



Alaska Residual Market State Activity Report

Third Quarter 2020



Executive Summary

NCCI, as Pool and Plan Administrator of the Alaska Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2020 *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:

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

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Residual Market Demographics

Residual Market Total Policies and Premium in Force As of September 30, 2020—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.

	2020	2019	2020 vs. 2019 #	2020 vs. 2019 %
Policy Count	6,094	6,541	-447	-6.8%
Premium Volume	\$21,899,413	\$27,615,612	-\$5,716,199	-20.7%

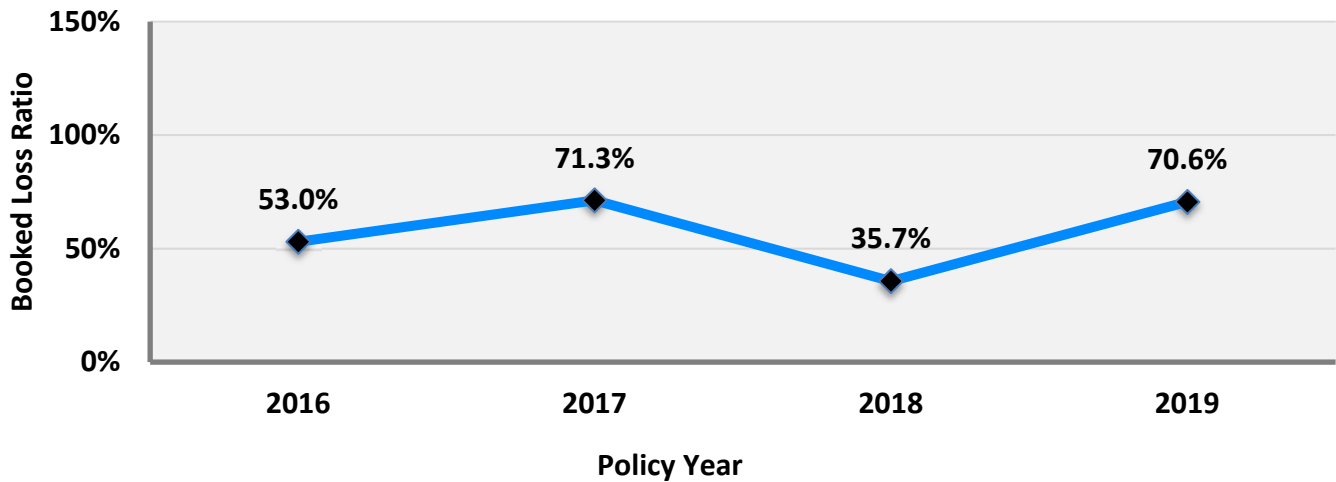


Residual Market Demographics

Alaska Residual Market Reinsurance Pool Booked Loss Ratio

Policy Year Financial Results through 2nd Quarter 2020 for 2019 and prior years*

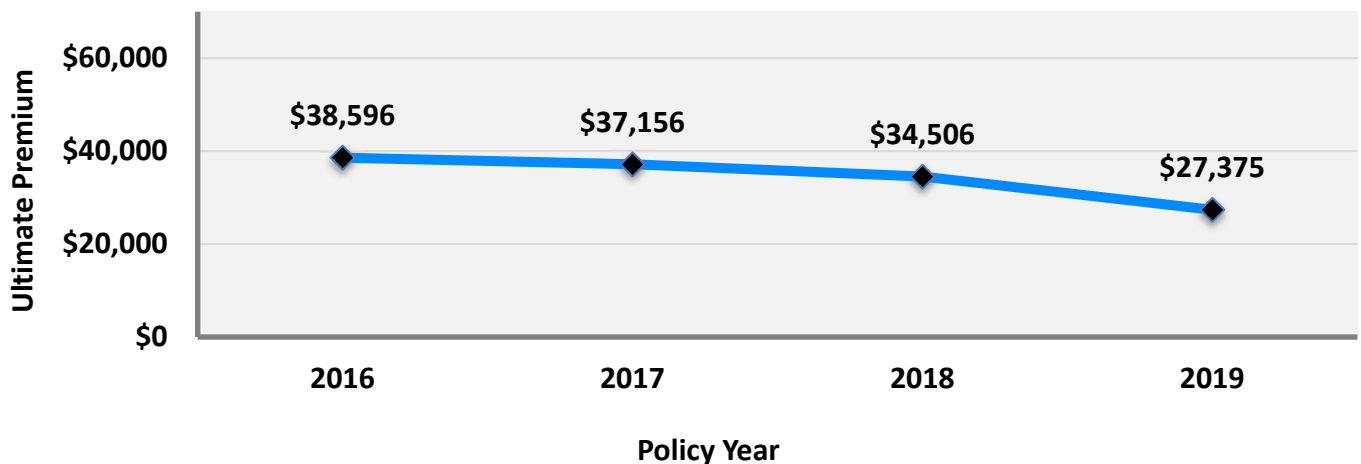
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 2nd Quarter 2020 for 2019 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.



*3rd Quarter 2020 data will be available the end of January 2021 due to the timing of data reporting

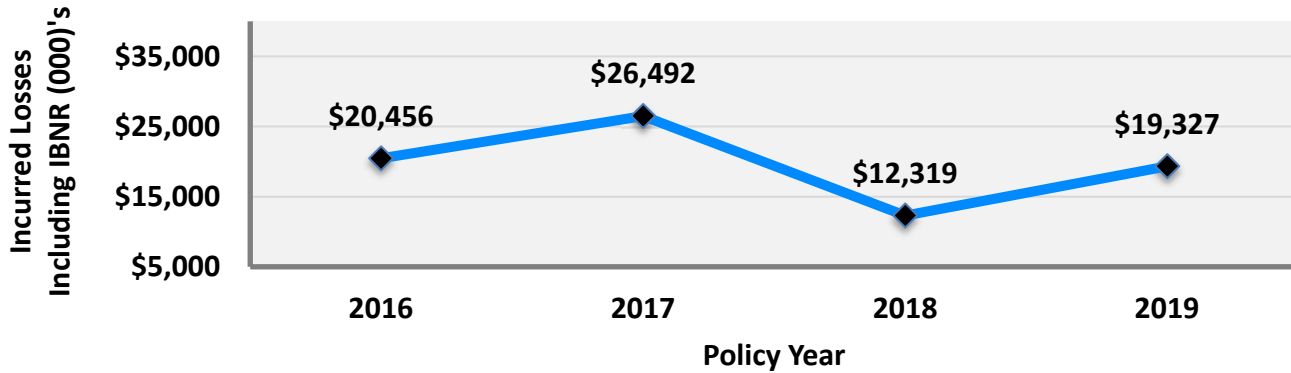


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2020 for 2019 and prior years*

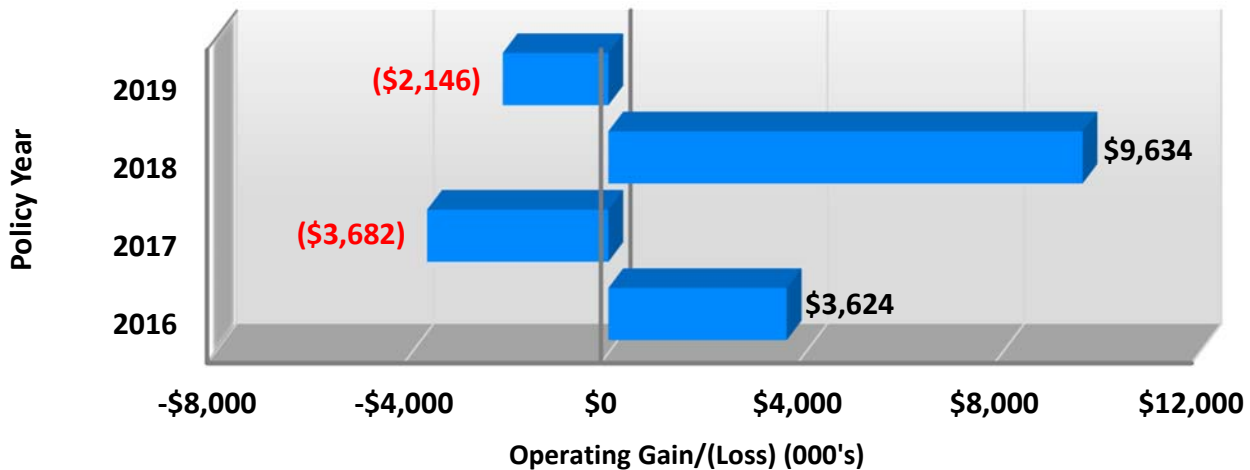
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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 2020 for 2019 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.



*3rd Quarter 2020 data will be available the end of January 2021 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 2016-2020, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2020.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2016	38,988,140	392,222	1.0%
2017	37,874,107	718,299	1.9%
2018	35,206,912	638,704	1.8%
2019	28,350,411	*	N/A
2020	10,586,891	*	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, 2020

The volume of assigned risk applications redirected to the voluntary market through NCCI's **VCAP[®] Service**. The following shows the results **VCAP[®] Service** has provided during Third Quarter 2020.

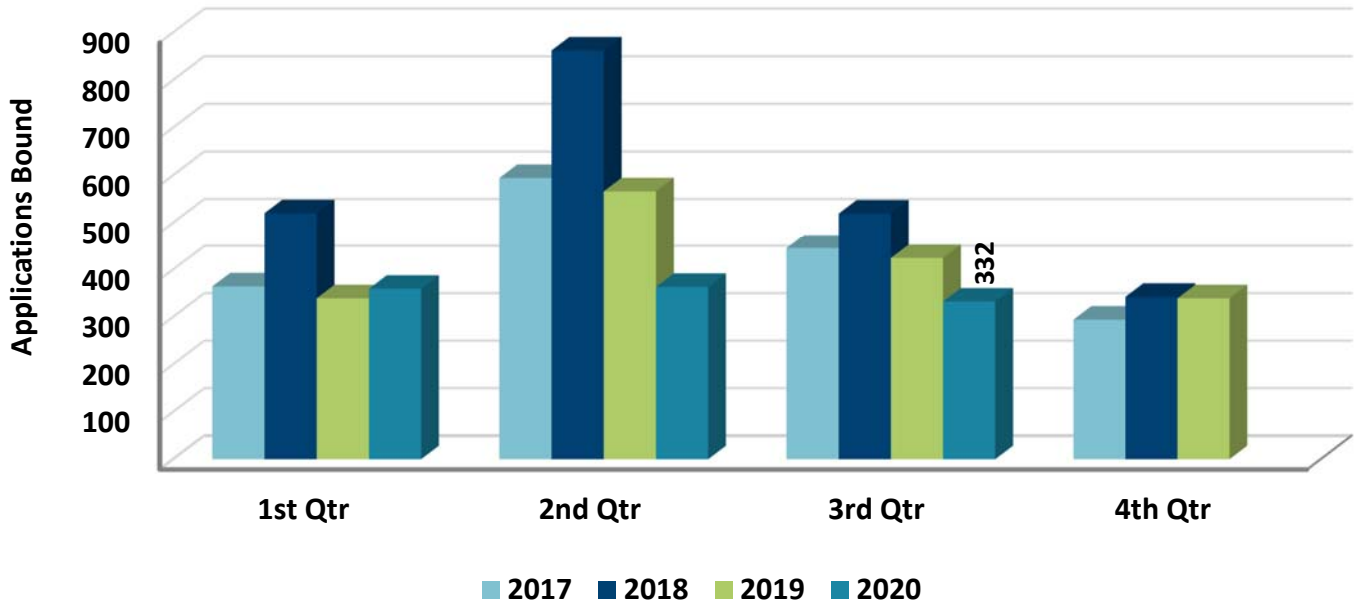
Number of Applications Reviewed by VCAP[®] Service	404
Number of VCAP[®] Service Matches	317
VCAP[®] Service Offers as a % of Matches	24.92%
Number of Confirmed VCAP[®] Service Policies	75
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	18.56%
Savings as a % of Redirected Assigned Risk Premium	5.69%



Residual Market Demographics

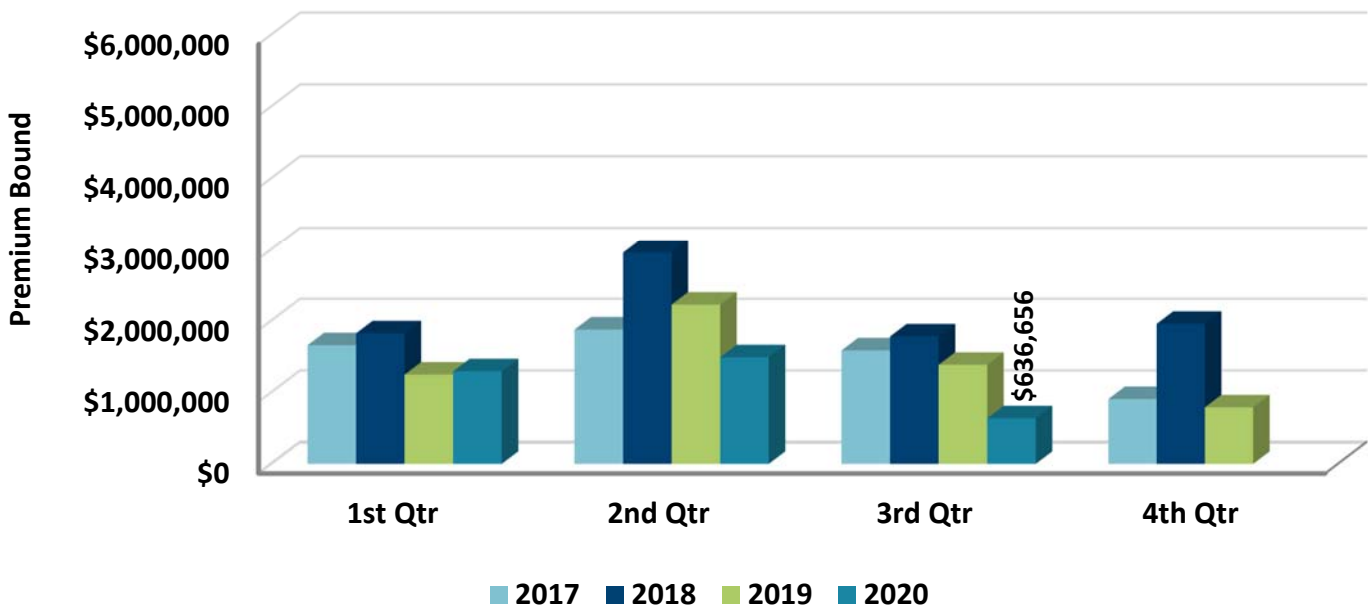
Total Applications Bound — 2017 vs. 2018 vs. 2019 vs. 2020

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 — 2017 vs. 2018 vs. 2019 vs. 2020

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).



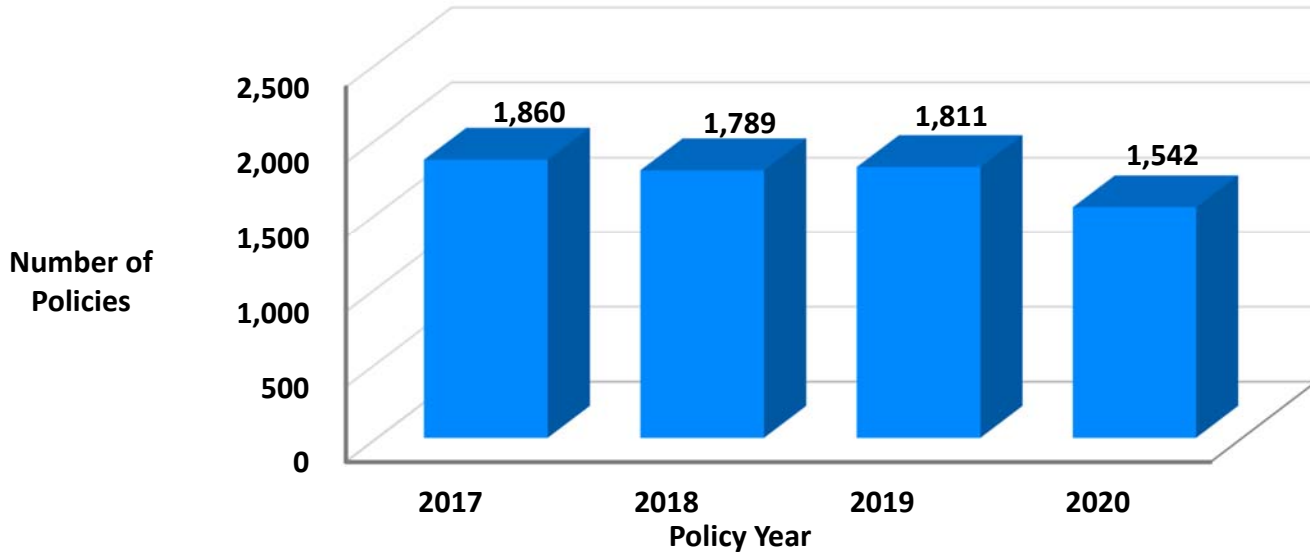


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2020

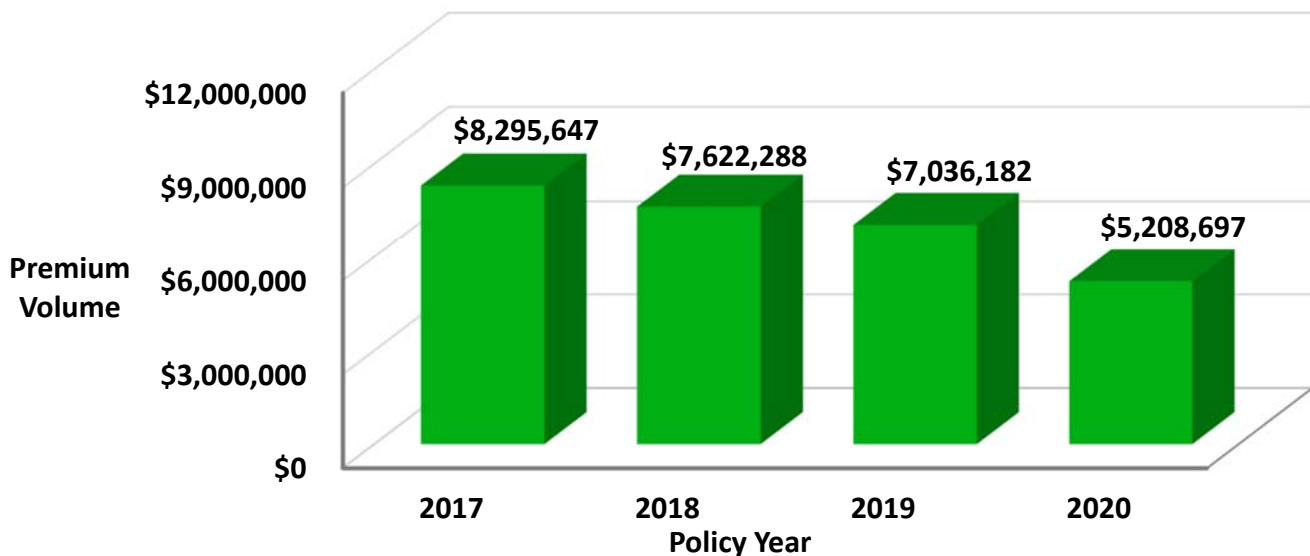
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 2020

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, 2020

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	1,104	71.6	897,403	17.2	813
\$2500–4999	214	13.9	752,078	14.4	3,514
\$5000–9999	115	7.5	814,796	15.6	7,085
\$10000–19999	71	4.6	988,817	19.0	13,927
\$20000–49999	26	1.7	755,290	14.5	29,050
\$50000–99999	10	0.6	710,798	13.6	71,080
\$100000–199999	2	0.1	289,515	5.6	144,758
\$200000 +	0	0.0	0	0.0	0
Total	1,542	100.0	5,208,697	100.0	3,378

Third Quarter 2019 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0–2499	1,242	68.6	1,023,197	14.5	824
\$2500–4999	270	14.9	939,413	13.4	3,479
\$5000–9999	157	8.7	1,105,830	15.7	7,044
\$10000–19999	91	5.0	1,327,536	18.9	14,588
\$20000–49999	34	1.9	963,288	13.7	28,332
\$50000–99999	12	0.7	811,791	11.5	67,649
\$100000–199999	4	0.2	639,357	9.1	159,839
\$200000 +	1	0.1	225,770	3.2	225,770
Total	1,811	100.0	7,036,182	100.0	3,885



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2020

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 and Description	Policy Count	% of Policies
1	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	129	8.4
2	9094 - Outdoor Guide Services	71	4.6
3	8017 - Store: Retail NOC	64	4.2
4	7219 - Trucking - NOC-All Employees & Drivers	57	3.7
5	8810 - Clerical Office Employees NOC	54	3.5
6	8832 - Physician & Clerical	44	2.9
7	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	41	2.7
8	8824 - Retirement Living Centers - Health Care Employees	40	2.6
9	9052 - Hotel - All Other Employees & Salespersons, Drivers	34	2.2
10	8868 - College - Professional Employees & Clerical	34	2.2

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2020

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 and Description	Premium \$	% of Premium
1	9094 - Outdoor Guide Services	403,809	7.8
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	400,489	7.7
3	1165 - Mining NOC-Not Coal-Surface & Drivers	163,409	3.1
4	8832 - Physician & Clerical	154,882	3.0
5	8017 - Store: Retail NOC	136,611	2.6
6	5509 - Street or Road Maintenance, Construction or Reconstruction by State, County or Municipality - All Employees	125,688	2.4
7	7219 - Trucking - NOC-All Employees & Drivers	121,830	2.3
8	5403 - Carpentry NOC	120,354	2.3
9	8824 - Retirement Living Centers - Health Care Employees	120,025	2.3
10	9015 - Building or Property Management - All Other Employees	118,091	2.3



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[®] 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[®] Service** redirects coverage opportunities for employers to voluntary market insurers, which generally provide coverage at a lower cost. **VCAP[®] Service** provides an additional source for producers and employers to secure voluntary workers compensation coverage prior to entering the residual market for coverage.