

Virginia Residual Market State Activity Report

First Quarter 2018



Executive Summary

NCCI, as Pool and Plan Administrator of the Virginia Workers Compensation Insurance Plan, is pleased to provide the First Quarter 2018 *Virginia Residual Market State Activity Report*.

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 Virginia 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 March 31, 2018—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.

	2018	2017	2018 vs. 2017 #	2018 vs. 2017 %
Policy Count	15,916	14,868	1,048	7.0%
Premium Volume	\$60,395,908	\$59,580,872	\$815,036	1.4%



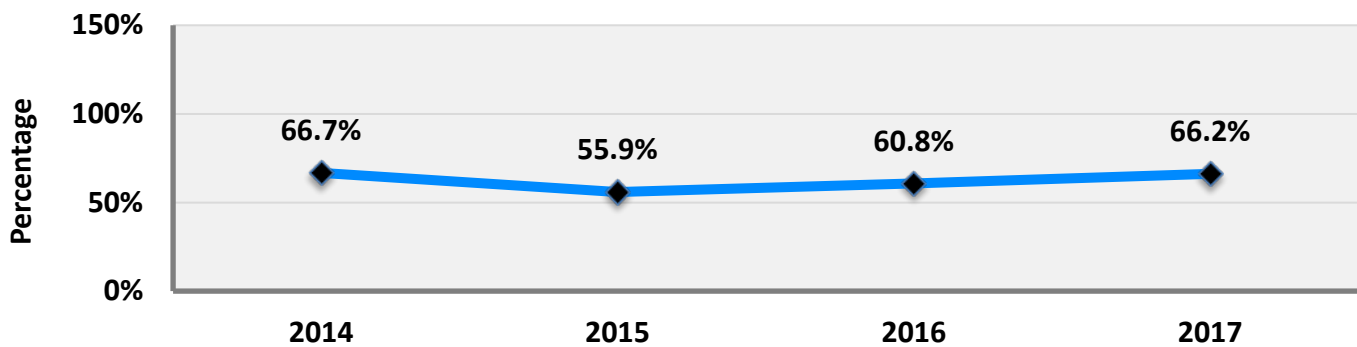
Residual Market Demographics

Virginia Residual Market Reinsurance Pool Booked Loss Ratio

Policy Year Financial Results through 4th Quarter 2017 for 2017 and prior years*

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

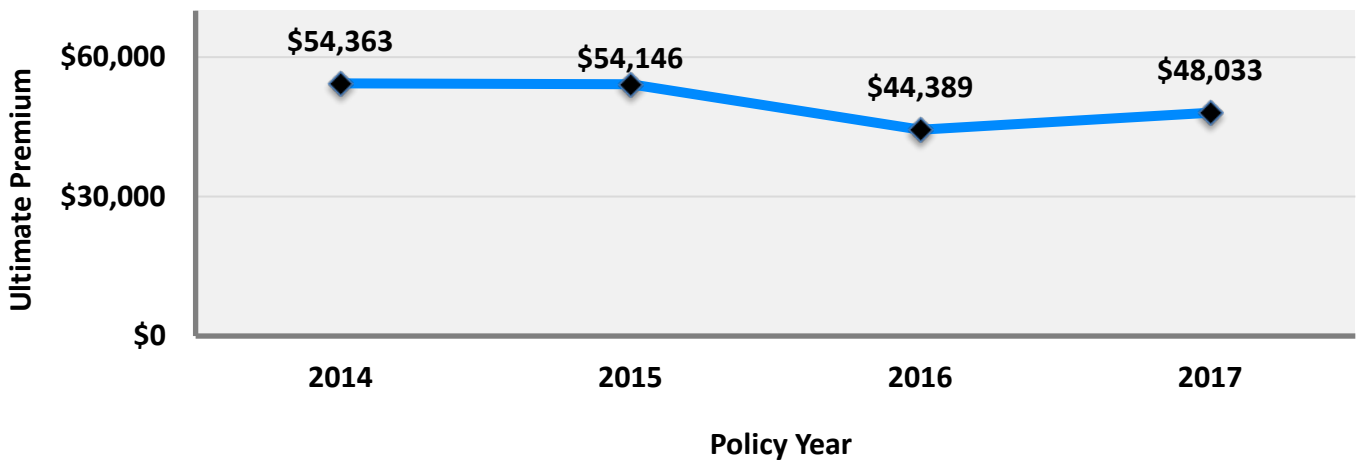
Booked Loss Ratio



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

Policy Year Financial Results through 4th Quarter 2017 for 2017 and prior years*

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



* First Quarter 2018 data will be available the end of July 2018 due to the timing of data reporting

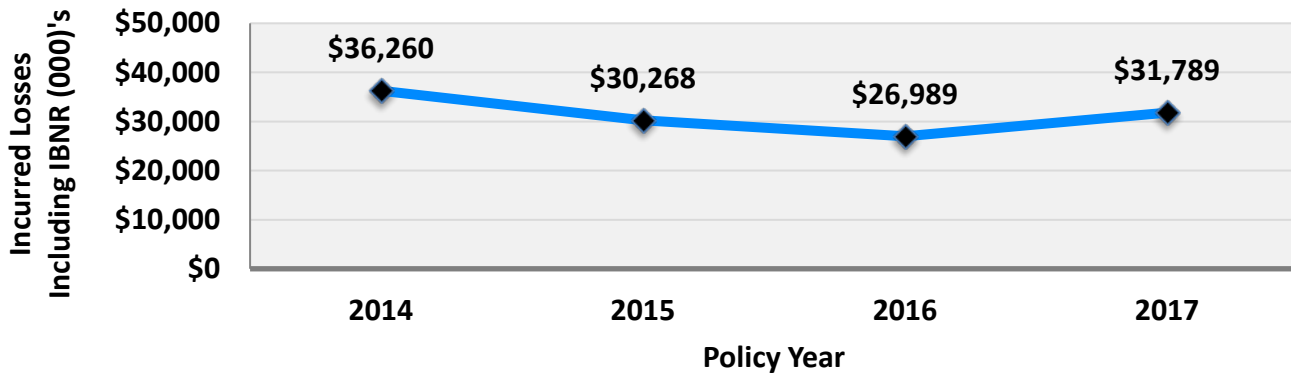


Residual Market Demographics

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

Policy Year Financial Results through 4th Quarter 2017 for 2017 and prior years*

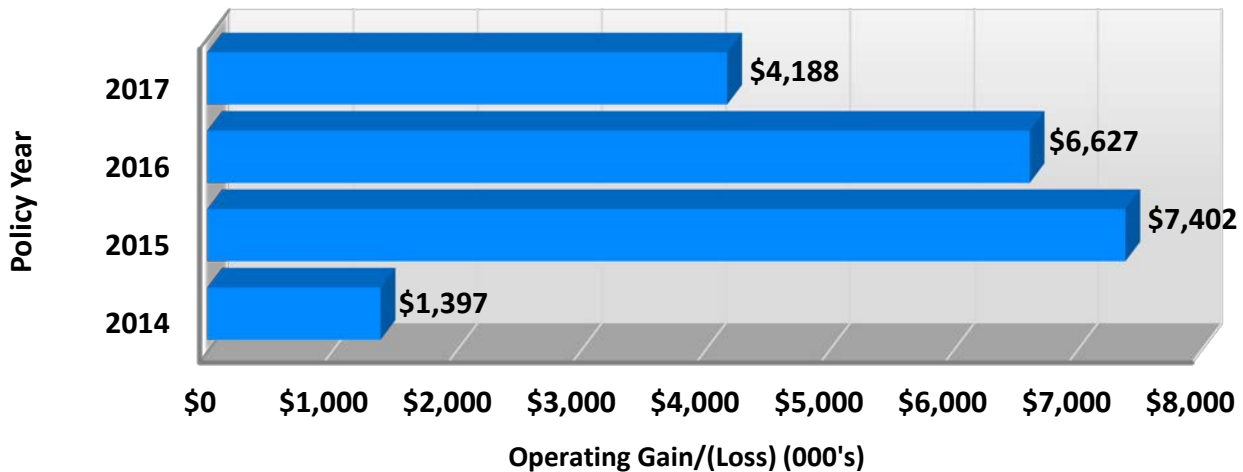
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 4th Quarter 2017 for 2017 and prior years*

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.



* First Quarter 2018 data will be available the end of July 2018 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 Virginia for Policy Years 2013-2017, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 4th Quarter 2017.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2013	\$52,182,024	\$1,889,262	3.6%
2014	\$55,551,593	\$1,188,802	2.1%
2015	\$56,605,050	\$2,459,046	4.3%
2016	\$46,133,121	*	N/A
2017	\$38,769,985	*	N/A

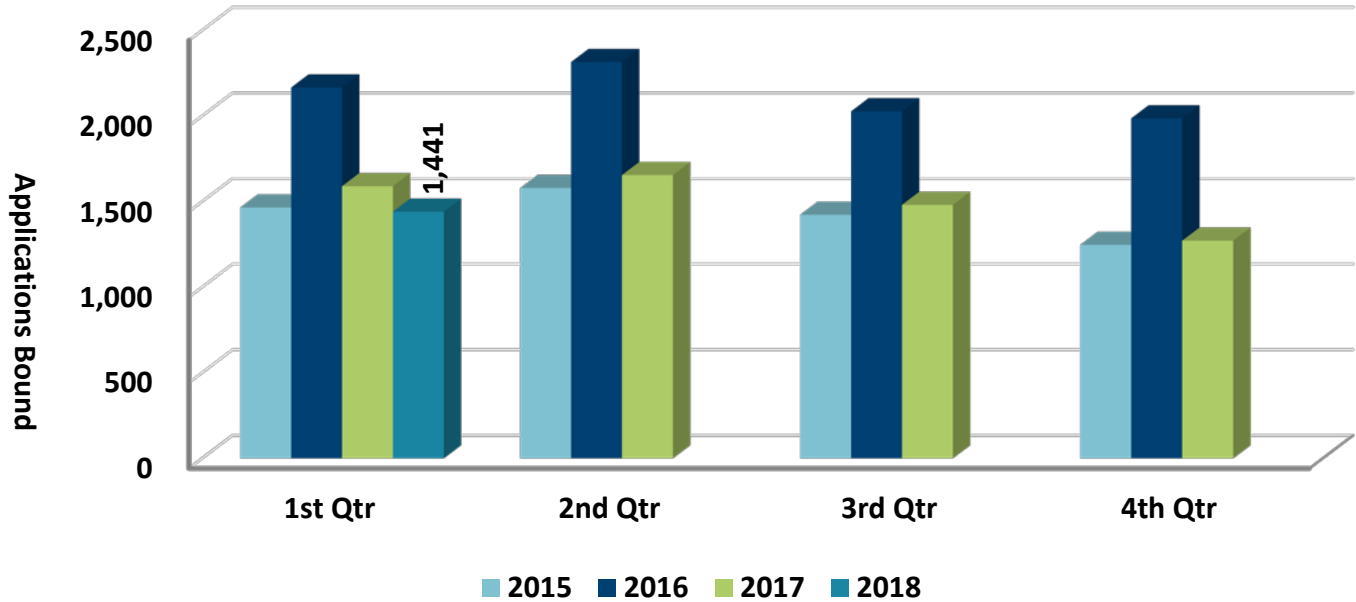
* The uncollectible premiums provided are reported by the servicing carriers on a quarterly basis. Uncollectible premium is generally reported up to 24 months after the policy expiration date due to audit, billing, and collection requirements. Therefore, the uncollectible premium data has not yet developed for the more recent policy years.



Residual Market Demographics

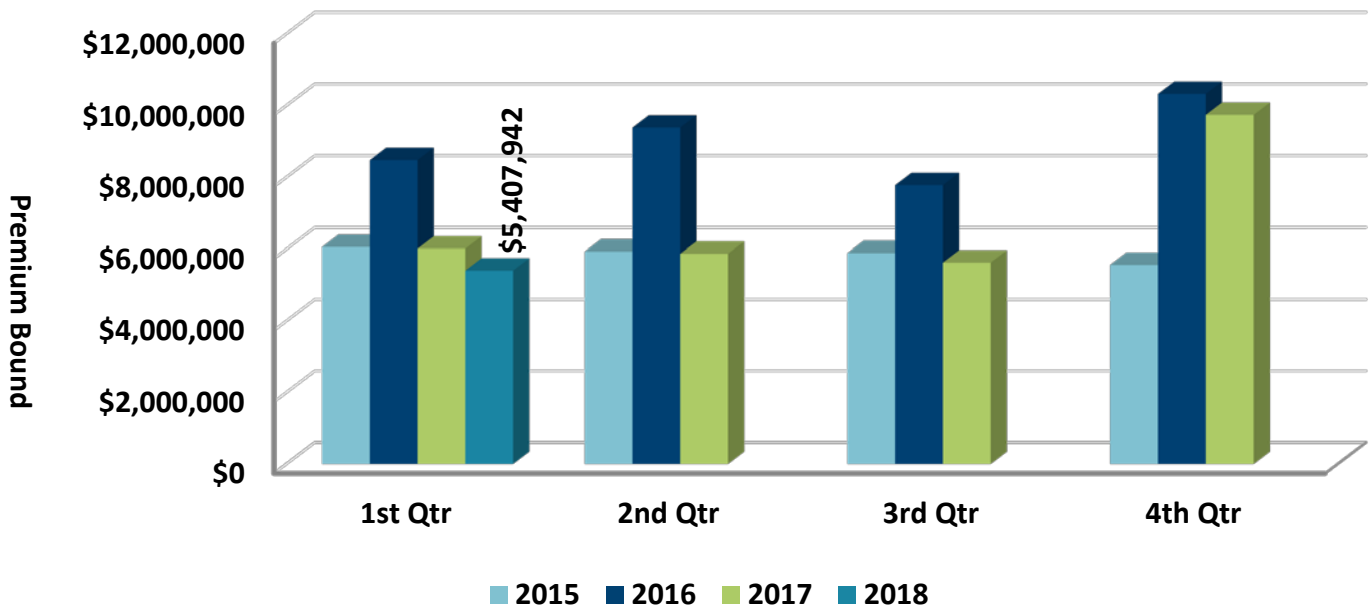
Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

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 — 2015 vs. 2016 vs. 2017 vs. 2018

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).



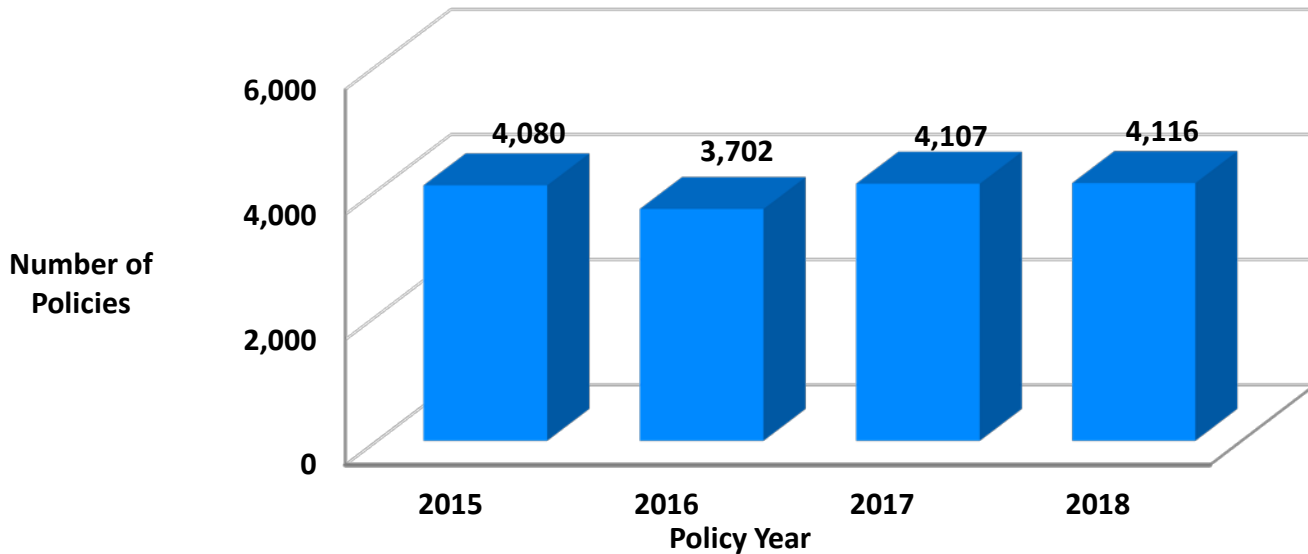


Residual Market Demographics

Residual Market Total Policy Counts

First Quarter Data for Policies Reported through March 31, 2018

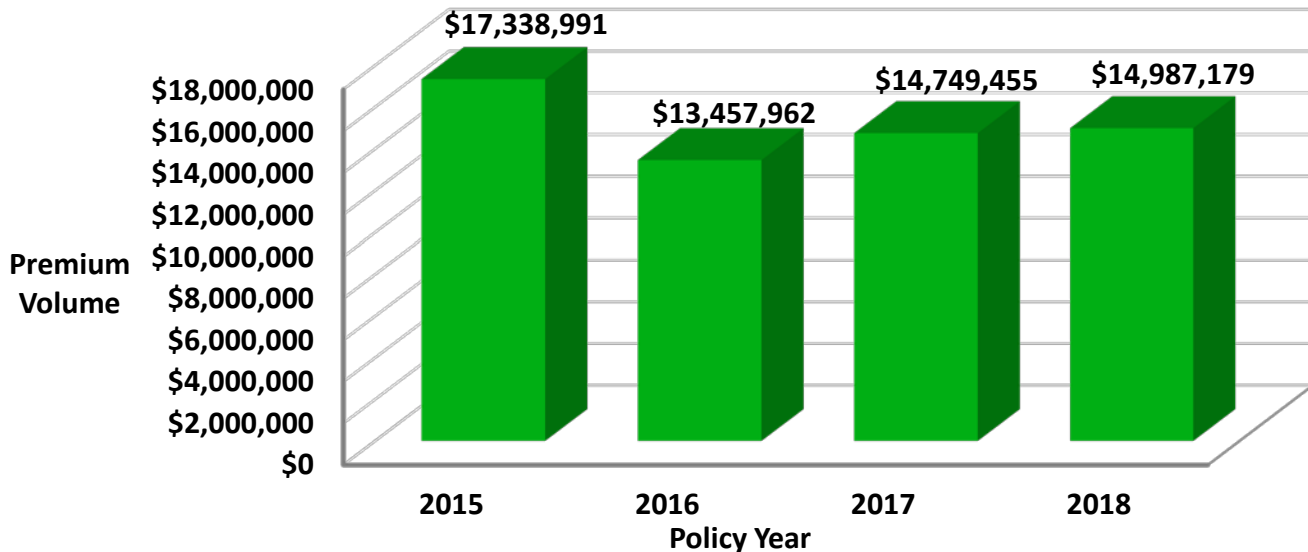
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

First Quarter Data Reported through March 31, 2018

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

First Quarter Data Reported through March 31, 2018

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	2,863	69.6%	\$3,033,405	20.2%	\$1,059
\$2500–4999	598	14.5%	\$2,143,239	14.3%	\$3,584
\$5000–9999	372	9.0%	\$2,579,729	17.2%	\$6,934
\$10000–19999	174	4.2%	\$2,390,933	16.0%	\$13,740
\$20000–49999	79	1.9%	\$2,324,843	15.5%	\$29,428
\$50000–99999	26	0.6%	\$1,885,568	12.6%	\$72,521
\$100000–199999	4	0.1%	\$629,462	4.2%	\$157,365
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	4,116	100%	\$14,987,179	100%	\$3,641

First Quarter 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	2,885	70.3%	\$2,755,143	18.7%	\$954
\$2500–4999	545	13.3%	\$1,943,188	13.2%	\$3,565
\$5000–9999	363	8.8%	\$2,512,416	17.0%	\$6,921
\$10000–19999	197	4.8%	\$2,640,813	17.9%	\$13,405
\$20000–49999	96	2.3%	\$2,929,424	19.9%	\$30,514
\$50000–99999	12	0.3%	\$813,150	5.5%	\$67,762
\$100000–199999	9	0.2%	\$1,155,321	7.8%	\$128,369
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	4,107	100.0%	\$14,749,455	100.0%	\$3,591



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count First Quarter Data Reported through March 31, 2018

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	380	9.2%
2	5437	Carpentry-Installation of Cabinet Work or Interior Trim	223	5.4%
3	7228	Trucking-Local Hauling Only-& Drivers	221	5.4%
4	5474	Painting NOC & Shop Operations Drivers	190	4.6%
5	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	178	4.3%
6	5551	Roofing-All Kinds & Drivers	164	4.0%
7	5445	Wallboard Sheetrock Drywall Plasterboard or Cement Board Installation Within Buildings & Drivers	101	2.5%
8	8835	Nursing-Home Health Public and Traveling-All Employees	93	2.3%
9	9102	Park NOC-All Employees & Drivers	87	2.1%
10	5403	Carpentry NOC	73	1.8%

Residual Market Top 10 Classification Codes by Premium Volume First Quarter Data Reported through March 31, 2018

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	\$1,210,200	8.1%
2	7228	Trucking-Local Hauling Only-& Drivers	\$995,527	6.6%
3	5551	Roofing-All Kinds & Drivers	\$678,636	4.5%
4	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	\$521,524	3.5%
5	8279	Stable or Breeding Farm & Drivers	\$492,787	3.3%
6	5474	Painting NOC & Shop Operations Drivers	\$417,404	2.8%
7	5437	Carpentry-Installation of Cabinet Work or Interior Trim	\$415,260	2.8%
8	0106	Tree Pruning Spraying Repairing Trimming or Fumigating & Drivers	\$382,851	2.6%
9	5403	Carpentry NOC	\$360,789	2.4%
10	8835	Nursing-Home Health Public and Traveling-All Employees	\$345,130	2.3%



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.