



Tennessee Residual Market State Activity Report

Third Quarter 2022



Executive Summary

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

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 2022 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 September 30, 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	7,490	8,456	-966	-11.4%
Premium Volume	\$39,436,019	\$43,313,663	-\$3,877,644	-9.0%

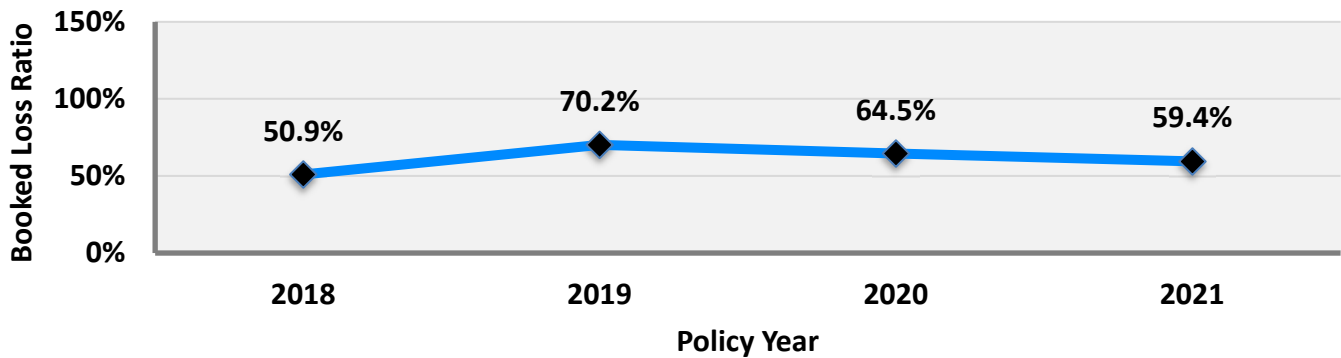


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2022 for 2021 and prior year*

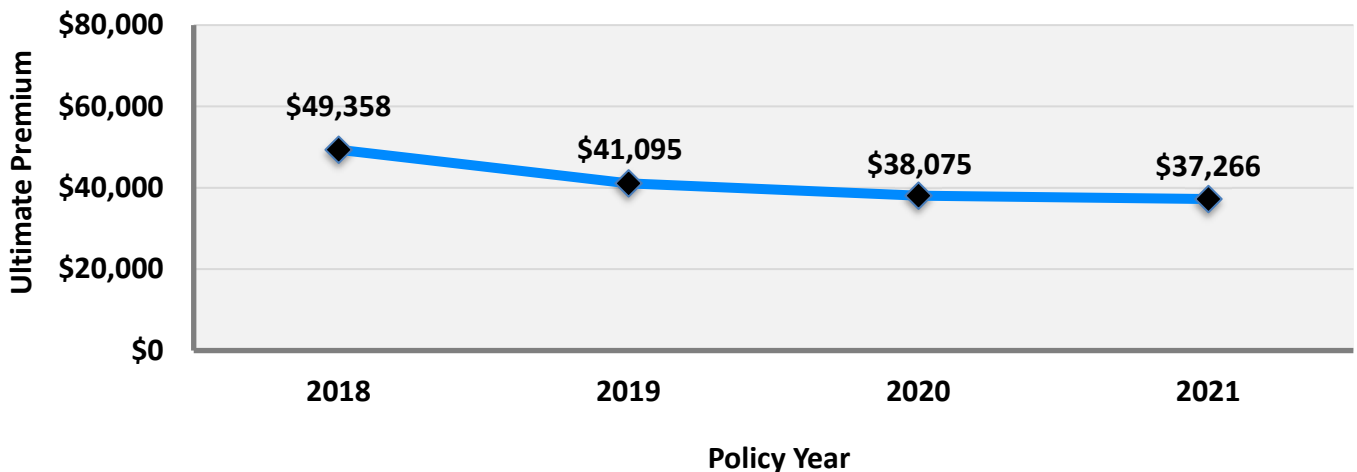
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 2nd Quarter 2022 for 2021 and prior year*

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



*3rd Quarter 2022 data will be available the end of January 2023 due to the timing of data reporting

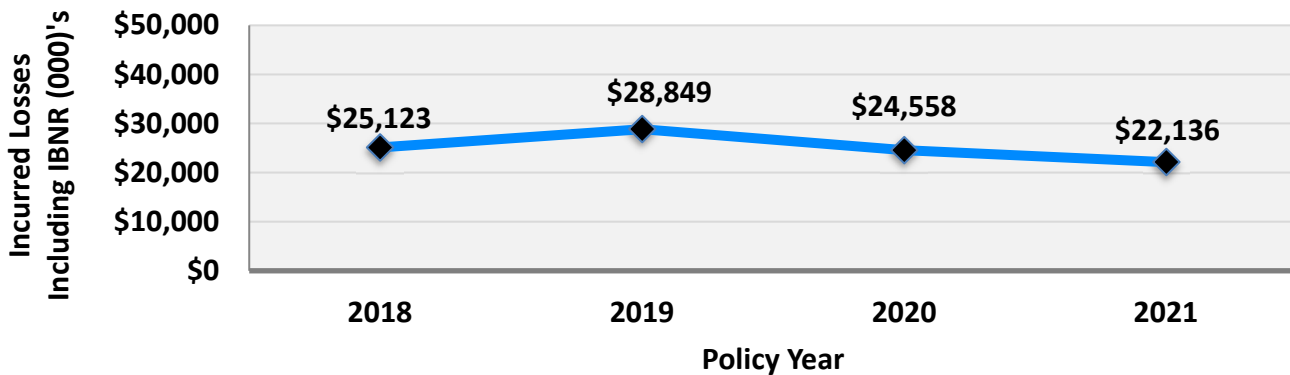


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2022 for 2021 and prior year*

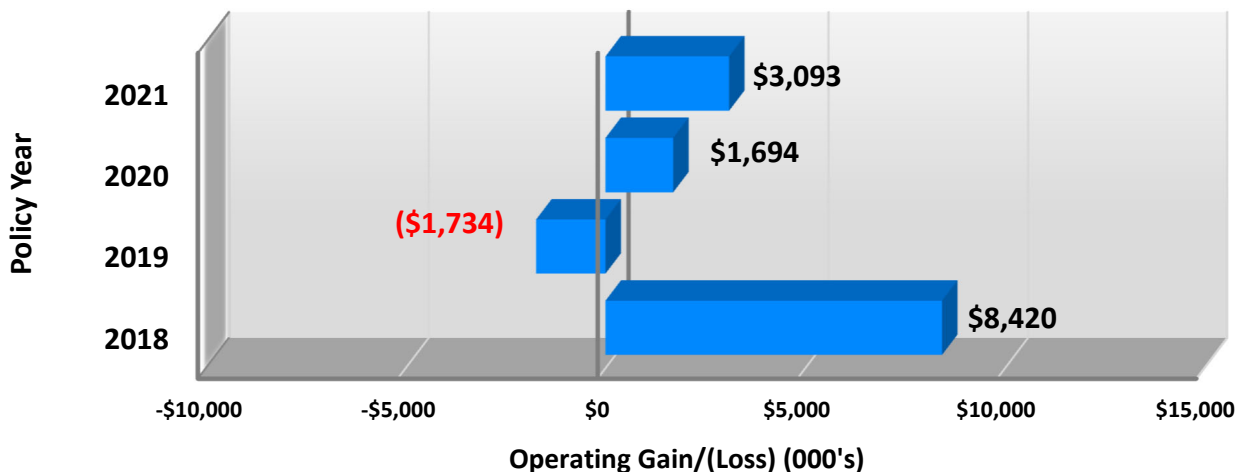
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 2nd Quarter 2022 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.



*3rd Quarter 2022 data will be available the end of January 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 Tennessee for Policy Years 2018-2022, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2022.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2018	53,740,947	4,382,889	8.2%
2019	44,531,056	3,435,617	7.7%
2020	41,654,125	3,541,437	8.5%
2021	38,115,354	--	--
2022	11,107,076	--	--

* 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, 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 Third Quarter 2022.

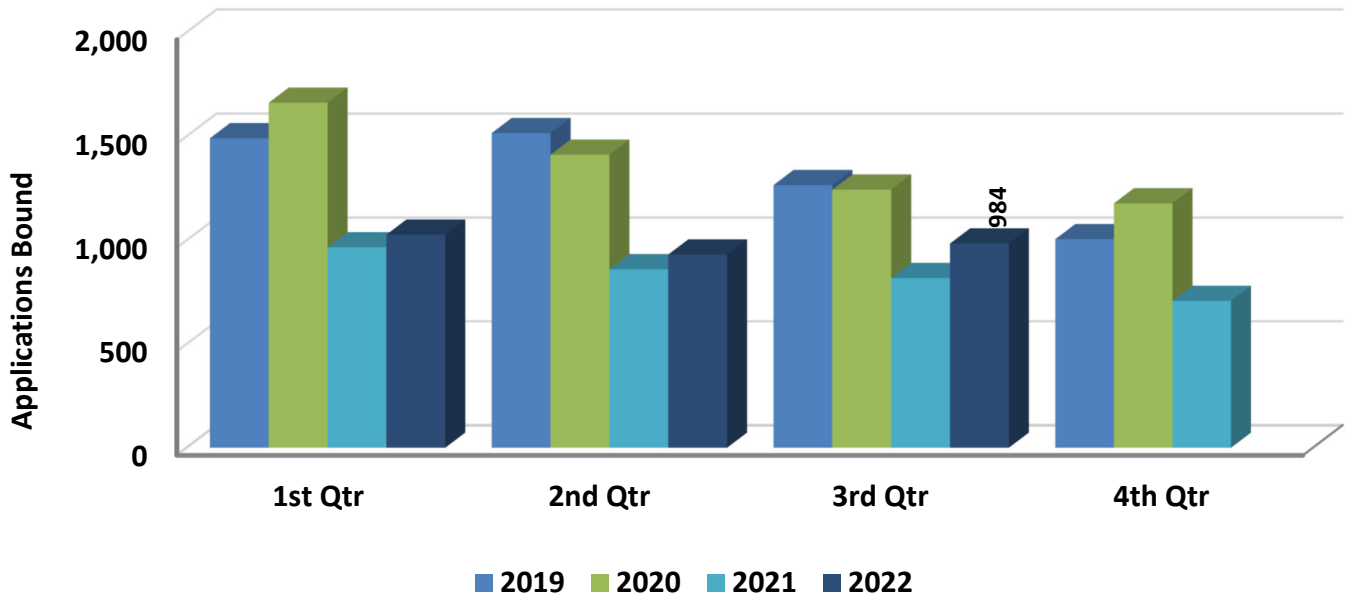
Number of Applications Reviewed by VCAP[®] Service	1,289
Number of VCAP[®] Service Matches	1,090
VCAP[®] Service Offers as a % of Matches	27.06%
Number of Confirmed VCAP[®] Service Policies	284
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	22.03%
Savings as a % of Redirected Assigned Risk Premium	9.38%



Residual Market Demographics

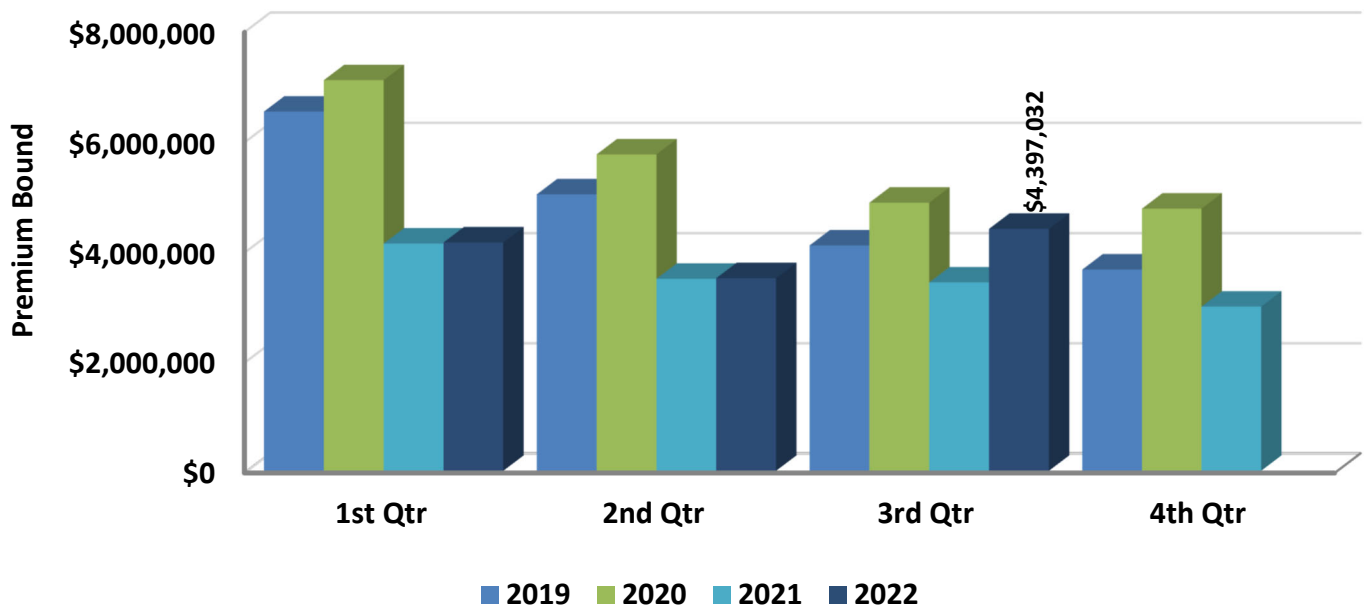
Total Applications Bound — 2019 vs. 2020 vs. 2021 vs. 2022

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).



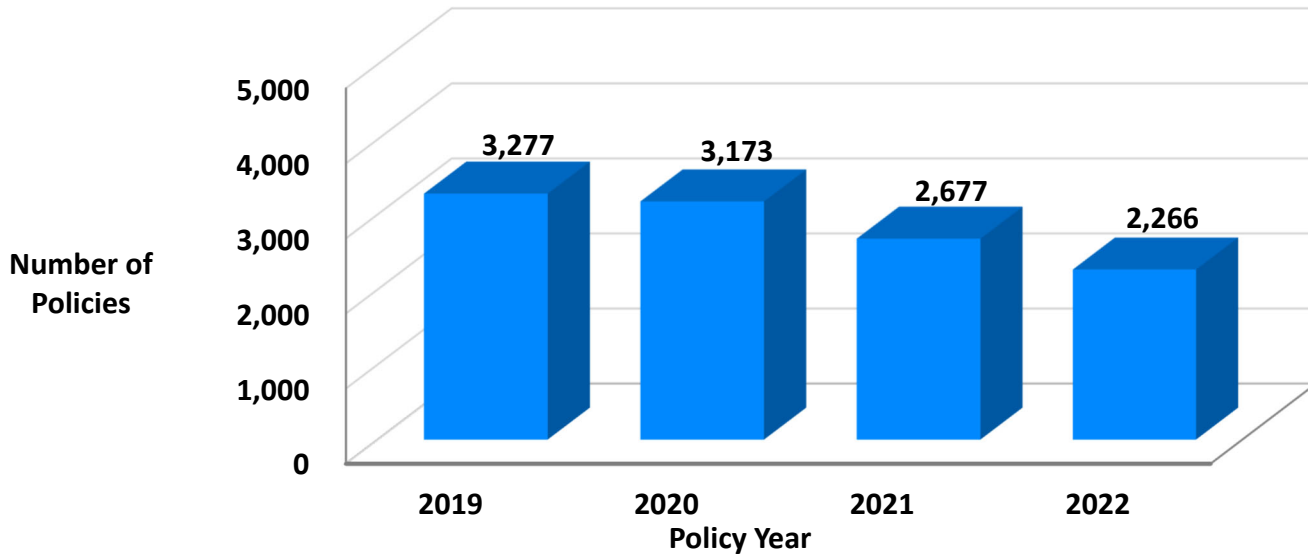


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2022

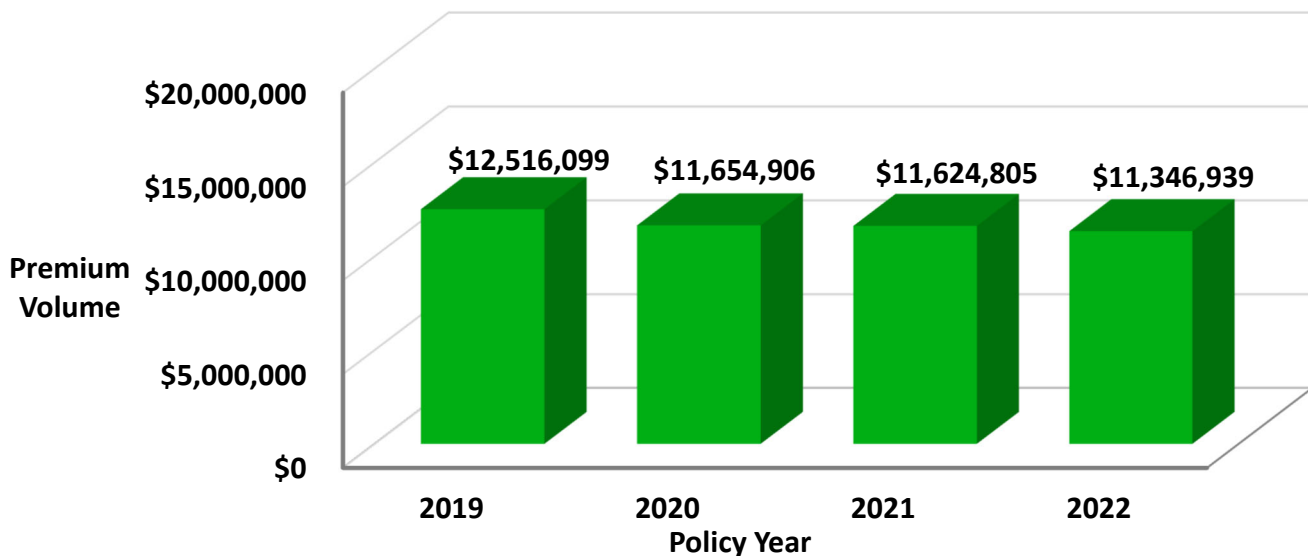
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 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

Third Quarter Data Reported through September 30, 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	1,351	59.6	1,576,016	13.9	1,167
\$2500- \$4999	381	16.8	1,381,286	12.2	3,625
\$5000- \$9999	289	12.8	2,014,479	17.8	6,971
\$10000- \$19999	151	6.7	2,034,699	17.9	13,475
\$20000- \$49999	69	3.0	2,087,127	18.4	30,248
\$50000- \$99999	21	0.9	1,350,518	11.9	64,310
\$100000- \$199999	3	0.1	359,446	3.2	119,815
\$2000000+	1	0.0	543,368	4.8	543,368
Total	2,266	100.0	11,346,939	100.0	5,007

Third Quarter 2021 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	1,757	65.6	1,770,342	15.2	1,008
\$2500- \$4999	406	15.2	1,436,144	12.4	3,537
\$5000- \$9999	270	10.1	1,844,378	15.9	6,831
\$10000- \$19999	152	5.7	2,035,157	17.5	13,389
\$20000- \$49999	70	2.6	2,098,252	18.0	29,975
\$50000- \$99999	16	0.6	975,139	8.4	60,946
\$100000- \$199999	3	0.1	450,706	3.9	150,235
\$2000000+	3	0.1	1,014,687	8.7	338,229
Total	2,677	100.0	11,624,805	100.0	4,342



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 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	293	12.9
2	5551 - Roofing-All Kinds & Drivers	215	9.5
3	5474 - Painting NOC & Shop Operations, Drivers	136	6.0
4	5604 - Construction - Executives, Supervisors or Foremen Overseeing Jobsites - Not Performing Actual Construction	88	3.9
5	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	77	3.4
6	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	73	3.2
7	7219 - Trucking - NOC-All Employees & Drivers	60	2.6
8	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	58	2.6
9	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	56	2.5
10	7711 - Firefighters & Drivers - Volunteer	56	2.5

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 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	1,563,400	13.8
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	1,370,659	12.1
3	8018 - Store: Wholesale NOC	608,999	5.4
4	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	435,477	3.8
5	5474 - Painting NOC & Shop Operations, Drivers	395,308	3.5
6	5604 - Construction - Executives, Supervisors or Foremen Overseeing Jobsites - Not Performing Actual Construction	280,344	2.5
7	7219 - Trucking - NOC-All Employees & Drivers	272,043	2.4
8	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	267,536	2.4
9	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	257,018	2.3
10	8864 - Social Service Organization - All Employees & Salespersons, Drivers	224,951	2.0



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.