



# Iowa Residual Market State Activity Report

Second Quarter 2018



## Executive Summary

NCCI, as Pool and Plan Administrator of the Iowa Workers Compensation Insurance Plan, is pleased to provide the Second Quarter 2018 *Iowa 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 Iowa 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, 2018—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.

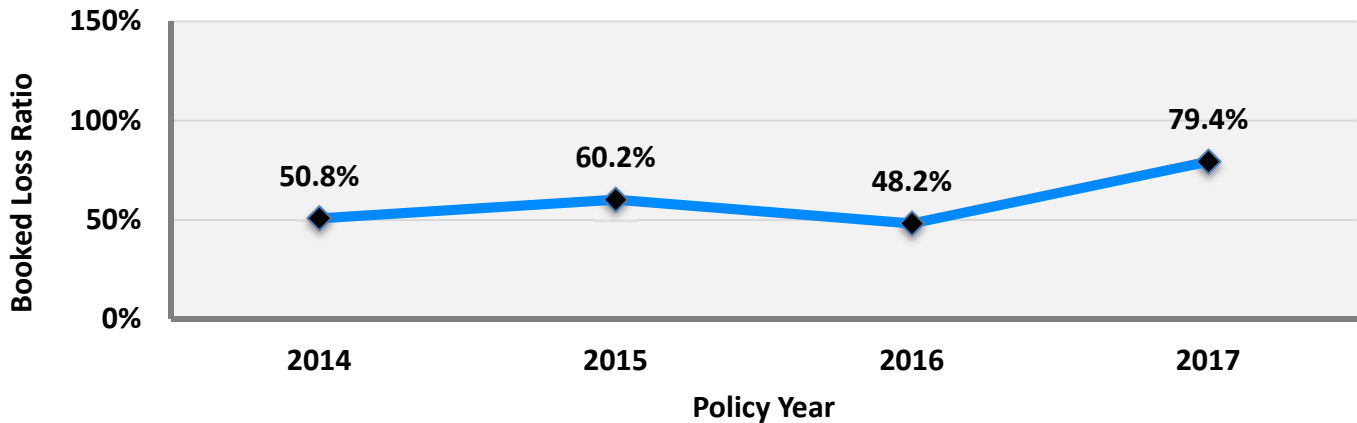
	2018	2017	2018 vs. 2017 #	2018 vs. 2017 %
<b>Policy Count</b>	4,065	4,451	-386	-8.7%
<b>Premium Volume</b>	\$27,034,409	\$31,323,390	-\$4,288,981	-13.7%



## Residual Market Demographics

### Iowa Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 1st Quarter 2018 for 2017 and prior years\*

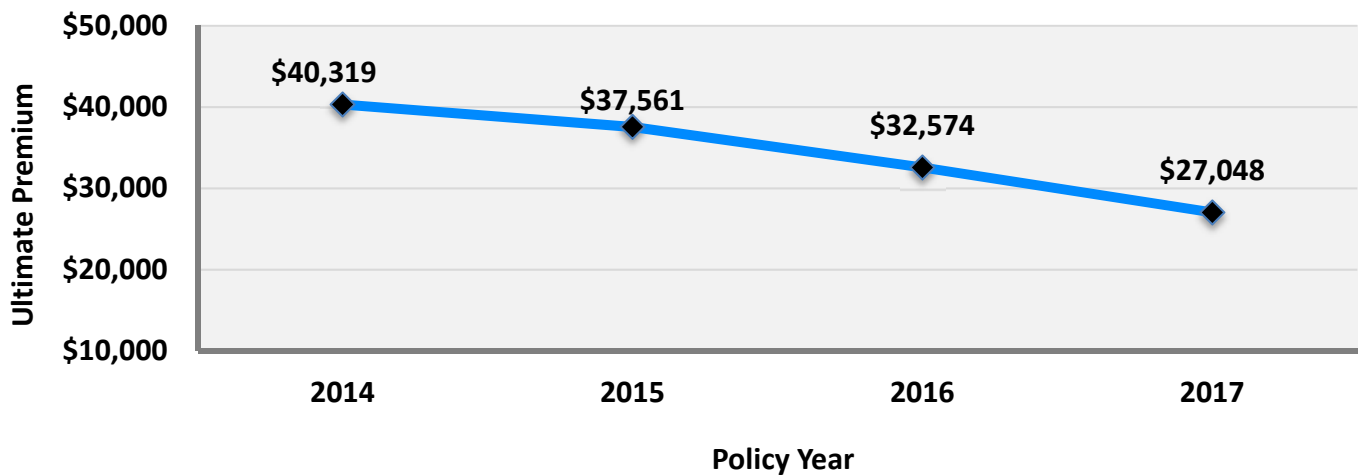
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 1st Quarter 2018 for 2017 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.



\* Second Quarter 2018 data will be available the end of October 2018 due to the timing of data reporting

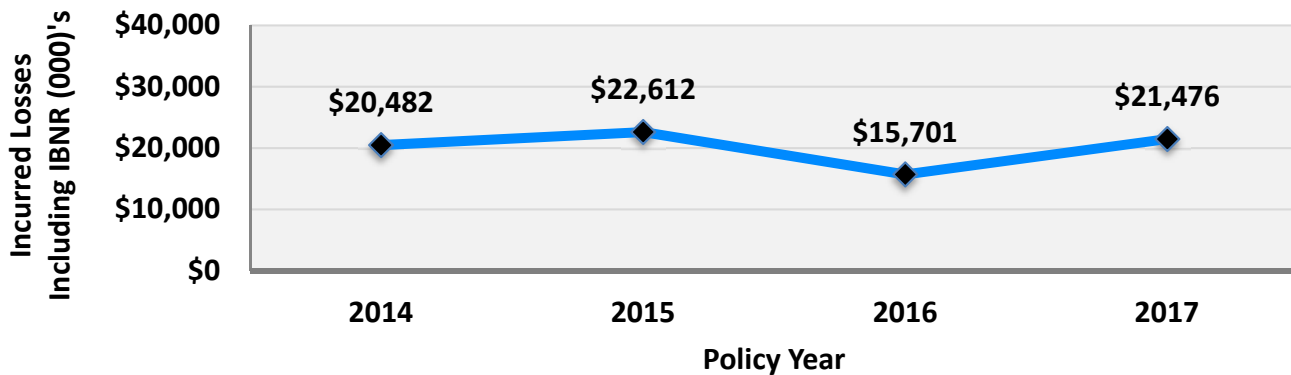


## Residual Market Demographics

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

#### Policy Year Financial Results through 1st Quarter 2018 for 2017 and prior years\*

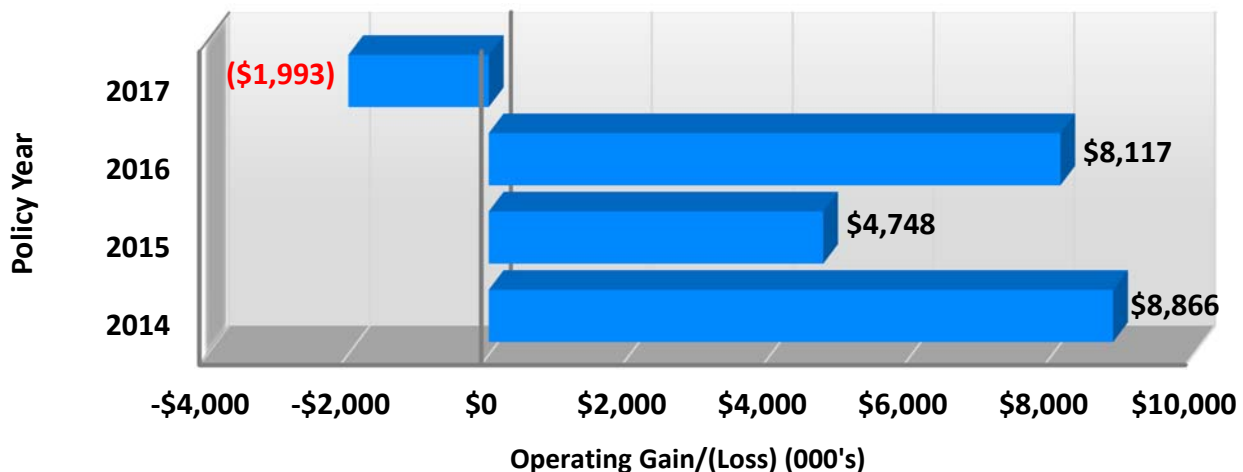
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

#### Policy Year Financial Results through 1st Quarter 2018 for 2017 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.



\* Second Quarter 2018 data will be available the end of October 2018 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 Iowa for Policy Years 2014-2018, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 1st Quarter 2018.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2014	40,988,335	669,018	1.6%
2015	38,537,971	976,973	2.5%
2016	33,029,583	458,390	1.4%
2017	24,858,411	*	N/A
2018	4,066,440	*	N/A

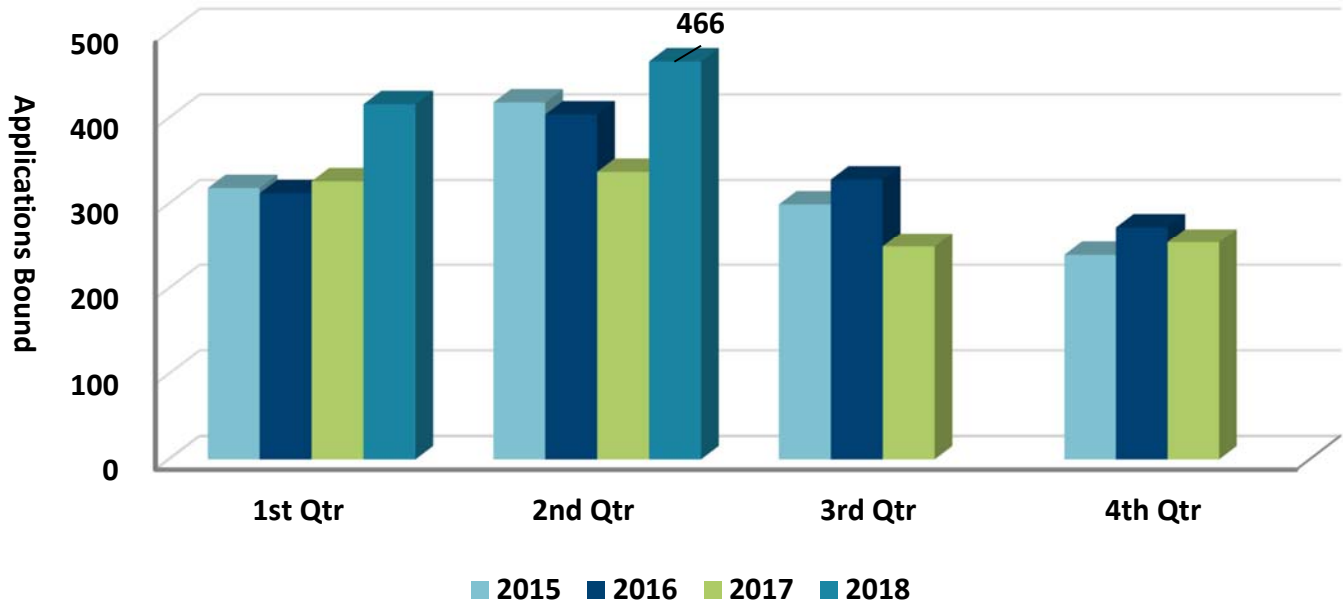
\* The uncollectible premiums provided are reported by the servicing carriers on a quarterly basis. Uncollectible premium is generally reported up to 24 months after the policy expiration date due to audit, billing, and collection requirements. Therefore, the uncollectible premium data has not yet developed for the more recent policy years.



## Residual Market Demographics

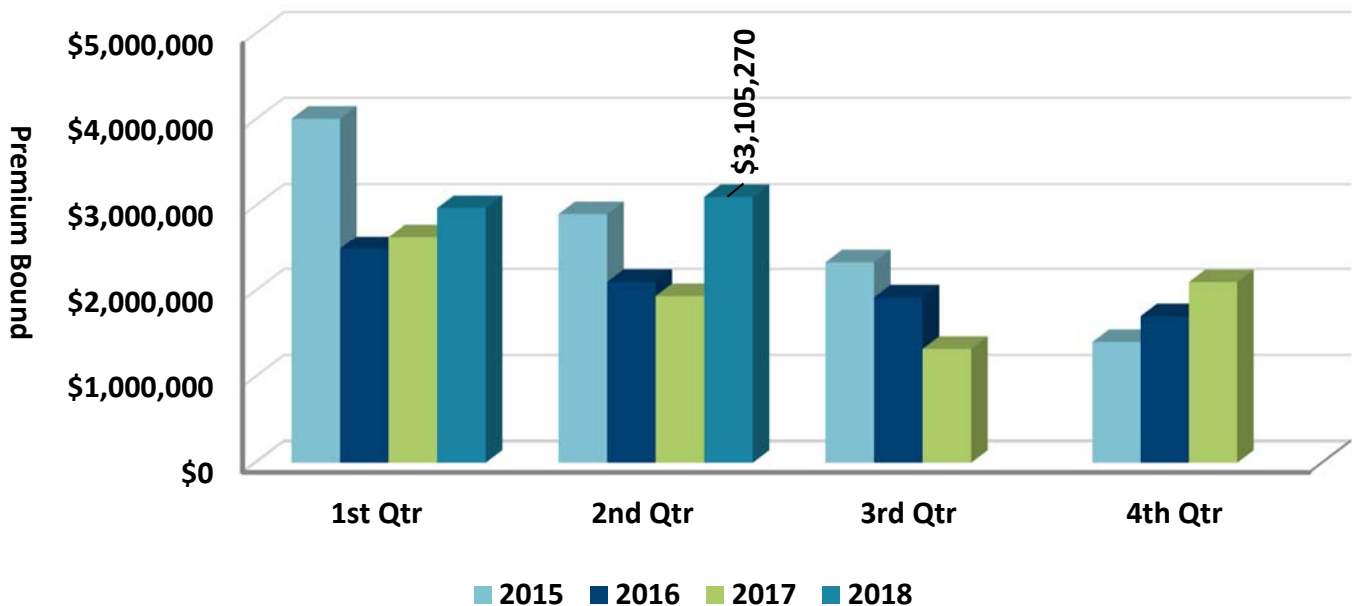
### Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

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 — 2015 vs. 2016 vs. 2017 vs. 2018

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).



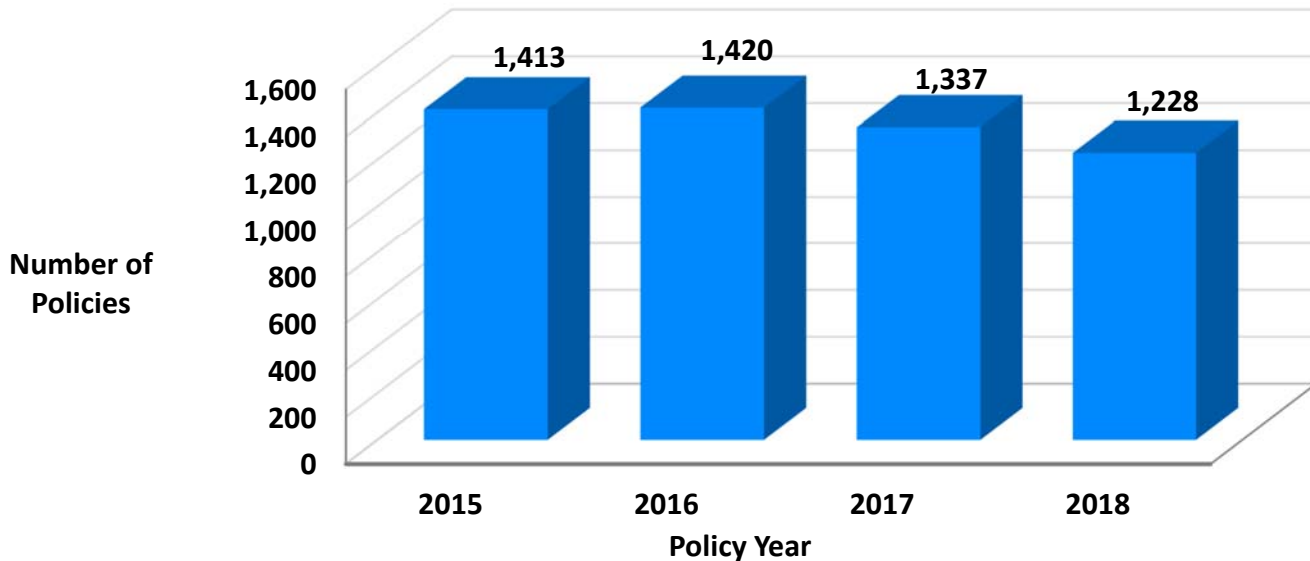


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Second Quarter Data for Policies Reported through June 30, 2018

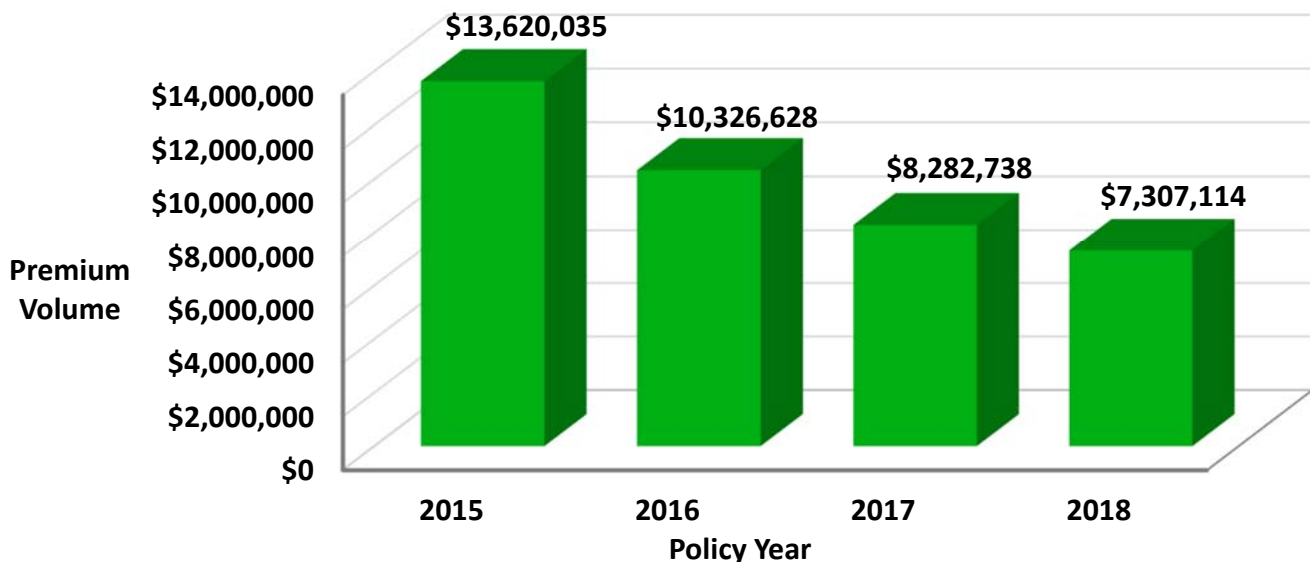
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Second Quarter Data Reported through June 30, 2018

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, 2018

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	699	56.9%	\$690,053	9.4%	\$987
\$2500–4999	211	17.2%	\$749,029	10.3%	\$3,549
\$5000–9999	151	12.3%	\$1,054,424	14.4%	\$6,982
\$10000–19999	100	8.1%	\$1,398,431	19.1%	\$13,984
\$20000–49999	46	3.8%	\$1,403,878	19.2%	\$30,519
\$50000–99999	17	1.4%	\$1,116,108	15.3%	\$65,653
\$100000–199999	3	0.2%	\$403,881	5.5%	\$134,627
\$200000 +	1	0.1%	\$491,310	6.7%	\$491,310
Total	1,228	100.0%	\$7,307,114	100.0%	\$5,950

### Second Quarter 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	759	56.8%	\$747,595	9.0%	\$984
\$2500–4999	223	16.7%	\$806,795	9.7%	\$3,617
\$5000–9999	162	12.1%	\$1,120,952	13.5%	\$6,919
\$10000–19999	120	9.0%	\$1,688,919	20.4%	\$14,074
\$20000–49999	50	3.7%	\$1,576,784	19.0%	\$31,535
\$50000–99999	14	1.1%	\$840,515	10.2%	\$60,036
\$100000–199999	8	0.6%	\$1,076,951	13.0%	\$134,618
\$200000 +	1	0.1%	\$424,227	5.1%	\$424,227
Total	1,337	100.0%	\$8,282,738	100.0%	\$6,195



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Second Quarter Data Reported through June 30, 2018

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	Description	Policy Count	% of Policies
1	0037	Farm: Field Crops & Drivers	83	6.8%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	72	5.9%
3	7219	Trucking: NOC-All Employees & Drivers	71	5.8%
4	0106	Tree Pruning Spraying Repairing - All Operations & Drivers	58	4.7%
5	5551	Roofing-All Kinds & Drivers	56	4.6%
6	7711	Firefighters & Drivers - Volunteer	54	4.4%
7	0083	Farm: Cattle or Livestock Raising NOC & Drivers	33	2.7%
8	8810	Clerical Office Employees NOC	24	2.0%
9	9015	Buildings-Operation by Owner or Lessee	23	1.9%
10	8380	Automobile Service or Repair Center & Drivers	22	1.8%

### Residual Market Top 10 Classification Codes by Premium Volume Second Quarter Data Reported through June 30, 2018

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	Description	Premium	% of Premium
1	7219	Trucking: NOC-All Employees & Drivers	\$1,128,298	15.4%
2	5551	Roofing-All Kinds & Drivers	\$384,391	5.3%
3	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	\$383,440	5.3%
4	0106	Tree Pruning Spraying Repairing - All Operations & Drivers	\$289,416	4.0%
5	9403	Garbage Ashes or Refuse Collection & Drivers	\$287,412	3.9%
6	0037	Farm: Field Crops & Drivers	\$252,108	3.5%
7	7711	Firefighters & Drivers - Volunteer	\$231,176	3.2%
8	3724	Machinery or Equipment Erection or Repair NOC & Drivers	\$197,943	2.7%
9	8018	Store: Wholesale NOC	\$197,452	2.7%
10	5403	Carpentry NOC	\$142,026	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.