



Tennessee Residual Market State Activity Report

Second Quarter 2020



Executive Summary

NCCI, as Pool and Plan Administrator of the Tennessee Workers Compensation Insurance Plan, is pleased to provide the Second Quarter 2020 *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 June 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.

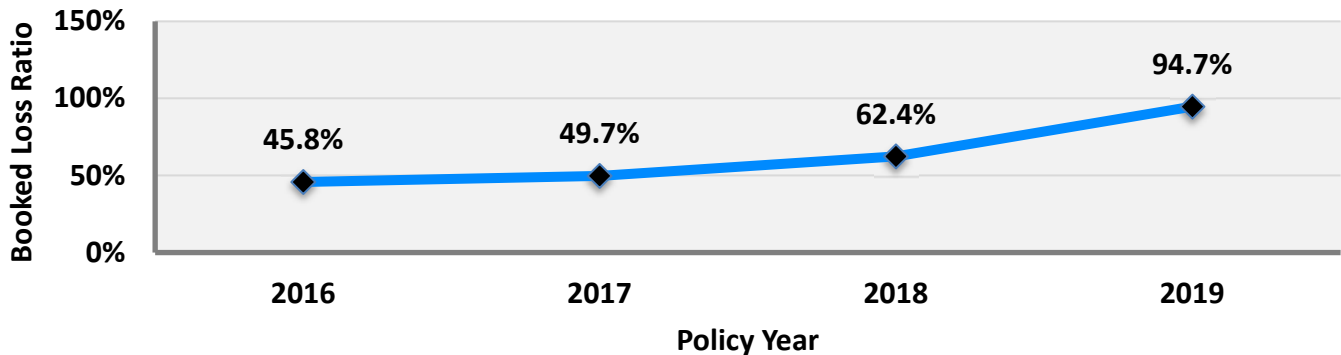
	2020	2019	2020 vs. 2019 #	2020 vs. 2019 %
Policy Count	10,056	10,761	-705	-6.6%
Premium Volume	\$45,596,889	\$53,512,643	-\$7,915,754	-14.8%



Residual Market Demographics

Tennessee Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 1st Quarter 2020 for 2019 and prior year*

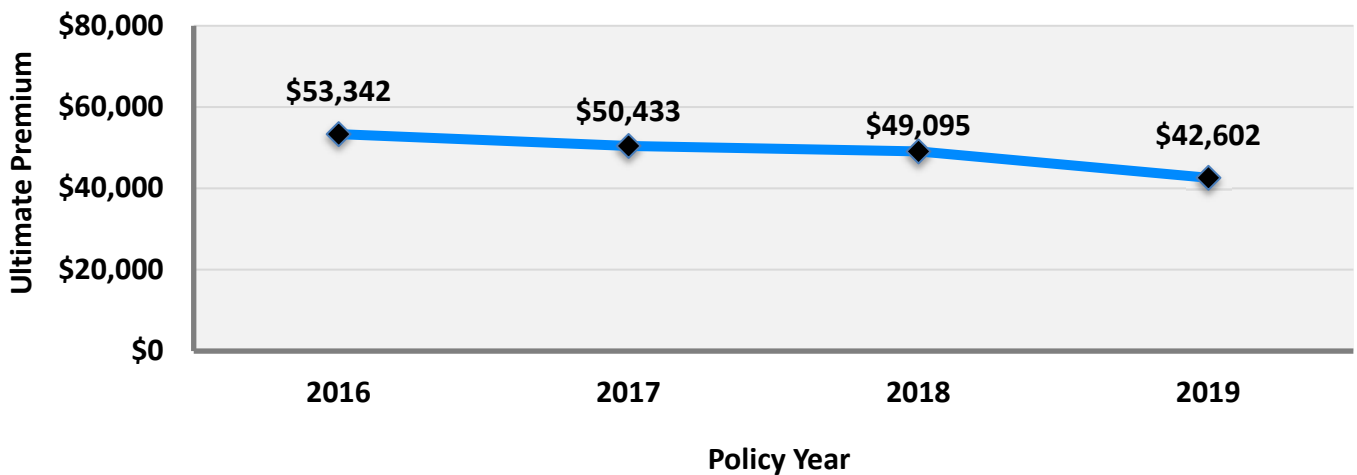
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 1st Quarter 2020 for 2019 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 2020 data will be available the end of October 2020 due to the timing of data reporting

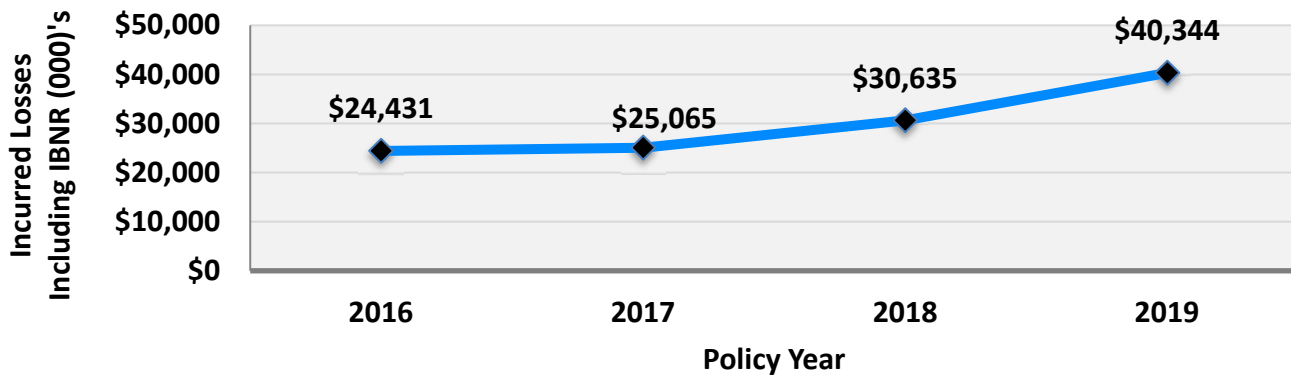


Residual Market Demographics

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

Policy Year Financial Results through 1st Quarter 2020 for 2019 and prior year*

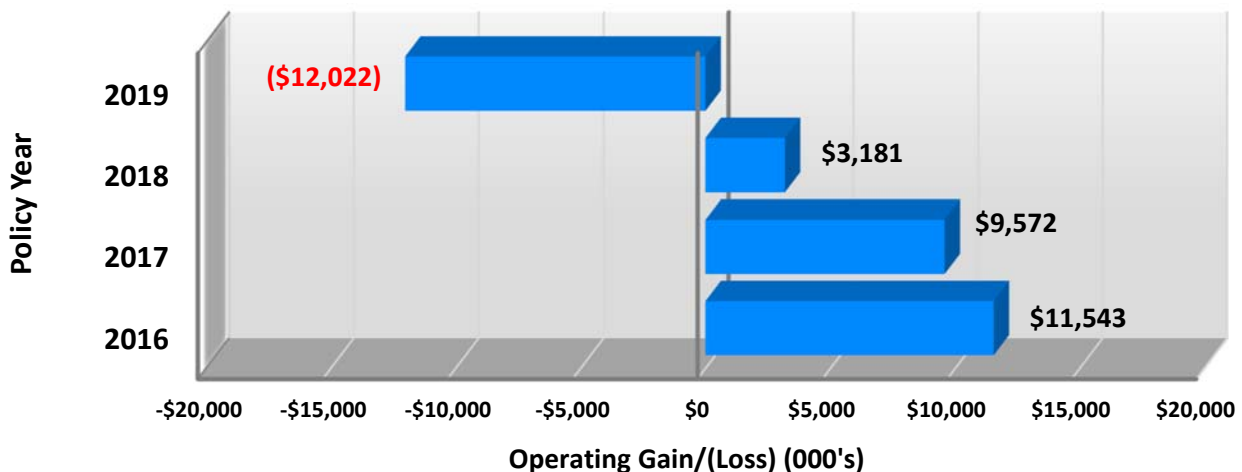
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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 2020 for 2019 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 2020 data will be available the end of October 2020 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 2016-2019, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 1st Quarter 2020.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2016	\$55,669,770	\$2,328,047	4.2%
2017	\$53,214,401	\$2,781,425	5.2%
2018	\$52,750,504	\$2,678,830	5.1%
2019	\$39,617,807	*	N/A
2020	\$4,334,008	*	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, 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 Second Quarter 2020.

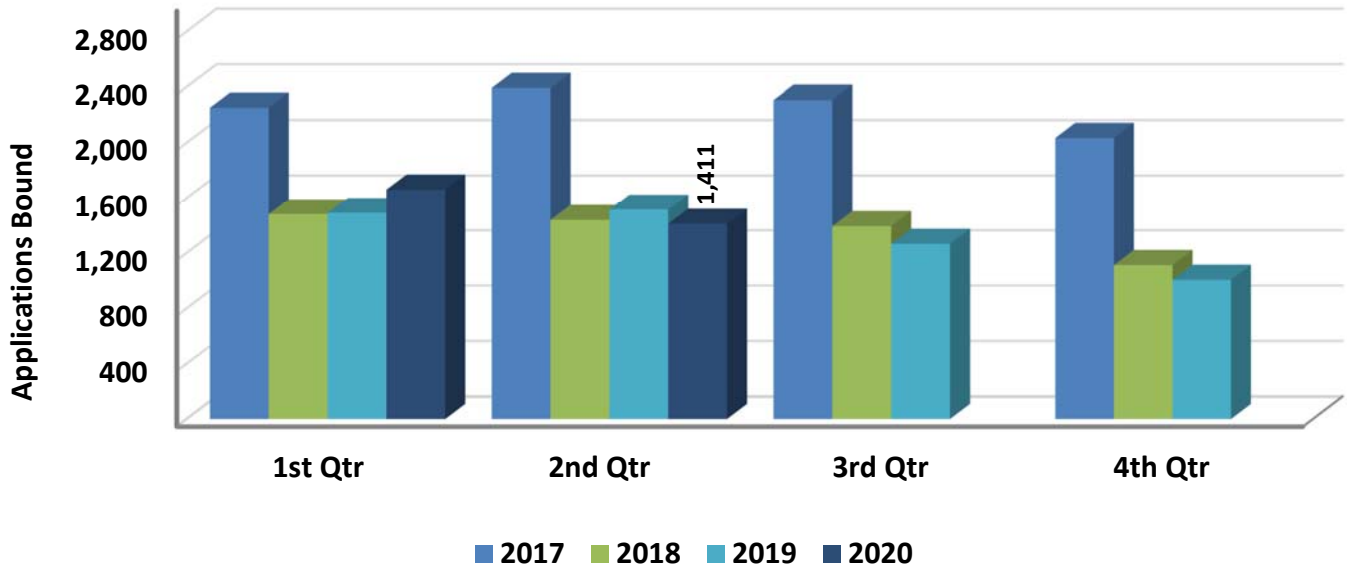
Number of Applications Reviewed by VCAP[®] Service	1,544
Number of VCAP[®] Service Matches	706
VCAP[®] Service Offers as a % of Matches	17.42%
Number of Confirmed VCAP[®] Service Policies	118
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	7.64%
Savings as a % of Redirected Assigned Risk Premium	7.31%



Residual Market Demographics

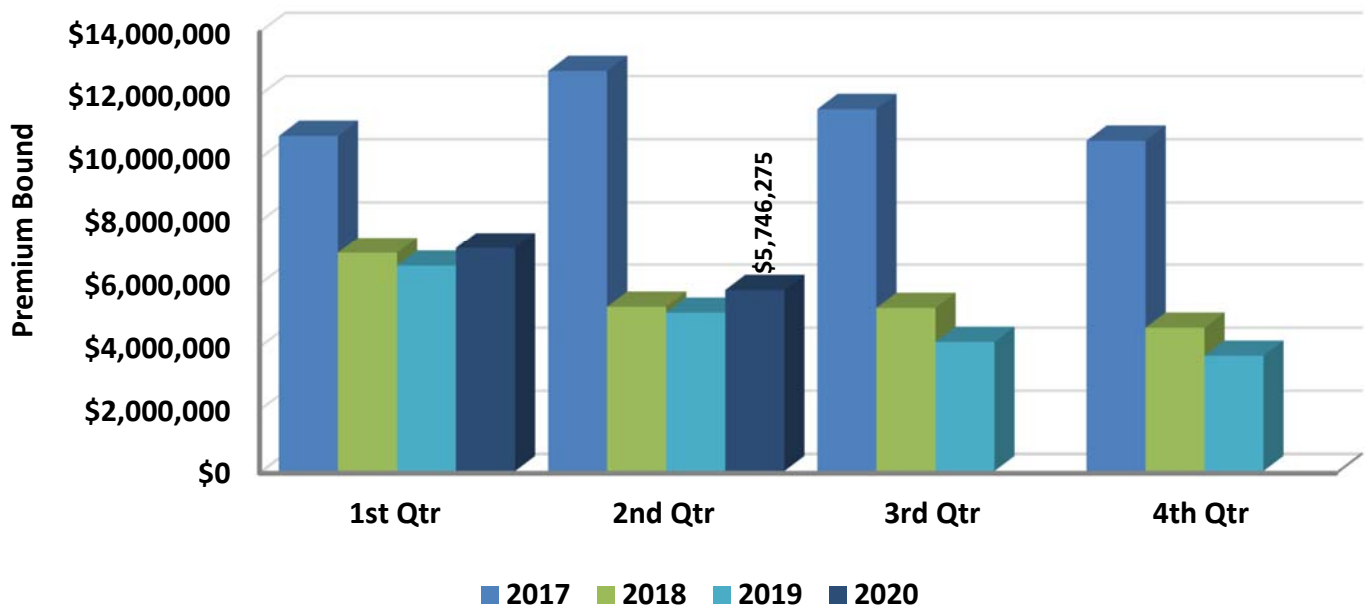
Total Applications Bound — 2017 vs. 2018 vs. 2019 vs. 2020

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).



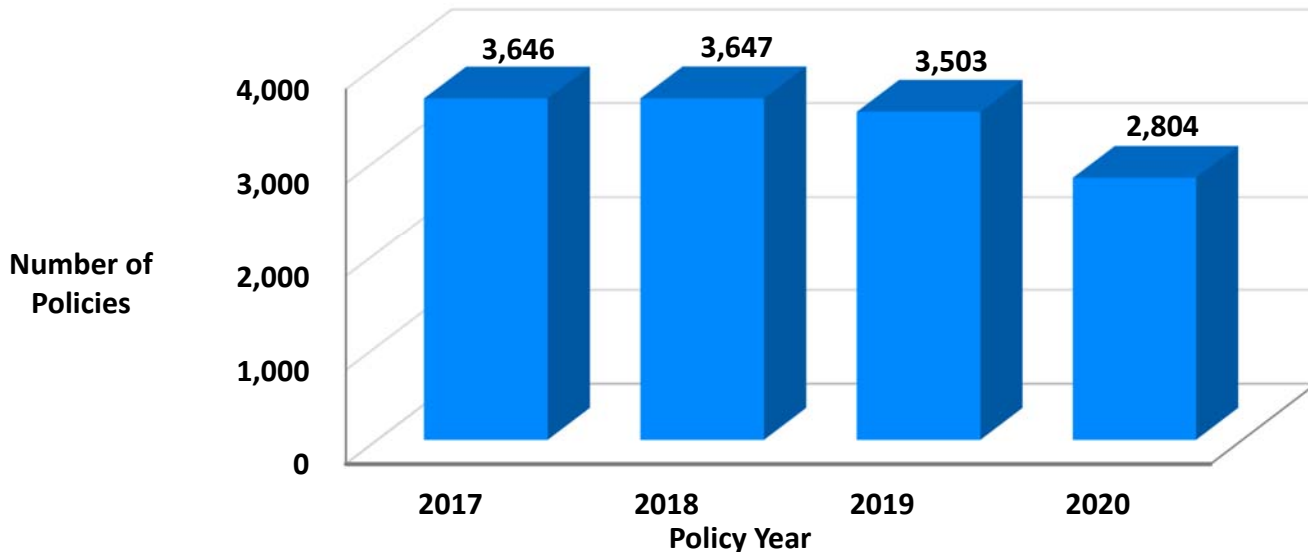


Residual Market Demographics

Residual Market Total Policy Counts

Second Quarter Data for Policies Reported through June 30, 2020

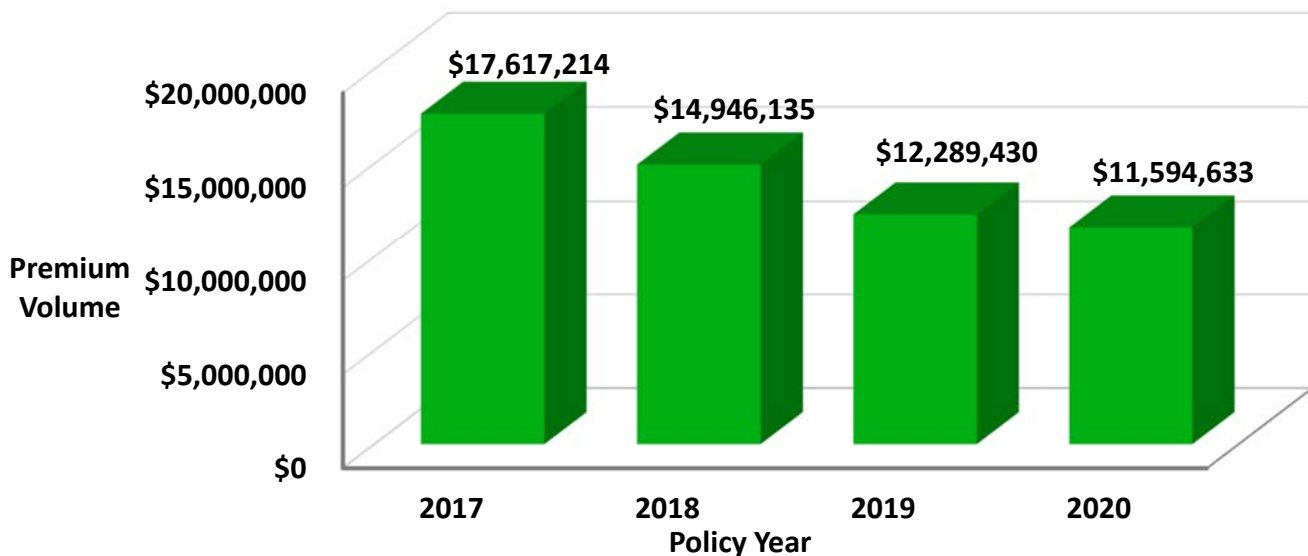
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Second Quarter Data Reported through June 30, 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

Second Quarter Data Reported through June 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	1,687	60.2	2,157,612	18.6	1,279
\$2500–4999	543	19.4	1,932,550	16.7	3,559
\$5000–9999	345	12.3	2,380,828	20.5	6,901
\$10000–19999	164	5.8	2,226,057	19.2	13,574
\$20000–49999	57	2.0	1,687,140	14.6	29,599
\$50000–99999	4	0.1	334,322	2.9	83,581
\$100000–199999	1	0.0	126,836	1.1	126,836
\$200000 +	3	0.1	749,288	6.5	249,763
Total	2,804	100.0	11,594,633	100.0	4,135

Second Quarter 2019 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0–2499	2,360	67.4	2,611,509	21.3	1,107
\$2500–4999	568	16.2	2,035,731	16.6	3,584
\$5000–9999	329	9.4	2,299,632	18.7	6,990
\$10000–19999	171	4.9	2,362,767	19.2	13,817
\$20000–49999	64	1.8	1,864,401	15.2	29,131
\$50000–99999	7	0.2	446,807	3.6	63,830
\$100000–199999	3	0.1	458,958	3.7	152,986
\$200000 +	1	0.0	209,625	1.7	209,625
Total	3,503	100.0	12,289,430	100.0	3,508



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Second Quarter Data Reported through June 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	443	15.8
2	5551 - Roofing-All Kinds & Drivers	198	7.1
3	5474 - Painting NOC & Shop Operations, Drivers	174	6.2
4	5437 - Carpentry-Installation Of Cabinet Work Or Interior Trim	145	5.2
5	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, Or Cement Board Installation - Within Buildings & Drive	93	3.3
6	9014 - Janitorial Services By Contractors-No Window Cleaning Above Ground Level & Drivers	81	2.9
7	5022 - Masonry NOC	77	2.7
8	7219 - Trucking - NOC-All Employees & Drivers	66	2.4
9	5604 - Construction - Executives, Supervisors Or Foremen Overseeing Jobsites - Not Performing Actual Construction	64	2.3
10	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	61	2.2

Residual Market Top 10 Classification Codes by Premium Volume Second Quarter Data Reported through June 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	5645 - Carpentry Construction Of Residential Dwellings Not Exceeding Three Stories In Height	1,986,305	17.1
2	5551 - Roofing-All Kinds & Drivers	909,658	7.8
3	5474 - Painting NOC & Shop Operations, Drivers	474,750	4.1
4	5437 - Carpentry-Installation Of Cabinet Work Or Interior Trim	412,497	3.6
5	5403 - Carpentry NOC	393,394	3.4
6	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, Or Cement Board Installation - Within Buildings & Drive	393,023	3.4
7	6217 - Excavation & Drivers	392,958	3.4
8	7219 - Trucking - NOC-All Employees & Drivers	325,067	2.8
9	5506 - Street Or Road Construction - Paving Or Repaving & Drivers	288,846	2.5
10	5022 - Masonry NOC	282,127	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.