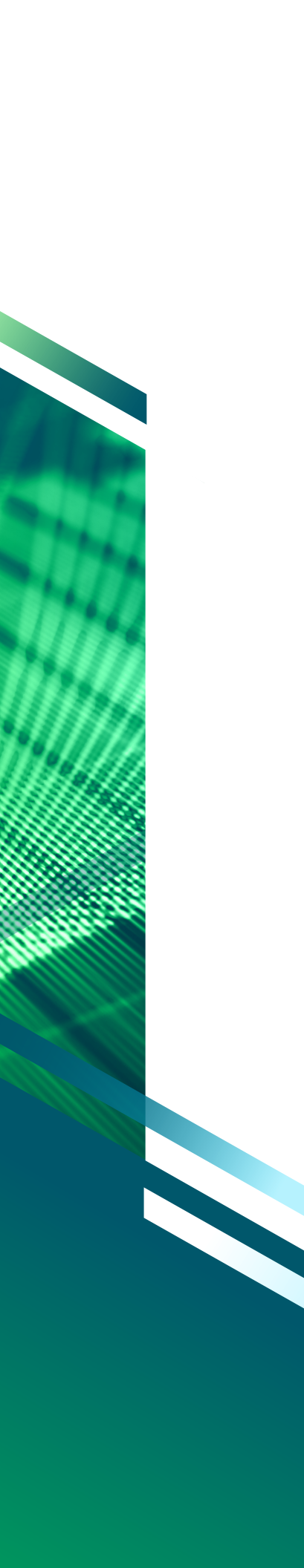




RESIDUAL **MARKET** MANAGEMENT SUMMARY

2019



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 2019
is 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 2019*** 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.

December 31, 2019, marked not only the end of a calendar year but also the end of a decade and the dawn of another. Looking back at 2019 and the decade 2010 through 2019, we see that the residual market was administered effectively. It operated on a relatively consistent and self-funded basis, with a gradual decrease in premium volume and market share.

For Policy Year (PY) 2019, the combined ultimate written premium for all reinsurance pools serviced by NCCI is projected to be \$886 million, representing an 11% decrease from ultimate projection of \$996 million for PY 2018. The net operating results for PY 2019 are currently projected as an ultimate operating loss of \$75 million, representing a combined ratio of 108%. Note that these ultimate projections are based on a partially earned policy year and are subject to potential material changes as additional premium is earned and losses are reported for the remainder of the policy period.

Reinsurance Pool Calendar Year (CY) 2019 financial results, including data reported from prior policy years and adjustments to prior incurred loss estimates, show written premium of \$872 million, earned premium of \$909 million, a net operating gain of \$143 million, and an 86% combined ratio.

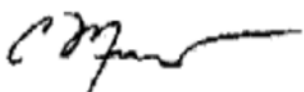
Reflecting on the past decade, these 10 calendar years (2010 through 2019) produced aggregated financial results for all reinsurance pools serviced by NCCI as follows:

- Written Premium—\$9.1 billion
- Earned Premium—\$9.0 billion
- Net Operating Gain—\$524 million
- Combined Ratio—94%

Both residual market premium volume and market share have been gradually and steadily declining in recent years. Total 2019 premium in the workers compensation insurance plans administered by NCCI, which includes both reinsurance pools and direct assignment experience, was reported at \$698 million and represents a 5.4% market share. These values are both decreases from 2018 premium and market share of \$757 million and 5.7%, respectively. This 2019 market share represents the fifth consecutive annual decline in market share since the 6.8% market share recorded for CY 2014.

The strong and effective partnership of all residual market stakeholders during the past decade, as indicated by recent performance measures, provides tremendous optimism that the challenges of the new decade will be met in an efficient manner. NCCI remains committed to its mission of ensuring a stable and self-sufficient 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 (NWCRP or National Pool), the New Mexico Workers' Compensation Assigned Risk Pool, and the Tennessee Reinsurance Mechanism (TRM). NCCI also provides financial, actuarial, and carrier oversight services for other reinsurance pools and customers. Other types of residual market services are also provided through contractual agreements. Below are the types of services provided in these states.

State	WCIP	NWCRP	Other Services	Comments
AK	x	x		
AL	x	x		
AR	x	x		
AZ	x	x		
CT	x	x		
DC	x	x		
DE		x	x	The Delaware Compensation Rating Bureau contracts with NCCI to provide certain Plan Administration services.
GA	x	x		
IA	x	x		
ID	x	x		
IL	x	x		
IN			x	The Indiana Compensation Rating Bureau contracts with NCCI to provide certain Plan Administration services.
KS	x	x		
MA			x	NCCI provides financial, actuarial, and 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 NWCRP. 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 2019:

- Number of applications received = 126,121
- Number of applications bound = 71,452
- Percentage of applications submitted online nationally = 99.9%
- Average processing time for online applications = 3.2 days
- Average processing time for mail-in applications = 4.1 days
- Other:
 - 148,395 calls were fielded; calls decreased by 10% from prior year
 - Producer workshops were held in eight states: AR, AZ, CO, GA, KS, NE, NM, and TN

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.

2020 Residual Market Forum

NCCI's annual event for training current and future workers compensation insurance assigned carriers (servicing and direct assignment), the **Residual Market Forum** is a key opportunity for sharing knowledge and networking with residual market partners. The event was held at the Hilton West Palm Beach on February 12 and 13, 2020.

Cliff Merritt, senior division executive, kicked off the Forum with "The State of the Residual Market," which provided an overview of 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 Basics of Residual Market session was supplemented by online preparation prior to the event. The breakout sessions enabled an open discourse among attendees.

Additional topics covered during the Forum included:

- Prescribing Trends and the Residual Market
- Actuarial Perspective
- Panel Discussion: Mega Claims
- Residual Market Governance Panel
- NCCI's Atlas Initiative—aka Unified Adaptive Content (UAC) Project

The **Residual Market Forum** was well received by the attendees, as seen on the survey, with an overall satisfaction rating of 8.77 out of 10.

Registration for next year's event, scheduled for February 11 and 12, 2021, will be available on **ncci.com** in Fourth Quarter 2020. 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.

Program results for 2019 include the following:

- **VCAP® Service** redirected more than \$16.2 million in premium from the residual market to the voluntary market
- An approximate savings of \$1,489,123 on 4,137 confirmed policies—or \$360 per employer—was achieved, equaling a 9% savings per policy to the employer

For more information on **VCAP® Service**, contact NCCI's Plan Administration Department at plan_administration@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 2019, NCCI worked on several filings that will impact the residual market including:

- Revision to Basic Manual Rule 4-G-5—Alternate Employer Endorsement for the use of the endorsement on temporary arrangement policies, effective July 1, 2019
- Revision to Workers Compensation Insurance Plan Eligibility Requirements in Idaho, effective June 1, 2019
- Revisions to Basic Manual for Treatment of Members of Limited Liability Companies in Connecticut, effective November 1, 2019
- Revisions to the ERM-14 Form and Rule 3-A in the Experience Rating Plan Manual, effective February 1, 2020
- Elimination of the Virginia Scopes Manual, effective February 1, 2020

For more information on residual market filings and manuals, contact NCCI's Plan Administration Department at plan_administration@ncci.com.

NCCI Take-Out Credit Programs

State	Calendar Year Credits					
	2017		2018		2019	
	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)
Alabama	202	1,849,109	195	1,847,187	179	1,406,419
Alaska	1,377	10,762,077	1,505	9,759,493	1,288	8,750,881
Arizona	2,288	21,021,716	2,652	19,606,588	2,729	18,176,844
Arkansas	1,284	7,476,728	1,289	7,637,752	1,235	6,268,518
Connecticut	1,451	11,070,261	1,406	8,847,082	1,271	7,314,824
District of Columbia	344	2,183,412	389	2,023,226	340	2,574,067
Georgia	1,523	21,158,974	1,470	19,908,086	1,552	20,715,914
Illinois	3,655	34,534,398	3,849	28,899,970	3,796	24,361,897
Iowa	948	7,306,960	1,033	6,581,830	947	4,859,805
Kansas	1,857	9,312,351	1,596	6,801,341	1,291	6,146,003
Mississippi	720	7,125,633	636	5,698,839	606	5,304,400
New Hampshire	943	6,083,533	921	4,580,117	1,151	5,266,494
New Mexico	508	3,794,928	551	3,522,910	534	3,247,818
Oregon	2,767	16,443,098	3,227	18,435,764	3,489	18,020,144
South Carolina	1,113	7,829,763	1,068	7,605,498	1,166	6,545,585
South Dakota	552	5,727,360	760	5,968,407	791	5,019,840
Tennessee	1,523	13,343,405	1,877	13,376,006	1,833	9,799,228
Vermont	740	5,558,966	719	4,020,433	810	4,088,380
Virginia	1,868	13,178,908	1,828	12,317,183	1,695	10,095,729
West Virginia	596	4,974,207	711	5,820,994	537	3,200,157
Totals	23,197	222,166,006	27,682	193,258,706	29,126	182,264,750

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 2019, more than \$182 million in credits was earned for policies removed from the residual market and placed in the voluntary market. This represents a 5.7% decrease in credits earned over the previous year, but an increase in the number of qualifying policies. These credits were derived from 29,126 policies and \$152 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 2019, 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 represent 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 2019 allocations based on Calendar Year 2019 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

NCCI has been 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 2020. NCCI has released communications with information about the new tool and edits throughout 2019. Additional communication and training opportunities will be launched leading up to the release of this new tool.

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. ***Pool Data Online*** will be replaced by the ***Pool Financial Data Collection*** tool in 2020.

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 most common data anomalies 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).

Transition of the Tennessee Reinsurance Mechanism into the National Workers Compensation Reinsurance Association's Pooling Mechanism (National Pool)

In 2019, the Commissioner of the Tennessee Department of Commerce & Insurance authorized the transition of the Tennessee Reinsurance Mechanism (TRM) into the National Workers Compensation Reinsurance Association's (NWCRA) Pooling Mechanism (National Pool), effective January 1, 2021. Pursuant to this transition, the NWCRA Bylaws are being incorporated into the Tennessee

Workers Compensation Reinsurance Plan for the period of January 1, 1998 through June 30, 2015 and the run-off rights and obligations of the policies in the TRM will be transitioned to the National Pool for calendar periods subsequent to Fourth Quarter 2020. Therefore, operating results, which had been reported through the TRM, will be included in the National Pool beginning with First Quarter 2021.

Residual Market Results

As shown in Exhibit A, Policy Year (PY) 2019 ultimate written premium for all reinsurance pooling mechanisms serviced by NCCI is projected to be \$886 million, representing an 11% decrease in premium volume from the projected level of \$996 million for PY 2018.

After several years of relative consistency, premium volume has gradually decreased between 2015 and 2019 at an average of 6.3% year-over-year.

Although PY 2019 continues this declining premium trend, the year-over-year decrease

from PY 2018 was larger compared to the prior three years.

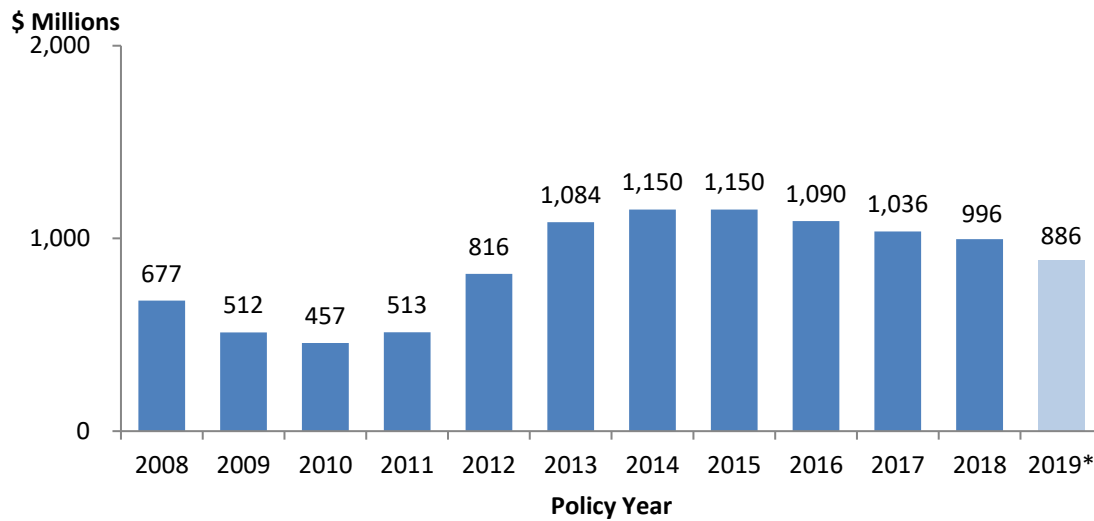
These premium volumes and year-over-year changes include the effect of new policies, renewals, cancellations, nonrenewals, and premium-level changes. Estimates of “true growth” in residual market premium volume, which consider various economic factors and market conditions, are discussed separately in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

NCCI is preliminarily projecting a residual market operating loss of \$75 million for PY 2019 (see Exhibit B) activity reinsured through these reinsurance pooling mechanisms. This is equivalent to a combined ratio of 108% (see Exhibit C). As reflected in Exhibit D, the residual market share of the total market direct written premium decreased slightly to 5.4% for Calendar Year (CY) 2019, down from 5.7% for CY 2018, and 6.0% for CY 2017—for states in which NCCI is both Plan and Pool Administrator.

Exhibit A

Written Premium[#]

All Pools Served by NCCI, as of December 31, 2019



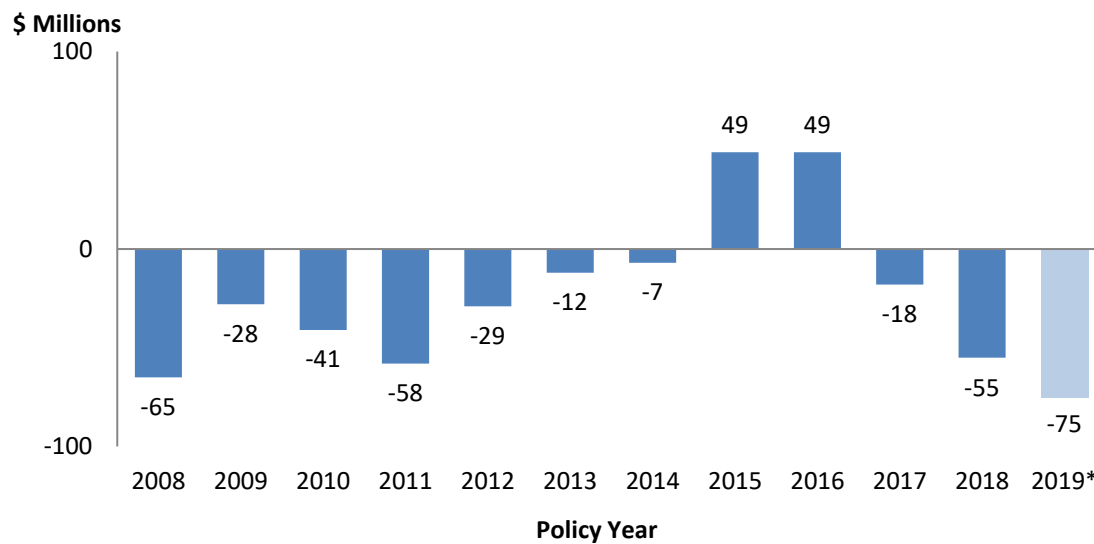
Projected to Ultimate; Tennessee Reinsurance Mechanism premium is not included.

** Incomplete Policy Year*

Exhibit B

Operating Gain/Loss[#]

All Pools Served by NCCI, as of December 31, 2019



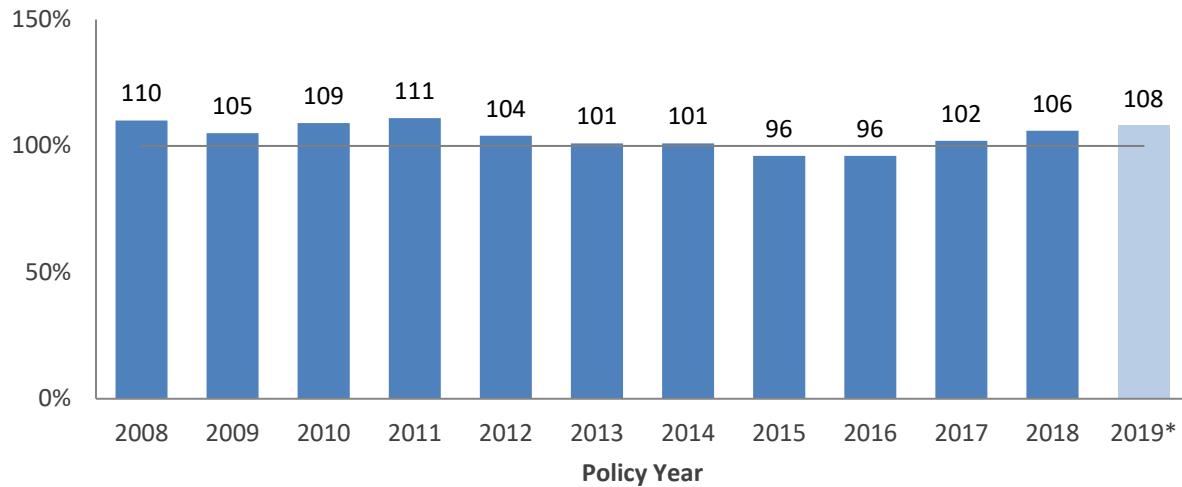
Projected to Ultimate; Tennessee Reinsurance Mechanism experience is not included in the operating results.

** Incomplete Policy Year*

Exhibit C

Combined Ratio[#]

All Pools Serviced by NCCI, as of December 31, 2019



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

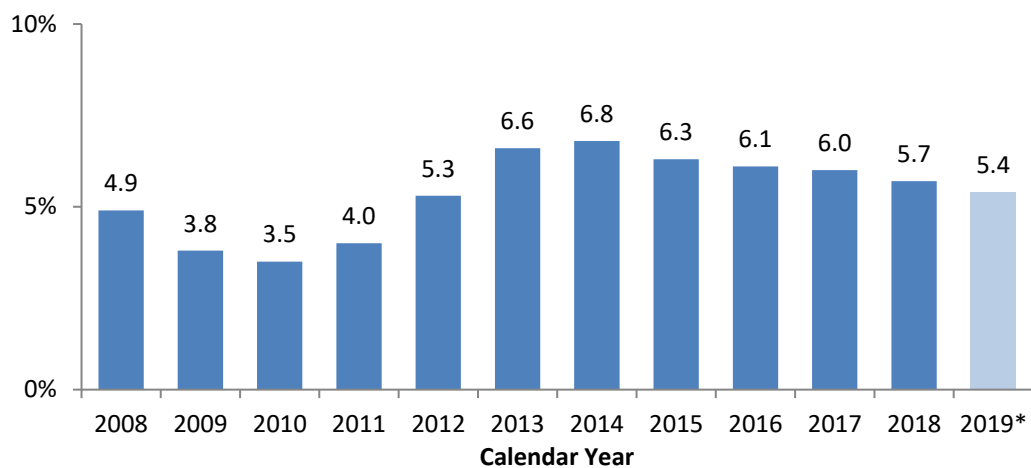
* Incomplete Policy Year

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 new servicing carrier with a high-level synopsis of how it is handling 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.

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, 2019, 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 seven National Pool servicing carrier self-audits in 2019. 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 2019 are shown in Exhibit F.

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

- **Quantifications**—Quantifications result from NCCI’s review of Pool-reported financial transactions. If a servicing carrier has misreported transactions to the Pool, then NCCI works with the carrier to identify the issue, address the cause of misreporting, and correct the reporting to the Pool.

Five quantifications were completed in 2019, resulting in –\$80,549 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 2019. 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		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
0	5	4	4	5	4	5	5	4	4	5	4	4
1	0	1	1	0	1	0	0	1	0	0	1	0
2	0	0	0	0	0	0	0	0	0	0	0	0
3 or more	0	0	0	0	0	0	0	0	0	0	0	0

Exhibit F

Servicing Carrier Aggregate Ratings—National Pool

2019 Self-Audit Aggregate Ratings	Commendable	Satisfactory	Marginal	Unsatisfactory
Underwriting, Premium Audit, and Loss Prevention Performance Standards	4	3	0	0
Claims Performance Standards	6	0	0	0
2019 On-Site Audit Aggregate Ratings				
Reporting Requirements and Procedures	N/A	7	0	0
Underwriting, Premium Audit, and Loss Prevention Performance Standards	1	0	0	0
Claims Performance Standards	6	1	0	0

Exhibit G

On-Site Audit Financial Quantifications—National Pool

Year	Financial Adjustment Pool/(Carrier) (\$)
2016	167,365
2017	60,109
2018	280,096
2019	(80,549)
Total	427,021

Exhibit H

Tier One Remediation Penalties—National Pool

	2019	2018	2017
On-Site Audit			
Number of Carriers	1	3	1
Amount	\$2,000	\$90,200	\$37,000
Self-Audit			
Number of Carriers	2	0	1
Amount	\$29,500	\$0	\$4,800
Total	\$31,500	\$90,200	\$41,800

Servicing Carrier Audit Initiatives

NCCI's 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 2019 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 2019

Comparative financial analyses and operating results for all pools serviced by NCCI are shown in Exhibits I through L. The 2019 calendar year results for the reinsurance pools administered by NCCI reflect a net operating gain for the National Workers' Compensation Reinsurance Pool and the Michigan Workers' Compensation Placement Facility. Conversely, the Massachusetts Workers' Compensation Assigned Risk Pool and the New Mexico Workers' Compensation Assigned Risk Pool reflect a net operating loss (see Exhibits M through P).

The combined net operating gain for all pools managed by NCCI was approximately \$143 million in Calendar Year 2019, compared with the net operating gain of \$135 million in Calendar Year 2018.

- The National Pool results reflect an operating gain of \$129 million compared with an operating gain of \$116 million in the prior year (Exhibit M)
- The Massachusetts Pool results reflect an operating loss of \$13 million compared with a gain of \$11 million in the prior year (Exhibit N)
- The Michigan Pool results reflect an operating gain of \$27 million compared with a gain of \$9 million in the prior year (Exhibit O)
- The New Mexico Pool results reflect an operating loss of \$209,000 compared with a gain of \$43,000 in the prior year (Exhibit P)

Comparative Calendar Years Financial Analysis

Exhibit I

All Pools Serviced by NCCI—Calendar Years 2019 and 2018 (\$000s)

	Calendar Year 2019 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2019 (\$)	2018 (\$)
Premiums Written	218,027	244,652	211,237	198,070	871,986	1,046,649
Premiums Earned	232,770	242,382	220,879	213,052	909,083	1,066,284
Incurred Losses	119,420	162,517	36,134	152,568	470,639	598,246
Loss Ratio (%)	51.3	67.0	16.4	71.6	51.8	56.1
Paid Losses	174,990	178,600	175,494	175,224	704,308	726,325
ALAE for Black Lung	660	729	719	852	2,960	3,310
Servicing Carrier Allowance	53,136	59,092	54,606	45,414	212,248	251,722
Producer Fees	8,441	9,439	8,156	8,349	34,385	39,811
Administrative Expenses	3,215	3,185	3,258	3,781	13,439	13,195
Other Expenses	11,206	7,566	5,583	11,741	36,096	28,152
Net Underwriting Gain (Loss)	37,353	582	113,142	(8,801)	142,276	135,158
Investment Income	91	44	60	34	229	110
Net Operating Gain (Loss)	37,444	626	113,202	(8,767)	142,505	135,268
EBNR Premium Reserves	(24,835)	(20,616)	(20,724)	(25,086)	(25,086)	(20,406)
Loss Ratio With EBNR (%)	52.3	65.9	16.4	73.1	52.0	56.3
Unearned Premiums	308,027	310,297	300,655	285,673	285,673	322,770
Outstanding Losses	2,988,494	2,976,672	2,967,299	2,960,158	2,960,158	3,023,677
IBNR	2,178,976	2,174,715	2,044,728	2,029,215	2,029,215	2,199,364
Cash Flow	(32,869)	(13,187)	(35,800)	(46,405)	(128,261)	(12,446)
Uncollectible Premiums	32,505	27,830	25,126	35,132	120,593	71,213

Exhibit J

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 K

Comparative Policy Years Financial Analysis

All Pools Serviced by NCCI—Policy Years 2019 and 2018 (\$000s)

	Policy Year 2019 Quarterly Results				At December 31, 2019	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	PY 2019 (\$)	PY 2018 (\$)
Premiums Written	152,223	210,635	214,429	210,280	787,567	1,020,980
Premiums Earned	36,185	103,465	158,382	203,863	501,895	1,020,980
Incurred Losses	27,535	82,030	122,933	157,221	389,719	736,727
Loss Ratio (%)	76.1	79.3	77.6	77.1	77.6	72.2
Paid Losses	1,037	7,341	18,794	29,685	56,857	280,089
Net Expenses	46,391	62,147	60,691	60,546	229,775	297,699
Net Operating Gain (Loss)	(37,741)	(40,712)	(25,241)	(13,904)	(117,598)	(13,447)
EBNR Premium Reserves	0	0	0	0	0	(25,086)
Loss Ratio With EBNR (%)	76.1	79.3	77.6	77.1	77.6	74.0
Unearned Premiums	116,038	223,209	279,256	285,673	285,673	0
Outstanding Losses	6,846	37,319	80,017	132,385	132,385	249,281
IBNR	19,652	63,868	125,309	200,477	200,477	207,358
Cash Flow	104,795	141,148	134,944	120,050	500,937	443,192
Uncollectible Premiums	9	0	142	2,847	2,998	64,244

Exhibit L

Combined Calendar Years Operating Results

All Pools Serviced by NCCI—Calendar Years 2010–2019 (\$000s)

Calendar Year	Written Premium (%)	Increase (Decrease) Previous Year (%)	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
2019	871,986	(16.7)	909,083	470,639	51.8	142,505
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)

Individual Pools Calendar Year Operating Results

Quarterly Comparison for Calendar Year 2019; Annual Comparison for Calendar Years 2019 and 2018
(\$000s)

Exhibit M

National Workers' Compensation Reinsurance Pooling Mechanism

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2019	184,328	84,514	45.8	38,810
2nd Quarter 2019	197,705	129,263	65.4	3,979
3rd Quarter 2019	179,248	20,110	11.2	101,594
4th Quarter 2019	164,282	124,135	75.6	(15,076)
Calendar Year 2019	725,563	358,022	49.3	129,307
Calendar Year 2018	872,068	484,677	55.6	115,905

* Includes Inactive Pools Merged With National Pool Effective 1/1/97

Exhibit N

Massachusetts Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2019	29,848	27,294	91.4	(6,513)
2nd Quarter 2019	27,919	22,532	80.7	(3,701)
3rd Quarter 2019	26,427	18,114	68.5	(1,125)
4th Quarter 2019	29,483	22,914	77.7	(2,122)
Calendar Year 2019	113,677	90,854	79.9	(13,461)
Calendar Year 2018	124,058	73,734	59.4	10,607

Exhibit O

Michigan Workers' Compensation Placement Facility

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2019	15,969	6,120	38.3	5,229
2nd Quarter 2019	14,615	8,546	58.5	1,500
3rd Quarter 2019	12,954	(1,390)	(10.7)	10,913
4th Quarter 2019	16,455	3,172	19.3	9,224
Calendar Year 2019	59,993	16,448	27.4	26,866
Calendar Year 2018	61,674	35,650	57.8	8,714

Exhibit P

New Mexico Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2019	2,624	1,491	56.8	(83)
2nd Quarter 2019	2,143	2,177	101.6	(1,151)
3rd Quarter 2019	2,249	(700)	(31.1)	1,819
4th Quarter 2019	2,832	2,346	82.8	(794)
Calendar Year 2019	9,848	5,314	54.0	(209)
Calendar Year 2018	8,485	4,186	49.3	43

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 5% decrease from Policy Year 2018 to Policy Year 2019. This amount differs from the pool premium volume decrease of 11% shown in Exhibit A due to the adjustments described above. The depopulation that began in Policy Year 2016 has continued in Policy Year 2019.

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 2019 combined ratio estimate for "All Pools Serviced by NCCI" is 108%, which is above the current estimate of Policy Year 2018 (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 2019, 2018, and 2017

The operating expenses for Calendar Year (CY) 2019 were \$296 million compared with \$333 million in CY 2018 and \$343 million in CY 2017. As a percentage of premiums written, the expenses were 34%, 32%, and 32% for CYs 2019, 2018, and 2017, respectively. The largest component of the operating expenses is the servicing carrier allowance, which accounted for approximately 72% of these expenses in CY 2019.

The servicing carrier allowance in 2019 was \$212 million compared with \$252 million in 2018 and \$255 million in 2017. This decrease is primarily due to a 17% decrease in written premiums in 2019.

Producer fees for CYs 2019, 2018, and 2017 were \$34 million, \$40 million, and \$40 million, respectively.

Other expenses, which include servicing carrier indemnification expenses, collection costs, and other reimbursable expenses, increased to \$36 million compared with \$28 million in 2018 and \$35 million in 2017. The increase in CY 2019's other expenses is due to an increase in taxes and assessments that were reimbursed directly to servicing carriers.

Administrative expenses were \$13 million each for CYs 2019, 2018, and 2017.

Exhibit Q

Comparison of Residual Market Written Premium to Total Direct Written Premium

Reinsurance Pools Serviced by NCCI

Calendar Years 2019 and 2018

Preliminary 2019						Final 2018				
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	360,735,126	8,495,816	3,862,913	12,358,729	3.4	334,462,941	7,885,746	3,042,875	10,928,621	3.3
AK	225,658,725	30,870,758	1,204,215	32,074,973	14.2	240,271,183	34,962,429	1,235,138	36,197,567	15.1
AZ	848,588,718	38,563,886	—	38,563,886	4.5	859,649,941	45,241,451	—	45,241,451	5.3
AR	238,201,603	21,205,076	—	21,205,076	8.9	249,102,455	26,468,534	—	26,468,534	10.6
CT	734,513,103	19,291,124	14,869,062	34,160,186	4.7	768,711,805	26,638,105	14,653,674	41,291,779	5.4
DC	191,977,041	6,608,207	—	6,608,207	3.4	190,235,250	8,784,342	—	8,784,342	4.6
GA	1,678,577,340	112,878,321	17,262,959	130,141,280	7.8	1,653,653,766	111,115,988	—	111,115,988	6.7
ID	436,517,727	4,683,330	—	4,683,330	1.1	432,183,603	4,968,134	—	4,968,134	1.1
IL	2,380,036,858	86,061,497	—	86,061,497	3.6	2,467,325,764	99,658,715	—	99,658,715	4.0
IA	643,393,311	21,149,152	3,670,741	24,819,893	3.9	681,691,037	23,747,518	4,522,619	28,270,137	4.1
KS	388,883,516	24,582,956	—	24,582,956	6.3	396,162,071	30,958,516	—	30,958,516	7.8
NV	423,700,849	30,160,902	—	30,160,902	7.1	408,905,156	28,702,356	—	28,702,356	7.0
NH	216,808,938	12,514,267	2,542,742	15,057,009	6.9	236,004,491	15,322,724	2,582,241	17,904,965	7.6
NM	286,481,409	10,888,943	—	10,888,943	3.8	280,377,939	9,651,785	—	9,651,785	3.4
OR	683,677,139	28,575,930	—	28,575,930	4.2	698,361,646	40,473,088	—	40,473,088	5.8
SC	806,069,527	33,609,644	9,708,218	43,317,862	5.4	832,643,486	35,445,657	10,661,795	46,107,452	5.5
SD	167,108,253	5,659,890	—	5,659,890	3.4	178,176,512	7,150,133	—	7,150,133	4.0
TN	766,378,314	44,147,924	12,534,509	56,682,433	7.4	823,257,648	51,220,105	14,522,321	65,742,426	8.0
VT	184,767,194	12,466,613	2,202,789	14,669,402	7.9	191,860,927	13,079,707	5,123,443	18,203,150	9.5
VA	1,088,039,770	42,522,764	23,069,610	65,592,374	6.0	1,075,542,242	42,903,373	26,601,974	69,505,347	6.5
WV	268,503,386	12,110,745	—	12,110,745	4.5	271,585,952	10,104,882	—	10,104,882	3.7
Sub Totals¹	13,018,617,847	607,047,746	90,927,758	697,975,504	5.4	13,270,165,815	674,483,289	82,946,080	757,429,369	5.7
DE	208,993,666	11,530,870	4,730,628	16,261,498	7.8	222,507,564	13,475,669	4,951,000	18,426,669	8.3
MA	1,276,706,938	109,805,378	132,275,990	242,081,368	19.0	1,277,376,222	124,424,112	141,452,153	265,876,265	20.8
MI	1,043,064,567	58,483,395	—	58,483,395	5.6	1,076,946,076	61,291,286	—	61,291,286	5.7
NJ	2,436,168,257	136,142,666	71,227,374	207,370,040	8.5	2,455,432,400	159,202,604	67,346,930	226,549,534	9.2
NC	1,395,398,030	60,917,212	21,107,230	82,024,442	5.9	1,422,791,847	69,276,126	21,021,615	90,297,741	6.3
Grand Totals	19,378,949,305	983,927,268	320,268,980	1,304,196,248	6.7	19,725,219,924	1,102,153,086	317,717,778	1,419,870,864	7.2

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 2015–2019

State	2019 ¹ (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)
Alabama	3.4	3.3	3.0	2.7	4.0
Alaska	14.2	15.1	16.1	15.5	13.9
Arizona	4.5	5.3	5.1	6.1	6.3
Arkansas	8.9	10.6	9.6	9.8	10.1
Connecticut	4.7	5.4	5.6	5.9	6.1
District of Columbia	3.4	4.6	3.9	5.3	4.7
Georgia	7.8	6.7	6.0	6.3	6.6
Idaho	1.1	1.1	0.6	1.0	0.6
Illinois	3.6	4.0	4.5	4.3	4.6
Iowa	3.9	4.1	4.6	4.7	5.9
Kansas	6.3	7.8	8.6	8.2	8.5
Nevada	7.1	7.0	7.6	7.5	7.2
New Hampshire	6.9	7.6	7.8	8.9	10.9
New Mexico	3.8	3.4	4.0	5.2	6.0
Oregon	4.2	5.8	6.1	6.3	6.8
South Carolina	5.4	5.5	6.8	6.4	5.5
South Dakota	3.4	4.0	4.8	5.6	6.3
Tennessee ²	7.4	8.0	8.7	8.4	—
Vermont	7.9	9.5	10.3	11.2	11.1
Virginia	6.0	6.5	7.1	6.7	8.0
West Virginia	4.5	3.7	6.4	5.2	5.3
Subtotals³	5.4	5.7	6.0	6.1	6.3
Delaware	7.8	8.3	10.4	11.2	11.8
Massachusetts	19.0	20.8	22.1	22.4	22.4
Michigan	5.6	5.7	5.3	5.8	6.6
New Jersey	8.5	9.2	10.0	11.2	12.7
North Carolina	5.9	6.3	5.4	5.5	5.7
Grand Totals	6.7	7.2	7.5	7.7	8.1

¹ 2019 Preliminary.

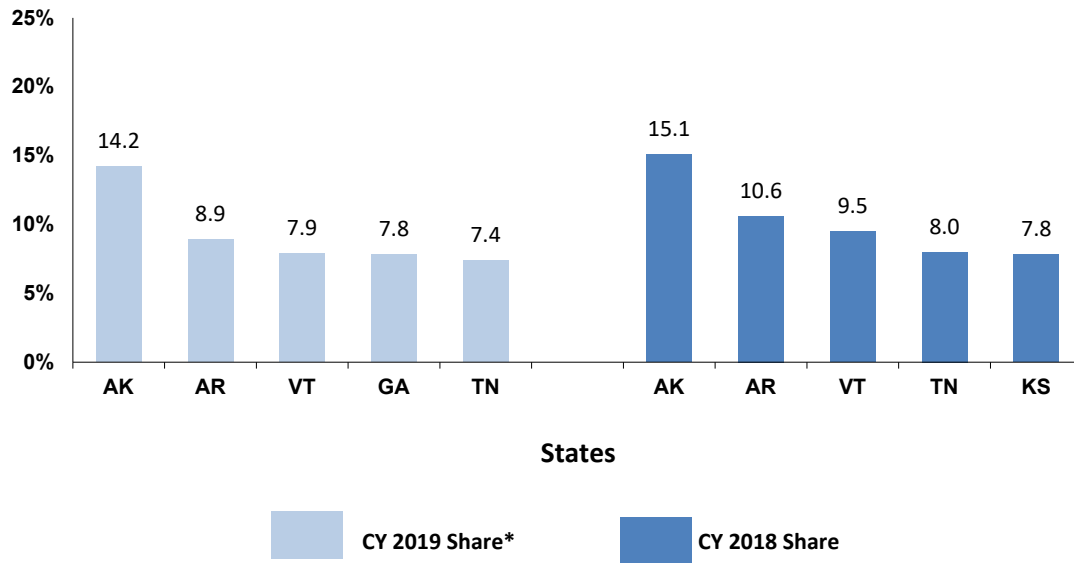
² NCCI was named the Tennessee Plan Administrator, effective July 1, 2015.

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 2019 and 2018

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

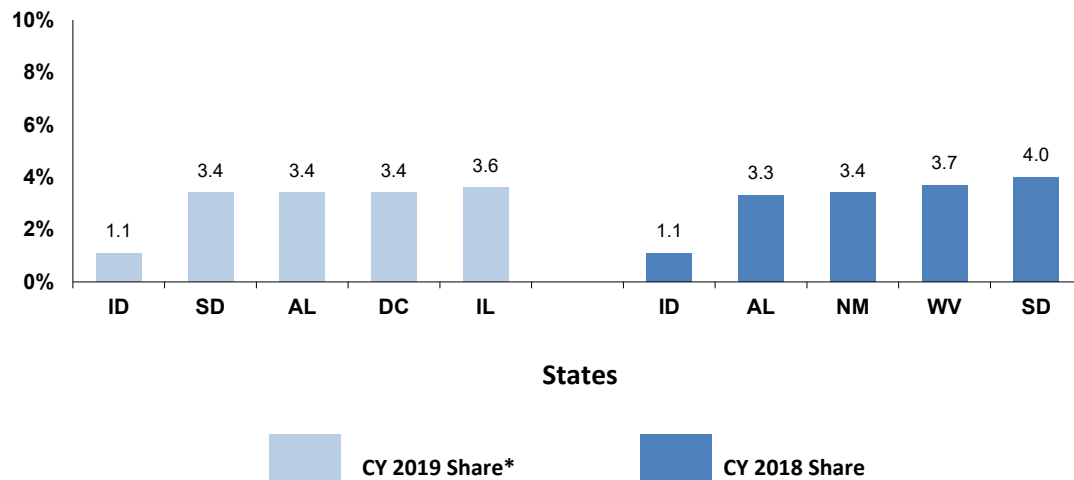


* Preliminary

NCCI Plan-Administered States With Lowest Residual Market Share

Calendar Years 2019 and 2018

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 2017–2019 (excluding results for states in which only federal or extraordinary coverage was reinsured)

State	Net Underwriting Gain/(Loss) by Calendar Year		
	2019 (\$)	2018 (\$)	2017 (\$)
Alabama	10,764,066	4,641,640	9,026,709
Alaska	14,153,738	8,566,045	4,763,035
Arizona	15,905,251	19,209,673	17,203,307
Arkansas	(4,682,996)	299,241	5,740,873
Connecticut	2,031,109	15,605,687	10,671,278
Delaware	13,994,755	3,453,273	11,429,596
District of Columbia	(519,468)	2,121,637	3,578,242
Georgia	(31,172,356)	(25,002,513)	(19,618,406)
Idaho	21,331	(2,431,824)	836,408
Illinois	13,005,901	19,564,371	16,956,359
Iowa	9,594,583	3,157,675	18,993,757
Kansas	(1,030,762)	9,853,739	8,298,801
Massachusetts	(19,833,055)	16,332,685	16,439,409
Michigan	27,300,431	12,205,137	(10,385,536)
Nevada	13,103,697	3,642,298	8,129,418
New Hampshire	10,479,167	9,455,890	8,383,418
New Jersey	28,055,145	5,424,072	2,357,300
New Mexico	(221,715)	38,730	6,631,189
North Carolina	4,503,950	13,352,046	5,285,559
Oregon	4,716,425	(9,958,202)	7,790,957
South Carolina ¹	1,807,555	(378,683)	(3,407,065)
South Dakota	3,493,878	3,741,886	6,203,007
Tennessee ²	14,814,979	11,875,430	12,574,687
Vermont	3,425,284	7,170,881	139,602
Virginia	(534,870)	(1,929,020)	3,777,454
West Virginia	2,540,031	306,137	3,599,958
Subtotals	135,716,056	130,317,929	155,399,317
Runoff States:			
Florida ³	3,321,243	2,041,004	(10,853,800)
Hawaii ⁴	(110,198)	222,768	(952,973)
Indiana ⁵	(1,414,759)	(20,771)	2,188,846
Kentucky ⁶	(686,288)	(2,097,122)	(13,818)
Louisiana ⁷	1,713,293	1,188,904	3,261,842
Maine ⁸	127,696	1,207,654	594,857
Mississippi ⁸	1,217,797	(1,380,602)	950,526
Missouri ⁹	1,749,095	358,836	(239,812)
Nebraska ¹⁰	281,426	261,977	(893,113)
Rhode Island ⁸	301,726	2,370,023	(179,919)
Totals	142,217,086	134,470,601	149,261,955

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

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

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

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

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

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

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

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

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

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

Exhibit T

Comparative Number of Residual Market Policies

Policy Years 2019 and 2018*

State	2019 Policies	2018 Policies	Number Change	Percent Change (%)
Alabama	1,686	1,706	(20)	(1.2)
Alaska	7,185	7,127	58	0.8
Arizona	5,995	5,913	82	1.4
Arkansas	6,699	6,797	(98)	(1.4)
Connecticut	13,189	15,174	(1,985)	(13.1)
District of Columbia	963	1,058	(95)	(9.0)
Georgia	24,418	23,086	1,332	5.8
Idaho	1,826	1,219	607	49.8
Illinois	30,860	32,667	(1,807)	(5.5)
Iowa	3,994	3,962	32	0.8
Kansas	7,781	8,437	(656)	(7.8)
Mississippi	2,349	2,494	(145)	(5.8)
Nevada	4,967	4,920	47	1.0
New Hampshire	3,805	4,517	(712)	(15.8)
New Mexico	1,734	1,761	(27)	(1.5)
Oregon	7,487	8,567	(1,080)	(12.6)
South Carolina	13,144	13,652	(508)	(3.7)
South Dakota	1,025	983	42	4.3
Tennessee	12,990	13,184	(194)	(1.5)
Vermont	3,030	3,595	(565)	(15.7)
Virginia	15,576	16,516	(940)	(5.7)
West Virginia	2,003	2,025	(22)	(1.1)
Subtotal	172,706	179,360	(6,654)	(3.7)
Other Pool States				
Delaware	2,042	2,136	(94)	(4.4)
Indiana	9,681	9,502	179	1.9
New Jersey	49,215	47,875	1,340	2.8
North Carolina	27,039	26,203	836	3.2
Subtotal	87,977	85,716	2,261	2.6
Grand Totals	260,683	265,076	(4,393)	(1.7)

*2018 figures have been restated to account for additional data available since the publication of *Residual Market Management Summary 2018*.

Exhibit U

Residual Market Premium Size Profile

Policy Year 2019*

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	196,522	75.4	197,509,117	21.7	1,005
2,500– 4,999	29,294	11.2	102,330,744	11.2	3,493
5,000– 9,999	18,549	7.1	129,899,136	14.3	7,003
10,000– 19,999	9,582	3.7	132,304,093	14.5	13,808
20,000– 49,999	4,926	1.9	148,174,485	16.3	30,080
50,000– 99,999	1,212	0.5	82,483,281	9.0	68,056
100,000–199,999	436	0.2	59,827,260	6.6	137,218
200,000+	162	0.1	59,033,711	6.5	364,406
Totals	260,683	100.0	911,561,827	100.0	3,497

*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 2019

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 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,143	67.8%	1,369,196	15.0%	1,197
2,500– 4,999	218	12.9%	781,516	8.6%	3,584
5,000– 9,999	139	8.2%	982,986	10.8%	7,071
10,000– 19,999	108	6.4%	1,519,493	16.7%	14,069
20,000– 49,999	53	3.1%	1,601,665	17.6%	30,220
50,000– 99,999	13	0.8%	1,009,996	11.1%	77,692
100,000–199,999	11	0.7%	1,620,479	17.8%	147,316
200,000+	1	0.1%	235,965	2.6%	235,965
Totals	1,686	100.0%	9,121,296	100.0%	5,410

Premium Size Profiles by State (Cont'd)

Alaska Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,932	68.6%	4,087,536	15.4%	828
2,500– 4,999	1,021	14.2%	3,609,840	13.6%	3,535
5,000– 9,999	680	9.5%	4,761,394	17.9%	7,002
10,000– 19,999	345	4.8%	4,810,610	18.1%	13,943
20,000– 49,999	156	2.2%	4,454,261	16.8%	28,552
50,000– 99,999	37	0.5%	2,455,143	9.3%	66,355
100,000–199,999	12	0.2%	1,656,465	6.2%	138,038
200,000+	2	0.0%	710,117	2.7%	355,058
Totals	7,185	100.0%	26,545,366	100.0%	3,695

Arizona Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,409	56.9%	3,727,857	11.0%	1,093
2,500– 4,999	1,044	17.4%	3,707,297	10.9%	3,551
5,000– 9,999	745	12.4%	5,258,724	15.5%	7,058
10,000– 19,999	466	7.8%	6,583,476	19.4%	14,127
20,000– 49,999	252	4.2%	7,579,376	22.3%	30,076
50,000– 99,999	58	1.0%	4,006,020	11.8%	69,069
100,000–199,999	17	0.3%	2,105,958	6.2%	123,879
200,000+	4	0.1%	1,016,279	3.0%	254,069
Totals	5,995	100.0%	33,984,987	100.0%	5,669

Arkansas Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,885	72.9%	4,901,334	23.8%	1,003
2,500– 4,999	953	14.2%	3,393,867	16.5%	3,561
5,000– 9,999	514	7.7%	3,605,798	17.5%	7,015
10,000– 19,999	219	3.3%	2,974,443	14.4%	13,581
20,000– 49,999	96	1.4%	2,819,089	13.7%	29,365
50,000– 99,999	24	0.4%	1,512,062	7.3%	63,002
100,000–199,999	6	0.1%	862,978	4.2%	143,829
200,000+	2	0.0%	550,279	2.7%	275,139
Totals	6,699	100.0%	20,619,850	100.0%	3,078

Premium Size Profiles by State (Cont'd)

Connecticut Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	11,131	84.4%	12,628,513	35.8%	1,134
2,500– 4,999	968	7.3%	3,468,480	9.8%	3,583
5,000– 9,999	585	4.4%	4,091,747	11.6%	6,994
10,000– 19,999	292	2.2%	4,051,884	11.5%	13,876
20,000– 49,999	149	1.1%	4,356,649	12.3%	29,239
50,000– 99,999	41	0.3%	2,693,487	7.6%	65,694
100,000–199,999	18	0.1%	2,602,387	7.4%	144,577
200,000+	5	0.0%	1,416,941	4.0%	283,388
Totals	13,189	100.0%	35,310,088	100.0%	2,677

Delaware Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	903	44.2%	1,349,127	9.3%	1,494
2,500– 4,999	500	24.5%	1,760,384	12.1%	3,521
5,000– 9,999	329	16.1%	2,247,977	15.4%	6,833
10,000– 19,999	184	9.0%	2,506,353	17.2%	13,621
20,000– 49,999	95	4.7%	2,801,731	19.2%	29,492
50,000– 99,999	20	1.0%	1,422,824	9.8%	71,141
100,000–199,999	6	0.3%	924,508	6.3%	154,085
200,000+	5	0.2%	1,555,197	10.7%	311,039
Totals	2,042	100.0%	14,568,101	100.0%	7,134

District of Columbia Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	677	70.3%	555,733	11.0%	820
2,500– 4,999	112	11.6%	391,208	7.7%	3,492
5,000– 9,999	72	7.5%	503,871	10.0%	6,998
10,000– 19,999	55	5.7%	746,359	14.8%	13,570
20,000– 49,999	28	2.9%	912,423	18.0%	32,586
50,000– 99,999	13	1.4%	875,573	17.3%	67,351
100,000–199,999	5	0.5%	693,418	13.7%	138,683
200,000+	1	0.1%	378,388	7.5%	378,388
Totals	963	100.0%	5,056,973	100.0%	5,251

Georgia Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	20,325	83.2%	25,959,776	35.4%	1,277
2,500– 4,999	1,816	7.4%	6,290,946	8.6%	3,464
5,000– 9,999	1,226	5.0%	8,603,678	11.7%	7,017
10,000– 19,999	643	2.6%	8,892,046	12.1%	13,829
20,000– 49,999	287	1.2%	8,662,237	11.8%	30,182
50,000– 99,999	77	0.3%	5,410,003	7.4%	70,259
100,000–199,999	29	0.1%	4,149,632	5.7%	143,090
200,000+	15	0.1%	5,291,266	7.2%	352,751
Totals	24,418	100.0%	73,259,584	100.0%	3,000

Premium Size Profiles by State (Cont'd)

Idaho Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,587	86.9%	692,540	15.8%	436
2,500– 4,999	88	4.8%	311,230	7.1%	3,536
5,000– 9,999	83	4.6%	600,777	13.7%	7,238
10,000– 19,999	35	1.9%	502,003	11.5%	14,342
20,000– 49,999	20	1.1%	640,162	14.6%	32,008
50,000– 99,999	6	0.3%	421,118	9.6%	70,186
100,000–199,999	5	0.3%	637,396	14.6%	127,479
200,000+	2	0.1%	571,102	13.1%	285,551
Totals	1,826	100.0%	4,376,328	100.0%	2,397

Illinois Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	26,597	86.2%	32,136,511	38.8%	1,208
2,500– 4,999	1,870	6.1%	6,654,547	8.0%	3,558
5,000– 9,999	1,242	4.0%	8,719,687	10.5%	7,020
10,000– 19,999	647	2.1%	8,983,989	10.8%	13,885
20,000– 49,999	380	1.2%	11,487,847	13.9%	30,231
50,000– 99,999	75	0.2%	5,065,111	6.1%	67,534
100,000–199,999	36	0.1%	4,897,948	5.9%	136,054
200,000+	13	0.0%	4,991,682	6.0%	383,975
Totals	30,860	100.0%	82,937,322	100.0%	2,688

Indiana Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,655	68.7%	6,973,696	16.9%	1,047
2,500– 4,999	1,339	13.8%	4,735,354	11.5%	3,536
5,000– 9,999	823	8.5%	5,648,474	13.7%	6,863
10,000– 19,999	493	5.1%	6,805,784	16.5%	13,804
20,000– 49,999	277	2.9%	8,454,364	20.5%	30,521
50,000– 99,999	64	0.7%	4,326,459	10.5%	67,600
100,000–199,999	27	0.3%	3,687,377	8.9%	136,569
200,000+	3	0.0%	683,236	1.7%	227,745
Totals	9,681	100.0%	41,314,744	100.0%	4,268

Iowa Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,358	59.0%	2,160,791	9.0%	916
2,500– 4,999	704	17.6%	2,503,023	10.5%	3,555
5,000– 9,999	450	11.3%	3,138,238	13.1%	6,973
10,000– 19,999	251	6.3%	3,453,311	14.4%	13,758
20,000– 49,999	157	3.9%	4,830,896	20.2%	30,770
50,000– 99,999	52	1.3%	3,609,933	15.1%	69,421
100,000–199,999	15	0.4%	1,935,760	8.1%	129,050
200,000+	7	0.2%	2,277,517	9.5%	325,359
Totals	3,994	100.0%	23,909,469	100.0%	5,986

Premium Size Profiles by State (Cont'd)

Kansas Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,791	74.4%	5,109,477	23.5%	882
2,500– 4,999	1,092	14.0%	3,775,456	17.3%	3,457
5,000– 9,999	554	7.1%	3,770,206	17.3%	6,805
10,000– 19,999	220	2.8%	3,013,857	13.8%	13,699
20,000– 49,999	89	1.1%	2,618,382	12.0%	29,420
50,000– 99,999	23	0.3%	1,561,700	7.2%	67,900
100,000–199,999	10	0.1%	1,331,109	6.1%	133,110
200,000+	2	0.0%	600,565	2.8%	300,282
Totals	7,781	100.0%	21,780,752	100.0%	2,799

Mississippi Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,441	61.4%	1,704,770	13.6%	1,183
2,500– 4,999	390	16.6%	1,383,087	11.0%	3,546
5,000– 9,999	261	11.1%	1,838,197	14.6%	7,042
10,000– 19,999	141	6.0%	1,912,196	15.2%	13,561
20,000– 49,999	83	3.5%	2,547,285	20.3%	30,690
50,000– 99,999	21	0.9%	1,522,820	12.1%	72,515
100,000–199,999	12	0.5%	1,673,417	13.3%	139,451
200,000+	0	0.0%	0	0.0%	0
Totals	2,349	100.0%	12,581,772	100.0%	5,356

Nevada Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,272	65.9%	3,104,341	12.1%	948
2,500– 4,999	693	14.0%	2,459,053	9.6%	3,548
5,000– 9,999	526	10.6%	3,757,532	14.6%	7,143
10,000– 19,999	275	5.5%	3,778,131	14.7%	13,738
20,000– 49,999	139	2.8%	4,145,087	16.1%	29,820
50,000– 99,999	36	0.7%	2,476,382	9.6%	68,788
100,000–199,999	15	0.3%	2,127,251	8.3%	141,816
200,000+	11	0.2%	3,878,920	15.1%	352,629
Totals	4,967	100.0%	25,726,697	100.0%	5,180

New Hampshire Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,721	71.5%	2,492,137	17.7%	915
2,500– 4,999	476	12.5%	1,713,831	12.2%	3,600
5,000– 9,999	323	8.5%	2,268,214	16.1%	7,022
10,000– 19,999	173	4.6%	2,386,882	17.0%	13,797
20,000– 49,999	86	2.3%	2,554,591	18.2%	29,704
50,000– 99,999	18	0.5%	1,184,144	8.4%	65,785
100,000–199,999	6	0.2%	689,142	4.9%	114,857
200,000+	2	0.1%	770,871	5.5%	385,435
Totals	3,805	100.0%	14,059,812	100.0%	3,695

Premium Size Profiles by State (Cont'd)

New Jersey Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	36,006	73.2%	18,139,735	9.5%	504
2,500– 4,999	5,696	11.6%	18,843,213	9.9%	3,308
5,000– 9,999	3,761	7.6%	26,749,002	14.0%	7,112
10,000– 19,999	2,107	4.3%	29,354,160	15.3%	13,932
20,000– 49,999	1,167	2.4%	35,723,737	18.7%	30,612
50,000– 99,999	311	0.6%	21,196,898	11.1%	68,157
100,000–199,999	105	0.2%	14,816,631	7.7%	141,111
200,000+	62	0.1%	26,413,666	13.8%	426,027
Totals	49,215	100.0%	191,237,042	100.0%	3,886

New Mexico Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,297	74.8%	1,254,893	16.3%	967
2,500– 4,999	167	9.6%	586,934	7.6%	3,514
5,000– 9,999	110	6.3%	790,804	10.3%	7,189
10,000– 19,999	74	4.3%	1,018,548	13.3%	13,764
20,000– 49,999	62	3.6%	1,805,580	23.5%	29,122
50,000– 99,999	19	1.1%	1,247,253	16.2%	65,644
100,000–199,999	4	0.2%	539,977	7.0%	134,994
200,000+	1	0.1%	441,621	5.8%	441,621
Totals	1,734	100.0%	7,685,610	100.0%	4,432

North Carolina Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	21,230	78.5%	28,189,777	39.3%	1,328
2,500– 4,999	3,199	11.8%	11,252,584	15.7%	3,518
5,000– 9,999	1,682	6.2%	11,598,035	16.2%	6,895
10,000– 19,999	637	2.4%	8,550,463	11.9%	13,423
20,000– 49,999	234	0.9%	7,008,256	9.8%	29,950
50,000– 99,999	44	0.2%	3,088,299	4.3%	70,189
100,000–199,999	12	0.0%	1,571,503	2.2%	130,959
200,000+	1	0.0%	385,519	0.5%	385,519
Totals	27,039	100.0%	71,644,436	100.0%	2,650

Oregon Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,660	75.6%	3,412,510	13.0%	602
2,500– 4,999	759	10.1%	2,710,169	10.3%	3,570
5,000– 9,999	499	6.7%	3,451,981	13.1%	6,917
10,000– 19,999	303	4.1%	4,299,128	16.3%	14,188
20,000– 49,999	188	2.5%	5,586,027	21.2%	29,712
50,000– 99,999	55	0.7%	3,543,112	13.5%	64,420
100,000–199,999	21	0.3%	2,757,086	10.5%	131,289
200,000+	2	0.0%	563,697	2.1%	281,848
Totals	7,487	100.0%	26,323,710	100.0%	3,516

Premium Size Profiles by State (Cont'd)

South Carolina Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	11,101	84.5%	13,484,923	40.1%	1,214
2,500– 4,999	971	7.4%	3,477,944	10.3%	3,581
5,000– 9,999	621	4.7%	4,331,709	12.9%	6,975
10,000– 19,999	283	2.2%	3,890,606	11.6%	13,747
20,000– 49,999	120	0.9%	3,585,947	10.7%	29,882
50,000– 99,999	28	0.2%	1,983,187	5.9%	70,828
100,000–199,999	17	0.1%	2,208,172	6.6%	129,892
200,000+	3	0.0%	683,146	2.0%	227,715
Totals	13,144	100.0%	33,645,634	100.0%	2,560

South Dakota Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	583	56.9%	737,966	13.9%	1,265
2,500– 4,999	193	18.8%	691,586	13.0%	3,583
5,000– 9,999	128	12.5%	882,645	16.6%	6,895
10,000– 19,999	72	7.0%	980,134	18.4%	13,612
20,000– 49,999	34	3.3%	972,111	18.3%	28,591
50,000– 99,999	13	1.3%	812,838	15.3%	62,526
100,000–199,999	2	0.2%	239,183	4.5%	119,591
200,000+	0	0.0%	0	0.0%	0
Totals	1,025	100.0%	5,316,463	100.0%	5,187

Tennessee Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	8,717	67.1%	8,986,599	17.9%	1,030
2,500– 4,999	1,999	15.4%	7,048,778	14.0%	3,526
5,000– 9,999	1,270	9.8%	8,829,851	17.5%	6,952
10,000– 19,999	639	4.9%	8,754,771	17.4%	13,700
20,000– 49,999	286	2.2%	8,542,293	17.0%	29,868
50,000– 99,999	53	0.4%	3,471,931	6.9%	65,508
100,000–199,999	17	0.1%	2,364,633	4.7%	139,096
200,000+	9	0.1%	2,351,389	4.7%	261,265
Totals	12,990	100.0%	50,350,245	100.0%	3,876

Vermont Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,988	65.6%	2,093,789	14.6%	1,053
2,500– 4,999	412	13.6%	1,493,766	10.4%	3,625
5,000– 9,999	292	9.6%	2,065,879	14.4%	7,074
10,000– 19,999	179	5.9%	2,504,646	17.5%	13,992
20,000– 49,999	130	4.3%	3,910,280	27.2%	30,079
50,000– 99,999	25	0.8%	1,659,860	11.6%	66,394
100,000–199,999	3	0.1%	400,223	2.8%	133,407
200,000+	1	0.0%	226,935	1.6%	226,935
Totals	3,030	100.0%	14,355,378	100.0%	4,738

Premium Size Profiles by State (Cont'd)

Virginia Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,904	70.0%	10,966,771	19.5%	1,005
2,500– 4,999	2,227	14.3%	7,922,624	14.1%	3,557
5,000– 9,999	1,420	9.1%	9,912,895	17.7%	6,980
10,000– 19,999	631	4.1%	8,508,219	15.2%	13,483
20,000– 49,999	295	1.9%	8,653,741	15.4%	29,334
50,000– 99,999	71	0.5%	4,826,895	8.6%	67,984
100,000–199,999	21	0.1%	2,688,507	4.8%	128,024
200,000+	7	0.0%	2,631,549	4.7%	375,935
Totals	15,576	100.0%	56,111,201	100.0%	3,602

West Virginia Premium Size Profile—Policy Year 2019

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,209	60.4%	1,288,819	13.2%	1,066
2,500– 4,999	387	19.3%	1,364,027	14.0%	3,524
5,000– 9,999	214	10.7%	1,488,835	15.3%	6,957
10,000– 19,999	110	5.5%	1,522,601	15.6%	13,841
20,000– 49,999	63	3.2%	1,920,468	19.7%	30,483
50,000– 99,999	15	0.8%	1,100,233	11.3%	73,348
100,000–199,999	4	0.2%	646,120	6.6%	161,530
200,000+	1	0.1%	407,864	4.2%	407,864
Totals	2,003	100.0%	9,738,967	100.0%	4,862

Exhibit V

Classifications With Largest Premium Volume

Policy Year 2019*

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

Classification Code	Premium Amount (\$)	Classification Description
5645	\$57,104,599	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5551	\$39,634,861	Roofing—All Kinds & Drivers
7219	\$31,431,278	Trucking NOC—All Employees & Drivers
5474	\$21,108,728	Painting NOC & Shop Operations, Drivers
5437	\$18,935,727	Carpentry—Installation of Cabinet Work or Interior Trim
9014	\$13,592,454	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5445	\$13,402,312	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers
5403	\$12,178,827	Carpentry—NOC
0106	\$12,124,366	Tree Pruning, Spraying, Repairing—All Operations & Drivers
5022	\$9,697,567	Masonry—NOC

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 2019*

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

Classification Code	Policy Count	Classification Description
5645	21,365	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5437	11,159	Carpentry—Installation of Cabinet Work or Interior Trim
5474	10,486	Painting NOC & Shop Operations, Drivers
7219	9,100	Trucking NOC—All Employees & Drivers
5551	8,715	Roofing—All Kinds & Drivers
9014	5,058	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5445	4,931	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation Within Buildings & Drivers
5022	3,998	Masonry NOC
8810	3,280	Clerical Office Employees NOC
5190	3,140	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 2019

Exhibit X shows that the residual markets have a higher percentage of high hazard group (increased operational exposure) accounts than the voluntary market. The policy count and premium totals were calculated using the dominant state theory for multistate policies. Assigned Risk Plan total policy counts and estimated annual premium totals include servicing carrier and direct assignment carrier experience for those states where NCCI provides Plan Administration services, including policies cancelled short-term and the associated prorated premium.

Hazard Group	Voluntary Market 2019				Assigned Risk Plan 2019			
	Policy Count	Total Percent (%)	Estimated Annual Premium (\$)	Total Percent (%)	Policy Count	Total Percent (%)	Estimated Annual Premium (\$)	Total Percent (%)
A	101,259	8.4	568,655,071	3.6	2,295	1.3	9,685,079	1.3
B	193,897	16.0	2,394,240,188	15.3	9,376	5.2	46,231,165	6.4
C	400,680	33.1	4,346,868,993	27.7	30,531	17.0	124,281,206	17.2
D	149,312	12.3	1,811,423,604	11.5	11,997	6.7	58,124,388	8.0
E	205,777	17.0	2,798,461,506	17.8	42,291	23.5	141,698,859	19.6
F	139,033	11.5	3,106,133,982	19.8	69,602	38.7	257,370,971	35.6
G	12,133	1.0	623,431,870	4.0	13,086	7.3	84,056,878	11.6
Not Classified	7,424	0.6	42,293,180	0.3	470	0.3	901,928	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 2015–2019 (based on data reported to NCCI through December 31, 2019)

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 2019 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. LAE is included in the expenses utilized in the projection of net operating results for each state. 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 2019 (Projected to Ultimate) (\$000s)

Alabama

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	6,967	65.6	4,570	315
2018	8,118	59.5	4,830	960
2017	7,176	61.9	4,442	535
2016	7,431	36.0	2,675	2,253
2015	7,037	32.3	2,273	2,341

Alaska

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	27,639	79.4	21,945	(4,599)
2018	34,229	39.7	13,589	8,188
2017	36,820	71.9	26,474	(3,877)
2016	38,568	53.0	20,441	3,622
2015	37,526	51.5	19,326	4,180

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

Arizona

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	37,130	74.5	27,662	(1,103)
2018	41,275	59.5	24,559	5,180
2017	43,871	50.9	22,330	9,130
2016	48,519	42.0	20,378	10,456
2015	53,038	52.5	27,845	7,637

Arkansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	21,400	79.4	16,992	(2,506)
2018	22,772	97.2	22,134	(6,720)
2017	25,059	59.9	15,010	2,183
2016	23,930	40.0	9,572	6,416
2015	26,246	39.8	10,446	7,275

Connecticut

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	19,313	84.4	16,300	(2,787)
2018	22,800	72.4	16,507	(1,097)
2017	25,862	52.9	13,681	3,691
2016	26,397	46.0	12,143	5,485
2015	40,217	46.4	18,661	7,376

Delaware

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	10,592	64.5	6,832	142
2018	13,800	56.5	7,797	1,540
2017	15,204	55.9	8,499	1,621
2016	16,186	38.0	6,151	4,616
2015	17,871	95.9	17,138	(5,102)

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) (\$)
2019	6,030	89.4	5,391	(1,625)
2018	7,747	76.3	5,911	(982)
2017	8,005	39.9	3,194	2,332
2016	8,077	45.0	3,635	1,514
2015	8,287	24.2	2,006	3,483

Georgia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	61,536	89.4	55,013	(19,716)
2018	81,666	114.0	93,099	(46,901)
2017	63,770	87.8	55,990	(21,816)
2016	60,555	116.9	70,789	(40,305)
2015	59,265	106.0	62,821	(32,874)

Idaho

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	4,870	84.4	4,110	(1,090)
2018	3,431	158.6	5,442	(3,298)
2017	3,099	42.9	1,329	386
2016	2,809	61.0	1,714	(91)
2015	2,520	34.3	864	580

Illinois

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	81,459	77.5	63,131	(4,423)
2018	87,156	74.4	64,844	(4,210)
2017	95,685	72.9	69,754	(3,330)
2016	110,853	61.0	67,620	8,957
2015	119,062	64.6	76,914	(619)

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

Iowa

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	21,145	82.4	17,423	(2,104)
2018	22,536	57.5	12,958	3,540
2017	25,597	70.9	18,148	264
2016	31,706	40.0	12,682	10,187
2015	37,110	57.5	21,338	5,485

Kansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	24,332	69.5	16,911	(737)
2018	29,227	94.2	27,532	(7,771)
2017	32,811	72.9	23,920	(1,358)
2016	35,883	62.0	22,247	2,813
2015	40,056	48.4	19,387	8,876

Massachusetts

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	107,871	73.0	78,746	(10,377)
2018	121,120	70.0	84,784	(7,122)
2017	121,131	73.0	88,425	(8,782)
2016	121,659	68.0	82,728	(1,776)
2015	121,100	70.0	84,770	(4,384)

Michigan

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	56,796	75.0	42,597	(2,561)
2018	59,958	70.0	41,971	594
2017	59,868	70.0	41,907	245
2016	67,120	51.0	34,231	11,847
2015	71,840	54.0	38,794	10,869

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

Nevada

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	30,346	52.6	15,962	5,405
2018	27,130	49.6	13,456	5,779
2017	27,322	49.9	13,634	6,068
2016	27,778	59.0	16,389	3,592
2015	26,234	45.4	11,910	6,813

New Hampshire

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	12,600	84.4	10,634	(2,830)
2018	14,533	61.5	8,938	276
2017	15,896	69.9	11,111	(1,049)
2016	18,766	45.0	8,445	3,731
2015	23,092	43.4	10,022	4,669

New Jersey

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	120,804	78.4	94,710	(7,768)
2018	143,811	78.3	112,604	(9,765)
2017	160,342	71.9	115,286	(1,251)
2016	169,775	71.0	120,540	577
2015	188,141	70.7	133,015	(8,542)

New Mexico

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	9,924	95.0	9,428	(3,920)
2018	9,150	65.0	5,948	(1,007)
2017	9,451	39.0	3,686	1,098
2016	11,285	45.0	5,078	788
2015	15,056	34.0	5,119	3,111

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

North Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	52,844	69.5	36,727	42
2018	55,537	77.3	42,930	(4,449)
2017	54,246	59.9	32,493	4,497
2016	53,606	92.0	49,318	(12,158)
2015	58,232	55.5	32,319	7,454

Oregon

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	30,500	74.5	22,723	(2,626)
2018	37,500	64.4	24,150	1,133
2017	42,819	114.8	49,156	(20,018)
2016	42,670	55.0	23,469	5,624
2015	45,943	60.6	27,841	1,985

South Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	27,655	79.4	21,958	(2,536)
2018	29,816	54.5	16,250	2,883
2017	27,365	79.8	21,837	(4,679)
2016	28,425	64.0	18,192	(1,904)
2015	25,749	77.7	20,007	(7,022)

South Dakota

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	5,678	84.4	4,792	(723)
2018	6,756	67.4	4,554	331
2017	8,615	74.8	6,444	(860)
2016	9,739	38.0	3,701	2,593
2015	11,409	37.3	4,256	3,261

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

Tennessee

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	43,658	79.4	34,664	(5,641)
2018	49,267	67.4	33,206	729
2017	50,627	51.9	26,276	8,515
2016	53,323	48.0	25,595	10,366
2015*	25,690	44.4	11,406	5,791

*Policies effective July 1, 2015 and subsequent.

Vermont

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	12,597	84.4	10,632	(1,585)
2018	12,563	49.6	6,231	2,797
2017	14,157	44.9	6,356	3,900
2016	15,256	56.0	8,543	2,490
2015	18,123	58.5	10,602	2,427

Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	40,810	70.5	28,771	2,408
2018	42,518	65.1	27,679	3,984
2017	45,023	64.8	29,175	3,899
2016	44,967	69.8	31,387	2,140
2015	54,820	52.6	28,835	8,426

West Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2019	11,024	90.7	9,999	(2,258)
2018	11,762	65.7	7,728	569
2017	15,895	69.4	11,031	714
2016	14,599	38.7	5,650	4,831
2015	16,544	37.4	6,187	5,926

Available Residual Market Programs

As of June 1, 2020

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

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

2020 Assigned Carriers

As of January 1, 2020 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		S	D			S	S		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 Insurance Co.		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	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								
PA Manufacturers Assn. Insurance Co.								S																	
SAIF Corporation																			S						
St. Paul Protective Insurance Co.																S									
Technology Insurance Co.			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	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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