



NCCI Holdings, Inc.

Workers Compensation State of the Line

2006 CAS Ratemaking Seminar

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Practice Leader & Senior Actuary**

Property & Casualty Results

P/C Industry Net Written Premium Growth By Line

Private Carriers

Line of Business (LOB)	2002	2003	2004p	2003-2004p Change
Personal Auto	\$139.5 B	\$151.0 B	\$157.2 B	4.1%
Homeowners	\$40.0 B	\$45.7 B	\$49.5 B	8.4%
Other Liability (Incl Prod Liab)	\$30.9 B	\$37.8 B	\$42.7 B	12.9%
Workers Compensation	\$29.2 B	\$31.1 B	\$34.5 B	10.9%
Commercial Multiple Peril	\$25.4 B	\$27.4 B	\$28.9 B	5.4%
Commercial Auto	\$24.5 B	\$25.4 B	\$26.8 B	5.4%
Fire & Allied Lines (Incl EQ)	\$15.4 B	\$17.6 B	\$18.0 B	2.3%
All Other Lines	\$64.9 B	\$69.0 B	\$65.9 B	-4.5%
Total All Lines	\$369.8 B	\$405.0 B	\$423.5 B	4.6%

p Preliminary

Source: 2002-2003, A.M. Best Aggregates & Averages; 2004p Total, ISO; 2004p LOB, NCCI

P/C Industry Net Combined Ratios Improved Modestly in 2004

Private Carriers

Line of Business (LOB)	2002	2003	2004p
Personal Auto	104%	98%	94%
Homeowners	109%	98%	95%
Other Liability (Incl Prod Liab)	137%	114%	117%
Workers Compensation	111%	109%	105%
Commercial Multiple Peril	105%	101%	100%
Commercial Auto	103%	95%	92%
Fire & Allied Lines (Incl EQ)	89%	79%	88%
All Other Lines	105%	100%	99%
Total All Lines	107%	100%	98%

p Preliminary

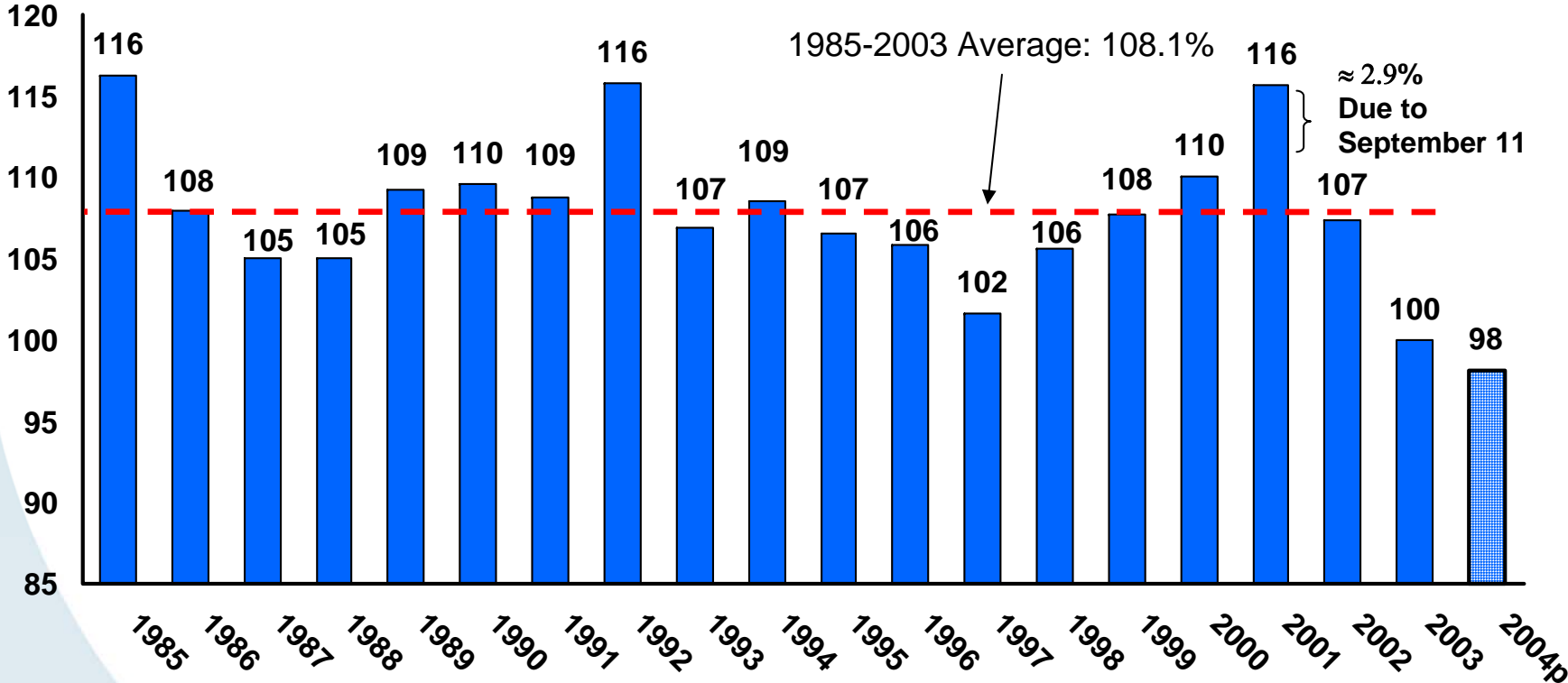
Source: 2002-2003, A.M. Best Aggregates & Averages; 2004p Total, ISO; 2004p LOB, NCCI



P/C Industry Calendar Year Combined Ratios

Private Carriers

Percent



p Preliminary

Source: 1985-2003, A.M. Best Aggregates & Averages; 2004p, ISO

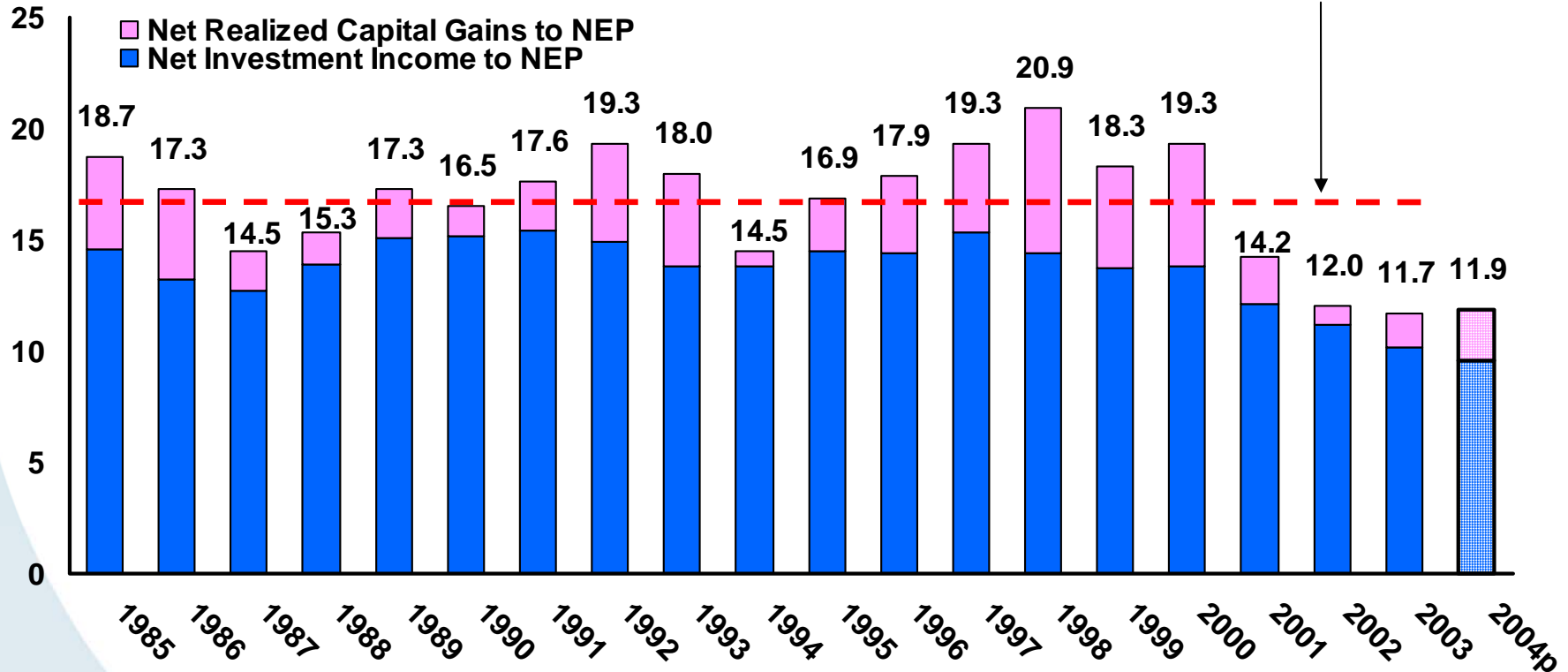


Investment Gain Ratio Remains Below Historical Averages

Private Carriers

Percent

1985-2003 Average Net Investment Gain: 16.8%



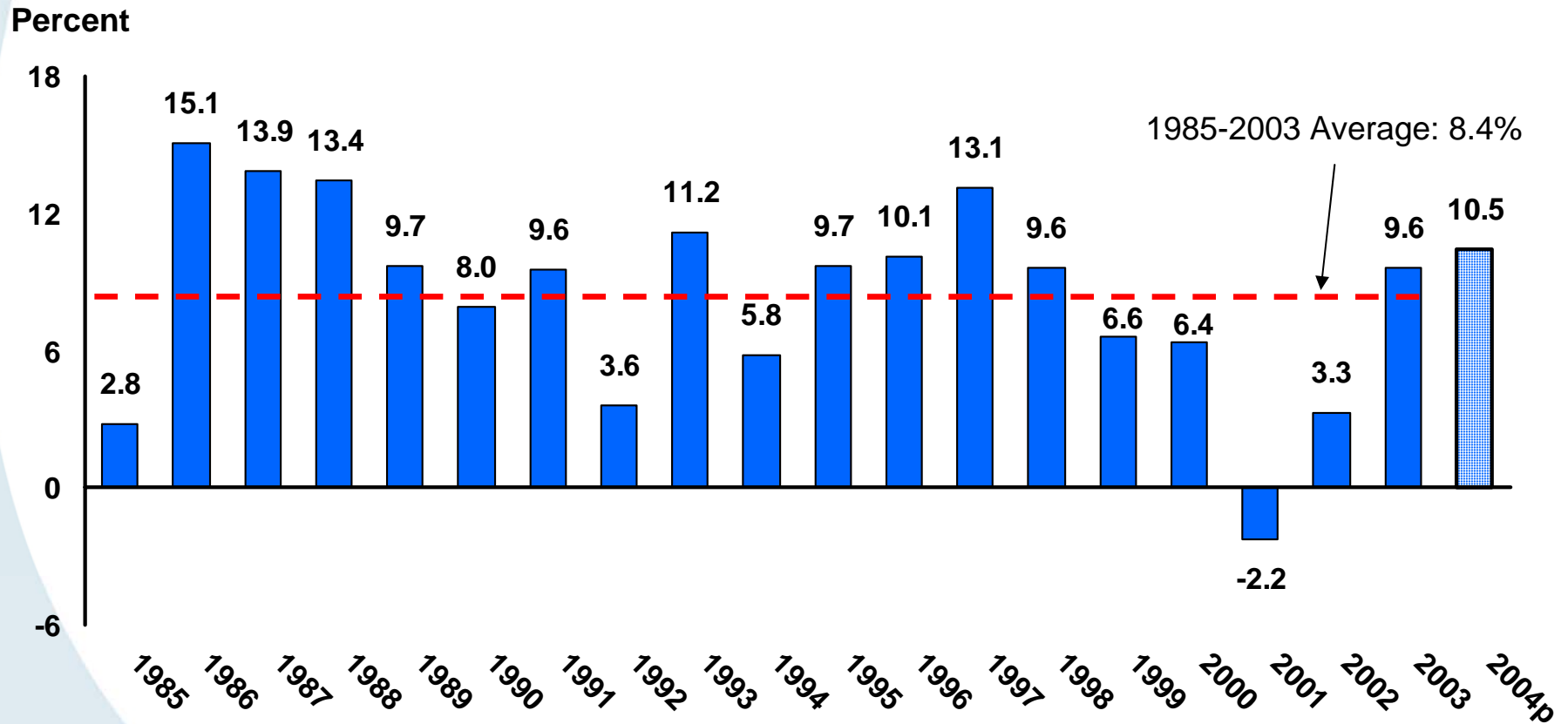
p Preliminary

Source: 1985-2003, A.M. Best Aggregates & Averages; 2004p, ISO



Return on Surplus for P/C Industry Increased Slightly in 2004

Annual After-Tax Return on Surplus—Private Carriers



p Preliminary

Source: 1985-2003, A.M. Best Aggregates & Averages; 2004p After-Tax Net Income, ISO;

2004p Surplus, 2003 A.M. Best Aggregates & Averages Private Carrier Surplus + 2004 ISO contributions to surplus

Note: After-tax return on average surplus, including realized capital gains 7



NCCI Holdings, Inc.

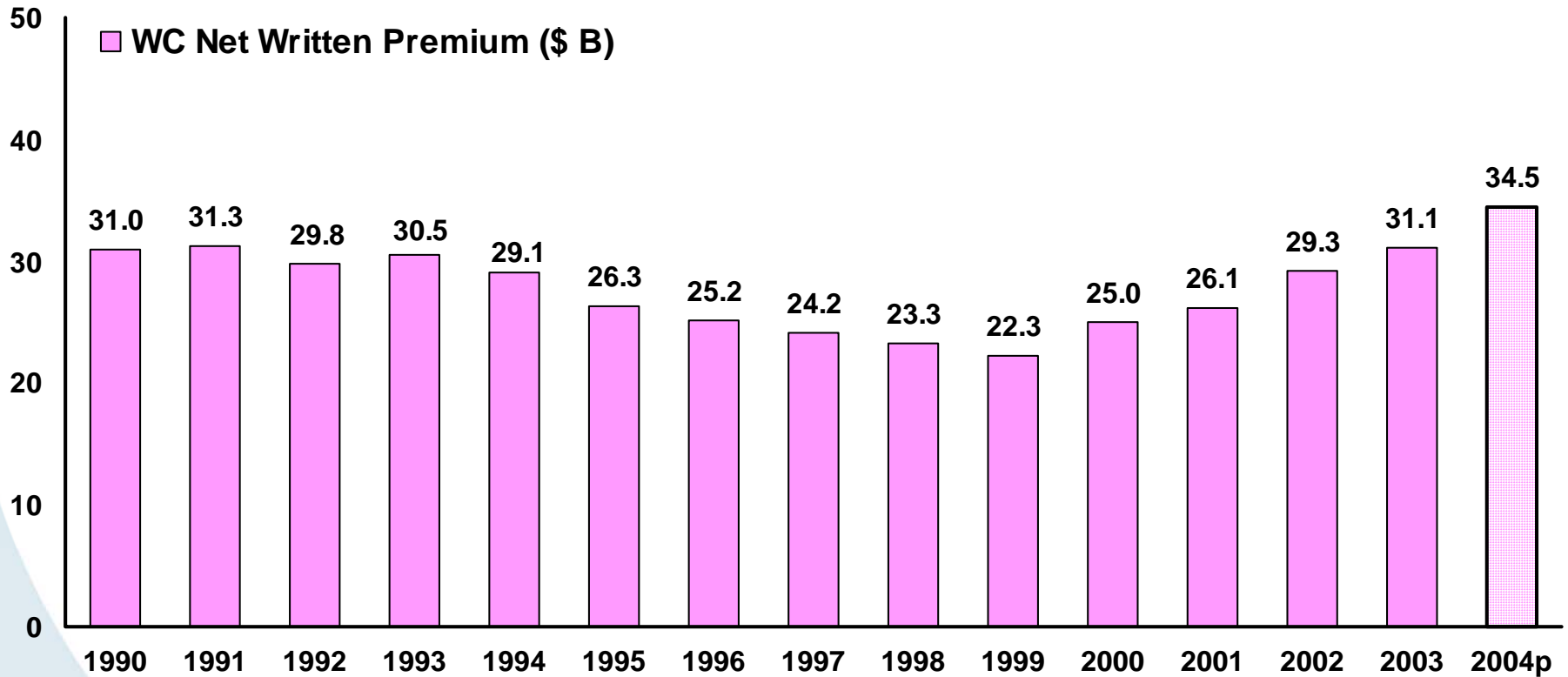
Workers Compensation Results



Workers Compensation Premium Continued to Rise in 2004

Private Carriers

\$ Billions

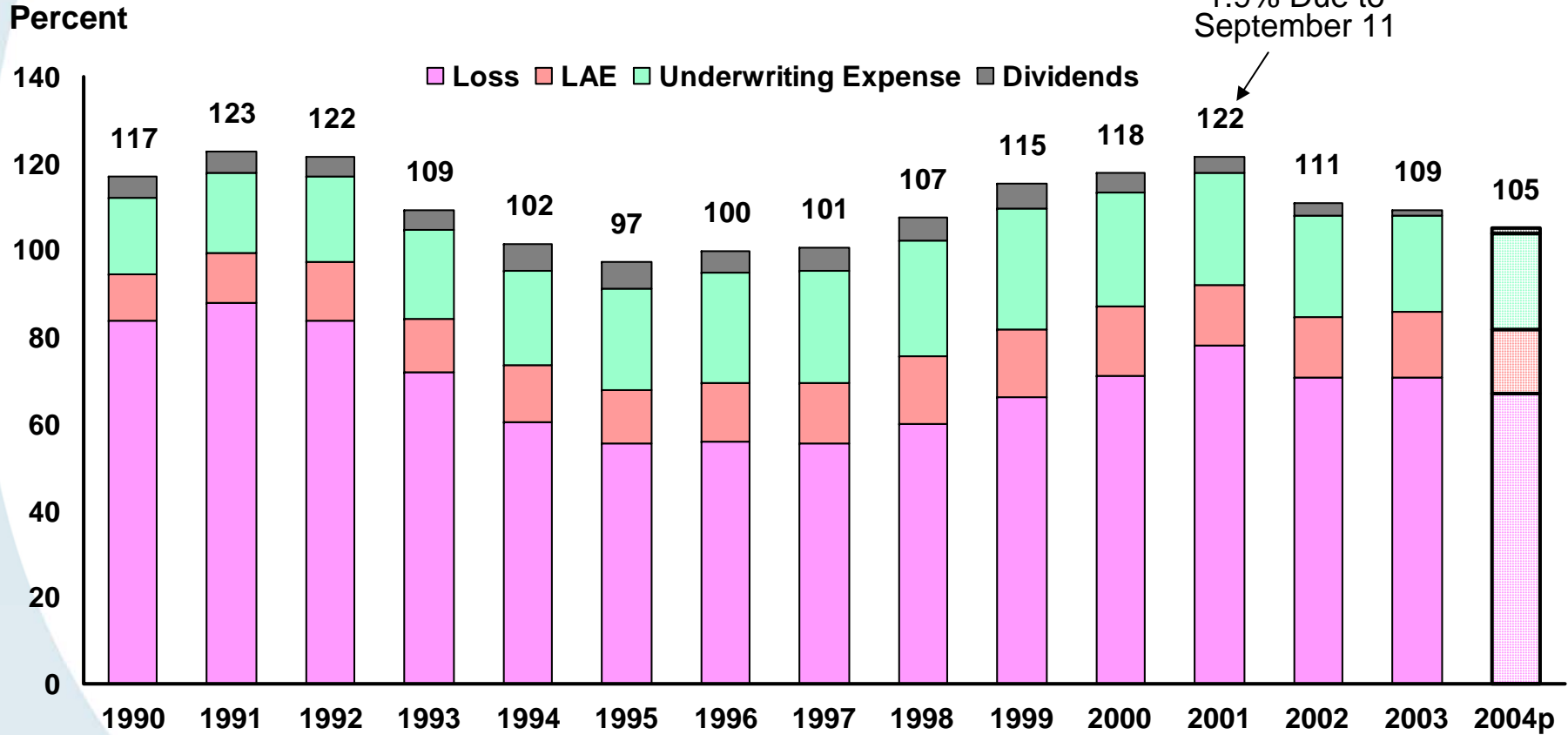


p Preliminary

Source: 1990-2003, A.M. Best Aggregates & Averages; 2004p, NCCI

WC Calendar Year Combined Ratio Continued Its Modest Decline in 2004

Private Carriers



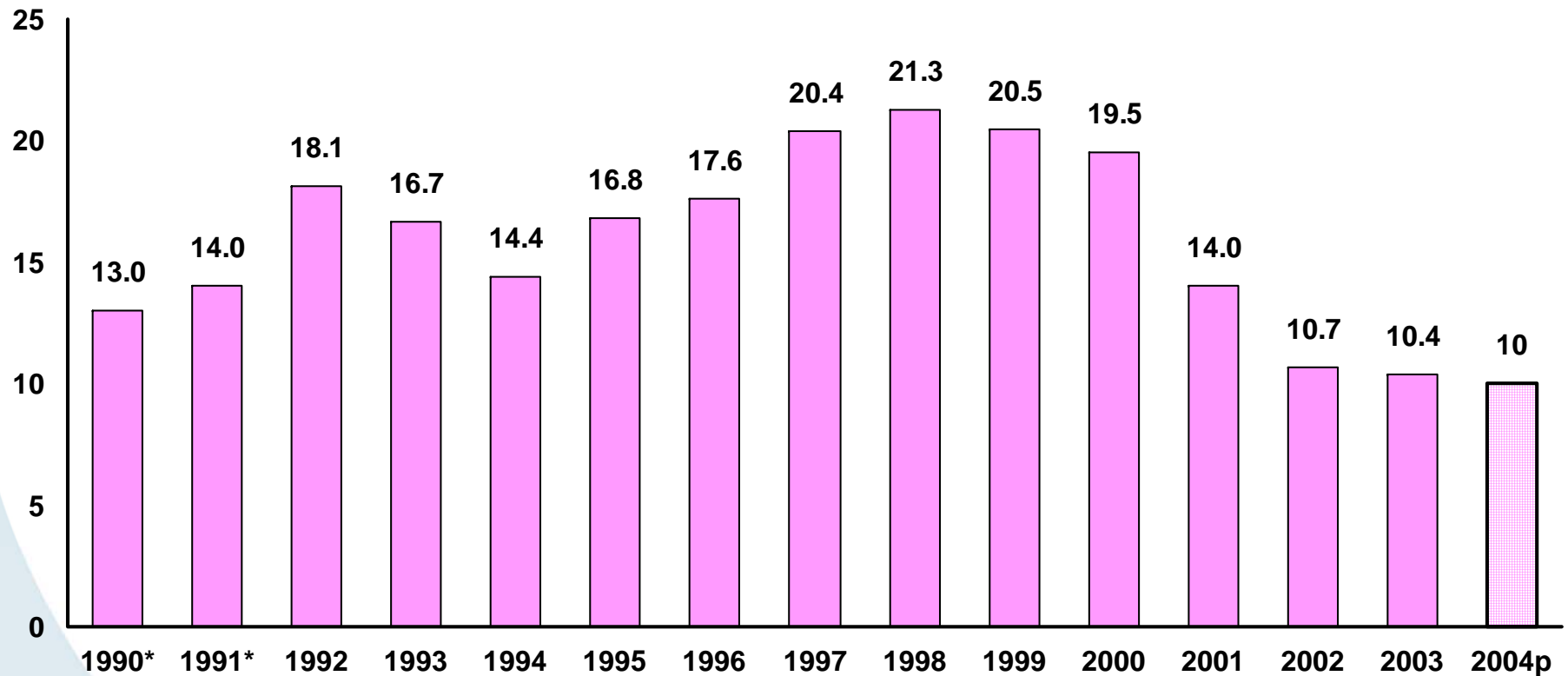
p Preliminary

Source: 1990-2003, A.M. Best Aggregates & Averages; 2004p, NCCI

Low Workers Compensation Investment Returns Continued in 2004

Investment Gain on Insurance Transactions to Premium Ratio
Private Carriers

Percent



p Preliminary

* Adjusted to include realized capital gains to be consistent with 1992 and after

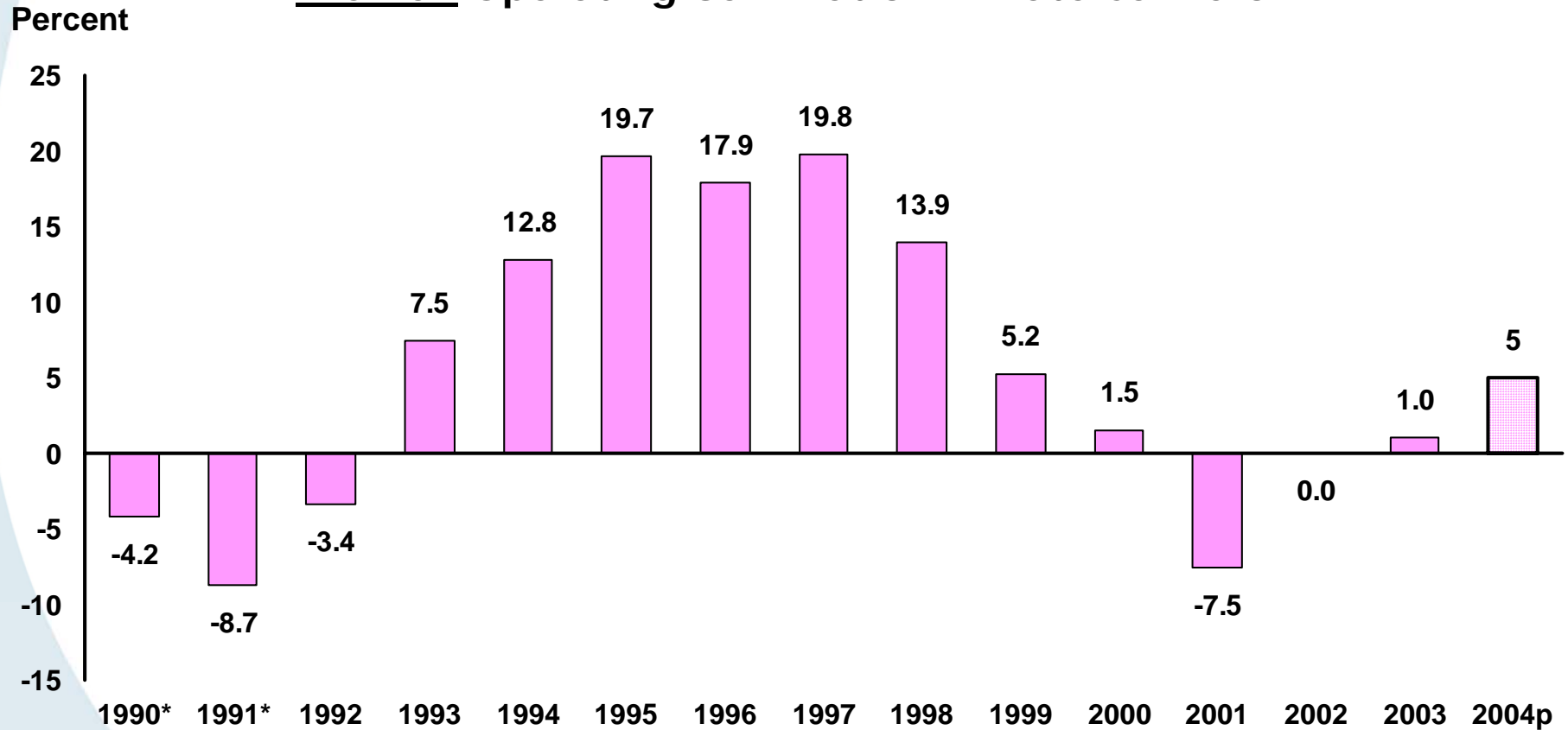
Investment Gain on Insurance Transactions includes Other Income

Source: 1990-2003, A.M. Best Aggregates & Averages; 2004p, NCCI



2004 Workers Compensation Results Improved Over 2003

Pre-Tax Operating Gain Ratio—Private Carriers



p Preliminary

* Adjusted to include realized capital gains to be consistent with 1992 and after

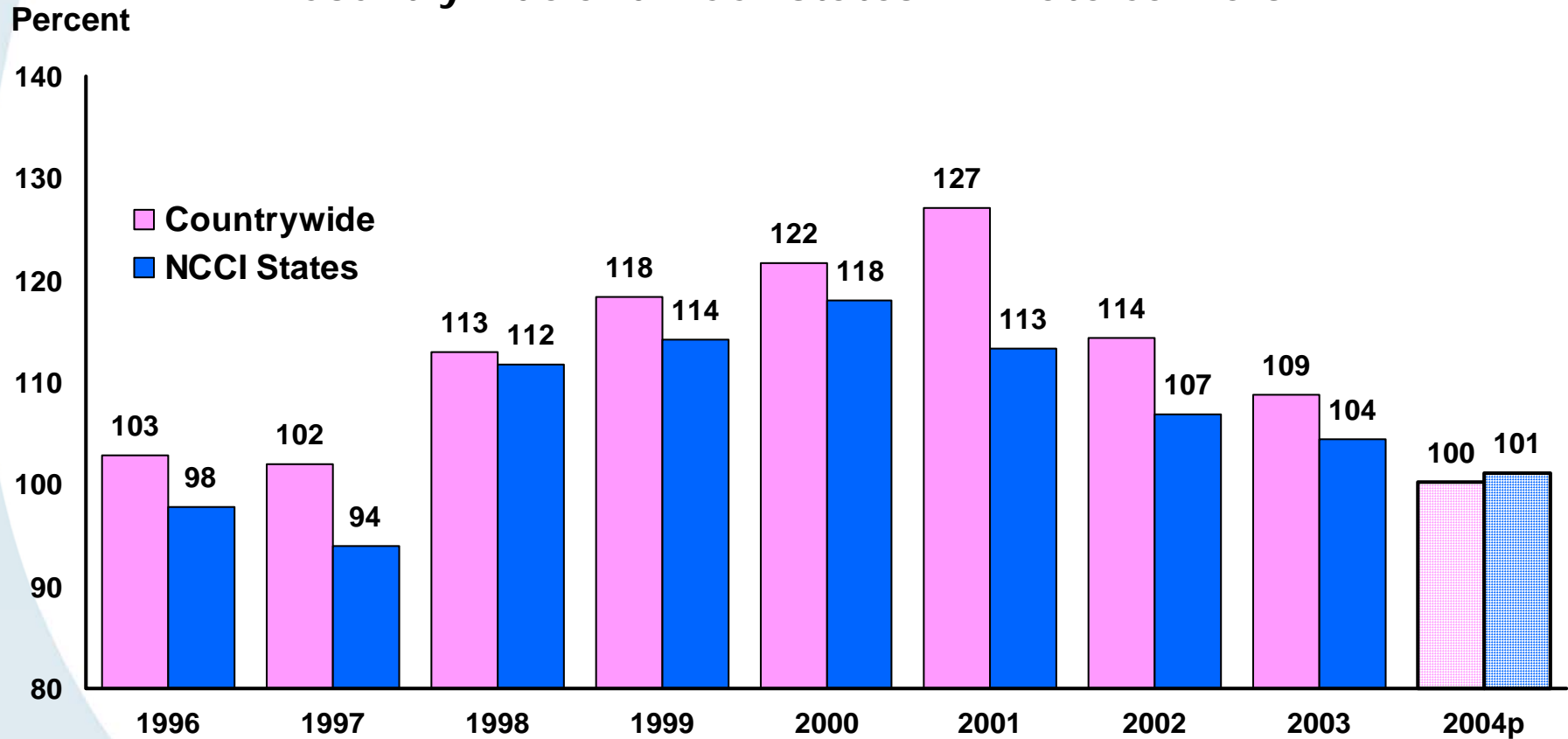
Operating Gain equals 1.00 minus (Combined Ratio less Investment Gain on Insurance Transactions and Other Income)

Source: 1990-2003, A.M. Best Aggregates & Averages; 2004p, NCCI



Workers Compensation Calendar Year Direct Combined Ratios

Countrywide and NCCI States—Private Carriers



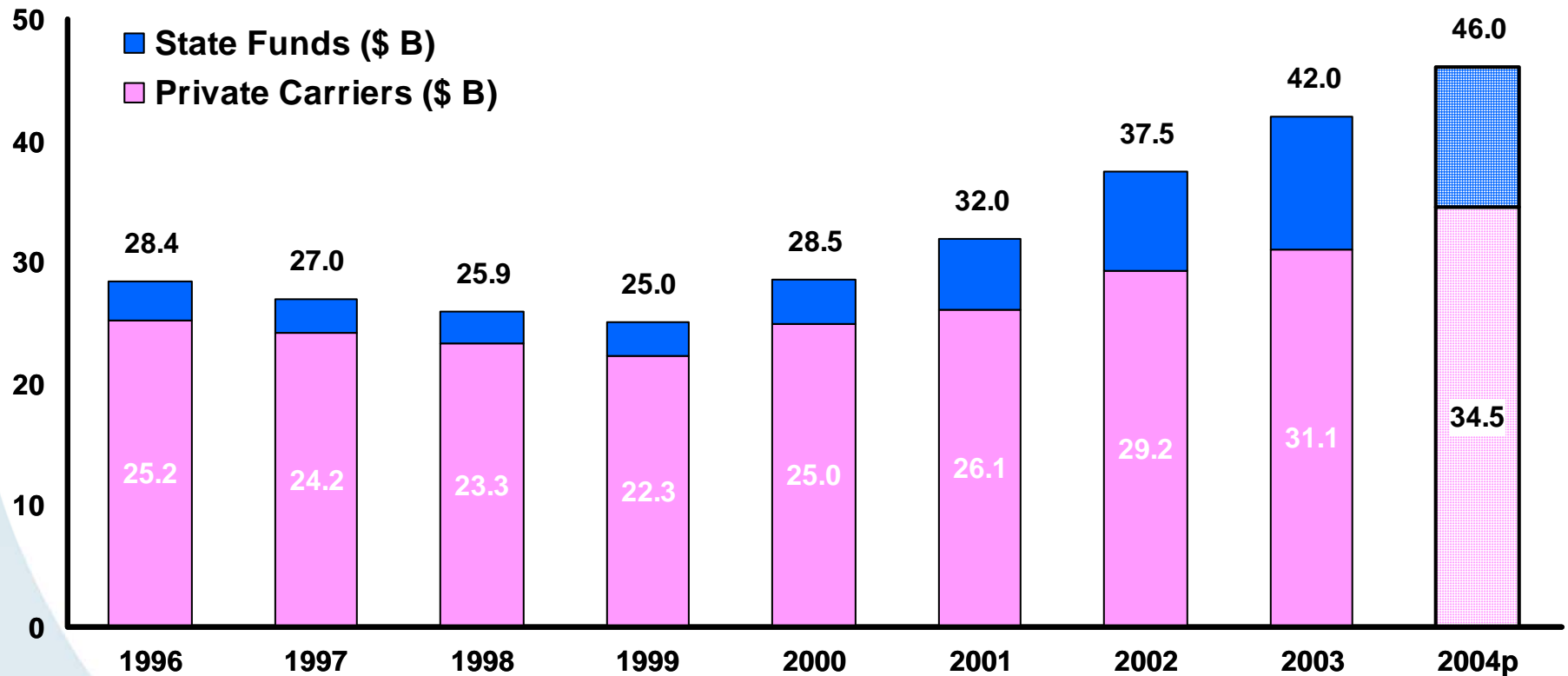
p Preliminary

Source: 1996-2003 Countrywide, A.M. Best Aggregates & Averages;
1996-2003 NCCI States, Statutory Page 14 and Insurance Expense Exhibit;
2004p, NCCI

Workers Compensation Premium Volume Continues to Grow

Private Carriers and State Funds

\$ Billions



p Preliminary

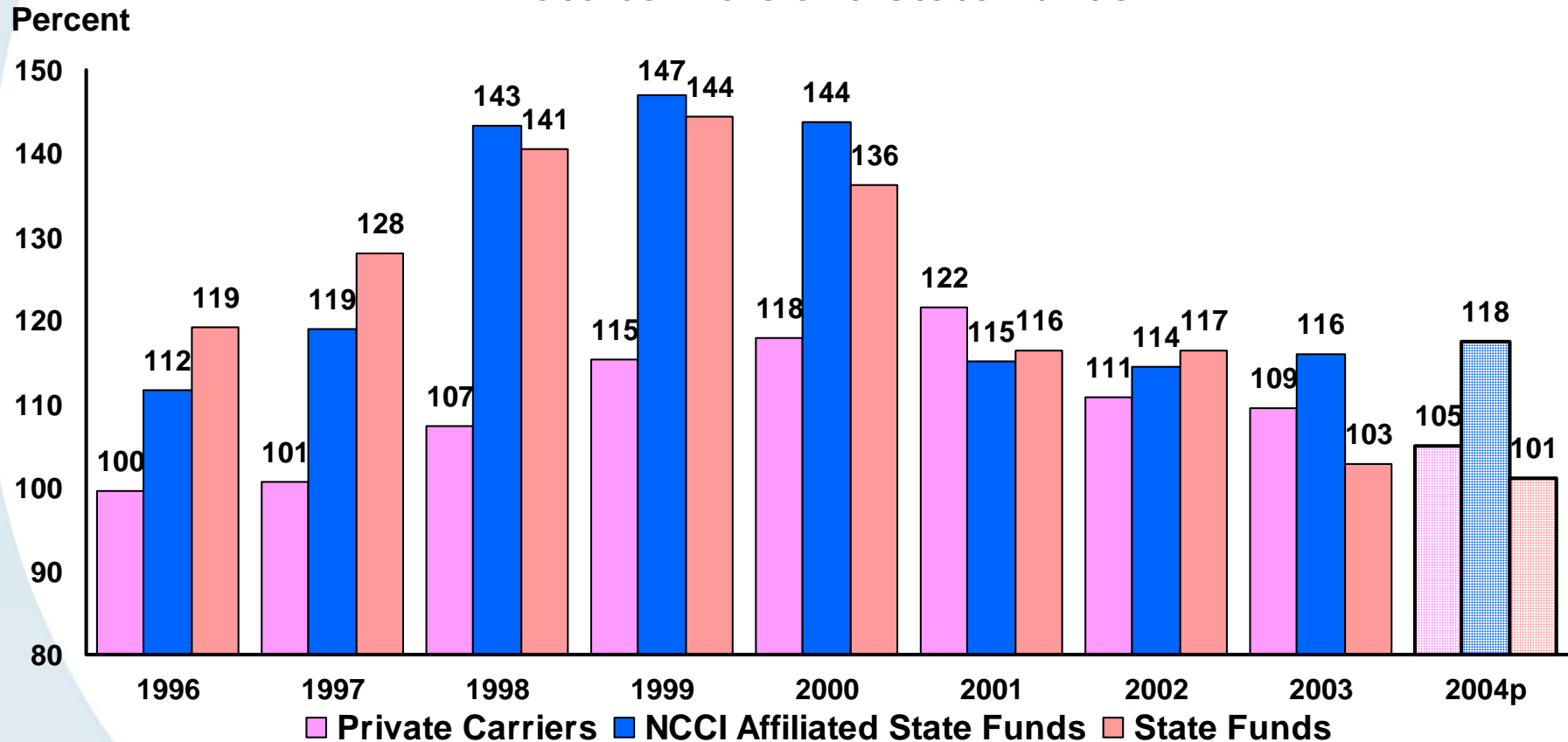
Source: 1996-2003 Private Carriers, A.M. Best Aggregates & Averages; 2004p, NCCI

1996-2004p State Funds: AZ, CA, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements



Workers Compensation Calendar Year Net Combined Ratios

Private Carriers and State Funds



p Preliminary

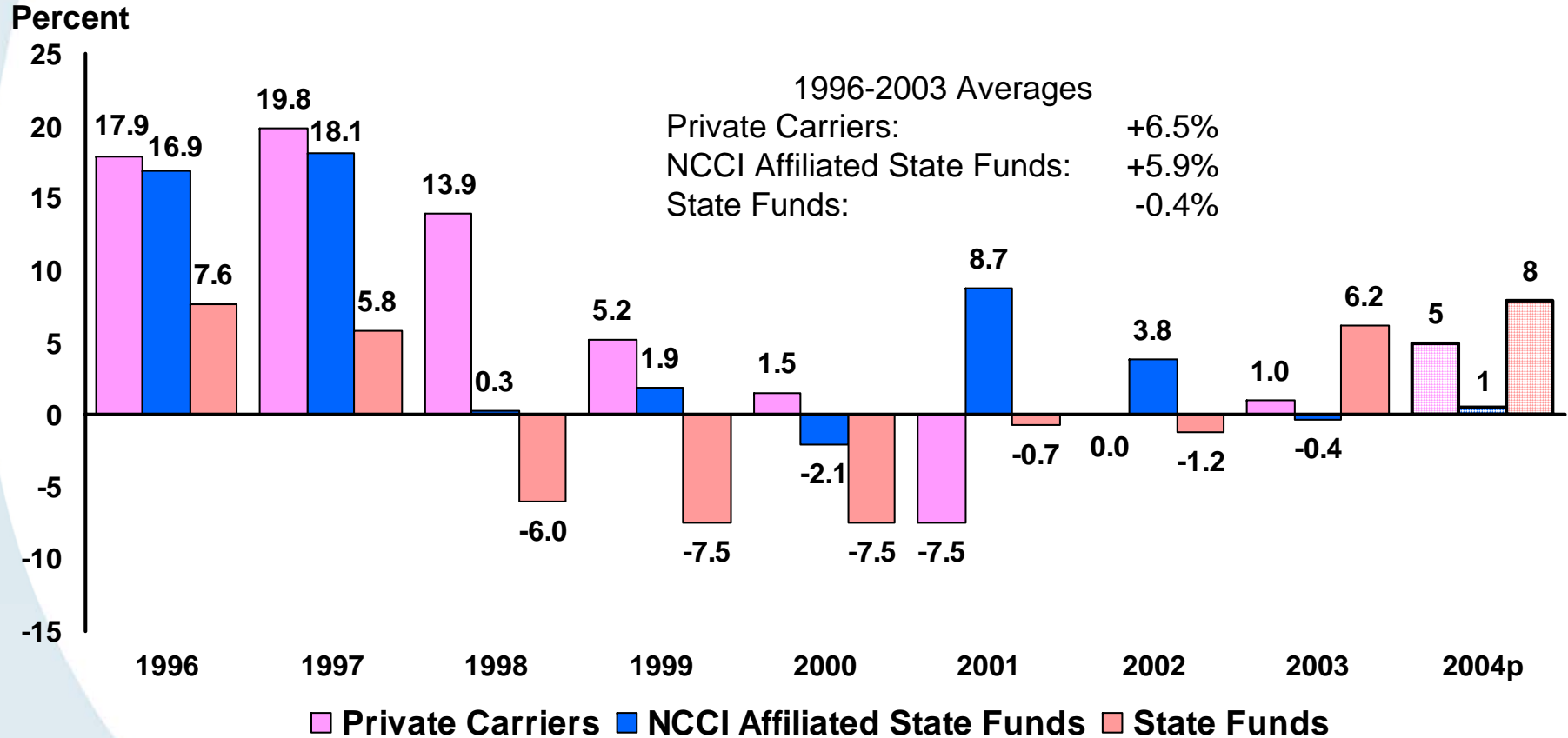
Source: 1996-2003 Private Carriers, A.M. Best Aggregates & Averages; 2004p, NCCI

1996-2004p State Funds: AZ, CA, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements



Workers Compensation Pre-Tax Operating Gain Ratios

Private Carriers and State Funds



p Preliminary

Operating Gain equals 1.00 minus (Combined Ratio less Investment Gain on Insurance Transactions and Other Income)

Source: 1996-2003 Private Carriers, A.M. Best Aggregates & Averages; 2004p, NCCI

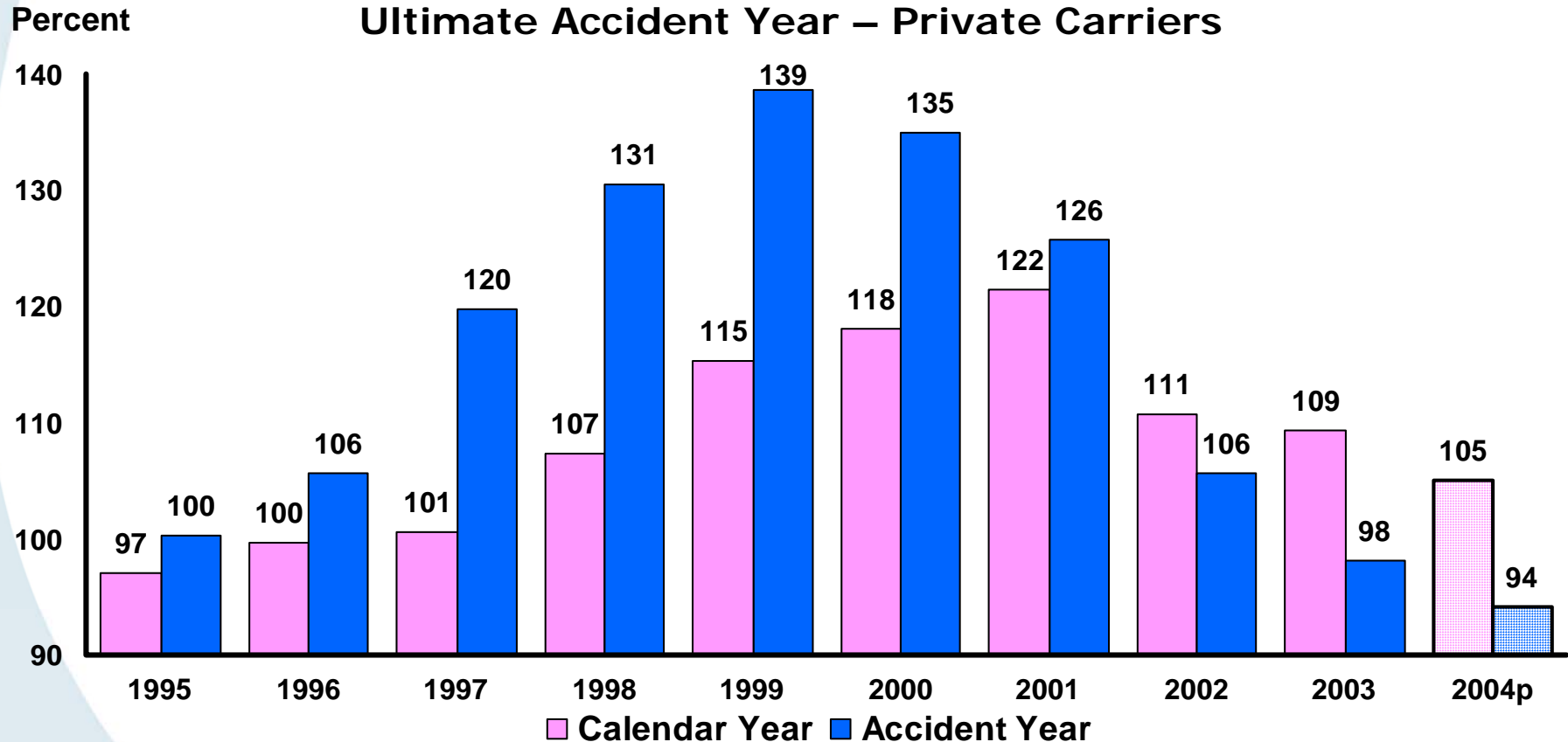
1996-2004p State Funds: AZ, CA, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements



**Workers Compensation
Accident Year Results
And
Reserve Estimates**

Accident Year Combined Ratio Another Underwriting Profit in 2004

Workers Compensation Calendar Year vs.
Ultimate Accident Year – Private Carriers



p Preliminary

Accident Year data is evaluated as of 12/31/2004 and developed to ultimate

Source: Calendar Years 1995-2003, A.M. Best Aggregates & Averages;

Calendar Year 2004p and Accident Years 1995-2004p, NCCI

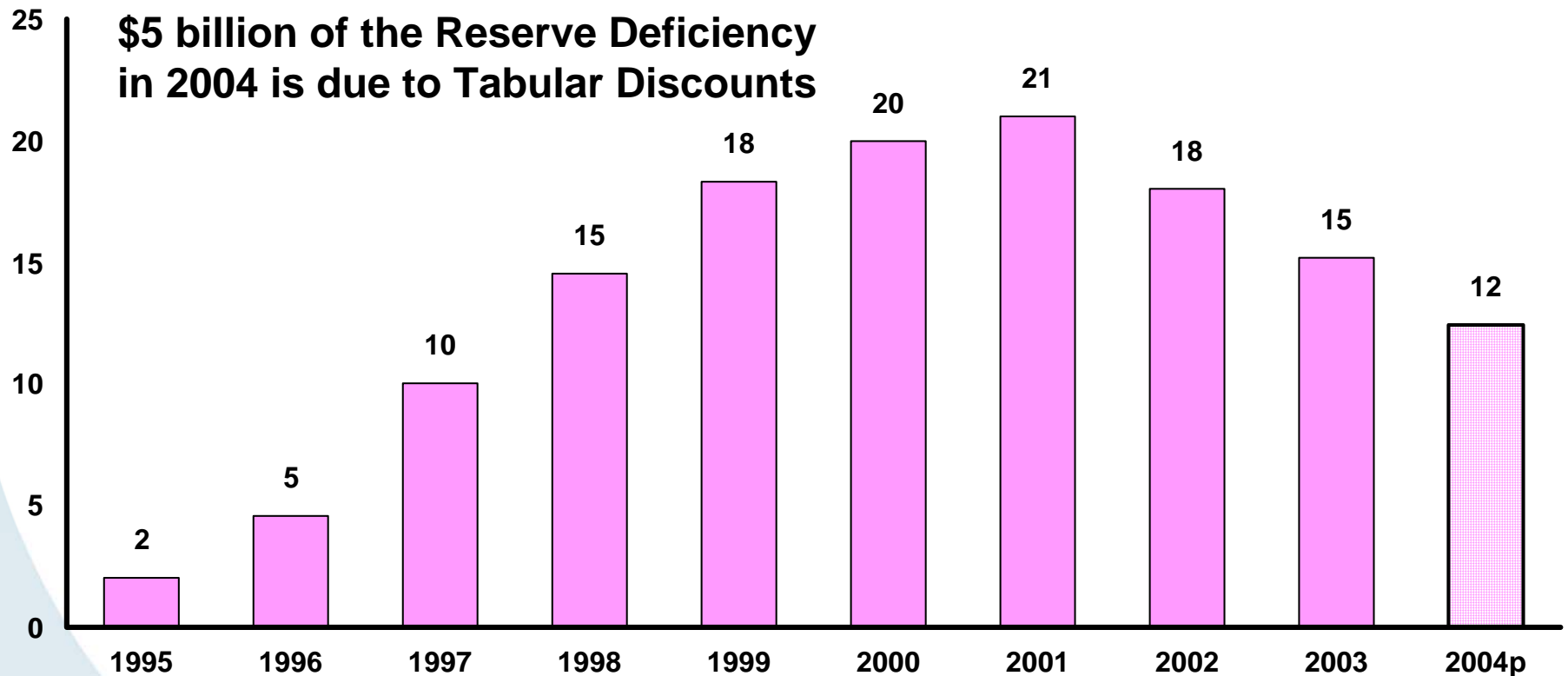
Includes dividends to policyholders



Workers Compensation Reserve Deficiencies Continue to Decline

Private Carriers

\$ Billions



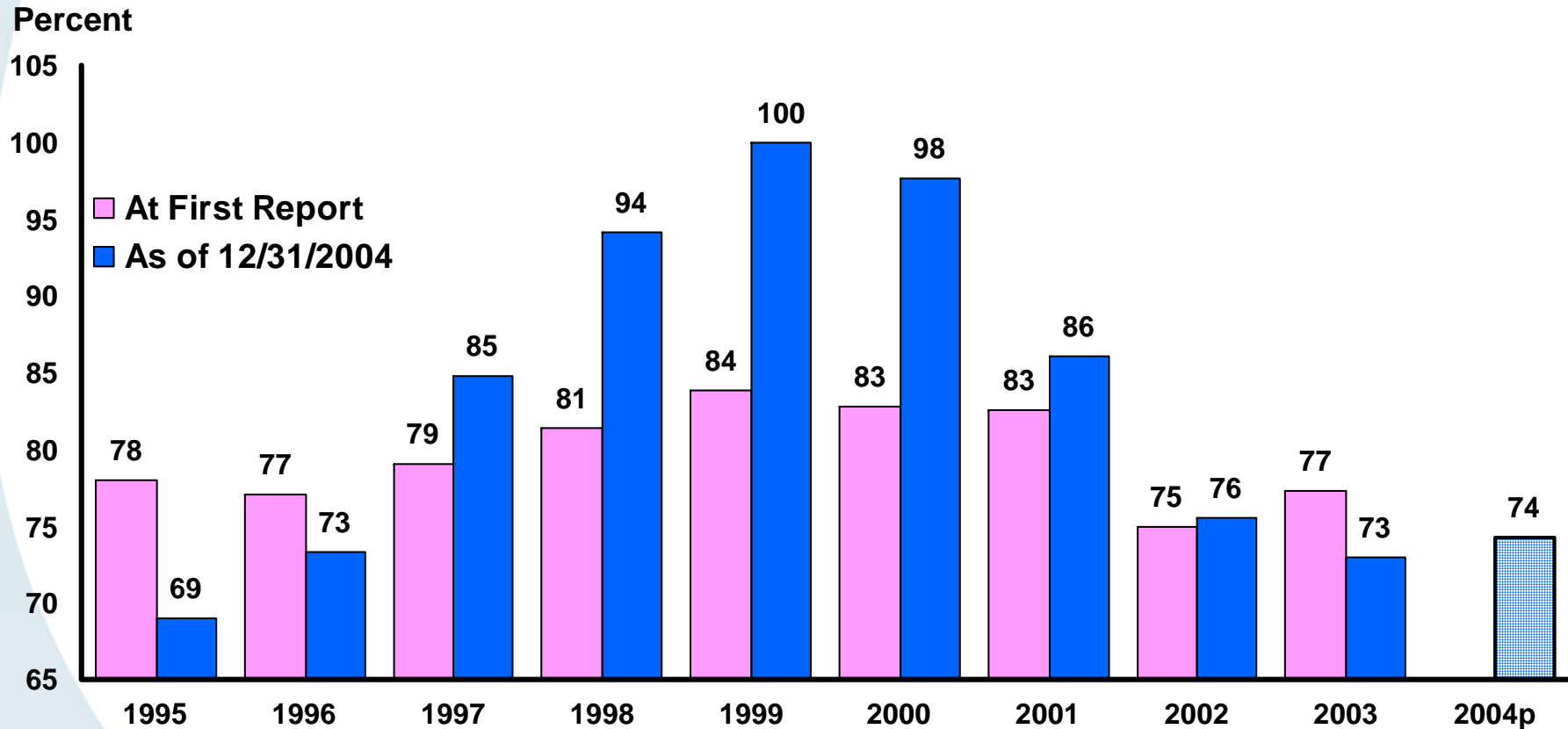
p Preliminary

Difference between NCCI estimated ultimate losses and LAE as of 12/31/2004 and reported in Schedule P



Workers Compensation Accident Year Loss & LAE Ratios

Private Carriers



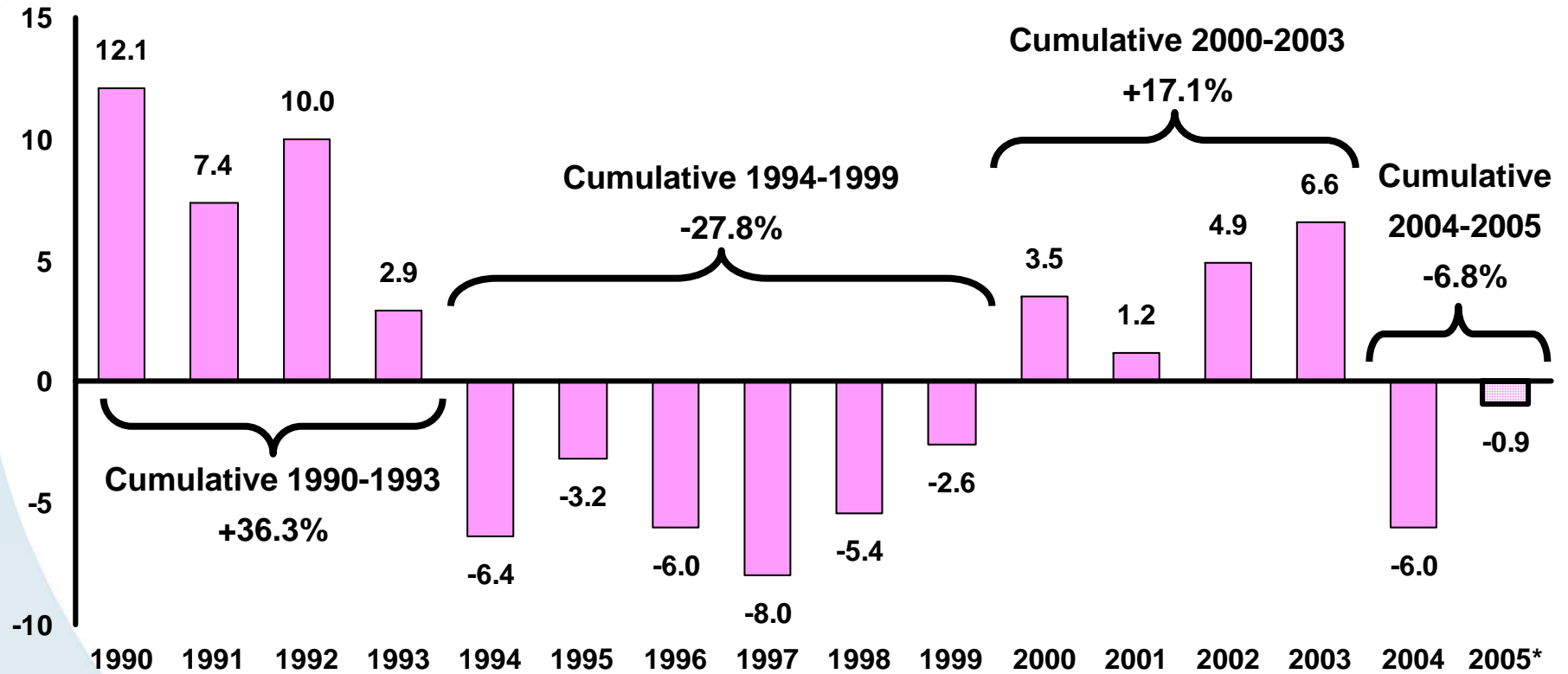
p Preliminary
 Reported Loss and LAE reserves from Schedule P
 Source: 1995-2004p, NAIC Annual Statement insurance data

Workers Compensation Premium Drivers

Average Approved Bureau Rates/Loss Costs

History of Average WC Bureau Rate/Loss Cost Level Changes

Percent



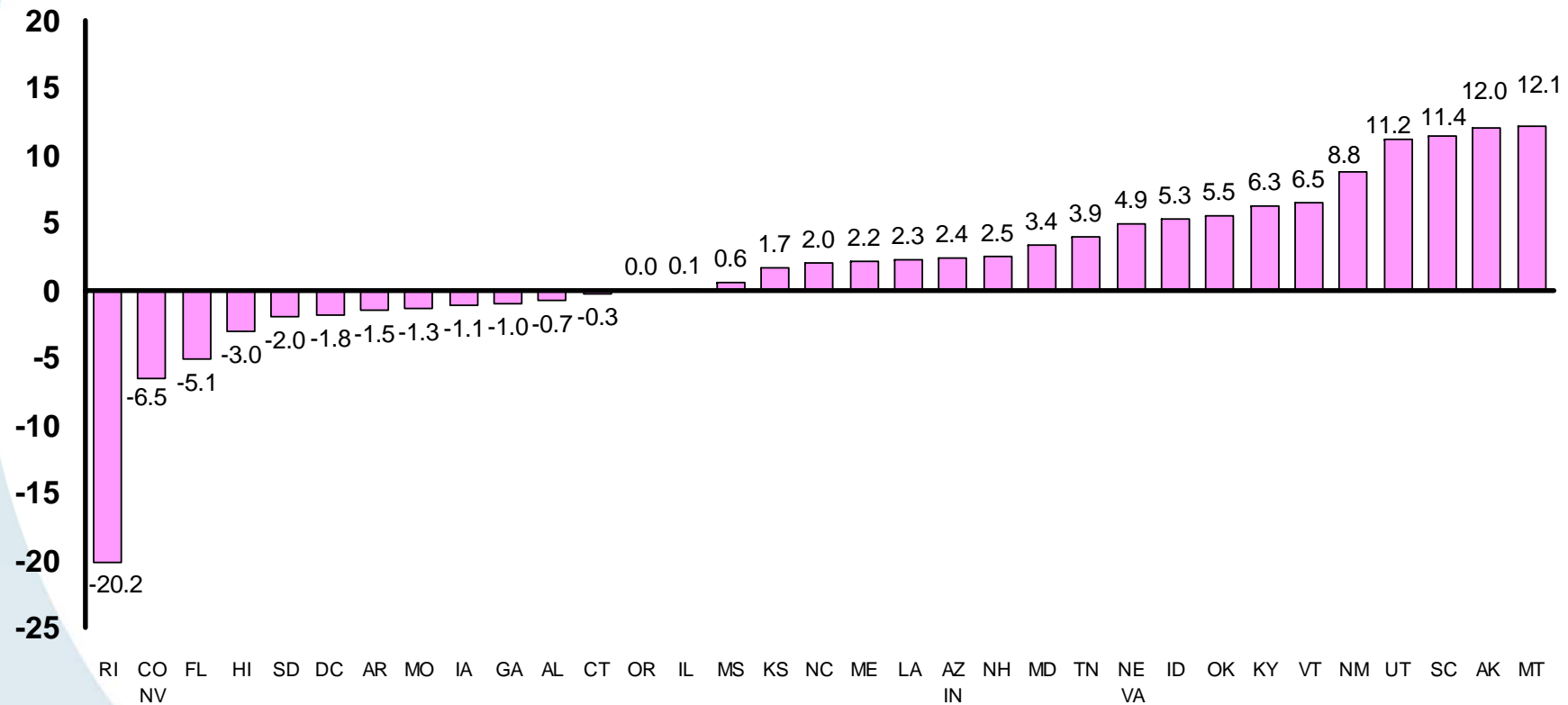
* States approved through 04/15/2005

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

Current NCCI Voluntary Market Approved Rate/Loss Cost Changes

Excludes Law-Only Filings

Percent

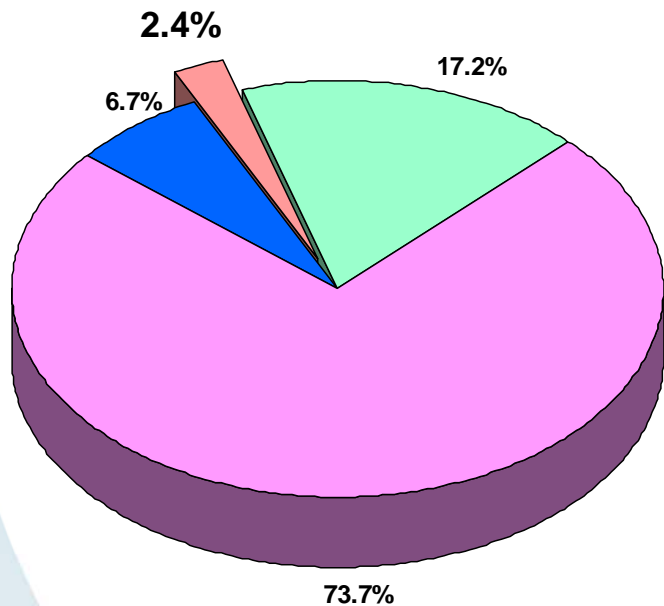


States approved through 04/15/2005

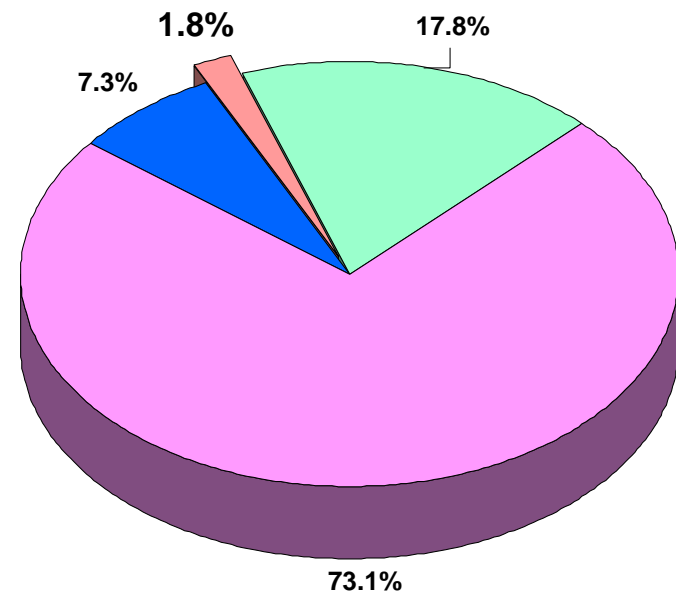
Employer Costs As Percentage of Total Compensation

Private Industry

1994



2004



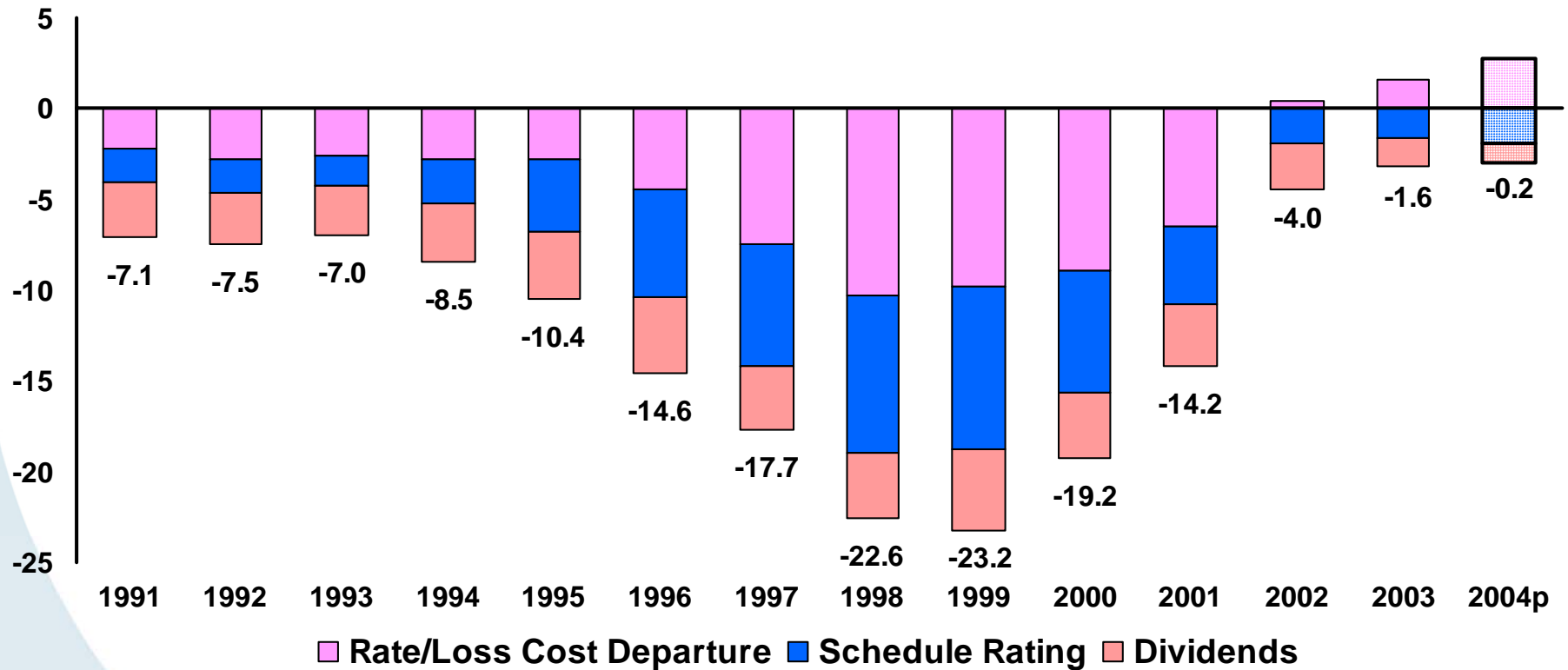
- Wages and Salaries
- Health Insurance
- Workers Compensation
- All Other

All Other includes Paid Leave, Insurance (other than Health), Social Security, Retirement and Savings
Source: U.S. Department of Commerce, Bureau of Labor Statistics

Impact of Discounting on Workers Compensation Premium

NCCI States—Private Carriers

Percent



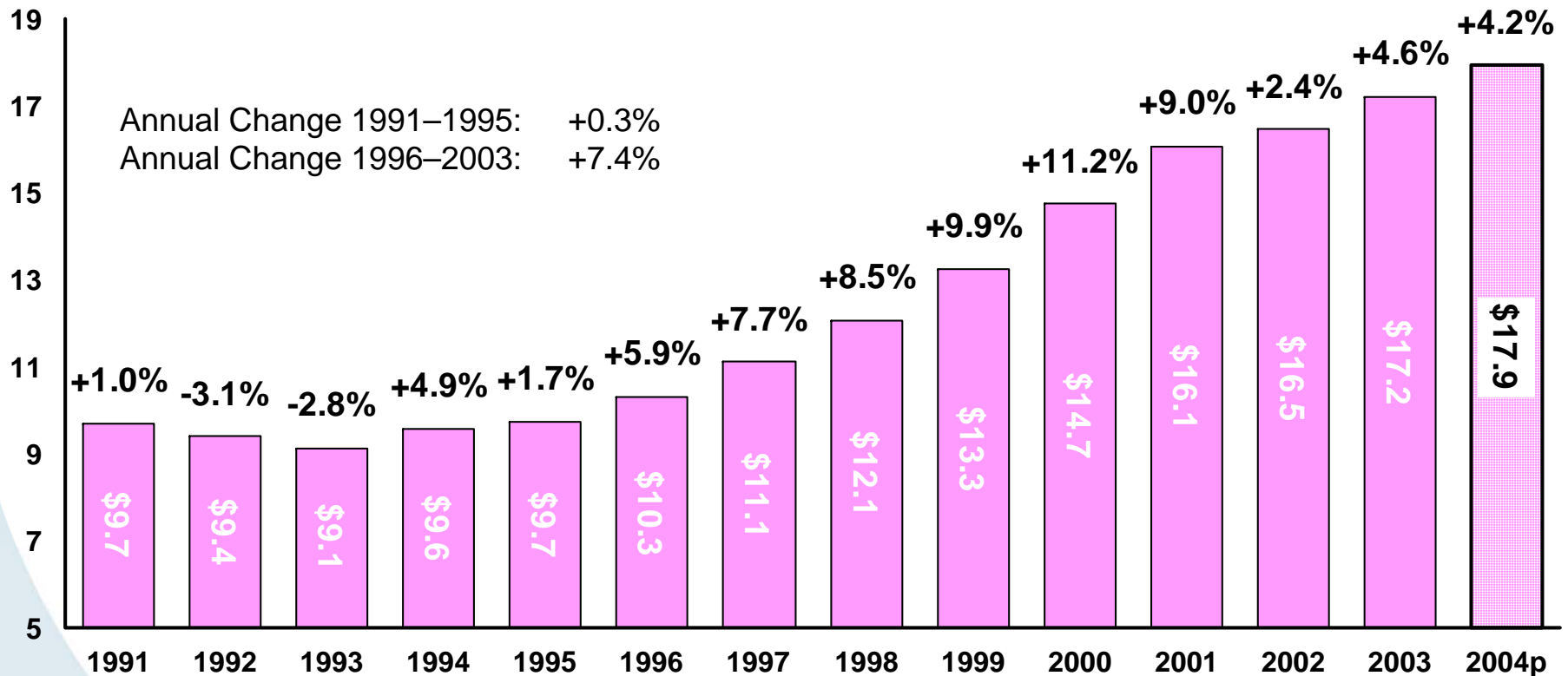
p Preliminary
 NCCI benchmark level does not include an underwriting contingency provision
 Dividend ratios are based on calendar year statistics
 Based on data through 12/31/2004 for the states where NCCI provides ratemaking services

Workers Compensation Loss Drivers

The Growth in WC Indemnity Claim Costs Has Eased in Recent Years

Indemnity
Claim Cost (000s)

Lost-Time Claims

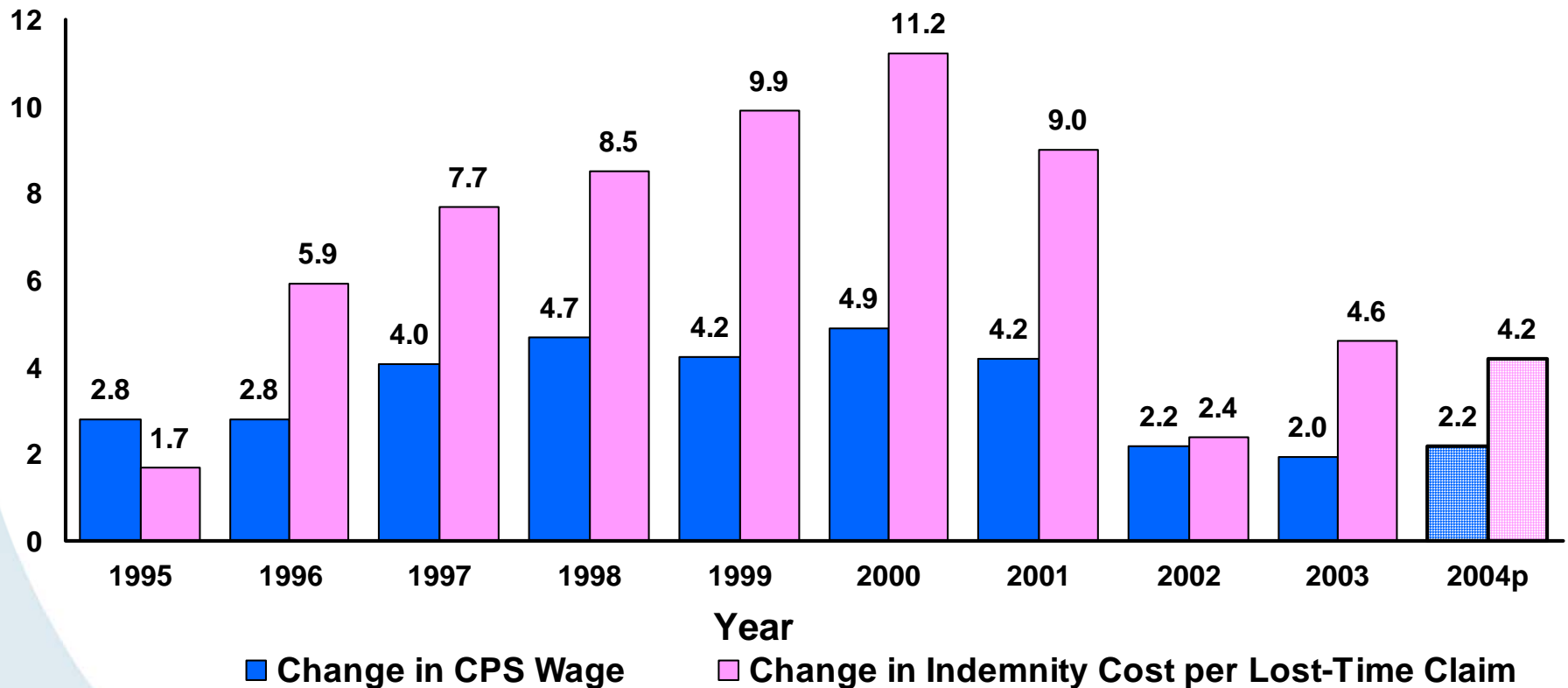


2004p: Preliminary based on data valued as of 12/31/2004
1991-2003: Based on data through 12/31/2003, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies

Workers Compensation Indemnity Severity Is Outpacing Wage Inflation

Lost-Time Claims

Percent Change



Indemnity severity 2004p: Preliminary based on data valued as of 12/31/2004

Indemnity severity 1995-2003: Based on data through 12/31/2003, developed to ultimate

Based on the states where NCCI provides ratemaking services, excludes the effects of deductible policies

Source: Calendar year Current Population Survey, Economy.com; Accident year indemnity severity, NCCI

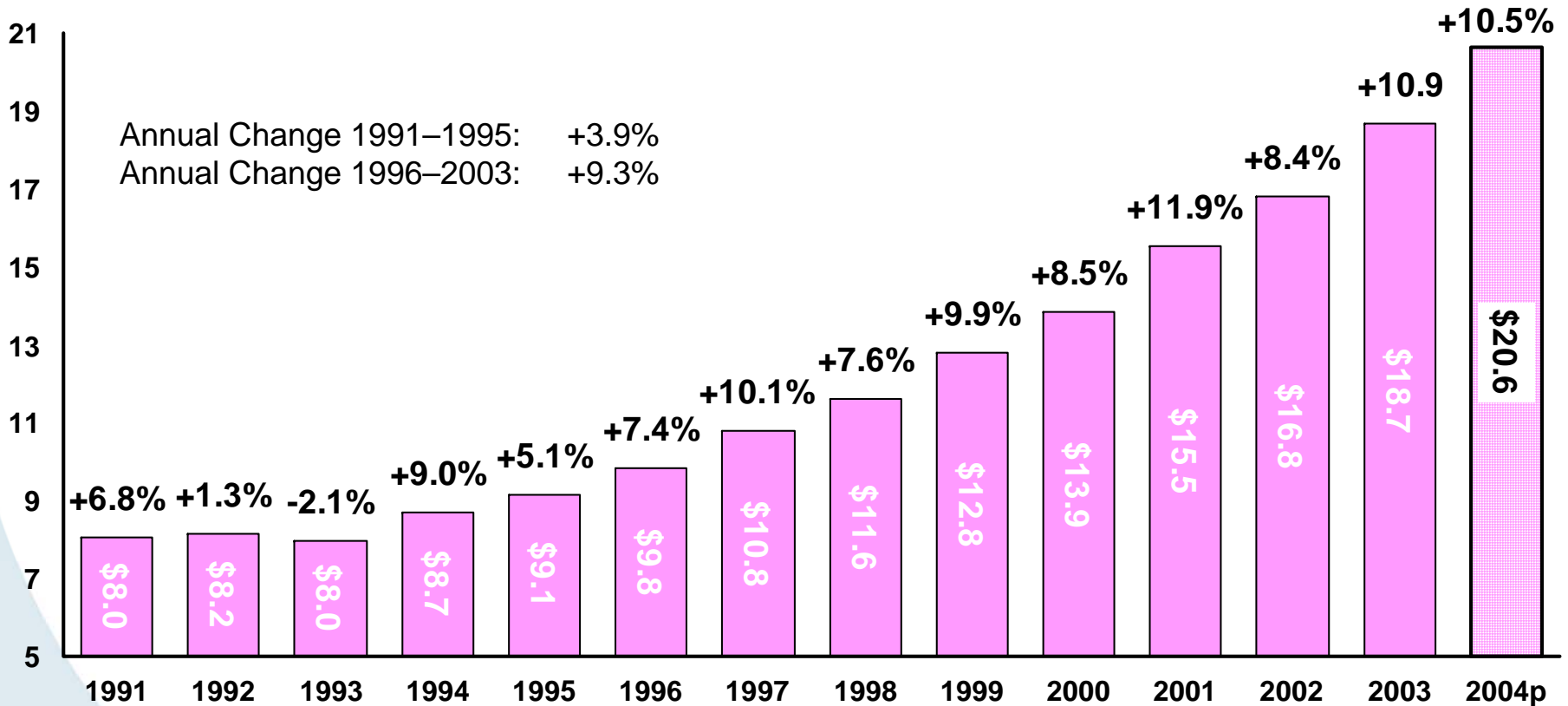


WC Medical Claim Cost Trends

Double-Digit Growth Continued in 2004

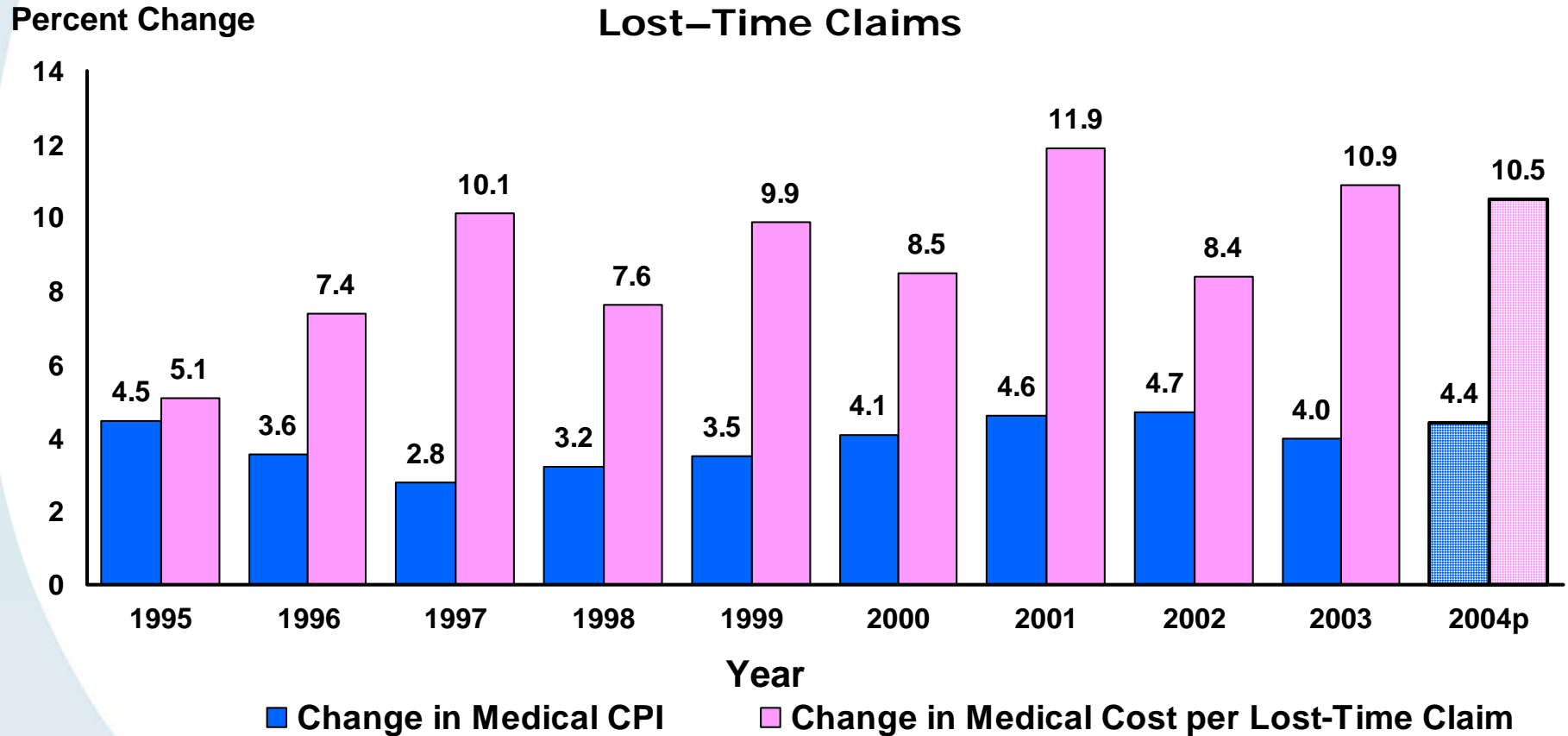
Medical
Claim Cost (000s)

Lost-Time Claims



2004p: Preliminary based on data valued as of 12/31/2004
1991-2003: Based on data through 12/31/2003, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies

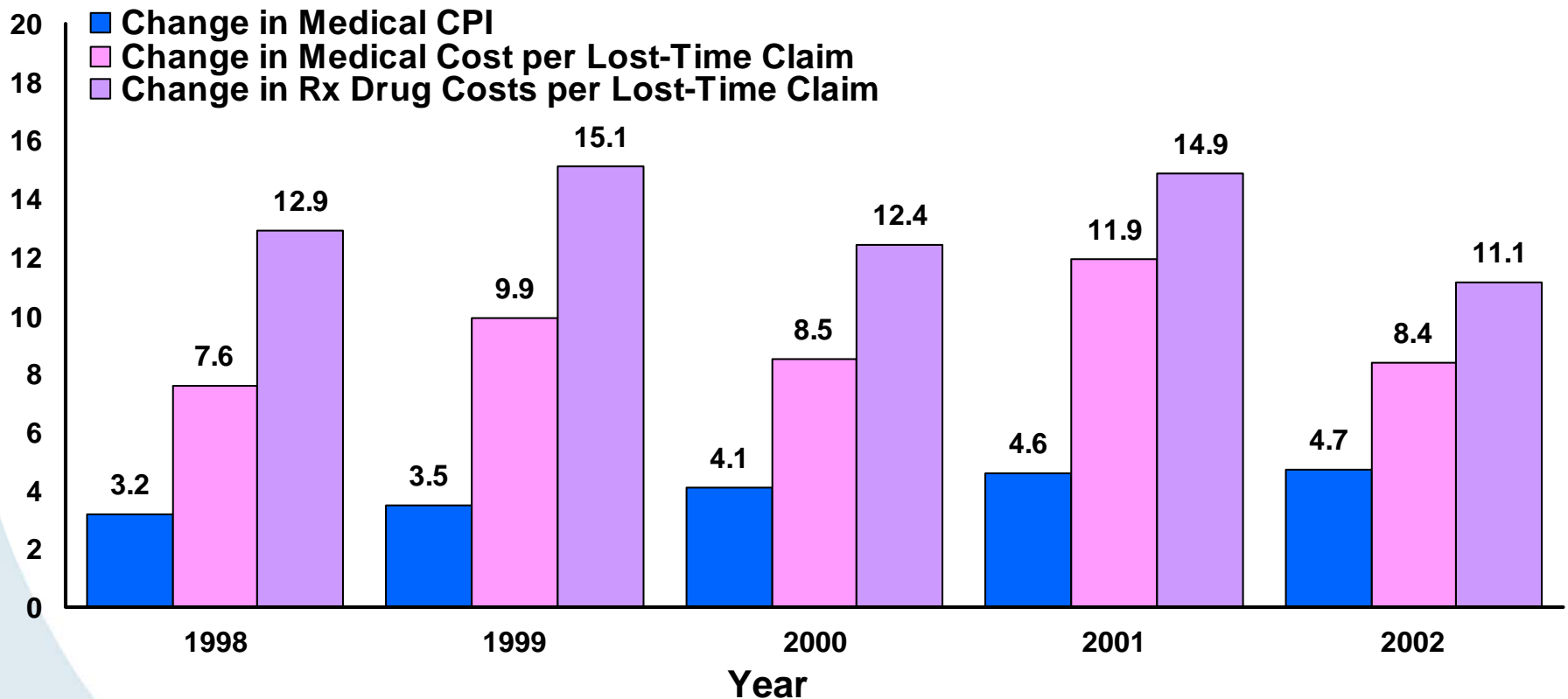
Workers Compensation Medical Severity Has Been Growing Much Faster Than the Medical CPI



Medical severity 2004p: Preliminary based on data valued as of 12/31/2004
 Medical severity 1995-2003: Based on data through 12/31/2003, developed to ultimate
 Based on the states where NCCI provides ratemaking services, excludes the effects of deductible policies
 Source: Calendar year Current Population Survey, Economy.com; Accident year medical severity, NCCI

Drug Costs Are Increasing More Rapidly Than Total WC Medical Costs

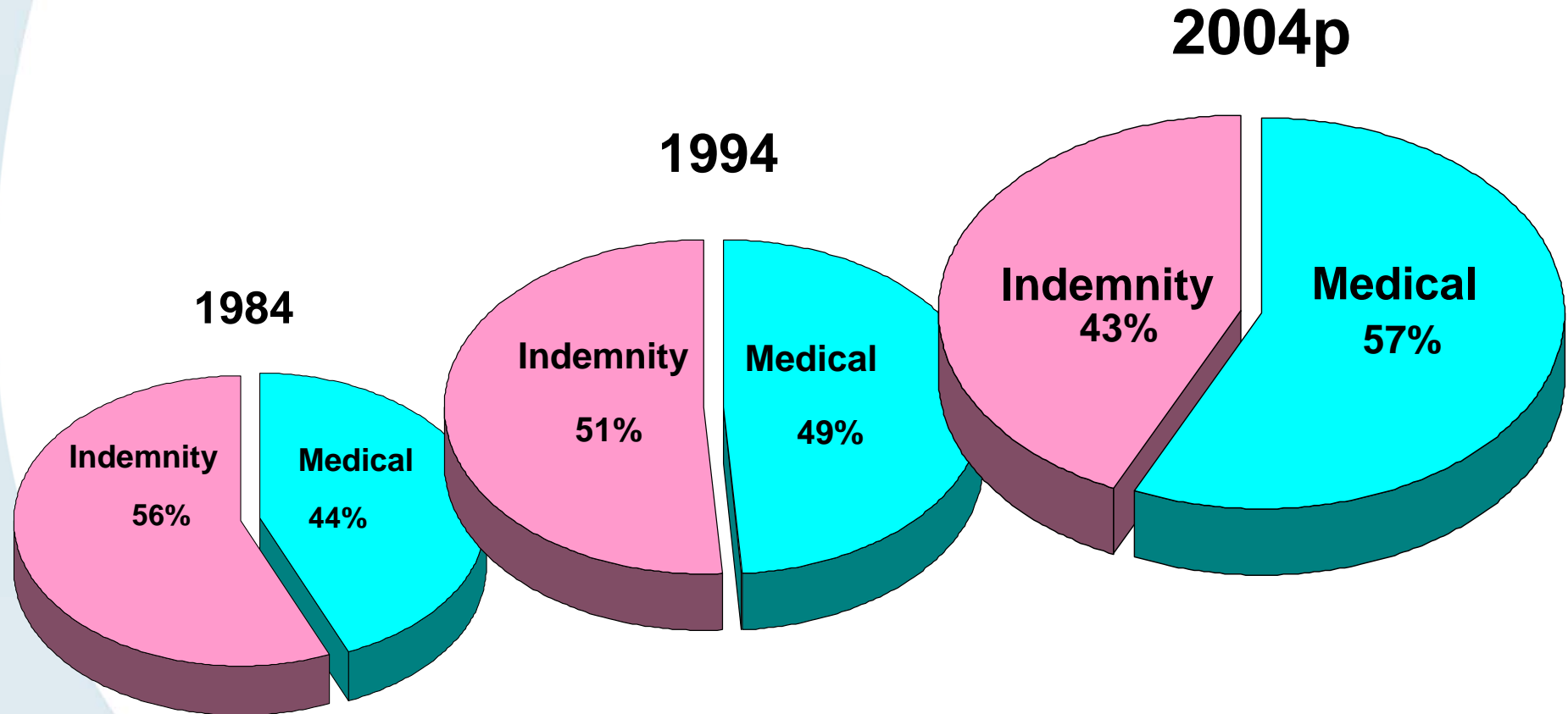
Percent Change



Medical severity: Based on data through 12/31/2003, developed to ultimate
Based on the states where NCCI provides ratemaking services, excludes the effects of deductible policies
Source: Calendar year Current Population Survey, Economy.com; Accident year medical severity, NCCI; Accident year
Rx Drug Costs, NCCI estimate based on sample data provided by carriers

Workers Compensation Medical Losses Are More Than Half of Total Losses

All Claims—NCCI States

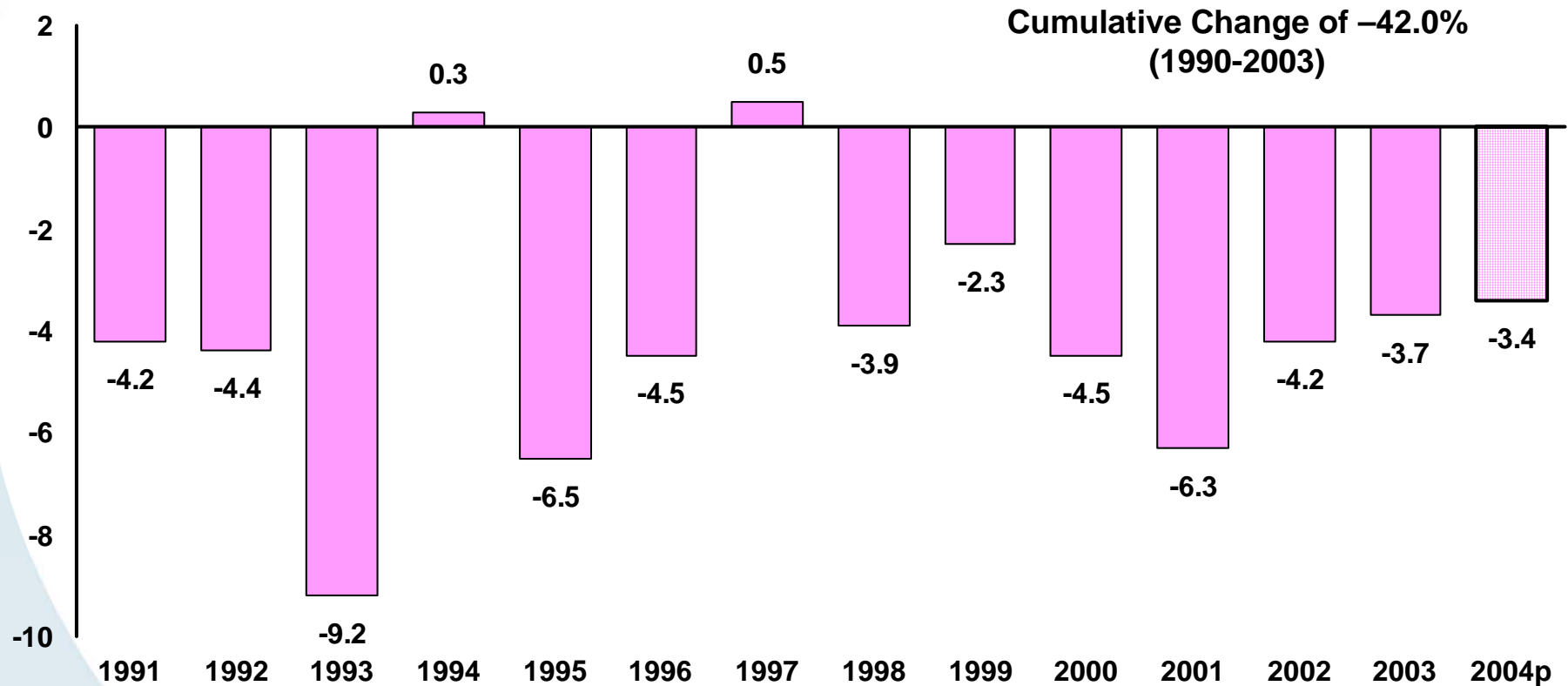


2004p: Preliminary based on data valued as of 12/31/2004
1984, 1994: Based on data through 12/31/2003, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies

Workers Compensation Lost-Time Claim Frequency Continues Its Decline

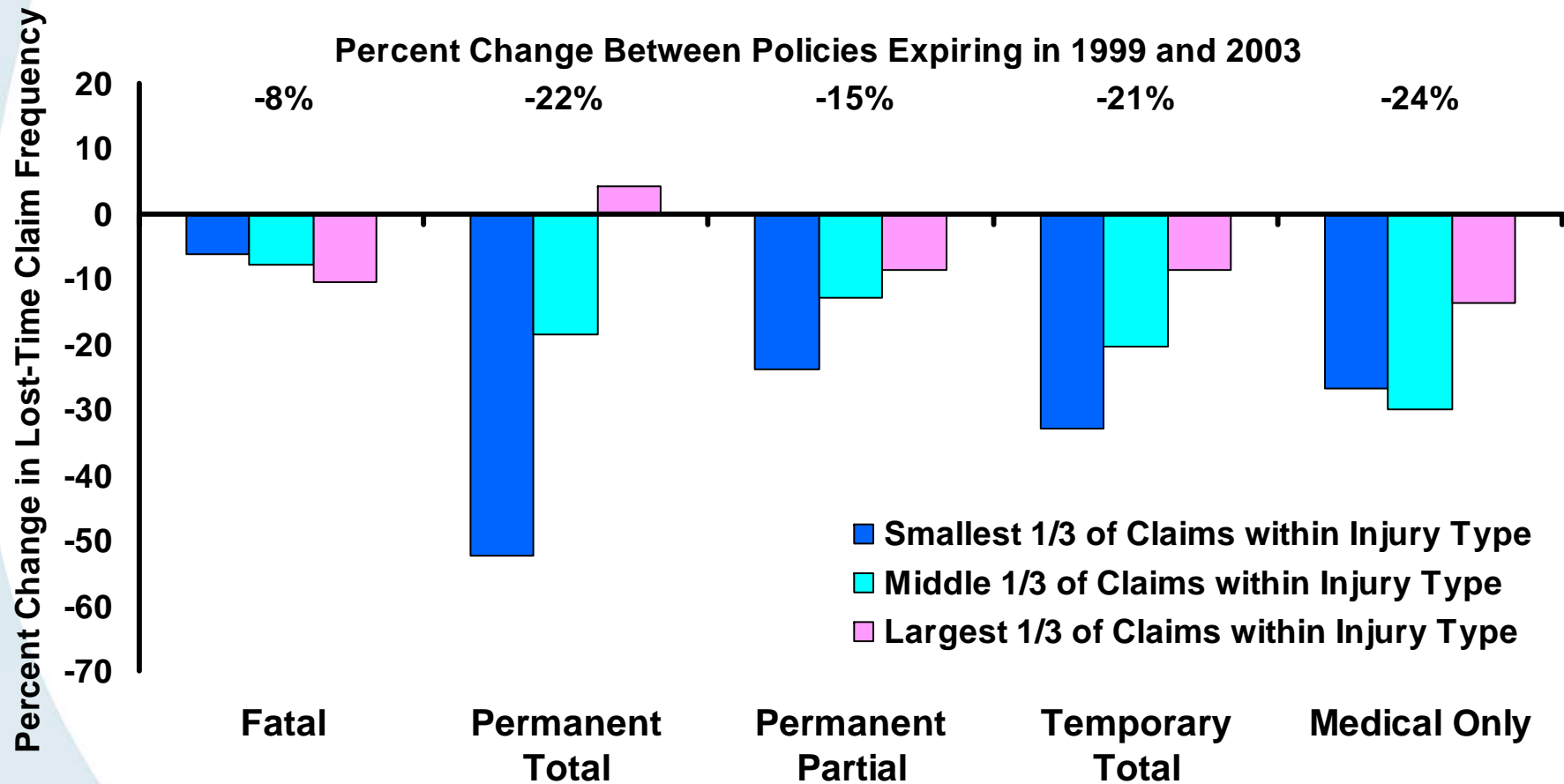
Lost-Time Claims

Percent Change



2004p: Preliminary based on data valued as of 12/31/2004
 1991-2003: Based on data through 12/31/2003, developed to ultimate
 Based on the states where NCCI provides ratemaking services
 Excludes the effects of deductible policies

Change in Lost-Time Claim Frequency By Injury Type and by Size of Loss Group

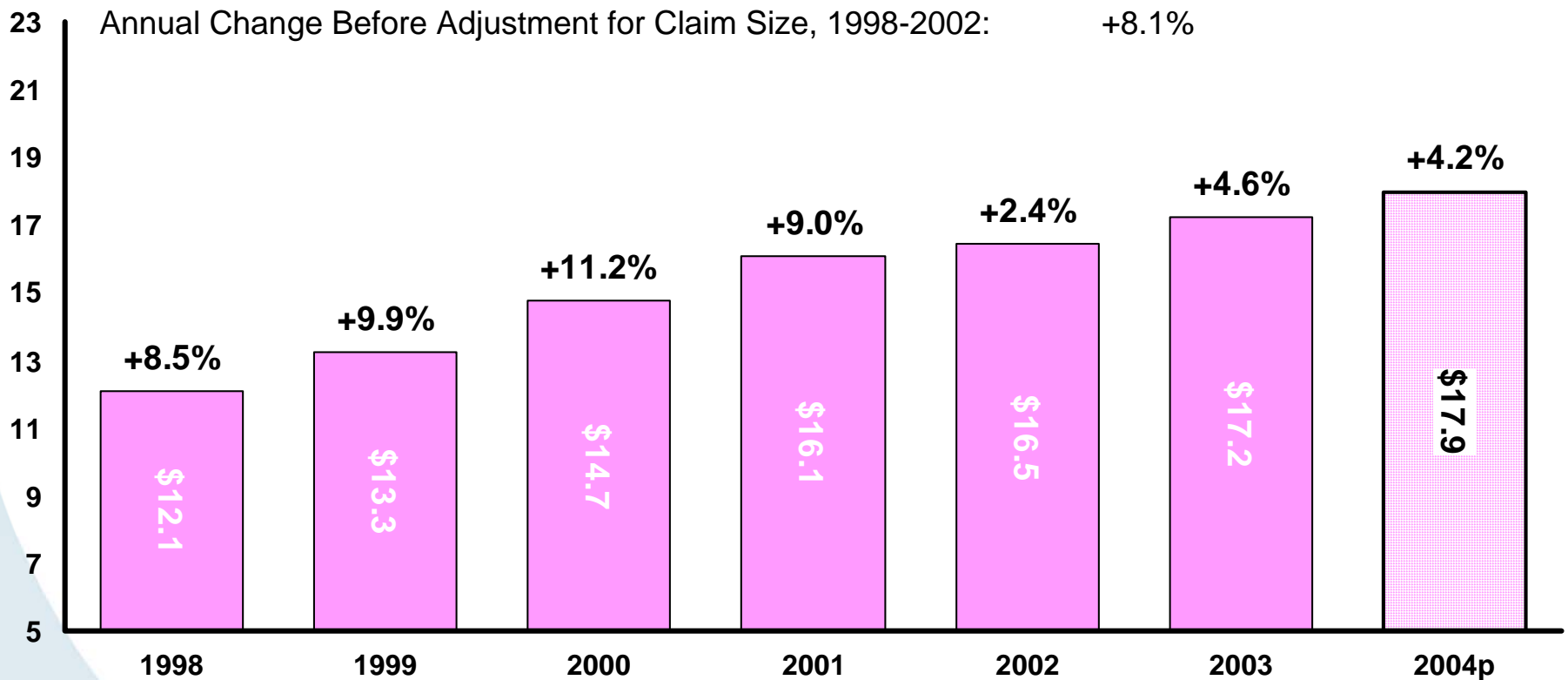


Loss Size Adjustments: 4.2% Indemnity, 7.4% Medical
 Frequency = Lost-time claims / payroll; Payroll adjusted for inflation
 Claim count determined at 1st report.
 NCCI States only, excluding Texas

Workers Compensation Indemnity Claim Costs

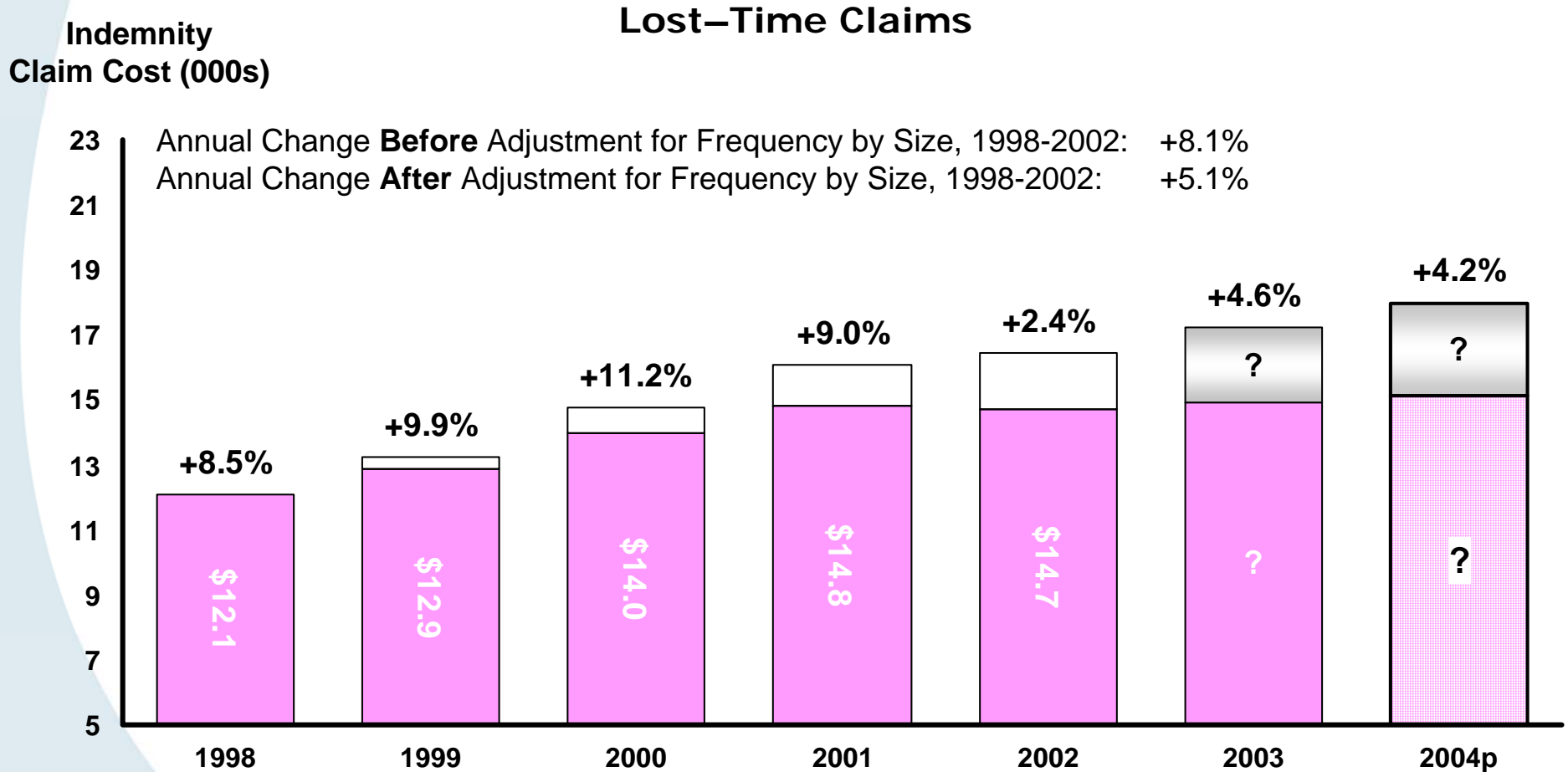
Lost-Time Claims

Indemnity Claim Cost (000s)



2004p: Preliminary based on data valued as of 12/31/2004
 1998-2003: Based on data through 12/31/2003, developed to ultimate
 Based on the states where NCCI provides ratemaking services
 Excludes the effects of deductible policies

Impact of Changes in Claim Size Distribution on Indemnity Claim Costs

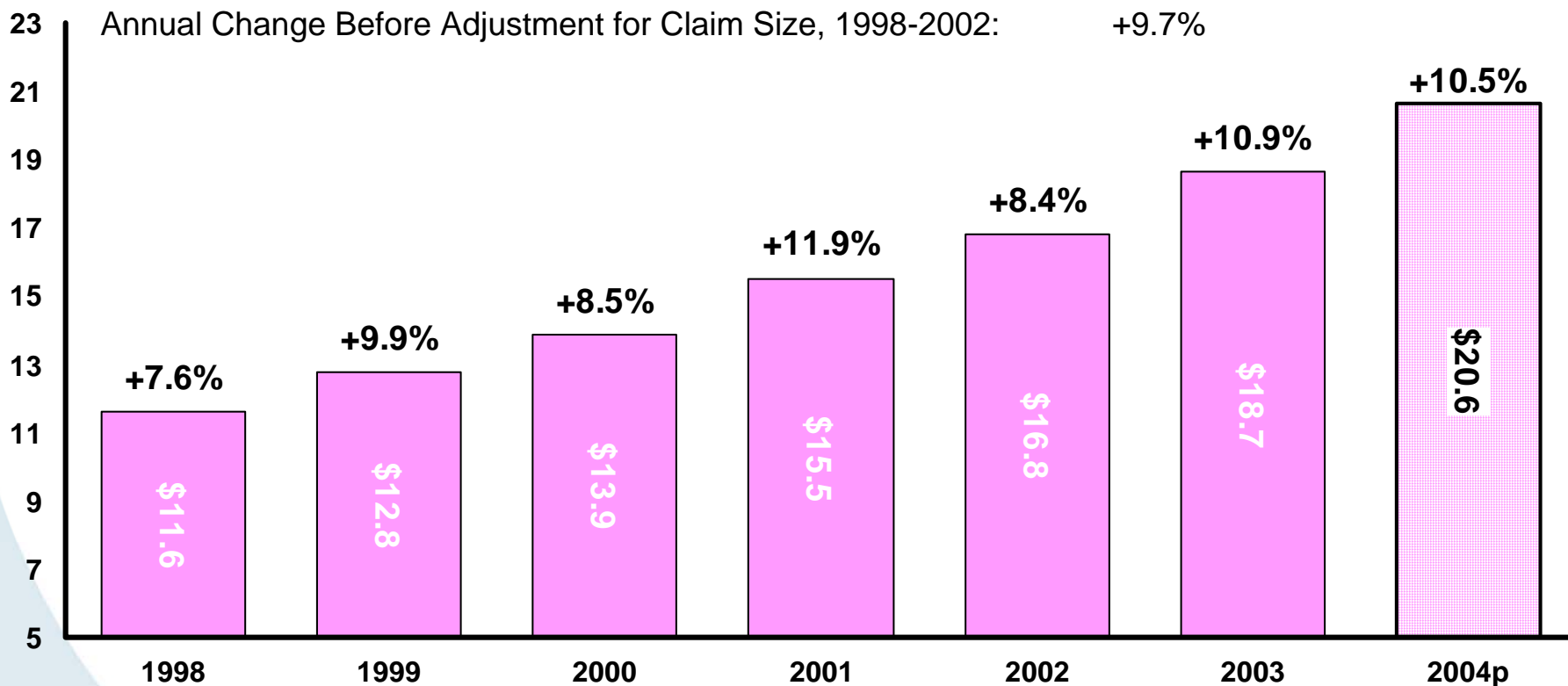


2004p: Preliminary based on data valued as of 12/31/2004
 1998-2003: Based on data through 12/31/2003, developed to ultimate
 Based on the states where NCCI provides ratemaking services
 Excludes the effects of deductible policies

Workers Compensation Medical Claim Costs

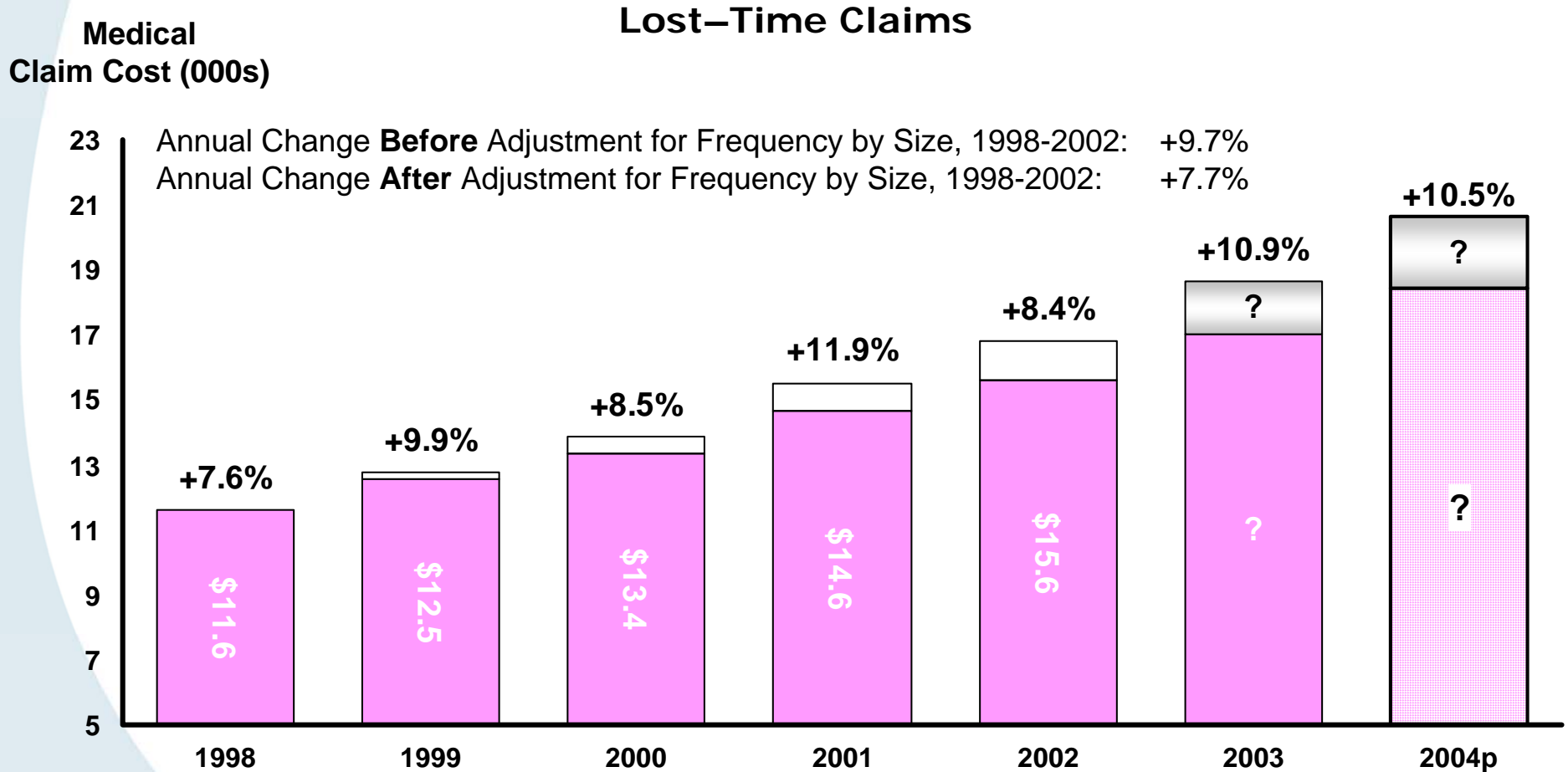
Lost-Time Claims

Medical Claim Cost (000s)



2004p: Preliminary based on data valued as of 12/31/2004
 1998-2003: Based on data through 12/31/2003, developed to ultimate
 Based on the states where NCCI provides ratemaking services
 Excludes the effects of deductible policies

Impact of Changes in Claim Size Distribution on Medical Claim Costs



2004p: Preliminary based on data valued as of 12/31/2004
 1998-2003: Based on data through 12/31/2003, developed to ultimate
 Based on the states where NCCI provides ratemaking services
 Excludes the effects of deductible policies

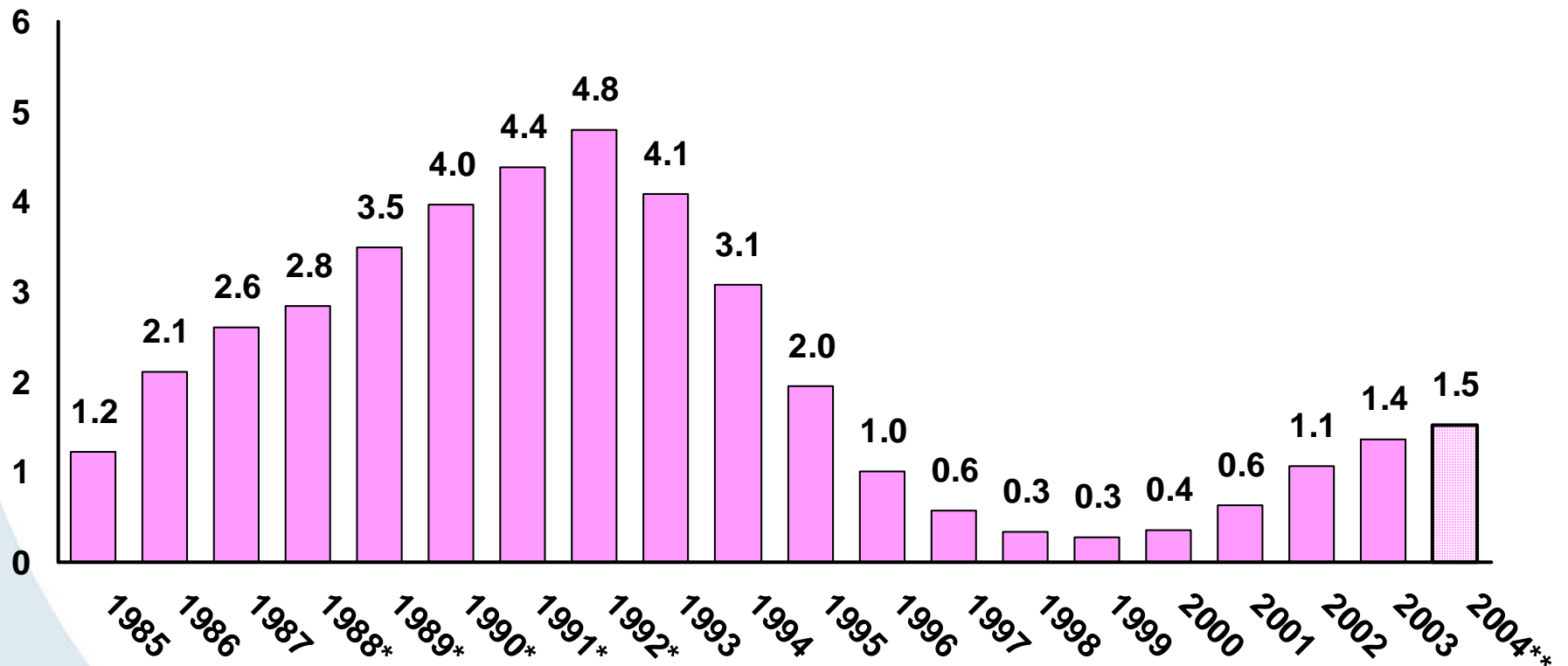
Workers Compensation Residual Market



Workers Compensation Residual Market Premium Volume

NCCI-Serviced Workers Compensation Residual Market Pools
As of December 31, 2004

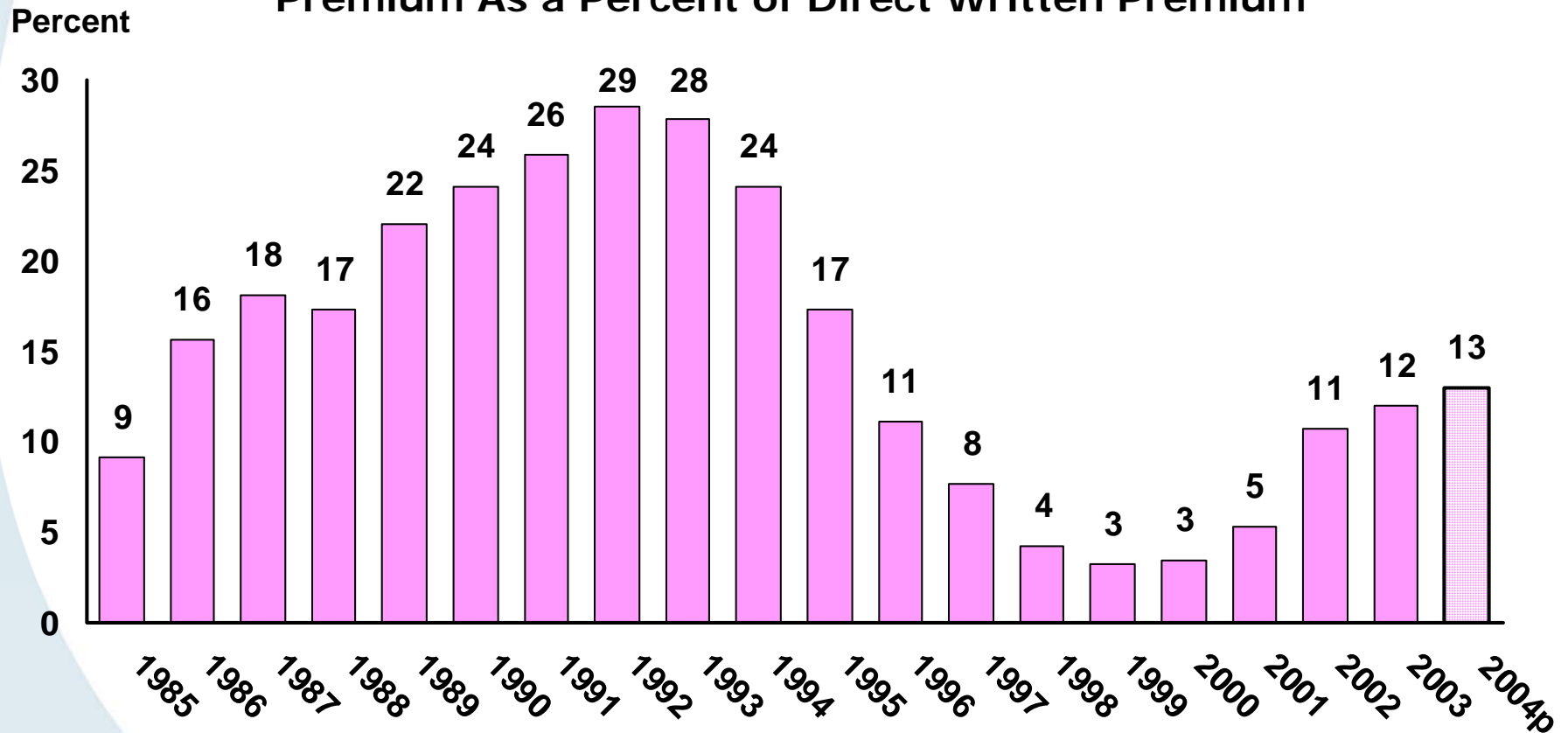
\$ Billions



* Excludes Maine Residual Market Pool
** Incomplete Policy Year Projected to Ultimate

Workers Compensation Residual Market Shares Continue to Rise

Workers Compensation Insurance Plan States*
Premium As a Percent of Direct Written Premium



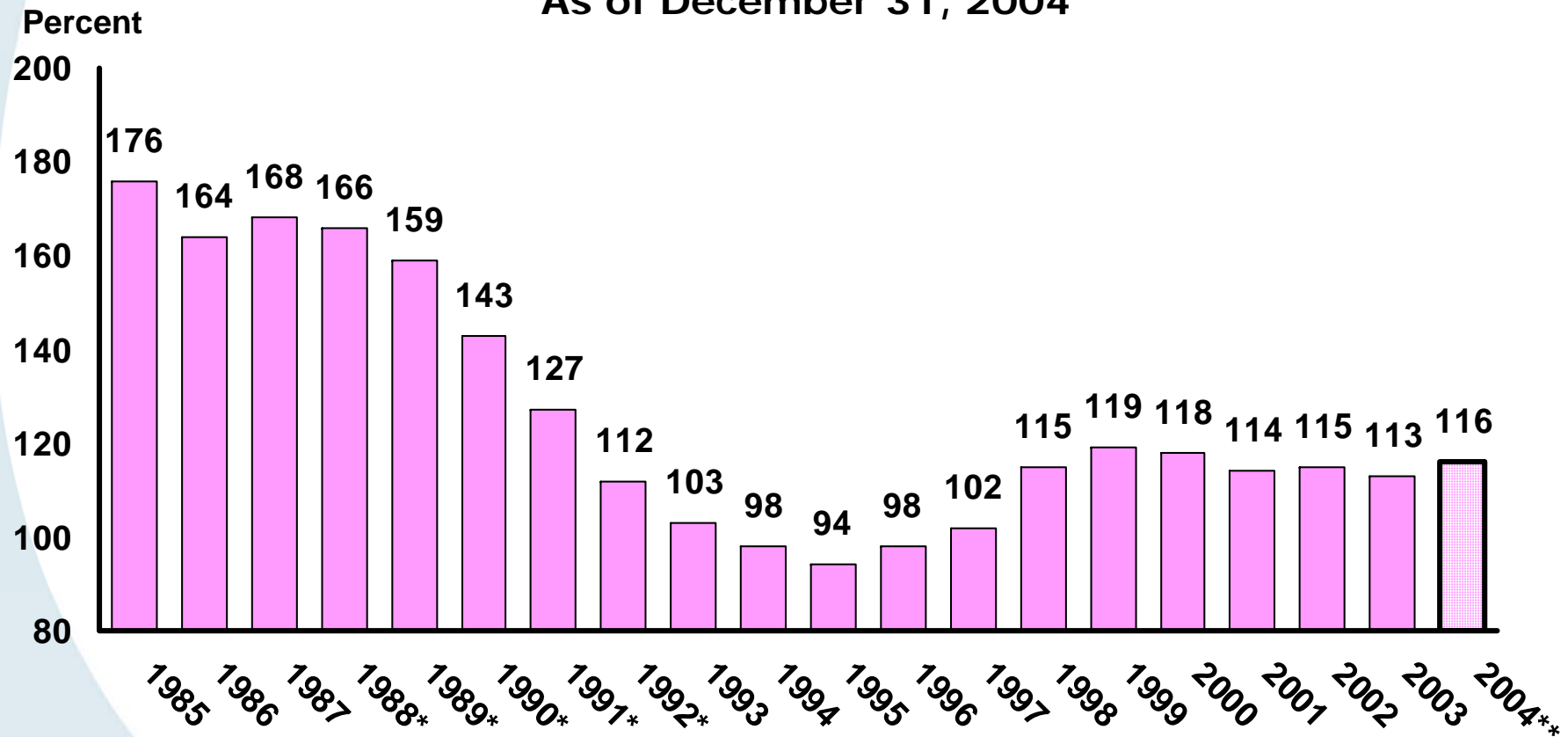
p Preliminary

* NCCI Plan states plus DE, IN, MA, MI, NJ, NC



Workers Compensation Residual Market Combined Ratios

NCCI-Serviced Workers Compensation Residual Market Pools
As of December 31, 2004

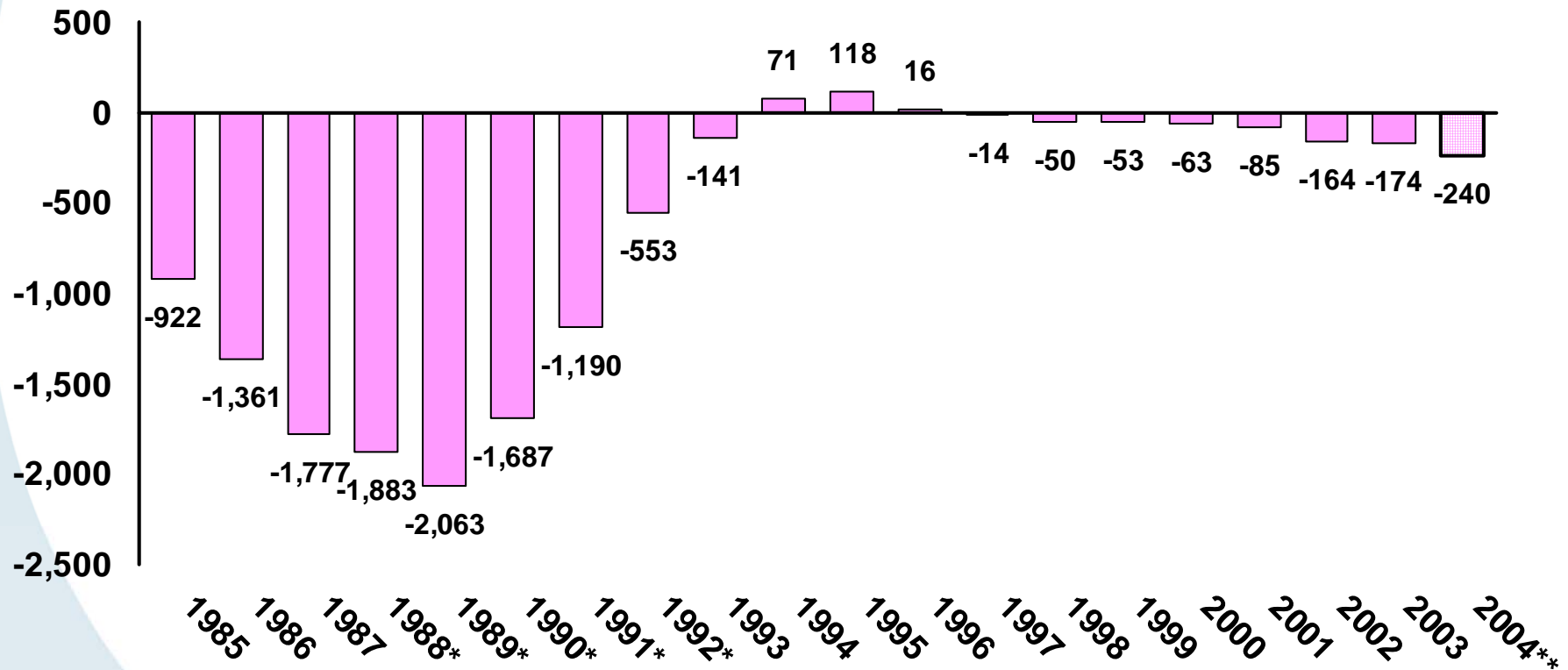


* Excludes Maine Residual Market Pool
** Incomplete Policy Year Projected to Ultimate

Workers Compensation Residual Market Underwriting Results

NCCI-Serviced Workers Compensation Residual Market Pools
As of December 31, 2004

\$ Millions



* Excludes Maine Residual Market Pool

** Incomplete Policy Year Projected to Ultimate



Residual Market Programs Mitigate the Burden

Pricing Programs:

- Differential/Surcharge
- ARAP/SARAP
- Removal/Reduction of Premium Discount
- LSRP

Depopulation Mechanisms:

- Take-Out Credit Program
- Voluntary Compensation Assistance Program

Improved Controls:

- Paid Loss Ratio Incentive Program
- Heightened carrier audit process

Improved Efficiency:

- Servicing carrier bid process

ARAP: Assigned Risk Adjustment Program
SARAP: Simplified Assigned Risk Adjustment Program
LSRP: Loss Sensitive Rating Plan

In Summary

Positives

- Results are improving
- Frequency continues to decline
- Industry making progress on reserve deficiency
- Residual Market burden still manageable

Negatives

- Low investment returns continue to put pressure on underwriting results
- Medical severity continues rapid growth
- Calendar year results lag behind other lines



End of Presentation

Thank You