

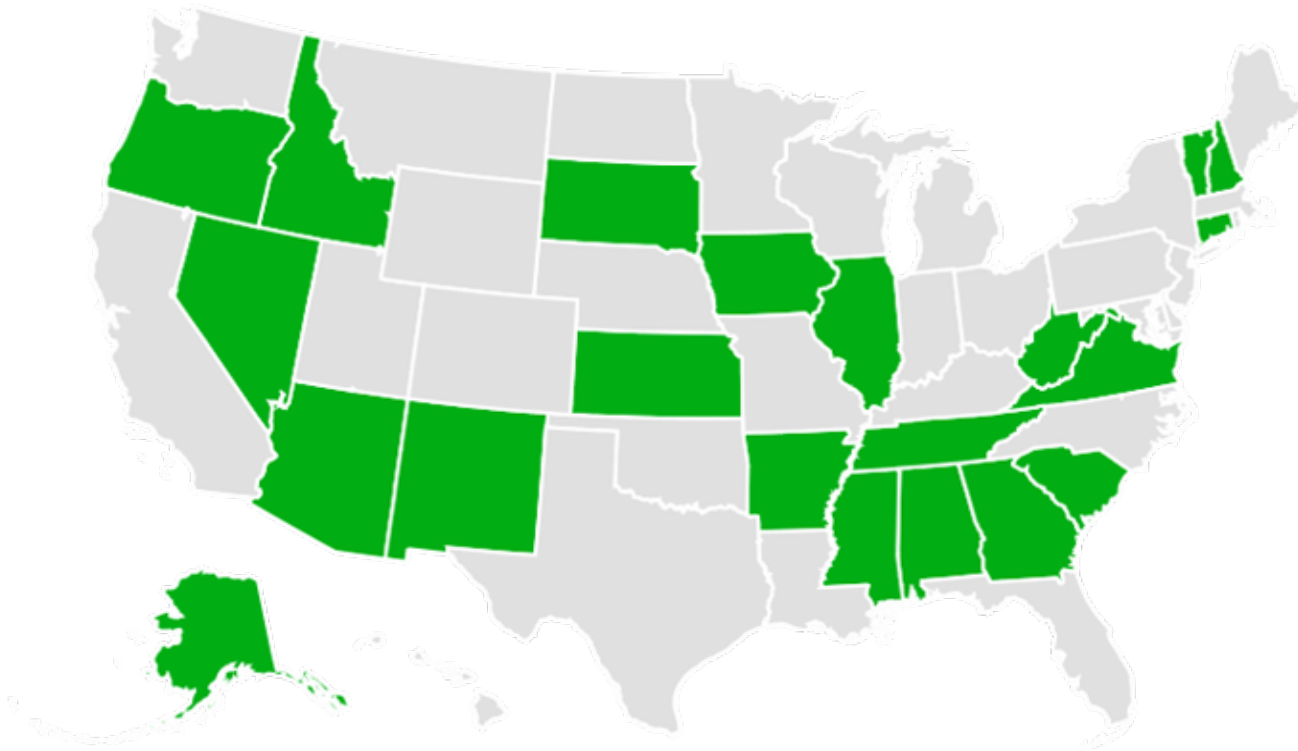
# STATE ADVISORY RESOURCES

South Dakota Residual Market  
March 2023



# Plan Data

Includes 22 NCCI Plan Administration Jurisdictions



Alabama

Alaska

Arizona

Arkansas

Connecticut

DC

Georgia

Idaho

Illinois

Iowa

Kansas

Mississippi

Nevada

New Hampshire

New Mexico

Oregon

South Carolina

South Dakota

Tennessee

Vermont

Virginia

West Virginia

# State of the Residual Market

Premium continues a gradual decline—aided by depopulation programs



Self-funded in the aggregate



High hazard concentration creates potential volatility



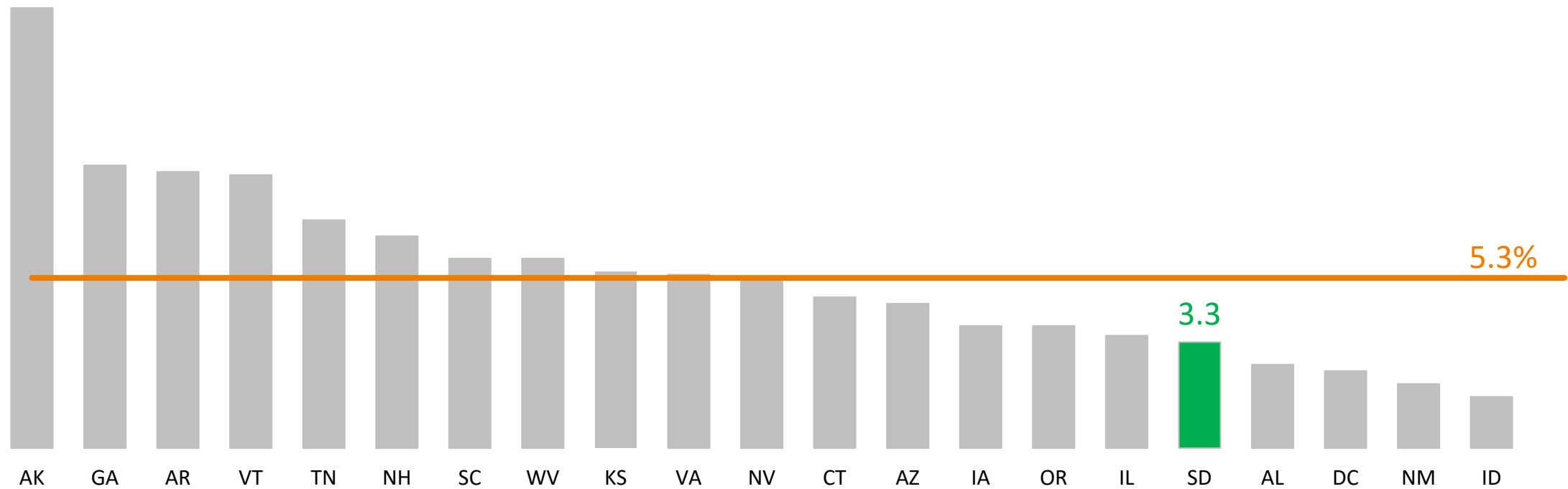
Uncollectible premium is a concern



Source: NCCI's *Residual Market Forum 2023*, State of the Residual Market presentation.

# Assigned Risk Plan Market Share Percentage by Jurisdiction

As of 12/31/2021\*

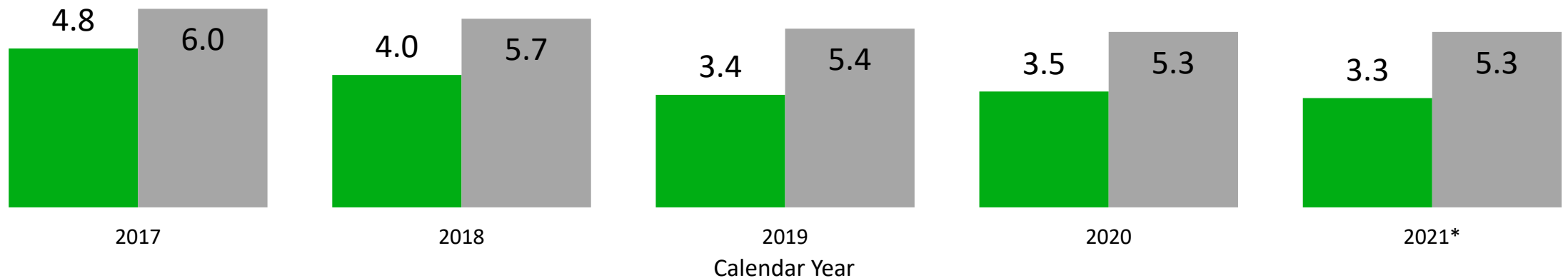


\*Preliminary.

Market share percentages are from NCCI's 2021 *Residual Market Management Summary*.

# South Dakota Residual Market Share Compared to All Plan Jurisdictions Market Share

Plan Premium as a Percentage of Direct Written Premium



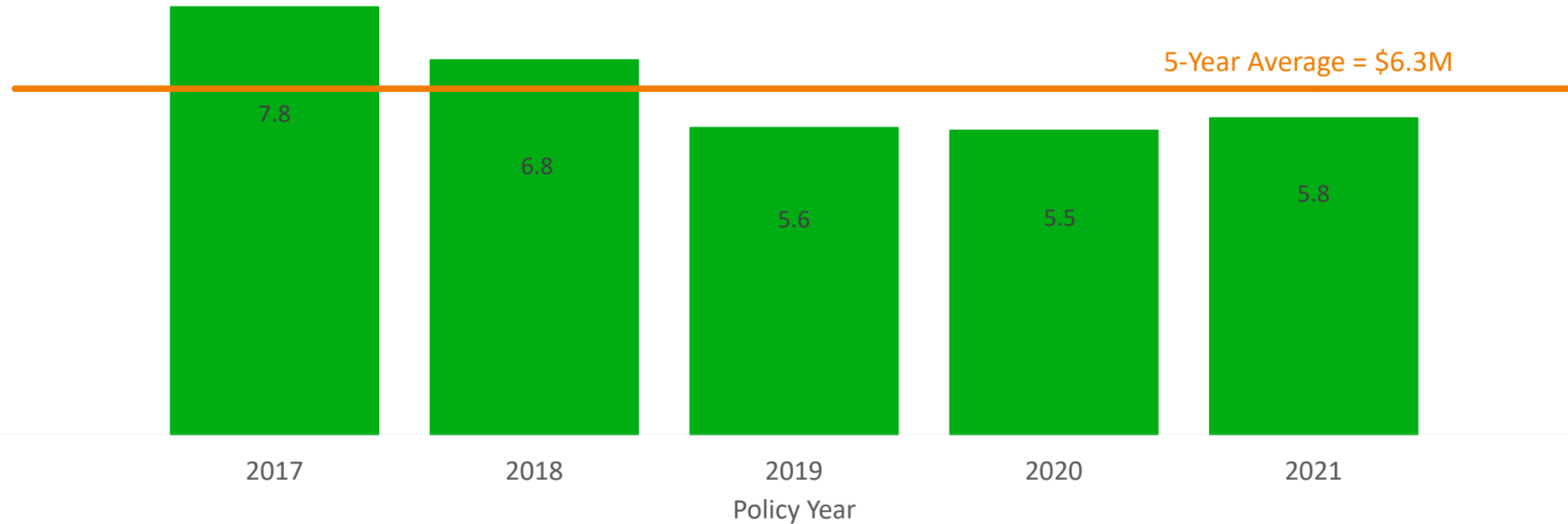
\*Preliminary.

Market share percentages are from NCCI's 2021 *Residual Market Management Summary*.

# South Dakota Residual Market Plan Premium

As of 12/31/2021

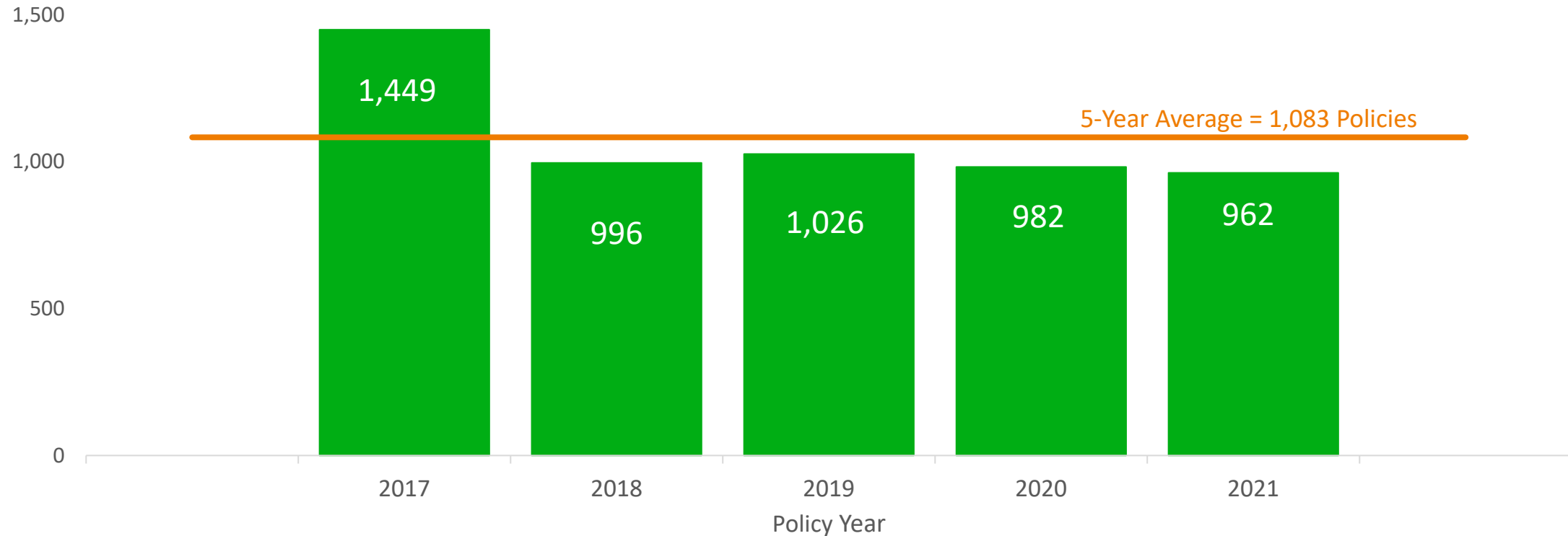
\$ Millions



Premium data is on a policy year basis as reported to NCCI, for policies effective from January 1 through December 31, including prorated cancellations, with all policies' premium associated with the dominant state.

# South Dakota Residual Market Policy Counts

As of 12/31/2021



Policy data is on a policy year basis as reported to NCCI, for policies effective from January 1 through December 31, including prorated cancellations, with all policies' premium associated with the dominant state.

# South Dakota Residual Market (RM) Policy Information



\$6,002

Average RM Policy Size



56.8%

% of RM Policies Under \$2,500



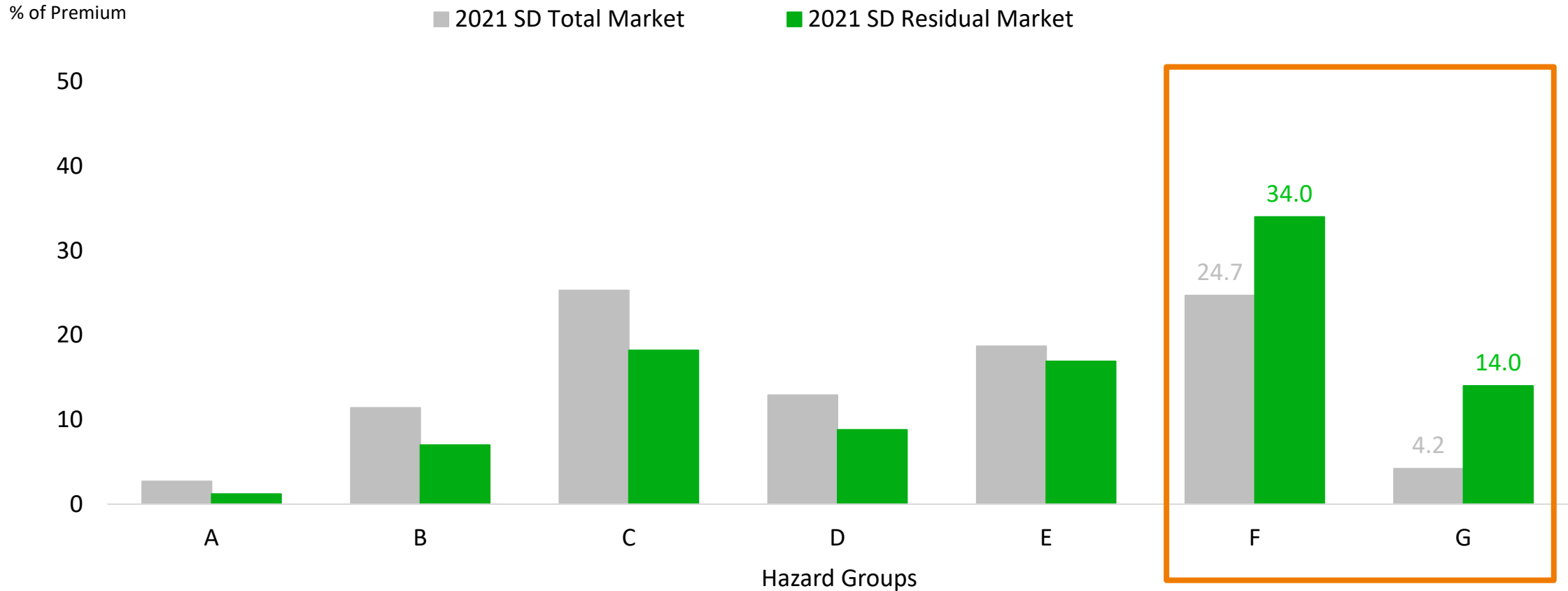
11.9%

% of RM Premium Generated  
by Policies Under \$2,500

Premium and policy data is on a policy year basis as reported to NCCI, for policies effective from January 1, 2021, to December 31, 2021, including prorated cancellations, with all policies' premium associated with the dominant state.



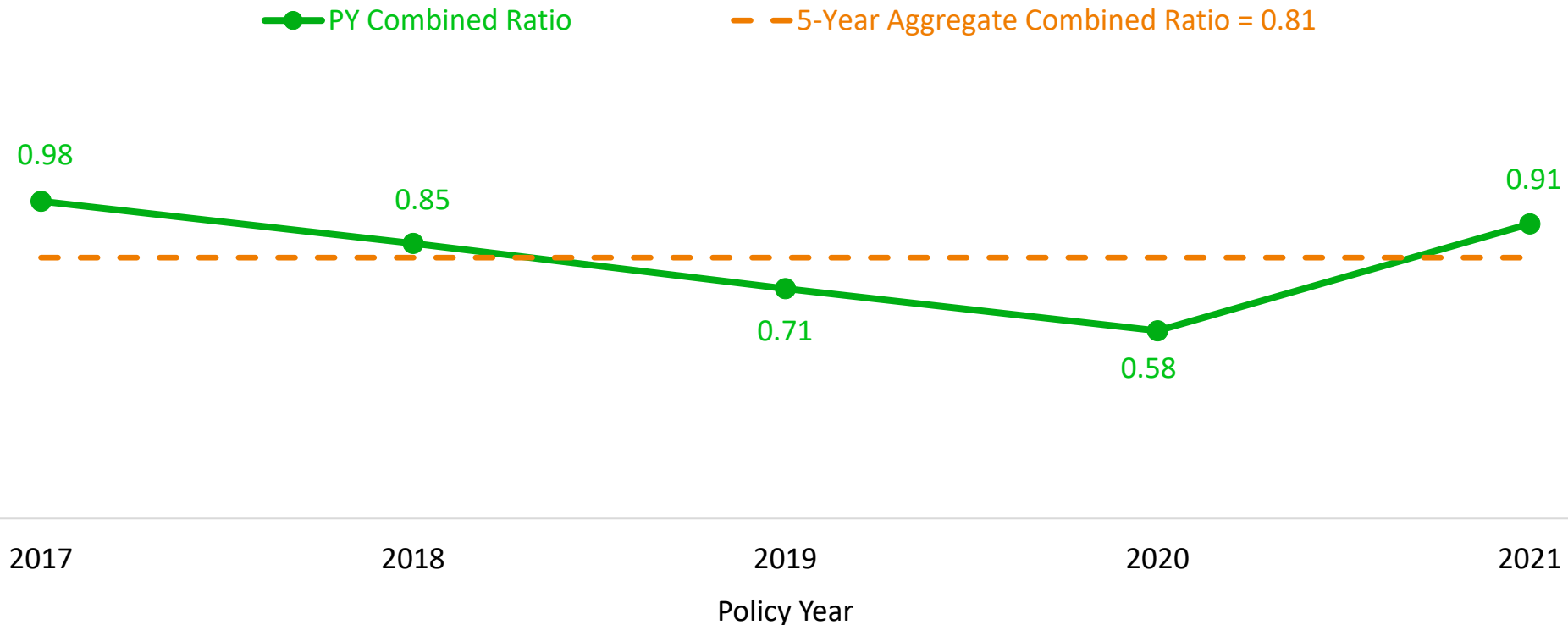
# Hazard Groups F and G Account for 48% of the Residual Market Premium



Premium data is on a policy year basis as reported to NCCI, for policies effective from January 1, 2021, to December 31, 2021, including prorated cancellations, with all policies' premium associated with the dominant state.

# South Dakota Reinsurance Pool's Combined Ratios Over the Past Five Years

Estimated Policy Year Combined Ratios as of 9/30/2022



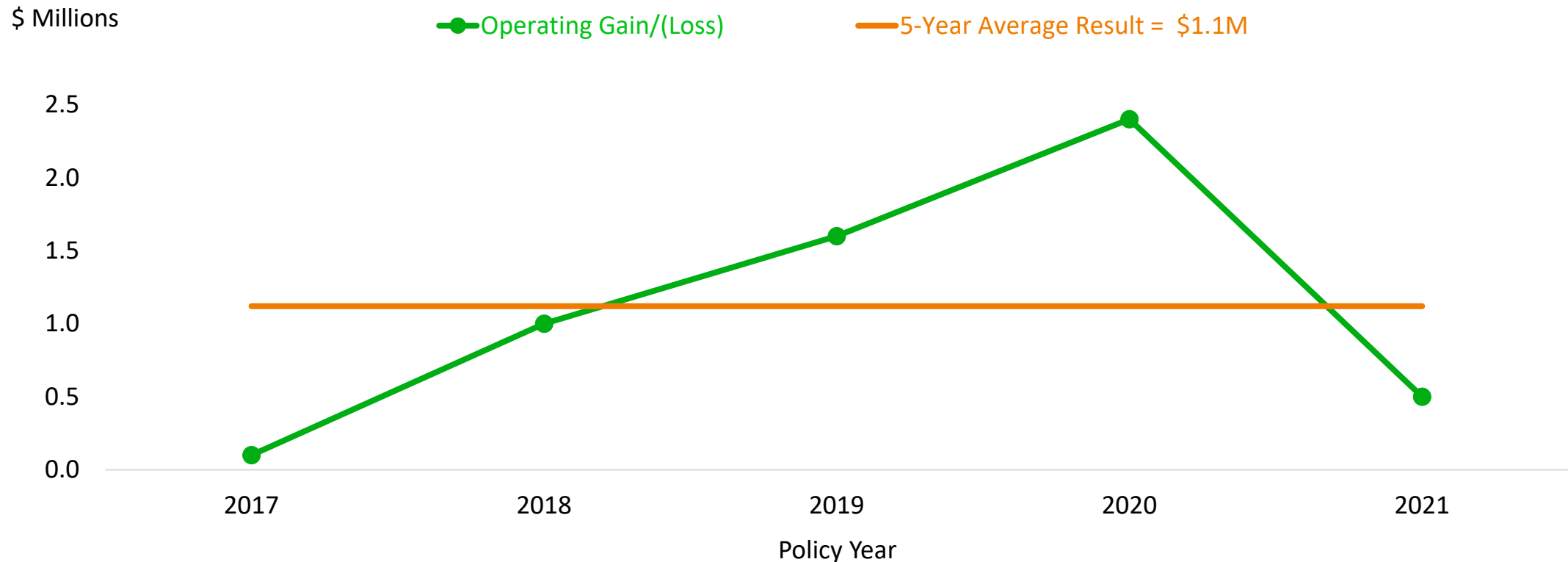
From NCCI's *Residual Market Quarterly Results*—equals  $[1.0 - \text{Residual Market Operating Gain (Loss)}] / \text{Pool Written Premium}$ .

Updates to the *Residual Market Quarterly Results* are posted on [ncci.com](https://www.ncci.com). Click the **Residual Markets** tab. Then, under Publications/Reports, click **Quarterly Results**.

# South Dakota Residual Market Reinsurance Pool

## Net Operating Results

Estimated Net Operating Gains and Losses Projected to Ultimate as of 9/30/2022



From NCCI's *Residual Market Quarterly Results*—the financial statement presentation that reflects the excess of earned premium over incurred losses, less all operating expenses, plus all investment income in this state. Updates to the *Residual Market Quarterly Results* are posted on [ncci.com](https://www.ncci.com). Click the **Residual Markets** tab. Then, under Publications/Reports, click **Quarterly Results**.

# South Dakota Residual Market

## COVID-19 Claims

- Limited direct impact on residual market losses
- Uncertain indirect impact on premium/collectability



## Volume and Market Share

- Overall decrease in premium and policy count
- Relatively low residual market share



Approximately 48% of residual market premium in high hazard groups F and G reflects possible volatility in losses and operating results



The residual market has been self-funded over the past five years

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