



Arkansas Residual Market State Activity Report

Third Quarter 2020



Executive Summary

NCCI, as Pool and Plan Administrator of the Arkansas Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2020 *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 September 30, 2020—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.

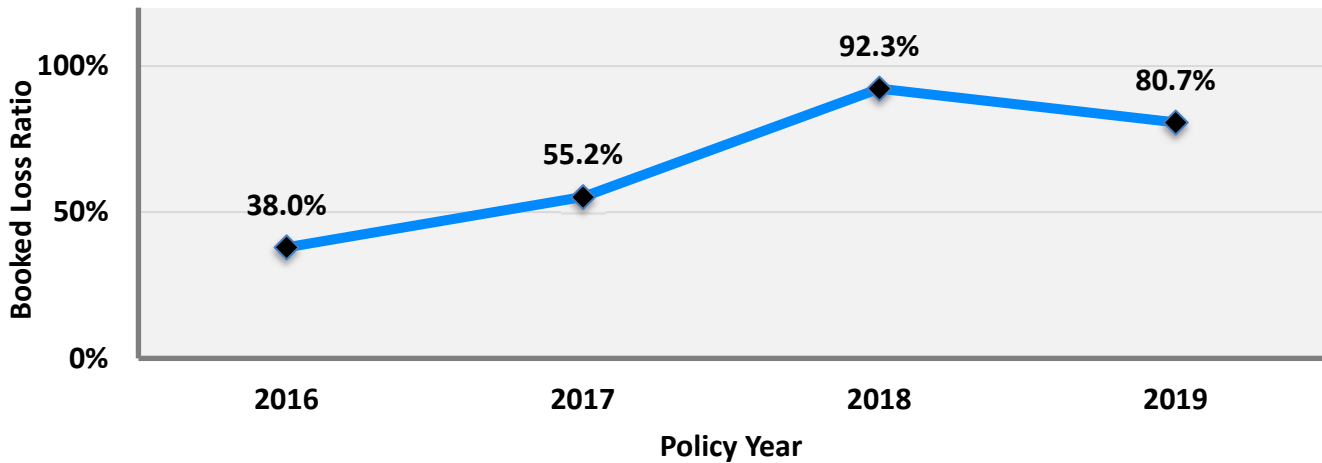
	2020	2019	2020 vs. 2019 #	2020 vs. 2019 %
Policy Count	5,619	5,928	-309	-5.2%
Premium Volume	\$19,921,417	\$21,144,355	-\$1,222,938	-5.8%



Residual Market Demographics

Arkansas Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 2nd Quarter 2020 for 2019 and prior years*

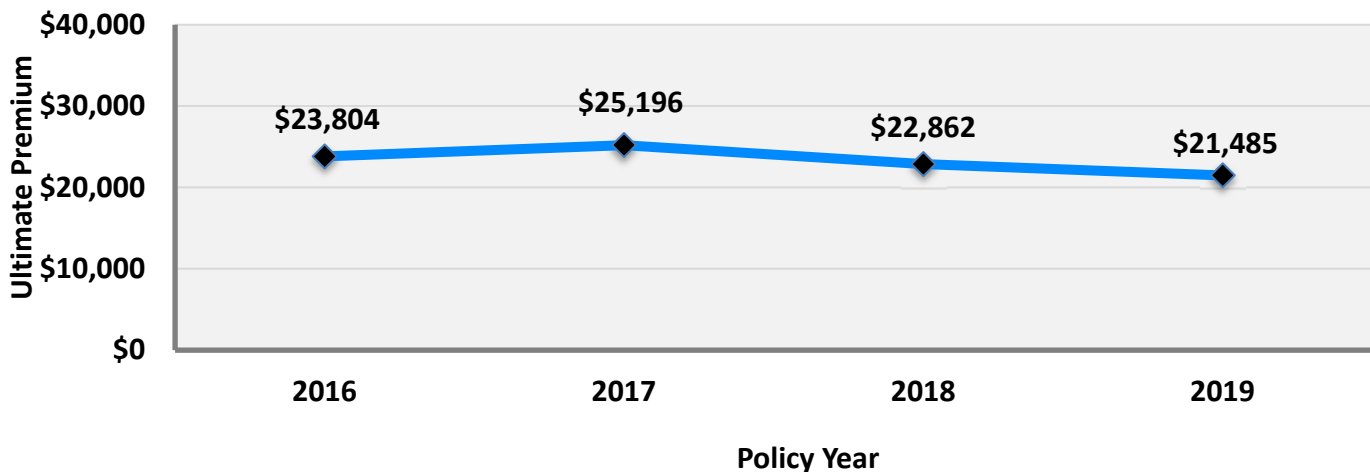
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 2nd Quarter 2020 for 2019 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.



*3rd Quarter 2020 data will be available the end of January 2021 due to the timing of data reporting

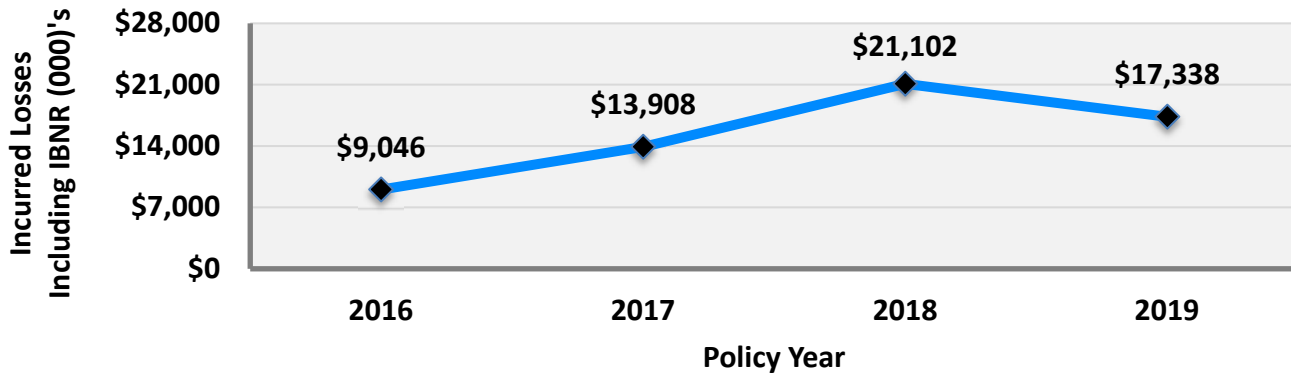


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2020 for 2019 and prior years*

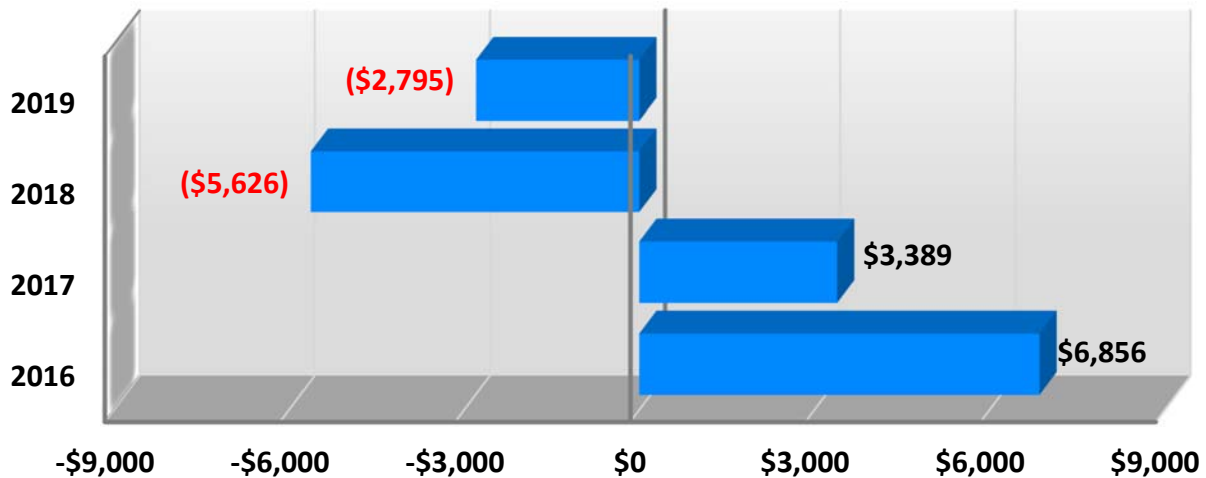
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 2nd Quarter 2020 for 2019 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.



*3rd Quarter 2020 data will be available the end of January 2021 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 2016-2020, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2020.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2016	24,670,228	865,960	3.5%
2017	25,987,115	790,963	3.0%
2018	23,772,716	765,891	3.2%
2019	22,822,936	*	N/A
2020	8,951,268	*	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

Third Quarter Data through September 30, 2020

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 Third Quarter 2020.

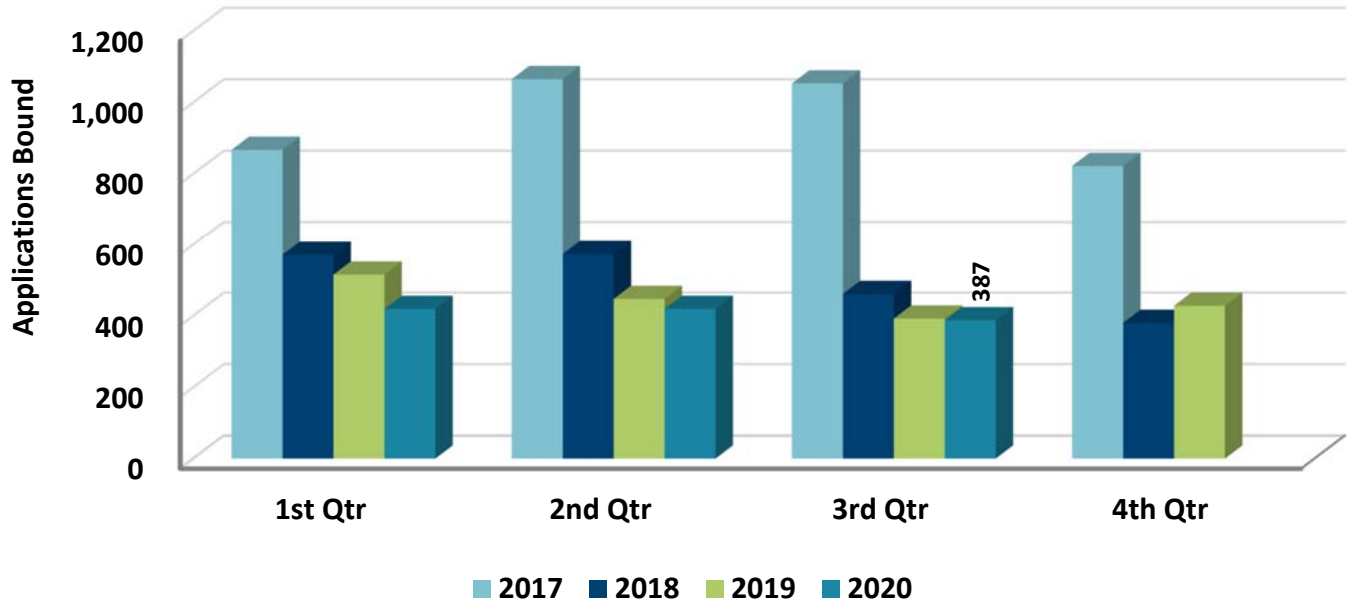
Number of Applications Reviewed by VCAP[®] Service	472
Number of VCAP[®] Service Matches	388
VCAP[®] Service Offers as a % of Matches	22.94%
Number of Confirmed VCAP[®] Service Policies	84
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	17.80%
Savings as a % of Redirected Assigned Risk Premium	6.76%



Residual Market Demographics

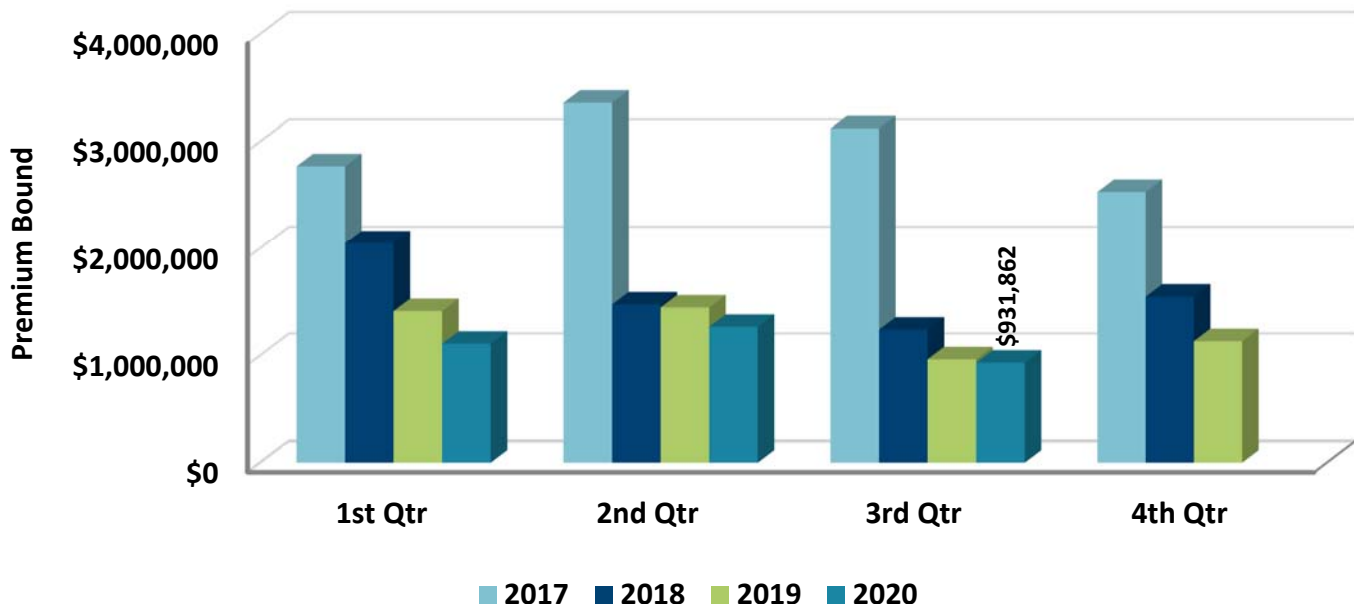
Total Applications Bound — 2017 vs. 2018 vs. 2019 vs. 2020

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 — 2017 vs. 2018 vs. 2019 vs. 2020

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).



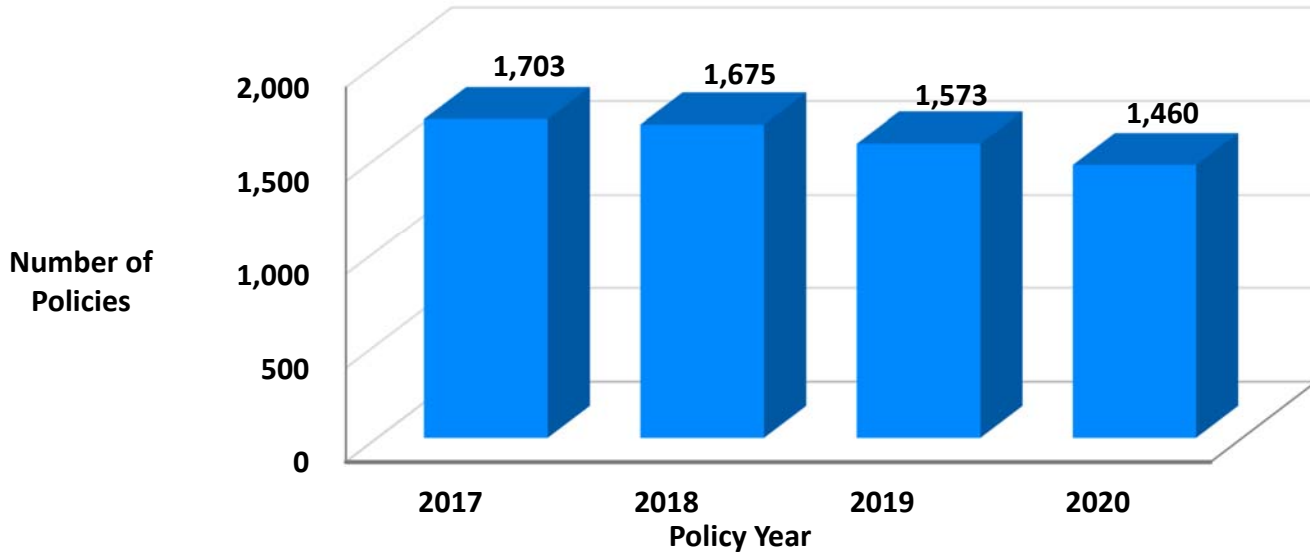


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2020

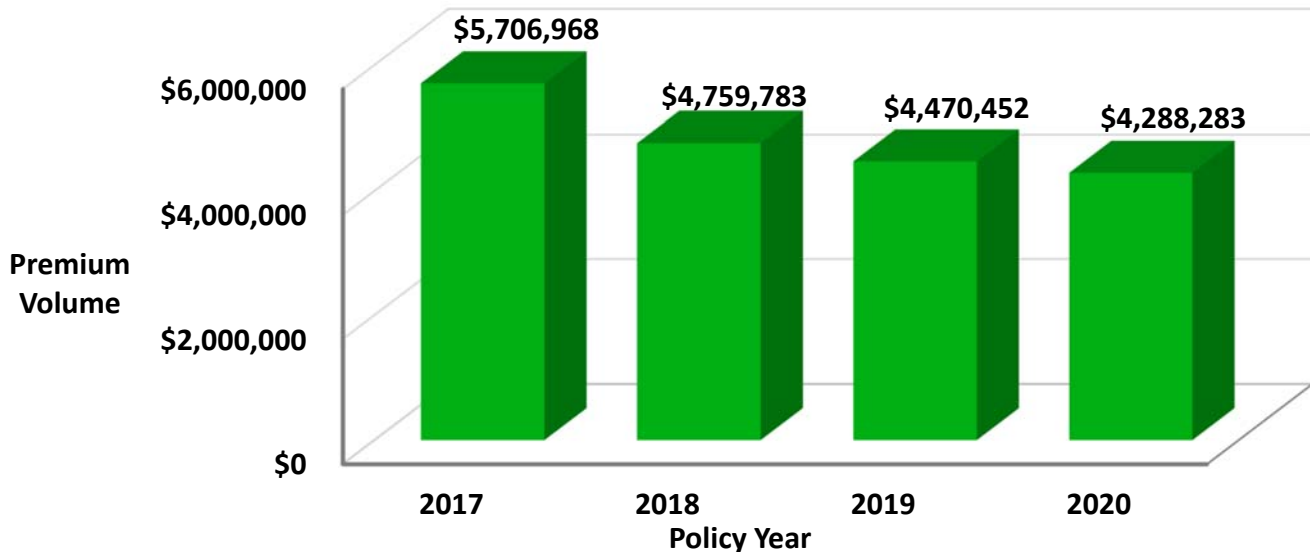
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 2020

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

Third Quarter Data Reported through September 30, 2020

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	1,051	72.0	1,257,595	29.3	1,197
\$2500–4999	245	16.8	867,178	20.2	3,540
\$5000–9999	101	6.9	694,911	16.2	6,880
\$10000–19999	43	2.9	588,601	13.7	13,688
\$20000–49999	15	1.0	448,168	10.5	29,878
\$50000–99999	4	0.3	262,779	6.1	65,695
\$100000–199999	1	0.1	169,051	3.9	169,051
\$200000 +	0	0.0	0	0.0	0
Total	1,460	100.0	4,288,283	100.0	2,937

Third Quarter 2019 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0–2499	1,139	72.4	1,261,946	28.2	1,108
\$2500–4999	232	14.7	825,508	18.5	3,558
\$5000–9999	126	8.0	858,827	19.2	6,816
\$10000–19999	50	3.2	640,596	14.3	12,812
\$20000–49999	22	1.4	628,144	14.1	28,552
\$50000–99999	4	0.3	255,431	5.7	63,858
\$100000–199999	0	0.0	0	0.0	0
\$200000 +	0	0.0	0	0.0	0
Total	1,573	100.0	4,470,452	100.0	2,842



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2020

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	313	21.4
2	5551 - Roofing-All Kinds & Drivers	120	8.2
3	5474 - Painting NOC & Shop Operations, Drivers	61	4.2
4	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	50	3.4
5	7219 - Trucking - NOC-All Employees & Drivers	42	2.9
6	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drive	42	2.9
7	6217 - Excavation & Drivers	37	2.5
8	5022 - Masonry NOC	24	1.6
9	5190 - Electrical Wiring-Within Buildings & Drivers	23	1.6
10	5221 - Concrete or Cement Work- Floors, Driveways, Yards or Sidewalks-& Drivers	22	1.5

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2020

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	750,769	17.5
2	5551 - Roofing-All Kinds & Drivers	317,320	7.4
3	7219 - Trucking - NOC-All Employees & Drivers	179,763	4.2
4	0050 - Farm Machinery Operation-By Contractor-& Drivers	172,694	4.0
5	5474 - Painting NOC & Shop Operations, Drivers	109,791	2.6
6	2719 - Logging or Tree Removal - Mechanized Harvesting Exclusively	109,620	2.6
7	5535 - Sheet Metal Work-Installation & Drivers	99,811	2.3
8	5506 - Street or Road Construction - Paving or Repaving & Drivers	95,693	2.2
9	9403 - Garbage, Ashes or Refuse Collection & Drivers	94,455	2.2
10	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	82,068	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.