

# Vermont Residual Market State Activity Report

First Quarter 2018



## Executive Summary

NCCI, as Pool and Plan Administrator of the Vermont Workers Compensation Insurance Plan, is pleased to provide the First Quarter 2018 *Vermont 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 Vermont 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 %
<b>Policy Count</b>	3,701	3,865	-164	-4.2%
<b>Premium Volume</b>	\$17,642,935	\$18,768,709	-\$1,125,774	-6.0%



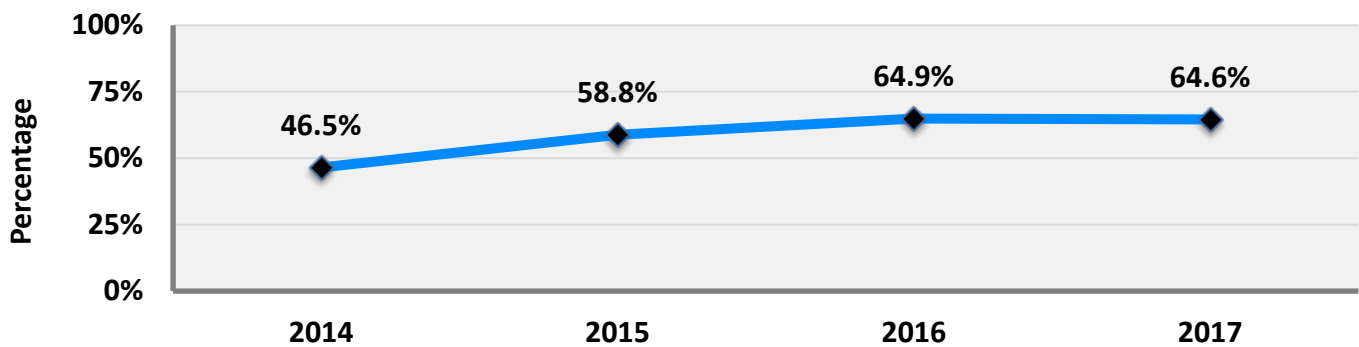
## Residual Market Demographics

### Vermont 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.

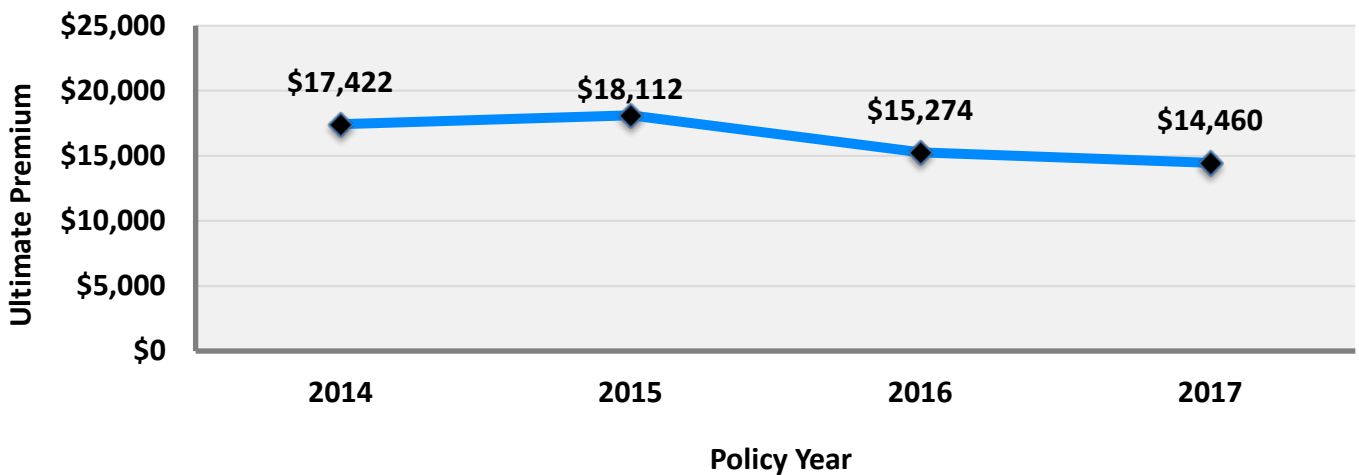
#### Booked Loss Ratio



### Vermont 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

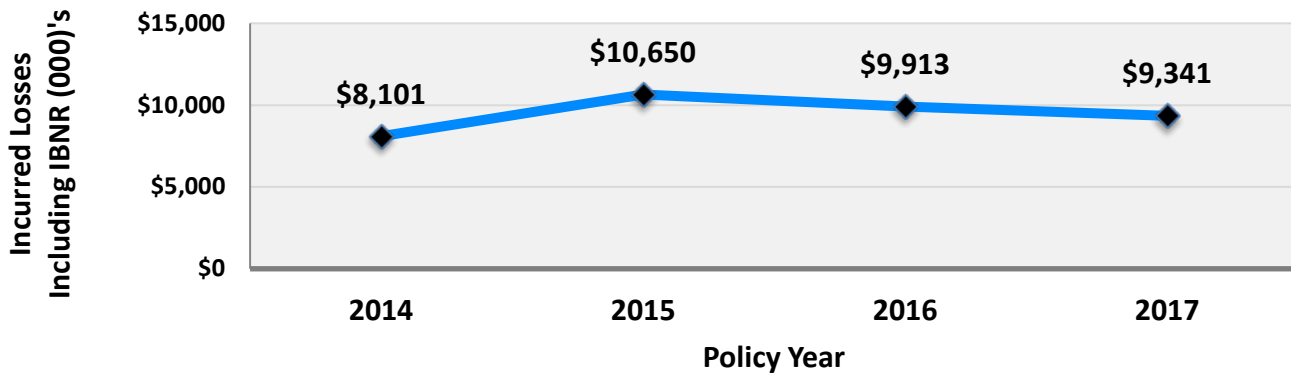


## Residual Market Demographics

### Vermont 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\*

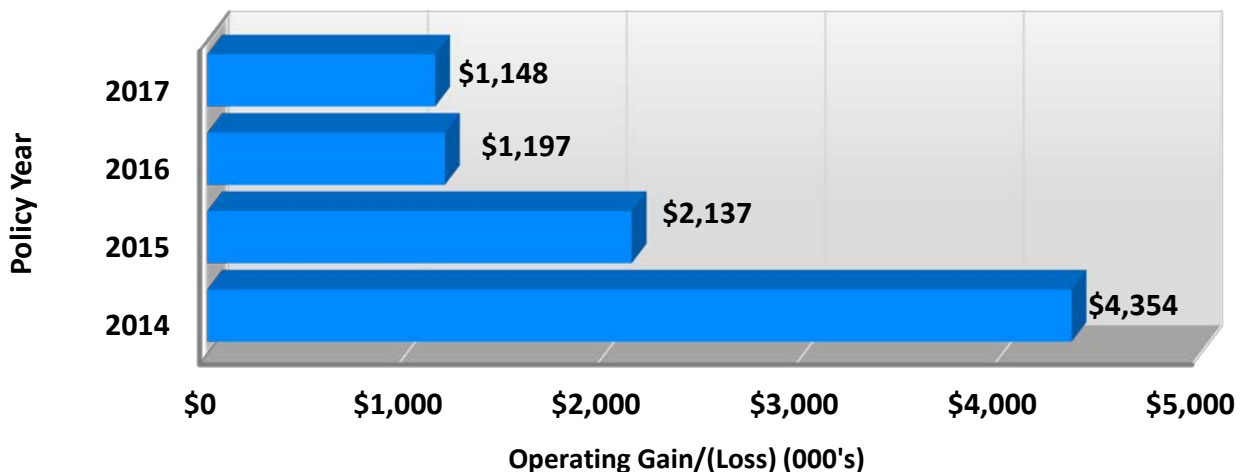
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



### Vermont 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 Vermont 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	\$15,876,803	\$428,198	2.7%
2014	\$17,618,192	\$196,303	1.1%
2015	\$18,354,289	\$241,916	1.3%
2016	\$15,711,815	*	N/A
2017	\$12,385,198	*	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

### Voluntary Coverage Assistance Program

#### First Quarter Data through March 31, 2018

The volume of assigned risk applications redirected to the voluntary market through NCCI's **VCAP<sup>®</sup> Service**. The following shows the results **VCAP<sup>®</sup> Service** has provided during First Quarter 2018.

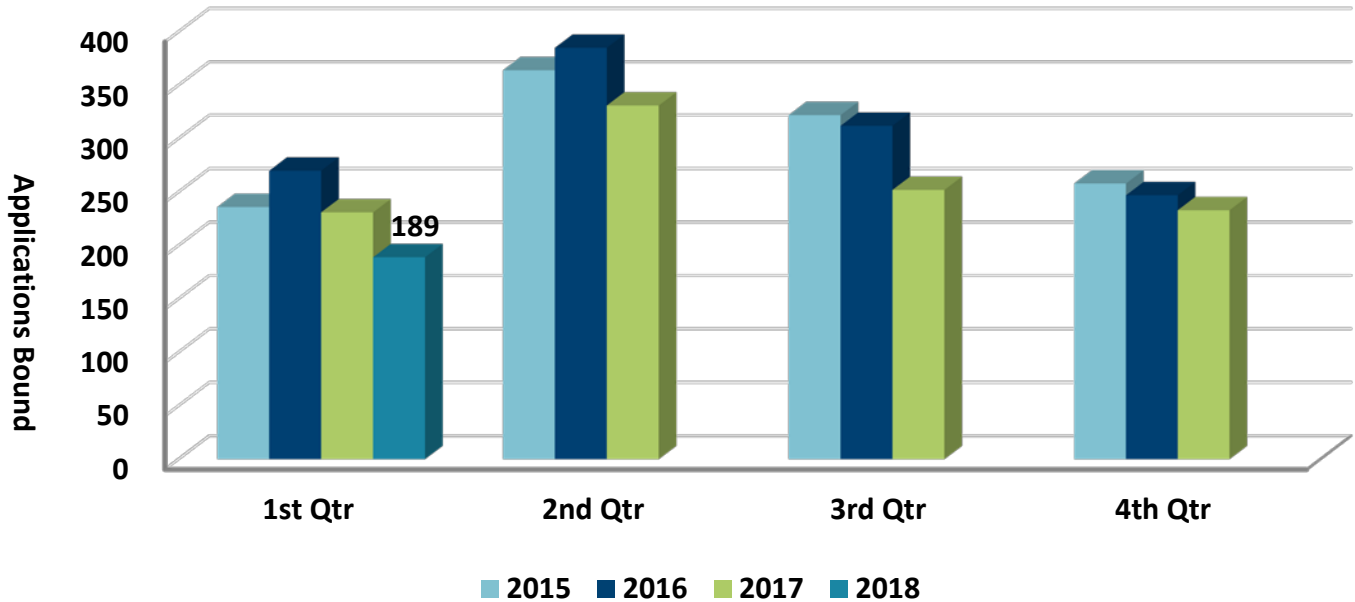
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	197
Number of <b>VCAP<sup>®</sup> Service</b> Matches	132
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	6.82%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	9
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	4.57%
Savings as a % of Redirected Assigned Risk Premium	18.58%



## Residual Market Demographics

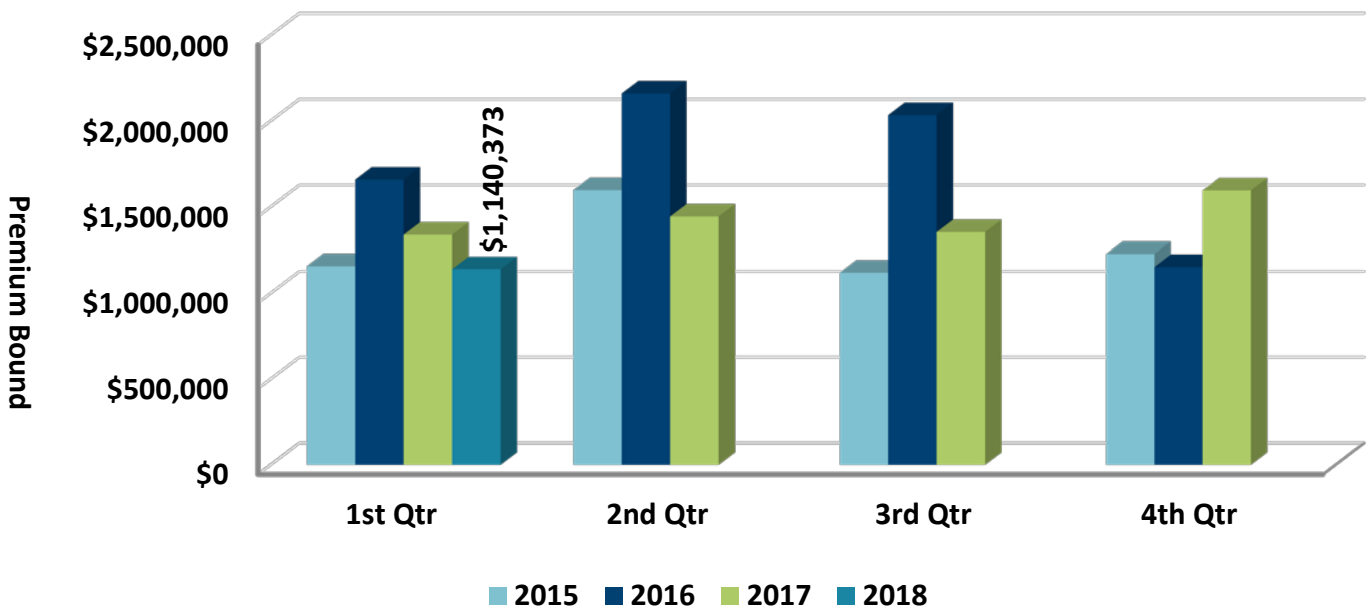
### Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

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).





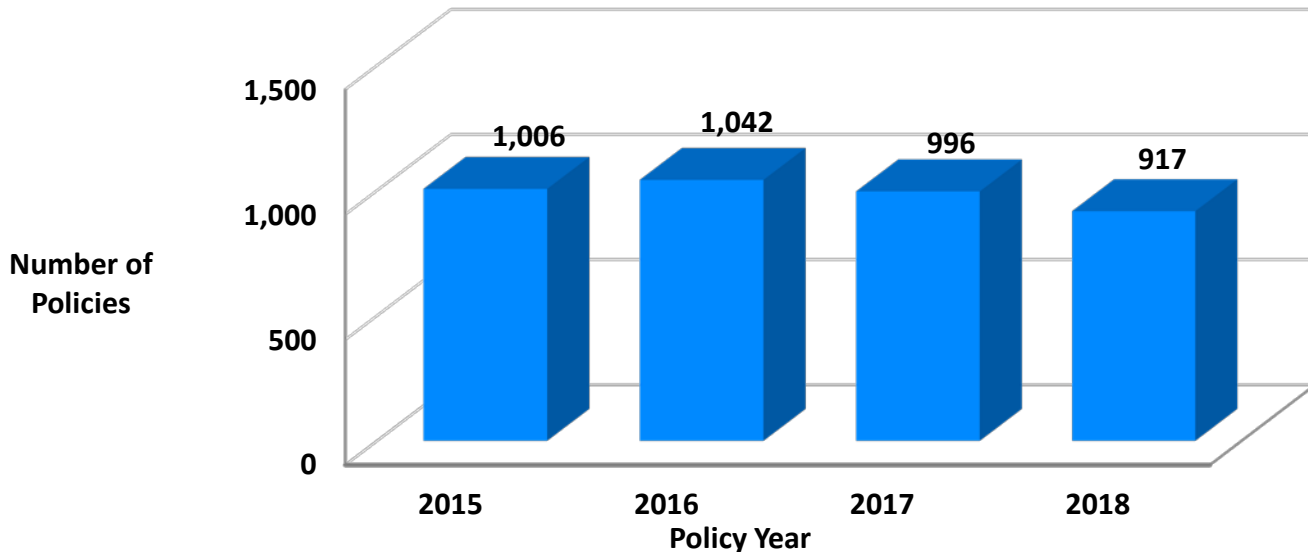


## Residual Market Demographics

### Residual Market Total Policy Counts

#### First Quarter Data for Policies Reported through March 31, 2018

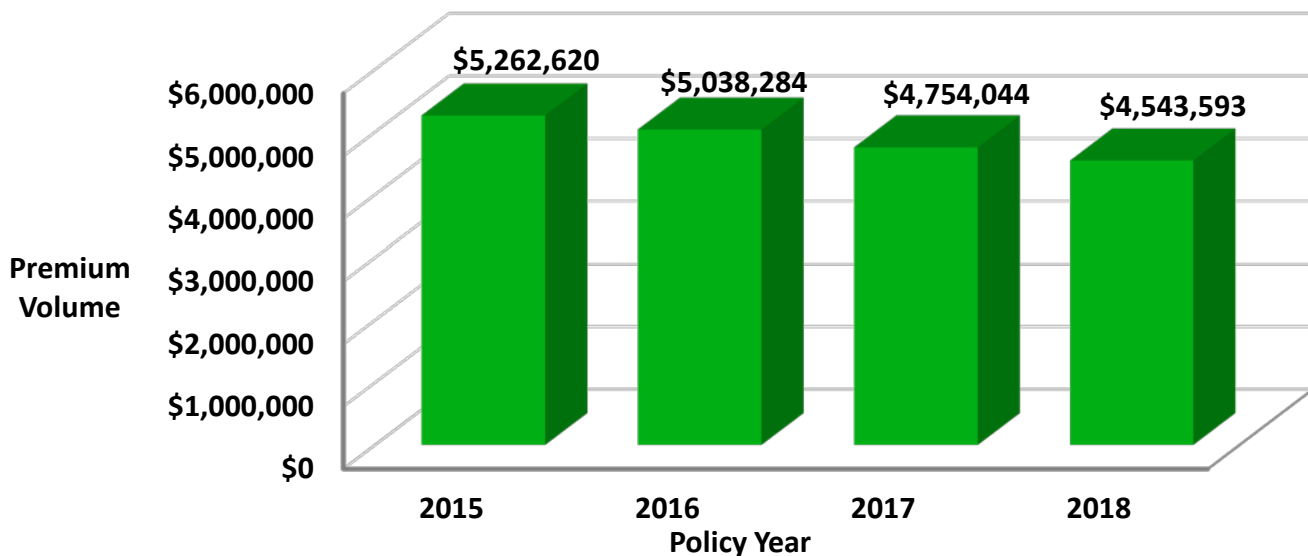
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### 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	596	65.0%	\$624,256	13.7%	\$1,047
\$2500–4999	119	13.0%	\$420,520	9.3%	\$3,533
\$5000–9999	96	10.5%	\$680,371	15.0%	\$7,087
\$10000–19999	56	6.1%	\$763,170	16.8%	\$13,628
\$20000–49999	37	4.0%	\$1,122,364	24.7%	\$30,334
\$50000–99999	12	1.3%	\$807,732	17.8%	\$67,311
\$100000–199999	1	0.1%	\$125,180	2.8%	\$125,180
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	917	100%	\$4,543,593	100%	\$4,955

### First Quarter 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	652	65.5%	\$654,992	13.8%	\$1,004
\$2500–4999	130	13.1%	\$475,624	10.0%	\$3,658
\$5000–9999	91	9.1%	\$667,440	14.0%	\$7,334
\$10000–19999	71	7.1%	\$1,015,937	21.4%	\$14,308
\$20000–49999	42	4.2%	\$1,235,530	26.0%	\$29,417
\$50000–99999	9	0.9%	\$589,636	12.4%	\$65,515
\$100000–199999	1	0.1%	\$114,885	2.4%	\$114,885
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	996	100.0%	\$4,754,044	100.0%	\$4,773



## 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	7711	Firefighters & Drivers - Volunteer	153	16.7%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	86	9.4%
3	8810	Clerical Office Employees NOC	27	2.9%
4	0913	Domestic Workers-Residences Full-Time	21	2.3%
5	0036	Farm: Dairy & Drivers	21	2.3%
6	2021	Sugar Manufacturing or Refining from Sugar Cane or Sugar Beets	19	2.1%
7	0908	Domestic Workers-Residences-Part Time	19	2.1%
8	8868	College: Professional Employees & Clerical	18	2.0%
9	7228	Trucking-Local Hauling Only-& Drivers	18	2.0%
10	8380	Automobile Service or Repair Center & Drivers	17	1.9%

### 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	7711	Firefighters & Drivers - Volunteer	\$502,807	11.1%
2	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	\$412,369	9.1%
3	7705	Ambulance Service Companies and EMS (Emergency Medical Service) Providers & Drivers	\$244,098	5.4%
4	7228	Trucking-Local Hauling Only-& Drivers	\$205,600	4.5%
5	8868	College: Professional Employees & Clerical	\$153,978	3.4%
6	6217	Excavation & Drivers	\$129,697	2.9%
7	8835	Nursing-Home Health Public and Traveling-All Employees	\$119,423	2.6%
8	7539	Electric Light or Power Co. NOC-All Employees & Drivers	\$104,138	2.3%
9	7710	Firefighters & Drivers	\$103,152	2.3%
10	5403	Carpentry NOC	\$101,337	2.2%



## 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.

**VCAP<sup>®</sup> Service**—Voluntary Coverage Assistance Program is a supplemental program to NCCI’s Workers Compensation Insurance Plan. As part of NCCI’s strategic vision of maintaining and depopulating the residual market, NCCI’s **VCAP<sup>®</sup> Service** redirects coverage opportunities for employers to voluntary market insurers, which generally provide coverage at a lower cost. **VCAP<sup>®</sup> Service** provides an additional source for producers and employers to secure voluntary workers compensation coverage prior to entering the residual market for coverage.