

State of the MPL Insurance Industry

Prepared for: 2021 MPL Association Conference

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Principal & Consulting Actuary
Milliman, Inc.

Date: May 20, 2021

Agenda

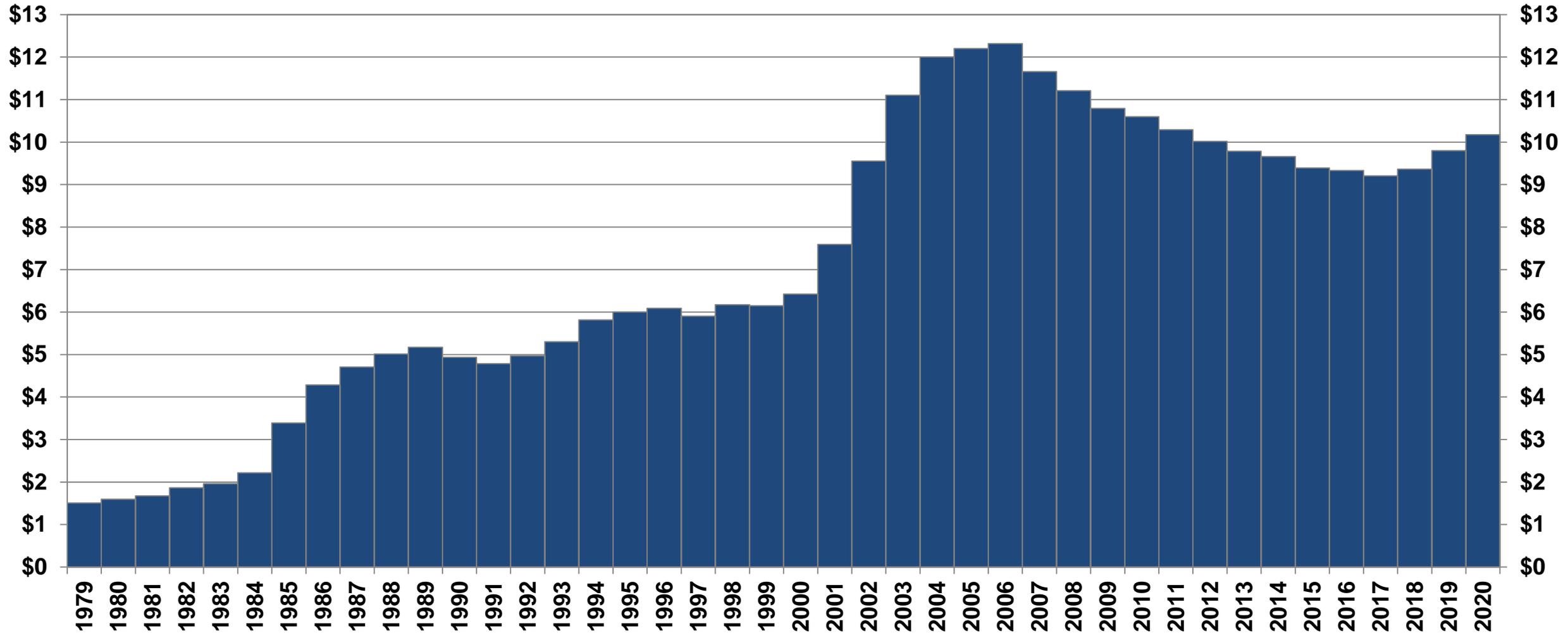
- Top Line Trends
- Claim Costs
 - Impact of COVID-19
- Profitability and Capitalization
- Signs of a Firming Market

Topic #1

Top Line Trends

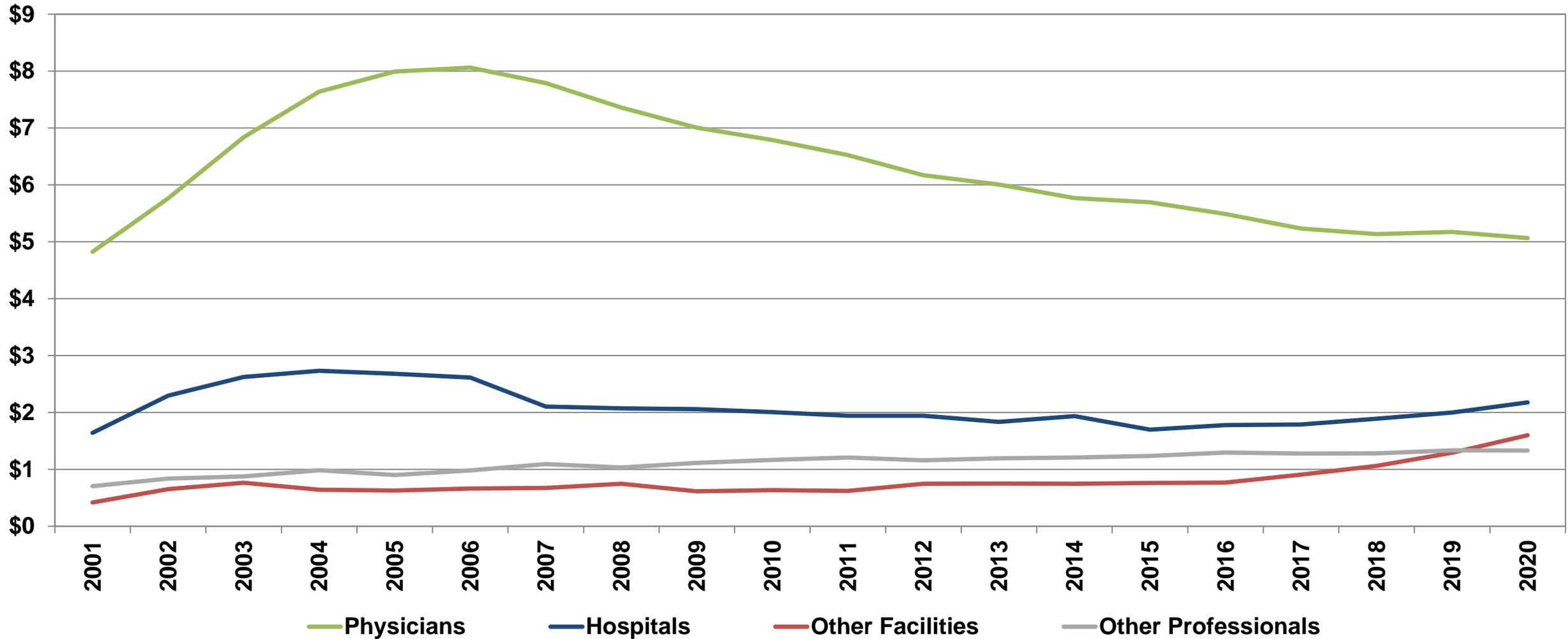
MPL Direct Written Premium

Countrywide (\$Billions)



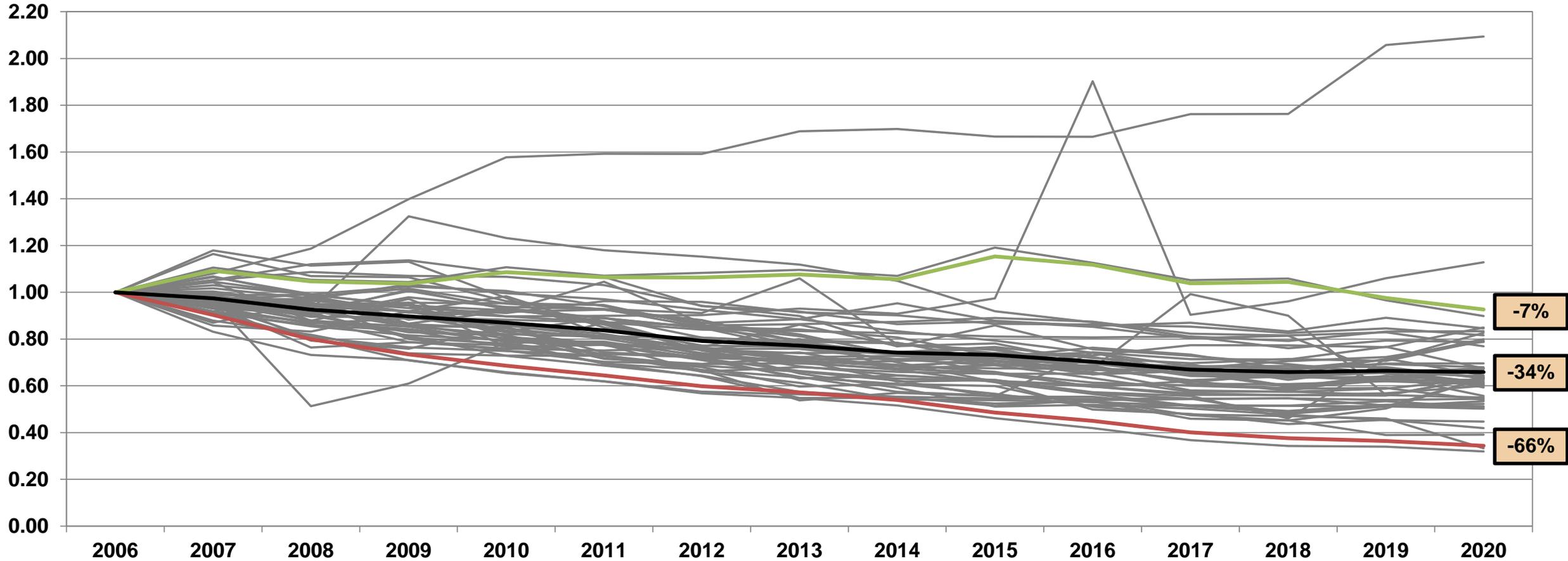
Distribution of MPL Direct Written Premium

Countrywide (\$Billions)



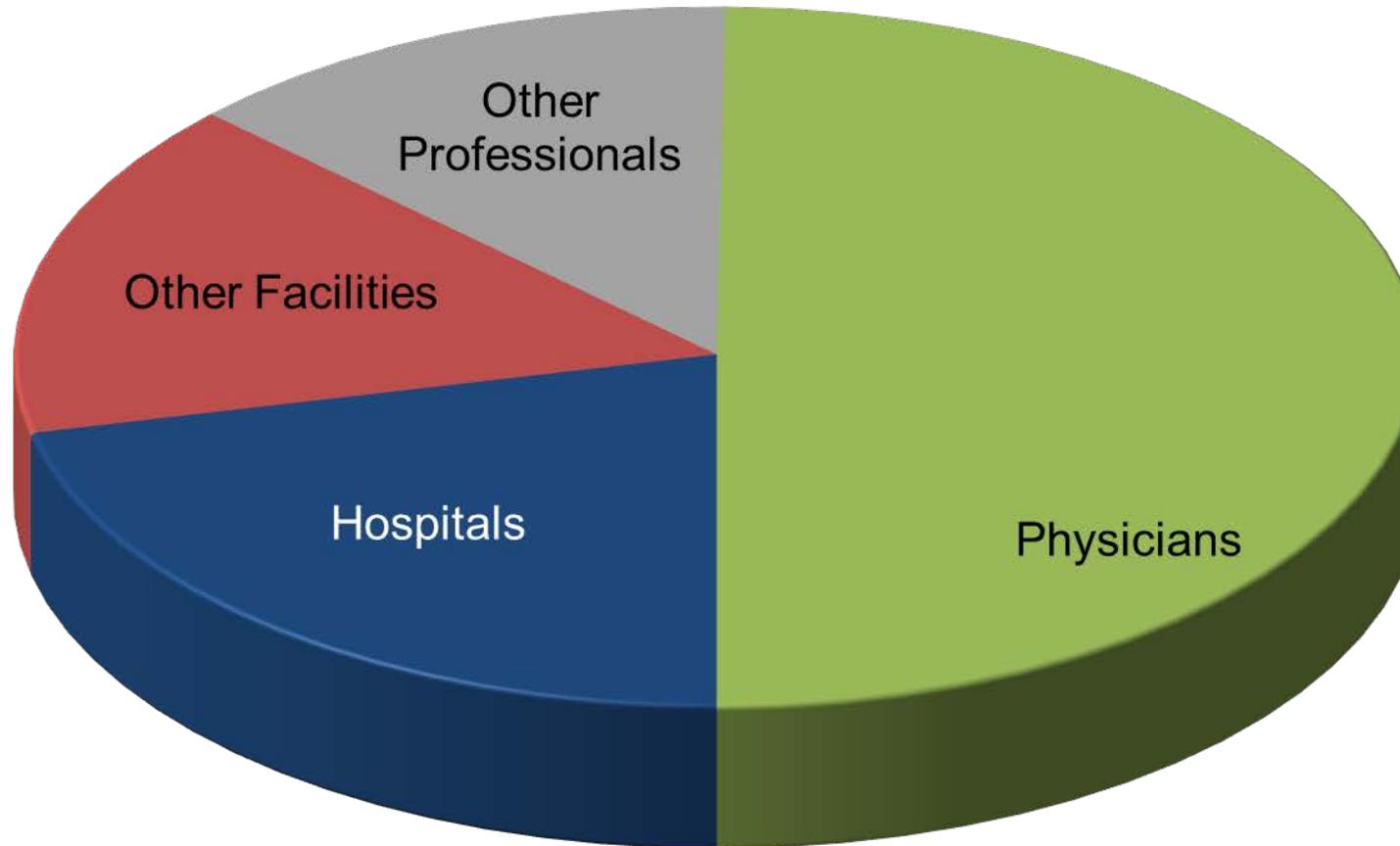
PPL Direct Written Premium

Variance by State, Relative to 2006



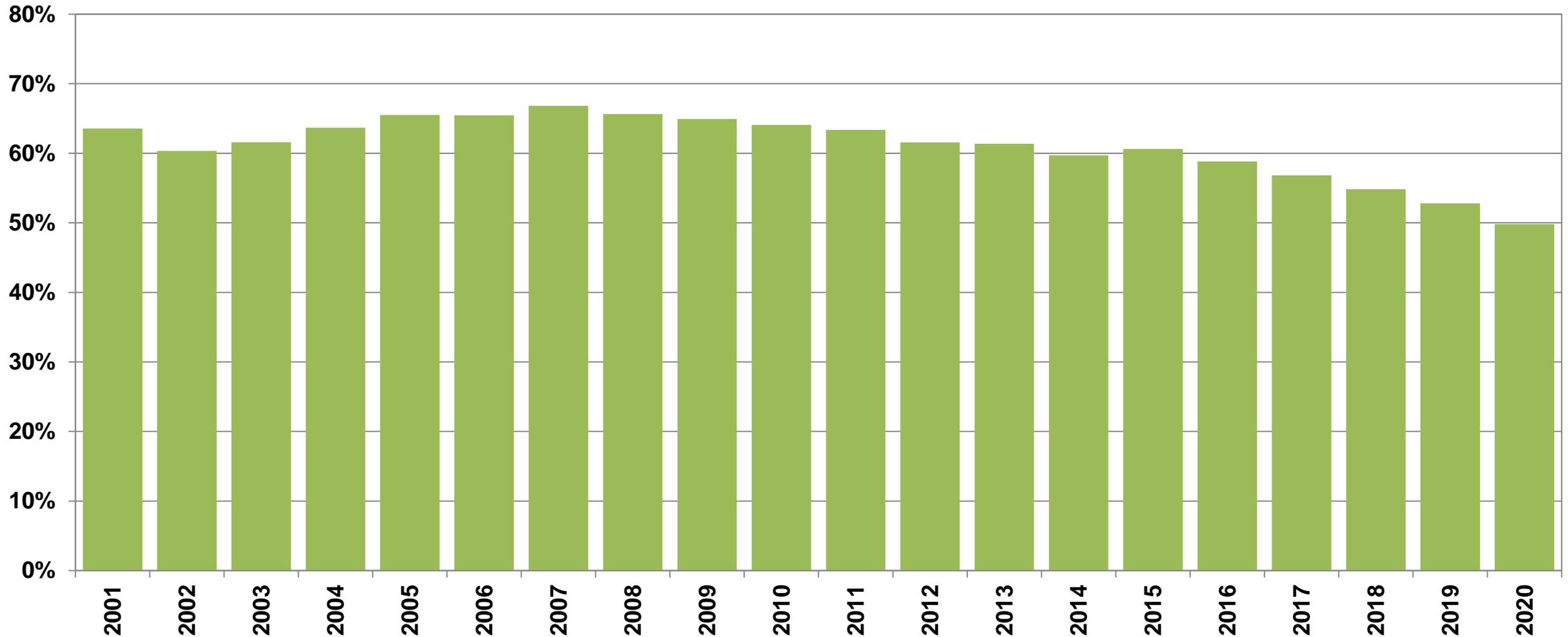
Distribution of MPL Direct Written Premium

Countrywide, 2020



Distribution of MPL Direct Written Premium

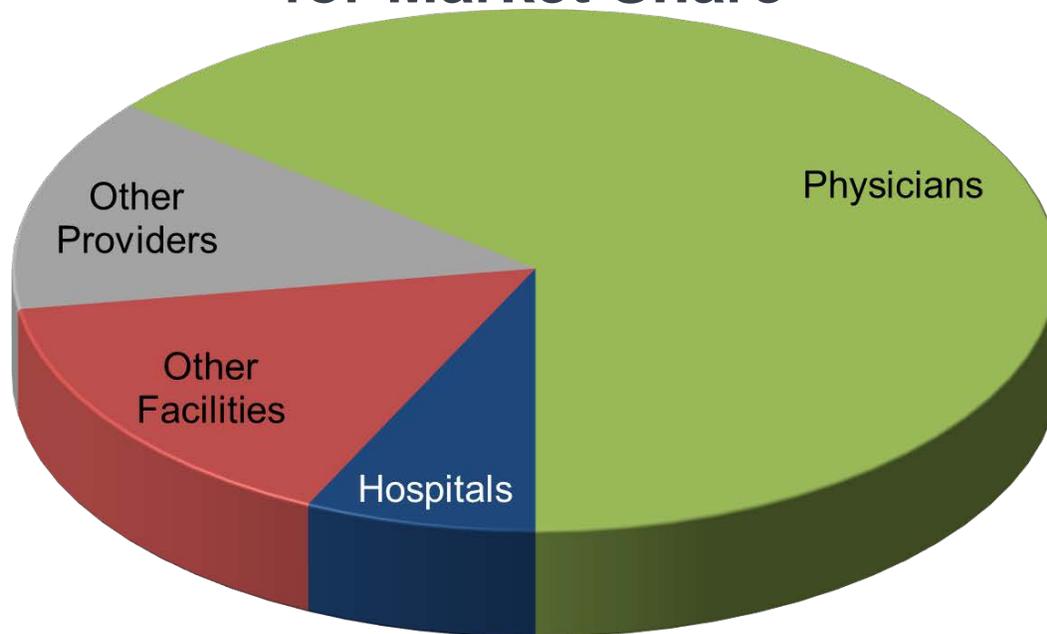
PPL Share of Countrywide Total



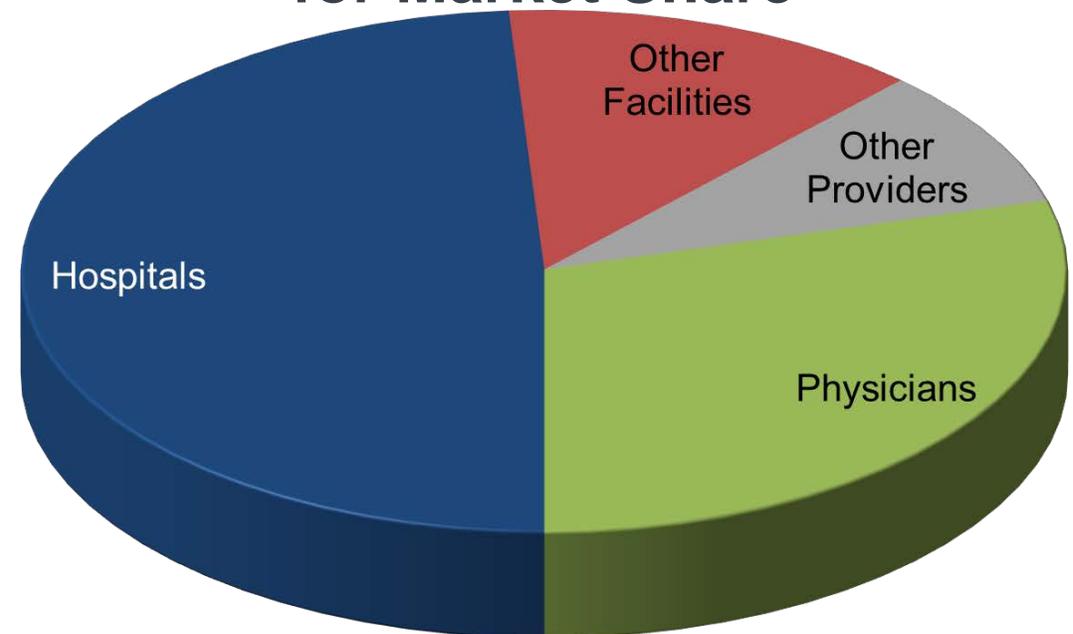
Distribution of MPL Direct Written Premium

Countrywide, 2020

Top 5 PPL States for Market Share

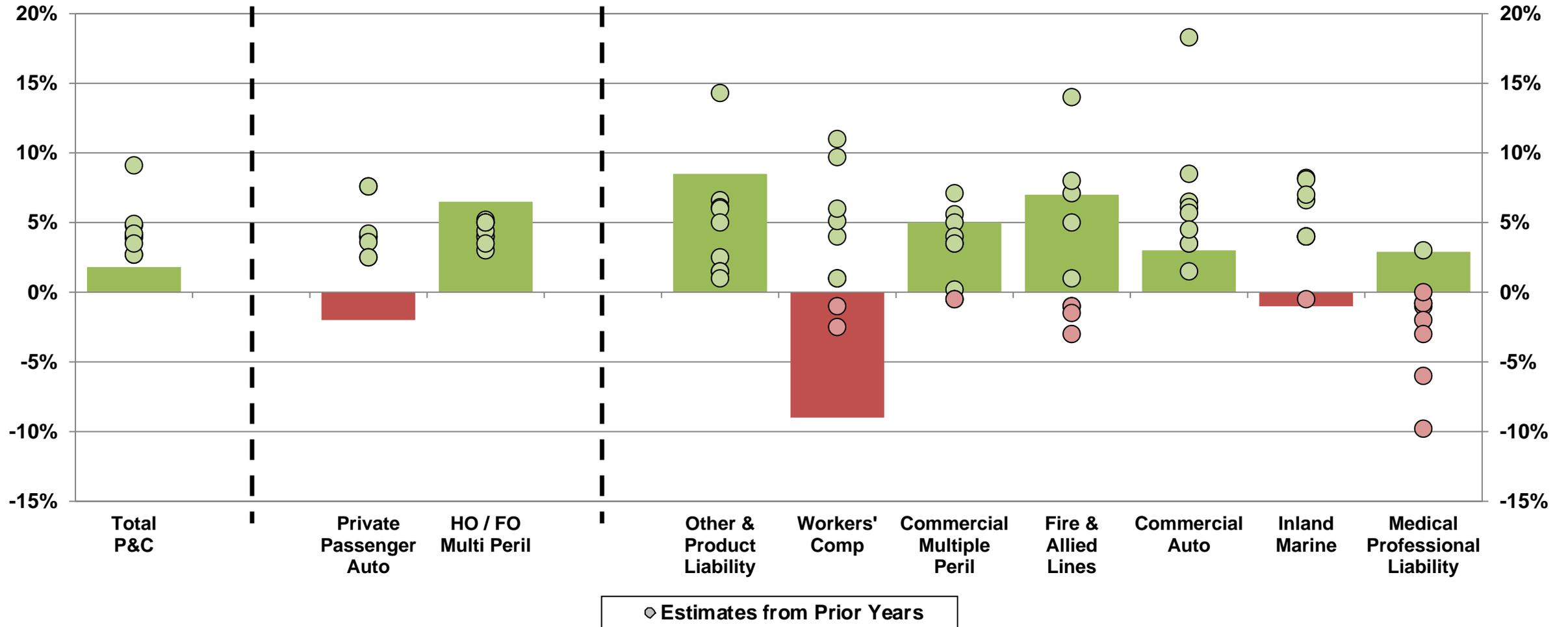


Bottom 5 PPL States for Market Share



Change in Net Written Premium

A.M. Best Estimates, 2020 versus Prior Years

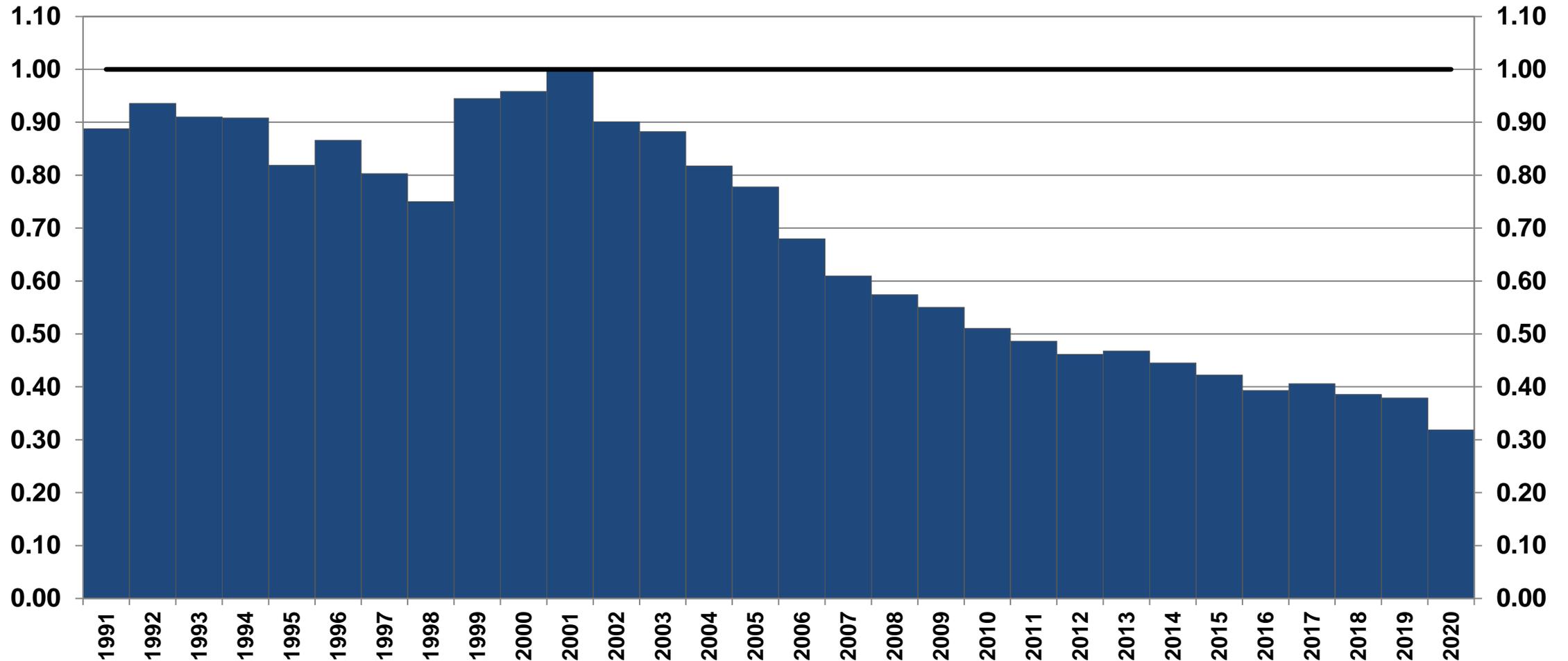


Topic #2

Claim Costs

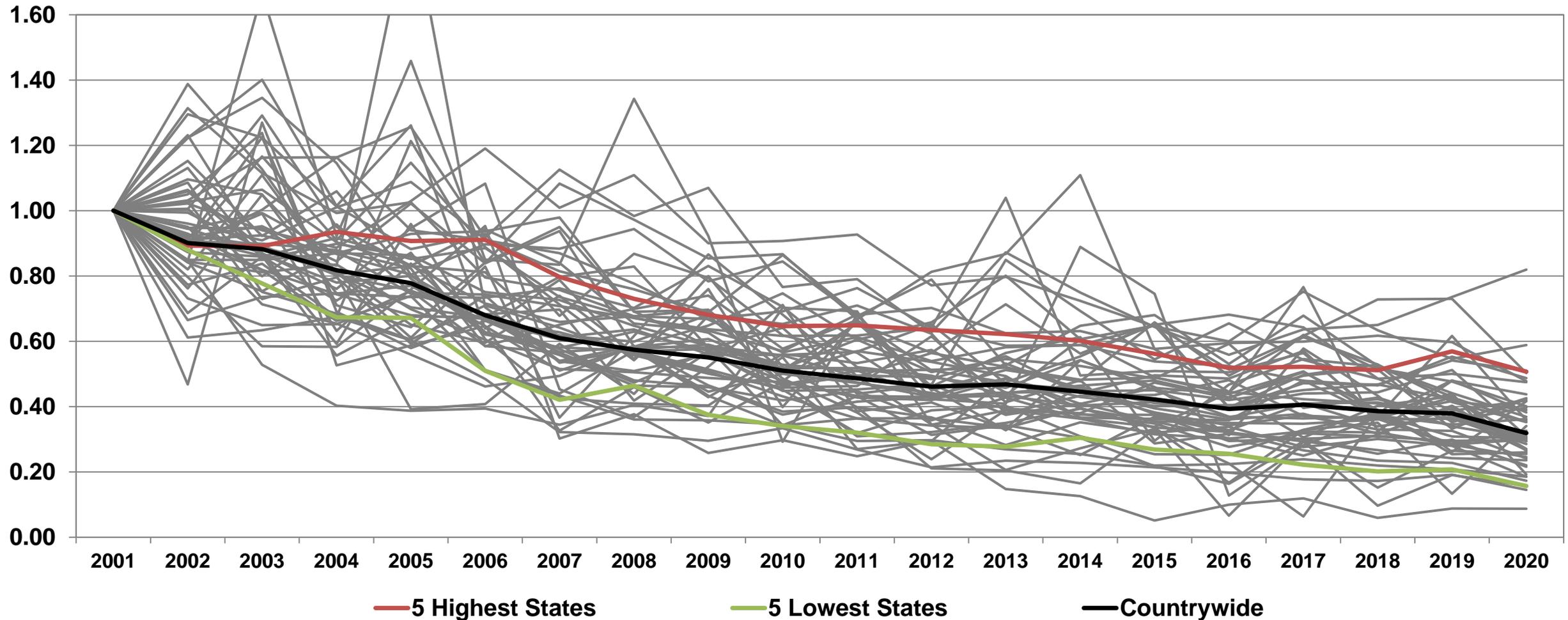
Closed Claim Frequency

Countrywide, Relative to 2001



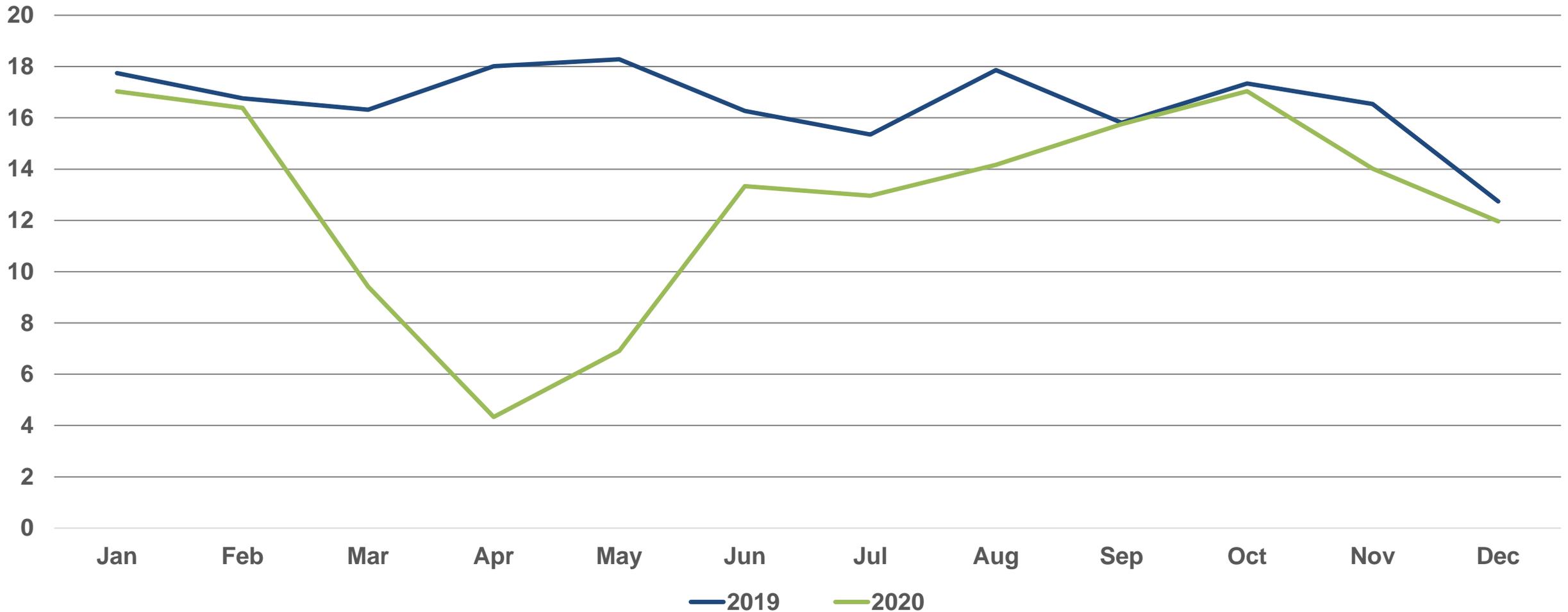
Closed Claim Frequency

By State, Relative to 2001



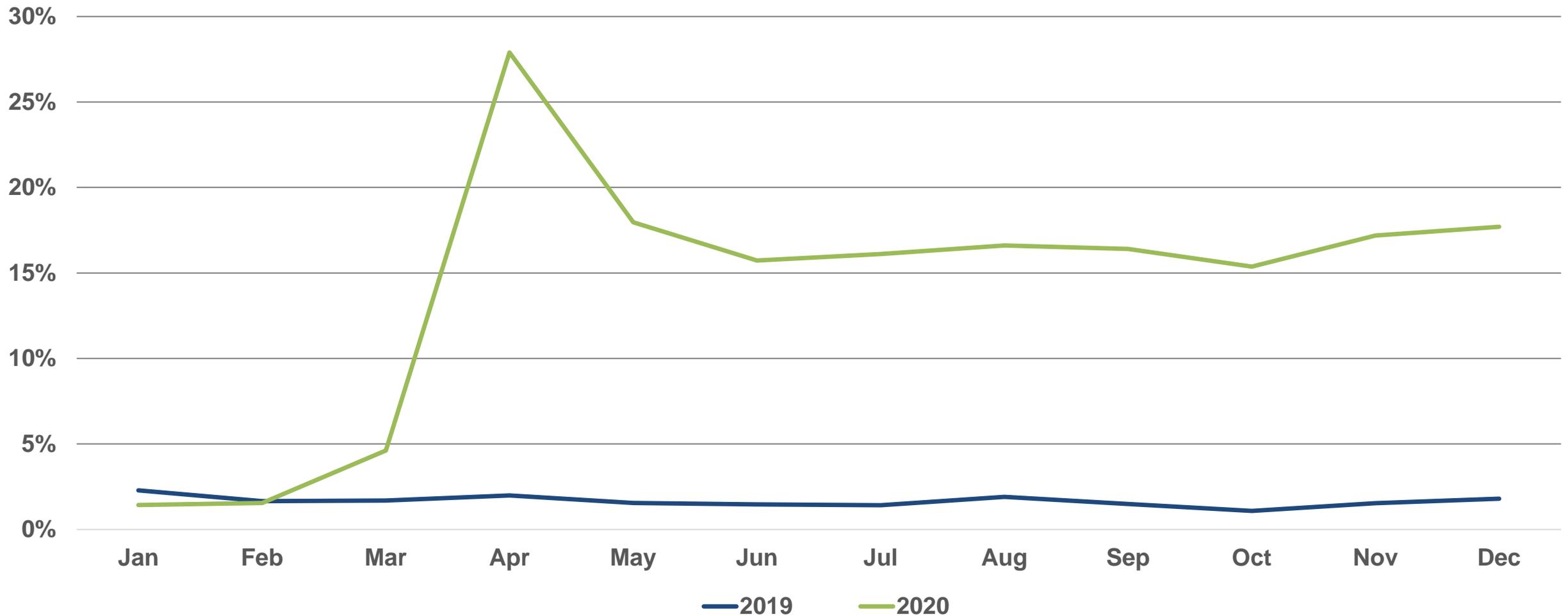
Impact of COVID-19

Depositions per 100 Open Claims – Industry Results



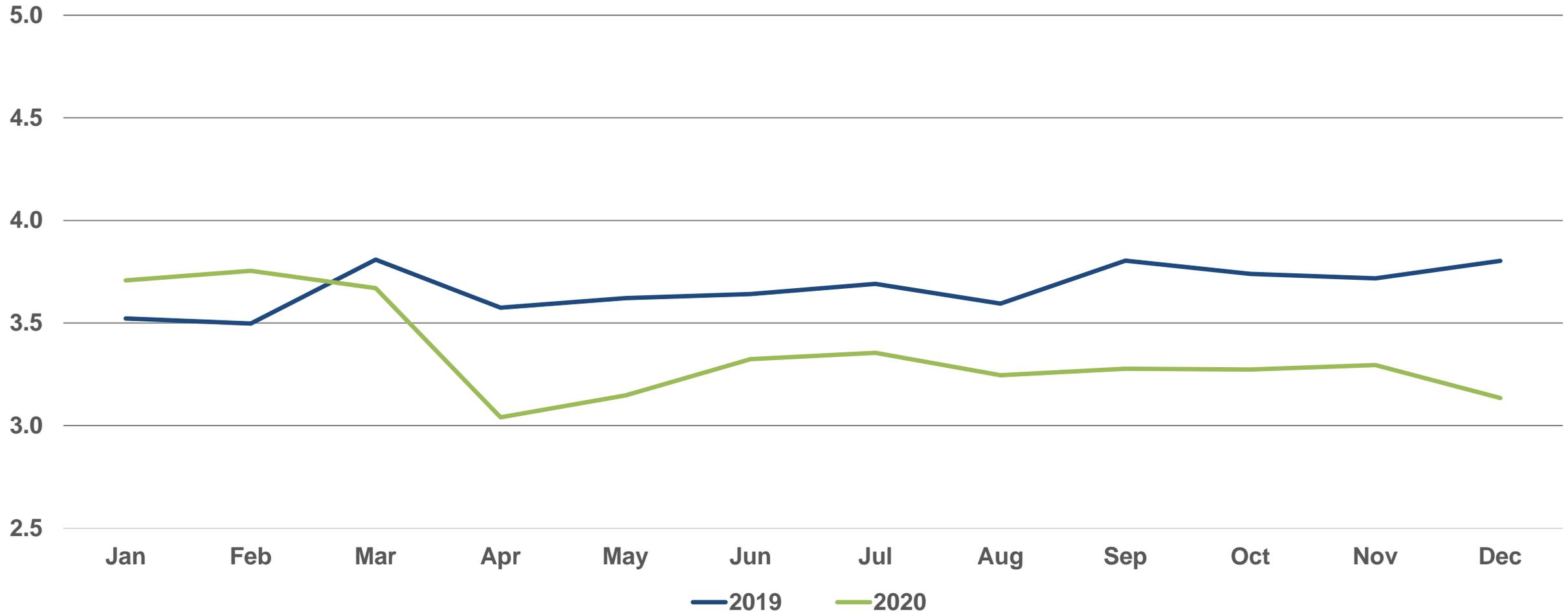
Impact of COVID-19

Depositions (% Remote Instead of Face-to-Face) – Industry Results



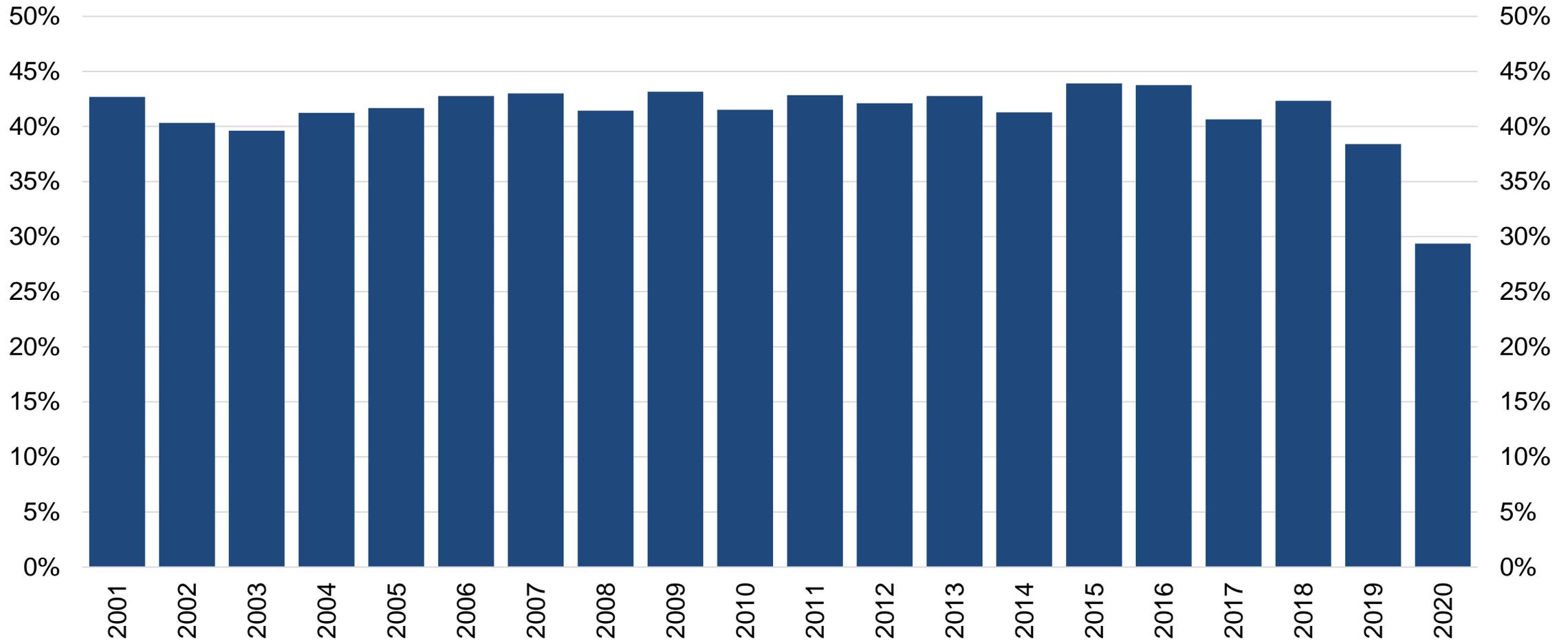
Impact of COVID-19

All Depositions Duration (Hours) – Industry Results



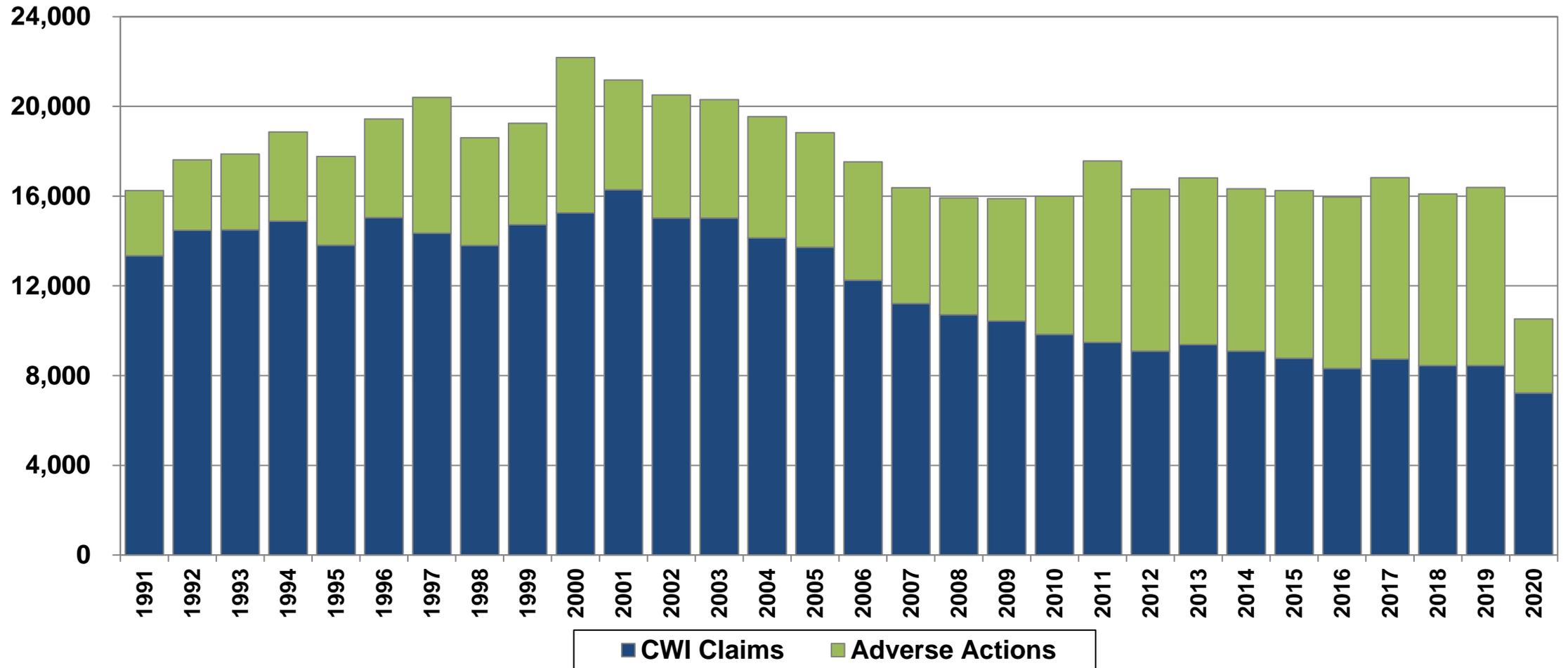
Impact of COVID-19

Portion of Prior Years Open Claims to Close in Next 12 Months



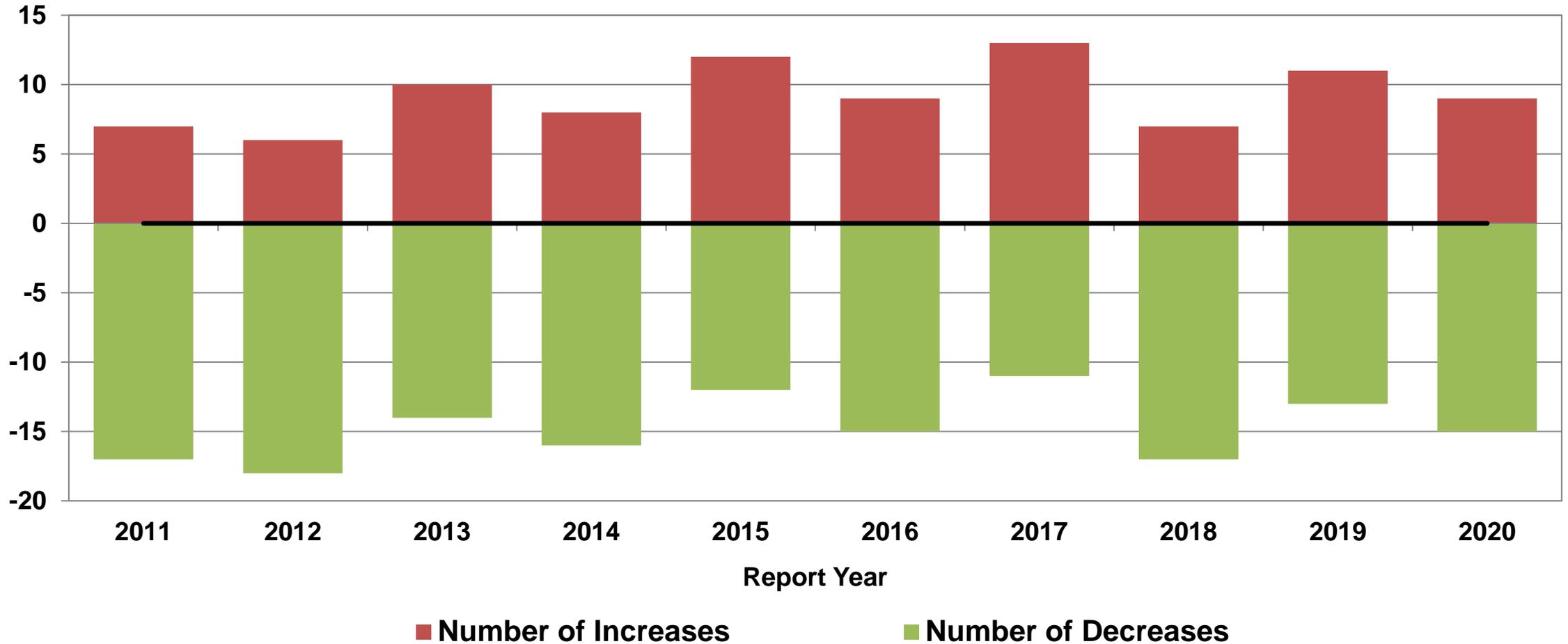
Adverse Actions

Comparison to Paid Claim Counts



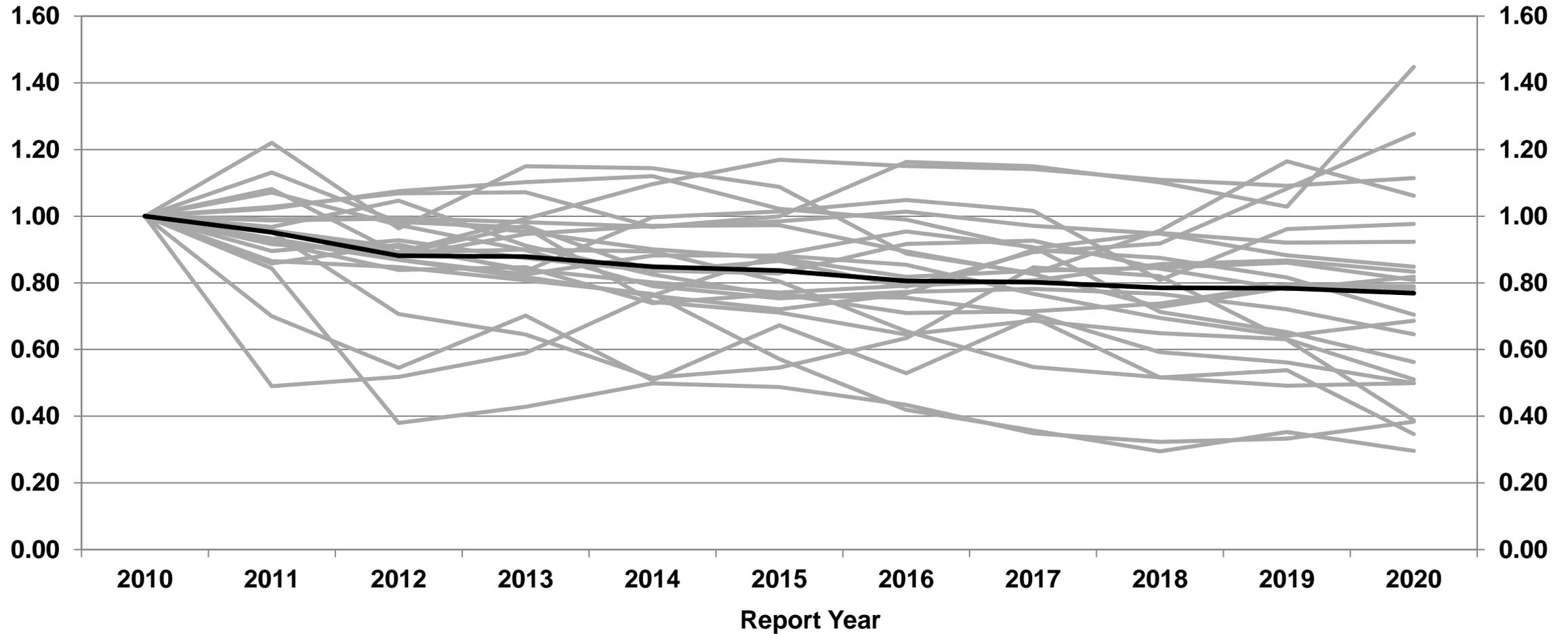
Change in Reported Claim Frequency

Market Leaders by State, Relative to Prior Three Years



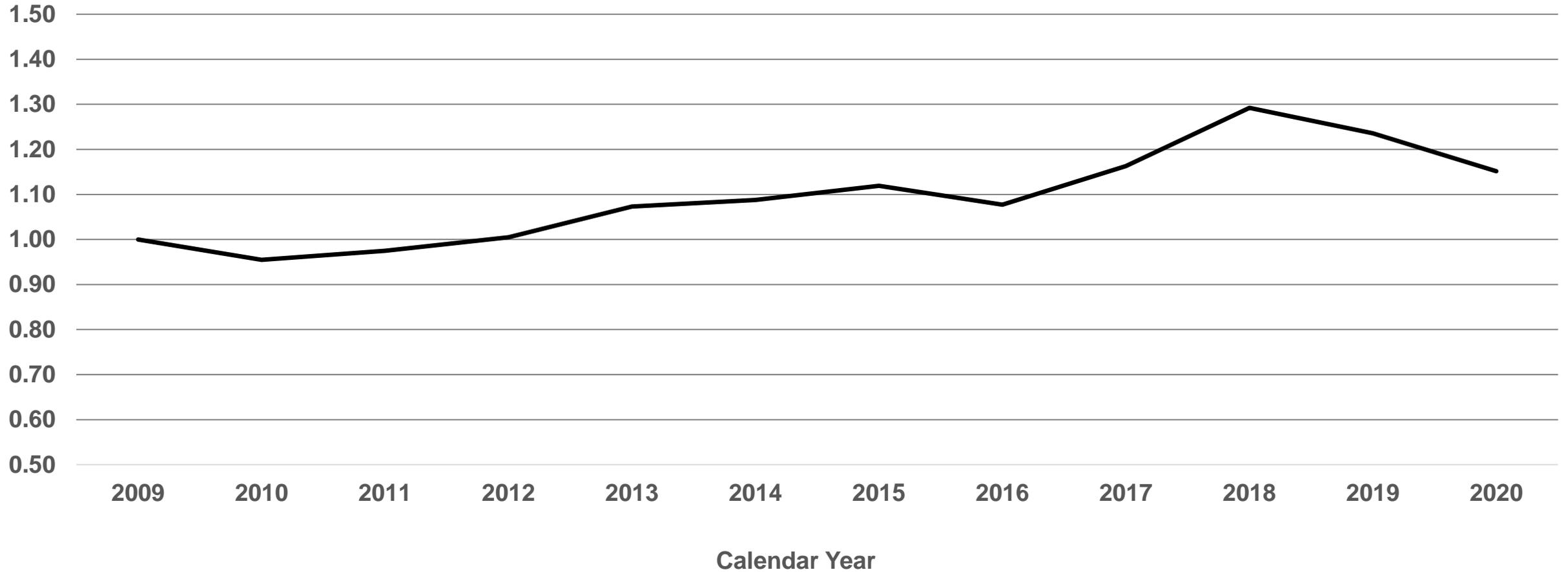
PPL Reported Claim Frequency at 12 Months

Three Year Rolling, Relative to 2010



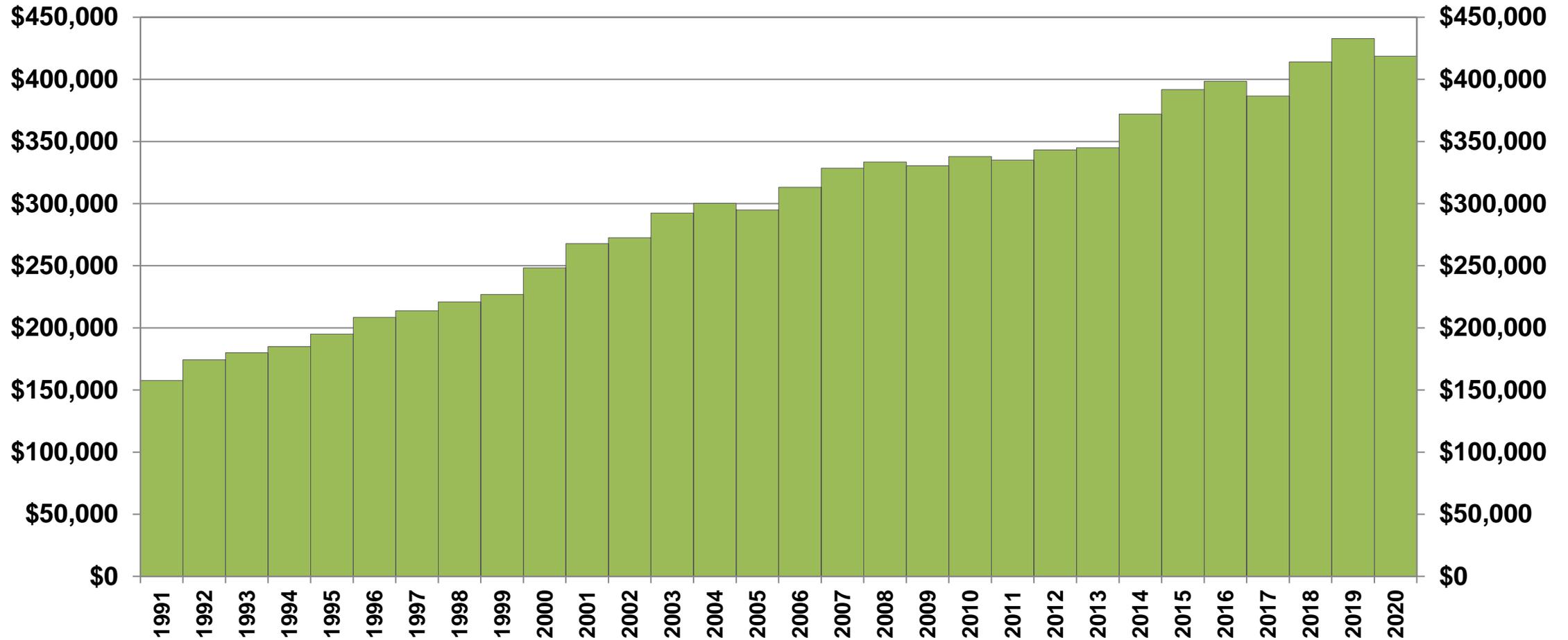
PPL CWI to Closed Claim Ratio

Relative to 2009



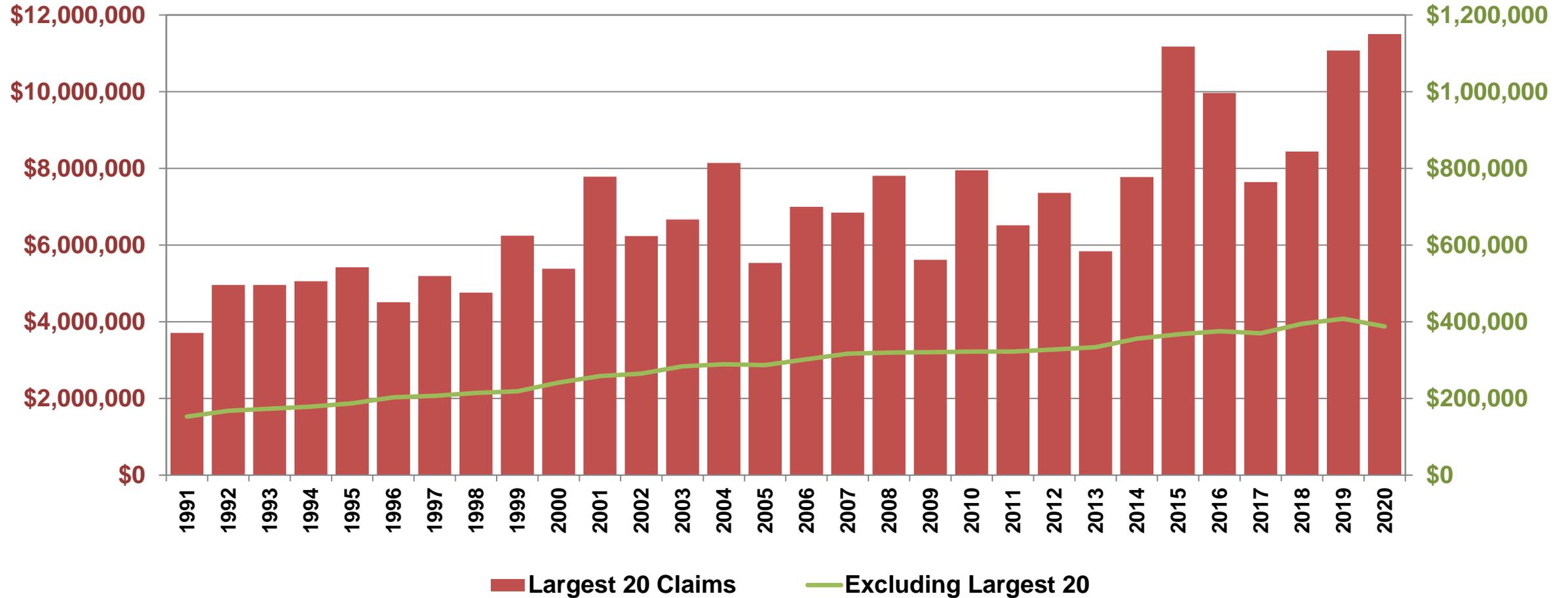
Paid Indemnity Severity

Countrywide by Closed Year



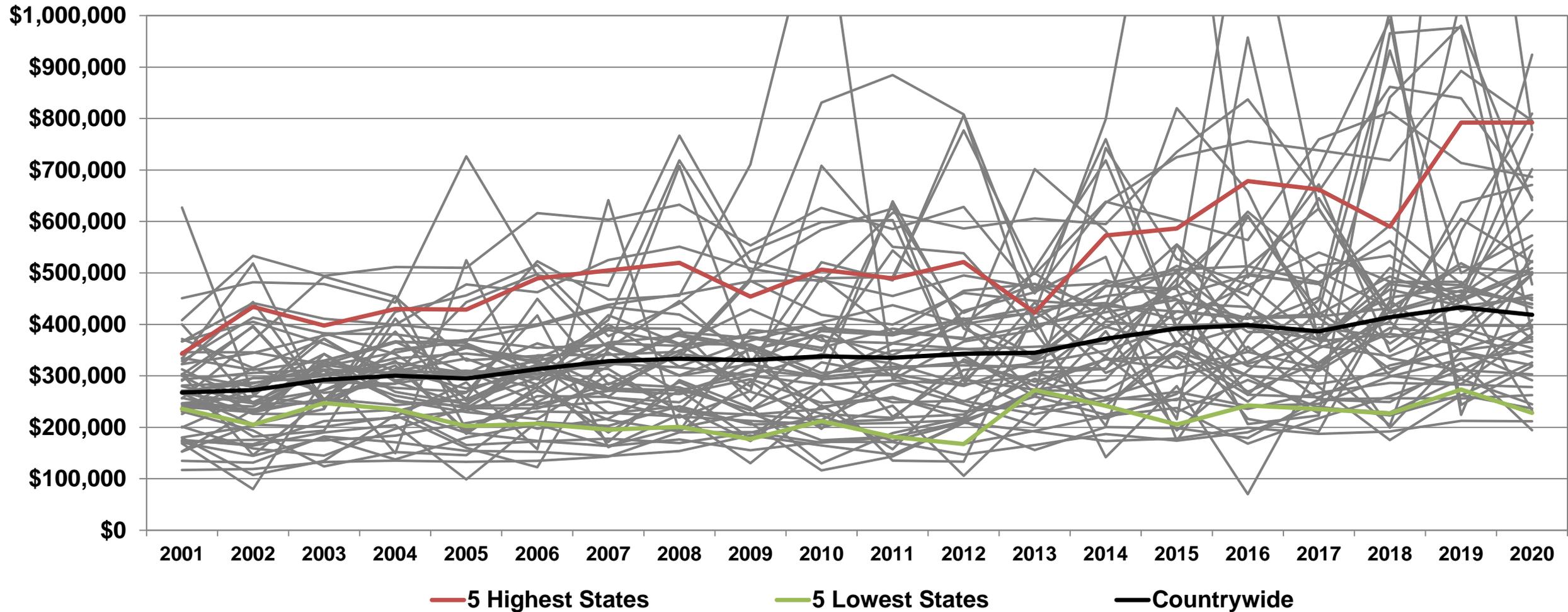
Paid Indemnity Severity

Countrywide by Closed Year



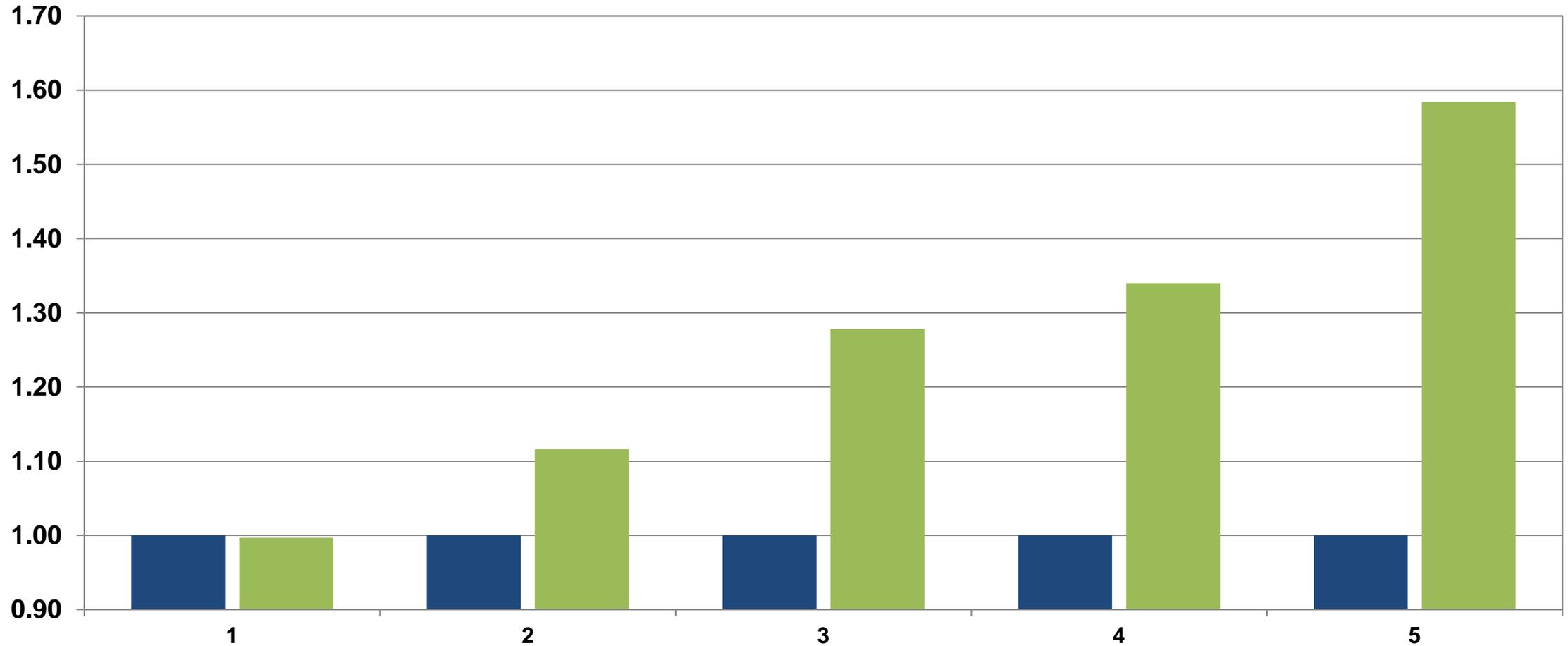
Paid Indemnity Severity

By State by Closed Year



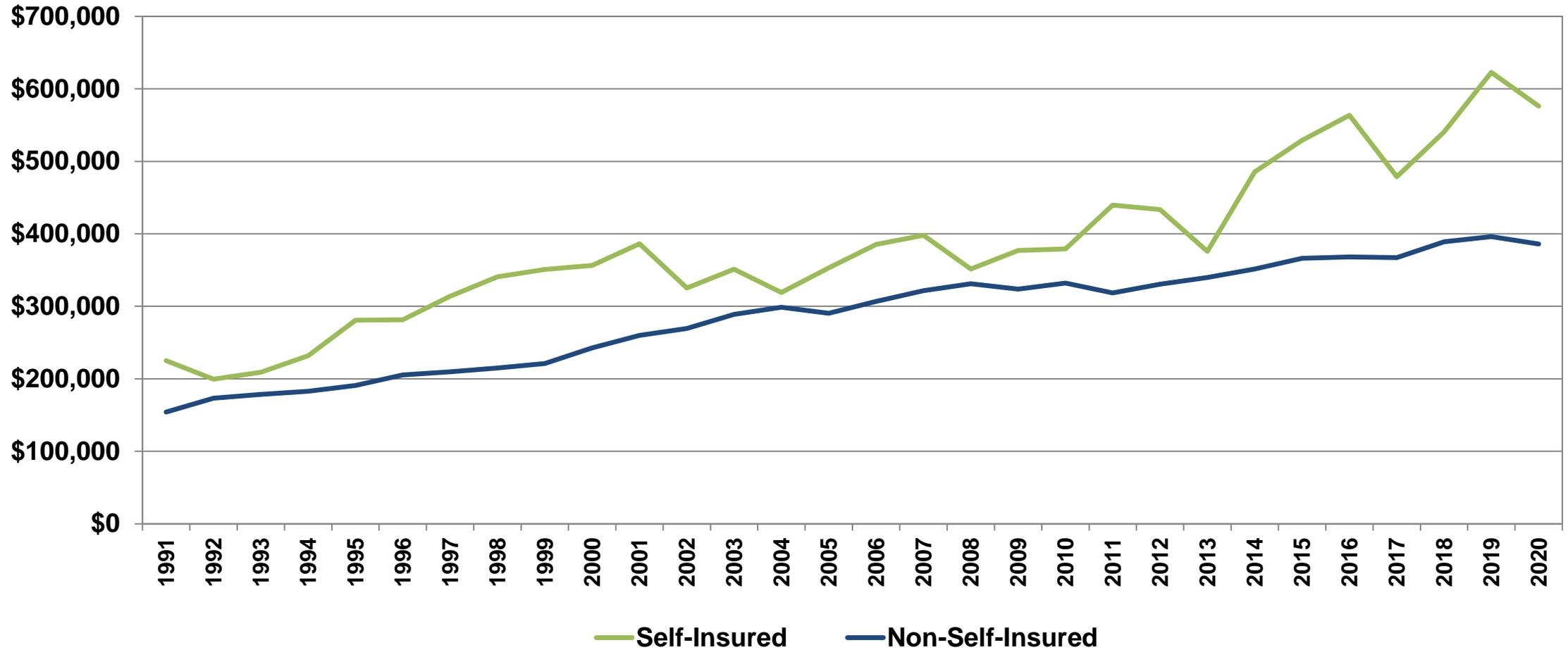
Paid Indemnity Severity

by Quintile of States, 2016-2020 Level Relative to 2010-2014 Level



Paid Indemnity Severity by Payer Type

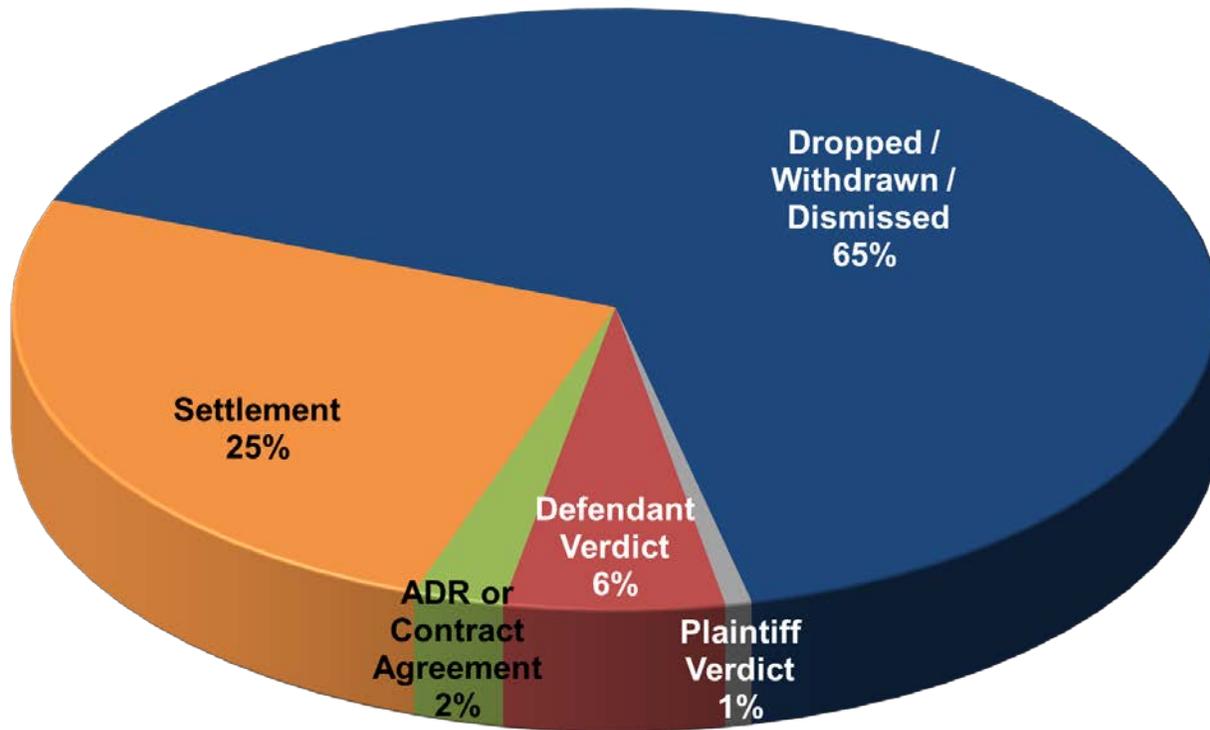
Self-Insured Versus Non-Self-Insured



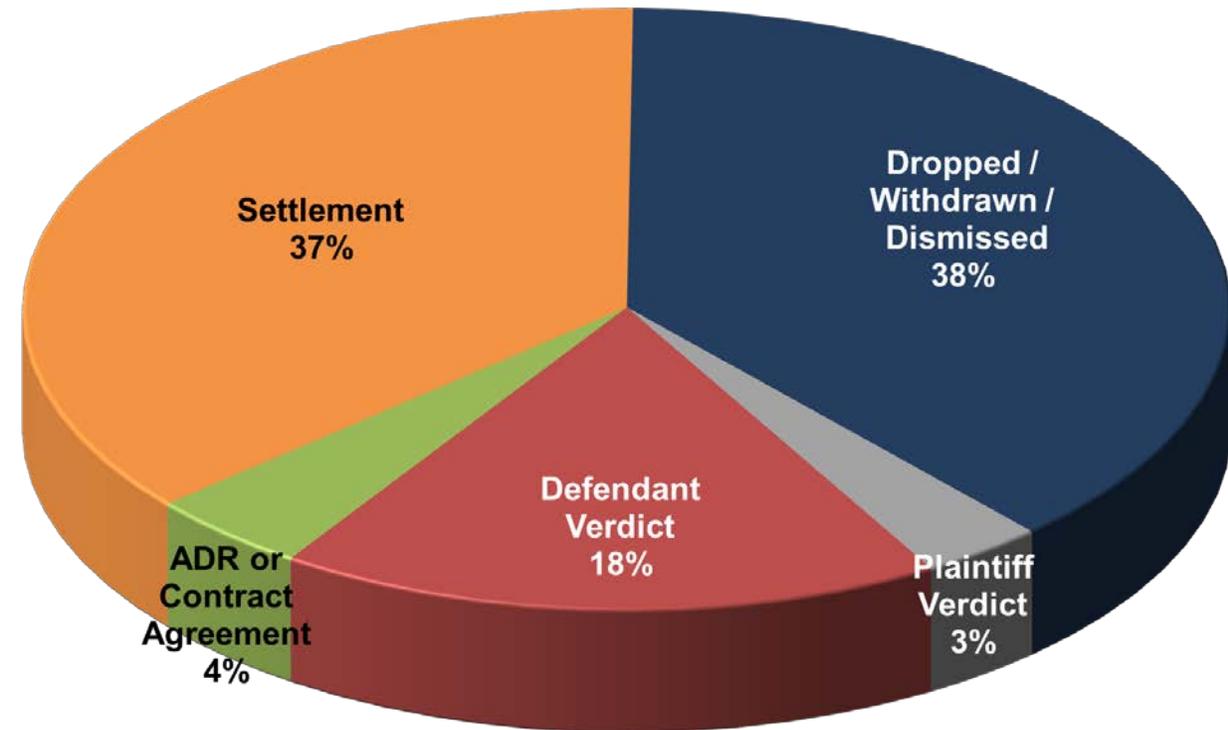
Distribution of ALAE

Claims Closed 2016-2018

Closed Claim Counts

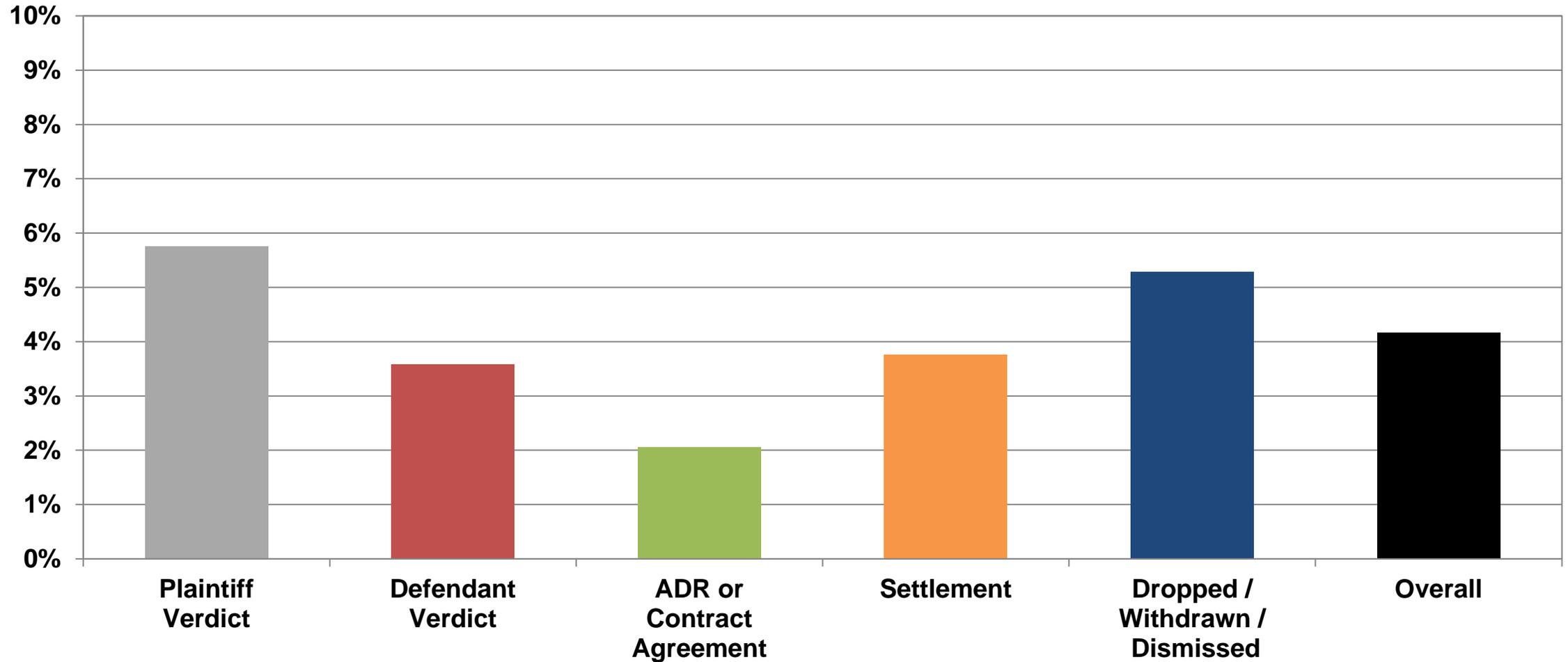


Paid Defense Costs



ALAE Annual Trend Rate by Category

Relative to 2005

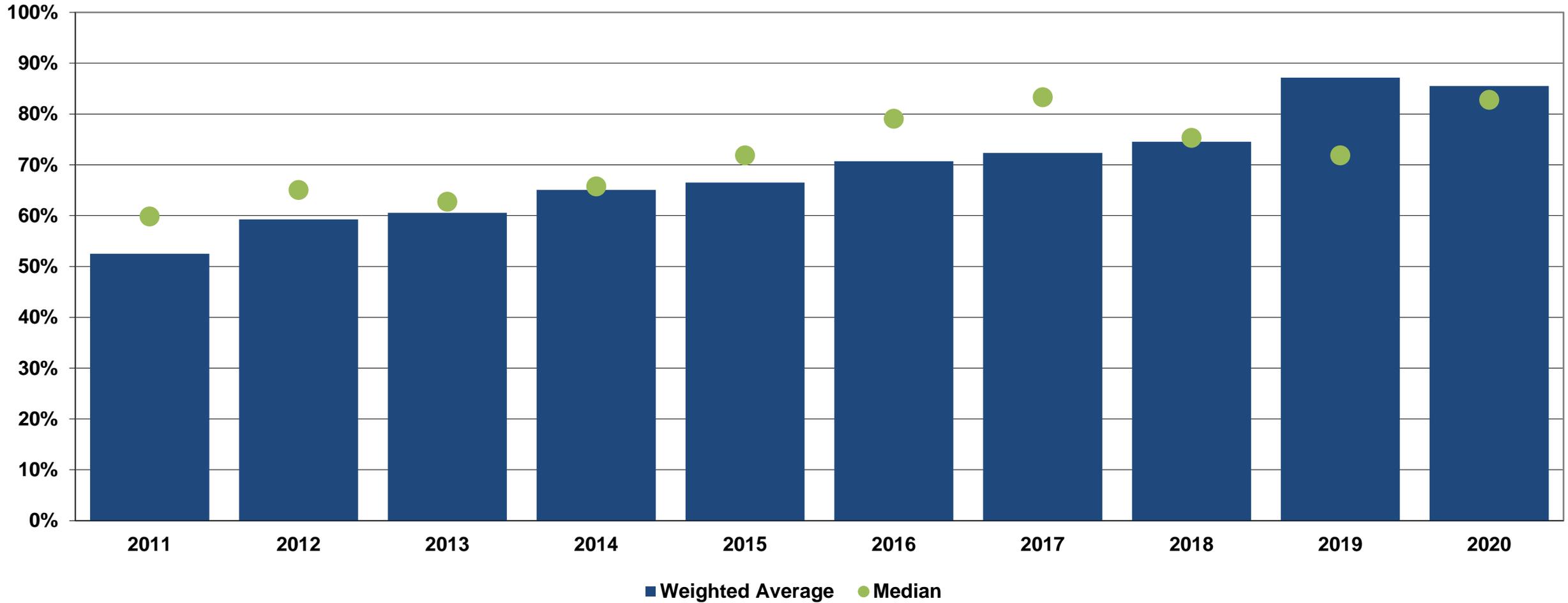


Topic #3

Profitability and Capitalization

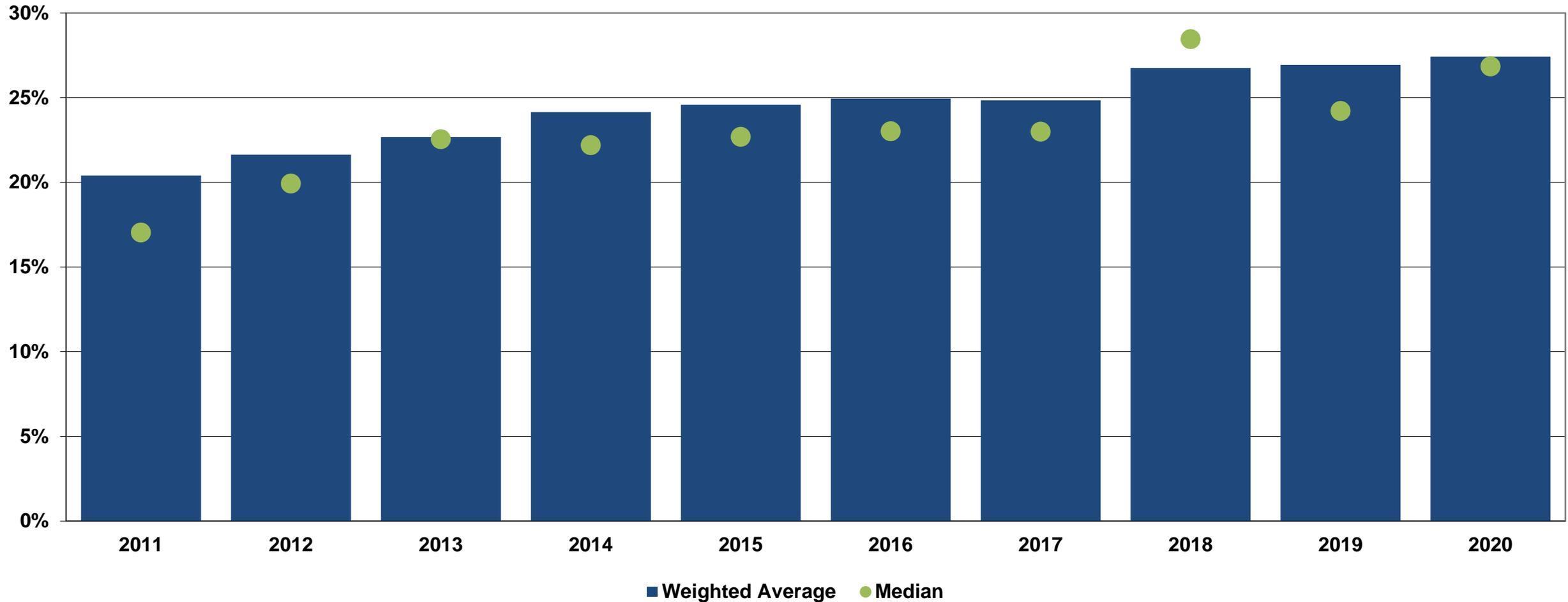
Calendar Year Loss and LAE Ratio

MPL Specialty Companies



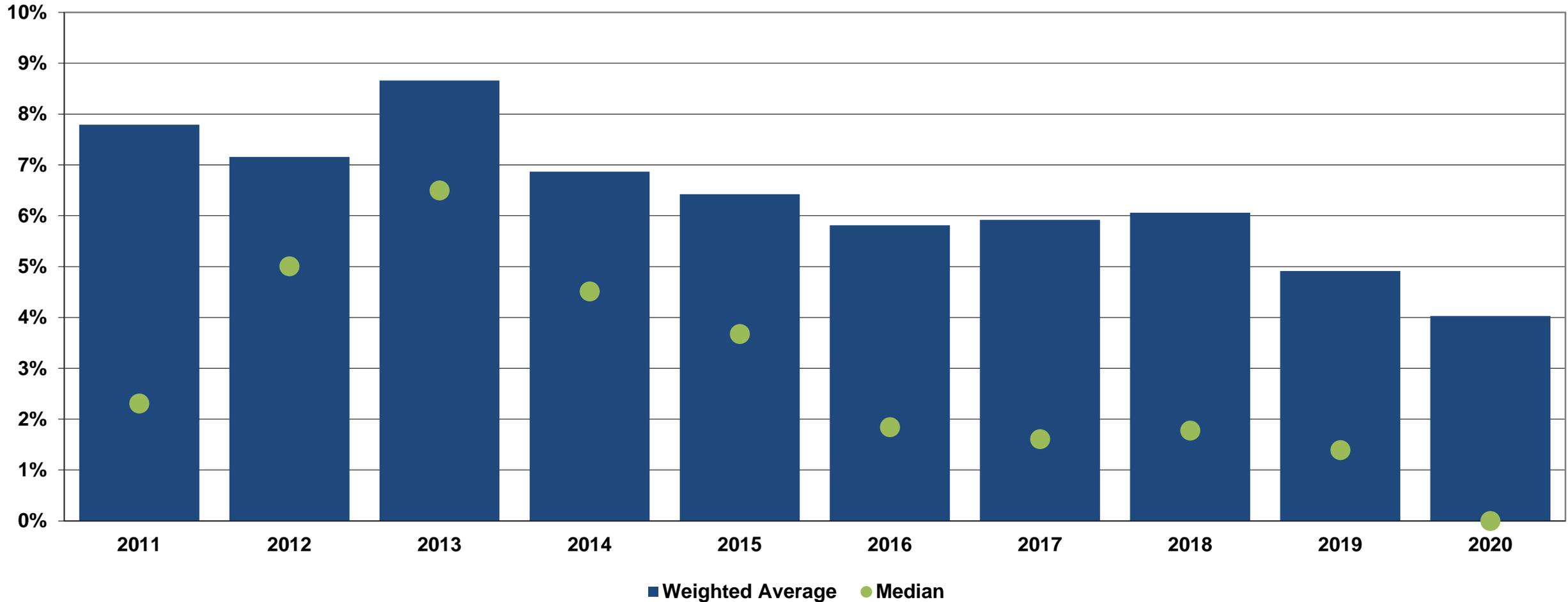
Underwriting Expense Ratio

MPL Specialty Companies



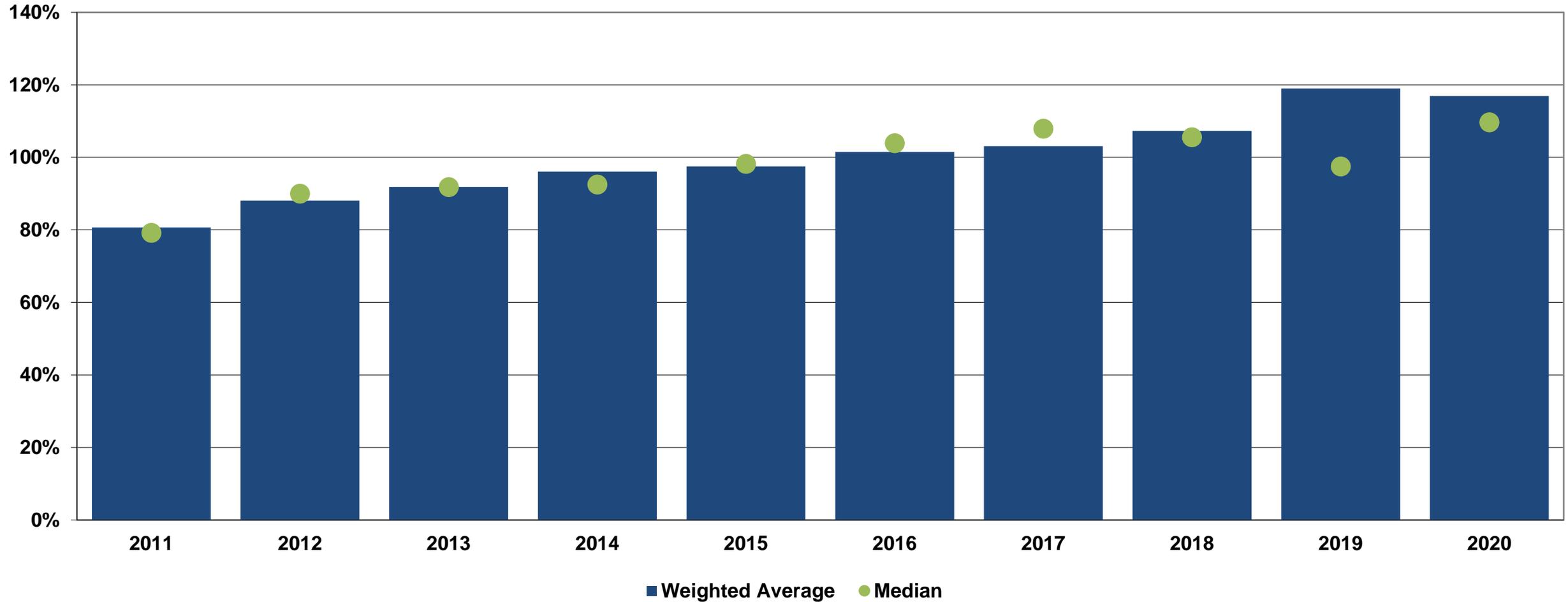
Policyholder Dividend Ratio

MPL Specialty Companies



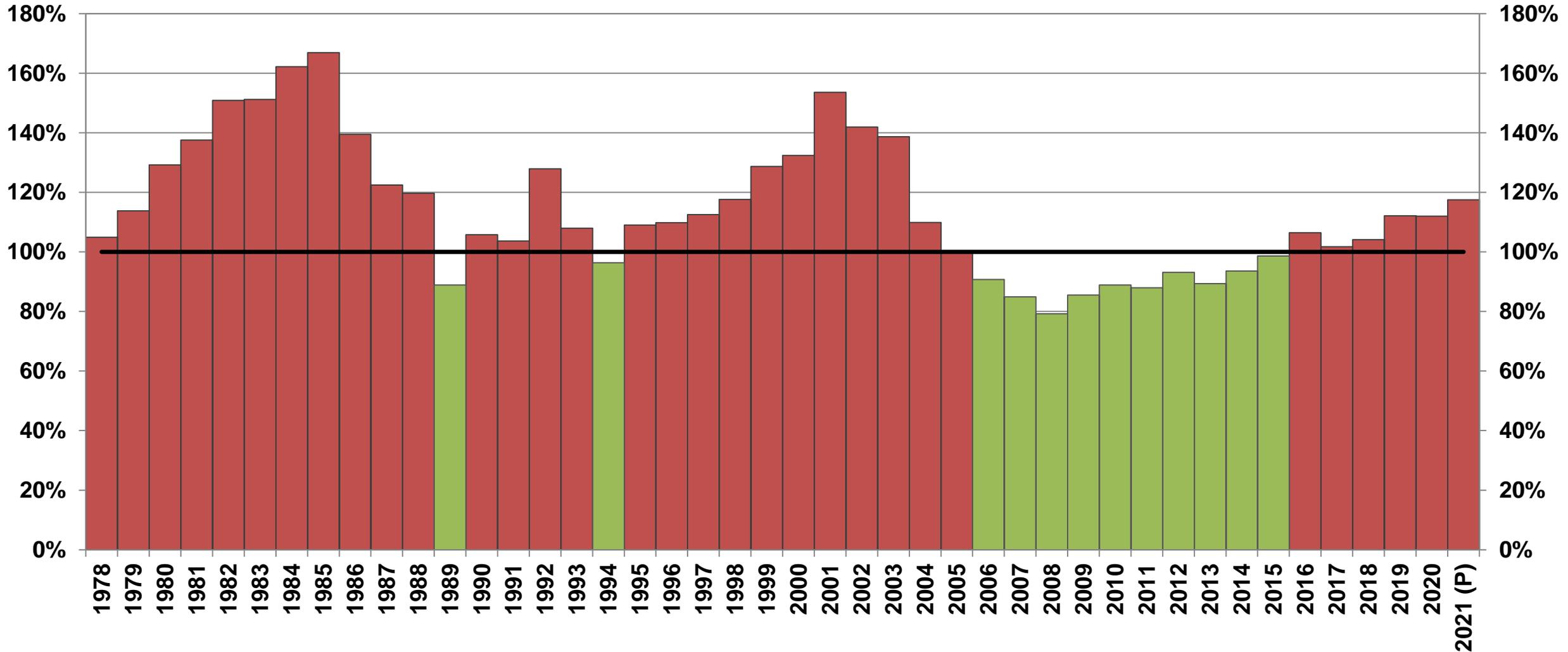
Combined Ratio

MPL Specialty Companies, after Policyholder Dividends



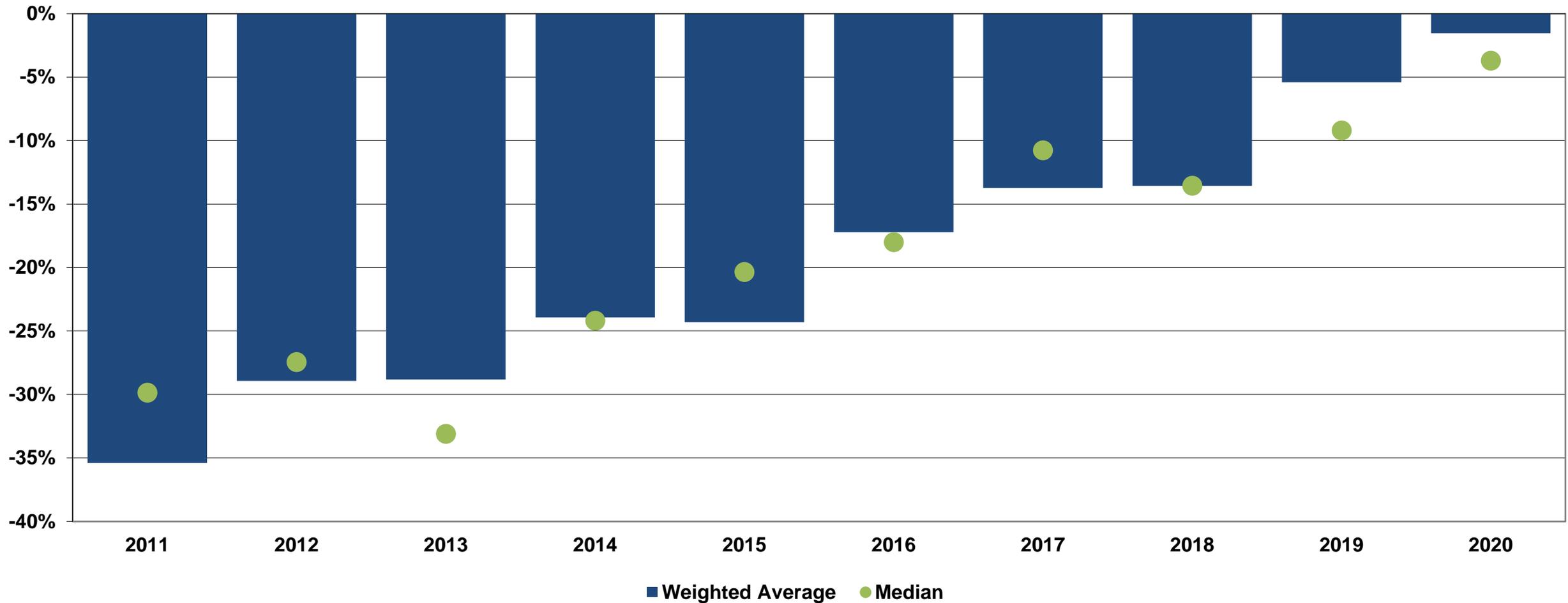
MPL Combined Ratio

Industry Aggregate, after Policyholder Dividends



Net Reserve Development Ratio

MPL Specialty Companies, Relative to Net Earned Premium



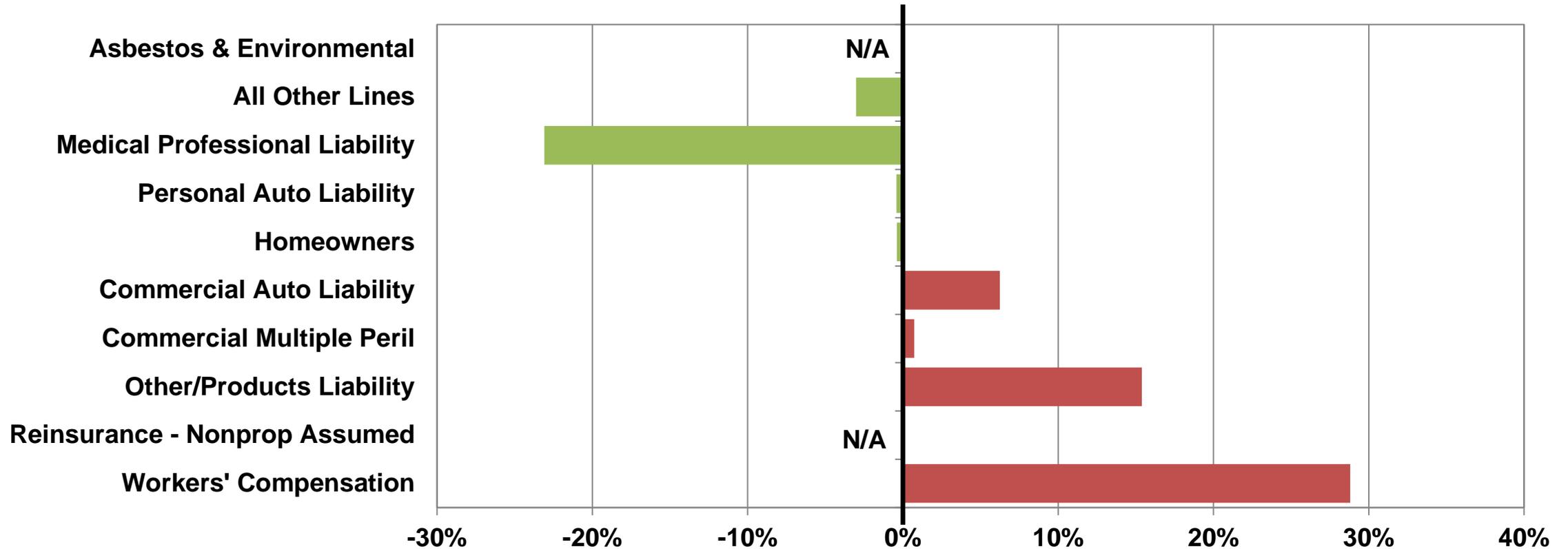
A.M. Best Industry Reserve Deficiencies

\$33 Billion as of year-end 2020



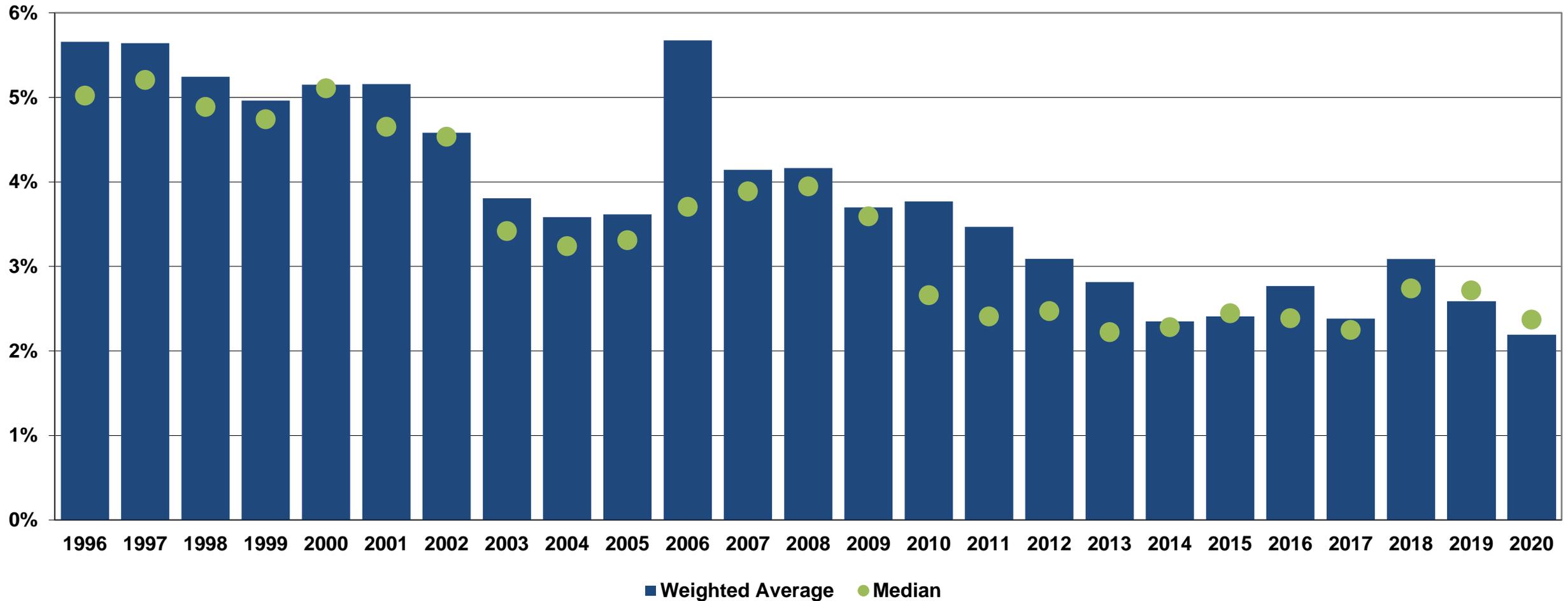
A.M. Best Industry Reserve Deficiencies

as a Percentage of 2020 Net Written Premium



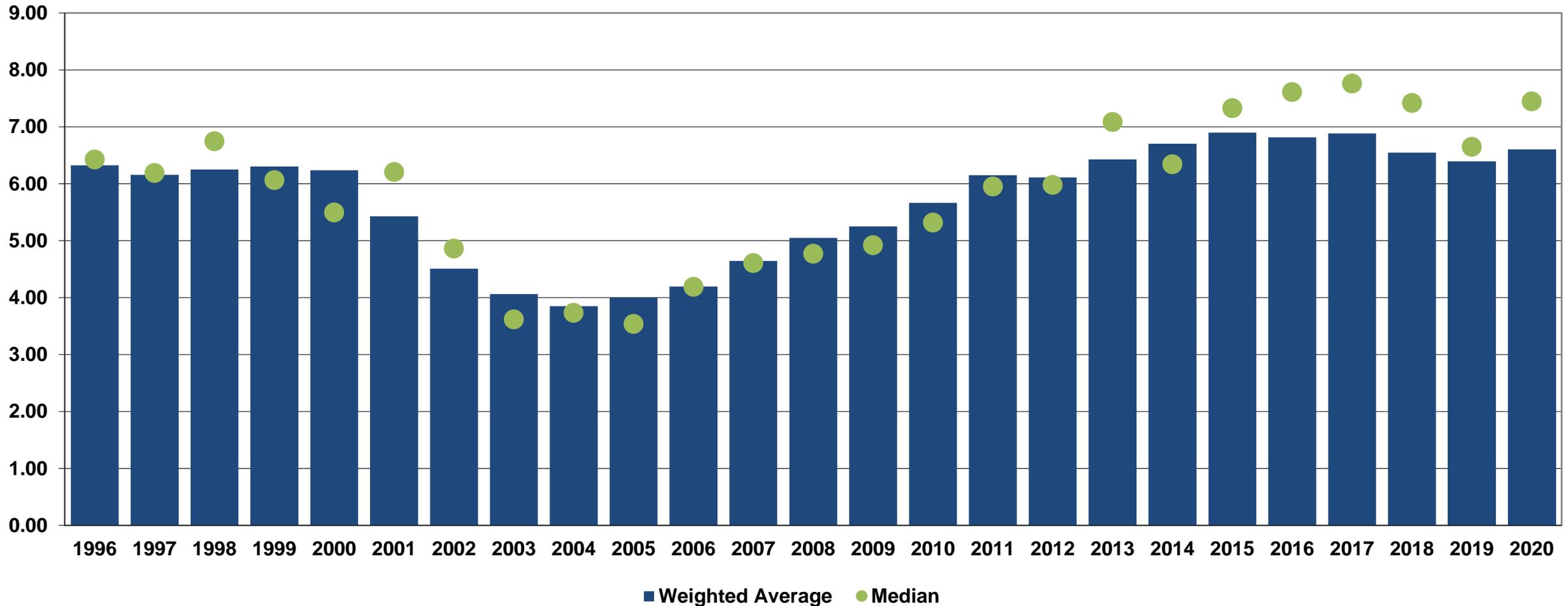
Investment Income to Average Invested Assets

MPL Specialty Companies



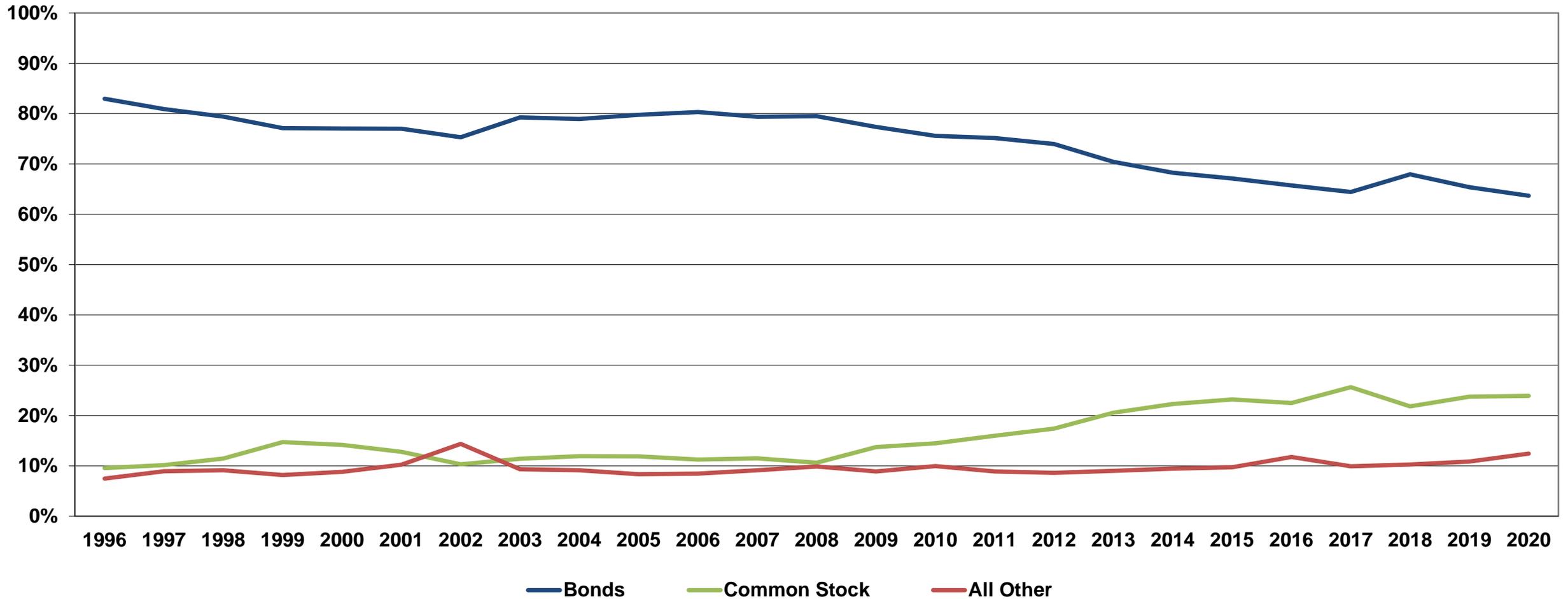
Average Invested Assets to Net Earned Premium

MPL Specialty Companies



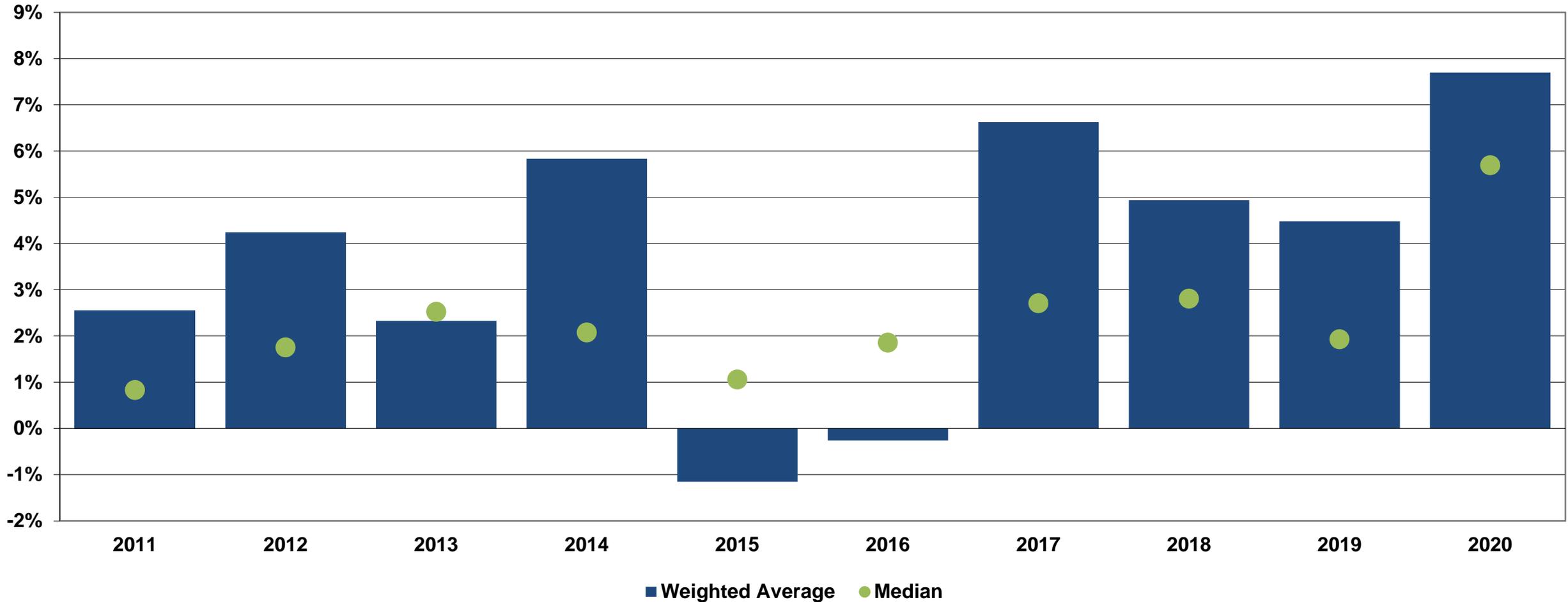
Breakdown of Invested Assets

MPL Specialty Companies



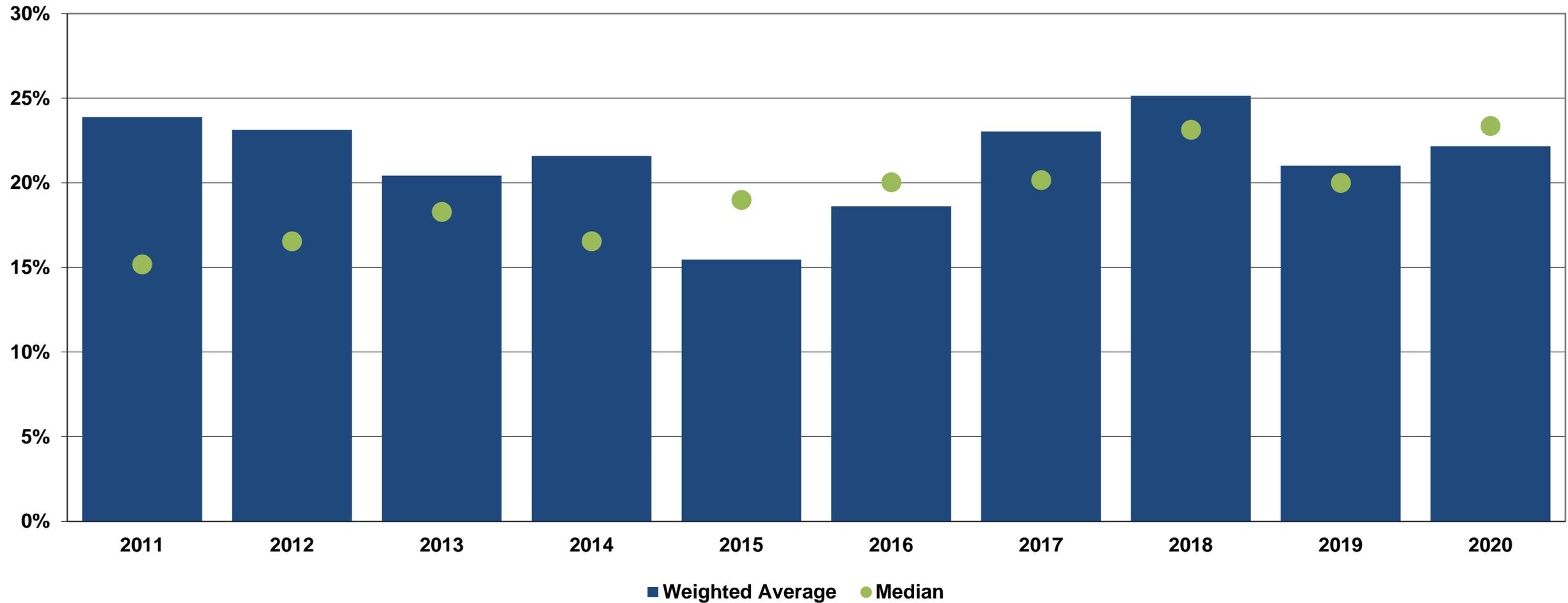
Realized Capital Gain Ratio

MPL Specialty Companies



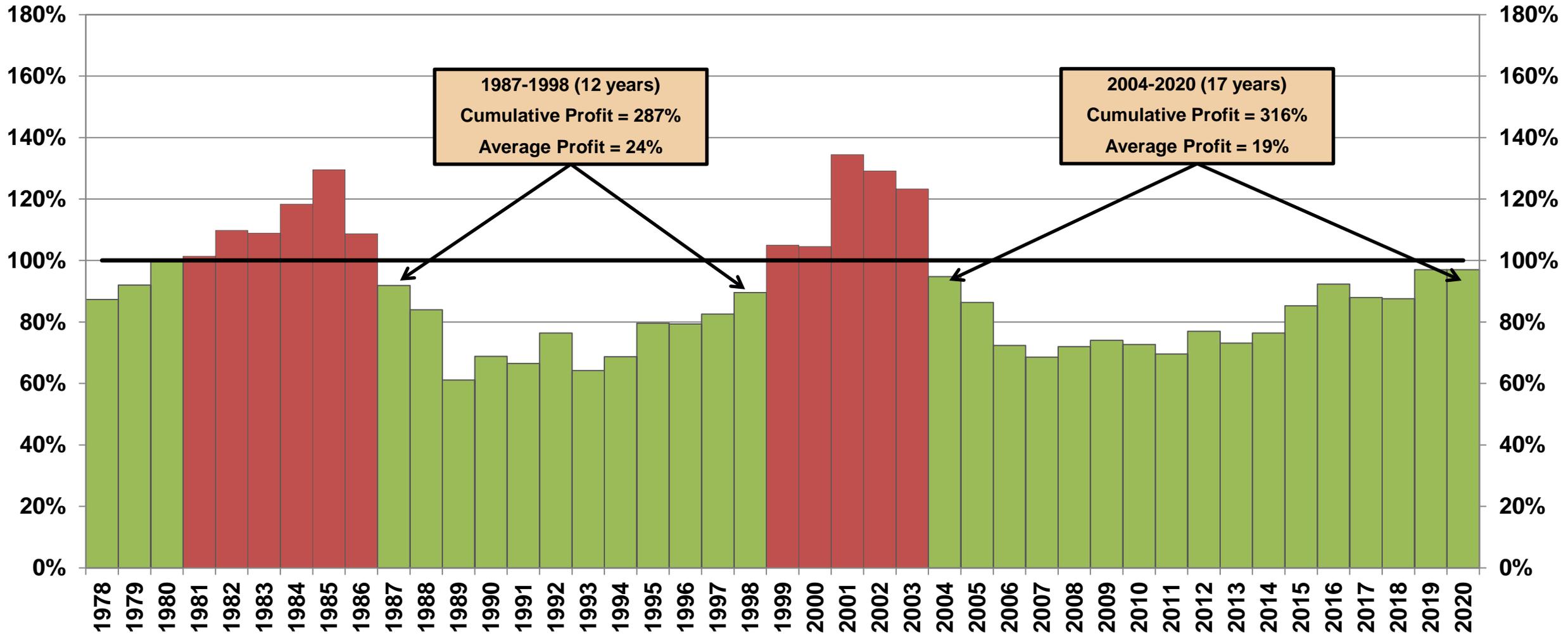
Investment Gain Ratio

MPL Specialty Companies



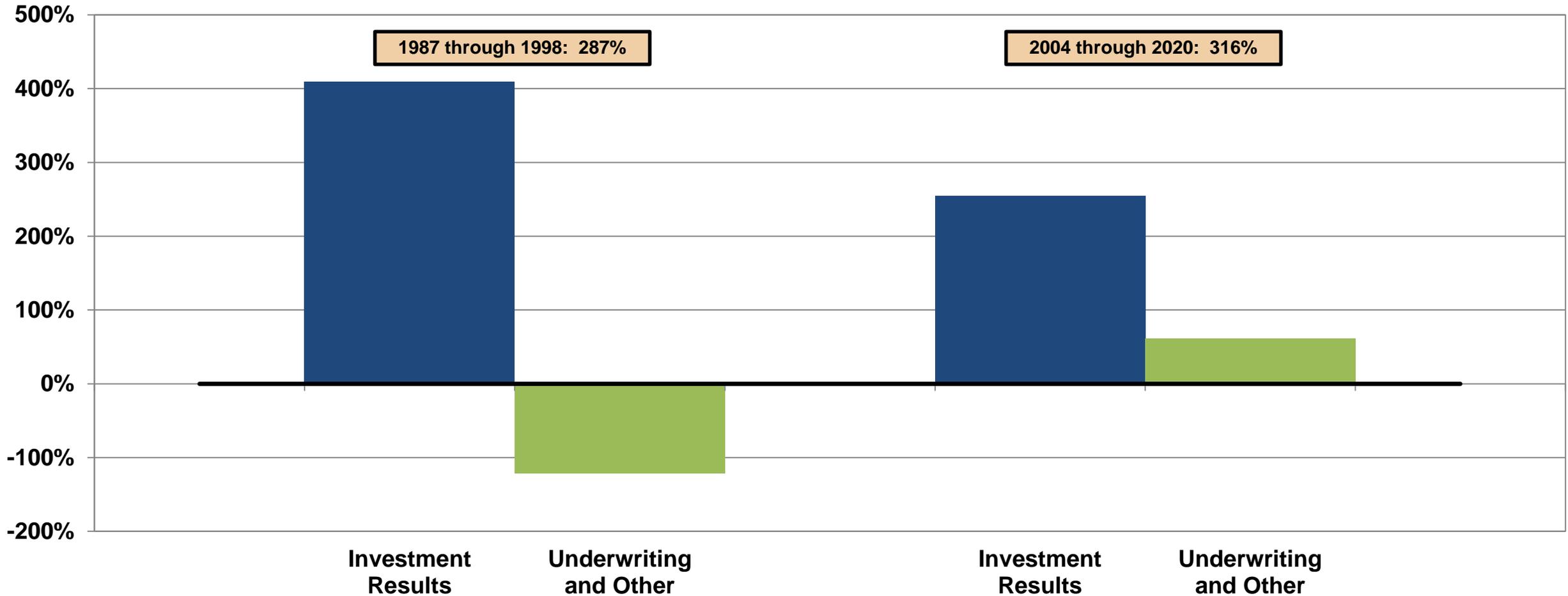
MPL Operating Ratio

Industry Aggregate



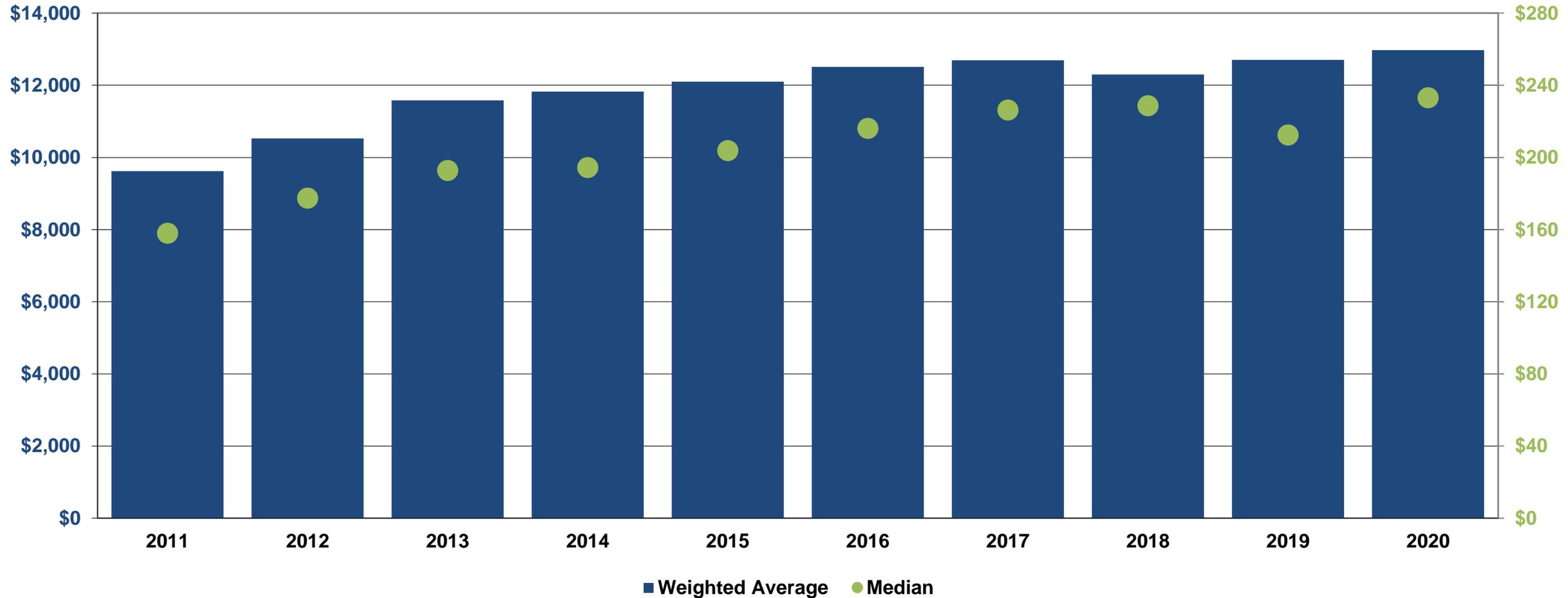
MPL Operating Profits Breakdown

Investment versus Underwriting



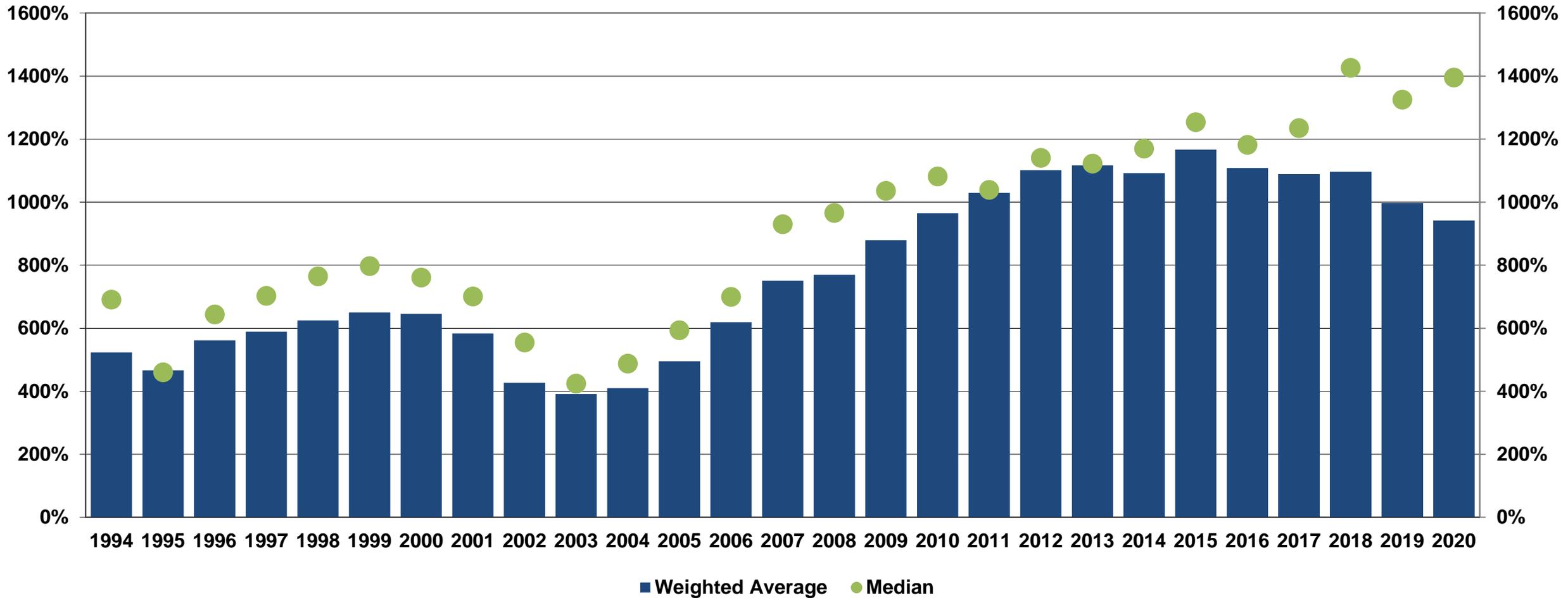
Policyholders' Surplus

MPL Specialty Companies (\$Millions)



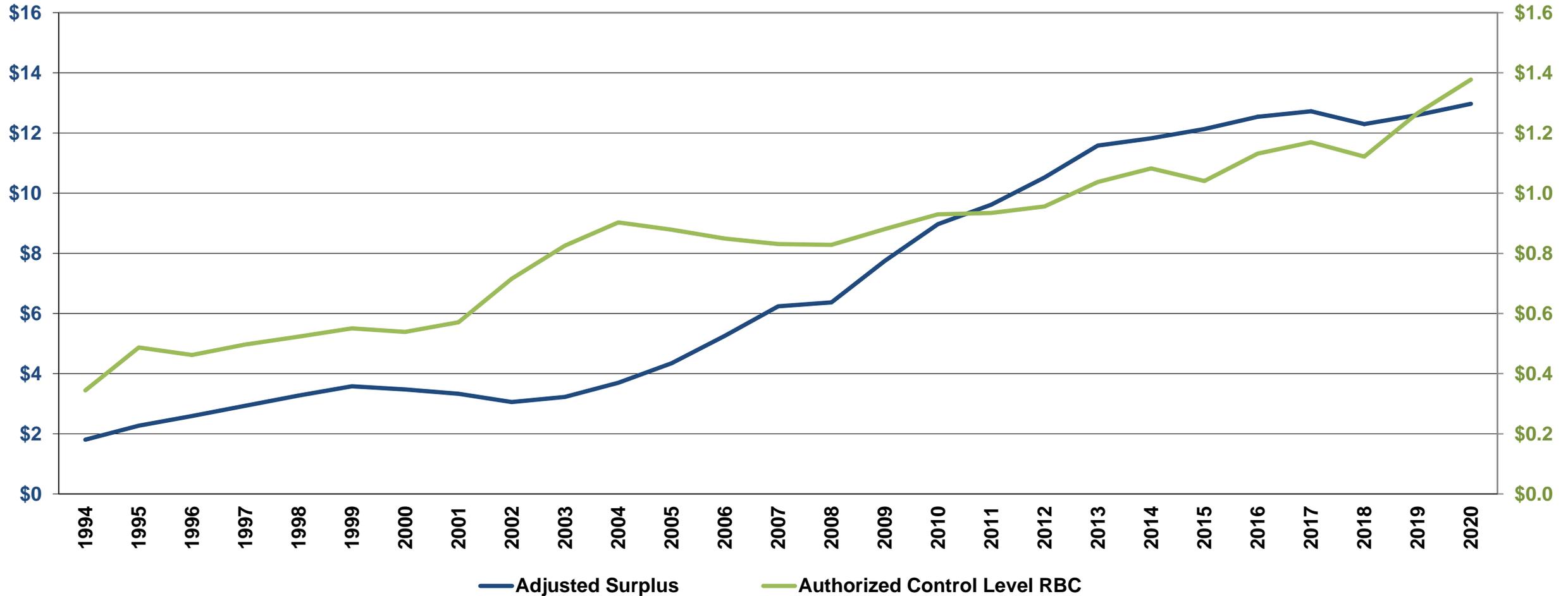
Risk-Based Capital (RBC) Ratio

MPL Specialty Companies



RBC Components

MPL Specialty Companies (\$Billions)

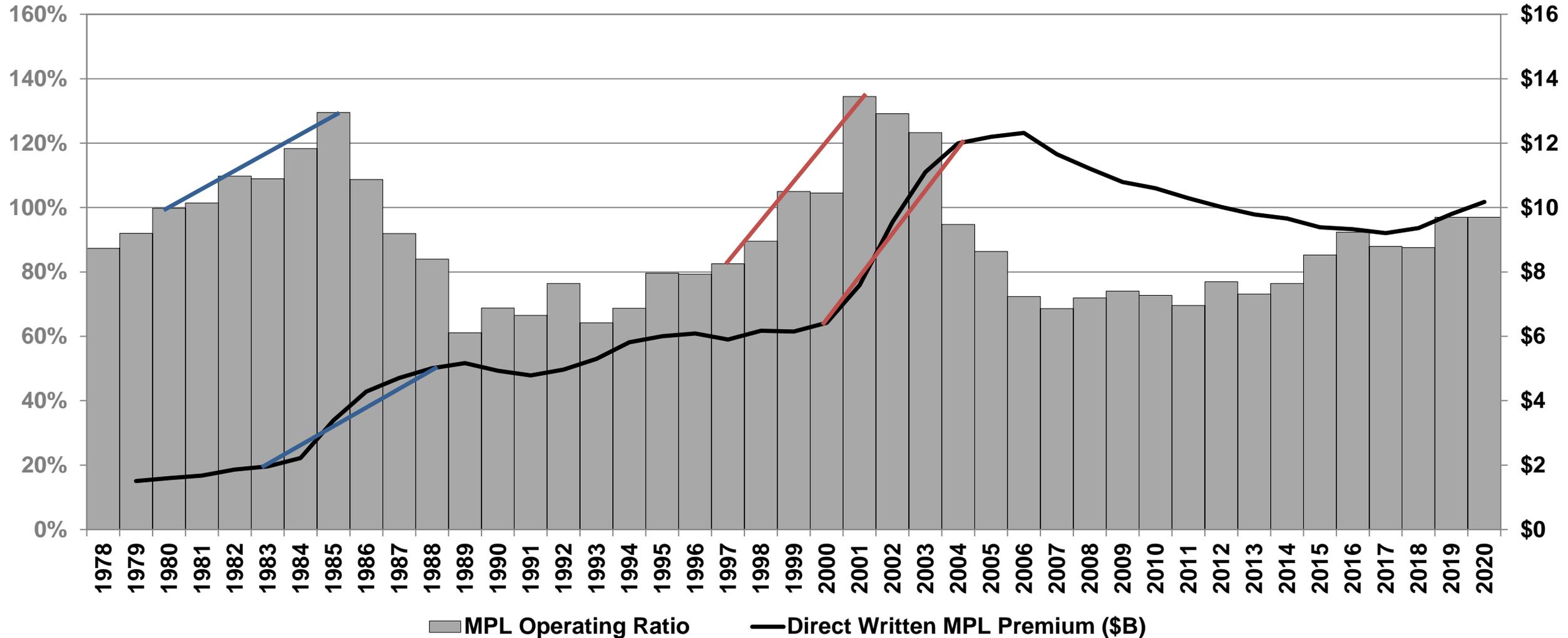


Topic #4

Signs of a Firming Market

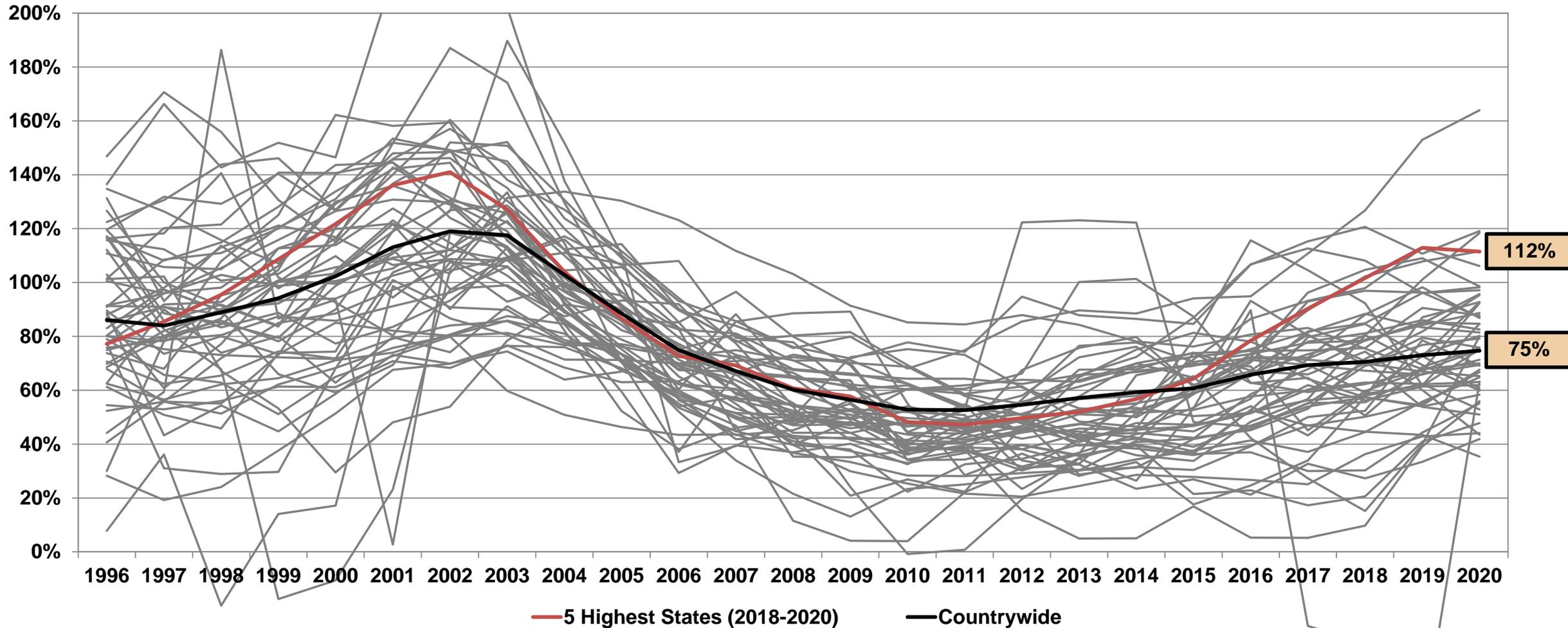
Direct Written Premium Versus Operating Ratio

A Three Year Lag?



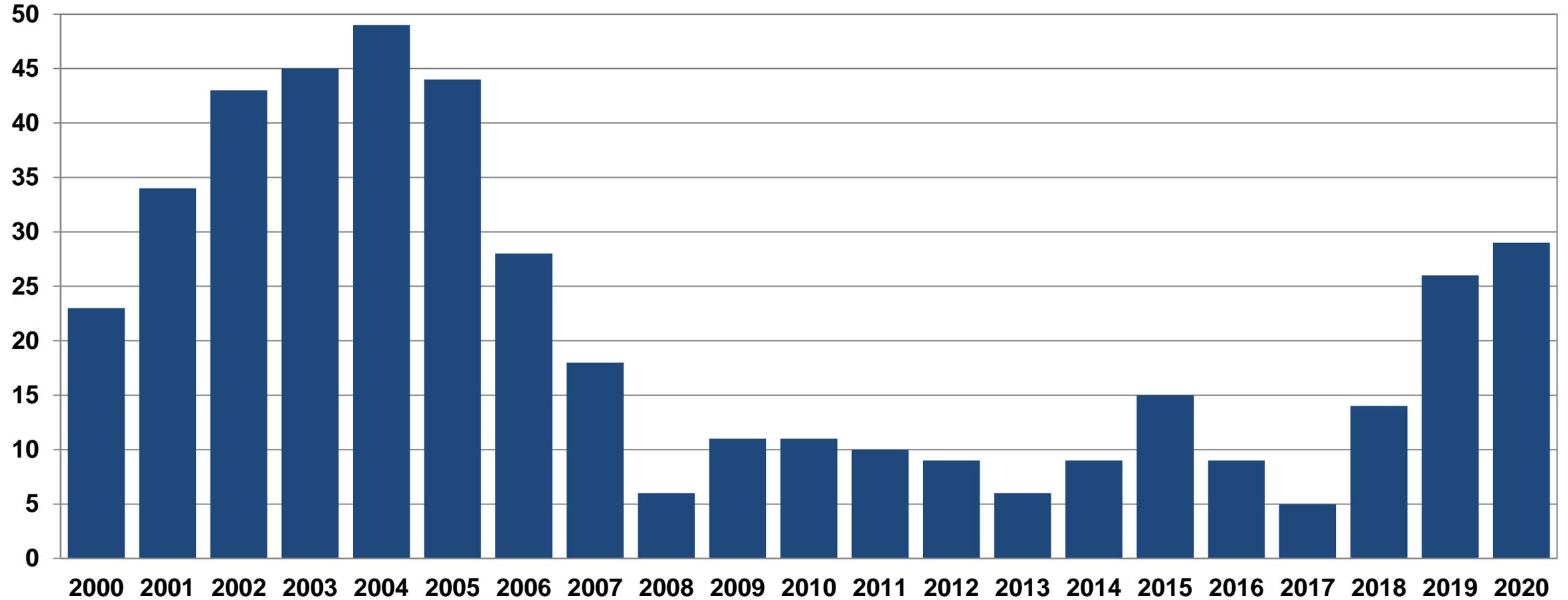
MPL Loss & ALAE Ratios

Variance by State, Three Year Rolling Calendar Year Results



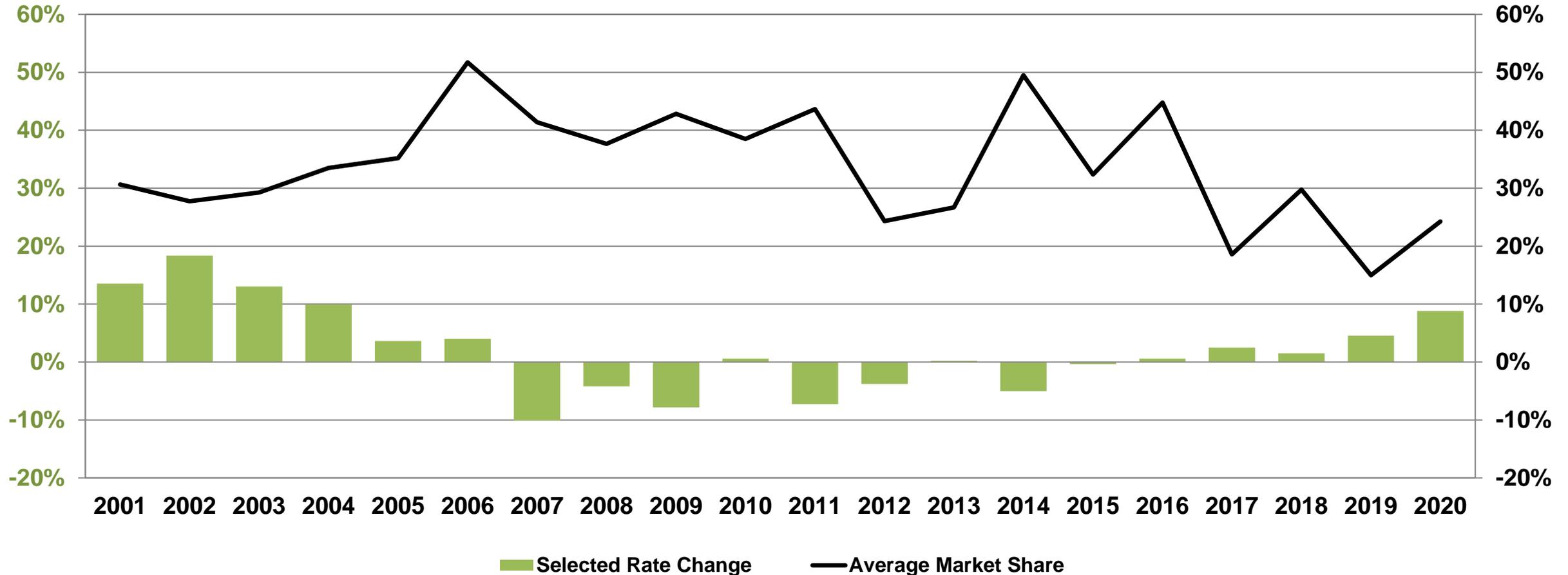
Market Leaders

Number of States Increasing Rates Over Time



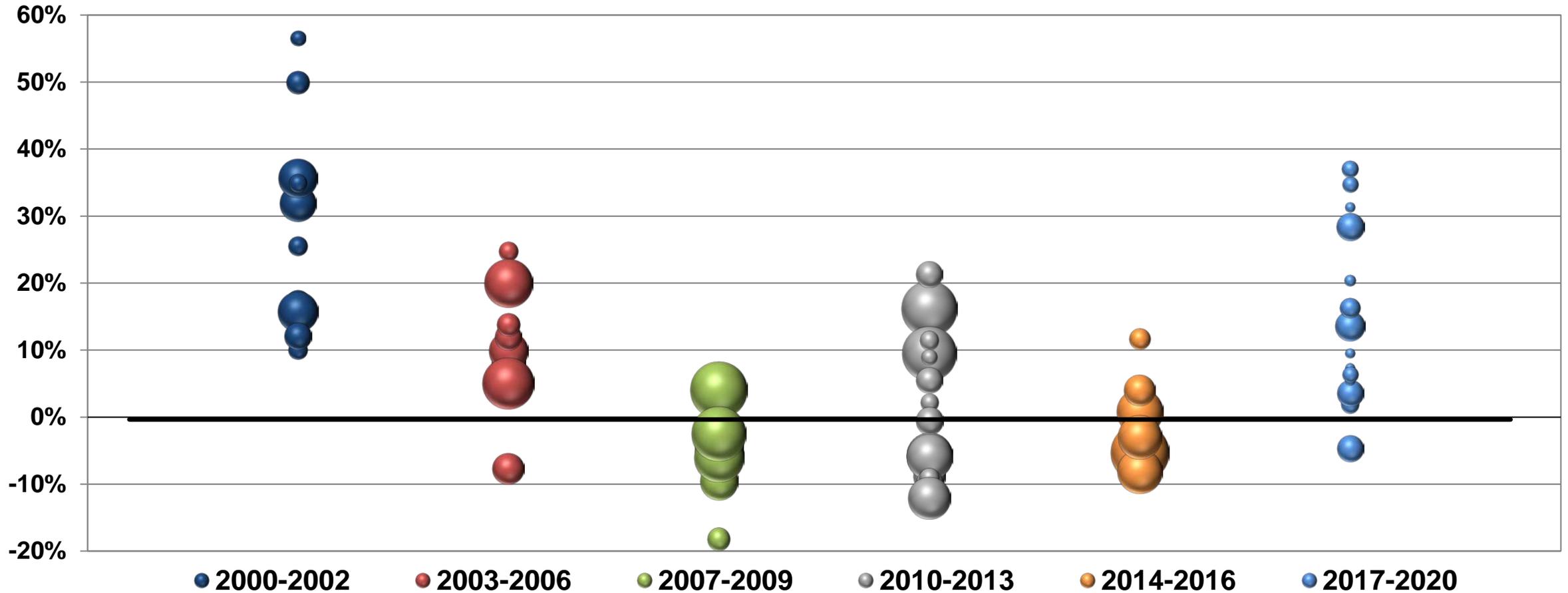
Market Leaders

Selected Rate Changes Over Time



Market Leaders

Indicated Rate Changes Over Time



Other Considerations

Other Considerations

- Oral Discussion

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