



South Dakota Residual Market State Activity Report

Third Quarter 2020



Executive Summary

NCCI, as Pool and Plan Administrator of the South Dakota Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2020 *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 2020 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 September 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.

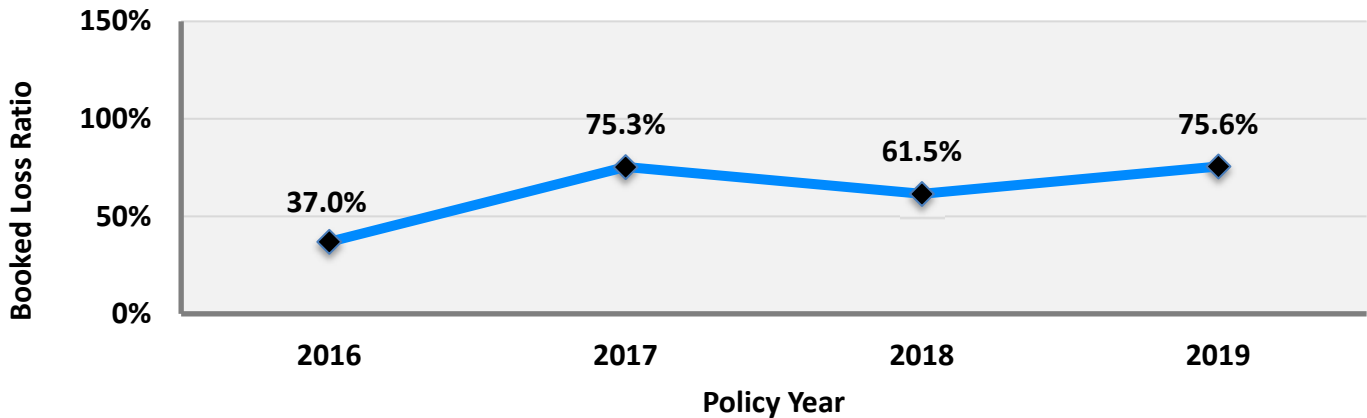
	2020	2019	2020 vs. 2019 #	2020 vs. 2019 %
Policy Count	913	945	-32	-3.4%
Premium Volume	\$5,524,110	\$6,042,618	-\$518,508	-8.6%



Residual Market Demographics

South Dakota Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 2nd Quarter 2020 for 2019 and prior years*

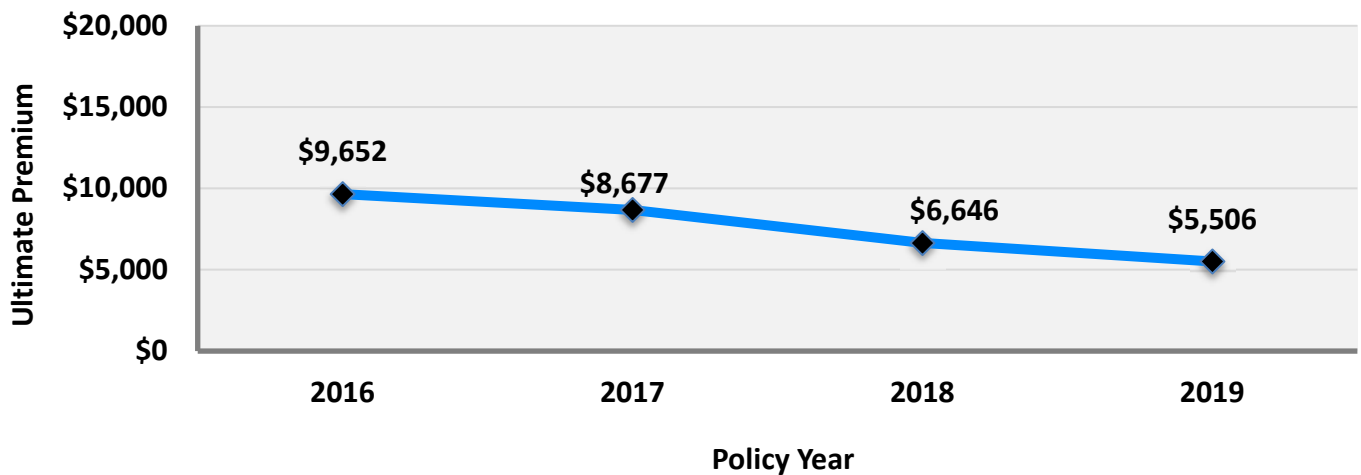
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 2nd 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.



*3rd Quarter 2020 data will be available the end of January 2021 due to the timing of data reporting

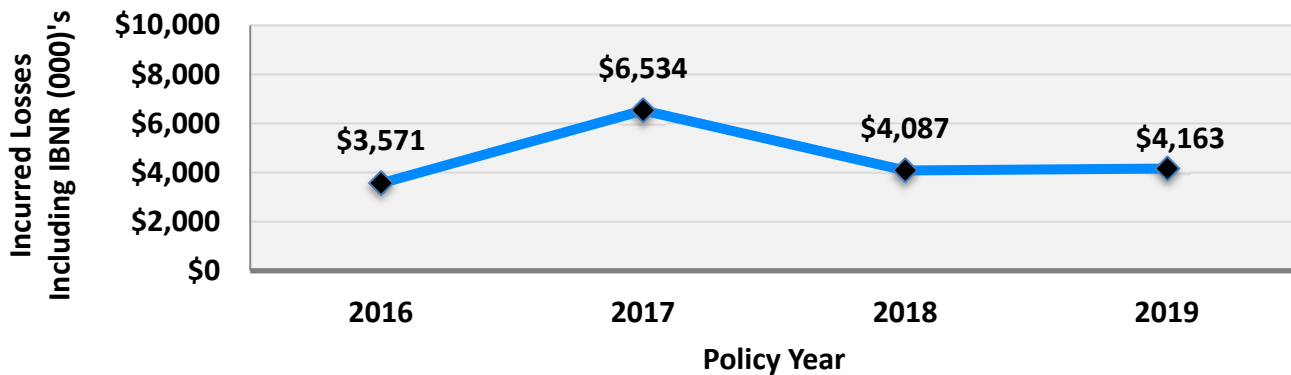


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2020 for 2019 and prior years*

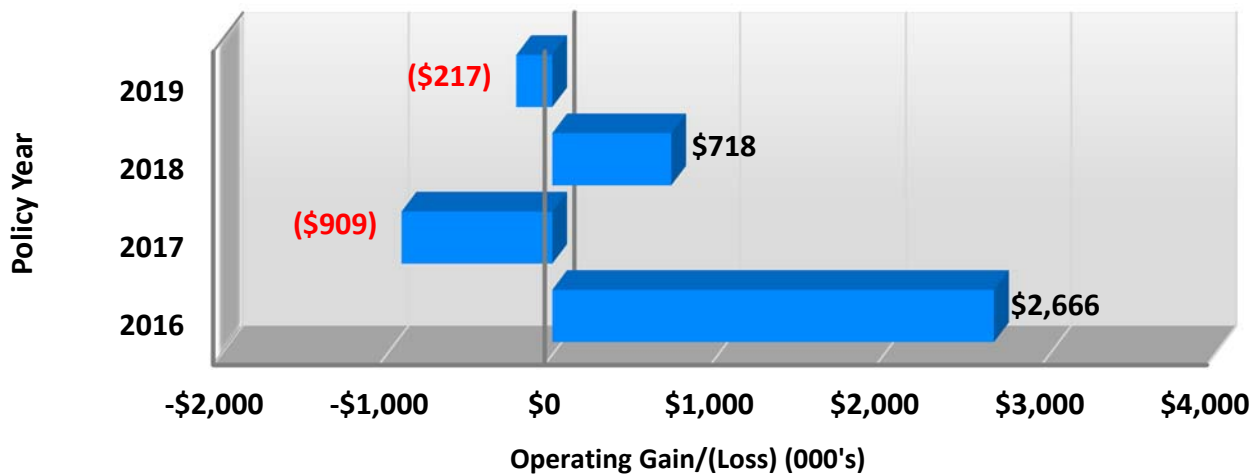
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 2nd 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.



*3rd Quarter 2020 data will be available the end of January 2021 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 2016-2020, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2020.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2016	9,834,942	182,856	1.9%
2017	8,825,636	148,768	1.7%
2018	6,896,227	206,982	3.0%
2019	5,798,257	*	N/A
2020	2,075,482	*	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, 2020

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 Third Quarter 2020.

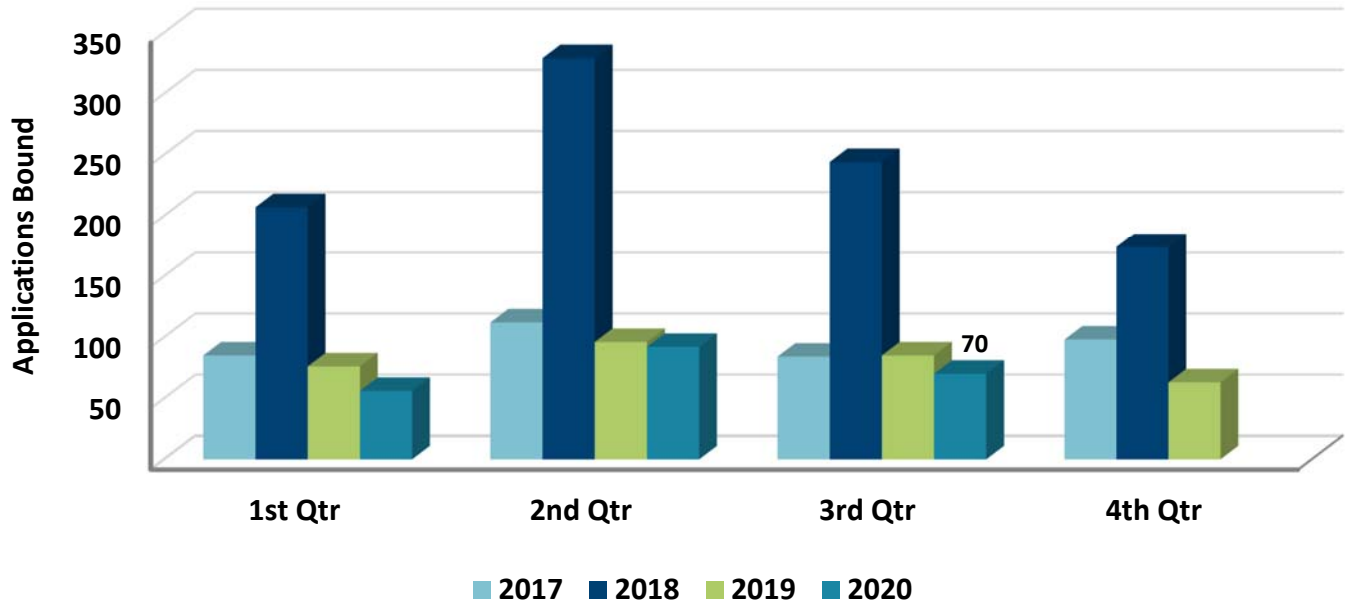
Number of Applications Reviewed by VCAP[®] Service	88
Number of VCAP[®] Service Matches	71
VCAP[®] Service Offers as a % of Matches	29.58%
Number of Confirmed VCAP[®] Service Policies	18
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	20.45%
Savings as a % of Redirected Assigned Risk Premium	6.41%



Residual Market Demographics

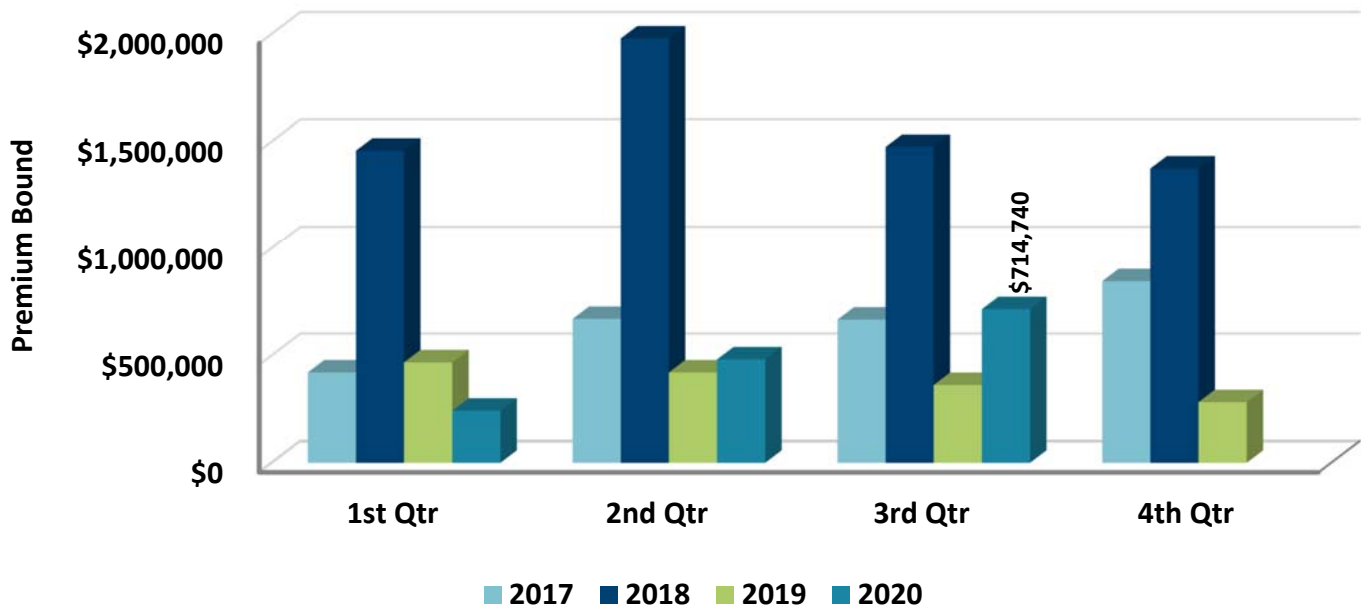
Total Applications Bound — 2017 vs. 2018 vs. 2019 vs. 2020

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).



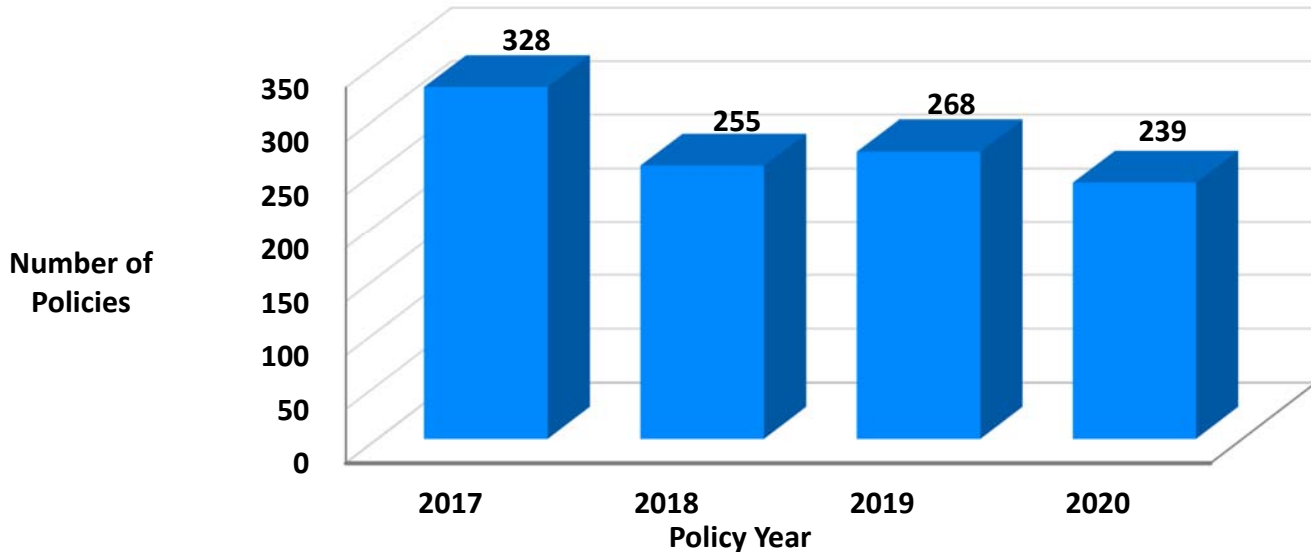


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2020

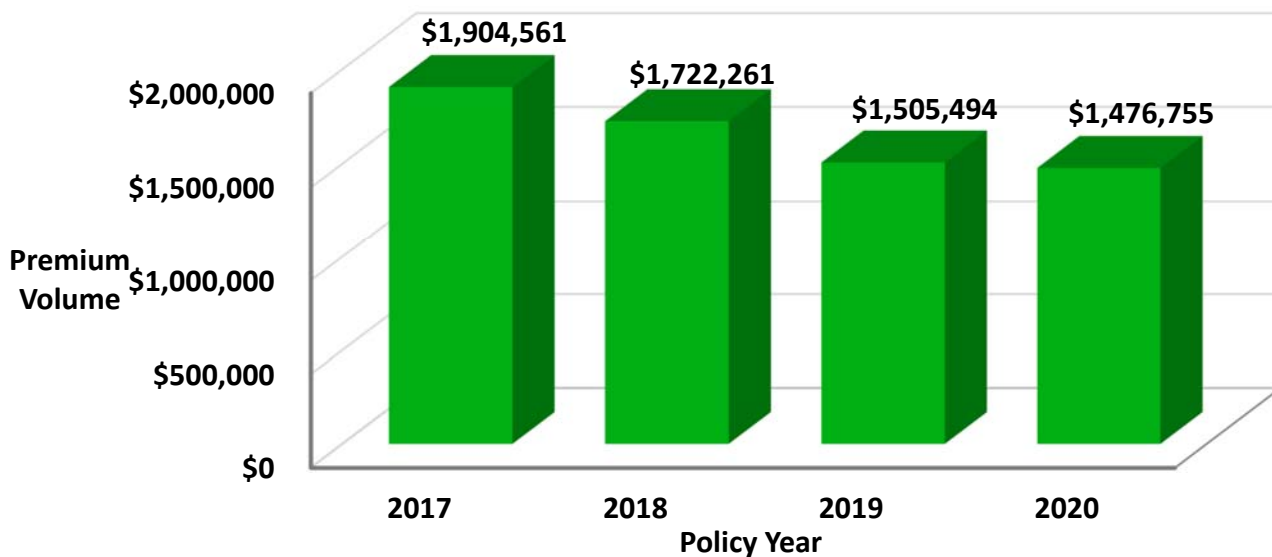
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 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

Third Quarter Data Reported through September 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	119	49.8	179,096	12.1	1,505
\$2500–4999	59	24.7	220,524	14.9	3,738
\$5000–9999	33	13.8	243,002	16.5	7,364
\$10000–19999	17	7.1	250,394	17.0	14,729
\$20000–49999	6	2.5	171,610	11.6	28,602
\$50000–99999	4	1.7	307,651	20.8	76,913
\$100000–199999	1	0.4	104,478	7.1	104,478
\$200000 +	0	0.0	0	0.0	0
Total	239	100.0	1,476,755	100.0	6,179

Third Quarter 2019 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0–2499	148	55.2	192,658	12.8	1,302
\$2500–4999	46	17.2	166,447	11.1	3,618
\$5000–9999	41	15.3	289,168	19.2	7,053
\$10000–19999	25	9.3	365,178	24.3	14,607
\$20000–49999	3	1.1	94,286	6.3	31,429
\$50000–99999	4	1.5	251,146	16.7	62,787
\$100000–199999	1	0.4	146,611	9.7	146,611
\$200000 +	0	0.0	0	0.0	0
Total	268	100.0	1,505,494	100.0	5,618



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 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	20	8.4
2	7219 - Trucking - NOC-All Employees & Drivers	15	6.3
3	5551 - Roofing-All Kinds & Drivers	14	5.9
4	7711 - Firefighters & Drivers - Volunteer	13	5.4
5	0083 - Farm: Cattle or Livestock Raising NOC & Drivers	8	3.3
6	0037 - Farm: Field Crops & Drivers	8	3.3
7	5535 - Sheet Metal Work-Installation & Drivers	6	2.5
8	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	6	2.5
9	9063 - YMCA, YWCA, YMHA or YWHA, Institution-All Employees & Clerical	5	2.1
10	9016 - Amusement Park or Exhibition Operation & Drivers	5	2.1

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 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	235,669	16.0
2	5551 - Roofing-All Kinds & Drivers	123,945	8.4
3	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	117,193	7.9
4	2014 - Grain or Feed Milling	104,478	7.1
5	5040 - Iron or Steel: Erection-Frame Structures	94,577	6.4
6	8288 - Livestock Dealer or Commission Merchant & Salespersons, Drivers	54,905	3.7
7	0083 - Farm: Cattle or Livestock Raising NOC & Drivers	48,930	3.3
8	8868 - College - Professional Employees & Clerical	41,660	2.8
9	5535 - Sheet Metal Work-Installation & Drivers	40,175	2.7
10	2709 - Logging or Tree Removal - Mechanized Equipment Operators	38,539	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.