



Alabama Residual Market State Activity Report

First Quarter 2020



Executive Summary

NCCI, as Pool and Plan Administrator of the Alabama Workers Compensation Insurance Plan, is pleased to provide the First Quarter 2020 *Alabama 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 Alabama Plan. Residual Market demographics contained in this report include:

Table of Contents

Residual Market Demographics	
Residual Market Total Policies and Premium in Force	1
Alabama Residual Market Reinsurance Pool Booked Loss Ratio	2
Alabama Residual Market Reinsurance Pool Ultimate Net Written Premium	2
Alabama 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.

Sean Cordell, Plan Administration

561-893-3171

© Copyright 2020 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 March 31, 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.

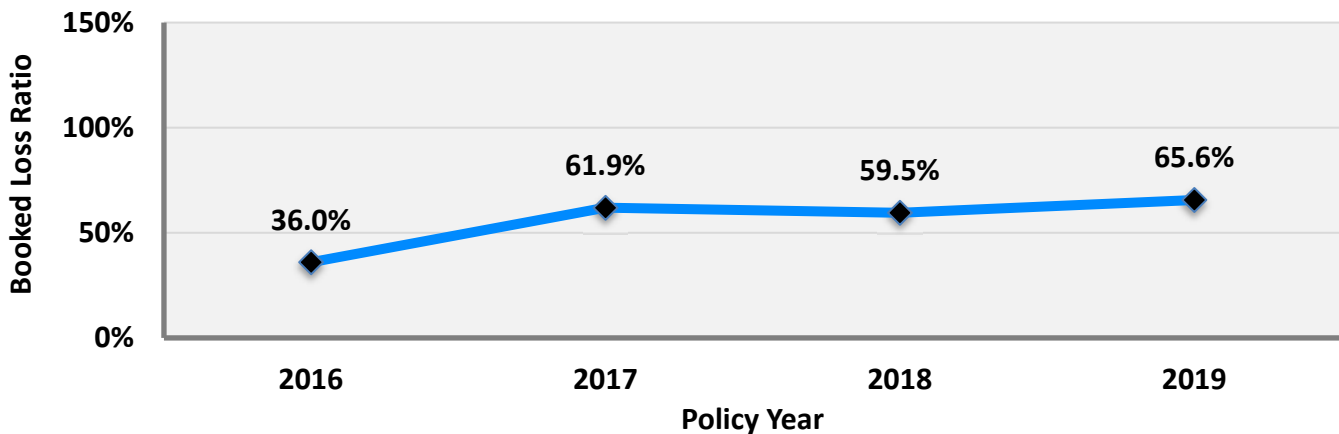
	2020	2019	2020 vs. 2019 #	2020 vs. 2019 %
Policy Count	1,587	1,690	-103	-6.1%
Premium Volume	\$8,327,909	\$8,802,103	-\$474,194	-5.4%



Residual Market Demographics

Alabama Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 4th Quarter 2019 for 2019 and prior years*

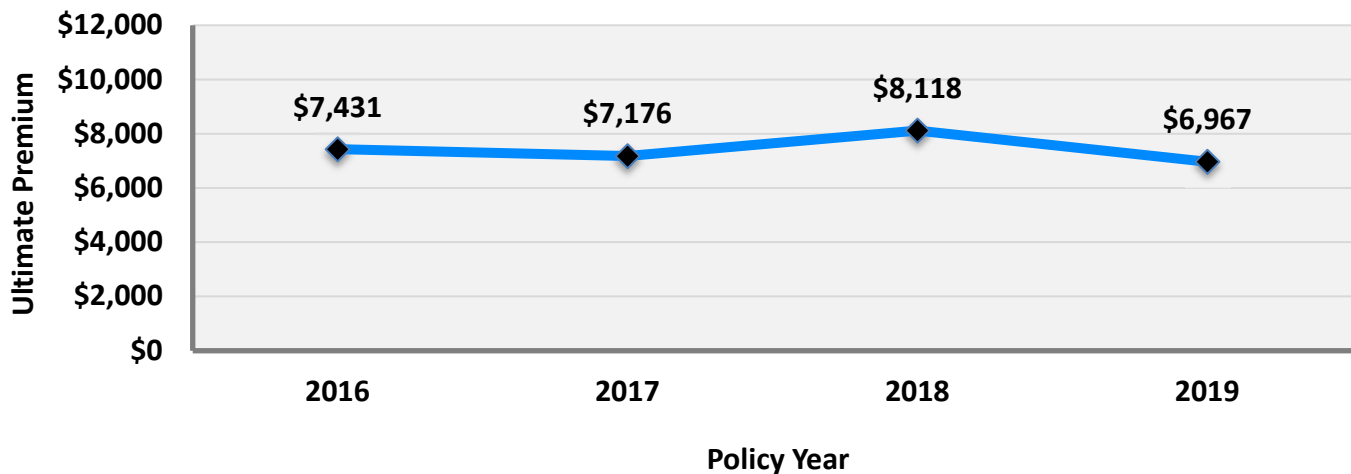
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 4th Quarter 2019 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.



*1st Quarter 2020 data will be available the end of July 2020 due to the timing of data reporting

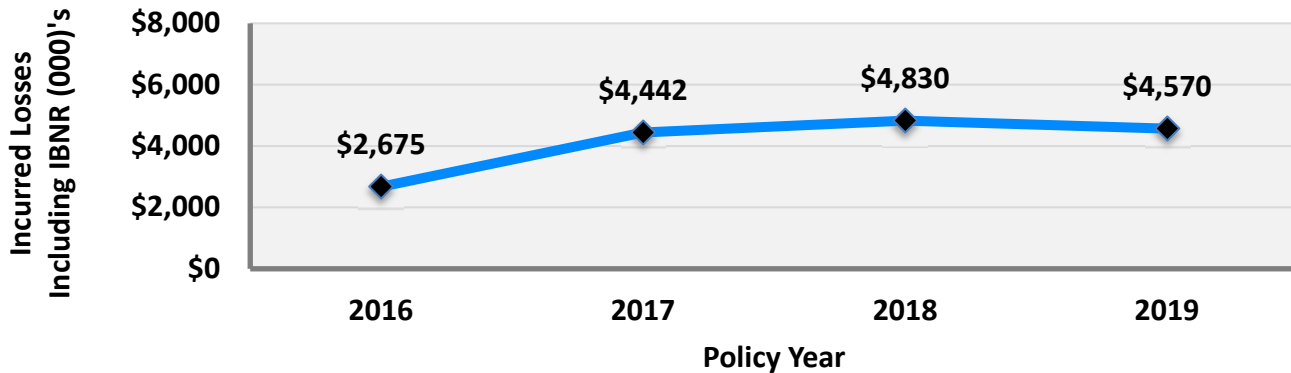


Residual Market Demographics

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

Policy Year Financial Results through 4th Quarter 2019 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.



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

Policy Year Financial Results through 4th Quarter 2019 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.



*1st Quarter 2020 data will be available the end of July 2020 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 Alabama for Policy Years 2015-2019, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 4th Quarter 2019.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2015	\$7,539,732	\$502,709	6.7%
2016	\$7,593,681	\$163,165	2.1%
2017	\$8,055,689	\$879,615	10.9%
2018	\$8,654,988	*	N/A
2019	\$6,094,456	*	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

First Quarter Data through March 31, 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 First Quarter 2020.

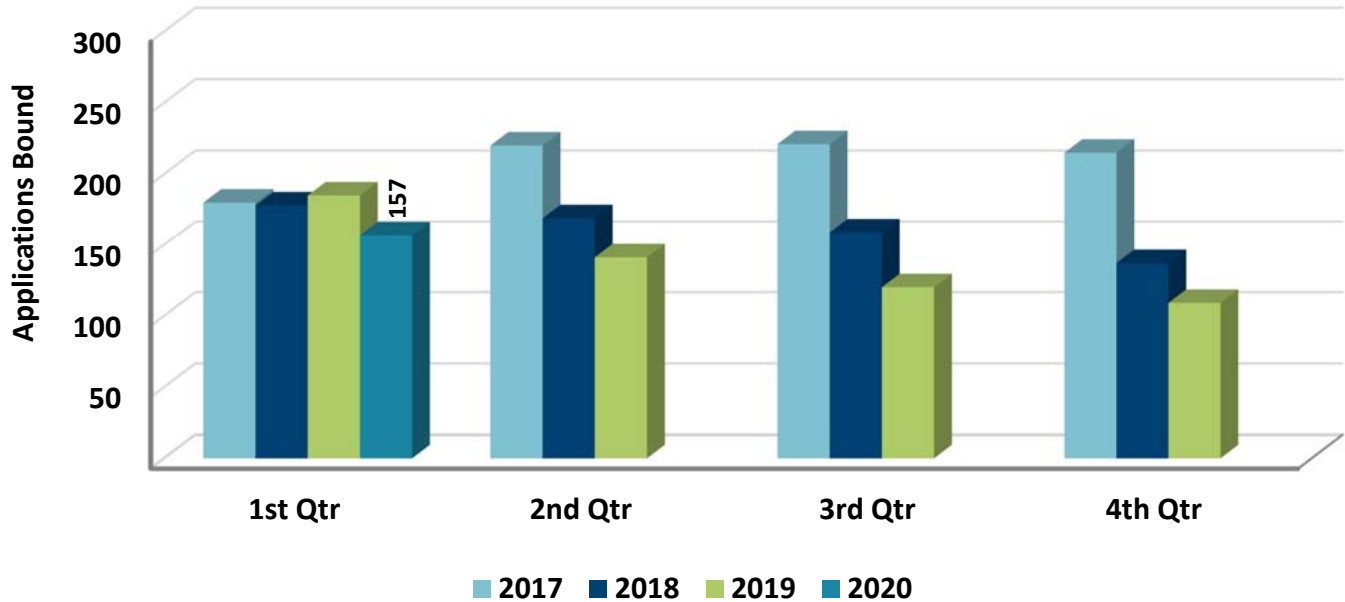
Number of Applications Reviewed by VCAP[®] Service	175
Number of VCAP[®] Service Matches	134
VCAP[®] Service Offers as a % of Matches	11.94%
Number of Confirmed VCAP[®] Service Policies	16
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	9.14%
Savings as a % of Redirected Assigned Risk Premium	6.77%



Residual Market Demographics

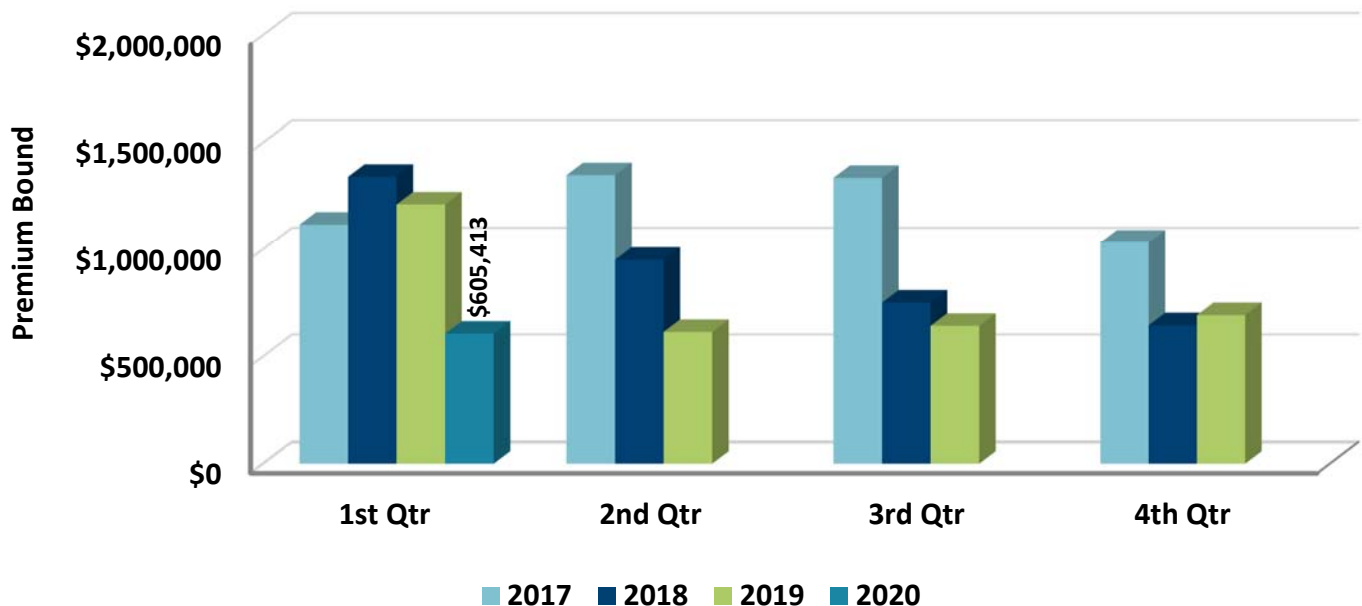
Total Applications Bound — 2017 vs. 2018 vs. 2019 vs. 2020

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).



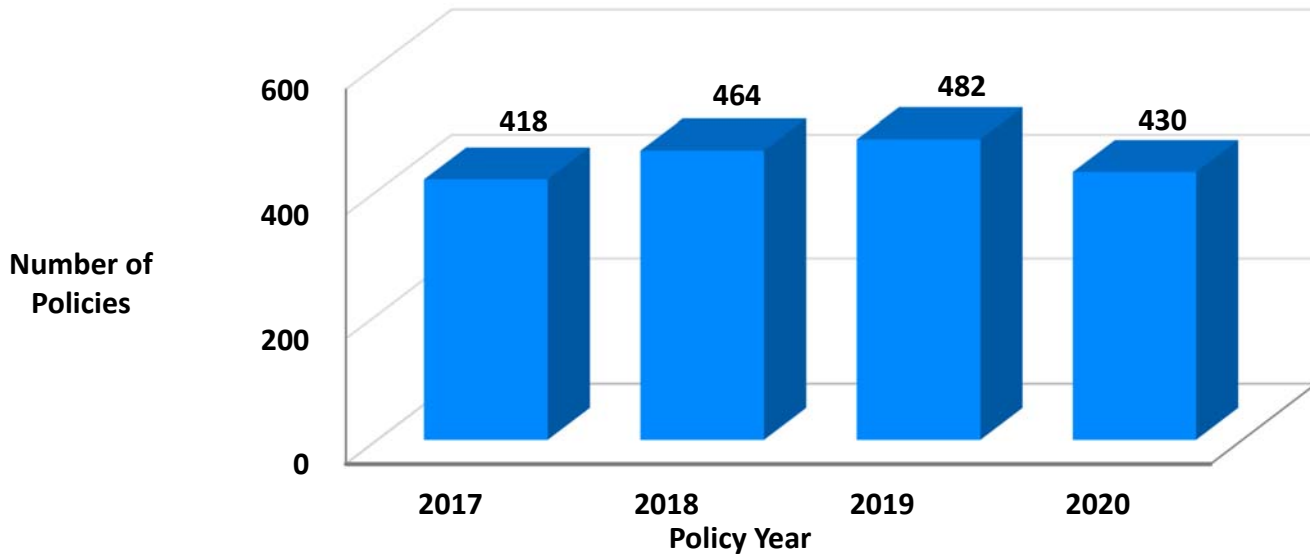


Residual Market Demographics

Residual Market Total Policy Counts

First Quarter Data for Policies Reported through March 31, 2020

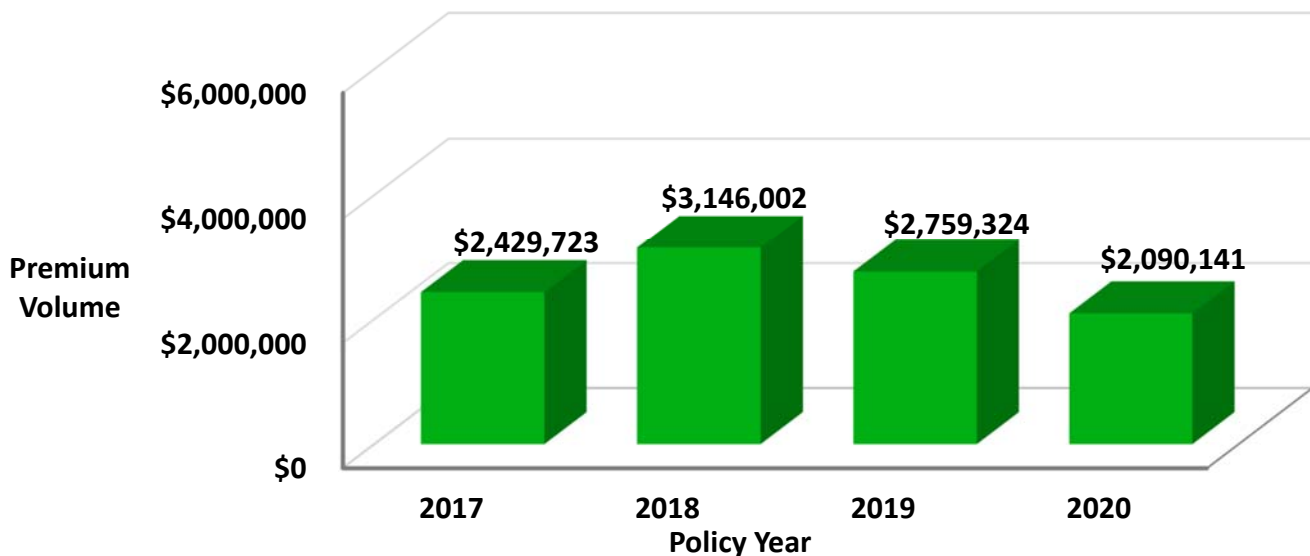
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

First Quarter Data Reported through March 31, 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

First Quarter Data Reported through March 31, 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	291	67.7%	\$382,651	18.3%	\$1,314
\$2500–4999	54	12.6%	\$186,352	8.9%	\$3,450
\$5000–9999	41	9.5%	\$277,318	13.3%	\$6,763
\$10000–19999	28	6.5%	\$401,974	19.2%	\$14,356
\$20000–49999	8	1.9%	\$220,129	10.5%	\$27,516
\$50000–99999	7	1.6%	\$511,148	24.5%	\$73,021
\$100000–199999	1	0.2%	\$110,569	5.3%	\$110,569
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	430	100.0%	\$2,090,141	100.0%	\$4,861

First Quarter 2019 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	334	69.3%	\$396,005	14.4%	\$1,185
\$2500–4999	55	11.4%	\$197,899	7.2%	\$3,598
\$5000–9999	40	8.3%	\$279,725	10.1%	\$6,993
\$10000–19999	26	5.4%	\$368,605	13.4%	\$14,177
\$20000–49999	17	3.5%	\$459,862	16.7%	\$27,050
\$50000–99999	5	1.0%	\$399,490	14.5%	\$79,898
\$100000–199999	5	1.0%	\$657,738	23.8%	\$131,547
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	482	100.0%	\$2,759,324	100.0%	\$5,725



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count First Quarter Data Reported through March 31, 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	Description	Policy Count	% of Policies
1	7711	Firefighters & Drivers - Volunteer	59	13.7%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories In Height	52	12.1%
3	5551	Roofing-All Kinds & Drivers	38	8.8%
4	5474	Painting NOC & Shop Operations, Drivers	22	5.1%
5	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	12	2.8%
6	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	11	2.6%
7	5022	Masonry NOC	10	2.3%
8	7600	Telecommunications Co. - Cable Tv or Satellite - All Other Employees & Drivers	10	2.3%
9	5437	Carpentry-Installation of Cabinet Work or Interior Trim	10	2.3%
10	5403	Carpentry NOC	9	2.1%

Residual Market Top 10 Classification Codes by Premium Volume First Quarter Data Reported through March 31, 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	Description	Premium	% of Premium
1	5551	Roofing-All Kinds & Drivers	\$207,871	10.0%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	\$196,550	9.4%
3	4829	Chemical Mfg. NOC - All Operations & Drivers - Includes Blending or Mixing	\$155,572	7.4%
4	7711	Firefighters & Drivers – Volunteer	\$127,189	6.1%
5	5146	Furniture or Fixtures Installation-Portable-NOC	\$91,417	4.4%
6	9178	Athletic Sports or Park: Noncontact Sports	\$89,293	4.3%
7	7219	Trucking - NOC-All Employees & Drivers	\$85,844	4.1%
8	8864	Social Service Organization - All Employees & Salespersons, Drivers	\$72,280	3.5%
9	8232	Lumberyard New Materials Only - All Other Employees & Yard, Warehouse, Drivers	\$70,986	3.4%
10	5403	Carpentry NOC	\$58,379	2.8%



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.