



# RESIDUAL MARKET MANAGEMENT

## SUMMARY 2015



PROCESS  
management  
REVIEW trends

risk analysis

assigned  
carrier  
market

inspect  
SUCCESS  
POOL

POOL  
analysis  
residual

assigned  
goals

actuarial  
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BUSINESS

risk planning  
BUSINESS  
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servicing  
carrier  
professional

SUCCESS  
BUSINESS  
audit

IDEA

goals  
PROCESS  
trends

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

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The 2015 ***Residual Market Management Summary*** is also available on NCCI's website at **ncci.com**.

NCCI is the nation's most experienced provider of workers compensation insurance information. We gather data, analyze industry trends, and prepare objective insurance rate and loss cost recommendations. These activities, together with our research, analytical services and tools, and overall commitment to excellence, help foster a healthy workers compensation system.

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## To Our Readers:

NCCI's **Residual Market Management Summary 2015** 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](http://ncci.com).

I'm pleased to report that the efforts of our assigned carrier partners, insurance regulators, and NCCI staff resulted in another successful year for NCCI workers compensation residual market administration. There are two items that distinguish 2015:

- First, residual market premium was flat in 2015 compared to 2014, marking the first year since 2010 without noticeable growth.
- Second, NCCI became the residual market administrator in Tennessee effective July 1, 2015, at the direction of the Tennessee Commissioner of Insurance. We appreciate the Insurance Commissioner's confidence in NCCI. The transition was accomplished without any disruption in service.

Our strategic goals remain consistent. To:

- Achieve a self-funded residual market in each state
- Provide high-quality services to residual market policyholders, injured workers, and insurance producers
- Use automation to reduce costs and enhance services

These strategies resulted in high levels of customer satisfaction in 2015.

In 2015, residual market premium in all states where NCCI services residual market pools was flat at \$1.2 billion relative to 2014. This is the first year since 2010 that premium growth was not noticeable. The length and volatility in the residual market has moderated considerably over the last two underwriting cycles. NCCI research shows that as investment gain opportunities deteriorate, disciplined underwriting materializes. Others point to the use of sophisticated predictive analytics as a factor in reducing extreme market swings. Whatever the reason, a stable and manageable residual market is in everyone's best interest.

Residual market operating results remain stable despite the changes in premium volume over the last 14 years. The preliminary estimate of losses for all Pools serviced by NCCI is \$66 million in 2015. This is an early projection and is subject to change. These losses represent a burden to the insurance industry of 0.5% as a percentage of voluntary market workers compensation premiums. This is a very positive sign that the residual market deficits are not significantly impacting the voluntary market.

NCCI estimates the countrywide 2015 residual market share for all NCCI Plan-administered states at approximately 6.3%. This is down slightly from the 6.8% market share in 2014 and is another positive sign of market stability.

The assigned carriers serviced more than 245,000 policies in 2015. Insurance producers gave NCCI scores above 8.6 out of 10 for positive interaction with NCCI residual market analysts and for the ease of submitting applications using NCCI's **RMAPS® Online Application Service**. The average residual market policy size was \$4,676. Of residual market policies, 71% are under \$2,500 in premium. Many of the policyholders are contractors engaged in carpentry, trucking, painting, and roofing. These accounts can be challenging due to the nature of the businesses and low premium volume. At the opposite end of the spectrum, we are servicing 1,154 accounts over \$100,000 in premium.

Looking ahead, we are keeping an eye on the growth in the number of Professional Employment Organizations (PEOs) that are seeking coverage in the residual market. There are currently 880 PEO, Temporary Employment, and Staffing accounts in the residual market, and this number has been growing since 2011. PEOs and their clients present significant classification, coverage, and audit challenges. NCCI's residual market rules related to PEOs attempt to mitigate these issues and ensure that PEOs pay the appropriate premium for the risk they bring to the residual market. NCCI will continue to monitor these exposures and work with state insurance regulators in 2016 to ensure proper handling of these accounts.

At this point in 2016, we see new applications to the residual market coming in at about the same rate as 2015. My expectation is that 2016 residual market premiums and market share will be approximately the same as those in 2015. These are key indicators that the workers compensation insurance market remains competitive and that the residual market is currently stable and manageable.

Sincerely,

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



## Where NCCI Provides Residual Market Services

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

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

# Overview—Plan and Pool Administration Highlights

## Plan Administration

NCCI and the assigned carriers have successfully managed the residual market during the last year. To put some of these results into perspective, here is a sampling of the overall application processing performance statistics from 2015:

- Number of applications received = 125,344
- Number of applications bound = 70,797
- Percentage of applications submitted online nationally = 99.3%, exceeding our goal of 98%
- Average processing time for online applications = 4.6 days
- Average processing time for mail-in applications = 5.3 days
- Other:
  - 178,197 calls were fielded; calls decreased by 0.6%
  - Producer workshops were held in six states: AZ, CT, NH, SC, TN, and VT

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

## 2016 Residual Market Assigned Carrier Conference

The annual **Assigned Carrier Conference** was held on February 10–12, 2016. The conference was a success based on attendance and the feedback of an overall satisfaction rating of 9.57 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 Bid 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 Althea Keen at 561-893-3618 or [althea\\_keen@ncci.com](mailto:althea_keen@ncci.com)

## Voluntary Coverage Assistance Program

NCCI's Voluntary Coverage Assistance Program, **VCAP<sup>®</sup> 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<sup>®</sup> Online Application Service**.

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

Operating results for 2015 include the following:

- **VCAP<sup>®</sup> Service** redirected more than \$5.2 million in premium from the residual market to the voluntary market
- 75% year-over-year increase in redirected premium
- An approximate savings of \$842,000 on 702 confirmed policies—or \$1,200 per employer—was achieved, equaling a 16% savings per policy to the employer

For more information on **VCAP<sup>®</sup> Service**, contact Stacey Dever at 561-893-3628 or [stacey\\_dever@ncci.com](mailto: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 (**VCAP<sup>®</sup> 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. In 2015, NCCI worked on several filings that will impact the residual market including:

- National audit noncompliance charge (effective January 1, 2017)
- Georgia multiple coordinated policy rules (effective January 1, 2016)
- Kansas small employer loss-free policy premium credit endorsement (effective January 1, 2016)

For more information on residual market filings and manuals, contact Stacey Dever at 561-893-3628 or [stacey\\_dever@ncci.com](mailto:stacey_dever@ncci.com).

### **Uncollectible Premium Early Identification Pilot Program**

In 2014, NCCI conducted a significant analysis of uncollectible premium in the residual market and continued the program in 2015.

Since the start of the pilot program, 3,433 policies have been selected, of which 404 reported premium change at 90 days totaling almost \$2.3 million and 202, or 50%, subsequently cancelled with a total premium of almost \$1.8 million.

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. The program will continue in its pilot form until the end of 2016, at which time NCCI will evaluate the program and make recommendations for continuation in Georgia and for possible use in other states.

For more information on the Uncollectible Premium Early Identification Pilot Program,

contact Eddie Herrera at 561-893-3613 or [eddie\\_herrera@ncci.com](mailto:eddie_herrera@ncci.com).

### **Tennessee Added as an NCCI Plan-Managed State**

NCCI was selected to be the Plan Administrator for the Tennessee WCIP, effective July 1, 2015. NCCI was able to handle the transition of the Tennessee Plan without any disruption.

The transition of Tennessee Plan Administration back to NCCI after 17 years will provide residual market policyholders with the ability to obtain multistate coverage in the other states where NCCI is the Plan Administrator and where the accounts are reinsured through the National Pool. NCCI also anticipates cost savings for the Tennessee Plan due to our approach, which allows for economies of scale, including our automated systems and processes—from application submission to carrier data reporting.

### **Servicing Carrier Selection Rewrite Project**

NCCI consistently reviews its processes and systems for improvements to ensure the best customer experience. In 2015, NCCI completed an extensive multiyear project to improve the servicing carrier selection process. The project began in 2013 with a study of the current NCCI servicing carrier selection procedures, as well as the system, with a vision to streamline and reduce complexity of the end-to-end process by reducing internal user setup and review and external user completion and submission.

In February 2016, NCCI released to carriers and regulators a fully redesigned **Servicing Carrier Selection** component within NCCI's **SCSOS<sup>SM</sup> Service**. This new system simplifies how participating carriers provide responses to questions regarding their Plan of Operation as part of their proposals. In addition, it will automatically update the audit scores from NCCI's **Carrier Audit Program (CAP)** to show the performance history of the bidding carriers. Participating carriers and regulators will be able to access reports and results online.

- Streamlines the way carriers provide proposals for multiple states at the same time, by providing the capability to indicate answers and files as applicable to one or many states.
- Improves customization for state-specific requirements with a State Additions category within the Plan of Operation.

- Offers better navigation with a reorganized flow and layout of Request for Proposals (RFPs) and carrier submissions.
- Increases functionality with file upload and text formatting (spell-check, bullet, bold, italic, etc.).
- Provides carrier-specific information for regulatory review with an Executive Summary provided by the carriers and an NCCI Fact Sheet of key information.
- Includes enhanced reports with new query capabilities and downloadable formats (Excel<sup>®</sup>, Word<sup>®</sup>, and Adobe<sup>®</sup>).

***Servicing Carrier Selection*** will continue to allow participating carriers to respond to questions regarding their Plan of Operation as part of their proposals and to complete all of the selection process procedures online. Regulators will retain the ability to review and approve the RFP, as well as make the selection award within the new system. Proposal scoring will continue to be calculated systemically, and the results will continue to be provided to the carriers and regulators.

## NCCI Take-Out Credit Programs

State	Calendar Year Credits					
	2013		2014		2015	
	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)
Alabama	292	3,225,208	226	2,338,136	203	2,256,851
Alaska	993	8,880,338	1,103	9,054,979	1,278	11,208,985
Arizona	93	2,888,305	405	8,182,025	975	12,535,201
Arkansas	610	3,143,004	819	5,459,180	970	8,078,125
Connecticut	1,110	5,877,535	1,039	9,980,809	1,040	12,600,687
District of Columbia	254	185,326	217	1,055,610	210	1,956,255
Georgia	889	9,547,556	1,004	15,432,361	1,219	19,311,961
Illinois	2,564	19,756,900	2,527	30,777,092	2,801	41,059,056
Iowa	724	6,033,620	845	9,664,798	944	11,374,715
Kansas	1,606	6,969,969	1,424	10,383,455	1,700	14,642,633
Mississippi	291	2,847,457	353	4,514,754	499	5,536,533
New Hampshire	950	2,365,730	757	4,238,551	709	6,533,126
New Mexico	282	2,941,668	290	4,618,912	333	4,534,443
Oregon	2,323	7,614,185	2,215	10,115,403	2,237	12,407,676
South Carolina	890	3,300,061	775	5,847,647	917	6,914,072
South Dakota	338	3,767,011	349	4,794,867	405	5,758,090
Tennessee					186	2,963,666
Vermont	848	2,276,439	743	3,070,374	663	4,403,884
Virginia	1,643	5,832,037	1,481	9,348,499	1,471	13,498,179
West Virginia	186	1,818,144	263	2,319,148	413	4,286,750
<b>Totals</b>	<b>16,886</b>	<b>99,270,493</b>	<b>16,835</b>	<b>151,196,600</b>	<b>19,173</b>	<b>201,860,888</b>

### 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 2015, more than \$201 million in credits were earned for policies removed from the residual market and placed in the voluntary market. This represents a 34% increase in credits earned over the previous year. These credits were derived from 19,173 policies and \$176 million in qualifying premium.

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

Take-Out-Credit rules and criteria are included in NCCI's **Basic Manual** Rule 4-F. Please email [ncci\\_toc\\_admin@ncci.com](mailto:ncci_toc_admin@ncci.com) with any questions.

### Pool Administration

NCCI provides accounting, actuarial, management, and administrative services for various reinsurance pooling mechanisms. During 2015, these pooling mechanisms provided reinsurance for the assigned risk plans in 27 jurisdictions, with 23 of these state plans being reinsured through the National Workers Compensation Reinsurance Association's quota share reinsurance pooling mechanism.

Included in these 27 jurisdictions, for the first time since 1997, is the Tennessee residual market. The Tennessee residual market reinsurance mechanism, which had been in place since January 1, 1998 (the Tennessee Aggregate Excess of Loss Reinsurance Mechanism, or TAEARM), was terminated effective June 30, 2015, by Order No. 15-107 of the Commissioner of the Department of

Commerce & Insurance of the State of Tennessee. Pursuant to this Order, all assets held by the TAEARM mechanism were distributed to its participating insurance carriers by the former administrator. Additionally, in consideration of the ongoing run-off rights and obligations under TAEARM, the Order provided that TAEARM be converted, effective July 1, 2015, to the Tennessee Reinsurance Mechanism (TRM) to operate as a quota share reinsurance mechanism administered by NCCI. While TRM provides for continued reinsurance of policies with effective dates ranging from January 1, 1998, through June 30, 2015, which were ceded to TAEARM, Tennessee residual market policies with effective dates of July 1, 2015, and subsequent are reinsured through the National Workers Compensation Reinsurance Association's quota share reinsurance pooling mechanism.

### Reinsurance Pools Results and Information

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

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

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

Pool participants can access their own operating results on an individual carrier level, group level, or 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 Meeting 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](mailto: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 2015 allocations based on Calendar Year 2015 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](http://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)** was updated with a new look and feel. Individual pool servicing carrier users can 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

NCCI's **Pool Data Reporting Guidebook** provides the rules and requirements for servicing carrier reporting of residual market Pool data to NCCI. It contains coding values, record layouts, and reporting examples. The **Pool Data Reporting Guidebook** was updated in 2015 with the addition of data reporting requirements for the new Tennessee Reinsurance Mechanism.

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](http://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 2015 ultimate written premium for all reinsurance pooling mechanisms serviced by NCCI is projected to be \$1.163 billion, representing a modest 0.7% increase in premium volume from the projected Policy Year 2014 level of \$1.155 billion, and a 7% increase from the \$1.082 billion for Policy Year 2013.

After peaking at \$1.5 billion in 2004, the residual market premium volume trended steadily downward in Policy Years 2006 through 2010, with a 20% average year-over-year decrease during this time period. The Policy Year 2011 premium volume of \$511 million, which represented a 12% increase over Policy Year 2010, broke this declining premium trend, and the premium growth continued in subsequent policy years. However, premium volume appears to be leveling off in the three most recent policy years. Based on the projected Policy Year Premium, between 2010 and 2013, premium volumes increased a total of 137%, but only 7% from 2013 to 2015.

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.

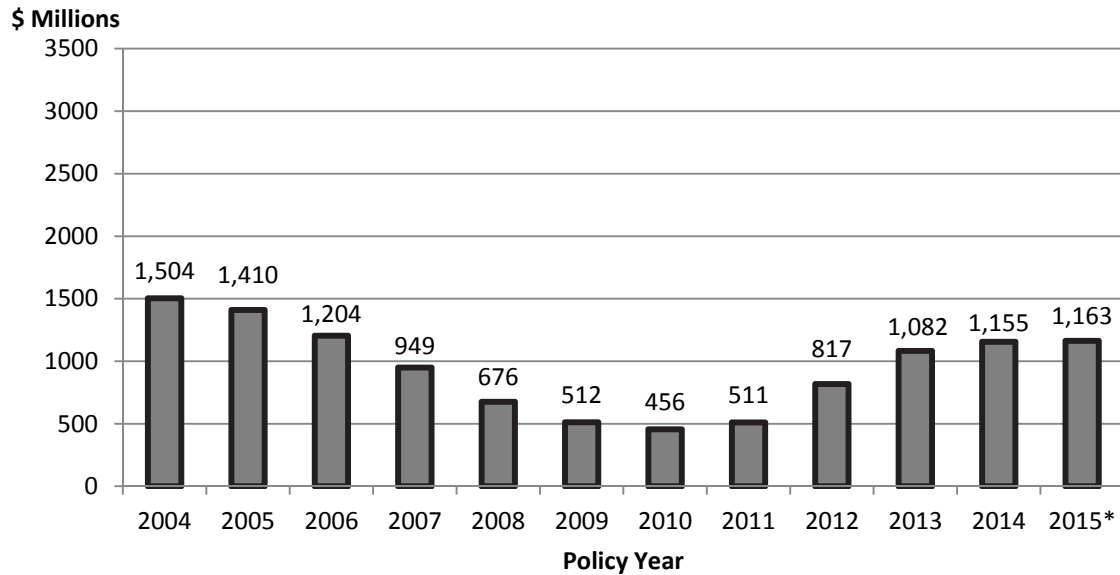
NCCI is projecting a residual market operating loss of \$66 million for Policy Year 2015 (see

Exhibit B) activity reinsured through these reinsurance pooling mechanisms. This is equivalent to a combined ratio of 106% (see Exhibit C). As reflected in Exhibit D, the residual market share of the total market direct written premium decreased to 6.3% for Calendar Year 2015, from 6.8% for Calendar Year 2014, for NCCI Plan-administered states.

*Exhibit A*

**Written Premium<sup>#</sup>**

**All Pools Serviced by NCCI, as of December 31, 2015**



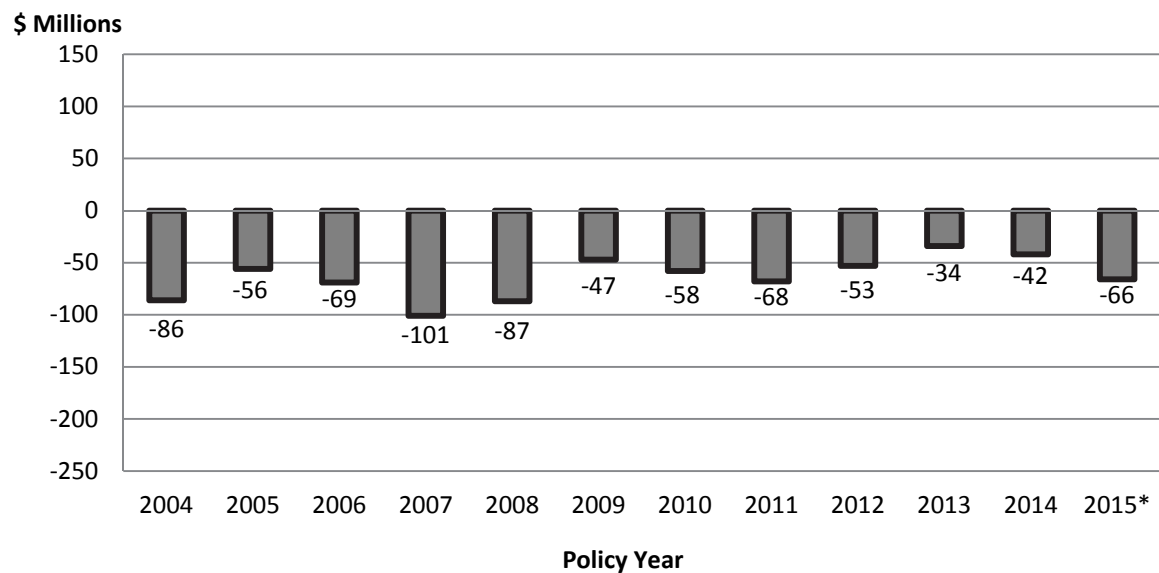
*# Projected to Ultimate; Tennessee Reinsurance Mechanism premium is not included.*

*\* Incomplete Policy Year*

*Exhibit B*

**Operating Gain/Loss<sup>#</sup>**

**All Pools Serviced by NCCI, as of December 31, 2015**



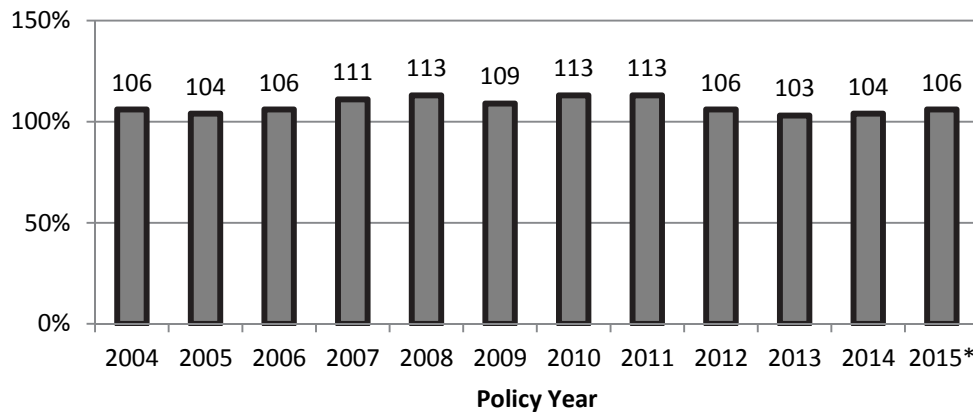
*# Projected to Ultimate; Tennessee Reinsurance Mechanism experience is not included in the operating results.*

*\* Incomplete Policy Year*

*Exhibit C*

**Combined Ratio<sup>#</sup>**

**All Pools Serviced by NCCI, as of December 31, 2015**



<sup>#</sup> Projected to Ultimate; Tennessee Reinsurance Mechanism experience is not included in the combined ratios.

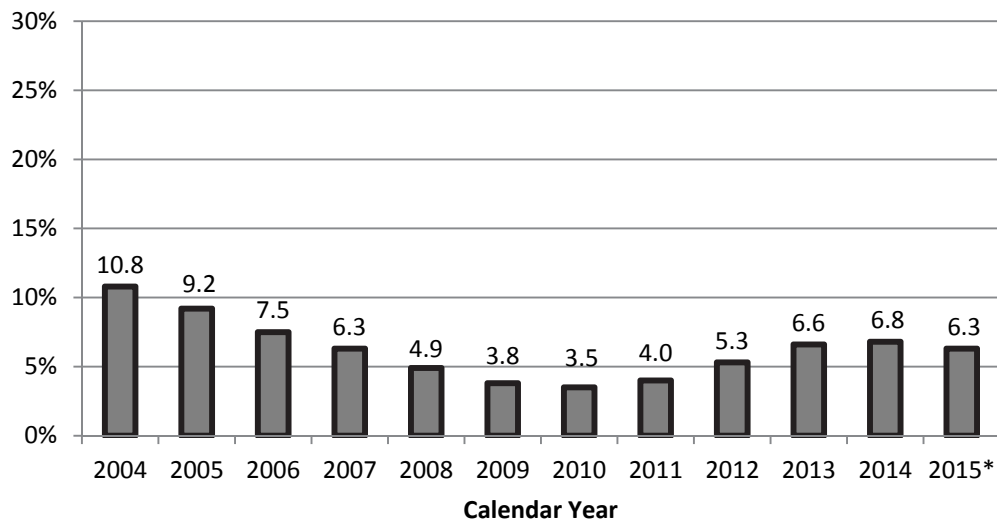
\* Incomplete Policy Year

*Exhibit D*

**Residual Market Share**

**NCCI Plan States (Includes Direct Assignments)**

*Plan Premium as a Percentage of Direct Written Premium*



\* Preliminary

## Servicing Carrier Oversight Process

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

The visitation applies to new servicing carriers or existing servicing carriers that are writing new business 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, 2015, 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 six National Pool servicing carrier self-audits in 2015. 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.

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

The **Reporting Requirements and Processing Procedures Review** focuses on:

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

Ratings are provided and utilized as part of the scoring of future servicing carrier bids. The overall ratings for the seven National Pool servicing carriers' on-site audits conducted in 2015 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 of misreporting, and correct the reporting to the Pool.

Two quantifications were completed during 2015, resulting in \$28,375 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 2015, three National Pool carriers were assessed a total of \$82,000 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	
	2014	2015	2014	2015	2014	2015	2014	2015
0	7	5	5	6	6	6	6	6
1	0	0	0	0	0	0	0	0
2	0	0	1	1	0	0	0	0
3 or more	0	0	0	0	0	0	0	0

Exhibit F

**Servicing Carrier Overall Ratings—National Pool**

2015 Self-Audit Overall Ratings	Commendable	Satisfactory	Marginal	Unsatisfactory
Underwriting, Premium Audit, and Loss Prevention Performance Standards	6	0	0	0
Claims Performance Standards	6	0	0	0
2015 On-Site Audit Overall Ratings				
Reporting Requirements and Procedures	N/A	6	1	0
Underwriting, Premium Audit, and Loss Prevention Performance Standards	1	1	0	0
Claims Performance Standards	6	1	0	0

Exhibit G

**On-Site Audit Financial Quantifications—National Pool**

Year	Financial Adjustment Pool/(Carrier) (\$)
2012	(113,015)
2013	433,398
2014	40,064
2015	28,375
<b>Total</b>	<b>388,822</b>

Exhibit H

**Tier One Remediation Penalties—National Pool**

	2015	2014	2013
<b>On-Site Audit</b>			
Number of Carriers	2	2	3
Amount	\$2,000	\$27,600	\$61,400
<b>Self-Audit</b>			
Number of Carriers	1	0	1
Amount	\$80,000	\$0	\$20,000
<b>Total</b>	<b>\$82,000</b>	<b>\$27,600</b>	<b>\$81,400</b>

## 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 2015 Included:

- Creation of new audit programs and work papers for the newly created TRM. These audits are scheduled to begin in 2016.
- Remote audits conducted using a secure and authorized connection to the servicing carriers' networks and systems while still completing a quality review of the servicing carriers' policies and claims.
- Implementation of the **Carrier Audit Program (CAP)**, which incorporates features of Self-Audit, On-Site Audit, SCOR, and other audit-developed systems into one application.
- Improvements to the electronic work papers and summarization engines that are now included in **CAP**.
- Updates to **CAP** to add a new Self-Audit program for the Tennessee direct assignment carriers.

## Financial and Actuarial Results for 2015

Comparative financial analyses and operating results for all Pools serviced by NCCI are shown in Exhibits I through L. The 2015 Calendar Year results for the reinsurance pools administered by NCCI reflect a net operating gain for the National Workers' Compensation Reinsurance Pool, the Michigan Workers' Compensation Placement Facility, and the New Mexico Workers' Compensation Assigned Risk Pool; conversely, the Massachusetts Workers' Compensation Assigned Risk Pool reflects a net operating loss (see Exhibits M through P).

The combined net operating gain for all pools managed by NCCI was approximately \$293 million in Calendar Year 2015 compared with the net operating gain of \$11 million for Calendar Year 2014. The National Pool results reflect an operating gain of \$252 million compared with an operating loss of \$8 million in the prior year. The Massachusetts Pool results reflect an operating loss of \$6 million compared with a loss of \$22 million in the prior year. The Michigan Pool results reflect an operating gain of \$34 million compared with a gain of \$35 million in the prior year. The New Mexico Pool's results reflect an operating gain of \$13 million, compared with an operating gain of \$5 million in the prior year.

## Comparative Calendar Years Financial Analysis

Exhibit I

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

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

Exhibit J

### 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
<b>Net Operating Gain (Loss)</b>	<b>21,933</b>	<b>154</b>	<b>(4,345)</b>	<b>(7,191)</b>	<b>10,551</b>	<b>(67,367)</b>
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 K

## Comparative Policy Years Financial Analysis

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

	Policy Year 2015 Quarterly Results				At December 31, 2015	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	PY 2015 (\$)	PY 2014 (\$)
Premiums Written	173,213	248,852	280,301	285,061	987,427	1,170,716
Premiums Earned	45,499	125,987	196,576	268,994	637,056	1,170,716
Incurred Losses	36,359	93,273	142,781	194,189	466,602	820,304
Loss Ratio (%)	79.9	74.0	72.6	72.2	73.2	70.1
Paid Losses	1,014	7,745	18,207	34,610	61,576	275,201
Net Expenses	52,848	75,292	85,062	85,434	298,636	363,443
<b>Net Operating Gain (Loss)</b>	<b>(43,708)</b>	<b>(42,578)</b>	<b>(31,267)</b>	<b>(10,629)</b>	<b>(128,182)</b>	<b>(13,031)</b>
EBNR Premium Reserves	703	2,417	2,556	—	—	(14,884)
Loss Ratio With EBNR (%)	78.7	72.6	71.7	72.2	73.2	71.0
Unearned Premiums	127,714	250,579	334,305	350,372	350,372	—
Outstanding Losses	9,798	33,919	82,245	145,322	145,322	282,373
IBNR	25,547	86,953	163,202	259,705	259,705	262,729
Cash Flow	119,351	165,815	177,032	165,017	627,215	532,072
Uncollectible Premiums	—	—	228	1,218	1,446	40,192

Exhibit L

## Combined Calendar Year Operating Results

### All Pools Serviced by NCCI—Calendar Years 2006–2015 (\$000s)

Calendar Year	Written Premium (\$)	Increase (Decrease) Previous Year (%)	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
2015	1,170,721	2.0	1,161,220	480,926	41.4	292,985
2014	1,147,434	7.8	1,121,252	730,183	65.1	10,551
2013	1,064,293	39.8	990,445	708,843	71.6	(67,367)
2012	761,541	59.5	681,977	448,494	65.8	(35,957)
2011	477,418	13.1	455,894	303,871	66.7	(58,263)
2010	422,218	(13.7)	446,613	462,126	103.5	(218,189)
2009	489,074	(34.7)	540,683	286,211	52.9	25,685
2008	748,762	(25.2)	817,820	443,504	54.2	71,086
2007	1,001,301	(20.2)	1,071,125	848,284	79.2	(144,525)
2006	1,255,537	(14.5)	1,320,411	797,057	60.4	72,418

## Individual Pools Calendar Year Operating Results

Quarterly Comparison for Calendar Year 2015; Annual Comparison for Calendar Years 2015 and 2014 (\$000s)

### Exhibit M

#### National Workers' Compensation Reinsurance Pooling Mechanism\*

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2015	238,342	118,842	49.9	41,340
2nd Quarter 2015	239,952	162,372	67.7	(560)
3rd Quarter 2015	230,785	(66,292)	(28.7)	211,238
4th Quarter 2015	243,454	169,943	69.8	78
Calendar Year 2015	952,533	384,865	40.4	252,096
Calendar Year 2014	914,472	612,011	66.9	(7,687)

\* 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 2015	28,236	34,480	122.1	(16,168)
2nd Quarter 2015	27,752	26,051	93.9	(7,715)
3rd Quarter 2015	30,526	6,635	21.7	13,366
4th Quarter 2015	31,115	16,220	52.1	4,689
Calendar Year 2015	117,629	83,386	70.9	(5,828)
Calendar Year 2014	101,466	88,537	87.3	(22,317)

### Exhibit O

#### Michigan Workers' Compensation Placement Facility

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2015	14,521	3,139	21.6	7,028
2nd Quarter 2015	18,514	6,815	36.8	4,613
3rd Quarter 2015	19,309	(484)	(2.5)	13,312
4th Quarter 2015	21,533	6,140	28.5	9,055
Calendar Year 2015	73,877	15,610	21.1	34,008
Calendar Year 2014	86,715	24,565	28.3	35,271

### Exhibit P

#### New Mexico Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2015	4,424	4,575	103.4	(2,070)
2nd Quarter 2015	3,949	(422)	(10.7)	2,592
3rd Quarter 2015	4,319	(7,047)	(163.2)	9,576
4th Quarter 2015	4,490	(40)	(0.9)	2,609
Calendar Year 2015	17,182	(2,934)	(17.1)	12,707
Calendar Year 2014	18,599	5,072	27.3	5,284

## Premium Volume and True Growth

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

NCCI's latest projections of adjusted premium volume changes indicate a 2% decrease from Policy Year 2014 to Policy Year 2015. This amount differs from the minimal increase in pool premium volume shown in Exhibit A due to the adjustments described above. This small decrease signals that the recent repopulation cycle appears to have ended for most states in the pool.

## 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 reserve recommendations for the reinsurance pools serviced by NCCI. These recommendations are then reviewed by the applicable Pool Board and/or Pool Administrators for final acceptance.

In 2015, NCCI updated the pool reserving tail factor methodology based on staff's research recommendations, releasing approximately \$265 million in reserves, mostly for the older policy years.

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

The Policy Year 2015 combined ratio estimate for "All Pools" serviced by NCCI is 106%, which is slightly above the current estimate of Policy Year 2014 (see Exhibit C).

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

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

## Comparison of Operating Expenses for Calendar Years 2015, 2014, and 2013

Calendar Year 2015 operating expenses were \$387 million compared with \$381 million in Calendar Year 2014 and \$349 million in Calendar Year 2013. As a percentage of premiums written, the expenses were 33% for all three calendar years. The largest component of the operating expenses is the servicing carrier allowance, which accounts for approximately 78% of these expenses in Calendar Year 2015.

The servicing carrier allowance in 2015 was \$303 million compared with \$296 million in 2014 and \$274 million in 2013. This increase is due to a 2% increase in written premiums in 2015. Producer fees for Calendar Years 2015, 2014, and 2013 were \$43 million, \$43 million, and \$38 million, respectively. Other expenses, which include servicing carrier indemnification expenses, collection costs, and other reimbursable expenses, decreased to \$27 million compared with \$29 million in 2014 and \$24 million in 2013.

The decrease in Calendar Year 2015 "other expenses" is due to a decrease in taxes and assessments that were reimbursed directly to servicing carriers. Administrative expenses were \$13 million for Calendar Years 2015, 2014, and 2013.



Exhibit Q

## Comparison of Residual Market Written Premium to Total Direct Written Premium

Calendar Years 2015 and 2014

Preliminary 2015						Final 2014				
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	349,379,434	8,403,665	5,680,655	14,084,320	4.0	331,234,812	9,270,860	5,545,101	14,815,961	4.5
AK	281,738,408	37,249,378	1,958,136	39,207,514	13.9	283,324,093	42,867,295	1,882,490	44,749,785	15.8
AZ	841,693,272	53,181,538	—	53,181,538	6.3	818,076,176	57,221,039	—	57,221,039	7.0
AR	259,624,423	26,178,334	—	26,178,334	10.1	253,634,160	26,409,935	—	26,409,935	10.4
CT	892,280,634	40,258,766	14,155,252	54,414,018	6.1	868,248,815	41,749,644	15,743,581	57,493,225	6.6
DC	198,169,882	9,248,140	—	9,248,140	4.7	158,452,638	10,348,652	—	10,348,652	6.5
GA	1,446,664,654	75,231,807	20,219,074	95,450,881	6.6	1,348,559,806	66,843,484	21,979,550	88,823,034	6.6
ID	368,128,466	2,219,710	—	2,219,710	0.6	342,901,359	2,096,473	906	2,097,379	0.6
IL	2,826,687,406	130,305,537	—	130,305,537	4.6	2,753,625,637	139,703,414	—	139,703,414	5.1
IA	770,149,925	38,616,325	7,191,436	45,807,761	5.9	748,622,341	42,049,633	5,802,827	47,852,460	6.4
KS	473,901,594	40,464,849	—	40,464,849	8.5	492,644,364	51,034,542	—	51,034,542	10.4
NV	364,125,637	26,219,722	—	26,219,722	7.2	344,269,263	30,459,987	—	30,459,987	8.8
NH	265,034,622	24,823,278	4,171,370	28,994,648	10.9	271,488,000	24,413,521	5,283,060	29,696,581	10.9
NM	296,100,834	17,895,156	—	17,895,156	6.0	291,388,656	20,400,517	—	20,400,517	7.0
OR	678,681,723	46,043,116	—	46,043,116	6.8	664,455,972	44,593,035	—	44,593,035	6.7
SC	729,091,043	28,984,540	11,310,612	40,295,152	5.5	701,686,782	28,639,297	12,283,701	40,922,998	5.8
SD	180,815,573	11,480,424	—	11,480,424	6.3	176,184,233	11,952,380	—	11,952,380	6.8
VT	196,611,313	18,823,031	2,995,823	21,818,854	11.1	185,193,240	17,003,069	3,451,954	20,455,023	11.0
VA	981,402,206	60,845,950	17,704,245	78,550,195	8.0	925,674,857	55,169,859	15,913,557	71,083,416	7.7
WV	323,085,635	17,048,646	—	17,048,646	5.3	318,516,220	19,014,183	—	19,014,183	6.0
<b>Sub-Totals<sup>1</sup></b>	<b>12,723,366,684</b>	<b>713,521,912</b>	<b>85,386,603</b>	<b>798,908,515</b>	<b>6.3</b>	<b>12,278,181,424</b>	<b>741,240,821</b>	<b>87,886,727</b>	<b>829,127,548</b>	<b>6.8</b>
DE	197,234,240	16,800,585	6,383,940	23,184,525	11.8	187,540,940	15,964,503	5,761,752	21,726,255	11.6
MA	1,150,611,409	123,767,412	134,266,760	258,034,172	22.4	1,081,253,288	111,892,407	122,495,604	234,388,011	21.7
MI	1,197,084,871	78,570,403	—	78,570,403	6.6	1,194,277,917	91,514,222	—	91,514,222	7.7
NJ	2,434,551,512	210,983,942	88,882,194	299,866,136	12.3	2,385,004,870	186,245,786	83,685,372	269,931,158	11.3
NC	1,487,632,102	64,292,467	20,106,128	84,398,595	5.7	1,430,888,609	62,118,817	19,917,115	82,035,932	5.7
<b>Grand Totals</b>	<b>19,190,480,818</b>	<b>1,207,936,721</b>	<b>335,025,625</b>	<b>1,542,962,346</b>	<b>8.0</b>	<b>18,557,147,048</b>	<b>1,208,976,555</b>	<b>319,746,570</b>	<b>1,528,723,125</b>	<b>8.2</b>

<sup>1</sup> Subtotals in this chart represent the results for NCCI Plan-administered states.

## Residual Market Share

### Residual Market Written Premium as a Percentage of Total Direct Written Premium Calendar Years 2011–2015

State	2015 <sup>1</sup> (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)
Alabama	4.0	4.5	4.3	3.6	2.9
Alaska	13.9	15.8	15.3	13.7	12.7
Arizona	6.3	7.0	6.6	4.3	2.2
Arkansas	10.1	10.4	10.1	8.5	5.4
Connecticut	6.1	6.6	6.5	5.1	3.8
District of Columbia	4.7	6.5	6.2	5.7	4.1
Georgia	6.6	6.6	5.5	5.0	5.1
Idaho	0.6	0.6	0.6	0.7	0.6
Illinois	4.6	5.1	5.3	4.3	2.7
Iowa	5.9	6.4	6.3	5.0	4.1
Kansas	8.5	10.4	10.7	9.0	6.9
Nevada	7.2	8.8	9.5	7.4	5.8
New Hampshire	10.9	10.9	10.3	8.1	6.7
New Mexico	6.0	7.0	5.6	3.7	3.0
Oregon	6.8	6.7	6.8	5.0	3.7
South Carolina	5.5	5.8	5.6	4.4	3.4
South Dakota	6.3	6.8	6.3	5.4	4.8
Vermont	11.1	11.0	11.1	8.5	6.8
Virginia	8.0	7.7	7.1	6.1	4.7
West Virginia	5.3	6.0	5.4	4.3	2.7
<b>Subtotals<sup>2</sup></b>	<b>6.3</b>	<b>6.8</b>	<b>6.6</b>	<b>5.3</b>	<b>4.0</b>
Delaware	11.8	11.6	16.0	12.0	8.6
Massachusetts	22.4	21.7	19.9	18.0	13.9
Michigan	6.6	7.7	6.8	6.1	5.2
New Jersey	12.3	11.3	12.0	8.9	6.7
North Carolina	5.7	5.7	5.3	4.3	3.5
<b>Grand Totals</b>	<b>8.0</b>	<b>8.2</b>	<b>8.0</b>	<b>6.5</b>	<b>5.0</b>

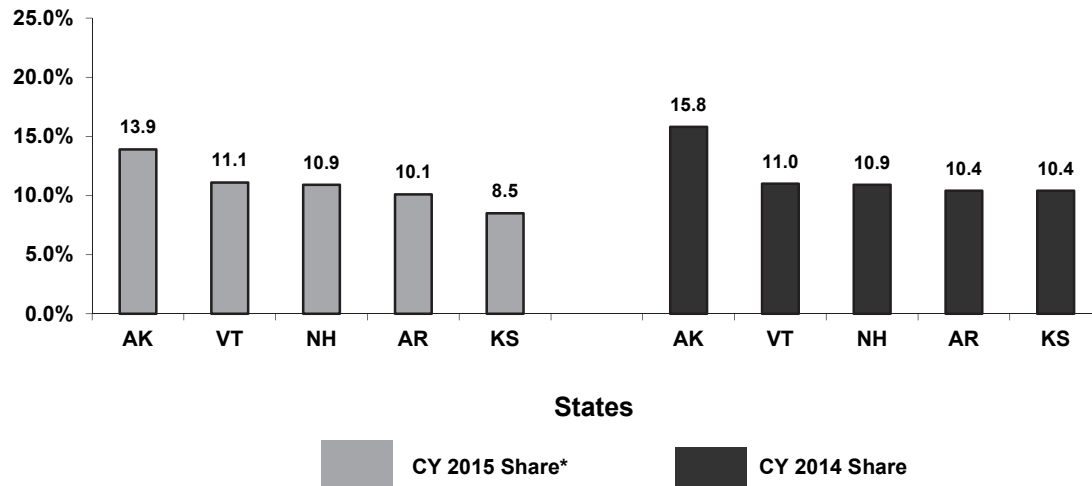
<sup>1</sup> 2015 Preliminary.

<sup>2</sup> Subtotals in this chart represent NCCI Plan-administered states.

## NCCI Plan-Administered States With Highest Residual Market Share

### Calendar Years 2015 and 2014

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

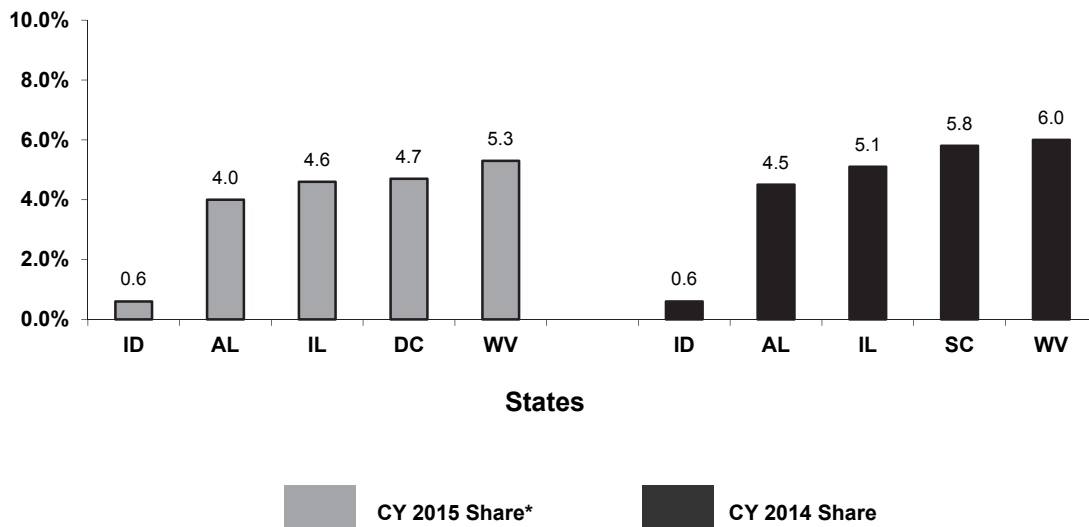


\* Preliminary

## NCCI Plan-Administered States With Lowest Residual Market Share

### Calendar Years 2015 and 2014

*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 2013–2015** (excluding results for states in which only federal or extraordinary coverage is reinsured)

State	Net Underwriting Gain/(Loss) by Calendar Year		
	2015 (\$)	2014 (\$)	2013 (\$)
Alabama	23,240,880	4,647,088	161,808
Alaska	13,722,795	(1,844,245)	3,543,215
Arizona	4,959,421	(13,242,028)	(4,259,341)
Arkansas	9,476,323	5,402,809	(6,183,642)
Connecticut	15,233,047	(2,933,330)	(10,433,235)
Delaware	(1,476,363)	(10,746,066)	(11,314,453)
District of Columbia	8,391,228	937,344	4,666,520
Georgia	(4,240,395)	(9,058,719)	1,929,415
Idaho	4,285	324,161	148,541
Illinois	(17,024,255)	(11,040,048)	(3,611,015)
Iowa	2,558,178	13,082,533	(5,902,609)
Kansas	35,899,901	23,337,931	14,215,847
Massachusetts	9,679,573	(19,348,762)	(4,007,400)
Michigan	35,297,116	34,807,459	12,493,336
Nevada	5,034,478	1,839,286	(4,743,921)
New Hampshire	18,786,431	11,121,211	9,458,292
New Jersey	(21,404,862)	(49,026,213)	(40,288,174)
New Mexico	12,706,528	5,282,726	(4,137,450)
North Carolina	8,079,184	5,676,139	(2,091,069)
Oregon	(5,165,739)	10,253,552	4,593,399
South Carolina <sup>1</sup>	(1,387,670)	3,728,473	(337,807)
South Dakota	3,699,933	822,248	1,556,355
Tennessee <sup>2</sup>	2,387,418	(3,145,259)	(1,285,478)
Vermont	8,555,569	5,513,206	2,459,943
Virginia	3,364,201	5,361,058	(12,077,005)
West Virginia	3,074,623	3,526,390	885,265
<b>Subtotals</b>	<b>173,451,827</b>	<b>15,278,945</b>	<b>(54,560,663)</b>
<b>Runoff States:</b>			
Florida <sup>3</sup>	34,281,572	11,735,753	7,473,216
Hawaii <sup>4</sup>	7,564,177	(3,264,789)	(249,272)
Indiana <sup>5</sup>	4,223,583	547,383	250,565
Kentucky <sup>6</sup>	33,040,639	(15,050,111)	(22,089,028)
Louisiana <sup>7</sup>	(981,717)	2,130,856	(162,138)
Maine <sup>8</sup>	23,475,950	(2,164,525)	(1,630,833)
Mississippi <sup>8</sup>	4,988,609	606,894	(66,243)
Missouri <sup>9</sup>	(4,267,391)	(2,393,785)	(2,501,089)
Nebraska <sup>10</sup>	1,566,564	2,121,578	(874,328)
Rhode Island <sup>8</sup>	12,379,679	106,858	4,158,698
<b>Totals</b>	<b>289,723,494</b>	<b>9,655,055</b>	<b>(70,251,115)</b>

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

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

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

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

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

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

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

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

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

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

Exhibit T

## Comparative Number of Residual Market Policies

Policy Years 2015 and 2014\*

State	2015 Policies	2014 Policies	Number Change	Percent Change (%)
Alabama	1,600	1,682	(82)	(4.9)
Alaska	7,942	8,189	(247)	(3.0)
Arizona	6,065	5,116	949	18.5
Arkansas	6,754	6,425	329	5.1
Connecticut	14,367	13,472	895	6.6
District of Columbia	1,407	1,318	89	6.8
Georgia	19,679	18,475	1,204	6.5
Idaho	721	592	129	21.8
Illinois	33,414	30,908	2,506	8.1
Iowa	4,665	4,795	(130)	(2.7)
Kansas	8,914	9,197	(283)	(3.1)
Mississippi	2,690	2,739	(49)	(1.8)
Nevada	4,698	4,927	(229)	(4.6)
New Hampshire	5,774	5,660	114	2.0
New Mexico	2,923	3,018	(95)	(3.1)
Oregon	9,383	9,246	137	1.5
South Carolina	11,690	11,136	554	5.0
South Dakota	1,762	1,769	(7)	(0.4)
Tennessee**	5,927	—	—	—
Vermont	4,116	3,883	233	6.0
Virginia	15,719	15,227	492	3.2
West Virginia	2,520	2,482	38	1.5
<b>Subtotal</b>	<b>172,730</b>	<b>160,256</b>	<b>12,474</b>	<b>7.8</b>
<b>Other Pool States</b>				
Delaware	2,507	2,525	(18)	(0.7)
Indiana	9,052	8,919	133	1.5
New Jersey	39,248	36,400	2,848	7.8
North Carolina	23,615	22,822	793	3.5
<b>Subtotal</b>	<b>74,422</b>	<b>70,666</b>	<b>3,756</b>	<b>5.3</b>
<b>Grand Totals</b>	<b>247,152</b>	<b>230,922</b>	<b>16,230</b>	<b>7.0</b>

\* 2014 figures have been restated to account for additional data available since the publication of the 2014 **Residual Market Management Summary**.

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

Exhibit U

## Residual Market Premium Size Profile

### Policy Year 2015\*

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	175,815	71.1	170,525,851	14.8	970
2,500– 4,999	29,015	11.7	103,164,738	8.9	3,556
5,000– 9,999	20,844	8.4	146,099,452	12.6	7,009
10,000– 19,999	11,564	4.7	159,911,887	13.8	13,828
20,000– 49,999	6,769	2.7	205,171,657	17.8	30,310
50,000– 99,999	1,991	0.8	136,242,967	11.8	68,429
100,000–199,999	826	0.3	112,258,676	9.7	135,906
200,000+	328	0.1	122,290,860	10.6	372,838
<b>Totals</b>	<b>247,152</b>	<b>100.0</b>	<b>1,155,666,088</b>	<b>100.0</b>	<b>4,676</b>

\* 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 2015

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 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,003	62.7	1,226,232	10.8	1,222
2,500– 4,999	202	12.6	710,797	6.2	3,518
5,000– 9,999	154	9.6	1,057,375	9.3	6,866
10,000– 19,999	119	7.4	1,622,883	14.2	13,637
20,000– 49,999	72	4.5	2,200,781	19.3	30,566
50,000– 99,999	35	2.2	2,218,827	19.5	63,395
100,000–199,999	11	0.7	1,437,856	12.6	130,714
200,000+	4	0.3	919,238	8.1	229,809
<b>Totals</b>	<b>1,600</b>	<b>100.0</b>	<b>11,393,989</b>	<b>100.0</b>	<b>7,121</b>



## Premium Size Profiles by State (Cont'd)

### Alaska Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,099	64.2	4,631,158	13.3	908
2,500– 4,999	1,247	15.7	4,378,444	12.6	3,511
5,000– 9,999	834	10.5	5,840,905	16.8	7,003
10,000– 19,999	470	5.9	6,427,736	18.5	13,676
20,000– 49,999	220	2.8	6,518,970	18.7	29,631
50,000– 99,999	54	0.7	3,692,777	10.6	68,384
100,000–199,999	10	0.1	1,378,247	4.0	137,824
200,000+	8	0.1	1,931,480	5.6	241,435
<b>Totals</b>	<b>7,942</b>	<b>100.0</b>	<b>34,799,717</b>	<b>100.0</b>	<b>4,382</b>

### Arizona Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,861	47.2	3,138,834	6.3	1,097
2,500– 4,999	1,134	18.7	4,093,533	8.2	3,609
5,000– 9,999	878	14.5	6,298,233	12.5	7,173
10,000– 19,999	626	10.3	8,811,928	17.5	14,076
20,000– 49,999	407	6.7	12,326,770	24.5	30,286
50,000– 99,999	109	1.8	7,435,248	14.8	68,213
100,000–199,999	39	0.6	5,277,861	10.5	135,329
200,000+	11	0.2	2,865,654	5.7	260,514
<b>Totals</b>	<b>6,065</b>	<b>100.0</b>	<b>50,248,061</b>	<b>100.0</b>	<b>8,285</b>

### Arkansas Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,866	72.1	4,993,703	20.8	1,026
2,500– 4,999	895	13.3	3,170,217	13.2	3,542
5,000– 9,999	542	8.0	3,764,471	15.7	6,945
10,000– 19,999	265	3.9	3,585,185	14.9	13,529
20,000– 49,999	138	2.0	4,105,530	17.1	29,750
50,000– 99,999	34	0.5	2,294,311	9.5	67,479
100,000–199,999	12	0.2	1,530,866	6.4	127,572
200,000+	2	0.0	596,624	2.5	298,312
<b>Totals</b>	<b>6,754</b>	<b>100.0</b>	<b>24,040,907</b>	<b>100.0</b>	<b>3,560</b>

## Premium Size Profiles by State (Cont'd)

### Connecticut Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	11,594	80.7	11,730,791	21.4	1,011
2,500– 4,999	1,113	7.8	3,899,487	7.1	3,503
5,000– 9,999	806	5.6	5,609,430	10.2	6,959
10,000– 19,999	435	3.0	6,072,152	11.1	13,958
20,000– 49,999	253	1.8	7,783,103	14.2	30,763
50,000– 99,999	96	0.7	6,505,913	11.9	67,769
100,000–199,999	50	0.4	6,782,962	12.4	135,659
200,000+	20	0.1	6,458,798	11.8	322,939
<b>Totals</b>	<b>14,367</b>	<b>100.0</b>	<b>54,842,636</b>	<b>100.0</b>	<b>3,817</b>

### Delaware Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,359	54.2	1,824,165	8.0	1,342
2,500– 4,999	476	19.0	1,707,185	7.5	3,587
5,000– 9,999	310	12.4	2,108,018	9.2	6,800
10,000– 19,999	163	6.5	2,220,705	9.7	13,624
20,000– 49,999	109	4.3	3,357,973	14.7	30,807
50,000– 99,999	55	2.2	3,967,747	17.3	72,141
100,000–199,999	24	1.0	3,562,630	15.6	148,443
200,000+	11	0.4	4,133,559	18.1	375,778
<b>Totals</b>	<b>2,507</b>	<b>100.0</b>	<b>22,881,982</b>	<b>100.0</b>	<b>9,127</b>

### District of Columbia Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	977	69.4	788,917	10.3	807
2,500– 4,999	164	11.7	591,198	7.7	3,604
5,000– 9,999	112	8.0	828,542	10.8	7,397
10,000– 19,999	66	4.7	903,932	11.8	13,695
20,000– 49,999	62	4.4	1,868,592	24.4	30,138
50,000– 99,999	18	1.3	1,340,899	17.5	74,494
100,000–199,999	7	0.5	1,003,460	13.1	143,351
200,000+	1	0.1	344,102	4.5	344,102
<b>Totals</b>	<b>1,407</b>	<b>100.0</b>	<b>7,669,642</b>	<b>100.0</b>	<b>5,451</b>

### Georgia Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	15,753	80.1	18,401,147	28.9	1,168
2,500– 4,999	1,692	8.6	5,899,011	9.3	3,486
5,000– 9,999	1,164	5.9	8,148,514	12.8	7,000
10,000– 19,999	609	3.1	8,382,548	13.2	13,764
20,000– 49,999	345	1.8	10,500,413	16.5	30,435
50,000– 99,999	74	0.4	4,807,970	7.6	64,972
100,000–199,999	30	0.2	3,756,466	5.9	125,215
200,000+	12	0.1	3,700,070	5.8	308,339
<b>Totals</b>	<b>19,679</b>	<b>100.0</b>	<b>63,596,139</b>	<b>100.0</b>	<b>3,232</b>

## Premium Size Profiles by State (Cont'd)

### Idaho Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	584	81.0	318,544	17.2	545
2,500– 4,999	54	7.5	196,904	10.7	3,646
5,000– 9,999	42	5.8	281,814	15.3	6,709
10,000– 19,999	25	3.5	372,014	20.1	14,880
20,000– 49,999	13	1.8	419,527	22.7	32,271
50,000– 99,999	1	0.1	56,118	3.0	56,118
100,000–199,999	2	0.3	202,524	11.0	101,262
200,000+	0	0.0	0	0.0	0
<b>Totals</b>	<b>721</b>	<b>100.0</b>	<b>1,847,445</b>	<b>100.0</b>	<b>2,562</b>

### Illinois Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	27,180	81.3	22,853,052	20.2	840
2,500– 4,999	2,537	7.6	9,053,624	8.0	3,568
5,000– 9,999	1,699	5.1	11,964,160	10.6	7,041
10,000– 19,999	1,057	3.2	14,611,909	12.9	13,823
20,000– 49,999	649	1.9	19,627,154	17.4	30,242
50,000– 99,999	175	0.5	12,075,250	10.7	69,001
100,000–199,999	89	0.3	12,400,280	11.0	139,328
200,000+	28	0.1	10,449,538	9.2	373,197
<b>Totals</b>	<b>33,414</b>	<b>100.0</b>	<b>113,034,967</b>	<b>100.0</b>	<b>3,383</b>

### Indiana Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,655	62.5	6,612,612	11.2	1,169
2,500– 4,999	1,249	13.8	4,419,721	7.5	3,538
5,000– 9,999	937	10.4	6,574,254	11.1	7,016
10,000– 19,999	566	6.3	8,010,119	13.5	14,152
20,000– 49,999	436	4.8	13,504,688	22.8	30,974
50,000– 99,999	144	1.6	10,063,155	17.0	69,883
100,000–199,999	52	0.6	6,518,012	11.0	125,346
200,000+	13	0.1	3,458,809	5.9	266,062
<b>Totals</b>	<b>9,052</b>	<b>100.0</b>	<b>59,161,370</b>	<b>100.0</b>	<b>6,536</b>

### Iowa Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,477	53.1	2,187,045	5.2	882
2,500– 4,999	785	16.8	2,849,011	6.8	3,629
5,000– 9,999	586	12.6	4,214,008	10.0	7,191
10,000– 19,999	406	8.7	5,656,754	13.4	13,932
20,000– 49,999	259	5.6	8,019,533	19.0	30,963
50,000– 99,999	91	2.0	6,273,901	14.9	68,943
100,000–199,999	43	0.9	5,862,072	13.9	136,327
200,000+	18	0.4	7,072,782	16.8	392,932
<b>Totals</b>	<b>4,665</b>	<b>100.0</b>	<b>42,135,106</b>	<b>100.0</b>	<b>9,032</b>

## Premium Size Profiles by State (Cont'd)

### Kansas Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,250	70.1	5,552,821	16.5	888
2,500– 4,999	1,295	14.5	4,569,215	13.6	3,528
5,000– 9,999	792	8.9	5,540,921	16.4	6,996
10,000– 19,999	336	3.8	4,585,623	13.6	13,647
20,000– 49,999	161	1.8	4,965,718	14.7	30,842
50,000– 99,999	49	0.6	3,332,034	9.9	68,000
100,000–199,999	24	0.3	3,310,662	9.8	137,944
200,000+	7	0.1	1,870,609	5.6	267,229
<b>Totals</b>	<b>8,914</b>	<b>100.0</b>	<b>33,727,603</b>	<b>100.0</b>	<b>3,784</b>

### Mississippi Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,539	57.2	1,765,308	9.1	1,147
2,500– 4,999	405	15.1	1,459,112	7.5	3,602
5,000– 9,999	350	13.0	2,484,301	12.8	7,098
10,000– 19,999	207	7.7	2,923,701	15.1	14,124
20,000– 49,999	125	4.7	3,896,054	20.1	31,168
50,000– 99,999	38	1.4	2,621,013	13.5	68,974
100,000–199,999	20	0.7	2,877,041	14.8	143,852
200,000+	6	0.2	1,378,500	7.1	229,750
<b>Totals</b>	<b>2,690</b>	<b>100.0</b>	<b>19,405,030</b>	<b>100.0</b>	<b>7,214</b>

### Nevada Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,241	69.0	3,059,352	14.1	943
2,500– 4,999	633	13.5	2,280,160	10.5	3,602
5,000– 9,999	388	8.3	2,782,833	12.8	7,172
10,000– 19,999	248	5.3	3,415,087	15.7	13,770
20,000– 49,999	131	2.8	3,878,425	17.9	29,606
50,000– 99,999	33	0.7	2,267,094	10.5	68,699
100,000–199,999	17	0.4	2,312,324	10.7	136,019
200,000+	7	0.2	1,708,236	7.9	244,033
<b>Totals</b>	<b>4,698</b>	<b>100.0</b>	<b>21,703,511</b>	<b>100.0</b>	<b>4,620</b>

### New Hampshire Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,057	70.3	3,670,462	13.5	904
2,500– 4,999	690	12.0	2,461,668	9.1	3,567
5,000– 9,999	490	8.5	3,444,103	12.7	7,028
10,000– 19,999	308	5.3	4,286,182	15.8	13,916
20,000– 49,999	151	2.6	4,516,077	16.6	29,907
50,000– 99,999	50	0.9	3,386,081	12.5	67,721
100,000–199,999	20	0.4	2,608,462	9.6	130,423
200,000+	8	0.1	2,805,248	10.3	350,656
<b>Totals</b>	<b>5,774</b>	<b>100.0</b>	<b>27,178,283</b>	<b>100.0</b>	<b>4,707</b>

## Premium Size Profiles by State (Cont'd)

### New Jersey Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	24,794	63.2	19,309,898	7.5	779
2,500– 4,999	5,219	13.3	18,675,711	7.2	3,578
5,000– 9,999	4,655	11.9	32,597,685	12.6	7,003
10,000– 19,999	2,351	6.0	32,354,607	12.5	13,762
20,000– 49,999	1,457	3.7	43,788,807	16.9	30,054
50,000– 99,999	463	1.2	31,362,107	12.1	67,737
100,000–199,999	199	0.5	27,184,100	10.5	136,604
200,000+	110	0.3	53,076,285	20.5	482,512
<b>Totals</b>	<b>39,248</b>	<b>100.0</b>	<b>258,349,200</b>	<b>100.0</b>	<b>6,582</b>

### New Mexico Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,229	76.3	1,789,922	14.2	803
2,500– 4,999	247	8.5	872,273	6.9	3,531
5,000– 9,999	196	6.7	1,391,856	11.0	7,101
10,000– 19,999	130	4.5	1,775,863	14.0	13,660
20,000– 49,999	78	2.7	2,278,909	18.0	29,216
50,000– 99,999	28	1.0	1,926,733	15.2	68,811
100,000–199,999	12	0.4	1,729,182	13.7	144,098
200,000+	3	0.1	884,253	7.0	294,751
<b>Totals</b>	<b>2,923</b>	<b>100.0</b>	<b>12,648,991</b>	<b>100.0</b>	<b>4,327</b>

### North Carolina Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	18,195	77.0	23,615,324	31.2	1,298
2,500– 4,999	2,609	11.0	9,316,532	12.3	3,571
5,000– 9,999	1,611	6.8	11,158,397	14.7	6,926
10,000– 19,999	755	3.2	10,438,863	13.8	13,826
20,000– 49,999	337	1.4	10,116,199	13.4	30,018
50,000– 99,999	73	0.3	5,032,729	6.7	68,941
100,000–199,999	28	0.1	3,860,413	5.1	137,872
200,000+	7	0.0	2,113,799	2.8	301,971
<b>Totals</b>	<b>23,615</b>	<b>100.0</b>	<b>75,652,256</b>	<b>100.0</b>	<b>3,204</b>

### Oregon Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,618	70.5	4,458,857	10.3	673
2,500– 4,999	1,129	12.0	3,985,152	9.2	3,529
5,000– 9,999	738	7.9	5,171,682	12.0	7,007
10,000– 19,999	471	5.0	6,536,409	15.1	13,877
20,000– 49,999	306	3.3	9,392,514	21.7	30,694
50,000– 99,999	84	0.9	5,691,856	13.2	67,760
100,000–199,999	24	0.3	3,257,093	7.5	135,712
200,000+	13	0.1	4,785,538	11.1	368,118
<b>Totals</b>	<b>9,383</b>	<b>100.0</b>	<b>43,279,101</b>	<b>100.0</b>	<b>4,613</b>

## Premium Size Profiles by State (Cont'd)

### South Carolina Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	9,637	82.4	9,385,500	28.6	973
2,500– 4,999	920	7.9	3,235,940	9.9	3,517
5,000– 9,999	602	5.2	4,144,019	12.7	6,883
10,000– 19,999	296	2.5	4,068,775	12.4	13,745
20,000– 49,999	172	1.5	5,113,544	15.6	29,729
50,000– 99,999	42	0.4	2,998,796	9.2	71,399
100,000–199,999	16	0.1	2,353,574	7.2	147,098
200,000+	5	0.0	1,466,636	4.5	293,327
<b>Totals</b>	<b>11,690</b>	<b>100.0</b>	<b>32,766,784</b>	<b>100.0</b>	<b>2,803</b>

### South Dakota Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,008	57.2	1,177,858	11.5	1,168
2,500– 4,999	290	16.5	1,033,520	10.1	3,563
5,000– 9,999	231	13.1	1,642,290	16.0	7,109
10,000– 19,999	130	7.4	1,802,846	17.6	13,868
20,000– 49,999	80	4.5	2,385,285	23.2	29,816
50,000– 99,999	16	0.9	1,102,027	10.7	68,876
100,000–199,999	5	0.3	720,238	7.0	144,047
200,000+	2	0.1	410,841	4.0	205,420
<b>Totals</b>	<b>1,762</b>	<b>100.0</b>	<b>10,274,905</b>	<b>100.0</b>	<b>5,831</b>

### Tennessee Premium Size Profile—Policy Year 2015\*\*

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,969	67.0	3,498,079	11.6	881
2,500– 4,999	824	13.9	2,938,892	9.7	3,566
5,000– 9,999	534	9.0	3,739,789	12.4	7,003
10,000– 19,999	315	5.3	4,408,760	14.6	13,996
20,000– 49,999	190	3.2	5,863,798	19.4	30,862
50,000– 99,999	59	1.0	3,969,223	13.2	67,274
100,000–199,999	29	0.5	3,871,888	12.8	133,513
200,000+	7	0.1	1,895,933	6.3	270,847
<b>Totals</b>	<b>5,927</b>	<b>100.0</b>	<b>30,186,362</b>	<b>100.0</b>	<b>5,093</b>

\*\*Tennessee state profile policies and premium represent policies effective on or after July 1, 2015, when NCCI was named Tennessee Plan Administrator.

### Vermont Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,737	66.5	2,646,192	13.0	966
2,500– 4,999	540	13.1	1,927,857	9.5	3,570
5,000– 9,999	398	9.7	2,745,458	13.5	6,898
10,000– 19,999	248	6.0	3,438,969	16.9	13,866
20,000– 49,999	139	3.4	4,328,464	21.2	31,140
50,000– 99,999	38	0.9	2,604,515	12.8	68,539
100,000–199,999	13	0.3	1,835,718	9.0	141,209
200,000+	3	0.1	879,703	4.3	293,234
<b>Totals</b>	<b>4,116</b>	<b>100.0</b>	<b>20,406,876</b>	<b>100.0</b>	<b>4,958</b>

## Premium Size Profiles by State (Cont'd)

### Virginia Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,865	69.1	10,591,304	15.6	974
2,500– 4,999	2,153	13.7	7,642,572	11.3	3,549
5,000– 9,999	1,426	9.1	10,031,731	14.8	7,034
10,000– 19,999	759	4.8	10,379,581	15.3	13,675
20,000– 49,999	353	2.3	10,564,857	15.6	29,928
50,000– 99,999	103	0.7	7,014,831	10.3	68,105
100,000–199,999	43	0.3	5,721,833	8.4	133,065
200,000+	17	0.1	5,867,747	8.7	345,161
<b>Totals</b>	<b>15,719</b>	<b>100.0</b>	<b>67,814,456</b>	<b>100.0</b>	<b>4,314</b>

### West Virginia Premium Size Profile—Policy Year 2015

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,268	50.3	1,298,774	7.8	1,024
2,500– 4,999	513	20.4	1,797,002	10.8	3,502
5,000– 9,999	369	14.6	2,534,663	15.3	6,869
10,000– 19,999	203	8.1	2,818,756	17.0	13,885
20,000– 49,999	126	5.0	3,849,972	23.2	30,555
50,000– 99,999	29	1.2	2,201,812	13.3	75,924
100,000–199,999	7	0.3	902,912	5.4	128,987
200,000+	5	0.2	1,216,878	7.3	243,375
<b>Totals</b>	<b>2,520</b>	<b>100.0</b>	<b>16,620,769</b>	<b>100.0</b>	<b>6,596</b>

Exhibit V

## Classifications With Largest Premium Volume

### Policy Year 2015\*

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

Classification Code	Premium Amount (\$)	Classification Description
5645	48,590,088	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
7228	30,940,386	Trucking—Local Hauling Only—& Drivers
5551	28,973,966	Roofing—All Kinds & Drivers
7229	24,254,816	Trucking—Long Distance Hauling & Drivers
5474	18,834,709	Painting NOC & Shop Operations Drivers
9014	17,525,254	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
8835	15,566,247	Nursing—Home Health Public and Traveling—All Employees
5437	15,190,258	Carpentry—Installation of Cabinet Work or Interior Trim
5403	13,705,643	Carpentry NOC
8380	12,311,882	Automobile Service or Repair Center & Drivers

NOC = Not Otherwise Classified

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

Exhibit W

## Classifications With Largest Policy Count

### Policy Year 2015\*

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

Classification Code	Policy Count	Classification Description
5645	15,246	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5437	9,646	Carpentry—Installation of Cabinet Work or Interior Trim
5474	8,823	Painting NOC & Shop Operations, Drivers
7228	7,304	Trucking—Local Hauling Only—& Drivers
5551	5,319	Roofing—All Kinds & Drivers
9014	4,879	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5445	3,953	Wallboard Sheetrock Drywall Plasterboard or Cement Board Installation Within Buildings
5403	3,941	Carpentry NOC
5022	3,939	Masonry NOC
8810	3,781	Clerical Office Employees NOC

NOC = Not Otherwise Classified

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

Exhibit X

## Hazard Group Distribution

### Policy Year 2015

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 2015		Assigned Risk Plan 2015	
	Policy Count	Total Percent (%)	Policy Count	Total Percent (%)
A	94,070	8.7	3,735	2.1
B	178,210	16.4	10,824	6.0
C	359,195	33.1	36,156	20.0
D	141,876	13.1	14,514	8.0
E	187,514	17.3	48,764	26.9
F	107,770	9.9	57,473	31.8
G	10,587	1.0	9,499	5.2
Not Classified	5,789	0.5	8	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 2011–2015 (based on data reported to NCCI through December 31, 2015)

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

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

All results shown in this section are projected to an ultimate basis. Estimates of ultimate losses may change as losses emerge, impacting the overall operating results. These results can change on a statewide basis, particularly for the recent policy years. In fact, due to the immaturity of Policy Year 2015 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 2015 (Projected to Ultimate) (\$000s)

#### Alabama

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	8,172	63.8	5,214	381
2014	8,052	50.7	4,082	1,390
2013	8,702	50.0	4,351	1,432
2012	6,741	55.0	3,708	627
2011	3,719	55.1	2,049	51

#### Alaska

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	36,491	63.8	23,281	(51)
2014	40,272	60.8	24,485	1,188
2013	41,354	85.0	35,151	(9,454)
2012	35,110	46.0	16,151	5,116
2011	29,153	58.0	16,909	130

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

### Arizona

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	49,514	76.5	37,878	(6,090)
2014	52,254	76.0	39,713	(6,166)
2013	47,150	78.0	36,777	(6,742)
2012	27,337	69.0	18,863	(1,831)
2011	11,855	56.0	6,639	582

### Arkansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	25,971	78.8	20,465	(2,743)
2014	24,842	54.7	13,589	3,145
2013	24,214	67.0	16,223	(1,845)
2012	19,543	102.0	19,934	(8,502)
2011	13,463	50.0	6,732	610

### Connecticut

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	39,318	68.7	27,011	(1,152)
2014	40,969	65.8	26,958	201
2013	35,733	68.0	24,299	(1,272)
2012	26,788	90.0	24,109	(8,967)
2011	16,330	85.0	13,881	(4,981)

### Delaware

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	16,288	137.3	22,363	(11,400)
2014	17,350	86.1	14,938	(3,253)
2013	22,039	100.0	22,039	(7,127)
2012	15,366	130.0	19,976	(9,900)
2011	10,674	130.0	13,877	(7,311)

## 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) (\$)
2015	8,573	49.0	4,201	1,386
2014	9,942	60.8	6,045	335
2013	9,922	37.0	3,671	2,888
2012	7,430	42.0	3,121	1,513
2011	5,867	49.0	2,875	624

### Georgia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	62,207	80.4	50,014	(13,263)
2014	56,938	81.0	46,120	(12,754)
2013	48,217	89.0	42,913	(16,635)
2012	32,836	86.0	28,239	(9,110)
2011	22,629	100.0	22,629	(11,445)

### Idaho

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	2,264	78.5	1,777	(452)
2014	1,877	60.8	1,141	(71)
2013	1,832	45.0	824	(12)
2012	1,668	38.0	634	118
2011	1,305	79.0	1,031	(549)

### Illinois

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	122,963	73.6	90,501	(6,849)
2014	131,300	70.9	93,092	(3,598)
2013	127,627	69.0	88,062	(2,450)
2012	106,483	83.0	88,381	(18,515)
2011	65,562	109.0	71,463	(31,518)

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

### Iowa

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	37,825	78.5	29,693	(2,039)
2014	41,592	60.8	25,288	5,291
2013	46,966	60.0	28,180	4,180
2012	33,235	78.0	25,923	(3,264)
2011	24,590	74.0	18,197	(2,175)

### Kansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	39,854	58.9	23,474	4,834
2014	48,780	58.7	28,634	4,151
2013	50,304	47.0	23,643	10,041
2012	40,330	47.0	18,955	8,547
2011	27,996	58.0	16,238	1,299

### Massachusetts

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	121,712	75.0	91,284	(15,662)
2014	112,958	77.0	86,978	(15,896)
2013	94,356	63.0	59,444	604
2012	80,163	79.0	63,329	(14,008)
2011	46,148	74.0	34,150	(6,887)

### Michigan

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	76,461	75.0	57,346	(3,861)
2014	80,580	70.0	56,406	(40)
2013	75,386	64.0	48,247	4,485
2012	63,954	48.0	30,698	13,425
2011	51,190	52.0	26,619	8,252

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

### Nevada

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	25,256	62.8	15,861	2,276
2014	30,458	63.8	19,432	1,544
2013	27,743	64.0	17,756	1,329
2012	22,089	63.0	13,916	1,187
2011	15,510	84.0	13,029	(3,720)

### New Hampshire

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	23,400	58.9	13,783	1,144
2014	24,580	60.8	14,945	981
2013	22,161	50.0	11,081	2,945
2012	16,601	38.0	6,308	4,288
2011	12,195	38.0	4,634	2,739

### New Jersey

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	188,046	77.5	145,736	(18,429)
2014	186,815	80.0	149,452	(22,997)
2013	166,184	81.0	134,609	(23,382)
2012	111,290	79.0	87,919	(14,766)
2011	37,160	84.0	31,214	(8,465)

### New Mexico

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	16,289	60.0	9,773	(412)
2014	18,532	47.0	8,710	2,159
2013	17,599	41.0	7,215	3,094
2012	10,091	37.0	3,734	1,377
2011	6,765	30.0	2,030	951

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

### North Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	59,436	58.9	35,008	7,120
2014	55,000	65.8	36,190	2,767
2013	56,917	66.0	37,565	6
2012	41,616	63.0	26,218	1,147
2011	26,706	83.0	22,166	(5,433)

### Oregon

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	46,000	64.7	29,762	(552)
2014	42,000	64.8	27,216	(340)
2013	40,206	64.0	25,732	(559)
2012	29,076	61.0	17,736	252
2011	22,952	64.0	14,689	(336)

### South Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	26,656	78.5	20,925	(5,169)
2014	27,882	70.9	19,768	(3,142)
2013	24,742	73.0	18,062	(4,298)
2012	17,290	68.0	11,757	(2,253)
2011	10,880	68.0	7,399	(2,361)

### South Dakota

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	11,490	68.7	7,894	(264)
2014	11,868	68.9	8,177	(237)
2013	10,004	76.0	7,603	(1,110)
2012	8,927	43.0	3,839	1,755
2011	6,726	29.0	1,950	2,169

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

### Tennessee\*

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	25,008	74.6	18,656	(2,151)
2014	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A

*\*Policies effective July 1, 2015, and subsequent.*

### Vermont

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	18,306	58.9	10,782	2,195
2014	17,401	55.7	9,692	2,730
2013	15,464	62.0	9,588	1,297
2012	11,844	60.0	7,106	564
2011	8,089	59.0	4,773	248

### Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	57,994	63.9	37,058	4,489
2014	54,665	66.9	36,571	1,777
2013	50,024	58.0	29,014	5,288
2012	36,700	74.0	27,158	(4,213)
2011	23,774	59.1	14,050	244

### West Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2015	17,035	68.8	11,720	954
2014	17,817	78.1	13,915	(1,204)
2013	17,386	52.6	9,145	3,371
2012	14,582	51.4	7,495	2,829
2011	10,231	71.4	7,305	(681)

## Available Residual Market Programs

As of June 1, 2016

State	ARAP	LSRP	Merit Rating	Differential/ Surcharge	Premium Discount	Take-Out Credit	Other Programs
AK				x		x	<ul style="list-style-type: none"> <li>Alaska Residual Market Safe Workplace Incentive Program</li> <li>Contracting Classification Premium Adjustment Program</li> </ul>
AL	x	x	x	x		x	<ul style="list-style-type: none"> <li>Drug-Free Workplace Premium Credit Program</li> </ul>
AR			x	x		x	<ul style="list-style-type: none"> <li>Tabular Adjustment Program</li> <li>Assigned Risk Alternate Preferred Plan</li> <li>Arkansas Alcohol- and Drug-Free Workplace Premium Credit</li> </ul>
AZ	x	x		x		x	<ul style="list-style-type: none"> <li>Arizona Alcohol- and Drug-Free Workplace Premium Credit</li> </ul>
CT	x	x		x	x <sup>1</sup>	x	<ul style="list-style-type: none"> <li>Contracting Classification Premium Adjustment Program</li> </ul>
DC	x	x		x		x	<ul style="list-style-type: none"> <li>Employer Safe Workplace Program</li> </ul>
GA		x	x	x		x	<ul style="list-style-type: none"> <li>Georgia Workers Compensation Assigned Risk Insurance Plan—Three Tier Rating Program</li> <li>Georgia Put-In Debit Program</li> <li>Drug-Free Workplace Premium Credit Program</li> <li>Work-Based Learning Program Premium Credit</li> </ul>
IA	x			x		x	
ID	x	x		x			<ul style="list-style-type: none"> <li>Idaho Alcohol- and Drug-Free Workplace Premium Credit</li> </ul>
IL	x	x		x		x	<ul style="list-style-type: none"> <li>Contracting Classification Premium Adjustment Program</li> </ul>
IN		x		x		x	
KS	x	x		x		x	<ul style="list-style-type: none"> <li>Kansas Assigned Risk Retrospective Rating Plan</li> <li>Kansas Assigned Risk Safety Seminar Premium Credit Program</li> <li>Kansas Assigned Risk Small Employer Loss-Free Policy Premium Credit Program</li> </ul>
MS		x		x		x	<ul style="list-style-type: none"> <li>Mississippi Small Employer Loss-Free Credit Program</li> </ul>
NC	x	x		x		x <sup>2</sup>	
NH	x	x		x	x <sup>3</sup>	x	<ul style="list-style-type: none"> <li>New Hampshire Safety Incentive Program</li> </ul>
NM <sup>4</sup>	x			x		x	<ul style="list-style-type: none"> <li>Workers Compensation Premium Adjustment Program for Qualifying Classifications</li> </ul>
NV	x	x		x			
OR	x	x	x	x		x	<ul style="list-style-type: none"> <li>Non-Experience Rated Premium Credit</li> <li>Oregon WCIP New Small Employer Credit</li> <li>Oregon Contracting Classification Premium Adjustment Program</li> </ul>
SC	x	x		x		x	<ul style="list-style-type: none"> <li>Drug- and Alcohol-Free Workplace Premium Credit Program</li> </ul>
SD	x	x	x	x		x	
TN <sup>5</sup>		x		x	x	x	<ul style="list-style-type: none"> <li>Drug-Free Workplace Premium Credit Program</li> <li>Tennessee Small Employer Plan</li> <li>Tennessee Special Risk Plan</li> <li>Tennessee Tabular Surcharge</li> </ul>
VA	x			x		x	<ul style="list-style-type: none"> <li>Drug-Free Workplace Premium Credit</li> <li>Contracting Classification Premium Adjustment Program</li> </ul>
VT	x	x	x	x		x	
WV	x	x		x		x	

<sup>1</sup> Connecticut—Approved reduced premium discounts are effective January 1, 2011.

<sup>2</sup> North Carolina—Take-out credit must be applied through the NCRB.

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

<sup>4</sup> New Mexico—Removed premium discount effective January 1, 2014.

<sup>5</sup> Tennessee—All programs are effective July 1, 2015.



## 2016 Assigned Carriers

As of January 1, 2016

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

Carrier Name	A K	A L	A R	A Z	C T	D C	D E	G A	I A	I D	I L	K S	M S	N C	N H	N J	N M	N V	O R	S C	S D	T N	V A	V T	W V
Acadia Insurance Co.																									S
Ace American Insurance Co.		D			D		D	D	D					D	D					D		D	D	D	
Alaska National Insurance Co.	S																								
American Interstate Insurance Co.	D	D												D									D		
American Mining Insurance Co.		S																							S
American Zurich Insurance Co.		D			D		D	D	D					D	D					D		D	D	D	
AmFed National Insurance Co.													S												
Amguard Insurance Co.					S	S	S	S			S			S		S							S		
Auto Owners Insurance Co.		D						D	D					D						D			D		
Builders Premier Insurance Co.														D						D			D		
Cincinnati Insurance Co.		D			D		D	D	D					D	D					D		D	D	D	
Continental Casualty Co.		D					D	D	D					D	D					D		D	D	D	
Continental Insurance Co. of NJ																D									
Hartford Underwriters		D			D		D	D	D					D	D	D				D		D	D	D	
Liberty Mutual Fire Insurance Co.																								D	
LM Insurance Corporation	S	S			S	S	S	S	S		S		S	D	S	S			S	S			S		
Mountain States Mutual Casualty Co.																		S							
National Fire Insurance Co. of Hartford					D																				
New Jersey Casualty Insurance Co.																D									
New Mexico Mutual Casualty Co.																		S							
Riverport Insurance Co.	S		S				S		S	S	S	S		S	S			S		S	S	S			
SAIF Corporation																			S						
Technology Insurance Co.			S				S	S			S					S						S			
Travelers Indemnity Co. of CT							D																		
Travelers Property Casualty Co. of America	S	D	S	S	D	S		S	S	S	S	S		S	S	S		S	S	S		D	D	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	T N	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 lawsuits, that are directly chargeable to settlement of losses. Also, operating expenses that can be allocated specifically to the settlement of losses.

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

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

**Merit Rating**—An assigned risk pricing program that applies to manual premium for employers that do not generate adequate premium to be eligible for experience rating but 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<sup>®</sup> 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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