

Alabama Residual Market State Activity Report

Annual 2019



Executive Summary

NCCI, as Pool and Plan Administrator of the Alabama Workers Compensation Insurance Plan, is pleased to provide the Annual 2019 *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:

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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 December 31, 2019—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.

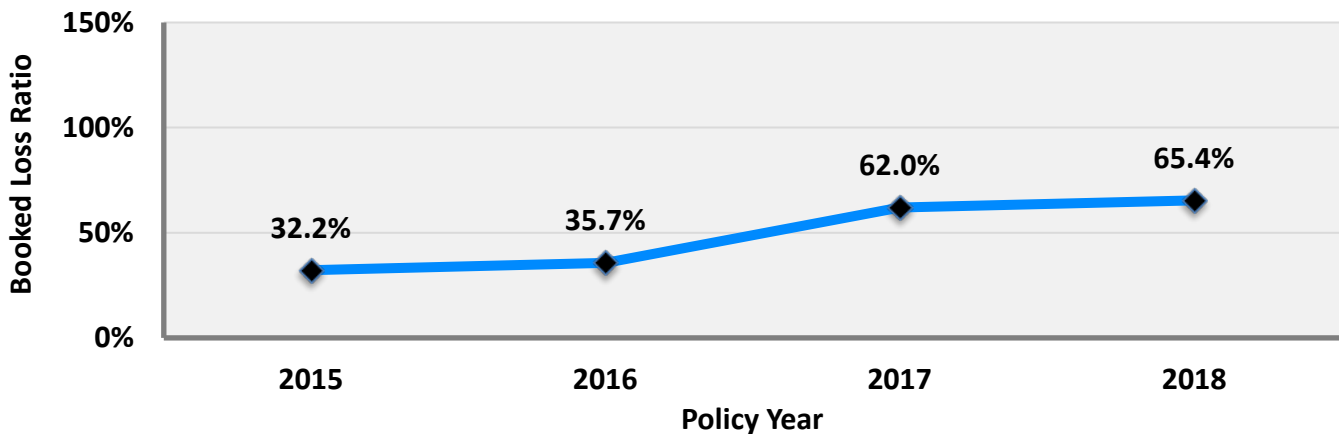
	2019	2018	2019 vs. 2018 #	2019 vs. 2018 %
Policy Count	1,647	1,679	-32	-1.9%
Premium Volume	\$8,809,274	\$9,266,983	-\$457,709	-4.9%



Residual Market Demographics

Alabama Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 3rd Quarter 2019 for 2018 and prior years*

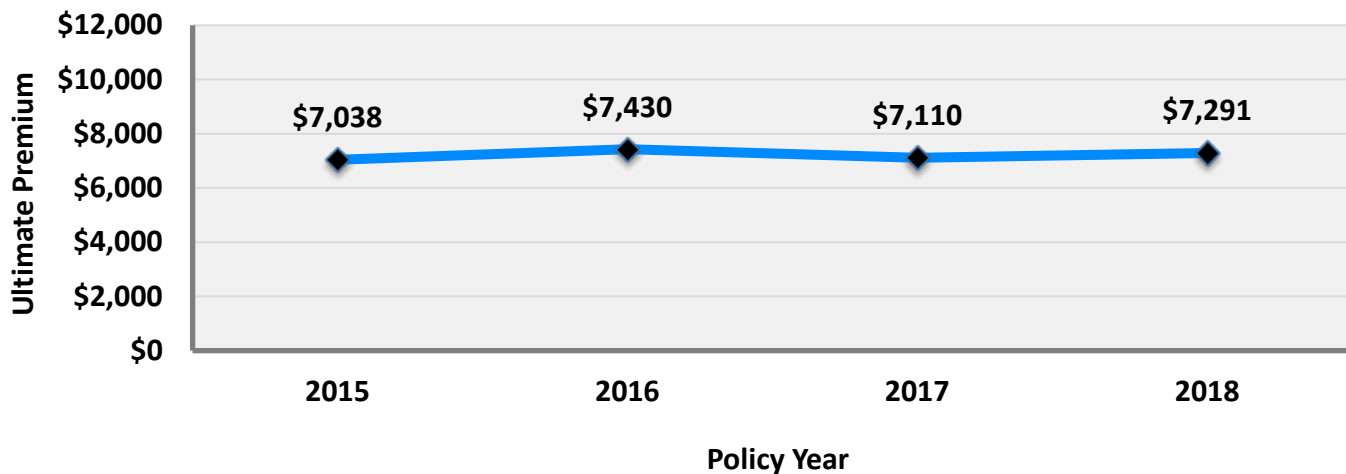
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 3rd Quarter 2019 for 2018 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.



*4th Quarter 2019 data will be available the end of April 2020 due to the timing of data reporting

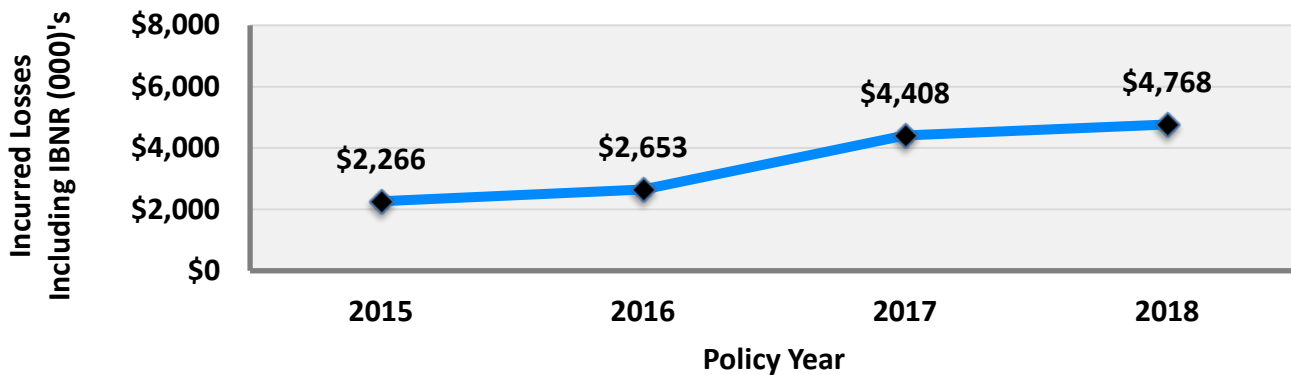


Residual Market Demographics

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

Policy Year Financial Results through 3rd Quarter 2019 for 2018 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 3rd Quarter 2019 for 2018 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.



*4th Quarter 2019 data will be available the end of April 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 3rd Quarter 2019.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2015	\$7,540,914	\$502,709	6.7%
2016	\$7,593,630	\$163,165	2.1%
2017	\$8,065,237	\$947,613	11.7%
2018	\$7,844,932	*	N/A
2019	\$4,291,959	*	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

Annual Data through December 31, 2019

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 Annual 2019.

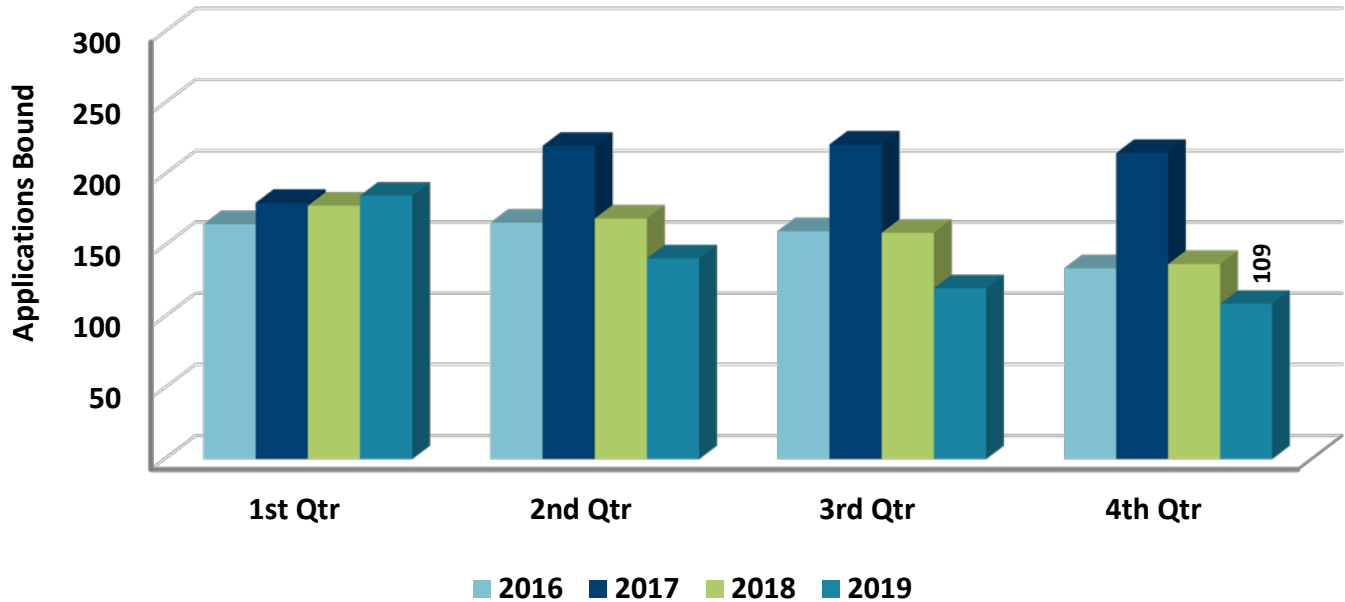
Number of Applications Reviewed by VCAP[®] Service	610
Number of VCAP[®] Service Matches	488
VCAP[®] Service Offers as a % of Matches	12.09%
Number of Confirmed VCAP[®] Service Policies	59
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	9.67%
Savings as a % of Redirected Assigned Risk Premium	1.58%



Residual Market Demographics

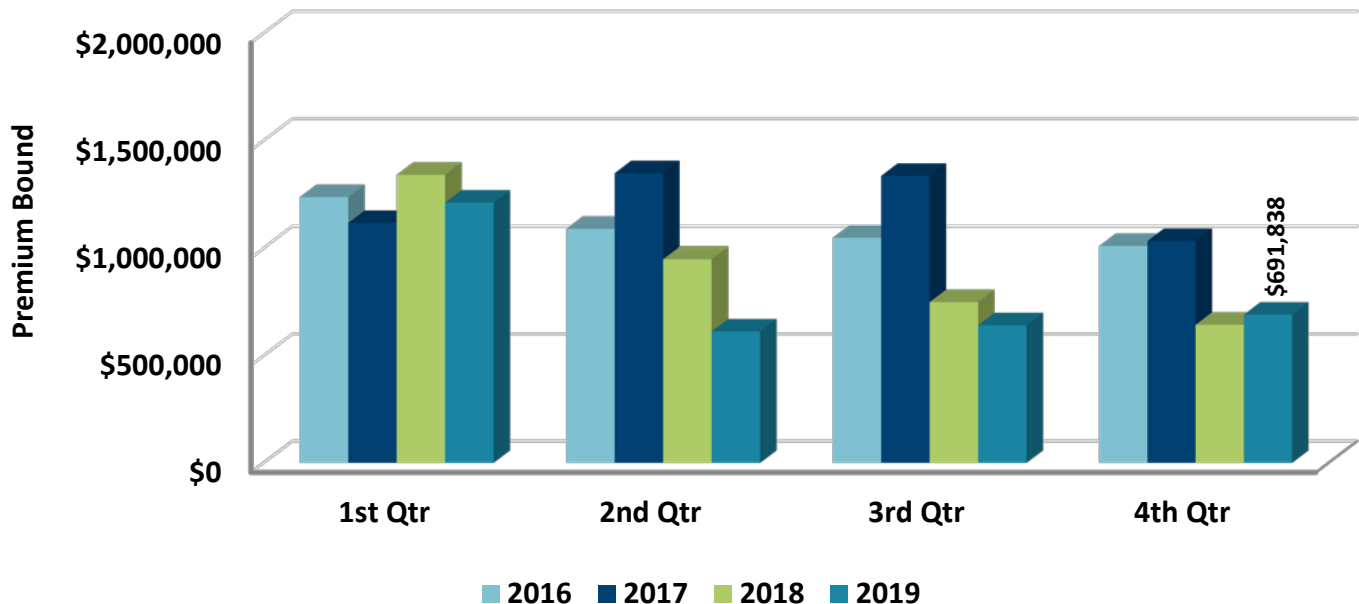
Total Applications Bound — 2016 vs. 2017 vs. 2018 vs. 2019

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 — 2016 vs. 2017 vs. 2018 vs. 2019

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).



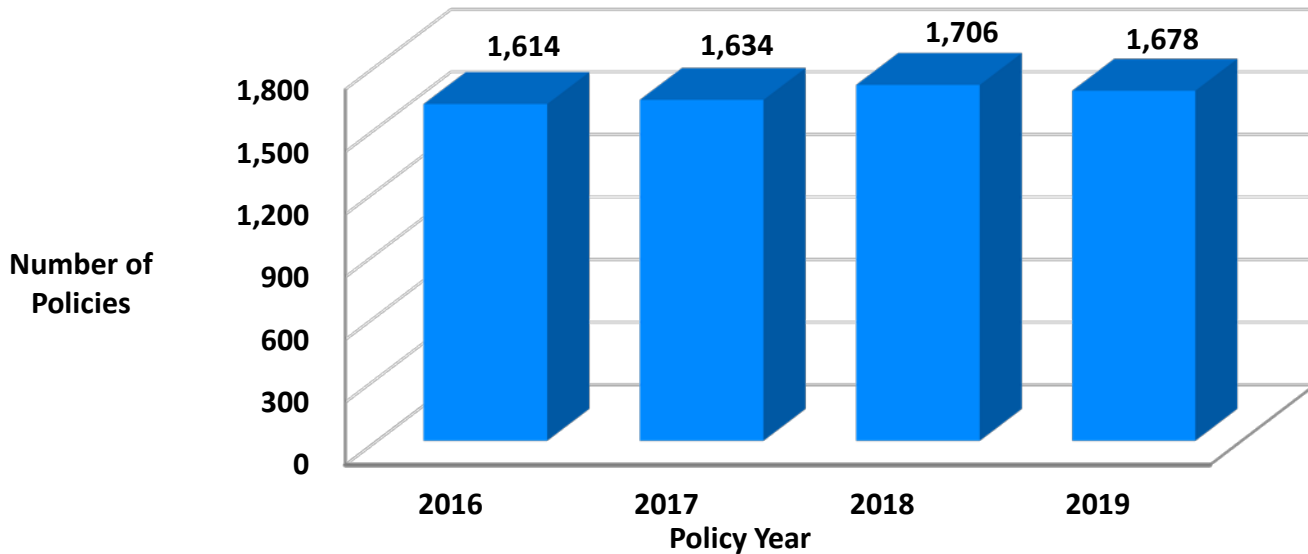


Residual Market Demographics

Residual Market Total Policy Counts

Annual Data for Policies Reported through December 31, 2019

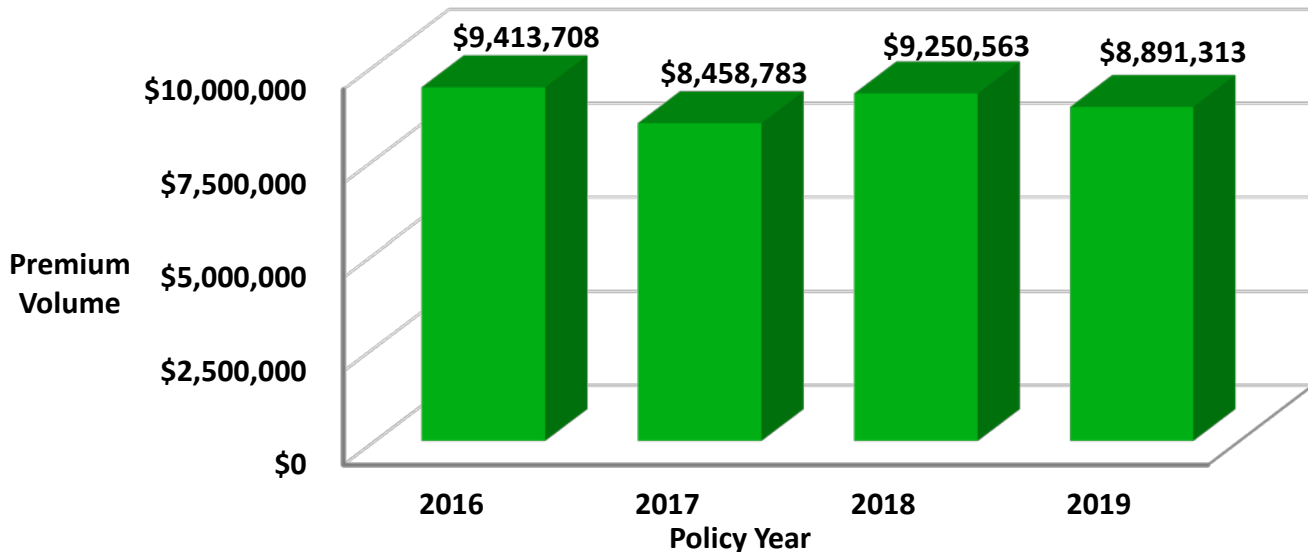
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Annual Data Reported through December 31, 2019

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 Annual Data Reported through December 31, 2019

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	1142	68.1%	\$1,384,239	15.6%	\$1,212
\$2500–4999	213	12.7%	\$769,266	8.7%	\$3,611
\$5000–9999	139	8.3%	\$979,684	11.0%	\$7,048
\$10000–19999	107	6.4%	\$1,471,975	16.6%	\$13,756
\$20000–49999	54	3.2%	\$1,611,090	18.1%	\$29,835
\$50000–99999	12	0.7%	\$957,033	10.8%	\$79,752
\$100000–199999	10	0.6%	\$1,482,061	16.7%	\$148,206
\$200000 +	1	0.1%	\$235,965	2.7%	\$235,965
Total	1,678	100.0%	\$8,891,313	100.0%	\$5,299

Annual 2018 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	1,161	68.1%	\$1,390,660	15.0%	\$1,197
\$2500–4999	185	10.8%	\$668,920	7.2%	\$3,615
\$5000–9999	164	9.6%	\$1,179,399	12.8%	\$7,191
\$10000–19999	105	6.2%	\$1,504,589	16.3%	\$14,329
\$20000–49999	63	3.7%	\$1,821,645	19.7%	\$28,915
\$50000–99999	18	1.1%	\$1,184,033	12.8%	\$65,779
\$100000–199999	9	0.5%	\$1,252,847	13.5%	\$139,205
\$200000 +	1	0.1%	\$248,470	2.7%	\$248,470
Total	1,706	100.0%	\$9,250,563	100.0%	\$5,422



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 31, 2019

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	230	13.7%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories In Height	141	8.4%
3	5551	Roofing-All Kinds & Drivers	130	7.8%
4	5474	Painting NOC & Shop Operations, Drivers	78	4.7%
5	5437	Carpentry-Installation of Cabinet Work or Interior Trim	48	2.9%
6	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	47	2.8%
7	5535	Sheet Metal Work-Installation & Drivers	44	2.6%
8	7600	Telecommunications Co. - Cable TV or Satellite - All Other Employees & Drivers	38	2.3%
9	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	37	2.2%
10	7219	Trucking - NOC-All Employees & Drivers	36	2.2%

Residual Market Top 10 Classification Codes by Premium Volume Annual Data Reported through December 31, 2019

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	\$961,420	10.8%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories In Height	\$615,879	6.9%
3	7219	Trucking - NOC-All Employees & Drivers	\$461,732	5.2%
4	7711	Firefighters & Drivers - Volunteer	\$400,826	4.5%
5	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	\$328,598	3.7%
6	6217	Excavation & Drivers	\$255,467	2.9%
7	5474	Painting NOC & Shop Operations, Drivers	\$245,919	2.8%
8	7600	Telecommunications Co. - Cable TV or Satellite - All Other Employees & Drivers	\$229,941	2.6%
9	7360	Freight Handling - NOC - Coverage Under State Act Only	\$218,886	2.5%
10	1016	Coal Mining-NOC	\$166,730	1.9%



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.