



Tennessee Residual Market State Activity Report

Second Quarter 2019



Executive Summary

NCCI, as Pool and Plan Administrator of the Tennessee Workers Compensation Insurance Plan, is pleased to provide the Second Quarter 2019 *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:

Table of Contents

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

Sean Cordell, Plan Administration

561-893-3171

© Copyright 2019 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, 2019—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.

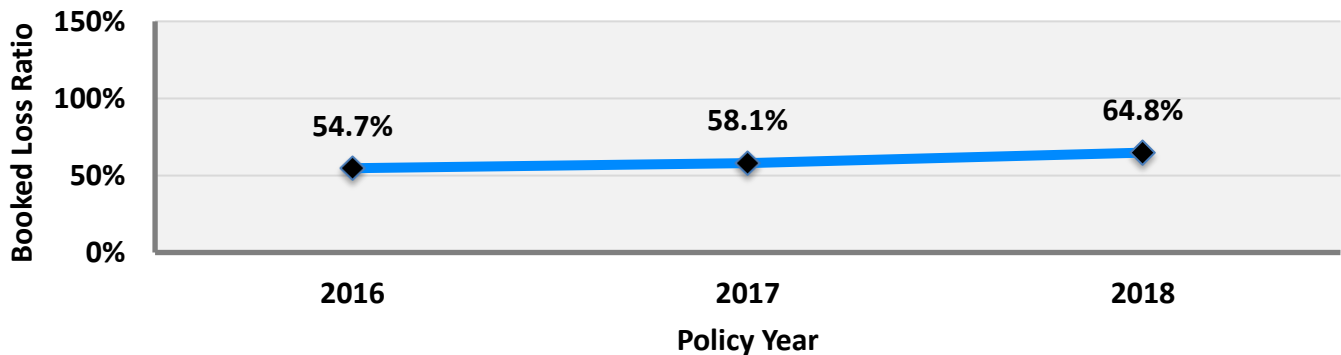
	2019	2018	2019 vs. 2018 #	2019 vs. 2018 %
Policy Count	12,472	12,659	-187	-1.5%
Premium Volume	\$50,825,329	\$59,499,946	-\$8,674,617	-14.6%



Residual Market Demographics

Tennessee Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 1st Quarter 2019 for 2018 and prior year*

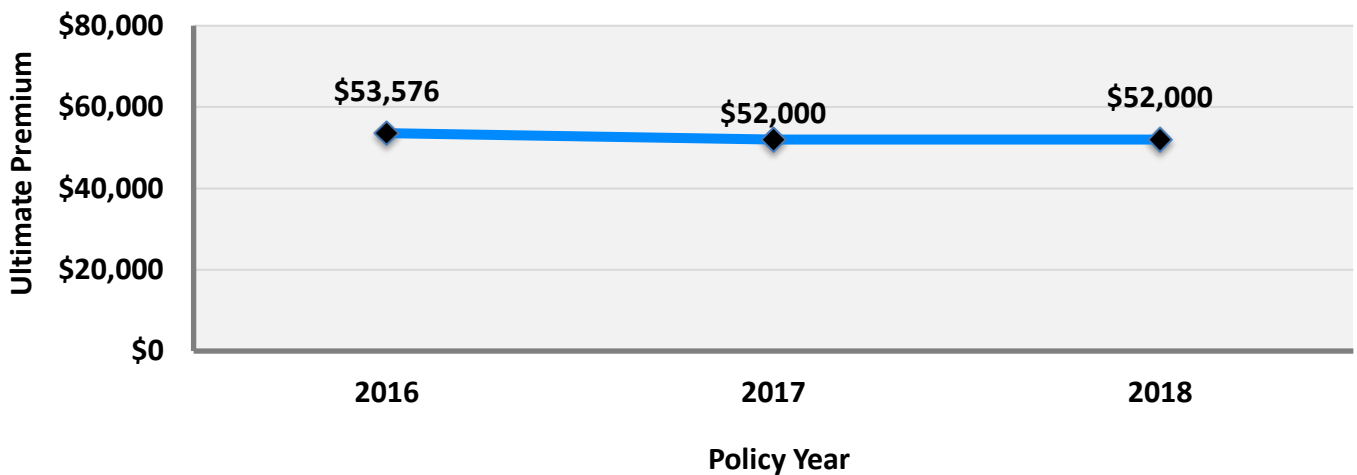
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 1st Quarter 2019 for 2018 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.



*2nd Quarter 2019 data will be available the end of October 2019 due to the timing of data reporting

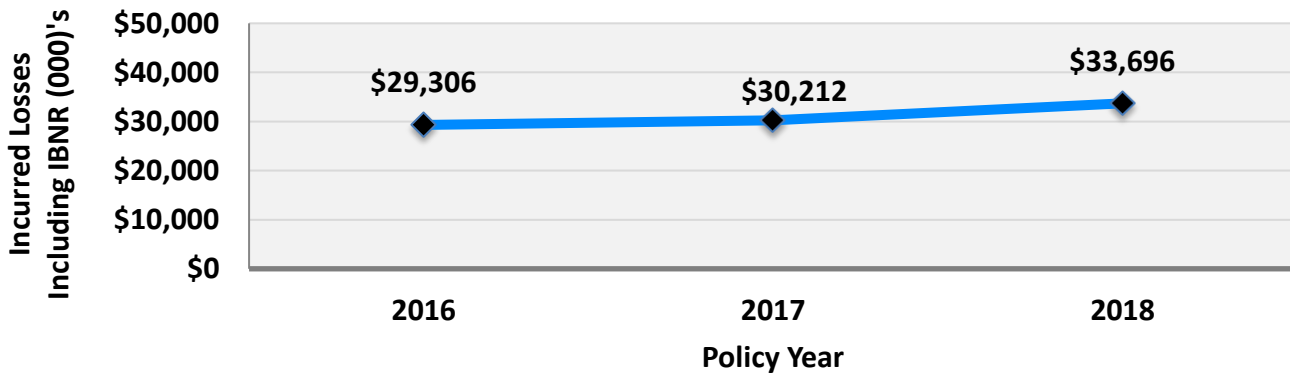


Residual Market Demographics

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

Policy Year Financial Results through 1st Quarter 2019 for 2018 and prior year*

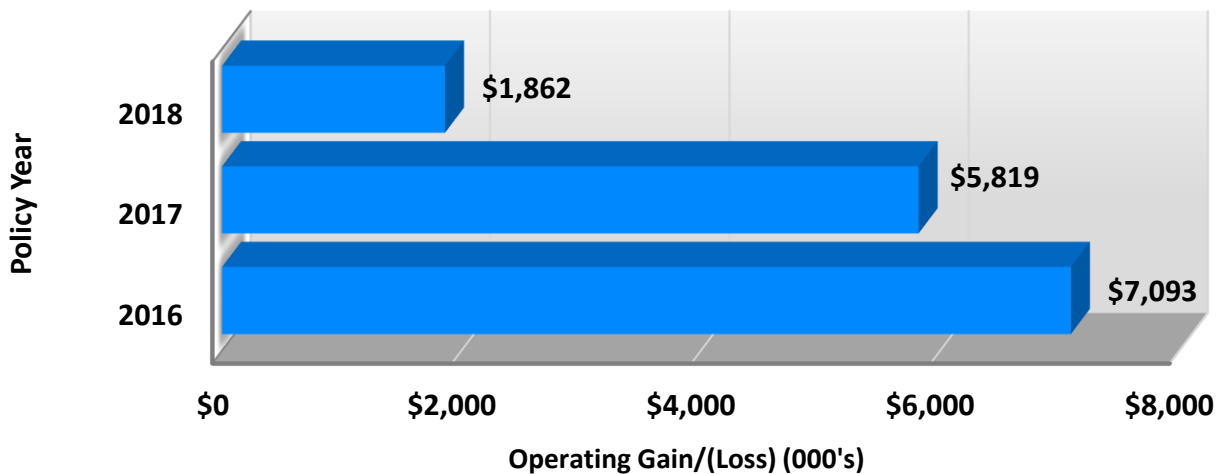
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 1st Quarter 2019 for 2018 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.



*2nd Quarter 2019 data will be available the end of October 2019 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 2015-2018, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 1st Quarter 2019.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2016	\$55,819,845	\$2,244,275	4.0%
2017	\$53,858,646	\$2,546,130	4.7%
2018	\$45,763,924	*	N/A
2019	\$4,587,614	*	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, 2019

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 2019.

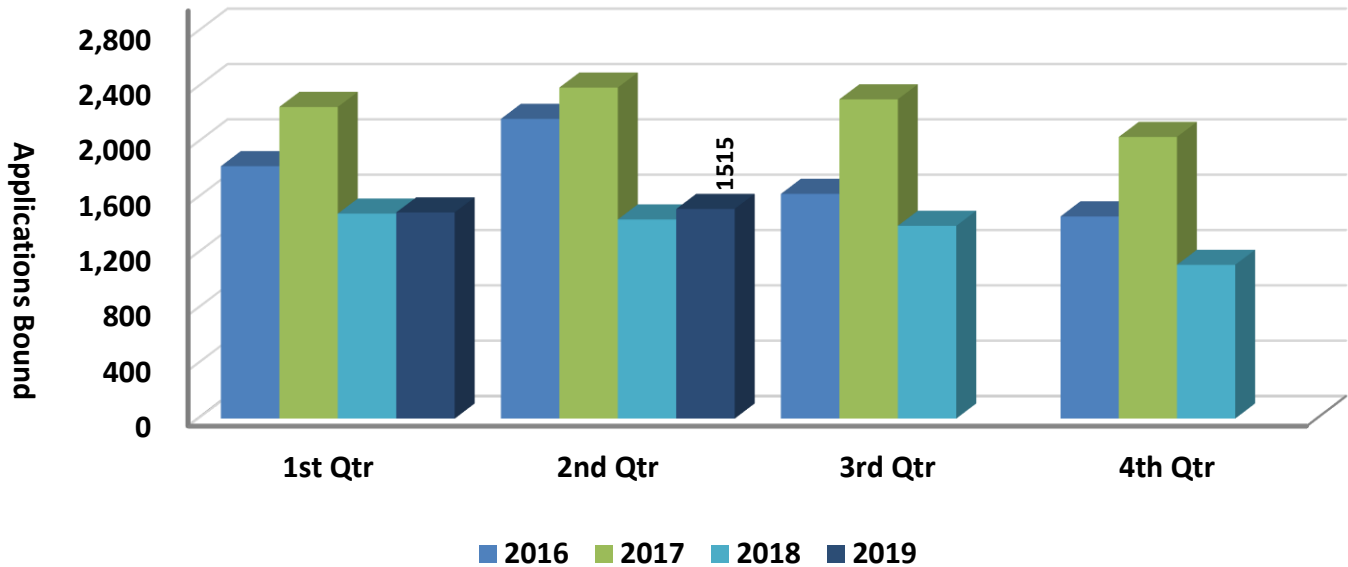
Number of Applications Reviewed by VCAP[®] Service	1,559
Number of VCAP[®] Service Matches	750
VCAP[®] Service Offers as a % of Matches	6.13%
Number of Confirmed VCAP[®] Service Policies	43
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	2.76%
Savings as a % of Redirected Assigned Risk Premium	9.15%



Residual Market Demographics

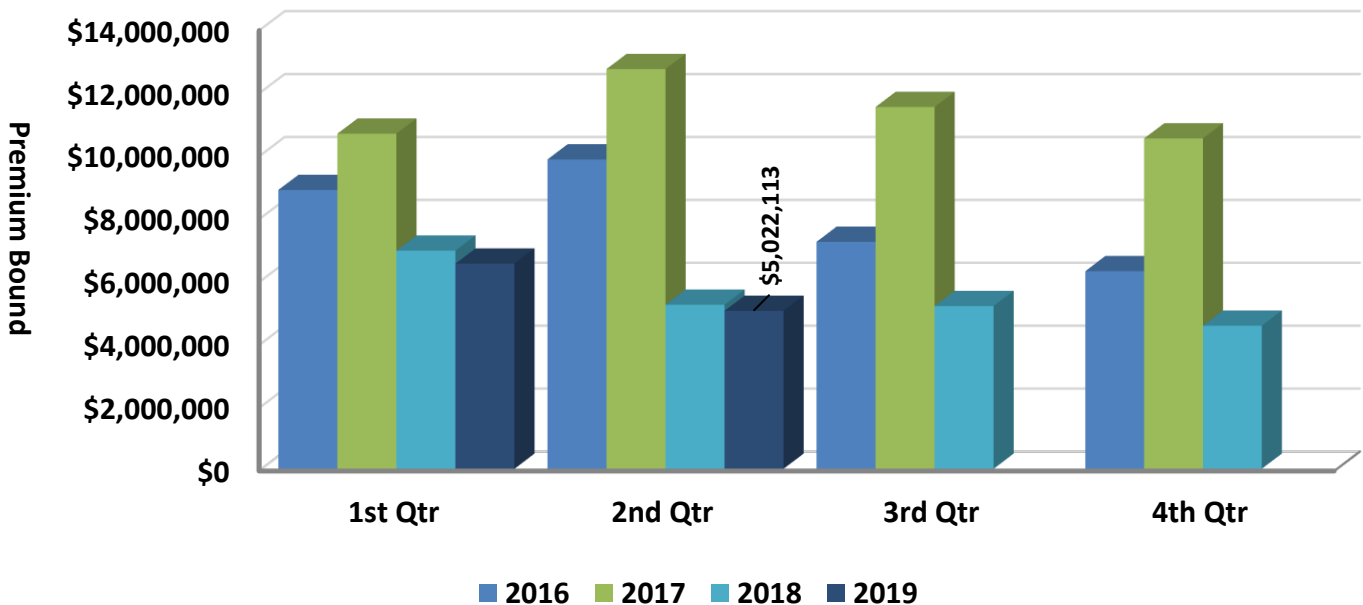
Total Applications Bound — 2016 vs. 2017 vs. 2018 vs. 2019

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 — 2016 vs. 2017 vs. 2018 vs. 2019

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).



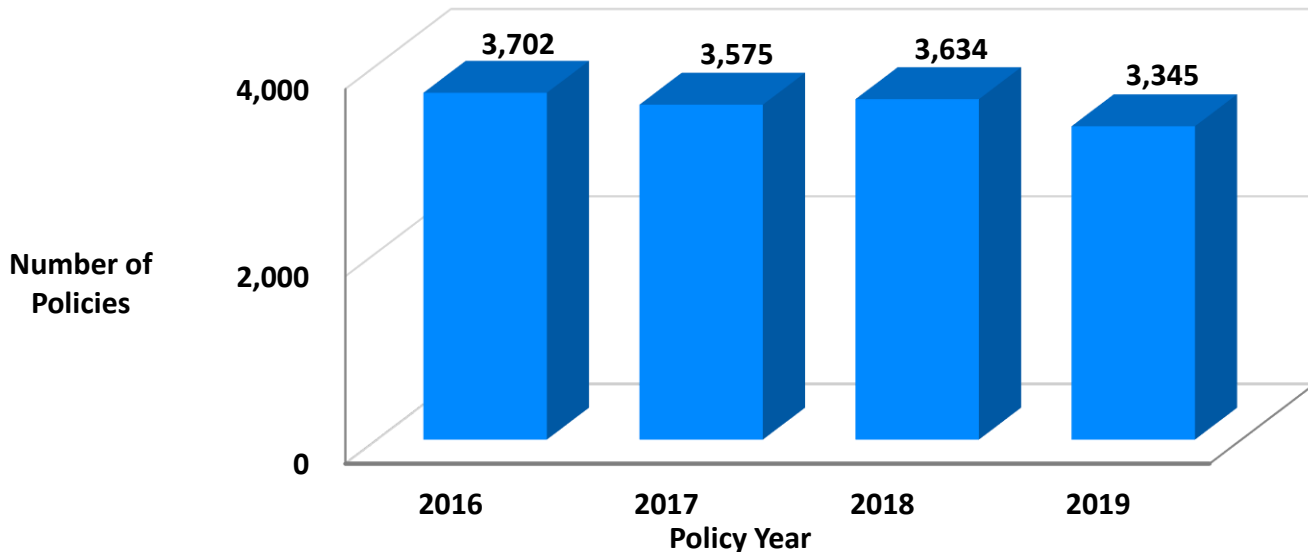


Residual Market Demographics

Residual Market Total Policy Counts

Second Quarter Data for Policies Reported through June 30, 2019

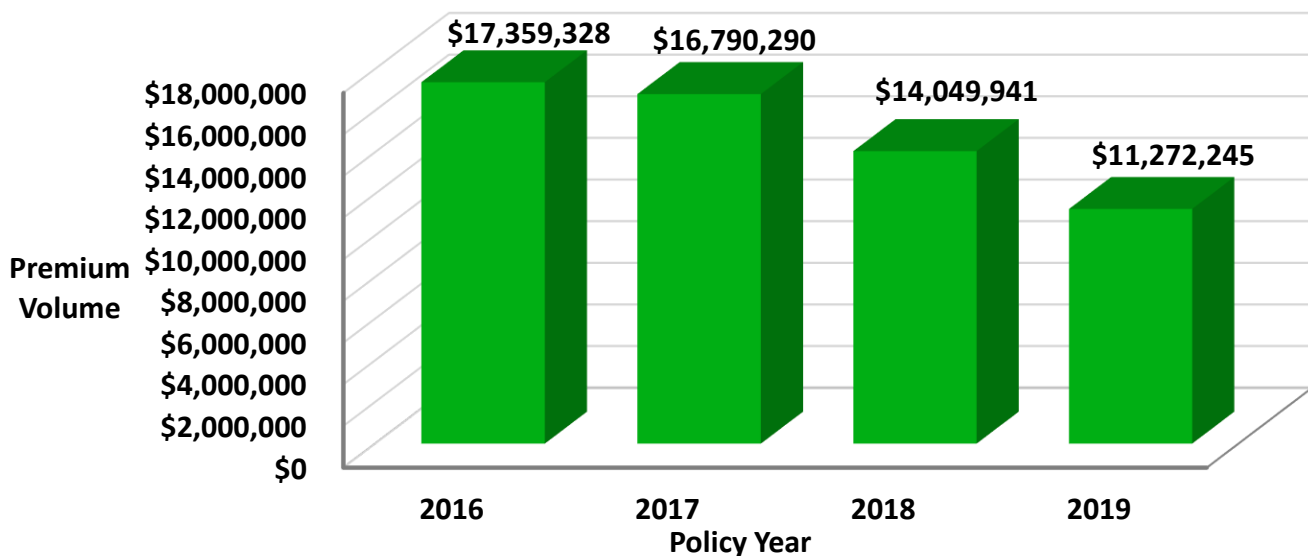
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Second Quarter Data Reported through June 30, 2019

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, 2019

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	2268	67.8%	\$2,451,280	21.8%	\$1,080
\$2500–4999	538	16.1%	\$1,890,892	16.8%	\$3,514
\$5000–9999	317	9.5%	\$2,212,879	19.6%	\$6,980
\$10000–19999	161	4.8%	\$2,182,454	19.4%	\$13,555
\$20000–49999	50	1.5%	\$1,450,025	12.9%	\$29,000
\$50000–99999	8	0.2%	\$519,514	4.6%	\$64,939
\$100000–199999	2	0.1%	\$345,524	3.1%	\$172,762
\$200000 +	1	0.0%	\$219,677	2.0%	\$219,677
Total	3,345	100.0%	\$11,272,245	100.0%	\$3,370

Second Quarter 2018 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	2,449	67.4%	\$2,568,677	18.3%	\$1,048
\$2500–4999	539	14.8%	\$1,874,384	13.3%	\$3,477
\$5000–9999	346	9.5%	\$2,471,836	17.6%	\$7,144
\$10000–19999	194	5.3%	\$2,660,646	18.9%	\$13,714
\$20000–49999	85	2.3%	\$2,498,471	17.8%	\$29,393
\$50000–99999	13	0.4%	\$914,065	6.5%	\$70,312
\$100000–199999	7	0.2%	\$848,384	6.0%	\$121,197
\$200000 +	1	0.0%	\$213,478	1.5%	\$213,478
Total	3,634	100.0%	\$14,049,941	100.0%	\$3,866



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Second Quarter Data Reported through June 30, 2019

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	484	14.5%
2	5474	Painting NOC & Shop Operations, Drivers	244	7.3%
3	5551	Roofing-All Kinds & Drivers	217	6.5%
4	5437	Carpentry-Installation of Cabinet Work or Interior Trim	175	5.2%
5	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	151	4.5%
6	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	113	3.4%
7	5022	Masonry NOC	89	2.7%
8	7219	Trucking - NOC-All Employees & Drivers	87	2.6%
9	6217	Excavation & Drivers	79	2.4%
10	5604	Construction - Executives Supervisors or Foremen Overseeing Jobsites - Not Performing Act	76	2.3%

Residual Market Top 10 Classification Codes by Premium Volume Second Quarter Data Reported through June 30, 2019

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	5645	Carpentry-Construction of Residential Dwellings not Exceeding Three Stories in Height	\$1,579,163	14.0%
2	5551	Roofing-All Kinds & Drivers	\$853,494	7.6%
3	5474	Painting NOC & Shop Operations, Drivers	\$607,998	5.4%
4	5403	Carpentry NOC	\$508,605	4.5%
5	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	\$485,717	4.3%
6	7219	Trucking - NOC-All Employees & Drivers	\$429,281	3.8%
7	5437	Carpentry-Installation of Cabinet Work or Interior Trim	\$413,115	3.7%
8	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	\$294,813	2.6%
9	5506	Street or Road Construction - Paving or Repaving & Drivers	\$279,661	2.5%
10	5022	Masonry NOC	\$273,725	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.