



# Tennessee Residual Market State Activity Report

First Quarter 2022



## Executive Summary

NCCI, as Pool and Plan Administrator of the Tennessee Workers Compensation Insurance Plan, is pleased to provide the First Quarter 2022 *Tennessee Residual Market State Activity Report*. The information contained in this report is limited to what has been reported as of the date NCCI was named Plan and Pool Administrator in Tennessee, with policy dates effective July 1, 2015 and forward.

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 Tennessee 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.

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## Residual Market Demographics

### Residual Market Total Policies and Premium in Force

#### As of March 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.

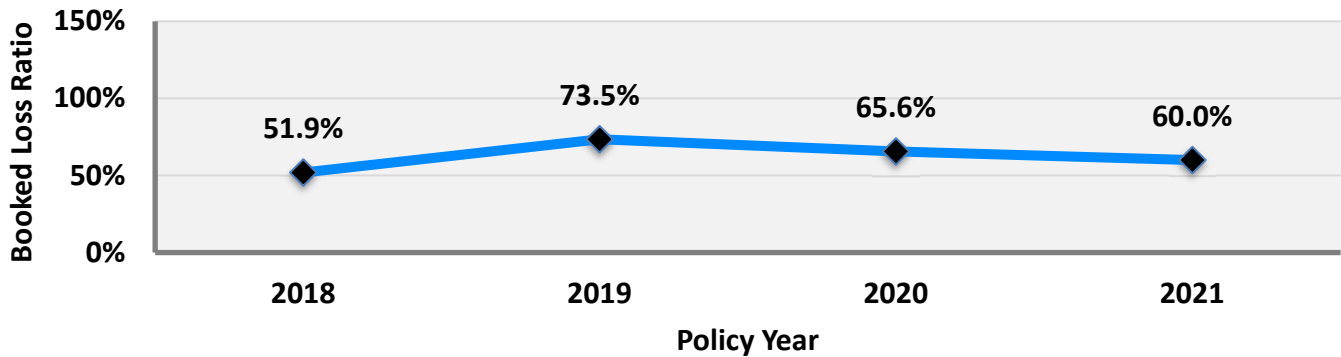
	2022	2021	2022 vs. 2021 #	2022 vs. 2021 %
<b>Policy Count</b>	8,000	9,011	-1,011	-11.2%
<b>Premium Volume</b>	\$40,956,859	\$43,251,879	-\$2,295,020	-5.3%



## Residual Market Demographics

### Tennessee Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 4th Quarter 2021 for 2021 and prior year\*

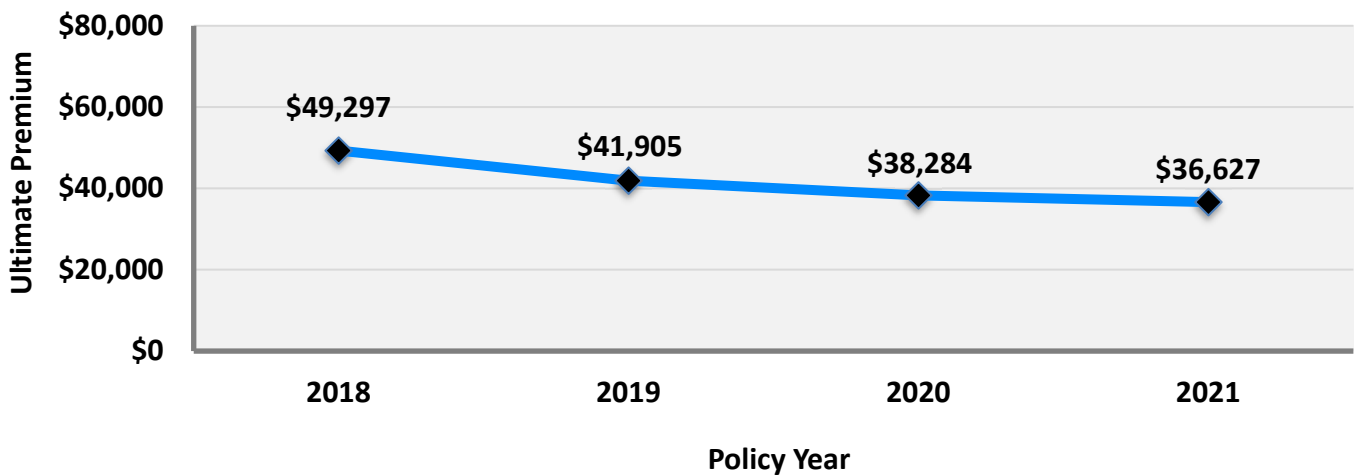
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 4th Quarter 2021 for 2021 and prior year\*

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



\*1st Quarter 2022 data will be available the end of July 2022 due to the timing of data reporting

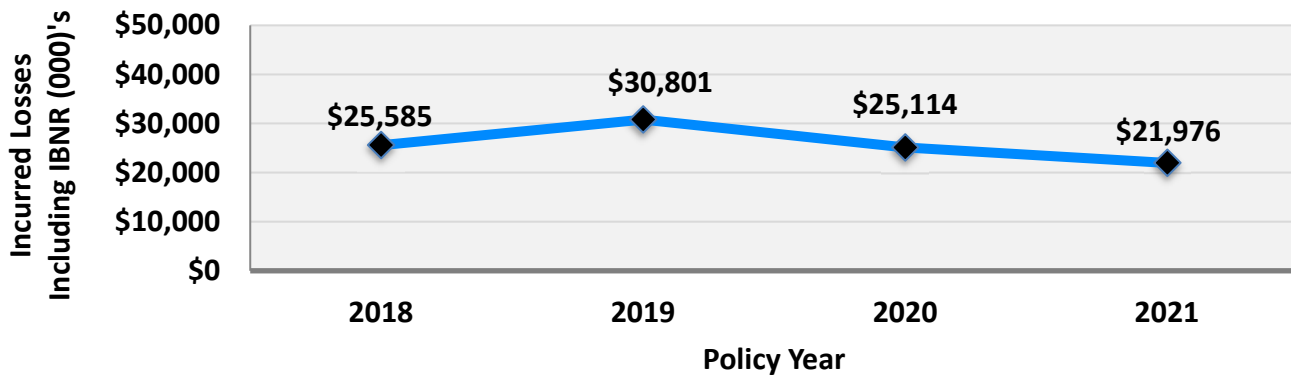


## Residual Market Demographics

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

#### Policy Year Financial Results through 4th Quarter 2021 for 2021 and prior year\*

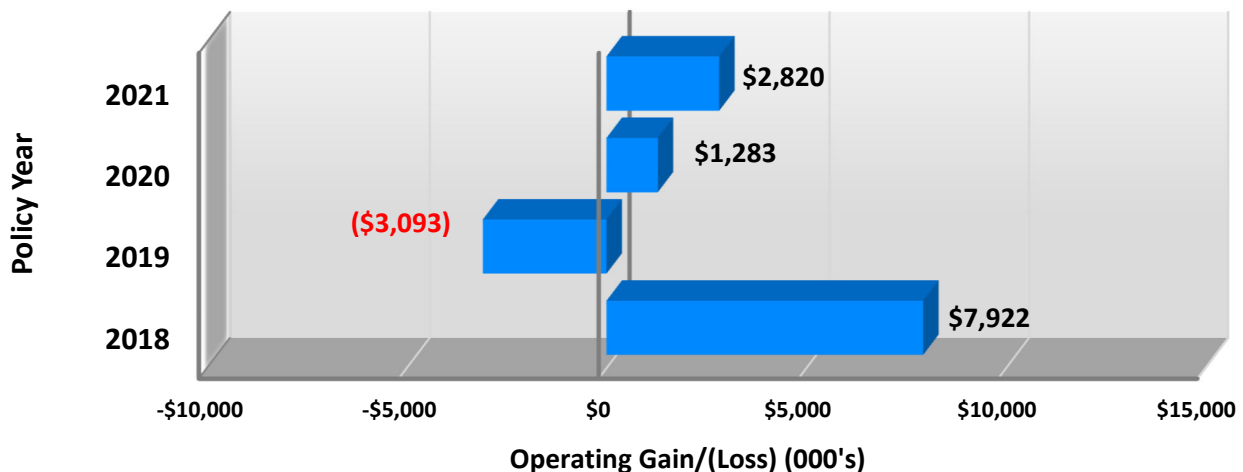
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

#### Policy Year Financial Results through 4th Quarter 2021 for 2021 and prior year\*

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 2022 data will be available the end of July 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 Tennessee for Policy Years 2017-2021, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 4th Quarter 2021.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2017	54,486,676	3,830,923	7.0%
2018	53,805,699	4,508,535	8.4%
2019	44,778,108	2,872,611	6.4%
2020	41,520,535	--	--
2021	29,808,463	--	--

\* 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, 2022

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 2022.

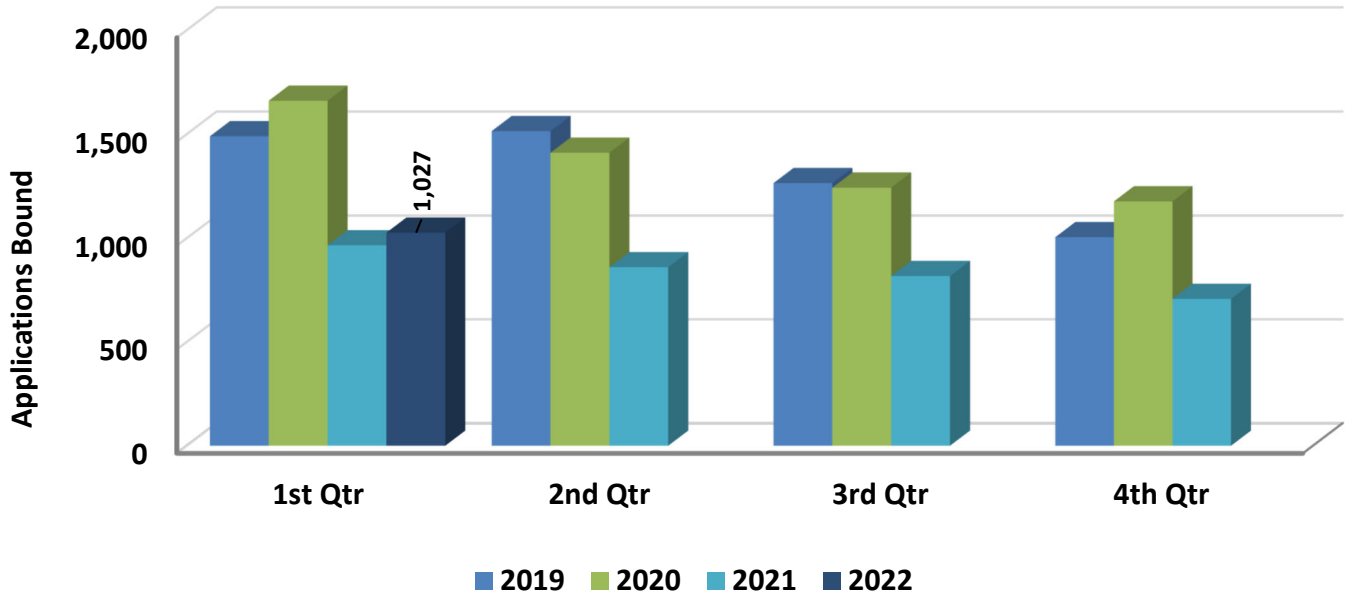
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	1,350
Number of <b>VCAP<sup>®</sup> Service</b> Matches	1,135
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	27.05%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	290
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	21.48%
Savings as a % of Redirected Assigned Risk Premium	6.68%



## Residual Market Demographics

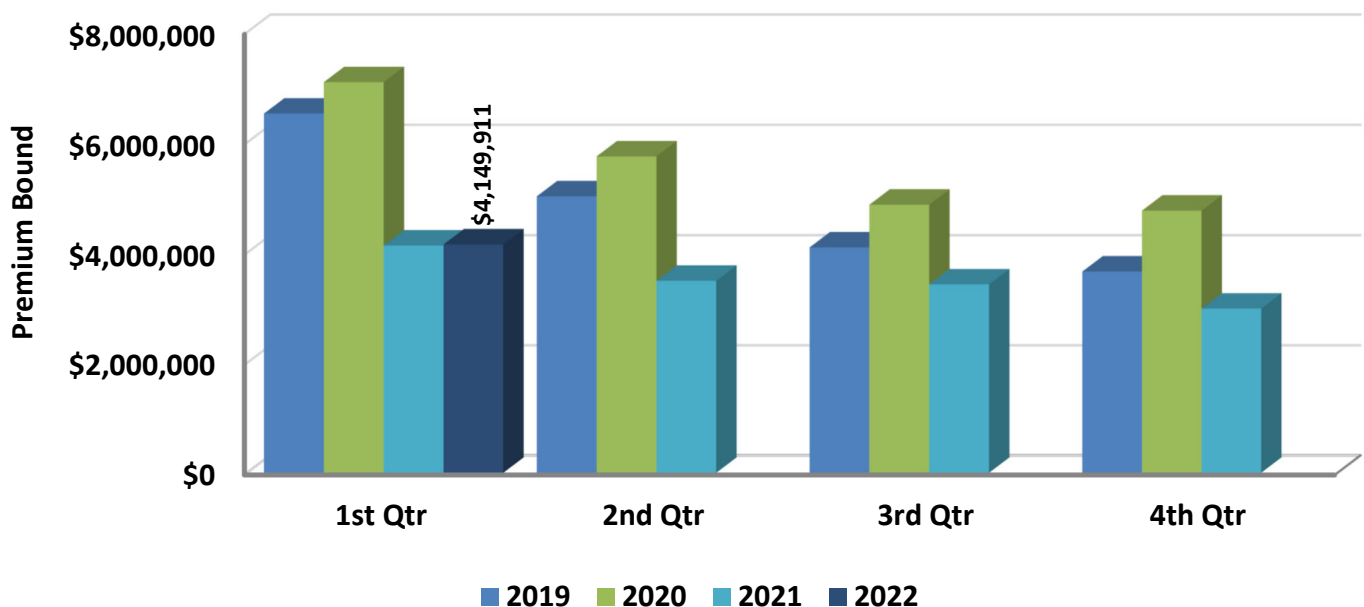
### Total Applications Bound — 2019 vs. 2020 vs. 2021 vs. 2022

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).





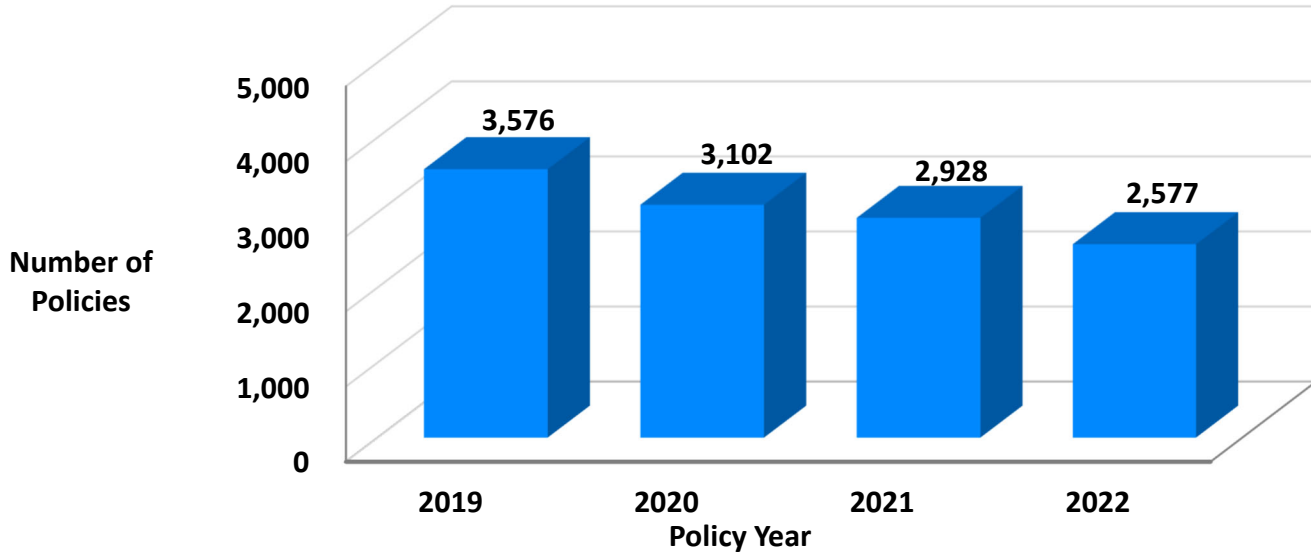


## Residual Market Demographics

### Residual Market Total Policy Counts

#### First Quarter Data for Policies Reported through March 31, 2022

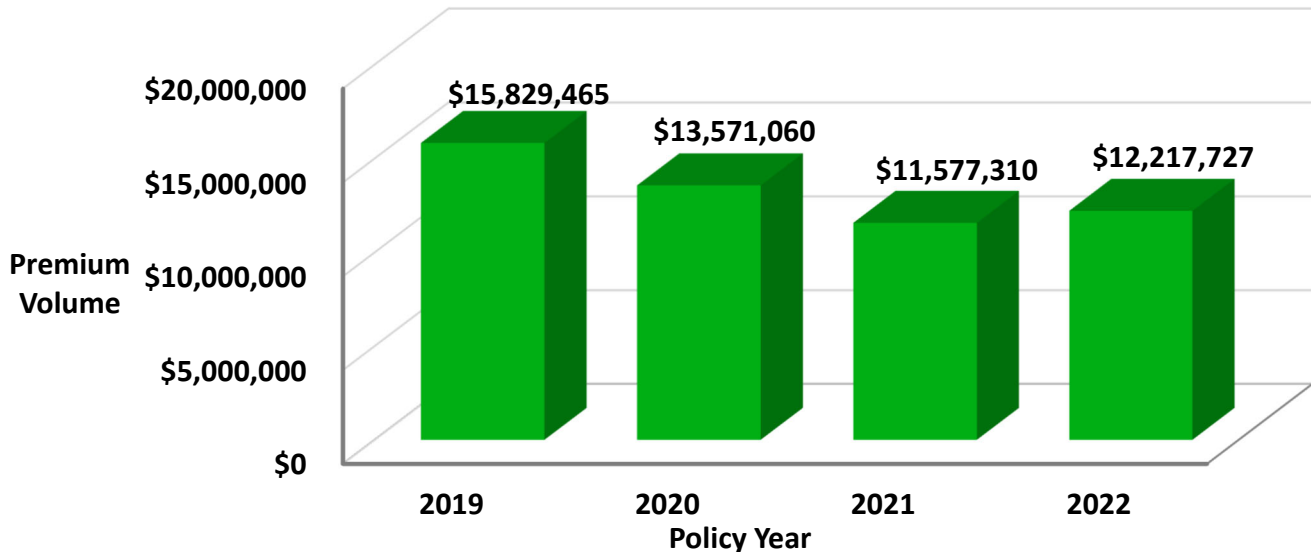
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

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

#### First Quarter Data Reported through March 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	1,551	60.2	1,835,454	15.0	1,183
\$2500- \$4999	449	17.4	1,592,385	13.0	3,547
\$5000- \$9999	311	12.1	2,189,978	17.9	7,042
\$10000- \$19999	181	7.0	2,496,594	20.4	13,793
\$20000- \$49999	58	2.3	1,735,466	14.2	29,922
\$50000- \$99999	22	0.9	1,512,120	12.4	68,733
\$100000- \$199999	3	0.1	339,513	2.8	113,171
\$2000000+	2	0.1	516,217	4.2	258,109
Total	2,577	100.0	12,217,727	100.0	4,741

### First Quarter 2021 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	1,910	65.2	1,908,524	16.5	999
\$2500- \$4999	466	15.9	1,662,083	14.4	3,567
\$5000- \$9999	305	10.4	2,112,468	18.2	6,926
\$10000- \$19999	172	5.9	2,425,134	20.9	14,100
\$20000- \$49999	50	1.7	1,499,020	12.9	29,980
\$50000- \$99999	22	0.8	1,496,234	12.9	68,011
\$100000- \$199999	2	0.1	231,848	2.0	115,924
\$2000000+	1	0.0	241,999	2.1	241,999
Total	2,928	100.0	11,577,310	100.0	3,954



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count First Quarter Data Reported through March 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	352	13.7
2	5551 - Roofing-All Kinds & Drivers	244	9.5
3	5474 - Painting NOC & Shop Operations, Drivers	141	5.5
4	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	119	4.6
5	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	100	3.9
6	5604 - Construction - Executives, Supervisors or Foremen Overseeing Jobsites - Not Performing Actual Construction	74	2.9
7	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	73	2.8
8	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	65	2.5
9	7219 - Trucking - NOC-All Employees & Drivers	64	2.5
10	6217 - Excavation & Drivers	55	2.1

### Residual Market Top 10 Classification Codes by Premium Volume First Quarter Data Reported through March 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	5551 - Roofing-All Kinds & Drivers	1,766,656	14.5
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	1,421,659	11.6
3	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	696,974	5.7
4	5474 - Painting NOC & Shop Operations, Drivers	393,314	3.2
5	7219 - Trucking - NOC-All Employees & Drivers	373,934	3.1
6	5604 - Construction - Executives, Supervisors or Foremen Overseeing Jobsites - Not Performing Actual Construction	308,800	2.5
7	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	308,015	2.5
8	7720 - Police Officers & Drivers	298,049	2.4
9	5022 - Masonry NOC	294,699	2.4
10	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	250,947	2.1



## 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.