



# Virginia Residual Market State Activity Report

First Quarter 2019



## Executive Summary

NCCI, as Pool and Plan Administrator of the Virginia Workers Compensation Insurance Plan, is pleased to provide the First Quarter 2019 *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.

Sally Laub, Plan Administration

561-893-1174

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## Residual Market Demographics

### Residual Market Total Policies and Premium in Force

As of March 31, 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 %
<b>Policy Count</b>	15,912	16,050	-138	-0.9%
<b>Premium Volume</b>	\$59,472,816	\$60,953,358	-\$1,480,542	-2.4%

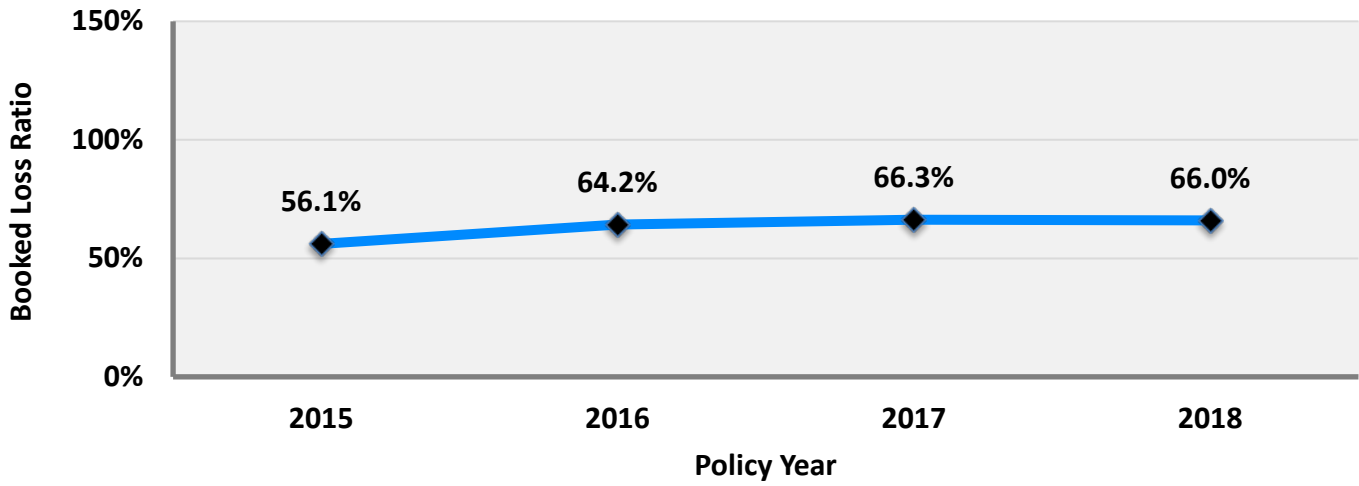


## Residual Market Demographics

### Virginia Residual Market Reinsurance Pool Booked Loss Ratio

#### Policy Year Financial Results through 4th Quarter 2018 for 2018 and prior years\*

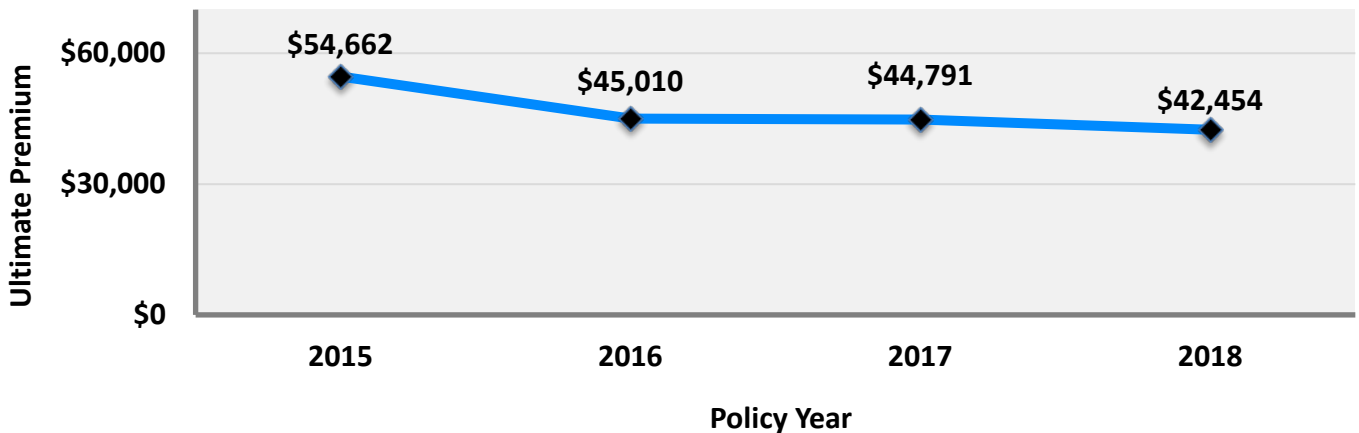
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 4th Quarter 2018 for 2018 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.



\*1st Quarter 2019 data will be available the end of July 2019 due to the timing of data reporting

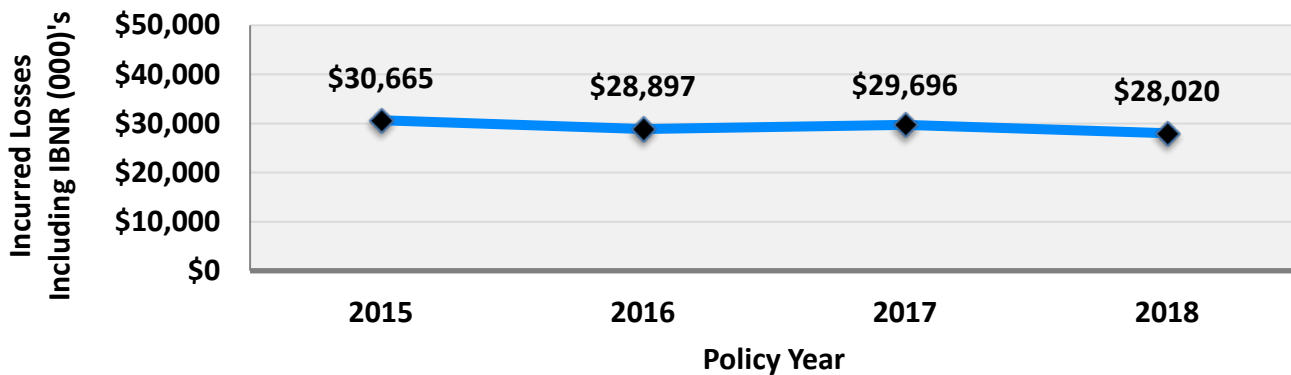


## Residual Market Demographics

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

#### Policy Year Financial Results through 4th Quarter 2018 for 2018 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 2018 for 2018 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.



\*1st Quarter 2019 data will be available the end of July 2019 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 2014-2018, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 4th Quarter 2018.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2014	\$55,530,774	\$1,017,486	1.8%
2015	\$56,605,906	\$1,944,288	3.4%
2016	\$46,213,872	\$1,203,724	2.6%
2017	\$46,375,790	*	N/A
2018	\$37,892,989	*	N/A

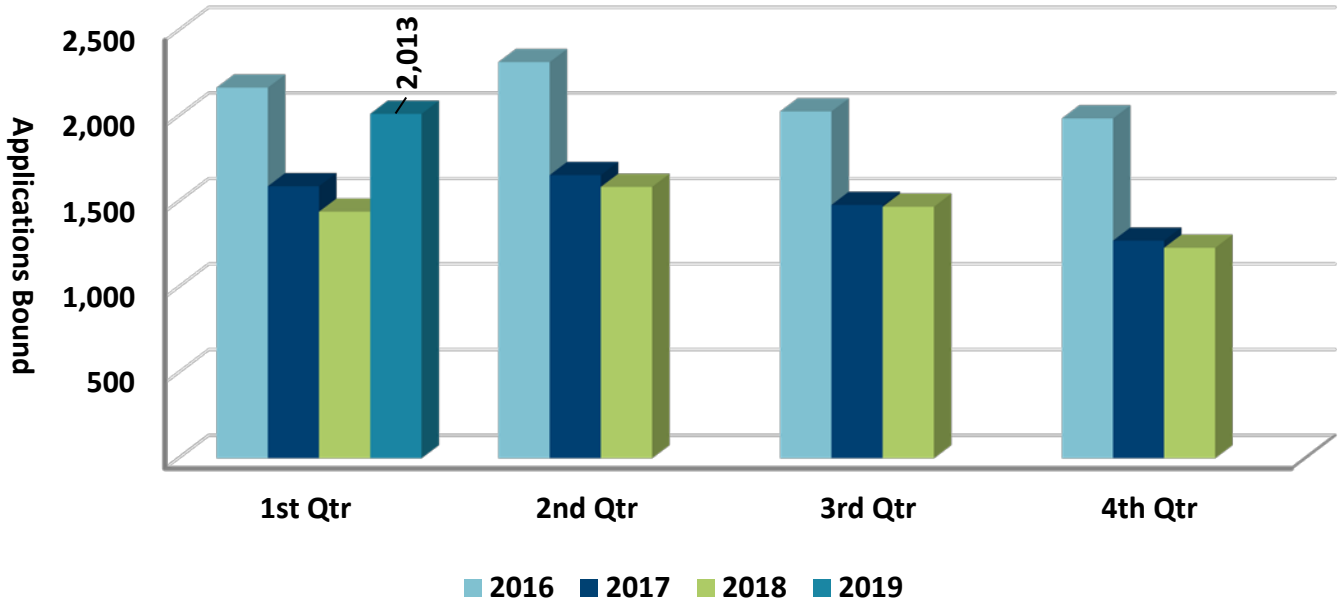
\* The uncollectible premiums provided are reported by the servicing carriers on a quarterly basis. Uncollectible premium is generally reported up to 24 months after the policy expiration date due to audit, billing, and collection requirements. Therefore, the uncollectible premium data has not yet developed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



## Residual Market Demographics

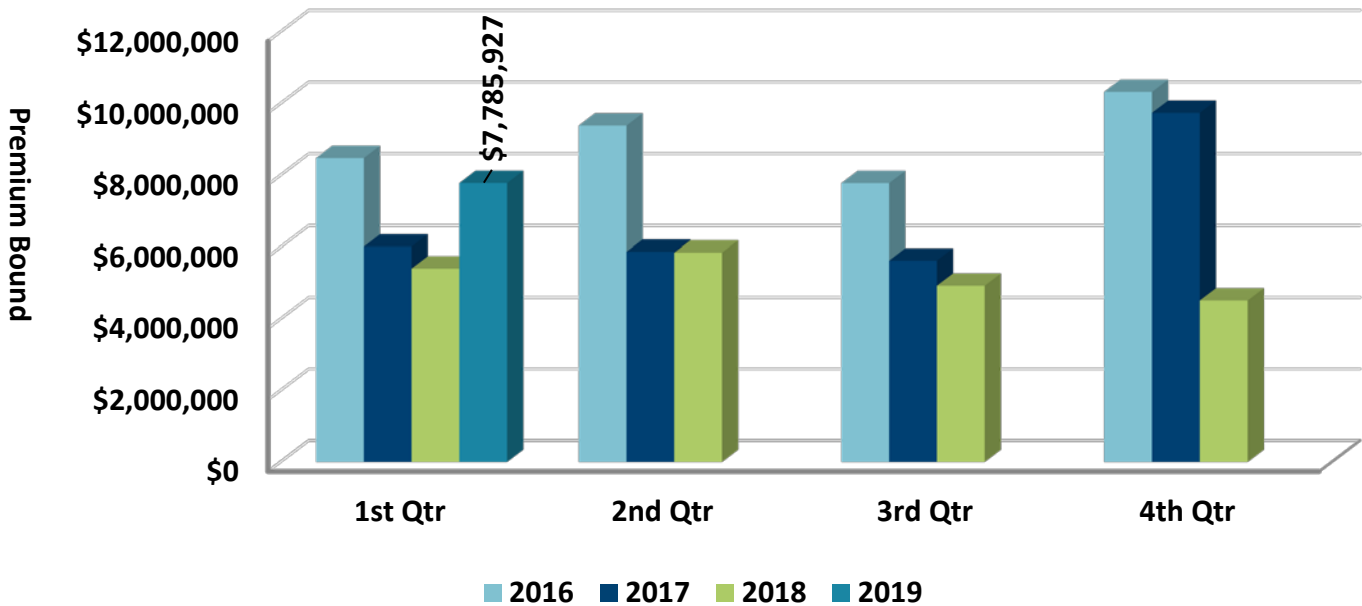
### Total Applications Bound — 2016 vs. 2017 vs. 2018 vs. 2019

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).



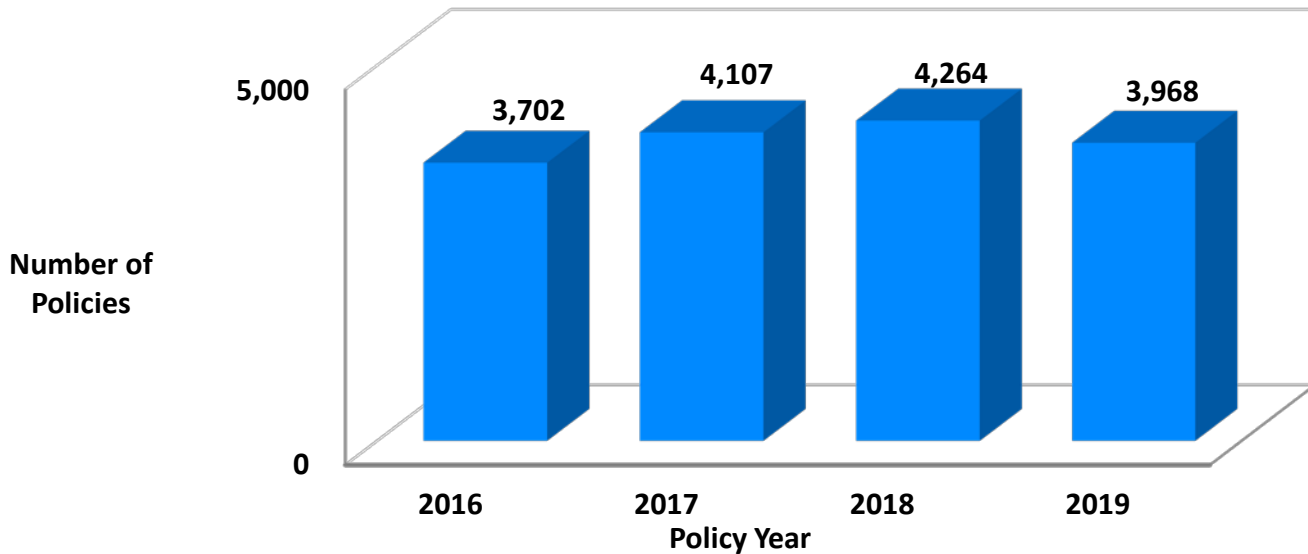


## Residual Market Demographics

### Residual Market Total Policy Counts

#### First Quarter Data for Policies Reported through March 31, 2019

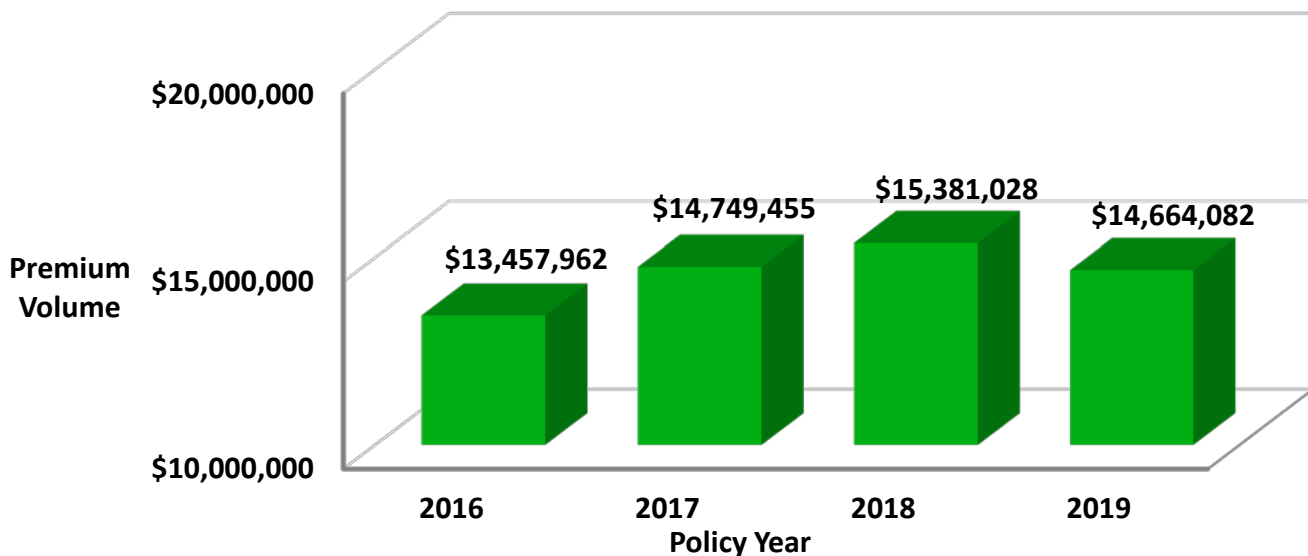
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### First Quarter Data Reported through March 31, 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

#### First Quarter Data Reported through March 31, 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	2,664	67.1%	\$2,926,269	20.0%	\$1,098
\$2500–4999	616	15.5%	\$2,217,347	15.1%	\$3,599
\$5000–9999	396	10.0%	\$2,757,301	18.8%	\$6,962
\$10000–19999	191	4.8%	\$2,589,993	17.7%	\$13,560
\$20000–49999	79	2.0%	\$2,327,019	15.9%	\$29,455
\$50000–99999	18	0.5%	\$1,374,438	9.4%	\$76,357
\$100000–199999	4	0.1%	\$471,715	3.2%	\$117,928
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	3,968	100.0%	\$14,664,082	100.0%	\$3,696

### First Quarter 2018 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	3,013	70.7%	\$3,011,252	19.6%	\$999
\$2500–4999	571	13.4%	\$2,036,090	13.2%	\$3,565
\$5000–9999	392	9.2%	\$2,744,703	17.8%	\$7,001
\$10000–19999	177	4.2%	\$2,430,879	15.8%	\$13,733
\$20000–49999	77	1.8%	\$2,173,447	14.1%	\$28,226
\$50000–99999	28	0.7%	\$2,012,411	13.1%	\$71,871
\$100000–199999	5	0.1%	\$726,912	4.7%	\$145,382
\$200000 +	1	0.0%	\$245,334	1.6%	\$245,334
Total	4,264	100.0%	\$15,381,028	100.0%	\$3,607



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count First Quarter Data Reported through March 31, 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	375	9.5%
2	5551	Roofing-All Kinds & Drivers	206	5.2%
3	7228	Trucking-Local Hauling Only-& Drivers	196	4.9%
4	5437	Carpentry-Installation of Cabinet Work or Interior Trim	195	4.9%
5	5474	Painting NOC & Shop Operations, Drivers	189	4.8%
6	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	162	4.1%
7	5445	Wallboard, Sheetrock, Drywall, Plasterboard or Cement Board Installation - Within Buildings & Drivers	133	3.4%
8	9102	Park NOC-All Employees & Drivers	82	2.1%
9	8835	Home, Public, and Traveling Healthcare - All Employees	77	1.9%
10	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	71	1.8%

### Residual Market Top 10 Classification Codes by Premium Volume First Quarter Data Reported through March 31, 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	\$1,061,059	7.2%
2	5551	Roofing-All Kinds & Drivers	\$907,286	6.2%
3	7228	Trucking-Local Hauling Only-& Drivers	\$716,347	4.9%
4	8279	Stable or Breeding Farm & Drivers	\$601,457	4.1%
5	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	\$550,232	3.8%
6	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	\$545,770	3.7%
7	5474	Painting NOC & Shop Operations, Drivers	\$433,407	3.0%
8	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	\$433,303	3.0%
9	5437	Carpentry-Installation of Cabinet Work or Interior Trim	\$343,558	2.3%
10	7229	Trucking-Long Distance Hauling-& Drivers	\$338,604	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.