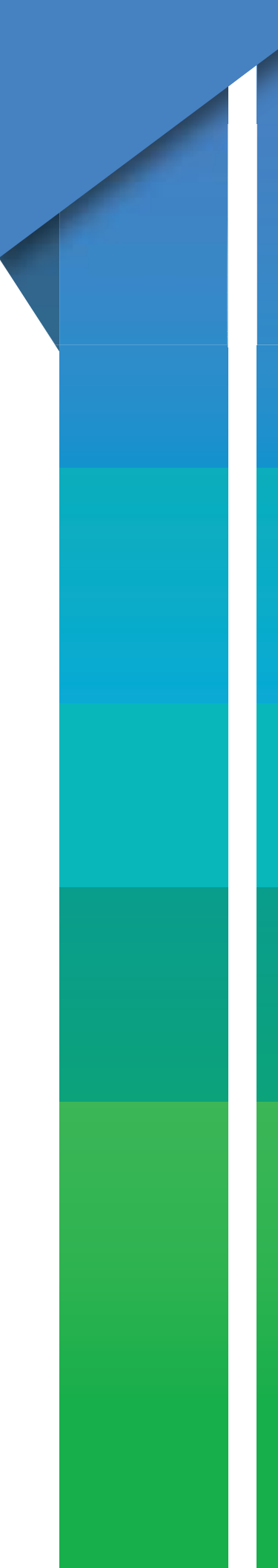




RESIDUAL MARKET MANAGEMENT SUMMARY 2016



Residual Market Management Summary is an annual publication of year-end workers compensation residual market financial and statistical information for the assigned risk plans and reinsurance pools for which the National Council on Compensation Insurance (NCCI) provides residual market services. ***Residual Market Management Summary*** is published by:

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The ***Residual Market Management Summary 2016*** is also available on **ncci.com**.

NCCI is a recognized leader and trusted source of information for workers compensation. We deliver insights, data, tools, and services to foster a healthy workers compensation system.

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To Our Readers:

NCCI's **Residual Market Management Summary 2016** is the best source for obtaining facts and figures about workers compensation residual market plans and reinsurance pools that are serviced by the National Council on Compensation Insurance (NCCI). This report and previous years' reports are available on our website, ncci.com.

For us, 2016 was another successful year based on all the key metrics used to evaluate the workers compensation residual markets managed by NCCI. This marks the fourth year in a row where the residual market premium, market share, and operating results have remained stable, which is a notable achievement given the potential for volatility in the residual markets.

The projected ultimate residual market written premium for Policy Year 2016 is \$1.1 billion. This is a small decrease—\$54 million—from 2015, and includes premium reported for the National Workers Compensation Reinsurance Pooling Mechanism, the New Mexico Workers' Compensation Assigned Risk Pool, Massachusetts Workers' Compensation Assigned Risk Pool, and Michigan Workers Compensation Placement Facility. The 2016 policy year premium estimate will change over the next few quarters as additional premiums and losses are reported by the assigned carriers. The residual market share of the overall workers compensation market is also down to 7.7% in 2016, due to the small decrease in residual market premium.

For all states combined, the operating results for 2016 are slightly worse than prior years but remain manageable. The 2016 results will also vary over the next few quarters as additional premium and losses are reported. Large losses played a significant part in the 2016 deficit. The \$71 million estimated 2016 deficit is only 0.5% of voluntary workers compensation premium and is not a significant drag on the system.

NCCI's customer satisfaction survey results show consistently high levels of approval from all residual market stakeholders. These results are driven by our dedicated staff, continuous improvement in our systems and processes, and transparent reporting on residual market operations on ncci.com. For example, in 2016 NCCI:

- Implemented an enhanced Servicing Carrier Selection Process within NCCI's **SCSOSSM Service**
- Completed a rewrite of the **Pool Uncollectible Premium System**
- Began a significant project to update NCCI's **RMAPS[®] Online Application Service**
- Continued research into residual market uncollectible premium issues

I am confident that these initiatives will continue to enhance residual market services. I am also grateful to the assigned carriers, state insurance regulators, and insurance producers who work with our NCCI staff to achieve these results.

After review of First Quarter 2017 information, barring any significant change in the workers compensation system, my expectation is that 2017 residual market premiums and market shares will remain at approximately the same level as that of 2016. These are key indicators that the workers compensation insurance market remains competitive and that the residual market is stable and manageable at this point in 2017.

Sincerely,

James R. Nau, CPCU, ARM, WCP,
General Manager, Residual Markets, NCCI

Where NCCI Provides Residual Market Services

NCCI provides many services for the residual market in 31 jurisdictions, including administration of NCCI's Workers Compensation Insurance Plan (WCIP), the National Workers Compensation Reinsurance Pooling Mechanism (NWCRP or National Pool), the New Mexico Workers' Compensation Assigned Risk Pool, and the Tennessee Reinsurance Mechanism (TRM). NCCI also provides financial, actuarial, and carrier oversight services for other reinsurance pools and customers. Other types of residual market services are also provided through contractual agreements. Below are the types of services provided in these states.

State	WCIP	NWCRP	Other Services	Comments
AK	x	x		
AL	x	x		
AR	x	x		
AZ	x	x		
CT	x	x		
DC	x	x		
DE		x	x	The Delaware Compensation Rating Bureau contracts with NCCI to provide certain Plan administration services.
GA	x	x		
IA	x	x		
ID	x	x		
IL	x	x		
IN			x	The Indiana Compensation Rating Bureau contracts with NCCI to provide certain Plan administration services.
KS	x	x		
MA			x	NCCI provides financial, actuarial, and carrier oversight services for the Massachusetts Workers' Compensation Assigned Risk Pool.
ME			x	NCCI provides limited financial services for the Maine Workers Compensation Residual Market Pool.
MI			x	NCCI provides financial, servicing carrier selection, carrier oversight, and actuarial services for the Michigan Workers' Compensation Placement Facility.
MO			x	NCCI is the appointed Aggregate Excess of Loss Reinsurance Administrator for this mechanism.
MS	x			
NC		x	x	The North Carolina Rating Bureau contracts with NCCI to provide certain Plan administration services.
NH	x	x		
NJ		x	x	NCCI provides certain Plan administration services to the New Jersey Compensation Rating & Inspection Bureau.
NM			x	The New Mexico Workers' Compensation Assigned Risk Pool contracts with NCCI to provide Plan and Pool administration services.
NV	x	x		
OR	x	x		
SC	x	x		
SD	x	x		
TN	x	x		NCCI's WCIP is applicable to residual market policies effective on or after July 1, 2015, with reinsurance provided through the NWCRP. NCCI is also the contracted Reinsurance Administrator for the Tennessee Reinsurance Mechanism, which provides reinsurance for the runoff of former TWCIP policies with effective dates ranging from January 1, 1998 through June 30, 2015.
VA	x	x		
VT	x	x		
WI			x	NCCI provides carrier oversight services for the Wisconsin Worker's Compensation Insurance Pool.
WV	x	x		

Overview—Plan and Pool Administration Highlights

Plan Administration

NCCI and the assigned carriers have successfully managed the residual market during the last year. To put some of these results into perspective, here is a sampling of the overall application processing performance statistics from 2016:

- Number of applications received = 123,487
- Number of applications bound = 84,428
- Percentage of applications submitted online nationally = 99.6%, exceeding our goal of 98%
- Average processing time for online applications = 3.6 days
- Average processing time for mail-in applications = 4.9 days
- Other:
 - 208,517 calls were fielded; calls increased by 17%
 - Producer workshops were held in five states: AL, AR, GA, FL, and IL

NCCI provides application processing, servicing carrier selection, and oversight and/or administrative services for its Workers Compensation Insurance Plans (WCIPs or Plans). NCCI provides these services for the assigned risk plans in 22 jurisdictions.

2017 Residual Market Assigned Carrier Conference

The annual **Assigned Carrier Conference** was held on February 8–10, 2017. The conference was a success based on attendance and an overall satisfaction rating of 9.37 out of 10.

Attendance at the conference is a requirement for becoming a servicing carrier or direct assignment carrier. The conference addressed a variety of topics including:

- Application Trends
- Actuarial Perspective
- Current Trends in Cybersecurity
- Key Issues Facing the States

- Residual Market Trends
- Servicing Carrier Selection Process
- Status of the Residual Market

Please refer to ncci.com for the dates of next year's conference.

For more information on the **Assigned Carrier Conference**, contact Chantel Weishaar at 561-893-3015 or chantel_weishaar@ncci.com.

Voluntary Coverage Assistance Program

NCCI's Voluntary Coverage Assistance Program, **VCAP[®] Service**, applies to employers seeking coverage in the Workers Compensation Insurance Plans (WCIPs) administered by NCCI, and operates as a supplemental program to NCCI's residual market application processing system, **RMAPS[®] Online Application Service**.

Developed as a depopulation tool, **VCAP[®] Service** helps producers and employers find voluntary workers compensation coverage as a last-chance effort prior to entering the residual market. **VCAP[®] Service** applies in AK, AL, AR, AZ, CT, DC, GA, ID, IL, KS, MS, NH, NM, NV, OR, SC, SD, TN, VT, and WV.

Operating results for 2016 include the following:

- **VCAP[®] Service** redirected more than \$7.4 million in premium from the residual market to the voluntary market
- An approximate savings of \$1,076,915 on 1,406 confirmed policies—or \$766 per employer—was achieved, equaling a 15% savings per policy to the employer

For more information on **VCAP[®] Service**, contact Chantel Weishaar at 561-893-3015 or chantel_weishaar@ncci.com.

Filings and Manuals

Critical residual market rules are located in Rule 4 of NCCI's **Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)**. These NCCI rules include:

- Rule 4-A—Workers Compensation Insurance Plan (WCIP)
- Rule 4-B—Professional Employer Organization (PEO) Arrangements
- Rule 4-C—Loss Sensitive Rating Plan

- Rule 4-D—Voluntary Coverage Assistance Program (**VCAP[®] Service**)
- Rule 4-E—Assigned Risk Adjustment Program (ARAP)
- Rule 4-F—**Take-Out Credit Program**
- Rule 4-G—Available Coverages
- Rule 4-H—Producer Fees
- Rule 4-I—Initial or Deposit Premium and Premium Installments
- Elimination of Anniversary Rating Date (ARD) (effective May 1, 2017)
- Establishment of **Basic Manual** Appendix G—Dispute Resolution Process (effective July 1, 2017)
- Illinois Employee Leasing Arrangements/ PEO Arrangements (effective January 1, 2017)

For more information on residual market filings and manuals, contact Althea Keen at 561-893-3618 or althea_keen@ncci.com.

NCCI continues to monitor the residual market to determine future Plan enhancements. In 2016, NCCI worked on several filings that will impact the residual market including:

NCCI Take-Out Credit Programs

State	Calendar Year Credits					
	2014		2015		2016	
	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)
Alabama	226	2,338,136	203	2,256,851	207	3,229,280
Alaska	1,103	9,054,979	1,278	11,208,985	1,352	10,519,081
Arizona	405	8,182,025	975	12,535,201	1,628	16,211,185
Arkansas	819	5,459,180	970	8,078,125	1,150	8,696,501
Connecticut	1,039	9,980,809	1,040	12,600,687	1,247	13,490,270
District of Columbia	217	1,055,610	210	1,956,255	265	2,132,622
Georgia	1,004	15,432,361	1,219	19,311,961	1,405	21,973,384
Illinois	2,527	30,777,092	2,801	41,059,056	3,374	39,380,307
Iowa	845	9,664,798	944	11,374,715	976	11,052,347
Kansas	1,424	10,383,455	1,700	14,642,633	1,918	13,042,765
Mississippi	353	4,514,754	499	5,536,533	653	6,741,097
New Hampshire	757	4,238,551	709	6,533,126	875	6,905,655
New Mexico	290	4,618,912	333	4,534,443	417	4,095,533
Oregon	2,215	10,115,403	2,237	12,407,676	2,435	15,853,214
South Carolina	775	5,847,647	917	6,914,072	1,066	6,950,497
South Dakota	349	4,794,867	405	5,758,090	464	5,040,654
Tennessee			186	2,963,666	686	9,150,502
Vermont	743	3,070,374	663	4,403,884	718	5,550,569
Virginia	1,481	9,348,499	1,471	13,498,179	1,793	17,114,197
West Virginia	263	2,319,148	413	4,286,750	568	5,036,319
Totals	16,835	151,196,600	19,173	201,860,888	23,197	222,166,006

Take-Out Credit Program Update

NCCI's **Take-Out Credit (TOC) Program** encourages the depopulation of the residual market. This is achieved by providing a credit incentive to participating Plan insurers for the removal of an employer from the residual market and replacement of coverage with a voluntary market policy. Credits are applied that reduce the amount of premium used in calculating the coverage provider's reinsurance pooling mechanism participation base or direct assignment carrier quota in a given state.

In 2016, more than \$222 million in credits were earned for policies removed from the residual market and placed in the voluntary market. This represents a 10% increase in credits earned over the previous year. These credits were derived from 23,197 policies and \$193 million in qualifying premium.

In conjunction with its becoming the Plan Administrator for the state of Tennessee, effective July 1, 2015, NCCI filed and implemented the **TOC Program** as a depopulation tool for that state. As a result, the table above reflects 2015 and 2016 calendar year credits in Tennessee, with no such data in earlier years.

TOC Program rules and criteria are included in NCCI's **Basic Manual** Rule 4-F. Please email ncci_toc_admin@ncci.com with any questions.

Pool Administration

NCCI provides accounting, actuarial, management, and administrative services for various reinsurance pooling mechanisms. During 2016, these pooling mechanisms provided reinsurance for the assigned risk plans in 27 jurisdictions, with 23 of these state plans being reinsured through the National Workers Compensation Reinsurance Association's (NWCRA) quota share reinsurance pooling mechanism.

The NWCRA is responsible for all policymaking and oversight functions for the National Workers Compensation Reinsurance Pooling Mechanism (National Pool). The National Pool operates pursuant to the NWCRA Bylaws and quota share reinsurance agreements, under the direction of the NWCRA Board of Directors. The NWCRA contracts with NCCI for the provision of administrative and operational services.

Reinsurance Pools Results and Information

NCCI's **Reinsurance Pools Results and Information (RPRI)** system on **ncci.com** provides Pool participants with the ability to view Pool-related data and download reports into Microsoft® Excel spreadsheets or PDFs.

RPRI contains reports and information for which NCCI acts as Pool Administrator or is contracted to provide financial reporting services. The Pools contained in **RPRI** are:

- National Workers Compensation Reinsurance Pooling Mechanism
- Massachusetts Workers' Compensation Assigned Risk Pool
- Michigan Workers' Compensation Placement Facility
- New Mexico Workers' Compensation Assigned Risk Pool
- Tennessee Reinsurance Mechanism

Pool participants can access their own operating results on an individual carrier level, group level, or aggregate level, as well as invoices and distribution notices, accident year data, and the Quarterly Summary of Operating Results circular.

RPRI also provides Pool participants with premium Call data, displaying components for written premium and premium credits used in the calculation of each participating company's voluntary premium writings for the determination of quota share percentages. The premium ratio report provides data by state, year, industry premium totals, carrier premium totals, and the participation ratios (quota share). Other available information includes commutations and insolvencies, salvage and subrogation, and working fund advances.

Additional reports accessible to Pool participants through **RPRI** are Audited Financial Statements of the Pools, Pool Reserving Committee Meeting Agendas and Minutes, and the Annual Actuarial Report on Pool Reserves, along with the Statements of Actuarial Opinion. Also, the report on the reserve liabilities by state and policy year related to the participation of insolvent companies, as referenced in the Quarterly Summary of Operating Results circular, can be accessed, as well as a variance analysis tool that allows two quarters of comparison of carrier operating results by state and policy year.

Pool participants can sign up for emails that notify them when results become available on **ncci.com** and when invoices and distribution notices are due. Remittance information is also provided on **RPRI**.

For more information on **RPRI**, contact Andy Kondoleon at 561-893-3014 or andy_kondoleon@ncci.com.

To obtain access to **RPRI**, contact our Customer Service Center at 800-NCCI-123 (800-622-4123).

Pool Quota Share Allocation Method

The reinsurance pooling mechanisms serviced by NCCI are a collection of state-specific quota share reinsurance agreements, with each participating company being responsible, on an assumed reinsurance basis, for the actual financial results of the residual market policies reinsured through these various pooling mechanisms.

Each state and policy year represents a separate quota share reinsurance agreement. Each participating company's quota share is based on its voluntary market share of direct workers compensation written premium (Annual Statement Statutory Page 14 basis) in each state during the calendar year corresponding to each policy year (e.g., Policy Year 2016 allocations based on Calendar Year 2016 market shares).

These reinsurance agreements are similar to quota share reinsurance agreements in the voluntary market, with the participating reinsurers continuing to receive assumption reports for their respective share of the reinsured activity until such time as all claims are closed. Until that time, the results that are reinsured by the participating companies are subject to change as a result of loss development and the incurring of contractual administrative and other expenses.

Allocations and distributions of operating results are made on a quarterly basis, approximately 75 days following the last day of each calendar quarter, representing assumed reinsurance transactions for participating companies in these reinsurance pooling mechanisms.

Pool Data Online

Servicing carriers for the NCCI-serviced reinsurance pooling mechanisms can use **Pool Data Online (PDO)** at ncci.com to electronically report residual market data such as:

- Electronic Transmittal Record (NP-1) data
- Financial Summary (NP-4) data
- Expanded Financial (NPX) data
- Large Loss Claims (LGL) data

Pool Data Online allows users to search, validate, import, create, view, and correct Pool data prior to each quarter's reporting due date. This tool provides a view of NP-4 Financial Summary Data by Policy Year and the ability to generate an error report.

Data Manager Dashboard (DMD) provides individual servicing carrier users with the ability to monitor the quality and timeliness of their Pool data submissions by:

- Tracking when data is received in relation to the due date
- Monitoring the Error Status of NP-1, NP-4, NPX, and LGL submissions
- Comparing and trending the volume of errors received from quarter to quarter
- Identifying the top five edits for NP-1, NP-4, NPX, and LGL quarterly reporting

If you have any questions, contact NCCI's Customer Service Center at 800-NCCI-123 (800-622-4123).

Pool Data Reporting Guidebook

NCCI's **Pool Data Reporting Guidebook** provides the rules and requirements for servicing carrier reporting of residual market Pool data to NCCI. It contains coding values, record layouts, and reporting examples. The guidebook complements the compliance requirements in NCCI's **Servicing Carrier Reference Guide** and provides a more efficient and effective data reporting resource for servicing carriers. You can access the **Pool Data Reporting Guidebook** from NCCI's electronic **Manuals Library** on ncci.com.

For more information on the **Pool Data Reporting Guidebook**, contact NCCI's Customer Service Center at 800-NCCI-123 (800-622-4123).

Pool Uncollectible Premium System

NCCI's **Pool Uncollectible Premium System (PUPS)** is used by servicing carriers to submit uncollectible premium (NP-8 Data) to the reinsurance pooling mechanisms. Servicing carriers submit this data electronically using the NP-8 Record Layout or the online **PUPS** tool at ncci.com.

PUPS was rewritten in 2016, and while the new system's core functionality remains the same, there are some enhancements:

- Online NP-8 creation abilities for non-NCCI states
- LSRP or Retro Transaction Reporting for National Pool States
- New and enhanced reports
- Overall updated look and feel

For more information about **PUPS**, contact Mary Ordoyne at 561-893-3007 or mary_ordoyne@ncci.com.

Residual Market Results

As shown in Exhibit A, Policy Year 2016 ultimate written premium for all reinsurance pooling mechanisms serviced by NCCI is projected to be \$1.092 billion, representing a 4.6% decrease in premium volume from the projected levels of \$1.145 billion for Policy Years 2014 and 2015.

After peaking at \$1.5 billion in 2004, the residual market premium volume trended steadily downward in Policy Years 2006 through 2010, with a 20% average year-over-year decrease during this period. The Policy Year 2011 premium volume of \$511 million, which represented a 12% increase over Policy Year 2010, broke this declining premium trend, and the premium growth continued in subsequent policy years. However, premium volume appears to have stabilized in the four most recent policy years.

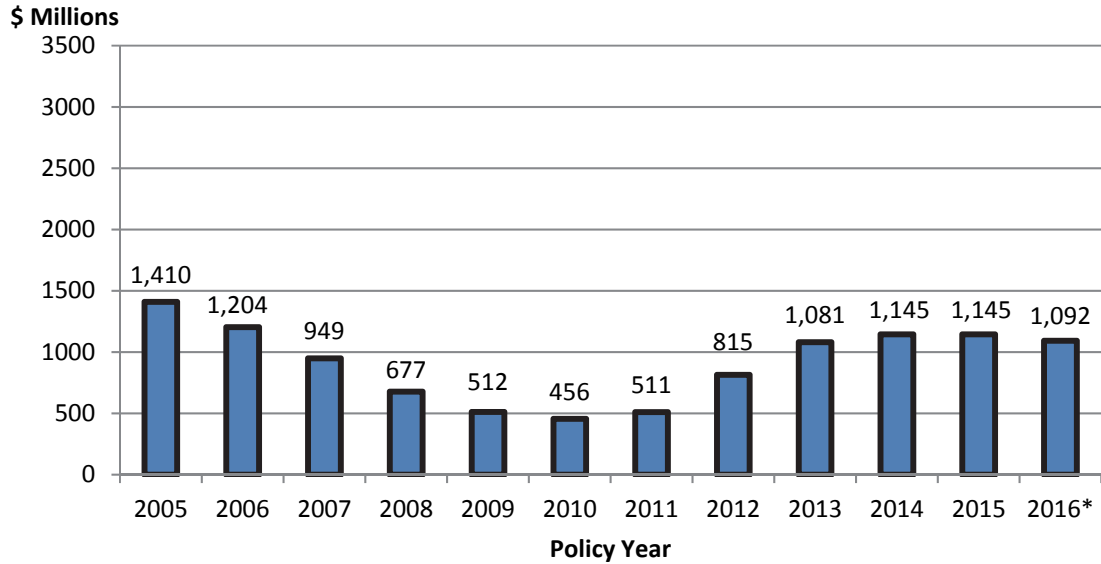
These premium volumes and year-over-year changes include the effect of new policies, renewals, cancellations, nonrenewals, and premium-level changes. Estimates of “true growth” in residual market premium volume, which consider various economic factors and market conditions, are discussed separately in a later section of this report.

NCCI is projecting a residual market operating loss of \$71 million for Policy Year 2016 (see Exhibit B) activity reinsured through these reinsurance pooling mechanisms. This is equivalent to a combined ratio of 106% (see Exhibit C). As reflected in Exhibit D, the residual market share of the total market direct written premium decreased to 6.1% for Calendar Year 2016, down from 6.3% for Calendar Year 2015, and 6.8% for Calendar Year 2014—for NCCI Plan-administered states.

Exhibit A

Written Premium#

All Pools Serviced by NCCI, as of December 31, 2016



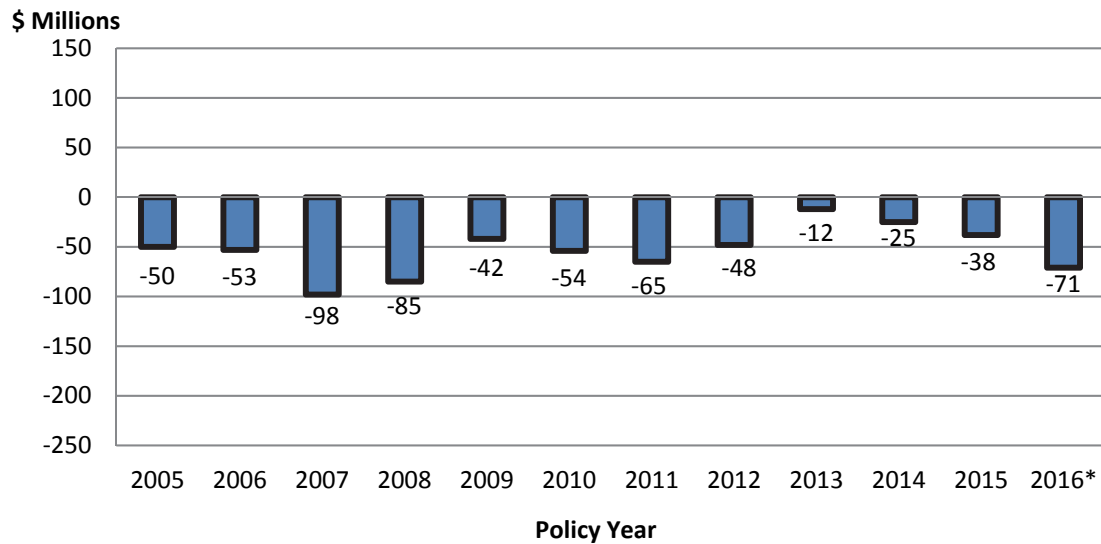
Projected to Ultimate; Tennessee Reinsurance Mechanism premium is not included.

* Incomplete Policy Year

Exhibit B

Operating Gain/Loss#

All Pools Serviced by NCCI, as of December 31, 2016



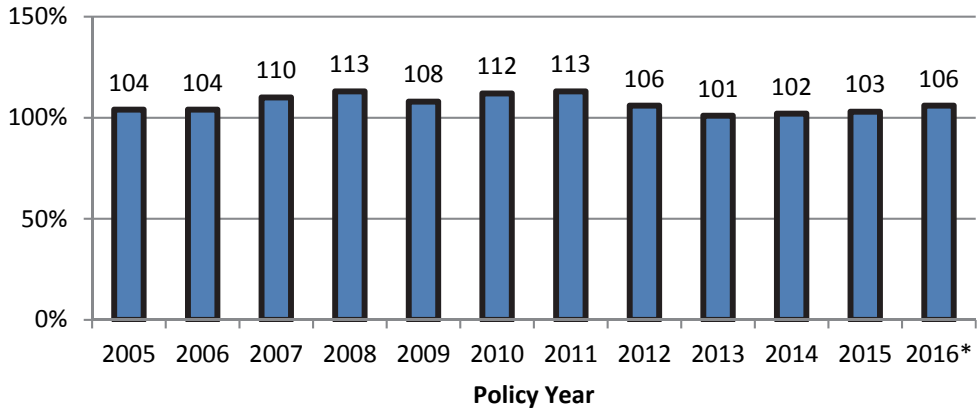
Projected to Ultimate; Tennessee Reinsurance Mechanism experience is not included in the operating results.

* Incomplete Policy Year

Exhibit C

Combined Ratio#

All Pools Serviced by NCCI, as of December 31, 2016



Projected to Ultimate; Tennessee Reinsurance Mechanism experience is not included in the combined ratios.

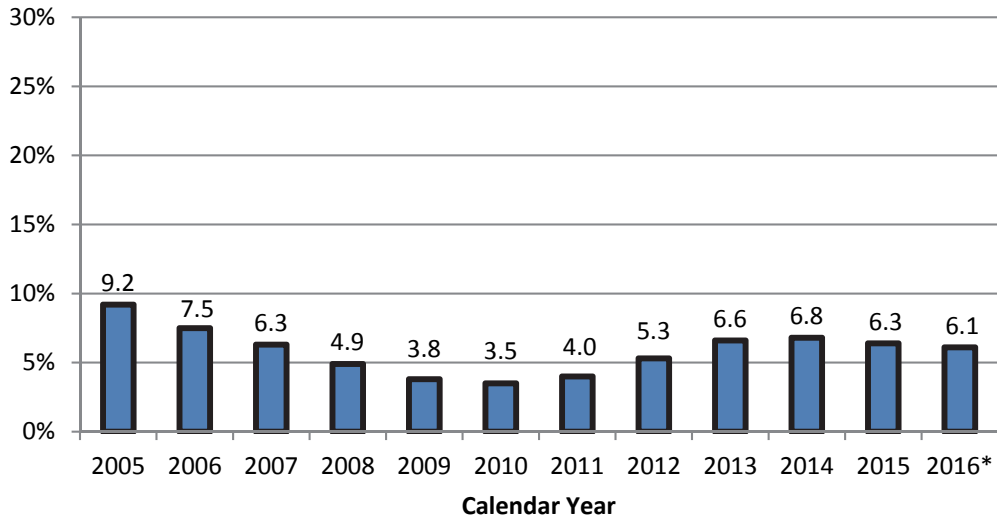
* Incomplete Policy Year

Exhibit D

Residual Market Share

NCCI Plan States (Includes Direct Assignments)

Plan Premium as a Percentage of Direct Written Premium



* Preliminary

Servicing Carrier Oversight Process

NCCI uses a comprehensive oversight program composed of four components to ensure that the servicing carriers are fulfilling their obligations to the Plans and Pools. This program ensures that the assigned carriers are on track to meet performance expectations from the moment they begin writing policies and servicing claims. NCCI manages the oversight program using the following four components:

- Visitations
- Servicing Carrier Operations Reporting (SCOR)
- Self-Audits
- On-Site Audits

Visitations—A visitation is conducted early in the process of underwriting policies and managing claims to provide a servicing carrier with a high-level synopsis of how it is handling the residual market business per NCCI's **Assigned Carrier Performance Standards (ACPS)**. NCCI reviews company procedures through internal control questionnaires and reviews a limited number of policies and claims to determine compliance with established standards of performance and any applicable bid enhancements.

The visitation is an opportunity to partner with the servicing carrier to help set expectations, review exceptions to the standard rules, and ensure that the carrier is on track by reviewing a small sampling of files and walking through company procedures. Visitations are completed during the first calendar year that a servicing carrier begins writing business in a state.

The visitation applies to new servicing carriers or existing servicing carriers that are writing new business because of selection through NCCI's servicing carrier selection process. Results from the visitation are provided to the servicing carrier for informational purposes only.

SCOR—Servicing Carrier Operations Reporting (SCOR) is a program in which the National Pool servicing carriers submit aggregate data in key areas of performance on a quarterly or semiannual basis. The program ensures that servicing carriers are continuously meeting

the **ACPS** and can immediately address any deficient areas of performance instead of waiting for an annual self-audit or an on-site audit to take place.

Detailed reporting is required of new servicing carriers, those in run-off, or those servicing certain states. All other carriers submit a summary form, reporting only changes in procedures, staffing, or processing.

If a servicing carrier scores 10 or more percentage points below the established compliance threshold for any individual attribute, a corrective action plan must be submitted. As of December 31, 2016, six servicing carriers reported detailed SCOR results. Exhibit E indicates the number of data elements rated, most of which are rated at or above a "Satisfactory" level.

Self-Audits—The self-audit process is a Web-based application in which randomly selected policies and claims are reviewed. The carrier is required to respond to a series of standardized questions for each of the selected policies and claims. Carrier ratings are then determined for key attributes, which are specific areas of performance linked to individual performance standards as outlined in the established **ACPS**. The carrier is required to submit a corrective action plan for any attributes rated less than "Satisfactory."

NCCI uses the self-audit process to determine a level of compliance with established standards of performance and applicable bid enhancements during the years in which an on-site audit is not conducted. It is applicable to all active and first-year run-off servicing carriers.

NCCI then verifies a sampling of the servicing carrier's self-audit responses during the next on-site audit.

Exhibit F shows the overall ratings, which summarize all key attribute ratings for six National Pool servicing carrier self-audits in 2016. These ratings are used in the scoring of future servicing carrier bids.

On-Site Audits—On-site audits encompass a full-scope review of policies and claims handled by servicing carriers for various attributes outlined in NCCI's established **ACPS** and any applicable bid enhancements.

The on-site audit program consists of two separate reviews. The **Operational Performance Review** ties results from underwriting, audit, loss prevention, claims, and billing directly to information contained in the policy and/or claim file to the **ACPS**. The NCCI Operational Performance Review measures both accuracy and timeliness on all performance standards.

The Reporting Requirements and Processing Procedures Review focuses on:

- Accurate calculation and reporting of financial transactions to the appropriate reinsurance pooling mechanism
- Timely and accurate reporting of data to the Plan and Pool Administrators
- Adequacy of processing procedures and controls for handling assigned risk policies and claims

Ratings are provided and utilized as part of the scoring of future servicing carrier bids. The overall ratings for the six National Pool servicing carriers' on-site audits conducted in 2016 are shown in Exhibit F.

Corrective programs that may result from the on-site audit process are:

- **Quantifications**—Quantifications result from NCCI's review of Pool-reported financial transactions. If a servicing carrier has misreported transactions to the Pool, then NCCI works with the carrier to identify the issue, address the cause of misreporting, and correct the reporting to the Pool.

Nine quantifications were completed during 2016, resulting in \$167,365 in financial adjustments. Refer to Exhibit G for a four-year summary of quantification results.

- **Self-Assessments**—The self-assessment process requires that the servicing carrier provide the status of the corrective actions resulting from the recommendations made during the on-site audit. This occurs about nine months after the on-site audit has concluded. NCCI reviews the servicing carrier's self-assessment to ensure that the carrier has shown sufficient evidence that it has corrected the issue.

- **Remediation**—The remediation program is a two-tiered performance management initiative that provides a progressive discipline for servicing carriers that have not demonstrated adequate performance for either the self-audit or the on-site audit. Servicing carriers not performing satisfactorily are required to have additional levels of reporting, oversight, and/or financial penalties imposed.

The remediation program is divided into two tiers:

- Tier One remediation is implemented when a servicing carrier performs less than satisfactorily in certain ratable attributes, which are specific areas of performance linked to individual performance standards
- Tier Two remediation is implemented when a servicing carrier scores less than satisfactorily on an overall aggregate basis

In specific situations, NCCI may conduct a re-audit, reduce a servicing carrier's quota, or terminate the servicing carrier's contract to write policies. In addition, the servicing carrier may lose its certification, thereby making it ineligible to qualify to bid until its performance is brought up to acceptable levels.

No National Pool carriers were assessed for either Tier One or Tier Two remediation in 2016. Refer to Exhibit H for a three-year summary of On-Site and Self-Audit Tier One remediation penalties.

Exhibit E

SCOR Results—National Pool

Data Elements Rated Below Satisfactory	Number of Carriers											
	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
0	7	5	5	5	6	5	6	5	5	6	5	5
1	0	0	1	0	0	1	0	1	1	0	1	1
2	0	0	0	1	0	0	0	0	0	0	0	0
3 or more	0	0	0	0	0	0	0	0	0	0	0	0

Exhibit F

Servicing Carrier Overall Ratings—National Pool

2016 Self-Audit Overall Ratings	Commendable	Satisfactory	Marginal	Unsatisfactory
Underwriting, Premium Audit, and Loss Prevention Performance Standards	5	1	0	0
Claims Performance Standards	5	1	0	0
2016 On-Site Audit Overall Ratings				
Reporting Requirements and Procedures	N/A	6	0	0
Underwriting, Premium Audit, and Loss Prevention Performance Standards	1	0	0	0
Claims Performance Standards	5	1	0	0

Exhibit G

On-Site Audit Financial Quantifications—National Pool

Year	Financial Adjustment Pool/(Carrier) (\$)
2013	435,199
2014	40,064
2015	13,188
2016	167,365
Total	655,816

Exhibit H

Tier One Remediation Penalties—National Pool

	2016	2015	2014
On-Site Audit			
Number of Carriers	0	2	2
Amount	\$0	\$2,000	\$27,600
Self-Audit			
Number of Carriers	0	1	0
Amount	\$0	\$80,000	\$0
Total	\$0	\$82,000	\$27,600

Servicing Carrier Audit Initiatives

The Carrier Audit Services Department continuously evaluates the processes for the four audit components: visitations, SCOR (Servicing Carrier Operations Reporting), self-audits, and on-site audits.

Initiatives in 2016 Included:

- Creation of new audit programs and internal control questions for serious claims testing. Serious claims testing will begin in 2017
- Remote audits conducted using a secure and authorized connection to the servicing carriers' networks and systems while still completing a quality review of the servicing carriers' policies and claims
- Improvements to the electronic work papers and summarization engines that are now included in the **Carrier Audit Program (CAP)**
- Complete three-year review and overhaul of all audit programs, electronic work papers, and internal control questionnaires utilized as part of the on-site and remote audit process
- Updates to **CAP** to add a new Self-Audit program for the Indiana servicing carriers

Financial and Actuarial Results for 2016

Comparative financial analyses and operating results for all Pools serviced by NCCI are shown in Exhibits I through L. The 2016 calendar year results for the reinsurance pools administered by NCCI reflect net operating gains for the National Workers' Compensation Reinsurance Pool, the Michigan Workers' Compensation Placement Facility, the New Mexico Workers' Compensation Assigned Risk Pool, and the Massachusetts Workers' Compensation Assigned Risk Pool (see Exhibits M through P).

The combined net operating gain for all pools managed by NCCI was approximately \$171 million in Calendar Year 2016 compared with the net operating gain of \$293 million for Calendar Year 2015.

- National Pool results reflect an operating gain of \$131 million compared with an operating gain of \$252 million in the prior year (Exhibit M)
- Massachusetts Pool results reflect an operating gain of \$8 million compared with a loss of \$6 million in the prior year (Exhibit N)
- Michigan Pool results reflect an operating gain of \$25 million compared with a gain of \$34 million in the prior year (Exhibit O)
- New Mexico Pool's results reflect an operating gain of \$7 million, compared with an operating gain of \$13 million in the prior year (Exhibit P)

Comparative Calendar Years Financial Analysis

Exhibit I

All Pools Serviced by NCCI—Calendar Years 2016 and 2015 (\$000s)

	Calendar Year 2016 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2016 (\$)	2015 (\$)
Premiums Written	278,346	300,792	258,787	259,973	1,097,898	1,170,721
Premiums Earned	274,160	300,419	269,436	277,386	1,121,401	1,161,220
Incurred Losses	168,652	195,811	48,023	177,404	589,890	480,926
Loss Ratio (%)	61.5	65.2	17.8	64.0	52.6	41.4
Paid Losses	168,393	191,075	190,239	184,342	734,049	684,343
ALAE for Black Lung	710	946	1,202	939	3,797	2,765
Servicing Carrier Allowance	70,437	76,824	61,920	63,052	272,233	303,322
Producer Fees	10,580	11,210	10,266	10,757	42,813	43,346
Administrative Expenses	3,205	3,733	3,285	3,526	13,749	13,396
Other Expenses	6,405	6,797	8,030	10,447	31,679	27,254
Net Underwriting Gain (Loss)	14,881	6,044	137,912	12,200	171,037	292,976
Investment Income	8	—	49	1	58	9
Net Operating Gain (Loss)	14,889	6,044	137,961	12,201	171,095	292,985
EBNR Premium Reserves	(28,630)	(17,046)	(8,609)	(18,430)	(18,430)	(14,884)
Loss Ratio With EBNR (%)	64.8	62.8	17.3	66.3	52.8	41.5
Unearned Premiums	354,558	354,931	344,281	326,869	326,869	350,372
Outstanding Losses	3,195,908	3,186,529	3,175,136	3,152,395	3,152,395	3,175,530
IBNR	2,465,180	2,479,295	2,348,473	2,364,276	2,364,276	2,485,301
Cash Flow	19,334	11,153	(14,904)	(12,150)	3,433	99,069
Uncollectible Premiums	20,214	18,201	18,917	20,067	77,399	59,913

Exhibit J

All Pools Serviced by NCCI—Calendar Years 2015 and 2014 (\$000s)

	Calendar Year 2015 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2015 (\$)	2014 (\$)
Premiums Written	286,305	295,455	295,691	293,270	1,170,721	1,147,434
Premiums Earned	285,522	290,167	284,940	300,591	1,161,220	1,121,252
Incurred Losses	161,035	194,816	(67,188)	192,263	480,926	730,183
Loss Ratio (%)	56.4	67.1	(23.6)	64.0	41.4	65.1
Paid Losses	164,986	173,064	174,682	171,611	684,343	699,834
Loss Adjustment Expenses for Black Lung	593	684	785	703	2,765	2,815
Servicing Carrier Allowance	74,672	77,429	78,589	72,632	303,322	296,031
Producer Fees	10,363	10,875	11,282	10,826	43,346	43,310
Administrative Expenses	3,195	3,454	3,346	3,401	13,396	12,594
Other Expenses	6,128	4,668	11,421	5,037	27,254	28,606
Net Underwriting Gain (Loss)	30,129	(1,075)	247,490	16,432	292,976	10,528
Investment Income	1	5	3	—	9	23
Net Operating Gain (Loss)	30,130	(1,070)	247,493	16,432	292,985	10,551
EBNR Premium Reserves	(26,101)	(15,561)	(7,829)	(14,884)	(14,884)	(12,663)
Loss Ratio With EBNR (%)	59.2	64.8	(23.0)	65.5	41.5	65.5
Unearned Premiums	341,653	346,940	357,692	350,372	350,372	340,870
Outstanding Losses	3,152,449	3,132,454	3,136,046	3,175,530	3,175,530	3,142,374
IBNR	2,707,846	2,749,594	2,504,132	2,485,301	2,485,301	2,721,873
Cash Flow	26,962	25,970	16,374	29,763	99,069	67,082
Uncollectible Premiums	14,160	24,025	12,735	8,993	59,913	55,473

Exhibit K

Comparative Policy Years Financial Analysis

All Pools Serviced by NCCI—Policy Years 2016 and 2015 (\$000s)

	Policy Year (PY) 2016 Quarterly Results				At December 31, 2016	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	PY 2016 (\$)	PY 2015 (\$)
Premiums Written	184,259	251,029	249,186	257,883	942,357	1,170,994
Premiums Earned	44,957	129,767	189,229	251,535	615,488	1,170,994
Incurred Losses	33,415	103,531	145,150	182,760	464,856	817,816
Loss Ratio (%)	74.3	79.8	76.7	72.7	75.5	69.8
Paid Losses	936	11,447	20,095	36,919	69,397	279,920
Net Expenses	56,070	74,353	71,427	73,647	275,497	358,329
Net Operating Gain (Loss)	(44,528)	(48,117)	(27,348)	(4,872)	(124,865)	(5,151)
EBNR Premium Reserves	—	—	—	—	—	(18,430)
Loss Ratio With EBNR (%)	74.3	79.8	76.7	72.7	75.5	71.0
Unearned Premiums	139,302	260,564	320,520	326,869	326,869	—
Outstanding Losses	7,575	41,968	92,248	143,991	143,991	250,818
IBNR	24,904	82,595	157,370	251,468	251,468	287,077
Cash Flow	127,253	165,229	157,664	147,317	597,463	532,745
Uncollectible Premiums	—	33	327	2,399	2,759	43,167

Exhibit L

Combined Calendar Years Operating Results

All Pools Serviced by NCCI—Calendar Years 2007–2016 (\$000s)

Calendar Year	Written Premium (%)	Increase (Decrease) Previous Year (%)	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
2016	1,097,898	(6.2)	1,121,401	589,890	52.6	171,095
2015	1,170,721	2.0	1,161,220	480,926	41.4	292,985
2014	1,147,434	7.8	1,121,252	730,183	65.1	10,551
2013	1,064,293	39.8	990,445	708,843	71.6	(67,367)
2012	761,541	59.5	681,977	448,494	65.8	(35,957)
2011	477,418	13.1	455,894	303,871	66.7	(58,263)
2010	422,218	(13.7)	446,613	462,126	103.5	(218,189)
2009	489,074	(34.7)	540,683	286,211	52.9	25,685
2008	748,762	(25.2)	817,820	443,504	54.2	71,086
2007	1,001,301	(20.2)	1,071,125	848,284	79.2	(144,525)

Individual Pools Calendar Year Operating Results

Quarterly Comparison for Calendar Year 2016; Annual Comparison for Calendar Years 2016 and 2015 (\$000s)

Exhibit M

National Workers' Compensation Reinsurance Pooling Mechanism*

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2016	221,312	142,197	64.3	5,484
2nd Quarter 2016	249,913	167,595	67.1	365
3rd Quarter 2016	217,719	32,414	14.9	118,980
4th Quarter 2016	226,070	149,332	66.1	5,671
Calendar Year 2016	915,014	491,538	53.7	130,500
Calendar Year 2015	952,533	384,865	40.4	252,096

* Includes inactive pools merged with National Pool effective January 1, 1997.

Exhibit N

Massachusetts Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2016	31,717	20,304	64.0	1,720
2nd Quarter 2016	30,499	17,597	57.7	2,975
3rd Quarter 2016	30,237	16,881	55.8	3,004
4th Quarter 2016	33,901	23,336	68.8	699
Calendar Year 2016	126,354	78,118	61.8	8,398
Calendar Year 2015	117,629	83,386	70.9	(5,828)

Exhibit O

Michigan Workers' Compensation Placement Facility

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2016	17,188	4,879	28.4	6,860
2nd Quarter 2016	17,199	9,652	56.1	2,118
3rd Quarter 2016	17,571	674	3.8	11,706
4th Quarter 2016	14,566	4,477	30.7	4,606
Calendar Year 2016	66,524	19,682	29.6	25,290
Calendar Year 2015	73,877	15,610	21.1	34,008

Exhibit P

New Mexico Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2016	3,943	1,272	32.3	826
2nd Quarter 2016	2,807	968	34.5	587
3rd Quarter 2016	3,910	(1,946)	(49.8)	4,272
4th Quarter 2016	2,848	259	9.1	1,225
Calendar Year 2016	13,508	553	4.1	6,910
Calendar Year 2015	17,182	(2,934)	(17.1)	12,707

Premium Volume and True Growth

Pool premium volume changes are only part of the picture when measuring residual market growth from year to year. True residual market growth compares pool premium for the current and prior policy years at the same level of maturity (measured in quarters) and then adjusts for shifts in direct assignment volume, the impacts of premium level changes, and wage growth.

NCCI's latest projections of adjusted premium volume changes indicate a 7% decrease from Policy Year 2015 to Policy Year 2016. This amount differs from the pool premium volume decrease of 5% shown in Exhibit A due to the adjustments described above.

Reserving

Reserving methodologies and indications are reviewed each quarter by NCCI. In addition, Pool Reserving Committees, composed of six insurance company actuaries, perform a quarterly peer review of NCCI methodologies and reserve recommendations for the reinsurance pools serviced by NCCI. These recommendations are then reviewed by the applicable Pool Board and/or Pool Administrators for final acceptance.

For carrier annual statement purposes, NCCI's chief actuary issues a Statement of Actuarial Opinion on pool reserves. This certification encompasses all states with active pools serviced by NCCI, as well as all states within the National Pool.

The Policy Year 2016 combined ratio estimate for "All Pools" serviced by NCCI is 106%, which is slightly above the current estimate of Policy Year 2015 (see Exhibit C).

NCCI uses generally accepted actuarial standards of practice to book the respective pools' loss reserves and believes that current reserve levels are adequate. However, estimates for "incomplete" policy years are likely to change as they mature.

NCCI calculates reserves on both an undiscounted and a discounted basis for pool participants. The amount of discount reflects the tabular discount for the indemnity portion of pension reserves.

Comparison of Operating Expenses for Calendar Years 2016, 2015, and 2014

Calendar Year 2016 operating expenses were \$360 million compared with \$387 million in Calendar Year 2015 and \$381 million in Calendar Year 2014. As a percentage of premiums written, the expenses were 33% for all three calendar years. The largest component of the operating expenses is the servicing carrier allowance, which accounts for approximately 76% of these expenses in Calendar Year 2016.

The servicing carrier allowance in 2016 was \$272 million compared with \$303 million in 2015 and \$296 million in 2014. This decrease is due to a 6% decrease in written premiums in 2016. Producer fees for Calendar Years 2016, 2015, and 2014 were \$43 million for all three calendar years. Other expenses, which include servicing carrier indemnification expenses, collection costs, and other reimbursable expenses, increased to \$32 million compared with \$27 million in 2015 and \$29 million in 2014.

The increase in Calendar Year 2016 "other expenses" is due to an increase in taxes and assessments that were reimbursed directly to servicing carriers. Administrative expenses were \$14 million for Calendar Year 2016 and \$13 million for Calendar Years 2015 and 2014.

Exhibit Q

Comparison of Residual Market Written Premium to Total Direct Written Premium

Calendar Years 2016 and 2015

State	Preliminary 2016					Final 2015				
	Direct Written Premium (\$)	Reinsurance Pool Written Premium (\$)	Direct Assignment Written Premium (\$)	Total Residual Market Written Premium (\$)	(%)	Direct Written Premium (\$)	Reinsurance Pool Written Premium (\$)	Direct Assignment Written Premium (\$)	Total Residual Market Written Premium (\$)	(%)
AL	360,837,562	6,150,043	3,515,075	9,665,118	2.7	349,379,434	8,403,665	5,680,655	14,084,320	4.0
AK	268,052,405	39,509,107	1,928,532	41,437,639	15.5	281,738,408	37,249,378	1,958,136	39,207,514	13.9
AZ	859,161,313	52,829,864	—	52,829,864	6.1	841,693,272	53,181,538	—	53,181,538	6.3
AR	249,254,203	24,474,363	—	24,474,363	9.8	259,624,423	26,178,334	—	26,178,334	10.1
CT	873,330,541	30,795,342	20,339,506	51,134,848	5.9	892,280,634	40,258,766	14,155,252	54,414,018	6.1
DC	158,174,606	8,460,943	—	8,460,943	5.3	198,169,882	9,248,140	—	9,248,140	4.7
GA	1,524,763,802	76,704,038	20,024,721	96,728,759	6.3	1,446,664,654	75,231,807	20,219,074	95,450,881	6.6
ID	390,827,366	3,899,719	—	3,899,719	1.0	368,128,466	2,219,710	—	2,219,710	0.6
IL	2,720,458,107	118,075,615	—	118,075,615	4.3	2,826,687,406	130,305,537	—	130,305,537	4.6
IA	762,852,603	29,762,029	6,270,861	36,032,890	4.7	770,149,925	38,616,325	7,191,436	45,807,761	5.9
KS	435,001,524	35,847,504	—	35,847,504	8.2	473,901,594	40,464,849	—	40,464,849	8.5
NV	371,244,471	27,661,797	—	27,661,797	7.5	364,125,637	26,219,722	—	26,219,722	7.2
NH	259,261,660	19,252,673	3,722,810	22,975,483	8.9	265,034,622	24,823,278	4,171,370	28,994,648	10.9
NM	269,112,320	14,047,437	—	14,047,437	5.2	296,100,834	17,895,156	—	17,895,156	6.0
OR	707,429,512	44,679,892	—	44,679,892	6.3	678,681,723	46,043,116	—	46,043,116	6.8
SC	782,395,284	37,564,983	12,188,367	49,753,350	6.4	729,091,043	28,984,540	11,310,612	40,295,152	5.5
SD	177,473,837	9,899,236	—	9,899,236	5.6	180,815,573	11,480,424	—	11,480,424	6.3
TN	873,188,324	54,324,122	19,282,738	73,606,860	8.4	—	—	—	—	—
VT	200,346,420	16,312,109	6,206,489	22,518,598	11.2	196,611,313	18,823,031	2,995,823	21,818,854	11.1
VA	1,020,917,377	43,396,497	24,873,745	68,270,242	6.7	981,402,206	60,845,950	17,704,245	78,550,195	8.0
WV	262,259,840	13,754,680	—	13,754,680	5.2	323,085,635	17,048,646	—	17,048,646	5.3
Sub Totals¹	13,526,343,077	707,401,991	118,352,844	825,754,835	6.1	12,723,366,684	713,521,912	85,386,603	798,908,515	6.3
DE	206,231,956	16,836,474	6,265,975	23,102,449	11.2	197,234,240	16,800,585	6,383,940	23,184,525	11.8
MA	1,222,865,033	127,237,057	146,423,688	273,660,745	22.4	1,150,611,409	123,767,412	134,266,760	258,034,172	22.4
MI	1,150,348,960	66,760,022	—	66,760,022	5.8	1,197,084,871	78,570,403	—	78,570,403	6.6
NJ	2,490,419,185	188,826,207	90,141,048	278,967,255	11.2	2,434,551,512	210,983,942	97,053,102	308,037,044	12.7
NC	1,493,077,122	57,557,875	24,723,211	82,281,086	5.5	1,487,632,102	64,292,467	20,106,128	84,398,595	5.7
Grand Totals	20,089,285,333	1,164,619,626	385,906,766	1,550,526,392	7.7	19,190,480,818	1,207,936,721	343,196,533	1,551,133,254	8.1

¹ Subtotals in this chart represent the results for NCCI Plan-administered states.

Exhibit R

Residual Market Share

Residual Market Written Premium as a Percentage of Total Direct Written Premium Calendar Years 2012–2016

State	2016 ¹ (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)
Alabama	2.7	4.0	4.5	4.3	3.6
Alaska	15.5	13.9	15.8	15.3	13.7
Arizona	6.1	6.3	7.0	6.6	4.3
Arkansas	9.8	10.1	10.4	10.1	8.5
Connecticut	5.9	6.1	6.6	6.5	5.1
District of Columbia	5.3	4.7	6.5	6.2	5.7
Georgia	6.3	6.6	6.6	5.5	5.0
Idaho	1.0	0.6	0.6	0.6	0.7
Illinois	4.3	4.6	5.1	5.3	4.3
Iowa	4.7	5.9	6.4	6.3	5.0
Kansas	8.2	8.5	10.4	10.7	9.0
Nevada	7.5	7.2	8.8	9.5	7.4
New Hampshire	8.9	10.9	10.9	10.3	8.1
New Mexico	5.2	6.0	7.0	5.6	3.7
Oregon	6.3	6.8	6.7	6.8	5.0
South Carolina	6.4	5.5	5.8	5.6	4.4
South Dakota	5.6	6.3	6.8	6.3	5.4
Tennessee ²	8.4	—	—	—	—
Vermont	11.2	11.1	11.0	11.1	8.5
Virginia	6.7	8.0	7.7	7.1	6.1
West Virginia	5.2	5.3	6.0	5.4	4.3
Subtotals³	6.1	6.3	6.8	6.6	5.3
Delaware	11.2	11.8	11.6	16.0	12.0
Massachusetts	22.4	22.4	21.7	19.9	18.0
Michigan	5.8	6.6	7.7	6.8	6.1
New Jersey	11.2	12.7	11.3	12.0	8.9
North Carolina	5.5	5.7	5.7	5.3	4.3
Grand Totals	7.7	8.1	8.2	8.0	6.5

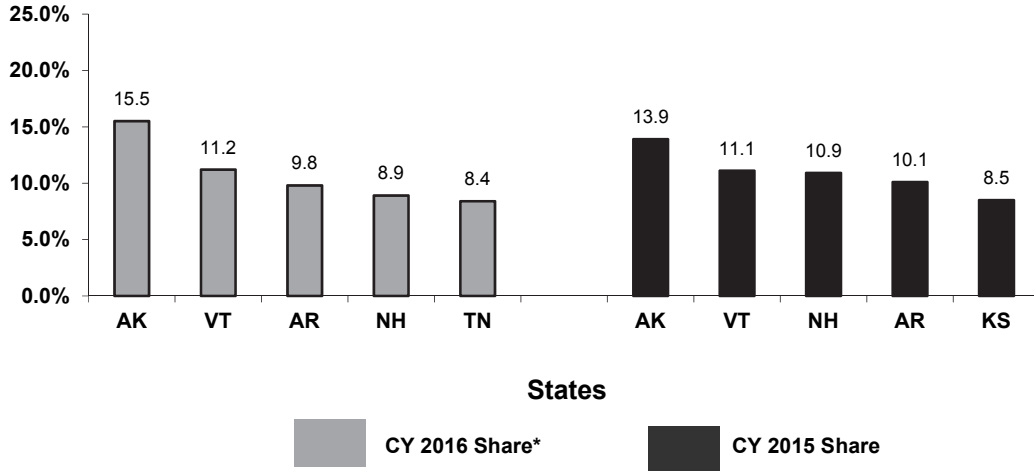
¹ 2016 Preliminary.

² NCCI was named the Tennessee Plan Administrator on July 1, 2015.

³ Subtotals in this chart represent the market shares for NCCI Plan-administered states.

**NCCI Plan-Administered States With Highest Residual Market Share
Calendar Years 2016 and 2015**

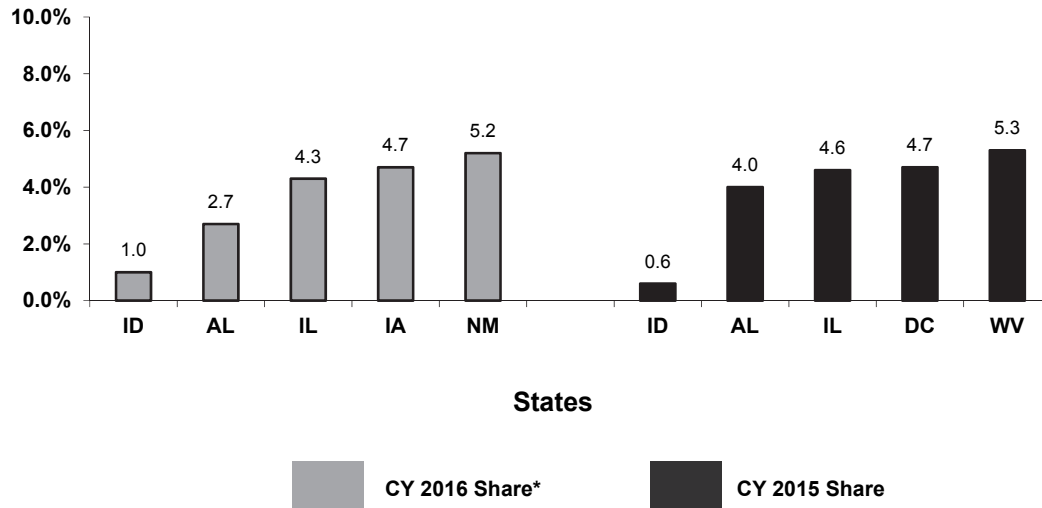
Residual Market Written Premium as a Percentage of Total Direct Written Premium



* Preliminary

**NCCI Plan-Administered States With Lowest Residual Market Share
Calendar Years 2016 and 2015**

Residual Market Written Premium as a Percentage of Total Direct Written Premium



* Preliminary

Exhibit S

Net Underwriting Results—All Pools Serviced by NCCI

Calendar Years 2014–2016 (excluding results for states in which only federal or extraordinary coverage is reinsured)

State	Net Underwriting Gain/(Loss) by Calendar Year		
	2016 (\$)	2015 (\$)	2014 (\$)
Alabama	6,676,074	23,240,880	4,647,088
Alaska	4,058,135	13,722,795	(1,844,245)
Arizona	2,555,648	4,959,421	(13,242,028)
Arkansas	18,206,064	9,476,323	5,402,809
Connecticut	11,526,249	15,233,047	(2,933,330)
Delaware	6,161,216	(1,476,363)	(10,746,066)
Dist. of Columbia	3,813,376	8,391,228	937,344
Georgia	(44,610,142)	(4,240,395)	(9,058,719)
Idaho	(212,608)	4,285	324,161
Illinois	31,341,897	(17,024,255)	(11,040,048)
Iowa	10,962,002	2,558,178	13,082,533
Kansas	2,787,172	35,899,901	23,337,931
Massachusetts	15,899,269	9,679,573	(19,348,762)
Michigan	27,669,382	35,297,116	34,807,459
Nevada	7,774,464	5,034,478	1,839,286
New Hampshire	16,756,653	18,786,431	11,121,211
New Jersey	(27,088,836)	(21,404,862)	(49,026,213)
New Mexico	6,909,639	12,706,528	5,282,726
North Carolina	12,338,088	8,079,184	5,676,139
Oregon	(4,553,016)	(5,165,739)	10,253,552
South Carolina ¹	6,664,322	(1,387,670)	3,728,473
South Dakota	5,332,091	3,699,933	822,248
Tennessee ²	3,133,144	2,387,418	(3,145,259)
Vermont	4,562,787	8,555,569	5,513,206
Virginia	10,745,745	3,364,201	5,361,058
West Virginia	8,281,212	3,074,623	3,526,390
Subtotals	147,690,027	173,451,828	15,278,944
Runoff States:			
Florida ³	262,433	34,281,572	11,735,753
Hawaii ⁴	741,727	7,564,177	(3,264,789)
Indiana ⁵	(260,228)	4,223,583	547,383
Kentucky ⁶	6,746,066	33,040,639	(15,050,111)
Louisiana ⁷	5,028,670	(981,717)	2,130,856
Maine ⁸	1,487,610	23,475,950	(2,164,525)
Mississippi ⁸	163,219	4,988,609	606,894
Missouri ⁹	5,810,872	(4,267,391)	(2,393,785)
Nebraska ¹⁰	668,602	1,566,564	2,121,578
Rhode Island ⁸	2,155,242	12,379,679	106,858
Totals	170,494,240	289,723,493	9,655,056

¹ South Carolina underwriting results represent policies with effective dates prior to May 1, 2000 and subsequent to April 30, 2003.

² Tennessee underwriting results represent policies with effective dates prior to January 1, 1998 and subsequent to June 30, 2015.

³ Florida underwriting results represent policies with effective dates prior to January 1, 1994.

⁴ Hawaii underwriting results represent policies with effective dates prior to July 20, 1997.

⁵ Indiana underwriting results represent policies with effective dates prior to January 1, 2005.

⁶ Kentucky underwriting results represent policies with effective dates prior to September 1, 1995.

⁷ Louisiana underwriting results represent policies with effective dates prior to October 1, 1992.

⁸ Maine, Mississippi, and Rhode Island underwriting results represent policies with effective dates prior to January 1, 1993.

⁹ Missouri underwriting results represent policies with effective dates prior to July 1, 1995.

¹⁰ Nebraska underwriting results represent policies with effective dates prior to July 1, 1997.

Exhibit T

Comparative Number of Residual Market Policies

Policy Years 2016 and 2015*

State	2016 Policies	2015 Policies	Number Change	Percent Change (%)
Alabama	1,614	1,600	14	0.9
Alaska	7,670	7,942	(272)	(3.4)
Arizona	6,103	6,065	38	0.6
Arkansas	7,076	6,754	322	4.8
Connecticut	14,555	14,367	188	1.3
District of Columbia	1,412	1,407	5	0.4
Georgia	21,356	19,679	1,677	8.5
Idaho	820	721	99	13.7
Illinois	34,409	33,414	995	3.0
Iowa	4,571	4,665	(94)	(2.0)
Kansas	8,991	8,914	77	0.9
Mississippi	2,665	2,690	(25)	(0.9)
Nevada	5,064	4,698	366	7.8
New Hampshire	5,578	5,774	(196)	(3.4)
New Mexico	2,558	2,923	(365)	(12.5)
Oregon	9,402	9,383	19	0.2
South Carolina	12,416	11,690	726	6.2
South Dakota	1,679	1,762	(83)	(4.7)
Tennessee**	13,565	5,927	—	—
Vermont	3,963	4,116	(153)	(3.7)
Virginia	14,722	15,719	(997)	(6.3)
West Virginia	2,444	2,520	(76)	(3.0)
Subtotal	182,633	172,730	9,903	5.7
Other Pool States				
Delaware	2,070	2,508	(438)	(17.5)
Indiana	9,260	9,052	208	2.3
New Jersey	40,306	39,248	1,058	2.7
North Carolina	24,338	23,680	658	2.8
Subtotal	75,974	74,488	1,486	2.0
Grand Totals	258,607	247,218	11,389	4.6

* 2015 figures have been restated to account for additional data available since the publication of the 2015 **Residual Market Management Summary**.

**Tennessee residual market policies represent policies effective on or after July 1, 2015, when NCCI was named Tennessee Plan Administrator.

Exhibit U

Residual Market Premium Size Profile

Policy Year 2016*

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	187,430	72.5	183,067,179	16.8	977
2,500– 4,999	29,905	11.6	106,260,076	9.7	3,553
5,000– 9,999	20,931	8.1	146,688,721	13.4	7,008
10,000– 19,999	11,259	4.4	155,469,619	14.2	13,808
20,000– 49,999	6,358	2.5	192,595,296	17.6	30,292
50,000– 99,999	1,793	0.7	123,024,695	11.3	68,614
100,000–199,999	677	0.3	91,859,176	8.4	135,686
200,000+	254	0.1	92,505,472	8.5	364,195
Totals	258,607	100.0	1,091,470,234	100.0	4,221

* Total policy and estimated annual plan premium totals include servicing and direct assignment carriers for those states where NCCI provides Plan administration, Pool administration, or other services including policies cancelled short-term and the associated prorated premium. All premium totals in the state exhibits are estimated annual premiums because direct written premium is not available on an individual policy basis until 18 months after policy inception, according to NCCI's **Statistical Plan for Workers Compensation and Employers Liability Insurance**.

Premium Size Profiles by State

Policy Year 2016

Total policy and estimated annual Plan premium totals include servicing carrier assignments and direct assignment carriers for those states where NCCI provides Plan administration, Pool administration, or other services, including policies cancelled short-term and the associated prorated premium. The following state profile policy and premium totals were calculated using the dominant state theory for multistate policies.

Alabama Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,086	67.3	1,337,701	14.2	1,231
2,500– 4,999	167	10.4	589,374	6.3	3,529
5,000– 9,999	155	9.6	1,102,437	11.7	7,112
10,000– 19,999	109	6.8	1,518,008	16.1	13,926
20,000– 49,999	74	4.6	2,130,037	22.6	28,784
50,000– 99,999	13	0.8	884,373	9.4	68,028
100,000–199,999	6	0.4	954,341	10.1	159,056
200,000+	4	0.3	897,437	9.5	224,359
Totals	1,614	100.0	9,413,708	100.0	5,833

Premium Size Profiles by State (Cont'd)

Alaska Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,024	65.5	4,458,317	12.5	887
2,500– 4,999	1,174	15.3	4,148,341	11.7	3,533
5,000– 9,999	758	9.9	5,328,827	15.0	7,030
10,000– 19,999	442	5.8	6,149,756	17.3	13,913
20,000– 49,999	212	2.8	6,309,914	17.7	29,763
50,000– 99,999	35	0.5	2,323,906	6.5	66,397
100,000–199,999	16	0.2	2,045,755	5.8	127,859
200,000+	9	0.1	4,806,729	13.5	534,081
Totals	7,670	100.0	35,571,545	100.0	4,638

Arizona Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,036	49.8	3,338,760	7.4	1,099
2,500– 4,999	1,169	19.2	4,174,803	9.3	3,571
5,000– 9,999	824	13.5	5,846,001	13.0	7,094
10,000– 19,999	586	9.6	8,277,273	18.4	14,125
20,000– 49,999	337	5.5	10,000,575	22.2	29,675
50,000– 99,999	120	2.0	8,273,782	18.4	68,948
100,000–199,999	22	0.4	2,789,527	6.2	126,796
200,000+	9	0.2	2,392,903	5.3	265,878
Totals	6,103	100.0	45,093,624	100.0	7,389

Arkansas Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,227	73.9	5,328,307	24.7	1,019
2,500– 4,999	956	13.5	3,384,492	15.7	3,540
5,000– 9,999	508	7.2	3,530,493	16.4	6,949
10,000– 19,999	254	3.6	3,421,808	15.9	13,471
20,000– 49,999	96	1.4	2,789,403	12.9	29,056
50,000– 99,999	25	0.4	1,765,246	8.2	70,609
100,000–199,999	9	0.1	1,065,777	4.9	118,419
200,000+	1	0.0	285,792	1.3	285,792
Totals	7,076	100.0	21,571,318	100.0	3,049

Premium Size Profiles by State (Cont'd)

Connecticut Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	12,089	83.1	13,699,962	28.7	1,133
2,500– 4,999	1,058	7.3	3,691,843	7.7	3,489
5,000– 9,999	667	4.6	4,607,651	9.7	6,908
10,000– 19,999	385	2.7	5,369,600	11.3	13,947
20,000– 49,999	230	1.6	7,166,160	15.0	31,157
50,000– 99,999	80	0.6	5,336,462	11.2	66,705
100,000–199,999	34	0.2	4,532,686	9.5	133,314
200,000+	12	0.1	3,300,268	6.9	275,022
Totals	14,555	100.0	47,704,632	100.0	3,278

Delaware Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	988	47.7	\$1,470,365	8.0	\$1,488
2,500– 4,999	446	21.5	\$1,590,774	8.6	\$3,567
5,000– 9,999	290	14.0	\$1,983,078	10.8	\$6,838
10,000– 19,999	177	8.6	\$2,496,719	13.5	\$14,106
20,000– 49,999	110	5.3	\$3,563,822	19.3	\$32,398
50,000– 99,999	35	1.7	\$2,366,912	12.8	\$67,626
100,000–199,999	14	0.7	\$1,880,435	10.2	\$134,317
200,000+	10	0.5	\$3,087,528	16.7	\$308,753
Totals	2,070	100.0	\$18,439,633	100.0	\$8,908

District of Columbia Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	982	69.6	829,056	11.5	844
2,500– 4,999	161	11.4	573,417	8.0	3,561
5,000– 9,999	106	7.5	740,723	10.3	6,987
10,000– 19,999	85	6.0	1,161,572	16.1	13,665
20,000– 49,999	57	4.0	1,832,185	25.4	32,143
50,000– 99,999	13	0.9	932,047	12.9	71,695
100,000–199,999	8	0.6	1,145,536	15.9	143,192
200,000+	0	0.0	0	0.0	0
Totals	1,412	100.0	7,214,536	100.0	5,109

Georgia Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	17,091	80.0	20,765,190	30.5	1,214
2,500– 4,999	1,892	8.9	6,636,009	9.7	3,507
5,000– 9,999	1,269	5.9	8,847,926	13.0	6,972
10,000– 19,999	648	3.0	8,940,732	13.1	13,797
20,000– 49,999	347	1.6	10,416,221	15.3	30,017
50,000– 99,999	70	0.3	4,875,659	7.2	69,652
100,000–199,999	29	0.1	3,830,770	5.6	132,095
200,000+	10	0.1	3,825,433	5.6	382,543
Totals	21,356	100.0	68,137,940	100.0	3,191

Premium Size Profiles by State (Cont'd)

Idaho Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	671	81.8	341,198	16.4	508
2,500– 4,999	54	6.6	191,142	9.2	3,539
5,000– 9,999	49	6.0	336,131	16.1	6,859
10,000– 19,999	26	3.2	359,440	17.3	13,824
20,000– 49,999	15	1.8	455,915	21.9	30,394
50,000– 99,999	4	0.5	242,507	11.6	60,626
100,000–199,999	1	0.1	156,968	7.5	156,968
200,000+	0	0.0	0	0.0	0
Totals	820	100.0	2,083,301	100.0	2,541

Illinois Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	28,814	83.7	23,757,331	23.7	824
2,500– 4,999	2,383	6.9	8,481,735	8.5	3,559
5,000– 9,999	1,541	4.5	10,858,850	10.8	7,046
10,000– 19,999	872	2.5	12,098,921	12.1	13,874
20,000– 49,999	538	1.6	16,480,820	16.5	30,633
50,000– 99,999	164	0.5	11,296,924	11.3	68,883
100,000–199,999	70	0.2	9,538,877	9.5	136,269
200,000+	27	0.1	7,685,532	7.7	284,649
Totals	34,409	100.0	100,198,990	100.0	2,912

Indiana Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,786	62.5	6,810,795	12.4	1,177
2,500– 4,999	1,373	14.8	4,819,388	8.8	3,510
5,000– 9,999	989	10.7	6,936,685	12.6	7,013
10,000– 19,999	554	6.0	7,640,752	13.9	13,791
20,000– 49,999	367	4.0	11,552,633	21.0	31,478
50,000– 99,999	136	1.5	9,442,577	17.2	69,430
100,000–199,999	50	0.5	6,458,149	11.7	129,162
200,000+	5	0.1	1,370,869	2.5	274,173
Totals	9,260	100.0	55,031,848	100.0	5,943

Iowa Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,503	54.8	2,349,805	7.0	938
2,500– 4,999	776	17.0	2,789,738	8.3	3,595
5,000– 9,999	581	12.7	4,143,785	12.3	7,132
10,000– 19,999	382	8.4	5,266,720	15.7	13,787
20,000– 49,999	229	5.0	7,129,897	21.2	31,134
50,000– 99,999	55	1.2	3,720,673	11.1	67,648
100,000–199,999	33	0.7	4,491,049	13.4	136,092
200,000+	12	0.3	3,712,857	11.1	309,404
Totals	4,571	100.0	33,604,524	100.0	7,352

Premium Size Profiles by State (Cont'd)

Kansas Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,539	72.7	5,763,680	20.0	881
2,500– 4,999	1,250	13.9	4,399,971	15.2	3,519
5,000– 9,999	674	7.5	4,696,539	16.3	6,968
10,000– 19,999	317	3.5	4,254,189	14.7	13,420
20,000– 49,999	149	1.7	4,396,133	15.2	29,504
50,000– 99,999	44	0.5	2,924,140	10.1	66,457
100,000–199,999	18	0.2	2,458,448	8.5	136,580
200,000+	0	0.0	0	0.0	0
Totals	8,991	100.0	28,893,100	100.0	3,214

Mississippi Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,590	59.7	1,879,976	11.1	1,182
2,500– 4,999	413	15.5	1,499,278	8.8	3,630
5,000– 9,999	306	11.5	2,173,105	12.8	7,101
10,000– 19,999	191	7.2	2,611,282	15.4	13,671
20,000– 49,999	107	4.0	3,207,545	18.9	29,977
50,000– 99,999	40	1.5	2,844,460	16.8	71,111
100,000–199,999	15	0.6	2,072,492	12.2	138,166
200,000+	3	0.1	690,405	4.1	230,135
Totals	2,665	100.0	16,978,543	100.0	6,371

Nevada Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,526	69.6	3,455,074	14.7	979
2,500– 4,999	634	12.5	2,267,619	9.7	3,576
5,000– 9,999	425	8.4	2,973,394	12.7	6,996
10,000– 19,999	284	5.6	3,998,409	17.0	14,078
20,000– 49,999	138	2.7	4,123,602	17.6	29,881
50,000– 99,999	34	0.7	2,359,309	10.1	69,391
100,000–199,999	15	0.3	2,104,111	9.0	140,274
200,000+	8	0.2	2,193,326	9.3	274,165
Totals	5,064	100.0	23,474,844	100.0	4,636

New Hampshire Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,095	73.4	3,761,503	18.4	918
2,500– 4,999	602	10.8	2,142,672	10.5	3,559
5,000– 9,999	454	8.1	3,177,372	15.5	6,998
10,000– 19,999	254	4.6	3,499,299	17.1	13,776
20,000– 49,999	133	2.4	4,026,522	19.7	30,274
50,000– 99,999	31	0.6	2,142,309	10.5	69,106
100,000–199,999	6	0.1	860,193	4.2	143,365
200,000+	3	0.1	843,043	4.1	281,014
Totals	5,578	100.0	20,452,913	100.0	3,667

Premium Size Profiles by State (Cont'd)

New Jersey Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	26,319	65.3	19,010,648	7.9	722
2,500– 4,999	4,995	12.4	17,920,741	7.5	3,588
5,000– 9,999	4,645	11.5	32,733,643	13.6	7,047
10,000– 19,999	2,265	5.6	31,110,646	13.0	13,735
20,000– 49,999	1,375	3.4	41,650,965	17.4	30,292
50,000– 99,999	425	1.1	29,040,804	12.1	68,331
100,000–199,999	182	0.5	25,388,553	10.6	139,498
200,000+	100	0.2	43,031,075	17.9	430,311
Totals	40,306	100.0	239,887,075	100.0	5,952

New Mexico Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,014	78.7	1,563,829	17.5	776
2,500– 4,999	199	7.8	703,798	7.9	3,536
5,000– 9,999	166	6.5	1,175,728	13.1	7,082
10,000– 19,999	98	3.8	1,338,142	14.9	13,654
20,000– 49,999	56	2.2	1,703,404	19.0	30,417
50,000– 99,999	17	0.7	1,181,762	13.2	69,515
100,000–199,999	7	0.3	1,027,237	11.5	146,748
200,000+	1	0.0	268,225	3.0	268,225
Totals	2,558	100.0	8,962,125	100.0	3,504

North Carolina Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	18,702	76.8	25,867,316	34.3	1,383
2,500– 4,999	2,823	11.6	10,070,002	13.3	3,567
5,000– 9,999	1,685	6.9	11,629,327	15.4	6,902
10,000– 19,999	728	3.0	10,129,860	13.4	13,915
20,000– 49,999	312	1.3	9,343,019	12.4	29,946
50,000– 99,999	65	0.3	4,520,519	6.0	69,546
100,000–199,999	18	0.1	2,305,632	3.1	128,091
200,000+	5	0.0	1,609,024	2.1	321,805
Totals	24,338	100.0	75,474,699	100.0	3,101

Oregon Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,615	70.4	4,439,102	12.0	671
2,500– 4,999	1,176	12.5	4,159,784	11.3	3,537
5,000– 9,999	801	8.5	5,545,436	15.0	6,923
10,000– 19,999	440	4.7	6,248,080	16.9	14,200
20,000– 49,999	284	3.0	8,332,614	22.6	29,340
50,000– 99,999	63	0.7	4,247,688	11.5	67,423
100,000–199,999	18	0.2	2,297,515	6.2	127,639
200,000+	5	0.1	1,631,645	4.4	326,329
Totals	9,402	100.0	36,901,864	100.0	3,925

Premium Size Profiles by State (Cont'd)

South Carolina Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,267	82.7	10,258,090	31.6	999
2,500– 4,999	1,052	8.5	3,700,871	11.4	3,517
5,000– 9,999	605	4.9	4,198,061	12.9	6,938
10,000– 19,999	269	2.2	3,665,516	11.3	13,626
20,000– 49,999	172	1.4	5,182,654	15.9	30,131
50,000– 99,999	34	0.3	2,266,931	7.0	66,674
100,000–199,999	12	0.1	1,539,790	4.7	128,315
200,000+	5	0.0	1,706,197	5.3	341,239
Totals	12,416	100.0	32,518,110	100.0	2,619

South Dakota Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	984	58.6	1,075,385	12.2	1,092
2,500– 4,999	294	17.5	1,057,214	12.0	3,595
5,000– 9,999	198	11.8	1,375,342	15.6	6,946
10,000– 19,999	122	7.3	1,653,851	18.8	13,556
20,000– 49,999	62	3.7	1,811,297	20.6	29,214
50,000– 99,999	13	0.8	857,759	9.7	65,981
100,000–199,999	5	0.3	699,256	7.9	139,851
200,000+	1	0.1	278,726	3.2	278,726
Totals	1,679	100.0	8,808,830	100.0	5,246

Tennessee Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	9,208	67.9	7,840,162	12.4	851
2,500– 4,999	1,835	13.5	6,503,684	10.3	3,544
5,000– 9,999	1,222	9.0	8,575,598	13.6	7,017
10,000– 19,999	732	5.4	9,925,011	15.7	13,558
20,000– 49,999	382	2.8	11,668,176	18.4	30,544
50,000– 99,999	129	1.0	8,910,698	14.1	69,075
100,000–199,999	44	0.3	6,271,788	9.9	142,540
200,000+	13	0.1	3,595,744	5.7	276,595
Totals	13,565	100.0	63,290,861	100.0	4,666

Vermont Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,625	66.2	2,547,573	13.2	970
2,500– 4,999	549	13.9	1,974,438	10.2	3,596
5,000– 9,999	375	9.5	2,684,413	13.9	7,158
10,000– 19,999	219	5.5	3,083,514	15.9	14,079
20,000– 49,999	150	3.8	4,431,732	22.9	29,544
50,000– 99,999	31	0.8	2,191,549	11.3	70,695
100,000–199,999	11	0.3	1,611,695	8.3	146,517
200,000+	3	0.1	845,117	4.4	281,705
Totals	3,963	100.0	19,370,031	100.0	4,888

Premium Size Profiles by State (Cont'd)

Virginia Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,367	70.4	9,817,246	16.7	946
2,500– 4,999	1,997	13.4	7,029,399	11.9	3,555
5,000– 9,999	1,272	8.6	8,935,451	15.2	7,024
10,000– 19,999	649	4.4	8,836,870	15.0	13,616
20,000– 49,999	330	2.2	10,094,732	17.1	30,590
50,000– 99,999	94	0.6	6,626,246	11.3	70,491
100,000–199,999	26	0.2	3,346,026	5.7	128,693
200,000+	7	0.1	4,193,403	7.1	599,057
Totals	14,722	100.0	58,879,373	100.0	3,999

West Virginia Premium Size Profile—Policy Year 2016

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,282	52.5	1,300,808	9.6	1,014
2,500– 4,999	497	20.3	1,759,549	13.0	3,540
5,000– 9,999	366	15.0	2,552,725	18.9	6,974
10,000– 19,999	171	7.0	2,413,649	17.9	14,114
20,000– 49,999	96	3.9	2,795,319	20.7	29,117
50,000– 99,999	23	0.9	1,449,453	10.7	63,019
100,000–199,999	8	0.3	986,570	7.3	123,321
200,000+	1	0.0	254,194	1.9	254,194
Totals	2,444	100.0	13,512,267	100.0	5,529

Exhibit V

Classifications With Largest Premium Volume

Policy Year 2016*

Estimated Annual Premium totals were accumulated using the dominant state theory for multistate policies.

Classification Code	Premium Amount (\$)	Classification Description
5645	\$50,818,424	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
7228	\$28,880,101	Trucking—Local Hauling Only—All Employees & Drivers
5551	\$28,126,047	Roofing—All Kinds & Drivers.
5474	\$21,055,222	Painting NOC & Shop Operations Drivers
7229	\$19,296,333	Trucking—Long Distance Hauling—& Drivers
9014	\$16,963,523	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5437	\$16,157,515	Carpentry—Installation of Cabinet Work or Interior Trim
8835	\$14,969,454	Nursing—Home Health Public and Traveling—All Employees
5403	\$13,495,363	Carpentry NOC
5445	\$12,470,135	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers

NOC = Not Otherwise Classified

* Estimated Annual Premium totals include servicing and direct assignment carriers for those states where NCCI provides Plan administration, Pool administration, or other services.

Exhibit W

Classifications With Largest Policy Count

Policy Year 2016*

Policy Count totals were accumulated using the dominant state theory for multistate policies.

Classification Code	Policy Count	Classification Description
5645	16,419	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5437	10,655	Carpentry—Installation of Cabinet Work or Interior Trim
5474	9,951	Painting NOC & Shop Operations Drivers
7228	7,901	Trucking—Local Hauling Only—All Employees & Drivers
5551	6,117	Roofing—All Kinds & Drivers.
9014	5,357	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5445	4,507	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers
5022	4,395	Masonry NOC
5403	4,139	Carpentry NOC
8810	3,799	Clerical Office Employees NOC.

NOC = Not Otherwise Classified

* Policy Count totals include servicing and direct assignment carriers for those states where NCCI provides Plan administration, Pool administration, or other services.

Exhibit X

Hazard Group Distribution

Policy Year 2016

Exhibit X shows that the residual markets have a higher percentage of high hazard group (increased operational exposure) accounts than the voluntary market.

Hazard Group	Voluntary Market 2016		Assigned Risk Plan 2016	
	Policy Count	Total Percent (%)	Policy Count	Total Percent (%)
A	99,269	8.7	3,487	1.8
B	186,050	16.4	11,094	5.8
C	376,786	33.2	37,128	19.4
D	146,721	12.9	14,694	7.7
E	196,987	17.3	52,528	27.4
F	114,248	10.1	62,139	32.4
G	10,688	0.9	10,420	5.4
Not Classified	5,688	0.5	27	0.0

Note: Variances in the number of policies occur due to timing of reports and availability of data in some states.

Projected Ultimate Policy Year Results by State

Policy Years 2012–2016 (based on data reported to NCCI through December 31, 2016)

This exhibit shows premium, losses, and expenses in the following states reinsured through NCCI-serviced pools (excluding direct assignment experience):

Alabama	Illinois	North Carolina
Alaska	Iowa	Oregon
Arizona	Kansas	South Carolina
Arkansas	Massachusetts	South Dakota
Connecticut	Michigan	Tennessee
Delaware	Nevada	Vermont
District of Columbia	New Hampshire	Virginia
Georgia	New Jersey	West Virginia
Idaho	New Mexico	

All results shown in this section are projected to an ultimate basis. Estimates of ultimate losses may change as losses emerge, impacting the overall operating results. These results can change on a statewide basis, particularly for the recent policy years. In fact, due to the immaturity of Policy Year 2016 data, significant changes may occur.

The incurred losses and booked loss ratios shown do not include any Loss Adjustment Expense (LAE). The incurred losses equal written premium times booked loss ratio. The operating gain or loss does not include income earned on investments by participating companies. However, it does include the short-term interest income earned on investments by the Pool Administrator for the benefit of the Pool participating companies while in possession of the cash flow, pending settlement of the servicing carrier and participating company balances.

Amounts Projected to Ultimate

Policy Year Financial Results Through Fourth Quarter 2016 (Projected to Ultimate) (\$000s)

Alabama

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	6,157	54.9	3,380	712
2015	6,876	52.3	3,596	1,042
2014	7,797	41.8	3,259	1,962
2013	8,605	44.6	3,838	1,881
2012	6,685	51.4	3,436	846

Alaska

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	38,538	84.8	32,680	(8,255)
2015	37,091	65.4	24,258	(645)
2014	40,164	54.7	21,970	3,434
2013	41,304	81.1	33,498	(7,831)
2012	35,141	44.3	15,567	5,666

Projected Ultimate Policy Year Results by State (Cont'd)

Arizona

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	48,558	72.9	35,399	(4,225)
2015	52,916	73.4	38,840	(4,868)
2014	53,387	70.7	37,745	(3,737)
2013	47,312	74.2	35,106	(4,968)
2012	27,390	67.5	18,488	(1,624)

Arkansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	23,863	59.9	14,294	1,763
2015	26,546	55.6	14,760	3,355
2014	24,936	34.8	8,678	7,994
2013	24,343	61.4	14,947	(613)
2012	19,556	100.7	19,693	(8,233)

Connecticut

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	29,011	64.9	18,828	1,584
2015	39,484	62.3	24,599	1,568
2014	41,051	56.7	23,276	3,732
2013	35,494	72.2	25,627	(2,932)
2012	26,795	90.6	24,277	(9,408)

Delaware

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	16,192	74.9	12,128	(1,310)
2015	17,688	110.6	19,563	(7,657)
2014	17,081	82.6	14,109	(2,690)
2013	21,638	95.0	20,556	(6,024)
2012	15,367	126.9	19,501	(9,519)

Projected Ultimate Policy Year Results by State (Cont'd)

District of Columbia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	7,689	49.9	3,837	1,171
2015	8,367	46.3	3,874	1,621
2014	10,283	69.7	7,167	(569)
2013	9,851	32.7	3,221	3,340
2012	7,502	39.3	2,948	1,679

Georgia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	63,207	114.8	72,562	(36,818)
2015	58,940	100.6	59,294	(25,061)
2014	55,749	92.6	51,624	(20,070)
2013	47,940	88.1	42,235	(16,108)
2012	32,780	87.6	28,715	(10,396)

Idaho

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	3,094	109.8	3,397	(1,544)
2015	3,189	65.4	2,086	(123)
2014	2,131	49.8	1,061	153
2013	1,823	36.6	667	132
2012	1,664	36.3	604	134

Illinois

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	111,325	69.9	77,816	2,772
2015	121,645	70.4	85,638	(2,883)
2014	128,974	61.7	79,577	7,687
2013	126,331	66.3	83,757	354
2012	106,649	81.6	87,026	(17,390)

Projected Ultimate Policy Year Results by State (Cont'd)

Iowa

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	29,723	67.9	20,182	1,403
2015	35,873	68.4	24,537	1,690
2014	40,321	53.8	21,693	7,750
2013	46,532	53.4	24,848	7,212
2012	33,287	78.6	26,164	(3,334)

Kansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	34,531	79.8	27,556	(3,629)
2015	39,981	60.3	24,109	4,490
2014	48,315	54.8	26,477	5,996
2013	50,008	46.5	23,254	9,982
2012	40,316	46.3	18,666	8,633

Massachusetts

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	123,365	73.0	90,056	(12,694)
2015	121,459	73.0	88,665	(11,454)
2014	113,432	75.0	85,074	(13,422)
2013	94,390	59.0	55,690	4,833
2012	80,240	77.0	61,785	(11,953)

Michigan

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	69,638	70.0	48,747	(383)
2015	72,041	60.0	43,225	6,808
2014	79,982	70.0	55,987	(440)
2013	75,401	62.0	46,749	5,617
2012	60,712	49.0	29,749	11,136

Projected Ultimate Policy Year Results by State (Cont'd)

Nevada

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	27,397	64.9	17,781	1,923
2015	25,651	58.3	14,955	3,594
2014	29,791	61.7	18,381	1,838
2013	27,712	59.4	16,461	2,464
2012	21,789	60.4	13,161	1,694

New Hampshire

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	18,407	64.9	11,946	300
2015	23,511	55.3	13,002	1,996
2014	25,110	53.8	13,509	2,760
2013	22,223	46.5	10,334	3,731
2012	16,536	34.2	5,655	4,829

New Jersey

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	173,348	78.8	136,598	(11,216)
2015	183,395	79.4	145,616	(21,457)
2014	182,865	85.6	156,532	(33,665)
2013	166,201	82.1	136,451	(25,213)
2012	112,047	79.6	89,189	(15,802)

New Mexico

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	12,148	75.0	9,111	(2,376)
2015	15,241	50.0	7,621	1,046
2014	18,851	40.0	7,540	3,519
2013	17,611	35.0	6,164	4,153
2012	10,106	36.0	3,638	1,476

Projected Ultimate Policy Year Results by State (Cont'd)

North Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	53,524	69.9	37,413	530
2015	58,128	65.4	38,016	3,185
2014	55,302	64.7	35,780	3,114
2013	58,070	60.4	35,074	2,967
2012	41,757	60.4	25,221	2,122

Oregon

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	42,000	69.9	29,358	(827)
2015	45,000	60.3	27,135	1,665
2014	42,287	84.6	35,775	(8,715)
2013	40,267	65.3	26,294	(1,083)
2012	29,074	60.4	17,561	666

South Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	28,748	74.9	21,532	(3,746)
2015	25,577	75.4	19,285	(4,166)
2014	26,239	55.7	14,615	1,031
2013	24,590	77.2	18,984	(5,058)
2012	17,279	65.5	11,318	(2,141)

South Dakota

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	9,957	64.9	6,462	100
2015	11,233	58.3	6,549	910
2014	11,599	57.7	6,693	1,009
2013	10,013	63.3	6,338	160
2012	8,943	42.3	3,783	1,790

Projected Ultimate Policy Year Results by State (Cont'd)

Tennessee*

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	49,000	74.9	36,701	(3,871)
2015	25,000	70.4	17,600	(600)
2014	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A

*Policies effective July 1, 2015, and subsequent.

Vermont

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	15,868	59.9	9,505	2,037
2015	18,654	58.3	10,875	2,349
2014	17,422	52.8	9,199	3,152
2013	15,421	61.4	9,468	1,386
2012	11,823	58.4	6,905	792

Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	42,656	65.1	27,769	4,534
2015	55,309	65.5	36,227	2,843
2014	54,252	65.7	35,644	1,872
2013	50,213	57.4	28,822	5,107
2012	36,706	71.5	26,245	(2,667)

West Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2016	13,907	65.1	9,053	1,131
2015	16,697	55.4	9,250	3,172
2014	17,689	64.8	11,462	1,157
2013	17,320	43.2	7,482	4,900
2012	14,530	48.7	7,076	3,188

Available Residual Market Programs

As of June 1, 2017

State	ARAP	LSRP	Merit Rating	Differential/Surcharge	Premium Discount	Take-Out Credit	Other Programs
AK				x		x	<ul style="list-style-type: none"> Alaska Residual Market Safe Workplace Incentive Program Contracting Classification Premium Adjustment Program
AL	x	x	x	x		x	<ul style="list-style-type: none"> Drug-Free Workplace Premium Credit Program
AR			x	x		x	<ul style="list-style-type: none"> Tabular Adjustment Program Assigned Risk Alternate Preferred Plan Arkansas Alcohol and Drug Free Workplace Premium Credit
AZ	x	x		x		x	<ul style="list-style-type: none"> Arizona Alcohol- and Drug-Free Workplace Premium Credit
CT	x	x		x	x ¹	x	<ul style="list-style-type: none"> Contracting Classification Premium Adjustment Program
DC	x	x		x		x	<ul style="list-style-type: none"> Employer Safe Workplace Program
GA		x	x	x		x	<ul style="list-style-type: none"> Georgia Workers Compensation Assigned Risk Insurance Plan—Three Tier Rating Program Georgia Put-In Debit Program Drug-Free Workplace Premium Credit Program Managed Care Arrangement Premium Credit Data Reporting Program Work-Based Learning Program Premium Credit
IA	x			x		x	
ID	x	x		x			<ul style="list-style-type: none"> Idaho Alcohol- and Drug-Free Workplace Premium Credit
IL	x	x		x		x	<ul style="list-style-type: none"> Contracting Classification Premium Adjustment Program
IN		x		x		x	
KS	x	x		x		x	<ul style="list-style-type: none"> Kansas Assigned Risk Retrospective Rating Plan Kansas Assigned Risk Safety Seminar Premium Credit Program Kansas Assigned Risk Small Employer Loss-Free Policy Premium Credit Program
MS		x		x		x	<ul style="list-style-type: none"> Mississippi Small Employer Loss Free Credit Program
NC	x	x		x		x ²	
NH	x	x		x	x ³	x	<ul style="list-style-type: none"> New Hampshire Safety Incentive Program
NM	x			x		x	<ul style="list-style-type: none"> Workers Compensation Premium Adjustment Program for Qualifying Classifications
NV	x	x		x			
OR	x	x	x	x		x	<ul style="list-style-type: none"> Non-Experience Rated Premium Credit Oregon WCIP New Small Employer Credit Oregon Contracting Classification Premium Adjustment Program
SC	x	x		x		x	<ul style="list-style-type: none"> Drug- and Alcohol-Free Workplace Premium Credit Program
SD	x	x	x	x		x	
TN ⁴	x	x		x		x	<ul style="list-style-type: none"> Drug-Free Workplace Premium Credit Program Tennessee Small Employer Plan Tennessee Special Risk Plan
VA	x			x		x	<ul style="list-style-type: none"> Drug-Free Workplace Premium Credit Contracting Classification Premium Adjustment Program
VT	x	x	x	x		x	
WV	x	x		x		x	

¹ Connecticut—Approved reduced premium discounts are effective January 1, 2011.

² North Carolina—Take-out credit must be applied through the NCRB.

³ New Hampshire—Premium discounts are only available for risks with standard premium > \$10,000 and experience modification < 1.50.

⁴ Tennessee—All programs are effective July 1, 2015, except ARAP. ARAP is effective March 1, 2017. Removed premium discount effective March 1, 2017.

2017 Assigned Carriers

As of January 1, 2017

S = Servicing carrier in state; D = Direct Assignment carrier in state

Carrier Name	A K	A L	A R	A Z	C T	D C	D E	G A	I A	I D	I L	K S	M S	N C	N H	N J	N M	N V	O R	S C	S D	T N	V A	V T	V W		
Acadia Insurance Co.																									S		
Ace American Insurance Co.		D			D		D	D	D					D	D						D		D	D	D		
Alaska National Insurance Co.	S																										
American Interstate Insurance Co.	D	D												D										D			
American Mining Insurance Co.																										S	
American Zurich Insurance Co.		D			D		D	D	D					D	D						D		D	D	D		
AmFed National Insurance Co.													S														
Amguard Insurance Co.				S	S		S	D			S			S		S											
Auto Owners Insurance Co.		D						D	D					D							D		D	D			
Builders Mutual Insurance Co.								D						D							D		D	D			
Cincinnati Insurance Co.		D			D		D	D	D					D	D						D		D	D	D		
Continental Casualty Co.		D					D	D	D					D	D						D		D	D	D		
Continental Insurance Co. of NJ																D											
Hartford Underwriters		D			D		D	D	D					D	D	D					D		D	D	D		
Liberty Mutual Fire Insurance Co.																										D	
LM Insurance Corporation	S	S	S		S	S	S	S	S		S		S	S	S	S					S	S	S	S			
Mountain States Mutual Casualty Co.																		S									
National Fire Insurance Co. of Hartford					D																						
New Jersey Casualty Insurance Co.																D											
New Mexico Mutual Casualty Co.																		S									
Riverport Insurance Co.	S				S		S		S		S	S			S	S			S	S	S	S		S			
SAIF Corporation																				S							
Technology Insurance Co.			S	S		S	S	S			S					S							S				
Travelers Indemnity Co. of CT							D																				
Travelers Property Casualty Co. of America	S	S	S	S	D	S		S	S	S	S	S		S	S	S				S	S	S		S	D	S	S

Glossary of Residual Market Terms

Any-Exposure Theory—Applicable to multistate policies, this theory attributes the policy and related state premium to each state on the policy. For example, a policy providing coverage in SC, GA, and AL with state premiums of \$25,000, \$52,000, and \$11,000, respectively, would be counted as an SC policy with \$25,000 in premium, as a GA policy with \$52,000 in premium, and as an AL policy with \$11,000 in premium.

Assigned Carrier—The insurer assigned to provide coverage to an eligible employer that has applied for workers compensation insurance under NCCI's Workers Compensation Insurance Plan. An assigned carrier can be either a servicing carrier or a direct assignment carrier.

Assigned Risk Adjustment Program (ARAP)—An assigned risk pricing program that surcharges insureds with a record of losses greater than expected under NCCI's current Experience Rating Plan.

Assigned Risk Differential—A factor to reflect the difference in aggregate loss experience between the voluntary and assigned risk markets.

Calendar Year—The 12-month period, beginning January 1, in which a transaction either occurred or was included in the financial statements.

Combined Ratio—The sum of the loss ratio and the expense ratio for a given period. The formula for combined ratio is $[\text{Losses} / \text{Earned Premium}] + [(\text{Expenses and Allowances}) / \text{Written Premium}]$.

Direct Assignment Carrier—An insurance company authorized by the Insurance Department to write and service assigned risk business directly without reinsurance through the National Workers Compensation Reinsurance Pooling Mechanism or other reinsurance pool.

Dominant State Theory—Applicable to multistate policies, this theory attributes the policy and *entire* premium to the state on the policy with the highest payroll to eliminate duplicate counting of policies. For example, a policy providing coverage in SC, GA, and AL with state payrolls of \$25,000, \$52,000, and

\$11,000, respectively, would be counted as a GA policy.

Earned But Not Reported (EBNR) Premium Reserve—A projection of additional premium expected to be uncovered after auditing at the end of the policy (also commonly referred to as Earned But Unbilled [EBUB] Premium).

Estimated Annual Premium—Premium charged by an insurance company, at the time the policy is issued, for coverage provided by an insurance contract for a period of time. Estimated premium is reported before endorsements or audits.

Incurred But Not Reported (IBNR)—Pertaining to losses where the events that will result in a loss, and eventually a claim, have occurred, but have not yet been reported to the insurance company. The term may also include "bulk" reserves for estimated future development of case reserves.

Incurred Losses—Calendar year incurred losses equal paid losses plus the *change* in case and IBNR reserves during the 12-month period in question. Policy year incurred losses reflect paid losses, case reserves, and IBNR reserves for policies written in a particular policy year. They provide a matching of accidents that have occurred on premiums that have already been earned.

Loss Adjustment Expense (LAE)—Expenses of an insurance company, such as the costs of investigating cases, representing an employer before bodies that adjudicate claims, and defending lawsuits that are directly chargeable to settlement of losses. Also, operating expenses that can be allocated specifically to the settlement of losses.

Loss Ratio—The ratio of total incurred losses to total earned premiums in a given period, expressed as a percentage.

Loss Sensitive Rating Plan (LSRP)—A mandatory assigned risk retrospective rating plan for employers that have an assigned risk standard premium of \$250,000 and greater.

Merit Rating—An assigned risk pricing program that applies to manual premium for employers that do not generate adequate premium to be eligible for experience rating but that have had coverage during a specified time period.

National Workers Compensation Reinsurance Pooling Mechanism (NWCPRP or National Pool)—A contractual quota share reinsurance pooling mechanism. It affords participating workers compensation insurers an option for complying with state insurance plan requirements by sharing in the operating results of certain policies written under such insurance plans. Insurance companies participate in this reinsurance pooling mechanism as members of the National Workers Compensation Reinsurance Association NFP (NWCRA).

Operating Gain/(Loss)—The financial statement presentation that reflects the excess of earned premium over incurred losses and net operating expenses.

Policy Year—The year of the effective date of the policy. Policy year financial results summarize experience for all policies with effective dates in a given calendar year period.

Premiums Earned—That portion of written premiums applicable to the expired portion of the time the insurance was in effect.

Premiums Written—The premium charged by an insurance company for coverage provided by an insurance contract for a period of time after the application of endorsements, audits, etc.

Projected to Ultimate—Estimates of the total losses, premium collected, and net operating gain or loss for a policy year after all claims have been paid, premiums collected after all audits and other premium adjustments are finalized, and all pool operating and administrative expenses are paid.

Reinsurance Pool—A financial agreement among participating insurers to share in the experience of certain assigned risks. This reduces both administrative costs and annual fluctuations in the liability of participating insurers resulting from the operation of state insurance plans.

Residual Market—State insurance plans that provide eligible employers unable to secure coverage in the voluntary market with a means for insuring their operations through a designated insurance carrier. Also known as the “involuntary market,” “assigned risk market,” or “market of last resort.”

Residual Market Share—The ratio of assigned risk premium (pool plus direct assignment) to the total net direct written premium.

Servicing Carrier—An insurer, other than a direct assignment carrier, authorized to receive Plan assignments and provide coverage to eligible employers on behalf of insurance company members of the NWCRA—or participants in other reinsurance pooling mechanisms—incorporated as a part of the Plan in a state.

Servicing Carrier Allowance—The ceding commission, often expressed as a percentage of premium, retained by a servicing carrier as compensation for the expenses of servicing an employer under a Workers Compensation Insurance Plan or similar program. In states with a servicing carrier selection process, it is a component of the carrier’s proposal that is awarded in the selection process.

Surcharges—Additional charges included when calculating premium for assigned risk policies.

Take-Out Credit Program—A depopulation program that provides financial incentives for carriers when they remove employers from the residual market by writing those policies voluntarily. Credits reduce the amount of premium used in calculating a carrier’s reinsurance pool participation base or direct assignment carrier quota in a given state.

Underwriting Gain/(Loss)—The financial statement presentation of the excess of earned premium over incurred losses.

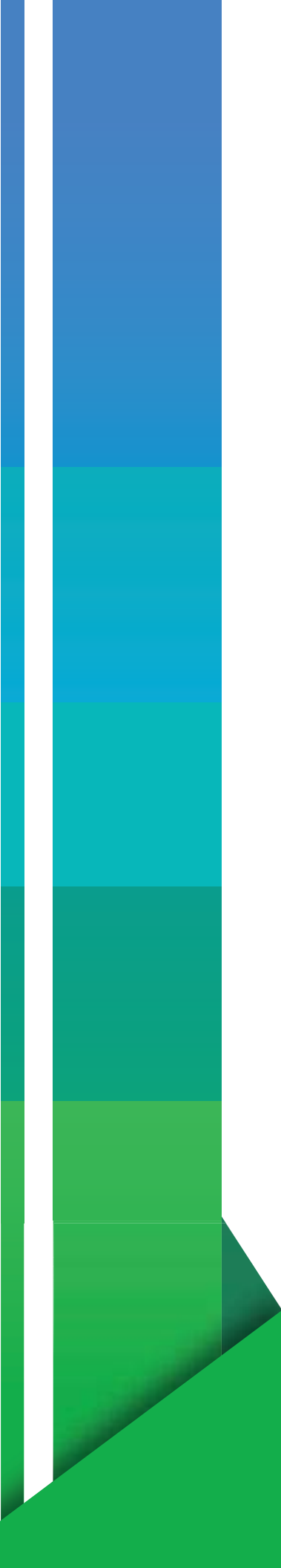
Voluntary Coverage Assistance Program (VCAP[®] Service)—A free Internet-based depopulation program that is supplemental to NCCI’s Workers Compensation Insurance Plan and is designed to provide an additional source for producers and employers to secure workers compensation insurance in the voluntary market.

Workers Compensation Insurance Plan (WCIP or Plan)—A program established and maintained by NCCI and approved by state insurance regulatory authorities whereby workers compensation insurance may be secured by eligible employers unable to secure such coverage in the voluntary market.

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