



# Arizona Residual Market State Activity Report

Annual 2022



## Executive Summary

NCCI, as Pool and Plan Administrator of the Arizona Workers Compensation Insurance Plan, is pleased to provide the Annual 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 December 31, 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>	4,016	4,504	-488	-10.8%
<b>Premium Volume</b>	\$25,864,641	\$34,104,619	-\$8,239,978	-24.2%

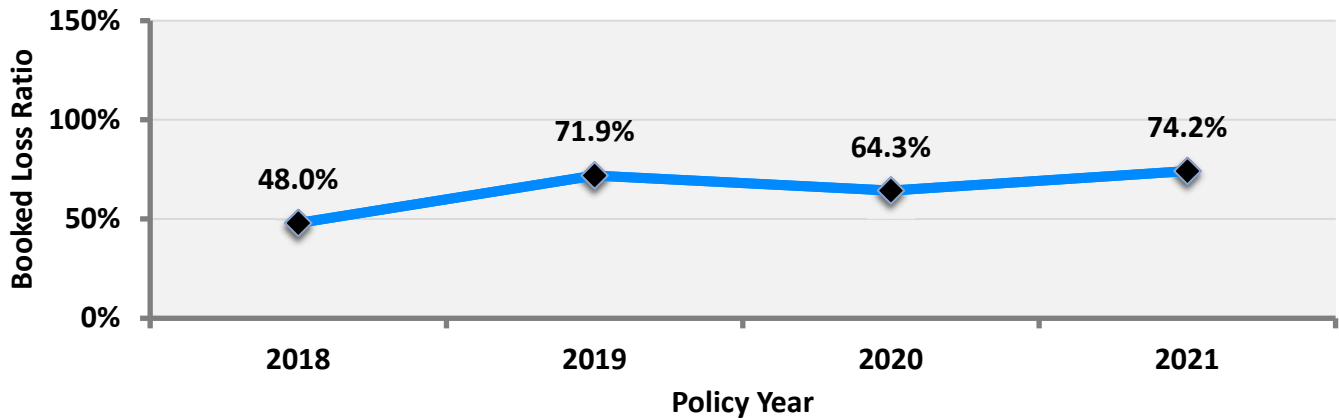


## Residual Market Demographics

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

#### Policy Year Financial Results through 3rd Quarter 2022 for 2021 and prior years\*

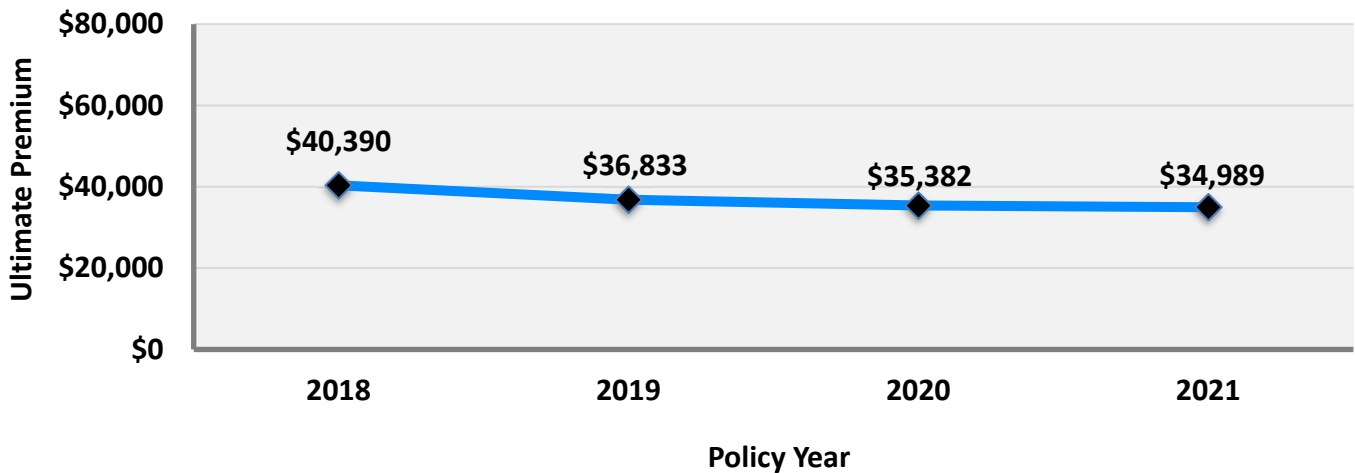
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 3rd 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.



\*4th Quarter 2022 data will be available the end of April 2023 due to the timing of data reporting

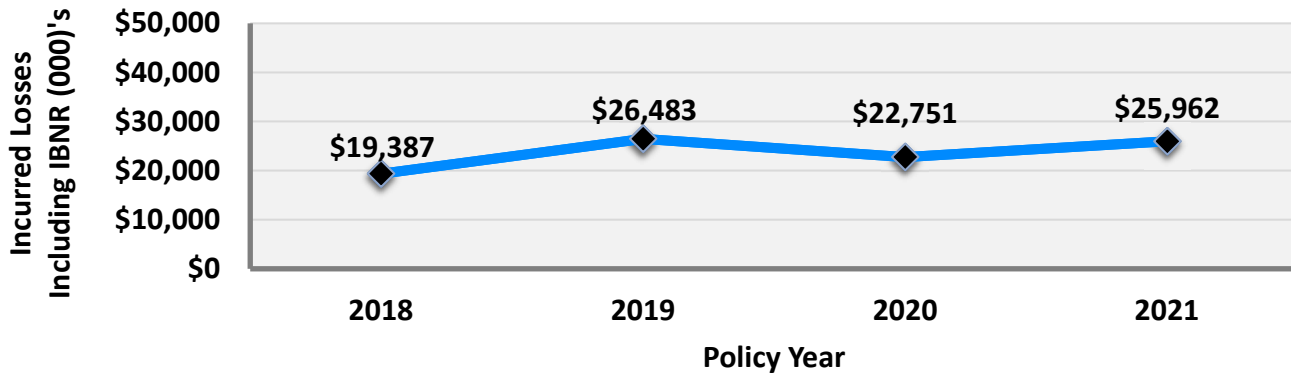


## Residual Market Demographics

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

#### Policy Year Financial Results through 3rd Quarter 2022 for 2021 and prior years\*

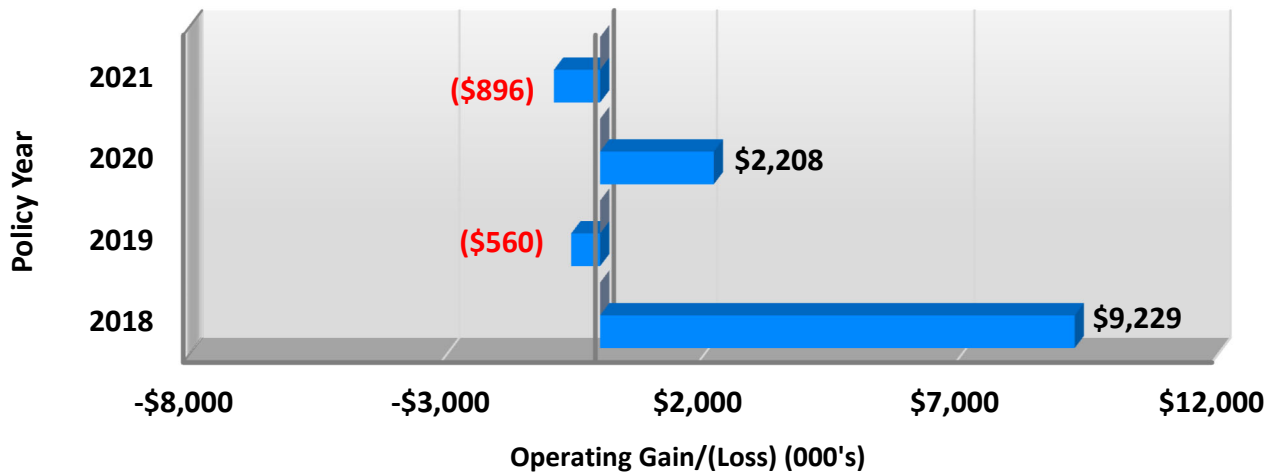
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

#### Policy Year Financial Results through 3rd 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.



\*4th Quarter 2022 data will be available the end of April 2023 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 3rd Quarter 2022.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2018	42,738,216	2,348,369	5.5%
2019	39,456,904	2,623,635	6.6%
2020	38,035,089	2,610,310	6.9%
2021	37,480,484	--	--
2022	17,636,525	--	--

\* 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

#### Annual Data through December 31, 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 Annual 2022.

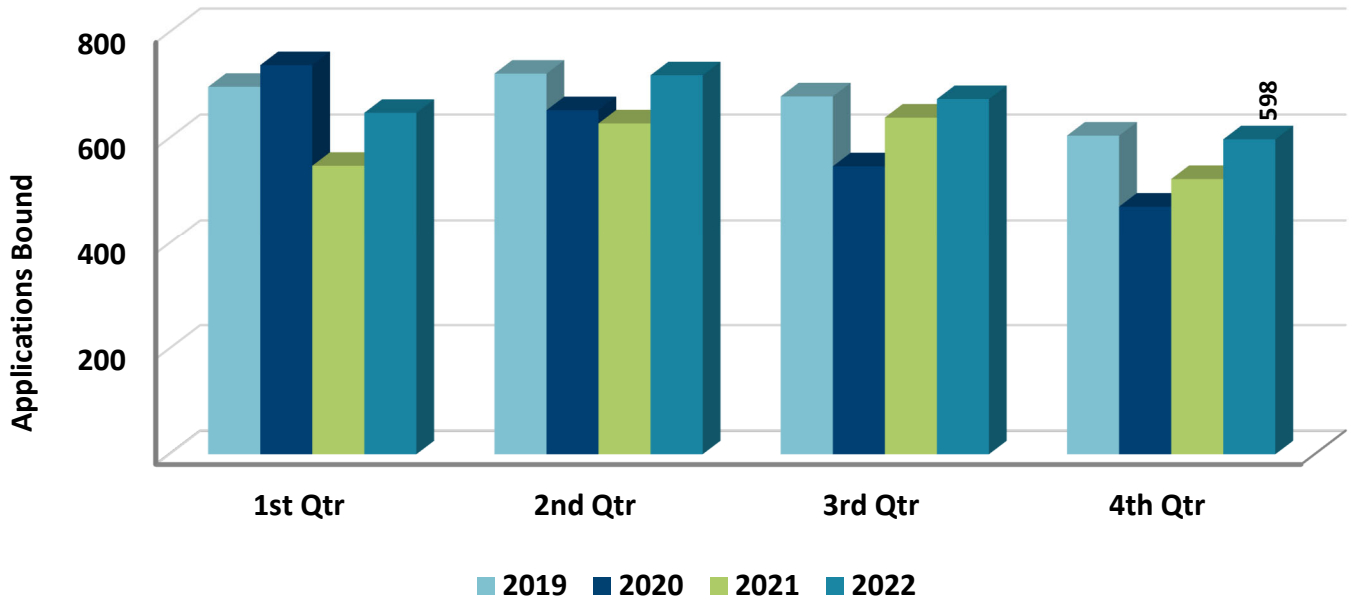
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	3,064
Number of <b>VCAP<sup>®</sup> Service</b> Matches	2,602
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	16.18%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	414
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	13.51%
Savings as a % of Redirected Assigned Risk Premium	10.65%



## Residual Market Demographics

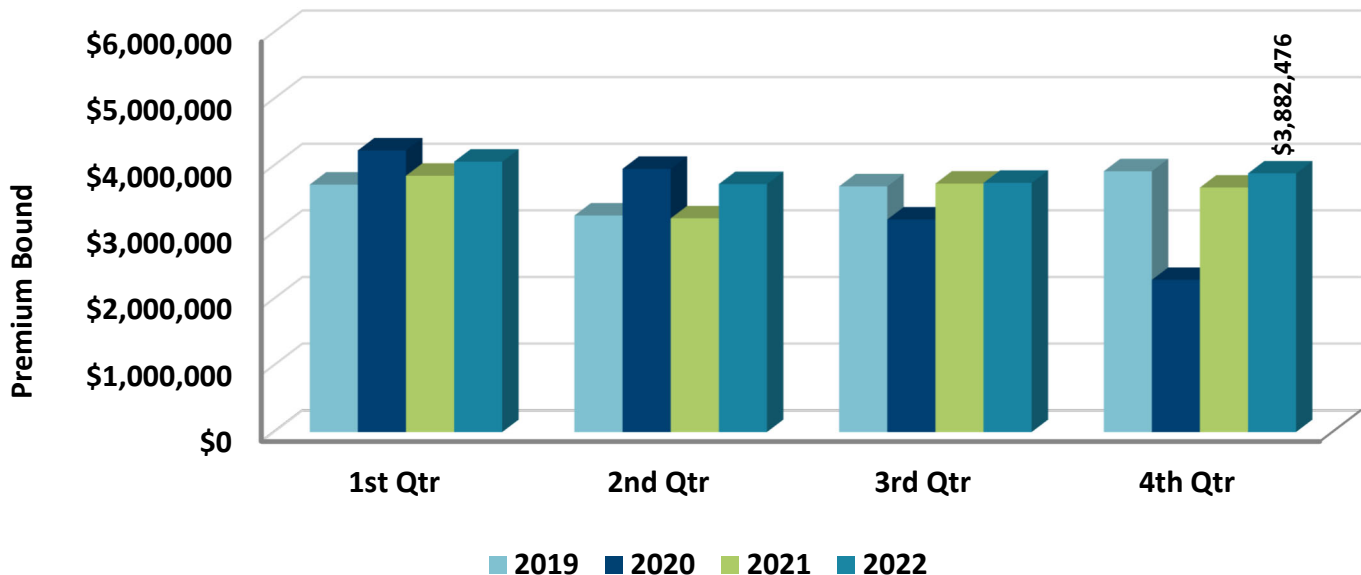
### Total Applications Bound — 2019 vs. 2020 vs. 2021 vs. 2022

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 — 2019 vs. 2020 vs. 2021 vs. 2022

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).





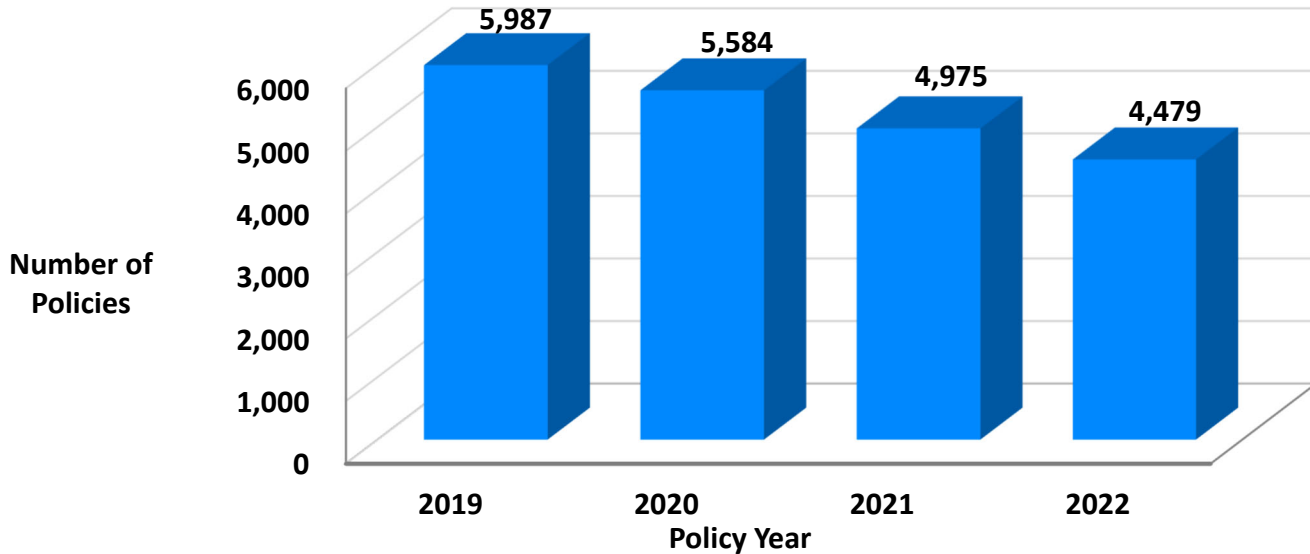


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Annual Data for Policies Reported through December 31, 2022

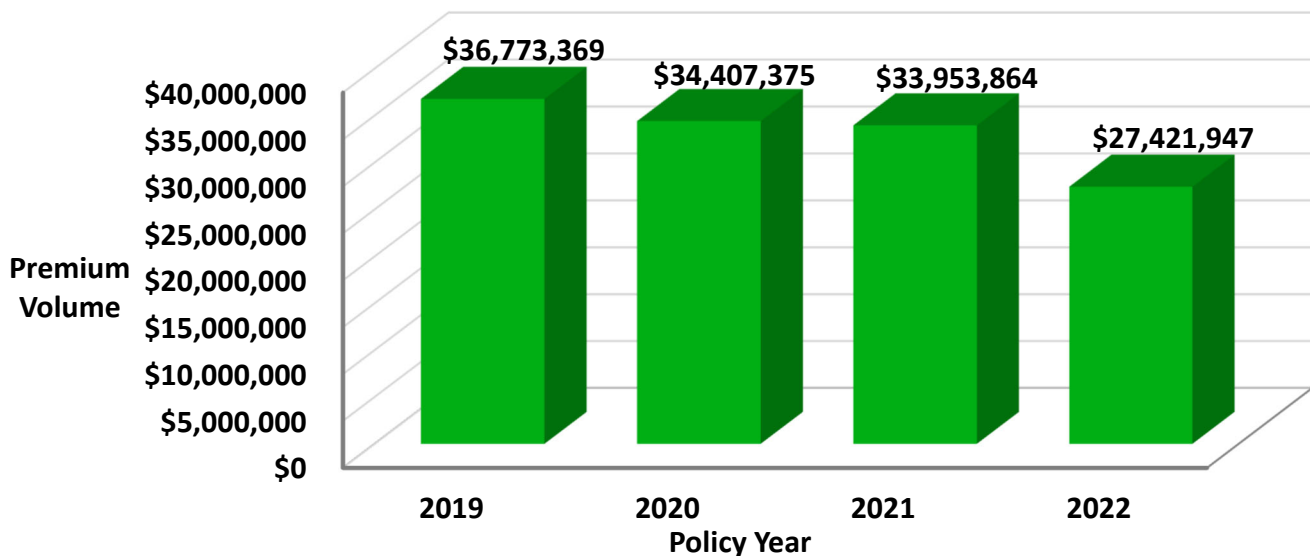
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Annual Data Reported through December 31, 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 Annual Data Reported through December 31, 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	2,555	57.0	2,824,450	10.3	1,105
\$2500- \$4999	758	16.9	2,680,057	9.8	3,536
\$5000- \$9999	534	11.9	3,681,467	13.4	6,894
\$10000- \$19999	352	7.9	4,890,246	17.8	13,893
\$20000- \$49999	202	4.5	6,089,179	22.2	30,144
\$50000- \$99999	61	1.4	4,117,043	15.0	67,493
\$100000- \$199999	12	0.3	1,618,450	5.9	134,871
\$2000000+	5	0.1	1,521,055	5.5	304,211
Total	4,479	100.0	27,421,947	100.0	6,122

### Annual 2021 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	2,823	56.7	3,149,280	9.3	1,116
\$2500- \$4999	816	16.4	2,907,119	8.6	3,563
\$5000- \$9999	633	12.7	4,458,298	13.1	7,043
\$10000- \$19999	382	7.7	5,306,799	15.6	13,892
\$20000- \$49999	215	4.3	6,369,811	18.8	29,627
\$50000- \$99999	72	1.4	4,746,548	14.0	65,924
\$100000- \$199999	25	0.5	3,410,484	10.0	136,419
\$2000000+	9	0.2	3,605,525	10.6	400,614
Total	4,975	100.0	33,953,864	100.0	6,825



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 31, 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	360	8.0
2	5551 - Roofing-All Kinds & Drivers	319	7.1
3	5606 - Contractor - Project Manager, Construction Executive, Construction Manager, or Construction Superintendent	281	6.3
4	8835 - Home, Public, And Traveling Healthcare - All Employees	154	3.4
5	7219 - Trucking - NOC-All Employees & Drivers	139	3.1
6	5474 - Painting NOC & Shop Operations, Drivers	135	3.0
7	8842 - Group Homes - All Employees & Salespersons, Drivers	115	2.6
8	8824 - Retirement Living Centers - Health Care Employees	104	2.3
9	8810 - Clerical Office Employees NOC	102	2.3
10	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	99	2.2

### Residual Market Top 10 Classification Codes by Premium Volume Annual Data Reported through December 31, 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	2,927,984	10.7
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	2,302,923	8.4
3	5403 - Carpentry NOC	1,058,721	3.9
4	5606 - Contractor - Project Manager, Construction Executive, Construction Manager, or Construction Superintendent	898,760	3.3
5	7219 - Trucking - NOC-All Employees & Drivers	752,237	2.7
6	7720 - Police Officers & Drivers	557,929	2.0
7	8835 - Home, Public, And Traveling Healthcare - All Employees	514,640	1.9
8	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	514,104	1.9
9	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	513,684	1.9
10	6217 - Excavation & Drivers	500,577	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<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.