



Arkansas Residual Market State Activity Report

Second Quarter 2018



Executive Summary

NCCI, as Pool and Plan Administrator of the Arkansas Workers Compensation Insurance Plan, is pleased to provide the Second Quarter 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:

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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 June 30, 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.

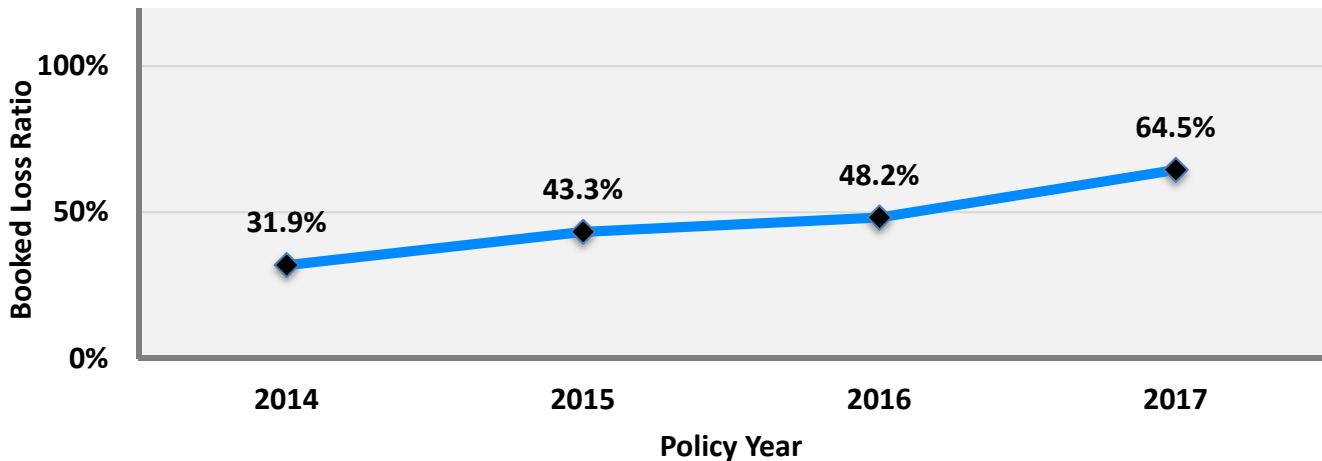
	2018	2017	2018 vs. 2017 #	2018 vs. 2017 %
Policy Count	6,722	6,804	-82	-1.2%
Premium Volume	\$22,148,541	\$21,720,761	\$427,780	2.0%



Residual Market Demographics

Arkansas Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 1st Quarter 2018 for 2017 and prior years*

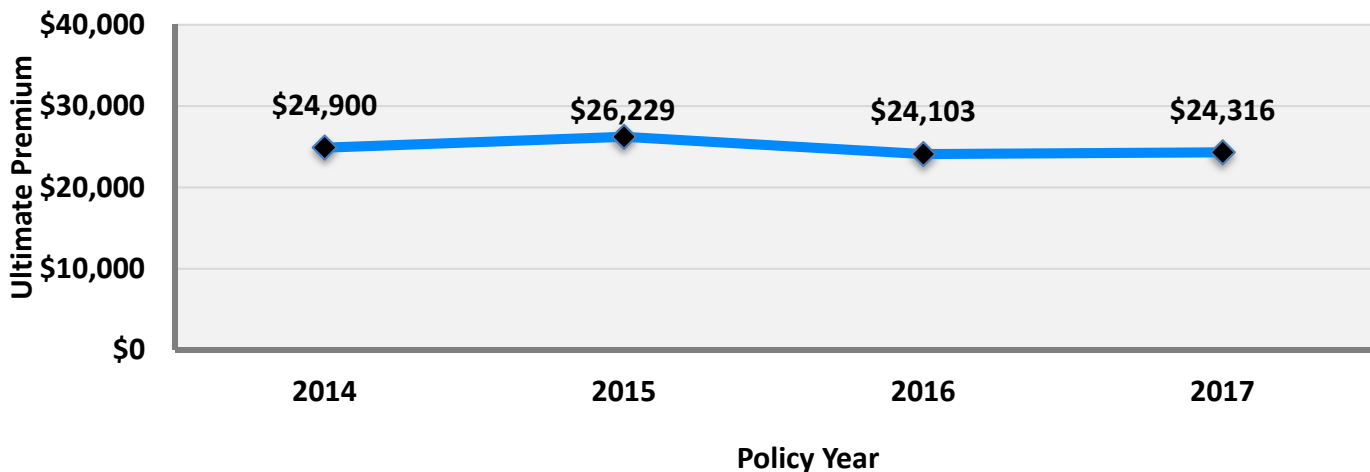
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 1st 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.



* Second Quarter 2018 data will be available the end of October 2018 due to the timing of data reporting

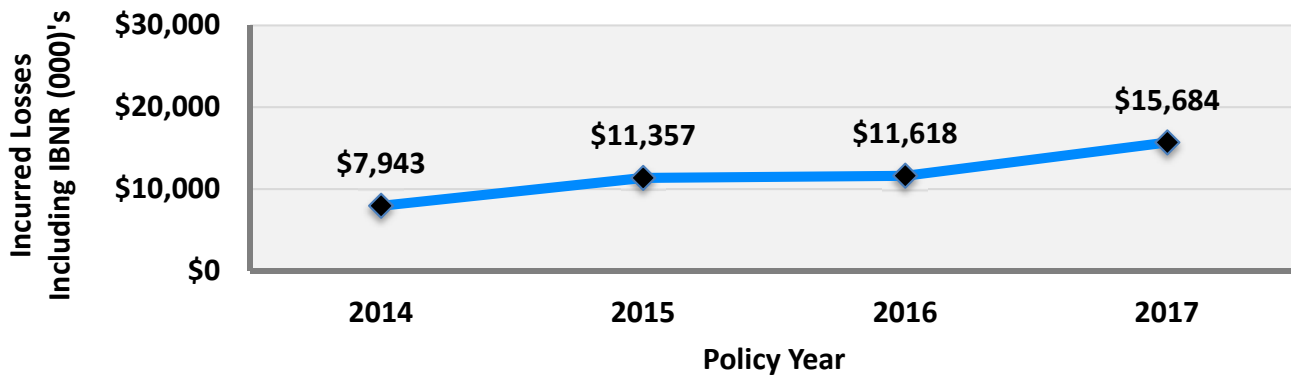


Residual Market Demographics

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

Policy Year Financial Results through 1st Quarter 2018 for 2017 and prior years*

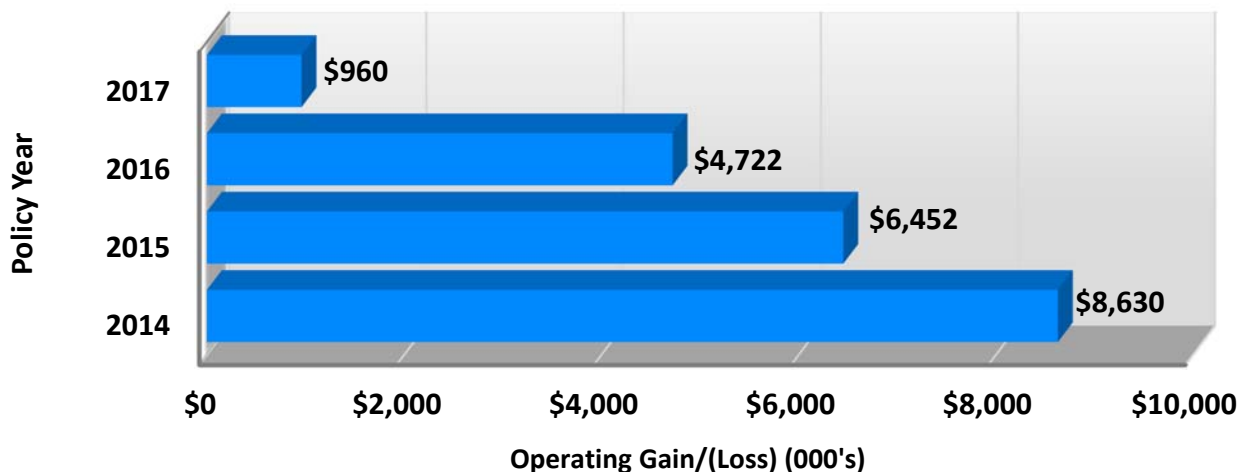
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 1st 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.



* Second Quarter 2018 data will be available the end of October 2018 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 1st Quarter 2018.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2014	25,338,950	439,338	1.7%
2015	26,819,846	590,380	2.2%
2016	24,875,468	459,744	1.8%
2017	24,088,687	*	N/A
2018	4,610,654	*	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 Second Quarter Data through June 30, 2018

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 Second Quarter 2018.

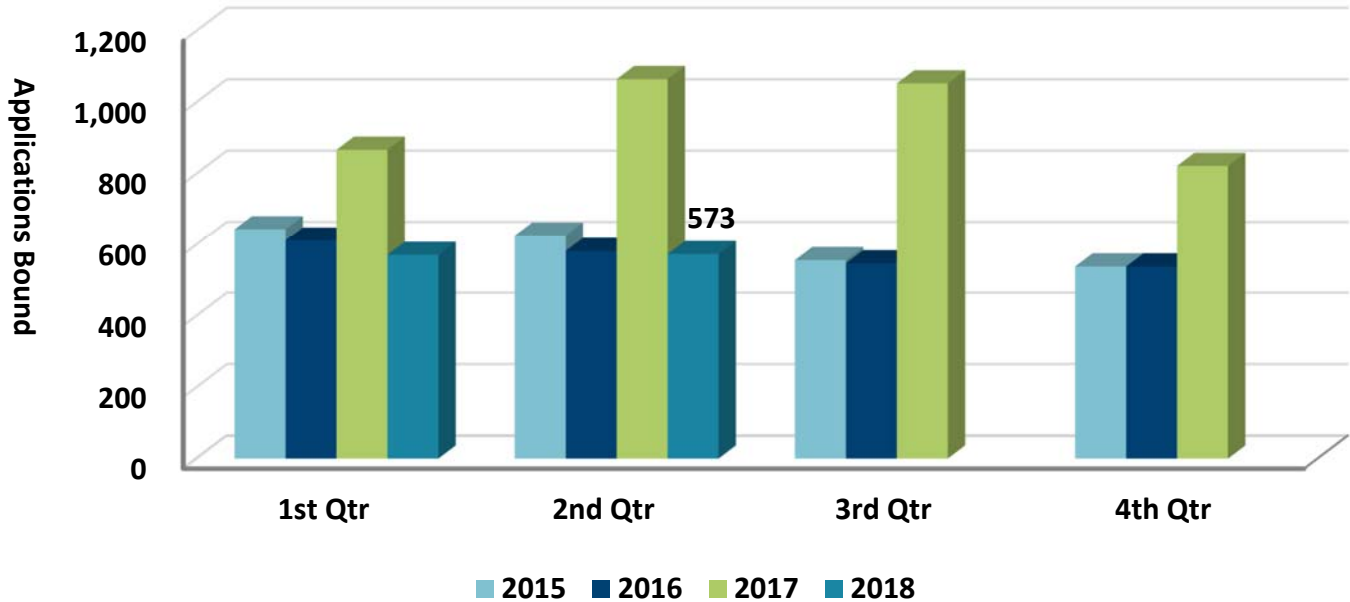
Number of Applications Reviewed by VCAP[®] Service	639
Number of VCAP[®] Service Matches	579
VCAP[®] Service Offers as a % of Matches	11.74%
Number of Confirmed VCAP[®] Service Policies	64
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	10.02%
Savings as a % of Redirected Assigned Risk Premium	5.79%



Residual Market Demographics

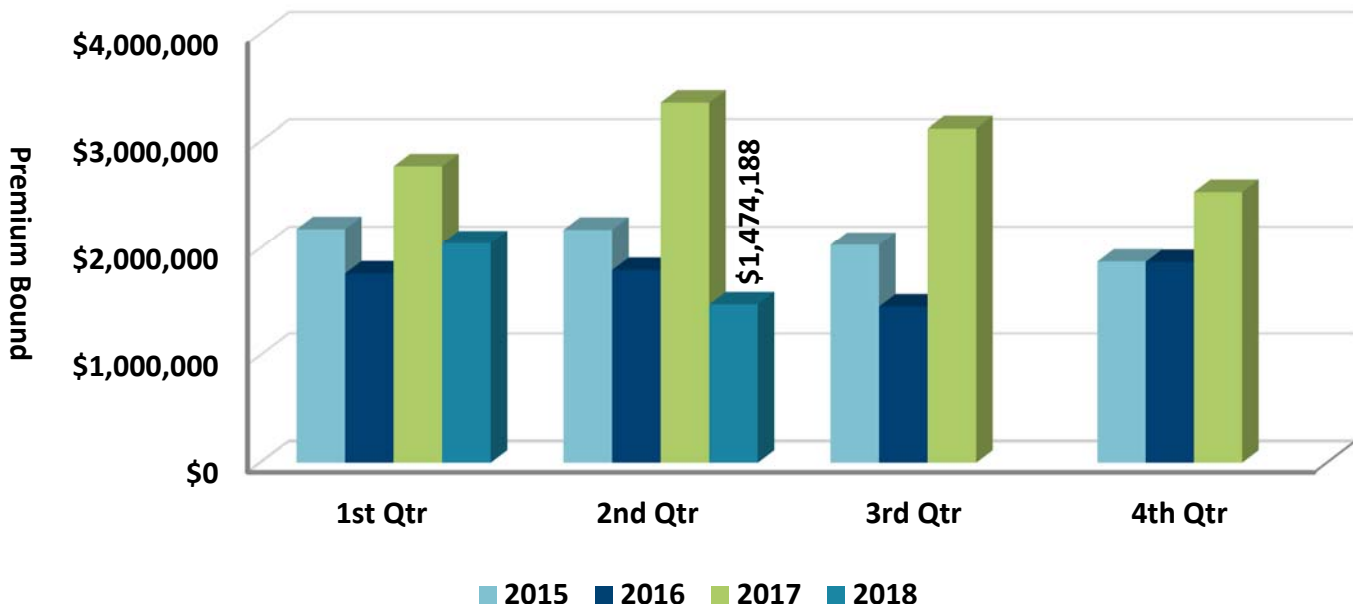
Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

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).



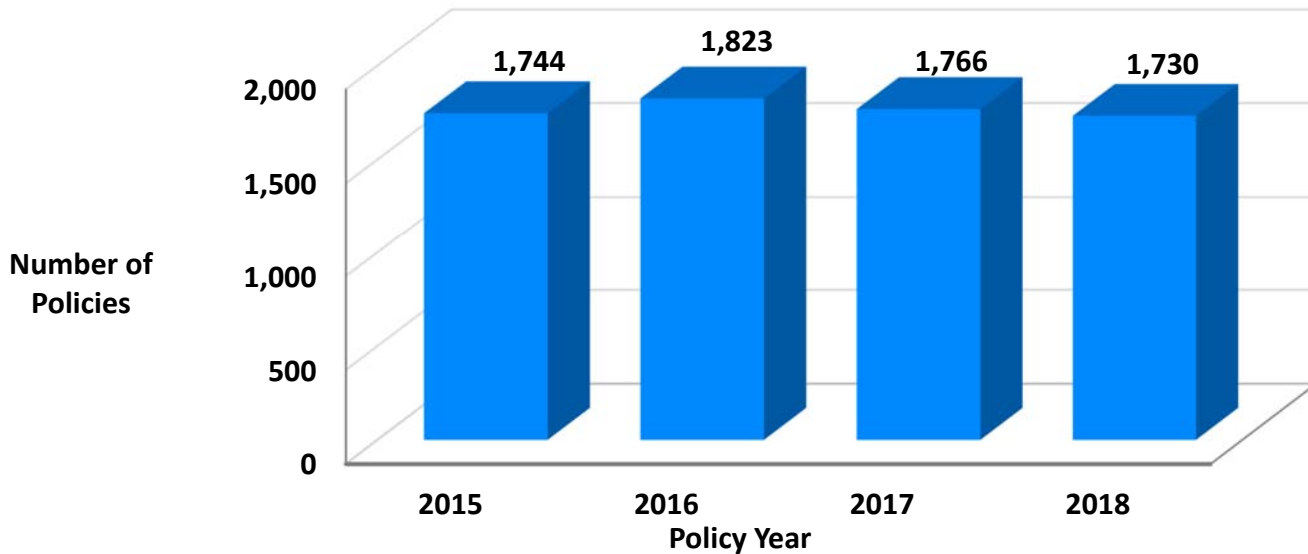


Residual Market Demographics

Residual Market Total Policy Counts

Second Quarter Data for Policies Reported through June 30, 2018

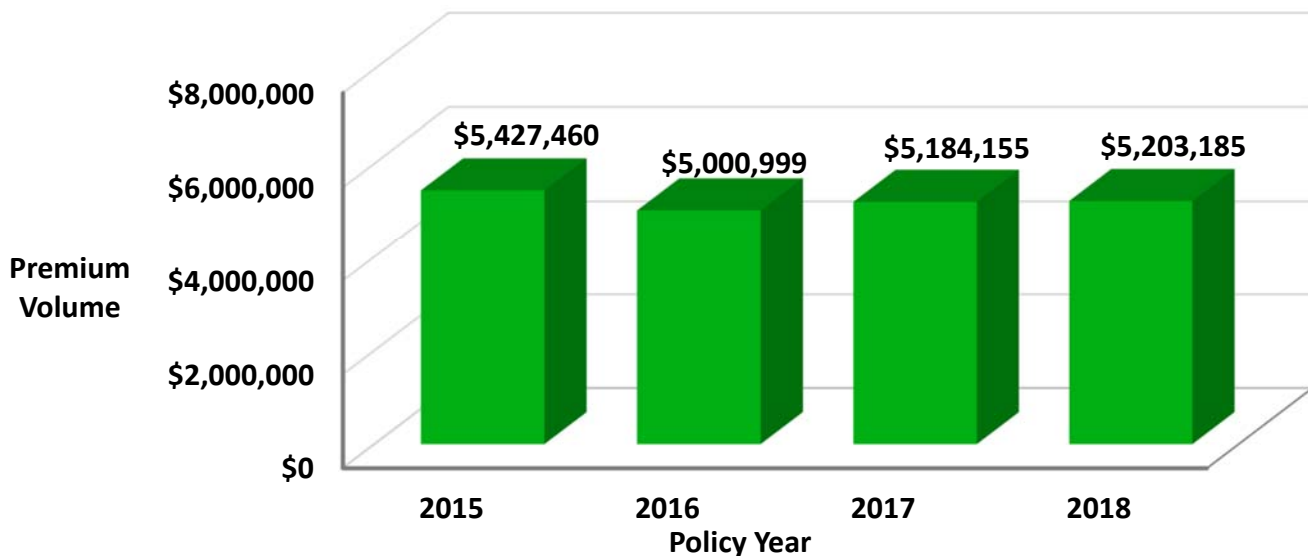
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Second Quarter Data Reported through June 30, 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

Second Quarter Data Reported through June 30, 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	1,249	72.2%	\$1,300,064	25.0%	\$1,040
\$2500–4999	233	13.5%	\$818,124	15.7%	\$3,511
\$5000–9999	154	8.9%	\$1,072,162	20.6%	\$6,962
\$10000–19999	65	3.8%	\$890,570	17.1%	\$13,701
\$20000–49999	25	1.5%	\$750,102	14.4%	\$30,004
\$50000–99999	2	0.1%	\$127,198	2.4%	\$63,599
\$100000–199999	2	0.1%	\$244,965	4.7%	\$122,482
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	1,730	100%	\$5,203,185	100%	\$3,008

Second Quarter 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	1,310	74.2%	\$1,375,853	26.5%	\$1,050
\$2500–4999	225	12.7%	\$795,309	15.3%	\$3,534
\$5000–9999	131	7.4%	\$918,587	17.7%	\$7,012
\$10000–19999	72	4.1%	\$969,204	18.7%	\$13,461
\$20000–49999	23	1.3%	\$707,137	13.6%	\$30,745
\$50000–99999	3	0.2%	\$166,561	3.2%	\$55,520
\$100000–199999	2	0.1%	\$251,504	4.9%	\$125,752
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	1,766	100%	\$5,184,155	100%	\$2,936



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Second Quarter Data Reported through June 30, 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	367	21.2%
2	5551	Roofing-All Kinds & Drivers	118	6.8%
3	5437	Carpentry-Installation of Cabinet Work or Interior Trim	63	3.6%
4	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	53	3.1%
5	6217	Excavation & Drivers	51	3.0%
6	5474	Painting NOC & Shop Operations Drivers	50	2.9%
7	5022	Masonry NOC	44	2.5%
8	5445	Wallboard Sheetrock Drywall Plasterboard or Cement Board Installation Within Buildings	43	2.5%
9	7228	Trucking-Local Hauling Only-& Drivers	43	2.5%
10	5221	Concrete or Cement Work- Floors Driveways Yards or Sidewalks-& Drivers	40	2.3%

Residual Market Top 10 Classification Codes by Premium Volume Second Quarter Data Reported through June 30, 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	\$735,276	14.1%
2	5551	Roofing-All Kinds & Drivers	\$381,078	7.3%
3	7228	Trucking-Local Hauling Only-& Drivers	\$372,431	7.2%
4	2719	Logging or Tree Removal - Mechanized Harvesting Exclusively	\$261,023	5.0%
5	8018	Store: Wholesale NOC	\$121,214	2.3%
6	0037	Farm: Field Crops & Drivers	\$120,246	2.3%
7	5474	Painting NOC & Shop Operations Drivers	\$116,133	2.2%
8	6217	Excavation & Drivers	\$114,869	2.2%
9	7229	Trucking-Long Distance Hauling-& Drivers	\$111,571	2.1%
10	5535	Sheet Metal Work-Installation & Drivers	\$102,570	2.0%



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.