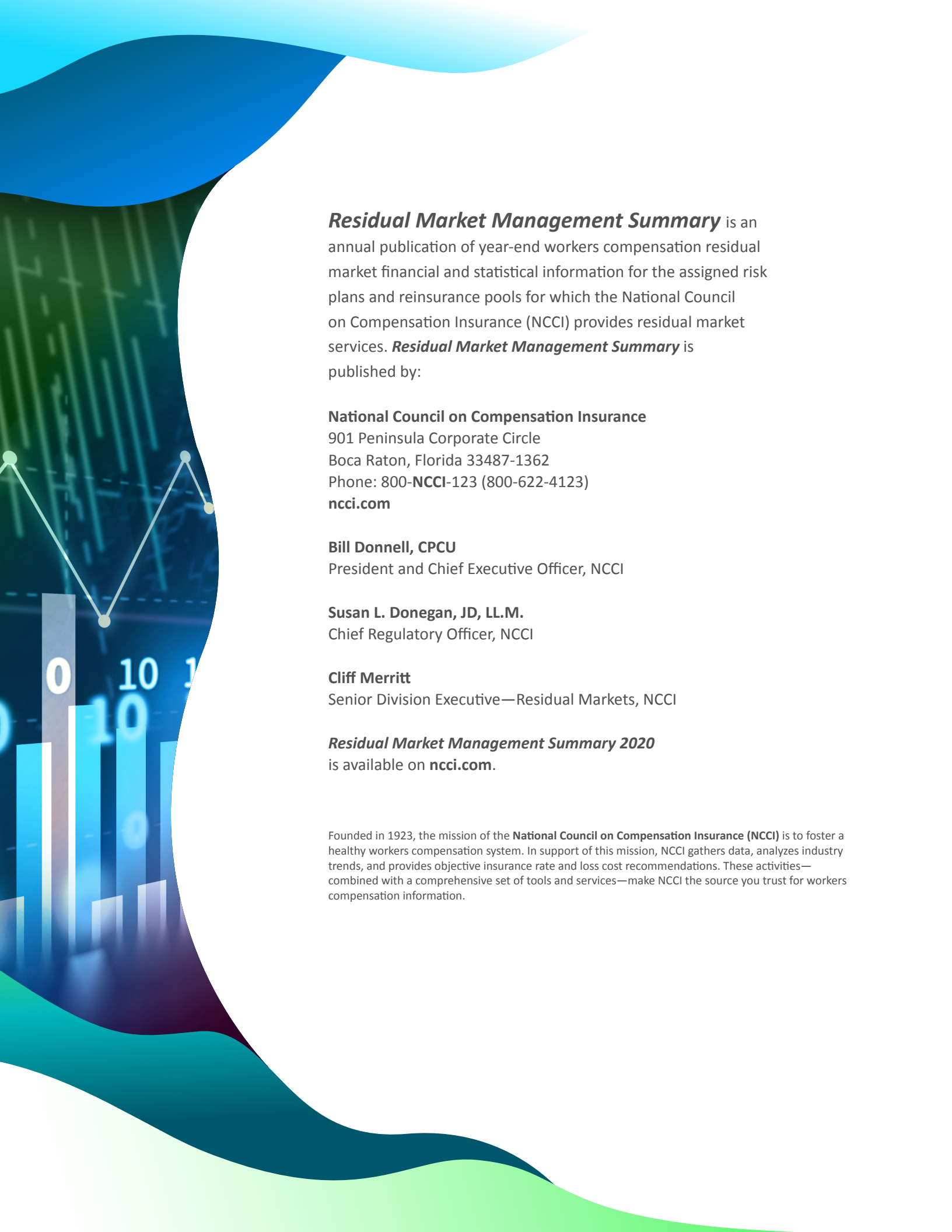




RESIDUAL MARKET

MANAGEMENT SUMMARY

2020



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 2020
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 2020*** 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.

The COVID-19 pandemic created a lot of uncertainty and unanticipated disruption in business operations and the economy in 2020. However, the residual market was resilient and responsive to all challenges, remaining stable and manageable, with COVID claims appearing to have limited direct impact on residual market losses and operating results. In fact, the ultimate Policy Year (PY) 2020 combined ratio is projected to be virtually unchanged from the two prior policy years, and both premium volume and market share decreased for the sixth consecutive year.

For PY 2020, the combined ultimate written premium for all reinsurance pools serviced by NCCI is projected to be \$790 million, representing a 9% decrease from the ultimate projection of \$866 million for PY 2019. The net operating results for PY 2020 are projected as an ultimate operating loss of \$47 million, representing a combined ratio of 106%. 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) 2020 financial results, including data reported from prior policy years and adjustments to prior incurred loss estimates, show written premium of \$796 million, earned premium of \$818 million, a net operating gain of \$304 million, and a 62% combined ratio.

Both residual market premium volume and market share continued to decline for the sixth consecutive year. Total 2020 premium in the workers compensation insurance plans administered by NCCI, which includes both reinsurance pools and direct assignment experience, was reported at \$655 million and represents a 5.3% market share. These values are both decreases from 2019 premium and market share of \$698 million and 5.4%, respectively. This 2020 market share represents the sixth consecutive annual decline in market share since the 6.8% market share recorded for CY 2014.

The continued stability of the residual market, particularly when faced with the challenges of the pandemic, would not have been possible without the effective partnership of all residual market stakeholders, including insurance carriers, regulatory agencies, and residual market administrators. This partnership is as strong as ever, and NCCI remains committed to working with all parties in continuing to provide an effective and efficient residual market, responsive to the needs of employers and labor, with a self-funded objective.

Sincerely,



Clifford G. Merritt

Senior Division Executive—Residual Markets, NCCI

Where NCCI Provides Residual Market Services

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

State	WCIP	NWCPR	Other Services	Comments
AK	x	x		
AL	x	x		
AR	x	x		
AZ	x	x		
CT	x	x		
DC	x	x		
DE		x	x	The Delaware Compensation Rating Bureau contracts with NCCI to provide certain Plan Administration services.
GA	x	x		
IA	x	x		
ID	x	x		
IL	x	x		
IN			x	The Indiana Compensation Rating Bureau contracts with NCCI to provide certain Plan Administration services.
KS	x	x		
MA			x	NCCI provides financial, actuarial, and related services for the Massachusetts Workers' Compensation Assigned Risk Pool.
ME			x	NCCI provides limited financial services for the Maine Workers Compensation Residual Market Pool.
MI			x	NCCI provides financial, servicing carrier selection, carrier oversight, and actuarial services for the Michigan Workers' Compensation Placement Facility.
MO			x	NCCI is the appointed Reinsurance Administrator for the Aggregate Excess of Loss Reinsurance Mechanism.
MS	x			
NC		x	x	The North Carolina Rating Bureau contracts with NCCI to provide certain Plan Administration services.
NH	x	x		
NJ		x	x	NCCI provides certain Plan Administration services to the New Jersey Compensation Rating & Inspection Bureau.
NM			x	The New Mexico Workers' Compensation Assigned Risk Pool contracts with NCCI to provide Plan and Pool Administration services.
NV	x	x		
OR	x	x		
SC	x	x		
SD	x	x		
TN	x	x	x	NCCI's WCIP is applicable to residual market policies effective on or after July 1, 2015, with reinsurance provided through the NWCPR. NCCI is also the contracted Reinsurance Administrator for the TRM, which provides reinsurance for the runoff of former TWCIP 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 2020:

- Number of applications received = 88,460
- Number of applications bound = 59,762
- Percentage of applications submitted online = 99.9%
- Average processing time for online applications = 3.1 days
- Average processing time for mail-in applications = 3.9 days
- Other:
 - 130,280 calls were fielded; calls decreased by 12% from the prior year
 - No producer workshops were held in 2020 due to the COVID-19 pandemic

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.

2021 Residual Market Forum

Our **Residual Market Forum (RMF) 2021**, presented for the first time in a virtual format due to COVID-19 public health concerns, attracted 122 participants—carriers, regulators, independent bureaus, state funds, agents, and others. **RMF** provides relevant industry information for workers compensation carriers that are interested in becoming assigned carriers. Attendees also benefit from updates on key issues affecting the residual market.

Presentations included a live introduction by Eddie Herrera, Director of Plan Administration—Residual Markets; an annual overview of residual market operating results,

statistics, and other highlights regarding the state of the residual market from Cliff Merritt, Senior Division Executive—Residual Markets; and an update on **NCCI's Atlas Initiative** from Melissa Palmer, Executive Director—Regulatory Projects and Tara Mercer, Information Solutions Consultant. The session concluded with a live Q&A and attendees provided feedback through a survey following the event.

Check out **RMF 2021**—the virtual event is now available on demand on ncci.com.

Voluntary Coverage Assistance Program

NCCI's Voluntary Coverage Assistance Program, **VCAP® Service**, applies to 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.

Results for 2020 include the following:

- **VCAP® Service** redirected more than \$19.8 million in premium from the residual market to the voluntary market
- An approximate savings of \$2,165,098 on 4,727 confirmed policies—or \$458 per employer—was achieved, equaling an 11% savings per policy to the employer

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

Filings and Manuals

Rule 4 of NCCI's **Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)** contains critical residual market rules, including:

- 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 2020, NCCI worked on several filings that will impact the residual market including:

- Revisions to NCCI’s manual rules related to the COVID-19 (coronavirus) pandemic, effective March 1, 2020
- Revisions to the **Basic Manual**, including Reformatting, the Preface, and Appendix G, effective April 1, 2020
- Revisions to NCCI manual rules for the Exclusion of COVID-19 Claims From Experience Rating and Merit Rating, effective August 16, 2020
- Revision and withdrawal of endorsements in NCCI’s **Forms Manual of Workers Compensation and Employers Liability Insurance** as a result of the enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2019, effective January 1, 2021
- Introduction of NCCI’s new **Residual Market Manual for Workers Compensation and Employers Liability Insurance (Residual Market Manual)** for each state where NCCI serves as Plan Administrator. The new **Residual Market Manual** contains content that was previously included in Rule 4 of the **Basic Manual**, written in a modern style with no substantive changes that would result in premium impact. This new **Residual Market Manual** is part of a multiyear initiative and is being filed for regulatory approval in NCCI Plan-administered states, with a proposed effective date of November 1, 2021.

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					
	2018		2019		2020	
	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)	Policies	Credit Amount (\$)
Alabama	195	1,847,187	179	1,406,419	170	1,201,524
Alaska	1,505	9,759,493	1,288	8,750,881	1,186	6,436,385
Arizona	2,652	19,606,588	2,729	18,176,844	2,416	13,814,998
Arkansas	1,289	7,637,752	1,235	6,268,518	1,051	5,378,187
Connecticut	1,406	8,847,082	1,271	7,314,824	1,099	5,322,433
District of Columbia	389	2,023,226	340	2,574,067	276	1,294,976
Georgia	1,470	19,908,086	1,552	20,715,914	1,542	15,353,291
Illinois	3,849	28,899,970	3,796	24,361,897	3,639	20,087,453
Iowa	1,033	6,581,830	947	4,859,805	827	3,807,416
Kansas	1,596	6,801,341	1,291	6,146,003	1,881	7,706,922
Mississippi	636	5,698,839	606	5,304,400	619	3,751,777
New Hampshire	921	4,580,117	1,151	5,266,494	1,122	3,206,705
New Mexico	551	3,522,910	534	3,247,818	457	2,413,883
Oregon	3,227	18,435,764	3,489	18,020,144	3,346	13,871,605
South Carolina	1,068	7,605,498	1,166	6,545,585	1,135	4,388,677
South Dakota	760	5,968,407	791	5,019,840	669	4,868,374
Tennessee	1,877	13,376,006	1,833	9,799,228	1,714	7,845,904
Vermont	719	4,020,433	810	4,088,380	762	3,088,635
Virginia	1,828	12,317,183	1,695	10,095,729	1,558	7,574,019
West Virginia	711	5,820,994	537	3,200,157	294	1,886,635
Totals	27,682	193,258,706	27,240	171,162,947	25,763	133,299,799

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 participating state.

In 2020, more than \$133 million in credits were earned for policies removed from the residual market and placed in the voluntary market. This represents a 22% decrease in credits earned and a 5.4% decrease in the number of qualifying policies over the previous year. These credits were derived from 25,763 policies and \$107 million in qualifying premium.

TOC Program rules and criteria are included in NCCI's *Basic Manual* and its successor, *Residual Market Manual*. 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 2020, 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 2020 allocations based on Calendar Year 2020 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 then, 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 Reporting

In October 2020, NCCI released the **Pool Financial Data Collection (PFDC)** tool. The new tool replaced **Pool Data Online (PDO)**. Features of the new tool include:

- Action-oriented dashboard that displays a summary view of your expected and submitted data
- Centralized access to all quarterly Pool-related data including edits, data by data type, attachments, and adjustments
- Rewritten and reformatted edits with improved descriptions

- The ability to upload detailed spreadsheets and attach the signed transmittal directly into the tool

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

Servicing carriers for the NCCI-serviced reinsurance pooling mechanisms use the new **Pool Financial Data Collection** tool at **ncci.com** to electronically report residual market data such as:

- NP-1 Transmittal Letter
- Financial Summary (NP-4) data
- Expanded Financial (NPX) data
- Large Loss Claims (LGL) data
- Supplemental detail reports including NP-2, NP-3, NP-5, and NP-6
- The **Pool Financial Data Collection** tool allows users to search, validate, import, create, view, modify, and delete Pool data prior to each quarter's reporting due date
- Targeted webinars (demos) are available in the Learning Center on the Pool Data page at **ncci.com** to assist users with navigating the tool

Pool Data Reporting Guidebook

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

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

Premium Collection Services Update

During 2020, NCCI, on behalf of the NWCRA board of directors, extended the current premium collection service agreements of the four approved collection agencies for the NWCRA reinsurance pooling mechanism. The current agreements now extend through December 31, 2023. These contracted collection agencies are:

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

For contact information for these collection agencies—and copies of the applicable contracts—servicing carriers should contact Crissy Parmer at 561-893-3347 or crissy_parmer@ncci.com.

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 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 following 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) 2020 ultimate written premium for all reinsurance pooling mechanisms serviced by NCCI is projected to be \$790 million, representing a 9% decrease in premium volume from the projected level of \$866 million for PY 2019.

After several years of relative consistency, premium volume has gradually decreased between 2015 and 2020 at an average of 7.2% year over year.

The declining premium trend continues with PY 2020, which represented a slightly smaller decrease of 9% in premium volume compared to a 12% premium volume decrease in PY 2019.

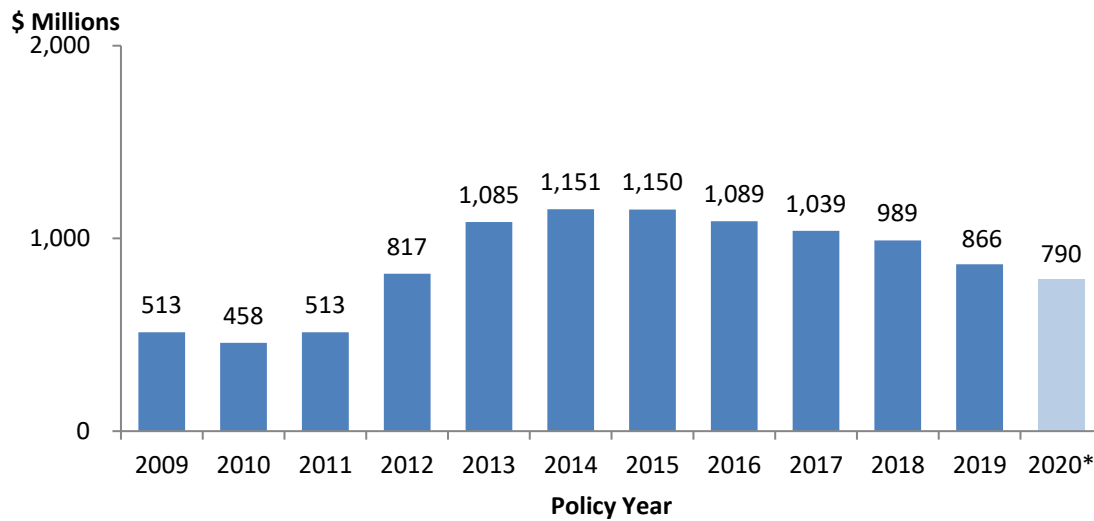
These premium volumes and year-over-year changes include the effect of new policies, renewals, cancellations, nonrenewals, and premium-level changes. Estimates of “true growth” in residual market premium volume, which consider various economic factors and market conditions, are discussed separately in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

NCCI is preliminarily projecting a residual market operating loss of \$47 million for PY 2020 (see Exhibit B) activity reinsured through these reinsurance pooling mechanisms. This is equivalent to a combined ratio of 106% (see Exhibit C). As reflected in Exhibit D, the residual market share of the total market direct written premium decreased slightly to 5.3% for Calendar Year (CY) 2020, down from 5.4% for CY 2019 and 5.7% for CY 2018—for states in which NCCI is both Plan and Pool Administrator.

Exhibit A

Written Premium[#]

All Pools Serviced by NCCI, as of December 31, 2020



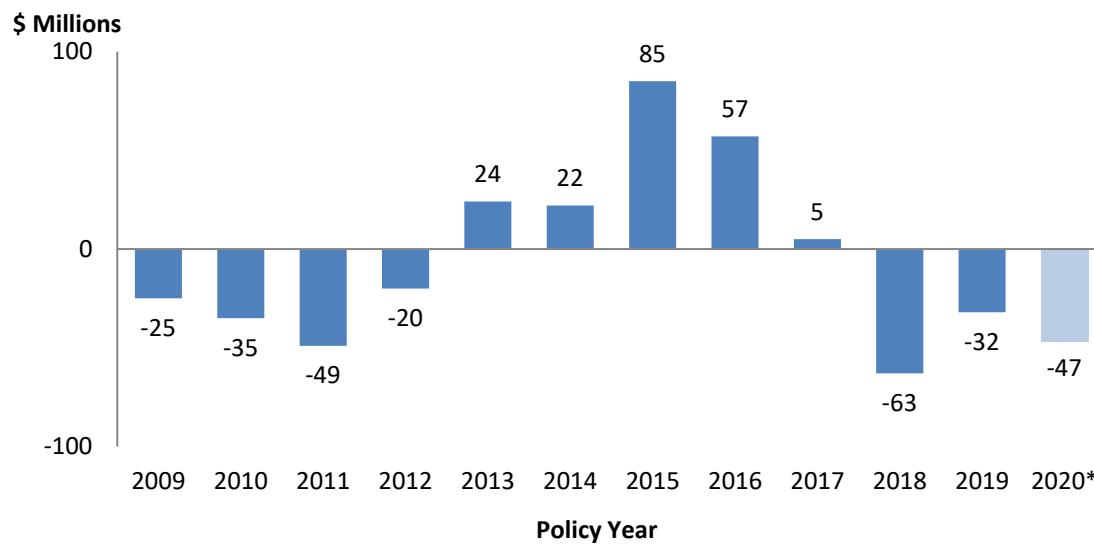
Projected to Ultimate; Tennessee Reinsurance Mechanism premium is not included.

** Incomplete Policy Year*

Exhibit B

Operating Gain/Loss[#]

All Pools Serviced by NCCI, as of December 31, 2020



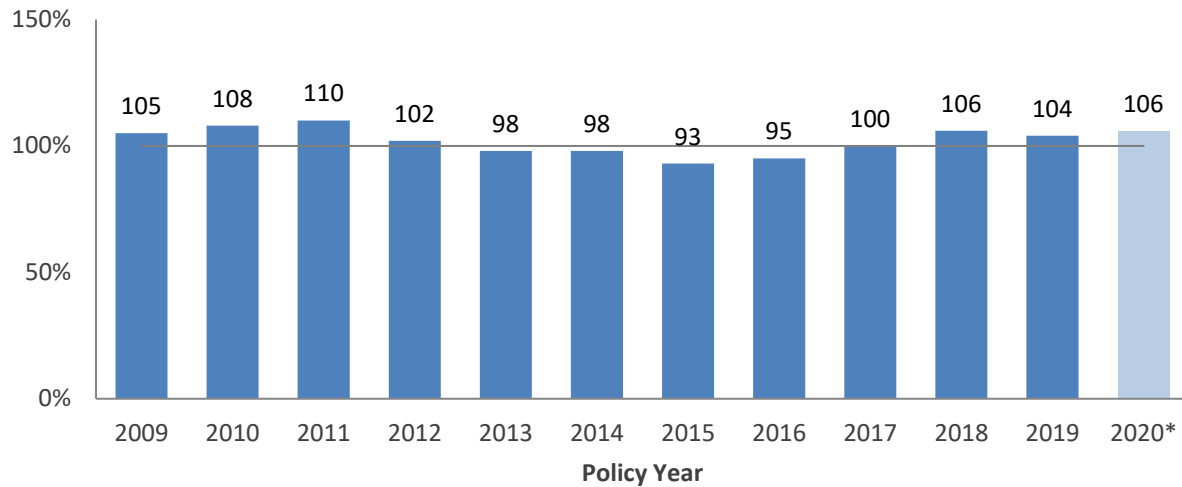
Projected to Ultimate; Tennessee Reinsurance Mechanism experience is not included in the operating results.

** Incomplete Policy Year*

Exhibit C

Combined Ratio[#]

All Pools Serviced by NCCI, as of December 31, 2020



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

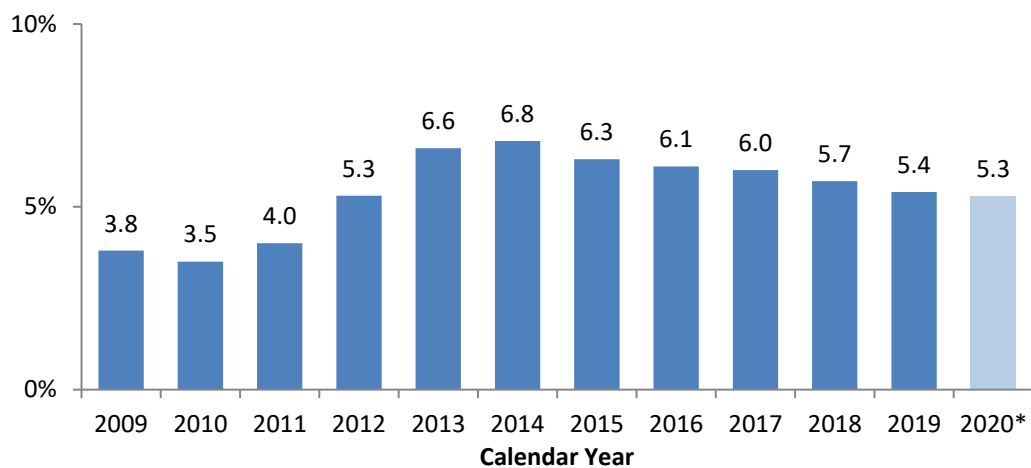
* Incomplete Policy Year

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, 2020, 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. **Note:** The 2020 Self-Audit was cancelled due to COVID-19.

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

The aggregate ratings for the two National Pool servicing carriers’ on-site audits conducted in 2020 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.

There are three outstanding quantifications and one completed quantification as of December 31, 2020, resulting in \$90,316 in financial adjustments. Outstanding quantification amounts are not reflected in the summary. 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.

No National Pool carriers were assessed for either Tier One or Tier Two remediation in 2020. Remediation penalties are captured in the year they are billed. 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		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
0	4	4	4	4	5	4	4	4	4	4	4	5
1	1	1	1	1	0	1	1	0	1	1	0	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
2020 On-Site Audit Aggregate Ratings				
Reporting Requirements and Procedures	N/A	2	0	0
Underwriting, Premium Audit, and Loss Prevention Performance Standards	1	1	0	0
Claims Performance Standards	1	1	0	0

Exhibit G

On-Site Audit Financial Quantifications—National Pool

Year	Financial Adjustment Pool/(Carrier) (\$)
2017	60,109
2018	280,096
2019	(80,549)
2020	90,316
Total	349,972

Exhibit H

Tier One Remediation Penalties—National Pool

	2020	2019	2018
On-Site Audit			
Number of Carriers	0	1	3
Amount	\$0	\$2,000	\$90,200
Self-Audit			
Number of Carriers	0	2	0
Amount	\$0	\$29,500	\$0
Total	\$0	\$31,500	\$90,200

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 2020 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 2020

Comparative financial analyses and operating results for all pools serviced by NCCI are shown in Exhibits I through L. The 2020 calendar year results for the reinsurance pools administered by NCCI reflect a net operating gain for the National Workers' Compensation Reinsurance Pool, the Massachusetts Workers' Compensation Assigned Risk Pool, the Michigan Workers' Compensation Placement Facility, and the New Mexico Workers' Compensation Assigned Risk Pool (see Exhibits M through P).

The combined net operating gain for all pools managed by NCCI was approximately \$304 million in Calendar Year 2020, compared with the net operating gain of \$143 million in Calendar Year 2019.

- The National Pool results reflect an operating gain of \$262 million compared with an operating gain of \$129 million in the prior year (Exhibit M)
- The Massachusetts Pool results reflect an operating gain of \$13 million compared with a loss of \$13 million in the prior year (Exhibit N)
- The Michigan Pool results reflect an operating gain of \$26 million compared with a gain of \$27 million in the prior year (Exhibit O)
- The New Mexico Pool results reflect an operating gain of \$3 million compared with a loss of \$209,000 in the prior year (Exhibit P)

Comparative Calendar Years Financial Analysis

Exhibit I

All Pools Serviced by NCCI—Calendar Years 2020 and 2019 (\$000s)

	Calendar Year 2020 Quarterly Results				Calendar Year	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	2020 (\$)	2019 (\$)
Premiums Written	208,827	189,846	227,123	170,157	795,953	871,986
Premiums Earned	207,489	195,629	230,151	184,279	817,548	909,083
Incurred Losses	80,970	102,895	(19,339)	79,836	244,362	470,639
Loss Ratio (%)	39.0	52.6	(8.4)	43.3	29.9	51.8
Paid Losses	165,349	147,392	149,599	153,547	615,887	704,308
ALAE for Black Lung	704	802	732	861	3,099	2,960
Servicing Carrier Allowance	54,402	49,057	56,808	38,486	198,753	212,248
Producer Fees	7,745	7,447	7,867	6,798	29,857	34,385
Administrative Expenses	3,147	3,487	3,445	3,437	13,516	13,439
Other Expenses	6,692	5,413	6,069	9,119	27,293	36,096
Net Underwriting Gain (Loss)	54,533	27,329	175,301	46,603	303,766	142,276
Investment Income	30	1	0	0	31	229
Net Operating Gain (Loss)	54,563	27,330	175,301	46,603	303,797	142,505
EBNR Premium Reserves	(37,325)	(37,280)	(27,804)	(24,461)	(24,461)	(25,086)
Loss Ratio With EBNR (%)	41.5	52.6	(8.1)	42.6	29.9	52.0
Unearned Premiums	287,011	281,228	278,200	264,077	264,077	285,673
Outstanding Losses	2,938,099	2,895,952	2,860,797	2,817,005	2,817,005	2,960,158
IBNR	1,966,895	1,964,544	1,830,762	1,800,843	1,800,843	2,029,215
Cash Flow	(28,477)	(22,950)	3,335	(41,231)	(89,323)	(128,261)
Uncollectible Premiums	36,992	24,655	10,904	46,303	118,854	120,593

Exhibit J

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 K

Comparative Policy Years Financial Analysis

All Pools Serviced by NCCI—Policy Years 2020 and 2019 (\$000s)

	Policy Year 2020 Quarterly Results				As of December 31, 2020	
	First (\$)	Second (\$)	Third (\$)	Fourth (\$)	PY 2020 (\$)	PY 2019 (\$)
Premiums Written	149,905	173,926	203,310	192,558	719,699	889,742
Premiums Earned	34,854	87,098	145,411	188,258	455,621	889,742
Incurred Losses	26,911	67,018	107,316	140,993	342,238	634,812
Loss Ratio (%)	77.2	76.9	73.8	74.9	75.1	71.3
Paid Losses	700	4,843	16,620	28,813	50,976	211,722
Net Expenses	44,965	51,624	56,421	54,530	207,540	257,970
Net Operating Gain (Loss)	(37,022)	(31,544)	(18,326)	(7,264)	(94,156)	(3,041)
EBNR Premium Reserves	0	0	0	0	0	(24,461)
Loss Ratio With EBNR (%)	77.2	76.9	73.8	74.9	75.1	73.4
Unearned Premiums	115,050	201,878	259,778	264,077	264,077	0
Outstanding Losses	6,208	24,406	57,718	107,109	107,109	201,781
IBNR	20,002	63,979	121,363	184,152	184,152	221,309
Cash Flow	104,239	117,459	130,270	109,215	461,183	420,048
Uncollectible Premiums	0	0	51	919	970	55,409

Exhibit L

Combined Calendar Years Operating Results

All Pools Serviced by NCCI—Calendar Years 2011–2020 (\$000s)

Calendar Year	Written Premium (%)	Increase (Decrease) Previous Year (%)	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
2020	795,953	(8.7)	817,548	244,362	29.9	303,797
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)

Individual Pools Calendar Year Operating Results

Quarterly Comparison for Calendar Year 2020; Annual Comparison for Calendar Years 2020 and 2019
(\$000s)

Exhibit M

National Workers' Compensation Reinsurance Pooling Mechanism

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2020	165,963	59,158	35.6	48,063
2nd Quarter 2020	153,420	82,605	53.8	19,276
3rd Quarter 2020	190,028	(28,935)	(15.2)	158,199
4th Quarter 2020	144,734	62,911	43.5	36,754
Calendar Year 2020	654,145	175,739	26.9	262,292
Calendar Year 2019	725,563	358,022	49.3	129,307

* Includes Inactive Pools Merged With National Pool Effective January 1, 1997.

Exhibit N

Massachusetts Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2020	26,306	20,313	77.2	(2,006)
2nd Quarter 2020	25,614	16,421	64.1	685
3rd Quarter 2020	25,404	6,294	24.8	10,667
4th Quarter 2020	24,762	13,267	53.6	3,888
Calendar Year 2020	102,086	56,295	55.1	13,234
Calendar Year 2019	113,677	90,854	79.9	(13,461)

Exhibit O

Michigan Workers' Compensation Placement Facility

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2020	12,982	788	6.1	8,095
2nd Quarter 2020	14,743	3,260	22.1	7,028
3rd Quarter 2020	12,908	3,358	26.0	5,466
4th Quarter 2020	12,939	3,677	28.4	4,969
Calendar Year 2020	53,572	11,083	20.7	25,558
Calendar Year 2019	59,993	16,448	27.4	26,866

Exhibit P

New Mexico Workers' Compensation Assigned Risk Pool

	Earned Premium (\$)	Incurred Losses (\$)	Loss Ratio (%)	Net Operating Gain/(Loss) (\$)
1st Quarter 2020	2,238	711	31.8	411
2nd Quarter 2020	1,852	610	32.9	341
3rd Quarter 2020	1,811	(56)	(3.1)	968
4th Quarter 2020	1,843	(20)	(1.1)	992
Calendar Year 2020	7,744	1,245	16.1	2,712
Calendar Year 2019	9,848	5,314	54.0	(209)

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 2019 to Policy Year 2020. This amount differs from the pool premium volume decrease of 9% shown in Exhibit A due to the adjustments described above. The depopulation that began in Policy Year 2016 has continued in Policy Year 2020. It is difficult to determine whether the recent decline in pool premium is attributable to COVID-19 and the subsequent economic events or to the continuation of the underwriting cycle. However, due to the industry-sector distribution, risks insured through the pooling mechanism may not be as heavily impacted by recent events.

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 2020 combined ratio estimate for "All Pools Serviced by NCCI" is 106%, which is slightly higher than the current estimate of

Policy Year 2019 (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 2020, 2019, and 2018

The operating expenses for Calendar Year (CY) 2020 were \$269 million compared with \$296 million in CY 2019 and \$333 million in CY 2018. As a percentage of premiums written, the expenses were 34%, 34%, and 32% for CYs 2020, 2019, and 2018, respectively. The largest component of the operating expenses is the servicing carrier allowance, which accounted for approximately 74% of these expenses in CY 2020.

The servicing carrier allowance in 2020 was \$199 million compared with \$212 million in 2019 and \$252 million in 2018. This decrease is primarily due to a 9% decrease in written premiums in 2020.

Producer fees for CYs 2020, 2019, and 2018 were \$30 million, \$34 million, and \$40 million, respectively.

Other expenses, which include servicing carrier indemnification expenses, collection costs, and other reimbursable expenses, decreased to \$27 million compared with \$36 million in 2019 and \$28 million in 2018. The reduction in other expenses for CY 2020 is due to a decrease in taxes and assessments that were reimbursed directly to servicing carriers.

Administrative expenses were \$14 million for CY 2020 and \$13 million each for CYs 2019 and 2018.

Comparison of Residual Market Written Premium to Total Direct Written Premium

Reinsurance Pools Serviced by NCCI

Calendar Years 2020 and 2019

Preliminary 2020						Final 2019				
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	355,728,738	7,500,231	3,996,878	11,497,109	3.2	361,665,527	8,495,816	3,862,913	12,358,729	3.4
AK	196,813,031	23,817,251	1,112,829	24,930,080	12.7	225,833,790	30,870,758	1,204,215	32,074,973	14.2
AZ	799,658,638	37,129,036	—	37,129,036	4.6	849,587,737	38,563,886	—	38,563,886	4.5
AR	241,568,354	21,746,694	—	21,746,694	9.0	239,079,006	21,205,076	—	21,205,076	8.9
CT	686,362,022	17,917,073	12,983,602	30,900,675	4.5	737,331,203	19,291,124	14,869,062	34,160,186	4.6
DC	164,567,588	4,536,209	—	4,536,209	2.8	192,041,721	6,608,207	—	6,608,207	3.4
GA	1,635,349,635	111,019,632	23,865,399	134,885,031	8.2	1,681,121,080	112,878,321	17,262,959	130,141,280	7.7
ID	434,950,038	6,581,316	—	6,581,316	1.5	436,849,399	4,683,330	—	4,683,330	1.1
IL	2,214,144,808	79,908,096	—	79,908,096	3.6	2,383,917,767	86,061,497	—	86,061,497	3.6
IA	622,343,411	21,273,560	3,951,194	25,224,754	4.1	643,879,042	21,149,152	3,670,741	24,819,893	3.9
KS	375,483,644	21,282,445	—	21,282,445	5.7	389,841,134	24,582,956	—	24,582,956	6.3
NV	407,806,116	23,285,915	—	23,285,915	5.7	425,384,817	30,160,902	—	30,160,902	7.1
NH	201,334,504	11,911,910	2,212,279	14,124,189	7.0	216,893,956	12,514,267	2,542,742	15,057,009	6.9
NM	248,755,399	8,290,966	—	8,290,966	3.3	291,633,901	10,888,943	—	10,888,943	3.7
OR	638,363,854	22,746,322	—	22,746,322	3.6	684,153,831	28,575,930	—	28,575,930	4.2
SC	778,563,795	43,920,810	9,902,025	53,822,835	6.9	806,840,918	33,609,644	9,708,218	43,317,862	5.4
SD	157,448,236	5,542,657	—	5,542,657	3.5	167,172,226	5,659,890	—	5,659,890	3.4
TN	722,034,248	38,621,473	11,668,751	50,290,224	7.0	767,688,673	44,147,924	12,534,509	56,682,433	7.4
VT	167,682,741	12,467,584	1,847,344	14,314,928	8.5	185,437,639	12,466,613	2,202,789	14,669,402	7.9
VA	1,013,790,071	35,365,162	18,627,544	53,992,706	5.3	1,088,829,534	42,522,764	23,069,610	65,592,374	6.0
WV	220,688,709	9,896,454	—	9,896,454	4.5	269,007,621	12,110,745	—	12,110,745	4.5
Sub Totals¹	12,283,437,580	564,760,797	90,167,845	654,928,642	5.3	13,044,190,522	607,047,746	90,927,758	697,975,504	5.4
DE	202,765,608	10,737,867	4,264,734	15,002,601	7.4	210,437,346	11,530,870	4,730,628	16,261,498	7.7
MA	1,220,183,790	99,302,986	119,262,355	218,565,341	17.9	1,278,259,779	109,805,378	132,275,990	242,081,368	18.9
MI	949,313,742	54,662,565	—	54,662,565	5.8	1,043,563,631	58,483,395	—	58,483,395	5.6
NJ	2,181,236,596	115,912,147	54,543,405	170,455,552	7.8	2,436,668,810	136,142,666	71,227,374	207,370,040	8.5
NC	1,298,116,022	55,313,754	17,609,793	72,923,547	5.6	1,396,160,780	60,917,212	21,107,230	82,024,442	5.9
Grand Totals	18,135,053,338	900,690,116	285,848,132	1,186,538,248	6.5	19,409,280,868	983,927,268	320,268,980	1,304,196,248	6.7

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

Residual Market Share

Reinsurance Pools Serviced by NCCI

Residual Market Written Premium as a Percentage of Total Direct Written Premium
Calendar Years 2016–2020

State	2020 ¹ (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)
Alabama	3.2	3.4	3.3	3.0	2.7
Alaska	12.7	14.2	15.1	16.1	15.5
Arizona	4.6	4.5	5.3	5.1	6.1
Arkansas	9.0	8.9	10.6	9.6	9.8
Connecticut	4.5	4.6	5.4	5.6	5.9
District of Columbia	2.8	3.4	4.6	3.9	5.3
Georgia	8.2	7.7	6.7	6.0	6.3
Idaho	1.5	1.1	1.1	0.6	1.0
Illinois	3.6	3.6	4.0	4.5	4.3
Iowa	4.1	3.9	4.1	4.6	4.7
Kansas	5.7	6.3	7.8	8.6	8.2
Nevada	5.7	7.1	7.0	7.6	7.5
New Hampshire	7.0	6.9	7.6	7.8	8.9
New Mexico	3.3	3.7	3.4	4.0	5.2
Oregon	3.6	4.2	5.8	6.1	6.3
South Carolina	6.9	5.4	5.5	6.8	6.4
South Dakota	3.5	3.4	4.0	4.8	5.6
Tennessee	7.0	7.4	8.0	8.7	8.4
Vermont	8.5	7.9	9.5	10.3	11.2
Virginia	5.3	6.0	6.5	7.1	6.7
West Virginia	4.5	4.5	3.7	6.4	5.2
Subtotals²	5.3	5.4	5.7	6.0	6.1
Delaware	7.4	7.7	8.3	10.4	11.2
Massachusetts	17.9	18.9	20.8	22.1	22.4
Michigan	5.8	5.6	5.7	5.3	5.8
New Jersey	7.8	8.5	9.2	10.0	11.2
North Carolina	5.6	5.9	6.3	5.4	5.5
Grand Totals	6.5	6.7	7.2	7.5	7.7

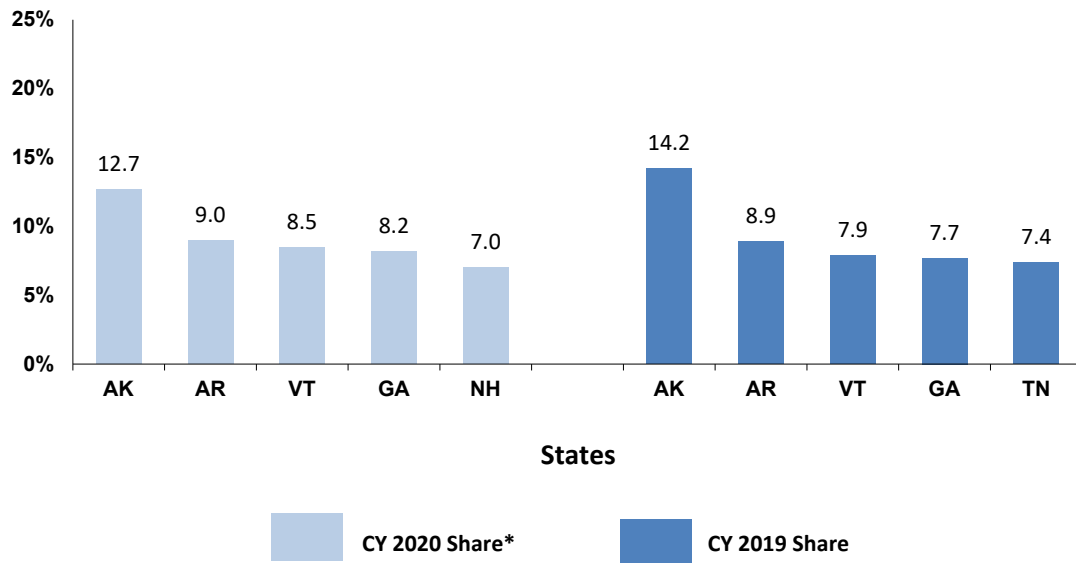
¹ 2020 Preliminary.

² Subtotals in this chart represent the market shares for NCCI Plan-administered states.

NCCI Plan-Administered States With Highest Residual Market Share

Calendar Years 2020 and 2019

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

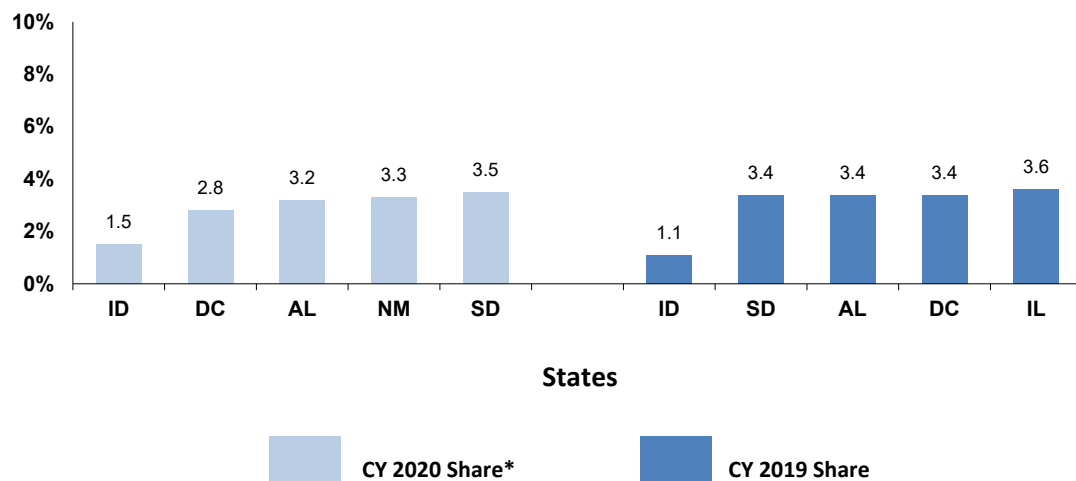


* Preliminary

NCCI Plan-Administered States With Lowest Residual Market Share

Calendar Years 2020 and 2019

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 2018–2020 (excluding results for states in which only federal or extraordinary coverage is reinsured)

State	Net Underwriting Gain/(Loss) by Calendar Year		
	2020 (\$)	2019 (\$)	2018 (\$)
Alabama	15,839,832	10,764,066	4,641,640
Alaska	16,167,288	14,153,738	8,566,045
Arizona	14,901,673	15,905,251	19,209,673
Arkansas	5,708,758	(4,682,996)	299,241
Connecticut	7,891,063	2,031,109	15,605,687
Delaware	9,375,675	13,994,755	3,453,273
District of Columbia	955,418	(519,468)	2,121,637
Georgia	(19,441,436)	(31,172,356)	(25,002,513)
Idaho	1,132,412	21,331	(2,431,824)
Illinois	35,938,336	13,005,901	19,564,371
Iowa	15,355,004	9,594,583	3,157,675
Kansas	9,807,423	(1,030,762)	9,853,739
Massachusetts	20,732,982	(19,833,055)	16,332,685
Michigan	25,826,721	27,300,431	12,205,137
Nevada	9,823,398	13,103,697	3,642,298
New Hampshire	13,327,230	10,479,167	9,455,890
New Jersey	29,675,821	28,055,145	5,424,072
New Mexico	2,710,001	(221,715)	38,730
North Carolina	9,590,354	4,503,950	13,352,046
Oregon	11,169,502	4,716,425	(9,958,202)
South Carolina ¹	8,122,395	1,807,555	(378,683)
South Dakota	5,960,043	3,493,878	3,741,886
Tennessee ²	20,134,147	14,814,979	11,875,430
Vermont	1,842,184	3,425,284	7,170,881
Virginia	13,597,967	(534,870)	(1,929,020)
West Virginia	3,668,841	2,540,031	306,137
Subtotals	289,813,032	135,716,056	130,317,929
Runoff States:			
Florida ³	4,754,135	3,321,243	2,041,004
Hawaii ⁴	1,156,711	(110,198)	222,768
Indiana ⁵	1,005,076	(1,414,759)	(20,771)
Kentucky ⁶	1,678,949	(686,288)	(2,097,122)
Louisiana ⁷	325,933	1,713,293	1,188,904
Maine ⁸	(1,887,537)	127,696	1,207,654
Mississippi ⁸	2,040,328	1,217,797	(1,380,602)
Missouri ⁹	2,048,900	1,749,095	358,836
Nebraska ¹⁰	749,651	281,426	261,977
Rhode Island ⁸	503,243	301,726	2,370,023
Totals	302,188,421	142,217,086	134,470,601

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 2020 and 2019*

State	2020 Policies	2019 Policies	Number Change	Percent Change (%)
Alabama	1,691	1,703	(12)	(0.7)
Alaska	6,617	7,193	(576)	(8.0)
Arizona	5,588	5,991	(403)	(6.7)
Arkansas	6,304	6,704	(400)	(6.0)
Connecticut	12,497	13,208	(711)	(5.4)
District of Columbia	812	979	(167)	(17.1)
Georgia	23,102	24,438	(1,336)	(5.5)
Idaho	2,489	1,837	652	35.5
Illinois	29,198	30,952	(1,754)	(5.7)
Iowa	3,913	4,000	(87)	(2.2)
Kansas	5,901	7,817	(1,916)	(24.5)
Mississippi	2,138	2,355	(217)	(9.2)
Nevada	4,230	4,981	(751)	(15.1)
New Hampshire	3,812	3,832	(20)	(0.5)
New Mexico	1,389	1,736	(347)	(20.0)
Oregon	6,698	7,484	(786)	(10.5)
South Carolina	12,659	13,223	(564)	(4.3)
South Dakota	981	1,028	(47)	(4.6)
Tennessee	11,617	13,018	(1,401)	(10.8)
Vermont	2,934	3,044	(110)	(3.6)
Virginia	14,798	15,662	(864)	(5.5)
West Virginia	1,881	2,010	(129)	(6.4)
Subtotal	161,249	173,195	(11,946)	(6.9)
Other Pool States				
Delaware	1,912	2,060	(148)	(7.2)
Indiana	9,221	9,688	(467)	(4.8)
New Jersey	53,090	49,556	3,534	7.1
North Carolina	25,827	27,095	(1,268)	(4.7)
Subtotal	90,050	88,399	1,651	1.9
Grand Totals	251,299	261,594	(10,295)	(3.9)

*2019 figures have been restated to account for additional data available since the publication of *Residual Market Management Summary 2019*.

Exhibit U

Residual Market Premium Size Profile

Policy Year 2020*

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	193,388	77.0	201,188,782	23.9	1,040
2,500– 4,999	26,503	10.5	93,998,063	11.2	3,547
5,000– 9,999	16,991	6.8	118,649,023	14.1	6,983
10,000– 19,999	8,587	3.4	118,298,418	14.0	13,776
20,000– 49,999	4,257	1.7	128,452,282	15.3	30,174
50,000– 99,999	1,048	0.4	71,633,910	8.5	68,353
100,000–199,999	390	0.2	52,324,493	6.2	134,165
200,000+	135	0.1	57,514,786	6.8	426,035
Totals	251,299	100.0	842,059,757	100.0	3,351

*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 2020

Total Plan policy and estimated annual 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 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,142	67.5	1,545,580	19.3	1,353
2,500– 4,999	221	13.1	785,707	9.8	3,555
5,000– 9,999	166	9.8	1,161,722	14.5	6,998
10,000– 19,999	100	5.9	1,428,239	17.9	14,282
20,000– 49,999	43	2.5	1,254,916	15.7	29,184
50,000– 99,999	15	0.9	1,109,909	13.9	73,994
100,000–199,999	3	0.2	471,095	5.9	157,032
200,000+	1	0.1	232,025	2.9	232,025
Totals	1,691	100.0	7,989,193	100.0	4,725

Alaska Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,708	71.2	3,739,114	16.8	794
2,500– 4,999	904	13.7	3,201,071	14.4	3,541
5,000– 9,999	543	8.2	3,781,169	17.0	6,963
10,000– 19,999	296	4.5	4,090,932	18.4	13,821
20,000– 49,999	123	1.9	3,649,628	16.4	29,672
50,000– 99,999	32	0.5	2,125,747	9.6	66,430
100,000–199,999	10	0.2	1,405,801	6.3	140,580
200,000+	1	0.0	209,120	0.9	209,120
Totals	6,617	100.0	22,202,582	100.0	3,355

Arizona Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	3,124	55.9	3,681,987	10.8	1,179
2,500– 4,999	983	17.6	3,490,962	10.3	3,551
5,000– 9,999	739	13.2	5,193,136	15.3	7,027
10,000– 19,999	414	7.4	5,754,618	16.9	13,900
20,000– 49,999	242	4.3	7,553,590	22.2	31,213
50,000– 99,999	57	1.0	3,980,119	11.7	69,827
100,000–199,999	25	0.4	3,371,323	9.9	134,853
200,000+	4	0.1	987,751	2.9	246,938
Totals	5,588	100.0	34,013,486	100.0	6,087

Premium Size Profiles by State (Cont'd)

Arkansas Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,491	71.2	4,969,098	23.7	1,106
2,500– 4,999	924	14.7	3,278,309	15.6	3,548
5,000– 9,999	515	8.2	3,579,653	17.0	6,951
10,000– 19,999	236	3.7	3,185,750	15.2	13,499
20,000– 49,999	107	1.7	3,154,380	15.0	29,480
50,000– 99,999	21	0.3	1,367,864	6.5	65,136
100,000–199,999	9	0.1	1,159,539	5.5	128,838
200,000+	1	0.0	315,197	1.5	315,197
Totals	6,304	100.0	21,009,790	100.0	3,333

Connecticut Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,560	84.5	13,233,282	38.0	1,253
2,500– 4,999	884	7.1	3,132,776	9.0	3,544
5,000– 9,999	558	4.5	3,881,607	11.2	6,956
10,000– 19,999	283	2.3	3,873,449	11.1	13,687
20,000– 49,999	150	1.2	4,463,313	12.8	29,755
50,000– 99,999	38	0.3	2,616,806	7.5	68,863
100,000–199,999	20	0.2	2,536,291	7.3	126,815
200,000+	4	0.0	1,061,460	3.1	265,365
Totals	12,497	100.0	34,798,984	100.0	2,785

Delaware Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	954	49.9	1,272,994	10.5	1,334
2,500– 4,999	416	21.8	1,470,926	12.1	3,536
5,000– 9,999	293	15.3	1,984,098	16.3	6,772
10,000– 19,999	139	7.3	1,905,895	15.7	13,711
20,000– 49,999	80	4.2	2,415,879	19.8	30,198
50,000– 99,999	24	1.3	1,725,304	14.2	71,888
100,000–199,999	3	0.2	411,896	3.4	137,299
200,000+	3	0.2	988,983	8.1	329,661
Totals	1,912	100.0	12,175,975	100.0	6,368

District of Columbia Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	577	71.1	545,371	14.3	945
2,500– 4,999	92	11.3	319,187	8.4	3,469
5,000– 9,999	60	7.4	437,899	11.5	7,298
10,000– 19,999	36	4.4	497,736	13.1	13,826
20,000– 49,999	40	4.9	1,251,304	32.8	31,283
50,000– 99,999	4	0.5	309,731	8.1	77,433
100,000–199,999	2	0.2	247,082	6.5	123,541
200,000+	1	0.1	203,615	5.3	203,615
Totals	812	100.0	3,811,925	100.0	4,694

Premium Size Profiles by State (Cont'd)

Georgia Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	19,092	82.6	25,859,625	32.3	1,354
2,500– 4,999	1,837	8.0	6,389,496	8.0	3,478
5,000– 9,999	1,142	4.9	8,060,609	10.1	7,058
10,000– 19,999	631	2.7	8,651,499	10.8	13,711
20,000– 49,999	282	1.2	8,561,991	10.7	30,362
50,000– 99,999	66	0.3	4,561,191	5.7	69,109
100,000–199,999	31	0.1	4,259,696	5.3	137,410
200,000+	21	0.1	13,661,565	17.1	650,551
Totals	23,102	100.0	80,005,672	100.0	3,463

Idaho Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,180	87.6	893,901	19.4	410
2,500– 4,999	119	4.8	433,790	9.4	3,645
5,000– 9,999	100	4.0	712,773	15.5	7,128
10,000– 19,999	50	2.0	708,982	15.4	14,180
20,000– 49,999	31	1.2	889,923	19.3	28,707
50,000– 99,999	4	0.2	223,830	4.9	55,958
100,000–199,999	4	0.2	525,577	11.4	131,394
200,000+	1	0.0	216,787	4.7	216,787
Totals	2,489	100.0	4,605,563	100.0	1,850

Illinois Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	25,056	85.8	33,630,542	41.8	1,342
2,500– 4,999	1,901	6.5	6,780,607	8.4	3,567
5,000– 9,999	1,143	3.9	8,023,304	10.0	7,020
10,000– 19,999	652	2.2	9,115,239	11.3	13,980
20,000– 49,999	321	1.1	9,484,150	11.8	29,546
50,000– 99,999	77	0.3	5,170,976	6.4	67,156
100,000–199,999	41	0.1	5,575,052	6.9	135,977
200,000+	7	0.0	2,725,271	3.4	389,324
Totals	29,198	100.0	80,505,141	100.0	2,757

Indiana Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	6,175	67.0	7,144,167	17.8	1,157
2,500– 4,999	1,413	15.3	4,928,552	12.3	3,488
5,000– 9,999	829	9.0	5,744,790	14.3	6,930
10,000– 19,999	444	4.8	6,118,020	15.2	13,779
20,000– 49,999	271	2.9	8,269,772	20.6	30,516
50,000– 99,999	62	0.7	4,196,672	10.4	67,688
100,000–199,999	25	0.3	3,339,435	8.3	133,577
200,000+	2	0.0	479,679	1.2	239,840
Totals	9,221	100.0	40,221,087	100.0	4,362

Premium Size Profiles by State (Cont'd)

Iowa Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,233	57.1	2,301,203	9.4	1,031
2,500– 4,999	702	17.9	2,506,777	10.3	3,571
5,000– 9,999	480	12.3	3,352,135	13.8	6,984
10,000– 19,999	268	6.8	3,716,453	15.2	13,867
20,000– 49,999	151	3.9	4,663,050	19.1	30,881
50,000– 99,999	55	1.4	3,625,644	14.9	65,921
100,000–199,999	17	0.4	2,100,332	8.6	123,549
200,000+	7	0.2	2,109,087	8.7	301,298
Totals	3,913	100.0	24,374,681	100.0	6,229

Kansas Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	4,255	72.1	4,307,039	22.4	1,012
2,500– 4,999	914	15.5	3,167,189	16.5	3,465
5,000– 9,999	430	7.3	2,948,490	15.3	6,857
10,000– 19,999	187	3.2	2,545,841	13.2	13,614
20,000– 49,999	73	1.2	2,221,725	11.6	30,435
50,000– 99,999	30	0.5	1,977,346	10.3	65,912
100,000–199,999	9	0.2	1,348,328	7.0	149,814
200,000+	3	0.1	704,521	3.7	234,840
Totals	5,901	100.0	19,220,479	100.0	3,257

Mississippi Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,311	61.3	1,698,473	15.0	1,296
2,500– 4,999	364	17.0	1,305,854	11.5	3,588
5,000– 9,999	250	11.7	1,703,505	15.0	6,814
10,000– 19,999	120	5.6	1,632,273	14.4	13,602
20,000– 49,999	65	3.0	1,955,265	17.3	30,081
50,000– 99,999	18	0.8	1,339,281	11.8	74,405
100,000–199,999	7	0.3	886,207	7.8	126,601
200,000+	3	0.1	807,043	7.1	269,014
Totals	2,138	100.0	11,327,901	100.0	5,298

Nevada Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,676	63.3	2,872,728	14.0	1,074
2,500– 4,999	660	15.6	2,339,779	11.4	3,545
5,000– 9,999	471	11.1	3,323,203	16.2	7,056
10,000– 19,999	267	6.3	3,661,556	17.8	13,714
20,000– 49,999	120	2.8	3,484,919	17.0	29,041
50,000– 99,999	17	0.4	1,176,252	5.7	69,191
100,000–199,999	15	0.4	2,026,642	9.9	135,109
200,000+	4	0.1	1,659,060	8.1	414,765
Totals	4,230	100.0	20,544,139	100.0	4,857

Premium Size Profiles by State (Cont'd)

New Hampshire Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	2,683	70.4	2,787,961	19.6	1,039
2,500– 4,999	474	12.4	1,696,553	11.9	3,579
5,000– 9,999	364	9.5	2,496,872	17.5	6,860
10,000– 19,999	190	5.0	2,665,116	18.7	14,027
20,000– 49,999	78	2.0	2,443,590	17.1	31,328
50,000– 99,999	17	0.4	1,158,977	8.1	68,175
100,000–199,999	4	0.1	520,542	3.7	130,136
200,000+	2	0.1	480,495	3.4	240,248
Totals	3,812	100.0	14,250,106	100.0	3,738

New Jersey Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	43,248	81.5	21,033,901	13.6	486
2,500– 4,999	3,784	7.1	13,673,355	8.9	3,613
5,000– 9,999	3,192	6.0	22,619,322	14.7	7,086
10,000– 19,999	1,643	3.1	22,616,088	14.7	13,765
20,000– 49,999	874	1.6	26,605,788	17.3	30,441
50,000– 99,999	226	0.4	15,574,018	10.1	68,912
100,000–199,999	79	0.1	10,570,668	6.9	133,806
200,000+	44	0.1	21,470,153	13.9	487,958
Totals	53,090	100.0	154,163,293	100.0	2,904

New Mexico Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,079	77.7	1,197,925	20.6	1,110
2,500– 4,999	120	8.6	421,912	7.2	3,516
5,000– 9,999	75	5.4	535,774	9.2	7,144
10,000– 19,999	62	4.5	875,681	15.0	14,124
20,000– 49,999	38	2.7	1,238,354	21.3	32,588
50,000– 99,999	11	0.8	818,331	14.1	74,394
100,000–199,999	3	0.2	511,274	8.8	170,425
200,000+	1	0.1	221,880	3.8	221,880
Totals	1,389	100.0	5,821,131	100.0	4,191

North Carolina Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	20,363	78.8	26,895,063	40.1	1,321
2,500– 4,999	3,092	12.0	10,836,473	16.1	3,505
5,000– 9,999	1,571	6.1	10,780,694	16.1	6,862
10,000– 19,999	540	2.1	7,254,341	10.8	13,434
20,000– 49,999	208	0.8	6,134,354	9.1	29,492
50,000– 99,999	38	0.1	2,605,276	3.9	68,560
100,000–199,999	10	0.0	1,304,872	1.9	130,487
200,000+	5	0.0	1,328,072	2.0	265,614
Totals	25,827	100.0	67,139,145	100.0	2,600

Premium Size Profiles by State (Cont'd)

Oregon Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	5,156	77.0	3,519,058	15.2	683
2,500– 4,999	683	10.2	2,466,135	10.6	3,611
5,000– 9,999	399	6.0	2,755,477	11.9	6,906
10,000– 19,999	240	3.6	3,339,505	14.4	13,915
20,000– 49,999	149	2.2	4,528,642	19.5	30,394
50,000– 99,999	50	0.7	3,477,582	15.0	69,552
100,000–199,999	19	0.3	2,600,414	11.2	136,864
200,000+	2	0.0	493,151	2.1	246,576
Totals	6,698	100.0	23,179,964	100.0	3,461

South Carolina Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,689	84.4	14,386,770	42.3	1,346
2,500– 4,999	972	7.7	3,416,938	10.1	3,515
5,000– 9,999	585	4.6	4,037,679	11.9	6,902
10,000– 19,999	250	2.0	3,500,198	10.3	14,001
20,000– 49,999	114	0.9	3,476,717	10.2	30,498
50,000– 99,999	34	0.3	2,255,122	6.6	66,327
100,000–199,999	11	0.1	1,286,749	3.8	116,977
200,000+	4	0.0	1,611,455	4.7	402,864
Totals	12,659	100.0	33,971,628	100.0	2,684

South Dakota Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	519	52.9	699,918	12.2	1,349
2,500– 4,999	212	21.6	778,066	13.5	3,670
5,000– 9,999	132	13.5	939,696	16.4	7,119
10,000– 19,999	69	7.0	987,317	17.2	14,309
20,000– 49,999	34	3.5	1,002,933	17.5	29,498
50,000– 99,999	11	1.1	710,072	12.4	64,552
100,000–199,999	4	0.4	629,027	10.9	157,257
200,000+	0	0.0	0	0.0	0
Totals	981	100.0	5,747,029	100.0	5,858

Tennessee Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	7,772	66.9	8,096,759	17.9	1,042
2,500– 4,999	1,820	15.7	6,466,684	14.3	3,553
5,000– 9,999	1,124	9.7	7,771,956	17.2	6,915
10,000– 19,999	568	4.9	7,814,927	17.3	13,759
20,000– 49,999	258	2.2	7,515,214	16.6	29,129
50,000– 99,999	51	0.4	3,506,466	7.8	68,754
100,000–199,999	19	0.2	2,590,191	5.7	136,326
200,000+	5	0.0	1,444,742	3.2	288,948
Totals	11,617	100.0	45,206,939	100.0	3,891

Premium Size Profiles by State (Cont'd)

Vermont Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,890	64.4	2,188,382	14.5	1,158
2,500– 4,999	406	13.8	1,437,548	9.5	3,541
5,000– 9,999	289	9.9	2,038,477	13.5	7,054
10,000– 19,999	205	7.0	2,841,508	18.8	13,861
20,000– 49,999	110	3.7	3,365,407	22.3	30,595
50,000– 99,999	27	0.9	1,753,857	11.6	64,958
100,000–199,999	5	0.2	664,837	4.4	132,967
200,000+	2	0.1	804,322	5.3	402,161
Totals	2,934	100.0	15,094,338	100.0	5,145

Virginia Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	10,332	69.8	11,345,008	22.3	1,098
2,500– 4,999	2,206	14.9	7,862,677	15.5	3,564
5,000– 9,999	1,348	9.1	9,457,802	18.6	7,016
10,000– 19,999	603	4.1	8,184,609	16.1	13,573
20,000– 49,999	239	1.6	7,110,013	14.0	29,749
50,000– 99,999	53	0.4	3,614,087	7.1	68,190
100,000–199,999	12	0.1	1,615,065	3.2	134,589
200,000+	5	0.0	1,634,006	3.2	326,801
Totals	14,798	100.0	50,823,267	100.0	3,434

West Virginia Premium Size Profile—Policy Year 2020

Premium Size (\$)	Policy Count	Total Percent of Policies (%)	Estimated Annual Premium (\$)	Total Percent of Premium (%)	Average Premium (\$)
0– 2,499	1,123	59.7	1,342,933	13.6	1,196
2,500– 4,999	400	21.3	1,410,740	14.3	3,527
5,000– 9,999	193	10.3	1,327,181	13.5	6,877
10,000– 19,999	94	5.0	1,332,646	13.5	14,177
20,000– 49,999	56	3.0	1,757,465	17.8	31,383
50,000– 99,999	10	0.5	653,450	6.6	65,345
100,000–199,999	3	0.2	366,558	3.7	122,186
200,000+	2	0.1	1,665,346	16.9	832,673
Totals	1,881	100.0	9,856,319	100.0	5,240

Exhibit V

Classifications With Largest Premium Volume

Policy Year 2020*

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

Classification Code	Premium Amount (\$)	Classification Description
5645	\$64,397,625	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories In Height
5551	\$41,862,912	Roofing—All Kinds & Drivers
7219	\$25,191,232	Trucking NOC—All Employees & Drivers
5474	\$20,179,788	Painting NOC & Shop Operations, Drivers
5437	\$18,249,102	Carpentry—Installation of Cabinet Work or Interior Trim
5445	\$12,707,571	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers
9014	\$12,528,444	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
0106	\$11,905,647	Tree Pruning, Spraying, Repairing—All Operations & Drivers
5022	\$9,038,994	Masonry NOC
5403	\$8,976,420	Carpentry NOC

NOC = Not Otherwise Classified

*Estimated Annual Premium totals include servicing and direct assignment carriers for those states where NCCI provides Plan Administration services.

Exhibit W

Classifications With Largest Policy Count

Policy Year 2020*

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

Classification Code	Policy Count	Classification Description
5645	20,356	Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height
5437	10,403	Carpentry—Installation of Cabinet Work or Interior Trim
5474	9,364	Painting NOC & Shop Operations, Drivers
5551	8,606	Roofing—All Kinds & Drivers
7219	8,147	Trucking NOC—All Employees & Drivers
5445	4,500	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation—Within Buildings & Drivers
9014	4,247	Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers
5022	3,726	Masonry NOC
5190	2,819	Electrical Wiring—Within Buildings & Drivers
8810	2,706	Clerical Office Employees NOC

NOC = Not Otherwise Classified

*Policy count totals include servicing and direct assignment carriers for those states where NCCI provides Plan Administration services.

Hazard Group Distribution

Policy Year 2020

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 2020				Assigned Risk Plan 2020			
	Policy Count	Total Percent (%)	Estimated Annual Premium (\$)	Total Percent (%)	Policy Count	Total Percent (%)	Estimated Annual Premium (\$)	Total Percent (%)
A	107,036	8.7	539,421,036	3.6	2,004	1.2	6,283,549	1.0
B	194,684	15.9	2,291,191,321	15.4	8,422	4.9	43,051,386	6.5
C	405,798	33.2	4,005,193,105	26.9	27,325	16.0	105,844,189	16.0
D	150,030	12.3	1,807,599,510	12.1	11,030	6.5	48,919,348	7.4
E	209,453	17.1	2,703,155,778	18.1	40,202	23.6	128,803,278	19.5
F	144,879	11.8	2,980,814,472	20.0	67,877	39.8	247,702,049	37.5
G	12,125	1.0	551,790,191	3.7	13,611	8.0	80,718,802	12.2
Not Classified	80	0.0	22,056,059	0.1	3	0.0	10,263	0.0

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

Projected Ultimate Policy Year Results by State

Policy Years 2016–2020 (based on data reported to NCCI through December 31, 2020)

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 2020 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 used 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 2020 (Projected to Ultimate) (\$000s)

Alabama

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	6,234	81.0	5,049	(636)
2019	6,341	59.5	3,773	673
2018	7,528	66.0	4,968	141
2017	7,243	61.8	4,476	510
2016	7,376	31.9	2,353	2,501

Alaska

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	22,118	70.7	15,637	(1,823)
2019	25,986	55.5	14,422	1,757
2018	34,341	34.5	11,848	9,155
2017	37,164	70.7	26,275	(3,646)
2016	38,609	48.9	18,880	5,015

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

Arizona

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	35,931	75.7	27,200	(1,674)
2019	37,364	70.7	26,416	497
2018	40,011	55.9	22,366	6,170
2017	44,237	47.8	21,145	10,369
2016	48,711	40.9	19,923	12,441

Arkansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	20,510	65.6	13,454	626
2019	21,684	72.7	15,764	(978)
2018	23,001	93.5	21,506	(5,962)
2017	25,296	51.8	13,103	4,270
2016	23,893	35.9	8,578	7,345

Connecticut

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	18,014	75.7	13,637	(1,041)
2019	18,411	95.9	17,656	(4,866)
2018	23,518	67.1	15,781	(176)
2017	25,902	49.8	12,899	4,362
2016	26,496	45.9	12,162	6,094

Delaware

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	10,231	60.6	6,200	464
2019	10,689	57.5	6,146	945
2018	13,440	52.8	7,096	1,859
2017	15,228	52.8	8,040	2,097
2016	16,133	33.9	5,469	5,526

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) (\$)
2020	4,097	50.5	2,069	604
2019	5,503	106.0	5,833	(2,562)
2018	7,542	72.1	5,437	(616)
2017	8,032	39.8	3,197	2,304
2016	8,056	39.9	3,214	2,229

Georgia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	59,275	92.9	55,066	(17,219)
2019	57,510	90.9	52,276	(16,126)
2018	81,497	119.9	97,715	(56,747)
2017	63,406	85.7	54,339	(22,053)
2016	60,069	115.7	69,499	(41,153)

Idaho

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	5,825	65.6	3,821	(269)
2019	5,077	60.6	3,076	97
2018	3,518	147.3	5,183	(3,201)
2017	3,111	40.8	1,269	438
2016	2,766	58.9	1,629	(47)

Illinois

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	73,786	75.7	55,856	(2,937)
2019	78,738	75.7	59,604	(2,464)
2018	85,414	74.2	63,377	(5,586)
2017	96,224	71.7	68,993	(2,204)
2016	110,151	56.9	62,676	12,623

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

Iowa

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	22,186	75.7	16,795	(794)
2019	21,541	70.7	15,229	485
2018	22,402	54.9	12,299	3,795
2017	25,603	57.8	14,798	3,508
2016	31,701	36.9	11,698	11,102

Kansas

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	20,464	65.6	13,424	334
2019	23,989	65.6	15,737	209
2018	28,700	97.5	27,982	(8,590)
2017	32,964	69.7	22,976	(293)
2016	35,860	66.8	23,954	907

Massachusetts

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	99,321	71.0	70,518	(6,813)
2019	105,234	67.0	70,507	(1,452)
2018	120,498	71.0	85,553	(6,290)
2017	121,132	75.0	90,849	(10,975)
2016	121,772	68.0	82,805	(1,778)

Michigan

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	53,401	84.0	44,856	(8,015)
2019	57,139	66.0	37,712	2,566
2018	59,422	60.0	35,653	6,198
2017	60,155	61.0	36,694	5,661
2016	67,315	48.0	32,311	14,069

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

Nevada

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	22,889	55.5	12,703	3,182
2019	28,630	45.4	12,998	7,160
2018	28,193	42.7	12,039	8,083
2017	27,113	49.8	13,502	5,919
2016	27,746	57.9	16,065	3,724

New Hampshire

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	11,798	100.9	11,904	(4,515)
2019	12,161	74.7	9,084	(1,491)
2018	14,667	49.8	7,304	1,917
2017	16,073	55.8	8,969	1,220
2016	18,714	41.9	7,841	4,203

New Jersey

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	99,837	75.7	75,576	(6,539)
2019	119,243	75.7	90,267	(4,448)
2018	141,667	84.3	119,425	(21,463)
2017	161,101	68.7	110,676	2,239
2016	170,251	74.8	127,348	(7,542)

New Mexico

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	6,817	55.0	3,749	(239)
2019	9,041	70.0	6,329	(1,401)
2018	9,340	55.0	5,137	(299)
2017	9,438	48.0	4,530	247
2016	11,341	44.0	4,990	965

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

North Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	48,578	60.6	29,438	5,586
2019	51,127	80.8	41,310	(5,736)
2018	54,355	81.3	44,190	(7,218)
2017	54,458	61.8	33,655	3,229
2016	52,856	90.8	47,993	(11,834)

Oregon

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	24,000	75.7	18,168	(2,590)
2019	28,000	75.7	21,196	(2,747)
2018	36,959	63.0	23,284	1,231
2017	43,070	109.6	47,205	(17,857)
2016	42,600	52.9	22,536	6,151

South Carolina

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	27,616	73.7	20,353	(884)
2019	32,063	70.7	22,669	491
2018	29,639	52.8	15,649	2,691
2017	27,504	76.7	21,095	(4,087)
2016	28,353	63.8	18,089	(1,823)

South Dakota

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	5,460	68.6	3,746	143
2019	5,455	68.7	3,748	271
2018	6,709	57.9	3,885	955
2017	8,715	74.7	6,510	(905)
2016	9,648	36.9	3,560	2,675

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

Tennessee

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	35,860	65.6	23,524	1,201
2019	41,267	80.8	33,344	(5,497)
2018	49,399	57.9	28,602	5,365
2017	50,773	45.8	23,254	11,602
2016	53,340	43.9	23,416	12,562

Vermont

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	12,489	85.8	10,716	(1,670)
2019	12,225	72.7	8,887	(46)
2018	12,707	46.7	5,934	3,131
2017	14,069	42.8	6,022	4,173
2016	15,344	53.9	8,270	2,836

Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	34,067	75.9	25,857	(303)
2019	40,561	66.8	27,094	3,691
2018	42,642	70.7	30,148	1,023
2017	45,362	65.0	29,485	3,629
2016	45,102	68.7	30,985	2,656

West Virginia

Policy Year	Written Premium (\$)	Booked Loss Ratio (%)	Incurred Losses (\$)	Net Operating Gain/(Loss) (\$)
2020	9,202	82.8	7,620	(1,287)
2019	10,574	74.8	7,909	(537)
2018	12,075	53.5	6,460	1,872
2017	15,774	65.8	10,379	1,196
2016	14,632	35.9	5,253	5,253

Available Residual Market Programs

As of June 1, 2021

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 ¹	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 ²	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 Connecticut—Premium discounts are only available for risks with standard premium > \$10,000.

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

2021 Assigned Carriers

As of January 1, 2021

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											
American Zurich Insurance Co.		D			D		D	D	D					D	D					D		D	D	D	
AmFed National Insurance Co.													S												
AmGUARD Insurance Co. (Berkshire Hathaway GUARD Companies)	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
National Fire Insurance Co. of Hartford					D																				
New Jersey Casualty Insurance Co.																D									
New Mexico Mutual Casualty Co.																		S							
Pennsylvania Manufacturers' Association Insurance Co. (PMA Companies)	S						S	S																	
SAIF Corporation																			S						
St. Paul Protective Insurance Co.																S									
Technology Insurance Co.			S	S		S		S	S	S	S				S	S					S			S	
Travelers Property Casualty Co. of America	S	S	S	S	D	S	S	S	S	S		S		S	S			S	S	S		S	D	S	S
	A K	A L	A R	A Z	C T	D C	D E	G A	I A	I D	I L	K S	M S	N C	N H	N J	N M	N V	O R	S C	S D	T N	V A	V T	W V

Glossary of Residual Market Terms

Any-Exposure Theory—Applicable to multistate policies, this theory attributes the policy and related state premium to each state on the policy. For example, a policy providing coverage in SC, GA, and AL with state premiums of \$25,000, \$52,000, and \$11,000, respectively, would be counted as an SC policy with \$25,000 in premium, as a GA policy with \$52,000 in premium, and as an AL policy with \$11,000 in premium.

Assigned Carrier—The insurer assigned to provide coverage to an eligible employer that has applied for workers compensation insurance under a state’s assigned risk 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.

Notes:

Notes:



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