



South Dakota Residual Market State Activity Report

Second Quarter 2022



Executive Summary

NCCI, as Pool and Plan Administrator of the South Dakota Workers Compensation Insurance Plan, is pleased to provide the Second Quarter 2022 *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:

Table of Contents

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

Sally Laub, Plan Administration

561-893-1174

© Copyright 2022 National Council on Compensation Insurance, Inc. This material is owned by NCCI and is protected by copyright law. NCCI will seek all appropriate legal remedies for the unauthorized use, sale, reproduction, distribution, preparation of derivative works, transfer or assignment of this material, or any part thereof. NCCI makes no representation or warranty, express or implied, as to any matter whatsoever, including but not limited to the accuracy of any information, product, or service furnished hereunder. The recipient of this material is subject to any license agreement that governs the use of this information and subscribes to and utilizes the information “as is.”



Residual Market Demographics

Residual Market Total Policies and Premium in Force

As of June 30, 2022—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.

	2022	2021	2022 vs. 2021 #	2022 vs. 2021 %
Policy Count	837	878	-41	-4.7%
Premium Volume	\$5,839,317	\$5,491,391	\$347,926	6.3%

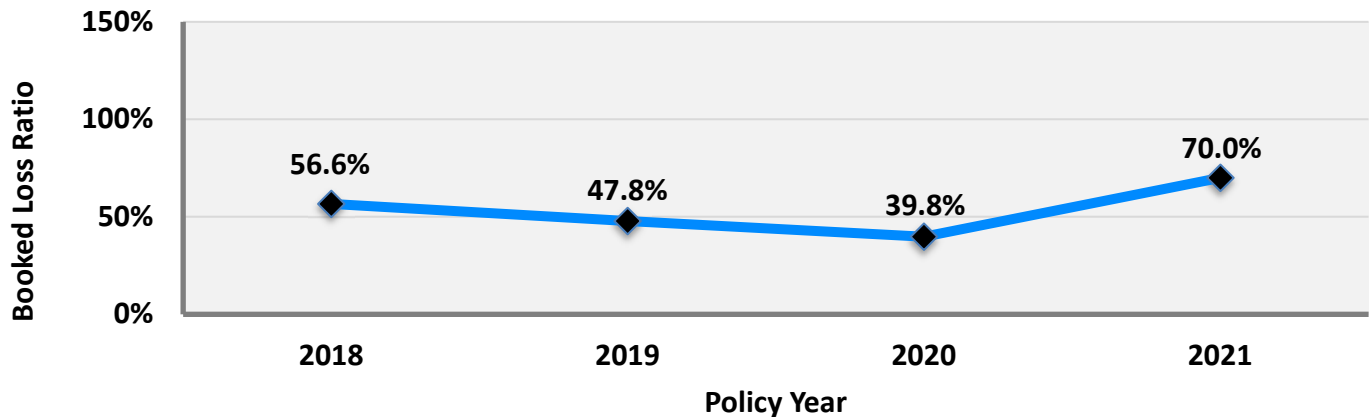


Residual Market Demographics

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

Policy Year Financial Results through 1st Quarter 2022 for 2021 and prior years*

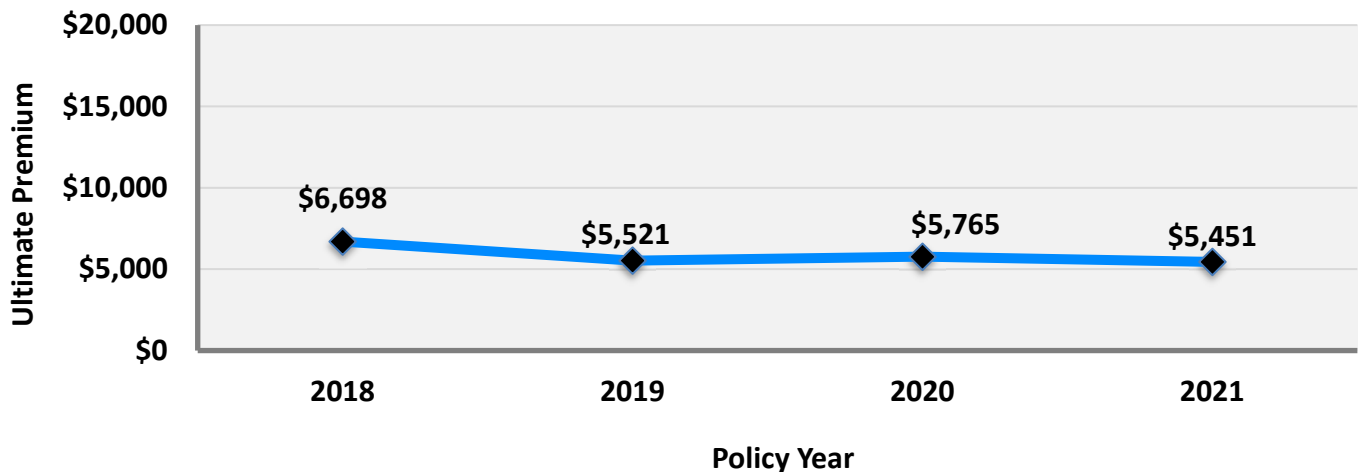
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 1st Quarter 2022 for 2021 and prior years*

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



*2nd Quarter 2022 data will be available the end of October 2022 due to the timing of data reporting

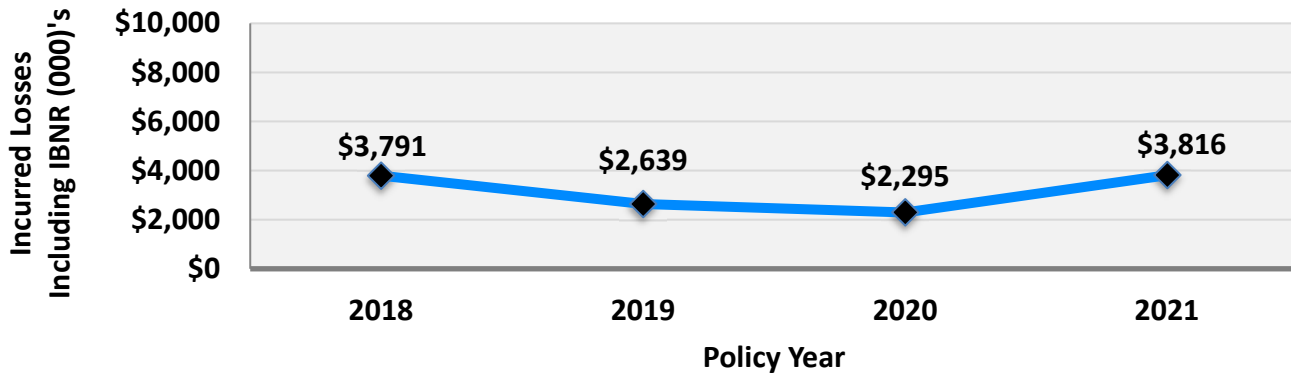


Residual Market Demographics

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

Policy Year Financial Results through 1st Quarter 2022 for 2021 and prior years*

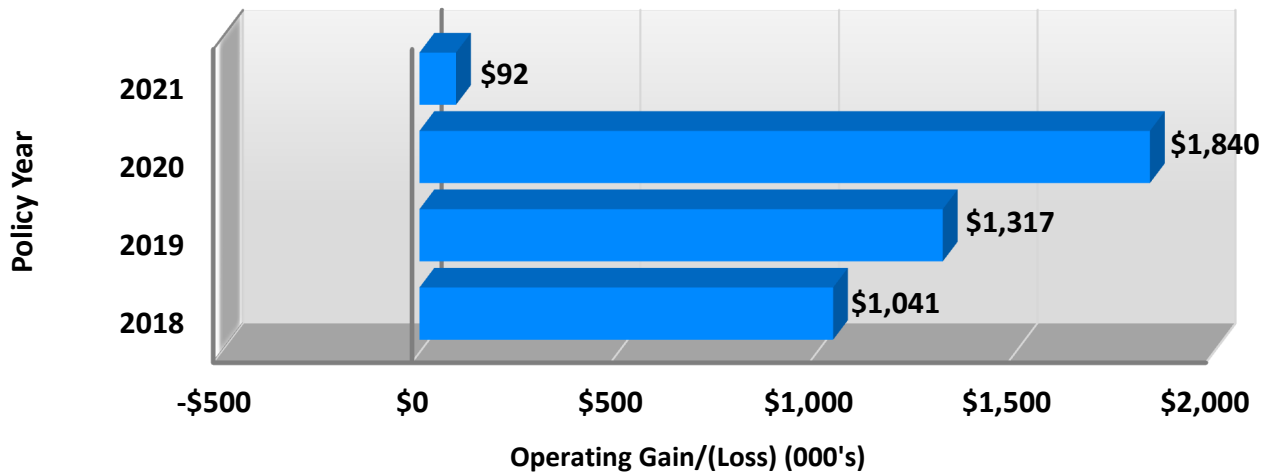
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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 2022 for 2021 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 2022 data will be available the end of October 2022 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 1st Quarter 2022.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2018	6,853,813	156,178	2.3%
2019	5,714,822	193,459	3.4%
2020	6,128,756	251,946	4.1%
2021	5,326,964	--	--
2022	793,794	--	--

* 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, 2022

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 2022.

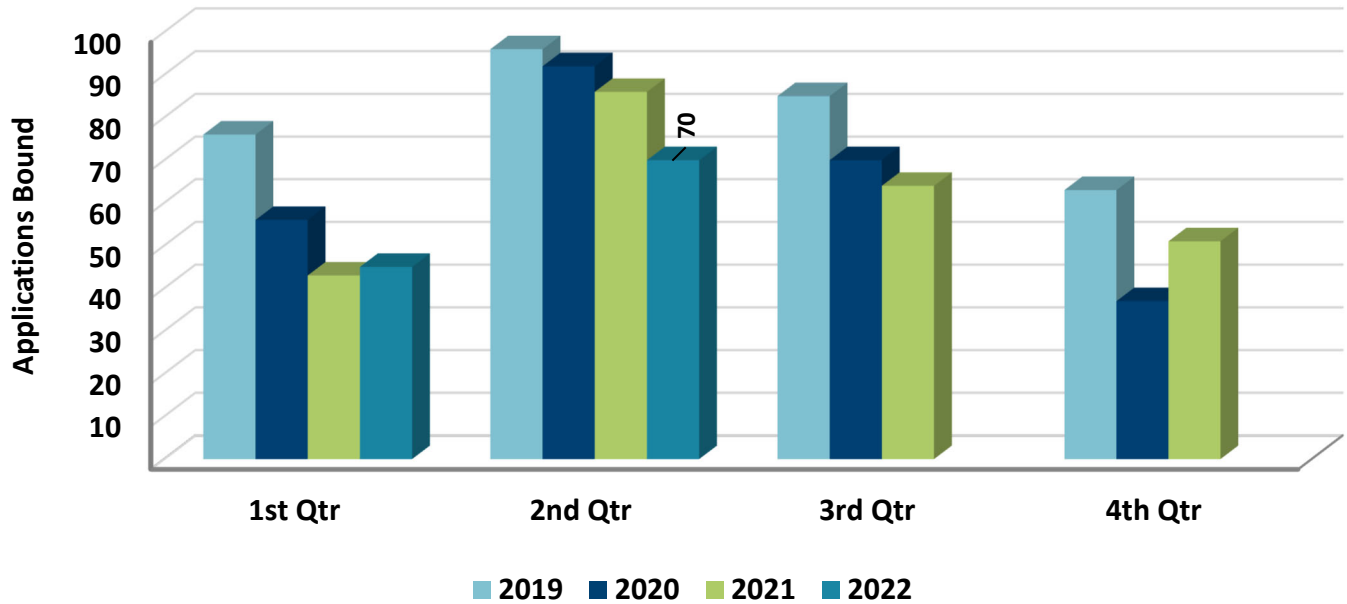
Number of Applications Reviewed by VCAP[®] Service	82
Number of VCAP[®] Service Matches	70
VCAP[®] Service Offers as a % of Matches	17.14%
Number of Confirmed VCAP[®] Service Policies	12
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	14.63%
Savings as a % of Redirected Assigned Risk Premium	4.02%



Residual Market Demographics

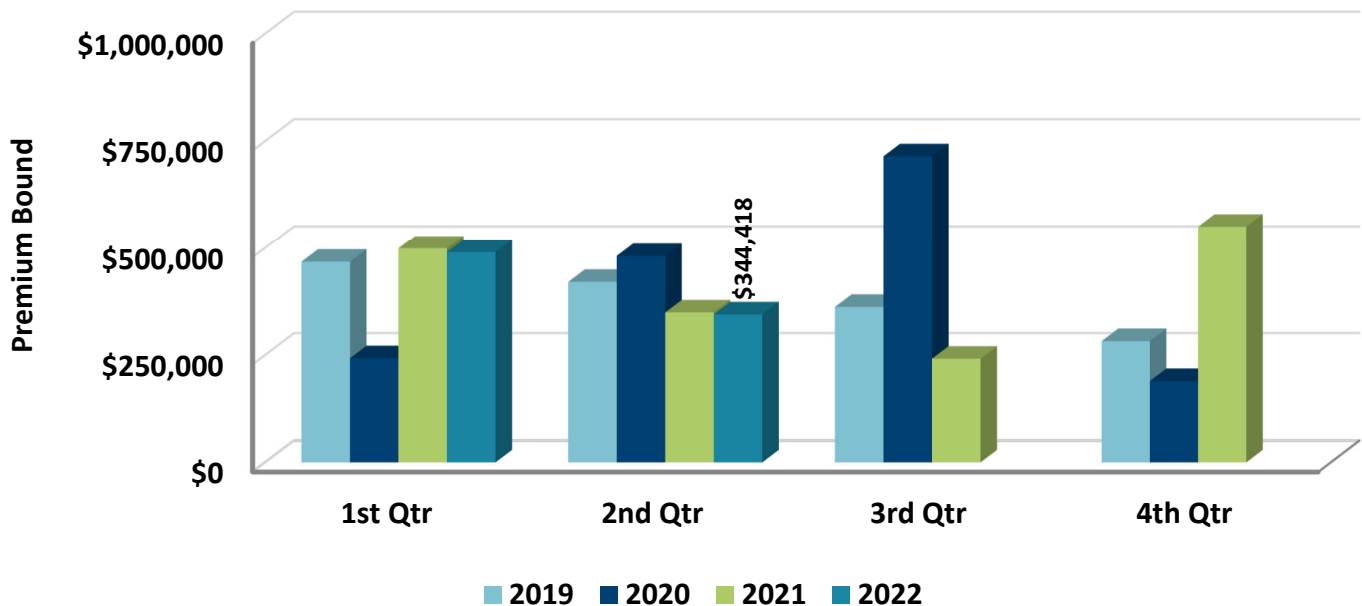
Total Applications Bound — 2019 vs. 2020 vs. 2021 vs. 2022

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 — 2019 vs. 2020 vs. 2021 vs. 2022

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).



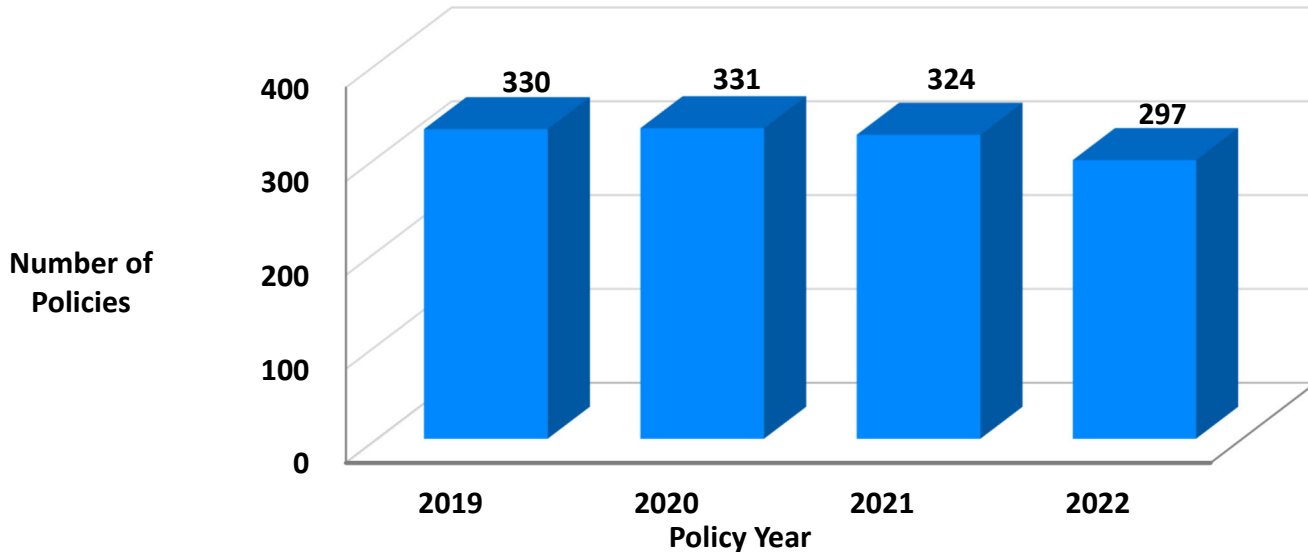


Residual Market Demographics

Residual Market Total Policy Counts

Second Quarter Data for Policies Reported through June 30, 2022

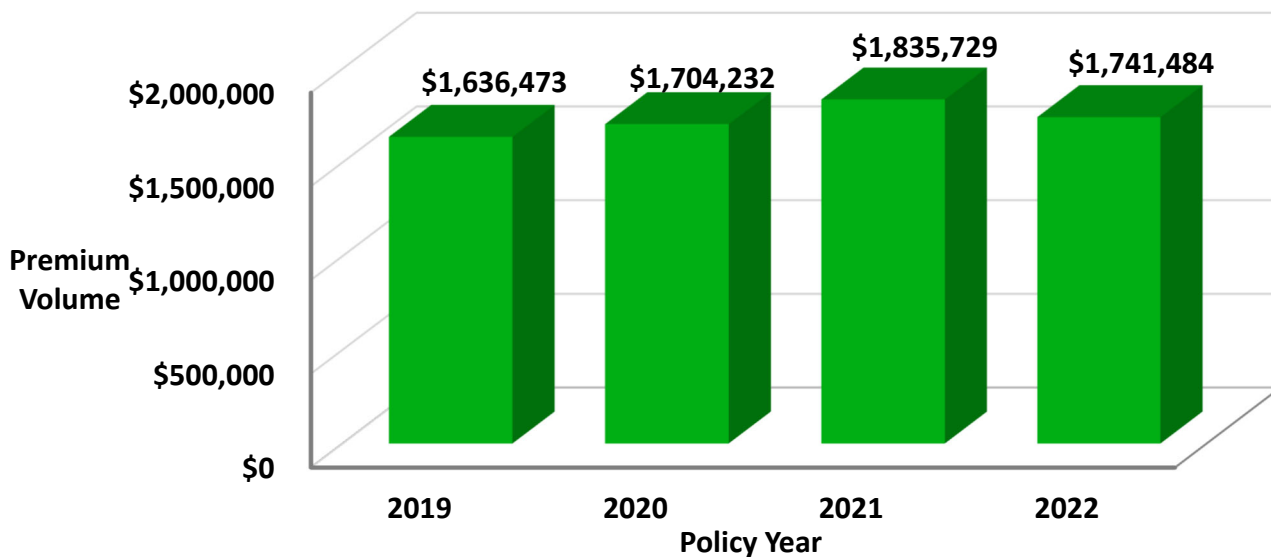
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Second Quarter Data Reported through June 30, 2022

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, 2022

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	143	48.1	212,233	12.2	1,484
\$2500- \$4999	71	23.9	247,442	14.2	3,485
\$5000- \$9999	48	16.2	356,608	20.5	7,429
\$10000- \$19999	21	7.1	283,280	16.3	13,490
\$20000- \$49999	11	3.7	386,078	22.2	35,098
\$50000- \$99999	1	0.3	50,559	2.9	50,559
\$100000- \$199999	2	0.7	205,284	11.8	102,642
\$2000000+	0	0.0	0	0.0	0
Total	297	100.0	1,741,484	100.0	5,864

Second Quarter 2021 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	180	55.6	226,563	12.3	1,259
\$2500- \$4999	68	21.0	239,951	13.1	3,529
\$5000- \$9999	44	13.6	313,770	17.1	7,131
\$10000- \$19999	16	4.9	235,062	12.8	14,691
\$20000- \$49999	11	3.4	375,134	20.4	34,103
\$50000- \$99999	3	0.9	175,186	9.5	58,395
\$100000- \$199999	2	0.6	270,063	14.7	135,032
\$2000000+	0	0.0	0	0.0	0
Total	324	100.0	1,835,729	100.0	5,666



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Second Quarter Data Reported through June 30, 2022

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	23	7.7
2	5551 - Roofing-All Kinds & Drivers	18	6.1
3	7219 - Trucking - NOC-All Employees & Drivers	15	5.1
4	0037 - Farm: Field Crops & Drivers	12	4.0
5	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	9	3.0
6	6217 - Excavation & Drivers	8	2.7
7	8017 - Store: Retail NOC	7	2.4
8	9016 - Amusement Park or Exhibition Operation & Drivers	7	2.4
9	0050 - Farm Machinery Operation-By Contractor-& Drivers	6	2.0
10	0913 - Domestic Workers-Residences Full-Time	6	2.0

Residual Market Top 10 Classification Codes by Premium Volume Second Quarter Data Reported through June 30, 2022

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	5551 - Roofing-All Kinds & Drivers	189,603	10.9
2	2709 - Logging or Tree Removal - Mechanized Equipment Operators	154,325	8.9
3	6217 - Excavation & Drivers	135,354	7.8
4	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	114,772	6.6
5	7219 - Trucking - NOC-All Employees & Drivers	79,431	4.6
6	5535 - Sheet Metal Work-Installation & Drivers	72,449	4.2
7	0037 - Farm: Field Crops & Drivers	71,894	4.1
8	8842 - Group Homes - All Employees & Salespersons, Drivers	58,064	3.3
9	2799 - Manufactured, Modular, or Prefabricated Home Setup, Hookup, or Installation at Building Site	52,583	3.0
10	7705 - Ambulance Service Companies and EMS (Emergency Medical Service) Providers & Drivers	44,422	2.6



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.