



Industry WC Reserves for Prior Periods

Presented By

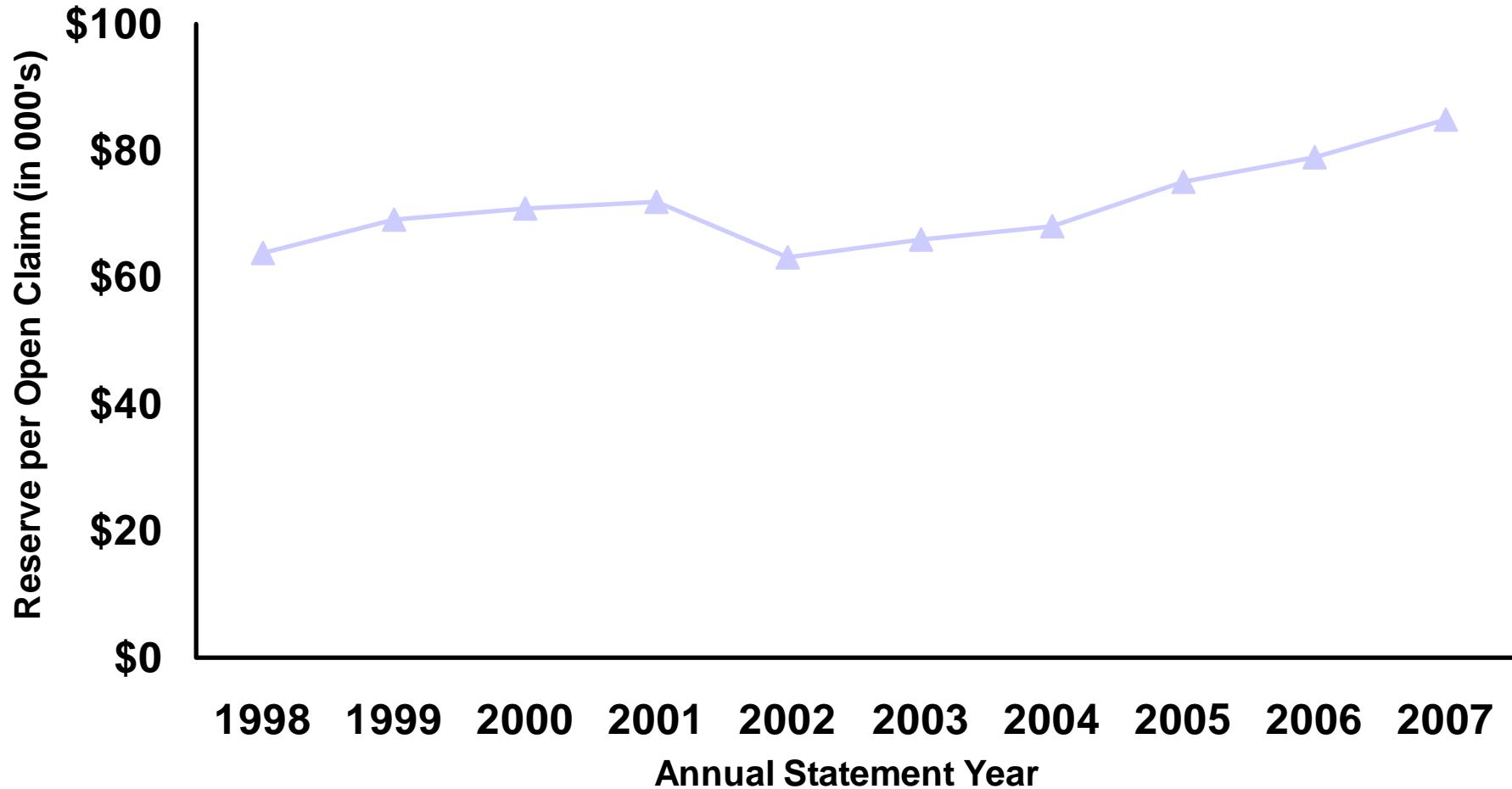
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CAS Annual Meeting
Seattle, WA
November 16-19, 2008

What's Happening to Industry-Carried Tail Reserves?

- Reserves are reported in Schedule P
 - Individually for the 10 most recent accident years
 - All older accident years are combined
- We've seen very significant reserve strengthening in workers compensation reserves since 2001
- Have the reserves for older years (i.e., “prior period”) also strengthened?

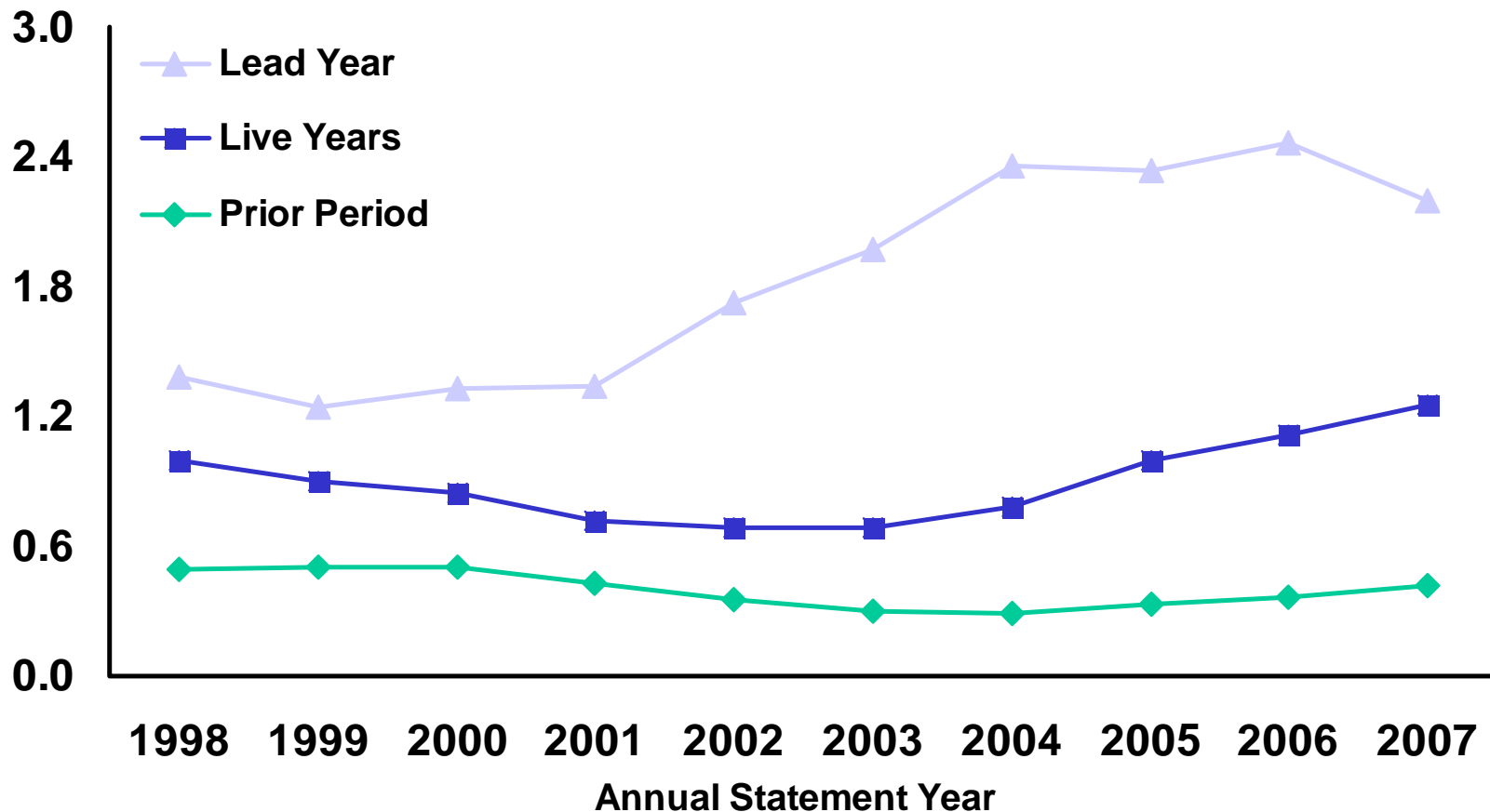
Prior Period Average Loss and LAE Reserve Per Open Claim Is Rising Steadily



Source: NAIC Annual Statement Schedule P data as reported by Private Carriers (average reserve includes IBNR)
Open claims are Direct and Assumed
"Prior Period" is all accident years more than 10 years old in a Schedule P



The Ratio of IBNR to Case Reserves for Prior Period Is Lower in 2007 Than in 1998

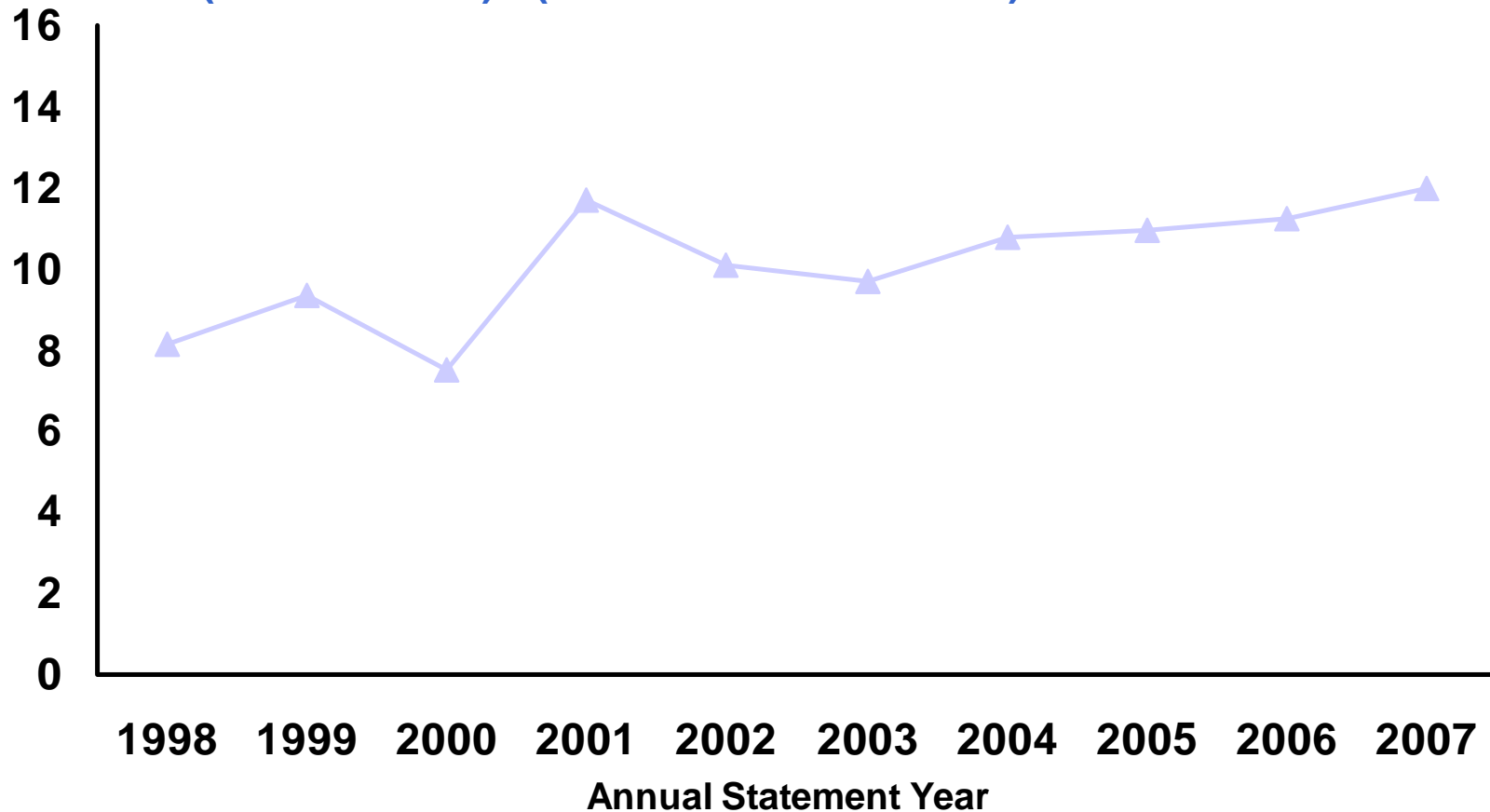


Source: NAIC Annual Statement data as reported by Private Carriers
"Lead Year" is the most recent accident year in a Schedule P
"Live Years" are the 10 most recent accident years in a Schedule P
"Prior Period" is all accident years more than 10 years old in a Schedule P

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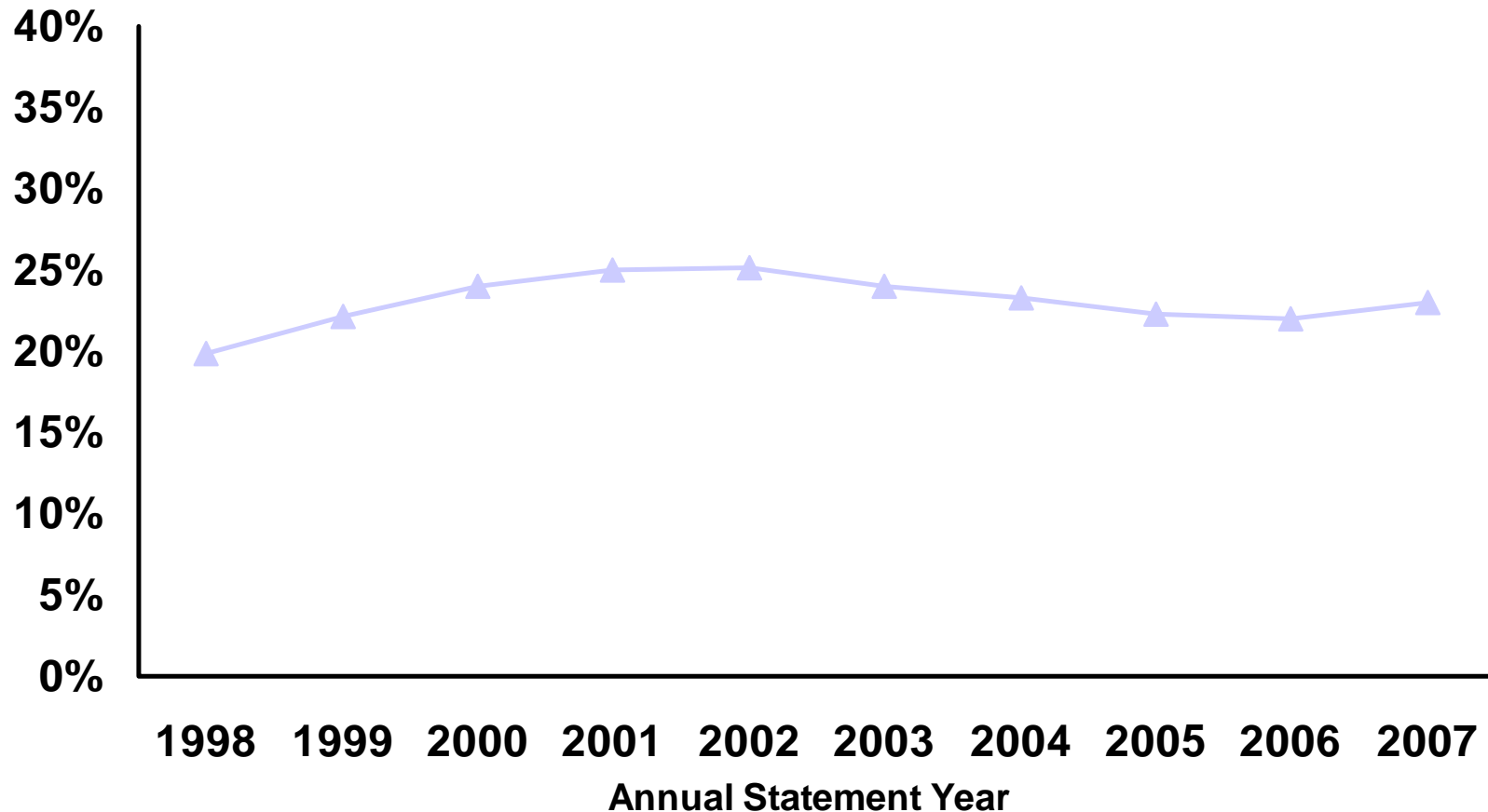
Survival Ratio Is Increasing but Is Just Returning to 2001 Levels

(IBNR + Case) / (Paid in Calendar Year) for Prior Period



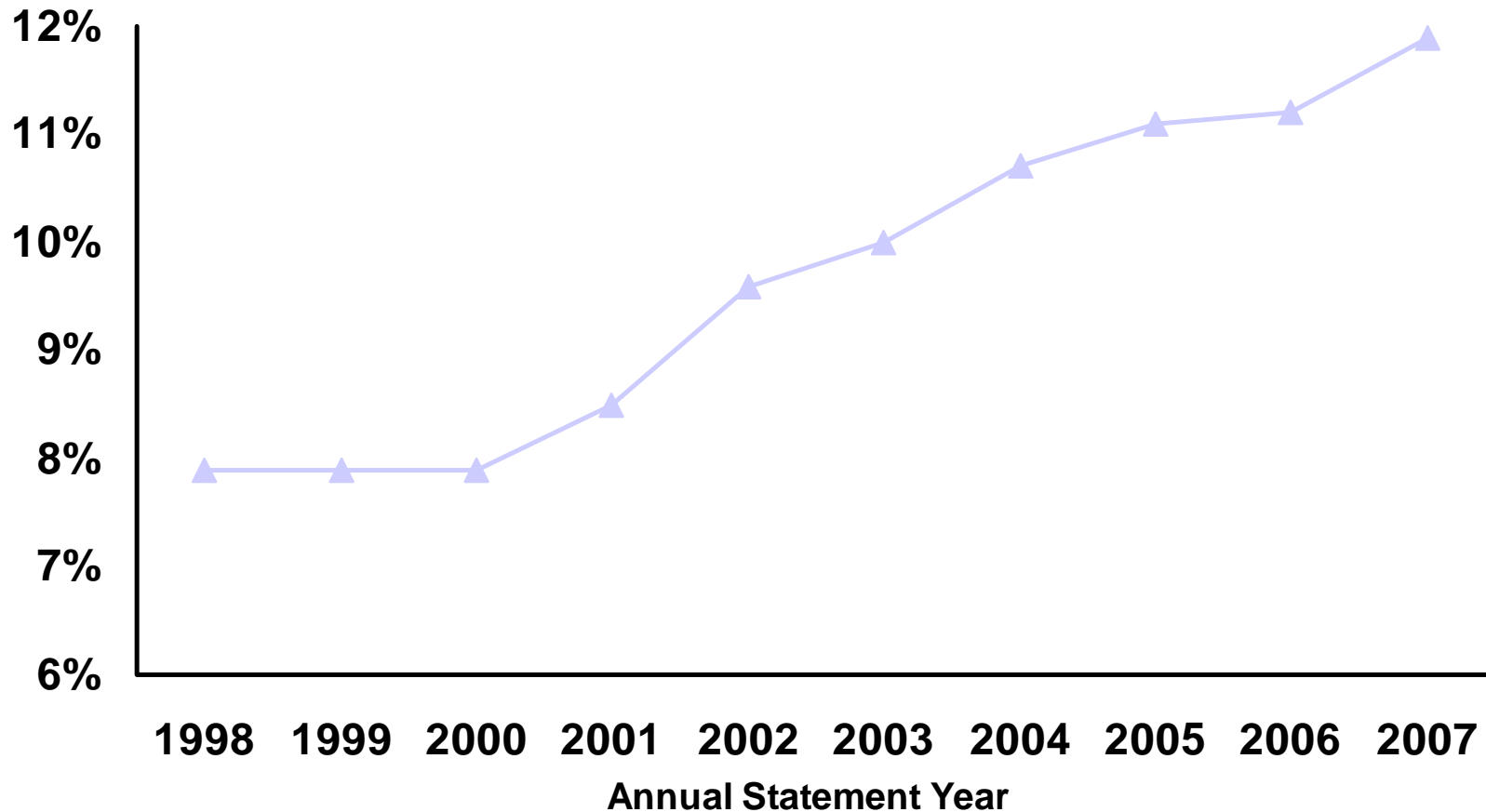
Source: NAIC Annual Statement data as reported by Private Carriers
"Prior Period" is all accident years more than 10 years old in a Schedule P

Prior Period Share of Total Loss and LAE Reserve Increased in 2007 After Several Years of Decline



Source: NAIC Annual Statement data as reported by Private Carriers
"Prior Period" is all accident years more than 10 years old in a Schedule P

Prior Period Share of Number of Open Claims Continues to Rise



Source: NAIC Annual Statement data as reported by Private Carriers
Open claims are Direct and Assumed
"Prior Period" is all accident years more than 10 years old in a Schedule P

Industry Results Summary

- Average carried reserve per claim for prior period has been increasing steadily, but through case reserves, not IBNR
- Industry reserve strengthening since 2001 is not nearly as strong in the prior period
- The prior period share of reserves increased in 2007