



Alabama Residual Market State Activity Report

Annual 2021



Executive Summary

NCCI, as Pool and Plan Administrator of the Alabama Workers Compensation Insurance Plan, is pleased to provide the Annual 2021 *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, 2021—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.

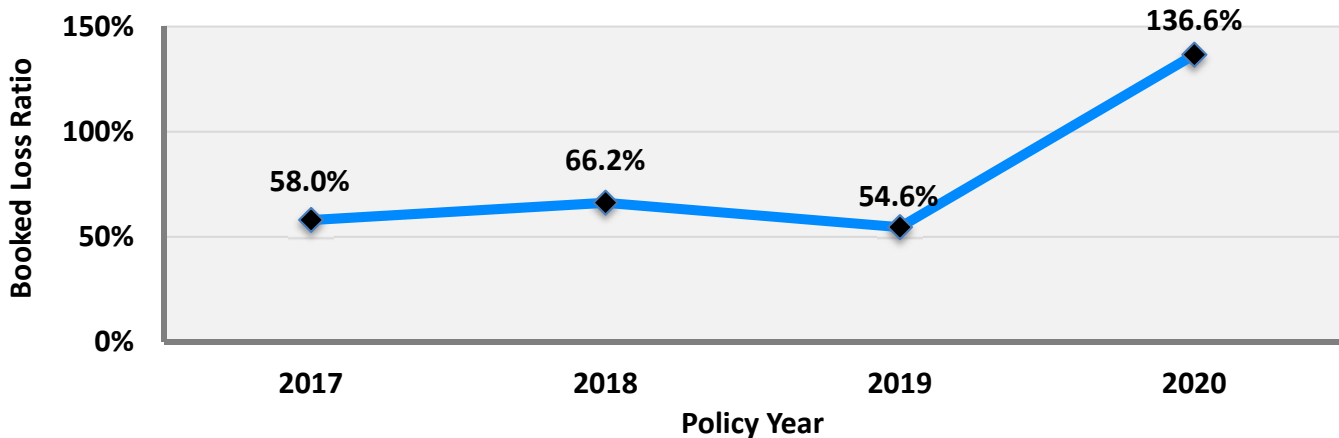
	2021	2020	2021 vs. 2020 #	2021 vs. 2020 %
Policy Count	1,400	1,459	-59	-4.0%
Premium Volume	\$7,873,754	\$7,833,149	\$40,605	0.5%



Residual Market Demographics

Alabama Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 3rd Quarter 2021 for 2020 and prior years*

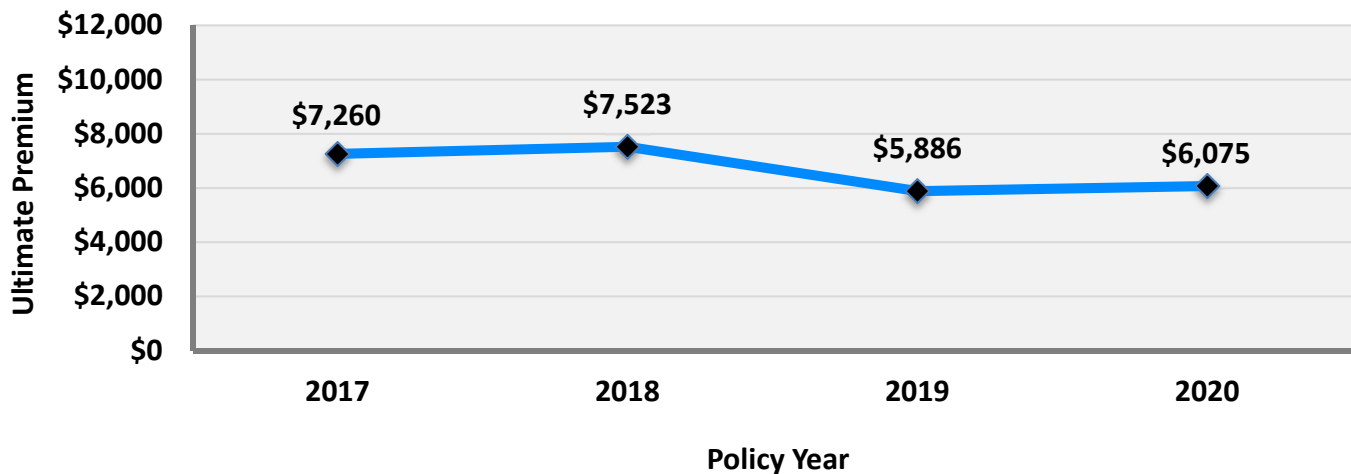
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 3rd Quarter 2021 for 2020 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 2021 data will be available the end of April 2022 due to the timing of data reporting

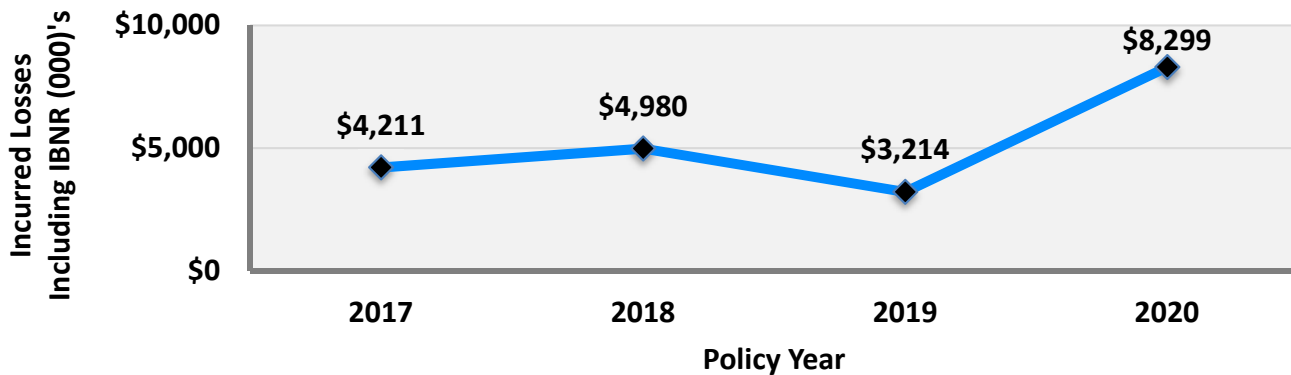


Residual Market Demographics

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

Policy Year Financial Results through 3rd Quarter 2021 for 2020 and prior years*

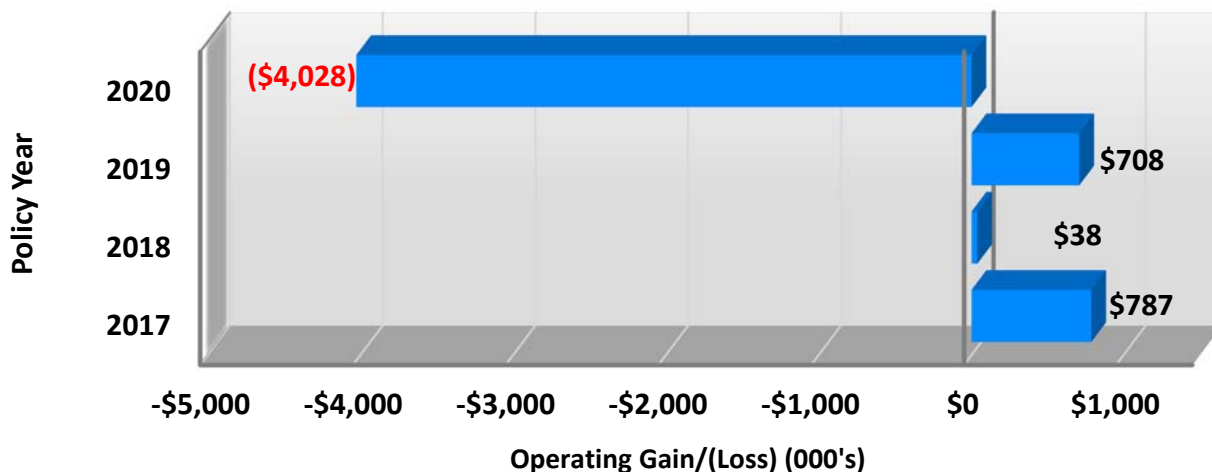
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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 2021 for 2020 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 2021 data will be available the end of April 2022 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 2017-2021, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 3rd Quarter 2021.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2017	8,181,951	921,628	11.3%
2018	9,058,406	1,535,682	17.0%
2019	6,861,418	981,454	14.3%
2020	6,791,683	--	--
2021	4,724,806	--	--

* 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, 2021

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 2021.

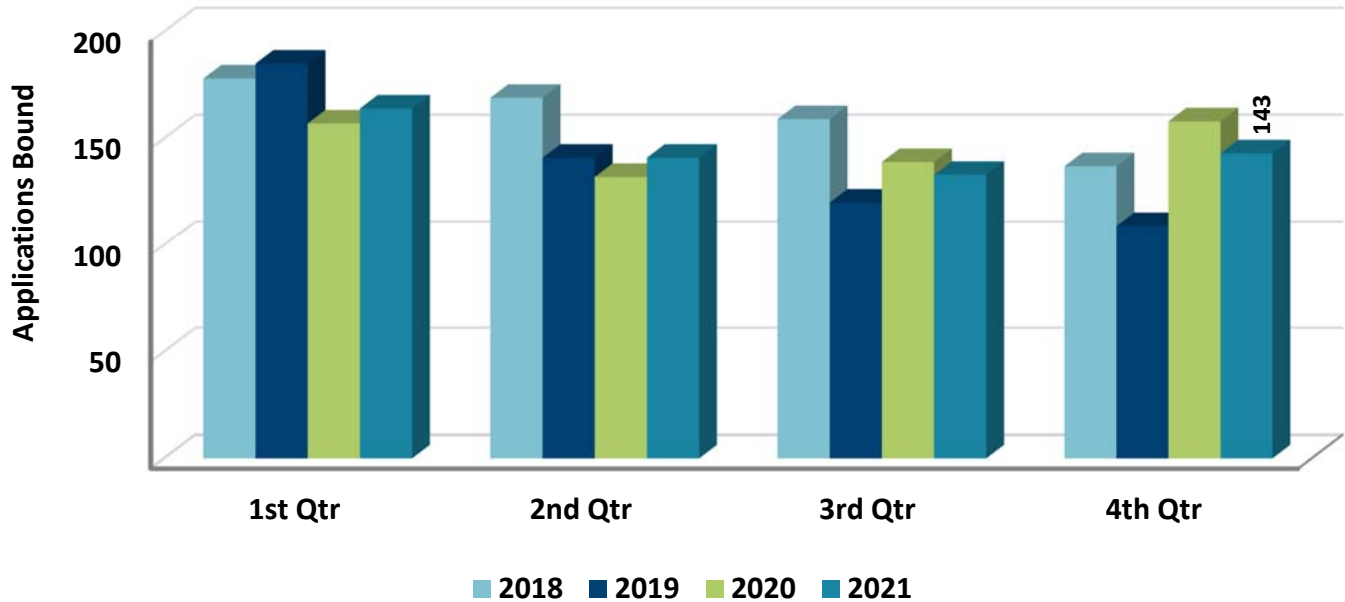
Number of Applications Reviewed by VCAP[®] Service	630
Number of VCAP[®] Service Matches	414
VCAP[®] Service Offers as a % of Matches	11.84%
Number of Confirmed VCAP[®] Service Policies	49
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	7.78%
Savings as a % of Redirected Assigned Risk Premium	11.14%



Residual Market Demographics

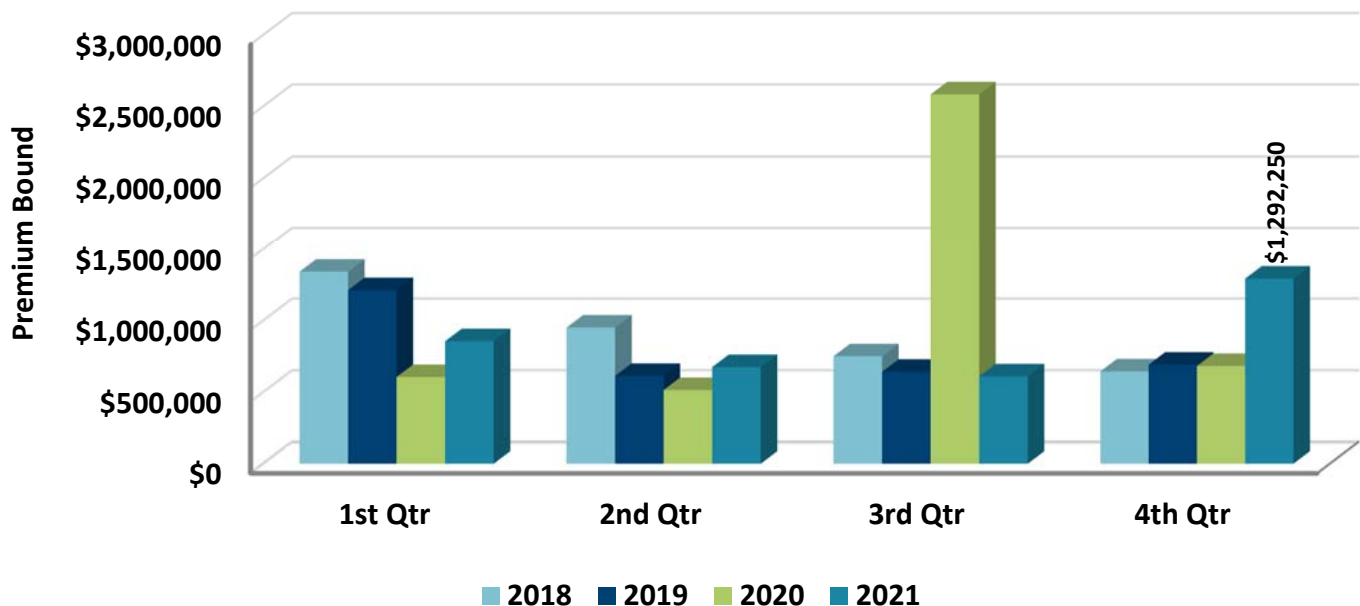
Total Applications Bound — 2018 vs. 2019 vs. 2020 vs. 2021

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 — 2018 vs. 2019 vs. 2020 vs. 2021

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).



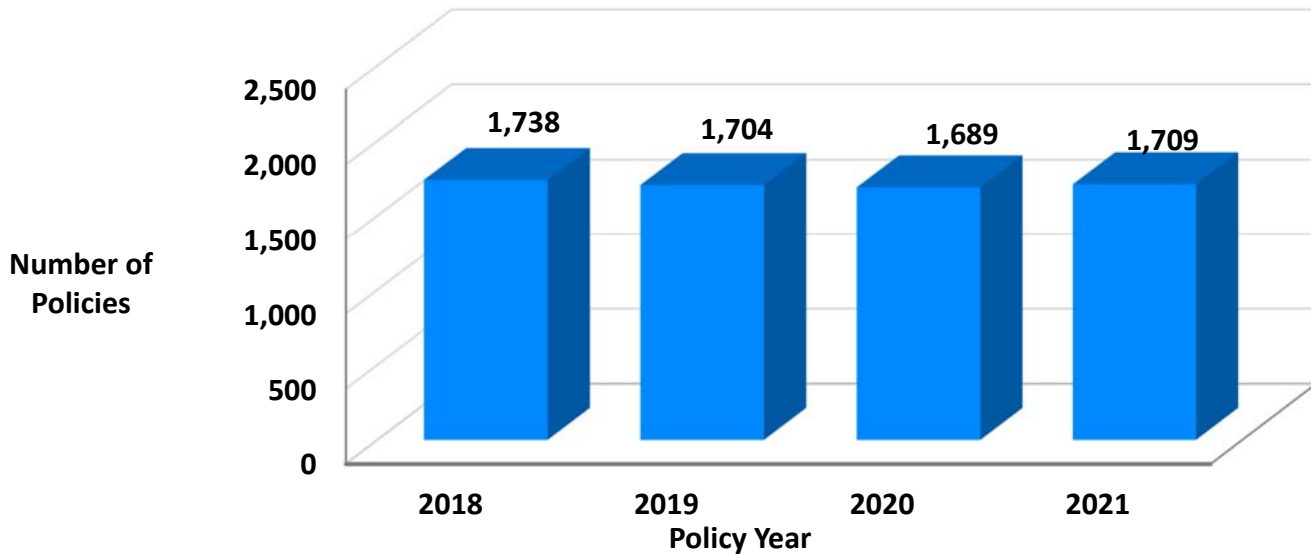


Residual Market Demographics

Residual Market Total Policy Counts

Annual Data for Policies Reported through December 31, 2021

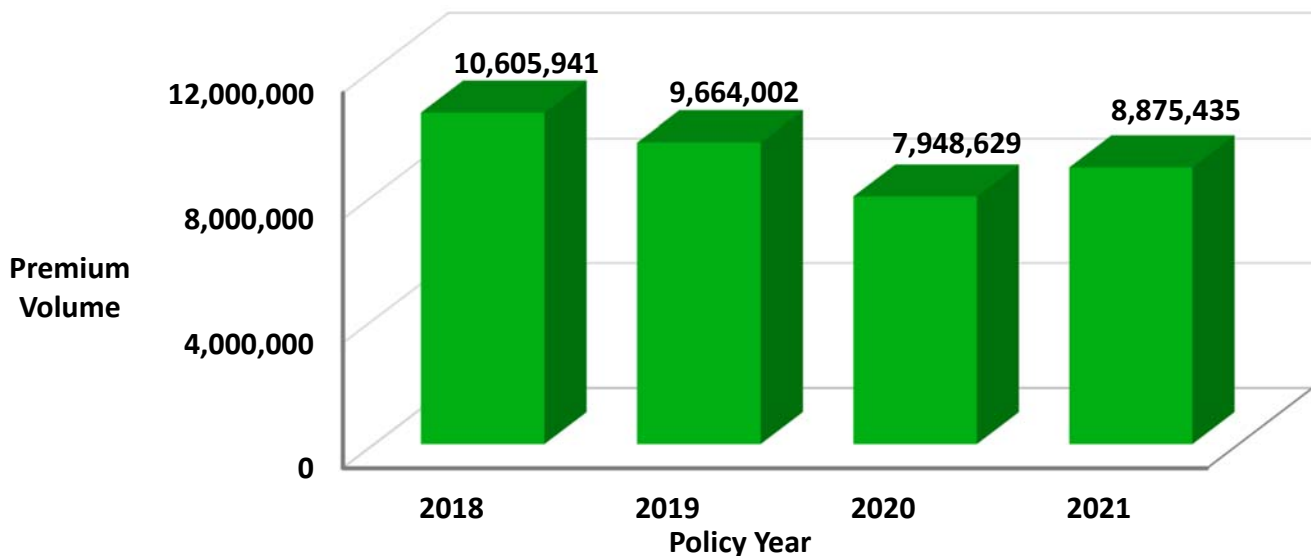
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Annual Data Reported through December 31, 2021

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, 2021

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	1,148	67.2	1,518,327	17.1	1,323
\$2500- \$4999	213	12.5	745,011	8.4	3,498
\$5000- \$9999	152	8.9	1,066,969	12.0	7,020
\$10000- \$19999	104	6.1	1,458,019	16.4	14,019
\$20000- \$49999	67	3.9	2,015,395	22.7	30,081
\$50000- \$99999	19	1.1	1,254,775	14.1	66,041
\$100000- \$199999	6	0.4	816,939	9.2	136,157
\$2000000+	0	0.0	0	0.0	0
Total	1,709	100.0	8,875,435	100.0	5,193

Annual 2020 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	1,137	67.3	1,531,213	19.3	1,347
\$2500- \$4999	225	13.3	797,544	10.0	3,545
\$5000- \$9999	166	9.8	1,158,410	14.6	6,978
\$10000- \$19999	98	5.8	1,393,771	17.5	14,222
\$20000- \$49999	46	2.7	1,317,384	16.6	28,639
\$50000- \$99999	12	0.7	899,320	11.3	74,943
\$100000- \$199999	4	0.2	618,962	7.8	154,741
\$2000000+	1	0.1	232,025	2.9	232,025
Total	1,689	100.0	7,948,629	100.0	4,706



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 31, 2021

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	201	11.8
2	5551 - Roofing-All Kinds & Drivers	197	11.5
3	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	160	9.4
4	5474 - Painting NOC & Shop Operations, Drivers	57	3.3
5	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	54	3.2
6	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	53	3.1
7	7600 - Telecommunications Co. - Cable Tv, Or Satellite - All Other Employees & Drivers	45	2.6
8	7219 - Trucking - NOC-All Employees & Drivers	44	2.6
9	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	40	2.3
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, 2021

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	976,603	11.0
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	580,296	6.5
3	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	437,005	4.9
4	7711 - Firefighters & Drivers - Volunteer	434,600	4.9
5	7600 - Telecommunications Co. - Cable Tv, Or Satellite - All Other Employees & Drivers	258,038	2.9
6	8864 - Social Service Organization - All Employees & Salespersons, Drivers	230,412	2.6
7	4829 - Chemical Mfg. NOC - All Operations & Drivers - Includes Blending or Mixing	212,549	2.4
8	5403 - Carpentry NOC	211,910	2.4
9	6217 - Excavation & Drivers	191,082	2.2
10	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	171,066	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.