



# South Dakota Residual Market State Activity Report

First Quarter 2023



## Executive Summary

NCCI, as Pool and Plan Administrator of the South Dakota Workers Compensation Insurance Plan, is pleased to provide the First Quarter 2023 *South Dakota 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 South Dakota 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 March 31, 2023—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.

	2023	2022	2023 vs. 2022 #	2023 vs. 2022 %
<b>Policy Count</b>	813	853	-40	-4.7%
<b>Premium Volume</b>	\$6,089,668	\$6,082,100	\$7,568	0.1%

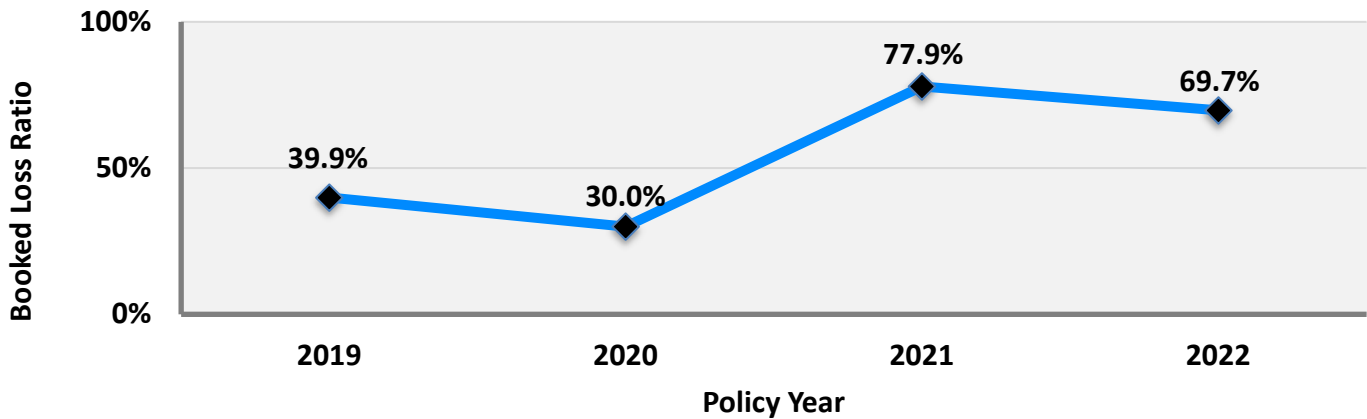


## Residual Market Demographics

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

#### Policy Year Financial Results through 4th Quarter 2022 for 2022 and prior years\*

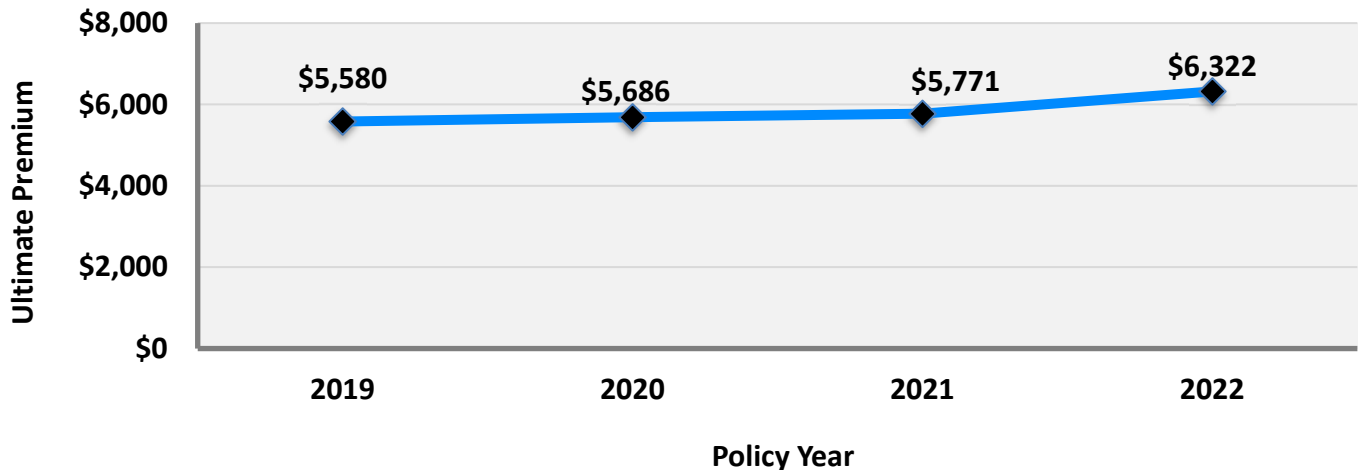
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 4th Quarter 2022 for 2022 and prior years\*

The premium charged by an insurance company for coverage provided by an insurance contract for the policy period in this state.



\*1st Quarter 2023 data will be available the end of July 2023 due to the timing of data reporting

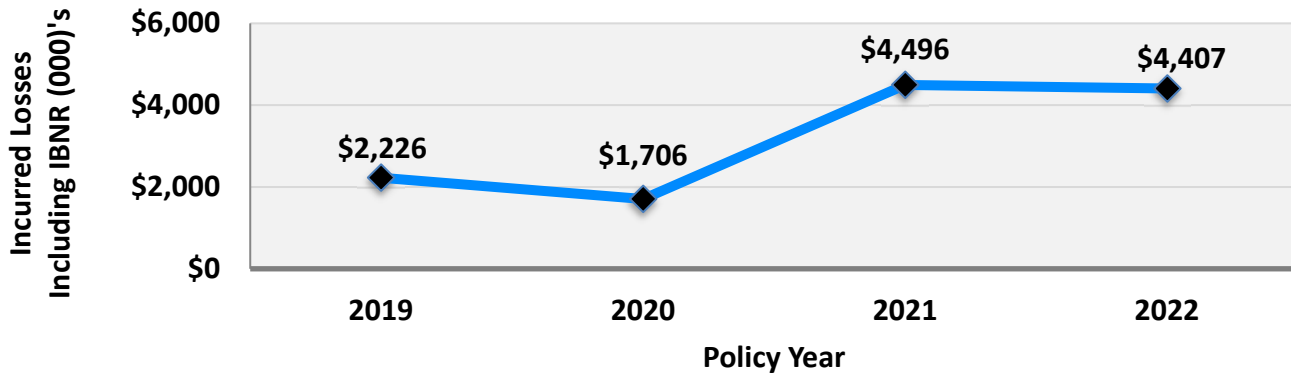


## Residual Market Demographics

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

#### Policy Year Financial Results through 4th Quarter 2022 for 2022 and prior years\*

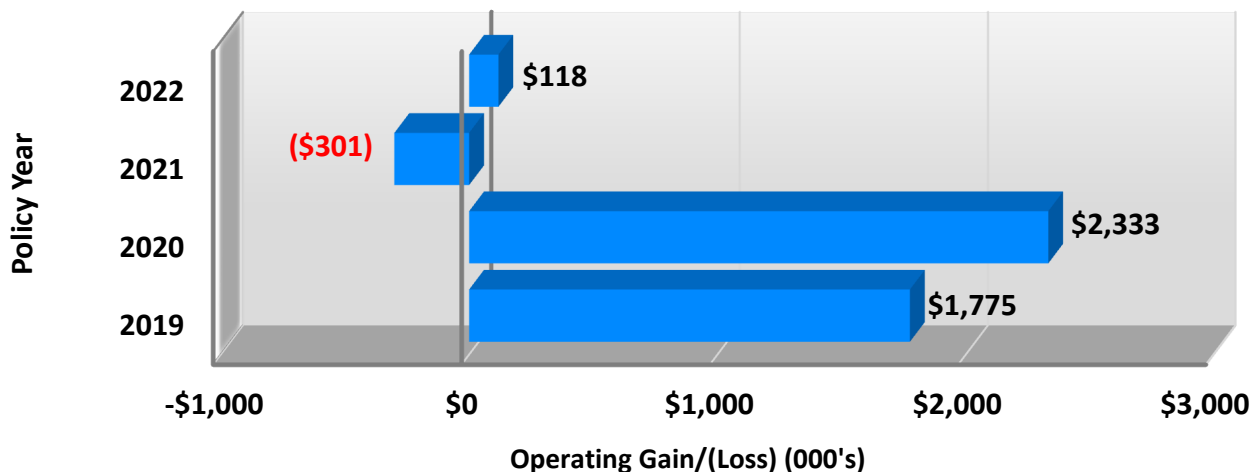
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

#### Policy Year Financial Results through 4th Quarter 2022 for 2022 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.



\*1st Quarter 2023 data will be available the end of July 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 South Dakota for Policy Years 2018-2022, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 4th Quarter 2022.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2018	6,853,813	116,696	1.7%
2019	5,718,391	138,869	2.4%
2020	5,901,234	215,457	3.7%
2021	5,944,069	--	--
2022	5,148,693	--	--

\* 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

#### First Quarter Data through March 31, 2023

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 First Quarter 2023.

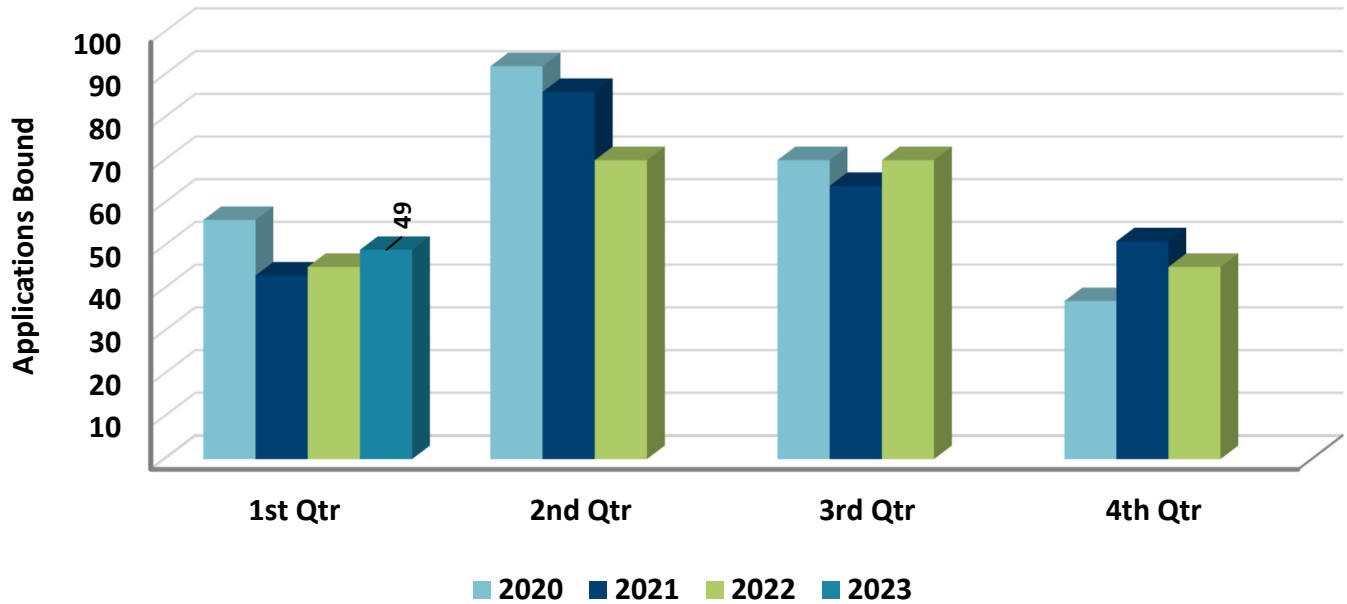
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	62
Number of <b>VCAP<sup>®</sup> Service</b> Matches	49
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	28.57%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	13
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	20.97%
Savings as a % of Redirected Assigned Risk Premium	10.03%



## Residual Market Demographics

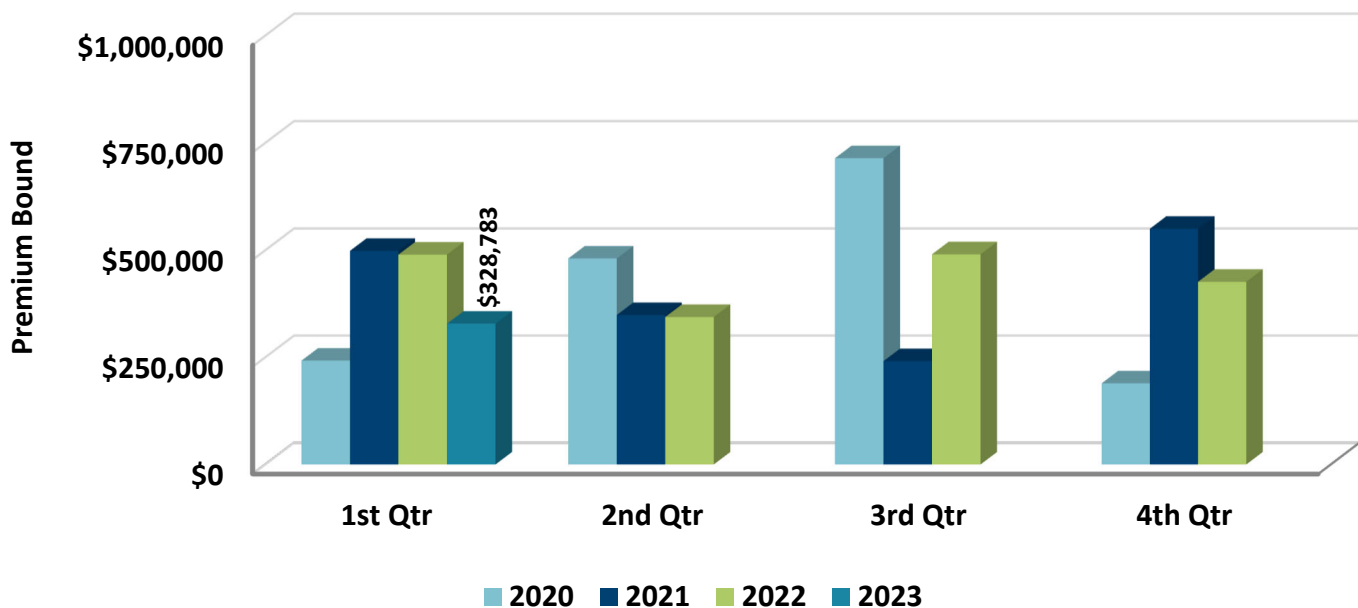
### Total Applications Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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 — 2020 vs. 2021 vs. 2022 vs. 2023

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).





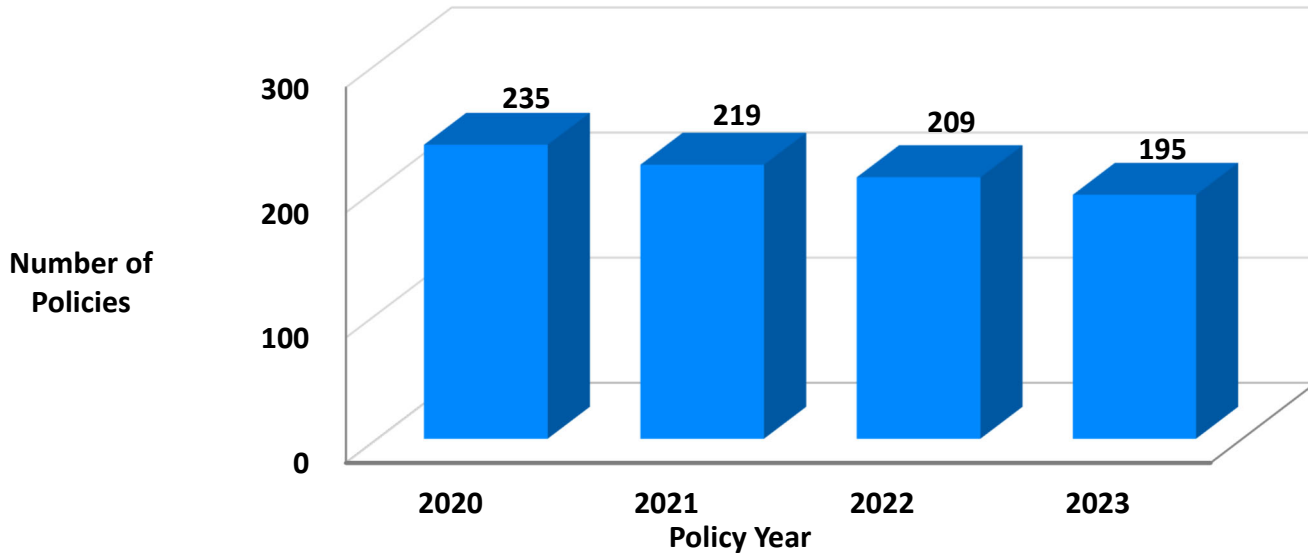


## Residual Market Demographics

### Residual Market Total Policy Counts

#### First Quarter Data for Policies Reported through March 31, 2023

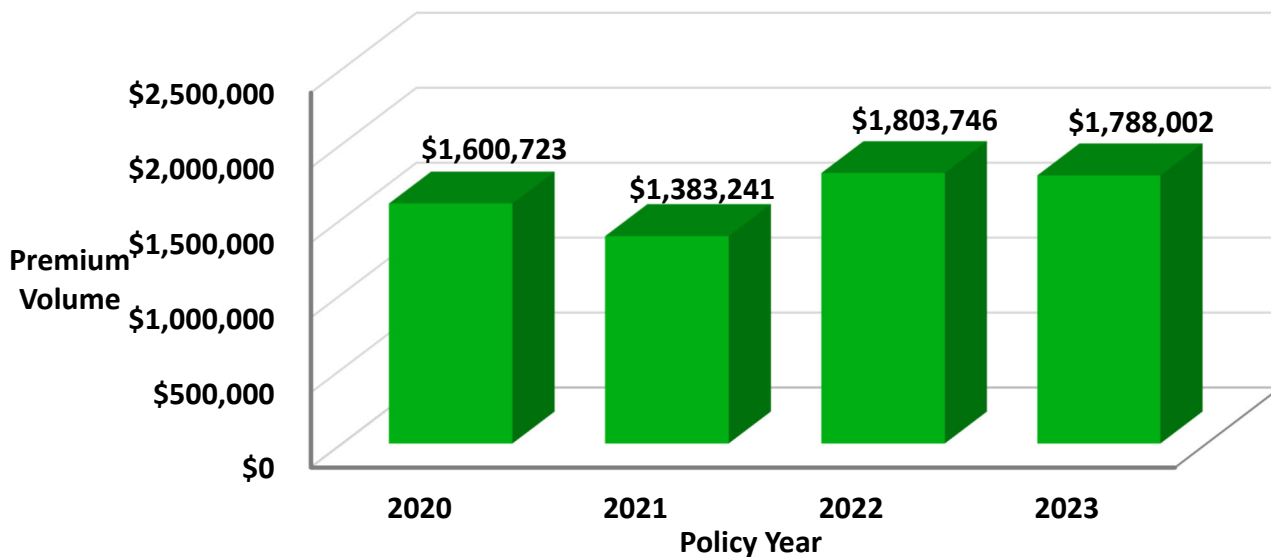
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### First Quarter Data Reported through March 31, 2023

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

#### First Quarter Data Reported through March 31, 2023

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	87	44.6	135,353	7.6	1,556
\$2500- \$4999	42	21.5	148,641	8.3	3,539
\$5000- \$9999	30	15.4	208,937	11.7	6,965
\$10000- \$19999	18	9.2	245,875	13.8	13,660
\$20000- \$49999	9	4.6	268,414	15.0	29,824
\$50000- \$99999	8	4.1	615,102	34.4	76,888
\$100000- \$199999	1	0.5	165,680	9.3	165,680
\$2000000+	0	0.0	0	0.0	0
Total	195	100.0	1,788,002	100.0	9,169

### First Quarter 2022 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	102	48.8	126,943	7.0	1,245
\$2500- \$4999	43	20.6	146,843	8.1	3,415
\$5000- \$9999	31	14.8	227,538	12.6	7,340
\$10000- \$19999	16	7.7	229,407	12.7	14,338
\$20000- \$49999	8	3.8	276,162	15.3	34,520
\$50000- \$99999	8	3.8	598,065	33.2	74,758
\$100000- \$199999	1	0.5	198,788	11.0	198,788
\$2000000+	0	0.0	0	0.0	0
Total	209	100.0	1,803,746	100.0	8,630



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count First Quarter Data Reported through March 31, 2023

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	0037 - Farm: Field Crops & Drivers	20	10.3
2	5551 - Roofing-All Kinds & Drivers	11	5.6
3	7219 - Trucking - NOC-All Employees & Drivers	11	5.6
4	0083 - Farm: Cattle or Livestock Raising NOC & Drivers	8	4.1
5	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	8	4.1
6	0050 - Farm Machinery Operation-By Contractor-& Drivers	6	3.1
7	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	5	2.6
8	7711 - Firefighters & Drivers - Volunteer	5	2.6
9	7720 - Police Officers & Drivers	5	2.6
10	0913 - Domestic Workers-Residences Full-Time	4	2.1

### Residual Market Top 10 Classification Codes by Premium Volume First Quarter Data Reported through March 31, 2023

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	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	230,161	12.9
2	5551 - Roofing-All Kinds & Drivers	224,530	12.6
3	0037 - Farm: Field Crops & Drivers	126,889	7.1
4	1165 - Mining NOC-Not Coal-Surface & Drivers	99,447	5.6
5	8215 - Hay, Grain, Feed, Or Fertilizer Dealer & Local Managers, Drivers - No Mfg.	88,837	5.0
6	3724 - Machinery or Equipment Erection or Repair NOC & Drivers	77,072	4.3
7	5040 - Iron or Steel: Erection-Frame Structures	65,026	3.6
8	9179 - Athletic Sports or Park: Contact Sports	62,329	3.5
9	7219 - Trucking - NOC-All Employees & Drivers	58,595	3.3
10	9016 - Amusement Park or Exhibition Operation & Drivers	54,701	3.1



## 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.