



Virginia Residual Market State Activity Report

Third Quarter 2019



Executive Summary

NCCI, as Pool and Plan Administrator of the Virginia Workers Compensation Insurance Plan, is pleased to provide the Third 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:

Table of Contents

Residual Market Demographics	
Residual Market Total Policies and Premium in Force	1
Virginia Residual Market Reinsurance Pool Booked Loss Ratio	2
Virginia Residual Market Reinsurance Pool Ultimate Net Written Premium	2
Virginia Residual Market Reinsurance Pool Net Operating Results.....	3
Collections/Indemnification.....	4
Total Applications Bound	5
Total Application Premium Bound	5
Residual Market Total Policy Counts	6
Residual Market Total Premium Volume	6
Total Premium Distribution by Size of Risk.....	7
Residual Market Top 10 Classification Codes by Policy Count.....	8
Residual Market Top 10 Classification Codes by Premium Volume	8
Glossary of Terms.....	9

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

© Copyright 2019 National Council on Compensation Insurance, Inc. This material is owned by NCCI and is protected by copyright law. NCCI will seek all appropriate legal remedies for the unauthorized use, sale, reproduction, distribution, preparation of derivative works, transfer or assignment of this material, or any part thereof. NCCI makes no representation or warranty, express or implied, as to any matter whatsoever, including but not limited to the accuracy of any information, product, or service furnished hereunder. The recipient of this material is subject to any license agreement that governs the use of this information and subscribes to and utilizes the information "as is."



Residual Market Demographics

Residual Market Total Policies and Premium in Force As of September 30, 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 %
Policy Count	15,531	16,186	-655	-4.0%
Premium Volume	\$57,947,470	\$61,421,861	-\$3,474,391	-5.7%

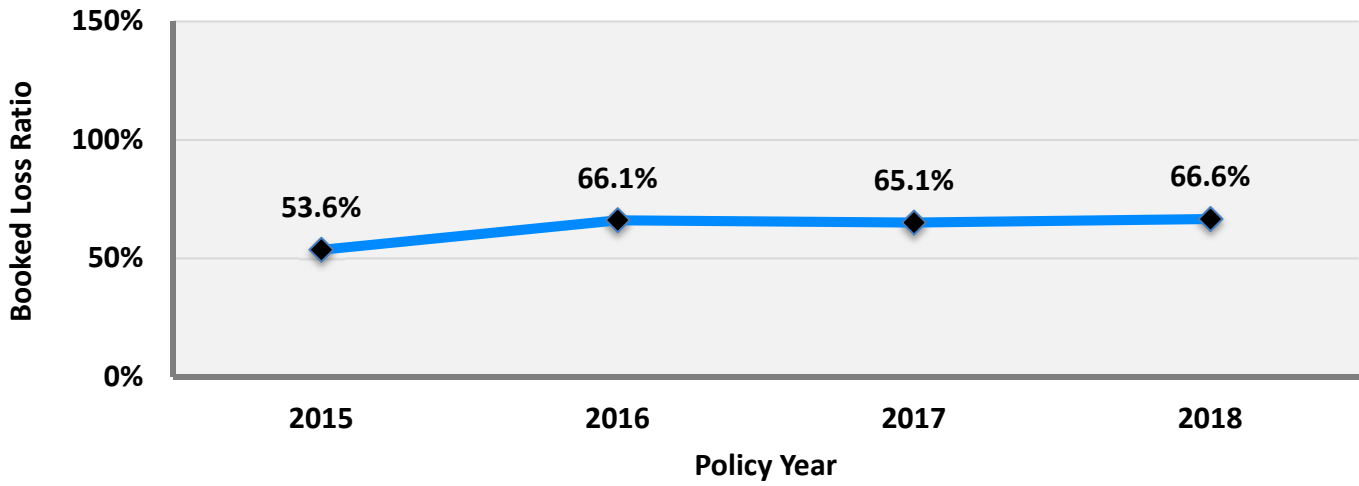


Residual Market Demographics

Virginia Residual Market Reinsurance Pool Booked Loss Ratio

Policy Year Financial Results through 2nd Quarter 2019 for 2018 and prior years*

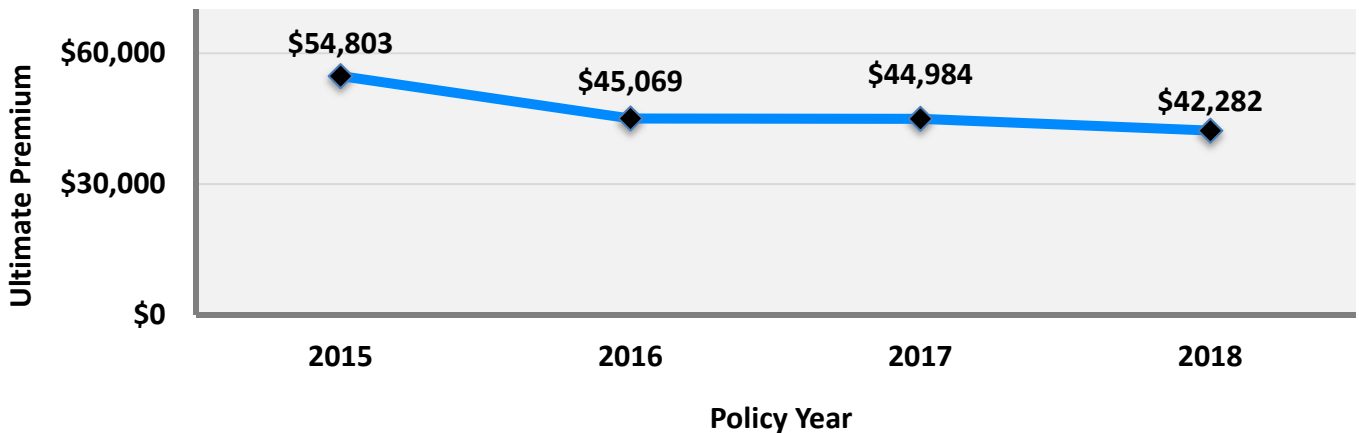
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

Policy Year Financial Results through 2nd Quarter 2019 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.



*3rd Quarter 2019 data will be available the end of January 2020 due to the timing of data reporting

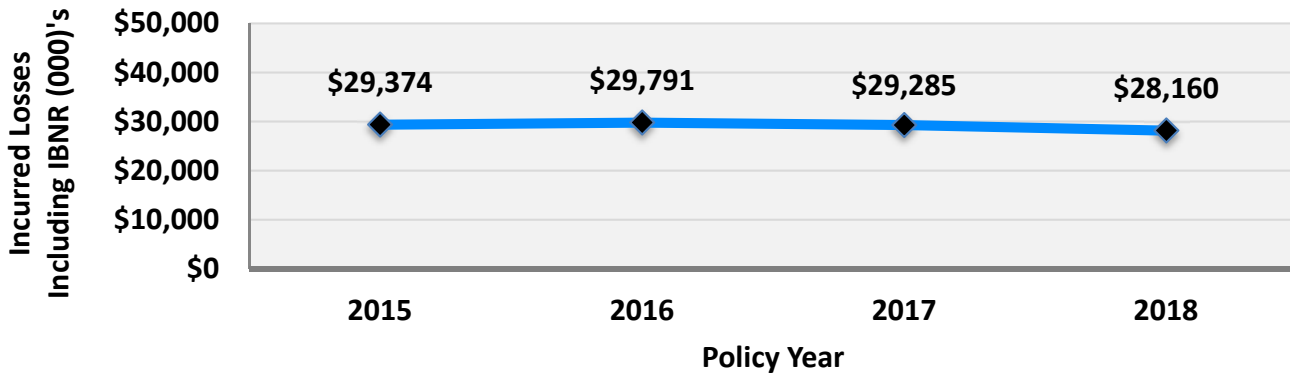


Residual Market Demographics

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

Policy Year Financial Results through 2nd Quarter 2019 for 2018 and prior years*

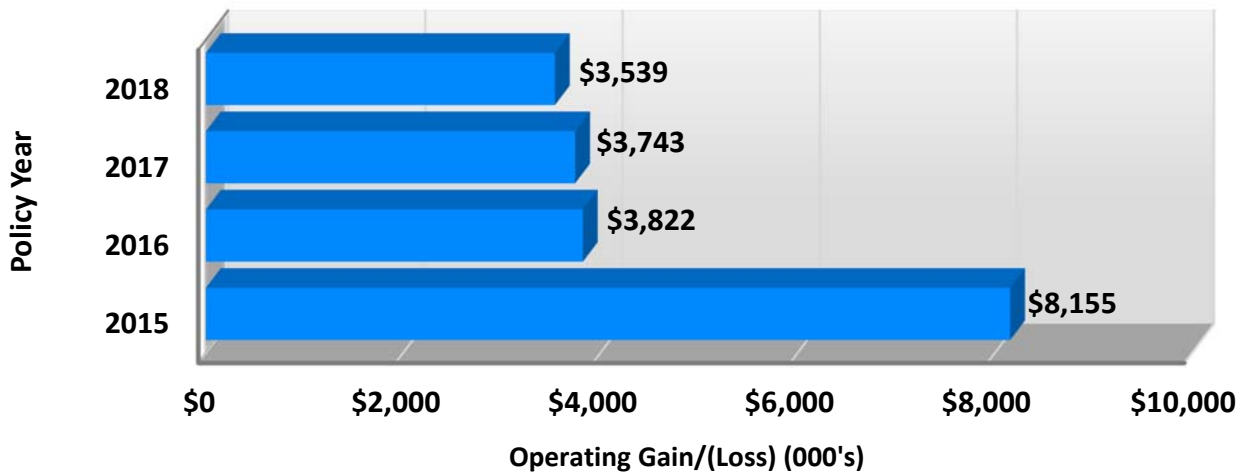
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

Policy Year Financial Results through 2nd Quarter 2019 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.



*3rd Quarter 2019 data will be available the end of January 2020 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 2015-2019, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2019.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2015	\$56,628,755	\$1,825,941	3.2%
2016	\$46,475,039	\$1,405,713	3.0%
2017	\$46,927,296	\$1,648,672	3.5%
2018	\$43,281,775	*	N/A
2019	\$15,948,901	*	N/A

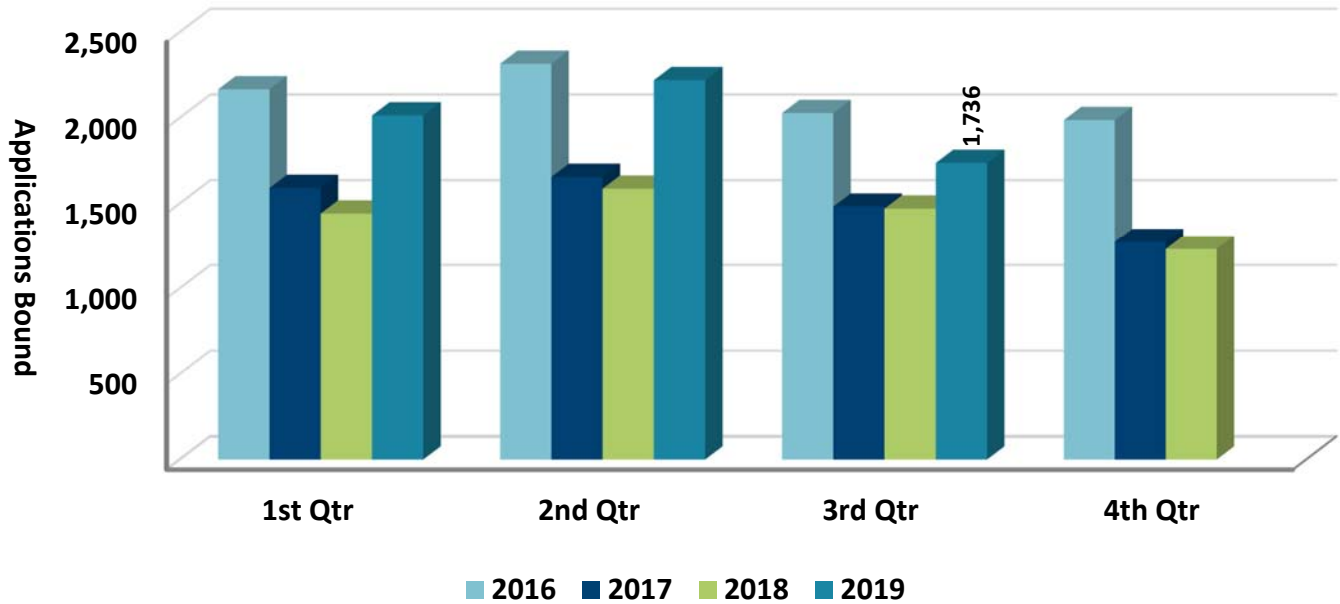
* The uncollectible premiums provided are reported by the servicing carriers on a quarterly basis. Uncollectible premium is generally reported up to 24 months after the policy expiration date due to audit, billing, and collection requirements. Therefore, the uncollectible premium data has not yet developed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



Residual Market Demographics

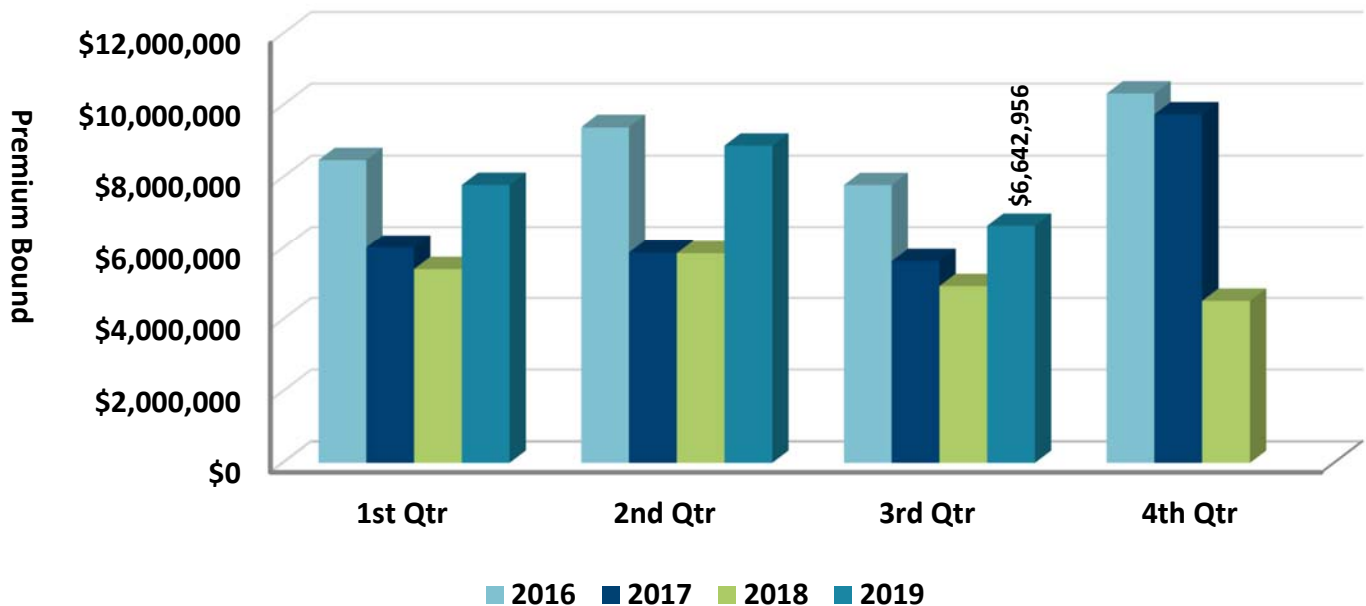
Total Applications Bound — 2016 vs. 2017 vs. 2018 vs. 2019

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).



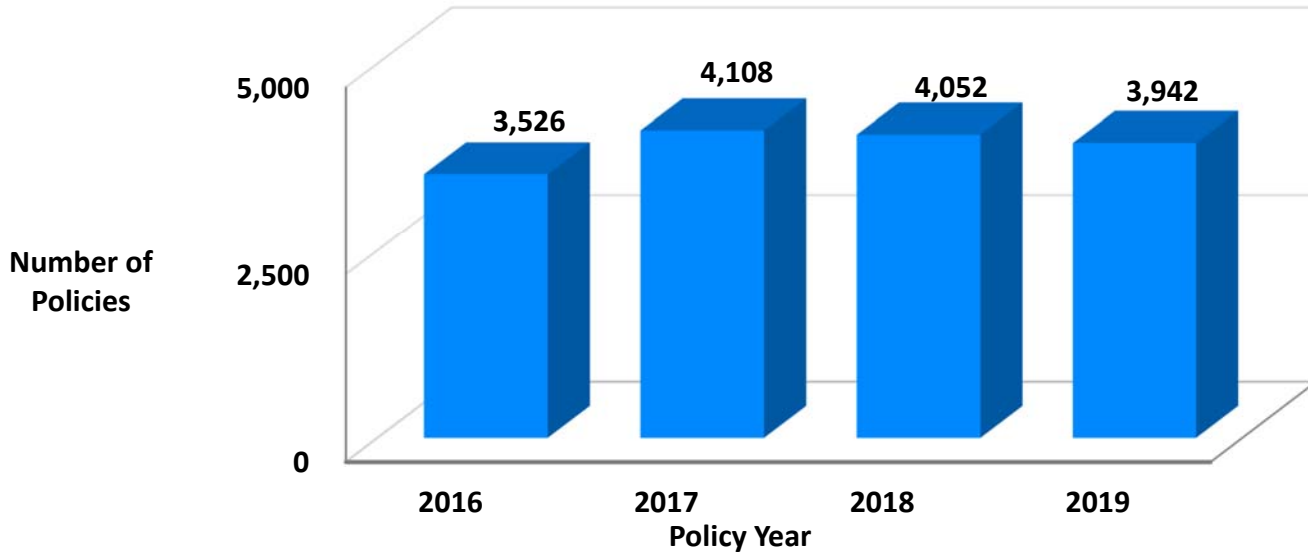


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2019

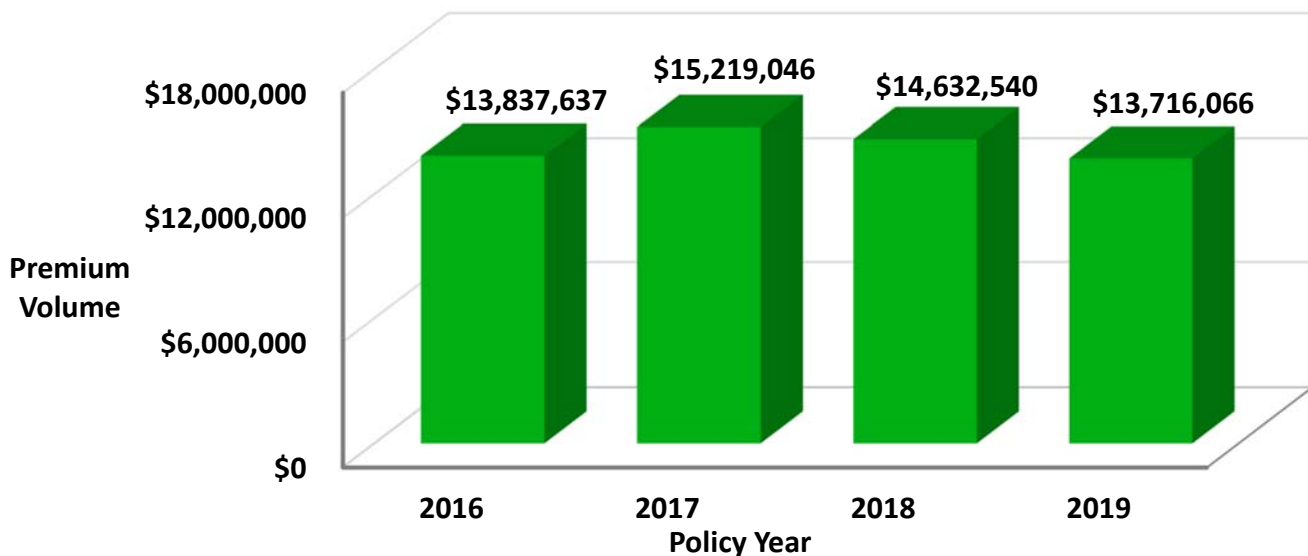
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 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

Third Quarter Data Reported through September 30, 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	2728	69.2%	\$2,811,215	20.5%	\$1,030
\$2500–4999	595	15.1%	\$2,125,073	15.5%	\$3,571
\$5000–9999	368	9.3%	\$2,556,356	18.6%	\$6,946
\$10000–19999	154	3.9%	\$2,108,751	15.4%	\$13,693
\$20000–49999	79	2.0%	\$2,348,978	17.1%	\$29,733
\$50000–99999	11	0.3%	\$759,349	5.5%	\$69,031
\$100000–199999	5	0.1%	\$540,124	3.9%	\$108,024
\$200000 +	2	0.1%	\$466,220	3.4%	\$233,110
Total	3,942	100.0%	\$13,716,066	100.0%	\$3,479

Third Quarter 2018 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	2,893	71.4%	\$2,875,497	19.7%	\$993
\$2500–4999	566	14.0%	\$2,015,730	13.8%	\$3,561
\$5000–9999	338	8.3%	\$2,387,624	16.3%	\$7,063
\$10000–19999	153	3.8%	\$2,139,623	14.6%	\$13,984
\$20000–49999	72	1.8%	\$2,149,622	14.7%	\$29,855
\$50000–99999	24	0.6%	\$1,646,910	11.3%	\$68,621
\$100000–199999	2	0.1%	\$218,131	1.5%	\$109,065
\$200000 +	4	0.1%	\$1,199,403	8.2%	\$299,850
Total	4,052	100.0%	\$14,632,540	100.0%	\$3,611



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 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	338	8.6%
2	7228	Trucking-Local Hauling Only-& Drivers	232	5.9%
3	5437	Carpentry-Installation of Cabinet Work or Interior Trim	191	4.9%
4	5474	Painting NOC & Shop Operations, Drivers	187	4.7%
5	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	160	4.1%
6	5551	Roofing-All Kinds & Drivers	147	3.7%
7	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	86	2.2%
8	5478	Floor Covering Installation - Resilient Flooring - Carpet and Laminate Flooring	80	2.0%
9	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	80	2.0%
10	9402	Street Cleaning & Drivers	80	2.0%

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 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	\$1,017,597	7.4%
2	5551	Roofing-All Kinds & Drivers	\$935,138	6.8%
3	7228	Trucking-Local Hauling Only-& Drivers	\$673,721	4.9%
4	7711	Firefighters & Drivers - Volunteer	\$569,643	4.2%
5	5474	Painting NOC & Shop Operations, Drivers	\$467,721	3.4%
6	8292	Storage Warehouse NOC	\$352,018	2.6%
7	5445	Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	\$342,446	2.5%
8	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	\$331,165	2.4%
9	5437	Carpentry-Installation of Cabinet Work or Interior Trim	\$321,328	2.3%
10	9014	Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	\$311,941	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.