



Illinois Residual Market State Activity Report

Second Quarter 2018



Executive Summary

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

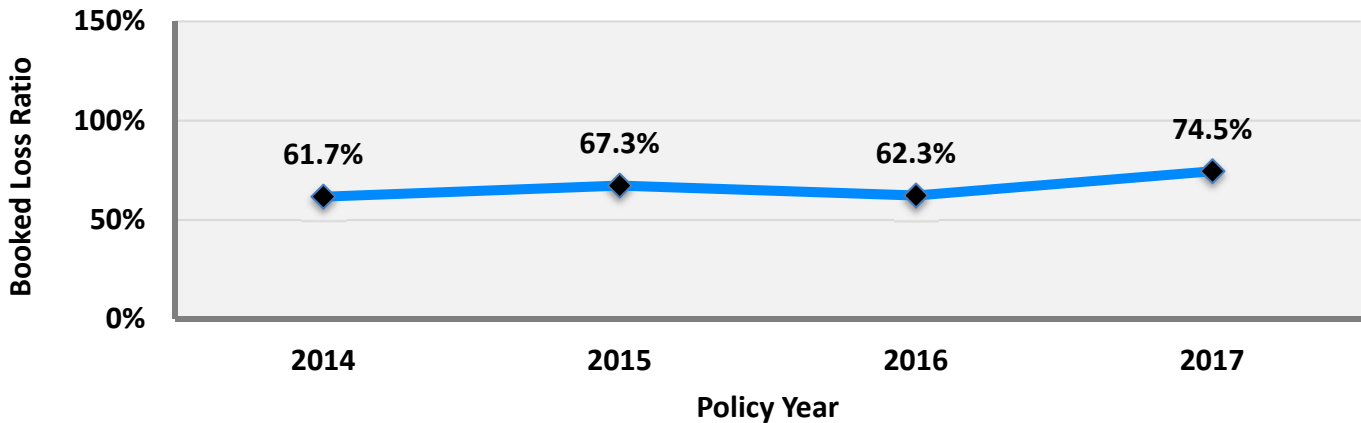
	2018	2017	2018 vs. 2017 #	2018 vs. 2017 %
Policy Count	32,352	33,615	-1,263	-3.8%
Premium Volume	\$90,567,941	\$95,662,456	-\$5,094,515	-5.3%



Residual Market Demographics

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

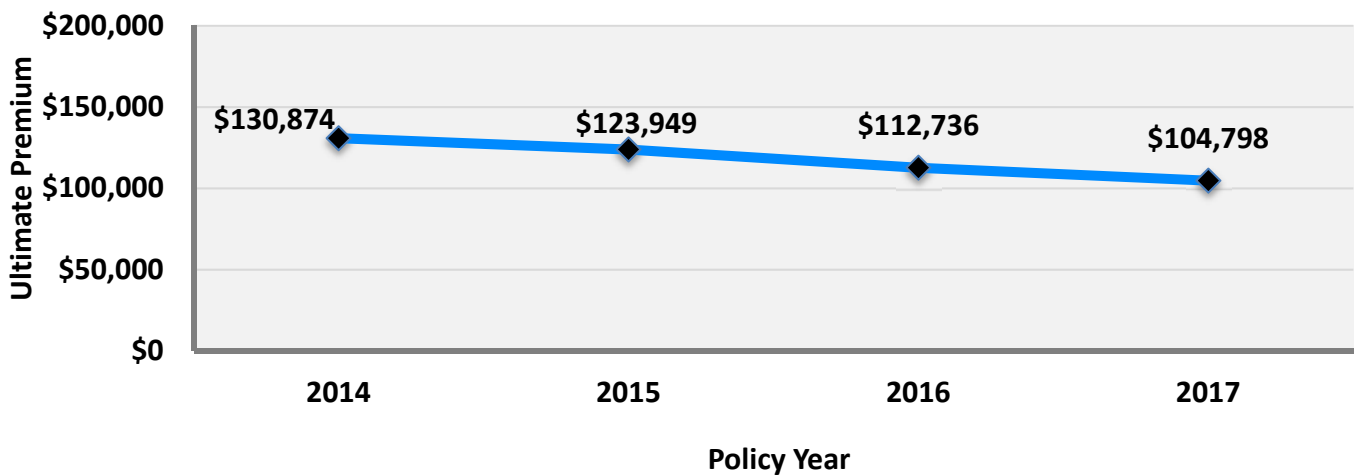
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



Illinois 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

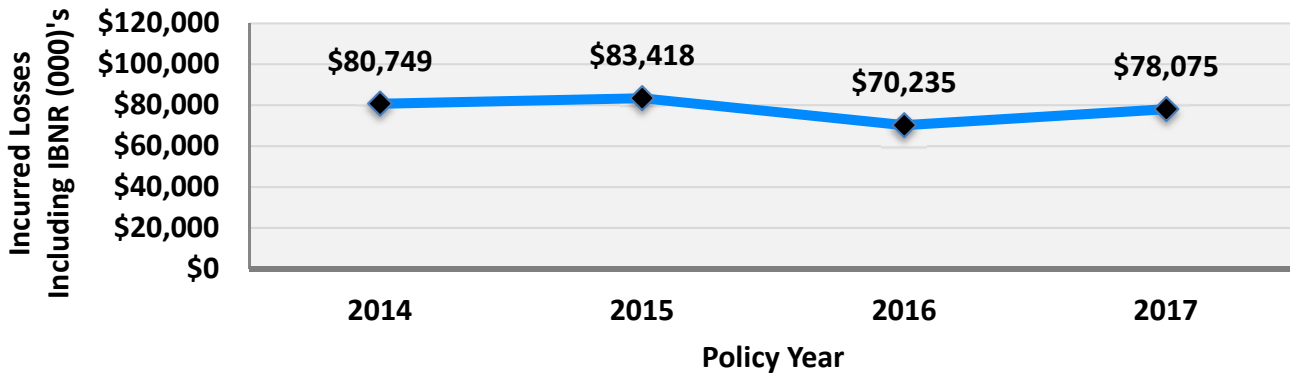


Residual Market Demographics

Illinois 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*

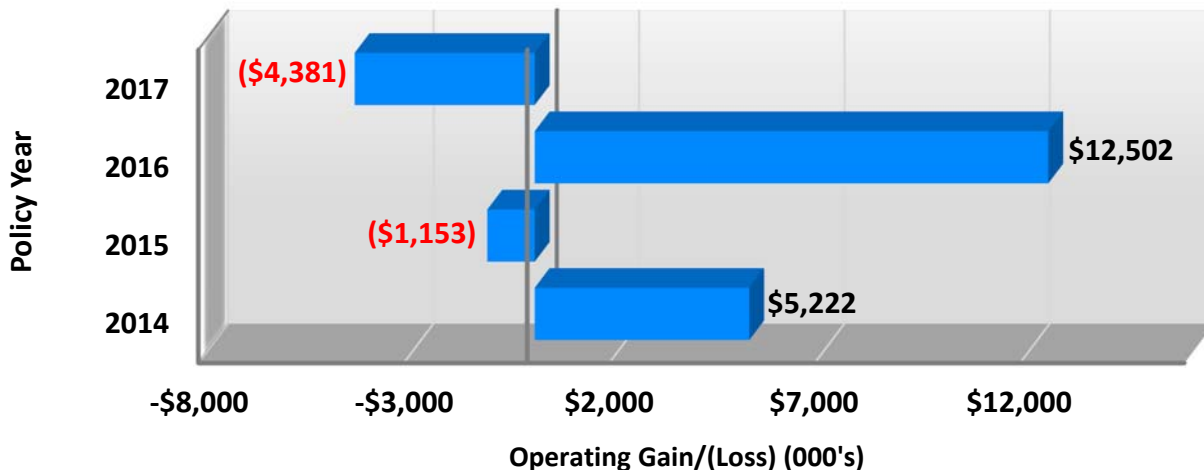
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



Illinois 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 Illinois 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	140,475,430	9,601,281	6.8%
2015	132,538,008	8,588,824	6.5%
2016	121,867,521	8,724,175	7.2%
2017	101,343,200	*	N/A
2018	17,299,530	*	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 Second Quarter Data through June 30, 2018

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 2018.

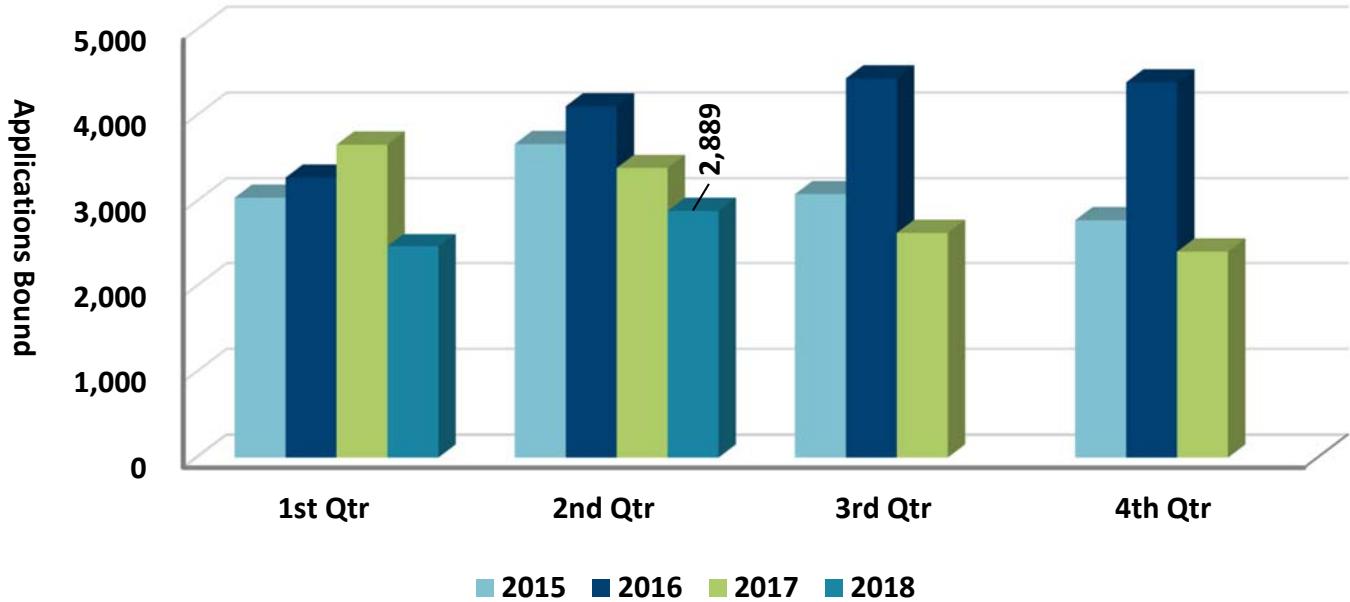
Number of Applications Reviewed by VCAP[®] Service	2,965
Number of VCAP[®] Service Matches	1,353
VCAP[®] Service Offers as a % of Matches	6.28%
Number of Confirmed VCAP[®] Service Policies	83
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	2.80%
Savings as a % of Redirected Assigned Risk Premium	19.60%



Residual Market Demographics

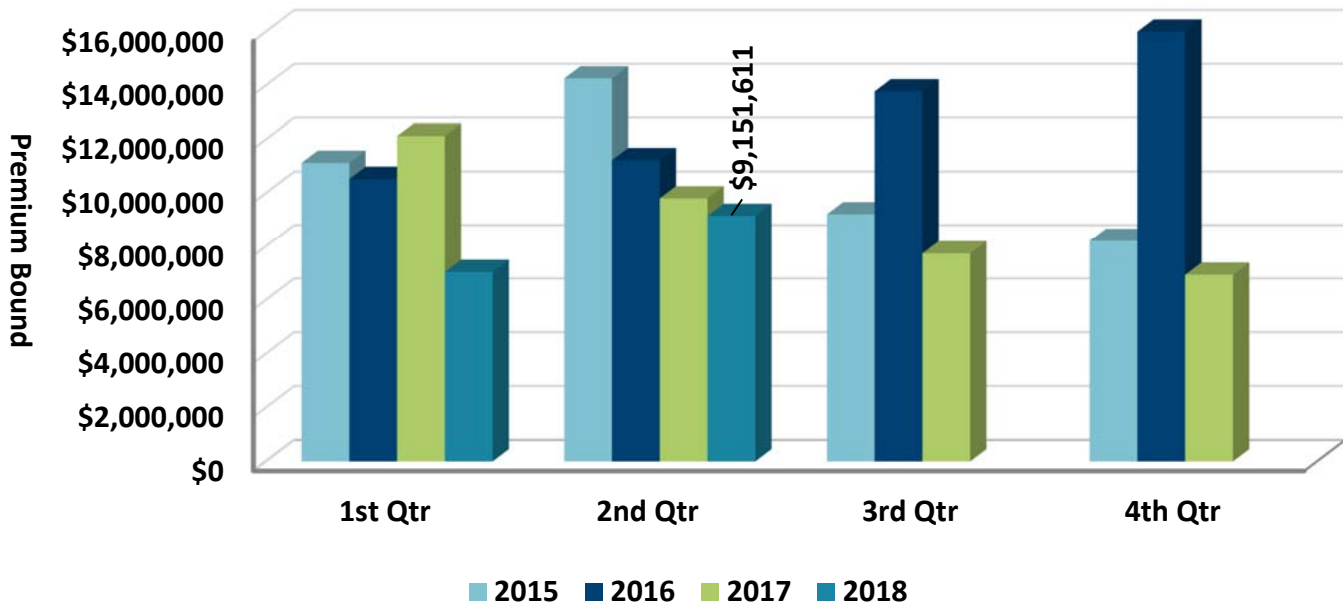
Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

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).



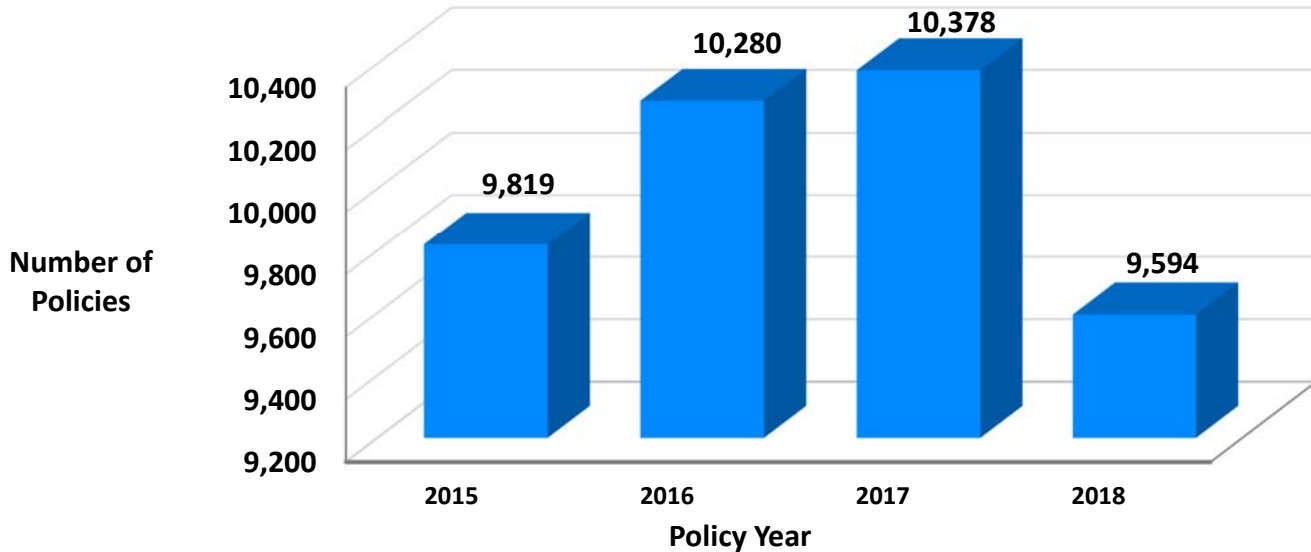


Residual Market Demographics

Residual Market Total Policy Counts

Second Quarter Data for Policies Reported through June 30, 2018

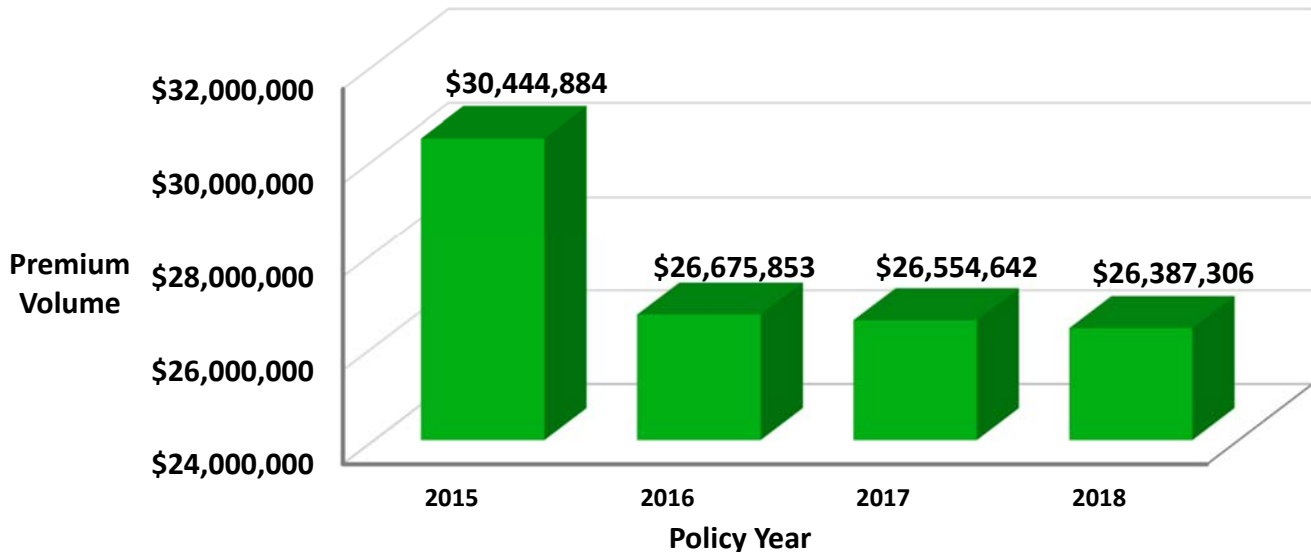
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



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	8,150	85.0%	\$10,553,398	40.0%	\$1,294
\$2500–4999	647	6.7%	\$2,284,450	8.7%	\$3,530
\$5000–9999	400	4.2%	\$2,808,113	10.6%	\$7,020
\$10000–19999	235	2.5%	\$3,258,555	12.4%	\$13,866
\$20000–49999	119	1.2%	\$3,447,999	13.1%	\$28,974
\$50000–99999	30	0.3%	\$2,056,522	7.8%	\$68,550
\$100000–199999	11	0.1%	\$1,517,915	5.8%	\$137,992
\$200000 +	2	0.0%	\$460,354	1.7%	\$230,177
Total	9,594	100.0%	\$26,387,306	100.0%	\$2,750

Second Quarter 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	8,816	85.0%	\$9,082,099	34.2%	\$1,030
\$2500–4999	642	6.2%	\$2,288,036	8.6%	\$3,563
\$5000–9999	472	4.6%	\$3,264,153	12.3%	\$6,915
\$10000–19999	271	2.6%	\$3,757,676	14.2%	\$13,865
\$20000–49999	136	1.3%	\$4,073,237	15.3%	\$29,950
\$50000–99999	28	0.3%	\$1,731,437	6.5%	\$61,837
\$100000–199999	9	0.1%	\$1,188,098	4.5%	\$132,010
\$200000 +	4	0.0%	\$1,169,906	4.4%	\$292,476
Total	10,378	100.0%	\$26,554,642	100.0%	\$2,559



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	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	1,351	14.1%
2	7219	Trucking: NOC-All Employees & Drivers	1,325	13.8%
3	5437	Carpentry-Installation of Cabinet Work or Interior Trim	830	8.7%
4	5474	Painting NOC & Shop Operations Drivers	506	5.3%
5	5022	Masonry NOC	389	4.1%
6	5551	Roofing-All Kinds & Drivers	376	3.9%
7	5190	Electrical Wiring-Within Buildings & Drivers	251	2.6%
8	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	223	2.3%
9	8810	Clerical Office Employees NOC	173	1.8%
10	5183	Plumbing NOC & Drivers	169	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	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	\$2,754,530	10.4%
2	7219	Trucking: NOC-All Employees & Drivers	\$2,479,943	9.4%
3	5551	Roofing-All Kinds & Drivers	\$1,444,904	5.5%
4	5437	Carpentry-Installation of Cabinet Work or Interior Trim	\$1,333,636	5.1%
5	5474	Painting NOC & Shop Operations Drivers	\$916,292	3.5%
6	5022	Masonry NOC	\$778,660	3.0%
7	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	\$730,940	2.8%
8	8380	Automobile Service or Repair Center & Drivers	\$526,673	2.0%
9	0106	Tree Pruning Spraying Repairing - All Operations & Drivers	\$508,880	1.9%
10	5190	Electrical Wiring-Within Buildings & Drivers	\$430,153	1.6%



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.