



# Virginia Residual Market State Activity Report

Annual 2020



## Executive Summary

NCCI, as Pool and Plan Administrator of the Virginia Workers Compensation Insurance Plan, is pleased to provide the Annual 2020 *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.

Sean Cordell, Plan Administration

561-893-3171

© Copyright 2021 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 December 31, 2020—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.

	2020	2019	2020 vs. 2019 #	2020 vs. 2019 %
<b>Policy Count</b>	12,706	13,364	-658	-4.9%
<b>Premium Volume</b>	\$48,697,827	\$55,798,330	-\$7,100,503	-12.7%

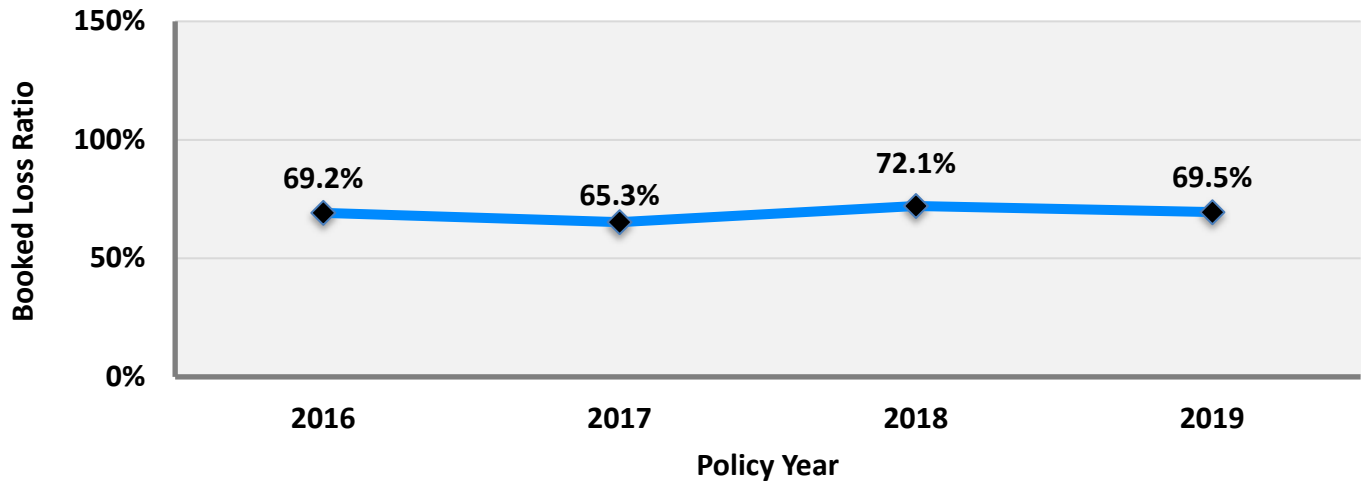


## Residual Market Demographics

### Virginia Residual Market Reinsurance Pool Booked Loss Ratio

#### Policy Year Financial Results through 3rd Quarter 2020 for 2019 and prior years\*

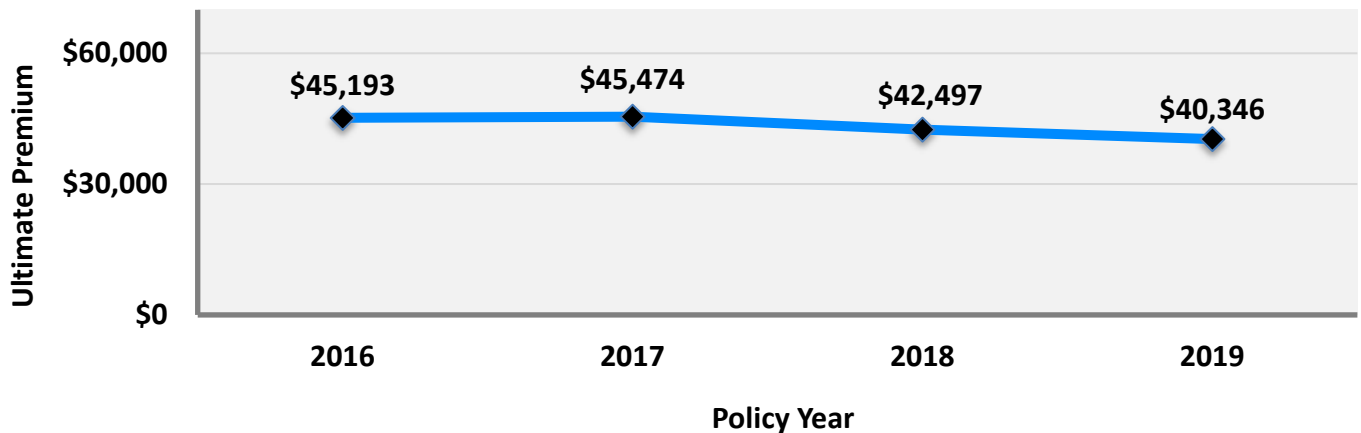
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 3rd Quarter 2020 for 2019 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.



\*4th Quarter 2020 data will be available the end of April 2021 due to the timing of data reporting

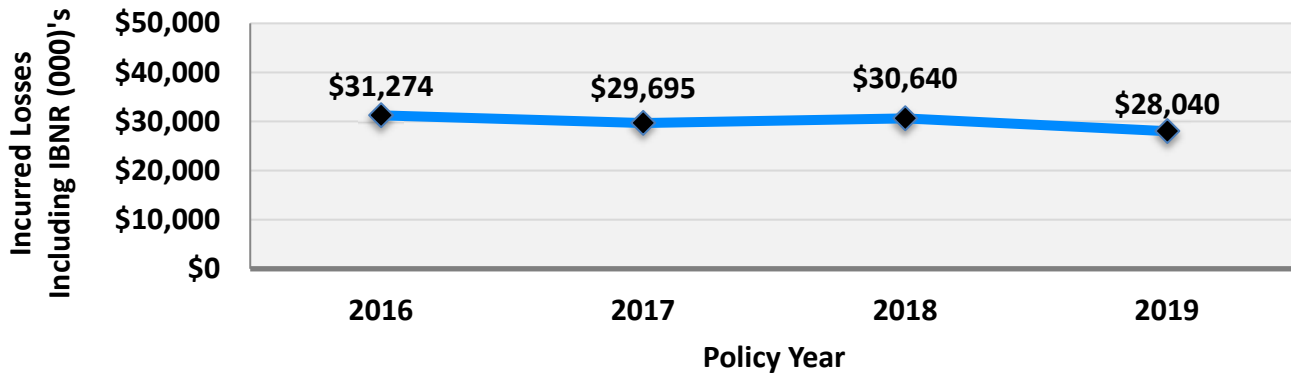


## Residual Market Demographics

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

#### Policy Year Financial Results through 3rd Quarter 2020 for 2019 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 3rd Quarter 2020 for 2019 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.



\*4th Quarter 2020 data will be available the end of April 2021 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 3rd Quarter 2020.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2016	46,612,753	1,419,731	3.0%
2017	46,923,448	1,449,164	3.1%
2018	44,116,229	1,435,598	3.3%
2019	41,236,266	*	N/A
2020	22,578,138	*	N/A

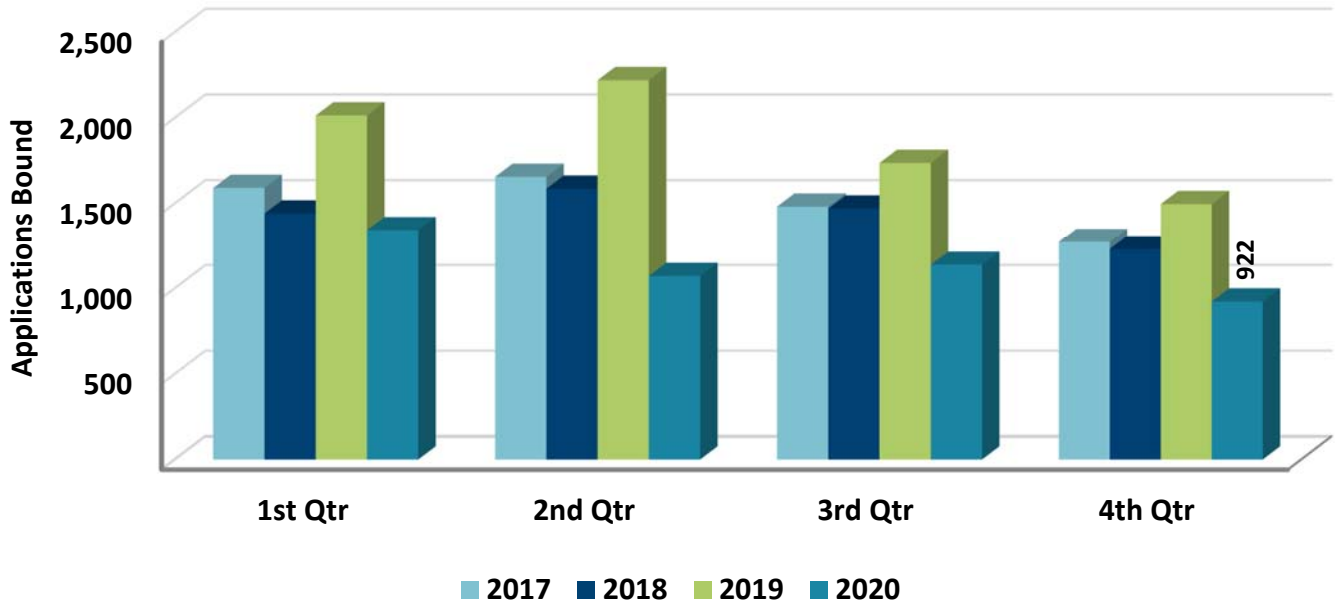
\* The uncollectible premiums provided are reported by the servicing carriers on a quarterly basis. Uncollectible premium is generally reported up to 24 months after the policy expiration date due to audit, billing, and collection requirements. Therefore, the uncollectible premium data has not yet developed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



## Residual Market Demographics

### Total Applications Bound — 2017 vs. 2018 vs. 2019 vs. 2020

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 — 2017 vs. 2018 vs. 2019 vs. 2020

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).



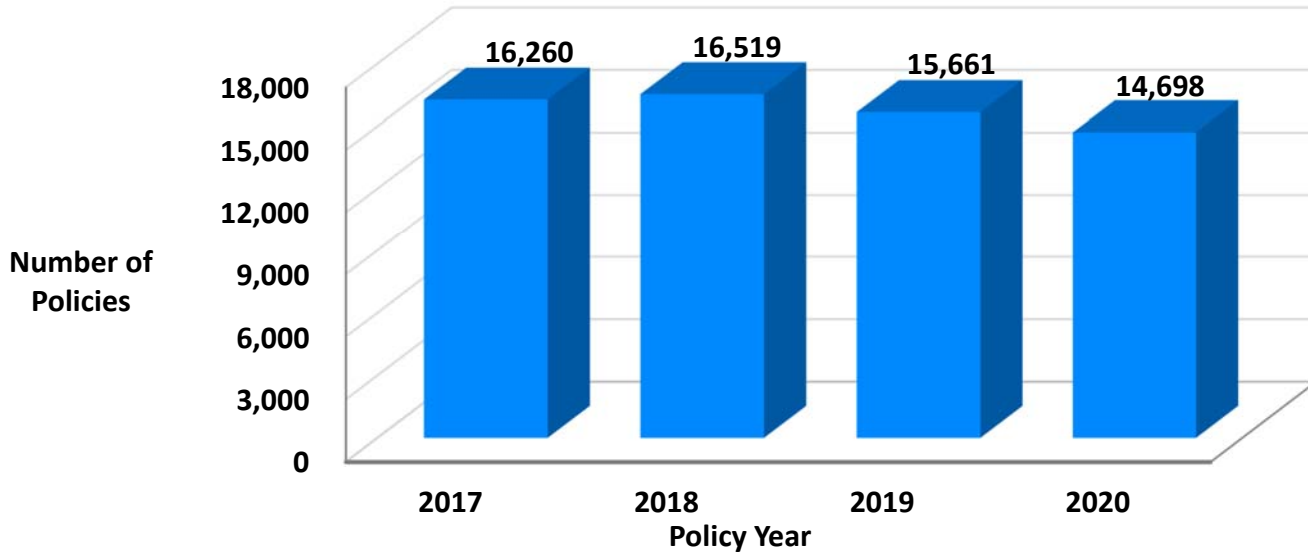


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Annual Data for Policies Reported through December 31, 2020

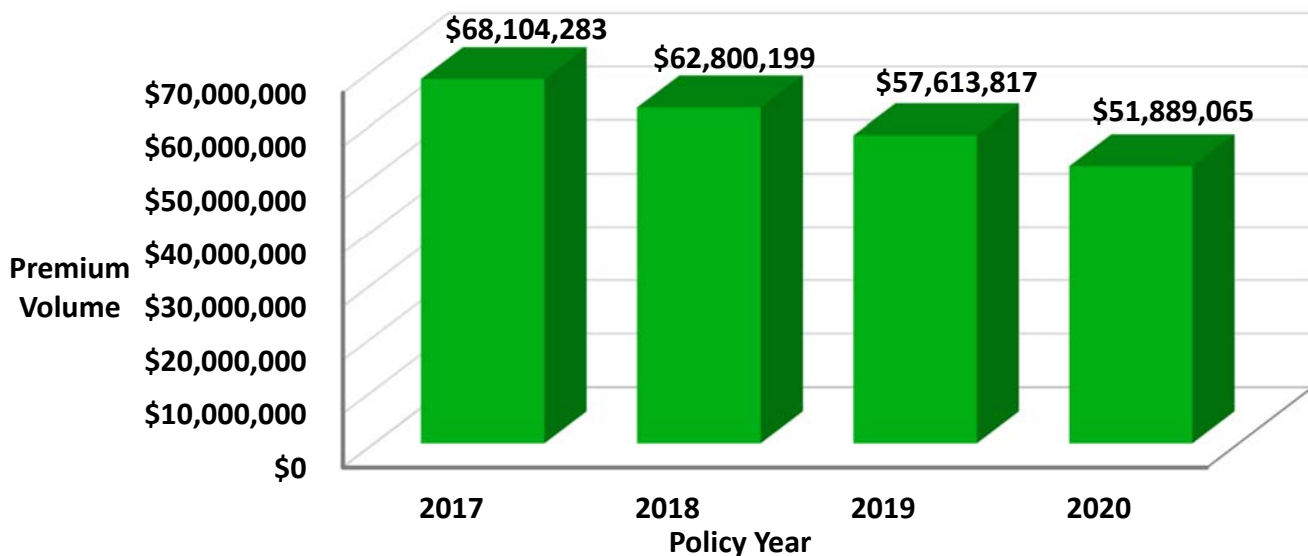
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Annual Data Reported through December 31, 2020

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, 2020

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	10,112	68.8	11,403,971	22.0	1,128
\$2500–4999	2,259	15.4	8,036,374	15.5	3,557
\$5000–9999	1,404	9.6	9,820,514	18.9	6,995
\$10000–19999	604	4.1	8,273,893	15.9	13,698
\$20000–49999	246	1.7	7,250,721	14.0	29,474
\$50000–99999	56	0.4	3,903,087	7.5	69,698
\$100000–199999	13	0.1	1,790,403	3.5	137,723
\$200000 +	4	0.0	1,410,102	2.7	352,526
Total	14,698	100.0	51,889,065	100.0	3,530

### Annual 2019 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0–2499	10,756	68.7	11,909,775	20.7	1,107
\$2500–4999	2,381	15.2	8,445,289	14.7	3,547
\$5000–9999	1,489	9.5	10,346,997	18.0	6,949
\$10000–19999	648	4.1	8,676,032	15.1	13,389
\$20000–49999	291	1.9	8,466,936	14.7	29,096
\$50000–99999	70	0.4	4,716,895	8.2	67,384
\$100000–199999	19	0.1	2,479,738	4.3	130,513
\$200000 +	7	0.0	2,572,155	4.5	367,451
Total	15,661	100.0	57,613,817	100.0	3,679



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 31, 2020

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	1,311	8.9
2	7228 - Trucking-Local Hauling Only-& Drivers	870	5.9
3	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	797	5.4
4	5551 - Roofing-All Kinds & Drivers	678	4.6
5	5474 - Painting NOC & Shop Operations, Drivers	601	4.1
6	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	553	3.8
7	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, Or Cement Board Installation - Within Buildings & Drivers	412	2.8
8	8835 - Home, Public, And Traveling Healthcare - All Employees	278	1.9
9	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	277	1.9
10	5478 - Floor Covering Installation - Resilient Flooring - Carpet and Laminate Flooring	268	1.8

### Residual Market Top 10 Classification Codes by Premium Volume Annual Data Reported through December 31, 2020

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	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	4,369,011	8.4
2	5551 - Roofing-All Kinds & Drivers	3,823,868	7.4
3	7228 - Trucking-Local Hauling Only-& Drivers	2,452,003	4.7
4	5474 - Painting NOC & Shop Operations, Drivers	1,577,127	3.0
5	5437 - Carpentry-Installation of Cabinet Work or Interior Trim	1,524,539	2.9
6	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	1,482,729	2.9
7	9014 - Janitorial Services by Contractors-No Window Cleaning Above Ground Level & Drivers	1,392,029	2.7
8	8279 - Stable or Breeding Farm & Drivers	1,345,372	2.6
9	5445 - Wallboard, Sheetrock, Drywall, Plasterboard, or Cement Board Installation - Within Buildings & Drivers	1,294,222	2.5
10	8835 - Home, Public, And Traveling Healthcare - All Employees	1,103,587	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.