



State of the Residual Market

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NCCI

State of the Residual Market

Premium and market share continue to decline—aided by depopulation programs



Key indicators are in good shape—combined ratios near break-even



Hazard Group concentration creates potential volatility



Uncollectible premium is a continuing concern

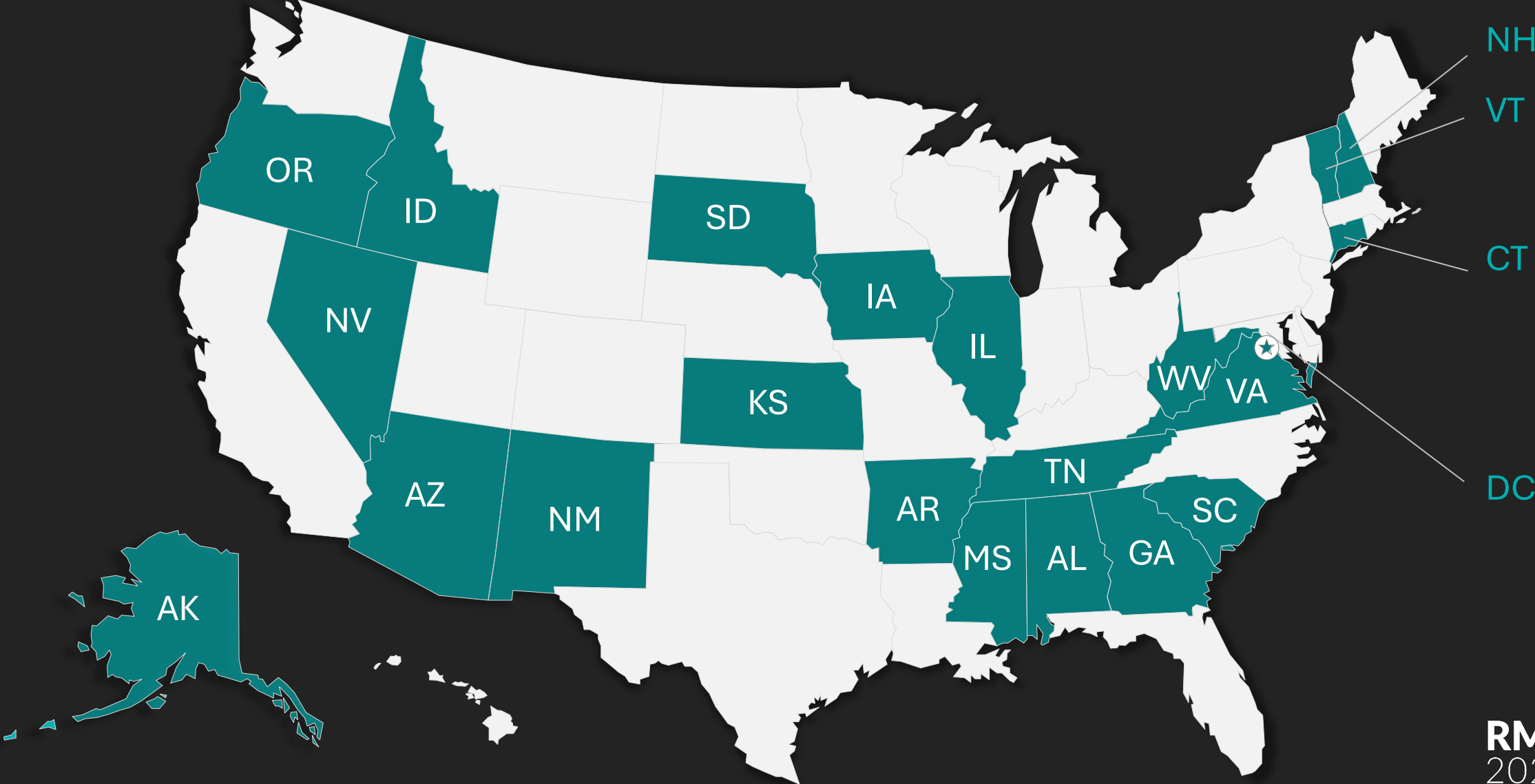


TOPICS

- Assigned Risk Plan volumes, composition, and year-over-year trends
- Reinsurance Pool financial results and trends
- 2023 Plan Administration Achievements
- Developments and Activities – 2024 and beyond
- 2024 servicing carrier bid states



Plan Data



In-Force Plan Premium

As of December 31, 2021–2023

	2021	2022	2023
Premium	\$543.0MM	\$519.7MM	\$465.2MM
Policies	131,886	127,180	121,752
Average Policy Size	\$3,860	\$4,086	\$3,821
Policies < \$5K	87%	87%	87%
Policies < \$10K	94%	94%	94%

When was the last time the year-end in-force premium was less than the 12/31/2023 value of \$465 million?

- 1997
- 2007
- 2012
- 2017
- 2020

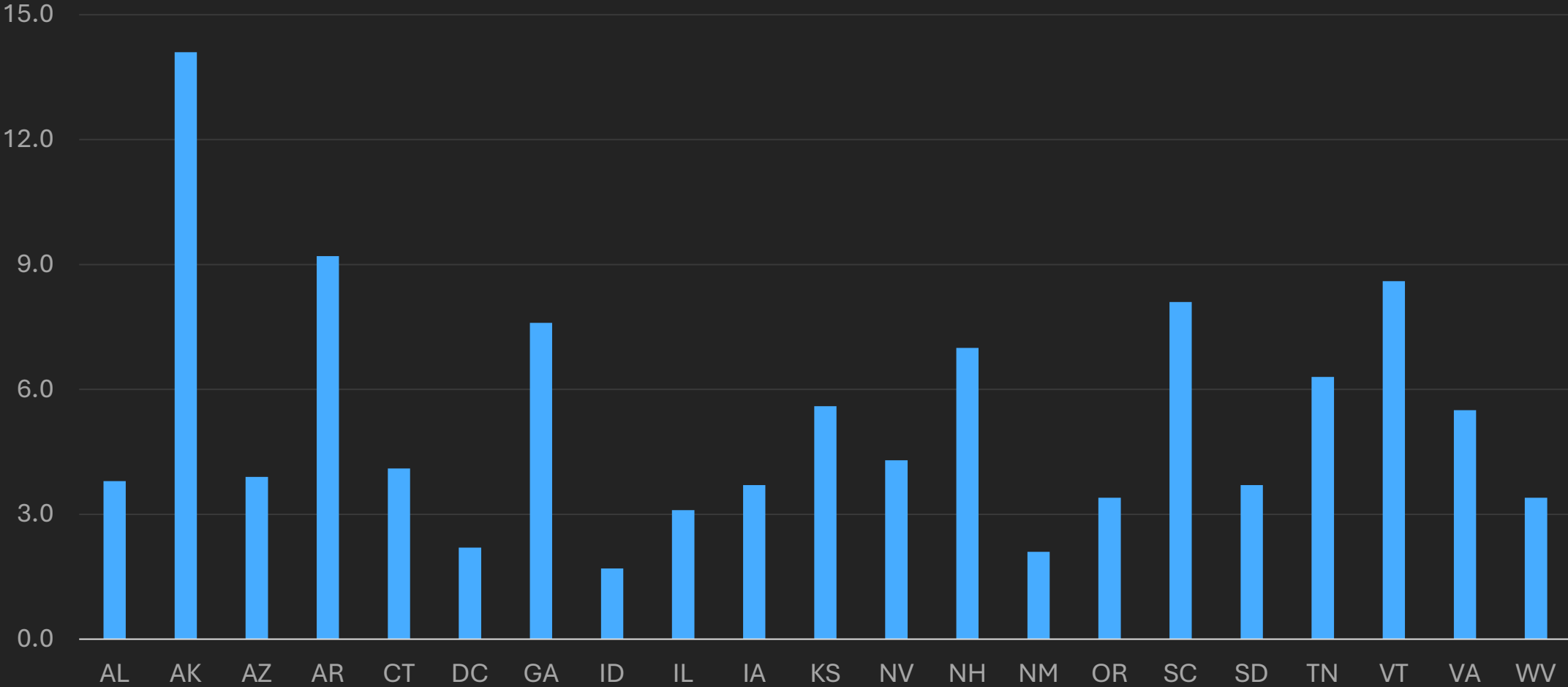
When was the last time the year-end in-force premium was less than the 12/31/2023 value of \$465 million?

2012

RMF
2024

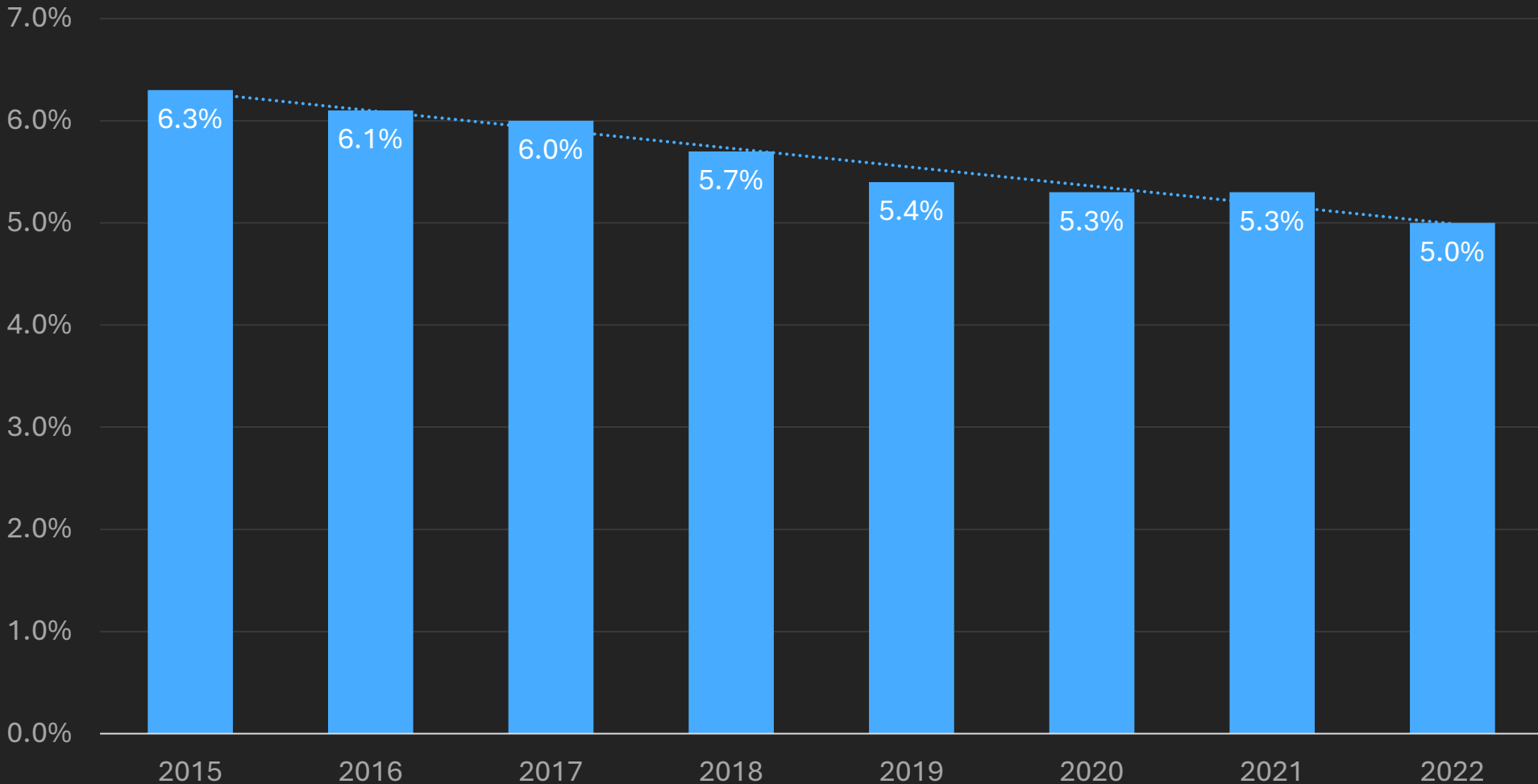
Residual Market Premium Market Share

Calendar Year 2022, by State



Residual Market Share

Share of Calendar Year Direct Written Premium
NCCI Plan Administration States



Residual Market Top 10 Classification Codes

2023 Policy Effective Dates

Plan Policy Count

5645—Carpentry (13.0%)

5551—Roofing (6.8%)

5437—Carpentry (6.1%)

5474—Painting (5.8%)

7219—Trucking (5.2%)

5445—Wallboard, Sheetrock, Drywall, Plasterboard
(2.8%)

9014—Janitorial Services by Contractors (2.3%)

5022—Masonry (2.2%)

5190—Electrical Wiring (1.7%)

0106—Tree Pruning, Spraying, Repairing (1.6%)

Plan Premium Volume

5645—Carpentry (10.0%)

5551—Roofing (8.6%)

7219—Trucking (4.3%)

5474—Painting (3.5%)

5437—Carpentry (3.1%)

0106—Tree Pruning, Spraying, Repairing (2.4%)

9014—Janitorial Services by Contractors (2.0%)

5445—Wallboard, Sheetrock, Drywall, Plasterboard (1.8%)

5403—Carpentry (1.7%)

7720—Police Officers & Drivers (1.6%)

What percentage of residual market premium exposure is represented in Hazard Groups F and G?

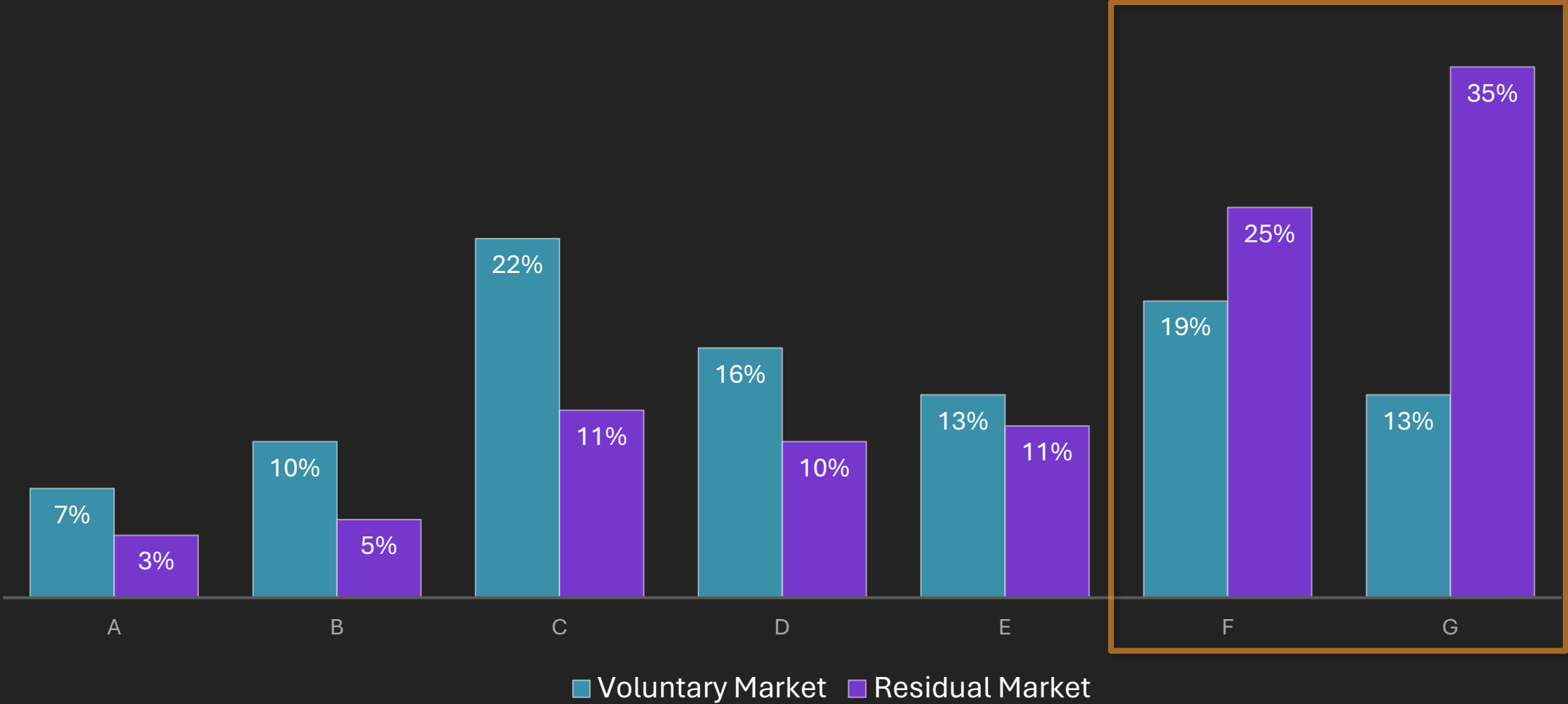
- 27%
- 45%
- 52%
- 60%
- 71%

What percentage of residual market premium exposure is represented in Hazard Groups F and G?

60%

Hazard Group Premium Concentration

2023 Policy Year



Interesting 2023 Accounts

- Fish Spa
- Romantic Dinner Flights
- Psylocibin Integration Service



Depopulation Program



Depopulation Programs

- Eliminates disincentives
- Provides credits towards voluntary premium

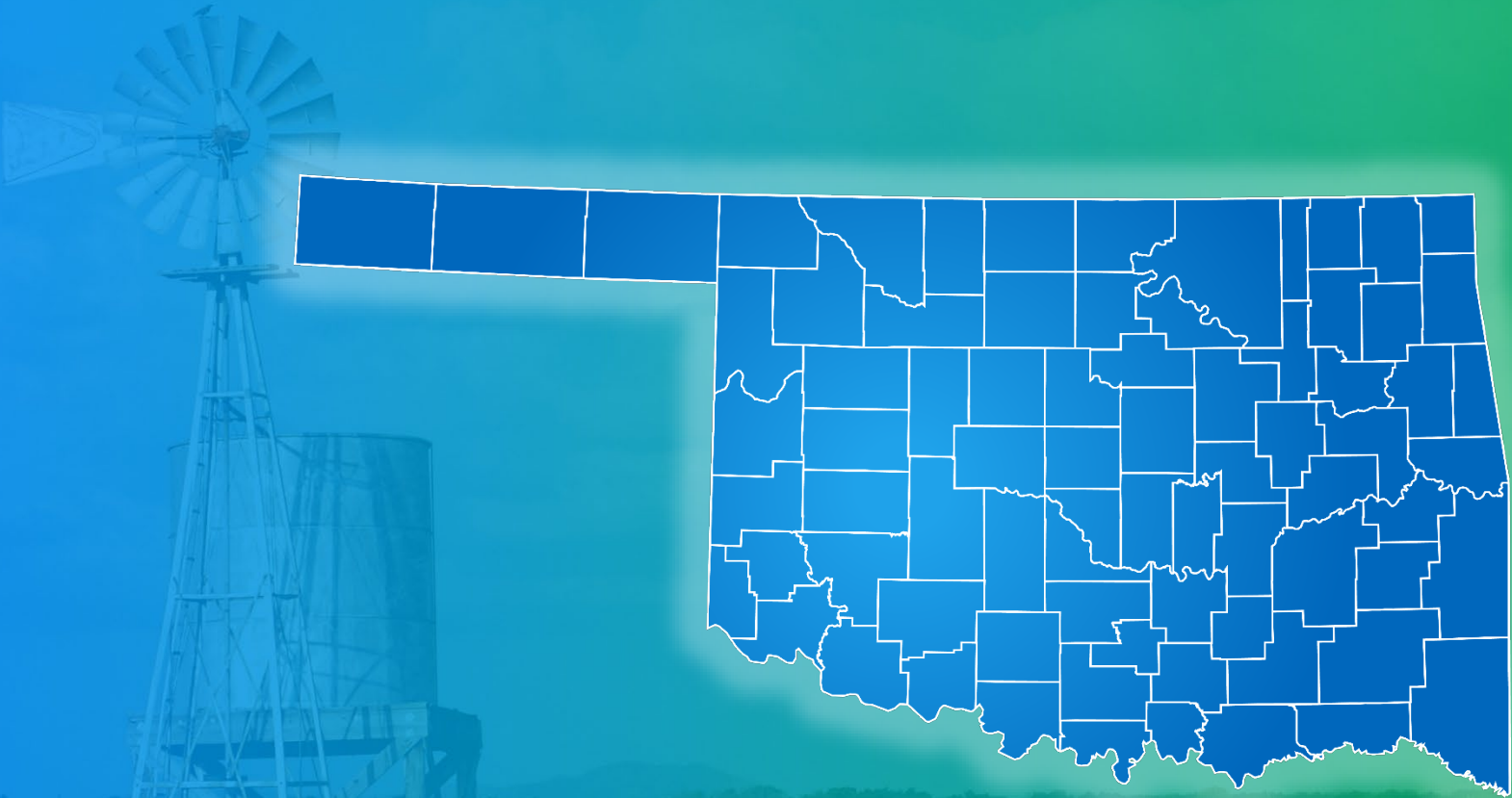
Take-Out Credit Program 2022

- \$111MM credits generated
- 20,000+ policies removed or kept out of the residual market

Voluntary Coverage Assistance Program 2023

- \$22.7MM Premium
- 4,746 Policies
- 15% Savings

Oklahoma Residual Market Readiness



Oklahoma effective 6/1/2024.

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RMF
2024

Pool Data Sources

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POOL
STATES

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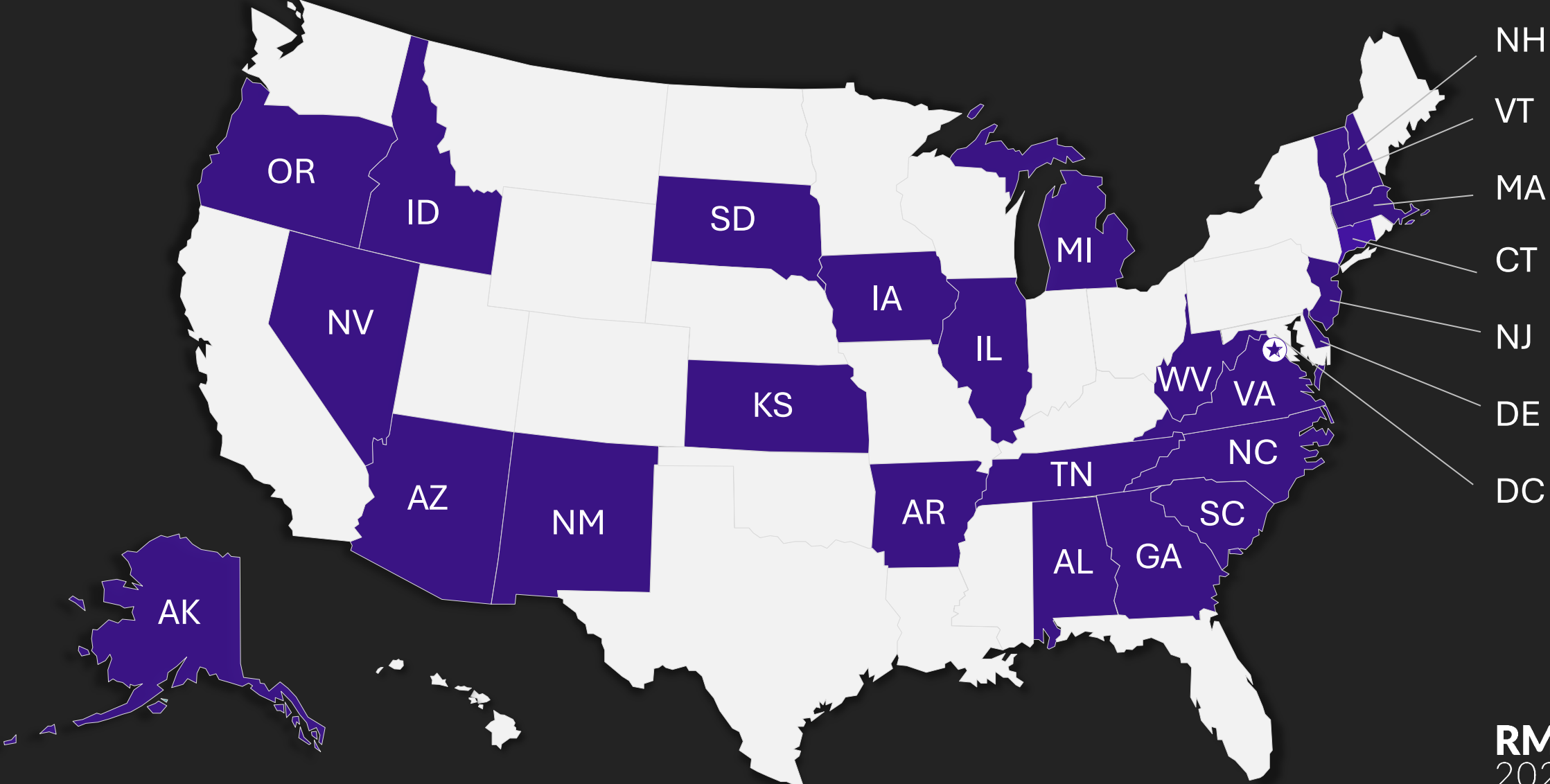
NWCRA*
NATIONAL POOL

03

SINGLE-STATE
POOLS

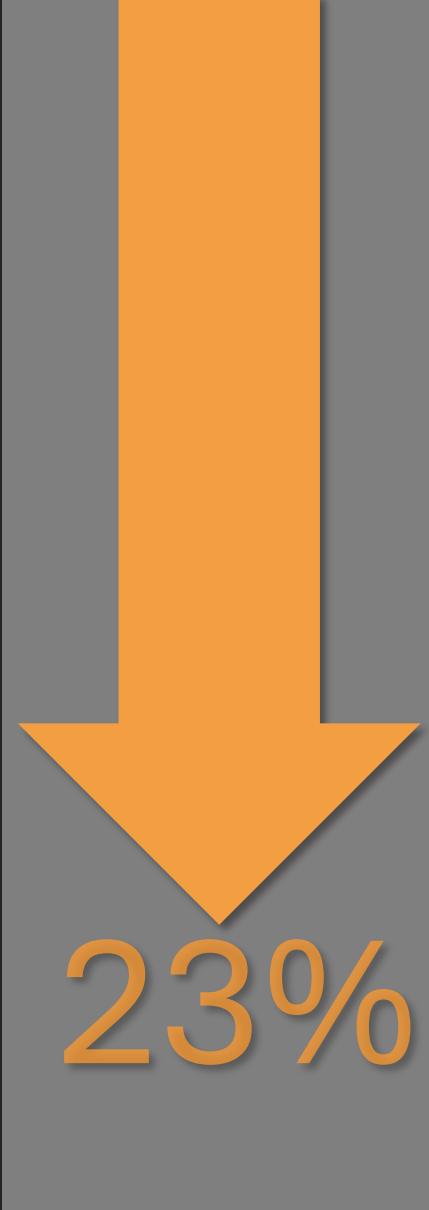
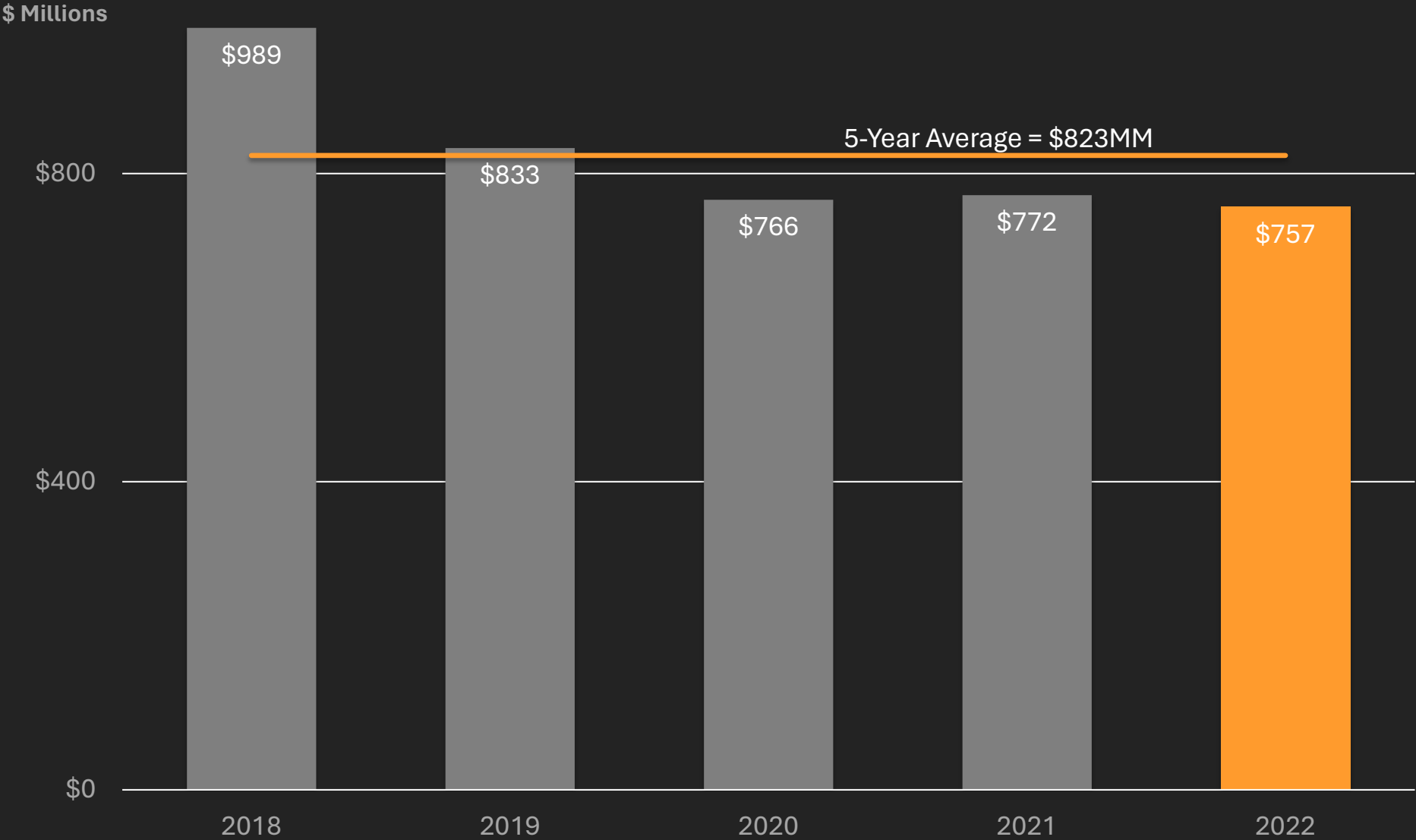
*National Workers Compensation Reinsurance Association.

Pool Data Sources



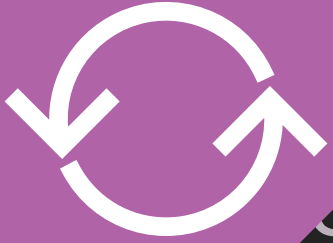
Pool Premium Volume and Trending

Projection to Ultimate



23%

RMF
2024



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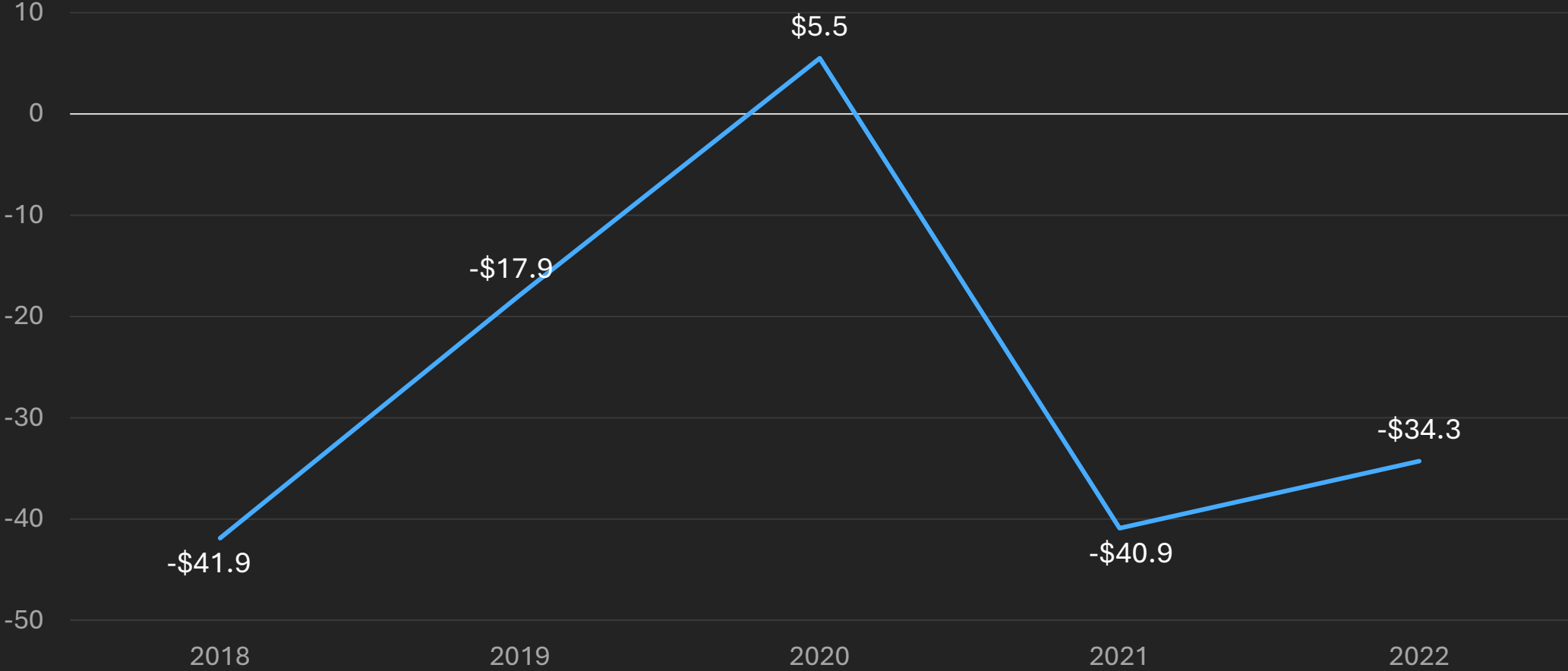
SELF SUFFICIENCY

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Policy Year Operating Results

Projection to Ultimate

\$ Millions

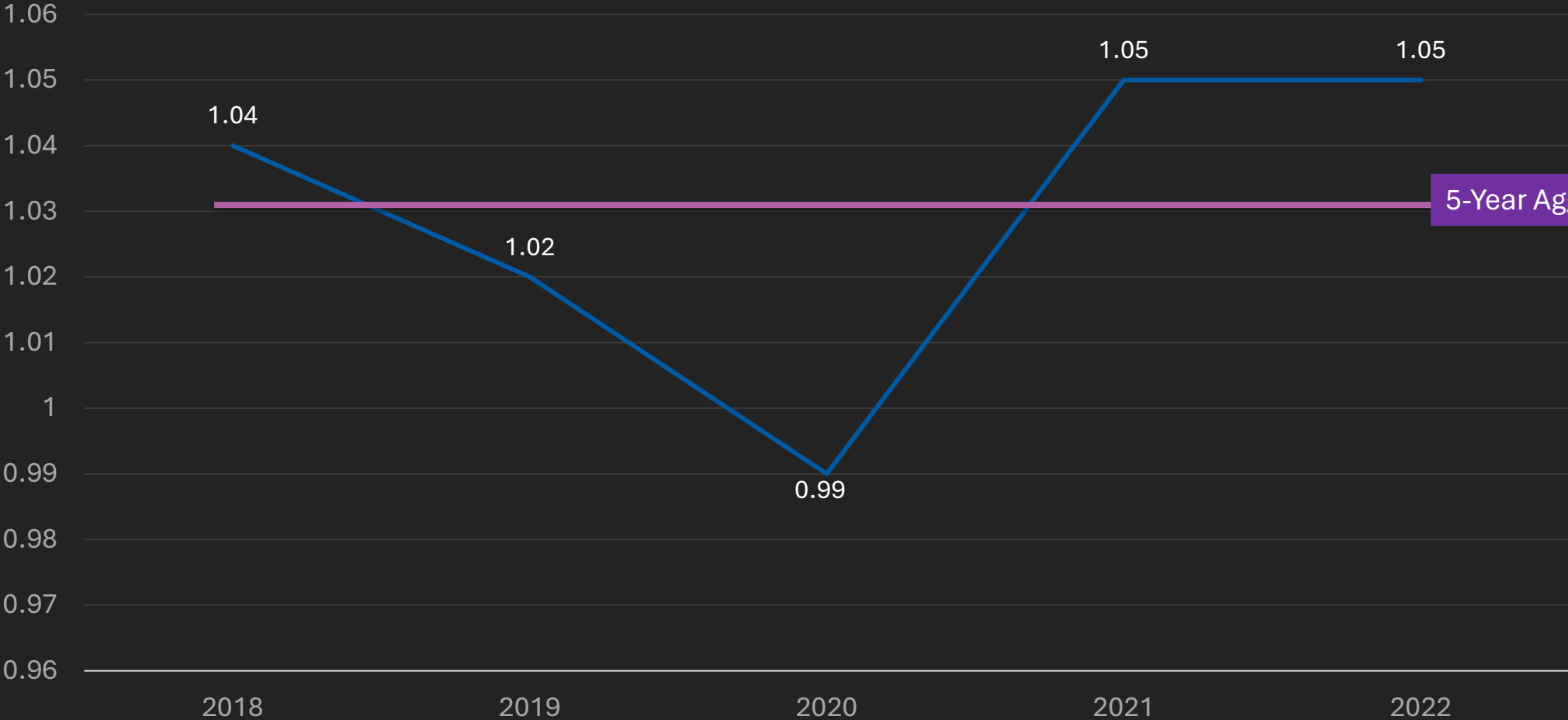


Combined Ratios | Trending

By Policy Year

Annual Combined Ratio

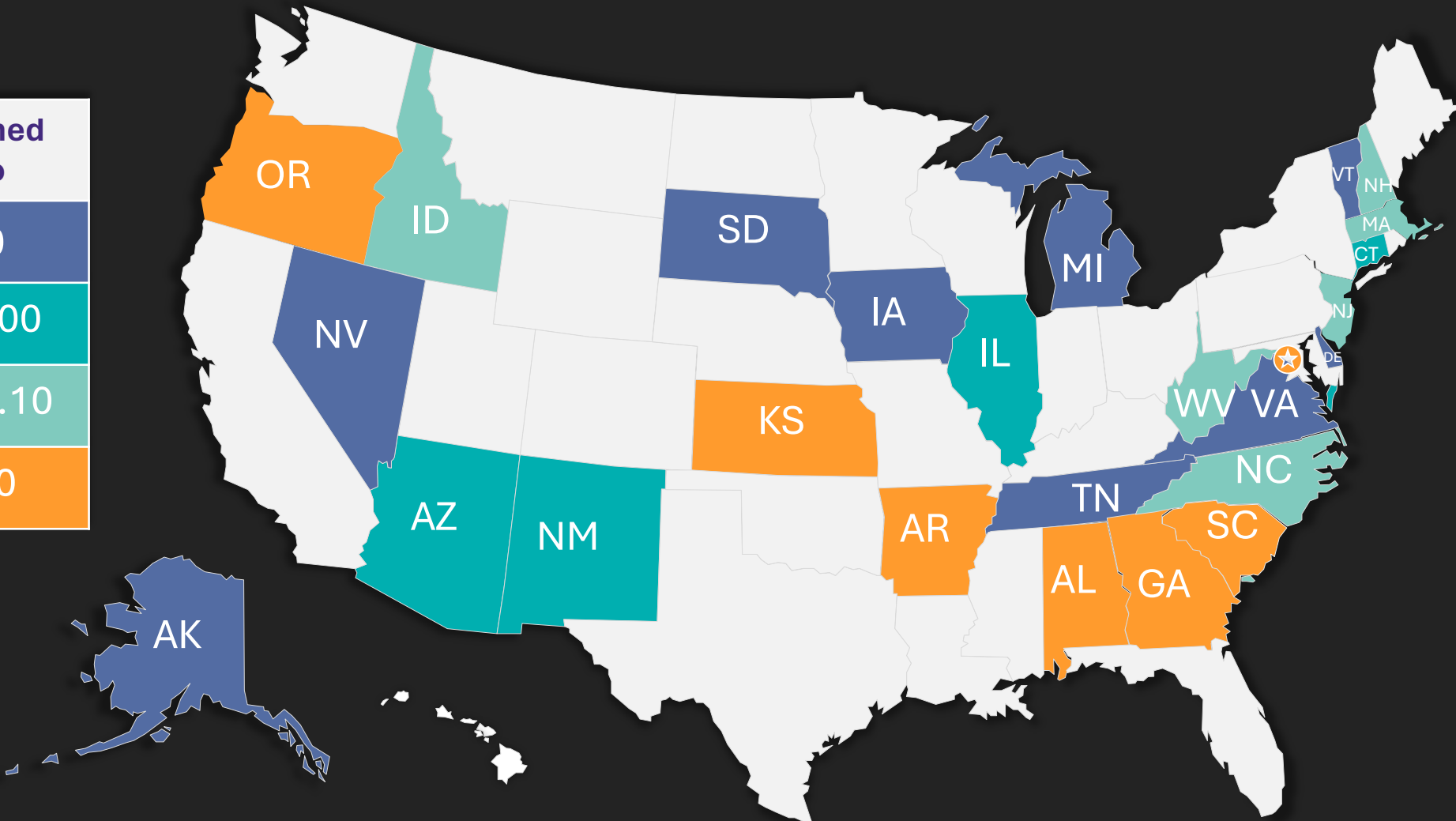
5-Year Aggregate



Combined Ratios | By Jurisdiction

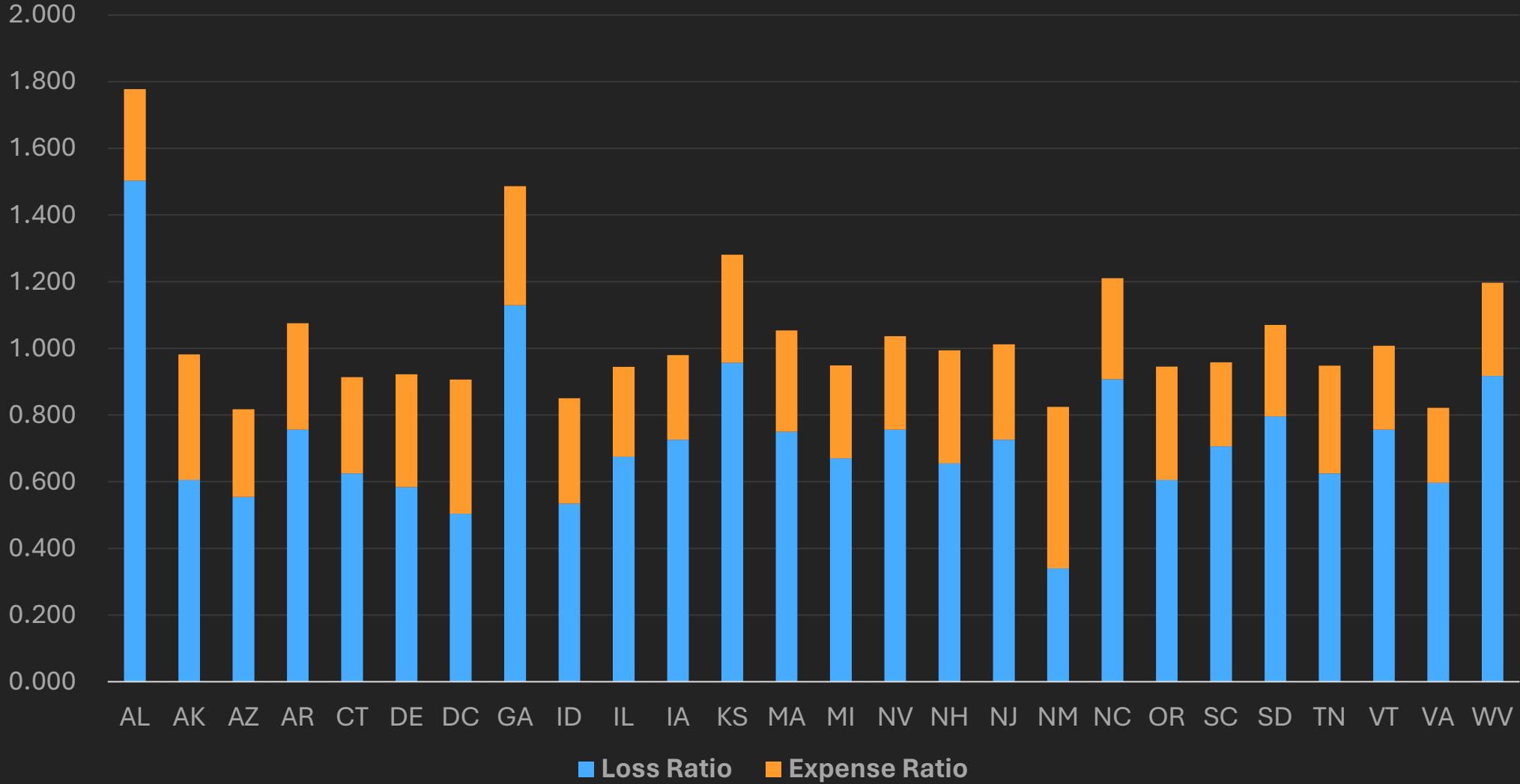
Policy Years 2018–2022

Number of Jurisdictions	Combined Ratio
9	<.90
4	.90–1.00
6	1.01–1.10
7	>1.10



State Combined Ratios

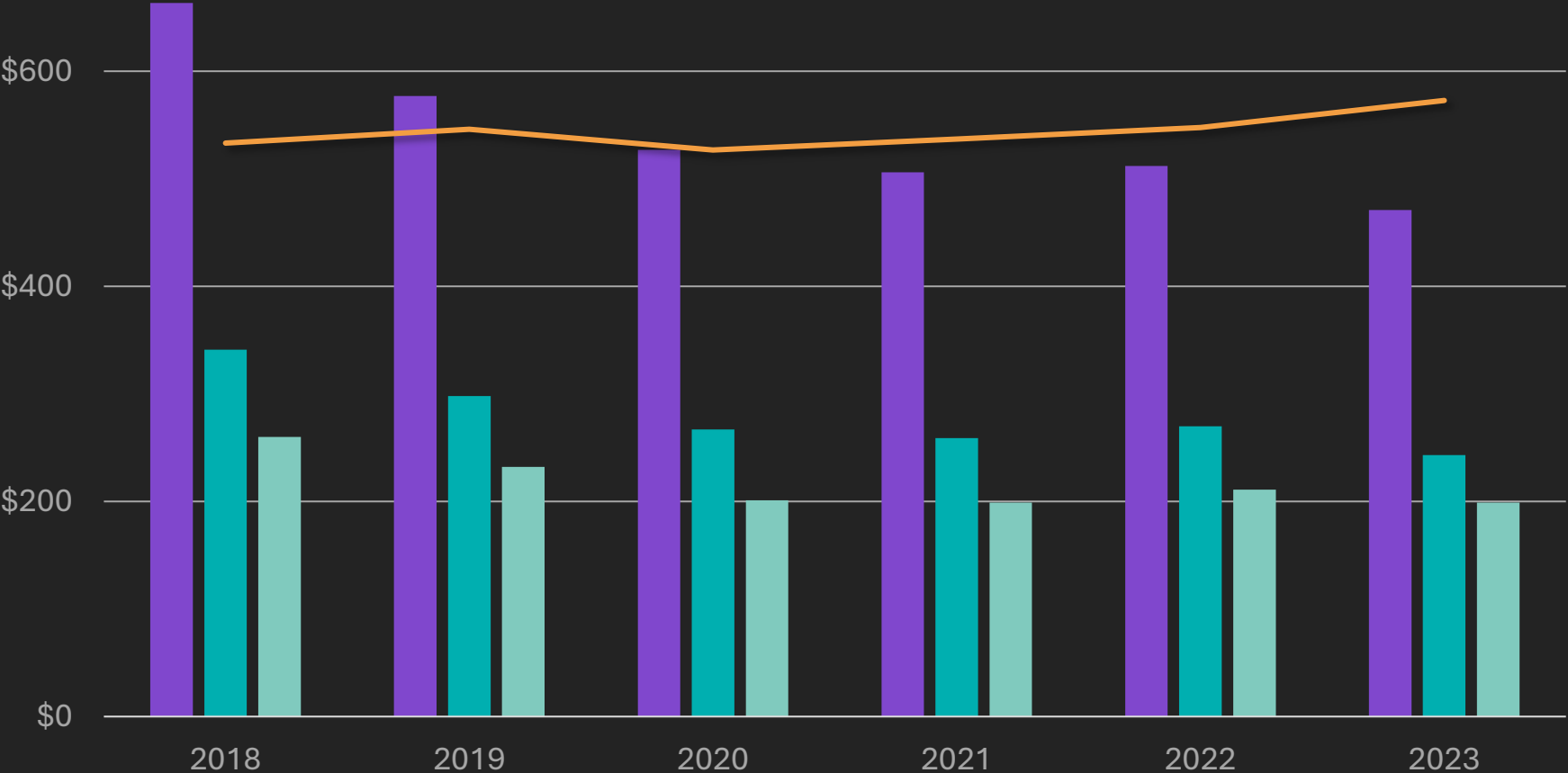
Policy Year 2022—Projected to Ultimate



Policy Years 2018–2023

Valued at Nine Months

\$ Millions



Written Premium

Earned Premium

Incurred Losses

Loss Ratio

100%

80%

60%

40%

20%

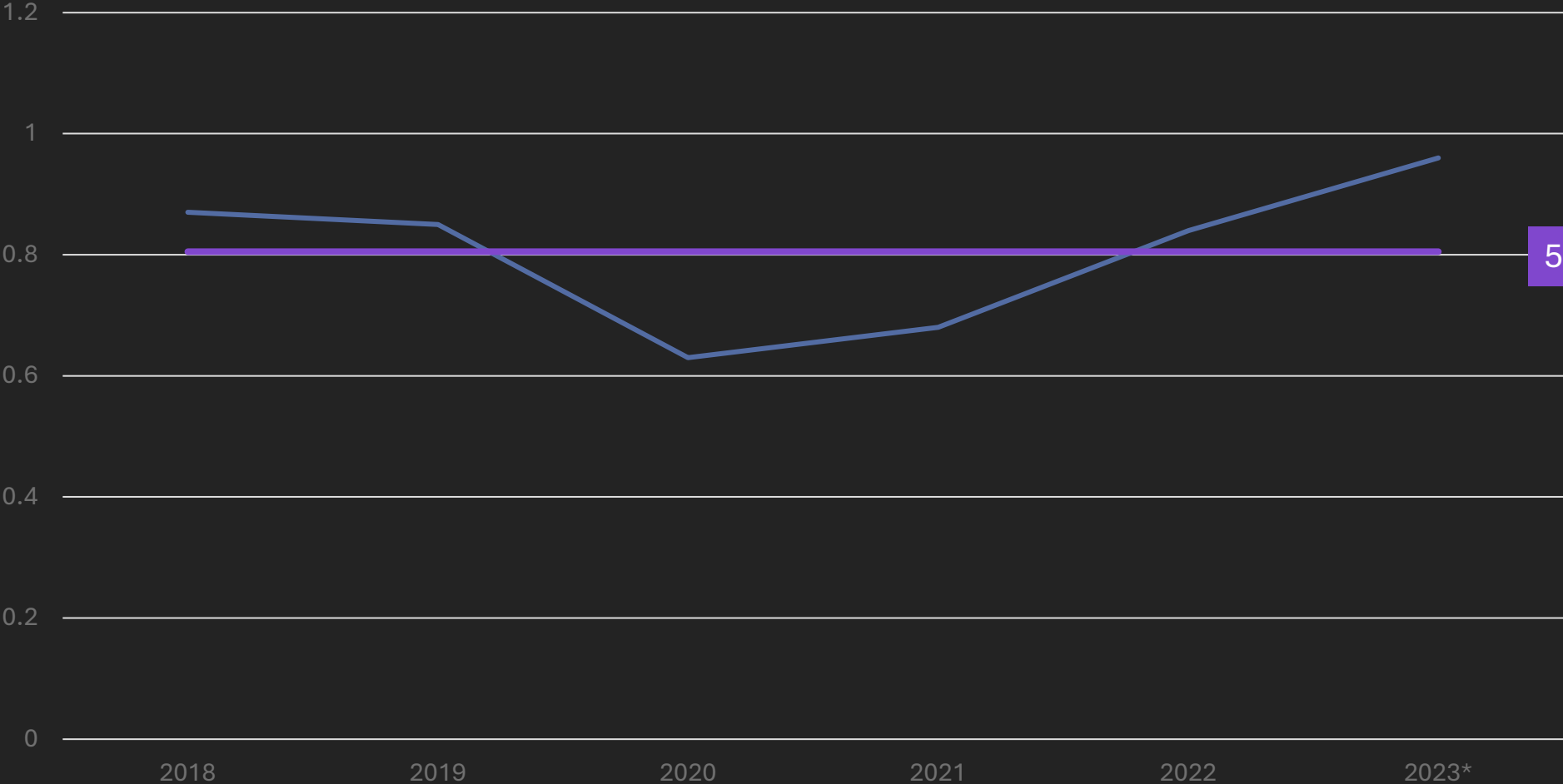
0%

Combined Ratios

Calendar Year

Combined Ratio
Calendar Year

5-Year Aggregate

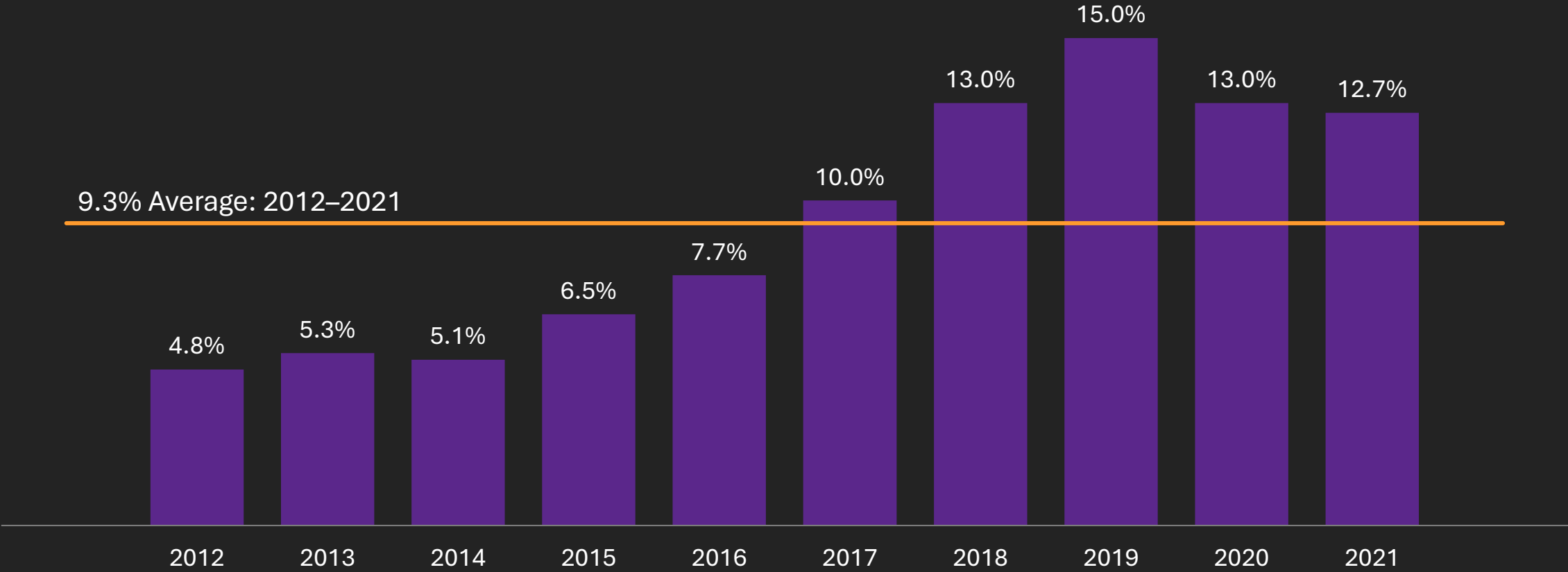


5-Year Aggregate = 0.805

*Nine months of data.

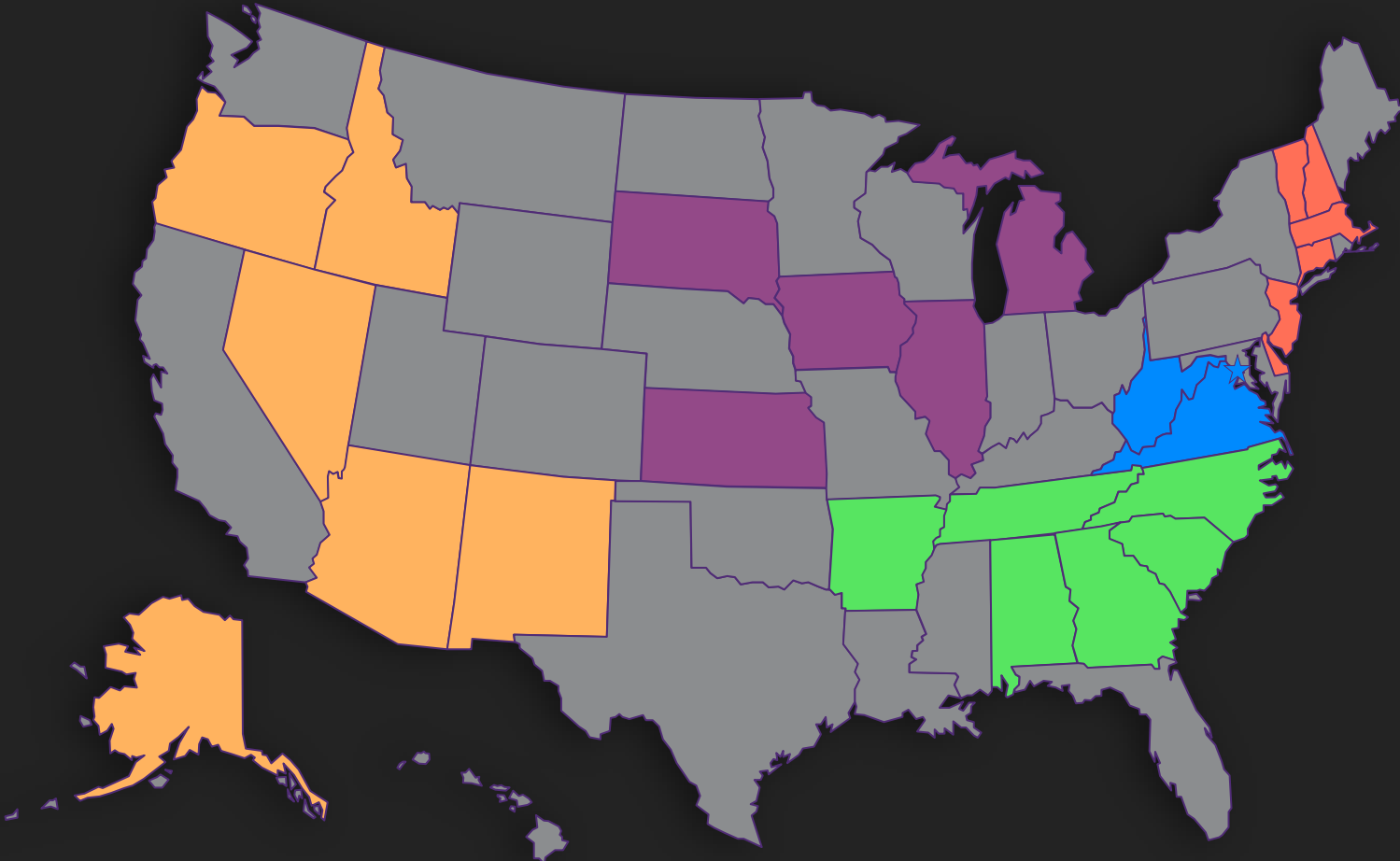
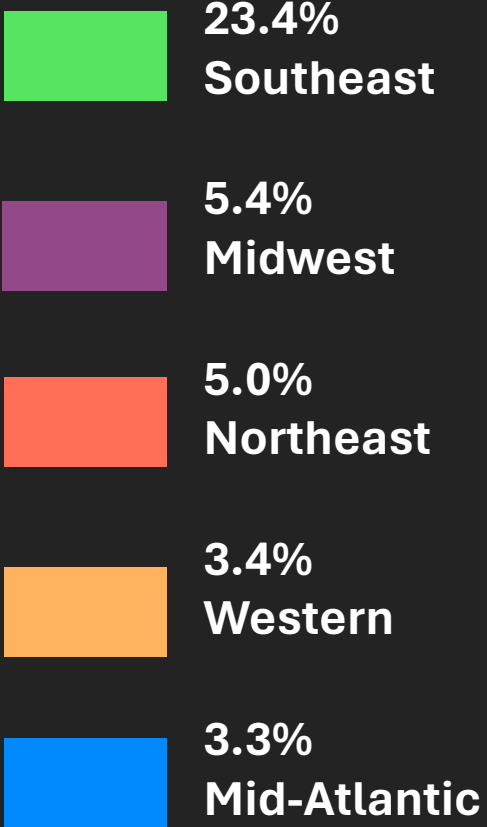
Uncollectible Premium

As % of Policy Year Written Premium



Uncollectible Premium by Region

Policy Years 2012–2021



2023 Achievements







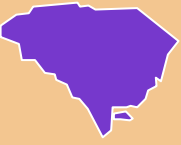

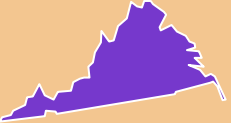
- Oklahoma Residual Market Preparation/Readiness
- Residual Market operating losses held to 0.4% of voluntary market premium
- System enhancements and rewrites
 - ***Servicing Carrier Selection and Oversight System (SCSOSSM Service)***
 - ***Pool Indemnification Management System (PIMS)***
 - ***Pool Uncollectible Premium System (PUPS)***
 - Policy Non-Compliance (PNC) Monitoring Enhancements
 - ***RMAPS[®] Online Application Service***
 - ***Reinsurance Pool Financial System (RPFS)***
- Comprehensive review of ***VCAP[®] Service*** and process

Initiatives for 2024 and Beyond

- On-Boarding of Oklahoma WCIP
- ***VCAP***[®] ***Service*** and process improvements
- Updating ***Servicing Carrier Reference Guide (SCRG)***
- Revisions to ***Pool Data Reporting Guidebook (PDRG)***



2024 Bid States | In-Force Volumes

ALASKA	CONNECTICUT	ILLINOIS	NEW HAMPSHIRE	NEW JERSEY	OREGON	SOUTH CAROLINA	VERMONT	VIRGINIA
Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium
\$23.2MM	\$33.2MM	\$68.8MM	\$13.8MM	\$114.5MM	\$17.4MM	\$26.3MM	\$14.7MM	\$39.4MM
Policy Count	Policy Count	Policy Count	Policy Count	Policy Count	Policy Count	Policy Count	Policy Count	Policy Count
5,169	10,435	23,047	3,396	61,732	4,371	10,256	2,530	11,024
Average Policy Size	Average Policy Size	Average Policy Size	Average Policy Size	Average Policy Size	Average Policy Size	Average Policy Size	Average Policy Size	Average Policy Size
\$4,484	\$3,183	\$2,986	\$4,060	\$1,855	\$3,975	\$2,562	\$5,814	\$3,576
								

State of the Residual Market

Residual market premium and market share continue to gradually decline – aided by depopulation programs



Key indicators/measures are reasonable – but with slight increases in near break-even combined ratios



Concentration in high hazard groups creates potential volatility and large losses



Uncollectible premium remains a concern

