



Virginia Residual Market State Activity Report

Second Quarter 2017



Executive Summary

NCCI, as Pool and Plan Administrator of the Virginia Workers Compensation Insurance Plan, is pleased to provide the Second Quarter 2017 *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 June 30, 2017—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.

	2017	2016	2017 vs. 2016 #	2017 vs. 2016 %
Policy Count	15,068	15,102	-34	-0.2%
Premium Volume	\$57,924,653	\$60,795,629	-\$2,870,976	-4.7%



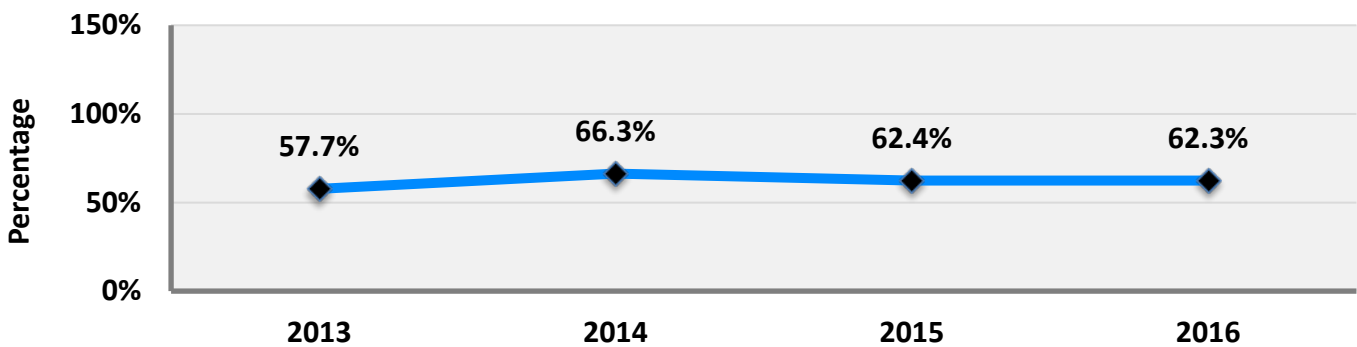
Residual Market Demographics

Virginia Residual Market Reinsurance Pool Booked Loss Ratio

Policy Year Financial Results through 1st Quarter 2017 for 2016 and prior years*

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

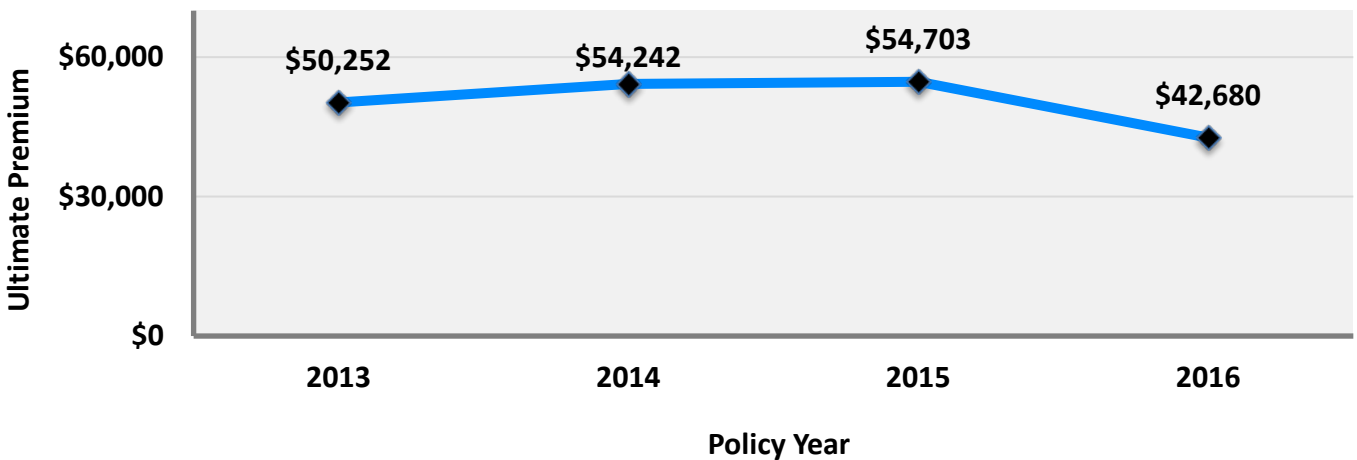
Booked Loss Ratio



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

Policy Year Financial Results through 1st Quarter 2017 for 2016 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.



* Second Quarter 2017 data will be available the end of October 2017 due to the timing of data reporting

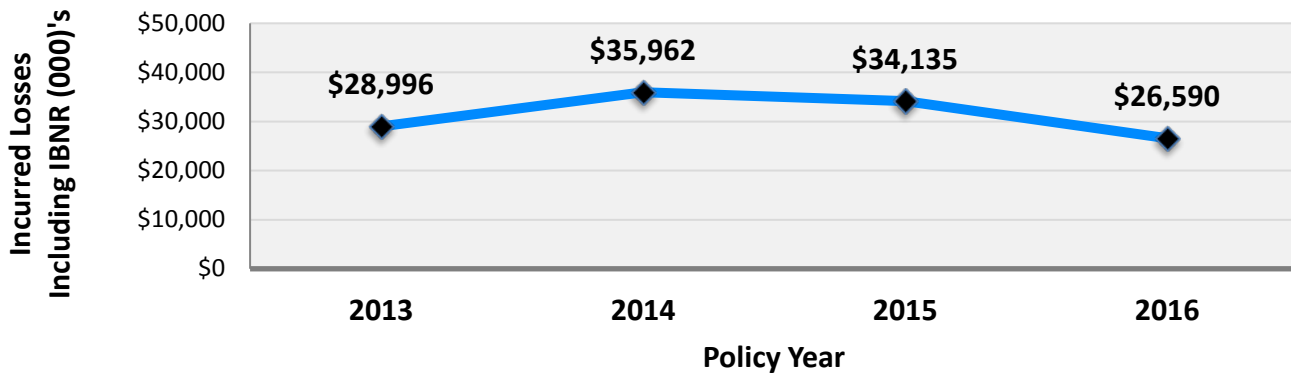


Residual Market Demographics

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

Policy Year Financial Results through 1st Quarter 2017 for 2016 and prior years*

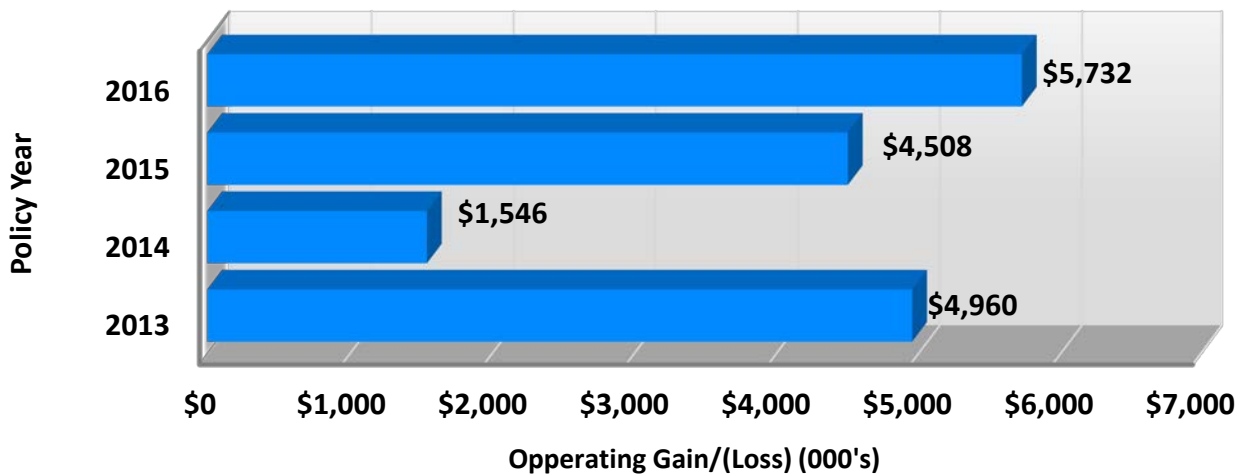
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 1st Quarter 2017 for 2016 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.



* Second Quarter 2017 data will be available the end of July 2017 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 First Quarter 2017.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2013	\$52,174,841	\$1,922,369	3.7%
2014	\$55,533,729	\$1,292,094	2.3%
2015	\$57,145,385	\$2,046,059	3.6%
2016	\$41,458,065	*	N/A
2017	\$7,034,911	*	N/A

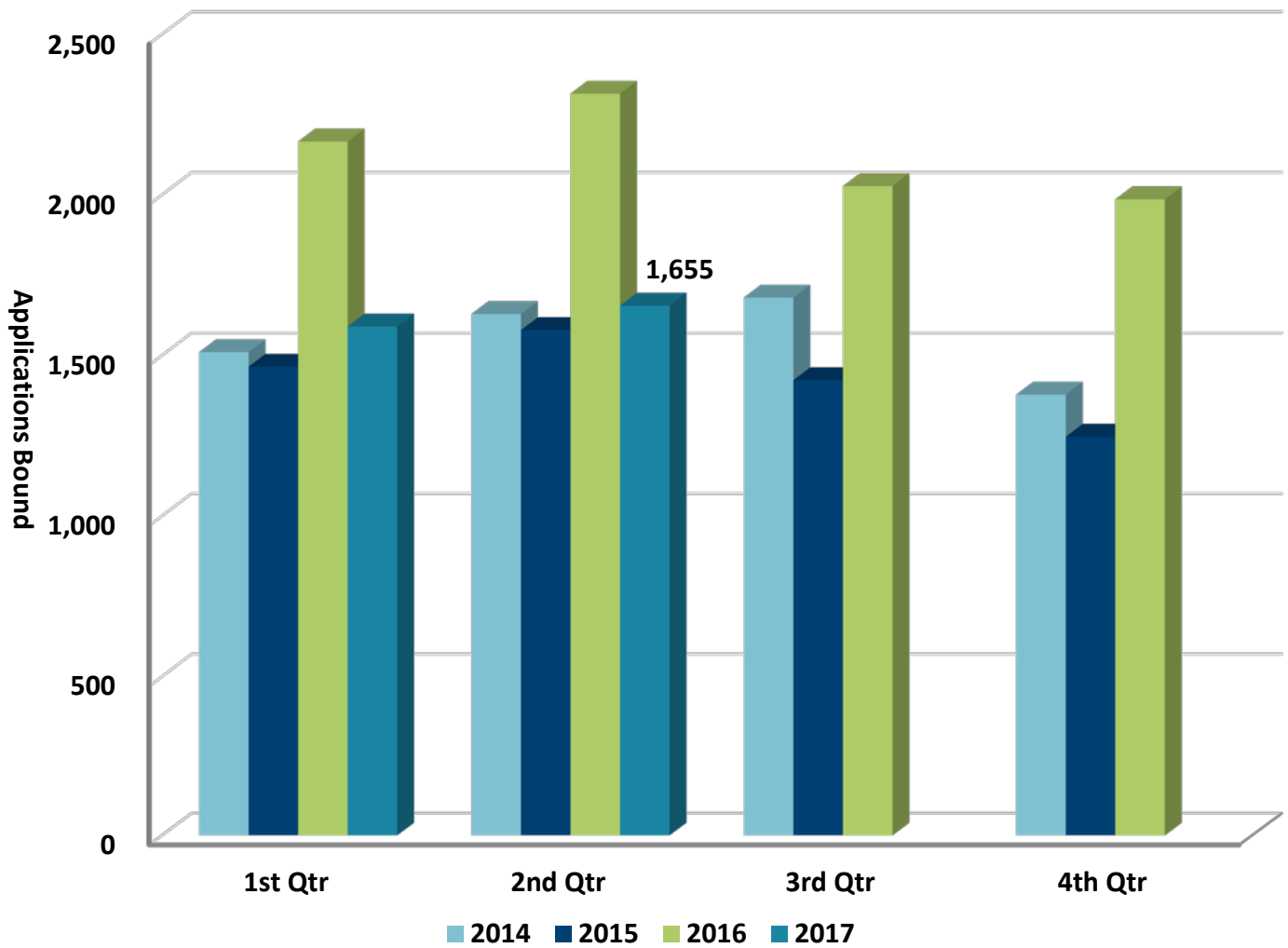
* The uncollectible premiums provided are reported by the servicing carriers on a quarterly basis. Uncollectible premium is generally reported up to 24 months after the policy expiration date due to audit, billing, and collection requirements. Therefore, the uncollectible premium data has not yet developed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



Residual Market Demographics

Total Applications Bound 2014 vs. 2015 vs. 2016 vs. 2017

The number of applications—both new and churn—that are assigned to a Servicing Carrier or a Direct Assignment Carrier (if applicable).

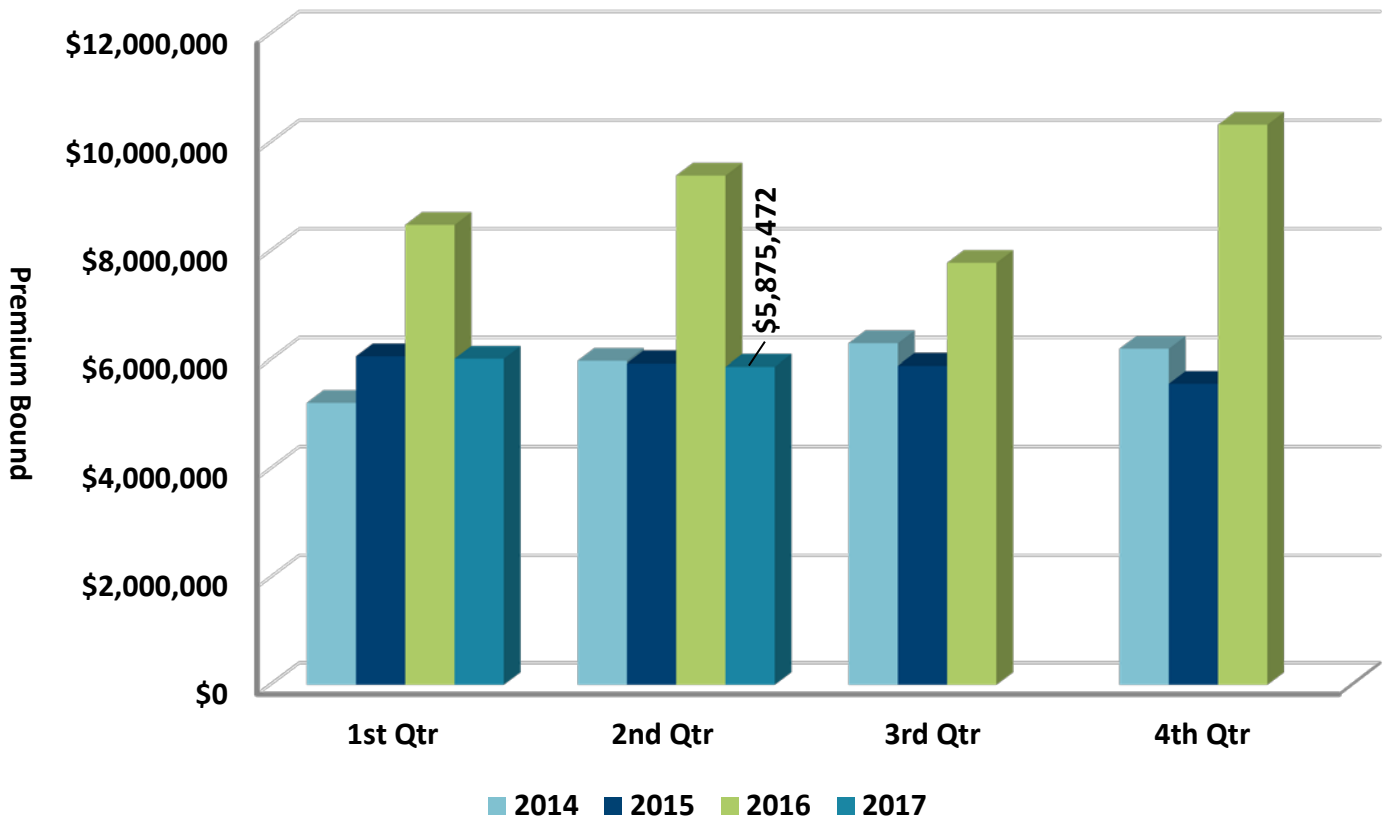




Residual Market Demographics

Total Application Premium Bound 2014 vs. 2015 vs. 2016 vs. 2017

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).



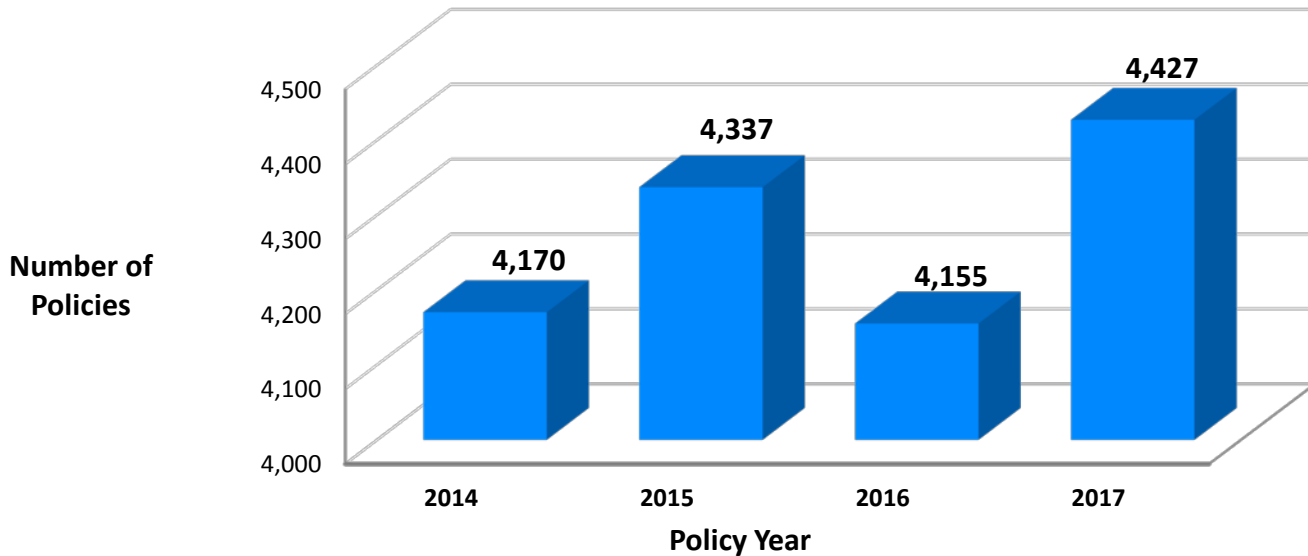


Residual Market Demographics

Residual Market Total Policy Counts

Second Quarter Data for Policies Reported through June 30, 2017

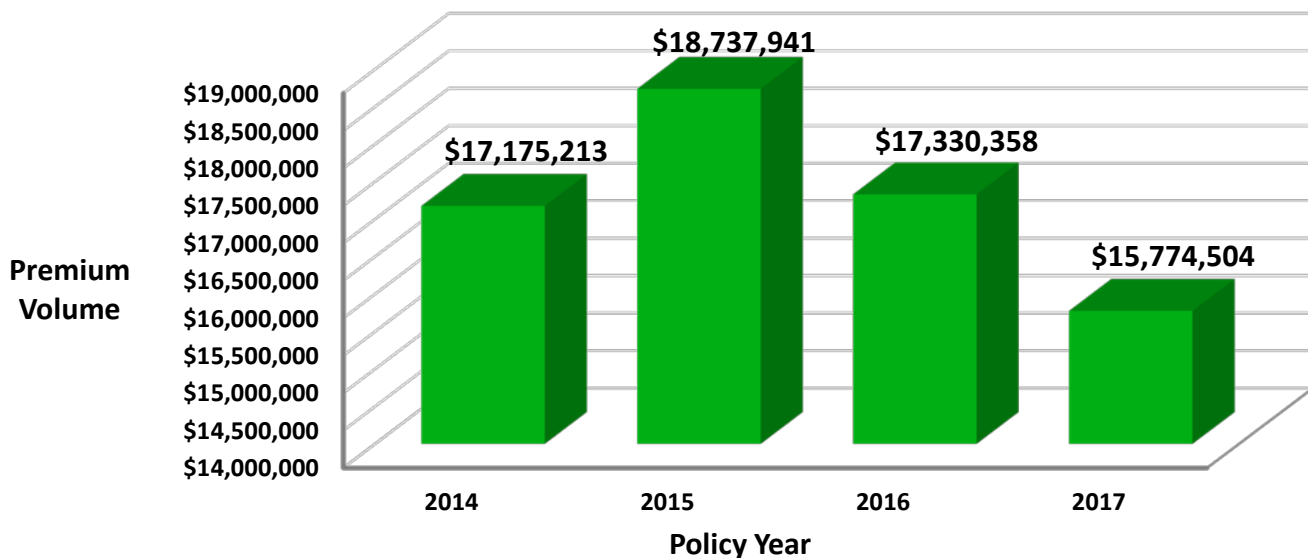
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Second Quarter Data Reported through June 30, 2017

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

Second Quarter Data Reported through June 30, 2017

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	3,102	70.1%	\$3,251,205	20.6%	\$1,048
\$2500–4999	665	15.0%	\$2,331,668	14.8%	\$3,506
\$5000–9999	368	8.3%	\$2,535,306	16.1%	\$6,889
\$10000–19999	187	4.2%	\$2,520,331	16.0%	\$13,477
\$20000–49999	77	1.7%	\$2,419,283	15.3%	\$31,419
\$50000–99999	22	0.5%	\$1,579,946	10.0%	\$71,815
\$100000–199999	4	0.1%	\$519,126	3.3%	\$129,781
\$200000 +	2	0.1%	\$617,639	3.9%	\$308,819
Total	4,427	100.0%	\$15,774,504	100.0%	\$3,563

Second Quarter 2016 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	2,939	70.7%	\$2,770,272	16.0%	\$942
\$2500–4999	571	13.7%	\$2,019,931	11.7%	\$3,537
\$5000–9999	338	8.1%	\$2,349,534	13.6%	\$6,951
\$10000–19999	180	4.3%	\$2,417,026	14.0%	\$13,427
\$20000–49999	89	2.1%	\$2,698,446	15.6%	\$30,319
\$50000–99999	27	0.7%	\$1,913,127	11.0%	\$70,856
\$100000–199999	8	0.2%	\$1,116,265	6.4%	\$139,533
\$200000 +	3	0.1%	\$2,045,757	11.8%	\$681,919
Total	4,155	100%	\$17,330,358	100%	\$4,171



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Second Quarter Data Reported through June 30, 2017

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	419	9.5%
2	7228	Trucking-Local Hauling Only-& Drivers	279	6.3%
3	5474	Painting NOC & Shop Operations Drivers	217	4.9%
4	5437	Carpentry-Installation of Cabinet Work or Interior Trim	193	4.4%
5	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	158	3.6%
6	5551	Roofing-All Kinds & Drivers	156	3.5%
7	5445	Wallboard Sheetrock Drywall Plasterboard or Cement Board Installation Within Buildings	97	2.2%
8	9102	Park NOC-All Employees & Drivers	95	2.2%
9	8835	Nursing-Home Health Public and Traveling-All Employees	87	2.0%
10	9015	Buildings-Operation by Owner or Lessee	78	1.8%

Residual Market Top 10 Classification Codes by Premium Volume Second Quarter Data Reported through June 30, 2017

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	\$1,242,516	7.9%
2	7228	Trucking-Local Hauling Only-& Drivers	\$1,015,946	6.4%
3	5551	Roofing-All Kinds & Drivers	\$896,823	5.7%
4	5474	Painting NOC & Shop Operations Drivers	\$682,836	4.3%
5	8868	College: Professional Employees & Clerical	\$440,693	2.8%
6	8279	Stable or Breeding Farm & Drivers	\$428,036	2.7%
7	8033	Store: Meat Grocery and Provision Stores Combined-Retail NOC	\$395,766	2.5%
8	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	\$383,050	2.4%
9	0106	Tree Pruning Spraying Repairing Trimming or Fumigating & Drivers	\$365,169	2.3%
10	5437	Carpentry-Installation of Cabinet Work or Interior Trim	\$327,246	2.1%



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.