



# Oregon Residual Market State Activity Report

Third Quarter 2019



## Executive Summary

NCCI, as Pool and Plan Administrator of the Oregon Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2019 *Oregon 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 Oregon 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 September 30, 2019—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.

	2019	2018	2019 vs. 2018 #	2019 vs. 2018 %
<b>Policy Count</b>	7,279	8,314	-1,035	-12.4%
<b>Premium Volume</b>	\$25,923,151	\$34,913,126	-\$8,989,975	-25.7%

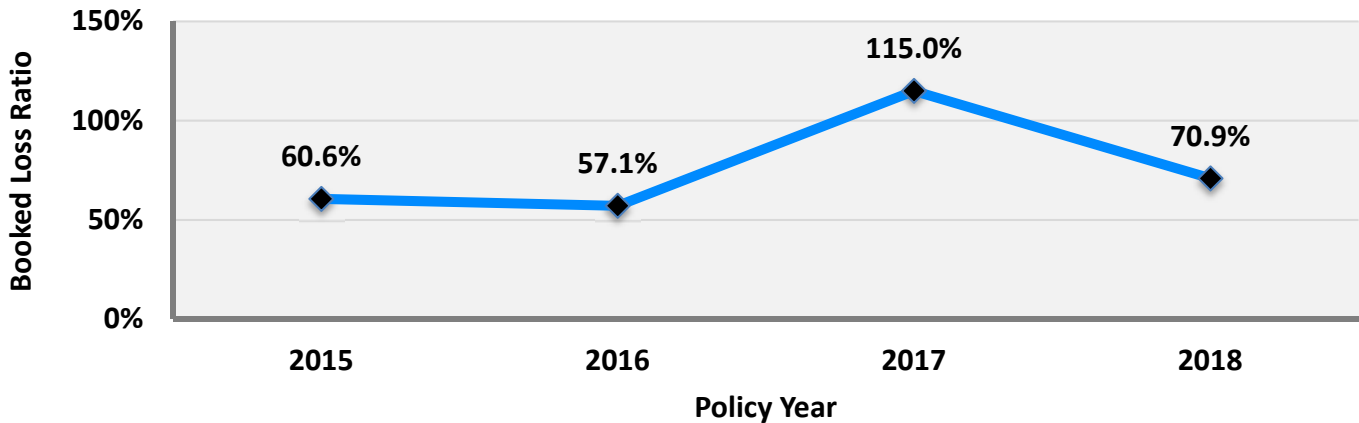


## Residual Market Demographics

### Oregon Residual Market Reinsurance Pool Booked Loss Ratio

#### Policy Year Financial Results through 2nd Quarter 2019 for 2018 and prior years\*

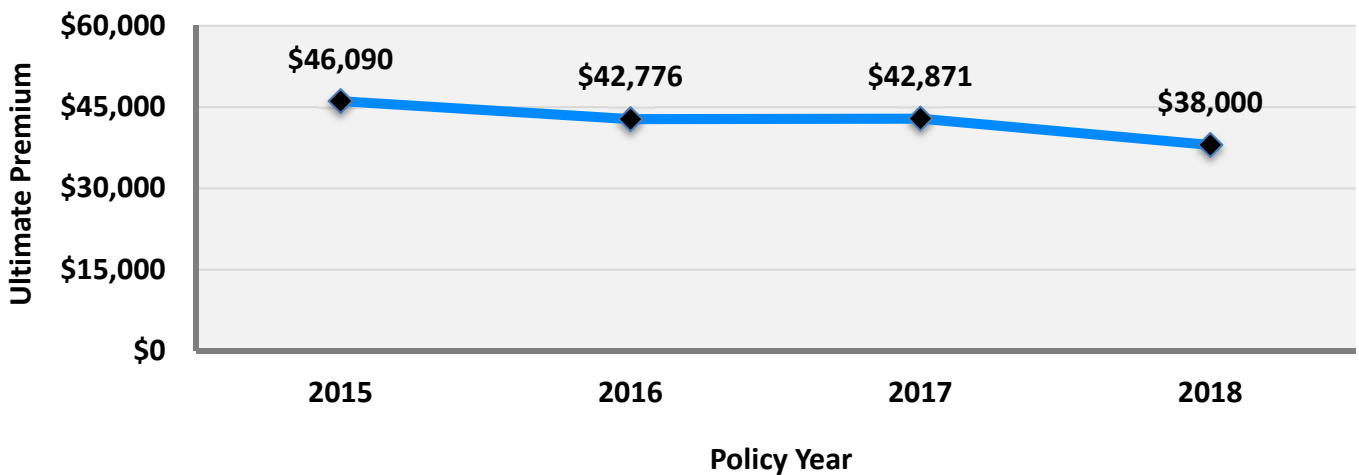
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 2nd Quarter 2019 for 2018 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.



\*3rd Quarter 2019 data will be available the end of January 2020 due to the timing of data reporting

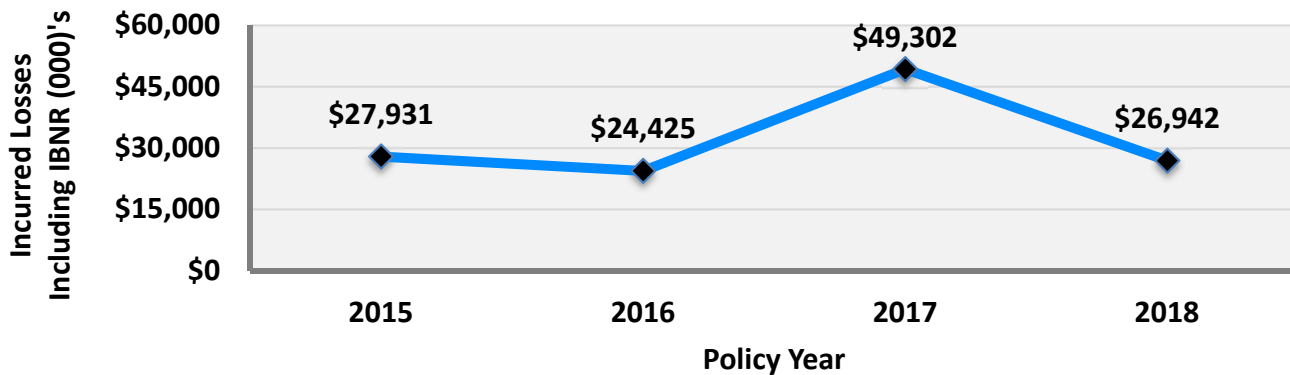


## Residual Market Demographics

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

#### Policy Year Financial Results through 2nd Quarter 2019 for 2018 and prior years\*

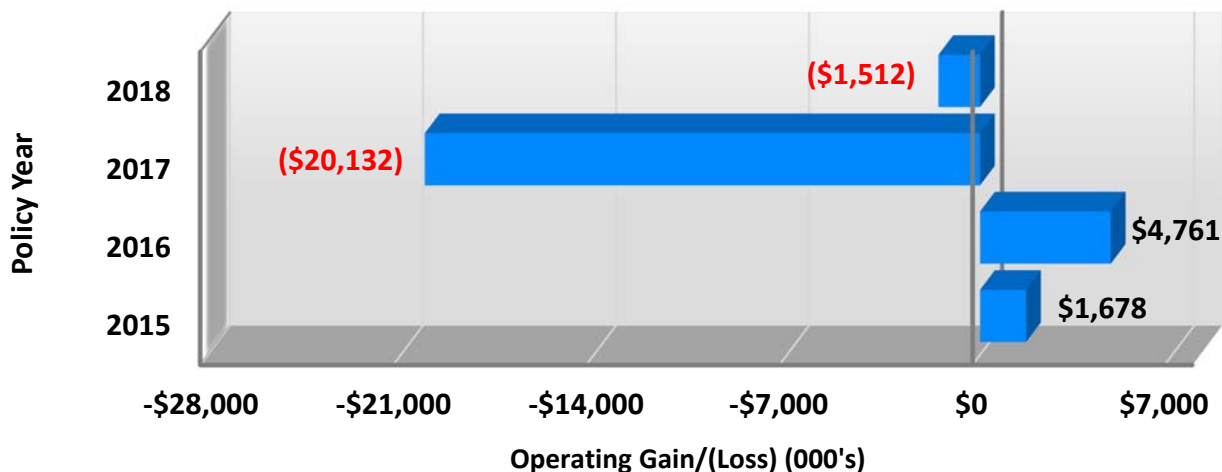
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

#### Policy Year Financial Results through 2nd Quarter 2019 for 2018 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 2019 data will be available the end of January 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 Oregon for Policy Years 2015-2019, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2019.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2015	\$46,968,100	\$877,967	1.9%
2016	\$43,721,531	\$946,029	2.2%
2017	\$43,889,465	\$1,120,644	2.6%
2018	\$36,202,955	*	N/A
2019	\$9,470,844	*	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

#### Third Quarter Data through September 30, 2019

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 Third Quarter 2019.

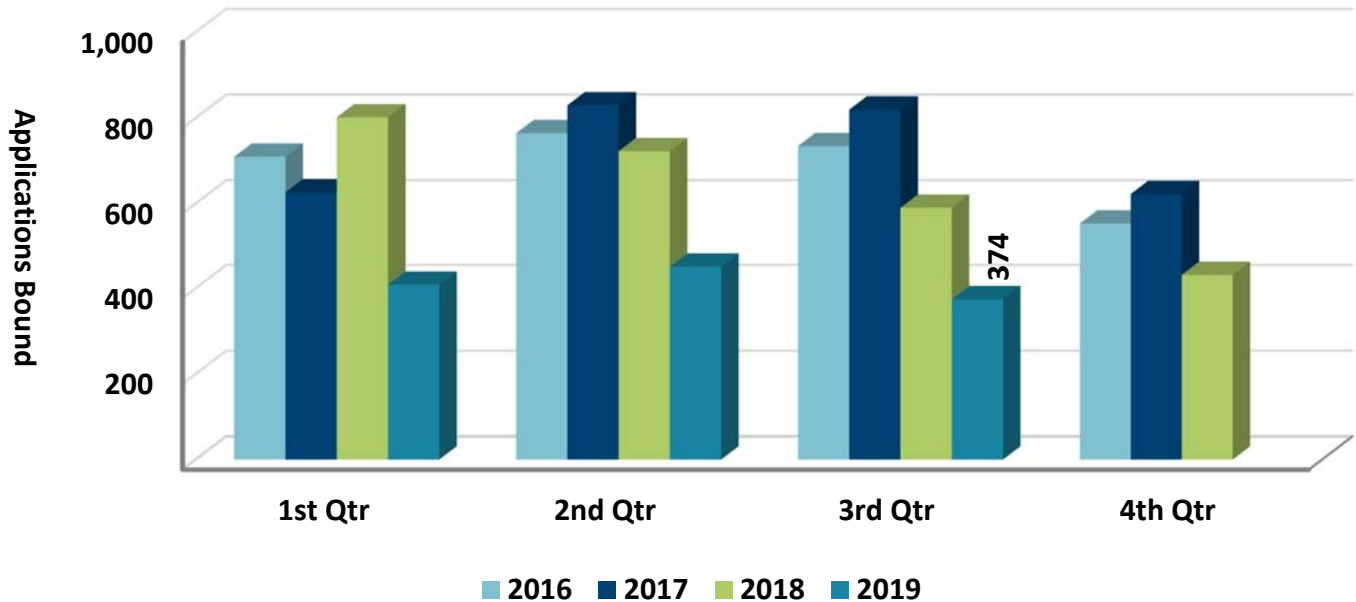
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	494
Number of <b>VCAP<sup>®</sup> Service</b> Matches	441
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	29.93%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	122
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	24.70%
Savings as a % of Redirected Assigned Risk Premium	-1.90%



## Residual Market Demographics

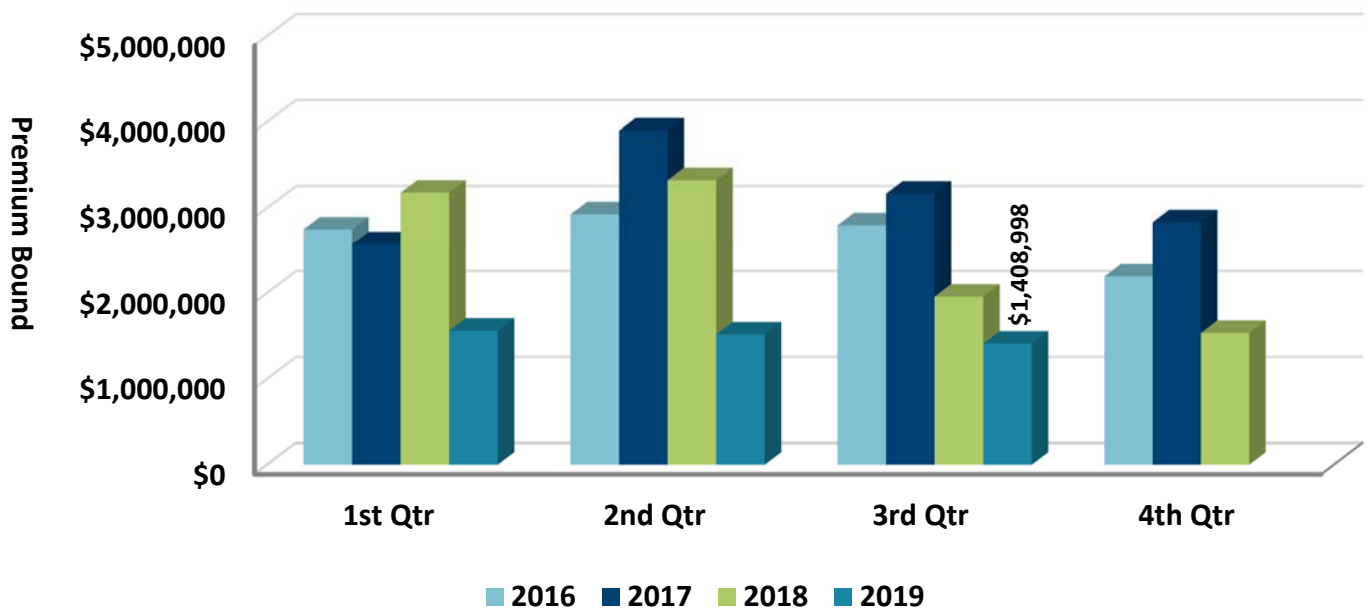
### Total Applications Bound — 2016 vs. 2017 vs. 2018 vs. 2019

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 — 2016 vs. 2017 vs. 2018 vs. 2019

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).





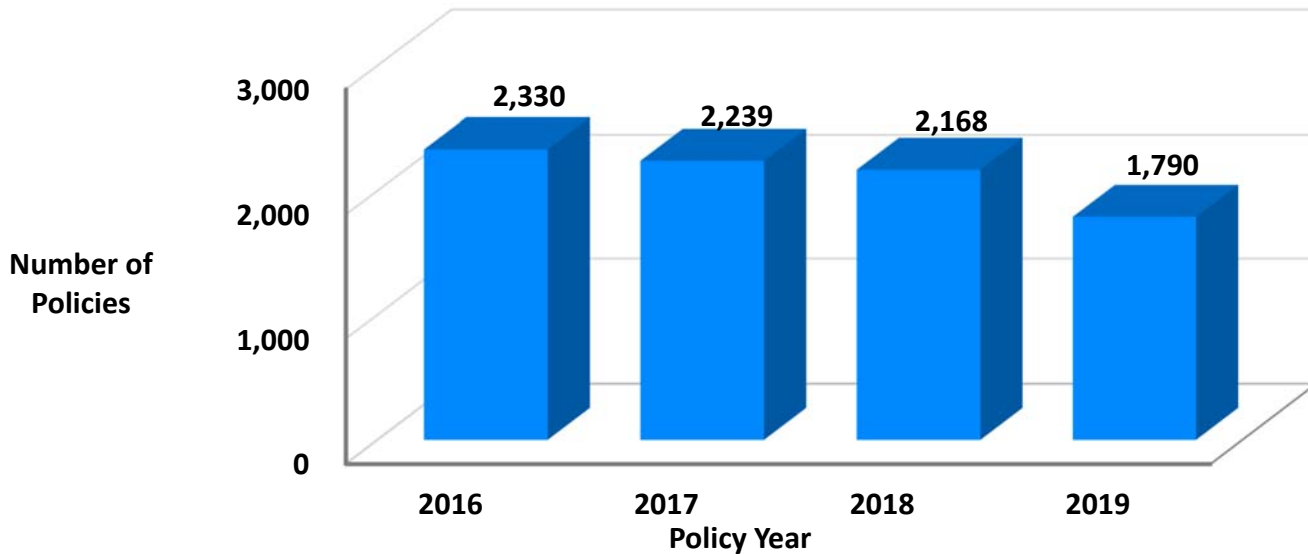


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Third Quarter Data for Policies Reported through September 30, 2019

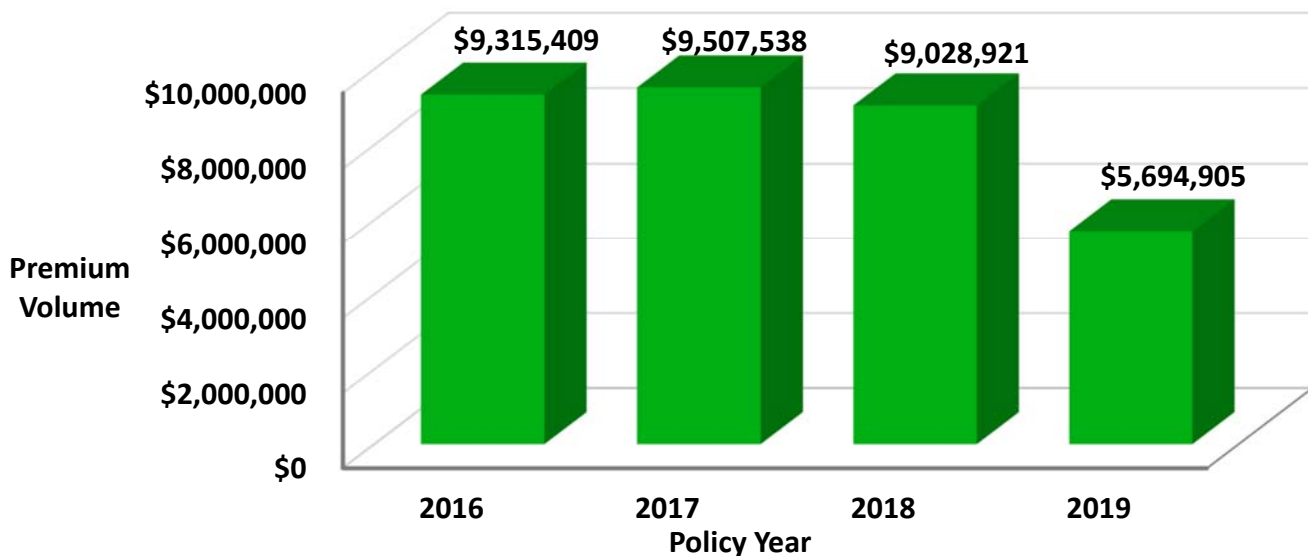
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Third Quarter Data Reported through September 30, 2019

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, 2019

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	1364	76.2%	\$777,141	13.7%	\$569
\$2500–4999	173	9.7%	\$618,247	10.9%	\$3,573
\$5000–9999	117	6.5%	\$823,441	14.5%	\$7,037
\$10000–19999	78	4.4%	\$1,087,328	19.1%	\$13,940
\$20000–49999	45	2.5%	\$1,429,269	25.1%	\$31,761
\$50000–99999	12	0.7%	\$806,408	14.2%	\$67,200
\$100000–199999	1	0.1%	\$153,071	2.7%	\$153,071
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	1,790	100.0%	\$5,694,905	100.0%	\$3,182

### Third Quarter 2018 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	1,562	72.1%	\$1,064,559	11.8%	\$681
\$2500–4999	253	11.7%	\$894,462	9.9%	\$3,535
\$5000–9999	170	7.8%	\$1,195,884	13.3%	\$7,034
\$10000–19999	94	4.3%	\$1,321,147	14.6%	\$14,054
\$20000–49999	61	2.8%	\$1,998,248	22.1%	\$32,758
\$50000–99999	19	0.9%	\$1,314,393	14.6%	\$69,178
\$100000–199999	9	0.4%	\$1,240,228	13.7%	\$137,803
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	2,168	100.0%	\$9,028,921	100.0%	\$4,165



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2019

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	2702	Logging or Tree Removal – Non-Mechanized Operations	103	5.8%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	75	4.2%
3	7219	Trucking - NOC-All Employees & Drivers	74	4.1%
4	8810	Clerical Office Employees NOC	69	3.9%
5	9079	Restaurant NOC	60	3.4%
6	5551	Roofing-All Kinds & Drivers	59	3.3%
7	5474	Painting NOC & Shop Operations, Drivers	54	3.0%
8	5437	Carpentry-Installation of Cabinet Work or Interior Trim	44	2.5%
9	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	41	2.3%
10	8868	College - Professional Employees & Clerical	39	2.2%

### Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2019

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	5551	Roofing-All Kinds & Drivers	\$488,059	8.6%
2	2702	Logging or Tree Removal – Non-Mechanized Operations	\$281,373	4.9%
3	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories In Height	\$258,809	4.5%
4	0005	Farm: Nursery Employees & Drivers	\$200,389	3.5%
5	0008	Farm	\$194,630	3.4%
6	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	\$189,065	3.3%
7	7219	Trucking - NOC-All Employees & Drivers	\$187,555	3.3%
8	2704	Wildland or Forest Firefighting by Contractor - All Operations at Location And Drivers	\$178,087	3.1%
9	5403	Carpentry NOC	\$163,538	2.9%
10	9154	Theater NOC - All Other Employees	\$133,555	2.4%



## 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.