



Alabama Residual Market State Activity Report

Third Quarter 2023



Executive Summary

NCCI, as Pool and Plan Administrator of the Alabama Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2023 *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 September 30, 2023—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.

	2023	2022	2023 vs. 2022 #	2023 vs. 2022 %
Policy Count	1,368	1,398	-30	-2.1%
Premium Volume	\$9,335,466	\$12,587,192	-\$3,251,726	-25.8%

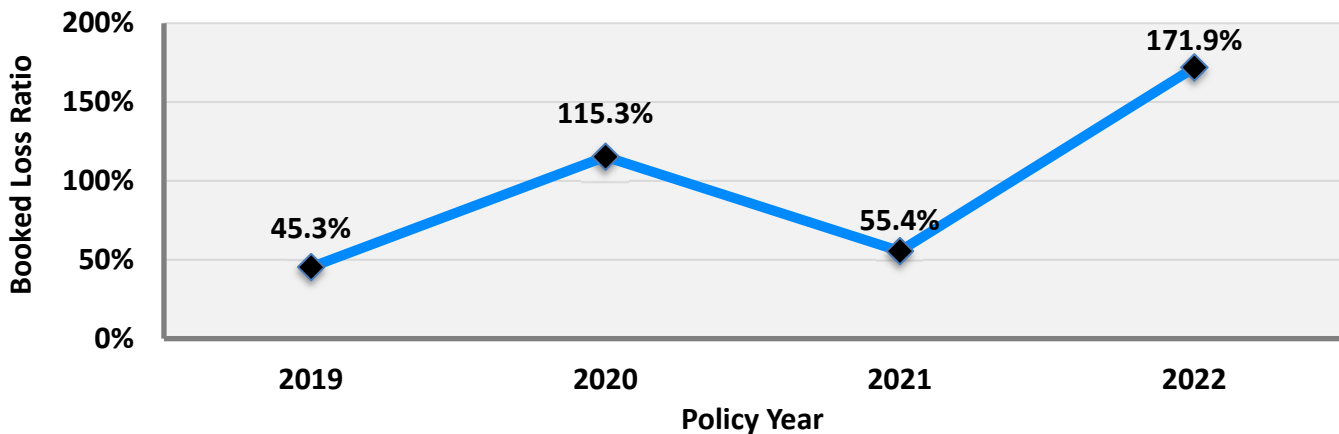


Residual Market Demographics

Alabama Residual Market Reinsurance Pool Booked Loss Ratio (Projected to Ultimate)

Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years*

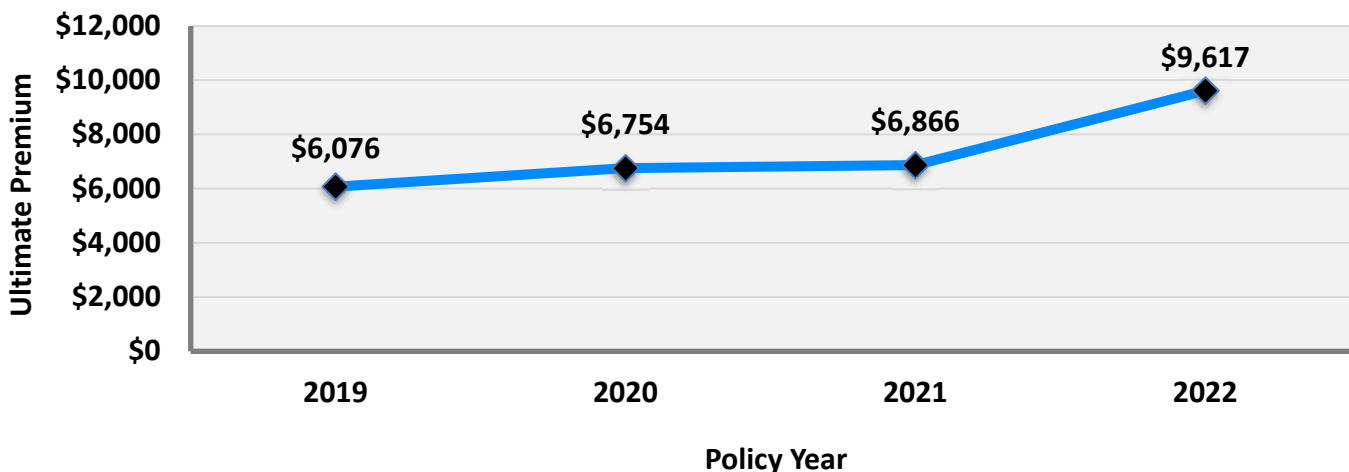
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years*

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



*3rd Quarter 2023 data will be available the end of January 2024 due to the timing of data reporting

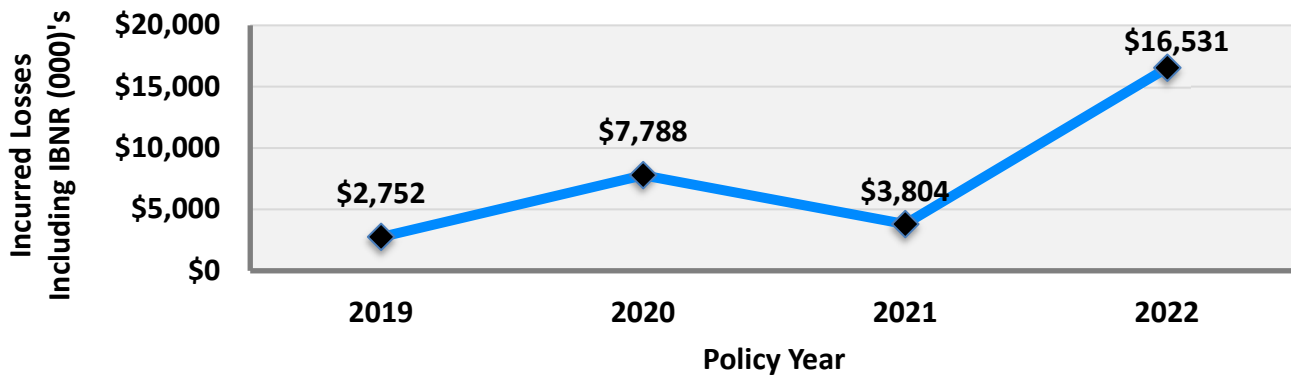


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years*

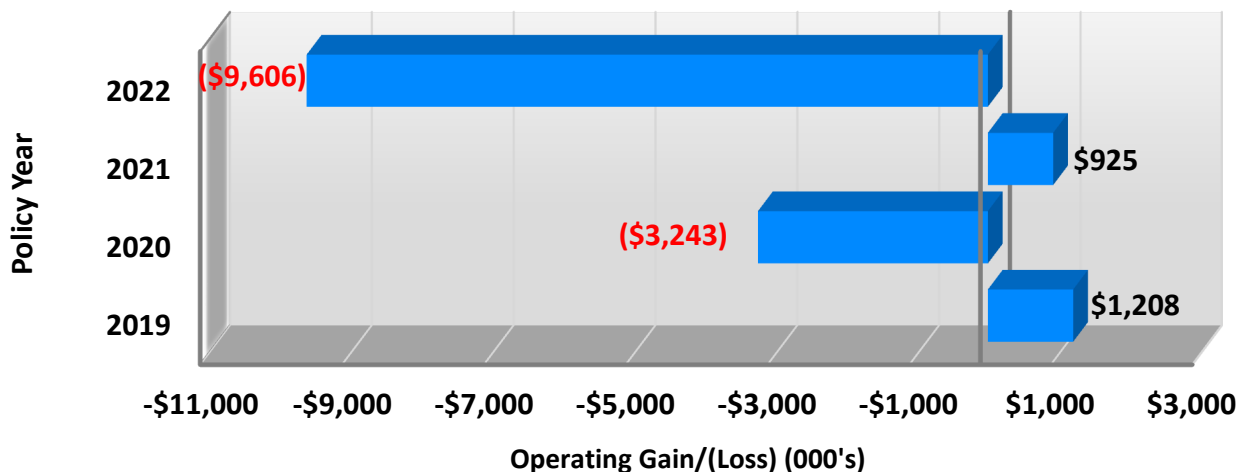
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 2nd Quarter 2023 for 2022 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 2023 data will be available the end of January 2024 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 2019-2023, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2023.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2019	6,754,681	679,116	10.1%
2020	7,452,009	697,876	9.4%
2021	8,380,668	1,465,963	17.5%
2022	10,033,876	--	--
2023	3,549,030	--	--

* 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, 2023

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 2023.

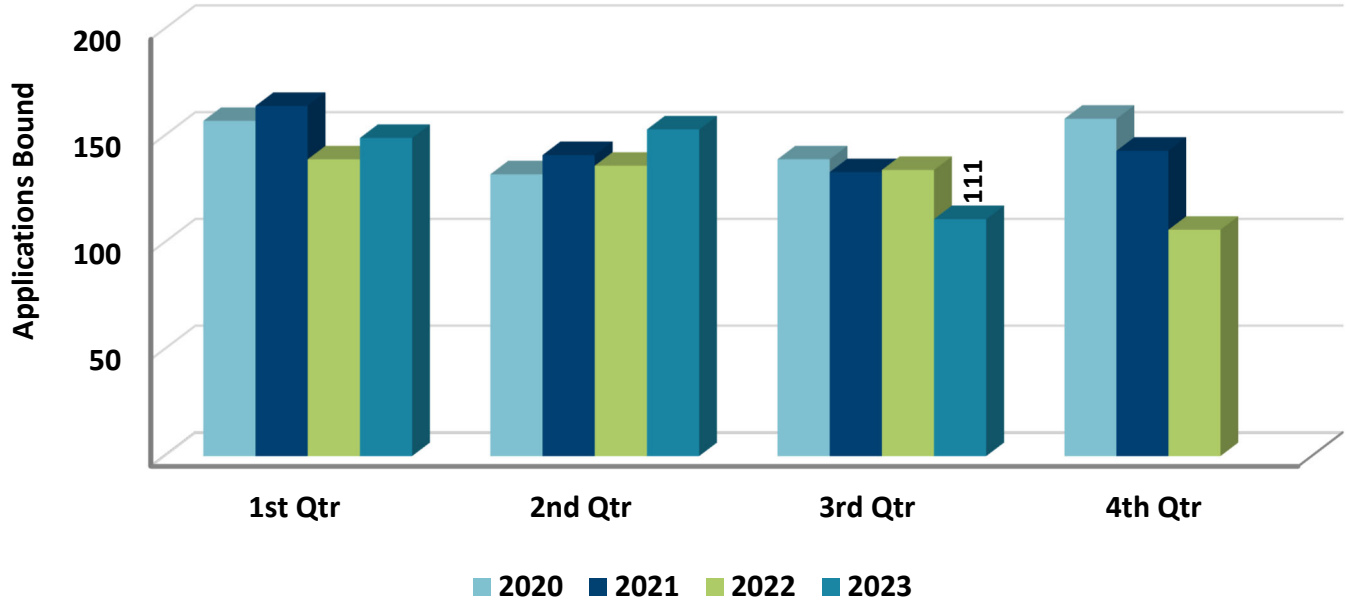
Number of Applications Reviewed by VCAP[®] Service	127
Number of VCAP[®] Service Matches	95
VCAP[®] Service Offers as a % of Matches	16.84%
Number of Confirmed VCAP[®] Service Policies	15
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	11.81%
Savings as a % of Redirected Assigned Risk Premium	14.30%



Residual Market Demographics

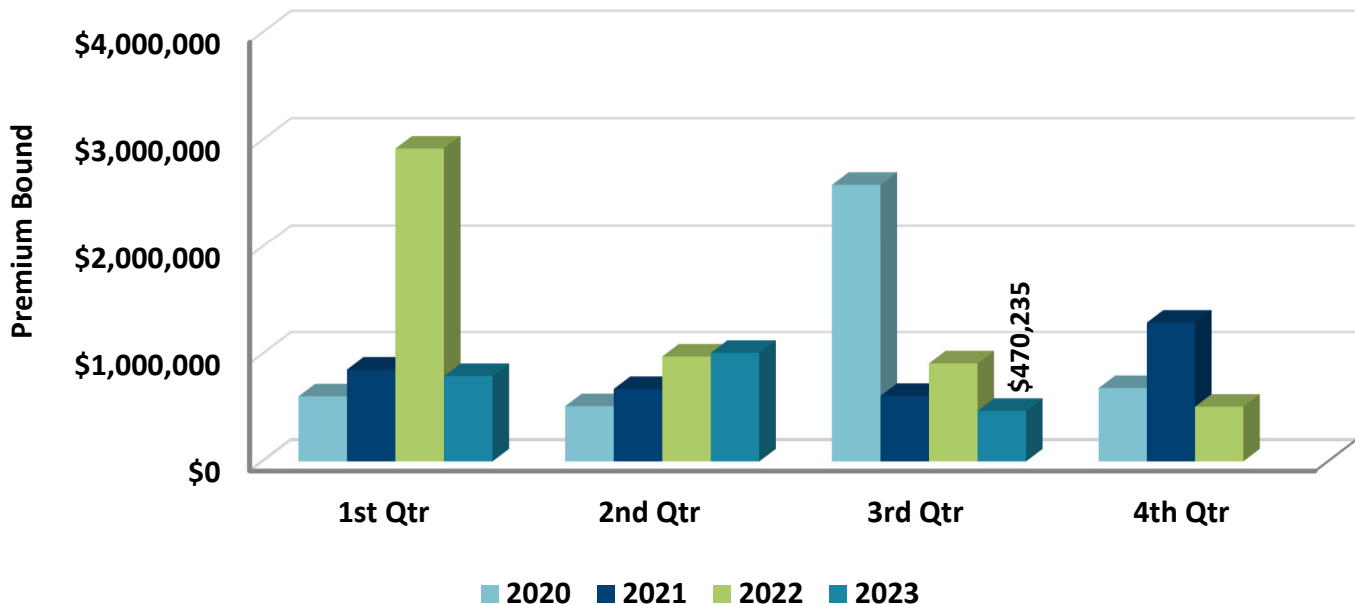
Total Applications Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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



Total Application Premium Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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



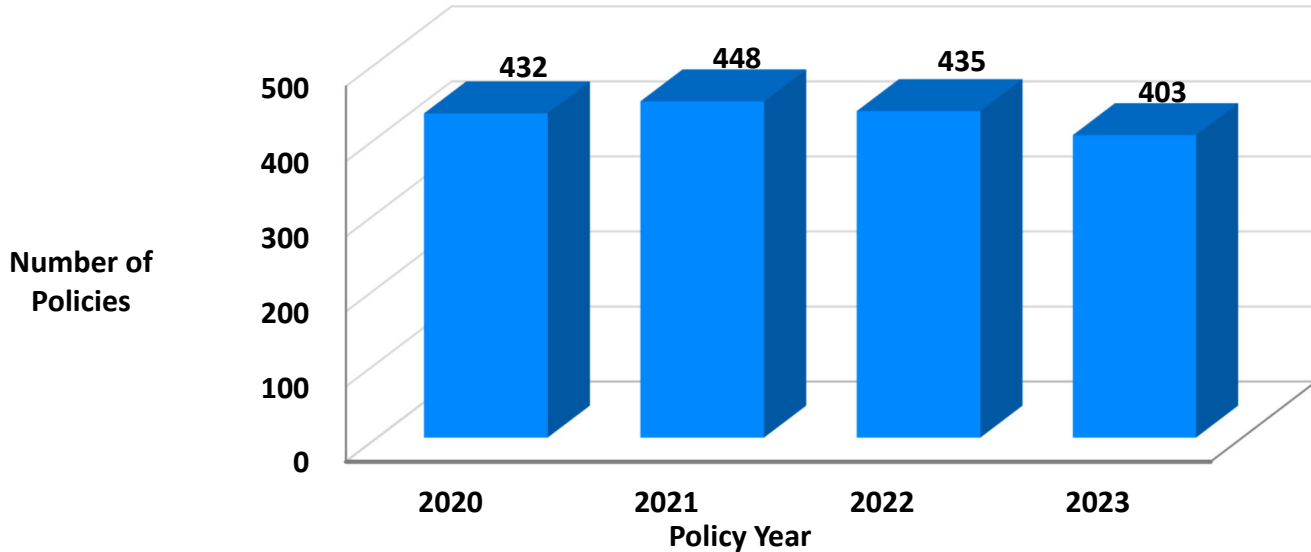


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2023

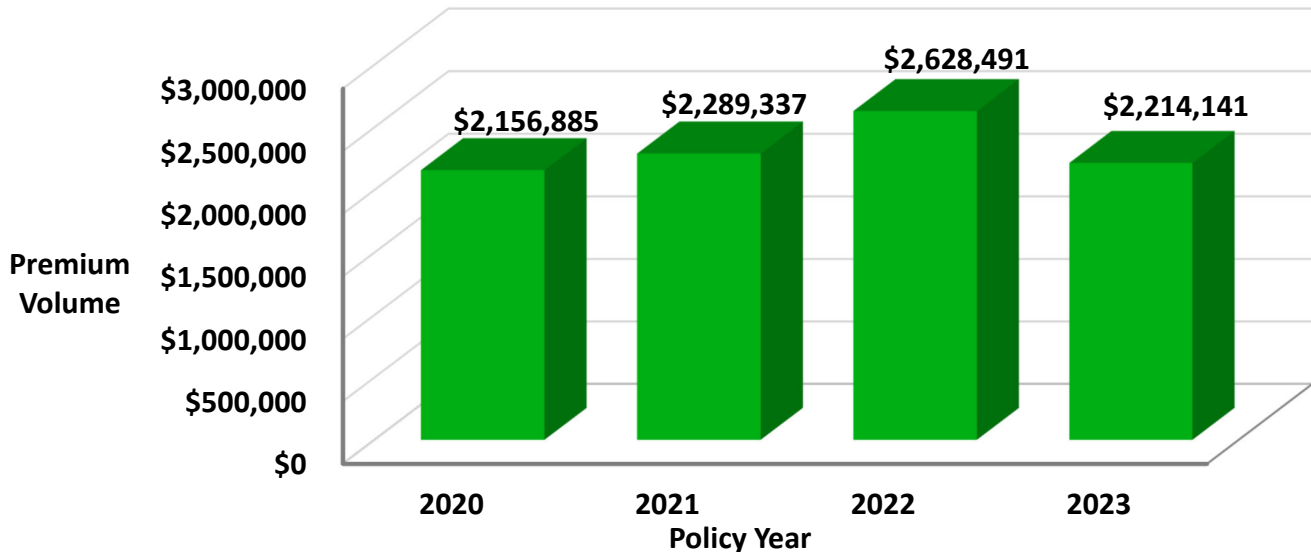
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 2023

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





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Residual Market Demographics

Total Premium Distribution by Size of Risk

Third Quarter Data Reported through September 30, 2023

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	251	62.3	336,417	15.2	1,340
\$2500- \$4999	63	15.6	229,719	10.4	3,646
\$5000- \$9999	41	10.2	291,029	13.1	7,098
\$10000- \$19999	30	7.4	412,969	18.7	13,766
\$20000- \$49999	13	3.2	412,057	18.6	31,697
\$50000- \$99999	3	0.7	186,763	8.4	62,254
\$100000- \$199999	1	0.2	115,590	5.2	115,590
\$2000000+	1	0.2	229,597	10.4	229,597
Total	403	100.0	2,214,141	100.0	5,494

Third Quarter 2022 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	276	63.4	361,738	13.8	1,311
\$2500- \$4999	60	13.8	210,645	8.0	3,511
\$5000- \$9999	49	11.3	356,489	13.6	7,275
\$10000- \$19999	26	6.0	374,743	14.3	14,413
\$20000- \$49999	18	4.1	508,492	19.3	28,250
\$50000- \$99999	3	0.7	213,614	8.1	71,205
\$100000- \$199999	2	0.5	301,734	11.5	150,867
\$2000000+	1	0.2	301,036	11.5	301,036
Total	435	100.0	2,628,491	100.0	6,043



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2023

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	5551 - Roofing-All Kinds & Drivers	62	15.4
2	7711 - Firefighters & Drivers - Volunteer	60	14.9
3	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	39	9.7
4	5474 - Painting NOC & Shop Operations, Drivers	18	4.5
5	7600 - Telecommunications Co. - Cable Tv, or Satellite - All Other Employees & Drivers	11	2.7
6	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	10	2.5
7	5403 - Carpentry NOC	9	2.2
8	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	9	2.2
9	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	9	2.2
10	5606 - Contractor - Project Manager, Construction Executive, Construction Manager, or Construction Superintendent	9	2.2

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2023

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	5551 - Roofing-All Kinds & Drivers	375,109	16.9
2	8292 - Storage Warehouse NOC	245,879	11.1
3	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	136,861	6.2
4	5474 - Painting NOC & Shop Operations, Drivers	134,815	6.1
5	4771 - Explosives Mfg. NOC & Drivers	115,590	5.2
6	7711 - Firefighters & Drivers - Volunteer	99,811	4.5
7	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	67,853	3.1
8	5057 - Iron or Steel: Erection NOC	63,723	2.9
9	7600 - Telecommunications Co. - Cable TV, or Satellite - All Other Employees & Drivers	62,721	2.8
10	1430 - Smelting, Sintering or Refining-Lead-& Drivers	49,813	2.2



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.