



# South Dakota Residual Market State Activity Report

Second Quarter 2018



## Executive Summary

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

561-893-1174

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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.

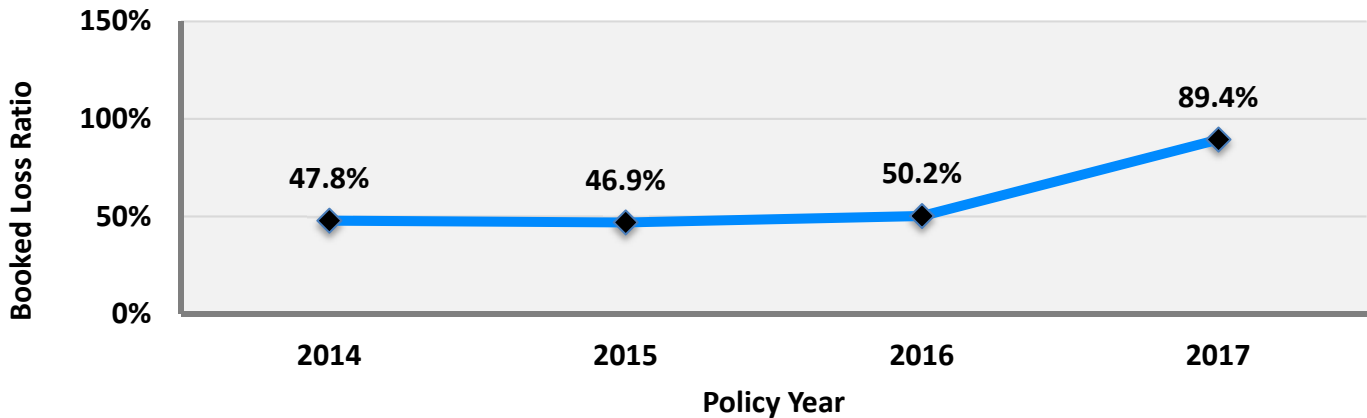
	2018	2017	2018 vs. 2017 #	2018 vs. 2017 %
<b>Policy Count</b>	1,113	1,520	-407	-26.8%
<b>Premium Volume</b>	\$6,528,007	\$7,823,759	-\$1,295,752	-16.6%



## Residual Market Demographics

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

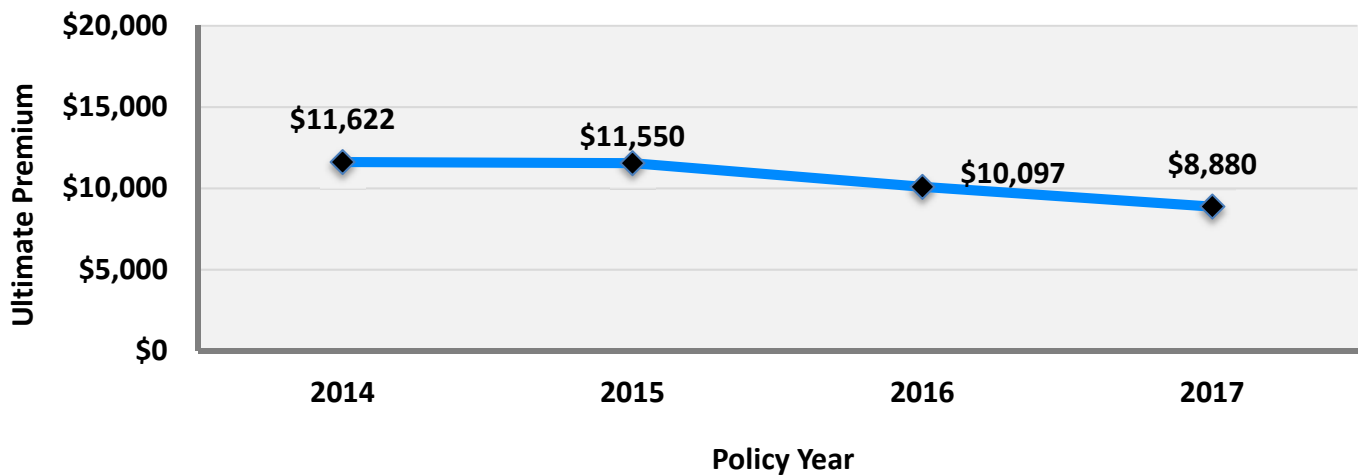
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



### South Dakota 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

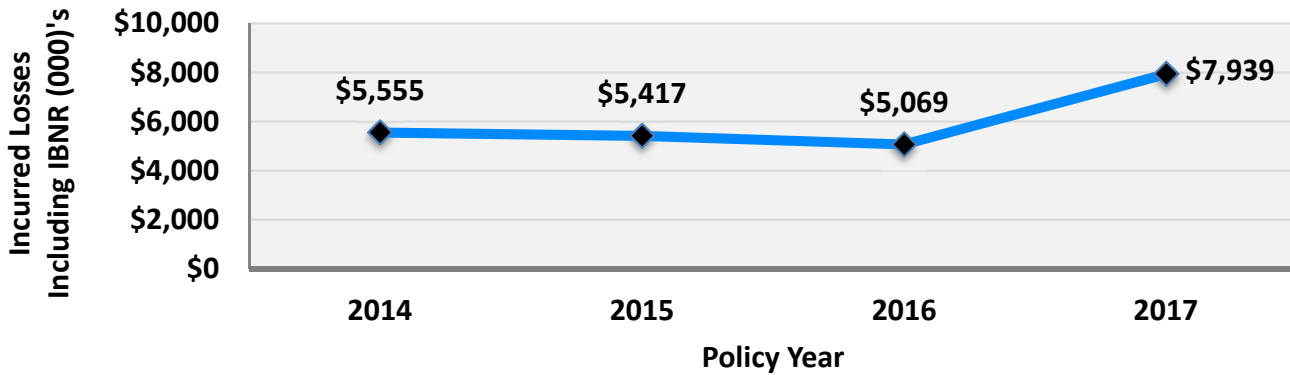


## Residual Market Demographics

### South Dakota 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\*

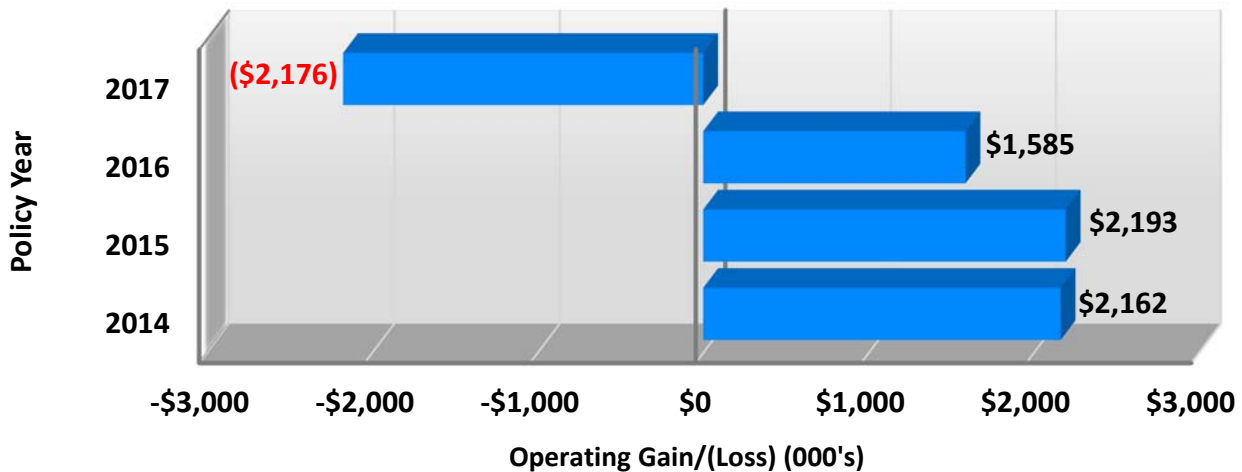
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



### South Dakota 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 South Dakota 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	11,660,292	37,975	0.3%
2015	11,610,961	61,323	0.5%
2016	10,244,034	17,522	0.2%
2017	8,447,797	*	N/A
2018	795,000	*	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<sup>®</sup> Service**. The following shows the results **VCAP<sup>®</sup> Service** has provided during Second Quarter 2018.

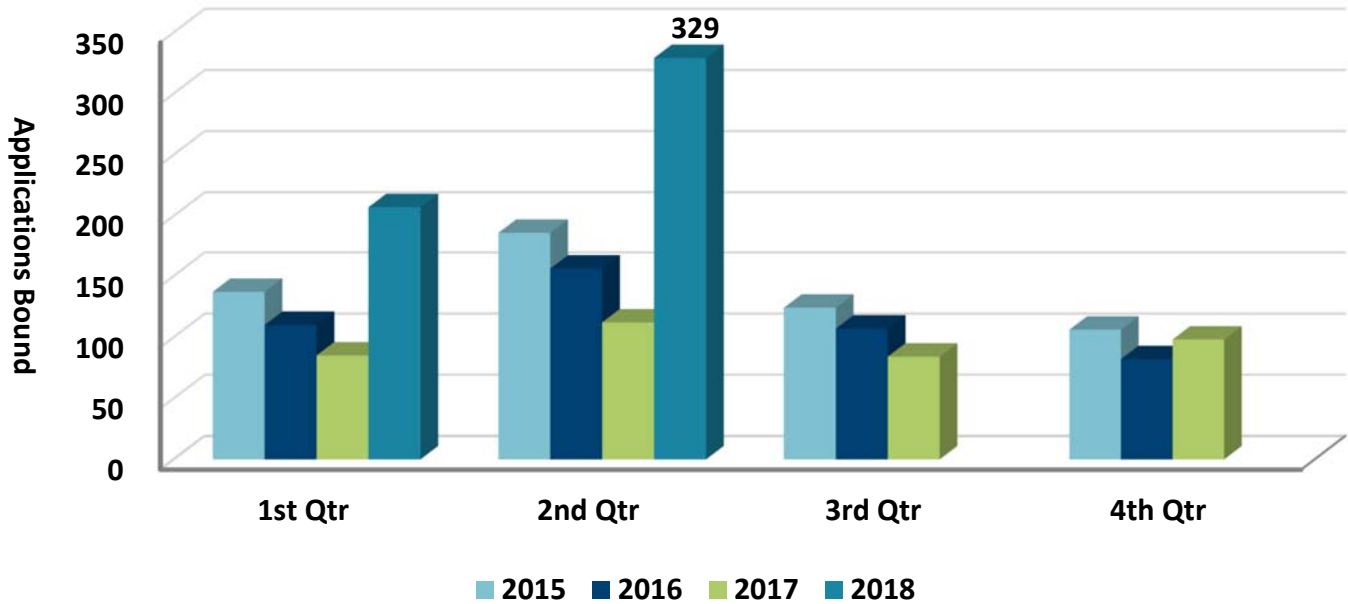
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	342
Number of <b>VCAP<sup>®</sup> Service</b> Matches	334
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	3.59%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	12
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	3.51%
Savings as a % of Redirected Assigned Risk Premium	20.98%



## Residual Market Demographics

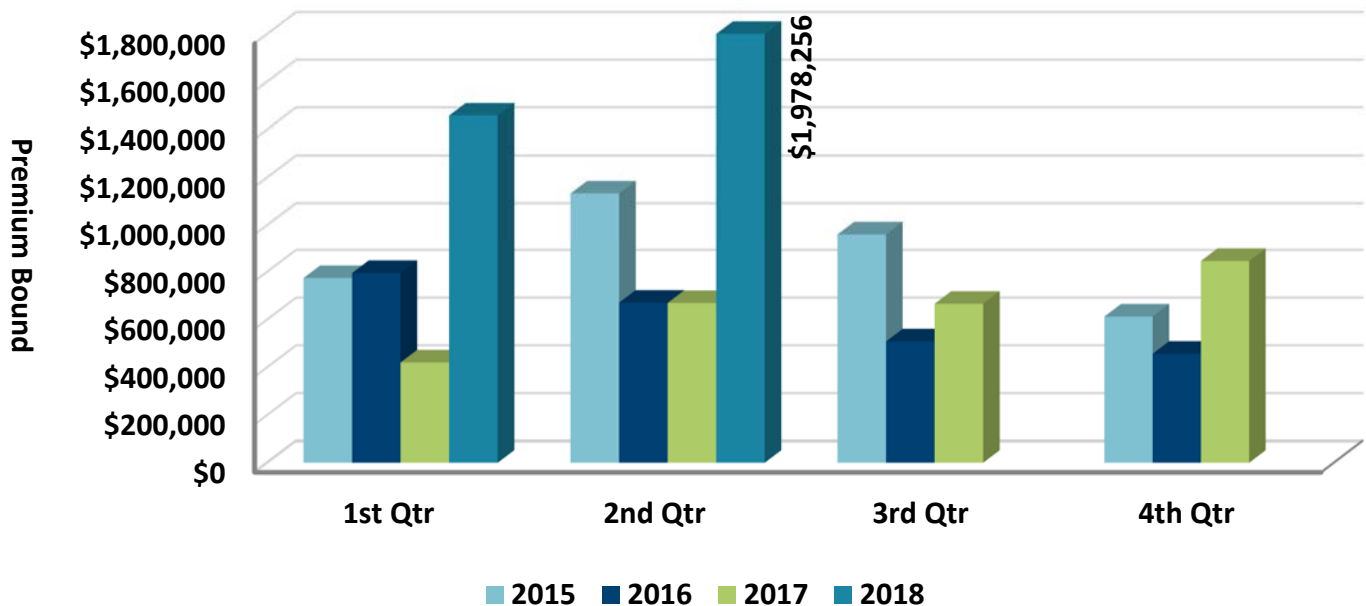
### Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

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).





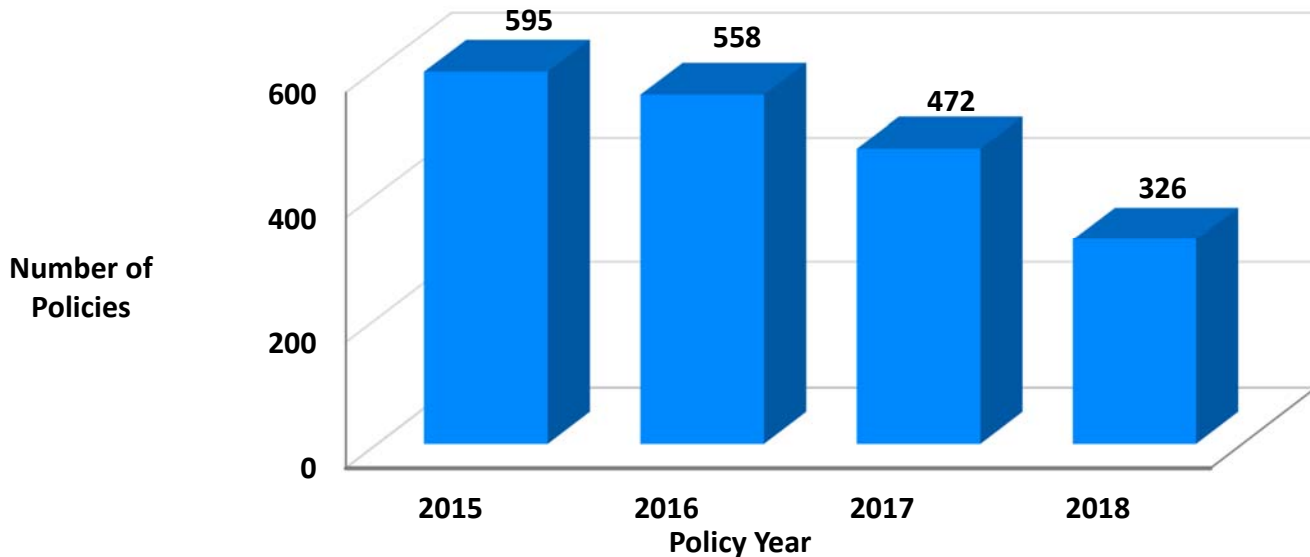


## Residual Market Demographics

### Residual Market Total Policy Counts

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

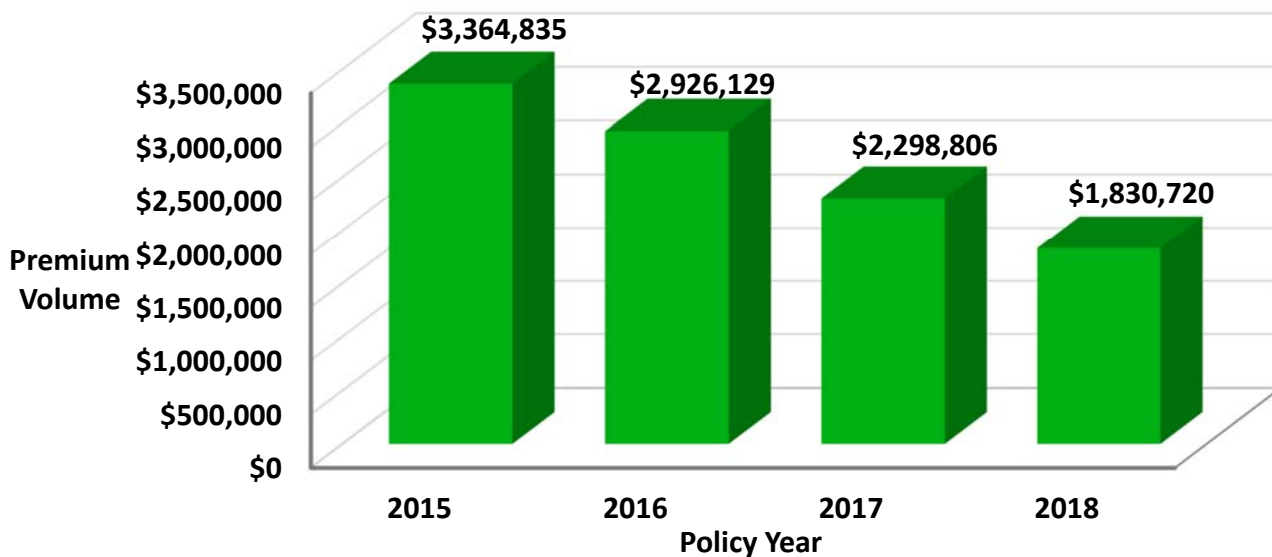
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### 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	168	51.5%	\$236,605	12.9%	\$1,408
\$2500–4999	56	17.2%	\$191,070	10.4%	\$3,411
\$5000–9999	57	17.5%	\$392,990	21.5%	\$6,894
\$10000–19999	30	9.2%	\$452,224	24.7%	\$15,074
\$20000–49999	12	3.7%	\$310,738	17.0%	\$25,894
\$50000–99999	2	0.6%	\$124,627	6.8%	\$62,313
\$100000–199999	1	0.3%	\$122,466	6.7%	\$122,466
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	326	100.0%	\$1,830,720	100.0%	\$5,616

### Second Quarter 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	275	58.3%	\$323,304	14.1%	\$1,175
\$2500–4999	85	18.0%	\$299,836	13.0%	\$3,527
\$5000–9999	62	13.1%	\$441,853	19.2%	\$7,126
\$10000–19999	33	7.0%	\$459,107	20.0%	\$13,912
\$20000–49999	13	2.8%	\$397,543	17.3%	\$30,580
\$50000–99999	2	0.4%	\$119,577	5.2%	\$59,788
\$100000–199999	2	0.4%	\$257,586	11.2%	\$128,793
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	472	100.0%	\$2,298,806	100.0%	\$4,870



## 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	22	6.8%
2	7229	Trucking-Long Distance Hauling-& Drivers	13	4.0%
3	5551	Roofing-All Kinds & Drivers	13	4.0%
4	0083	Farm: Cattle or Livestock Raising NOC & Drivers	12	3.7%
5	2709	Logging or Tree Removal - Mechanized Equipment Operators	11	3.4%
6	9102	Park NOC-All Employees & Drivers	9	2.8%
7	2702	Logging or Tree Removal - Non-Mechanized Operations	8	2.5%
8	0106	Tree Pruning Spraying Repairing - All Operations & Drivers	8	2.5%
9	8017	Store: Retail NOC	8	2.5%
10	6217	Excavation & Drivers	8	2.5%

### 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	5551	Roofing-All Kinds & Drivers	\$184,777	10.1%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	\$106,056	5.8%
3	7229	Trucking-Long Distance Hauling-& Drivers	\$97,453	5.3%
4	2709	Logging or Tree Removal - Mechanized Equipment Operators	\$95,854	5.2%
5	0083	Farm: Cattle or Livestock Raising NOC & Drivers	\$91,104	5.0%
6	7228	Trucking-Local Hauling Only-& Drivers	\$86,186	4.7%
7	0037	Farm: Field Crops & Drivers	\$66,974	3.7%
8	9178	Athletic Sports or Park: Non-Contact Sports	\$64,367	3.5%
9	8842	Group Homes - All Employees & Salespersons Drivers	\$45,479	2.5%
10	0106	Tree Pruning Spraying Repairing - All Operations & Drivers	\$45,213	2.5%



## 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.