



Arkansas Residual Market State Activity Report

First Quarter 2023



Executive Summary

NCCI, as Pool and Plan Administrator of the Arkansas Workers Compensation Insurance Plan, is pleased to provide the First Quarter 2023 *Arkansas 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 Arkansas 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 March 31, 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	5,148	5,361	-213	-4.0%
Premium Volume	\$18,704,885	\$19,527,517	-\$822,632	-4.2%

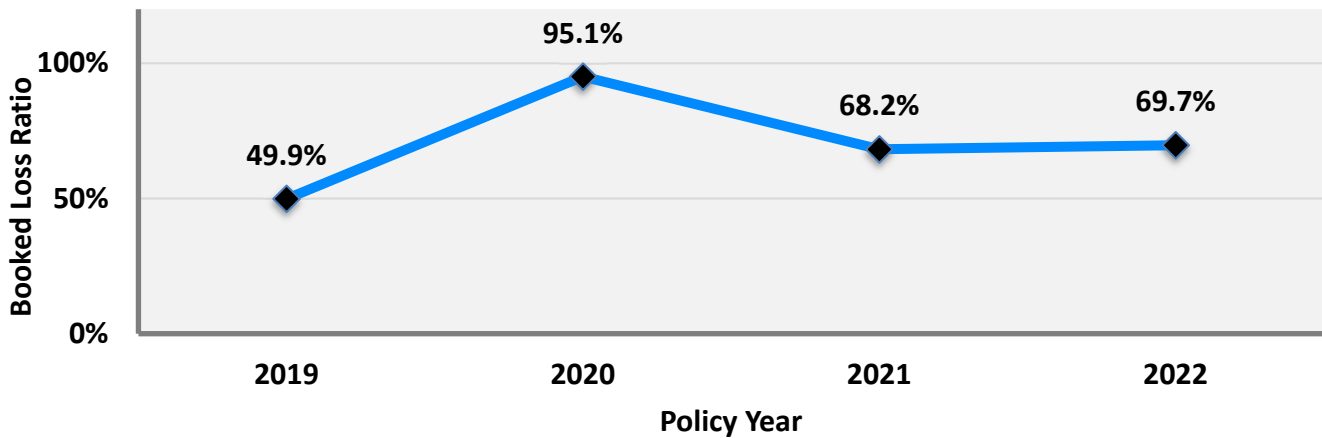


Residual Market Demographics

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

Policy Year Financial Results through 4th Quarter 2022 for 2022 and prior years*

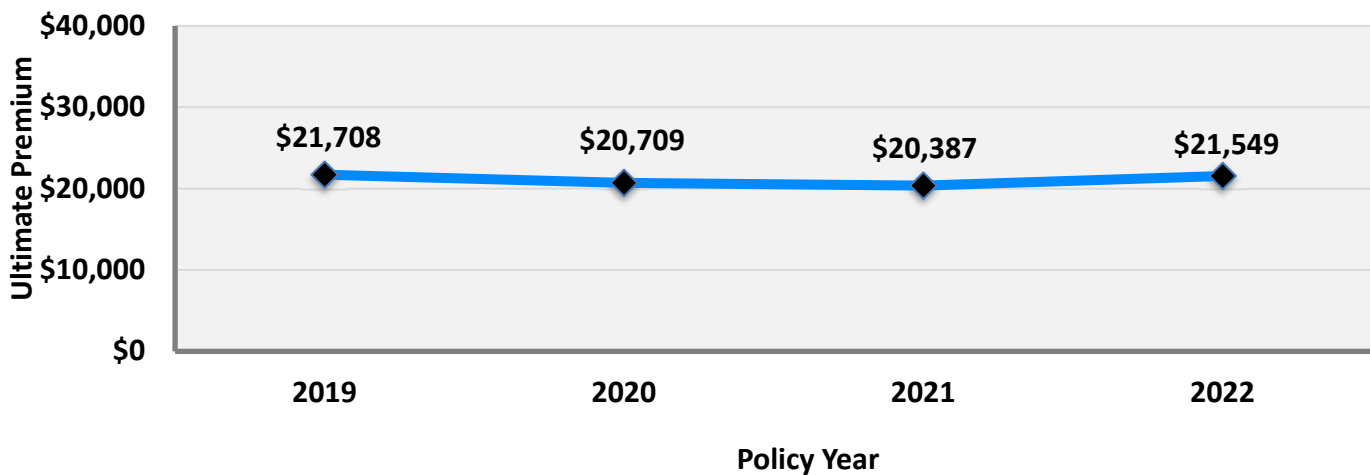
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 4th Quarter 2022 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.



*1st Quarter 2023 data will be available the end of July 2023 due to the timing of data reporting

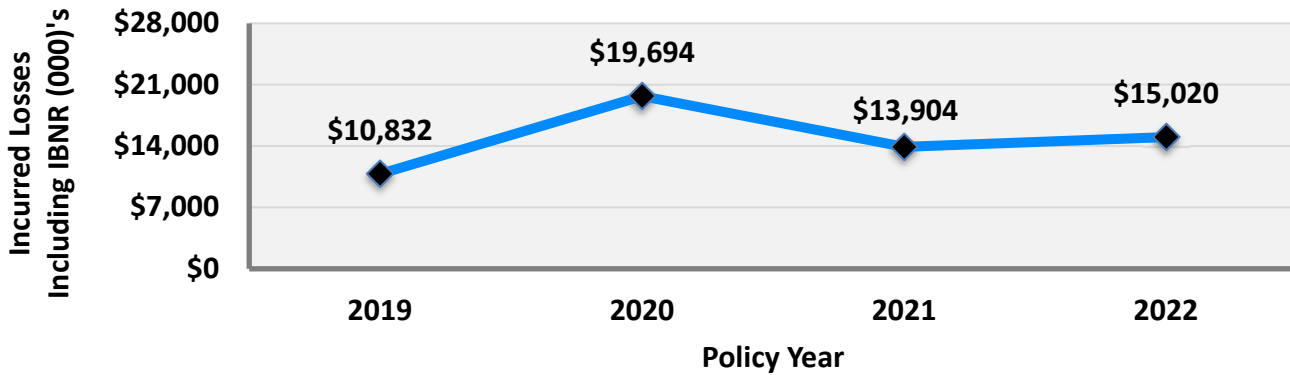


Residual Market Demographics

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

Policy Year Financial Results through 4th Quarter 2022 for 2022 and prior years*

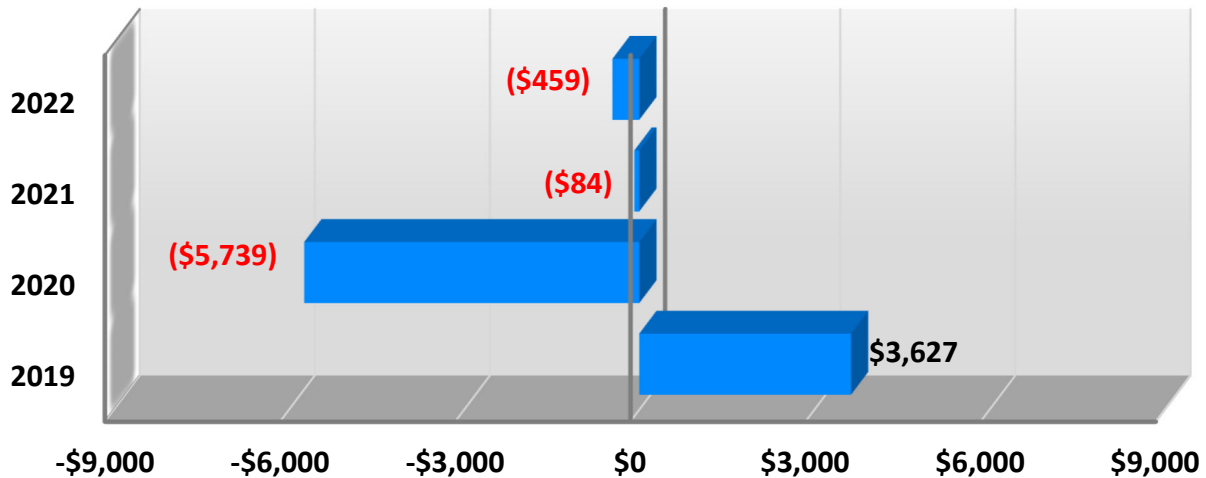
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 4th Quarter 2022 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.



*1st Quarter 2023 data will be available the end of July 2023 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 Arkansas for Policy Years 2018-2022, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 4th Quarter 2022.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2018	23,794,149	734,627	3.1%
2019	23,126,831	1,419,258	6.1%
2020	21,849,282	1,140,145	5.2%
2021	21,926,210	--	--
2022	20,043,258	--	--

* 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, 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 First Quarter 2023.

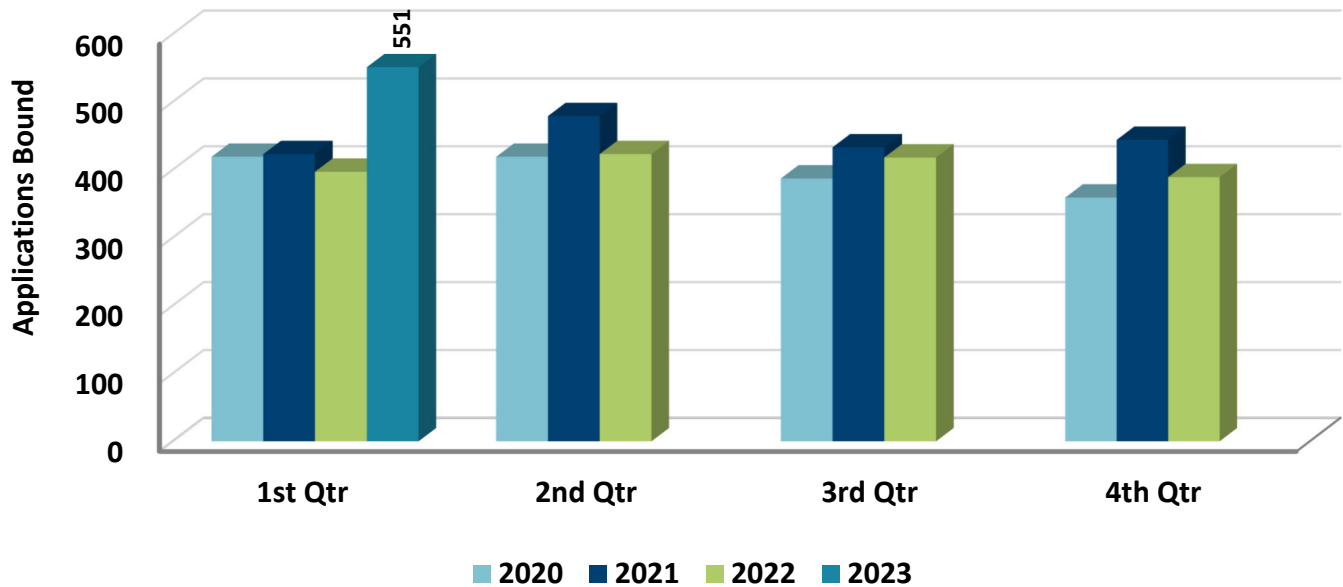
Number of Applications Reviewed by VCAP[®] Service	671
Number of VCAP[®] Service Matches	660
VCAP[®] Service Offers as a % of Matches	16.36%
Number of Confirmed VCAP[®] Service Policies	106
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	15.80%
Savings as a % of Redirected Assigned Risk Premium	8.34%



Residual Market Demographics

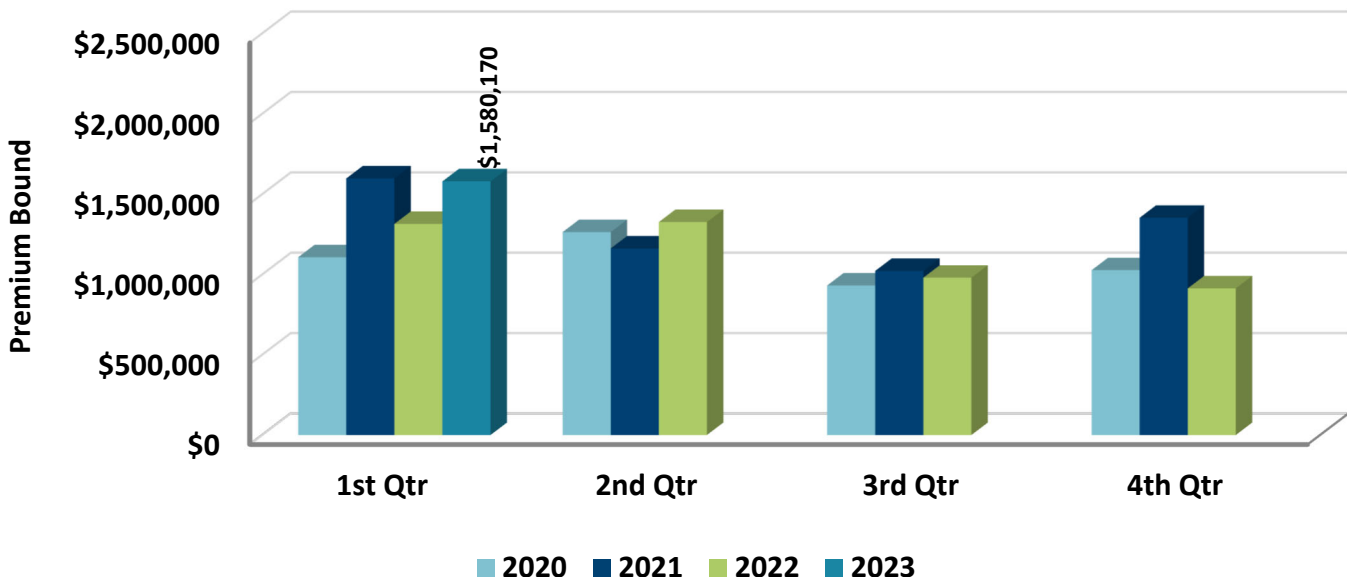
Total Applications Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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).



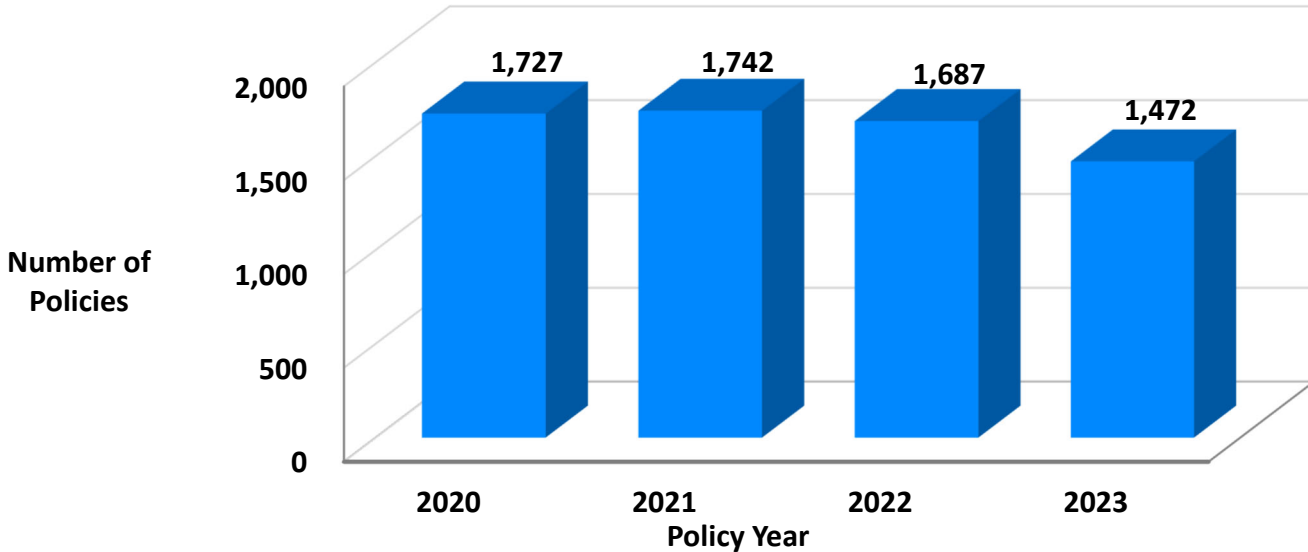


Residual Market Demographics

Residual Market Total Policy Counts

First Quarter Data for Policies Reported through March 31, 2023

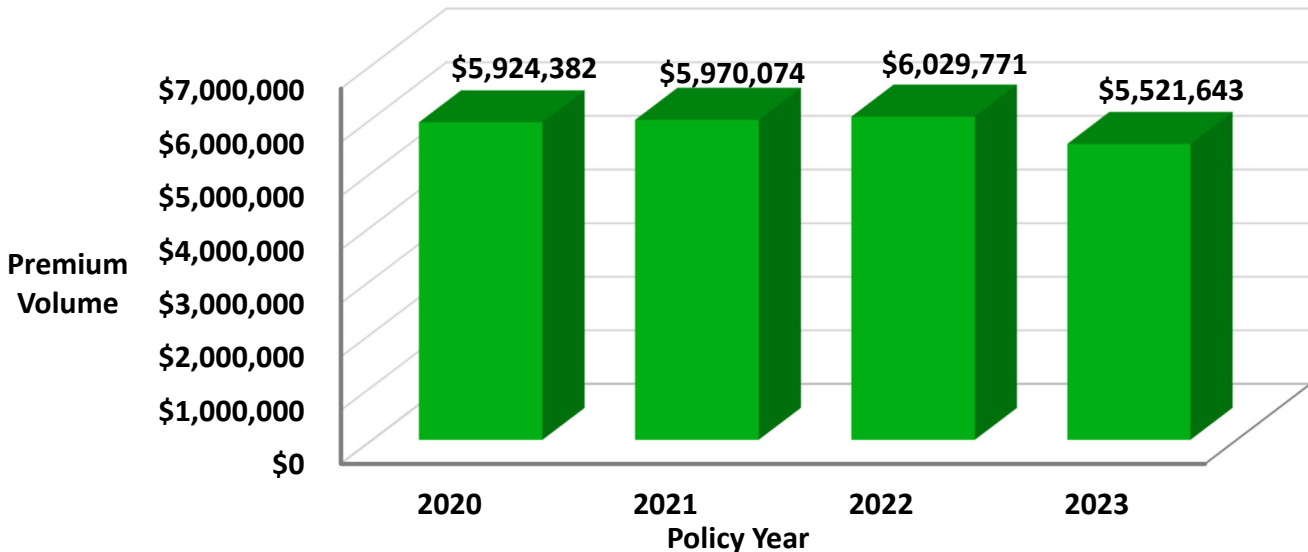
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

First Quarter Data Reported through March 31, 2023

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, 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	968	65.8	1,172,491	21.2	1,211
\$2500- \$4999	274	18.6	967,151	17.5	3,530
\$5000- \$9999	130	8.8	870,068	15.8	6,693
\$10000- \$19999	63	4.3	857,903	15.5	13,618
\$20000- \$49999	32	2.2	994,170	18.0	31,068
\$50000- \$99999	2	0.1	158,707	2.9	79,354
\$100000- \$199999	2	0.1	255,752	4.6	127,876
\$2000000+	1	0.1	245,401	4.4	245,401
Total	1,472	100.0	5,521,643	100.0	3,751

First Quarter 2022 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	1,163	68.9	1,206,662	20.0	1,038
\$2500- \$4999	273	16.2	980,858	16.3	3,593
\$5000- \$9999	148	8.8	1,024,230	17.0	6,920
\$10000- \$19999	58	3.4	807,117	13.4	13,916
\$20000- \$49999	35	2.1	1,035,912	17.2	29,597
\$50000- \$99999	6	0.4	369,955	6.1	61,659
\$100000- \$199999	3	0.2	393,772	6.5	131,257
\$2000000+	1	0.1	211,265	3.5	211,265
Total	1,687	100.0	6,029,771	100.0	3,574



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count First Quarter Data Reported through March 31, 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	5645 - Carpentry Construction Of Residential Dwellings Not Exceeding Three Stories in Height	264	17.9
2	5551 - Roofing-All Kinds & Drivers	153	10.4
3	0037 - Farm: Field Crops & Drivers	62	4.2
4	6217 - Excavation & Drivers	46	3.1
5	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	45	3.1
6	5474 - Painting NOC & Shop Operations, Drivers	40	2.7
7	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	35	2.4
8	5403 - Carpentry NOC	34	2.3
9	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	34	2.3
10	5606 - Contractor - Project Manager, Construction Executive, Construction Manager, or Construction Superintendent	33	2.2

Residual Market Top 10 Classification Codes by Premium Volume First Quarter Data Reported through March 31, 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	5645 - Carpentry Construction Of Residential Dwellings Not Exceeding Three Stories in Height	620,359	11.2
2	5551 - Roofing-All Kinds & Drivers	560,756	10.2
3	0037 - Farm: Field Crops & Drivers	299,894	5.4
4	5403 - Carpentry NOC	268,660	4.9
5	4771 - Explosives or Ammunition Mfg. NOC & Drivers	250,020	4.5
6	7219 - Trucking - NOC-All Employees & Drivers	243,219	4.4
7	8227 - Construction or Erection Permanent Yard	151,748	2.7
8	3724 - Machinery or Equipment Erection or Repair NOC & Drivers	95,151	1.7
9	5059 - Iron or Steel: Erection-Frame Structures Not Over Two Stories in Height	92,509	1.7
10	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	90,363	1.6



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.