



Arizona Residual Market State Activity Report

Second Quarter 2022



Executive Summary

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

Sally Laub, Plan Administration

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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 %
Policy Count	4,211	4,826	-615	-12.7%
Premium Volume	\$26,102,092	\$32,980,319	-\$6,878,227	-20.9%

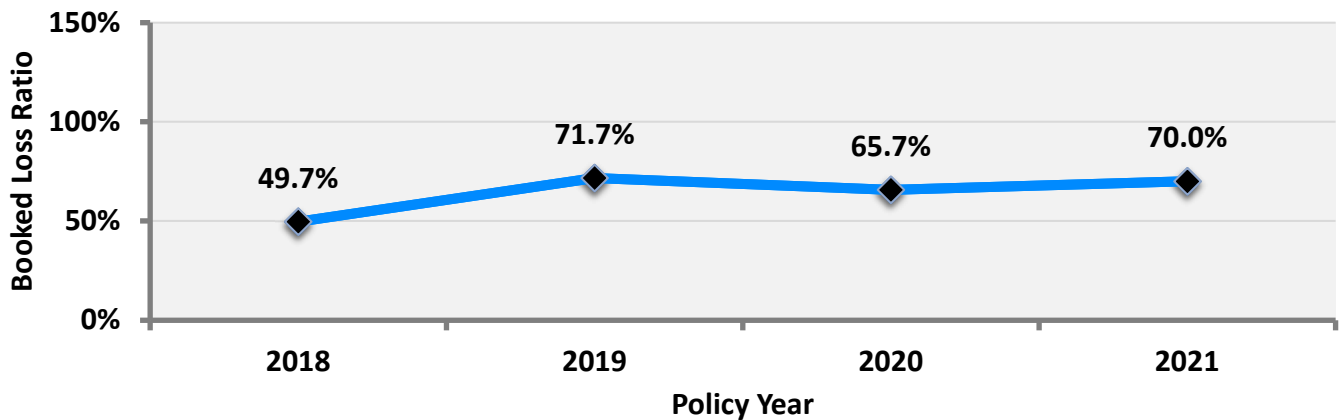


Residual Market Demographics

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

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

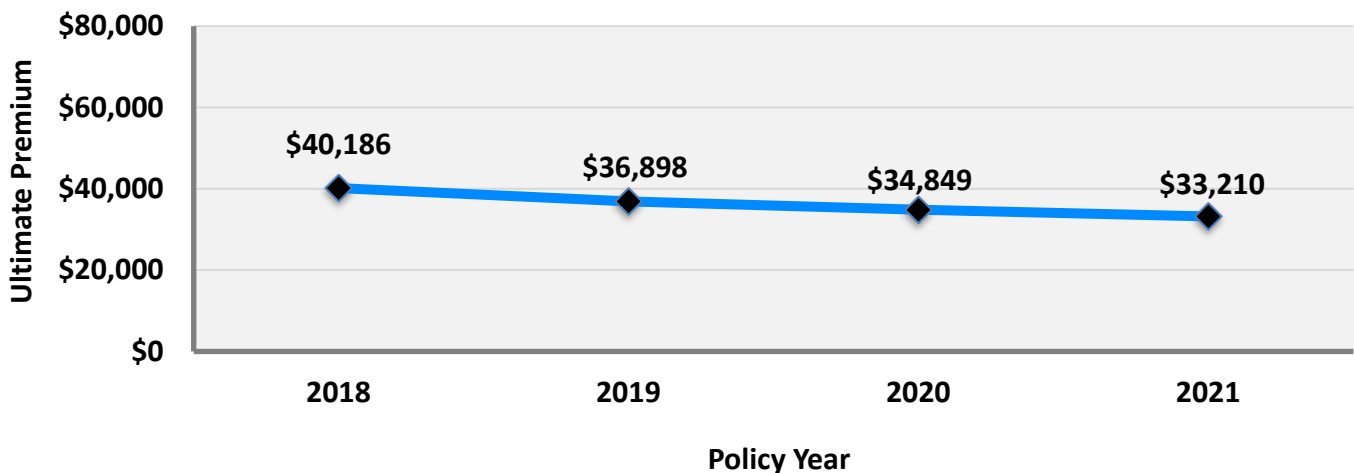
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



Arizona 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

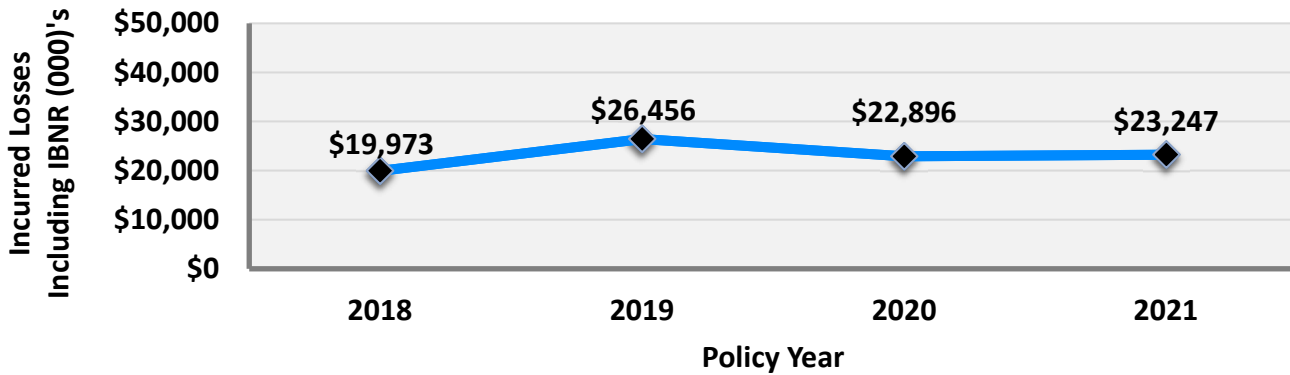


Residual Market Demographics

Arizona 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*

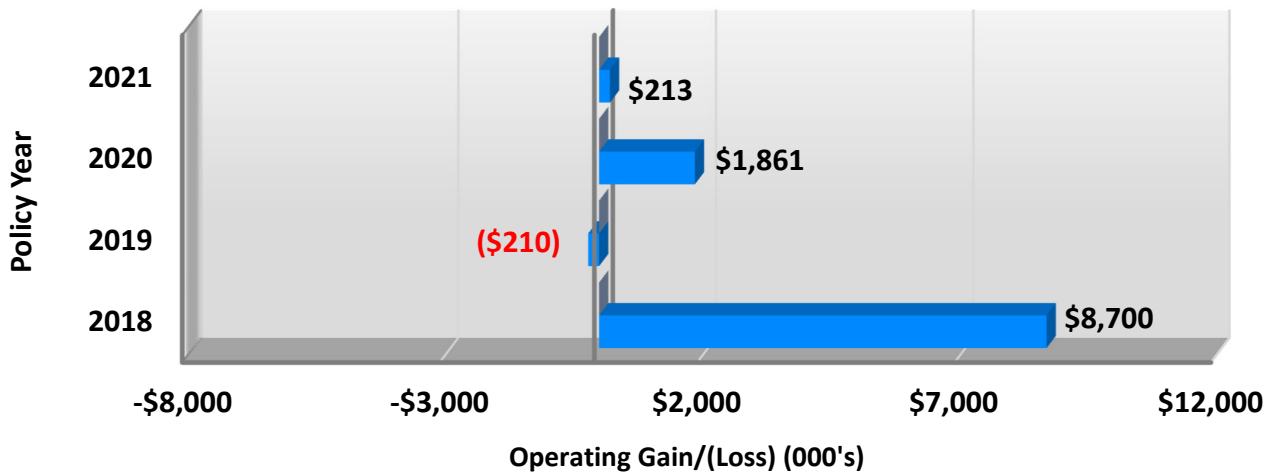
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



Arizona 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 Arizona 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	42,823,427	2,637,302	6.2%
2019	39,214,491	2,316,302	5.9%
2020	38,628,234	2,481,845	6.4%
2021	32,034,460	--	--
2022	5,171,178	--	--

* 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[®] Service**. The following shows the results **VCAP[®] Service** has provided during Second Quarter 2022.

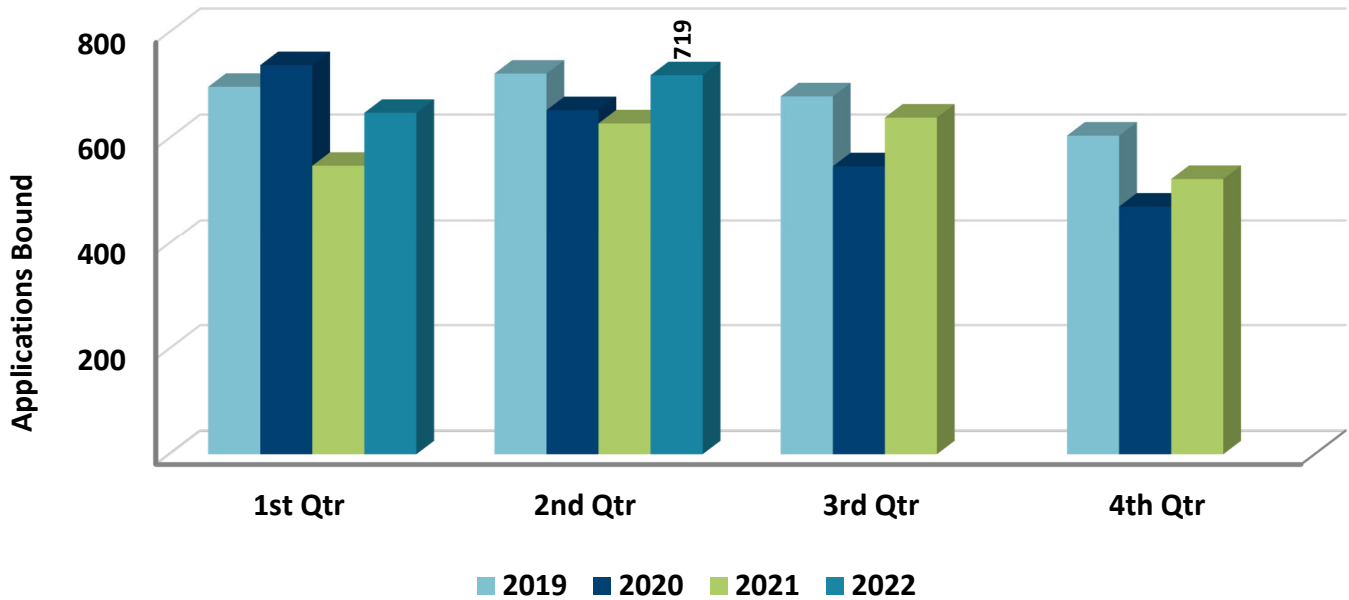
Number of Applications Reviewed by VCAP[®] Service	846
Number of VCAP[®] Service Matches	713
VCAP[®] Service Offers as a % of Matches	16.83%
Number of Confirmed VCAP[®] Service Policies	116
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	13.71%
Savings as a % of Redirected Assigned Risk Premium	7.18%



Residual Market Demographics

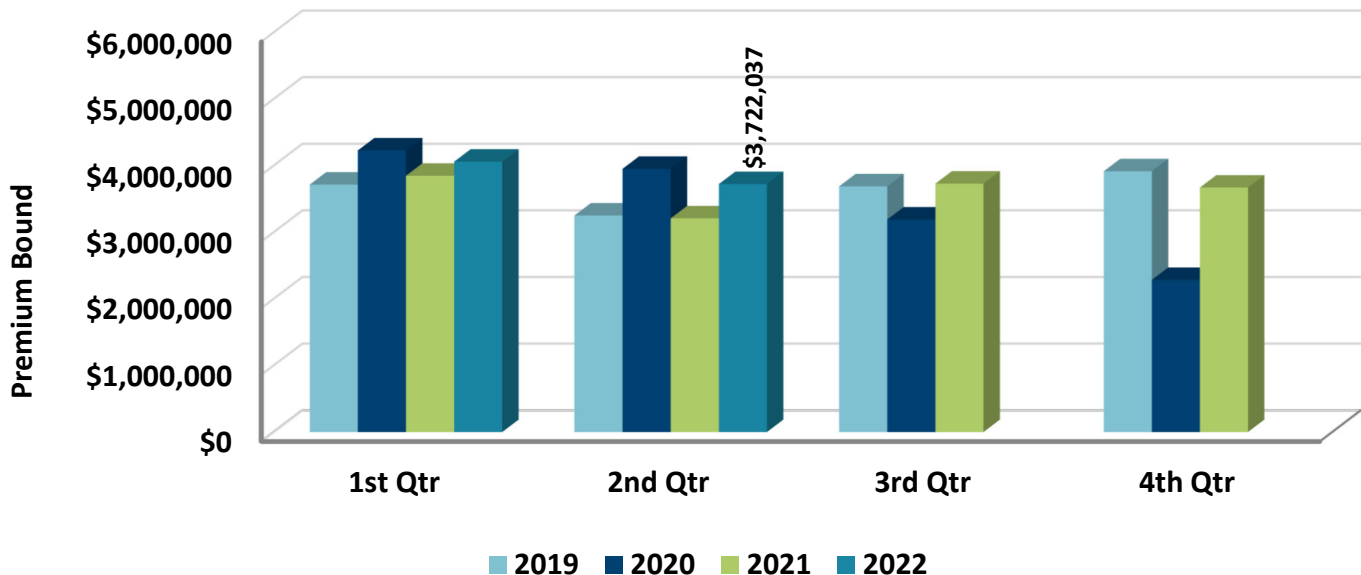
Total Applications Bound — 2019 vs. 2020 vs. 2021 vs. 2022

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).



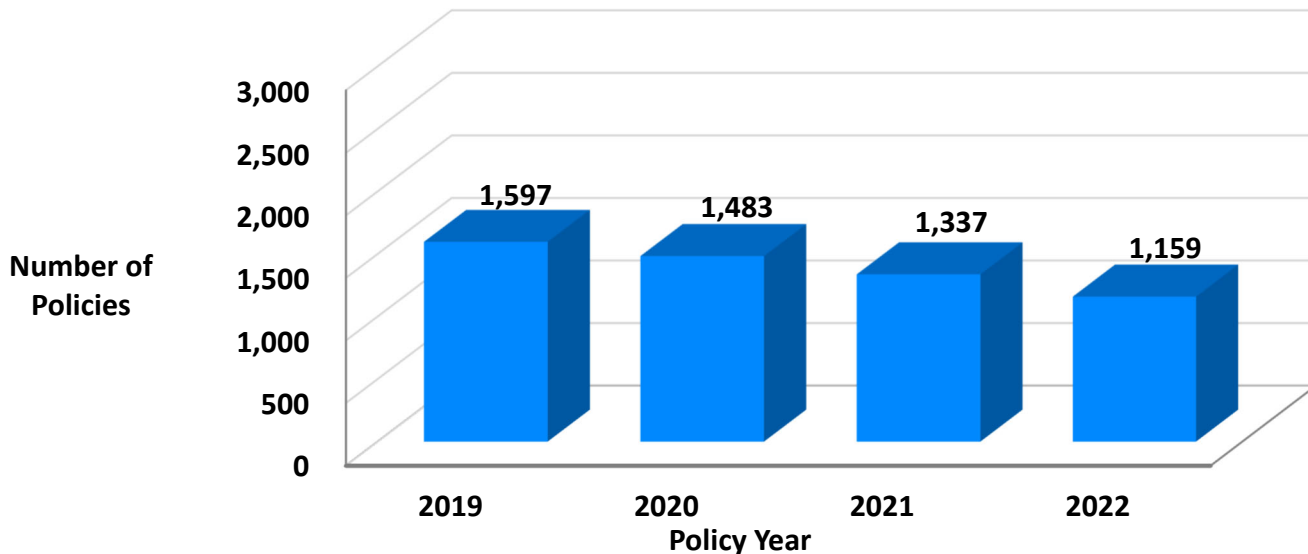


Residual Market Demographics

Residual Market Total Policy Counts

Second Quarter Data for Policies Reported through June 30, 2022

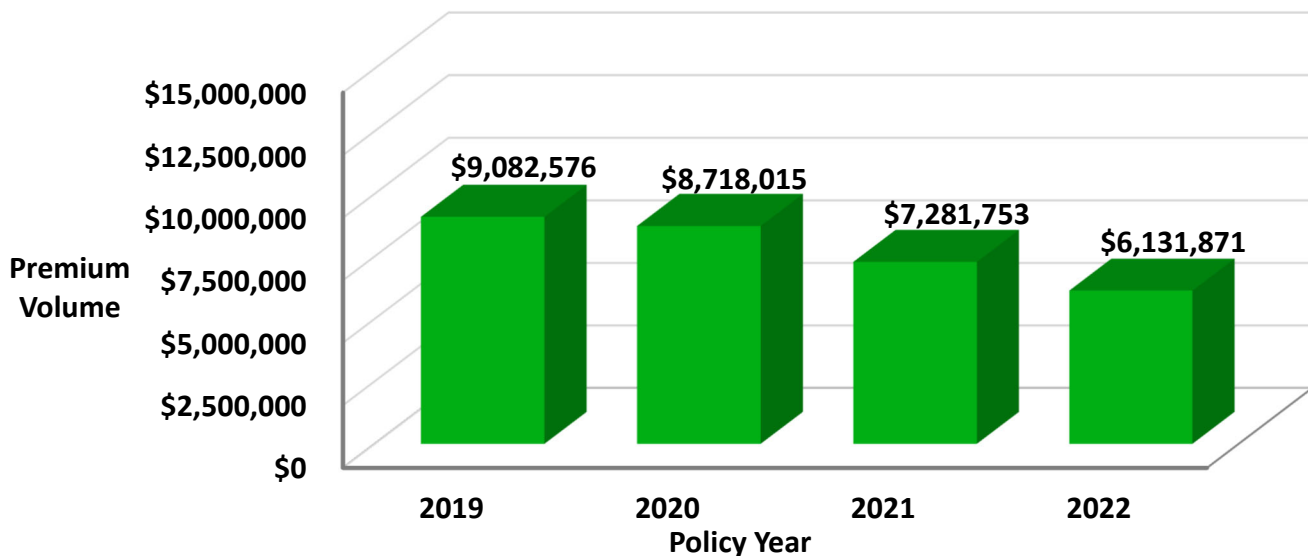
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



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	668	57.6	767,595	12.5	1,149
\$2500- \$4999	213	18.4	761,524	12.4	3,575
\$5000- \$9999	132	11.4	924,493	15.1	7,004
\$10000- \$19999	78	6.7	1,069,216	17.4	13,708
\$20000- \$49999	53	4.6	1,473,460	24.0	27,801
\$50000- \$99999	13	1.1	901,979	14.7	69,383
\$100000- \$199999	2	0.2	233,604	3.8	116,802
\$2000000+	0	0.0	0	0.0	0
Total	1,159	100.0	6,131,871	100.0	5,291

Second Quarter 2021 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	800	59.8	907,358	12.5	1,134
\$2500- \$4999	222	16.6	783,919	10.8	3,531
\$5000- \$9999	164	12.3	1,150,942	15.8	7,018
\$10000- \$19999	85	6.4	1,201,737	16.5	14,138
\$20000- \$49999	49	3.7	1,361,061	18.7	27,777
\$50000- \$99999	9	0.7	607,488	8.3	67,499
\$100000- \$199999	7	0.5	1,026,442	14.1	146,635
\$2000000+	1	0.1	242,806	3.3	242,806
Total	1,337	100.0	7,281,753	100.0	5,446



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	5551 - Roofing-All Kinds & Drivers	91	7.9
2	5606 - Contractor - Project Manager, Construction Executive, Construction Manager, or Construction Superintendent	83	7.2
3	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	80	6.9
4	8835 - Home, Public, And Traveling Healthcare - All Employees	40	3.5
5	5474 - Painting NOC & Shop Operations, Drivers	39	3.4
6	8824 - Retirement Living Centers - Health Care Employees	38	3.3
7	7219 - Trucking - NOC-All Employees & Drivers	30	2.6
8	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	28	2.4
9	5403 - Carpentry NOC	24	2.1
10	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	24	2.1

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	5551 - Roofing-All Kinds & Drivers	736,733	12.0
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	554,280	9.0
3	5606 - Contractor - Project Manager, Construction Executive, Construction Manager, or Construction Superintendent	234,684	3.8
4	7219 - Trucking - NOC-All Employees & Drivers	205,921	3.4
5	5474 - Painting NOC & Shop Operations, Drivers	135,879	2.2
6	5190 - Electrical Wiring-Within Buildings & Drivers	132,920	2.2
7	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	125,048	2.0
8	9083 - Restaurant: Fast Food	121,941	2.0
9	5403 - Carpentry NOC	117,256	1.9
10	5479 - Insulation Work NOC & Drivers	112,761	1.8



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.