



South Dakota Residual Market State Activity Report

Annual 2022



Executive Summary

NCCI, as Pool and Plan Administrator of the South Dakota Workers Compensation Insurance Plan, is pleased to provide the Annual 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:

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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 December 31, 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	830	854	-24	-2.8%
Premium Volume	\$5,996,958	\$5,798,469	\$198,489	3.4%

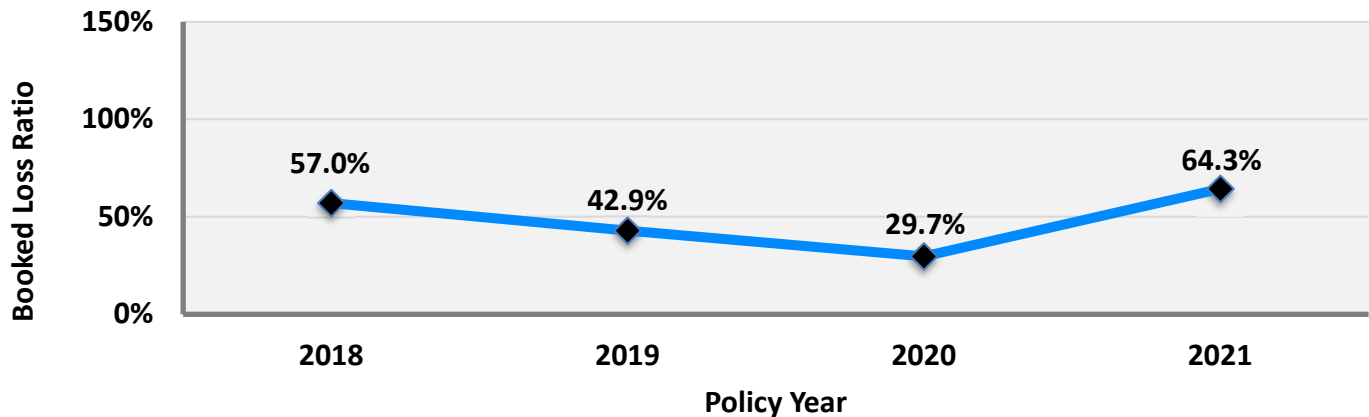


Residual Market Demographics

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

Policy Year Financial Results through 3rd Quarter 2022 for 2021 and prior years*

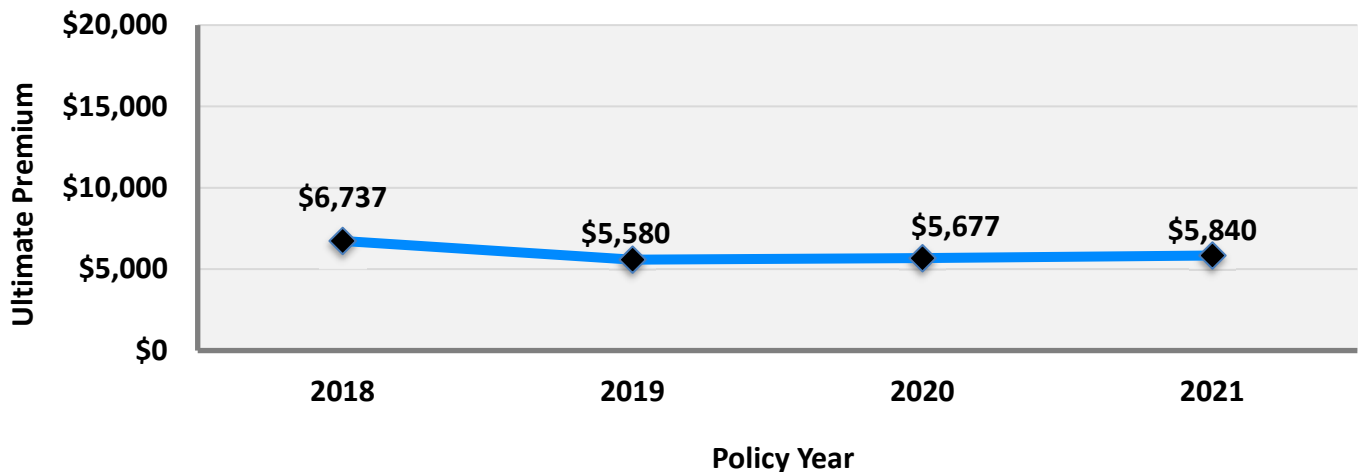
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 3rd 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.



*4th Quarter 2022 data will be available the end of April 2023 due to the timing of data reporting

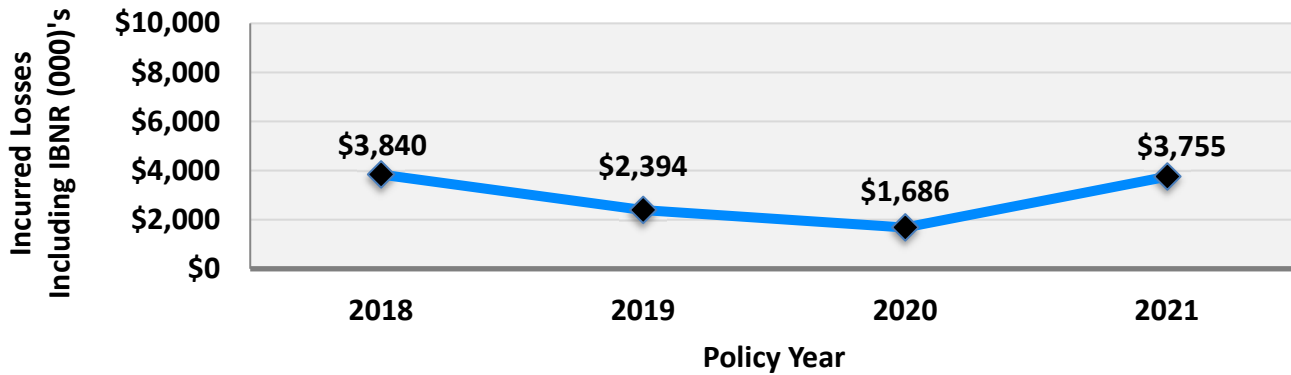


Residual Market Demographics

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

Policy Year Financial Results through 3rd Quarter 2022 for 2021 and prior years*

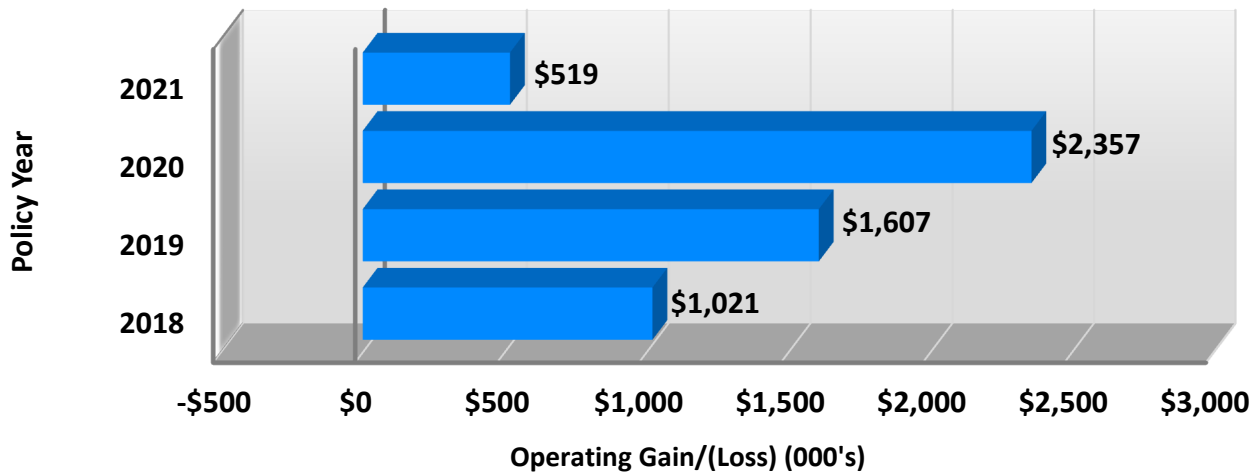
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 3rd 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.



*4th Quarter 2022 data will be available the end of April 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 3rd 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	221,601	3.8%
2021	6,003,987	--	--
2022	3,550,844	--	--

* 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

Annual Data through December 31, 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 Annual 2022.

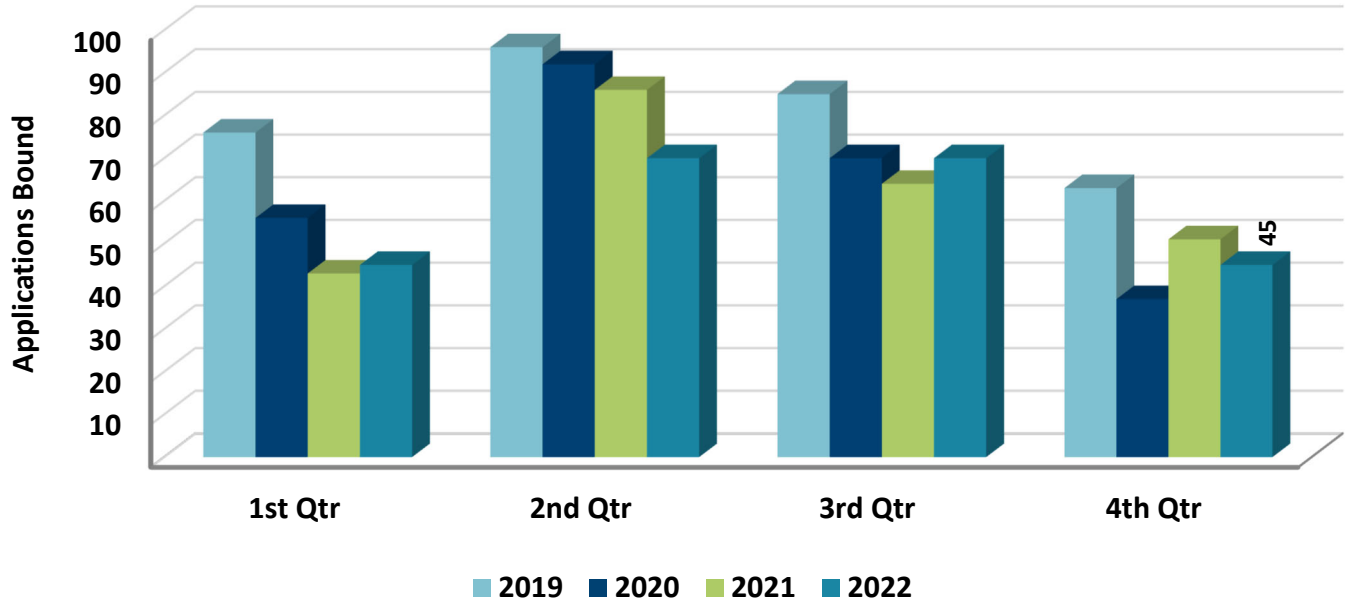
Number of Applications Reviewed by VCAP[®] Service	269
Number of VCAP[®] Service Matches	232
VCAP[®] Service Offers as a % of Matches	16.81%
Number of Confirmed VCAP[®] Service Policies	37
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	13.75%
Savings as a % of Redirected Assigned Risk Premium	11.42%



Residual Market Demographics

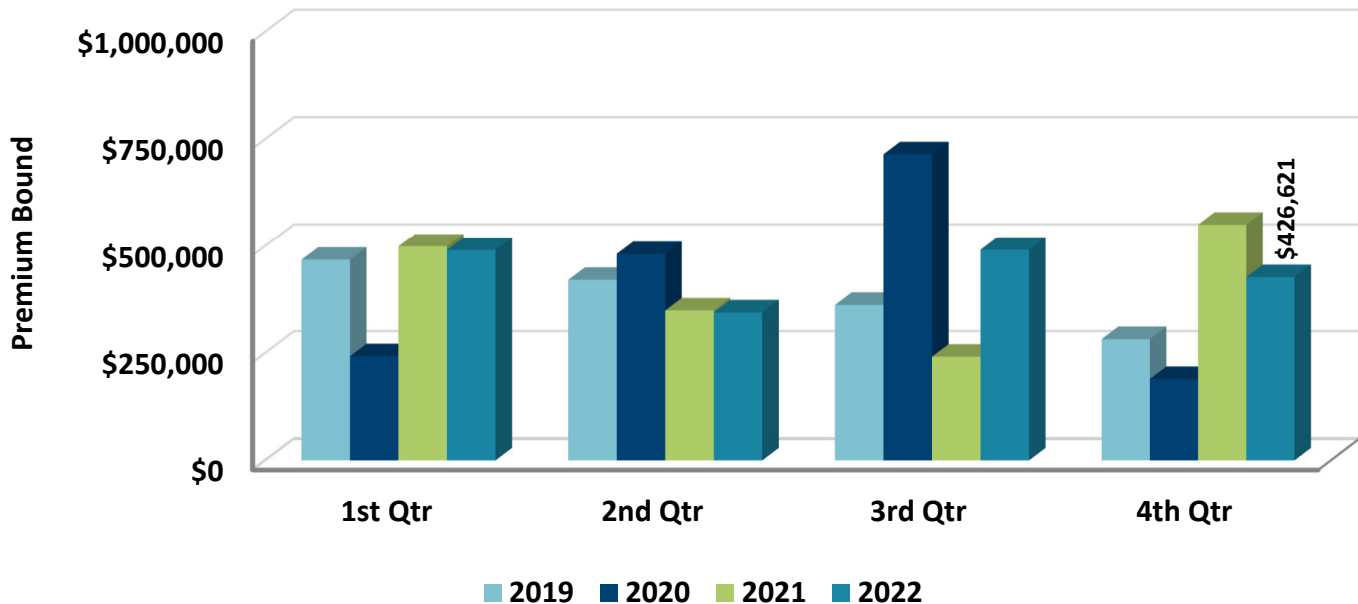
Total Applications Bound — 2019 vs. 2020 vs. 2021 vs. 2022

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 — 2019 vs. 2020 vs. 2021 vs. 2022

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).



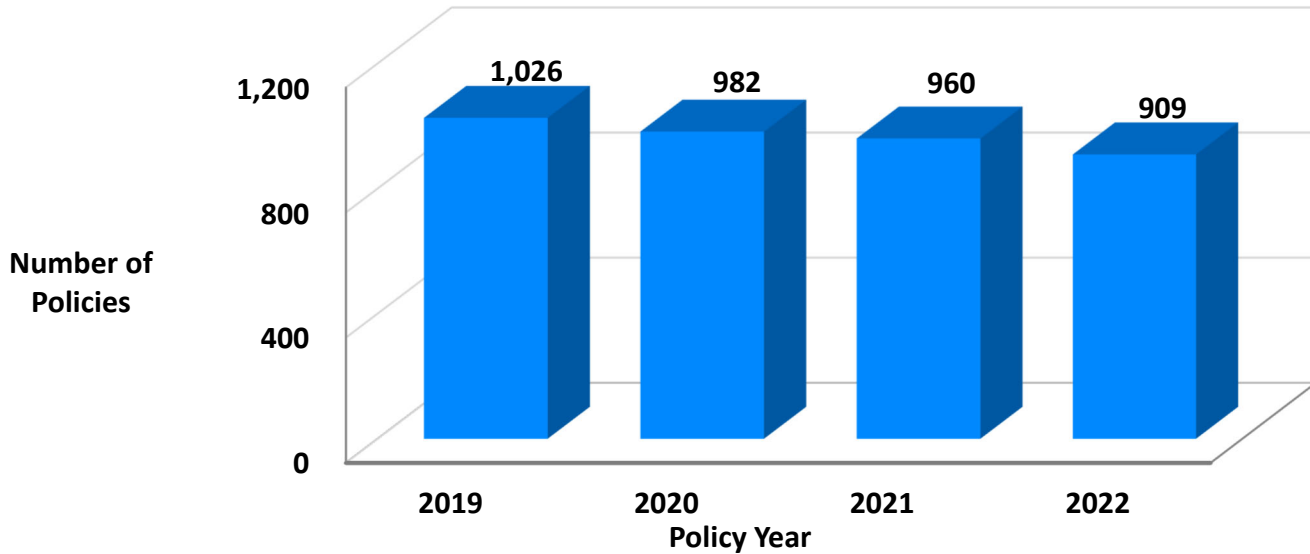


Residual Market Demographics

Residual Market Total Policy Counts

Annual Data for Policies Reported through December 31, 2022

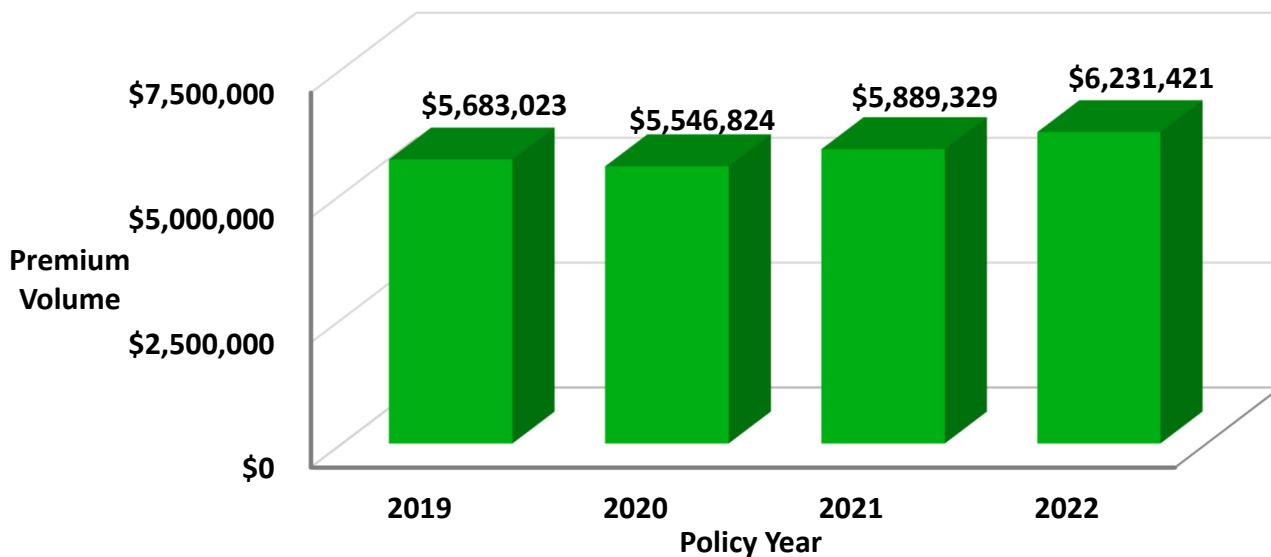
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Annual Data Reported through December 31, 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 Annual Data Reported through December 31, 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	450	49.5	631,935	10.1	1,404
\$2500- \$4999	183	20.1	663,941	10.7	3,628
\$5000- \$9999	154	16.9	1,092,664	17.5	7,095
\$10000- \$19999	73	8.0	1,010,789	16.2	13,846
\$20000- \$49999	31	3.4	1,077,163	17.3	34,747
\$50000- \$99999	11	1.2	666,540	10.7	60,595
\$100000- \$199999	6	0.7	832,016	13.4	138,669
\$2000000+	1	0.1	256,373	4.1	256,373
Total	909	100.0	6,231,421	100.0	6,855

Annual 2021 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	544	56.7	636,759	10.8	1,171
\$2500- \$4999	177	18.4	630,278	10.7	3,561
\$5000- \$9999	122	12.7	847,290	14.4	6,945
\$10000- \$19999	73	7.6	1,024,662	17.4	14,036
\$20000- \$49999	22	2.3	676,419	11.5	30,746
\$50000- \$99999	15	1.6	1,003,728	17.0	66,915
\$100000- \$199999	7	0.7	1,070,193	18.2	152,885
\$2000000+	0	0.0	0	0.0	0
Total	960	100.0	5,889,329	100.0	6,135



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 31, 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	60	6.6
2	0037 - Farm: Field Crops & Drivers	59	6.5
3	7219 - Trucking - NOC-All Employees & Drivers	50	5.5
4	5551 - Roofing-All Kinds & Drivers	46	5.1
5	0083 - Farm: Cattle or Livestock Raising NOC & Drivers	28	3.1
6	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	27	3.0
7	7711 - Firefighters & Drivers - Volunteer	26	2.9
8	0050 - Farm Machinery Operation-By Contractor-& Drivers	23	2.5
9	9063 - YMCA, YWCA, YMHA or YWHA, Institution-All Employees & Clerical	16	1.8
10	2709 - Logging or Tree Removal - Mechanized Equipment Operators	15	1.7

Residual Market Top 10 Classification Codes by Premium Volume Annual Data Reported through December 31, 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	7219 - Trucking - NOC-All Employees & Drivers	483,901	7.8
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	473,327	7.6
3	0037 - Farm: Field Crops & Drivers	388,707	6.2
4	5551 - Roofing-All Kinds & Drivers	387,108	6.2
5	5403 - Carpentry NOC	333,349	5.3
6	7705 - Ambulance Service Companies and Ems (Emergency Medical Service) Providers & Drivers	279,070	4.5
7	0083 - Farm: Cattle or Livestock Raising NOC & Drivers	176,917	2.8
8	3724 - Machinery or Equipment Erection or Repair NOC & Drivers	172,523	2.8
9	8868 - College - Professional Employees & Clerical	170,813	2.7
10	2709 - Logging or Tree Removal - Mechanized Equipment Operators	149,263	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[®] 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.