 through July 2013* (Millions)

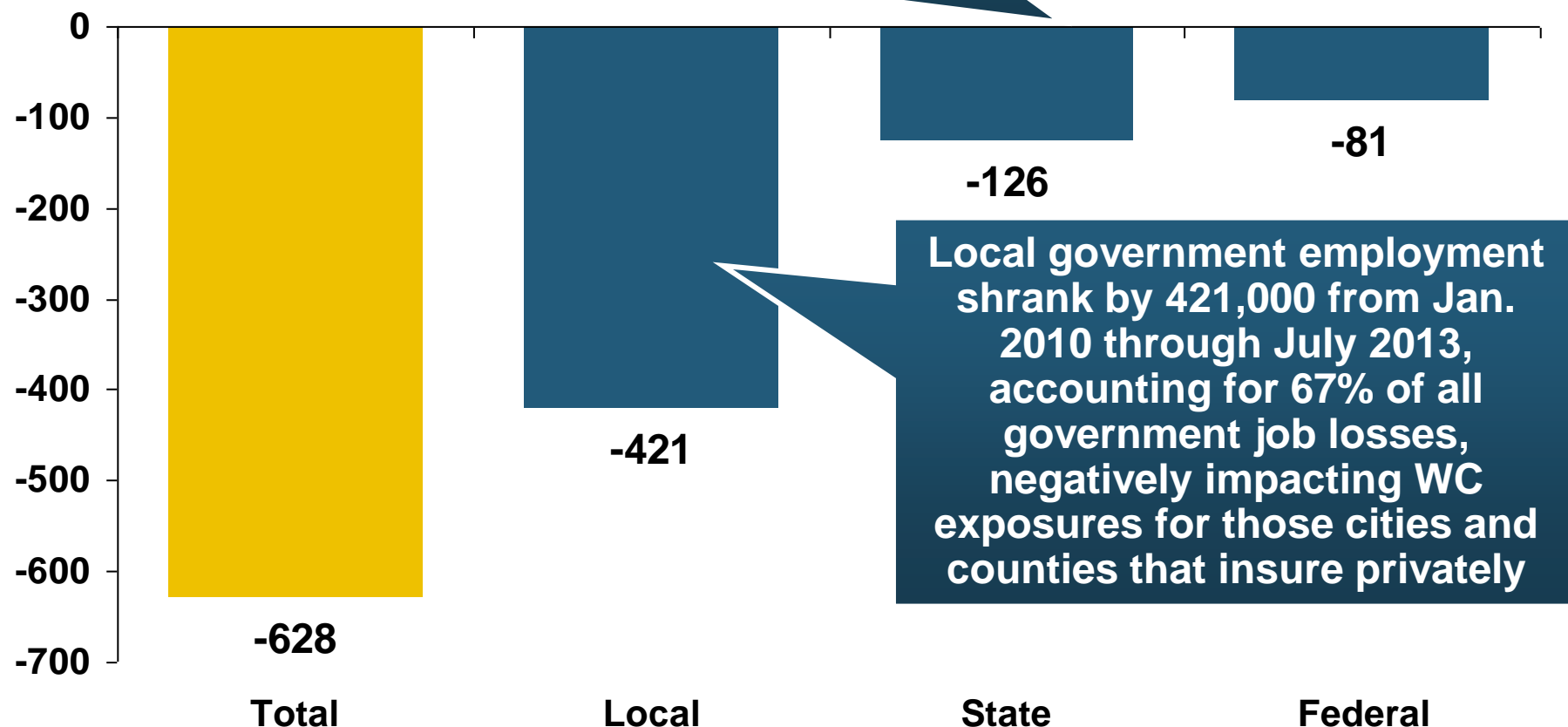


Government at all levels has shed more than 625,000 jobs since Jan. 2010 even as private employers created 7.29 million jobs, though losses may now be stabilizing.

Governments at All Levels are Under Severe Fiscal Strain As Tax Receipts Plunged and Pension Obligations Soared During the Financial Crisis: Sequestration Will Add to this Toll

Net Change in Government Employment: Jan. 2010—July 2013*

(Thousands)



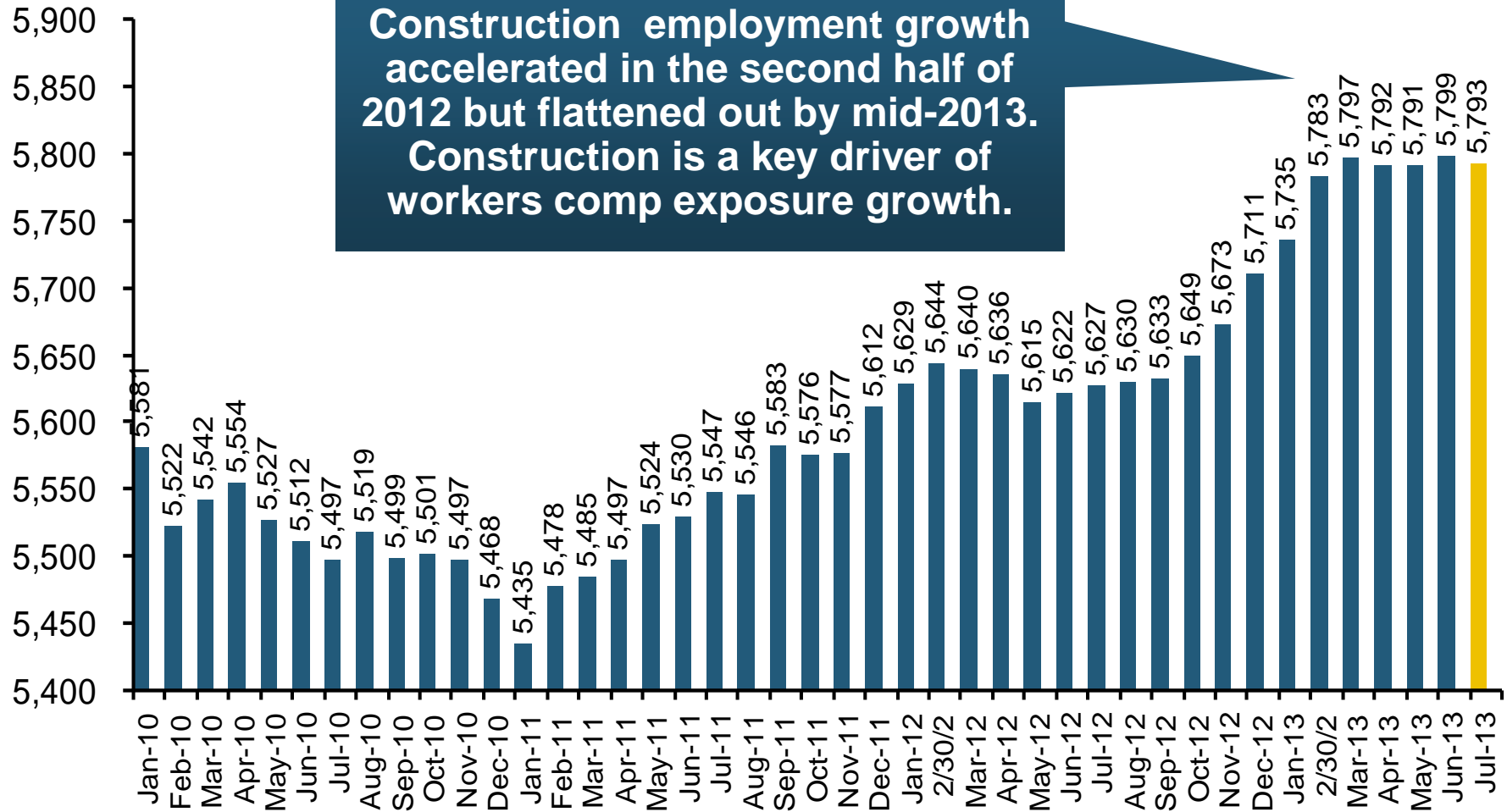
*Cumulative change from prior month; Base employment date is Dec. 2009.

Source: US Bureau of Labor Statistics <http://www.bls.gov/data/#employment>; Insurance Information Institute

Construction Employment, Jan. 2010—July 2013*

(Thousands)

Construction employment growth accelerated in the second half of 2012 but flattened out by mid-2013. Construction is a key driver of workers comp exposure growth.



*Seasonally adjusted

Sources: US Bureau of Labor Statistics at <http://data.bls.gov>; Insurance Information Institute.

Construction Employment, Jan. 2003–July 2013

(Thousands)

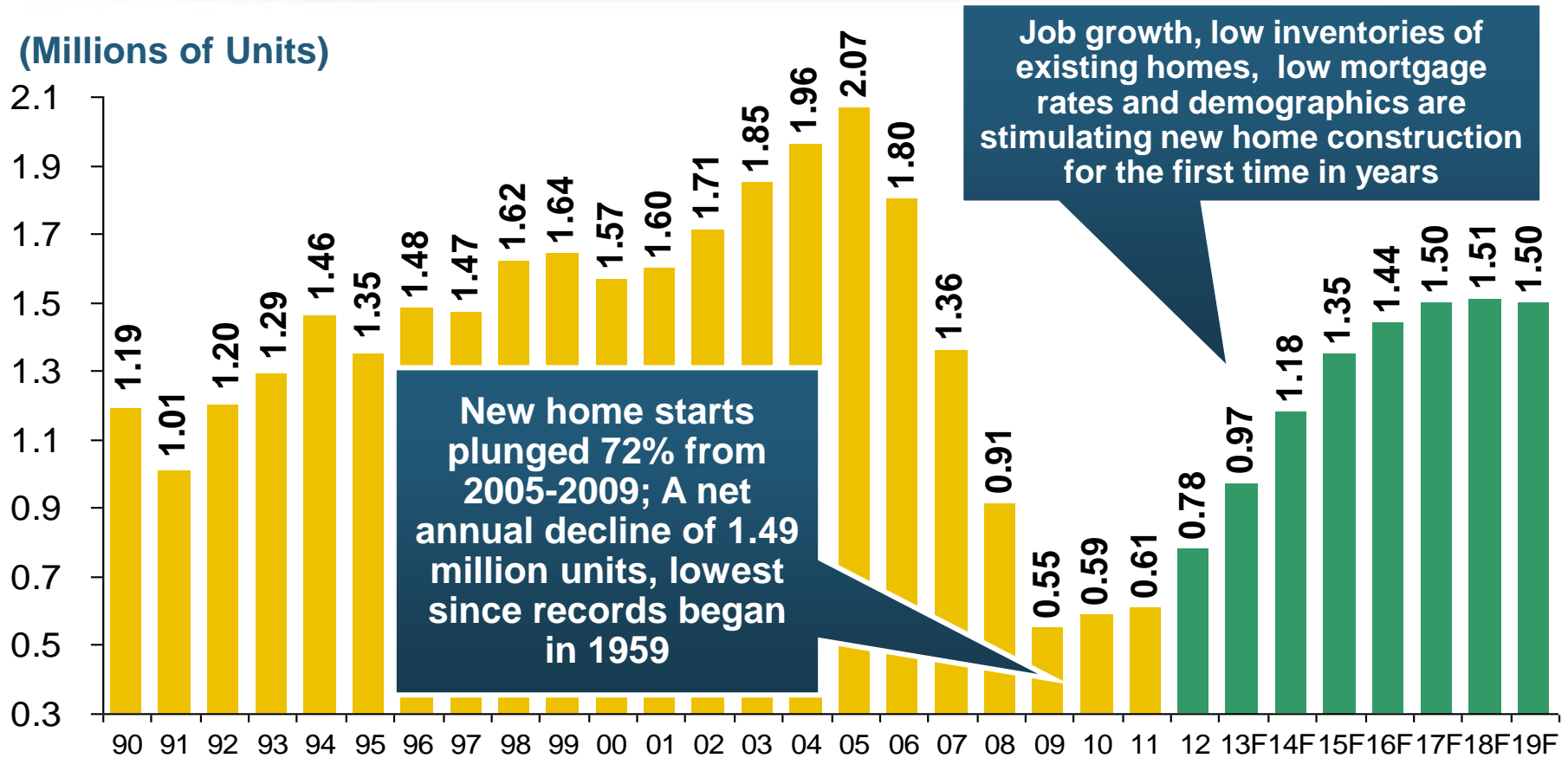


The Construction Sector Could Be a Growth Leader in 2013 and 2014 as the Housing Market and Private Investment Recover. WC Insurers Will Benefit.

Note: Recession indicated by gray shaded column.

Sources: U.S. Bureau of Labor Statistics; Insurance Information Institute.

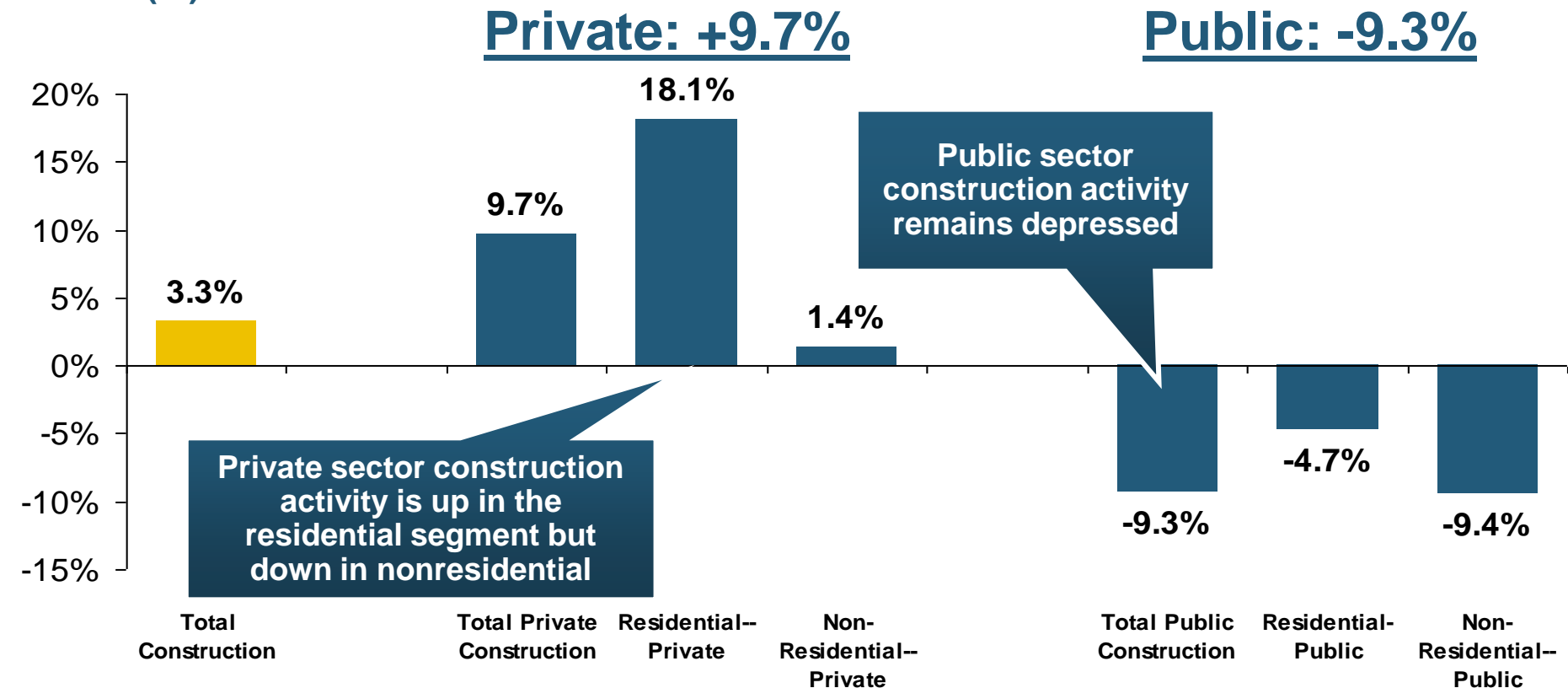
New Private Housing Starts, 1990-2019F



Insurers Are Starting to See Meaningful Exposure Growth for the First Time Since 2005 Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Value of Construction Put in Place, June 2013 vs. June 2012*

Growth (%)



Overall Construction Activity is Up, But Growth Is Entirely in the Private Sector as State/Local Government Budget Woes Continue

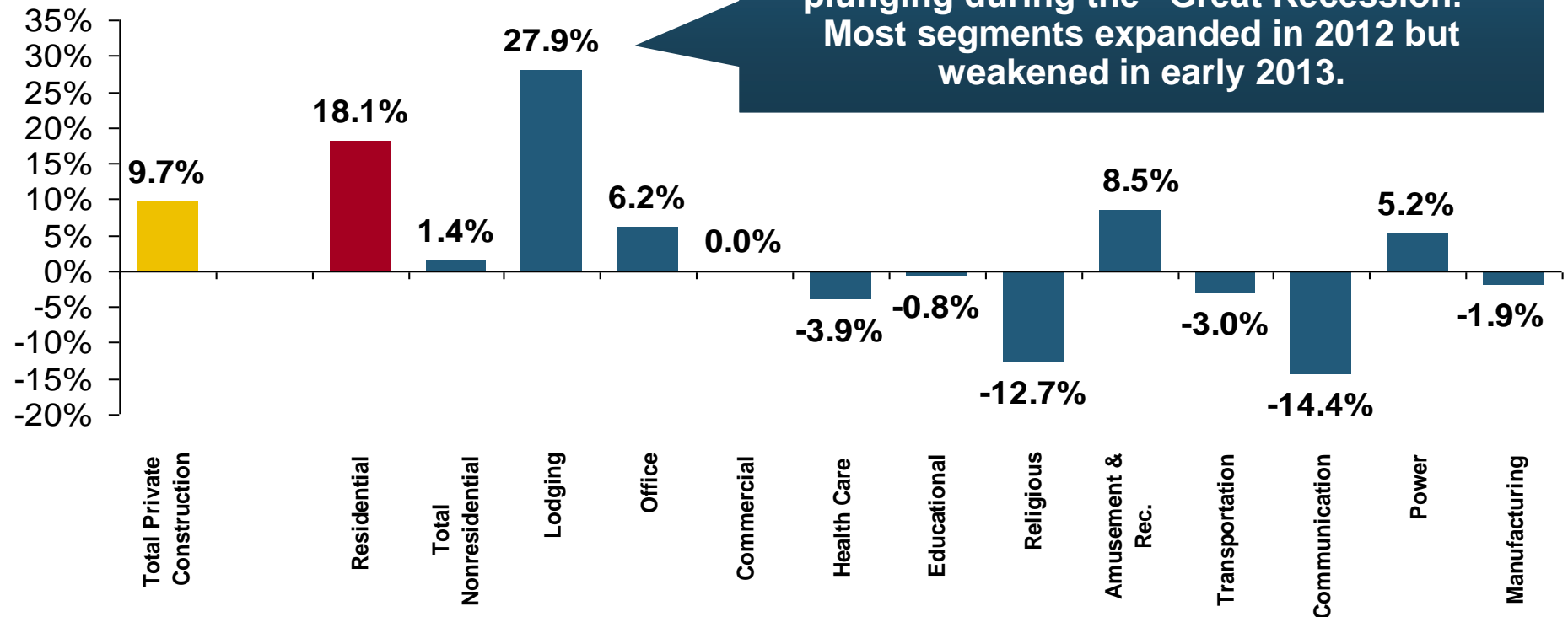
*seasonally adjusted

Source: U.S. Census Bureau, <http://www.census.gov/construction/c30/c30index.html> ; Insurance Information Institute.

Value of Private Construction Put in Place, by Segment, June 2013 vs. June 2012*

Growth (%)

Led by the Residential Construction, Lodging and Office segments, Private sector construction activity remains mixed after plunging during the "Great Recession." Most segments expanded in 2012 but weakened in early 2013.



Private Construction Activity is Up in Some Segments, Including the Key Residential Construction Sector, But Weakened in the First Half of 2013

*seasonally adjusted

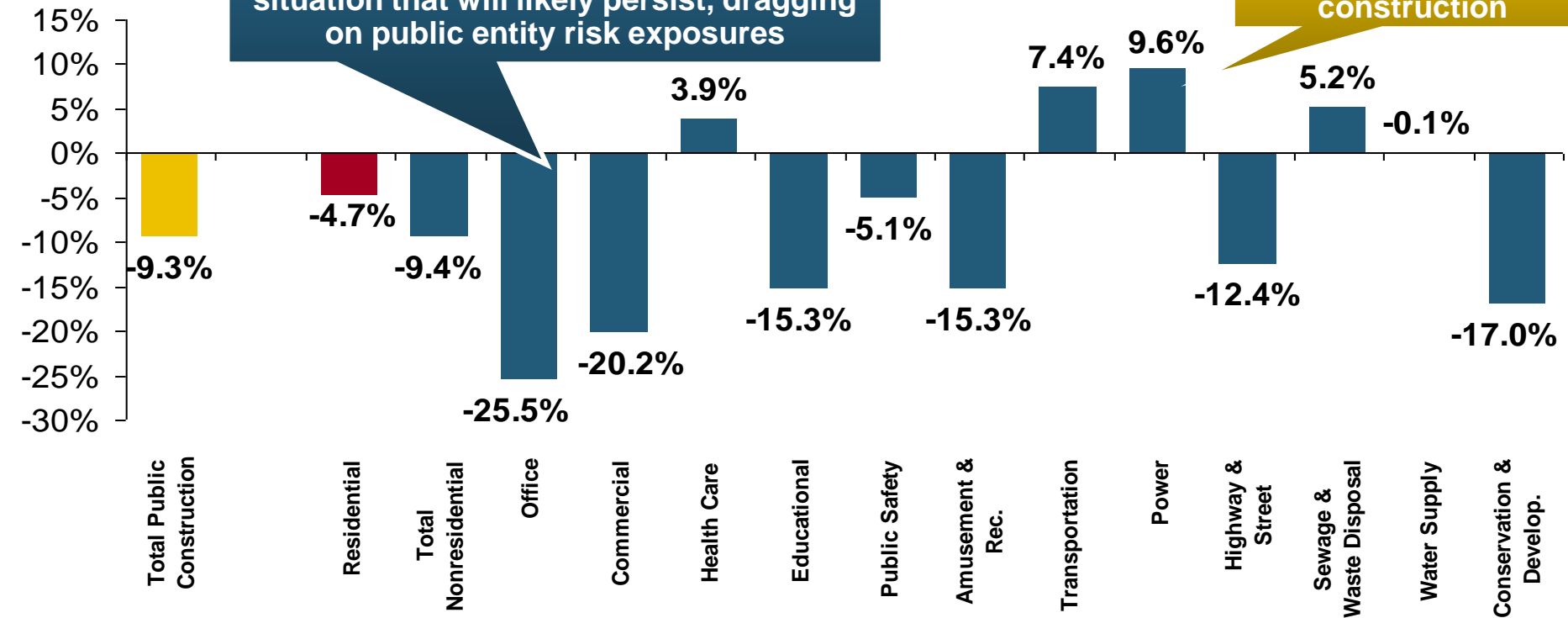
Source: U.S. Census Bureau, <http://www.census.gov/construction/c30/c30index.html> ; Insurance Information Institute.

Value of Public Construction Put in Place, by Segment, June 2013 vs. June 2012*

Growth (%)

Public sector construction activity is down substantially in most segments, a situation that will likely persist, dragging on public entity risk exposures

Transportation and Power projects lead public sector construction



Public Construction Activity is Down in Many Segments as State and Local Budgets Remain Under Stress; Improvement Possible in 2014.

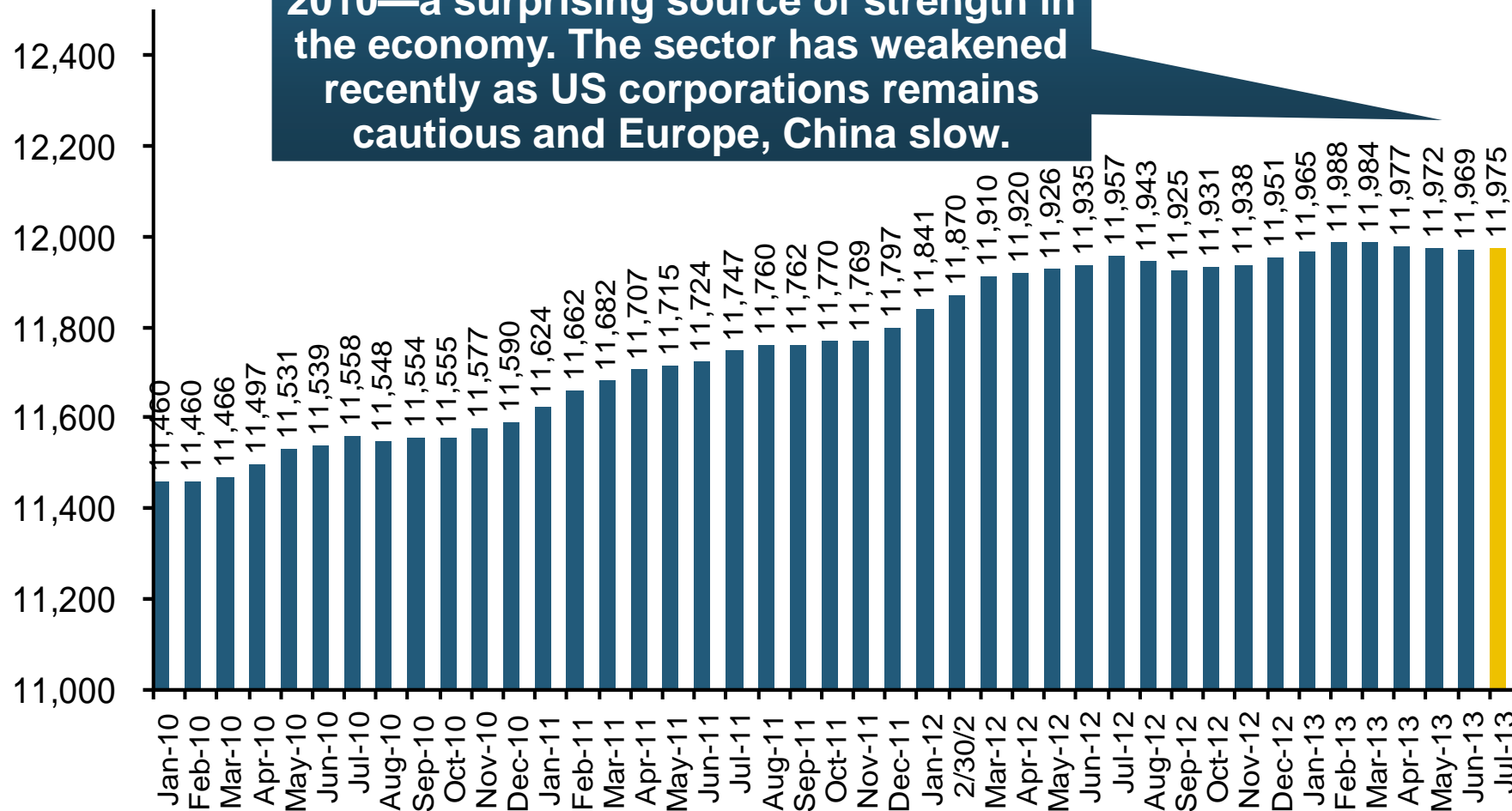
*seasonally adjusted

Source: U.S. Census Bureau, <http://www.census.gov/construction/c30/c30index.html> ; Insurance Information Institute.

Manufacturing Employment, Jan. 2010—July 2013*

(Thousands)

Manufacturing employment is up by more than 500,000 or 4.5% since Jan. 2010—a surprising source of strength in the economy. The sector has weakened recently as US corporations remains cautious and Europe, China slow.

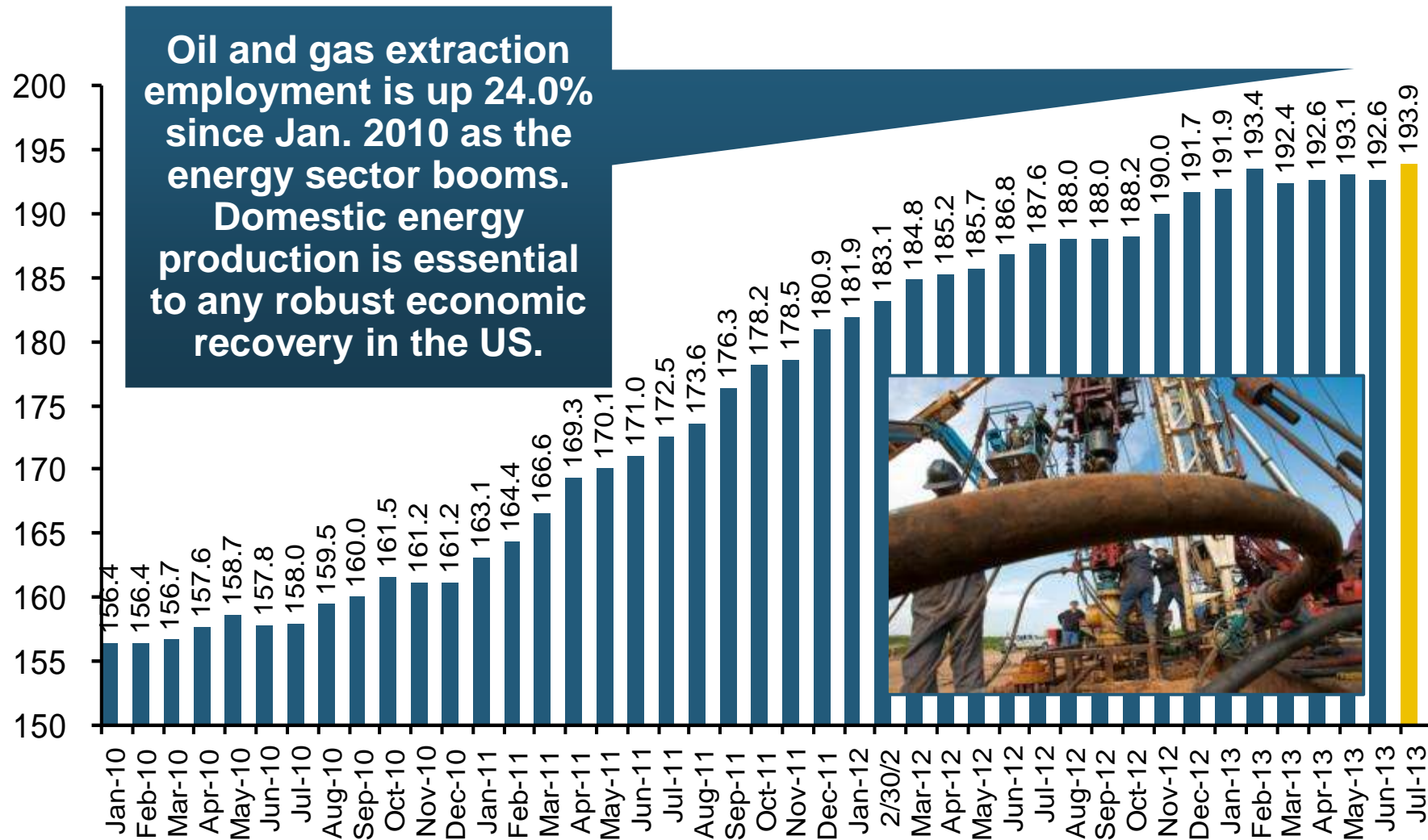


*Seasonally adjusted

Sources: US Bureau of Labor Statistics at <http://data.bls.gov>; Insurance Information Institute.

Oil & Gas Extraction Employment, Jan. 2010—July 2013*

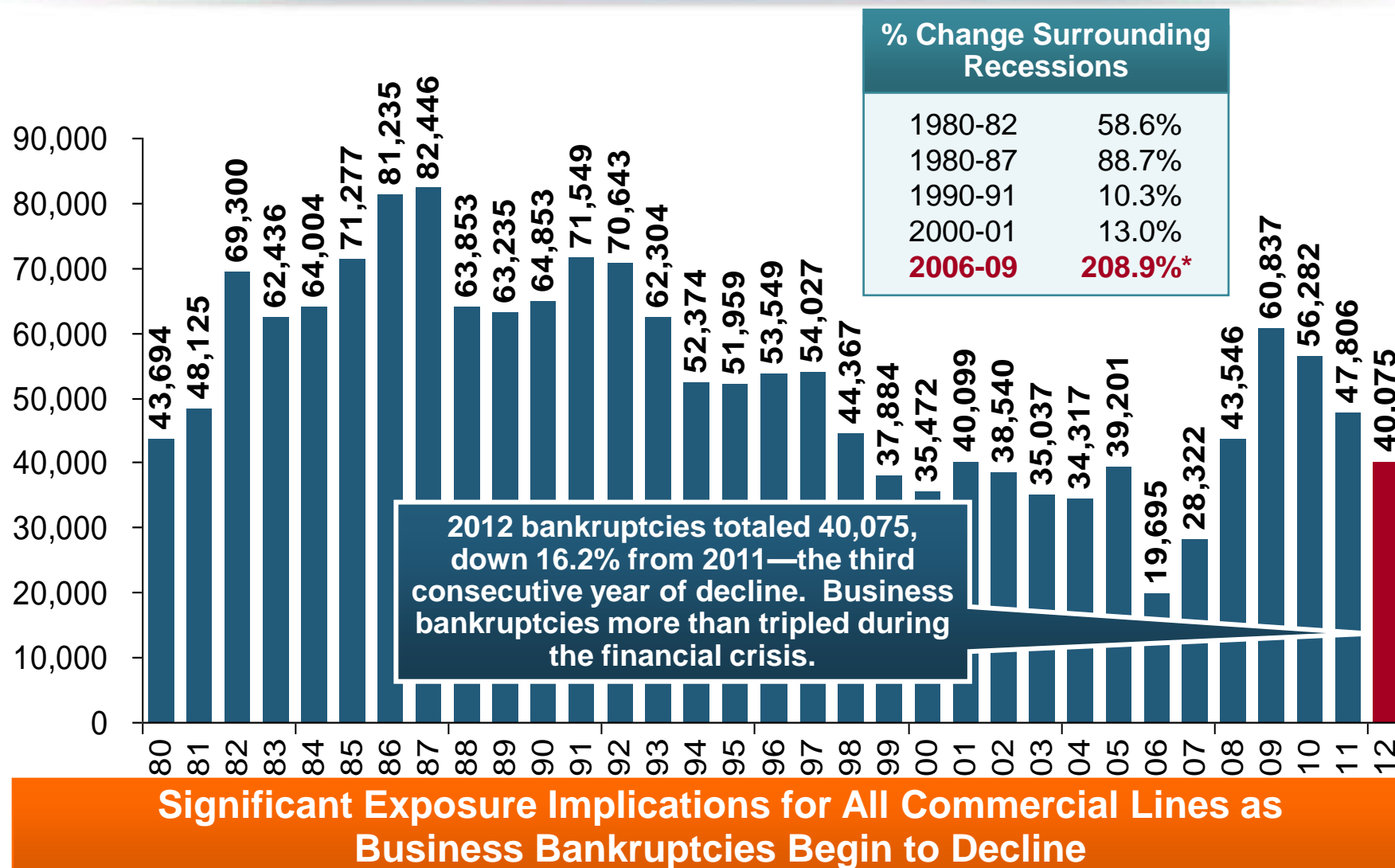
(Thousands)



*Seasonally adjusted

Sources: US Bureau of Labor Statistics at <http://data.bls.gov>; Insurance Information Institute.

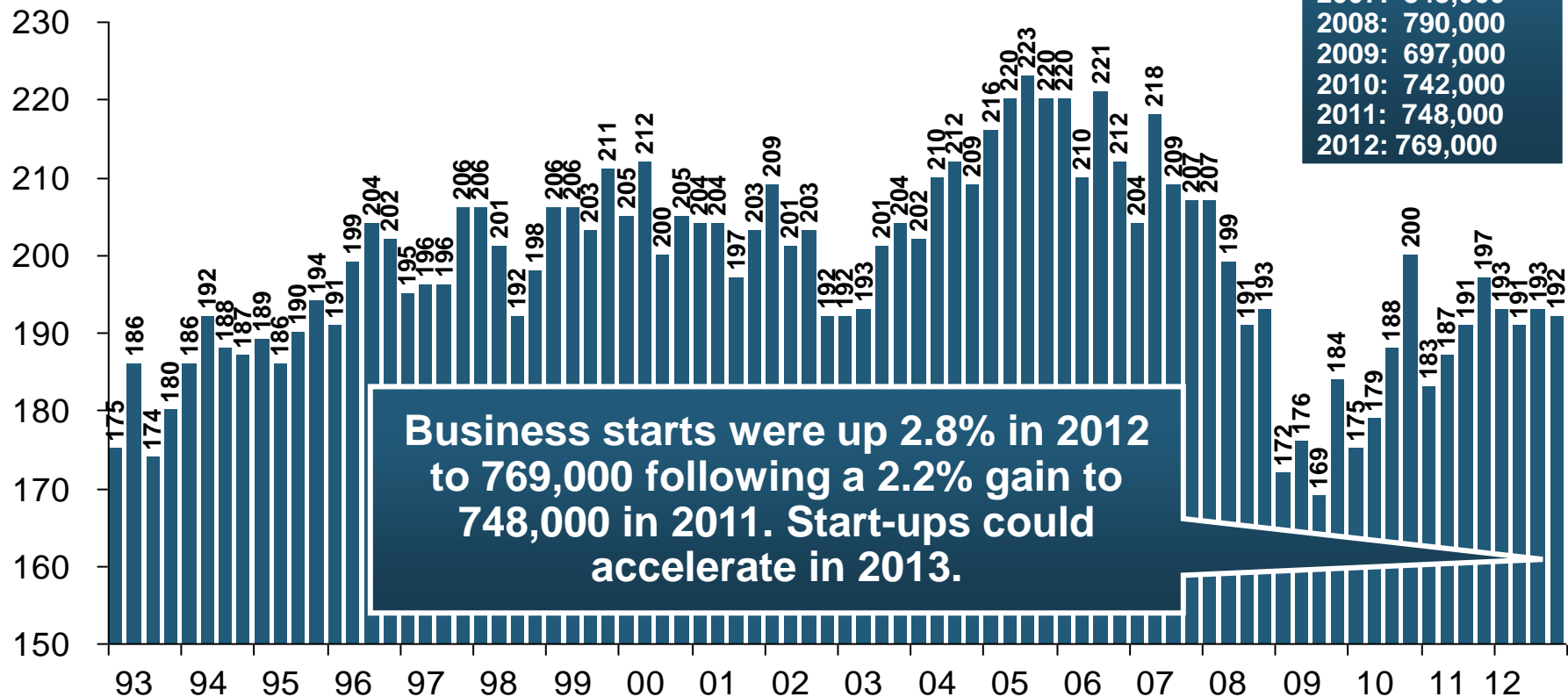
Business Bankruptcy Filings, 1980-2012



Sources: American Bankruptcy Institute at <http://www.abiworld.org/AM/AMTemplate.cfm?Section=Home&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=61633>; Insurance Information Institute

Private Sector Business Starts, 1993:Q2 – 2012:Q4*

(Thousands)



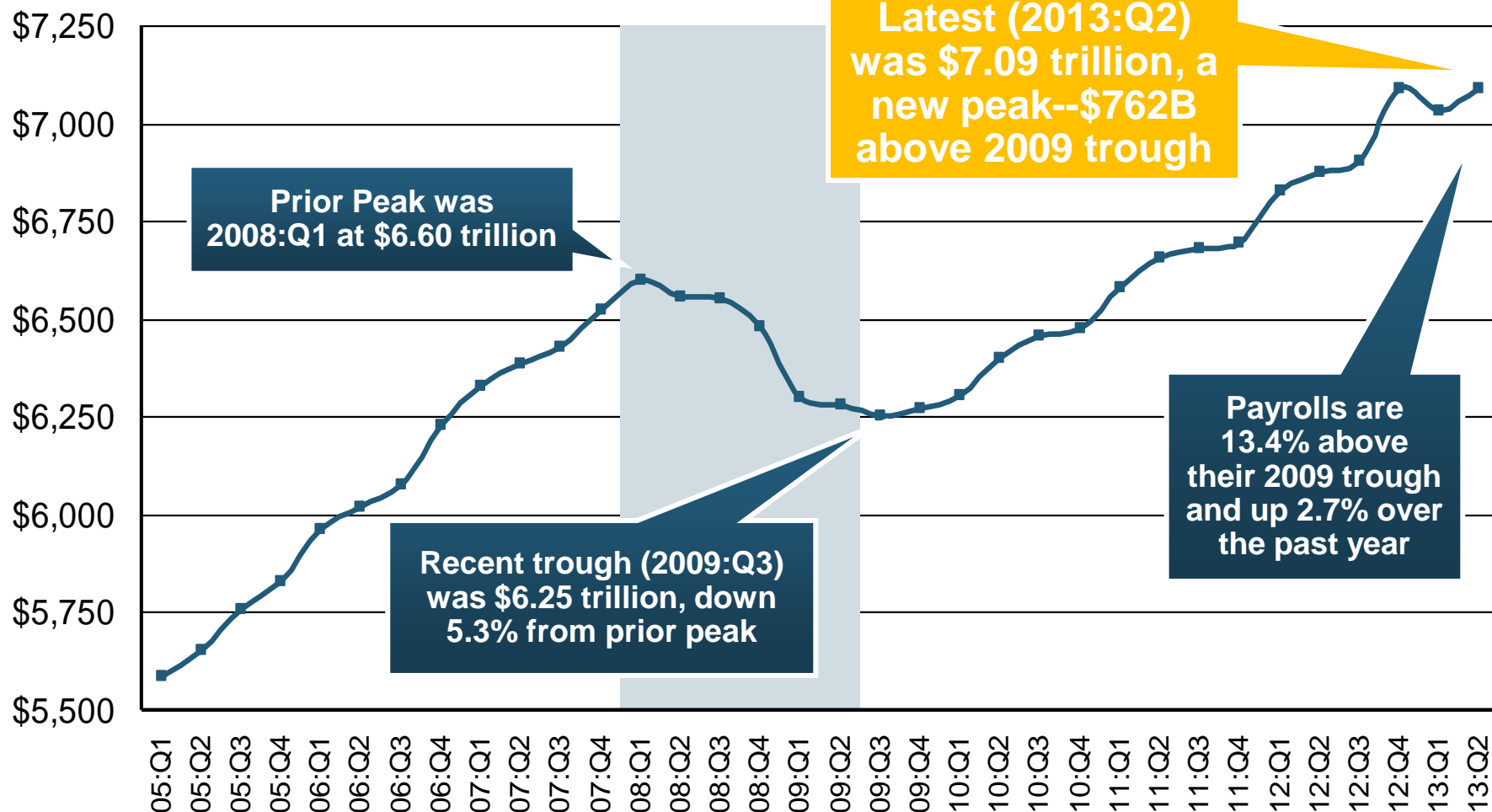
Business Starts Were Down Nearly 20% in the Recession, Holding Back Most Types of Commercial Insurance Exposure, But Are Recovering Slowly

* Data through Dec. 30, 2012 are the latest available as of Aug. 16, 2013; Seasonally adjusted.

Source: Bureau of Labor Statistics, <http://www.bls.gov/news.release/cewbd.t08.htm>.

Nonfarm Payroll (Wages and Salaries): Quarterly, 2005–2013:Q2

Billions



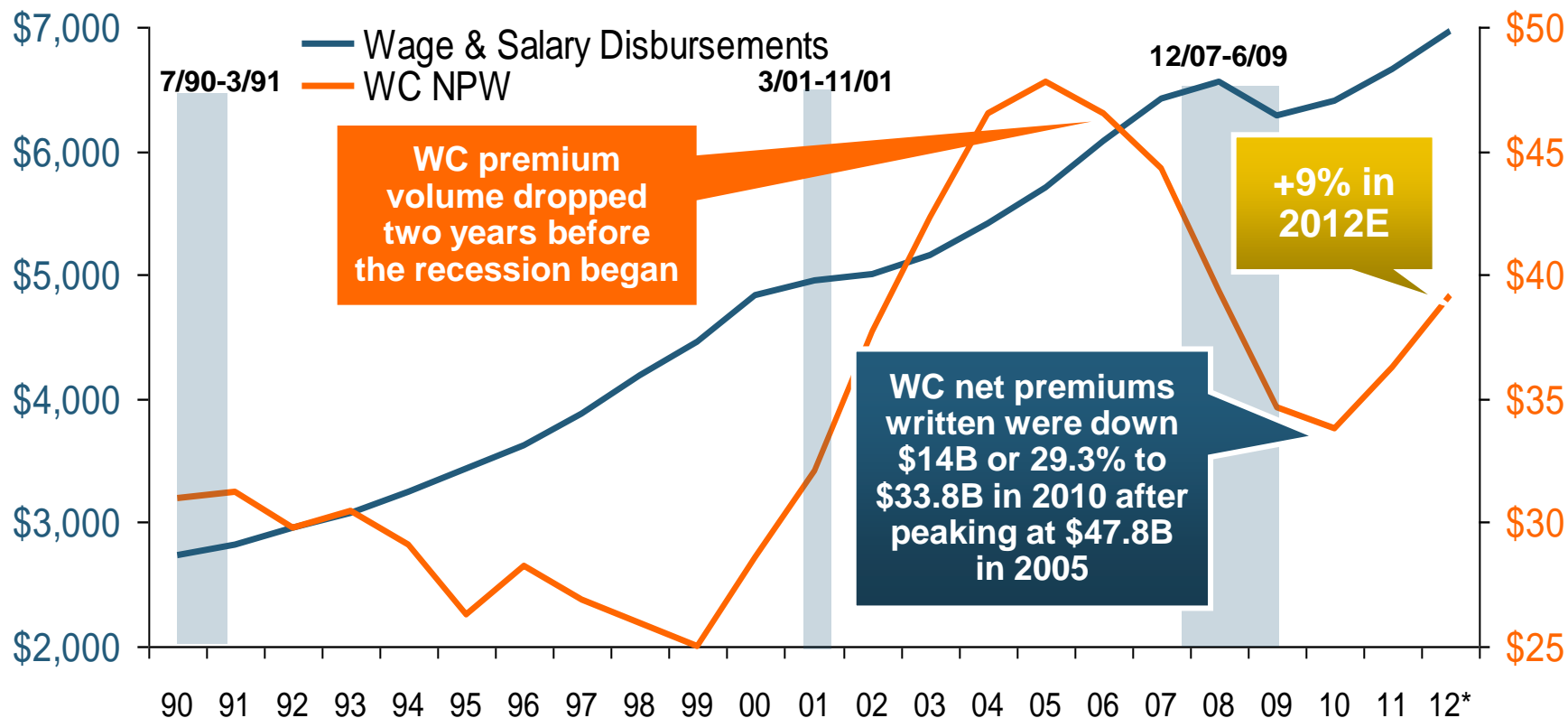
Note: Recession indicated by gray shaded column. Data are seasonally adjusted annual rates.

Sources: <http://research.stlouisfed.org/fred2/series/WASCUR>; National Bureau of Economic Research (recession dates); Insurance Information Institute.

Payroll vs. Workers Comp Net Written Premiums, 1990-2012E

Payroll Base*
\$Billions

WC NWP
\$Billions



Continued Payroll Growth and Rate Increases Suggest WC NWP Will Grow Again in 2012; +7.9% Growth in 2011 Was the First Gain Since 2005

*Private employment; Shaded areas indicate recessions. WC premiums for 2012 are I.I.I. estimate based YTD 2012 actuals.

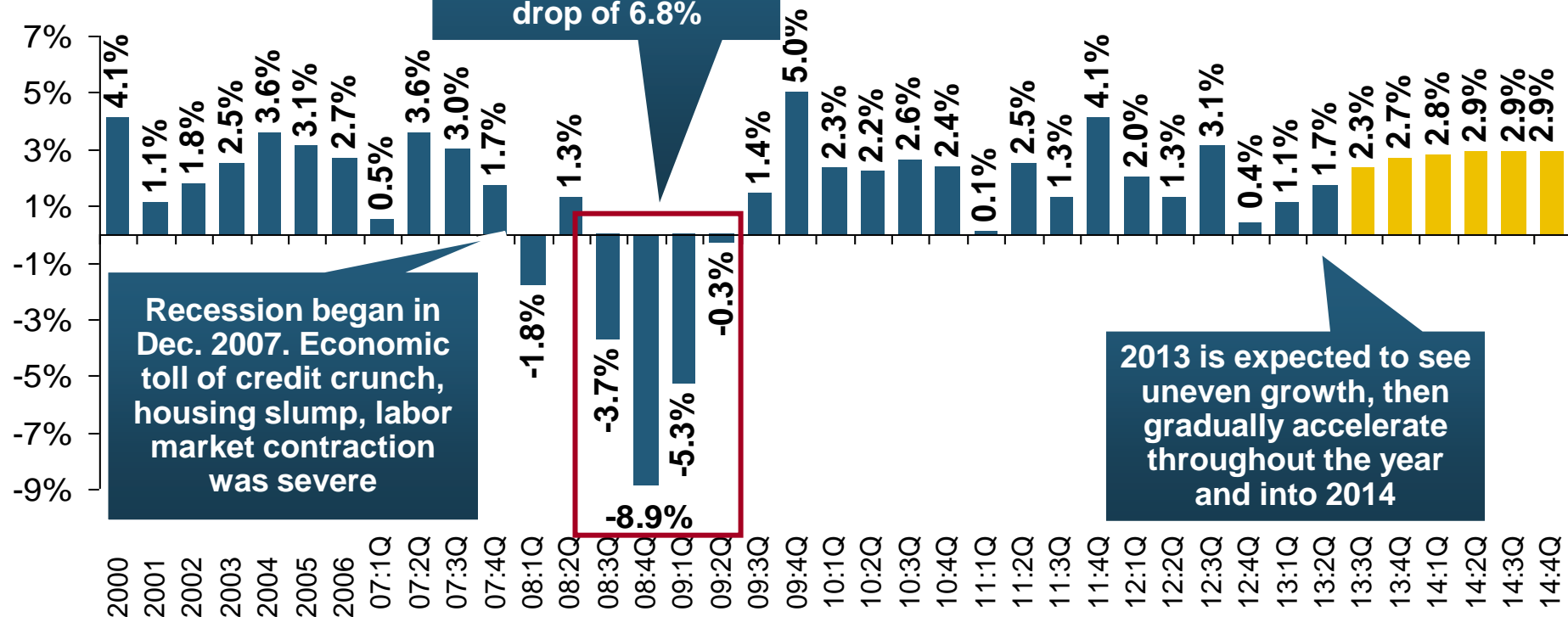
Sources: NBER (recessions); Federal Reserve Bank of St. Louis at <http://research.stlouisfed.org/fred2/series/WASCUR> ; NCCI; I.I.I.

The Strength of the Economy Will Influence P/C Insurer Growth Opportunities

**Growth Will Expand Insurer Exposure
Base Across Most Lines**

US Real GDP Growth*

Real GDP Growth (%)

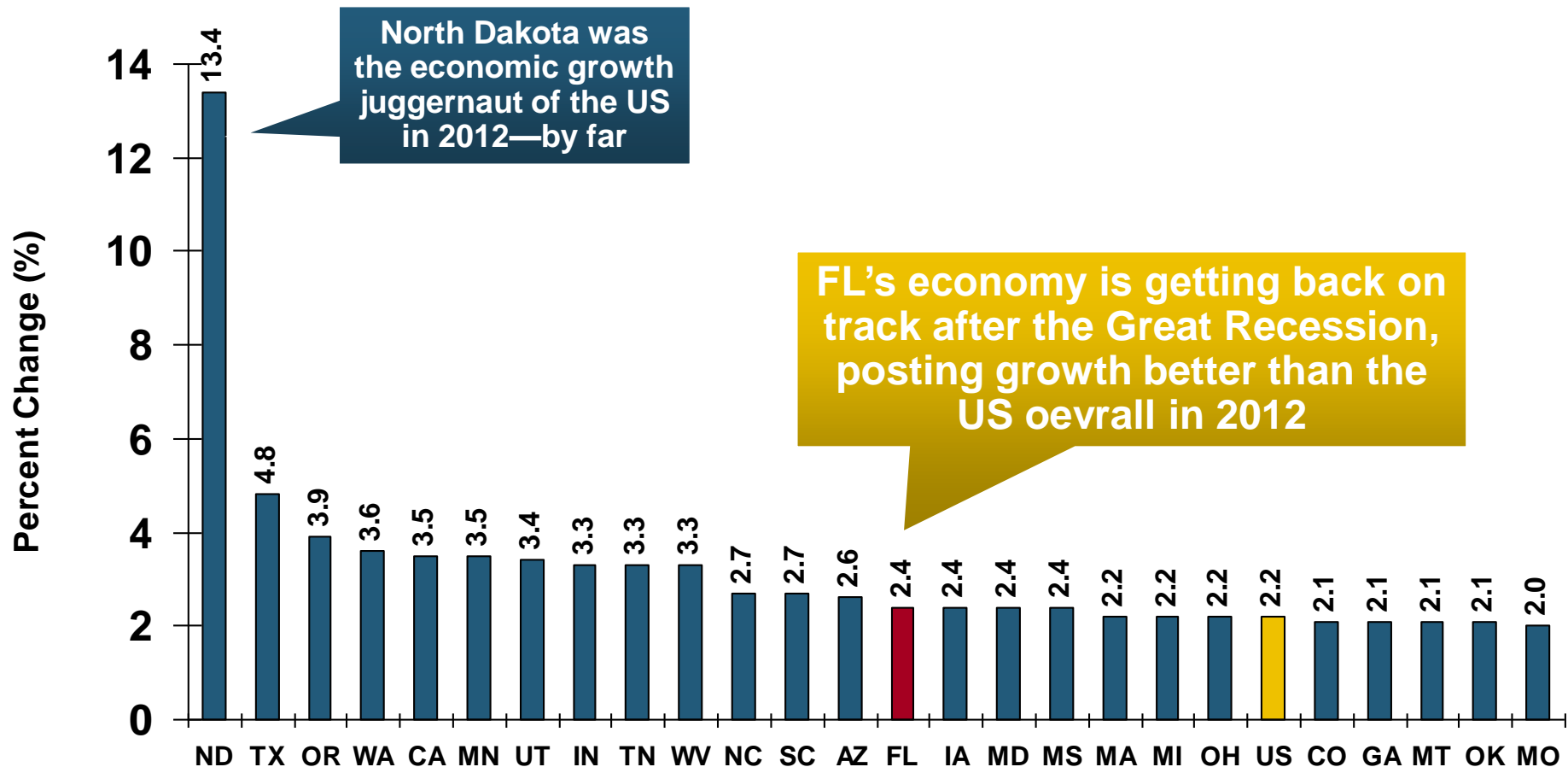


Demand for Insurance Continues To Be Impacted by Sluggish Economic Conditions, but the Benefits of Even Slow Growth Will Compound and Gradually Benefit the Economy Broadly

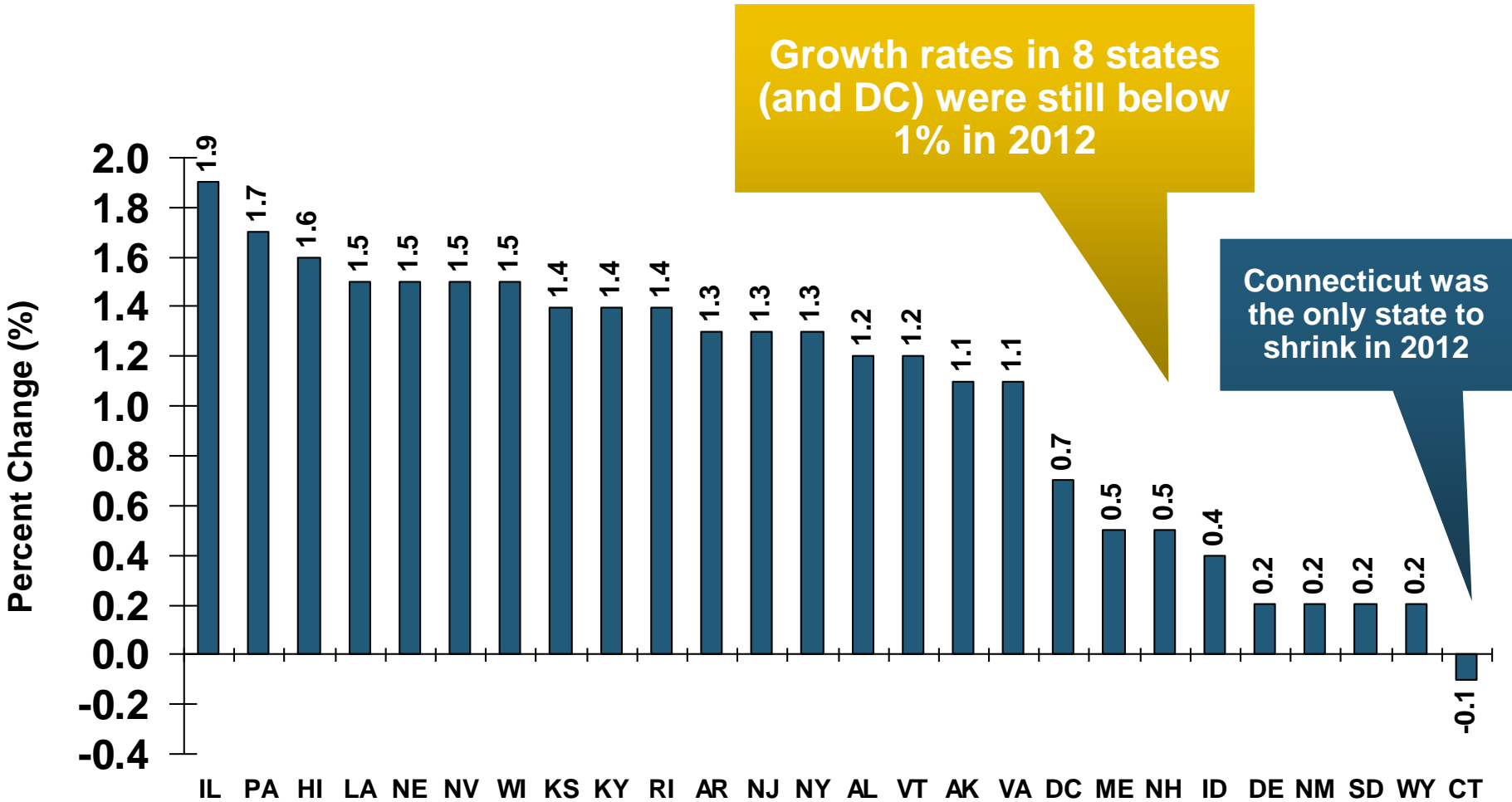
* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 8/13; Insurance Information Institute.

Real GDP by State Percent Change, 2012: Highest 25 States



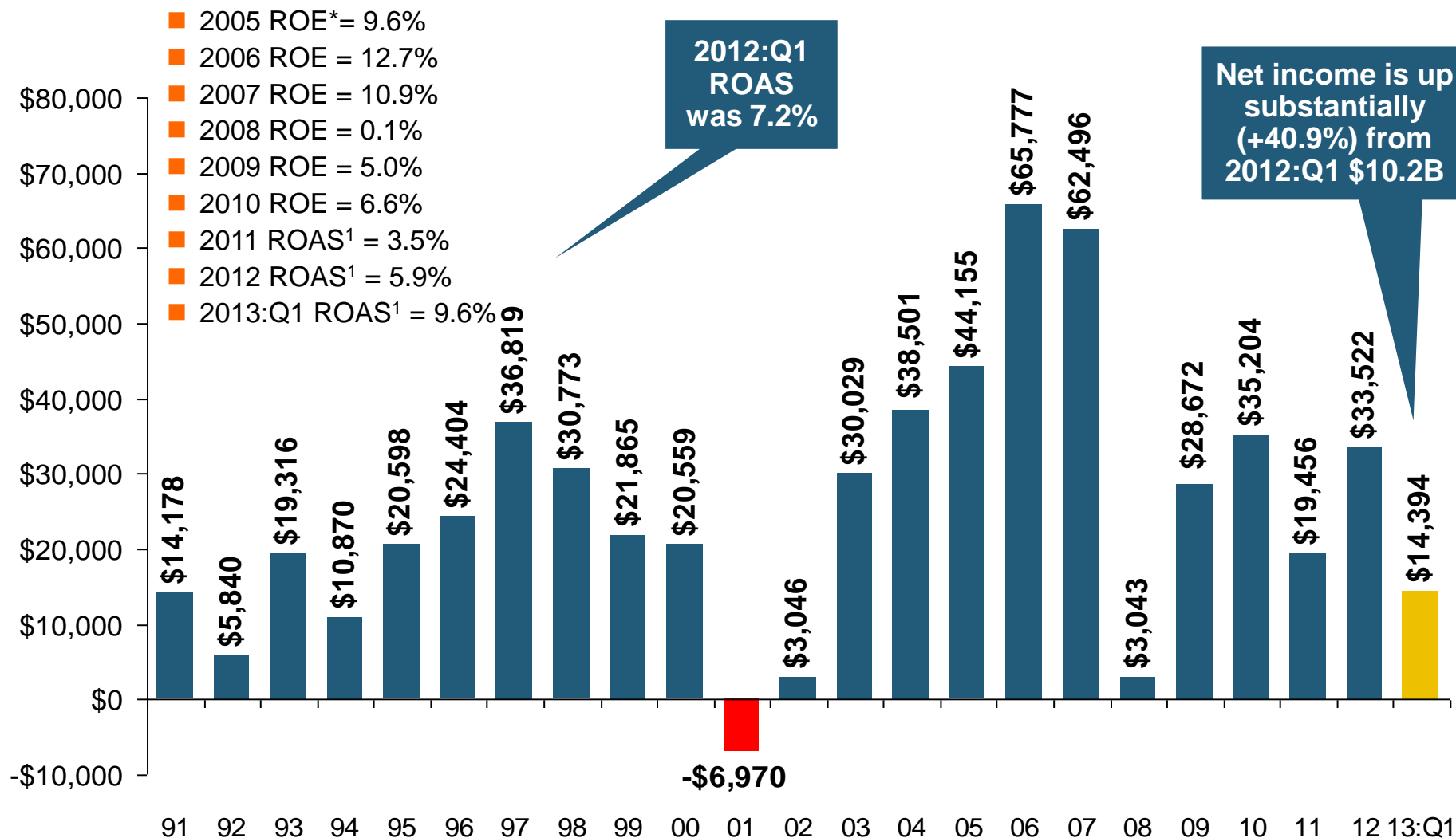
Real GDP by State Percent Change, 2012: Lowest 25 States



P/C Insurance Industry Financial Overview

**So Far, So Good:
Profit Recovery in 2013 and
Workers Comp Is Part of
the Reason**

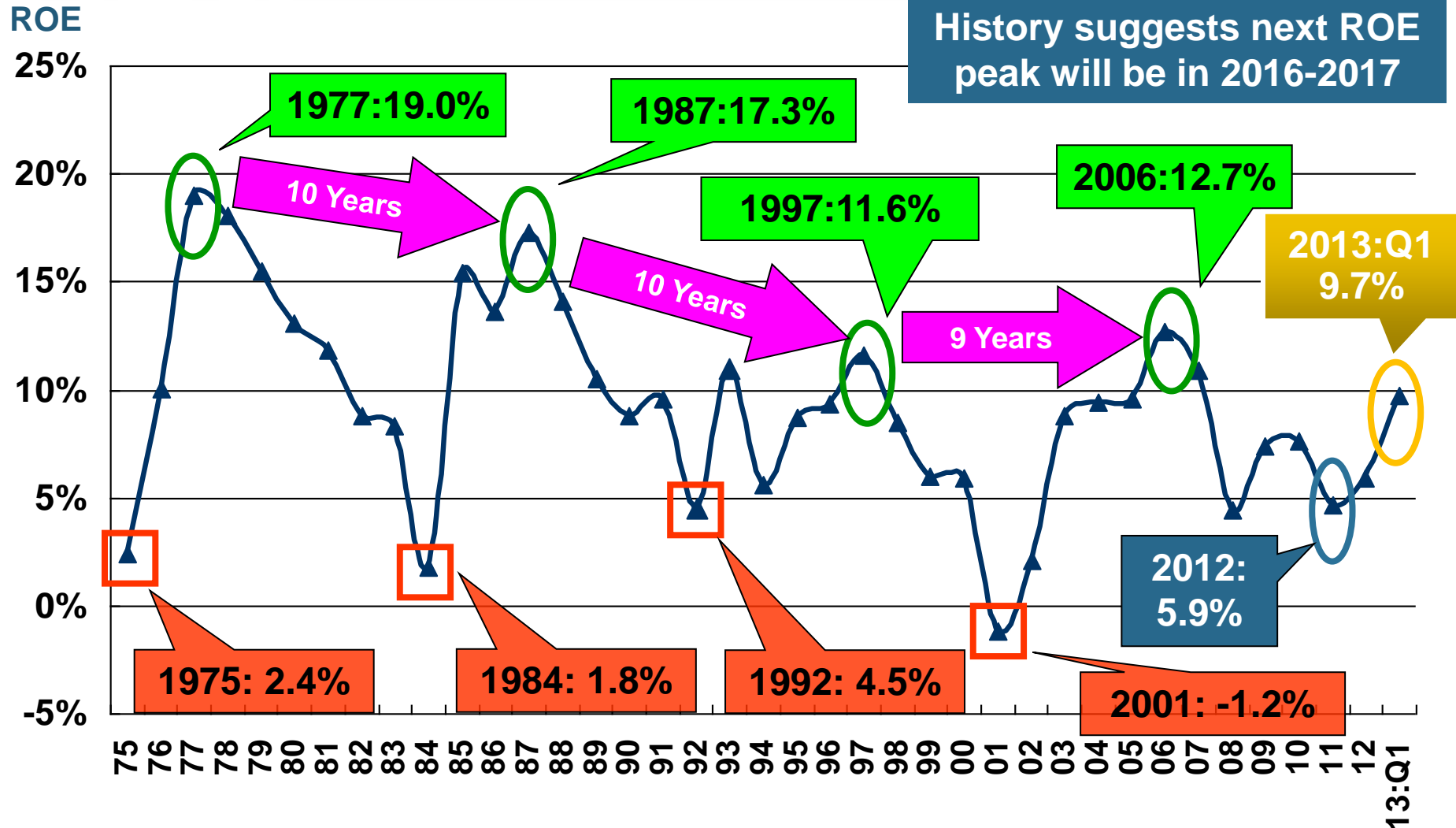
P/C Net Income After Taxes 1991–2013:Q1 (\$ Millions)



*ROE figures are GAAP; ¹Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 9.7% ROAS in 2013:Q1, 6.2% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009.

Sources: A.M. Best, ISO, Insurance Information Institute

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2013:Q1*



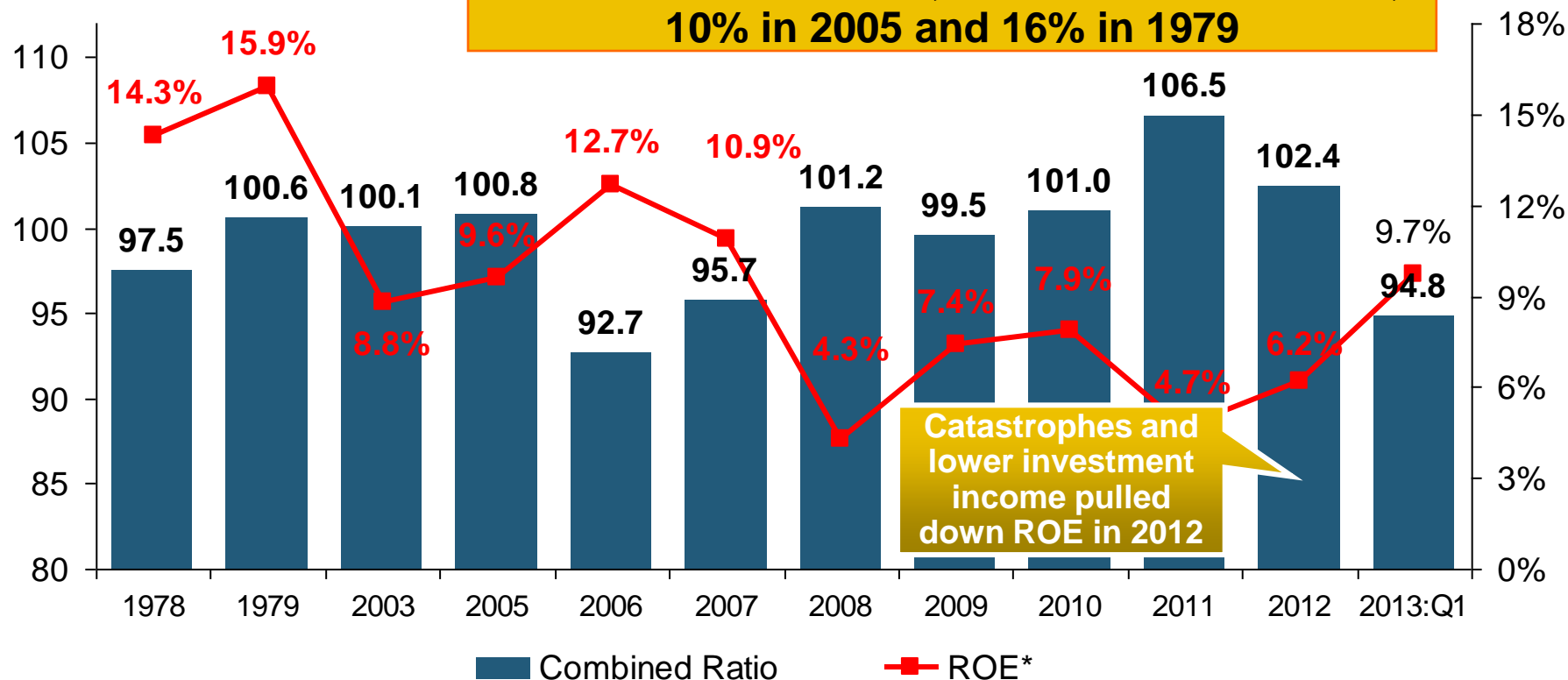
*Profitability = P/C insurer ROEs. 2011-13 figures are estimates based on ROAS data. Note: Data for 2008-2013 exclude mortgage and financial guaranty insurers.

Source: Insurance Information Institute; NAIC, ISO, A.M. Best.

A 100 Combined Ratio Isn't What It Once Was: Investment Impact on ROEs

Combined Ratio / ROE

A combined ratio of about 100 generates an ROE of ~7.0% in 2012, ~7.5% ROE in 2009/10, 10% in 2005 and 16% in 1979



Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

* 2008 -2012 figures are return on average surplus and exclude mortgage and financial guaranty insurers. 2012 combined ratio including M&FG insurers is 103.2, 2011 combined ratio including M&FG insurers is 108.1, ROAS = 3.5%.

Source: Insurance Information Institute from A.M. Best and ISO data.

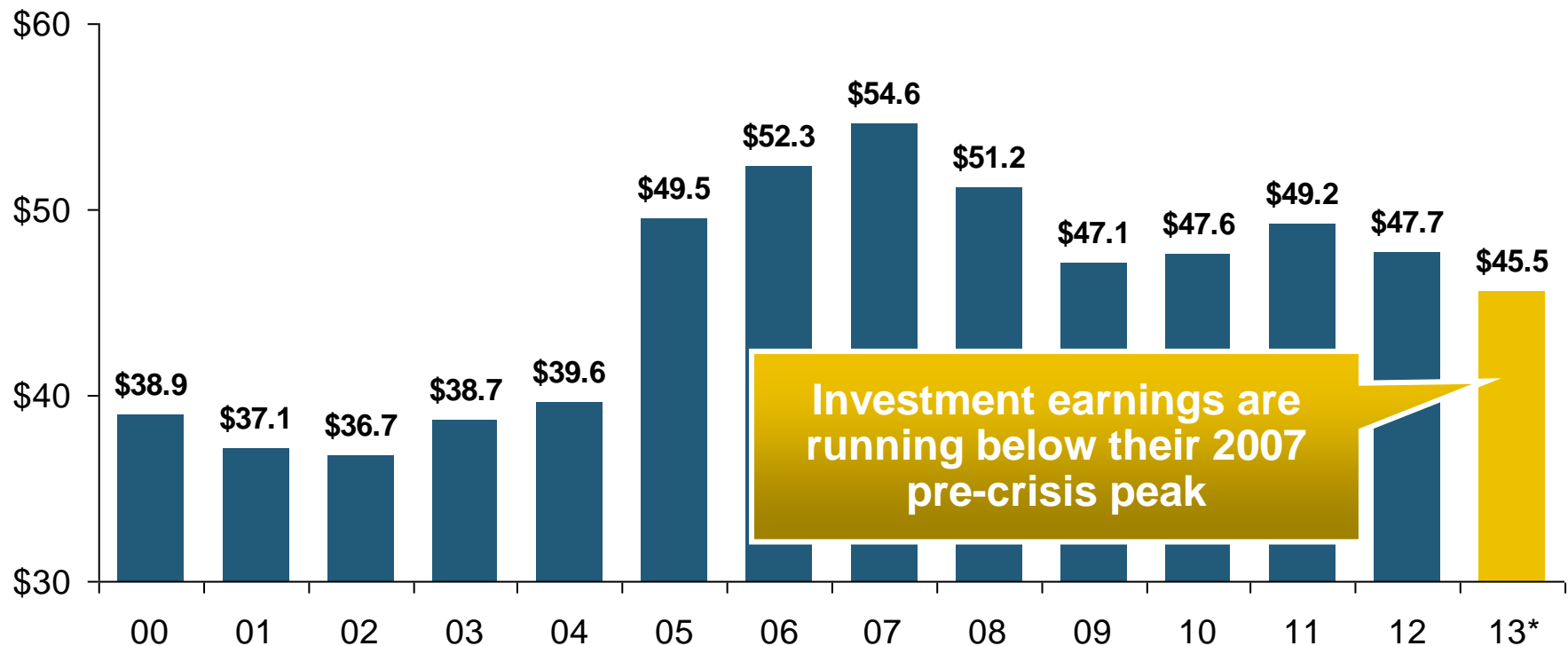
INVESTMENTS: THE NEW REALITY

**Investment Performance is a Key
Driver of Profitability**

***Depressed Yields Will Necessarily
Influence Underwriting & Pricing***

Property/Casualty Insurance Industry Investment Income: 2000–2013*¹

(\$ Billions)



Investment Income Fell in 2012 and is Falling in 2013 Due to Persistently Low Interest Rates, Putting Additional Pressure on (Re) Insurance Pricing

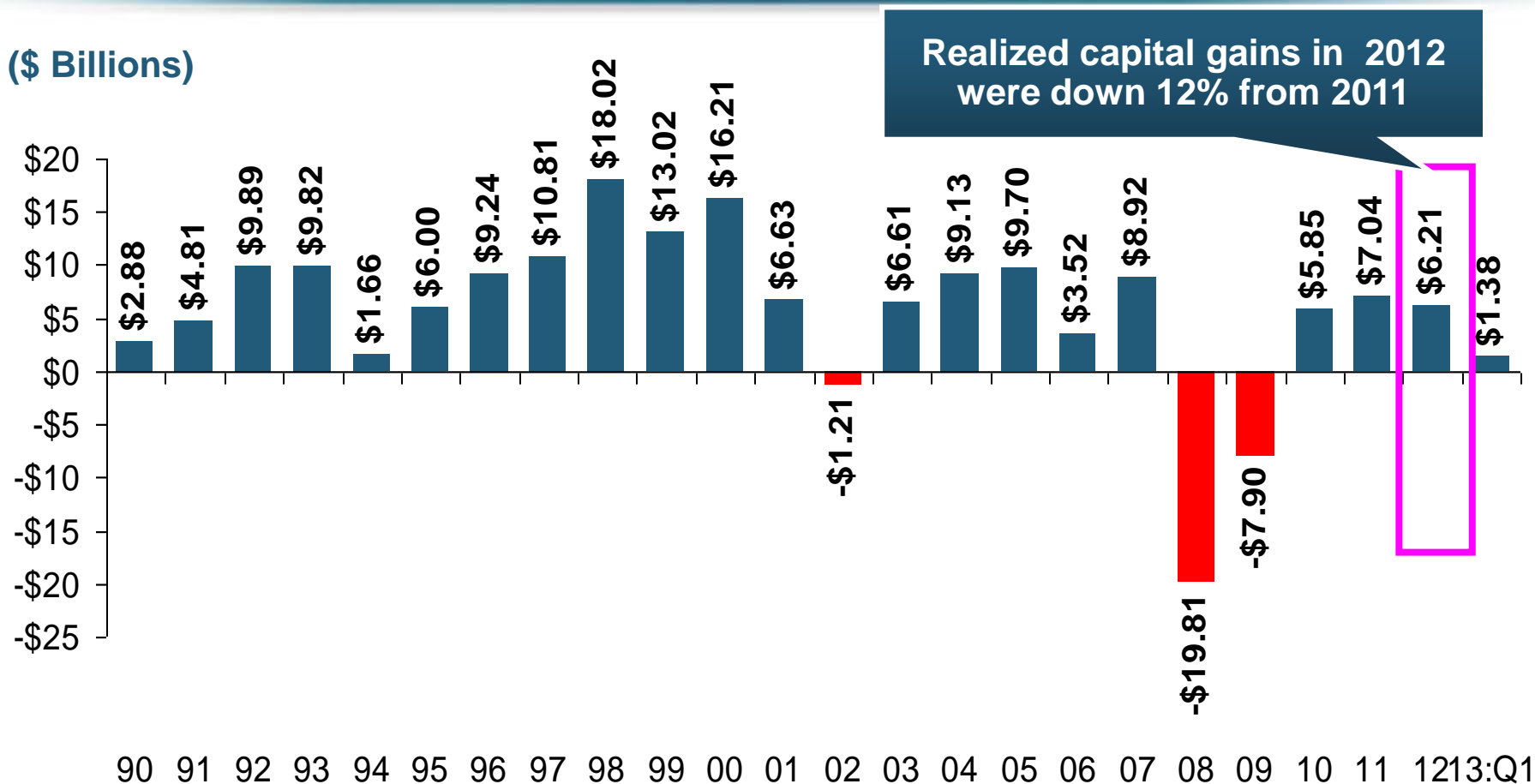
¹ Investment gains consist primarily of interest and stock dividends..

*Estimate based on annualized actual Q1:2013 investment income of \$11.385B.

Sources: ISO; Insurance Information Institute.

P/C Insurer Net Realized Capital Gains/Losses, 1990-2013:Q1

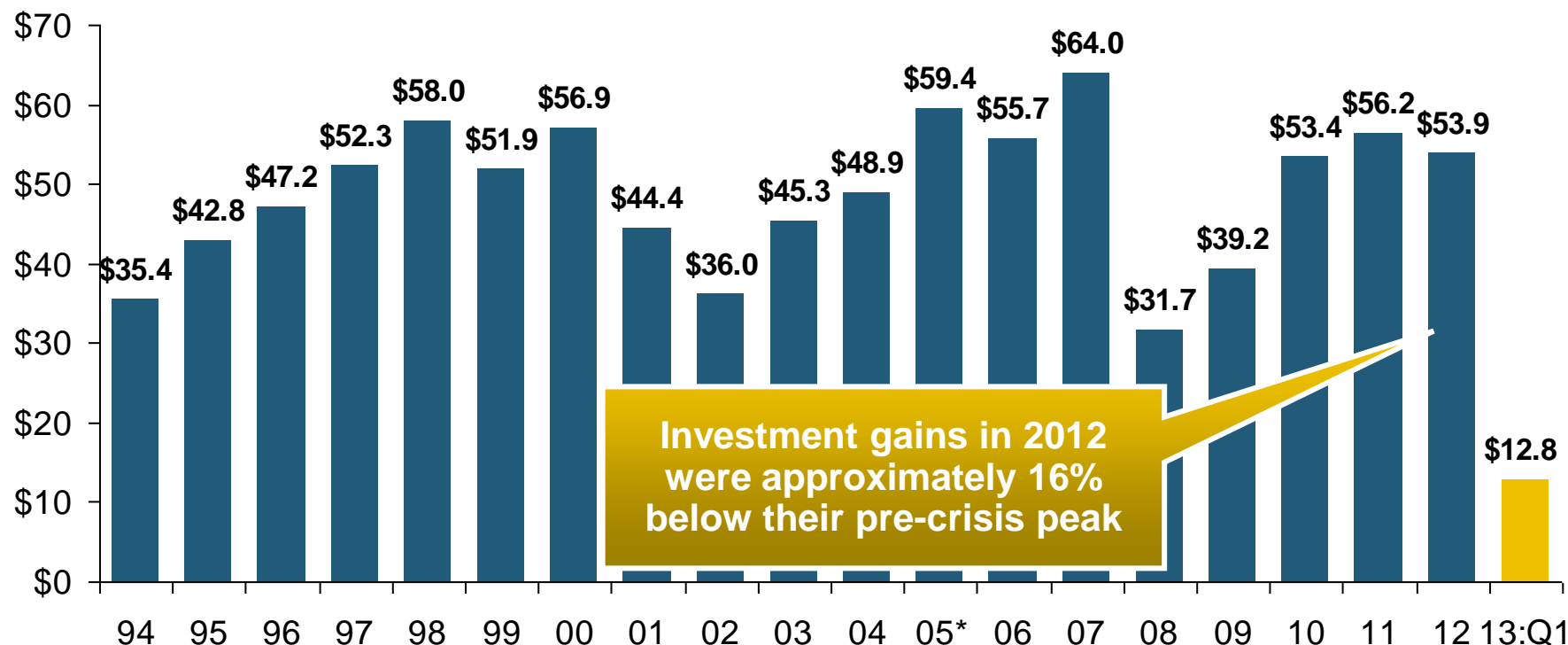
(\$ Billions)



Insurers Posted Net Realized Capital Gains in 2010, 2011 and 2012 Following Two Years of Realized Losses During the Financial Crisis. Realized Capital Losses Were the Primary Cause of 2008/2009's Large Drop in Profits and ROE

Property/Casualty Insurance Industry Investment Gain: 1994–2013:Q1¹

(\$ Billions)



Investment Gains Are Slipping in 2012 as Low Interest Rates Reduce Investment Income and Lower Realized Investment Gains; The Financial Crisis Caused Investment Gains to Fall by 50% in 2008

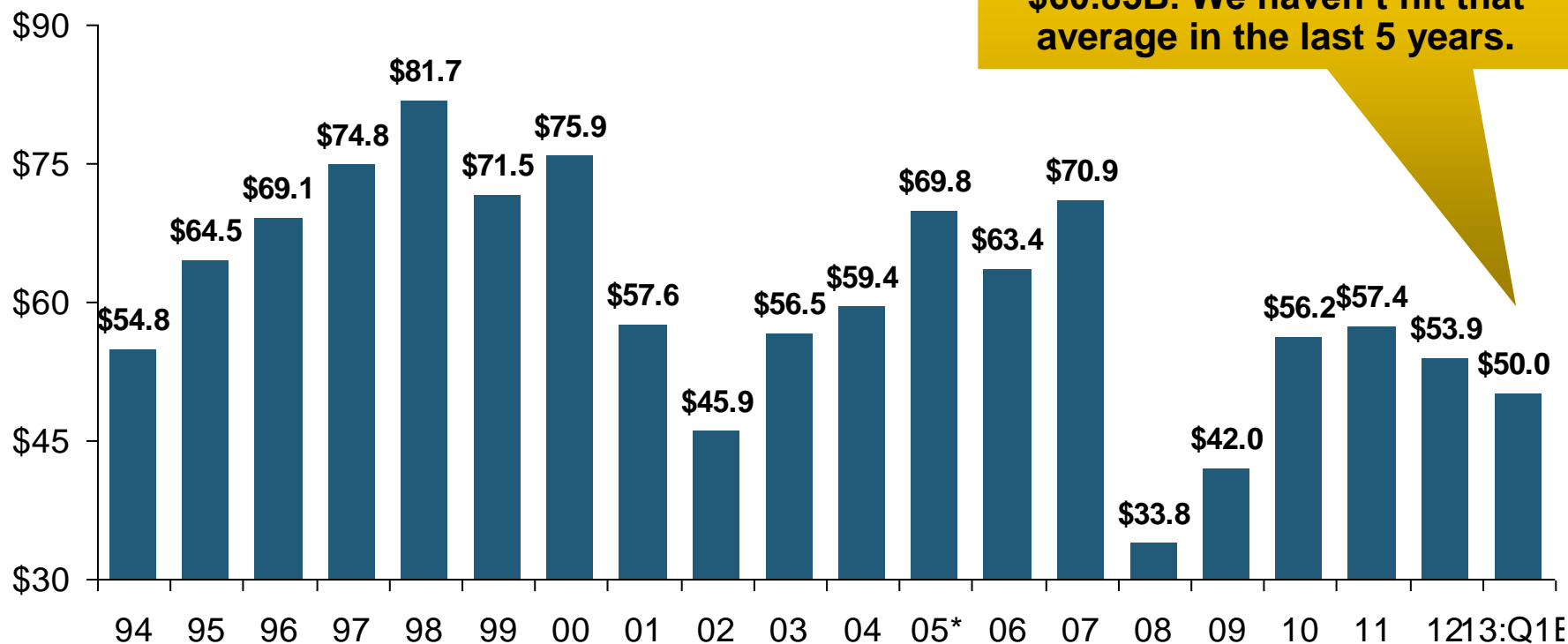
¹ Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

* 2005 figure includes special one-time dividend of \$3.2B;

Sources: ISO; Insurance Information Institute.

P/C Industry Investment Gains, Inflation-Adjusted: 1994–2012¹

(\$ Billions,
2012 dollars)



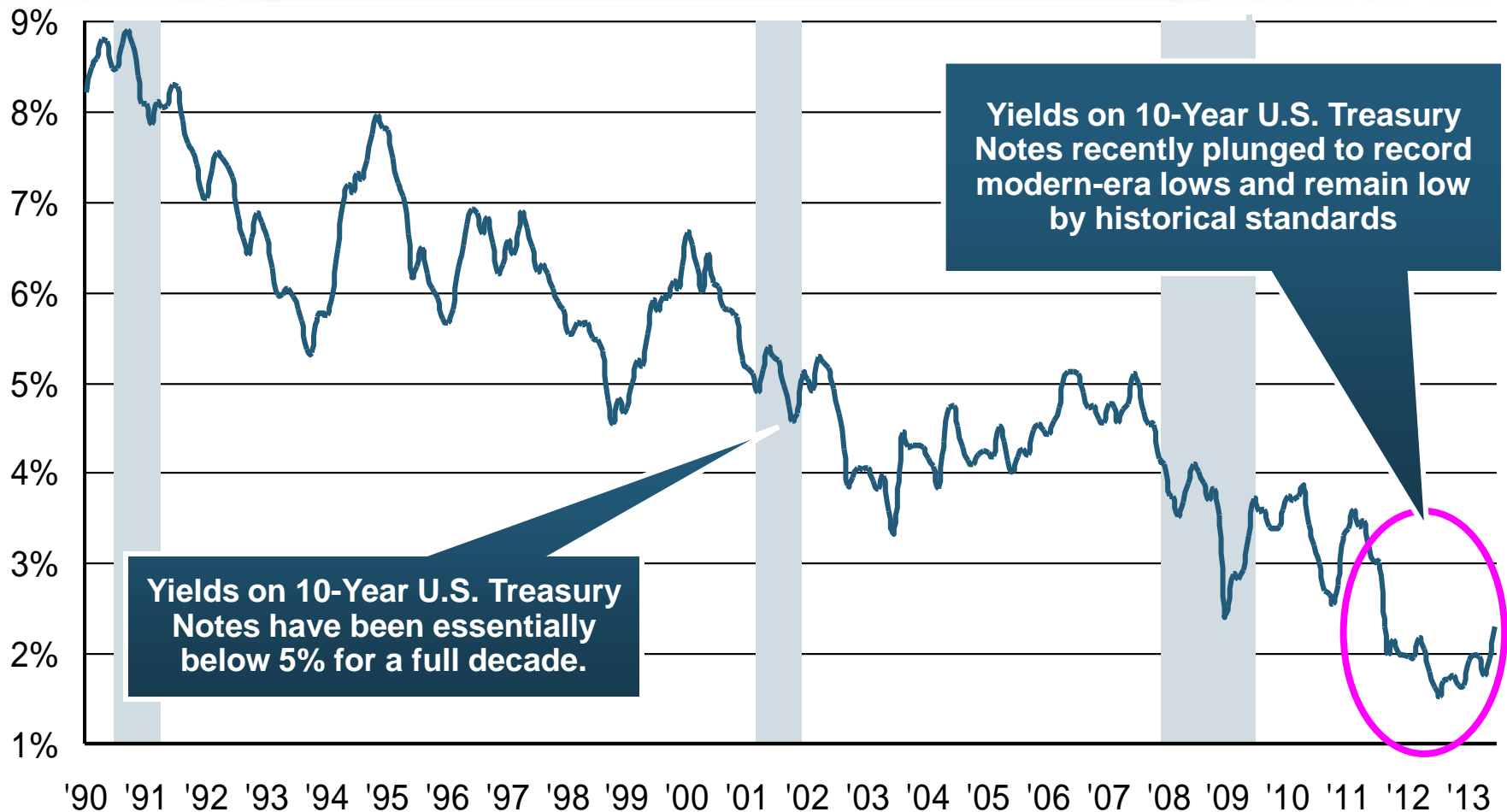
Because the Federal Reserve Board aims to keep interest rates exceptionally low until the unemployment rate hits 6.5%—likely at least another year off—maturing bonds will be re-invested at even lower rates.

¹Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

*2005 figure includes special one-time dividend of \$3.2B; 2013F figure is I.I.I. estimate for 2013:Q1, annualized.

Sources: ISO; Insurance Information Institute.

U.S. 10-Year Treasury Note Yields: A Long Downward Trend, 1990–2013*



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 years to come.

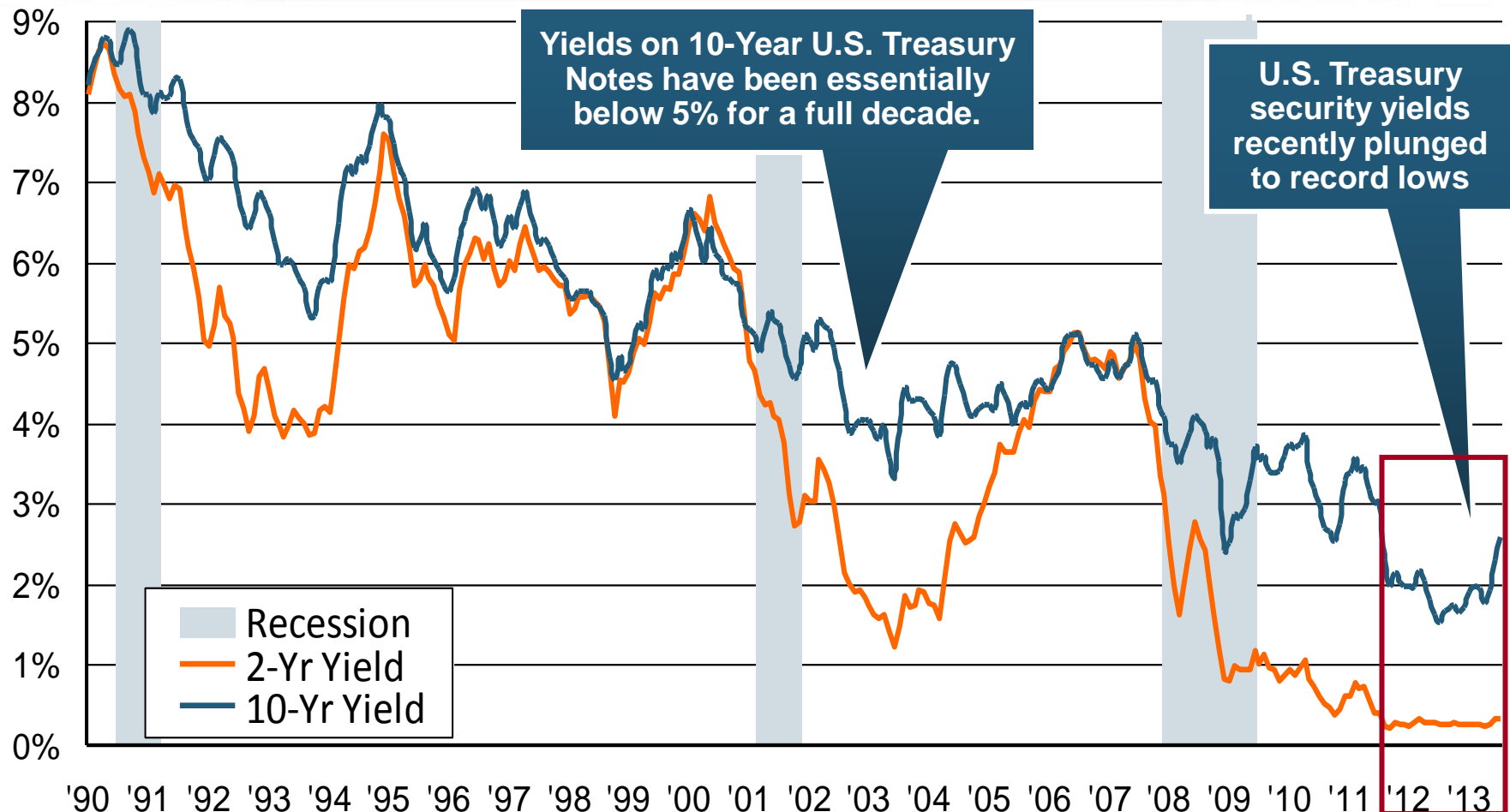
*Monthly, through June 2013.

Note: Recessions indicated by gray shaded columns.

Sources: Federal Reserve Bank at <http://www.federalreserve.gov/releases/h15/data.htm>.

National Bureau of Economic Research (recession dates); Insurance Information Institutes.

U.S. Treasury Security Yields: A Long Downward Trend, 1990–2013*

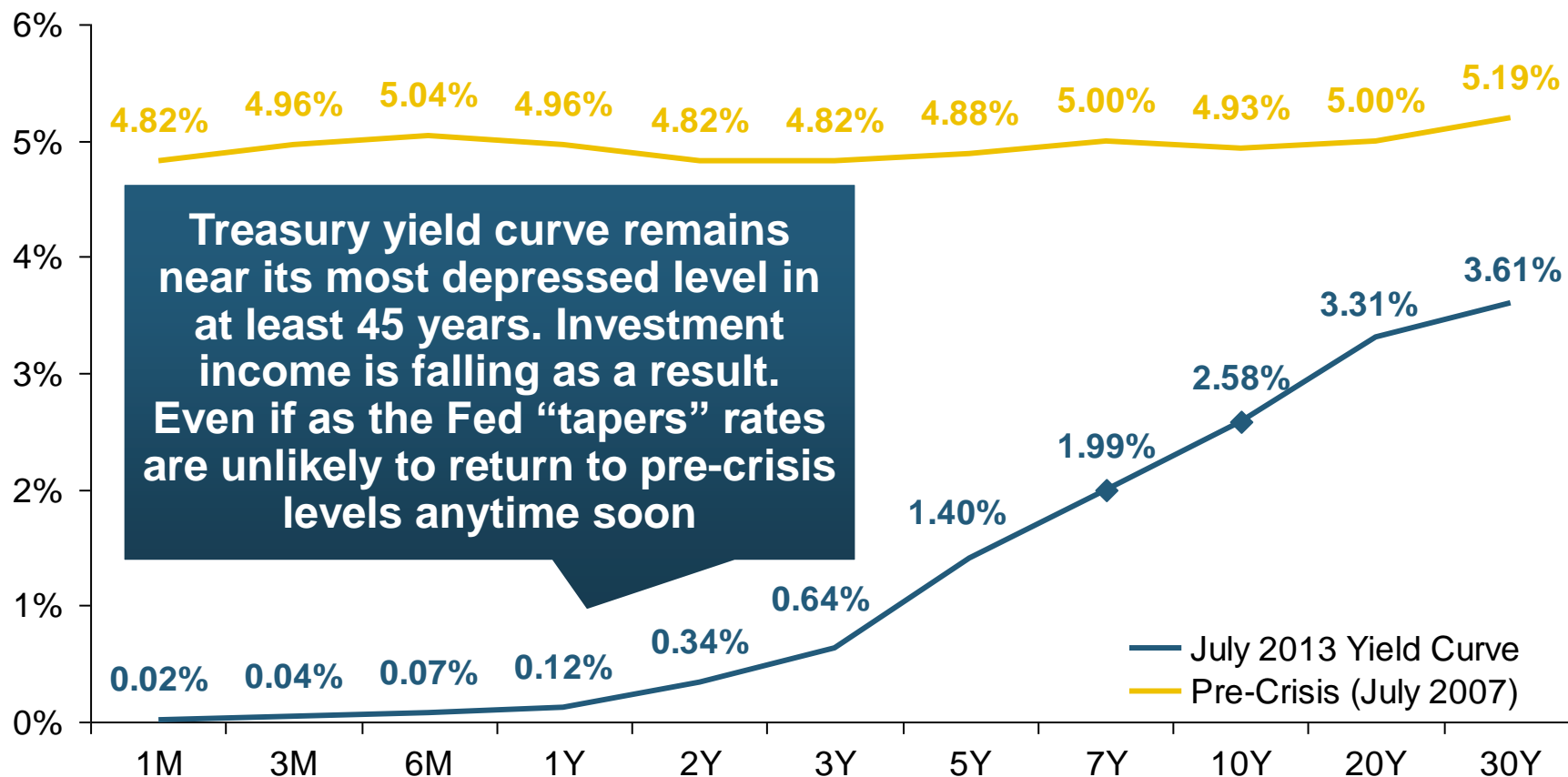


Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*Monthly, constant maturity, nominal rates, through July 2013.

Sources: Federal Reserve Bank at <http://www.federalreserve.gov/releases/h15/data.htm>.
National Bureau of Economic Research (recession dates); Insurance Information Institute.

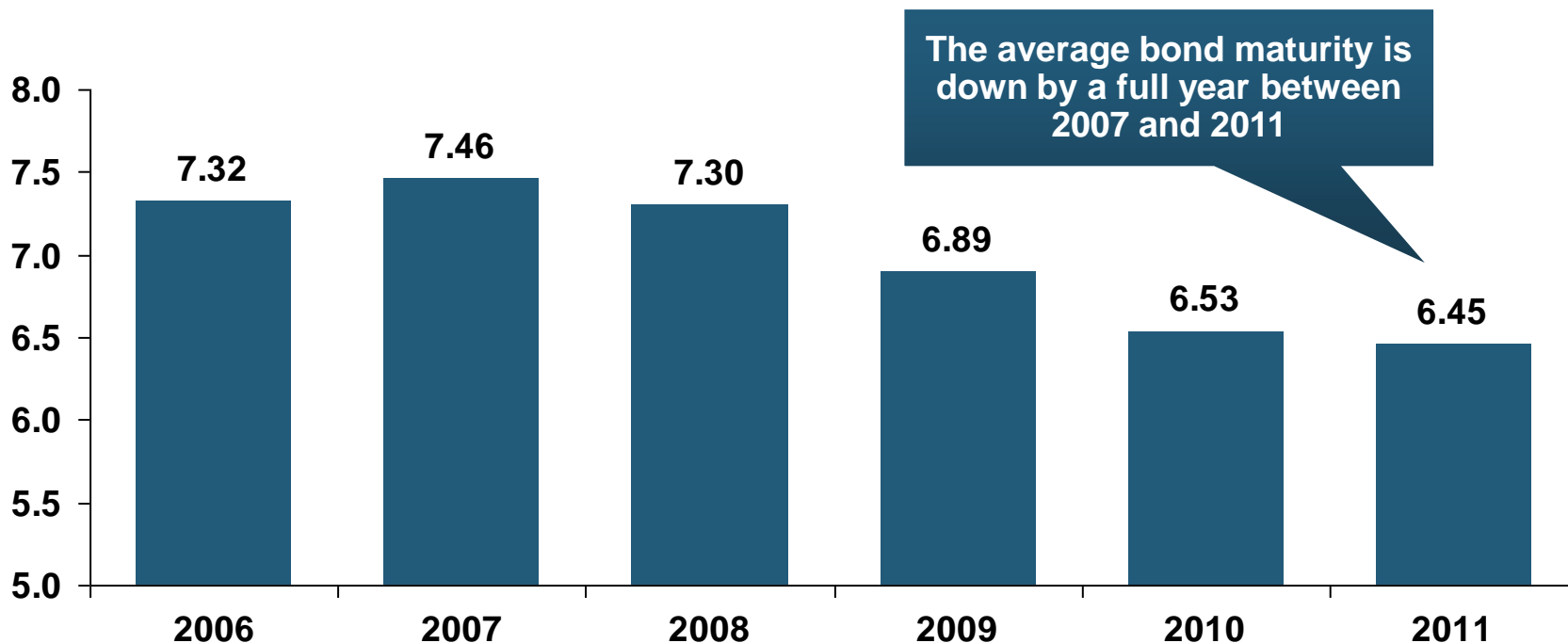
Treasury Yield Curves: Pre-Crisis (July 2007) vs. July 2013



The Fed Is Actively Signaling that it Is Determined to Keep Rates Low Until Unemployment Drops Below 6.5% or Until Inflation Expectations Exceed 2.5%; Low Rates Add to Pricing Pressure for Insurers.

Average Maturity of Bonds Held by US P/C Insurers, 2006—2011*

Average Maturity (Years)

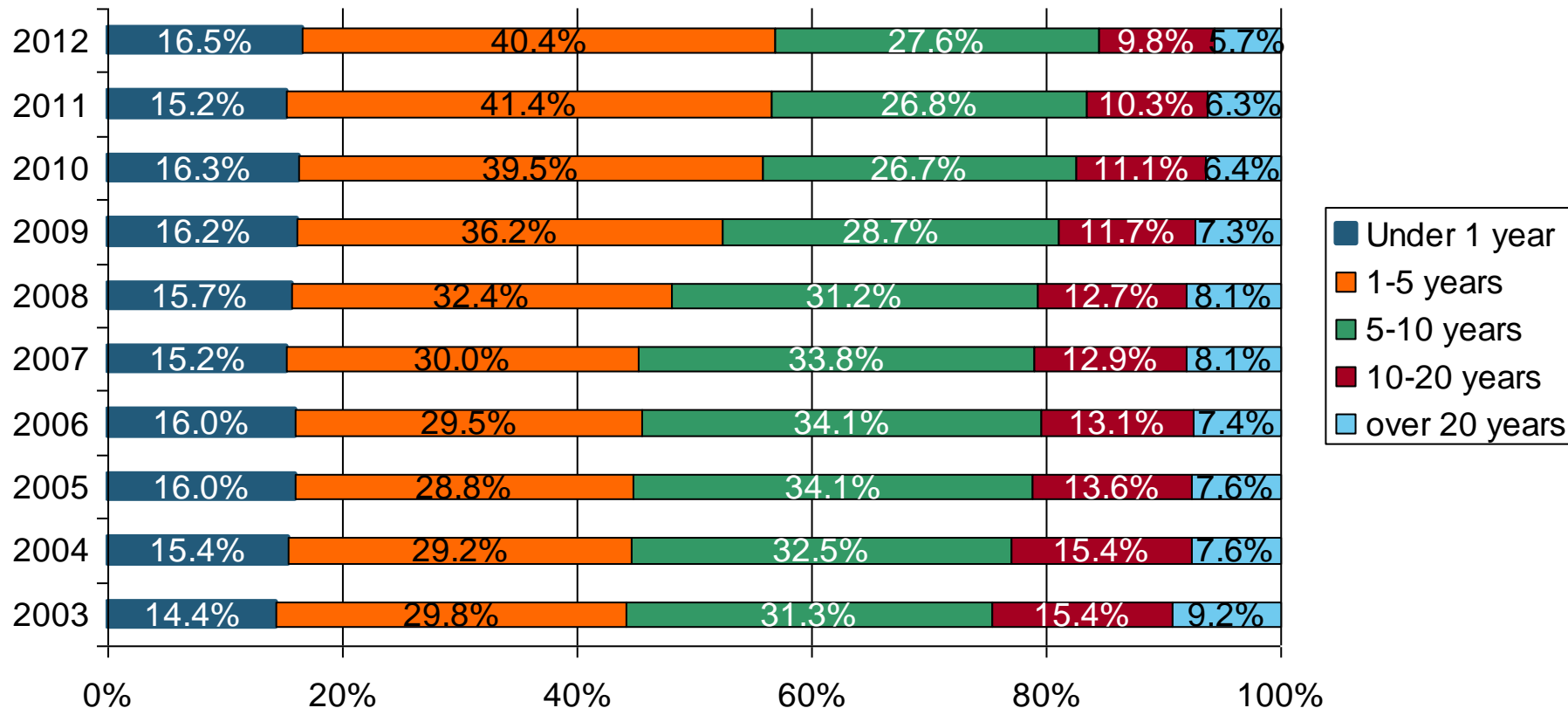


Falling Average Maturity (and Duration) of the P/C Industry's Bond Portfolio is Contributing to the Drop in Investment Income Along With Lower Yields

*Year-end figures. Latest available.

Sources: Insurance Information Institute calculations based on A.M. Best data.

Distribution of Bond Maturities, P/C Insurance Industry, 2003-2012



The main shift over these years has been from bonds with longer maturities to bonds with shorter maturities. The industry first trimmed its holdings of over-10-year bonds (from 24.6% in 2003 to 15.5% in 2012) and then trimmed bonds in the 5-10-year category (from 31.3% in 2003 to 27.6% in 2012). Falling average maturity of the P/C industry's bond portfolio is contributing to a drop in investment income along with lower yields.

Terrorism Update

**Boston Marathon Bombings Underscore
the Need for Extension of the Terrorism
Risk Insurance Program**

***Download III's Terrorism Insurance Report at:
[http://www.iii.org/white_papers/terrorism-
risk-a-constant-threat-2013.html](http://www.iii.org/white_papers/terrorism-risk-a-constant-threat-2013.html)***

Terrorism Risk Insurance Program

- Reauthorization Was a Major Industry Initiative for 2013 Even Before Boston
- I.I.I. Testified at First Congressional Hearing on 9/11/12
 - ◆ Provided testimony at NYC hearing on 6/17/13
- I.I.I. Accelerated Planned Study on Terrorism Risk and Insurance in the Wake of Boston and Was Well Received
 - ◆ *Terrorism: A Constant Threat* issued in June 2013



Terrorism Risk Insurance Program

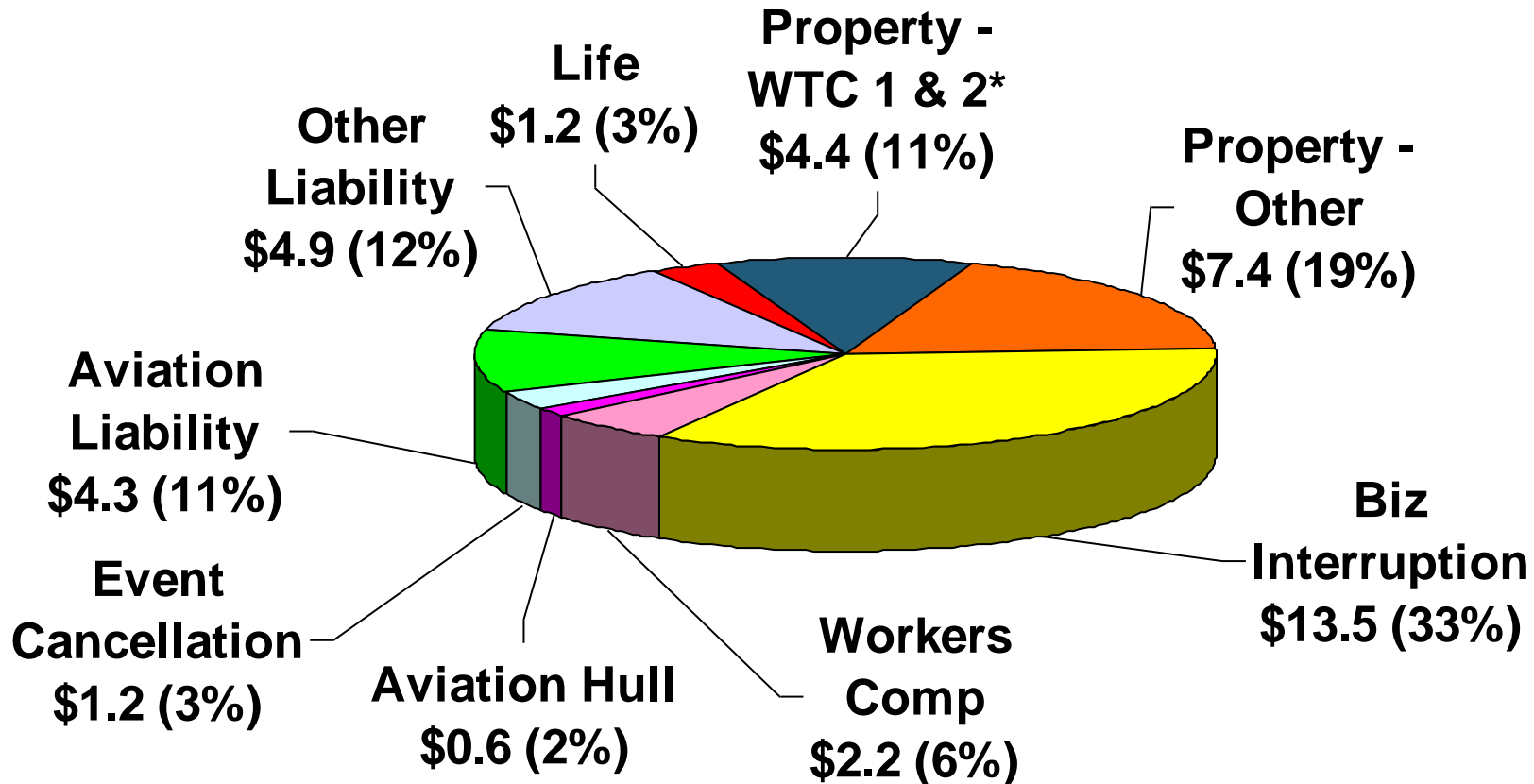
- **Boston Marathon Bombing Has Helped Focus Attention in Congress on TRIPRA and its Looming Expiration**
 - ◆ Act expires 12/31/14
 - ◆ Exclusionary language will likely be inserted for post-1/1/2014 renewals and will likely lead to significant media interest (educational opportunity)
 - ◆ Numerous headwinds; not a priority issue in 2013 in Congress
 - ◆ 3 extension bills introduced in 2013—2 since Boston
- **Media Interest Soared**
 - ◆ I.I.I. was conducting its first interviews within minutes after live-tweeting (nearly) from the scene; TV interest was high
 - ◆ Local, national and international media focused on this topic for the first time in any significant way since TRIA's inception in late 2002
 - ◆ Inquiries revealed very little/no understanding (or even awareness) outside insurance industry and business owners
 - ◆ Certification process caused confusion

Summary of Terrorism Risk Insurance Program Extension Bills Introduced in 2013

Bill	Summary
<ul style="list-style-type: none"> • H.R. 508: “Terrorism Risk Insurance Act of 2002 Reauthorization Act of 2013” • Introduced Feb. 5 by Rep. Michael Grimm (D-NY) 	<ul style="list-style-type: none"> • 5-Year Extension (through 2019) • Extend recoupment period for any TRIA assistance from 2017 to 2019
<ul style="list-style-type: none"> • H.R. 2146: “Terrorism Risk Insurance Program Reauthorization Act of 2013” • Introduced May 23 by Rep. Michael Capuano (D-MA) 	<ul style="list-style-type: none"> • 10-Year Extension (through 2024) • Extend recoupment period for any TRIA assistance from 2017 to 2024 • Requires President’s Working Group on Financial Markets (PWGFM) to issue reports on long-term availability and affordability of terrorism insurance in 2017, 2020 and 2023 • Reports to be drafted with consultation from NAIC and representatives of the insurance and securities industries and policyholders
<ul style="list-style-type: none"> • H.R. 1945: “Fostering Resilience to Terrorism Act of 2013” • Introduced May 9 by Rep. Benny Thompson (D-MS) 	<ul style="list-style-type: none"> • 10-Year Extension (through 2024) • Recoupment period changed to 2024 • Would transfer responsibility for certification of a “act of terrorism” to the Secretary of Homeland Security from Secretary of Treasury. • PWGFM to issue reports in 2017, 2020 and 2023 • Requires Sec. of DHS to provide insureds with “timely homeland security information, including terrorism risk information, at the appropriate level of classification and information on best practices to foster resilience to an act of terrorism.”

Loss Distribution by Type of Insurance from Sept. 11 Terrorist Attack (\$ 2011)

(\$ Billions)



Total Insured Losses Estimate: \$40.0B**

*Loss total does not include March 2010 New York City settlement of up to \$657.5 million to compensate approximately 10,000 Ground Zero workers or any subsequent settlements.

**\$32.5 billion in 2001 dollars.

Source: Insurance Information Institute.

Terrorism Violates Traditional Requirements for Insurability

Requirement	Definition	Violation
Estimable Frequency	<ul style="list-style-type: none">• Insurance requires large number of observations to develop predictive rate-making models (an actuarial concept known as credibility)	<ul style="list-style-type: none">• Very few data points• Terror modeling still in infancy, untested.• Inconsistent assessment of threat
Estimable Severity	<ul style="list-style-type: none">• Maximum possible/ probable loss must be at least estimable in order to minimize “risk of ruin” (insurer cannot run an unreasonable risk of insolvency though assumption of the risk)	<ul style="list-style-type: none">• Potential loss is virtually unbounded.• Losses can easily exceed insurer capital resources for paying claims.• Extreme risk in workers compensation and statute forbids exclusions.

Terrorism Violates Traditional Requirements for Insurability (cont'd)

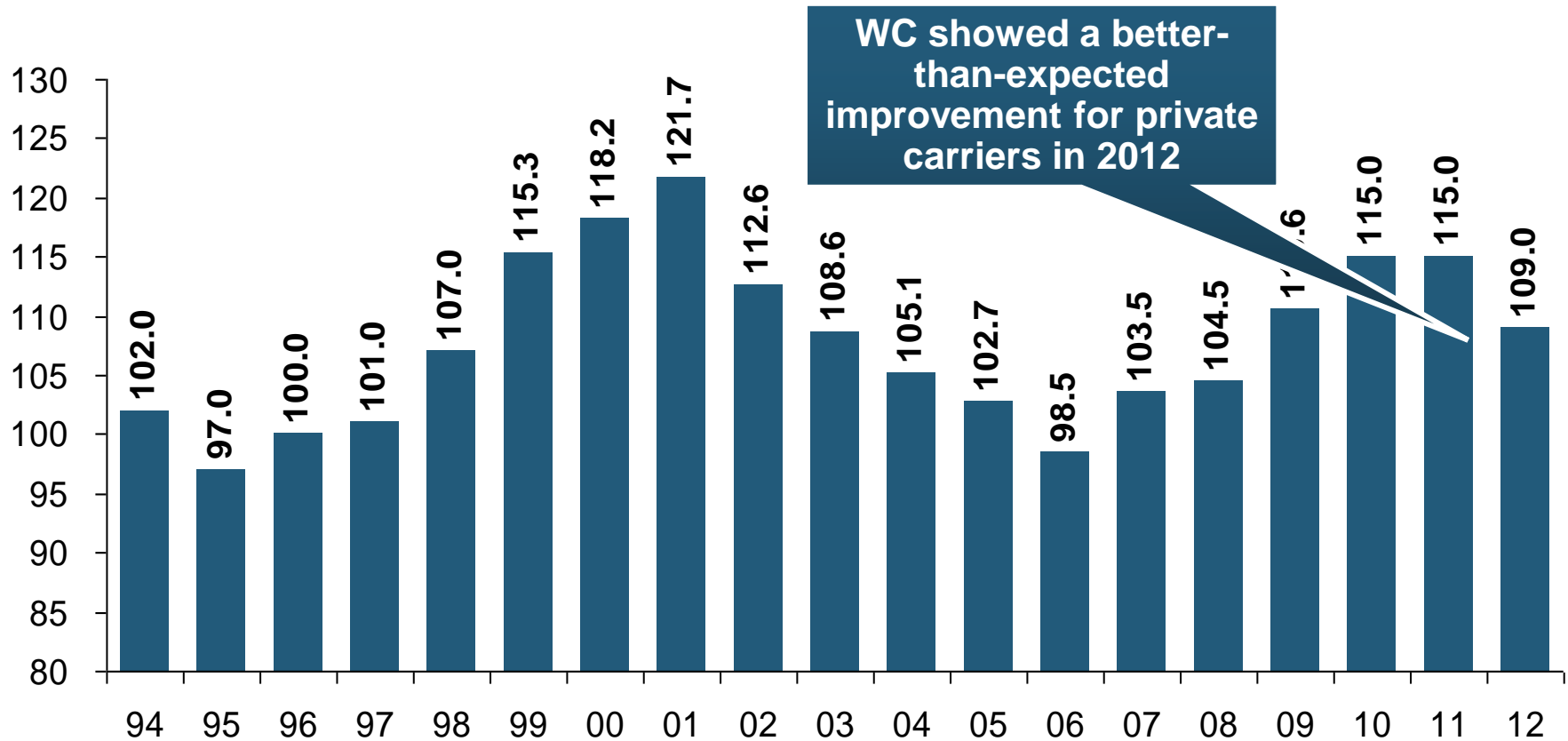
Requirement	Definition	Violation
Diversifiable Risk	<ul style="list-style-type: none"> •Must be able to spread/distribute risk across large number of risks •“Law of Large Numbers” helps makes losses manageable and less volatile 	<ul style="list-style-type: none"> •Losses likely highly concentrated geographically or by industry (e.g., WTC, power plants)
Random Loss Distribution/ Fortuity	<ul style="list-style-type: none"> •Probability of loss occurring must be purely random and fortuitous •Events are individually unpredictable in terms of time, location and magnitude 	<ul style="list-style-type: none"> •Terrorism attacks are planned, coordinated and deliberate acts of destruction •Dynamic target shifting from “hardened targets” to “soft targets” •Terrorist adjust tactics to circumvent new security measures •Actions of US and foreign govts. may affect likelihood, nature and timing of attack



Workers Compensation Operating Environment

**The Workers Comp Operating
Environment Is Recovering from the
Great Recession and Soft Market**

Workers Compensation Combined Ratio: 1994–2012P



Workers Comp Results Began to Improve in 2012. Underwriting Results Deteriorated Markedly from 2007-2010/11 and Were the Worst They Had Been in a Decade.

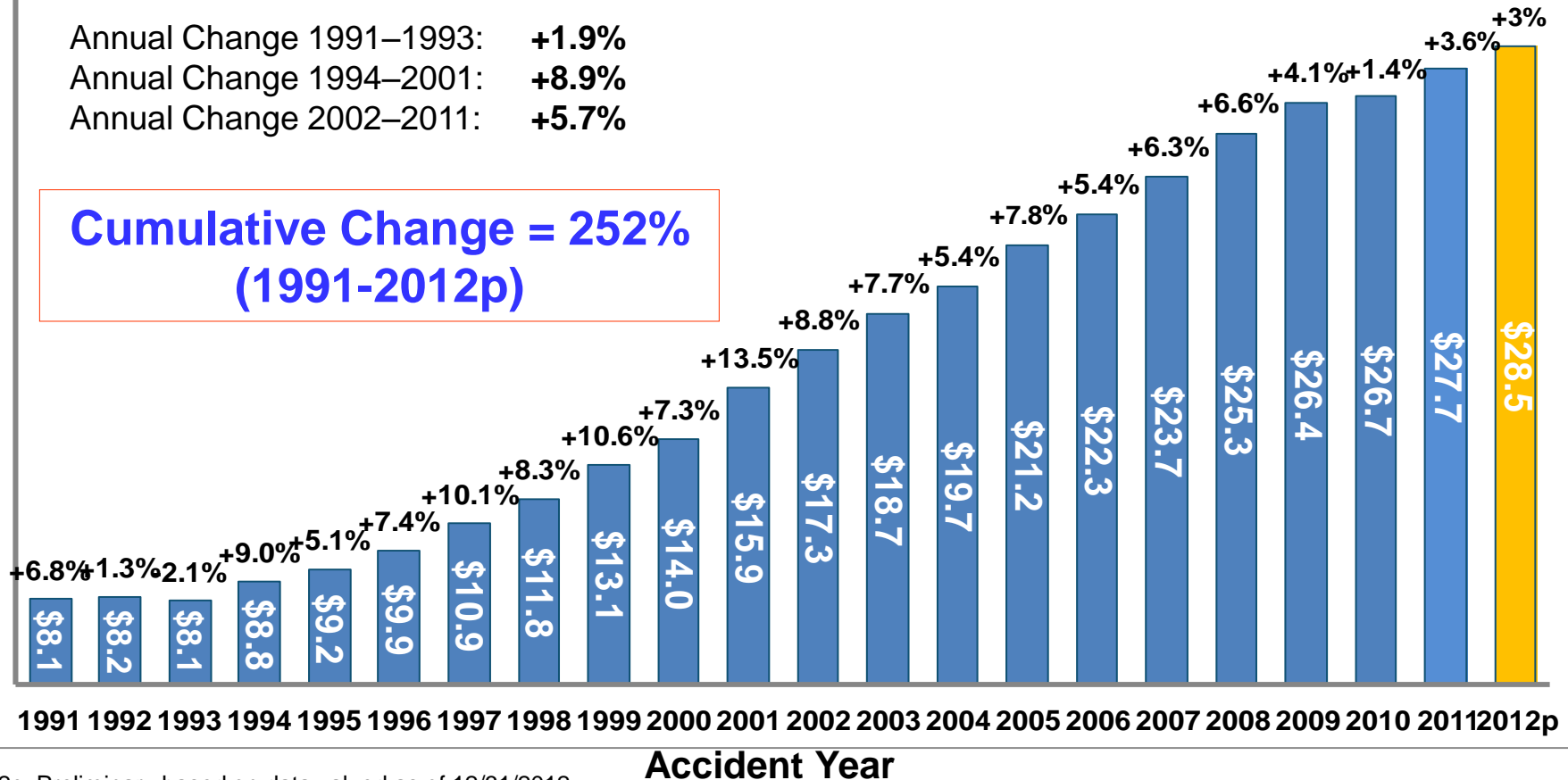
Workers Compensation Medical Severity Moderate Increase in 2012

Medical
Claim Cost (\$000s)

Average Medical Cost per Lost-Time Claim

Annual Change 1991–1993: +1.9%
Annual Change 1994–2001: +8.9%
Annual Change 2002–2011: +5.7%

**Cumulative Change = 252%
(1991–2012p)**

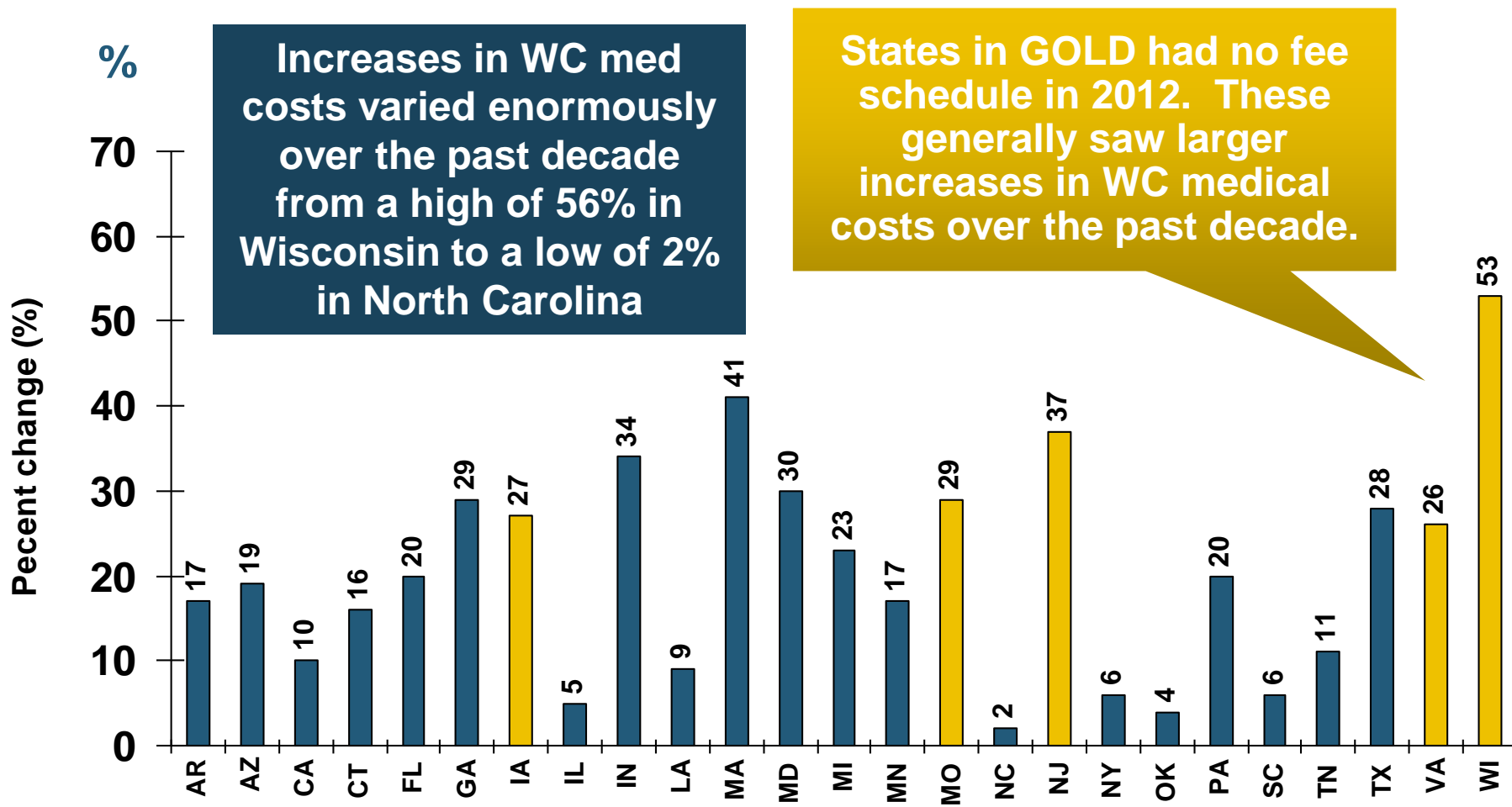


2012p: Preliminary based on data valued as of 12/31/2012.

1991–2011: Based on data through 12/31/2011, developed to ultimate

Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

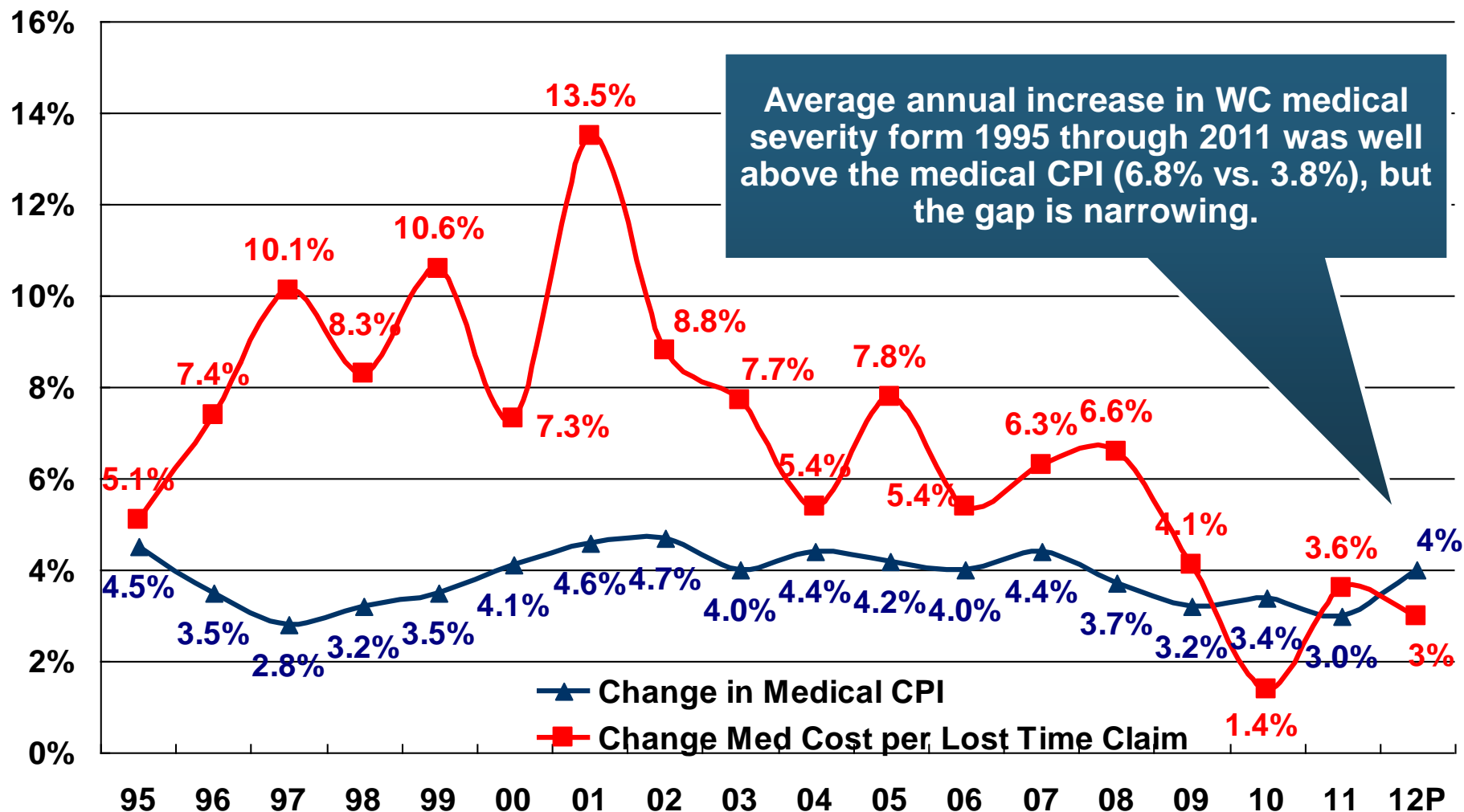
Change in Price Paid for Medical Professional Services in WC, 2002-2012*



*Data are preliminary as of 6/30/12.

Sources: Workers Compensation Research Institute, *WCRI Medical Price Index for Workers Compensation, 5th Edition*; Ins. Info. Institute.

WC Medical Severity Generally Outpaces the Medical CPI Rate

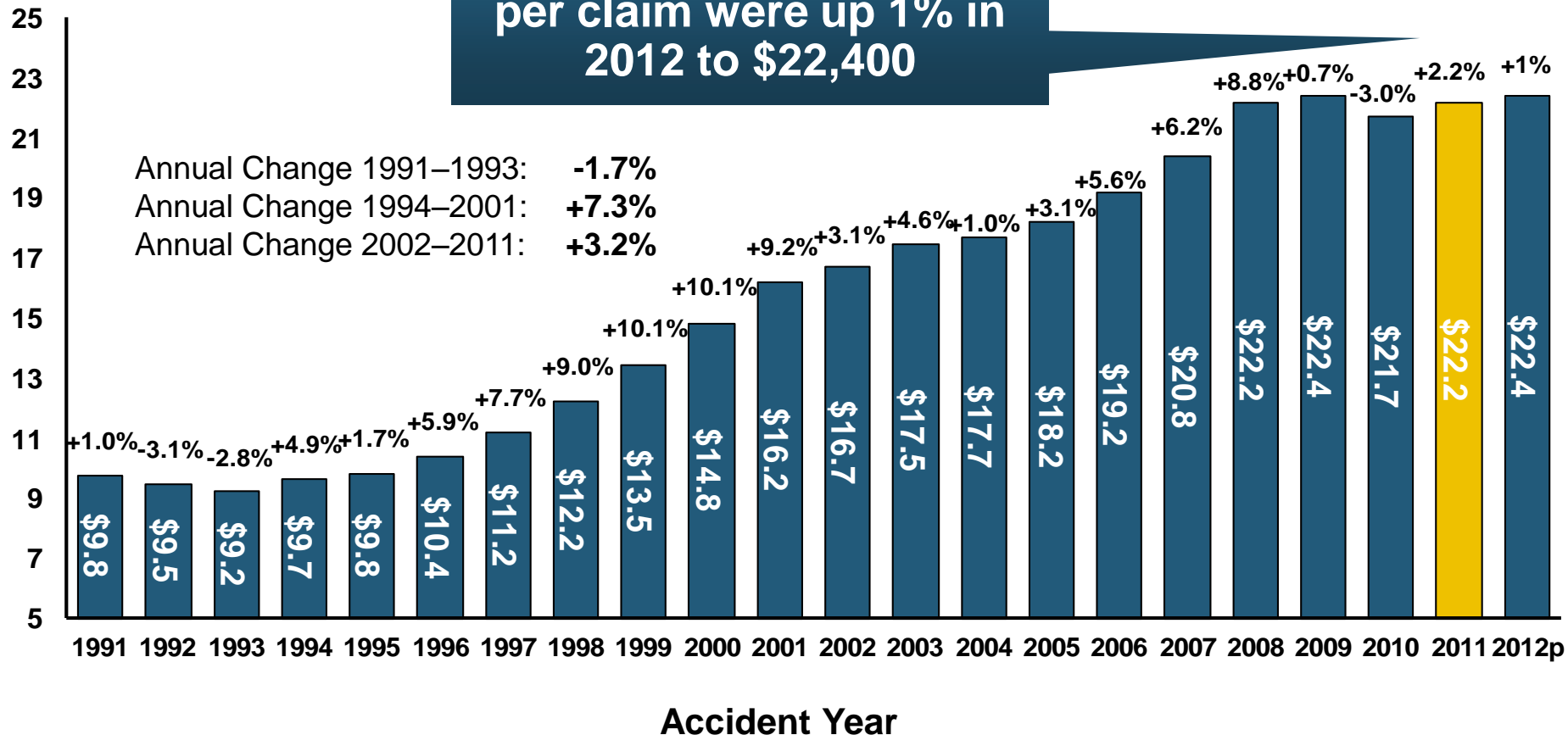


Workers Comp Indemnity Claim Costs: Small Increase in 2012

Average Indemnity Cost per Lost-Time Claim

Indemnity
Claim Cost (\$ 000s)

Average indemnity costs
per claim were up 1% in
2012 to \$22,400



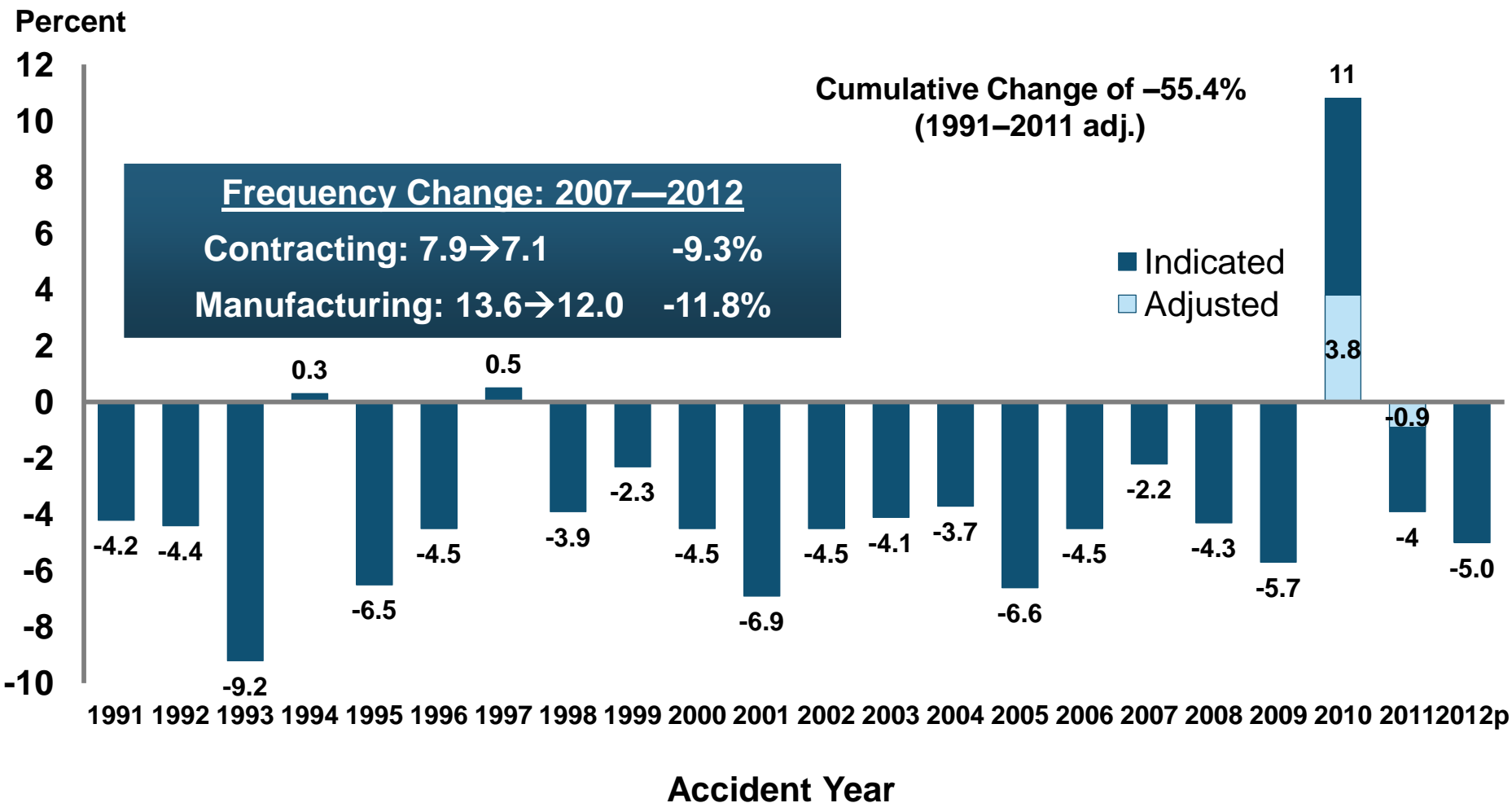
2012p: Preliminary based on data valued as of 12/31/2012.

1991-2011: Based on data through 12/31/2011, developed to ultimate

Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

Workers Compensation Lost-Time Claim Frequency Declined in 2012

Lost-Time Claims



*Adjustments primarily due to significant audit activity.

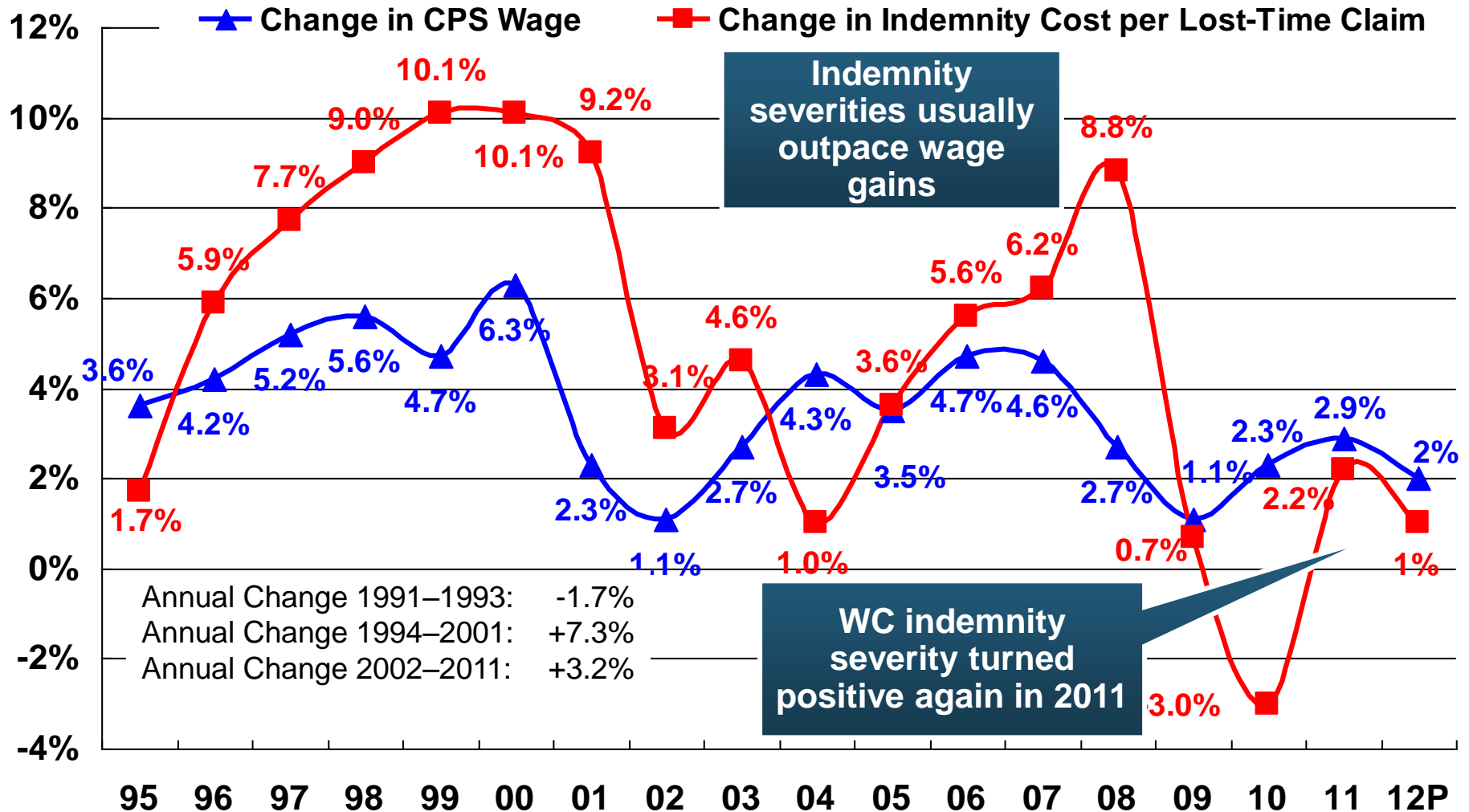
2012p: Preliminary based on data valued as of 12/31/2012

1991–2011: Based on data through 12/31/2011, developed to ultimate

Based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies

Frequency is the number of lost-time claims per \$1M pure premium at current wage and voluntary loss cost level

WC Indemnity Severity vs. Wage Inflation, 1995 -2012p



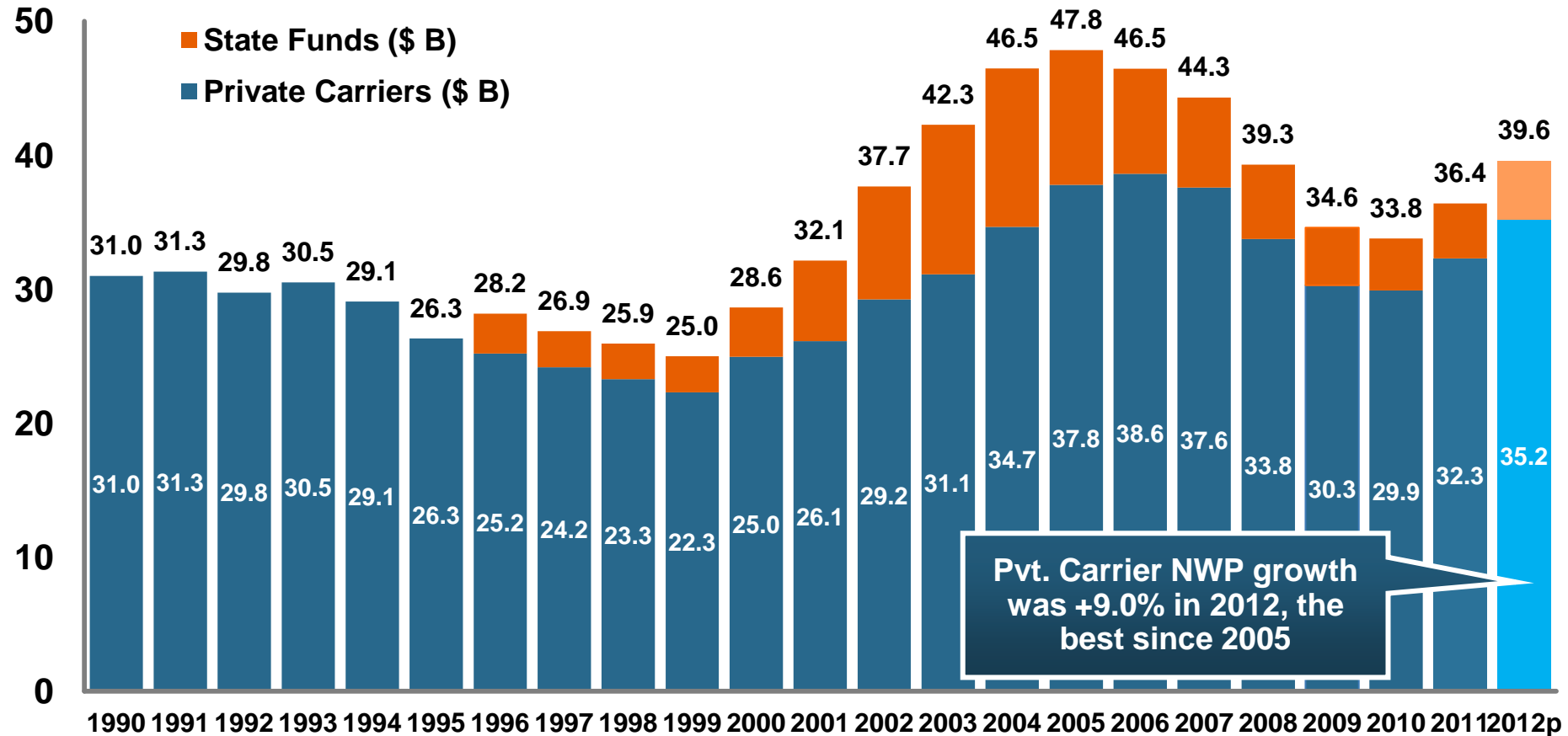
2011p: Preliminary based on data valued as of 12/31/2011; 1991-2010: Based on data through 12/31/2010, developed to ultimate. Based on the states where NCCI provides ratemaking services. Excludes the effects of deductible policies. CPS = Current Population Survey.

Source: NCCI

Workers Compensation Premium: Second Consecutive Year of Increase

Net Written Premium

\$ Billions



p Preliminary

Source: 1990–20102p Private Carriers, Annual Statement Data, NCCI.

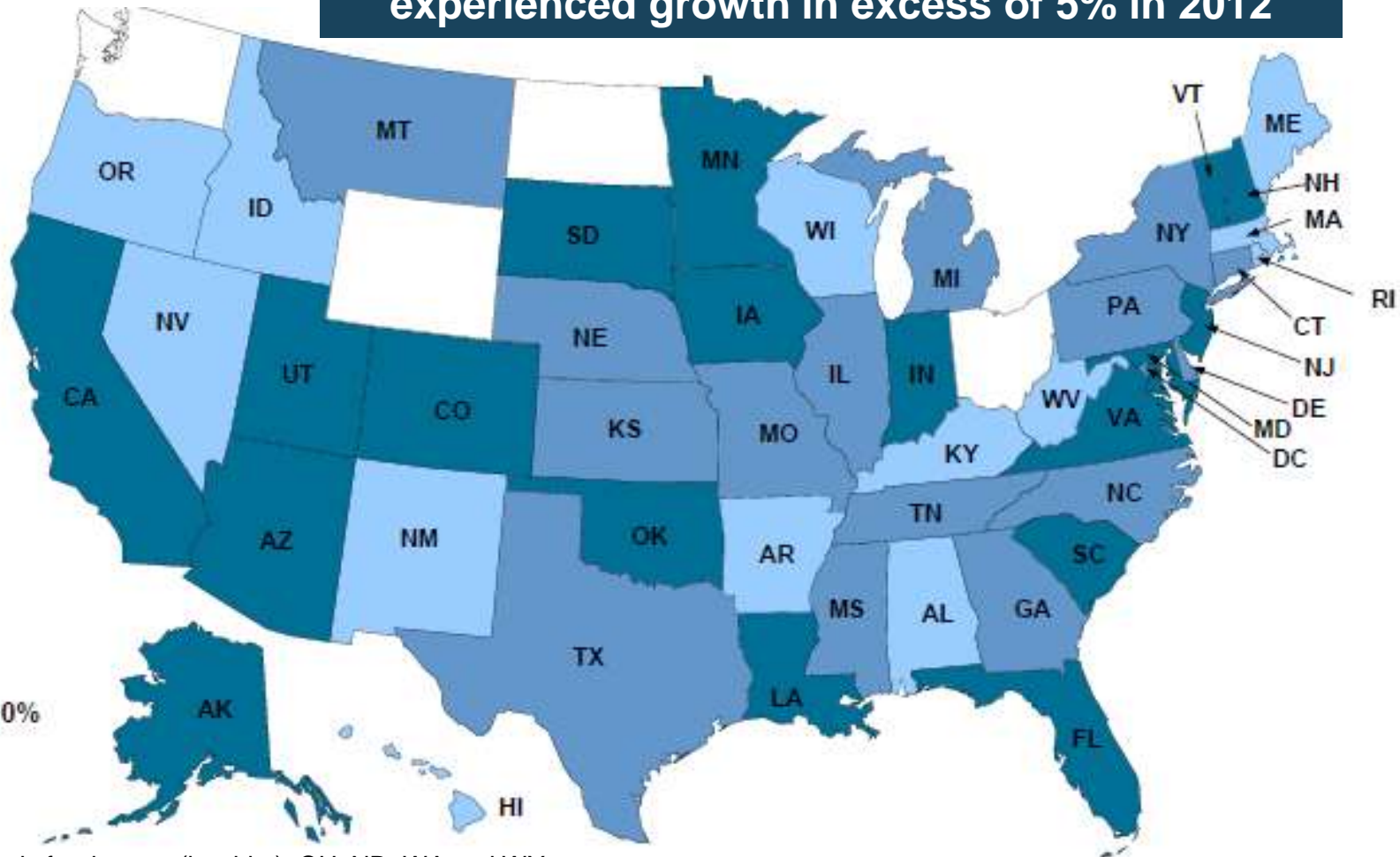
1996–2012p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements

State Funds available for 1996 and subsequent

2012 Workers Compensation Direct Written Premium Growth, by State*

PRIVATE CARRIERS: Overall 2012 Growth = +9%

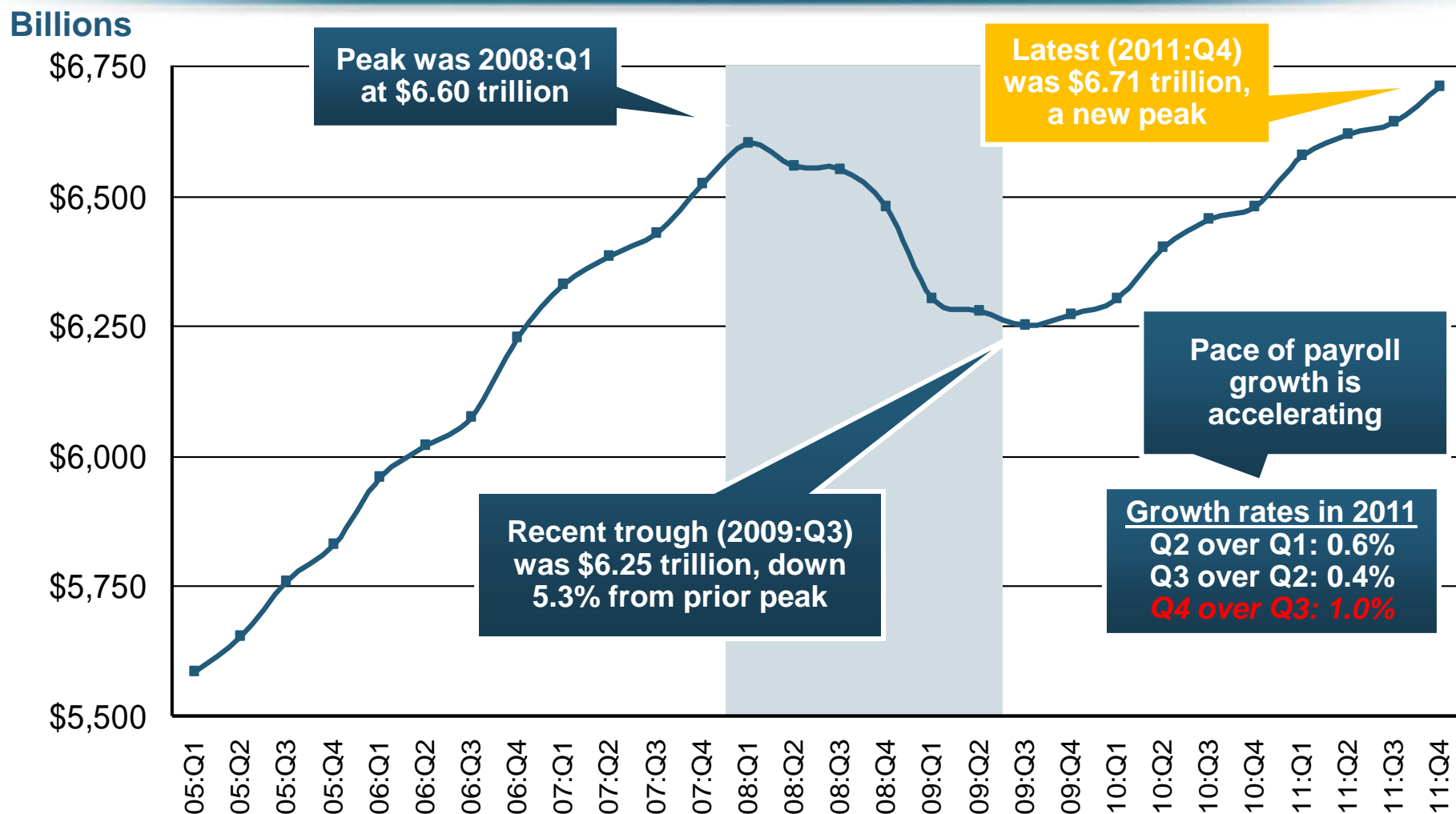
While growth rates varied widely, all states experienced growth in excess of 5% in 2012



*Excludes monopolistic fund states (in white): OH, ND, WA and WY.

Source: NCCI.

Nonfarm Payroll (Wages and Salaries): Quarterly, 2005–2011:Q4



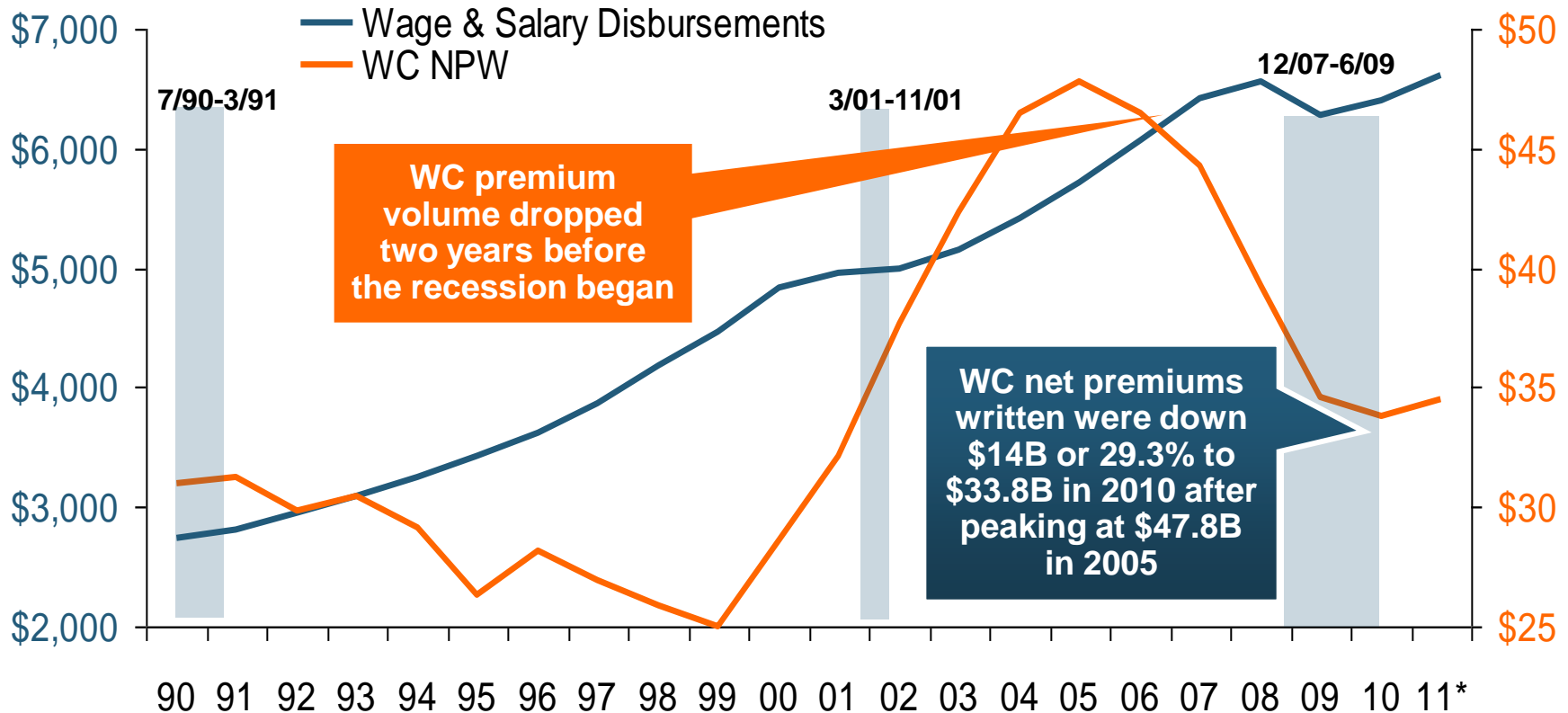
Note: Recession indicated by gray shaded column. Data are seasonally adjusted annual rates.

Sources: <http://research.stlouisfed.org/fred2/series/WASCUR>; National Bureau of Economic Research (recession dates); Insurance Information Institute.

Payroll vs. Workers Comp Net Written Premiums, 1990-2011

Payroll Base*
\$Billions

WC NWP
\$Billions



Resumption of payroll growth and rate increases suggests WC NWP will grow again in 2012

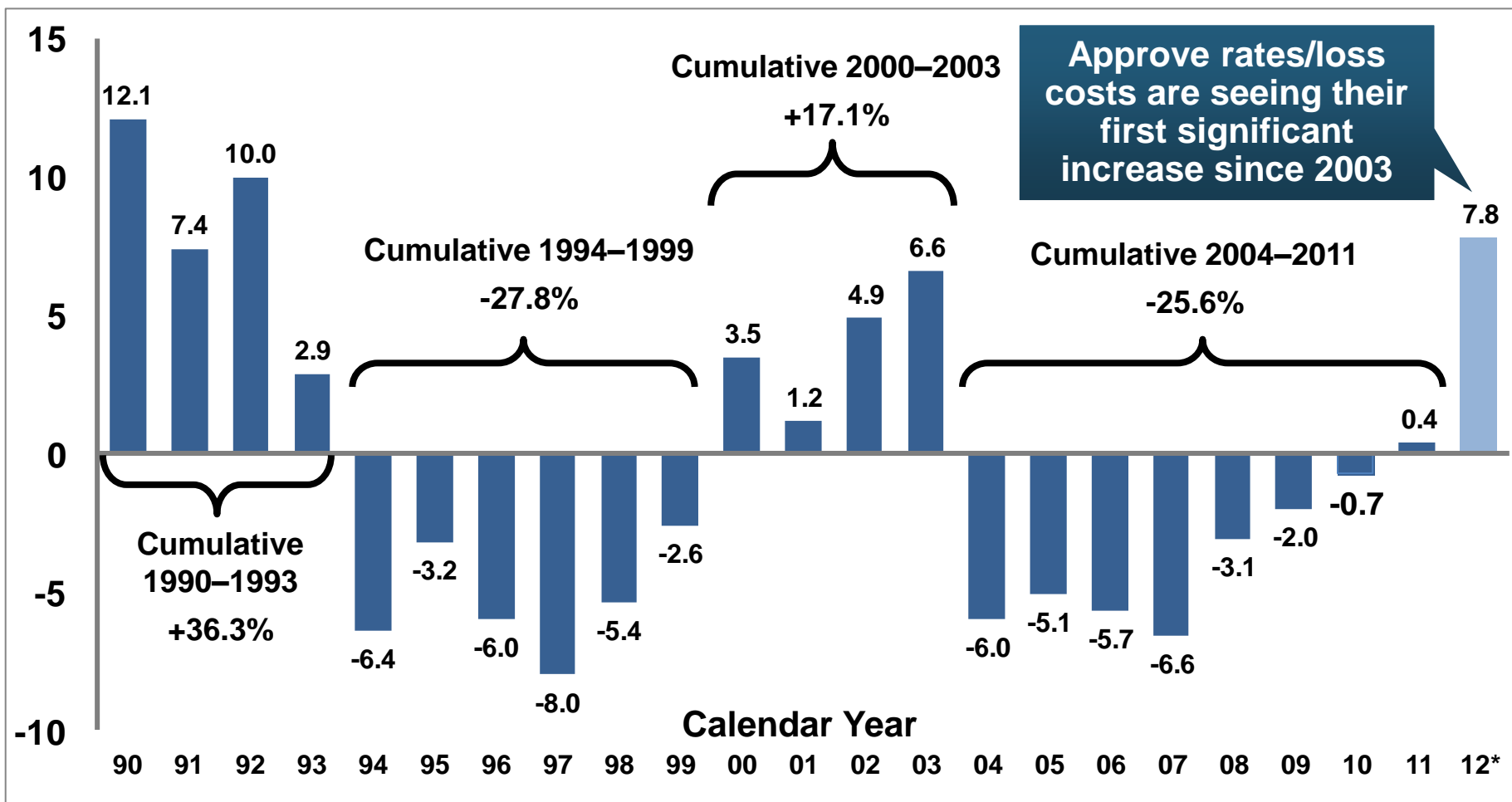
*Private employment; Shaded areas indicate recessions. Payroll and WC premiums for 2011 is I.I.I. estimate

Sources: NBER (recessions); Federal Reserve Bank of St. Louis at <http://research.stlouisfed.org/fred2/series/WASCUR> ; NCCI; I.I.I.

Average Approved Bureau Rates/Loss Costs

History of Average WC Bureau Rate/Loss Cost Level Changes

Percent



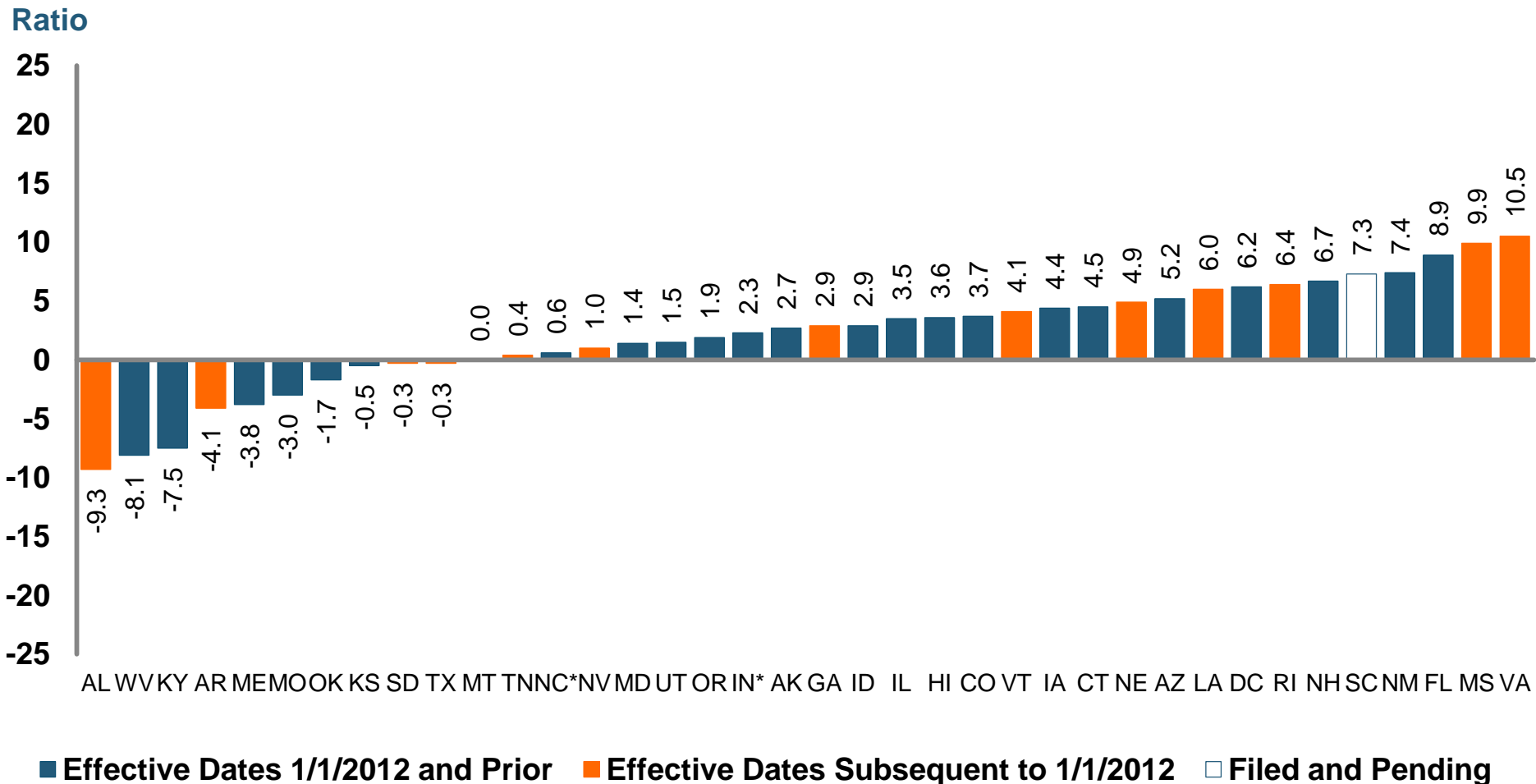
*States approved through 7/31/12.

Note: Countrywide approved changes in advisory rates, loss costs and assigned risk rates as filed by applicable rating organization.

Source: NCCI.

Current NCCI Voluntary Market Filed Rate/Loss Cost Changes

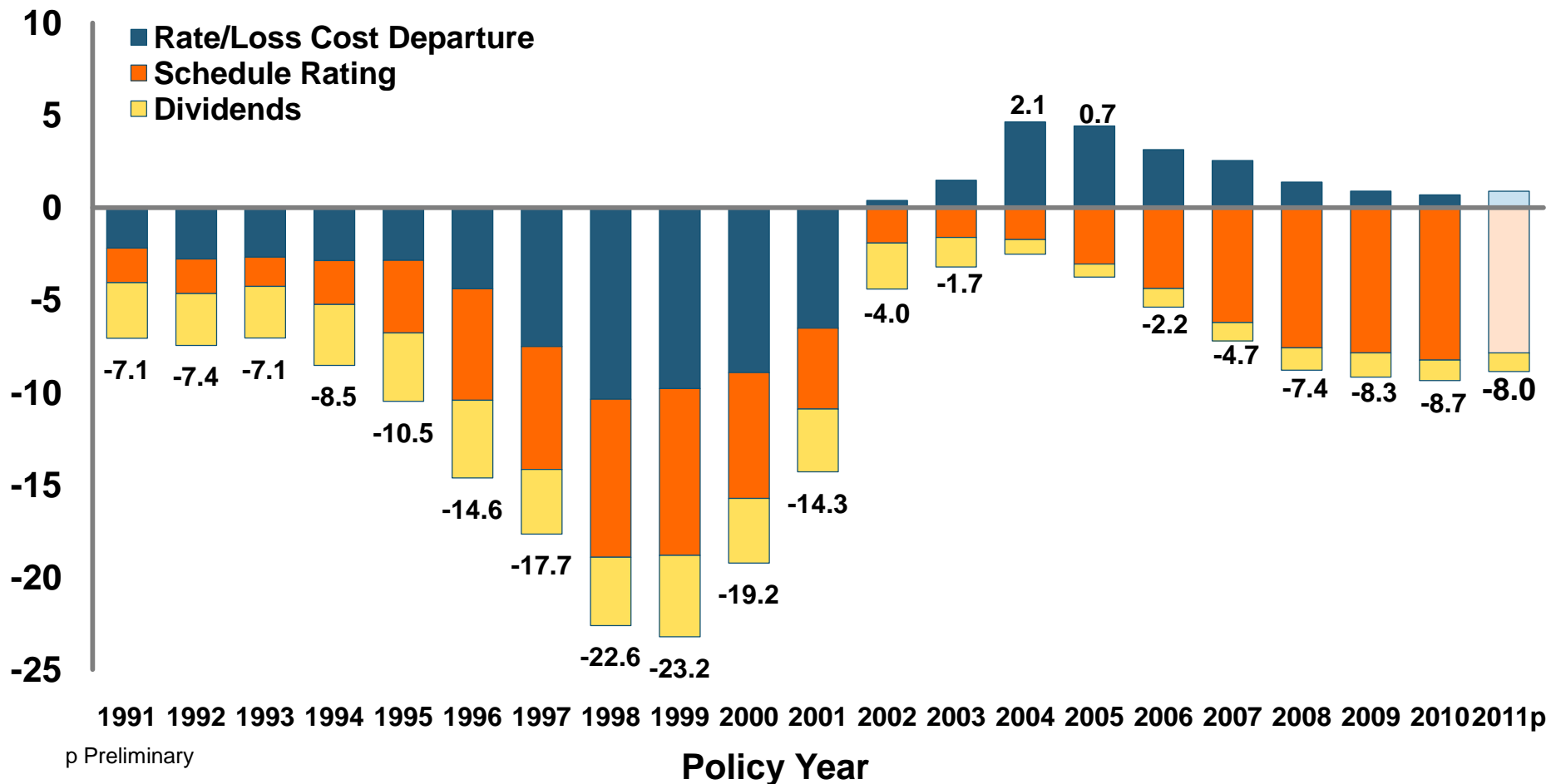
(Excludes Law-Only Filings)



Impact of Discounting on Workers Compensation Premium

NCCI States—Private Carriers

Percent



p Preliminary

Dividend ratios are based on calendar year statistics

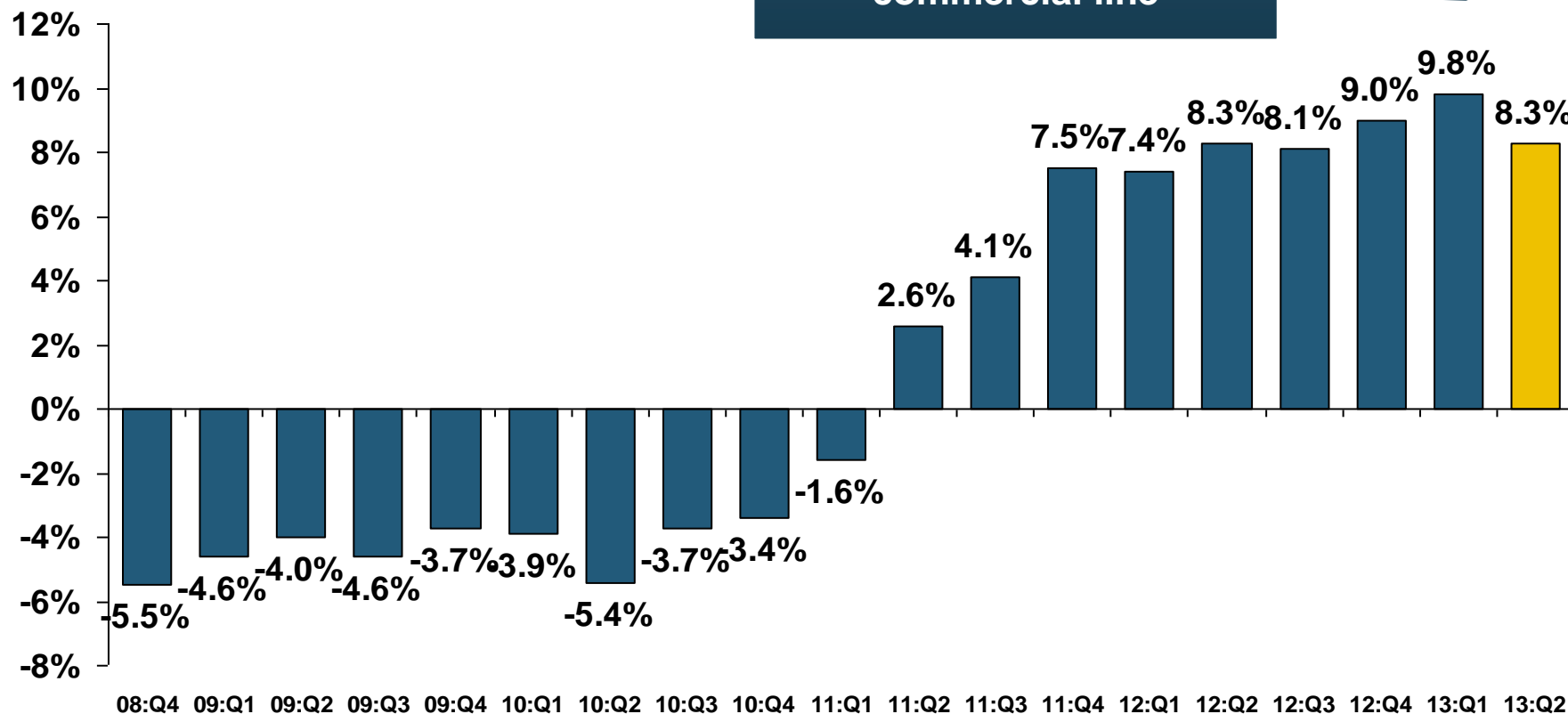
NCCI benchmark level does not include an underwriting contingency provision

Based on data through 12/31/2011 for the states where NCCI provides ratemaking services

Source: NCCI.

Workers Comp Rate Changes, 2008:Q4 – 2013:Q2

(Percent
Change)



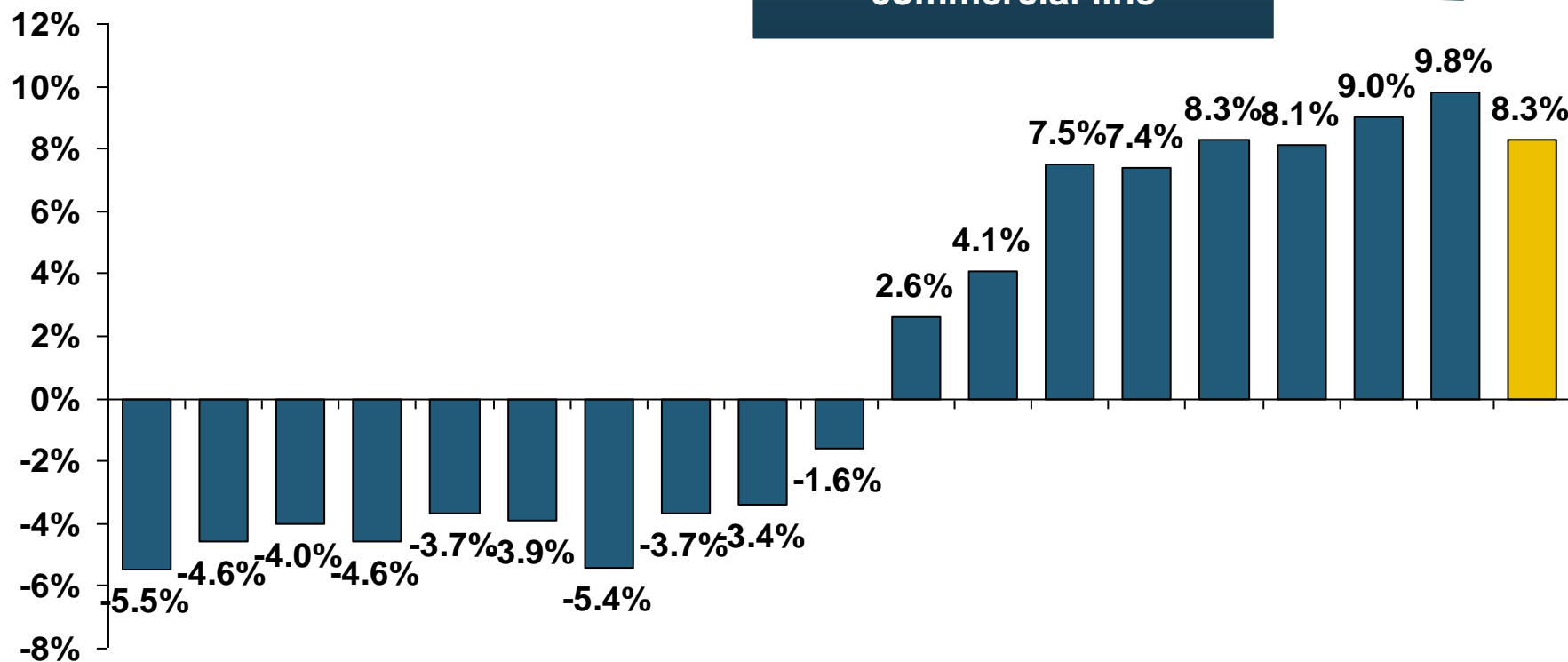
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Information Institute.

4. RENEWED PRICING DISCIPLINE

**Evidence of a Broad and
Sustained Shift in Pricing**

Workers Comp Rate Changes, 2008:Q4 – 2013:Q2

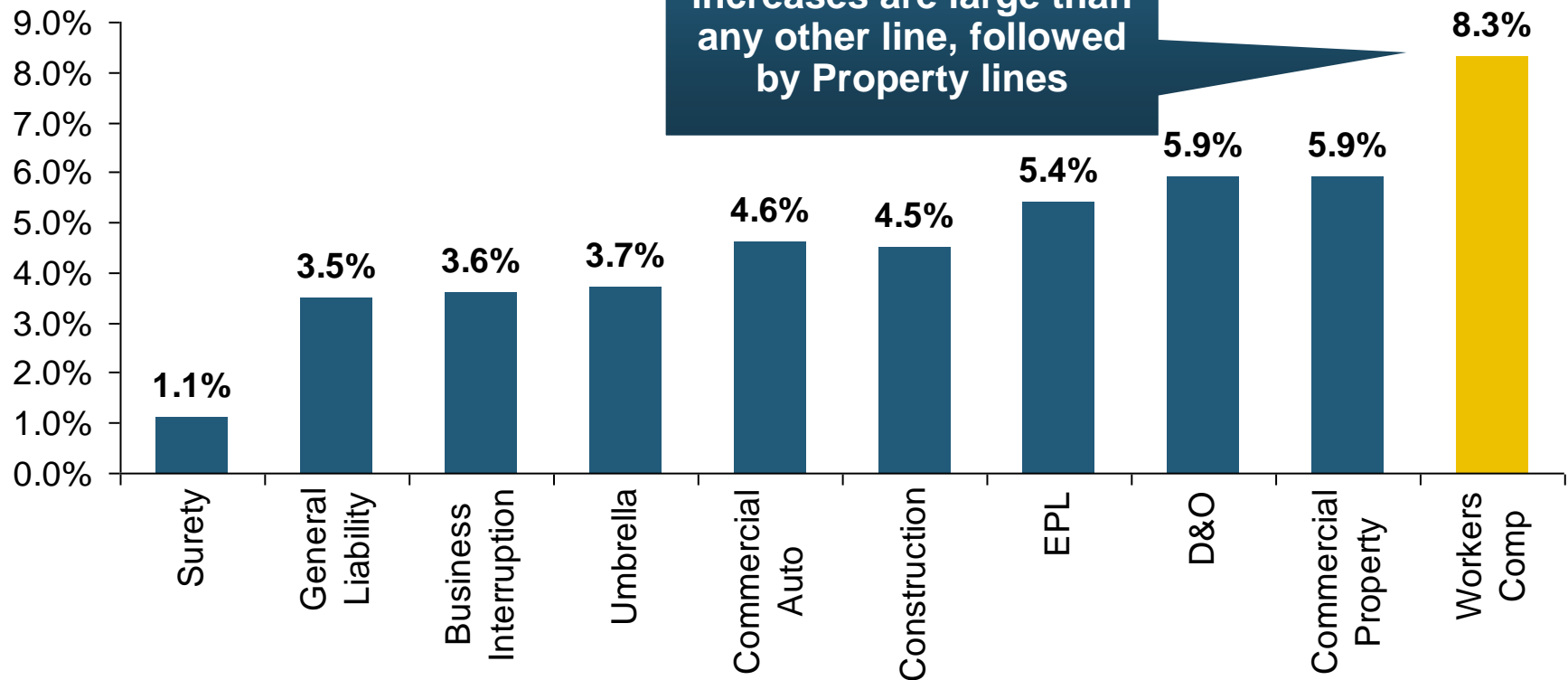
(Percent
Change)



08:Q4 09:Q1 09:Q2 09:Q3 09:Q4 10:Q1 10:Q2 10:Q3 10:Q4 11:Q1 11:Q2 11:Q3 11:Q4 12:Q1 12:Q2 12:Q3 12:Q4 13:Q1 13:Q2

Change in Commercial Rate Renewals, by Line: 2013:Q2

Percentage Change (%)

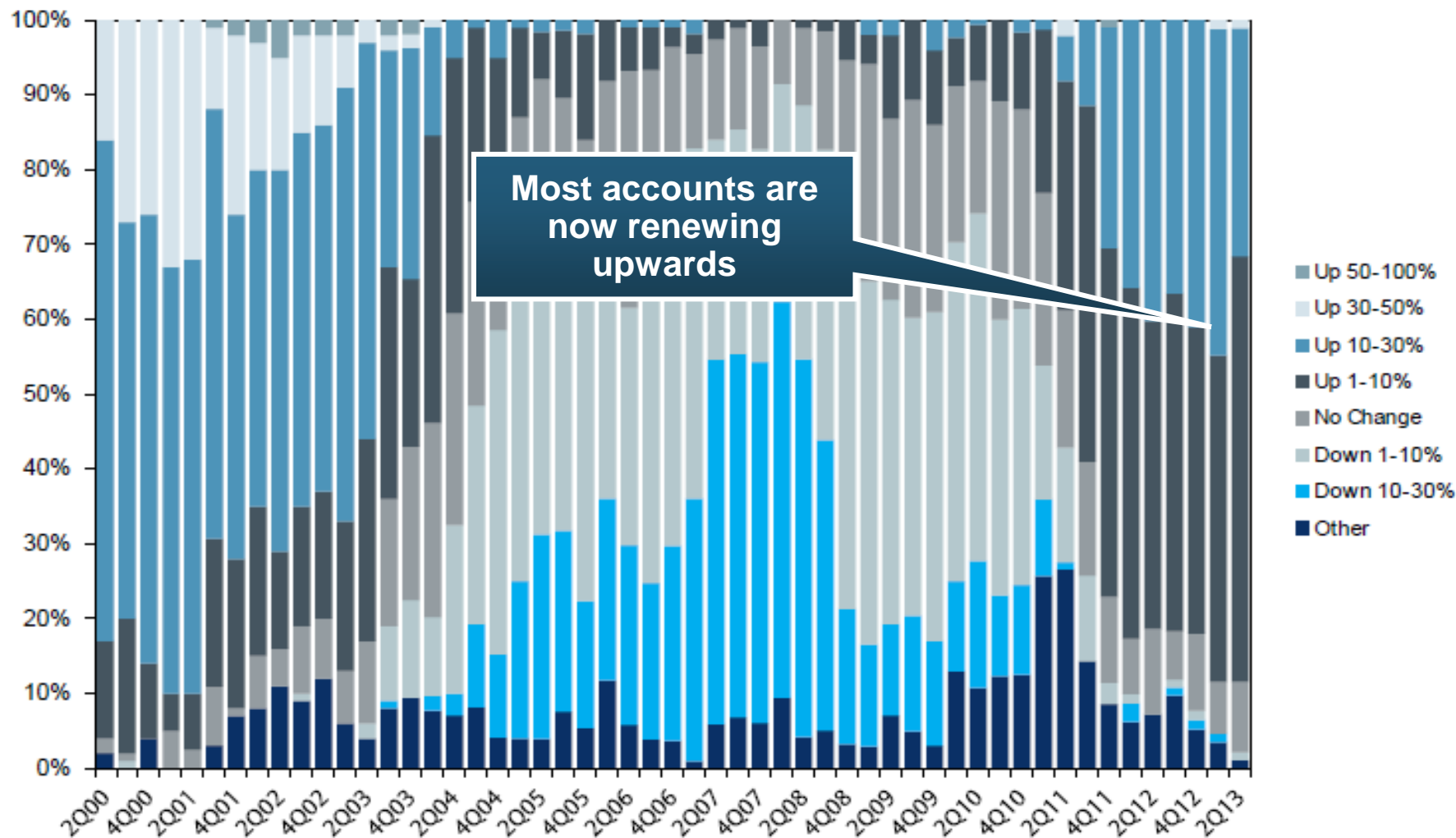


Major Commercial Lines Renewed Uniformly Upward in Q2:2013 for the 8th Consecutive Quarter; Property Lines & Workers Comp Leading the Way; Cat Losses and Low Interest Rates Provide Momentum Going Forward

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; Insurance Information Institute.

Workers Comp. Quarterly Rate Changes, by Line: 2000:Q1 to 2013:Q2

1999:Q4 = 100



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; Barclay's Capital; Insurance Information Institute.

Insurance Information Institute Online:

www.iii.org

*Thank you for your time
and your attention!*

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