



# Kansas Residual Market State Activity Report

Second Quarter 2020



## Executive Summary

NCCI, as Pool and Plan Administrator of the Kansas Workers Compensation Insurance Plan, is pleased to provide the Second Quarter 2020 *Kansas 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 Kansas Plan. Residual Market demographics contained in this report include:

## Table of Contents

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

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## Residual Market Demographics

### Residual Market Total Policies and Premium in Force

As of June 30, 2020—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.

	2020	2019	2020 vs. 2019 #	2020 vs. 2019 %
<b>Policy Count</b>	5,872	6,993	-1,121	-16.0%
<b>Premium Volume</b>	\$20,580,447	\$24,870,122	-\$4,289,675	-17.2%

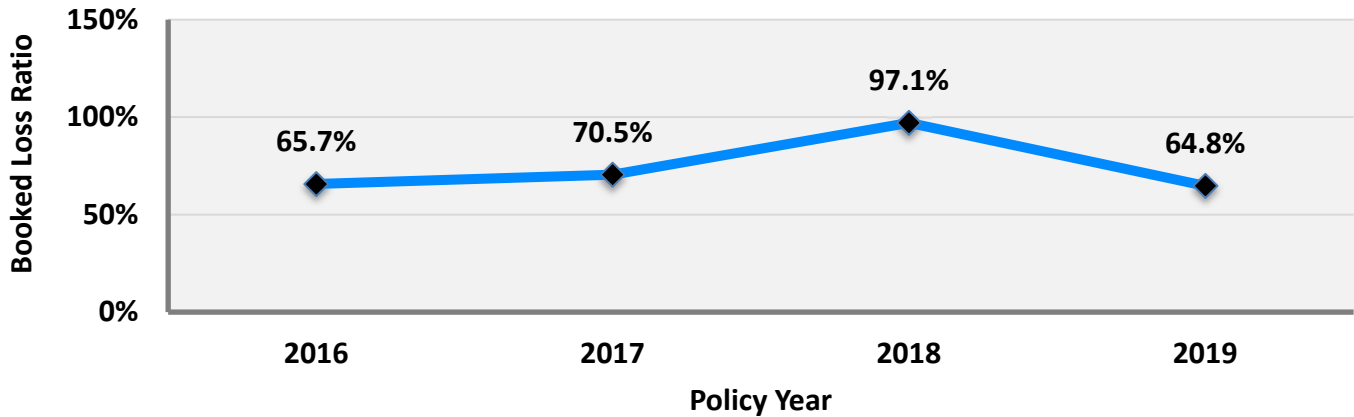


## Residual Market Demographics

### Kansas Residual Market Reinsurance Pool Booked Loss Ratio

#### Policy Year Financial Results through 1st Quarter 2020 for 2019 and prior years\*

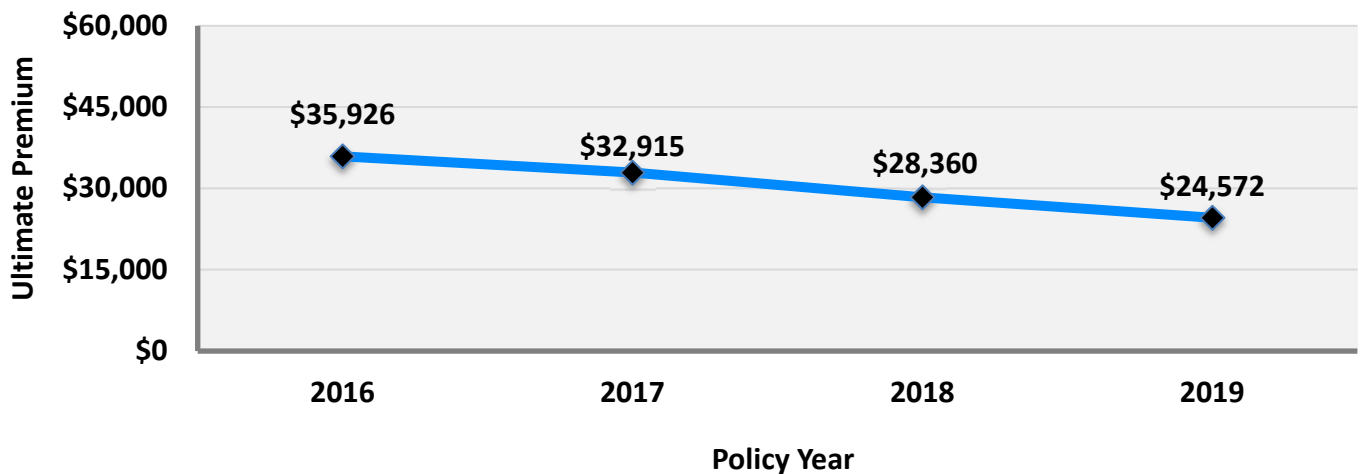
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 1st Quarter 2020 for 2019 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.



\*2nd Quarter 2020 data will be available the end of October 2020 due to the timing of data reporting

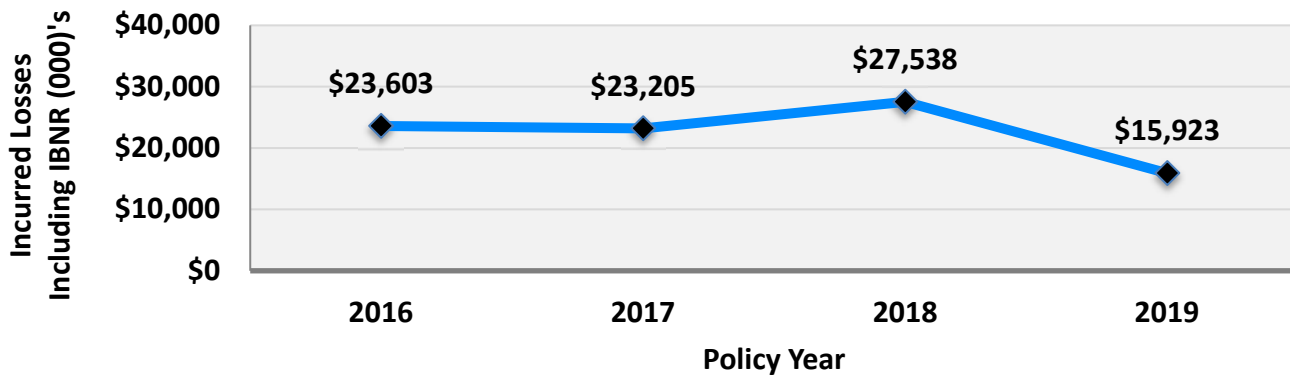


## Residual Market Demographics

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

#### Policy Year Financial Results through 1st Quarter 2020 for 2019 and prior years\*

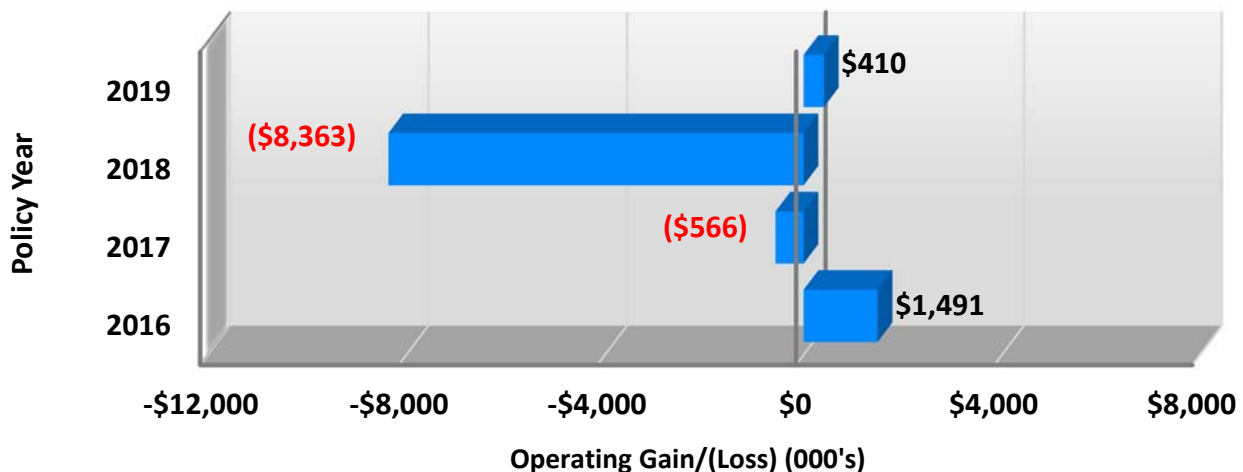
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

#### Policy Year Financial Results through 1st Quarter 2020 for 2019 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 2020 data will be available the end of October 2020 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 Kansas for Policy Years 2016-2020, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 1st Quarter 2020.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2016	\$36,912,676	\$987,004	2.7%
2017	\$33,855,335	\$940,491	2.8%
2018	\$29,396,672	\$755,608	2.6%
2019	\$23,554,989	*	N/A
2020	\$3,454,491	*	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, 2020

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 Second Quarter 2020.

Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	1,163
Number of <b>VCAP<sup>®</sup> Service</b> Matches	826
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	24.58%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	187
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	16.08%
Savings as a % of Redirected Assigned Risk Premium	3.99%



## Residual Market Demographics

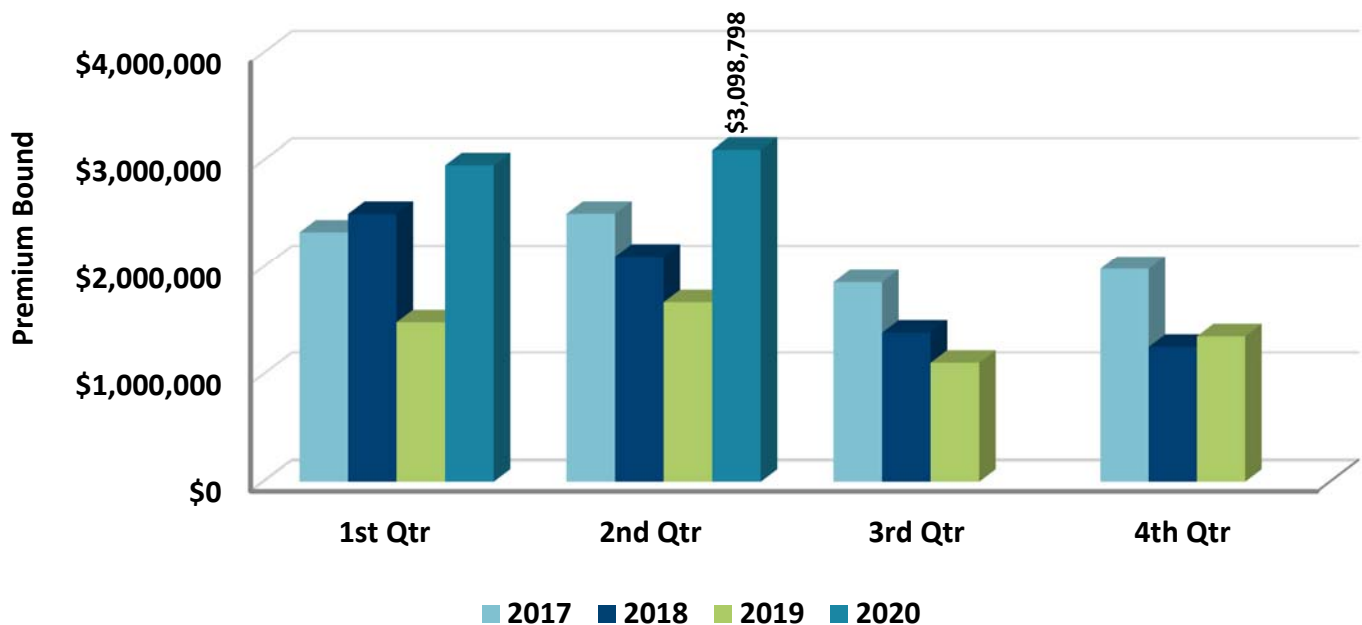
### Total Applications Bound — 2017 vs. 2018 vs. 2019 vs. 2020

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 — 2017 vs. 2018 vs. 2019 vs. 2020

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).





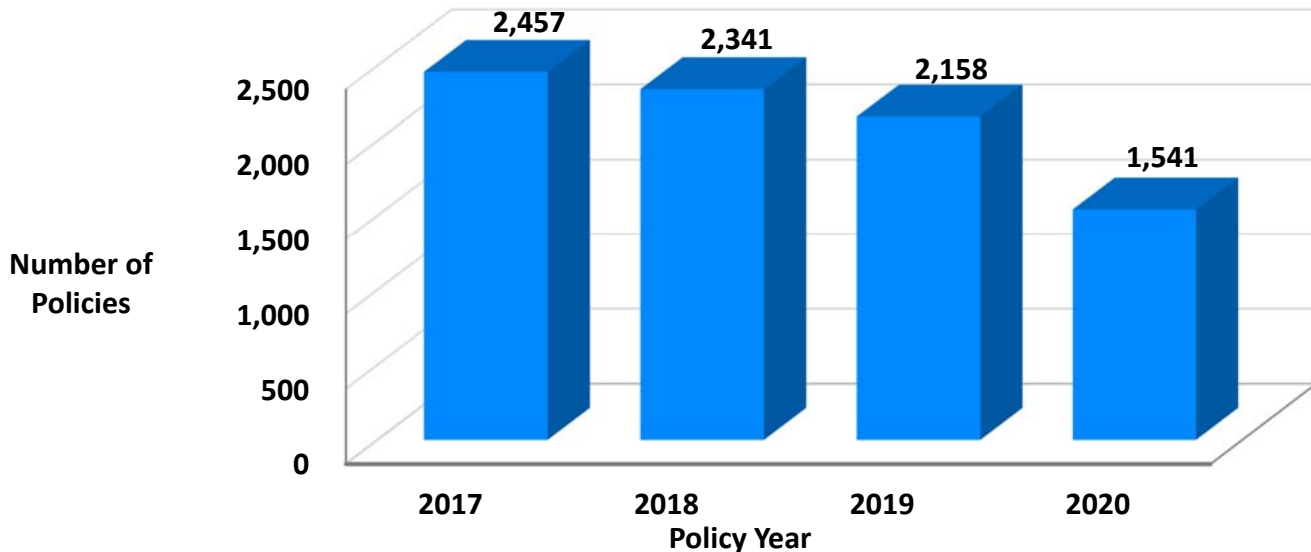


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Second Quarter Data for Policies Reported through June 30, 2020

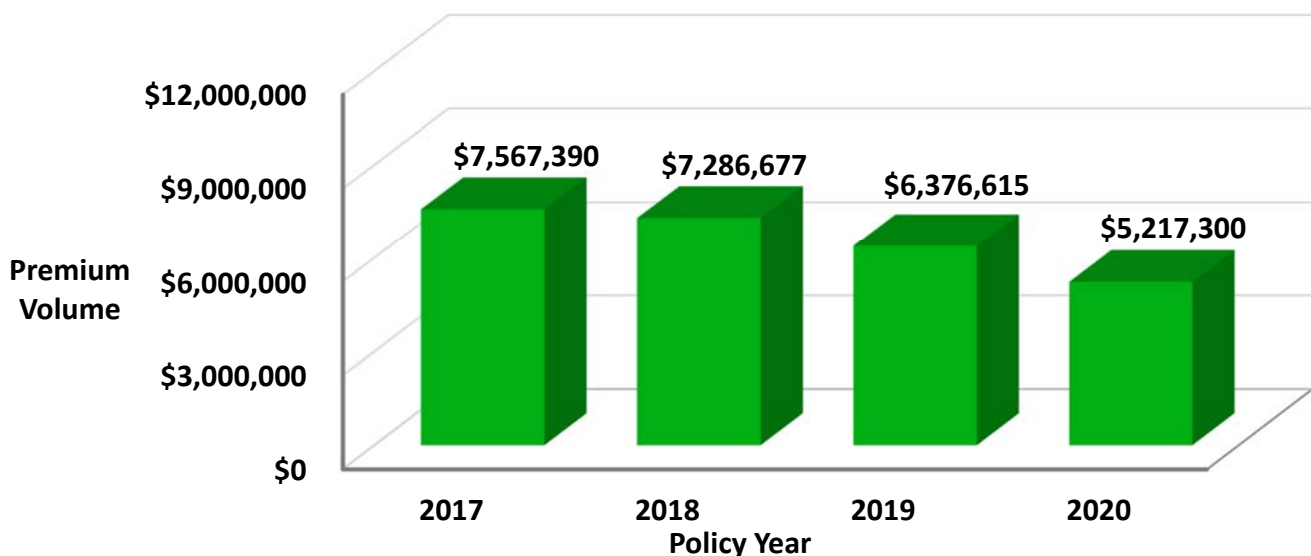
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Second Quarter Data Reported through June 30, 2020

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, 2020

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	1,079	70.0	1,271,014	24.4	1,178
\$2500–4999	258	16.7	895,169	17.2	3,470
\$5000–9999	126	8.2	840,384	16.1	6,670
\$10000–19999	48	3.1	659,254	12.6	13,734
\$20000–49999	22	1.4	649,299	12.4	29,514
\$50000–99999	4	0.3	270,309	5.2	67,577
\$100000–199999	3	0.2	342,520	6.6	114,173
\$200000 +	1	0.1	289,351	5.5	289,351
Total	1,541	100.0	5,217,300	100.0	3,386

### Second Quarter 2019 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0–2499	1,567	72.6	1,531,725	24.0	977
\$2500–4999	343	15.9	1,190,344	18.7	3,470
\$5000–9999	154	7.1	1,025,866	16.1	6,661
\$10000–19999	63	2.9	840,333	13.2	13,339
\$20000–49999	22	1.0	595,851	9.3	27,084
\$50000–99999	5	0.2	385,159	6.0	77,032
\$100000–199999	2	0.1	251,109	3.9	125,555
\$200000 +	2	0.1	556,228	8.7	278,114
Total	2,158	100.0	6,376,615	100.0	2,955



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Second Quarter Data Reported through June 30, 2020

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	164	10.6
2	5551 - Roofing-All Kinds & Drivers	152	9.9
3	7219 - Trucking - NOC-All Employees & Drivers	99	6.4
4	5474 - Painting NOC & Shop Operations, Drivers	75	4.9
5	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, Or Cement Board Installation - Within Buildings & Drive	51	3.3
6	8835 - Home, Public, And Traveling Healthcare - All Employees	51	3.3
7	5437 - Carpentry-Installation Of Cabinet Work Or Interior Trim	49	3.2
8	6216 - Oil Or Gas - Lease Work NOC - By Specialist Contractor & Drivers	46	3.0
9	0037 - Farm: Field Crops & Drivers	34	2.2
10	5535 - Sheet Metal Work-Installation & Drivers	32	2.1

### Residual Market Top 10 Classification Codes by Premium Volume Second Quarter Data Reported through June 30, 2020

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	7219 - Trucking - NOC-All Employees & Drivers	591,326	11.3
2	5551 - Roofing-All Kinds & Drivers	576,388	11.0
3	5645 - Carpentry Construction Of Residential Dwellings Not Exceeding Three Stories In Height	516,895	9.9
4	8264 - Bottle Dealer-Used & Drivers	291,080	5.6
5	0037 - Farm: Field Crops & Drivers	206,579	4.0
6	8288 - Livestock Dealer Or Commission Merchant & Salespersons, Drivers	179,516	3.4
7	5474 - Painting NOC & Shop Operations, Drivers	124,393	2.4
8	8832 - Physician & Clerical	112,571	2.2
9	4273 - Bag Mfg.-Paper	104,664	2.0
10	5535 - Sheet Metal Work-Installation & Drivers	100,708	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.

**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.