



# Arkansas Residual Market State Activity Report

Annual 2018



## Executive Summary

NCCI, as Pool and Plan Administrator of the Arkansas Workers Compensation Insurance Plan, is pleased to provide the Annual 2018 *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:

## Table of Contents

Residual Market Demographics	
Residual Market Total Policies and Premium in Force .....	1
Arkansas Residual Market Reinsurance Pool Booked Loss Ratio.....	2
Arkansas Residual Market Reinsurance Pool Ultimate Net Written Premium.....	2
Arkansas Residual Market Reinsurance Pool Net Operating Results .....	3
Collections/Indemnification.....	4
Voluntary Coverage Assistance Program.....	5
Total Applications Bound .....	6
Total Application Premium Bound.....	6
Residual Market Total Policy Counts .....	7
Residual Market Total Premium Volume.....	7
Total Premium Distribution by Size of Risk.....	8
Residual Market Top 10 Classification Codes by Policy Count .....	9
Residual Market Top 10 Classification Codes by Premium Volume .....	9
Glossary of Terms.....	10

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, 2018—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.

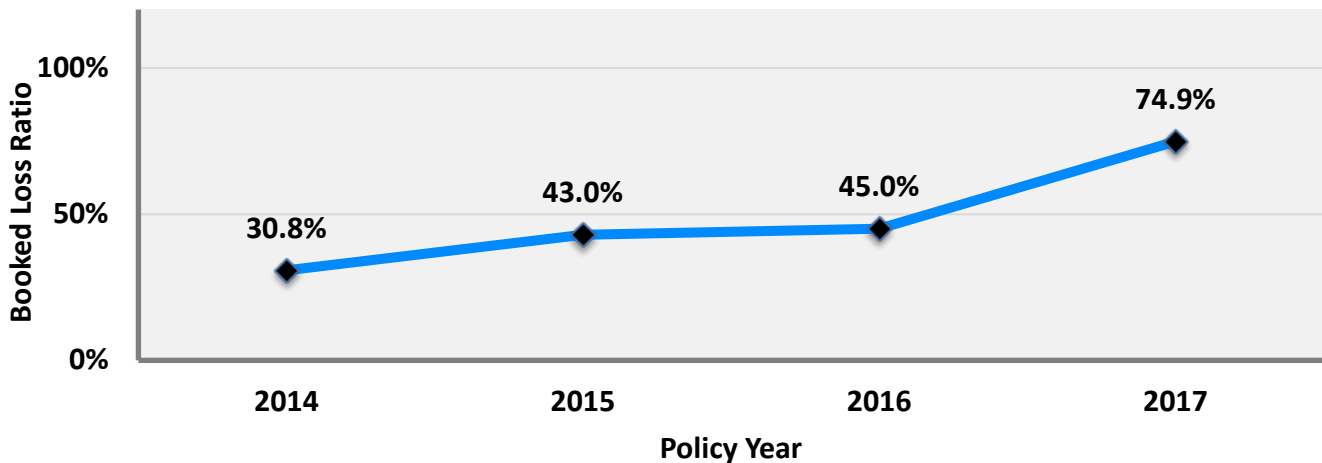
	2018	2017	2018 vs. 2017 #	2018 vs. 2017 %
<b>Policy Count</b>	6,671	6,729	-58	-0.9%
<b>Premium Volume</b>	\$22,311,157	\$22,938,148	-\$626,991	-2.7%



## Residual Market Demographics

### Arkansas Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 3rd Quarter 2018 for 2017 and prior years\*

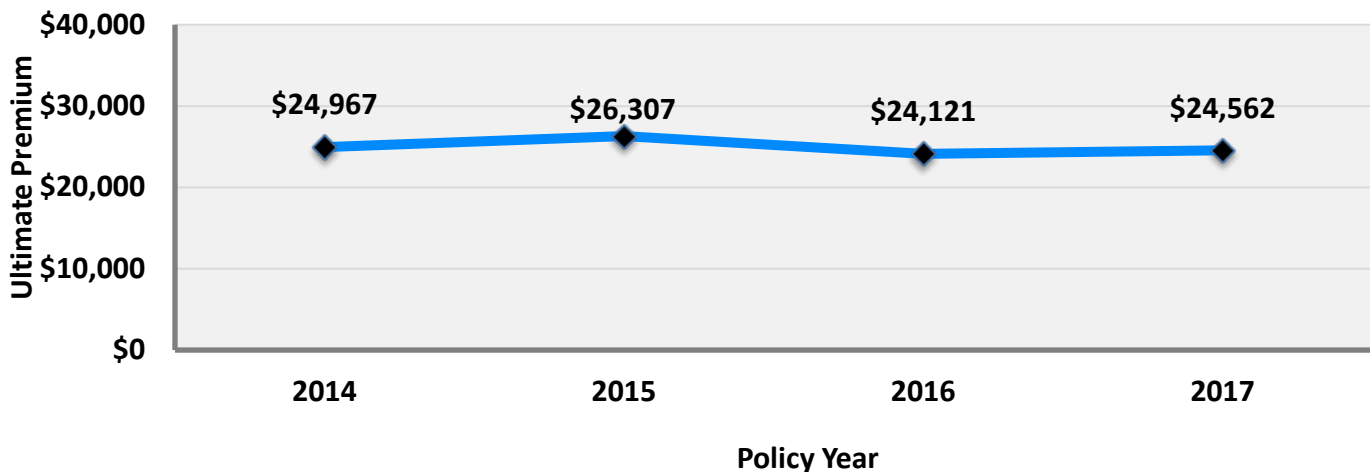
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 3rd Quarter 2018 for 2017 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 2018 data will be available the end of April 2019 due to the timing of data reporting

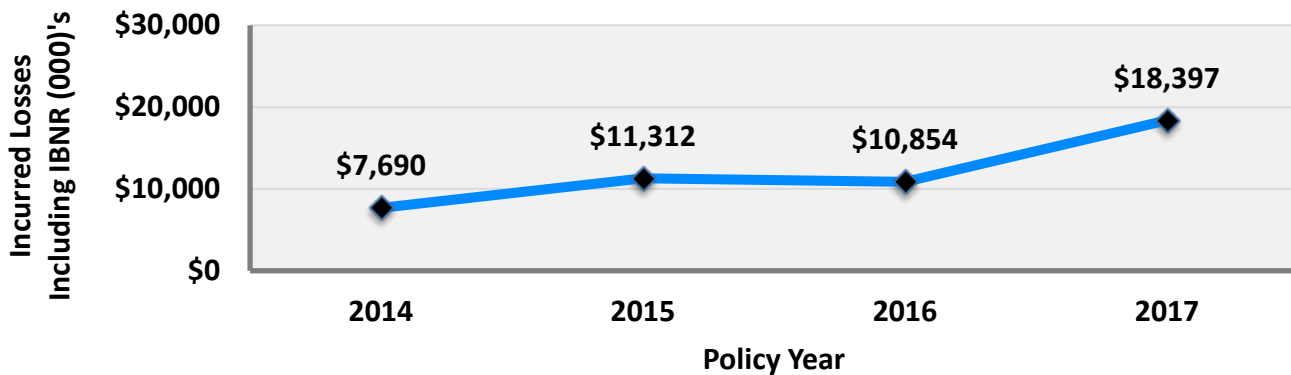


## Residual Market Demographics

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

#### Policy Year Financial Results through 3rd Quarter 2018 for 2017 and prior years\*

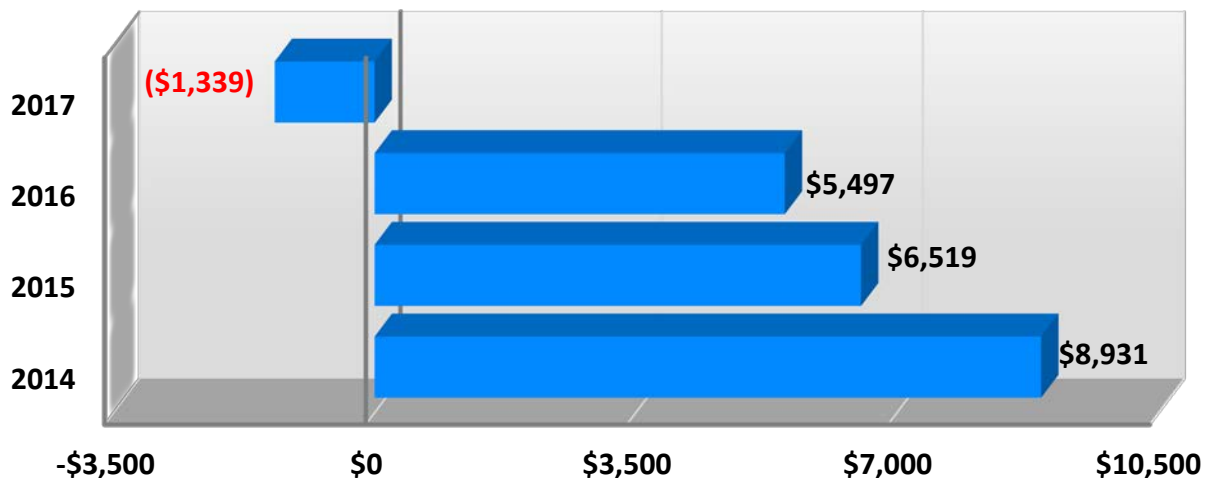
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

#### Policy Year Financial Results through 3rd Quarter 2018 for 2017 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 2018 data will be available the end of April 2019 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 2014-2018, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 3rd Quarter 2018.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2014	\$25,336,795	\$369,625	1.5%
2015	\$26,817,418	\$509,990	1.9%
2016	\$24,750,422	\$641,286	2.6%
2017	\$25,393,857	*	N/A
2018	\$16,340,313	*	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, 2018

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 2018.

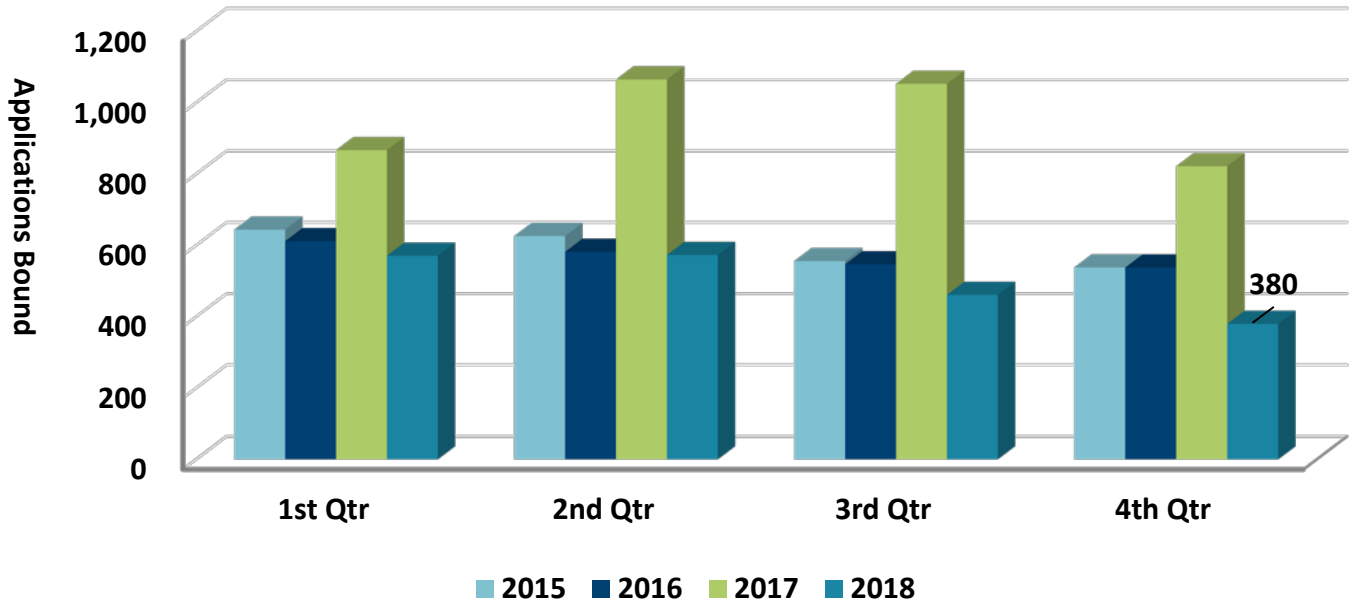
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	2,192
Number of <b>VCAP<sup>®</sup> Service</b> Matches	1,802
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	11.93%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	202
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	9.22%
Savings as a % of Redirected Assigned Risk Premium	6.95%



## Residual Market Demographics

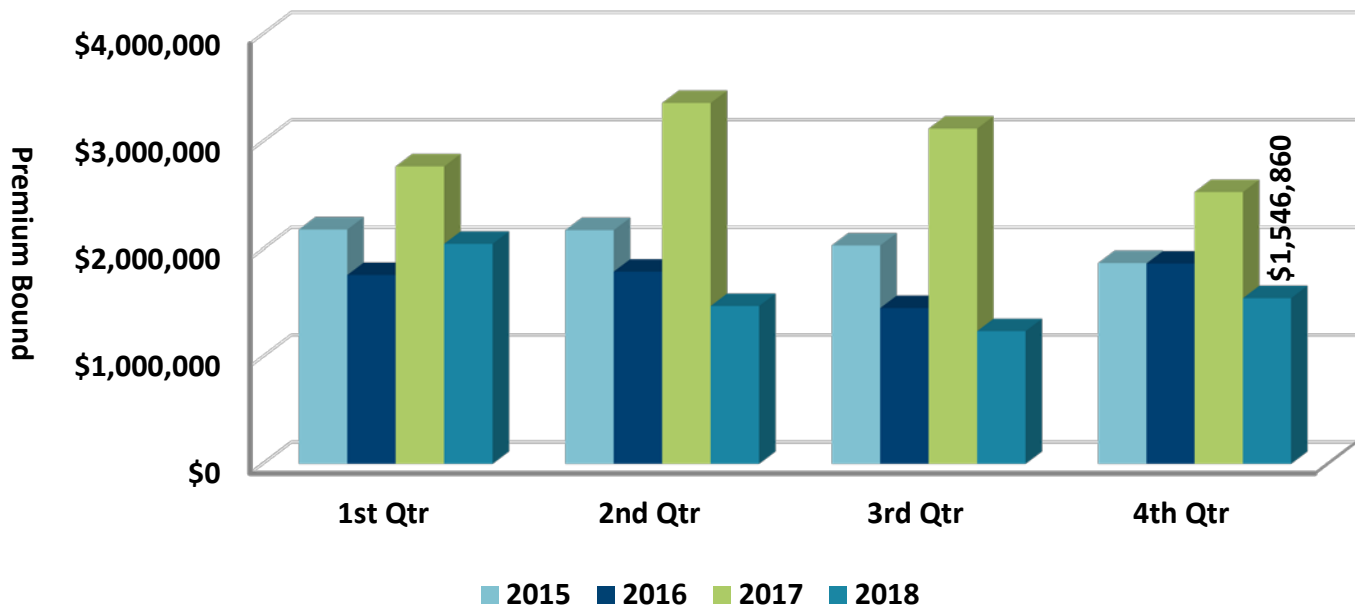
### Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

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 — 2015 vs. 2016 vs. 2017 vs. 2018

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).





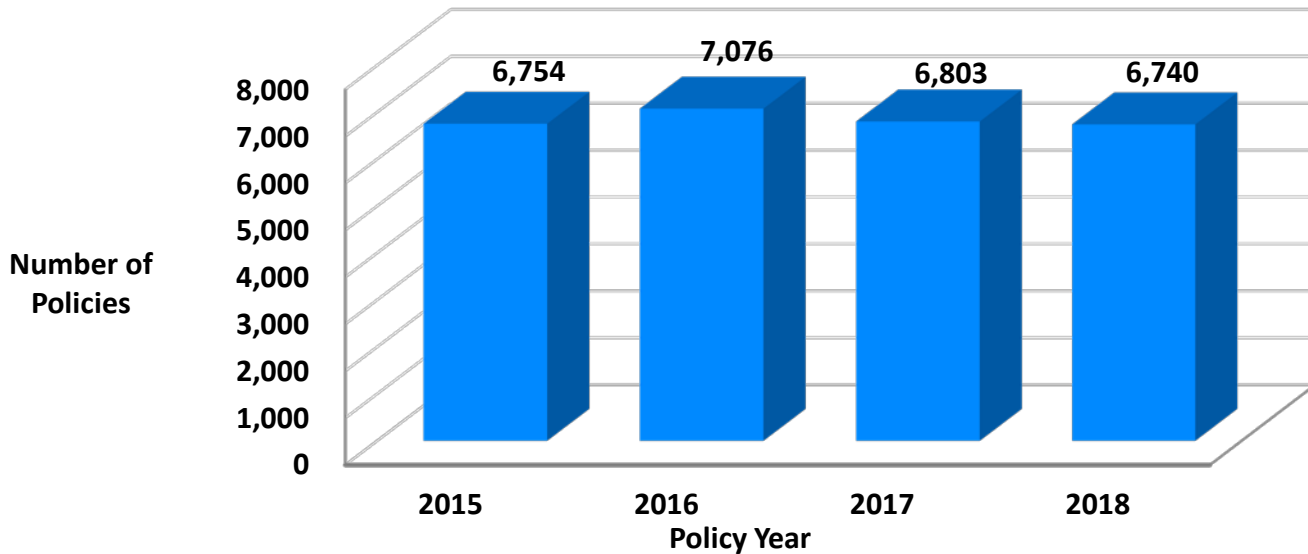


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Annual Data for Policies Reported through December 31, 2018

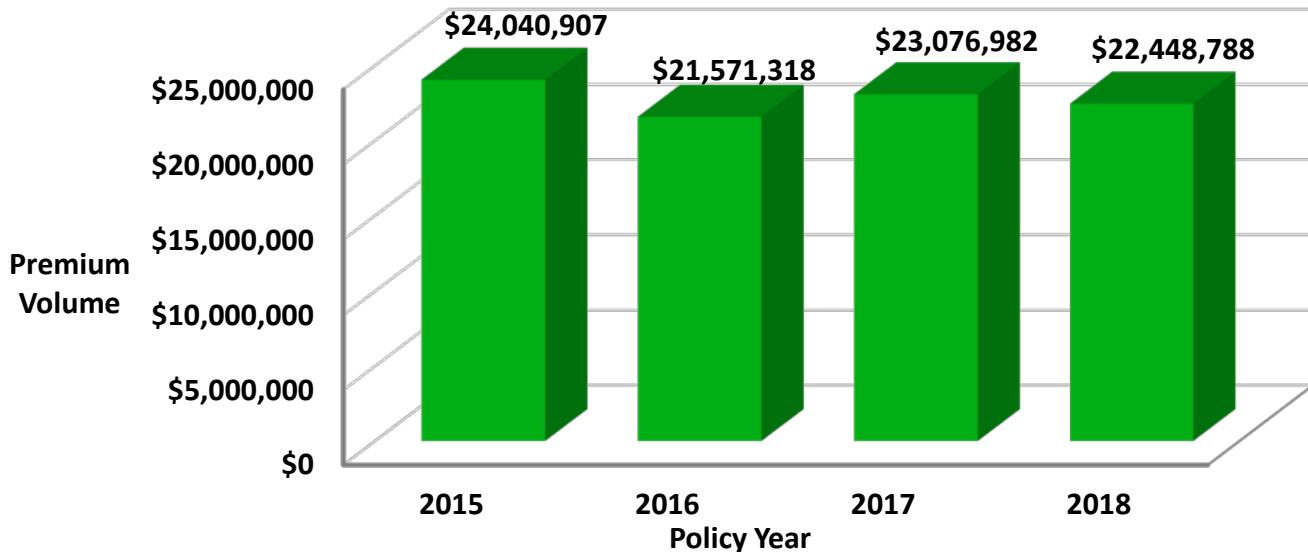
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Annual Data Reported through December 31, 2018

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 3rd Quarter 2018

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	4,898	72.7%	\$5,115,373	22.8%	\$1,044
\$2500–4999	924	13.7%	\$3,235,610	14.4%	\$3,501
\$5000–9999	533	7.9%	\$3,656,754	16.3%	\$6,860
\$10000–19999	247	3.7%	\$3,344,615	14.9%	\$13,540
\$20000–49999	108	1.6%	\$3,209,915	14.3%	\$29,721
\$50000–99999	16	0.2%	\$1,054,574	4.7%	\$65,910
\$100000–199999	9	0.1%	\$1,219,055	5.4%	\$135,450
\$200000 +	5	0.1%	\$1,612,892	7.2%	\$322,578
Total	6,740	100.0%	\$22,448,788	100.0%	\$3,331

### Annual 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	4,993	73.4%	\$5,203,800	22.6%	\$1,042
\$2500–4999	894	13.1%	\$3,174,897	13.8%	\$3,551
\$5000–9999	523	7.7%	\$3,657,506	15.9%	\$6,993
\$10000–19999	253	3.7%	\$3,388,404	14.7%	\$13,392
\$20000–49999	100	1.5%	\$3,102,489	13.4%	\$31,024
\$50000–99999	24	0.4%	\$1,651,058	7.2%	\$68,794
\$100000–199999	10	0.2%	\$1,275,190	5.5%	\$127,519
\$200000 +	6	0.1%	\$1,623,638	7.0%	\$270,606
Total	6,803	100.0%	\$23,076,982	100.0%	\$3,392



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 31, 2018

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	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories In Height	1,392	20.7%
2	5551	Roofing-All Kinds & Drivers	440	6.5%
3	5474	Painting NOC & Shop Operations Drivers	259	3.8%
4	5437	Carpentry-Installation of Cabinet Work or Interior Trim	223	3.3%
5	7228	Trucking-Local Hauling Only-& Drivers	190	2.8%
6	5022	Masonry NOC	183	2.7%
7	5445	Wallboard Sheetrock Drywall Plasterboard or Cement Board Installation - Within Buildings	183	2.7%
8	6217	Excavation & Drivers	177	2.6%
9	9014	Janitorial Services By Contractors-No Window Cleaning Above Ground Level & Drivers	147	2.2%
10	0037	Farm: Field Crops & Drivers	126	1.9%

### Residual Market Top 10 Classification Codes by Premium Volume Annual Data Reported through December 31, 2018

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	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories In Height	\$2,763,558	12.3%
2	5551	Roofing-All Kinds & Drivers	\$1,398,352	6.2%
3	7228	Trucking-Local Hauling Only-& Drivers	\$1,138,958	5.1%
4	2719	Logging or Tree Removal - Mechanized Harvesting Exclusively	\$770,480	3.4%
5	8829	Convalescent or Nursing Home-All Employees	\$680,616	3.0%
6	7229	Trucking-Long Distance Hauling-& Drivers	\$600,789	2.7%
7	5474	Painting NOC & Shop Operations Drivers	\$524,953	2.3%
8	6217	Excavation & Drivers	\$502,004	2.2%
9	5022	Masonry NOC	\$443,353	2.0%
10	0037	Farm: Field Crops & Drivers	\$431,998	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<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.