



# Alaska Residual Market State Activity Report

Third Quarter 2018



## Executive Summary

NCCI, as Pool and Plan Administrator of the Alaska Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2018 *Alaska Residual Market State Activity Report*.

Readers will notice that the order of our charts and tables has been reorganized, based on customer feedback. This will provide a more streamlined picture of the key measurement factors and issues relating to the operation of the Alaska Plan. Residual Market demographics contained in this report include:

## Table of Contents

Residual Market Demographics	
Residual Market Total Policies and Premium in Force .....	1
Alaska Residual Market Reinsurance Pool Booked Loss Ratio.....	2
Alaska Residual Market Reinsurance Pool Ultimate Net Written Premium.....	2
Alaska Residual Market Reinsurance Pool Net Operating Results.....	3
Collections/Indemnification.....	4
Voluntary Coverage Assistance Program.....	5
Total Applications Bound.....	6
Total Application Premium Bound.....	6
Residual Market Total Policy Counts .....	7
Residual Market Total Premium Volume.....	7
Total Premium Distribution by Size of Risk.....	8
Residual Market Top 10 Classification Codes by Policy Count .....	9
Residual Market Top 10 Classification Codes by Premium Volume .....	9
Glossary of Terms.....	10

If you have any questions or comments about this report, please feel free to contact the individual listed below.

Sally Laub, Plan Administration

561-893-1174

© Copyright 2018 National Council on Compensation Insurance, Inc. This material is owned by NCCI and is protected by copyright law. NCCI will seek all appropriate legal remedies for the unauthorized use, sale, reproduction, distribution, preparation of derivative works, transfer or assignment of this material, or any part thereof. NCCI makes no representation or warranty, express or implied, as to any matter whatsoever, including but not limited to the accuracy of any information, product, or service furnished hereunder. The recipient of this material is subject to any license agreement that governs the use of this information and subscribes to and utilizes the information "as is."



## Residual Market Demographics

### Residual Market Total Policies and Premium in Force

#### As of September 30, 2018—compared to prior year

Total number of Assigned Risk Plan policies and estimated premium volume in force reported as of the date listed above. The other exhibits in this report describe quarterly and year-to-date data.

	2018	2017	2018 vs. 2017 #	2018 vs. 2017 %
<b>Policy Count</b>	7,076	7,480	-404	-5.4%
<b>Premium Volume</b>	30,184,934	\$33,776,757	\$-3,581,823	-10.6%

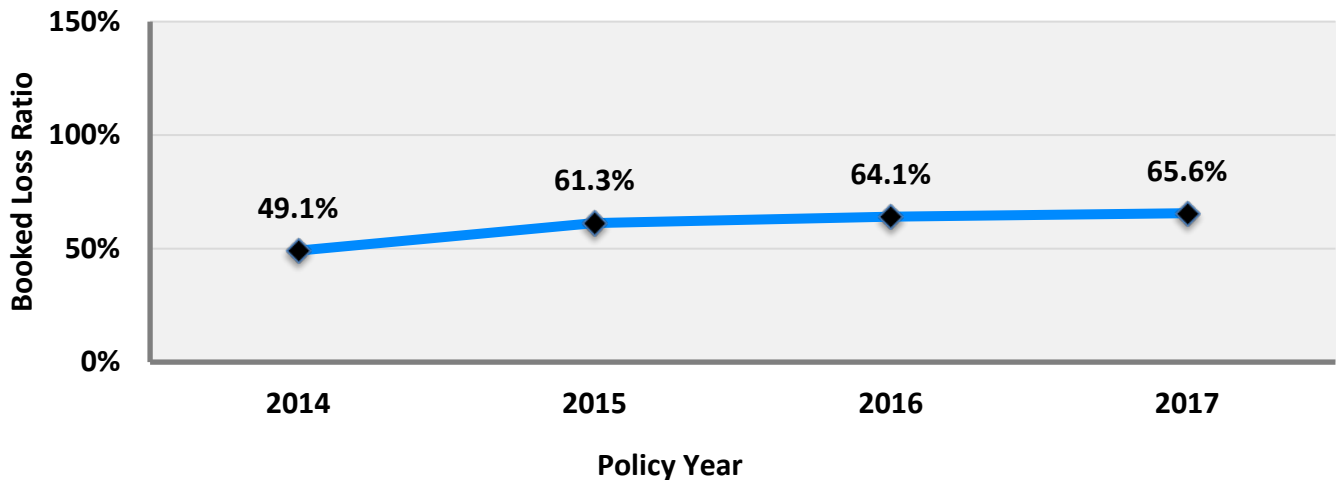


## Residual Market Demographics

### Alaska Residual Market Reinsurance Pool Booked Loss Ratio

#### Policy Year Financial Results through 2nd Quarter 2018 for 2017 and prior years\*

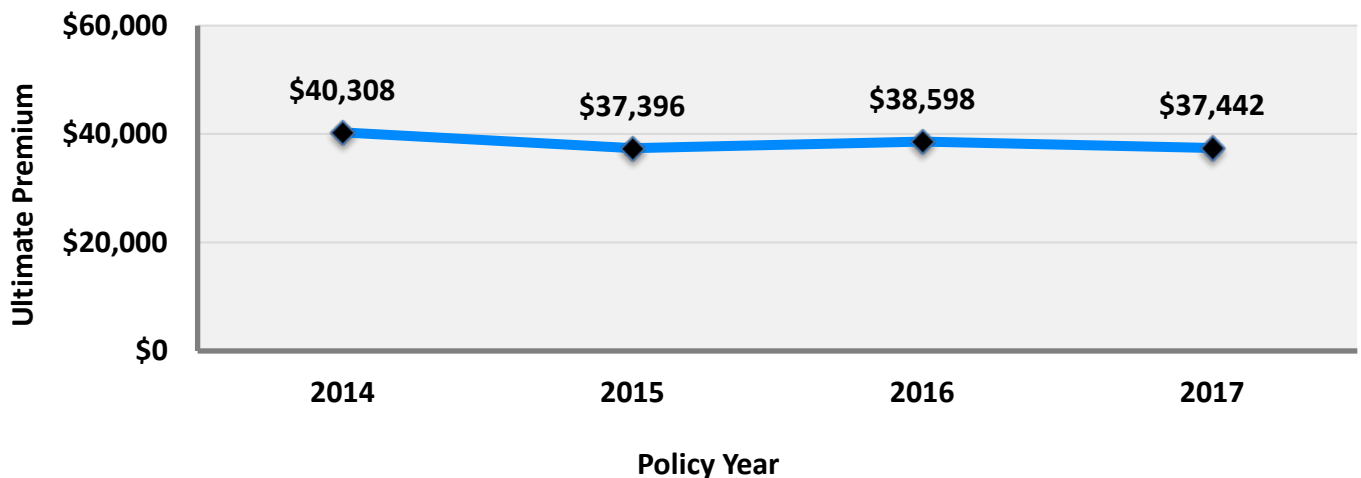
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



### Alaska Residual Market Reinsurance Pool Ultimate Net Written Premium (Projected to Ultimate) (000's)

#### Policy Year Financial Results through 2nd Quarter 2018 for 2017 and prior years\*

The premium charged by an insurance company for the period of time and coverage provided by an insurance contract in this state.



\* Third Quarter 2018 data will be available the end of January 2019 due to the timing of data reporting

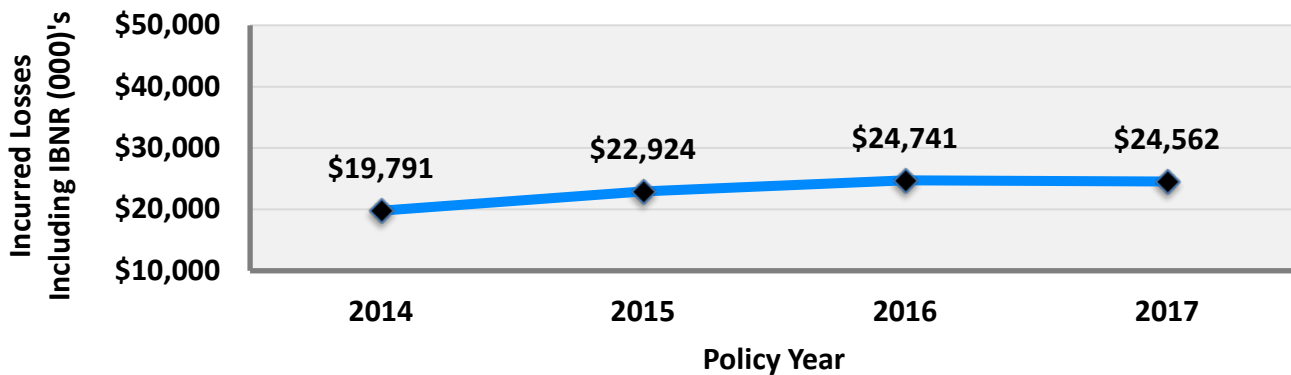


## Residual Market Demographics

### Alaska Residual Market Reinsurance Pool Net Operating Results (Projected to Ultimate) Incurred Losses

#### Policy Year Financial Results through 2nd Quarter 2018 for 2017 and prior years\*

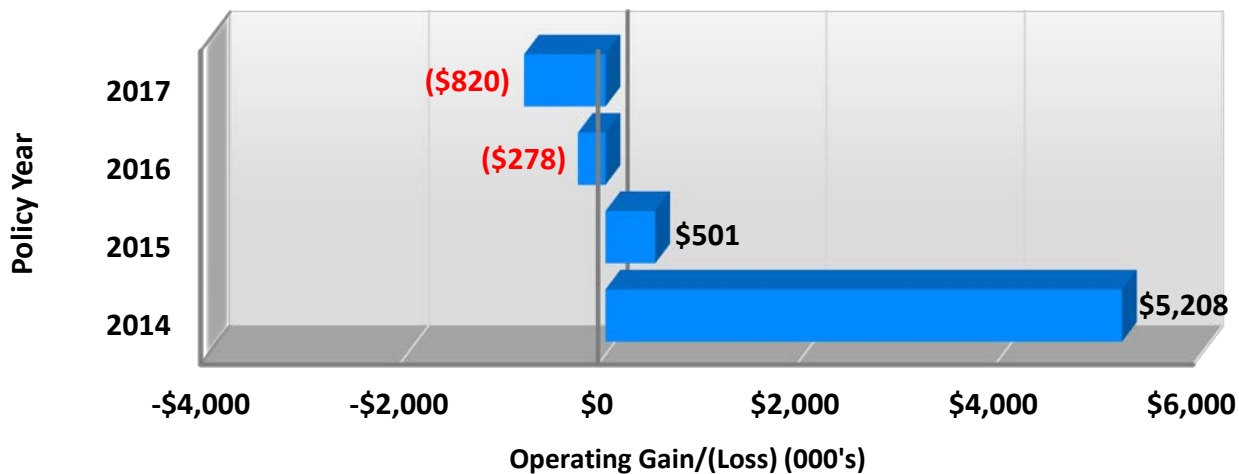
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



### Alaska Residual Market Reinsurance Pool Net Operating Results (Projected to Ultimate) Estimated Net Operating Gain/(Loss) (000's)

#### Policy Year Financial Results through 2nd Quarter 2018 for 2017 and prior years\*

The financial statement presentation that reflects the excess of earned premium over incurred losses, less all operating expenses, plus all investment income in that state.



\* Third Quarter 2018 data will be available the end of January 2019 due to the timing of data reporting



## Residual Market Demographics

### Collections/Indemnification

The following shows a comparison of gross written premium and uncollectible premium reported in Alaska for Policy Years 2014-2018, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2018.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2014	\$40,687,587	\$379,440	0.9%
2015	\$37,792,918	\$396,710	1.0%
2016	\$39,188,270	\$482,344	1.2%
2017	\$38,254,666	*	N/A
2018	\$16,903,714	*	N/A

\* The uncollectible premiums provided are reported by the servicing carriers on a quarterly basis. Uncollectible premium is generally reported up to 24 months after the policy expiration date due to audit, billing, and collection requirements. Therefore, the uncollectible premium data has not yet developed for the more recent policy years.



## Residual Market Demographics

### Voluntary Coverage Assistance Program

#### Third Quarter Data through September 30, 2018

The volume of assigned risk applications redirected to the voluntary market through NCCI's **VCAP<sup>®</sup> Service**. The following shows the results **VCAP<sup>®</sup> Service** has provided during Third Quarter 2018.

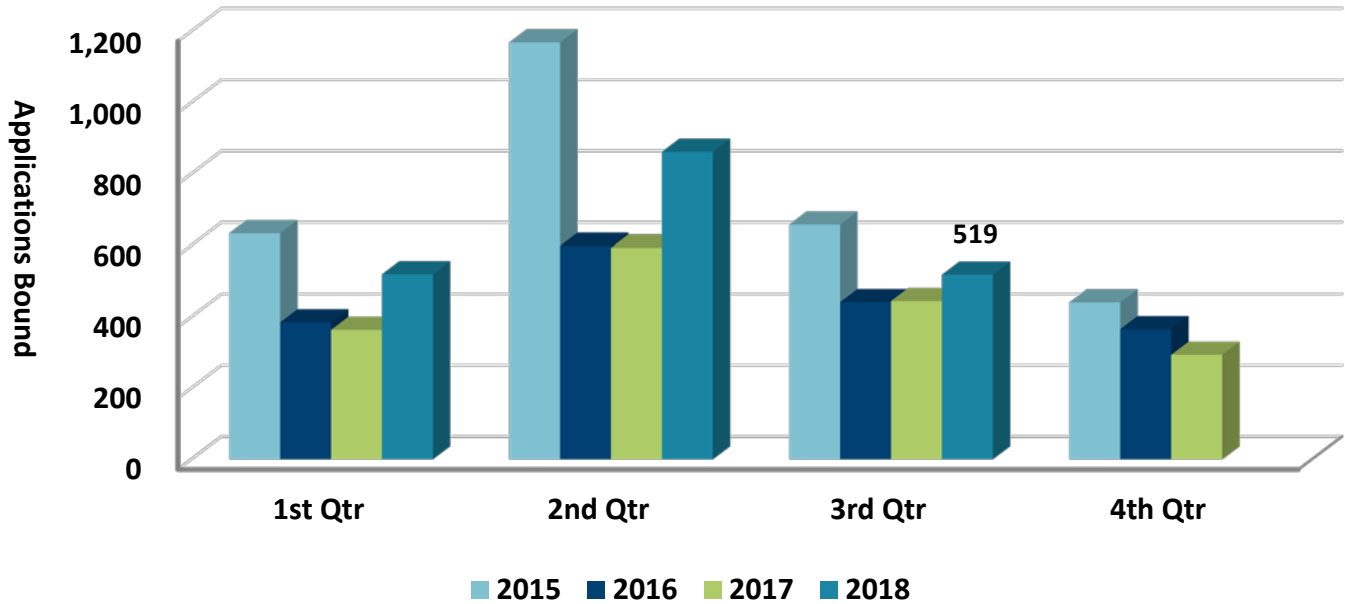
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	529
Number of <b>VCAP<sup>®</sup> Service</b> Matches	257
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	3.89%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	9
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	1.70%
Savings as a % of Redirected Assigned Risk Premium	0.04%



## Residual Market Demographics

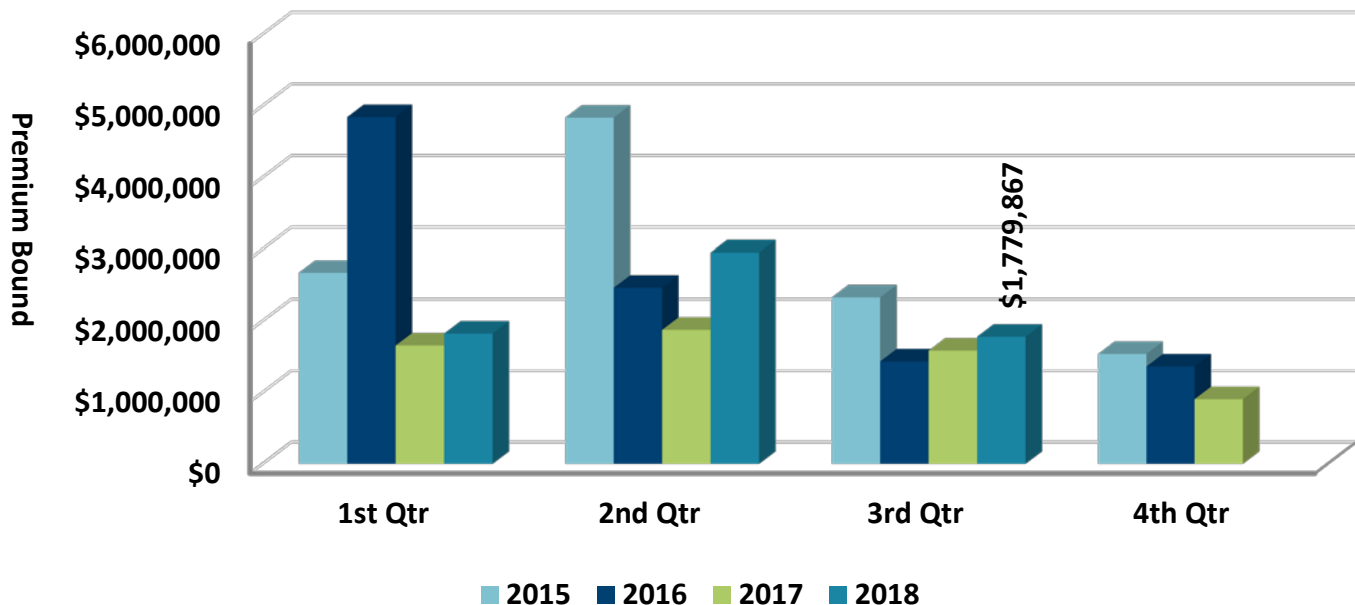
### Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

The number of applications—both new and churn—that are assigned to a Servicing Carrier or a Direct Assignment Carrier (if applicable).



### Total Application Premium Bound — 2015 vs. 2016 vs. 2017 vs. 2018

The total estimated premium on bound applications—both new and churn—that are assigned to a Servicing Carrier or a Direct Assignment Carrier (if applicable).





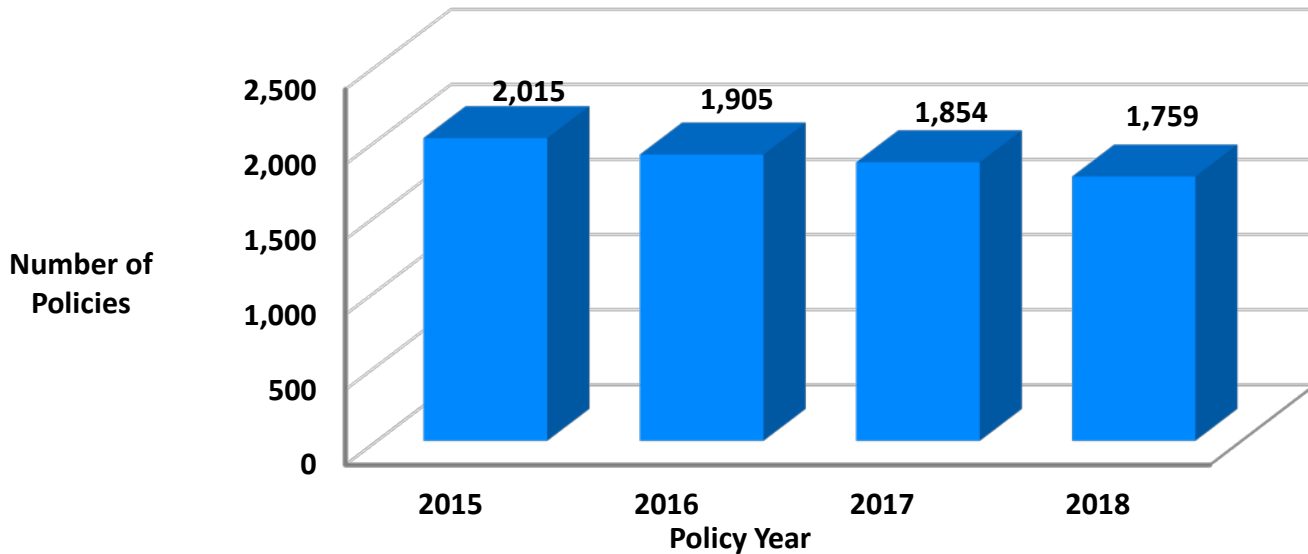


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Third Quarter Data for Policies Reported through September 30, 2018

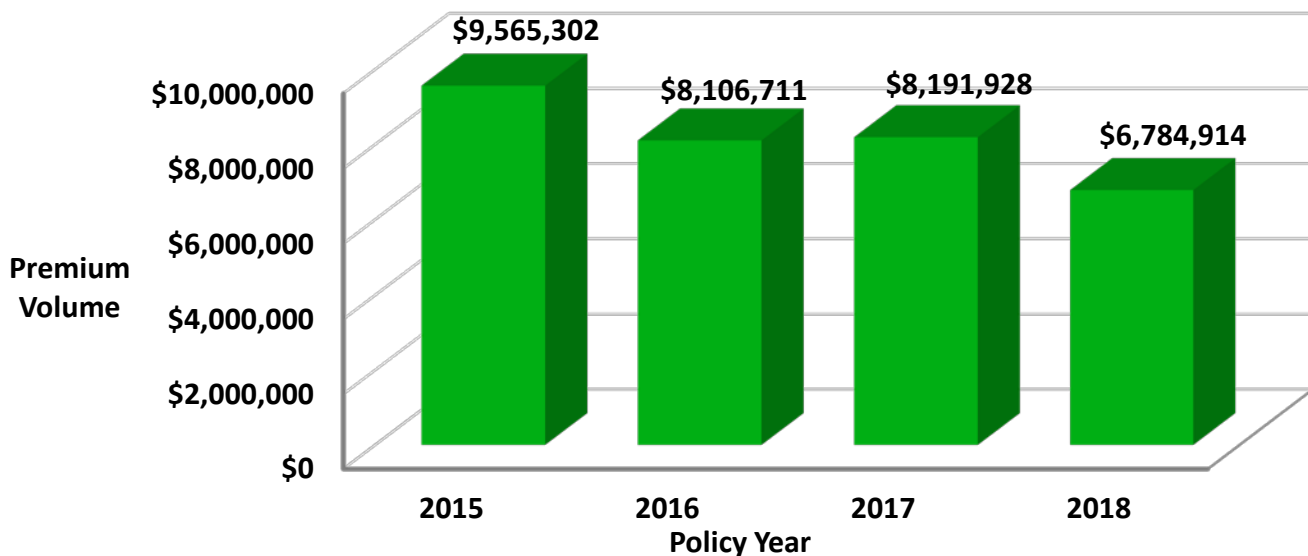
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Third Quarter Data Reported through September 30, 2018

Total amount of all Assigned Risk Plan premium with effective dates during the calendar period listed above.





## Residual Market Demographics

### Total Premium Distribution by Size of Risk

#### Third Quarter Data Reported through September 30, 2018

The total number of Assigned Risk Plan policies reported to NCCI by Direct Assignment and Servicing Carriers in a premium range as of the date listed above.

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	1,174	66.7%	\$981,555	14.5%	\$836
\$2500–4999	275	15.6%	\$984,059	14.5%	\$3,578
\$5000–9999	167	9.5%	\$1,129,495	16.7%	\$6,763
\$10000–19999	88	5.0%	\$1,230,578	18.1%	\$13,983
\$20000–49999	39	2.2%	\$1,172,295	17.3%	\$30,058
\$50000–99999	13	0.7%	\$860,945	12.7%	\$66,226
\$100000–199999	3	0.2%	\$425,987	6.3%	\$141,995
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	1,759	100.0%	\$6,784,914	100.0%	\$3,857

### Third Quarter 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	1,205	65.0%	\$1,082,221	13.2%	\$898
\$2500–4999	315	17.0%	\$1,139,184	13.9%	\$3,616
\$5000–9999	174	9.4%	\$1,181,132	14.4%	\$6,788
\$10000–19999	101	5.5%	\$1,432,015	17.5%	\$14,178
\$20000–49999	45	2.4%	\$1,361,289	16.6%	\$30,250
\$50000–99999	8	0.4%	\$537,082	6.6%	\$67,135
\$100000–199999	3	0.2%	\$481,604	5.9%	\$160,534
\$200000 +	3	0.2%	\$977,401	11.9%	\$325,800
Total	1,854	100.0%	\$8,191,928	100.0%	\$4,419



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2018

The top 10 governing class codes by total policy count—policies issued by Servicing Carriers and Direct Assignment Carriers in this state as of the date listed above.

Rank	Code	Description	Policy Count	% of Policies
1	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	116	6.6%
2	8017	Store: Retail NOC	93	5.3%
3	9094	Outdoor Guide Services	76	4.3%
4	8810	Clerical Office Employees NOC	70	4.0%
5	8832	Physician & Clerical	69	3.9%
6	7219	Trucking - NOC-All Employees & Drivers	64	3.6%
7	9052	Hotel - All Other Employees & Salespersons Drivers	44	2.5%
8	8601	Architectural or Engineering Firm - Including Salespersons & Drivers	38	2.2%
9	8868	College - Professional Employees & Clerical	38	2.2%
10	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	37	2.1%

### Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2018

The top 10 governing class codes by premium volume written on total policies issued by Servicing Carriers and Direct Assignment Carriers in this state as of the date listed above.

Rank	Code	Description	Premium	% of Premium
1	9094	Outdoor Guide Services	\$597,276	8.8%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	\$436,807	6.4%
3	8017	Store: Retail NOC	\$204,165	3.0%
4	2725	Logging or Lumbering - Mechanized Equipment Operations & Drivers	\$181,608	2.7%
5	8868	College - Professional Employees & Clerical	\$168,005	2.5%
6	9016	Amusement Park or Exhibition Operation & Drivers	\$164,677	2.4%
7	5403	Carpentry NOC	\$164,164	2.4%
8	8832	Physician & Clerical	\$158,637	2.3%
9	7720	Police Officers & Drivers	\$154,177	2.3%
10	9052	Hotel - All Other Employees & Salespersons Drivers	\$144,930	2.1%



## Glossary of Terms

**Applications Bound**—The applications that are actually assigned to a Servicing Carrier or Direct Assignment Carrier (if applicable).

**Earned Premium or Premiums Earned**—That portion of written premiums applicable to the expired portion of the time for which the insurance was in effect. When used as an accounting term, “premiums earned” describes the premiums written during a period, plus the unearned premiums at the beginning of the period, less the unearned premiums at the end of the period.

**In Force (Policies/Premium)**—All policies and associated estimated premium that are current as of a given date.

**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.

**Loss Ratio**—The ratio of total incurred losses to total earned premiums in a given period, expressed as a percentage. The formula for loss ratio is  $(\text{loss} + \text{loss adjustment expense}) / \text{earned premium}$ .

**Premium Bound**—The total estimated annual premium on bound applications.

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

**VCAP<sup>®</sup> Service**—Voluntary Coverage Assistance Program is a supplemental program to NCCI’s Workers Compensation Insurance Plan. As part of NCCI’s strategic vision of maintaining and depopulating the residual market, NCCI’s **VCAP<sup>®</sup> Service** redirects coverage opportunities for employers to voluntary market insurers, which generally provide coverage at a lower cost. **VCAP<sup>®</sup> Service** provides an additional source for producers and employers to secure voluntary workers compensation coverage prior to entering the residual market for coverage.