



Arizona Residual Market State Activity Report

Third Quarter 2023



Executive Summary

NCCI, as Pool and Plan Administrator of the Arizona Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2023 *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:

Table of Contents

Residual Market Demographics	
Residual Market Total Policies and Premium in Force	1
Arizona Residual Market Reinsurance Pool Booked Loss Ratio	2
Arizona Residual Market Reinsurance Pool Ultimate Net Written Premium	2
Arizona 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.

Sally Laub, Plan Administration

561-893-1174

© Copyright 2023 National Council on Compensation Insurance, Inc. This material is owned by NCCI and is protected by copyright law. NCCI will seek all appropriate legal remedies for the unauthorized use, sale, reproduction, distribution, preparation of derivative works, transfer or assignment of this material, or any part thereof. NCCI makes no representation or warranty, express or implied, as to any matter whatsoever, including but not limited to the accuracy of any information, product, or service furnished hereunder. The recipient of this material is subject to any license agreement that governs the use of this information and subscribes to and utilizes the information “as is.”



Residual Market Demographics

Residual Market Total Policies and Premium in Force

As of September 30, 2023—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.

	2023	2022	2023 vs. 2022 #	2023 vs. 2022 %
Policy Count	3,939	4,148	-209	-5.0%
Premium Volume	\$25,820,624	\$27,473,800	-\$1,653,176	-6.0%

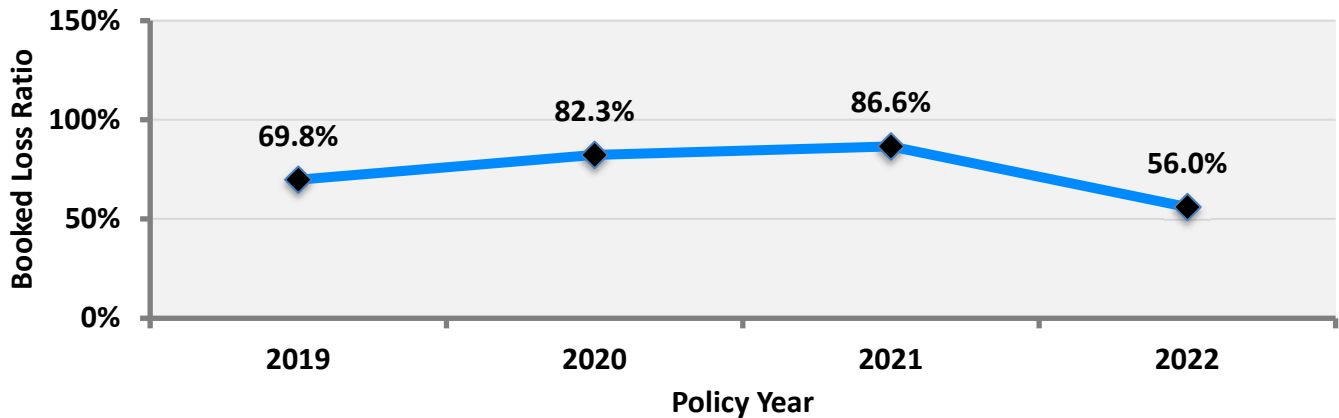


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years*

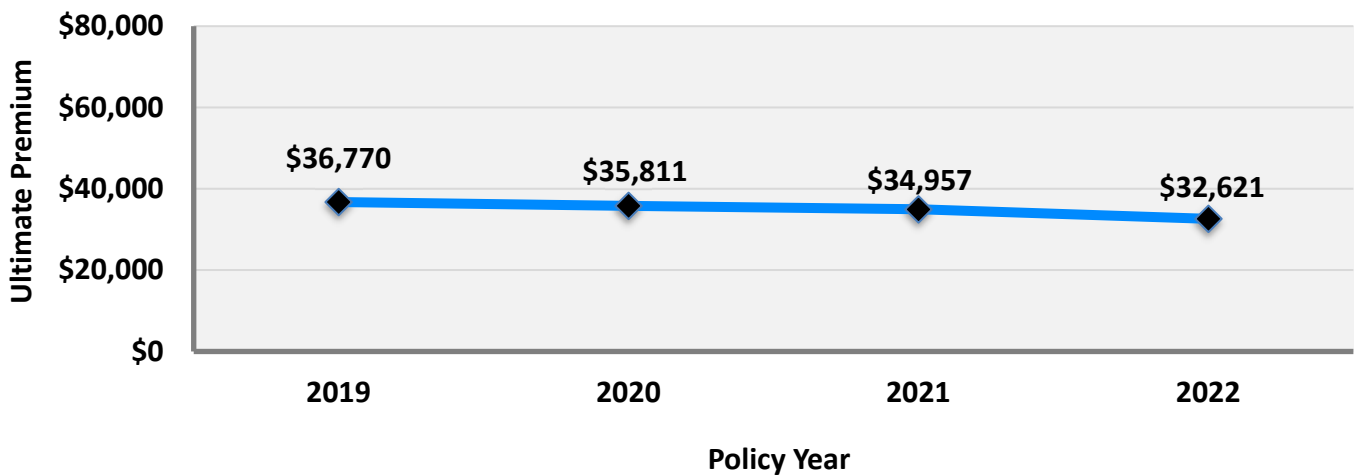
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years*

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



*3rd Quarter 2023 data will be available the end of January 2024 due to the timing of data reporting

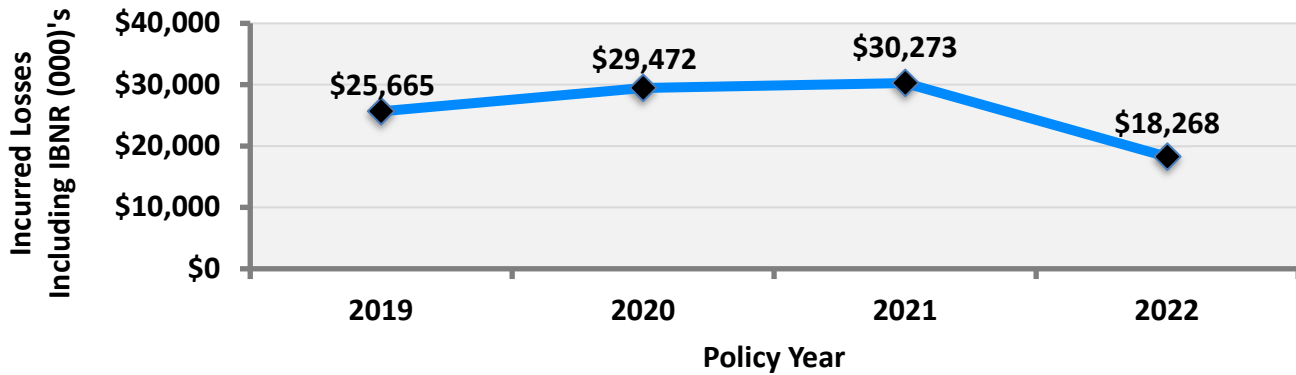


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years*

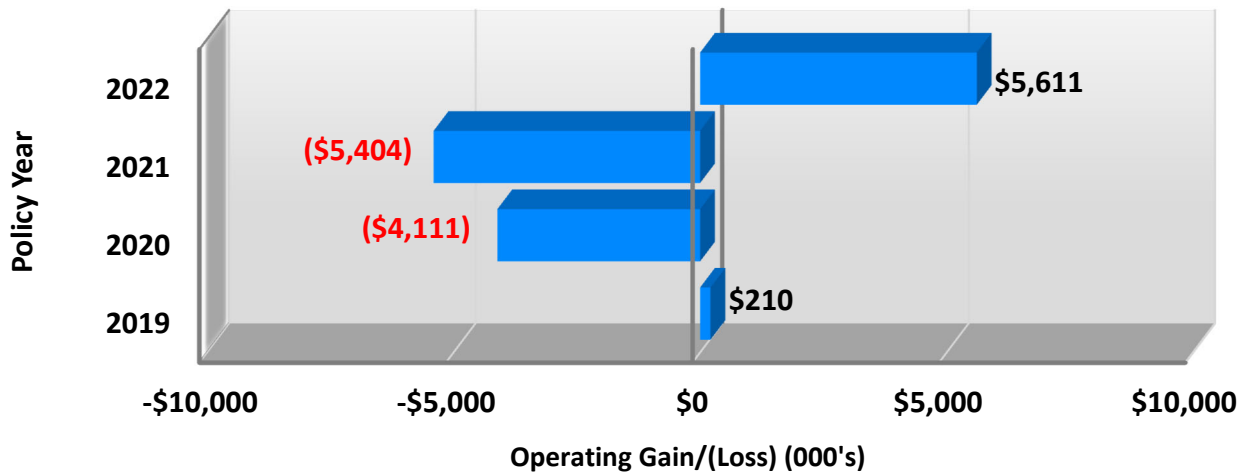
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 2nd Quarter 2023 for 2022 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 2023 data will be available the end of January 2024 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 2019-2023, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2023.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2019	39,323,556	2,553,545	6.5%
2020	37,935,347	2,124,508	5.6%
2021	38,603,913	3,562,869	9.2%
2022	32,947,637	--	--
2023	11,841,701	--	--

* 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, 2023

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 2023.

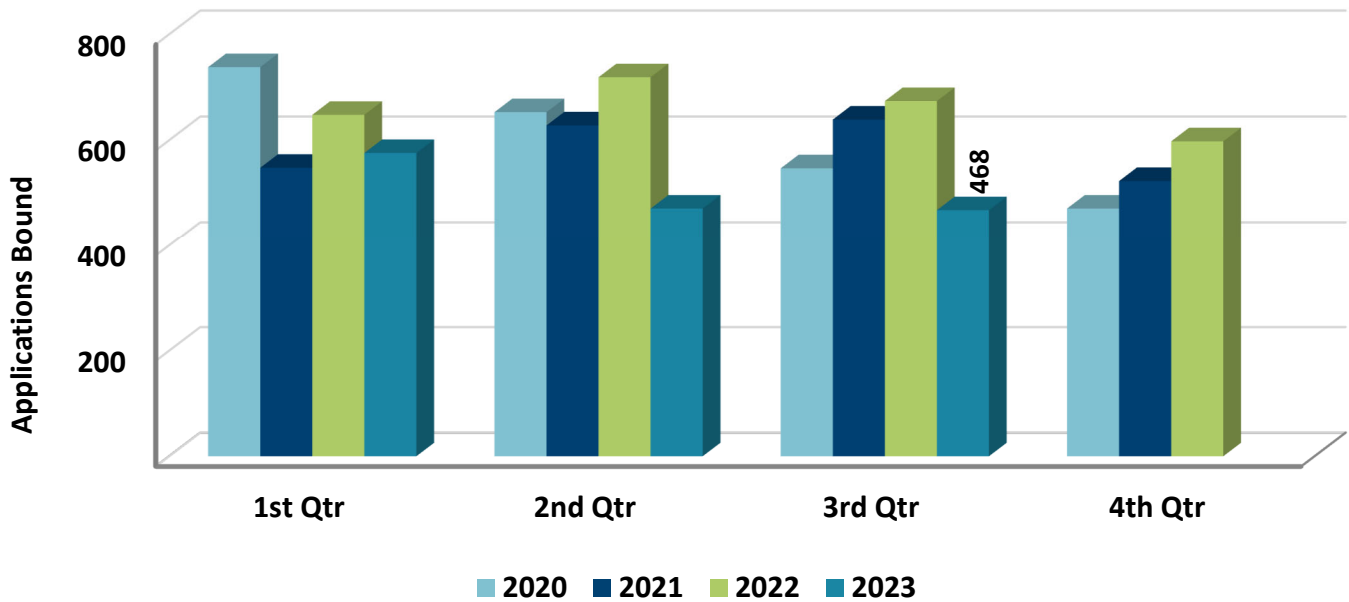
Number of Applications Reviewed by VCAP[®] Service	551
Number of VCAP[®] Service Matches	471
VCAP[®] Service Offers as a % of Matches	17.20%
Number of Confirmed VCAP[®] Service Policies	79
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	14.34%
Savings as a % of Redirected Assigned Risk Premium	11.99%



Residual Market Demographics

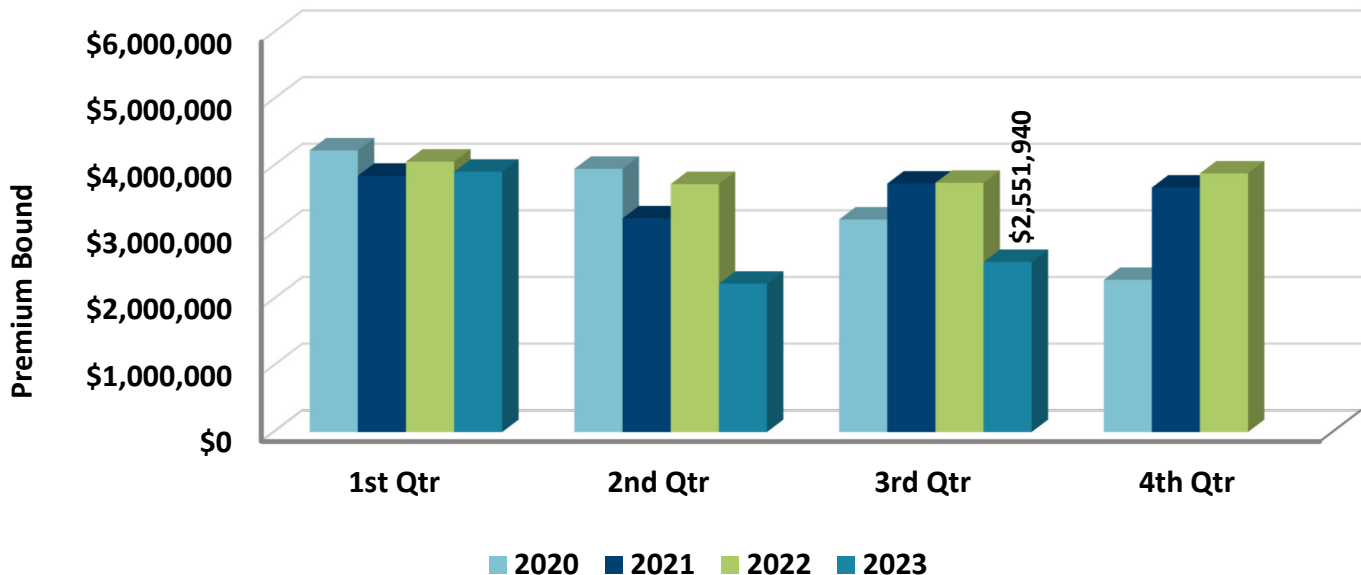
Total Applications Bound — 2020 vs. 2021 vs. 2022 vs. 2023

The number of applications—both new and reassignment—that are assigned to a Servicing Carrier or a Direct Assignment Carrier (if applicable).



Total Application Premium Bound — 2020 vs. 2021 vs. 2022 vs. 2023

The total estimated premium on bound applications—both new and reassignment—that are assigned to a Servicing Carrier or a Direct Assignment Carrier (if applicable).



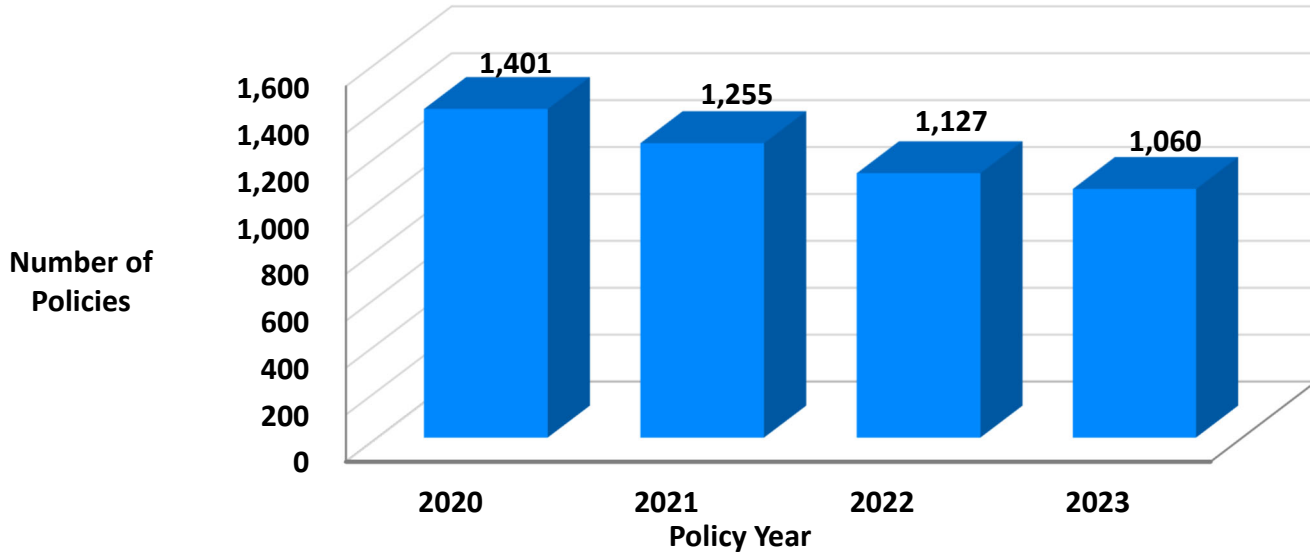


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2023

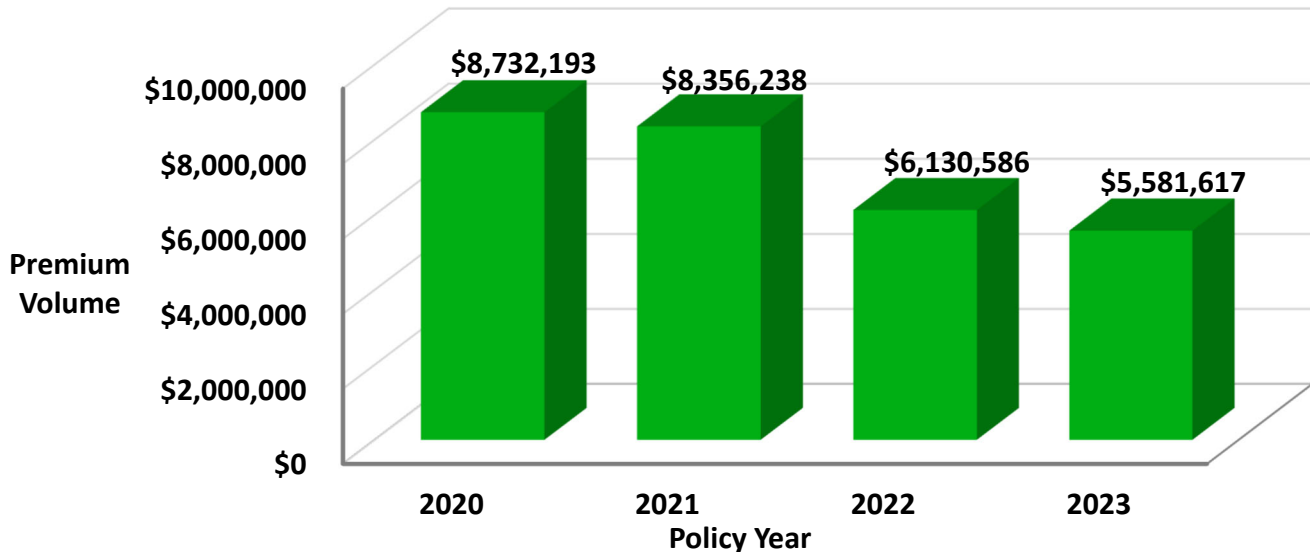
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 2023

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, 2023

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	628	59.2	658,878	11.8	1,049
\$2500- \$4999	162	15.3	577,884	10.4	3,567
\$5000- \$9999	128	12.1	937,321	16.8	7,323
\$10000- \$19999	88	8.3	1,182,555	21.2	13,438
\$20000- \$49999	40	3.8	1,163,098	20.8	29,077
\$50000- \$99999	13	1.2	907,669	16.3	69,821
\$100000- \$199999	1	0.1	154,212	2.8	154,212
\$2000000+	0	0.0	0	0.0	0
Total	1,060	100.0	5,581,617	100.0	5,266

Third Quarter 2022 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	672	59.6	714,510	11.7	1,063
\$2500- \$4999	179	15.9	628,082	10.2	3,509
\$5000- \$9999	130	11.5	910,547	14.9	7,004
\$10000- \$19999	89	7.9	1,248,956	20.4	14,033
\$20000- \$49999	45	4.0	1,334,863	21.8	29,664
\$50000- \$99999	8	0.7	553,917	9.0	69,240
\$100000- \$199999	3	0.3	376,650	6.1	125,550
\$2000000+	1	0.1	363,061	5.9	363,061
Total	1,127	100.0	6,130,586	100.0	5,440



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2023

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	76	7.2
2	5551 - Roofing-All Kinds & Drivers	71	6.7
3	5606 - Contractor - Project Manager, Construction Executive, Construction Manager, or Construction Superintendent	67	6.3
4	7219 - Trucking - NOC-All Employees & Drivers	36	3.4
5	9014 - Janitorial Services By Contractors-No Window Cleaning Above Ground Level & Drivers	31	2.9
6	8835 - Home, Public, and Traveling Healthcare - All Employees	30	2.8
7	8842 - Group Homes - All Employees & Salespersons, Drivers	30	2.8
8	8810 - Clerical Office Employees NOC	27	2.5
9	5403 - Carpentry NOC	25	2.4
10	8720 - Inspection of Risks for Insurance or Valuation Purposes NOC	24	2.3

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2023

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	528,782	9.5
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	286,329	5.1
3	7219 - Trucking - NOC-All Employees & Drivers	193,222	3.5
4	9084 - Bar, Discotheque, Lounge, Nightclub or Tavern	183,018	3.3
5	5403 - Carpentry NOC	173,248	3.1
6	5606 - Contractor - Project Manager, Construction Executive, Construction Manager, or Construction Superintendent	160,492	2.9
7	7710 - Firefighters & Drivers	145,491	2.6
8	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	123,223	2.2
9	7225 - Automobile Towing & Drivers	119,659	2.1
10	8380 - Automobile Service or Repair Center & Drivers	115,331	2.1



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.