



Tennessee Residual Market State Activity Report

Third Quarter 2019



Executive Summary

NCCI, as Pool and Plan Administrator of the Tennessee Workers Compensation Insurance Plan, is pleased to provide the Third 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:

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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 September 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.

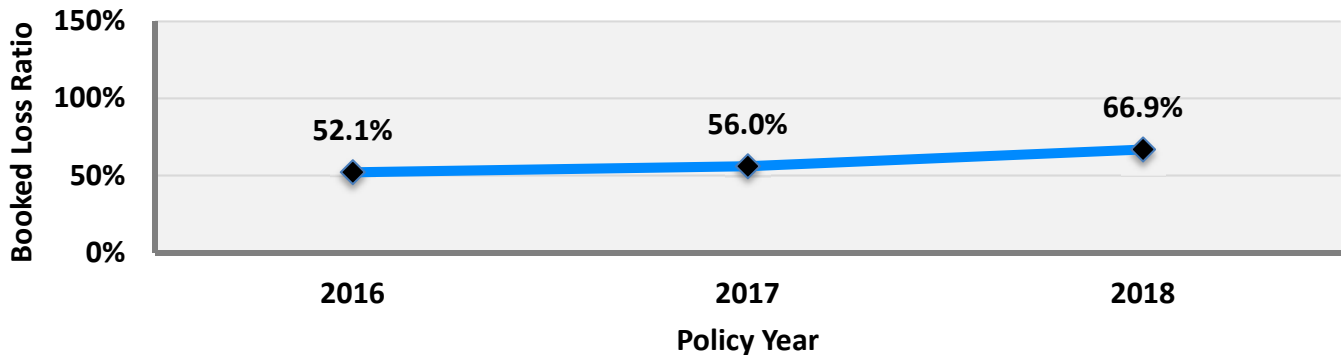
	2019	2018	2019 vs. 2018 #	2019 vs. 2018 %
Policy Count	12,585	12,723	-138	-1.1%
Premium Volume	\$50,258,457	\$57,632,171	-\$7,373,714	-12.8%



Residual Market Demographics

Tennessee Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 2nd Quarter 2019 for 2018 and prior year*

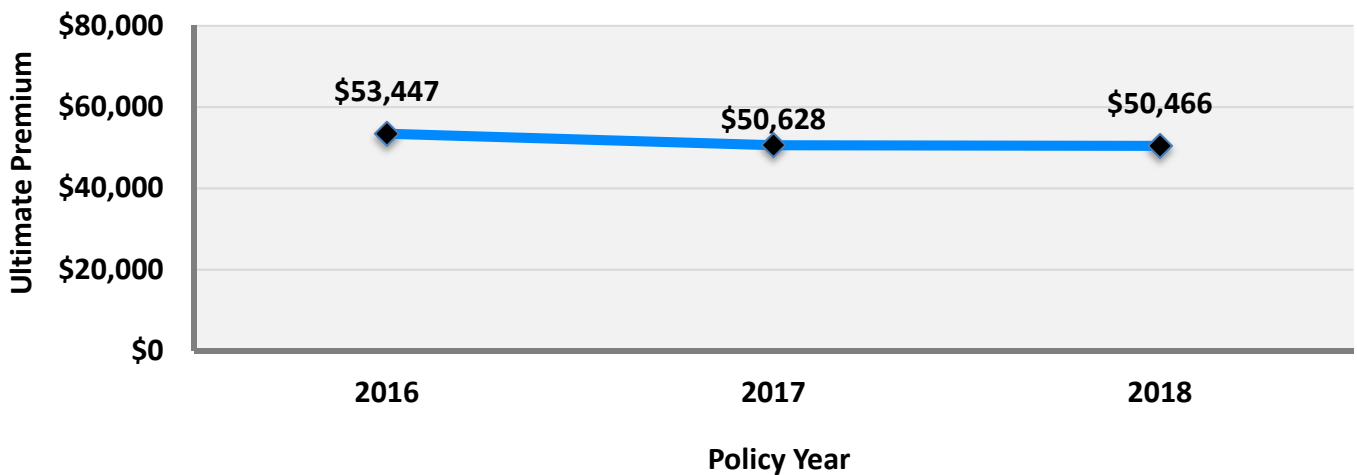
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 2nd 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.



*3rd Quarter 2019 data will be available the end of January 2020 due to the timing of data reporting

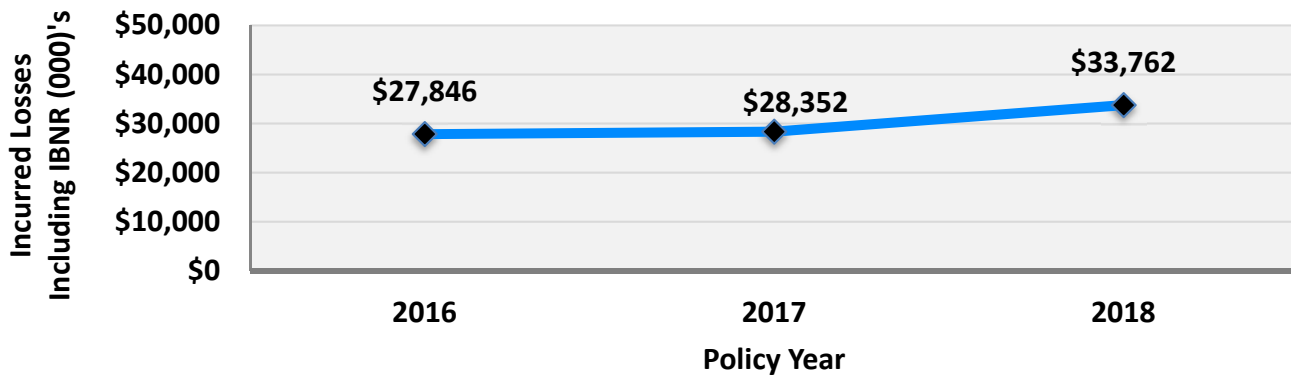


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2019 for 2018 and prior year*

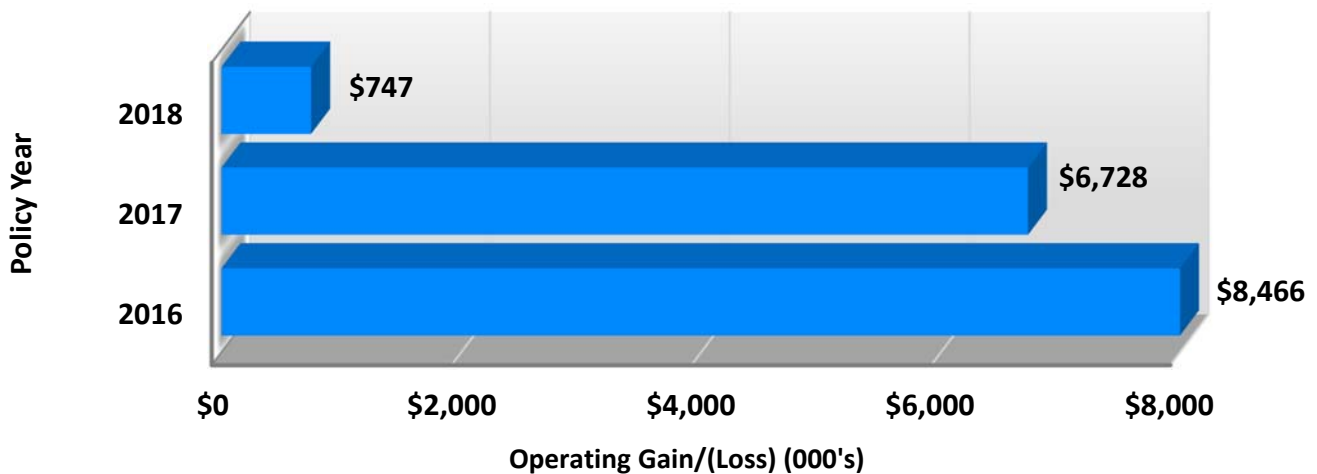
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 2nd 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.



*3rd Quarter 2019 data will be available the end of January 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 2015-2018, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2019.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2016	\$55,666,544	\$2,219,591	4.0%
2017	\$53,581,369	\$2,509,007	4.7%
2018	\$49,389,037	*	N/A
2019	\$13,228,526	*	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, 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 Third Quarter 2019.

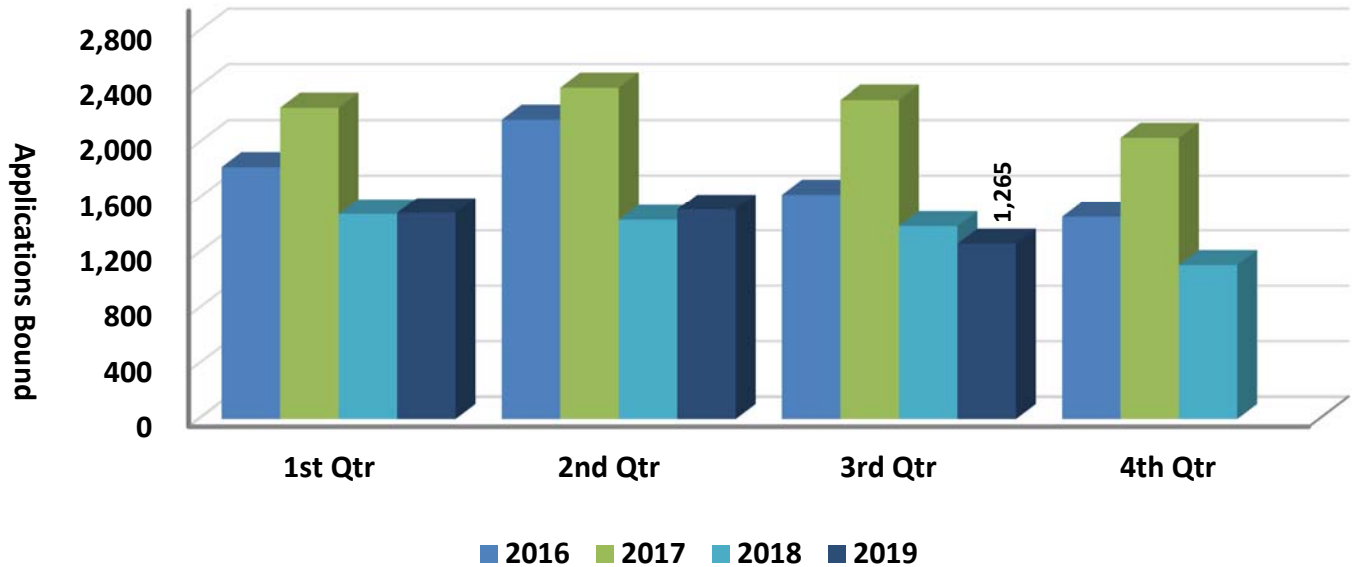
Number of Applications Reviewed by VCAP[®] Service	1,352
Number of VCAP[®] Service Matches	695
VCAP[®] Service Offers as a % of Matches	13.09%
Number of Confirmed VCAP[®] Service Policies	90
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	6.66%
Savings as a % of Redirected Assigned Risk Premium	7.23%



Residual Market Demographics

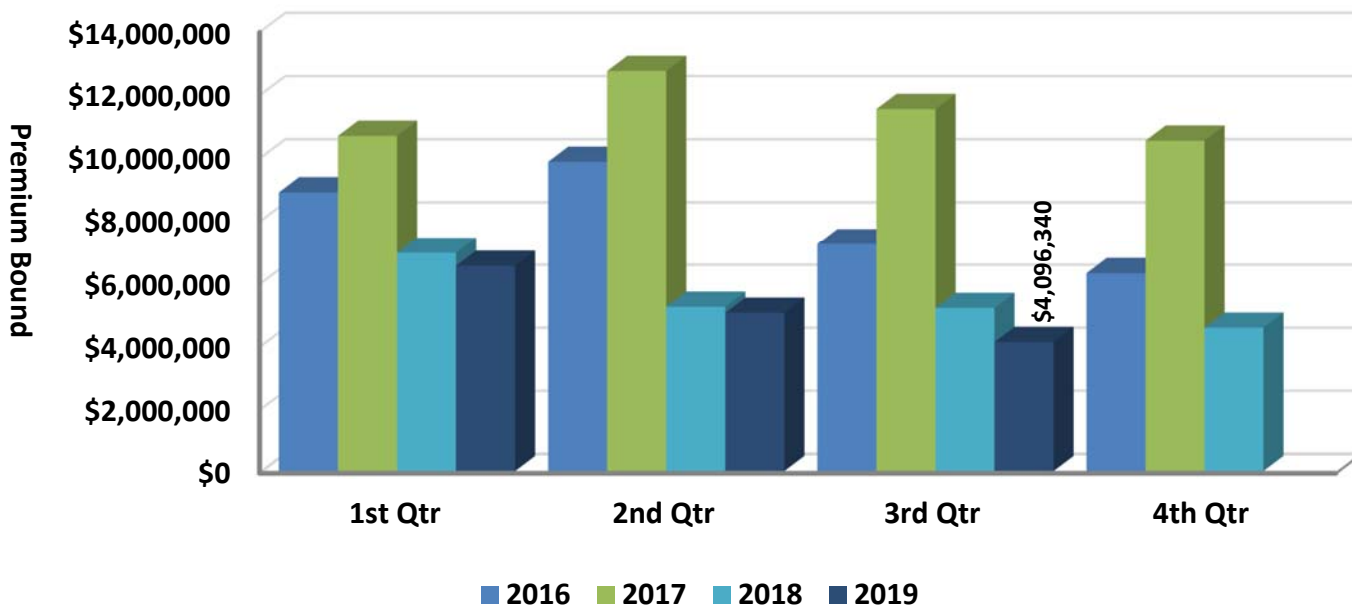
Total Applications Bound — 2016 vs. 2017 vs. 2018 vs. 2019

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).



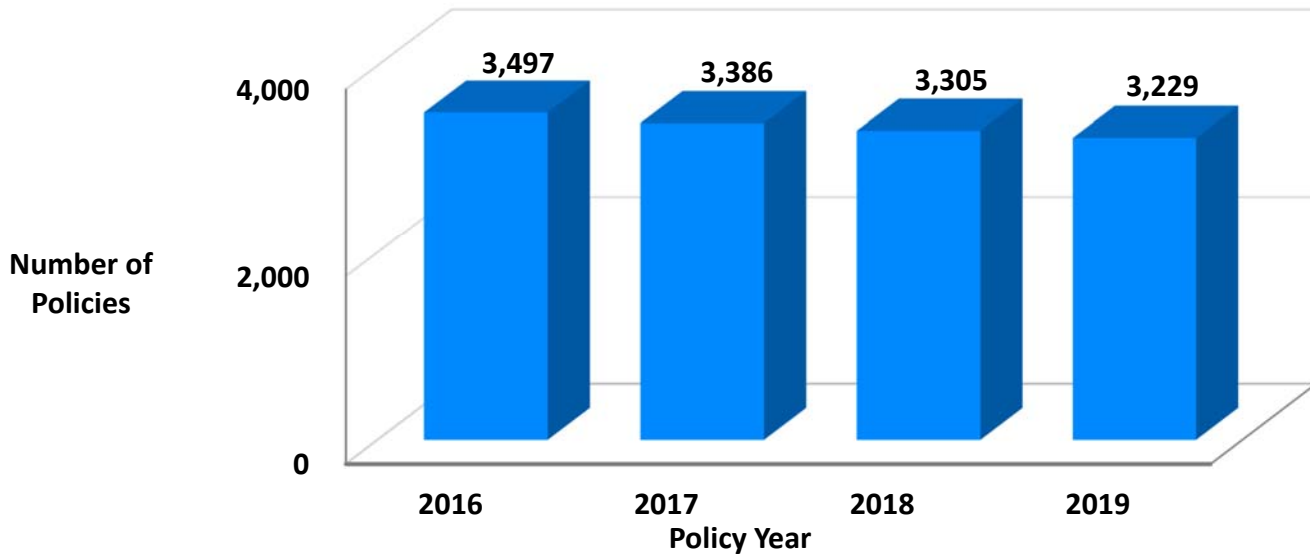


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2019

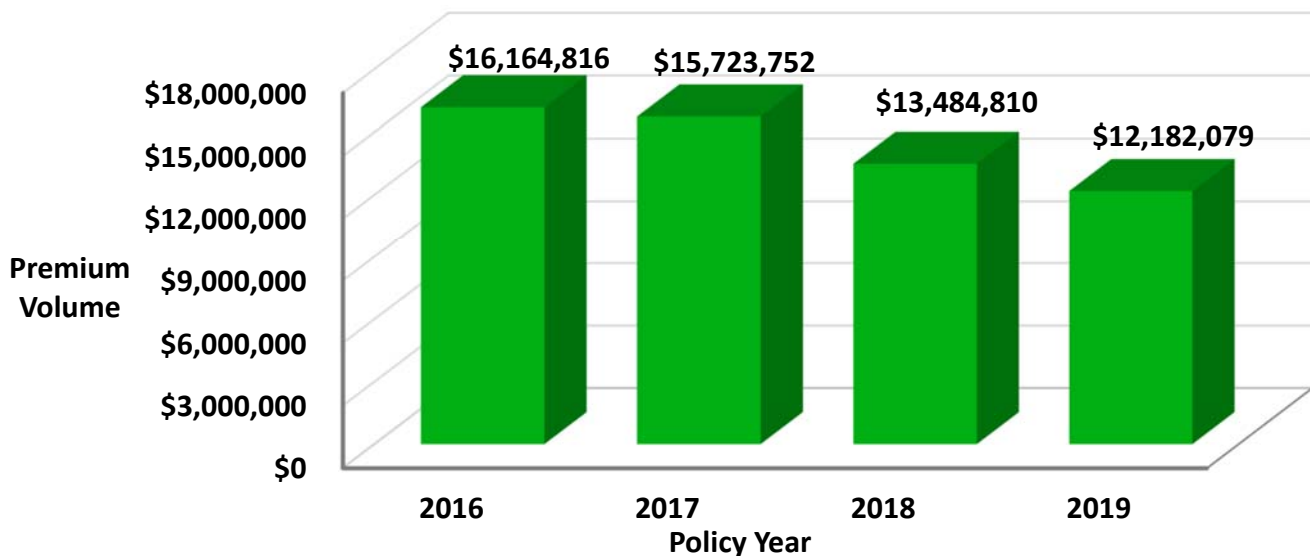
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 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

Third Quarter Data Reported through September 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	2174	67.3%	\$2,365,050	19.4%	\$1,087
\$2500–4999	491	15.2%	\$1,744,106	14.3%	\$3,552
\$5000–9999	320	9.9%	\$2,218,942	18.2%	\$6,934
\$10000–19999	162	5.0%	\$2,168,763	17.8%	\$13,387
\$20000–49999	59	1.8%	\$1,751,643	14.4%	\$29,688
\$50000–99999	17	0.5%	\$1,113,632	9.1%	\$65,507
\$100000–199999	6	0.2%	\$819,943	6.7%	\$136,657
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	3,229	100.0%	\$12,182,079	100.0%	\$3,773

Third Quarter 2018 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	2,169	65.6%	\$2,341,130	17.4%	\$1,079
\$2500–4999	509	15.4%	\$1,786,138	13.3%	\$3,509
\$5000–9999	342	10.4%	\$2,442,108	18.1%	\$7,140
\$10000–19999	183	5.5%	\$2,511,126	18.6%	\$13,722
\$20000–49999	79	2.4%	\$2,366,996	17.6%	\$29,961
\$50000–99999	14	0.4%	\$840,328	6.2%	\$60,023
\$100000–199999	9	0.3%	\$1,196,984	8.9%	\$132,998
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	3,305	100.0%	\$13,484,810	100.0%	\$4,080



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 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	485	15.0%
2	5474	Painting NOC & Shop Operations, Drivers	249	7.7%
3	5551	Roofing-All Kinds & Drivers	207	6.4%
4	5437	Carpentry-Installation of Cabinet Work or Interior Trim	167	5.2%
5	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	125	3.9%
6	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	116	3.6%
7	5022	Masonry NOC	90	2.8%
8	5604	Construction – Executives, Supervisors, or Foremen Overseeing Jobsites - Not Performing Actual Construction Work	67	2.1%
9	6217	Excavation & Drivers	65	2.0%
10	5403	Carpentry NOC	65	2.0%

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 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	\$2,063,190	16.9%
2	5551	Roofing-All Kinds & Drivers	\$1,231,664	10.1%
3	5474	Painting NOC & Shop Operations, Drivers	\$557,281	4.6%
4	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	\$499,849	4.1%
5	5403	Carpentry NOC	\$330,750	2.7%
6	7219	Trucking - NOC-All Employees & Drivers	\$309,530	2.5%
7	5437	Carpentry-Installation of Cabinet Work or Interior Trim	\$304,424	2.5%
8	7705	Ambulance Service Companies and Ems (Emergency Medical Service) Providers & Drivers	\$214,258	1.8%
9	5022	Masonry NOC	\$209,256	1.7%
10	9180	Amusement Device Operation NOC Not Traveling & Drivers	\$198,763	1.6%



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.