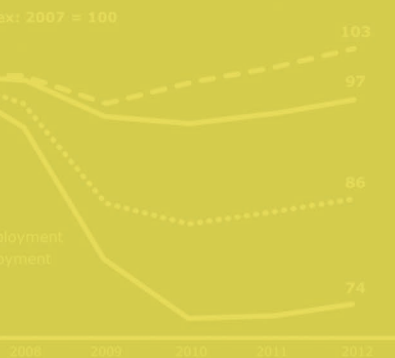




RESIDUAL MARKET MANAGEMENT SUMMARY 2014



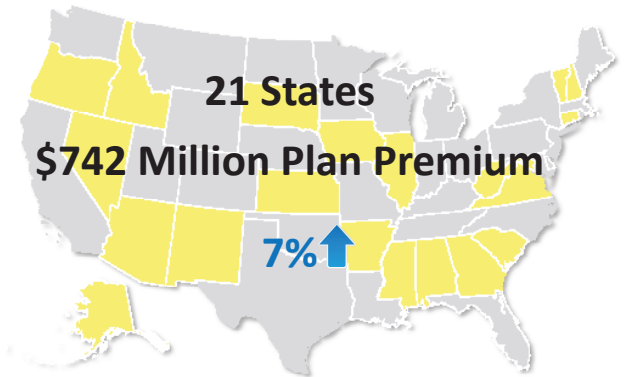
Workers Compensation Insurance Plan Administration—Status Report*

January 1, 2014 –December 31, 2014

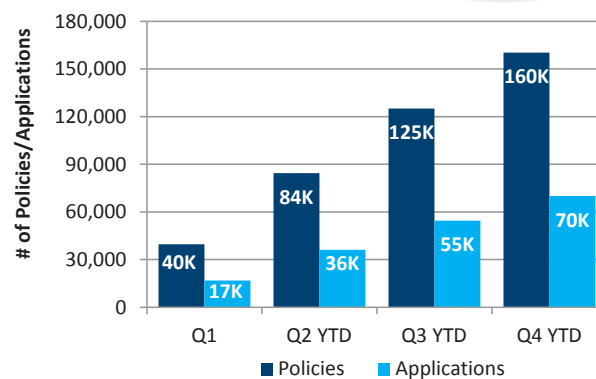
Top 5 Class Codes*

5645—Carpentry Construction (8.2%)
 5437—Carpentry Installation (5.0%)
 5474—Painting (4.5%)
 7228—Trucking, Local (4.1%)
 5551—Roofing (2.8%)

By policy count



Total Policy Count 9%↑



VCAP® Service Redirected

\$ 3.9M 9%↑

Premium

Savings From Redirected Premium

19.7%

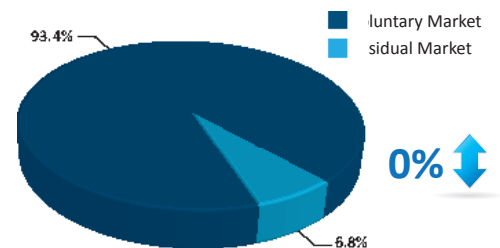
Avg. Policy Size

\$4,629 1%↓

Policies With Premium \$100K+

\$ 143M 5%↓

Market Share**



* 2014 policy and estimated annual premium data, compared to 2013.

* Figures as reported on March 31, 2015.

** Percentage of NCCI Reported Direct Premiums Written 2013

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To Our Readers:

NCCI's **Residual Market Management Summary 2014** 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.

2014 was another successful year for workers compensation residual market administration, powered by the experience of the NCCI residual market staff and our assigned carrier partners. The year was marked by a significant slowdown in the growth of the residual markets in most states and high levels of customer satisfaction. The Policy Year 2014 estimated ultimate written premium for all reinsurance pools serviced by NCCI is \$1.15 billion. This represents an increase in written premium of 7% from the prior year. This is a significant reduction in the growth rate, which was 60% in 2012 and 32% in 2013. This slower pace of growth, which tracked the premium growth in the voluntary market, has resulted in an estimated residual market share of 6.8%, which is slightly above the residual market share in 2013. These figures are an important indicator that the voluntary workers compensation market is competitive and stable and that the residual market is manageable and operating effectively.

Achieving self-funded residual markets is always a top priority for the insurance industry and for NCCI. Preliminary results for 2014 show an operating deficit of \$74 million for all reinsurance pools serviced by NCCI. This represents a burden of 0.3% of voluntary market workers compensation premium in those states where NCCI is the Plan Administrator. Most states have self-funded residual markets and we are working with the state insurance regulators and independent bureaus in those few states with chronic deficits in order to achieve a self-funded status in all states.

During 2014, NCCI processed 70,000 new applications and serviced 160,000 total residual market policies written by the assigned carriers. The majority of those applications and policies are from roofing, carpentry, and painting contractors and truckers who need workers compensation insurance. While the average size of 2014 residual market policies was \$4,600 in NCCI Plan-administered states, we also served two accounts with over \$2 million in premium, as well as a number of interesting accounts such as a skydiving adventure company, minor league baseball teams, a movie production company, and a radio tower construction contractor. Through it all, NCCI and our assigned carriers have maintained very high levels of customer satisfaction from insurance regulators and producers. Our long-established **Assigned Carrier Performance Standards** have served injured workers, employers, and insurance producers well throughout the years.

Thanks to reforms in state workers compensation laws and administration, and improvements in rate adequacy, it appears that the length and volatility of workers compensation underwriting cycles have moderated in recent years as reflected in the stability of residual markets. As we move into the second quarter of 2015, we see that the number of applications for residual market coverage is about the same as it was for the same period in 2014, indicating that the workers compensation market continues to remain stable. That is very good news, indeed, for all workers compensation insurance stakeholders.

Finally, in April 2015, NCCI was named as the workers compensation residual market administrator in Tennessee, effective for residual market policies written on or after July 1, 2015. We are grateful for the appointment and will work hard to ensure a successful transition for all stakeholders.

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), and the New Mexico Workers' Compensation Assigned Risk Pool. 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		
NM	x		x	NCCI administers the New Mexico Workers' Compensation Assigned Risk Pool.
NV	x	x		
OR	x	x		
SC	x	x		
SD	x	x		
TN	x	x		For residual market policies effective on or after July 1, 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 2014:

- Number of applications received = 114,736
- Number of applications bound = 63,671
- Percentage of applications submitted online nationally = 99%, exceeding our goal of 98%
- Average processing time for online applications = 3 days
- Average processing time for mail-in applications = 4.4 days
- Other:
 - 179,292 calls were fielded; calls decreased by 6.9%
 - Producer workshops were held in three states: OR, WV, and MS

NCCI provides application processing, servicing carrier selection, and oversight and/or administrative services for its Workers Compensation Insurance Plans (WCIP or Plan). NCCI provides these services for the assigned risk plans in 21 jurisdictions.

2014 Residual Market Assigned Carrier Conference

The annual **Assigned Carrier Conference**, “A Path of Progress,” was held at the Delray Beach Marriott on February 13 and 14, 2014. The conference was a success, based on attendance and the feedback of an overall satisfaction rating of 9.33 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:

- Status of the Residual Market
- State, National, and Federal Initiatives
- Actuarial Perspective
- Application Processing

- Servicing Carrier Selection Process
- Residual Market Trends

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

For more information on the **Assigned Carrier Conference**, contact Kevin Ott at 561-893-2610 or kevin_ott@ncci.com.

Voluntary Coverage Assistance Program (VCAP® Service)

NCCI’s Voluntary Coverage Assistance Program, **VCAP® Service**, applies to all 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, VT, and WV.

Operating results for 2014 include the following:

- **VCAP® Service** redirected more than \$3.9 million in premium from the residual market to the voluntary market
- 9% year-over-year increase in redirected premium
- An approximate savings of \$770,000 on 479 confirmed policies—or \$1,590 per employer—was achieved, equaling a 19.7% savings per policy to the employer

For more information on **VCAP® Service**, contact Stacey Dever at 561-893-3628 or stacey_dever@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 (**VCAF[®] 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

NCCI continues to monitor the residual market to determine future Plan enhancements.

For more information on residual market filings and manuals, contact Stacey Dever at

561-893-3628 or stacey_dever@ncci.com.

Uncollectible Premium Pilot Program

In 2014 NCCI conducted a significant analysis of uncollectible premium in the residual market. This analysis focused on individual policy data for all workers compensation classifications in Georgia. NCCI compared estimated annual premium to the total final audited premium, and reviewed policies where the audited premium exceeded the estimated premium by more than

tenfold. NCCI also obtained detailed reports from individual servicing carriers regarding the issues that they are confronting to collect residual market premium on these specifically identified cases. Significant additional premium was developed in several contracting and trucking classifications.

As a result of this study, NCCI instituted a pilot program in November 2014 to attempt to reduce uncollectible premiums in the Georgia residual market. The pilot program combines the utilization of mail audits for payroll verification within the first 30 days after coverage is bound, with possible preliminary physical audits on class codes known to generate high uncollectible premiums. The objective is to identify and collect underestimated premium earlier in the policy life cycle before reaching the final audit.

The intent is to run the pilot program for two years in Georgia to determine the overall effectiveness of increased payroll verification and/or preliminary audits on reducing potential uncollectible premium after final audit.

For more information on the Uncollectible Premium Early Identification Program, contact Scott Doellinger at 561-893-3613 or scott_doellinger@ncci.com

NCCI Take-Out Credit Programs

State	Calendar Year Credits					
	2012		2013		2014	
	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)
Alabama	433	3,398,621	292	3,225,208	226	2,338,136
Alaska	960	8,245,363	993	8,880,338	1,103	9,054,979
Arizona			93	2,888,305	405	8,182,025
Arkansas	700	3,125,084	610	3,143,004	819	5,459,180
Connecticut	1,380	6,421,966	1,110	5,877,535	1,039	9,980,809
District of Columbia	418	747,290	254	185,326	217	1,055,610
Georgia	1,117	6,131,485	889	9,547,556	1,004	15,432,361
Illinois	3,210	16,605,576	2,564	19,756,900	2,527	30,777,092
Iowa	724	6,592,055	724	6,033,620	845	9,664,798
Kansas	2,391	8,774,157	1,606	6,969,969	1,424	10,383,455
Mississippi	308	1,069,778	291	2,847,457	353	4,514,754
New Hampshire	1,609	3,545,526	950	2,365,730	757	4,238,551
New Mexico	371	2,222,543	282	2,941,668	290	4,618,912
Oregon	2,748	7,546,856	2,323	7,614,185	2,215	10,115,403
South Carolina	1,182	2,550,143	890	3,300,061	775	5,847,647
South Dakota	386	2,575,398	338	3,767,011	349	4,794,867
Vermont	1,035	2,403,111	848	2,276,439	743	3,070,374
Virginia	2,440	7,765,600	1,643	5,832,037	1,481	9,348,499
West Virginia	142	1,787,796	186	1,818,144	263	2,319,148
Totals	21,554	91,508,348	16,886	99,270,493	16,835	151,196,600

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 2014, more than \$151 million in credits were earned for policies removed from the residual market and placed in the voluntary market. This represents a 52% increase in credits earned over the previous year. These credits were derived from 16,835 policies and \$132 million of qualifying premium.

Take-Out-Credit 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 2014, these pooling mechanisms provided reinsurance for the assigned risk plans in 26 jurisdictions, with 22 of these state plans being reinsured through the National Workers Compensation Reinsurance Association's quota share reinsurance pooling mechanism.

The National Workers Compensation Reinsurance Association NFP (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 Bylaws were last amended to further promote the efficient operation of the NWCRA and the Board of Directors by clarifying certain provisions, and making certain changes to the procedural structure of the Board and the NWCRA. These amended Bylaws have been approved by each of the respective insurance departments and, as of January 1, 2014, are in effect in all NWCRA states.

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

Pool participants can access their own operating results on an individual carrier level, group level, or on an 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 through **RPRI** are Audited Financial Statements of the Pools, Pool Reserving Committee Agendas and Minutes, and the Annual Actuarial Report on Pool Reserves along with the Statements of Actuarial Opinion. Also, the report of the reserve liabilities by state and policy year related to the participation of insolvent companies as referenced in the quarterly 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 about **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 2014 allocations based on Calendar Year 2014 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 utilize **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
- Loss Sensitive Rating Plan (LSR) 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) can be used by individual Pool servicing carriers 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, LSR, 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, LSR, 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

The **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 **Pool Data Reporting Guidebook** was recently updated with the following information:

- Reorganized sections to streamline content
- Added details on NP-4 and NPX data for reporting clarification
- Inclusion of a new section on premium- and loss-based tax and assessment pass-throughs
- Addition of Maine to the Pool Records Layout document
- A new Edit Matrices section for ease of access and Future Pool Data Edit Matrix

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).

Residual Market Results

As shown in Exhibit A, Policy Year 2014 ultimate written premium for all reinsurance pooling mechanisms serviced by NCCI is projected to be \$1.155 billion, representing a 7% increase in premium volume from the projected Policy Year 2013 level of \$1.078 billion, and a 41% increase from the \$817 million for Policy Year 2012.

After peaking at \$1.5 billion in 2004, the residual market premium volume trended steadily downward in Policy Years 2005 through 2010, with a 20% average year-over-year decrease during this time period. The Policy Year 2011 premium volume of \$511 million, which represents a 13% increase over Policy Year 2010, broke this declining premium trend, and the premium growth has continued in the subsequent policy years. Based upon the projected 2014 Policy Year Premium, between 2011 and 2014, there has been an average 30% increase year over year.

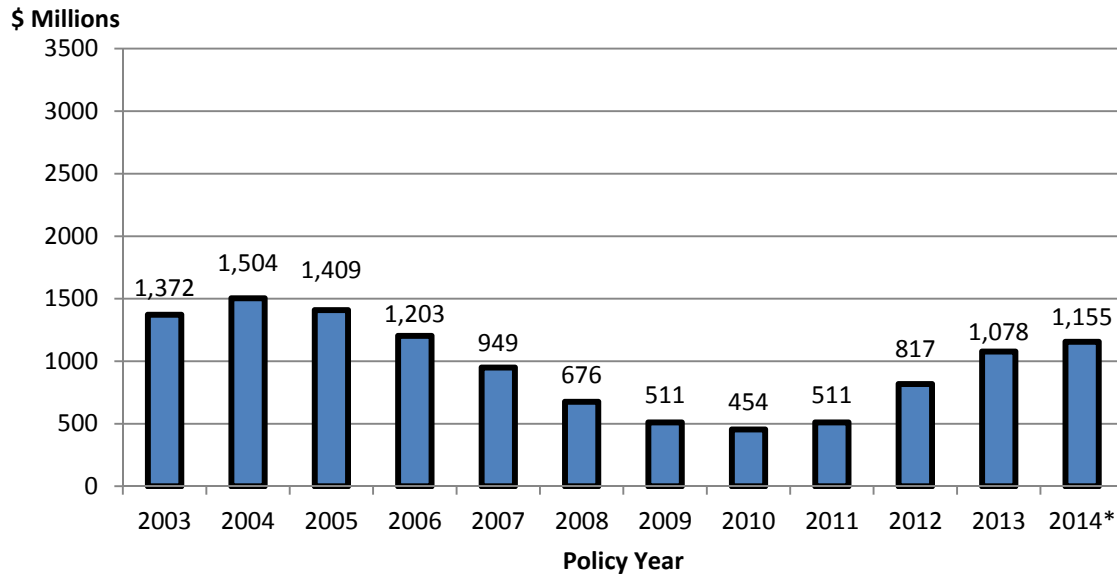
These premium changes include the effect of new policies, renewals, cancellations, non-renewals, and premium-level changes. Estimates of "true growth" in residual market premium volume, which consider various economic factors and market conditions, are discussed separately in a later section of this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

NCCI is projecting a residual market operating loss of \$74 million for Policy Year 2014 (see Exhibit B) activity reinsured through these reinsurance pooling mechanisms. This is equivalent to a combined ratio of 106% (see Exhibit C). Consistent with the previously discussed increase in premium, and as reflected in Exhibit D, the residual market share of the total market has increased slightly to 6.8% for Calendar Year 2014 for NCCI Plan-administered states.

Exhibit A

Written Premium[#]

All Pools Serviced by NCCI, as of December 31, 2014



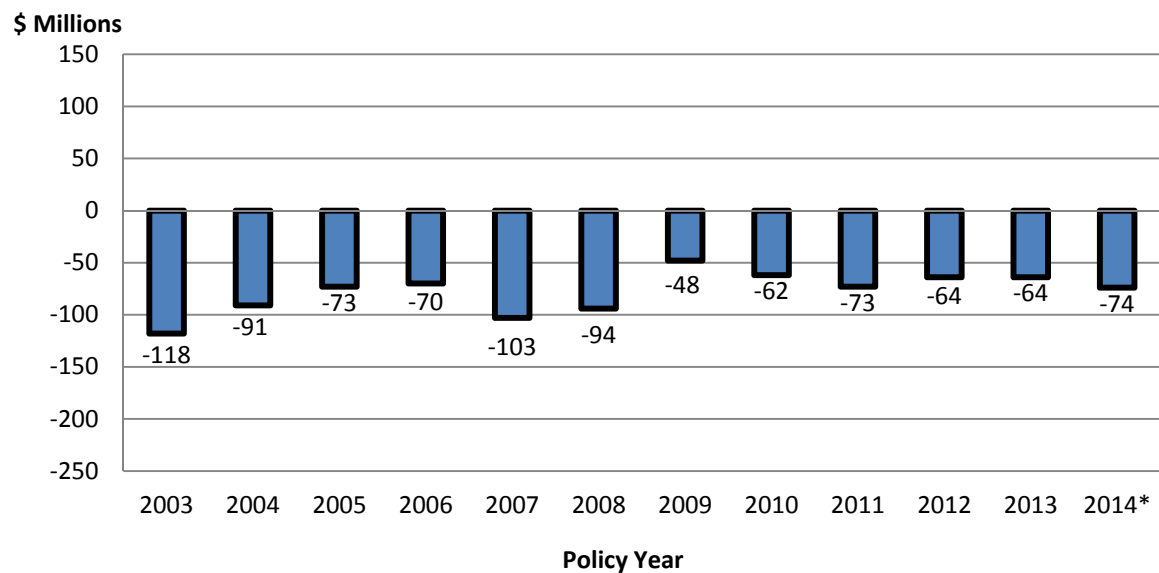
Projected to Ultimate

** Incomplete Policy Year*

Exhibit B

Operating Gain/Loss[#]

All Pools Serviced by NCCI, as of December 31, 2014



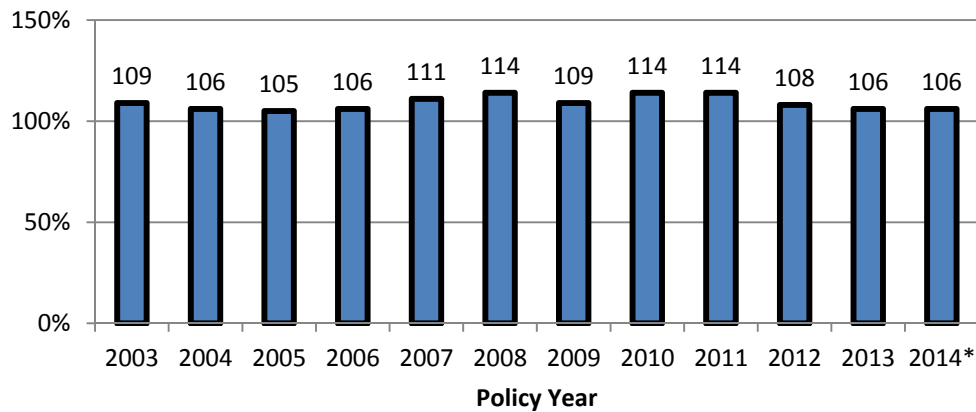
Projected to Ultimate

** Incomplete Policy Year*

Exhibit C

Combined Ratio[#]

All Pools Serviced by NCCI, as of December 31, 2014



Projected to Ultimate

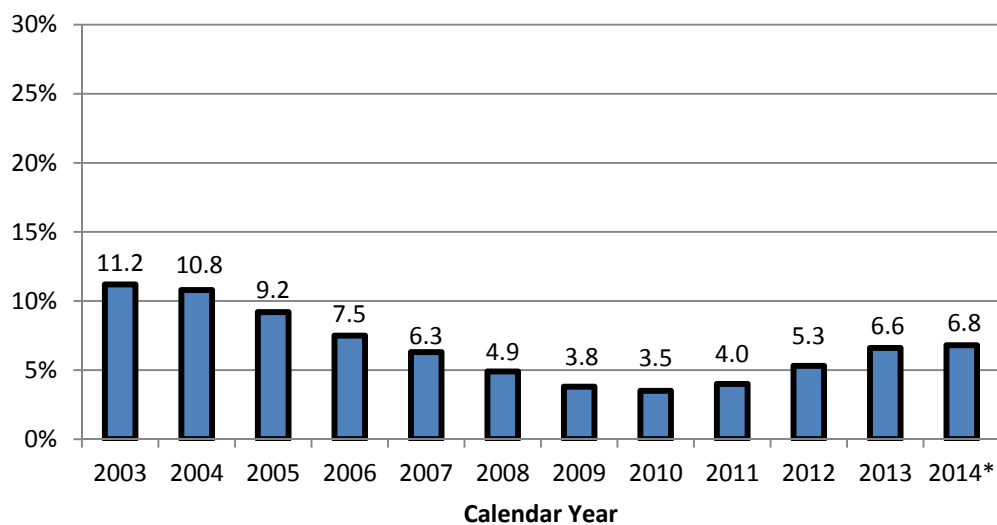
** Incomplete Policy Year*

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

In order to ensure that servicing carriers are fulfilling their obligations to the Plans and Pools, NCCI utilizes a comprehensive oversight program composed of four components. This program ensures that the assigned carriers are on track with meeting performance expectations from the moment they begin writing policies and servicing claims. The following are the four components utilized by NCCI to manage the oversight program:

- 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 according to NCCI's **Assigned Carrier Performance Standards**. NCCI reviews company procedures through internal control questionnaires and also 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, point out 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 as a result 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 **Assigned Carrier Performance Standards** 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 servicing carriers that are new, are in run-off, or are 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, 2014, 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 **Assigned Carrier Performance Standards**. For any attributes rated less than "Satisfactory," the carrier is required to submit a corrective action plan.

The intent is 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 the five National Pool servicing carrier self-audits in 2014. These ratings are utilized 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 **Assigned Carrier Performance Standards** and any applicable bid enhancements. NCCI auditors review a sampling of policies and claims, along with a walk-through of edits and company controls in conjunction with NCCI's internal control questionnaires. This enables NCCI to gain insight into the servicing carriers' operations.

Ratings are provided and utilized as part of the scoring of future servicing carrier bids. The overall ratings for the five National Pool servicing carriers' on-site audits conducted in 2014 are shown in Exhibit F.

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

- **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 for misreporting, and correct the reporting to the Pool.

One quantification was completed during 2014, resulting in \$40,064 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 the issue was corrected.

- **Remediation**—The remediation program is a two-tiered incentive/disincentive program 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.

For 2014, two National Pool carriers were assessed a total of \$27,600 in Tier One remediation penalties. No carriers were placed on Tier Two remediation. 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	
	2013	2014	2013	2014	2013	2014	2013	2014
0	7	7	7	5	6	6	7	6
1	0	0	0	0	0	0	0	0
2	0	0	0	1	1	0	0	0
3 or more	0	0	0	0	0	0	0	0

Exhibit F

Servicing Carrier Overall Ratings—National Pool

2014 Self-Audit Overall Ratings	Commendable	Satisfactory	Marginal	Unsatisfactory
Underwriting, Premium Audit, and Loss Prevention Performance Standards	5	0	0	0
Claims Performance Standards	5	0	0	0
2014 On-Site Audit Overall Ratings				
Reporting Requirements and Procedures	N/A	4	0	0
Underwriting, Premium Audit, and Loss Prevention Performance Standards	4	0	0	0
Claims Performance Standards	5	0	0	0

Exhibit G

On-Site Audit Financial Quantifications—National Pool

Year	Financial Adjustment Pool/(Carrier) (\$)
2011	(30,520)
2012	(91,286)
2013	435,199
2014	40,064
Total	353,457

Exhibit H

Tier One Remediation Penalties—National Pool

	2014	2013	2012
On-Site Audit			
Number of Carriers	2	3	1
Amount	\$27,600	\$61,400	\$114,000
Self-Audit			
Number of Carriers	0	1	3
Amount	\$0	\$20,000	\$38,200
Total	\$27,600	\$81,400	\$152,200

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 2014 Included:

- An annual review of all audit programs, electronic work papers, and internal control questionnaires utilized as part of the on-site and remote audit process.
- Remote audits that were 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.
- Continued rollout and adjustment of new electronic work papers and summarization engines. These work papers and summarization engines are part of the **Carrier Audit Program**.

Carrier Audit Program—Efforts in 2014 focused on the development and implementation of the new **Carrier Audit Program (CAP)** application.

CAP incorporates features of Self-Audit, On-Site Audit, SCOR, and other audit-developed systems into one application. The carriers must complete the different NCCI audit programs through this new Web-based application on **ncci.com**.

CAP increases the accuracy of the carrier information and audit scores through a reduction in manual efforts and manual calculations performed within the various audit applications. **CAP** was released in early 2015.

Internally—**CAP** created central areas used by the different audit applications. For example, the "Question Builder" area will create and manage the questions used by Self-Audit, SCOR, and Online Questionnaire applications.

Externally—External **CAP** users received the following:

- **Self-Audit**—Self-Audit is divided into categories (i.e., underwriting, audit, loss prevention, and claims). The policies or claims selected by NCCI for testing are listed under each category. The **CAP** user will open the Q&A section for each policy and claim and then answer the questions. The system calculates results and the **CAP** user will be required to enter a corrective action plan if the compliance rating for an attribute is below an acceptable rating before submitting to NCCI.
- **On-Site Audits/Visitations**—There are seven required internal control questionnaires that are completed for each On-Site Audit. **CAP** maintains a record of the questions and responses online. The **CAP** user will be able to review and update them online instead of completing the questionnaires every time an On-Site Audit is required.
- **Servicing Carrier Operations Reporting (SCOR)**—SCOR is a high-level operations report. Similar to Self-Audit, the **CAP** user enters the results online and must enter a corrective action plan if the results are below an acceptable rating—before they can submit to NCCI.
- **Carrier Results**—Servicing carriers can view Self-Audit, On-Site Audit, and SCOR results online. **CAP** shows attribute ratings, number correct, sample size, and compliance percentage for each attribute. State Regulators, Plan Administrators, and Independent Bureau personnel may also view the audit results of the carriers associated with their respective states and mechanisms.

Financial and Actuarial Results for 2014

Comparative financial analyses and operating results for all Pools serviced by NCCI are shown in Exhibits I through L. The 2014 calendar year results for the reinsurance Pools administered by NCCI reflect a net operating loss for the National Workers Compensation Reinsurance Pool and the Massachusetts Workers' Compensation Assigned Risk Pool; conversely, the Michigan Workers' Compensation Placement Facility and the New Mexico Workers' Compensation Assigned Risk Pool reflect a net operating gain (see Exhibits M through P).

The combined net operating gain for all Pools managed by NCCI was approximately \$11 million in Calendar Year 2014 compared with the net operating loss of \$67 million for Calendar Year 2013. The Michigan Pool 2014 results

reflect an operating gain of \$35 million compared with a gain of \$13 million in the prior year. The National and New Mexico Pools' 2014 results reflect an operating loss of \$8 million and a gain of \$5 million, respectively, compared with an operating loss of \$72 million and \$4 million, respectively, in the prior year. The Massachusetts Pool reflects an operating loss of \$22 million compared with a loss of \$4 million in the prior year.

Premium volume for all Pools combined in Calendar Year 2014 increased \$83 million compared with an increase of \$303 million in the prior year. All four Pools show signs of premium volume increases. The premium growth as a percentage of premium was lowest in the National Pool and highest in the New Mexico Pool.

Comparative Calendar Years Financial Analysis

Exhibit I

All Pools Serviced by NCCI—Calendar Years 2014 and 2013 (\$000s)

	Calendar Year 2014 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2014 (\$)	2013 (\$)
Premiums Written	272,263	279,898	300,554	294,719	1,147,434	1,064,293
Premiums Earned	260,827	275,371	280,723	304,331	1,121,252	990,445
Incurred Losses	152,163	183,242	179,680	215,098	730,183	708,843
Loss Ratio (%)	58.3	66.5	64.0	70.7	65.1	71.6
Paid Losses	169,569	174,157	174,472	181,636	699,834	665,894
ALAE for Black Lung	684	759	669	703	2,815	3,067
Servicing Carrier Allowance	69,574	71,692	78,121	76,644	296,031	274,155
Producer Fees	10,438	10,823	11,277	10,772	43,310	38,179
Administrative Expenses	3,047	3,460	3,071	3,016	12,594	12,501
Other Expenses	3,673	6,000	12,941	5,992	28,606	24,274
Net Underwriting Gain (Loss)	21,932	154	(4,367)	(7,191)	10,528	(67,507)
Investment Income	1	—	22	—	23	140
Net Operating Gain (Loss)	21,933	154	(4,345)	(7,191)	10,551	(67,367)
EBNR Premium Reserves	(26,028)	(15,601)	(9,465)	(12,663)	(12,663)	(5,605)
Loss Ratio With EBNR (%)	63.3	64.1	62.6	71.4	65.5	71.8
Unearned Premiums	326,123	330,650	350,481	340,870	340,870	314,688
Outstanding Losses	3,142,336	3,139,488	3,132,922	3,142,374	3,142,374	3,120,479
IBNR	2,674,154	2,686,088	2,697,862	2,721,873	2,721,873	2,713,418
Cash Flow	15,963	13,766	20,694	16,659	67,082	49,430
Uncollectible Premiums	21,884	9,930	12,616	11,043	55,473	32,720

Exhibit J

All Pools Serviced by NCCI—Calendar Years 2013 and 2012 (\$000s)

	Calendar Year 2013 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2013 (\$)	2012 (\$)
Premiums Written	241,928	274,897	286,150	261,318	1,064,293	761,541
Premiums Earned	210,238	245,332	265,260	269,615	990,445	681,977
Incurred Losses	143,270	167,908	208,498	189,167	708,843	448,494
Loss Ratio (%)	68.1	68.4	78.6	70.2	71.6	65.8
Paid Losses	154,339	170,639	162,291	178,625	665,894	578,735
ALAE for Black Lung	1,469	489	722	387	3,067	1,048
Servicing Carrier Allowance	61,262	70,994	75,125	66,774	274,155	204,376
Producer Fees	9,816	10,347	8,329	9,687	38,179	29,763
Administrative Expenses	2,861	3,052	3,223	3,365	12,501	12,364
Other Expenses	6,004	900	10,153	7,217	24,274	22,951
Net Underwriting Gain (Loss)	(12,975)	(7,869)	(40,068)	(6,595)	(67,507)	(35,971)
Investment Income	5	4	—	131	140	14
Net Operating Gain (Loss)	(12,970)	(7,865)	(40,068)	(6,464)	(67,367)	(35,957)
EBNR Premium Reserves	(16,977)	(14,419)	(8,316)	(5,605)	(5,605)	(2,050)
Loss Ratio With EBNR (%)	73.4	67.7	76.8	69.5	71.8	66.4
Unearned Premiums	272,530	302,095	322,985	314,688	314,688	240,840
Outstanding Losses	3,160,534	3,121,836	3,141,650	3,120,479	3,120,479	3,169,157
IBNR	2,619,345	2,655,312	2,681,704	2,713,418	2,713,418	2,621,791
Cash Flow	7,651	18,969	27,029	(4,219)	49,430	(86,634)
Uncollectible Premiums	7,471	6,348	8,626	10,275	32,720	24,811

Exhibit K

Comparative Policy Years Financial Analysis

All Pools Serviced by NCCI—Policy Years 2014 and 2013 (\$000s)

	Policy Year 2014 Quarterly Results				At December 31, 2014	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	PY 2014 (\$)	PY 2013 (\$)
Premiums Written	173,396	236,891	287,700	277,655	975,642	1,100,592
Premiums Earned	45,391	122,564	202,109	264,706	634,770	1,100,592
Incurred Losses	34,215	93,099	151,926	192,732	471,972	780,215
Loss Ratio (%)	75.4	76.0	75.2	72.8	74.4	70.9
Paid Losses	1,081	8,273	21,514	37,564	68,432	273,712
Net Expenses	52,876	73,226	86,940	84,008	297,050	345,335
Net Operating Gain (Loss)	(41,700)	(43,761)	(36,757)	(12,034)	(134,252)	(24,958)
EBNR Premium Reserves	507	3,040	6,647	6,250	6,250	(18,913)
Loss Ratio With EBNR (%)	74.5	74.1	72.8	71.1	73.6	72.1
Unearned Premiums	128,004	242,331	327,922	340,870	340,870	0
Outstanding Losses	8,912	40,346	95,730	157,381	157,381	266,071
IBNR	24,223	77,614	152,643	246,160	246,160	240,431
Cash Flow	119,439	155,392	179,246	156,083	610,160	481,545
Uncollectible Premiums	—	10	466	1,655	2,131	33,067

Exhibit L

Combined Calendar Year Operating Results

All Pools Serviced by NCCI—Calendar Years 2005–2014 (\$000s)

Calendar Year	Written Premium (\$)	Increase (Decrease) Previous Year (%)	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
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)
2006	1,255,537	(14.5)	1,320,411	797,057	60.4	72,418
2005	1,469,126	(2.8)	1,541,871	1,283,095	83.2	(251,279)

Individual Pools Calendar Year Operating Results

Quarterly Comparison for Calendar Year 2014; Annual Comparison for Calendar Years 2014 and 2013 (\$000s)

Exhibit M

National Workers' Compensation Reinsurance Pooling Mechanism*

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2014	211,517	127,452	60.3	13,978
2nd Quarter 2014	224,536	157,000	69.9	(7,142)
3rd Quarter 2014	229,462	148,288	64.6	(5,056)
4th Quarter 2014	248,957	179,271	72.0	(9,467)
Calendar Year 2014	914,472	612,011	66.9	(7,687)
Calendar Year 2013	818,242	600,820	73.4	(72,497)

* 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 2014	22,327	15,864	71.1	(1,306)
2nd Quarter 2014	23,998	21,652	90.2	(5,988)
3rd Quarter 2014	26,490	21,973	82.9	(5,353)
4th Quarter 2014	28,651	29,048	101.4	(9,670)
Calendar Year 2014	101,466	88,537	87.3	(22,317)
Calendar Year 2013	88,099	60,981	69.2	(3,638)

Exhibit O

Michigan Workers' Compensation Placement Facility

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2014	22,700	7,545	33.2	8,336
2nd Quarter 2014	22,110	3,576	16.2	11,595
3rd Quarter 2014	20,023	9,129	45.6	3,804
4th Quarter 2014	21,882	4,315	19.7	11,536
Calendar Year 2014	86,715	24,565	28.3	35,271
Calendar Year 2013	70,009	35,402	50.6	12,903

Exhibit P

New Mexico Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2014	4,284	1,302	30.4	924
2nd Quarter 2014	4,727	1,015	21.5	1,690
3rd Quarter 2014	4,748	290	6.1	2,261
4th Quarter 2014	4,840	2,465	50.9	409
Calendar Year 2014	18,599	5,072	27.3	5,284
Calendar Year 2013	14,094	11,639	82.6	(4,138)

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.

Our latest projections of adjusted premium volume changes indicate a 3% increase from Policy Year 2013 to Policy Year 2014. This amount differs from the pool premium volume increase of 7% (shown in Exhibit A) due to the adjustments described above. This small increase shows that after two years of repopulation experienced in Policy Years 2012 and 2013, the residual market premium volume has stabilized in Policy Year 2014.

Reserving

Reserving methodologies and indications are reviewed each quarter by NCCI. In addition, a joint Pool Reserving Committee, composed of six insurance company actuaries, performs a quarterly peer review of NCCI methodologies and recommendations for the reinsurance pools managed 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 pooling mechanism. The Policy Year 2014 combined ratio estimate for "All Pools" serviced by NCCI is 106%, which is equivalent to the current estimate of Policy Year 2013 (see Exhibit C).

NCCI uses generally accepted actuarial standards and practices 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. Also, estimates at early maturities are likely to change if significant case reserve changes are made by servicing carriers and/or the payout pattern changes.

NCCI calculates IBNR on both an undiscounted and a discounted basis for Pool participants.

The discounting of IBNR reflects the tabular discount for the indemnity portion of pension reserves.

Comparison of Residual Market Written Premium to Total Direct Written Premium 2014, 2013, and 2012

Calendar Year 2014 operating expenses were \$381 million compared with \$349 million in Calendar Year 2013 and \$269 million in Calendar Year 2012. As a percentage of premiums written, the expenses were 33%, 33%, and 35% for Calendar Years 2014, 2013, and 2012, respectively. The largest component of the operating expenses is the servicing carrier allowance, which accounts for approximately 78% of these expenses in Calendar Year 2014.

The servicing carrier allowance in 2014 was \$296 million compared with \$274 million in 2013 and \$204 million in 2012. This increase is due to an 8% increase in written premiums in 2014. Producer fees for Calendar Years 2014, 2013, and 2012 were \$43 million, \$38 million, and \$30 million, respectively. Other expenses, which include servicing carrier indemnification expenses, collection costs, and other reimbursable expenses, increased to \$29 million compared with \$24 million in 2013 and \$23 million in 2012.

The increase in Calendar Year 2014 expenses is due to an increase in taxes and assessments that were reimbursed directly to servicing carriers. Administrative expenses were \$13 million compared to \$13 million and \$12 million for Calendar Years 2013 and 2012, respectively.

Exhibit Q

Comparison of Residual Market Written Premium to Total Direct Written Premium

Calendar Years 2014 and 2013

Preliminary 2014						Final 2013				
State	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	331,234,812	9,270,860	5,545,101	14,815,961	4.5	312,784,023	8,901,934	4,646,367	13,548,301	4.3
AK	283,324,093	42,867,295	1,882,490	44,749,785	15.8	293,532,708	43,179,934	1,828,674	45,008,608	15.3
AZ	818,076,176	57,221,039	—	57,221,039	7.0	762,393,144	50,444,863	—	50,444,863	6.6
AR	253,233,102	26,409,935	—	26,409,935	10.4	265,167,660	26,824,116	—	26,824,116	10.1
CT	868,248,815	41,749,644	15,743,581	57,493,225	6.6	816,490,378	40,119,761	12,912,443	53,032,204	6.5
DC	158,452,638	10,348,652	—	10,348,652	6.5	162,424,543	9,996,867	—	9,996,867	6.2
GA	1,348,559,806	66,843,484	21,979,550	88,823,034	6.6	1,237,758,574	54,205,290	13,700,310	67,905,600	5.5
ID	342,901,359	2,096,473	906	2,097,379	0.6	325,250,760	1,880,773	(82,828)	1,797,945	0.6
IL	2,753,625,637	139,703,414	—	139,703,414	5.1	2,696,324,396	143,787,651	—	143,787,651	5.3
IA	748,622,341	42,049,633	5,802,827	47,852,460	6.4	725,000,298	45,563,751	—	45,563,751	6.3
KS	492,644,364	51,034,542	—	51,034,542	10.4	477,371,309	51,049,384	—	51,049,384	10.7
NV	344,269,263	30,459,987	—	30,459,987	8.8	309,637,496	29,373,898	—	29,373,898	9.5
NH	271,488,000	24,413,521	5,283,060	29,696,581	10.9	265,495,775	22,201,932	5,111,303	27,313,235	10.3
NM	291,388,656	20,400,517	—	20,400,517	7.0	274,643,055	15,445,780	—	15,445,780	5.6
OR	664,455,972	44,593,035	—	44,593,035	6.7	645,331,671	43,641,234	—	43,641,234	6.8
SC	701,686,782	28,639,297	12,283,701	40,922,998	5.8	665,813,609	26,211,297	10,801,339	37,012,636	5.6
SD	176,184,233	11,952,380	—	11,952,380	6.8	173,030,296	10,913,118	—	10,913,118	6.3
VT	185,193,240	17,003,069	3,451,954	20,455,023	11.0	174,761,873	16,081,355	3,378,942	19,460,297	11.1
VA	925,674,857	55,169,859	15,913,557	71,083,416	7.7	884,937,770	47,156,183	15,983,917	63,140,100	7.1
WV	318,516,220	19,014,183	—	19,014,183	6.0	328,284,080	17,581,224	—	17,581,224	5.4
Sub-Totals¹	12,277,780,366	741,240,821	87,886,727	829,127,548	6.8	11,796,433,418	704,560,346	68,280,467	772,840,813	6.6
DE	187,540,940	15,964,503	5,761,752	21,726,255	11.6	177,458,856	23,758,193	4,563,066	28,321,259	16.0
MA	1,081,256,207	111,892,407	122,495,604	234,388,011	21.7	1,029,830,079	94,316,635	111,129,147	205,445,782	19.9
MI	1,194,274,998	91,514,222	—	91,514,222	7.7	1,140,602,642	77,110,768	—	77,110,768	6.8
NJ	2,385,004,870	186,245,786	83,685,372	269,931,158	11.3	2,212,672,049	180,358,571	84,301,318	264,659,889	12.0
NC	1,430,888,609	62,118,817	19,917,115	82,035,932	5.7	1,358,209,321	59,499,849	12,246,000	71,745,849	5.3
Grand Totals	18,556,745,990	1,208,976,555	319,746,570	1,528,723,125	8.2	17,715,206,365	1,139,604,361	280,519,998	1,420,124,359	8.0

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 2010–2014

State	2014 ¹ (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)
Alabama	4.5	4.3	3.6	2.9	1.8
Alaska	15.8	15.3	13.7	12.7	12.1
Arizona	7.0	6.6	4.3	2.2	1.8
Arkansas	10.4	10.1	8.5	5.4	4.8
Connecticut	6.6	6.5	5.1	3.8	3.5
District of Columbia	6.5	6.2	5.7	4.1	4.2
Georgia	6.6	5.5	5.0	5.1	3.5
Idaho	0.6	0.6	0.7	0.6	0.5
Illinois	5.1	5.3	4.3	2.7	2.7
Iowa	6.4	6.3	5.0	4.1	3.3
Kansas	10.4	10.7	9.0	6.9	6.3
Nevada	8.8	9.5	7.4	5.8	4.7
New Hampshire	10.9	10.3	8.1	6.7	5.1
New Mexico	7.0	5.6	3.7	3.0	2.6
Oregon	6.7	6.8	5.0	3.7	4.2
South Carolina	5.8	5.6	4.4	3.4	3.5
South Dakota	6.8	6.3	5.4	4.8	4.4
Vermont	11.0	11.1	8.5	6.8	6.1
Virginia	7.7	7.1	6.1	4.7	4.1
West Virginia	6.0	5.4	4.3	2.7	2.0
Subtotals²	6.8	6.6	5.3	4.0	3.5
Delaware	11.6	16.0	12.0	8.6	5.9
Massachusetts	21.7	19.9	18.0	13.9	12.0
Michigan	7.7	6.8	6.1	5.2	5.1
New Jersey	11.3	12.0	8.9	6.7	6.7
North Carolina	5.7	5.3	4.3	3.5	3.9
Grand Totals	8.2	8.0	6.5	5.0	4.6

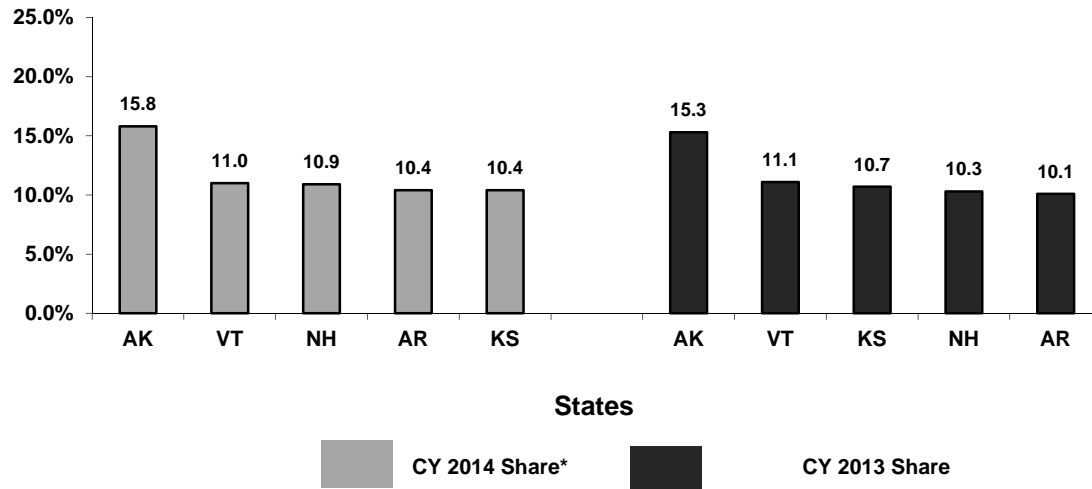
¹ 2014 Preliminary.

² Subtotals in this chart represent NCCI Plan-administered states.

NCCI Plan-Administered States With Highest Residual Market Share

Calendar Years 2014 and 2013

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

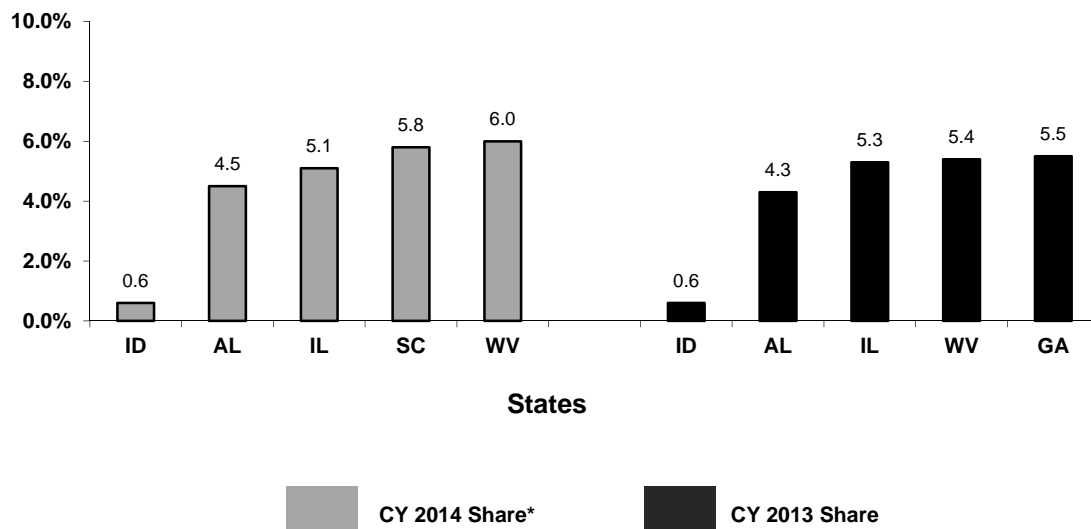


* Preliminary

NCCI Plan-Administered States With Lowest Residual Market Share

Calendar Years 2014 and 2013

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 2012–2014 (excluding results for states in which only federal or extraordinary coverage is reinsured)

State	Net Underwriting Gain/(Loss) by Calendar Year		
	2014 (\$)	2013 (\$)	2012 (\$)
Alabama	4,647,088	161,808	1,481,994
Alaska	(1,844,245)	3,543,215	(1,406,549)
Arizona	(13,242,028)	(4,259,341)	(4,357,938)
Arkansas	5,402,809	(6,183,642)	(252,626)
Connecticut	(2,933,330)	(10,433,235)	(45,417)
Delaware	(10,746,066)	(11,314,453)	(11,412,573)
District of Columbia	937,344	4,666,520	2,519,607
Georgia	(9,058,719)	1,929,415	(9,631,108)
Idaho	324,161	148,541	(689,429)
Illinois	(11,040,048)	(3,611,015)	(20,952,946)
Iowa	13,082,533	(5,902,609)	(5,537,162)
Kansas	23,337,931	14,215,847	6,391,896
Massachusetts	(19,348,762)	(4,007,400)	8,493,982
Michigan	34,807,459	12,493,336	25,452,703
Nevada	1,839,286	(4,743,921)	(5,467,857)
New Hampshire	11,121,211	9,458,292	1,031,653
New Jersey	(49,026,213)	(40,288,174)	(16,723,574)
New Mexico	5,282,726	(4,137,450)	(2,049,122)
North Carolina	5,676,139	(2,091,069)	(6,033,979)
Oregon	10,253,552	4,593,399	4,862,893
South Carolina ¹	3,728,473	(337,807)	(2,570,035)
South Dakota	822,248	1,556,355	499,710
Vermont	5,513,206	2,459,943	2,805,343
Virginia	5,361,058	(12,077,005)	(12,748,178)
West Virginia	3,526,390	885,265	215,374
Subtotals	18,424,204	(53,275,185)	(46,123,338)
Runoff States:			
Florida ²	11,735,753	7,473,216	(124,197)
Hawaii ³	(3,264,789)	(249,272)	1,170,137
Indiana ⁴	547,383	250,565	(1,660,455)
Kentucky ⁵	(15,050,111)	(22,089,028)	9,146,164
Louisiana ⁶	2,130,856	(162,138)	(352,201)
Maine ⁷	(2,164,525)	(1,630,833)	872,451
Mississippi ⁷	606,894	(66,243)	(146,458)
Missouri ⁸	(2,393,785)	(2,501,089)	(2,948,071)
Nebraska ⁹	2,121,578	(874,328)	824,980
Rhode Island ⁷	106,858	4,158,698	(559,036)
Tennessee ¹⁰	(3,145,259)	(1,285,478)	3,346,293
Totals	9,655,055	(70,251,115)	(36,553,731)

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

² Florida underwriting results represent policies with effective dates prior to January 1, 1994.

³ Hawaii underwriting results represent policies with effective dates prior to July 20, 1997.

⁴ Indiana underwriting results represent policies with effective dates prior to January 1, 2005.

⁵ Kentucky underwriting results represent policies with effective dates prior to September 1, 1995.

⁶ Louisiana underwriting results represent policies with effective dates prior to October 1, 1992.

⁷ Maine, Mississippi, and Rhode Island underwriting results represent policies with effective dates prior to January 1, 1993.

⁸ Missouri underwriting results represent policies with effective dates prior to July 1, 1995.

⁹ Nebraska underwriting results represent policies with effective dates prior to July 1, 1997.

¹⁰ Tennessee underwriting results represent policies with effective dates prior to January 1, 1998.

Exhibit T

Comparative Number of Residual Market Policies

Policy Years 2014 and 2013*

State	2014 Policies	2013 Policies	Number Change	Percent Change (%)
Alabama	1,682	1,618	64	4.0
Alaska	8,189	8,273	(84)	(1.0)
Arizona	5,116	3,648	1,468	40.2
Arkansas	6,425	6,405	20	0.3
Connecticut	13,472	12,355	1,117	9.0
District of Columbia	1,318	1,240	78	6.3
Georgia	18,475	16,596	1,879	11.3
Idaho	592	596	(4)	(0.7)
Illinois	30,908	27,344	3,564	13.0
Iowa	4,795	4,546	249	5.5
Kansas	9,197	8,944	253	2.8
Mississippi	2,739	2,574	165	6.4
Nevada	4,927	4,417	510	11.5
New Hampshire	5,660	5,367	293	5.5
New Mexico	3,018	2,657	361	13.6
Oregon	9,246	8,794	452	5.1
South Carolina	11,136	10,293	843	8.2
South Dakota	1,769	1,609	160	9.9
Vermont	3,883	3,615	268	7.4
Virginia	15,227	14,346	881	6.1
West Virginia	2,482	2,149	333	15.5
Subtotal	160,256	147,386	12,870	8.7
Other Pool States				
Delaware	2,540	2,402	138	5.7
Indiana	8,919	8,028	891	11.1
New Jersey	38,620	35,844	2,776	7.7
North Carolina	21,030	20,732	298	1.4
Subtotal	71,109	67,006	4,103	6.1
Grand Totals	231,365	214,392	16,973	7.9

* 2013 figures have been restated to account for additional data available since the publication of **Residual Market Management Summary 2013**.

Exhibit U

Residual Market Premium Size Profile

Policy Year 2014*

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	163,537	70.7	157,017,368	13.5	960
2,500– 4,999	26,834	11.6	95,457,112	8.2	3,557
5,000– 9,999	19,661	8.5	137,859,881	11.9	7,012
10,000– 19,999	11,077	4.8	154,171,596	13.3	13,918
20,000– 49,999	6,805	2.9	206,921,616	17.8	30,407
50,000– 99,999	2,140	0.9	147,528,097	12.7	68,938
100,000–199,999	951	0.4	129,208,669	11.1	135,866
200,000+	360	0.2	131,480,959	11.3	365,225
Totals	231,365	100.0	1,159,645,298	100.0	5,012

* 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 2014

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 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,090	64.8	1,275,067	10.8	1,169
2,500– 4,999	183	10.9	646,042	5.5	3,530
5,000– 9,999	159	9.5	1,126,983	9.6	7,087
10,000– 19,999	117	7.0	1,661,660	14.1	14,202
20,000– 49,999	97	5.8	2,791,403	23.7	28,777
50,000– 99,999	20	1.2	1,327,592	11.3	66,379
100,000–199,999	11	0.7	1,565,088	13.3	142,280
200,000+	5	0.3	1,398,061	11.9	279,612
Totals	1,682	100.0	11,791,896	100.0	7,011

Alaska Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,245	64.1	4,658,992	11.9	888
2,500– 4,999	1,295	15.8	4,561,474	11.7	3,522
5,000– 9,999	814	9.9	5,778,448	14.8	7,098
10,000– 19,999	489	6.0	6,776,565	17.3	13,858
20,000– 49,999	255	3.1	7,490,939	19.2	29,376
50,000– 99,999	59	0.7	3,935,173	10.1	66,697
100,000–199,999	22	0.3	3,007,313	7.7	136,696
200,000+	10	0.1	2,878,353	7.4	287,835
Totals	8,189	100.0	39,087,257	100.0	4,773

Arizona Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,249	44.0	2,509,776	4.8	1,115
2,500– 4,999	919	18.0	3,291,117	6.3	3,581
5,000– 9,999	727	14.2	5,162,437	9.8	7,101
10,000– 19,999	590	11.5	8,201,891	15.6	13,901
20,000– 49,999	434	8.5	13,108,665	24.9	30,204
50,000– 99,999	136	2.7	9,166,044	17.4	67,397
100,000–199,999	47	0.9	6,119,076	11.6	130,193
200,000+	14	0.3	4,997,342	9.5	356,953
Totals	5,116	100.0	52,556,348	100.0	10,273

Premium Size Profiles by State (Cont'd)

Arkansas Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,694	73.1	4,577,545	19.1	975
2,500– 4,999	820	12.8	2,922,223	12.2	3,563
5,000– 9,999	496	7.7	3,489,193	14.6	7,034
10,000– 19,999	227	3.5	3,202,767	13.4	14,109
20,000– 49,999	135	2.1	4,064,799	17.0	30,109
50,000– 99,999	38	0.6	2,554,468	10.7	67,222
100,000–199,999	9	0.1	1,254,250	5.2	139,361
200,000+	6	0.1	1,876,047	7.8	312,674
Totals	6,425	100.0	23,941,292	100.0	3,726

Connecticut Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,905	81.0	10,959,275	19.5	1,004
2,500– 4,999	993	7.4	3,475,279	6.2	3,499
5,000– 9,999	708	5.3	4,947,444	8.8	6,987
10,000– 19,999	414	3.1	5,787,415	10.3	13,979
20,000– 49,999	270	2.0	8,100,498	14.4	30,001
50,000– 99,999	93	0.7	6,467,961	11.5	69,547
100,000–199,999	67	0.5	9,050,584	16.1	135,083
200,000+	22	0.2	7,413,651	13.2	336,984
Totals	13,472	100.0	56,202,107	100.0	4,172

Delaware Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,393	54.8	1,859,179	8.7	1,335
2,500– 4,999	470	18.5	1,647,526	7.7	3,505
5,000– 9,999	305	12.0	2,148,606	10.1	7,045
10,000– 19,999	194	7.6	2,711,911	12.7	13,979
20,000– 49,999	90	3.5	2,834,640	13.3	31,496
50,000– 99,999	54	2.1	3,823,981	18.0	70,814
100,000–199,999	23	0.9	3,342,645	15.7	145,332
200,000+	11	0.4	2,922,389	13.7	265,672
Totals	2,540	100.0	21,290,877	100.0	8,382

District of Columbia Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	896	68.0	708,158	7.8	790
2,500– 4,999	161	12.2	568,229	6.3	3,529
5,000– 9,999	94	7.1	653,115	7.2	6,948
10,000– 19,999	76	5.8	1,050,098	11.6	13,817
20,000– 49,999	57	4.3	1,813,249	20.0	31,811
50,000– 99,999	19	1.4	1,454,800	16.0	76,568
100,000–199,999	11	0.8	1,486,179	16.4	135,107
200,000+	4	0.3	1,333,818	14.7	333,454
Totals	1,318	100.0	9,067,646	100.0	6,880

Premium Size Profiles by State (Cont'd)

Georgia Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	14,991	81.1	17,980,279	29.2	1,199
2,500– 4,999	1,468	8.0	5,107,836	8.3	3,479
5,000– 9,999	1,022	5.5	7,125,872	11.6	6,972
10,000– 19,999	549	3.0	7,720,148	12.5	14,062
20,000– 49,999	308	1.7	9,368,247	15.2	30,416
50,000– 99,999	97	0.5	6,752,945	11.0	69,617
100,000–199,999	32	0.2	4,284,259	7.0	133,883
200,000+	8	0.0	3,253,603	5.3	406,700
Totals	18,475	100.0	61,593,189	100.0	3,334

Idaho Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	487	82.3	266,912	16.1	548
2,500– 4,999	43	7.3	159,861	9.6	3,717
5,000– 9,999	32	5.4	215,938	13.0	6,748
10,000– 19,999	17	2.9	234,346	14.1	13,785
20,000– 49,999	8	1.4	234,942	14.1	29,367
50,000– 99,999	3	0.5	224,794	13.5	74,931
100,000–199,999	2	0.3	324,782	19.6	162,391
200,000+	0	0.0	0	0.0	0
Totals	592	100.0	1,661,575	100.0	2,807

Illinois Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	24,647	79.7	20,613,988	16.9	836
2,500– 4,999	2,474	8.0	8,784,494	7.2	3,550
5,000– 9,999	1,679	5.4	11,802,149	9.7	7,029
10,000– 19,999	1,058	3.4	14,819,474	12.1	14,007
20,000– 49,999	665	2.2	20,309,394	16.6	30,540
50,000– 99,999	238	0.8	16,474,469	13.5	69,220
100,000–199,999	109	0.4	14,989,574	12.3	137,519
200,000+	38	0.1	14,541,387	11.9	382,668
Totals	30,908	100.0	122,334,929	100.0	3,958

Indiana Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,449	61.1	6,121,572	9.3	1,123
2,500– 4,999	1,205	13.5	4,269,048	6.5	3,542
5,000– 9,999	947	10.6	6,695,139	10.1	7,069
10,000– 19,999	587	6.6	8,218,511	12.4	14,000
20,000– 49,999	453	5.1	14,080,763	21.3	31,083
50,000– 99,999	187	2.1	12,965,423	19.6	69,333
100,000–199,999	78	0.9	10,237,349	15.5	131,248
200,000+	13	0.2	3,527,121	5.3	271,317
Totals	8,919	100.0	66,114,926	100.0	7,413

Premium Size Profiles by State (Cont'd)

Iowa Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,508	52.3	2,169,687	4.8	865
2,500– 4,999	817	17.0	2,967,178	6.5	3,631
5,000– 9,999	617	12.9	4,430,843	9.8	7,181
10,000– 19,999	406	8.5	5,769,277	12.7	14,210
20,000– 49,999	274	5.7	8,560,105	18.8	31,241
50,000– 99,999	102	2.1	7,274,088	16.0	71,314
100,000–199,999	49	1.0	6,483,256	14.3	132,311
200,000+	22	0.5	7,804,523	17.2	354,751
Totals	4,795	100.0	45,458,957	100.0	9,480

Kansas Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,968	64.9	5,972,096	13.4	1,000
2,500– 4,999	1,470	16.0	5,237,666	11.7	3,563
5,000– 9,999	925	10.1	6,429,133	14.4	6,950
10,000– 19,999	472	5.1	6,453,119	14.5	13,671
20,000– 49,999	246	2.7	7,445,706	16.7	30,267
50,000– 99,999	77	0.8	5,326,511	11.9	69,175
100,000–199,999	28	0.3	3,840,568	8.6	137,163
200,000+	11	0.1	3,949,188	8.8	359,017
Totals	9,197	100.0	44,653,987	100.0	4,855

Mississippi Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,534	56.0	1,747,626	8.5	1,139
2,500– 4,999	452	16.5	1,608,261	7.8	3,558
5,000– 9,999	324	11.8	2,271,916	11.0	7,012
10,000– 19,999	209	7.6	2,939,486	14.2	14,064
20,000– 49,999	146	5.3	4,533,148	21.9	31,048
50,000– 99,999	42	1.5	2,906,230	14.1	69,195
100,000–199,999	30	1.1	4,257,161	20.6	141,905
200,000+	2	0.1	426,253	2.1	213,126
Totals	2,739	100.0	20,690,081	100.0	7,554

Nevada Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,197	64.9	3,275,764	12.7	1,024
2,500– 4,999	662	13.4	2,355,190	9.1	3,557
5,000– 9,999	522	10.6	3,660,014	14.2	7,011
10,000– 19,999	303	6.2	4,188,179	16.2	13,822
20,000– 49,999	170	3.5	5,152,473	19.9	30,308
50,000– 99,999	48	1.0	3,356,498	13.0	69,927
100,000–199,999	20	0.4	2,784,753	10.8	139,237
200,000+	5	0.1	1,077,534	4.2	215,506
Totals	4,927	100.0	25,850,405	100.0	5,247

Premium Size Profiles by State (Cont'd)

New Hampshire Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,005	70.8	3,592,952	12.4	897
2,500– 4,999	655	11.6	2,331,615	8.1	3,559
5,000– 9,999	454	8.0	3,184,114	11.0	7,013
10,000– 19,999	294	5.2	4,147,395	14.3	14,106
20,000– 49,999	169	3.0	5,067,645	17.5	29,986
50,000– 99,999	47	0.8	3,154,959	10.9	67,126
100,000–199,999	26	0.5	3,540,971	12.2	136,191
200,000+	10	0.2	3,947,319	13.6	394,731
Totals	5,660	100.0	28,966,970	100.0	5,118

New Jersey Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	23,929	62.0	20,026,029	7.6	837
2,500– 4,999	5,334	13.8	19,175,034	7.2	3,595
5,000– 9,999	4,761	12.3	33,250,546	12.6	6,984
10,000– 19,999	2,322	6.0	32,094,832	12.1	13,822
20,000– 49,999	1,448	3.7	44,215,781	16.7	30,536
50,000– 99,999	488	1.3	33,490,106	12.7	68,627
100,000–199,999	211	0.5	29,200,433	11.0	138,391
200,000+	127	0.3	53,279,536	20.1	419,524
Totals	38,620	100.0	264,732,297	100.0	6,855

New Mexico Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,281	75.6	1,788,929	11.0	784
2,500– 4,999	259	8.6	913,346	5.6	3,526
5,000– 9,999	205	6.8	1,439,633	8.9	7,022
10,000– 19,999	140	4.6	1,945,469	12.0	13,896
20,000– 49,999	83	2.8	2,330,986	14.4	28,084
50,000– 99,999	29	1.0	2,131,220	13.2	73,490
100,000–199,999	15	0.5	1,962,052	12.1	130,803
200,000+	6	0.2	3,701,241	22.8	616,873
Totals	3,018	100.0	16,212,876	100.0	5,372

North Carolina Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	16,672	79.3	18,873,350	28.7	1,132
2,500– 4,999	2021	9.6	7,174,704	10.9	3,550
5,000– 9,999	1,265	6.0	8,814,365	13.4	6,968
10,000– 19,999	630	3.0	8,691,797	13.2	13,797
20,000– 49,999	333	1.6	9,995,470	15.2	30,016
50,000– 99,999	75	0.4	5,229,638	8.0	69,729
100,000–199,999	25	0.1	3,432,928	5.2	137,317
200,000+	9	0.0	3,547,219	5.4	394,135
Totals	21,030	100.0	65,759,471	100.0	3,127

Premium Size Profiles by State (Cont'd)

Oregon Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,711	72.6	4,412,975	11.7	657
2,500– 4,999	1,031	11.2	3,644,064	9.7	3,534
5,000– 9,999	695	7.5	4,858,640	12.9	6,990
10,000– 19,999	429	4.6	6,045,733	16.1	14,092
20,000– 49,999	270	2.9	8,116,757	21.6	30,062
50,000– 99,999	77	0.8	5,113,705	13.6	66,411
100,000–199,999	24	0.3	3,293,923	8.8	137,246
200,000+	9	0.1	2,156,740	5.7	239,637
Totals	9,246	100.0	37,642,537	100.0	4,071

South Carolina Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	9,132	82.0	8,841,799	27.1	968
2,500– 4,999	848	7.6	2,988,228	9.2	3,523
5,000– 9,999	565	5.1	3,877,082	11.9	6,862
10,000– 19,999	339	3.0	4,710,759	14.4	13,896
20,000– 49,999	187	1.7	5,799,907	17.8	31,015
50,000– 99,999	42	0.4	3,001,943	9.2	71,474
100,000–199,999	20	0.2	2,715,659	8.3	135,782
200,000+	3	0.0	723,663	2.2	241,221
Totals	11,136	100.0	32,659,040	100.0	2,933

South Dakota Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,029	58.2	1,117,766	10.5	1,086
2,500– 4,999	284	16.1	1,017,066	9.5	3,581
5,000– 9,999	219	12.4	1,527,298	14.3	6,973
10,000– 19,999	128	7.2	1,783,797	16.7	13,935
20,000– 49,999	77	4.4	2,360,180	22.1	30,651
50,000– 99,999	22	1.2	1,506,707	14.1	68,486
100,000–199,999	9	0.5	1,148,521	10.7	127,613
200,000+	1	0.1	230,088	2.2	230,088
Totals	1,769	100.0	10,691,423	100.0	6,044

Vermont Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,605	67.1	2,443,655	12.8	938
2,500– 4,999	504	13.0	1,800,029	9.5	3,571
5,000– 9,999	370	9.5	2,605,635	13.7	7,042
10,000– 19,999	216	5.6	2,959,980	15.6	13,703
20,000– 49,999	138	3.6	4,129,618	21.7	29,924
50,000– 99,999	31	0.8	2,072,095	10.9	66,841
100,000–199,999	16	0.4	2,211,355	11.6	138,209
200,000+	3	0.1	806,585	4.2	268,861
Totals	3,883	100.0	19,028,952	100.0	4,901

Premium Size Profiles by State (Cont'd)

Virginia Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,766	70.7	10,053,352	15.7	933
2,500– 4,999	1,974	13.0	7,026,282	11.0	3,559
5,000– 9,999	1,331	8.7	9,398,427	14.7	7,061
10,000– 19,999	658	4.3	9,106,546	14.2	13,839
20,000– 49,999	342	2.3	10,323,162	16.1	30,184
50,000– 99,999	80	0.5	5,369,582	8.4	67,119
100,000–199,999	56	0.4	7,207,543	11.3	128,706
200,000+	20	0.1	5,479,106	8.6	273,955
Totals	15,227	100.0	63,964,000	100.0	4,201

West Virginia Premium Size Profile—Policy Year 2014

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,154	46.5	1,170,645	6.6	1,014
2,500– 4,999	492	19.8	1,785,320	10.1	3,628
5,000– 9,999	425	17.1	2,966,911	16.8	6,980
10,000– 19,999	213	8.6	2,950,441	16.7	13,851
20,000– 49,999	150	6.0	4,693,139	26.5	31,287
50,000– 99,999	36	1.5	2,447,165	13.8	67,976
100,000–199,999	11	0.4	1,468,447	8.3	133,495
200,000+	1	0.0	210,192	1.2	210,192
Totals	2,482	100.0	17,692,260	100.0	7,128

Exhibit V

Classifications With Largest Premium Volume

Policy Year 2014*

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

Classification Code	Premium Amount (\$)	Classification Description
5645	40,675,247	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
7228	29,559,181	Trucking—Local Hauling Only & Drivers
5551	25,023,672	Roofing—All Kinds & Drivers
7229	21,042,187	Trucking—Long-Distance Hauling & Drivers
9014	17,200,700	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5474	16,806,562	Painting NOC & Shop Operations Drivers
8835	16,489,532	Nursing—Home Health Public and Traveling—All Employees
8380	13,368,603	Automobile Service or Repair Center & Drivers
5403	13,271,534	Carpentry NOC
5437	13,111,804	Carpentry—Installation of Cabinet Work or Interior Trim

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 2014*

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

Classification Code	Policy Count	Classification Description
5645	13,803	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5437	8,511	Carpentry—Installation of Cabinet Work or Interior Trim
5474	7,648	Painting NOC & Shop Operations, Drivers
7228	6,855	Trucking—Local Hauling Only & Drivers
5551	4,685	Roofing—All Kinds & Drivers
9014	4,307	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5403	3,697	Carpentry NOC
8810	3,671	Clerical Office Employees NOC
5022	3,463	Masonry NOC
5445	3,410	Wallboard, Sheetrock, Drywall, Plasterboard or Cement Board Installation Within Buildings

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 2014

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 2014		Assigned Risk Plan 2014	
	Policy Count	Total Percent (%)	Policy Count	Total Percent (%)
A	89,996	8.6	3,798	2.3
B	174,047	16.6	10,727	6.4
C	346,403	33.0	34,048	20.2
D	138,558	13.2	14,087	8.4
E	180,845	17.2	45,014	26.7
F	104,264	9.9	51,909	30.8
G	10,655	1.0	8,825	5.2
Not Classified	5,970	0.6	10	0.0

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

Projected Ultimate Policy Year Results by State

Policy Years 2010–2014 (based on data reported to NCCI through December 31, 2014)

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

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

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 vary greatly on a statewide basis, particularly for the recent policy years. In fact, due to the immaturity of Policy Year 2014 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 2014 (Projected to Ultimate) (\$000s)

Alabama

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	8,696	59.5	5,174	736
2013	8,721	56.8	4,954	886
2012	6,794	60.2	4,090	337
2011	3,756	60.2	2,261	(96)
2010	3,809	64.8	2,468	(374)

Alaska

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	42,531	61.4	26,114	999
2013	41,343	84.7	35,018	(9,120)
2012	34,983	50.1	17,527	3,729
2011	29,100	63.1	18,362	(1,358)
2010	26,772	55.7	14,912	647

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

Arizona

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	55,694	84.2	46,894	(11,139)
2013	47,340	81.7	38,677	(8,285)
2012	27,097	71.2	19,293	(2,306)
2011	11,819	60.1	7,103	140
2010	8,635	58.7	5,069	(455)

Arkansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	26,041	69.4	18,072	(661)
2013	24,348	64.8	15,778	(1,198)
2012	19,480	105.3	20,512	(9,132)
2011	13,377	50.1	6,702	608
2010	10,336	32.9	3,401	1,740

Connecticut

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	40,444	74.3	30,050	(3,442)
2013	35,578	69.8	24,833	(1,729)
2012	26,696	84.2	22,478	(7,131)
2011	16,286	87.2	14,201	(5,301)
2010	14,605	97.5	14,240	(6,707)

Delaware

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	16,801	94.1	15,810	(4,494)
2013	21,324	99.7	21,260	(6,832)
2012	15,352	130.3	20,004	(9,829)
2011	10,674	150.3	16,044	(9,182)
2010	6,802	124.4	8,462	(4,400)

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) (\$)
2014	10,422	49.5	5,159	1,633
2013	9,379	44.9	4,211	1,849
2012	7,327	45.1	3,304	1,291
2011	5,864	50.1	2,938	630
2010	5,395	39.8	2,147	1,039

Georgia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	58,603	79.3	46,472	(12,717)
2013	50,226	84.7	42,541	(14,666)
2012	32,882	90.2	29,659	(10,219)
2011	22,597	100.2	22,642	(11,337)
2010	20,269	79.6	16,134	(7,811)

Idaho

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	2,015	64.4	1,298	(129)
2013	1,950	59.8	1,166	(252)
2012	1,654	43.1	713	41
2011	1,294	79.2	1,025	(538)
2010	1,282	34.8	446	10

Illinois

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	128,919	73.3	94,498	(7,916)
2013	124,586	72.8	90,699	(6,503)
2012	108,141	85.2	92,136	(20,003)
2011	65,566	103.2	67,664	(27,290)
2010	58,988	85.6	50,493	(15,801)

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

Iowa

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	41,509	66.4	27,562	2,955
2013	45,978	66.8	30,713	966
2012	33,199	75.2	24,965	(2,344)
2011	24,557	75.2	18,467	(2,362)
2010	19,990	95.5	19,090	(5,816)

Kansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	50,446	64.4	32,487	913
2013	49,493	59.8	29,597	3,791
2012	40,555	52.1	21,129	6,545
2011	28,145	61.1	17,197	775
2010	25,097	78.6	19,726	(4,303)

Massachusetts

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	111,528	75.0	83,646	(15,380)
2013	94,240	65.0	61,256	(1,037)
2012	80,080	74.0	59,259	(10,017)
2011	46,070	72.0	33,170	(6,156)
2010	34,576	68.0	23,512	(4,125)

Michigan

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	85,538	70.0	59,877	(43)
2013	79,259	70.0	55,481	(40)
2012	63,618	58.0	36,899	7,258
2011	51,016	58.0	29,589	4,688
2010	43,869	68.0	29,831	(180)

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

Nevada

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	30,150	69.4	20,924	(160)
2013	27,800	66.8	18,570	553
2012	22,046	65.2	14,374	733
2011	15,484	82.2	12,727	(3,210)
2010	13,332	65.7	8,759	(1,301)

New Hampshire

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	24,352	64.4	15,683	(27)
2013	21,616	56.8	12,278	1,511
2012	16,544	44.1	7,296	3,542
2011	12,245	44.1	5,400	2,079
2010	9,539	60.7	5,790	(387)

New Jersey

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	173,238	79.3	137,378	(20,113)
2013	164,087	82.7	135,700	(25,056)
2012	111,010	78.2	86,810	(13,087)
2011	37,053	80.2	29,717	(6,607)
2010	41,094	96.5	39,656	(14,192)

New Mexico

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	19,670	60.0	11,802	(348)
2013	17,044	50.0	8,522	1,539
2012	10,046	40.0	4,018	1,108
2011	6,756	35.0	2,365	614
2010	5,971	41.0	2,448	179

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

North Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	56,310	74.3	41,838	(1,954)
2013	55,666	67.8	37,742	(440)
2012	40,444	66.2	26,774	(204)
2011	26,525	84.2	22,334	(5,545)
2010	25,124	49.7	12,487	2,525

Oregon

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	44,077	63.4	27,945	40
2013	40,643	60.8	24,711	939
2012	29,335	63.2	18,540	(393)
2011	22,971	65.1	14,954	(596)
2010	21,857	56.7	12,393	1,265

South Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	27,037	74.3	20,088	(3,696)
2013	24,774	74.8	18,531	(4,378)
2012	17,375	70.2	12,197	(2,355)
2011	10,734	66.1	7,095	(2,110)
2010	12,097	67.6	8,177	(3,096)

South Dakota

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	11,864	69.4	8,234	(297)
2013	9,986	79.7	7,959	(1,428)
2012	8,907	50.1	4,463	1,123
2011	6,701	35.1	2,352	1,785
2010	6,177	69.6	4,299	(592)

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

Vermont

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	16,893	64.4	10,879	1,181
2013	15,522	62.8	9,748	1,256
2012	11,854	62.2	7,373	330
2011	8,086	62.1	5,021	(58)
2010	7,703	40.8	3,143	1,595

Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	52,787	69.4	36,634	660
2013	49,307	64.8	31,951	2,105
2012	36,653	77.2	28,296	(5,309)
2011	23,723	65.2	15,467	(1,518)
2010	23,363	64.7	15,116	(2,132)

West Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2014	19,021	74.4	14,152	(487)
2013	17,779	62.3	11,076	1,723
2012	14,632	58.5	8,560	1,842
2011	10,170	74.5	7,576	(989)
2010	7,656	48.4	3,705	1,033

Available Residual Market Programs

As of June 1, 2015

State	ARAP	LSRP	Merit Rating	Differential/ Surcharge	No Premium Discount	Take- Out Credit	Other Programs
AK				x	x	x	Safe Workplace Incentive Program
AL	x	x	x	x	x	x	Drug-Free Workplace Premium Credit
AR			x	x	x	x	Tabular Adjustment Program (TAP) Alternate Preferred Plan Alcohol- and Drug-Free Premium Credit
AZ	x ¹	x ¹		x	x ¹	x ¹	Alcohol- and Drug-Free Workplace Premium Credit
CT	x	x		x	x ²	x	
DC	x	x		x	x	x	Employer Safe Workplace Program
GA		x	x	x	x	x	Three Tier Rating Program Put-In Debit Program Drug-Free Workplace Premium Credit
IA	x			x	x	x	
ID	x	x		x	x		Alcohol- and Drug-Free Workplace Credit
IL	x	x		x	x	x	
IN		x		x	x	x	
KS	x	x		x	x	x	Kansas Assigned Risk Retrospective Rating Plan Kansas Assigned Risk Safety Seminar Premium Credit Kansas Loss-Free Policy Premium Credit
MS		x		x	x	x	Small Employer Loss-Free Credit
NC	x	x		x	x	x ³	
NH	x	x		x	x ⁴	x	Safety Incentive Program
NM	x			x	x ⁵	x	
NV	x	x		x	x		
OR	x	x	x	x ⁶	x	x	Non-Experience Rated Premium Credit New Small Employer Credit
SC	x	x		x	x	x	Drug- and Alcohol-Free Workplace Premium Credit Program
SD	x	x	x	x	x	x	
VA	x			x	x	x	Drug-Free Workplace Premium Credit Program
VT	x	x	x	x	x	x	
WV	x	x		x	x	x	

¹ Arizona—All changes effective January 1, 2013.

² Connecticut—Approved reduced premium discounts effective January 1, 2011.

³ North Carolina—Take-out credit must be applied through the NCRB.

⁴ New Hampshire—Premium discounts are only available for risks with standard premium > \$10,000 and experience modification < 1.50.

⁵ New Mexico—Removed premium discount effective January 1, 2014.

⁶ Oregon—Differential explicitly reflected in January 1, 2013 rates.

2015 Assigned Carriers

As of January 1, 2015

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	V A	V T	W V
Acadia Insurance Co.																								S
Ace American Insurance Co.		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																						S
American Zurich Insurance Co.		D			D		D	D	D					D	D					D		D	D	
AmFed National Insurance Co.													S											
Amguard Insurance Co.						S	S	S						S		S						S		
Auto Owners Insurance Co.		D						D	D					D						D		D		
Cincinnati Insurance Co.		D			D		D	D	D					D	D					D		D	D	
Continental Casualty Co.		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	
LM Insurance Corporation	S	S			S	S	S	S	S		S		S	D	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			
SAIF Corporation																			S					
Technology Insurance Co.			S		S		S	S			S					S						S		
Travelers Indemnity Co. of CT							D																	
Travelers Property Casualty Co. of America	S	D	S	S	S	S		S	S	S	S	S		S	S	S		S	S	D		S	S	S
	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	V A	V T	W V

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 law suits, 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 have had coverage during a specified time period.

National Workers Compensation Reinsurance Pooling Mechanism (NWCPR 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 “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.

Notes:

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