



# Alabama Residual Market State Activity Report

Annual 2020



## Executive Summary

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

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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, 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.

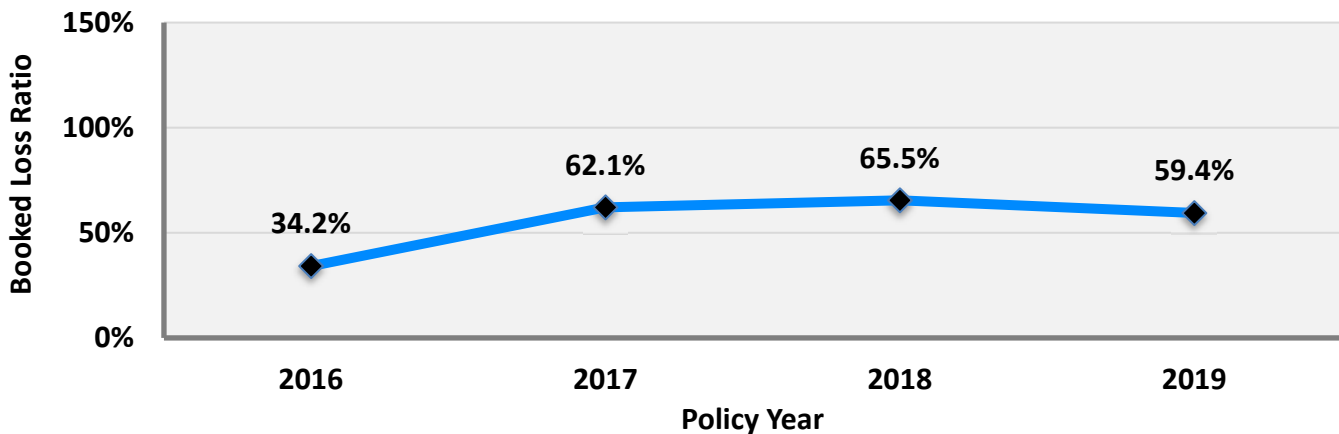
	2020	2019	2020 vs. 2019 #	2020 vs. 2019 %
<b>Policy Count</b>	1,449	1,399	50	3.6%
<b>Premium Volume</b>	\$8,445,617	\$9,511,944	-\$1,066,327	-11.2%



## Residual Market Demographics

### Alabama Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 3rd Quarter 2020 for 2019 and prior years\*

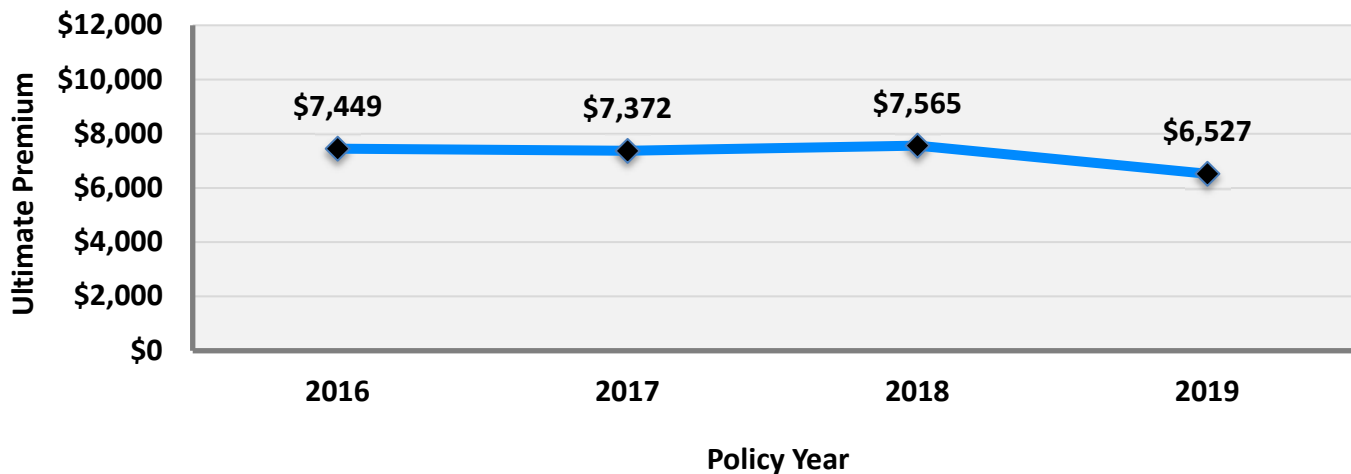
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 3rd 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.



\*4th Quarter 2020 data will be available the end of April 2021 due to the timing of data reporting

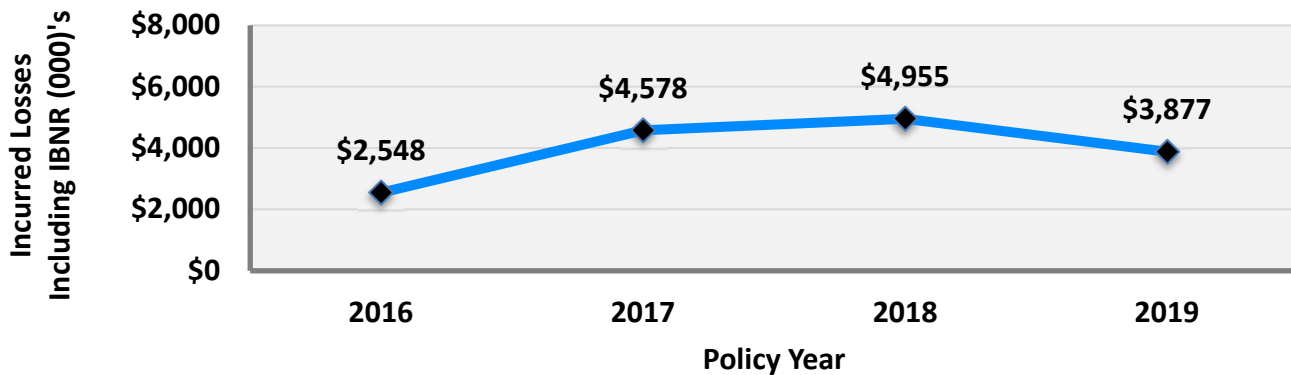


## Residual Market Demographics

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

#### Policy Year Financial Results through 3rd Quarter 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.



### 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 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.



\*4th Quarter 2020 data will be available the end of April 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 Alabama for Policy Years 2016-2020, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 3rd Quarter 2020.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2016	7,906,050	456,835	5.8%
2017	8,172,579	800,799	9.8%
2018	9,325,621	1,773,114	19.0%
2019	6,685,853	*	N/A
2020	4,279,248	*	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, 2020

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 Annual 2020.

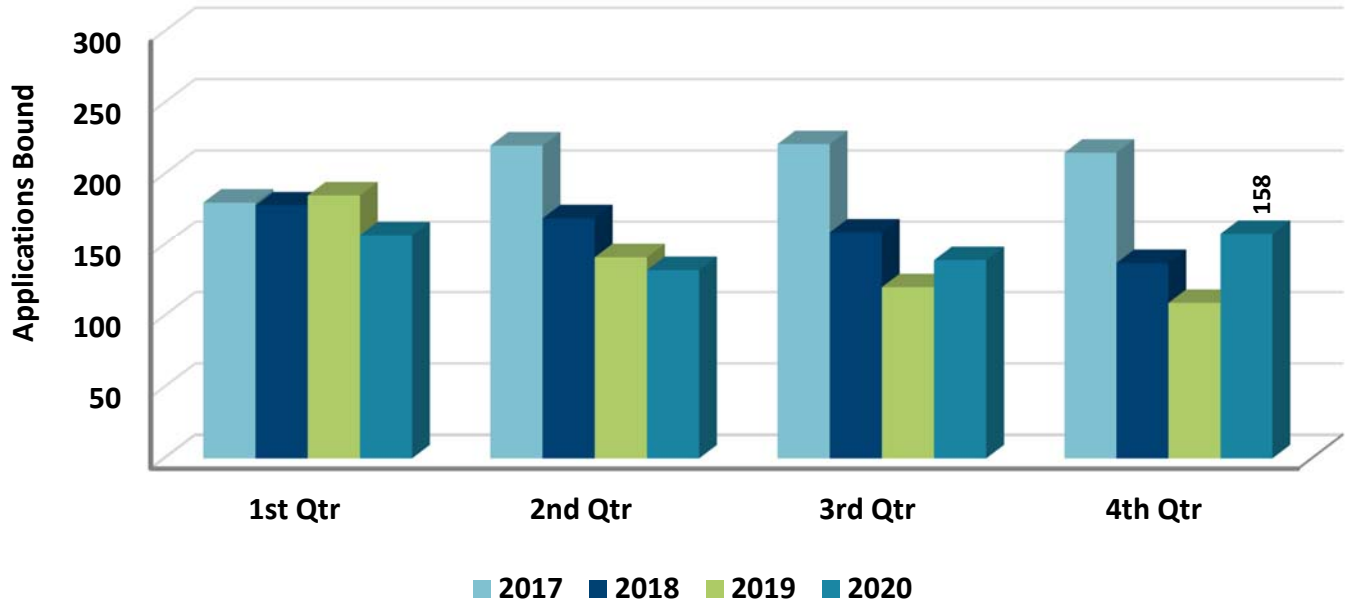
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	645
Number of <b>VCAP<sup>®</sup> Service</b> Matches	433
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	13.16%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	54
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	8.37%
Savings as a % of Redirected Assigned Risk Premium	8.10%



## Residual Market Demographics

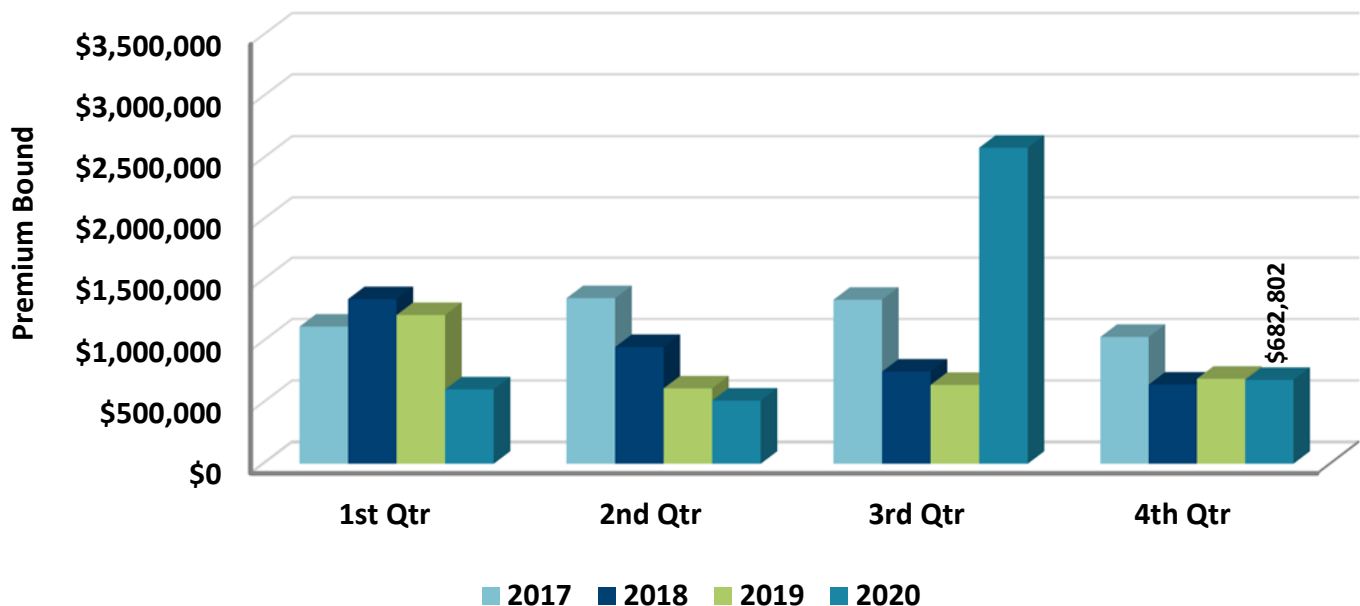
### Total Applications Bound — 2017 vs. 2018 vs. 2019 vs. 2020

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).





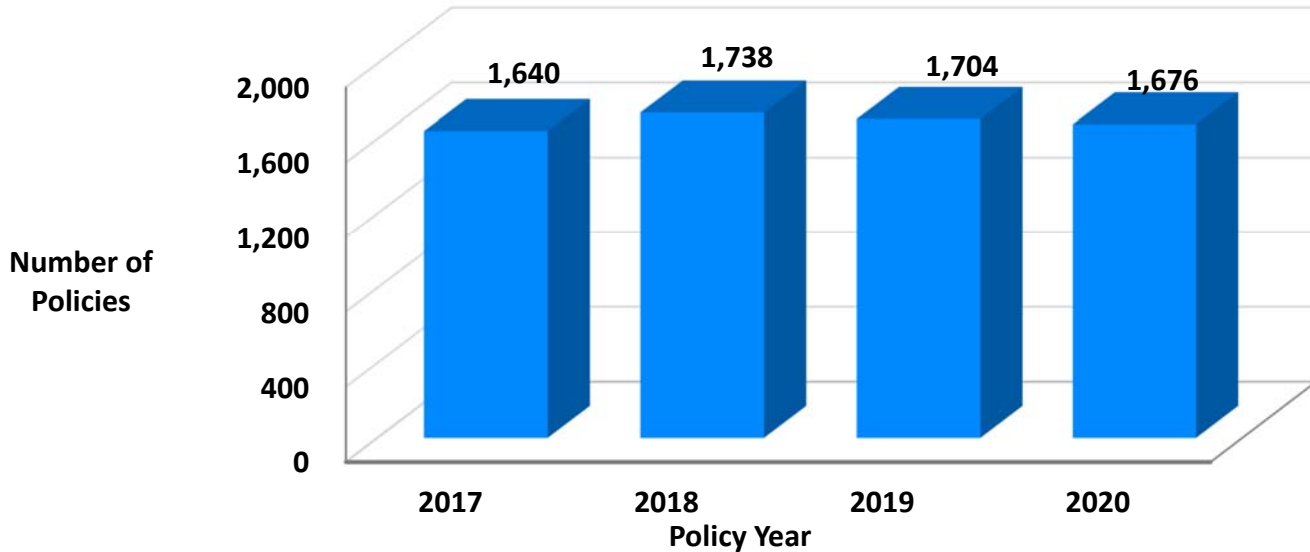


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Annual Data for Policies Reported through December 31, 2020

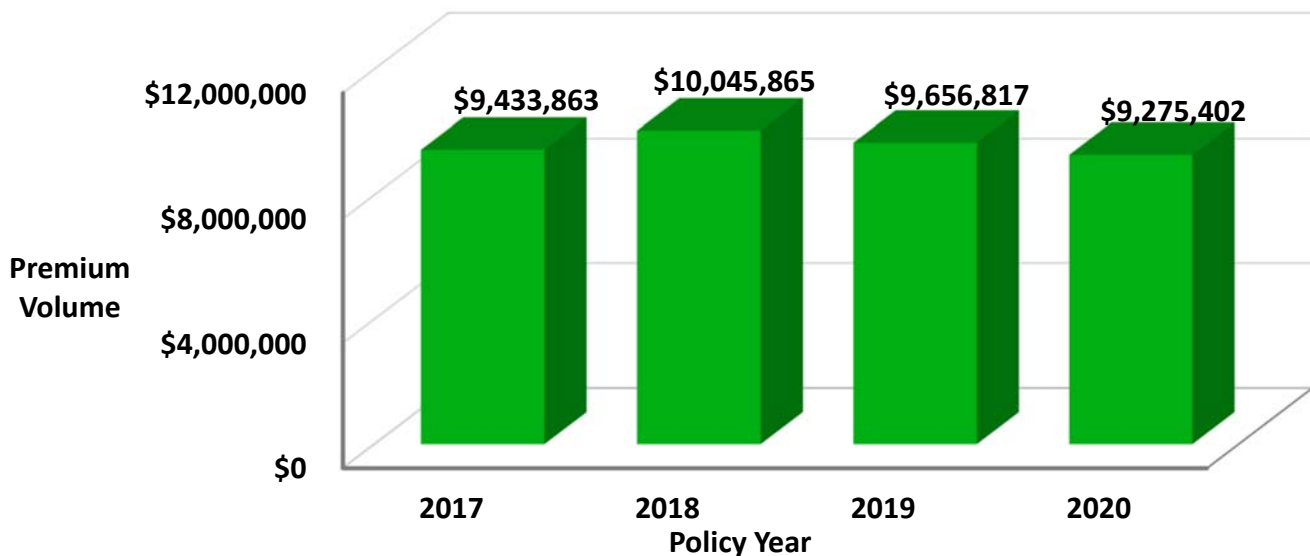
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Annual Data Reported through December 31, 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 Annual Data Reported through December 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	1,113	66.4	1,564,372	16.9	1,406
\$2500–4999	221	13.2	775,980	8.4	3,511
\$5000–9999	172	10.3	1,214,353	13.1	7,060
\$10000–19999	103	6.1	1,477,440	15.9	14,344
\$20000–49999	47	2.8	1,384,533	14.9	29,458
\$50000–99999	14	0.8	1,041,571	11.2	74,398
\$100000–199999	3	0.2	400,861	4.3	133,620
\$200000 +	3	0.2	1,416,292	15.3	472,097
Total	1,676	100.0	9,275,402	100.0	5,534

### Annual 2019 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0–2499	1,133	66.5	1,473,081	15.3	1,300
\$2500–4999	229	13.4	826,700	8.6	3,610
\$5000–9999	148	8.7	1,043,601	10.8	7,051
\$10000–19999	108	6.3	1,502,451	15.6	13,912
\$20000–49999	60	3.5	1,769,249	18.3	29,487
\$50000–99999	13	0.8	1,018,357	10.5	78,335
\$100000–199999	12	0.7	1,787,254	18.5	148,938
\$200000 +	1	0.1	236,124	2.4	236,124
Total	1,704	100.0	9,656,817	100.0	5,667



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 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 and Description	Policy Count	% of Policies
1	7711 - Firefighters & Drivers - Volunteer	218	13.0
2	5551 - Roofing-All Kinds & Drivers	165	9.8
3	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	158	9.4
4	5474 - Painting NOC & Shop Operations, Drivers	68	4.1
5	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	56	3.3
6	7600 - Telecommunications Co. - Cable Tv, Or Satellite - All Other Employees & Drivers	50	3.0
7	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	48	2.9
8	5403 - Carpentry NOC	36	2.1
9	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, Or Cement Board Installation - Within Buildings & Drivers	36	2.1
10	5535 - Sheet Metal Work-Installation & Drivers	36	2.1

### Residual Market Top 10 Classification Codes by Premium Volume Annual Data Reported through December 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 and Description	Premium \$	% of Premium
1	1472 - Distillation-Wood-& Drivers	930,375	10.0
2	5551 - Roofing-All Kinds & Drivers	872,710	9.4
3	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	681,720	7.3
4	7711 - Firefighters & Drivers - Volunteer	425,845	4.6
5	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	417,918	4.5
6	7219 - Trucking - NOC-All Employees & Drivers	407,750	4.4
7	4829 - Chemical Mfg. NOC - All Operations & Drivers - Includes Blending or Mixing	234,152	2.5
8	3612 - Pump Mfg.	232,025	2.5
9	5474 - Painting NOC & Shop Operations, Drivers	212,389	2.3
10	8864 - Social Service Organization - All Employees & Salespersons, Drivers	210,140	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<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.