



# Tennessee Residual Market State Activity Report

Third Quarter 2023



## Executive Summary

NCCI, as Pool and Plan Administrator of the Tennessee Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2023 *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, 2023—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.

	2023	2022	2023 vs. 2022 #	2023 vs. 2022 %
<b>Policy Count</b>	6,527	7,538	-1,011	-13.4%
<b>Premium Volume</b>	\$34,118,489	\$42,111,577	-\$7,993,088	-19.0%

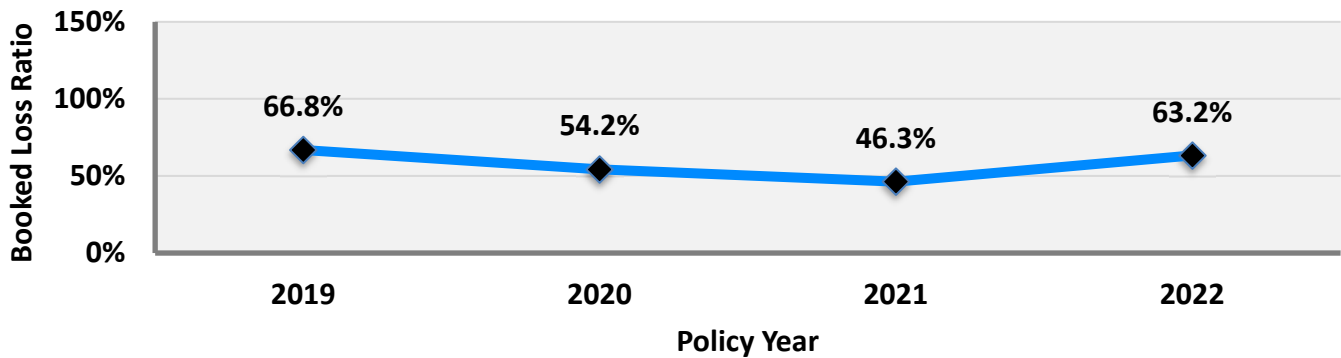


## Residual Market Demographics

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

#### Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior year\*

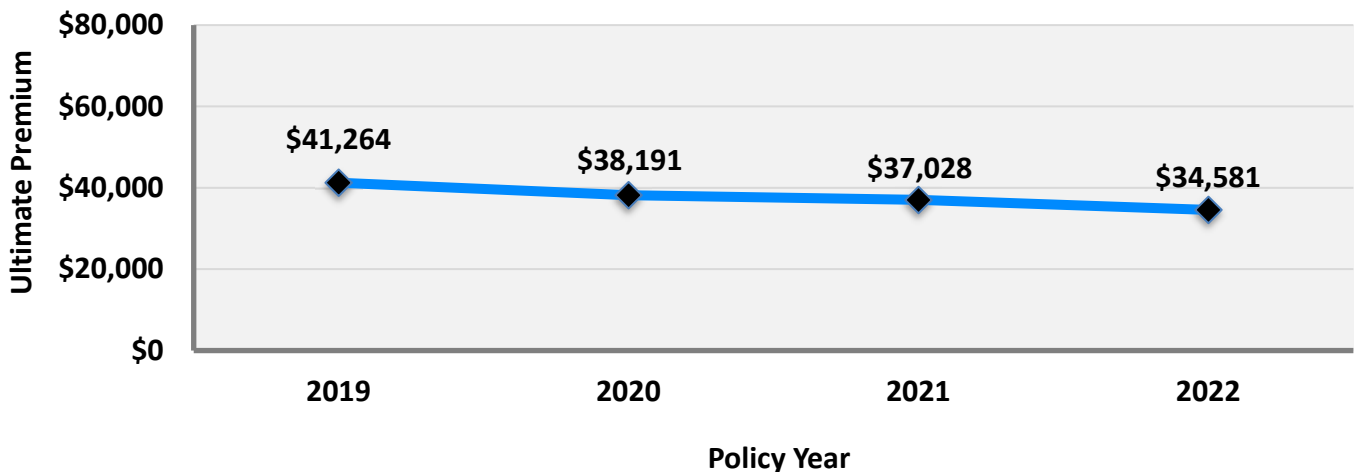
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 2nd Quarter 2023 for 2022 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 2023 data will be available the end of January 2024 due to the timing of data reporting

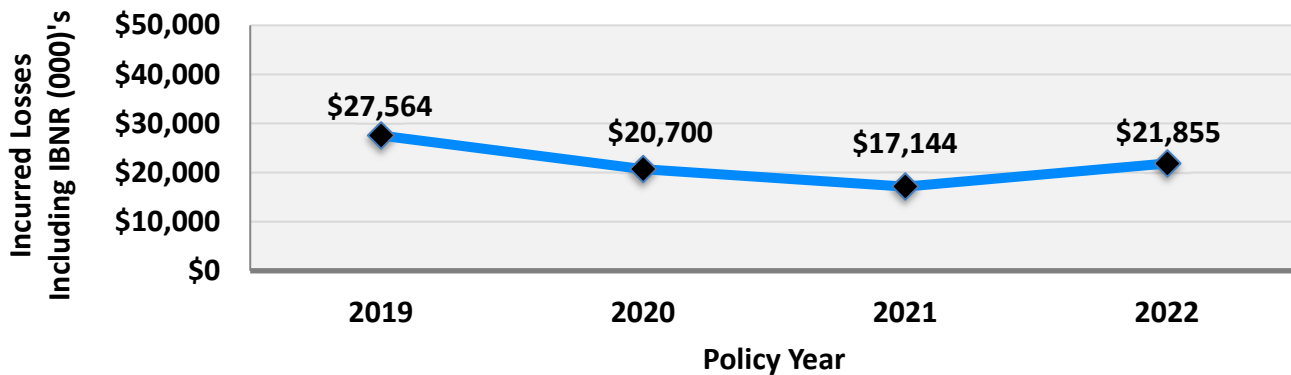


## Residual Market Demographics

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

#### Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior year\*

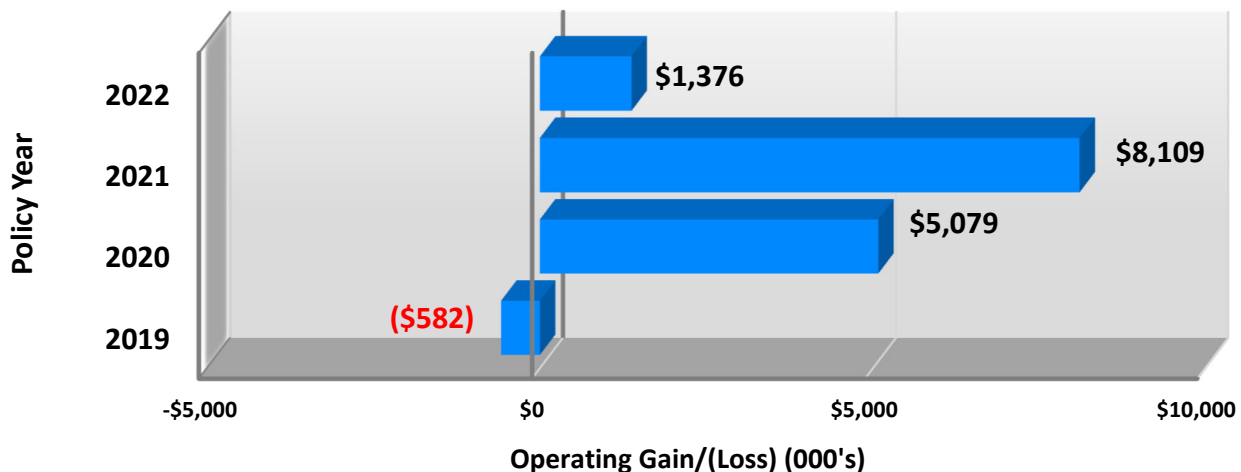
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



### 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 2023 for 2022 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 2023 data will be available the end of January 2024 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 2019-2023, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2023.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2019	44,766,565	3,502,696	7.8%
2020	42,234,991	4,043,649	9.6%
2021	39,745,229	2,854,081	7.2%
2022	35,594,854	--	--
2023	8,808,266	--	--

\* 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, 2023

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 Third Quarter 2023.

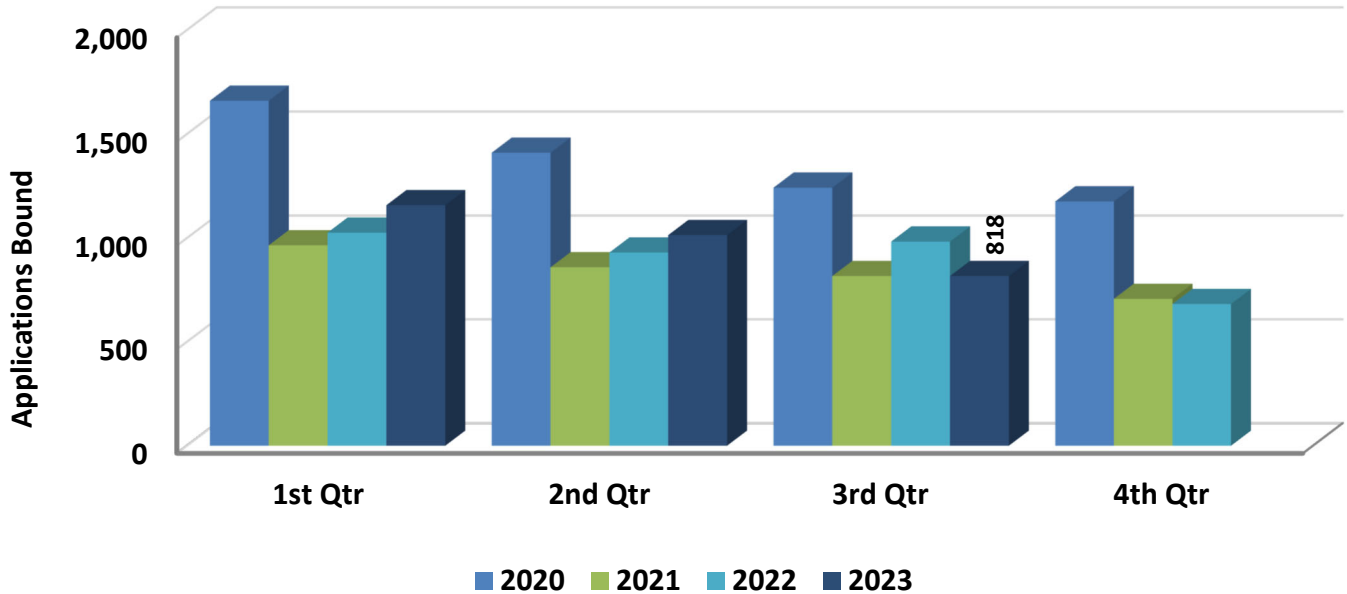
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	1,094
Number of <b>VCAP<sup>®</sup> Service</b> Matches	981
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	27.83%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	267
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	24.41%
Savings as a % of Redirected Assigned Risk Premium	5.70%



## Residual Market Demographics

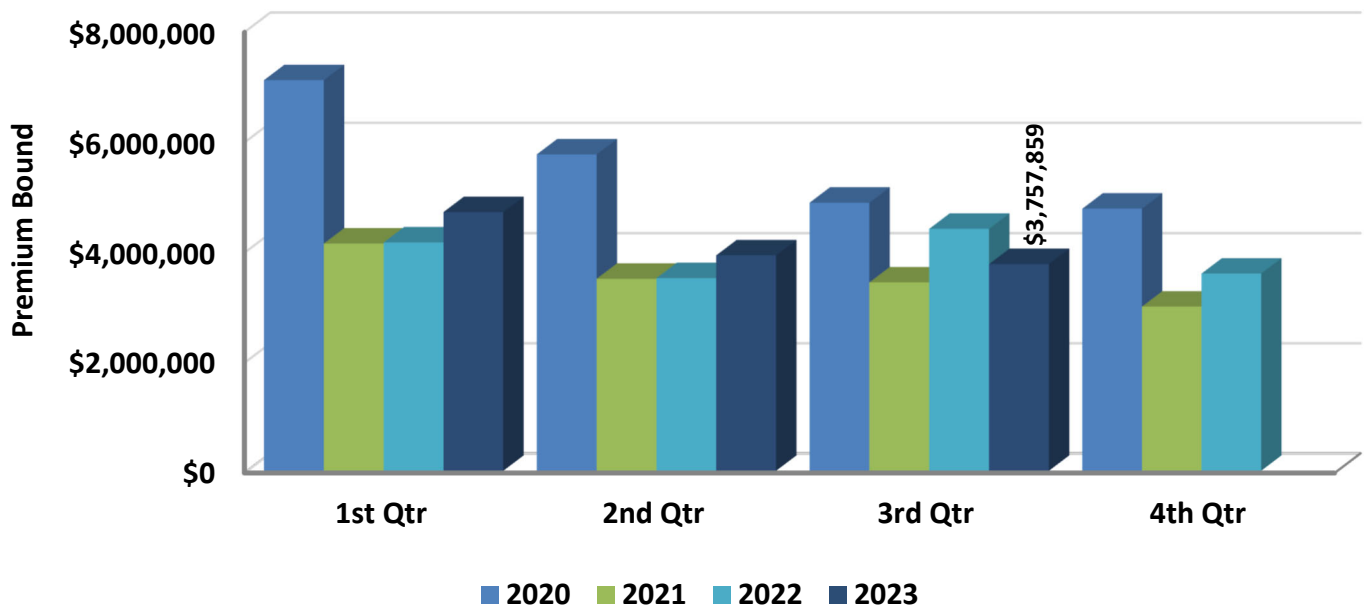
### Total Applications Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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 — 2020 vs. 2021 vs. 2022 vs. 2023

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).





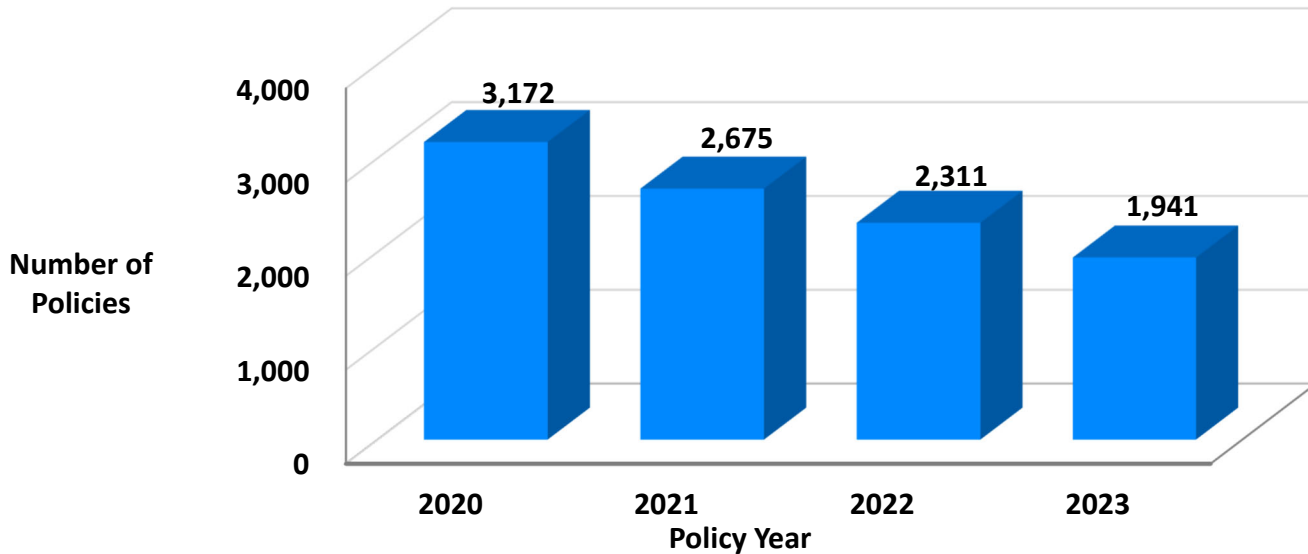


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Third Quarter Data for Policies Reported through September 30, 2023

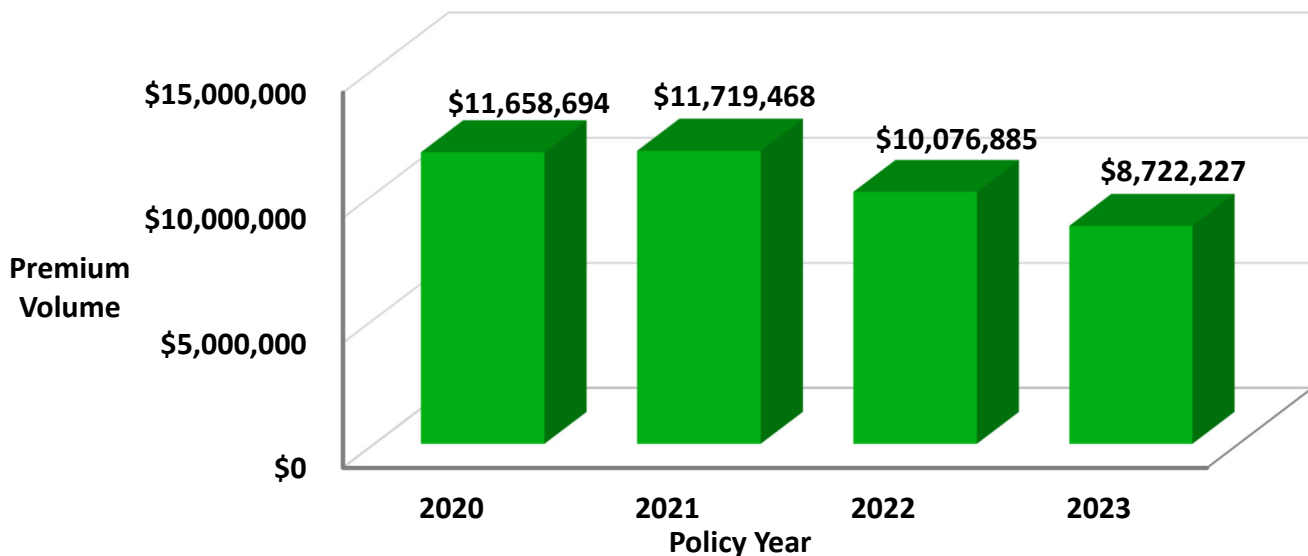
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Third Quarter Data Reported through September 30, 2023

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, 2023

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	1,225	63.1	1,331,333	15.3	1,087
\$2500- \$4999	293	15.1	1,036,983	11.9	3,539
\$5000- \$9999	248	12.8	1,750,512	20.1	7,059
\$10000- \$19999	108	5.6	1,558,547	17.9	14,431
\$20000- \$49999	46	2.4	1,425,963	16.3	30,999
\$50000- \$99999	17	0.9	1,176,338	13.5	69,196
\$100000- \$199999	4	0.2	442,551	5.1	110,638
\$2000000+	0	0.0	0	0.0	0
Total	1,941	100.0	8,722,227	100.0	4,494

### Third Quarter 2022 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	1,501	65.0	1,488,560	14.8	992
\$2500- \$4999	327	14.1	1,178,530	11.7	3,604
\$5000- \$9999	256	11.1	1,783,603	17.7	6,967
\$10000- \$19999	140	6.1	1,948,832	19.3	13,920
\$20000- \$49999	69	3.0	2,068,259	20.5	29,975
\$50000- \$99999	15	0.6	1,011,313	10.0	67,421
\$100000- \$199999	2	0.1	250,435	2.5	125,218
\$2000000+	1	0.0	347,353	3.4	347,353
Total	2,311	100.0	10,076,885	100.0	4,360



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2023

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	243	12.5
2	5551 - Roofing-All Kinds & Drivers	227	11.7
3	5474 - Painting NOC & Shop Operations, Drivers	84	4.3
4	5604 - Construction - Executives, Supervisors or Foremen Overseeing Jobsites - Not Performing Actual Construction	69	3.6
5	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	59	3.0
6	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	57	2.9
7	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	54	2.8
8	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	54	2.8
9	7711 - Firefighters & Drivers - Volunteer	52	2.7
10	7219 - Trucking - NOC-All Employees & Drivers	49	2.5

### Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2023

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	1,431,632	16.4
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	781,429	9.0
3	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	449,601	5.2
4	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	246,520	2.8
5	5474 - Painting NOC & Shop Operations, Drivers	233,099	2.7
6	5604 - Construction - Executives, Supervisors or Foremen Overseeing Jobsites - Not Performing Actual Construction	194,050	2.2
7	7720 - Police Officers & Drivers	185,110	2.1
8	8864 - Social Service Organization - All Employees & Salespersons, Drivers	177,846	2.0
9	7219 - Trucking - NOC-All Employees & Drivers	166,298	1.9
10	3030 - Iron or Steel: Fabrication: Iron or Steel Works-Shop-Structural-& Drivers	164,394	1.9



## 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.