



# Arkansas Residual Market State Activity Report

Second Quarter 2022



## Executive Summary

NCCI, as Pool and Plan Administrator of the Arkansas Workers Compensation Insurance Plan, is pleased to provide the Second Quarter 2022 *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, 2022—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.

	2022	2021	2022 vs. 2021 #	2022 vs. 2021 %
<b>Policy Count</b>	5,342	5,608	-266	-4.7%
<b>Premium Volume</b>	\$19,955,439	\$20,350,005	-\$394,566	-1.9%

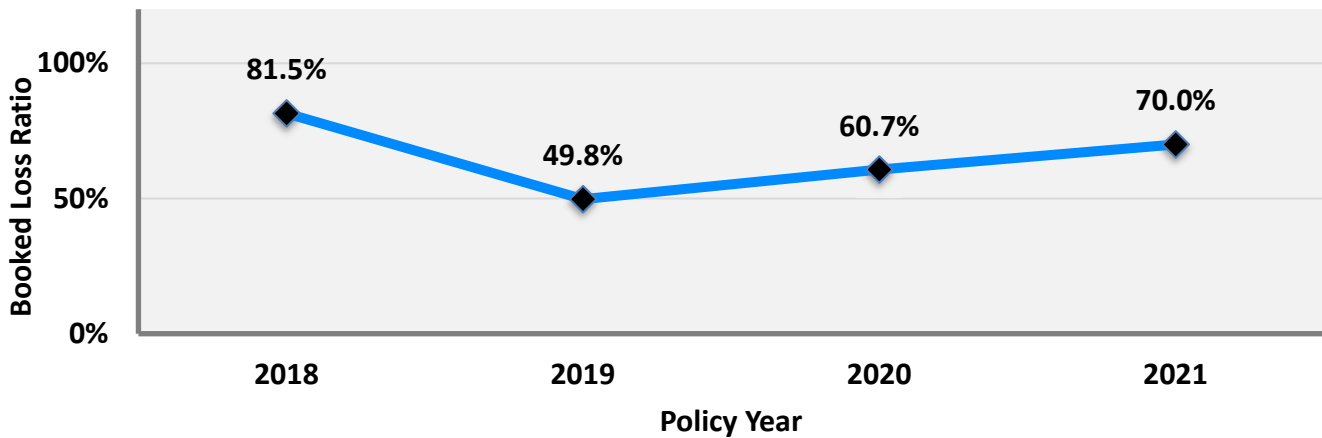


## Residual Market Demographics

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

#### Policy Year Financial Results through 1st Quarter 2022 for 2021 and prior years\*

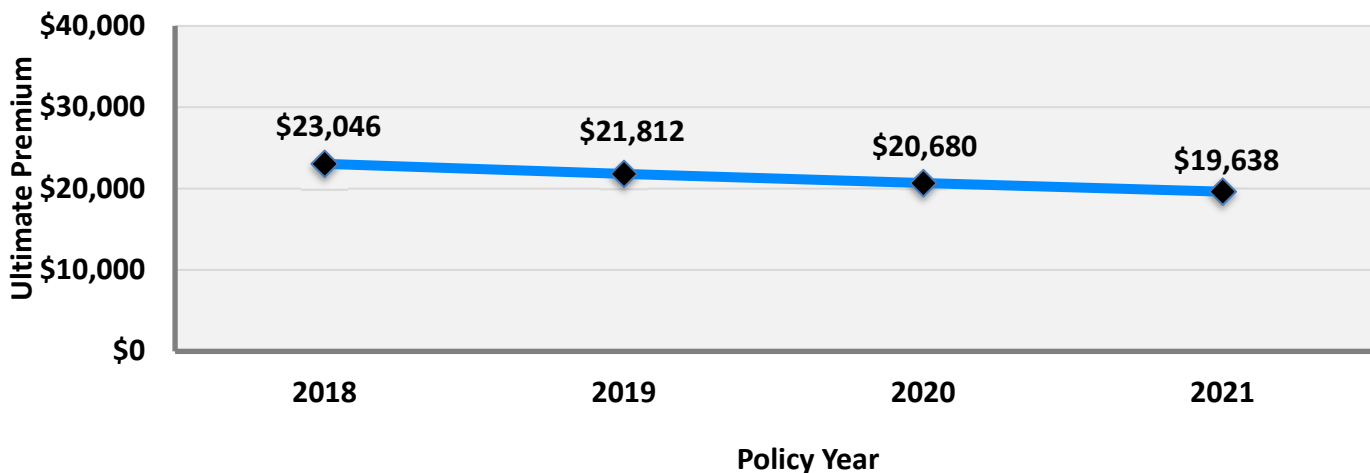
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 1st Quarter 2022 for 2021 and prior years\*

The premium charged by an insurance company for coverage provided by an insurance contract for the policy period in this state.



\*2nd Quarter 2022 data will be available the end of October 2022 due to the timing of data reporting

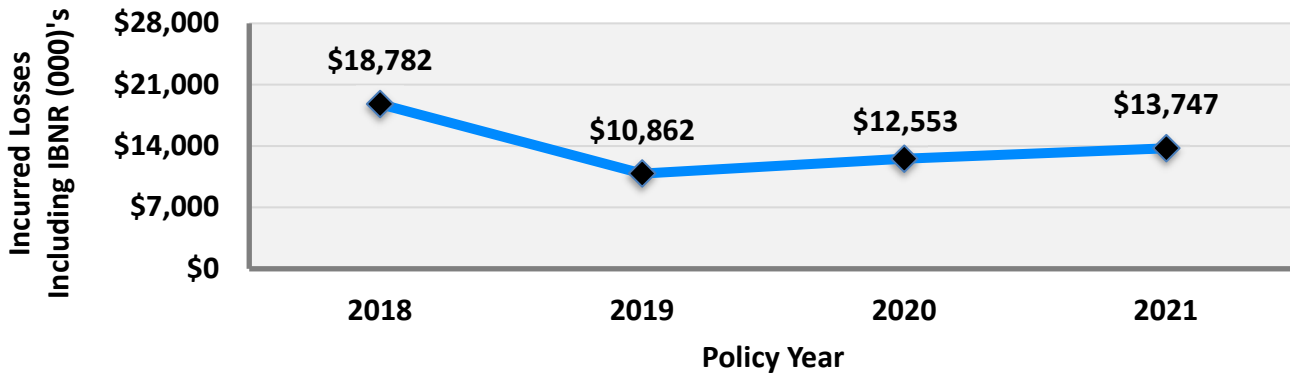


## Residual Market Demographics

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

#### Policy Year Financial Results through 1st Quarter 2022 for 2021 and prior years\*

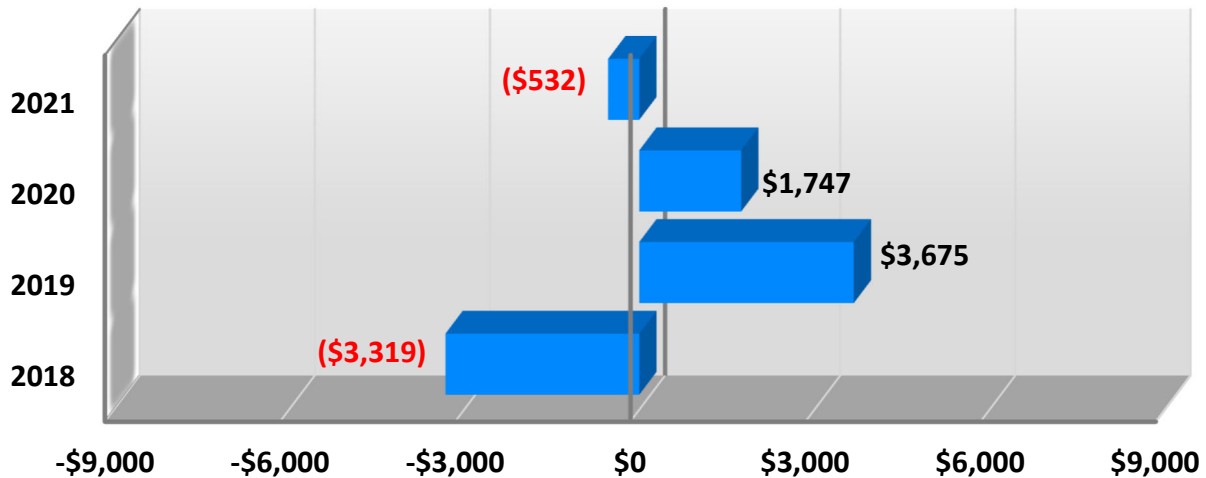
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



### 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 2022 for 2021 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.



\*2nd Quarter 2022 data will be available the end of October 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 Arkansas for Policy Years 2018-2022, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 1st Quarter 2022.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2018	23,912,145	866,530	3.6%
2019	22,969,672	1,157,433	5.0%
2020	21,939,889	1,059,009	4.8%
2021	20,329,637	--	--
2022	4,341,309	--	--

\* 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, 2022

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 Second Quarter 2022.

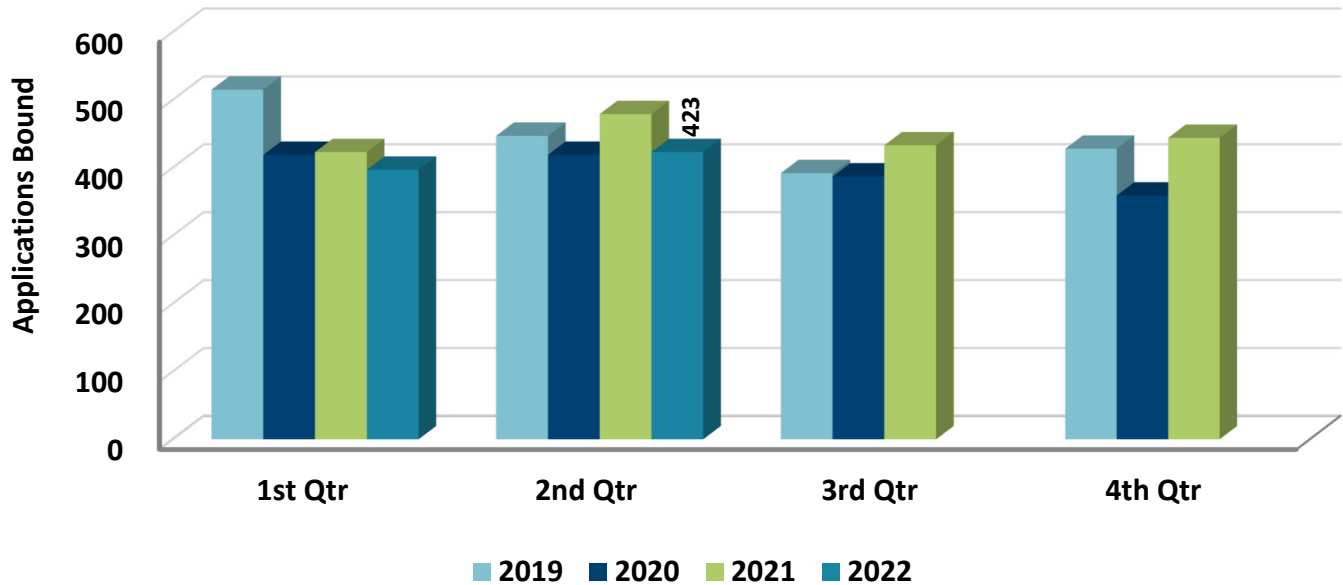
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	504
Number of <b>VCAP<sup>®</sup> Service</b> Matches	487
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	16.84%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	78
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	15.48%
Savings as a % of Redirected Assigned Risk Premium	7.27%



## Residual Market Demographics

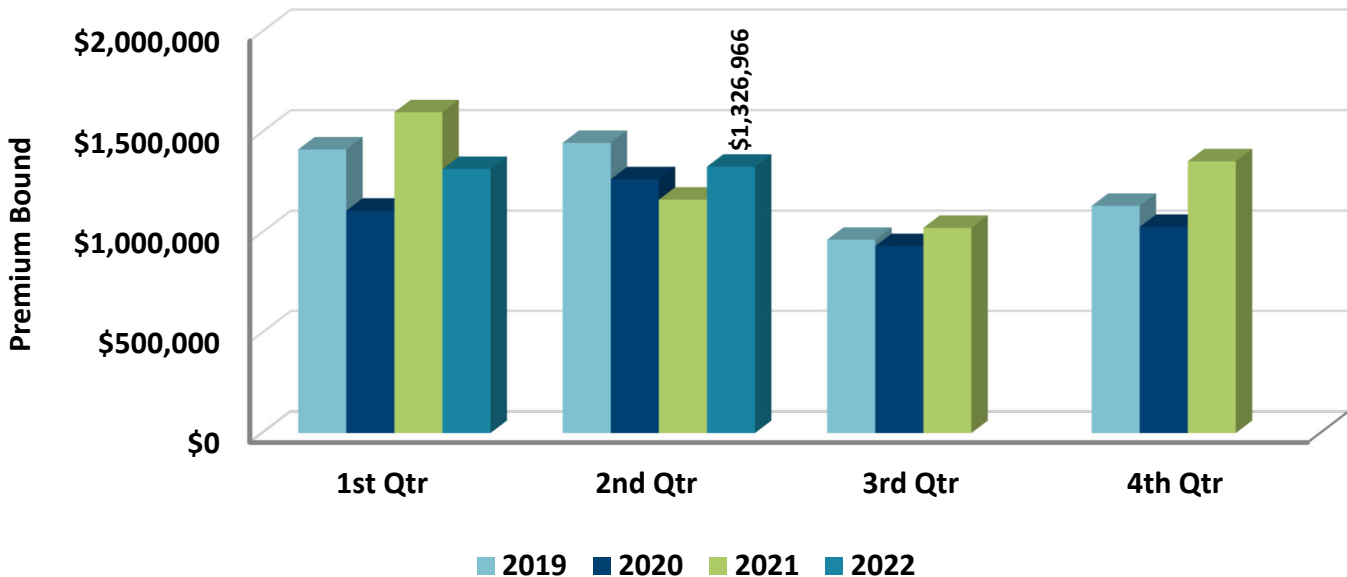
### Total Applications Bound — 2019 vs. 2020 vs. 2021 vs. 2022

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 — 2019 vs. 2020 vs. 2021 vs. 2022

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).





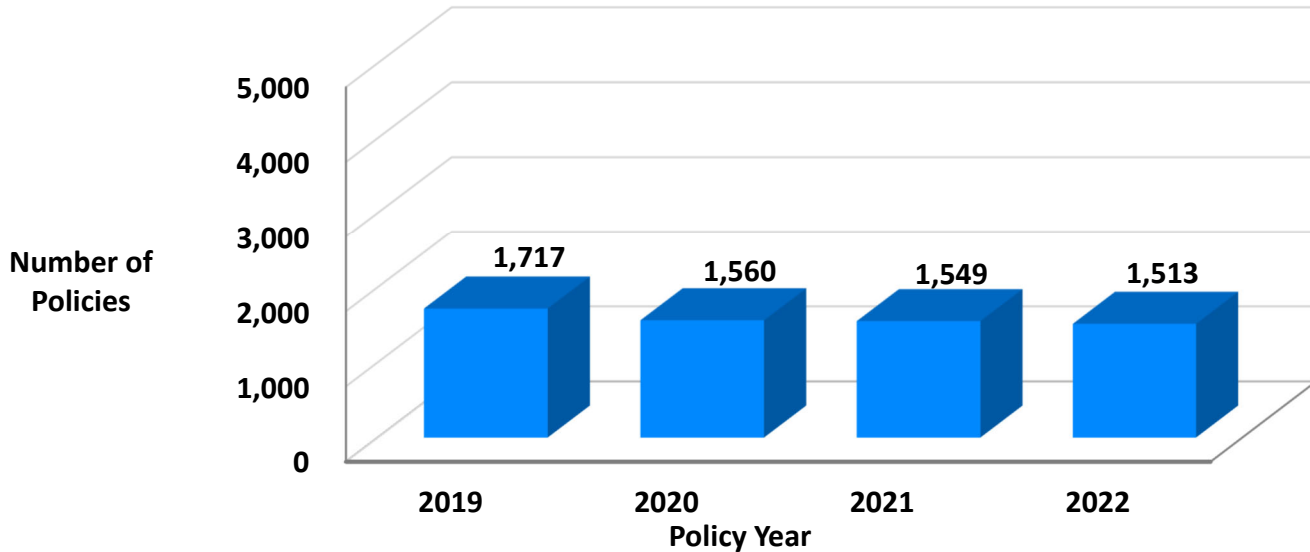


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Second Quarter Data for Policies Reported through June 30, 2022

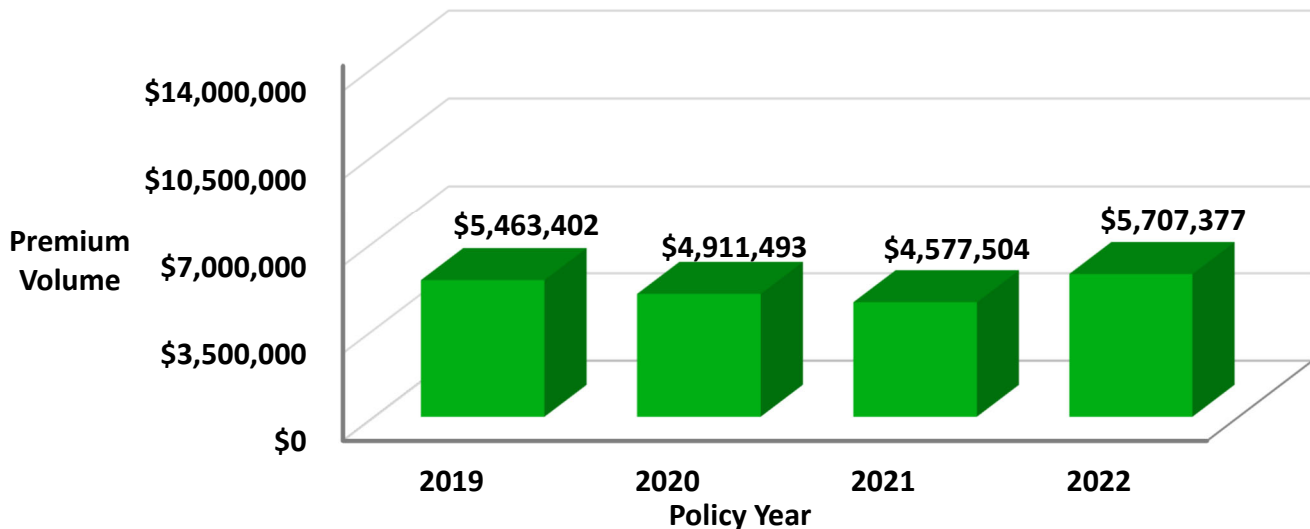
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Second Quarter Data Reported through June 30, 2022

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, 2022

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	1,052	69.5	1,247,539	21.9	1,186
\$2500- \$4999	245	16.2	871,659	15.3	3,558
\$5000- \$9999	135	8.9	924,919	16.2	6,851
\$10000- \$19999	45	3.0	643,225	11.3	14,294
\$20000- \$49999	26	1.7	828,268	14.5	31,856
\$50000- \$99999	6	0.4	424,558	7.4	70,760
\$100000- \$199999	3	0.2	546,677	9.6	182,226
\$2000000+	1	0.1	220,532	3.9	220,532
Total	1,513	100.0	5,707,377	100.0	3,772

### Second Quarter 2021 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	1,146	74.0	1,173,366	25.6	1,024
\$2500- \$4999	209	13.5	753,754	16.5	3,606
\$5000- \$9999	107	6.9	734,490	16.0	6,864
\$10000- \$19999	57	3.7	781,833	17.1	13,716
\$20000- \$49999	27	1.7	779,447	17.0	28,868
\$50000- \$99999	1	0.1	59,474	1.3	59,474
\$100000- \$199999	2	0.1	295,140	6.4	147,570
\$2000000+	0	0.0	0	0.0	0
Total	1,549	100.0	4,577,504	100.0	2,955



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Second Quarter Data Reported through June 30, 2022

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	291	19.2
2	5551 - Roofing-All Kinds & Drivers	150	9.9
3	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	56	3.7
4	5474 - Painting NOC & Shop Operations, Drivers	51	3.4
5	6217 - Excavation & Drivers	47	3.1
6	0037 - Farm: Field Crops & Drivers	38	2.5
7	7219 - Trucking - NOC-All Employees & Drivers	37	2.4
8	5022 - Masonry NOC	35	2.3
9	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, Or Cement Board Installation - Within Buildings & Drivers	34	2.2
10	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	31	2.0

### Residual Market Top 10 Classification Codes by Premium Volume Second Quarter Data Reported through June 30, 2022

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	856,064	15.0
2	5551 - Roofing-All Kinds & Drivers	515,508	9.0
3	7600 - Telecommunications Co. - Cable Tv, or Satellite - All Other Employees & Drivers	236,731	4.1
4	9179 - Athletic Sports or Park: Contact Sports	221,802	3.9
5	7219 - Trucking - NOC-All Employees & Drivers	209,657	3.7
6	9402 - Street Cleaning & Drivers	199,875	3.5
7	0037 - Farm: Field Crops & Drivers	194,989	3.4
8	2719 - Logging or Tree Removal - Mechanized Harvesting Exclusively	173,004	3.0
9	0079 - Farm: Berry or Vineyard & Drivers	147,728	2.6
10	5059 - Iron or Steel: Erection-Frame Structures Not Over Two Stories in Height	142,251	2.5



## 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.