



Tennessee Residual Market State Activity Report

Annual 2023



Executive Summary

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

Sean Cordell, Plan Administration

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Residual Market Demographics

Residual Market Total Policies and Premium in Force As of December 31, 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 %
Policy Count	6,114	7,265	-1,151	-15.8%
Premium Volume	\$32,580,613	\$41,257,259	-\$8,676,646	-21.0%

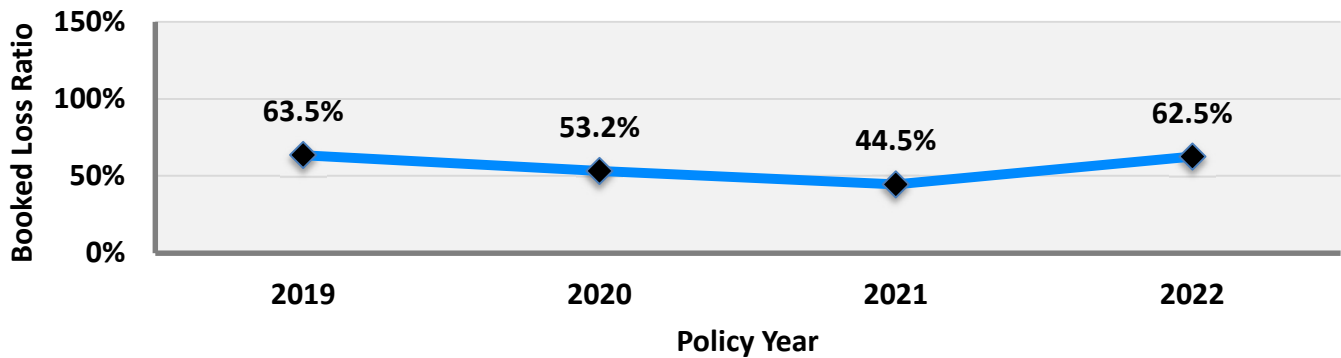


Residual Market Demographics

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

Policy Year Financial Results through 3rd Quarter 2023 for 2022 and prior year*

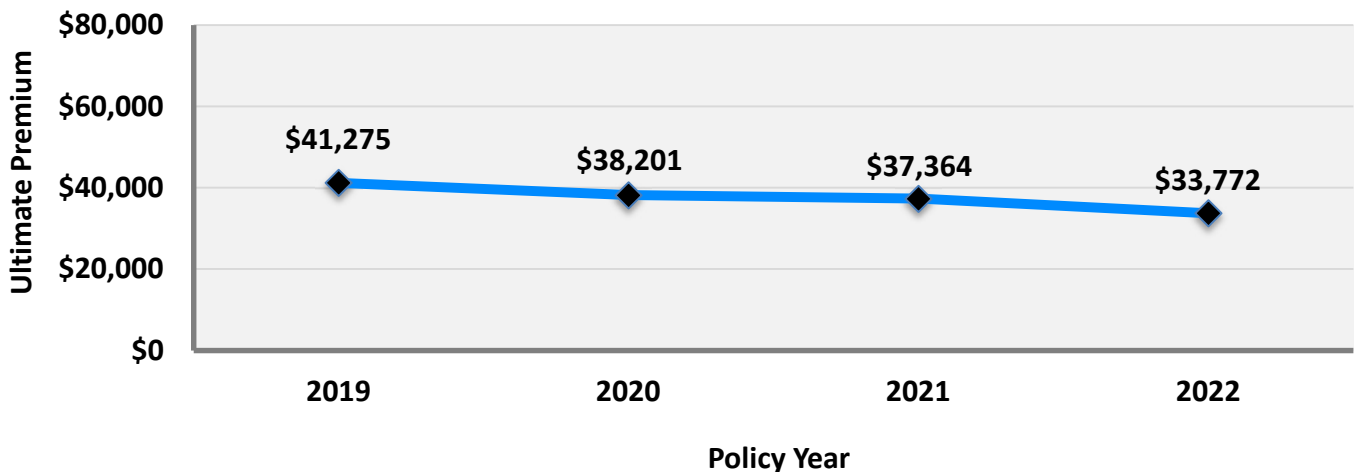
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 3rd 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.



*4th Quarter 2023 data will be available the end of April 2024 due to the timing of data reporting

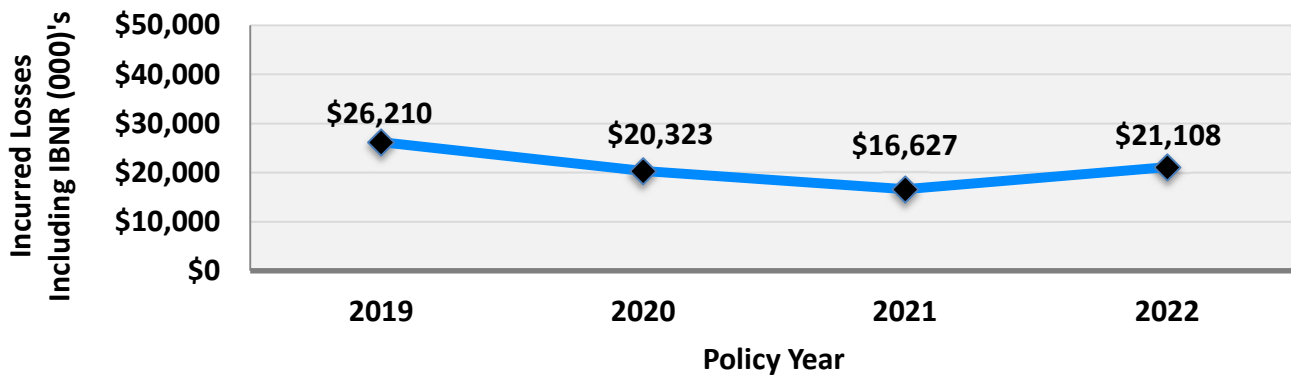


Residual Market Demographics

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

Policy Year Financial Results through 3rd Quarter 2023 for 2022 and prior year*

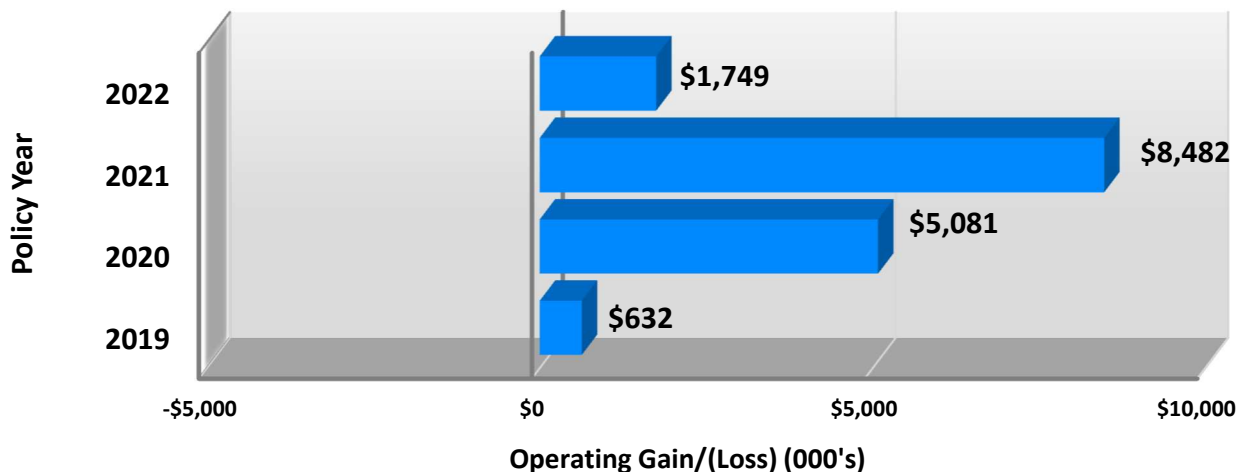
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 3rd 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.



*4th Quarter 2023 data will be available the end of April 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 3rd Quarter 2023.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2019	44,769,885	3,494,662	7.8%
2020	42,160,019	3,959,286	9.4%
2021	39,838,900	2,678,938	6.7%
2022	35,760,814	--	--
2023	14,814,917	--	--

* 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

Annual Data through December 31, 2023

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 Annual 2023.

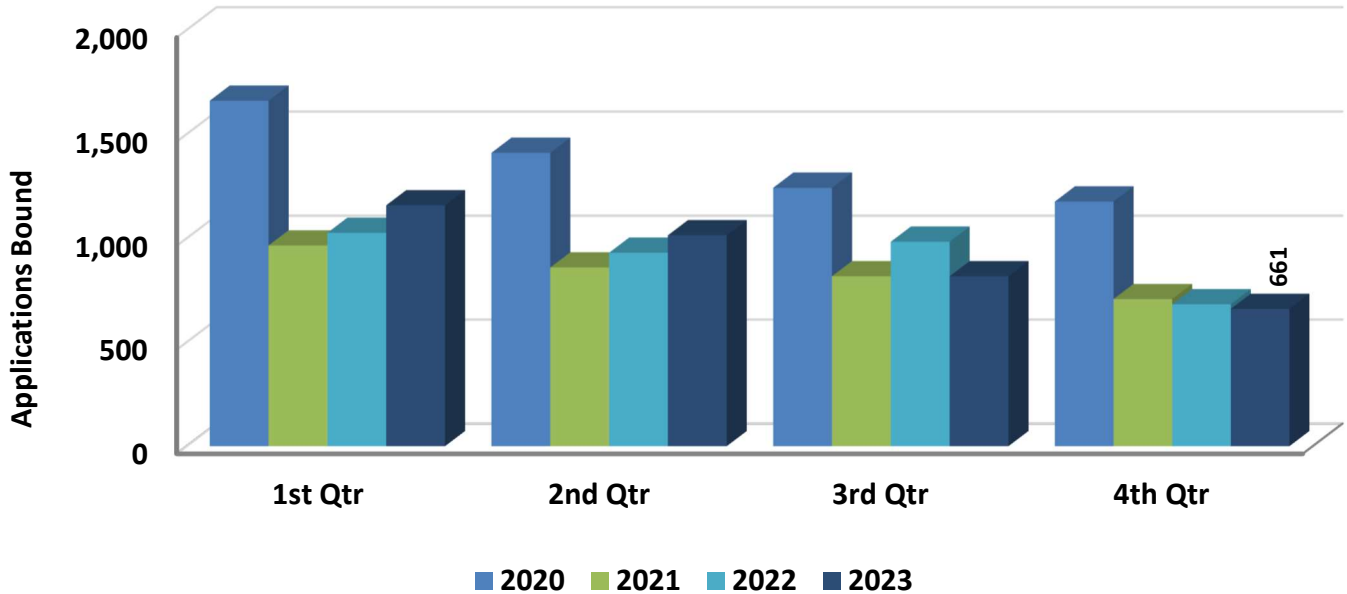
Number of Applications Reviewed by VCAP[®] Service	4,870
Number of VCAP[®] Service Matches	4,378
VCAP[®] Service Offers as a % of Matches	28.00%
Number of Confirmed VCAP[®] Service Policies	1,203
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	24.70%
Savings as a % of Redirected Assigned Risk Premium	7.88%



Residual Market Demographics

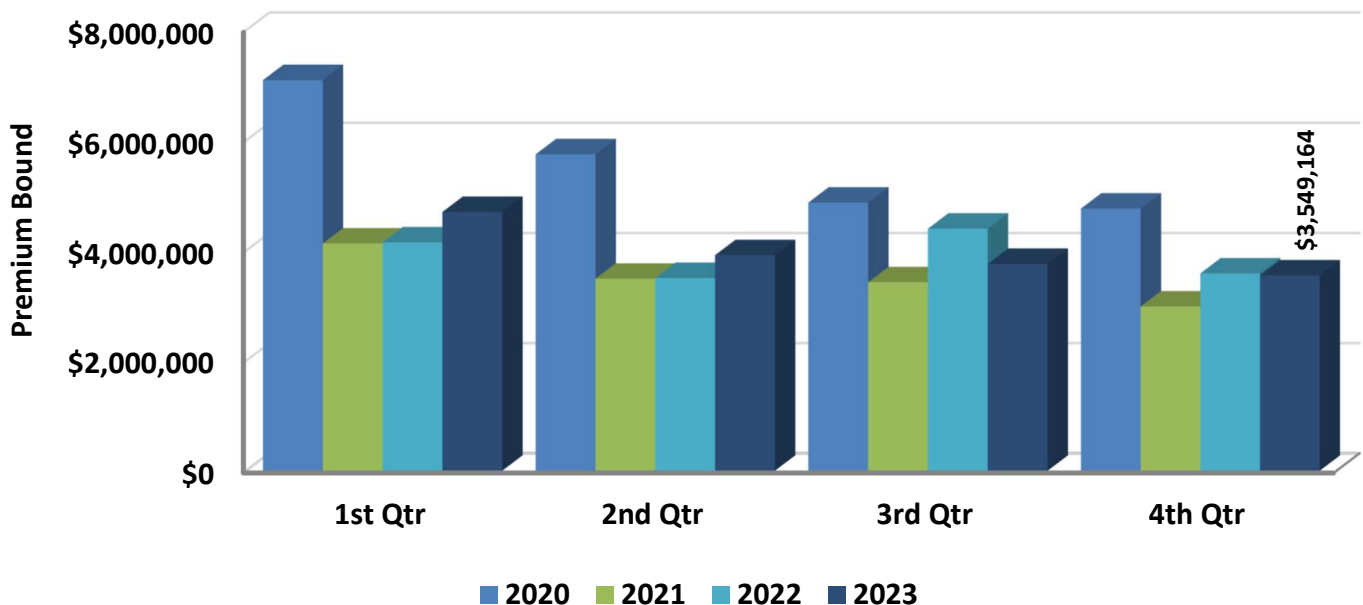
Total Applications Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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).



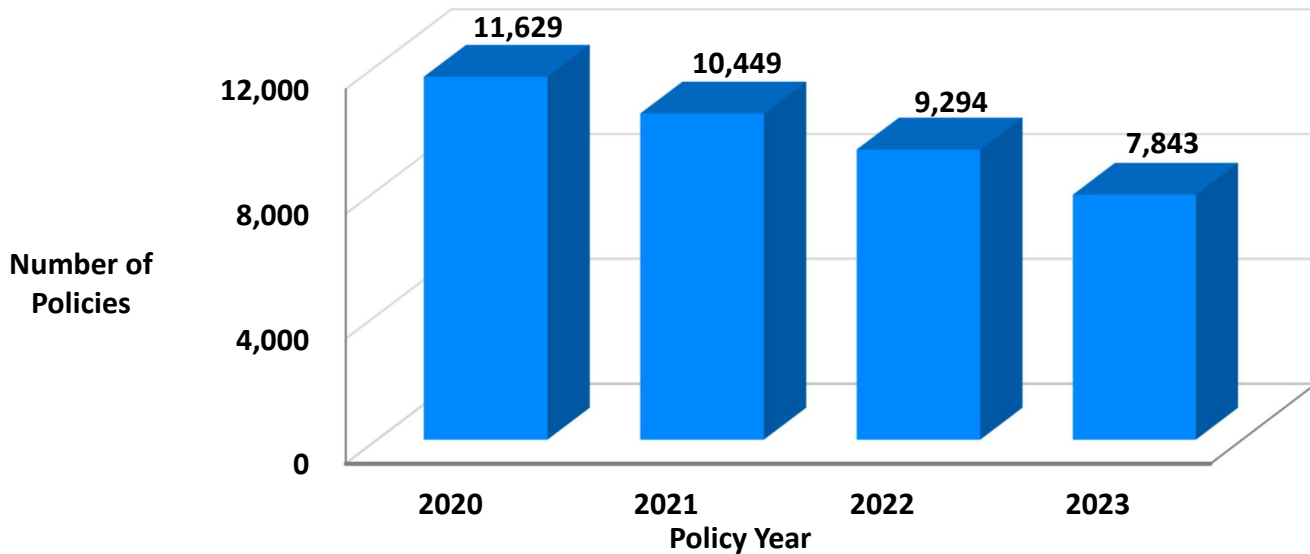


Residual Market Demographics

Residual Market Total Policy Counts

Annual Data for Policies Reported through December 31, 2023

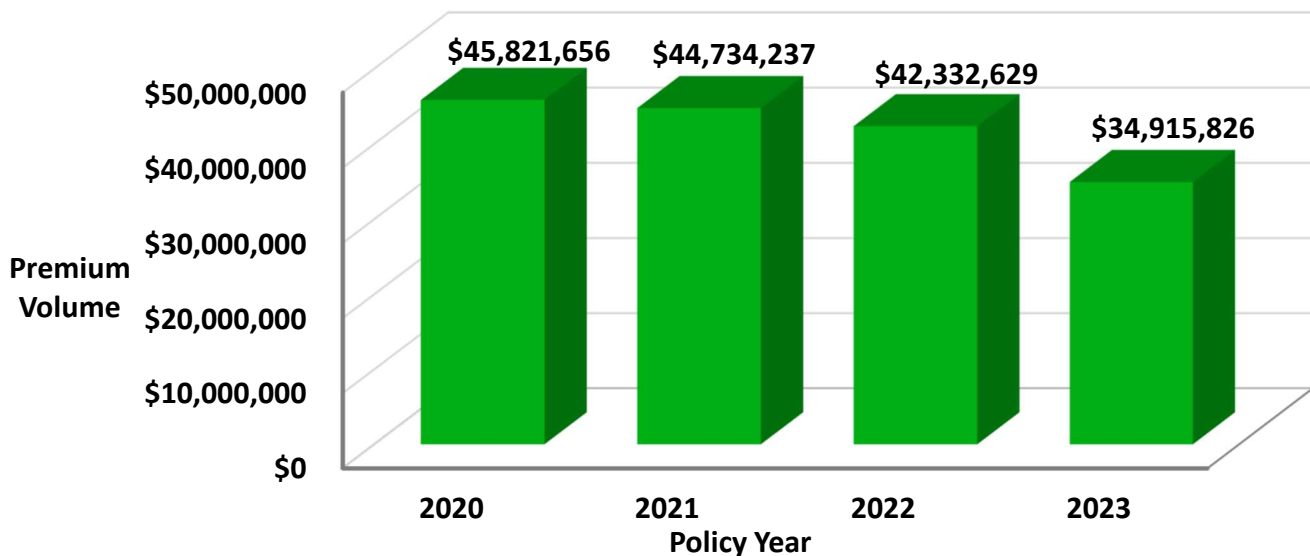
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Annual Data Reported through December 31, 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

Annual Data Reported through December 31, 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	5,054	64.4	5,181,743	14.8	1,025
\$2500- \$4999	1,192	15.2	4,231,608	12.1	3,550
\$5000- \$9999	889	11.3	6,207,966	17.8	6,983
\$10000- \$19999	429	5.5	5,855,247	16.8	13,649
\$20000- \$49999	196	2.5	5,735,588	16.4	29,263
\$50000- \$99999	66	0.8	4,465,780	12.8	67,663
\$100000- \$199999	11	0.1	1,411,797	4.0	128,345
\$2000000+	6	0.1	1,826,097	5.2	304,350
Total	7,843	100.0	34,915,826	100.0	4,452

Annual 2022 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	6,023	64.8	5,799,337	13.7	963
\$2500- \$4999	1,375	14.8	4,943,630	11.7	3,595
\$5000- \$9999	982	10.6	6,928,990	16.4	7,056
\$10000- \$19999	570	6.1	7,864,591	18.6	13,798
\$20000- \$49999	254	2.7	7,538,778	17.8	29,680
\$50000- \$99999	67	0.7	4,495,570	10.6	67,098
\$100000- \$199999	16	0.2	2,179,544	5.1	136,222
\$2000000+	7	0.1	2,582,189	6.1	368,884
Total	9,294	100.0	42,332,629	100.0	4,555



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 31, 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	1,006	12.8
2	5551 - Roofing-All Kinds & Drivers	938	12.0
3	5474 - Painting NOC & Shop Operations, Drivers	361	4.6
4	5604 - Construction - Executives, Supervisors or Foremen Overseeing Jobsites - Not Performing Actual Construction	282	3.6
5	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	260	3.3
6	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	237	3.0
7	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	215	2.7
8	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	191	2.4
9	6217 - Excavation & Drivers	179	2.3
10	7711 - Firefighters & Drivers - Volunteer	179	2.3

Residual Market Top 10 Classification Codes by Premium Volume Annual Data Reported through December 31, 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	5,739,587	16.4
2	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	3,600,564	10.3
3	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	1,554,354	4.5
4	7720 - Police Officers & Drivers	1,399,222	4.0
5	5604 - Construction - Executives, Supervisors or Foremen Overseeing Jobsites - Not Performing Actual Construction	1,031,237	3.0
6	5474 - Painting NOC & Shop Operations, Drivers	919,454	2.6
7	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	882,471	2.5
8	8292 - Storage Warehouse NOC	704,986	2.0
9	7219 - Trucking - NOC-All Employees & Drivers	660,344	1.9
10	6217 - Excavation & Drivers	646,761	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[®] 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.