




2018 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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Residual Market Management Summary 2018
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 2018*** 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). You can view and print this and previous reports on ncci.com.

As of Year-End 2018, the residual market remains stable and effectively managed. The latest five policy years reflect relative consistency in operating results and performance, with a continuing gradual decrease in premium volume and market share.

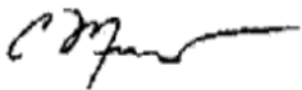
For all reinsurance pools serviced by NCCI, the combined ultimate written premium for Policy Year (PY) 2018 is projected at \$1.025 billion, representing an estimated residual market share of 7.2%. This marks the third consecutive year of slight decreases in ultimate written premium, and the fourth consecutive year of slight decreases in residual market share. Premium volume decreased from \$1.151 billion in PY 2015 to \$1.025 billion in PY 2018, and residual market share of premium decreased by 1% since 2014.

The net operating results for Policy Year 2018 for all reinsurance pools combined is projected as an ultimate operating loss of \$70 million, which represents a combined ratio of 107%. These ultimate projections are based on a partially earned policy year and are subject to change as additional premium is earned and losses are reported over the next few quarters. A slightly longer view of operating results reflects an aggregate operating loss of \$70 million for 2014–2018 and a combined ratio of 101%. This represents near self-sufficiency of the residual market and minimal subsidization by the voluntary market.

While the residual market is gradually declining in total premium volume, average policy size, and market share, it continues to be comprised of a significant concentration of high hazard risks. In 2018, approximately 46% of all residual market premium represented policies in Hazard Groups F and G, which is nearly twice the concentration of these exposures in the voluntary market. The relative consistency in residual market operating results, despite the potential volatility of this exposure composition, reflects the high quality of service provided by the servicing carriers and residual market administrators.

Looking ahead, NCCI is committed to continuing to effectively work with assigned carriers, state insurance regulators, and insurance producers to maintain a stable and responsive residual market.

Sincerely,



Clifford G. Merritt
Senior Division Executive-Residual Markets, NCCI

Where NCCI Provides Residual Market Services

NCCI provides many services for the residual market in 31 jurisdictions, including administration of NCCI's Workers Compensation Insurance Plan (WCIP), the National Workers Compensation Reinsurance Pooling Mechanism (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 2018:

- Number of applications received = 125,363
- Number of applications bound = 69,425
- Percentage of applications submitted online nationally = 99.8%
- Average processing time for online applications = 2.5 days
- Average processing time for mail-in applications = 4.0 days
- Other:
 - 164,549 calls were fielded; calls decreased by 11% from prior year
 - Producer workshops were held in nine states: CT, FL, IA, IL, ME, NH, OR, TX, and VT

NCCI provides application processing, servicing carrier selection, and oversight and/or administrative services for its Workers Compensation Insurance Plans (WCIPs or Plans) for the 22 jurisdictions where it serves as Plan Administrator.

2019 Residual Market Forum

NCCI enhanced its event for training current and future workers compensation insurance assigned carriers (servicing and direct assignment). NCCI's *Assigned Carrier Conference* has been renamed *Residual Market Forum* to reflect the fact that this event is a key opportunity for sharing knowledge and networking with residual market partners. However, this was not just a name change, but a complete redesign.

The event was held at a new location—the Hilton West Palm Beach—on February 13 and 14, 2019, over two days instead of three. The half-day session, previously held to comply with the precertification requirements, was a breakout session during the main program. This session was supplemented by online video preparation available prior to the event.

The Forum began with “The State of the Residual Market”, which provided an overview of 2018 residual market operating results, statistics, and other highlights. From there, three breakout sessions were held, targeting the different stakeholders of regulators, current assigned carriers, and potential assigned carriers or others new to the residual market. The new format of the breakout sessions enabled an open discourse among attendees.

Additional topics covered during the Forum included:

- Regulatory and Legislative Updates
- Actuarial Perspective
- Panel Discussion: Opioids in Workers Compensation
- Regulator/Bureau Panel
- Carrier Panel Discussion

The **Residual Market Forum** changes were well received by the attendees, as seen on the survey, with an overall satisfaction rating of 9.10 out of 10.

Registration for next year's event, scheduled for February 12 and 13, 2020, will be available on **ncci.com** in Fourth Quarter 2019. For more details on the **Residual Market Forum**, 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 2018 include the following:

- **VCAP® Service** redirected more than \$10.7 million in premium from the residual market to the voluntary market
- An approximate savings of \$1,085,823 on 2,933 confirmed policies—or \$370 per employer—was achieved, equaling a 10% savings per policy to the employer

For more information on **VCAP® Service**, contact Stacey Dever at 561-893-3628 or stacey_dever@ncci.com.

Filings and Manuals

Critical residual market rules are 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 2018, NCCI worked on several filings that will impact the residual market including:

- Revisions to the Tennessee Drug-Free Workplace Premium Credit Program, effective July 1, 2018
- Revisions to the Assigned Carrier Performance Standards, effective January 1, 2019
- Elimination of the Assigned Risk Premium Installment Service Fee in New Hampshire and Rule Reference Update, effective January 1, 2019
- Establishment of the Connecticut Notice of Cancellation or Material Coverage Change to Designated Governmental Entity, effective March 1, 2019
- Establishment of Notification Endorsement of Pending Law Change to Terrorism Risk Insurance Program Reauthorization Act of 2015, effective January 1, 2020

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					
	2016		2017		2018	
	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)
Alabama	207	3,229,280	202	1,849,109	195	1,847,187
Alaska	1,352	10,519,081	1,377	10,762,077	1,505	9,759,493
Arizona	1,628	16,211,185	2,288	21,021,716	2,652	19,606,588
Arkansas	1,150	8,696,501	1,284	7,476,728	1,289	7,637,752
Connecticut	1,247	13,490,270	1,451	11,070,261	1,406	8,847,082
District of Columbia	265	2,132,622	344	2,183,412	389	2,023,226
Georgia	1,405	21,973,384	1,523	21,158,974	1,470	19,908,086
Illinois	3,374	39,380,307	3,655	34,534,398	3,849	28,899,970
Iowa	976	11,052,347	948	7,306,960	1,033	6,581,830
Kansas	1,918	13,042,765	1,857	9,312,351	1,596	6,801,341
Mississippi	653	6,741,097	720	7,125,633	636	5,698,839
New Hampshire	875	6,905,655	943	6,083,533	921	4,580,117
New Mexico	417	4,095,533	508	3,794,928	551	3,522,910
Oregon	2,435	15,853,214	2,767	16,443,098	3,227	18,435,764
South Carolina	1,066	6,950,497	1,113	7,829,763	1,068	7,605,498
South Dakota	464	5,040,654	552	5,727,360	760	5,968,407
Tennessee	686	9,150,502	1,523	13,343,405	1,877	13,376,006
Vermont	718	5,550,569	740	5,558,966	719	4,020,433
Virginia	1,793	17,114,197	1,868	13,178,908	1,828	12,317,183
West Virginia	568	5,036,319	596	4,974,207	711	5,820,994
Totals	23,197	222,166,006	26,259	210,735,787	27,682	193,258,706

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 2018, more than \$193 million in credits were earned for policies removed from the residual market and placed in the voluntary market. This represents an 8.1% decrease in credits earned over the previous year, but an increase in the number of qualifying policies. These credits were derived from 27,682 policies and \$163 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 2018, these pooling mechanisms provided reinsurance for the assigned risk plans in 26 jurisdictions, with 23 of these state plans 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

The **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 2018 allocations based on Calendar Year 2018 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

During 2018, NCCI began working on a new tool for servicing carriers to report their quarterly Pool financial data. The reporting of Pool data will be modernized with enhanced screens; expanded functionality; and streamlined edit, view, and response capabilities. This new ***Pool Financial Data Collection (PFDC)*** tool is scheduled to be released in the first quarter of 2020. NCCI will release communication and training information throughout 2019 on the new ***PFDC***.

The following are the current tools available to support the quarterly Pool data submission process.

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 is a detailed 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

Effective January 1, 2018, four collection agencies are available to servicing carriers in the NWCRA reinsurance pooling mechanism for premium collection services. These contracted collection agencies are:

- Brown & Joseph, LLC
- 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 Crissy Arseneau at 561-893-3347 or crissy_arseneau@ncci.com.

Residual Market Results

As shown in Exhibit A, Policy Year (PY) 2018 ultimate written premium for all reinsurance pooling mechanisms serviced by NCCI is projected to be \$1.025 billion, representing a 2.3% decrease in premium volume from the projected level of \$1.049 billion for PY 2017.

Premium volume has been relatively stable over the six-year period ranging from 2013 through 2018. During this period, premium ranged between \$1.025 billion and \$1.151 billion, for an annual average of \$1.092 billion. However, since 2015, premium volume has been decreasing an average of 3.7% year-over-year.

These premium volumes and year-over-year changes include the effect of new policies, renewals, cancellations, nonrenewals, and

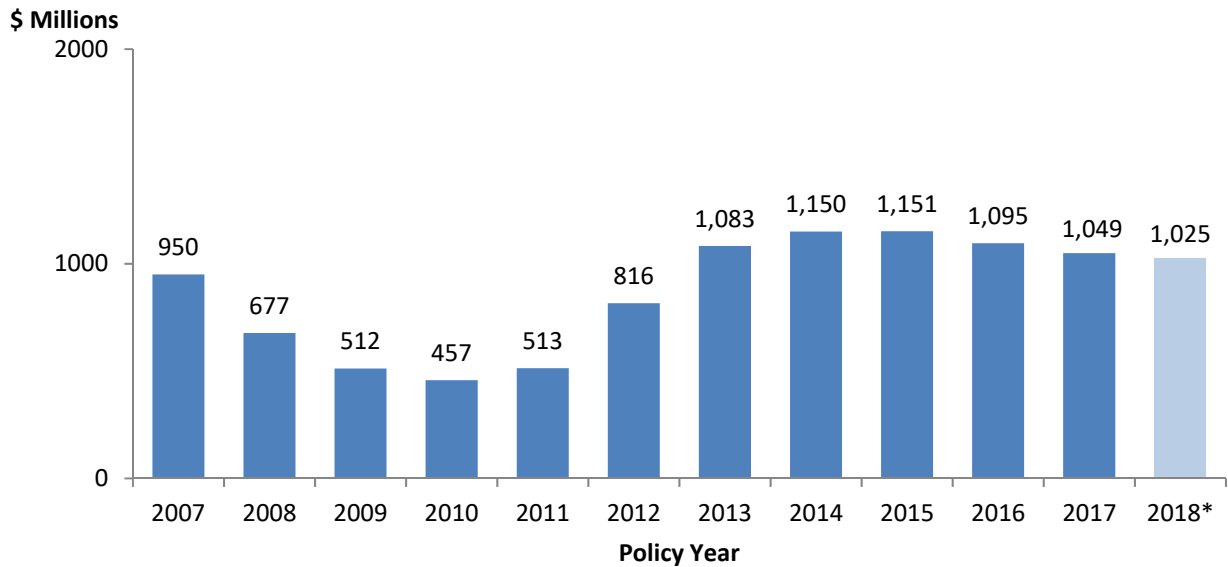
premium-level changes. Estimates of “true growth” in residual market premium volume, which consider various economic factors and market conditions, are discussed separately in a later section of this report.

NCCI is preliminarily projecting a residual market operating loss of \$70 million for PY 2018 (see Exhibit B) activity reinsured through these reinsurance pooling mechanisms. This is equivalent to a combined ratio of 107% (see Exhibit C). As reflected in Exhibit D, the residual market share of the total market direct written premium decreased slightly to 5.7% for Calendar Year (CY) 2018, down from 6.0% for CY 2017, and 6.1% for CY 2016—for NCCI Plan-administered states.

Exhibit A

Written Premium[#]

All Pools Serviced by NCCI, as of December 31, 2018



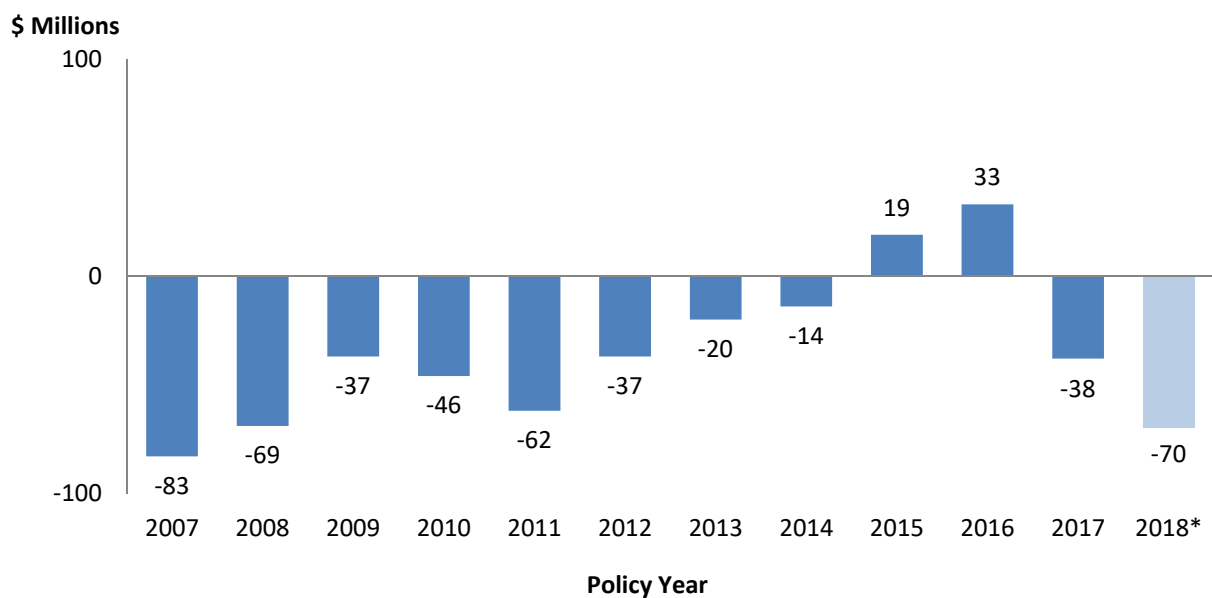
Projected to Ultimate; Tennessee Reinsurance Mechanism premium is not included.

** Incomplete Policy Year*

Exhibit B

Operating Gain/Loss[#]

All Pools Serviced by NCCI, as of December 31, 2018



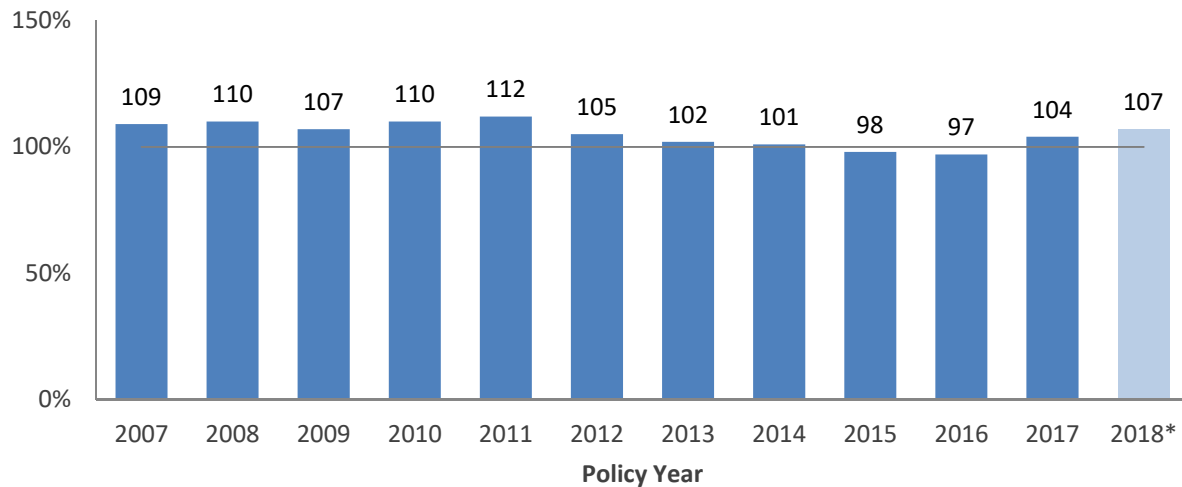
Projected to Ultimate; Tennessee Reinsurance Mechanism experience is not included in the operating results.

** Incomplete Policy Year*

Exhibit C

Combined Ratio[#]

All Pools Serviced by NCCI, as of December 31, 2018



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

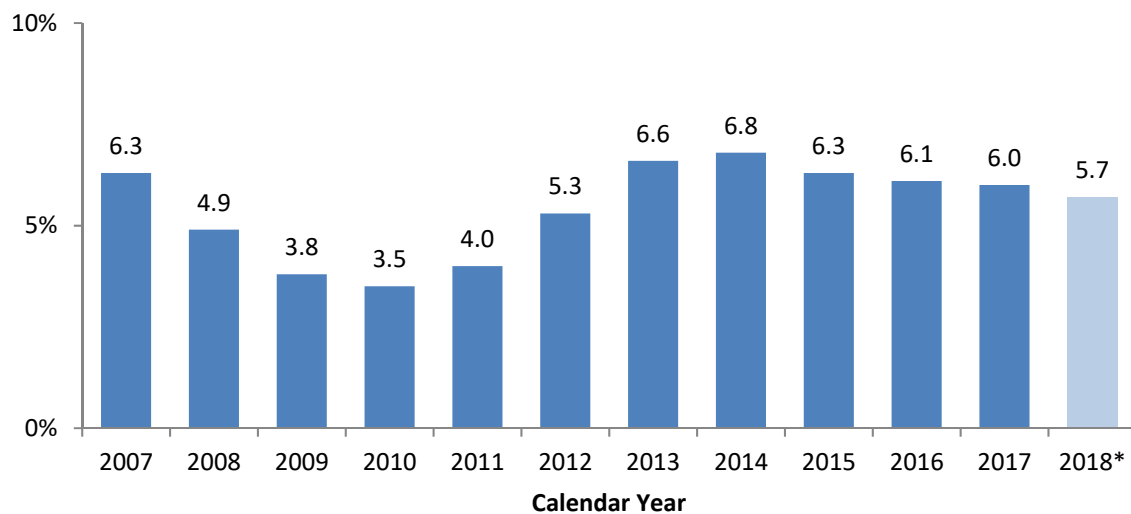
* Incomplete Policy Year

Exhibit D

Residual Market Share

NCCI Pool- and Plan-Administered 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, 2018, 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 aggregate ratings, which summarize all key attribute ratings for three

National Pool servicing carrier self-audits in 2018. 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 on-site rating system for servicing carriers.

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 used as part of the scoring of future servicing carrier bids. The aggregate ratings for the six National Pool servicing carriers’ on-site audits conducted in 2018 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.

Two quantifications were completed during 2018, resulting in \$280,096 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 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.

Three National Pool carriers were assessed for either Tier One or Tier Two remediation in 2018. 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		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
0	5	5	4	5	5	4	5	5	4	5	5	4
1	1	0	1	1	0	1	1	0	1	1	0	1
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 Aggregate Ratings—National Pool

2018 Self-Audit Aggregate Ratings	Commendable	Satisfactory	Marginal	Unsatisfactory
Underwriting, Premium Audit, and Loss Prevention Performance Standards	2	0	0	0
Claims Performance Standards	3	0	0	0
2018 On-Site Audit Aggregate Ratings				
Reporting Requirements and Procedures	N/A	6	0	0
Underwriting, Premium Audit, and Loss Prevention Performance Standards	2	2	0	0
Claims Performance Standards	4	2	0	0

Exhibit G

On-Site Audit Financial Quantifications—National Pool

Year	Financial Adjustment Pool/(Carrier) (\$)
2015	13,188
2016	167,365
2017	60,109
2018	280,096
Total	520,758

Exhibit H

Tier One Remediation Penalties—National Pool

	2018	2017	2016
On-Site Audit			
Number of Carriers	3	1	0
Amount	\$90,200	\$37,000	\$0
Self-Audit			
Number of Carriers	0	1	0
Amount	\$0	\$4,800	\$0
Total	\$90,200	\$41,800	\$0

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 2018 Included:

- Revising all six internal control questionnaires
- Improvements to the electronic work papers and summarization in the ***Carrier Audit Program (CAP)***
- Implementing various system updates to ***CAP*** to improve customer experience
- Conducting remote audits using a secure and authorized connection to the servicing carriers' networks and systems
- Assisting the Pool External Audit Team

Financial and Actuarial Results for 2018

Comparative financial analyses and operating results for all Pools serviced by NCCI are shown in Exhibits I through L. The 2018 Calendar Year results for the reinsurance pools administered by NCCI reflect a net operating gain for the National Workers' Compensation Reinsurance Pool, the Massachusetts Workers' Compensation Assigned Risk Pool, the Michigan Workers' Compensation Placement Facility, and the New Mexico Workers' Compensation Assigned Risk Pool (see Exhibits M through P).

The combined net operating gain for all pools managed by NCCI was approximately \$135 million in Calendar Year 2018 compared with the net operating gain of \$151 million for Calendar Year 2017.

- The National Pool results reflect an operating gain of \$116 million compared with an operating gain of \$142 million in the prior year (Exhibit M)
- The Massachusetts Pool results reflect an operating gain of \$11 million compared with a gain of \$13 million in the prior year (Exhibit N)
- The Michigan Pool results reflect an operating gain of \$9 million compared with a loss of \$11 million in the prior year (Exhibit O)
- The New Mexico Pool results reflect an operating gain of \$43 thousand compared with a gain of \$7 million in the prior year (Exhibit P)

Comparative Calendar Years Financial Analysis

Exhibit I

All Pools Serviced by NCCI—Calendar Years 2018 and 2017 (\$000s)

	Calendar Year 2018 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2018 (\$)	2017 (\$)
Premiums Written	284,295	260,021	266,129	236,204	1,046,649	1,066,968
Premiums Earned	285,495	246,776	275,790	258,223	1,066,284	1,051,430
Incurred Losses	166,006	167,438	81,289	183,513	598,246	556,583
Loss Ratio (%)	58.1	67.9	29.5	71.1	56.1	52.9
Paid Losses	176,303	187,534	175,280	187,208	726,325	722,133
ALAE for Black Lung	893	875	721	821	3,310	3,480
Servicing Carrier Allowance	68,105	63,889	65,892	53,836	251,722	255,286
Producer Fees	10,238	10,475	10,110	8,988	39,811	40,436
Administrative Expenses	2,954	3,474	3,414	3,353	13,195	13,202
Other Expenses	5,416	7,719	4,168	10,849	28,152	34,563
Net Underwriting Gain (Loss)	32,776	(6,219)	110,917	(2,316)	135,158	151,359
Investment Income	3	0	13	94	110	10
Net Operating Gain (Loss)	32,779	(6,219)	110,930	(2,222)	135,268	151,369
EBNR Premium Reserves	(19,868)	(11,523)	(11,944)	(20,406)	(20,406)	(16,117)
Loss Ratio With EBNR (%)	58.9	65.6	29.5	73.5	56.3	52.8
Unearned Premiums	341,205	354,450	344,789	322,770	322,770	342,405
Outstanding Losses	3,070,957	3,039,512	3,043,235	3,023,677	3,023,677	3,065,027
IBNR	2,269,866	2,281,215	2,183,501	2,199,364	2,199,364	2,286,094
Cash Flow	21,282	(13,070)	7,278	(27,936)	(12,446)	1,357
Uncollectible Premiums	15,310	16,197	15,897	23,809	71,213	65,708

Exhibit J

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	2,236,221	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 K

Comparative Policy Years Financial Analysis

All Pools Serviced by NCCI—Policy Years 2018 and 2017 (\$000s)

	Policy Year (PY) 2018 Quarterly Results				At December 31, 2018	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	PY 2018 (\$)	PY 2017 (\$)
Premiums Written	178,631	235,171	249,720	238,015	901,537	1,067,892
Premiums Earned	47,008	102,684	191,090	237,986	578,768	1,067,892
Incurred Losses	35,632	79,086	144,857	176,431	436,006	766,942
Loss Ratio (%)	75.8	77.0	75.8	74.1	75.3	71.8
Paid Losses	970	7,654	19,296	37,124	65,044	274,783
Net Expenses	54,417	69,713	70,638	66,689	261,457	303,866
Net Operating Gain (Loss)	(43,041)	(46,115)	(24,406)	(5,135)	(118,697)	(2,917)
EBNR Premium Reserves	0	0	0	0	0	(20,406)
Loss Ratio With EBNR (%)	75.8	77.0	75.8	74.1	75.3	73.2
Unearned Premiums	131,623	264,111	322,741	322,770	322,770	0
Outstanding Losses	7,093	34,034	84,555	140,064	140,064	254,673
IBNR	27,570	72,061	147,101	230,899	230,899	237,487
Cash Flow	123,245	157,804	159,785	134,202	575,036	489,243
Uncollectible Premiums	0	0	348	2,021	2,369	48,335

Exhibit L

Combined Calendar Years Operating Results

All Pools Serviced by NCCI—Calendar Years 2009–2018 (\$000s)

Calendar Year	Written Premium (%)	Increase (Decrease) Previous Year (%)	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
2018	1,046,649	(1.9)	1,066,284	598,246	56.1	135,268
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

Individual Pools Calendar Year Operating Results

Quarterly Comparison for Calendar Year 2018; Annual Comparison for Calendar Years 2018 and 2017
(\$000s)

Exhibit M

National Workers' Compensation Reinsurance Pooling Mechanism

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2018	236,921	136,897	57.8	28,779
2nd Quarter 2018	196,857	131,648	66.9	(3,560)
3rd Quarter 2018	228,220	64,711	28.4	94,722
4th Quarter 2018	210,070	151,421	72.1	(4,036)
Calendar Year 2018	872,068	484,677	55.6	115,905
Calendar Year 2017	860,986	438,388	50.9	142,401

Exhibit N

Massachusetts Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2018	30,832	17,807	57.8	3,395
2nd Quarter 2018	32,458	23,363	72.0	(2,064)
3rd Quarter 2018	30,008	12,344	41.1	8,007
4th Quarter 2018	30,760	20,220	65.7	1,269
Calendar Year 2018	124,058	73,734	59.4	10,607
Calendar Year 2017	119,080	66,677	56.0	12,904

Exhibit O

Michigan Workers' Compensation Placement Facility

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2018	15,868	10,387	65.5	696
2nd Quarter 2018	15,135	11,646	76.9	(1,068)
3rd Quarter 2018	15,132	4,474	29.6	6,694
4th Quarter 2018	15,539	9,143	58.8	2,392
Calendar Year 2018	61,674	35,650	57.8	8,714
Calendar Year 2017	61,484	53,005	86.2	(10,566)

Exhibit P

New Mexico Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2018	1,874	915	48.8	(90)
2nd Quarter 2018	2,326	781	33.6	474
3rd Quarter 2018	2,431	(239)	(9.8)	1,507
4th Quarter 2018	1,854	2,729	147.2	(1,848)
Calendar Year 2018	8,485	4,186	49.3	43
Calendar Year 2017	9,880	(1,490)	(15.1)	6,631

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 1% decrease from Policy Year 2017 to Policy Year 2018. This amount differs from the pool premium volume decrease of 2% shown in Exhibit A due to the adjustments described above. The depopulation that began in Policy Year 2016 has continued in Policy Year 2018, but at a slower pace.

Reserving

NCCI reviews reserving methodologies and indications each quarter. 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 2018 combined ratio estimate for "All Pools" serviced by NCCI is 107%, which is above the current estimate of Policy Year 2017 (see Exhibit C). However, estimates for "incomplete" policy years are likely to change as they mature.

NCCI uses generally accepted actuarial standards of practice to book the respective pools' loss reserves and believes that current reserve levels are adequate.

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 2018, 2017, and 2016

Calendar Year 2018 operating expenses were \$333 million compared with \$343 million in Calendar Year 2017 and \$360 million in Calendar Year 2016. As a percentage of premiums written, the expenses were 32%, 32%, and 33% for Calendar Years 2018, 2017, and 2016, respectively. The largest component of the operating expenses is the servicing carrier allowance, which accounts for approximately 76% of these expenses in Calendar Year 2018.

The servicing carrier allowance in 2018 was \$252 million compared with \$255 million in 2017 and \$272 million in 2016. This decrease is primarily due to a 2% decrease in written premiums in 2018.

Producer fees for Calendar Years 2018, 2017, and 2016 were \$40 million, \$40 million, and \$43 million, respectively.

Other expenses, which include servicing carrier indemnification expenses, collection costs, and other reimbursable expenses, decreased to \$28 million compared with \$35 million in 2017 and \$32 million in 2016. The decrease in Calendar Year 2018 other expenses is due to a decrease in taxes and assessments that were reimbursed directly to servicing carriers.

Administrative expenses were \$13 million for Calendar Year 2018, \$13 million for Calendar Year 2017, and \$14 million for Calendar Year 2016.

Exhibit Q

Comparison of Residual Market Written Premium to Total Direct Written Premium

Reinsurance Pools Serviced by NCCI

Calendar Years 2018 and 2017

Preliminary 2018						Final 2017				
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	334,462,941	7,885,746	3,042,875	10,928,621	3.3	351,958,270	7,778,128	2,880,407	10,658,535	3.0
AK	240,271,183	34,962,429	1,235,138	36,197,567	15.1	251,109,670	39,065,479	1,374,943	40,440,422	16.1
AZ	859,649,941	45,241,451	—	45,241,451	5.3	843,348,939	43,408,524	—	43,408,524	5.1
AR	249,102,455	26,468,534	—	26,468,534	10.6	253,996,487	24,337,683	—	24,337,683	9.6
CT	768,711,805	26,638,105	14,653,674	41,291,779	5.4	818,458,543	26,113,613	19,374,947	45,488,560	5.6
DC	190,235,250	8,784,342	—	8,784,342	4.6	176,152,178	6,788,961	—	6,788,961	3.9
GA	1,653,653,766	111,115,988	—	111,115,988	6.7	1,604,174,334	74,222,014	22,371,426	96,593,440	6.0
ID	432,183,603	4,968,134	—	4,968,134	1.1	417,102,590	2,635,448	—	2,635,448	0.6
IL	2,467,325,764	99,658,715	—	99,658,715	4.0	2,565,459,295	115,388,789	—	115,388,789	4.5
IA	681,691,037	23,747,518	4,522,619	28,270,137	4.1	747,160,843	29,109,249	5,388,113	34,497,362	4.6
KS	396,162,071	30,958,516	—	30,958,516	7.8	413,069,004	35,601,686	—	35,601,686	8.6
NV	408,905,156	28,702,356	—	28,702,356	7.0	363,074,789	27,495,253	—	27,495,253	7.6
NH	236,004,491	15,322,724	2,582,241	17,904,965	7.6	243,025,684	15,635,887	3,376,898	19,012,785	7.8
NM	280,377,939	9,651,785	—	9,651,785	3.4	269,122,312	10,639,209	—	10,639,209	4.0
OR	698,361,646	40,473,088	—	40,473,088	5.8	707,913,631	43,119,281	—	43,119,281	6.1
SC	832,643,486	35,445,657	10,661,795	46,107,452	5.5	826,703,300	45,029,217	11,475,979	56,505,196	6.8
SD	178,176,512	7,150,133	—	7,150,133	4.0	176,409,315	8,513,251	—	8,513,251	4.8
TN	823,257,648	51,220,105	14,522,321	65,742,426	8.0	866,772,359	60,918,444	14,399,288	75,317,732	8.7
VT	191,860,927	13,079,707	5,123,443	18,203,150	9.5	189,990,532	14,148,378	5,375,147	19,523,525	10.3
VA	1,075,542,242	42,903,373	26,601,974	69,505,347	6.5	1,044,897,341	49,469,256	24,817,054	74,286,310	7.1
WV	271,585,952	10,104,882	—	10,104,882	3.7	258,900,714	16,657,358	—	16,657,358	6.4
Sub Totals¹	13,270,165,815	674,483,289	82,946,080	757,429,369	5.7	13,388,800,130	696,075,108	110,834,202	806,909,310	6.0
DE	222,507,564	13,475,669	4,951,000	18,426,669	8.3	221,793,301	16,408,685	6,601,059	23,009,744	10.4
MA	1,277,376,222	124,424,112	141,452,153	265,876,265	20.8	1,255,837,255	122,124,469	155,301,765	277,426,234	22.1
MI	1,076,946,076	61,291,286	—	61,291,286	5.7	1,096,865,927	58,353,172	—	58,353,172	5.3
NJ	2,455,432,400	159,202,604	67,346,930	226,549,534	9.2	2,442,538,200	171,167,007	74,215,151	245,382,158	10.0
NC	1,422,791,847	69,276,126	21,021,615	90,297,741	6.3	1,448,416,031	60,095,327	17,704,601	77,799,928	5.4
Grand Totals	19,725,219,924	1,102,153,086	317,717,778	1,419,870,864	7.2	19,854,250,844	1,124,223,768	364,656,778	1,488,880,546	7.5

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

Exhibit R

Residual Market Share

Reinsurance Pools Serviced by NCCI

Residual Market Written Premium as a Percentage of Total Direct Written Premium
Calendar Years 2014–2018

State	2018 ¹ (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Alabama	3.3	3.0	2.7	4.0	4.5
Alaska	15.1	16.1	15.5	13.9	15.8
Arizona	5.3	5.1	6.1	6.3	7.0
Arkansas	10.6	9.6	9.8	10.1	10.4
Connecticut	5.4	5.6	5.9	6.1	6.6
District of Columbia	4.6	3.9	5.3	4.7	6.5
Georgia	6.7	6.0	6.3	6.6	6.6
Idaho	1.1	0.6	1.0	0.6	0.6
Illinois	4.0	4.5	4.3	4.6	5.1
Iowa	4.1	4.6	4.7	5.9	6.4
Kansas	7.8	8.6	8.2	8.5	10.4
Nevada	7.0	7.6	7.5	7.2	8.8
New Hampshire	7.6	7.8	8.9	10.9	10.9
New Mexico	3.4	4.0	5.2	6.0	7.0
Oregon	5.8	6.1	6.3	6.8	6.7
South Carolina	5.5	6.8	6.4	5.5	5.8
South Dakota	4.0	4.8	5.6	6.3	6.8
Tennessee ²	8.0	8.7	8.4	—	—
Vermont	9.5	10.3	11.2	11.1	11.0
Virginia	6.5	7.1	6.7	8.0	7.7
West Virginia	3.7	6.4	5.2	5.3	6.0
Subtotals³	5.7	6.0	6.1	6.3	6.8
Delaware	8.3	10.4	11.2	11.8	11.6
Massachusetts	20.8	22.1	22.4	22.4	21.7
Michigan	5.7	5.3	5.8	6.6	7.7
New Jersey	9.2	10.0	11.2	12.7	11.3
North Carolina	6.3	5.4	5.5	5.7	5.7
Grand Totals	7.2	7.5	7.7	8.1	8.2

¹ 2018 Preliminary.

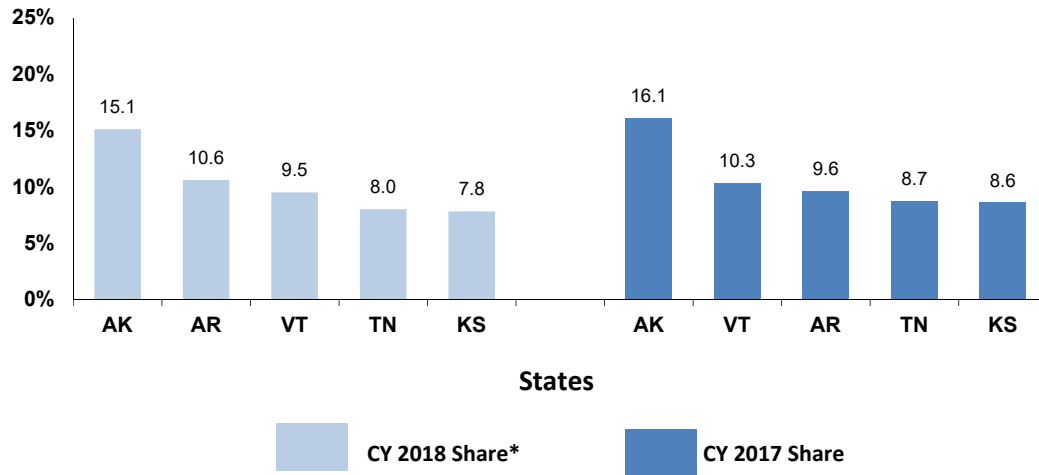
² NCCI was named the Tennessee Plan Administrator, effective July 1, 2015.

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 2018 and 2017

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

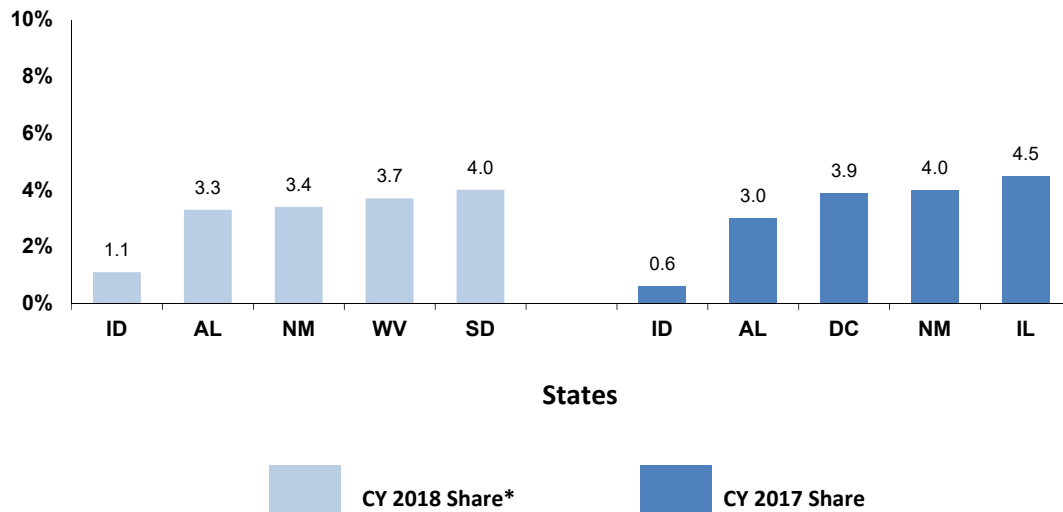


* Preliminary

NCCI Plan-Administered States With Lowest Residual Market Share

Calendar Years 2018 and 2017

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 2016–2018 (excluding results for states in which only federal or extraordinary coverage is reinsured)

State	Net Underwriting Gain/(Loss) by Calendar Year		
	2018 (\$)	2017 (\$)	2016 (\$)
Alabama	4,641,640	9,026,709	6,676,074
Alaska	8,566,045	4,763,035	4,058,135
Arizona	19,209,673	17,203,307	2,555,648
Arkansas	299,241	5,740,873	18,206,064
Connecticut	15,605,687	10,671,278	11,526,249
Delaware	3,453,273	11,429,596	6,161,216
District of Columbia	2,121,637	3,578,242	3,813,376
Georgia	(25,002,513)	(19,618,406)	(44,610,142)
Idaho	(2,431,824)	836,408	(212,608)
Illinois	19,564,371	16,956,359	31,341,897
Iowa	3,157,675	18,993,757	10,962,002
Kansas	9,853,739	8,298,801	2,787,172
Massachusetts	16,332,685	16,439,409	15,899,269
Michigan	12,205,137	(10,385,536)	27,669,382
Nevada	3,642,298	8,129,418	7,774,464
New Hampshire	9,455,890	8,383,418	16,756,653
New Jersey	5,424,072	2,357,300	(27,088,836)
New Mexico	38,730	6,631,189	6,909,639
North Carolina	13,352,046	5,285,559	12,338,088
Oregon	(9,958,202)	7,790,957	(4,553,016)
South Carolina ¹	(378,683)	(3,407,065)	6,664,322
South Dakota	3,741,886	6,203,007	5,332,091
Tennessee ²	11,875,430	12,574,687	3,133,144
Vermont	7,170,881	139,602	4,562,787
Virginia	(1,929,020)	3,777,454	10,745,745
West Virginia	306,137	3,599,958	8,281,212
Subtotals	130,317,929	155,399,317	147,690,027
Runoff States:			
Florida ³	2,041,004	(10,853,800)	262,433
Hawaii ⁴	222,768	(952,973)	741,727
Indiana ⁵	(20,771)	2,188,846	(260,228)
Kentucky ⁶	(2,097,122)	(13,818)	6,746,066
Louisiana ⁷	1,188,904	3,261,842	5,028,670
Maine ⁸	1,207,654	594,857	1,487,610
Mississippi ⁸	(1,380,602)	950,526	163,219
Missouri ⁹	358,836	(239,812)	5,810,872
Nebraska ¹⁰	261,977	(893,113)	668,602
Rhode Island ⁸	2,370,023	(179,919)	2,155,242
Totals	134,470,601	149,261,955	170,494,240

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

² Tennessee underwriting results represent policies with effective dates prior to January 1, 1998, and after 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 2018 and 2017*

State	2018 Policies	2017 Policies	Number Change	Percent Change (%)
Alabama	1,706	1,634	72	4.4
Alaska	7,127	7,468	(341)	(4.6)
Arizona	5,913	5,951	(38)	(0.6)
Arkansas	6,797	6,803	(6)	(0.1)
Connecticut	15,174	15,031	143	1.0
District of Columbia	1,058	1,119	(61)	(5.5)
Georgia	23,086	22,502	584	2.6
Idaho	1,219	929	290	31.2
Illinois	32,667	34,268	(1,601)	(4.7)
Iowa	3,962	4,402	(440)	(10.0)
Kansas	8,437	9,001	(564)	(6.3)
Mississippi	2,494	2,592	(98)	(3.8)
Nevada	4,920	5,248	(328)	(6.3)
New Hampshire	4,517	4,944	(427)	(8.6)
New Mexico	1,761	1,926	(165)	(8.6)
Oregon	8,567	9,058	(491)	(5.4)
South Carolina	13,652	13,729	(77)	(0.6)
South Dakota	983	1,449	(466)	(32.2)
Tennessee	13,184	12,978	206	1.6
Vermont	3,595	3,838	(243)	(6.3)
Virginia	16,516	16,276	240	1.5
West Virginia	2,025	2,386	(361)	(15.1)
Subtotal	179,360	183,532	(4,172)	(2.3)
Other Pool States				
Delaware	2,151	2,175	(24)	(1.1)
Indiana	9,502	9,076	426	4.7
New Jersey	45,996	41,877	4,119	9.8
North Carolina	26,502	25,131	1,371	5.5
Subtotal	84,151	78,259	5,892	7.5
Grand Totals	263,511	261,791	1,720	0.7

*2017 figures have been restated to account for additional data available since the publication of *Residual Market Management Summary 2017*.

Exhibit U

Residual Market Premium Size Profile

Policy Year 2018*

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	197,240	74.9	202,580,587	20.5	1,027
2,500– 4,999	28,778	10.9	102,134,791	10.3	3,549
5,000– 9,999	19,488	7.4	136,794,069	13.8	7,019
10,000– 19,999	10,335	3.9	143,003,723	14.4	13,837
20,000– 49,999	5,504	2.1	165,648,158	16.7	30,096
50,000– 99,999	1,464	0.6	99,730,263	10.1	68,122
100,000–199,999	525	0.2	70,595,444	7.1	134,468
200,000+	177	0.1	69,928,191	7.1	395,075
Totals	263,511	100.0	990,415,226	100.0	3,759

*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 2018

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 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,161	68.1	1,390,660	15.0	1,197
2,500– 4,999	185	10.8	668,920	7.2	3,615
5,000– 9,999	164	9.6	1,179,399	12.8	7,191
10,000– 19,999	105	6.2	1,504,589	16.3	14,329
20,000– 49,999	63	3.7	1,821,645	19.7	28,915
50,000– 99,999	18	1.1	1,184,033	12.8	65,779
100,000–199,999	9	0.5	1,252,847	13.5	139,205
200,000+	1	0.1	248,470	2.7	248,470
Totals	1,706	100.0	9,250,563	100.0	5,422

Premium Size Profiles by State (Cont'd)

Alaska Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,686	65.8	4,027,757	12.5	859
2,500– 4,999	1,087	15.3	3,883,758	12.1	3,572
5,000– 9,999	712	10.0	4,973,194	15.5	6,984
10,000– 19,999	404	5.7	5,657,821	17.6	14,004
20,000– 49,999	180	2.5	5,309,946	16.5	29,499
50,000– 99,999	45	0.6	3,026,718	9.4	67,260
100,000–199,999	9	0.1	1,264,690	3.9	140,521
200,000+	4	0.1	4,041,939	12.6	1,010,484
Totals	7,127	100.0	32,185,823	100.0	4,516

Arizona Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,274	55.4	3,713,076	10.0	1,134
2,500– 4,999	1,102	18.6	3,890,246	10.5	3,530
5,000– 9,999	712	12.0	5,037,946	13.6	7,075
10,000– 19,999	458	7.8	6,346,011	17.1	13,855
20,000– 49,999	264	4.5	7,884,324	21.3	29,864
50,000– 99,999	78	1.3	5,373,741	14.5	68,894
100,000–199,999	16	0.3	2,088,833	5.6	130,552
200,000+	9	0.2	2,745,177	7.4	305,019
Totals	5,913	100.0	37,079,354	100.0	6,271

Arkansas Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,945	72.8	5,102,450	22.4	1,031
2,500– 4,999	913	13.4	3,198,574	14.1	3,503
5,000– 9,999	553	8.1	3,806,203	16.7	6,882
10,000– 19,999	248	3.7	3,380,275	14.9	13,630
20,000– 49,999	107	1.6	3,227,416	14.2	30,162
50,000– 99,999	17	0.3	1,205,684	5.3	70,922
100,000–199,999	9	0.1	1,201,964	5.3	133,551
200,000+	5	0.1	1,620,496	7.1	324,099
Totals	6,797	100.0	22,743,062	100.0	3,346

Premium Size Profiles by State (Cont'd)

Connecticut Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	12,992	85.6	13,913,129	34.2	1,070
2,500– 4,999	974	6.4	3,387,601	8.3	3,478
5,000– 9,999	626	4.1	4,325,644	10.6	6,909
10,000– 19,999	319	2.1	4,406,086	10.8	13,812
20,000– 49,999	176	1.2	5,328,466	13.1	30,275
50,000– 99,999	57	0.4	3,908,445	9.6	68,569
100,000–199,999	24	0.2	3,515,681	8.6	146,486
200,000+	6	0.0	1,913,395	4.7	318,899
Totals	15,174	100.0	40,698,447	100.0	2,682

Delaware Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	959	44.6	1,437,063	8.3	1,499
2,500– 4,999	493	22.9	1,768,816	10.2	3,588
5,000– 9,999	335	15.6	2,298,351	13.3	6,861
10,000– 19,999	209	9.7	2,879,739	16.7	13,779
20,000– 49,999	113	5.3	3,399,795	19.7	30,087
50,000– 99,999	21	1.0	1,360,288	7.9	64,776
100,000–199,999	13	0.6	1,801,775	10.4	138,598
200,000+	8	0.4	2,324,574	13.5	290,572
Totals	2,151	100.0	17,270,401	100.0	8,029

District of Columbia Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	745	70.4	634,512	9.7	851
2,500– 4,999	116	11.0	413,087	6.3	3,561
5,000– 9,999	65	6.1	455,942	7.0	7,014
10,000– 19,999	69	6.5	959,442	14.6	13,904
20,000– 49,999	41	3.9	1,273,999	19.4	31,073
50,000– 99,999	11	1.0	806,085	12.3	73,280
100,000–199,999	9	0.9	1,397,027	21.3	155,225
200,000+	2	0.2	617,127	9.4	308,563
Totals	1,058	100.0	6,557,221	100.0	6,198

Georgia Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	18,984	82.2	24,957,894	32.0	1,314
2,500– 4,999	1,814	7.9	6,274,104	8.0	3,458
5,000– 9,999	1,174	5.1	8,202,870	10.5	6,987
10,000– 19,999	668	2.9	9,276,973	11.9	13,887
20,000– 49,999	320	1.4	9,509,812	12.2	29,718
50,000– 99,999	87	0.4	5,846,810	7.5	67,204
100,000–199,999	26	0.1	3,448,420	4.4	132,631
200,000+	13	0.1	10,502,256	13.5	807,865
Totals	23,086	100.0	78,019,139	100.0	3,380

Premium Size Profiles by State (Cont'd)

Idaho Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,033	84.7	497,503	15.0	481
2,500– 4,999	69	5.7	252,329	7.6	3,656
5,000– 9,999	52	4.3	382,325	11.5	7,352
10,000– 19,999	35	2.9	509,482	15.4	14,556
20,000– 49,999	17	1.4	488,692	14.7	28,746
50,000– 99,999	8	0.7	559,861	16.9	69,982
100,000–199,999	5	0.4	629,564	19.0	125,912
200,000+	0	0.0	0	0.0	0
Totals	1,219	100.0	3,319,756	100.0	2,723

Illinois Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	27,817	85.2	32,892,968	36.2	1,182
2,500– 4,999	2,137	6.5	7,542,733	8.3	3,529
5,000– 9,999	1,343	4.1	9,402,745	10.3	7,001
10,000– 19,999	765	2.3	10,678,909	11.8	13,959
20,000– 49,999	437	1.3	12,992,450	14.3	29,731
50,000– 99,999	116	0.4	8,112,000	8.9	69,931
100,000–199,999	43	0.1	5,816,925	6.4	135,277
200,000+	9	0.0	3,472,357	3.8	385,817
Totals	32,667	100.0	90,911,087	100.0	2,783

Indiana Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,485	68.3	6,975,904	15.9	1,075
2,500– 4,999	1,290	13.6	4,608,296	10.5	3,572
5,000– 9,999	837	8.8	5,809,076	13.3	6,940
10,000– 19,999	467	4.9	6,434,887	14.7	13,779
20,000– 49,999	296	3.1	9,026,241	20.6	30,494
50,000– 99,999	94	1.0	6,525,501	14.9	69,420
100,000–199,999	33	0.4	4,427,156	10.1	134,156
200,000+	0	0.0	0	0.0	0
Totals	9,502	100.0	43,807,061	100.0	4,610

Iowa Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,232	56.3	2,146,162	8.6	961
2,500– 4,999	686	17.3	2,460,780	9.8	3,587
5,000– 9,999	516	13.0	3,657,836	14.6	7,088
10,000– 19,999	277	7.0	3,897,567	15.6	14,070
20,000– 49,999	181	4.6	5,648,749	22.5	31,208
50,000– 99,999	48	1.2	3,271,749	13.1	68,161
100,000–199,999	19	0.5	2,708,197	10.8	142,536
200,000+	3	0.1	1,278,087	5.1	426,029
Totals	3,962	100.0	25,069,127	100.0	6,327

Premium Size Profiles by State (Cont'd)

Kansas Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,157	73.0	5,373,943	20.5	872
2,500– 4,999	1,200	14.2	4,224,461	16.1	3,520
5,000– 9,999	635	7.5	4,326,629	16.5	6,813
10,000– 19,999	292	3.5	3,985,173	15.2	13,647
20,000– 49,999	107	1.3	3,286,795	12.5	30,717
50,000– 99,999	26	0.3	1,825,292	7.0	70,203
100,000–199,999	16	0.2	2,131,195	8.1	133,199
200,000+	4	0.1	1,048,805	4.0	262,201
Totals	8,437	100.0	26,202,293	100.0	3,106

Mississippi Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,514	60.7	1,814,936	13.9	1,198
2,500– 4,999	413	16.6	1,491,797	11.4	3,612
5,000– 9,999	276	11.1	1,938,901	14.9	7,025
10,000– 19,999	170	6.8	2,361,129	18.1	13,888
20,000– 49,999	90	3.6	2,704,695	20.7	30,052
50,000– 99,999	22	0.9	1,474,868	11.3	67,039
100,000–199,999	9	0.4	1,262,702	9.7	140,300
200,000+	0	0.0	0	0.0	0
Totals	2,494	100.0	13,049,028	100.0	5,232

Nevada Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,271	66.5	3,149,549	13.4	962
2,500– 4,999	687	14.0	2,430,001	10.3	3,537
5,000– 9,999	479	9.7	3,403,654	14.5	7,105
10,000– 19,999	285	5.8	3,820,062	16.2	13,403
20,000– 49,999	143	2.9	4,296,415	18.3	30,044
50,000– 99,999	28	0.6	1,789,125	7.6	63,897
100,000–199,999	21	0.4	2,783,138	11.8	132,530
200,000+	6	0.1	1,856,944	7.9	309,490
Totals	4,920	100.0	23,528,888	100.0	4,782

New Hampshire Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,275	72.5	2,911,999	18.3	889
2,500– 4,999	520	11.5	1,859,997	11.7	3,576
5,000– 9,999	369	8.2	2,581,834	16.2	6,996
10,000– 19,999	216	4.8	3,031,226	19.0	14,033
20,000– 49,999	115	2.6	3,420,487	21.5	29,743
50,000– 99,999	16	0.4	1,139,173	7.2	71,198
100,000–199,999	4	0.1	462,540	2.9	115,635
200,000+	2	0.0	521,307	3.3	260,653
Totals	4,517	100.0	15,928,563	100.0	3,526

Premium Size Profiles by State (Cont'd)

New Jersey Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	34,139	74.2	20,399,684	10.4	598
2,500– 4,999	4,311	9.4	15,511,418	7.9	3,598
5,000– 9,999	3,832	8.3	27,280,606	13.9	7,119
10,000– 19,999	1,959	4.3	27,011,444	13.7	13,788
20,000– 49,999	1,193	2.6	36,221,565	18.4	30,362
50,000– 99,999	350	0.8	23,470,774	11.9	67,059
100,000–199,999	134	0.3	18,232,205	9.3	136,061
200,000+	78	0.2	28,656,999	14.6	367,397
Totals	45,996	100.0	196,784,695	100.0	4,278

New Mexico Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,334	75.8	1,272,485	18.8	953
2,500– 4,999	164	9.3	584,491	8.6	3,563
5,000– 9,999	109	6.2	770,062	11.4	7,064
10,000– 19,999	91	5.2	1,268,749	18.7	13,942
20,000– 49,999	50	2.8	1,666,657	24.6	33,333
50,000– 99,999	7	0.4	454,854	6.7	64,979
100,000–199,999	6	0.3	755,955	11.2	125,992
200,000+	0	0.0	0	0.0	0
Totals	1,761	100.0	6,773,253	100.0	3,846

North Carolina Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	20,554	77.6	27,697,856	35.8	1,348
2,500– 4,999	3,086	11.6	10,937,823	14.2	3,544
5,000– 9,999	1,781	6.7	12,342,422	16.0	6,930
10,000– 19,999	711	2.7	9,611,278	12.4	13,518
20,000– 49,999	285	1.1	8,366,884	10.8	29,357
50,000– 99,999	71	0.3	4,883,268	6.3	68,778
100,000–199,999	11	0.0	1,277,811	1.7	116,165
200,000+	3	0.0	2,180,477	2.8	726,826
Totals	26,502	100.0	77,297,819	100.0	2,917

Oregon Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,079	71.0	3,935,989	11.5	647
2,500– 4,999	1,037	12.1	3,663,154	10.7	3,532
5,000– 9,999	718	8.4	5,065,142	14.9	7,054
10,000– 19,999	394	4.6	5,566,131	16.3	14,127
20,000– 49,999	245	2.9	7,605,731	22.3	31,043
50,000– 99,999	70	0.8	4,932,076	14.5	70,458
100,000–199,999	23	0.3	3,060,096	9.0	133,047
200,000+	1	0.0	281,390	0.8	281,390
Totals	8,567	100.0	34,109,709	100.0	3,982

Premium Size Profiles by State (Cont'd)

South Carolina Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	11,194	82.0	13,033,452	35.2	1,164
2,500– 4,999	1,139	8.3	4,070,642	11.0	3,573
5,000– 9,999	718	5.3	5,017,640	13.6	6,988
10,000– 19,999	371	2.7	5,173,640	14.0	13,945
20,000– 49,999	175	1.3	5,174,359	14.0	29,567
50,000– 99,999	44	0.3	2,994,929	8.1	68,066
100,000–199,999	9	0.1	1,083,530	2.9	120,392
200,000+	2	0.0	435,816	1.2	217,908
Totals	13,652	100.0	36,984,008	100.0	2,709

South Dakota Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	534	54.3	709,405	11.0	1,328
2,500– 4,999	161	16.4	568,235	8.8	3,529
5,000– 9,999	130	13.2	924,744	14.4	7,113
10,000– 19,999	92	9.4	1,317,222	20.5	14,317
20,000– 49,999	47	4.8	1,330,075	20.7	28,299
50,000– 99,999	14	1.4	925,245	14.4	66,088
100,000–199,999	5	0.5	655,226	10.2	131,045
200,000+	0	0.0	0	0.0	0
Totals	983	100.0	6,430,152	100.0	6,541

Tennessee Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	8,643	65.6	9,268,168	16.0	1,072
2,500– 4,999	2,038	15.5	7,227,854	12.5	3,546
5,000– 9,999	1,301	9.9	9,230,367	15.9	7,094
10,000– 19,999	745	5.7	10,288,156	17.8	13,809
20,000– 49,999	331	2.5	9,825,150	17.0	29,683
50,000– 99,999	80	0.6	5,353,455	9.2	66,918
100,000–199,999	38	0.3	4,802,849	8.3	126,390
200,000+	8	0.1	1,981,415	3.4	247,676
Totals	13,184	100.0	57,977,414	100.0	4,398

Vermont Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,358	65.6	2,397,035	14.3	1,016
2,500– 4,999	516	14.4	1,842,052	11.0	3,569
5,000– 9,999	351	9.8	2,460,323	14.7	7,009
10,000– 19,999	185	5.2	2,545,060	15.2	13,757
20,000– 49,999	142	4.0	4,291,860	25.7	30,224
50,000– 99,999	36	1.0	2,330,398	13.9	64,733
100,000–199,999	7	0.2	847,957	5.1	121,136
200,000+	0	0.0	0	0.0	0
Totals	3,595	100.0	16,714,685	100.0	4,649

Premium Size Profiles by State (Cont'd)

Virginia Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	11,675	70.7	11,575,696	19.0	991
2,500– 4,999	2,259	13.7	8,034,678	13.2	3,556
5,000– 9,999	1,481	9.0	10,379,632	17.0	7,008
10,000– 19,999	668	4.0	9,244,864	15.2	13,839
20,000– 49,999	314	1.9	9,265,881	15.2	29,509
50,000– 99,999	87	0.5	6,087,688	10.0	69,973
100,000–199,999	22	0.1	3,066,184	5.0	139,372
200,000+	10	0.1	3,333,021	5.5	333,302
Totals	16,516	100.0	60,987,644	100.0	3,693

West Virginia Premium Size Profile—Policy Year 2018

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,200	59.3	1,351,312	12.6	1,126
2,500– 4,999	381	18.8	1,338,944	12.5	3,514
5,000– 9,999	219	10.8	1,540,582	14.4	7,034
10,000– 19,999	132	6.5	1,847,808	17.2	13,998
20,000– 49,999	72	3.6	2,280,069	21.2	31,667
50,000– 99,999	13	0.6	888,203	8.3	68,323
100,000–199,999	5	0.3	620,977	5.8	124,195
200,000+	3	0.2	868,139	8.1	289,379
Totals	2,025	100.0	10,736,034	100.0	5,302

Exhibit V

Classifications With Largest Premium Volume

Policy Year 2018*

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

Classification Code	Premium Amount (\$)	Classification Description
5645	59,585,030	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5551	37,173,237	Roofing—All Kinds & Drivers
7219	33,694,361	Trucking NOC—All Employees & Drivers
5474	22,761,910	Painting NOC & Shop Operations, Drivers
5437	18,918,246	Carpentry—Installation of Cabinet Work or Interior Trim
9014	15,843,528	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5445	14,608,452	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers
5403	12,404,144	Carpentry—NOC
0106	12,145,034	Tree Pruning, Spraying, Repairing—All Operations & Drivers
8835	11,608,367	Home, Public, and Traveling Healthcare—All Employees

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 2018*

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

Classification Code	Policy Count	Classification Description
5645	21,556	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5437	10,931	Carpentry—Installation of Cabinet Work or Interior Trim
5474	10,780	Painting NOC & Shop Operations, Drivers
7219	8,532	Trucking NOC—All Employees & Drivers
5551	8,177	Roofing—All Kinds & Drivers
9014	5,345	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5445	4,817	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers
5022	4,118	Masonry NOC
8810	3,506	Clerical Office Employees NOC
5190	3,278	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 2018

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 2018				Assigned Risk Plan 2018			
	Policy Count	Total Percent (%)	Premium	Total Percent (%)	Policy Count	Total Percent (%)	Premium	Total Percent (%)
A	98,069	8.4	585,736,658	3.7	2,606	1.4	10,952,572	1.4%
B	190,730	16.2	2,444,562,362	15.3	9,925	5.3	53,924,601	6.7%
C	388,585	33.1	4,363,246,726	27.3	34,809	18.6	149,776,374	18.7%
D	147,135	12.5	1,864,271,240	11.6	12,789	6.8	66,485,028	8.3%
E	197,526	16.8	2,886,497,339	18.0	43,487	23.2	151,963,090	19.0%
F	129,400	11.0	3,146,998,633	19.7	70,509	37.6	286,754,780	35.9%
G	11,719	1.0	670,769,410	4.2	12,759	6.8	77,973,818	9.8%
Not Classified	11,094	0.9	47,372,727	0.3	424	0.2	1,094,027	0.1%

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 2014–2018 (based on data reported to NCCI through December 31, 2018)

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 2018 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 2018 (Projected to Ultimate) (\$000s)

Alabama

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	7,097	70.7	5,018	9
2017	7,279	59.6	4,338	848
2016	7,431	38.3	2,846	2,084
2015	7,105	38.7	2,750	1,951
2014	7,778	43.7	3,399	1,685

Alaska

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	33,128	55.5	18,386	2,690
2017	36,808	79.5	29,262	(6,106)
2016	38,515	60.4	23,263	766
2015	37,479	59.0	22,113	1,364
2014	40,296	48.7	19,624	4,981

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

Arizona

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	42,064	70.7	29,739	358
2017	44,165	62.6	27,647	4,222
2016	48,761	45.3	22,089	9,148
2015	52,763	54.9	28,967	4,517
2014	53,067	61.6	32,689	2,521

Arkansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	25,382	90.9	23,072	(5,891)
2017	24,874	69.6	17,312	(37)
2016	23,923	45.3	10,837	5,175
2015	26,310	43.1	11,340	6,493
2014	24,974	30.8	7,692	8,933

Connecticut

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	25,039	75.7	18,955	(1,905)
2017	27,168	57.7	15,676	3,089
2016	27,019	46.3	12,510	5,704
2015	40,131	46.8	18,781	7,187
2014	40,894	49.7	20,324	6,294

Delaware

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	13,175	68.7	9,051	(203)
2017	15,017	65.6	9,851	195
2016	16,167	46.3	7,485	3,347
2015	17,874	103.8	18,554	(6,762)
2014	17,114	70.5	12,066	(1,083)

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) (\$)
2018	8,288	90.9	7,534	(2,054)
2017	8,033	49.7	3,992	1,398
2016	8,078	41.3	3,336	1,851
2015	8,051	28.5	2,294	2,824
2014	10,265	75.5	7,750	(1,326)

Georgia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	81,000	95.9	77,679	(31,047)
2017	66,595	89.5	59,603	(19,705)
2016	59,986	115.8	69,463	(38,031)
2015	59,134	106.8	63,156	(31,749)
2014	56,039	92.4	51,780	(21,345)

Idaho

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	4,489	262.5	11,784	(8,934)
2017	3,586	54.7	1,962	105
2016	2,971	65.4	1,943	(163)
2015	2,730	35.6	972	652
2014	2,139	40.7	870	309

Illinois

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	94,207	70.7	66,604	(1,065)
2017	96,680	74.6	72,123	(3,655)
2016	110,638	62.4	69,038	8,154
2015	118,952	69.2	82,315	(5,460)
2014	131,206	60.6	79,511	6,547

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

Iowa

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	23,085	65.6	15,144	1,641
2017	25,925	74.6	19,340	(666)
2016	31,787	42.3	13,446	9,507
2015	37,109	60.0	22,266	4,717
2014	40,324	49.7	20,041	9,258

Kansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	30,792	85.8	26,420	(5,601)
2017	32,529	74.6	24,267	(1,978)
2016	36,066	60.4	21,784	3,408
2015	40,138	50.9	20,430	7,895
2014	48,669	50.7	24,675	8,074

Massachusetts

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	122,891	67.0	82,337	(4,105)
2017	120,764	67.0	80,912	(1,872)
2016	121,662	68.0	82,730	(2,190)
2015	121,066	71.0	85,957	(5,702)
2014	113,642	73.0	82,959	(9,662)

Michigan

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	59,235	80.0	47,388	(5,633)
2017	59,200	79.0	46,768	(5,038)
2016	66,849	56.0	37,436	8,436
2015	71,713	57.0	40,876	8,814
2014	80,481	84.0	67,604	(12,587)

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

Nevada

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	28,460	59.6	16,962	3,074
2017	27,332	58.6	16,017	3,698
2016	28,192	59.4	16,746	3,682
2015	26,224	48.8	12,797	6,100
2014	29,774	63.6	18,936	1,480

New Hampshire

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	14,714	65.6	9,652	(397)
2017	16,117	77.5	12,491	(2,136)
2016	18,816	50.3	9,464	2,747
2015	23,298	47.8	11,137	3,700
2014	24,959	44.7	11,157	4,987

New Jersey

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	147,291	79.8	117,538	(12,210)
2017	161,595	76.5	123,620	(7,288)
2016	171,759	73.5	126,243	(2,473)
2015	187,712	75.3	141,347	(16,631)
2014	184,245	85.4	157,345	(35,817)

New Mexico

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	8,544	85.0	7,262	(2,649)
2017	9,273	45.0	4,173	742
2016	11,178	47.0	5,254	544
2015	15,017	35.0	5,256	2,949
2014	18,630	35.0	6,520	4,033

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

North Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	60,435	70.7	42,728	(550)
2017	56,158	59.6	33,476	7,796
2016	54,132	90.6	49,043	(10,962)
2015	59,314	56.0	33,216	7,764
2014	55,141	59.6	32,864	5,933

Oregon

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	38,000	70.7	26,866	(1,436)
2017	43,000	114.3	49,149	(19,892)
2016	43,008	57.4	24,687	4,671
2015	45,855	54.9	25,174	4,297
2014	42,326	84.4	35,723	(8,165)

South Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	31,083	65.6	20,390	(444)
2017	29,172	69.6	20,304	(1,301)
2016	29,179	64.4	18,791	(1,567)
2015	25,928	78.4	20,327	(7,278)
2014	26,630	49.7	13,235	418

South Dakota

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	7,129	70.7	5,040	78
2017	8,478	79.5	6,740	(1,195)
2016	9,808	45.3	4,443	1,944
2015	11,538	41.7	4,811	2,790
2014	11,622	48.7	5,660	1,998

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

Tennessee

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	54,000	64.6	34,884	2,041
2017	54,000	59.7	32,238	5,179
2016	53,886	56.4	30,392	6,213
2015*	26,217	50.9	13,344	4,203
2014	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) (\$)
2018	13,057	55.5	7,247	2,136
2017	14,285	53.7	7,671	2,691
2016	15,280	57.4	8,771	2,358
2015	18,131	59.0	10,697	2,120
2014	17,417	44.7	7,785	4,725

Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	42,454	66.0	28,020	3,808
2017	44,791	66.3	29,696	3,189
2016	45,010	64.2	28,897	4,659
2015	54,662	56.1	30,665	6,751
2014	54,513	63.6	34,670	2,966

West Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2018	10,417	91.3	9,511	(2,163)
2017	15,963	76.6	12,228	(441)
2016	14,617	46.1	6,738	3,970
2015	16,546	40.1	6,635	5,480
2014	17,682	63.7	11,263	1,208

Available Residual Market Programs

As of June 1, 2019

State	ARAP	LSRP	Merit Rating	Small Deductible Insurance	Premium Discount	Take-Out Credit	Other Programs
AK						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	<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	<ul style="list-style-type: none"> District of Columbia 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					<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	<ul style="list-style-type: none"> Mississippi Small Employer Loss-Free Credit Program
NH ¹		x		x	x ²	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	<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 ³		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	<ul style="list-style-type: none"> Drug-Free Workplace Premium Credit Contracting Classification Premium Adjustment Program
VT ⁴		x	x	x		x	
WV	x	x				x	

¹ New Hampshire—ARAP was withdrawn effective January 1, 2019.

² New Hampshire—Premium discounts are only available for risks with standard premium > \$10,000 and experience modification < 1.50.

³ Tennessee—All programs are effective July 1, 2015, except ARAP, which is effective March 1, 2017. Removed premium discount effective March 1, 2017.

⁴ Vermont—ARAP was withdrawn effective April 1, 2018.

2019 Assigned Carriers

As of January 1, 2019

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
Accident Fund Insurance Co. of America					S						S									S			S		
Ace American Insurance Co.		D			D		D	D	D					D	D					D		D	D	D	
Alaska National Insurance Co.	S																								
American Interstate Insurance Co.	D	D												D									D		
American Zurich Insurance Co.		D			D		D	D	D					D	D					D		D	D	D	
AmFed National Insurance Co.													S												
AmGUARD (Berkshire Hathaway GUARD Companies)	S			S	S		S	D			S			S		S									
Auto Owners Insurance Co.		D						D	D					D						D		D	D		
Builders Mutual Insurance Co.								D						D						D		D	D		
Cincinnati Insurance Co.		D			D		D	D	D					D	D					D		D	D	D	
Continental Casualty Co.		D					D	D	D					D	D					D		D	D	D	
Continental Insurance Co. of NJ																D									
Hartford Underwriters		D			D		D	D	D					D	D	D				D		D	D	D	
LM Insurance Corporation	S	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													
SAIF Corporation																			S						
Technology Insurance Co.			S	S		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	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 $[\text{Losses} / \text{Earned Premium}] + [(\text{Expenses and Allowances}) / \text{Written Premium}]$.

Deductible Insurance/Programs—There are two types of deductible programs, small and large. Small deductibles are less than \$100,000, while large deductibles are \$100,000 and greater. Only NCCI-filed small-deductible programs are applicable in the residual market.

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

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

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

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

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

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

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

Residual Market—State insurance plans that provide eligible employers unable to secure coverage in the voluntary market with a means for insuring their operations through a designated insurance carrier. Also known as 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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