



National
Council on
Compensation
Insurance, Inc.

Workers Compensation Temporary Total Indemnity Benefit Duration 2010 Update

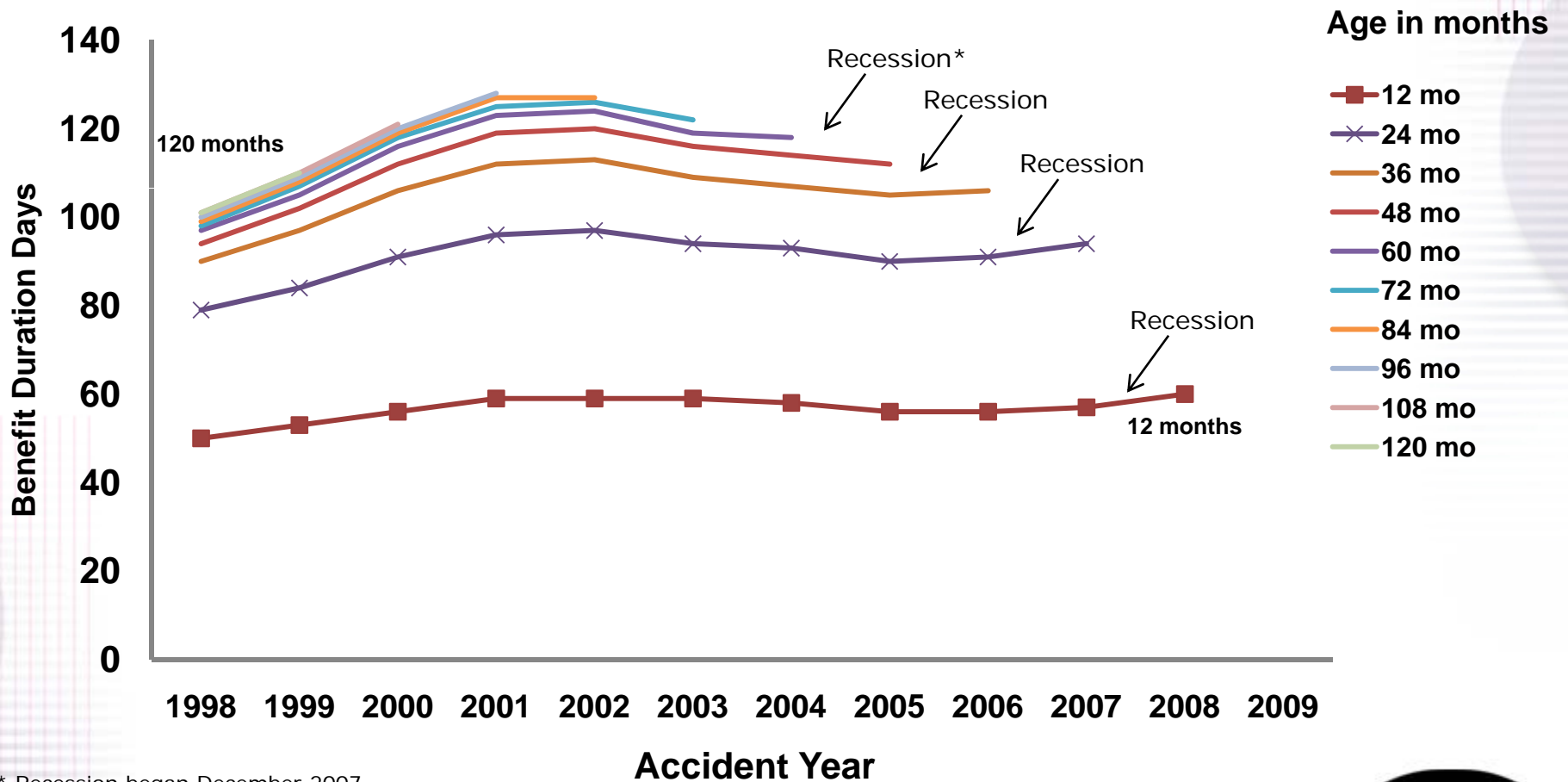
Katherine Porter, ACAS, MAAA
Associate Actuary
November 8, 2010
2010 CAS Annual Meeting

Key Findings— Temporary Total Indemnity Benefit Duration Countrywide

- After a period of moderation, indemnity duration is increasing again
- Estimated ultimate temporary total indemnity benefit duration has risen from 123 days in Accident Year 2006 to 141 days in Accident Year 2009

Temporary Total Indemnity Benefit Duration Increasing as of December 2008

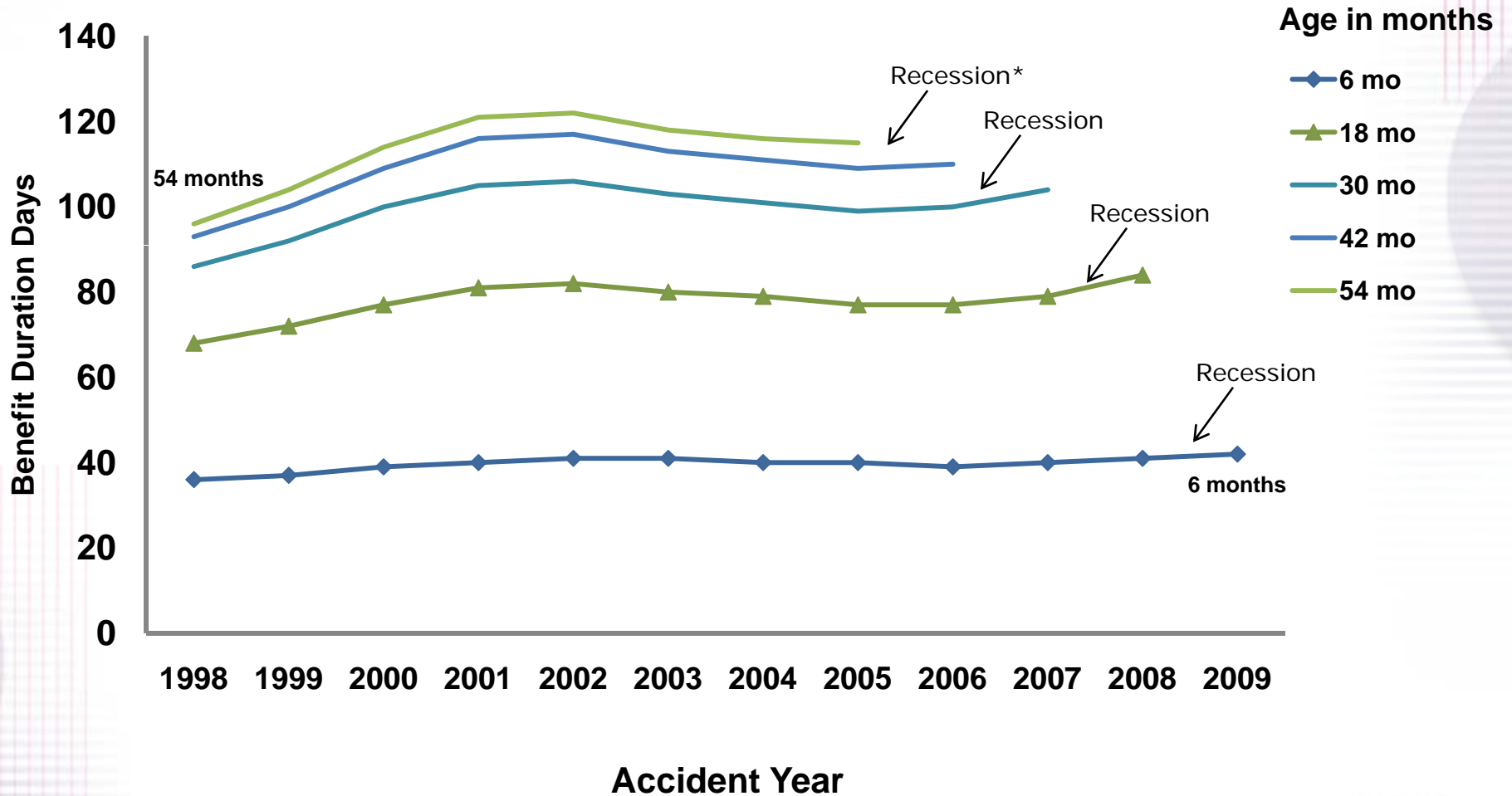
Countrywide



* Recession began December 2007
States where NCCI provides ratemaking services, excl. WV

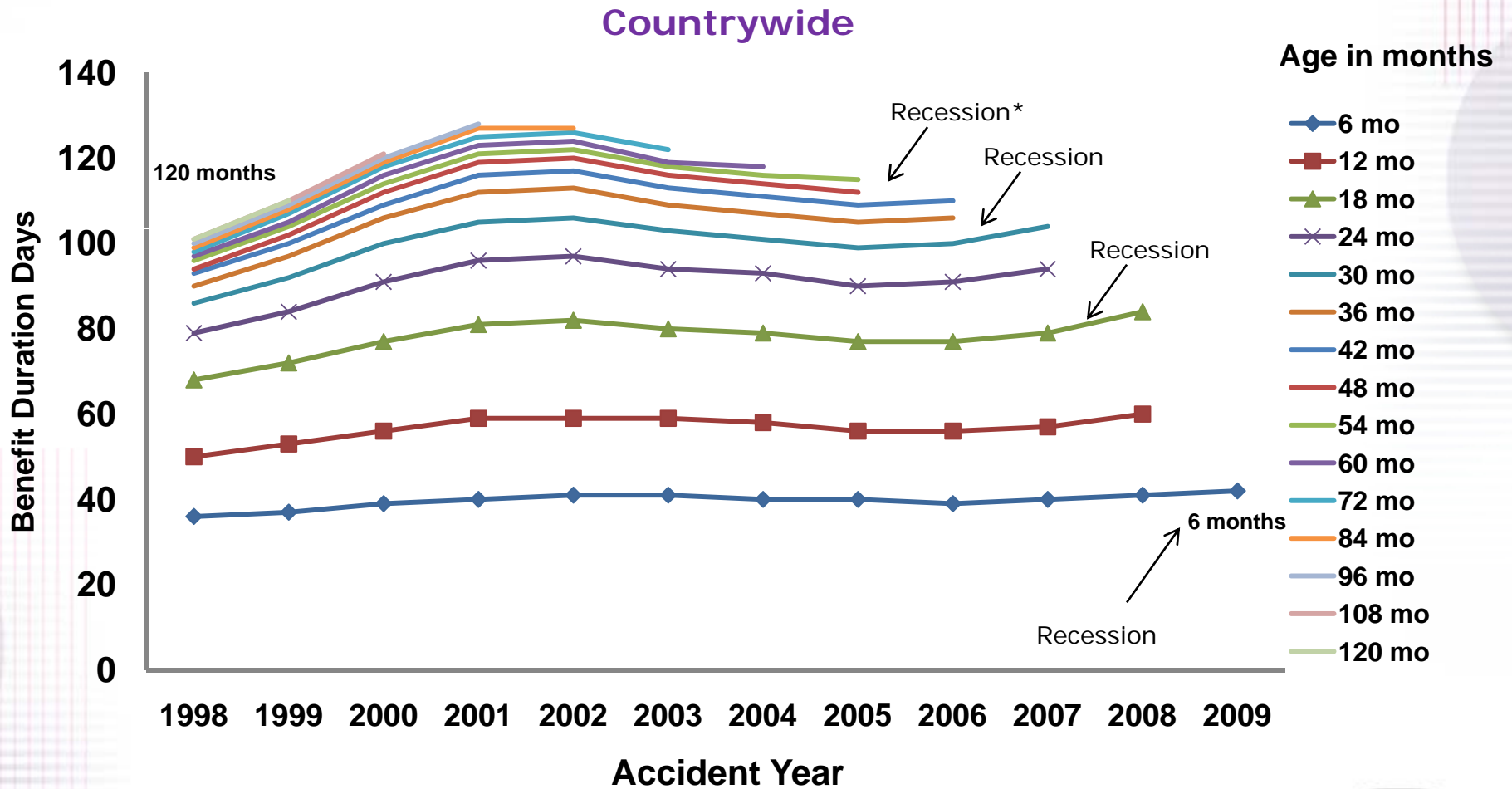
Temporary Total Indemnity Benefit Duration Increasing as of June 2009

Countrywide



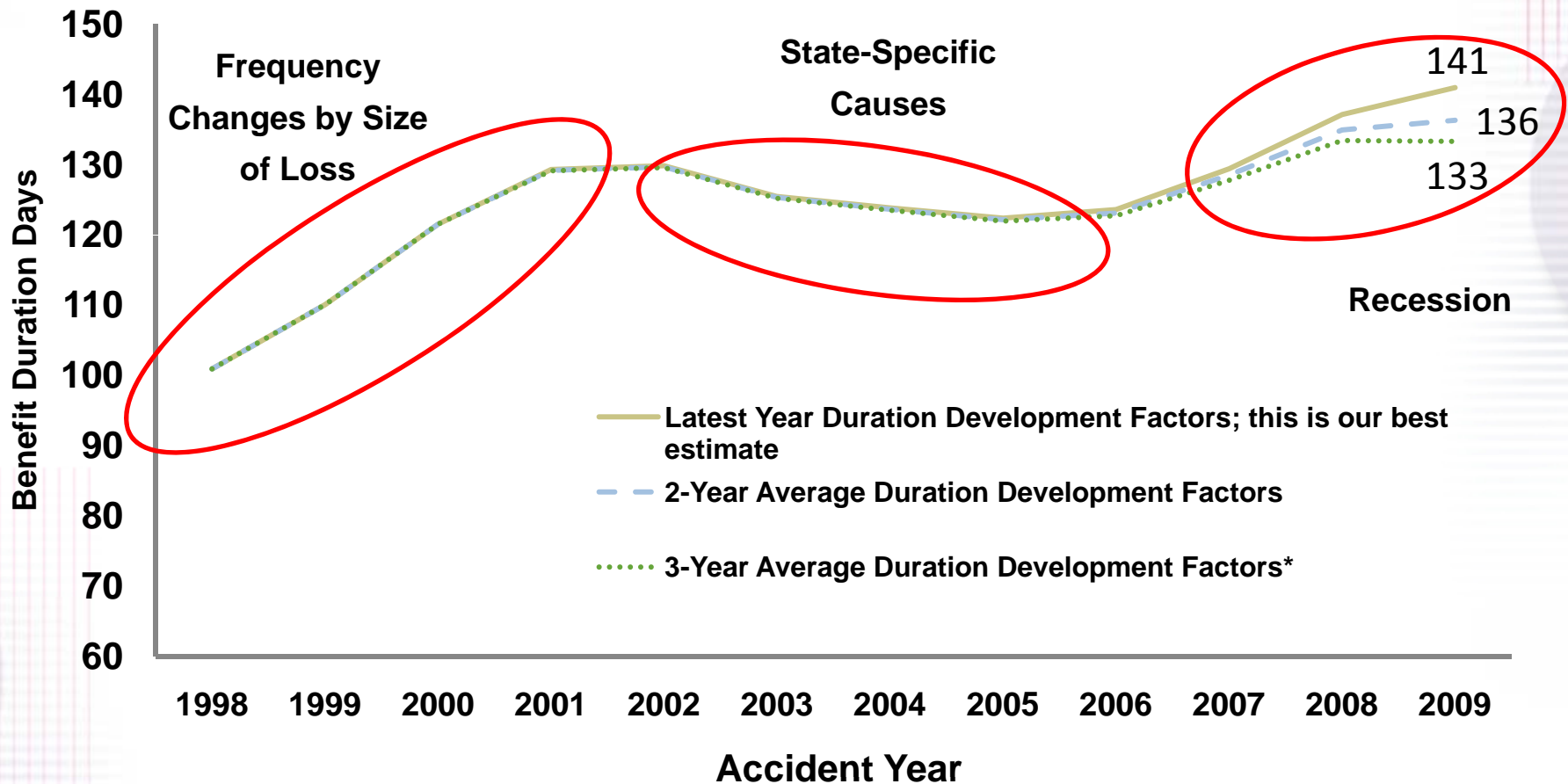
* Recession began December 2007
States where NCCI provides ratemaking services, excl. WV

Temporary Total Indemnity Benefit Duration Increase Accelerated Between December 2008 and June 2009



* Recession began December 2007
States where NCCI provides ratemaking services, excl. WV

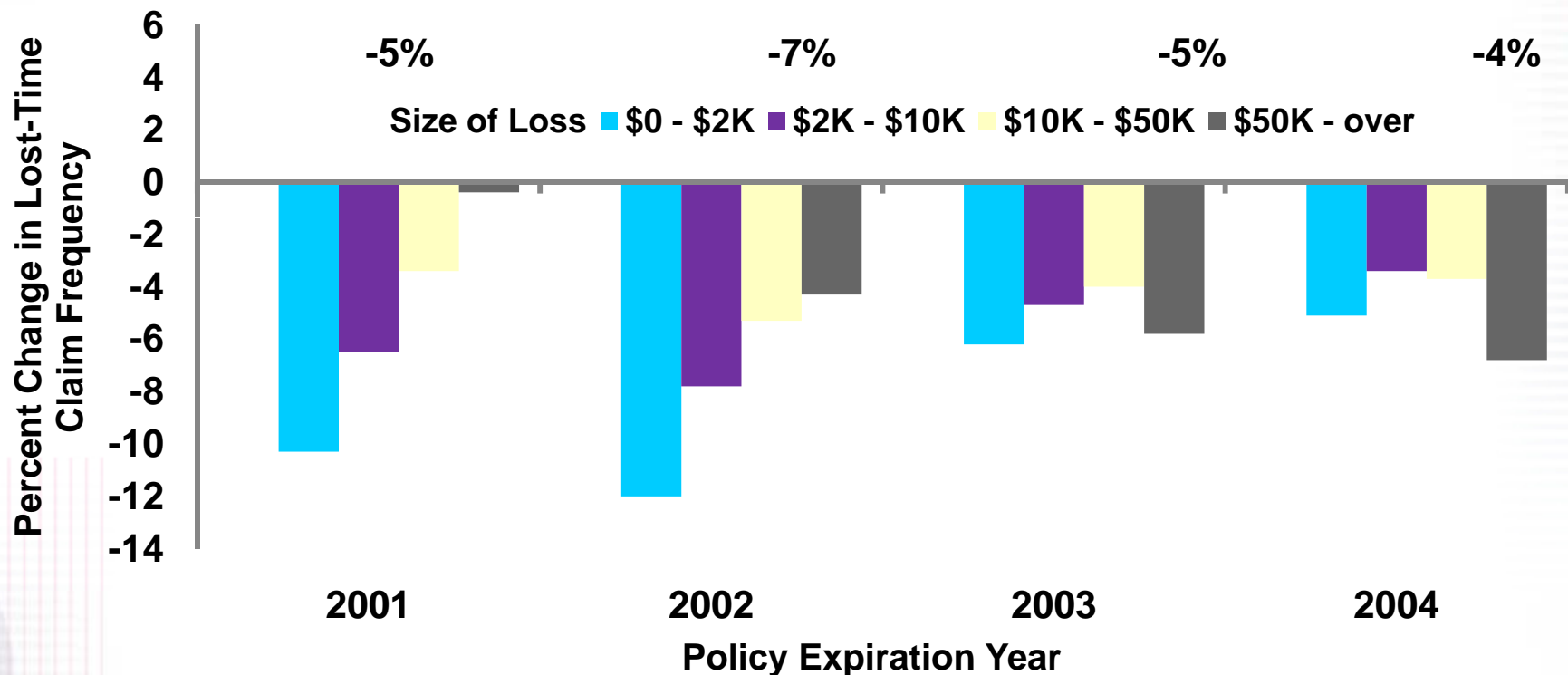
Countrywide Estimated Ultimate Temporary Total Indemnity Benefit Duration Likely to Increase



* Previous study based on a 3-year average of duration development factors
 States where NCCI provides ratemaking services, excl. WV

Year-to-Year Change in Lost-Time Frequency by Size of Loss Group

Overall Yearly Change in Frequency



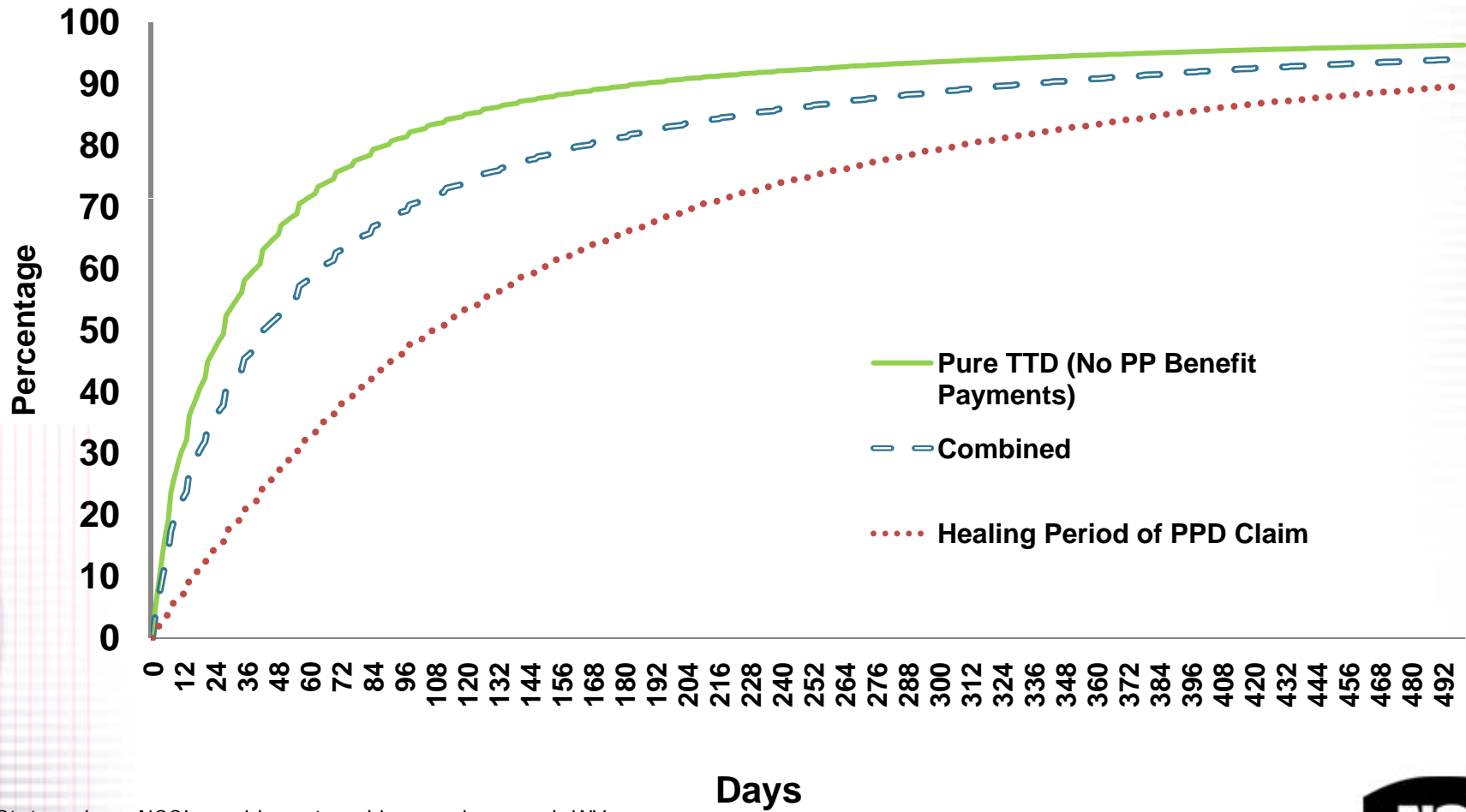
Source: "Workers Compensation Claim Frequency Down Again," NCCI Research Paper, Summer 2006
 Claim count based on WCSP data at first report
 Loss size adjustments vary by year, averaging 3.8% indemnity and 7.4% medical
 Frequency = Lost-time claims / payroll; Payroll adjusted for inflation
 States where NCCI provides ratemaking services, excl. NV and WV

Temporary Total Disability Components

- Temporary total indemnity duration decomposed into:
 - “Pure TTD” (claim does not transition to PPD)
 - The healing period of a PPD claim
- Decrease in overall duration from Accident Years 2002 to 2007 driven by the declining duration of the healing period

Temporary Total Indemnity Benefit Duration

Countrywide Cumulative Frequency Distribution
AY 2002 @ 84 Months



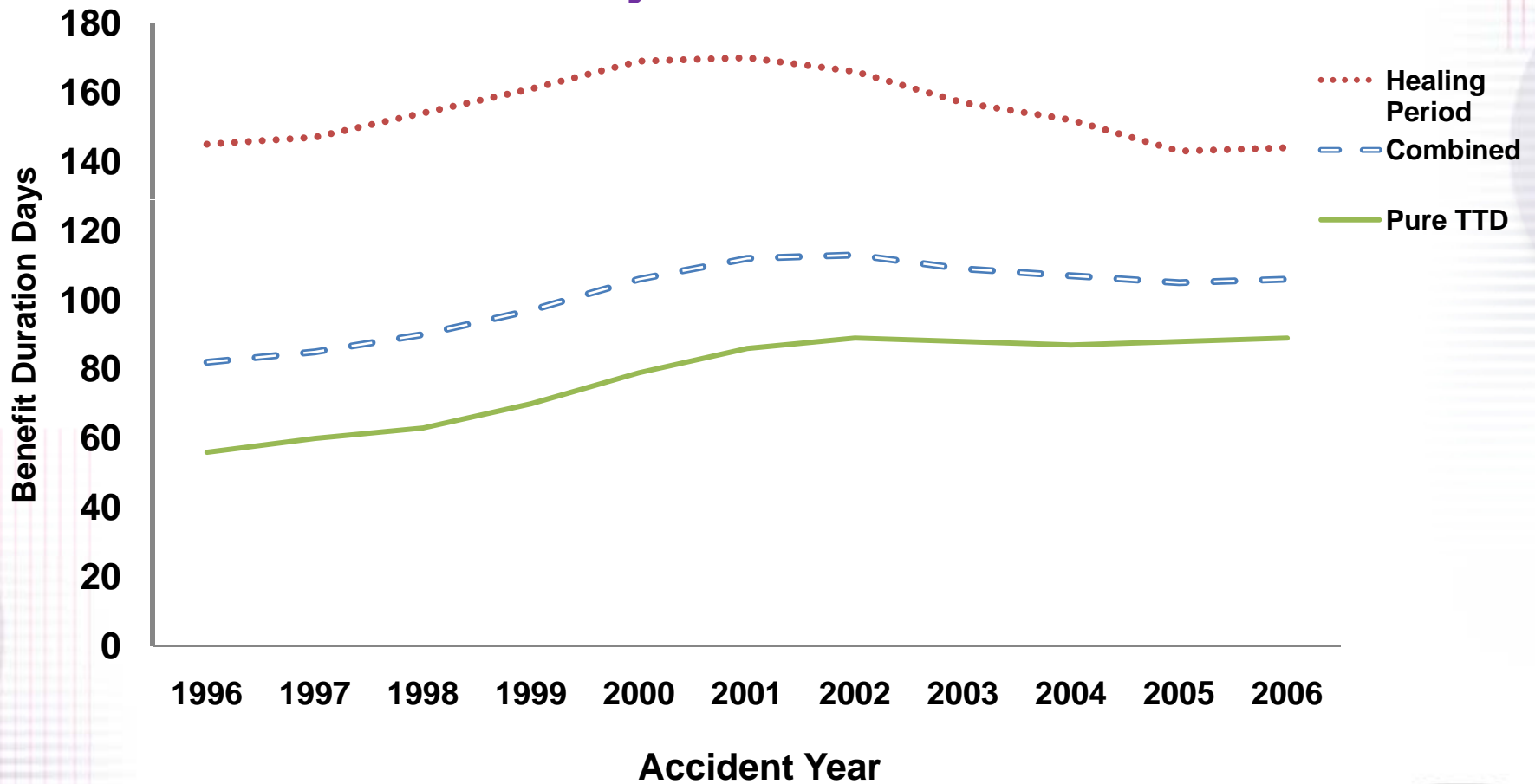
States where NCCI provides ratemaking services, excl. WV

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Decline in Temporary Total Indemnity Benefit Duration in 2000s Driven by Shorter Healing Period

Countrywide @ 36 months



States where NCCI provides ratemaking services, excl. WV

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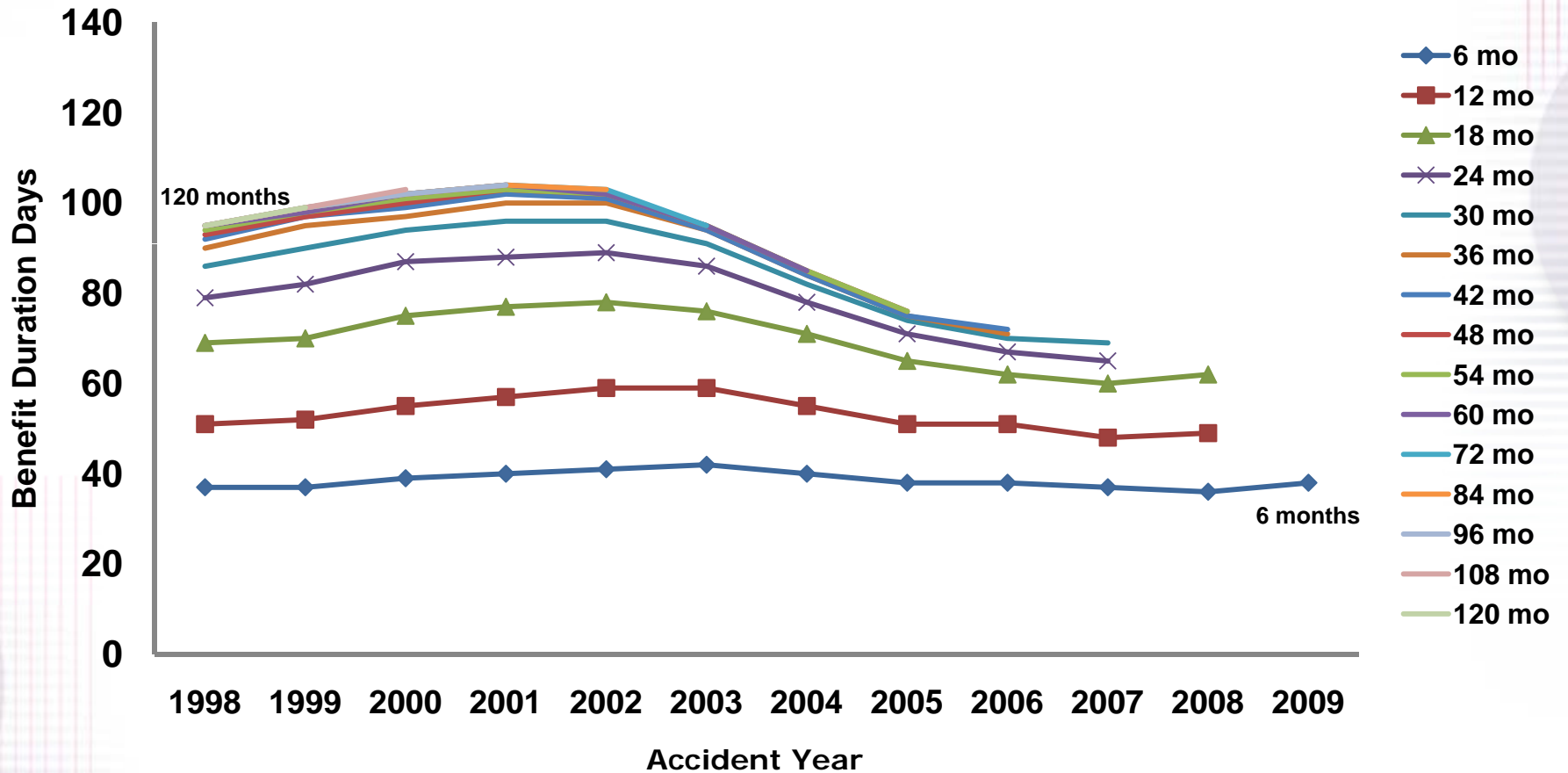




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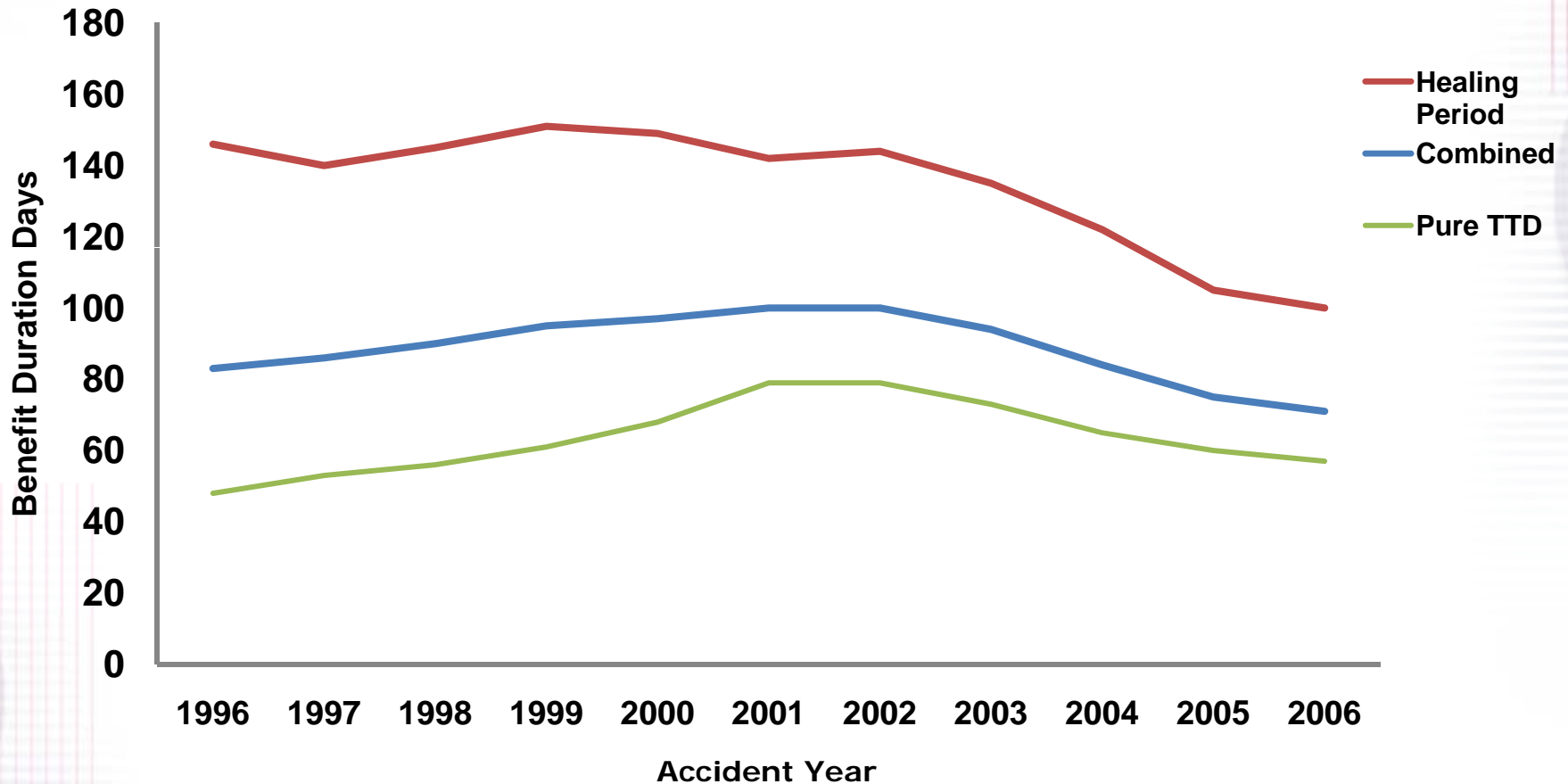
State Detail

Florida Temporary Total Indemnity Benefit Duration



Florida Reform* Caused a Decline in Healing Period Duration

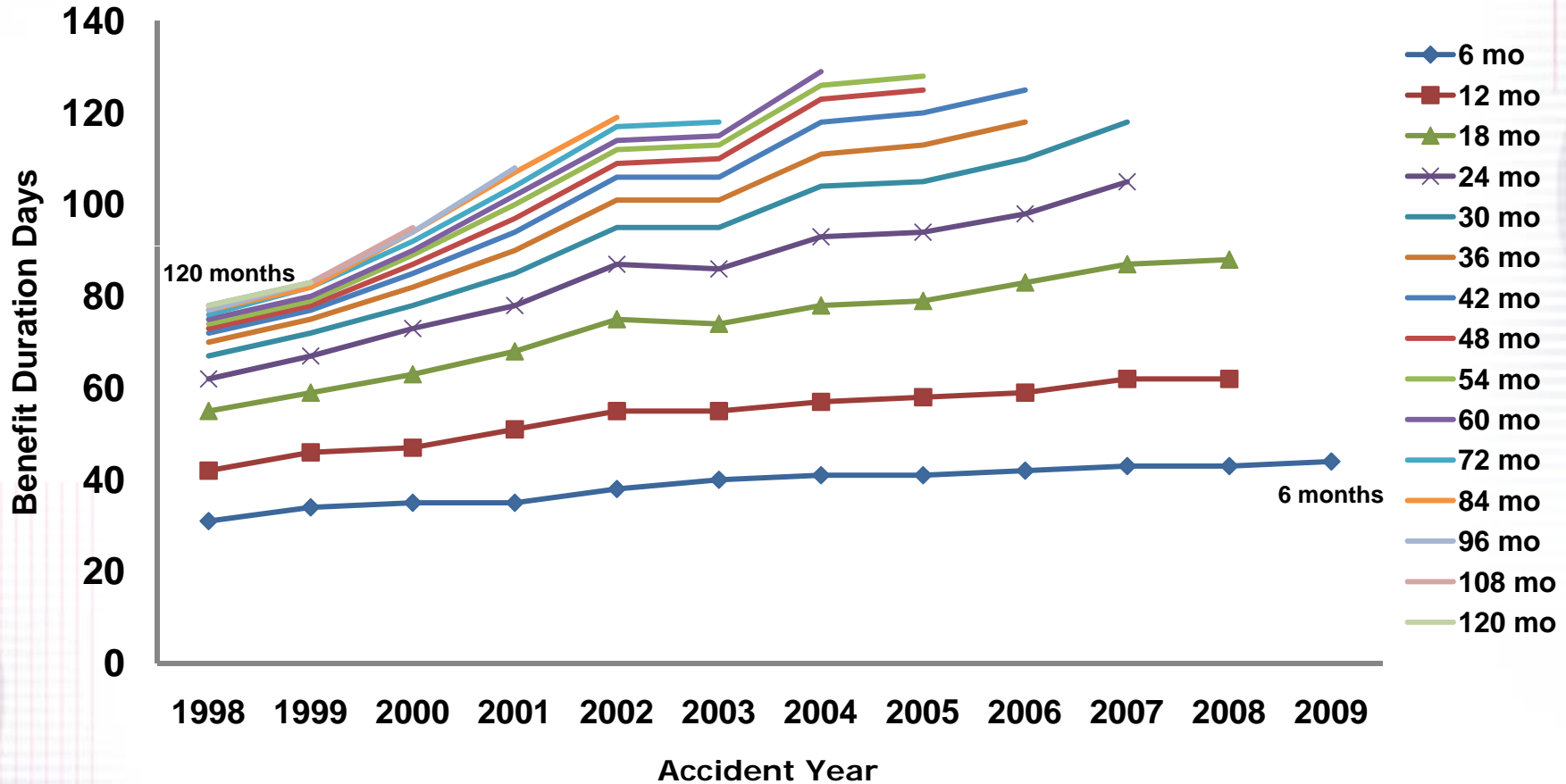
Temporary Total Indemnity Benefit Duration
Florida @ 36 months



* Senate Bill 50A, Effective 10/1/2003

Illinois Temporary Total Indemnity Benefit Duration

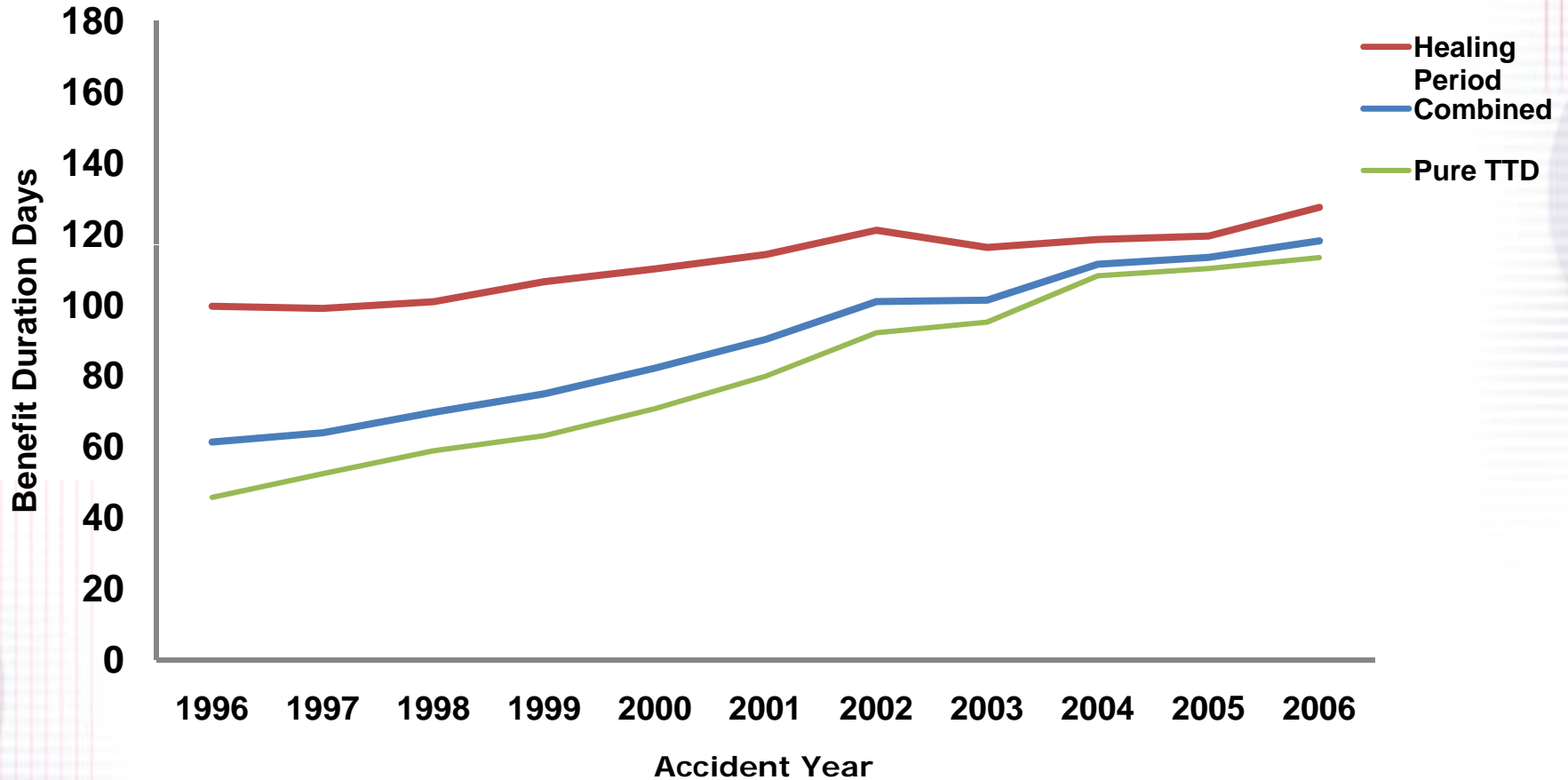
Age in months



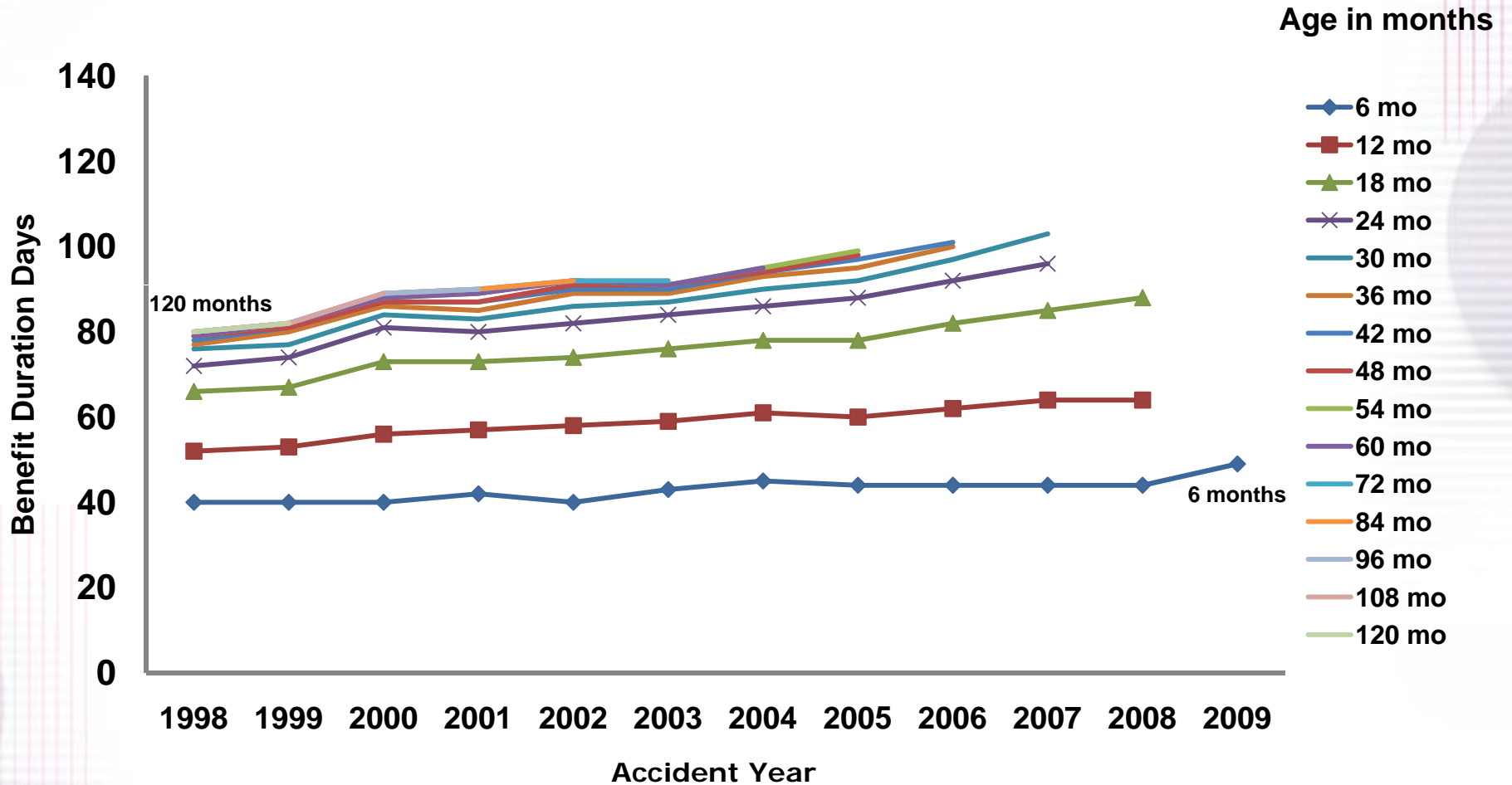
Expenses

Pure TTD Major Reason for Increase

Temporary Total Indemnity Benefit Duration
Illinois @ 36 months



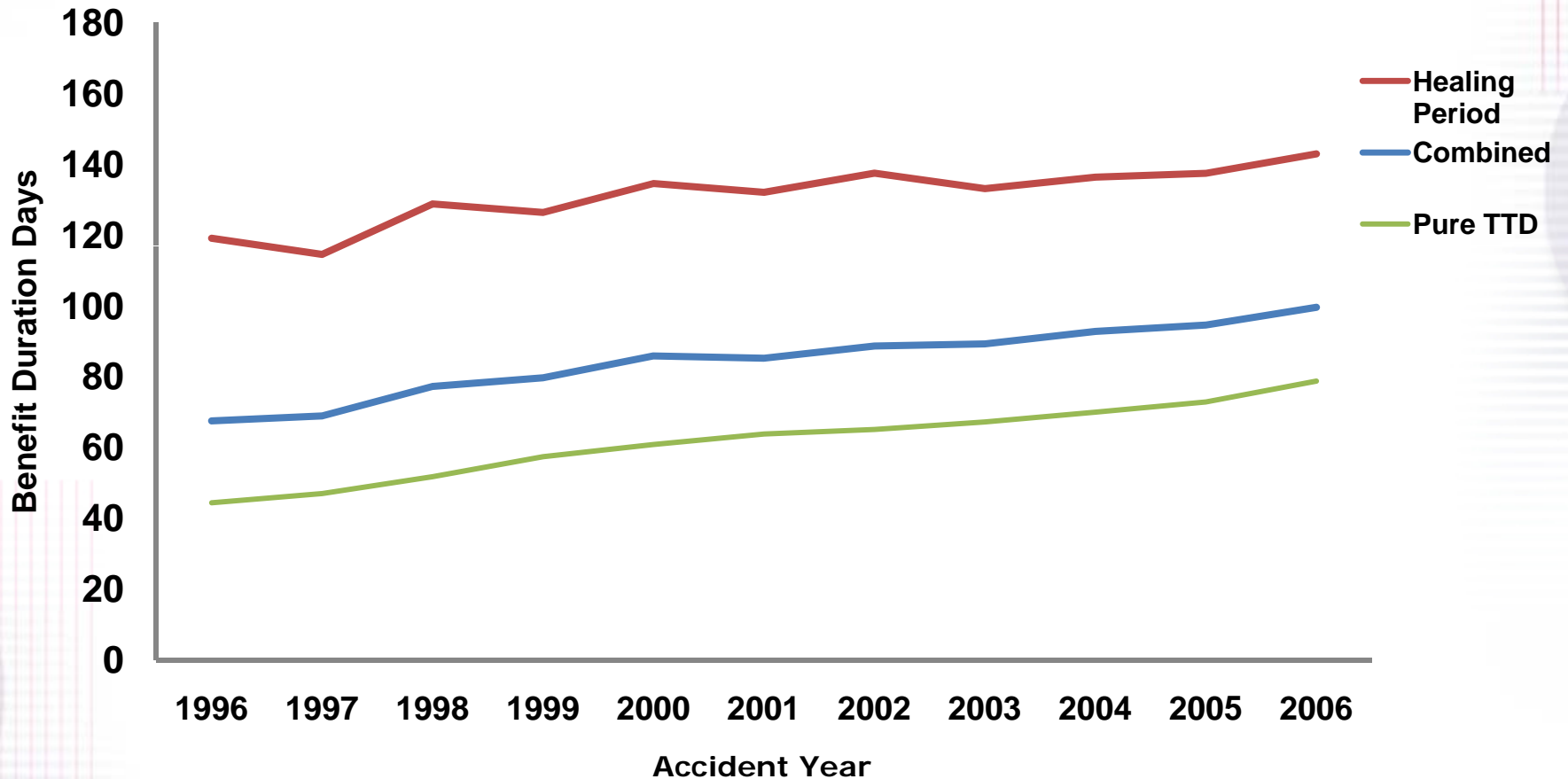
Tennessee Temporary Total Indemnity Benefit Duration



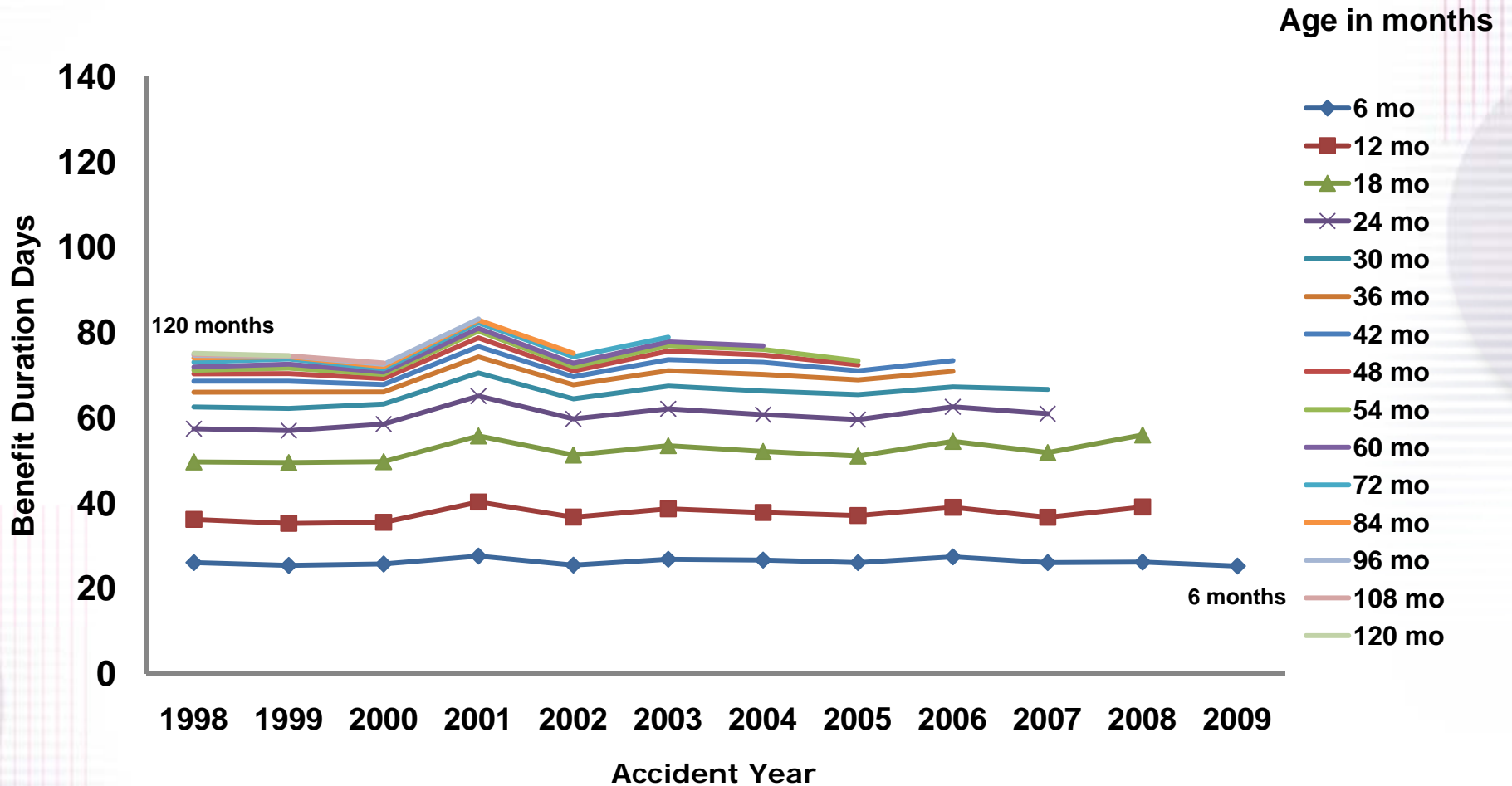
Expenses

Healing Period and Pure TTD Contribute to Duration Increase

Temporary Total Indemnity Benefit Duration
Tennessee @ 36 months



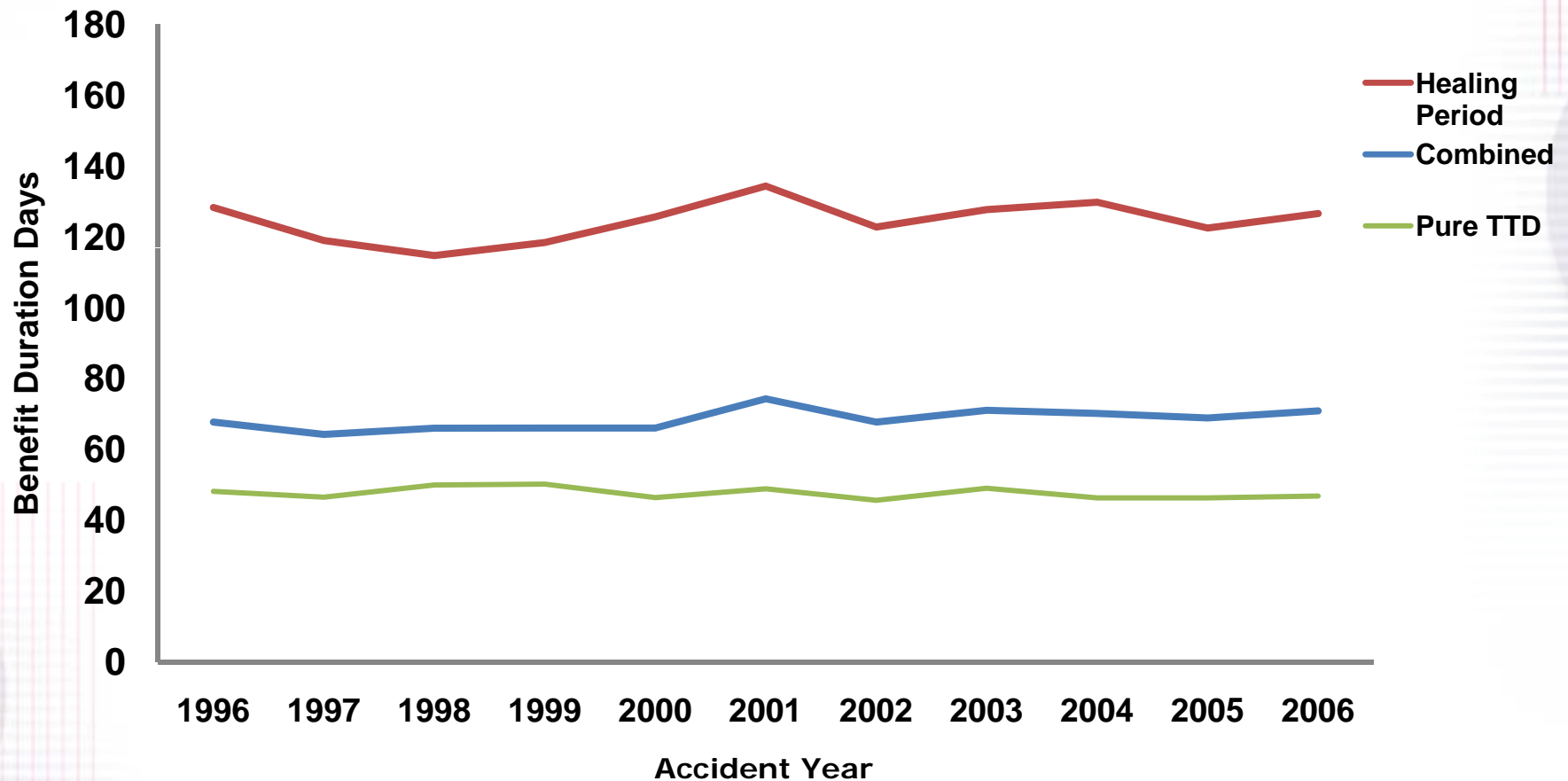
Oregon Temporary Total Indemnity Benefit Duration



Expenses

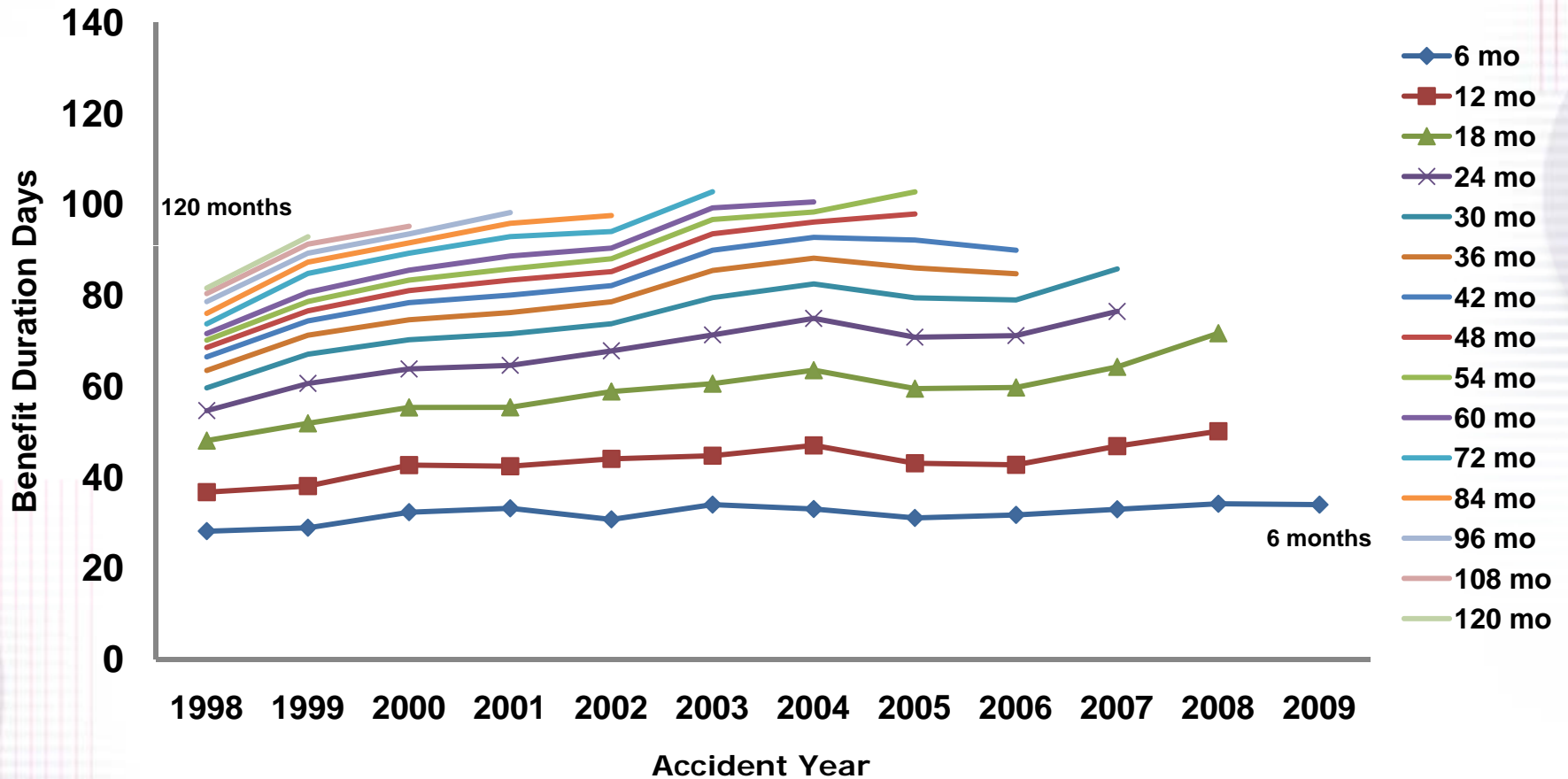
Little Change to Healing Period or Pure TTD

Temporary Total Indemnity Benefit Duration
Oregon @ 36 months



Connecticut Temporary Total Indemnity Benefit Duration

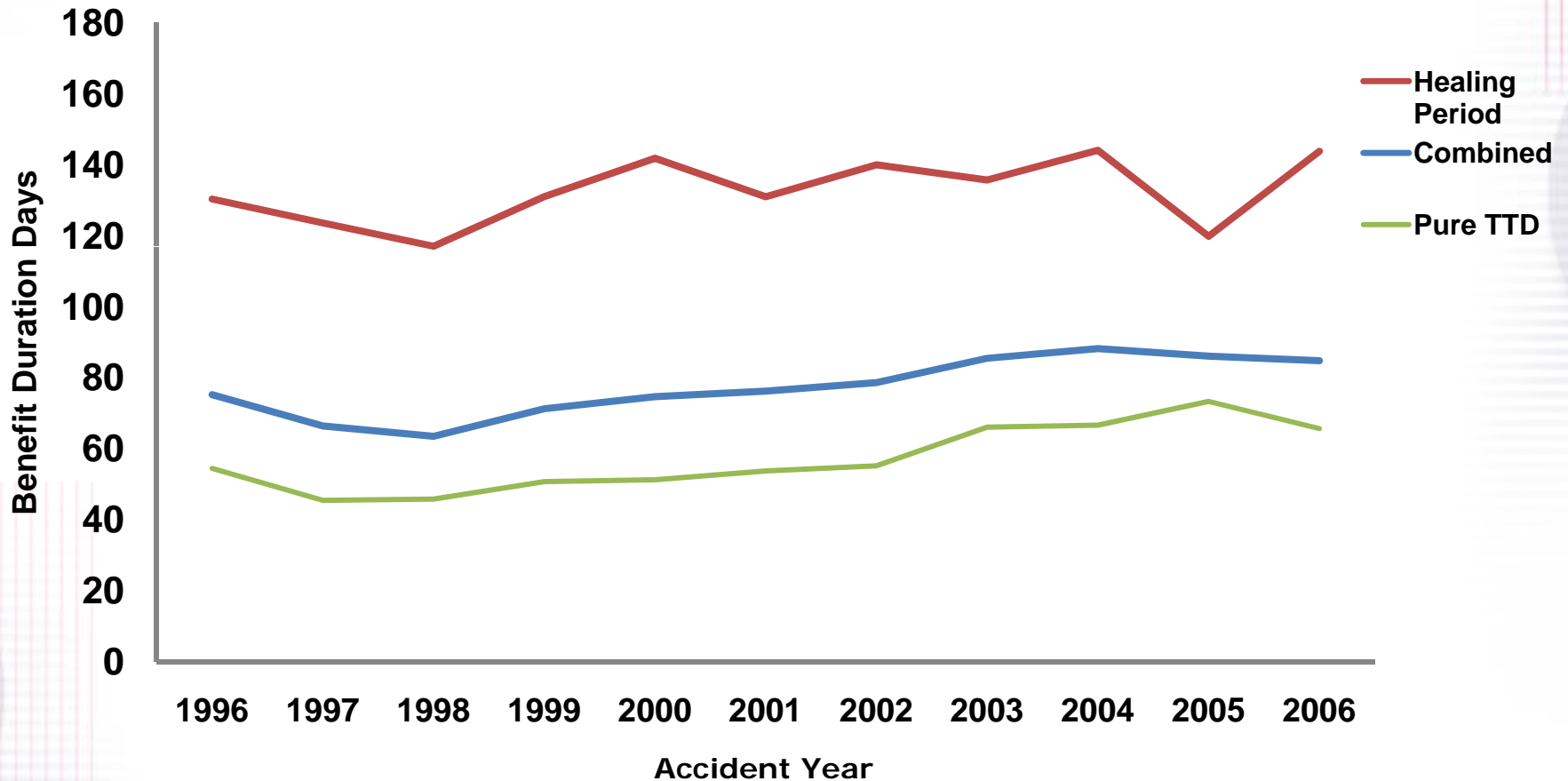
Age in months



Expenses

Moderate Increase in Pure TTD Duration

Temporary Total Indemnity Benefit Duration
Connecticut @ 36 months



Conclusion

- Preliminary indication is that the temporary total indemnity benefit duration during the recession is higher countrywide, and for most states
- Full analysis will be available on **ncci.com**

Questions?

