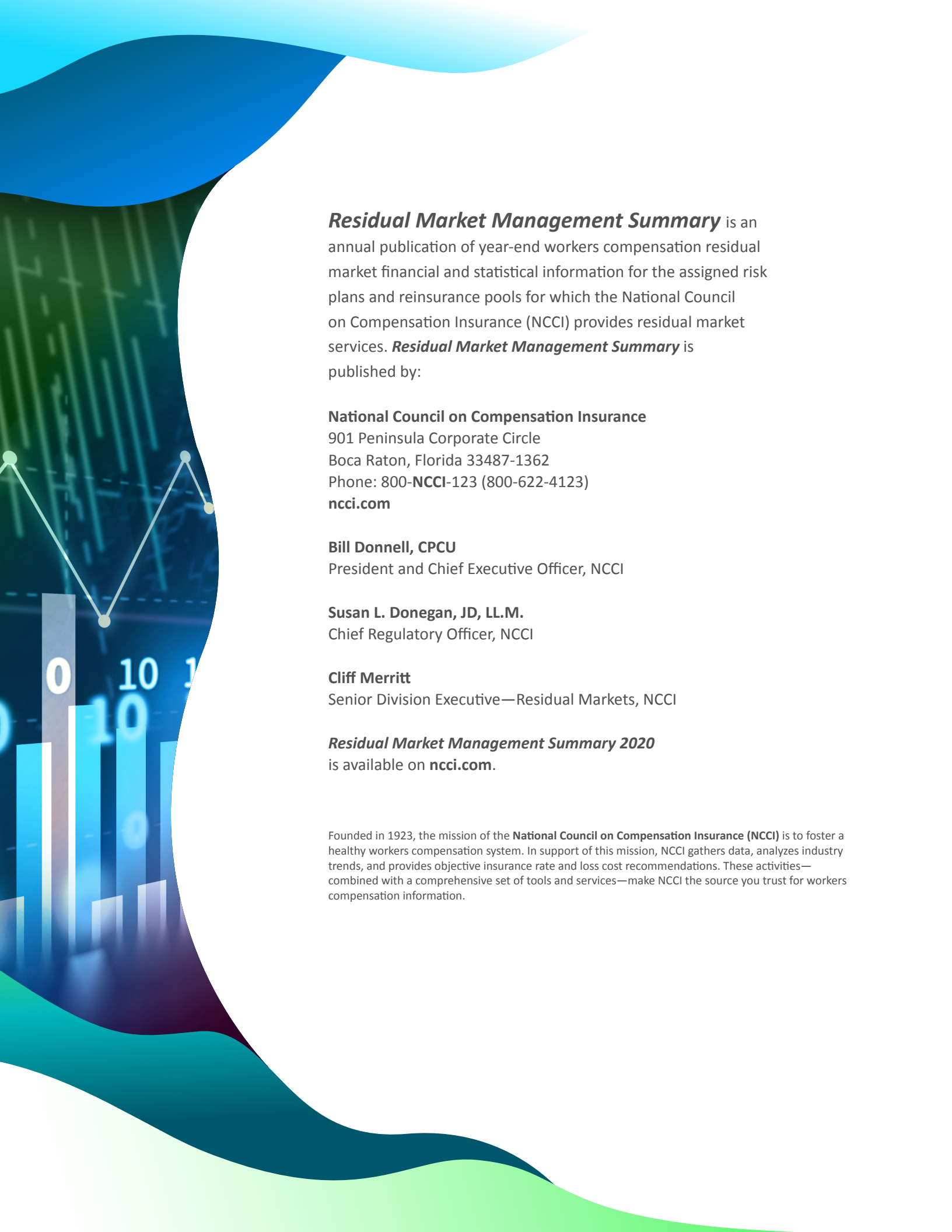




2017 RESIDUAL MARKET MANAGEMENT SUMMARY



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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Susan L. Donegan, JD, LL.M.
Chief Regulatory Officer, NCCI

Residual Market Management Summary 2017
is also available on **ncci.com**.

Founded in 1923, the mission of the **National Council on Compensation Insurance (NCCI)** is to foster a healthy workers compensation system. In support of this mission, NCCI gathers data, analyzes industry trends, and provides objective insurance rate and loss cost recommendations. These activities—combined with a comprehensive set of tools and services—make NCCI the source you trust for workers compensation information.

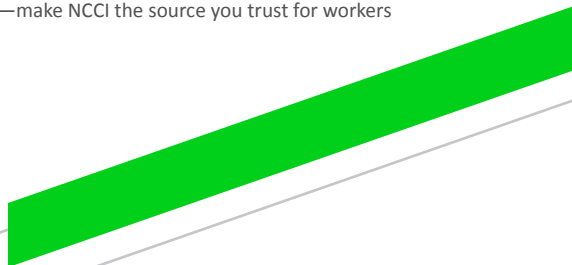


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To Our Readers:

NCCI's ***Residual Market Management Summary 2017*** 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 **ncci.com**, where they can be viewed, and a hard copy printed, if needed.

As we predicted in early 2017, the residual market premiums and market share remained approximately the same for Policy Year 2017 as compared to Policy Year 2016. This is a key indicator that the workers compensation insurance market remains competitive and that the residual market is as stable and manageable as it has been in recent history. This is very good news for all stakeholders in the workers compensation insurance system.

The projected ultimate residual market written premium for Policy Year 2017 is \$1.044 billion for all reinsurance pools serviced by NCCI. The related residual market share is estimated to be 7.5%. For the first time since Policy Year 1996, Policy Years 2015 and 2016 results show slight operating gains. While that is welcome news for the industry, it is somewhat offset by our projected-to-ultimate estimate for Policy Year 2017, which shows an operating deficit of \$65 million. The results from these most recent policy years are preliminary and subject to change as servicing carriers make appropriate adjustments to premium and claims data in the coming years. However, they highlight the stability of the workers compensation residual market results and achieve the goal of self-funded residual markets in almost every state. These results were achieved by the combined efforts of NCCI staff, servicing carriers, state insurance regulators, and other stakeholders in the residual market.

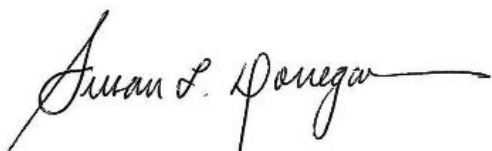
As always, NCCI remained focused on continuous improvement of residual market systems and processes. Significant achievements included:

- Implementation of serious claim testing
- Approval of updated Workers Compensation Insurance Risk Plan (Rule 4-A)
- Continued rewrite of ***RMAPS® Online Application Service***
- Review and update of ***Assigned Carrier Performance Standards***

In closing, we bid a fond farewell to an esteemed colleague, Jim Nau, who retired in February 2018. As general manager of Residual Markets at NCCI, Jim's contributions were critical in maintaining the stability of the residual market. He will be missed by many of us, but we wish Jim well in this next chapter of his life.

We appreciate the confidence that state insurance regulators and workers compensation insurance carriers have placed in us to manage these residual market plans and reinsurance pools. NCCI continues to receive very high customer satisfaction scores and we are committed to enhancing our operations, systems, and communications to maintain that trust.

Sincerely,



Susan L. Donegan
Chief Regulatory Officer, 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 (NWCPR 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	NWCPR	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 related services for the Massachusetts Workers' Compensation Assigned Risk Pool.
ME			x	NCCI provides limited financial services for the Maine Workers Compensation Residual Market Pool.
MI			x	NCCI provides financial, servicing carrier selection, carrier oversight, and actuarial services for the Michigan Workers' Compensation Placement Facility.
MO			x	NCCI is the appointed Aggregate Excess of Loss Reinsurance Administrator for this mechanism.
MS	x			
NC		x	x	The North Carolina Rating Bureau contracts with NCCI to provide certain Plan administration services.
NH	x	x		
NJ		x	x	NCCI provides certain Plan administration services to the New Jersey Compensation Rating & Inspection Bureau.
NM			x	The New Mexico Workers' Compensation Assigned Risk Pool contracts with NCCI to provide Plan and Pool administration services.
NV	x	x		
OR	x	x		
SC	x	x		
SD	x	x		
TN	x	x	x	NCCI's WCIP is applicable to residual market policies effective on or after July 1, 2015, with reinsurance provided through the NWCPR. NCCI is also the contracted Reinsurance Administrator for the Tennessee Reinsurance Mechanism, which provides reinsurance for the runoff of former TWCIIP 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 2017:

- Number of applications received = 133,720
- Number of applications bound = 75,718
- Percentage of applications submitted online nationally = 99.7%, exceeding our goal of 98%
- Average processing time for online applications = 3.2 days
- Average processing time for mail-in applications = 4.0 days
- Other:
 - 183,893 calls were fielded; calls decreased by 12%
 - Producer workshops were held in nine states: FL, GA, KS, LA, MO, NV, TN, VA, 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.

2018 Residual Market Assigned Carrier Conference

The annual **Assigned Carrier Conference** was held on February 14–16, 2018. The conference was a success based on attendance and an overall satisfaction rating of 8.93 out of 10.

Attendance at the conference is a requirement for current and potential new servicing and direct assignment carriers. The conference addressed a variety of topics including:

- Status of the Residual Market and Trends
- Application Trends

- Actuarial Perspective
- Marijuana Discussion Panel
- Key Issues Facing the States
- Assigned Carrier Performance Standards Research
- Servicing Carrier Selection Process

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

For more information on the **Assigned Carrier Conference**, please contact plan_administration@ncci.com.

Voluntary Coverage Assistance Program

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

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

Operating results for 2017 include the following:

- **VCAP® Service** redirected more than \$9.4 million in premium from the residual market to the voluntary market
- An approximate savings of \$1,162,403 on 2,459 confirmed policies—or \$473 per employer—was achieved, equaling a 12% savings per policy to the employer

For more information on **VCAP® Service**, contact Heidi Mangum at 561-893-3012 or heidi_mangum@ncci.com.

Filings and Manuals

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

- Rule 4-A—Workers Compensation Insurance Plan (WCIP)
- Rule 4-B—Professional Employer Organization (PEO) Arrangements
- Rule 4-C—Loss Sensitive Rating Plan
- Rule 4-D—Voluntary Coverage Assistance Program (VCAP® Service)
- Rule 4-E—Assigned Risk Adjustment Program (ARAP)
- Rule 4-F—Take-Out Credit Program
- Rule 4-G—Available Coverages
- Rule 4-H—Producer Fees
- Rule 4-I—Initial or Deposit Premium and Premium Installments

NCCI continues to monitor the residual market to determine future Plan enhancements. In 2017, NCCI worked on several filings that will impact the residual market including:

- Elimination of the Premium Discount and Tennessee Tabular Surcharge and Establishment of an Assigned Risk Adjustment Program (ARAP) in Tennessee, effective March 1, 2017
- Establishment of ***Basic Manual*** Appendix G—Dispute Resolution Process, effective July 1, 2017
- Revisions to District of Columbia Employer Safe Workplace Program, effective October 1, 2017
- Revisions to Connecticut Nonrenewal Endorsement (WC 06 06 01), effective October 1, 2017
- Revisions to ***Basic Manual*** Rule 4-A—Workers Compensation Insurance Plan (WCIP) Rules and applicable state WCIP rules, effective January 1, 2018
- Revisions to Arkansas Amendatory Endorsement (WC 03 06 01 A), effective March 1, 2018

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

NCCI Take-Out Credit Programs

	Calendar Year Credits					
	2015		2016		2017	
	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)
Alabama	203	2,256,851	207	3,229,280	202	1,849,109
Alaska	1,278	11,208,985	1,352	10,519,081	1,377	10,762,077
Arizona	975	12,535,201	1,628	16,211,185	2,288	21,021,716
Arkansas	970	8,078,125	1,150	8,696,501	1,284	7,476,728
Connecticut	1,040	12,600,687	1,247	13,490,270	1,451	11,070,261
District of Columbia	210	1,956,255	265	2,132,622	344	2,183,412
Georgia	1,219	19,311,961	1,405	21,973,384	1,523	21,158,974
Illinois	2,801	41,059,056	3,374	39,380,307	3,655	34,534,398
Iowa	944	11,374,715	976	11,052,347	948	7,306,960
Kansas	1,700	14,642,633	1,918	13,042,765	1,857	9,312,351
Mississippi	499	5,536,533	653	6,741,097	720	7,125,633
New Hampshire	709	6,533,126	875	6,905,655	943	6,083,533
New Mexico	333	4,534,443	417	4,095,533	508	3,794,928
Oregon	2,237	12,407,676	2,435	15,853,214	2,767	16,443,098
South Carolina	917	6,914,072	1,066	6,950,497	1,113	7,829,763
South Dakota	405	5,758,090	464	5,040,654	552	5,727,360
Tennessee	186	2,963,666	686	9,150,502	1,523	13,343,405
Vermont	663	4,403,884	718	5,550,569	740	5,558,966
Virginia	1,471	13,498,179	1,793	17,114,197	1,868	13,178,908
West Virginia	413	4,286,750	568	5,036,319	596	4,974,207
Totals	19,173	201,860,888	23,197	222,166,006	26,259	210,735,787

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 2017, more than \$210 million in credits were earned for policies removed from the residual market and placed in the voluntary market. This represents a 5% decrease in credits earned over the previous year, but an increase in the number of qualifying policies. These credits were derived from 26,259 policies and \$181 million in qualifying premium.

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

Pool Administration

NCCI provides accounting, actuarial, management, and administrative services for various reinsurance pooling mechanisms. During 2017, these pooling mechanisms provided reinsurance for the assigned risk plans in 26 jurisdictions, with 23 of these state plans being reinsured through the National Workers Compensation Reinsurance Association's (NWCRA) quota share reinsurance pooling mechanism.

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

Reinsurance Pools Results and Information

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

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

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

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

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

Additional reports accessible to Pool participants through **RPRI** are Audited Financial Statements of the Pools, Pool Reserving Committee Meeting Agendas and Minutes, and the Annual Actuarial Report on Pool Reserves, along with the Statements of Actuarial Opinion. Also, the report on the reserve liabilities by

state and policy year related to the participation of insolvent companies, as referenced in the Quarterly Summary of Operating Results circular, can be accessed, as well as a variance analysis tool that allows two quarters of comparison of carrier operating results by state and policy year.

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

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

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

Pool Quota Share Allocation Method

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

Each state and policy year represents a separate quota share reinsurance agreement. Each participating company's quota share is based on its voluntary market share of direct workers compensation written premium (Annual Statement Statutory Page 14 basis) in each state during the calendar year corresponding to each policy year (e.g., Policy Year 2017 allocations based on Calendar Year 2017 market shares).

These reinsurance agreements are similar to quota share reinsurance agreements in the voluntary market, with the participating reinsurers continuing to receive assumption reports for their respective share of the reinsured activity until such time as all claims are closed. Until that time, the results that are reinsured by the participating companies are

subject to change as a result of loss development and the incurring of contractual administrative and other expenses.

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

Pool Data Online

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

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

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

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

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

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

Pool Data Reporting Guidebook

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

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

Premium Collection Services Update

During 2017, the NWCRA Board of Directors conducted a bid process for reinsurance pooling mechanism premium collection services. The last such bid was conducted in 2011, with three collection agencies selected. This latest bid process resulted in the selection and engagement of four collection agencies available to servicing carriers in the NWCRA reinsurance pooling mechanism. The effective date of these contracts is January 1, 2018, for three-year terms. These contracted collection agencies are:

- Brown & Joseph, LTD
- iQor Holdings US Inc.
- McCarthy, Burgess & Wolff
- Windham Professionals, Inc.

For contact information for these collection agencies, and copies of the applicable contracts, servicing carriers should contact Brian Mourer at 561-893-3008 or brian_mourer@ncci.com.

Residual Market Results

As shown in Exhibit A, Policy Year 2017 ultimate written premium for all reinsurance pooling mechanisms serviced by NCCI is projected to be \$1.044 billion, representing a 5.1% decrease in premium volume from the projected level of \$1.100 billion for Policy Year 2016.

After peaking at \$1.5 billion in 2004, the residual market premium volume trended steadily downward in Policy Years 2006 through 2010, with a 20% average year-over-year decrease during this period. The Policy Year 2011 premium volume of \$512 million, which represented a 12% increase over Policy Year 2010, broke this declining premium trend, and the premium growth continued in subsequent policy years. However, premium volume appears to have stabilized in the five most recent policy years.

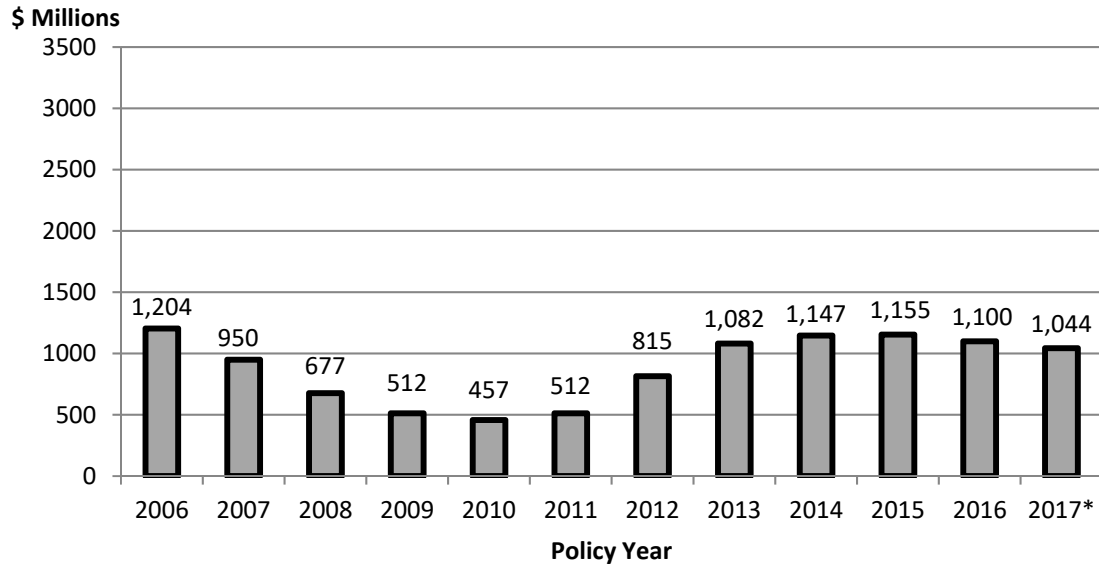
These premium volumes and year-over-year changes include the effect of new policies, renewals, cancellations, nonrenewals, and premium-level changes. Estimates of “true growth” in residual market premium volume, which consider various economic factors and market conditions, are discussed separately in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

NCCI is preliminarily projecting a residual market operating loss of \$65 million for Policy Year 2017 (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 slightly to 6.0% for Calendar Year 2017, down from 6.1% for Calendar Year 2016, and 6.3% for Calendar Year 2015—for NCCI Plan-administered states.

Exhibit A

Written Premium[#]

All Pools Serviced by NCCI, as of December 31, 2017



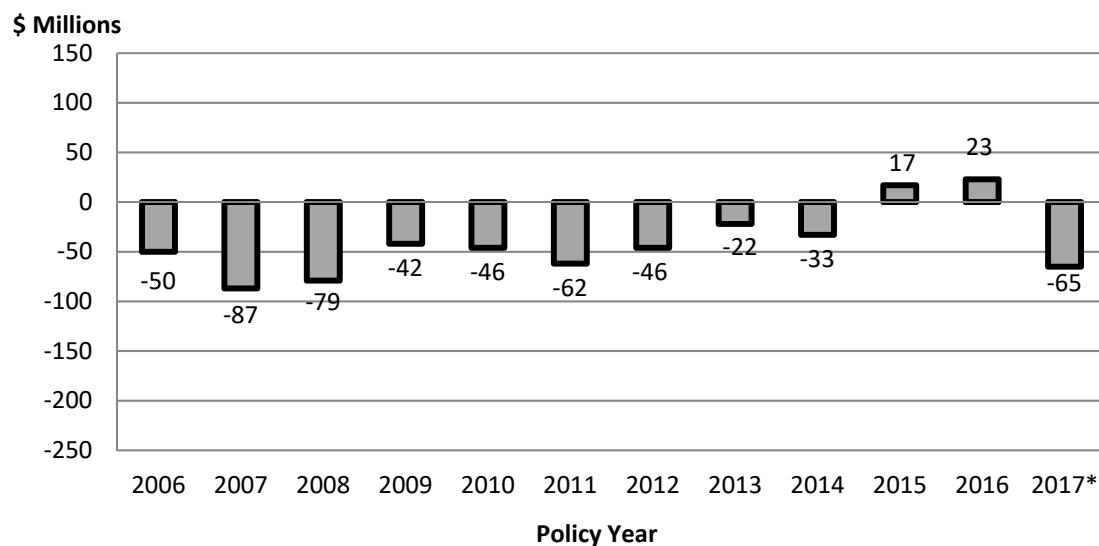
Projected to Ultimate; Tennessee Reinsurance Mechanism premium is not included.

** Incomplete Policy Year*

Exhibit B

Operating Gain/Loss[#]

All Pools Serviced by NCCI, as of December 31, 2017



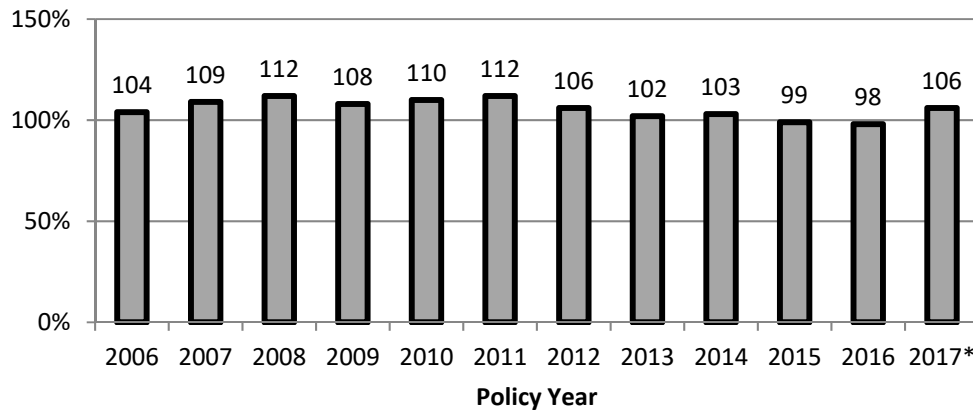
Projected to Ultimate; Tennessee Reinsurance Mechanism experience is not included in the operating results.

** Incomplete Policy Year*

Exhibit C

Combined Ratio[#]

All Pools Serviced by NCCI, as of December 31, 2017



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

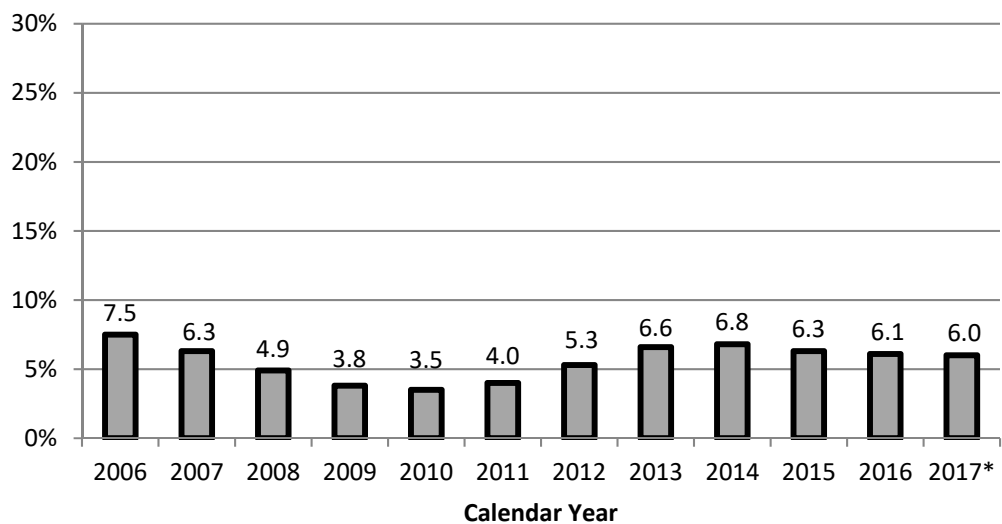
** Incomplete Policy Year*

Exhibit D

Residual Market Share

NCCI Plan States (Includes Direct Assignments)

Plan Premium as a Percentage of Direct Written Premium



** Preliminary*

Servicing Carrier Oversight Process

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

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

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

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

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

SCOR—Servicing Carrier Operations Reporting (SCOR) is a program in which the National Pool

servicing carriers submit aggregate data in key areas of performance on a quarterly or semiannual basis. The program ensures that servicing carriers are continuously meeting the **ACPS** and can immediately address any deficient areas of performance instead of waiting for an annual self-audit or an on-site audit to take place.

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

If a servicing carrier scores 10 or more percentage points below the established compliance threshold for any individual attribute, a corrective action plan must be submitted. As of December 31, 2017, five servicing carriers reported detailed SCOR results. Exhibit E indicates the number of data elements rated, most of which are rated at or above a “Satisfactory” level.

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

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

NCCI 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 four

National Pool servicing carrier self-audits in 2017. These ratings are used in the scoring of future servicing carrier bids.

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

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

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

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

Ratings are provided and utilized as part of the scoring of future servicing carrier bids. The overall ratings for the four National Pool servicing carriers’ on-site audits conducted in 2017 are shown in Exhibit F.

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

- **Quantifications**—Quantifications result from NCCI’s review of Pool-reported financial transactions. If a servicing carrier has misreported transactions to the Pool, then NCCI works with the carrier to identify the issue, address the cause of misreporting, and correct the reporting to the Pool.
Five quantifications were completed during 2017, resulting in \$60,109 in financial

adjustments. Refer to Exhibit G for a four-year summary of quantification results.

- **Self-Assessments**—The self-assessment process requires that the servicing carrier provide the status of the corrective actions resulting from the recommendations made during the on-site audit. This occurs about nine months after the on-site audit has concluded. NCCI reviews the servicing carrier’s self-assessment to ensure that the carrier has shown sufficient evidence that it has corrected the issue.
- **Remediation**—The remediation program is a two-tiered performance management initiative that provides a progressive discipline for servicing carriers that have not demonstrated adequate performance for either the self-audit or the on-site audit. Servicing carriers not performing satisfactorily are required to have additional levels of reporting, oversight, and/or financial penalties imposed.

The remediation program is divided into two tiers:

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

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

Two National Pool carriers were assessed for either Tier One or Tier Two remediation in 2017. 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		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
0	5	5	5	6	5	5	5	5	5	5	5	5
1	0	1	0	0	1	0	1	1	0	1	1	0
2	0	0	0	0	0	0	0	0	0	0	0	0
3 or more	0	0	0	0	0	0	0	0	0	0	0	0

Exhibit F

Servicing Carrier Overall Ratings—National Pool

2017 Self-Audit Overall Ratings	Commendable	Satisfactory	Marginal	Unsatisfactory
Underwriting, Premium Audit, and Loss Prevention Performance Standards	3	1	0	0
Claims Performance Standards	4	0	0	0
2017 On-Site Audit Overall Ratings				
Reporting Requirements and Procedures	N/A	4	0	0
Underwriting, Premium Audit, and Loss Prevention Performance Standards	3	0	0	0
Claims Performance Standards	4	0	0	0

Exhibit G

On-Site Audit Financial Quantifications—National Pool

Year	Financial Adjustment Pool/(Carrier) (\$)
2014	40,064
2015	13,188
2016	167,365
2017	60,109
Total	280,726

Exhibit H

Tier One Remediation Penalties—National Pool

	2017	2016	2015
On-Site Audit			
Number of Carriers	1	0	2
Amount	\$37,000	\$0	\$2,000
Self-Audit			
Number of Carriers	1	0	1
Amount	\$4,800	\$0	\$80,000
Total	\$41,800	\$0	\$82,000

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 2017 Included:

- Implementation of new audit programs and internal control questions for serious claims testing
- Improvements to the electronic work papers and summarization engines that are now included in the ***Carrier Audit Program (CAP)***
- Completed various system updates to ***CAP*** system including a new Self-Audit program for the Tennessee direct assignment carriers
- 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
- Assisted in the transition of the new Pool external audit team

Financial and Actuarial Results for 2017

Comparative financial analyses and operating results for all Pools serviced by NCCI are shown in Exhibits I through L. The 2017 Calendar Year results for the reinsurance pools administered by NCCI reflect a net operating gain for the National Workers' Compensation Reinsurance Pool, the New Mexico Workers' Compensation Assigned Risk Pool and the Massachusetts Workers' Compensation Assigned Risk Pool; conversely, the Michigan Workers' Compensation Placement Facility reflects a net operating loss (see Exhibits M through P).

The combined net operating gain for all pools managed by NCCI was approximately \$151 million in Calendar Year 2017 compared with the net operating gain of \$171 million for Calendar Year 2016.

- The National Pool results reflect an operating gain of \$142 million compared with an operating gain of \$131 million in the prior year (Exhibit M)
- The Massachusetts Pool results reflect an operating gain of \$13 million compared with a gain of \$8 million in the prior year (Exhibit N)
- The Michigan Pool results reflect an operating loss of \$11 million compared with a gain of \$25 million in the prior year (Exhibit O)
- The New Mexico Pool's results reflect an operating gain of \$7 million for both 2017 and 2016 (Exhibit P)

Comparative Calendar Years Financial Analysis

Exhibit I

All Pools Serviced by NCCI—Calendar Years 2017 and 2016 (\$000s)

	Calendar Year 2017 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2017 (\$)	2016 (\$)
Premiums Written	255,746	295,883	263,215	252,124	1,066,968	1,097,898
Premiums Earned	243,468	283,551	269,599	254,812	1,051,430	1,121,401
Incurred Losses	111,420	153,342	139,991	151,830	556,583	589,890
Loss Ratio (%)	45.8	54.1	51.9	59.6	52.9	52.6
Paid Losses	178,858	182,162	183,662	177,451	722,133	734,049
ALAE for Black Lung	853	1,044	708	875	3,480	3,797
Servicing Carrier Allowance	65,985	70,045	62,111	57,145	255,286	272,233
Producer Fees	10,143	11,190	9,870	9,233	40,436	42,813
Administrative Expenses	3,235	3,598	3,092	3,277	13,202	13,749
Other Expenses	8,192	5,432	8,236	12,703	34,563	31,679
Net Underwriting Gain (Loss)	44,493	39,943	46,299	20,624	151,359	171,037
Investment Income	0	0	10	0	10	58
Net Operating Gain (Loss)	44,493	39,943	46,309	20,624	151,369	171,095
EBNR Premium Reserves	(23,119)	(16,209)	(13,319)	(16,117)	(16,117)	(18,430)
Loss Ratio With EBNR (%)	46.7	52.8	51.4	60.2	52.8	52.8
Unearned Premiums	339,147	351,478	345,094	342,405	342,405	326,869
Outstanding Losses	3,120,278	3,094,192	3,090,400	3,065,027	3,065,027	3,152,395
IBNR	2,328,954	2,326,221	2,286,342	2,286,094	2,286,094	2,364,276
Cash Flow	(10,667)	23,455	(3,746)	(7,685)	1,357	3,433
Uncollectible Premiums	11,831	11,520	26,870	15,487	65,708	77,399

Exhibit J

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

	Calendar Year 2016 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2016 (\$)	2015 (\$)
Premiums Written	278,346	300,792	258,787	259,973	1,097,898	1,170,721
Premiums Earned	274,160	300,419	269,436	277,386	1,121,401	1,161,220
Incurred Losses	168,652	195,811	48,023	177,404	589,890	480,926
Loss Ratio (%)	61.5	65.2	17.8	64.0	52.6	41.4
Paid Losses	168,393	191,075	190,239	184,342	734,049	684,343
ALAE for Black Lung	710	946	1,202	939	3,797	2,765
Servicing Carrier Allowance	70,437	76,824	61,920	63,052	272,233	303,322
Producer Fees	10,580	11,210	10,266	10,757	42,813	43,346
Administrative Expenses	3,205	3,733	3,285	3,526	13,749	13,396
Other Expenses	6,405	6,797	8,030	10,447	31,679	27,254
Net Underwriting Gain (Loss)	14,881	6,044	137,912	12,200	171,037	292,976
Investment Income	8	0	49	1	58	9
Net Operating Gain (Loss)	14,889	6,044	137,961	12,201	171,095	292,985
EBNR Premium Reserves	(28,630)	(17,046)	(8,609)	(18,430)	(18,430)	(14,884)
Loss Ratio With EBNR (%)	64.8	62.8	17.3	66.3	52.8	41.5
Unearned Premiums	354,558	354,931	344,281	326,869	326,869	350,372
Outstanding Losses	3,195,908	3,186,529	3,175,136	3,152,395	3,152,395	3,175,530
IBNR	2,465,180	2,479,295	2,348,473	2,364,276	2,364,276	2,485,301
Cash Flow	19,334	11,153	(14,904)	(12,150)	3,433	99,069
Uncollectible Premiums	20,214	18,201	18,917	20,067	77,399	59,913

Exhibit K

Comparative Policy Years Financial Analysis

All Pools Serviced by NCCI—Policy Years 2017 and 2016 (\$000s)

	Policy Year (PY) 2017 Quarterly Results				At December 31, 2017	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	PY 2017 (\$)	PY 2016 (\$)
Premiums Written	170,288	239,900	251,131	239,887	901,206	1,118,908
Premiums Earned	39,619	114,780	184,873	219,528	558,800	1,118,908
Incurred Losses	29,627	88,971	137,799	165,685	422,082	741,680
Loss Ratio (%)	74.8	77.5	74.5	75.5	75.5	66.3
Paid Losses	1,290	9,836	20,381	38,082	69,589	267,409
Net Expenses	52,031	70,551	70,262	66,912	259,756	325,650
Net Operating Gain (Loss)	(42,039)	(44,742)	(23,187)	(13,069)	(123,037)	51,577
EBNR Premium Reserves	0	0	0	0	0	(16,117)
Loss Ratio With EBNR (%)	74.8	77.5	74.5	75.5	75.5	67.3
Unearned Premiums	130,669	255,788	322,046	342,405	342,405	0
Outstanding Losses	8,292	34,744	85,708	140,187	140,187	201,662
IBNR	20,045	72,728	139,183	212,306	212,306	272,609
Cash Flow	116,966	159,512	160,490	134,893	571,861	525,848
Uncollectible Premiums	0	0	201	2,924	3,125	42,976

Exhibit L

Combined Calendar Years Operating Results

All Pools Serviced by NCCI—Calendar Years 2008–2017 (\$000s)

Calendar Year	Written Premium (%)	Increase (Decrease) Previous Year (%)	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
2017	1,066,968	(2.8)	1,051,430	556,583	52.9	151,369
2016	1,097,898	(6.2)	1,121,401	589,890	52.6	171,095
2015	1,170,721	2.0	1,161,220	480,926	41.4	292,985
2014	1,147,434	7.8	1,121,252	730,183	65.1	10,551
2013	1,064,293	39.8	990,445	708,843	71.6	(67,367)
2012	761,541	59.5	681,977	448,494	65.8	(35,957)
2011	477,418	13.1	455,894	303,871	66.7	(58,263)
2010	422,218	(13.7)	446,613	462,126	103.5	(218,189)
2009	489,074	(34.7)	540,683	286,211	52.9	25,685
2008	748,762	(25.2)	817,820	443,504	54.2	71,086

Individual Pools Calendar Year Operating Results

Quarterly Comparison for Calendar Year 2017; Annual Comparison for Calendar Years 2017 and 2016
(\$000s)

Exhibit M

National Workers' Compensation Reinsurance Pooling Mechanism*

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2017	196,945	86,420	43.9	39,366
2nd Quarter 2017	234,362	117,892	50.3	42,260
3rd Quarter 2017	221,188	109,527	49.5	44,498
4th Quarter 2017	208,491	124,549	59.7	16,277
Calendar Year 2017	860,986	438,388	50.9	142,401
Calendar Year 2016	915,014	491,538	53.7	130,500

*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 2017	29,010	13,953	48.1	5,503
2nd Quarter 2017	30,444	19,846	65.2	249
3rd Quarter 2017	30,792	16,645	54.1	3,769
4th Quarter 2017	28,834	16,233	56.3	3,383
Calendar Year 2017	119,080	66,677	56.0	12,904
Calendar Year 2016	126,354	78,118	61.8	8,398

Exhibit O

Michigan Workers' Compensation Placement Facility

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2017	15,024	9,697	64.5	(187)
2nd Quarter 2017	16,096	16,366	101.7	(4,872)
3rd Quarter 2017	15,297	14,513	94.9	(3,887)
4th Quarter 2017	15,067	12,429	82.5	(1,620)
Calendar Year 2017	61,484	53,005	86.2	(10,566)
Calendar Year 2016	66,524	19,682	29.6	25,290

Exhibit P

New Mexico Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2017	2,488	1,349	54.2	(189)
2nd Quarter 2017	2,649	(762)	(28.8)	2,306
3rd Quarter 2017	2,323	(695)	(29.9)	1,929
4th Quarter 2017	2,420	(1,382)	(57.1)	2,585
Calendar Year 2017	9,880	(1,490)	(15.1)	6,631
Calendar Year 2016	13,508	553	4.1	6,910

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 2016 to Policy Year 2017. This amount differs from the pool premium volume decrease of 5% shown in Exhibit A due to the adjustments described above. The depopulation that began in Policy Year 2016 has continued in Policy Year 2017, but at a slower pace.

Reserving

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

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

The Policy Year 2017 combined ratio estimate for "All Pools" serviced by NCCI is 106%, which is above the current estimate of Policy Year 2016 (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 claim reserves.

Comparison of Operating Expenses for Calendar Years 2017, 2016, and 2015

Calendar Year 2017 operating expenses were \$343 million compared with \$360 million in Calendar Year 2016 and \$381 million in Calendar Year 2015. As a percentage of premiums written, the expenses were 32%, 33%, and 33% for Calendar Years 2017, 2016, and 2015, respectively. The largest component of the operating expenses is the servicing carrier allowance, which accounts for approximately 74% of these expenses in Calendar Year 2017.

The servicing carrier allowance in 2017 was \$255 million compared with \$272 million in 2016 and \$303 million in 2015. This decrease is primarily due to a 3% decrease in written premiums in 2017.

Producer fees for Calendar Years 2017, 2016, and 2015 were \$40 million, \$43 million, and \$43 million, respectively.

Other expenses, which include servicing carrier indemnification expenses, collection costs, and other reimbursable expenses, increased to \$35 million compared with \$32 million in 2016 and \$27 million in 2015. The increase in Calendar Year 2017 other expenses is due to an increase in taxes and assessments that were reimbursed directly to servicing carriers.

Administrative expenses reduced to \$13 million for Calendar Year 2017 compared with \$14 million for Calendar Year 2016 and \$13 million for Calendar Year 2015.

Exhibit Q

Comparison of Residual Market Written Premium to Total Direct Written Premium

Calendar Years 2017 and 2016

Preliminary 2017						Final 2016				
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	351,958,270	7,778,128	2,880,407	10,658,535	3.0	360,837,562	6,150,043	3,515,075	9,665,118	2.7
AK	251,109,670	39,065,479	1,374,943	40,440,422	16.1	268,052,405	39,509,107	1,928,532	41,437,639	15.5
AZ	843,348,939	43,408,524	—	43,408,524	5.1	859,161,313	52,829,864	—	52,829,864	6.1
AR	253,874,445	24,337,683	—	24,337,683	9.6	249,254,203	24,474,363	—	24,474,363	9.8
CT	818,458,543	26,113,613	19,374,947	45,488,560	5.6	873,330,541	30,795,342	20,339,506	51,134,848	5.9
DC	176,152,178	6,788,961	—	6,788,961	3.9	158,174,606	8,460,943	—	8,460,943	5.3
GA	1,604,174,334	74,222,014	22,371,426	96,593,440	6.0	1,524,763,802	76,704,038	20,024,721	96,728,759	6.3
ID	417,102,590	2,635,448	—	2,635,448	0.6	390,827,366	3,899,719	—	3,899,719	1.0
IL	2,565,459,295	115,388,789	—	115,388,789	4.5	2,720,458,107	118,075,615	—	118,075,615	4.3
IA	747,160,843	29,109,249	5,388,113	34,497,362	4.6	762,852,603	29,762,029	6,270,861	36,032,890	4.7
KS	412,969,348	35,601,686	—	35,601,686	8.6	435,001,524	35,847,504	—	35,847,504	8.2
NV	363,074,789	27,495,253	—	27,495,253	7.6	371,244,471	27,661,797	—	27,661,797	7.5
NH	243,025,684	15,635,887	3,376,898	19,012,785	7.8	259,261,660	19,252,673	3,722,810	22,975,483	8.9
NM	269,122,312	10,639,209	—	10,639,209	4.0	269,112,320	14,047,437	—	14,047,437	5.2
OR	707,913,631	43,119,281	—	43,119,281	6.1	707,429,512	44,679,892	—	44,679,892	6.3
SC	826,703,300	45,029,217	11,475,979	56,505,196	6.8	782,395,284	37,564,983	12,188,367	49,753,350	6.4
SD	176,409,315	8,513,251	—	8,513,251	4.8	177,473,837	9,899,236	—	9,899,236	5.6
TN	866,772,359	60,918,444	14,399,288	75,317,732	8.7	873,188,324	54,324,122	19,282,738	73,606,860	8.4
VT	189,990,532	14,148,378	5,375,147	19,523,525	10.3	200,346,420	16,312,109	6,206,489	22,518,598	11.2
VA	1,028,706,635	49,469,256	24,817,054	74,286,310	7.2	1,020,917,377	43,396,497	24,873,745	68,270,242	6.7
WV	258,900,714	16,657,358	—	16,657,358	6.4	262,259,840	13,754,680	—	13,754,680	5.2
Sub Totals¹	13,372,387,726	696,075,108	110,834,202	806,909,310	6.0	13,526,343,077	707,401,991	118,352,844	825,754,835	6.1
DE	221,793,301	16,408,685	6,601,059	23,009,744	10.4	206,231,956	16,836,474	6,265,975	23,102,449	11.2
MA	1,255,837,255	122,124,469	155,301,765	277,426,234	22.1	1,222,865,033	127,237,057	146,423,688	273,660,745	22.4
MI	1,096,865,927	58,353,172	—	58,353,172	5.3	1,150,348,960	66,760,022	—	66,760,022	5.8
NJ	2,442,538,200	171,167,007	74,215,151	245,382,158	10.0	2,490,419,185	188,826,207	90,141,048	278,967,255	11.2
NC	1,448,416,031	60,095,327	17,704,601	77,799,928	5.4	1,493,077,122	57,557,875	24,723,211	82,281,086	5.5
Grand Totals	19,837,838,440	1,124,223,768	364,656,778	1,488,880,546	7.5	20,089,285,333	1,164,619,626	385,906,766	1,550,526,392	7.7

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

Exhibit R

Residual Market Share

Residual Market Written Premium as a Percentage of Total Direct Written Premium Calendar Years 2013–2017

State	2017 ¹ (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Alabama	3.0	2.7	4.0	4.5	4.3
Alaska	16.1	15.5	13.9	15.8	15.3
Arizona	5.1	6.1	6.3	7.0	6.6
Arkansas	9.6	9.8	10.1	10.4	10.1
Connecticut	5.6	5.9	6.1	6.6	6.5
District of Columbia	3.9	5.3	4.7	6.5	6.2
Georgia	6.0	6.3	6.6	6.6	5.5
Idaho	0.6	1.0	0.6	0.6	0.6
Illinois	4.5	4.3	4.6	5.1	5.3
Iowa	4.6	4.7	5.9	6.4	6.3
Kansas	8.6	8.2	8.5	10.4	10.7
Nevada	7.6	7.5	7.2	8.8	9.5
New Hampshire	7.8	8.9	10.9	10.9	10.3
New Mexico	4.0	5.2	6.0	7.0	5.6
Oregon	6.1	6.3	6.8	6.7	6.8
South Carolina	6.8	6.4	5.5	5.8	5.6
South Dakota	4.8	5.6	6.3	6.8	6.3
Tennessee ²	8.7	8.4	—	—	—
Vermont	10.3	11.2	11.1	11.0	11.1
Virginia	7.2	6.7	8.0	7.7	7.1
West Virginia	6.4	5.2	5.3	6.0	5.4
Subtotals³	6.0	6.1	6.3	6.8	6.6
Delaware	10.4	11.2	11.8	11.6	16.0
Massachusetts	22.1	22.4	22.4	21.7	19.9
Michigan	5.3	5.8	6.6	7.7	6.8
New Jersey	10.0	11.2	12.7	11.3	12.0
North Carolina	5.4	5.5	5.7	5.7	5.3
Grand Totals	7.5	7.7	8.1	8.2	8.0

¹ 2017 Preliminary.

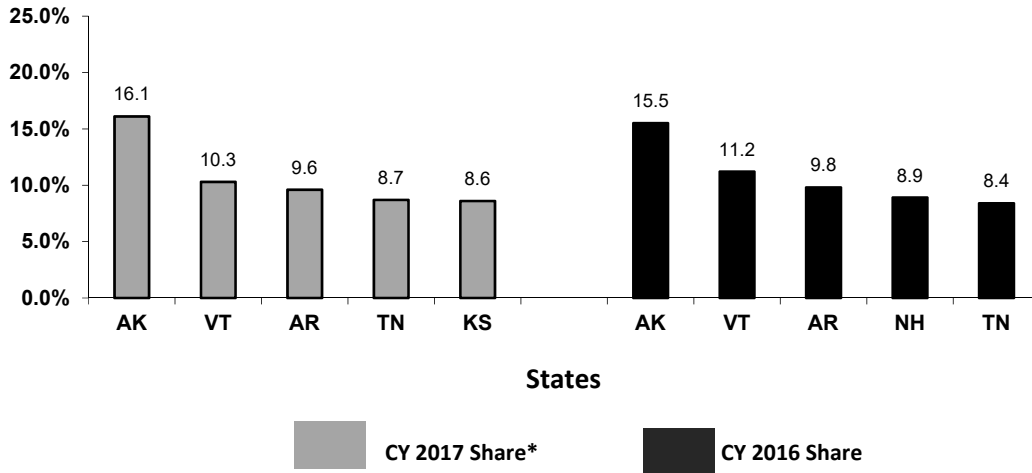
² NCCI was named the Tennessee Plan Administrator effective July 1, 2015.

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

NCCI Plan-Administered States With Highest Residual Market Share

Calendar Years 2017 and 2016

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

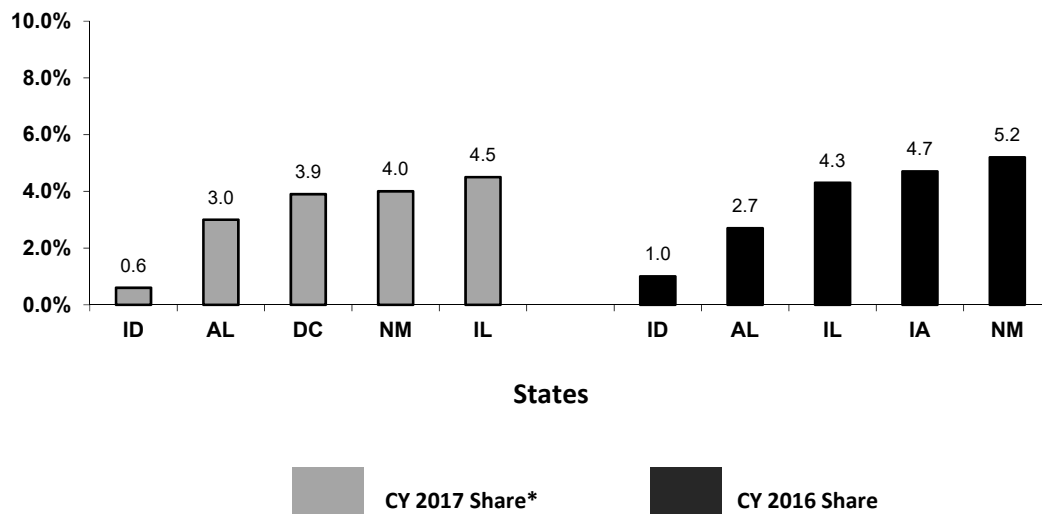


* Preliminary

NCCI Plan-Administered States With Lowest Residual Market Share

Calendar Years 2017 and 2016

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 2015–2017 (excluding results for states in which only federal or extraordinary coverage is reinsured)

State	Net Underwriting Gain/(Loss) by Calendar Year		
	2017 (\$)	2016 (\$)	2015 (\$)
Alabama	9,026,709	6,676,074	23,240,880
Alaska	4,763,035	4,058,135	13,722,795
Arizona	17,203,307	2,555,648	4,959,421
Arkansas	5,740,873	18,206,064	9,476,323
Connecticut	10,671,278	11,526,249	15,233,047
Delaware	11,429,596	6,161,216	(1,476,363)
District of Columbia	3,578,242	3,813,376	8,391,228
Georgia	(19,618,406)	(44,610,142)	(4,240,395)
Idaho	836,408	(212,608)	4,285
Illinois	16,956,359	31,341,897	(17,024,255)
Iowa	18,993,757	10,962,002	2,558,178
Kansas	8,298,801	2,787,172	35,899,901
Massachusetts	16,439,409	15,899,269	9,679,573
Michigan	(10,385,536)	27,669,382	35,297,116
Nevada	8,129,418	7,774,464	5,034,478
New Hampshire	8,383,418	16,756,653	18,786,431
New Jersey	2,357,300	(27,088,836)	(21,404,862)
New Mexico	6,631,189	6,909,639	12,706,528
North Carolina	5,285,559	12,338,088	8,079,184
Oregon	7,790,957	(4,553,016)	(5,165,739)
South Carolina ¹	(3,407,065)	6,664,322	(1,387,670)
South Dakota	6,203,007	5,332,091	3,699,933
Tennessee ²	12,574,687	3,133,144	2,387,418
Vermont	139,602	4,562,787	8,555,569
Virginia	3,777,454	10,745,745	3,364,201
West Virginia	3,599,958	8,281,212	3,074,623
Subtotals	155,399,317	147,690,027	173,451,828
Runoff States:			
Florida ³	(10,853,800)	262,433	34,281,572
Hawaii ⁴	(952,973)	741,727	7,564,177
Indiana ⁵	2,188,846	(260,228)	4,223,583
Kentucky ⁶	(13,818)	6,746,066	33,040,639
Louisiana ⁷	3,261,842	5,028,670	(981,717)
Maine ⁸	594,857	1,487,610	23,475,950
Mississippi ⁸	950,526	163,219	4,988,609
Missouri ⁹	(239,812)	5,810,872	(4,267,391)
Nebraska ¹⁰	(893,113)	668,602	1,566,564
Rhode Island ⁸	(179,919)	2,155,242	12,379,679
Totals	149,261,955	170,494,240	289,723,493

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

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

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

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

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

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

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

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

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

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

Exhibit T

Comparative Number of Residual Market Policies

Policy Years 2017 and 2016*

State	2017 Policies	2016 Policies	Number Change	Percent Change (%)
Alabama	1,634	1,614	20	1.2
Alaska	7,468	7,670	(202)	(2.6)
Arizona	5,951	6,103	(152)	(2.5)
Arkansas	6,803	7,076	(273)	(3.9)
Connecticut	15,031	14,555	476	3.3
District of Columbia	1,119	1,412	(293)	(20.8)
Georgia	22,502	21,356	1,146	5.4
Idaho	929	820	109	13.3
Illinois	34,268	34,409	(141)	(0.4)
Iowa	4,402	4,571	(169)	(3.7)
Kansas	9,001	8,991	10	0.1
Mississippi	2,592	2,665	(73)	(2.7)
Nevada	5,248	5,064	184	3.6
New Hampshire	4,944	5,578	(634)	(11.4)
New Mexico	1,926	2,558	(632)	(24.7)
Oregon	9,058	9,402	(344)	(3.7)
South Carolina	13,729	12,416	1,313	10.6
South Dakota	1,449	1,679	(230)	(13.7)
Tennessee	12,978	13,565	(587)	(4.3)
Vermont	3,838	3,963	(125)	(3.2)
Virginia	16,276	14,722	1,554	10.6
West Virginia	2,386	2,444	(58)	(2.4)
Subtotal	183,532	182,633	899	0.5
Other Pool States				
Delaware	2,159	2,070	89	4.3
Indiana	9,076	9,260	(184)	(2.0)
New Jersey	41,948	40,306	1,642	4.1
North Carolina	24,941	24,476	465	1.9
Subtotal	78,124	76,112	2,012	2.6
Grand Totals	261,656	258,745	2,911	1.1

*2016 figures have been restated to account for additional data available since the publication of *Residual Market Management Summary 2016*.

Exhibit U

Residual Market Premium Size Profile

Policy Year 2017*

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	192,739	73.7	194,524,469	18.8	1,009
2,500– 4,999	29,506	11.3	105,078,870	10.1	3,561
5,000– 9,999	20,160	7.7	141,041,710	13.6	6,996
10,000– 19,999	10,987	4.2	151,614,564	14.6	13,799
20,000– 49,999	5,892	2.3	178,357,292	17.2	30,271
50,000– 99,999	1,583	0.6	107,463,424	10.4	67,886
100,000–199,999	572	0.2	76,440,648	7.4	133,637
200,000+	217	0.1	81,478,829	7.9	375,478
Totals	261,656	100.0	1,035,999,806	100.0	3,959

*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 2017

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 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,085	66.4	1,375,292	16.3	1,267
2,500– 4,999	186	11.4	651,162	7.7	3,500
5,000– 9,999	174	10.7	1,218,793	14.4	7,004
10,000– 19,999	104	6.4	1,416,288	16.7	13,618
20,000– 49,999	64	3.9	1,984,329	23.5	31,005
50,000– 99,999	16	1.0	1,093,068	12.9	68,316
100,000–199,999	5	0.3	719,851	8.5	143,970
200,000+	0	0.0	0	0.0	0
Totals	1,634	100.0	8,458,783	100.0	5,177

Premium Size Profiles by State (Cont'd)

Alaska Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,864	65.1	4,279,743	12.7	879
2,500– 4,999	1,189	15.9	4,250,571	12.6	3,574
5,000– 9,999	749	10.0	5,229,541	15.5	6,982
10,000– 19,999	415	5.6	5,814,694	17.3	14,011
20,000– 49,999	193	2.6	5,775,748	17.2	29,926
50,000– 99,999	41	0.6	2,764,028	8.2	67,415
100,000–199,999	11	0.2	1,664,587	4.9	151,326
200,000+	6	0.1	3,905,909	11.6	650,984
Totals	7,468	100.0	33,684,821	100.0	4,511

Arizona Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,218	54.1	3,603,805	9.1	1,119
2,500– 4,999	1,090	18.3	3,886,773	9.8	3,565
5,000– 9,999	733	12.3	5,126,124	12.9	6,993
10,000– 19,999	509	8.6	7,035,747	17.7	13,822
20,000– 49,999	284	4.8	8,610,716	21.7	30,319
50,000– 99,999	82	1.4	5,291,583	13.3	64,531
100,000–199,999	24	0.4	3,258,205	8.2	135,758
200,000+	11	0.2	2,855,150	7.2	259,559
Totals	5,951	100.0	39,668,103	100.0	6,666

Arkansas Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,993	73.4	5,203,800	22.6	1,042
2,500– 4,999	894	13.1	3,174,897	13.8	3,551
5,000– 9,999	523	7.7	3,657,506	15.9	6,993
10,000– 19,999	253	3.7	3,388,404	14.7	13,392
20,000– 49,999	100	1.5	3,102,489	13.4	31,024
50,000– 99,999	24	0.4	1,651,058	7.2	68,794
100,000–199,999	10	0.2	1,275,190	5.5	127,519
200,000+	6	0.1	1,623,638	7.0	270,606
Totals	6,803	100.0	23,076,982	100.0	3,392

Premium Size Profiles by State (Cont'd)

Connecticut Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	12,696	84.5	14,461,123	32.1	1,139
2,500– 4,999	1,079	7.2	3,770,079	8.4	3,494
5,000– 9,999	621	4.1	4,318,611	9.6	6,954
10,000– 19,999	334	2.2	4,645,713	10.3	13,909
20,000– 49,999	194	1.3	6,051,379	13.5	31,192
50,000– 99,999	63	0.4	4,288,755	9.5	68,075
100,000–199,999	33	0.2	4,303,248	9.6	130,401
200,000+	11	0.1	3,160,651	7.0	287,331
Totals	15,031	100.0	44,999,559	100.0	2,994

Delaware Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	983	45.5	1,475,807	7.6	1,501
2,500– 4,999	439	20.3	1,561,678	8.1	3,557
5,000– 9,999	363	16.8	2,496,063	12.9	6,876
10,000– 19,999	202	9.4	2,794,264	14.4	13,833
20,000– 49,999	112	5.2	3,461,136	17.9	30,903
50,000– 99,999	39	1.8	2,499,164	12.9	64,081
100,000–199,999	11	0.5	1,556,150	8.0	141,468
200,000+	10	0.5	3,511,738	18.1	351,174
Totals	2,159	100.0	19,356,000	100.0	8,965

District of Columbia Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	792	70.8	651,702	10.6	822
2,500– 4,999	116	10.4	407,940	6.6	3,516
5,000– 9,999	88	7.9	624,508	10.1	7,096
10,000– 19,999	55	4.9	748,637	12.1	13,611
20,000– 49,999	50	4.5	1,516,259	24.6	30,325
50,000– 99,999	11	1.0	856,988	13.9	77,908
100,000–199,999	5	0.5	699,675	11.3	139,935
200,000+	2	0.2	661,951	10.7	330,975
Totals	1,119	100.0	6,167,660	100.0	5,512

Georgia Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	18,246	81.1	23,064,857	33.0	1,264
2,500– 4,999	1,884	8.4	6,606,667	9.5	3,506
5,000– 9,999	1,264	5.6	8,783,519	12.6	6,948
10,000– 19,999	661	2.9	9,085,841	13.0	13,745
20,000– 49,999	323	1.4	9,667,299	13.8	29,929
50,000– 99,999	93	0.4	6,465,687	9.3	69,523
100,000–199,999	21	0.1	2,982,368	4.3	142,017
200,000+	10	0.0	3,198,342	4.6	319,834
Totals	22,502	100.0	69,854,580	100.0	3,104

Premium Size Profiles by State (Cont'd)

Idaho Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	740	79.7	348,347	14.1	470
2,500– 4,999	73	7.9	265,358	10.7	3,635
5,000– 9,999	59	6.4	418,607	16.9	7,095
10,000– 19,999	36	3.9	479,802	19.4	13,327
20,000– 49,999	15	1.6	447,165	18.1	29,811
50,000– 99,999	4	0.4	270,229	10.9	67,557
100,000–199,999	2	0.2	244,461	9.9	122,230
200,000+	0	0.0	0	0.0	0
Totals	929	100.0	2,473,969	100.0	2,663

Illinois Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	28,955	84.5	29,094,664	30.6	1,004
2,500– 4,999	2,213	6.5	7,873,781	8.3	3,557
5,000– 9,999	1,544	4.5	10,803,306	11.4	6,996
10,000– 19,999	834	2.4	11,548,742	12.1	13,847
20,000– 49,999	520	1.5	15,624,551	16.4	30,047
50,000– 99,999	141	0.4	9,334,523	9.8	66,202
100,000–199,999	49	0.1	6,661,960	7.0	135,958
200,000+	12	0.0	4,276,763	4.5	356,396
Totals	34,268	100.0	95,218,290	100.0	2,779

Indiana Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,861	64.6	6,641,504	14.0	1,133
2,500– 4,999	1,373	15.1	4,854,466	10.3	3,535
5,000– 9,999	863	9.5	6,007,860	12.7	6,961
10,000– 19,999	501	5.5	6,909,352	14.6	13,791
20,000– 49,999	323	3.6	9,893,164	20.9	30,628
50,000– 99,999	119	1.3	8,012,202	16.9	67,329
100,000–199,999	33	0.4	4,322,770	9.1	130,993
200,000+	3	0.0	652,698	1.4	217,566
Totals	9,076	100.0	47,294,016	100.0	5,211

Iowa Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,440	55.4	2,292,924	7.8	939
2,500– 4,999	789	17.9	2,869,104	9.8	3,636
5,000– 9,999	531	12.1	3,720,890	12.6	7,007
10,000– 19,999	374	8.5	5,177,720	17.6	13,844
20,000– 49,999	184	4.2	5,949,869	20.2	32,336
50,000– 99,999	53	1.2	3,450,316	11.7	65,100
100,000–199,999	24	0.6	3,107,002	10.6	129,458
200,000+	7	0.2	2,869,721	9.8	409,960
Totals	4,402	100.0	29,437,546	100.0	6,687

Premium Size Profiles by State (Cont'd)

Kansas Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,548	72.8	5,739,129	20.6	876
2,500– 4,999	1,251	13.9	4,414,047	15.9	3,528
5,000– 9,999	718	8.0	4,984,494	17.9	6,942
10,000– 19,999	313	3.5	4,347,914	15.6	13,891
20,000– 49,999	124	1.4	3,749,399	13.5	30,237
50,000– 99,999	32	0.4	2,215,148	8.0	69,223
100,000–199,999	12	0.1	1,518,545	5.5	126,545
200,000+	3	0.0	836,826	3.0	278,942
Totals	9,001	100.0	27,805,502	100.0	3,089

Mississippi Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,567	60.5	1,866,132	12.6	1,190
2,500– 4,999	418	16.1	1,498,776	10.1	3,585
5,000– 9,999	295	11.4	2,076,911	14.0	7,040
10,000– 19,999	169	6.5	2,358,745	16.0	13,957
20,000– 49,999	97	3.7	2,860,328	19.3	29,487
50,000– 99,999	34	1.3	2,376,022	16.1	69,883
100,000–199,999	12	0.5	1,753,646	11.9	146,137
200,000+	0	0.0	0	0.0	0
Totals	2,592	100.0	14,790,560	100.0	5,706

Nevada Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,692	70.4	3,522,664	16.3	954
2,500– 4,999	668	12.7	2,426,315	11.2	3,632
5,000– 9,999	467	8.9	3,299,372	15.3	7,065
10,000– 19,999	250	4.8	3,445,472	16.0	13,781
20,000– 49,999	124	2.4	3,694,330	17.1	29,792
50,000– 99,999	29	0.6	1,978,434	9.2	68,221
100,000–199,999	13	0.3	1,889,571	8.8	145,351
200,000+	5	0.1	1,332,348	6.2	266,469
Totals	5,248	100.0	21,588,506	100.0	4,114

New Hampshire Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,620	73.2	3,178,741	18.2	878
2,500– 4,999	556	11.3	1,987,440	11.4	3,574
5,000– 9,999	379	7.7	2,649,896	15.1	6,991
10,000– 19,999	237	4.8	3,249,451	18.6	13,710
20,000– 49,999	119	2.4	3,578,762	20.4	30,073
50,000– 99,999	26	0.5	1,724,694	9.9	66,334
100,000–199,999	5	0.1	637,071	3.6	127,414
200,000+	2	0.0	502,341	2.9	251,170
Totals	4,944	100.0	17,508,396	100.0	3,541

Premium Size Profiles by State (Cont'd)

New Jersey Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	29,063	69.3	18,701,719	8.6	643
2,500– 4,999	4,639	11.1	16,686,068	7.7	3,597
5,000– 9,999	4,159	9.9	29,356,867	13.5	7,059
10,000– 19,999	2,204	5.3	30,482,431	14.0	13,831
20,000– 49,999	1,270	3.0	38,941,927	17.9	30,663
50,000– 99,999	370	0.9	25,862,299	11.9	69,898
100,000–199,999	148	0.4	19,666,009	9.0	132,878
200,000+	95	0.2	38,417,241	17.6	404,392
Totals	41,948	100.0	218,114,561	100.0	5,200

New Mexico Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,493	77.5	1,394,398	19.1	933
2,500– 4,999	152	7.9	552,689	7.6	3,636
5,000– 9,999	124	6.4	887,315	12.1	7,155
10,000– 19,999	88	4.6	1,236,125	16.9	14,046
20,000– 49,999	51	2.7	1,534,116	21.0	30,080
50,000– 99,999	11	0.6	802,313	11.0	72,937
100,000–199,999	7	0.4	912,485	12.5	130,355
200,000+	0	0.0	0	0.0	0
Totals	1,926	100.0	7,319,441	100.0	3,800

North Carolina Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	19,297	77.4	26,662,220	36.7	1,382
2,500– 4,999	2,936	11.8	10,425,041	14.4	3,551
5,000– 9,999	1,644	6.6	11,357,165	15.6	6,908
10,000– 19,999	710	2.8	9,642,441	13.3	13,581
20,000– 49,999	284	1.1	8,067,134	11.1	28,405
50,000– 99,999	50	0.2	3,355,097	4.6	67,102
100,000–199,999	16	0.1	2,053,937	2.8	128,371
200,000+	4	0.0	1,030,023	1.4	257,506
Totals	24,941	100.0	72,593,058	100.0	2,911

Oregon Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,370	70.3	4,411,827	12.0	692
2,500– 4,999	1,110	12.3	3,941,471	10.7	3,550
5,000– 9,999	765	8.5	5,331,704	14.5	6,969
10,000– 19,999	436	4.8	6,111,313	16.6	14,016
20,000– 49,999	282	3.1	8,540,212	23.2	30,284
50,000– 99,999	69	0.8	4,827,955	13.1	69,970
100,000–199,999	23	0.3	2,975,789	8.1	129,382
200,000+	3	0.0	734,649	2.0	244,883
Totals	9,058	100.0	36,874,920	100.0	4,071

Premium Size Profiles by State (Cont'd)

South Carolina Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	11,317	82.4	11,602,781	33.5	1,025
2,500– 4,999	1,131	8.2	4,056,404	11.7	3,586
5,000– 9,999	711	5.2	4,936,963	14.3	6,943
10,000– 19,999	359	2.6	4,917,338	14.2	13,697
20,000– 49,999	160	1.2	4,709,306	13.6	29,433
50,000– 99,999	35	0.3	2,181,311	6.3	62,323
100,000–199,999	14	0.1	1,744,879	5.0	124,634
200,000+	2	0.0	454,999	1.3	227,499
Totals	13,729	100.0	34,603,981	100.0	2,521

South Dakota Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	870	60.0	971,914	12.9	1,117
2,500– 4,999	234	16.2	829,268	11.0	3,543
5,000– 9,999	181	12.5	1,268,284	16.8	7,007
10,000– 19,999	91	6.3	1,262,156	16.7	13,869
20,000– 49,999	53	3.7	1,601,255	21.2	30,212
50,000– 99,999	15	1.0	939,617	12.4	62,641
100,000–199,999	5	0.4	679,273	9.0	135,854
200,000+	0	0.0	0	0.0	0
Totals	1,449	100.0	7,551,767	100.0	5,212

Tennessee Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	8,627	66.5	9,018,470	14.4	1,045
2,500– 4,999	1,880	14.5	6,657,615	10.6	3,541
5,000– 9,999	1,147	8.8	8,044,880	12.8	7,013
10,000– 19,999	775	6.0	10,717,352	17.1	13,828
20,000– 49,999	399	3.1	11,857,451	18.9	29,717
50,000– 99,999	93	0.7	6,194,866	9.9	66,611
100,000–199,999	47	0.4	6,449,163	10.3	137,216
200,000+	10	0.1	3,909,558	6.2	390,955
Totals	12,978	100.0	62,849,355	100.0	4,843

Vermont Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,504	65.2	2,525,635	14.0	1,008
2,500– 4,999	551	14.4	1,990,311	11.1	3,612
5,000– 9,999	373	9.7	2,644,619	14.7	7,090
10,000– 19,999	226	5.9	3,152,448	17.5	13,948
20,000– 49,999	141	3.7	4,218,825	23.5	29,920
50,000– 99,999	35	0.9	2,379,700	13.2	67,991
100,000–199,999	7	0.2	836,200	4.7	119,457
200,000+	1	0.0	238,486	1.3	238,486
Totals	3,838	100.0	17,986,224	100.0	4,686

Premium Size Profiles by State (Cont'd)

Virginia Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	11,516	70.8	11,036,004	18.0	958
2,500– 4,999	2,192	13.5	7,814,829	12.8	3,565
5,000– 9,999	1,403	8.6	9,845,451	16.1	7,017
10,000– 19,999	708	4.4	9,597,976	15.7	13,556
20,000– 49,999	341	2.1	10,256,195	16.8	30,076
50,000– 99,999	78	0.5	5,284,215	8.6	67,746
100,000–199,999	30	0.2	3,884,134	6.4	129,471
200,000+	8	0.1	3,448,746	5.6	431,093
Totals	16,276	100.0	61,167,550	100.0	3,758

West Virginia Premium Size Profile—Policy Year 2017

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,382	57.9	1,399,267	9.0	1,012
2,500– 4,999	463	19.4	1,626,120	10.5	3,512
5,000– 9,999	282	11.8	1,952,461	12.6	6,923
10,000– 19,999	143	6.0	2,048,198	13.2	14,323
20,000– 49,999	85	3.6	2,663,948	17.1	31,340
50,000– 99,999	20	0.8	1,364,152	8.8	68,207
100,000–199,999	5	0.2	644,479	4.1	128,895
200,000+	6	0.3	3,857,051	24.8	642,841
Totals	2,386	100.0	15,555,676	100.0	6,520

Exhibit V

Classifications With Largest Premium Volume

Policy Year 2017*

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

Classification Code	Premium Amount (\$)	Classification Description
5645	\$56,128,061	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5551	\$33,917,866	Roofing—All Kinds & Drivers
7228	\$27,918,744	Trucking—Local Hauling Only—All Employees & Drivers
5474	\$22,688,945	Painting NOC & Shop Operations, Drivers
7229	\$18,006,159	Trucking—Long Distance Hauling—& Drivers
5437	\$17,974,544	Carpentry—Installation of Cabinet Work or Interior Trim
9014	\$15,013,300	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
8835	\$13,555,179	Nursing—Home Health Public and Traveling—All Employees
5403	\$13,329,766	Carpentry NOC
5445	\$12,998,474	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers

NOC = Not Otherwise Classified

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

Exhibit W

Classifications With Largest Policy Count

Policy Year 2017*

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

Classification Code	Policy Count	Classification Description
5645	21,832	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5437	10,833	Carpentry—Installation of Cabinet Work or Interior Trim
5474	10,556	Painting NOC & Shop Operations, Drivers
5551	7,899	Roofing—All Kinds & Drivers
7228	7,771	Trucking—Local Hauling Only—All Employees & Drivers
9014	5,355	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5445	4,726	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers
5022	4,150	Masonry NOC
8810	3,640	Clerical Office Employees NOC
5190	3,389	Electrical Wiring—Within Buildings & Drivers

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 2017

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 2017		Assigned Risk Plan 2017	
	Policy Count	Total Percent (%)	Policy Count	Total Percent (%)
A	102,537	8.9	3,299	1.7
B	188,871	16.3	10,652	5.6
C	382,248	33.1	36,332	19.1
D	146,874	12.7	13,480	7.1
E	200,851	17.4	49,665	26.0
F	118,048	10.2	64,938	34.1
G	11,422	1.0	12,301	6.5
Not Classified	5,327	0.5	28	0.0

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

Projected Ultimate Policy Year Results by State

Policy Years 2013–2017 (based on data reported to NCCI through December 31, 2017)

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 2017 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. The operating gain or loss also reflects an estimate of the full ultimate cost of taxes and assessments that are reimbursed to servicing carriers on a pass-through basis.

Amounts Projected to Ultimate

Policy Year Financial Results Through Fourth Quarter 2017 (Projected to Ultimate) (\$000s)

Alabama

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	7,048	59.6	4,201	856
2016	7,234	40.0	2,894	1,950
2015	7,023	40.6	2,851	1,796
2014	7,860	38.4	3,018	2,182
2013	8,590	45.1	3,874	1,721

Alaska

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	37,255	64.6	24,067	(443)
2016	39,194	69.9	27,397	(2,555)
2015	37,441	60.8	22,764	689
2014	40,329	51.5	20,769	4,243
2013	41,334	81.1	33,522	(8,275)

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

Arizona

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	40,536	89.4	36,239	(7,191)
2016	49,243	53.0	26,099	5,761
2015	52,656	60.8	32,015	1,659
2014	52,959	65.7	34,794	(1,239)
2013	47,365	72.1	34,150	(3,235)

Arkansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	23,654	69.5	16,440	(248)
2016	23,899	50.0	11,950	4,252
2015	26,239	44.0	11,545	6,271
2014	24,891	34.4	8,562	8,002
2013	24,305	57.1	13,878	365

Connecticut

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	25,728	64.6	16,620	1,021
2016	27,061	53.0	14,342	4,698
2015	40,353	48.7	19,652	6,670
2014	40,880	52.5	21,462	5,486
2013	35,441	73.1	25,908	(3,459)

Delaware

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	15,726	74.5	11,716	(1,274)
2016	16,559	55.0	9,107	1,956
2015	17,829	106.5	18,988	(7,137)
2014	17,081	71.7	12,247	(910)
2013	21,638	89.1	19,279	(4,858)

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) (\$)
2017	6,728	69.5	4,676	(330)
2016	8,090	43.0	3,479	1,790
2015	8,060	32.4	2,611	2,519
2014	10,274	70.7	7,264	(714)
2013	9,827	30.0	2,948	3,730

Georgia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	57,323	99.3	56,922	(23,153)
2016	60,927	104.9	63,912	(28,849)
2015	59,645	104.4	62,269	(28,856)
2014	55,668	96.0	53,441	(23,113)
2013	48,229	89.1	42,972	(18,481)

Idaho

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	3,033	84.4	2,560	(888)
2016	2,845	74.9	2,131	(413)
2015	2,685	40.6	1,090	508
2014	2,135	43.4	927	251
2013	1,848	34.0	628	170

Illinois

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	103,508	79.5	82,289	(9,502)
2016	112,647	62.0	69,841	12,830
2015	123,783	66.9	82,811	(569)
2014	130,489	62.6	81,686	4,019
2013	126,288	66.1	83,476	(253)

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

Iowa

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	27,094	64.6	17,503	2,013
2016	31,726	50.0	15,863	7,335
2015	37,545	59.8	22,452	4,896
2014	40,299	51.5	20,754	8,580
2013	46,546	51.1	23,785	8,206

Kansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	34,196	89.4	30,571	(7,311)
2016	35,831	64.9	23,254	1,931
2015	40,150	55.8	22,404	5,942
2014	48,306	53.6	25,892	6,657
2013	49,873	47.1	23,490	9,675

Massachusetts

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	122,862	67.0	82,318	(4,067)
2016	121,036	68.0	82,304	(4,236)
2015	120,994	71.0	85,906	(6,981)
2014	113,612	72.0	81,801	(8,398)
2013	94,472	59.0	55,739	5,111

Michigan

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	58,269	85.0	49,529	(8,163)
2016	66,307	62.0	41,110	4,940
2015	71,196	57.0	40,581	8,736
2014	80,230	87.0	69,801	(15,212)
2013	75,909	65.0	49,341	2,201

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

Nevada

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	26,325	61.6	16,216	2,509
2016	28,575	58.9	16,831	4,006
2015	26,283	49.7	13,063	5,893
2014	29,797	62.6	18,653	1,958
2013	27,731	59.1	16,389	2,562

New Hampshire

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	15,312	94.4	14,455	(4,693)
2016	18,427	58.9	10,854	1,498
2015	23,243	50.7	11,784	2,917
2014	25,014	47.5	11,882	4,255
2013	22,288	44.0	9,807	4,415

New Jersey

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	162,431	78.5	127,508	(10,574)
2016	173,409	73.9	128,149	(2,723)
2015	187,431	76.0	142,448	(16,344)
2014	183,506	86.9	159,467	(38,353)
2013	166,263	85.1	141,490	(32,637)

New Mexico

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	9,099	60.0	5,459	(637)
2016	11,508	45.0	5,179	1,131
2015	15,120	35.0	5,292	3,050
2014	18,698	38.0	7,105	3,493
2013	17,608	34.0	5,987	3,912

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

North Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	56,590	64.6	36,557	4,742
2016	56,291	79.9	44,977	(5,072)
2015	58,787	58.8	34,567	6,173
2014	55,184	61.6	33,994	4,619
2013	57,683	61.1	35,244	2,636

Oregon

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	41,000	69.5	28,495	(804)
2016	43,000	64.9	27,907	1,518
2015	45,768	54.7	25,035	4,266
2014	42,068	85.9	36,137	(9,175)
2013	40,357	66.1	26,676	(1,308)

South Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	29,597	69.5	20,570	(2,770)
2016	29,471	69.9	20,600	(2,219)
2015	26,642	76.0	20,248	(4,918)
2014	26,723	50.5	13,495	1,542
2013	25,103	76.1	19,104	(6,384)

South Dakota

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	8,437	89.4	7,543	(2,067)
2016	10,206	55.0	5,613	1,112
2015	11,522	46.6	5,369	2,223
2014	11,614	48.5	5,633	2,079
2013	10,014	64.1	6,419	77

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

Tennessee

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	53,000	64.6	34,238	1,956
2016	53,000	64.9	34,397	1,643
2015*	26,000	55.8	14,508	2,904
2014	N/A	N/A	N/A	N/A
2013	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) (\$)
2017	14,460	64.6	9,341	1,148
2016	15,274	64.9	9,913	1,197
2015	18,112	58.8	10,650	2,137
2014	17,422	46.5	8,101	4,354
2013	15,449	56.1	8,667	2,308

Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	48,033	66.2	31,798	4,188
2016	44,389	60.8	26,989	6,627
2015	54,146	55.9	30,268	7,402
2014	54,363	66.7	36,260	1,397
2013	50,293	57.1	28,717	5,271

West Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2017	16,661	67.8	11,296	1,090
2016	14,295	55.3	7,905	2,635
2015	16,543	43.0	7,113	5,085
2014	17,691	65.8	11,640	839
2013	17,160	43.7	7,499	4,589

Available Residual Market Programs

As of June 1, 2018

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

¹ New Hampshire—Premium discounts are only available for risks with standard premium > \$10,000 and experience modification < 1.50.

² Tennessee—All programs are effective July 1, 2015, except ARAP, which is effective March 1, 2017. Removed premium discount effective March 1, 2017.

³ Vermont—ARAP was withdrawn effective April 1, 2018.

2018 Assigned Carriers

As of January 1, 2018

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	
Alaska National Insurance Co.	S																								
American Interstate Insurance Co.	D	D												D									D		
American Zurich Insurance Co.		D			D		D		D					D	D					D		D	D	D	
AmFed National Insurance Co.													S												
Amguard Insurance Co.	S			S	S		S				S			S		S									
Auto Owners Insurance Co.		D							D					D						D		D	D		
Builders Mutual Insurance Co.														D						D		D	D		
Cincinnati Insurance Co.		D			D		D		D					D	D					D		D	D	D	
Continental Casualty Co.		D					D		D					D	D					D		D	D	D	
Continental Insurance Co. of NJ																D									
Hartford Underwriters		D			D		D		D					D	D	D				D		D	D	D	
Liberty Mutual Fire Insurance Co.																								D	
LM Insurance Corporation	S	S	S		S	S	S	S	S		S		S	S	S	S		S	S	S		S	S		S
Mountain States Indemnity 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		
SAIF Corporation																			S						
Technology Insurance Co.			S	S		S	S	S	S	S	S					S					S	S			
Travelers Indemnity Co. of CT							D																		
Travelers Property Casualty Co. of America	S	S	S	S	D	S		S	S	S	S	S		S	S	S		S	S	S		S	D	S	S
	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 that have had coverage during a specified time period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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


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

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

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