

An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The water is so clear that dark, irregular patches of coral or seabed are visible beneath the surface. In the far distance, a small island with some buildings and vegetation is visible on the horizon. The sky is a pale blue with scattered, soft white clouds.

Deloitte Insurance Week

Where Reinsurance Meets

Workers' Compensation and Auto Liability
Industry Insights & Trends

May 14, 2025

Agenda



Introductions

Workers' Compensation

- Industry Trends
- Loss Ratios
- Frequency & Severity
- Reserve Development & Inflation

20 minutes

Auto Liability

- Industry Trends
- Loss Ratios
- Frequency & Severity
- Reserve Development & Inflation

20 minutes

Questions?

5 minutes

Introductions



Today's Presenters



Jim Arns, ACAS, MAAA

Senior Manager
Deloitte Consulting LLP



Senior Manager in the **P&C** practice of the Actuarial & Insurance Solutions specializing on P&C Insurance companies.



Focuses on **Financial Reporting, Reserving, Workers' Compensation, Personal Lines, and A&E.**



Alum of the **University of Iowa** with a **Bachelor of Science in Actuarial Science.**



Enjoys **golfing** and **spending time with his family.**



Phone: 312-486-4546. **Email:** jarns@deloitte.com.



Mike Green, ACAS, MAAA

Senior Advisor to Deloitte Bermuda
Deloitte Consulting LTD



Retired Deloitte US Principal and Senior Advisor to Deloitte Bermuda in the **P&C** practice of the Actuarial & Insurance Solutions specializing on P&C Insurance companies.



Focuses on **Financial Reporting Reserving** for primary and reinsurance companies.



Alum of the **Knox College** with a **Bachelor of Art in Economics and Business Administration.**



Enjoys **watching movies** and **reading.**



Phone: 312-560-1893. **Email:** michaelgreen@deloitte.com.

Workers' Compensation

Industry Trends



NCCI State of the Line

2023 Workers' Compensation Insights

Lowest combined ratio
compared to other lines



P&C Industry

5% share of the P&C Industry
net written premium

2023 reported combined ratios:

CY **86%** AY **98%**



Results

\$18 billion
reserve redundancy

1% increase in
net written premium



Premium

Payroll change components:

2.3% **3.9%**
Employment Wage Rate

Wage-adjusted changes:

-8%
Claim frequency



Loss Drivers

Unadjusted severity changes:

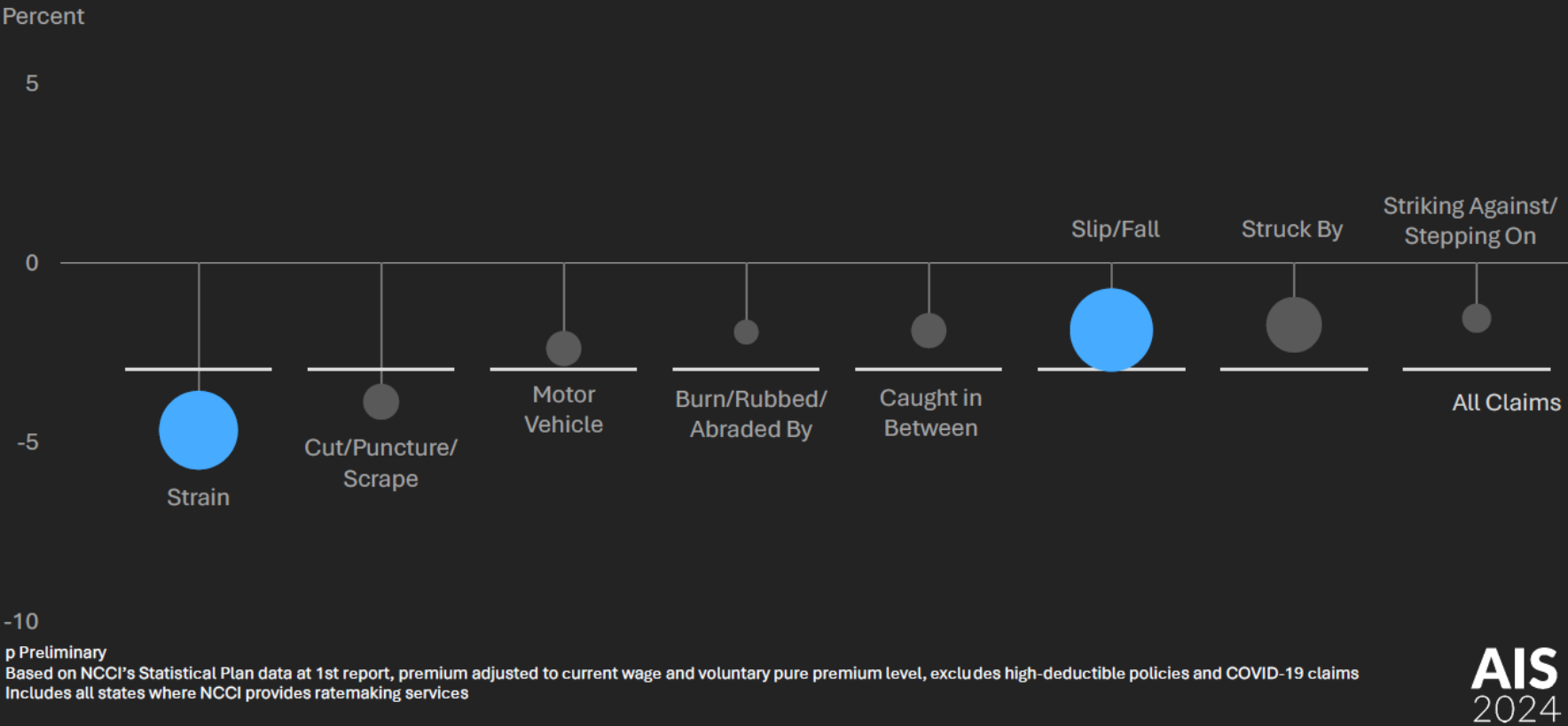
2% **5%**
Medical Indemnity

NCCI State of the Line

Lost Time Claim Frequency by Cause of Injury

WC Lost-Time Claim Frequency by Cause of Injury

Average Annual Change in Claims per \$1M Pure Premium, Accident Years 2015–2022p
Private Carriers and State Funds—NCCI States



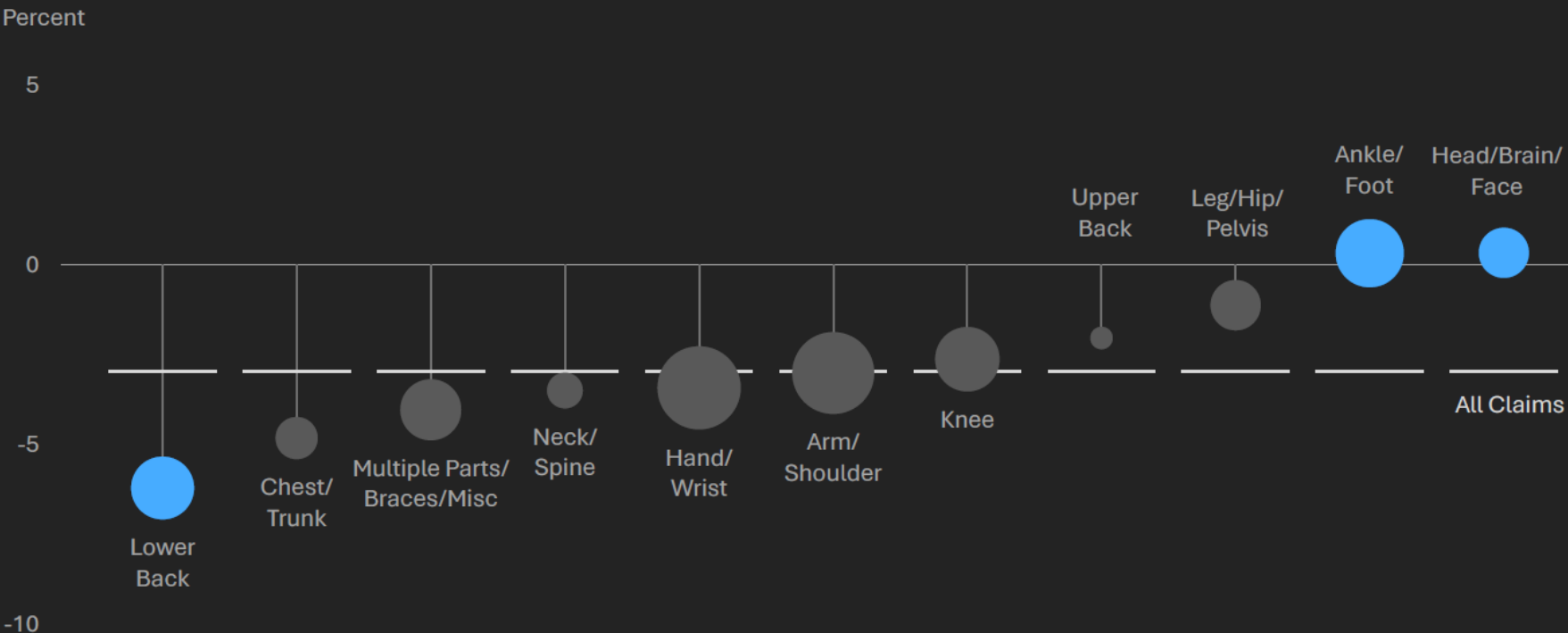
© 2024 NCCI Holdings, Inc. All Rights Reserved.

NCCI State of the Line

Lost Time Claim Frequency by Part of Body

WC Lost-Time Claim Frequency by Part of Body

Average Annual Change in Claims per \$1M Pure Premium, Accident Years 2015–2022p
Private Carriers and State Funds—NCCI States



p Preliminary
Based on NCCI's Statistical Plan data at 1st report, premium adjusted to current wage and voluntary pure premium level, excludes high-deductible policies and COVID-19 claims
Includes all states where NCCI provides ratemaking services

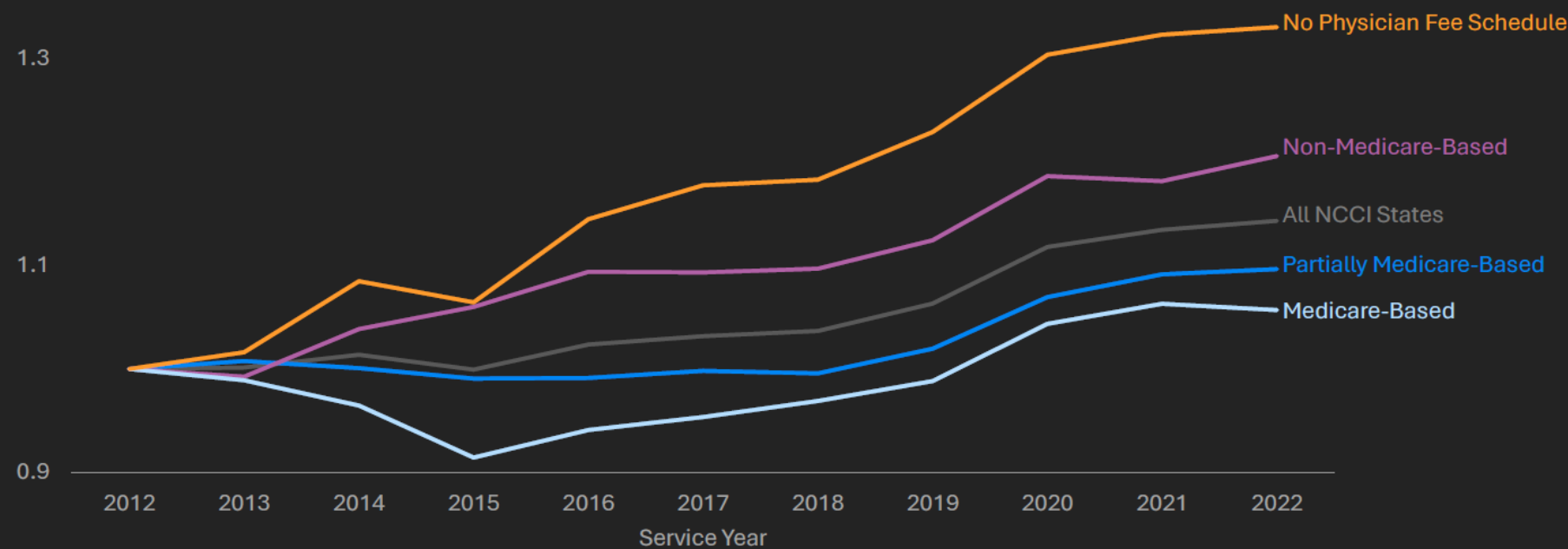
© 2024 NCCI Holdings, Inc. All Rights Reserved.

AIS
2024

NCCI State of the Line

Changes in Physician Cost per Active Claim

Cumulative Changes in Physician Cost per Active Claim



Source: Based on NCCI's Medical Data Call
 Medicare-Based Fee Schedule includes DC, FL, NC, TN, and WV
 Partially Medicare-Based Fee Schedule includes AK, AR, CO, CT, GA, HI, ID, KS, MD, ME, MS, MT, NE, OK, OR, SC, SD, and UT
 All NCCI States includes AK, AL, AR, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, and WV
 Non-Medicare-Based Fee Schedule includes AL, IL, KY, LA, NM, NV, RI, and VT
 No Physician Fee Schedule includes IA, IN, MO, and NH
 Note: States are grouped based on fee schedule structures that have remained the same between Service Years 2012 and 2022; states with significant changes to fee schedule structure or incomplete data between 2012 and 2022 are excluded

© 2024 NCCI Holdings, Inc. All Rights Reserved.

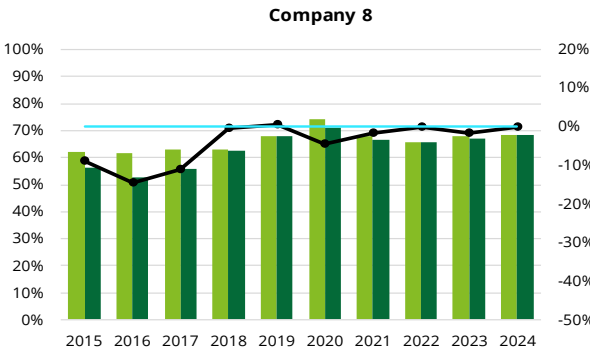
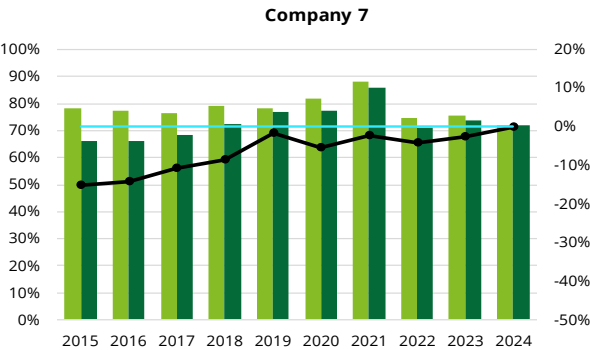
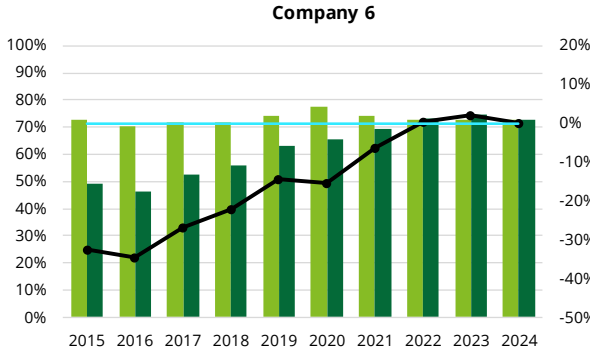
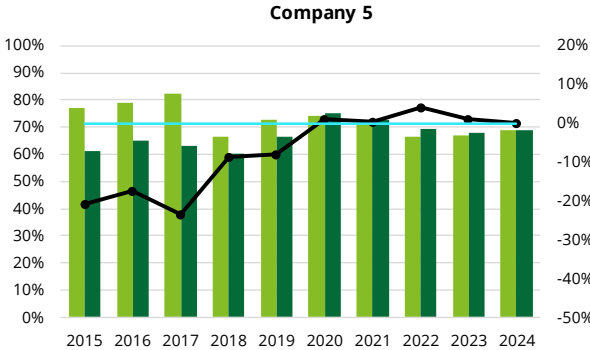
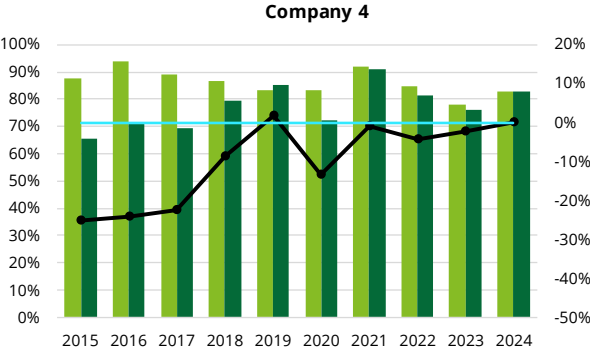
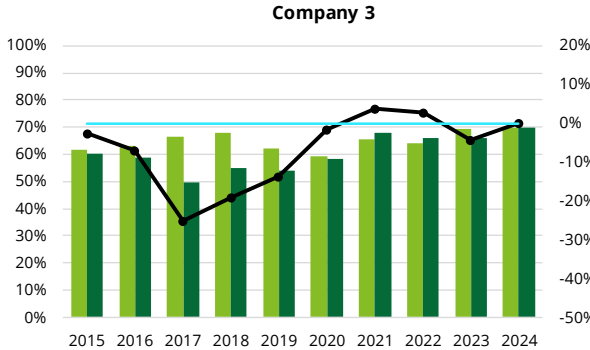
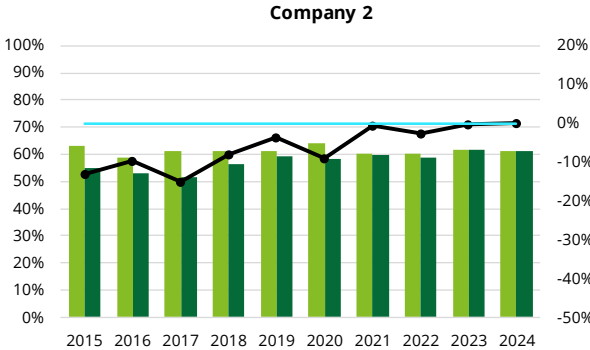
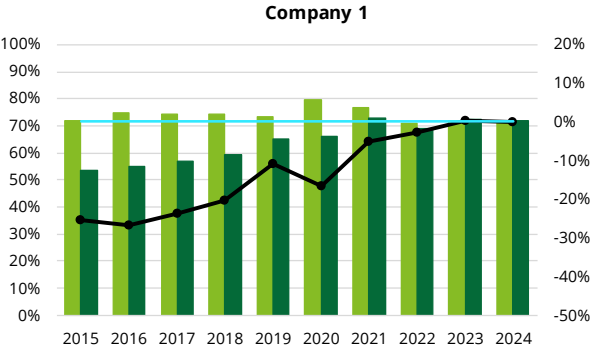
AIS
2024

Workers' Compensation

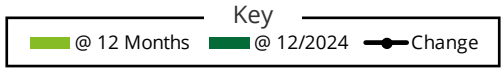
Loss Ratios



Peer Comparison of AY Net Ultimate Loss & LAE Ratios Workers' Compensation



- Graphs show the net ultimate loss & LAE ratio by accident year which is the ratio of net of reinsurance incurred loss & LAE to net earned premium
- Left Axis: Net Ultimate Loss & LAE Ratio
- Right Axis: % change from 12 months to 12/24
- Data is Schedule P Workers' Compensation

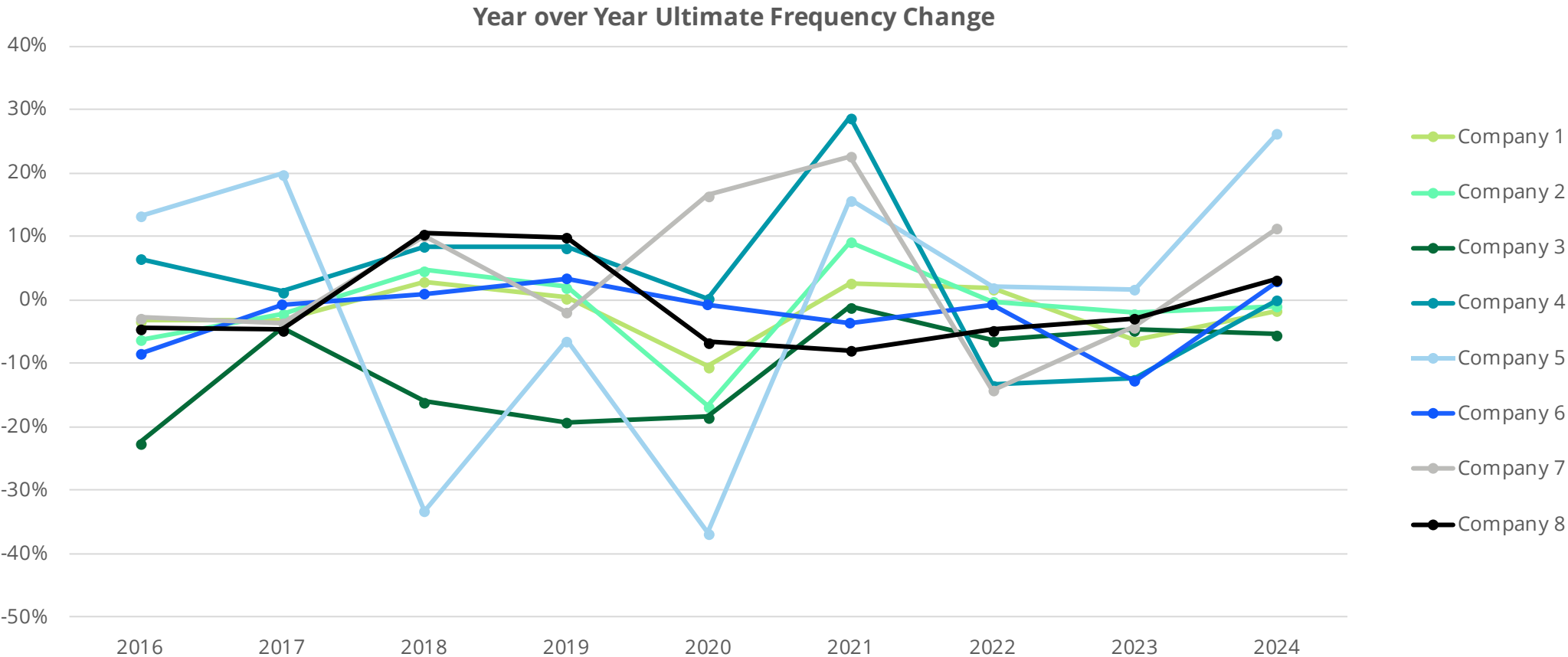


An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The seabed is visible through the shallow water, showing numerous dark, irregular patches of coral or rocks. In the far distance, a small island with some buildings and trees is visible on the horizon. The sky is a pale blue with scattered white clouds.

Workers' Compensation

Frequency & Severity

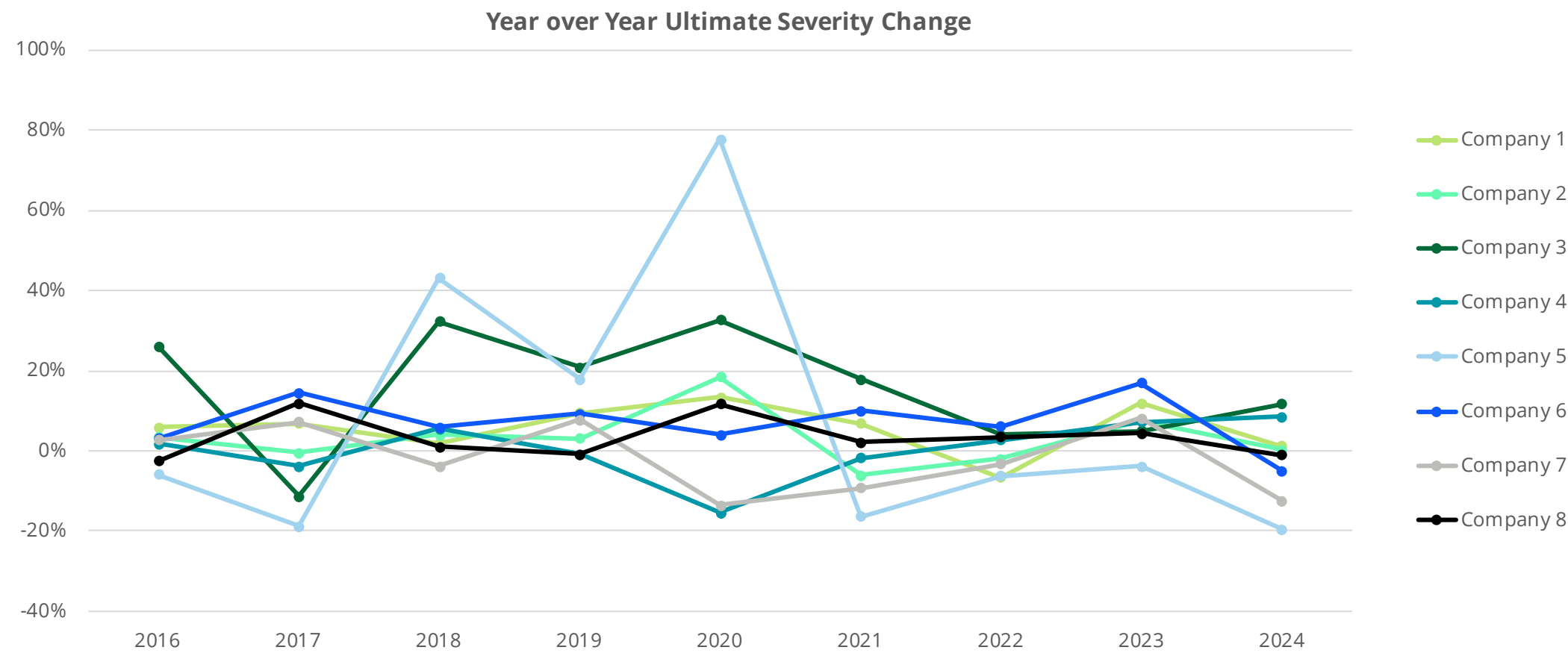
Peer Comparison of AY Ultimate Frequency Workers' Compensation



- The above graph shows year over year ultimate frequency change by accident year, which is the ratio of net of ultimate claim counts to net earned premium
- Ultimate claim counts are determined using 3-year weighted average development factors

Source: Schedule P Workers' Compensation Data

Peer Comparison of AY Ultimate Severity Workers' Compensation



- The above graph shows year over year ultimate severity change by accident year, which is the ratio of net incurred loss & LAE to ultimate claim counts
- Ultimate claim counts are determined using 3-year weighted average development factors

Source: Schedule P Workers' Compensation Data

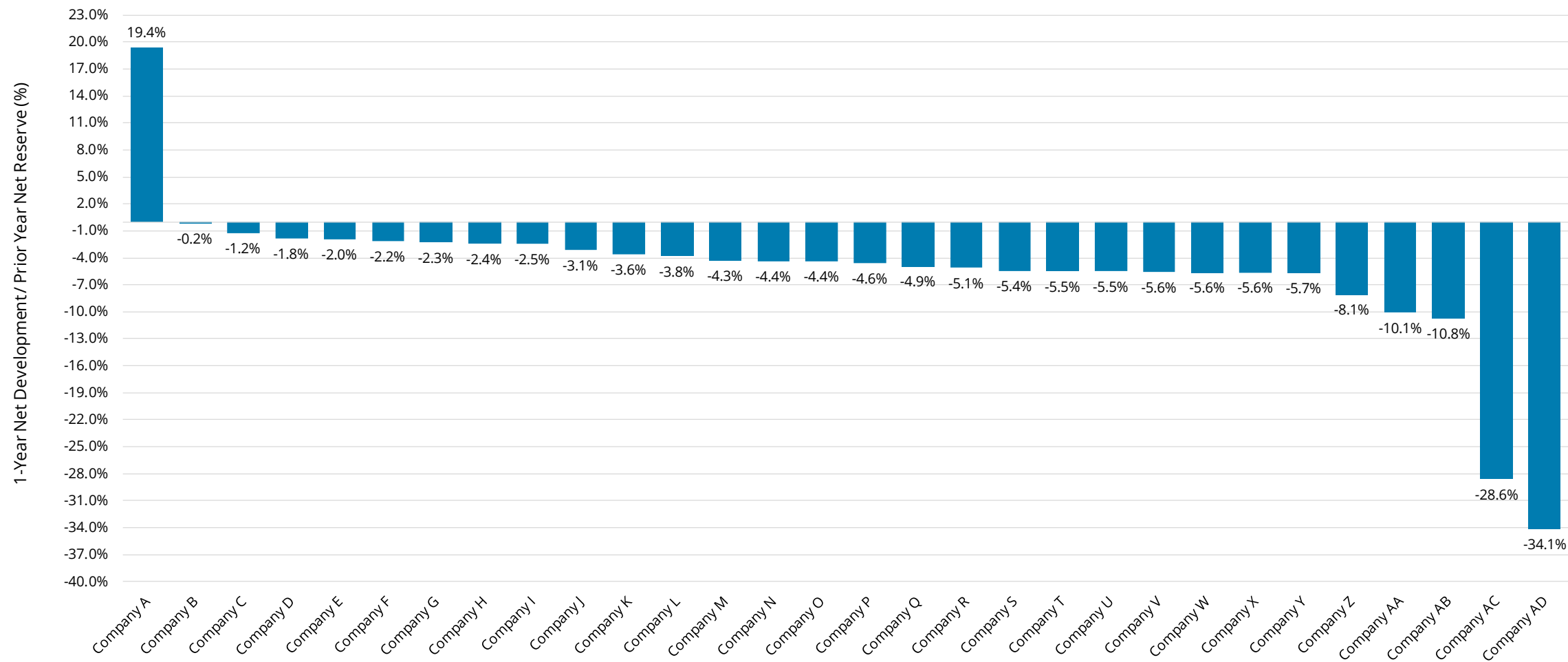
An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The seabed is visible through the shallow water, showing numerous dark, irregular patches of coral or rocks. In the far distance, a small island with some buildings and trees is visible on the horizon. The sky is a pale blue with scattered white clouds.

Workers' Compensation

Reserve Development & Inflation

2024 Change in Prior Year Loss and DCC Reserves

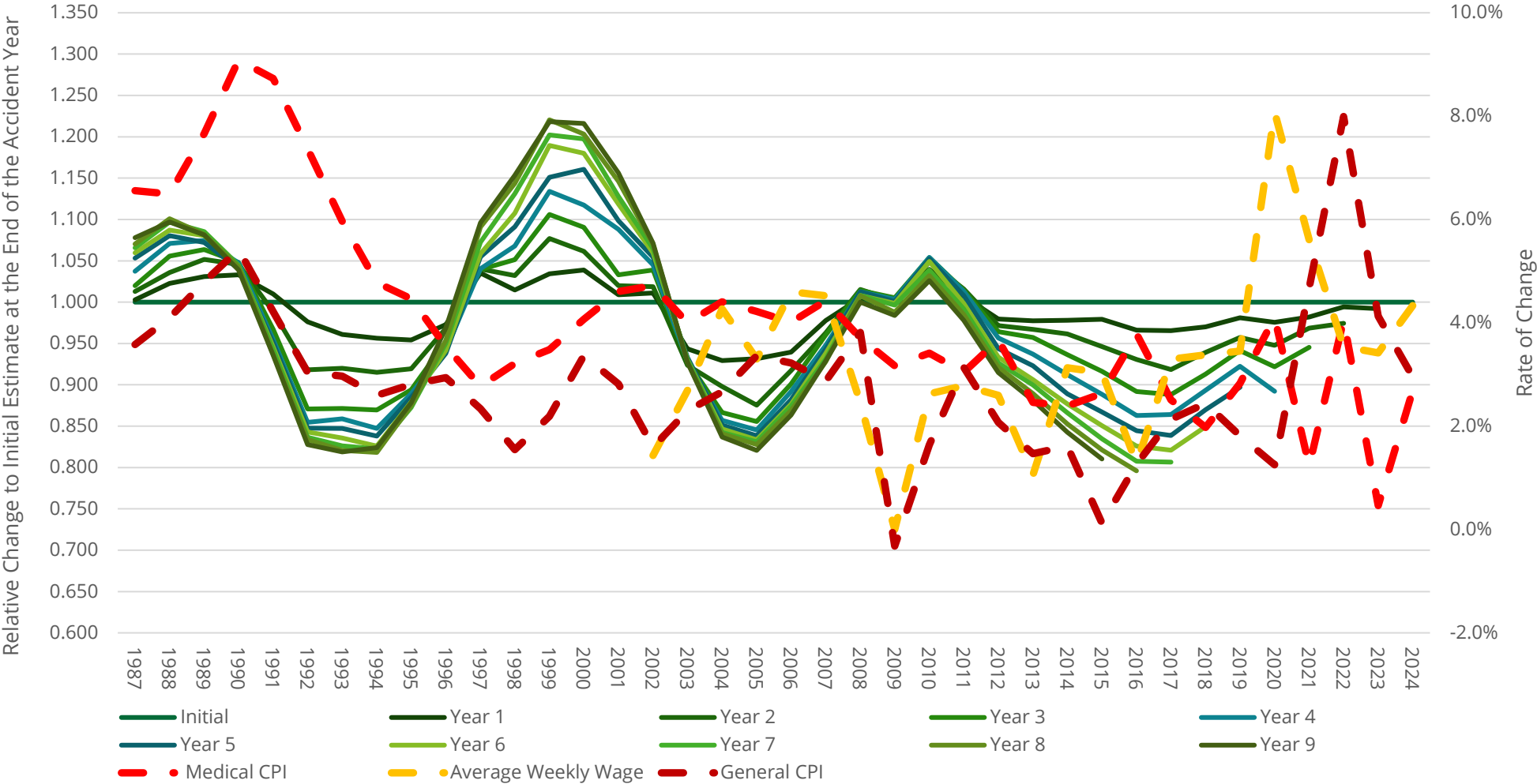
Top 30 Workers' Compensation Writers by Market Share



Source: Schedule P Workers Compensation Data

Reserve Development & Inflation

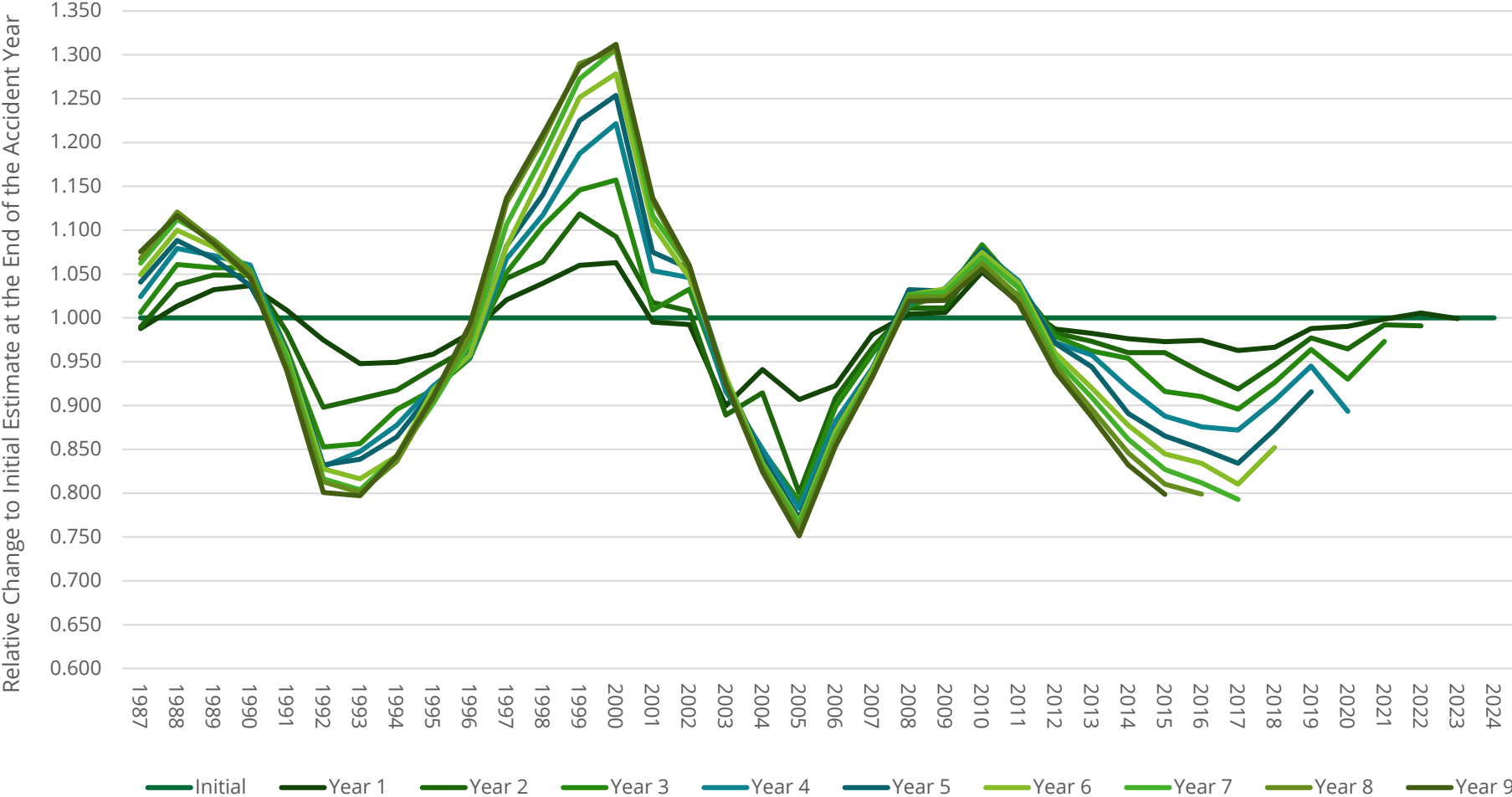
Workers' Compensation Industry



Source: Schedule P Workers Compensation & BLS Industry Data

Reserve Development & Inflation

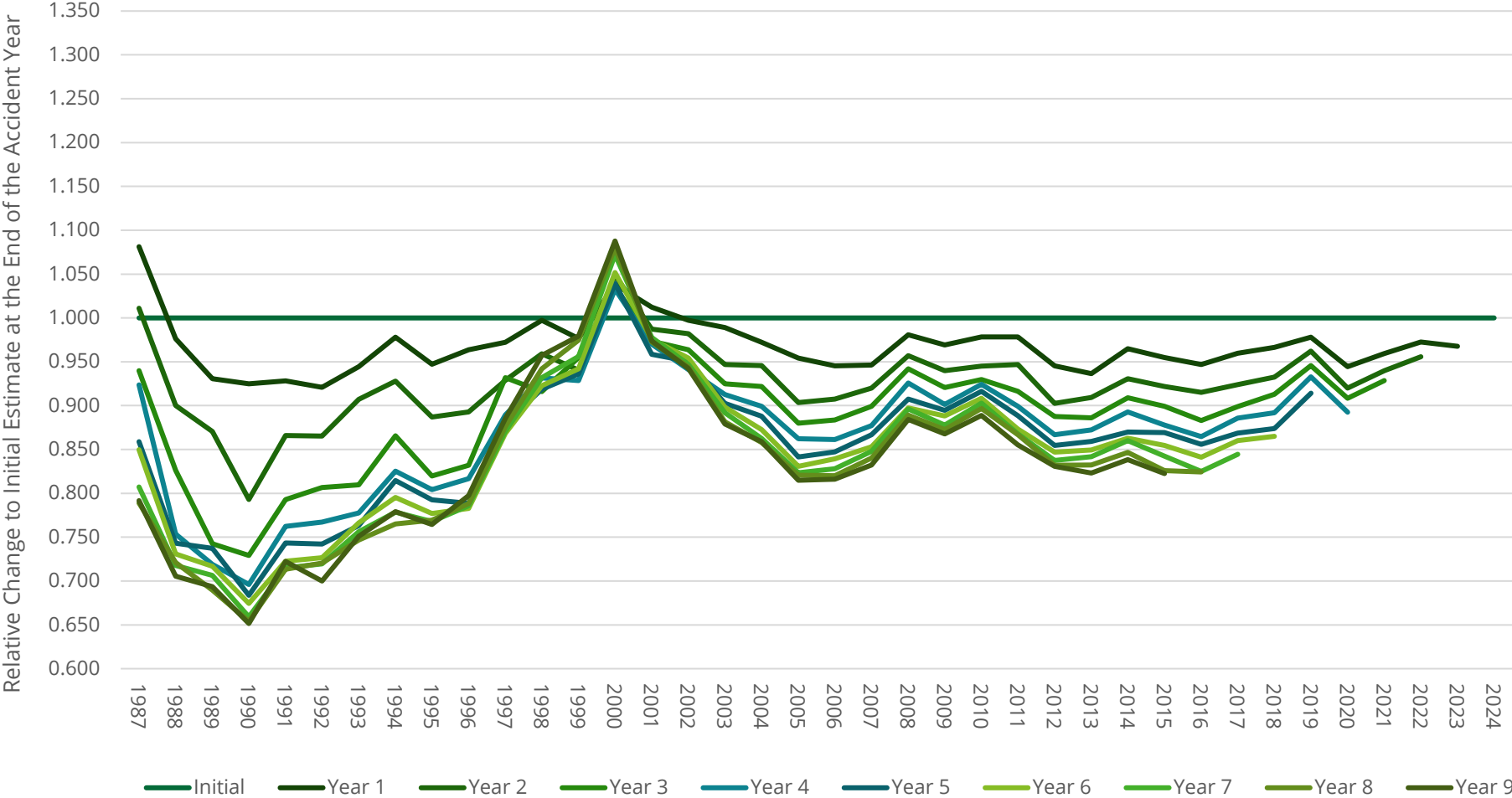
Large National Carriers



Source: Schedule P Workers Compensation & BLS Industry Data

Reserve Development & Inflation

AASCIF Members



Source: Schedule P Workers Compensation & BLS Industry Data

An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The seabed is visible through the shallow water, showing numerous dark, irregular patches of coral reefs. In the far distance, a thin strip of land with some buildings is visible on the horizon. The sky is a pale blue with scattered, fluffy white clouds.

Auto Liability

Industry Trends

Commercial Driving Staffing Shortages Cause Risky Driving Behavior

Lack of commercial drivers has contributed to heightened distractions and dangerous practices observed on the roads



By The Numbers

- **Over 80,000 professional drivers** were injured 2023, with 843 fatalities, making commercial vehicle operation one of the top 10 most dangerous jobs in the U.S.
- Nearly **40% of business drivers** report that their employers are struggling to find, hire or retain commercial drivers



Drivers Are Fearful

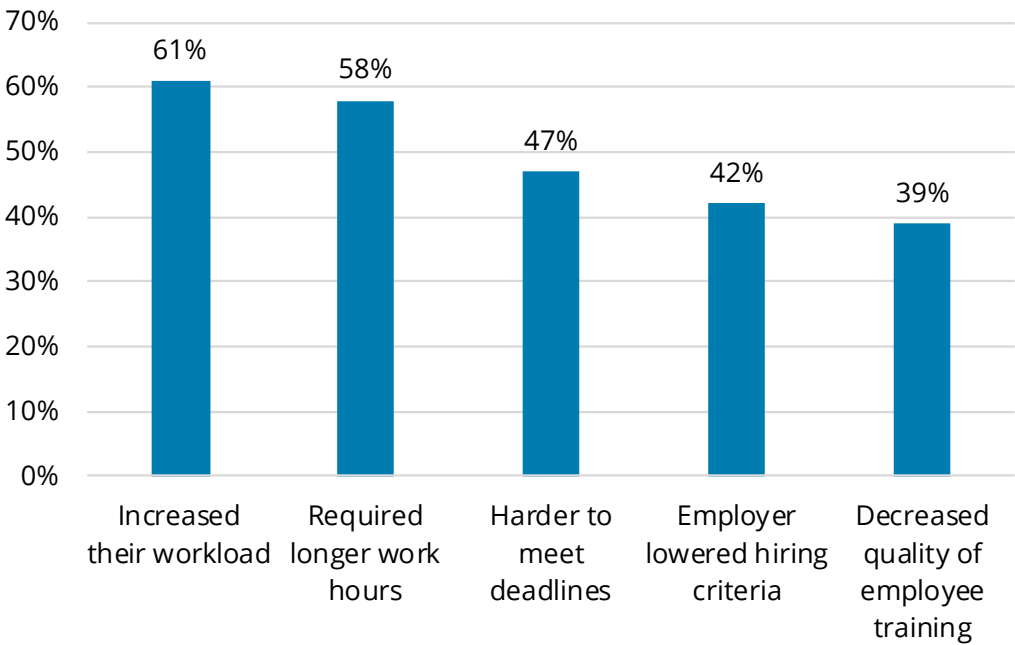
- 59% worry about personal liability for accidents or injuries
- 58% of drivers express concern about being killed or injured in an accident
- 52% are concerned about damaging their employer's reputation



What Can Be Done?

- Drivers believe that management needs to increase training to improve safety
- Install dashcams in vehicles

Commercial Driver Perspective on Staffing Shortages



Source: [Survey uncovers increasing risks on the roads - Agency Forward® - Nationwide](#)

Electric Vehicles are Impacting Insurers

As electric vehicle (EV) sales increase, so do insurance risks and loss costs

Electric Vehicle Market in 2023

The number of paid claims and total claims payment amount for EVs has risen faster than the number of EVs as a percentage of the total private passenger autos (PPA) market

1.5% of all PPA vehicles

1.7% of all PPA claims

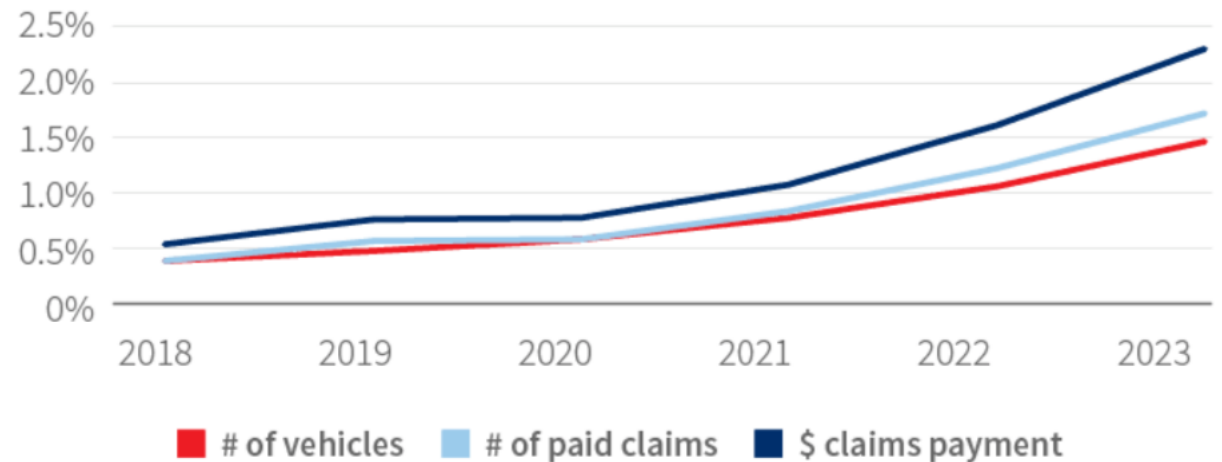
2.3% of the total claims payment amount of all PPAs

Electric Vehicle Loss Costs

- The total number of EVs grew by **40%** in 2023
- The total number of PPAs grew only **1.2%** in 2023
- The distinctive driving experience and higher repair cost of EVs has contributed to **higher claims frequency and severity** than Internal Combustion Engine vehicles (IECs)
- Claim frequency for EVs was **17% higher** than PPAs
- Claim severity for EVs was **34% higher** than PPAs

PLUG-IN EVs / PRIVATE PASSENGER AUTOS (%)

Figure 1



Source: <https://lexisnexis.turtl.co/story/top-5-auto-insurance-trends-2024-nonpersonalizedbroad/page/6/2>



In 2023, EV sales grew 54% compared to all cars, vans, SUVs and light-duty pickup trucks sales growth of 13%



A greater percentage of new EV buyers shopped for lower rates on their auto insurance policies than new owners of private passenger autos



The EV segment of auto insurance is expected to grow robustly in 2024 and beyond



Auto insurers need to develop EV-specific rating and underwriting strategies to help capture this growth opportunity profitably

Potential Impacts of Tariffs on the Auto Insurance Industry

As the U.S. imposes tariffs on international trade partners, domestic insurers will need to assess and potentially adapt pricing and reserving practices

Factors To Consider



Rising costs of vehicle parts

- Large portion of vehicles sold on the US have imported parts
- Increased supply chain volatility
- Production of vehicle components and parts often cross borders several times before for use
- Recent car fleets come equipped with advanced engineering and electronics, which require an increased number of imports



New and used vehicle market dynamics

- Supply and demand constraints on new vehicles
- Shifts in demand and prices for used vehicles



Increased tax burden on automakers

- Due to in-shoring and multiple border crossings of products during the manufacturing/production cycle



Longer term uncertainty from tariffs

- Potential impact on strategic plan of manufacturers
- Less industry innovation as companies focus on short-term survival
- Capital expenditures shift to combat tariffs instead of investing in enhanced productivity and efficiency
- Uncertainty surrounding who will absorb higher costs - manufacturers or consumers

Impact on Insurers



Adverse development of loss reserves

... arising from higher costs associated with replacement parts



Increased likelihood of underwriting losses

... provided tariffs were not considered in the pricing of policies already in effect



Establishment of premium deficiency reserve (PDR)

... as unearned premium reserves for auto lines may be insufficient to cover associated future losses and expenses



Increased rates

... to offset potentially higher replacement costs associated with uncertainty and volatility of tariffs



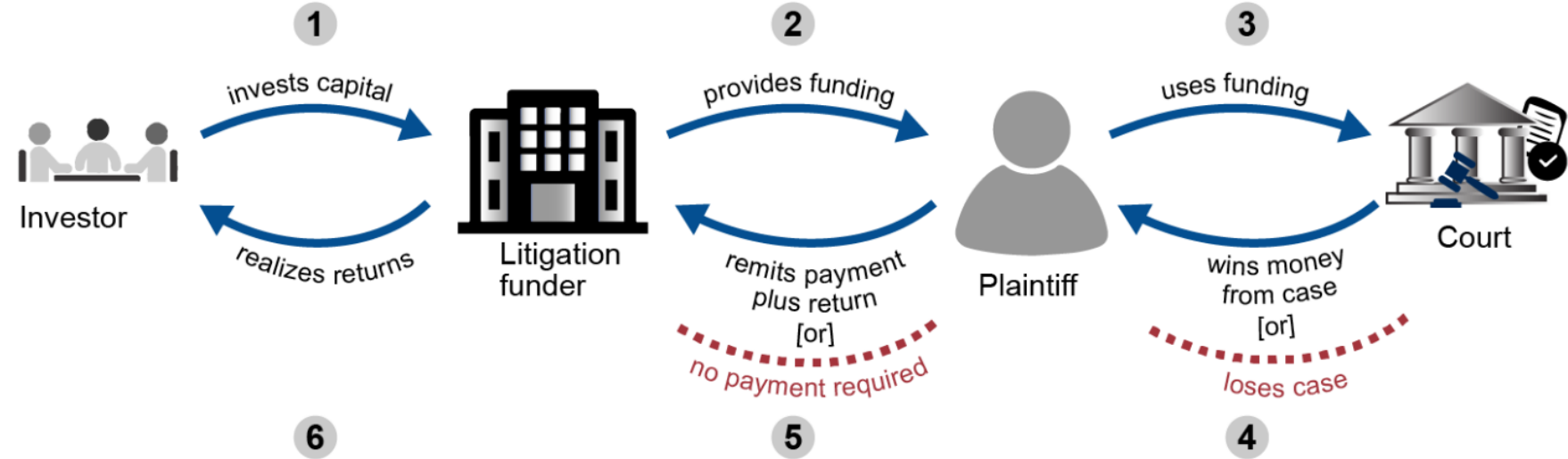
Increased mix of business and market share volatility

... as consumers have a higher propensity to shop around during periods of rate fluctuations

Third-Party Litigation Funding is Here to Stay

As other investment avenues become more uncertain, Third-Party Litigation Funding (TPLF) guarantees high rates of return

Example: TPLF for Plaintiffs



Drivers of the TPLF Market Growth

Higher Returns

- Average annual return of 25-30%
- Can soar as high as 220%
- S&P 500 Return since 1957: 10.15%

Increasing Capital


- New capital commitments increased by 16% in 2022
- 44 active third-party litigation funders with \$13.5 billion in assets


Increasing Portfolio Funding


- Portfolio funding, where funders finance multiple cases for a firm, currently represents 68% of new capital commitments


Nuclear Verdicts Reach Record \$14.5 Billion in 2023


Nuclear verdicts can have financial and reputational costs for insurance companies

- 

Beyond the financial impact, these verdicts can severely damage a company's reputation: Research shows **stock prices can decline almost 22% in the years following such verdicts.**
- 

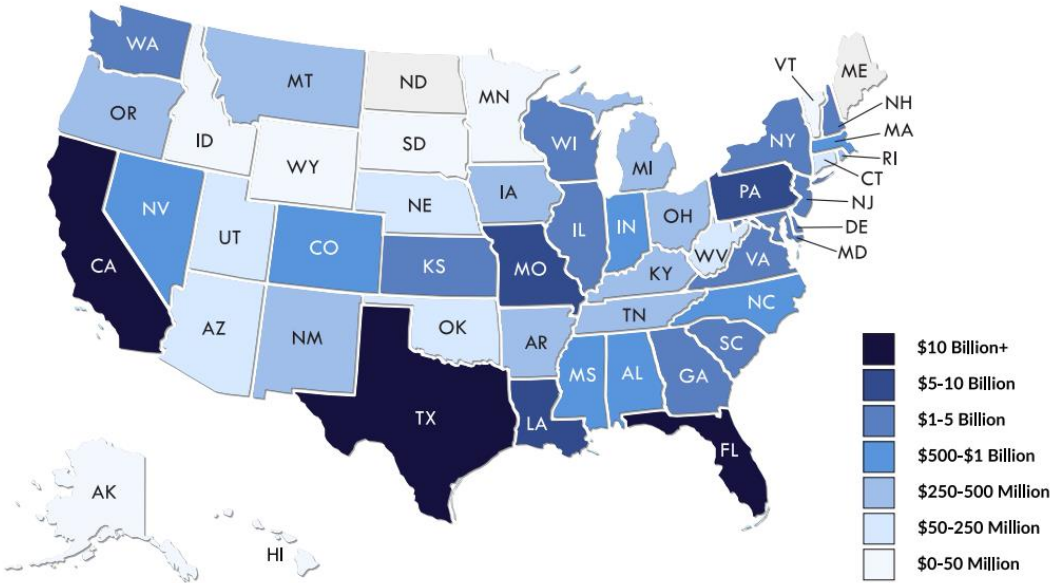
Florida, historically the #2 state for nuclear verdicts, dropped to #7 following the March 2023 tort reforms
- 

The **median nuclear verdict rose to \$44 million in 2023**, a significant increase from \$21 million in 2020.
- 

89 lawsuits resulted in verdicts over \$10 million in 2023 — a 15-year high — and 27 of these were “thermonuclear,” reaching more than \$100 million.
- 

Attorney advertising now exceeds \$1 billion each year, contributing to the growth of nuclear verdicts and shaping public perception of cases.

Nuclear Verdicts by State (2009-2022)



Source: Corporate-Verdicts-Go-Thermonuclear-0313.pdf (marathonstrategies.com)

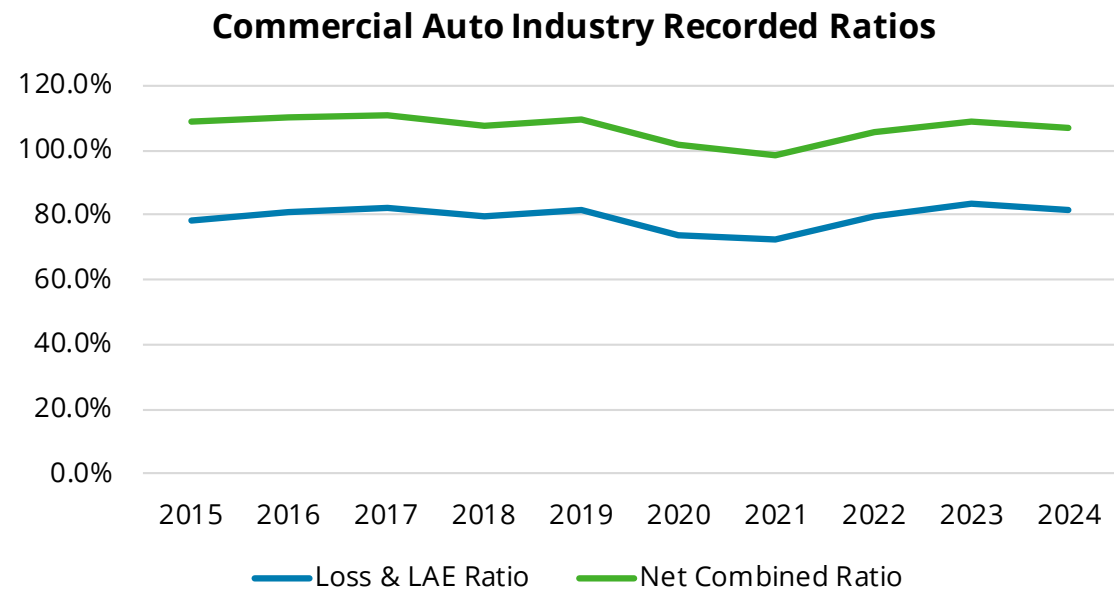
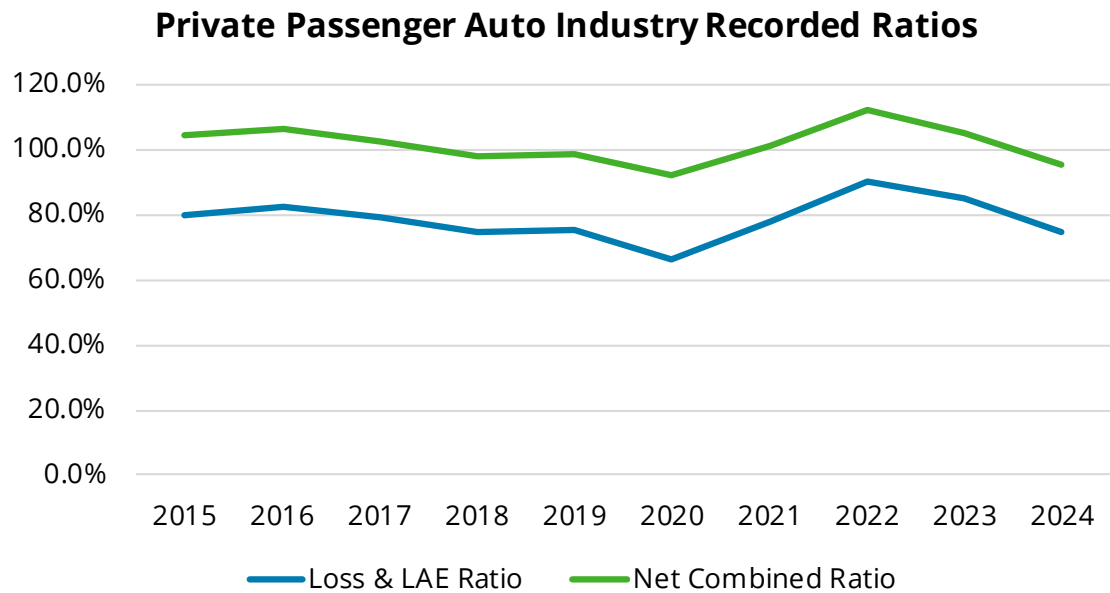
An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The water is exceptionally clear, revealing a complex pattern of dark, submerged coral reefs and sandbars. In the far distance, a small island with some buildings and vegetation is visible on the horizon. The sky is a pale blue with scattered, fluffy white clouds.

Auto Liability

Loss Ratios

Peer Comparison of AY Net Ultimate Loss & LAE Ratios

Private Passenger and Commercial Auto Liability

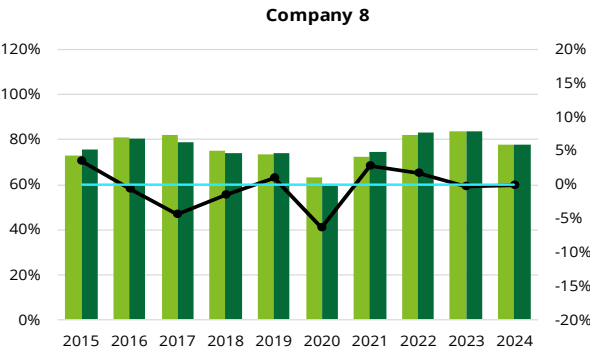
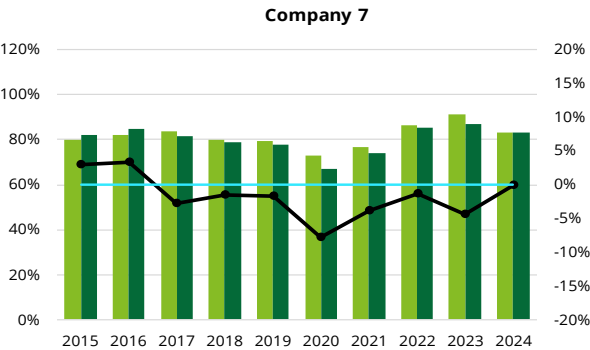
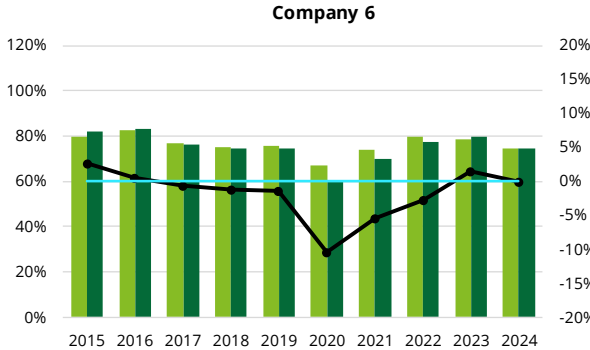
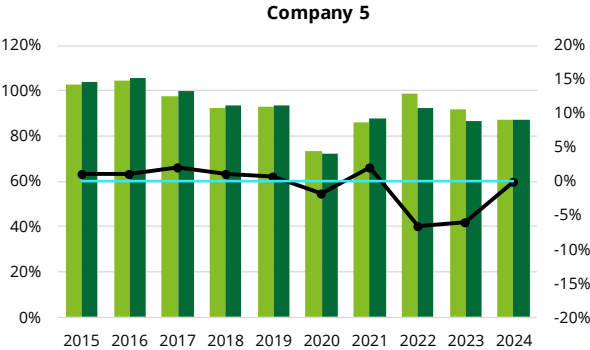
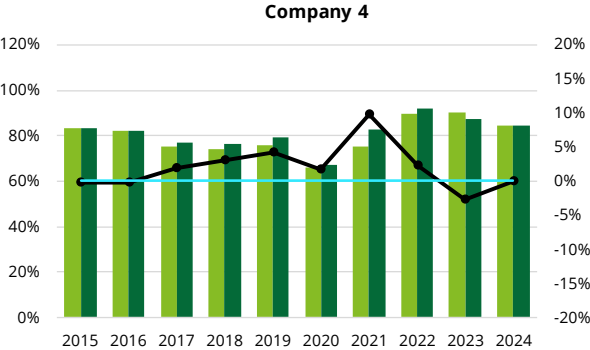
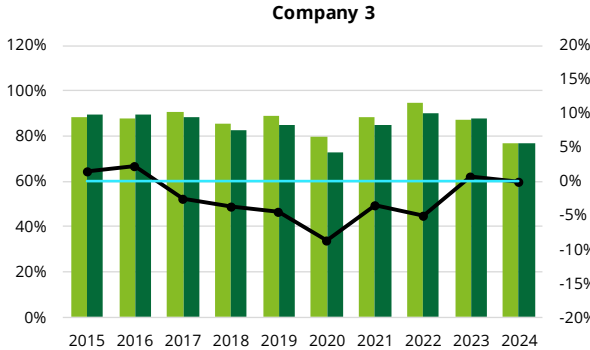
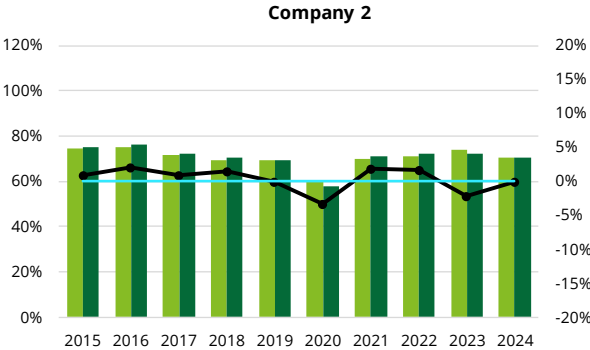
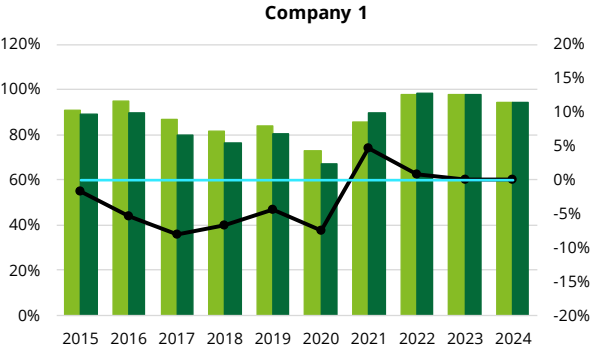


- As private auto underwriting results continue to improve post COVID-19 pandemic, average rate increases have returned to single digits
- Commercial auto remains unprofitable, with a net combined ratio of 107% in 2024

Source: Schedule P Private Passenger & Commercial Auto Liability Data
 Note: Private Passenger Auto includes Auto Physical Damage, Commercial Auto does not include Auto Physical Damage

Peer Comparison of AY Net Ultimate Loss & LAE Ratios

Private Passenger Auto Liability

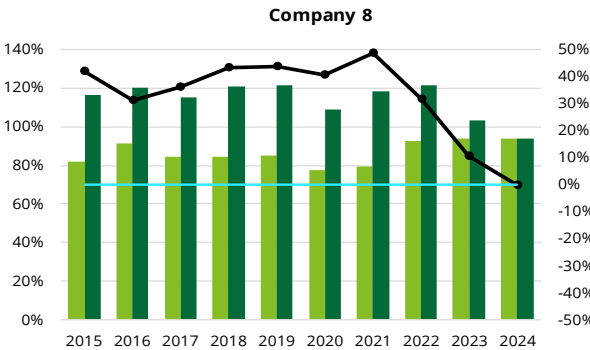
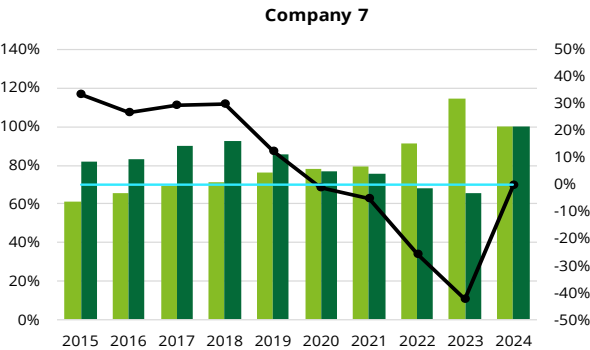
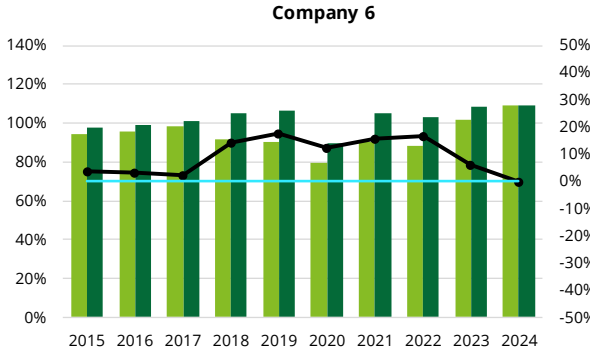
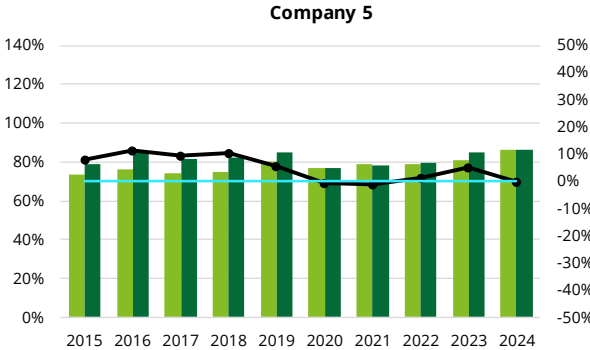
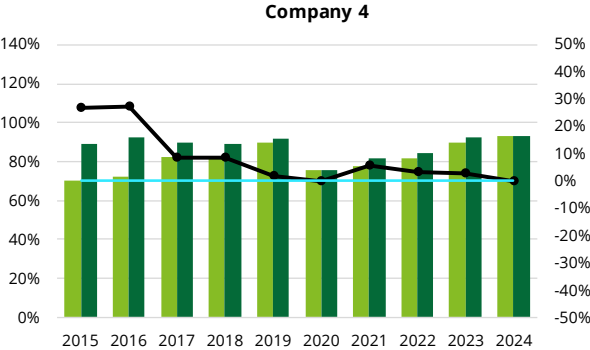
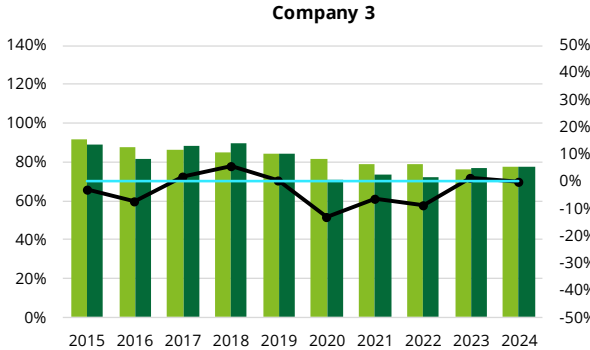
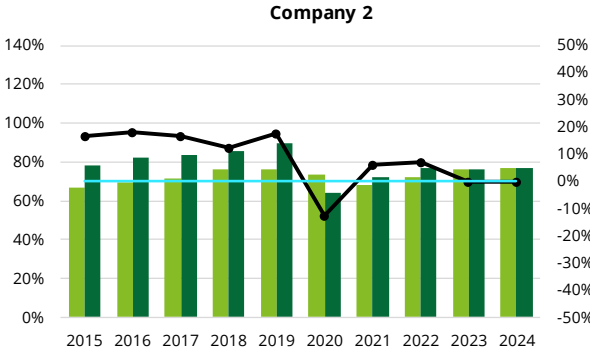
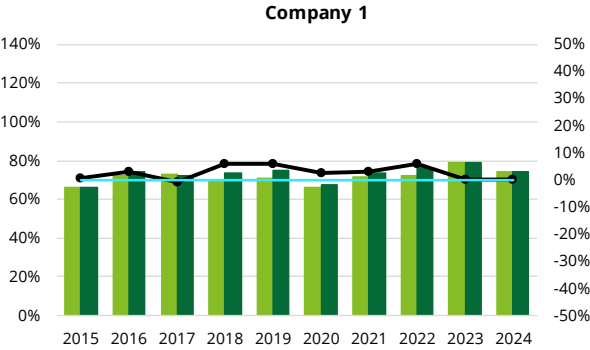


- Graphs show the net ultimate loss & LAE ratio by accident year which is the ratio of net of reinsurance incurred loss & LAE to net earned premium
- Left Axis: Net Ultimate Loss & LAE Ratio
- Right Axis: % change from 12 months to 12/24
- Data is Schedule P Private Passenger Auto Liability

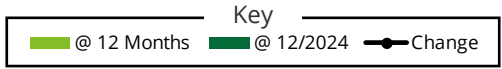


Peer Comparison of AY Net Ultimate Loss & LAE Ratios

Commercial Auto Liability



- Graphs show the net ultimate loss & LAE ratio by accident year which is the ratio of net of reinsurance incurred loss & LAE to net earned premium
- Left Axis: Net Ultimate Loss & LAE Ratio
- Right Axis: % change from 12 months to 12/24
- Data is Schedule P Commercial Auto Liability



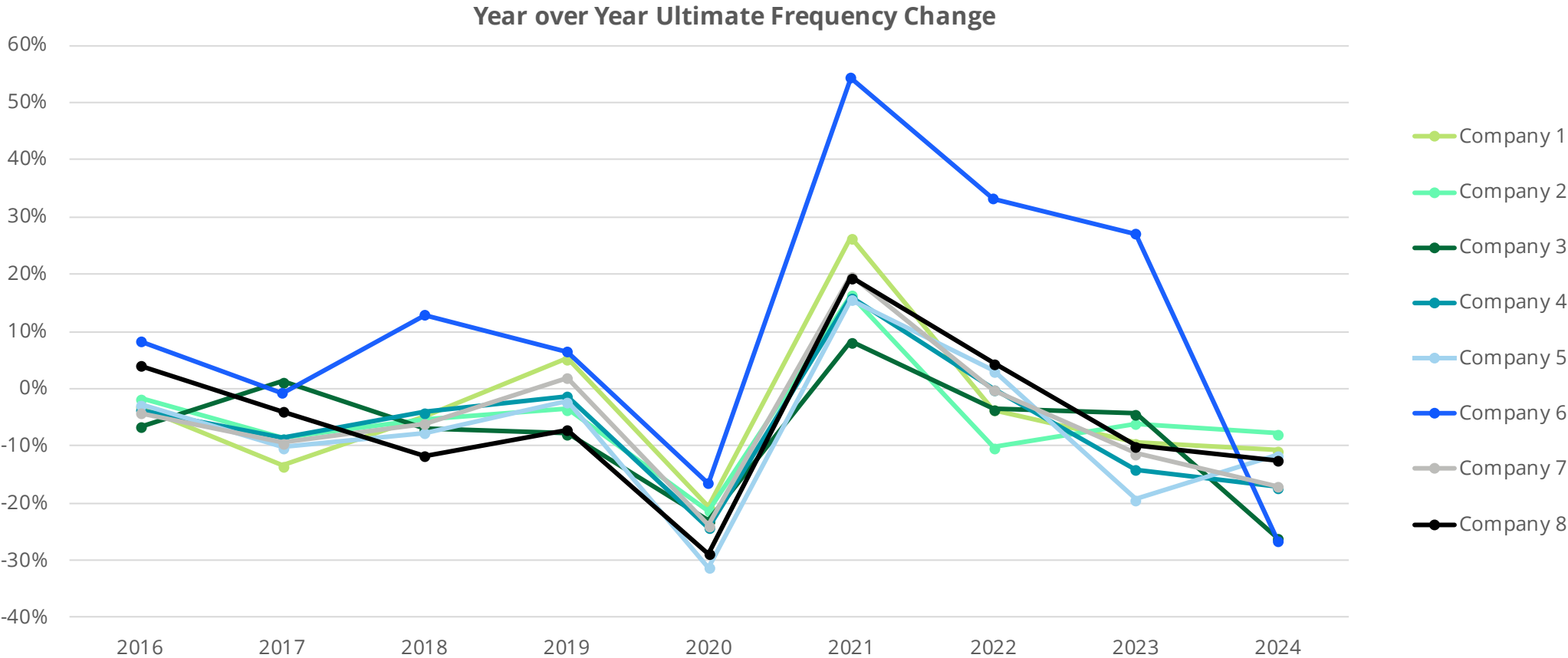
An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The seabed is visible through the shallow water, showing numerous dark, irregular patches of coral or rocks. In the far distance, a small island with some buildings and trees is visible on the horizon. The sky is a pale blue with scattered white clouds.

Auto Liability

Frequency & Severity

Peer Comparison of AY Ultimate Frequency

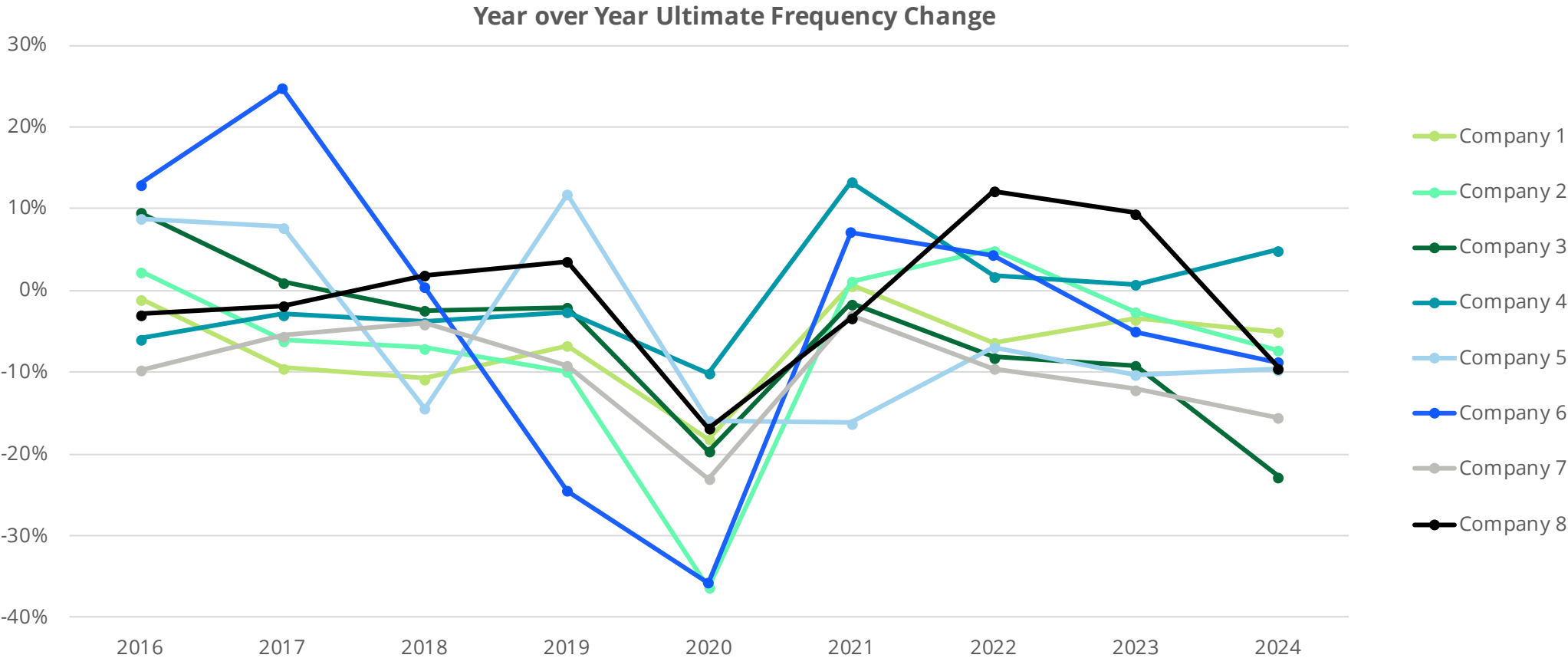
Private Passenger Auto Liability



- The above graph shows year over year ultimate frequency change by accident year, which is the ratio of net of ultimate claim counts to net earned premium
- Ultimate claim counts are determined using 3-year weighted average development factors

Source: Schedule P Private Passenger Auto Liability Data

Peer Comparison of AY Ultimate Frequency Commercial Auto Liability

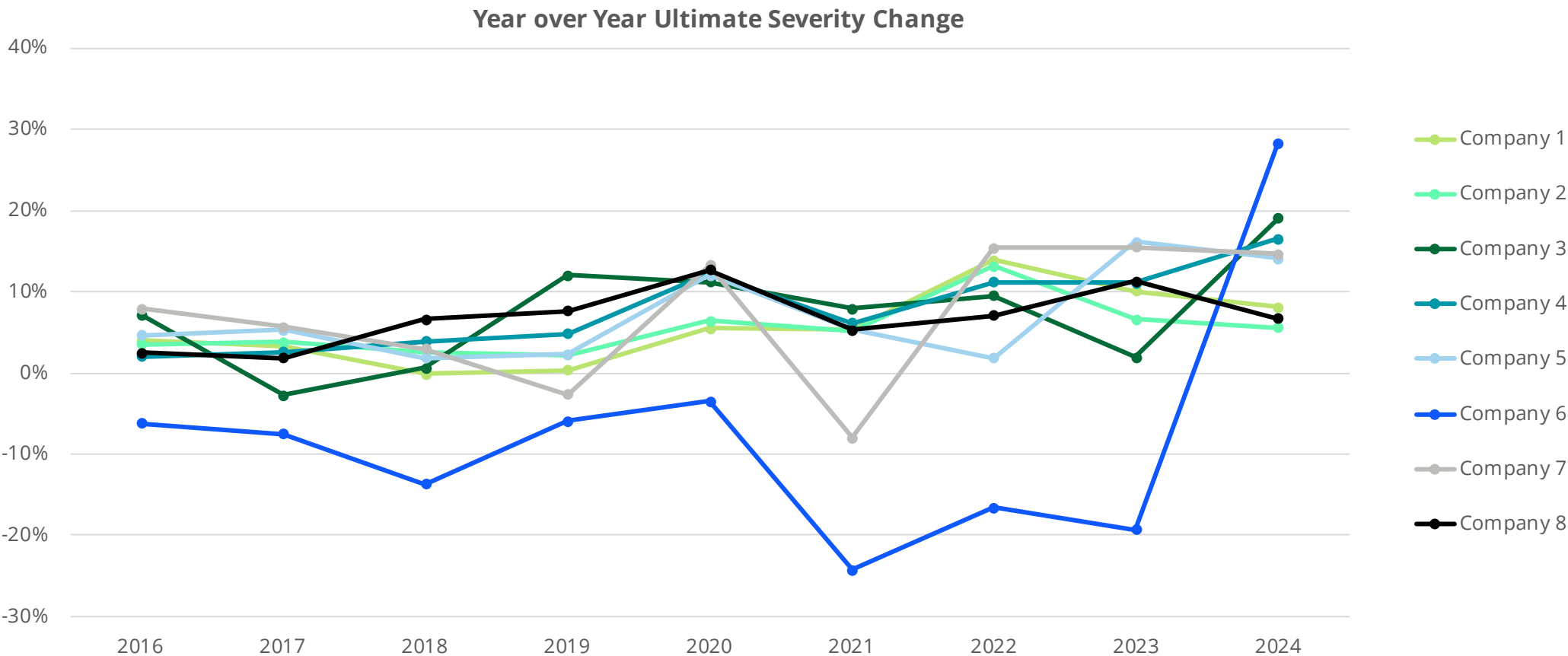


- The above graph shows year over year ultimate frequency change by accident year, which is the ratio of net of ultimate claim counts to net earned premium
- Ultimate claim counts are determined using 3-year weighted average development factors

Source: Schedule P Commercial Auto Liability Data

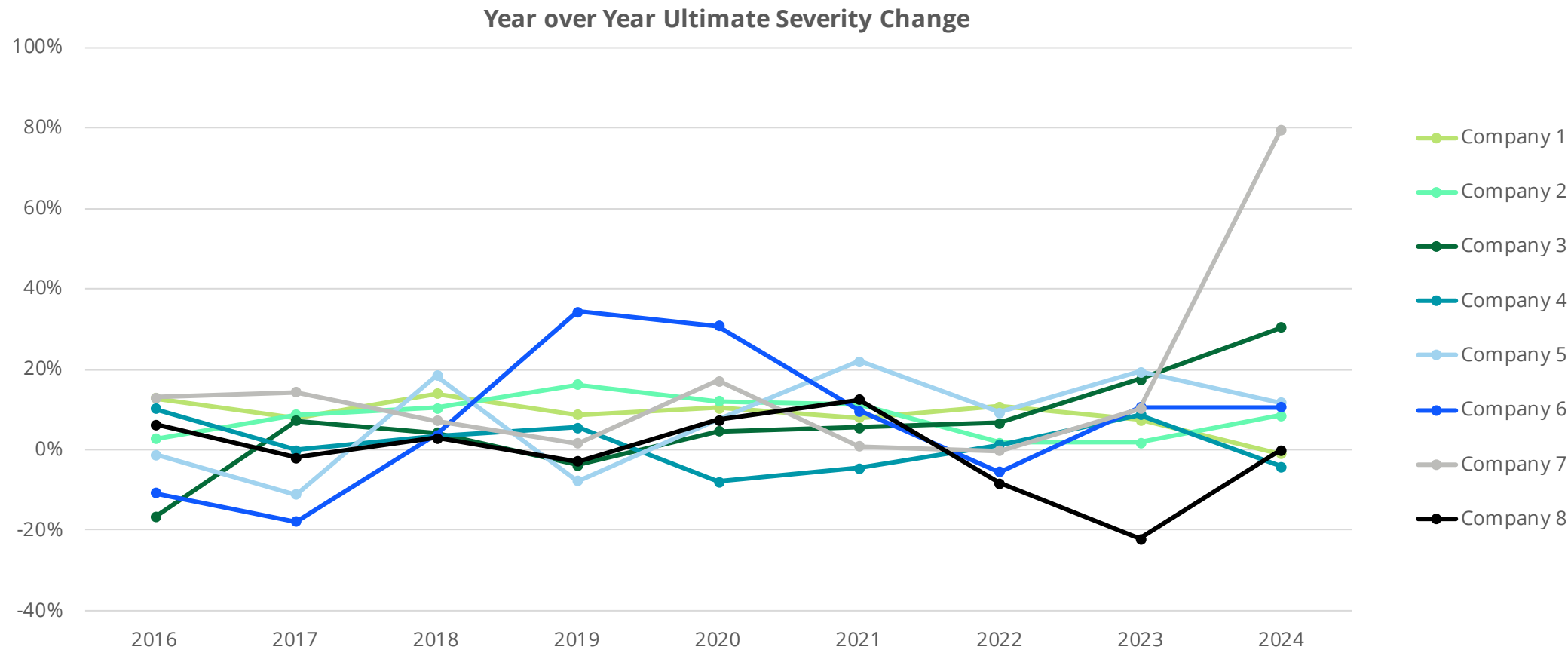
Peer Comparison of AY Ultimate Severity

Private Passenger Auto Liability



- The above graph shows year over year ultimate severity change by accident year, which is the ratio of net incurred loss & LAE to ultimate claim counts
- Ultimate claim counts are determined using 3-year weighted average development factors

Peer Comparison of AY Ultimate Severity Commercial Auto Liability



- The above graph shows year over year ultimate severity change by accident year, which is the ratio of net incurred loss & LAE to ultimate claim counts
- Ultimate claim counts are determined using 3-year weighted average development factors

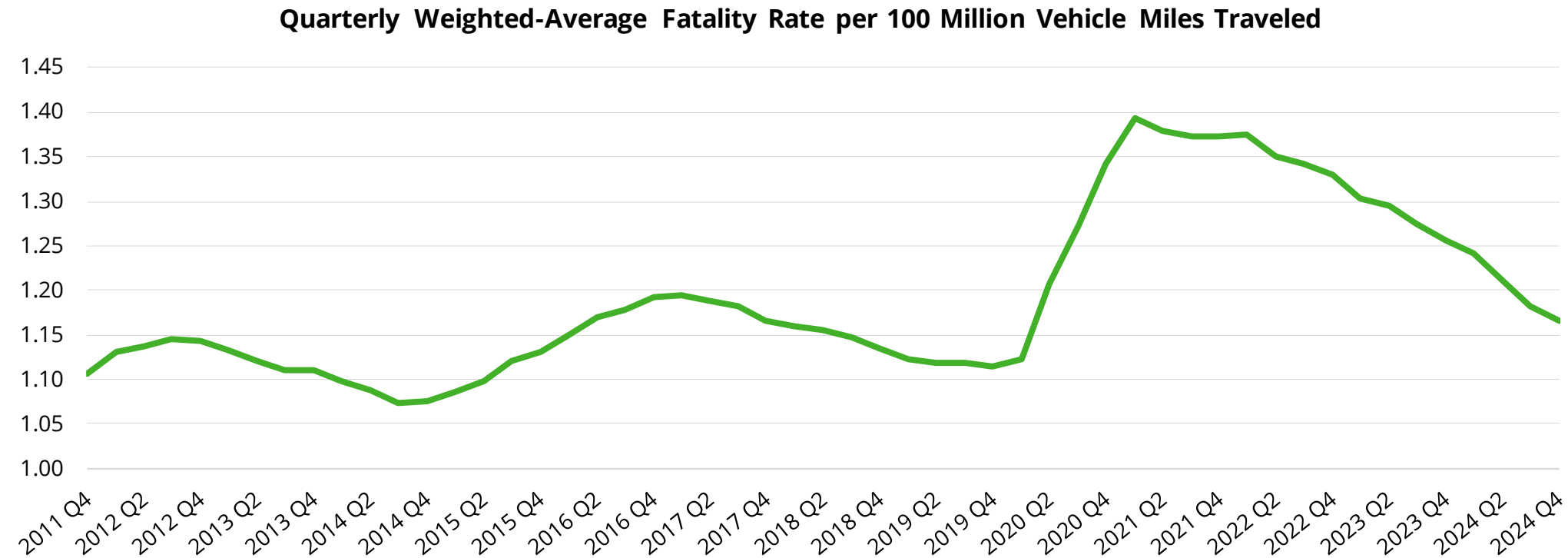
An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The seabed is visible through the shallow water, showing numerous dark, irregular patches of coral reefs. In the far distance, a thin strip of land with some buildings is visible on the horizon. The sky is a pale blue with scattered, fluffy white clouds.

Auto Liability

Fatality Rates

Fatality Rates

COVID-19 Pandemic and Driving Habits



- Fatality rates increased substantially due to dangerous driving habits after the COVID-19 pandemic, but have continued to improve over recent years
- Average fatality rates in 2024 have returned to pre-pandemic levels

Source: NHTSA's National Center for Statistics and Analysis

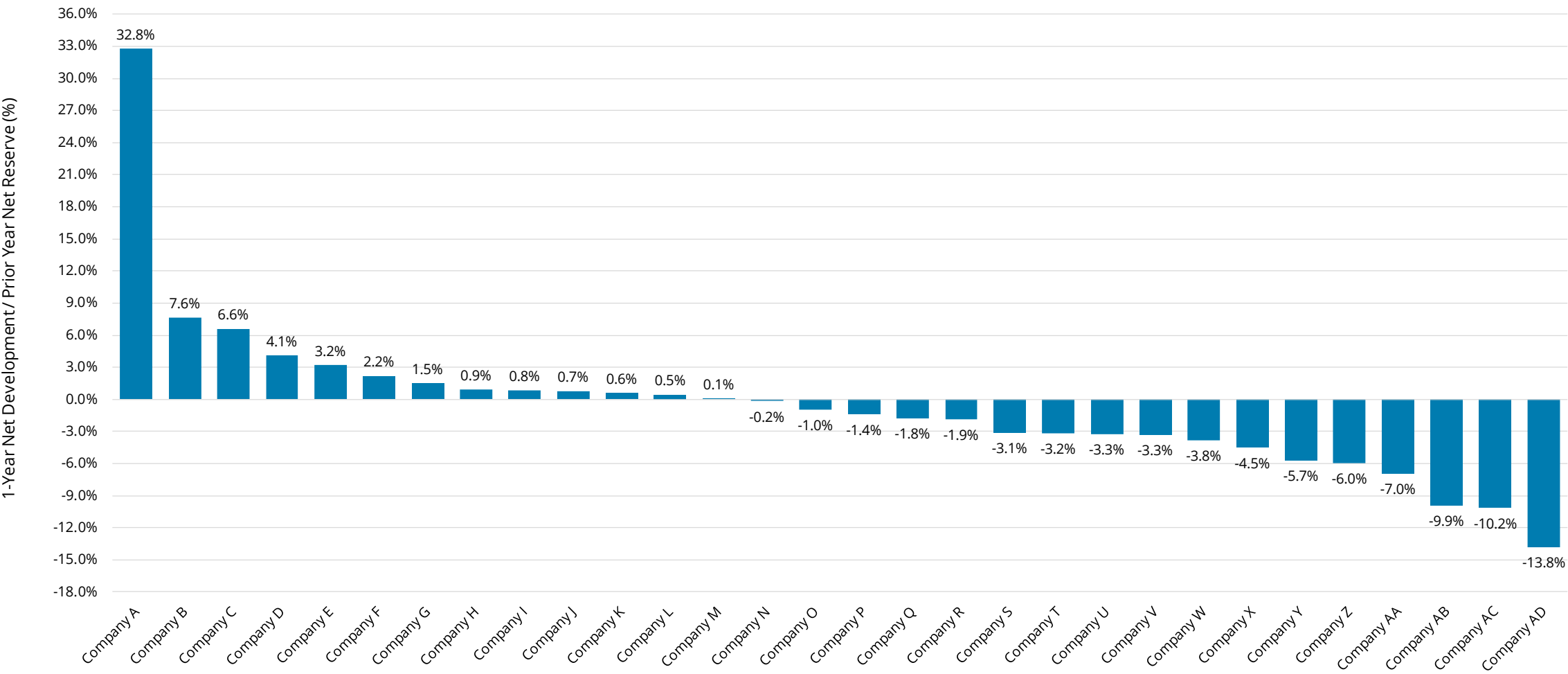
An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The seabed is visible through the shallow water, showing dark, irregular patches of coral or rocks. In the far distance, a small island with some buildings and trees is visible on the horizon. The sky is a pale blue with scattered white clouds.

Auto Liability

Reserve Development & Inflation

2024 Change in PPAL Prior Year Loss and DCC Reserves

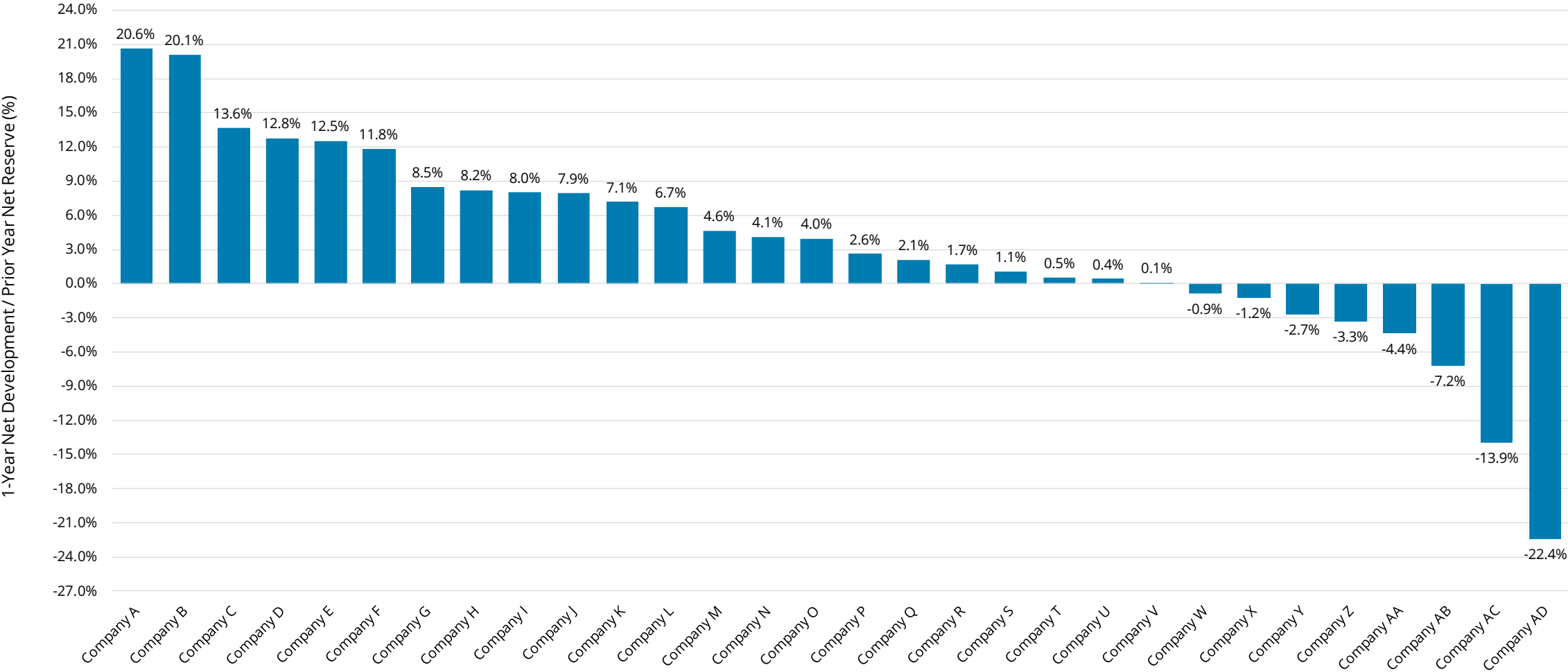
Top 30 Private Passenger Auto Liability Writers by Market Share



Source: Schedule P Private Passenger Auto Liability Data

2024 Change in CAL Prior Year Loss and DCC Reserves

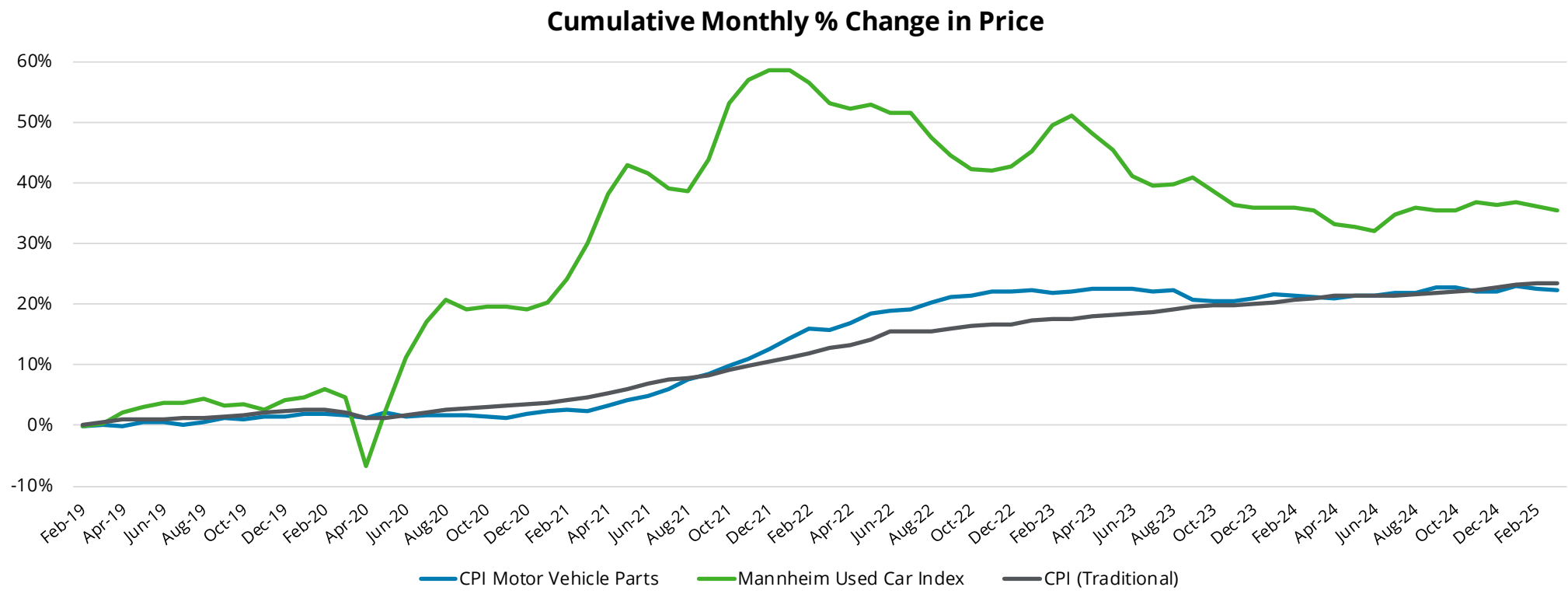
Top 30 Commercial Auto Liability Writers by Market Share



Source: Schedule P Commercial Auto Liability Data

CPI & Inflation

Cost of Vehicle Parts vs. Inflation



- Traditional CPI is outpacing motor vehicle parts CPI for the first time since the COVID-19 pandemic
- Both CPI for motor vehicle parts and used vehicle prices show signs of leveling out, but could be impacted by tariffs on auto parts

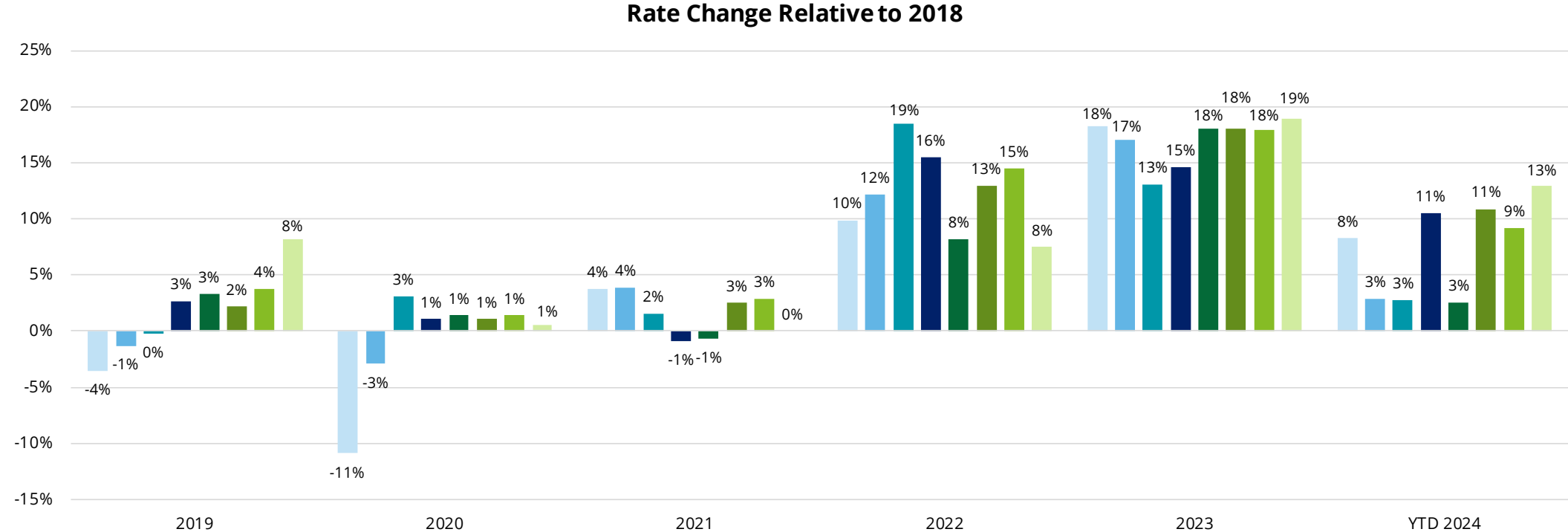
An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The seabed is visible through the shallow water, showing numerous dark, irregular patches of coral reefs. In the far distance, a thin strip of land with some buildings is visible on the horizon. The sky is a pale blue with scattered, fluffy white clouds.

Auto Liability

Rate Change

Rate Change Relative to 2018

Largest U.S. Private Auto Insurers



- Largest U.S. private auto insurers are returning to single-digit rate increases in 2024
- Through 3rd quarter 2024, 43 states and the District of Columbia reflected an effective rate change of 7.2%, compared to 16.4% in 2023

Source: S&P Global Data

An aerial photograph of a vast, clear turquoise ocean. In the lower-left quadrant, a small white motorboat is moving towards the right, leaving a white wake. The seabed is visible through the shallow water, showing numerous dark, irregular patches of coral or rocks. In the far distance, a small island with some buildings and trees is visible on the horizon. The sky is a pale blue with scattered white clouds.

Questions?



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more. DCB Holding Ltd is a member firm of Deloitte Touche Tohmatsu Limited.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 457,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

Deloitte has a strong presence in the countries of the Caribbean and Bermuda marketplace, with more than 500 professionals dedicated to bringing their talents to bear on our clients’ unique issues. The Deloitte Caribbean and Bermuda Countries member firm has practices located in The Bahamas/Turks and Caicos Islands, Barbados, Bermuda, British and United States Virgin Islands, Cayman Islands, Jamaica, and Trinidad & Tobago, covering the English-speaking Caribbean. Though we operate in multiple countries, our professionals have a single focus: to help clients navigate their business challenges and achieve success.